In my presentation today, I’m going to offer an overview of the process that we use at PERAC.
Five Phases of the Process

- Planning
- Communication
- Budget preparation
- Approval
- Managing accounts

**Planning** is approximately 90% of the budget process. You need to know when to start the process and when it should be concluded. You need to determine what your anticipated future expenses are, including:

  - expenses of a routine and reoccurring nature such as staff salaries, printing, and equipment maintenance fees,

  and

  - expenses that are new or not expected to reoccur such as hiring temporary staff for a specific project, or hosting a seminar or relocating the office.

**Communication**, as always, is a critical part of achieving a successful outcome.

**Budget Preparation** involves soliciting recommendations/requirements from staff and management and compiling them into a spreadsheet such as EXCEL for review.

**Approval** of the budget proposal is crucial. You can’t use your fiscal roadmap successfully unless its been approved by key decision makers.

**Managing Accounts** involves monitoring spending, being aware of details, sticking to established protocols, and avoiding surprises.
Planning

• Identify current needs. Determine what you need today to do the job.
• Identify future needs.
• Establish how to get to where you have to go.

“You need to know where you are going, what you have to do to get there, and how best to continue the journey.”

James Tivnan, Deputy Chief Auditor

Identify current needs – You have to know what you need today to do the job. What costs are incurred on a regular basis? Computer-related expenses, rent, electricity, printing, etc.

Identify future needs – What routine costs will increase during the fiscal year? What new costs are you facing? Is it healthcare, maybe COLA increases, etc.
Determine when you need to begin the process. PERAC’s budget is based on a fiscal year that begins in July. We start planning in January.

**Timelines** You need to establish the timeframes for identifying costs. Make sure the decision-makers know what they are. Make sure there is plenty of time to develop accurate and complete numbers. I suggest thinking about when your budget has to be approved and working back from that date.

**Meetings** You may need to go back and forth with your board and other staff members to clarify certain expenditures. I recommend building in plenty of time to complete the process.

**Estimates based on prior years’ experience** Some numbers cannot be forecast with a great degree of certainty. You may need to go back and analyze the experience of prior years to develop a basis for making reasonable estimates.
When we prepare PERAC’s budget, we categorize our expenses by type. Retirement boards have different budget categories that I will discuss on a later slide.

**Estimated cost analysis** As I noted previously, there are some “uncertain” numbers that play into the budget. For example, medical panel costs. We cannot determine with absolute certainty the exact number of disability applications that we will process in the coming year, so we base our projections on averages taken from prior years’ experience.

**Operational costs** These are sometimes referred to as “overhead costs.” These are the expenses associated with running the office: telephones, postage, paper, cleaning, etc.
Communication
PERAC’s Internal Process

• Management furnishes budget recommendations to senior management

• Senior management presents the budget recommendations to the executive director

• The executive director and chief financial officer finalize the budget prior to Commission approval
Preparing the Budget for Retirement Boards

- All line items should be identified:
  - Board member stipend
  - Salaries
  - Fees (management, consultant, custodial)
  - Legal expenses
  - Medical expenses
  - Fiduciary insurance
  - Service contracts
  - Rent expense
  - Administrative expenses
  - Furniture & equipment
  - Service Contracts
  - Travel
Approving the Finalized Budget

- PERAC process involves:
  - Administrative Sub-Committee members
  - Commission members
  - Chairpersons of Joint Committees on Public Service & Ways and Means
  - Secretary of Administration & Finance

Local systems – staff to administrator to board to city counsel, town treasurers, etc.?
Internal Guidelines

• Internal control process
  – Signature authorizations
  – Board votes
  – Approval of purchases

After the budget has been approved, you move on to the internal control process. What does that mean?
• What is the routine for tracking expenditures?
• Have you established a protocol for approving expenditures?
• Who signs off on purchasing and payments?
• Does the board vote on expenditures that exceed certain thresholds? (i.e. any travel-related purchase over $1,000)

These are the kinds of tools that must be used to avoid problems.
Managing Accounts
Going Forward

• Distribute monthly reports to management
  – Include sufficient detail to determine year-to-date totals, monthly and quarterly analysis, % remaining
• Detect overspending early
• Identify what funding sources are available to compensate for overspending