

# OFFICE OF RETIREMENT SERVICES

## 2019-2020 Proposed Operating Budget

### OUTCOMES:

- Properly Administered Retirement Plans
- Investment of Assets to Satisfy Retirement Plans' Obligations

# 2018-2019 Accomplishments

- Completed implementation and adjustments related to the rest of the pensionable earnings corrections for the Federated System
- Went live with the new pension administration system, excluding the Measure F-related updates
- Completed 14 and partially completed 3 recommendations out of the 20 recommendations from the City Auditor's Audit of Retirement Services
- Completed hiring of new Deputy Director
- Investment Program implemented new asset allocations, as well as updated the Investment Policy Statements
- Conducted second annual joint Board-Council meeting
- Completed third annual Investment Fee Analysis reports
- Conducted Board retreat to discuss investment strategies and ways to improve operations of the pension plans

# 2019-2020 Work Plan Highlights

- Work with retirement plan actuaries to adopt appropriate rates and assumptions
- Conduct and manage over 100 board and committee meetings
- Continue to provide quality customer service to members
- Publish annual financial reports and obtain GFOA award for both CAFRs and PAFRs
- Complete implementation of the Measure-F related updates to the new pension administration system
- Continue to properly manage retirement plan assets
- Continue enhancement of member information and communication through Annual Stakeholder meetings, quarterly newsletters and targeted presentations to specific member groups, as well as hire a communications consultant
- Contract with necessary medical professionals to complete Measure F 3-doctor Board medical panel, as needed

# 2019-2020 Personnel Budget Proposals

- Make permanent limited date position for Senior Analyst in the Benefits division
- Extend limited date position for Information Systems Analyst in the IT division for one year

# 2019-2020 Comprehensive Budget Proposal

|                                     | 2018-2019<br>Adopted   | 2018-2019<br>Forecast  | 2019-2020<br>Proposed  |
|-------------------------------------|------------------------|------------------------|------------------------|
| <b>Source of Funds</b>              |                        |                        |                        |
| Beginning Balance – Claims Reserve  | \$6,005,301,000        | \$6,005,301,000        | \$6,302,041,932        |
| COLAs                               | 40,000                 | 38,741                 | 38,868                 |
| City Contributions                  | 376,197,533            | 380,058,257            | 411,516,000            |
| Participant Contributions           | 72,685,382             | 70,281,554             | 75,080,966             |
| Investment Income, net of expenses* | 324,786,076            | 324,946,585            | 341,991,346            |
| <b>Total Source of Funds</b>        | <b>\$6,779,009,991</b> | <b>\$6,780,626,137</b> | <b>\$7,130,669,112</b> |
| <b>Use of Funds</b>                 |                        |                        |                        |
| COLAs                               | 40,000                 | 38,741                 | 38,868                 |
| Benefits                            | 422,117,120            | 413,757,635            | 433,829,903            |
| Health Insurance                    | 56,492,663             | 54,534,328             | 56,662,277             |
| VEBA Withdrawals                    | 0                      | 18,900                 | 0                      |
| Personnel Service                   | 7,118,000              | 6,201,733              | 7,387,000              |
| Non-Personnel/ Equipment            | 2,624,000              | 2,283,328              | 2,816,000              |
| Professional Fees                   | 2,316,000              | 1,749,540              | 1,962,000              |
| Ending Balance – Claims Reserve     | \$6,288,302,208        | \$6,302,041,932        | \$6,627,973,064        |
| <b>Total Use of Funds</b>           | <b>\$6,779,009,991</b> | <b>\$6,780,626,137</b> | <b>\$7,130,669,112</b> |

\* Investment expenses are approximately 1% of asset size. See 2017 Annual Fee report for detail.

# ORS Proposed Administrative Budget

| Expenses                         | 2018-2019<br>Adopted<br>(A) | 2018-2019<br>Forecast<br>(B) | 2019-2020<br>Proposed<br>(C) | % Increase<br>(Decrease)<br>(A to C) | % Increase<br>(Decrease)<br>(B to C) |
|----------------------------------|-----------------------------|------------------------------|------------------------------|--------------------------------------|--------------------------------------|
| Personnel*<br>Services           | \$7,118,000                 | \$6,201,733                  | \$7,387,000                  | 3.8%                                 | 19.1%                                |
| Non-<br>Personnel /<br>Equipment | \$2,624,000                 | \$2,283,328                  | \$2,816,000                  | 7.3%                                 | 23.3%                                |
| Professional<br>Services         | \$1,878,000                 | \$1,413,270                  | \$1,607,000                  | (14.4%)                              | 13.7%                                |
| Medical<br>Services              | \$438,000                   | \$336,270                    | \$355,000                    | (18.9%)                              | 5.6%                                 |
| <b>Total</b>                     | <b>\$12,058,000</b>         | <b>\$10,234,601</b>          | <b>\$12,165,000</b>          | <b>0.9%</b>                          | <b>18.9%</b>                         |

\*The personal services costs reflected in the above table vary from the amount included in the 2019-2020 Proposed Budget due to revised salary, retirement, and benefit costs when compared to those that were approved by the Federated Retirement and the Police and Fire Retirement Boards in March.