

**NORTH DAKOTA PUBLIC EMPLOYEES RETIREMENT SYSTEM
SUPPLEMENTARY BUDGET INFORMATION
HB 1022**

Prepared January 19, 2009

IT Line Item	(actual) 05-07 Budget	(projected) 07-09 Budget	(projected) 09-11 Request	07-09 to 09-11 change	% change	Explanation
Data Processing	285,490	592,581	330,581	(262,000)	-44.21%	The data processing line item was built by forecasting our monthly activity and applying the 09-11 rates provided by ITD. The primary changes from 07-09 to 09-11 are as follows: (1) For non-mainframe activities, all but \$1900 of the rate increases projected by ITD were offset by a decrease due to the change from billing per device to a technology fee billed per FTE; (2) \$46,800 was added to the budget to reflect the hosting costs for PERSLink beginning October 2010 which was offset by a reduction of \$78,000 for mainframe costs that will no longer be necessary; (3) about \$100,000 in programming costs & CPU time was removed from the budget to more accurately reflect the reduced volume of enhancements that are being made to our legacy system. In addition, the budget was reduced by another \$120,000 to reflect how this line item is actually being drawn down this biennium which is also due to the PERSLink project.
Telephone	35,356	53,631	53,631	0	0.00%	There were no rate changes or changes in level of activity anticipated for this line item
Total	320,846	646,212	384,212	(262,000)	-40.54%	

Travel Line Item	(actual) 05-07 Budget	(projected) 07-09 Budget	(projected) 09-11 Request	07-09 to 09-11 change	% change	Explanation
Motor Pool	4,808	6,459	8,130	1,671	25.87%	The increase in the motor pool budget was strictly an increase to cover increased fuel costs based on rate projections received from the Dept of Transportation
In-state travel	3,807	4,277	4,619	342	8.00%	The increase in in-state travel costs (meals, lodging) was strictly an estimated inflationary increase

For the 07-09 biennium, we budgeted one trip each year for each board member and 11 senior staff for a total of 36 trips and in addition we added 3 trips for special initiatives (such as new national programs like HIPAA, Medicare Part D or agency initiatives such as our system replacement project, etc) that may arise and require our participation due to the effect they have on our programs. The cost of out of state travel has been about \$1,500 per trip in the 05-07 biennium and so far this biennium about \$1,650 per trip. Historically the board and staff have not been able to take the number of trips budgeted due to work commitments. We continue to budget at this level since fiduciary and technical education is important for the agency. In the 09-11 biennium we again budgeted for the 36 trips. In addition with the prospects for new federal initiatives in both the retirement and health areas we added 3 more trips to the special category increasing it from 3 to 6 and added 4 trips if needed for other staff. Total trips budgeted for the 09-11 biennium are 46 at \$1,700 per trip.

Out of state travel	48,404	62,364	78,200	15,836	25.39%
Total	57,019	73,100	90,949	17,849	24.42%

Spend down of 2007-09 budget

	Biennium To Date 12/31/2008	75.00% BUDGET	Budget Variance Favorable/ (Unfavorable)	Total Budget 2007-2009	Comments
511000 Salaries - Permanent	1,995,190	2,066,081	70,892	2,754,775	Salaries are lower than anticipated due to some staff turnover. There have been no staff vacancies since September 2008.
513000 Temporary Salaries	7,513	0	(7,513)	0	The agency incurred the expense for a temporary employee to fill in for an employee who was on a medical leave, which was not anticipated. The temporary employee has since filled the permanent position.
514000 Overtime	3,256	8,025	4,769	10,700	The 07-09 budget included additional overtime in anticipation of the extra hours staff would need to work as part of the PERSLink project. So far, most staff have elected to earn comp time, rather than take overtime pay.
516000 Fringe Benefits	717,724	758,097	40,373	1,010,796	Benefits are lower than anticipated due to staff turnover.
Total Salaries and Wages	2,723,683	2,832,203	108,521	3,776,271	

					Out of state travel is lower than anticipated. As a result of the work effort associated with the PERSLink project, staff have been unable to attend fewer conferences than expected. Also, the PERS Board has attended fewer conferences than expected.
521000 Travel	37,798	54,825	17,027	<u>73,100</u>	
531000 Supplies - IT Software	9,004	11,550	2,546	<u>15,400</u>	
532000 Supply/Material-Professional	3,571	4,913	1,342	<u>6,550</u>	
535000 Miscellaneous Supplies	711	750	39	<u>1,000</u>	
536000 Office Supplies	21,804	23,438	1,634	<u>31,251</u>	
					The majority of the large mailings for the biennium have been incurred; we expect the rate of expenditures to be lower during the last 6 months of the biennium.
541000 Postage	189,146	153,924	(35,222)	<u>205,232</u>	
					The majority of the large printing projects for the biennium have been incurred; we expect the rate of expenditures to be lower during the last 6 months of the biennium. Most of these purchases were made during the 1st year of the biennium. We do not expect to have purchases during the remainder of the biennium in excess of the budget for this line item.
542000 Printing	83,178	63,906	(19,272)	<u>85,208</u>	
551000 IT Equip under \$5,000	25,089	19,800	(5,289)	<u>26,400</u>	
553000 Office Equip & Furniture-Under	24,233	23,775	(458)	<u>31,700</u>	
571000 Insurance	3,926	3,600	(326)	<u>4,800</u>	
581000 Rentals/Leases-Equip & Other	26,363	37,500	11,137	<u>50,000</u>	New rental agreements were negotiated for our copiers which have resulted in a cost savings. The budget for rent was increased for 07-09 due to additional staff and to cover additional expenses for the PERSLink project team. The agency leased less office space than anticipated, therefore this expense is lower than anticipated.
582000 Rentals/Leases - Bldg/Land	165,444	173,751	8,307	<u>231,668</u>	
591000 Repairs	2,568	6,750	4,182	<u>9,000</u>	
					As a result of the PERSLink project, the agency has put a freeze on enhancements to the mainframe system. This has resulted in a significant reduction in programming and analyst fees.
601000 IT - Data Processing	327,238	444,436	117,198	<u>592,581</u>	
602000 IT-Communications	40,491	40,223	(267)	<u>53,631</u>	
					This line item contains funding for the PERSLink project. We anticipate that we will spend \$5.7 million in the 07-09 biennium, with the remaining appropriation authority carried over to the 09-11 biennium to complete this 3 year project.
603000 IT Contractual Services and Re	3,984,835	7,188,000	3,203,165	<u>9,584,000</u>	
611000 Professional Development	30,768	32,937	2,169	<u>43,916</u>	
					This variance is due to the OMB indirect cost allocation amount of \$14,000 which is paid at the end of each fiscal year, rather than each month. At the end of the biennium, the budget variance should be minimal.
621000 Operating Fees and Services	24,529	38,369	13,840	<u>51,159</u>	

The budget for professional services, primarily for temporary staffing, was increased for 07-09 as a result of the PERSLink project. This line item is to be used as needed to hire temporary help to assist with efforts such as data cleanup and backfile conversion. Temporary staff was not needed during the 1st year of the biennium, therefore, expenses are being incurred at a lower rate than anticipated.

623000 Fees - Professional Services	27,646	112,817	85,171	150,423
Total Operating Expenses	5,028,342	8,435,264	3,406,922	11,247,019
Total Contingency	0 N/A	N/A		250,000
Total Expenditures	7,752,024	11,267,468	3,515,443	15,273,290