



San Bernardino County Employees'  
Retirement Association

# 2025 - 2026

## ANNUAL BUDGET

For the Fiscal Year Ending June 30, 2026

# Exhibit A: Page 2

SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION 2025 - 2026 ANNUAL BUDGET

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# ORGANIZATIONAL STRUCTURE AND MISSION

## Plan Participants

The San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the provisions of the California County Employees Retirement Law of 1937 (the CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by SBCERA's Board of Retirement (Board). SBCERA provides retirement, disability, death, and survivor benefits for over 50,000 Plan members and their beneficiaries who are employed by 17 active Plan sponsors (participating employers), and 5 withdrawn employers which include:

### Participating Employers

Barstow Fire Protection District  
 Big Bear Fire Authority  
 California State Association of Counties  
 City of Big Bear Lake  
 City of Chino Hills  
 Consolidated Fire Agencies  
 Crestline Sanitation District  
 Department of Water and Power of the City of Big Bear Lake  
 Hesperia Recreation and Park District  
 Law Library for San Bernardino County  
 Local Agency Formation Commission  
 Mojave Desert Air Quality Management District  
 San Bernardino County  
 San Bernardino County Transportation Authority  
 SBCERA  
 South Coast Air Quality Management District  
 Superior Court of California County of San Bernardino

### Withdrawn Employers

California Electronic Recording Transaction Network Authority (withdrew June 30, 2021)  
 Inland Library System (withdrew May 31, 2019)  
 Inland Valley Development Agency (withdrew June 30, 2012)  
 San Bernardino International Airport Authority (withdrew June 30, 2012)  
 Rim of the World Recreation and Park District (withdrew May 4, 2013)

**Plan Management and Oversight**

SBCERA obtains its own independent financial statement audit and is a legally separate and independent entity from San Bernardino County (County). Management of SBCERA is vested in the SBCERA Board, which serves as the managing fiduciary for the accounting and control of employer and employee (member) contributions and investment income. The Plan's provisions may be amended by the State legislature and in some cases require approval by the County's Board of Supervisors (BOS).

The Board consists of nine voting members and three alternate members as follows:

**Board of Retirement****Board Chair**

Marc Bracco (Elected by Safety Members)

**Board Vice Chair**

Jean-Rene Basle (Appointed by Board of Supervisors)

**Additional Members Appointed by Board of Supervisors**

Michael Kennedy

Dawn Rowe

Neal Waner

**Additional Members Elected by SBCERA Members**

Matthew Erickson (Elected by General Members)

Louis Fiorino (Elected by General Members)

Dawn Stafford (Elected by Retired Members)

**Ex-Officio Member**

Ensen Mason, Auditor-Controller/Treasurer/Tax Collector

**Alternates**

Harry Hatch (Elected by Retired Members)

Jared Newcomer (Elected by Safety Members)

John Johnson (Designated by Ex-Officio Member)

## **SBCERA Mission Statement**

It is the mission of SBCERA to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned, and which are commensurate with their years of service and compensation.

It is the responsibility of those charged with administration of SBCERA to:

- Effectively collect contributions to fund liabilities incurred;
- Diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return;
- Administer the benefits impartially, fairly and in accordance with the applicable law;
- Deliver service to the membership in an accurate, courteous, prompt, professional and cost-efficient manner;
- Appropriately set employer and member contributions in accordance with responsible funding practices; and
- Strategically plan for the future.

## **Statement of Governance Principles**

To ensure accountability and authority for governance and management of SBCERA, the Board established governing principles to identify and distinguish between the roles of the Board and the Chief Executive Officer (CEO).

The Board's principal role is to ensure that SBCERA is appropriately administered, and its fund assets managed, with the overriding goal of protecting Plan assets, including adopting and monitoring policies, and reviewing and evaluating investment performance, financial, and administrative operations. The Board has delegated to the CEO the responsibility for the day-to-day administration and management of SBCERA, which is consistent with Board policy and delegation of authority. This includes broad responsibility for investment decisions, as delegated, staff supervision including training and development, services to members and beneficiaries, budgeting, media relations, succession planning, and actuarial valuations. Policy and direction set by the Board is implemented through the CEO so that a strong relationship between the Board and CEO exist. A clear delineation of authority is critical to the accomplishment of the Board's goals and objectives.

## Strategic Plan & Priorities

To create a common understanding with informed direction, the Board and senior leadership developed a Triennial Strategic Plan, which the Board updated in June 2022. This plan identifies the following core values of SBCERA:

**Integrity:** We will be honest, ethical, and trustworthy in all aspects in serving our members, employees, and our community.

**Accountability & Transparency:** We will ensure that the decisions we make and how we conduct business is clearly communicated and understood. We will be accountable for our conduct in serving our members, employees, and community.

**Commitment:** We will approach our work enthusiastically.

**Effectiveness:** We will be results-oriented in a cost-effective manner, capitalizing on our strengths and capabilities.

**Professional Excellence:** We will be skilled, confident, and capable.

**Collaboration:** We will work together as a team and with key stakeholders.

With a clearly defined mission and set of shared values, SBCERA is driven to provide service and a focus on the following co-equal pillars:

- Operational Excellence & Efficiency
- Superior Service Experience
- Quality Employer and Workplace
- Prudent Fiscal Management
- Effective Communications

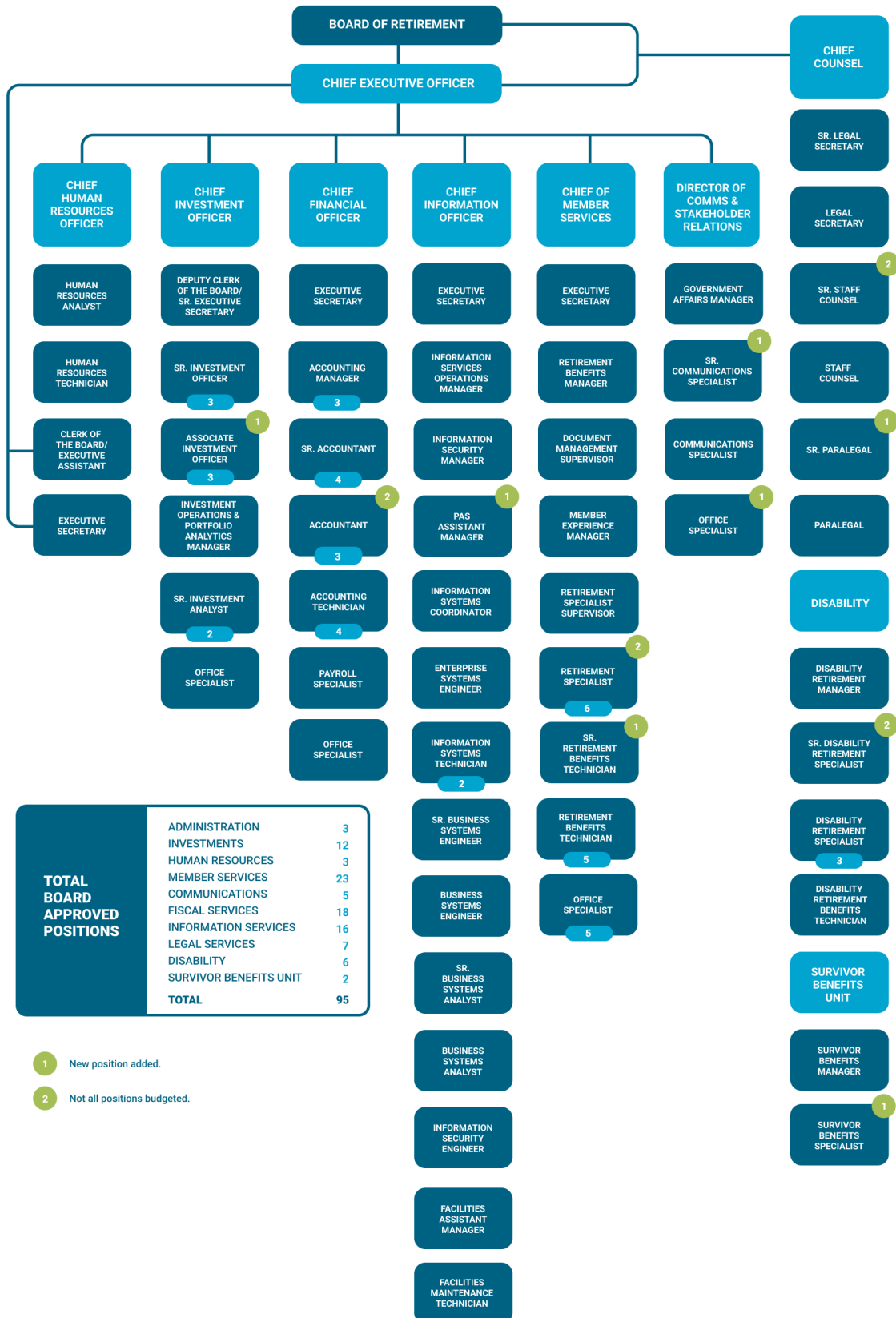
Each of these pillars have a set of Strategic Priorities, which are elaborated in our Triennial Strategic Plan.

## SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION 2025-2026 ANNUAL BUDGET

## SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

## 2025-2026 ANNUAL BUDGET

## SBCERA Organizational Chart (Proposed, as of July 1, 2025)



## BUDGET POLICY

A budget should provide information that is valuable, understandable, and enables the Board to rely upon the information contained therein when making future decisions about the organization. To accomplish this, the Board approved the *Expenditure Budget Approval Policy* (Budget Policy), which provides the Board and the CEO with a clear process for establishing its annual expenditure budget, covering all expenditures of SBCERA. The Budget Policy ensures the annual budget is presented and adopted in a timely and transparent manner, and meets the statutory requirements as stated in the *Budget Appropriations and Statutory Limit* section of this report. The budget presented herein was prepared in accordance with the Budget Policy.

### Budget Process

When developing the annual budget for Board approval, the CEO consults with the Department Chiefs, with consideration to SBCERA's Mission Statement, Statement of Governance Principles, Budget Policy, and Strategic Plan and Priorities as approved by the Board. The annual budget for the upcoming fiscal year is approved by the Board no later than June of each year. The CEO is responsible for operating within the Board approved budget and has the authority to spend up to the appropriated amounts.

After the budget is approved, the CEO may request the Board to amend the budget for the current fiscal year by presenting reasons for the budget amendment, its expected operational impact, and the cost of the amendment for the remainder of the current fiscal year and future fiscal years (if applicable). The Budget Policy also grants the CEO authority to transfer funds within each of the four broad categories of the budget (Personnel Costs, Professional Services, Operational Services and Supplies, and Capital Expenditures) to accomplish the goal of administering the operations of SBCERA. However, funds may not be moved from one broad budget category to another without approval from the Board. The Chief Financial Officer (CFO) provides quarterly budget review reports to the Board with comments on deviations from the adopted budget for each category of expenditure.

### Basis of Accounting

SBCERA's expenditure budget and financial statements are prepared using the accounting principles and reporting guidelines in accordance with applicable standards set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared on an accrual basis, under which, revenues are recognized when earned and expenses are recorded when the liability is incurred. For example, employer and member contributions are recognized as revenues when due, pursuant to formal commitments and statutory requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred.



## Funding and Debt Obligations

SBCERA provides funding of the budget and the Plan through employer and member contributions (which are actuarially determined each year) and investment earnings and does not incur debt to fund these expenditures. SBCERA is not governed by any legal debt limits. There are no issuances of any type of debt outstanding, and SBCERA does not anticipate incurring debt in the near future.

## Budget Appropriations and Statutory Limit

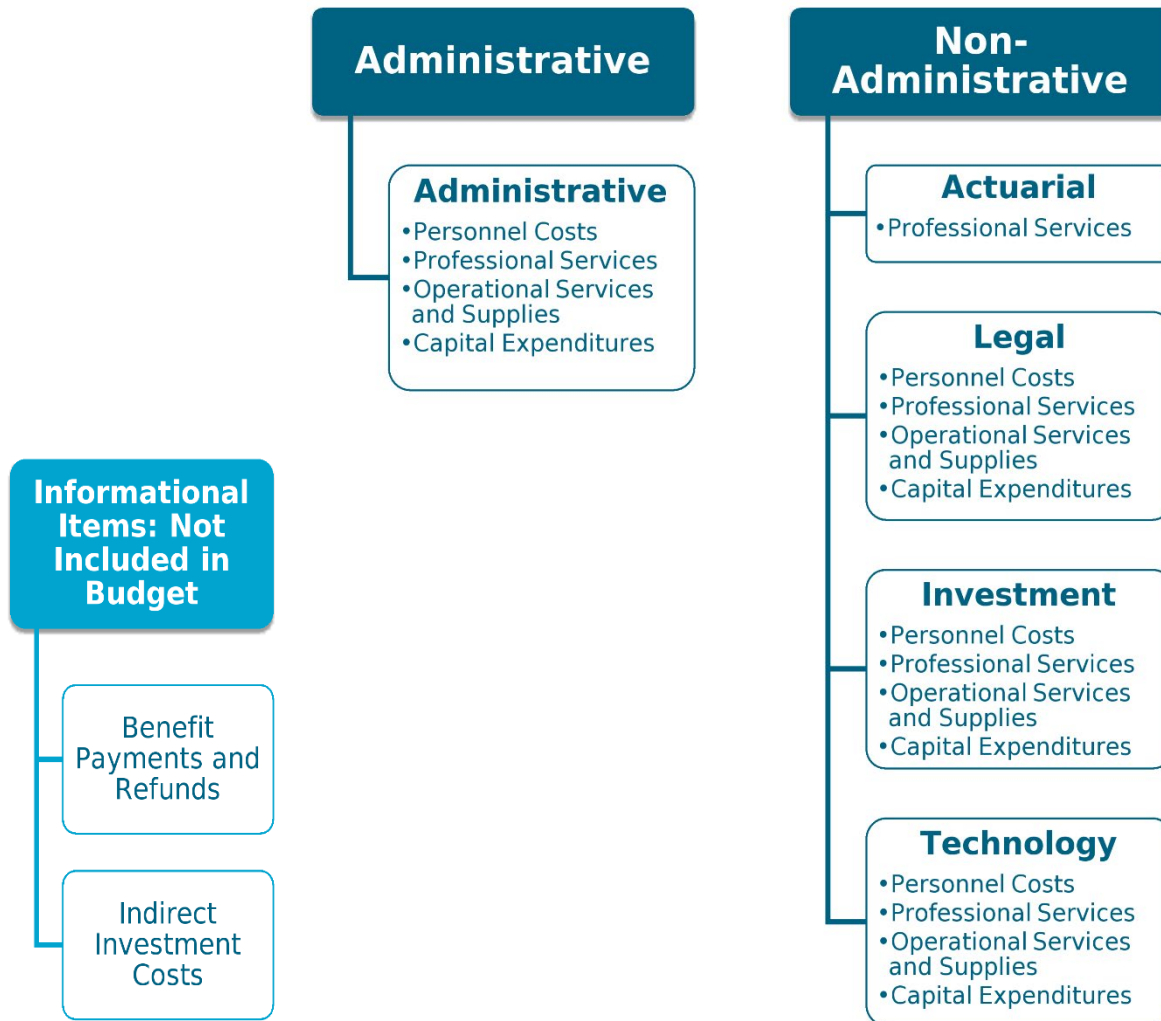
SBCERA is required by California Government Code (GC) section 31580.2, of the CERL, to prepare and approve an annual administrative expenditure budget covering the entire administrative expense of the Plan (also referred to as "appropriations"). The expense incurred in any year may not exceed twenty-one hundredths of one percent (21 basis points or 0.21%) of the Actuarial Accrued Liability (AAL) of the Plan (referred to as the "statutory limit") and those expenses are charged against the earnings of the retirement fund and are referred to as Administrative Expenditures.

Certain expenses of SBCERA are excluded from the statutory limit described in section 31580.2, including, but not limited to, those set forth in GC sections 31522.7, 31529.9, 31596.1 and 31580.2(b), which respectively excludes legal services costs, investment costs, actuarial services costs, custodial banking fees, and technology expenditures. Therefore, those expenditures are budgeted for separately and referred to as Non-Administrative Expenditures (except where excluded – see the *Informational Items* section of this report, for further information).

## Budget Structure

This SBCERA annual budget covers expenditures for the fiscal year from July 1, 2025 to June 30, 2026 (the fiscal year ending June 30, 2026) (FY 25/26), and consists of two distinct functional areas, Administrative and Non-Administrative (see the *Budget Appropriations and Statutory Limit* section of this report, for further information). Non-Administrative Expenditures are further categorized into four functional sub-areas: Actuarial, Legal, Technology, and Investment. The appropriations for each functional area are presented in the following categories of expenditures (if applicable), Personnel Costs, Professional Services, Operational Services and Supplies, and Capital Expenditures as outlined on the following page.

## Budget Structure (Continued)



## Capital Expenditures

SBCERA invests in capital assets for the purposes of furthering its Plan objectives. The purchases of capital assets are referred to as Capital Expenditures, and include land, building, equipment, furniture, leasehold improvements, software, and technology infrastructure. Pursuant to the *Capital and Controlled Assets Policy*, purchases of \$25,000 or more per item (the capitalization threshold), which have an initial useful life extending beyond a single fiscal year, are considered capital expenditures. Depreciation and amortization are provided using the straight-line method over the useful lives of the assets, which range from three to thirty-nine years. Depreciation and amortization expenses are not included in the annual budget.

See *Appendix 1 – Capital Expenditures Summary*, on page 38 for a complete list of the included projects and line items.

**Informational Items (Not Included in Expenditure Budget)**

Expenditures for benefit and refund payments paid to members and their beneficiaries are the largest expenditures incurred by the Plan. Pursuant to the Budget Policy, benefit and refund payments are excluded from the expenditure budget as those expenditures are not discretionary; they are paid pursuant to Plan requirements. Therefore, estimated actual costs for the current fiscal year, and a projection for actual costs for the upcoming fiscal year, are presented in the *Payments Not Included in Expenditure Budget* section of this report for informational purposes only, not as a budgetary line item.

In addition, expenditures for indirect investment costs that will be deducted directly from investment returns, such as indirect management fees, indirect investment expenses, foreign income tax, and securities lending fees are excluded from the expenditure budget, as those expenditures are included in the net asset value (fair value) of the investment and those values are presented to the Board by staff and/or SBCERA's investment consultant monthly. Nevertheless, to ensure full transparency, these expenditures (estimated actual costs for the current fiscal year and a projection for actual costs for the upcoming fiscal year) are provided in the *Payments Not Included in Expenditure Budget* section of this report for informational purposes only, not as a budgetary line item.

Again, these informational items (benefit and refund payments, and indirect investment costs) are included to ensure all expenditures of SBCERA are reported to the Board in a transparent manner.

## INITIATIVES TO SUPPORT STRATEGIC PRIORITIES

The costs associated with these projects are one-time or initial costs.

Project	Pillar	Priority	Administrative Budget Impact	Non-Administrative Budget Impact
Call Center Project	Superior Service Experience	Utilize a consultant and software solutions within Dialpad to integrate Artificial Intelligence into call center.	\$20,000	\$20,000
PAS Authentication and Fraud Prevention (GIACT)	Operational Excellence & Efficiency	Implement technology from GIACT to ensure data integrity within Pension Gold.	\$75,000	
Data Center Upgrades	Quality Employer & Workplace	Upgrade storage solutions to implement backup solution, remote access, and access to Pension Gold test environments by Employers.		\$450,000
Member Services Relocation to First Floor	Quality Employer & Workplace	Space utilization/expansion to consolidate call center staff. (Deferred from PY)	\$810,000	
Managed Solution for Security Cameras	Operational Excellence & Efficiency	Technology for monitoring security cameras remotely		\$30,000
Appeals Process (D06)	Prudent Fiscal Management	Fully implement the <i>Alameda</i> Supreme Court decision		\$130,000

# ANNUAL BUDGET SUMMARY

## Annual Budget Summary | By Expenditure Budget

The entire 2025 - 2026 annual budget is presented below in summary, by expenditure budget – Administrative and Non-Administrative:

Annual Budget Summary by Expenditure Budget 2025-2026 Annual Budget					
	FY 25/26	FY 24/25	FY 24/25	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget
	Proposed Budget	Approved Budget	Estimated Actual		
<b>Administrative Budget</b>					
Personnel Costs	\$ 12,468,000	\$ 10,958,400	\$ 10,102,000	\$ 1,509,600	14%
Professional Services	1,370,500	1,096,000	1,148,500	274,500	25%
Operational Services and Supplies	2,481,530	2,471,700	2,384,493	9,830	0%
Capital Expenditures	980,000	105,000	5,000	875,000	833%
<b>Total Administrative Budget</b>	<b>17,300,030</b>	<b>14,631,100</b>	<b>13,639,993</b>	<b>2,668,930</b>	<b>18%</b>
<b>Non-Administrative Budget</b>					
<b>Actuarial Appropriations</b>					
Professional Services	200,000	285,000	195,000	(85,000)	-30%
<b>Total Actuarial Appropriations</b>	<b>200,000</b>	<b>285,000</b>	<b>195,000</b>	<b>(85,000)</b>	<b>-30%</b>
<b>Legal Appropriations</b>					
Personnel Costs	1,805,000	1,540,000	1,607,085	265,000	17%
Professional Services	665,000	320,000	625,000	345,000	108%
Operational Services and Supplies	95,150	106,000	96,316	(10,850)	-10%
Capital Expenditures	40,000	100,000	-	(60,000)	-60%
<b>Total Legal Appropriations</b>	<b>2,605,150</b>	<b>2,066,000</b>	<b>2,328,401</b>	<b>539,150</b>	<b>26%</b>
<b>Investment Appropriations</b>					
Personnel Costs	5,035,000	3,154,900	3,300,000	1,880,100	60%
Professional Services	4,530,000	4,158,500	4,420,000	371,500	9%
Operational Services and Supplies	287,500	367,500	536,429	(80,000)	-22%
Capital Expenditures	-	125,000	12,000	(125,000)	-100%
<b>Total Investment Appropriations</b>	<b>9,852,500</b>	<b>7,805,900</b>	<b>8,268,429</b>	<b>2,046,600</b>	<b>26%</b>
<b>Technology Appropriations</b>					
Personnel Costs	2,827,000	2,413,400	2,200,000	413,600	17%
Professional Services	536,000	599,000	221,000	(63,000)	-11%
Operational Services and Supplies	2,923,600	3,299,500	2,337,600	(375,900)	-11%
Capital Expenditures	450,000	600,000	825,000	(150,000)	-25%
<b>Total Technology Appropriations</b>	<b>6,736,600</b>	<b>6,911,900</b>	<b>5,583,600</b>	<b>(175,300)</b>	<b>-3%</b>
<b>Total Non-Administrative Budget</b>	<b>19,394,250</b>	<b>17,068,800</b>	<b>16,375,430</b>	<b>\$ 2,325,450</b>	<b>14%</b>
<b>Total Budget</b>	<b>\$ 36,694,280</b>	<b>\$ 31,699,900</b>	<b>\$ 30,015,423</b>	<b>\$ 4,994,380</b>	<b>16%</b>

# Exhibit A: Page 14

SAN BERNARDINO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION 2025 - 2026 ANNUAL BUDGET

## Annual Budget Summary | By Category

The entire 2025 – 2026 annual budget is presented below in summary, by category – Personnel Costs, Professional Services, Operational Services and Supplies, and Capital Expenditures:

Annual Budget Summary by Category 2025-2026 Annual Budget						
	FY 25/26	FY 24/25	FY 24/25			
	Approved Budget	Approved Budget	Actual	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget	Share of Non- Admin Budget
<b>Personnel Costs</b>						
Administrative	\$ 12,468,000	\$ 10,958,400	\$ 10,102,000	\$ 1,509,600	14%	34%
Legal	1,805,000	1,540,000	1,607,085	265,000	17%	5%
Investment	5,035,000	3,154,900	3,300,000	1,880,100	60%	14%
Technology	2,827,000	2,413,400	2,200,000	413,600	17%	8%
<b>Total Personnel Costs</b>	<b>22,135,000</b>	<b>18,066,700</b>	<b>17,209,085</b>	<b>4,068,300</b>	<b>23%</b>	<b>60%</b>
<b>Professional Services</b>						
Administrative	1,370,500	1,096,000	1,148,500	274,500	25%	4%
Actuarial	200,000	285,000	195,000	(85,000)	-30%	1%
Legal	665,000	320,000	625,000	345,000	108%	2%
Investment	4,530,000	4,158,500	4,420,000	371,500	9%	12%
Technology	536,000	599,000	221,000	(63,000)	-11%	1%
<b>Total Professional Services</b>	<b>7,301,500</b>	<b>6,458,500</b>	<b>6,609,500</b>	<b>843,000</b>	<b>13%</b>	<b>20%</b>
<b>Operational Services and Supplies</b>						
Administrative	2,481,530	2,471,700	2,384,493	9,830	0%	7%
Legal	95,150	106,000	96,316	(10,850)	-10%	0%
Investment	287,500	367,500	536,429	(80,000)	-22%	1%
Technology	2,923,600	3,299,500	2,337,600	(375,900)	-11%	8%
<b>Total Operational Services and Supplies</b>	<b>5,787,780</b>	<b>6,244,700</b>	<b>5,354,838</b>	<b>(456,920)</b>	<b>-7%</b>	<b>16%</b>
<b>Capital Expenditures</b>						
Administrative	980,000	105,000	5,000	875,000	833%	3%
Legal	40,000	100,000	-	(60,000)	-60%	0%
Investment	-	125,000	12,000	(125,000)	-100%	0%
Technology	450,000	600,000	825,000	(150,000)	-25%	1%
<b>Total Capital Expenditures</b>	<b>1,470,000</b>	<b>930,000</b>	<b>842,000</b>	<b>540,000</b>	<b>58%</b>	<b>4%</b>
<b>Total Budget</b>	<b>36,694,280</b>	<b>31,699,900</b>	<b>30,015,423</b>	<b>4,994,380</b>	<b>16%</b>	<b>100%</b>

## Annual Budget Summary | By Personnel Costs versus All Other Budget Items

Annual Budget Summary by Personnel Costs versus All Other Budget Items 2025-2026 Annual Budget						
	<u>FY 25/26</u>	<u>FY 24/25</u>	<u>FY 24/25</u>			
	<u>Proposed Budget</u>	<u>Approved Budget</u>	<u>Estimated Actual</u>	<u>Increase/ (Decrease) over FY 24/25 Budget</u>	<u>Change over FY 24/25 Budget</u>	<u>Share of Total Budget</u>
Personnel Costs	22,135,000	18,066,700	17,209,085	4,068,300	23%	60%
All Other Budget Items	14,559,280	13,633,200	12,806,338	926,080	7%	40%
<b>Total Budget</b>	<b>36,694,280</b>	<b>31,699,900</b>	<b>30,015,423</b>	<b>4,994,380</b>	<b>16%</b>	<b>100%</b>

## STATUTORY LIMIT

Based on an Actuarial Accrued Liability (AAL) of \$17.3 billion (as of the most recent actuarial valuation dated June 30, 2024), the statutory limit for administrative expenditures is approximately \$36.5 million, representing a \$1.9 million increase over the prior year's statutory limit of \$34.6 million. The AAL is calculated once a year, by SBCERA's independent actuary. The next actuarial valuation for June 30, 2025, will be presented to the Board in November 2025, at which time the AAL may be revised. If the AAL increases, the statutory limit for the proposed budget can only be increased with Board approval.

The statutory limit is calculated as follows:

Calculation of Statutory Limit - Administrative Budget	
AAL as of June 30, 2024	\$ 17,372,251,774
Basis points per GC §31580.2	0.0021
<b>Statutory limit of 0.21% allowed per GC §31580.2</b>	<b>\$ 36,481,729</b>
<b>Administrative Budget with Amendments</b>	<b>\$ 17,300,030</b>
<b>Budget as Basis points of AAL</b>	<b>0.00100</b>
<b>Unrestricted Contingency Fund</b>	<b>\$ 19,181,699</b>

The proposed administrative expenditure budget appropriations are \$17,300,030, approximately 47% of the statutory limit, or 10 basis points. The remaining \$19.2 million will be set aside as an Unrestricted Contingency Fund, available for further appropriation with Board approval. The following section presents the proposed appropriations for each category of expenditure for the Administrative Budget.

Statutory Limit - Usage Analysis					
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26
AAL	14,298,195,718	14,957,435,405	15,630,124,402	16,446,671,652	17,372,251,774
Basis Points	21	21	21	21	21
Statutory Limit	30,026,211	31,410,614	32,823,261	34,538,010	36,481,729
Administrative Budget <sup>1</sup>	11,435,850	13,231,000	14,611,100	15,145,100	17,300,030
<b>Basis Points</b>	<b>8.0</b>	<b>8.8</b>	<b>9.3</b>	<b>9.2</b>	<b>10.0</b>

1)Includes any approved or proposed amendments.



## ADMINISTRATIVE BUDGET

Annual Budget Summary Administrative Budget 2025-2026 Annual Budget						
	FY 25/26	FY 24/25	FY 24/25	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget	Share of Non- Admin Budget
	Approved Budget	Approved Budget	Estimated Actual			
<b>Administrative Budget</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 12,456,000	\$ 11,099,300	\$ 10,102,000	\$ 1,356,700	12%	72%
Board Stipends	12,000	12,000	12,000	-	0%	0%
<b>Total Personnel Costs</b>	<b>12,468,000</b>	<b>11,111,300</b>	<b>10,114,000</b>	<b>1,356,700</b>	<b>12%</b>	<b>72%</b>
<b>Professional Services</b>						
Audit	81,500	81,500	77,500	-	0%	0%
Consulting	95,000	75,000	48,000	20,000	27%	1%
Disability Claim Process	1,040,000	1,040,000	920,000	-	0%	6%
Member Engagement	138,000	138,000	87,000	-	0%	1%
Payroll Services	16,000	16,000	16,000	-	0%	0%
<b>Total Professional Services</b>	<b>1,370,500</b>	<b>1,350,500</b>	<b>1,148,500</b>	<b>20,000</b>	<b>1%</b>	<b>8%</b>
<b>Operational Services and Supplies</b>						
Building Rent	-	775,000	1,000,000	(775,000)	-100%	0%
Building Services, net Rent	1,041,200	-	-	1,041,200	0%	6%
Career Development Fund	35,000	35,000	20,000	-	0%	0%
Claims, Judgments, & Orders	35,000	35,000	-	-	0%	0%
Communication Platforms	229,000	197,000	212,500	32,000	16%	1%
Employee Engagement	48,000	45,000	37,500	3,000	7%	0%
Equipment Rent	110,000	130,000	85,000	(20,000)	-15%	1%
General Maintenance	7,500	53,140	15,140	(45,640)	-86%	0%
Insurance	350,000	357,300	310,523	(7,300)	-2%	2%
Member Engagement	63,000	94,500	51,000	(31,500)	-33%	0%
Memberships	52,530	62,400	48,730	(9,870)	-16%	0%
Non-Capital Projects	-	100,000	75,000	(100,000)	-100%	0%
Office Expense	170,600	186,550	155,600	(15,950)	-9%	1%
Offsite Storage	35,000	35,000	35,000	-	0%	0%
Recruiting & Hiring	7,200	37,600	36,000	(30,400)	-81%	0%
Suite Services	-	166,500	54,000	(166,500)	-100%	0%
Training & Travel	297,500	233,310	248,500	64,190	28%	2%
<b>Total Operational Services and Supplies</b>	<b>2,481,530</b>	<b>2,543,300</b>	<b>2,384,493</b>	<b>(61,770)</b>	<b>-2%</b>	<b>14%</b>
<b>Capital Expenditures</b>	<b>980,000</b>	<b>140,000</b>	<b>5,000</b>	<b>840,000</b>	<b>600%</b>	<b>6%</b>
<b>Total Administrative Budget</b>	<b>\$ 17,300,030</b>	<b>\$ 15,145,100</b>	<b>\$ 13,651,993</b>	<b>\$ 2,154,930</b>	<b>14%</b>	<b>100%</b>

The proposed appropriations of \$17,300,030 represent an increase from the prior year appropriated budgeted expenditures of \$15,145,100. The difference in proposed appropriations represents an increase of approximately \$2,154,930 or 14% over the prior year approved budget. These differences are all discussed in detail in the *Cost Category Analysis* section below.

## Cost Category Analysis

### Personnel Costs

Personnel Costs include salary and benefits for SBCERA employees and stipends for Board members. Overall, appropriations in this category are projected to increase by approximately \$1.4 million or 12% over the prior year and represent 72% of the total appropriated administrative expenditures. The increase in Personnel Costs for the Administrative budget is attributed to four main areas.

Staffing Changes (\$794,000): Four positions have been added to the organization chart as part of the Administrative Budget. Two of these positions are in Member Services. A Document Management Supervisor and Office Specialist are being added to increase service levels to our members, increase efficiency, and support a new Print/Mail center that will centralize all incoming and outgoing mail throughout the organization. An Office Specialist is being added to the Communications department to support the ongoing communication efforts. The Survivor Benefit Unit was created in FY 24/25 to solve an internal audit weakness and to process benefits after the death of our members and their beneficiaries. The position was originally funded mid-year with a Survivor Benefit Manager using savings from other non-filled positions. That position and a newly added Survivor Benefit Specialist are being funded to round out this department. In addition, there are three position reclassifications being made: (a) a reclassification within the Communications department for a Senior Communications Specialist from a Communication Specialist, (b) an Office Specialist from Receptionist and (c) Senior Retirement Benefit Specialist in the Member Services department. During FY 24/25, the Senior Accountant position was filled in Fiscal Services from savings and will be fully funded this year. Within the Disability Retirement Unit, three positions are being eliminated and one is being kept on the organization chart, but unbudgeted – the Senior Disability Retirement Specialist is being reserved unbudgeted and the Office Specialist, second Disability Retirement Benefit Technician, and Disability Supervisor are being eliminated. Within the Member Services department, a vacant Retirement Specialist position will be kept on the organization chart, but unbudgeted.

Cost of Living Adjustment (\$131,000): Based upon market data and historical trends, SBCERA is reserving 3% to award a COLA increase at January 1, 2026.

Benefit Cost Increase (\$65,000): The SBCERA benefit plan is a calendar year plan; therefore, any increases as of January 1, 2026 are still unknown. Based upon market trends and data, we are assuming an increase of health and dental premiums at 10%, vision premiums at 3%, and life insurance premiums at 2%.

Merit Increases (\$323,700): Employees of SBCERA are placed on a salary schedule that allows for up to a two-step increase per year (4%) based upon the employee's evaluation and performance. Once an employee reaches the 21<sup>st</sup> step, there are no merit increases remaining. Based upon SBCERA's actual and expected workforce, this item represents the cost to award step increases and the associated accrual value increases.

Appendices 3 and 4, on pages 39 and 40, illustrate the relationship between asset growth, membership growth and the growth rate of approved staff positions for the six fiscal years ending June 30, 2025.

SBCERA personnel are budgeted as follows:

Summary of Personnel - Administrative Budget			
Department <sup>1</sup>	FY 25/26	FY 24/25	Net Change in Budgeted Positions
Administration	3	3	0
Communications	5	4	1
Disability Retirement Unit	5	6	(1)
Fiscal Services	16	15	1
Human Resources	3	3	-
Information Services	4	4	0
Member Services	22	20	2
Survivor Benefit Unit	2	1	1
<b>Total Budgeted Positions</b>	<b>60</b>	<b>56</b>	<b>4</b>
1) Includes all SBCERA staff except for the legal, investment, and non-admin IS department positions.			

There are 60 Administrative Staff positions for the FY 25/26 Administrative Budget, and an additional four positions which are not being funded as part of this Administrative Budget. This is a four-position net increase over the prior year budget as amended.

## Professional Services

These costs include professional services provided by outside contractors/vendors including, but not limited to, audit services, consulting, data integrity, disability claim process services, member engagement, and payroll services. Overall, appropriations in this category are projected to increase by approximately \$20,000 or 1% over the prior year and represent 8% of the total appropriated administrative expenditures.

Audit: This sub-category includes the expense for the annual audited financial statements and the required additional work for compliance with GASB 67.

Consulting: Costs include the professional services for employee benefit oversight, internal audit activity, HR investigations, and other miscellaneous consulting services. An increase of \$20,000 to this category is part of a project to integrate Artificial Intelligence technology into the call center to improve the member experience and better evaluate member calls.

Disability Claim Process: This newly created sub-category encompasses the line items for Disability Retirement processing including ordering medical records, transcriptions, and medical evaluations.

Member Engagement: This includes member education related to financial literacy and video production; both items align with SBCERA's Strategic Plan. The member survey is conducted every other year and is not included in for FY 25/26.

Payroll Services: No increases are expected in this category.

### **Operational Services and Supplies**

Operational Services and Supplies include, but are not limited to, building services, insurance, general maintenance, office expense, postage and shipping, printing services, rented equipment, staff career development fund, communication platforms, training (including seminars and conferences for staff and trustees), travel (non-due diligence), claims and judgments, and purchases of non-capital assets less than \$25,000.

Overall, appropriations in this category are projected to decrease by \$16, thousand or 6% over the prior year and represent 14% of the total appropriated administrative expenditures.

Building Rent: Rent will be eliminated this year as part of a project to dissolve the holding company that has owned SBCERA's building since 2001.

Building Services, net Rent: This line item replaces the Building Rent in the prior year. A detailed accounting and discussion of this line item can be found in Appendix 5, on page 44.

Career Development Fund: This is the second year after an increase in the SBCERA benefit package gave employees access up to \$5,000 for education as part of this program. Costs are expected to remain consistent.

Communication Platforms: This increase is due primarily to the addition of Dialpad functionality as part of the Member Services project to integrate Artificial Intelligence into the call center.

Employee Engagement: The increase in this sub-category is primarily due to the increase in actual costs for the introduction of an employee engagement platform.

General Maintenance: The decrease is due to the introduction of the Building Services, net of Rent line item. All Building Services, including General Maintenance will be booked to this line item. General Maintenance is reserved for small items purchased by departments outside of the Facilities group.

Insurance: Overall insurance costs are expected to increase by 12% due to rising insurance costs and the incorporation of the building into SBCERA's portfolio, in lieu of Hospitality Office.

Member Engagement: Costs for member outreach are decreasing based on actual costs and a reduction in branded SBCERA items. The introduction of the Print/Mail center will also reduce costs in this line item.

Membership: Budgeted costs for membership are decreased based upon on actual costs and expected increases.

Non-Capital Projects: There are no expected non-capital purchases this year.

Office Expense: Office Expense is decreasing slightly to account for actual experience. This category also includes the cost to supply food at meetings, which are only increasing slightly.

Recruiting & Hiring: Costs in this line item are decreasing significantly based upon experience. In the prior budget year, a recruitment was held for the Chief of Member Services, there are no expected recruitments in FY 25/26 that will require a recruiter. All other costs are relatively consistent with the prior year.

Suite Services: Costs for this line item have been incorporated into the newly created Building Services, net of Rent line item.

Training/Seminars/Conferences: Costs in this sub-category have increased because of actual expenses and staff attendance at trainings and the addition of positions.

## Capital Expenditures

Prior year capital expenditures included an expected remodel of first floor space and moving of the Member Services team to that space. While \$5,000 was expended toward this project, it was substantially and consciously deferred after a new Chief of Member Services was hired. The project will occur this year and will include a redesigned space that will bring the entire team into one area, increase member satisfaction, reduce inefficiencies and promote a team environment. Costs associated with the project include reconfiguring the space, new furniture (to be both compliant with best standards and promote efficiencies), and building enhancements.

A second project in this line item is the Print/Mail Center. A new Print/Mail Center will allow for two major changes to operations. The first is to streamline all incoming and outgoing mail from one location. This change will reduce the cost and time to send out correspondence to our members, especially when large groups are included in a mailing. The second adjustment is to bring printing services in house. This adjustment will reduce printing costs as seen in the Office Expense line item. The adjustment will also give SBCERA more flexibility when it comes to making changes to printed items. To facilitate this change, a remodel of the current supply room is needed. Current equipment will be updated – costs for this portion are included in the Equipment Rent line item (no net change in costs).

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 38.

## NON-ADMINISTRATIVE BUDGET

Certain expenses of SBCERA are excluded from the statutory limit described in GC section 31580.2, including, but not limited to, those set forth in GC sections 31522.7, 31529.9, 31596.1 and 31580.2(b), which respectively excludes legal services costs, investment costs, actuarial services costs, custodial banking fees, and certain technology expenditures. These expenditures are considered non-administrative and are budgeted for in the Non-Administrative Expenditure Budget, pursuant to the SBCERA *Expenditure Budget Approval Policy*. The proposed appropriations in summary form for the Non-Administrative Expenditure Budget are provided below.

Annual Budget Summary Non-Administrative Budget 2025-2026 Annual Budget						
	FY 25/26	FY 24/25	FY 24/25	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget	Share of Non- Admin Budget
	Approved Budget	Approved Budget	Estimated Actual			
<b>Non-Administrative Budget</b>						
<b>Actuarial Appropriations</b>						
Professional Services	\$ 200,000	\$ 185,000	\$ 195,000	\$ 15,000	8%	1%
<b>Total Actuarial Appropriations</b>	<b>200,000</b>	<b>185,000</b>	<b>195,000</b>	<b>15,000</b>	<b>8%</b>	<b>1%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,805,000	1,687,500	1,607,085	117,500	7%	9%
Professional Services	665,000	705,000	625,000	(40,000)	-6%	3%
Operational Services and Supplies	95,150	142,950	96,316	(47,800)	-33%	0%
Capital Expenditures	40,000	100,000	-	(60,000)	-60%	0%
<b>Total Legal Appropriations</b>	<b>2,605,150</b>	<b>2,635,450</b>	<b>2,328,401</b>	<b>(30,300)</b>	<b>-1%</b>	<b>13%</b>
<b>Investment Appropriations</b>						
Personnel Costs	5,035,000	3,524,100	3,300,000	1,510,900	43%	26%
Professional Services	4,530,000	4,471,000	4,420,000	59,000	1%	23%
Operational Services and Supplies	287,500	487,500	536,429	(200,000)	-41%	1%
Capital Expenditures	-	25,000	12,000	(25,000)	-100%	0%
<b>Total Investment Appropriations</b>	<b>9,852,500</b>	<b>8,507,600</b>	<b>8,268,429</b>	<b>1,344,900</b>	<b>16%</b>	<b>51%</b>
<b>Technology Appropriations</b>						
Personnel Costs	2,827,000	2,507,500	2,200,000	319,500	13%	15%
Professional Services	536,000	546,000	221,000	(10,000)	-2%	3%
Operational Services and Supplies	2,923,600	3,248,660	2,337,600	(325,060)	-10%	15%
Capital Expenditures	450,000	875,000	825,000	(425,000)	-49%	2%
<b>Total Technology Appropriations</b>	<b>6,736,600</b>	<b>7,177,160</b>	<b>5,583,600</b>	<b>(440,560)</b>	<b>-6%</b>	<b>35%</b>
<b>Total Non-Administrative Budget</b>	<b>\$ 19,394,250</b>	<b>\$ 18,505,210</b>	<b>\$ 16,375,430</b>	<b>\$ 889,040</b>	<b>5%</b>	<b>100%</b>

Overall, the total Non-Administrative Expenditure Budget for the fiscal year ending June 30, 2025, is approximately \$19,231,250, which is an increase of \$726 thousand or 4% the prior year appropriations of \$18,505,250. The differences for all four functional areas (Actuarial, Legal, Investment, and Technology) are discussed starting on page 25.

## Non-Administrative Personnel Changes

Personnel Costs include salary and benefits for SBCERA employees in the Legal, Investment, and Information Systems departments. A portion of the Information Systems salaries (4 positions) are included in the Administrative Budget. Overall, appropriations in this category are projected to increase by approximately \$1.8 million or 23% and represent 49% of the total appropriated non-administrative expenditures. The increases are discussed within each functional area.

Appendices 3 and 4, on pages 41 and 41, illustrate the relationship between asset growth, membership growth and the growth rate of approved staff positions for the six fiscal years ending June 30, 2025.

SBCERA non-administrative personnel are budgeted as follows:

Summary of Personnel - Non-Administrative Budget			
Department <sup>1</sup>	FY 25/26	FY 24/25	Net Change in Budgeted Positions
Legal	6	6	0
Investment	12	9	3
Information Services	12	12	0
<b>Total Budgeted Positions</b>	<b>30</b>	<b>27</b>	<b>3</b>
1) Includes all SBCERA staff in the legal, investment, and IS departments (non-admin only).			

There are 30 Staff positions for the FY 25/26 Non-Administrative Budget, including three additional funded positions which is being budgeted as part of this Non-Administrative Budget.

## Actuarial Appropriations

An Actuarial Valuation and Review (valuation) is prepared once a year by an independent actuary in accordance with generally accepted actuarial principles and practices. The valuation establishes the funding requirements for the upcoming fiscal year and analyzes the preceding years' experience.

Every three years the actuary prepares an Actuarial Experience Study and Review of Economic Actuarial Assumptions (triennial experience study) to review the assumptions made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated, including mortality, service, and compensation experience of the members and their beneficiaries, and evaluating the assets and liabilities of the Plan. The next review is scheduled for the fiscal year ending June 30, 2026, to be performed in FY 26/27. In addition, every five years, an audit is conducted of the primary actuary's valuation to provide an independent



## Exhibit A: Page 25

actuarial opinion as to the accuracy and veracity of valuation results currently performed by SBCERA's independent actuary. The next audit is due for the June 30, 2028 valuation, to be performed as part of FY 28/29.

The use of realistic actuarial assumptions is important in maintaining adequate funding, while paying the vested benefit amounts to participants already retired and to those near retirement. The actuarial assumptions used do not determine the actual cost of the Plan. The actual cost is determined solely by the benefits and administrative expenditures paid out, offset by investment income or loss. However, it is desirable to estimate as closely as possible what the actual cost will be to permit an orderly method for setting aside contributions today to provide benefits in the future, and to maintain equity among generations of participants and taxpayers.

Annual Budget Summary Non-Administrative Budget Actuarial Appropriations 2025-2026 Annual Budget						
	FY 25/26	FY 24/25	FY 24/25	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget	Share of Non- Admin Budget
	Approved Budget	Approved Budget	Estimated Actual			
<b>Actuarial Appropriations</b>						
<b>Professional Services</b>						
Actuarial Studies	\$ 105,000	\$ 90,000	\$ 100,000	\$ 15,000	17%	53%
Consulting	95,000	95,000	95,000	\$ -	0%	48%
<b>Total Professional Services</b>	<b>200,000</b>	<b>185,000</b>	<b>195,000</b>	<b>15,000</b>	<b>8%</b>	<b>100%</b>
<b>Total Actuarial Appropriations</b>	<b>\$ 200,000</b>	<b>\$ 185,000</b>	<b>\$ 195,000</b>	<b>\$ 15,000</b>	<b>8%</b>	<b>1%</b>

## Cost Category Analysis

### Professional Services

Overall, the budgeted actuarial appropriation is \$200,000, a decrease of \$15 thousand or 8% over the prior year. Additional expenses in this category reflect the actual cost of miscellaneous consulting.

## Legal Appropriations

Legal Appropriations include legal staff salaries and benefits, professional non-investment legal services, and operational services and supplies for the legal department. At \$2,442,150, there is a decrease of \$193,300, or 7%, from the prior year appropriations. The overall decrease is explained below in the *Cost Category* section.

Annual Budget Summary Non-Administrative Budget Legal Appropriations 2025-2026 Annual Budget						
	FY 25/26	FY 24/25	FY 24/25	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget	Share of Non- Admin Budget
	Approved Budget	Approved Budget	Estimated Actual			
<b>Legal Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 1,805,000	\$ 1,687,500	\$ 1,607,085	\$ 117,500	7%	69%
<b>Total Personnel Costs</b>	<b>1,805,000</b>	<b>1,687,500</b>	<b>1,607,085</b>	<b>117,500</b>	<b>7%</b>	<b>69%</b>
<b>Professional Services</b>						
Attorney Fees	665,000	705,000	625,000	(40,000)	-6%	26%
<b>Total Professional Services</b>	<b>665,000</b>	<b>705,000</b>	<b>625,000</b>	<b>(40,000)</b>	<b>-6%</b>	<b>26%</b>
<b>Operational Services and Supplies</b>						
Employee Engagement	500	1,150	500	(650)	-57%	0%
Memberships	11,650	28,450	10,850	(16,800)	-59%	0%
Non-Capital Projects	-	5,000	-	(5,000)	-100%	0%
Office Expense	3,000	6,350	4,000	(3,350)	-53%	0%
Software & Services	50,000	57,000	50,966	(7,000)	-12%	2%
Training & Travel	30,000	45,000	30,000	(15,000)	-33%	1%
<b>Total Operational Services and Supplies</b>	<b>95,150</b>	<b>142,950</b>	<b>96,316</b>	<b>(47,800)</b>	<b>-33%</b>	<b>4%</b>
<b>Capital Expenditures</b>	<b>40,000</b>	<b>100,000</b>	<b>-</b>	<b>(60,000)</b>	<b>-60%</b>	<b>2%</b>
<b>Total Legal Appropriations</b>	<b>\$ 2,605,150</b>	<b>\$ 2,635,450</b>	<b>\$ 2,328,401</b>	<b>\$ (30,300)</b>	<b>-1%</b>	<b>13%</b>

## Cost Category Analysis

### Personnel Costs

Staff Salaries and Benefits: Overall, appropriations in this category are projected to increase by approximately \$117,500 or 7% from the prior year and represent 69% of the total appropriated legal non-administrative expenditures.

The overall increase of \$117,500 in personnel costs is due to net salary and benefit increases pursuant to the SBCERA Employment Resolution, Salary Rate and Step Advancement Plan, a net decrease in position changes, and an estimated 3% COLA. The Senior Paralegal is a newly created position that will support the Chief Counsel and her team. The Staff Counsel position is being budgeted and is currently vacant.

### Professional Services

Professional Services includes outside attorney fees for non-investment issues. Outside attorneys assist SBCERA with legal matters arising from the Plan, employer, member, and benefit issues including litigation, if needed. Overall, appropriations in this category are projected to decrease because of the conclusions of the hearings regarding the implementation of the Alameda Supreme Court decision and are based on actual experience.

### Operational Services and Supplies

Operational Services and Supplies includes legal department expenditures including, but not limited to, employee engagement, staff memberships/subscriptions, software, staff training and conferences, and staff travel. Overall, appropriations in this category level. Reductions are based upon actual expenditures and an expected reduction in memberships based upon staff changes.

### Capital Expenditures

As part of the continued effort to enhance security and accessibility, the ProLaw software used by Legal Services will be upgraded to a cloud version that will be more secure and more easily accessed by appropriate staff. The previously budgeted item was consciously deferred and can now be implemented at a lower cost.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 38.

## Investment Appropriations

Investment Appropriations include investment staff salaries and benefits, professional investment legal services, custodian fees, investment consultants, and operational services and supplies for the investment department. Overall, costs in this functional area will increase by \$1,344,900 or 16% and represent 51% of the total appropriated non-administrative expenditures. The overall increase is explained below in the *Cost Category* section.

Annual Budget Summary Non-Administrative Budget Investment Appropriations 2025-2026 Annual Budget						
	FY 25/26	FY 24/25	FY 24/25	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget	Share of Non- Admin Budget
	Approved Budget	Approved Budget	Estimated Actual			
<b>Investment Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 5,035,000	\$ 3,524,100	\$ 3,300,000	\$ 1,510,900	43%	51%
<b>Total Personnel Costs</b>	<b>5,035,000</b>	<b>3,524,100</b>	<b>3,300,000</b>	<b>1,510,900</b>	<b>43%</b>	<b>51%</b>
<b>Professional Services</b>						
Attorney Fees	340,000	340,000	340,000	-	0%	3%
Consulting	2,590,000	2,561,000	2,510,000	29,000	1%	26%
Custodial Services	1,600,000	1,570,000	1,570,000	30,000	2%	16%
<b>Total Professional Services</b>	<b>4,530,000</b>	<b>4,471,000</b>	<b>4,420,000</b>	<b>59,000</b>	<b>1%</b>	<b>46%</b>
<b>Operational Services and Supplies</b>						
Building Rent	-	150,000	150,000	(150,000)	-100%	0%
Employee Engagement	500	500	500	-	0%	0%
General Maintenance	-	2,500	-	(2,500)	-100%	0%
Memberships	8,000	8,000	8,000	-	0%	0%
Non-Capital Projects	-	5,000	-	(5,000)	-100%	0%
Office Expense	6,000	18,000	6,000	(12,000)	-67%	0%
Software & Services	173,000	196,000	201,929	(23,000)	-12%	2%
Training & Travel	100,000	107,500	170,000	(7,500)	-7%	1%
<b>Total Operational Services and Supplies</b>	<b>287,500</b>	<b>487,500</b>	<b>536,429</b>	<b>(200,000)</b>	<b>-41%</b>	<b>3%</b>
<b>Capital Expenditures</b>	<b>-</b>	<b>25,000</b>	<b>12,000</b>	<b>(25,000)</b>	<b>-100%</b>	<b>0%</b>
<b>Total Investment Appropriations</b>	<b>\$ 9,852,500</b>	<b>\$ 8,507,600</b>	<b>\$ 8,268,429</b>	<b>\$ 1,344,900</b>	<b>16%</b>	<b>51%</b>

## Cost Category Analysis

### Personnel Costs

Staff Salaries and Benefits: Appropriations in this category are projected to increase by \$1,510,900 or 43% from the prior year and represent 51% of the total appropriated non-administrative expenditures.

The overall increase of \$1,510,900 in personnel costs is based upon three new positions (\$1,191,000) and net salary and benefit increases pursuant to the SBCERA Employment Resolution, Salary Rate and Step Advancement Plan, a net increase in position changes, and an estimated 3% COLA (\$319,900).

In the last ten years, SBCERA's investment assets have nearly doubled from \$8 billion (as of June 30, 2014) to \$15.2 billion (as of June 30, 2024), with additional growth during FY 2024-25. That growth has been accomplished with a core investment team consisting of four investment officers. Although the title of those officers has changed throughout the last decade, it is clear that with double the investments assets, a mandate to expand the number of managers in specialty areas, and the need for appropriate risk management and succession planning, there is a need to expand the team. The Investment Team is composed of a Core Investment team (Chief Investment Officer, three Senior Investment Officers), Analytics and Middle/Back Office team (Data and Portfolio Analytics Manager, and two Senior Investment Analysts), and Administrative Support (Deputy Clerk of the Board and Office Specialist).

A need has been identified to have more time for research, documentation, analytics, bigger picture thinking, shaping relationships, creating new relationships with a diversity of vintage, size and ability to deploy capital, and better leveraging existing and potential technologies. Additionally, while not planned or expected, the potential impact of a departure of one or more investment officers would be extremely difficult to absorb by the remaining team, even if only on a temporary basis. The Associate Investment Officer position would also be included in the SBCERA Incentive Compensation Plan. The expected cost to fund these three positions is \$1,191,000.

### Professional Services

Professional Services includes outside attorney fees related to investment issues, consulting services, and custodian fees. Overall, appropriations in this category are projected to increase by \$59,000, or 1% over the prior budget. This increase primarily incorporates increased expenses for the custodian fees from State Street, contractual increases, and additional attorney fees based on actual experience.

## Operational Services and Supplies

Operational Services and Supplies includes, but is not limited to, staff professional memberships and subscriptions, office expense, rent, software, staff training and travel, and trustee due diligence travel. Overall, appropriations in this category are projected to decrease by approximately \$200,000 or 41% from the prior year, and represent 3% of the total appropriated non-administrative expenditures.

Building Rent: As discussed in Appendix 5, on page 43, the Building Rent line item is being eliminated and all costs to service the building will be included in the Administrative Line Item – Building Services, net of Rent.

General Maintenance: Based upon actual experience and the new Building Services line item, this line item is being eliminated.

Non-Capital Projects: There are no non-capital projects budgeted this year.

Office Expense: Based upon actual expenses, this line item will decrease by \$12,000.

Software & Services: Costs in this line item include the software selected as part of the FY 24/25 project to modernize the data management and library for investment-related documents and reports. Prior year budget included a one-time cost that will not be incurred again.

Travel: Costs in this line item are projected to decrease by \$7,500 primarily due to international travel requirements for due diligence compliance in the prior year, a one-time European manager search in the prior year, and increases for new staff members.

## Capital Expenditures

There are no expected Capital Expenditures this year.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 39.

## NON-ADMINISTRATIVE BUDGET

### Technology Appropriations

Appropriations for computer software, computer hardware, and computer technology consulting services in support of these computer products, including an allocation of personnel expenses, are considered Technology Appropriations except for those technology expenditures specifically allocated to the legal and investment departments. Overall, costs in this functional area will decrease by \$440,560 or 6% and represent 35% of the total appropriated non-administrative expenditures. The overall decrease is explained below in the *Cost Category* section.

Annual Budget Summary Non-Administrative Budget Technology Appropriations 2025-2026 Annual Budget						
	FY 25/26	FY 24/25	FY 24/25			
	Approved Budget	Approved Budget	Actual	Increase/ (Decrease) over FY 24/25 Budget	Change over FY 24/25 Budget	Share of Non- Admin Budget Area
<b>Technology Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 2,827,000	\$ 2,507,500	\$ 2,200,000	\$ 319,500	13%	42%
<b>Total Personnel Costs</b>	<b>2,827,000</b>	<b>2,507,500</b>	<b>2,200,000</b>	<b>319,500</b>	<b>13%</b>	<b>42%</b>
<b>Professional Services</b>						
Consulting	375,000	460,000	135,000	(85,000)	-18%	6%
Data Integrity	161,000	86,000	86,000	75,000	87%	2%
<b>Total Professional Services</b>	<b>536,000</b>	<b>546,000</b>	<b>221,000</b>	<b>(10,000)</b>	<b>-2%</b>	<b>8%</b>
<b>Operational Services and Supplies</b>						
Data Communications	65,000	65,000	65,000	-	0%	1%
Non-Capital Projects	150,000	555,005	120,000	(405,005)	-73%	2%
Software & Services	2,673,600	2,568,655	2,117,600	104,945	4%	40%
Training & Travel	35,000	60,000	35,000	(25,000)	-42%	1%
<b>Total Operational Services and Supplies</b>	<b>2,923,600</b>	<b>3,248,660</b>	<b>2,337,600</b>	<b>(325,060)</b>	<b>-10%</b>	<b>43%</b>
<b>Capital Expenditures</b>	<b>450,000</b>	<b>875,000</b>	<b>825,000</b>	<b>(425,000)</b>	<b>-49%</b>	<b>7%</b>
<b>Total Technology Appropriations</b>	<b>\$ 6,736,600</b>	<b>\$ 7,177,160</b>	<b>\$ 5,583,600</b>	<b>\$ (440,560)</b>	<b>-6%</b>	<b>35%</b>



## Cost Category Analysis

### Personnel Costs

Personnel costs include Information Services personnel Staff Salaries and Benefits related to the support of the computer software, computer hardware, and computer technology consulting services in support of Technology Expenditures.

This category is projected to increase \$319,500 or 13% over the prior budget and encompasses merit increases, an estimated COLA of 3%, and a new position. The newly created PAS (Pension Administration System) Manager will oversee the Pension Administration System and team members. There is also a position being eliminated in this department, the Cloud Architect Engineer. The elimination of one position and creation of another yields a slight savings as the new position is only budgeted for half of the year.

### Professional Services

Professional Services costs include consulting services in support of computer software and hardware. These services focus on preventive, detective, and corrective measures required to properly protect SBCERA's network and data from intrusion, and to quickly identify and mitigate any potential security breaches.

Appropriations are projected to decrease by \$10,000 or 2% over the prior year and represent 8% of the total appropriated technology expenditures.

Consulting: Appropriations include an annual IS audit to support internal audit activity, and consulting in the areas of 1) Enterprise Systems and 2) Security, Network & Compliance.

Data Integrity: The elements of the appropriations for Data Integrity include death audit services, which were formally included in the Administrative Budget, and fraud alert and protection for our member data. Services include persistent monitoring of our members' accounts for member deaths while in payment status and fraud risks/alerts for member accounts, including outside consumer fraud attempts. This line item is expected to increase by \$75,000 for a new project related to Data Integrity and Fraud Prevention. The project will be integrated into our Pension Administration System and mySBCERA to protect our members and maintain the integrity of our data.

## Operational Services and Supplies

Operational Services and Supplies costs include, but are not limited to, data processing & equipment, non-capital – IT hardware & software, and licensing & support for software. Appropriations in this category are projected to decrease by approximately \$325,060 or 10% from the prior year and represent 43% of the total appropriated technology expenditures.

Non-Capital Projects: The prior budget included significant equipment purchases to support standardized technology setups are included in this sub-category. Standardizing the technology setups will assist general staff and IS staff with technical support, especially for remote work. The reduction in this line item is to maintain those changes.

Software & Services: Costs in this line item have increased slightly, 3% over the prior year.

For a complete list of Non-Capital Projects, see *Appendix 2 – Non-Capital Project Summary* on page 38.

## Capital Expenditures

Capital Expenditures are projected to decrease significantly with the completion of the Azure Tenant Migration, ZTNA & Sase solution, and Audio & Visual equipment needs. Current year appropriations support updating the Data Center.

For a complete list of capital expenditures, see *Appendix 1 – Capital Expenditure Summary*, on page 38.

## PAYMENTS NOT INCLUDED IN BUDGET

### Benefits and Refunds

Payments made to members and their beneficiaries for benefits and refunds are not discretionary; they are paid pursuant to Plan requirements and are presented below for informational purposes only.

Benefits & Refunds Paid to Plan Members and their Beneficiaries				
(Amounts in Thousands)				
FY 21/22	FY 22/23	FY 23/24	Estimated FY 24/25	Projected FY 25/26
\$726,448	\$760,785	\$760,785	\$811,055	\$857,000

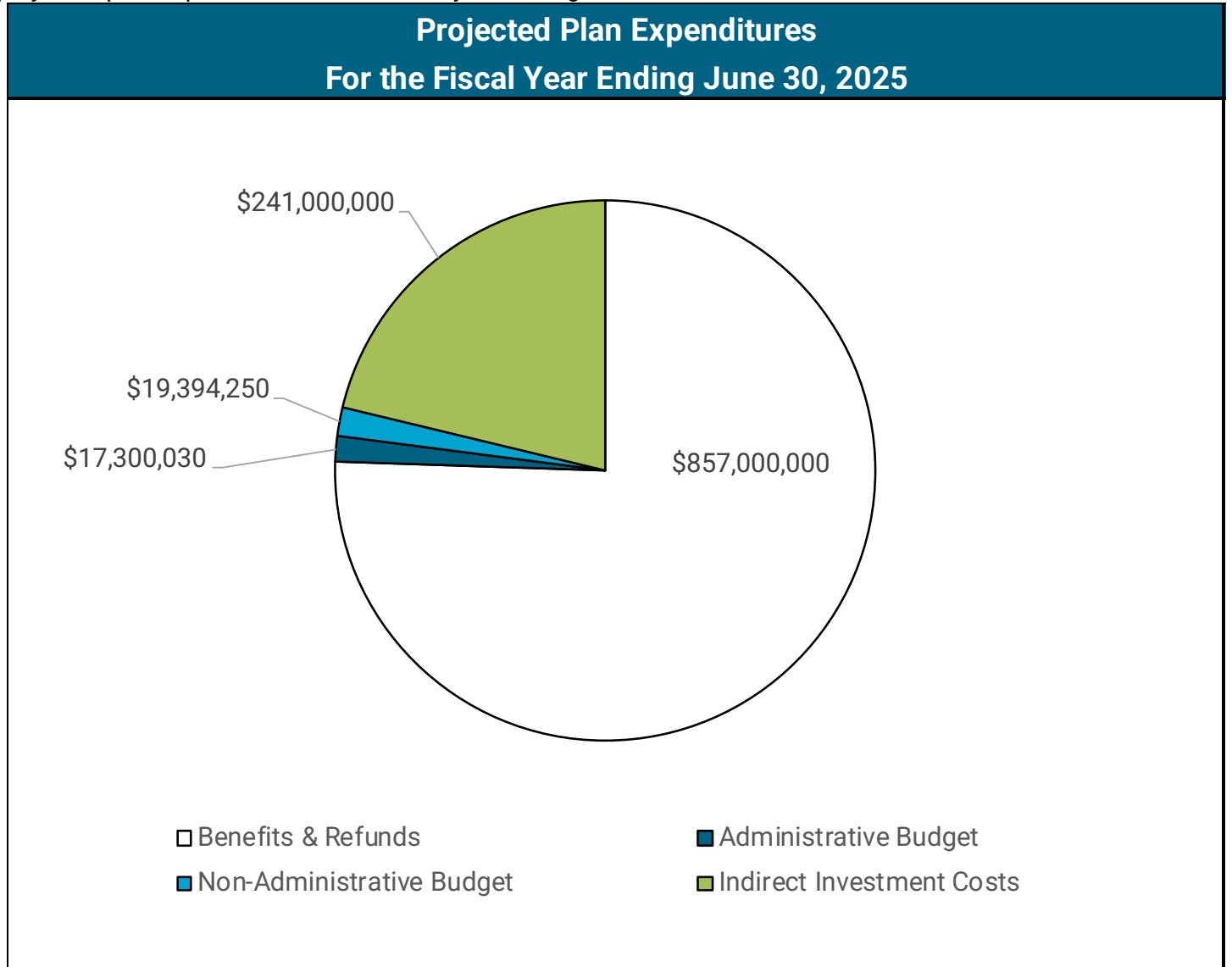
## Indirect Investment Costs

Payments made for indirect investment costs are deducted directly from investment returns and are presented below for informational purposes only.

Indirect Investment Costs (Amounts in Thousands)									
	FY 21/22		FY 22/23		FY 23/24		FY 24/25		Projected FY 25/26
Management Fees	\$	114,566	\$	154,605	\$	111,134	\$	168,694	\$ 175,000
Other Investment Expenses <sup>1</sup>	\$	23,853	\$	46,740	\$	49,436	\$	58,475	\$ 60,000
Securities Lending Fees	\$	87	\$	261	\$	4,942	\$	5,584	\$ 6,000
1) These costs include foreign income tax and other indirect flow-through investment expenses.									

1) These costs include foreign income tax and other indirect flow-through investment expenses.

Based on the estimates for the payments not included in the expenditure budget, the following is the total projected plan expenditures for the fiscal year ending June 30, 2025:



## APPENDIX

In addition to the analysis already provided, the following appendices are attached to provide supplementary information as follows:

- 1) Appendix 1 – Capital Expenditures Summary
- 2) Appendix 2 – Non-Capital Project Summary
- 3) Appendix 3 – Staff Position Summary
- 4) Appendix 4 – Staff Growth Analysis & Members Served by Staff
- 5) Appendix 5 – Building Services, net of Rent Detail

### Appendix 1 – Capital Expenditures Summary

Capital Expenditures Summary	
2025-2026 Annual Budget	
<b>Administrative Budget:</b>	
SBCERA Member Services Relocation to First Floor	\$ 810,000
Print/Mail Center	170,000
<b>Total Additions for Administrative Budget</b>	<b>\$ 980,000</b>
<b>Non-Administrative Budget</b>	
<b>Legal Appropriations</b>	
Pro Law Upgrade	\$ 40,000
<b>Total Additions for Legal Appropriations</b>	<b>\$ 40,000</b>
<b>Technology Appropriations</b>	
On Premise Storage Upgrade	\$ 450,000
<b>Total Additions for Technology Appropriations</b>	<b>\$ 450,000</b>
<b>Total Additions for Non-Administrative Budget</b>	<b>\$ 490,000</b>
<b>Total Additions</b>	<b>\$ 1,470,000</b>

**Appendix 2 – Non-Capital Project Summary**

<b>Non-Capital Projects Summary</b>		
<b>2025-2026 Annual Budget</b>		
<b>Technology Appropriations</b>		
Monitors, keyboards, etc for standardization		120,000
Tablet, phone, headset replacements		30,000
<b>Total Non-Capital Projects for Investment Appropriations</b>	<b>\$</b>	<b>150,000</b>
<b>Total Non-Capital Projects for Non-Administrative Budget</b>	<b>\$</b>	<b>150,000</b>
<b>Total Non-Capital Projects Summary</b>	<b>\$</b>	<b>150,000</b>

**Appendix 3 – Staff Position Summary**

<b>Staff Position Summary</b>	
<b>2025-2026 Annual Budget</b>	
<b>SBCERA Staff</b>	
<b>FY 24/25 Administrative Positions</b>	<b>63</b>
Positions Removed from Organizational Chart	3
Positions Added to Organizational Chart	4
<b>FY 25/26 Administrative Positions on Organizational Chart</b>	<b>64</b>
<b>FY 24/25 Legal Positions</b>	<b>7</b>
Positions Removed from Organizational Chart	1
Positions Added to Organizational Chart	1
<b>FY 25/26 Legal Positions on Organizational Chart</b>	<b>7</b>
<b>FY 24/25 Investment Positions</b>	<b>9</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	3
<b>FY 25/26 Investment Positions on Organizational Chart</b>	<b>12</b>
<b>FY 24/25 Technology Positions</b>	<b>12</b>
Positions Removed from Organizational Chart	1
Positions Added to Organizational Chart	1
<b>FY 25/26 Technology Positions on Organizational Chart<sup>1</sup></b>	<b>12</b>
<b>Total SBCERA Staff Positions for FY 25/26</b>	<b>95</b>
1) Excludes 4 Information Positions included in Administrative Budget.	



## Appendix 4 – Staff Growth Analysis & Members Served by Staff

Staff Growth Analysis (Dollar Amounts in Thousands)								
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	Growth Rate
Valuation Value of Assets	\$11,133,173	\$12,258,925	\$13,260,596	\$14,157,370	\$15,159,420		\$4,026,247	36.2%
Active & Deferred Members	29,308	29,697	30,464	32,408	34,136		4,828	16.5%
Retirees & Beneficiaries	13,833	14,292	14,878	15,389	15,924		2,091	15.1%
Approved Staff Positions	76	75	80	86	91	90	95	25.0%

Source: Actuarial Valuation as of June 30, 2024

The chart above illustrates that SBCERA's growth rate of assets and membership far outpaces the rate of approved staff position growth. Note that the asset value presented above utilizes the Actuarial Value of Assets (AVA) which is smoothed over 5 years. The AVA for the fiscal year ending June 30, 2025 will not be available until the Actuarial Valuation for the fiscal year ending June 30, 2025 is complete. Using the total proposed positions to be increased for the 2025-2026 Annual Budget (5 positions), the growth rate is 25%, which is about the same as the rate of membership and asset growth, when taken as a whole.

Members Served by Staff						
	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
Total Membership	43,141	43,989	45,342	47,797	48,500	50,060
Approved Staff Positions	76	75	80	86	91	90
<b>Membership per Position</b>	<b>568</b>	<b>587</b>	<b>567</b>	<b>556</b>	<b>533</b>	<b>556</b>

Source: Actuarial Valuation as of June 30, 2024

The average Members Served by Staff metric can be measured by dividing the total membership population by the approved staff positions for each respective year. For the Fiscal Year ending June 30, 2025 that number is approximately 556 members per position.

## Appendix 5 – Building Services, net of Rent Detail

Building Services, net of Rent 2025-2026 Annual Budget	
<b>Rental Income</b>	
Children's Fund	\$ 115,830
<b>Total Rental Income</b>	<b>\$ 115,830</b>
<b>Building Services</b>	
<b>Utilities</b>	
Electric	\$ 240,000
Gas	8,000
Telco	5,000
Trash	5,200
Water	15,000
<b>Total Utilities</b>	<b>\$ 273,200</b>
<b>Mechanical Systems Services</b>	
Electrical & Elevator	\$ 11,500
Fire/Life Safety	22,000
HVAC	36,000
Generator Service	20,000
<b>Total Mechanical Systems Services</b>	<b>\$ 89,500</b>
<b>Security Guard Services</b>	<b>\$ 220,000</b>
<b>Security Monitor Services</b>	<b>\$ 27,000</b>
<b>Security Patrol Services</b>	<b>\$ 22,000</b>
<b>Cleaning &amp; Suite Services</b>	
Dayporter Services	\$ 130,000
Landscaping	42,500
First Aid Supplies	15,000
Pest Control	5,000
Window Cleaning	4,000
<b>Total Cleaning &amp; Suite Services</b>	<b>\$ 196,500</b>
<b>Insurance Expense</b>	<b>\$ 100,000</b>
<b>Administrative Fees</b>	
Consulting	\$ 120,000
Licenses & Fees	1,250
<b>Total Administrative Fees</b>	<b>\$ 121,250</b>
<b>Total Building Services</b>	<b>\$ 1,049,450</b>
<b>Repair &amp; Maintenance (Non-Capital)</b>	
Lighting (Exterior)	\$ 15,000
Parking Lot	3,500
Structural	20,000
Windows	5,000
Mechanical Systems - Electrical	10,000
Mechanical Systems - Elevator	15,000
Mechanical Systems - Fire/Life Safety	10,000
Mechanical Systems - HVAC	14,000
Mechanical Systems - Plumbing	15,000
<b>Total Repair &amp; Maintenance (Non-Capital)</b>	<b>\$ 107,500</b>
<b>Total Building Expense, net of Rent</b>	<b>\$ 1,041,120</b>

**Appendix 5 – Building Services, net of Rent Detail (Continued)**

The table presented on the previous page is a detailed list of the item included in the Administrative Budget line-item Building Services, net of Rent, part of the Operational Services & Supplies. These items were included in other Administrative and Non-Administrative line items, including Rent Expense and Suite Services. This detail shows overall savings when comparing the method of paying rent to Hospitality Office versus managing the building in house.

<b>Analysis of Building Services, net of Rent versus Rent Expense</b>	
<b>2025-2026 Annual Budget</b>	
<b>Total Building Expense, net of Rent</b>	<b>\$ 1,041,120</b>
<b>Prior Year Expenses as Budgeted</b>	
Rent Expense - Administrative Budget	\$ 875,000
Rent Expense - Non-Administrative Budget	150,000
Suite Services - Administrative Budget	166,500
First Aid Supplies - Administrative Budget	6,000
<b>Total Prior Year Expenses as Budgeted</b>	<b>\$ 1,197,500</b>
<b>Savings in FY 26/27</b>	<b>\$ 156,380</b>

In 2001, SBCERA entered into an agreement to purchase 348 W. Hospitality Lane, San Bernardino, California (the Building), with the intent to use the building as its principal offices. At that time, there were some concerns that about potential liabilities stemming from owning and operating the Building, and SBCERA elected to form a separate corporate entity for the purpose of holding the Building.

Hospitality Office, Inc. was incorporated in the State of Delaware on March 7, 2001; SBCERA is its sole shareholder. Until 2024, the San Bernardino County Assessor's Office treated the property as exempt from property tax assessments. The Assessor changed that position in 2024, reversing its policy position on property tax exemptions available to subsidiaries of government agencies. The Building was therefore subject to property tax in 2024-25, although staff is continuing to work with the Assessor to reverse the tax and abate any penalties.

SBCERA has treated Hospitality Office, Inc. as an investment for purposes of its accounting records. Previously included as part of the American Realty Advisors ("ARA") portfolio, the relationship with ARA was terminated by mutual agreement in 2021, and SBCERA took the primary responsibility for managing the corporation, with the assistance of an outside property management firm.

In the past five years, SBCERA has programmatically taken more responsibility for the management of the Building, as it now occupies substantially all of the building space, with the exception of a lease of first floor office space to the Children's Fund. SBCERA has given notice to the property manager of its intent to terminate the existing contract and will bear responsibility for property management responsibilities effective on July 1, 2025.