

Public Agenda Item #16

Review, Discussion and Consideration of the
ERS Fiscal Year 2017 Proposed Operating Budget

August 16, 2016

Machelle Pharr, Chief Financial Officer

Proposed Fiscal Year 2017 Operating Budget



Fiscal Year 2016 Accomplishments

- Implemented House Bill (HB 1) and HB 9 which significantly improved the sustainability of the retirement programs by increasing both employer and employee contributions
- Bid, evaluated, and implemented a Vision benefit effective September 1, 2016
- Implemented the total combined out-of-pocket maximums for health and prescription drug services under the HealthSelect Plan
- Implemented a Consumer Driven Health Plan as an option in the Group Benefit Program effective September 1
- Bid, evaluated, and installed a Health Savings Account contract effective September 1

Proposed Fiscal Year 2017 Operating Budget



Fiscal Year 2016 Accomplishments

- Implemented Deferred Compensation with Defined Benefit Counseling at ERS once a week
- Successfully coordinated the issuance of 1095-B reports as required by the Affordable Care Act
- Enhanced member interactions:
 - Engagement with 375,268 member via phone calls
 - Met with 7,000 visitors
 - Responded to 20,000 member emails
 - Handled 365 non-English calls through Language Line translation services

Proposed Fiscal Year 2017 Operating Budget

Fiscal Year 2016 Accomplishments



- Successfully worked with vendors to communicate the new programs
- Introduced several new health and wellness programs:
 - Real Appeal, a weight control program
 - Virtual Visits, a program that allows HealthSelect participants to consult a doctor online
 - Solutions for Caregivers, designed to support family caregivers
 - Lose and Win, designed to help manage weight and develop healthier lifestyles

Proposed Fiscal Year 2017 Operating Budget



Major Initiatives for FY 2017

- Evaluate the current and future state of Investment's systems architecture to improve business processes, work flow and decision making
- Expand derivative program
- Support the 85th Legislative session
- Bid, evaluate and install the Third Party Administrator for HealthSelect and Consumer Directed HealthSelect effective 9/1/2017
- Install new Pharmacy Benefit Managers for the HealthSelect and HealthSelect Medicare Rx prescription drug plans effective 1/1/2017

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Major Initiatives for FY 2017



- Establish benefits advisory committee
- Increase transparency in the grievance process
- Continue to enhance contract oversight and management
- Conduct summer and fall annual enrollment periods for members
- Complete usability audit of public website

Proposed Fiscal Year 2017 Operating Budget



Major Initiatives for FY 2017

- Identify alternatives for improving group benefit administration services
- Enhance data quality and data analysis capabilities
- Continue to improve data and member information security
- Continue space planning
- Apply appropriate stakeholder input to design employee programs

Proposed Fiscal Year 2017 Operating Budget

Comparison of the FY 2016 and FY 2017 Budget



The FY 2017 Proposed Operating Budget is \$ 5.9 million, or 8.45% over the FY 2016 Operating Budget

| | FY 2016 Budget | FY 2017 Budget | Difference |
|-------------------------|-------------------|-------------------|--------------|
| Salary Related Expenses | \$ 43,613,000 | \$ 46,127,000 | \$ 2,514,000 |
| Other Expenses | 25,997,000 | 29,362,000 | 3,365,000 |
| Total | \$ 69,610,000 | \$ 75,489,000 | \$ 5,879,000 |

Proposed Fiscal Year 2017 Operating Budget

Significant Budget Increases – Salary Related



11 Additional FTES

| Division | FTEs |
|--|------|
| Investments | 1 |
| Internal Audit | 1 |
| Office of Procurement & Contract Oversight | 2 |
| Customer Benefits | 3 |
| Information Systems | 2 |

- In addition, two FTEs were added to Executive to support various needs through the agency
- Completion of the salary compensation study implementation

Proposed Fiscal Year 2017 Operating Budget

Significant Budget Drivers – Non-Salary Related



- Cyclical/One-Time

| Project | Amount |
|------------------------------------|-----------|
| Actuarial Services | \$110,000 |
| Trustee Election | \$261,000 |
| Space Planning/Building Renovation | \$140,000 |

- Data Center Relocation
 - One-time Costs \$572,000
 - On-going Costs \$308,000

Proposed Fiscal Year 2017 Operating Budget

Significant Budget Drivers – Non-Salary Related



- Business Process Review and Improvement - \$645,000
 - ✓ Benefit Administrative System (BAS)
 - ✓ RFP Development/Contract Management System
 - ✓ Investment Systems architecture/workflow
- Investment Operations - \$450,000
 - ✓ Investment Index and Fundamental Data for Investment Risk System
 - ✓ Investment Banking contractual increase
- Data Integrity and Security - \$1,038,000

Proposed Fiscal Year 2017 Operating Budget

Investment Division



The FY 2017 Proposed Operating Budget is \$ 1.5 million, or 6% over the FY 2016 Operating Budget

| | FY 2016 Budget | FY 2017 Budget | Difference |
|-------------------------|-------------------|-------------------|--------------|
| Salary Related Expenses | \$ 14,633,000 | \$ 15,847,000 | \$ 1,214,000 |
| Other Expenses | 10,359,000 | 10,649,000 | 290,000 |
| Total | \$ 24,992,000 | \$ 26,496,000 | \$ 1,504,000 |

Salaries and other related costs make up 61% of the budget

Proposed Fiscal Year 2017 Operating Budget

Investment Related Budget – Other Divisions



Exhibit D provides additional information and explanations of direct investment related costs included in budgets of other divisions of ERS

| | FY 2016 Budget | FY 2017 Budget | Difference |
|---------------------|--------------------|--------------------|------------------|
| Legal Services | \$ 2,252,000 | \$ 2,370,000 | \$ 118,000 |
| Finance | 653,000 | 577,000 | (76,000) |
| Internal Audit | 87,000 | 87,000 | - |
| Information Systems | 256,000 | 374,000 | 118,000 |
| Total | \$3,248,000 | \$3,408,000 | \$160,000 |

Proposed Fiscal Year 2017 Operating Budget

Contract and Other Costs Notes – Exhibit B



- Professional & other contracted services – Executive Director authorized to contract on behalf of ERS
- Notes are referenced in division budgets
- Investment advisor fees are presented in detail in Exhibit B – Note 3

Proposed Fiscal Year 2017 Operating Budget

Budget Trend Analysis / Increases in Program Complexity



- Exhibit E provides statistical data on the ERS budget trend from FY 2009 through FY 2017
- Additional information follows Exhibit E in a bullet point format documenting the increasing complexity of programs administered by ERS from FY 2009 through FY 2017

Questions?