



May 20, 2024

Board of Retirement
Ventura County Employees' Retirement Association
1190 Victoria Avenue, Suite 200
Ventura, CA 93003

SUBJECT: RECEIVE AND FILE MID-YEAR BUDGET SUMMARY FOR FISCAL YEAR 2023-24

Dear Board Members:

Executive Summary

The attached budget summaries compare the adopted budgets for respective cost centers to actual expenses incurred through December 31, 2023, as well as year-end projected expenditures based on staff's best estimate to ensure compliance with applicable Government Codes (GC) that govern the pension plan's expenses. Staff believes the year-end projected expenditures are conservative and reasonable. GC sec. 31580.2(a) limits total administrative expenses, which are direct charges against earnings of the Fund, and, in VCERA's case, may not exceed 0.21% (\$15,731,800) of the accrued actuarial liability of the system, which was \$7,491,327,000 on June 30, 2022, which the FY 2023-2024 budget is based upon. GC sec. 31580.2(b) excludes from administrative expenditures for computer software, computer hardware, and computer technology consulting services in support of these products. Finally, GC sec. 31596.1 provides that expenses of investing monies shall not be considered a cost of administration but as a reduction in earnings from those investments or a charge against the assets of the system.

In accordance with Section 15.c of the VCERA Annual Budget Policy, it is required that the Retirement Administrator provide to the Finance Committee and Board, a mid-year budget review and comments on all significant (the higher of fifteen percent or \$100,000) line-item account deviations from the adjusted budget. The mid-year review may be used to explore program initiatives for the following year. As part of our adherence to this policy, staff is providing comments on variances the higher of 15% or \$100,000.

The attached budget summaries projection comparing the adopted budgets for respective cost centers to projected expenses expected to be incurred through June 30, 2024, comply with applicable GC that governs the pension plan's expenses. Overall, the fiscal year projection is \$11.8 million or 79.5% of the budget. Currently, the Administration budgets subject to the statutory limitations are projected to be in compliance with the limitations.

The Mid-year Budget Summary was presented and reviewed by the Finance Committee at its May 13, 2024 meeting. The Finance Committee approved the staff letter, as amended for Fiscal Year 2023-24 Mid-Year Budget Summaries, authorizing staff to send this item to the Board of Retirement with a recommendation that they receive and file.

MID-YEAR BUDGET SUMMARIES FOR FISCAL YEAR 2023-24

May 20, 2024

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The following table shows the applicable GC section alongside the budget summaries used to capture projected expenditures through June 30, 2024 to demonstrate compliance.

Total Operating Budget						Adopted	Actual YTD	Variance Over/(Under)	Percent Expended
Administration - Subject to Statutory Limit						\$8,616,907	\$7,785,833	(\$831,074)	90.36%
Exempt from Statutory Limit						4,908,500	3,996,001	(912,499)	81.41%
Contingency						1,297,500	0	(1,297,500)	0.00%
Total Operating Budget						\$14,822,907	\$11,781,834	(\$3,041,073)	79.48%

Administration - Subject to Statutory Limit						Statutory Limit	Adopted	Actual YTD	Variance Over/(Under)	Percent Expended
GC 31580.2(a)						\$15,731,800	\$8,616,907	\$7,785,833	(\$831,074)	90.36%
Administrative							\$6,360,957	\$5,931,729	(\$429,228)	93.25%
I/T-Support							\$1,292,050	\$1,119,489	(\$172,561)	86.64%
Admin-Disability							\$963,900	\$734,615	(\$229,285)	76.21%

Exempt from Statutory Limit						Statutory Limit	Adopted	Actual YTD	Variance Over/(Under)	Percent Expended
GC 31580.2(b) and GC 31596.1						\$0	\$4,908,500	\$3,996,001	(\$912,499)	81.41%
Investment Expense							\$1,410,100	\$951,947	(\$458,153)	67.51%
Information Technology I/T							\$1,764,900	\$1,382,266	(\$382,634)	78.32%
Other Expenses							\$1,733,500	\$1,661,788	(\$71,712)	95.86%

The following presents key information for various categories, but staff will be pleased to provide any additional information required.

Salaries & Employee Benefits: *Overall Salaries and Employee Benefits* is projected at \$6,591,019 or 85.08% of budget, which is **under budget by approximately \$1,155,681 or 14.92%**. The fixed-term Alameda project related positions were filled in January 2024, while the Investment Officer position is projected to remain vacant the entire fiscal year. Overall, total regular salary and correlated benefits are projected not to exceed the fiscal year budget. Extra-help/temporary services line item is projected to exceed the budget by 252.59% due to the staffing requirement for the Interim Retirement Administrator from August 2023 to February 2024. The Vacation Redemption line item is projected to exceed the budget by 25.88% due to timing of staff and retirement vacation payoffs. The 401K Plan contribution is projected to exceed the budget by 60.95% attributed to the addition of Section 1907 to the County of Ventura Management, Confidential Clerical, and Other Unrepresented Employees Resolution. This section authorizes an employer contribution, starting February 9, 2024 (pay period 2024-03) and annually thereafter in the third pay period of subsequent calendar years, equal to two percent (2%) of annualized compensation to the 401(k) account of each eligible employee covered by this Resolution, which was not budgeted.

Services & Supplies: *Overall Services & Supplies* is projected at \$3,739,593 or 95.39% of budget, which is **under budget by approximately \$180,714 or 4.61%**. The Copy Machine line item is projected to exceed the budget by 83.37% due to higher than anticipated utilization. The General Liability line item is projected to exceed the budget by 108.01% due to the higher than anticipated County of Ventura Risk Management Liability Insurance and processing services, along with the Business Owner insurance premium expenses. The General Office Expense line item is projected to exceed the budget by 71.69%, in part due to providing lunch during lengthier Board meetings and employee service awards. The Building Operating Expenses are projected to exceed the budget by 89.19% due to higher than anticipated leasehold common area allocation. The Non-Capital Furniture line item is projected

to exceed the budget by 898.02%, or \$17,960, due to conference room chair replacements and new chair purchases for new staff.

Information Technology: The *Information Technology* expenditures is projected at \$1,451,224 or 78.09% of budget, which is **under budget by approximately \$407,176 or 21.91\$%**. This is primarily due to: 1) Software Licenses are lower due to the Simpler Systems reporting project extending into the next fiscal year (due to modification of the project timeline to accommodate staff bandwidth as a result of other Alameda tasks), 2) Software Support and Maintenance services are significantly lower than budgeted, primarily due to the lack of demand for these services (including Dynamics, Microsoft, and server support), 3) Website Services due to the website upgrade project with Digital Deployment progressing slower than anticipated partly due to the availability of the part-time Communications Officer and the pace of the vendor's progress, 4) V3 Software is lower due to the MBS Consulting project for Alameda (to create the data to load into V3) extending into next fiscal year, and 5) Technology Hosting lower than estimated due to a negotiated discount on VSG Hosting.

Contingency: Despite having an annual Contingency budget of \$1,297,000, the Contingency fund is not projected to be utilized. Therefore, the Contingency line item is projected at zero (\$0).

Recommended Action: Receive and File the Mid-Year Budget Projection.

While there are numerous projected line-item variances by category (Salaries and Benefits, Services and Supplies, Technology and Contingency), overall, the total current year projected to expend percent does not exceed the budget. If necessary, Staff will return to the Board after year end to request appropriation adjustments between object levels to close out the year.

Staff would be pleased to respond to any questions at today's May 20, 2024, meeting.

Sincerely,



La Valda R. Marshall
Chief Financial Officer

Attachment: FY 2023-24 Mid-Year Budget Summary