



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 (SFDCP) 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							
CB	CAO - Insurance							
CT	City Attorney							
CI	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	\$ 120,692	\$ 129,217	\$ 8,525	7.06%	\$ 139,623.00	\$ 10,406.00	8.05%
RV	Department of Elections	\$ 50,000	\$ 82,000	\$ 32,000	64.00%	\$ 82,000	\$ -	0.00%
RD	Human Resources (AAO)							
CW	SFGOV Service							
TR	Treasurer and Tax Collector							
WB	DPW Office Improvements							
	Total Services of Other Depts.	\$ 170,692	\$ 211,217	\$ 40,525	23.74%	\$ 221,623	\$ 10,406	\$ 0
	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 Relations¹	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 Clerk²	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		<u>1,000</u>	<u>1,000</u>
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%	\$ -	\$ -	
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%	\$ -	\$ -	
	Total Fringe Benefits	\$ 3,483,688	\$ -	\$ 44,160	1.27%	\$ -	\$ 18,584	10.19%
020	Overhead	\$ 177,901	\$ -	\$ -	0.00%	\$ -	\$ -	
	Total Overhead	\$ 177,901	\$ -	\$ -	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%	\$ 560,000	\$ -	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%
C B	C A O - Insurance	\$ 7,473	\$ 10,575	\$ 3,102	41.51%	\$ 10,575	\$ -	0.00%
C T	City Attorney	\$ 1,525,000	\$ 1,825,000	\$ 300,000	19.67%	\$ 1,825,000	\$ -	0.00%
C I	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%
C 3	GF - Financial Systems	\$ 26,973	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
C 4	GF - Audits	\$ 53,169	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
C 5	DTIS Services	\$ 579,966	\$ 579,966	\$ -	0.00%	\$ 579,966	\$ -	0.00%
H 0	HR -Equal Employment Opportunities	\$ 2,251	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
E T	DTIS - Telecommunications	\$ 36,788	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H Z	HR Management System	\$ 46,519	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H 1	DHR - Examinations	\$ -	\$ -	\$ -				
H 2	DHR - Management Training	\$ 3,300	\$ 3,300	\$ -	0.00%	\$ 3,300	\$ -	0.00%
H 3	DHR - Workers' Comp	\$ 136,942	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H 4	DHR - LOF/ERP	\$ 6,317	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
H 7	DHR - Employee Relations	\$ 9,036	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
M 2	Mayor's Youth Works	\$ 4,536	\$ -	\$ -	0.00%	\$ -	\$ -	0.00%
P M	Purchasing - Mail Services	\$ 230,400	\$ 280,000	\$ 49,600	21.53%	\$ 280,000	\$ -	0.00%
P R	Purchasing - Reproduction	\$ 60,000	\$ 70,000	\$ 10,000	16.67%	\$ 70,000	\$ -	0.00%
L S	Lease Paid to Real Estate	\$ 1,014,425	\$ 1,086,080	\$ 71,655	7.06%	\$ 1,178,844	\$ 92,764	8.54%
R V	Department of Elections	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
RD	Human Resources (AAO)	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
CW	SFGOV Service	\$ -	\$ -	\$ -	0.00%	\$ -	\$ -	
TR	Treasurer and Tax Collector	\$ (45,000)	\$ -	\$ 45,000	-100.00%	\$ -	\$ -	0.00%
WB	DPW Office Improvements	\$ -	\$ -	\$ -		\$ -	\$ -	
	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	<u>\$65,364</u>	<u>\$65,364</u>
	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		<u>5,000</u>	<u>5,000</u>
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)	<u>1,200</u>	<u>1,200</u>
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	\$5,875	\$5,875
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	25,000	25,000
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	<u>20,000</u>	<u>20,000</u>
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	<u>12,550</u>
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	<u>26,001</u>
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	Budget	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	2,552	2,552	2,552
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
081HO 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.

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%
013	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%
020	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	CAO - 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 Director¹	3.00¹	1.00¹	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 Clerk²	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	<u>20,000</u>	<u>20,000</u>
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		<u>40,000</u>	<u>40,000</u>
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	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							
M2	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	<u>3,000</u>	<u>3,000</u>	<u>3,000</u>
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	-	<u>175,000</u>	<u>175,000</u>
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 Economist	\$1,100	Pension & Investment	\$1,500
European Venture Capital	150	Private Equity Analyst (Alternative Investors)	1,500
Financial Times	1,900	Private Equity International	1,500
Ibbotson-SBBI Yearbook	600	Real Deals Europe	1,600
Insight Economics	125	San Francisco Business Times	200
Institutional Investor	1,400	San Francisco Chronicle	300
Journal of Portfolio Management	550	Thomson Media	100
Journal of Private Equity	1,800	Value Line	1,500
LBO Wire	775	Venture Capital Journal	3,500
Minority & Woman Owned Investment Managers	1,400	Venture Economics	1,600
New Subscriptions	100	Wall Street Journal	2,800
	1,500	Other	<u>5,000</u>
		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							
CB	CAO - Insurance							
CT	City Attorney	\$ 150,000	\$ 150,000	\$ -	0.00%	\$ 150,000	\$ -	0.00%
CI	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 SFDCP 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

DRAFT

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	\$ 3,426,548	\$ -	\$ 229,573	6.70%	\$ -	\$ 39,067	10.10%
015	Health Service - Adm Cost	\$ 1,735,385	\$ -	\$ -	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%	\$ -	\$ -	
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	\$ (2,175,273)	-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	CA O - 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%