

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
BOARD OF RETIREMENT
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CALIFORNIA

BUDGET WORKSHOP
OCERS TRAINING ROOM – FIRST FLOOR

October 18, 2018
9:00 a.m.

AGENDA

The Orange County Board of Retirement welcomes you to this meeting. This agenda contains a brief general description of each item to be considered. The Board of Retirement may take action on any item included in the following agenda; however, except as otherwise provided by law, no action shall be taken on any item not appearing on the agenda. The Board of Retirement may consider matters included on the agenda in any order, and not necessarily in the order listed.

INDIVIDUAL ITEM AGENDA

- I-1 [2019 PROPOSED ADMINISTRATIVE BUDGET](#)
Presentation by Steve Delaney, Brenda Shott & Tracy Bowman

Recommendation: Discussion only, no action to be taken.

***** END OF INDIVIDUAL ITEM AGENDA *****

NOTICE OF NEXT MEETINGS

INVESTMENT COMMITTEE MEETING
October 25, 2018
9:00 A.M.

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701

DISABILITY COMMITTEE MEETING
November 6, 2018
10:00 A.M.

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701**

**REGULAR BOARD MEETING
November 19, 2018
9:00 A.M.**

**ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
2223 E. WELLINGTON AVENUE, SUITE 100
SANTA ANA, CA 92701**

All supporting documentation is available for public review in the retirement office during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Thursday and 8:00 a.m. – 4:30 p.m. on Friday.

It is OCERS' intention to comply with the Americans with Disabilities Act ("ADA") in all respects. If, as an attendee or participant at this meeting, you will need any special assistance beyond that normally provided, OCERS will attempt to accommodate your needs in a reasonable manner. Please contact OCERS via email at adminsupport@ocers.org or call 714-558-6200 as soon as possible prior to the meeting to tell us about your needs and to determine if accommodation is feasible. We would appreciate at least 48 hours' notice, if possible. Please also advise us if you plan to attend meetings on a regular basis.

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BUDGET WORKSHOP

October 18, 2018

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- 1. Budget Workshop Presentation**
- 2. Administration 2019 Budget Detail by Expense Category**
- 3. Budget Comparisons**
 - a. 2017-2019 Budget Comparison by Account**
 - b. Department Level Budgets: 2017-2019**
- 4. Historical Statistics**
- 5. 2019 Personnel Costs**
 - a. 2019 Personnel Cost Budget**
 - b. Compensation Philosophy**
- 6. 2019 Business Plan**
- 7. Budget Policy**

Memorandum

DATE: October 12, 2018
TO: Members, Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: **2019 Budget Workshop Materials**

Recommendation

Discussion only, no action to be taken.

Background/Discussion

OCERS will be holding a Budget Workshop on Thursday, October 18, 2018 at 9:00 am. The workshop is to be an interactive conversation between staff and the Board of Retirement regarding items that are being included in the proposed 2019 Administrative Budget for the upcoming year. No action will be taken by the Board during the meeting.

The workshop will consist of a single agenda item, 2019 Proposed Administrative Budget. Included in the uploaded materials are the following items:

1. Budget Workshop Presentation
2. Administration 2019 Budget Detail by Expense Category
3. Budget Comparisons
 - a. 2017-2019 Budget Comparison by Account
 - b. Department Level Budgets: 2017-2019
4. Historical Statistics
5. 2019 Personnel Costs
 - a. 2019 Personnel Cost Budget
 - b. Compensation Philosophy
6. 2019 Business Plan
7. Budget Policy

A binder with hard copies of the above-mentioned uploaded materials will be made available to the Board and interested stakeholders during the workshop.

Submitted by:



Brenda Shott, Assistant CEO, Finance and
Internal Operations



OCERS Finance Presentation 2019 Proposed Budget Workshop

October 18, 2018



Today's Agenda

1. Purpose of Workshop
2. Overview of Budget Process
3. Review Proposed 2019 Budget

Purpose of Workshop

- Give Board opportunity to discuss and review in detail Proposed 2019 Budget
 - Personnel Costs
 - Services and Supplies
 - Capital Expenditures
- Provide staff direction on content of budget prior to adoption at November 19, 2018 Board Meeting

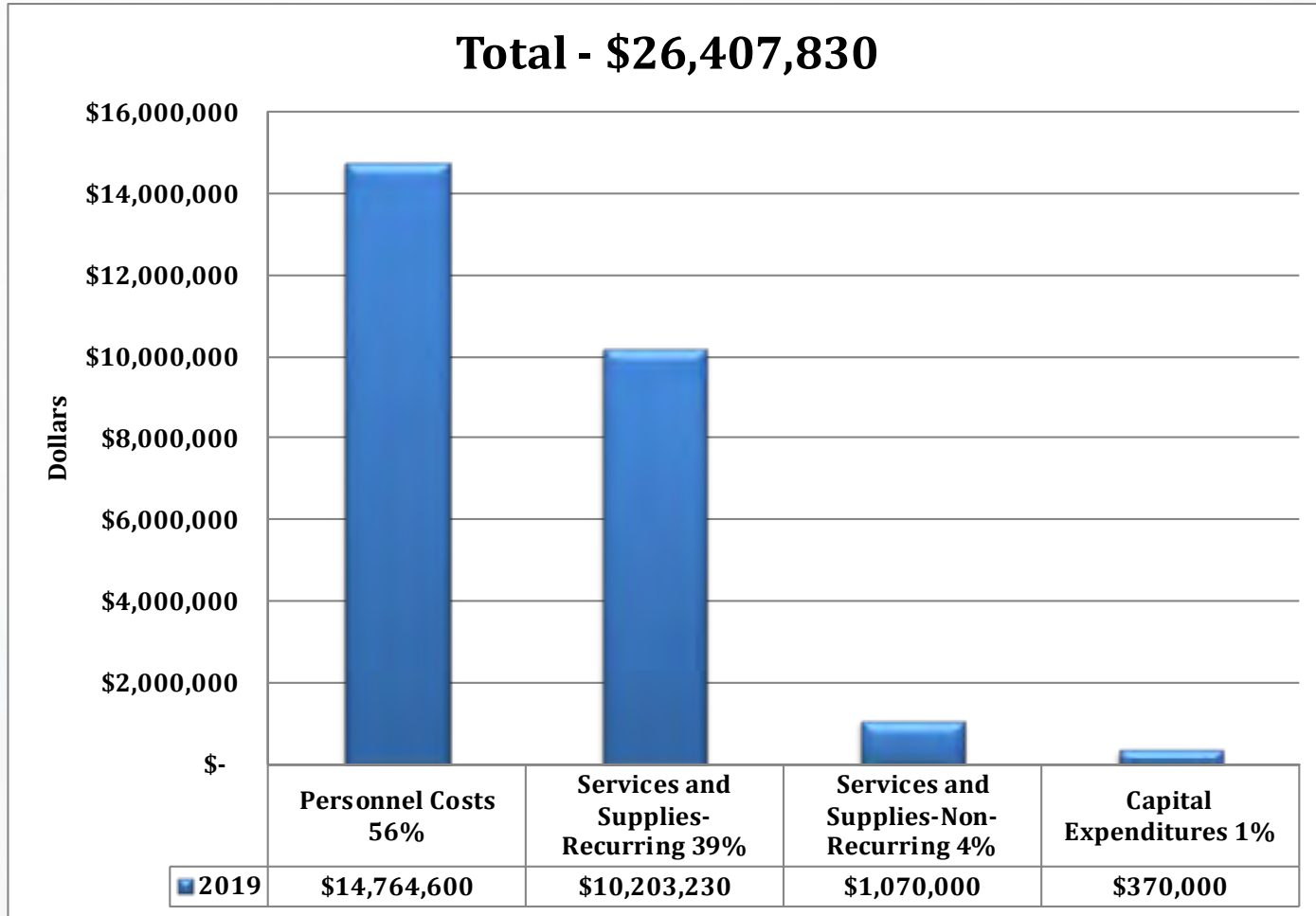
Overview of Budget Process

- Budget Approval Policy
- OCERS' Mission Statement, Vision and Values, and 3-Year Strategic Plan
- Set Business Plan goals for 2019
 - Executives/Directors' off-site meeting on July 20, 2018
 - Strategic Planning with Board on September 12-13, 2018
 - 2019 Business Plan approval on October 15, 2018
- Initial budget requests are made by each department head
- CEO, Assistant CEO of Internal Operations and Director of Finance met individually with department heads to discuss and determine necessity of each line item in their budget request

Overview of Budget Process (cont'd)

- Prepare budget with comparisons to prior years' budgets and actuals
- Workshop to present proposed budget to the Board for comment prior to approval
- Approval of the budget by the Board at the November 19, 2018 meeting

FY19 Proposed Budget Summary



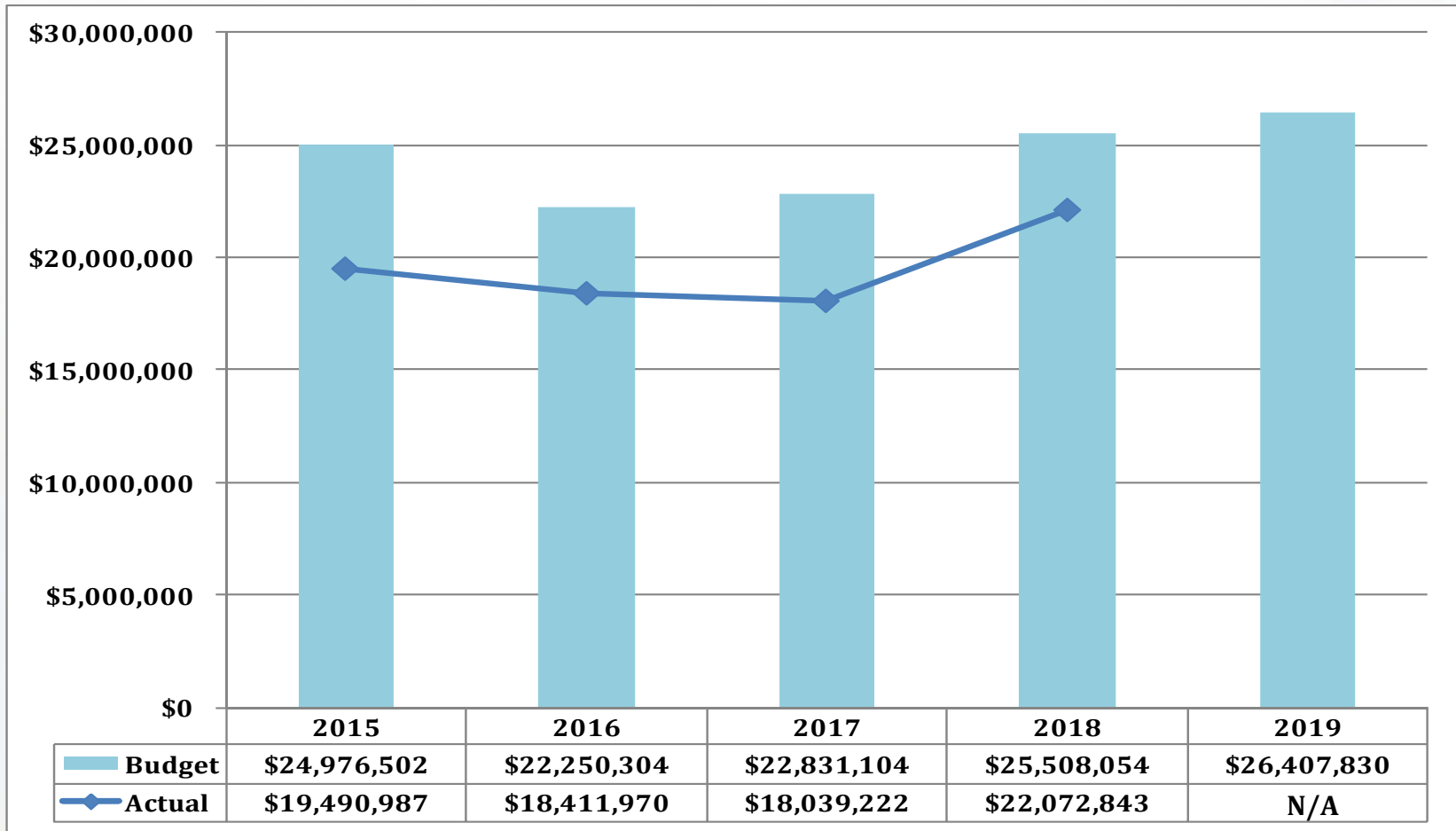
Trends

(Dollars in Thousands)

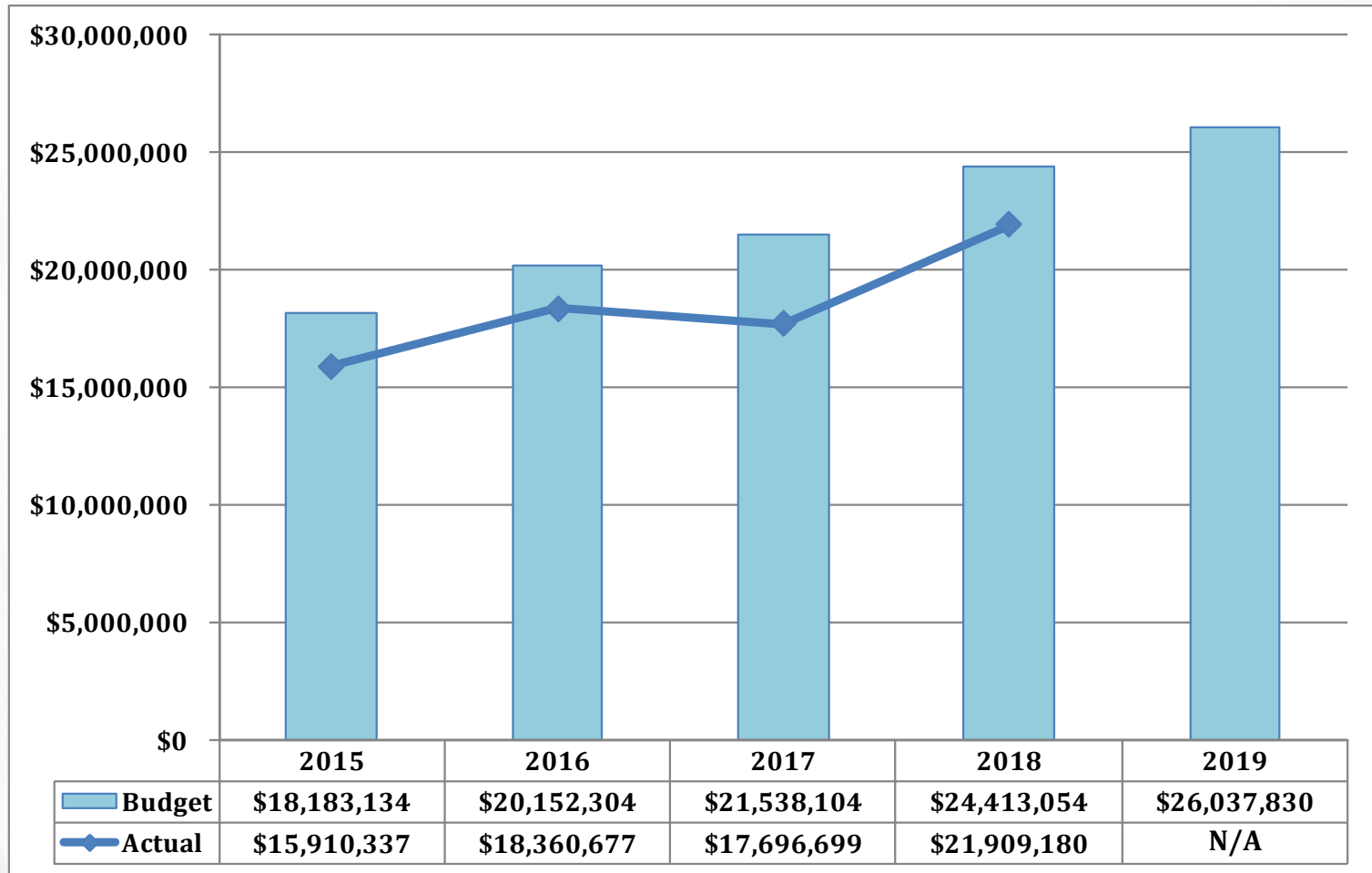
	2015	2016	2017	2018	2019	5 Year Average
Total Budget*	\$ 24,977	\$ 22,250	\$ 22,831	\$ 25,508	\$ 26,408	
% Increase/(Decrease)	3.2%	-10.9%	2.6%	11.7%	3.5%	2.0%
Total Budget* (No Capital Expenditures)	\$ 18,183	\$ 20,152	\$ 21,538	\$ 24,413	\$ 26,038	
% Increase/(Decrease)	3.5%	10.8%	6.9%	13.3%	6.7%	8.2%
Actuals*	\$ 19,491	\$ 18,412	\$ 18,039	\$ 22,073	N/A	
% Increase/(Decrease)	4.2%	-5.5%	-2.0%	22.4%	N/A	4.7%
Actuals* (No Capital Expenditures)	\$ 15,910	\$ 18,361	\$ 17,697	\$ 21,909	N/A	
% Increase/(Decrease)	8.3%	15.4%	-3.6%	23.8%	N/A	11.0%
Budgeted Personnel Costs	\$ 10,741	\$ 11,501	\$ 12,417	\$ 13,925	\$ 14,765	
% Increase	4.8%	7.1%	8.0%	12.1%	6.0%	7.6%
Budgeted FTE	72.5	74.5	79	91.5	92.5	
% Increase	1.4%	2.8%	6.0%	15.8%	1.1%	5.4%
Projected Actuarial Accrued Liability	\$ 16,715,804	\$ 17,347,337	\$ 17,967,005	\$ 18,896,140	\$ 20,666,562	
% Increase	3.9%	3.8%	3.6%	5.2%	9.4%	5.2%
21 Basis Points Test	7.97	8.48	8.55	9.31	8.91	
% Increase/(Decrease)	-0.5%	6.4%	0.8%	8.9%	-4.3%	2.3%
Projected Actuarial Value of Assets	\$ 11,713,013	\$ 12,610,762	\$ 13,422,423	\$ 14,448,127	\$ 15,632,587	
% Increase	9.6%	7.7%	6.4%	7.6%	8.2%	7.9%
18 Basis Points Test	11.88	12.26	14.56	14.48	14.19	
% Increase/(Decrease)	-7.2%	3.2%	18.8%	-0.5%	-2.0%	2.4%

Budget versus Actuals Trend

Total Budget



Budget versus Actuals Trend Personnel Costs, Services and Supplies (No Capital Expenditures)





FY 2019 Staffing Plan

Staffing and Personnel

1. Compensation Philosophy
2. Changes in staffing during 2018
3. Staffing recommendations for 2019
4. Salary adjustments - merit

Compensation Philosophy*

OCERS' Direct

- **Purpose and Background**
 - Provide pay levels that are externally competitive among peers and published market data
 - Recognize and reward individual performance
 - Provide management the flexibility to make compensation decisions within budgetary guidelines
- **Compensation Strategy**
 - Written performance evaluations and annual merit increases with a performance rating of meets performance standards or better
 - Salary increases within a range shall not be automatic
 - CEO makes final determination of salary awards within limits approved by Board
 - Salary ranges reviewed annually with an intended purpose of keeping total compensation competitive



Board of Retirement

Chief Executive Officer
 Steve Delaney

Director of Internal Audit
 David Kim

Internal Auditor
 Mark Adviento

Executive Secretary II (1)

Chief Investment Officer
 Molly Murphy

Assistant CEO External Operations
 Suzanne Jenike

General Counsel
 Gina Ratto

Assistant CEO Finance & Internal Operations
 Brenda Shott

Staff Specialist (1)

Executive Secretary I (1)

Managing Director (1) (OCERS)
 Interviews : 10/9/18 & 10/10/18

Director of Investment Operations
 Shanta Chary

Investment Officer
 David Beeson

Investment Officer
 Tarek Turaigi

Investment Analyst
 Stina Walander-Sarkin

Investment Analyst (OCERS)
 Julius Cuaresma

Director of Member Services
 Heidi Halbur

Deputy General Counsel
 Career Ladder

Deputy General Counsel Extra Help (OCERS)

Staff Attorney
 Dawn Matsuo

Staff Attorney
 Nicole McIntosh

Paralegal (1)

Director of Cyber Security (1) (OCERS)

Director of Finance
 Tracy Bowman

Director of Administrative Services
 Cynthia Hockless

Director of Information Technology
 Jenny Sadoski

Member Services Manager
 Mike Persi

Member Services Manager
 Adina Bercaru

Sr. Retirement Analyst
 Marie Wood

Communications Manager
 Robert Kinsler

Disability Coordinator
 Megan Cortez

Finance Manager
 Retiree Payroll / Investments
 Darlene Huynh

Finance Manager
 Accounts Payable / Budgeting
 Diane Dillard

Finance Manager
 Contributions / Reporting
 Jennifer Reyes

Staff Analyst (1) (OCERS)
 Felicia Durrah

Contracts/ Risk & Performance Administrator
 Jim Doezie

Staff Specialist (1)
Staff Assistant (2)
Store Clerk (1)

Retirement Benefits Supervisor
 Jonatheia Tallase

Retirement Benefits Supervisor
 Teresa Panameno

Retirement Benefits Supervisor
 Rene Camarillo

Senior Staff Development Specialist
 Toishe Merida

Staff Specialist (1)

Sr. Accountant Auditor I (1)

Accounting Technician (1)

Accounting Technician (1)

Accountant Auditor I (1)

IT Manager
 Jon Gossard

IT Supervisor Operations
 Javier Lara

Accounting Technician (3)

Office Technician (3)
 Vacant (2)

Senior Retirement Program Specialist (1)

Quality Assurance Specialist (2)

Retirement Program Specialist (1) (County)

Disability Investigator (2)

Accountant Auditor I (1) (County) Career Ladder

Accounting Technician (1)

Retirement Programmer Business Analyst (1)
 Brandon Johnson

IT Supervisor Operations
 Javier Lara

Accounting Technician (1) (County)

Benefits Technician (3)

Retirement Program Specialist (8)
 Vacant (2)

Senior Retirement Program Specialist (1) (County)

Retirement Program Specialist (2) (County)

Office Specialist (2)

Accountant Auditor I (1) (County) Career Ladder

Accounting Technician (1)

Senior IT Applications Developer (2)

Network Engineer (1)

Accounting Technician (1) (County)

Benefits Technician (1) (County)

Senior Retirement Program Specialist (1) (County)

Retirement Program Specialist (2) (County)

Office Specialist (2)

Accounting Technician (1) (County)

Accounting Technician (1)

Systems Engineer (1)

Information Technologist II (1)

- County Employees
- OCERS Direct Employees
- Board Added Position
- Board Added, Position Filled
- Vacant, Legacy Position
- Vacant, County Position

Total Budgeted Employees (as of January 5, 2018): 92
 County – 60; OCERS Direct – 30
 OCERS Direct Extra Help – 2
 Vacancies - 7

Staffing and Personnel

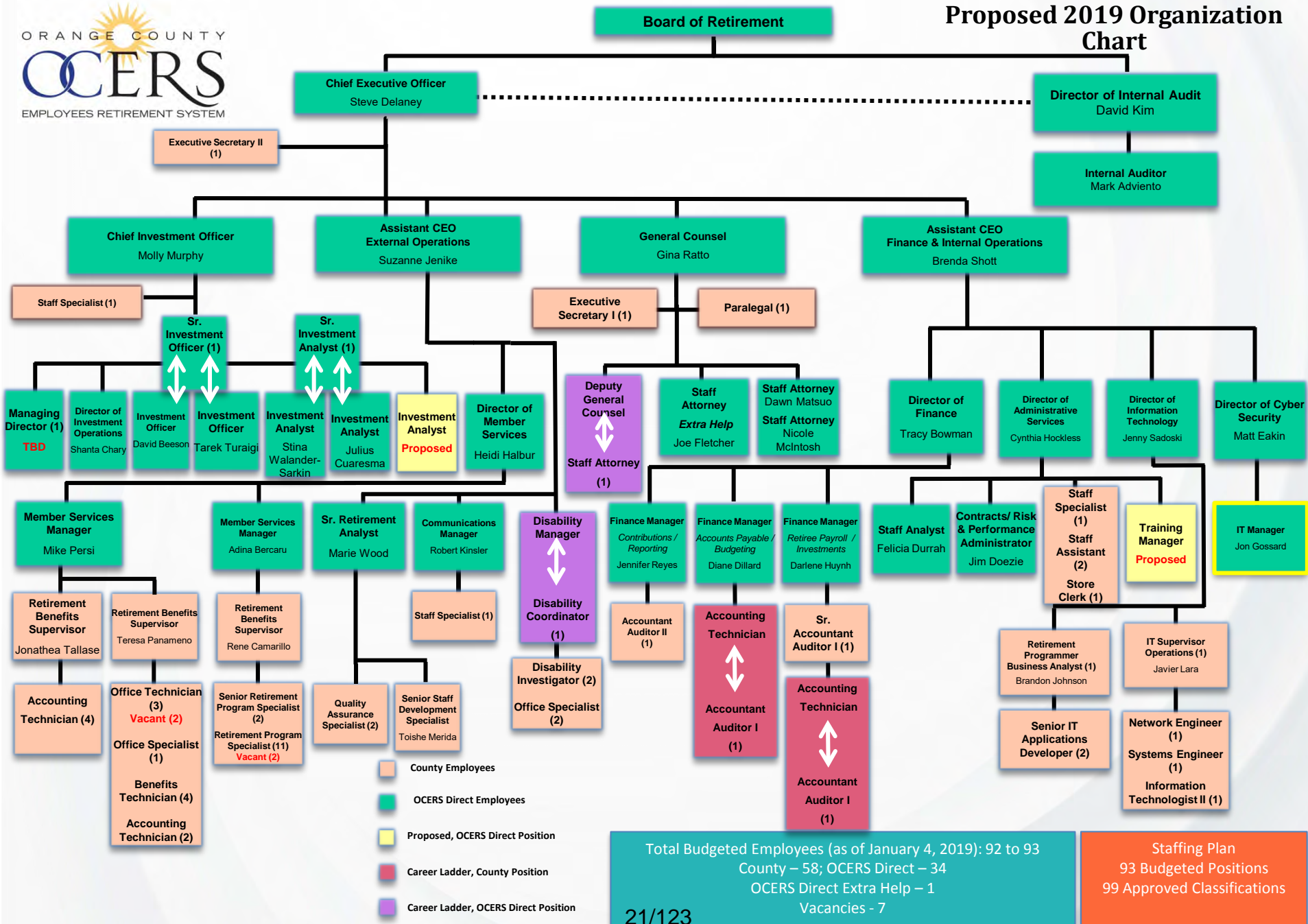
- Changes in staffing during 2018
 - Added 12 new positions, filled 10
 - Total positions filled: 31
 - Turnover in 2018 is 7% versus 11% in 2017
 - Reduced temporary employees from 9 in 2017 to 3 in 2018
 - Terminations/Resignations: 3
 - Retirements: 3
 - Transfers to County: 1



Staffing and Personnel

➤ Recommendations for 2019

- Increase approved budgeted head-count by 1 FTE
 - Add: Investment Analyst
Training Manager
 - Reduce: Accountant/Auditor (use funding for Training Manager; keep classification for career ladder)
- Develop career ladders within departments
 - Approve position classifications that can be used for career growth when warranted
 - Does not increase number of employees
 - Cost impact is equivalent to difference in range for the two applicable career ladder classifications
 - Career ladders currently exist in the Investments Department
 - Classifications requested
 - 1 Staff Attorney (currently Deputy General Counsel)
 - 1 Accountant/Auditor (currently Accounting Technician)
 - 1 Disability Manager (currently Disability Coordinator)
- Net effect on staffing plan
 - 93 budgeted positions
 - 99 classifications

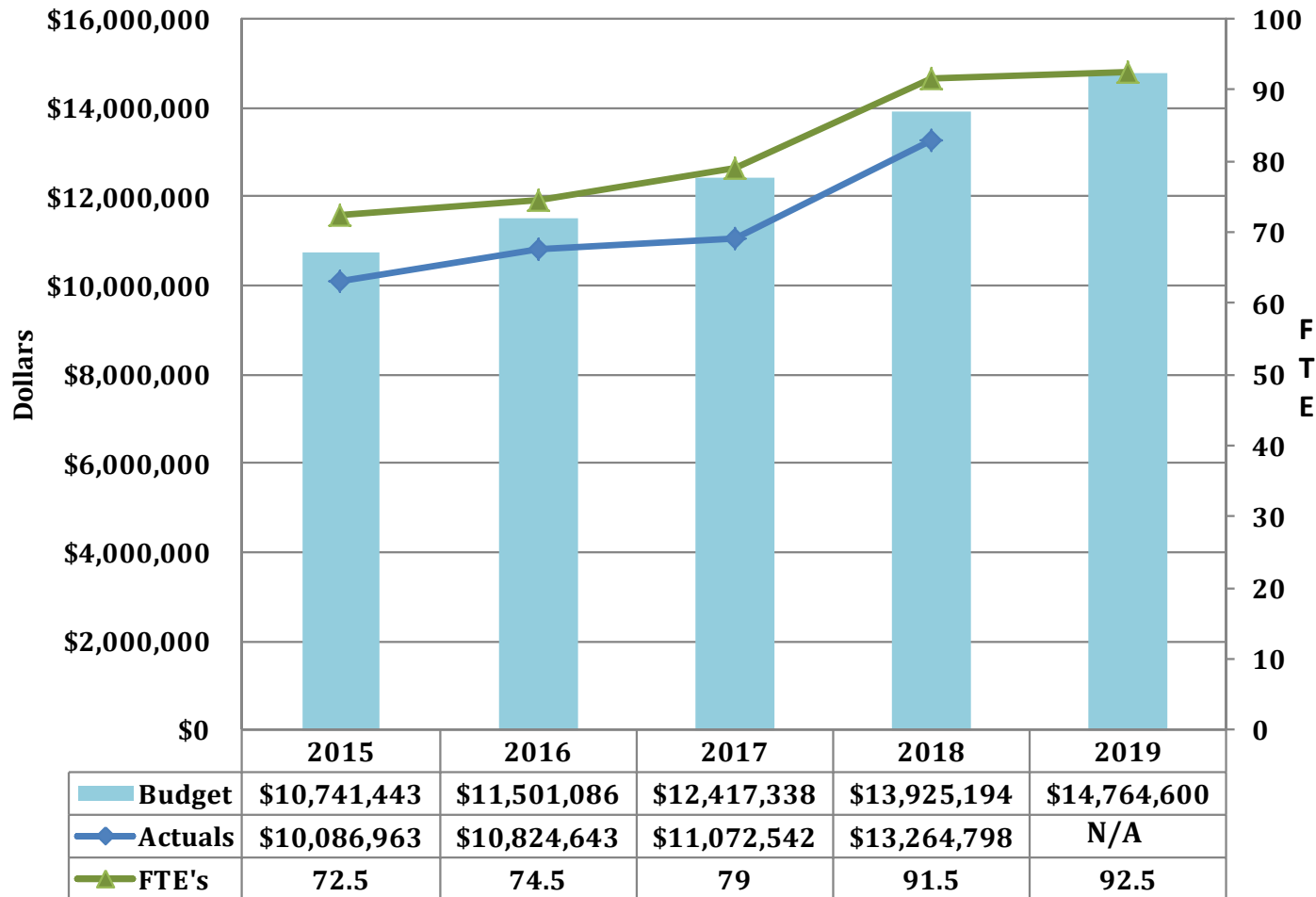


Total Budgeted Employees (as of January 4, 2019): 92 to 93
 County – 58; OCERS Direct – 34
 OCERS Direct Extra Help – 1
 Vacancies - 7

21/123

Staffing Plan
 93 Budgeted Positions
 99 Approved Classifications

Budget versus Actuals Trend Personnel Costs and FTE's



Salary Adjustments

➤ Performance Adjustments

➤ Increases for OCERS' direct staff are based on performance evaluations

- Base = 2.5% (base increases salary ranges)
- 1 step = 2.75%
- Meets - Base
- Exceeds – 1 step + base
- Exceptional – 2 steps + base
- FY19 direct staff budget for merit-based steps = \$315K

➤ County employee salary adjustments are dictated by County MOU

- Granting of County employee increases is outside OCERS' Board Authority
- FY19 County staff budget for MOU increases + steps = \$193K



Salary Adjustments

Merit and Movement		
	OCERS County Employees	OCERS Direct Employees
Employees at top of pay range for their position	23	5
Employees reaching top of pay range for their position <small>(County=steps 9-11, OCERS Direct= 5% to top)</small>	21	10
All other employees	16	17
Total	60	32

Personnel Costs-Compensation

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Annual Salary	\$ 5,946,254	\$ 6,111,081	\$ 6,463,704	\$ 7,275,690	\$ 8,646,011	\$ 1,370,321	18.8%
Certification Pay*	N/A	N/A	N/A	52,026	76,570	24,544	47.2%
Fringe Benefits	3,392,905	3,418,891	3,482,839	4,420,903	4,818,454	397,551	9.0%
Overtime	139,073	101,304	92,847	160,903	129,220	(31,683)	-19.7%
Annual Leave	327,313	266,184	106,248	325,000	375,000	50,000	15.4%
Temp Help/ Extra Help	95,548	542,545	623,254	556,091	194,200	(361,891)	-65.1%
Performance Adjustments	172,770	370,038	287,249	457,685	508,145	50,460	11.0%
Board Allowance	13,100	14,600	16,400	16,500	17,000	500	3.0%
Total Personnel Costs	\$ 10,086,963	\$ 10,824,643	\$ 11,072,542	\$ 13,264,798	\$ 14,764,600	\$ 1,499,802	11.3%

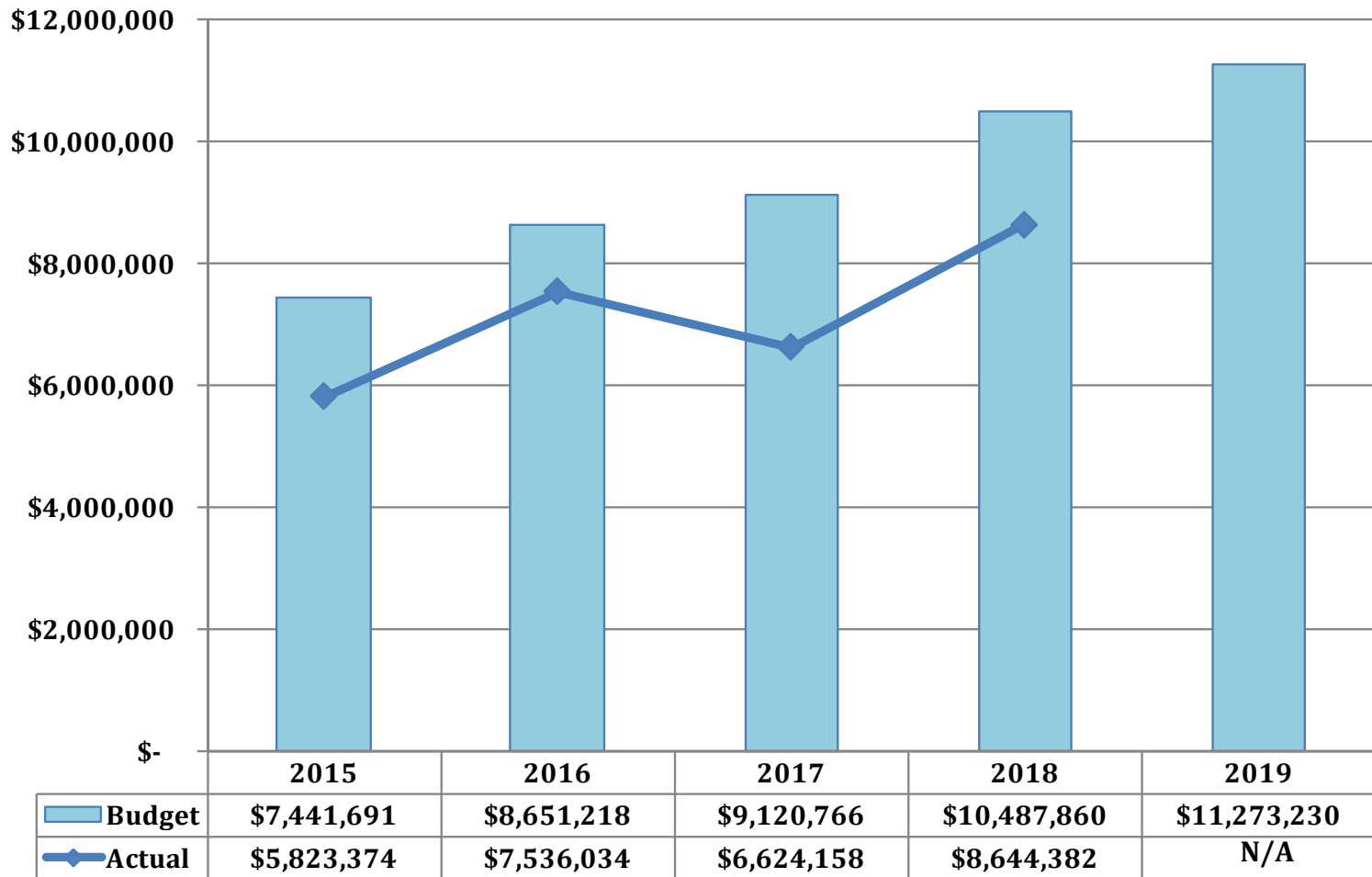
* Certification pay adopted as of FY18 Budget.



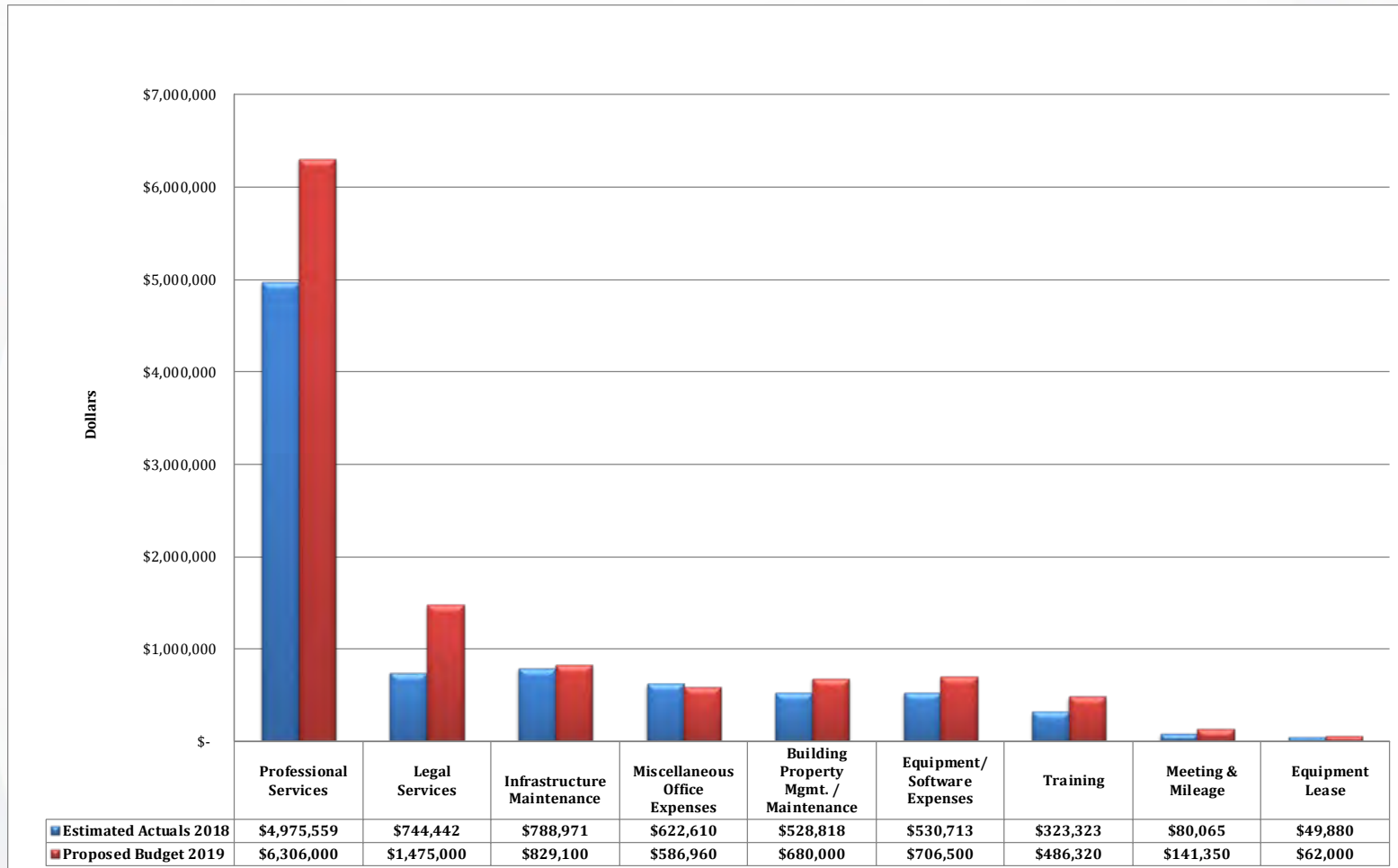
Services and Supplies



Budget versus Actuals - Trend Services and Supplies

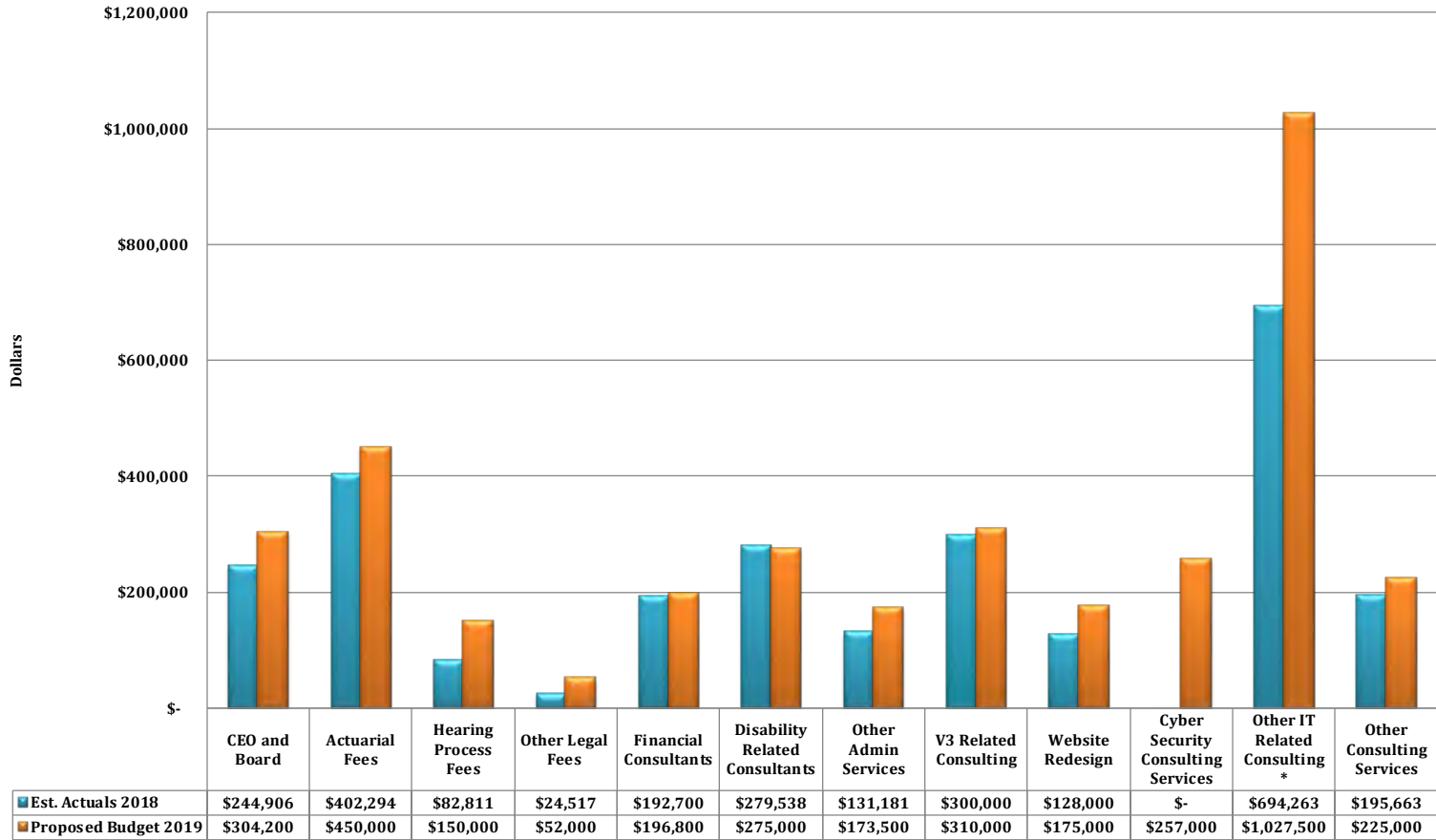


Services and Supplies Proposed versus Estimated Actuals



Professional Services Administration

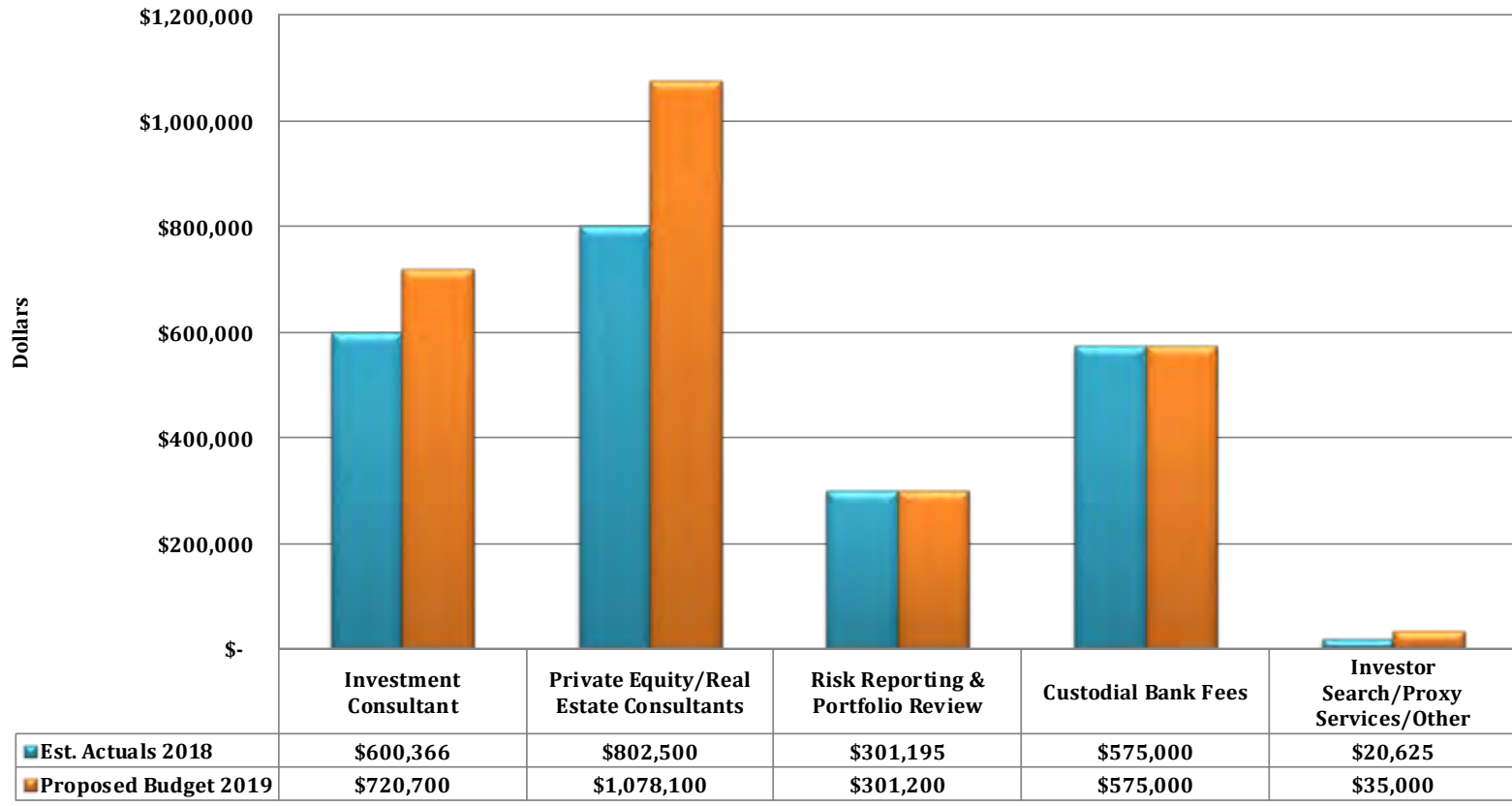
Professional Services-Administration (excludes investment services)
\$3,596,000



*Gartner moved to Professional Services from Misc. Office Expense in FY19

Professional Services Investments

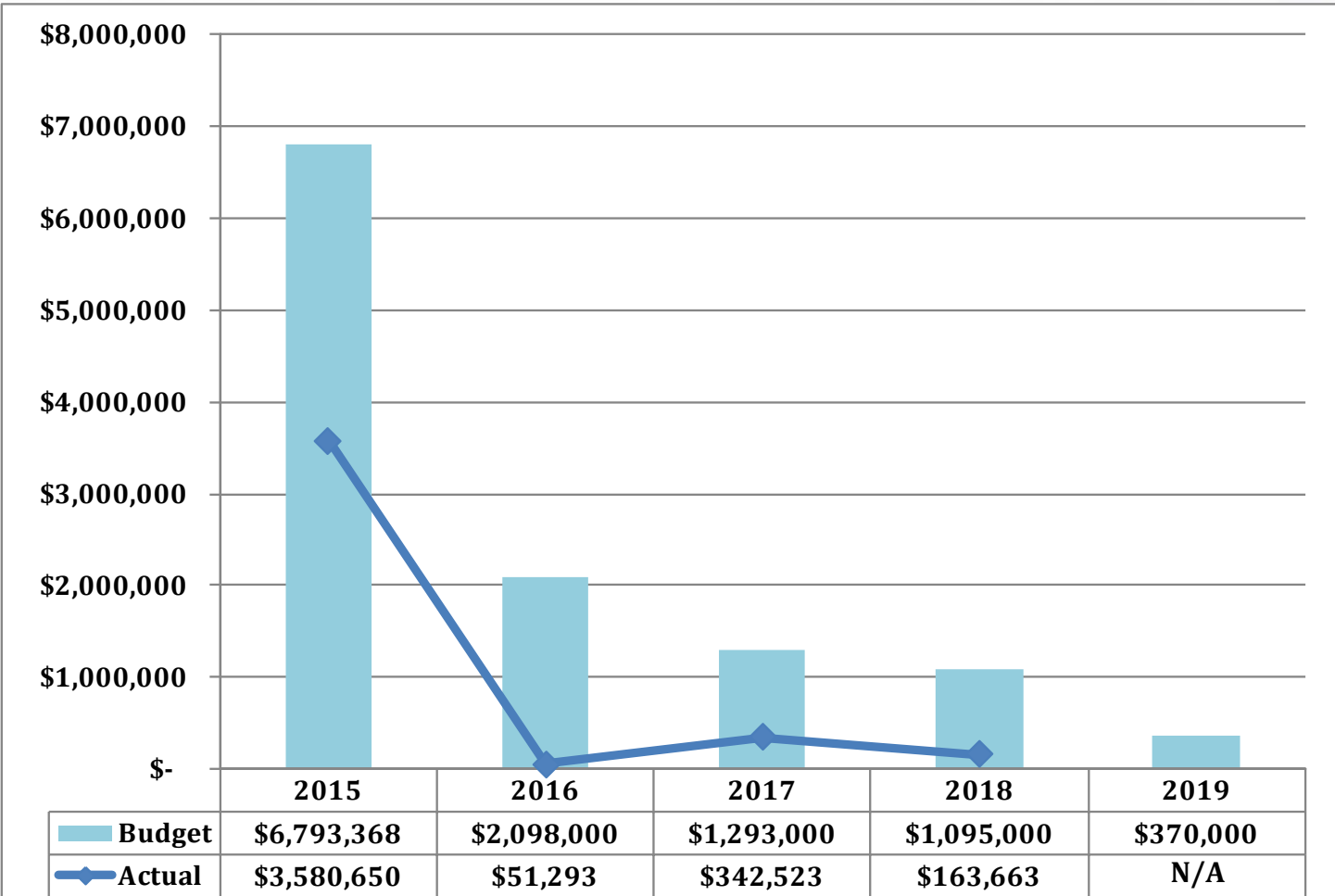
Professional Services-Investments \$2,710,000





Capital Expenditures

Budget vs. Actuals Trend Capital Expenditures



Capital Expenditures

➤ Building HVAC Repair	\$120,000
➤ Board Room A/V Improvements	<u>\$250,000</u>
Total	\$370,000

21 Basis Points Test

Orange County Employees Retirement System
21 Basis Points for Budget Year 2019

Projected actuarial accrued liability as of December 31, 2018	\$20,666,562,000
21 basis points of projected actuarial accrued liability	43,399,780
FY19 proposed budget amount subject to 21 basis points limitation ¹	18,422,742
Amount under 21 basis points	\$24,977,038
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY19	8.91
Budgeted amount expressed as basis points of projected actuarial accrued liability-FY18	9.31

¹ Reconciliation of amount subject to 21 basis points limitation:

Total FY19 proposed budget	\$26,407,830
Less: Investment-related costs	(6,326,088)
Total FY19 proposed administrative budget	20,081,742
Less: IT Capital expenses	-
Computer hardware/software	(589,000)
IT-Professional services consulting	(1,070,000)
FY19 proposed budget amount subject to 21 basis points limitation	\$18,422,742

21 Basis Point History

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
21 Basis Points	7.97	8.48	8.55	9.31	8.91

18 Basis Points Test

Orange County Employees Retirement System
18 Basis Points for Budget Year 2019

Projected actuarial value of total assets as of December 31, 2018	\$15,632,587,000
18 basis points of projected actuarial value of assets	28,138,657
FY19 proposed budget amount subject to 18 basis points limitation ¹	22,176,042
Amount under 18 basis points	\$5,962,615
Budgeted amount expressed as basis points of projected actuarial value of assets-FY19	14.19
Budgeted amount expressed as basis points of projected actuarial value of assets-FY18	14.48

¹ Reconciliation of amount subject to 18 basis points limitation

Total FY19 proposed budget	\$26,407,830
Less: Investment-related costs	(6,326,088)
Total FY19 proposed administrative budget	20,081,742
Less: Capital expenses	(370,000)
Add: Projected depreciation cost	2,464,300
FY19 proposed budget amount subject to 18 basis points limitation	\$22,176,042

Note: The 18 basis points calculation above is for informational and comparison purposes only.

18 Basis Point History

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
18 Basis Points	11.88	12.26	14.56	14.48	14.19



End of Presentation

Questions?

Brenda Shott, Assistant CEO (Internal Operations)

Tracy Bowman, Director of Finance



Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Personnel Cost	Annual Salary	\$8,663,011
	Certification Pay	76,570
	Fringe Benefits	4,818,454
	Overtime	129,220
	Leave P/O	375,000
	Temp Help	194,200
	Salary Adj. Pool	508,145
Personnel Cost Total		\$14,764,600
Professional Svcs	Additional Consulting	200,000
	Admin. Hearing Process Fees	150,000
	Audit consultant / specialist / expert	150,000
	Bank Charges	45,000
	BC/DR Exercise Facilitation	35,000
	Board Election	50,000
	CAFR	20,000
	CEO Contingency	75,000
	Certificate Application Fees	1,300
	Certified Data Destruction	2,500
	Colocation Facilities (monthly service)	80,000
	Consulting Fees	2,100,000
	County VPN Access	200,000
	Court Filing Fees	1,000
	Court Reporter Fees	50,000
	Custodial Bank Fees	575,000
	CWCAP(County Wide Cost Allocation Plan)	45,000
	Cyber Security Vendor Monitoring Service	35,000
	Death Records Match	25,000
	Dynamics Consulting	5,000
	Employee Wellness Program	1,000
	Financial Audit Cost	125,500
	Gartner Consulting	160,000
	HR Consulting Contingency	30,000
	Information Security Contingency	50,000
	Insurance Premiums	120,000
	Internet Access	115,000
	Iron Mountain	15,000
	Lean Process Consultant/Study	25,000
	Managed Security / Detection & Response Service	100,000
	Medical Panel Reviews	275,000
	Network Consulting	10,000
	Office 365 Migration Consulting	150,000
	Online Data Storage	45,000
	Oracle Consulting	25,000
	Plant Maintenance	2,500
	Proxy Services	35,000
Reception Area TV and Ceiling Mount	5,000	
Recruitment/ Volunteer Program Costs	40,000	
Security	9,200	
Security Awareness Training	7,000	
Security Penetration Testing	100,000	
Subpoena Fees	1,000	
Training Program Consultant	25,000	
Universal Protection Security (UPS)	5,000	
Vitech Addl. Support - Cos	310,000	
Website Redesign and Hosting	175,000	
White Board Videos	50,000	
Professional Svcs Total		\$5,856,000

Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Legal Svcs	Board/Fiduciary	125,000
	Dept of Ed vs OCERS	50,000
	Investment Legal Services	750,000
	Other Litigation	500,000
	Tax Attorney/Outside Counsel	50,000
Legal Svcs Total		\$1,475,000
Infrastructure Maintenance	Anti-Virus Solution	7,200
	Arbutus Internal Audit Software Licensing	5,000
	Catalyst-Bullhorn Licensing	6,000
	Computer Room AC/Humidifier Maintenance	5,000
	Computer Room UPS Battery Replacement	6,000
	Computer Room UPS Maintenance	8,000
	Data Center Hardware/Software Maintenance and	73,000
	Database Access	8,000
	Dell Compellent Annual Support	20,000
	Dynamics Software Maintenance (incl: Sandler Ke	12,500
	HP Server Post-warranty Support	20,000
	IBM DejaView One Maintenance and Support - V3	6,300
	Kofax Scanning Maintenance and Support - V3	3,000
	LogMeIn Central Annual Maintenance Fee + 10 P	2,500
	McAfee Secure	3,500
	Microsoft Software Assurance	85,000
	NTIS Certification Fees	1,600
	Oracle - V3	75,000
	Oracle Maintenance - PG	15,000
	Pressure Sealer Maintenance and Support	2,500
	Printer & Microfiche Maintenance	5,000
	Satellite Phone support	3,000
	Server Hardware Support	10,000
	Teamsite Internal Audit Software Licensing	2,000
	V3 Licensing and Support	396,000
	Vendor Management System License	9,000
	vmWare Support	10,000
	Website Hosting	24,000
	Work Station Hardware Support	5,000
Infrastructure Maintenance Total		\$829,100
Bldg. Prop. Mgmt./Maintenance	Property Management	680,000
Bldg. Prop. Mgmt./Maintenance Total		\$680,000
Equipment / Software	Anti-Spam Email Solution	35,000
	Bloomberg/Cambridge/Manager Database	117,500
	Board Portal	45,000
	Change Management Solution	50,000
	Computers/Laptops/Monitors	50,000
	HW/SW Inventory Solution	25,000
	Information Security Remediation	100,000
	Log Aggregation Appliance	25,000
	Managed File Transfer Solution	50,000
	Miscellaneous Hardware & Supplies (including prii	20,000
	Miscellaneous Software	20,000
	Multi-Factor Authentication Solution	10,000
	OpenDNS Subscription	5,000
	Patch Management Solution	50,000
	Rapid Recovery Appliance	50,000
	SmartBear Licensing	4,000
	Vulnerability Management System	50,000
Equipment / Software Total		\$706,500

Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Actuarial Fees	Actuarial Fees	450,000
Actuarial Fees Total		\$450,000
Training	Tuition Reimbursement	48,000
	Assoc. Pension Fund Audit	5,000
	Board Approved Conferences	16,000
	CALAPRS	37,050
	CEM Conference	2,400
	Conferences	54,750
	Gartner Security & Risk Management Summit	5,000
	GFOA Conference	2,300
	HR / Procurement Conferences	15,000
	IFEBP	2,500
	Information Security Training	20,000
	Information Security Training (SANS)	40,000
	LCW Employment Law Conference	1,500
	MCLE and other training	4,300
	Miscellaneous Conferences/Training	23,500
	Miscellaneous Training Materials	2,500
	NAPPA Meetings	17,000
	NASRA	10,000
	NASRA/NIRS	5,000
	NCPERS - General & Safety	3,600
	OCERS Management Succession/Staff Training	45,000
	Online Training	45,000
	PRISM Conference	7,500
	Public Pension Financial Forum	3,000
	SACRS	39,420
	Staff Development Training	4,000
	Staff Training/Continuing Education	4,000
	Strategic Planning	20,000
	UC Berkeley	3,000
Training Total		\$486,320
Telephone	AT & T Telecom Services	28,000
	Cellular/Mobile Services	72,500
	Mitel Services	65,000
Telephone Total		\$165,500
Postage	Miscellaneous Mailing/Mass Mailing	40,000
	Pony Mail Services	2,000
	Postage Expense	65,000
	Quarterly Newsletters - All Members	57,500
Postage Total		\$164,500
Printing Svcs	Brochures	10,000
	CAFR (Comprehensive Annual Financial Report)	12,000
	Printing	7,000
	Quarterly newsletters	76,000
Printing Svcs Total		\$105,000
Due Diligence	Due Diligence	80,000
Due Diligence Total		\$80,000
Office Supplies	General Office Expense- Includes: Ergos, Safety i	55,000
	Office Furniture	15,000
	Public Relation Materials	10,000
Office Supplies Total		\$80,000

Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Equipment Lease	Copier/Printer Lease	50,000
	Postage Machine	12,000
Equipment Lease Total		\$62,000
Mtg/Mileage	CEO Visit to State Legislature	1,000
	CEO/Manager visits to Cal Retirement Systems	4,000
	Civic Center Parking Cards	500
	EE Recognition/Educational Seminar/Qtrly Meetin	7,000
	Investment Committee Meetings	10,000
	Membership Committee Meetings	4,000
	Miscellaneous Meetings	29,850
	Travel for Audits	5,000
Mtg/Mileage Total		\$61,350
Membership	AICPA	610
	American Express	300
	CALAPRS	2,500
	CalCPA	510
	GFOA	600
	Information Systems Security Association Membe	150
	International Foundation (IFEBP)	1,025
	Miscellaneous Memberships	32,540
	NASRA	2,850
	NCPERS	2,000
	NIRS	3,100
	P2F2 - Public Pension Financial Forum	150
	SACRS	6,000
Membership Total		\$52,335
Periodicals	Legal Publications, Daily Journal, Law Book Upda	12,500
	Miscellaneous periodicals	5,375
	Organizational Communication	600
	Public Retirement Journal	950
	Reference books / research materials	200
Periodicals Total		\$19,625
Capital Expenditures	Board Room AV Upgrades	250,000
	HVAC	120,000
Capital Expenditures Total		\$370,000
Grand Total		\$26,407,830

OCERS 2019 Budget Compared to Actuals

	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Personnel Costs	\$ 10,086,963	\$ 10,824,643	\$ 11,072,542	\$ 13,264,798	\$ 14,764,600	\$ 1,499,802	11.3%
Professional Services	3,007,197	4,235,939	3,988,579	4,975,559	6,306,000	1,330,441	26.7%
Legal Services	966,856	1,169,627	624,049	744,442	1,475,000	730,558	98.1%
Infrastructure Maintenance	345,066	578,704	553,149	788,971	829,100	40,129	5.1%
Building Property Mgmt. / Maintenance	539,170	586,513	507,482	528,818	680,000	151,182	28.6%
Miscellaneous Office Expenses	466,480	497,981	513,362	622,610	586,960	(35,650)	-5.7%
Equipment/Software Expenses	115,258	105,815	120,998	530,713	706,500	175,787	33.1%
Training	231,869	250,126	210,350	323,323	486,320	162,997	50.4%
Meeting & Mileage	66,527	38,212	45,187	80,065	141,350	61,285	76.5%
Equipment Lease	84,951	73,117	61,001	49,880	62,000	12,120	24.3%
Total Services and Supplies:	\$ 5,823,374	\$ 7,536,034	\$ 6,624,158	\$ 8,644,382	\$ 11,273,230	\$ 2,628,848	30.4%
Total Capital Expenditures:	\$ 3,580,650	\$ 51,293	\$ 342,523	\$ 163,663	\$ 370,000	\$ 206,337	126.1%
Total	\$ 19,490,987	\$ 18,411,970	\$ 18,039,222	\$ 22,072,843	\$ 26,407,830	\$ 4,334,987	19.6%



Professional Services Administration

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
CEO and Board	\$ 32,899	\$ 43,886	\$ 7,027	\$ 244,906	\$ 304,200	\$ 59,294	24.2%
Actuarial Fees	372,716	395,999	384,587	\$ 402,294	\$ 450,000	47,706	11.9%
Hearing Process Fees	64,100	90,496	60,438	\$ 82,811	\$ 150,000	67,189	81.1%
Other Legal Fees	25,944	33,268	19,729	\$ 24,517	\$ 52,000	27,483	112.1%
Financial Consultants	209,320	176,480	261,106	\$ 192,700	\$ 196,800	4,100	2.1%
Disability Related Consultants	244,335	295,409	298,919	\$ 279,538	\$ 275,000	(4,538)	-1.6%
Other Admin Services	65,127	60,151	159,120	\$ 131,181	\$ 173,500	42,319	32.3%
V3 Related Consulting	219,089	686,711	756,235	\$ 300,000	\$ 310,000	10,000	3.3%
Website Redesign	-	-	-	\$ 128,000	\$ 175,000	47,000	36.7%
Cyber Security Consulting Services	-	-	-	\$ -	\$ 257,000	257,000	NA
Other IT Related Consulting *	220,416	258,923	570,171	\$ 694,263	\$ 1,027,500	333,237	48.0%
Other Consulting Services	20,842	347,653	1,399	\$ 195,663	\$ 225,000	29,337	15.0%
Total Administrative Professional Services	\$ 1,474,788	\$ 2,388,974	\$ 2,518,730	\$ 2,675,873	\$ 3,596,000	\$ 920,127	34.4%

*Gartner moved to Professional Services from Memberships in FY 2019.

Professional Services Investments

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Investment Consultant	\$ 367,675	\$ 442,695	\$ 657,698	\$ 802,866	\$ 720,700	\$ (82,166)	-10.2%
Private Equity/Real Estate Consultants	87,524	149,666	-	600,000	1,078,100	478,100	79.7%
Risk Reporting & Portfolio Review	325,908	520,836	309,000	301,195	301,200	5	0.0%
Custodial Bank Fees	300,000	300,000	437,500	575,000	575,000	-	0.0%
Investor Search/Proxy Services/Other	76,302	58,768	65,651	20,625	35,000	14,375	69.7%
Total Investments Professional Services	\$ 1,532,409	\$ 1,846,965	\$ 1,469,849	\$ 2,299,686	\$ 2,710,000	\$ 410,314	17.8%

Legal Services

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Tax Attorney/Outside Counsel	\$ 78,515	\$ 29,315	\$ 37,854	\$ 32,368	\$ 50,000	\$ 17,632	54.5%
Board/Fiduciary	179,879	298,269	105,380	124,078	125,000	922	0.7%
Dept of Ed vs OCERS	-	288,534	29,515	44,430	50,000	5,570	12.5%
Other Litigation	13,806	14,841	96,944	59,848	500,000	440,152	735.5%
Personnel Matters	59,434	46,158	7,965	-	-	-	NA
Investment Legal Services	635,222	492,510	346,391	366,350	750,000	383,650	104.7%
Settlement Payment	-	-	-	117,368	-	(117,368)	-100.0%
Total Legal Services	\$ 966,856	\$ 1,169,627	\$ 624,049	\$ 744,442	\$ 1,475,000	\$ 730,558	98.1%

Infrastructure Maintenance

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
V3 Licensing and Support	\$ 33,000	\$ 396,000	\$ 396,000	\$ 396,000	\$ 396,000	\$ -	0.0%
Oracle V3	-	53,452	55,056	70,427	75,000	4,573	6.5%
Microsoft Software Assurance	32,789	32,789	-	83,109	85,000	1,891	2.3%
Data Center Maintenance	11,731	13,976	7,213	89,005	92,000	2,995	3.4%
Dell Compellent Annual Support	9,628	21,274	16,894	18,000	20,000	2,000	11.1%
HP 3 Year Post Warranty HW Support	11,694	-	-	29,532	20,000	(9,532)	-32.3%
Anti-Virus Solution	-	-	13,723	7,200	7,200	-	0.0%
Oracle Maintenance-PG	8,822	9,086	9,359	9,641	15,000	5,360	55.6%
Dynamics Software Mte	5,444	9,689	8,408	8,141	12,500	4,359	53.5%
Pension Gold	191,692	-	-	-	-	-	NA
Other Software Maintenance <\$10K	35,515	20,647	30,080	50,783	80,900	30,117	59.3%
Other Hardware Maintenance <\$10K	4,751	21,791	16,415	27,134	25,500	(1,634)	-6.0%
Total Equipment Maintenance	\$ 345,066	\$ 578,704	\$ 553,149	\$ 788,971	\$ 829,100	\$ 40,129	5.1%

Building Management and Maintenance



Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Property Management and Maintenance	\$ 539,170	\$ 548,307	\$ 507,482	\$ 528,818	\$ 680,000	\$ 151,182	28.6%
Space Management Projects	-	26,206	-	-	-	-	NA
Employee Restroom Upgrades	-	12,000	-	-	-	-	NA
Total Building Management and Maintenance	\$ 539,170	\$ 586,513	\$ 507,482	\$ 528,818	\$ 680,000	\$ 151,182	28.6%

Miscellaneous Office Expense

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Memberships *	\$ 140,023	\$ 129,048	\$ 111,694	\$ 149,850	\$ 52,335	\$ (97,515)	-65.1%
Postage	121,874	138,065	124,742	122,297	164,500	42,203	34.5%
Printing	78,634	95,551	102,827	103,842	105,000	1,158	1.1%
Telephone	70,990	83,982	113,270	152,514	165,500	12,986	8.5%
Office Supplies	43,920	46,873	56,242	79,213	80,000	787	1.0%
Periodicals	11,039	4,462	4,588	14,895	19,625	4,730	31.8%
Total Miscellaneous Office Expense	\$ 466,480	\$ 497,981	\$ 513,362	\$ 622,610	\$ 586,960	\$ (35,650)	-5.7%

* Gartner moved from Memberships to Professional Services in FY 2019.

Equipment and Software

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Board Portal	\$ 30,268	\$ 30,109	\$ 30,199	\$ 30,199	\$ 45,000	\$ 14,801	49.0%
Computers-Laptops-Monitors	21,260	13,000	21,987	190,202	50,000	(140,202)	-73.7%
Miscellaneous Hardware	19,976	9,793	16,871	28,015	20,000	(8,015)	-28.6%
Miscellaneous Software	9,371	10,723	10,581	44,400	20,000	(24,400)	-55.0%
SmartBear Licensing	-	5,990	3,594	3,414	4,000	586	17.2%
OpenDNS Subscription	-	6,545	-	9,859	5,000	(4,859)	-49.3%
Wireless & Telecom Equip	-	306	4,956	2,500	-	(2,500)	-100.0%
Rapid Recover Appliance	-	-	-	50,000	50,000	-	0.0%
Patch Management Solution	-	-	-	15,000	50,000	35,000	233.3%
Anti-Spam Solution	-	4,269	-	20,000	35,000	15,000	75.0%
Managed File Transfer Solution	-	-	-	50,000	50,000	-	0.0%
Bloomberg and Other Investment Databases	24,270	25,080	23,810	87,123	117,500	30,377	34.9%
Change Management Solution	-	-	-	-	50,000	50,000	NA
HW/SW Inventory Solution	-	-	-	-	25,000	25,000	NA
Multi-Factor Authentication Solution	-	-	-	-	10,000	10,000	NA
Log Aggregation Appliance	-	-	-	-	25,000	25,000	NA
Information Security Remediation	-	-	-	-	100,000	100,000	NA
Vulnerability Management System	-	-	-	-	50,000	50,000	NA
Other	10,113	-	9,000	-	-	-	NA
Total Equipment and Software	\$ 115,258	\$ 105,815	\$ 120,998	\$ 530,713	\$ 706,500	\$ 175,787	33.1%

Training

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Online Training	\$ 87,550	\$ 71,365	\$ 2,698	\$ 65,355	\$ 45,000	\$ (20,355)	-31.1%
Miscellaneous Conferences/Training	53,601	67,406	46,527	81,397	139,950	58,553	71.9%
Information Security Training (SANS)	6,160	5,588	19,817	32,902	60,000	27,098	82.4%
Board Approved Conferences	17,611	12,728	35,408	45,764	19,000	(26,764)	-58.5%
SACRS	14,905	11,768	24,445	19,452	39,420	19,968	102.7%
Tuition Reimbursement	9,157	9,945	3,025	10,406	50,300	39,894	383.4%
OCERS Management Succession/Staff Training	5,323	24,250	17,127	5,818	45,000	39,182	673.4%
CALAPRS	12,747	12,410	25,243	22,196	37,050	14,854	66.9%
Strategic Planning	11,351	19,396	12,855	20,000	20,000	-	0.0%
NAPPA Meetings	5,631	3,792	6,772	6,451	17,000	10,549	163.5%
NASRA	5,288	10,513	16,333	12,927	10,000	(2,927)	-22.6%
NCPERS-General and Safety	2,544	965	100	656	3,600	2,944	448.9%
Total Training	\$ 231,868	\$ 250,126	\$ 210,350	\$ 323,323	\$ 486,320	\$ 162,997	50.4%

Meetings and Mileage

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Miscellaneous Meetings	\$ 39,259	\$ 31,530	\$ 36,669	\$ 46,043	\$ 61,350	\$ 15,307	33.2%
Due Diligence-Investments	27,269	6,683	8,519	34,022	80,000	45,978	135.1%
Total Meetings and Mileage	\$ 66,528	\$ 38,212	\$ 45,187	\$ 80,065	\$ 141,350	\$ 61,285	76.5%

Equipment Lease

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Copier/Printer Lease	\$ 54,752	\$ 39,986	\$ 34,728	\$ 38,000	\$ 50,000	\$ 12,000	31.6%
Legal Equipment	19,955	19,935	14,524	-	-	-	NA
Postage Machine	10,244	13,196	11,749	11,880	12,000	120	1.0%
Total Equipment Lease	\$ 84,951	\$ 73,117	\$ 61,001	\$ 49,880	\$ 62,000	\$ 12,120	24.3%

Capital Expenditures

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
OCERS BC/DR	\$ 102,500	\$ 14,293	\$ 281,385	\$ 116,763	\$ -	\$ (116,763)	-100.0%
Lobby Reception Security Project	-	37,000	61,138	-	-	-	NA
V3 Pension System	3,387,040	-	-	-	-	-	NA
Building HVAC Repair	91,110	-	-	-	120,000	120,000	NA
Board Room A/V Improvements	-	-	-	-	250,000	250,000	NA
Space Management	-	-	-	46,900	-	(46,900)	-100.0%
Total Capital Expenditures	\$ 3,580,650	\$ 51,293	\$ 342,523	\$ 163,663	\$ 370,000	\$ 206,337	126.1%

2017-19 Budget Comparison by Account

Account Group	Amended FY 2017 Budget	FY 2018 Budget	Proposed FY 2019 Budget	FY 18-FY19 \$ Change	FY 18-FY19 % Change
7670 - Actuarial Fees	\$500,000	\$500,000	\$450,000	(\$50,000)	-10.0%
784X - Due Diligence	44,110	56,600	80,000	23,400	41.3%
8640/7640 - Personnel Cost	12,417,428	13,925,194	14,764,600	839,406	6.0%
8650/7650 - Professional Svcs*	4,672,759	5,475,900	5,856,000	380,100	6.9%
8690/7690 - Legal Svcs	1,150,000	1,067,370	1,475,000	407,630	38.2%
885X/785X - Training	520,545	514,670	486,320	(28,350)	-5.5%
886X/786X - Mtg/Mileage	67,350	61,350	61,350	-	0.0%
8885/7885 - Membership*	142,555	157,220	52,335	(104,885)	-66.7%
8950 - Infrastructure Maintenance	680,400	764,300	829,100	64,800	8.5%
8960 - Printing Svcs	99,000	104,800	105,000	200	0.2%
8965/7965 - Periodicals	6,777	21,950	19,625	(2,325)	-10.6%
8970 - Postage	163,000	163,000	164,500	1,500	0.9%
8975 - Office Supplies	47,000	75,000	80,000	5,000	6.7%
8980/7980 - Equipment / Software	175,180	586,700	706,500	119,800	20.4%
8985 - Capital Expenditures	1,293,000	1,095,000	370,000	(725,000)	-66.2%
8990 - Equipment Lease	90,000	50,000	62,000	12,000	24.0%
8991 - Bldg. Prop. Mgmt./Maintenance	682,000	730,000	680,000	(50,000)	-6.8%
8995 - Telephone	80,000	159,000	165,500	6,500	4.1%
Grand Total	\$22,831,104	\$25,508,054	\$26,407,830	\$899,776	3.5%

*Gartner moved from Memberships to Professional Services in FY 2019.

Department Level Budgets: 2017-2019

Organization	Account Group	Amended FY 2017 Budget	FY 2018 Budget	Proposed FY 2019 Budget	FY 18-FY19 \$ Change	FY 18-FY19 % Change
0001 - BOARD	8640 - Personnel Cost	\$15,000	\$15,000	\$17,000	\$2,000	13.3%
	8650 - Professional Svcs	9,000	60,000	59,200	(800)	-1.3%
	8690 - Legal Svcs	530,000	-	-	-	N/A
	885X - Training	82,000	75,000	75,000	-	0.0%
	886X - Mtg/Mileage	14,000	12,000	13,000	1,000	8.3%
	8885 - Membership	15,200	16,300	16,450	150	0.9%
0001 - BOARD Total		\$665,200	\$178,300	\$180,650	\$2,350	1.3%
0010 - EXECUTIVE	8640 - Personnel Cost	\$1,258,016	\$1,237,219	\$1,299,880	\$62,661	5.1%
	8650 - Professional Svcs	75,000	235,000	245,000	10,000	4.3%
	885X - Training	73,500	73,500	52,300	(21,200)	-28.8%
	886X - Mtg/Mileage	19,000	13,000	12,000	(1,000)	-7.7%
	8885 - Membership	3,240	4,345	3,195	(1,150)	-26.5%
	8965 - Periodicals	1,350	1,350	1,450	100	7.4%
	7670 - Actuarial Fees	-	500,000.00	450,000	(50,000)	-10.0%
0010 - EXECUTIVE Total		\$1,430,106	\$2,064,414	\$2,063,825	(\$589)	0.0%
0011 - INVESTMENTS	7640 - Personnel Cost	\$1,419,337	\$1,940,536	\$2,144,013	\$203,477	10.5%
	7650 - Professional Svcs	1,872,559	2,614,500	2,710,000	95,500	3.7%
	7670 - Actuarial Fees	500,000.00	-	-	-	N/A
	7690 - Legal Svcs	525,000.00	-	-	-	N/A
	784X - Due Diligence	44,110	56,600	80,000	23,400	41.3%
	785X - Training	59,460	63,765	53,900	(9,865)	-15.5%
	786X - Mtg/Mileage	10,000	10,000	10,000	-	0.0%
	7885 - Membership	10,380	11,680	7,300	(4,380)	-37.5%
	7965 - Periodicals	1,127	6,300	3,375	(2,925)	-46.4%
	7980 - Equipment / Software	25,680	81,200	117,500	36,300	44.7%
0011 - INVESTMENTS Total		\$4,467,653	\$4,784,581	\$5,126,088	\$341,507	7.1%
0015 - COMMUNICATIONS	8640 - Personnel Cost	\$266,996	\$268,489	\$273,758	\$5,269	2.0%
	8650 - Professional Svcs	20,000	-	50,000	50,000	N/A
	885X - Training	2,700	3,380	2,300	(1,080)	-32.0%
	886X - Mtg/Mileage	300	300	300	-	0.0%
	8960 - Printing Svcs	92,000	96,000	98,000	2,000	2.1%
	8965 - Periodicals	600	600	600	-	0.0%
	8970 - Postage	96,000	96,000	97,500	1,500	1.6%
	8975 - Office Supplies	5,000	10,000	10,000	-	0.0%
0015 - COMMUNICATIONS Total		\$483,596	\$474,769	\$532,458	\$57,689	12.2%
0020 - LEGAL	8640 - Personnel Cost	\$1,226,351	\$1,469,114	\$1,443,979	(\$25,135)	-1.7%
	8650 - Professional Svcs	276,800	251,800	202,000	(49,800)	-19.8%
	8690/7690 - Legal Svcs	95,000	1,067,370	1,475,000	407,630	38.2%
	885X - Training	25,300	30,300	30,300	-	0.0%
	886X - Mtg/Mileage	3,000	3,000	2,000	(1,000)	-33.3%
	8885 - Membership	3,050	4,200	4,200	-	0.0%
	8965 - Periodicals	2,000	12,500	12,500	-	0.0%
	8990 - Equipment Lease	23,000	-	-	-	N/A
0020 - LEGAL Total		\$1,654,501	\$2,838,284	\$3,169,979	\$331,695	11.7%
0030 - MEMBER SERVICES	8640 - Personnel Cost	\$3,303,246	\$3,616,180	\$3,771,456	\$155,276	4.3%
	8650 - Professional Svcs	10,000	185,000	25,000	(160,000)	-86.5%
	885X - Training	12,500	18,900	18,800	(100)	-0.5%
	886X - Mtg/Mileage	250	250	250	-	0.0%
	8965 - Periodicals	500	-	-	-	N/A
0030 - MEMBER SERVICES Total		\$3,326,496	\$3,820,330	\$3,815,506	(\$4,824)	-0.1%

Department Level Budgets: 2017-2019

Organization	Account Group	Amended FY 2017 Budget	FY 2018 Budget	Proposed FY 2019 Budget	FY 18-FY19 \$ Change	FY 18-FY19 % Change
0040 - FINANCE	8640 - Personnel Cost	\$1,325,031	\$1,393,533	\$1,412,268	\$18,735	1.3%
	8650 - Professional Svcs	194,700	196,300	196,800	500	0.3%
	885X - Training	23,375	21,150	15,650	(5,500)	-26.0%
	886X - Mtg/Mileage	500	500	500	-	0.0%
	8885 - Membership	4,165	3,410	3,290	(120)	-3.5%
	8965 - Periodicals	1,000	1,000	1,000	-	0.0%
0040 - FINANCE Total		\$1,548,771	\$1,615,893	\$1,629,508	\$13,615	0.8%
0050 - DISABILITY	8640 - Personnel Cost	\$489,591	\$577,968	\$509,145	(\$68,823)	-11.9%
	8650 - Professional Svcs	275,000	225,000	275,000	50,000	22.2%
	885X - Training	9,010	10,175	10,420	245	2.4%
	886X - Mtg/Mileage	450	450	450	-	0.0%
	8960 - Printing Svcs	-	1,800.00	-	(1,800)	-100.0%
0050 - DISABILITY Total		\$774,051	\$815,393	\$795,015	(\$20,378)	-2.5%
0060 - ADMINISTRATIVE SERVICES	8640 - Personnel Cost	\$1,045,758	\$1,271,034	\$1,572,675	\$301,641	23.7%
	8650 - Professional Svcs	90,300	232,300	173,500	(58,800)	-25.3%
	885X - Training	53,300	51,100	69,000	17,900	35.0%
	886X - Mtg/Mileage	8,000	8,000	8,000	-	0.0%
	8885 - Membership	4,935	8,900	9,000	100	1.1%
	8960 - Printing Svcs	7,000	7,000	7,000	-	0.0%
	8970 - Postage	67,000	67,000	67,000	-	0.0%
	8975 - Office Supplies	42,000	65,000	70,000	5,000	7.7%
	8985 - Capital Expenditures	58,000	770,000	370,000	(400,000)	-51.9%
	8990 - Equipment Lease	17,000	12,000	12,000	-	0.0%
	8991 - Bldg. Prop. Mgmt./Maintenance	682,000	730,000	680,000	(50,000)	-6.8%
0060 - ADMINISTRATIVE SERVICES Total		\$2,075,293	\$3,222,334	\$3,038,175	(\$184,159)	-5.7%
0070 - INFORMATION TECHNOLOGY	8640 - Personnel Cost	\$1,655,431	\$1,720,079	\$1,622,135	(\$97,944)	-5.7%
	8650 - Professional Svcs*	1,844,400	1,456,000	1,512,500	56,500	3.9%
	885X - Training	160,000	148,000	105,000	(43,000)	-29.1%
	886X - Mtg/Mileage	6,500	8,500	8,500	-	0.0%
	8885 - Membership*	99,250	106,050	7,250	(98,800)	-93.2%
	8950 - Infrastructure Maintenance	680,400	764,300	829,100	64,800	8.5%
	8980 - Equipment / Software	149,500	505,500	539,000	33,500	6.6%
	8985 - Capital Expenditures	1,235,000	325,000	-	(325,000)	-100.0%
	8990 - Equipment Lease	50,000	38,000	50,000	12,000	31.6%
	8995 - Telephone	80,000	159,000	165,500	6,500	4.1%
0070 - INFORMATION TECHNOLOGY Total		\$5,960,481	\$5,230,429	\$4,838,985	(\$391,444)	-7.5%
0080 - INTERNAL AUDIT	8640 - Personnel Cost	\$412,671	\$416,042	\$448,850	\$32,808	7.9%
	8650 - Professional Svcs	5,000	20,000	150,000	130,000	650.0%
	885X - Training	19,400	19,400	19,400	-	0.0%
	886X - Mtg/Mileage	5,350	5,350	5,350	-	0.0%
	8885 - Membership	2,335	2,335	1,500	(835)	-35.8%
	8965 - Periodicals	200	200	200	-	0.0%
0080 - INTERNAL AUDIT Total		\$444,956	\$463,327	\$625,300	\$161,973	35.0%
0090 - CYBER SECURITY	8640 - Personnel Cost	-	-	\$249,441	\$249,441	N/A
	8650 - Professional Svcs	-	-	257,000	257,000	N/A
	885X - Training	-	-	34,250	34,250	N/A
	886X - Mtg/Mileage	-	-	1,000	1,000	N/A
	8885 - Membership	-	-	150	150	N/A
	8965 - Periodicals	-	-	500	500	N/A
	8980 - Equipment / Software	-	-	50,000	50,000	N/A
0090 - CYBER SECURITY Total		\$0	\$0	\$592,341	\$592,341	N/A
Grand Total		\$22,831,104	\$25,508,054	\$26,407,830	\$899,776	3.5%

*Gartner moved from Memberships to Professional Services in FY 2019.



	2014	2015	2016	2017	2018
No. of Full-Time Positions Budgeted	72	73	75	79	92
No. of Retirees – Beginning of Year	14,505	15,169	15,810	16,369	16,947
No. of Additional Retirements ¹	1,052	1,019	1,006	1,061	885
No. Removed from Payroll ¹	(388)	(378)	(447)	(483)	(353)
Payroll \$ (in thousands) ^{2*}	\$627,245	\$675,963	\$717,976	\$764,344	\$823,849
No. of Members ^{**1}	41,418	42,427	43,845	44,471	45,499
No. of New Members ^{**1}	1,075	1,135	1,152	854	1,028
Seminars	48	44	52	46	56

¹2018 figures are as of September 2018

²2018 figures are annualized estimates based on actuals through August 2018

*Payroll represents retirement payroll, withdrawals and death benefits

**Number of members includes active, deferred, and retired (including beneficiaries)

2019 Personnel Cost Budget

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0001	Board	Board Member		\$3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Total				\$17,000	-	-	-	-	-
0010	Executive	Chief Executive Officer		273,431	-	-	154,149				
		Assistant CEO-Finance & Internal Ops		232,050	13,784	-	138,016				
		Assistant CEO-External Ops		212,816	-	-	119,977				
		Executive Secretary II		68,058	-	1,527	36,846				
		Executive Total				\$786,355	\$13,784	\$1,527	448,988	-	\$34,226
0011	Investment	Chief Investment Officer		315,000	18,711	-	187,364				
		Managing Director of Investments		209,232	12,112	-	121,276				
		Director of Investment Operations		209,232	-	-	114,953				
		Investment Officer		126,493	-	-	69,496				
		Investment Officer		125,008	7,236	-	72,457				
		Investment Analyst	New Position (OCERS)	90,334	-	-	47,154				
		Investment Analyst		86,853	-	-	47,718				
		Investment Analyst		82,597	-	-	45,379				
		Staff Specialist		53,102	-	1,253	30,236				
		Investment Total				\$1,297,851	\$38,059	\$1,253	736,033	-	\$55,817
0015	Comm.	Communications Manager		103,520	-	-	55,388				
		Staff Specialist		69,285	-	1,514	36,529				
		Comm. Total				\$172,805	-	\$1,514	91,917	-	\$7,522
0020	Legal	Chief Legal Officer		251,114	-	-	141,568				
		Staff Attorney		161,200	-	-	88,564				
		Staff Attorney		161,190	-	-	88,558				
		Staff Attorney		145,018	-	-	79,673				
		Paralegal		65,749	-	1,514	36,529				
		Executive Secretary I		54,974	-	1,297	31,302				
		Legal Total				\$839,245	-	\$2,811	466,194	-	\$36,529

2019 Personnel Cost Budget

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0030	Member Svcs.	Director of Member Services		148,034	-	-	83,456				
		Retirement Analyst		132,600	-	-	74,755				
		Member Services Manager		102,846	-	-	57,981				
		Member Services Manager		87,598	-	-	48,127				
		Sr. Staff Development Specialist		88,525	-	3,224	46,672				
		Retirement Benefits Supervisor		77,397	-	2,819	40,805				
		Retirement Benefits Supervisor		77,397	-	2,819	40,805				
		Retirement Benefits Supervisor		71,344	-	2,819	40,805				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		62,400	-	2,523	36,529				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		57,637	-	2,218	32,109				
		Retirement Program Specialist		56,098	-	2,218	32,109				
		Retirement Program Specialist		56,098	-	2,218	32,109				
		Retirement Program Specialist		53,206	-	2,093	30,295				
		Retirement Program Specialist		51,854	-	2,039	29,525				
		Retirement Program Specialist		51,854	-	2,039	29,525				
		Retirement Program Specialist		51,854	-	530	29,525				
		Accounting Technician (Transmittals)		56,368	-	2,053	29,719				
		Accounting Technician (Transmittals)		52,291	-	2,053	29,719				
		Accounting Technician (Transmittals)		45,698	-	1,797	26,021				
		Accounting Technician		52,291	-	2,053	29,719				
		Accounting Technician		52,291	-	2,053	29,719				
		Accounting Technician		46,946	-	1,846	26,731				
		Office Specialist		40,997	-	1,613	23,344				
		Retirement Benefits Technician		46,654	-	1,745	25,266				
		Retirement Benefits Technician		39,686	-	1,561	22,597				
		Retirement Benefits Technician		42,994	-	1,745	25,266				
		Retirement Benefits Technician		42,994	-	1,745	25,266				
		Office Technician		42,016	-	1,530	22,152				
		Office Technician		40,123	-	1,530	22,152				
		Office Technician		39,146	-	1,530	22,152				
		Member Svcs. Total		\$2,318,700	-	\$68,854	1,282,978	-	\$100,924	-	\$3,771,456

2019 Personnel Cost Budget

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0040	Finance	Director of Finance		157,920	9,380	-	93,926				
		Finance Manager		111,927	-	-	63,100				
		Finance Manager		109,311	-	-	61,625				
		Finance Manager		107,743	-	-	59,195				
		Sr. Accountant I		88,733	-	1,939	46,782				
		Accountant II		77,667	-	1,745	42,099				
		Accountant II		75,566	-	1,745	42,099				
		Accounting Technician		50,773	-	1,318	31,800				
		Accounting Technician		56,368	-	1,318	31,800				
		Finance Total				\$836,008	\$9,380	\$8,065	472,426	-	\$36,389
0050	Disability	Disability Manager		87,598	-	-	48,127				
		Disability Investigator		63,960	-	656	36,529				
		Disability Investigator		69,285	-	656	36,529				
		Office Specialist		49,421	-	468	26,056				
		Office Specialist		49,421	-	468	26,056				
Disability Total				\$319,685	-	\$2,248	173,297	-	\$13,915	-	\$509,145
0060	Admin. Svcs.	Director of Administrative Services		149,461	-	-	84,260				
		Contract/Risk/Performance Administrator		104,728	-	-	59,041				
		Trainer	New Position (OCERS)	88,837	-	-	46,373				
		Staff Analyst		85,904	-	-	48,429				
		Staff Specialist		67,496	-	404	36,529				
		Staff Assistant		59,010	-	344	31,111				
		Staff Assistant		57,491	-	344	31,111				
		Store Clerk		45,656	-	266	24,071				
Admin. Svcs. Total				\$658,583	-	\$1,358	360,925	\$508,145	\$28,664	\$15,000	\$1,572,675
0070	IT	Director of IT		148,676	-	-	83,818				
		IT Manager		130,917	-	-	71,926				
		Retirement Programmer/Business Analyst		125,840	-	4,583	66,345				
		IT Operations Supervisor		107,182	-	8,255	59,754				
		Sr. IT Applications Developer		104,395	-	4,128	59,754				
		Sr. IT Applications Developer		91,062	-	3,582	51,850				
		IT Systems Engineer II		96,304	-	7,014	50,773				
		IT Network Engineer II		93,621	-	7,014	50,773				
		Info. Technologist II		93,621	-	7,014	50,773				
IT Total				\$991,618	-	\$41,590	545,766	-	\$43,161	-	\$1,622,135
0080	IA	Director of Internal Audit		152,006	8,799	-	88,106				
		Internal Auditor		116,153	6,548	-	65,566				
IA Total				\$268,159	\$15,347	-	153,672	-	\$11,672	-	\$448,850
0090	Cyber Security	Director of Cyber Security		157,002	-	-	86,258				
Cyber Security Total				\$157,002	-	-	86,258	-	\$6,181	-	\$249,441
Grand Total				\$8,663,011	\$76,570	\$129,220	4,818,454	\$508,145	\$375,000	\$194,200	\$14,764,600

OCERS Compensation Philosophy

Purpose and Background

1. The philosophy behind the Orange County Employees Retirement System's ("OCERS") compensation program is to create a pay structure with the goal of attracting, developing and retaining strong leaders who support OCERS' mission and values. We believe our compensation program is a management tool that when aligned with an effective communication plan is designed to support, reinforce, and align our values, business strategy, operation & financial needs through professional and proficient staff that provide secure retirement benefits to our members with the highest standards of excellence.

The underlying philosophy governing OCERS' compensation program is designed to accomplish the following:

- ▶ Provide pay levels that are externally competitive among peers within our industry and within published market data for similar sized governmental organizations.
- ▶ Recognize and reward individual performance, initiatives, growth in job proficiency and achievement of stated goals.
- ▶ Provide management the flexibility to make compensation decisions within budgetary guidelines.

In alignment with our organization's culture, we will strive to communicate openly about the goals of the agency and the design of the compensation program. The compensation process is intended to be fair and uncomplicated so that all employees and managers understand the goals and the outcome of the process.

Compensation Strategy

2. Total Compensation of OCERS employees includes both cash compensation and benefits. OCERS' Board of Retirement is responsible for approving salary ranges for each authorized position. The CEO is responsible for managing salaries within the approved salary ranges. The CEO will use the following process:
 - ▶ In November of each year, or other time of year as determined by the Chief Executive Officer, each Executive, Management and/or Professional employee as of June 1 of that year shall receive a written performance evaluation and be eligible for an annual merit increase with a performance rating of meets performance standards or better.
 - ▶ Salary increases within a range shall not be automatic. The Chief of each division will provide performance feedback and salary adjustment recommendations for the CEO's consideration. The CEO will make the final determination of salary awards based on the annual performance pool and individual award limits approved by the Board of Retirement in connection with the budget.
 - ▶ Salary ranges will be reviewed annually with an intended purpose of keeping total compensation competitive. The CEO may ask the Board of Retirement to consider adjustments to the salary ranges during the annual budget approval process.

OCERS Compensation Philosophy

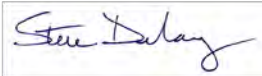
The Board of Retirement has entered into a Memorandum of Agreement with the County of Orange for providing and administrating employee benefits to OCERS' direct employees. The agreement with the County calls for OCERS' employees to receive the same benefits offered to County administrative and executive management employees.

History

3. This policy was adopted by the Board of Retirement on October 21, 2013. This policy was approved by the CEO on December 19, 2014.

Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.



10/21/13

Steve Delaney
Secretary of the Board

Date

Memorandum

DATE: October 2, 2018
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: OCERS 2019 BUSINESS PLAN

Recommendation

Approve OCERS 2019 Business Plan.

Background/Discussion

The OCERS 2019 Business Plan is presented to the Board for approval. The OCERS 2019 Business Plan is directly linked to the OCERS 2019-2021 Strategic Plan which was developed using OCERS Mission Statement, Vision and Values as its foundation. The Business Plan is a one year plan that lays out initiatives aimed to move the longer term strategic goals and objectives towards completion.

The Business Plan is also an initial planning step in the 2019 budget process. The goals and initiatives included in the Business Plan, if approved by the Board, become directives for staff to finalize 2019 budget requests. The initial draft of the proposed budget will then be reviewed with the board on October 18, 2018 at the Budget Workshop. During the Workshop, the Board will not be asked to approve items, rather it will be an opportunity to ask questions and give feedback to staff as they work to finalize the 2019 Annual Budget. Attached to the OCERS 2019 Business Plan are estimates of amounts needed in 2019 to fund specific initiatives. Actual funding of goals and initiatives are subject to final budget approval by the Board at the regularly scheduled meeting in November.

Prepared by:



Brenda Shott
Assistant CEO, Finance & Internal Operations

Approved by:



Steve Delaney
Chief Executive Officer

Orange County Employees Retirement System
2223 East Wellington Avenue | Santa Ana | 92701

2019 BUSINESS PLAN



MISSION, VISION AND VALUES

MISSION STATEMENT:

We provide secure retirement and disability benefits with the highest standards of excellence.

VISION STATEMENT:

To be a trusted partner providing premier pension administration, distinguished by consistent, quality member experiences and prudent financial stewardship.

VALUES:

- **O**pen and Transparent
- **C**ommitment to Superior Service
- **E**ngaged and Dedicated Workforce
- **R**eliable and Accurate
- **S**ecure and Sustainable

2019-2021 STRATEGIC GOALS

- Fund Sustainability
- Excellent Service and Support
- Risk Management
- Talent Management

FUND SUSTAINABILITY

GOAL: STRENGTHEN THE LONG-TERM STABILITY OF THE PENSION FUND

Business Plan Initiatives

Objective: Mitigate the Risk of Significant Investment Loss
Executive Lead – Molly Murphy

1. Fund the Risk Mitigating asset class
2. Explore and evaluate investment/risk management systems

Objective: Develop procedures for new employers entering the system
Executive Leads – Gina Ratto

1. Create an Administrative Procedure
2. Create a worksheet for staff's use in evaluating new plan sponsors
3. Create a new template for Participation Agreement with plan sponsors

Objective: Employ a Governance Structure that Supports a Dynamic Investment Program
Executive Lead – Molly Murphy

1. Evaluate governance best practices (year two)

Objective: Prudent Use of Resources
Executive Leads – Molly Murphy;

1. Investigate actionable items to reduce fees in the future

EXCELLENT SERVICE AND SUPPORT

GOAL: ACHIEVE EXCELLENCE IN THE SERVICE AND SUPPORT WE PROVIDE TO OUR MEMBERS AND PLAN SPONSORS

Business Plan Initiatives

Objective: Provide Accurate and Timely Benefits
Executive Leads – Suzanne Jenike; Gina Ratto

1. Develop and communicate OCERS Administrative Procedures on Final Average Salary (year two)
2. Streamline the initial disability determination process by implementing; (year two)
 - a. LEAN action items
 - b. Application packets
3. Update and create desk manuals and procedures for staff (year two)
4. Improve customer service standards by enhancing V3 workflows, monitoring and reporting

Objective: Provide Education to our Members and Plan Sponsors
Executive Lead – Suzanne Jenike

1. Web site redesign (year three)

2. Enhance participation in Plan Sponsors' New Employee Orientation
3. Create white board videos that will provide education to members and stakeholders about OCERS benefits

RISK MANAGEMENT

GOAL: CULTIVATE A RISK-INTELLIGENT ORGANIZATION

Business Plan Initiatives

Objective: Provide System and Data Security and a Robust Business Continuity Solution

Executive Leads – Brenda Shott, Matt Eakin & Jenny Sadoski

1. Select Cyber Security Framework and develop implementation plan for best practice controls
2. Continuously assess current Information Security environment and address identified risks:
 - a. Perform third party penetration test of OCERS network
 - b. Perform third party penetration test of new OCERS web site
 - c. Review and enhance information security training for new hires and all staff
 - d. Develop incident response and management program
 - e. Develop OCERS data map, data classification structure and data exchange flows and identify associated risks
 - f. Evaluate risks associated with external third party IT business partners

3. Implement tools to mitigate the risk of data or financial loss or information disclosure:
 - a. Implement enhanced Email Security protections and features
 - b. Implement Managed Security / Managed Detection & Response services
 - c. Implement continuous vulnerability assessment and remediation program
 - d. Implement automated hardware and software inventory tool
 - e. Implement security patch management solution

4. Continue development of the Business Continuity Plan:
 - a. Establish alternate work space / work site plan
 - b. Develop manual workaround and alternate procedure plans

Objective: Implement Operational Risk Management Program
Executive Lead – Brenda Shott

1. Continue to implement the Operational Risk Management Program

Objective: Ensure a Safe and Secure Workplace and Public Service Facility
Executive Lead – Brenda Shott

1. Plan and implement building security upgrades and space management projects (year two)

TALENT MANAGEMENT

GOAL: RECRUIT, RETAIN AND INSPIRE A HIGH-PERFORMING WORKFORCE

Business Plan Initiatives

Objective: Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities
Executive Lead – Cynthia Hockless

1. Enhance onboarding and transitioning of new hires into the organization
 - a. Evaluation of newly implemented onboarding process
2. Implement recommendations from workforce analysis (year two)

Objective: Develop and empower every member of the team
Executive Lead – Steve Delaney

1. Implement a comprehensive training program covering OCERS policies, processes and procedures (year two)
2. Recognize individual needs and career goals within OCERS (year two)
3. Create succession plans across the agency (year two)

Objective: Cultivate a Collaborative, Inclusive and Creative Culture
Executive Lead – Steve Delaney

1. Foster OCERS culture of engagement and continuous improvement (year two)

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
www.ocers.org



OCERS 2019 Business Initiatives Budget Impact Estimates

Strategic Plan Goal:	Strengthen the Long-Term Stability of the Pension Fund		
Objective:	Mitigate the Risk of Significant Investment Loss	Coordinator: Molly Murphy	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Fund the Risk Mitigating asset class		
Initiative #2:	Explore and evaluate investment/risk management systems		
Objective:	Develop procedures for new employers entering the system	Coordinator: Gina Ratto	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Create Administrative Procedure		
Initiative #2:	Create a worksheet for staff's use in evaluating new plan sponsors		
Initiative #3:	Create new template for Participation Agreement with plan sponsors		
Objective:	Employ a Governance Structure that Supports a Dynamic Investment Program	Coordinator: Molly Murphy	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Evaluate governance best practices (year two)		
Objective:	Prudent Use of Resources	Coordinator: Molly Murphy	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Investigate actionable items to reduce fees in the future		
Budget Impact	FUND SUSTAINABILITY 2019 BUSINESS INITIATIVES	\$ -	\$ -



OCERS 2019 Business Initiatives Budget Impact Estimates

Strategic Plan Goal:		Achieve Excellence in the Service and Support We Provide To Our Members and Plan Sponsors	
Objective:	Provide Accurate and Timely Benefits	Coordinators: Suzanne Jenike, Gina Ratto	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Develop and communicate OCERS Administrative Procedures on Final Average Salary (year two)		
Initiative #2:	Streamline the initial disability determination process by implementing LEAN action items and application packets (year two)		
Initiative #3:	Update and create desk manuals and procedures (year two)		
Initiative #4:	Improve customer service standards by enhancing V3 workflows, monitoring and reporting	\$ 100,000	
Objective:	Provide Education to our Members and Plan Sponsors	Coordinator: Suzanne Jenike	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Web site redesign (year three - budget dollars are a roll over from 2018)	\$ 175,000	
Initiative #2:	Enhance participation in Plan Sponsors' New Employee Orientation		
Initiative #3:	Create white board videos that will provide education to members and stakeholders about OCERS benefits	50,000	
Budget Impact	EXCELLENT SERVICE AND SUPPORT 2019 BUSINESS INITIATIVES	\$ 325,000	\$ -

Strategic Plan Goal:		Cultivate a Risk-Intelligent Organization	
Objective:	Provide System and Data Security and a Robust Business Continuity Solution	Coordinator: Brenda Shott, Matt Eakin & Jenny Sadoski	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Select Cyber Security Framework and develop implementation plan for best practice controls		
Initiative #2:	Continuously assess current Information Security environment and address identified risks		
	a. Perform 3rd party penetration test of OCERS networks	\$ 50,000	
	b. Perform 3rd party penetration test of new OCERS website	\$ 50,000	
	c. Review and enhance information security training for new hires and all staff		\$ 7,000
	d. Develop incident response and management program		
	e. Develop OCERS data map, data classification structure and data exchange flows and identify associated risks	\$ 25,000	
	f. Evaluate risks associated with external 3rd party IT business partners		\$ 35,000
Initiative #3:	Implement tools to mitigate the risk of data or financial loss or information disclosure		
	a. Implement enhanced Email security protections and features		\$ 35,000
	b. Implement Managed Security/Managed Detection and Response services		\$ 100,000
	c. Implement continuous vulnerability assessment and remediation program		\$ 50,000
	d. Implement automated hardware and software inventory tool		\$ 25,000
	e. Implement security patch management solution		\$ 50,000
Initiative #4	Continue development of the Business Continuity Plan		
	a. Establish alternate work space/work site plan		\$ 30,000
	b. Develop manual workaround and alternate procedure plans		
Objective:	Implement Operational Risk Management Program	Coordinator: Brenda Shott	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Continue to implement the Operational Risk Management Program		
Objective:	Ensure a Safe and Secure Workplace and Public Service Facility	Coordinator: Brenda Shott	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Plan and implement building security upgrades and space management projects (year two)	\$ 370,000	TBD
Budget Impact	RISK MANAGEMENT 2019 BUSINESS INITIATIVES	\$ 495,000	\$ 332,000



OCERS 2019 Business Initiatives Budget Impact Estimates

Strategic Plan Goal:	Recruit, Retain and Inspire a High-Performing Workforce		
Objective:	Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities	Coordinator: Cynthia Hockless	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Enhance onboarding and transitioning of new hires into the organization		
Initiative #2:	Implement recommendations from workforce analysis (year two)		
Objective:	Develop and Empower Every Member of the Team	Coordinator: Steve Delaney	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Implement a comprehensive training program covering OCERS policies, processes and procedures (year two) (note: ongoing cost for Training Manager will be offset by unfunding an Accounting position)	\$ 25,000	\$ 135,000
Initiative #2:	Recognize individual needs and career goals within OCERS (year two)		
Initiative #3:	Create succession plans across the agency (year two)		
Objective:	Cultivate a Collaborative, Inclusive and Creative Culture	Coordinator: Steve Delaney	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Foster OCERS culture of engagement and continuous improvement (year two)		
Budget Impact	TALENT MANAGEMENT 2018 BUSINESS INITIATIVES	\$ 25,000	\$ 135,000

Purpose and Background

1. The Board of Retirement annually adopts a budget covering the expenses of administering the retirement system. The administration expenses, as defined in Government Code Section 31580.2, incurred in any year will be charged against the earnings of the retirement fund and will not exceed 21 basis points of the actuarial accrued liability of the system.
2. The purpose of the Budget Approval Policy is to establish the process by which the OCERS annual budget is approved by the Board of Retirement.

Roles

3. The preparation and presentation of the budget is the responsibility of the Chief Executive Officer.
4. The adoption of an annual budget is the responsibility of the Board of Retirement.

Guidelines

General Provisions

5. The Chief Executive Officer will present to the Board of Retirement a proposed administrative budget for the next calendar year that supports the initiatives set out in the proposed Business Plan along with ongoing operations of the system. The Budget will be presented to the Board during the month of November.
6. The format of the proposed budget will organize expenditures by function within OCERS as follows:
 - a. Executive;
 - b. Investments;
 - c. Communications;
 - d. Member Services;
 - e. Finance;
 - f. Administrative Services;
 - g. Disabilities;
 - h. Board;
 - i. Information Technology;
 - j. Legal;
 - k. Internal Audit; and / or
 - l. Such other functions that may be adopted by OCERS in the future.
7. The budget shall be broken into three broad categories of expenditures:
 - a. Salaries and Benefits;

OCERS Board Policy **Budget Approval Policy**

The Salaries and Benefit category shall include salaries, overtime, fringe benefits, temporary help costs and any other costs directly related to employee and Board member compensation.

b. Services and Supplies

The Services and Supplies category for each department shall include items such as professional services, legal services, equipment expenses (other than those that are capitalized on OCERS' books as assets that will be depreciated over time and budgeted as a capital expenditure), maintenance costs, office expenses, training, and meetings & travel costs. Investment management fees (including directly billed fees, indirectly paid fees reported on investment manager statements, fees and costs for investment management that are netted in portfolio returns, foreign income tax and security lending fees) are not to be included in the annual administrative budget. These expenses are to be managed and reported in accordance with the Board of Retirement's Investment Fee Policy; and

c. Capital Projects.

The Capital Project budget category will include the current year costs for all capital asset purchases. Capital assets include items such as buildings, building improvements, vehicles, machinery, equipment, internally generated computer software, computer hardware and all other tangible or intangible assets that are used in operations, cost more than \$25,000 per item, and have initial useful lives extending beyond a single reporting period.

The Chief Executive Officer, or the Assistant CEO, Finance & Internal Operations, is granted authority to transfer funds within a category.. Funds may not be moved from one category to another without approval of the Board of Retirement.

8. The value of the actuarial accrued liability (AAL) at the beginning of the budget year will be used for purposes of calculating the 21 basis point test. That value will be calculated by the system's actuary using the prior year's beginning AAL and projecting to the beginning of the budget year.
9. The Chief Executive Officer may request that the Board amend the budget for the current fiscal year by presenting reasons for the budget amendment, its expected impact, and the cost of the amendment for the remainder of the budget year.

Policy Review

10. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

11. This policy was adopted by the Board of Retirement on February 19, 2002.
12. The policy was revised on October 27, 2003, May 16, 2005, March 24, 2008, March 22, 2010, January 18, 2011, June 18, 2012, July 20, 2015 and July 17, 2017.



OCERS Board Policy
Budget Approval Policy

Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.

A handwritten signature in blue ink that reads "Steve Delaney" is enclosed in a rectangular box.

7/17/17

Steve Delaney
Secretary of the Board

Date

Memorandum

DATE: October 12, 2018
TO: Members, Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: **2019 Budget Workshop Materials**

Recommendation

Discussion only, no action to be taken.

Background/Discussion

OCERS will be holding a Budget Workshop on Thursday, October 18, 2018 at 9:00 am. The workshop is to be an interactive conversation between staff and the Board of Retirement regarding items that are being included in the proposed 2019 Administrative Budget for the upcoming year. No action will be taken by the Board during the meeting.

The workshop will consist of a single agenda item, 2019 Proposed Administrative Budget. Included in the uploaded materials are the following items:

1. Budget Workshop Presentation
2. Administration 2019 Budget Detail by Expense Category
3. Budget Comparisons
 - a. 2017-2019 Budget Comparison by Account
 - b. Department Level Budgets: 2017-2019
4. Historical Statistics
5. 2019 Personnel Costs
 - a. 2019 Personnel Cost Budget
 - b. Compensation Philosophy
6. 2019 Business Plan
7. Budget Policy

A binder with hard copies of the above-mentioned uploaded materials will be made available to the Board and interested stakeholders during the workshop.

Submitted by:



Brenda Shott, Assistant CEO, Finance and
Internal Operations

Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Personnel Cost	Annual Salary	\$8,663,011
	Certification Pay	76,570
	Fringe Benefits	4,818,454
	Overtime	129,220
	Leave P/O	375,000
	Temp Help	194,200
	Salary Adj. Pool	508,145
Personnel Cost Total		\$14,764,600
Professional Svcs	Additional Consulting	200,000
	Admin. Hearing Process Fees	150,000
	Audit consultant / specialist / expert	150,000
	Bank Charges	45,000
	BC/DR Exercise Facilitation	35,000
	Board Election	50,000
	CAFR	20,000
	CEO Contingency	75,000
	Certificate Application Fees	1,300
	Certified Data Destruction	2,500
	Colocation Facilities (monthly service)	80,000
	Consulting Fees	2,100,000
	County VPN Access	200,000
	Court Filing Fees	1,000
	Court Reporter Fees	50,000
	Custodial Bank Fees	575,000
	CWCAP(County Wide Cost Allocation Plan)	45,000
	Cyber Security Vendor Monitoring Service	35,000
	Death Records Match	25,000
	Dynamics Consulting	5,000
	Employee Wellness Program	1,000
	Financial Audit Cost	125,500
	Gartner Consulting	160,000
	HR Consulting Contingency	30,000
	Information Security Contingency	50,000
	Insurance Premiums	120,000
	Internet Access	115,000
	Iron Mountain	15,000
	Lean Process Consultant/Study	25,000
	Managed Security / Detection & Response Service	100,000
	Medical Panel Reviews	275,000
	Network Consulting	10,000
	Office 365 Migration Consulting	150,000
	Online Data Storage	45,000
	Oracle Consulting	25,000
	Plant Maintenance	2,500
	Proxy Services	35,000
Reception Area TV and Ceiling Mount	5,000	
Recruitment/ Volunteer Program Costs	40,000	
Security	9,200	
Security Awareness Training	7,000	
Security Penetration Testing	100,000	
Subpoena Fees	1,000	
Training Program Consultant	25,000	
Universal Protection Security (UPS)	5,000	
Vitech Addl. Support - Cos	310,000	
Website Redesign and Hosting	175,000	
White Board Videos	50,000	
Professional Svcs Total		\$5,856,000

Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Legal Svcs	Board/Fiduciary	125,000
	Dept of Ed vs OCERS	50,000
	Investment Legal Services	750,000
	Other Litigation	500,000
	Tax Attorney/Outside Counsel	50,000
Legal Svcs Total		\$1,475,000
Infrastructure Maintenance	Anti-Virus Solution	7,200
	Arbutus Internal Audit Software Licensing	5,000
	Catalyst-Bullhorn Licensing	6,000
	Computer Room AC/Humidifier Maintenance	5,000
	Computer Room UPS Battery Replacement	6,000
	Computer Room UPS Maintenance	8,000
	Data Center Hardware/Software Maintenance and	73,000
	Database Access	8,000
	Dell Compellent Annual Support	20,000
	Dynamics Software Maintenance (incl: Sandler Ka	12,500
	HP Server Post-warranty Support	20,000
	IBM DejaView One Maintenance and Support - V3	6,300
	Kofax Scanning Maintenance and Support - V3	3,000
	LogMeIn Central Annual Maintenance Fee + 10 P	2,500
	McAfee Secure	3,500
	Microsoft Software Assurance	85,000
	NTIS Certification Fees	1,600
	Oracle - V3	75,000
	Oracle Maintenance - PG	15,000
	Pressure Sealer Maintenance and Support	2,500
	Printer & Microfiche Maintenance	5,000
	Satellite Phone support	3,000
	Server Hardware Support	10,000
	Teamsite Internal Audit Software Licensing	2,000
	V3 Licensing and Support	396,000
	Vendor Management System License	9,000
	vmWare Support	10,000
	Website Hosting	24,000
	Work Station Hardware Support	5,000
Infrastructure Maintenance Total		\$829,100
Bldg. Prop. Mgmt./Maintenance	Property Management	680,000
Bldg. Prop. Mgmt./Maintenance Total		\$680,000
Equipment / Software	Anti-Spam Email Solution	35,000
	Bloomberg/Cambridge/Manager Database	117,500
	Board Portal	45,000
	Change Management Solution	50,000
	Computers/Laptops/Monitors	50,000
	HW/SW Inventory Solution	25,000
	Information Security Remediation	100,000
	Log Aggregation Appliance	25,000
	Managed File Transfer Solution	50,000
	Miscellaneous Hardware & Supplies (including prii	20,000
	Miscellaneous Software	20,000
	Multi-Factor Authentication Solution	10,000
	OpenDNS Subscription	5,000
	Patch Management Solution	50,000
	Rapid Recovery Appliance	50,000
	SmartBear Licensing	4,000
	Vulnerability Management System	50,000
Equipment / Software Total		\$706,500

Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Actuarial Fees	Actuarial Fees	450,000
Actuarial Fees Total		\$450,000
Training	Tuition Reimbursement	48,000
	Assoc. Pension Fund Audit	5,000
	Board Approved Conferences	16,000
	CALAPRS	37,050
	CEM Conference	2,400
	Conferences	54,750
	Gartner Security & Risk Management Summit	5,000
	GFOA Conference	2,300
	HR / Procurement Conferences	15,000
	IFEBP	2,500
	Information Security Training	20,000
	Information Security Training (SANS)	40,000
	LCW Employment Law Conference	1,500
	MCLE and other training	4,300
	Miscellaneous Conferences/Training	23,500
	Miscellaneous Training Materials	2,500
	NAPPA Meetings	17,000
	NASRA	10,000
	NASRA/NIRS	5,000
	NCPERS - General & Safety	3,600
	OCERS Management Succession/Staff Training	45,000
	Online Training	45,000
	PRISM Conference	7,500
	Public Pension Financial Forum	3,000
	SACRS	39,420
	Staff Development Training	4,000
	Staff Training/Continuing Education	4,000
	Strategic Planning	20,000
	UC Berkeley	3,000
Training Total		\$486,320
Telephone	AT & T Telecom Services	28,000
	Cellular/Mobile Services	72,500
	Mitel Services	65,000
Telephone Total		\$165,500
Postage	Miscellaneous Mailing/Mass Mailing	40,000
	Pony Mail Services	2,000
	Postage Expense	65,000
	Quarterly Newsletters - All Members	57,500
Postage Total		\$164,500
Printing Svcs	Brochures	10,000
	CAFR (Comprehensive Annual Financial Report)	12,000
	Printing	7,000
	Quarterly newsletters	76,000
Printing Svcs Total		\$105,000
Due Diligence	Due Diligence	80,000
Due Diligence Total		\$80,000
Office Supplies	General Office Expense- Includes: Ergos, Safety i	55,000
	Office Furniture	15,000
	Public Relation Materials	10,000
Office Supplies Total		\$80,000

Administration 2019 Budget Detail by Expense Category

Account Group	Description	Total
Equipment Lease	Copier/Printer Lease	50,000
	Postage Machine	12,000
Equipment Lease Total		\$62,000
Mtg/Mileage	CEO Visit to State Legislature	1,000
	CEO/Manager visits to Cal Retirement Systems	4,000
	Civic Center Parking Cards	500
	EE Recognition/Educational Seminar/Qtrly Meetin	7,000
	Investment Committee Meetings	10,000
	Membership Committee Meetings	4,000
	Miscellaneous Meetings	29,850
	Travel for Audits	5,000
Mtg/Mileage Total		\$61,350
Membership	AICPA	610
	American Express	300
	CALAPRS	2,500
	CalCPA	510
	GFOA	600
	Information Systems Security Association Membe	150
	International Foundation (IFEBP)	1,025
	Miscellaneous Memberships	32,540
	NASRA	2,850
	NCPERS	2,000
	NIRS	3,100
	P2F2 - Public Pension Financial Forum	150
	SACRS	6,000
Membership Total		\$52,335
Periodicals	Legal Publications, Daily Journal, Law Book Upda	12,500
	Miscellaneous periodicals	5,375
	Organizational Communication	600
	Public Retirement Journal	950
	Reference books / research materials	200
Periodicals Total		\$19,625
Capital Expenditures	Board Room AV Upgrades	250,000
	HVAC	120,000
Capital Expenditures Total		\$370,000
Grand Total		\$26,407,830

2019 Budget Compared to Actuals

	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Personnel Costs	\$ 10,086,963	\$ 10,824,643	\$ 11,072,542	\$ 13,264,798	\$ 14,764,600	\$ 1,499,802	11.3%
Professional Services	3,007,197	4,235,939	3,988,579	4,975,559	6,306,000	1,330,441	26.7%
Legal Services	966,856	1,169,627	624,049	744,442	1,475,000	730,558	98.1%
Infrastructure Maintenance	345,066	578,704	553,149	788,971	829,100	40,129	5.1%
Building Property Mgmt. / Maintenance	539,170	586,513	507,482	528,818	680,000	151,182	28.6%
Miscellaneous Office Expenses	466,480	497,981	513,362	622,610	586,960	(35,650)	-5.7%
Equipment/Software Expenses	115,258	105,815	120,998	530,713	706,500	175,787	33.1%
Training	231,869	250,126	210,350	323,323	486,320	162,997	50.4%
Meeting & Mileage	66,527	38,212	45,187	80,065	141,350	61,285	76.5%
Equipment Lease	84,951	73,117	61,001	49,880	62,000	12,120	24.3%
Total Services and Supplies:	\$ 5,823,374	\$ 7,536,034	\$ 6,624,158	\$ 8,644,382	\$ 11,273,230	\$ 2,628,848	30.4%
Total Capital Expenditures:	\$ 3,580,650	\$ 51,293	\$ 342,523	\$ 163,663	\$ 370,000	\$ 206,337	126.1%
Total	\$ 19,490,987	\$ 18,411,970	\$ 18,039,222	\$ 22,072,843	\$ 26,407,830	\$ 4,334,987	19.6%

Professional Services Administration

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
CEO and Board	\$ 32,899	\$ 43,886	\$ 7,027	\$ 244,906	\$ 304,200	\$ 59,294	24.2%
Actuarial Fees	372,716	395,999	384,587	\$ 402,294	\$ 450,000	47,706	11.9%
Hearing Process Fees	64,100	90,496	60,438	\$ 82,811	\$ 150,000	67,189	81.1%
Other Legal Fees	25,944	33,268	19,729	\$ 24,517	\$ 52,000	27,483	112.1%
Financial Consultants	209,320	176,480	261,106	\$ 192,700	\$ 196,800	4,100	2.1%
Disability Related Consultants	244,335	295,409	298,919	\$ 279,538	\$ 275,000	(4,538)	-1.6%
Other Admin Services	65,127	60,151	159,120	\$ 131,181	\$ 173,500	42,319	32.3%
V3 Related Consulting	219,089	686,711	756,235	\$ 300,000	\$ 310,000	10,000	3.3%
Website Redesign	-	-	-	\$ 128,000	\$ 175,000	47,000	36.7%
Cyber Security Consulting Services	-	-	-	\$ -	\$ 257,000	257,000	NA
Other IT Related Consulting *	220,416	258,923	570,171	\$ 694,263	\$ 1,027,500	333,237	48.0%
Other Consulting Services	20,842	347,653	1,399	\$ 195,663	\$ 225,000	29,337	15.0%
Total Administrative Professional Services	\$ 1,474,788	\$ 2,388,974	\$ 2,518,730	\$ 2,675,873	\$ 3,596,000	\$ 920,127	34.4%

*Gartner moved to Professional Services from Memberships in FY 2019.

Professional Services Investments

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Investment Consultant	\$ 367,675	\$ 442,695	\$ 657,698	\$ 802,866	\$ 720,700	\$ (82,166)	-10.2%
Private Equity/Real Estate Consultants	87,524	149,666	-	600,000	1,078,100	478,100	79.7%
Risk Reporting & Portfolio Review	325,908	520,836	309,000	301,195	301,200	5	0.0%
Custodial Bank Fees	300,000	300,000	437,500	575,000	575,000	-	0.0%
Investor Search/Proxy Services/Other	76,302	58,768	65,651	20,625	35,000	14,375	69.7%
Total Investments Professional Services	\$ 1,532,409	\$ 1,846,965	\$ 1,469,849	\$ 2,299,686	\$ 2,710,000	\$ 410,314	17.8%

Legal Services

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Tax Attorney/Outside Counsel	\$ 78,515	\$ 29,315	\$ 37,854	\$ 32,368	\$ 50,000	\$ 17,632	54.5%
Board/Fiduciary	179,879	298,269	105,380	124,078	125,000	922	0.7%
Dept of Ed vs OCERS	-	288,534	29,515	44,430	50,000	5,570	12.5%
Other Litigation	13,806	14,841	96,944	59,848	500,000	440,152	735.5%
Personnel Matters	59,434	46,158	7,965	-	-	-	NA
Investment Legal Services	635,222	492,510	346,391	366,350	750,000	383,650	104.7%
Settlement Payment	-	-	-	117,368	-	(117,368)	-100.0%
Total Legal Services	\$ 966,856	\$ 1,169,627	\$ 624,049	\$ 744,442	\$ 1,475,000	\$ 730,558	98.1%

Infrastructure Maintenance

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
V3 Licensing and Support	\$ 33,000	\$ 396,000	\$ 396,000	\$ 396,000	\$ 396,000	\$ -	0.0%
Oracle V3	-	53,452	55,056	70,427	75,000	4,573	6.5%
Microsoft Software Assurance	32,789	32,789	-	83,109	85,000	1,891	2.3%
Data Center Maintenance	11,731	13,976	7,213	89,005	92,000	2,995	3.4%
Dell Compellent Annual Support	9,628	21,274	16,894	18,000	20,000	2,000	11.1%
HP 3 Year Post Warranty HW Support	11,694	-	-	29,532	20,000	(9,532)	-32.3%
Anti-Virus Solution	-	-	13,723	7,200	7,200	-	0.0%
Oracle Maintenance-PG	8,822	9,086	9,359	9,641	15,000	5,360	55.6%
Dynamics Software Mte	5,444	9,689	8,408	8,141	12,500	4,359	53.5%
Pension Gold	191,692	-	-	-	-	-	NA
Other Software Maintenance <\$10K	35,515	20,647	30,080	50,783	80,900	30,117	59.3%
Other Hardware Maintenance <\$10K	4,751	21,791	16,415	27,134	25,500	(1,634)	-6.0%
Total Equipment Maintenance	\$ 345,066	\$ 578,704	\$ 553,149	\$ 788,971	\$ 829,100	\$ 40,129	5.1%

Building Management and Maintenance



Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Property Management and Maintenance	\$ 539,170	\$ 548,307	\$ 507,482	\$ 528,818	\$ 680,000	\$ 151,182	28.6%
Space Management Projects	-	26,206	-	-	-	-	NA
Employee Restroom Upgrades	-	12,000	-	-	-	-	NA
Total Building Management and Maintenance	\$ 539,170	\$ 586,513	\$ 507,482	\$ 528,818	\$ 680,000	\$ 151,182	28.6%

Miscellaneous Office Expense

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Memberships *	\$ 140,023	\$ 129,048	\$ 111,694	\$ 149,850	\$ 52,335	\$ (97,515)	-65.1%
Postage	121,874	138,065	124,742	122,297	164,500	42,203	34.5%
Printing	78,634	95,551	102,827	103,842	105,000	1,158	1.1%
Telephone	70,990	83,982	113,270	152,514	165,500	12,986	8.5%
Office Supplies	43,920	46,873	56,242	79,213	80,000	787	1.0%
Periodicals	11,039	4,462	4,588	14,895	19,625	4,730	31.8%
Total Miscellaneous Office Expense	\$ 466,480	\$ 497,981	\$ 513,362	\$ 622,610	\$ 586,960	\$ (35,650)	-5.7%

* Gartner moved from Memberships to Professional Services in FY 2019.

Equipment and Software

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Board Portal	\$ 30,268	\$ 30,109	\$ 30,199	\$ 30,199	\$ 45,000	\$ 14,801	49.0%
Computers-Laptops-Monitors	21,260	13,000	21,987	190,202	50,000	(140,202)	-73.7%
Miscellaneous Hardware	19,976	9,793	16,871	28,015	20,000	(8,015)	-28.6%
Miscellaneous Software	9,371	10,723	10,581	44,400	20,000	(24,400)	-55.0%
SmartBear Licensing	-	5,990	3,594	3,414	4,000	586	17.2%
OpenDNS Subscription	-	6,545	-	9,859	5,000	(4,859)	-49.3%
Wireless & Telecom Equip	-	306	4,956	2,500	-	(2,500)	-100.0%
Rapid Recover Appliance	-	-	-	50,000	50,000	-	0.0%
Patch Management Solution	-	-	-	15,000	50,000	35,000	233.3%
Anti-Spam Solution	-	4,269	-	20,000	35,000	15,000	75.0%
Managed File Transfer Solution	-	-	-	50,000	50,000	-	0.0%
Bloomberg and Other Investment Databases	24,270	25,080	23,810	87,123	117,500	30,377	34.9%
Change Management Solution	-	-	-	-	50,000	50,000	NA
HW/SW Inventory Solution	-	-	-	-	25,000	25,000	NA
Multi-Factor Authentication Solution	-	-	-	-	10,000	10,000	NA
Log Aggregation Appliance	-	-	-	-	25,000	25,000	NA
Information Security Remediation	-	-	-	-	100,000	100,000	NA
Vulnerability Management System	-	-	-	-	50,000	50,000	NA
Other	10,113	-	9,000	-	-	-	NA
Total Equipment and Software	\$ 115,258	\$ 105,815	\$ 120,998	\$ 530,713	\$ 706,500	\$ 175,787	33.1%

Training

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Online Training	\$ 87,550	\$ 71,365	\$ 2,698	\$ 65,355	\$ 45,000	\$ (20,355)	-31.1%
Miscellaneous Conferences/Training	53,601	67,406	46,527	81,397	139,950	58,553	71.9%
Information Security Training (SANS)	6,160	5,588	19,817	32,902	60,000	27,098	82.4%
Board Approved Conferences	17,611	12,728	35,408	45,764	19,000	(26,764)	-58.5%
SACRS	14,905	11,768	24,445	19,452	39,420	19,968	102.7%
Tuition Reimbursement	9,157	9,945	3,025	10,406	50,300	39,894	383.4%
OCERS Management Succession/Staff Training	5,323	24,250	17,127	5,818	45,000	39,182	673.4%
CALAPRS	12,747	12,410	25,243	22,196	37,050	14,854	66.9%
Strategic Planning	11,351	19,396	12,855	20,000	20,000	-	0.0%
NAPPA Meetings	5,631	3,792	6,772	6,451	17,000	10,549	163.5%
NASRA	5,288	10,513	16,333	12,927	10,000	(2,927)	-22.6%
NCPERS-General and Safety	2,544	965	100	656	3,600	2,944	448.9%
Total Training	\$ 231,868	\$ 250,126	\$ 210,350	\$ 323,323	\$ 486,320	\$ 162,997	50.4%

Meetings and Mileage

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Miscellaneous Meetings	\$ 39,259	\$ 31,530	\$ 36,669	\$ 46,043	\$ 61,350	\$ 15,307	33.2%
Due Diligence-Investments	27,269	6,683	8,519	34,022	80,000	45,978	135.1%
Total Meetings and Mileage	\$ 66,528	\$ 38,212	\$ 45,187	\$ 80,065	\$ 141,350	\$ 61,285	76.5%

Equipment Lease

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
Copier/Printer Lease	\$ 54,752	\$ 39,986	\$ 34,728	\$ 38,000	\$ 50,000	\$ 12,000	31.6%
Legal Equipment	19,955	19,935	14,524	-	-	-	NA
Postage Machine	10,244	13,196	11,749	11,880	12,000	120	1.0%
Total Equipment Lease	\$ 84,951	\$ 73,117	\$ 61,001	\$ 49,880	\$ 62,000	\$ 12,120	24.3%

Capital Expenditures

Description	Actuals 2015	Actuals 2016	Actuals 2017	Est. Actuals 2018	Proposed Budget 2019	\$ Variance FY18-19	% Variance FY18-19
OCERS BC/DR	\$ 102,500	\$ 14,293	\$ 281,385	\$ 116,763	\$ -	\$ (116,763)	-100.0%
Lobby Reception Security Project	-	37,000	61,138	-	-	-	NA
V3 Pension System	3,387,040	-	-	-	-	-	NA
Building HVAC Repair	91,110	-	-	-	120,000	120,000	NA
Board Room A/V Improvements	-	-	-	-	250,000	250,000	NA
Space Management	-	-	-	46,900	-	(46,900)	-100.0%
Total Capital Expenditures	\$ 3,580,650	\$ 51,293	\$ 342,523	\$ 163,663	\$ 370,000	\$ 206,337	126.1%

2017-19 Budget Comparison by Account

Account Group	Amended FY 2017 Budget	FY 2018 Budget	Proposed FY 2019 Budget	FY 18-FY19 \$ Change	FY 18-FY19 % Change
7670 - Actuarial Fees	\$500,000	\$500,000	\$450,000	(\$50,000)	-10.0%
784X - Due Diligence	44,110	56,600	80,000	23,400	41.3%
8640/7640 - Personnel Cost	12,417,428	13,925,194	14,764,600	839,406	6.0%
8650/7650 - Professional Svcs*	4,672,759	5,475,900	5,856,000	380,100	6.9%
8690/7690 - Legal Svcs	1,150,000	1,067,370	1,475,000	407,630	38.2%
885X/785X - Training	520,545	514,670	486,320	(28,350)	-5.5%
886X/786X - Mtg/Mileage	67,350	61,350	61,350	-	0.0%
8885/7885 - Membership*	142,555	157,220	52,335	(104,885)	-66.7%
8950 - Infrastructure Maintenance	680,400	764,300	829,100	64,800	8.5%
8960 - Printing Svcs	99,000	104,800	105,000	200	0.2%
8965/7965 - Periodicals	6,777	21,950	19,625	(2,325)	-10.6%
8970 - Postage	163,000	163,000	164,500	1,500	0.9%
8975 - Office Supplies	47,000	75,000	80,000	5,000	6.7%
8980/7980 - Equipment / Software	175,180	586,700	706,500	119,800	20.4%
8985 - Capital Expenditures	1,293,000	1,095,000	370,000	(725,000)	-66.2%
8990 - Equipment Lease	90,000	50,000	62,000	12,000	24.0%
8991 - Bldg. Prop. Mgmt./Maintenance	682,000	730,000	680,000	(50,000)	-6.8%
8995 - Telephone	80,000	159,000	165,500	6,500	4.1%
Grand Total	\$22,831,104	\$25,508,054	\$26,407,830	\$899,776	3.5%

*Gartner moved from Memberships to Professional Services in FY 2019.

Department Level Budgets: 2017-2019

Organization	Account Group	Amended FY 2017 Budget	FY 2018 Budget	Proposed FY 2019 Budget	FY 18-FY19 \$ Change	FY 18-FY19 % Change
0001 - BOARD	8640 - Personnel Cost	\$15,000	\$15,000	\$17,000	\$2,000	13.3%
	8650 - Professional Svcs	9,000	60,000	59,200	(800)	-1.3%
	8690 - Legal Svcs	530,000	-	-	-	N/A
	885X - Training	82,000	75,000	75,000	-	0.0%
	886X - Mtg/Mileage	14,000	12,000	13,000	1,000	8.3%
	8885 - Membership	15,200	16,300	16,450	150	0.9%
0001 - BOARD Total		\$665,200	\$178,300	\$180,650	\$2,350	1.3%
0010 - EXECUTIVE	8640 - Personnel Cost	\$1,258,016	\$1,237,219	\$1,299,880	\$62,661	5.1%
	8650 - Professional Svcs	75,000	235,000	245,000	10,000	4.3%
	885X - Training	73,500	73,500	52,300	(21,200)	-28.8%
	886X - Mtg/Mileage	19,000	13,000	12,000	(1,000)	-7.7%
	8885 - Membership	3,240	4,345	3,195	(1,150)	-26.5%
	8965 - Periodicals	1,350	1,350	1,450	100	7.4%
	7670 - Actuarial Fees	-	500,000.00	450,000	(50,000)	-10.0%
0010 - EXECUTIVE Total		\$1,430,106	\$2,064,414	\$2,063,825	(\$589)	0.0%
0011 - INVESTMENTS	7640 - Personnel Cost	\$1,419,337	\$1,940,536	\$2,144,013	\$203,477	10.5%
	7650 - Professional Svcs	1,872,559	2,614,500	2,710,000	95,500	3.7%
	7670 - Actuarial Fees	500,000.00	-	-	-	N/A
	7690 - Legal Svcs	525,000.00	-	-	-	N/A
	784X - Due Diligence	44,110	56,600	80,000	23,400	41.3%
	785X - Training	59,460	63,765	53,900	(9,865)	-15.5%
	786X - Mtg/Mileage	10,000	10,000	10,000	-	0.0%
	7885 - Membership	10,380	11,680	7,300	(4,380)	-37.5%
	7965 - Periodicals	1,127	6,300	3,375	(2,925)	-46.4%
	7980 - Equipment / Software	25,680	81,200	117,500	36,300	44.7%
0011 - INVESTMENTS Total		\$4,467,653	\$4,784,581	\$5,126,088	\$341,507	7.1%
0015 - COMMUNICATIONS	8640 - Personnel Cost	\$266,996	\$268,489	\$273,758	\$5,269	2.0%
	8650 - Professional Svcs	20,000	-	50,000	50,000	N/A
	885X - Training	2,700	3,380	2,300	(1,080)	-32.0%
	886X - Mtg/Mileage	300	300	300	-	0.0%
	8960 - Printing Svcs	92,000	96,000	98,000	2,000	2.1%
	8965 - Periodicals	600	600	600	-	0.0%
	8970 - Postage	96,000	96,000	97,500	1,500	1.6%
	8975 - Office Supplies	5,000	10,000	10,000	-	0.0%
0015 - COMMUNICATIONS Total		\$483,596	\$474,769	\$532,458	\$57,689	12.2%
0020 - LEGAL	8640 - Personnel Cost	\$1,226,351	\$1,469,114	\$1,443,979	(\$25,135)	-1.7%
	8650 - Professional Svcs	276,800	251,800	202,000	(49,800)	-19.8%
	8690/7690 - Legal Svcs	95,000	1,067,370	1,475,000	407,630	38.2%
	885X - Training	25,300	30,300	30,300	-	0.0%
	886X - Mtg/Mileage	3,000	3,000	2,000	(1,000)	-33.3%
	8885 - Membership	3,050	4,200	4,200	-	0.0%
	8965 - Periodicals	2,000	12,500	12,500	-	0.0%
	8990 - Equipment Lease	23,000	-	-	-	N/A
0020 - LEGAL Total		\$1,654,501	\$2,838,284	\$3,169,979	\$331,695	11.7%
0030 - MEMBER SERVICES	8640 - Personnel Cost	\$3,303,246	\$3,616,180	\$3,771,456	\$155,276	4.3%
	8650 - Professional Svcs	10,000	185,000	25,000	(160,000)	-86.5%
	885X - Training	12,500	18,900	18,800	(100)	-0.5%
	886X - Mtg/Mileage	250	250	250	-	0.0%
	8965 - Periodicals	500	-	-	-	N/A
0030 - MEMBER SERVICES Total		\$3,326,496	\$3,820,330	\$3,815,506	(\$4,824)	-0.1%

Department Level Budgets: 2017-2019

Organization	Account Group	Amended FY 2017 Budget	FY 2018 Budget	Proposed FY 2019 Budget	FY 18-FY19 \$ Change	FY 18-FY19 % Change
0040 - FINANCE	8640 - Personnel Cost	\$1,325,031	\$1,393,533	\$1,412,268	\$18,735	1.3%
	8650 - Professional Svcs	194,700	196,300	196,800	500	0.3%
	885X - Training	23,375	21,150	15,650	(5,500)	-26.0%
	886X - Mtg/Mileage	500	500	500	-	0.0%
	8885 - Membership	4,165	3,410	3,290	(120)	-3.5%
	8965 - Periodicals	1,000	1,000	1,000	-	0.0%
0040 - FINANCE Total		\$1,548,771	\$1,615,893	\$1,629,508	\$13,615	0.8%
0050 - DISABILITY	8640 - Personnel Cost	\$489,591	\$577,968	\$509,145	(\$68,823)	-11.9%
	8650 - Professional Svcs	275,000	225,000	275,000	50,000	22.2%
	885X - Training	9,010	10,175	10,420	245	2.4%
	886X - Mtg/Mileage	450	450	450	-	0.0%
	8960 - Printing Svcs	-	1,800.00	-	(1,800)	-100.0%
0050 - DISABILITY Total		\$774,051	\$815,393	\$795,015	(\$20,378)	-2.5%
0060 - ADMINISTRATIVE SERVICES	8640 - Personnel Cost	\$1,045,758	\$1,271,034	\$1,572,675	\$301,641	23.7%
	8650 - Professional Svcs	90,300	232,300	173,500	(58,800)	-25.3%
	885X - Training	53,300	51,100	69,000	17,900	35.0%
	886X - Mtg/Mileage	8,000	8,000	8,000	-	0.0%
	8885 - Membership	4,935	8,900	9,000	100	1.1%
	8960 - Printing Svcs	7,000	7,000	7,000	-	0.0%
	8970 - Postage	67,000	67,000	67,000	-	0.0%
	8975 - Office Supplies	42,000	65,000	70,000	5,000	7.7%
	8985 - Capital Expenditures	58,000	770,000	370,000	(400,000)	-51.9%
	8990 - Equipment Lease	17,000	12,000	12,000	-	0.0%
	8991 - Bldg. Prop. Mgmt./Maintenance	682,000	730,000	680,000	(50,000)	-6.8%
0060 - ADMINISTRATIVE SERVICES Total		\$2,075,293	\$3,222,334	\$3,038,175	(\$184,159)	-5.7%
0070 - INFORMATION TECHNOLOGY	8640 - Personnel Cost	\$1,655,431	\$1,720,079	\$1,622,135	(\$97,944)	-5.7%
	8650 - Professional Svcs*	1,844,400	1,456,000	1,512,500	56,500	3.9%
	885X - Training	160,000	148,000	105,000	(43,000)	-29.1%
	886X - Mtg/Mileage	6,500	8,500	8,500	-	0.0%
	8885 - Membership*	99,250	106,050	7,250	(98,800)	-93.2%
	8950 - Infrastructure Maintenance	680,400	764,300	829,100	64,800	8.5%
	8980 - Equipment / Software	149,500	505,500	539,000	33,500	6.6%
	8985 - Capital Expenditures	1,235,000	325,000	-	(325,000)	-100.0%
	8990 - Equipment Lease	50,000	38,000	50,000	12,000	31.6%
	8995 - Telephone	80,000	159,000	165,500	6,500	4.1%
0070 - INFORMATION TECHNOLOGY Total		\$5,960,481	\$5,230,429	\$4,838,985	(\$391,444)	-7.5%
0080 - INTERNAL AUDIT	8640 - Personnel Cost	\$412,671	\$416,042	\$448,850	\$32,808	7.9%
	8650 - Professional Svcs	5,000	20,000	150,000	130,000	650.0%
	885X - Training	19,400	19,400	19,400	-	0.0%
	886X - Mtg/Mileage	5,350	5,350	5,350	-	0.0%
	8885 - Membership	2,335	2,335	1,500	(835)	-35.8%
	8965 - Periodicals	200	200	200	-	0.0%
0080 - INTERNAL AUDIT Total		\$444,956	\$463,327	\$625,300	\$161,973	35.0%
0090 - CYBER SECURITY	8640 - Personnel Cost	-	-	\$249,441	\$249,441	N/A
	8650 - Professional Svcs	-	-	257,000	257,000	N/A
	885X - Training	-	-	34,250	34,250	N/A
	886X - Mtg/Mileage	-	-	1,000	1,000	N/A
	8885 - Membership	-	-	150	150	N/A
	8965 - Periodicals	-	-	500	500	N/A
	8980 - Equipment / Software	-	-	50,000	50,000	N/A
0090 - CYBER SECURITY Total		\$0	\$0	\$592,341	\$592,341	N/A
Grand Total		\$22,831,104	\$25,508,054	\$26,407,830	\$899,776	3.5%

*Gartner moved from Memberships to Professional Services in FY 2019.



	2014	2015	2016	2017	2018
No. of Full-Time Positions Budgeted	72	73	75	79	92
No. of Retirees – Beginning of Year	14,505	15,169	15,810	16,369	16,947
No. of Additional Retirements ¹	1,052	1,019	1,006	1,061	885
No. Removed from Payroll ¹	(388)	(378)	(447)	(483)	(353)
Payroll \$ (in thousands) ^{2*}	\$627,245	\$675,963	\$717,976	\$764,344	\$823,849
No. of Members ^{**1}	41,418	42,427	43,845	44,471	45,499
No. of New Members ^{**1}	1,075	1,135	1,152	854	1,028
Seminars	48	44	52	46	56

¹2018 figures are as of September 2018

²2018 figures are annualized estimates based on actuals through August 2018

*Payroll represents retirement payroll, withdrawals and death benefits

**Number of members includes active, deferred, and retired (including beneficiaries)

2019 Personnel Cost Budget

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0001	Board	Board Member		\$3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Member		3,400	-	-	-				
		Board Total				\$17,000	-	-	-	-	-
0010	Executive	Chief Executive Officer		273,431	-	-	154,149				
		Assistant CEO-Finance & Internal Ops		232,050	13,784	-	138,016				
		Assistant CEO-External Ops		212,816	-	-	119,977				
		Executive Secretary II		68,058	-	1,527	36,846				
		Executive Total				\$786,355	\$13,784	\$1,527	448,988	-	\$34,226
0011	Investment	Chief Investment Officer		315,000	18,711	-	187,364				
		Managing Director of Investments		209,232	12,112	-	121,276				
		Director of Investment Operations		209,232	-	-	114,953				
		Investment Officer		126,493	-	-	69,496				
		Investment Officer		125,008	7,236	-	72,457				
		Investment Analyst	New Position (OCERS)	90,334	-	-	47,154				
		Investment Analyst		86,853	-	-	47,718				
		Investment Analyst		82,597	-	-	45,379				
		Staff Specialist		53,102	-	1,253	30,236				
		Investment Total				\$1,297,851	\$38,059	\$1,253	736,033	-	\$55,817
0015	Comm.	Communications Manager		103,520	-	-	55,388				
		Staff Specialist		69,285	-	1,514	36,529				
		Comm. Total				\$172,805	-	\$1,514	91,917	-	\$7,522
0020	Legal	Chief Legal Officer		251,114	-	-	141,568				
		Staff Attorney		161,200	-	-	88,564				
		Staff Attorney		161,190	-	-	88,558				
		Staff Attorney		145,018	-	-	79,673				
		Paralegal		65,749	-	1,514	36,529				
		Executive Secretary I		54,974	-	1,297	31,302				
		Legal Total				\$839,245	-	\$2,811	466,194	-	\$36,529

2019 Personnel Cost Budget

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0030	Member Svcs.	Director of Member Services		148,034	-	-	83,456				
		Retirement Analyst		132,600	-	-	74,755				
		Member Services Manager		102,846	-	-	57,981				
		Member Services Manager		87,598	-	-	48,127				
		Sr. Staff Development Specialist		88,525	-	3,224	46,672				
		Retirement Benefits Supervisor		77,397	-	2,819	40,805				
		Retirement Benefits Supervisor		77,397	-	2,819	40,805				
		Retirement Benefits Supervisor		71,344	-	2,819	40,805				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		69,285	-	2,523	36,529				
		Sr. Retirement Program Specialist		62,400	-	2,523	36,529				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		60,902	-	2,218	32,109				
		Retirement Program Specialist		57,637	-	2,218	32,109				
		Retirement Program Specialist		56,098	-	2,218	32,109				
		Retirement Program Specialist		56,098	-	2,218	32,109				
		Retirement Program Specialist		53,206	-	2,093	30,295				
		Retirement Program Specialist		51,854	-	2,039	29,525				
		Retirement Program Specialist		51,854	-	2,039	29,525				
		Retirement Program Specialist		51,854	-	530	29,525				
		Accounting Technician (Transmittals)		56,368	-	2,053	29,719				
		Accounting Technician (Transmittals)		52,291	-	2,053	29,719				
		Accounting Technician (Transmittals)		45,698	-	1,797	26,021				
		Accounting Technician		52,291	-	2,053	29,719				
		Accounting Technician		52,291	-	2,053	29,719				
		Accounting Technician		46,946	-	1,846	26,731				
		Office Specialist		40,997	-	1,613	23,344				
		Retirement Benefits Technician		46,654	-	1,745	25,266				
		Retirement Benefits Technician		39,686	-	1,561	22,597				
		Retirement Benefits Technician		42,994	-	1,745	25,266				
		Retirement Benefits Technician		42,994	-	1,745	25,266				
		Office Technician		42,016	-	1,530	22,152				
		Office Technician		40,123	-	1,530	22,152				
		Office Technician		39,146	-	1,530	22,152				
		Member Svcs. Total		\$2,318,700	-	\$68,854	1,282,978	-	\$100,924	-	\$3,771,456

2019 Personnel Cost Budget

ORG	Division	Position	Change	Annual Salary	Cert Pay	Overtime	Fringe Benefits	Salary/ Performance Adjustments	Leave P/O	Temp Help/ Extra Help	2019 Total
0040	Finance	Director of Finance		157,920	9,380	-	93,926				
		Finance Manager		111,927	-	-	63,100				
		Finance Manager		109,311	-	-	61,625				
		Finance Manager		107,743	-	-	59,195				
		Sr. Accountant I		88,733	-	1,939	46,782				
		Accountant II		77,667	-	1,745	42,099				
		Accountant II		75,566	-	1,745	42,099				
		Accounting Technician		50,773	-	1,318	31,800				
		Accounting Technician		56,368	-	1,318	31,800				
			Finance Total			\$836,008	\$9,380	\$8,065	472,426	-	\$36,389
0050	Disability	Disability Manager		87,598	-	-	48,127				
		Disability Investigator		63,960	-	656	36,529				
		Disability Investigator		69,285	-	656	36,529				
		Office Specialist		49,421	-	468	26,056				
		Office Specialist		49,421	-	468	26,056				
	Disability Total			\$319,685	-	\$2,248	173,297	-	\$13,915	-	\$509,145
0060	Admin. Svcs.	Director of Administrative Services		149,461	-	-	84,260				
		Contract/Risk/Performance Administrator		104,728	-	-	59,041				
		Trainer	New Position (OCERS)	88,837	-	-	46,373				
		Staff Analyst		85,904	-	-	48,429				
		Staff Specialist		67,496	-	404	36,529				
		Staff Assistant		59,010	-	344	31,111				
		Staff Assistant		57,491	-	344	31,111				
		Store Clerk		45,656	-	266	24,071				
	Admin. Svcs. Total			\$658,583	-	\$1,358	360,925	\$508,145	\$28,664	\$15,000	\$1,572,675
0070	IT	Director of IT		148,676	-	-	83,818				
		IT Manager		130,917	-	-	71,926				
		Retirement Programmer/Business Analyst		125,840	-	4,583	66,345				
		IT Operations Supervisor		107,182	-	8,255	59,754				
		Sr. IT Applications Developer		104,395	-	4,128	59,754				
		Sr. IT Applications Developer		91,062	-	3,582	51,850				
		IT Systems Engineer II		96,304	-	7,014	50,773				
		IT Network Engineer II		93,621	-	7,014	50,773				
		Info. Technologist II		93,621	-	7,014	50,773				
	IT Total			\$991,618	-	\$41,590	545,766	-	\$43,161	-	\$1,622,135
0080	IA	Director of Internal Audit		152,006	8,799	-	88,106				
		Internal Auditor		116,153	6,548	-	65,566				
	IA Total			\$268,159	\$15,347	-	153,672	-	\$11,672	-	\$448,850
0090	Cyber Security	Director of Cyber Security		157,002	-	-	86,258				
	Cyber Security Total			\$157,002	-	-	86,258	-	\$6,181	-	\$249,441
Grand Total				\$8,663,011	\$76,570	\$129,220	4,818,454	\$508,145	\$375,000	\$194,200	\$14,764,600

OCERS Compensation Philosophy

Purpose and Background

1. The philosophy behind the Orange County Employees Retirement System's ("OCERS") compensation program is to create a pay structure with the goal of attracting, developing and retaining strong leaders who support OCERS' mission and values. We believe our compensation program is a management tool that when aligned with an effective communication plan is designed to support, reinforce, and align our values, business strategy, operation & financial needs through professional and proficient staff that provide secure retirement benefits to our members with the highest standards of excellence.

The underlying philosophy governing OCERS' compensation program is designed to accomplish the following:

- ▶ Provide pay levels that are externally competitive among peers within our industry and within published market data for similar sized governmental organizations.
- ▶ Recognize and reward individual performance, initiatives, growth in job proficiency and achievement of stated goals.
- ▶ Provide management the flexibility to make compensation decisions within budgetary guidelines.

In alignment with our organization's culture, we will strive to communicate openly about the goals of the agency and the design of the compensation program. The compensation process is intended to be fair and uncomplicated so that all employees and managers understand the goals and the outcome of the process.

Compensation Strategy

2. Total Compensation of OCERS employees includes both cash compensation and benefits. OCERS' Board of Retirement is responsible for approving salary ranges for each authorized position. The CEO is responsible for managing salaries within the approved salary ranges. The CEO will use the following process:
 - ▶ In November of each year, or other time of year as determined by the Chief Executive Officer, each Executive, Management and/or Professional employee as of June 1 of that year shall receive a written performance evaluation and be eligible for an annual merit increase with a performance rating of meets performance standards or better.
 - ▶ Salary increases within a range shall not be automatic. The Chief of each division will provide performance feedback and salary adjustment recommendations for the CEO's consideration. The CEO will make the final determination of salary awards based on the annual performance pool and individual award limits approved by the Board of Retirement in connection with the budget.
 - ▶ Salary ranges will be reviewed annually with an intended purpose of keeping total compensation competitive. The CEO may ask the Board of Retirement to consider adjustments to the salary ranges during the annual budget approval process.

OCERS Compensation Philosophy

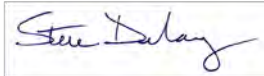
The Board of Retirement has entered into a Memorandum of Agreement with the County of Orange for providing and administrating employee benefits to OCERS' direct employees. The agreement with the County calls for OCERS' employees to receive the same benefits offered to County administrative and executive management employees.

History

3. This policy was adopted by the Board of Retirement on October 21, 2013. This policy was approved by the CEO on December 19, 2014.

Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.



10/21/13

Steve Delaney
Secretary of the Board

Date

Memorandum

DATE: October 2, 2018
TO: Members of the Board of Retirement
FROM: Brenda Shott, Assistant CEO, Finance and Internal Operations
SUBJECT: OCERS 2019 BUSINESS PLAN

Recommendation

Approve OCERS 2019 Business Plan.

Background/Discussion

The OCERS 2019 Business Plan is presented to the Board for approval. The OCERS 2019 Business Plan is directly linked to the OCERS 2019-2021 Strategic Plan which was developed using OCERS Mission Statement, Vision and Values as its foundation. The Business Plan is a one year plan that lays out initiatives aimed to move the longer term strategic goals and objectives towards completion.

The Business Plan is also an initial planning step in the 2019 budget process. The goals and initiatives included in the Business Plan, if approved by the Board, become directives for staff to finalize 2019 budget requests. The initial draft of the proposed budget will then be reviewed with the board on October 18, 2018 at the Budget Workshop. During the Workshop, the Board will not be asked to approve items, rather it will be an opportunity to ask questions and give feedback to staff as they work to finalize the 2019 Annual Budget. Attached to the OCERS 2019 Business Plan are estimates of amounts needed in 2019 to fund specific initiatives. Actual funding of goals and initiatives are subject to final budget approval by the Board at the regularly scheduled meeting in November.

Prepared by:



Brenda Shott
Assistant CEO, Finance & Internal Operations

Approved by:



Steve Delaney
Chief Executive Officer

Orange County Employees Retirement System
2223 East Wellington Avenue | Santa Ana | 92701

2019 BUSINESS PLAN



MISSION, VISION AND VALUES

MISSION STATEMENT:

We provide secure retirement and disability benefits with the highest standards of excellence.

VISION STATEMENT:

To be a trusted partner providing premier pension administration, distinguished by consistent, quality member experiences and prudent financial stewardship.

VALUES:

- **O**pen and Transparent
- **C**ommitment to Superior Service
- **E**ngaged and Dedicated Workforce
- **R**eliable and Accurate
- **S**ecure and Sustainable

2019-2021 STRATEGIC GOALS

- Fund Sustainability
- Excellent Service and Support
- Risk Management
- Talent Management

FUND SUSTAINABILITY

GOAL: STRENGTHEN THE LONG-TERM STABILITY OF THE PENSION FUND

Business Plan Initiatives

Objective: Mitigate the Risk of Significant Investment Loss
Executive Lead – Molly Murphy

1. Fund the Risk Mitigating asset class
2. Explore and evaluate investment/risk management systems

Objective: Develop procedures for new employers entering the system
Executive Leads – Gina Ratto

1. Create an Administrative Procedure
2. Create a worksheet for staff's use in evaluating new plan sponsors
3. Create a new template for Participation Agreement with plan sponsors

Objective: Employ a Governance Structure that Supports a Dynamic Investment Program
Executive Lead – Molly Murphy

1. Evaluate governance best practices (year two)

Objective: Prudent Use of Resources
Executive Leads – Molly Murphy;

1. Investigate actionable items to reduce fees in the future

EXCELLENT SERVICE AND SUPPORT

GOAL: ACHIEVE EXCELLENCE IN THE SERVICE AND SUPPORT WE PROVIDE TO OUR MEMBERS AND PLAN SPONSORS

Business Plan Initiatives

Objective: Provide Accurate and Timely Benefits
Executive Leads – Suzanne Jenike; Gina Ratto

1. Develop and communicate OCERS Administrative Procedures on Final Average Salary (year two)
2. Streamline the initial disability determination process by implementing; (year two)
 - a. LEAN action items
 - b. Application packets
3. Update and create desk manuals and procedures for staff (year two)
4. Improve customer service standards by enhancing V3 workflows, monitoring and reporting

Objective: Provide Education to our Members and Plan Sponsors
Executive Lead – Suzanne Jenike

1. Web site redesign (year three)

2. Enhance participation in Plan Sponsors' New Employee Orientation
3. Create white board videos that will provide education to members and stakeholders about OCERS benefits

RISK MANAGEMENT

GOAL: CULTIVATE A RISK-INTELLIGENT ORGANIZATION

Business Plan Initiatives

Objective: Provide System and Data Security and a Robust Business Continuity Solution

Executive Leads – Brenda Shott, Matt Eakin & Jenny Sadoski

1. Select Cyber Security Framework and develop implementation plan for best practice controls
2. Continuously assess current Information Security environment and address identified risks:
 - a. Perform third party penetration test of OCERS network
 - b. Perform third party penetration test of new OCERS web site
 - c. Review and enhance information security training for new hires and all staff
 - d. Develop incident response and management program
 - e. Develop OCERS data map, data classification structure and data exchange flows and identify associated risks
 - f. Evaluate risks associated with external third party IT business partners

3. Implement tools to mitigate the risk of data or financial loss or information disclosure:
 - a. Implement enhanced Email Security protections and features
 - b. Implement Managed Security / Managed Detection & Response services
 - c. Implement continuous vulnerability assessment and remediation program
 - d. Implement automated hardware and software inventory tool
 - e. Implement security patch management solution

4. Continue development of the Business Continuity Plan:
 - a. Establish alternate work space / work site plan
 - b. Develop manual workaround and alternate procedure plans

Objective: Implement Operational Risk Management Program
Executive Lead – Brenda Shott

1. Continue to implement the Operational Risk Management Program

Objective: Ensure a Safe and Secure Workplace and Public Service Facility
Executive Lead – Brenda Shott

1. Plan and implement building security upgrades and space management projects (year two)

TALENT MANAGEMENT

GOAL: RECRUIT, RETAIN AND INSPIRE A HIGH-PERFORMING WORKFORCE

Business Plan Initiatives

Objective: Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities
Executive Lead – Cynthia Hockless

1. Enhance onboarding and transitioning of new hires into the organization
 - a. Evaluation of newly implemented onboarding process
2. Implement recommendations from workforce analysis (year two)

Objective: Develop and empower every member of the team
Executive Lead – Steve Delaney

1. Implement a comprehensive training program covering OCERS policies, processes and procedures (year two)
2. Recognize individual needs and career goals within OCERS (year two)
3. Create succession plans across the agency (year two)

Objective: Cultivate a Collaborative, Inclusive and Creative Culture
Executive Lead – Steve Delaney

1. Foster OCERS culture of engagement and continuous improvement (year two)

ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM
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OCERS 2019 Business Initiatives Budget Impact Estimates

Strategic Plan Goal:	Strengthen the Long-Term Stability of the Pension Fund		
Objective:	Mitigate the Risk of Significant Investment Loss	Coordinator: Molly Murphy	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Fund the Risk Mitigating asset class		
Initiative #2:	Explore and evaluate investment/risk management systems		
Objective:	Develop procedures for new employers entering the system	Coordinator: Gina Ratto	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Create Administrative Procedure		
Initiative #2:	Create a worksheet for staff's use in evaluating new plan sponsors		
Initiative #3:	Create new template for Participation Agreement with plan sponsors		
Objective:	Employ a Governance Structure that Supports a Dynamic Investment Program	Coordinator: Molly Murphy	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Evaluate governance best practices (year two)		
Objective:	Prudent Use of Resources	Coordinator: Molly Murphy	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Investigate actionable items to reduce fees in the future		
Budget Impact	FUND SUSTAINABILITY 2019 BUSINESS INITIATIVES	\$ -	\$ -



OCERS 2019 Business Initiatives Budget Impact Estimates

Strategic Plan Goal:	Achieve Excellence in the Service and Support We Provide To Our Members and Plan Sponsors		
Objective:	Provide Accurate and Timely Benefits	Coordinators: Suzanne Jenike, Gina Ratto	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Develop and communicate OCERS Administrative Procedures on Final Average Salary (year two)		
Initiative #2:	Streamline the initial disability determination process by implementing LEAN action items and application packets (year two)		
Initiative #3:	Update and create desk manuals and procedures (year two)		
Initiative #4:	Improve customer service standards by enhancing V3 workflows, monitoring and reporting	\$ 100,000	
Objective:	Provide Education to our Members and Plan Sponsors	Coordinator: Suzanne Jenike	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative #1:	Web site redesign (year three - budget dollars are a roll over from 2018)	\$ 175,000	
Initiative #2:	Enhance participation in Plan Sponsors' New Employee Orientation		
Initiative #3:	Create white board videos that will provide education to members and stakeholders about OCERS benefits	50,000	
Budget Impact	EXCELLENT SERVICE AND SUPPORT 2019 BUSINESS INITIATIVES	\$ 325,000	\$ -



OCERS 2019 Business Initiatives Budget Impact Estimates

Strategic Plan Goal:	Cultivate a Risk-Intelligent Organization		
Objective:	Provide System and Data Security and a Robust Business Continuity Solution	Coordinator: Brenda Shott, Matt Eakin & Jenny Sadoski	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Select Cyber Security Framework and develop implementation plan for best practice controls		
Initiative #2:	Continuously assess current Information Security environment and address identified risks		
	a. Perform 3rd party penetration test of OCERS networks	\$ 50,000	
	b. Perform 3rd party penetration test of new OCERS website	\$ 50,000	
	c. Review and enhance information security training for new hires and all staff		\$ 7,000
	d. Develop incident response and management program		
	e. Develop OCERS data map, data classification structure and data exchange flows and identify associated risks	\$ 25,000	
	f. Evaluate risks associated with external 3rd party IT business partners		\$ 35,000
Initiative #3:	Implement tools to mitigate the risk of data or financial loss or information disclosure		
	a. Implement enhanced Email security protections and features		\$ 35,000
	b. Implement Managed Security/Managed Detection and Response services		\$ 100,000
	c. Implement continuous vulnerability assessment and remediation program		\$ 50,000
	d. Implement automated hardware and software inventory tool		\$ 25,000
	e. Implement security patch management solution		\$ 50,000
Initiative #4	Continue development of the Business Continuity Plan		
	a. Establish alternate work space/work site plan		\$ 30,000
	b. Develop manual workaround and alternate procedure plans		
Objective:	Implement Operational Risk Management Program	Coordinator: Brenda Shott	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Continue to implement the Operational Risk Management Program		
Objective:	Ensure a Safe and Secure Workplace and Public Service Facility	Coordinator: Brenda Shott	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Plan and implement building security upgrades and space management projects (year two)	\$ 370,000	TBD
Budget Impact	RISK MANAGEMENT 2019 BUSINESS INITIATIVES	\$ 495,000	\$ 332,000



OCERS 2019 Business Initiatives Budget Impact Estimates

Strategic Plan Goal:	Recruit, Retain and Inspire a High-Performing Workforce		
Objective:	Recruit and Retain a High-Performing Workforce to Meet Organizational Priorities	Coordinator: Cynthia Hockless	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Enhance onboarding and transitioning of new hires into the organization		
Initiative #2:	Implement recommendations from workforce analysis (year two)		
Objective:	Develop and Empower Every Member of the Team	Coordinator: Steve Delaney	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Implement a comprehensive training program covering OCERS policies, processes and procedures (year two) (note: ongoing cost for Training Manager will be offset by unfunding an Accounting position)	\$ 25,000	\$ 135,000
Initiative #2:	Recognize individual needs and career goals within OCERS (year two)		
Initiative #3:	Create succession plans across the agency (year two)		
Objective:	Cultivate a Collaborative, Inclusive and Creative Culture	Coordinator: Steve Delaney	
		Budget Impact: one time costs	Budget Impact: on-going costs
Initiative: #1:	Foster OCERS culture of engagement and continuous improvement (year two)		
Budget Impact	TALENT MANAGEMENT 2018 BUSINESS INITIATIVES	\$ 25,000	\$ 135,000

Purpose and Background

1. The Board of Retirement annually adopts a budget covering the expenses of administering the retirement system. The administration expenses, as defined in Government Code Section 31580.2, incurred in any year will be charged against the earnings of the retirement fund and will not exceed 21 basis points of the actuarial accrued liability of the system.
2. The purpose of the Budget Approval Policy is to establish the process by which the OCERS annual budget is approved by the Board of Retirement.

Roles

3. The preparation and presentation of the budget is the responsibility of the Chief Executive Officer.
4. The adoption of an annual budget is the responsibility of the Board of Retirement.

Guidelines

General Provisions

5. The Chief Executive Officer will present to the Board of Retirement a proposed administrative budget for the next calendar year that supports the initiatives set out in the proposed Business Plan along with ongoing operations of the system. The Budget will be presented to the Board during the month of November.
6. The format of the proposed budget will organize expenditures by function within OCERS as follows:
 - a. Executive;
 - b. Investments;
 - c. Communications;
 - d. Member Services;
 - e. Finance;
 - f. Administrative Services;
 - g. Disabilities;
 - h. Board;
 - i. Information Technology;
 - j. Legal;
 - k. Internal Audit; and / or
 - l. Such other functions that may be adopted by OCERS in the future.
7. The budget shall be broken into three broad categories of expenditures:
 - a. Salaries and Benefits;

OCERS Board Policy

Budget Approval Policy

The Salaries and Benefit category shall include salaries, overtime, fringe benefits, temporary help costs and any other costs directly related to employee and Board member compensation.

b. Services and Supplies

The Services and Supplies category for each department shall include items such as professional services, legal services, equipment expenses (other than those that are capitalized on OCERS' books as assets that will be depreciated over time and budgeted as a capital expenditure), maintenance costs, office expenses, training, and meetings & travel costs. Investment management fees (including directly billed fees, indirectly paid fees reported on investment manager statements, fees and costs for investment management that are netted in portfolio returns, foreign income tax and security lending fees) are not to be included in the annual administrative budget. These expenses are to be managed and reported in accordance with the Board of Retirement's Investment Fee Policy; and

c. Capital Projects.

The Capital Project budget category will include the current year costs for all capital asset purchases. Capital assets include items such as buildings, building improvements, vehicles, machinery, equipment, internally generated computer software, computer hardware and all other tangible or intangible assets that are used in operations, cost more than \$25,000 per item, and have initial useful lives extending beyond a single reporting period.

The Chief Executive Officer, or the Assistant CEO, Finance & Internal Operations, is granted authority to transfer funds within a category.. Funds may not be moved from one category to another without approval of the Board of Retirement.

8. The value of the actuarial accrued liability (AAL) at the beginning of the budget year will be used for purposes of calculating the 21 basis point test. That value will be calculated by the system's actuary using the prior year's beginning AAL and projecting to the beginning of the budget year.
9. The Chief Executive Officer may request that the Board amend the budget for the current fiscal year by presenting reasons for the budget amendment, its expected impact, and the cost of the amendment for the remainder of the budget year.

Policy Review

10. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

11. This policy was adopted by the Board of Retirement on February 19, 2002.
12. The policy was revised on October 27, 2003, May 16, 2005, March 24, 2008, March 22, 2010, January 18, 2011, June 18, 2012, July 20, 2015 and July 17, 2017.



OCERS Board Policy
Budget Approval Policy

Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.

A handwritten signature in blue ink that reads "Steve Delaney". The signature is written in a cursive style and is contained within a thin black rectangular border.

7/17/17

Steve Delaney
Secretary of the Board

Date