

2018 Proposed Operating & Capital Expenditures Budget

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Presented by: Rhonda Covarrubias
Director of Finance, TMRS



2018 Proposed Budget

Objectives for Today

- Review proposed 2018 budget document
- Brief review of budget expenses for 2017
- Board adoption of the 2018 budget

2018 Proposed Budget

Section 1 –

- 2017 Goals Accomplished and Alignment of 2018 Budget with (draft) Strategic Plan

2018 Proposed Budget

Accomplishments in 2017

- Straight-through processing continues
 - Rollout of beneficiary updates in MyTMRS
 - Multi-factor authentication
 - Online forms upload
- Implementation of an emergency notification service to contact employees in the event of a disaster
- Implementation of employee security training
- Seamless transition of TMRS employee payroll from semi-monthly to biweekly
- Design and production of a new version of the TMRS website
 - Improve navigation
 - Enable access by vision or hearing-impaired users
- Completed the build out of key positions in the Investment Operations group
- The eRecords Gap Analysis has been completed. The eRecords business case lays out path to mature TMRS' program. (Also see Appendix B-1 for 2018 and future years costs)

2018 Proposed Budget

Goal 1:

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

- Continues to provide for the actuarial retainer (\$462,000), and funds for legislative studies. “New” for 2018 are funds for a GRS Dashboard *

Actuarial		
2017		2018
\$ 447,000	Retainer	\$ 462,000
17,200	Board member meetings	17,200
15,000	IRC 415 testing	20,000
75,000	Legislative studies	75,000
<u>\$ 554,200</u>	Total recurring	<u>\$ 574,200</u>
\$ 25,000	GASB 74 / 75 planning & implementation	\$ 75,000
-	Asset/liability study	25,000
<u>\$ 25,000</u>	Total other services	<u>\$ 100,000</u>
\$ -	New - GRS Dashboard	<u>\$ 13,000</u>
<u>\$ 579,200</u>	Total Actuarial Services	<u>\$ 687,200</u>

* GRS Dashboard – will enhance customer service to cities, providing historical information in graphical format (assets, liabilities, contribution rates, funded ratio, risk metrics, amortization period, etc). See Professional Services category, actuarial line-item for more information.

2018 Proposed Budget

Goal 2:

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

(new draft language – “**Strengthen TMRS through excellent customer service and effective communication.**”)

2014 through 2016 budgets included funds to implement Straight-Through Processing “*from enrollment to retirement*” by offering self-service capabilities in

MyTMRS (Member Portal)

Address update

Account balance statement

Withholding update

Annuity verification

Communication preference

Beneficiary updates

and

TMRS City Portal

New Member enrollment

Estimates

Online forms upload

Future enhancements are now being completed mainly by internal staff.

2018 Proposed Budget

Goal 3

Identify the best governance structure and establish a prudent policy framework for TMRS.

(new draft language – ***“Identify and implement the best governance and management structure.”***)

Objectives in this goal include Board-specific initiatives, working directly with internal staff:

- ✓ enhance board meeting productivity
- ✓ implement process to review role of consultants
- ✓ develop board-approved investment fee policy
- ✓ framework to monitor and report on organization-wide risk
- ✓ codify Board’s continuing education philosophy

2018 Proposed Budget

Goal 4

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

(new draft language – “***Transform the TMRS culture to one of innovation, collaboration, and open communication.***”)

2018 includes 4 new positions – see brief job duties and costs in Appendix A (2019 – 2023 projected new positions are also included in Appendix D)

Consulting line-item includes funds for the HR department, related to objectives in this goal:

- 2 carryover items, not completed in 2017:
 - Succession planning (\$70,000)
 - Leadership development program/training (\$20,000)
- “new” for 2018 - Employee engagement (\$50,000)

2018 Proposed Budget

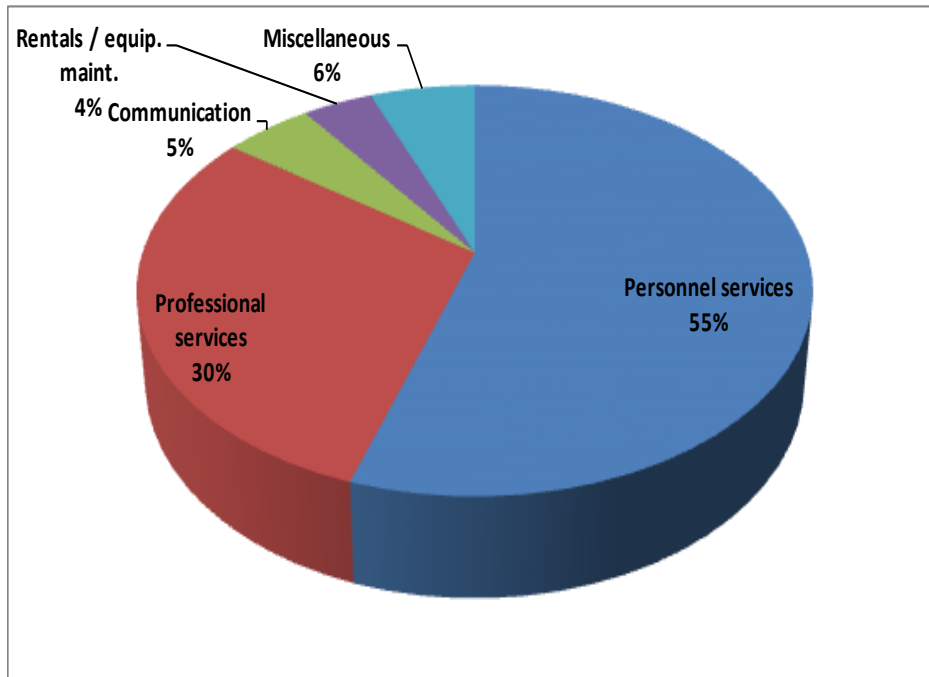
Section II – Comparison of 2017 budget to 2018 proposed

- Proposed 2018 of \$30.5 million for administrative and capital expenditures.
- The “new” column totals \$2 million
 - 82% - administrative 18% - capital
 - Within administrative: 28% for new personnel; 72% new items/projects

	New personnel	New items/ projects	2018 Total New	
Total Admin. Expenses	\$ 457,767	\$ 1,189,694	\$ 1,647,460	82%
	28%	72%	100%	
Total Capital Expenditures	\$ -	\$ 361,000	\$ 361,000	18%
GRAND TOTAL	\$ 457,767	\$ 1,550,694	\$ 2,008,460	100%

2018 Proposed Budget

2018 Operating Budget – main categories



	2017	2018
Personnel services	55%	55%
Professional services	28%	30%
Communication	5%	5%
Rentals / equip. maint.	6%	4%
Miscellaneous	6%	6%

2018 Proposed Budget

Personnel Services –

- continues to be largest category at approximately **55%** of the total budget

2018 budget includes:

- 4 new positions
- Decrease 0.25% in full retirement rate
(from 16.72% to 16.47%, including SDB)
- \$234,000 allocated for merit adjustments
- Same benefit package
(assumes rate increases for Sept-Dec 2018)
- Includes same scale for retiree medical coverage

2018 Proposed Budget

Personnel Services – “new” for 2018

	New personnel	New items/ projects	2018 Total New
Personnel Services:			
Staff Salaries	\$ 254,503	\$ 234,675	\$ 489,178
Payroll Taxes & Unemployment	19,469	10,632	30,101
Retirement Contributions	48,620	38,431	87,051
Employee Insurance	76,640	1,556	78,196
Total Personnel Services	399,232	285,294	684,525

New personnel column = Detailed costs for four new FTE’s

See Appendix A for breakdown of costs, including personnel services, data processing and supplies, for each position.

“New items/projects” column = merit dollars and associated benefit costs for the current FTE’s.

2018 Proposed Budget

Professional Services – 30% of the total proposed budget

	2018 baseline	"new"	2018 Proposed	% of budget
Professional Services:				
Consulting & other prof svcs	\$ 2,666,401	546,950	3,213,351	35 %
Actuarial	674,200	13,000	687,200	7
Banking services	2,047,000	-	2,047,000	22
Legal services	952,000	-	952,000	10
Medical services	60,000	-	60,000	1
Audit	284,500	-	284,500	3
Online services	1,744,330	188,700	1,933,030	21
TOTAL	\$ 8,428,431	748,650	\$ 9,177,081	100 %

Consulting and Other Professional Services: (approximately 35% of Professional Services category)

All consulting items are listed with costs and descriptions in the Professional Services section of the budget.

2018 Proposed Budget –

(Professional Services, continued)

Consulting and Other Professional Services (continued): (approximately 35% of Professional Services category)

Approximately \$550,000 is requested for “new” items:

		New for 2018	
Electronic Records Program Foundation	\$	206,750	38%
Coaching/consulting		65,000	
UPS installation		55,000	
Vmware Virtual Technical Acct Manager (VTAM)		41,200	
Oracle licensing consulting		35,000	
Employee Engagement Survey/consulting		50,000	
Organizational Governance/steering committee		25,000	
Retirement Workflow		25,000	
Network switch replacement		22,000	
Insurance review/consultation ; retainer in '18		12,000	
Lunch & Learn with Security expert		5,000	
Phone system upgrade		5,000	
	\$	546,950	

Appendix B-1 – Electronic Records Program

Provides costs and narratives for all phases of this program, for 2018 and future years.

Complete Business Case is provided under separate cover.

2018 Proposed Budget –

(Professional Services, continued)

Professional Services – other “new” items for 2018:

Actuarial:

\$13,000 for GRS dashboard

Online Services:

\$188,700 in new services

See Appendix C

- Shows 3-year comparison of online services, by department
- New services are listed, along with descriptions
- \$100,000 is requested by Investments department for ORTEC
(A dynamic scenario generator, for improved evaluation of both intermediate and strategic capital market risks. This system is used by many of the world’s leading public pension funds for asset allocation and asset/liability strategic planning).

2018 Proposed Budget

Rentals and Equipment Maintenance – 4% of the total proposed budget

	2018 baseline	"new"	2018 Proposed	% of budget
Rentals & Equipment Maintenance				
Data processing	\$ 795,330	179,940	975,270	79 %
Equipment service/repair/install	8,500	-	8,500	1
Office and equipment rental	116,600	-	116,600	9
Offsite record storage	134,000	-	134,000	11
TOTAL	<u>\$ 1,054,430</u>	<u>179,940</u>	<u>\$ 1,234,370</u>	100 %

The data processing line-item represents a majority of this budget category.

2018 Proposed Budget –

(Rentals and Equipment Maint. – continued)

Rentals and Equipment Maintenance (continued)

Data processing includes hardware and software maintenance, new purchases and internet service.

A majority of this line-item is for on-going maintenance for current software.

	Budget 2017	Request 2018	
Data processing:			
Hardware maintenance	\$ 76,580	\$ 118,680	12%
Software maintenance	516,010	650,250	67%
Internet service	37,000	26,400	3%
New Hardware	3,000	47,200	5%
New Software	745,365	132,740	14%
Total Data Processing	\$ 1,377,955	\$ 975,270	100%

“New” hardware and software purchases are described in Appendix D.

2018 Proposed 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)

Also includes utilities, building/grounds maintenance, supplies and board expenses.

2018 budget category is approximately 4% lower than 2017

- 2017 included funds to replace older laptops and printers (in the supplies line-item)

2018 Proposed Budget

Capital Expenditures

2018 “new” funds are included for:

- Network switches (\$228,000)
- Replacement of 4th floor UPS (\$55,000)
- Boiler replacement – original building (\$42,000)
- Furniture/fireproof cabinet

2018 Proposed Budget

New Personnel (*Appendix A*)

Budget request of \$458,000 (with majority (approx. \$400,000) for salaries and benefits)

➤ assume hire dates from January through March

- Senior Investment Analyst

- Communications Tech & Design Specialist

- 2 Information Resources Department positions
 - Records Analyst
 - Senior Computer Support Specialist

(Plus convert current part-time call center to full-time)

Future Projections – 2019 to 2023

Future Projected Personnel (*Appendix F*)

Shows anticipated needs for new personnel in the future

- 2019 – 10 positions
- 2020 – 3 positions
- 2021 – 2 positions

- Future costs are provided *
- Brief/summary job duties

* Projections for salaries at current compensation structure; taxes at current limits; retirement contributions at 2018 rate; insurance at 2018 premiums.

Future Projections – 2019 to 2023

Future Major Items (*Appendix G*)

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

Professional Services:

- Funds included in future years for next phases of Electronic Records project (see consulting and data processing line-items)
- Human Resource projects include a compensation study (every 3 years - 2020)
- Actuarial Services include an experience study (2019) and funds for asset/liability or asset allocation studies (every 3 years)

Capital:

- Anticipate hydraulic elevator modernization (original building) in 2019
- Anticipate phone system replacement in 2020
- Possible chiller replacement in original building in 2021
- SAN and physical server replacement is anticipated again in 2022

Review of 2017 Budget

Estimated Budget Expenses for 2017 (*Appendix H*)

\$30 million operating budget

Included \$4.6 million in “new” funds:

- \$1.8 million in Personnel Services for nine new FTE's
- \$1.3 million in Professional Services for new consulting projects and increased custodial banking services
- \$750,000 in Rentals/Equipment Maintenance for new software, in the data processing line-item
- \$640,000 in Capital expenses, for SAN and physical server replacements

Review of 2017 Budget – (continued)

Anticipate expenses at approximately 86% of budget.

	Budget for 2017	Estimated Exp for 2017	Estimated (Over)/Under	
Total Admin. Expenses	\$ 29,441,020	\$25,465,660	\$ 3,975,360	13.5 %
Total Capital Expenditures	\$ 640,000	\$ 536,306	\$ 103,694	16.2 %
Total Budget	\$ 30,081,020	\$26,001,966	<u>\$ 4,079,054</u>	<u>13.6 %</u>

Appendix H provides budget to expected expenses for each line-item.

Review of 2017 Budget – (continued)

	Budget for 2017	Estimated Exp for 2017	Estimated (Over)/Under		
Personnel Services	\$ 16,298,832	\$14,817,566	\$ 1,481,266	9.1%	37%
Professional Services	8,331,178	6,962,480	1,368,698	16.4%	34%
Communication	1,430,542	1,047,895	382,647	26.7%	10%
Rentals/ Equipment Maint.	1,598,055	1,247,130	350,925	22.0%	9%
Miscellaneous	1,782,413	1,390,590	391,823	22.0%	10%
	\$ 29,441,020	\$25,465,660	\$ 3,975,360	13.5%	100%

Over 70% of the budget excess is in the Personnel Services and Professional Services categories.

Excess remains in the Personnel Services category, as several positions were either not filled during the year, or were filled late in the year. In addition, funds budgeted for possible retiree sick leave payouts and compensation study adjustments went unused. See details in Appendix H.

Review of 2017 Budget (continued)

Excess remains in the Professional Services category:

	Budget for 2017	Estimated Exp for 2017	Estimated (Over)/Under	
Professional Services:				
Consulting & Other Professional Svcs	\$ 3,151,635	\$ 2,816,779	\$ 334,856	10.6 %
Actuarial Services	579,200	477,774	101,427	17.5
Banking Services	1,307,750	1,175,200	132,550	10.1
Legal Counsel	1,190,975	784,149	406,827	34.2
Medical Services	60,000	50,840	9,160	15.3
Audit	278,500	278,060	440	0.2
Online Services	1,763,118	1,379,680	383,438	21.7
Total Professional Services	\$ 8,331,178	\$ 6,962,480	\$ 1,368,698	16.4 %

Consulting:

Specific items are listed in Appendix H, including higher-dollar items that were not completed or completed with savings realized (Cloud strategy, Privacy policy/incident management, Succession planning).

Online services:

Various online services in the Investment and IT departments realized savings. Specific items are listed in the Professional Services section of Appendix H.

Excess/unused funds from the 2017 budget will be used to off-set the 2018 budget transfer.

Questions and Board Adoption