



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.

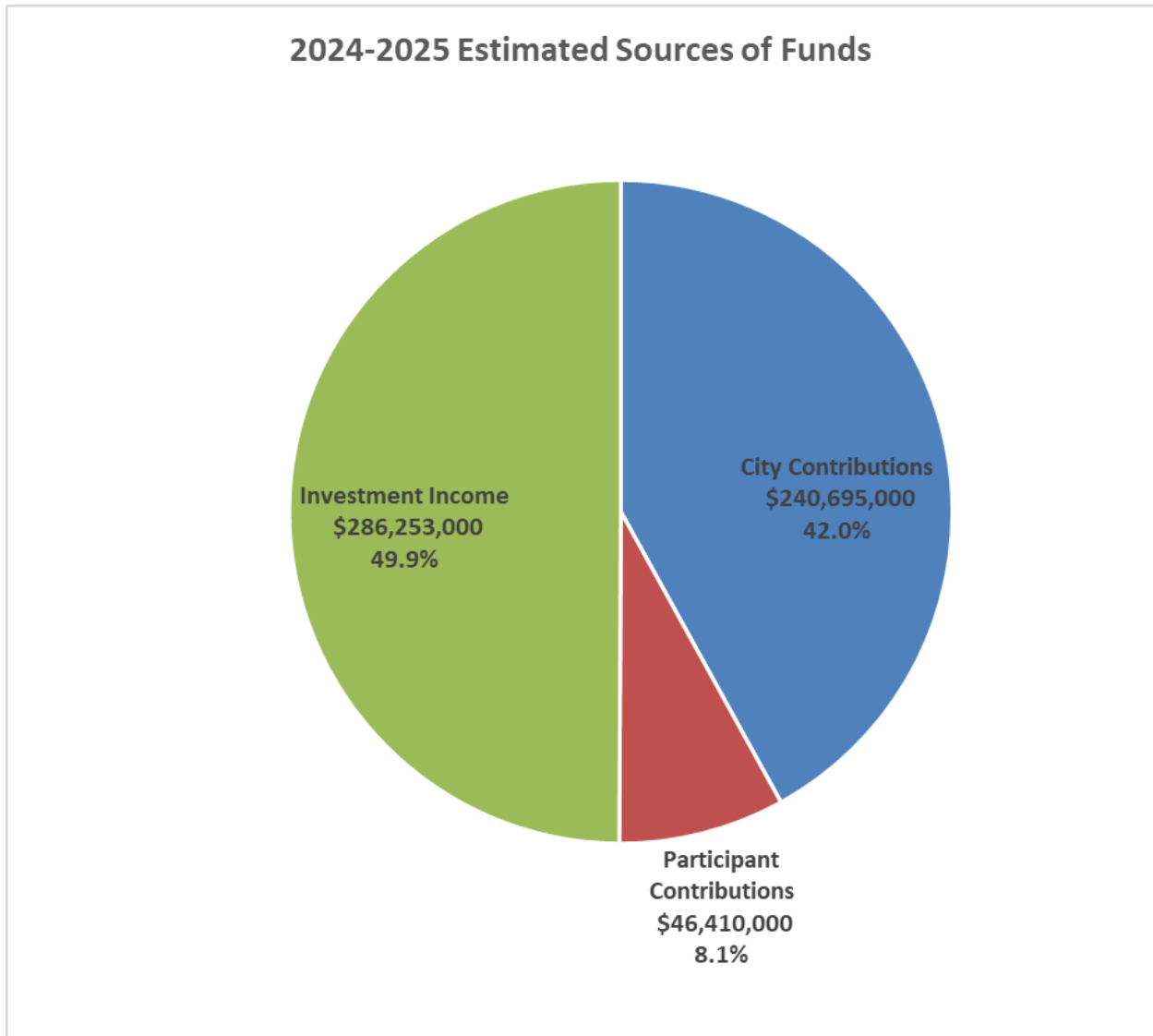
PARTICIPANT CONTRIBUTIONS

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.

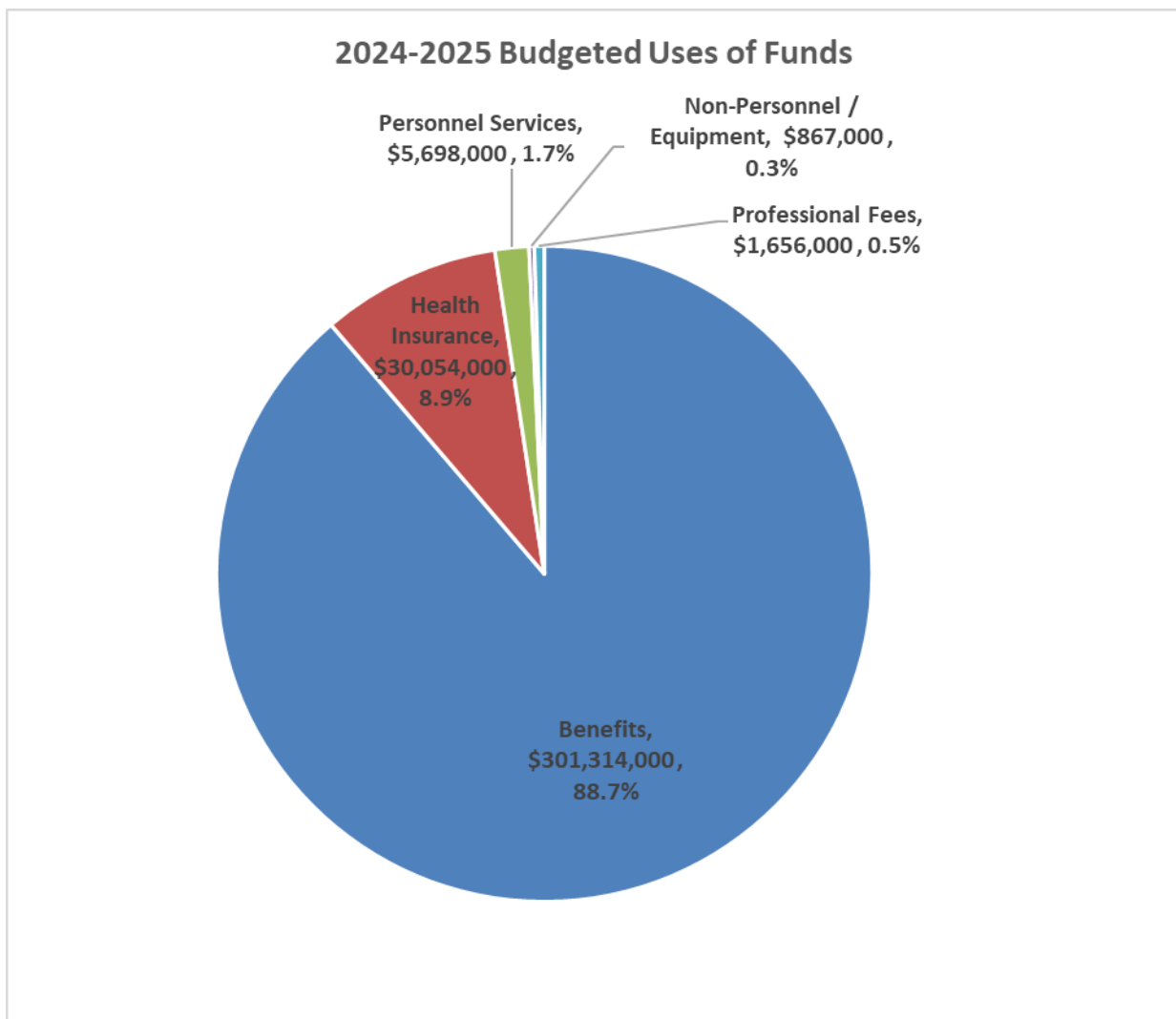
PROFESSIONAL SERVICES

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

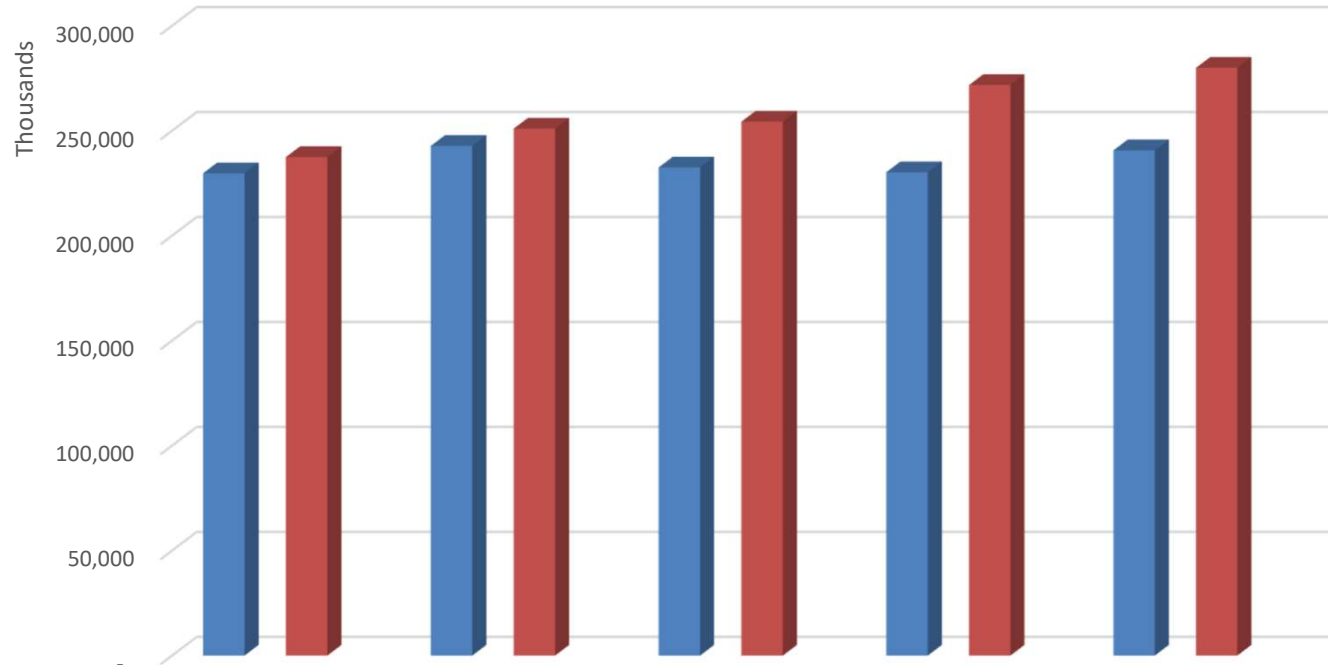
POLICE & FIRE DEPARTMENT RETIREMENT PLAN

Statement of Source and Use of Funds

	(A) 2022-2023 Actual	(B) 2023-2024 Modified	(C) 2023-2024 Forecast	(D) 2024-2025 Proposed	(A) to (B) Increase (Decrease)	(B) - (C) Increase (Decrease)	(C) - (D) Increase (Decrease)
SOURCE OF FUNDS							
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
TOTAL SOURCE OF FUNDS	5,331,146,600	5,566,153,000	5,572,627,500	5,823,713,600	235,006,400	6,474,500	251,086,100
USE OF FUNDS							
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 ⁽¹⁾	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
TOTAL USE OF FUNDS	5,331,146,600	5,566,153,000	5,572,627,500	5,823,713,600	235,006,400	6,474,500	251,086,100
<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			
⁽¹⁾ 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

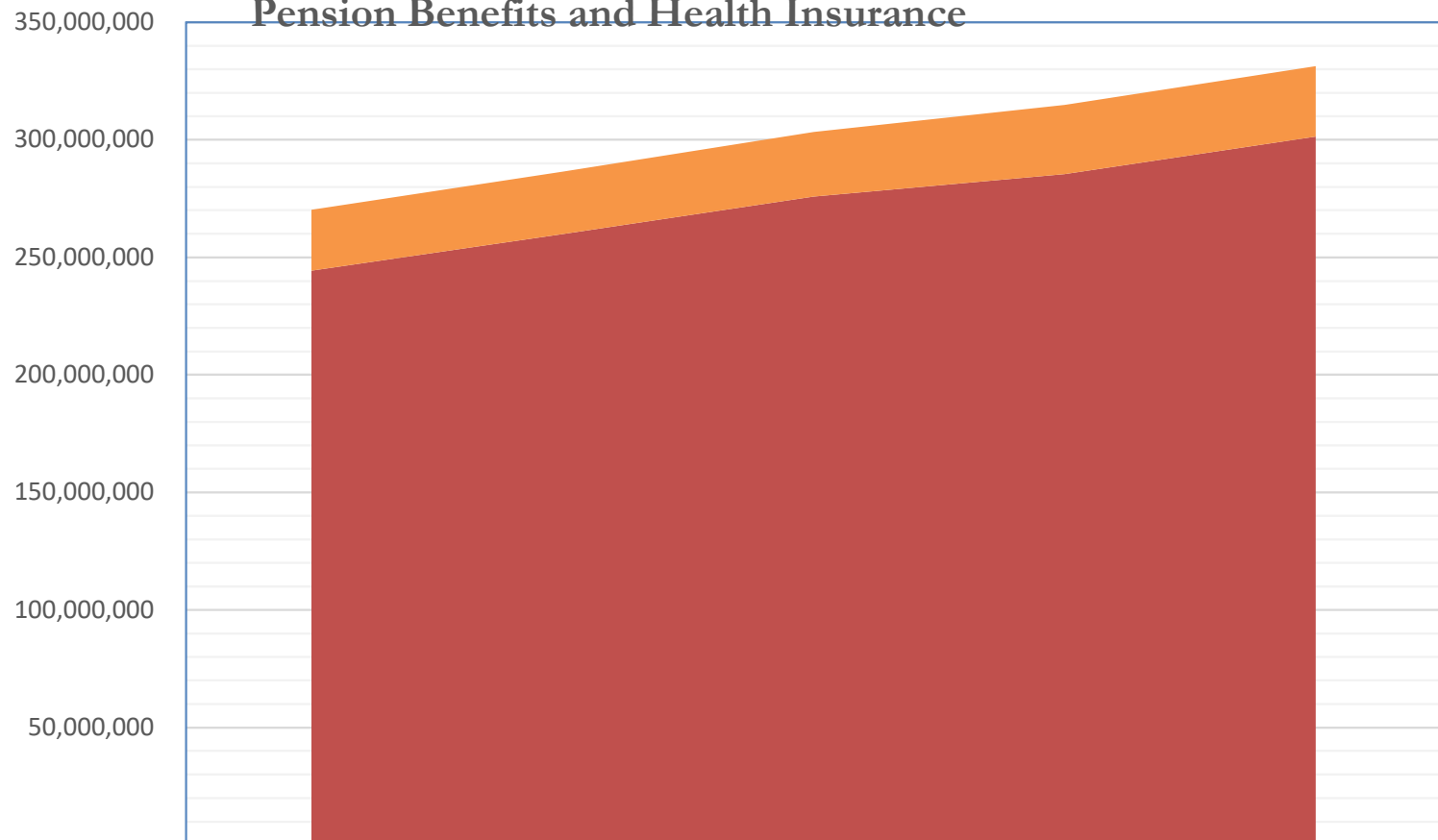
Total City Contributions & Covered Payroll



	FY 20-21	FY 21-22	FY 22-23	FY 23-24 (Forecast)	FY 24-25 (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



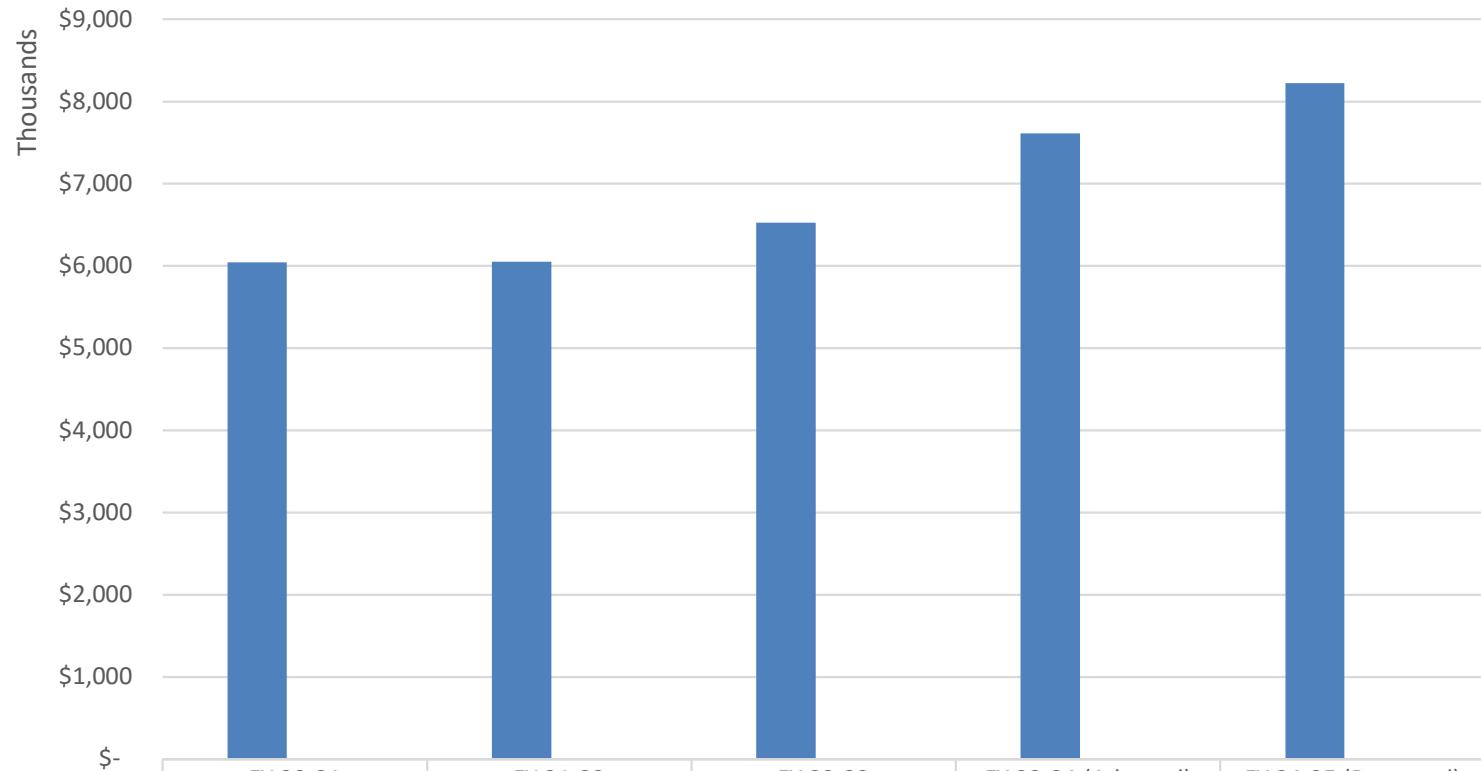
	FY 20-21 - Actual	FY 21-22 - Actual	FY 22-23 - Actual	FY 23-24 - Forecast	FY 24-25 - Proposed
Total Benefits	270,284,000	286,334,000	303,352,000	314,874,000	331,368,000
Health Insurance	25,974,000	26,458,000	27,528,000	29,393,000	30,054,000
Pension Benefits	244,310,000	259,876,000	275,824,000	285,481,000	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) 2022-2023 Actual	(B) 2023-2024 Adopted	(C) 2023-2024 Forecast	(D) 2024-2025 Proposed	(A) to (B) Increase (Decrease)	(B) - (C) Increase (Decrease)	(C) - (D) Increase (Decrease)
PERSONNEL SERVICES							
Salaries and employee benefits	4,438,410	4,992,000	4,960,000	5,698,000	553,590	(32,000)	738,000
Total Personnel Services	4,438,410	4,992,000	4,960,000	5,698,000	553,590	(32,000)	738,000
NON-PERSONNEL / EQUIPMENT							
Rent	226,361	230,000	234,047	249,000	3,639	4,047	14,953
Insurance	210,721	256,000	213,802	225,000	45,279	(42,198)	11,198
IT hardware / software	71,877	130,000	88,131	130,000	58,123	(41,869)	41,869
Postage and printing	60,375	65,000	60,089	65,000	4,625	(4,911)	4,911
LRS - annual maintenance fee	52,160	55,000	54,591	58,000	2,840	(409)	3,409
Training and travel	26,623	30,000	23,064	35,000	3,377	(6,936)	11,936
Other non-personnel / equipment	46,305	78,000	30,162	80,000	31,695	(47,838)	49,838
Office supplies and board meeting expenses	13,364	15,000	23,270	25,000	1,636	8,270	1,730
Total Non-personnel / Equipment	707,786	859,000	727,156	867,000	151,214	(131,844)	139,844
PROFESSIONAL SERVICES							
Actuary / actuarial audit	227,163	290,000	286,574	271,000	62,837	(3,426)	(15,574)
External auditor	84,908	110,000	105,439	92,000	25,092	(4,561)	(13,439)
Legal	474,448	777,000	757,505	681,000	302,552	(19,495)	(76,505)
Pension administration system	16,755	34,000	30,264	24,000	17,245	(3,736)	(6,264)
Temporary staffing agencies	149,373	132,000	129,378	144,500	(17,373)	(2,622)	15,122
Other professional services	39,650	60,000	42,200	83,500	20,350	(17,800)	41,300
Total Professional Services	992,297	1,403,000	1,351,360	1,296,000	410,703	(51,640)	(55,360)
MEDICAL SERVICES							
Independent medical examiners	128,622	360,000	360,000	360,000	231,378	-	-
Medical consultant	52,247	-	-	-	(52,247)	-	-
Total Medical Services	180,869	360,000	360,000	360,000	179,131	-	-
TOTAL ADMINISTRATIVE EXPENSES	6,319,362	7,614,000	7,398,516	8,221,000	1,294,638	(215,484)	822,484

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 Adopted (1)	2023-2024 Adopted (2)	2023-2024 Forecast (3)	2024-2025 Proposed (4)	Increase / (Decrease) (2 to 4)	Increase / (Decrease) (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	-	-	
Total Positions	43.00	43.00	43.00	46.50	3.50	3.50	

OFFICE OF RETIREMENT SERVICES
Proposed Organizational Chart
Budget FY24-25

