

**POLICE AND FIRE DEPARTMENT
RETIREMENT PLAN
FISCAL YEAR 2017-2018
ADMINISTRATIVE BUDGET
PROPOSAL**

March 2, 2017

2017–2018 Budget at a Glance

- ▶ Development of the budget
- ▶ Proposed administrative budget
- ▶ Personnel services analysis
- ▶ Non–personnel/equipment analysis
- ▶ Professional services analysis
- ▶ Medical services analysis
- ▶ Analysis and comparisons to other CA plans
- ▶ Comparison of Bay Area plans

Development of the Police & Fire Department Retirement Plan's FY 2017-18 Budget

The Administrative Budget is categorized into the following line items:

- ▶ **Personnel services** – 50% of the Office of Retirement Services direct staff labor costs including salary and benefits based on the City's Budget Office labor reports, except for Investments staff which is split based on market value (60% PF and 40% Fed).
- ▶ **Non-personnel/equipment** – administrative overhead cost such as rent, supplies, equipment, etc., excluding professional services.
- ▶ **Professional services** – non-investment professional services including actuarial, legal, IT and other professional consulting services.
- ▶ **Medical services*** – this represents an estimate for a contracted medical advisor and other independent medical examiners.

The Administrative Budget does **NOT** include investment professional services, consultants and investment manager fees and capitalized items.

* This was a medical director and staff prior to the FY16-17 budget.

Police & Fire Proposed Budget for FY 2017–2018

The following is a comparison of previous fiscal year actual figures, current year adopted budget and forecast, and proposed next year budget:

Expenses	2015– 2016 Actual (A)	2016– 2017 Adopted (B)	2016– 2017 Forecast (C)	2017–2018 Proposed ⁽¹⁾ (D)	% Increase (Decrease) (B to D)	% Increase (Decrease) (C to D)
Personnel Services	\$2,930,849	\$3,496,700	\$3,114,558	\$4,056,000	16.0%	30.2%
Non-Personnel / Equipment	615,279	1,494,000	990,772	1,419,300	(5.0%)	45.6%
Professional Services	770,671	1,238,500	898,599	1,020,700	(17.6%)	13.6%
Medical Services	76,902	250,000	248,850	538,000	115.2%	116.2%
Total	\$4,393,701	\$6,479,200	\$5,252,779	\$7,034,000	8.6%	34.3%

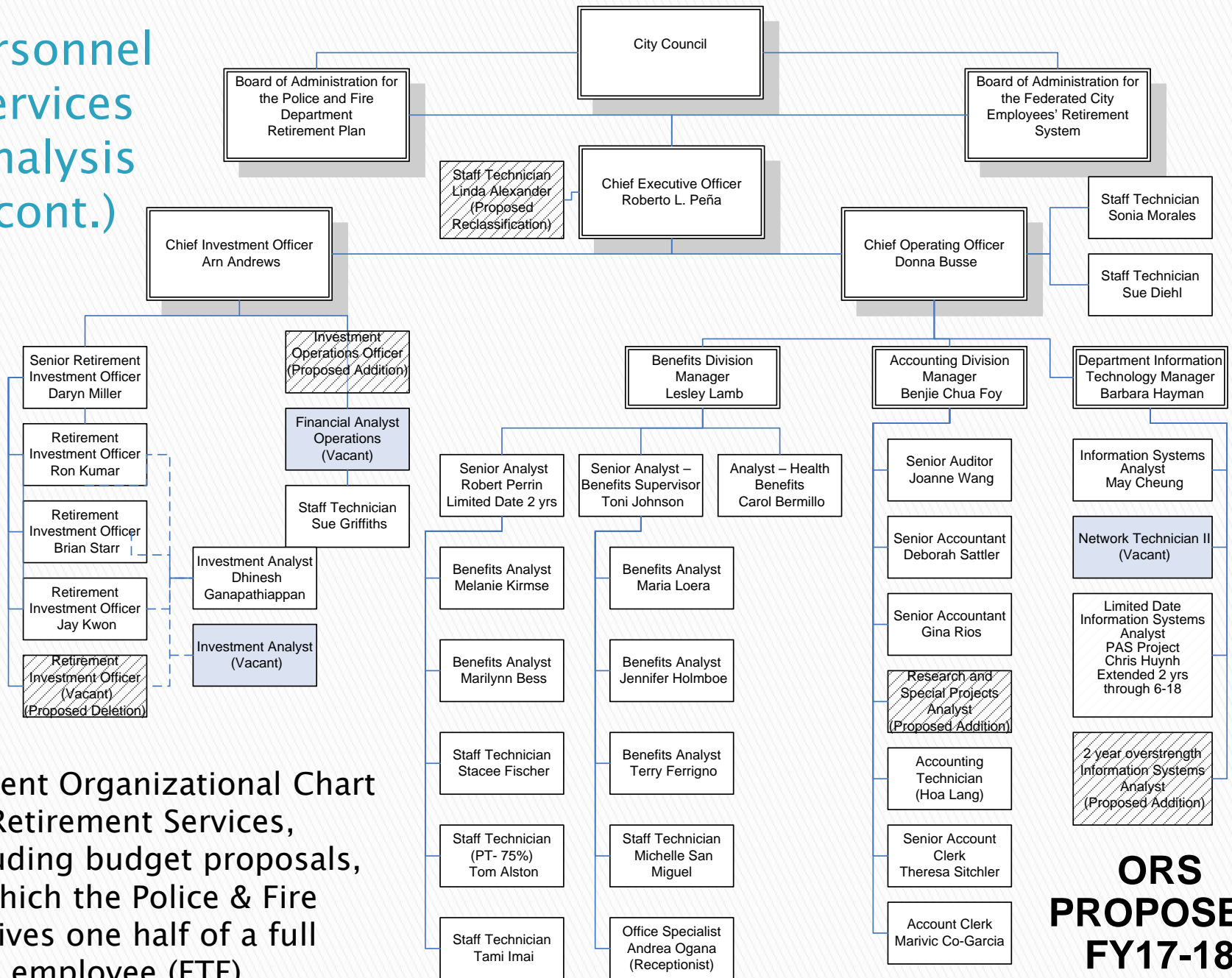
⁽¹⁾ – Detail for changes provided in the following slides

Personnel Services Analysis

Expenses	2015– 2016 Actual (1)	2016– 2017 Adopted (2)	2016– 2017 Forecast (3)	2017– 2018 Proposed (4)	% Increase (Decrease) (2 to 4)	% Increase (Decrease) (3 to 4)
Personnel Services	\$2,930,849	\$3,496,700	\$3,114,558	\$4,056,000	16.0%	30.2%
Authorized positions for both plans	39.75	39.75	39.75	41.75	2.0	2.0
Full time employee (FTE) allocated to Plan	19.875	19.875	19.875	20.875	1.0	1.0
Actual filled FTEs for both plans	33.75		37.75			
FTEs allocated to Plan	16.875		18.875			

- ▶ Personnel Services increased from last year’s budget due to:
 - Increased fringe benefits costs based on City Budget Office labor distribution report, proposed net staff additions and reallocation of Investments staff 60/40 based on plan assets
 - Proposals for FY17–18 included in budget
 - 2 year overstrength Information Systems Analyst for the PAS project and succession planning
 - Special Projects and Research Analyst to assist with pensionable earnings corrections, PRAs and other special projects
 - Reclassification of Staff Tech to Executive Assistant to CEO to better align current staff’s work duties
 - Reclassification of Retirement Investments Officer to Investments Operations Officer to better align investments and operational duties of Investments program

Personnel Services Analysis (cont.)



Current Organizational Chart for Retirement Services, including budget proposals, of which the Police & Fire receives one half of a full time employee (FTE)

**ORS
PROPOSED
FY17-18**

Non-Personnel/Equipment Analysis

Expenses	2015-2016 Actual (1)	2016-2017 Adopted (2)	2016-2017 Forecast (3)	2017-2018 Proposed (4)	% Increase (Decrease) (2 to 4)	% Increase (Decrease) (3 to 4)
Non-personnel/Equipment	\$615,279	\$1,494,000	\$990,772	\$1,419,300	(5.0%)	45.6%

- ▶ Non-Personnel/Equipment decreased from prior year mainly due last year including both the risk management database and interim services provided by State Street. This year includes three months of risk management services from State Street but still a full year of performance, compliance and attribution analytics.
- ▶ Proposals for prior year that have been carried forward to this current year:
 - Transition from State Street risk services to new risk management system and advisory services – \$445K total (\$223K per plan)
 - Performance, compliance and attribution analytics services from State Street – \$260K total (\$130k per plan)
 - Website overhaul project for \$60,000 (\$30K per plan)
 - Granicus voting system for \$50,000 (\$25k per plan)

Non-Personnel/Equipment Analysis (cont.)

Below is a list of major non-personnel/equip. categories and budget amounts

Minor Budget Category	2017-2018 Budget Basis	FY17-18 Proposed Budget Amount
Data processing	Investments data processing Abel/Noser, BCA Research, Bloomberg, eVestments and Klarifyfx; and benefit consultant fees. Also includes proposed risk management database and State Street services for performance analysis and risk management services.	\$578,000
Rent	Rent for Office of Retirement Services (ORS) based on lease amount, as well as CAM and amortization of construction costs for consolidation	200,000
Insurance	Fiduciary and commercial liability Insurance	180,000
IT hardware / software	Includes proposed website overhaul and yearly PC replacements	133,800
LRS - annual maintenance fee	Pension administration system annual maintenance fee based on contract amount	105,000
Postage and printing	Postage, shipping and printing costs for open enrollment, Choices mailings and other communication	105,000
Training/Travel	Board and staff travel including conferences, roundtables, due diligence, etc.	70,000
Other non-personnel and equipment	Includes lease, printing, mileage, communication, dues and subscriptions, equipment/furniture, training, supplies, etc.	47,500
NON-PERSONNEL / EQUIPMENT TOTAL		\$1,419,300

Professional Services Analysis

Expenses	2015-2016 Actual (1)	2016-2017 Adopted (2)	2016-2017 Forecast (3)	2017-2018 Proposed (4)	% Increase (Decrease) (2 to 4)	% Increase (Decrease) (3 to 4)
Professional Services	\$770,671	\$1,238,500	\$898,599	\$1,020,700	(17.6%)	13.6%

- ▶ Professional Services decreased from last year's budget due to netting of the following changes:
 - Cheiron services decreased by \$45,000 based on netting of increase in services in new contract and reduction of \$75,000 from actuarial audit costs
 - Ice Miller was reduced by \$12,500 to be in line with past two years' average
 - Saltzman & Johnson was reduced by \$69,000 to be in line with past two year's average
 - Reduction in temp services by \$60,000 due to request for Project and Research Analyst which has been a temporary position for the past two years

- ▶ Other considerations
 - The cost associated with the new PAS, that were previously approved by the Board, are NOT included in the budget as those costs will be capitalized.

- ▶ The following slide is a list major professional services categories, budget basis and budget amounts.

Professional Services – Other Analysis (cont.)

Below is a list of major professional services categories and budget amounts

Minor budget category	2017–18 Budget Basis	FY17–18 Budget Amount
Legal	Legal services provided by Reed Smith, Saltzman and Johnson and Ice Miller LLP – note this budget line excludes investment legal.	\$ 475,000
Actuary	Annual valuation for Pension & OPEB, possible Measure B costs as well as PAS consultation	230,000
Other Professional Services	Includes CAFR design cost, retiree education, board stipends, retiree search agency, governance services, contingency amount, etc.	103,200
Temp Agencies	Temporary staffing to fill vacant positions and to assist IT with PAS implementation	90,000
Audit	Annual Financial audit agreement amount plus other services	70,000
Pension Admin System (PensionGold)	Ad hoc web changes billed per hour; BCP Monthly charge; Ad hoc change request enhancements, Web Hosting Fee Monthly charge	52,500
	PROFESSIONAL SERVICES OTHER BUDGET TOTAL	\$1,020,700

Medical Services Analysis

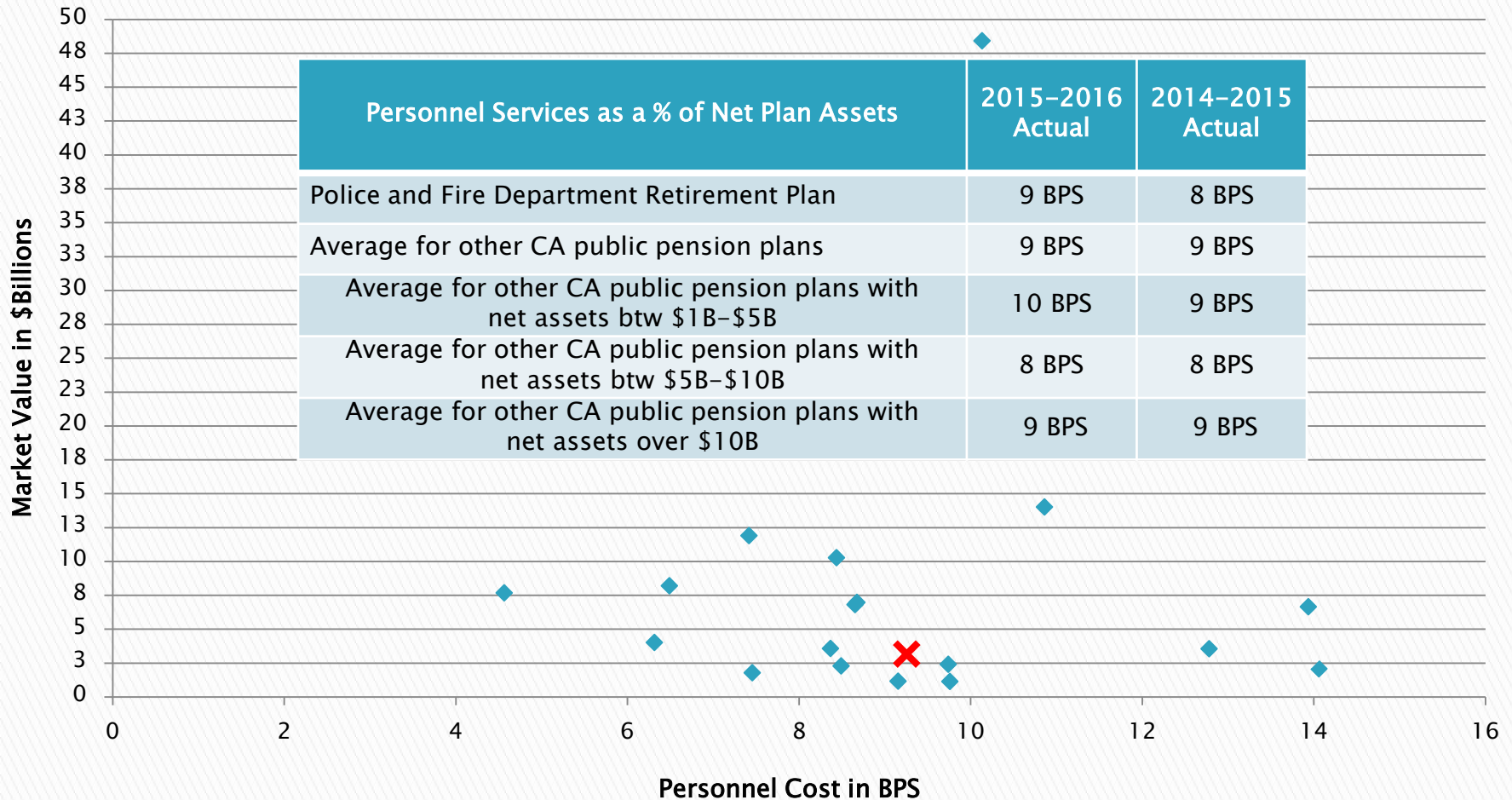
Expenses	2015-2016 Actual (1)	2016-2017 Adopted (2)	2016-2017 Forecast (3)	2017-2018 Proposed (4)	% Increase (Decrease) (2 to 4)	% Increase (Decrease) (3 to 4)
Medical Services	\$76,902	\$250,000	\$248,850	\$538,000	115.2%	116.2%

- ▶ Medical services more than doubled from last year due to increased estimate in number of cases as well as cost of medical services providers.
- ▶ Other considerations:
 - No longer having a City employee providing medical services
 - Outside advisor is more expensive
 - Based on estimate of having 7 cases per month for the medical advisor and 84 cases annually for the other independent medical examiners
- ▶ Below is a summary of medical services provided:
 - Obtain medical information from disability applicants, attorneys and workers' compensation
 - Review all medical reports received
 - Refer to independent medical examiners
 - Summarize relevant medical information and prepare medical report regarding causation, disability, and medical support of injury
 - Attend monthly Disability Committee hearings

Personnel Services Analysis – in BPS (cont.)

Personnel Expense in BPS of Market Value of Assets – Actual as of 6/30/16 or most recent financial statement ⁽¹⁾

“X” below represents the Police & Fire Plan, \$2,930,849

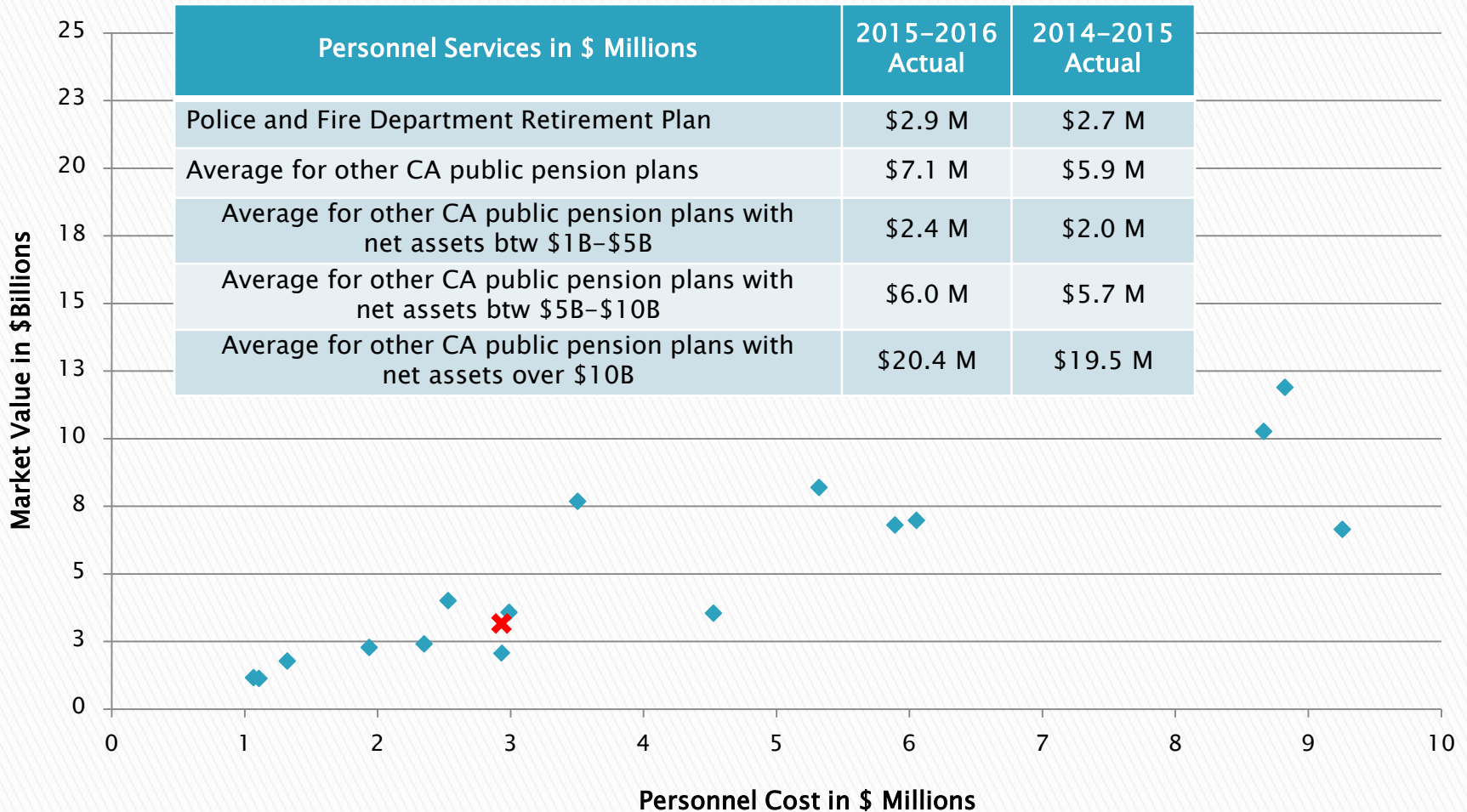


¹ Retirement Services gathered and compiled most recent financial information from 19 public pension plans' CAFRs

Personnel Services Analysis – in \$ (cont.)

Personnel Expense in \$ Millions – Actual as of 6/30/16 or most recent financial statement ⁽¹⁾

“X” below represents the Police and Fire Plan, \$2,930,849

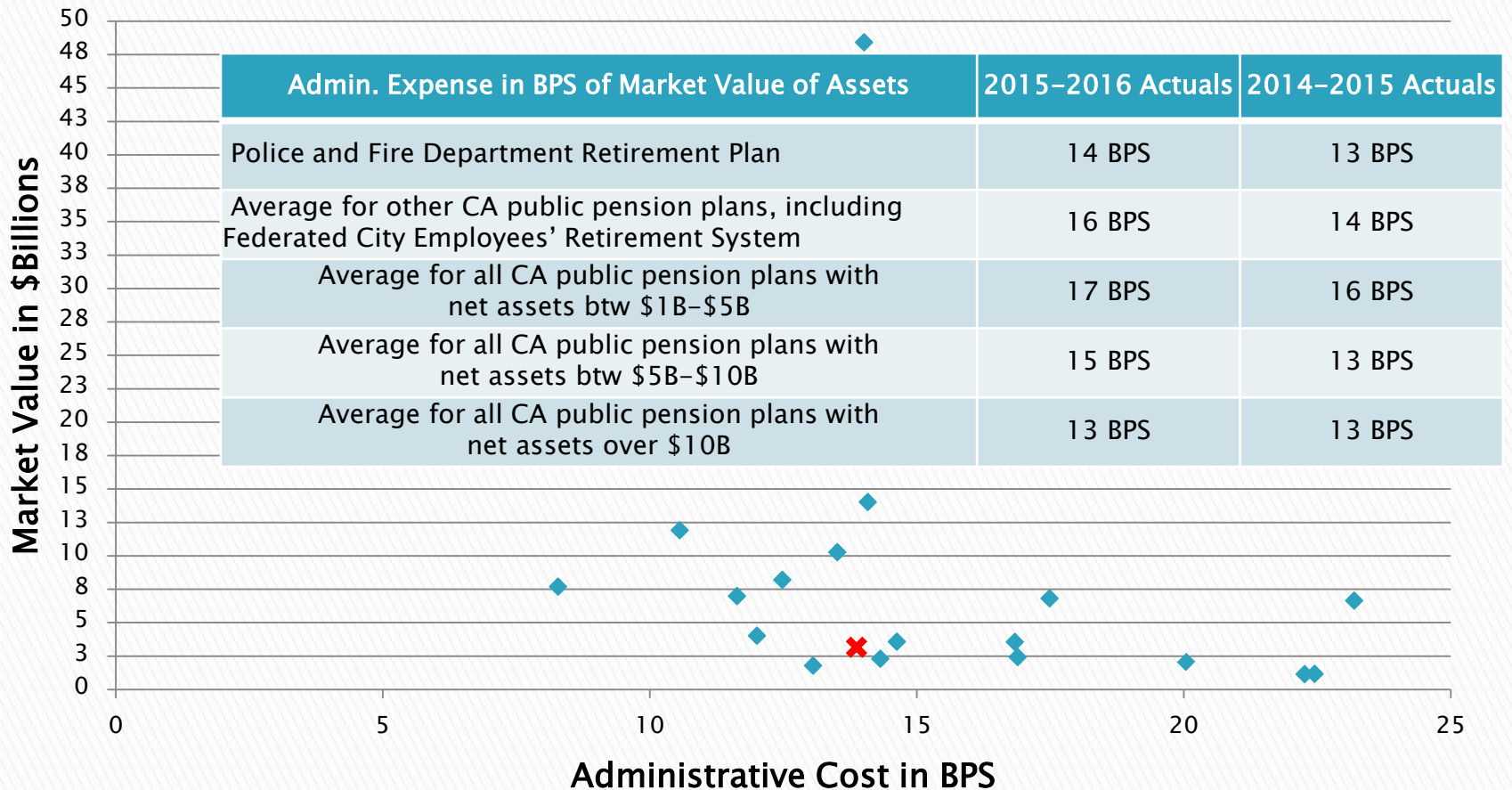


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Administrative Cost Comparison – in BPS

Administrative Expense in BPS of Market Value of Assets – Actual as of 6/30/16 or most recent financial statement ⁽¹⁾

“X” below represents the Police and Fire Plan actual expense for FY15–16, \$4,393,000

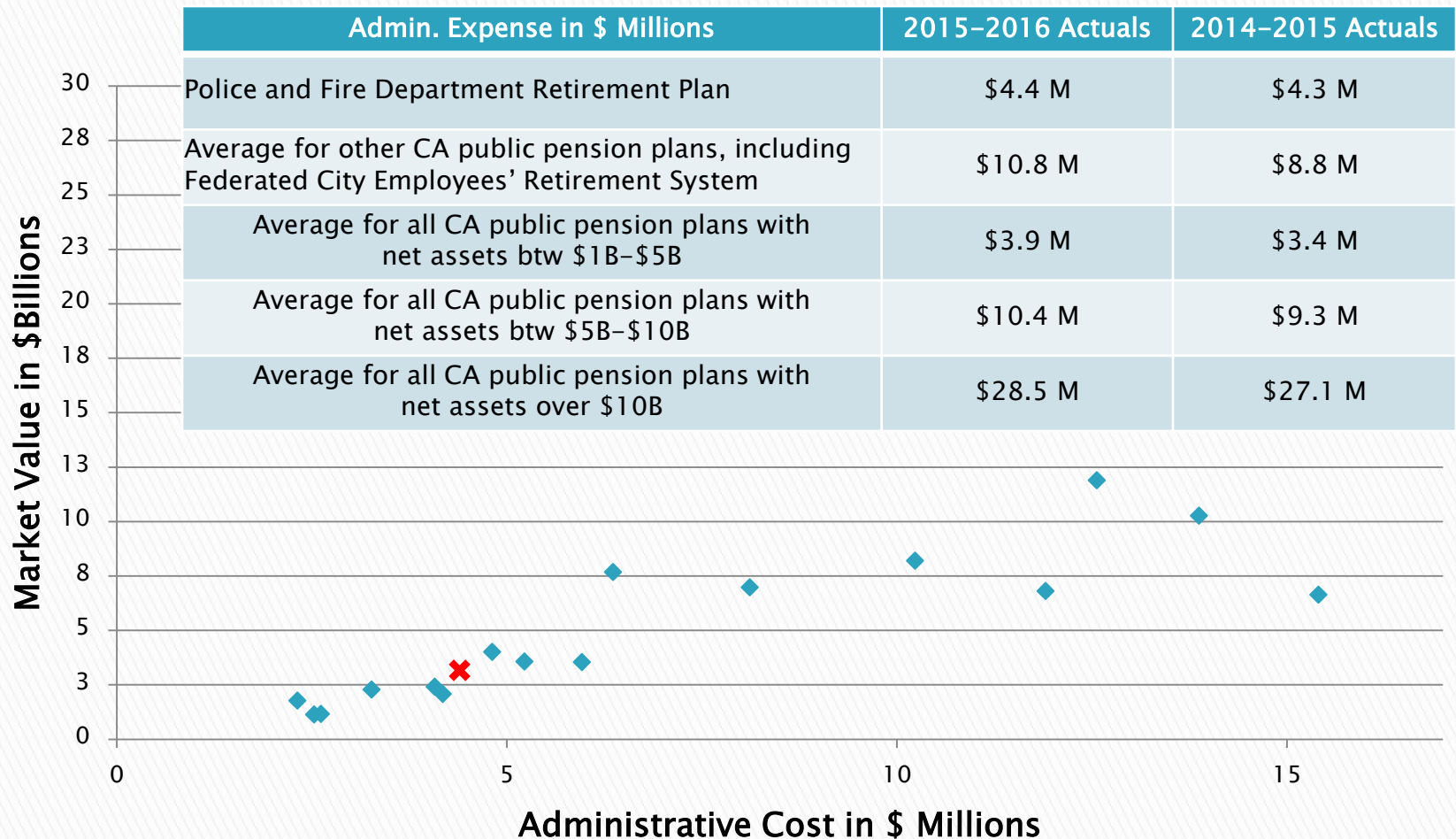


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Administrative Cost Comparison – in \$

Administrative Expense in \$ Millions – Actual as of 6/30/16 or most recent financial statement ⁽¹⁾

“X” below represents the Police and Fire Plan actual expense for FY15–16, \$4,393,000



¹ Retirement Services gathered and compiled most recent financial information from 19 public pension plans public information

Comparison of Bay Area Plans (In \$Millions)

