



San Bernardino County Employees'  
Retirement Association

# 2026 - 2027

**Annual Budget**

(Proposed as of 5/21/26)

**For the Fiscal Year Ending June 30, 2027**

# 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Plan members and their beneficiaries who are employed by 17 active Plan sponsors (participating employers), and 5 withdrawn employers which include:

<b>Participating Employers</b>
Barstow Fire Protection District
Big Bear Fire Authority
California State Association of Counties
City of Big Bear Lake
Consolidated Fire Agencies (CONFIRE)
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
San Bernardino County Superior Court

<b>Withdrawn Employers</b>
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)

# Exhibit A: Page 3

## 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/designated members as follows:

### Board Chair

Jean-Rene Basle (Appointed by the County Board of Supervisors)

### Board Vice Chair

Neal Waner (Appointed by the County Board of Supervisors)

### Members Appointed by the County Board of Supervisors

John Johnson

Dawn Rowe

### Members Elected by SBCERA Members

Marc Bracco (Safety)

Matthew Erickson (General)

Louis Fiorino (General)

Dawn Stafford (Retired)

### Alternates Elected by SBCERA Members

Gary McBride (Retired)

Jared Newcomer (Safety)

### Ex Officio Member

Ensen Mason, County Auditor-Controller/Treasurer/Tax Collector

### Ex Officio's Delegate

Parth Bhatt

## 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.

## Exhibit A: Page 5

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](#).

# Exhibit A: Page 6

## SBCERA Organizational Chart (Proposed, as of July 1, 2026)



## 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 future debt.

### 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

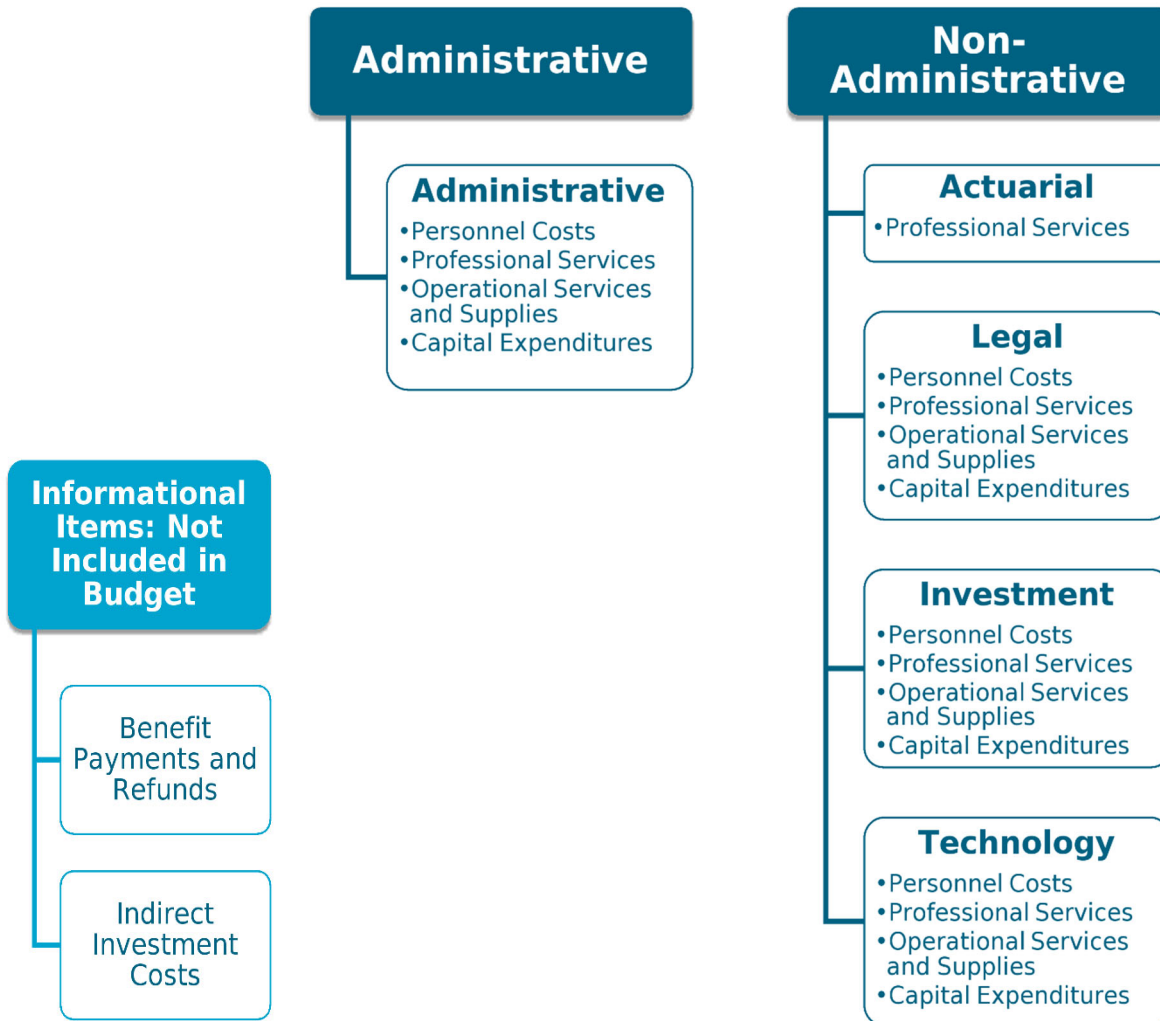
# Exhibit A: Page 8

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, 2026 to June 30, 2027 (the fiscal year ending June 30, 2027) (FY 26/27), 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 below.



### 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 33 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.

# Exhibit A: Page 10

## ANNUAL BUDGET SUMMARY

### Annual Budget Summary | By Expenditure Budget

The entire 2026 - 2027 annual budget is presented below in summary, by expenditure budget – Administrative and Non-Administrative:

Annual Budget Summary by Expenditure Budget 2026-2027 Annual Budget					
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease) over FY 25/26	Change over FY 25/26
	Proposed Budget	Approved Budget	Estimated Actual	Budget	Budget
<b>Administrative Budget</b>					
Personnel Costs	\$ 11,334,000	\$ 12,468,000	\$ 9,490,000	\$ (1,134,000)	-9%
Professional Services	1,295,000	1,370,500	1,243,520	(75,500)	-6%
Operational Services and Supplies	2,487,000	2,481,530	2,220,160	5,470	0%
Capital Expenditures	274,000	980,000	900,000	(706,000)	-72%
<b>Total Administrative Budget</b>	<b>15,390,000</b>	<b>17,300,030</b>	<b>13,853,680</b>	<b>(1,910,030)</b>	<b>-11%</b>
<b>Non-Administrative Budget</b>					
<b>Actuarial Appropriations</b>					
Professional Services	200,000	200,000	231,000	-	0%
<b>Total Actuarial Appropriations</b>	<b>200,000</b>	<b>200,000</b>	<b>231,000</b>	<b>-</b>	<b>0%</b>
<b>Legal Appropriations</b>					
Personnel Costs	1,487,300	1,805,000	1,400,000	(317,700)	-18%
Professional Services	655,000	665,000	752,472	(10,000)	-2%
Operational Services and Supplies	80,150	95,150	70,600	(15,000)	-16%
Capital Expenditures	-	40,000	-	(40,000)	-100%
<b>Total Legal Appropriations</b>	<b>2,222,450</b>	<b>2,605,150</b>	<b>2,223,072</b>	<b>(382,700)</b>	<b>-15%</b>
<b>Investment Appropriations</b>					
Personnel Costs	5,123,700	5,035,000	4,365,244	88,700	2%
Professional Services	4,775,000	4,530,000	4,840,150	245,000	5%
Operational Services and Supplies	347,500	287,500	220,900	60,000	21%
Capital Expenditures	-	-	-	-	0%
<b>Total Investment Appropriations</b>	<b>10,246,200</b>	<b>9,852,500</b>	<b>9,426,294</b>	<b>393,700</b>	<b>4%</b>
<b>Technology Appropriations</b>					
Personnel Costs	3,120,500	2,827,000	2,444,200	293,500	10%
Professional Services	579,000	536,000	2,579,200	43,000	8%
Operational Services and Supplies	3,539,500	2,923,600	1,481,599	615,900	21%
Capital Expenditures	750,000	450,000	450,000	300,000	67%
<b>Total Technology Appropriations</b>	<b>7,989,000</b>	<b>6,736,600</b>	<b>6,954,999</b>	<b>1,252,400</b>	<b>19%</b>
<b>Total Non-Administrative Budget</b>	<b>20,657,650</b>	<b>19,394,250</b>	<b>18,835,365</b>	<b>\$ 1,263,400</b>	<b>7%</b>
<b>Total Budget</b>	<b>\$ 36,047,650</b>	<b>\$ 36,694,280</b>	<b>\$ 32,689,045</b>	<b>\$ (646,630)</b>	<b>-2%</b>

# Exhibit A: Page 11

## Annual Budget Summary | By Category

The entire 2026 – 2027 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 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26			
	Approved Budget	Approved Budget	Actual (Estimated)	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 Budget	Share of Total Budget
<b>Personnel Costs</b>						
Administrative	\$ 11,334,000	\$ 12,468,000	\$ 9,490,000	\$ (1,134,000)	-9%	31%
Legal	1,487,300	1,805,000	1,400,000	(317,700)	-18%	4%
Investment	5,123,700	5,035,000	4,365,244	88,700	2%	14%
Technology	3,120,500	2,827,000	2,444,200	293,500	10%	9%
<b>Total Personnel Costs</b>	<b>21,065,500</b>	<b>22,135,000</b>	<b>17,699,444</b>	<b>(1,069,500)</b>	<b>-5%</b>	<b>58%</b>
<b>Professional Services</b>						
Administrative	1,295,000	1,370,500	1,243,520	(75,500)	-6%	4%
Actuarial	200,000	200,000	231,000	-	0%	1%
Legal	655,000	665,000	752,472	(10,000)	-2%	2%
Investment	4,775,000	4,530,000	4,840,150	245,000	5%	13%
Technology	579,000	536,000	2,579,200	43,000	8%	2%
<b>Total Professional Services</b>	<b>7,504,000</b>	<b>7,301,500</b>	<b>9,646,342</b>	<b>202,500</b>	<b>3%</b>	<b>21%</b>
<b>Operational Services and Supplies</b>						
Administrative	2,487,000	2,481,530	2,220,160	5,470	0%	7%
Legal	80,150	95,150	70,600	(15,000)	-16%	0%
Investment	347,500	287,500	220,900	60,000	21%	1%
Technology	3,539,500	2,923,600	1,481,599	615,900	21%	10%
<b>Total Operational Services and Supplies</b>	<b>6,454,150</b>	<b>5,787,780</b>	<b>3,993,259</b>	<b>666,370</b>	<b>12%</b>	<b>18%</b>
<b>Capital Expenditures</b>						
Administrative	274,000	980,000	900,000	(706,000)	-72%	1%
Legal	-	40,000	-	(40,000)	-100%	0%
Investment	-	-	-	-	0%	0%
Technology	750,000	450,000	450,000	300,000	67%	2%
<b>Total Capital Expenditures</b>	<b>1,024,000</b>	<b>1,470,000</b>	<b>1,350,000</b>	<b>(446,000)</b>	<b>-30%</b>	<b>3%</b>
<b>Total Budget</b>	<b>36,047,650</b>	<b>36,694,280</b>	<b>32,689,045</b>	<b>(646,630)</b>	<b>-2%</b>	<b>100%</b>

# Exhibit A: Page 12

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

Annual Budget Summary by Personnel Costs versus All Other Budget Items 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 Budget	Share of Total Budget
	Proposed Budget	Approved Budget	Estimated Actual			
Personnel Costs	21,065,500	22,135,000	17,699,444	(1,069,500)	-5%	58%
All Other Budget Items	14,982,150	14,559,280	14,989,601	422,870	3%	42%
<b>Total Budget</b>	<b>36,047,650</b>	<b>36,694,280</b>	<b>32,689,045</b>	<b>(646,630)</b>	<b>-2%</b>	<b>100%</b>

## Exhibit A: Page 13

### STATUTORY LIMIT

Based on an Actuarial Accrued Liability (AAL) of \$18.3 billion (as of the most recent actuarial valuation dated June 30, 2025), the statutory limit for administrative expenditures is approximately \$38.4 million, representing a \$1.9 million increase over the prior year's statutory limit of \$36.5 million. The AAL is calculated once a year, by SBCERA's independent actuary. The next actuarial valuation for June 30, 2026, will be presented to the Board in November 2027, 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, 2025	\$ 18,298,768,447
Basis points per GC §31580.2	0.0021
<b>Statutory limit of 0.21% allowed per GC §31580.2</b>	<b>\$ 38,427,414</b>
<b>Administrative Budget with Amendments</b>	<b>\$ 15,390,000</b>
<b>Budget as Basis points of AAL</b>	<b>0.00084</b>
<b>Unrestricted Contingency Fund</b>	<b>\$ 23,037,414</b>

The proposed administrative expenditure budget appropriations are \$15,390,000, approximately 40% of the statutory limit, or 8.4 basis points. The remaining \$23 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 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27
AAL	14,957,435,405	15,630,124,402	16,446,671,652	17,372,251,774	18,298,768,447
Basis Points	21	21	21	21	21
Statutory Limit	31,410,614	32,823,261	34,538,010	36,481,729	38,427,414
Administrative Budget <sup>1</sup>	13,231,000	14,611,100	15,145,100	17,300,030	15,390,000
<b>Basis Points</b>	<b>8.8</b>	<b>9.3</b>	<b>9.2</b>	<b>10.0</b>	<b>8.4</b>

<sup>1</sup>)Includes any approved or proposed amendments.

# Exhibit A: Page 14

## ADMINISTRATIVE BUDGET

The proposed appropriations of \$15,390,000 represent a decrease from the prior year appropriated budgeted expenditures of \$17,300,030. The difference in proposed appropriations represents a decrease of approximately \$1,910,030 or 11% compared to the approved budget prior year. These differences are all discussed in detail in the *Cost Category Analysis* section below.

Annual Budget Summary Administrative Budget 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26			
	Approved Budget	Approved Budget	Estimated Actual	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 Budget	Share of Admin Budget
<b>Administrative Budget</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 11,322,000	\$ 12,456,000	\$ 9,478,000	\$ (1,134,000)	-9%	74%
Board Stipends	12,000	12,000	12,000	-	0%	0%
<b>Total Personnel Costs</b>	<b>11,334,000</b>	<b>12,468,000</b>	<b>9,490,000</b>	<b>(1,134,000)</b>	<b>-9%</b>	<b>74%</b>
<b>Professional Services</b>						
Audit	81,500	81,500	81,500	-	0%	1%
Consulting	95,000	95,000	81,340	-	0%	1%
Disability Claim Process	927,500	1,040,000	855,500	(112,500)	-11%	6%
Member Engagement	175,000	138,000	211,180	37,000	27%	1%
Payroll Services	16,000	16,000	14,000	-	0%	0%
<b>Total Professional Services</b>	<b>1,295,000</b>	<b>1,370,500</b>	<b>1,243,520</b>	<b>(75,500)</b>	<b>-6%</b>	<b>8%</b>
<b>Operational Services and Supplies</b>						
Building Services, net Rent	1,007,500	1,041,200	918,500	(33,700)	-3%	7%
Career Development Fund	35,000	35,000	20,000	-	0%	0%
Claims, Judgments, & Orders	35,000	35,000	-	-	0%	0%
Communication Platforms	224,000	229,000	223,550	(5,000)	-2%	1%
Employee Engagement	57,500	48,000	47,900	9,500	20%	0%
Equipment Rent	110,000	110,000	110,000	-	0%	1%
General Maintenance	8,100	7,500	5,750	600	8%	0%
Insurance	380,000	350,000	345,129	30,000	9%	2%
Member Engagement	40,000	63,000	34,000	(23,000)	-37%	0%
Memberships	69,000	52,530	64,101	16,470	31%	0%
Office Expense	181,400	170,600	165,145	10,800	6%	1%
Offsite Storage	30,000	35,000	30,000	(5,000)	-14%	0%
Recruiting & Hiring	15,000	7,200	27,660	7,800	108%	0%
Training & Travel	294,500	297,500	228,425	(3,000)	-1%	2%
<b>Total Operational Services and Supplies</b>	<b>2,487,000</b>	<b>2,481,530</b>	<b>2,220,160</b>	<b>5,470</b>	<b>0%</b>	<b>16%</b>
<b>Capital Expenditures</b>	<b>274,000</b>	<b>980,000</b>	<b>900,000</b>	<b>(706,000)</b>	<b>-72%</b>	<b>2%</b>
<b>Total Administrative Budget</b>	<b>\$ 15,390,000</b>	<b>\$ 17,300,030</b>	<b>\$ 13,853,680</b>	<b>\$ (1,910,030)</b>	<b>-11%</b>	<b>100%</b>

## 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 decrease by approximately \$1.1 million or 9% over the prior year and represent 74% of the total appropriated administrative expenditures. The decrease in Personnel Costs for the Administrative budget is attributed to four main areas.

#### Staffing Changes:

The staffing changes result in an overall savings of approximately \$1,097,000.

#### Additions:

##### **Member Services:**

Senior Retirement Specialist

Senior Retirement Benefits Technician

*These additions are intended to enhance member service levels and improve operational efficiency.*

##### **Disability Retirement Unit / Survivor Benefits Unit:**

Office Specialist (shared 50%/50%)

*This position will support both departments with member interactions and administrative functions, helping to improve the overall member experience.*

##### **Fiscal Services:**

Benefit Payment Specialist

*A second Benefit Payment Specialist position is being added in response to the increased volume of benefit setups, particularly those related to death benefit payments. The additional position will also support a more thorough and well-documented benefit setup process.*

#### Reclassifications:

##### **Communications:**

Reclassify existing vacant Office Specialist position to Executive Secretary; and

Reclassify the Director of Communications and Stakeholder Relations to Chief Communications Officer.

#### Other Changes, Deletions, and Unbudgeted Positions for FY 2026-27:

##### **Disability Retirement Unit:**

Remove Senior Disability Retirement position

Keep Disability Retirement Benefits Technician on the organizational chart, but unbudgeted for FY 2026-27.

##### **Fiscal Services:**

Remove four Accounting Technician positions as the associated work has evolved in complexity and is not being performed at the Accountant level.

Keep Office Specialist position on the organization chart, but unbudgeted for FY 2026-27.

##### **Information Systems:**

Transfer position from Administrative budget to Non-Administrative Budget. (Remains unbudgeted for FY 2026-27.)

Cost of Living Adjustment: Based upon market data and historical trends, SBCERA is reserving 4% to award a COLA increase at January 1, 2027, at an estimated cost of \$168,000.

## Exhibit A: Page 16

**Benefit Cost Increase:** The SBCERA benefit plan is a calendar year plan; therefore, any increases as of January 1, 2027 are still unknown. Based upon market trends and data, we are assuming an increase of health premiums at 10% for an estimated cost of \$43,000, while other benefit premiums are budgeted to remain flat.

**Merit Increases (\$248,000):** 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 35 and 36, 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 26/27	FY 25/26	Net Change in Budgeted Positions
Administration	3	3	-
Communications	5	5	-
Disability Retirement Unit	4.5	5	(0.5)
Fiscal Services	13	16	(3)
Human Resources	3	3	-
Information Services	3	4	(1)
Member Services	23	22	1
Survivor Benefit Unit	2.5	2	0.5
Total Budgeted Positions	57	60	(3)

1) Includes all SBCERA staff except for the legal, investment, and non-admin IS department positions.

There are 57 Administrative Staff positions for the FY 26/27 Administrative Budget, and an additional two positions which are not being funded as part of this Administrative Budget. This is a three-position net decrease from the prior year budget.

## 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 decrease by approximately \$75,500 or 6% from the prior year and represent 8% of the total appropriated administrative expenditures.

Audit: This subcategory 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.

Disability Claim Process: This subcategory encompasses the line items for Disability Retirement processing including ordering medical records, transcriptions, and medical evaluations. Overall, appropriations in this subcategory are expected to decrease by \$112,500 or 11%. This is based upon actual savings in Medical Advisors because of updated SBCERA processes.

Member Engagement: This includes member education related to seminars, webinars, financial literacy and video production in alignment with SBCERA's Strategic Plan. Overall, appropriations in this subcategory are expected to increase by \$37,000 or 27%.

Payroll Services: This subcategory includes the cost for SBCERA to process its own employees' payroll. No increases are expected in this subcategory.

## 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 increase by \$5 thousand or less than 1% over the prior year and represent 16% of the total appropriated administrative expenditures.

Building Services, net Rent: A detailed accounting and discussion of this line item can be found in Appendix 5, on page 37.

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

Communication Platforms: This subcategory includes Dialpad and Zoom licensing. Overall, costs are expected to remain consistent.

Employee Engagement: The increase in this subcategory is primarily due to the incremental increase in actual costs for breakroom supplies including coffee and tea and various engagement events.

Equipment Rent: This subcategory includes the costs for copiers, postage meters, and printing equipment.

General Maintenance: General Maintenance is reserved for small items purchased by departments outside of the Facilities group.

## Exhibit A: Page 18

Insurance: Overall insurance costs are expected to increase by 10% due to overall expected rising insurance costs.

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 allows for further savings in lieu of outsourcing member communication efforts.

Membership: Budgeted membership costs are increasing due to fee increases from several organizations and the addition of memberships for the Communications department.

Office Expense: Office Expense is increasing to account for actual experience. The main driver for the increase is postage expense for an expected increase in member mailing efforts.

Recruiting & Hiring: Costs in this line item are increasing significantly based on recent experience. During the prior budget year, multiple recruitment efforts were conducted to fill Associate Investment Officer positions, and current trends indicate that ongoing recruitment efforts will continue to require additional resources and expense.

Training/Seminars/Conferences: Costs in this subcategory remain consistent with the prior year.

### Capital Expenditures

Three projects to extend the useful life of SBCERA's building will take place this fiscal year. The projects are a roof recoat, updating common spaces and workspaces to be ADA compliant, and updating the electrical panels for the building.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 33.

# Exhibit A: Page 19

## 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 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 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	\$ 200,000	\$ 231,000	\$ -	0%	1%
<b>Total Actuarial Appropriations</b>	<b>200,000</b>	<b>200,000</b>	<b>231,000</b>	<b>-</b>	<b>0%</b>	<b>1%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,487,300	1,805,000	1,400,000	(317,700)	-18%	7%
Professional Services	655,000	665,000	752,472	(10,000)	-2%	3%
Operational Services and Supplies	80,150	95,150	70,600	(15,000)	-16%	0%
Capital Expenditures	-	40,000	-	(40,000)	-100%	0%
<b>Total Legal Appropriations</b>	<b>2,222,450</b>	<b>2,605,150</b>	<b>2,223,072</b>	<b>(382,700)</b>	<b>-15%</b>	<b>11%</b>
<b>Investment Appropriations</b>						
Personnel Costs	5,123,700	5,035,000	4,365,244	88,700	2%	25%
Professional Services	4,775,000	4,530,000	4,840,150	245,000	5%	23%
Operational Services and Supplies	347,500	287,500	220,900	60,000	21%	2%
Capital Expenditures	-	-	-	-	0%	0%
<b>Total Investment Appropriations</b>	<b>10,246,200</b>	<b>9,852,500</b>	<b>9,426,294</b>	<b>393,700</b>	<b>4%</b>	<b>50%</b>
<b>Technology Appropriations</b>						
Personnel Costs	3,120,500	2,827,000	2,444,200	293,500	10%	15%
Professional Services	579,000	536,000	2,579,200	43,000	8%	3%
Operational Services and Supplies	3,539,500	2,923,600	1,481,599	615,900	21%	17%
Capital Expenditures	750,000	450,000	450,000	300,000	67%	4%
<b>Total Technology Appropriations</b>	<b>7,989,000</b>	<b>6,736,600</b>	<b>6,954,999</b>	<b>1,252,400</b>	<b>19%</b>	<b>39%</b>
<b>Total Non-Administrative Budget</b>	<b>\$ 20,657,650</b>	<b>\$ 19,394,250</b>	<b>\$ 18,835,365</b>	<b>\$ 1,263,400</b>	<b>7%</b>	<b>100%</b>

Overall, the total Non-Administrative Expenditure Budget for the fiscal year ending June 30, 2026, is approximately \$20,657,650, which is an increase of \$1.2 million or 7% the prior year appropriations of \$19,394,250. The differences for all four functional areas (Actuarial, Legal, Investment, and Technology) are discussed starting on page 22.

**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 (3 positions) are included in the Administrative Budget. Overall, appropriations in this category are projected to increase by approximately \$64 thousand or less than 1% and represent 47% of the total appropriated non-administrative expenditures. The increases are discussed within each functional area.

Appendices 3 and 4, on pages 35 and 36, illustrate the relationship between asset growth, membership growth and the growth rate of approved staff positions for the seven fiscal years ending June 30, 2027.

SBCERA non-administrative personnel are budgeted as follows:

<b>Summary of Personnel - Non-Administrative Budget</b>			
<b>Department<sup>1</sup></b>	<b>FY 26/27</b>	<b>FY 25/26</b>	<b>Net Change in Budgeted Positions</b>
Legal	5	6	(1)
Investment	13	12	1
Information Services	13	12	1
<b>Total Budgeted Positions</b>	<b>31</b>	<b>30</b>	<b>1</b>

1) Includes all SBCERA staff in the legal, investment, and IS departments (non-admin only).

There are 31 Staff positions for the FY 26/27 Non-Administrative Budget, including one position that is only funded for the second half of the year, one position that is dual-filled for part of the year as a result of the impending retirement of the Chief Investment Officer, and a position that has been moved from the Administrative budget.

The budgeting of positions for the Investment department reflects expected changes in the senior leadership that commenced during FY 2025-26. A Deputy Chief Investment Officer position was created with authorization by the Board; that Deputy Chief Investment Officer position is only budgeted for a portion of FY 2026-27, in anticipation of that staff member taking over as Chief Investment Officer (CIO) in or about October 2026. Due to accrued leave balances, the incumbent CIO will remain "on the books" through approximately March 2027. The vacant Senior Investment Officer (SIO) position is expected to be filled at either the SIO level or potentially the Investment Officer level, depending on the needs of the team and eligible candidates.

## 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, 2029, to be performed in FY 28/29. In addition, every five years, an audit is conducted of the primary actuary's valuation to provide an independent actuarial opinion as to the accuracy and veracity of valuation results currently performed by SBCERA's independent actuary. The next actuarial 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 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 Budget	Share of Actuarial Budget Items
	Approved Budget	Approved Budget	Estimated Actual			
<b>Actuarial Appropriations</b>						
<b>Professional Services</b>						
Actuarial Studies	\$ 105,000	\$ 105,000	\$ 151,000	\$ -	0%	53%
Consulting	95,000	95,000	80,000	\$ -	0%	48%
<b>Total Professional Services</b>	<b>200,000</b>	<b>200,000</b>	<b>231,000</b>	<b>-</b>	<b>0%</b>	<b>100%</b>
<b>Total Actuarial Appropriations</b>	<b>\$ 200,000</b>	<b>\$ 200,000</b>	<b>\$ 231,000</b>	<b>\$ -</b>	<b>0%</b>	

## Cost Category Analysis

### Professional Services

Overall, the budgeted actuarial appropriation is \$200,000, consistent with the prior fiscal year.

# Exhibit A: Page 22

## 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 \$2,442,450, there is a decrease of \$382,700, or 15%, from the prior year appropriations. The overall decrease is explained below in the *Cost Category* section.

Annual Budget Summary Non-Administrative Budget Legal Appropriations 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 Budget	Share of Legal Budget Items
	Approved Budget	Approved Budget	Estimated Actual			
<b>Legal Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 1,487,300	\$ 1,805,000	\$ 1,400,000	\$ (317,700)	-18%	67%
<b>Total Personnel Costs</b>	<b>1,487,300</b>	<b>1,805,000</b>	<b>1,400,000</b>	<b>(317,700)</b>	<b>-18%</b>	<b>67%</b>
<b>Professional Services</b>						
Attorney Fees	655,000	665,000	752,472	(10,000)	-2%	29%
<b>Total Professional Services</b>	<b>655,000</b>	<b>665,000</b>	<b>752,472</b>	<b>(10,000)</b>	<b>-2%</b>	<b>29%</b>
<b>Operational Services and Supplies</b>						
Employee Engagement	500	500	-	-	0%	0%
Memberships	11,650	11,650	10,600	-	0%	1%
Office Expense	3,000	3,000	3,000	-	0%	0%
Software & Services	50,000	50,000	48,000	-	0%	2%
Training & Travel	15,000	30,000	9,000	(15,000)	-50%	1%
<b>Total Operational Services and Supplies</b>	<b>80,150</b>	<b>95,150</b>	<b>70,600</b>	<b>(15,000)</b>	<b>-16%</b>	<b>4%</b>
<b>Capital Expenditures</b>	-	40,000	-	(40,000)	-100%	0%
<b>Total Legal Appropriations</b>	<b>\$ 2,222,450</b>	<b>\$ 2,605,150</b>	<b>\$ 2,223,072</b>	<b>\$ (382,700)</b>	<b>-15%</b>	

## Cost Category Analysis

### Personnel Costs

Staff Salaries and Benefits: Overall, appropriations in this category are projected to decrease by approximately \$317,700 or 18% from the prior year as budgeted and represent 67% of the total appropriated legal non-administrative expenditures. This reduction in personnel costs is a result of actual expenses and the elimination of the Senior Paralegal and Senior Staff Counsel positions. When compared to the expected actual expense for FY 25/26, the appropriation is a slight increase, commensurate with merit, benefit, and COLA increases.

### 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 slightly 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 travel based upon staff changes.

# Exhibit A: Page 24

## 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 \$393,700 or 4% 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 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 Budget	Share of Investment Budget Items
	Approved Budget	Approved Budget	Estimated Actual			
<b>Investment Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 5,123,700	\$ 5,035,000	\$ 4,365,244	\$ 88,700	2%	50%
<b>Total Personnel Costs</b>	<b>5,123,700</b>	<b>5,035,000</b>	<b>4,365,244</b>	<b>88,700</b>	<b>2%</b>	<b>50%</b>
<b>Professional Services</b>						
Attorney Fees	550,000	340,000	750,000	210,000	62%	5%
Consulting	2,625,000	2,590,000	2,520,150	35,000	1%	26%
Custodial Services	1,600,000	1,600,000	1,570,000	-	0%	16%
<b>Total Professional Services</b>	<b>4,775,000</b>	<b>4,530,000</b>	<b>4,840,150</b>	<b>245,000</b>	<b>5%</b>	<b>47%</b>
<b>Operational Services and Supplies</b>						
Employee Engagement	500	500	500	-	0%	0%
Memberships	12,000	8,000	11,000	4,000	50%	0%
Office Expense	6,000	6,000	6,000	-	0%	0%
Software & Services	154,000	173,000	134,400	(19,000)	-11%	2%
Training & Travel	175,000	100,000	69,000	75,000	75%	2%
<b>Total Operational Services and Supplies</b>	<b>347,500</b>	<b>287,500</b>	<b>220,900</b>	<b>60,000</b>	<b>21%</b>	<b>3%</b>
<b>Capital Expenditures</b>	-	-	-	-	0%	0%
<b>Total Investment Appropriations</b>	<b>\$ 10,246,200</b>	<b>\$ 9,852,500</b>	<b>\$ 9,426,294</b>	<b>\$ 393,700</b>	<b>4%</b>	

## Cost Category Analysis

### Personnel Costs

Staff Salaries and Benefits: Appropriations in this category are projected to increase by \$88,700 or 2% from the prior year and represent 50% of the total appropriated non-administrative expenditures.

The overall increase of \$88,700 in personnel costs is based upon a combination of savings from actual salaries lower than budgeted for and savings from three new Associate Investment Officer positions that were added to the FY 25-26 budget at a higher salary band than used, along with merit, benefit, and COLA increases.

### 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 \$245,000, or 5% over the prior budget. This increase primarily incorporates increased expenses for the 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 increase by approximately \$60,000 or 21% from the prior year, and represent 3% of the total appropriated non-administrative expenditures.

Membership: Based upon actual expenses and staffing changes, this line item will increase by \$4,000.

Software & Services: Costs in this line item include the software that supports the investment reporting. Actual costs have decreased, supporting a decrease in budgeted expenditures of \$19,000 or 11%.

Travel: Costs in this line item are projected to increase by \$75,000 primarily due to international travel requirements for due diligence compliance in the current fiscal year.

# 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 increase by \$1.2 million or 19% and represent 39% of the total appropriated non-administrative expenditures. The overall increase is explained below in the *Cost Category* section.

Annual Budget Summary Non-Administrative Budget Technology Appropriations 2026-2027 Annual Budget						
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease) over FY 25/26 Budget	Change over FY 25/26 Budget	Share of Technology Budget Items
	Approved Budget	Approved Budget	Estimated Actual			
<b>Technology Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 3,120,500	\$ 2,827,000	\$ 2,444,200	\$ 293,500	10%	39%
<b>Total Personnel Costs</b>	<b>3,120,500</b>	<b>2,827,000</b>	<b>2,444,200</b>	<b>293,500</b>	<b>10%</b>	<b>39%</b>
<b>Professional Services</b>						
Consulting	396,000	375,000	2,444,200	21,000	6%	5%
Data Integrity	183,000	161,000	135,000	22,000	14%	2%
<b>Total Professional Services</b>	<b>579,000</b>	<b>536,000</b>	<b>2,579,200</b>	<b>43,000</b>	<b>8%</b>	<b>7%</b>
<b>Operational Services and Supplies</b>						
Data Communications	57,500	65,000	48,000	(7,500)	-12%	1%
Non-Capital Projects	150,000	150,000	100,000	-	0%	2%
Software & Services	3,297,000	2,673,600	1,308,599	623,400	23%	41%
Training & Travel	35,000	35,000	25,000	-	0%	0%
<b>Total Operational Services and Supplies</b>	<b>3,539,500</b>	<b>2,923,600</b>	<b>1,481,599</b>	<b>615,900</b>	<b>21%</b>	<b>44%</b>
<b>Capital Expenditures</b>	<b>750,000</b>	<b>450,000</b>	<b>450,000</b>	<b>300,000</b>	<b>67%</b>	<b>9%</b>
<b>Total Technology Appropriations</b>	<b>\$ 7,989,000</b>	<b>\$ 6,736,600</b>	<b>\$ 6,954,999</b>	<b>\$ 1,252,400</b>	<b>19%</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 \$293,500 or 10% over the prior budget and encompasses merit increases, an estimated COLA of 4%, and a new position that was moved from the Administrative budget.

### 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 increase by \$43,000 or 8% over the prior year and represent 7% 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. A new consulting item has been added to the fiscal year for the expansion of Palo Alto services to the Cortex platform. The new consulting expense will be utilized as need during implementation and the first year of use.

Data Integrity: The elements of the appropriations for Data Integrity include death audit services, 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 \$20,000 for a new Data Integrity and Fraud Prevention projected related to deceased beneficiaries and deferred members.

### 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 \$615,900 or 21% from the prior year and represent 44% of the total appropriated technology expenditures. The primary cause of the increase is an expansion of the Palo Alto service onto their Cortex platform. The platform encompasses all the services that were previously attained through Palo Alto, plus three other vendors. Recent cybersecurity audits have illustrated the importance of maintaining and advancing our platforms and security systems.

Non-Capital Projects: Items in this subcategory include the systematic replacement of computers, laptops, tablets, and associated accessories. SBCERA has standardized technology setups and has a schedule of replacements to maintain those changes.

For a complete list of Non-Capital Projects, see *Appendix 2 – Non-Capital Project Summary* on page 34.

Software & Services: This subcategory is an increase of \$623,400 or 23%. The primary cause of the increase is an expansion of the Palo Alto service onto their Cortex platform. The platform encompasses all the services that were previously attained through Palo Alto, plus three other vendors. Recent cybersecurity audits have illustrated the importance of maintaining and advancing our platforms and security systems.

## Exhibit A: Page 28

### Capital Expenditures

Current year appropriations support updating the Data Center and a Data Classification Project.

For a complete list of capital expenditures, see *Appendix 1 – Capital Expenditure Summary*, on page 33.

## 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.

<b>Benefits &amp; Refunds Paid to Plan Members and their Beneficiaries</b>				
<b>(Amounts in Thousands)</b>				
<b>FY 22/23</b>	<b>FY 23/24</b>	<b>FY 24/25</b>	<b>Estimated FY 25/26</b>	<b>Projected FY 26/27</b>
\$760,785	\$760,785	\$860,777	\$914,000	\$971,000

### Indirect Investment Costs

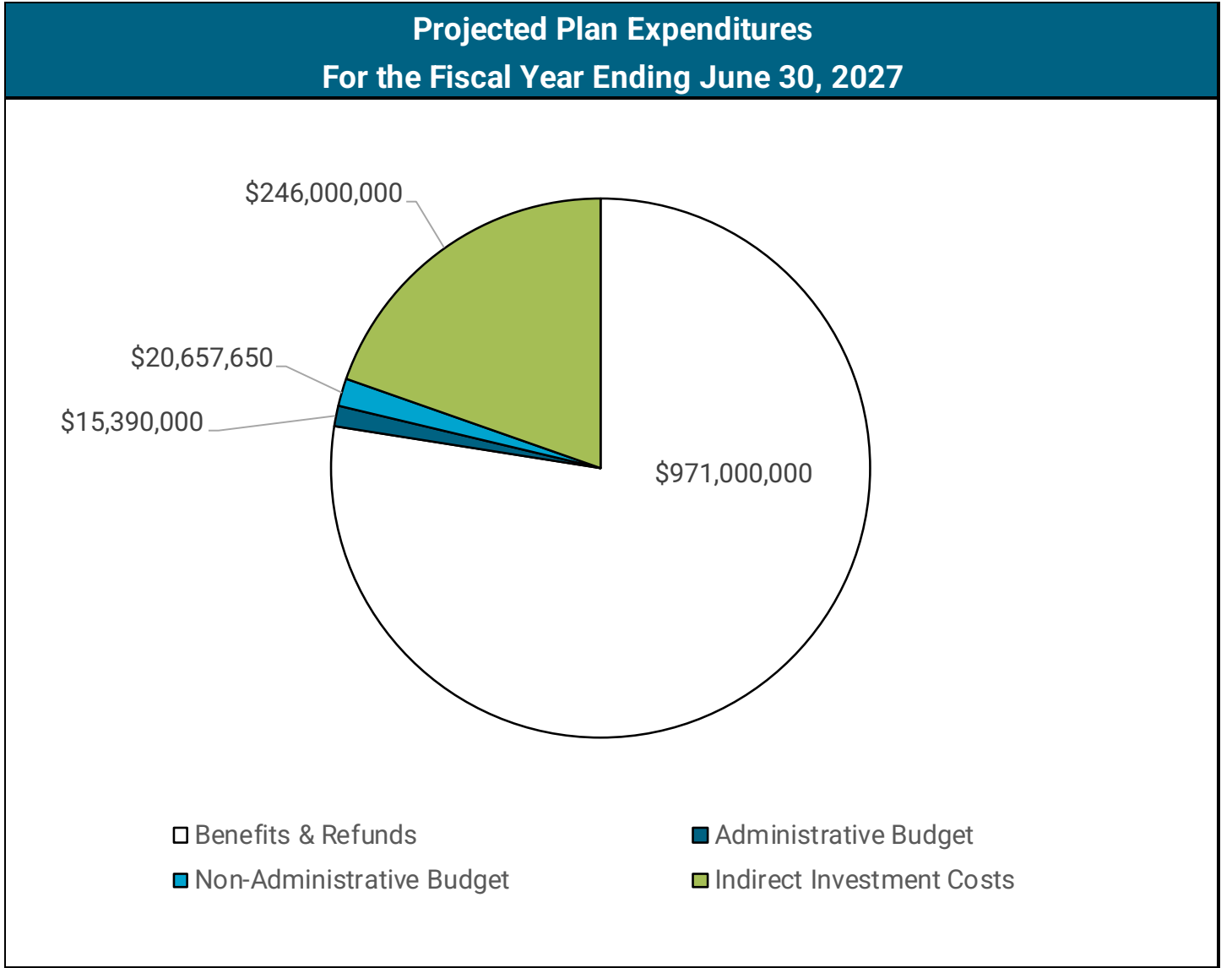
Payments made for indirect investment costs are deducted directly from investment returns and are presented below for informational purposes only.

<b>Indirect Investment Costs</b>					
<b>(Amounts in Thousands)</b>					
	<b>FY 22/23</b>	<b>FY 23/24</b>	<b>FY 24/25</b>	<b>Estimated FY 25/26</b>	<b>Projected FY 26/27</b>
Management Fees	\$ 154,605	\$ 111,134	\$ 168,694	\$ 175,000	\$ 180,000
Other Investment Expenses <sup>1</sup>	\$ 46,740	\$ 49,436	\$ 58,475	\$ 60,000	\$ 60,000
Securities Lending Fees	\$ 261	\$ 4,942	\$ 5,584	\$ 6,000	\$ 6,000

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

# Exhibit A: Page 30

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**

<b>Capital Expenditures Summary</b>	
<b>2026-2027 Annual Budget</b>	
<b>Administrative Budget:</b>	
Building Project - Roof Recoat	\$      102,000
Building Project - ADA Compliance	\$      100,000
Building Project - Electrical Panels	72,000
<b>Total Additions for Administrative Budget</b>	<b>\$      274,000</b>
<b>Non-Administrative Budget</b>	
<b>Technology Appropriations</b>	
Data Center Updates	\$      450,000
Data Classification Project	\$      300,000
<b>Total Additions for Technology Appropriations</b>	<b>\$      450,000</b>
<b>Total Additions for Non-Administrative Budget</b>	<b>\$      750,000</b>
<b>Total Additions</b>	<b>\$      1,024,000</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>\$ 150,000</b>
<b>Total Non-Capital Projects for Non-Administrative Budget</b>	<b>\$ 150,000</b>
<b>Total Non-Capital Projects Summary</b>	<b>\$ 150,000</b>

**Appendix 3 – Staff Position Summary**

<b>Staff Position Summary</b> <b>2026-2027 Annual Budget</b>	
<b>SBCERA Staff</b>	
<b>FY 25/26 Administrative Positions</b>	<b>64</b>
Positions Removed from Organizational Chart	9
Positions Added to Organizational Chart	4
<b>FY 26/27 Administrative Positions on Organizational Chart</b>	<b>59</b>
<b>FY 25/26 Legal Positions</b>	<b>7</b>
Positions Removed from Organizational Chart	2
Positions Added to Organizational Chart	0
<b>FY 26/27 Legal Positions on Organizational Chart</b>	<b>5</b>
<b>FY 25/26 Investment Positions</b>	<b>12</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	1
<b>FY 26/27 Investment Positions on Organizational Chart</b>	<b>13</b>
<b>FY 25/26 Technology Positions</b>	<b>12</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	1
<b>FY 26/27 Technology Positions on Organizational Chart<sup>1</sup></b>	<b>13</b>
<b>Total SBCERA Staff Positions for FY 26/27</b>	<b>90</b>
1) Excludes 3 Information Positions included in Administrative Budget.	

## Exhibit A: Page 35

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

Staff Growth Analysis									
(Dollar Amounts in Thousands)									
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27	Growth	Growth Rate
Valuation Value of Assets	\$12,258,925	\$13,260,596	\$14,157,370	\$15,159,420	\$16,246,451			\$3,987,526	32.5%
Active & Deferred Members	29,697	30,464	32,408	34,136	35,746			6,049	20.4%
Retirees & Beneficiaries	14,292	14,878	15,389	15,924	16,404			2,112	14.8%
Approved Staff Positions	75	80	86	91	90	95	90	15	20.0%

Source: Actuarial Valuation as of June 30, 2025

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, 2026 will not be available until the Actuarial Valuation for the fiscal year ending June 30, 2026 is complete. Using the total proposed positions planned for the 2026-2027 Annual Budget (a decrease of 5 positions), the growth rate over the last seven years is 20%, which is less than the growth of SBCERA's assets and less than the growth of SBCERA members, when taken as a whole.

Members Served by Staff						
	FY 21/22	FY 22/23	FY 23/24	FY 24/25	FY 25/26	FY 26/27 <sup>1</sup>
Total Membership	45,342	47,797	48,500	50,060	52,150	52,150
Approved Staff Positions	80	86	91	90	95	90
<b>Membership per Position</b>	<b>567</b>	<b>556</b>	<b>533</b>	<b>556</b>	<b>549</b>	<b>579</b>

(1) Member count based on prior year.  
Source: Actuarial Valuation as of June 30, 2025

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, 2026 that number is approximately 549 members per position.

# Exhibit A: Page 36

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

Building Services, net of Rent					
2026-2027 Annual Budget					
	FY 26/27	FY 25/26	FY 25/26	Increase/ (Decrease)	Change
	Approved Budget	Approved Budget	Estimated Actual	over FY 25/26 Budget	over FY 25/26 Budget
<b>Rental Income</b>					
Children's Fund	\$ 123,000	\$ 115,830	\$ 119,130	\$ 7,170	6%
<b>Total Rental Income</b>	<b>\$ 123,000</b>	<b>\$ 115,830</b>	<b>\$ 119,130</b>	<b>\$ 7,170</b>	<b>6%</b>
<b>Building Services</b>					
<b>Utilities</b>					
Electric	\$ 250,000	\$ 240,000	\$ 240,000	\$ 10,000	4%
Gas	8,000	8,000	6,000	-	0%
Telco	1,000	5,000	1,000	(4,000)	-80%
Trash	5,200	5,200	5,200	-	0%
Water	18,000	15,000	18,000	3,000	20%
Cellular Module and Service	13,500	-	-	13,500	0%
<b>Total Utilities</b>	<b>\$ 295,700</b>	<b>\$ 273,200</b>	<b>\$ 270,200</b>	<b>\$ 22,500</b>	<b>8%</b>
<b>Mechanical Systems Services</b>					
Electrical & Elevator	\$ 13,500	\$ 11,500	\$ 13,500	\$ 2,000	17%
Fire/Life Safety	26,400	22,000	22,000	4,400	20%
HVAC	40,000	36,000	36,000	4,000	11%
Generator Service	5,000	20,000	-	(15,000)	-75%
<b>Total Mechanical Systems Services</b>	<b>\$ 84,900</b>	<b>\$ 89,500</b>	<b>\$ 71,500</b>	<b>\$ (4,600)</b>	<b>-5%</b>
<b>Security Guard Services</b>	<b>\$ 230,000</b>	<b>\$ 220,000</b>	<b>\$ 225,000</b>	<b>\$ 10,000</b>	<b>5%</b>
<b>Security Monitor Services</b>	<b>\$ 18,000</b>	<b>\$ 27,000</b>	<b>\$ 17,000</b>	<b>\$ (9,000)</b>	<b>-33%</b>
<b>Security Patrol Services</b>	<b>\$ 20,000</b>	<b>\$ 22,000</b>	<b>\$ 20,000</b>	<b>\$ (2,000)</b>	<b>-9%</b>
<b>Cleaning &amp; Suite Services</b>					
Dayporter Services	\$ 156,000	\$ 130,000	\$ 130,000	\$ 26,000	20%
Building Supplies	9,000	-	\$ 9,000	\$ 9,000	0%
Landscaping	45,000	42,500	35,000	2,500	6%
First Aid Supplies	17,500	15,000	12,000	2,500	17%
Indoor Plants	3,500	-	3,500	3,500	0%
Pest Control	5,000	5,000	4,175	-	0%
Parking Lot Sweep	8,000	-	6,000	8,000	0%
Window Cleaning	4,000	4,000	-	-	0%
<b>Total Cleaning &amp; Suite Services</b>	<b>\$ 248,000</b>	<b>\$ 196,500</b>	<b>\$ 199,675</b>	<b>\$ 51,500</b>	<b>26%</b>
<b>Insurance Expense</b>	<b>\$ 120,000</b>	<b>\$ 100,000</b>	<b>\$ 76,405</b>		<b>0%</b>
<b>Administrative Fees</b>					
Consulting	\$ -	\$ 120,000	\$ 120,000	\$ (120,000)	-100%
Licenses & Fees	1,250	1,250	1,250	-	0%
<b>Total Administrative Fees</b>	<b>\$ 1,250</b>	<b>\$ 121,250</b>	<b>\$ 121,250</b>	<b>\$ (120,000)</b>	<b>-99%</b>
<b>Total Building Services</b>	<b>\$1,017,850</b>	<b>\$1,049,450</b>	<b>\$1,001,030</b>	<b>\$ (51,600)</b>	<b>-5%</b>
<b>Repair &amp; Maintenance (Non-Capital)</b>					
Lighting (Exterior)	\$ 15,000	\$ 15,000	\$ 4,000	\$ -	0%
Parking Lot	3,500	3,500	200	-	0%
Structural	15,000	20,000	1,000	(5,000)	-25%
Windows	5,000	5,000	-	-	0%
Re-key Building	5,500	-	-	5,500	0%
Other	4,650	-	-	4,650	0%
Mechanical Systems - Electrical	10,000	10,000	-	-	0%
Mechanical Systems - Elevator	15,000	15,000	-	-	0%
Mechanical Systems - Fire/Life Safety	10,000	10,000	-	-	0%
Mechanical Systems - HVAC	14,000	14,000	31,000	-	0%
Mechanical Systems - Plumbing	15,000	15,000	400	-	0%
<b>Total Repair &amp; Maintenance (Non-Capital)</b>	<b>\$ 112,650</b>	<b>\$ 107,500</b>	<b>\$ 36,600</b>	<b>\$ 5,150</b>	<b>5%</b>
<b>Total Building Expense, net of Rent</b>	<b>\$1,007,500</b>	<b>\$1,041,120</b>	<b>\$ 918,500</b>	<b>\$ (53,620)</b>	<b>-5%</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.