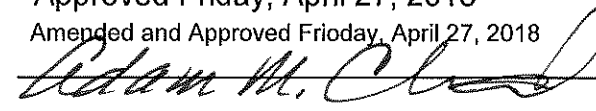


Fiscal Year 2018-2019

Approved Friday, April 27, 2018

Amended and Approved Friday, April 27, 2018



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 2018-2019	Fiscal Year 2017-2018				FISCAL 2016-2017 Actuals
	Budget	Budget	Actual YTD As of 3/31/2018	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
REVENUE						
City Appropriations- Employer Contributions						
City (Police, Fire & Gen. Gov.)	\$ 38,510,000	\$ 39,089,489	\$ 18,143,474	\$ 36,286,947	\$ (2,802,542)	\$ 38,405,067
BOE	4,780,000	4,370,446	3,217,166	4,182,316	(188,130)	4,085,588
Library	920,000	907,794	720,429	936,557	28,763	751,780
	\$ 44,210,000	\$ 44,367,729	\$ 22,081,069	\$ 41,405,821	\$ (2,961,908)	\$ 43,242,436
City Employee Contributions						
All City Employees	13,000,000	\$ 11,000,000	\$ 9,680,909	\$ 12,585,182	\$ 1,585,182	\$ 11,127,170
	\$ 13,000,000	\$ 11,000,000	\$ 9,680,909	\$ 12,585,182	\$ 1,585,182	\$ 11,127,170
Investment Income (Other than realized and unrealized capital gains and dividends)						
Securities Lending (not including amounts reinvested)	\$ 150,000	160,000	109,954	164,931	4,931	\$ 193,476
Short term investment income (State of CT STIF)	-	-	-	-	-	-
Proceeds from Benefits Payment Fund (old Liquidity Fund)	-	-	-	-	-	-
Sale of Long Term Assets	48,000,000	47,000,000	29,000,000	38,666,667	(8,333,333)	50,600,000
Interest Income from Master Custodian (includes proceeds from BNY Mellon STIF and interest swept from the fixed income portfolios)	10,500,000	10,500,000	6,786,060	10,179,090	(320,910)	10,028,024
Total	\$ 58,650,000	\$ 57,660,000	\$ 35,896,014	\$ 49,010,687	\$ (8,649,313)	\$ 60,821,499
Other Income Sources						
CMERS Transfer	\$ 150,000	\$ 150,000	\$ -	\$ -	\$ (150,000)	\$ 26,204
Buy backs, exchanges & interest	200,000	200,000	81,041	108,055	(91,945)	242,458
AETNA Annuity	40,000	80,000	28,512	38,016	(41,984)	44,301
Miscellaneous (Tax Reclaims, etc...)	-	-	-	-	-	-
Total Other Income Sources	\$ 390,000	\$ 430,000	\$ 109,553	\$ 146,071	\$ (283,929)	\$ 312,962
TOTAL REVENUE	\$ 116,250,000	\$ 113,457,729	\$ 67,767,545	\$ 103,147,761	\$ (10,309,968)	\$ 115,504,067

MERF Budget Fiscal Year 2018-2019	FY 2018-2019	Fiscal Year 2017-2018				FISCAL 2016-2017 Actuals
	Budget	Budget	Actual YTD As of 3/31/2018	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
EXPENDITURES						
<i>Investment Expenses</i>						
Investment Performance Software-(Zephyr)	17,500	17,500	12,848	17,131	(369)	16,883
Master Custodian Fees	240,000	240,000	272,070	272,070	32,070	108,629
Performance and Analytics Fees	220,000	220,000	233,672	233,672	13,672	110,111
Total Investment Expenses	\$ 477,500	\$ 477,500	\$ 518,590	\$ 522,873	\$ 45,373	\$ 235,623

EXPENDITURES	FY 2018-2019	Fiscal Year 2017-2018			FISCAL 2016-2017 Actuals	
	Budget	Budget	Actual YTD As of 3/31/2018	Actual YTD & Projected		Budget Versus Actual & Projected (under)/over
<i>Investment Expenses</i>						
Investment Management / Advisory Expenses	\$ 5,500,000	\$ 5,500,000	\$ 2,232,126	4,464,253	\$ (1,035,747)	\$ 4,283,687
		07/2015-6/2016	07/2016-6/2017			
IM/A Fees		\$ 4,322,062	\$ 4,283,687			
AUM		\$ 1,026,025,243	\$ 1,020,732,732			
IM/A Expense ratio		0.42%	0.42%			
Operating Expense Ratio		0.47%	0.26%			
Combined Expense Ratio		0.89%	0.68%			
Fees exclude private equity, private debt and real estate funds, consistent with past practice.						

Contracted Administrative Services						
Actuarial Consultant	\$ 60,000	\$ 60,000	\$ 23,700	\$ 78,500	\$ 18,500	\$ 113,500
Outside Legal Services and Experts	500,000	1,000,000	170,451	227,268	(772,732)	21,039
Independent Audit	25,000	25,000	-	-	(25,000)	-
Alternative Investment Consultant	150,000	150,000	150,000	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	55,000	45,000	56,019	56,019	11,019	41,500
Other Investment Services- Consulting (NEPC)	350,000	350,000	112,932	361,383	11,383	271,037
Lot #2 Finneman Road-Farmington	300,000	75,000	36,274	48,365	(26,635)	-
Asset/Liability Study	-	-	-	-	-	-
Total Contracted Administrative Services	\$ 1,465,000	\$ 1,730,000	\$ 557,671	\$ 938,125	\$ (791,875)	\$ 613,666

MERF Budget Fiscal Year 2018-2019	FY 2018-2019	Fiscal Year 2017-2018				FISCAL 2016-2017 Actuals
	Budget	Budget	Actual YTD As of 3/31/2017	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
EXPENDITURES						
<i>Pension Payments</i>						
Pension Payments						
Pensioners - Board of Education	\$ 13,911,289	\$ 13,506,106	\$ 9,864,081	\$ 13,152,107	\$ (353,999)	\$ 12,579,052
Pensioners - City	34,778,222	33,765,264	22,393,667	29,858,223	(3,907,041)	30,097,377
Pensioners - City & BOE Annuity	173,891	168,826	48,693	64,923	(103,903)	76,169
Pensioners - Fire	28,402,215	27,574,966	23,592,903	31,457,204	3,882,238	29,350,058
Pensioners - Police	33,039,312	32,077,002	26,979,605	35,972,807	3,895,805	34,772,362
Refunds of contributions, interest, etc.	1,159,274	1,125,509	866,502	1,155,335	29,826	1,337,442
TOTAL PAYMENTS & REFUNDS	\$ 111,464,203	\$ 108,217,673	\$ 83,745,450	\$ 111,660,600	\$ 3,442,927	\$ 108,212,458

Administrative Expenses						
<i>Salaries and Fringe Benefits</i>						
Treasury Office Salaries	\$ 340,000	\$ 340,000	\$ 209,139	\$ 271,881	\$ (68,119)	\$ 343,698
Treasury Office Fringe Benefits	167,008	180,000	115,979	150,772	(29,228)	192,410
Pension Commission Staff Salaries	900,000	1,185,000	447,996	582,395	(602,605)	699,521
Pension Commission Staff Fringe Benefits	442,080	644,779	254,312	330,606	(314,173)	447,038
Total Salaries and Benefits	\$ 1,849,088	\$ 2,349,779	\$ 1,027,426	\$ 1,335,654	\$ (1,014,125)	\$ 1,682,667

Salary decrease due to staff reduction
 Fringe Benefits decreased-FY 2018-2019 (FICA and SS Tax removed)
 Pension Payroll Increase - (3%-automatic approved by Commission April 2015)

MERF Budget Fiscal Year 2018-2019	<u>FY 2018-2019</u>	<u>Fiscal Year 2017-2018</u>				FISCAL 2016-2017 Actuals
	Budget	Budget	Actual YTD As of 3/31/2018	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
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)	-
Computers and automation upgrades	5,000	5,000	-	-	(5,000)	3,092
Computer maintenance/Technical services	35,000	35,000	-	-	(35,000)	34,883
Publications, Subscriptions and Advertising	4,000	4,000	3,202	4,270	270	4,053
Postage & Courier	19,000	17,500	140	187	(17,313)	17,836
Development/Printing of SPDs	3,000	3,000	-	-	(3,000)	-
General office supplies / Photocopy Supplies	8,000	6,000	8,276	11,035	5,035	12,398
Copier machine rental	-	-	-	-	-	-
Business luncheons, dinners and travel expenses	10,000	10,000	8,392	11,189	1,189	11,106
Attend Prof. Convention/Conference/Annual Meetings	10,000	10,000	949	1,266	(8,734)	7,438
Medical services (IMEs)	1,500	1,500	-	-	(1,500)	-
Professional/Membership dues	8,000	15,000	2,865	3,820	(11,180)	10,630
Trustee/staff education and development (including materials and course work)	10,000	10,000	5,500	7,333	(2,667)	7,675
Total Goods & Services:	\$ 178,800	\$ 182,200	\$ 79,565	\$ 99,388	\$ (82,812)	\$ 169,311
Non-Recurring Expenses						
Automation / Data Conversion / IT Consulting	\$ 7,000	\$ 5,000	\$ 1,139	\$ 1,519	\$ (3,481)	\$ 34
Miscellaneous (<i>Deloitte & Haskins Tax Accountants, in-house consultant, etc.</i>)	8,000	25,000	2,252	3,002	(21,998)	974
IT-Staff Training / Development on New Systems	2,500	2,500	-	2,500	-	2,500
Total Non-Recurring Expenses	\$ 17,500	\$ 32,500	\$ 3,391	\$ 7,021	\$ (25,479)	\$ 3,508
TOTAL ADMINISTRATIVE EXPENSES	\$ 3,987,888	\$ 4,771,979	\$ 2,186,643	\$ 2,903,061	\$ (1,868,918)	\$ 2,704,775
Total Administrative Expenses Percentage Increase	-20%	-64%		7%		
	A vs. B	B vs. D		D vs. F		
	32%	43%				
	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 6/30/17 was \$10,234,696. Variance = \$6,246,808						
TOTAL EXPENDITURES	\$ 115,452,091	\$ 112,989,652	\$ 85,932,093	\$ 114,563,661	\$ (1,574,009)	\$ 110,917,233
Total Revenue - Expenses	\$ 797,909	\$ 468,077	\$ (18,164,548)	\$ (11,415,900)	\$ (8,735,960)	\$ 4,586,834