

2017 DRAFT Operating & Capital Expenditures Budget - Discussion

October 21, 2016

Presented by: Rhonda Covarrubias
Director of Finance, TMRS



Proposed 2017 Draft Budget

Objectives for Today

- Review proposed draft budget document
- Questions / requests for December meeting

Proposed 2017 Draft Budget

Section 1 –

- 2016 Goals Accomplished and Alignment of 2017 Budget with Strategic Plan

Proposed 2017 Draft Budget

Accomplishments in 2016

- Straight-through processing – MyTMRS rollouts
 - Tax withholding updates (retirees); tax document and member statement downloads; communication preferences
- Switch from FileNet electronic document management system to Lexmark Content
- Updates to business continuity plans for each TMRS department
- Replacement of TMRS' online data backup application/replication solution
- Introduction of “Executive Workshops” across the state
- Completion of Asset / Liability Study
- Continued portfolio diversification
 - 29 managers approved in 2016
 - 17 have been funded, for total commitment of approximately \$3.15 billion

Proposed 2017 Draft Budget

Goal 1:

Ensure the financial stability and long-term viability of the Plan.

- Continues to provide for the actuarial retainer (\$447,000), and contingency funds for legislative studies.

		Actuarial		
2016			2017	
\$ 435,000	Retainer		\$ 447,000	
25,800	Board member meetings		17,200	
15,000	IRC 415 testing - contingency		15,000	
75,000	Legislative studies - contingency		75,000	
\$ 550,800	Total recurring		\$ 554,200	
\$ -	GASB 74 / 75 planning & implementation		\$ 25,000	
30,000	Rate stabilization study		-	
25,000	Asset/liability study		-	
\$ 55,000	Total other services		\$ 25,000	
\$ 605,800	Total Actuarial Services		\$ 579,200	

Proposed 2017 Draft Budget

Goal 2:

Continue to provide excellent customer service and communications to members, annuitants, employers, and other constituencies.

2014 through 2016 budgets have included funds to implement Straight-Through Processing (STP)

“from enrollment to retirement”

by expanding the delivery of self-service capabilities in MyTMRS (Member Portal) and TMRS City Portal

Proposed 2017 Draft Budget (Goal 2 cont.)

2017 will continue with the TMRSDirect project

- Contingency funds (\$25,000) are included; however, projects will be completed mainly by internal staff in 2017 and 2018.

Continued consulting for 2017 includes city contribution process reengineering (\$161,000; \$178,500 in 2016)

Continue with “Executive Workshops” across the state; introduced in 2016 and found to be successful by the membership

Proposed 2017 Draft Budget

Goal 4

Foster a culture within TMRS of open communication, where collaboration is encouraged and innovation is rewarded.

2016 included 3 new positions (one filled with two part-time employees)

2017 includes 8 new positions. See Appendix A.

2018 – 2022 projected new positions are also included in Appendix D.

Proposed 2017 Draft Budget

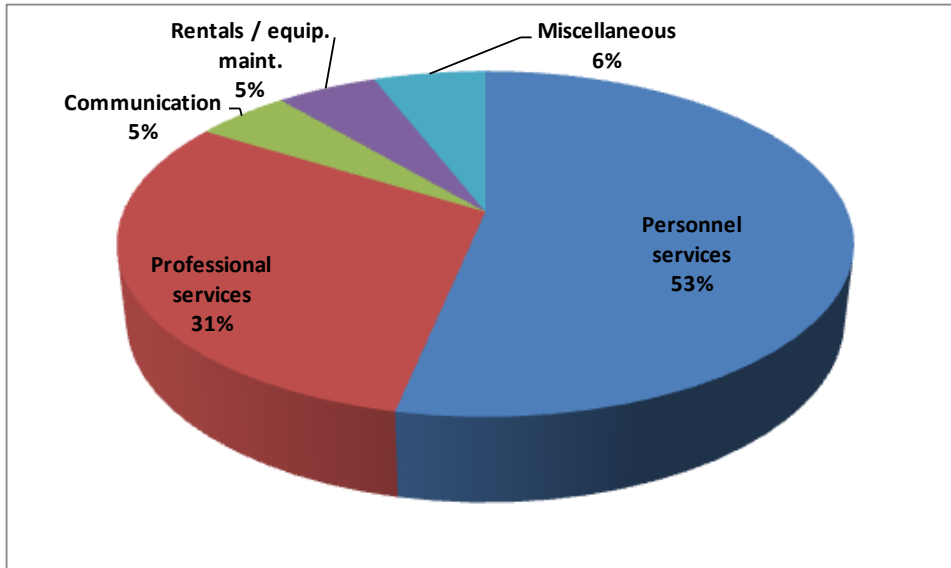
Section II – Comparison of 2016 budget to 2017 proposed

- Proposed 2016 of \$30.6 million for administrative and capital expenditures.
- The “new” column totals \$3.2 million
 - 82% - administrative 18% - capital
 - Within administrative: 40% for new personnel; 60% new items/projects

	New personnel	New items/ projects	2017 Total New	
Total Admin. Expenses	\$ 1,054,618	\$ 1,637,655	\$ 2,692,273	82%
	39%	61%	100%	
Total Capital Expenditures	\$ -	\$ 600,000	\$ 600,000	18%
GRAND TOTAL	\$ 1,054,618	\$ 2,237,655	\$ 3,292,273	100%

Proposed 2017 Draft Budget

2017 Operating Budget – main categories



	2016	2017
Personnel services	53%	53%
Professional services	30%	31%
Communication	6%	5%
Rentals / equip. maint.	5%	5%
Miscellaneous	6%	6%

Proposed 2017 Draft Budget

Personnel Services –

- continues to be largest category at approximately **53%** of the total budget

2017 budget includes:

- 8 new positions
- Decrease 0.19% in full retirement rate
(from 16.91% to 16.72%, including SDB)
- \$218,000 allocated for merit adjustments
- Same benefit package
(assumes rate increases for Sept-Dec 2017)
- Includes same scale for retiree medical coverage

Proposed 2017 Draft Budget

Professional Services – 31% of the total proposed budget

- 3-year comparison of Consulting – see Appendix B

	2016 Budget	"new"	2017 Proposed	% of budget
Professional Services:				
Consulting & other prof svcs	\$ 2,973,365	713,000	3,291,135	36 %
Actuarial	605,800	-	579,200	6
Banking services	706,750	-	2,007,750	22
Legal services	1,635,425	-	1,180,975	13
Medical services	40,000	-	60,000	1
Audit	338,700	-	278,500	3
Online services	1,640,855	181,155	1,796,205	20
TOTAL	\$ 7,940,895	894,155	\$ 9,193,765	100 %

Proposed 2017 Draft Budget –

(Professional Services, continued)

Consulting and Other Professional Services:

Descriptions for higher-dollar items included with Appendix B:

- Continue with City Contribution Re-engineering (\$161,000)
- Entity-wide Compensation Study (\$80,000)
- Electronic Records Management Project (\$150,000)
- Lexmark Content upgrade (\$75,000)
- Secure Chat (\$75,000)
- Cloud Strategy (\$75,000)
 - Business case provided

Proposed 2017 Draft Budget

Rentals and Equipment Maintenance –
Only **5%** of the total proposed budget

87% of this category is for IT's data processing needs (hardware and software purchases and maintenance)

Data processing line-item:

- “New” software – \$690,000 (see Appendix C)

Descriptions for higher-dollar items on page 16:

Vmware NSX (network security) Software - \$125,000

- To address some of the high and medium priority findings from recent network security audits.

See Business Case *“Network Micro-Segmentation with VMWare NSX”*

Proposed 2017 Draft Budget

Miscellaneous –

6% of the total proposed budget

Captures items requested by all departments that support employees professional growth (association/membership dues, subscriptions, publications, training)

20% of this category includes the **Supplies** line-item

- Includes \$80,000 to replace up to 30 laptops

Proposed 2017 Draft Budget

Capital Expenditures

Carry-over of 2016 funds for a fifth-floor controls system and lock replacements (\$40,000)

2017 “new” funds are included for:

- SAN and physical server replacement (\$500,000)
 - See “*Private Cloud Replacement*” business case
- Fortigate firewall replacement (\$90,000)

Proposed 2017 Draft Budget

New Personnel (*Appendix A*)

Budget request of \$1 million (approximately \$950,000 for salaries and benefits)

➤ assume hire dates ranging from January through May 2017

- 3 Investment Department positions
 - Operations Manger
 - Operations Analyst
 - Performance Analyst

- Senior Internal Auditor
- Assistant Director – Information Resources
- Network Security Analyst
- Support Services Analyst
- Administrative Assistant (Legal)

Future Projections – 2018 to 2022

Future Projected Personnel (*Appendix D*)

Shows anticipated needs for new personnel in the future

- 2018 – 7 positions
 - 2019 – 5 positions
 - 2020 – 2 positions
-
- Future costs are provided *
 - Brief/summary job duties

* Projections for salaries at current compensation structure; taxes at current limits; retirement contributions at 2017 rate; insurance at 2017 premiums.

Future Projections – 2018 to 2022

Future Major Items (*Appendix E*)

Shows anticipated “new” major items, classified into the main five sub-categories

Professional Services:

Note trending decrease over the next five years, with completion of STP / TMRSDirect

Human Resource projects include a compensation study (every 3 years - 2020), and succession planning consulting

Actuarial Services include an experience study (2019) and funds for asset/liability or asset allocation studies (every 3 years)

Future Projections – 2018 to 2022

Future Major Items (*Appendix E*) - *continued*

Rentals and Equipment Maintenance:

Higher-dollar items in Data Processing line-item for Oracle database licensing and Application Server licensing (2020)

Capital:

- SAN and physical server replacement is anticipated again in 2022
- Anticipate network switches to be replaced in 2018

A comprehensive 3-5 year budget projection will be provided in December.

Questions and Discussion