



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 13

MEETING DATE: March 20, 2024

SUBJECT: 2024-25 Budget Preview

SUBMITTED FOR: ___ Consent ___ Deliberation and Action X Receive and File

RECOMMENDATION

Receive and file presentation regarding anticipated changes in SCERS' 2024-25 annual budget.

PURPOSE

This item supports Strategic Management Plan goals to minimize administrative expenses and demonstrate fiscal stewardship.

DISCUSSION

Each April, the Board approves an annual operating budget for the upcoming fiscal year. Last year, Board members expressed interest in holding an additional briefing before final adoption of the budget. This item represents a working draft of the 2024-25 annual budget and is intended to highlight significant changes that Staff will be recommending at the April 2024 Board meeting.

The draft 2024-25 budget reflects a \$22.1 million spending plan—an increase of \$1.7 million or 8.5% from the prior year's operating budget. The proposed budget growth for 2024-25 is attributable largely to filling vacant staff positions and known salary increases, and programmatic decisions that facilitate technology initiatives to accommodate various concurrent projects.

Staff expects to make further refinements to the budget before the April 2024 Board meeting, as well as incorporating any feedback or direction from the Board.

ATTACHMENTS

- Board Order
- Budget Presentation

Prepared by:

/s/

Margo Allen
Chief Operations Officer

Reviewed by:

/s/

Eric Stern
Chief Executive Officer



Retirement Board Order

Sacramento County Employees' Retirement System

Before the Board of Retirement
March 20, 2024

AGENDA ITEM:

2024-25 Budget Preview

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to receive and file presentation regarding anticipated changes in SCERS' 2024-25 annual budget.

I HEREBY CERTIFY that the above order was passed and adopted on March 20, 2024 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

James Diepenbrock
Board President

Eric Stern
Chief Executive Officer and
Board Secretary



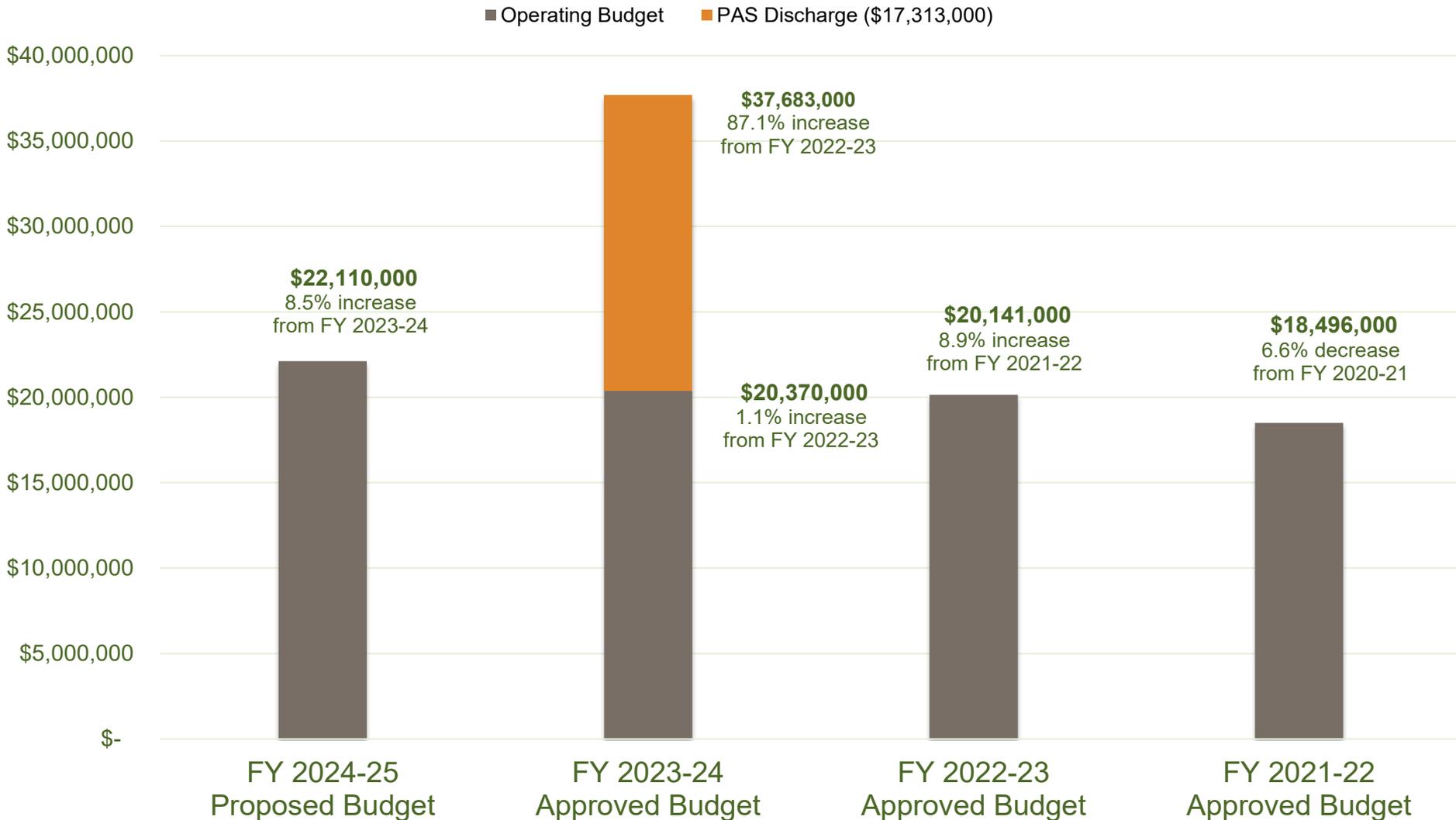
Budget Preview: 2024-25 Annual Budget

Budget Authority

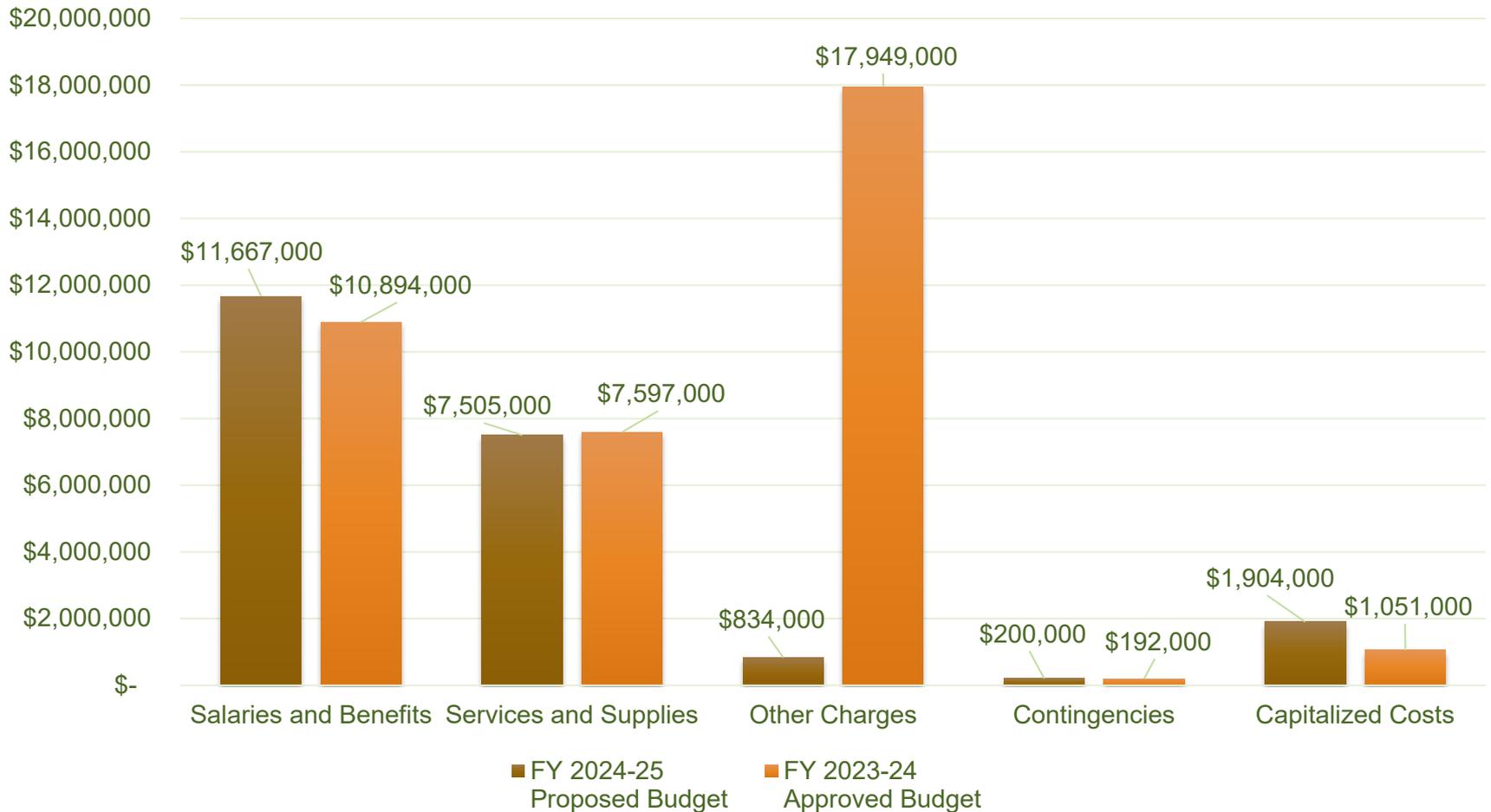
Gov Code § 31580.2

(a) In counties in which the board of retirement, or the board of retirement and the board of investment, have appointed personnel pursuant to Section 31522.1, 31522.5, 31522.7, 31522.9, 31522.10, or 31522.11, **the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system, which expense shall be charged against the earnings of the retirement fund. ...**

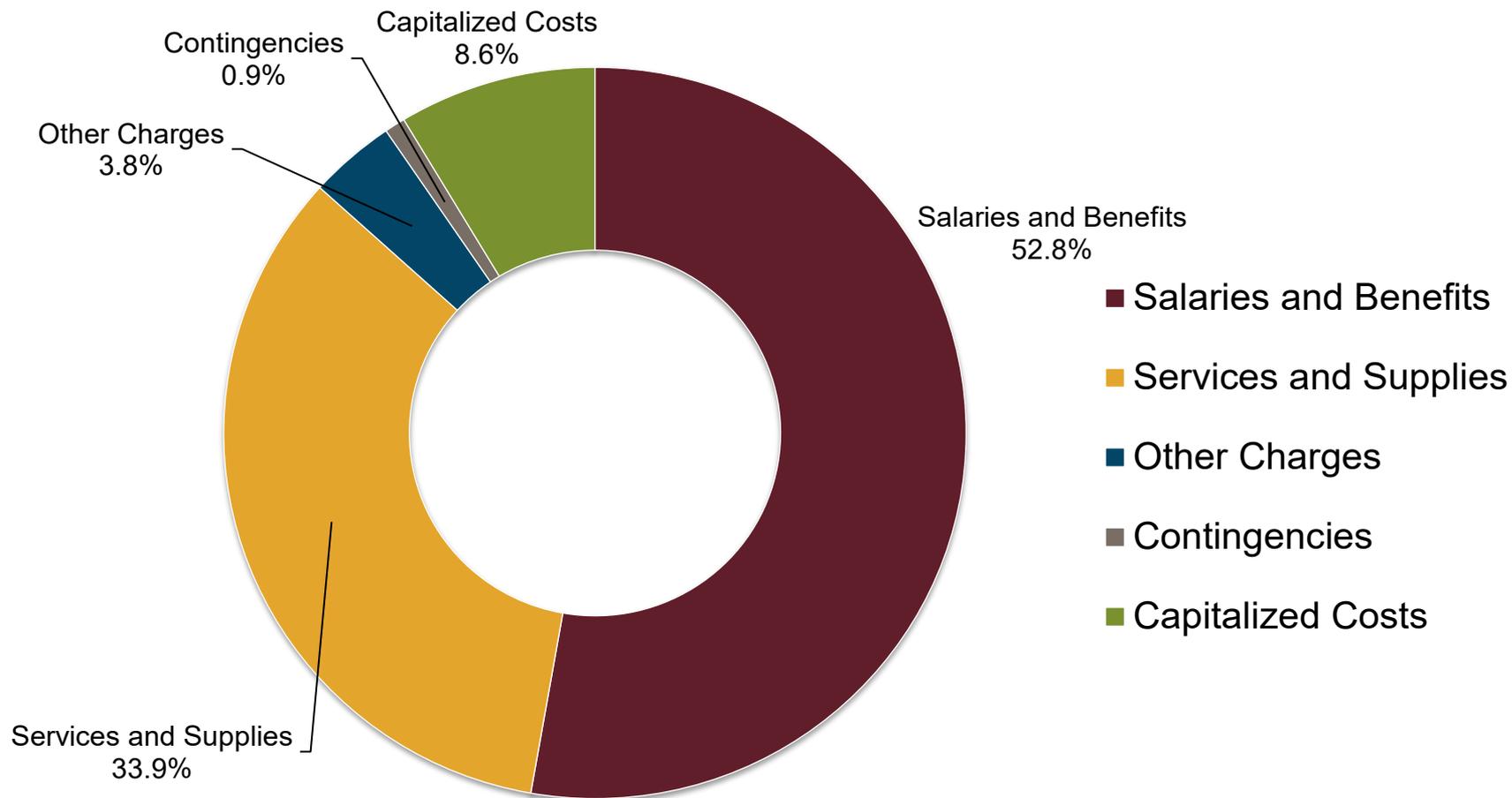
4 Year Budget Comparison



2024-25 Proposed and 2023-24 Approved Budget Summary



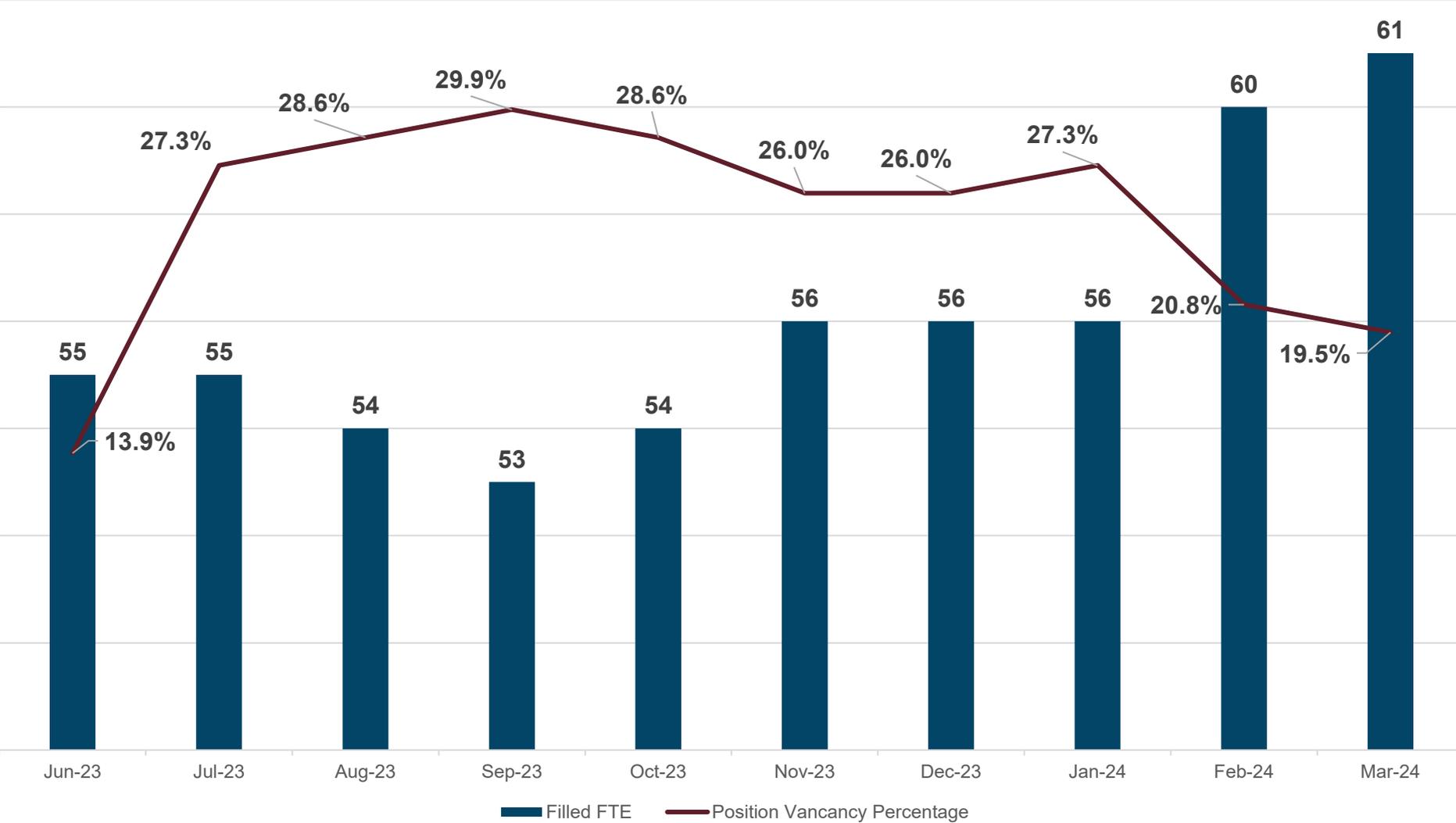
2024-25 Proposed Budget by Expense Type



Salaries and Benefits

- Represents 52.8% of budget
- Budget methodology: County personnel cost schedule
- 2023-24: \$10,894,000
- 2024-25: \$11,667,000
- Increase of \$773,000 or 7.1%
- Significant changes:
 - No position growth
 - More positions filled
 - Known salary increases

Positions Filled and Vacancy Percentage



Service and Supplies

- Represents 33.9% of budget
- Includes office lease, professional services
- Budget methodology: Analysis of prior-year actual spending and known growth
- 2023-24: \$7,597,000
- 2024-25: \$7,505,000
- Decrease of \$92,000 or -1.2%
- Reflects adjustment of spending priorities and one-time cost decreases

Service and Supplies

- Significant changes:
 - Increase in Business/Conference Expense of \$41,000 or 29.7% due to anticipated increase of staff attending trainings and conferences
 - Decrease in Education & Training Services of \$123,000 or 88% due to training contract ending
 - Increase in Medical Services of \$230,000 or 115% due to anticipated increase of disability cases being processed and increased costs of medical evaluations
 - Decrease in Temporary Staffing of \$260,000 or 56% due to decrease in costs to accommodate short-term staffing needs for transition projects

Service and Supplies

- Significant changes:
 - Decrease in Information Technology Services of \$964,000 or 98% mainly due the Linea contract ending December 2023 and other line items reclassified to Software
 - Increase in DTech Labor of \$216,000 or 161% due to anticipated increase of IT initiatives and associated costs by DTech
 - Increase in Election Services of \$35,000 or 100% due to Board elections in Fall 2024
 - Increase in Office Equipment and Modular Furniture Expense of \$26,000 or 100% for additional office space and workstations

Compliance Program (Internal Audit)

- Starting with risk assessment in 2024-25
 - Estimated consultant cost: \$60,000
- Will move to audit phase in 2025-26
 - Additional resources will be requested in next budget cycle
- Potential scope:
 - Internal controls, separation of duties with employers
 - Accurate reporting of contributions, service credit
 - Overpayments
- Audit Committee oversight

Other Consultants

- Strategic Planning Facilitator
 - Proposed in 2024 Strategic Management Plan (November 2023)
 - Focus on long-term vision tied to SCERS' 100th anniversary in 2041
 - Estimated cost: \$125,000
- Custodian Bank RFP
 - Directed by Board to conduct RFP (December 2023)
 - Estimated cost: \$25,000

Other Charges

- Represents 3.8% of budget
- Budget methodology: County-wide allocated and depreciation expenses
- 2023-24: \$17,949,000 (PAS discharge)
- 2024-25: \$834,000
- Decrease of \$17,115,000 or 95.4%
- Significant changes:
 - Decrease in Discharging on Intangible Assets due to previously capitalized assets

Contingency Fund

- Represents 1% of budget.
- Budget methodology: 1% of total budget excluding capitalized costs
- 2023-24: \$192,000
 - Not utilized
- 2024-25: \$200,000
- Increase of \$8,000 or 4.2%

Capitalized Costs

- Represents 8.6% of budget
- Budget methodology: Actual and projected capitalized costs
- 2023-24: \$1,051,000
- 2024-25: \$1,904,000
- Increase of \$853,000 or 81.2%
- Significant changes:
 - Software purchases reflect net increase of \$810,000 or 81% for Digital Transformation Initiative
 - Equipment purchases reflect net increase of \$43,000 or 84.3% for laptops and docking stations and audio-visual upgrades

Digital Transformation Initiative

- Presented in the October 2023 Board meeting (Item 19 SCERS Technology Roadmap)
 - A systematic rebuild of the legacy system
 - Phased & component-based
 - Quick wins/high dividends early
 - Emphasize self-service capabilities
 - Streamline & automate operations
 - Establish a standing annual IT budget for continual investment in digital transformation initiatives

Digital Transformation Initiative

- 2023-24 Budget included \$1,000,000
 - Member Portal development and implementation
 - Proof of Concept (PoC) demonstration project:
Online Retirement Application
- 2024-25 Budget: \$1,810,000
 - Estimate based on:
6 FTEs × 2,080 Hours × Blended Rate (\$145/hour)

Digital Transformation Initiative

- The PoC creates a low-risk environment for two observations.
 - Approach: The viability of our agile engagement structure.
 - Outcome: The development of a secure, user-friendly online retirement application for members.
- Lays the groundwork for the preparation of annual budgetary requests, establishing FY 24/25 as Year 1 of the SCERS Digital Transformation Roadmap
- April's Board meeting will be the first installment for Quarterly Technology Report

Digital Transformation Initiative

- SCERS Digital Transformation Roadmap – Year One Targets
 - Service Purchase Calculator
 - Online Appointment Scheduling
 - Online Death Reporting
 - Secure File Messaging
 - Back Office Automations
 - Online Form Generation and Submission