DISCUSSION SHEET

Employees' Retirement Fund
Board of Trustees Meeting

August 20, 2018

Issue: Fiscal Year 2018-19 Budget

Attachment: Proposed ERF FY 2018-19 Budget

Discussion: The fiscal year budget is from 10/1/18 to 9/30/19. The proposed FY 2018-19 budget is $23,069,600 which includes recurring expenditures and special projects. The recurring expenditures are the operating costs and investment fees of the Fund. The recurring costs for FY 18-19 are $20,135,600 which is a 3.3% increase over the prior year.

The special projects category includes the upgrade of the pension accounting system. The upgrade is scheduled to be completed by the summer of 2020. The cost for the Special Projects in the 2018-19 budget is $2.93 million.

The FY 2019-20 budget is for illustrative purpose only. The board will review and approve the 2019-2020 budget in the summer of 2019. The budget is presented to show that the expectation is that recurring fund expenditures are expected to increase less than 4% and special projects will have the remaining upgrade cost of $1.63 million.

Highlights include:

- Personnel costs are projected to increase primarily due to filling vacant positions and to fund a full year of merits.
- Printing costs were higher in FY 2017-18 due to the move to 1920 McKinney, and are projected to decrease in FY 2018-19.
- Copier costs are projected to increase due to moving from the Xerox contract to Canon and adding additional copiers.
- Membership Dues is projected to increase due to reclassification of certain Subscriptions to Membership Dues. The Subscription line has decreased to reflect the reclassification.
- Data and Telecommunications Services will remain flat in FY 2018-19, and increase in FY 2019-20 for the new pension software annual license.
- Parking is included in the rent for 1920 McKinney, resulting in a decrease in the budget for Parking.

- Election costs are projected to decrease due to one fewer election in FY 2018-19.
- Increased requests and associated costs for processing disability benefits resulted in an increase to the Disabilities/Continuations/Etc. budget.
- Investment management fees increased by 3.6% due to an increase in assets under management.
- Investment Consultant & Services includes a subscription to Bloomberg for FY2018-19.
- Capital Expenditures are projected to decrease 60% due to the completion of the office relocation, then remain flat.
- Special projects category includes projects with a defined time period and cost. This category includes the pension system upgrade.

In summary, the net increase to the budget is $932,200, which includes an increase to Special Projects of $284,000 for the pension system

Recommendation: Approve the proposed budget for FY 2018-19. Suggested motion for the approval is as follows: Move approval of the proposed FY 2018-19 budget totaling $23,069,600 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, Investments Management, Capital, or Special Projects) 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

	Actual Expenditures		Amended Budget	YTD Expenditures	Proposed Budget		Percent Increase	
	FY 2015-16	FY 2016-17	FY 2017-18	Thru 6/30/18	FY 2018-19	FY 2019-20	Amended FY 2017-18 vs FY 2018-19	Proposed FY 2018-19 vs 2019-20
ADMINISTRATIVE								
Salaries	2,097,358	2,376,792	2,655,600	1,842,022	2,805,100	2,947,233	5.6%	5.1%
Merits	0		0	0	106,600	109,265		2.5%
Service Incentive Pay	1,488	1,584	1,900	1,872	2,600	2,665	36.8%	2.5%
Lump Sum Pay	77,556	92,776	120,000	119,643	164,900	169,023	37.4%	2.5%
Pensions	290,260	339,050	613,900	261,180	661,000	677,525	7.7%	2.5%
Flexible Benefits	152,689	150,128	241,800	132,338	210,100	215,353	-13.1%	2.5%
FICWA/Medicare	29,115	32,827	41,600	25,388	42,300	43,358	1.7%	2.5%
Workers' Compensation	160	228	8,200	1,502	8,200	8,200	0.0%	0.0%
Temporary Help Services	305,305	200,602	245,000	133,459	251,600	251,600	2.7%	0.0%
Supplies	22,585	26,626	34,400	26,626	35,000	37,000	1.7%	5.7%
Food Supplies	14,955	12,904	25,000	15,101	25,000	25,000	0.0%	0.0%
Meter Postage	48,454	67,023	50,000	31,684	50,000	50,000	0.0%	0.0%
Printing	57,578	48,287	72,000	60,306	65,000	65,000	-9.7%	0.0%
City Forces	0	0	0	0	0	0		
Copier	8,865	10,232	4,000	1,008	13,400	15,000	235.0%	11.9%
Property Insurance	0	0	1,200	1,780	8,000	8,000	566.7%	0.0%
Liability Insurance	173,227	151,177	160,000	154,498	160,000	165,000	0.0%	3.1%
Membership Dues	13,847	16,281	20,000	15,093	22,800	23,000	14.0%	0.9%
Subscriptions	4,050	5,666	4,300	1,239	1,900	1,900	-55.8%	0.0%
Professional Development/Travel	138,868	173,239	180,000	122,078	180,000	180,000	0.0%	0.0%
Reimbursement for Vehicle Use	556	537	500	208	500	500	0.0%	0.0%
Data and Telecommunications Services	143,135	174,144	316,000	144,083	316,000	464,605	0.0%	47.0%
Rent	254,630	278,662	445,000	304,005	435,000	440,000	-2.2%	1.1%
Parking and Public Transportation	38,593	45,115	19,000	15,047	10,000	10,000	-47.4%	0.0%
Indirect Cost	0	0	0	0	0	0		
Legal	737,321	771,954	450,000	321,989	450,000	500,000	0.0%	11.1%
Accounting	60,666	51,333	60,000	46,668	61,800	63,700	3.0%	3.1%
Audit	43,725	45,100	50,000	10,000	47,900	49,300	-4.2%	2.9%
Actuary	114,997	99,537	71,000	60,877	73,100	75,300	3.0%	3.0%
Election	14,915	0	28,500	0	14,300	14,300	-49.8%	
Other	19,581	0	20,000	15,000	20,000	20,000	0.0%	0.0%
Total Administrative	**4,864,479**	**5,171,804**	**5,938,900**	**3,864,694**	**6,242,100**	**6,631,826**	**5.1%**	**6.2%**
BENEFITS MANAGEMENT								
Disabilities/Continuations/Etc	5,532	10,125	15,000	7,944	25,000	25,000	66.7%	0.0%
Pension Benefit Information	0	121	1,500	0	1,000	1,000	-33.3%	0.0%
Total Benefits Management	**5,532**	**10,246**	**16,500**	**7,944**	**26,000**	**26,000**	**57.6%**	**0.0%**
INVESTMENTS MANAGEMENT								
Manager Fees	11,250,482	11,437,394	12,650,000	8,370,986	13,100,000	13,500,000	3.6%	3.1%
Investment Consultant & Services	255,000	346,250	360,000	265,000	407,500	407,500	13.2%	0.0%
Custodial Fees	184,128	201,922	272,000	130,867	260,000	260,000	-4.4%	0.0%
Total Investments Management	**11,689,610**	**11,985,566**	**13,282,000**	**8,766,853**	**13,767,500**	**14,167,500**	**3.7%**	**2.9%**
CAPITAL								
Furniture, Fixtures, Equipment	52,057	116,156	125,000	93,107	50,000	50,000	-60.0%	0.0%
Computer Equipment	101,006	327,522	125,000	86,072	50,000	50,000	-60.0%	0.0%
Total Capital	**153,063**	**443,678**	**250,000**	**179,179**	**100,000**	**100,000**	**-60.0%**	**0.0%**
TOTAL RECURRING	**16,712,684**	**17,611,294**	**19,487,400**	**12,818,670**	**20,135,600**	**20,925,326**	**3.3%**	**3.9%**
SPECIAL PROJECTS			2,650,000	1,573,638	2,934,000	1,628,456	10.7%	-44.5%
TOTAL BUDGET	**16,712,684**	**17,611,294**	**22,137,400**	**14,392,308**	**23,069,600**	**22,553,782**	**4.2%**	**-2.2%**