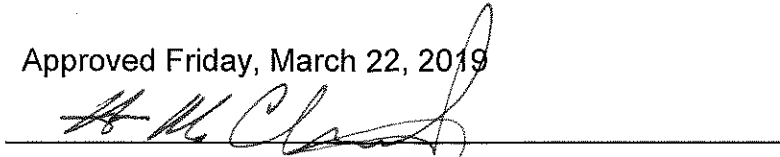


MERF Budget

FINAL

Fiscal Year 2019-2020

Approved Friday, March 22, 2019



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.

	<u>FY 2019-2020</u>	<u>Fiscal Year 2018-2019</u>				FISCAL 2017-2018 Actuals
	Budget	Budget	Actual YTD As of 2/28/2019	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
REVENUE						
City Appropriations- Employer Contributions						
City (Police, Fire & Gen. Gov.)	\$ 40,866,000	\$ 38,510,000	\$ 19,254,754	\$ 38,509,508	\$ (492)	\$ 39,089,489
BOE	5,429,000	4,780,000	3,111,740	4,759,132	(20,868)	4,578,759
Library	946,000	920,000	658,904	1,007,736	87,736	907,794
	\$ 47,241,000	\$ 44,210,000	\$ 23,025,398	\$ 44,276,375	\$ 66,375	\$ 44,576,042
City Employee Contributions						
All City Employees	14,355,386	\$ 13,000,000	\$ 8,734,577	\$ 12,616,612	\$ (383,388)	\$ 12,829,642
	\$ 14,355,386	\$ 13,000,000	\$ 8,734,577	\$ 12,616,612	\$ (383,388)	\$ 12,829,642
Investment Income (Other than realized and unrealized capital gains and dividends)						
Securities Lending (not including amounts reinvested)	\$ 150,000	150,000	115,679	173,518	23,518	\$ 177,595
Short term investment income (State of CT STIF)	-	-	-	-	-	-
Proceeds from Benefits Payment Fund (old Liquidity Fund)	-	-	-	-	-	-
Sale of Long Term Assets	48,000,000	48,000,000	28,000,000	42,000,000	(6,000,000)	46,000,000
Interest Income from Master Custodian (includes proceeds from BNY Mellon STIF and interest swept from the fixed income portfolios)	11,000,000	10,500,000	7,142,807	10,714,210	214,210	10,706,498
Total	\$ 59,150,000	\$ 58,650,000	\$ 35,258,486	\$ 52,887,729	\$ (5,762,271)	\$ 56,884,093
Other Income Sources						
CMERS Transfer	\$ 150,000	\$ 150,000	\$ 103,783	\$ 155,675	\$ 5,675	\$ 68,137
Buy backs, exchanges & interest	200,000	200,000	54,782	82,173	(117,827)	65,900
AETNA Annuity	40,000	40,000	22,304	33,457	(6,543)	37,097
Miscellaneous (Tax Reclaims, etc...)	-	-	-	-	-	-
Total Other Income Sources	\$ 390,000	\$ 390,000	\$ 180,869	\$ 271,304	\$ (118,696)	\$ 171,133
TOTAL REVENUE	\$ 121,136,386	\$ 116,250,000	\$ 67,199,331	\$ 110,052,020	\$ (6,197,980)	\$ 114,460,911

MERF Budget Fiscal Year 2019-2020	<u>FY 2019-2020</u>	<u>Fiscal Year 2018-2019</u>				2
	Budget	Budget	Actual YTD As of 2/28/2019	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	FISCAL 2017-2018 Actuals
EXPENDITURES						
<i>Investment Expenses</i>						
Investment Performance Software-(Zephyr)	17,500	17,500	8,722	17,443	(57)	17,126
Master Custodian Fees	270,000	240,000	259,919	259,919	19,919	272,070
Performance and Analytics Fees	250,000	220,000	238,323	238,323	18,323	233,672
Total Investment Expenses	\$ 537,500	\$ 477,500	\$ 506,963	\$ 515,684	\$ 38,184	\$ 522,868

EXPENDITURES	<u>FY 2019-2020</u>	<u>Fiscal Year 2018-2019</u>				
	Budget	Budget	Actual YTD As of 2/28/2019	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	FISCAL 2017-2018 Actuals
<i>Investment Expenses</i>						
Investment Management / Advisory Expenses	\$ 4,500,000	\$ 5,500,000	\$ 2,146,155	4,292,310	\$ (1,207,690)	\$ 4,535,641
		<u>07/2016-6/2017</u>	<u>07/2017-6/2018</u>			
IM/A Fees		\$ 4,283,687	\$ 4,535,641			
AUM		\$ 1,020,901,642	\$ 1,033,183,664			
IM/A Expense ratio		0.42%	0.44%			
Operating Expense Ratio		0.40%	0.29%			
Combined Expense Ratio		0.82%	0.72%			
Fees exclude private equity, private debt and real estate funds, consistent with past practice.						

Contracted Administrative Services						
Actuarial Consultant	\$ 90,000	\$ 60,000	\$ -	\$ -	\$ (60,000)	\$ 56,200
Outside Legal Services and Experts	300,000	500,000	125,982	188,973	(311,027)	249,022
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 & Cyber Security Insurance	90,000	55,000	-	-	(55,000)	56,019
Other Investment Services- Consulting (NEPC)	350,000	350,000	243,830	487,659	137,659	353,877
ICS Phase II (IT Services)	65,000	-	-	-	-	-
Lot #2 Finneman Road-Farmington	350,000	350,000	-	-	(350,000)	60,687
Asset/Liability Study	-	-	-	-	-	-
Total Contracted Administrative Services	\$ 1,445,000	\$ 1,515,000	\$ 490,607	\$ 843,223	\$ (671,777)	\$ 942,395

MERF Budget Fiscal Year 2019-2020		<u>FY 2019-2020</u>	<u>Fiscal Year 2018-2019</u>				FISCAL 2017-2018 Actuals
		Budget	Budget	Actual YTD As of 2/28/2019	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
EXPENDITURES	%-Pension Payroll by Group						
Pension Payments							
Pensioners - Board of Education	12%	\$ 14,328,628	\$ 13,911,289	\$ 9,309,658	\$ 13,964,487	\$ 53,198	\$ 13,210,676
Pensioners - City	31%	35,821,569	34,778,222	20,045,234	30,067,850	(4,710,372)	30,475,830
Pensioners - City & BOE Annuity	1%	179,108	173,891	37,060	55,590	(118,301)	64,124
Pensioners - Fire	25%	29,254,281	28,402,215	21,799,289	32,698,934	4,296,719	30,826,434
Pensioners - Police	30%	34,030,491	33,039,312	25,295,679	37,943,518	4,904,206	36,006,319
Refunds of contributions, interest, etc.	1%	1,194,052	1,159,274	593,500	890,251	(269,023)	1,259,275
TOTAL PAYMENTS & REFUNDS	100%	\$ 114,808,129	\$ 111,464,203	\$ 77,080,420	\$ 115,620,630	\$ 4,156,427	\$ 111,842,658

Administrative Expenses							
Salaries and Fringe Benefits							
Treasury Office Salaries		\$ 300,000	\$ 340,000	\$ 188,658	\$ 245,255	\$ (94,745)	\$ 276,496
Treasury Office Fringe Benefits		155,910	167,008	92,669	120,469	(46,539)	150,441
Pension Commission Staff Salaries		630,000	900,000	351,399	456,819	(443,181)	603,752
Pension Commission Staff Fringe Benefits		327,411	442,080	172,607	224,389	(217,691)	328,502
Total Salaries and Benefits		\$ 1,413,321	\$ 1,849,088	\$ 805,333	\$ 1,046,933	\$ (802,155)	\$ 1,359,191

Salary remained flat

Fringe Benefits slight increased-FY 2019-2020 (FICA and SS Tax removed)

Pension Payroll Increase - (3%-automatic approved by Commission April 2015)

MERF Budget Fiscal Year 2019-2020	FY 2019-2020	Fiscal Year 2018-2019				FISCAL 2017-2018 Actuals
	Budget	Budget	Actual YTD As of 2/28/2019	Actual YTD & Projected	Budget Versus Actual & Projected (under)/over	
EXPENDITURES						
Goods & Services						
Lease of Office Space (\$5,024.00 / MONTH)	\$ 60,300	\$ 60,300	\$ 40,192	\$ 60,288	\$ (12)	\$ 60,288
Lease Utilities (Construction, Operation & Maintenance)	100,000	-	-	-		
Office furniture and equipment	5,000	5,000	-	-	(5,000)	-
Computers and automation upgrades	5,000	5,000	2,229	3,344	(1,656)	3,092
Computer maintenance/Technical services	35,000	35,000	-	-	(35,000)	-
Publications, Subscriptions and Advertising	6,000	4,000	2,901	4,351	351	6,073
Postage & Courier	19,000	17,500	-	-	(17,500)	17,724
Development/Printing of SPDs	1,500	3,000	-	-	(3,000)	-
General office supplies / Photocopy Supplies	8,000	6,000	5,611	8,417	2,417	11,412
Copier machine rental	-	-	-	-	-	-
Business luncheons, dinners and travel expenses	10,000	10,000	2,700	4,051	(5,949)	6,999
Attend Prof. Convention/Conference/Annual Meetings	10,000	10,000	8,435	12,652	2,652	8,415
Medical services (IMEs)	1,500	1,500	-	-	(1,500)	-
Professional/Membership dues	5,000	8,000	330	495	(7,505)	4,990
Trustee/staff education and development (including materials and course work)	5,000	10,000	-	-	(10,000)	5,500
Total Goods & Services:	\$ 271,300	\$ 175,300	\$ 62,399	\$ 93,598	\$ (81,702)	\$ 124,493
Non-Recurring Expenses						
Automation / Data Conversion / IT Consulting	\$ 7,000	\$ 5,000	\$ 3,631	\$ 5,447	\$ 447	\$ 1,139
Miscellaneous (Deloitte & Haskins Tax Accountants, in-house consultant, etc.)	8,000	25,000	1,860	2,791	(22,209)	1,377
IT-Staff Training / Development on New Systems	2,500	2,500	-	2,500	-	-
Total Non-Recurring Expenses	\$ 17,500	\$ 32,500	\$ 5,492	\$ 10,737	\$ (21,763)	\$ 2,516
TOTAL ADMINISTRATIVE EXPENSES	\$ 3,684,621	\$ 4,049,388	\$ 1,870,793	\$ 2,510,176	\$ (1,539,212)	\$ 2,951,463
Total Administrative Expenses Percentage Increase	-10%	-61%		-18%		
	A vs. B	B vs. D		D vs. F		
	20%	27%				
	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 6/30/18 was \$10,331,836. Variance = \$6,647,215						
TOTAL EXPENDITURES	\$ 118,492,750	\$ 115,513,591	\$ 78,951,213	\$ 118,130,805	\$ (2,617,214)	\$ 114,794,121
TOTAL REVENUES	\$ 121,136,386					
Total Revenue - Expenses	\$ 2,643,636	\$ 736,409	\$ (11,751,882)	\$ (8,078,785)	\$ (3,580,766)	\$ (333,210)