

# Office of Retirement Services

Roberto L. Peña, Chief Executive Officer

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**P**rovide quality services in the delivery of pension and related benefits and maintain financially sound pension plans

## City Service Area

Strategic Support

## Core Services

### **Retirement Plan Administration**

Management and administration of the retirement trust funds, administration of retirement benefits, and supervision of investment assets

**Strategic Support:** Retirement Boards' Support, Training, and Contract Administration

# Office of Retirement Services

## Service Delivery Framework

PROGRAM	DESCRIPTION
<b><i>Retirement Plan Administration Core Service</i></b>	
<b>Benefits</b>	Provides retirement planning and counseling services to plan members and administers health care and other benefits for retirees and beneficiaries.
<b>Investments</b>	Manages retirement plan assets in a manner which seeks to achieve long-term net returns in excess of the actuarial investment return assumption and adopted benchmarks while maintaining a reasonable level of investment risk.
<b><i>Strategic Support Core Service</i></b>	
<b>Retirement Financial Management</b>	Prepares CAFRs for the retirement plans; runs monthly payroll for retirees and beneficiaries; manages the budget and all other financial transactions for the department.
<b>Retirement Human Resources</b>	Manages personnel-related functions for the department, including hiring, employee development, employee discipline, and personnel transactions.
<b>Retirement Information Technology</b>	Manages the Pension Administration System which houses all retirement data and runs most of the retirement business transactions; provides other information technology services, planning, system development and maintenance for the department.
<b>Retirement Management and Administration</b>	Provides executive-level, analytical, and administrative support to the department and retirement boards.

**Office of Retirement Services**  

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**Department Budget Summary**

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**Expected 2021-2022 Service Delivery**

- Manage Retirement Plans' assets and seek solutions to increase investment returns and reduce volatility and cost, while mitigating risk.
- Work with the Retirement Plans' actuaries to ensure the plans have adopted and implemented the most appropriate rates, assumptions, and methodologies to remove risk from the plans, decrease volatility, and reduce intergenerational shifting of liabilities.
- Provide quality retirement planning, counseling, and financial reporting.

**Key Budget Actions**

- Adds 1.0 Senior Investment Officer position to be the lead of the public markets function in the Investment Management Division. The addition of a Senior Investment Officer position to oversee the public markets will facilitate improved investment strategy execution, provide better supervision of public markets investment professionals, and increase communication with stakeholders.
- Deletes a 0.75 Staff Specialist PT position and adds 1.0 Staff Specialist position in the Benefits Program. The full-time position will take on expanded duties that include assisting with all the steps of the document imaging process, entering all demographic changes, and performing some of the pre-retirement processing steps.

**Operating Funds Managed**

- Federated Retiree Health Care Trust Fund
- Federated Retirement Fund
- Fire Retiree Health Care Trust Fund
- Police and Fire Retirement Fund
- Police Retiree Health Care Trust Fund

# Office of Retirement Services

## Department Budget Summary

	2019-2020 Actuals ***	2020-2021 Adopted	2021-2022 Forecast	2021-2022 Proposed
<b>Dollars by Core Service</b>				
Retirement Plan Administration	4,330,307	4,417,400	4,461,733	4,765,129
Strategic Support - City Council Appointees	2,567,742	2,640,965	2,734,880	2,734,880
Strategic Support - Other - Council Appointees	34,423	37,000	32,000	32,000
<b>Total</b>	<b>\$6,932,472</b>	<b>\$7,095,365</b>	<b>\$7,228,613</b>	<b>\$7,532,009</b>
<b>Dollars by Category</b>				
<i>Personal Services and Non-Personal/Equipment</i>				
Salaries/Benefits	6,828,381	6,958,365	7,111,613	7,415,009
Overtime	71	0	0	0
<b>Subtotal Personal Services</b>	<b>\$6,828,452</b>	<b>\$6,958,365</b>	<b>\$7,111,613</b>	<b>\$7,415,009</b>
<b>Total Personal Services &amp; Non-Personal/Equipment</b>	<b>\$6,828,452</b>	<b>\$6,958,365</b>	<b>\$7,111,613</b>	<b>\$7,415,009</b>
<i>Other Costs*</i>				
City-Wide Expenses	104,020	137,000	117,000	117,000
General Fund Capital	0	0	0	0
Housing Loans and Grants	0	0	0	0
Other	0	0	0	0
Overhead Costs	0	0	0	0
<b>Total Other Costs</b>	<b>\$104,020</b>	<b>\$137,000</b>	<b>\$117,000</b>	<b>\$117,000</b>
<b>Total</b>	<b>\$6,932,472</b>	<b>\$7,095,365</b>	<b>\$7,228,613</b>	<b>\$7,532,009</b>

\* Fund Balance, Transfers, and Reserves for funds that may be managed by this department have been excluded from this display. This information can be found in Source and Use of Funds Statements elsewhere in this document. The amounts in the 2020-2021 Adopted Budget column may vary from the published Adopted Budget due to the realignment of Other Costs (primarily City-Wide Expenses and General Fund Capital) between Departments.

\*\* The positions displayed in the 2019-2020 Actuals column reflect those included in the 2019-2020 Adopted Budget.

\*\*\* 2019-2020 Actuals may not subtotal due to rounding.

# Office of Retirement Services

## Department Budget Summary

	2019-2020 Actuals ***	2020-2021 Adopted	2021-2022 Forecast	2021-2022 Proposed
<b>Dollars by Fund</b>				
General Fund (001)	104,020	137,000	117,000	117,000
Federated Retirement Funds	3,275,000	3,480,825	3,557,539	3,709,237
Police and Fire Retirement Funds	3,547,910	3,477,540	3,554,074	3,705,772
Coronavirus Relief Fund (401)	5,542	0	0	0
<b>Total</b>	<b>\$6,932,472</b>	<b>\$7,095,365</b>	<b>\$7,228,613</b>	<b>\$7,532,009</b>
<b>Positions by Core Service**</b>				
Retirement Plan Administration	25.55	24.55	24.55	25.80
Strategic Support - City Council Appointees	14.20	14.20	14.20	14.20
<b>Total</b>	<b>39.75</b>	<b>38.75</b>	<b>38.75</b>	<b>40.00</b>

Note: The budget figures reflected in this summary account for a small portion of the total budget for the Office of Retirement Services, including the cost of the civil service positions in the Office of Retirement Services and General Fund City-Wide expenses of \$117,000. Additional budget information on the Federated and Police and Fire Retirement Funds and the Office of Retirement Services can be found in this budget document as follows:

1. Source and Use of Funds: There are five Source and Use of Funds Statements included for display purposes, consisting of Federated Retirement Fund, Federated Retiree Health Care Trust Fund, Fire Retiree Health Care Trust Fund, Police and Fire Retirement Fund, and Police Retiree Health Care Trust Fund.
2. Appendices: The approved budgets presented to the Federated Retirement System Board and the Police and Fire Plan Board are included as appendices.
3. Summary Information: A summary of the City contributions to the Retirement Funds is included in the Summary Information section of this document.

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\*\* The positions displayed in the 2019-2020 Actuals column reflect those included in the 2019-2020 Adopted Budget.

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**Office of Retirement Services**  
**Department Budget Summary**

	2019-2020 Actuals**	2020-2021 Adopted	2021-2022 Forecast	2021-2022 Proposed	2021-2022 Proposed Positions
<b>Dollars by Program*</b>					
<b>Retirement Plan Administration</b>					
Retirement Benefits	2,317,307	2,280,028	2,278,303	2,300,759	14.55
Retirement Investments	2,013,000	2,137,372	2,183,430	2,464,370	11.25
<b>Sub-Total</b>	<b>4,330,307</b>	<b>4,417,400</b>	<b>4,461,733</b>	<b>4,765,129</b>	<b>25.80</b>
<b>Strategic Support - City Council Appointees</b>					
Retirement Services Financial Management	1,095,400	1,154,007	1,191,988	1,191,988	6.45
Retirement Services Information Technology	887,700	703,388	727,064	727,064	3.45
Retirement Services Management and Administration	579,100	783,570	815,828	815,828	4.30
Retirement Services Pandemic Response	5,542	0	0	0	0.00
<b>Sub-Total</b>	<b>2,567,742</b>	<b>2,640,965</b>	<b>2,734,880</b>	<b>2,734,880</b>	<b>14.20</b>
<b>*Error: invalid cell reference*</b>					
Economic Development Ending Fund Balance	0	0	0	0	0.00
Economic Development Reserves	0	0	0	0	0.00
Fire Reserves - Community and Economic Development	0	0	0	0	0.00
Housing Ending Fund Balance	0	0	0	0	0.00
Housing Reserves	0	0	0	0	0.00
PBCE Reserves	0	0	0	0	0.00
Public Works Reserves - Community and Economic Development	0	0	0	0	0.00
<b>Sub-Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>
<b>Strategic Support - Other - Council Appointees</b>					
Retirement Services Other Departmental - City-Wide	34,423	37,000	32,000	32,000	0.00
<b>Sub-Total</b>	<b>34,423</b>	<b>37,000</b>	<b>32,000</b>	<b>32,000</b>	<b>0.00</b>
<b>Total</b>	<b>\$6,932,472</b>	<b>\$7,095,365</b>	<b>\$7,228,613</b>	<b>\$7,532,009</b>	<b>40.00</b>

\* Fund Balance, Transfers, and Reserves for funds that may be managed by this department have been excluded from this display. This information can be found in Source and Use of Funds Statements elsewhere in this document.

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# Office of Retirement Services

## Budget Reconciliation

### Personal Services and Non-Personal/Equipment (2020-2021 Adopted to 2021-2022 Proposed)

	Positions	All Funds (\$)
Prior Year Budget (2020-2021):	38.75	6,958,365
<b>Base Adjustments</b>		
<b>One-Time Prior Year Expenditures Deleted</b>		
NONE		
One-time Prior Year Expenditures Subtotal:	38.75	6,958,365
<b>Technical Adjustments to Costs of Ongoing Activities</b>		
• Salary/benefit changes		153,248
Technical Adjustments Subtotal:	0.00	153,248
2021-2022 Forecast Base Budget:	38.75	7,111,613
<b>Budget Proposals Recommended</b>		
1. Investment Program Staffing	1.00	280,940
2. Benefits Program Staffing	0.25	22,456
<b>Total Budget Proposals Recommended</b>	<b>1.25</b>	<b>303,396</b>
<b>2021-2022 Proposed Budget Total</b>	<b>40.00</b>	<b>7,415,009</b>

# Office of Retirement Services

## Budget Changes by Office Personal Services and Non-Personal/Equipment

2021-2022 Proposed Budget Changes	Positions	All Funds (\$)
<b>1. Investment Program Staffing</b>	<b>1.00</b>	<b>280,940</b>
<i>Strategic Support CSA</i> <i>Retirement Plan Administration Core Service</i> <i>Retirement Investments Program</i>		
<p>This action adds 1.0 Senior Investment Officer position to lead the public markets function in the Investment Management Division. Public pensions systems across the country including San José face considerable funding challenges going forward. This challenge is compounded by the fact that there has been an extraordinarily low interest rate environment for a decade or more. The combination of low funding levels coupled with an outlook for diminished returns has forced pension plans to adopt complex investment portfolios. Both of the San José pension boards have similarly adopted a complex investment strategy with a focus on private market and alternative investments. In order to accomplish this goal, the investment office restructured its team to better execute the strategy envisioned by the boards. Accordingly, the investment team has been separated into two distinct functional areas: private markets and public markets. Currently the private markets function is led by a Senior Investment Officer position and the public markets function is overseen by an Investment Officer position. The addition of a Senior Investment Officer position to oversee the public markets will facilitate improved investment strategy execution, provide better supervision of public markets investment professionals, and increase communication with stakeholders. This position will better align the duties and responsibilities with the more appropriate classification. The heads of public and private markets will serve as the deputies of the Chief Investment Officer. (Ongoing costs: \$280,940)</p>		
<b>2. Benefits Program Staffing</b>	<b>0.25</b>	<b>22,456</b>
<i>Strategic Support CSA</i> <i>Retirement Plan Administration Core Service</i> <i>Retirement Benefits Program</i>		
<p>This action deletes a 0.75 Staff Specialist PT position and adds 1.00 Staff Specialist position in the Benefits Program. The full-time position will take on expanded duties that include assisting with all the steps of the document imaging process, entering all demographic changes, and performing some of the pre-retirement processing steps. The addition of the full-time position will enable the Benefits Program to process the existing workload on a more timely basis. (Ongoing costs: \$22,456)</p>		
<b>2021-2022 Proposed Budget Changes Total</b>	<b>1.25</b>	<b>303,396</b>






# Office of Retirement Services

## Performance Summary

### Retirement Plan Administration

#### Performance Measures

	2019-2020 Actual	2020-2021 Target	2020-2021 Estimated	2021-2022 Target
 % of active members that feel that Retirement Services had a positive impact on their ability to make decisions to achieve retirement goals	92%	100%	95%	100%
 % of portfolios analyzed for compliance with investment policy	100%	100%	100%	100%
 % of members (active and retired) that rate department services as very good or excellent based on accuracy and usefulness of work	86%	100%	90%	100%

#### Activity and Workload Highlights

	2019-2020 Actual	2020-2021 Forecast	2020-2021 Estimated	2021-2022 Forecast
# of active and retired members surveyed	329	300	300	400
# of portfolios analyzed annually	162	200	185	190
# of agenda Board meetings	90	87	81	95
Investment committee work plan projects	58 <sup>1</sup>	50 <sup>1</sup>	66	60

<sup>1</sup> 2019-2020 Actual and 2020-2021 Forecast work plan projects reflect the Boards' delegation of authority for investment manager selection and termination to investment staff which reduced the number of recommendations evaluated by the Investment Committee.

## Office of Retirement Services

### Departmental Position Detail

Position	2020-2021 Adopted	2021-2022 Proposed	Change
Accountant I/II	1.00	1.00	-
Account Clerk II	1.00	1.00	-
Accounting Technician	1.00	1.00	-
Analyst I/II	6.00	6.00	-
Assistant Director and Chief Investment Officer	1.00	1.00	-
Department Information Technology Manager	1.00	1.00	-
Deputy Director	1.00	1.00	-
Director of Retirement Services	1.00	1.00	-
Division Manager	2.00	2.00	-
Executive Assistant U	1.00	1.00	-
Financial Analyst	1.00	1.00	-
Information Systems Analyst	1.00	1.00	-
Network Technician I/II/III	1.00	1.00	-
Office Specialist II	1.00	1.00	-
Retirement Investment Analyst I/II	2.00	2.00	-
Retirement Investment Officer	3.00	3.00	-
Retirement Investment Operations Supervisor	1.00	1.00	-
Senior Accountant	2.00	2.00	-
Senior Analyst	2.00	2.00	-
Senior Auditor	1.00	1.00	-
Senior Retirement Investment Officer	1.00	2.00	1.00
Staff Specialist	6.00	7.00	1.00
Staff Specialist PT	0.75	0.00	(0.75)
<b>Total Positions</b>	<b>38.75</b>	<b>40.00</b>	<b>1.25</b>