



San Bernardino County Employees'  
Retirement Association

# 2023 - 2024

## Annual Budget

For the Fiscal Year Ending June 30, 2024

Approved by Board of Retirement: June 1, 2023

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# 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Plan members and their beneficiaries who are employed by 16 active Plan sponsors (participating employers), and 5 withdrawn employers which include: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  
 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### Withdrawn Employers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:

<b>Board of Retirement</b>
<b>Board Chair</b> Marc Bracco (Elected by Safety Members)
<b>Board Vice Chair</b> Jean-Rene Basle (Appointed by Board of Supervisors)
<b>Additional Members Appointed by Board of Supervisors</b> Michael Kennedy Dawn Rowe Neal Waner
<b>Additional Members Elected by SBCERA Members</b> Louis Fiorino (Elected by General Members) Dawn Stafford (Elected by Retired Members) Vacant (Elected by General Members)
<b>Ex-Officio Member</b> Ensen Mason, Auditor-Controller/Treasurer/Tax Collector
<b>Alternates</b> 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 updated in June 2022. 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 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, 2023)



## 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

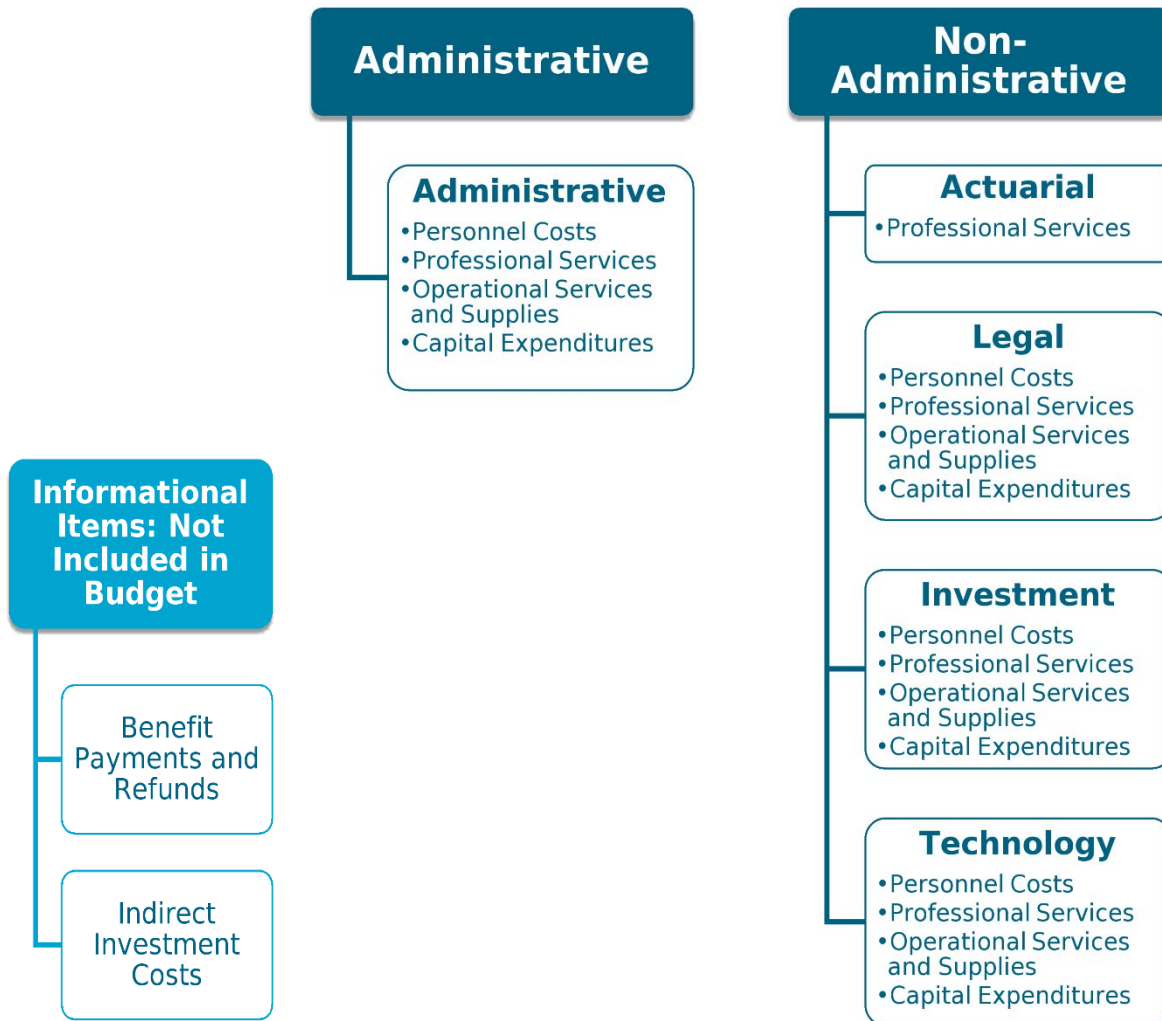
SBCERA is required by California Government Code (GC) section 31580.2, of the CERL, to prepare and approve an annual administrative expenditure budget covering the entire administrative expense of the Plan (also referred to as "appropriations"). The expense incurred in any year may not exceed twenty-one 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, 2023 to June 30, 2024 (the fiscal year ending June 30, 2024) (FY 23/24), 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 35 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		\$125,000
Contract Management Software	Operational Excellence & Efficiency	Contract management solution		\$100,000
Wyn Enterprise	Superior Service Experience	Performance metrics and reporting		\$25,000
Video Production	Superior Service Experience	Revamped member education	\$50,000	
Financial Literacy Education	Superior Service Experience	Revamped member education; Enhanced pre-retirement and post-retirement	\$50,000	
Digital Signage - Internal	Quality Employer & Workplace	Employee engagement	\$15,000	
Technology Standardization	Quality Employer & Workplace	Create a more engaged team, improve accountability to membership		\$100,000
Relocate call center to first floor	Quality Employer & Workplace	Space utilization/expansion to consolidate call center staff.	\$70,000	

# ANNUAL BUDGET SUMMARY

## Annual Budget Summary | By Expenditure Budget

The entire 2023 - 2024 annual budget is presented below in summary, by expenditure budget – Administrative and Non-Administrative:

Annual Budget Summary by Expenditure Budget 2023-2024 Annual Budget					
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease) over FY 22/23 Budget	Change over FY 22/23 Budget
	Proposed Budget	Approved Budget	Estimated Actual		
<b>Administrative Budget</b>					
Personnel Costs	\$ 10,958,400	\$ 10,038,000	\$ 8,473,000	\$ 920,400	9%
Professional Services	1,096,000	930,200	800,000	165,800	18%
Operational Services and Supplies	2,471,700	2,157,800	2,009,866	313,900	15%
Capital Expenditures	105,000	105,000	5,000	-	0%
<b>Total Administrative Budget</b>	<b>14,631,100</b>	<b>13,231,000</b>	<b>11,287,866</b>	<b>1,400,100</b>	<b>11%</b>
<b>Non-Administrative Budget</b>					
<b>Actuarial Appropriations</b>					
Professional Services	285,000	255,000	255,000	30,000	12%
<b>Total Actuarial Appropriations</b>	<b>285,000</b>	<b>255,000</b>	<b>255,000</b>	<b>30,000</b>	<b>12%</b>
<b>Legal Appropriations</b>					
Personnel Costs	1,540,000	1,668,000	1,200,000	(128,000)	-8%
Professional Services	320,000	360,000	245,000	(40,000)	-11%
Operational Services and Supplies	106,000	105,000	65,746	1,000	1%
Capital Expenditures	100,000	35,000	-	65,000	186%
<b>Total Legal Appropriations</b>	<b>2,066,000</b>	<b>2,168,000</b>	<b>1,510,746</b>	<b>(102,000)</b>	<b>-5%</b>
<b>Investment Appropriations</b>					
Personnel Costs	3,154,900	2,606,000	2,500,000	548,900	21%
Professional Services	4,158,500	3,802,000	3,867,000	356,500	9%
Operational Services and Supplies	367,500	319,000	253,331	48,500	15%
Capital Expenditures	125,000	-	-	125,000	0%
<b>Total Investment Appropriations</b>	<b>7,805,900</b>	<b>6,727,000</b>	<b>6,620,331</b>	<b>1,078,900</b>	<b>16%</b>
<b>Technology Appropriations</b>					
Personnel Costs	2,413,400	1,904,000	1,600,000	509,400	27%
Professional Services	599,000	450,000	350,000	149,000	33%
Operational Services and Supplies	3,299,500	2,285,000	2,168,230	1,014,500	44%
Capital Expenditures	600,000	3,819,365	3,106,635	(3,219,365)	-84%
<b>Total Technology Appropriations</b>	<b>6,911,900</b>	<b>8,458,365</b>	<b>7,224,865</b>	<b>(1,546,465)</b>	<b>-18%</b>
<b>Total Non-Administrative Budget</b>	<b>17,068,800</b>	<b>17,608,365</b>	<b>15,610,942</b>	<b>\$ (539,565)</b>	<b>-3%</b>
<b>Total Budget</b>	<b>\$ 31,699,900</b>	<b>\$ 30,839,365</b>	<b>\$ 26,898,808</b>	<b>\$ 860,535</b>	<b>3%</b>

## Annual Budget Summary | By Category

The entire 2023 – 2024 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 2023-2024 Annual Budget						
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease) over FY 22/23 Budget	Change over FY 22/23 Budget	Share of Total Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Personnel Costs</b>						
Administrative	\$ 10,958,400	\$ 10,038,000	\$ 8,473,000	\$ 920,400	9%	35%
Legal	1,540,000	1,668,000	1,200,000	(128,000)	-8%	5%
Investment	3,154,900	2,606,000	2,500,000	548,900	21%	10%
Technology	2,413,400	1,904,000	1,600,000	509,400	27%	8%
<b>Total Personnel Costs</b>	<b>18,066,700</b>	<b>16,216,000</b>	<b>13,773,000</b>	<b>1,850,700</b>	<b>11%</b>	<b>57%</b>
<b>Professional Services</b>						
Administrative	1,096,000	930,200	800,000	165,800	18%	3%
Actuarial	285,000	255,000	255,000	30,000	12%	1%
Legal	320,000	360,000	245,000	(40,000)	-11%	1%
Investment	4,158,500	3,802,000	3,867,000	356,500	9%	13%
Technology	599,000	450,000	350,000	149,000	33%	2%
<b>Total Professional Services</b>	<b>6,458,500</b>	<b>5,797,200</b>	<b>5,517,000</b>	<b>661,300</b>	<b>11%</b>	<b>20%</b>
<b>Operational Services and Supplies</b>						
Administrative	2,471,700	2,157,800	2,009,866	313,900	15%	8%
Legal	106,000	105,000	65,746	1,000	1%	0%
Investment	367,500	319,000	253,331	48,500	15%	1%
Technology	3,299,500	2,285,000	2,168,230	1,014,500	44%	10%
<b>Total Operational Services and Supplies</b>	<b>6,244,700</b>	<b>4,866,800</b>	<b>4,497,173</b>	<b>1,377,900</b>	<b>28%</b>	<b>20%</b>
<b>Capital Expenditures</b>						
Administrative	105,000	105,000	5,000	-	0%	0%
Legal	100,000	35,000	-	65,000	186%	0%
Investment	125,000	-	-	125,000	0%	0%
Technology	600,000	3,819,365	3,106,635	(3,219,365)	-84%	2%
<b>Total Capital Expenditures</b>	<b>930,000</b>	<b>3,959,365</b>	<b>3,111,635</b>	<b>(3,029,365)</b>	<b>-77%</b>	<b>3%</b>
<b>Total Budget</b>	<b>31,699,900</b>	<b>30,839,365</b>	<b>26,898,808</b>	<b>860,535</b>	<b>3%</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 2023-2024 Annual Budget						
	<u>FY 23/24</u>	<u>FY 22/23</u>	<u>FY 22/23</u>			
	<u>Proposed Budget</u>	<u>Approved Budget</u>	<u>Estimated Actual</u>	<u>Increase/ (Decrease) over FY 22/23 Budget</u>	<u>Change over FY 22/23 Budget</u>	<u>Share of Total Budget</u>
Personnel Costs	18,066,700	16,216,000	13,773,000	1,850,700	11%	57%
All Other Budget Items	13,633,200	14,623,365	13,125,808	(990,165)	-7%	43%
<b>Total Budget</b>	<b>31,699,900</b>	<b>30,839,365</b>	<b>26,898,808</b>	<b>860,535</b>	<b>3%</b>	<b>100%</b>

## STATUTORY LIMIT

Based on an Actuarial Accrued Liability (AAL) of \$15.6 billion (as of the most recent actuarial valuation dated June 30, 2022), the statutory limit for administrative expenditures is approximately \$32.8 million, representing a \$1.4 million increase over the prior year's statutory limit of \$31.4 million. The AAL is calculated once a year, by SBCERA's independent actuary. The next actuarial valuation for June 30, 2023, will be presented to the Board in November 2023, 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, 2022	\$ 15,630,124,402
Basis points per GC §31580.2	0.0021
<b>Statutory limit of 0.21% allowed per GC §31580.2</b>	<b>\$ 32,823,261</b>
<b>Administrative Budget</b>	<b>\$ 14,631,100</b>
<b>Budget as Basis points of AAL</b>	<b>0.00094</b>
<b>Unrestricted Contingency Fund</b>	<b>\$ 18,192,161</b>

The proposed administrative expenditure budget appropriations are \$14,631,100, approximately 45% of the statutory limit, or 9.4 basis points. The remaining \$18.2 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 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24
AAL	12,604,942,218	13,304,683,218	14,298,195,718	14,957,435,405	15,630,124,402
Basis Points	21	21	21	21	21
Statutory Limit	26,470,379	27,939,835	30,026,211	31,410,614	32,823,261
Administrative Budget <sup>1</sup>	12,376,900	12,305,550	11,435,850	13,231,000	14,631,100
<b>Basis Points</b>	<b>9.8</b>	<b>9.2</b>	<b>8.0</b>	<b>8.8</b>	<b>9.4</b>

1)Includes any amendments approved by the Board.



# ADMINISTRATIVE BUDGET

Annual Budget Summary Administrative Budget 2023-2024 Annual Budget						
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease) over FY 22/23 Budget	Change over FY 22/23 Budget	Share of Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Administrative Budget</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 10,946,400	\$ 10,024,000	\$ 8,461,000	\$ 922,400	9%	75%
Board Stipends	12,000	14,000	12,000	(2,000)	-14%	0%
<b>Total Personnel Costs</b>	<b>10,958,400</b>	<b>10,038,000</b>	<b>8,473,000</b>	<b>920,400</b>	<b>9%</b>	<b>75%</b>
<b>Professional Services</b>						
Audit	81,500	73,500	74,000	8,000	11%	1%
Consulting	77,500	77,700	7,500	(200)	0%	1%
Data Integrity	-	50,000	50,000	(50,000)	-100%	0%
Disability Claim Process	775,000	670,000	610,000	105,000	16%	5%
Member Engagement	150,000	39,000	46,500	111,000	285%	1%
Payroll Services	12,000	20,000	12,000	(8,000)	-40%	0%
<b>Total Professional Services</b>	<b>1,096,000</b>	<b>930,200</b>	<b>800,000</b>	<b>165,800</b>	<b>18%</b>	<b>7%</b>
<b>Operational Services and Supplies</b>						
Building Rent	750,000	700,000	700,000	50,000	7%	5%
Career Development Fund	25,000	25,000	10,000	-	0%	0%
Claims, Judgments, & Orders	35,000	35,000	16,000	-	0%	0%
Communication Platforms	209,000	190,000	190,000	19,000	10%	1%
Employee Engagement	34,800	26,000	26,700	8,800	34%	0%
Equipment Rent	130,000	115,000	110,000	15,000	13%	1%
General Maintenance	78,150	53,150	53,150	25,000	47%	1%
Insurance	330,800	320,000	314,706	10,800	3%	2%
Member Engagement	87,000	89,000	94,000	(2,000)	-2%	1%
Memberships	48,990	37,925	40,485	11,065	29%	0%
Non-Capital Projects	140,000	-	-	140,000	0%	1%
Office Expense	161,050	187,350	151,050	(26,300)	-14%	1%
Offsite Storage	13,000	26,000	18,000	(13,000)	-50%	0%
Recruiting & Hiring	7,500	7,000	6,400	500	7%	0%
Suite Services	152,500	83,300	126,300	69,200	83%	1%
Training & Travel	268,910	263,075	153,075	5,835	2%	2%
<b>Total Operational Services and Supplies</b>	<b>2,471,700</b>	<b>2,157,800</b>	<b>2,009,866</b>	<b>313,900</b>	<b>15%</b>	<b>17%</b>
<b>Capital Expenditures</b>	<b>105,000</b>	<b>105,000</b>	<b>5,000</b>	<b>-</b>	<b>0%</b>	<b>1%</b>
<b>Total Administrative Budget</b>	<b>\$ 14,631,100</b>	<b>\$ 13,231,000</b>	<b>\$ 11,287,866</b>	<b>\$ 1,400,100</b>	<b>11%</b>	<b>100%</b>

The proposed appropriations of \$14,631,100 represent an increase from the prior year appropriated budgeted expenditures of \$13,231,000. The difference in proposed appropriations represents an increase of approximately \$1,400,100 or 11% 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 \$920,400 or 9% over the prior year and represent 75% of the total appropriated administrative expenditures. The increase in Personnel Costs for the Administrative budget is attributed to a decrease in Board Stipends (\$2 thousand) based on actual experience, merit and benefit increases (\$233 thousand) based on increased benefit costs and scheduled merit increases, an estimated 4% cost of living adjustment (COLA) (\$150 thousand), and the full-board cost of position additions and changes (\$540 thousand). The COLA is subject to bargaining. For the purposes of this Annual Budget, the estimated COLA being used is 4%.

Appendices 3 and 4, on pages 37 and 38, illustrate the relationship between asset growth, membership growth and the growth rate of approved staff positions for the six fiscal years ending June 30, 2023.

SBCERA personnel are budgeted as follows:

Summary of Personnel - Administrative Budget			
Department <sup>1</sup>	FY 23/24	FY 22/23	Net Change in Budgeted Positions
Administration	3	3	-
Communications	4	4	-
Disability Retirement Unit	9	8	1
Fiscal Services	19	20	(1)
Human Resources	3	3	-
Information Services	5	2	3
Member Services	21	21	-
<b>Total Budgeted Positions</b>	<b>64</b>	<b>61</b>	<b>3</b>

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

There are 64 Administrative Staff positions for the FY 23/24 Administrative Budget, all of which are being funded as part of this Administrative Budget. This is a three-position net increase over the prior year budget as amended, including one position reclassifications and the elimination of one currently vacate position. Positions are being added to the Information Services and Disability departments.

Projects and Facilities Assistant Manager (Information Services – Administrative): This newly created managerial position will oversee facilities management staff and functions previously performed by the contracted property manager. These functions include office space modernization, interfacing with construction vendors, contract management, and disaster recovery services. This position will also serve as the project manager overseeing new and ongoing organizational and IS project work, including the remaining service requests for Pension Gold as well as new software implementations.

Executive Secretary (Information Services – Administrative): This position will support the Information Services management team and entire department. The position will also support the newly created Projects and Facilities Assistant Manager.

Facilities Maintenance Technician (Information Services – Administrative): This newly created position will coordinate with external facility vendors and contractors and perform general building maintenance and upkeep. The position will provide much needed support for installing ergonomic devices, equipment installation, and minor suite changes. These items are currently being performed by IS management.

Disability Retirement Manager (Disability Retirement Unit): This newly created position will establish organizational symmetry with the Member Services team and allow for more hands-on management of the Disability Retirement processing staff, creating additional capacity for the Chief Counsel.

Communications Specialist (Communications): This position will be reclassified from a currently vacant Communications Officer position. The modification better aligns with SBCERA's needs and the strategic communications plan. Additionally, having two positions with the same classification creates better cross-functionality and coverage.

### *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 \$145,800 or 16% over the prior year and represent 7% 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. Increases represent the agreed upon escalator in the contract with Brown Armstrong.

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

Data Integrity: This newly created sub-category encompasses the death audit services that were previously categorized as miscellaneous. The actual expense for FY 23/24 has been moved to the Information Systems budget along with other Data Integrity 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 \$105 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.

Payroll Services: Savings in this sub-category represent there is no longer a need for special reporting and training with the current payroll platform and are based on actual experience.

### *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 increase by approximately \$313,900 or 15% 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.

Insurance: Overall insurance costs are expected to increase by 5% due to rising insurance costs.

Office Expense: Office Expense continues to decrease. This decrease is primarily a result of decreased toner use, which has continued into the office reopening, as SBCERA has moved into a more paperless environment.

Training/Seminars/Conferences: Costs in this line item increased slightly to accommodate increased staff positions.

Communication Platforms: This line item has been expanded to include all telephone and communication-related software/apps. These items were originally in the Technology line items but have been realigned for transparent presentation. The newly moved items include Zoom, Slack, all DialPad expenses, cell phone charges, satellite phones, and fax services.

### *Capital Expenditures*

Capital Expenditures will remain the same from the prior year budget. Both projects are being carried over from the prior year and are expected to be completed in FY 23/24.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 35.

SBCERA Call Center Relocation to First Floor: This project is budgeted at \$70,000 and includes furniture and the labor associated with moving the furniture. This project will move all of the call center employees to the same location for better collaboration and superior member service.

Indoor Signage: This project is budgeted at \$35,000 and includes the final SBCERA signage and artwork in the interior spaces of the SBCERA suites.

# 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 2023-2024 Annual Budget						
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease)	Change over FY	Share of
	Proposed Budget	Approved Budget	Estimated Actual	over FY 22/23 Budget	22/23 Budget	Non- Admin Budget
<b>Non-Administrative Budget</b>						
<b>Actuarial Appropriations</b>						
Professional Services	\$ 285,000	\$ 255,000	\$ 255,000	\$ 30,000	12%	2%
<b>Total Actuarial Appropriations</b>	<b>285,000</b>	<b>255,000</b>	<b>255,000</b>	<b>30,000</b>	<b>12%</b>	<b>2%</b>
<b>Legal Appropriations</b>						
Personnel Costs	1,540,000	1,668,000	1,200,000	(128,000)	-8%	9%
Professional Services	320,000	360,000	245,000	(40,000)	-11%	2%
Operational Services and Supplies	106,000	105,000	65,746	1,000	1%	1%
Capital Expenditures	100,000	35,000	-	65,000	186%	1%
<b>Total Legal Appropriations</b>	<b>2,066,000</b>	<b>2,168,000</b>	<b>1,510,746</b>	<b>(102,000)</b>	<b>-5%</b>	<b>12%</b>
<b>Investment Appropriations</b>						
Personnel Costs	3,154,900	2,606,000	2,500,000	548,900	21%	18%
Professional Services	4,158,500	3,802,000	3,867,000	356,500	9%	24%
Operational Services and Supplies	367,500	319,000	253,331	48,500	15%	2%
Capital Expenditures	125,000	-	-	125,000	0%	1%
<b>Total Investment Appropriations</b>	<b>7,805,900</b>	<b>6,727,000</b>	<b>6,620,331</b>	<b>1,078,900</b>	<b>16%</b>	<b>46%</b>
<b>Technology Appropriations</b>						
Personnel Costs	2,413,400	1,904,000	1,600,000	509,400	27%	14%
Professional Services	599,000	450,000	350,000	149,000	33%	4%
Operational Services and Supplies	3,299,500	2,285,000	2,168,230	1,014,500	44%	19%
Capital Expenditures	600,000	3,819,365	3,106,635	(3,219,365)	-84%	4%
<b>Total Technology Appropriations</b>	<b>6,911,900</b>	<b>8,458,365</b>	<b>7,224,865</b>	<b>(1,546,465)</b>	<b>-18%</b>	<b>40%</b>
<b>Total Non-Administrative Budget</b>	<b>\$ 17,068,800</b>	<b>\$ 17,608,365</b>	<b>\$ 15,610,942</b>	<b>\$ (539,565)</b>	<b>-3%</b>	<b>100%</b>

Overall, the total Non-Administrative Expenditure Budget for the fiscal year ending June 30, 2024, is approximately \$17,068,800, which is a decrease of \$539,565 or 3% from the prior year appropriations of \$17,608,365. 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 \$930 thousand or 15% 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 (\$231 thousand) based on increased benefit costs and scheduled merit increases, an estimated 4% cost of living adjustment (COLA) (\$87 thousand), and the full-board cost of position additions and changes (\$612 thousand). The COLA is subject to bargaining. For the purposes of this Annual Budget, the estimated COLA being used is 4%.

Appendices 3 and 4, on pages 37 and 38, illustrate the relationship between asset growth, membership growth and the growth rate of approved staff positions for the six fiscal years ending June 30, 2023.

SBCERA non-administrative personnel are budgeted as follows:

Summary of Personnel - Non-Administrative Budget			
Department <sup>1</sup>	FY 23/24	FY 22/23	Net Change in Budgeted Positions
Legal	6	7	(1)
Investment	9	8	1
Information Services	11	10	1
<b>Total Budgeted Positions</b>	<b>26</b>	<b>25</b>	<b>1</b>

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

There are 27 Staff positions for the FY 23/24 Non-Administrative Budget, 26 of which are being budgeted as part of this Non-Administrative Budget. This is a one-position net increase over the prior year budget as amended, including two position reclassifications, one currently vacant position not being budgeted, and two positions being added. Positions are being added to the Information Services and Investment departments.

Cloud Infrastructure Architect (Information Systems): This newly created position will implement Identity Management, Business Continuity, DevOps, and Cloud Architecture as we transition to a cloud-native infrastructure.

Investment Operations and Portfolio Analytics Manager (Investment): This newly created position will help to manage the administrative back and middle office operations of the Investments department. This role will also

oversee the implementation of an investment data solution and develop more robust reporting, analytics, and portfolio modeling for the SBCERA staff and Board.

Senior Investment Officer (Investment): The two currently held Investment Officer positions will be reclassified to Senior Investment Officer.

## 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, 2025, to be performed in FY 25/26. 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, 2023 valuation, to be performed as part of FY 23/24.

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 2023-2024 Annual Budget						
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease) over FY 22/23 Budget	Change over FY 22/23 Budget	Share of Non- Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Actuarial Appropriations</b>						
<b>Professional Services</b>						
Actuarial Studies	\$ 90,000	\$ 140,000	\$ 140,000	\$ (50,000)	-36%	32%
Consulting	195,000	115,000	115,000	\$ 80,000	70%	68%
<b>Total Professional Services</b>	<b>285,000</b>	<b>255,000</b>	<b>255,000</b>	<b>30,000</b>	<b>12%</b>	<b>100%</b>
<b>Total Actuarial Appropriations</b>	<b>\$ 285,000</b>	<b>\$ 255,000</b>	<b>\$ 255,000</b>	<b>\$ 30,000</b>	<b>12%</b>	<b>2%</b>



## Cost Category Analysis

### Professional Services

Overall, the budgeted actuarial appropriation is \$285,000, an increase of \$30 thousand or 12% 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 savings in the Consulting sub-category are based upon actual experience.

## 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 \$2,066,000, there is a decrease of \$102,000, or 5%, from the prior year appropriations. The overall decrease is explained below in the *Cost Category* section.

Annual Budget Summary Non-Administrative Budget Legal Appropriations 2023-2024 Annual Budget						
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease)	Change over FY	Share of
	Proposed Budget	Approved Budget	Estimated Actual	over FY 22/23 Budget	22/23 Budget	Non- Admin Budget
<b>Legal Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 1,540,000	\$ 1,668,000	\$ 1,200,000	\$ (128,000)	-8%	75%
<b>Total Personnel Costs</b>	<b>1,540,000</b>	<b>1,668,000</b>	<b>1,200,000</b>	<b>(128,000)</b>	<b>-8%</b>	<b>75%</b>
<b>Professional Services</b>						
Attorney Fees	320,000	360,000	1,200,000	(40,000)	-11%	15%
<b>Total Professional Services</b>	<b>320,000</b>	<b>360,000</b>	<b>1,200,000</b>	<b>(40,000)</b>	<b>-11%</b>	<b>15%</b>
<b>Operational Services and Supplies</b>						
Employee Engagement	1,650	1,650	1,650	-	0%	0%
General Maintenance	-	-	-	-	0%	0%
Memberships	28,000	28,000	27,246	-	0%	1%
Non-Capital Projects	5,000	5,000	-	-	0%	0%
Office Expense	2,850	1,850	1,850	1,000	54%	0%
Software & Services	24,000	24,000	24,000	-	0%	1%
Training & Travel	44,500	44,500	11,000	-	0%	2%
<b>Total Operational Services and Supplies</b>	<b>106,000</b>	<b>105,000</b>	<b>65,746</b>	<b>1,000</b>	<b>1%</b>	<b>5%</b>
<b>Capital Expenditures</b>	<b>100,000</b>	<b>35,000</b>	<b>-</b>	<b>65,000</b>	<b>186%</b>	<b>5%</b>
<b>Total Legal Appropriations</b>	<b>\$ 2,066,000</b>	<b>\$ 2,168,000</b>	<b>\$ 2,465,746</b>	<b>\$ (102,000)</b>	<b>-5%</b>	<b>12%</b>

## Cost Category Analysis

### *Personnel Costs*

Staff Salaries and Benefits: Overall, appropriations in this category are projected to decrease by approximately \$128,000 or 8% from the prior year and represent 75% of the total appropriated legal non-administrative expenditures. As discussed on page 23, the Staff Counsel position is not being budgeted for in FY 23/24.

The overall decrease of \$128,000 in personnel costs is due to net salary and benefit increases pursuant to the SBCERA Employment Resolution, Salary Rate and Step Advancement Plan, a net decrease in position changes, and an estimated 4% COLA.

### *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.

### *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 a minor increase to Office Expense.

### *Capital Expenditures*

The Legal department is the source and main contact for reviewing and drafting SBCERA contracts. The existing method of tracking contracts can be improved through better control processes. Migrating the current process for managing contracts and agreements to a software platform will improve efficiency and security, as well as centralize SBCERA's contracts. Some of the contract management software products that have been reviewed, incorporate these elements by making contracts easily accessible, providing accurate reporting for contract analysis, improving productivity, making drafting and negotiating contracts fast and straightforward, increasing compliance, and reducing risk. It is evident from the review of contract management software vendors that the software can automate and streamline the entire contract lifecycle from beginning to termination of services. With the assistance of software management, SBCERA will be positioned to administer agreements and negotiate renewals and comply with regulatory requirements more effectively. Moreover, the software will assist with

contract oversight, as well as align with SBCERA's Strategic Planning Goals of Operational Excellence and Efficiency. \$100,000 is budgeted to fund this project as part of the initial implementation of the contract software management. This amount was also budgeted in the prior two fiscal years, but the project was not substantially completed.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 35.

## 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 \$1,078,900 or 16% and represent 46% of the total appropriated non-administrative expenditures.

Annual Budget Summary Non-Administrative Budget Investment Appropriations 2023-2024 Annual Budget						
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease) over FY 22/23 Budget	Change over FY 22/23 Budget	Share of Non- Admin Budget
	Proposed Budget	Approved Budget	Estimated Actual			
<b>Investment Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 3,154,900	\$ 2,606,000	\$ 2,500,000	\$ 548,900	21%	40%
<b>Total Personnel Costs</b>	<b>3,154,900</b>	<b>2,606,000</b>	<b>2,500,000</b>	<b>548,900</b>	<b>21%</b>	<b>40%</b>
<b>Professional Services</b>						
Attorney Fees	200,000	135,000	200,000	65,000	48%	3%
Consulting	2,913,500	2,717,000	2,717,000	196,500	7%	37%
Custodial Services	1,045,000	950,000	950,000	95,000	10%	13%
<b>Total Professional Services</b>	<b>4,158,500</b>	<b>3,802,000</b>	<b>3,867,000</b>	<b>356,500</b>	<b>9%</b>	<b>53%</b>
<b>Operational Services and Supplies</b>						
Building Rent	150,000	155,000	125,000	(5,000)	-3%	2%
Employee Engagement	500	500	500	-	0%	0%
General Maintenance	3,000	3,000	1,500	-	0%	0%
Memberships	9,500	8,500	7,526	1,000	12%	0%
Non-Capital Projects	5,000	5,000	3,000	-	0%	0%
Office Expense	16,000	19,000	13,500	(3,000)	-16%	0%
Software & Services	87,000	87,000	79,560	-	0%	1%
Training & Travel	96,500	41,000	22,745	55,500	135%	1%
<b>Total Operational Services and Supplies</b>	<b>367,500</b>	<b>319,000</b>	<b>253,331</b>	<b>48,500</b>	<b>15%</b>	<b>5%</b>
<b>Capital Expenditures</b>	<b>125,000</b>	<b>-</b>	<b>-</b>	<b>125,000</b>	<b>0%</b>	<b>2%</b>
<b>Total Investment Appropriations</b>	<b>\$ 7,805,900</b>	<b>\$ 6,727,000</b>	<b>\$ 6,620,331</b>	<b>\$ 1,078,900</b>	<b>16%</b>	<b>46%</b>

## Cost Category Analysis

### Personnel Costs

Staff Salaries and Benefits: Overall, appropriations in this category are projected to increase by approximately \$548,900 or 21% from the prior year and represent 40% of the total appropriated non-administrative expenditures. As discussed on page 23, a new position has been added and two positions have been reclassified.

The overall increase of \$548,900 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 4% 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 \$356,500, or 9% 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 \$48,500 or 15% from the prior year, and represent 5% of the total appropriated non-administrative expenditures.

Travel: Costs in this line item are projected to increase by \$55,500 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. Final selections for the vendor are being made.

For a complete list of Capital Expenditures, see *Appendix 1 – Capital Expenditures Summary* on page 35.

# 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 2023-2024 Annual Budget						
	FY 23/24	FY 22/23	FY 22/23	Increase/ (Decrease)	Change over FY	Share of
	Proposed Budget	Approved Budget	Estimated Actual	over FY 22/23 Budget	22/23 Budget	Non- Admin Budget
<b>Technology Appropriations</b>						
<b>Personnel Costs</b>						
Staff Salaries and Benefits	\$ 2,413,400	\$ 1,904,000	\$ 1,600,000	\$ 509,400	27%	35%
<b>Total Personnel Costs</b>	<b>2,413,400</b>	<b>1,904,000</b>	<b>1,600,000</b>	<b>509,400</b>	<b>27%</b>	<b>35%</b>
<b>Professional Services</b>						
Consulting	500,000	450,000	350,000	50,000	11%	7%
Data Integrity	99,000	-	-	99,000	0%	1%
<b>Total Professional Services</b>	<b>599,000</b>	<b>450,000</b>	<b>350,000</b>	<b>149,000</b>	<b>33%</b>	<b>9%</b>
<b>Operational Services and Supplies</b>						
Communication Platforms	-	45,000	26,000	(45,000)	-100%	0%
Data Communications	107,000	110,000	99,000	(3,000)	-3%	2%
General Maintenance	-	10,000	5,000	(10,000)	-100%	0%
Memberships	-	-	-	-	0%	0%
Non-Capital Projects	460,000	246,000	241,000	214,000	87%	7%
Office Expense	-	-	-	-	0%	0%
Software & Services	2,652,500	1,794,000	1,757,230	858,500	48%	38%
Training & Travel	80,000	80,000	40,000	-	0%	1%
<b>Total Operational Services and Supplies</b>	<b>3,299,500</b>	<b>2,285,000</b>	<b>2,168,230</b>	<b>1,014,500</b>	<b>44%</b>	<b>48%</b>
<b>Capital Expenditures</b>	<b>600,000</b>	<b>3,819,365</b>	<b>3,106,635</b>	<b>(3,219,365)</b>	<b>-84%</b>	<b>9%</b>
<b>Total Technology Appropriations</b>	<b>\$ 6,911,900</b>	<b>\$ 8,458,365</b>	<b>\$ 7,224,865</b>	<b>\$ (1,546,465)</b>	<b>-18%</b>	<b>40%</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 \$509,400 or 27% over the prior budget and encompasses merit increases, an estimated COLA of 4%, and the additional positions as presented starting on page 23.

### 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 \$149,000 or 33% over the prior year and represent 9% 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 increase by approximately \$1,014,500 or 44% from the prior year and represent 48% of the total appropriated technology expenditures.

Communication Platforms: The now-obsolete phone system was included in the Communication Platforms non-administrative sub-category. The entire cost for Communication Platforms is now included in the Administrative Budget.

Data Communications: Appropriations in this sub-category represent the cost to bring internet services to SBCERA, including redundant systems and the related equipment costs.

Software/Software Licensing & Support: Costs in this line item have increased 48% over the prior year. The increases are primarily attributed to moving toward cloud-based solutions and licensing fees after implementation. Additional increases are related to cybersecurity, user-security related to remote work, and network security.

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 35.

## 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 and Audio & Visual equipment needs. For further information, see page 12, *Initiatives to Support Strategic Priorities*.

For a complete list of capital expenditures, see *Appendix 1 – Capital Expenditure Summary*, on page 35.



# 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 19/20	FY 20/21	FY 21/22	Estimated FY 22/23	Projected FY 23/24
\$621,564	\$660,822	\$726,448	\$788,300	\$810,000

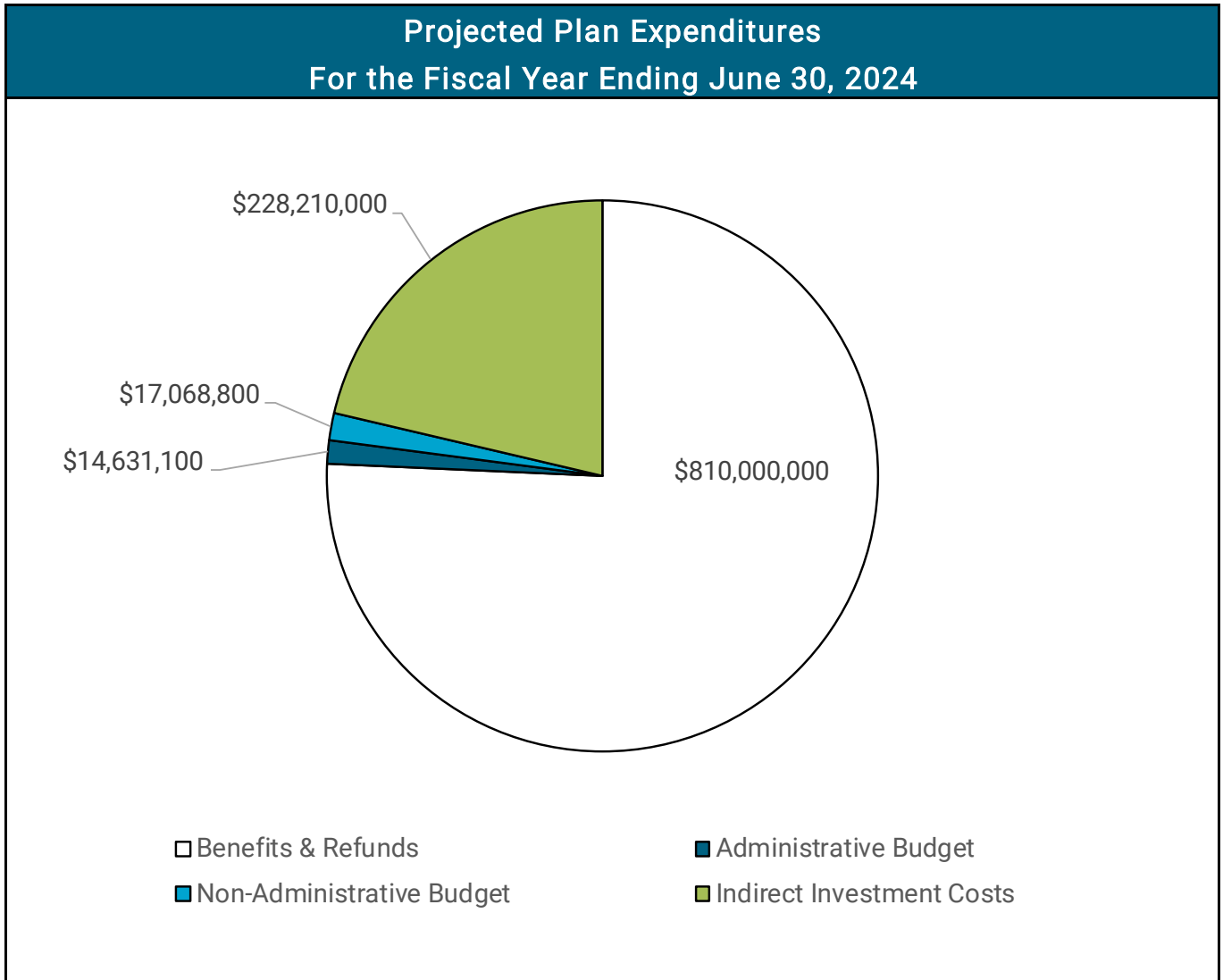
## Indirect Investment Costs

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 19/20	FY 20/21	FY 21/22	Estimated FY 22/23	Projected FY 23/24
Management Fees	\$ 88,495	\$ 114,566	\$ 154,605	\$ 160,000	\$ 170,000
Other Investment Expenses <sup>1</sup>	\$ 50,925	\$ 23,853	\$ 46,740	\$ 55,000	\$ 58,000
Securities Lending Fees	\$ 1,592	\$ 87	\$ 261	\$ 200	\$ 210

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

<b>Capital Expenditures Summary</b>	
<b>2023-2024 Annual Budget</b>	
<b>Administrative Budget:</b>	
Physical Signage	\$ 35,000
SBCERA Call Center Relocation to First Floor	70,000
<b>Total Additions for Administrative Budget</b>	<b>\$ 105,000</b>
<b>Non-Administrative Budget</b>	
<b>Legal Appropriations</b>	
Contract Management Software	\$ 100,000
<b>Total Additions for Legal Appropriations</b>	<b>\$ 100,000</b>
<b>Investment Appropriations</b>	
Data Management & Library Project	\$ 125,000
<b>Total Additions for Investment Appropriations</b>	<b>\$ 125,000</b>
<b>Technology Appropriations</b>	
Azure Tenant Migration	\$ 500,000
Audio & Video Equipment	100,000
<b>Total Additions for Technology Appropriations</b>	<b>\$ 600,000</b>
<b>Total Additions for Non-Administrative Budget</b>	<b>\$ 825,000</b>
<b>Total Additions</b>	<b>\$ 930,000</b>

## Appendix 2 – Non-Capital Project Summary

<b>Non-Capital Projects Summary</b>	
<b>2023-2024 Annual Budget</b>	
<b>Administrative Budget:</b>	
Apple Laptops & Rendering Server (Communications)	\$ 40,000
Suite Furniture Updates	100,000
<b>Total Non-Capital Projects for Administrative Budget</b>	<b>\$ 140,000</b>
<b>Non-Administrative Budget</b>	
<b>Legal Appropriations</b>	
Furniture Updates	\$ 5,000
<b>Total Non-Capital Projects for Legal Appropriations</b>	<b>\$ 5,000</b>
<b>Investment Appropriations</b>	
Furniture Updates	\$ 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	200,000
Scanning Station Updates	10,000
Audio Visual Updates	35,000
Monitors, keyboards, etc for standardization	100,000
Tablet, phone, headset replacements	20,000
Trustee equipment	25,000
<b>Total Non-Capital Projects for Investment Appropriations</b>	<b>\$ 460,000</b>
<b>Total Non-Capital Projects for Non-Administrative Budget</b>	<b>\$ 470,000</b>
<b>Total Non-Capital Projects Summary</b>	<b>\$ 610,000</b>

## Appendix 3 – Staff Position Summary

<b>Staff Position Summary</b>	
<b>2023-2024 Annual Budget</b>	
<b>SBCERA Staff</b>	
<b>FY 22/23 Administrative Positions</b>	<b>61</b>
Positions Removed from Organizational Chart	(1)
Positions Added to Organizational Chart	4
<b>FY 23/24 Administrative Positions Budgeted</b>	<b>64</b>
<b>FY 22/23 Legal Positions</b>	<b>7</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	0
<b>FY 23/24 Legal Positions Budgeted</b>	<b>7</b>
<b>FY 22/23 Investment Positions</b>	<b>8</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	1
<b>FY 23/24 Investment Positions Budgeted</b>	<b>9</b>
<b>FY 22/23 Technology Positions</b>	<b>10</b>
Positions Removed from Organizational Chart	0
Positions Added to Organizational Chart	1
<b>FY 23/24 Technology Positions Budgeted<sup>1</sup></b>	<b>11</b>
<b>Total SBCERA Staff Positions for FY 23/24</b>	<b>91</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 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23	FY 23/24	Growth	Growth Rate
Actuarial Value of Assets	\$10,020,863	\$10,642,401	\$11,133,173	\$12,258,925	\$13,260,596			\$3,239,733	32.3%
Active & Deferred Members	27,676	28,549	29,308	29,697	30,464			2,788	10.1%
Retirees & Beneficiaries	12,716	13,244	13,833	14,292	14,878			2,162	17.0%
Approved Staff Positions	77	78	76	75	80	86	91	14	18.2%

Source: Actuarial Valuation as of June 30, 2022

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, 2022 will not be available until the Actuarial Valuation for the fiscal year ending June 30, 2022 is complete. Using the total proposed positions to be added for the 2022-2023 Annual Budget (6 positions), the growth rate is 12%, which is less than the rate of membership and asset growth.

Members Served by Staff						
	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22
Total Membership	38,836	40,392	41,793	43,141	43,989	45,388
Approved Staff Positions	77	77	78	76	75	80
<b>Membership per Position</b>	<b>504</b>	<b>525</b>	<b>536</b>	<b>568</b>	<b>587</b>	<b>567</b>

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, 2022 that number is approximately 567 members per position.