DISCUSSION SHEET

Employees' Retirement Fund
Board of Trustees Meeting

August 9, 2016

Issue: Fiscal Year 2016-2017 Budget

Attachment: Proposed 2016-2017 Budget

Discussion: The proposed FY 2016-2017 Budget is $18,887,105, a decrease of 1.0% over the FY 2016 Amended Budget.

Highlights include:

- Investment management fees decrease by -6.1% is due to a transition of assets to products with lower management fees.
- The decrease in election expense is due to only one election in the next budget year.
- Actuarial services decrease as ERF resumes standard actuarial and GASB 67/68 services this year and does not include the one time additional services related to project work for Tier B in FY 2015-2016.
- Legal fees are expected to decrease as the Fund resumes standard legal services and does not include the one time additional services related to Tier B
- Salary increase by 14.6% is due to planned addition of four people to the financial services, IT, disability and investment areas (FTE = 30)
- Merits were removed from the salary line item and placed on a separate line item which accounts for the 100% increase
- The decrease in temporary help services by -61.3% is based on our estimate for a smaller need for temporary help as the Fund becomes fully staffed.
- The increase in flexible benefits and FICWA/Medicare is based on current cost applied to all positions budgeted. Open enrollment for healthcare occurs after Oct 1 so the budget assumes all employees select the City's healthcare plan.
- Furniture, fixtures and equipment increase due to the replacement of the filing system and anticipated furniture needs with additional staff.
- Data and Telecommunication Services and Computer equipment increases are due to security enhancements related to cybersecurity and anticipated technical needs for additional staff.

In summary, the net decrease to the budget is approximately $193 thousand, which is made up of the decrease in investment management fees, legal and actuarial services an increase in capital assets and salaries and related costs as the Fund becomes fully staffed.

Recommendation: Approve the proposed budget. Suggested motion for the approval is as follows: Move approval of the proposed FY 2016-2017 Budget totaling $18,887,105 which is attached to this discussion sheet and authorize the Executive Director to administer the budget as noted below:

The Executive Director is authorized to expend, as required, up to 110% of each line item or $50,000 whichever is less of the funds appropriated herein, but in no instance is the authorization given to exceed the total budgeted for each category (Administrative, Benefits Management, Investment Management, or Capital) without Board approval.

The Executive Director is authorized to negotiate and sign contracts which are required in the conduct of Fund business and funds have been approved in this budget. This authorization is limited to $50,000 per contract.

The Executive Director is authorized to pay pensions and member refunds which are authorized by law but are not specifically included in this budget.

EMPLOYEES' RETIREMENT FUND
EXPENDITURE BUDGET

	2015/2016 Amended Budget	2015/2016 Actuals as of 6/30/2016	2016/2017 Proposed Budget	Percentage Change
ADMINISTRATIVE				
Salaries	2,228,100	1,505,617	2,553,600	14.6%
Merits	0	-	104,000	100.0%
Service Incentive Pay	1,500	1,488	1,600	6.7%
Lump Sum Pay	129,400	77,556	138,100	6.7%
Pensions	515,600	208,422	602,700	16.9%
Flexible Benefits	165,000	105,985	234,000	41.8%
FICWA/Medicare	80,000	20,857	91,700	14.6%
Workers' Compensation	8,200	160	8,200	0.0%
Temporary Help Services	240,740	221,009	93,230	-61.3%
Supplies	35,000	18,412	35,000	0.0%
Food Supplies	13,000	11,606	15,000	15.4%
Meter Postage	50,000	35,540	50,050	0.1%
Reference Books	0	-	0	0.0%
Printing	57,500	46,831	55,800	-3.0%
City Forces	5,000	-	5,000	0.0%
Copier	13,358	5,910	20,000	49.7%
Property Insurance	0	-	0	0.0%
Liability Insurance	177,400	173,227	180,000	1.5%
Membership Dues	23,698	12,356	20,000	-15.6%
Subscriptions	4,300	3,998	4,300	0.0%
Professional Development/Travel	152,000	101,684	140,000	-7.9%
Reimbursement for Vehicle Use	300	292	500	66.7%
Data and Telecommunications Services	92,278	85,239	150,000	62.6%
Rent	270,000	194,098	270,000	0.0%
Parking and Public Transportation	35,500	31,958	36,595	3.1%
Indirect Cost	0	-	0	0.0%
Legal	650,000	558,497	600,000	-7.7%
Accounting	60,000	46,666	60,000	0.0%
Audit	60,000	33,725	50,000	-16.7%
Actuary	115,000	71,919	71,000	-38.3%
Election	18,000	14,915	9,700	-46.1%
Other	20,000	19,081	20,000	0.0%
Total	**5,220,874**	**3,607,047**	**5,620,075**	7.6%
BENEFITS MANAGEMENT				
Disabilities/Continuations/Etc	16,000	4,375	16,000	0.0%
Pension Benefit Information	1,500	-	1,500	0.0%
Communications	0	-	0	0.0%
Total	**17,500**	**4,375**	**17,500**	0.0%
INVESTMENTS MANAGEMENT				
Manager Fees	13,138,800	7,651,365	12,336,530	-6.1%
Investment Consultant	340,000	170,000	348,000	2.4%
Custodial Fees	210,000	176,393	210,000	0.0%
Total	**13,688,800**	**7,997,759**	**12,894,530**	-5.8%
CAPITAL				
Furniture, Fixtures, Equipment	40,000	973	160,000	300.0%
Computer Equipment	113,800	80,330	195,000	71.4%
Total	**153,800**	**81,303**	**355,000**	130.8%
Total Budget and Expenditures	**19,080,974**	**11,690,484**	**18,887,105**	-1.0%