

# Presentation to the San Diego City Council Budget Review Committee: FY 2014 Budget

*May 9, 2013*



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# Mission Statement

SDCERS' mission is to deliver accurate and timely benefits to its participants and ensure the Trust Fund's safety, integrity and growth.

## Plenary Authority

We present SDCERS' budget for inclusion in the City's annual budget ordinance.  
(Section 24.0906 of the San Diego Municipal Code)

## FY 2013 Accomplishments

- Key Investment achievements:
  - Completed Asset Liability Study
  - Issued competitive RFP for custodial banking services and negotiated contract with State Street
  - Reviewed SDCERS's private equity investments according to Institutional Limited Partners Association Standards
- Current financial reporting with clean audit opinions
  - GFOA Certificate of Excellence awarded for FY 2012 CAFR
- Independent actuarial audit of Cheiron's June 30, 2011 valuation completed with no findings

## SDCERS' Budget has Two Main Components

FY 2014 Budget is \$42.5 million<sup>1</sup>:

- **Administrative** expenses of \$15.4 million are up \$0.7 million (4.7%) from FY13 budget
- **Investment Management** expenses of \$27.1 million are up \$2.5 million (10%) from FY13 budget

<sup>1</sup> Approximately 7% is allocated to the Port and the Airport

## Administrative Budget \$15.4 million

- \$0.7 million increase (4.7%) from FY13 budget primarily from the increase in fringe expense, IT system maintenance costs and depreciation expense
- Update: FY14 Budget for litigation legal fees is being increased due to July trial date for Substantially Equal

## Salaries and Personnel

- \$8.3 million in salaries and fringe for FY14
- Increase of \$0.8 million (10.7%) from FY13 budget primarily due to increased fringe rates
- No increase in staffing level...remaining at 58
- 6% salary / benefit reductions sustained from FY10

## General Operations

- General operations costs of \$3.4 million in FY14 up \$161,000 (5%)
- Increase explained by increase in depreciation expense: new pension system implementation January 1, 2014
- Reductions in actuary services and disability processing compared to FY13

## Information Technology

- FY14 budget of \$2.0 million is a 3.8% increase over the FY13 budget
- New pension system implementation and overlapping support contracts
- Capital budget increased by \$1.6 million due to milestone payments for new pension system (IRIS) and website project

## Legal Fees

- Proposed FY14 Budget for outside counsel of \$1.6 million
- Litigation budget will be revised upward due to the change in the trial date for Substantially Equal
- Litigation with City on Substantially Equal and with labor on PSC Corrections driving majority of legal expenses

# Budget Summary

(\$ millions)

	Budget FY 2013	Budget FY 2014	Increase (Decrease)
Salaries and Personnel	\$ 7.5	\$ 8.3	\$ 0.8
General Operations	\$ 3.2	\$ 3.4	\$ 0.2
Information Technology	\$ 2.0	\$ 2.0	\$ 0.0
Legal Fees	\$ 1.9	\$ 1.6	\$ (0.3)
Administrative Expenses	\$ 14.7	\$ 15.4	\$ 0.7
			4.7%
Investment Management Expenses <sup>2</sup>	\$ 24.7	\$ 27.1	\$ 2.5
			10.0%
<b>Total</b>	<b>\$ 39.3</b>	<b>\$ 42.5</b>	<b>\$ 3.2</b>
			8.0%

*Note: Rounding may affect totals*

# Investment Management

- Investment Management fees are variable: as assets rise, so do fees
- \$2.5 million (10%) increase over FY13 budget:
  - Assumed growth of 7.5% in assets under management
  - Increased allocation to real estate

# Projected Portfolio basis points

**Market Value Assumptions, Fee Structure & Allocation determine Average Basis Points**

	<u>FY13 Proj</u>	<u>FY14 Budget</u>	
<i>Public Equity and Fixed Income</i>	.28	.28	.
<b><i>Total Portfolio</i></b>	<b>.44</b>	<b>.42</b>	

## Key FY 2014 Goals

- Resolution of litigation: Substantially Equal
- Leverage new target asset allocations to maximize market momentum
- Successfully implement new pension system software

# Questions