

# **POLICE AND FIRE DEPARTMENT RETIREMENT PLAN FISCAL YEAR 2023–2024 BUDGET PROPOSAL**

March 2, 2023

# 2023–2024 Budget at a Glance

- ▶ Development of the budget
- ▶ Administrative expense breakdown
- ▶ Sources of funds
- ▶ Uses of funds
- ▶ Proposed administrative budget
- ▶ Personnel services analysis
- ▶ Non–personnel/equipment analysis
- ▶ Professional services analysis
- ▶ Medical services analysis
- ▶ Analysis and comparisons to other CA plans

# Development of the Police & Fire Department Retirement Plan's FY23–24 Proposed Budget

The Proposed Budget is broken down into the following categories:

## ► Sources of Funds

- **City contributions** – Estimated based on the contribution rates and total covered payroll shown in the actuarial reports for June 30, 2022
- **Participant income** – Estimated based on the contribution rates and total covered payroll shown in the actuarial reports for June 30, 2022
- **Investment income** – Calculated using the assumed rate of return based on reserve plus City's contributions for the whole year and other activities throughout the year

## ► Uses of Funds

- **Benefits and health insurance** – pension payments, health insurance subsidy, return of contributions and death benefits. Amounts were calculated based on the average increase for the past 5 years
- **Administrative expense** – this represents the operating expenses for the Office of Retirement Services. The detail is shown in the following slide.

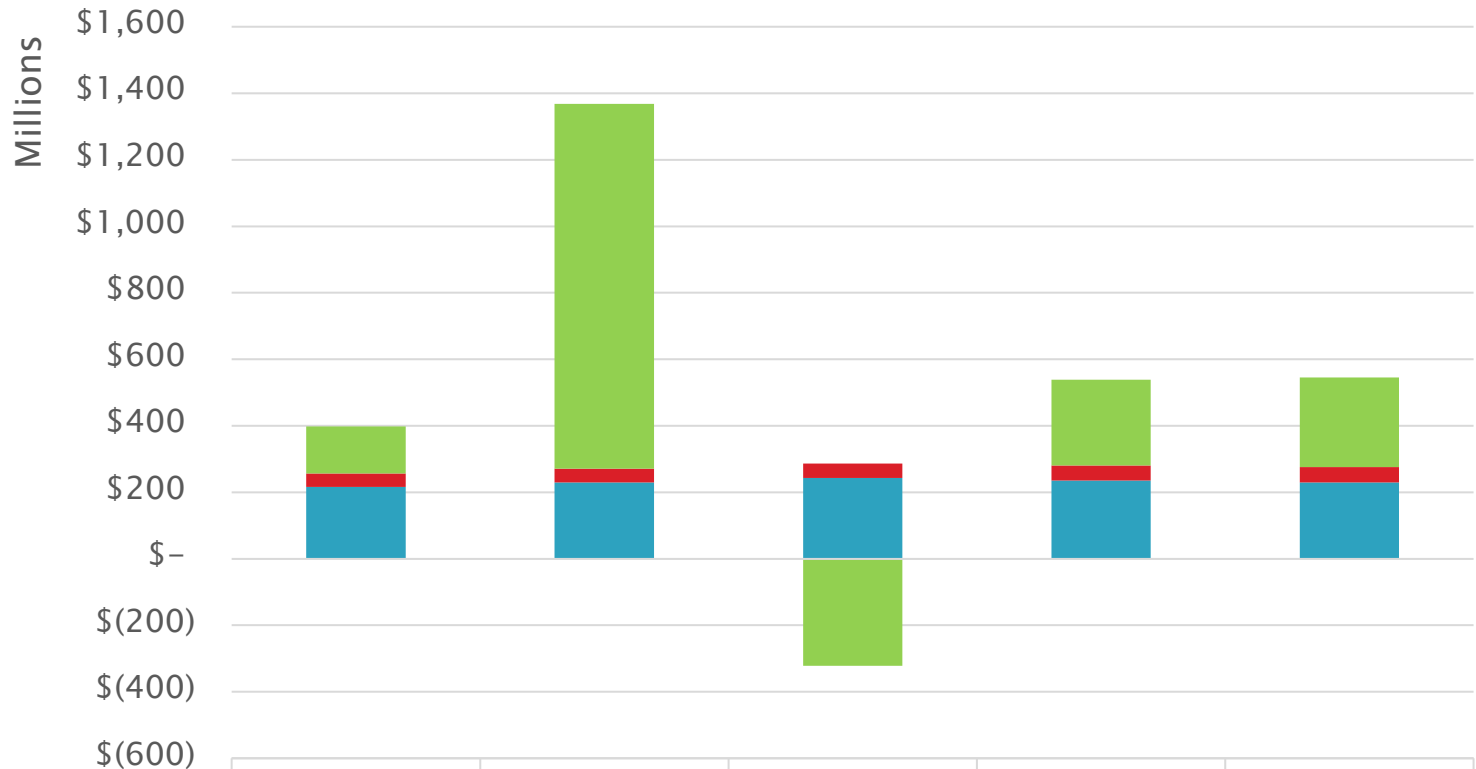
# Administrative Expense Budget FY23–24

The Administrative Expense Budget portion 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.

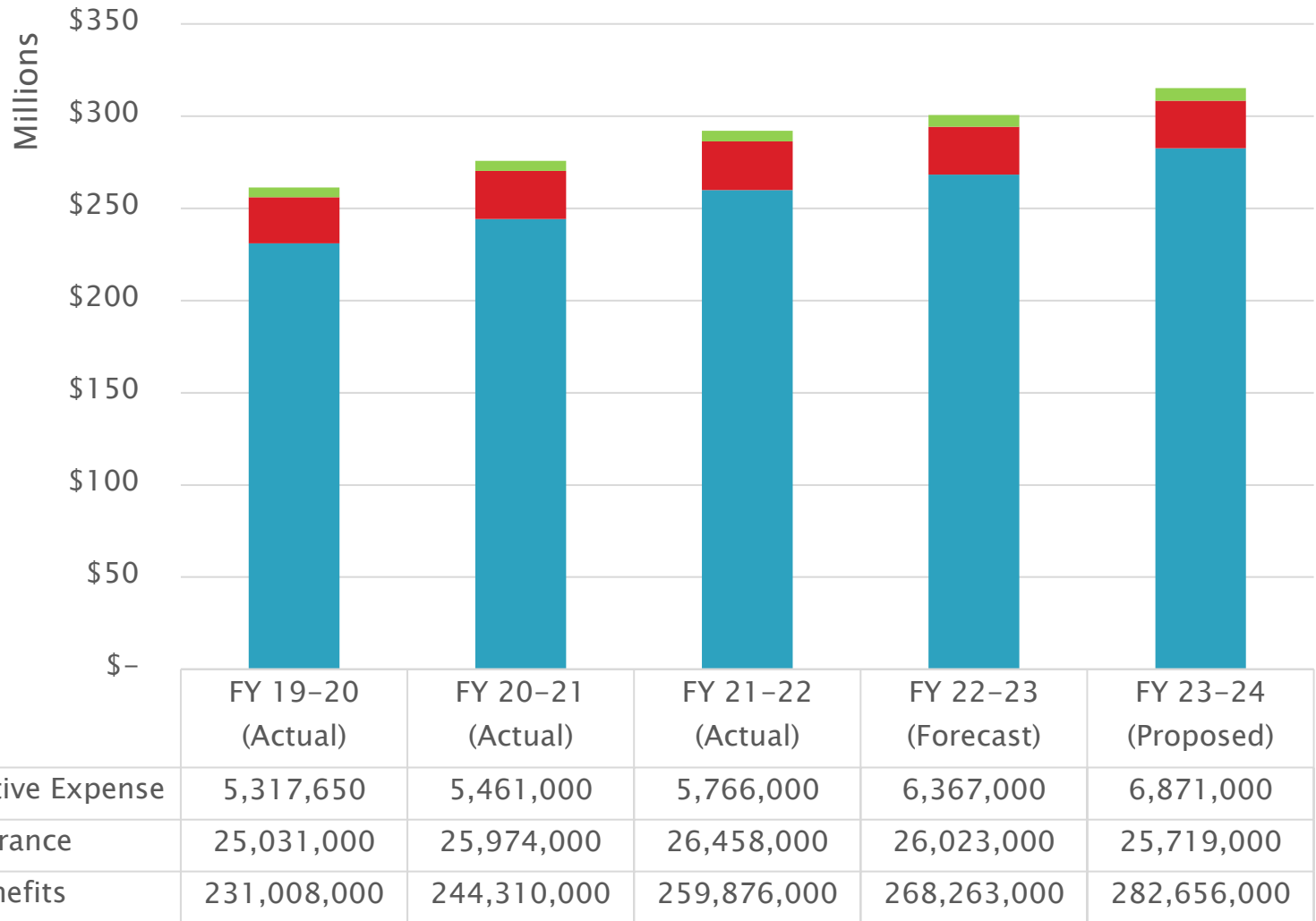
The Administrative Budget does **NOT** include investment professional services, consultants and investment manager fees and capitalized costs.

# Sources of Funds



	FY 19-20 (Actual)	FY 20-21 (Actual)	FY 21-22 (Actual)	FY 22-23 (Forecast)	FY 23-24 (Proposed)
Investment Income	141,328,000	1,097,284,000	(321,850,000)	257,830,000	269,526,000
Participant Contributions	40,780,000	41,508,000	43,769,000	45,151,000	45,644,000
City Contributions	215,831,000	229,767,000	242,809,000	235,221,000	230,120,000

# Uses of Funds



**Note: Amortization expense is not included in administrative expense**

# Police & Fire Proposed Administrative Budget for FY 2023–2024

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

Expenses	2021– 2022 Actual (A)	2022– 2023 Adopted/ Modified (B)	2022– 2023 Forecast (C)	2023–2024 Proposed <sup>(1)</sup> (D)	% Increase (Decrease) (B to D)	% Increase (Decrease) (C to D)
Personnel Services	\$3,936,730	\$4,463,000	\$4,435,225	<b>\$4,839,000</b>	8.42%	9.10%
Non-Personnel / Equipment	682,592	795,000	717,975	<b>859,000</b>	8.05%	19.64%
Professional Services	1,060,191	798,000/ 998,000	958,092	<b>903,000</b>	13.16%/ (9.52%)	(1.64%)
Medical Services	86,899	270,000	254,997	<b>270,000</b>	0.00%	5.88%
Total	\$5,766,412	\$6,326,000/ \$6,526,000	\$6,366,289	<b>\$6,871,000</b>	8.62%/ 5.29%	8.61%

<sup>(1)</sup> – Detail for changes provided in the following slides

# Personnel Services Analysis

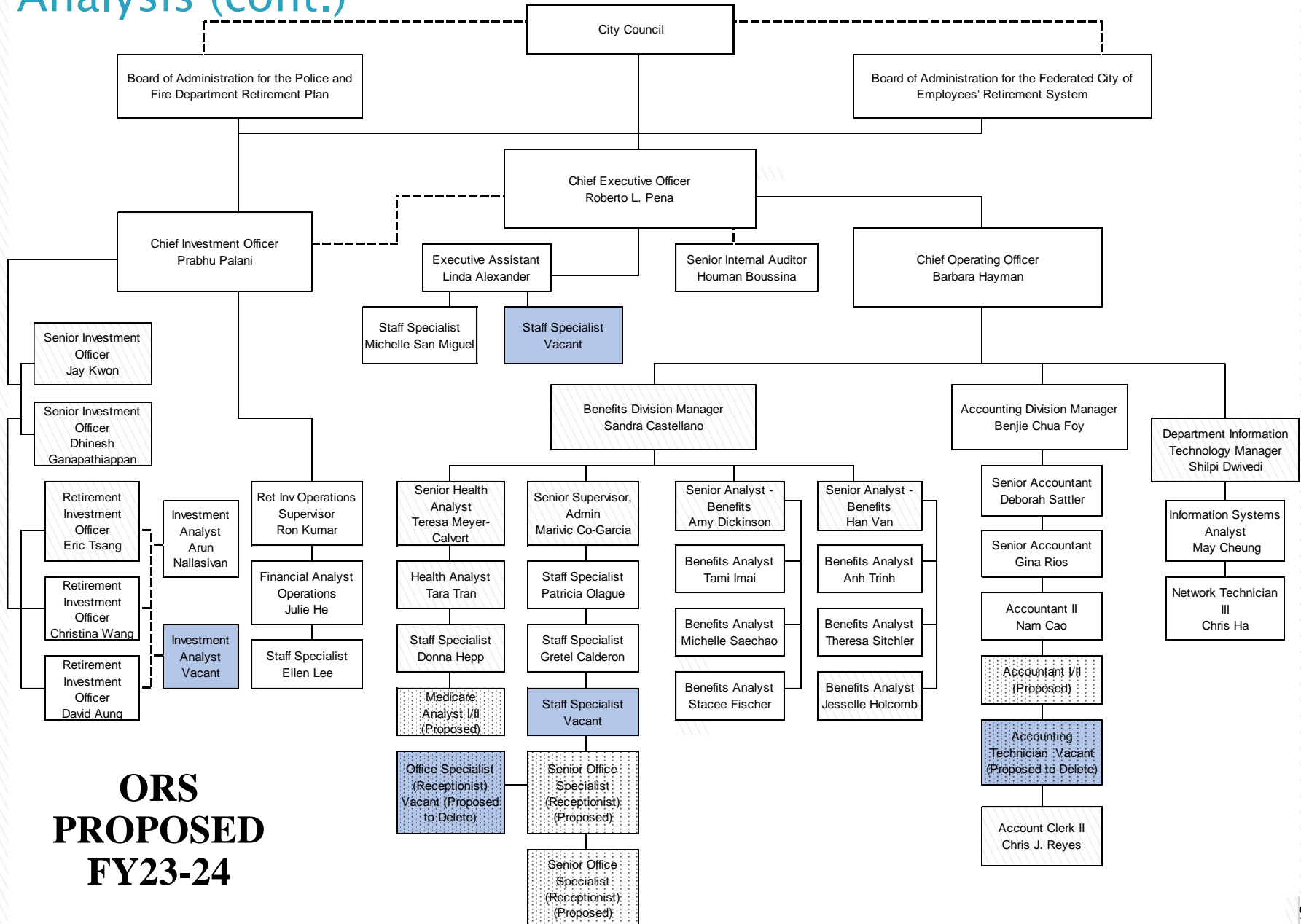
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Personnel Services	\$3,936,730	\$4,463,000	\$4,435,225	<b>\$4,839,000</b>	8.42%	9.10%
Authorized positions for both plans	40.00	43.00	43.00	45.00	2	2
Full time employee (FTE) allocated to Plan	20.00	21.50	21.50	22.50	1.00	1.00
Actual filled FTEs for both plans	37.00		38.00			
FTEs allocated to Plan	18.50		19.00			

- ▶ Personnel Services increased from last year's budget due to:
  - Proposals, budgeting three return to work retirees for the full year and increased benefit rates
- ▶ Proposals for FY23–24 included in budget
  - Upgrading the Account Tech position to an Accountant I/II
  - Adding a Medicare Analyst to the Health Team in Benefits
  - Upgrading the vacant Office Specialist to a Senior Office Specialist and adding another Senior Office Specialist for the Front Desk



# 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)



## Non-Personnel/Equipment Analysis

Expenses	2021– 2022 Actual (A)	2022– 2023 Adopted (B)	2022– 2023 Forecast (C)	2023–2024 Proposed (D)	% Increase (Decrease) (B to D)	% Increase (Decrease) (C to D)
Non– personnel/ Equipment	\$682,592	\$795,000	\$717,975	\$859,000	8.05%	19.64%

- ▶ Non-Personnel/Equipment increased from prior year budget by \$64,000 mainly due to the following:
  - Increase in the IT budget for new financial reporting system for \$10,000
  - Addition of \$15,000 for cubicle reconfiguration in the Benefits division for new staff
  - CPI increases for all other areas

# Non-Personnel/Equipment Analysis (cont.)

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

Minor Budget Category	Budget Basis	FY23-24 Proposed Budget Amount
Insurance	Fiduciary and commercial liability Insurance	\$256,000
Rent	Rent for Office of Retirement Services (ORS) based on lease amount, as well as Common Area Maintenance costs	230,000
IT hardware / software	Includes proposed phone center and social media projects, wireless microphone system for 5 <sup>th</sup> floor Board room and hosting service	130,000
Postage and printing	Postage, shipping and printing costs for open enrollment, contribution rate and newsletter mailings and other communication	65,000
LRS - annual maintenance fee	Pension administration system annual maintenance fee based on contract amount	55,000
Training/Travel	Board and staff travel including conferences, roundtables, due diligence, etc.	30,000
Other non-personnel and equipment	Includes lease, mileage, communication, dues and subscriptions, equipment/furniture, training, supplies, and a buffer for leasehold improvements for the building	93,000
	<b>NON-PERSONNEL / EQUIPMENT TOTAL</b>	<b>\$859,000</b>

# Professional Services Analysis

Expenses	2021-2022 Actual (A)	2022-2023 Adopted/ Modified (B)	2022-2023 Forecast (C)	2023-2024 Proposed (D)	% Increase (Decrease) (B to D)	% Increase (Decrease) (C to D)
Professional Services	\$1,060,191	\$798,000/ \$998,000	\$958,092	<b>\$903,000</b>	13.16%/ (9.52%)	(5.75%)

- ▶ Professional Services increased by \$105,000 from last year's adopted budget due to increases in actuarial, legal and temporary staffing services and slight increases across the board for CPI. The adopted budget was modified to add \$150,000 for legal services and \$50,000 for temporary staffing services.
- ▶ Other considerations
  - Cost associated with the new pension administration system are NOT included in the budget as those costs are being 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	Budget Basis	FY23–24 Budget Amount
Legal	Legal services provided by Reed Smith, Saltzman and Johnson and Ice Miller LLP – note this budget line excludes investment legal.	\$312,000
Actuary	Annual valuation and GASB reports for Pension & OPEB, benefit calculations, including 415 matters, and other miscellaneous consultations	290,000
Audit	Annual financial audit agreement amount plus other services	85,000
Other Professional Services	Includes retiree search agency, governance services and communications consultant	60,000
Temp Agencies	Temporary staffing to fill vacant positions and assist with open enrollment	132,000
Pension Admin System (PensionGold)	Ad hoc web changes billed per hour; disaster recovery; ad hoc change request enhancements; web hosting monthly charge	24,000
	<b>PROFESSIONAL SERVICES OTHER BUDGET TOTAL</b>	<b>\$903,000</b>

# Medical Services Analysis

Expenses	2021– 2022 Actual (A)	2022– 2023 Adopted (B)	2022– 2023 Forecast (C)	2023– 2024 Proposed (D)	% Increase (Decrease) (B to D)	% Increase (Decrease) (C to D)
Medical Services	\$86,899	\$270,000	\$254,997	\$270,000	0.00%	5.88%

- ▶ Medical services remained flat compared to prior year
- ▶ Other considerations:
  - Contract with medical advisor has been terminated
  - Using 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

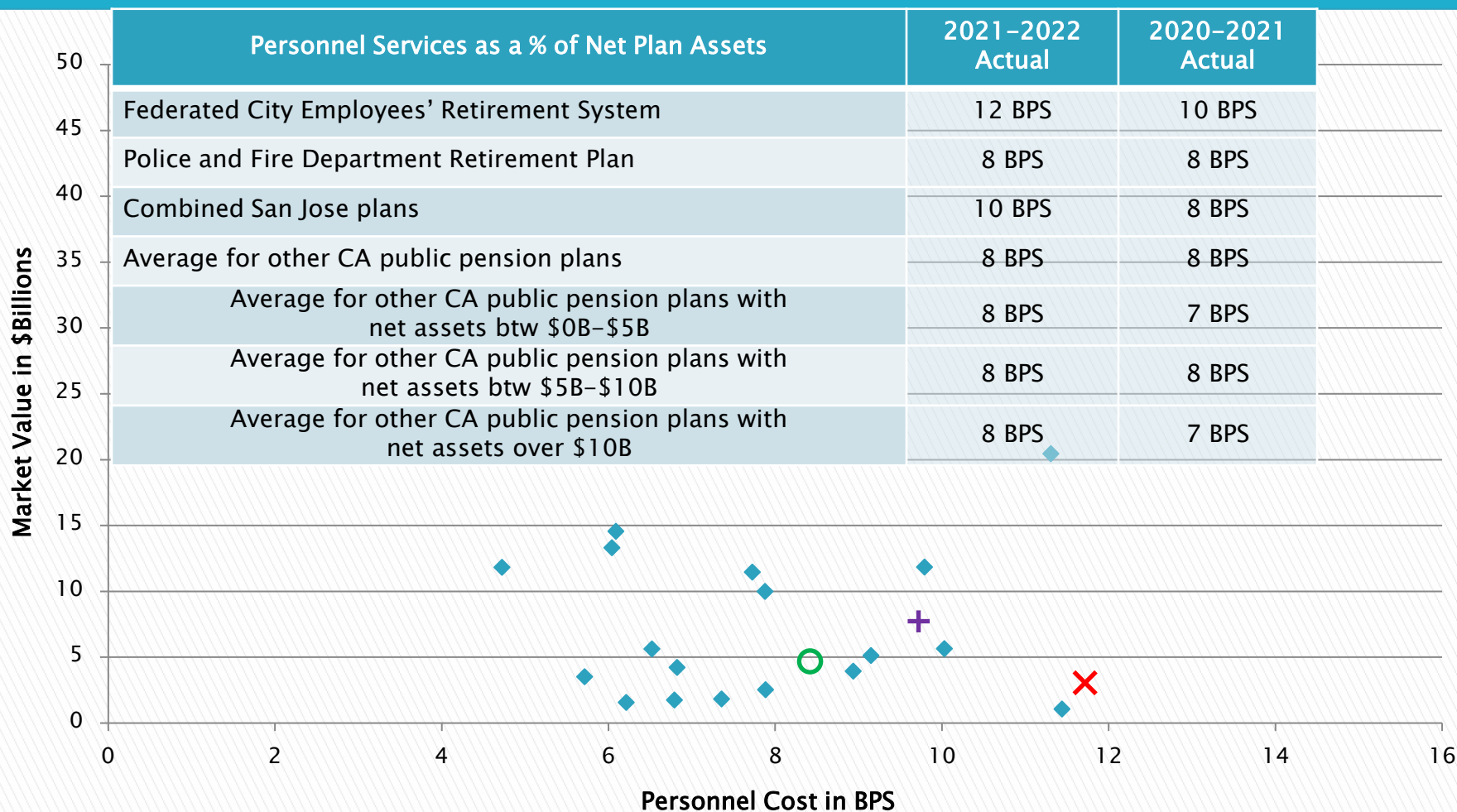
# Personnel Services Analysis – in BPS

Personnel Expense in BPS of Market Value of Assets – Actual as of 6/30/22 or most recent financial statement <sup>(1)</sup>

“X” below represents the Federated System, \$3,582,000

“O” below represents the Police and Fire Plan, \$3,937,000

“+” below represents the combined San Jose plans, \$7,519,000



<sup>1</sup> Retirement Services gathered and compiled most recent financial information from 22 public pension plans' ACFRs; Ventura County was not available at the time this was completed

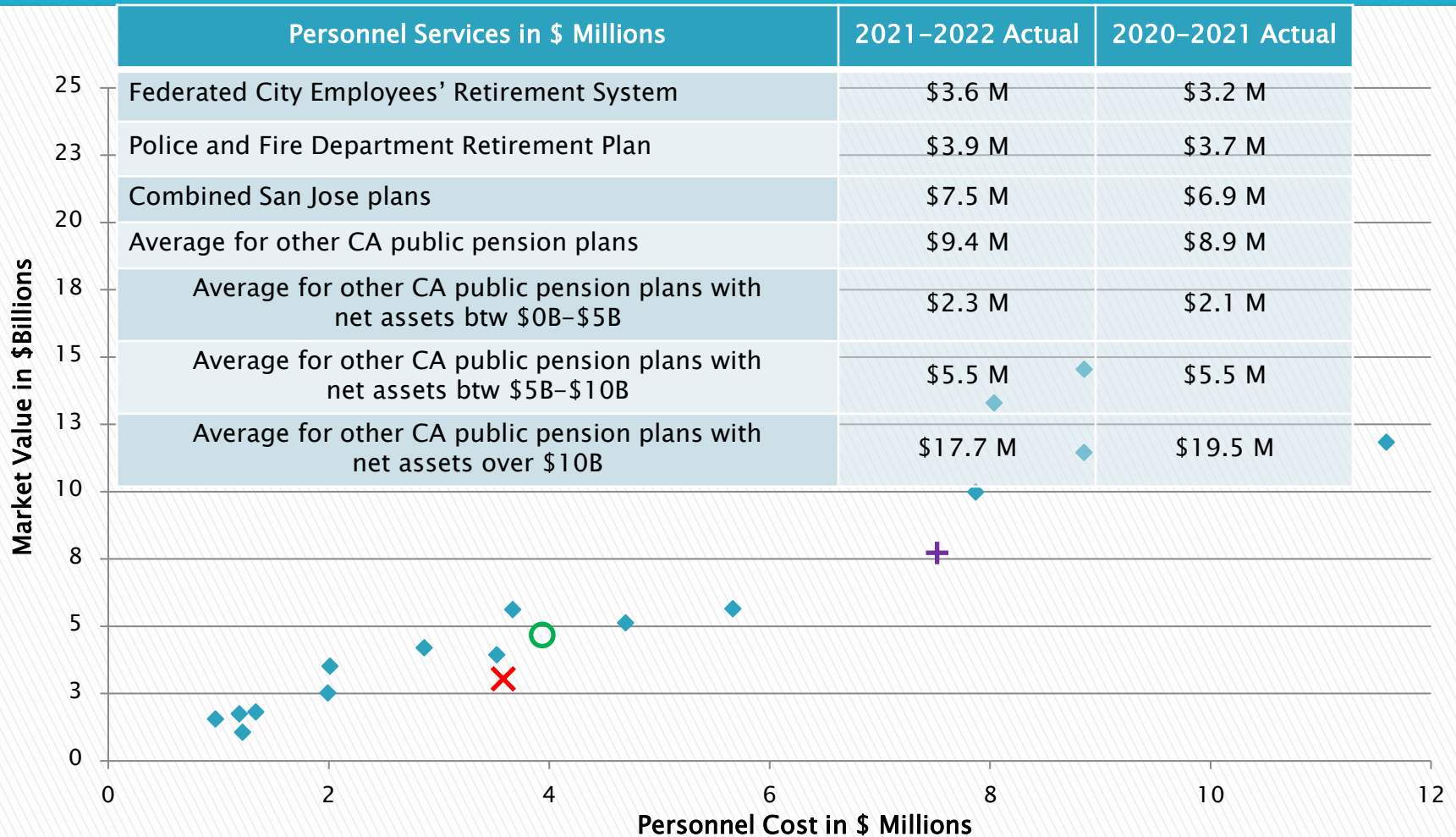
# Personnel Services Analysis – in \$

Personnel Expense in \$ Millions – Actual as of 6/30/22 or most recent financial statement <sup>(1)</sup>

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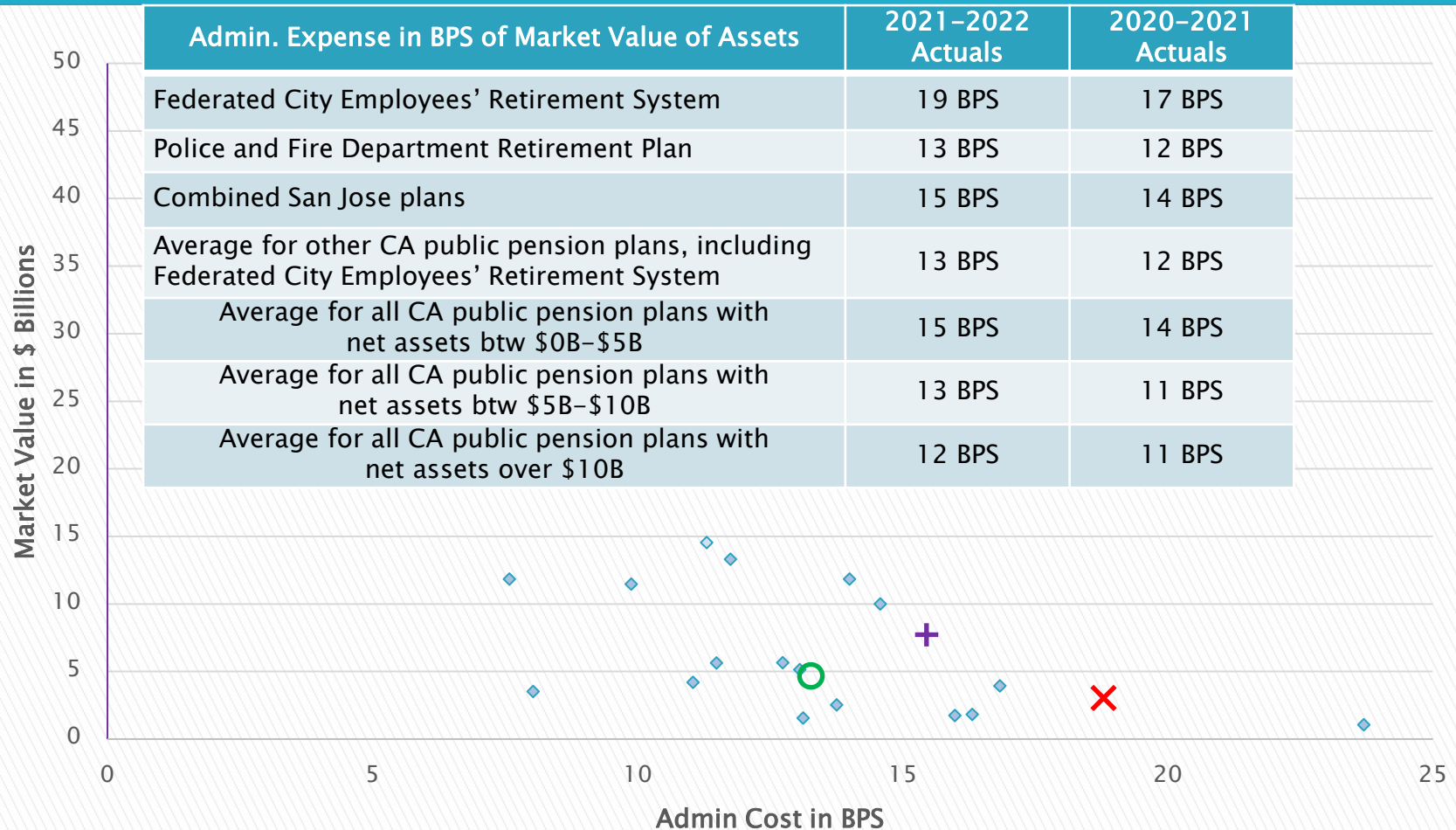
# Administrative Cost Comparison – in BPS

Administrative Expense in BPS of Market Value of Assets – Actual as of 6/30/22 or most recent financial statement <sup>(1)</sup>

“X” below represents the Federated System, \$5,743,000

“O” below represents the Police and Fire Plan, \$6,205,000

“+” below represents the combined San Jose plans, \$11,948,000



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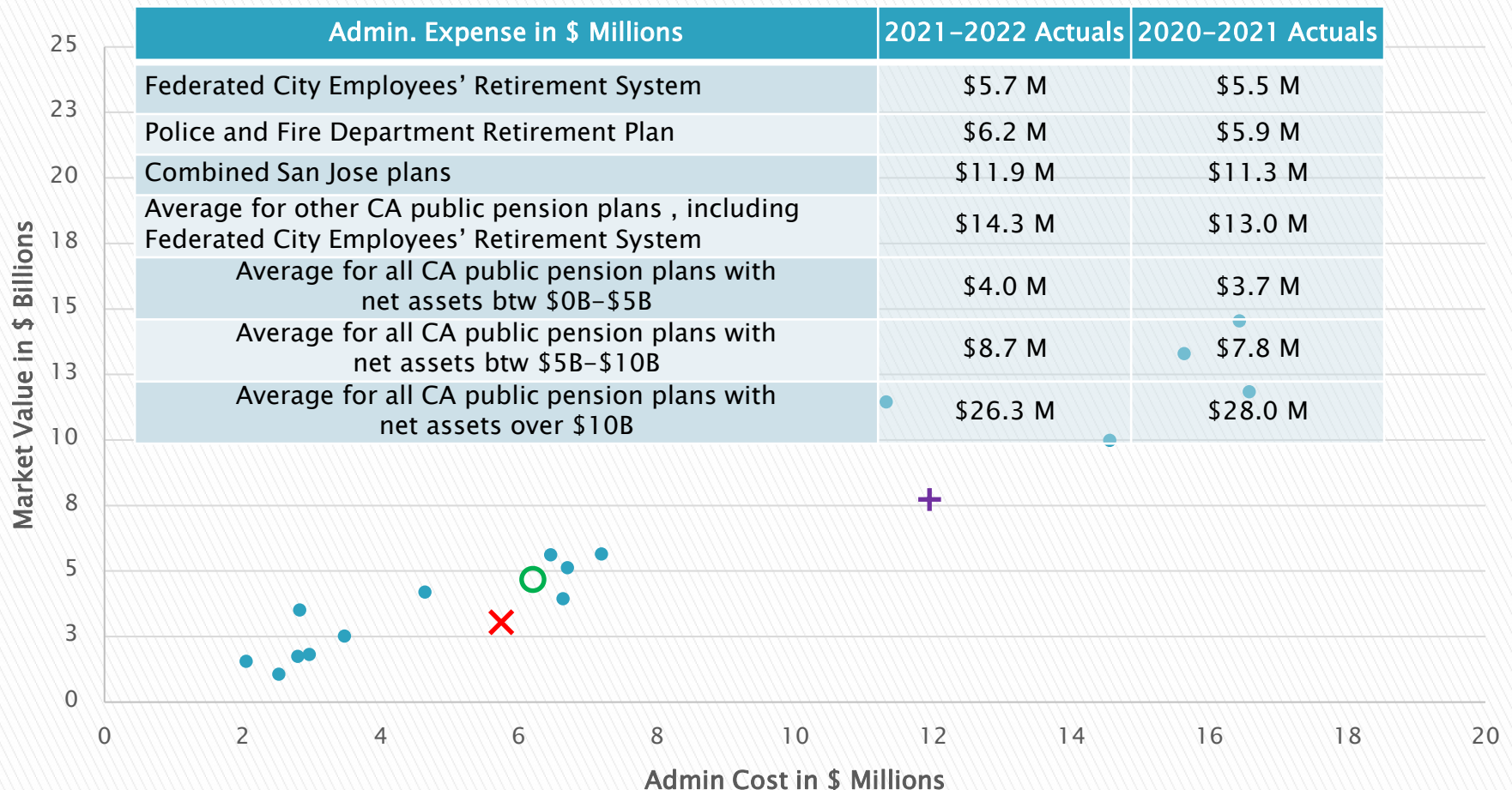
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