



San Bernardino County Employees'  
Retirement Association

# 2020 - 2021 ANNUAL BUDGET

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For the Fiscal Year Ending June 30, 2021

**Draft: June 4, 2020**

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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Plan members and their beneficiaries who are employed by 17 active Plan sponsors (participating employers), and 4 withdrawn employers which include:

#### Participating Employers

Barstow Fire Protection District  
 Big Bear Fire Authority  
 California Electronic Recording Transaction Network 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#### Withdrawn Employers

Inland Library System (withdrawal date pending ILS Board action)  
 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

Janice Rutherford (Appointed by Board of Supervisors)

#### Board Vice Chair

Neal Waner (Appointed by Board of Supervisors)

#### Members Appointed by Board of Supervisors

Michael Kennedy

Jean-Rene Basle

#### Members Elected by SBCERA Members

Marc Bracco (Elected by Safety 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, 2020)



## 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

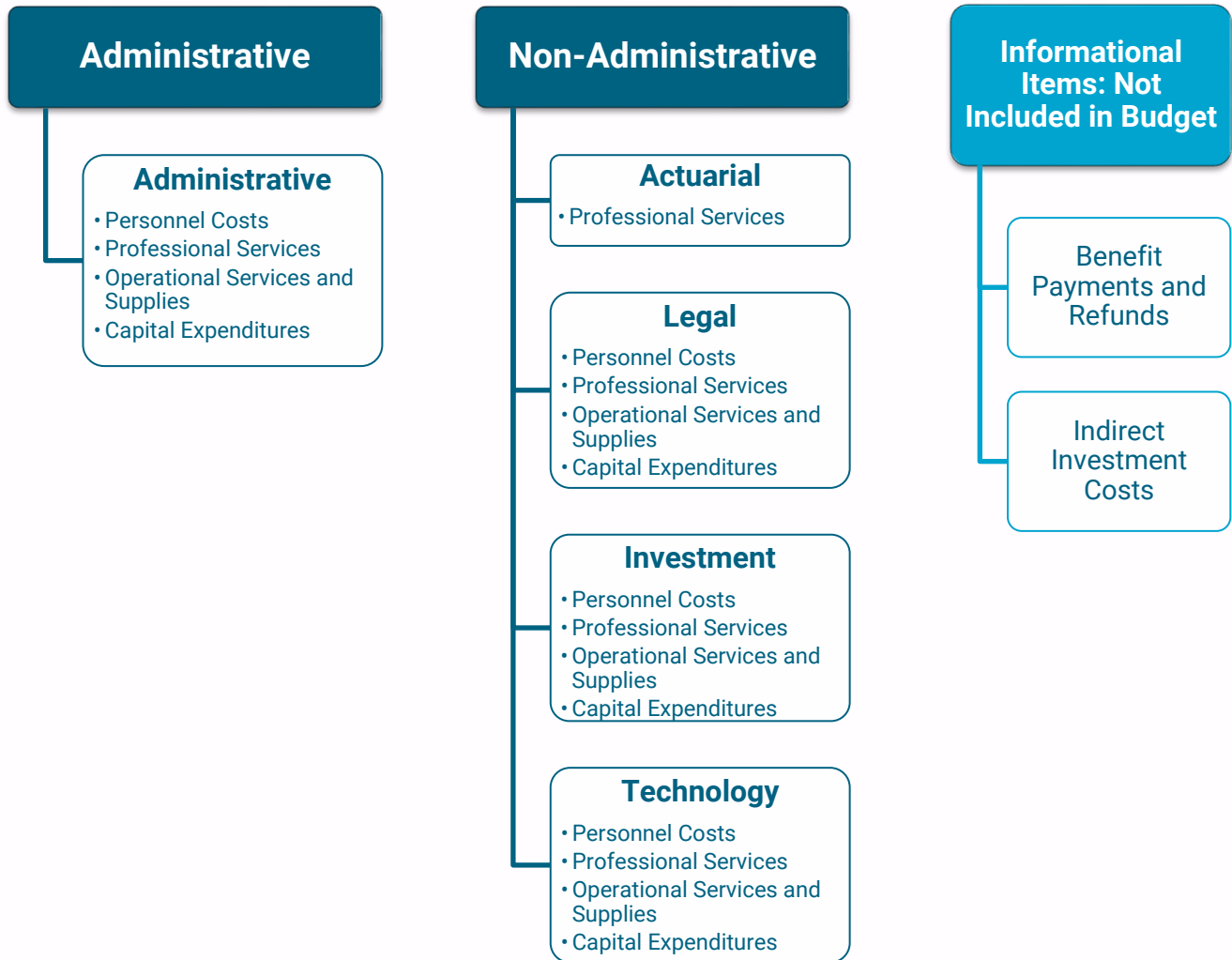
SBCERA is required by California Government Code (GC) section 31580.2, of the CERL, to prepare and approve an annual administrative expenditure budget covering the entire administrative expense of the Plan (also referred to as "appropriations"). The expense incurred in any year may not exceed twenty-one 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, 2020 to June 30, 2021 (the fiscal year ending June 30, 2020), 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 expenditures 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 outline 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 38 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 on a monthly basis. 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
Internet Services <sup>1</sup>	Increase bandwidth for Office 365 and SharePoint implementations, business continuity and remote access. This project is integral to future self-service initiatives.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology Implement industry-leading technology Website redesign Standardized data transfer platform Cost-effectiveness and controls of services provided by third party	\$	130,000
Tenant Improvements <sup>1</sup>	Create collaborative workspace on 3rd floor; create reception area on 1st floor; expand breakroom on 1st floor.	Operational Excellence & Efficiency Superior Service Experience Quality Employer and Workspace	Process re-engineering and work assignment realignments Modernize and streamline technology Space utilization/expansion	\$	879,000
Email Collaboration/ Office 365 <sup>1</sup>	Utilizing the increased bandwidth - implement Office 365 for increased email collaboration and document sharing, which will support business continuity, disaster preparedness, and remote access.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology Implement industry-leading technology Cost-effectiveness and controls of services provided by third party	\$	57,500
Phone System Upgrade <sup>1</sup>	Create new call system to enable immediate service and better call routing, store conversations, and remote phone operation. This project also allows for business continuity and disaster preparedness.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology Implement industry-leading technology	\$	200,000
Azure Cloud Services for SharePoint <sup>1</sup>	This solution allows SBCERA to utilize SharePoint (or similar technology) and allows for business continuity and remote work.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology Implement industry-leading technology Cost-effectiveness and controls of services provided by third party	\$	202,000
Pension Administration System Project - Phase I <sup>1</sup>	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	\$	212,000
Building Security Enhancements <sup>1</sup>	Complete the recommended enhancements from 2018 study - external cameras connected to SBCERA system, additional interior cameras, and transition the doors to SBCERA system.	Operational Excellence & Efficiency Quality Employer and Workspace	Space utilization/expansion Modernize and streamline technologies	\$	31,000
Board Room AV Modifications <sup>1</sup>	Audio/visual updates to the board room, including microphones for modular recording of the meetings that will interface with Granicus.	Operational Excellence & Efficiency Superior Service Experience Prudent Fiscal Management	Modernize and streamline technologies Implement industry-leading technologies Improve reporting transparency	\$	23,000
Enterprise Content Management	Organization-wide document solution; will support business continuity and remote work.	Operational Excellence & Efficiency Superior Service Experience Effective Communications	Modernize and streamline technology Implement industry-leading technology	\$	75,000
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	\$	1,017,000

(1) These items are carry over items, initially scheduled to be implemented during the 2019-2020 Annual Budget. The projects that are being noted as carried over have been previously approved by the Board and are under contract. In addition, the Pension Administration Project - Phase II includes consulting fees that have been previously approved by the Board in the contract with Linea Solutions. Only the portions that are not yet expected to be expended until FY 20/21 are included in this table.

# ANNUAL BUDGET SUMMARY

## Annual Budget Summary | By Expenditure Budget

The entire 2020-2021 annual budget is presented below in summary, by expenditure budget – Administrative and Non-Administrative:

Annual Budget Summary By Expenditure Budget 2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease) over FY	Change over FY	Share of
	Proposed Budget	Approved Budget	Estimated Actual	19/20 Budget	19/20 Budget	Budget
<b>Administrative Budget</b>						
Personnel Costs	\$ 7,975,000	\$ 7,909,700	\$ 6,571,000	\$ 65,300	0.8%	32.0%
Professional Services	1,439,550	1,395,000	1,368,402	44,550	3.2%	5.8%
Operational Services and Supplies	1,774,000	1,628,400	1,387,217	145,600	8.9%	7.1%
Capital Expenditures	1,117,000	1,443,800	518,815	(326,800)	(22.6)%	4.5%
<b>Total Administrative Budget</b>	<b>12,305,550</b>	<b>12,376,900</b>	<b>9,845,434</b>	<b>(71,350)</b>	<b>(0.6)%</b>	<b>49.3%</b>
<b>Non-Administrative Budget</b>						
<b>Actuarial Appropriations</b>						
Professional Services	195,000	230,000	195,000	(35,000)	(15.2)%	0.8%
<b>Total Actuarial Appropriations</b>	<b>195,000</b>	<b>230,000</b>	<b>195,000</b>	<b>(35,000)</b>	<b>(15.2)%</b>	<b>0.8%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,355,000	1,495,250	1,231,000	(140,250)	(9.4)%	5.4%
Professional Services	250,000	250,000	250,000	-	0.0%	1.0%
Operational Services and Supplies	81,200	88,693	54,168	(7,493)	(8.4)%	0.3%
<b>Total Legal Appropriations</b>	<b>1,686,200</b>	<b>1,833,943</b>	<b>1,535,168</b>	<b>(147,743)</b>	<b>(8.1)%</b>	<b>6.8%</b>
<b>Investment Appropriations</b>						
Personnel Costs	2,281,000	2,522,600	2,250,000	(241,600)	(9.6)%	9.1%
Professional Services	3,227,100	3,507,000	3,288,317	(279,900)	(8.0)%	12.9%
Operational Services and Supplies	303,300	340,400	277,341	(37,100)	(10.9)%	1.2%
Capital Expenditures	-	-	-	-	0.0%	0.0%
<b>Total Investment Appropriations</b>	<b>5,811,400</b>	<b>6,370,000</b>	<b>5,815,658</b>	<b>(558,600)</b>	<b>(8.8)%</b>	<b>23.3%</b>
<b>Technology Appropriations</b>						
Personnel Costs	1,205,000	1,218,449	1,166,000	(13,449)	(1.1)%	4.8%
Professional Services	1,423,173	515,000	116,000	908,173	176.3%	5.7%
Operational Services and Supplies	1,734,600	1,939,206	1,667,284	(204,606)	(10.6)%	7.0%
Capital Expenditures	585,000	780,000	245,034	(195,000)	(25.0)%	2.3%
<b>Total Technology Appropriations</b>	<b>4,947,773</b>	<b>4,452,655</b>	<b>3,194,318</b>	<b>495,118</b>	<b>11.1%</b>	<b>19.8%</b>
<b>Total Non-Administrative Budget</b>	<b>12,640,373</b>	<b>12,886,598</b>	<b>10,740,144</b>	<b>(246,225)</b>	<b>(1.9)%</b>	<b>50.7%</b>
<b>Total Budget</b>	<b>\$ 24,945,923</b>	<b>\$ 25,263,498</b>	<b>\$ 20,585,579</b>	<b>\$ (317,575)</b>	<b>(1.3)%</b>	<b>100.0%</b>

## Annual Budget Summary | By Category

The entire 2020-2021 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 2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease) over FY 19/20	Change over FY 19/20	Share of Budget
	Proposed Budget	Approved Budget	Estimated Actual	19/20 Budget	19/20 Budget	Budget
<b>Personnel Costs</b>						
Administrative	\$ 7,975,000	\$ 7,909,700	\$ 6,571,000	\$ 65,300	0.8%	32.0%
Actuarial	-	-	-	-	0.0%	0.0%
Legal	1,355,000	1,495,250	1,231,000	(140,250)	(9.4)%	5.4%
Investment	2,281,000	2,522,600	2,250,000	(241,600)	(9.6)%	9.1%
Technology	1,205,000	1,218,449	1,166,000	(13,449)	(1.1)%	4.8%
<b>Total Personnel Costs</b>	<b>12,816,000</b>	<b>13,145,999</b>	<b>11,218,000</b>	<b>(329,999)</b>	<b>(2.5)%</b>	<b>51.4%</b>
<b>Professional Services</b>						
Administrative	1,439,550	1,395,000	1,368,402	44,550	3.2%	5.8%
Actuarial	195,000	230,000	195,000	(35,000)	(15.2)%	0.8%
Legal	250,000	250,000	250,000	-	0.0%	1.0%
Investment	3,227,100	3,507,000	3,288,317	(279,900)	(8.0)%	12.9%
Technology	1,423,173	515,000	116,000	908,173	176.3%	5.7%
<b>Total Professional Services</b>	<b>6,534,823</b>	<b>5,897,000</b>	<b>5,217,719</b>	<b>637,823</b>	<b>10.8%</b>	<b>26.2%</b>
<b>Operational Services and Supplies</b>						
Administrative	1,774,000	1,628,400	1,387,217	145,600	8.9%	7.1%
Actuarial	-	-	-	-	0.0%	0.0%
Legal	81,200	88,693	54,168	(7,493)	(8.4)%	0.3%
Investment	303,300	340,400	277,341	(37,100)	(10.9)%	1.2%
Technology	1,734,600	1,939,206	1,667,284	(204,606)	(10.6)%	7.0%
<b>Total Operational Services and Supplies</b>	<b>3,893,100</b>	<b>3,996,699</b>	<b>3,386,010</b>	<b>(103,599)</b>	<b>(2.6)%</b>	<b>15.6%</b>
<b>Capital Expenditures</b>						
Administrative	1,117,000	1,443,800	518,815	(326,800)	(22.6)%	4.5%
Actuarial	-	-	-	-	0.0%	0.0%
Legal	-	-	-	-	0.0%	0.0%
Investment	-	-	-	-	0.0%	0.0%
Technology	585,000	780,000	245,034	(195,000)	(25.0)%	2.3%
<b>Total Capital Expenditures</b>	<b>1,702,000</b>	<b>2,223,800</b>	<b>763,849</b>	<b>(521,800)</b>	<b>(23.5)%</b>	<b>6.8%</b>
<b>Total Budget</b>	<b>\$ 24,945,923</b>	<b>\$ 25,263,498</b>	<b>\$ 20,585,579</b>	<b>\$ (317,575)</b>	<b>(1.3)%</b>	<b>100.0%</b>

## STATUTORY LIMIT

Based on an Actuarial Accrued Liability (AAL) of \$13.30 billion (as of the most recent actuarial valuation dated June 30, 2019), the statutory limit for administrative expenditures is approximately \$27.94 million, representing a \$1.47 million increase over the prior year's statutory limit of \$26.47 million. The AAL is calculated once a year, by SBCERA's independent actuary. The next actuarial valuation for June 30, 2020, will be presented to the Board in November 2020, 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.

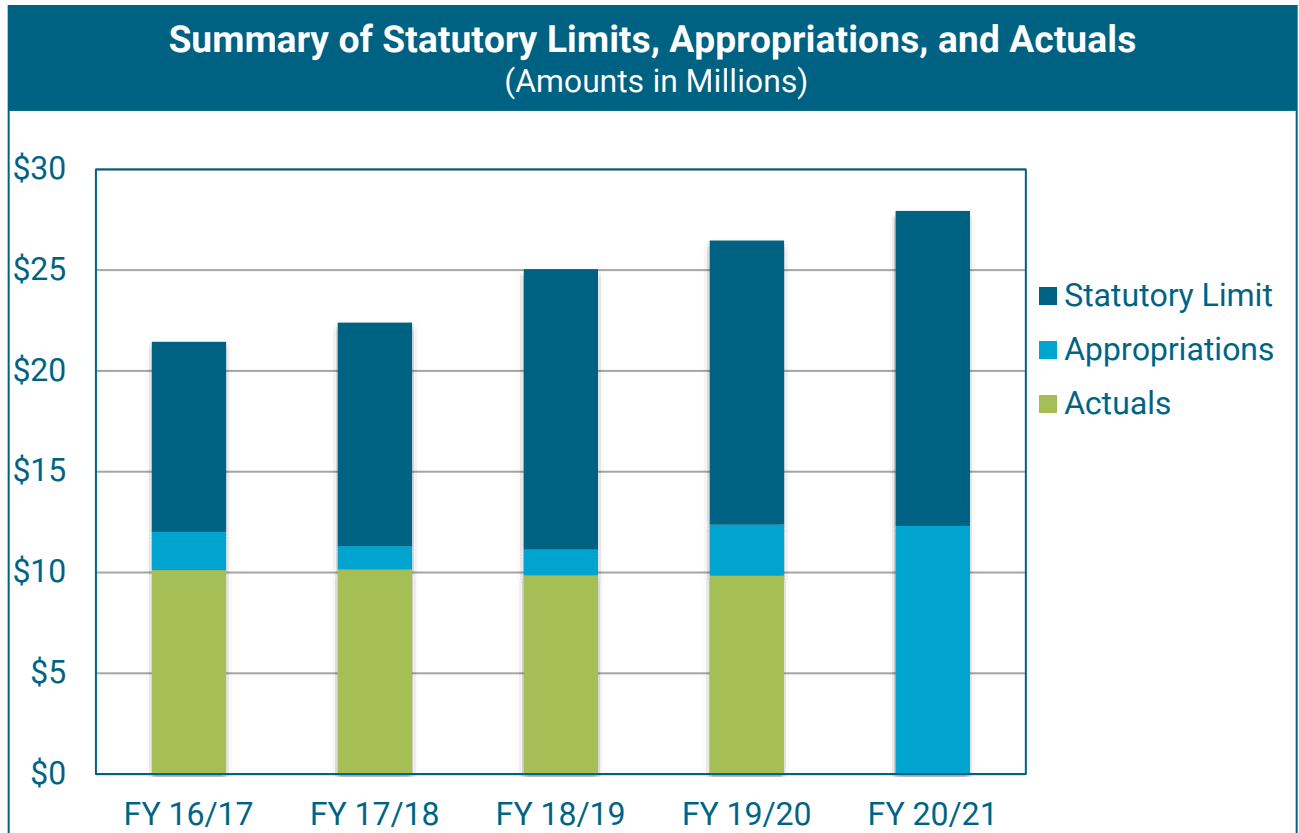
The statutory limit is calculated as follows:

Calculation of Statutory Limit - Administrative Budget			
AAL as of June 30, 2019 <sup>1</sup>	A	\$	13,304,683,218
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>\$</b>	<b>27,939,835</b>
<b>Administrative Budget</b>	<b>D</b>	<b>\$</b>	<b>12,305,550</b>
<b>Budget as % of Statutory Limit</b>	<b>D/C</b>		<b>44%</b>
<b>Budget as Basis points of AAL</b>	<b>D/A</b>		<b>0.0009</b>
<b>Unrestricted Contingency Fund</b>	<b>C-D</b>	<b>\$</b>	<b>15,634,285</b>

(1) See page 37 of the June 30, 2019 Actuarial Valuation and Review.

The proposed administrative expenditure budget appropriations are \$12,305,550, or approximately 44% of the statutory limit. The remaining \$15.6 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 19/20 are estimates):





# ADMINISTRATIVE BUDGET

Administrative Budget Summary 2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease) over FY 19/20 Budget	Change over FY 19/20 Budget	Share of Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Administrative Budget</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 7,959,000	\$ 7,893,700	\$ 6,557,000	\$ 65,300	0.8%	64.7%
Board Stipends	16,000	16,000	14,000	-	0.0%	0.1%
<b>Total Personnel Costs</b>	<b>7,975,000</b>	<b>7,909,700</b>	<b>6,571,000</b>	<b>65,300</b>	<b>0.8%</b>	<b>64.8%</b>
<b>Professional Services</b>						
Audit	65,000	65,000	65,000	-	0.0%	0.5%
Communication Consulting	20,000	60,000	72,000	(40,000)	(66.7)%	0.2%
County Services & COWCAP	45,000	95,000	90,000	(50,000)	(52.6)%	0.4%
Document Imaging	55,000	55,000	55,000	-	0.0%	0.4%
Hearing Officers	60,000	60,000	60,000	-	0.0%	0.5%
Medical Consultants	900,000	900,000	900,000	-	0.0%	7.3%
Miscellaneous	274,050	149,500	115,902	124,550	83.3%	2.2%
Payroll Services	10,000	-	-	10,000	-	0.1%
Transcribing	10,500	10,500	10,500	-	0.0%	0.1%
<b>Total Professional Services</b>	<b>1,439,550</b>	<b>1,395,000</b>	<b>1,368,402</b>	<b>44,550</b>	<b>3.2%</b>	<b>11.7%</b>
<b>Operational Services and Supplies</b>						
Building Rent	605,000	580,000	580,000	25,000	4.3%	4.9%
Claims/Judgments/Court Orders	75,000	75,000	-	-	0.0%	0.6%
Fleet Vehicle	2,500	6,500	2,500	(4,000)	(61.5)%	0.0%
General Maintenance - Furniture/Equipment	14,500	14,500	6,000	-	0.0%	0.1%
Insurance	202,000	135,000	135,000	67,000	49.6%	1.6%
Memberships/Publications/Subscriptions	41,900	33,500	37,442	8,400	25.1%	0.3%
Office Expense	157,400	164,400	139,475	(7,000)	(4.3)%	1.3%
Postage & Handling	160,000	160,000	160,000	-	0.0%	1.3%
Printing	70,000	70,000	65,000	-	0.0%	0.6%
Rented Equipment	110,000	99,400	99,400	10,600	10.7%	0.9%
Staff Career Development Fund	15,000	15,000	6,200	-	0.0%	0.1%
Telephone	67,200	58,200	58,200	9,000	15.5%	0.5%
Training/Seminars/Conferences	125,000	88,400	38,000	36,600	41.4%	1.0%
Travel - Air, Lodging, Meals, Misc	100,000	100,000	60,000	-	0.0%	0.8%
Non-Capital - Furniture & Equipment	28,500	28,500	-	-	0.0%	0.2%
<b>Total Operational Services and Supplies</b>	<b>1,774,000</b>	<b>1,628,400</b>	<b>1,387,217</b>	<b>145,600</b>	<b>8.9%</b>	<b>14.4%</b>
<b>Capital Expenditures</b>	<b>1,117,000</b>	<b>1,443,800</b>	<b>518,815</b>	<b>(326,800)</b>	<b>(22.6)%</b>	<b>9.1%</b>
<b>Total Administrative Budget</b>	<b>\$12,305,550</b>	<b>\$12,376,900</b>	<b>\$9,845,434</b>	<b>\$ (71,350)</b>	<b>(0.6)%</b>	<b>100.0%</b>

The proposed appropriations of \$12,305,550 represent a decrease from the prior year appropriated expenditures of \$12,376,900. The difference in proposed appropriations represents a decrease of approximately \$71,350 or 0.6% 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 \$65,300 or 0.8% over the prior year, and represent 64.8% of the total appropriated administrative expenditures. Personnel costs include all positions in the Information Services department; however, an allocation of those services provided by the Information Services staff for technical support has been moved to the Non-Administrative budget to better align them with the products and services that the staff are supporting.

SBCERA personnel are budgeted as follows:

<b>Summary of Personnel - Administrative Budget</b>				
<b>Department<sup>1</sup></b>	<b>Budgeted June 30, 2019</b>	<b>Budgeted June 30, 2020</b>	<b>Budgeted June 30, 2021</b>	<b>Net Change in Budgeted Positions</b>
Administration	4	5	5	0
Disability Unit	6	7	7	0
Fiscal Services	21	19	18	(1)
Information Services <sup>2</sup>	9	11	11	0
Member Services	17	19	19	0
<b>Total Budgeted</b>	<b>57</b>	<b>61</b>	<b>60</b>	<b>(1)</b>
<b>Total Unbudgeted<sup>3</sup></b>	<b>6</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Positions</b>	<b>63</b>	<b>61</b>	<b>60</b>	<b>(1)</b>

(1) Includes all SBCERA staff except for the legal and investment departments.  
 (2) Information Services employees allocated to Technology budget as noted above.  
 (3) Positions on the Organization Chart as Approved/Not Budgeted.

There are 60 Administrative Staff positions for the FY 20/21 Administrative Budget, all of which are being funded as part of this Administrative Budget. This is a one position decrease over the prior year budget: an Accounting Technician position in the Fiscal Services unit was eliminated due to an internal promotion and is no longer needed to be backfilled.

**Professional Services**

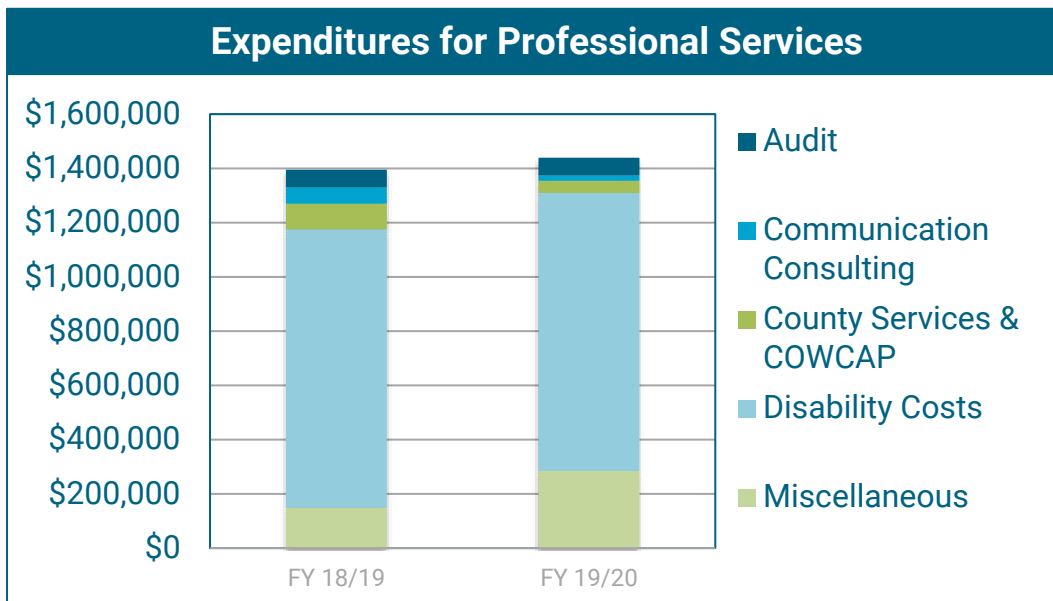
These costs include professional services provided by outside contractors/vendors including, but not limited to, medical consulting, communications consulting, and audit services. Overall, appropriations in this category are projected to increase by approximately \$44,550 or 3.2% over the prior year, and represent 11.7% of the total appropriated expenditures.

Communication Consulting: Communication Consulting represented a monthly retainer that was paid for graphic design projects. In FY 19/20, an initiative was launched to rebrand SBCERA, this was done with a new graphic design vendor. The new vendor charges by product and does not charge a monthly retainer. The project was completed in FY 19/20, current year expenditures include routine items, resulting in a decrease of \$40,000.

County Services & COWCAP: SBCERA has contracted with the County for services including payroll. In FY 20/21, SBCERA will transition to a separate third-party payroll vendor. This transition is expected to yield estimated savings of \$50,000 in the current year. Services contracted from the County are expected to be de minimis after this fiscal year.

Miscellaneous: Increases include \$50,000 for leadership training. As part of the Strategic Plan, SBCERA strives to become an employer of choice. This training will include training on leadership concepts and application for supervisors and above, and will include focused coaching or training for individuals who would thrive with individualized coaching. In addition, staff has budgeted \$45,000 for "Agreed Upon Procedures" accounting work. The Agreed Upon Procedures will allow SBCERA to move forward with the Internal Audit Plan, but in a different way using external resources on a contract basis. This appropriation will allow for three areas of the organization to be evaluated and audited by independent external auditors. The areas will be selected in consultation with the Audit Committee.

Payroll Services: Staff has included \$10,000 for Payroll Services, expected to be brought in-house.



## *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 increase by approximately \$145,600 or 8.9% over the prior year, and represent 14.4% of the total appropriated expenditures.

Building Rent: Rent expense will increase 4.3% (\$25,000) according to our Lease Agreement with the property manager. The increase includes the standard rent increase, as well as the addition of Suite 100.

Fleet Vehicle: Formerly titled County Garage, this category captures the cost to SBCERA to maintain a vehicle for employee use. The actual use of the vehicle has decreased significantly, and the budgeted decrease of \$4,000 reflects this decrease.

Insurance: Insurance expense is expected to increase by \$67,000 or 49.6% due to rising insurance costs and expanded coverage. A proposal was unanimously recommended for Board approval at the May 21, 2020 Administrative Committee meeting. Expanded coverage will include greater cyber and property coverages, and conversion to expanded worker's compensation coverage independent from the County. Worker's compensation coverage is included in Personnel Costs.

Memberships: Management has identified an additional membership in Cal Chamber that will support the Pillars of the Strategic Plan, particularly in the area of Human Resources and training resources. The cost of this membership and slight increases due to adding staff at higher levels results in an increase of \$8,400 or 25.1%.

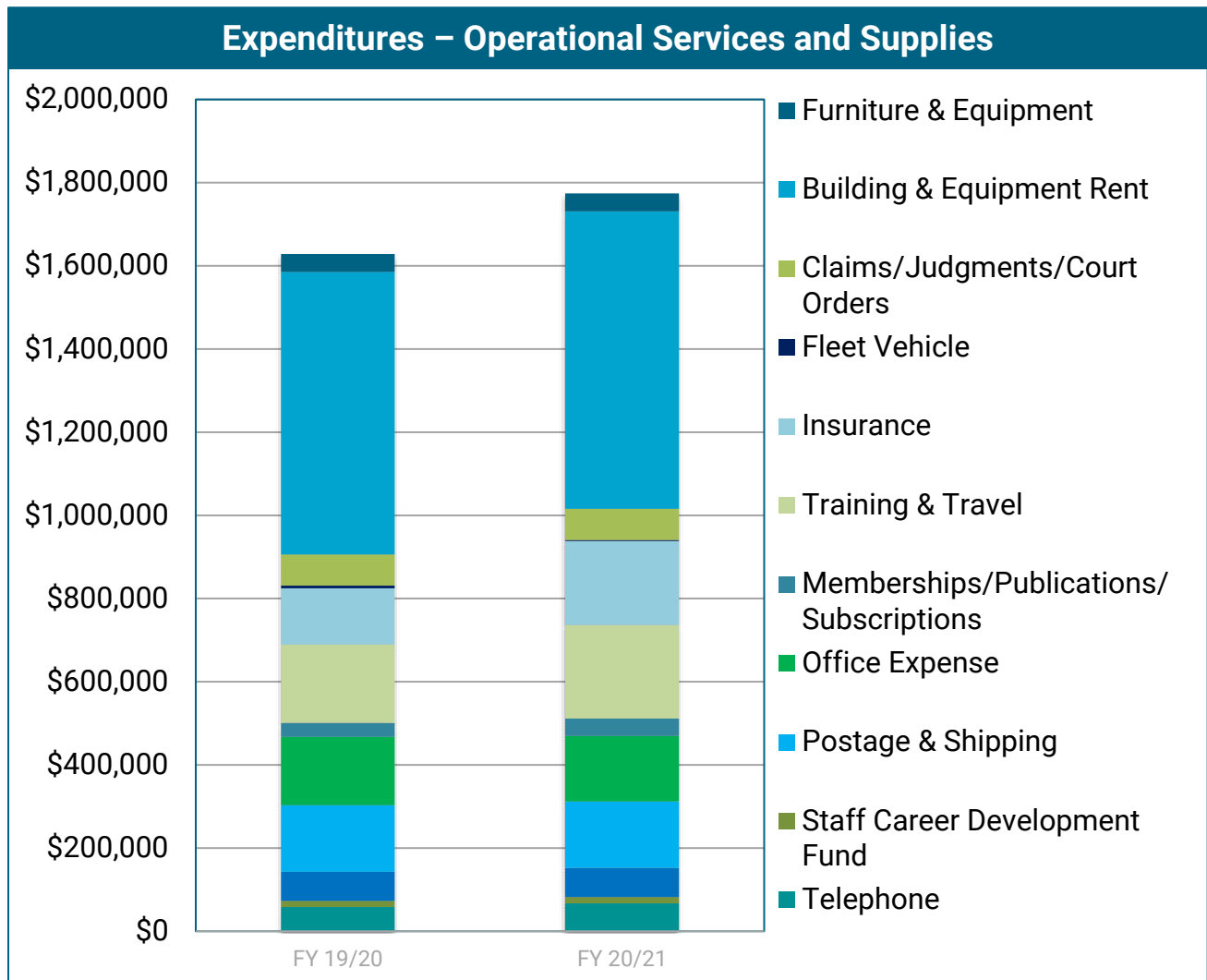
Office Expense: Office Expense has decreased by \$7,000 or 4.3% from the prior budget. This decrease is primarily a result of increased costs of office supplies and the extended office closure due to COVID-19.

Rented Equipment: Rented equipment includes the copiers, group printers, and mailing equipment. Updated machines and increased usage contribute to an increase of \$10,600, or 10.7%.

Telephone: An increase of \$9,000 or 15.5% is mainly attributable to rising costs of VoIP services as we transition to a hosted solution for business continuity and disaster preparedness.

Training/Seminars/Conferences: Costs in this line item increased \$36,600 or 41.4% over the prior year. The increase is the result of focused Human Resource training, under the direction of the new 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 after the Internet Project is complete.



### Capital Expenditures

Capital Expenditures will decrease by \$326,800 from the prior year budget. There are two new Initiatives to Support the Strategic Priorities that are included in Capital Expenditures, they are COVID-related security enhancements (\$167,000) and Disruptive Event Implementation (\$40,000). The remaining appropriations are for carryover initiatives, as outlined on page 12. For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 38.

## NON-ADMINISTRATIVE BUDGET

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

Non-Administrative Budget Summary 2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease)	Change	Share of
	Proposed Budget	Approved Budget	Estimated Actual	over FY 19/20 Budget	over FY 19/20 Budget	Non- Admin Budget
<b>Non-Administrative Budget</b>						
<b>Actuarial Appropriations</b>						
Professional Services	\$ 195,000	\$ 230,000	\$ 195,000	\$ (35,000)	(15.2)%	1.5%
<b>Total Actuarial Appropriations</b>	<b>195,000</b>	<b>230,000</b>	<b>195,000</b>	<b>(35,000)</b>	<b>(15.2)%</b>	<b>1.5%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,355,000	1,495,250	1,231,000	(140,250)	(9.4)%	10.7%
Professional Services	250,000	250,000	250,000	-	0.0%	2.0%
Operational Services and Supplies	81,200	88,693	54,168	(7,493)	(8.4)%	0.6%
<b>Total Legal Appropriations</b>	<b>1,686,200</b>	<b>1,833,943</b>	<b>1,535,168</b>	<b>(147,743)</b>	<b>(8.1)%</b>	<b>13.3%</b>
<b>Investment Appropriations</b>						
Personnel Costs	2,281,000	2,522,600	2,250,000	(241,600)	(9.6)%	18.0%
Professional Services	3,227,100	3,507,000	3,288,317	(279,900)	(8.0)%	25.5%
Operational Services and Supplies	303,300	340,400	277,341	(37,100)	(10.9)%	2.4%
Capital Expenditures	-	-	-	-	0.0%	0.0%
<b>Total Investment Appropriations</b>	<b>5,811,400</b>	<b>6,370,000</b>	<b>5,815,658</b>	<b>(558,600)</b>	<b>(8.8)%</b>	<b>46.0%</b>
<b>Technology Appropriations</b>						
Personnel Costs	1,205,000	1,218,449	1,166,000	(13,449)	(1.1)%	9.5%
Professional Services	1,423,173	515,000	116,000	908,173	176.3%	11.3%
Operational Services and Supplies	1,734,600	1,939,206	1,667,284	(204,606)	(10.6)%	13.7%
Capital Expenditures	585,000	780,000	245,034	(195,000)	(25.0)%	4.6%
<b>Total Technology Appropriations</b>	<b>4,947,773</b>	<b>4,452,655</b>	<b>3,194,318</b>	<b>495,118</b>	<b>11.1%</b>	<b>39.1%</b>
<b>Total Non-Administrative Budget</b>	<b>\$ 12,640,373</b>	<b>\$ 12,886,598</b>	<b>\$ 10,740,144</b>	<b>\$ (246,225)</b>	<b>(1.9)%</b>	<b>100.0%</b>

Overall, the total Non-Administrative Expenditure Budget for the fiscal year ending June 30, 2021 is approximately \$12,640,373, which is a decrease of \$246,225 or 1.9% from the prior year appropriations of \$12.89 million. The differences for all four functional areas (Actuarial, Legal, Investment, and Technology) are discussed on pages 24 through 35. Significant changes from on-

shoring all of the Gold Coast investments is netted in the Investment Expenses that are part of the Plan earnings and are not part of the budget.

## Non-Administrative Personnel Changes

Personnel Costs include salary and benefits for SBCERA employees in the Legal and Investment departments and an allocation of Technology Personnel Costs. Overall, appropriations in this category are projected to decrease by approximately \$395,299, and represent 38.2% of the total appropriated non-administrative expenditures.

SBCERA non-administrative personnel are budgeted as follows:

Department	Summary of Personnel Non-Administrative Budget			Net Change in
	Budgeted June 30, 2019	Budgeted June 30, 2020	Budgeted June 30, 2021	Budgeted Positions
Legal	6	7	6	(1)
Investment	9	8	8	0
Total Budgeted	<b>15</b>	<b>15</b>	<b>14</b>	<b>(1)</b>
Total Unbudgeted <sup>1</sup>	0	0	1	1
Total Positions	<b>15</b>	<b>15</b>	<b>15</b>	<b>0</b>

(1) Positions on the Organization Chart as Approved/Not Budgeted.

Staff Counsel: The Staff Counsel position was approved in 2018, and briefly filled in 2019. Chief Counsel is re-assessing whether and when this position should be filled, and the workload the position would carry. While Chief Counsel continues that assessment, staff proposes to keep the position on the organization chart, but at this time, does not expect the position to be filled and compensated during FY 20/21. Should that position need to be filled sooner, staff will bring a mid-year budget adjustment request.

## NON-ADMINISTRATIVE BUDGET

### Actuarial Appropriations

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

Every three years the actuary prepares an Actuarial Experience Study and Review of Economic Actuarial Assumptions (triennial experience study) to review the assumptions made about all future events that could affect the amount and timing of the benefits to be paid, and the assets to be accumulated including mortality, service, and compensation experience of the members and their beneficiaries, and evaluating the assets and liabilities of the Plan. The next review is scheduled for the fiscal year ending June 30, 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.

Non-Administrative Budget						
Actuarial Appropriations						
2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease) over FY 19/20	Change over FY 19/20	Share of Non- Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual	19/20 Budget	Budget	Budget
<b>Actuarial Appropriations</b>						
<b>Professional Services</b>						
Actuarial Valuation/Experience Study	\$ 105,000	\$ 140,000	\$ 120,000	\$ (35,000)	(25.0)%	0.8%
Actuarial Consulting	90,000	90,000	75,000	-	0.0%	0.7%
Actuarial Audit	-	-	-	-	0.0%	0.0%
<b>Total Professional Services</b>	<b>195,000</b>	<b>230,000</b>	<b>195,000</b>	<b>(35,000)</b>	<b>(15.2)%</b>	<b>1.5%</b>
<b>Total Actuarial Appropriations</b>	<b>\$ 195,000</b>	<b>\$ 230,000</b>	<b>\$ 195,000</b>	<b>\$ (35,000)</b>	<b>(15.2)%</b>	<b>1.5%</b>



## Cost Category Analysis

### *Professional Services*

Overall, the budgeted actuarial appropriation is \$35,000, or 15.2% less than appropriated for the prior fiscal year. Specifically, the line item for Actuarial Valuation/Experience Study has been reduced to reflect the triennial experience study having occurred in FY 19/20.

# NON-ADMINISTRATIVE BUDGET

## 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 \$1,686,200, there is a decrease of \$147,743, or 8.1%, from the prior year appropriations. The overall decrease is explained below in the Cost Category section.

Non-Administrative Budget Legal Appropriations 2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease) over FY 19/20	Change over FY 19/20	Share of Non- Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual	over FY 19/20 Budget	over FY 19/20 Budget	Admin Budget
<b>Legal Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 1,355,000	\$ 1,495,250	\$ 1,240,000	\$ (140,250)	(9.4)%	10.7%
<b>Total Personnel Costs</b>	<b>1,355,000</b>	<b>1,495,250</b>	<b>1,231,000</b>	<b>(140,250)</b>	<b>(9.4)%</b>	<b>10.7%</b>
<b>Professional Services</b>						
Outside Attorney Fees	250,000	250,000	250,000	-	0.0%	2.0%
Miscellaneous	-	-	-	-	0.0%	0.0%
<b>Total Professional Services</b>	<b>250,000</b>	<b>250,000</b>	<b>250,000</b>	<b>-</b>	<b>0.0%</b>	<b>2.0%</b>
<b>Operational Services and Supplies</b>						
General Maintenance - Furniture/Equipment	1,500	1,500	-	-	0.0%	0.0%
Memberships/Publications/Subscriptions	24,000	24,369	23,968	(369)	(1.5)%	0.2%
Office Expense	11,300	18,450	10,800	(7,150)	(38.8)%	0.1%
Software/Software Licensing & Support	3,200	3,200	3,200	-	0.0%	0.0%
Training/Seminars/Conferences	15,600	15,574	8,000	26	-	0.1%
Staff Travel - Air, Lodging, Meals, Misc	20,600	20,600	8,200	-	0.0%	0.2%
Non-Capital - Furniture & Equipment	5,000	5,000	-	-	0.0%	0.0%
<b>Total Operational Services and Supplies</b>	<b>81,200</b>	<b>88,693</b>	<b>54,168</b>	<b>(7,493)</b>	<b>(8.4)%</b>	<b>0.6%</b>
<b>Total Legal Appropriations</b>	<b>\$ 1,686,200</b>	<b>\$ 1,833,943</b>	<b>\$ 1,535,168</b>	<b>\$ (147,743)</b>	<b>(8.1)%</b>	<b>13.3%</b>

## Cost Category Analysis

### Personnel Costs

**Staff Salaries and Benefits:** Overall, appropriations in this category are projected to decrease by approximately \$140,250 or 9.4% from the prior year, and represent 10.7% of the total appropriated non-administrative expenditures. As discussed on page 23, the Staff Counsel position is being held and will not be filled during the FY20/21 fiscal year.

SBCERA legal personnel are budgeted as follows:

<b>Summary of Personnel - Non-Administrative Budget Legal Appropriations</b>				
<b>Department</b>	<b>Budgeted June 30, 2019</b>	<b>Budgeted June 30, 2020</b>	<b>Budgeted June 30, 2021</b>	<b>Net Change in Budgeted Positions</b>
Legal	6	7	6	(1)
<b>Total Budgeted</b>	<b>6</b>	<b>7</b>	<b>6</b>	<b>(1)</b>
<b>Total Unbudgeted<sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1</b>
<b>Total Positions</b>	<b>6</b>	<b>7</b>	<b>7</b>	<b>0</b>

(1) Positions on the Organization Chart as Approved/Not Budgeted.

The overall decrease of \$140,250 in personnel costs is due to net salary and benefit increases pursuant to the SBCERA Employment Resolution, Salary Rate and Step Advancement Plan, in the amount of \$70,000, and a decrease of approximately \$210,000 in position changes.

### **Professional Services**

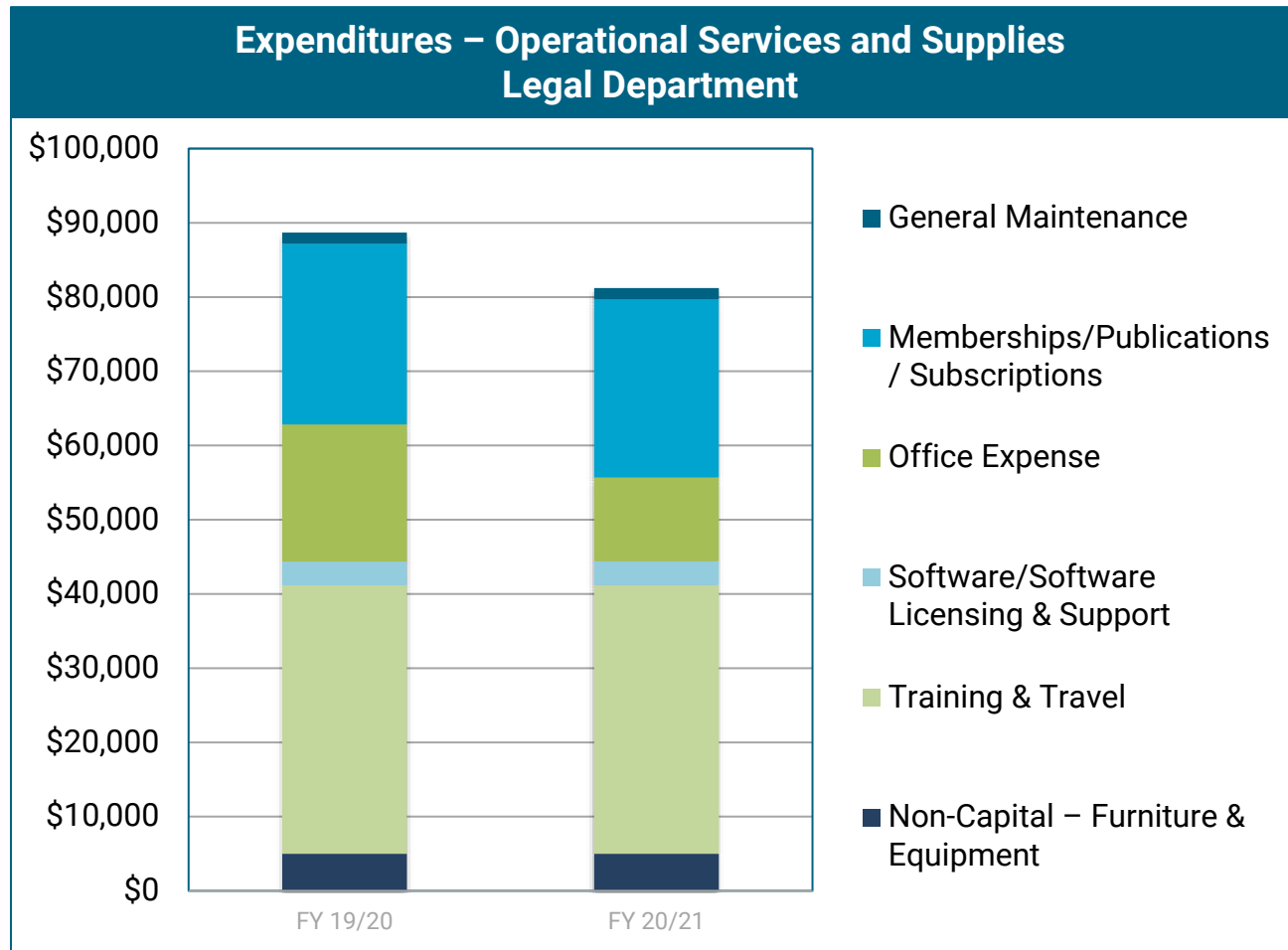
Professional Services includes outside attorney fees for non-investment issues and miscellaneous services. Outside attorneys assist SBCERA with legal matters arising from the Plan, employer, member, and benefit issues including litigation, if needed. Overall, appropriations in this category are projected to remain level over the prior year, and represent 2.0% of the total appropriated expenditures, which aligns these costs for actual expenditures expected, and includes an additional appropriation for counsel to assist given the unbudgeted Staff Counsel position

### **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 decrease by approximately \$7,493 or 8.5% from the prior year, and represents 0.6% of the total appropriated expenditures.

The overall decrease is primarily due to a decrease in the Office Expense line item. This line item decrease is attributed to one fewer budgeted staff position (Staff Counsel) and movement toward digital files.

Within Operational Services and Supplies, Non-Capital – Furniture and Equipment includes \$5,000 as a contingency to replace furniture or office equipment as needed or provide stand-up desk options as required. Recently SBCERA has seen an increase in ergonomic assessments for staff that has resulted in purchasing additional ergonomic furniture. This contingency includes any purchases required for ergonomic needs.



### Capital Expenditures

No capital expenditures for the legal department are requested.

# 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 decrease by \$558,600 or 8.8%, and represent 46.0% of the total appropriated expenditures.

Non-Administrative Budget Investment Appropriations 2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease)	Change	Share of
	Proposed Budget	Approved Budget	Estimated Actual	over FY 19/20 Budget	over FY 19/20 Budget	Non- Admin Budget
<b>Investment Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 2,281,000	\$ 2,522,600	\$ 2,250,000	\$ (241,600)	(9.6)%	18.0%
<b>Total Personnel Costs</b>	<b>2,281,000</b>	<b>2,522,600</b>	<b>2,250,000</b>	<b>(241,600)</b>	<b>(9.6)%</b>	<b>18.0%</b>
<b>Professional Services</b>						
Attorney Fees	125,000	225,000	104,453	(100,000)	(44.4)%	1.0%
Consulting	2,251,000	2,478,500	2,358,040	(227,500)	(9.2)%	17.8%
Custodian Fees	850,000	800,000	800,000	50,000	6.3%	6.7%
Miscellaneous	1,100	3,500	25,824	(2,400)	(68.6)%	0.0%
<b>Total Professional Services</b>	<b>3,227,100</b>	<b>3,507,000</b>	<b>3,288,317</b>	<b>(279,900)</b>	<b>(8.0)%</b>	<b>25.5%</b>
<b>Operational Services and Supplies</b>						
Building Rent	143,000	134,900	130,000	8,100	6.0%	1.1%
General Maintenance - Furniture/Equipment	3,000	2,500	2,268	500	20.0%	0.0%
Memberships/Publications/Subscriptions	8,100	5,800	5,830	2,300	39.7%	0.1%
Office Expense	19,400	19,100	16,400	300	1.6%	0.2%
Software/Software Licensing & Support	92,800	110,800	112,045	(18,000)	(16.2)%	0.7%
Training/Seminars/Conferences	6,000	10,600	2,125	(4,600)	(43.4)%	0.0%
Travel	26,000	51,700	8,674	(25,700)	(49.7)%	0.2%
Non-Capital - Furniture & Equipment	5,000	5,000	-	-	0.0%	0.0%
<b>Total Operational Services and Supplies</b>	<b>303,300</b>	<b>340,400</b>	<b>277,341</b>	<b>(37,100)</b>	<b>(10.9)%</b>	<b>2.4%</b>
<b>Capital Expenditures</b>	-	-	-	-	0.0%	0.0%
<b>Total Investment Appropriations</b>	<b>\$ 5,811,400</b>	<b>\$ 6,370,000</b>	<b>\$ 5,815,658</b>	<b>\$ (558,600)</b>	<b>(8.8)%</b>	<b>46.0%</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 decrease by approximately \$241,600 or 9.6% from the prior year, which represents 18.0% of the total appropriated non-administration expenditures. The

retirement of a Senior Investment Officer (SIO) caused the Investment team to underfill that vacant position with an Investment Officer. The savings is both in salary and target bonus compensation.

SBCERA investment personnel are budgeted as follows:

<b>Summary of Personnel - Non-Administrative Budget Investment Appropriations</b>				
<b>Department</b>	<b>Budgeted June 30, 2019</b>	<b>Budgeted June 30, 2020</b>	<b>Budgeted June 30, 2021</b>	<b>Net Change in Budgeted Positions</b>
Investment	9	8	8	0
<b>Total Budgeted</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>0</b>
<b>Total Unbudgeted<sup>1</sup></b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Total Positions</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>0</b>

(1) Positions on the Organization Chart as Approved/Not Budgeted.

## Professional Services

Professional Services includes outside attorney fees related to investment issues, consulting services, custodian fees, and miscellaneous professional services. Overall, appropriations in this category are projected to decrease by approximately \$279,900 or 8.0% under the prior year, which represents 27.97% of the total appropriated expenditures.

Attorney Fees: Costs in this line item will decrease by \$100,000, or 44.4%. This decrease is based on actual expected costs for outside counsel during FY 19/20. Recurring manager relationships that utilize the master custody agreement arrangement have reduced legal expenses as the need for new contracts and legal review have decreased.

Consulting Fees: Costs in this line item will decrease by \$227,500 due to the elimination of \$112,500 in Maples & Caulder fees as a result of on-shoring assets, and a reduction in budgeted fees for Kreisler Miller to more adequately match expected actuals for FY 19/20.

Custodian Fees: Costs in this line item will increase by \$50,000 due to additional services for transparency reporting expected to be launched by December 2020.

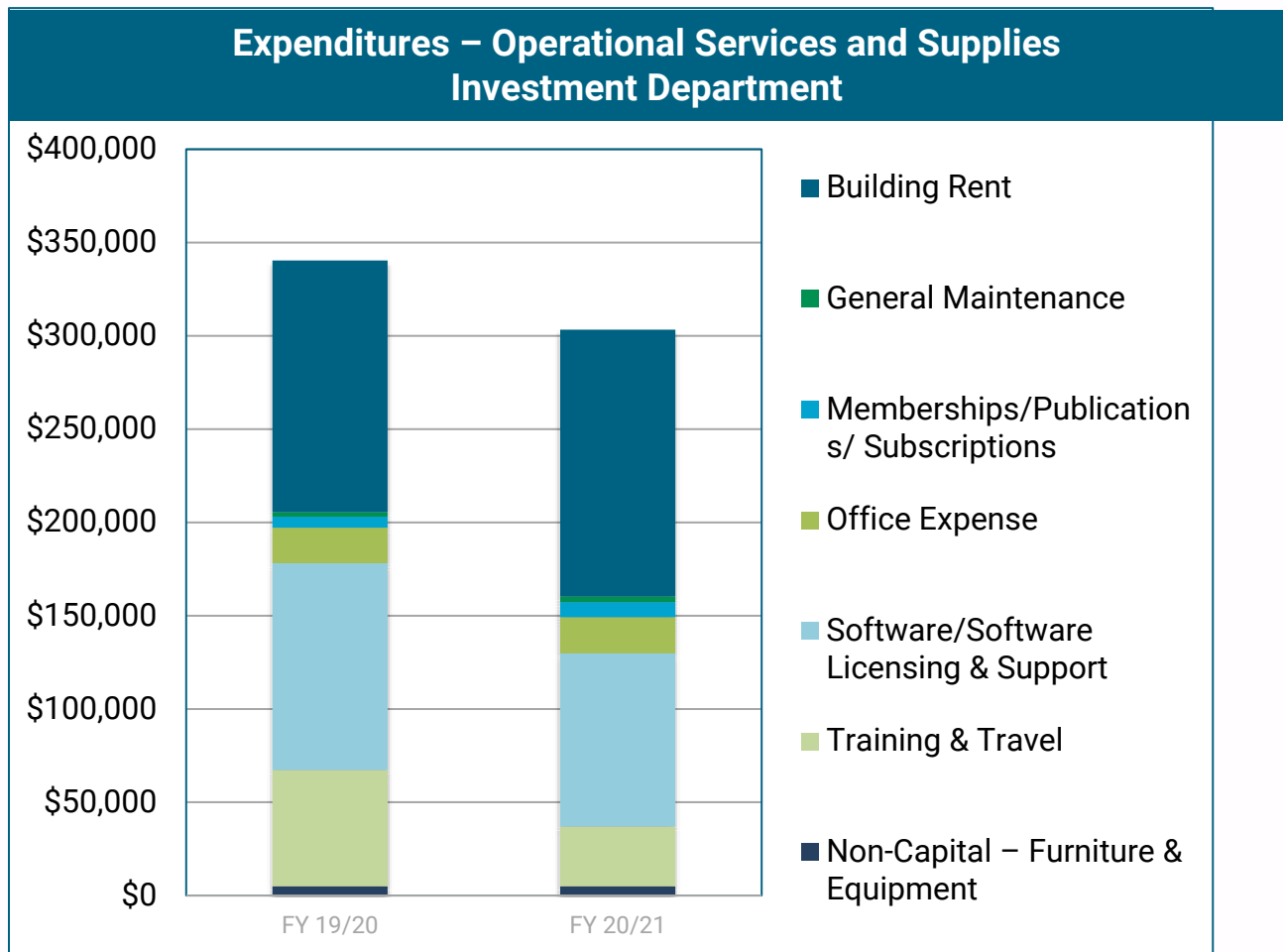
## Operational Services and Supplies

Operational Services and Supplies includes, but is not limited to, staff professional memberships and subscriptions, office expense, rent, software, staff training and travel, and trustee due diligence travel. Overall, appropriations in this category are projected to decrease by approximately \$37,100 or 10.9% from the prior year, which represents 2.4% of the total appropriated expenditures.

Memberships, Office Expense, and Training: Costs in these line items are decreasing collectively by \$2,000 based on actual savings realized in prior years.

Travel: Costs in this line item are decreasing by \$25,700 primarily due to expected travel needs, and reductions due to COVID-19 travel restrictions and increase in video teleconferencing.

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.

Non-Administrative Budget Technology Appropriations 2020-2021 Annual Budget						
	FY 20/21	FY 19/20	FY 19/20	Increase/ (Decrease)	Change	Share of
	Proposed Budget	Approved Budget	Estimated Actual	over FY 19/20 Budget	over FY 19/20 Budget	Non- Admin Budget
<b>Technology Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 1,205,000	\$ 1,218,449	\$ 1,166,000	\$ (13,449)	(1.1)%	9.5%
<b>Total Personnel Costs</b>	<b>1,205,000</b>	<b>1,218,449</b>	<b>1,166,000</b>	<b>(13,449)</b>	<b>(1.1)%</b>	<b>9.5%</b>
<b>Professional Services</b>						
Consulting Services	1,423,173	515,000	116,000	908,173	176.3%	11.3%
<b>Total Professional Services</b>	<b>1,423,173</b>	<b>515,000</b>	<b>116,000</b>	<b>908,173</b>	<b>176.3%</b>	<b>11.3%</b>
<b>Operational Services and Supplies</b>						
Data Processing & Equipment	209,800	290,500	271,500	(80,700)	(27.8)%	1.7%
Software/Software Licensing & Support	1,377,300	1,166,900	958,600	210,400	18.0%	10.9%
Non-Capital - IT Hardware & Software	147,500	481,806	437,184	(334,306)	(69.4)%	1.2%
<b>Total Operational Services and Supplies</b>	<b>1,734,600</b>	<b>1,939,206</b>	<b>1,667,284</b>	<b>(204,606)</b>	<b>(10.6)%</b>	<b>13.7%</b>
<b>Capital Expenditures</b>	585,000	780,000	245,034	(195,000)	(25.0)%	4.6%
<b>Total Technology Appropriations</b>	<b>\$ 4,947,773</b>	<b>\$ 4,452,655</b>	<b>\$ 3,194,318</b>	<b>\$ 495,118</b>	<b>11.1%</b>	<b>39.1%</b>

### Cost Category Analysis

#### Personnel Costs

Personnel costs include an allocation of 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.



## 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 \$908,173 or 176.3% over the prior year, and represents 11.3% of the total appropriated expenditures. These costs are to support the Pension Administration System (PAS) refresh project, which is a Strategic Priority, and already under contract with Linea Solutions. 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 decrease by approximately \$204,606 or 10.6% from the prior year, and represents 13.7% of the total appropriated expenditures.

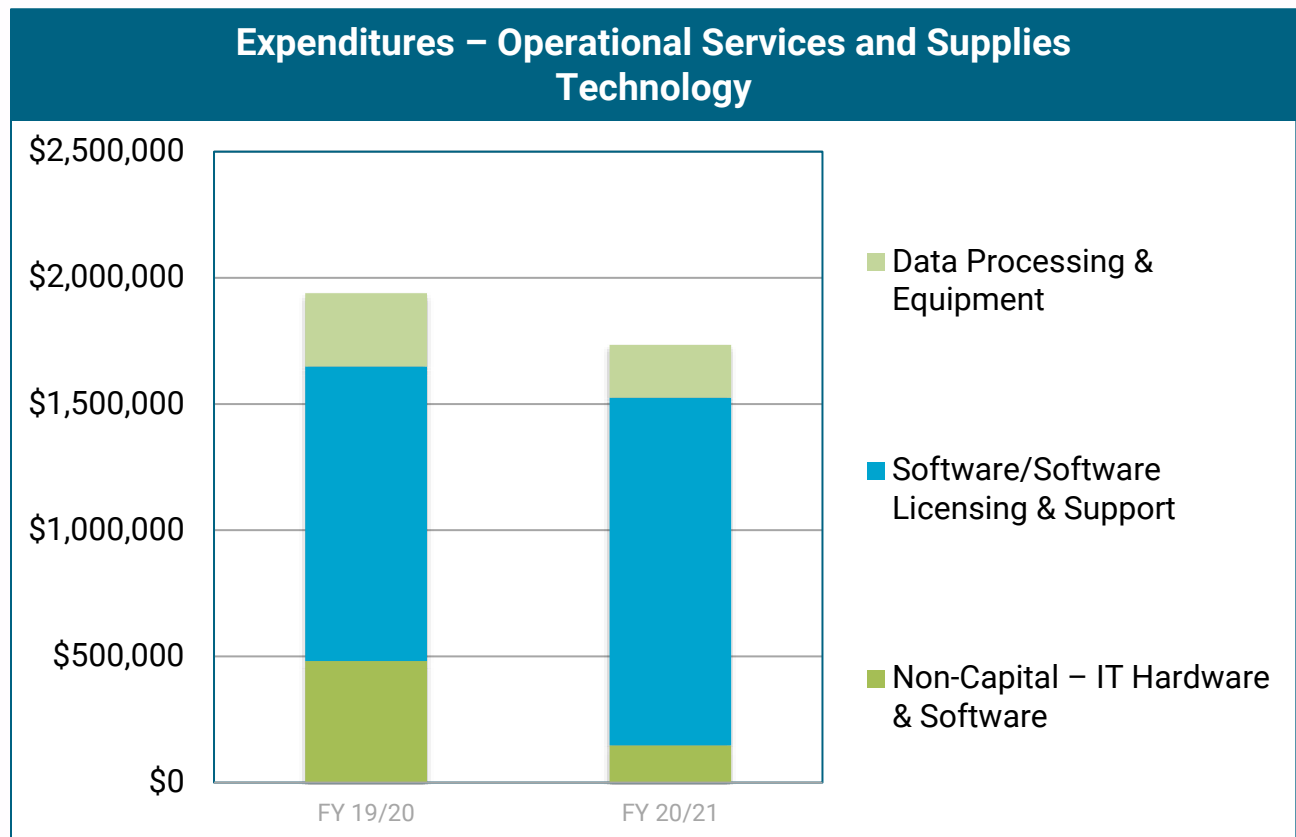
Data Processing & Equipment: Costs in this line item include Internet and online Payroll services from the County of San Bernardino, as well as new cloud-based solutions and our own dedicated internet circuits. Costs are projected to decrease \$80,700 or 27.8%.

Software/Software Licensing & Support: Costs in this line item have increased \$210,400 or 18.0% over the prior year. An increase of \$86.94 thousand is a result of operational increases, including converting Financial Software to a cloud-based solution and a knowledge base solution to support the Member Services department. This increase also includes the licensing expense for the policy tracking project outlined on page 12, *Initiatives to Support Strategic Priorities*. The remaining \$84 thousand increase is attributed to the projects discussed on page 12, *Initiatives to Support Strategic Priorities*.

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

Summary of Non-Capital - IT Hardware & Software	
Granicus migration	\$ 27,000
Mobile workforce equipment	30,000
Monitors, Keyboards, Misc Hardware	30,000
Tablet/Phone - Repairs/Replacement	13,500
Storage Area Network hard drives	24,000
Board AV Project - see Initiatives to Support Strategic Prioritie	23,000
<b>Total Non-Capital - Hardware &amp; Software</b>	<b>\$ 147,500</b>

These amounts include purchasing four high volume encrypted Storage Area Network drives to replace twelve non-encrypted drives, monitors, keyboards, and miscellaneous hardware, and tablets and trustee phones as needed. Staff desktops were replaced with laptops in the FY 19/20 Annual Budget as part of a COVID-19 related budget amendment.



## Capital Expenditures

Capital Expenditures are projected to decrease by \$195,000 or 25.0% from the prior year, and represents 4.6% of the total appropriated non-administrative expenditures. All of the capital expenditures proposed for the upcoming fiscal year are for projects discussed on page 12, *Initiatives to Support Strategic Priorities*. For a complete list of capital expenditures, see *Appendix 1 – Capital Expenditure Summary*, on page 38.

## 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>				
<b>(Amounts in Thousands)</b>				
<b>FY 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20 (Estimated)</b>	<b>FY 20/21 (Projected)</b>
\$ 497,904	\$ 539,297	\$ 578,508	\$ 608,300	\$ 645,000

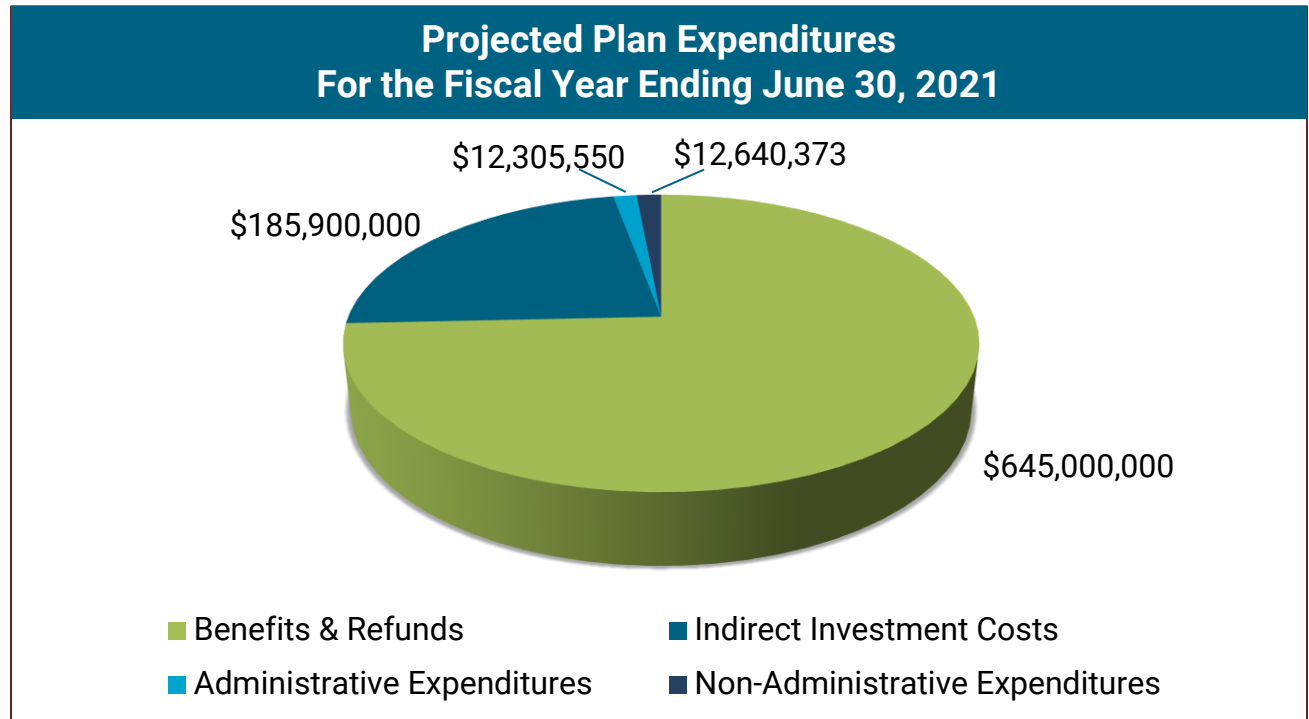
### Indirect Investment Costs

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 16/17</b>	<b>FY 17/18</b>	<b>FY 18/19</b>	<b>FY 19/20 (Estimated)</b>	<b>FY 20/21 (Projected)</b>
Management Fees	\$ 106,859	\$ 100,249	\$ 89,800	\$ 100,000	\$ 110,000
Other Investment Expenses <sup>1</sup>	51,904	57,132	63,148	68,000	74,800
Securities Lending Fees	699	1,131	2,453	1,000	1,100

(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, 2021:



## 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>	
<b>2020-2021 Annual Budget</b>	
<b>Administrative Budget:</b>	
Tenant Improvement Project	\$ 879,000
COVID-Related Security Enhancements	167,000
Everbridge Disruptive Event Implementation	40,000
Building Security Enhancements	30,756
<b>Total Additions for Administrative Budget</b>	<b>\$ 1,116,756</b>
<b>Non-Administrative Budget:</b>	
<b>Technology Appropriations:</b>	
Network Switching Equipment	\$ 150,000
Internet Project	100,000
Email/Office 365 Project	35,000
Phone System Update	200,000
Enterprise Content Management Project	100,000
<b>Total Additions for Technology Appropriations</b>	<b>\$ 585,000</b>
<b>Total Additions for Non-Administrative Budget</b>	<b>\$ 585,000</b>
<b>Total Additions for Capital Expenditures<sup>1</sup></b>	<b>\$ 1,701,756</b>
(1) The additions for capital expenditures approved for the year ending June 30, 2021 will be capitalized and expensed over their estimated useful life.	

**Appendix 2 – Staff Position Summary**

<b>Staff Position Summary 2020-2021 Annual Budget</b>	
<b>SBCERA Staff - Full-Time Equivalent (FTE)</b>	<b>FTE</b>
<b>June 30, 2020 Administrative Positions</b>	<b>61</b>
Positions Removed from Organizational Chart	(1)
Additional Positions on Organizational Chart	0
<b>June 30, 2021 Administrative Positions Budgeted</b>	<b>60</b>
<b>June 30, 2020 Legal Positions</b>	<b>7</b>
Positions Removed from Organizational Chart	0
Additional Positions on Organizational Chart	0
<b>June 30, 2021 Legal Positions Budgeted</b>	<b>7</b>
<b>June 30, 2020 Investment Positions</b>	<b>8</b>
Positions Removed from Organizational Chart	0
Additional Positions on Organizational Chart	0
<b>June 30, 2021 Investment Positions Budgeted</b>	<b>8</b>
<b>Total SBCERA Staff Positions for June 30, 2021</b>	<b>75</b>