DISCUSSION SHEET

Employees' Retirement Fund
Board of Trustees Meeting

June 12, 2018

Issue: Fiscal Year 2017-2018 Budget Amendments

Attachment: 2017-2018 Expenditure Budget report

Discussion: The fiscal year budget is from 10/1/17 to 9/30/18. The Dallas ERF approved the FY 2018 budget of $20,241,000 at the August 2017 Board meeting which includes recurring expenditures and special projects. At the time the budget was approved, the Fund planned to implement CPAS as the pension accounting system at a cost of $1.8 million. During contract negotiations, there were significant organizational changes at CPAS that negatively impacted the project. The Board approved switching to Vitech as the pension accounting system at a cost of $4.8 million in January 2018. This amendment updates the budget to reflect the new pension accounting system cost.

The proposed budget amendments will increase the total budget by $1,896,400, to $22,137,400. As explained, this increase is primarily due to higher investment manager fees and the implementation costs related to the Vitech project.

The recurring expenditures include operating costs and investment fees of the Fund. The amendment will increase the total budget for recurring expenditures by $496,400, from $18,991,000 to $19,487,400. The increase is primarily due to higher investment manager fees due to the increase in assets from positive market returns which are estimated to increase the budget by $500,000. This increase is partially offset by a decrease to the budget for administrative costs of $3,600.

The special projects category, which includes the upgrade of the pension accounting system and costs related to the move to 1920 McKinney, increased by $1.4 million. The total cost of the upgrade is approximately $4.8 million over an estimated 24-month implementation period. This represents an almost $3 million increase over the estimated $1.8 million cost to upgrade and remain with the current CPAS software. The Fund made a $1.2 million payment to

Vitech in June 2018 that is not reflected in the YTD Expenditures as of 04/30/2018.

Please refer to the attached Expenditure Budget report for a detailed list of the proposed budget amendments.

Recommendation: Approve the proposed budget amendments for FY18. Suggested motion for the approval is as follows: Move approval of the proposed FY 2018 budget amendments totaling $1,896,400 which are attached to this discussion sheet and authorize the Executive Director to administer the budget as noted below.

The Executive Director is authorized to expend, as required, up to 110% of each line item or $50 thousand whichever is less of the funds appropriated herein, but in no instance, is the authorization given to exceed the total budgeted for each category (Administrative, Benefits Management, Investment Management, Capital, or Special Projects) without Board approval.

The Executive Director is authorized to negotiate and sign contracts which are required in the conduct of Fund business and funds have been approved in this budget. This authorization is limited to $50,000 per contract.

The Executive Director is authorized to pay pensions and member refunds which are authorized by law but are not specifically included in this budget. The Executive Director to authorized to move money from asset managers to cash to pay benefits and expenses. The Executive Director is authorized to rebalance portfolio in accordance with the approved General Investment Policy.

EMPLOYEES' RETIREMENT FUND

EXPENDITURE BUDGET

For the fiscal year ending September 30, 2018

	Original Budget 2017/2018 Budget	YTD EXPENDITURES Thru 4/30/2018	Proposed Amendments	Proposed Amended Budget 2017/2018 Budget
ADMINISTRATIVE				
Salaries	$ 2,685,600	$ 1,428,852	(30,000)	$ 2,655,600
Merits	111,800	-	(111,800)	-
Service Incentive Pay	1,900	1,872		1,900
Lump Sum Pay	150,000	119,643	(30,000)	120,000
Pensions	634,900	201,683	(21,000)	613,900
Flexible Benefits	241,800	102,349		241,800
FICWA/Medicare	96,600	19,733	(55,000)	41,600
Workers' Compensation	8,200	1,502		8,200
Temporary Help Services	95,000	82,470	150,000	245,000
Supplies	14,400	22,148	20,000	34,400
Food Supplies	15,000	10,542	10,000	25,000
Meter Postage	50,000	31,282		50,000
Reference Books	-	-		-
Printing	54,000	42,434	18,000	72,000
City Forces	5,000	-	(5,000)	-
Copier	9,000	772	(5,000)	4,000
Property Insurance	-	1,176	1,200	1,200
Liability Insurance	180,000	154,498	(20,000)	160,000
Membership Dues	20,000	14,068		20,000
Subscriptions	4,300	1,119		4,300
Professional Development/Travel	140,000	83,063	40,000	180,000
Reimbursement for Vehicle Use	500	208		500
Data Services	316,000	124,889		316,000
Rent	385,000	268,885	60,000	445,000
Parking	44,000	15,047	(25,000)	19,000
Indirect Cost	-	-		-
Legal	450,000	247,034		450,000
Accounting	60,000	37,335		60,000
Audit	50,000	10,000		50,000
Actuary	71,000	33,901		71,000
Election	28,500	-		28,500
Other	20,000	15,000		20,000
Total	**5,942,500**	**3,071,505**	**(3,600)**	**5,938,900**
BENEFITS MANAGEMENT				
Disabilities/Continuations/Etc	15,000	6,894		15,000
Pension Benefit Information	1,500	-		1,500
Communications	-	-		-
Total	**16,500**	**6,894**	**-**	**16,500**
INVESTMENTS MANAGEMENT				
Manager Fees	12,150,000	6,681,973	500,000	12,650,000
Investment Consultant	360,000	265,000		360,000
Custodial Fees	272,000	91,212	-	272,000
Total	**12,782,000**	**7,038,185**	**500,000**	**13,282,000**
CAPITAL				
Furniture, Fixtures, Equipment	125,000	90,354	-	125,000
Computer Equipment	125,000	58,572	-	125,000
Total	**250,000**	**148,926**	**-**	**250,000**
Total Budget and Expenditures	**18,991,000**	**10,265,510**	**496,400**	**19,487,400**
SPECIAL PROJECTS				
TOTAL SPECIAL PROJECTS	**1,250,000**	**248,356**	**1,400,000**	**2,650,000**
Grand Total	**$ 20,241,000**	**$ 10,513,866**	**$ 1,896,400**	**$ 22,137,400**