

## Exhibit A: Page 1

### BUDGET VS ACTUAL REVIEW – For the Year Ending June 30, 2020

#### BUDGET SUMMARY

Budget Summary						
For the Year Ending June 30, 2020						
	Annual Approved Budget	% of Total Budget	Actual Expense YTD	Under (Over) Budget Quarter Ended 6/30/20	% of Qtr Budget	
Administrative Expenses	\$ 12,376,900	100.0%	\$ 9,815,509	\$ 2,561,391	79.3%	
Non-Administrative Expenses	\$ 12,886,598	100.0%	\$ 11,088,527	\$ 1,798,071	86.0%	
Total	<u>\$ 25,263,498</u>	<u>100.0%</u>	<u>\$ 20,904,036</u>	<u>\$ 4,359,462</u>	<u>82.7%</u>	

Overall, the costs are within expectations at the end of the fiscal year.

## ADMINISTRATIVE EXPENDITURES

Administrative Budget Detail For the Year Ending June 30, 2020					
	Annual Approved Budget	% of Total Budget	Actual Expense YTD	Under (Over) Budget Quarter Ending 6/30/20	% of Qtr Budget
<b>Personnel Costs</b>					
Staff Salaries and Benefits	\$ 7,893,700	100.0%	\$ 6,544,296	\$ 1,349,404	82.9%
Board Members' Stipends	16,000	100.0%	10,041	5,959	62.8%
<b>Total Personnel Costs</b>	<b>7,909,700</b>	<b>100.0%</b>	<b>6,554,337</b>	<b>1,355,363</b>	<b>82.9%</b>
<b>Professional Services</b>					
Audit	65,000	100.0%	65,000	-	100.0%
Communication Consulting	60,000	100.0%	46,000	14,000	76.7%
County Services & COWCAP	95,000	100.0%	81,322	13,678	85.6%
Document Imaging	55,000	100.0%	45,161	9,839	82.1%
Hearing Officers	60,000	100.0%	16,965	43,035	0.0%
Medical Consultants	900,000	100.0%	719,367	180,633	79.9%
Miscellaneous	149,500	100.0%	145,964	3,536	97.6%
Transcribing	10,500	100.0%	5,029	5,471	47.9%
<b>Total Professional Services</b>	<b>1,395,000</b>	<b>100.0%</b>	<b>1,124,807</b>	<b>270,193</b>	<b>80.6%</b>
<b>Operational Services &amp; Supplies</b>					
Building Rent	580,000	100.0%	592,591	(12,591)	102.2%
Claims/Judgements/Court Orders	75,000	100.0%	9,766	65,234	0.0%
County Garage	6,500	100.0%	5,517	983	84.9%
General Maintenance - Furniture/Equipment	14,500	100.0%	8,759	5,741	60.4%
Insurance	135,000	100.0%	125,561	9,439	93.0%
Memberships/Publications/Subscriptions	33,500	100.0%	31,522	1,978	94.1%
Office Expense	164,400	100.0%	122,105	42,295	74.3%
Postage & Handling	160,000	100.0%	122,434	37,566	76.5%
Printing	70,000	100.0%	51,334	18,666	73.3%
Rented Equipment	99,400	100.0%	81,618	17,782	82.1%
Staff Career Development Fund	15,000	100.0%	7,236	7,764	48.2%
Telephone	58,200	100.0%	60,012	(1,812)	103.1%
Training/Seminars/Conferences	88,400	100.0%	44,322	44,078	50.1%
Travel	100,000	100.0%	15,868	84,133	15.9%
Non-Capital - Furniture & Equipment	28,500	100.0%	8,556	19,944	30.0%
<b>Total Operational Services &amp; Supplies</b>	<b>1,628,400</b>	<b>100.0%</b>	<b>1,287,202</b>	<b>341,198</b>	<b>79.0%</b>
<b>Capital Expense</b>	<b>1,443,800</b>	<b>100.0%</b>	<b>849,163</b>	<b>594,637</b>	<b>58.8%</b>
<b>Total Administrative Expense</b>	<b>\$ 12,376,900</b>	<b>100.0%</b>	<b>\$ 9,815,509</b>	<b>\$ 2,561,391</b>	<b>79.3%</b>

Overall, costs for Personnel, Operational Services & Supplies, and Capital Expense are within expectations for the fiscal year at the category level.

Approximately 79.3% or \$9,815,509 of the total appropriations of \$12,376,900 have been allocated to administrative expense.

### **ADMINISTRATIVE EXPENDITURES** *(Continued)*

#### ***Category Analysis***

- Personnel Costs (Administrative staff salaries, benefits, and Board stipends)
  - At 82.9% of the estimated expenses for the fiscal year, this category is within expectations.
    - Board stipends are less than expected, based on actual meetings being less than expected for the year.
    - Several staff positions were filled mid-year, at lower than budgeted rates, or not at all. All of these reasons led to only 82.9% of salary expense being incurred.
- Professional Services (costs for outside contractors and vendors)
  - At 80.6% of the estimated expenses at the end of the fiscal year, this category is within expectations.
  - Additional appropriations were made for expenses relating to Disability application processing (Document Imaging, Hearing Officers, and Medical Consultants) to keep up the pace of the unit in the first three quarters of the year. However, with adjustments to processing time and medical consultant availability, the pace slowed some for 4<sup>th</sup> quarter and fewer of the additional appropriations were used.
- Operational Services and Supplies (office rent, insurance, non-capital purchases, office expense, printing, training, travel, and depreciation)
  - At 79.0% of the estimated expenses at end of the fiscal year, this category is within expectations.
  - Line items for rent expense and telephone expense exceeded the amount expected. Building rent expense was higher than expected due to CAM reconciliations for building maintenance requests that are handled by the property manager. Telephone expense exceeded the planned amount because of the need for cellular phones for staff in response to the office closures.
  - Significant savings were realized in Postage & Handling in response to the office closure as member payment advices were only mailed by request.
- Capital Expenditures (unit cost of \$25,000 or more)
  - 58.8% of planned expenditures were incurred in this fiscal year. Three projects were included in this line item: tenant improvements, building security enhancements, and HVAC upgrades. Portions of the tenant improvements that were not completed in this year have been deferred to the fiscal year ending June 30, 2021.

**STATUTORY LIMIT**

The Statutory Limit for Administrative Expenses for the year ending June 30, 2020 is \$26,470,379. SBCERA's actual Administrative Expenses for the year ending June 30, 2020 are \$9,815,509, or 37.1% of the Statutory Limit and 79.3% of approved appropriations of \$12,376,900.

Calculation of Statutory Limit - Administrative Expenditure Budget		
AAL as of June 30, 2018 <sup>1</sup>	A	\$12,604,942,218
Basis points per GC §31580.2	B	0.0021
Statutory limit of 0.21% allowed per GC §31580.2	A*B=C	\$ 26,470,379

## **NON-ADMINISTRATIVE EXPENDITURES**

### **ACTUARIAL**

Non-Administrative Budget Detail: Actuarial					
For the Year Ending June 30, 2020					
	Annual Approved Budget	% of Total Budget	Actual Expense YTD	Under (Over) Budget Quarter Ending 6/30/20	% of Qtr Budget
<b>Professional Services</b>					
Actuarial Valuation/Experience Study	140,000	100.0%	132,510	7,490	94.7%
Actuarial Consulting	90,000	100.0%	120,651	(30,651)	134.1%
Actuarial Audit	-	0.0%	-	-	0.0%
<b>Total Professional Services</b>	<b>230,000</b>	<b>100.0%</b>	<b>253,161</b>	<b>(23,161)</b>	<b>110.1%</b>
<b>Total Administrative Expense</b>	<b>230,000</b>	<b>100.0%</b>	<b>253,161</b>	<b>(23,161)</b>	<b>110.1%</b>

### ***Actuarial Expenses***

- Professional Services (actuarial valuation, actuarial consulting, and actuarial audit)
  - At 110.1% of the category total, Actuarial expenses are slightly more than expected.
  - Option 4 calculations offered to members cost more than SBCERA is charging for these studies. There has been an increase in Option 4 calculations requested by members, as well. Additionally, costs to perform the IRC 415 benefit limit study in this fiscal year was more than in previous years as a result of more members being included in the study. There were some additional expenses incurred to manage the tail volatility as well, a one-time expense.

**NON-ADMINISTRATIVE EXPENDITURES** (Continued)

**LEGAL**

Non-Administrative Budget Detail: Legal					
For the Year Ending June 30, 2020					
	Annual Approved Budget	% of Total Budget	Actual Expense YTD	Under (Over) Budget Quarter Ending 6/30/20	% of Qtr Budget
<b>Personnel Costs</b>					
Staff Salaries and Benefits	1,495,250	100.0%	1,235,485	259,765	82.6%
<b>Total Personnel Costs</b>	<b>1,495,250</b>	<b>100.0%</b>	<b>1,235,485</b>	<b>259,765</b>	<b>82.6%</b>
<b>Professional Services</b>					
Outside Attorney Fees - Non Investment	250,000	100.0%	264,318	(14,318)	105.7%
<b>Total Professional Services</b>	<b>250,000</b>	<b>100.0%</b>	<b>264,318</b>	<b>(14,318)</b>	<b>105.7%</b>
<b>Operational Services &amp; Supplies</b>					
General Maintenance - Furniture/Equipment	1,500	100.0%	-	1,500	0.0%
Memberships/Publications/Subscriptions	24,369	100.0%	24,102	267	98.9%
Office Expense	18,450	100.0%	4,017	14,433	21.8%
Software/Software Licensing & Support	3,200	100.0%	6,268	(3,068)	195.9%
Training/Seminars/Conferences	15,574	100.0%	5,755	9,819	37.0%
Travel	20,600	100.0%	6,402	14,198	31.1%
Non-Capital - Furniture & Equipment	5,000	100.0%	-	5,000	0.0%
<b>Total Operational Services &amp; Supplies</b>	<b>88,693</b>	<b>100.0%</b>	<b>46,543</b>	<b>42,150</b>	<b>52.5%</b>
<b>Total Administrative Expense</b>	<b>1,833,943</b>	<b>100.0%</b>	<b>1,546,347</b>	<b>287,596</b>	<b>84.3%</b>

**Legal Expenses**

- Personnel Costs (legal salaries and benefits)
  - At 82.6% of the estimated expenses at the end of the fiscal year, this category is slightly lower than expected.
    - One vacancy (Staff Counsel) remains vacant at year end.
    -
- Professional Services (outside attorney fees or non-investment issues)
  - At 105.7% of the estimated expenses at the end of the fiscal year, costs are slightly higher than expected.
    - The nature of such costs can fluctuate and are difficult to predict.
- Operational Services and Supplies (memberships, office expense, software, training, and travel)

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- At 52.5% of the estimated expenses at year end, this amount is lower than expected.
  - Some savings in office expense due to fewer department members.
  - Travel was limited this fiscal year because of COVID-19, resulting in one-time savings that account for most of the lower-than-expected expenses.

**NON-ADMINISTRATIVE EXPENDITURES** (Continued)

**INVESTMENT**

Non-Administrative Budget Detail: Investment					
For the Year Ending June 30, 2020					
	Annual Approved Budget	% of Total Budget	Actual Expense YTD	Under (Over) Budget Quarter Ending 6/30/20	% of Qtr Budget
<b>Personnel Costs</b>					
Staff Salaries and Benefits	2,522,600	100.0%	2,416,577	106,023	95.8%
<b>Total Personnel Costs</b>	<b>2,522,600</b>	<b>100.0%</b>	<b>2,416,577</b>	<b>106,023</b>	<b>95.8%</b>
<b>Professional Services</b>					
Attorney Fees	225,000	100.0%	182,769	42,231	81.2%
Consulting	2,478,500	100.0%	1,924,715	553,785	77.7%
Custodian Fees	800,000	100.0%	1,058,181	(258,181)	132.3%
Miscellaneous	3,500	100.0%	25,824	(22,324)	737.8%
<b>Total Professional Services</b>	<b>3,507,000</b>	<b>100.0%</b>	<b>3,191,488</b>	<b>315,512</b>	<b>91.0%</b>
<b>Operational Services &amp; Supplies</b>					
Building Rent	134,900	100.0%	126,021	8,879	93.4%
General Maintenance - Furniture/Equipment	2,500	100.0%	2,268	232	90.7%
Memberships/Publications/Subscriptions	5,800	100.0%	6,180	(380)	106.6%
Office Expense	19,100	100.0%	11,414	7,686	59.8%
Software/Software Licensing & Support	110,800	100.0%	132,561	(21,761)	119.6%
Training/Seminars/Conferences	10,600	100.0%	1,175	9,425	11.1%
Travel	51,700	100.0%	10,102	41,598	19.5%
Non-Capital - Furniture & Equipment	5,000	100.0%	-	5,000	0.0%
<b>Total Operational Services &amp; Supplies</b>	<b>340,400</b>	<b>100.0%</b>	<b>289,721</b>	<b>50,679</b>	<b>85.1%</b>
<b>Total Non-Administrative Expense: Investments</b>	<b>6,370,000</b>	<b>100.0%</b>	<b>5,897,786</b>	<b>472,214</b>	<b>92.6%</b>

**Investment Expenses**

- Personnel Costs (Investment salaries and benefits)
  - At 95.8% of the expenses are within expectations for the fiscal year.
- Professional Services (investment attorney issues, consulting, and custodian fees)
  - At 91% of the budgeted expense, professional services are as at expected at year end.
    - As part of the onboarding process with the Gold Coast investments, some expenses shifted from Consulting to Custodian Fees.
    - A mid-year departure of a Senior Investment Officer created the necessity to recruit for a new Investment Officer. An external recruiting firm was used resulted in an additional Miscellaneous expense.

**NON-ADMINISTRATIVE EXPENDITURES** *(Continued)*

**INVESTMENT** *(Continued)*

- Operational Services and Supplies (memberships, office expense, software, training, travel, and due diligence travel)
  - At 85.1% of the estimated expenses at the end of the fiscal year, this category is slightly lower than expected.
    - The timing of training and travel expenses fluctuates and was limited because of COVID-19 restrictions.

**NON-ADMINISTRATIVE EXPENDITURES** *(Continued)*

**TECHNOLOGY**

Non-Administrative Budget Detail: Technology					
For the Year Ending June 30, 2020					
	Annual Approved Budget	% of Total Budget	Actual Expense as of 6/30/20	Under (Over) Budget Quarter Ending 6/30/20	% of Qtr Budget
<b>Personnel Costs</b>					
Staff Salaries and Benefits	1,218,449	100.0%	1,217,211	1,238	99.9%
<b>Total Personnel Costs</b>	<b>1,218,449</b>	<b>100.0%</b>	<b>1,217,211</b>	<b>1,238</b>	<b>99.9%</b>
<b>Professional Services</b>					
Consulting Services	515,000	100.0%	103,615	411,385	20.1%
<b>Total Professional Services</b>	<b>515,000</b>	<b>100.0%</b>	<b>103,615</b>	<b>411,385</b>	<b>20.1%</b>
<b>Operational Services &amp; Supplies</b>					
Data Processing & Equipment	290,500	100.0%	265,637	24,863	91.4%
General Maintenance - IT Hardware & Software	-	0.0%	-	-	0.0%
Software/Software Licensing & Support	1,166,900	100.0%	1,001,808	165,092	85.9%
Non-Capital - IT Hardware & Software	461,806	100.0%	383,768	78,038	83.1%
<b>Total Operational Services &amp; Supplies</b>	<b>1,919,206</b>	<b>100.0%</b>	<b>1,651,213</b>	<b>267,993</b>	<b>86.0%</b>
<b>Capital Expense</b>	<b>800,000</b>	<b>100.0%</b>	<b>419,193</b>	<b>380,807</b>	<b>52.4%</b>
<b>Total Administrative Expense</b>	<b>4,452,655</b>	<b>100.0%</b>	<b>3,391,233</b>	<b>1,061,422</b>	<b>76.2%</b>

**Technology Expenses**

- Personnel Costs (Technology salaries and benefits)
  - At 99.9% of budgeted expense, Personnel Costs are just as expected.
- Professional Services (consulting and auditing services related to technology)
  - At 20.1% of budgeted expenses for Professional Services, they are lower than expected at year end. Many items in this line item were consciously deferred until project completion.
- Operational Services and Supplies (data processing, software, non-capital purchases)
  - At 86.0% of the expenses at year end, this category is lower than expected.
- Capital Expenditures (unit cost of \$25,000 or more)
  - Expenses incurred are for the Internet Project, as identified in the Triennial Strategic Plan. The remainder of the other projects are expected to be incurred in the next fiscal year.

**PAYMENTS NOT INCLUDED IN EXPENDITURE BUDGET**

Payments made to members and beneficiaries for benefits and refunds are not discretionary and are paid pursuant to Plan requirements. These payments are not included in the expenditure budget but are presented below for informational purposes only.

<b>Benefit Payments &amp; Refunds (Not included in the Budget)</b>				
<b>For the Year Ending June 30, 2020</b>				
<b>(in Thousands)</b>				
<b>FY 15/16</b>	<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20</b>
<b>\$ 464,068</b>	<b>\$ 497,904</b>	<b>\$ 539,297</b>	<b>\$ 578,508</b>	<b>\$ 621,564</b>