

Fiscal Year 2017-2018

Approved Friday, May 26, 2017

Amended and Approved Friday, July 28, 2017



Adam M. Cloud, City Treasurer and Secretary of Pension Commission

Purpose: To illustrate the budgetary income and expense items related to administration of the MERF.

	FY 2017-2018	Fiscal Year 2016-2017				FISCAL 2015-2016 Actuals
	Budget	Budget	Actual YTD As of 3/31/2017	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
REVENUE						
City Appropriations- Employer Contributions						
City (Police, Fire & Gen. Gov.)	\$ 39,089,489	\$ 37,479,000	\$ 16,729,151	\$ 33,458,301.40	\$ (4,020,699)	\$ 38,405,067
BOE	4,370,446	4,224,000	2,885,396	5,770,792.04	1,546,792	4,156,290
Library	907,794	909,000	581,520	1,163,039.76	254,040	788,601
	\$ 44,367,729	\$ 42,612,000	\$ 20,196,067	\$ 40,392,133	\$ (2,219,867)	\$ 43,349,959
City Employee Contributions						
All City Employees	11,000,000	\$ 11,000,000	\$ 8,076,578	\$ 10,499,551.80	\$ (500,448)	\$ 11,403,857
	\$ 11,000,000	\$ 11,000,000	\$ 8,076,578	\$ 10,499,552	\$ (500,448)	\$ 11,403,857
Investment Income (Other than realized and unrealized capital gains and dividends)						
Securities Lending (not including amounts reinvested)	\$ 160,000	\$ 75,000	\$ 144,221	192,295	\$ 117,295	\$ 147,407
Short term investment income (State of CT STIF)	-	-	-	-	-	-
Proceeds from Benefits Payment Fund (old Liquidity Fund)	-	-	-	-	-	-
Sale of Long Term Assets	47,000,000	70,000,000	27,000,000	36,000,000	(34,000,000)	43,000,000
Interest Income from Master Custodian (includes proceeds from BNY Mellon STIF, LISC Interest and interest swept from the fixed income portfolios)	10,500,000	10,500,000	7,526,228	10,034,971	(465,029)	10,305,201
Total	\$ 57,660,000	\$ 80,575,000	\$ 34,670,449	\$ 46,227,266	\$ (34,347,734)	\$ 53,452,608
Other Income Sources						
CMERS Transfer	\$ 150,000	\$ 150,000	\$ 1,695	\$ 2,259.96	\$ (147,740)	\$ 99,839
Buy backs, exchanges & interest	200,000	200,000	38,739	46,486	(153,514)	383,397
AETNA Annuity	80,000	80,000	37,658	45,190	(34,810)	46,522
Miscellaneous (Tax Reclaims, etc...)	-	-	-	-	-	-
Total Other Income Sources	\$ 430,000	\$ 430,000	\$ 78,092	\$ 93,936	\$ (336,064)	\$ 529,758
TOTAL REVENUE	\$ 113,457,729	\$ 134,617,000	\$ 63,021,186	\$ 97,212,887	\$ (37,404,113)	\$ 108,736,181

MERF Budget Fiscal Year 2017-2018	<u>FY 2017-2018</u>	<u>Fiscal Year 2016-2017</u>				FISCAL 2015-2016 Actuals
	Budget	Budget	Actual YTD As of 3/31/2017	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
EXPENDITURES						
<i>Investment Expenses</i>						
Investment Performance Software-(Zephyr)	17,500	17,500	12,600	16,800	(700)	16,500
Master Custodian Fees	240,000	180,000	108,629	217,258	37,258	216,219
Performance and Analytics Fees	220,000	100,000	110,111	220,221	120,221	235,223
Total Investment Expenses	\$ 477,500	\$ 297,500	\$ 231,340	\$ 454,279	\$ 156,779	\$ 467,942

EXPENDITURES	<u>FY 2017-2018</u>	<u>Fiscal Year 2016-2017</u>				FISCAL 2015-2016 Actuals
	Budget	Budget	Actual YTD As of 3/31/2017	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
<i>Investment Expenses</i>						
Investment Management / Advisory Expenses	\$ 5,500,000	\$ 5,500,000	\$ 2,142,564	4,285,127	\$ (1,214,873)	\$ 4,322,062
		<u>07/2015-6/2016</u>	<u>07/2014-6/2015</u>			
IM/A Fees		4,742,368	4,322,062			
AUM		\$ 1,026,025,243	\$ 992,093,529			
IM/A Expense ratio		0.46%	0.44%			
Operating Expense Ratio		0.31%	0.30%			
Combined Expense Ratio		0.77%	0.73%			
Fees exclude private equity, private debt and real estate funds, consistent with past practice.						

Contracted Administrative Services						
Actuarial Consultant	\$ 60,000	\$ 60,000	\$ 78,500	\$ 78,500	\$ 18,500	\$ 61,600
Outside Legal Services and Experts	1,000,000	120,000	8,552	11,403	(108,597)	62,901
Independent Audit	25,000	25,000	-	-	(25,000)	-
Alternative Investment Consultant	150,000	150,000	112,500	150,000	-	150,000
Proxy Voting Services	25,000	25,000	8,295	16,590	(8,410)	16,590
MERF Provider Searches (Master Custodian, Investment Consultant, etc.)	-	-	-	-	-	-
Fiduciary Liability Insurance	45,000	46,000	41,500	41,500	(4,500)	41,500
Other Investment Services- Consulting-(NEPC, etc.)	350,000	275,000	208,646	278,194	3,194	275,098
Lot #2 Finneman Road-Farmington	75,000	-	-	-	-	-
Asset/Liability Study	-	-	-	-	-	-
Total Contracted Administrative Services	\$ 1,730,000	\$ 701,000	\$ 457,993	\$ 576,187	\$ (124,813)	\$ 607,689

MERF Budget Fiscal Year 2017-2018	FY 2017-2018	Fiscal Year 2016-2017				FISCAL 2015-2016 Actuals
	Budget	Budget	Actual YTD As of 3/31/2017	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
EXPENDITURES						
Pension Payments						
Pension Payments						
Pensioners - Board of Education	\$ 13,506,106	\$ 13,112,724	\$ 9,395,146	\$ 12,526,861	\$ (585,863)	\$ 12,045,698
Pensioners - City	33,765,264	32,781,810	22,462,606	29,950,142	(2,831,668)	29,269,189
Pensioners - City & BOE Annuity	168,826	163,909	59,538	79,384	(84,525)	85,815
Pensioners - Fire	27,574,966	26,771,812	21,937,959	29,250,613	2,478,801	26,261,086
Pensioners - Police	32,077,002	31,142,720	25,933,056	34,577,408	3,434,688	32,710,036
Refunds of contributions, interest, etc.	1,125,509	1,092,727	1,082,190	1,442,920	350,193	1,528,355
TOTAL PAYMENTS & REFUNDS	\$ 108,217,673	\$ 105,065,702	\$ 80,870,496	\$ 107,827,328	\$ 2,761,626	\$ 101,900,178

Administrative Expenses						
Salaries and Fringe Benefits						
Treasury Office Salaries	\$ 340,000	\$ 340,000	\$ 236,228	\$ 307,096	\$ (32,904)	\$ 314,958
Treasury Office Fringe Benefits	185,000	180,000	133,933	174,112	(5,888)	173,226
Pension Commission Staff Salaries	1,185,000	900,000	528,137	686,578	(213,422)	731,362
Pension Commission Staff Fringe Benefits	644,779	535,000	353,831	459,980	(75,020)	480,021
Total Salaries and Benefits	\$ 2,354,779	\$ 1,955,000	\$ 1,252,128	\$ 1,627,767	\$ (327,233)	\$ 1,699,568

Salary increases due to the hiring of new actuary and the splitting of Plan Administrator duties
Salaries and Fringe Benefits increased-staff raises for fiscal year 2017-2018
Pension Payroll Increase-(3%-automatic)
MERF MHIS Services was also added
Increase in General Consultant fee for Private Debt and Energy sectors

MERF Budget Fiscal Year 2017-2018	FY 2017-2018	Fiscal Year 2016-2017				Budget Versus Actual & Projected (under)/over	FISCAL 2015-2016 Actuals
	Budget	Budget	Actual YTD As of 3/31/2016	Actual YTD & Projected			
EXPENDITURES							
Goods & Services							
Lease of Office Space (\$5,024.00 / MONTH)	\$ 60,300	\$ 60,200	\$ 50,240	\$ 60,288	\$ 88	\$ 60,200	
Lease Utilities (Operation & Maintenance)	-	-	-	-			
Office furniture and equipment	5,000	5,000	-	-	(5,000)	2,242	
Computers and automation upgrades	5,000	5,000	3,092	3,711	(1,289)	4,154	
Computer maintenance/Technical services	35,000	20,000	-	20,000	-	34,883	
Publications, Subscriptions and Advertising	4,000	4,000	3,795	4,554	554	1,082	
Postage & Courier	19,000	17,500	111	134	(17,366)	18,513	
Development/Printing of SPDs	3,000	3,000	-	-	(3,000)	65	
General office supplies / Photocopy Supplies	6,000	6,000	4,307	5,169	(831)	9,147	
Copier machine rental	-	-	-	-	-		
Business luncheons, dinners and travel expenses	10,000	15,000	5,498	6,598	(8,402)	6,450	
Attend Prof. Convention/Conference/Annual Meetings	10,000	20,000	4,392	5,271	(14,729)	8,212	
Medical services (IMEs)	1,500	1,500	-	-	(1,500)	-	
Professional/Membership dues	15,000	10,000	10,630	12,756	2,756	5,887	
Trustee/staff education and development (including materials and course work)	10,000	10,000	7,675	9,210	(790)	1,412	
Total Goods & Services:	\$ 183,800	\$ 177,200	\$ 89,741	\$ 127,690	\$ (49,510)	\$ 152,247	
Non-Recurring Expenses							
Automation / Data Conversion / IT Consulting	\$ 5,000	\$ 5,000	\$ 3,164	\$ 4,219	\$ (781)	\$ 4,984	
Miscellaneous (Deloitte & Haskins Tax Accountants, in-house consultant, etc.)	25,000	25,000	448	598	(24,402)	2,548	
IT-Staff Training / Development on New Systems	2,500	2,500	-	2,500	-	2,500	
Total Non-Recurring Expenses	\$ 32,500	\$ 32,500	\$ 3,612	\$ 7,317	\$ (25,183)	\$ 10,032	
TOTAL ADMINISTRATIVE EXPENSES	\$ 4,778,579	\$ 3,163,200	\$ 2,034,815	\$ 2,793,239	\$ (369,961)	\$ 2,937,477	
Total Administrative Expenses Percentage Increase	34%	-13%		-5%			
	A vs. B	B vs. D		D vs. F			
	39%	7%					
	A vs. F	B vs. F					
Variance Between Budgeted Expenses & Cap NOTE: Per Ordinance, funding for "Admin expenses" can be drawn off the annual income of the trust assets. The cap placed on this funding is the lesser of the admin expenses budgeted OR 1% of the investment market balance on the first day of the current fiscal budgeted year. 1% of the market value as of 6/30/16 was \$9,920,935. Variance = \$6,130,979							
TOTAL EXPENDITURES	\$ 112,996,252	\$ 108,228,902	\$ 82,905,311	\$ 110,620,567	\$ (2,391,665)	\$ 104,837,655	
Total Revenue - Expenses	\$ 461,477	\$ 26,388,098	\$ (19,884,124)	\$ (13,407,680)	\$ (35,012,447)	\$ (3,898,526)	