

Memorandum

TO: Honorable Mayor and City Council **FROM:** Richard Doyle
City Attorney

SUBJECT: Council-approved Budget for **DATE:** January 30, 2018
Administration of Retirement
Plans

On January 9, 2018, the City Council directed the City Attorney to clarify whether, under Measure G and other relevant authority, the City should consider investment fees within the Council-approved budget for Retirement Services' administrative costs.

On November 4, 2014, the voters approved Measure G, which amended the City Charter to expand the retirement boards' authority. Under Section 810 of the City Charter, the boards are required to adopt a budget approved by the City Council as follows:

Each retirement board shall annually adopt a budget approved by the City Council covering the ***entire aggregate expense of administration of the retirement plan or plans*** that the retirement board has been designated to administer for the ensuing fiscal year, using the same fiscal year as the City pursuant to Section 1200 of this Charter.

While the phrase "entire aggregate expense of administration of the retirement plan or plans" is not defined, the term "administration" means the act or process of managing or supervising pursuant to the Merriam-Webster Dictionary. Therefore, the administration of the retirement plans simply means the act or process of managing the retirement plans. Although Retirement Services has historically presented personal services only in the budgets presented to the City Council for approval, the plain language of Measure G requires additional categories of expenses, as personal services are not the only type of expenses needed to administer the plans. Professional services (like actuarial services, legal services, investment management services, etc.), travel expenses, technology, including hardware and software, expenses, office expenses, and other operational expenses should be included in the budget presented to the City Council for approval pursuant to Measure G. In the case of investments, the compensation paid to investment consultants and managers for investment consulting services relate to the administration of the retirement plans and per Measure G should be identified in Retirement Services' annual budget.¹ For example, the Board of Administration for the

¹ In addition to investment consulting fees paid pursuant to consultant service agreements, investment management and advisory fees are also paid by both retirement plans as deductions from the investment returns and calculated as a percentage of the amount invested. While there is an argument that these investment fees are not addressed in Measure G's budget requirement since the fees are paid off the top from the retirement plans' investments and not from administrative funds held by the retirement plans, we

Council-approved budget for administration of retirement plans

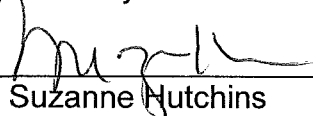
Police and Fire Department Plan's Agreement with Meketa Investment Group for \$1,200,000.00 for the period of March 1, 2017 through February 29, 2020 is for investment consulting services. (See Attachment 1.) Under this Agreement, Meketa performs services in compliance with the Board's Investment Plan, conducts seminars and training sessions for the Board and staff, works closely with the Board and its Investment Committee at their respective monthly meetings, and works with the Plan's investment staff on a regular basis, in addition to other consulting services. (See Attachment 1, Ex. B.) Meketa essentially helps the Board and staff administer the Police and Fire Department Retirement Plan and such types of costs should therefore be included in the budgets presented to the City Council for approval.

Although the California Constitution grants retirement boards plenary authority and financial responsibility for investment of moneys and administration of their systems, plenary power does not mean unreviewable power. (See *Singh v. Board of Retirement*, 41 Cal.App.4th 1180 (1996)). With respect to the City's retirement systems, Measure G placed a "check" on the retirement systems whereby the City Council reviews and approves the budgets for the administration of the plans. In order to fully consider any proposed budget, the City Council needs all proposed expenses for the administration of the plans, and such disclosure of all proposed expenses in the budget process would provide greater transparency to the plans' members and the public.

In reviewing other jurisdictions, we found samples of other retirement systems' budget documentation where the aggregate expense of the administration of a retirement plan included more than personal costs. For example, the Los Angeles City Employees' Retirement System's Proposed Budget dated March 24, 2015 is comprised of the City of Los Angeles' contributions to its retirement plan, the investment management expense budget, and the administrative expense budget for its retirement fund, and is transmitted to the Mayor for inclusion in the City's proposed budget. (See Attachment 2.) The Proposed Budget for the San Francisco Employees' Retirement System dated February 10, 2016, provides greater detail than the Los Angeles example, although many budget items were pending negotiation with the Mayor's Budget Office at the time. (See Attachment 3.)

While Measure G does not provide the details on what the "entire aggregate expense of administration of the retirement plan or plans" includes, an ordinance could be drafted to clarify the types of information for inclusion in the proposed budgets submitted by the boards to the City Council for approval.

RICHARD DOYLE
City Attorney

By: 
Suzanne Hutchins
Sr. Deputy City Attorney

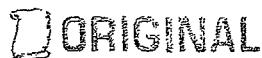
note that the proposed budget for the San Francisco Employees' Retirement System provided detailed information concerning the percentage (basis points) that were to be charged against the amounts invested. (See Attachment 3, pg. 33.)

Council-approved budget for administration of retirement plans

cc: Sharon Erickson, City Auditor (via email w/encl.)
David Sykes, City Manager (via email w/encl.)
Roberto Pena, Director of Retirement Services (via email w/encl.)
Jennifer Schembri, Office of Employee Relations (via email w/encl.)

ATTACHMENT 1

AGREEMENT FOR INVESTMENT CONSULTANT SERVICES
BETWEEN
THE BOARD OF ADMINISTRATION FOR
THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
AND MEKETA INVESTMENT GROUP, INC.

 ORIGINAL

City of San Jose
Office of the City Clerk

AGREEMENT FOR INVESTMENT CONSULTANT SERVICES
BETWEEN
THE BOARD OF ADMINISTRATION FOR
THE POLICE AND FIRE DEPARTMENT RETIREMENT PLAN
AND
MEKETA INVESTMENT GROUP, INC.

JUN 13 2017
☒ ACCEPTED
☐ REJECTED

This Consultant Agreement, dated as of the 1st day of March 2017 (this "AGREEMENT"), is between Meketa Investment Group Inc., a Massachusetts corporation registered to do business in the State of California and registered with the Securities and Exchange Commission as an investment adviser ("CONSULTANT"), and the Board of Administration (the "BOARD") of the City of San Jose Police and Fire Department Retirement Plan (the "PLAN").

RECITALS

The purpose for which this AGREEMENT is made and all pertinent recitals, are listed on EXHIBIT A, entitled "RECITALS", which is attached hereto and incorporated herein.

SECTION 1. SCOPE OF SERVICES.

During the term of this AGREEMENT, CONSULTANT shall perform the Services (as such term is defined in EXHIBIT B, which is attached hereto and incorporated herein). CONSULTANT shall promptly notify the BOARD of any material event (a) with the respect to the Services that would reasonably be expected to have a material adverse effect on the PLAN or (b) that would reasonably be expected to have a material adverse effect on CONSULTANT's provision of the Services.

SECTION 2. TERM OF AGREEMENT.

The term of this AGREEMENT shall be from March 1, 2017 to February 29, 2020, inclusive, subject to the provisions of Section 11 of this AGREEMENT.

SECTION 3. SCHEDULE OF PERFORMANCE.

During the term of this AGREEMENT, the Services are to be completed according to the schedule set out in EXHIBIT C, entitled "SCHEDULE OF PERFORMANCE", which is attached hereto and incorporated herein. Time is of the essence in this AGREEMENT.

SECTION 4. COMPENSATION.

The compensation to be paid to CONSULTANT, including both payment for the Services and reimbursable expenses, shall not exceed One Million Two Hundred Thousand Dollars (\$1,200,000.00). The rate and schedule of payment is set out in EXHIBIT D, entitled "COMPENSATION," which is attached hereto and incorporated herein.

SECTION 5. METHOD OF PAYMENT.

At the end of each quarter, CONSULTANT shall submit to the PLAN an invoice for the Services performed during the invoice period. Each such invoice shall itemize CONSULTANT's quarterly fee and any compensation due for on-site visits, additional manager searches, or other Additional Services performed pursuant to Section III of EXHIBIT B. Any invoice for compensation for on-site visits shall be accompanied by documentation itemizing the time and

expenses incurred. Provided that the Services were performed in accordance with this AGREEMENT and the compensation due for on-site visits and/or Additional Services other consulting services is within the amount authorized by the BOARD, the PLAN shall cause payment to be made to CONSULTANT within sixty (60) days of the receipt of each such invoice by the BOARD.

SECTION 6. INDEPENDENT CONTRACTOR.

It is understood and agreed that CONSULTANT, in the performance of the Services, shall act as and be an independent contractor and not an agent or employee of the PLAN or the City of San Jose (the "CITY"); and as an independent contractor, CONSULTANT shall obtain no rights to retirement benefits or other benefits which accrue to employees of the PLAN or the CITY, and CONSULTANT hereby expressly waives any claim it may have to any such rights.

SECTION 7. ASSIGNABILITY.

No assignment of this AGREEMENT shall be made by the CONSULTANT without the prior written consent of the BOARD. Any attempt by CONSULTANT to so assign this AGREEMENT without the prior written consent of the BOARD shall be void and of no effect.

SECTION 8. INDEMNIFICATION.

- A. CONSULTANT shall defend, indemnify and hold harmless the CITY, the PLAN, and the BOARD, and the trustees, officers, employees, contractors, and agents of each against any and all claims, demands, actions, damages, injuries, losses, liabilities, or expenses (including, without limitation, actual reasonable attorneys' fees and defense costs) related to, arising out of and/or resulting in any way from work (i) any action taken or omitted to be taken by CONSULTANT, its officers, directors, employees, agents or subcontractors that was not in good faith, or was not authorized by or within the discretion or right or powers conferred upon it by this AGREEMENT, or that constituted negligence (active or passive), willful misconduct or a breach of its fiduciary duties; (ii) any breach of any representation or warranty made by CONSULTANT in this AGREEMENT; and (iii) any misrepresentation contained in the CONSULTANT's Proposal, a copy of which is attached hereto as EXHIBIT H and incorporated by reference herein, or in any certificate furnished by CONSULTANT pursuant to this AGREEMENT. The acceptance of said services and duties by the PLAN shall not operate as a waiver of such right of indemnification.
- B. The PLAN acknowledges and agrees that the CONSULTANT has no responsibility to manage or in any way direct the investment of any assets of the PLAN.

SECTION 9. INSURANCE REQUIREMENTS.

CONSULTANT agrees to have and maintain the policies set forth in EXHIBIT E, entitled "INSURANCE," which is attached hereto and incorporated herein. All policies, endorsements, certificates and/or binders shall be subject to approval by the Director of Human Resources or such director's authorized designee ("Risk Manager") of the CITY as to form and content. These requirements are subject to amendment or waiver if so approved in writing by the Risk Manager. CONSULTANT agrees to provide the CITY and the PLAN with a copy of said policies, certificates and/or endorsements before work commences under this AGREEMENT.

SECTION 10. NONDISCRIMINATION.

CONSULTANT shall not discriminate, in any way, against any person on the basis of race, sex, color, age, religion, sexual orientation, actual or perceived gender identity, disability, ethnicity, or national origin, in connection with or related to the performance of this AGREEMENT.

SECTION 11. TERMINATION.

- A. The PLAN shall have the right to terminate this AGREEMENT, without cause, by giving not less than thirty (30) days' written notice of termination. Notice of Termination may cover all Services or any portion of the Services described in EXHIBIT B.
- B. If CONSULTANT fails to perform any of its material obligations under this AGREEMENT, in addition to all other remedies provided by law, the PLAN may terminate this AGREEMENT immediately upon written notice.
- C. The BOARD or the BOARD's designee is empowered to terminate this AGREEMENT on behalf of the PLAN.
- D. In the event of termination, CONSULTANT shall deliver to the PLAN copies of all reports, documents, and other work performed by CONSULTANT under this AGREEMENT, and upon receipt thereof, the PLAN shall pay CONSULTANT a pro-rata amount for Services performed and reimbursable expenses incurred to the date of termination, as provided in EXHIBIT D.
- E. In no event will the termination of this AGREEMENT pursuant to this Section 11 be deemed a waiver of the PLAN's rights to make a claim against CONSULTANT as provided for in Section 8 above.
- F. The rights and remedies of the parties in this Section 11 will not be exclusive and are in addition to any rights and remedies provided at law, in equity, or under this AGREEMENT.
- G. CONSULTANT will cooperate with the PLAN in effecting a smooth transition to a new CONSULTANT after any termination hereunder.

SECTION 12. GOVERNING LAW.

The PLAN and CONSULTANT agree that the law governing this AGREEMENT shall be that of the State of California.

SECTION 13. COMPLIANCE WITH LAWS.

CONSULTANT shall comply with all applicable laws, ordinances, codes and regulations of the federal, state and local governments.

SECTION 14. CONFIDENTIAL INFORMATION.

All data, documents, discussions or other information developed or received by or for CONSULTANT in performance of this AGREEMENT are confidential and not to be disclosed to any person except as authorized by the PLAN, or as required by law. Such confidential

information includes this AGREEMENT and any discussions and/or negotiations concerning or relating to this AGREEMENT.

SECTION 15. OWNERSHIP OF MATERIALS.

All reports, documents or other materials developed or discovered by CONSULTANT or any other person engaged directly or indirectly by CONSULTANT to perform the Services shall be and remain the property of the CITY without restriction or limitation upon their use.

SECTION 16. RELIANCE ON INFORMATION.

The BOARD understands that CONSULTANT, in the performance of the Services, is entitled to rely upon the accuracy of information furnished by the BOARD or the PLAN or on its behalf, without further investigation.

SECTION 17. WAIVER.

CONSULTANT agrees that waiver by the PLAN of any breach or violation of any term or condition of this AGREEMENT shall not be deemed to be a waiver of any other term or condition contained herein or a waiver of any subsequent breach or violation of the same or any other term or condition. The acceptance by the PLAN of the performance of any work or services by CONSULTANT shall not be deemed to be a waiver of any term or condition of this AGREEMENT.

SECTION 18. CONSULTANT'S BOOKS AND RECORDS.

- A. CONSULTANT shall maintain any and all ledgers, books of account, invoices, vouchers, cancelled checks, and other records or documents evidencing or relating to charges for the Services, or expenditures and disbursements charged to the PLAN for a period of six (6) years, or for any longer period required by law, from the date of final payment to CONSULTANT pursuant to this AGREEMENT.
- B. CONSULTANT shall maintain all documents and records which demonstrate performance under this AGREEMENT for a period of six (6) years, or for any longer period required by law, from the date of termination or completion of this AGREEMENT.
- C. Any records or documents required to be maintained pursuant to this AGREEMENT shall be made available for inspection or audit at no cost to the PLAN, at any time during regular business hours, upon written request by the City Attorney, City Auditor, City Consultant, or a designated representative of any of these officers. Copies of such documents shall be provided to the PLAN or the CITY for inspection at the City Hall or the Office of Retirement Services, 1737 North First Street, Suite 600, San Jose, CA 95112 as soon as it is practical to do so. Otherwise, unless an alternative is mutually agreed upon, the records shall be available at CONSULTANT's address indicated for receipt of notices in this AGREEMENT.
- D. Where the CITY has reason to believe that such records or documents may be lost or discarded due to dissolution, disbandment or termination of CONSULTANT's business, the PLAN or the CITY may, by written request by any of the above-named officers, require

that custody of the records be given to the PLAN or the CITY and that the records and documents be maintained in City Hall or Office of Retirement Services. Access to such records and documents shall be granted to any party authorized by CONSULTANT, CONSULTANT's representatives, or CONSULTANT's the PLAN approved successor-in-interest.

SECTION 19. CONFLICT OF INTEREST.

CONSULTANT shall avoid all conflict of interest or appearance of conflict of interest in performance of this AGREEMENT. CONSULTANT shall file an Assuming Office Disclosure Statement of Economic Interests (Form 700) as specified in EXHIBIT F, entitled "DISCLOSURE STATEMENT", which is attached hereto and incorporated herein. Such statement shall be filed within thirty (30) days of the date of this AGREEMENT and annually thereafter by the first of April. Upon termination of this AGREEMENT, CONSULTANT shall file a Leaving Office Disclosure Statement of Economic Interest (Form 700).

SECTION 20. GIFTS.

- A. CONSULTANT is familiar with the CITY's prohibition against the acceptance of any gift by a CITY officer or designated employee, which prohibition is found in Chapter 12.08 of the San Jose Municipal Code.
- B. CONSULTANT agrees not to offer any CITY officer or designated employee any gift prohibited by Chapter 12.08.
- C. The offer or giving of any gift prohibited by Chapter 12.08 shall constitute a material breach of this AGREEMENT by CONSULTANT. In addition to any other remedies the CITY may have in law or equity, the PLAN may terminate this AGREEMENT for such breach as provided in Section 11 of this AGREEMENT.

SECTION 21. DISQUALIFICATION OF FORMER EMPLOYEES.

CONSULTANT is familiar with the provisions relating to the disqualification of former officers and employees of the PLAN and the CITY in matters which are connected with former duties or official responsibilities as set forth in Chapter 12.10 of the San Jose Municipal Code ("Revolving Door Ordinance"). CONSULTANT shall not utilize either directly or indirectly any officer, employee, or agent of CONSULTANT to perform services under this AGREEMENT, if in the performance of such services, the officer, employee, or agent would be in violation of the Revolving Door Ordinance.

SECTION 22. STANDARD OF CARE/NO SELF DEALING.

CONSULTANT shall perform the Services that it has agreed to hereunder with the care, skill, diligence, and responsibility of a professional familiar with such matters and acting in a like capacity in the conduct of an enterprise of like character and with like aims (herein, CONSULTANT's "Standard of Care"). CONSULTANT is a fiduciary with respect to its duties pursuant to this AGREEMENT. CONSULTANT's Standard of Care shall apply to the Services that it performs provided hereunder and shall be adhered to by CONSULTANT at all times in the performance of the Services. Notwithstanding any other provision in this AGREEMENT,

CONSULTANT's Standard of Care is incorporated in and applies to each and every provision of this AGREEMENT setting forth the Services to be performed by CONSULTANT and each and every such provision is subject to the Standard of Care. For the purposes of Section 18, the provisions of this Section 22 shall survive termination of this AGREEMENT for a period of six (6) years.

CONSULTANT shall not engage in any self dealing with any assets received by it, if any, pursuant to this AGREEMENT, including but not limited to dealing with such assets in its own interest or for its own account, acting in any transaction involving such assets on behalf of a party (including but not limited to the CONSULTANT) whose interests are adverse to the interests of the PLAN or its participants or beneficiaries, or receiving any consideration from any party in connection with a transaction involving such assets. In the event that the officers and employees who have day-to-day responsibility for this consulting relationship have actual knowledge of any income derived from self-dealing activities, the same shall be reported to the PLAN.

SECTION 23. AUTHORITY.

The BOARD and CONSULTANT each represent that the person executing and delivering this AGREEMENT on their behalf has full power and authority to do so and that this AGREEMENT is binding.

SECTION 24. SPECIAL PROVISIONS.

Special provisions, if any, to this AGREEMENT are specified in EXHIBIT G, entitled, "SPECIAL PROVISIONS", which is attached hereto and incorporated herein.

SECTION 25. NOTICES.

All notices and other communications required or permitted to be given under this AGREEMENT shall be in writing and shall be personally served or mailed, postage prepaid and return receipt requested, addressed to the respective parties as follows:

To the PLAN:

The Office of Retirement Services
1737 North First Street, Suite 600
San Jose CA 95112-4505

To CONSULTANT:

Legal Department
Meketa Investment Group, Inc.
100 Lowder Brook Drive, Suite 1100
Westwood, MA 02090

Notice shall be deemed given on the date personally delivered or, if mailed by first class mail, postage prepaid, four (4) business days after deposit in the mail.

SECTION 25. VENUE.

In the event that suit shall be brought by either party to this contract, the parties agree that venue shall be exclusively vested in the state courts of the County of Santa Clara, or if federal jurisdiction is appropriate, exclusively in the United States District Court, Northern District of

California, San Jose, California.

SECTION 26. PRIOR AGREEMENTS AND AMENDMENTS.

This Agreement, including all Exhibits attached hereto, represents the entire understanding of the parties as to those matters contained herein. No prior oral or written understanding shall be of any force or effect with respect to those matters covered hereunder. This Agreement may be modified only by a written amendment duly executed by the parties to this AGREEMENT.

[SIGNATURE PAGE FOLLOWS]

WITNESS THE EXECUTION HEREOF on the date first hereinabove written.

APPROVED AS TO FORM:

BOARD OF ADMINISTRATION
FOR CITY OF SAN JOSE POLICE
AND FIRE DEPARTMENT
RETIREMENT PLAN

Scott L. Hanson Budget

Robert L. Lewis

"CONSULTANT"

MEKETA INVESTMENT GROUP,
INC., a Massachusetts corporation
registered to do business in the State
of California and registered with the
Securities and Exchange Commission
as an investment adviser.

By: Laura Wirich

NAME: Laura Wirich

TITLE: Principal/consultant

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EXHIBIT A
RECITALS

WHEREAS, the PLAN was created pursuant to the Article XV of the Charter of the City of San Jose and provisions of the Municipal Code of the City of San Jose related thereto, and is administered by the BOARD;

WHEREAS, provisions related to the BOARD's fiduciary duties and standard of care with respect to investment of retirement funds and are set forth in San Jose Municipal Code Sections 3.28.350, 3.28.355, 3.28.360, and 3.36.565, and the BOARD's authority with respect to contracting with investment counselors is set forth in San Jose Municipal Code Section 3.36.570, a copy of which provisions have been provided to and reviewed by CONSULTANT;

WHEREAS, additional fiduciary standards for California public pension plans are set out in Article XVI, Section 17 of the California Constitution, which requires diversification of "the investments of the PLAN so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so;" and further requires the members of the retirement board of a public pension PLAN to:

- "discharge their duties with respect to the PLAN solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the PLAN."
- "discharge their duties with respect to the PLAN with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims."

WHEREAS, CONSULTANT is qualified to act as a "fiduciary" and exercise the same standard of care as set forth for members of the BOARD in Charter of the City of San Jose, the San Jose Municipal Code and Article XVI, Section 17 of the California Constitution;

WHEREAS, CONSULTANT, an investment adviser registered under the Investment Advisers Act of 1940, as amended, is an experienced investment consultant;

WHEREAS, CONSULTANT desires to undertake the provision of the Services (as such term is defined in EXHIBIT B to this AGREEMENT) to the PLAN and as a fiduciary of the PLAN with respect to the Services, in accordance with the Standard of Care for BOARD members set forth in the Charter of the City of San Jose, the San Jose Municipal Code and Article XVI, Section 17 of the California Constitution; and

WHEREAS, the PLAN desires to retain CONSULTANT for the provision of the Services.

NOW, THEREFORE, in consideration of the mutual agreements, covenants, representations, warranties and indemnities contained in this AGREEMENT, CONSULTANT and the BOARD agree as follows:

[END OF EXHIBIT A]

EXHIBIT B
SCOPE OF SERVICES

I. GENERAL

A. CONSULTANT's Fiduciary Duty and Standard of Care

CONSULTANT hereby agrees to provide to the PLAN the investment consulting services described in this EXHIBIT B (together with, to the extent applicable, Additional Services, the "Services").

In performing the Services, CONSULTANT will, during the term of this AGREEMENT, serve in a fiduciary capacity and will acknowledge in writing its fiduciary status. CONSULTANT will exercise the Standard of Care set forth for the BOARD's members in, the Charter of the City of San Jose, the San Jose Municipal Code and Article XVI, Section 17 of the California Constitution; and will at times act in compliance with the PLAN's Investment Policy Statement, as the same may be amended from time to time by the BOARD, the Charter of the City of San Jose, the San Jose Municipal Code and Article XVI, Section 17 of the California Constitution; and all other applicable laws and regulations in performing the Services.

CONSULTANT acknowledges that its retention is not exclusive and that the PLAN has the right, in its discretion, to contract for similar consulting services from one or more other consultants. The performance of any services other than the Services will, unless authorized in a writing approved by the BOARD and specifying separate compensation or reimbursement, be deemed to be a gratuity to the PLAN and will not give rise to any obligation by the PLAN to make any payment to CONSULTANT or any other person.

B. Compliance with Investment Plan

Attached as EXHIBIT B-1 hereto and incorporated herein is the PLAN's Investment Policy Statement, as amended from time to time (the "Investment Plan"). CONSULTANT will monitor and advise the PLAN of any amendments to the Investment Plan as may be appropriate from time to time and suggested by CONSULTANT. However, unless and until an amendment is approved by the BOARD, CONSULTANT will perform the Services in compliance with the Investment Plan and, after the adoption of any such amendment(s) thereto, in compliance with the Investment Plan as so amended that is provided in writing to the CONSULTANT.

C. Seminars and Training Programs

In the event CONSULTANT conducts seminars, training sessions or similar events which are generally made available to CONSULTANT's customers, the

PLAN shall be invited to attend upon the same conditions and terms as other customers. In the event CONSULTANT offers to pay the cost of such events and/or the travel or lodging expenses incurred by its customers in connection with attending such events, CONSULTANT will reimburse the PLAN for such expenses on the same basis as CONSULTANT reimburses the expenses to its customers generally.

II. SPECIFIC SERVICES

CONSULTANT will provide the Services on a full-service retainer basis. CONSULTANT will work closely with the BOARD and its Investment Committee (the "Investment Committee") at their respective monthly meetings and with the PLAN's investment staff on a regular basis.

The CONSULTANT will provide the Services with respect to the following types of assets classes: Public Equity, Global Fixed Income, Private Debt, Real Assets (Real Estate, Infrastructure, Natural Resources, and Commodities), and GTAA asset classes, across all investment structures (traditional, hedge fund, and private fund). Other consultants may be engaged by the BOARD for the provision of consulting services with respect to the following assets classes: Absolute Return and Private Equity asset classes; provided that CONSULTANT will provide plan-level services (i.e., capital market assumptions, asset allocation, and performance reporting) for these asset classes.

Specifically, CONSULTANT shall provide the following consulting services to the PLAN:

1. Performance Evaluation Services

While the plans' custodian will provide primary performance reporting data, the CONSULTANT will be expected to assist in performance reporting by reviewing and evaluating the performance of the investment managers for the PLAN and providing written quarterly reports to the BOARD.

- a. The quarterly reports shall evaluate the performance of each investment manager as of September 30, December 31, March 31, and June 30 in each year of the term of this AGREEMENT.
- b. The quarterly reports shall include:
 - (i) Comparisons of the investment managers' performances to appropriate benchmarks for each manager and the PLAN.
 - (ii) Peer group comparisons based on asset classes and manager styles.
 - (iii) Comparison measures necessary to evaluate the investment managers' performance over both the short-term and the long-term.
- c. The BOARD may add new investment managers, delete investment

managers or replace investment managers, at any time during the term of this AGREEMENT and, upon written notice to CONSULTANT of any addition or replacement, CONSULTANT shall provide performance evaluations of the new and/or the replacement investment managers as described above.

2. Investment Manager Research, Recommendations, and Monitoring

At the request of the BOARD, CONSULTANT shall perform investment manager search services in conjunction with Staff. For each investment manager search, such consulting services shall consist of providing information and assistance to the BOARD, the committee appointed by the BOARD, and staff to conduct manager searches (the "Committee") including the following:

- a. CONSULTANT will meet with the BOARD, the Committee, and/or staff as applicable, to determine the initial screening criteria for selection of an investment manager which meets the asset allocation needs of the PLAN.
- b. CONSULTANT will prepare summary reports of the process and profiles of manager candidates, as directed by the BOARD and/or staff, including current data regarding each candidate's performance, fee schedule, growth of assets under management, organizational structure, key personnel, turnovers of clients and staff, investment philosophy decision-making processes, and other information which CONSULTANT determines relevant to the selection process. In the report CONSULTANT will indicate whether or not CONSULTANT perceives any qualitative reasons to exclude a candidate from further consideration by the Committee and will indicate whether there are areas of concern that the Committee should consider about any of the candidates.
- c. CONSULTANT will review the candidate profiles with the BOARD, the Committee, and/or staff, as applicable, and assist in the selection of candidates to be short-listed.
- d. CONSULTANT will assist the BOARD, the Committee, and/or staff, as applicable, in the conduct of candidate interviews and evaluation of candidates.
- e. If requested by the BOARD, the Committee, and/or staff, CONSULTANT will accompany the Committee and assist with any on-site visits of candidates.
- f. CONSULTANT will provide due diligence support to the BOARD, the Committee, and/or staff, as applicable, for monitoring existing managers on compliance, performance, and material changes.
- g. CONSULTANT will assist in the ongoing process of investment policy development, asset allocation, investment manager research /

recommendations / monitoring.

3. **Investment Policies and Asset Allocation Structure**

CONSULTANT shall:

- a. Conduct an annual comprehensive review and analysis of the PLAN's investment policies and recommend changes, if appropriate. The review will address investment objectives, asset allocation, and management structure. Performance measures/benchmarks for the total fund, each asset class and each individual manager will also be reviewed. CONSULTANT will assist in reviewing and updating a comprehensive written investment policy statement for the PLAN.
- b. Provide assistance in analyzing the investment characteristics of available asset classes and the risk/return potential of alternative asset mixes.
- c. Advise in the development of guidelines and procedures for rebalancing the asset mix.

4. **On-site Consultation and Assistance**

CONSULTANT shall:

- a. Attend approximately 22 COMMITTEE or BOARD meetings per year to review performance, assess the investment program, and make recommendations, plus any additional meetings as directed by the BOARD.
- b. Meet with the PLAN staff, as needed, to assure timely completion of tasks set forth above.
- c. Assist staff in evaluating performance, style and or risk management software.
- d. Assist the PLAN staff and the BOARD with fiduciary education and adoption of pension-related best practices. Keep the PLAN abreast of new developments in investment management techniques by making available ongoing research and topical papers on current issues of interest to institutional investors.

5. In addition to the foregoing, CONSULTANT shall also provide the following services:

- a. Risk Control
- b. Asset/Liability Modeling
- c. Asset Allocation

- d. Supervising Manager Transitions
- e. Trustee Protection
- f. Crisis Response
- g. Management of Cash Flows
- h. Review of Unusual Investments
- i. Fee Negotiations
- j. Fee Data Collection
- k. Manager Research, Recommendations, and Monitoring

III. ADDITIONAL SERVICES.

When requested in advance, in writing, by the PLAN, CONSULTANT shall perform additional services as may be mutually agreed to from time to time in writing by the BOARD and CONSULTANT ("Additional Services"). The compensation for Additional Services shall only be allowed when there is unexpended budget for Basic Services or Reimbursable expenses. CONSULTANT shall not begin work on Additional Services until procedure for authorization 3 below is affirmatively completed. The procedure for authorization of Additional Services by the PLAN's Secretary or designee is as follows:

1. PLAN defines in writing the scope of work to be performed.
2. CONSULTANT provides written price proposal with schedule for completing the work.
3. Following agreement on scope, schedule and fees, a Service Order in the form attached hereto as EXHIBIT J is executed by CONSULTANT and PLAN's secretary and legal counsel.

[END OF EXHIBIT B]

EXHIBIT B-1
THE PLAN'S INVESTMENT POLICY

EXHIBIT C
SCHEDULE OF PERFORMANCE

A. Performance Evaluation Services.

Except as may be approved in writing by the BOARD, COMMITTEE or Secretary to the BOARD, CONSULTANT shall provide written performance evaluation reports to the BOARD within thirty (30) days of the close of each quarter (quarters end September 30, December 31, March 31, and June 30) in each year of the term of this AGREEMENT or within fifteen (15) days after delivery of necessary data by the custodian bank, whichever occurs later. CONSULTANT shall attend BOARD meetings to make oral presentations regarding the investment managers' performances as scheduled by the BOARD or the Secretary to the BOARD.

B. Manager Search Services.

Except as otherwise mutually agreed in writing by CONSULTANT and the Secretary to the BOARD, CONSULTANT will submit the summary report and candidate profiles within fifteen (15) business days from the date CONSULTANT receives from the BOARD or the Committee written authorization to begin work on an investment manager search. CONSULTANT will complete other investment manager search services on a schedule to be developed by CONSULTANT and the BOARD or the Committee, as applicable, taking into account the availability of candidates for interviews.

C. Investment Policy Review

Except as otherwise agreed in writing, initial review, analysis and recommendation shall be provided on or before October 1, 2017, and annual updates shall be on or before the same date in 2018 and 2019.

D. All Other Services

All other services shall be on-going during the term of this AGREEMENT.

[END OF EXHIBIT C]

EXHIBIT D
COMPENSATION

A. Traditional Asset Services and Alternative Asset Consulting Services

CONSULTANT's compensation for the Services, as such Services as specified in detail in EXHIBIT B to this AGREEMENT, and for all costs incurred by CONSULTANT in the performance of the Services shall be an annual fee of Three Hundred Forty Thousand Dollars (\$340,000) payable in arrears in equal quarterly payments of Eighty Five Thousand Dollars (\$85,000). In the event that the Services are terminated during any calendar month, fees shall be pro-rated on a weekly basis.

B. Additional Services

1. Maximum compensation: The maximum compensation payable under this AGREEMENT for Additional Services shall not exceed One Hundred Eighty Thousand dollars (\$180,000) (the "Maximum Amount"). Any Additional Services and related costs for which payment would exceed the Maximum Amount shall be at CONSULTANT's sole cost and expense and at no cost to the PLAN or the CITY. Each Service Order shall specify the maximum amount of compensation for the Additional Services for that Service Order. CONSULTANT shall complete all work it is required to perform under the Service Order for no more than the specified maximum amount. Any hours worked for which payment would result in a total exceeding this maximum amount shall be at no cost to the PLAN or CITY unless approved by the PLAN, in writing, prior to the work above and beyond the maximum amount.

2. Budget: If the Service Order itemizes budget amounts for any phase or category of work, then CONSULTANT shall not exceed such itemized amount without the PLAN prior written authorization of the PLAN's Director. The Director may approve, in writing, transfers of budget amounts between any of the phases or categories of work listed in the Service Order, provided the aggregate total compensation does not exceed the maximum compensation.

3. Compensation Adjustments: Notwithstanding anything to the contrary in this AGREEMENT (including for the avoidance of doubt this Exhibit D), but subject always to Part C of this Exhibit D, should the BOARD request that CONSULTANT conduct comprehensive, independent reviews (each, "Review") on: (A) more than three (3) private funds per annum and for which CONSULTANT has not performed such task for any of its other clients, CONSULTANT shall be paid: (1) \$35,000 for each private fund Review, payable upon delivery of any such Review report; (2) \$45,000 for each Review of potential purchase of a private fund interest in the secondary market, payable upon CONSULTANT'S completion of any such Review; and (3) \$75,000 for each Review of a private fund co-investment opportunity, payable upon CONSULTANT'S completion of any such Review; and (B) any hedge fund, CONSULTANT shall be paid: (1) \$10,000 for each hedge fund investment due diligence Review, payable upon delivery of any such Review report; and (2) \$10,000 for each hedge fund operational due diligence review, payable upon CONSULTANT'S delivery of any such Review. CONSULTANT services of reviewing and opining on client investment staff's due diligence of private funds and

hedge funds are included in the retainer fee.

4. Invoice: CONSULTANT shall invoice the CITY for work performed to complete a Service Order. The invoice shall set forth for the relevant invoice period, the project description/location, a detailed description of the work completed, and the number of hours worked and the hourly rates (if applicable). The invoice shall also show the total to be paid for the invoice.

C. Maximum Compensation.

The maximum compensation payable under this AGREEMENT shall not exceed One Million Two Hundred Thousand Dollars (\$1,200,000). Any work performed or expenses incurred for which payment would exceed this maximum amount shall be at CONSULTANT's sole cost and expense and at no cost to the PLAN or the CITY.

[END OF EXHIBIT D]

EXHIBIT E
INSURANCE

CONSULTANT, at CONSULTANT's sole cost and expense, shall maintain for the duration of this AGREEMENT, insurance against claims for injuries to persons or damages to property which may arise from, or in connection with, the CONSULTANT's performance of the Services, its agents, representatives, employees or subcontractors.

A. **Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. The coverage provided by Insurance Services Office Commercial General Liability coverage ("occurrence") Form Number CG 0001;
2. The coverage provided by Insurance Services Office Form Number CA 0001 covering Automobile Liability. Coverage shall be included for all owned, non-owned and hired automobiles;
3. Workers' Compensation insurance as required by the California Labor Code and Employers Liability insurance; and
4. Professional Liability Errors and Omissions insurance for all professional services.

There shall be no endorsement reducing the scope of coverage required above unless approved by the City's Risk Manager.

B. **Minimum Limits of Insurance**

CONSULTANT shall maintain limits no less than:

1. Commercial General Liability: \$2,000,000 per occurrence for bodily injury, personal injury and property damage. If Commercial General Liability Insurance or other form with a general aggregate limit is used, either the general aggregate limit shall apply separately to this project/location or the general aggregate limit shall be twice the required occurrence limit;
2. Automobile Liability: \$1,000,000 combined single limit per accident for bodily injury and property damage;
3. Workers' Compensation and Employers' Liability: Workers' Compensation limits as required by the California Labor Code and Employers Liability limits of \$1,000,000 per accident;
4. Professional Liability Errors and Omissions \$5,000,000 aggregate limit; and

5. Crime/Employee Dishonesty Coverage.

A Combination Crime policy with minimum limits not less than \$100,000 for:

Form A: Employee Dishonesty

Form B: Forgery or Alteration

Form C: Theft, Disappearance, Destruction Inside/Outside Premises

Form D: Robbery and Safe Burglary Inside/Outside Premises

C. Deductibles and Self-Insured Retentions

Any deductibles or self-insured retentions must be declared to, and approved by the Risk Manager. At the option of the CITY, either; the insurer shall reduce or eliminate such deductibles or self-insured retentions as respects the CITY, its officer, employees, agents and contractors; or CONSULTANT shall procure a bond guaranteeing payment of losses and related investigations, claim administration and defense expenses in an amount specified by the Risk Manager.

D. Other Insurance Provisions

The policies are to contain, or be endorsed to contain, the following provisions:

1. Commercial General Liability and Automobile Liability Coverages

- a. The City of San José, its officers, employees, agents and contractors are to be covered as additional insureds as respects: Liability arising out of activities performed by or on behalf of, CONSULTANT; products and completed operations of CONSULTANT; premises owned, leased or used by CONSULTANT; and automobiles owned, leased, hired or borrowed by CONSULTANT. The coverage shall contain no special limitations on the scope of protection afforded to the CITY, its officers, employees, agents and contractors.
- b. CONSULTANT's insurance coverage shall be primary insurance as respects the CITY, its officers, employees, agents and contractors. Any insurance or self-insurance maintained by the CITY, its officers, employees, agents or contractors shall be excess of CONSULTANT's insurance and shall not contribute with it.
- c. Any failure to comply with reporting provisions of the policies by CONSULTANT shall not affect coverage provided the CITY, its officers, employees, agents, or contractors.
- d. Coverage shall state that CONSULTANT's insurance shall apply separately to each insured against whom claim is made or suit is brought, except with

respect to the limits of the insurer's liability.

- e. Coverage shall contain waiver of subrogation in favor of the City of San Jose, its officers, employees, agents and contractors.

2. Workers' Compensation and Employers' Liability

Coverage shall contain waiver of subrogation in favor of the City of San Jose, its officers, employees, agents and contractors.

3. All Coverages

Each insurance policy required by this AGREEMENT shall be endorsed to state that coverage shall not be suspended, voided, canceled, or reduced in limits except after thirty (30) days' prior written notice has been given to the CITY, except that ten (10) days' prior written notice shall apply in the event of cancellation for non-payment of premium.

E. Acceptability of Insurers

Insurance is to be placed with insurers reasonably acceptable to the Risk Manager.

F. Verification of Coverage

CONSULTANT shall furnish the CITY with certificates of insurance and with original endorsements affecting coverage required by this AGREEMENT. The certificates and endorsements for each insurance policy are to be signed by a person authorized by that insurer to bind coverage on its behalf.

Proof of insurance shall be either emailed in pdf format to: Riskmgmt@sanjoseca.gov, or mailed to the following postal address (or any subsequent email or postal address as may be directed in writing by the Risk Manager):

City of San Jose – Human Resources
Risk Management
200 East Santa Clara St., 2nd Floor Wing
San José, CA 95113

with a copy to:

City of San Jose
Department of Retirement Services
1737 North First Street, Suite 600
San José, CA 95112

G. Subcontractors

CONSULTANT shall include all subcontractors as insured under its insurance policies or shall obtain separate certificates and endorsements for each subcontractor.

[END OF EXHIBIT E]

EXHIBIT F
DISCLOSURE STATEMENT

CONSULTANT shall file with City Clerk a disclosure statement (Statement of Economic Interests -- Form 700), which includes disclosure of the following:

1. Schedule A - 1 -- Investments.
2. Schedule A - 2 -- Investments, Income and Assets of Business Entities/Trusts.
3. Schedule B -- Interests in Real Property.
4. Schedule C -- Income and Business Positions.
5. Schedule D -- Income - Loans.
6. Schedule E -- Income - Gifts.
7. Schedule F -- Income - Gifts; Travel Payments, Advances and Reimbursements.

Reportable investments, real property interests, income and business positions are limited to persons, business entities, or other sources related or connected with any investment in, or under consideration for acquisition or disposition from, the BOARD's investment portfolio, and the BOARD's investment advisors. CONSULTANT shall disclose any of the above-listed interests by any professional providing the Services pursuant to this AGREEMENT, or with any person with whom negotiations are undertaken with respect to the acquisition or disposition of such asset.

The disclosure statement shall be filed with the City Clerk, City of San José, 200 East Santa Clara Street, 2ND Floor Wing, San José, CA 95112.

[END OF EXHIBIT F]

EXHIBIT G
SPECIAL PROVISIONS

I. Consultant Representative and Personnel

A. CONSULTANT's representatives for this AGREEMENT will be:

Name: Laura Wirick
Firm: Meketa Investment Group, Inc.
Address: 5796 Armada Drive, Suite 110
Carlsbad, CA 92008
Fax: (760) 795-3450
E-mail: lwirick@meketagroup.com

Name: Larry Witt
Firm: Meketa Investment Group, Inc.
Address: 5796 Armada Drive, Suite 110
Carlsbad, CA 92008
Fax: (760) 795-3450
E-mail: lwitt@meketagroup.com

CONSULTANT's representatives ("Managing Consultants"), who CONSULTANT represents, as of the date of this AGREEMENT, to be a full-time employee of the CONSULTANT and who will be responsible for the CONSULTANT's day-to-day activities under this AGREEMENT. Managing Consultants will be the CONSULTANT's representatives with respect to the administration of this AGREEMENT.

Managing Consultants will, on a regular basis, interface with and report to the PLAN representative so as to keep such representatives fully apprised and up to date on the status of the Services being performed.

Managing Consultants may only be replaced with prior written approval of the BOARD; provided, however, that in the event an individual is being replaced due to the termination of all of such individual's affiliations with CONSULTANT, its affiliates and associates, then such approval will not be unreasonably withheld or delayed.

CONSULTANT will promptly notify the PLAN of any decision on its part to replace a Managing Consultant, or any notice by a Managing Consultant of his or her intention to terminate his or her relationship with the CONSULTANT, and of any request by a Managing Consultant that he or she be replaced.

- B. Managing Consultants are fully authorized to act and receive communications on behalf of CONSULTANT.
- C. Promptly upon receipt of written notice from the BOARD or the Committee,

CONSULTANT will remove any of CONSULTANT personnel who are reasonably determined by the BOARD or Committee not to be effectively carrying out the Services from any further responsibility for performing the Services. Notwithstanding the above, CONSULTANT will at all times have complete responsibility and authority with respect to the supervision and direction of its personnel.

II. Consultant Representation, Warranties, Covenants and Certifications

A. CONSULTANT acknowledges, represents, warrants, and agrees that:

(i) CONSULTANT does not, and will not during the term of this AGREEMENT:

- Accept any revenue from money managers
- Provide brokerage services
- Have alliances or external affiliations with money managers, broker services or investment managers
- Provide services of any kind to investment managers
- Offer actuarial services
- Accept or pay referral fees
- Split fees in any way
- Accept finders' fees for placing managers
- Charge managers for inclusion in our manager search databases
- Accept or pay any soft dollars
- Accept any subsidies for our client conferences from investment managers

Notwithstanding the foregoing, the BOARD acknowledges CONSULTANT provides investment advisory and consulting services to money managers that in turn provide investment services and products to high net worth individuals and agrees CONSULTANT may provide investment advisory and consulting services to such money managers and receive compensation in connection therewith from such money managers so long as CONSULTANT does not accept any revenue, referral or finders' fees, or any other benefit (directly or indirectly) from any such money manager in connection with its provision of the Services. CONSULTANT shall promptly notify the BOARD of any relationship with a money manager or investment manager that would reasonably likely result in a conflict of interest or a breach of fiduciary duty in respect to CONSULTANT'S duties and obligations under this Agreement.

(ii) It is a registered investment adviser under the Investment Advisers Act of 1940, as amended, and will maintain that status during the term of this AGREEMENT;

(iii) It will have the same "fiduciary" duties with respect to the PLAN as

BOARD members have under the Charter of the City of San Jose, the San Jose Municipal Code and Article XVI, Section 17 of the California Constitution; and will exercise at all times a standard of care no less stringent than the Standard of Care set forth for BOARD members in the Charter of the City of San Jose, the San Jose Municipal Code and Article XVI, Section 17 of the California Constitution with respect to the PLAN and with respect to any decision made by it or action taken by it in connection with its rendering of the Services; and it will discharge its duties hereunder solely in the interest of the PLAN, the PLAN's participants and their beneficiaries and with the care, skill prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character, and with like aims, in conformance with the California Constitution, Article XVI, Section 17 and the Charter of the City of San Jose, the San Jose Municipal Code. It is understood that the BOARD retains all decision making authority and that CONSULTANT will have no discretionary authority over, nor responsibility for the management, care or custody of any of the PLAN's assets; however, the BOARD relies on the advice of CONSULTANT in exercising its discretionary authority over plan assets. CONSULTANT acknowledges that it is not to seek and not entitled to rely upon the approval or advice of any PLAN covered person with respect to the Services provided by it hereunder;

- (iv) It has complied with and, when required, will comply with, all applicable regulations, registrations, filings, approvals, authorizations, consents or examinations required by any governmental authority having jurisdiction over the activities or the acts contemplated by this AGREEMENT, including, without limitation, any applicable state securities commissions, the United States Securities and Exchange Commission (the "SEC") and the United States Department of Labor and the Internal Revenue Service;
- (v) The personnel of CONSULTANT who will be responsible for carrying out this AGREEMENT are individuals experienced in the performance of the various functions contemplated by this AGREEMENT and have not been convicted of any crime or found liable in a civil or administrative proceeding or pleaded nolo contendere or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, or bankruptcy law regulations;
- (vi) It is a registered investment adviser under the Investment Advisers Act of 1940, as amended, and, as of the date of this AGREEMENT, its registration has not been suspended for any reason;
- (vii) It acknowledges and agrees that it is being retained by the PLAN and its BOARD to act in a fiduciary capacity with respect to the PLAN and

accordingly, CONSULTANT accepts the duties and liabilities of a fiduciary and agrees to exercise the Standard of Care required by the California Constitution, Article XVI, § 17, the Charter of the City of San Jose, and the San Jose Municipal Code. CONSULTANT acknowledges that it is not to seek and not entitled to rely upon the approval or advice of any PLAN covered person with respect to the advice or service provided by it hereunder;

- (viii) It has delivered to the PLAN, at least five (5) business days prior to the date of this AGREEMENT, CONSULTANT's current Form ADV, Part 2A ("Disclosure Statement"). The PLAN acknowledges receipt of the Disclosure Statement at least five (5) business days prior to the date of this AGREEMENT;
- (ix) There are no complaints or disciplinary actions against CONSULTANT, or any affiliate of CONSULTANT, or any investment professional employed by it or any affiliate of CONSULTANT who had performed any service with respect to the PLAN in the twenty-four (24) preceding months filed by the SEC, the New York Stock Exchange, the American Stock Exchange, the National Association of Securities Dealers, any attorney general or any regulatory agency of any state of the United States, any department or agency of the government of the United States, or any governmental agency regulating securities or transactions in real property of any country in which CONSULTANT is doing business;
- (x) It certifies that the information contained in its Proposal dated June 29, 2015, and prepared by CONSULTANT for the PLAN, a copy of which is attached as EXHIBIT H, was then delivered and is, as of the date hereof, true, accurate and correct and does not contain any untrue statements of material fact or omit to state any material fact necessary to make such presentation, or any portion thereof, not misleading;
- (xi) It will promptly notify the PLAN in the event of any anticipated or actual material change in the ownership, membership or management control of CONSULTANT, including key personnel responsible for the account within their organization; and
- (xii) It will promptly notify the PLAN in the event that any of the foregoing acknowledgments, representations, warranties or agreements have been breached or are no longer true; provided that, with respect to Subsection (viii) above, CONSULTANT will notify the PLAN only with respect to complaints or disciplinary actions referenced in such Subsection (viii) that relate in some manner to the Services provided, subject to applicable law and contract.

The foregoing acknowledgments, representations, warranties and agreements are

understood to be relied upon by the PLAN and the BOARD and to constitute a material inducement to the decision of the PLAN and the BOARD to enter into this AGREEMENT.

B. CONSULTANT warrants that no gratuities in the form of entertainment, gifts, or otherwise, were offered or given by CONSULTANT, or any agent or representative of CONSULTANT, to any officer, fiduciary, advisor, or employee of the PLAN or CITY with a view toward securing this AGREEMENT or securing favorable treatment with respect to the awarding or the making of any determination with respect to this AGREEMENT. CONSULTANT covenants that no such gratuities will be given to any such person with a view towards securing favorable treatment with respect to the making of any determination with respect to the performance, termination, and/or continuation of this AGREEMENT. CONSULTANT shall review and become familiar with the conflict of interest and reporting provisions applicable to the PLAN, contained in San Jose City Council Resolution 72566.

C. CONSULTANT represents and warrants that to the best of its knowledge no employee of the PLAN or fiduciary whose position in the PLAN enables such person to influence the award of this AGREEMENT or any competing agreement, and no spouse or economic dependent of such person is or will be employed in any capacity by the CONSULTANT herein, or does or will have any direct or indirect financial interest in this AGREEMENT.

D. CONSULTANT warrants that no person or selling agency has been employed or retained directly or indirectly by CONSULTANT to solicit or secure this AGREEMENT upon any agreement or understanding for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees or bona fide established commercial or selling agencies maintained by CONSULTANT for the purpose of securing business.

III. Conflict of Interest and Permitted Dealings

A. The BOARD recognizes and acknowledges that CONSULTANT performs investment-consulting services for various other clients. The BOARD agrees that CONSULTANT, its affiliates, associates and its and their officers, employees and consultants are permitted to give advice and take action with respect to their other clients, even though such clients' investment objectives may be same or similar to the PLAN's. Nothing in this AGREEMENT shall be deemed in any way to restrict the right of CONSULTANT to perform investment consulting services or other services for any other person or entity, and the performance of such services for others in and of itself shall not be deemed to violate or give rise to any duty or obligation to the BOARD; provided that such services can be and are in fact performed without violating or adversely affecting CONSULTANT's duties and obligations of a fiduciary to the PLAN under this AGREEMENT.

B. Under no circumstances will CONSULTANT recommend any person, contract or transaction in which CONSULTANT, the Managing Partner, any alternate CONSULTANT representative, if any, or any of their affiliates or associates or to the best of their knowledge and belief, any client of any of the above has any interest.

[END OF EXHIBIT G]

EXHIBIT H
RESPONSE TO THE RFP

EXHIBIT J
SERVICE ORDER – INVESTMENT CONSULTANT SERVICES AGREEMENT

Initiation Date: _____

I. Consultant Agreement

Service Order No.: _____

Service Order Not to Exceed Amount: _____

Max. Add. Services Compensation: \$ _____ Previously Encumbered, SOs \$ _____

Consultant: Firm Name: _____

Address: _____

Contact: _____ Phone: _____

II. Scope of Service, Schedules of Performance and Compensation

Attachment A: Includes Scope of Services, Schedule of Performance and Compensation

III. Approvals

>	Consultant: _____	
	Date: _____	
>	Deputy City Attorney: _____	Date: _____
>	PLAN Secretary: _____	Date: _____

IV. Progress Payments for this Service Order

Payment # _____
Total: \$ _____ Previous Payments: \$ _____
Current Payment: \$ _____
Bal. Remaining: \$ _____

BOARD OF ADMINISTRATION FOR
CITY OF SAN JOSE POLICE AND FIRE
DEPARTMENT RETIREMENT PLAN

MEKETA INVESTMENT GROUP,
INC.

By: _____

By: Laura Wirick

Name: _____

Name: Laura Wirick

Title: _____

Title: Principal/Consultant

INSTRUCTIONS FOR INSURANCE APPROVAL:Forward the following to: **RISK MANAGEMENT**

200 E. Santa Clara Street 2nd Floor Wing

San Jose, CA 95113-1905

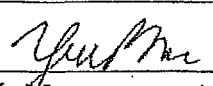
1. This form (149-7) completed;
2. Copy of face page of Contract;
3. Copy of insurance requirements included in contract.

Risk Management Fax Number (408) 286-6492

NOTIFICATION OF CONTRACT BEING PROCESSEDDATE: May 16, 2017

Service Provider:	Meketa Investment Group	Phone No.	760-795-3450
Project: General Investment Consulting			
		Project Amount:	\$340,000/annum
Estimated Start Date	03/01/2017	Estimated Completion Date	ongoing
Scope of Work: <u>Meketa Investment Group provides investment consulting services to the Police & Fire Department Retirement Plan.</u>			
Department	Office of Retirement Services	Division	Investment Program
Department Contact	Ron Kumar	Ph./Ext:	408-794-1045
		Fax:	

COMPLIANCE WITH INSURANCE REQUIREMENTS

Comments:	_____		
Signature:		Date:	5-18-2017
	Risk Management		
FOR RISK MANAGEMENT USE ONLY			
Date Forwarded to City Clerk: _____			

COMPLIANCE WITH BOND REQUIREMENTS

Signature:	_____	Date:	_____
	City Clerk		

CONTRACT/AGREEMENT TRANSMITTAL FORM

662400-0

TO: ☐ CITY MANAGER (CM signature required)
☒ CITY CLERK (City Manager signature not required)

☐ New Contract
☐ Amendment (List # of Amendment) ☐

Original Contract CHAD # if known 661600-0

Basic Information

Name of Contractor: Meketa Investment Group
 Business Tax License # Phone number (760) 795-3450 Business Contact Email lwirick@meketagroup.com
 Term of this agreement: Start date: 3/1/2017 End date: 2/29/20 Amount of contract: \$ 340,000.00 1.2 million Change to original? Yes ☐ Revenue? Yes ☐
 Term of ORIGINAL agreement: Start date: End date: Amount of Original Contract:
 RETROACTIVE Agreement? ☐ Yes ☐ No Please Explain:

Dept. Info

Department: Retirement Dept. Contact Name: Sue Griffiths
 Department Contact Phone: (408) 794-1048 Type of Contract: Investment Consultant
 Council Date: Council Item #: Resolution #: Form 700 Required? ☒ Yes Attached? ☐ No

Detailed Information

Description of contract (What work will the contractor accomplish? Be Specific.)
 Investment Consultant agreement for the Police and Fire Retirement Plan - ongoing \$340,000.00 per year

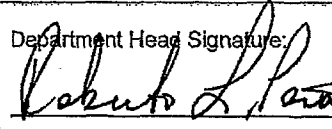
☐ RFP ☐ RFQ ☐ Sole Source/Unique? Date Conducted: Description of selection process below:

Notes & further information:
 existing vendor for Federated Retirement Plan

Insurance Verification

CONTRACT & INSURANCE VERIFICATION (MANDATORY) Please initial and provide description of insurance for ALL contracts valued \$269,999 and less. Risk Management will verify insurance for contracts valued at \$270,000 and above.
 sign here I attest that the insurance verification of this contract have been met and all information is correct including policy limits, policy terms and City of San José named as "Additional Insured." [If this contract should be exempt from insurance requirement, please note why in the box below] Contract will not be processed if needed insurance is missing. Sign
 Description of Insurance exemption

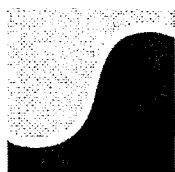
Approvals

Coordination: ☐ City Attorney's Office (Required) ☐ Human Resources ☐ Risk Management ☐ Other:
 Department Head Signature:  Date: 6/1/17

Office of the City Manager Signature: DATE:

ATTACHMENT 2

LACERS RETIREMENT SYSTEM
REPORT TO BOARD OF ADMINISTRATION
DATED MARCH 24, 2015
(CONSIDERATION OF PROPOSED LACERS BUDGET
FOR FISCAL YEAR 2015-2016)



LACERS
LOS ANGELES CITY EMPLOYEES'
RETIREMENT SYSTEM



Report to Board of Administration

Agenda of: **MARCH 24, 2015**

From: Thomas Moutes, General Manager

ITEM: **IV-A**

SUBJECT: **CONSIDERATION OF PROPOSED LACERS BUDGET FOR FISCAL YEAR 2015-16**

Recommendation:

That the Board consider the Proposed Budget for Fiscal Year 2015-16.

Discussion:

The LACERS Board approves an annual budget setting forth the estimated cost of maintaining the Retirement Fund. The department's budget is transmitted to the Mayor for inclusion in the City's proposed budget which is due to City Council by April 20th, and finalized in June for the Fiscal Year beginning July 1st. The Board's approval of the Administrative and Investment Expense budgets also establishes the General Manager's expenditure authority for the Fiscal Year.

The LACERS budget comprises of the City Contribution to LACERS, the Investment Management Expense Budget, and the Administrative Expense Budget.

CITY CONTRIBUTION - TOTAL \$542.5M

The City contributes funding for four programs administered by LACERS: the Retirement and Health Benefits, the Excess Benefit Plan, the Family Death Benefit Plan, and the Limited Term Retirement Plan.

Retirement and Health Benefits	\$541,348,787
Excess Benefit Plan	928,000
Family Death Benefit Plan	158,000
Limited Term Retirement Plan	19,000
TOTAL	\$542,453,787

City contribution rates toward retirement and health benefits for LACERS Members are set by the Board upon adoption of rates presented in the annual actuarial valuations. Stated in the form of a percentage of covered payroll, the City's contribution amount is determined upon adoption of the covered payroll in the City's approved budget. This amount is finalized in June and paid by the City with the option of three payment schedules. If paid by July 15, 2015, the City contribution rate would amount to 28.75% of the projected City payroll for Tier 1 and 22.62% of the City projected payroll for Tier 2. This contribution rate reflects the fourth year of the five year phase-in of increased costs due

to the adoption of actuarial assumption changes based on the 2011 Experience Study. The rates do not reflect the phase-in of costs for assumption changes based on the 2014 Experience Study which were approved by the Board on December 9, 2014. The City Contribution of \$541,348.787 for Fiscal Year 2015-16 is an estimate based on the City's estimate of its covered payroll. The City is expected to apply a credit of \$18,052,498 toward the Fiscal Year 2015-16 contribution to LACERS. This credit amount represents a true-up of the Fiscal Year 2014-15 contribution -- the difference between the contribution paid on July 15th based on the covered payroll amount adopted in the City's Fiscal Year 2014-15 budget, and the actual payroll experience for the same period.

The Excess Benefit Plan was established separate from the LACERS Trust Fund, to pay retirement benefit amounts in excess of the benefit limits established by the Internal Revenue Code (IRC). There are currently 40 LACERS Members in this program who receive their monthly LACERS retirement benefit in two separate checks. LACERS provides a benefit check up to the limit allowable by the IRC, and the remainder of their benefit is paid by the City. The City's cost of this program is the projected amount of the benefits that will be paid from the City's account for Fiscal Year 2015-16, plus reasonable administrative expenses.

Approximately 3,500 Active Members opt into the Family Death Benefit Plan which provides an additional benefit to qualifying surviving minor children, or widow/widower over age 60 if the Member dies while an active City employee. The City's contribution to the Family Death Benefit is equivalent to a match of the Member's contribution which is currently \$3.70 per month. This monthly amount is established pursuant to a biennially study of the full actuarial costs of the benefit as required by the Los Angeles Administrative Code.

The Limited Term Retirement Plan (LTRP) provides elected officials, who serve four-year terms, the option of participation in a defined contribution plan since LACERS Members do not vest in the defined benefit plan until they have completed five years of City service. The City provides a contribution to the LTRP Members at the same rate as the employer contribution to the LACERS defined benefit plan.

INVESTMENT MANAGEMENT EXPENSE BUDGET - \$59.2M

Investment Managers Fees	\$57,330,569
Investment Consulting Fees	1,718,915
Other Investment Expense	<u>155,000</u>
TOTAL	\$59,204,484

The Board's actions over the course of this Fiscal Year with respect to the management of the portfolio have yielded favorable results in form of an estimated \$1.3 million net savings in the Investment Management Expense Budget over the prior year. These fee savings stem from movement of assets to different investment managers as a result of rebalancing of assets and recent manager terminations. The Investment Management Expense Budget is established based on the best information available to us on capital market assumptions and current fee structures, then projected into the Fiscal Year. This year's budget will include lower fee structures of new managers that have been added to the investment portfolio over the past year, assumed into the future.

The rebalancing of assets resulted in movement from nine managers to eleven managers with lower fees estimated at \$1.5M in savings.

Rebalance Transaction #	Estimated Annualized Fees Prior Managers (a)	Estimated Annualized Fees New Managers (b)	Estimated Difference in Fees over prior year (b) – (a)
1	\$790,000	\$1,182,500	\$392,500
2	\$430,000	\$475,000	\$45,000
3	\$158,3000	\$1,106,200	(\$476,800)
4	\$1,520,000	\$375,000	(\$1,145,000)
5	\$389,500	\$1,090,000	\$700,500
EstimatedTotals	\$5,712,500	\$4,228,700	(\$1,483,800)

The termination of several managers provided opportunities for movement to managers with lower fees estimated at \$2.3M in savings.

Movement from Terminated Managers Transaction #	Estimated Annualized Fees Prior Managers (a)	Estimated Annualized Fees New Managers (b)	Estimated Difference in Fees over prior year (b) – (a)
1	\$800,000	\$16,118	(\$783,883)
2	\$1,092,795	\$291,412	(\$801,383)
3	\$301,400	\$8,550	(\$702,350)
	\$409,500		
EstimatedTotals	\$2,603,695	\$316,080	(\$2,287,615)

ADMINISTRATIVE EXPENSE BUDGET - \$27.4M

Personnel Services	\$19,615,178
Professional Services	2,886,688
Information Technology	2,947,858
Office Expense	1,694,265
Education/Training/Related Travel	<u>290,715</u>
TOTAL	\$27,434,703

The proposed Administrative Expense Budget of \$27.4 million is a net increase of \$1.0 million over the prior year. The significant increases to the budget result from an increase in LACERS employee salary rates and additional resources requested to support the Pension Administration System (PAS) project.

Programs with large budgetary increases	change
Temporary staffing	\$475,863
LACERS employees salary increases	190,737
Overtime for the PAS project	<u>126,634</u>
TOTAL	\$793,234

Various changes in costs can be identified and classified. Costs for which we have little or no discretion include *obligatory cost changes* for personnel related costs, and *contractual fee changes* contained in our office lease, and various service contracts for professional, technical, and other external services. *Changes in service levels* to meet the increase in retirement applications and variations in operational support requirements are reflected under *contractual scope changes, new requests/programs, changes in operational needs*, and the *deletion of one-time/periodic expenses*. The last item, *account change*, reflects a \$150,000 reimbursable expense where we no longer need to act as the intermediary payer.

	Regular operations (\$ net change from prior FY)	Strategic Initiatives (\$ net change from prior FY)	Total (\$ net change from prior FY)	Change as % of total
Obligatory cost changes	\$710,983	-	\$710,983	69.7%
Contractual fee changes	\$125,065	\$48,436	\$173,501	17.0%
Contractual scope change	\$64,360	-\$360,323	-\$295,963	-29.0%
New requests/programs	\$169,184	\$412,267	\$581,451	57.0%
Change in operational needs	-\$58,862	\$380,153	\$321,291	31.5%
Deletion of one-time/periodic expenses	-\$234,168	-\$87,698	-\$321,866	-31.6%
Accounting change	-\$150,000	-	-\$150,000	-14.7%
TOTAL	\$621,562	\$392,835	\$1,019,396	100%

The proposed administrative expense budget presents a fiscally responsible budget with few discretionary expenses. The proposed budget aims to continue to maintain programs which are prioritized as mandatory and essential at current service levels. Funding for mandatory programs represents 30.3% of the total budget and expenses for essential programs represent 67.4%. Expenses for elective programs or service level enhancements represent only 2.3%, of the overall budget request. The proposed budget also identifies savings opportunities which yield cost reductions in expenses for professional services for the PAS project (\$360,323), deletion of expenses that are one-time or periodic in nature (\$321,866), and reductions in various expenses for regular operations (\$53,862). Highlights of key increases and decreases in the budget are provided as follows:

REGULAR OPERATIONS

EXPLANATION OF CHANGES IN VARIOUS NON-PERSONNEL EXPENSE CATEGORIES

Professional Services – Net increase \$352,010

- Actuarial Services: (\$59,500) net savings. Although contractual fees increased for Fiscal Year 2015-16, they were offset the elimination of the expense for an Experience Study which is done every 3-5 years, and a reduction in the budget for actuarial studies potentially requested from the City.
- Audit Services: (\$25,000) net savings due to elimination of specialized audits, conducted periodically.
- City Attorney Salaries & Expenses: \$176,470 net increase due to the addition of one City Attorney staff and obligatory increases in salary rates and employee benefits for the City Attorneys providing support to LACERS.
- Legal Counsel: \$60,000 net increase is due to the need for legal representation for investigations/litigation in progress.
- Disability Medical Services: \$92,860 increase for the upward trend in disability retirement applications.
- Other Consulting: \$48,000 increase due to the desired expansion of contracted investigative services. These services were used on a pilot basis in Fiscal Year 2014-15 to address the backlog of investigations into checks issued to Members which remain outstanding. The additional funding will address the current list of outstanding checks.
- Retiree Health Consultants: \$54,180 increase is due to contractual fee increases.

Information Technology – Net decrease (\$117,507)

- Pension Administration System: \$15,994 increase is due to additional budget for data script writing necessary for changes to the current PAS and contractual fee increases.
- Computer Hardware: (\$25,500) in savings due to the completion of several projects in Fiscal Year 2014-15.
- Computer Software: (\$56,916) in savings due to the completion of several projects in Fiscal Year 2014-15.
- Computer Maintenance & Support Services: (\$14,460) savings from chargebacks for the technical support services provided by the City's Information Technology Agency. This is due to the completion of various initiatives enabling technological self-reliance.
- Other Computer Consulting: (\$36,000) in savings is due to the completion of the voice over internet project, and upgrade to our electronic document management program.

Education/Training And Related Travel – Net decrease (\$15,080)

- Employee Development: (\$5,380) reduction in the ad-hoc account for local training.
- Staff Due Diligence and Conference Travel: (\$9,700) savings due to the completion of due diligence travel for the custodian bank in Fiscal Year 2014-15.

Office Expenses – Net decrease (\$110,490)

The significant changes in this expense category include:

- Other Office Expenses: (\$154,272) savings. In Fiscal Year 2014-15, expenses related to open enrollment were paid for by LACERS, and reimbursed by the health carriers up to \$150,000. This amount has been removed from the budget as we are no longer needed to front payment for the expenses on a reimbursement basis.
- Office Space: \$39,128 increase in annual rent and parking rates, and security guards for additional weekend seminars planned for the year.
- Board Election Expense: (\$30,000) savings. There are no Board elections expected in Fiscal Year 2015-16.

STRATEGIC INITIATIVES
\$4.2 Million, Net increase of \$3.8M

The funding request for strategic initiatives for Fiscal Year 2015-16 is \$4.2 million. Continuing funding of seven multi-year strategic initiatives, previously approved by the Board, is necessary to complete projects underway for which there has already been significant investment of resources and staff time.

1. PENSION ADMINISTRATION SYSTEM REPLACEMENT -- \$3,811,690

The Pension Administration System (PAS) project is 24 months into the 44 month "implementation phase" of the project. The first project deliverable was completed in October 2014. The second one is in progress with an expected completion date of June 2015. Each deliverable represents months of detailed work by department "users" of the system who have documented each of their work processes and needs from a system. Evaluation of those work processes for automation by the system, "process re-engineering," is occurring simultaneously to maximize efficiencies in work processes. In Fiscal Year 2015-16, the LACERS project team and staff will undertake two modules, Deliverables 3 and 4, which represent 57% of the 1,680 system requirements.

Potential competing priorities have been identified which could impact the success of the PAS project. There is the possibility of a continued upsurge in Citywide retirements as well as the loss of subject matter experts via retirements, transfers, and promotions. As such, contingency plans have been established to address these potential competing priorities. Staff has evaluated the personnel needs and submits a request which includes the renewal of five temporary full-time personnel, the addition of three temporary full-time positions to take on administrative functions related to the PAS, the addition of six temporary full-time positions to handle regular operations, and the use of overtime for regular employees to allow these subject matter experts to balance PAS assignments and regular work when necessary. The request also includes the contract fees for the software vendor and the consulting project managers, related hardware, and facilities expenses for overtime work.

2. HEALTH DATA UTILIZATION -- \$195,000

This multi-year effort aims to use medical plan utilization data to negotiate retiree health plans that provide the greatest value of benefits. Our health and welfare consultant engages our health carriers in providing the data, and analyzes the data on our Retiree Member population usage of their health plans. The strategy includes designing retiree health plans for maximum use and value by our Members, using the data to drive costs down.

3. EMERGENCY MANAGEMENT -- \$70,425

This initiative focuses on maximizing organizational effectiveness and efficiency through the Emergency Preparedness objective. The request includes costs for network redundancy for disaster recovery purposes, a new contract for business recovery support services, and a business continuity plan table top exercise.

4. RETIREE WELLNESS -- \$80,000 (reimbursed by medical plan carriers)

The goal of LACERS *Well* is to educate Members on ways to maintain health, and the various programs and benefits available through their LACERS medical plans. By engaging Members in their health care, LACERS aims to reduce claims costs and minimize premium increases. A wellness coordinator will work onsite to promote preventive health, wellness, and health management, develop the LACERS *Well* Champion program, and coordinate wellness activities with LACERS and the medical plan carriers.

5. MAXIMIZING TECHNOLOGY -- \$30,000

Funding will provide for hardware, and server operating system licenses, to enable expansion of the infrastructure and technology the Internet and Intranet websites. Expansion will provide capabilities for integration with the Member portal and the pension administration system, as well as maintain standards for website technology on par with the City.

6. DEVELOP A HIGH PERFORMING WORKFORCE -- \$20,000

In addition to the on-going training and development programs in the department, and the employee tuition reimbursement program, this initiative will provide the next cohort of upcoming department managers with a nine-day leadership/management development course. The course is developed and offered by the California Association of Public Retirement Systems (CALAPRS). Participants benefit from discussion and networking with other public pension systems professionals.

7. CUSTOMER SERVICE INITIATIVE -- \$10,300

This customer service program will promote consistent, outstanding customer service both externally with Members and internally between department colleagues. The initiative includes department-wide employee training and recognition for employees with excellent customer service.

Strategic Plan Impact Statement:

Funding is requested to continue seven Strategic Initiatives in Fiscal Year 2015-16.

This report was prepared by: Dale Wong Nguyen, Chief Benefits Analyst
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Jason Kitahara, Management Analyst
Andy Chiu, Fiscal Systems Specialist
Mayouly Tran, Senior Accountant

TM:LH:DWN/EF/JK/AC/MT

Attachment: Proposed Budget Resolution for Fiscal Year 2015-16

**PROPOSED BUDGET
AND
PERSONNEL RESOLUTIONS**

Fiscal Year 2015 - 2016

Los Angeles City Employees' Retirement System

March 24, 2015

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
BUDGET FOR FISCAL YEAR 2015-16
PROPOSED RESOLUTION

RECEIPTS

REVISED: 03/23/15

<u>ACTUAL</u> <u>FY 2013-14</u>	<u>ESTIMATED</u> <u>FY 2014-15</u>		<u>BUDGET</u> <u>FY 2015-16</u>
\$ 456,722,786	\$ 482,473,867	* CITY CONTRIBUTIONS	\$ 542,453,787
203,975,276	206,000,000	MEMBER CONTRIBUTIONS	214,240,000
		FAMILY DEATH BENEFIT PLAN MEMBER	
160,638	158,000	CONTRIBUTIONS	158,000
328,092,486	330,000,000	EARNINGS ON INVESTMENTS	336,600,000
882,998,724	400,000,000	GAIN ON SALE OF INVESTMENTS	0
<u>\$ 1,871,949,910</u>	<u>\$ 1,418,631,867</u>	TOTAL RECEIPTS	<u>\$ 1,093,451,787</u>

EXPENDITURES

<u>ACTUAL</u> <u>FY 2013-14</u>	<u>ESTIMATED</u> <u>FY 2014-15</u>		<u>BUDGET</u> <u>FY 2015-16</u>
\$ 707,611,965	\$ 728,300,000	RETIREMENT ALLOWANCES	\$ 764,715,000
1,343,980	1,500,000	FAMILY DEATH BENEFIT PLAN ALLOWANCES	1,515,000
92,792,472	96,500,000	RETIRED MEDICAL & DENTAL SUBSIDY	103,255,000
8,835,855	9,200,000	RETIRED MEDICARE PART B REIMBURSEMENTS	9,660,000
14,798,939	5,300,000	REFUND OF MEMBER CONTRIBUTIONS	5,830,000
		REFUND OF DECEASED RETIRED	
1,183,710	1,800,000	ACCUMULATED CONTRIBUTIONS	1,980,000
18,418,869	24,815,000	ADMINISTRATIVE EXPENSE	
		- REGULAR OPERATIONS \$ 23,217,289	
		- STRATEGIC INITIATIVES 4,217,415	27,434,704
55,866,155	57,130,923	INVESTMENT MGMT. EXPENSE	59,204,484
<u>\$ 900,851,945</u>	<u>\$ 924,545,923</u>	TOTAL EXPENDITURES	<u>\$ 973,594,188</u>
<u>971,097,965</u>	<u>494,085,944</u>	INCREASE IN FUND BALANCE	<u>119,857,599</u>
<u>\$ 1,871,949,910</u>	<u>\$ 1,418,631,867</u>	TOTAL EXPENDITURES AND INCREASE IN FUND BALANCE	<u>\$ 1,093,451,787</u>

Note:

* The amount includes FY 2014-15 true-up adjustment of \$18,052,498 which will be credited toward the FY 2015-16 City Contributions payable on July 15, 2015.

CITY CONTRIBUTIONS**ACTUARIAL REQUIREMENTS**

To fund the liabilities of the System for future service as required in Article XI Section 1158 and 1160 of the City Charter in accordance with the actuarial valuation of those liabilities as of June 30, 2014 as follows:

Tier 1

28.75% of \$1,854,897,300 being the total of the actuarial salary of members for fiscal year 2015-16

\$ 533,282,974

Tier 2

22.62% \$35,657,883 being the total of the actuarial salary of members for fiscal year 2015-16

8,065,813

To match the estimated total amount to be contributed by Family Death Benefit in accordance with the provisions of Section 4.1090 of the Administrative Code and said actuarial report.

158,000

Subtotal

\$ 541,506,787

Excess Benefit Plan Fund:

To fund the retirement benefits in excess of the limits set by Internal Revenue Code Section 415 (b) in accordance with the provisions of Section 4.1800 of the Administrative Code.

928,000

Limited Term Plan Fund:

To fund the Defined Contribution Plan for elected city officials in accordance with the provisions of Section 4.1850 of the Administrative Code.

19,000

Total City Contributions

\$ 542,453,787

LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
Administrative Expense Budget
For the Fiscal Year ending June 30, 2016

Account Description	Budget - FY 2014/15			Budget - FY 2015/16			\$ Change	
	Regular Operations	Strategic Initiatives	Total	Regular Operations	Strategic Initiatives	Total	Regular Operations	Total
Personnel Services:								
601 Salaries - General	\$ 12,313,474	\$ 595,578	\$ 12,909,052	\$ 12,504,211	\$ 1,071,441	\$ 13,575,652	\$ 190,737	\$ 666,600
602 Overtime	50,716	423,246	473,962	41,400	549,880	591,280	(9,316)	117,318
605 Employee Benefit	5,112,038	-	5,112,038	5,448,246	-	5,448,246	336,208	336,208
Total Personnel Services	17,476,228	1,018,824	18,495,052	17,993,857	1,621,321	19,615,178	517,629	1,120,126
Professional Services:								
611 Actuarial	249,500	-	249,500	190,000	-	190,000	(59,500)	(59,500)
612 Audit and Consulting CPA	114,000	-	114,000	94,000	-	94,000	(20,000)	(20,000)
613 Legal - City Attorney	725,418	-	725,418	901,888	-	901,888	176,470	176,470
613 Legal - Outside Counsel	181,000	-	181,000	241,000	-	241,000	60,000	60,000
614 Disability	127,140	-	127,140	220,000	-	220,000	92,860	92,860
615 Other Professional & Consulting	52,000	10,500	62,500	100,000	18,000	118,000	48,000	55,500
616 Benefits Payroll Processing	259,800	-	259,800	259,800	-	259,800	-	-
617 Retired Health Admin. Consulting	532,820	226,564	759,384	587,000	275,000	862,000	54,180	102,616
Total Professional Services	2,241,678	237,064	2,478,742	2,593,688	293,000	2,886,688	352,010	407,946
Information Technology:								
622 Pension Administration System	337,556	2,065,792	2,403,348	353,550	1,716,469	2,070,019	15,994	(333,329)
623 Purchase: Computer Hardware	136,600	46,800	183,400	111,100	39,000	150,100	(25,500)	(33,300)
624 Computer Software	104,050	-	104,050	47,134	32,000	79,134	(56,916)	(24,916)
625 Computer - Maintenance and Support	225,640	-	225,640	211,180	32,425	243,605	(14,460)	17,965
626 Other Computer Consulting & Services	36,625	405,000	441,625	-	405,000	405,000	(36,625)	(36,625)
Total Information Technology	840,471	2,517,592	3,358,063	722,964	2,224,894	2,947,858	(117,507)	(410,205)
Training & Related Travel:								
604 Employee Development	70,790	40,300	111,090	65,410	30,300	95,710	(5,380)	(15,380)
634 Board Education & Travel	70,000	-	70,000	70,000	-	70,000	-	-
634 Staff Travel-Education & Due Diligence	134,705	-	134,705	125,005	-	125,005	(9,700)	(9,700)
Total Training & Related Travel	275,495	40,300	315,795	260,415	30,300	290,715	(15,080)	(25,080)

Account Description	Budget - FY 2014/15			Budget - FY 2015/16			\$ Change	
	Regular Operations	Strategic Initiatives	Total	Regular Operations	Strategic Initiatives	Total	Regular Operations	Total
Office Expenses:								
631 Printing	150,935	-	150,935	155,000	-	155,000	4,065	4,065
632 Postage	175,450	-	175,450	194,800	-	194,800	19,350	19,350
633 Telephone and Utilities	14,400	-	14,400	10,400	-	10,400	(4,000)	(4,000)
635 Office Space	901,912	10,800	912,712	941,040	14,400	955,440	39,128	42,728
636 Office Equipment	56,000	-	56,000	56,000	6,000	62,000	-	6,000
651 Petty Cash Purchases	10,000	-	10,000	10,000	-	10,000	-	-
652 Board Member Election Costs	30,000	-	30,000	-	-	-	(30,000)	(30,000)
653 Purch: Furniture & Other Equip.	15,000	-	15,000	24,000	-	24,000	9,000	9,000
655 Other Office Expenses	284,692	-	284,692	130,420	27,500	157,920	(154,272)	(126,772)
656 Membership Dues & Subscriptions	75,466	-	75,466	81,705	-	81,705	6,239	6,239
658 Promotional Supplies	3,000	-	3,000	3,000	-	3,000	-	-
659 Fiduciary Insurance	40,000	-	40,000	40,000	-	40,000	-	-
Total Office Expenses	1,756,855	10,800	1,767,655	1,646,365	47,900	1,694,265	(110,490)	(73,390)
Total Administrative Expenses - for Appropriation	\$ 22,590,727	\$ 3,824,580	\$ 26,415,307	\$ 23,217,289	\$ 4,217,415	\$ 27,434,704	\$ 626,562	\$ 1,019,397

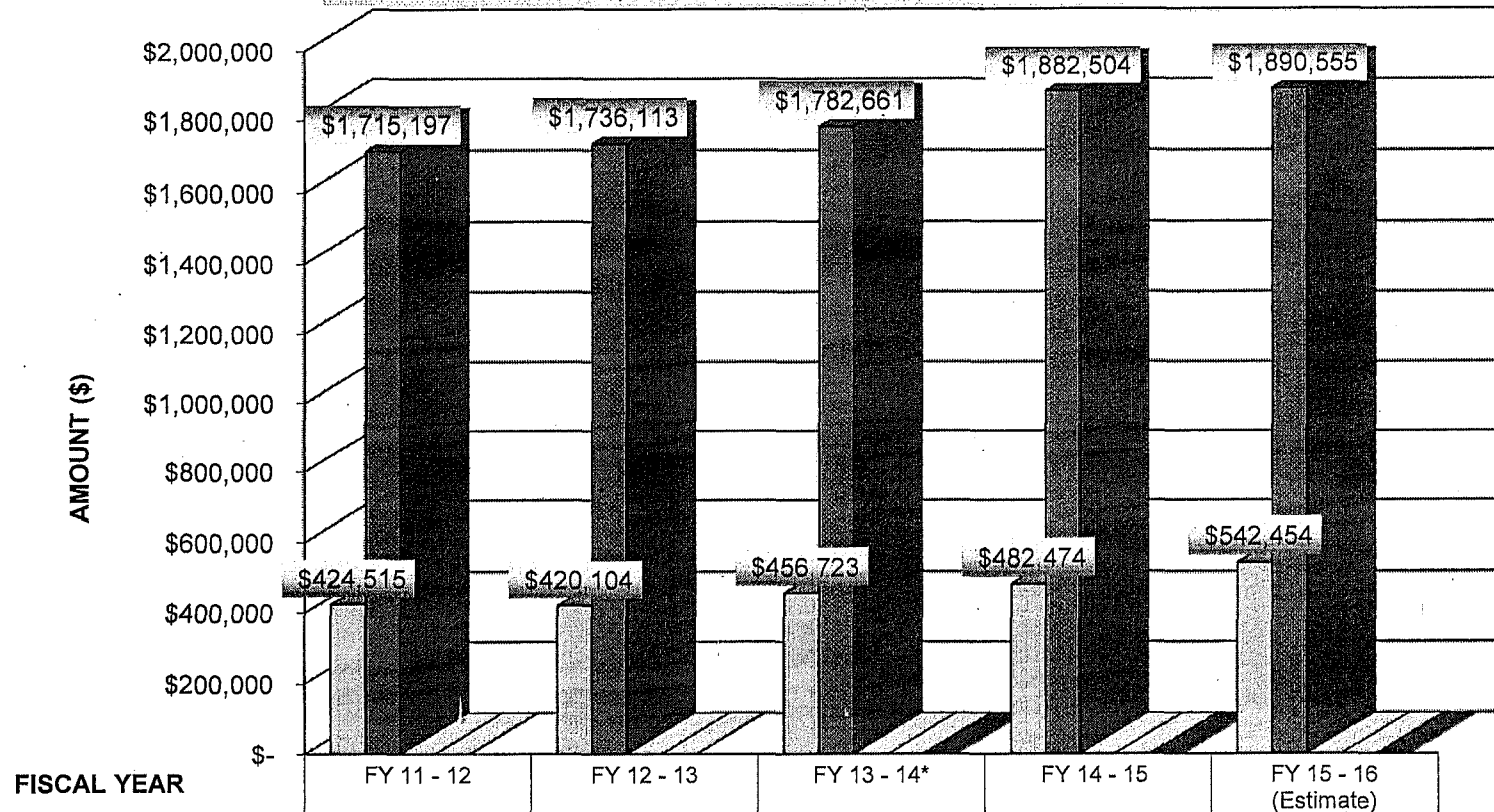
LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM Strategic Initiatives Budget For the Fiscal Year 2015-16			
STRATEGIC INITIATIVES	FY 2013/14	FY 2014/15	FY 2015/16
Pension Administration System Replacement	\$ 2,553,690	\$ 3,517,216	\$ 3,811,690
A/C 601 Salary for Temporary Employees	86,736	595,578	\$ 1,071,441
A/C 602 Overtime to assist PAS Project	91,073	423,246	\$ 549,880
A/C 622 Pension Administration System	1,745,881	2,065,792	1,716,469
A/C 623 Computer Hardware	75,000	16,800	10,000
A/C 624 Computer Software	-	-	17,000
A/C 626 Other Computer Consulting	555,000	405,000	405,000
A/C 635 After-hours HVAC and electricity		10,800	\$ 14,400
A/C 655 Cubicle reconfigurations			\$ 27,500
Health Cost Strategies	\$ 120,768	\$ 126,564	\$ 275,000
A/C 617 Retired Health Admin. Consulting	120,768	126,564	195,000
A/C 617 Wellness Coordinator (reimbursable)		80,000	80,000
A/C 617 Wellness Coordinator (reimbursement)		(80,000)	
Maximize Use of Technology (FY16: web expansion project)		\$ 93,625	\$ 30,000
A/C 623 Computer Hardware		45,000	\$ 15,000
A/C 624 Computer Software		32,000	\$ 15,000
A/C 626 Other Computer Consulting & Services		16,625	
Develop a High Performing Workforce		\$ 30,000	\$ 20,000
A/C 604 Employee Development		30,000	\$ 20,000
Customer Service Initiative		\$ 11,800	\$ 10,300
A/C 604 Employee Development		10,300	\$ 10,300
A/C 615 Other Consulting		1,500	
Emergency Management Initiative	\$ 1,815	\$ -	\$ 70,425
A/C 615 Other Consulting	\$ -	\$ -	\$ 18,000
A/C 623 Computer Hardware	\$ -	\$ -	\$ 14,000
A/C 625 Computer Maintenance and Support	\$ -	\$ -	\$ 32,425
A/C 634 Due Diligence Travel	\$ 1,815	\$ -	
A/C 636 Office Equipment Services	\$ -	\$ -	\$ 6,000
TOTAL MULTI-YEAR BUDGET FOR THESE STRATEGIC INITIATIVES	\$ 2,676,273	\$ 3,779,205	\$ 4,217,415

INVESTMENT MANAGEMENT EXPENSE

	ADOPTED BUDGET FY 2014-15	ESTIMATED EXPENSE FY 2014-15	PROPOSED BUDGET FY 2015-16
1 Baird Advisors	\$ 304,206	\$ 298,550	\$ 302,088
2 LM Capital Group, LLP	404,265	409,140	419,743
3 Loomis Sayles Fixed	825,003	1,114,350	906,235
4 Neuberger Berman - Active (frmly Lehman Brothers)	916,351	1,276,236	1,053,474
5 State Street (SSgA Passive - Fixed Income)	407,000	389,320	395,590
6 AEGON USA Investment Management	673,430	606,800	767,204
7 Franklin Advisers - High Yield Bonds	669,593	654,200	759,822
8 Prudential Fixed Income (Emerging Mkts)	1,200,000	895,918	1,014,446
9 Aronson & Partners	772,260	909,400	498,713
10 Blackrock (formerly Barclays S&P Index)	391,366	359,490	284,463
11 Donald Smith & Co	1,126,600	1,032,875	939,055
12 Franklin Global Advisers (Fiduciary Trust)	637,259	618,160	565,900
13 New Mountain Vantage	1,108,269	573,500	-
14 Panagora Asset Management	1,221,064	828,410	700,244
15 Principal Global	468,000	430,158	831,597
16 Rhumblin (S&P 500)	98,532	99,943	93,835
17 Rhumblin (Russell 1000G)	11,432	12,015	13,009
18 Rhumblin (Russell 2000 Growth)	-	1,789	8,856
19 Rhumblin (Russell 2000 Index)	-	2,850	8,817
20 SIT Investment Associates	1,156,536	473,432	-
21 Thomson Horstmann & Bryant	1,695,818	1,217,400	860,681
22 The Boston Company	-	34,181	-
23 AQR Capital Management	2,358,250	1,093,000	1,674,697
24 Axiom International (Emerging Mkts)	1,667,000	1,027,000	1,488,424
25 Barrow, Hanley, Mewhinney & Strauss	2,344,313	2,400,275	2,407,451
26 DFA EMV (Emerging Mkts)	1,121,000	1,071,000	1,103,927
27 Lazard Asset Management	2,517,560	2,639,250	2,707,207
28 MFS Institutional Advisors	2,476,312	2,445,250	2,494,982
29 Oberweis Asset Management	348,516	331,000	335,481
30 Quantitative Management Assoc. (QMA)	1,244,871	939,875	1,217,288
31 State Street Global	242,623	386,653	373,780
32 Attucks	352,312	327,602	353,325
33 Capital Prospects	268,316	187,010	-
34 Progress Investment Management	419,495	291,808	-
35 DFA TIPS	108,000	213,217	156,038
36 HIMCO TIPS	243,750	310,233	209,823
37 Centersquare - (1) Real Assets (REITS)	231,563	85,750	343,000
38 CoreCommodities - (1) Real Assets (Commodities)	800,000	301,000	1,204,000
39 (1) Credit Opp. (Bank Loans)	243,750	64,167	385,000
40 (1) Real Assets (Multi-Assets)	253,430	63,358	373,333
41 Real Estate Managers	9,845,028	9,992,675	10,952,688
42 Private Equity (Alternative Investment Managers)	17,533,684	18,993,318	19,126,353
Subtotal - Investment Managers Fee	\$ 58,706,757	\$ 55,401,558	\$ 57,330,569
43 R.E. Consult (Townsend)	\$ 215,000	\$ 215,000	\$ 215,000
44 Real Estate & Private Equity Inv Legal	250,000	250,000	250,000
45 Private Equity Consult (Portfolio Advisors)	681,250	681,250	756,250
46 General Fund Consultant (Wilshire Associates Inc)	427,450	416,515	421,165
47 Northern Trust	76,500	35,000	76,500
Subtotal - Investment Consulting Fee	\$ 1,650,200	\$ 1,597,765	\$ 1,718,915
48 Bloomberg Financial Services	\$ 30,000	\$ 24,000	\$ 30,000
49 CEM Benchmarking	35,000	30,000	-
50 Institutional Shareholder Services (ISS)	125,000	77,600	125,000
Subtotal - Other Investment Expense	\$ 190,000	\$ 131,600	\$ 155,000
INVESTMENT MANAGEMENT EXPENSE	\$ 60,546,957	\$ 57,130,923	\$ 59,204,484

TOTAL CITY CONTRIBUTIONS & COVERED PAYROLL
FY 2011/2012 - FY 2015/2016
(In Thousands)

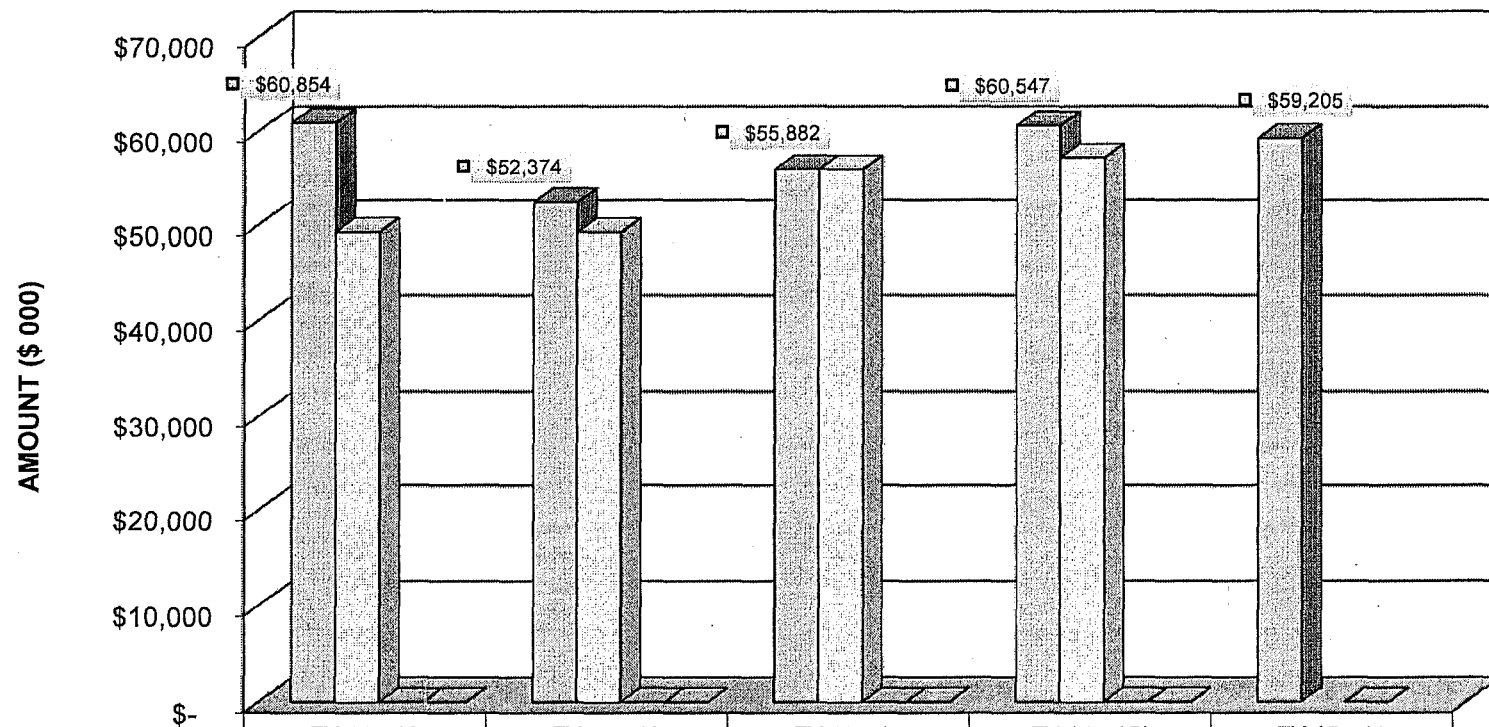
REVISED: 03/23/15



□ Total City Contributions	\$424,515	\$420,104	\$456,723	\$482,474	\$542,454
■ Total Covered Payroll	\$1,715,197	\$1,736,113	\$1,782,661	\$1,882,504	\$1,890,555
□ Total City Contribution % Change	3%	-1%	9%	6%	12%
□ City Contribution Rate - Tier 1	24.01%	24.14%	25.33%	26.56%	28.75%
■ City Contribution Rate - Tier 2			18.32%	19.63%	22.62%

* Effective in FY 2013-14, there were two Tiers of benefit. City contributions are calculated by breaking down covered payroll for Tier 1 and Tier 2 and applying appropriate contribution rate.

**INVESTMENT EXPENSE
BUDGET vs ACTUAL
FY 2011/2012 - FY 2015/2016
(In Thousands)**

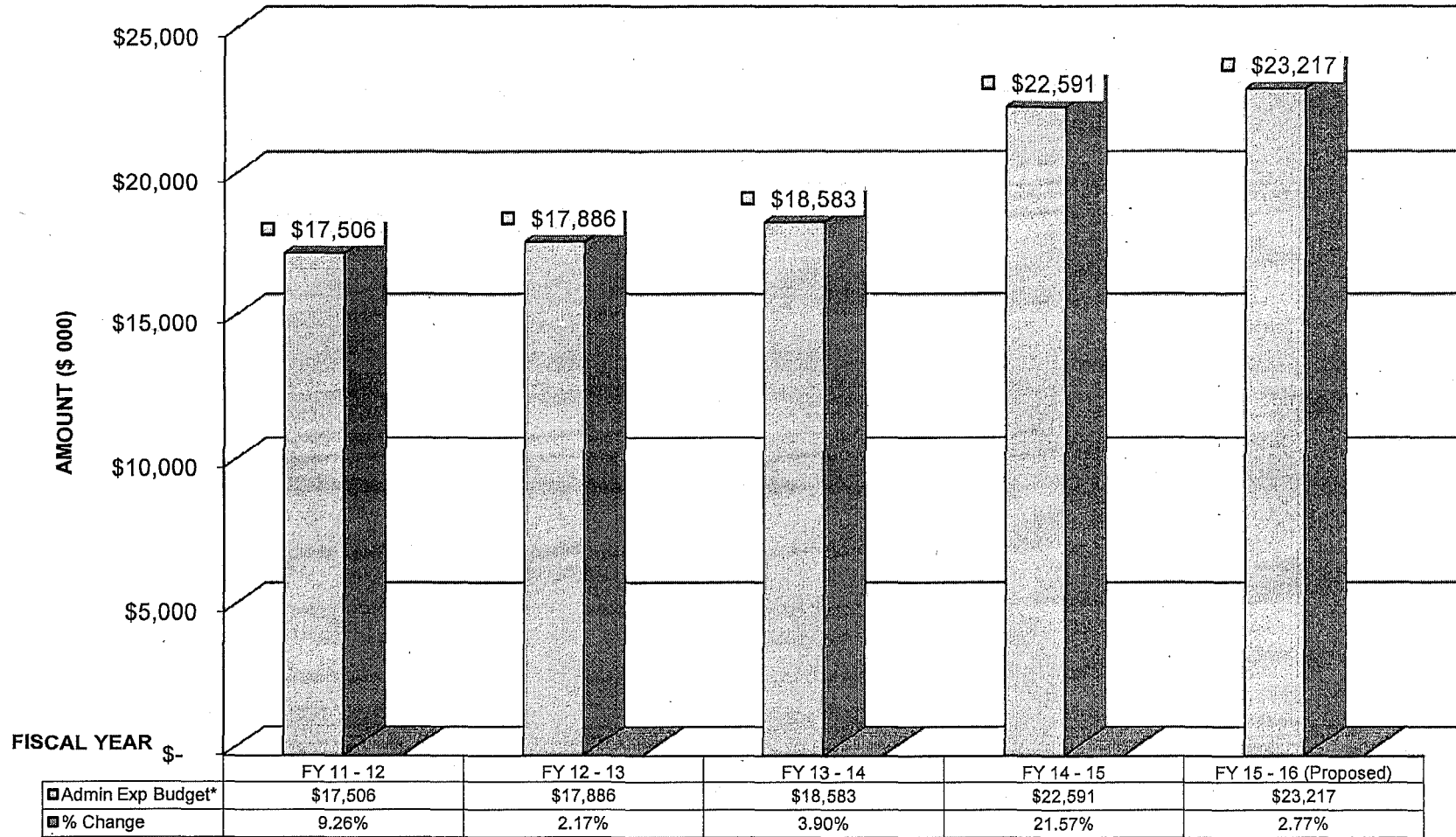


FISCAL YEAR	FY 11 - 12	FY 12 - 13	FY 13 - 14	FY 14 - 15*	FY 15 - 16 (Proposed)
■ Budget Investment Exp (in 000's)	\$60,854	\$52,374	\$55,882	\$60,547	\$59,205
□ Actual Investment Exp (in 000's)	\$49,242	\$49,198	\$55,866	\$57,131	
□ % Budget Change	23%	-14%	7%	8%	-2%
□ % Actual to Budget	81%	94%	100%	94%	

* FY 14 - 15: Estimated Actual Investment Expense

ADMINISTRATIVE EXPENSE BUDGET
FY 2011/2012 - FY 2015/2016
(In Thousands)

REVISED: 03/23/15



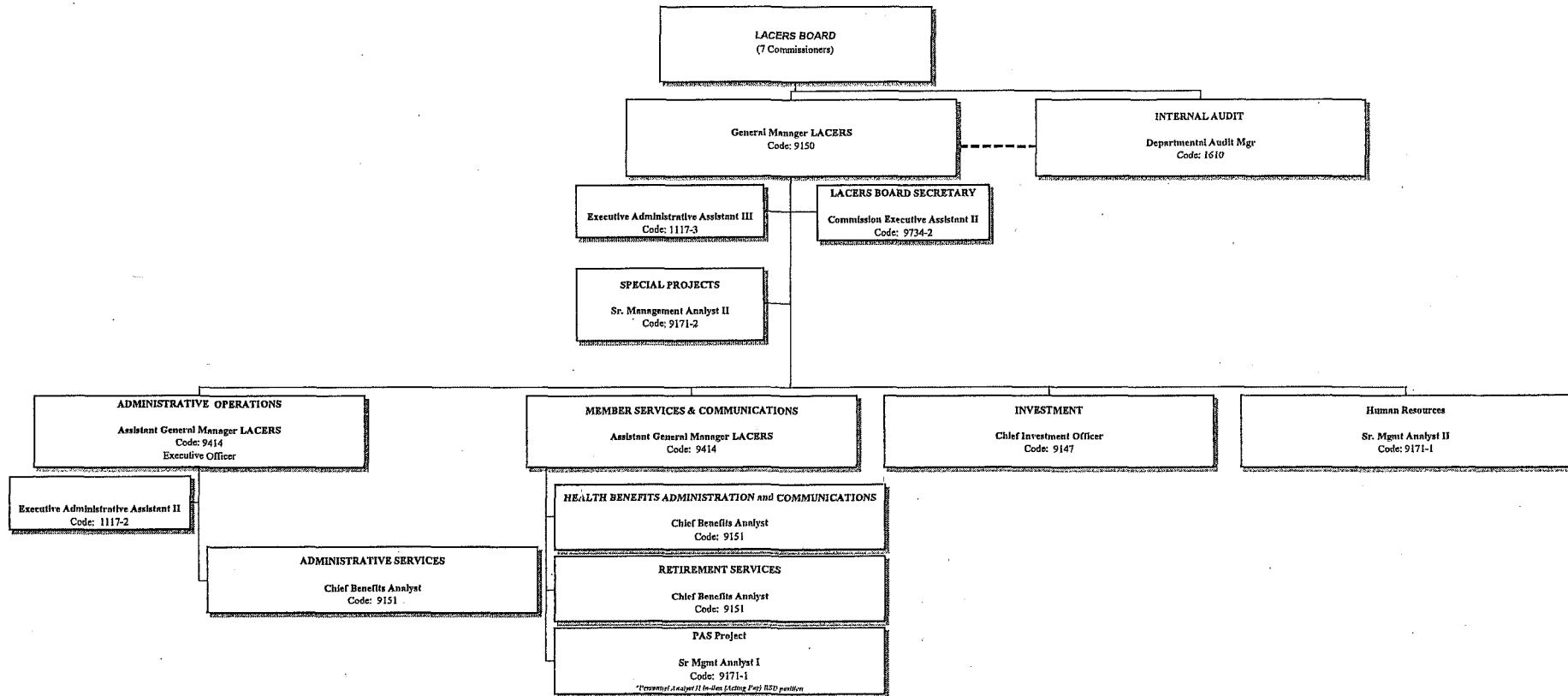
*Amount includes budget for regular operations only.

**LOS ANGELES CITY EMPLOYEES' RETIREMENT SYSTEM
POSITIONS AND SALARIES: FY 2015-16**

2015-16			2015-16 Salary Range and Annual			
Counts	MOU	Code	Title	Salary		
<u>GENERAL</u>						
<u>Regular Positions</u>						
3	1	15132	Accountant II	24.30	50,738	- 74,166
13	3	12232	Accounting Clerk II	24.28	50,696	- 62,974
1	20	11191	Accounting Record Supervisor I	24.43	51,010	- 74,583
2	36	9414	Assistant General Manager - LACERS	69.86	145,867	- 181,211
25	20	1203	Benefits Specialist	24.43	51,010	- 74,583
3	36	9151	Chief Benefits Analyst	60.99	127,347	- 158,208
1	36	9147	Chief Investment Officer	88.77	185,351	- 230,285
10	3	1358	Clerk Typist	18.61	38,857	- 48,295
1	1	97342	Commission Executive Assistant II	30.97	64,665	- 94,503
1	36	1610	Departmental Audit Manager	60.99	127,347	- 158,208
1	36	15933	Departmental Chief Accountant III	56.50	117,972	- 146,578
1	37	11172	Executive Admin. Assistant II	30.07	62,786	- 78,008
1	37	11173	Executive Admin. Assistant III	32.23	67,296	- 83,604
1	20	15551	Fiscal System Specialist I	38.80	81,014	- 118,452
1	-	9150	General Manager - LACERS	74.42	155,389	- 275,449
1	36	14091	Information Systems Manager I	51.43	107,385	- 133,423
1	1	16254	Internal Auditor IV	45.29	94,566	- 138,288
2	0	91461	Investment Officer I	42.13	87,967	- 128,600
3	0	91462	Investment Officer II	52.48	109,578	- 160,212
1	0	91463	Investment Officer III	66.00	137,808	- 201,492
6	1	91841	Management Analyst I	26.25	54,810	- 80,137
13	1	91842	Management Analyst II	30.97	64,665	- 94,503
1	1	1539	Management Assistant	22.01	45,957	- 67,192
1	3	1111	Messenger Clerk	14.51	30,296	- 37,626
1	20	11701	Payroll Supervisor I	28.07	58,610	- 85,671
1	1	17312	Personnel Analyst II	30.97	64,665	- 94,503
1	20	1786	Principal Public Relations Reps.	30.05	62,744	- 91,747
1	8	14314	Programmer Analyst IV	40.64	84,856	- 105,444
1	36	18001	Public Information Director I	43.01	89,804	- 111,562
1	20	15231	Senior Accountant I	28.23	58,944	- 86,130
3	20	15232	Senior Accountant II	30.54	63,768	- 93,229
15	3	1368	Senior Clerk Typist	22.99	48,003	- 59,633
5	20	91711	Senior Management Analyst I	36.58	76,379	- 111,624
6	20	91712	Senior Management Analyst II	45.29	94,566	- 138,288
1	0	91671	Senior Personnel Analyst I	38.09	79,532	- 116,281
2	20	15971	Senior Systems Analyst I	36.62	76,463	- 111,812
1	20	15972	Senior Systems Analyst II	45.30	94,586	- 138,309
5	1	15962	Systems Analyst II	30.97	64,665	- 94,503
1	21	14553	Systems Programmer III	44.79	93,522	- 136,743
<hr/>						
139			Total Regular Positions			
<hr/>						
Commissioner Positions						
7	N/A	0101-2	Commissioner		\$ 50 PER MEETING	
<hr/>						
7	Total Commissioner Positions					

	SUBSTITUTE AUTHORITY
	ADD PORTION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION






LACERS
PROPOSED ORGANIZATIONAL CHART FY 2015/2016
Updated 03/05/2015



LACERS

PROPOSED ORGANIZATIONAL CHART FY 2015/2016

Updated 03/05/2015

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION

INTERNAL AUDIT

Departmental Audit Mgr

Code: 1610

Proposed FY 15 - 16 Pay grade to IV

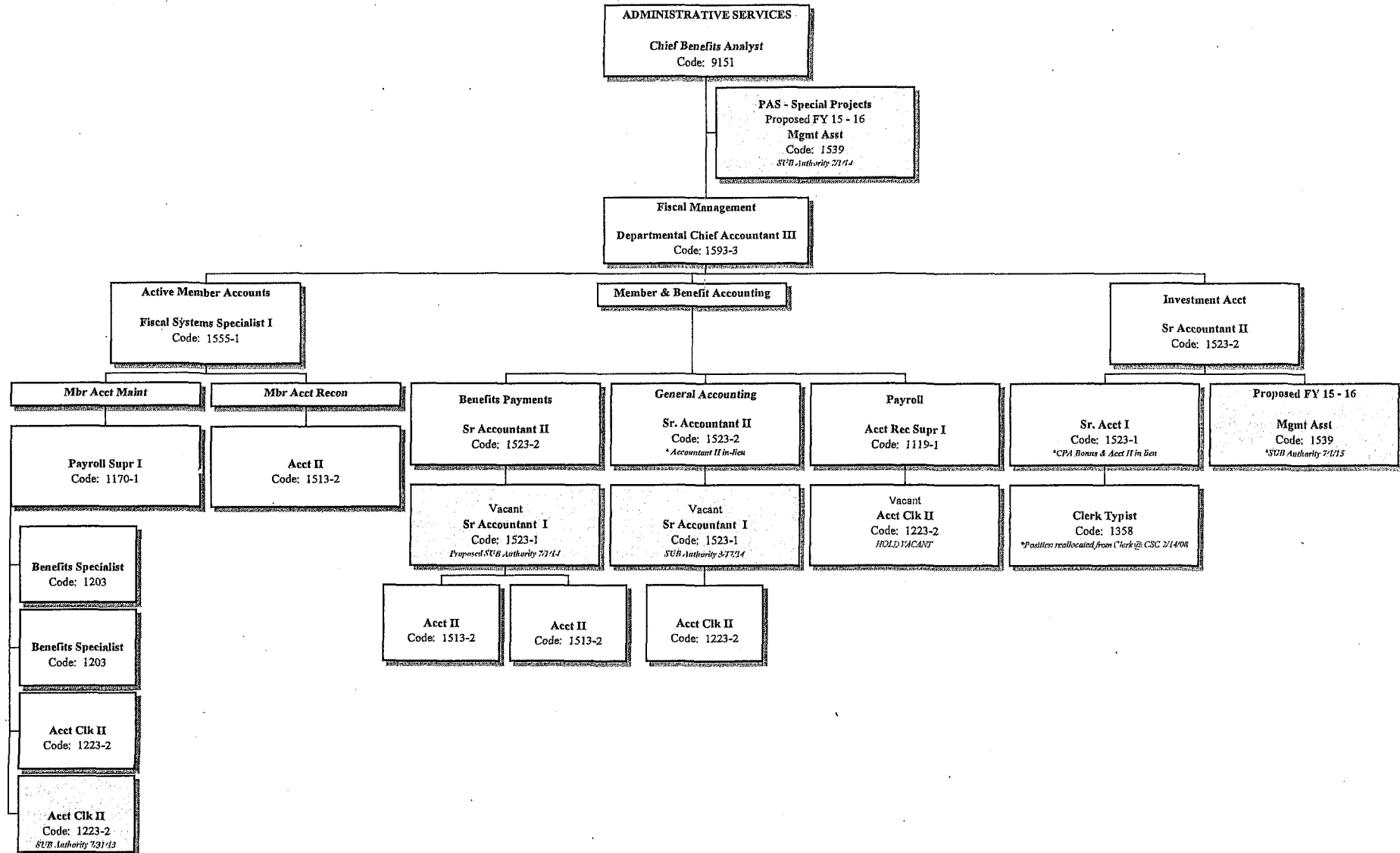
Internal Auditor III

Code: 1625-3

LACERS PROPOSED ORGANIZATIONAL CHART FY 2015/2016

Updated 03/05/2015






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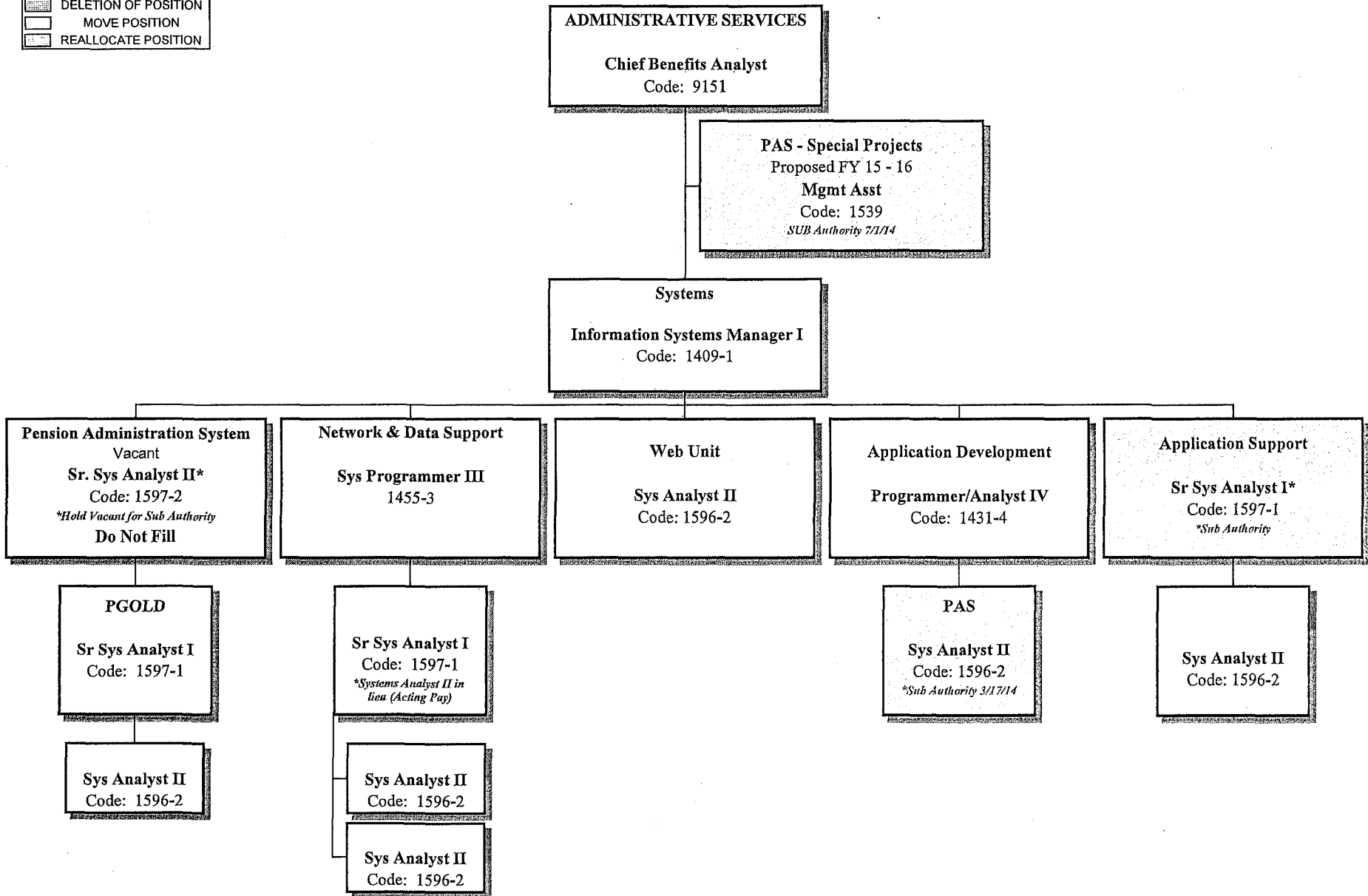







LACERS

PROPOSED ORGANIZATIONAL CHART FY 2015/2016

Updated 03/05/2015

	SUBSTITUTE AUTHORITY
	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION

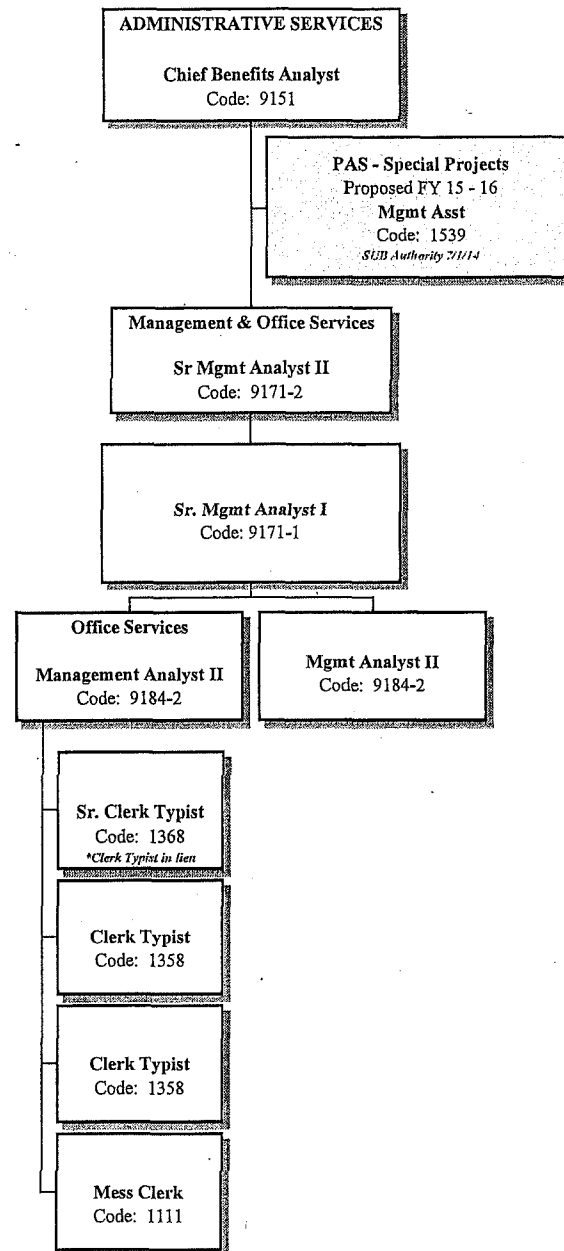


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	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION

LACERS

PROPOSED ORGANIZATIONAL CHART FY 2015/2016

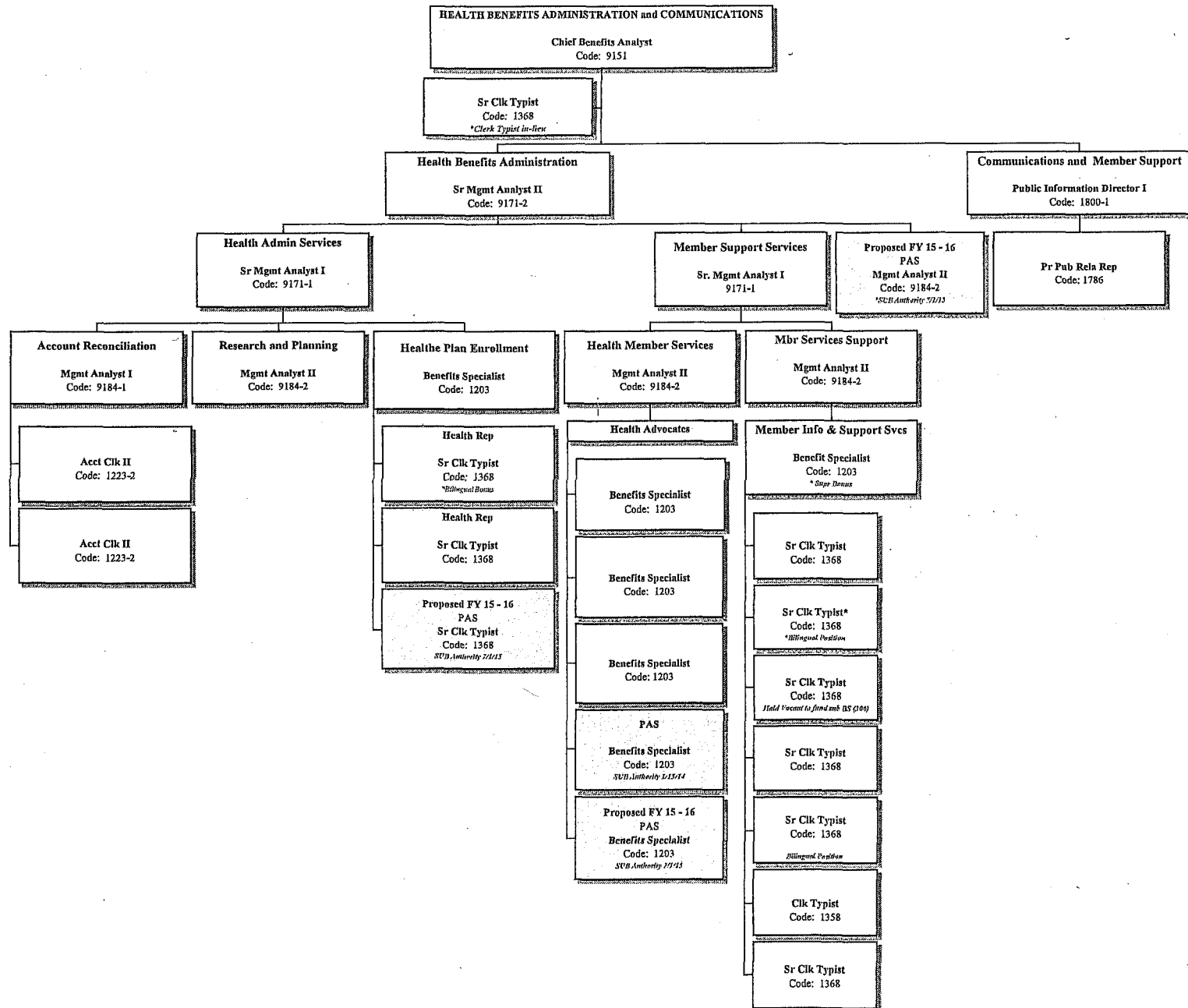
Updated 03/05/2015



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	ADD POSITION
	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION

LACERS PROPOSED ORGANIZATIONAL CHART FY 2015/2016

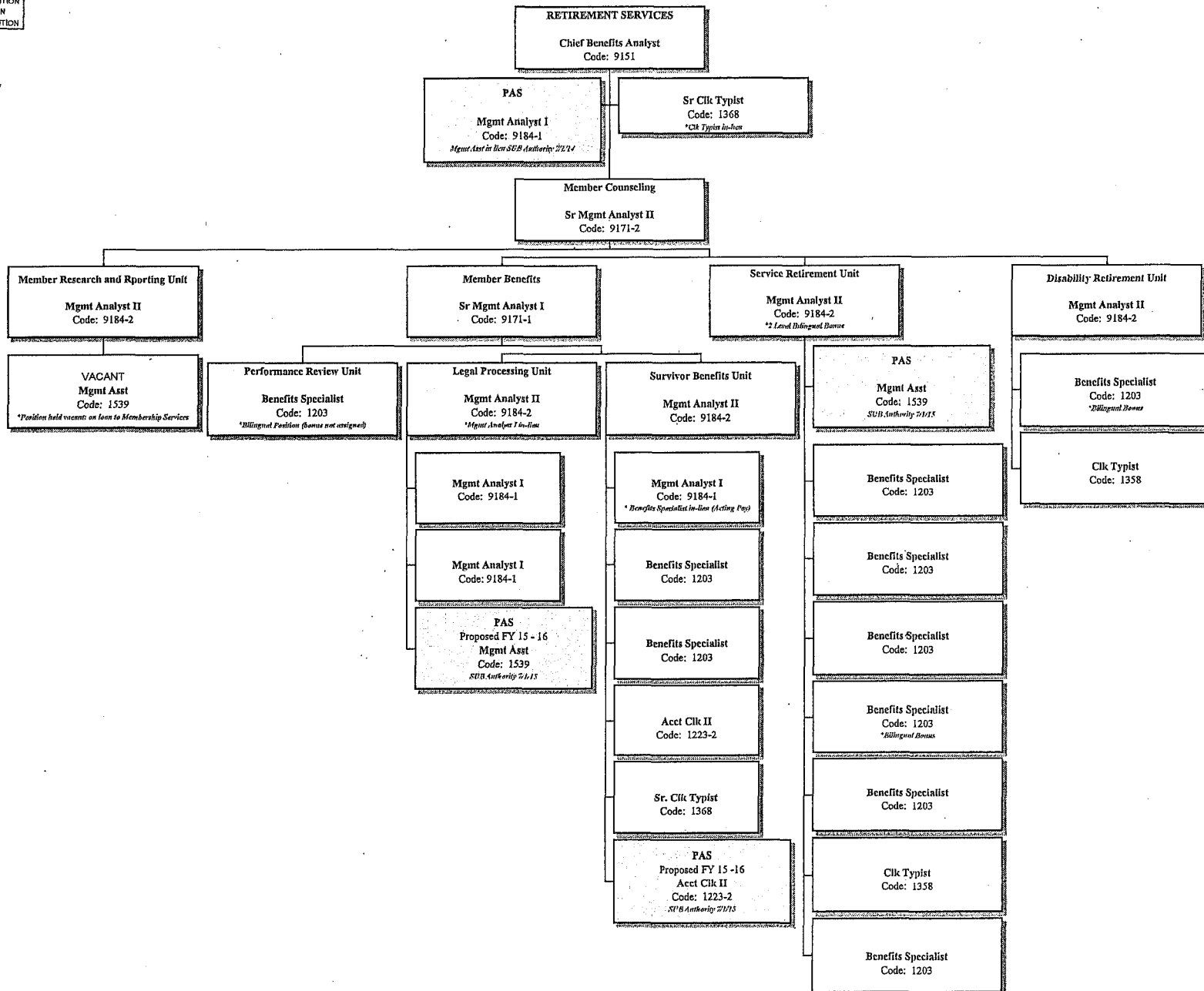
Updated 03/05/2015



LACERS **PROPOSED ORGANIZATIONAL CHART FY 2015/2016**

Updated 03/05/2015






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 	REALLOCATE POSITION

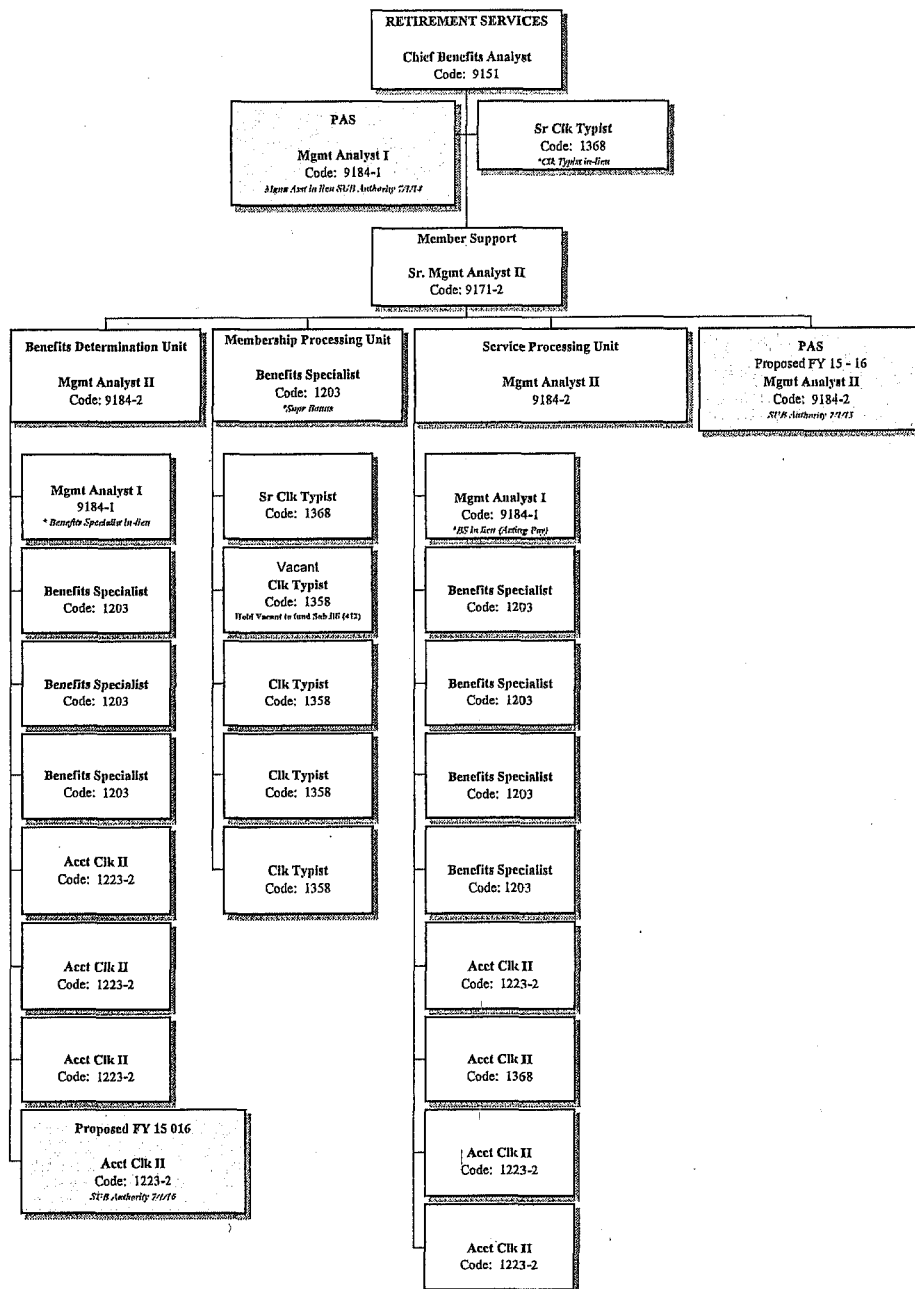


LACERS

PROPOSED ORGANIZATIONAL CHART FY 2015/2016

Updated 02/05/2015

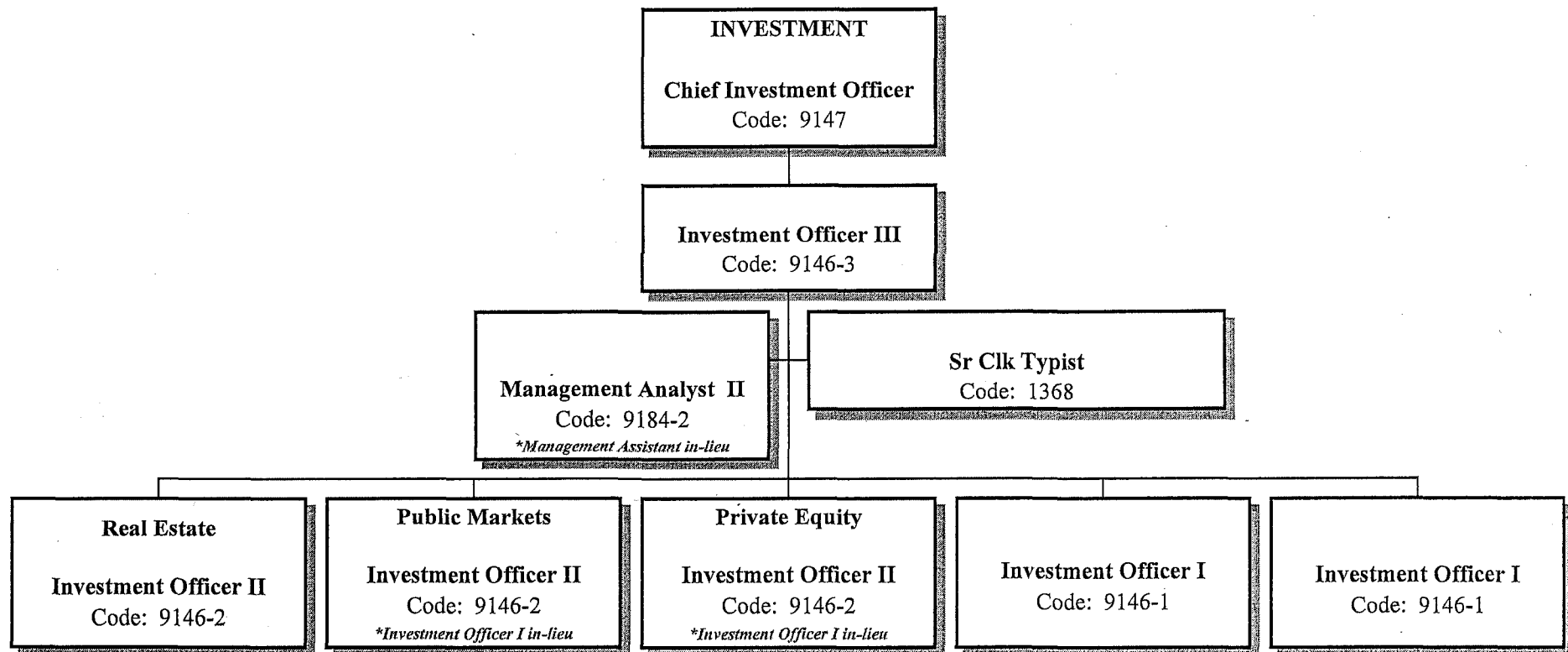
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	DELETION OF POSITION
	MOVE POSITION
	REALLOCATE POSITION



LACERS

PROPOSED ORGANIZATIONAL CHART FY 2015/2016

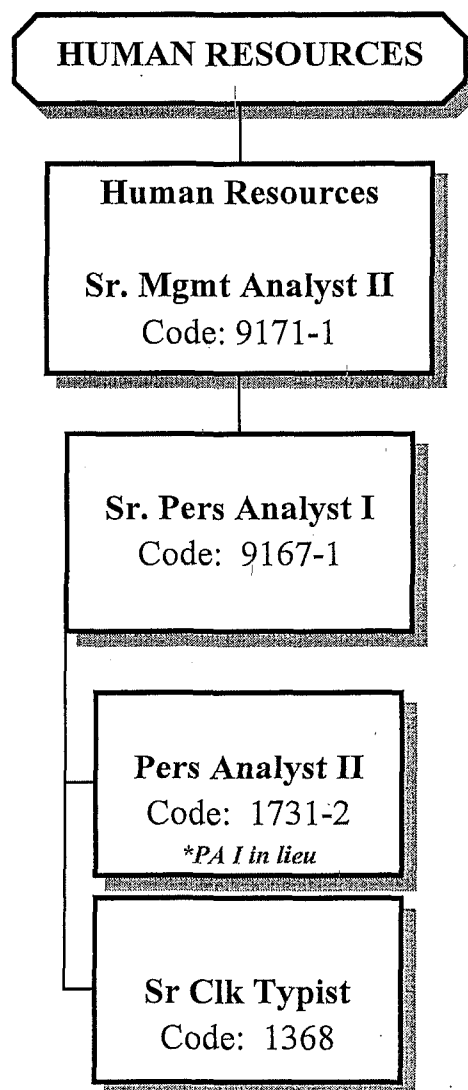
Updated 03/05/2015



LACERS

PROPOSED ORGANIZATIONAL CHART FY 2015/2016

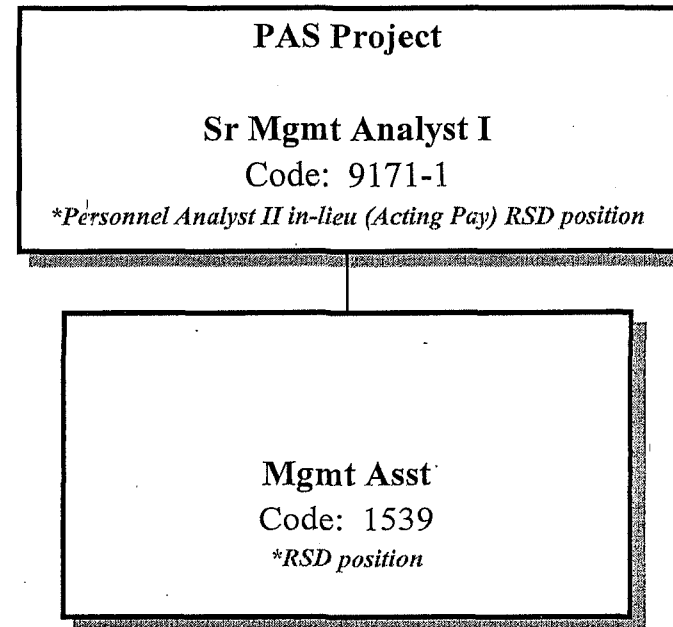
Updated 03/05/2015



LACERS

PROPOSED ORGANIZATIONAL CHART FY 2015/2016

Updated 03/05/2015



AUTHORIZATION FOR
DEPARTMENTAL EXEMPLARY STAFF RECOGNITION PROGRAM
FISCAL YEAR 2015-16

PROPOSED RESOLUTION

WHEREAS, on March 11, 2003, the Board established a departmental Exemplary Staff Recognition Program to provide a framework for team building and recognition throughout the Department;

WHEREAS, the Board endeavors to continue the program in order to recognize employees for their efforts, and to identify role models who communicate the standards established through our guiding principles;

WHEREAS, funds for program-related expenditures during the 2015-16 Fiscal Year have been included in the 2015-16 Departmental budget in order to continue the program; and

WHEREAS, the Controller's Office requires an annual Board Resolution confirming the establishment of the program in order to process future payments of related expenses;

NOW, THEREFORE, BE IT RESOLVED, that the Board hereby confirms the permanent establishment of the LACERS Exemplary Staff Recognition Program, and authorizes program related expenditures for Fiscal Year 2015-16 not to exceed \$4,000.

March 24, 2015

AUTHORIZATION FOR
STAFF EDUCATION AND RELATED TRAVEL
FISCAL YEAR 2015-16

PROPOSED RESOLUTION

WHEREAS, the complexities of sound management of a public pension fund impose a continuing need for staff to attend professional and educational conferences, seminars, and other educational events that will better prepare them to perform their fiduciary duties; and

WHEREAS, travel also is required to allow staff to perform due diligence in regard to ongoing investments and investment opportunities and to help educate our members in regard to their health open enrollment options;

BE IT RESOLVED, that the General Manager is authorized during Fiscal Year 2015-16 to continue to approve individual expenditures from the Education and Related Travel budget account up to \$5,000 per trip for travel relating to staff education, Member education, investment due diligence, and/or other activities conducted by staff in pursuit of LACERS business; and,

BE IT FURTHER RESOLVED, that any travel expenses incurred by the General Manager for educational or due diligence purposes shall be approved by either the Board President or Vice-President, acting on behalf of the Board of Administration.

March 24, 2015

ATTACHMENT 3

SFERS

(City & County of San Francisco)

RETIREMENT BOARD CALENDAR SHEET

(BUDGET FOR FISCAL YEARS 2016-17 AND 2017-18)




SFERS

San Francisco Employees' Retirement System

City and County of San Francisco
Employees' Retirement System

RETIREMENT BOARD CALENDAR SHEET Retirement Board Meeting of February 10, 2016

To: Members of the Retirement Board

From: Jay Huish 
Executive Director

Jim Burruel
Finance Manager

Date: February 10, 2016

Agenda Item:

Review and Approval of the Budget for Fiscal Years 2016-17 and 2017-18 for the San Francisco Employees' Retirement System

Background:

Attached is the proposed department budget for Fiscal Years 2016-17 and 2017-18. The proposed budget incorporates the resources required to fulfill the strategic initiatives. Staff presented the attached budget to the Finance Committee at its February 1, 2016 committee meeting. After discussion with staff, the Finance Committee directed staff to include a new public information officer position in the budget and to earmark funding for department investment internships (e.g. a Toigo Fellowship program). These changes recommended by the Finance Committee have been incorporated in the attached budget.

As you will note, many budget items are pending negotiation of standard inter-department work orders or an allocation from the Mayor's Budget Office for City-wide services as we proceed through the budget review process. These "pending" budget items are highlighted on the spreadsheets for each of the division budgets. Adjustments to permanent employee salary and fringe benefits costs are determined by labor agreements and determined by the City Controller's Office. For the new positions that we are requesting in the proposed budget, we have costed them at the top of the

discretionary salary range for purposes of quantifying the impact of each position on the division budgets.

The proposed budget requests a modest 0.92% increase over the current fiscal year budget for Fiscal Year 2016-17 and a 6.04% increase for Fiscal Year 2017-18. The majority of the increases in each year are attributable to the salaries for new positions requested to meet the business activities of the department. The proposed department budget includes five new positions for FY2016-17 and one new position for FY2017-18 as detailed below:

Division	FY2016-17	FY2017-18
Administration	1 - 1404 Clerk/Receptionist 1 - 0931 Public Information Director	None
Retirement Services/IT/ Accounting	1 - 1209 Benefits Tech 1 - 1812 Benefits Analyst	1 - 1209 Benefits Tech
Investment	1 - 1116 Managing Director 1 - 1404 Clerk/Receptionist	None
Deferred Compensation	None	None
TOTAL BUDGET	6 new positions	1 new position

The base salaries and estimated fringe benefits associated with these new positions are reflected on the division spreadsheets in the attached budget document.

The Investment Division budget also includes estimated management fees and consultant fees related to implementation of both potential strategies for the absolute return portfolio.

Jay Huish, Executive Director, and Jim Burrue, Finance Manager, will provide a written and oral presentation to the Committee on this item.

Recommendation:

Approve forwarding the proposed department budget for FY2016-17 and 2017-18 to the full Board with a recommendation to approve

Attachment: *FY2016-17 and 2017-18 SFERS Budget*

SAN FRANCISCO CITY AND COUNTY EMPLOYEES' RETIREMENT SYSTEM

MISSION STATEMENT

San Francisco City and County Employees' Retirement System is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefit programs, and providing promised benefits.

CORE SERVICES

Administration

- Administers sixteen separate retirement plans for active SFERS members as well as numerous additional retirement plans for retired members and beneficiaries, as defined in the City Charter and Administrative Code
- Provides centralized administrative support for the Retirement Board
- Implements legislative changes in SFERS benefits
- Oversees the San Francisco Deferred Compensation Plan (SFDGP) with approximately \$2.7 billion dollars in participant assets

Retirement Services

- Provides retirement counseling to active and retired employees and beneficiaries
- Processes benefit applications for service and disability retirements, survivor benefits, vesting allowances, refunds, reciprocity and purchase of service credit
- Maintains historical employment and payroll data for over 59,000 active and retired SFERS members and over 100,000 former or non-member City employees
- Processes approximately \$93 million in monthly benefit payments to over 27,000 retirees and beneficiaries

Investment Services

- Invests the SFERS Trust Fund assets in accordance with Retirement Board policy: over \$20 billion in stocks, bonds, real estate, alternative investments, and other domestic/international securities
- Monitors the performance of external investment managers and maintains knowledge of capital markets and institutional investment opportunities

**SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM
BUDGET REQUEST AND LINE ITEM EXPLANATIONS
FISCAL YEARS 2016-2017 AND 2017-2018**

BUDGET OVERVIEW

The SFERS department budget is allocated across the following five department programs:

- Administration
- Retirement Services, Business Services, Information Systems and Accounting
- Investment Division – Regular Budget
- Investment Division – Recaptured Commission Budget
- Deferred Compensation Program

SOURCES OF FUNDS

The department budget relies on no General Fund allocation. All expenses related to the administration of the Retirement System are funded from assets of the SFERS Trust. All expenses related to the administration of the Deferred Compensation Plan are separately funded through reimbursement by the Deferred Compensation Plan's third-party administrator (Prudential Retirement Insurance and Annuity Company, beginning in January 2014) – for Fiscal Years 2017-2018 and 2017-2016, the annual reimbursement amount is \$870,578.

**SAN FRANCISCO EMPLOYEES' RETIREMENT SYSTEM
BUDGET REQUEST AND LINE ITEM EXPLANATIONS
FISCAL YEARS 2016-2017 and 2017-2018**

Department Summary

The SFERS department budget is allocated across the following department programs:

1. Administration
2. Retirement Services, Business Services, Information Systems and Accounting
3. Investments Division
Regular Budget
Recaptured Commissions Budget
4. Deferred Compensation*

* Administrative expenses, including salary and benefits, professional services, and materials and supplies related to the operation of the SFDCP are included in this budget. The SFDCP Third Party Administrator, Prudential Retirement, will annually reimburse the SFDCP \$870,578 for Fiscal Years 2016-2017 and 2017-2018 to offset the administrative costs incurred for the SFDCP.

DEPARTMENT:	Employees' Retirement System
PROGRAM:	Administration
INDEX CODE:	445003
FISCAL YEAR:	2016-2017 and 2017-2018

Administration - Program Description

The Administration Division funds the activities of the Office of the Executive Director and the Retirement Board related to the administration and direction of all functions carried out by the Retirement System. The Administration Division develops and implements Retirement Board policies and directives and acts as the Retirement System's chief liaison in its interaction with other City and County policy making bodies, including the Mayor's Office, Board of Supervisors, Civil Service Commission and Controller's Office.

The Administration Division provides administrative support to the Retirement Board, including preparing and posting all Retirement Board meeting agendas and materials, coordinating Retirement Board training and travel, and the department's responses to public records requests.

The Administration Division provides oversight to all actuarial activities of the Retirement System. The Actuarial Services Coordinator, hired by and reporting to the Retirement Board, coordinates and oversees the annual valuation processes and reports prepared by Cheiron, the Retirement Board's consulting actuarial firm.

The Administration Division also oversees and directs all activities related to member education and communications, including the Retirement System's website.

SFERS BUDGET - FISCAL YEAR 2015-16, 2016-17 & 2017-18

ADMINISTRATION DIVISION

Object	Description	Appr. Base Budget 2015-16	Request 2016-17	Increase / (Decrease) 2015-16 to 2016-17	% Increase / (Decrease) 2015-16 to 2016-17	Request 2017-18	Increase / (Decrease) 2016-17 to 2017-18	% Increase / (Decrease) 2016-17 to 2017-18
001	Permanent Salaries	\$ 909,334	\$ -	\$ 196,118	21.57%	\$ -	\$ 55,510	0.00%
005	Temporary Pay	\$ -	\$ -	\$ -				
009	Premium & Longevity Pay	\$ -	\$ -	\$ -				
010	Incentive Pay-Retroactive Salaries	\$ -	\$ -	\$ -				
011	Overtime	\$ -	\$ -	\$ -				
	Total Personal Services	\$ 909,334	\$ -	\$ 196,118	21.57%	\$ -	\$ 55,510	
013	Mandatory Fringe Benefits	\$ 335,541	\$ -	\$ 72,368	21.57%	\$ -	\$ 20,483	0.00%
015	Health Service - Adm Cost	\$ -	\$ -	\$ -				
	Total Fringe Benefits	\$ 335,541	\$ -	\$ 72,368	21.57%	\$ -	\$ 20,483	
020	Overhead	\$ -	\$ -	\$ -				
	Total Overhead	\$ -	\$ -	\$ -				
021	Travel	\$ 20,000	\$ 20,000	\$ -	0.00%	\$ 20,000	\$ -	0.00%
022	Training	\$ 16,200	\$ 16,200	\$ -	0.00%	\$ 16,200	\$ -	0.00%
023	Mileage / Local Field Exp							
024	Membership Fees	\$ 3,035	\$ 3,035	\$ 3,035		\$ 3,035	\$ -	0.00%
027	Professional Services	\$ 648,600	\$ 648,600	\$ -	0.00%	\$ 648,600	\$ -	0.00%
029	Equipment Maintenance							
030	Property Rent							
031	Office Machines Rent							
035	Other Current Services	\$ 10,000	\$ 25,000	\$ 15,000	150.00%	\$ 25,000	\$ -	0.00%
	Total Non-Personal Services	\$ 697,835	\$ 712,835	\$ 18,035	2.58%	\$ 712,835	\$ -	
049	Total Materials and Supplies							
060	Total Equipment Purchases							
C B	C A O - Insurance							
C T	City Attorney							
C I	TIS - ISD Services							
C X	Controller - Financial Systems							
C 3	GF - Financial Systems							
C 4	GF - Audits							
C 5	DTIS Services							
H 0	HR - EEO							
E T	DTIS - Telecommunications							
H Z	HR Management System							
H 1	DHR - Examinations							
H 2	DHR - Management Training							
H 3	DHR - Workers' Comp							
H 4	DHR - LOF/ERP							
H 7	DHR - Employee Relations							
M 2	Mayor's Youth Works							
P M	Purchasing - Mail Services							
P R	Purchasing - Reproduction							
L S	Lease Paid to Real Estate	\$ 120,692	\$ 129,217	\$ 8,525	7.06%	\$ 139,623.00	\$ 10,406.00	8.05%
R V	Department of Elections	\$ 50,000	\$ 82,000	\$ 32,000	64.00%	\$ 82,000	\$ -	0.00%
R D	Human Resources (AAD)							
C W	SFGOV Service							
T R	Treasurer and Tax Collector							
W B	DPW Office Improvements							
	Total Services of Other Depts:	\$ 170,692	\$ 211,217	\$ 40,525	23.74%	\$ 221,623	\$ 10,406	0.00%
	Total	\$ 2,113,402	\$ 924,052	\$ 327,046	15.47%	\$ 934,458	\$ 141,909.00	15.36%
	Total FTE's	7.00	9.00	2.00		9.00	0.00	

DEPARTMENT: Employees' Retirement System
 PROGRAM: Administration
 INDEX CODE: 445003
 FISCAL YEAR: 2016-2017 and 2017-2018

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
001 Permanent Salaries	\$755,967	\$909,334	\$*	\$*	\$*

* Final budget amount will be determined by Controller's Office

Permanent Salaries

Summary of FTE Positions in the Administration Division:

Position/Title	FY 2015-2016	Variance	FY 2016- 2017	Variance	FY 2017-2018
0922 Manager I – Actuarial Services Coordinator	1.00		1.00		1.00
0931 Manager III – HR Director	1.00		1.00		1.00
0931 Manager III – Board Governance Manager	1.00		1.00		1.00
0931 Manager III – Communications/Public Relations ¹	0.00	1.00	1.00		1.00
0965 Department Head V	1.00		1.00		1.00
1110 Executive Assistant to Executive Director	1.00		1.00		1.00
1241 Personnel Analyst	1.00		1.00		1.00
1244 Senior Personnel Analyst	1.00		1.00		1.00
1404 Clerk ²	0.00	1.00	1.00		1.00
FTE Totals:	7.00	2.00	9.00	0.00	9.00

¹New position to provide director-level support services for member/public/press communications [base salary: \$140,608]

²New position to provide administrative and reception support services for the 7th Floor – [base salary: \$55,510]

Actual Salaries will be adjusted Citywide based on the MOUs of the various bargaining units.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
013 Fringe Benefits	\$278,271	\$335,541	\$*	\$*	\$*

* Final budget amount will be determined by Controller's Office

Mandatory Fringe Benefits: Fringe benefits associated with permanent salaries for the division.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
021 Travel Expenses	\$5,261	\$20,000	\$20,000	\$0	\$20,000

Travel Expenses: Funds for travel outside of the City by staff members related to seminars, conferences, and other training/educational meetings. 8 conferences @ \$2,500 per conference

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
022 Training & Education	\$3,458	\$16,200	\$16,200	\$0	\$16,200

Training/Education Expenses: Funds for staff development, education and training expenses.

Training/Education Event	Registration Fees	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
CALAPRS Administrators Roundtable	4 attendees @ \$500 each	\$2,000	\$2,000
CALAPRS Administrative Assistant Roundtable	2 attendees @ \$350 each	700	700
CALAPRS Trustee Training	2 attendees @ \$2,500 each	5,000	5,000
CALAPRS Administrators Institute	1 attendee @ \$1000	1000	1000
CALAPRS General Assembly	3 attendees @ \$500 each	1,500	1,500
Actuarial Services Coordinator Conferences		5,000	5,000
Human Resource Staff Training		1,000	1,000
Total:		\$16,200	\$16,200

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
024 Membership Fees	\$0	\$3,035	\$3,035	\$0	\$3,035

Professional Membership Fees:

Professional Organization	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
International Personnel Management Association (IPMA)	\$150	\$150
Society of Actuaries	630	630
Conference of Consulting Actuaries	200	200
American Academy of Actuaries	305	305
Employee Benefit Research Institute (EBRI)	<u>1,750</u>	<u>1,750</u>
Total:	\$3,035	\$3,035

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
027 Professional Services	\$398,361	\$648,600	\$648,600	\$0	\$648,600

Professional Services:

Professional Services Provider	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
Consulting Actuarial Services – Cheiron	\$300,000	\$300,000
Financial Audit Services – Macias, Gini & O’Connell	108,600	108,600
Governance Consulting Services – Nossaman LLP	100,000	100,000
Board Performance Evaluation Consulting – TBD	75,000	75,000
Leadership/Organizational Consulting – TBD	50,000	50,000
Communications – graphic design – TBD	<u>15,000</u>	<u>15,000</u>
Total:	\$648,600	\$648,600

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
035 Other Expenses	\$23,347	\$10,000	\$25,000	\$15,000	\$25,000

Other Current Services: Retirement Board Retreat – meeting room rental, catering services and services of a facilitator.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081LS Lease Paid to Real Estate	\$0	\$120,692	\$129,217*	\$8,525*	\$139,623*

* Budget amount to be determined by work order with Real Estate Division. Last FY2014-2015 paid from 081RR

Office Lease paid through Real Estate Department: Office rental prorated on an FTE basis

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081RV Department of Elections	0	\$50,000	\$82,000	\$32,000	\$82,000

* Budget amount to be determined by work order with Department of Elections

Department of Elections: Retirement Board Election scheduled for Fiscal Years 2016-2017 and 2017-2018.

DEPARTMENT:	Employees' Retirement System
PROGRAM:	Retirement Services, Business Services, Information Systems and Accounting
INDEX CODE:	445001
FISCAL YEAR:	2016-2017 and 2017-2018

Program Description

The Retirement Services, Business Services, Information Systems and Accounting Divisions are responsible for the operational, business services, information systems, and fiscal functions of the Retirement System.

The Retirement Services Division is comprised of the following four retirement operations units:

- The Member Counseling Unit is responsible for counseling active and retired members; planning and conducting retirement education seminars targeted at members within 5 years of retirement, mid-career members and new members; processing personnel transactions (e.g. promotions, transfers, and terminations); processing member information related to beneficiary, address, birth date, tax, withholding or personal status changes; processing and monitoring buyback and redeposit contracts; verifying Retirement System information requests; and retirement counseling and intake and processing retirement applications. The Member Services unit staff also provides home and hospital counseling and retirement applications when illnesses prohibit the member from visiting the Retirement System offices.
- The Retired Member Services Unit is responsible for calculating and processing all benefits payable as a result of a member's retirement and COLA calculation and processing for retired members. Retirement analysts in this unit calculate retirement benefits based on various eligibility criteria and benefit formulas applicable to the different retirement plans administered by the Retirement System (e.g. Police, Fire and Miscellaneous), as well as death benefits payable to beneficiaries of deceased members.
- The Active Member Services Unit is responsible for initiating and maintaining retirement accounts for active members, posting payroll data for all active members, verifying plan service credit, and preparing written benefit estimates and annual Member Benefit Statements.
- The Disability Applications Unit is responsible for processing applications for SFERS and CalPERS disability benefits, pension adjustments, workers' compensation offset recoveries, as well as death in line of duty survivor benefits. The Disability Applications Unit staff also oversees and coordinates the hearing process associated with disability applications. Under the City Charter, hearing officers under contract with SFERS hear and determine all applications for disability retirement and duty-related death benefits. This unit prepares and distributes all case materials, assists hearing officers in conducting the hearings and prepares a variety of correspondence and reports involving decisions and actions of the hearing officers.

The other three divisions in this program area provide department-wide services in the information systems, business services and accounting areas:

- The Information Systems Division provides department-wide training and support to users of the department's LAN and applications; coordinates City-provided technical services and support with the Department of Technology; manages the functional and technical teams assigned to develop and maintain the department's Pension Administration system and Enterprise Content Management (ECM) project; and leads the department's disaster recovery and business resumption planning and policy efforts.
- The Business Services Division processes and delivers the department mail; preserves and maintains the payroll, personnel and retirement records for all active and retired members using microfiche, microfilm and COLD/imaging technologies; coordinates off-site records storage; supports and maintains the department's document archival/retrieval imaging systems for Operations, Investments and Administration (ImageNow); and provides copying services.
- The Accounting Division is responsible for the full disclosure and fair presentation of financial and operating results in accordance with generally accepted accounting principles applicable to a trust fund and all applicable legal provisions. It provides accurate and timely financial information to management for planning, control and decision making purposes. SFERS Accounting uses the Trust Custodian's (The Northern Trust Company) mainframe-based system located in Chicago to keep track of the transactions occurring in the Trust Fund's portfolio. Acquisition and disposal of securities, capital changes, realized and unrealized gains or losses are analyzed to ensure they are properly recorded so that the resulting financial statements and reports filed with the federal, state and local agencies are accurate.

SFERS BUDGET - FISCAL YEAR 2015-16, 2016-17 & 2017-18
RETIREMENT SERVICES, IS & ACCOUNTING DIVISION

Object	Description	Appr. Base Budget 2015-16	Request 2016-17	Increase / (Decrease) 2015-16 to 2016-17	% Increase / (Decrease) 2015-16 to 2016-17	Request 2017-18	Increase / (Decrease) 2016-17 to 2017-18	% Increase / (Decrease) 2016-17 to 2017-18
001	Permanent Salaries	\$ 5,858,960	\$ -	\$ 147,992	2.53%	\$ -	\$ 65,364	10.19%
005	Temporary Salaries	\$ 572,077	\$ 528,736	\$ (43,341)	-7.58%	\$ 528,736	\$ -	0.00%
009	Premium & Longevity Pay	\$ 35,000	\$ 40,000	\$ 5,000	14.29%	\$ 40,000	\$ -	0.00%
010	Incentive Pay-Retroactive Salaries	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
011	Overtime	\$ 5,000	\$ 10,000	\$ 5,000	100.00%	\$ 10,000	\$ -	0.00%
	Total Personal Services	\$ 6,471,037	\$ 578,736	\$ 114,651	1.77%	\$ 578,736	\$ 65,364.00	11.29%
013	Mandatory Fringe Benefits	\$ 1,748,303	\$ -	\$ 44,160	2.53%	\$ -	\$ 18,584	10.19%
015	Health Service - Adm Cost	\$ 1,735,385	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
	Total Fringe Benefits	\$ 3,483,688	\$ -	\$ 44,160	1.27%	\$ -	\$ 18,584	10.19%
020	Overhead	\$ 177,901	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
	Total Overhead	\$ 177,901	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
021	Travel	\$ 10,000	\$ 12,000	\$ 2,000	20.00%	\$ 12,000	\$ -	0.00%
022	Training	\$ 47,300	\$ 67,300	\$ 20,000	42.28%	\$ 67,300	\$ -	0.00%
023	Mileage / Local Field Exp	\$ 2,000	\$ 2,000	\$ -	0.00%	\$ 2,000	\$ -	0.00%
024	Membership Fees	\$ 3,220	\$ 3,220	\$ -	0.00%	\$ 3,635	\$ 415	12.89%
027	Professional Services	\$ 1,168,400	\$ 918,865	\$ (249,535)	-21.36%	\$ 918,865	\$ -	0.00%
029	Equipment Maintenance	\$ 265,783	\$ 265,783	\$ -	0.00%	\$ 265,783	\$ -	0.00%
030	Property Rent	\$ 1,139,481	\$ 60,000	\$ (1,079,481)	-94.73%	\$ 60,000	\$ -	0.00%
031	Office Machines Rent	\$ 30,000	\$ 50,000	\$ 20,000	66.67%	\$ 50,000	\$ -	0.00%
035	Other Current Services	\$ 816,300	\$ 1,088,100	\$ 271,800	33.30%	\$ 1,039,600	\$ (48,500)	-4.46%
	Total Non-Personal Services	\$ 3,482,484	\$ 2,467,268	\$ (1,015,216)	-29.15%	\$ 2,419,183	\$ (48,085)	-1.95%
049	Total Materials and Supplies	\$ 215,000	\$ 300,000	\$ 85,000	39.53%	\$ 300,000	\$ -	0.00%
060	Total Equipment Purchases	\$ 101,735	\$ 182,348	\$ 80,613	79.24%	\$ 76,202	\$ (106,146.00)	-58.21%
CB	CA O - Insurance	\$ 7,473	\$ 10,575	\$ 3,102	41.51%	\$ 10,575	\$ -	0.00%
CT	City Attorney	\$ 1,525,000	\$ 1,825,000	\$ 300,000	19.67%	\$ 1,825,000	\$ -	0.00%
CI	TIS - ISD Services	\$ 272,980	\$ 243,654	\$ (29,326)	-10.74%	\$ 243,654	\$ -	0.00%
CX	Controller - Financial Systems	\$ 37,601	\$ -	\$ -	0.00%	\$ 12,000	\$ 12,000	0.00%
C3	GP - Financial Systems	\$ 26,973	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
C4	GP - Audits	\$ 53,169	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
C5	DTIS Services	\$ 579,966	\$ 579,966	\$ -	0.00%	\$ 579,966	\$ -	0.00%
H0	HR - Equal Employment Opportunities	\$ 2,251	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
ET	DTIS - Telecommunications	\$ 36,788	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
HZ	HR Management System	\$ 46,519	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H1	DHR - Examinations	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H2	DHR - Management Training	\$ 3,300	\$ 3,300	\$ -	0.00%	\$ 3,300	\$ -	0.00%
H3	DHR - Workers' Comp	\$ 136,942	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H4	DHR - LOF/ERP	\$ 6,317	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H7	DHR - Employee Relations	\$ 9,036	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
M2	Mayor's Youth Works	\$ 4,536	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
PM	Purchasing - Mail Services	\$ 230,400	\$ 280,000	\$ 49,600	21.53%	\$ 280,000	\$ -	0.00%
PR	Purchasing - Reproduction	\$ 60,000	\$ 70,000	\$ 10,000	16.67%	\$ 70,000	\$ -	0.00%
LS	Lease Paid to Real Estate	\$ 1,014,425	\$ 1,086,080	\$ 71,655	7.06%	\$ 1,178,844	\$ 92,764	8.54%
RV	Department of Elections	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
RD	Human Resources (AAO)	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
CW	SFGOV Service	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
TR	Treasurer and Tax Collector	\$ (45,000)	\$ -	\$ 45,000	-100.00%	\$ -	\$ -	0.00%
WB	DPW Office Improvements	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
	Total Services of Other Depts.	\$ 4,008,676	\$ 4,098,575	\$ 450,031	11.23%	\$ 4,203,339	\$ 104,764	2.56%
	Total	\$ 17,940,521	\$ 7,626,927	\$ (240,761)	-1.34%	\$ 7,577,460	\$ 34,481	0.45%
	Total FTE's	73.00	75.00	2.00		76.00	1.00	

DEPARTMENT: Employees' Retirement System
PROGRAM: Retirement Services, Business Services, Information Systems and Accounting
INDEX CODE: 445001
FISCAL YEAR: 2016-2017 and 2017-2018

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
001 Permanent Salaries	\$4,978,397	\$5,858,960	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office (includes budget amount for both permanent and temporary salaries)

Summary of FTE Positions in the Retirement Services, Business Services, Information Systems and Accounting Division:

Position/Title	FY 2015-2016	Variance	FY 2016-2017	Variance	FY 2017-2018
0923 Manager II – Communications Manager	1.00		1.00		1.00
0931 Manager III – Finance Manager	1.00		1.00		1.00
0933 Manager V – Retirement Services Administrator	1.00		1.00		1.00
0941 Manager VI – IS Director	1.00		1.00		1.00
0941 Manager VI – Compliance Director	1.00		1.00		1.00
0955 Deputy Director V – Deputy Executive Director	1.00		1.00		1.00
1022 IS Administrator II	1.00		1.00		1.00
1024 IS Administrator - Supervisor	1.00		1.00		1.00
1043 IS Engineer - Senior	1.00		1.00		1.00
1053 IS Business Analyst – Senior	4.00		4.00		4.00
1054 IS Business Analyst – Principal	2.00		2.00		2.00
1063 Programmer Analyst – Senior	1.00		1.00		1.00
1064 Programmer Analyst – Principal	1.00		1.00		1.00
1070 Project Director	1.00		1.00		1.00
1209 Benefits Technician	11.00	1.00*	12.00	1.00*	13.00
1652 Accountant II	3.00		3.00		3.00
1654 Accountant III	3.00		3.00		3.00
1657 Accountant IV	2.00		2.00		2.00
1750 Imaging Technician	4.00		4.00		4.00
1752 Senior Imaging Technician	1.00		1.00		1.00
1764 Mail and Imaging Supervisor	1.00		1.00		1.00

1812 Assistant Retirement Analyst	19.00	1.00*	20.00		20.00
1813 Senior Benefits Analyst	5.00		5.00		5.00
1814 Benefits Supervisor	4.00		4.00		4.00
1842 Management Assistant	1.00		1.00		1.00
1844 Senior Management Assistant	1.00		1.00		1.00
FTE Totals:	73.00	2.00	75.00	1.00	76.00

*New positions to meet the increased volume and complexity of work in the Retirement Services division of the Retirement System [Base salaries: 1209 - \$65,364; 1812 - \$82,628]

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
005 Temporary Salaries	\$988,004	\$572,077	\$528,736	(\$43,341)	\$528,736

Temporary Salaries: To provide funds for temporary help required by fluctuating workload and special projects, the following temporary funding is requested:

Department Projects	Temporary Positions	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
ECM Implementation Project	Three 1812 Asst. Retirement Analyst positions	\$247,884	\$247,884
	One 1750 Imaging Technician position	\$50,232	\$50,232
Retirement Restoration Project	Two 1812 Asst. Retirement Analyst positions	\$165,256	\$165,256
	One 1209 Benefits Technician position	\$65,364	\$65,364
	Temporary Salaries Total:	\$528,736	\$528,736

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
009 Premium Pay	\$38,889	\$35,000	\$40,000	\$5,000	\$40,000

Premium Pay: Word processing premium, bilingual, longevity and standby pay per MOU'S with various labor organizations.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
011 Overtime Pay	\$535	\$5,000	\$10,000	\$5,000	\$10,000

Overtime Pay: Required due to fluctuating workload in retirement and service credit calculations, payroll updates and charter-mandated projects.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
013 Fringe Benefits	\$1,750,951	\$1,748,303	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office

Mandatory Fringe Benefits: Fringe benefits associated with permanent positions in the division.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
015 HSS Admin OPEB	\$1,461,374	\$1,735,385	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office

Health Service System – Administrative Cost Allocation including OPEB

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
020 Indirect Cost Reimb	\$161,728	\$177,901	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office

Indirect Cost Reimbursement

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
021 Travel Expenses	\$8,510	\$10,000	\$12,000	\$2,000	\$12,000

Travel Expenses: Funds for travel outside of the City by Retirement Services Division staff members related to seminars, conferences, and other training/educational meetings.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
022 Training & Education	\$8,490	\$47,300	\$67,300	\$20,000	\$67,300

Training /Education Expenses: Funds for staff development and training.

Training/Education Event	Registration Fees	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
CALAPRS Benefits Roundtable	8 attendees @ \$350 each	\$2,800	\$2,800
CALAPRS Accountants Roundtable	4 attendees @ \$350 each	1,400	1,400
CALAPRS IT Roundtable	2 attendees @ \$350 each	700	700
CALAPRS Disability Roundtable	4 attendees @ \$350 each	1,400	1,400
GFOA Conference	1 attendee @ \$750 each	750	750
CALAPRS Manager/Supervisor Institute	2 attendees @ \$2,500 each	5,000	5,000
National Association of Public Pension Attorneys	6 conferences @ \$500 each	3,000	3,000
PRISM Conference	1 attendee @ \$1,000 each	1,000	1,000
Oracle Users Conference	5 attendees @ \$1,250 each	6,250	6,250
IT LAN Staff Training		10,000	10,000
Oracle/PeopleSoft Development Staff Training		30,000	30,000
Retirement Services Staff Training		5,000	5,000
Training/Education Expense Total:		\$67,300	\$67,300

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
023 Mileage/ Field Expense	\$866	\$2,000	\$2,000	\$0	\$2,000

Auto Mileage and Field Expenses: Reimbursement for the use of private cars in connection with delivering mail, home/hospital retirement interviews, attendance of meetings and/or training.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
024 Membership Fees	\$310	\$3,220	\$3,220	\$0	\$3,635

Professional Membership Fees:

Professional Organization	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
Public Retirement Information Systems Management (PRISM)	\$150	\$150
Governmental Finance Officers Association (GFOA)	790	1,205
Western Pension and Benefits	330	330
California State Bar	450	450
Public Pension Financial Forum (p2f2)	300	300
National Association of Public Pension Attorneys (NAPPA)	1,200	1,200
Membership Fees Total:	\$3,220	\$3,635

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
027 Professional Services	\$836,144	\$1,168,400	\$918,865	(\$249,535)	\$918,865

Professional Services Contracts:

Professional Services Provider	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
Administrative Hearing Officers (OAH)	\$237,500	\$237,500
Court Reporters	25,300	25,300
Medical Evaluations related to disability application processing	300,000	300,000
Legal Research/Public Records Search Services – Westlaw	2,100	2,100
Systems Development (PeopleSoft) Consulting Services for PenAdmin – Savvy Inc.	\$300,000	\$300,000
Website Development – c3i3	\$48,090	\$48,090
Disaster Recovery Retirement Check Processing – SunGard	<u>\$5,875</u>	<u>\$5,875</u>
Professional Services Contracts Total:	\$918,865	\$918,865

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
029 Equipment Maintenance	\$135,116	\$265,783	\$265,783	\$0	\$265,783

Equipment Maintenance: Maintenance of office machines, computers, air conditioning, electrical, network equipment, fax machines, microfilm readers/printers, scanners and other office equipment purchased by the department. The amount includes \$100,000 in regular LAN hardware and software maintenance and upgrade license fees.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
030 Property Rent	\$52,036	\$1,139,481*	\$60,000	(\$1,079,481)	\$60,000

*Office rent transferred to Department of Real Estate work order

Property Rent:

Property	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
Public Storage and GRM	35,000	35,000
Conference meeting room rental for Pre-retirement Seminars	<u>25,000</u>	<u>25,000</u>
Property Rent Total:	\$60,000	\$60,000

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
031 Office Equip Lease	\$45,861	\$30,000	\$50,000	\$20,000	\$50,000

Office Equipment Leases: Copiers, postage meter, system printers.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
035 Other Services	\$633,054	\$816,300	\$1,088,100	\$271,800	\$1,039,600

Other Current Services: Licensing fees, postage, subscriptions, check transport services, backup tape storage, document shredding and death search services

Licensor/Service Provider	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
Software Licensing Fees:		
Oracle/PeopleSoft application software support/maintenance: \$670,000		
Electronic Content Management (ECM) software support/maintenance: \$45,000	\$715,000	\$715,000
LAN software support/maintenance	32,000	32,000
Hardware software/maintenance	90,500	105,000
Software licenses	79,000	11,000
Postage fees	35,000	40,000
Subscriptions to business and trade publications	1,300	1,300
Loomis security transport services	2,300	2,300
Iron Mountain offsite backup tape storage	25,000	25,000
LiquidWeb website hosting	83,000	83,000
Shred Works - document shredding	5,000	5,000
Other service/maintenance	20,000	20,000
Other Current Services Contracts Total:	\$1,088,100	\$1,039,600

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
049 Materials & Supplies	\$227,185	\$215,000	\$300,000	\$85,000	\$300,000

Materials and Supplies: Funds for office supplies, computer/printer supplies such as toner cartridges and repair parts, calculators, pre-printed forms, envelopes, etc. The cost of printing Retirement warrant stock is \$20,000. Computers and related supplies that have a unit cost of under \$5,000 and having a useful life of less than 3 years are budgeted in this category at \$172,500. Ergonomic/ADA office equipment is budgeted at \$25,000 and disaster preparedness supplies for Retirement staff are budgeted at \$10,000.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
060 Equipment Purchases	\$343,473	\$101,735	\$182,348	\$80,613	\$76,202

Equipment Purchases: IT equipment with a unit cost of \$5,000 or more and having a useful life of 3 years or more

FY 2016-2017 Equipment Purchases				
Qty	Description	Unit Cost	Tax/COIT	Total
4	Dell PE730 Rack Server	\$11,368	\$4,730	\$50,202
1	Quantum Scalar i500 Tape Library	37,149	3,864	41,013
1	Aberdeen SAN Storage Server	23,552	2,449	26,001
1	CISCO Switch	47,629	4,953	52,582
1	Dell PE730 Rack Server (Warm site)	11,368	1,182	12,550
Equipment Purchase Total:				\$182,348

FY 2017-2018 Equipment Purchases				
Qty	Description	Unit Cost	Tax/COIT	Total
4	Dell PE720 Rack Server	\$11,368	\$4,729	\$50,201
1	Aberdeen SAN Storage Server	23,552	2,449	26,001
Equipment Purchase Total:				\$76,202

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081CB Equipment Insurance	\$7,117	\$7,473	\$10,575*	\$3,102	\$10,575*

* Budget amount to be determined by work order with City Risk Management.

Insurance:

Annual insurance premium to the City to cover loss or damage to computers and other office equipment.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081CT City Atty Work Order	\$1,505,388	\$1,525,000	\$1,825,000*	\$300,000	\$1,825,000

* Budget amount to be negotiated by work order with the Office of the City Attorney

City Attorney's Work Order:

Dedicated legal services provided by the City Attorney's office, including specialized outside legal counsel on retirement benefit related caseload.

	FY2015-2016	FY2016-2017	FY2017-2018
City Attorney Work Order (Retirement Services)	\$1,200,000	\$1,500,000	\$1,500,000
Outside Legal Counsel Work Order	325,000	325,000	325,000
City Attorney Work Order (Retirement Services) Total:	\$1,525,000	\$1,825,000	\$1,825,000

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081CI Citywide Infrastructure	\$286,807	\$272,980	\$243,654*	(\$29,326)	\$243,654*

* Budget amount to be determined by work order with DTIS

Department of Technology Infrastructure Fee for Citywide Services: Pro-rata allocation for DT Infrastructure Fee for Citywide Services.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081C3 Citywide Financial Syst	\$17,165*	\$26,973	\$*	\$*	\$*

* Budget amount to be determined by the Controller's Office

Controller's Financial Systems

Pro-rata share of Citywide Financial Systems expenditures as determined by the Controller's Office.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081C4 Internal Audit Fees	\$18,935	\$53,169	\$*	\$*	\$*

* Budget amount to be determined by the Controller's Office

Controller's Internal Audit Fees

Pro-rata share of the Controller's Office internal audit expenditures for FY2014-2015.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081C5 IT Support Services	\$527,112	\$579,966	\$579,966*	\$0	\$579,966*

* Budget amount to be determined by work order with DT pending DT Rate Model

Department of Technology Support Services:

Work orders for the ongoing support of the Retirement System's database maintenance and benefits payment system:

Project	Description	FY2015-2016	FY2016-2017	FY2017-2018
697PEN	Pension Administration System	\$375,593	\$576,615	\$576,615
697MAC	Telecommunications Services	799	799	799
697CWS	Citywide Services	<u>2,552</u>	<u>2,552</u>	<u>2,552</u>
DT Support Services Total:		\$379,304	\$579,966	\$579,966

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081CX Con. FIN.SYS. Replacement Proj.	\$7,666	\$37,601	\$*	\$*	\$*

* Budget amount to be determined by the Controller's Office

Controller's FAMIS Replacement Project

Pro-rata share of the Controller's Financial Administration Management Information System (FAMIS) "Replacement Project" FY2016-2017 & FY2017-2018.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081ET Communications Services	\$40,401	\$36,788	\$*	\$*	\$*

* Budget amount to be determined by work order with DT pending DT Rate Model

Department of Technology Communications Services: Work order for Project 697TEL – monthly telephone billing, telephone and switch equipment.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081H0 EEO Admin	\$2,251	\$2,251	\$*	\$*	\$*

* Budget amount to be determined by work order with Department of Human Resources

DHR – Equal Employment Opportunities

Human Resources Pro-rata allocation to department for administration of equal employment opportunity program.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081HZ Benefits Admin. SYS.	\$31,980	\$46,519	\$*	\$*	\$*

* Budget amount to be determined by Department of Human Resources

Citywide Payroll and Personnel Management System (Project eMerge):

The department's pro-rata allocation for development and support of Project eMerge.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081H2 DHR Training	\$875	\$3,300	\$3,300	\$0	\$3,300

DHR - Training Expenses:

The department's pro-rata allocation to support the Department of Human Resources' central management training fund.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081H3 Workers' Comp	\$219,849	\$136,942	\$*	\$*	\$*

* Budget amount developed jointly by DHR Worker's Comp Division and the Retirement System

DHR - Worker's Compensation:

Funds for Workers' Compensation benefits for Retirement System employees who are injured on the job.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081H4 DHR LOF/ERP	\$6,317	\$6,317	\$*	\$*	\$*

* Budget amount to be determined by Department of Human Resources

DHR – LOF/ERP:

The department's pro-rata allocation for DHR resources related to workforce changes and early retirement.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081H7 Employee Relations	\$9,036	\$9,036	\$*	\$*	\$*

* Budget amount to be determined by Department of Human Resources

DHR - Employee Relations:

The department's pro-rata allocation for Citywide DHR services related to MOU negotiations with various labor organizations.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081M2 Youth Work Prog	\$4,536	\$4,536	\$*	\$*	\$*

* Budget amount to be determined by work order with Children's Services Program

Mayor's Youth Work Program:

Funding for the Mayor's Summer Youth program.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081PM Mail Processing	\$260,601	\$230,400	\$280,000	\$49,600	\$280,000

* Budget amount to be negotiated by work order with Re-pro Mail.

Mail Processing Services:

Processing monthly retiree payroll mailing, one time benefit warrants, annual statements, 1099Rs, newsletters, etc. [Includes contingency for possible postal rate increases through June 30, 2018]

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081PR Repro & Printing	\$70,000	\$60,000	\$70,000	\$10,000	\$70,000

Reproduction Printing Services:

Costs associated with printing forms, retiree handbooks, annual report, newsletters, etc.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081LS Lease Paid to Real Estate	\$0	\$1,014,425	\$1,086,080*	\$71,655*	\$1,178,844*

* Budget amount to be determined by work order with Real Estate Division. Last FY2014-2015 paid from 081RR

Office Lease paid through Real Estate Department: Office rental prorated on an FTE basis

DEPARTMENT:	Employees' Retirement System
PROGRAM:	Investments (Regular Budget)
INDEX CODE:	445002
FISCAL YEAR:	2016-2017 and 2017-2018

Investment (Regular Budget) - Program Description

The fiscal integrity and solvency of the System are largely dependent on the successful management of the System's investment portfolio by the Investment Division. The management of the fund also has a direct relationship to the overall credit rating of the City and County of San Francisco and helps to determine long-term funding costs and liabilities.

While the Retirement System's investment strategies and its portfolio composition have changed considerably over the System's ninety year history, its essential goals have remained the same to meet all promised benefits when due; to obtain the maximum long-term rate of return on investments; and minimize risk to the pension trust. These goals continue to be met.

To assist the Retirement Board in the performance of its fiduciary responsibilities to the trust, the Investment Division professional staff serves as a resource to the Board regarding investment policies and practices. Staff investigates, analyzes and recommends asset allocation. It provides active internal management of investments not allocated to external management, and coordinates and monitors the activities of external investment managers. Staff actively maintains professional contact with the investment community.

Investment

SFERS BUDGET - FISCAL YEAR 2015-16, 2016-17 & 2017-18

INVESTMENT DIVISION

Object	Description	Appr. Base Budget 2015-16	Request 2016-17	Increase / (Decrease) 2015-16 to 2016-17	% Increase / (Decrease) 2015-16 to 2016-17	Request 2017-18	Increase / (Decrease) 2016-17 to 2017-18	% Increase / (Decrease) 2016-17 to 2017-18
001	Permanent Salaries	\$ 3,297,526	\$ -	\$ 313,144	9.50%	\$ -	\$ -	0.00%
005	Temporary Pay	\$ 200,000	\$ 200,000	\$ -	0.00%	\$ 200,000	\$ -	0.00%
009	Premium Pay	\$ 501,500	\$ 1,500	\$ (500,000)	-99.70%	\$ 1,500	\$ -	0.00%
010	Incentive Pay-Retroactive Salaries	\$ -	\$ 1,785,437	\$ 1,785,437		\$ 1,965,781	\$ 180,344	10.10%
011	Overtime	\$ -	\$ -	\$ -		\$ -	\$ -	
	Total Personal Services	\$ 3,999,026	\$ 1,986,937	\$ 1,598,581	39.97%		\$ 180,344	9.08%
019	Mandatory Fringe Benefits	\$ 1,188,998	\$ -	\$ 113,045	9.51%	\$ -	\$ 0	0.00%
015	Health Service - Adm Cost	\$ -	\$ -	\$ -		\$ -	\$ -	
	Total Fringe Benefits	\$ 1,188,998	\$ -	\$ 113,045	9.51%	\$ 0.00%	\$ 0	0.00%
D20	Overhead	\$ -	\$ -	\$ -		\$ -	\$ -	
	Total Overhead	\$ -	\$ -	\$ -		\$ -	\$ -	
021	Travel	\$ 689,500	\$ 692,500	\$ 3,000	0.44%	\$ 692,500	\$ -	0.00%
022	Training	\$ 18,400	\$ 43,400	\$ 25,000	135.87%	\$ 43,400	\$ -	0.00%
023	Mileage / Local Field Exp	\$ 3,000	\$ 3,000	\$ -	0.00%	\$ 3,000	\$ -	0.00%
024	Membership Fees	\$ 2,600	\$ 9,000	\$ 6,400	246.15%	\$ 9,000	\$ -	0.00%
027	Professional Services	\$ 59,925,000	\$ 58,605,000	\$ (1,320,000)	-2.20%	\$ 62,825,000	\$ 4,220,000	7.20%
029	Equipment Maintenance	\$ -	\$ -	\$ -		\$ -	\$ -	
030	Property Rent	\$ 257,942	\$ -	\$ (257,942)	-100.00%	\$ -	\$ -	0.00%
031	Office Machines Rent	\$ 6,000	\$ 6,000	\$ -	0.00%	\$ 6,000	\$ -	0.00%
035	Other Current Services	\$ 234,750	\$ 234,750	\$ -	0.00%	\$ 234,750	\$ -	0.00%
	Total Non-Personal Services	\$ 61,137,192	\$ 59,593,650	\$ (1,543,542)	-2.52%	\$ 63,813,650	\$ 4,220,000	7.08%
049	Total Materials and Supplies	\$ 30,000	\$ 30,000	\$ -	0.00%	\$ 30,000	\$ -	0.00%
060	Total Equipment Purchases	\$ 150,000	\$ 150,000	\$ -	0.00%	\$ 150,000	\$ -	0.00%
CB	C A O - Insurance	\$ -	\$ -	\$ -		\$ -	\$ -	
CT	City Attorney	\$ 1,912,177	\$ 2,075,000	\$ 162,823	8.52%	\$ 2,075,000	\$ -	0.00%
CI	TIS - ISD Services	\$ -	\$ -	\$ -		\$ -	\$ -	
CX	Controller - Financial Systems	\$ -	\$ -	\$ -		\$ -	\$ -	
C3	GF - Financial Systems	\$ -	\$ -	\$ -		\$ -	\$ -	
C4	GF - Audits	\$ 15,000	\$ 15,000	\$ -	0.00%	\$ 15,000	\$ -	0.00%
C5	DTIS Services	\$ -	\$ -	\$ -		\$ -	\$ -	
H0	HR - EEO	\$ -	\$ -	\$ -		\$ -	\$ -	
ET	DTIS - Telecommunications	\$ 35,400	\$ 35,400	\$ -	0.00%	\$ 35,400	\$ -	0.00%
HZ	HR Management System	\$ -	\$ -	\$ -		\$ -	\$ -	
H1	DHR - Examinations	\$ -	\$ -	\$ -		\$ -	\$ -	
H2	DHR - Management Training	\$ -	\$ -	\$ -		\$ -	\$ -	
H3	DHR - Workers' Comp	\$ -	\$ -	\$ -		\$ -	\$ -	
H4	DHR - LOF/ERP	\$ -	\$ -	\$ -		\$ -	\$ -	
H7	DHR - Employee Relations	\$ -	\$ -	\$ -		\$ -	\$ -	
M2	Mayor's Youth Works	\$ -	\$ -	\$ -		\$ -	\$ -	
PM	Purchasing - Mail Services	\$ -	\$ -	\$ -		\$ -	\$ -	
PR	Purchasing - Reproduction	\$ -	\$ -	\$ -		\$ -	\$ -	
LS	Lease Paid to Real Estate	\$ 323,883	\$ 346,760	\$ 22,877	7.06%	\$ 370,808	\$ 24,048	6.94%
RV	Department of Elections	\$ -	\$ -	\$ -		\$ -	\$ -	
RD	Human Resources (AAO)	\$ -	\$ -	\$ -		\$ -	\$ -	
CW	SFGOV Service	\$ -	\$ 30,000	\$ 30,000	100.00%	\$ 30,000	\$ -	0.00%
TR	Treasurer and Tax Collector	\$ -	\$ -	\$ -		\$ -	\$ -	
WB	DPW Office Improvements	\$ -	\$ -	\$ -		\$ -	\$ -	
	Total Services of Other Depts.	\$ 2,286,460	\$ 2,502,160	\$ 215,700	9.43%	\$ 2,526,208	\$ 24,048	0.96%
	Total Investment (Regular)	\$ 68,791,676	\$ 64,262,747	\$ 383,784	0.56%	\$ 66,519,858	\$ 4,424,392	6.88%
	Total FTE's	22.00	24.00	2.00		24.00	0.00	

DEPARTMENT: Employees' Retirement System
 PROGRAM: Investments (Regular Budget)
 INDEX CODE: 445002
 FISCAL YEAR: 2016-2017 and 2017-2018

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
001 Permanent Salaries	\$1,751,501	\$3,297,526	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office

Permanent Salaries:

Summary of Positions in the Investment Division:

Position/Title	FY 2015-2016	Variance	FY 2016-2017	Variance	FY 2017-2018
1114 Manager VI – SIO/SPM ¹	7.00		7.00		7.00
1115 Manager VII - Director of Portfolio Strategy	2.00		2.00		2.00
1116 Manager VIII – Managing Director ¹	3.00 ¹	1.00 ¹	4.00		4.00
1119 Chief Investment Officer	1.00		1.00		1.00
4331 Security Analyst	8.00		8.00		8.00
1842 Management Assistant	1.00		1.00		1.00
1404 Clerk ²	0.00	1.00	1.00		1.00
FTE Totals:	22.00	2.00	24.00	0.00	24.00

¹ New Managing Director position for Asset Allocation, Risk Management and Innovation [base salary: \$257,634]

² New position to support the administrative and reception duties for the Investment Division [base salary: \$55,510]

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
005 Temporary Salaries	\$13,727	\$200,000	\$200,000	\$0	\$200,000

Temporary Salaries:

To fund Toigo Fellowship and Investment Internship

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
009 Premium Pay	\$1,253	\$501,500	\$1,500	(\$500,000)	\$1,500

Premium Pay: Bilingual, longevity and standby pay per MOU'S with various labor organizations. (FY17-18 Transfer to Object Code "010")

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
010 Incentive Pay	\$0	\$0	\$1,785,437	\$1,785,437	\$1,965,781

Incentive Pay: Performance-based incentive pay as part of pay structure for Chief Investment Officer, Managing Directors, Directors and Senior Portfolio Managers. (Transfer from Object Code "009")

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
013 Fringe Benefits	\$670,174	\$1,188,998	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office

Mandatory Fringe Benefits: Fringe benefits associated with permanent positions in the division.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
021 Travel Expenses	\$214,694	\$689,500	\$692,500	\$3,000	\$692,500

Travel Expenses: Funds for significant increase in travel planned for outside of the City by investment staff members related to seminars, conferences, and other training/educational meetings. (Assumptions: Conference=\$2,500; Due Diligence=\$5,000)

Conference and Due Diligence Travel		Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
Investment Division:			
Chief Investment Officer	10 due diligence trips/4 conferences	\$60,000	\$60,000
Managing Directors	15 due diligence trips/4 conferences	85,000	85,000
Equity Staff	15 due diligence trips/4 conferences	85,000	85,000
Fixed Income Staff	4 due diligence trips/2 conferences	25,000	25,000
Alternative Investment Staff	25 due diligence trips/4 conferences	135,000	135,000
Real Estate Staff	15 due diligence trips/4 conferences	85,000	85,000
Alternative Equity Staff	10 due diligence trips/4 conferences	60,000	60,000
Hedge Fund Staff	15 due diligence trips/4 conferences	85,000	85,000
Board Members	21 conferences	52,500	52,500
Legal Staff (Investments)	8 conferences	20,000	20,000
Travel Expense Total:		\$692,500	\$692,500

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
022 Training & Education	\$36,256	\$18,400	\$43,400	\$25,000	\$43,400

Training/Education Expenses: Funds for staff development, education and training expenses.

Training/Education Event	Registration	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
CALAPRS Investment Roundtable	4 attendees @ \$350 each	\$1,400	\$1,400
National Association of Public Pension Attorneys	4 attendees @ \$500 each	2,000	2,000
Other Training Education		40,000	40,000
Training/Education Expense Total:		\$43,400	\$43,400

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
023 Mileage Field Expense	\$2,109	\$3,000	\$3,000	\$0	\$3,000

Auto Mileage and Field Expenses: Reimbursement for the use of private cars in connection with attendance of meetings and/or training.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
024 Membership Fees	\$8,965	\$2,600	\$9,000	\$6,400	\$9,000

Professional Membership Fees:

California Association of Public Retirement Systems (CALAPRS)	\$2,000
National Conference of Public Employee Retirement Systems (NCPERS)	600
International Foundation of Employee Benefit Plans	2,000
Other	<u>4,400</u>
Professional Membership Total:	\$9,000

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
027 Professional Services	\$36,505,744	\$59,925,000	\$58,605,000	(\$1,320,000)	\$62,825,000

Professional Services: For FY2016-2017, investment manager and consultant fees are budgeted based on existing fee schedules and managed assets as of September 30, 2015 returning 7.5% forward through FY2014-2015.

Investment Manager/Service Provider (Notes)	Baseline FY2015- 2016	Proposed FY2016- 2017	Variance	Proposed FY2017- 2018	Assets as of 6/30/2015	Estimated Fee (Bps)
Aberdeen (Aberdeen Artio Core Plus)	\$2,200,000	\$0	(\$2,200,000)	\$0	\$1,188,959,525	Terminated
Advent	800,000	1,000,000	200,000	1,100,000	211,264,753	47.3
AQR	2,500,000	3,400,000	900,000	3,700,000	667,881,895	50.9
Arrowstreet	0	2,500,000	2,500,000	2,700,000	0	50.0
Mellon Capital (S&P Index Fund)	200,000	230,000	30,000	200,000	1,625,359,117	1.4
Baird Advisors	0	1,000,000	1,000,000	1,100,000	N/A	8.0
Blackrock	400,000	500,000	100,000	600,000	957,899,405	5.2
Bivium	1,200,000	1,200,000	0	1,300,000	163,503,644	73.4
Capital Guardian Trust	1,750,000	1,300,000	(450,000)	1,400,000	301,741,023	43.1
Causeway Capital Management	1,500,000	1,800,000	300,000	1,900,000	527,173,011	34.1
Dimensional Fund Advisors	1,100,000	1,650,000	550,000	1,800,000	304,832,840	54.1
Income Research + Management	0	1,000,000	1,000,000	1,100,000	N/A	13.0
LSV Capital Management	2,000,000	2,300,000	300,000	2,500,000	513,875,129	44.8
Mondrian	1,200,000	1,600,000	400,000	1,700,000	292,599,208	54.7
Northern Trust – Index Funds	0	400,000	400,000	500,000	678,419,220	5.9
Oaktree Capital Management	1,300,000	1,800,000	500,000	1,900,000	387,870,616	46.4
PIMCO	0	900,000	900,000	1,000,000	160,158,860	56.2
Prima Capital Advisers	1,400,000	800,000	(600,000)	1,500,000	434,742,410	18.4
Pyramis	2,050,000	2,700,000	650,000	2,850,000	465,966,980	57.9
Pyramis (Int'l Small Cap)	1,900,000	2,300,000	400,000	2,500,000	338,533,200	67.9
Profit Investment Management	600,000	0	(600,000)	0	N/A	Terminated
Sankaty	0	900,000	900,000	800,000	103,575,916	86.9
Sands Capital Management	1,100,000	1,550,000	450,000	1,700,000	448,313,330	34.6
Stone Harbor	900,000	0	(900,000)	0	211,264,753	Terminated
Wellington (Large Cap Growth)	1,100,000	2,000,000	900,000	2,200,000	447,212,117	44.7
Wellington (Emerging Market Equity)	1,500,000	1,200,000	(300,000)	1,300,000	184,630,992	65.0
William Blair	1,300,000	2,000,000	700,000	1,700,000	549,297,477	36.4
QMA	1,000,000	1,100,000	100,000	1,200,000	675,253,056	16.3

Zazove	1,100,000	1,300,000	200,000	1,400,000	166,420,648	78.1
Fund of Hedge Fund Manager - TBD	0	7,000,000	7,000,000	8,000,000	TBD	
Reserves/Manager Search in progress	7,246,400	8,000,000	753,600	8,000,000	N/A	
Subtotal Investment Manager Fees(1):	\$37,346,400	\$53,430,000	16,083,600	\$57,650,000		

(1) - Total does not include investment managers with "net of fees" compensation arrangements.

(2) - Estimated Annual Fee is based on June 30, 2015 assets and proposed FY 2016-2017 fee budget for each manager and do not reflect changes to manager assets since June 30, 2015. For newly retained managers (Arrowstreet, Baird Advisors and Income Research + Management), estimated fee is based upon actual/anticipated funding.

Investment Consultants/Service Provider	Baseline FY2015-2016	Proposed FY2016-2017	Variance	Proposed FY2017-2018
General Consultant - NEPC	\$800,000	\$900,000	\$100,000	\$900,000
Real Asset Consultant - Cambridge	375,000	500,000	125,000	500,000
Private Equity Consultant - Cambridge	2,650,000	1,800,000	(850,000)	1,800,000
Private Equity Consultant - Torrey Cove	-	450,000	450,000	450,000
Risk Consultant - Holland Park	150,000	25,000	(125,000)	25,000
Securities Litigation Monitoring - IRSS	35,000	0	(35,000)	0
Hedge Fund Consultant - TBD	-	500,000	500,000	500,000
Reserves/Investment Service Provider Searches	100,000	1,000,000	900,000	1,000,000
Subtotal of Investment Consultant Fees:	\$4,110,000	\$5,175,000	\$1,065,000	\$5,175,000
Professional Services Total:	\$41,456,400	\$58,605,000	\$17,148,600	\$62,825,000

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
031 Office Equip Lease	\$0	\$6,000	\$6,000	\$0	\$6,000

Office Equipment Leases: Pro-rata share of cost of copiers, printers, postage meter and other equipment

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
035 Other Services	\$7,748	\$234,750	\$234,750	\$0	\$234,750

Other Current Services: Licensing fees, postage, subscriptions, and office equipment maintenance

Licensor/Service Provider	Proposed Budget FY2016-2017	Proposed Budget FY2017-2018
LAN software support/maintenance	\$17,000	\$17,000
ECM software support/maintenance	81,500	81,500
Postage fees	13,000	13,000
Subscriptions to business and trade publications	1,250	1,250
Office Equipment maintenance	<u>122,000</u>	<u>122,000</u>
Other Current Services Contracts Total:	\$234,750	\$234,750

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
049 Materials & Supplies	\$9,487	\$30,000	\$30,000	\$0	\$30,000

Materials and Supplies: Funds for office supplies, computer/printer supplies such as toner cartridges and repair parts, calculators, pre-printed forms, envelopes, etc.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
060 Equipment Purchase	\$400,432	\$150,000	\$150,000	\$0	\$150,000

Equipment Purchases: Computer and communications equipment.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081CT City Atty Work Order	\$1,567,202	\$1,912,177	\$2,075,000	\$162,823	\$2,075,000

* Budget amount to be negotiated by work order with the Office of the City Attorney

City Attorney's Work Order:

Dedicated legal services provided by the City Attorney's office, including specialized outside legal counsel on investment related caseload.

Outside Legal increased for new Hedge Fund strategy FY2015-2016

	FY2015-2016	FY2016-2017	FY2017-2018
City Attorney Work Order (Investments)	\$425,000	\$825,000	\$825,000
Outside Legal Counsel Work Order	<u>1,487,177</u>	<u>1,250,000</u>	<u>1,250,000</u>
City Attorney Work Order (Investments) Total:	\$1,912,177	\$2,075,000	\$2,075,000

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081C4 Internal Audit Fees	\$0	\$15,000	\$15,000*	\$0	\$15,000*

* Budget amount to be determined by the Controller's Office

Controller's Internal Audits:

Pro-rata share of the Controller's Office internal audit expenditures for FY2014-2015.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081CW TIS-SFGTV SERVICES	\$14,242	\$0	\$30,000	\$0	\$30,000

* Budget amount to be determined by work order with DT pending DT Rate Model

Department of Technology Communications Services: Work order for SFGOV.TV Audio visual and recording of SFERS Board Meetings.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081ET Communications Services	\$5,070	\$35,400	\$35,400*	\$0	\$35,400*

* Budget amount to be determined by work order with DT

Department of Technology Communications Services: Work order for Project 697TEL – monthly telephone billing, telephone and switch equipment.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081LS Lease Paid to Real Estate	\$0	\$323,883	\$346,760*	\$22,877*	\$370,808*

* Budget amount to be determined by work order with Real Estate Division. Last FY2014-2015 paid from 081RR

Office Lease paid through Real Estate Department: Office rental prorated on an FTE basis

SFERS BUDGET - FISCAL YEAR 2015-16, 2016-17 & 2017-18

INVESTMENT DIVISION (Recaptured Commissions Budget)

Object	Description	Appr. Base Budget 2015-16	Request 2016-17	Increase / (Decrease) 2015-16 to 2016-17	% Increase / (Decrease) 2015-16 to 2016-17	Request 2017-18	Increase / (Decrease) 2016-17 to 2017-18	% Increase / (Decrease) 2016-17 to 2017-18
001	Permanent Salaries							
005	Temporary Pay							
009	Premium Pay							
010	Retroactive Salaries							
011	Overtime							
	Total Personal Services							
013	Mandatory Fringe Benefits							
015	Health Service - Adm Cost							
	Total Fringe Benefits							
020	Overhead							
	Total Overhead							
021	Travel							
022	Training							
023	Mileage / Local Field Exp							
024	Membership Fees	\$ 49,325	\$ 54,125	\$ 4,800	9.73%	\$ 59,425	\$ 5,300	9.79%
027	Professional Services	\$ 835,825	\$ 1,205,825	\$ 370,000	44.27%	\$ 1,205,825	\$ -	0.00%
029	Equipment Maintenance							
030	Property Rent							
031	Office Machines Rent	\$ 200,000	\$ 250,000	\$ 50,000	25.00%	\$ 250,000	\$ -	0.00%
035	Other Current Services	\$ 27,500	\$ 32,500	\$ 5,000	18.18%	\$ 32,500	\$ -	0.00%
	Total Non-Personal Services	\$ 1,112,650	\$ 1,542,450	\$ 429,800	38.63%	\$ 1,547,750	\$ 5,300	0.34%
049	Total Materials and Supplies							
060	Total Equipment Purchases							
C B	CAO - Insurance							
C T	City Attorney							
C I	TIS - ISD Services							
C X	Controller - Financial Systems							
C 3	GF - Financial Systems							
C 4	GF - Audits							
C 5	DTIS Services							
H 0	HR - EEO							
E T	DTIS - Telecommunications							
H Z	HR Management System							
H 1	DHR - Examinations							
H 2	DHR - Management Training							
H 3	DHR - Workers' Comp							
H 4	DHR - LOF/ERP							
H 7	DHR - Employee Relations							
M 2	Mayor's Youth Works							
P M	Purchasing - Mail Services							
P R	Purchasing - Reproduction							
L S	Lease Paid to Real Estate							
R V	Department of Elections							
R D	Human Resources (AAO)							
C W	SFGOV Service							
T R	Treasurer and Tax Collector							
W B	DPW Office Improvements							
	Total Services of Other Depts.							
	Total Investment (RCC)	\$ 1,112,650	\$ 1,542,450	\$ 429,800	38.63%	\$ 1,547,750	\$ 5,300	0.34%
	Total FTE's	0.00	0.00	0.00		0.00	0.00	

DEPARTMENT: Employees' Retirement System
 PROGRAM: Investment (Recaptured Commissions Budget)
 INDEX CODE: 445002
 FISCAL YEAR: 2016-2017 and 2017-2018

The Recaptured Commission Expenditures Budget is designed to identify the payments that will be made from recaptured commission credits.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
024 Membership Fees	\$47,015	\$49,325	\$54,125	\$4,800	\$59,425

Professional Membership Fees:

Organization	Baseline FY2015-2016	Proposed FY2016-2017	Proposed FY2017-2018
CAIA Association	\$275	\$375	\$375
Council of Institutional Investors	20,000	20,000	20,000
CFA Institute	6,500	10,000	15,000
Pensions West	750	1,000	1,000
Security Analysts of S.F.	1,000	1,200	1,500
Institutional Investor's Forum (Stanford)	12,000	12,000	12,000
Pacific Pension Institute	5,000	5,750	5,750
Pension Real Estate Association	500	500	500
National Association of Securities Professionals	300	300	300
Institutional Limited Partnership Association	3,000	3,000	3,000
Total	\$49,325	\$54,125	\$59,425

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
027 Professional Services	\$750,712	\$835,825	\$1,205,825	\$370,000	\$1,205,825

Professional Services: Expenses related to purchase of investment research services, software applications, access to on-line databases, etc.

Professional Services	Baseline FY2015-2016	Proposed FY2016-2017	Proposed FY2017-2018
A.S.E. (access charge)	\$900	\$900	\$900
BARRA	250,000	-	-
CMS – Bond Edge	150,000	-	-
IRRC database	2,000	2,000	2,000
ISI (economic research)	75,000	75,000	75,000
ISS/CDA (proxy service)	135,000	135,000	135,000
ISS/Sudan Service	9,000	9,000	9,000
NASDAQ (access charge)	750	750	750
New services/software	150,000	150,000	150,000
N.Y.S.E. (access charge)	3,000	3,000	3,000
2Ned Davis (market research)	20,000	20,000	20,000
Lehman Business Index Subscription	10,000	10,000	10,000
Strategic Economic Decisions (research)	10,000	10,000	10,000
The Deal.com	175	175	175
Zephyr Associates – Style Advisor	20,000	20,000	20,000
Albourne (hedge funds research)	-	400,000	400,000
Mercer (public equity manager research)	-	80,000	80,000
Willshire (public equity manager research)	-	40,000	40,000
Style Research (risk management/optimization)	-	75,000	75,000
Risk Metrics	-	175,000	175,000
Total Professional Services:	\$835,825	\$1,205,825	\$1,205,825

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
031 Office Equip Leases	\$172,244	\$200,000	\$250,000	\$50,000	\$250,000

Office Equipment Leases: Bloomberg equipment and accessories.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
035 Other Services	\$31,786	\$27,500	\$32,500	\$5,000	\$32,500

Other Current Services: Investment subscriptions

Crittenden's Pension Fund & Real Estate	\$1,100	Pension & Investment	\$1,500
Economist	150	Private Equity Analyst (Alternative Investors)	1,500
European Venture Capital	1,900	Private Equity International	1,500
Financial Times	600	Real Deals Europe	1,600
Ibbotson-SBBI Yearbook	125	San Francisco Business Times	200
Insight Economics	1,400	San Francisco Chronicle	300
Institutional Investor	550	Thomson Media	100
Journal of Portfolio Management	1,800	Value Line	1,500
Journal of Private Equity	775	Venture Capital Journal	3,500
LBO Wire	1,400	Venture Economics	1,600
Minority & Woman Owned Investment Managers	100	Wall Street Journal	2,800
New Subscriptions	1,500	Other	5,000
		Investment Subscriptions Total:	\$32,500

DEPARTMENT:	Employees' Retirement System
PROGRAM:	Deferred Compensation
INDEX CODE:	440004
FISCAL YEAR:	2016-2017 and 2017-2018

Program Description

The Deferred Compensation Plan was added to the Retirement System's budget structure in 1997-98. This voluntary program permits City employees to defer a portion of their regular compensation from Federal and State income taxes. The deferred wages are invested on behalf of each participant by Prudential Retirement Insurance and Annuity Company. Taxes become payable when the deferred compensation plus investment income are distributed, presumably at retirement when the participant would normally fall into a lower income tax bracket.

The Deferred Compensation Third Party Administrator provides annual reimbursement in the amount of \$870,578 for the administration of the Plan in Fiscal Year 2014-2015.

The assets of the Deferred Compensation Plan are over \$2.7 billion and the number of participants is approximately 26,165.

SFERS BUDGET - FISCAL YEAR 2015-16, 2016-17 & 2017-18

DEFERRED COMPENSATION DIVISION

Object	Description	Appr. Base Budget 2015-16	Request 2016-17	Increase / (Decrease) 2015-16 to 2016-17	% Increase / (Decrease) 2015-16 to 2016-17	Request 2017-18	Increase / (Decrease) 2016-17 to 2017-18	% Increase / (Decrease) 2016-17 to 2017-18
001	Permanent Salaries	\$ 338,365		\$ -	0.00%		\$ -	0.00%
005	Temporary Pay	\$ 100,000	\$ 100,000	\$ -	0.00%	\$ 100,000	\$ -	0.00%
009	Premium & Longevity Pay							
010	Incentive Pay-Retroactive Salaries							
011	Overtime							
	Total Personal Services	\$ 438,365	\$ 100,000	\$ -	0.00%	\$ 100,000	\$ -	0.00%
013	Mandatory Fringe Benefits	\$ 153,706		\$ -	0.00%		\$ -	0.00%
015	Health Service - Adm Cost							
	Total Fringe Benefits	\$ 153,706	\$ -	\$ -	0.00%	\$ -	\$ -	
020	Overhead							
	Total Overhead							
021	Travel	\$ 8,500	\$ 8,500	\$ -	0.00%	\$ 8,500	\$ -	0.00%
022	Training	\$ 2,000	\$ 2,000	\$ -	0.00%	\$ 2,000	\$ -	0.00%
023	Mileage / Local Field Exp							
024	Membership Fees	\$ 1,050	\$ 1,050	\$ -	0.00%	\$ 1,050	\$ -	0.00%
027	Professional Services	\$ 300,000	\$ 300,000	\$ -	0.00%	\$ 220,000	\$ (80,000)	-26.67%
029	Equipment Maintenance							
030	Property Rent	\$ 66,910	\$ -	\$ (66,910)	-100.00%	\$ -	\$ -	0.00%
031	Office Machines Rent	\$ 1,000	\$ 1,000	\$ -	0.00%	\$ 1,000	\$ -	0.00%
035	Other Current Services	\$ 940	\$ 3,500	\$ 2,560	272.34%	\$ 3,500	\$ -	0.00%
	Total Non-Personal Services	\$ 380,400	\$ 316,050	\$ (64,350)	-16.92%	\$ 236,050	\$ (80,000)	-25.31%
049	Total Materials and Supplies	\$ 5,000	\$ 5,000	\$ -	0.00%	\$ 5,000	\$ -	0.00%
060	Total Equipment Purchases							
C8	CAO - Insurance							
C7	City Attorney	\$ 150,000	\$ 150,000	\$ -	0.00%	\$ 150,000	\$ -	0.00%
C1	TIS - ISD Services							
CX	Controller - Financial Systems							
C3	GF - Financial Systems							
C4	GF - Audits							
C5	DTIS Services							
H0	HR - EEO							
ET	DTIS - Telecommunications							
HZ	HR Management System							
H1	DHR - Examinations							
H2	DHR - Management Training							
H3	DHR - Workers' Comp							
H4	DHR - LOF/ERP							
H7	DHR - Employee Relations							
M2	Mayor's Youth Works							
PM	Purchasing - Mail Services							
PR	Purchasing - Reproduction							
LS	Lease Paid to Real Estate	\$ 67,221	\$ 71,969	\$ 4,748	7.06%	\$ 77,765	\$ 5,796	8.05%
RV	Department of Elections							
RD	Human Resources (AAO)							
CW	SFGOV Service							
TR	Treasurer and Tax Collector							
WB	DPW Office Improvements							
	Total Services of Other Depts.	\$ 217,221	\$ 221,969	\$ 4,748	2.19%	\$ 227,765	\$ 5,796	2.61%
	Total	\$ 1,194,692	\$ 643,019	\$ (59,602)	-4.99%	\$ 568,815	\$ (74,204)	-11.54%
	Total FTE's	5.00	5.00	0.00		5.00	0.00	

DEPARTMENT: Employees' Retirement System
 PROGRAM: Deferred Compensation
 INDEX CODE: 440004
 FISCAL YEAR: 2016-2017 and 2017-2018

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
001 Permanent Salaries	\$252,075	\$338,365	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office (includes budget amount for both permanent and temporary salaries)

Permanent Salaries:

Summary of Positions in the Deferred Comp Division:

Position/Title	Baseline FY2015-2016	Variance	Proposed FY2016-2017	Variance	Proposed FY2017-2018
0931 Manager III – Deferred Compensation Director	1.00		1.00		1.00
1209 Benefits Technician	2.00		2.00		2.00
1813 Senior Benefits Analyst	2.00		2.00		2.00
FTE Totals:	5.00	0.00	5.00	0.00	5.00

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
005 Temporary Salaries	\$0	\$100,000	\$100,000	\$0	\$100,000

Temporary Salaries:

To provide contingent funds for temporary professional level investment positions that may be approved by the Retirement Board.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
013 Fringe Benefits	\$118,898	\$153,706	\$*	\$*	\$*

* Budget amount to be determined by Controller's Office

Mandatory Fringe Benefits: Fringe benefits associated with permanent positions in the division.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
021 Travel Expenses	\$2,619	\$8,500	\$8,500	\$0	\$8,500

Travel Expenses: Funds for travel outside of the City by staff members related to seminars, conferences, and other training/educational meetings.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
022 Training & Education	\$125	\$2,000	\$2,000	\$0	\$2,000

Training/Education Expenses: Funds for staff development, education and training expenses.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
024 Membership Fees	\$0	\$1,050	\$1,050	\$0	\$1,050

Professional Membership Fees: NAGDCA, WP&BC, InFRE, ISCEBS, International Foundation, ASPPA and Pension West.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
027 Professional Services	\$185,000	\$300,000	\$300,000	\$0	\$220,000

Professional Services: Plan performance assessment and consulting.

Professional Services	Baseline FY2015-2016	Proposed FY2016-2017	Proposed FY2017-2018
Investment Consultant – Angeles Investment Advisors	\$200,000	\$200,000	\$200,000
Business Process Consultant – TBD	80,000	80,000	-
Website development and maintenance	15,000	15,000	15,000
360° Evaluations for Supervisors/Managers	5,000	5,000	5,000
Total Professional Services:	\$300,000	\$300,000	\$220,000

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
030 Property Rent	\$71,197	\$66,910	\$*	\$*	\$*

Property Rent:

Rental of office space 1145 Market Street (prorated by budgeted five FTE's + office space for TPA staff)

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
031 Office Equip Leases	\$0	\$1,000	\$1,000	\$0	\$1,000

Office Equipment Leases: Shared color copier prorated based on usage.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
035 Other Services	\$2,780	\$940	\$3,500	\$2,560	\$3,500

Other Current Services: Shared use of postage meter, document shredding services and software licenses.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
049 Materials & Supplies	\$288	\$5,000	\$5,000	\$0	\$5,000

Materials and Supplies: Funds for office supplies, computer supplies such as toner cartridges and repair parts, calculators, computers and related supplies that have a unit cost of under \$5,000, ergonomic/ADA office equipment is budgeted at \$1,000 and disaster preparedness supplies for SFDPC staff are budgeted at \$500.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081CT City Atty Work Order	\$148,407	\$150,000	\$150,000	\$0	\$150,000

City Attorney's Work Order:

Dedicated legal services provided by the City Attorney's office, including specialized outside legal counsel on deferred compensation plan-related caseload.

Description Object	Actual Expenditures FY2014-2015	Approved Budget FY2015-2016	Proposed Budget FY2016-2017	Variance	Proposed Budget FY2017-2018
081LS Lease Paid to Real Estate	\$0	\$67,221	\$71,969*	\$4,748*	\$77,765*

* Budget amount to be determined by work order with Real Estate Division. Last FY2014-2015 paid from 081RR

Office Lease paid through Real Estate Department: Office rental prorated on an FTE basis

Summary

SFERS BUDGET - FISCAL YEAR 2015-16, 2016-17 & 2017-18

SUMMARY - ALL DIVISIONS

Object	Description	Appr. Base Budget 2015-16	Request 2016-17	Increase / Decrease 2015-16 to 2016-17	% Increase / (Decrease) 2015-16 to 2016-17	Request 2017-18	Increase / (Decrease) 2016-17 to 2017-18	% Increase / (Decrease) 2016-17 to 2017-18
001	Permanent Salaries	\$ 10,404,185	\$ -	\$ 657,254	6.32%	\$ -	\$ 120,874	0.00%
005	Temporary Salaries	\$ 872,077	\$ 828,736	\$ (43,341)	-4.97%	\$ 828,736	\$ -	0.00%
009	Premium & Longevity Pay	\$ 536,500	\$ 41,500	\$ (495,000)	-92.26%	\$ 41,500	\$ -	0.00%
010	Incentive Pay-Retroactive Salaries	\$ -	\$ 1,785,437	\$ 1,785,437	-	\$ 1,965,781	\$ 180,344	10.10%
011	Overtime	\$ 5,000	\$ 10,000	\$ 5,000	100.00%	\$ 10,000	\$ -	0.00%
	Total Personal Services	\$ 11,817,762	\$ 2,665,673	\$ 1,909,350	16.16%	\$ 678,736	\$ 301,218	-
013	Mandatory Fringe Benefits	\$ 3,426,540	\$ -	\$ 229,573	6.70%	\$ -	\$ 39,067	10.10%
015	Health Service - Adm Cost	\$ 1,735,985	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
	Total Fringe Benefits	\$ 5,161,933	\$ -	\$ 229,573	4.45%	\$ -	\$ 39,067	-
020	Overhead	\$ 177,901	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
	Total Overhead	\$ 177,901	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
021	Travel	\$ 728,000	\$ 733,000	\$ 5,000	0.69%	\$ 733,000	\$ -	0.00%
022	Training	\$ 83,900	\$ 128,900	\$ 45,000	53.64%	\$ 128,900	\$ -	0.00%
023	Mileage / Local Field Exp	\$ 5,000	\$ 5,000	\$ -	0.00%	\$ 5,000	\$ -	0.00%
024	Membership Fees	\$ 59,230	\$ 70,430	\$ 14,235	24.03%	\$ 76,145	\$ 5,715	8.11%
027	Professional Services	\$ 62,877,825	\$ 61,678,290	\$ (1,199,535)	-1.91%	\$ 65,818,290	\$ 4,140,000	6.71%
029	Equipment Maintenance	\$ 265,783	\$ 265,783	\$ -	0.00%	\$ 265,783	\$ -	0.00%
030	Property Rent	\$ 1,464,333	\$ 60,000	\$ (1,404,333)	-95.90%	\$ 60,000	\$ -	0.00%
031	Office Machines Rent	\$ 237,000	\$ 307,000	\$ 70,000	29.54%	\$ 307,000	\$ -	0.00%
035	Other Current Services	\$ 1,089,490	\$ 1,383,850	\$ 294,360	27.02%	\$ 1,335,350	\$ (48,500)	-3.50%
	Total Non-Personal Services	\$ 66,810,561	\$ 64,632,253	\$ (2,178,308)	-3.26%	\$ 68,729,468	\$ 4,097,215	-
049	Total Materials and Supplies	\$ 250,000	\$ 335,000	\$ 85,000	34.00%	\$ 335,000	\$ -	-
060	Total Equipment Purchases	\$ 251,735	\$ 332,348	\$ 80,613	32.02%	\$ 226,202	\$ (106,146)	-
CB	CAO - Insurance	\$ 7,473	\$ 10,575	\$ 3,102	41.51%	\$ 10,575	\$ -	0.00%
CT	City Attorney	\$ 3,587,177	\$ 4,050,000	\$ 462,823	12.90%	\$ 4,050,000	\$ -	0.00%
CI	TIS - ISD Services	\$ 272,980	\$ 243,654	\$ (29,326)	-10.74%	\$ 243,654	\$ -	0.00%
CX	Controller - Financial Systems	\$ 37,601	\$ -	\$ -	0.00%	\$ 12,000	\$ 12,000	0.00%
C3	GF - Financial Systems	\$ 26,973	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
C4	GF - Audits	\$ 68,169	\$ 15,000	\$ -	0.00%	\$ 15,000	\$ -	0.00%
C5	DTIS Services	\$ 579,966	\$ 579,966	\$ -	0.00%	\$ 579,966	\$ -	0.00%
H0	HR - EEO	\$ 2,251	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
ET	DTIS - Telecommunications	\$ 72,188	\$ 35,400	\$ -	0.00%	\$ 35,400	\$ -	0.00%
HZ	HR Management System	\$ 46,519	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H1	DHR - Examinations	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H2	DHR - Management Training	\$ 3,300	\$ 3,300	\$ -	0.00%	\$ 3,300	\$ -	0.00%
H3	DHR - Workers' Comp	\$ 136,942	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H4	DHR - LOF/ERP	\$ 6,317	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H7	DHR - Employee Relations	\$ 9,036	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
M2	Mayor's Youth Works	\$ 4,536	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
PM	Purchasing - Mail Services	\$ 230,400	\$ 280,000	\$ 49,600	21.53%	\$ 280,000	\$ -	0.00%
PR	Purchasing - Reproduction	\$ 60,000	\$ 70,000	\$ 10,000	16.67%	\$ 70,000	\$ -	0.00%
LS	Lease Paid to Real Estate	\$ 1,526,221	\$ 1,634,026	\$ 107,805	7.06%	\$ 1,767,040	\$ 133,014	8.14%
RV	Department of Elections	\$ 50,000	\$ 82,000	\$ 32,000	64.00%	\$ 82,000	\$ -	0.00%
RD	Human Resources (AAO)	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
CW	SFGOV Service	\$ -	\$ 30,000	\$ 30,000	-	\$ 30,000	\$ -	0.00%
TR	Treasurer and Tax Collector	\$ (45,000)	\$ -	\$ 45,000	-100.00%	\$ -	\$ -	0.00%
WB	DPW Office Improvements	\$ -	\$ -	\$ -	-	\$ -	\$ -	-
	Total Services of Other Depts.	\$ 6,683,049	\$ 7,033,921	\$ 711,004	10.64%	\$ 7,178,935	\$ 145,014	2.06%
	Total	\$ 91,152,941	\$ 74,999,195	\$ 840,267	0.92%	\$ 77,148,341	\$ 4,531,878	6.04%
	Total FTE's	107.00	113.00	6.00	5.61%	114.00	1.00	0.88%