



September 30, 2024

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

**SUBJECT: RECEIVE AND FILE FISCAL YEAR 2023-24 QUARTERLY BUDGET SUMMARIES AND  
FINANCIAL STATEMENTS (UNAUDITED) FOR 4th QUARTER (ENDING JUNE 30, 2024).**

Dear Board Members:

**EXECUTIVE SUMMARY**

With respect to VCERA's operating budget, the Board adopted a total budget of \$14.8 million, inclusive of \$1.3 million Contingency, for Fiscal Year (FY) 2023-24. The operating budgets are comprised of expenditures that are subject to a statutory limitation and those that are exempt from the statutory limitation. Government Code (GC) sec. 31580.2(a) limits total administration 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 at the end of FY 2021-22. GC sec. 31580.2(b) excludes from administration expenditures for computer software, computer hardware, and computer technology consulting services in support of these products. Finally, GC sec. 31596.1 provides that the expenses of investing monies shall not be considered a cost of administration, but instead 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 quarterly budget status reports to the Finance Committee and Board, with comments on significant (the higher of fifteen percent or \$100,000) line-item account deviations from the adjusted budget. As part of adherence to this policy, staff provided comments on variances the higher of 15% or \$100,000. In addition, staff provided comments on a few other items of interest.

Staff has completed fourth quarter financials for FY 2023-24 that ended on June 30, 2024. Overall, the pension plan's net position was \$8.2 billion as of June 30, 2024 (unaudited), increasing \$664.2 million as compared to a net position of \$7.6 billion as of June 30, 2023 (audited).

The quarterly budget summaries and financial statements were presented and reviewed by the Finance Committee at its September 16, 2024 meeting. The Finance Committee approved the staff letter, as amended, for Fiscal Year 2023-24 Quarterly Budget Summaries and Financial Statements (Unaudited), authorizing staff to send this item to the Board of Retirement with a recommendation that they receive and file.

**BUDGET SUMMARIES**

The attached budget summaries compare the adopted budgets for respective cost centers to actual expenses incurred over a specific period to ensure compliance with applicable GC sections that govern

the pension plan's expenses. Overall, one hundred percent (100.00%) of the fiscal year has elapsed and actual expenditures were 77.41% of budget. Currently, the Administration budgets that are subject to the statutory limitation are in compliance with the limitation.

VCERA produces the following budget summary reports:

1. Budget Summary for All Units Combined
2. Budget Summary for Admin (Cap) Unit
3. Budget Summary for Admin IT (Cap) Unit
4. Budget Summary for Admin Disability (Cap) Unit
5. Budget Summary for Investment (Exempt from Cap)
6. Budget Summary for Information Technology (IT) (Exempt from Cap)
7. Budget Summary for Other Expenditures (Exempt from Cap)

The following table shows the applicable GC section and the attached budget summaries used to capture actual expenditures to demonstrate compliance.

		Adopted	Actual YTD	Variance Over/(Under)	Percent Expended
Total Operating Budget					
Administration - Subject to Statutory Limit		\$8,616,907	\$7,734,226	(\$882,681)	89.76%
Exempt from Statutory Limit		4,908,500	3,740,008	(1,168,492)	76.19%
Contingency		1,297,500	0	(1,297,500)	0.00%
Total Operating Budget		\$14,822,907	\$11,474,234	(\$3,348,673)	77.41%

  

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	\$7,734,226	(\$882,681)	89.76%

  

Administrative	\$6,360,957	\$5,961,512	(\$399,445)	93.72%
I/T-Support	\$1,292,050	\$1,088,718	(\$203,332)	84.26%
Admin-Disability	\$963,900	\$683,996	(\$279,904)	70.96%

  

Exempt from Statutory Limit GC 31580.2(b) and GC 31596.1	Statutory Limit	Adopted	Actual YTD	Variance Over/(Under)	Percent Expended
	\$0	\$4,908,500	\$3,740,008	(\$1,168,492)	76.19%

  

Investment Expense	\$1,410,100	\$829,438	(\$580,662)	58.82%
Information Technology I/T	\$1,764,900	\$1,311,667	(\$453,233)	74.32%
Other Expenses	\$1,733,500	\$1,598,903	(\$134,597)	92.24%

**Salaries & Employee Benefits:** Salaries and Employee Benefits, with a \$7,746,700 annual budget, *is approximately \$6,530,224 or 84.30% expended*. Overall, total regular salary and correlated benefits expensed do not exceed the fiscal year budget. Notable variances include:

1. Salaries:
  - Extra-help/Temporary Services: This line item exceeded the budget by 245.07% due to the staffing need for an Interim Retirement Administrator from August 2023 to February 2024.
2. Benefits:
  - Vacation Redemption: This line item exceeded the budget by 51.57% due to the timing of staff and retirement vacation payoffs.
  - Medical ISF-Opt. Out Contribution: This line item was not budgeted and incurred an expense of \$27,582. As a new component of the employee benefit Internal Service Fund

(ISF) rate structure, agencies are now charged an amount equal to the lowest applicable Flex Credit Allowance less the Opt-Out Allowance, as determined for each employee group, encompassing any forthcoming negotiated adjustments to these amounts. Essentially this amount represents the old Opt-Out Fee for employees who opt out of medical insurance; this used to be reported and budgeted as part of Medical Insurance but is now reported separately via its own line item.

- 401K Plan Contribution: This line item exceeded the budget by 46.28% due 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:** Service and Supplies, with a \$3,920,307 annual budget, *is approximately \$3,562,876 or 90.88% expended.* Notable variances include:

1. Professional Services:

- Board Member Stipend: This line item is under budget by 53.33% due to the reduction of board meetings from two to one per month.
- Hearing Officer: This line item is under budget by 62.23% due to lower than anticipated service needs.
- Election Services: Although not budgeted, an expense of \$29,060 was incurred due to the Alternate Safety Member Special Election. This was due to an unexpected vacancy as a result of the current member resigning in November 2023.
- Actuary – GASB 67/68: This line item is 64.27% under budget due to the GASB 68 report finalization being rescheduled for the first quarter of FY 2024-25.
- Actuarial Audit: Despite a budget of \$55,000, this line item did not incur an expense during FY 2023-24. The Actuarial Audit project is currently underway and anticipated to be completed and billed in the second quarter of FY 2024-25.

2. Training & Travel:

- Education Allowance: This line item exceeded the budget by 92.09% due to the increase in staff enrollments in higher learning and certification programs.
- Auto Allowance: This line item is 33.65% under budget due to the Retirement Administrator vacancy. The interim Retirement Administrator did not receive this Auto Allowance.

3. Office Expenses:

- Courier: Despite a budget of \$3,500, the courier services are provided to VCERA and billed under the postage line item. For FY 2024-25, VCERA is now budgeting the Courier service in the Postage line item.
- General Office Expense: This line item exceeded the budget by 106.60%, in part due to providing lunch during lengthier Board meetings and employee service awards.

4. Facilities:

- **Building Operating Expenses:** This line item exceeded the budget by 168.07% due to the higher than anticipated leasehold common area allocation. Annually, the landlord allocates the common area expense of the leased building among the current tenants. Due to existing vacancies in the building, the allocation of these expenses to each tenant has increased.
- **Non-Capital Furniture:** This line item exceeded the budget by 898.02% due to conference room chair replacements that were meant to be included in the 2019 office remodel, as well as new chair purchases for additional staff. After analyzing the budget prior to purchase, it was determined that the overall Services and Supplies category can accommodate these purchases.

5. Other:

- **General Liability:** This insurance line item exceeded the budget by 108.01% due to the higher insurance premiums. The premiums for the County of Ventura Risk Management Liability Insurance, processing services, and Business Owner Insurance increased, the result of an updated insurance application. VCERA did not make any changes to its insurance provisions.

**Information Technology:** Technology, with a \$1,858,400 annual budget, divided into two units, is **approximately \$1,381,135 or 74.32% expended**. The Admin IT (CAP) unit's budget is \$93,500, and the IT (Exempt) unit's budget is \$1,764,900. The Admin IT (CAP) unit has expensed approximately \$69,468 or 74.30% expended, while the IT (Exempt) has expensed approximately \$1,311,667 or 74.32%. Notable variances include:

1. Technology:

- **Technology Software License & Maint.:** This line item is 48.51% under budget 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 the Alameda tasks).
- **Technology Software Support & Maint.:** This line item is 89.79% under budget due to the lack of demand for these services (including Dynamics, Microsoft, and server support). Note that these items are budgeted every year in the event that unanticipated software bugs or issues arise; being under budget on this item indicates that systems ran relatively smoothly in FY 2023-24.
- **Technology Website Services:** This line item is 90.95% under budget due to the website upgrade being postponed until FY 2024-25 (it went live in September 2024).

**Contingency:** Despite an annual Contingency budget of \$1,297,000, the Contingency fund was not utilized.

## **FINANCIAL STATEMENTS**

VCERA produces the following unaudited financial statements and supporting schedules which accompany this letter.

1. Comparative Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Investments, Cash and Cash Equivalents
4. Schedule of Investment Management Fees
5. Statement of Reserves (only produced at fiscal year-end)

**Statement of Fiduciary Net Position:** This statement reports the pension plan's financial position as of a particular date and is comprised of assets, plus deferred outflows of resources, minus liabilities, minus deferred inflows of resources.

**Statement of Changes in Fiduciary Net Position:** This statement reports the pension plan's inflows and outflows of resources that increased and decreased its net position. Additions include contributions from employers and plan members, and net investment income. Deductions include benefit payments, administration, and other expenses.

**Investments, Cash and Cash Equivalents:** This schedule details investments, cash/cash equivalents for each respective investment manager.

**Schedule of Investment Manager Fees:** This schedule provides a detailed listing of fees paid to each investment manager for their respective investment mandate.

**Statement of Reserves:** This statement lists the reserves and balances of the pension plan adopted by the board of retirement that comprise the pension plan's net financial position. This statement is only produced at fiscal year-end.

As of June 30, 2024, the (unaudited), the pension plan's net position was \$8.2 billion, showing an increase of \$664.2 million compared to the audited net position of \$7.6 billion as of June 30, 2023. This increase in net position is due to an increase in assets by \$648.0 million, offset by a (\$16.2) million decrease in liabilities.

**RECOMMENDED ACTION: Receive and File the FISCAL YEAR 2023-24 QUARTERLY BUDGET SUMMARIES AND FINANCIAL STATEMENTS (UNAUDITED) for 4<sup>th</sup> Quarter (Ending June 30, 2024).**

Staff would be pleased to respond to any questions at today's September 30, 2024, meeting.

Sincerely,



La Valda R. Marshall  
Chief Financial Officer

Attachments: Budget Summaries and Financial Statements (Unaudited)