

2020 Proposed Operating & Capital Expenditures Budget

December 5-6, 2019

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Proposed 2020 Budget

Objectives for Today

- Review proposed budget document – changes from October
- Adoption of 2020 Budget

Proposed 2020 Budget

Layout of budget document

Four sections:

- Section 1 – Strategic Plan and budget initiatives
- Section 2 – High-level summary analysis
- Section 3 – Details of 5 budget categories (with focus on “new” items)
- Appendices – Detailed support

Proposed 2020 Budget

Section 1 –

2019 Goals Accomplished and Alignment of 2020 Budget with TMRS' Strategic Plan

(no changes from Oct.)

Accomplishments in 2019

- Passage of SB 1337 (May 21, 2019)
- Created Crisis Management Plan for TMRS
- Created Data Breach Response Plan
- Developed an RFP and selected the consultant to perform the assessment of TMRS' pension administration system needs (final report was presented to Board at their September meeting)
- Recertification of TMRS' Records Retention Schedule (by the Texas State Library and Archives Commission)
- Development of an operational governance process to facilitate the selection and management of projects that TMRS undertakes
- Completed on-line sexual harassment training for all employees

2019 Projects in progress:

- Continued assessment and determining timelines for the Pension Administration System Modernization (PASMod)
- Data Privacy Policy for TMRS employees and associated Privacy Notice for external stakeholders
- Improvements to MyTMRS online security – implementing online fraud detection/prevention and identity verification tools
- Selection of a vendor to replace TMRS' current phone system
- Rollout of MyTMRS Direct Deposit updates for retirees
- Migration of Investments Data Warehouse to the Oracle cloud
- Performance Management software selected

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Goal 1:

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

(no changes from Oct.)

- Continue to provide for the actuarial retainer, and funds for legislative studies
- \$125,000 was included in 2019 for 4-year Experience Study
- TMRS Board and management developed legislation and rule amendments (“TMRS Act Review”), to clarify certain aspects of the TMRS Act. SB 1337 was passed in 2019.
- During the interim (2020), Board and staff will determine its legislative agenda

Proposed 2020 Budget

Goal 2:

Strengthen TMRS through excellent customer service and effective communication

- Beginning in 2014 - Straight-Through Processing
“from enrollment to retirement” by offering self-service capabilities in MyTMRS and City Portal
- \$200,000 was budgeted in 2019 for consulting services to conduct an overall assessment of TMRS’ Pension Administration System (PAS). A final report and recommendations were presented to the Board at the September meeting.
- For 2020, \$1.5 million (down from \$2.4 million, in October) is being requested for the Pension Administration System Modernization (PASMod) effort
 - TMRS staff has provided a more detailed Business Case (see Appendix G)
 - Note that costs have shifted out, with less in 2020 and moving some into 2024; anticipating a five-year project

Proposed 2020 Budget

Goal 3:

***Identify and implement the best governance and management structure
(no changes from Oct.)***

Many of these initiatives will be completed by Board and staff.

- During 2019, the Board made progress in:
 - Updating roles/responsibilities of the Board chair/vice-chair
 - Authorization/delegation for investment manager selections
 - Defining investment beliefs

- 2020 will continue efforts with governance consultant to review bylaws and policies

As in 2019, 2020 budget includes funds in the professional services category (audit line-item) for co-source audit engagements to be managed by the TMRS internal auditor.

Proposed 2020 Budget

Goal 4

Transform the TMRS culture to one of innovation, collaboration, and open communication.
(no changes from Oct.)

TMRS' strategic plan includes:

- Succession plan for key leadership positions (in-house)
- Create and implement a leadership development plan in 2019-2020 (\$20,000 – consulting)
- Elevate employee engagement (2018-2020) - \$40,000 included in consulting for 2020 engagement survey

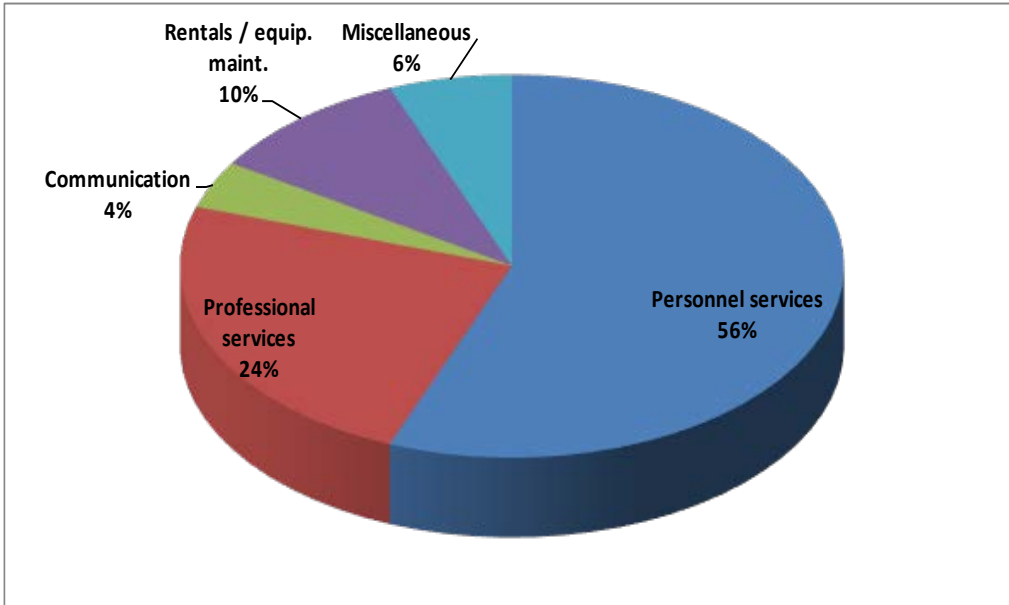
2020 includes 6 new positions

- 2019 included 5 new positions (1 part-time)

Proposed 2020 Budget

Section II – Executive Summary

- Provided a brief introduction to explain the funding of the operating expenses (budget) from investment income in the Trust Fund.
- Provided five-year historical information on budget dollars and FTE's, for investment department and all others (general operations)



	2019	2020
Personnel services	55%	56%
Professional services	25%	24%
Communication	4%	4%
Rentals / equip. maint.	11%	10%
Miscellaneous	5%	6%

Proposed 2020 Budget

Section II – Comparison of 2019 budget to 2020 proposed

- Proposed 2020 of **\$35.8 million** (down from \$37.6 million in Oct.) for administrative and capital expenditures
- The “new” column totals **\$3.9 million** (down from \$5.6 million in Oct.)

	Total 2019	Baseline 2020	New 2020	Total 2020	Year-to-Year Change	
Total Operating Expenses	\$ 32,492,033	\$ 31,874,323	\$ 3,209,137	\$ 35,083,460	\$ 2,591,427	8%
Total Capital	\$ 143,000	\$ -	\$ 686,500	\$ 686,500	543,500	380%
GRAND TOTAL	\$ 32,635,033	\$ 31,874,323	\$ 3,895,637	\$ 35,769,960	\$ 3,134,927	10%
Excluding PASMod:						
Operating Expenses	\$ 32,492,033	\$ 31,874,323	\$ 2,366,040	\$ 34,240,363	\$ 1,748,330	5%
Capital	143,000	-	61,500	61,500	(81,500)	(57%)
	\$ 32,635,033	\$ 31,874,323	\$ 2,427,540	\$ 34,301,863	\$ 1,666,830	5%

Proposed 2020 Budget

Section II – Comparison of 2019 budget to 2020 proposed, continued

- Approximately 38% of the new funds are for the PASMod

	New Personnel 2020	New Budget Items 2020	PASMod Budget 2020	Total New
Total Operating Expenses	\$ 773,896	\$ 1,592,144	\$ 843,097	\$ 3,209,137
Total Capital	\$ -	\$ 61,500	\$ 625,000	\$ 686,500
GRAND TOTAL	\$ 773,896	\$ 1,653,644	\$ 1,468,097	\$ 3,895,637
% of Grand Total	20%	42%	38%	100%
Total Excluding PASMod	\$ 773,896	\$ 1,653,644		\$ 2,427,540
	32%	68%		

Proposed 2020 Budget

Section II – New Funds requested (by the five major budget categories)

	New Personnel 2020	New Budget Items 2020	PASMod Budget 2020	Total New	
Personnel Services	\$ 660,290	\$ 582,104	\$ 153,560	\$ 1,395,954	36%
Professional Services	-	514,500	560,000	1,074,500	28%
Communication	35,331	8,640	-	43,971	1%
Rentals / Equipment	48,244	360,970	46,957	456,171	12%
Miscellaneous	30,031	125,930	82,580	238,541	6%
Total Operating Expenses	773,896	1,592,144	843,097	3,209,137	
Total Capital	-	61,500	625,000	686,500	18%
GRAND TOTAL	\$ 773,896	\$ 1,653,644	\$ 1,468,097	\$ 3,895,637	100%
% of Grand Total	20%	42%	38%	100%	

Proposed 2020 Budget

Personnel Services –

- continues to be largest category at approximately 56% of the total budget

2020 budget includes:

- 6 new positions (see Appendix A)
- Approximately \$266,000 “new” funds allocated for merit adjustments (mid-year)
- “New” funds of **\$154,000 (down from \$759,000 in Oct.)** for contract labor/temporary assistance (PASMod)
- Maintaining full retirement rate from 2019 (higher than 2020 calculated rate)
16.14% combined rate, including SDB
- Same benefit package for employees
(assumes rate increases for Sept-Dec 2020)
- Includes same scale for retiree medical coverage

Proposed 2020 Budget

Professional Services – second largest category, at 24% of the total proposed budget

		Total 2019	Baseline 2020	New 2020	Total 2020	% of budget
Professional Services:						
Consulting & other prof svcs	\$	3,640,374	\$ 3,076,551	1,054,500	4,131,051	49 %
Actuarial		857,200	638,600	-	638,600	8
Banking services		2,140,000	2,141,600	-	2,141,600	26
Legal services		994,500	1,119,000	20,000	1,139,000	14
Medical services		60,000	50,000	-	50,000	1
Audit		275,450	278,375	-	278,375	3
TOTAL	\$	7,967,524	\$ 7,304,126	1,074,500	\$ 8,378,626	100 %

Proposed 2020 Budget –

(Professional Services, continued)

Consulting and Other Professional Services:

(approximately half of Professional Services category)

<u>New Consulting & Other Professional Services</u>	<u>Vendor / Provider</u>	New Budget Request	
		2020	
Recruiting for Executive Director	Hudepohl & Associates, Inc.	\$ 130,000	
Recruiting for Deputy CIO	TBD	110,000	\$ 240,000
Website Accessibility Audit	TBD	15,000	
Perceptive Content Upgrade	Hyland	32,500	
Death Processing Workflow	Shamrock Solution	5,000	
Email Integration Workflow & Statistics Gathering	Shamrock Solution	5,000	
e-Discovery Response Plan	TBD	30,000	
Privacy Training Content & Videos	TBD	37,000	
Data Breach 3rd Party Services	TBD	80,000	
2020 Phone System Replacement Implementation	TBD	50,000	
			\$ 494,500 47%
Pension Administration System Modernization (PASMd):			
Project Management (full-time)	TBD	180,000	
Organizational Change Management	TBD	90,000	
Project Oversight IV & V	TBD	290,000	
			\$ 560,000 53%
Total New Consulting & Other Professional Services			\$ 1,054,500

From the October draft budget, the placeholder of \$500,000 for a private credit consultant has been removed. In addition, PASMd numbers have been refined (decreased from \$695,000 to \$560,000).

Proposed 2020 Budget

Capital Expenditures

2020 “new” funds are included for:

- Furniture (\$20,000)
- Replacement of firewalls (\$41,500)
 - Two firewalls (act as our external firewall and “first line of defense”) due for replacement
- PASMMod (\$625,000, lower than Oct. of \$830,000)
 - First part of City Contribution System replacement

Proposed 2020 Budget

New Personnel (*Appendix A*)

Budget request of \$774,000 (approximately \$660,000 for salaries and benefits) assuming various hire dates in 2020

- 3 Investment Department positions
 - Deputy CIO
 - Investment Analyst - ARS
 - Investment Analyst – Real Assets

- QA / QC Analyst

- Business Process Analyst

- Internal Auditor (specialty focus on information technology)

Proposed 2020 Budget

Pension Administration System Modernization Program – PASMod (*Appendix G*)

Since the October draft budget was presented, staff has refined the TIMELINE for PASMod

Costs for 2020 in the October version included a full year of estimated expenses; the updated proposed budget has shifted costs, lowering estimates for 2020 and expanding out to 2024.

Program Objectives include:

- City Contribution System
- Customer Relationship Management System
- NextGen Refactoring
- Mobile App needs assessment

Program Resources are also identified:

- Personnel Services (contract labor) = temporary staffing costs
- Consulting line-item = organizational change management, project oversight IV & V, and project manager
- Data processing & online services = software/hardware for temp staffing and a project management application
- Training = Agile training

Proposed 2020 Budget

Estimated Expenses for 2019 Budget Year (*Appendix J*)

We anticipate spending approximately 92% of the 2019 budgeted funds for the year.

For the December meeting, we utilize this estimate to assist in determining the budget transfer amount needed from the Trust Fund.

	Budget for	Incurred as of	Estimated	Estimated \$	Estimated %
	2019	9/30/2019	2019	(Over)/Under	(Over)/Under
Total Operating Expenses	\$ 32,492,033	\$ 21,162,088	\$ 29,916,603	\$ 2,575,430	7.9%
Capital	143,000	68,257	93,257	49,743	34.8%
Grand Total	\$ 32,635,033	\$ 21,230,345	\$ 30,009,860	\$ 2,625,173	8.0%

Explanations for the five budget categories are provided in the Appendix.

Questions