



San Bernardino County Employees'  
Retirement Association

# 2021 - 2022 ANNUAL BUDGET

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For the Fiscal Year Ending June 30, 2022

**Approved: 6/3/2021**

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## ORGANIZATIONAL STRUCTURE AND MISSION

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### 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 40,000 Plan members and their beneficiaries who are employed by 16 active Plan sponsors (participating employers), and 5 withdrawn employers which include: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  
 County of San Bernardino  
 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 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#### Withdrawn Employers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 the County of San Bernardino (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

Neal Waner (Appointed by Board of Supervisors)

#### Board Vice Chair

Marc Bracco (Elected by Safety Members)

#### Additional Members Appointed by Board of Supervisors

Michael Kennedy

Jean-Rene Basle

Janice Rutherford

#### Additional Members Elected by SBCERA Members

Louis Fiorino (Elected by General Members)

Dawn Stafford (Elected by Retired Members)

Vere Williams (Elected by General 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 management developed a Strategic Plan, which the Board adopted in May 2020. The Strategic Plan identifies six 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.

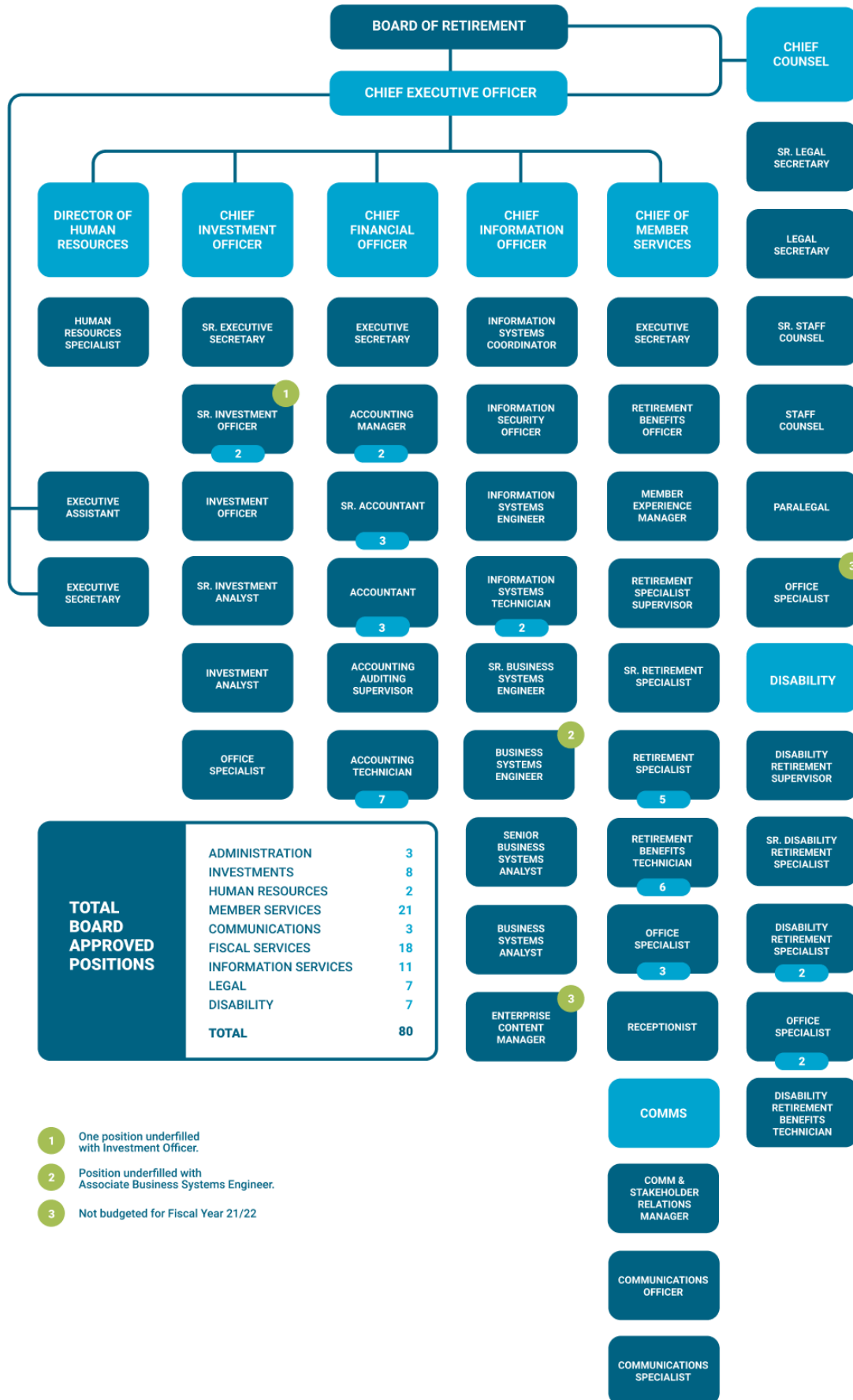
**Professional Excellence:** We will be skilled, confident, and capable.

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

The proposed Strategic Plan also identifies five Pillars that support and define the Strategies we use to prioritize and identify projects:

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

SBCERA Organizational Chart (Proposed, as of July 1, 2021)



## BUDGET POLICY

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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

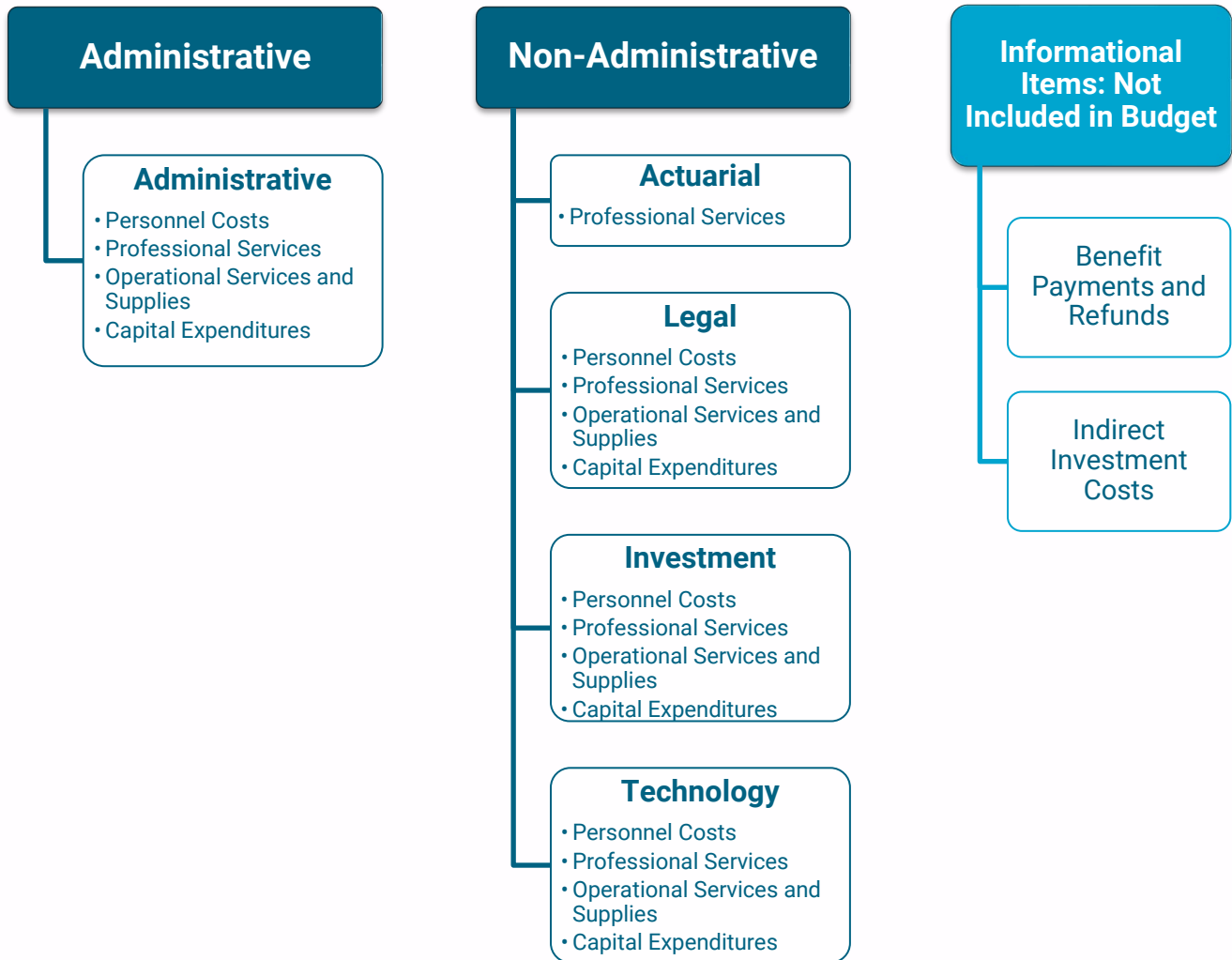
SBCERA is required by California Government Code (GC) section 31580.2, of the CERL, to prepare and approve an annual administrative expenditure budget covering the entire administrative expense of the Plan (also referred to as "appropriations"). The expense incurred in any year may not exceed twenty-one 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, 2021 to June 30, 2022 (the fiscal year ending June 30, 2022) (FY 21/22), 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 expense are not included in the annual budget. See *Appendix 1 – Capital Expenditures Summary*, on page 39 for a complete list of the included projects and line items.

### Informational Items (Not Included in Annual 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 Annual 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 costs. The costs for annual licensing or maintenance are likely similar to or less than what is currently budgeted for the contemporary situation.

Project	Purpose	Pillar	Priority	Administrative Budget Impact	Non-Administrative Budget Impact
Pension Administration System Project - Phase I	This first Phase will focus on documenting current states and identifying improvements.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology; Implement industry-leading technology; Standardized data transfer platform; Cost-effectiveness and controls of services provided by third party.		\$ 47,000
Pension Administration System Project - Phase II	This second phase will include designing new systems, documentation, and testing.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology; Implement industry-leading technology; Standardized data transfer platform; Cost-effectiveness and controls of services provided by third party.		\$ 1,251,200
Pension Administration System Project - Software Upgrades & Support	This portion of the project will focus on design and software changes with the current system vendor.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology; Implement industry-leading technology; Standardized data transfer platform; Cost-effectiveness and controls of services provided by third party.		\$ 2,280,000
DocuSign Implementation - Pilot	This project will be the Pilot program to begin integrating DocuSign into SBCERA forms	Operational Excellence & Efficiency Superior Service Experience	Modernize and streamline technology. Implement industry-leading technology;		\$ 75,000

# ANNUAL BUDGET SUMMARY

## Annual Budget Summary | By Expenditure Budget

The entire 2021-2022 annual budget is presented below in summary, by expenditure budget – Administrative and Non-Administrative:

Annual Budget Summary By Expenditure Budget 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease) over FY 20/21 Budget	Change over FY 20/21 Budget	Share of Total Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Administrative Budget</b>						
Personnel Costs	\$ 8,220,100	\$ 7,975,000	\$ 7,124,600	\$ 245,100	3.1%	30.2%
Professional Services	1,116,050	1,439,550	920,000	(323,500)	(22.5)%	4.1%
Operational Services and Supplies	1,759,700	1,774,000	1,285,550	(14,300)	(0.8)%	6.5%
Capital Expenditures	340,000	1,117,000	1,208,240	(777,000)	(69.6)%	1.2%
<b>Total Administrative Budget</b>	<b>11,435,850</b>	<b>12,305,550</b>	<b>10,538,390</b>	<b>(869,700)</b>	<b>(7.1)%</b>	<b>42.0%</b>
<b>Non-Administrative Budget</b>						
<b>Actuarial Appropriations</b>						
Professional Services	255,000	195,000	195,000	60,000	30.8%	0.9%
<b>Total Actuarial Appropriations</b>	<b>255,000</b>	<b>195,000</b>	<b>195,000</b>	<b>60,000</b>	<b>30.8%</b>	<b>0.9%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,483,000	1,355,000	1,236,700	128,000	9.4%	5.4%
Professional Services	490,000	250,000	335,000	240,000	96.0%	1.8%
Operational Services and Supplies	80,750	81,200	34,620	(450)	(0.6)%	0.3%
Capital Expenditures	35,000	-	-	35,000	0.0%	0.1%
<b>Total Legal Appropriations</b>	<b>2,088,750</b>	<b>1,686,200</b>	<b>1,606,320</b>	<b>402,550</b>	<b>23.9%</b>	<b>7.7%</b>
<b>Investment Appropriations</b>						
Personnel Costs	2,336,800	2,281,000	2,261,700	55,800	2.4%	8.6%
Professional Services	3,381,100	3,227,100	3,372,996	154,000	4.8%	12.4%
Operational Services and Supplies	345,300	303,300	236,457	42,000	13.8%	1.3%
Capital Expenditures	-	-	-	-	0.0%	0.0%
<b>Total Investment Appropriations</b>	<b>6,063,200</b>	<b>5,811,400</b>	<b>5,871,153</b>	<b>251,800</b>	<b>4.3%</b>	<b>22.3%</b>
<b>Technology Appropriations</b>						
Personnel Costs	1,504,700	1,205,000	1,081,700	299,700	24.9%	5.5%
Professional Services	315,000	515,000	116,000	(200,000)	(38.8)%	1.2%
Operational Services and Supplies	1,836,000	1,734,600	1,426,816	101,400	5.8%	6.7%
Capital Expenditures	3,733,200	585,000	313,000	3,148,200	538.2%	13.7%
<b>Total Technology Appropriations</b>	<b>7,388,900</b>	<b>4,039,600</b>	<b>2,937,516</b>	<b>3,349,300</b>	<b>82.9%</b>	<b>27.1%</b>
<b>Total Non-Administrative Budget</b>	<b>15,795,850</b>	<b>11,732,200</b>	<b>10,609,989</b>	<b>4,063,650</b>	<b>34.6%</b>	<b>58.0%</b>
<b>Total Budget</b>	<b>\$27,231,700</b>	<b>\$24,037,750</b>	<b>\$21,148,379</b>	<b>\$ 3,193,950</b>	<b>13.3%</b>	<b>100.0%</b>

## Annual Budget Summary | By Category

The entire 2021-2022 annual budget is presented below in summary, by category – Personnel Costs, Professional Services, Operational Services and Supplies, and Capital Expenditures:

Annual Budget Summary By Expenditure Budget 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease)	Change over FY	Share
	Proposed Budget	Approved Budget	Estimated Actual	over FY 20/21 Budget	20/21 Budget	of Total Budget
<b>Personnel Costs</b>						
Administrative	\$ 8,220,100	\$ 7,975,000	\$ 7,124,600	\$ 245,100	3.1%	30.2%
Actuarial	-	-	-	-	0.0%	0.0%
Legal	1,483,000	1,355,000	1,236,700	128,000	9.4%	5.4%
Investment	2,336,800	2,281,000	2,261,700	55,800	2.4%	8.6%
Technology	1,504,700	1,205,000	1,081,700	299,700	24.9%	5.5%
<b>Total Personnel Costs</b>	<b>13,544,600</b>	<b>12,816,000</b>	<b>11,704,700</b>	<b>728,600</b>	<b>5.7%</b>	<b>49.7%</b>
<b>Professional Services</b>						
Administrative	1,116,050	1,439,550	920,000	(323,500)	(22.5)%	4.1%
Actuarial	255,000	195,000	195,000	60,000	30.8%	0.9%
Legal	490,000	250,000	335,000	240,000	96.0%	1.8%
Investment	3,381,100	3,227,100	3,372,996	154,000	4.8%	12.4%
Technology	315,000	515,000	116,000	(200,000)	0.0%	1.2%
<b>Total Professional Services</b>	<b>5,557,150</b>	<b>5,626,650</b>	<b>4,938,996</b>	<b>(69,500)</b>	<b>(1.2)%</b>	<b>20.4%</b>
<b>Operational Services and Supplies</b>						
Administrative	1,759,700	1,774,000	1,285,550	(14,300)	(0.8)%	6.5%
Actuarial	-	-	-	-	0.0%	0.0%
Legal	80,750	81,200	34,620	(450)	(0.6)%	0.3%
Investment	345,300	303,300	236,457	42,000	13.8%	1.3%
Technology	1,836,000	1,734,600	1,426,816	101,400	5.8%	6.7%
<b>Total Operational Services and Supplies</b>	<b>4,021,750</b>	<b>3,893,100</b>	<b>2,983,443</b>	<b>128,650</b>	<b>3.3%</b>	<b>14.8%</b>
<b>Capital Expenditures</b>						
Administrative	340,000	1,117,000	1,208,240	(777,000)	(69.6)%	1.2%
Actuarial	-	-	-	-	0.0%	0.1%
Legal	35,000	-	-	35,000	100.0%	0.0%
Investment	-	-	-	-	0.0%	0.0%
Technology	3,733,200	585,000	313,000	3,148,200	538.2%	13.7%
<b>Total Capital Expenditures</b>	<b>4,108,200</b>	<b>1,702,000</b>	<b>1,521,240</b>	<b>2,406,200</b>	<b>141.4%</b>	<b>15.1%</b>
<b>Total Budget</b>	<b>\$27,231,700</b>	<b>\$24,037,750</b>	<b>\$21,148,379</b>	<b>\$ 3,193,950</b>	<b>13.3%</b>	<b>100.0%</b>

## STATUTORY LIMIT

Based on an Actuarial Accrued Liability (AAL) of \$14.3 billion (as of the most recent actuarial valuation dated June 30, 2020), the statutory limit for administrative expenditures is approximately \$30 million, representing a \$2.06 million increase over the prior year's statutory limit of \$27.94 million. The AAL is calculated once a year, by SBCERA's independent actuary. The next actuarial valuation for June 30, 2021, will be presented to the Board in November 2021, 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.

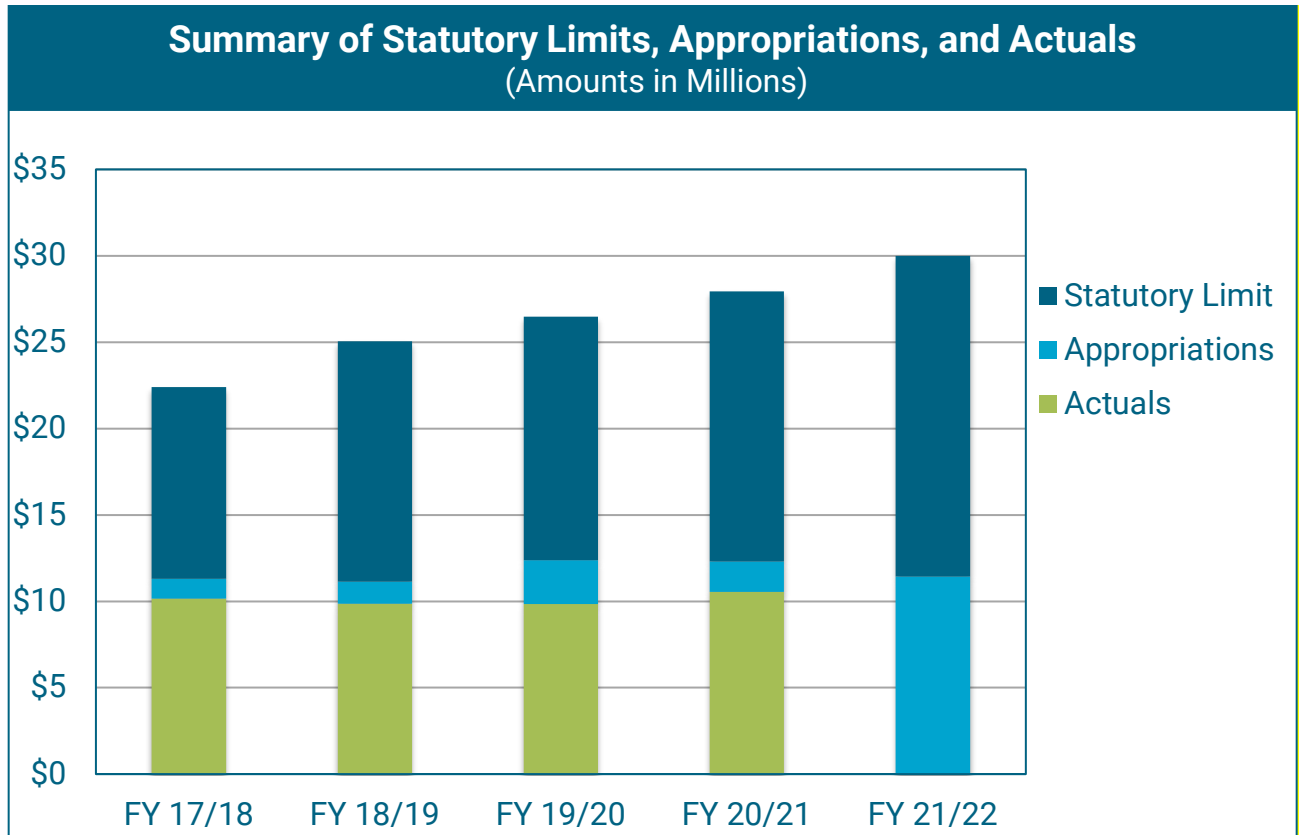
The statutory limit is calculated as follows:

Calculation of Statutory Limit - Administrative Budget		
AAL as of June 30, 2020 <sup>1</sup>	A	\$ 14,298,195,718
Basis points per GC §31580.2	B	0.0021
<b>Statutory limit on 0.21% allowed per §31580.2</b>	<b>A*B=C</b>	<b>\$ 30,026,211</b>
<b>Administrative Budget</b>	<b>D</b>	<b>\$ 11,435,850</b>
<b>Budget as % of Statutory Limit</b>	<b>D/C</b>	<b>38%</b>
<b>Budget as Basis points of AAL</b>	<b>D/A</b>	<b>0.0008</b>
<b>Unrestricted Contingency Fund</b>	<b>C-D</b>	<b>\$ 18,590,361</b>

(1) See page 38 of the June 30, 2020 Actuarial Valuation and Review.

The proposed administrative expenditure budget appropriations are \$11,435,850, or approximately 38% of the statutory limit. The remaining \$18.6 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.

A summary of the statutory limits, appropriations, and actual expenditures from the most recent five years of Administrative Expenditure Budgets (including the proposed budget year) is provided on the following page (note: actuals for FY 20/21 are estimates):





# ADMINISTRATIVE BUDGET

Annual Budget Summary Administrative Budget 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease)	Change	Share
	Proposed Budget	Approved Budget	Estimated Actual	over FY 20/21 Budget	over FY 20/21 Budget	of Admin Budget
<b>Administrative Budget</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 8,204,100	\$ 7,959,000	\$ 7,110,600	\$ 245,100	3.1%	71.7%
Board Stipends	16,000	16,000	14,000	-	0.0%	0.1%
<b>Total Personnel Costs</b>	<b>8,220,100</b>	<b>7,975,000</b>	<b>7,124,600</b>	<b>245,100</b>	<b>3.1%</b>	<b>71.9%</b>
<b>Professional Services</b>						
Audit	65,000	65,000	65,000	-	0.0%	0.6%
Communication Consulting	22,000	20,000	-	2,000	10.0%	0.2%
County & COWCAP	-	45,000	40,000	(45,000)	(100.0)%	0.0%
Document Imaging	55,000	55,000	50,000	-	0.0%	0.5%
Hearing Officers	-	60,000	27,000	(60,000)	0.0%	0.0%
Medical Consultants	600,000	900,000	500,000	(300,000)	(33.3)%	5.2%
Miscellaneous	339,050	274,050	215,500	65,000	23.7%	3.0%
Payroll Services	20,000	10,000	10,000	10,000	100.0%	0.2%
Transcribing	15,000	10,500	12,500	4,500	42.9%	0.1%
<b>Total Professional Services</b>	<b>1,116,050</b>	<b>1,439,550</b>	<b>920,000</b>	<b>(323,500)</b>	<b>(22.5)%</b>	<b>9.8%</b>
<b>Operational Services and Supplies</b>						
Building Rent	640,000	605,000	605,000	35,000	5.8%	5.6%
Claims/Judgments/Court Orders	75,000	75,000	-	-	0.0%	0.7%
Fleet Vehicle	-	2,500	1,400	(2,500)	0.0%	0.0%
General Maintenance - Furniture/Equipme	12,500	14,500	6,300	(2,000)	(13.8)%	0.1%
Insurance	285,000	202,000	232,000	83,000	41.1%	2.5%
Memberships/Publications/Subscriptions	41,600	41,900	32,750	(300)	(0.7)%	0.4%
Non-Inventoriable - Furniture & Equipment	-	-	-	-	0.0%	0.0%
Office Expense	143,400	157,400	84,600	(14,000)	(8.9)%	1.3%
Postage & Handling	75,000	160,000	50,000	(85,000)	(53.1)%	0.7%
Printing	70,000	70,000	40,000	-	0.0%	0.6%
Rented Equipment	110,000	110,000	100,000	-	0.0%	1.0%
Staff Career Development Fund	15,000	15,000	7,500	-	0.0%	0.1%
Telephone	67,200	67,200	90,000	-	0.0%	0.6%
Training/Seminars/Conferences	90,000	125,000	10,000	(35,000)	(28.0)%	0.8%
Travel - Air, Lodging, Meals, Misc	100,000	100,000	1,000	-	0.0%	0.9%
Non-Capital - Furniture & Equipment	35,000	28,500	25,000	6,500	22.8%	0.3%
<b>Total Operational Services and Supplies</b>	<b>1,759,700</b>	<b>1,774,000</b>	<b>1,285,550</b>	<b>(14,300)</b>	<b>(0.8)%</b>	<b>15.4%</b>
<b>Capital Expenditures</b>	<b>340,000</b>	<b>1,117,000</b>	<b>1,208,240</b>	<b>(777,000)</b>	<b>(69.6)%</b>	<b>3.0%</b>
<b>Total Administrative Budget</b>	<b>\$ 11,435,850</b>	<b>\$ 12,305,550</b>	<b>\$ 10,538,390</b>	<b>\$(869,700)</b>	<b>(7.1)%</b>	<b>100.0%</b>

The proposed appropriations of \$11,435,850 represent a decrease from the prior year appropriated expenditures of \$12,305,550. The difference in proposed appropriations represents a decrease of approximately \$869,700 or 7.1% 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 \$245,100 or 3.1% over the prior year and represent 71.7% of the total appropriated administrative expenditures. Increases include merit increases and an estimated cost of living adjustment (COLA) of 3.5%.

SBCERA personnel are budgeted as follows:

<b>Summary of Personnel - Administrative Budget</b>			
<b>Department<sup>1</sup></b>	<b>Budgeted June 30, 2021</b>	<b>Budgeted June 30, 2022</b>	<b>Net Change in Budgeted Positions</b>
Administration	3	3	0
Human Resources	2	2	0
Communications	3	3	0
Member Services <sup>2</sup>	18	21	3
Fiscal Services	18	18	0
Disability Unit	7	7	0
<b>Total Positions</b>	<b>51</b>	<b>54</b>	<b>3</b>
(1) Includes all SBCERA staff except for the legal, investment, and IS departments.			
(2) Two positions were approved during FY 20/21.			

There are 54 Administrative Staff positions for the FY 21/22 Administrative Budget, all of which are being funded as part of this Administrative Budget. This is a three-position net increase over the prior year budget as amended. The positions were added to the Member Services department: an Office Specialist position, in lieu of an Enterprise Content Specialist (function moved from Information Services), an additional Retirement Benefit Technician, and a newly created position, Member Experience Manager. Additionally, a newly created Communications Specialist position was added in lieu of the fully budgeted Communications Officer (already part of the Member Services budget).

Office Specialist: This position will provide better coverage in the reception area for front office duties, including mail processing and document scanning—as well as member-facing support on phones, emails, and walk-ins.

Retirement Benefit Technician: This position will help SBCERA maintain its expected superior service levels as SBCERA has experienced sustained increases in phone calls and emails. This

additional position also helps provide a better balance of duties among the front office staff—where Office Specialists and the Receptionist have experienced an increased workload of mail processing and scanning over the past year.

Member Experience Manager: This addition of a Member Experience Manager will provide oversight of front office and call center staff. The Member Experience Manager helps ensure that our members receive a Superior Service Experience—which is one of our strategic organizational goals—driven by organizational metrics and member feedback. We expect this position to help SBCERA continue to work toward our goal of a “one-touch” contact center, where member calls and emails are handled quickly with minimal transfers.

Communications Specialist: This currently vacant Communications Officer will be modified to a newly created Communications Specialist position to focus on specific needs for copy editing, technical writing, and other writing-focused projects. Priorities for this position will be centered around education and engagement for our members and employers. The position will help in developing content for various SBCERA publications and provide much needed project and administrative support to the Communications and Stakeholder Relations team.

### **Professional Services**

These costs include professional services provided by outside contractors/vendors including, but not limited to, medical consulting, communications consulting, and audit services. Overall, appropriations in this category are projected to decrease by approximately \$323,500 or 22.5% over the prior year and represent 9.8% of the total appropriated expenditures.

Communication Consulting: As part of the Strategic Priorities, SBCERA will conduct a Member survey and Employer survey in FY 21/22. These surveys help guide the planning and implementation of initiatives at SBCERA.

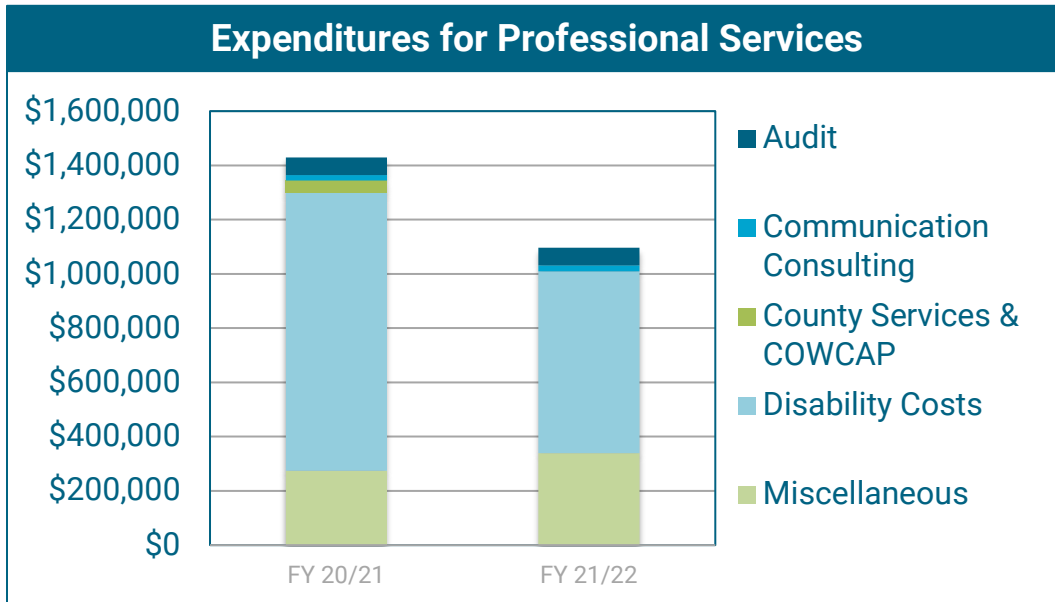
County Services & COWCAP: SBCERA no longer contracts with the County for payroll services.

Hearing Officers: The appropriations for this line item have been moved to the Legal Appropriations section of the Non-Administrative Budget.

Medical Consultants: Actual expenditures for this line item in the two most recent fiscal years support a reduction in the appropriated amount.

Miscellaneous: Increases include \$35,000 for the trustee election, an additional \$5,000 for a board offsite meeting, and incremental increases to usual and customary expenses.

Payroll: As part of discontinuing payroll services from the County in FY 20/21, SBCERA now contracts with a third-party to process its payroll. The prior year appropriation was only for half the year, this increase represents one full year of expenses.



**Operational Services and Supplies**

Operational Services and Supplies include, but are not limited to, office rent, fiduciary insurance, general maintenance, office expense, postage and shipping, printing services, rented equipment, staff career development fund, telephone costs, 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 approximately \$14,300 or 0.8% over the prior year and represent 15.4% of the total appropriated expenditures.

Building Rent: Rent expense will increase 5.8% (\$35,000) according to our Lease Agreement with the property manager.

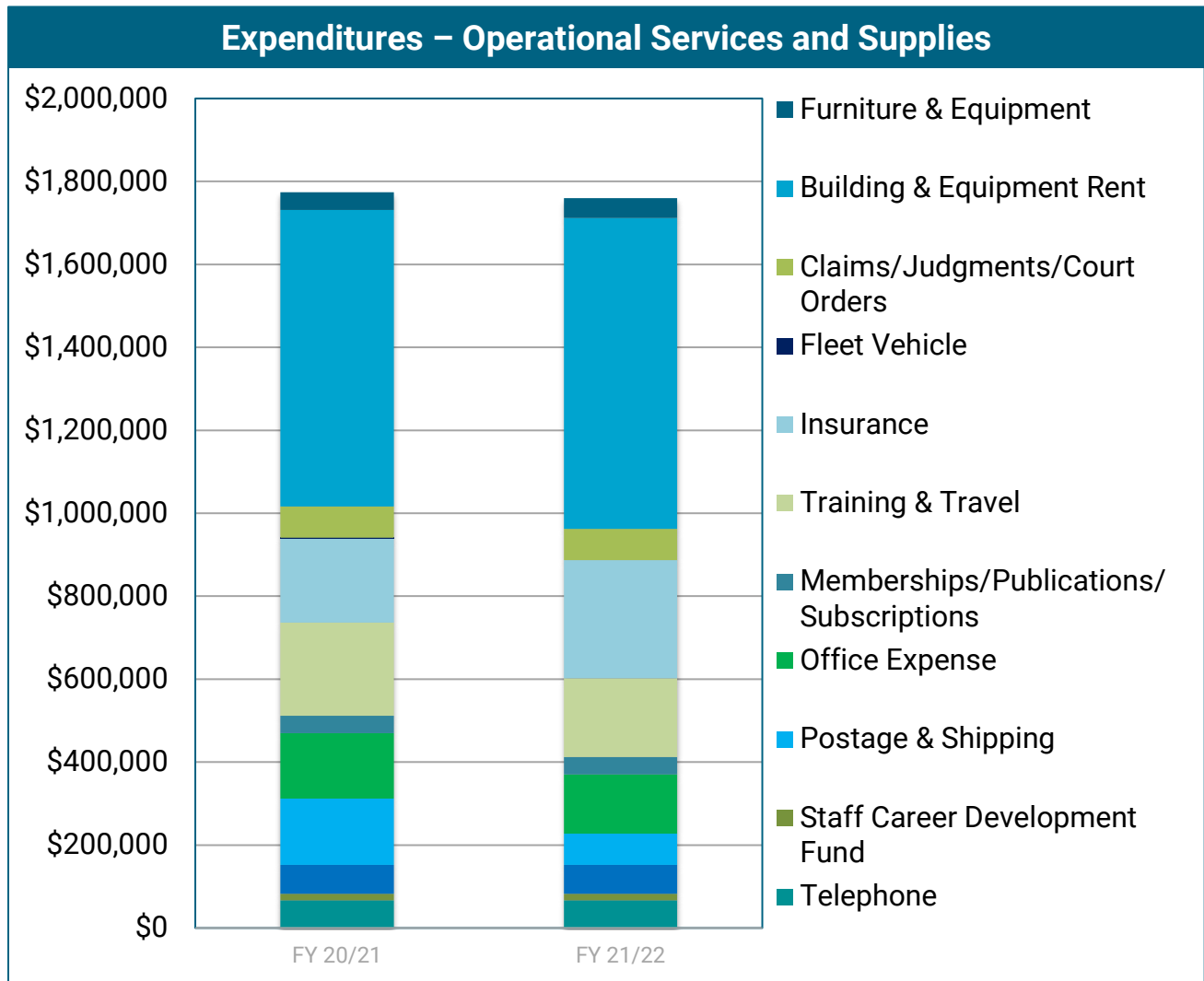
Insurance: Insurance expense is expected to increase by \$83,000 or 41.1% due to rising insurance costs and reclassifying workers compensation to this line item rather than as a salary expense item. This reclassification presents more transparent appropriations for salaries and insurance.

Office Expense: Office Expense has decreased by \$14,000 or 8.9% from the prior budget. This decrease is primarily a result of decreased toner use, which will continue into the office reopening, as SBCERA has moved into a more paperless environment. Additionally, fewer pandemic-related supplies are expected to be needed over last year’s projections.

Postage & Handling: Initially in response to the extended office closure, SBCERA stopped mailing monthly benefit remittances to over 12,000 retirees. SBCERA has moved to a model that helps our retirees find their stub in mySBCERA or allows them to manually opt into a mailed monthly remittance.

This shift in process saves approximately \$75,000 per fiscal year. The additional savings comes from utilizing mySBCERA more frequently and reducing FedEx charges in favor of USPS services.

Training/Seminars/Conferences: Costs in this line item decreased \$35,000 or 28% over the prior year. The expense for Technology-related training has been shifted to the Non-Administrative Budget in the Technology Appropriations section. An additional \$35,000 has been added to the Administrative Budget for training. The increase is the result of focused Human Resource training, under the direction of the Director of Human Resources and Risk Management, bringing training resources to SBCERA live or virtually to reach a larger audience than we can reasonably physically send to training. Increasing the HR related training will support the Pillars of the Strategic Plan. Additionally, staff will need training in Office 365, new Internet protocols, and remote work tools now that the Internet Project is complete.



### ***Capital Expenditures***

Capital Expenditures will decrease by \$777,000 from the prior year budget. The renovation of the SBCERA suite space was completed in FY 20/21. For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 39.

SBCERA Suites Health & Safety Enhancements: This project is budgeted at \$200,000 and includes appropriations for advanced HEPA filters, temperature stations, and other equipment as needed to keep the SBCERA suites safe as employees return to work.

Boardroom Furniture: This project is budgeted at \$90,000 and includes furniture, fresh paint, and the labor associated with moving the furniture.

Everbridge Disruptive Event Implementation: This project is a continuation from FY 20/21 and implements the protocols so that SBCERA is prepared to continue operations even if there is a disaster that impacts its building and technology.

## 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 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease)	Change	Share
	Proposed Budget	Approved Budget	Estimated Actual	over FY 20/21 Budget	over FY 20/21 Budget	of Admin Budget
<b>Non-Administrative Budget</b>						
<b>Actuarial Appropriations</b>						
Professional Services	\$ 255,000	\$ 195,000	\$ 195,000	\$ 60,000	30.8%	1.6%
<b>Total Actuarial Appropriations</b>	<b>255,000</b>	<b>195,000</b>	<b>195,000</b>	<b>60,000</b>	<b>30.8%</b>	<b>1.6%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,483,000	1,355,000	1,236,700	128,000	9.4%	9.4%
Professional Services	490,000	250,000	335,000	240,000	96.0%	3.1%
Operational Services and Supplies	80,750	81,200	34,620	(450)	(0.6)%	0.5%
Capital Expenditures	35,000	-	-	35,000	0.0%	0.2%
<b>Total Legal Appropriations</b>	<b>2,088,750</b>	<b>1,686,200</b>	<b>1,606,320</b>	<b>402,550</b>	<b>23.9%</b>	<b>13.2%</b>
<b>Investment Appropriations</b>						
Personnel Costs	2,336,800	2,281,000	2,261,700	55,800	2.4%	14.8%
Professional Services	3,381,100	3,227,100	3,372,996	154,000	4.8%	21.4%
Operational Services and Supplies	345,300	303,300	236,457	42,000	13.8%	2.2%
Capital Expenditures	-	-	-	-	0.0%	0.0%
<b>Total Investment Appropriations</b>	<b>6,063,200</b>	<b>5,811,400</b>	<b>5,871,153</b>	<b>251,800</b>	<b>4.3%</b>	<b>38.4%</b>
<b>Technology Appropriations</b>						
Personnel Costs	1,504,700	1,205,000	1,081,700	299,700	24.9%	9.5%
Professional Services	315,000	515,000	116,000	(200,000)	(38.8)%	2.0%
Operational Services and Supplies	1,836,000	1,734,600	1,426,816	101,400	5.8%	11.6%
Capital Expenditures	3,733,200	585,000	313,000	3,148,200	538.2%	23.6%
<b>Total Technology Appropriations</b>	<b>7,388,900</b>	<b>4,039,600</b>	<b>2,937,516</b>	<b>3,349,300</b>	<b>82.9%</b>	<b>46.8%</b>
<b>Total Non-Administrative Budget</b>	<b>\$ 15,795,850</b>	<b>\$ 11,732,200</b>	<b>\$ 10,609,989</b>	<b>\$ 4,063,650</b>	<b>34.6%</b>	<b>100.0%</b>

Overall, the total Non-Administrative Expenditure Budget for the fiscal year ending June 30, 2022, is approximately \$15,795,850, which is an increase of \$4,063,650 or 34.6% from the prior year appropriations of \$11,732,200. The differences for all four functional areas (Actuarial, Legal, Investment, and Technology) are discussed on pages 24 through 37.

## 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 are expensed in the Administrative Budget. Overall, appropriations in this category are projected to increase by approximately \$483,500 and represent 34% of the total appropriated non-administrative expenditures.

SBCERA non-administrative personnel are budgeted as follows:

<b>Summary of Personnel - Non-Administrative Budget</b>			
<b>Department<sup>1</sup></b>	<b>Budgeted June 30, 2021</b>	<b>Budgeted June 30, 2022</b>	<b>Net Change in Budgeted</b>
Legal	7	7	0
Investment	8	8	0
Information Services <sup>2</sup>	10	11	1
<b>Total Positions</b>	<b>25</b>	<b>26</b>	<b>1</b>

(1) Includes all SBCERA staff in legal, investment, and information IS.  
(2) A portion of IS employee expense is allocated to the Administrative Budget.

Legal Department - Staff Counsel: The Staff Counsel position was approved in 2018, and briefly filled in 2019. The position has been included in the FY 21/22 budget beginning in December 2021. This position will assist and advise the Disability Retirement Supervisor concerning disability and survivor benefits, act as primary in providing advice in processing the member services comment sheets, judgments, and Public Records Act requests, represent SBCERA in including disability cases administrative review and writ proceedings, including family law matters in Superior Court, which will reduce outside counsel costs, and will proactively manage the expanded securities litigation program (which will potentially increase revenues), as well as contract management. Adding an additional in-house attorney will improve the ability of the department to review work internally and will provide coverage when one lawyer is away from the office. This position is part of the Legal department's succession plan.

Legal Department - Office Specialist: There is an Office Specialist position on the organizational chart that was budgeted in the prior year, it was never filled and is not projected to be filled in FY 21/22; therefore, it has not been budgeted for this year.



Information Services – Information Services Technician: The addition of a second Information Services Technician is driven by the additional complexity of SBCERA's networks in supporting a decentralized workforce, anticipation of increased utilization of both the Member and Employer portals, and SBCERA's more active role in the oversight of our building. SBCERA Information Services staff are normally specialized in their field and support multiple projects at any given time. This requires the current Information Services Technician to handle incident response. When supporting an all remote, or all on premise workforce this task can be managed at most times, however with a decentralized workforce it is not possible for a single individual to physically work on systems while also providing remote support. The addition of this position will allow staff to respond to technology and building support needs more efficiently.

Information Services – Senior Business Systems Analyst: With the increased utilization of Software as a Service (SaaS), and continued evolution of our Pension Administration Software (PAS), the Information Services Department's Business Systems Unit is consistently involved in multiple projects or needing to learn new software to support the organization. Our current Business Analyst leads the charge in all these areas. However, as SBCERA changes to better support our membership and staff, the software we use becomes more sophisticated, requiring a blurring of the analytical, design, and engineering lines to fully understand and maintain the applications. With the addition of a Senior Business Systems Analyst, we will have an individual who understands and can visually see SBCERA's needs within all three areas. They will work closely with the Senior Business System Engineer, focusing on the most complex of SBCERA's systems while providing Tier 2 support on all Business Systems applications. The Business Systems Analyst and Business Systems Engineer will focus on projects, PAS support, and general application design, review, implementation, and support.

The Information Services Department also eliminated the second Enterprise Content Specialist position, resulting in a one position increase.

Additional increases are due to merit increases and an estimated 3.5% COLA.

## 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, 2023. 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 audit is due for the June 30, 2023 valuation.

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. 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 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease)	Change	Share
	Proposed Budget	Approved Budget	Estimated Actual	over FY 20/21 Budget	over FY 20/21 Budget	of Non- Admin Budget
<b>Actuarial Appropriations</b>						
<b>Professional Services</b>						
Actuarial Valuation/Experience Study	140,000	105,000	105,000	35,000	33.3%	0.9%
Actuarial Consulting	115,000	90,000	90,000	25,000	27.8%	0.7%
<b>Total Professional Services</b>	<b>255,000</b>	<b>195,000</b>	<b>195,000</b>	<b>60,000</b>	<b>30.8%</b>	<b>1.6%</b>
<b>Total Actuarial Appropriations</b>						

## Cost Category Analysis

### *Professional Services*

Overall, the budgeted actuarial appropriation is \$60,000, or 30.8% more than appropriated for the prior fiscal year. Each line item has been increased to account for additional work expected because of the Alameda decision. SBCERA has asked the actuary to account for the Alameda impact separately in the June 30, 2022 valuation, which will undoubtedly result in additional work.

## 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 \$2,088,750, there is an increase of \$402,550, or 23.9%, from the prior year appropriations. The overall increase is explained below in the Cost Category section.

Annual Budget Summary Non-Administrative Budget Legal Appropriations 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease)	Change	Share
	Proposed Budget	Approved Budget	Estimated Actual	over FY 20/21 Budget	over FY 20/21 Budget	of Non- Admin Budget
<b>Legal Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	1,483,000	1,355,000	1,236,700	128,000	9.4%	9.4%
<b>Total Personnel Costs</b>	<b>1,483,000</b>	<b>1,355,000</b>	<b>1,236,700</b>	<b>128,000</b>	<b>9.4%</b>	<b>9.4%</b>
<b>Professional Services</b>						
Outside Attorney Fees	430,000	250,000	335,000	180,000	72.0%	2.7%
Hearing Officers	60,000	-	-	60,000	0.0%	0.4%
<b>Total Professional Services</b>	<b>490,000</b>	<b>250,000</b>	<b>335,000</b>	<b>240,000</b>	<b>96.0%</b>	<b>3.1%</b>
<b>Operational Services and Supplies</b>						
General Maintenance - Furniture/Equipment	1,500	1,500	400	-	0.0%	0.0%
Memberships/Publications/Subscriptions	24,000	24,000	24,000	-	0.0%	0.2%
Office Expense	9,550	11,300	720	(1,750)	(15.5)%	0.1%
Software/Software Licensing & Support	4,500	3,200	4,500	1,300	40.6%	0.0%
Training/Seminars/Conferences	15,600	15,600	5,000	-	0.0%	0.1%
Staff Travel - Air, Lodging, Meals, Misc	20,600	20,600	-	-	0.0%	0.1%
Non-Capital - Furniture & Equipment	5,000	5,000	-	-	0.0%	0.0%
<b>Total Operational Services and Supplies</b>	<b>80,750</b>	<b>81,200</b>	<b>34,620</b>	<b>(450)</b>	<b>(0.6)%</b>	<b>0.5%</b>
<b>Capital Expenditures</b>	<b>35,000</b>	<b>-</b>	<b>-</b>	<b>35,000</b>	<b>0.0%</b>	<b>0.2%</b>
<b>Total Legal Appropriations</b>	<b>\$ 2,088,750</b>	<b>\$ 1,686,200</b>	<b>\$ 1,606,320</b>	<b>\$ 402,550</b>	<b>23.9%</b>	<b>13.2%</b>

## Cost Category Analysis

### Personnel Costs

**Staff Salaries and Benefits:** Overall, appropriations in this category are projected to increase by approximately \$128,000 or 9.4% from the prior year and represent 9.4% of the total appropriated non-administrative expenditures. As discussed on page 24, the Staff Counsel position is being budgeted for 7 months and the Office Specialist will not be filled in FY 21/22.

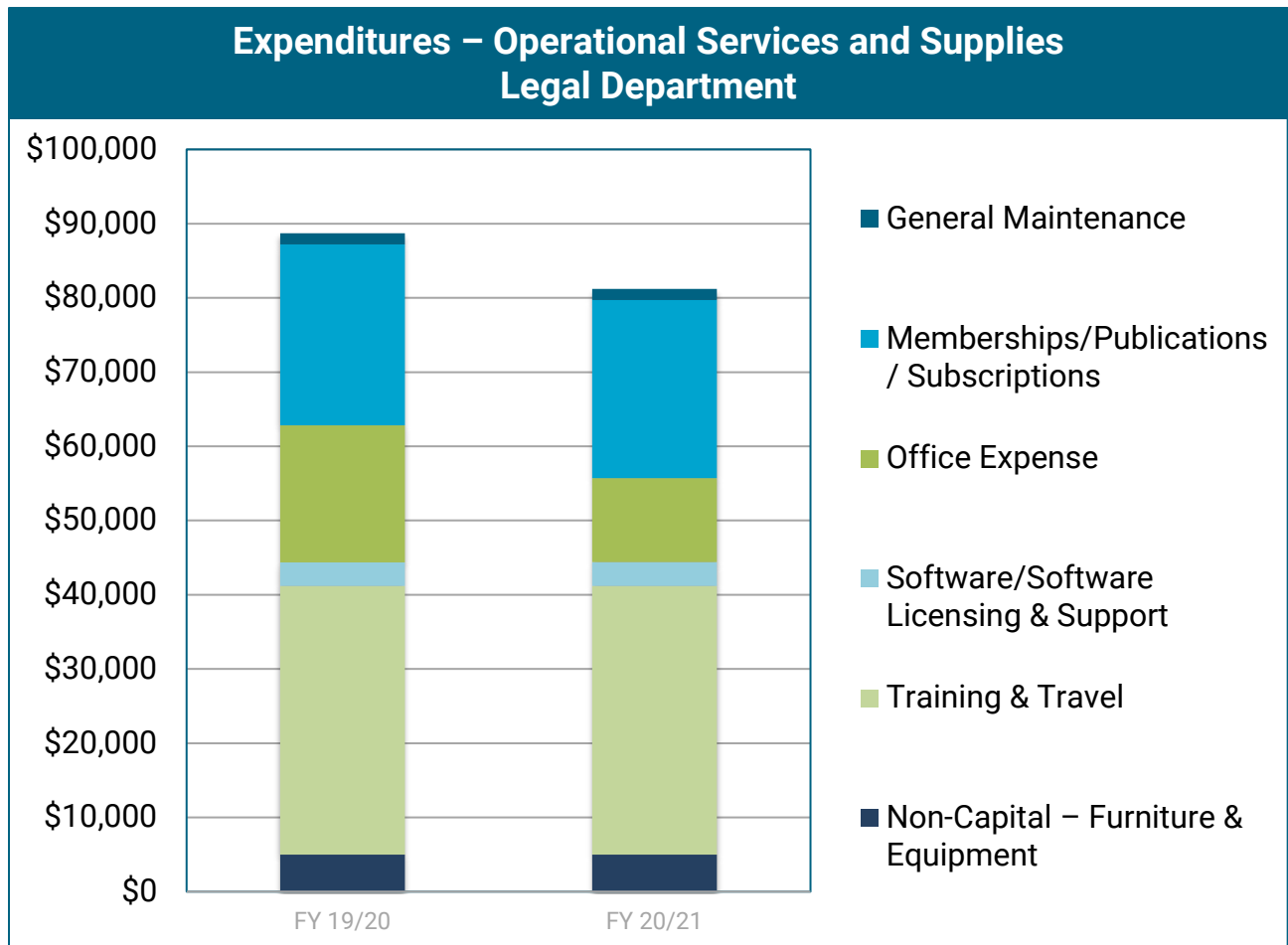
The overall increase of \$128,000 in personnel costs is due to net salary and benefit increases pursuant to the SBCERA Employment Resolution, Salary Rate and Step Advancement Plan, a net increase in position changes, and an estimated 3.5% COLA.

**Professional Services**

Professional Services includes outside attorney fees for non-investment issues and miscellaneous services. 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 increase because of the Alameda decision.

**Operational Services and Supplies**

Operational Services and Supplies includes legal department expenditures such as, but not limited to, staff memberships/subscriptions, software, staff training and conferences, and staff travel. Overall, appropriations in this category are projected to remain level.



## Capital Expenditures

The Legal department is the source and main contact for reviewing and drafting SBCERA contracts. The existing method of tracking contracts can be improved through better control processes. By moving the current practice managing contracts and agreements to a software platform will improve efficiency and security, as well as centralize SBCERA's contracts. Some of the contract management software products that have been reviewed, incorporate these elements by making contracts easily accessible, providing accurate reporting for contract analysis, improving productivity, making drafting, and negotiating contracts fast and straightforward, increasing compliance, and reducing risk. It is evident from the review of contract management software vendors that the software can automate and streamline the entire contract lifecycle from beginning to termination of services. With the assistance of software management, SBCERA will be positioned to administrate agreements and negotiate renewals and comply with regulatory requirements more effectively. Moreover, the software will assist with contract oversight, as well as align with SBCERA's Strategic Planning Goals of Operational Excellence and Efficiency. \$35,000 is budgeted to fund this project as part of the initial implementation of the contract software management.

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

# NON-ADMINISTRATIVE BUDGET

## 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 \$251,800 or 4.3% and represent 38.4% of the total appropriated expenditures.

Annual Budget Summary Non-Administrative Budget Investment Appropriations 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease)	Change	Share
	Proposed Budget	Approved Budget	Estimated Actual	over FY 20/21 Budget	over FY 20/21 Budget	of Non- Admin Budget
<b>Investment Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	2,336,800	2,281,000	2,261,700	55,800	2.4%	14.8%
<b>Total Personnel Costs</b>	<b>2,336,800</b>	<b>2,281,000</b>	<b>2,261,700</b>	<b>55,800</b>	<b>2.4%</b>	<b>14.8%</b>
<b>Professional Services</b>						
Attorney Fees	129,000	125,000	122,000	4,000	3.2%	0.8%
Consulting	2,251,000	2,251,000	2,251,000	-	0.0%	14.3%
Custodian Fees	750,000	850,000	748,896	(100,000)	(11.8)%	4.7%
Solovis Reporting Fees	250,000	-	250,000	250,000	0.0%	1.6%
Miscellaneous	1,100	1,100	1,100	-	0.0%	0.0%
<b>Total Professional Services</b>	<b>3,381,100</b>	<b>3,227,100</b>	<b>3,372,996</b>	<b>154,000</b>	<b>4.8%</b>	<b>21.4%</b>
<b>Operational Services and Supplies</b>						
Building Rent	145,000	143,000	131,000	2,000	1.4%	0.9%
General Maintenance - Furniture/Equipment	24,000	3,000	-	21,000	700.0%	0.2%
Memberships/Publications/Subscriptions	8,100	8,100	8,100	-	0.0%	0.1%
Office Expense	14,200	19,400	3,357	(5,200)	(26.8)%	0.1%
Software/Software Licensing & Support	87,000	92,800	87,000	(5,800)	(6.3)%	0.6%
Training/Seminars/Conferences	6,000	6,000	2,000	-	0.0%	0.0%
Travel	56,000	26,000	-	30,000	115.4%	0.4%
Non-Capital - Furniture & Equipment	5,000	5,000	5,000	-	0.0%	0.0%
<b>Total Operational Services and Supplies</b>	<b>345,300</b>	<b>303,300</b>	<b>236,457</b>	<b>42,000</b>	<b>13.8%</b>	<b>2.2%</b>
<b>Capital Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.0%</b>	<b>0.0%</b>
<b>Total Investment Appropriations</b>	<b>\$ 6,063,200</b>	<b>\$ 5,811,400</b>	<b>\$ 5,871,153</b>	<b>\$ 251,800</b>	<b>4.3%</b>	<b>38.4%</b>

## Cost Category Analysis

### Personnel Costs

Personnel Costs includes salary and benefits for SBCERA investment department employees. Overall, appropriations in this category are projected to increase by approximately \$55,800 or 2.4% from the prior year, which represents 14.8% of the total appropriated non-administration expenditures. The increase here covers savings realized from underfilling the Senior Investment Officer Position, merit increases, and an estimated 3.5% COLA.

### Professional Services

Professional Services includes outside attorney fees related to investment issues, consulting services, custodian fees, Solovis reporting fees, and miscellaneous professional services. Overall, appropriations in this category are projected to increase by \$154,000, or 4.8% over the prior budget. This increase primarily incorporates increased expenses for the Solovis reporting platform from State Street. The solution lends to the transparency and reporting integrity of performance reporting.

### Operational Services and Supplies

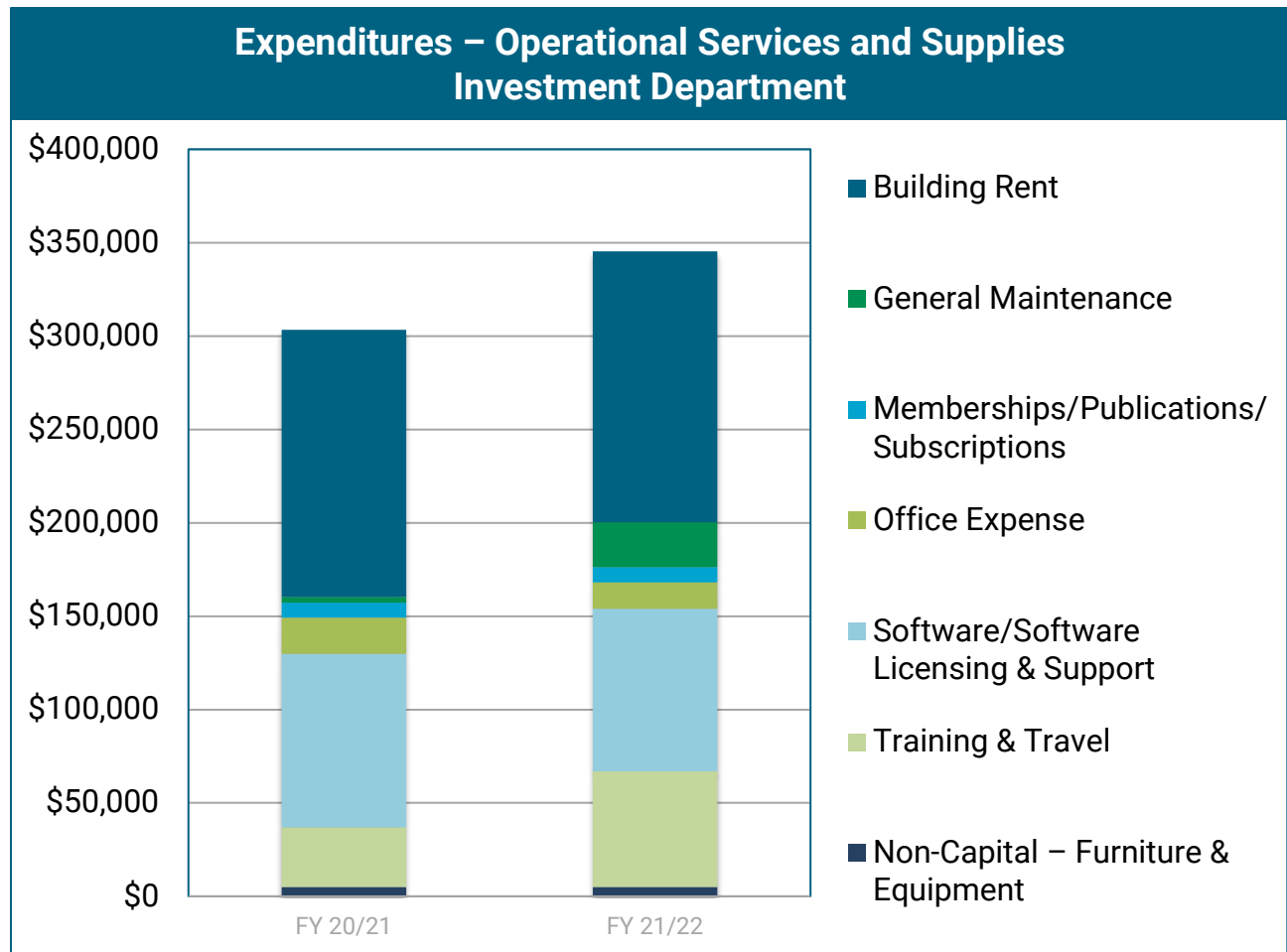
Operational Services and Supplies includes, but is not limited to, staff professional memberships and subscriptions, office expense, rent, software, staff training and travel, and trustee due diligence travel. Overall, appropriations in this category are projected to increase by approximately \$42,000 or 13.8% from the prior year, this category represents 2.1% of the total appropriated non-administrative expenditures.

General Maintenance: Appropriations in this line item have increased \$21,000 over the prior year to include painting the suite.

Travel: Costs in this line item are increasing by \$30,000 primarily due to expected international travel needs for due diligence compliance.

Non-Capital – Furniture & Equipment: Within Operational Services and Supplies, Non-Capital – Furniture & Equipment includes \$5,000 as a contingency to replace furniture or office equipment as needed or provide stand-up desk options as required.





### Capital Expenditures

No capital expenditures for the investment department are requested.

## 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.

Annual Budget Summary Non-Administrative Budget Technology Appropriations 2021-2022 Annual Budget						
	FY 21/22	FY 20/21	FY 20/21	Increase/ (Decrease)	Change	Share
	Proposed Budget	Approved Budget	Estimated Actual	over FY 20/21 Budget	over FY 20/21 Budget	of Non- Admin Budget
<b>Technology Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	1,504,700	1,205,000	1,081,700	299,700	24.9%	9.5%
<b>Total Personnel Costs</b>	<b>1,504,700</b>	<b>1,205,000</b>	<b>1,081,700</b>	<b>299,700</b>	<b>24.9%</b>	<b>9.5%</b>
<b>Professional Services</b>						
Consulting Services	315,000	1,423,173	150,000	(1,108,173)	(77.9)%	2.0%
<b>Total Professional Services</b>	<b>315,000</b>	<b>1,423,173</b>	<b>150,000</b>	<b>(1,108,173)</b>	<b>(77.9)%</b>	<b>2.0%</b>
<b>Operational Services and Supplies</b>						
Data Processing & Equipment	200,000	209,800	290,500	(9,800)	(4.7)%	1.3%
General Maintenance	11,000	-	-	11,000	0.0%	0.1%
Software/Software Licensing & Support	1,428,000	1,377,300	1,166,900	50,700	3.7%	9.0%
Training/Seminars/Conferences	71,000	-	-	71,000	0.0%	0.4%
Non-Capital - IT Hardware & Software	126,000	147,500	481,806	(21,500)	(14.6)%	0.8%
<b>Total Operational Services and Supplies</b>	<b>1,836,000</b>	<b>1,734,600</b>	<b>1,939,206</b>	<b>101,400</b>	<b>5.8%</b>	<b>11.6%</b>
<b>Capital Expenditures</b>	<b>3,733,200</b>	<b>585,000</b>	<b>313,000</b>	<b>3,148,200</b>	<b>538.2%</b>	<b>23.6%</b>
<b>Total Technology Appropriations</b>	<b>\$ 7,388,900</b>	<b>\$ 4,947,773</b>	<b>\$ 3,483,906</b>	<b>\$ 2,441,127</b>	<b>49.3%</b>	<b>46.8%</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. An allocation is made to the Administrative Budget for administrative services.

This category has increased \$299,700 or 24.9% over the prior budget and encompasses merit increases, an estimated COLA of 3.5%, and the additional positions as presented on pages 23 and 24.

### 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 \$1,108,173 or 77.9% over the prior year and represent 2% of the total appropriated expenditures. The project to support the Pension Administration System (PAS) refresh project, which is a Strategic Priority, and already under contract with Linea Solutions was budgeted here in the prior year. The project continues into FY 21/22 and is included in Capital Expenditures for the Technology Appropriations. Further information on this is discussed on page 12, *Initiatives to Support Strategic Priorities*.

### Operational Services and Supplies

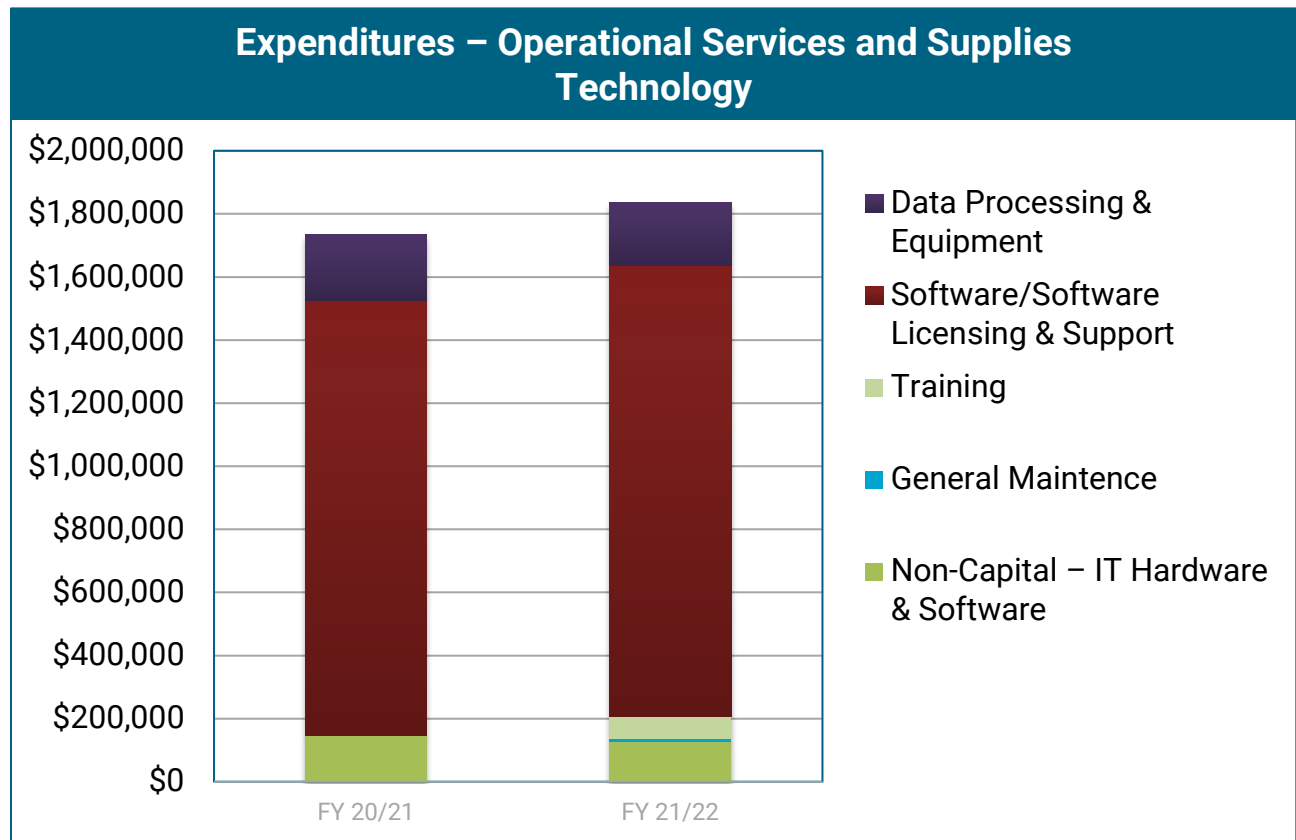
Operational Services and Supplies costs include, but are not limited to, data processing & equipment, non-capital – IT hardware & software, and licensing & support for software. Appropriations in this category are projected to increase by approximately \$101,400 or 5.8% from the prior year and represents 11.6% of the total appropriated expenditures.

General Maintenance: Costs in this line item (\$11,000) are to repaint the Information Systems suite.

Software/Software Licensing & Support: Costs in this line item have increased \$50,700 or 3.7% over the prior year. The increases are primarily attributed to moving toward cloud-based solutions.

Non-Capital – IT Hardware & Software: Within Operational Services and Supplies, Non-Capital – IT Hardware & Software includes the following projects:

<b>Technology Appropriations - Non-Capital</b>	
Desktops, tablets, notebooks, e-voting equipment	50,000
Mobile workforce equipment	10,000
Monitors, keyboards, misc hardware	15,000
Trustee equipment	25,000
Scanning station replacements	10,000
Wireless production network access points	16,000
<b>Total Non-Capital - IT Hardware &amp; Software</b>	<b>\$ 126,000</b>



### Capital Expenditures

Capital Expenditures are projected to increase significantly to account for the Pension Administration System Initiative. For further information, see page 12, *Initiatives to Support Strategic Priorities*. For a complete list of capital expenditures, see *Appendix 1 – Capital Expenditure Summary*, on page 39.

## PAYMENTS NOT INCLUDED IN ANNUAL 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> (Amounts in Thousands)					
<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20</b>	<b>FY 20/21 (Estimated)</b>	<b>FY 21/22 (Projected)</b>
\$ 497,904	\$ 539,297	\$ 578,508	\$ 606,643	\$ 654,318	\$ 705,740

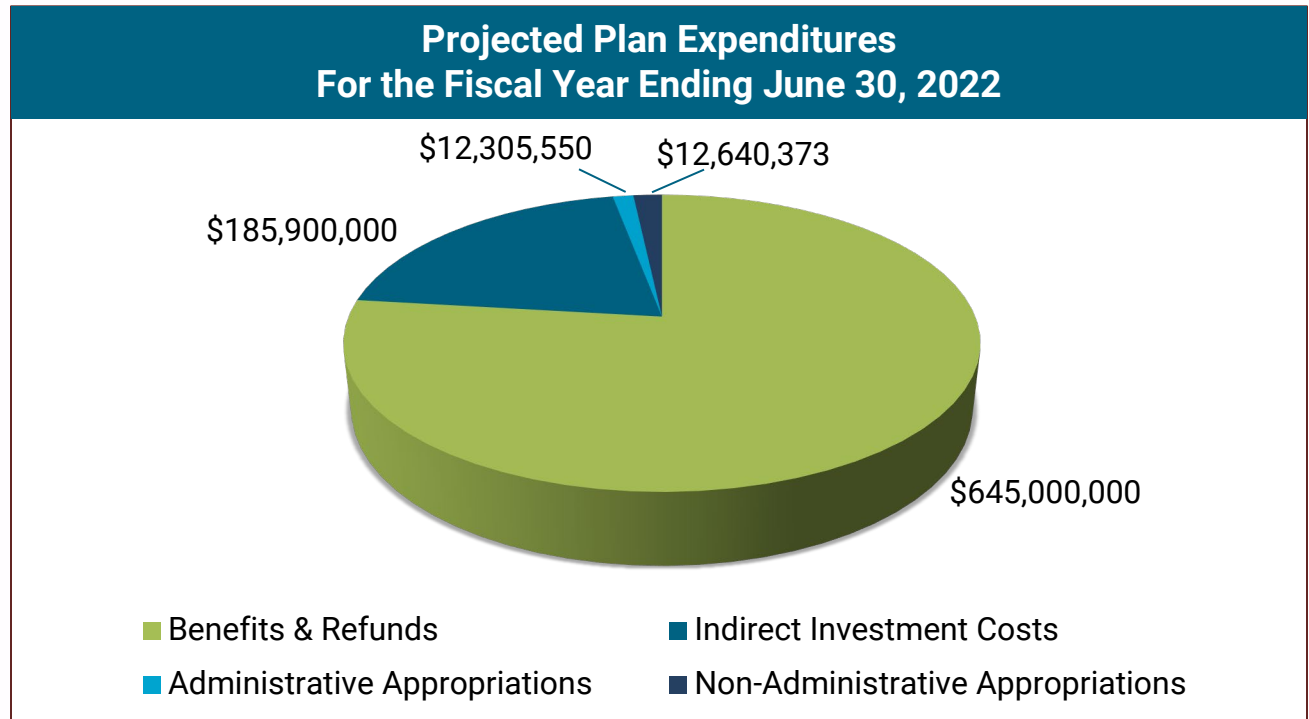
### Indirect Investment Costs

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> (Amounts in Thousands)					
	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20</b>	<b>FY 20/21 (Estimated)</b>	<b>FY 21/22 (Projected)</b>
Management Fees	\$ 100,249	\$ 89,800	\$ 85,329	\$ 98,000	\$ 108,000
Other Investment Expenses	57,132	63,148	50,925	70,000	77,000
Securities Lending Fees	1,131	2,453	1,592	86	95

(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, 2022:



## APPENDIX

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

- 1) Appendix 1 – Capital Expenditures Summary
- 2) Appendix 2 – Staff Position Summary

### Appendix 1 – Capital Expenditures Summary

<b>Capital Expenditure Summary</b> 2021-2022 Annual Budget	
<b>Administrative Budget:</b>	
SBCERA Suites Health & Safety Enhancements	\$ 200,000
Boardroom Furniture	90,000
Everbridge Disruptive Event Implementation	50,000
<b>Total Additions for Administrative Budget</b>	<b>\$ 340,000</b>
<b>Non-Administrative Budget:</b>	
<b>Legal Appropriations:</b>	
Contract Management Software	\$ 35,000
<b>Total Additions for Technology Appropriations</b>	<b>\$ 35,000</b>
<b>Technology Appropriations:</b>	
Pension Administration Software Project: LRS	\$ 2,280,000
Pension Administration Software Project: Phase I	47,000
Pension Administration Software Project: Phase II	1,251,200
Additional Security Configurations	80,000
DocuSign Implementation - Pilot	75,000
<b>Total Additions for Technology Appropriations</b>	<b>\$ 3,733,200</b>
<b>Total Additions for Non-Administrative Budget</b>	<b>\$ 3,768,200</b>
<b>Total Additions for Capital Expenditures<sup>1</sup></b>	<b>\$ 4,108,200</b>
(1) The additions for capital expenditures approved for the year ending June 30, 2022 will be capitalized and expensed over their estimated useful life.	

## Appendix 2 – Staff Position Summary

<b>Staff Position Summary</b> <b>2021-2022 Annual Budget</b>	
<b>SBCERA Staff - Full-Time Equivalent (FTE)</b>	<b>FTE</b>
<b>June 30, 2021 Administrative Positions</b>	<b>51</b>
Positions Removed from Organizational Chart	0
Additional Positions on Organizational Chart	3
<b>June 30, 2022 Administrative Positions Budgeted</b>	<b>54</b>
<b>June 30, 2021 Legal Positions</b>	<b>7</b>
Positions Removed from Organizational Chart	0
Additional Positions on Organizational Chart	0
<b>June 30, 2022 Legal Positions Budgeted</b>	<b>7</b>
<b>June 30, 2021 Investment Positions</b>	<b>8</b>
Positions Removed from Organizational Chart	0
Additional Positions on Organizational Chart	0
<b>June 30, 2022 Investment Positions Budgeted</b>	<b>8</b>
<b>June 30, 2021 Technology Positions</b>	<b>11</b>
Positions Removed from Organizational Chart	(1)
Additional Positions on Organizational Chart	1
<b>June 30, 2022 Investment Positions Budgeted</b>	<b>11</b>
<b>Total SBCERA Staff Positions for June 30, 2022</b>	<b>80</b>