

San Francisco Employees' Retirement System

Department Budget Presentation

Prepared for: Budget and Appropriations Committee of the San Francisco Board of Supervisors

June 14, 2023

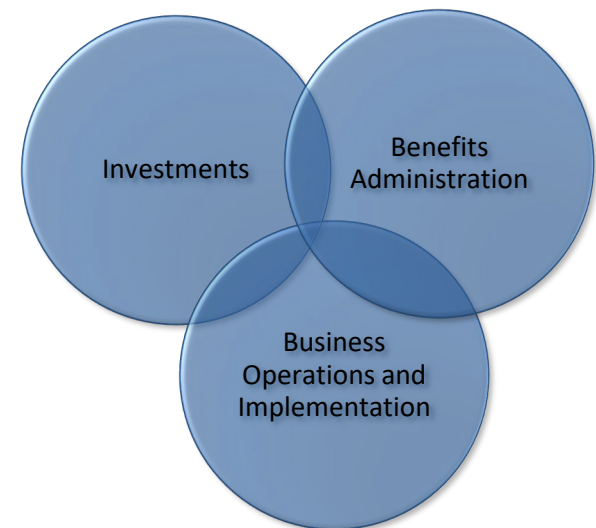


SFERS

San Francisco Employees' Retirement System

Mission and Funding

- **Mission:** SFERS is dedicated to securing, protecting and prudently investing the pension trust assets, administering mandated benefits programs, and providing promised benefits to the active and retired members.
- **Funding:** To deliver on the mission, SFERS needs to invest sufficiently and efficiently in people and systems across all aspects of the business, including benefits administration, investments and operations.
 - **SFERS is self-funded. The SFERS budget is not part of the General Fund.**



Who We Serve

- Pension Plan

| | Current | 10-Year Growth |
|------------------------|----------|----------------|
| Net Asset Market Value | \$33.1bn | 114% |
| Members | 77,003 | 30% |

- Deferred Compensation Plan (DC)

| | Current | 10-Year Growth |
|---------------|---------|----------------|
| Asset Balance | \$4.6bn | 99% |
| Participants | 33,712 | 37% |

- Invest assets of Retiree Health Care Trust Fund (RHCTF)

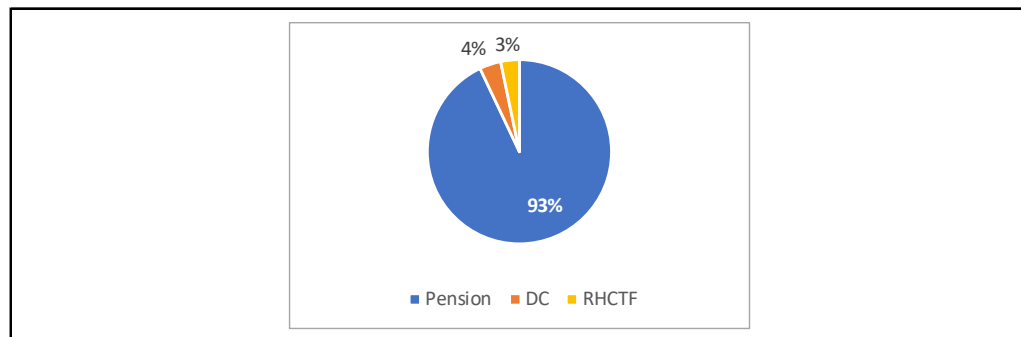
Note: Preliminary estimated pension plan value as of May 31, 2023. Membership as of June 30, 2022. Deferred Compensation balance and number of participants with a balance as of April 30, 2023.



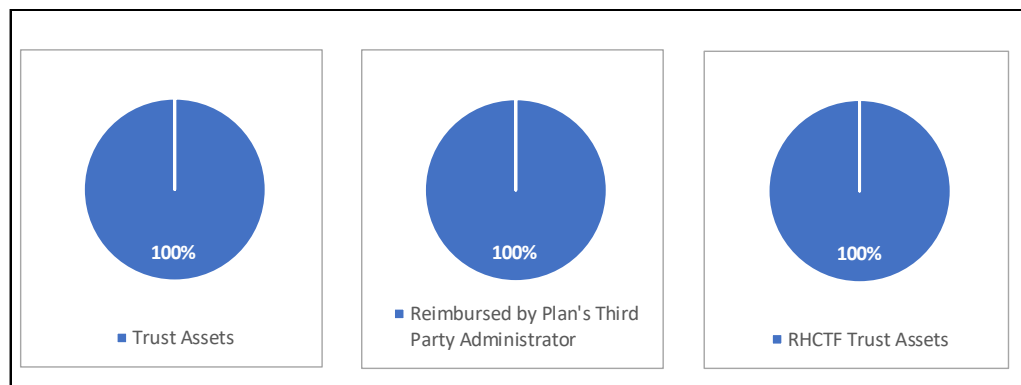
Budget Summary: Totals and Sources

| | <u>Pension</u> | <u>DC</u> | <u>RHCTF</u> | <u>Total</u> |
|--------------------------------------|----------------|--------------|--------------|---------------|
| Proposed FY2023 - 2024 Budget | \$ 47,858,923 | \$ 1,932,150 | \$ 1,688,430 | \$ 51,479,503 |
| Proposed FY2024 - 2025 Budget | \$ 50,394,832 | \$ 2,021,658 | \$ 1,688,430 | \$ 54,104,920 |

2023 - 2024 Expenditures



Funding Sources



FY23-24 Budget Supports Strategic Priorities

Budget Context

- Reflects complexities and requirements of business today
- Enables SFERS to deliver successfully on its mission into the future
- Mitigates risk

Budget Priorities

Enhance Benefits Administration

- Increase Retirement Services FTEs to mitigate current implementation risks, align headcount with complex business and continue to provide exemplary customer service
- *Fiscal impact of incremental \$1.2 million in FY2024*

Effective & Efficient Business Operations

- Provide technology solutions to enhance and improve collaboration and reporting efficiency; enhance web-content accessibility
- Partner with consultants in areas of enterprise/operations management
- *Fiscal impact of incremental \$150,000 in FY2024*

Retirement Readiness (DC)

- Improve retirement readiness for participants and CCSF employees
- Cultivate a high performing and innovative plan offering
- Increase visibility to enhance plan effectiveness



Key Budget Need: Retirement Services

Issue

- Going forward, SFERS does not have sufficient staff to effectively and efficiently administer a plan that has grown significantly in membership and complexity and in a manner befitting our members

Solution

- Align resources with business needs
 - Hire 18 FTEs to Retirement Services over the next two fiscal years
 - Includes Benefit Technicians, Retirement Analysts and Sr Retirement Analysts

Estimated Budget Impact

- Estimated cost is \$1.2mm in salaries and benefits next fiscal year and an additional \$1.3mm thereafter
- Expense is paid through the Trust and has no impact on the City's general fund budget

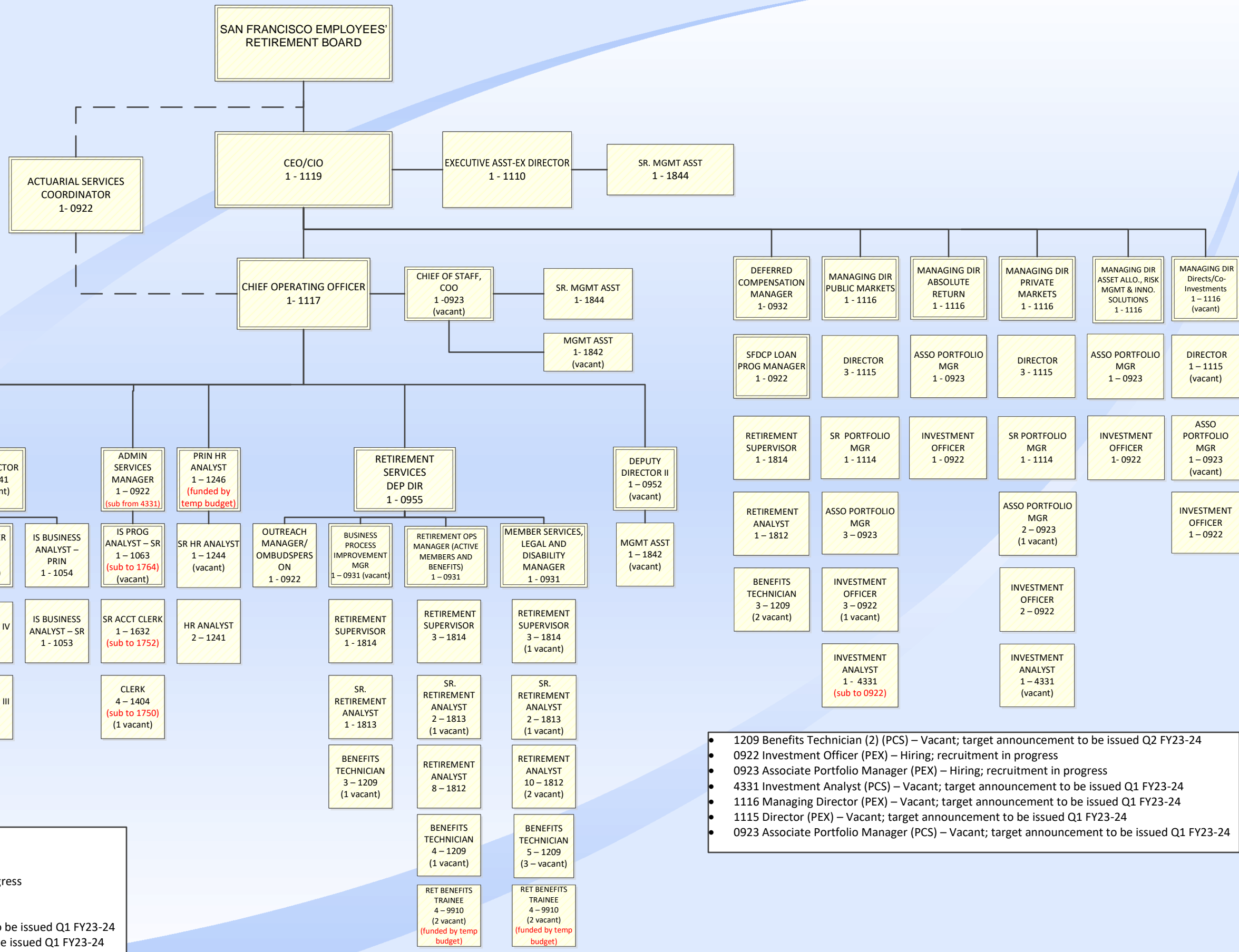
SFERS Staffing over Time

- Over the last 10 years, SFERS has grown considerably in membership and benefits paid, without comparable growth in Admin expenses and headcount
 - 30% increase in membership vs. 12.5% in retirement services staffing
 - 37% increase in benefits paid, inflation adjusted

| | Staffing | | | | |
|--------------------------------------|------------|------------|------------|------------|-----------------|
| | FY2020 | FY2021 | FY2022 | FY2023 | Proposed FY2024 |
| Administration & Retirement Services | 83 | 87 | 88 | 94 | 104 |
| Investments | 24 | 23 | 26 | 29 | 32 |
| DC | <u>5</u> | <u>5</u> | <u>5</u> | <u>7</u> | <u>7</u> |
| Total | 112 | 115 | 119 | 130 | 143 |

Note: Headcount includes filled and vacant budgeted positions, rounded to nearest whole number.

FY 2022-23
Current Positions w/Vacancies
(As of May 1, 2023)



- 1825 Prin. Admin Analyst II (PCS) – Hiring; recruitment in progress
- 1654 Accountant III (PCS) – Hiring; citywide exam in progress
- 4331 Inv. Analyst (PCS) – Hiring; recruitment in progress
- 0922 Quality Assurance Manager (PCS) – Hiring; recruitment in progress
- 0941 IT Director (PCS) – Filled as of 5/15/2023
- 1043 IS Engineer SR (PCS) – Hiring; recruitment in progress
- 1064 IS Prog Analyst – Prin. (PCS) – Vacant; target announcement to be issued Q1 FY23-24
- 1063 IS Prog Analyst – SR (PEX) – Vacant; target announcement to be issued Q1 FY23-24
- 1404 Clerk (PCS) – Hiring; recruitment in progress
- 1244 Sr. HR Analyst – Hiring; recruitment in progress

- 0923 Chief of Staff (PCS) – Vacant; target announcement to be issued Q1 FY23-24
- 0952 Deputy Director II (PEX) – Vacant; target announcement to be issued Q1 FY23-24
- 0931 Bus. Process Improvement Mgr. (PCS) – Hiring; recruitment in progress
- 1842 Management Assistant (2) (PCS) – Hiring; recruitment in progress
- 1814 Retirement Supervisor (PCS) – Vacant; target announcement to be issued Q1 FY23-24
- 1813 Sr. Benefits Analyst (2) (PCS) – Vacant; target announcement to be issued Q1 FY23-24
- 1812 Asst. Ret. Analyst (2) (PCS) – Vacant; target announcement to be issued Q2 FY23-24
- 1209 Benefits Technician (5) (PCS) – Vacant; target announcement to be issued Q2 FY23-24

- 1209 Benefits Technician (2) (PCS) – Vacant; target announcement to be issued Q2 FY23-24
- 0922 Investment Officer (PEX) – Hiring; recruitment in progress
- 0923 Associate Portfolio Manager (PEX) – Hiring; recruitment in progress
- 4331 Investment Analyst (PCS) – Vacant; target announcement to be issued Q1 FY23-24
- 1116 Managing Director (PEX) – Vacant; target announcement to be issued Q1 FY23-24
- 1115 Director (PEX) – Vacant; target announcement to be issued Q1 FY23-24
- 0923 Associate Portfolio Manager (PCS) – Vacant; target announcement to be issued Q1 FY23-24

SFERS Continues to Deliver on Mission FY2022 at a Glance



Prudently Invest Trust Assets

Funded Status: 96% as of July 1, 2022

Investment performance has exceeded actuarial rate of return and benchmark over 5, 10 and 20 years



Administer Mandated Benefits

Responded to 10,322 inquiries on Sfersconnect

Conducted 1,783 retirement and 719 service purchase appointments

45,962 SFERS members logged into member portal

Hosted 29 educational webinars, with a total of 6,014 attendees and satisfaction rate of 4.6 out of 5.0



Provide Promised Benefits

Paid \$1.738 billion in benefits

Processed 1,484 new retirements



Deferred Comp Plan

57% participation rate for City eligible employees, representing 33,064 participants

19,546 participants logged into website during the year

Call center handled 21,317 calls, with 97% average monthly customer satisfaction level

Counselors conducted 5,701 one-on-one meetings



Performance Measures

| | FY 21-22 | FY22-23 | FY23-24 | FY24-25 |
|--|----------------|------------------|---------------|---------------|
| | <u>Actuals</u> | <u>Projected</u> | <u>Target</u> | <u>Target</u> |
| Educate Employees About Retirement Readiness | | | | |
| Percentage of Eligible City Employees who participate in the DC Plan | 57% | 59% | 50% | 50% |
| Total Number of Visits to Main Website (mysfers.org) | 1,612,026 | 1,600,000 | 1,800,000 | 2,200,000 |
| Prudently Invest Trust Assets | | | | |
| Return on investment ranking of 50 th Percentile or better among pension plans with assets in excess of \$1bn, using 5-year average return (1= yes) | 1 | 1 | 1 | 1 |