



# Memorandum

**TO: Board of Administration for the  
Police and Fire Plan**

**FROM: Benjie Chua Foy**

**SUBJECT: Consideration of Proposed Budget  
for Fiscal Year 2024-2025**

**DATE: February 21, 2024**

Approved *B. Hayman*

Date  
2/28/2024

## **RECOMMENDATION**

Discussion and action on the proposed administrative budget for fiscal year 2024-2025.

## **BACKGROUND**

The Board approves the contribution rates recommended by the actuary which is made by the City. The Board also approves the administrative expense budget for reporting on the Source and Use Statements submitted for inclusion in the City's operating budget. The amounts approved by the Board are the total category amounts and not the individual line items. If the individual line item goes over budget, no approval is required from the Board as long as the total category amount remains under budget. This proposed budget is provided to the Board for discussion and approval, and if necessary, a revised and final budget will be prepared for approval at the next meeting. Highlights of the proposed budget are as follows:

## **ANALYSIS**

### ***SOURCES OF FUNDS***

#### **CITY CONTRIBUTIONS**

The City contribution for the retirement and health benefit plan for the coming fiscal year is estimated to be \$240,695,000.

The actual contribution amount is based on the City contribution rates recommended by the actuary and adopted by the Board, applied as a factor against the City's total covered payroll. The FY25 contribution amounts assume the Board's adoption in April/May, as shown in the June 30, 2023 actuarial reports for pension and healthcare, using the beginning of the year amounts if the City prefunds the Police and Fire Tier 1 and healthcare contributions, similar to the prior year.

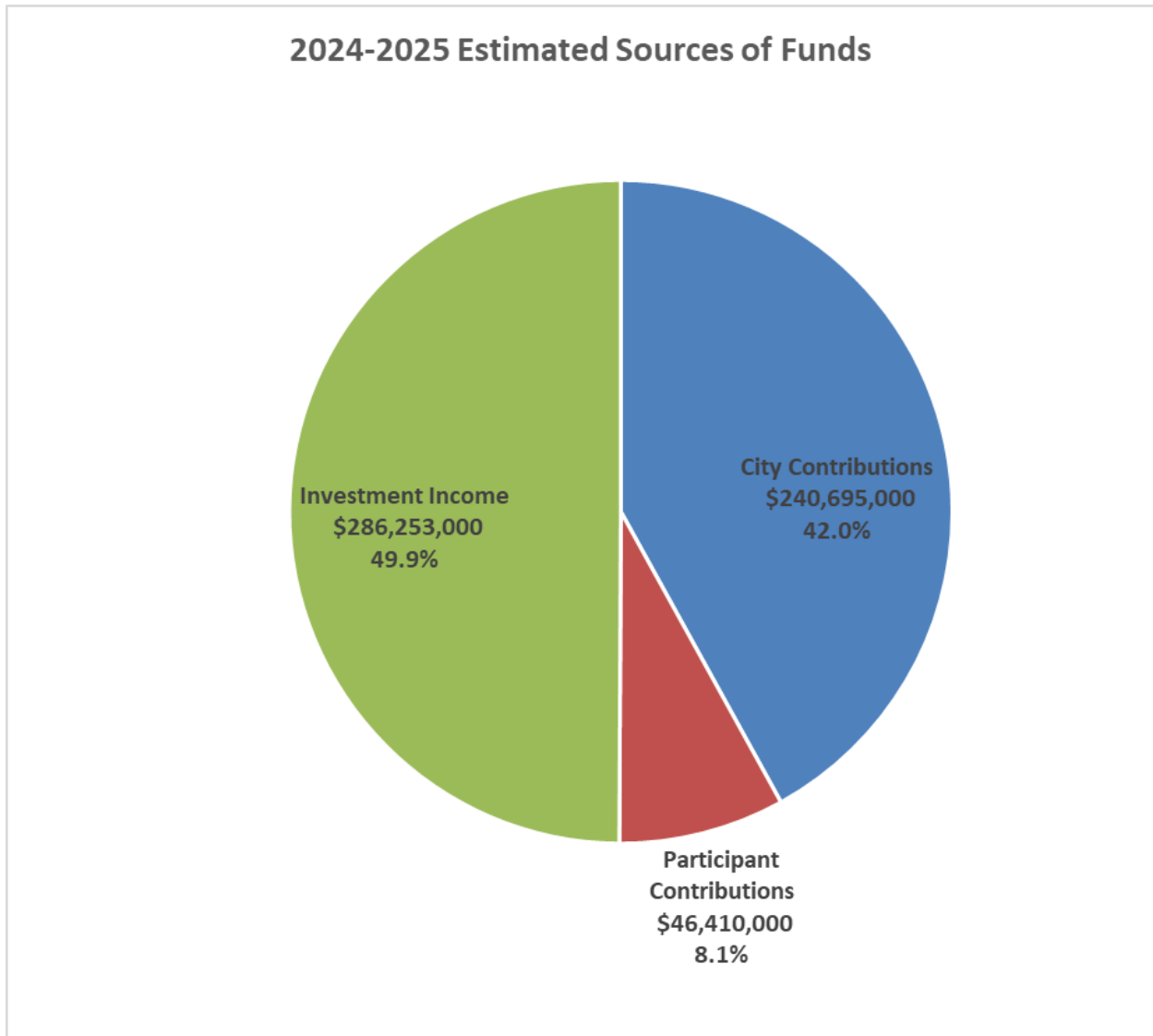
#### **PARTICIPANT CONTRIBUTIONS**

Total member contributions are estimated at \$46,410,000, a 1.7% increase from the 2023-2024 adopted amount. Member contributions are calculated based on the contribution rate for each tier. Police Tier 1 contribution rates for pension decreased slightly going from 11.06% to 10.63% while their covered payroll increased slightly from \$73.0 million to \$74.2 million. Fire Tier 1 contribution rates for pension decreased slightly from 11.99% to 11.82% while covered payroll decreased slightly from \$65.3 million to \$64.5

million. Police Tier 2 contribution rates for pension decreased slightly from 14.35% to 13.65% and covered payroll increased from \$98.0 million to \$100.1 million. Fire Tier 2 contribution rates for pension decreased slightly from 15.11% to 14.90%, while covered payroll increased from \$35.5 million to \$41.2 million. Healthcare contribution rates remain at 8.0% per the Municipal Code for Tier 1 members, while Tier 2 members are required to go into the VEBA.

## INVESTMENT INCOME

Investment earnings are calculated based on the actuarial assumed rate of return of 6.625%. The beginning fund balance, along with the City's contributions and member contributions offset with the expenditures are expected to earn less than the full rate since these amounts will occur throughout the year.



## ***USES OF FUNDS***

### PENSION BENEFITS AND HEALTH INSURANCE

The pension benefits budget increased to \$301,314,000, an increase of \$15,833,000 over the forecast, or 5.55%, which is the average increase for the past five years. Pension benefits include service pensions, disability and survivorship pensions, death benefits and refunds of contributions.

The health insurance budget increased to \$30,054,000, an increase of \$661,000 over the forecast, or 2.25%, which is the average change for the past five years. Health insurance includes health and dental insurance subsidies, as well as Medicare reimbursements.

VEBA withdrawals represent the funds taken out of the healthcare plan by Tier 1 members who opted out and the mandatory movement of Tier 2 members out of the healthcare plan. Fiscal year 2017-2018 had the largest amount since it was the first year of the opt-in to the VEBA and will continue through calendar year 2022 for rehired employees with healthcare contributions. There were no VEBA withdrawals in fiscal year 2022-2023, the last year for any VEBA withdrawals.

#### *ADMINISTRATIVE EXPENSE BUDGET*

The proposed administrative expenses budget of \$8,221,000 is a net increase of \$607,000 or 7.97% from the prior year modified budget of \$7,614,000 and \$1,397,000 or 20.47% from the prior year adopted budget of \$6,824,000.

#### **PERSONNEL SERVICES**

The budget for personnel services was increased to \$5,698,000, an increase of \$706,000, or 14.14% over the prior year modified budget of \$4,992,000. The Budget Office's labor distribution report drives the personnel budget, which covers all the staff in Retirement Services. The salaries and benefits of all staff, except for investment staff, is split 50/50 between the Plan and the Federated City Employees' Retirement System (System). The investment staff is split 60/40 between the Plan and the System, which is roughly based on asset size. The number of positions in Retirement Services will increase to 46.5 from 43 due to the proposals. The proposed personnel changes for FY24-25 are to: 1) add a Compliance Senior Analyst in the Accounting division, 2) add a Medicare Analyst in the Health section of the Benefits division, 3) add a Senior Office Specialist to the front desk in the Benefits division, and 4) fund 50% of an IT Cybersecurity analyst to address the issues that have arisen in the current fiscal year, as well as address the increasing and challenging workload. In addition, Staff is adding funding for an overstrength position for one year for Staff Specialist in the Administrative division and an overstrength position in the Benefits division for four months to transition a retiring Analyst to the new hire. One month funding for the current CEO to train the new CEO is also being added to the budget. Besides the proposed changes, the other reasons for the increase in personnel services is due to the increased benefit rates, as well as having five (four in Benefits and one in Admin) reemployed retirees for the maximum time allowed per the Municipal Code.

#### **NON-PERSONNEL / EQUIPMENT**

The budget for non-personnel / equipment was increased slightly to \$867,000, an increase of \$8,000, or 0.93% from the prior year adopted budget of \$859,000. This category includes rent, insurance, information technology hardware/software, pension administration annual maintenance fee, postage and printing, training, travel, and other office expenses. The increase is mainly due to the removal of the proposed change in financial software in IT hardware/software and to account for general increases across the board.

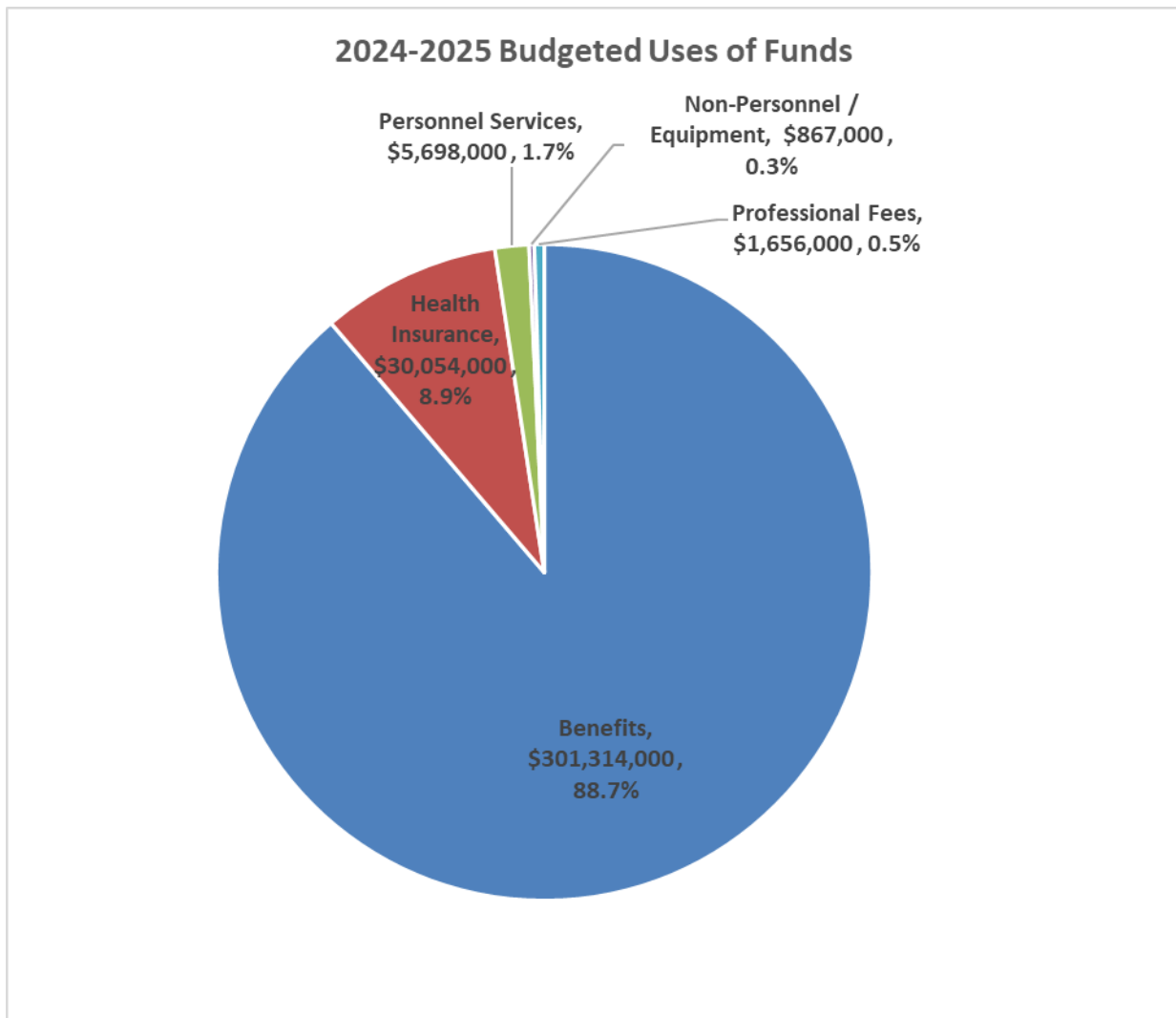
#### **PROFESSIONAL SERVICES**

The budget for professional services was decreased to \$1,296,000, a decrease of \$107,000, or 7.63% from the prior year modified budget of \$1,403,000. The adopted budget was modified to increase legal services

by \$500,000. If it had not been modified, current year proposed budget would be an increase of \$393,000, or 43.52% from the prior year adopted budget of \$903,000. Core professional services comprise of actuarial services, financial audit services, legal services, and temporary staffing services. The increase from the prior year adopted budget is mainly due to the increase in legal services to account for the rise in the need of their services, CPI increases as well as the addition of a death audit vendor and skip trace vendor for the Benefits division.

#### MEDICAL SERVICES

The budget for medical services remained steady at \$360,000. This category is for expenses related to the processing of disability applicants, which include costs for medical services from independent medical examiners (IME). The contract with the medical advisor has been terminated so all services will be from the independent medical examiners.



# **PROPOSED BUDGET**

**FISCAL YEAR 2024-2025**

**POLICE AND FIRE DEPARTMENT RETIREMENT PLAN**

March 7, 2024

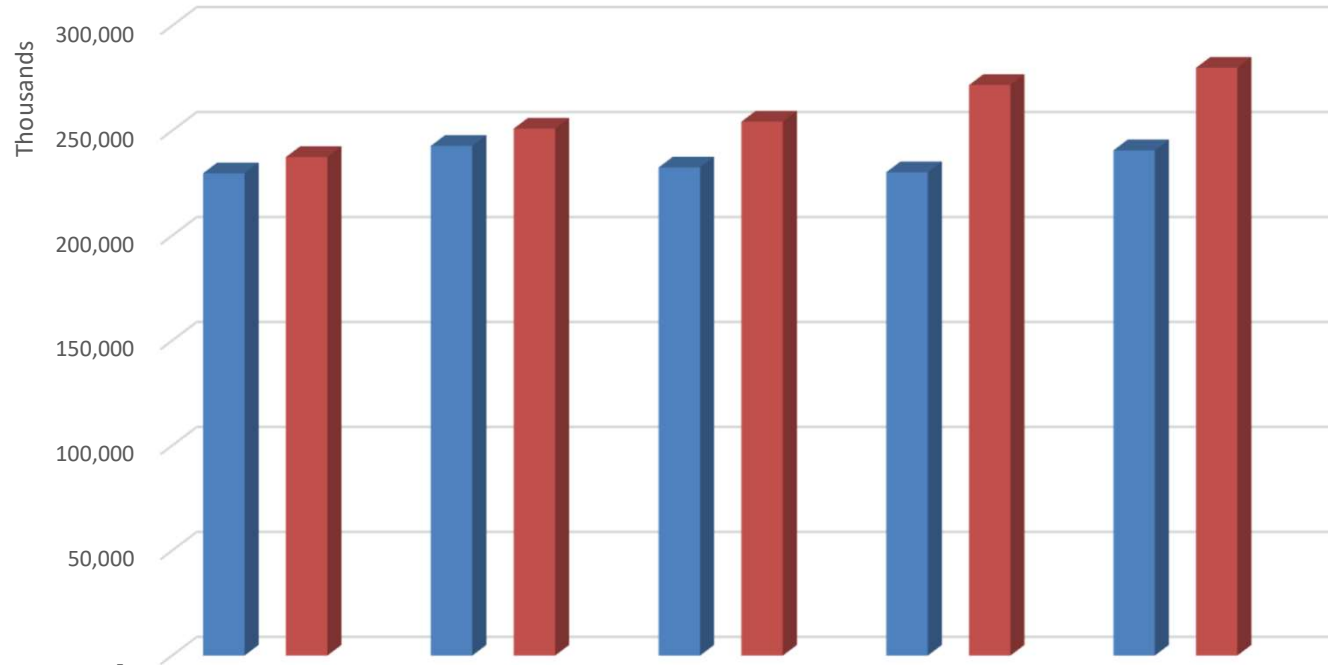
# POLICE & FIRE DEPARTMENT RETIREMENT PLAN

## Statement of Source and Use of Funds

|  | (A)<br>2022-2023<br>Actual | (B)<br>2023-2024<br>Modified | (C)<br>2023-2024<br>Forecast | (D)<br>2024-2025<br>Proposed | (A) to (B)<br>Increase<br>(Decrease) | (B) - (C)<br>Increase<br>(Decrease) | (C) - (D)<br>Increase<br>(Decrease) |
|--|----------------------------|------------------------------|------------------------------|------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>SOURCE OF FUNDS</b>                                     |                            |                              |                              |                              |                                      |                                     |                                     |
| Beginning Fund Balance                                     |                            |                              |                              |                              |                                      |                                     |                                     |
| Claims Reserve   | 4,675,142,000              | 5,020,851,000                | 5,020,851,000                | 5,250,348,000                | 345,709,000                          | 0                                   | 229,497,000                         |
| Total Beginning Fund Balance                               | 4,675,142,000              | 5,020,851,000                | 5,020,851,000                | 5,250,348,000                | 345,709,000                          | 0                                   | 229,497,000                         |
| Transfers  |                            |                              |                              |                              |                                      |                                     |                                     |
| City Contributions   | 232,513,000                | 230,120,000                  | 230,289,000                  | 240,695,000                  | (2,393,000)                          | 169,000                             | 10,406,000                          |
| 1970 COLA  | 600                        | 1,000                        | 600                          | 600                          | 400                                  | (400)                               | 0                                   |
| 1980 COLA  | 5,000                      | 7,000                        | 3,200                        | 3,300                        | 2,000                                | (3,800)                             | 100                                 |
| 1990 COLA  | 4,000                      | 4,000                        | 3,700                        | 3,700                        | 0                                    | (300)                               | 0                                   |
| Total Transfers  | 232,522,600                | 230,132,000                  | 230,296,500                  | 240,702,600                  | (2,390,600)                          | 164,500                             | 10,406,100                          |
| Revenue  |                            |                              |                              |                              |                                      |                                     |                                     |
| Participant Income   | 43,960,000                 | 45,644,000                   | 46,394,000                   | 46,410,000                   | 1,684,000                            | 750,000                             | 16,000                              |
| Investment Income, net of expenses                         | 379,522,000                | 269,526,000                  | 275,086,000                  | 286,253,000                  | (109,996,000)                        | 5,560,000                           | 11,167,000                          |
| Total Revenue  | 423,482,000                | 315,170,000                  | 321,480,000                  | 332,663,000                  | (108,312,000)                        | 6,310,000                           | 11,183,000                          |
| <b>TOTAL SOURCE OF FUNDS</b>                               | <b>5,331,146,600</b>       | <b>5,566,153,000</b>         | <b>5,572,627,500</b>         | <b>5,823,713,600</b>         | <b>235,006,400</b>                   | <b>6,474,500</b>                    | <b>251,086,100</b>                  |
| <b>USE OF FUNDS</b>  |                            |                              |                              |                              |                                      |                                     |                                     |
| Expenditures   |                            |                              |                              |                              |                                      |                                     |                                     |
| Benefits   | 275,824,000                | 282,656,000                  | 285,481,000                  | 301,314,000                  | 6,832,000                            | 2,825,000                           | 15,833,000                          |
| Health Insurance   | 27,528,000                 | 22,422,000                   | 29,393,000                   | 30,054,000                   | (5,106,000)                          | 6,971,000                           | 661,000                             |
| VEBA withdrawals   | 0                          | 0                            | 0                            | 0                            | 0                                    | 0                                   | 0                                   |
| Personnel Services (Ret.)                                  | 4,439,000                  | 4,992,000                    | 4,960,000                    | 5,698,000                    | 553,000                              | (32,000)                            | 738,000                             |
| Non-Personnel/Equipment <sup>(1)</sup>                     | 1,322,000                  | 859,000                      | 727,000                      | 867,000                      | (463,000)                            | (132,000)                           | 140,000                             |
| Professional Fees  | 1,173,000                  | 1,763,000                    | 1,711,000                    | 1,656,000                    | 590,000                              | (52,000)                            | (55,000)                            |
| 1970 COLA  | 600                        | 1,000                        | 600                          | 600                          | 400                                  | (400)                               | 0                                   |
| 1980 COLA  | 5,000                      | 7,000                        | 3,200                        | 3,300                        | 2,000                                | (3,800)                             | 100                                 |
| 1990 COLA  | 4,000                      | 4,000                        | 3,700                        | 3,700                        | 0                                    | (300)                               | 0                                   |
| Total Expenditures   | 310,295,600                | 312,704,000                  | 322,279,500                  | 339,596,600                  | 2,408,400                            | 9,575,500                           | 17,317,100                          |
| Ending Fund Balance  |                            |                              |                              |                              |                                      |                                     |                                     |
| Claims Reserve   | 5,020,851,000              | 5,253,449,000                | 5,250,348,000                | 5,484,117,000                | 232,598,000                          | (3,101,000)                         | 233,769,000                         |
| Total Ending Fund Balance                                  | 5,020,851,000              | 5,253,449,000                | 5,250,348,000                | 5,484,117,000                | 232,598,000                          | (3,101,000)                         | 233,769,000                         |
| <b>TOTAL USE OF FUNDS</b>                                  | <b>5,331,146,600</b>       | <b>5,566,153,000</b>         | <b>5,572,627,500</b>         | <b>5,823,713,600</b>         | <b>235,006,400</b>                   | <b>6,474,500</b>                    | <b>251,086,100</b>                  |
| <u>Amount not included in budget since no cash outlay:</u> |                            |                              |                              |                              |                                      |                                     |                                     |
| Amortization expense for PG3 and GASB 87                   | \$ 614,941                 | \$ 614,941                   | \$ 614,941                   | \$ 614,941                   |                                      |                                     |                                     |
| <sup>(1)</sup> Non-personnel equipment FY22-23             | \$ 1,322,000               |                              |                              |                              |                                      |                                     |                                     |
| Rounding in ACFR   | 727                        |                              |                              |                              |                                      |                                     |                                     |
| Amortization expense                                       | (614,941)                  |                              |                              |                              |                                      |                                     |                                     |
| As shown in Administrative Expenses                        | \$ 707,786                 |                              |                              |                              |                                      |                                     |                                     |

## POLICE & FIRE DEPARTMENT RETIREMENT PLAN

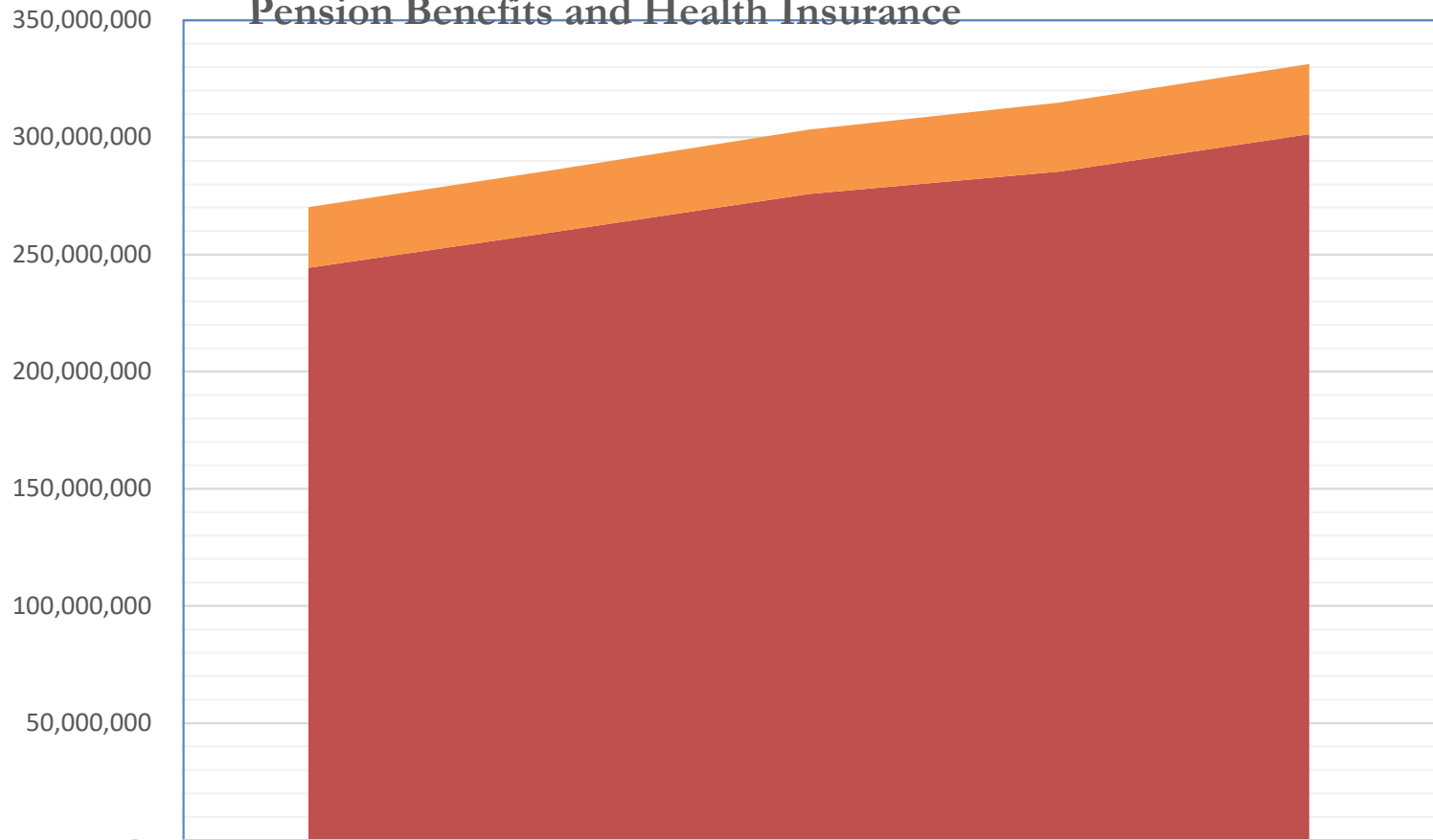
### Total City Contributions & Covered Payroll



|                                  | FY 20-21    | FY 21-22    | FY 22-23    | FY 23-24<br>(Forecast) | FY 24-25<br>(Proposed) |
|----------------------------------|-------------|-------------|-------------|------------------------|------------------------|
| ■ Total City Contributions       | 229,767,000 | 242,809,000 | 232,513,000 | 230,289,000            | 240,695,000            |
| Total City Contribution % Change | 6.5%        | 5.7%        | -4.2%       | -1.0%                  | 4.5%                   |
| ■ Total Covered Payroll          | 237,476,000 | 251,023,000 | 254,356,000 | 271,800,000            | 280,000,000            |
| Total Covered Payroll % Change   | 3.1%        | 5.7%        | 1.3%        | 6.9%                   | 3.0%                   |

## POLICE & FIRE DEPARTMENT RETIREMENT PLAN

### Pension Benefits and Health Insurance



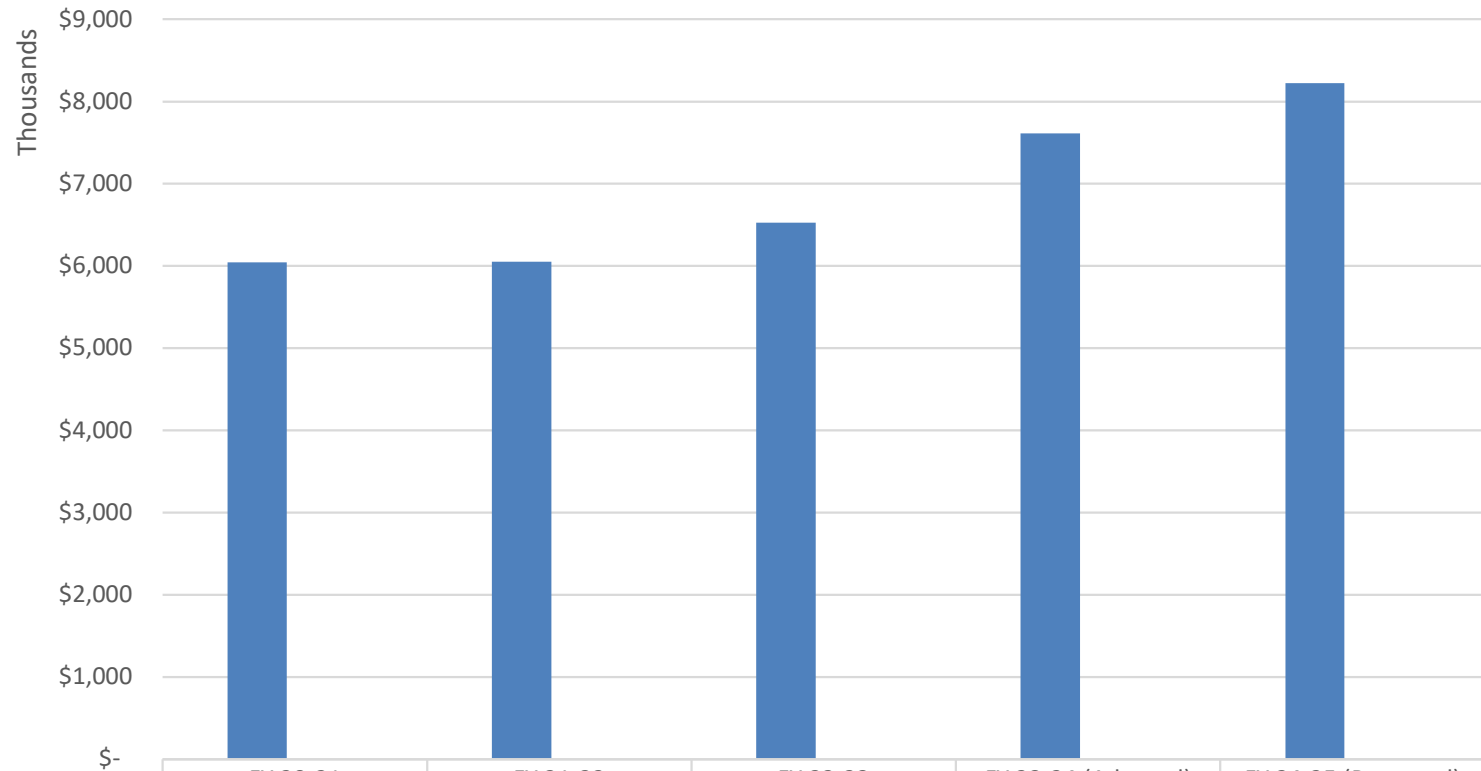
|                           | FY 20-21 - Actual | FY 21-22 - Actual | FY 22-23 - Actual | FY 23-24 - Forecast | FY 24-25 - Proposed |
|---------------------------|-------------------|-------------------|-------------------|---------------------|---------------------|
| Total Benefits            | 270,284,000       | 286,334,000       | 303,352,000       | 314,874,000         | 331,368,000         |
| Health Insurance          | 25,974,000        | 26,458,000        | 27,528,000        | 29,393,000          | 30,054,000          |
| Pension Benefits          | 244,310,000       | 259,876,000       | 275,824,000       | 285,481,000         | 301,314,000         |
| Health Insurance % Change | 3.8%              | 1.9%              | 4.0%              | 6.8%                | 2.2%                |
| Pension Benefits % Change | 5.8%              | 6.4%              | 6.1%              | 3.5%                | 5.5%                |

## POLICE & FIRE DEPARTMENT RETIREMENT PLAN

### Administrative Expenses: FY 2024-2025

|  | (A)<br>2022-2023<br>Actual | (B)<br>2023-2024<br>Adopted | (C)<br>2023-2024<br>Forecast | (D)<br>2024-2025<br>Proposed | (A) to (B)<br>Increase<br>(Decrease) | (B) - (C)<br>Increase<br>(Decrease) | (C) - (D)<br>Increase<br>(Decrease) |
|--|----------------------------|-----------------------------|------------------------------|------------------------------|--------------------------------------|-------------------------------------|-------------------------------------|
| <b>PERSONNEL SERVICES</b>                  |                            |                             |                              |                              |                                      |                                     |                                     |
| Salaries and employee benefits             | 4,438,410                  | 4,992,000                   | 4,960,000                    | <b>5,698,000</b>             | 553,590                              | (32,000)                            | 738,000                             |
| Total Personnel Services                   | 4,438,410                  | 4,992,000                   | 4,960,000                    | <b>5,698,000</b>             | 553,590                              | (32,000)                            | 738,000                             |
| <b>NON-PERSONNEL / EQUIPMENT</b>           |                            |                             |                              |                              |                                      |                                     |                                     |
| Rent                                       | 226,361                    | 230,000                     | 234,047                      | <b>249,000</b>               | 3,639                                | 4,047                               | 14,953                              |
| Insurance                                  | 210,721                    | 256,000                     | 213,802                      | <b>225,000</b>               | 45,279                               | (42,198)                            | 11,198                              |
| IT hardware / software                     | 71,877                     | 130,000                     | 88,131                       | <b>130,000</b>               | 58,123                               | (41,869)                            | 41,869                              |
| Postage and printing                       | 60,375                     | 65,000                      | 60,089                       | <b>65,000</b>                | 4,625                                | (4,911)                             | 4,911                               |
| LRS - annual maintenance fee               | 52,160                     | 55,000                      | 54,591                       | <b>58,000</b>                | 2,840                                | (409)                               | 3,409                               |
| Training and travel                        | 26,623                     | 30,000                      | 23,064                       | <b>35,000</b>                | 3,377                                | (6,936)                             | 11,936                              |
| Other non-personnel / equipment            | 46,305                     | 78,000                      | 30,162                       | <b>80,000</b>                | 31,695                               | (47,838)                            | 49,838                              |
| Office supplies and board meeting expenses | 13,364                     | 15,000                      | 23,270                       | <b>25,000</b>                | 1,636                                | 8,270                               | 1,730                               |
| Total Non-personnel / Equipment            | 707,786                    | 859,000                     | 727,156                      | <b>867,000</b>               | 151,214                              | (131,844)                           | 139,844                             |
| <b>PROFESSIONAL SERVICES</b>               |                            |                             |                              |                              |                                      |                                     |                                     |
| Actuary / actuarial audit                  | 227,163                    | 290,000                     | 286,574                      | <b>271,000</b>               | 62,837                               | (3,426)                             | (15,574)                            |
| External auditor                           | 84,908                     | 110,000                     | 105,439                      | <b>92,000</b>                | 25,092                               | (4,561)                             | (13,439)                            |
| Legal                                      | 474,448                    | 777,000                     | 757,505                      | <b>681,000</b>               | 302,552                              | (19,495)                            | (76,505)                            |
| Pension administration system              | 16,755                     | 34,000                      | 30,264                       | <b>24,000</b>                | 17,245                               | (3,736)                             | (6,264)                             |
| Temporary staffing agencies                | 149,373                    | 132,000                     | 129,378                      | <b>144,500</b>               | (17,373)                             | (2,622)                             | 15,122                              |
| Other professional services                | 39,650                     | 60,000                      | 42,200                       | <b>83,500</b>                | 20,350                               | (17,800)                            | 41,300                              |
| Total Professional Services                | 992,297                    | 1,403,000                   | 1,351,360                    | <b>1,296,000</b>             | 410,703                              | (51,640)                            | (55,360)                            |
| <b>MEDICAL SERVICES</b>                    |                            |                             |                              |                              |                                      |                                     |                                     |
| Independent medical examiners              | 128,622                    | 360,000                     | 360,000                      | <b>360,000</b>               | 231,378                              | -                                   | -                                   |
| Medical consultant                         | 52,247                     | -                           | -                            | <b>-</b>                     | (52,247)                             | -                                   | -                                   |
| Total Medical Services                     | 180,869                    | 360,000                     | 360,000                      | <b>360,000</b>               | 179,131                              | -                                   | -                                   |
| <b>TOTAL ADMINISTRATIVE EXPENSES</b>       | <b>6,319,362</b>           | <b>7,614,000</b>            | <b>7,398,516</b>             | <b>8,221,000</b>             | <b>1,294,638</b>                     | <b>(215,484)</b>                    | <b>822,484</b>                      |

# **POLICE & FIRE DEPARTMENT RETIREMENT PLAN** **Administrative Expense Budget** **FY 2021 to FY 2025**



|                     | FY 20-21    | FY 21-22    | FY 22-23    | FY 23-24 (Adopted) | FY 24-25 (Proposed) |
|---------------------|-------------|-------------|-------------|--------------------|---------------------|
| ■ Admin Exp Budget* | \$6,044,000 | \$6,051,000 | \$6,526,000 | \$7,614,000        | \$8,221,000         |
| ■ % Change          | -5.1%       | 0.1%        | 7.8%        | 16.7%              | 8.0%                |

\* Amount includes budget for operations only.

## OFFICE OF RETIREMENT SERVICES

### Departmental Position Detail

| Position  | 2022-2023<br>Adopted<br>(1) | 2023-2024<br>Adopted<br>(2) | 2023-2024<br>Forecast<br>(3) | 2024-2025<br>Proposed<br>(4) | Increase /<br>(Decrease)<br>(2 to 4) | Increase /<br>(Decrease)<br>(3 to 4) | Explanation  |
|---|-----------------------------|-----------------------------|------------------------------|------------------------------|--------------------------------------|--------------------------------------|--|
| Account Clerk II                                | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Accountant I/II                                 | 1.00                        | 2.00                        | 2.00                         | 2.00                         | -                                    | -                                    |  |
| Accounting Technician                           | 1.00                        | 0.00                        | 0.00                         | 0.00                         | -                                    | -                                    |  |
| Analyst I/II                                    | 7.00                        | 8.00                        | 8.00                         | 9.00                         | 1.00                                 | 1.00                                 | Proposed addition of Medicare Analyst for Benefits Division              |
| Assistant Director and Chief Investment Officer | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Department Information Technology Manager       | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Deputy Director                                 | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Director of Retirement Services                 | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Division Manager                                | 2.00                        | 2.00                        | 2.00                         | 2.00                         | -                                    | -                                    |  |
| Executive Assistant                             | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Financial Analyst                               | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Investments Operations Supervisor               | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Information Systems Analyst                     | 1.00                        | 1.00                        | 1.00                         | 1.50                         | 0.50                                 | 0.50                                 | Proposed 50% funding of Cybersecurity IT analyst (Central IT to request) |
| Network Technician I/II/III                     | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Office Specialist II                            | 1.00                        | 0.00                        | 0.00                         | 0.00                         | -                                    | -                                    |  |
| Retirement Investment Analyst I/II              | 2.00                        | 2.00                        | 2.00                         | 2.00                         | -                                    | -                                    |  |
| Retirement Investment Officer                   | 3.00                        | 3.00                        | 3.00                         | 3.00                         |                                      | -                                    |  |
| Senior Accountant                               | 2.00                        | 2.00                        | 2.00                         | 2.00                         | -                                    | -                                    |  |
| Senior Analyst                                  | 3.00                        | 3.00                        | 3.00                         | 4.00                         | 1.00                                 | 1.00                                 | Proposed addition of a Compliance Senior Analyst in Accounting           |
| Senior Auditor                                  | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Senior Office Specialist                        | 0.00                        | 1.00                        | 1.00                         | 2.00                         | 1.00                                 | 1.00                                 | Proposed addition of a Senior Office Specialist in Benefits              |
| Senior Retirement Investment Officer            | 2.00                        | 2.00                        | 2.00                         | 2.00                         | -                                    | -                                    |  |
| Senior Supervisor, Administration               | 1.00                        | 1.00                        | 1.00                         | 1.00                         | -                                    | -                                    |  |
| Staff Specialist                                | 7.00                        | 6.00                        | 6.00                         | 6.00                         | -                                    | -                                    |  |
| <b>Total Positions</b>                          | <b>43.00</b>                | <b>43.00</b>                | <b>43.00</b>                 | <b>46.50</b>                 | <b>3.50</b>                          | <b>3.50</b>                          |  |

OFFICE OF RETIREMENT SERVICES  
Proposed Organizational Chart  
Budget FY24-25

