



San Bernardino County Employees'  
Retirement Association

# 2024 - 2025

## ANNUAL BUDGET

For the Fiscal Year Ending June 30, 2025

# Table of Contents

<b>Organizational Structure and Mission</b>	4	<b>Non-Administrative Budget</b>	23
Plan Participants	4	Non-Administrative Personnel	24
Plan Management and Oversight	5		
SBCERA Mission Statement	6	<b>Non-Administrative Budget   Actuarial</b>	24
Statement of Governance Principles	6	Cost Category Analysis	26
Strategic Plan & Priorities	6	<i>Professional Services</i>	25
SBCERA Organizational Chart	8		
<b>Budget Policy</b>	9	<b>Non-Administrative Budget   Legal</b>	25
Budget Process	9	Cost Category Analysis	26
Basis of Accounting	9	<i>Personnel Costs</i>	26
Funding and Debt Obligations	10	<i>Professional Services</i>	26
Budget Appropriations and Statutory	10	<i>Operational Services and Supplies</i>	26
Budget Structure	10	<i>Capital Expenditures</i>	Er
Capital Expenditures	11	<b>Non-Administrative Budget   Investment</b>	28
Informational Items	12	Cost Category Analysis	29
<b>Initiatives to Support Strategic Priorities</b>	13	<i>Personnel Costs</i>	29
		<i>Professional Services</i>	29
<b>Annual Budget Summary</b>	14	<i>Operational Services and Supplies</i>	29
By Expenditure Budget	14	<i>Capital Expenditures</i>	29
By Category	14	<b>Non-Administrative Budget   Technology</b>	30
By Personnel Costs versus All Other	16	Cost Category Analysis	31
<b>Statutory Limit</b>	17	<i>Personnel Costs</i>	31
		<i>Professional Services</i>	31
<b>Administrative Budget</b>	18	<i>Operational Services and Supplies</i>	31
Cost Category Analysis	18	<i>Capital Expenditures</i>	32
<i>Personnel Costs</i>	19	<b>Payments Not Included in Budget</b>	33
<i>Professional Services</i>	20	Benefits and Refunds	33
<i>Operational Services and Supplies</i>	20	Indirect Investment Costs	33
<i>Capital Expenditures</i>	21		
		<b>Appendix</b>	35
		Appendix 1 - Capital Expenditures	35
		Appendix 2 – Non-Capital Projects	36
		Appendix 3 – Staff Position Summary	37
		Appendix 4 – Staff Growth Analysis	38

# ORGANIZATIONAL STRUCTURE AND MISSION

## Plan Participants

The San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan) operating under the provisions of the California County Employees Retirement Law of 1937 (the CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by SBCERA's Board of Retirement (Board). SBCERA provides retirement, disability, death, and survivor benefits for over 45,000 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  
 Consolidated Fire Agencies  
 Crestline Sanitation District  
 Department of Water and Power of the City of Big Bear Lake  
 Hesperia Recreation and Park District  
 Law Library for San Bernardino County  
 Local Agency Formation Commission  
 Mojave Desert Air Quality Management District  
 San Bernardino County  
 San Bernardino County Transportation Authority  
 SBCERA  
 South Coast Air Quality Management District  
 Superior Court of California County of San Bernardino

### Withdrawn Employers

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

Plan Management and Oversight

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

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

Board of Retirement
<div>Board Chair</div> <div>Marc Bracco (Elected by Safety Members)</div>
<div>Board Vice Chair</div> <div>Jean-Rene Basle (Appointed by Board of Supervisors)</div>
<div>Additional Members Appointed by Board of Supervisors</div> <div>Michael Kennedy</div> <div>Dawn Rowe</div> <div>Neal Waner</div>
<div>Additional Members Elected by SBCERA Members</div> <div>Louis Fiorino (Elected by General Members)</div> <div>Eric Raley (Elected by General Members)</div> <div>Dawn Stafford (Elected by Retired Members)</div>
<div>Ex-Officio Member</div> <div>Ensen Mason, Auditor-Controller/Treasurer/Tax Collector</div>
<div>Alternates</div> <div>Harry Hatch (Elected by Retired Members)</div> <div>Jared Newcomer (Elected by Safety Members)</div> <div>John Johnson (Designated by Ex-Officio Member)</div>

## SBCERA Mission Statement

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

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

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

## Statement of Governance Principles

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

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

## Strategic Plan & Priorities

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

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

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

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

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

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

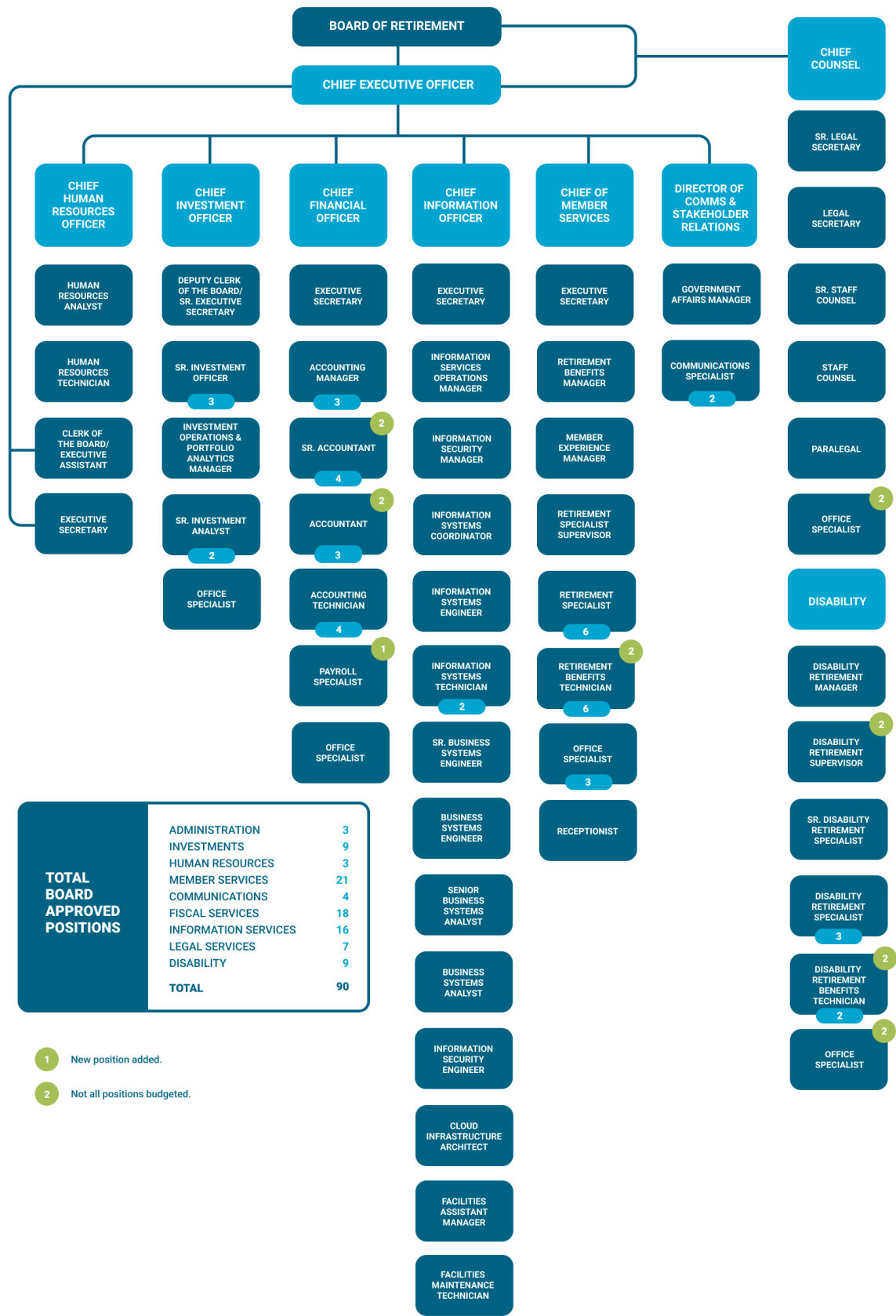
**Collaboration:** We will work together as a team and with key stakeholders.

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

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

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

SBCERA Organizational Chart (Proposed, as of July 1, 2024)



## BUDGET POLICY

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

### Budget Process

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

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

### Basis of Accounting

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



## Funding and Debt Obligations

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

## Budget Appropriations and Statutory Limit

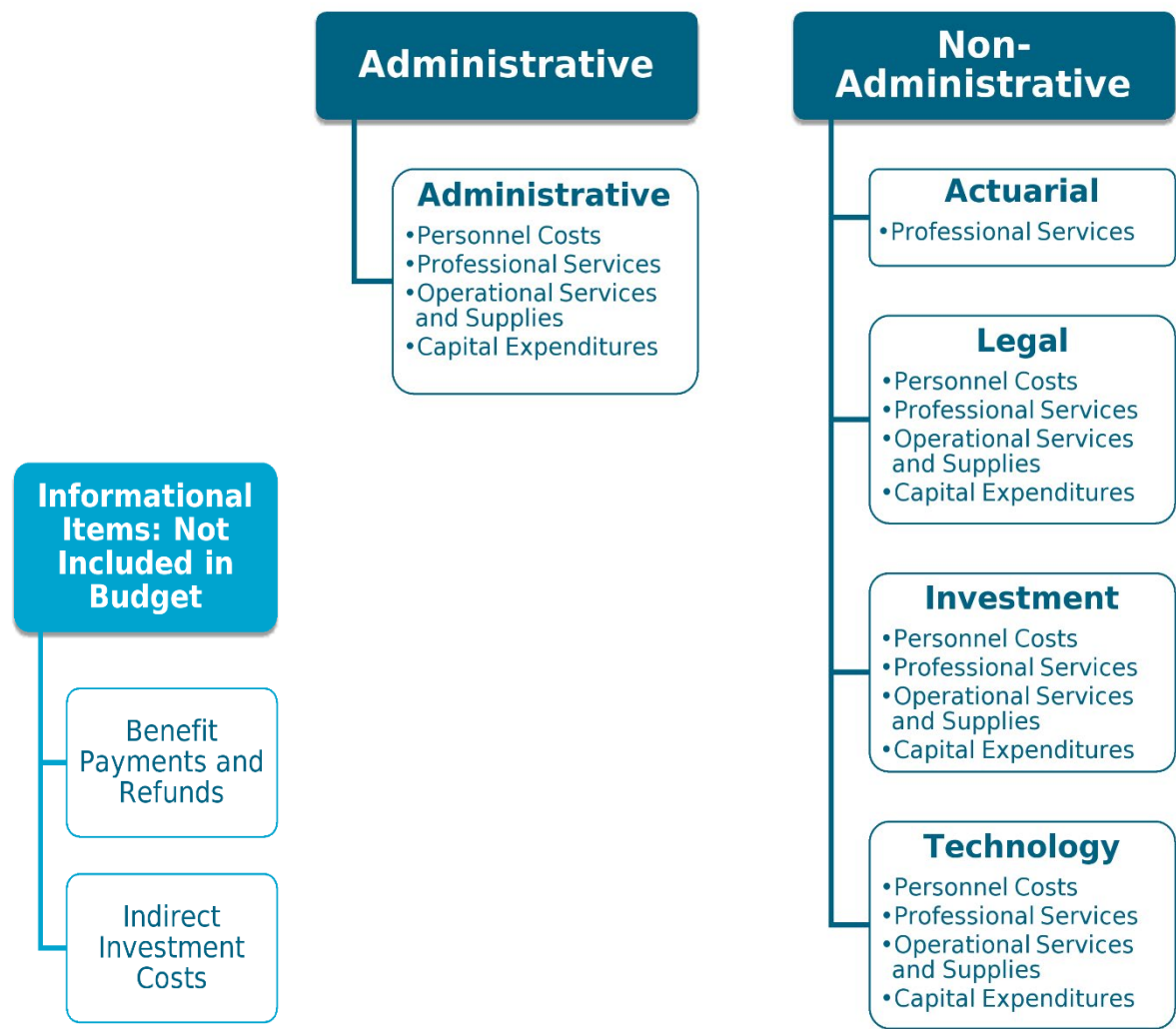
SBCERA is required by California Government Code (GC) section 31580.2, of the CERL, to prepare and approve an annual administrative expenditure budget covering the entire administrative expense of the Plan (also referred to as "appropriations"). The expense incurred in any year may not exceed twenty-one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

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

## Budget Structure

This SBCERA annual budget covers expenditures for the fiscal year from July 1, 2024 to June 30, 2025 (the fiscal year ending June 30, 2025) (FY 24/25), and consists of two distinct functional areas, Administrative and Non-Administrative (see the *Budget Appropriations and Statutory Limit* section of this report, for further information). Non-Administrative Expenditures are further categorized into four functional sub-areas: Actuarial, Legal, Technology, and Investment. The appropriations for each functional area are presented in the following categories of expenditures (if applicable), Personnel Costs, Professional Services, Operational Services and Supplies, and Capital Expenditures as outlined on the following page.

Budget Structure (Continued)



Capital Expenditures

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

See *Appendix 1 – Capital Expenditures Summary*, on page 37 for a complete list of the included projects and line items.

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

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

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

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

## INITIATIVES TO SUPPORT STRATEGIC PRIORITIES

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

Project	Pillar	Priority	Administrative Budget Impact	Non-Administrative Budget Impact
Data Library Project	Operational Excellence & Efficiency	Investment document integration portal - finalize		\$25,000
Video Production	Superior Service Experience	Revamped member education - continuing	\$50,000	
Financial Literacy Education	Superior Service Experience	Revamped member education; Enhanced pre-retirement and post-retirement education/support. (Deferred from PY)	\$25,000	
Implementation of Cloud Architecture	Operational Excellence & Efficiency	Implement Azure tenant migration and ZTNA solution.		\$800,000
Technology Standardization	Quality Employer & Workplace	Create a more engaged team, improve accountability to membership - continuing		\$100,000
Relocate member services to first floor	Quality Employer & Workplace	Space utilization/expansion to consolidate call center staff. (Deferred from PY)	\$140,000	

# ANNUAL BUDGET SUMMARY

## Annual Budget Summary | By Expenditure Budget

The entire 2024 - 2025 annual budget is presented below in summary, by expenditure budget – Administrative and Non-Administrative:

Annual Budget Summary by Expenditure Budget 2024-2025 Annual Budget					
	FY 24/25	FY 23/24	FY 22/23	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget
	Proposed Budget	Approved Budget	Estimated Actual		
<b>Administrative Budget</b>					
Personnel Costs	\$ 10,941,300	\$ 10,958,400	\$ 9,670,000	\$ (17,100)	0%
Professional Services	1,350,500	1,096,000	1,335,200	254,500	23%
Operational Services and Supplies	2,503,200	2,471,700	2,085,944	31,500	1%
Capital Expenditures	140,000	105,000	35,000	35,000	33%
<b>Total Administrative Budget</b>	<b>14,935,000</b>	<b>14,631,100</b>	<b>13,126,144</b>	<b>303,900</b>	<b>2%</b>
<b>Non-Administrative Budget</b>					
<b>Actuarial Appropriations</b>					
Professional Services	185,000	285,000	237,775	(100,000)	-35%
<b>Total Actuarial Appropriations</b>	<b>185,000</b>	<b>285,000</b>	<b>237,775</b>	<b>(100,000)</b>	<b>-35%</b>
<b>Legal Appropriations</b>					
Personnel Costs	1,687,500	1,540,000	1,050,000	147,500	10%
Professional Services	505,000	320,000	545,000	185,000	58%
Operational Services and Supplies	139,450	106,000	78,225	33,450	32%
Capital Expenditures	100,000	100,000	-	-	0%
<b>Total Legal Appropriations</b>	<b>2,431,950</b>	<b>2,066,000</b>	<b>1,673,225</b>	<b>365,950</b>	<b>18%</b>
<b>Investment Appropriations</b>					
Personnel Costs	3,524,100	3,154,900	3,033,000	369,200	12%
Professional Services	4,472,000	4,158,500	4,278,500	313,500	8%
Operational Services and Supplies	476,500	367,500	308,500	109,000	30%
Capital Expenditures	25,000	125,000	125,000	(100,000)	-80%
<b>Total Investment Appropriations</b>	<b>8,497,600</b>	<b>7,805,900</b>	<b>7,745,000</b>	<b>691,700</b>	<b>9%</b>
<b>Technology Appropriations</b>					
Personnel Costs	2,507,500	2,413,400	1,800,000	94,100	4%
Professional Services	546,000	599,000	209,500	(53,000)	-9%
Operational Services and Supplies	3,248,310	3,299,500	1,977,682	(51,190)	-2%
Capital Expenditures	875,000	600,000	25,000	275,000	46%
<b>Total Technology Appropriations</b>	<b>7,176,810</b>	<b>6,911,900</b>	<b>4,012,182</b>	<b>264,910</b>	<b>4%</b>
<b>Total Non-Administrative Budget</b>	<b>18,291,360</b>	<b>17,068,800</b>	<b>13,668,182</b>	<b>\$ 1,222,560</b>	<b>7%</b>
<b>Total Budget</b>	<b>\$ 33,226,360</b>	<b>\$ 31,699,900</b>	<b>\$ 26,794,326</b>	<b>\$ 1,526,460</b>	<b>5%</b>

## Annual Budget Summary | By Category

The entire 2024 – 2025 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 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24			
	Proposed Budget	Approved Budget	Estimated Actual	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Total Budget
<b>Personnel Costs</b>						
Administrative	\$ 10,941,300	\$ 10,958,400	\$ 9,670,000	\$ (17,100)	0%	33%
Legal	1,687,500	1,540,000	1,050,000	147,500	10%	5%
Investment	3,524,100	3,154,900	3,033,000	369,200	12%	11%
Technology	2,507,500	2,413,400	1,800,000	94,100	4%	8%
<b>Total Personnel Costs</b>	<b>18,660,400</b>	<b>18,066,700</b>	<b>15,553,000</b>	<b>593,700</b>	<b>3%</b>	<b>56%</b>
<b>Professional Services</b>						
Administrative	1,350,500	1,096,000	1,335,200	254,500	23%	4%
Actuarial	185,000	285,000	237,775	(100,000)	-35%	1%
Legal	505,000	320,000	545,000	185,000	58%	2%
Investment	4,472,000	4,158,500	4,278,500	313,500	8%	13%
Technology	546,000	599,000	209,500	(53,000)	-9%	2%
<b>Total Professional Services</b>	<b>7,058,500</b>	<b>6,458,500</b>	<b>6,605,975</b>	<b>600,000</b>	<b>9%</b>	<b>21%</b>
<b>Operational Services and Supplies</b>						
Administrative	2,503,200	2,471,700	2,085,944	31,500	1%	8%
Legal	139,450	106,000	78,225	33,450	32%	0%
Investment	476,500	367,500	308,500	109,000	30%	1%
Technology	3,248,310	3,299,500	1,977,682	(51,190)	-2%	10%
<b>Total Operational Services and Supplies</b>	<b>6,367,460</b>	<b>6,244,700</b>	<b>4,450,351</b>	<b>122,760</b>	<b>2%</b>	<b>19%</b>
<b>Capital Expenditures</b>						
Administrative	140,000	105,000	35,000	35,000	33%	0%
Legal	100,000	100,000	-	-	0%	0%
Investment	25,000	125,000	125,000	(100,000)	-80%	0%
Technology	875,000	600,000	25,000	275,000	46%	3%
<b>Total Capital Expenditures</b>	<b>1,140,000</b>	<b>930,000</b>	<b>185,000</b>	<b>210,000</b>	<b>23%</b>	<b>3%</b>
<b>Total Budget</b>	<b>33,226,360</b>	<b>31,699,900</b>	<b>26,794,326</b>	<b>1,526,460</b>	<b>5%</b>	<b>100%</b>

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

Annual Budget Summary by Personnel Costs versus All Other Budget Items 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24			
	Proposed Budget	Approved Budget	Estimated Actual	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Total Budget
Personnel Costs	18,660,400	18,066,700	15,553,000	593,700	3%	56%
All Other Budget Items	14,565,960	13,633,200	11,241,326	932,760	7%	44%
Total Budget	33,226,360	31,699,900	26,794,326	1,526,460	5%	100%

## STATUTORY LIMIT

Based on an Actuarial Accrued Liability (AAL) of \$15.6 billion (as of the most recent actuarial valuation dated June 30, 2023), the statutory limit for administrative expenditures is approximately \$34.5 million, representing a \$1.7 million increase over the prior year's statutory limit of \$32.8 million. The AAL is calculated once a year, by SBCERA's independent actuary. The next actuarial valuation for June 30, 2024, will be presented to the Board in November 2024, 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, 2023	\$ 16,446,671,652
Basis points per GC §31580.2	0.0021
<b>Statutory limit of 0.21% allowed per GC §31580.2</b>	<b>\$ 34,538,010</b>
<b>Administrative Budget</b>	<b>\$ 14,935,000</b>
<b>Budget as Basis points of AAL</b>	<b>0.00091</b>
<b>Unrestricted Contingency Fund</b>	<b>\$ 19,603,010</b>

The proposed administrative expenditure budget appropriations are \$14,935,000, approximately 43% of the statutory limit, or 9.1 basis points. The remaining \$19.6 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.

Statutory Limit - Usage Analysis					
	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25
AAL	13,304,683,218	14,298,195,718	14,957,435,405	15,630,124,402	16,446,671,652
Basis Points	21	21	21	21	21
Statutory Limit	27,939,835	30,026,211	31,410,614	32,823,261	34,538,010
Administrative Budget <sup>1</sup>	12,305,550	11,435,850	13,231,000	14,611,100	14,935,000
<b>Basis Points</b>	<b>9.2</b>	<b>8.0</b>	<b>8.8</b>	<b>9.3</b>	<b>9.1</b>
1)Includes any amendments approved by the Board.					



# ADMINISTRATIVE BUDGET

Annual Budget Summary Administrative Budget 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24			
	Proposed Budget	Approved Budget	Estimated Actual	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Admin Budget
<b>Administrative Budget</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 10,929,300	\$ 10,946,400	\$ 9,660,000	\$ (17,100)	0%	73%
Board Stipends	12,000	12,000	10,000	-	0%	0%
<b>Total Personnel Costs</b>	<b>10,941,300</b>	<b>10,958,400</b>	<b>9,670,000</b>	<b>(17,100)</b>	<b>0%</b>	<b>73%</b>
<b>Professional Services</b>						
Audit	81,500	81,500	81,500	-	0%	1%
Consulting	75,000	77,500	77,500	(2,500)	-3%	1%
Disability Claim Process	1,040,000	775,000	1,108,000	265,000	34%	7%
Member Engagement	138,000	150,000	60,000	(12,000)	-8%	1%
Payroll Services	16,000	12,000	14,000	4,000	33%	0%
<b>Total Professional Services</b>	<b>1,350,500</b>	<b>1,096,000</b>	<b>1,341,000</b>	<b>254,500</b>	<b>23%</b>	<b>9%</b>
<b>Operational Services and Supplies</b>						
Building Rent	775,000	750,000	750,000	25,000	3%	5%
Career Development Fund	35,000	25,000	25,000	10,000	40%	0%
Claims, Judgments, & Orders	35,000	35,000	15,800	-	0%	0%
Communication Platforms	197,000	209,000	201,000	(12,000)	-6%	1%
Employee Engagement	45,000	34,800	34,200	10,200	29%	0%
Equipment Rent	130,000	130,000	100,000	-	0%	1%
General Maintenance	53,140	78,150	28,150	(25,010)	-32%	0%
Insurance	357,300	330,800	321,831	26,500	8%	2%
Member Engagement	94,500	87,000	44,400	7,500	9%	1%
Memberships	62,400	48,990	54,403	13,410	27%	0%
Non-Capital Projects	100,000	140,000	50,000	(40,000)	-29%	1%
Office Expense	186,550	161,050	139,250	25,500	16%	1%
Offsite Storage	25,000	13,000	22,600	12,000	92%	0%
Recruiting & Hiring	7,500	7,500	7,000	-	0%	0%
Suite Services	166,500	152,500	116,000	14,000	9%	1%
Training & Travel	233,310	268,910	176,310	(35,600)	-13%	2%
<b>Total Operational Services and Supplies</b>	<b>2,503,200</b>	<b>2,471,700</b>	<b>2,085,944</b>	<b>31,500</b>	<b>1%</b>	<b>17%</b>
<b>Capital Expenditures</b>	<b>140,000</b>	<b>105,000</b>	<b>35,000</b>	<b>35,000</b>	<b>33%</b>	<b>1%</b>
<b>Total Administrative Budget</b>	<b>\$ 14,935,000</b>	<b>\$ 14,631,100</b>	<b>\$ 13,131,944</b>	<b>\$ 303,900</b>	<b>2%</b>	<b>100%</b>

The proposed appropriations of \$14,935,000 represent an increase from the prior year appropriated budgeted expenditures of \$14,631,100. The difference in proposed appropriations represents an increase of approximately \$303,900 or 2% 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 decrease by approximately \$17,100 or .002% over the prior year and represent 73% of the total appropriated administrative expenditures. The decrease in Personnel Costs for the Administrative budget is attributed to reducing four positions in the Fiscal Services department, the creation of one position in the Fiscal Service department, not budgeting for vacant positions in Fiscal Services, Disability Retirement, and Member Services (\$1.0 million). Offsetting increases include Based on actual experience, merit, and benefit increases (\$700 thousand) based on increased benefit costs and scheduled merit increases, an estimated 5% cost of living adjustment (COLA) (\$160 thousand), and the full-board cost of position additions and changes (\$144 thousand).

Appendices 3 and 4, on pages 39 and 40, illustrate the relationship between asset growth, membership growth and the growth rate of approved staff positions for the six fiscal years ending June 30, 2024.

SBCERA personnel are budgeted as follows:

Summary of Personnel - Administrative Budget			
Department <sup>1</sup>	FY 24/25	FY 23/24	Net Change in Budgeted Positions
Administration	3	3	0
Communications	4	4	0
Disability Retirement Unit	6	9	(3)
Fiscal Services	15	20	(5)
Human Resources	3	3	-
Information Services	5	5	0
Member Services	20	21	(1)
<b>Total Budgeted Positions</b>	<b>56</b>	<b>65</b>	<b>(9)</b>
1) Includes all SBCERA staff except for the legal, investment, and non-admin IS department positions.			

There are 56 Administrative Staff positions for the FY 24/25 Administrative Budget, seven of which are not being funded as part of this Administrative Budget. This is a nine-position net decrease over the prior year budget as amended.

Payroll Specialist (Fiscal Services – Administrative): This newly created position will be responsible for setting up new benefits for SBCERA members. This new position is part of a larger project to improve internal control and reporting of recurring benefit setups.

Two reclassifications are planned in Human Resources effective with the new Fiscal Year. The Director of Human Resources and Risk Management will be reclassified to the Chief Human Resources Officer, and the Human Resources Specialist will be reclassified to a Human Resources Analyst. Costs for such changes have been incorporated into the proposed Annual Budget.

## Professional Services

These costs include professional services provided by outside contractors/vendors including, but not limited to, audit services, consulting, data integrity, disability claim process services, member engagement, and payroll services. Overall, appropriations in this category are projected to increase by approximately \$254,500 or 23% over the prior year and represent 9% of the total appropriated administrative expenditures.

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

Consulting: Costs include the professional services for employee benefit oversight, internal audit activity, HR investigations, and other miscellaneous consulting services.

Disability Claim Process: This newly created sub-category encompasses the line items for Disability Retirement processing including ordering medical records, transcriptions, and medical evaluations. An increase of \$265 thousand is proposed based on actual experience and trending increases in claims.

Member Engagement: This newly created sub-category encompasses the member survey, that was previously listed separately, and new initiatives aimed at our member's engagement and experience. New items include member education related to financial literacy and video production; both items align with SBCERA's Strategic Plan. The member survey is conducted every other year and is not included in for FY 24/25.

Payroll Services: Increases in this sub-category represent expected increases for contractual pricing and expanded reports.

## Operational Services and Supplies

Operational Services and Supplies include, but are not limited to, office rent, insurance, general maintenance, office expense, postage and shipping, printing services, rented equipment, staff career development fund,

communication platforms, training (including seminars and conferences for staff and trustees), travel (non-due diligence), claims and judgments, and purchases of non-capital assets less than \$25,000.

Overall, appropriations in this category are projected to be relatively static with a slight of \$31 thousand or 1% over the prior year and represent 17% of the total appropriated administrative expenditures.

Building Rent: Rent will increase 3% (\$30,000) according to our Lease Agreement with the property manager. Additional appropriations for increased operating expenses which are passed on to SBCERA are included here.

Career Development Fund: As part of the new benefits package, SBCERA employees now have access up to \$5,000 for education as part of this program. Based on this increase, it is expected that more employees will desire to participate, and reimbursement amounts will be larger.

Communication Platforms: This decrease is due primarily to the elimination of Slack for inter-person communication; Teams is being used instead. Some savings are also being recognized for reduced Zoom use as we have transitioned to Teams.

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

General Maintenance: The decrease is due to completed projects that no longer have miscellaneous maintenance items associated.

Insurance: Overall insurance costs are expected to increase by 8% due to rising insurance costs.

Member Engagement: Costs for member outreach are increasing based on actual costs and projected material increases.

Office Expense: Office Expense is increasing slightly to account for the increase in actual costs. This category also includes the cost to supply food at meetings, which have increased significantly.

Training/Seminars/Conferences: Costs in this sub-category have decreased slightly as a result of actual expenses and staff attendance at trainings. Additionally, it is observed that there are increasingly more options for virtual education and trainings.

## Capital Expenditures

Capital Expenditures are decreasing as a result of completed projects.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 37.

SBCERA Member Services Relocation to First Floor: This project is budgeted at \$140,000 and includes furniture and the labor associated with moving the furniture. This project will move all of the Member Services employees to the same location for better collaboration and superior member service.

## 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 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Non- Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Non-Administrative Budget</b>						
<b>Actuarial Appropriations</b>						
Professional Services	\$ 185,000	\$ 285,000	\$ 237,775	\$ (100,000)	-35%	1%
<b>Total Actuarial Appropriations</b>	<b>185,000</b>	<b>285,000</b>	<b>237,775</b>	<b>(100,000)</b>	<b>-35%</b>	<b>1%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,687,500	1,540,000	1,050,000	147,500	10%	9%
Professional Services	505,000	320,000	545,000	185,000	58%	3%
Operational Services and Supplies	139,450	106,000	78,225	33,450	32%	1%
Capital Expenditures	100,000	100,000	-	-	0%	1%
<b>Total Legal Appropriations</b>	<b>2,431,950</b>	<b>2,066,000</b>	<b>1,673,225</b>	<b>365,950</b>	<b>18%</b>	<b>13%</b>
<b>Investment Appropriations</b>						
Personnel Costs	3,524,100	3,154,900	3,033,000	369,200	12%	19%
Professional Services	4,472,000	4,158,500	4,278,500	313,500	8%	24%
Operational Services and Supplies	476,500	367,500	308,500	109,000	30%	3%
Capital Expenditures	25,000	125,000	125,000	(100,000)	-80%	0%
<b>Total Investment Appropriations</b>	<b>8,497,600</b>	<b>7,805,900</b>	<b>7,745,000</b>	<b>691,700</b>	<b>9%</b>	<b>46%</b>
<b>Technology Appropriations</b>						
Personnel Costs	2,507,500	2,413,400	1,800,000	94,100	4%	14%
Professional Services	546,000	599,000	209,500	(53,000)	-9%	3%
Operational Services and Supplies	3,248,310	3,299,500	1,977,682	(51,190)	-2%	18%
Capital Expenditures	875,000	600,000	25,000	275,000	46%	5%
<b>Total Technology Appropriations</b>	<b>7,176,810</b>	<b>6,911,900</b>	<b>4,012,182</b>	<b>264,910</b>	<b>4%</b>	<b>39%</b>
<b>Total Non-Administrative Budget</b>	<b>\$ 18,291,360</b>	<b>\$ 17,068,800</b>	<b>\$ 13,668,182</b>	<b>\$ 1,222,560</b>	<b>7%</b>	<b>100%</b>

Overall, the total Non-Administrative Expenditure Budget for the fiscal year ending June 30, 2024, is approximately \$18,291,360, which is an increase of \$1.2 million or 7% the prior year appropriations of \$17,068,800. The differences for all four functional areas (Actuarial, Legal, Investment, and Technology) are discussed starting on page 24.

## 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 (5 positions) are included in the Administrative Budget. Overall, appropriations in this category are projected to increase by approximately \$610 thousand or 9% and represent 42% of the total appropriated non-administrative expenditures. The increase in Personnel Costs for the Non-Administrative budget is attributed to merit and benefit increases (\$480 thousand) based on increased benefit costs and scheduled merit increases, and an estimated 5% cost of living adjustment (COLA) (\$120 thousand).

Appendices 3 and 4, on pages 37 and 40, illustrate the relationship between asset growth, membership growth and the growth rate of approved staff positions for the six fiscal years ending June 30, 2024.

SBCERA non-administrative personnel are budgeted as follows:

Summary of Personnel - Non-Administrative Budget			
Department <sup>1</sup>	FY 24/25	FY 23/24	Net Change in Budgeted Positions
Legal	6	6	0
Investment	9	9	0
Information Services	11	11	0
<b>Total Budgeted Positions</b>	<b>26</b>	<b>26</b>	<b>0</b>
1) Includes all SBCERA staff in the legal, investment, and IS departments (non-admin only).			

There are 26 Staff positions for the FY 23/24 Non-Administrative Budget, all of which are being budgeted as part of this Non-Administrative Budget.

## Actuarial Appropriations

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

Every three years the actuary prepares an Actuarial Experience Study and Review of Economic Actuarial Assumptions (triennial experience study) to review the assumptions made about all future events that could affect the amount and timing of the benefits to be paid and the assets to be accumulated, including mortality, service,

and compensation experience of the members and their beneficiaries, and evaluating the assets and liabilities of the Plan. The next review is scheduled for the fiscal year ending June 30, 2026, to be performed in FY 26/26. 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, 2028 valuation, to be performed as part of FY 28/29.

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

Annual Budget Summary Non-Administrative Budget Actuarial Appropriations 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24			
	Proposed Budget	Approved Budget	Estimated Actual	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Non- Admin Budget
<b>Actuarial Appropriations</b>						
<b>Professional Services</b>						
Actuarial Studies	\$ 90,000	\$ 145,000	\$ 86,000	\$ (55,000)	-38%	49%
Consulting	95,000	140,000	151,775	\$ (45,000)	-32%	51%
<b>Total Professional Services</b>	<b>185,000</b>	<b>285,000</b>	<b>237,775</b>	<b>(100,000)</b>	<b>-35%</b>	<b>100%</b>
<b>Total Actuarial Appropriations</b>	<b>\$ 185,000</b>	<b>\$ 285,000</b>	<b>\$ 237,775</b>	<b>\$ (100,000)</b>	<b>-35%</b>	<b>1%</b>



## Cost Category Analysis

### Professional Services

Overall, the budgeted actuarial appropriation is \$185,000, a decrease of \$100 thousand or 35% over the prior year. The prior fiscal year included an appropriation of \$50 thousand for the triennial Experience Study. The current budget includes an appropriation of \$70 thousand for the Actuarial audit as part of the Consulting sub-category. Additional expenses in this category reflect the actual cost of miscellaneous consulting.

## Legal Appropriations

Legal Appropriations include legal staff salaries and benefits, professional non-investment legal services, and operational services and supplies for the legal department. At \$2,431,950, there is an increase of \$365,950, or 18%, from the prior year appropriations. The overall decrease is explained below in the *Cost Category* section.

Annual Budget Summary Non-Administrative Budget Legal Appropriations 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Non- Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Legal Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 1,687,500	\$ 1,540,000	\$ 1,050,000	\$ 147,500	10%	69%
<b>Total Personnel Costs</b>	<b>1,687,500</b>	<b>1,540,000</b>	<b>1,050,000</b>	<b>147,500</b>	<b>10%</b>	<b>69%</b>
<b>Professional Services</b>						
Attorney Fees	505,000	320,000	545,000	185,000	58%	21%
<b>Total Professional Services</b>	<b>505,000</b>	<b>320,000</b>	<b>545,000</b>	<b>185,000</b>	<b>58%</b>	<b>21%</b>
<b>Operational Services and Supplies</b>						
Employee Engagement	1,150	1,650	650	(500)	-30%	0%
Memberships	28,450	28,000	27,725	450	2%	1%
Non-Capital Projects	5,000	5,000	1,000	-	0%	0%
Office Expense	2,850	2,850	2,850	-	0%	0%
Software & Services	57,000	24,000	24,000	33,000	138%	2%
Training & Travel	45,000	44,500	22,000	500	1%	2%
<b>Total Operational Services and Supplies</b>	<b>139,450</b>	<b>106,000</b>	<b>78,225</b>	<b>33,450</b>	<b>32%</b>	<b>6%</b>
<b>Capital Expenditures</b>	<b>100,000</b>	<b>100,000</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>4%</b>
<b>Total Legal Appropriations</b>	<b>\$ 2,431,950</b>	<b>\$ 2,066,000</b>	<b>\$ 1,673,225</b>	<b>\$ 365,950</b>	<b>18%</b>	<b>13%</b>

## Cost Category Analysis

### Personnel Costs

Staff Salaries and Benefits: Overall, appropriations in this category are projected to increase by approximately \$147,500 or 10% from the prior year and represent 69% of the total appropriated legal non-administrative expenditures.

The overall increase of \$147,500 in personnel costs is due to net salary and benefit increases pursuant to the SBCERA Employment Resolution, Salary Rate and Step Advancement Plan, a net decrease in position changes, and an estimated 5% COLA. The same number of positions are being budget as the prior year; however, the Office Specialist position is not being budgeted, and the Staff Counsel is being partially budgeted.

### Professional Services

Professional Services includes outside attorney fees for non-investment issues. Outside attorneys assist SBCERA with legal matters arising from the Plan, employer, member, and benefit issues including litigation, if needed. Overall, appropriations in this category are projected to decrease because of the conclusions of the hearings regarding Alameda decision and are based on actual experience. The actual expense for this sub-category have increased significantly. A portion of this 58% increase comes from a rise in the hearing officers, commiserate with the increases in the Disability Processing charges in the Administrative Budget (\$10 thousand) and the remainder has come from general counsel related to the Plan, Alameda, and employee relations (\$175 thousand).

### Operational Services and Supplies

Operational Services and Supplies includes legal department expenditures such as, but not limited to, employee engagement, staff memberships/subscriptions, software, staff training and conferences, and staff travel. Overall, appropriations in this category level, with only an increase to software costs. The Legal Services unit completed a project in FY 23/24 to select a contract management software, this line item includes the implementation and licensing costs for the new solution.

### Capital Expenditures

As part of the continued effort to enhance security and accessibility, the ProLaw software used by Legal Services will be upgraded to a cloud version that will be more secure and more easily accessed by appropriate staff.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 37.

## 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 \$691,700 or 9% and represent 46% of the total appropriated non-administrative expenditures.

Annual Budget Summary Non-Administrative Budget Investment Appropriations 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24			
	Proposed Budget	Approved Budget	Estimated Actual	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Non- Admin Budget
<b>Investment Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 3,524,100	\$ 3,154,900	\$ 3,033,000	\$ 369,200	12%	41%
<b>Total Personnel Costs</b>	<b>3,524,100</b>	<b>3,154,900</b>	<b>3,033,000</b>	<b>369,200</b>	<b>12%</b>	<b>41%</b>
<b>Professional Services</b>						
Attorney Fees	340,000	200,000	320,000	140,000	70%	4%
Consulting	3,032,000	2,913,500	2,913,500	118,500	4%	36%
Custodial Services	1,100,000	1,045,000	1,045,000	55,000	5%	13%
<b>Total Professional Services</b>	<b>4,472,000</b>	<b>4,158,500</b>	<b>4,278,500</b>	<b>313,500</b>	<b>8%</b>	<b>53%</b>
<b>Operational Services and Supplies</b>						
Building Rent	150,000	150,000	150,000	-	0%	2%
Employee Engagement	500	500	500	-	0%	0%
General Maintenance	2,500	3,000	2,500	(500)	-17%	0%
Memberships	8,000	9,500	8,000	(1,500)	-16%	0%
Non-Capital Projects	5,000	5,000	2,000	-	0%	0%
Office Expense	18,000	16,000	18,000	2,000	13%	0%
Software & Services	185,000	87,000	85,000	98,000	113%	2%
Training & Travel	107,500	96,500	42,500	11,000	11%	1%
<b>Total Operational Services and Supplies</b>	<b>476,500</b>	<b>367,500</b>	<b>308,500</b>	<b>109,000</b>	<b>30%</b>	<b>6%</b>
<b>Capital Expenditures</b>	<b>25,000</b>	<b>125,000</b>	<b>125,000</b>	<b>(100,000)</b>	<b>-80%</b>	<b>0%</b>
<b>Total Investment Appropriations</b>	<b>\$ 8,497,600</b>	<b>\$ 7,805,900</b>	<b>\$ 7,745,000</b>	<b>\$ 691,700</b>	<b>9%</b>	<b>46%</b>

## Cost Category Analysis

### Personnel Costs

Staff Salaries and Benefits: Overall, appropriations in this category are projected to increase by approximately \$369,200 or 12% from the prior year and represent 41% of the total appropriated non-administrative expenditures.

The overall increase of \$369,200 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 5% COLA.

### Professional Services

Professional Services includes outside attorney fees related to investment issues, consulting services, and custodian fees. Overall, appropriations in this category are projected to increase by \$313,500, or 8% over the prior budget. This increase primarily incorporates increased expenses for the custodian fees from State Street, contractual increases, and additional attorney fees based on actual experience.

### Operational Services and Supplies

Operational Services and Supplies includes, but is not limited to, staff professional memberships and subscriptions, office expense, rent, software, staff training and travel, and trustee due diligence travel. Overall, appropriations in this category are projected to increase by approximately \$109,000 or 30% from the prior year, and represent 6% of the total appropriated non-administrative expenditures.

Software & Services: Costs in this line item include the software selected as part of the FY 23/24 project to modernize the data management and library for investment-related documents and reports. This includes one-time implementation costs that are below the capitalization threshold.

Travel: Costs in this line item are projected to increase by \$11,000 primarily due to international travel requirements for due diligence compliance.

## Capital Expenditures

SBCERA issued an RFQ during FY 22/23 for a data management and library solution for the Investment department. The project will be completed at the beginning of FY 24/25.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 37.

# 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 2024-2025 Annual Budget						
	FY 24/25	FY 23/24	FY 23/24	Increase/ (Decrease) over FY 23/24 Budget	Change over FY 23/24 Budget	Share of Non- Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Technology Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 2,507,500	\$ 2,413,400	\$ 1,800,000	\$ 94,100	4%	36%
<b>Total Personnel Costs</b>	<b>2,507,500</b>	<b>2,413,400</b>	<b>1,800,000</b>	<b>94,100</b>	<b>4%</b>	<b>36%</b>
<b>Professional Services</b>						
Consulting	460,000	500,000	129,500	(40,000)	-8%	7%
Data Integrity	86,000	99,000	80,000	(13,000)	-13%	1%
<b>Total Professional Services</b>	<b>546,000</b>	<b>599,000</b>	<b>209,500</b>	<b>(53,000)</b>	<b>-9%</b>	<b>8%</b>
<b>Operational Services and Supplies</b>						
Data Communications	65,000	107,000	56,000	(42,000)	-39%	1%
Non-Capital Projects	555,005	460,000	375,000	95,005	21%	8%
Software & Services	2,568,305	2,652,500	1,526,682	(84,195)	-3%	37%
Training & Travel	60,000	80,000	20,000	(20,000)	-25%	1%
<b>Total Operational Services and Supplies</b>	<b>3,248,310</b>	<b>3,299,500</b>	<b>1,977,682</b>	<b>(51,190)</b>	<b>-2%</b>	<b>46%</b>
<b>Capital Expenditures</b>	<b>725,000</b>	<b>100,000</b>	<b>25,000</b>	<b>625,000</b>	<b>625%</b>	<b>10%</b>
<b>Total Technology Appropriations</b>	<b>\$ 7,026,810</b>	<b>\$ 6,411,900</b>	<b>\$ 4,012,182</b>	<b>\$ 614,910</b>	<b>10%</b>	<b>38%</b>

## Cost Category Analysis

### Personnel Costs

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

This category is projected to increase \$94,100 or 4% over the prior budget and encompasses merit increases, an estimated COLA of 5%, and the additional positions as presented starting on page 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 \$53,000 or 9% over the prior year and represent 8% of the total appropriated technology expenditures.

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

Data Integrity: The elements of the appropriations for Data Integrity include death audit services, which were formally included in the Administrative Budget, and fraud alert and protection for our member data. Services include persistent monitoring of our members' accounts for member deaths while in payment status and fraud risks/alerts for member accounts, including outside consumer fraud attempts.

### 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 \$51,900 or 2% from the prior year and represent 46% of the total appropriated technology expenditures.

Data Communications: Appropriations in this sub-category represent the cost to bring internet services to SBCERA, including redundant systems and the related equipment costs. Savings in this sub-category are a result of the elimination for the need for a backup internet solution.

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

Non-Capital Projects: Significant equipment purchases to support standardized technology setups are included in this sub-category. Standardizing the technology setups will assist general staff and IS staff with technical support, especially for remote work. Additional projects include replacing original notebooks that were purchased several years ago and replacement servers for redundancy and cybersecurity.

For a complete list of Non-Capital Projects, see *Appendix 2 – Non-Capital Project Summary* on page 37.

## Capital Expenditures

Capital Expenditures are projected to decrease significantly with the completion of the Pension Administration System Initiative. Current year appropriations support the Azure Tenant Migration, ZTNA & Sase solution, and Audio & Visual equipment needs. For further information, see page 13, *Initiatives to Support Strategic Priorities*.

For a complete list of capital expenditures, see *Appendix 1 – Capital Expenditure Summary*, on page 37.



# PAYMENTS NOT INCLUDED IN BUDGET

## Benefits and Refunds

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

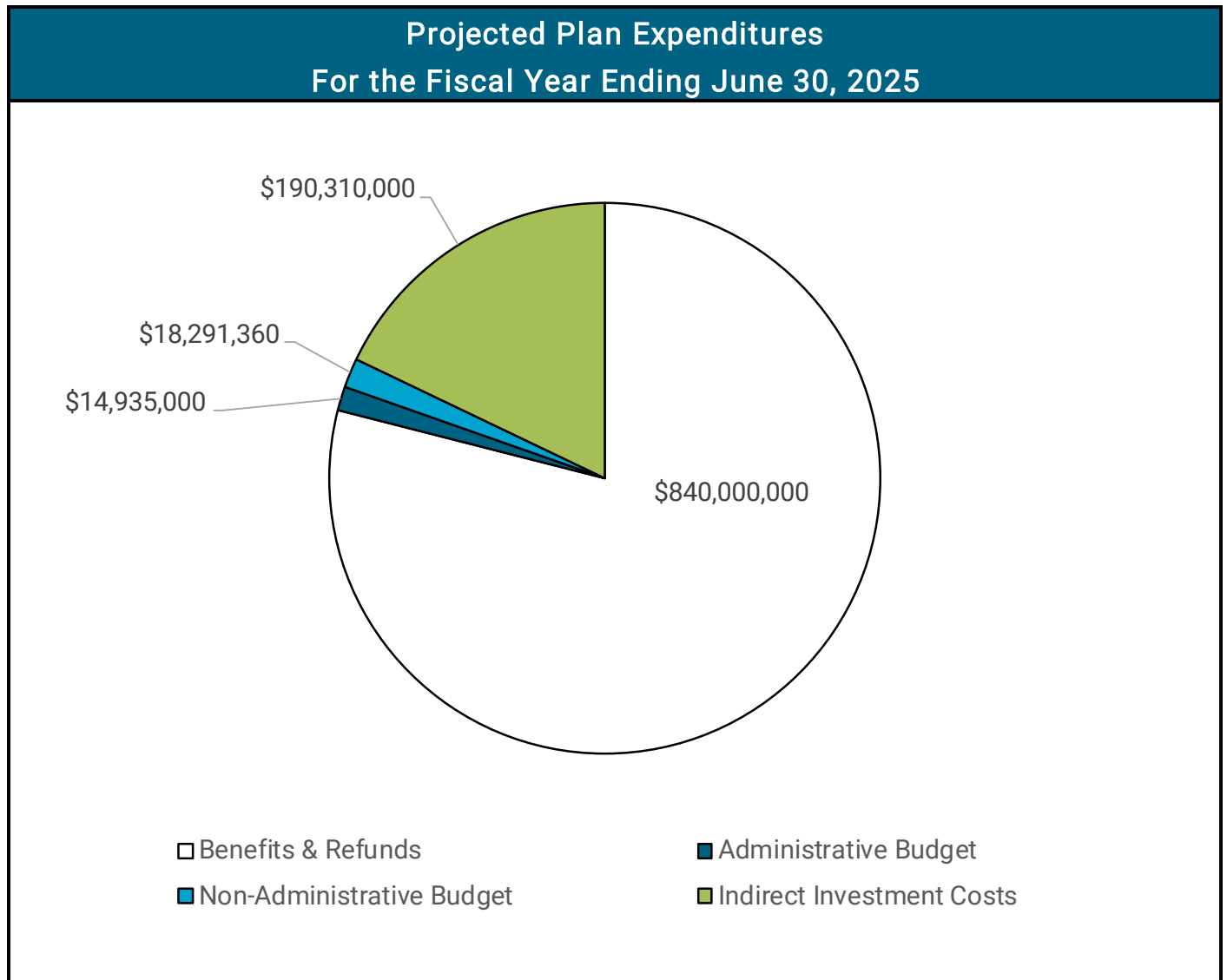
Benefits & Refunds Paid to Plan Members and their Beneficiaries				
(Amounts in Thousands)				
FY 20/21	FY 21/22	FY 22/23	Estimated FY 23/24	Projected FY 24/25
\$660,822	\$726,448	\$760,785	\$800,000	\$840,000

Indirect Investment Costs

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

Indirect Investment Costs										
(Amounts in Thousands)										
	FY 20/21		FY 21/22		FY 22/23		Estimated FY 23/24		Projected FY 24/25	
Management Fees	\$	114,566	\$	154,605	\$	111,134	\$	125,000	\$	135,000
Other Investment Expenses <sup>1</sup>	\$	23,853	\$	46,740	\$	49,436	\$	52,000	\$	55,000
Securities Lending Fees	\$	87	\$	261	\$	4,942	\$	300	\$	310
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, 2024:



## APPENDIX

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

- 1) Appendix 1 – Capital Expenditures Summary
- 2) Appendix 2 – Non-Capital Project Summary
- 3) Appendix 3 – Staff Position Summary
- 4) Appendix 4 – Staff Growth Analysis & Members Served by Staff

### Appendix 1 – Capital Expenditures Summary

Capital Expenditures Summary 2024-2025 Annual Budget	
<b>Administrative Budget:</b>	
SBCERA Member Services Relocation to First Floor <sup>1</sup>	\$ 140,000
<b>Total Additions for Administrative Budget</b>	<b>\$ 140,000</b>
<b>Non-Administrative Budget</b>	
<b>Legal Appropriations</b>	
Pro Law Upgrade <sup>1</sup>	\$ 100,000
<b>Total Additions for Legal Appropriations</b>	<b>\$ 100,000</b>
<b>Investment Appropriations</b>	
Data Management & Library Project	\$ 25,000
<b>Total Additions for Investment Appropriations</b>	<b>\$ 25,000</b>
<b>Technology Appropriations</b>	
Azure Tenant Migration <sup>1</sup>	\$ 150,000
ZTNA & Sase Solution	650,000
Audio & Video Equipment <sup>1</sup>	75,000
<b>Total Additions for Technology Appropriations</b>	<b>\$ 875,000</b>
<b>Total Additions for Non-Administrative Budget</b>	<b>\$ 1,000,000</b>
<b>Total Additions</b>	<b>\$ 1,140,000</b>

## Appendix 2 – Non-Capital Project Summary

Non-Capital Projects Summary 2024-2025 Annual Budget	
<b>Administrative Budget:</b>	
Suite Furniture Updates <sup>1</sup>	100,000
<b>Total Non-Capital Projects for Administrative Budget</b>	<b>\$ 100,000</b>
<b>Non-Administrative Budget</b>	
<b>Legal Appropriations</b>	
Furniture Updates <sup>1</sup>	\$ 5,000
<b>Total Non-Capital Projects for Legal Appropriations</b>	<b>\$ 5,000</b>
<b>Investment Appropriations</b>	
Furniture Updates <sup>1</sup>	\$ 5,000
<b>Total Non-Capital Projects for Investment Appropriations</b>	<b>\$ 5,000</b>
<b>Technology Appropriations</b>	
Servers (2)	\$ 70,000
Replacement Notebooks	250,000
Audio Visual Updates <sup>1</sup>	100,000
Monitors, keyboards, etc for standardization	110,000
Tablet, phone, headset replacements	25,000
<b>Total Non-Capital Projects for Investment Appropriations</b>	<b>\$ 555,000</b>
<b>Total Non-Capital Projects for Non-Administrative Budget</b>	<b>\$ 565,000</b>
<b>Total Non-Capital Projects Summary</b>	<b>\$ 665,000</b>

## Appendix 3 – Staff Position Summary

Staff Position Summary 2024-2025 Annual Budget	
<b>SBCERA Staff</b>	
<b>FY 23/24 Administrative Positions</b>	<b>65</b>
Positions Removed from Organizational Chart	3
Positions Added to Organizational Chart	1
<b>FY 24/25 Administrative Positions on Organizational Chart</b>	<b>63</b>
<b>FY 23/24 Legal Positions</b>	<b>7</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	0
<b>FY 24/25 Legal Positions on Organizational Chart</b>	<b>7</b>
<b>FY 23/24 Investment Positions</b>	<b>9</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	0
<b>FY 24/25 Investment Positions on Organizational Chart</b>	<b>9</b>
<b>FY 23/24 Technology Positions</b>	<b>11</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	0
<b>FY 24/25 Technology Positions on Organizational Chart<sup>1</sup></b>	<b>11</b>
<b>Total SBCERA Staff Positions for FY 24/25</b>	<b>90</b>
1) Excludes 5 Information Positions included in Administrative Budget.	

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

Staff Growth Analysis (Dollar Amounts in Thousands)								
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	FY 24/25	Growth Rate
Valuation Value of Assets	\$10,642,401	\$11,133,173	\$12,258,925	\$13,260,596	\$14,157,370			\$3,514,969 35.1%
Active & Deferred Members	28,549	29,308	29,697	30,464	32,408			3,859 13.9%
Retirees & Beneficiaries	13,244	13,833	14,292	14,878	15,389			2,145 16.9%
Approved Staff Positions	78	76	75	80	86	91	90	12 15.6%

Source: Actuarial Valuation as of June 30, 2023

The chart above illustrates that SBCERA's growth rate of assets and membership far outpaces the rate of approved staff position growth. Note that the asset value presented above utilizes the Actuarial Value of Assets (AVA) which is smoothed over 5 years. The AVA for the fiscal year ending June 30, 2024 will not be available until the Actuarial Valuation for the fiscal year ending June 30, 2024 is complete. Using the total proposed positions to be reduced for the 2024-2025 Annual Budget (1 position), the growth rate is 15.6%, which is less than the rate of membership and asset growth, when taken as a whole.

Members Served by Staff						
	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
Total Membership	41,793	43,141	43,989	45,342	47,797	48,500
Approved Staff Positions	78	76	75	80	86	91
<b>Membership per Position</b>	<b>536</b>	<b>568</b>	<b>587</b>	<b>567</b>	<b>556</b>	<b>533</b>

Source: Actuarial Valuation as of June 30, 2023

The average Members Served by Staff metric can be measured by dividing the total membership population by the approved staff positions for each respective year. For the Fiscal Year ending June 30, 2024 that number is approximately 533 members per position.