



May 20, 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)

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 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 the 2021-22 FY. 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 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 our adherence to this policy, staff is providing comments on variances the higher of 15% or \$100,000.

The attached budget summaries compare the adopted budgets for respective cost centers to actual expenses incurred through a specific period to ensure compliance with applicable GC that govern the pension plan's expenses. Overall, fifty percent (50.00%) of the fiscal year has elapsed and actual expenditures were 38.85% of budget. Currently, the Administration budgets that are subject to the statutory limitation are in compliance with the limitation.

Staff has completed second quarter financials for fiscal year (FY) 2023-24 that ended on December 31, 2023. Overall, the pension plan's net position was \$7.8 billion as of December 31, 2023 (unaudited), increasing \$223.2 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 May 13, 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 following table shows the applicable GC section and the attached budget summaries used to capture actual expenditures to demonstrate compliance.

Total Operating Budget						Adopted	Actual YTD	Variance Over/(Under)	Percent Expended
Administration - Subject to Statutory Limit						\$8,616,907	\$3,706,539	(\$4,910,368)	43.01%
Exempt from Statutory Limit						4,908,500	2,051,568	(2,856,932)	41.80%
Contingency						1,297,500	0	(1,297,500)	0.00%
Total Operating Budget						\$14,822,907	\$5,758,107	(\$9,064,800)	38.85%

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	\$3,706,539	(\$4,910,368)	43.01%
Administrative							\$6,360,957	\$2,889,124	(\$3,471,833)	45.42%
I/T-Support							\$1,292,050	\$491,700	(\$800,350)	38.06%
Admin-Disability							\$963,900	\$325,714	(\$638,186)	33.79%

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	\$2,051,568	(\$2,856,932)	41.80%
Investment Expense							\$1,410,100	\$442,154	(\$967,946)	31.36%
Information Technology I/T							\$1,764,900	\$765,023	(\$999,877)	43.35%
Other Expenses							\$1,733,500	\$844,391	(\$889,109)	48.71%

Salaries & Employee Benefits: Salaries and Employee Benefits, with a \$7,746,700 annual budget, ***is approximately \$3,093,170 or 39.93% expended.*** Overall, total regular salary and correlated benefits expensed do not exceed the fiscal year budget. Extra-help/temporary services line item did exceed the budget by 111.84% due to the Interim Retirement Administrator staffing need. Vacation redemption line item also exceeded the budget by 17.43% due to the timing of staff and retirement vacation payoffs.

Services & Supplies: Service and Supplies, with a \$3,920,307 annual budget, ***is approximately \$1,865,806 or 47.59% expended.*** Overall, the majority of the services and supplies line items do not exceed the fiscal year budget. The General Liability line item exceeded the budget by 34.47% due to the higher than anticipated County of Ventura Risk Management Liability Insurance and processing services, along with the Business Owner insurance premium expenses.

Information Technology: Information Technology (IT) units operate with a \$1,858,400 annual budget divided into two units: 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 \$491,700 or 38.06%, while the IT (Exempt) has expensed approximately \$765,023 or 43.35%. Overall, the majority of the IT line items do not exceed the fiscal year budget. At present, the expenditure for the Technology Infrastructure Support line item expense is trending high, with 78.4% of allocated budget expended. This increase is primarily attributed to the timing of the payment for the annual Gartner subscription, which covers research and related IT services.

Contingency: Despite an annual Contingency budget of \$1,297,000, the Contingency fund has not been utilized. As a result, the Contingency line item remains at the full available budget level of ***\$1,297,000***.

While there are numerous budget line-item variances by category (Salaries and Benefits, Services and Supplies, Technology and Contingency), overall, the total current year percent expended did not exceed the budget.

Financial Statements

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

1. 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 FY 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 December 31, 2023, the (unaudited), the pension plan's net position was \$7.8 billion, showing an increase of \$223.2 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 \$255.6 million, offset by a \$32.4 million increase in liabilities.

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RECOMMENDED ACTION: Receive and File the FISCAL YEAR 2023-24 QUARTERLY BUDGET SUMMARIES AND FINANCIAL STATEMENTS (UNAUDITED).

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

Sincerely,



La Valda R. Marshall
Chief Financial Officer

Attachments: Budget Summaries and Financial Statements (Unaudited)