

# Retirement Services

## Department

Russell Crosby, Director

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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**

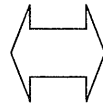
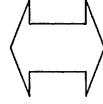
Management and administration of the retirement trust funds, administration of retirement benefits, and supervision of investment assets.

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

# Retirement Services Department

## Service Delivery Framework

Core Service
<b>Retirement Plan Administration:</b> <i>Management and administration of the retirement trust funds, administration of retirement benefits, and supervision of investment assets.</i>
<b>Strategic Support:</b> <i>Retirement Boards' support, training, and contract administration</i>



Key Operational Services
<ul style="list-style-type: none"><li>• Supervise Investment of Plan Assets</li><li>• Administer Retirement Benefits</li></ul>
<ul style="list-style-type: none"><li>• Financial Management and Contract Administration</li><li>• Information Technology</li><li>• Provide administrative support to the Retirement Boards</li></ul>

# Retirement Services Department

## Department Budget Summary

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### Expected 2011-2012 Service Delivery

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

### Impacts of 2011-2012 Budget Actions

- The reorganization of the Retirement Services Accounting Division will provide the additional and appropriate resources to properly account for up to five separate trust funds with approximately \$4.0 billion in combined plans assets.

### Operating Funds Managed

- Federated Retirement Fund
- Police and Fire Retirement Fund

# Retirement Services Department

## Department Budget Summary

	2009-2010 Actual 1	2010-2011 Adopted 2	2011-2012 Forecast 3	2011-2012 Adopted 4	% Change (2 to 4)
<b>Dollars by Core Service</b>					
Retirement Plan Administration	\$ 2,231,807	\$ 3,126,044	\$ 3,212,291	\$ 3,139,610	0.4%
Strategic Support	1,379,836	1,282,410	1,583,427	1,529,113	19.2%
<b>Total</b>	<b>\$ 3,611,643</b>	<b>\$ 4,408,454</b>	<b>\$ 4,795,718</b>	<b>\$ 4,668,723</b>	<b>5.9%</b>
<b>Dollars by Category</b>					
Personal Services	\$ 3,611,643	\$ 4,408,454	\$ 4,795,718	\$ 4,668,723	5.9%
<b>Total</b>	<b>\$ 3,611,643</b>	<b>\$ 4,408,454</b>	<b>\$ 4,795,718</b>	<b>\$ 4,668,723</b>	<b>5.9%</b>
<b>Dollars by Fund</b>					
Federated Retirement	\$ 1,808,911	\$ 2,204,382	\$ 2,397,961	\$ 2,334,448	5.9%
Police & Fire Retirement	1,802,732	2,204,072	2,397,757	2,334,275	5.9%
<b>Total</b>	<b>\$ 3,611,643</b>	<b>\$ 4,408,454</b>	<b>\$ 4,795,718</b>	<b>\$ 4,668,723</b>	<b>5.9%</b>
<b>Authorized Positions by Core Service</b>					
Retirement Plan Administration	22.98	23.23	22.25	22.25	(4.2%)
Strategic Support	10.27	10.27	11.25	11.25	9.5%
<b>Total</b>	<b>33.25</b>	<b>33.50</b>	<b>33.50</b>	<b>33.50</b>	<b>0.0%</b>

# Retirement Services Department

## Budget Reconciliation (2010-2011 Adopted to 2011-2012 Adopted)

	Positions	All Funds (\$)
<b>Prior Year Budget (2010-2011):</b>	<b>33.50</b>	<b>4,408,454</b>
<hr/> <b>Base Adjustments</b> <hr/>		
<b>Technical Adjustments to Costs of Ongoing Activities</b>		
• Salary/benefit changes and the following position reallocations:		387,264
- 1.0 Analyst to 1.0 Retirement Actuarial Analyst		
- 5.0 Retirement Investment Administrator to 5.0 Retirement Investment Officer		
<b>Technical Adjustments Subtotal:</b>	<b>0.00</b>	<b>387,264</b>
<b>2011-2012 Forecast Base Budget:</b>	<b>33.50</b>	<b>4,795,718</b>
<hr/> <b>Budget Proposals Approved</b> <hr/>		
1. Retirement Services Department Employee Total Compensation Reduction		(359,082)
2. Retirement Accounting Division Reorganization	0.00	(3,310)
3. Retirement Services Department Annual Retirement Contribution		193,770
4. Retirement Services Department Unemployment Contribution		41,627
<b>Total Budget Proposals Approved</b>	<b>0.00</b>	<b>(126,995)</b>
<b>2011-2011 Adopted Budget Total</b>	<b>33.50</b>	<b>4,668,723</b>

# Retirement Services Department

## Budget Changes By Department

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Adopted Budget Changes	Positions	All Funds (\$)
<b>1. Retirement Services Department Employee Total Compensation Reduction</b>		<b>(359,082)</b>

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**Strategic Support CSA**  
*Retirement Plan Administration*  
*Strategic Support*

As directed at the November 18, 2010, 2011-2012 Organizational and Budget Planning Special Council Meeting, the City Council approved direction for labor negotiations to achieve a 10% ongoing total employee compensation reduction for all bargaining groups and to roll back any general wage increases received in 2010-2011. Direction was also included to pursue City Auditor's recommendations for healthcare cost containment including increased cost sharing, increased co-pays, reduced health and dental in-lieu costs, and elimination of dual coverage.

For 2011-2012, agreements to achieve these compensation reductions were approved by the City Council on March 22, 2011 for the San Jose Fire Fighters, IAFF, Local 230, on April 19, 2011 for AEA, AMSP and CAMP, on May 31, 2011 for ALP and ABMEI, and on June 14, 2011 for the POA. Approval for compensation changes for Unit 99 and Units 81/82 also occurred on April 19, 2011. On May 31, 2011, the City Council approved the implementation of terms contained in the City's Last, Best, and Final Offers for the remaining bargaining groups (CEO, IBEW, MEF and OE3).

The compensation reduction actions, which vary by employee group, include: base pay reductions, reversing the additional employee contributions to retirement to offset the City's contributions, healthcare cost sharing changes (from 90% City/10% employee to 85% City/15% employee), healthcare plan design changes including increased co-pays, changes in healthcare in lieu and elimination of dual coverage. The specific actions are described in each bargaining unit's agreement, as applicable, with the City that can be found at: <http://www.sanjoseca.gov/employeerelations/labor.asp>.

These total compensation reductions generate Base Budget savings of \$74.5 million in all funds and \$58.5 million in the General Fund (including fee programs), offset by annual required retirement contributions of \$23.6 million in all funds and \$18.9 million in the General Fund, result in total net savings of \$50.9 million in all funds and \$39.6 million in the General Fund. With these compensation reductions, decreases to overhead (\$3.9 million) and other reimbursements were also approved in this budget. (Ongoing savings: \$359,082)

**Performance Results:** N/A

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<b>2. Retirement Accounting Division Reorganization</b>	<b>0.00</b>	<b>(3,310)</b>
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**Strategic Support CSA**  
*Strategic Support*

This action deletes 1.0 Accountant position, and adds 1.0 Senior Accountant position to better align staffing with the increased complexities to workload in the Accounting Services Division. In recent years, the workload of the five member accounting group has significantly increased due to additional accounting requirements issued by the Governmental Accounting Standards Board (GASB); the

# Retirement Services Department

## Budget Changes By Department

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Adopted Budget Changes	Positions	All Funds (\$)
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### 2. Retirement Accounting Division Reorganization (Cont'd.)

increased number and greater complexity of investment vehicles used as a result of Trust Fund allocation transitions; and changes in sponsor and member contributions. Also expected to impact the workload are additional accounting and reporting requirements resulting from the Dodd-Frank Wall Street Reform and Consumer Protection Act, SEC Rule 20(4-5), establishment of Retiree Healthcare Trust Funds, and regulations such as AB1743 that require reporting and analysis of placement agents. A Senior Accountant position is needed to provide leadership and assist with special projects and peak period activity in light of these reporting requirement and workload changes. (Ongoing savings: \$3,302)

#### Performance Results:

**Quality** This action will enable the Accounting Division to better meet accounting requirements.

### 3. Retirement Services Department Annual Retirement Contribution 193,770

**Strategic Support CSA**  
*Retirement Plan Administration*  
*Strategic Support*

This action increases the Retirement Services Department personal services allocation as a result of the adoption of changes by the Federated Retirement Board (Board) to the policy determining the City's share of the annual required contribution to the Federated City Employees' Retirement System (Plan). To ensure the fiscal health of the Plan, the Board adopted a policy setting the annual required contribution to be the greater of the dollar amount reported in the actuarial valuation (adjusted for interest based on the time of the contributions) or the dollar amount determined by applying the percent of payroll contribution reported in the actuarial valuation to the actual payroll for the fiscal year. Due to the contraction in City positions approved as part of the 2011-2012 Adopted Budget, with this adopted contribution methodology, the City is required to pay a minimum dollar amount regardless of the actual payroll experienced to ensure that the Plan is funded in accordance with the annual actuarial valuation. To cover these costs, total Plan contributions of \$108.4 million in all City funds and \$54.5 million in the General Fund, assuming a July 1 pre-payment, is required to be made in 2011-2012. (Ongoing costs: \$193,770)

**Performance Results:** N/A

# Retirement Services Department

## Budget Changes By Department

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Adopted Budget Changes	Positions	All Funds (\$)
<b>4. Retirement Services Department Unemployment Contribution</b>		41,627
<i>Strategic Support CSA</i>		
<i>Retirement Plan Administration</i>		
<i>Strategic Support</i>		
<p>This action increases the Retirement Services Department personal services allocation to ensure sufficient funding to the Unemployment Insurance Fund for projected unemployment insurance claims. Based on potential claims from employee separation from service and the approved federal extension of unemployment benefits up to a total of 99 weeks, an increase to the unemployment contribution was approved. To cover these costs, the total transfer of \$11.2 million across all City funds and \$8.1 million in the General Fund to the Unemployment Insurance Fund was approved. (Ongoing costs: \$0)</p>		
<b>Performance Results: N/A</b>		
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<b>2011-2012 Adopted Budget Changes Total</b>	0	(126,995)

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# Retirement Services Department

## Performance Summary

### Retirement Plan Administration

#### Performance Measures

	2009-2010 Actual	2010-2011 Target	2010-2011 Estimated	2011-2012 Target
 % of actives that feel that Retirement Services had a positive impact on their ability to make decisions to achieve retirement goals	96%	98%	95%	100%
 % of portfolios analyzed for compliance with investment policy	100%	100%	100%	100%
 % of Boards and members (active and retired) that rate department services as very good or excellent based on accuracy and usefulness of work	100%	85%	98%	100%

*Changes to Performance Measures from 2010-2011 Adopted Budget: Yes<sup>1</sup>*

<sup>1</sup> Changes to Performance Measures from 2010-2011 Adopted Budget:

- × “Administrative cost of City plans compared to similar plans” deleted; data is not available due to recent variations in public pension plan administrative cost reporting.
- × “Information needed by the Boards and members is delivered in the agreed upon timeframe” deleted; this data is difficult to measure and track, especially in light of the increase in Board members. It has been determined that the “% of Boards and members (active and retired) that rate the department services as very good or excellent based on accuracy and usefulness of work” measure provides a more meaningful indicator of the Department’s customer service.
- ⊆ “% of employees that feel that Retirement Services had a positive impact on their ability to make decisions to achieve retirement goals” was revised to “% of actives that feel that Retirement Services had a positive impact on their ability to make decisions to achieve retirement goals” to clarify what is being measured.
- ⊆ “% of employees that feel that Retirement Services had a positive impact on their ability to make decisions to achieve retirement goals” was revised to “% of actives that feel that Retirement Services had a positive impact on their ability to make decisions to achieve retirement goals” to clarify what is being measured.
- ⊆ “% of Boards and members that rate department services as very good or excellent based on accuracy and usefulness of work” was revised to “% of Boards and members (active and retired) that rate department services as very good or excellent based on accuracy and usefulness of work” to clarify what is being measured.

# Retirement Services Department

## Performance Summary

### Retirement Plan Administration

#### Activity and Workload Highlights

	2009-2010 Actual	2010-2011 Forecast	2010-2011 Estimated	2011-2012 Forecast
# of active and retired members surveyed	46	70	49	65
# of portfolios analyzed annually	77	60	77	100
# of agendized Board meetings	55	N/A*	46	34
Investment committee work plan projects	31	20	30	25

*Changes to Activity & Workload Highlights from 2010-2011 Adopted Budget: Yes!*

\* No forecast was provided in 2010-2011, as this activity and workload highlight is new for 2011-2012

<sup>1</sup> Changes to Activity and Workload Highlights from 2010-2011 Adopted Budget:

- × “Assignments by Board members completed on time” deleted; this data is difficult to measure and track, especially in light of the increase in Board members. It has been determined that the “% of Boards and members (active and retired) that rate the department services as very good or excellent based on accuracy and usefulness of work” measure provides a more meaningful indicator of the Department’s customer service.
- × “Administrative cost per \$1 million of assets” deleted; data is not available due to recent variations in public pension plan administrative cost reporting.
- × “Board’s assignments to be completed” deleted; this data is difficult to measure and track. The new “Number of agendized Board meetings” measure is intended to provide a more accurate indication of workload.
- × “Number of employees reporting a positive impact” deleted; it has been determined that this information can be derived from the “% of Boards and members (active and retired) that rate department services as very good or excellent based on accuracy and usefulness of work” and “Number of active and retired members surveyed” measures.
- × “Number of portfolios” deleted; as all portfolios are analyzed annually, the workload is already described by another performance measure.
- + “Number of agendized Board meetings” was added to provide an indicator of the Department’s workload.

# Retirement Services Department

## Departmental Position Detail

Position	2010-2011 Adopted	2011-2012 Adopted	Change
Account Clerk II	1.00	1.00	-
Accountant II	1.00	0.00	(1.00)
Accounting Technician	1.00	1.00	-
Administrative Assistant	1.00	1.00	-
Administrative Officer	1.00	1.00	-
Analyst I/II	8.00	7.00	(1.00)
Deputy Director, Federated	1.00	1.00	-
Deputy Director, Police & Fire	1.00	1.00	-
Director, Retirement Services	1.00	1.00	-
Financial Analyst	1.00	1.00	-
Information Systems Analyst	2.00	2.00	-
Network Technician II PT	0.75	0.75	-
Office Specialist II	2.00	2.00	-
Program Manager II	1.00	1.00	-
Retirement Actuarial Analyst	0.00	1.00	1.00
Retirement Investment Administrator	5.00	0.00	(5.00)
Retirement Investment Officer	0.00	5.00	5.00
Secretary	1.00	1.00	-
Senior Account Clerk	1.00	1.00	-
Senior Accountant	1.00	2.00	1.00
Senior Analyst	1.00	1.00	-
Staff Technician	1.00	1.00	-
Staff Technician PT	0.75	0.75	-
<b>Total Positions</b>	<b>33.50</b>	<b>33.50</b>	<b>0.00</b>

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