

Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

	A			Agenda Item 12	
MEETING DATE:	April 16,	2025			
SUBJECT:	Annual E	Budget fo	r Fiscal Year 2025-26		
SUBMITTED FOR:	<u> X </u> Ac	tion	Information		

RECOMMENDATION

Approve an annual budget of approximately \$23.4 million and 75 positions for fiscal year 2025-26.

PURPOSE

This item supports the Strategic Management Plan goals necessary to fulfill SCERS' mission and objectives.

DISCUSSION

The proposed 2025-26 budget reflects an increase of \$1.9 million or 8.9% from the prior year's operating budget.

Staffing

Budgeted FTE staffing levels remain consistent in 2025-26. The increase in personnel costs of (\$0.7 million or 6.6%) is due to a 3% across-the-board COLA increase and filling staff vacancies. SCERS has reduced its vacancies from 19.7% in March 2024 to 16.0% as of March 2025, with active recruitment and interviewing still underway.

Services and Supplies

Significant changes include:

- Increase in Actuarial Services of \$185,000 or 120% due to expected actuarial consulting fees being inadvertently omitted in last year's budget.
- Increase in lease of \$88,000 or 101% due to the anticipated increase in parking costs.
- Increase in IT equipment of \$1,000,0000 or 4,781% due to a net-zero reclassification from Capitalized Costs to IT Services.

• Decrease in Medical Services of \$100,000 or 23% due to the anticipated decrease in the number of disability cases being processed.

Other charges

• Increase in Countywide Cost Allocation of \$904,000 or 1,330.1% due to an uncaptured 2022-2023 payment-services expense.

Capitalized Costs

• Decrease in IT Equipment of \$1,250,000 or 71.4% due to a reclassification of expenses to IT Services.

Administrative Expense Budget Limit

Pursuant to Government Code Sections 31580.2 and 31596.1, the statutory limit for administrative expenses shall not exceed the greater of twenty-one hundredths of one percent (.21%) of the actuarial accrued liability of the retirement system or \$2,000,000 as adjusted annually by a specified annual cost-of-living adjustment. Government Code Sections 31580.2 and 31596.1 specify that certain investment, technology, and legal and actuarial costs are not considered administrative expenses. Expenditures on computer software, computer hardware, and computer technology consulting services in support of these computer products are included in these exceptions.

The administrative expense budget for 2025-26 totals \$14,141,000, which represents an increase of \$1,136,000 compared to the 2024-25 administrative expense budget of \$13,005,000. This is due to the overall increase in budget in 2025-26 compared to 2024-25. As a percentage of SCERS' actuarial accrued liabilities, the administrative expenses represent 0.09% in 2025-26, which remains the same as 2024-25.

ATTACHMENTS

- Board Order
- Budget Presentation
- Annual Budget Fiscal Year 2025-26

Prepared by:

/S/

Reviewed by:

/S/

Margo Allen Chief Operations Officer Eric Stern Chief Executive Officer



Before the Board of Retirement April 16, 2025

AGENDA ITEM:

Annual Budget for Fiscal Year 2025-26

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to approve an annual budget of approximately \$23.4 million and 75 positions for fiscal year 2025-26.

I HEREBY CERTIFY that the above order was passed and adopted on April 16, 2025 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



Annual Budget 2025-26

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

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. ...

Changes to March Budget Preview

- No dollar changes
- Reclassed \$1.0 million of Digital Transformation
 related costs from Capitalized Costs to IT Services

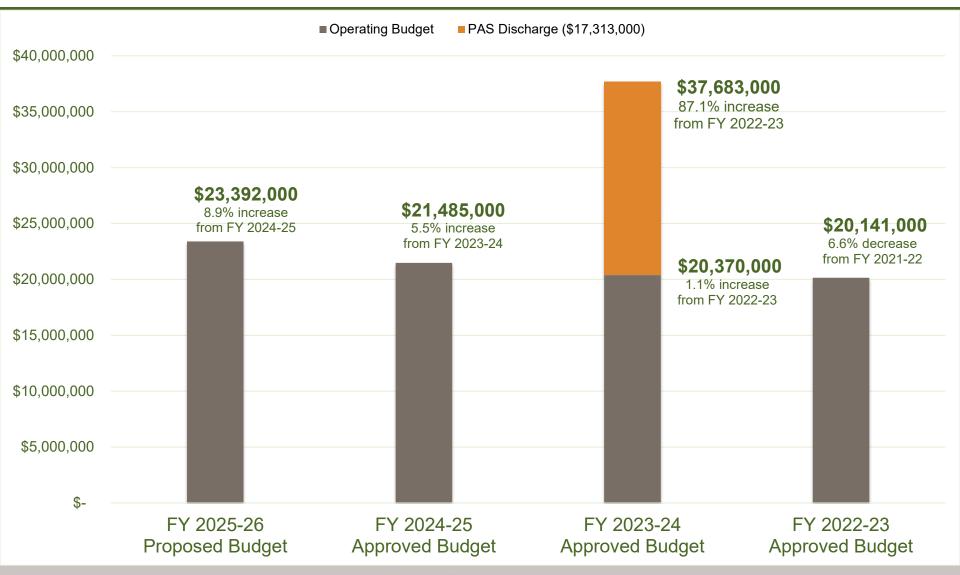
Operating Expense Budget 2025-26

The 2025-26 total budget of \$23.4 million reflects a year-over-year increase of \$1.9 million or 8.9% from 2024-25.

Top Cost Drivers:

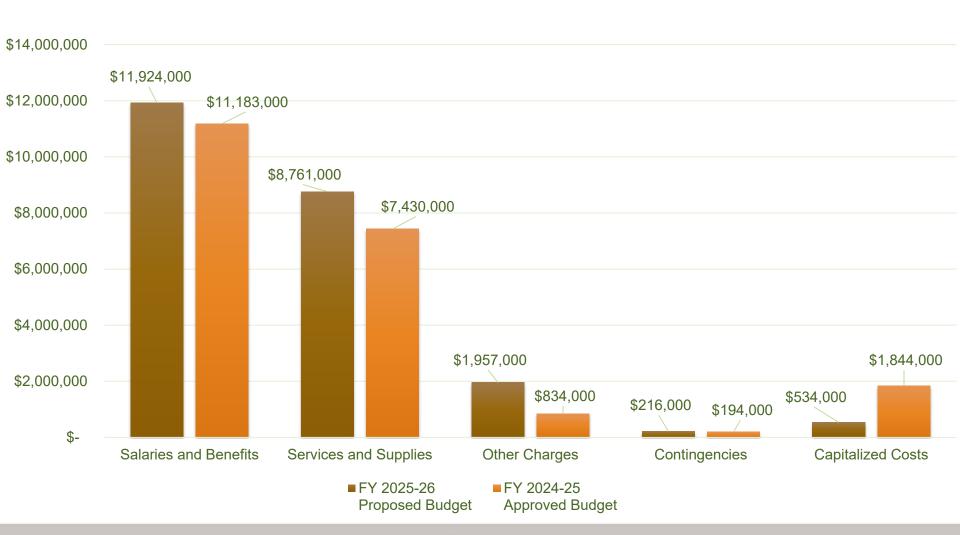
1.	County Cost Allocation	\$905,000
2.	Personnel: COLAs and Salary Steps	\$421,000
	Filling Vacancies	\$320,000
3.	Depreciation (Computer Equipment)	\$339,000
4.	Actuarial Services	\$185,000
5.	Investment Services/Consultants	\$126,000

Operating Expense Budget 4-Year Comparison

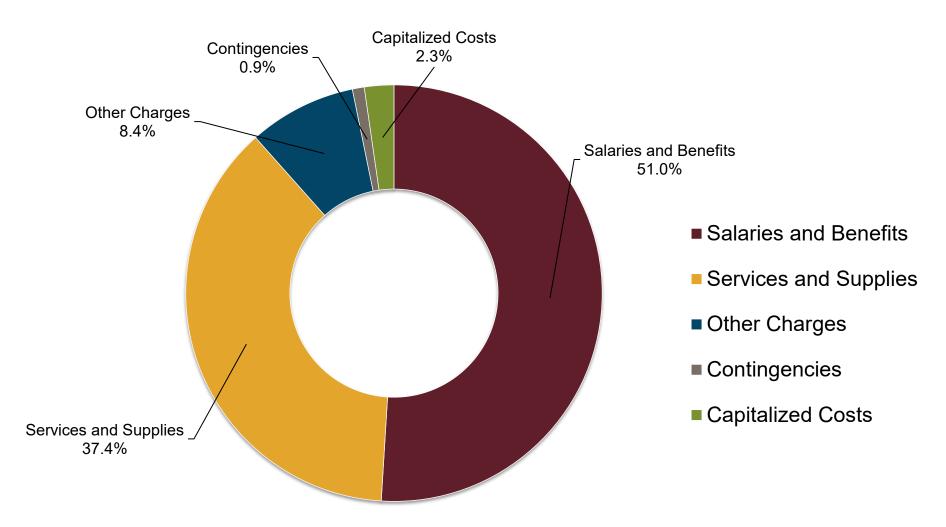


SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

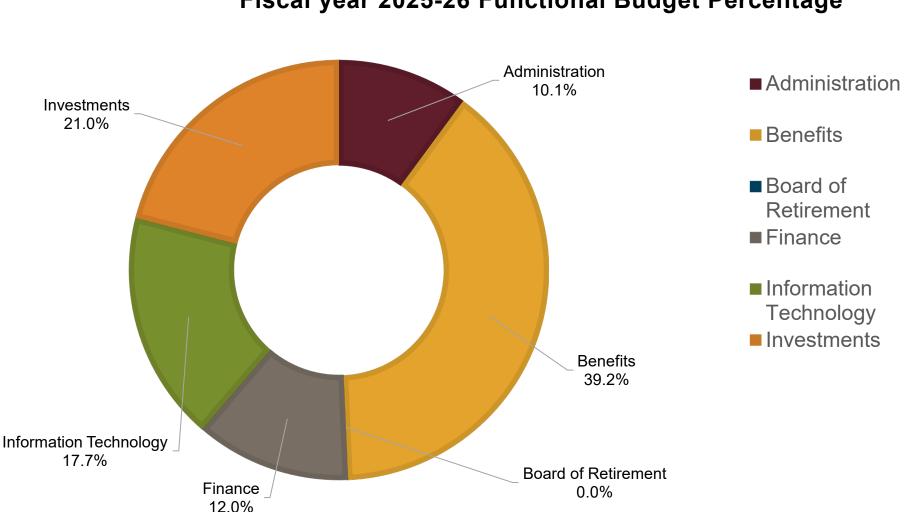
2025-26 Proposed and 2024-25 Approved Budget Summary



2025-26 Proposed Budget by Expense Type



2024-25 Proposed Budget by Function

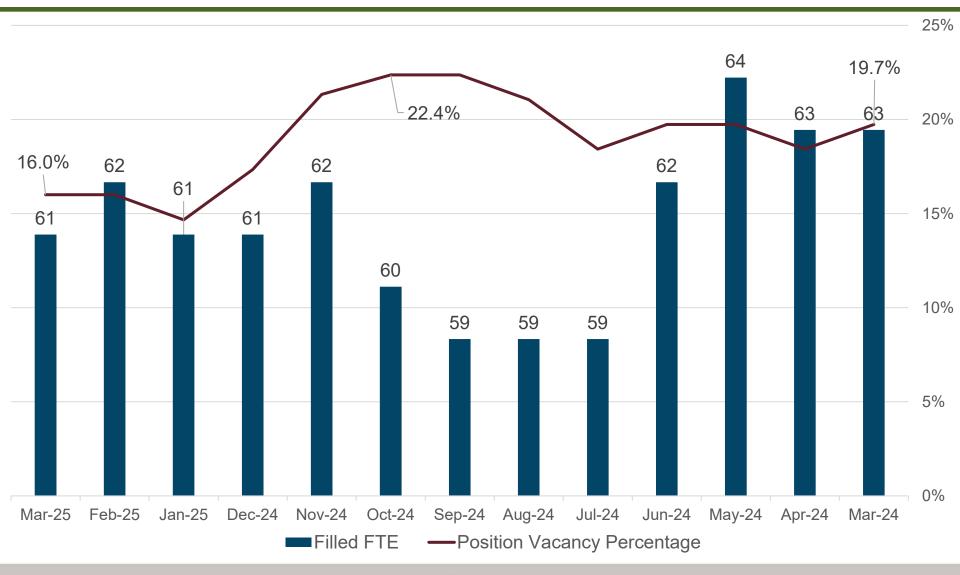


Fiscal year 2025-26 Functional Budget Percentage

Salaries and Benefits

- Represents 51.0% of budget
- Budget methodology: County personnel cost schedule
- 2025-26: \$11,924,000
- 2024-25: \$11,183,000
- Increase of \$741,000 or 6.6%
 - 3% COLA and step increase of \$421,000
 - Increase cost of filling staff vacancies of \$320,000
- Significant changes:
 - No position growth

Positions Filled and Vacancy Percentage



Service and Supplies

- Represents 37.5% of budget
- Includes office lease, legal and other professional services
- Budget methodology: Analysis of prior-year actual spending and known growth
- 2025-26: \$8,761,000
- 2024-25: \$7,430,000
- Increase of \$1,331,000 or 17.9%

Service and Supplies

- Significant changes:
 - Increase of \$88,000 or 101% due to the anticipated increase in building parking costs
 - Increase in Business/Conference Expense of \$51,000 or 28% due to anticipated increase of staff attending trainings and conferences
 - Increase in Lease Payments of \$23,000 or 2.9%, from FY24-25 of \$766,000 to FY25-26 of \$788,000
 - Decrease in Medical Services of \$100,000 or 23% is due to the anticipated decrease of the disability cases being processed

Business/Conference Expense

- 2025-26: \$230,000
- 2024-25: \$179,000
- Increase of \$51,000 or 28.5%
 - Increase in due diligence trips for investment managers
 - Increase of hotel and airfare price
 - More staff attending training and conferences

Other Charges

- Represents 8.4% of budget
- Budget methodology: Depreciation Expenses (building lease, computer equipment and software) and Countywide Cost Allocation (CCAP)
- 2025-26: \$1,957,000
- 2024-25: \$834,000
- Increase of \$1,123,000 or 134.7%
- Significant changes:
 - Increase in CCAP \$904,000 or 1,330.1%
 - Increase in Depreciation of \$339,000 or 52.5%

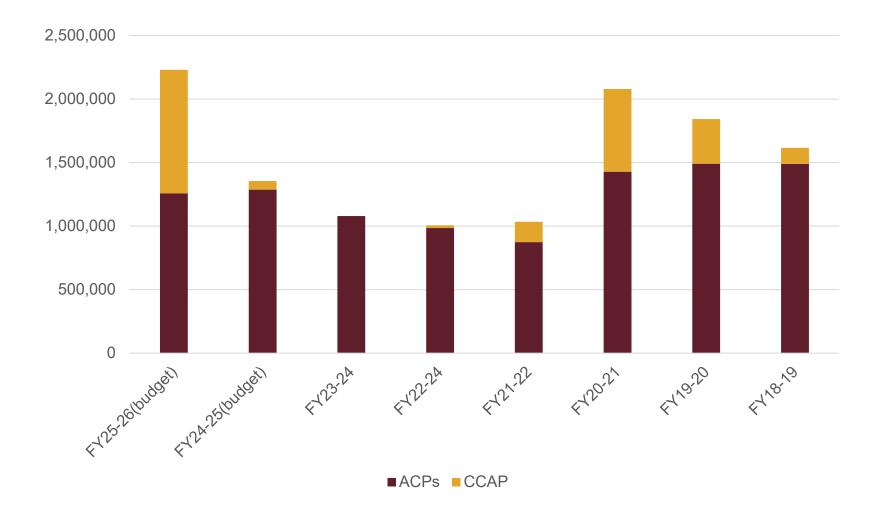
ACP – Personnel and Labor Cost

- Allocated County Package (ACP):
 - Retirement POB Debt Service
 - Employer Share Workers Compensation Insurance
 - DTech: Labor, Fee
 - DOF: Payroll Service, Payment Service, Audits, etc.
 - DGS: Printing Service, Messenger Service, etc.
 - DPS: Personnel Service
 - Other ACPs
- Total ACP 2025-26: \$1,003,651
- Total ACP 2024-25: \$1,287,000

CCAP – Additional "True Up"

- Countywide Cost Allocation Plan (CCAP):
 - Office of County Executive
 - Office of Labor Relations
 - Department of Technology
 - Personnel Services
 - Finance
 - Civil Service Commission
- Total CCAP 2025-26: \$972,478
- Total CCAP 2024-25: \$68,000

County Cost Recovery



Contingency Fund

- Represents 1% of budget.
- Budget methodology: 1% of total budget excluding capitalized costs
- 2025-26: \$216,000
- 2024-25: \$194,000
 - Not utilized to date
- Increase of \$22,000 or 11.3%

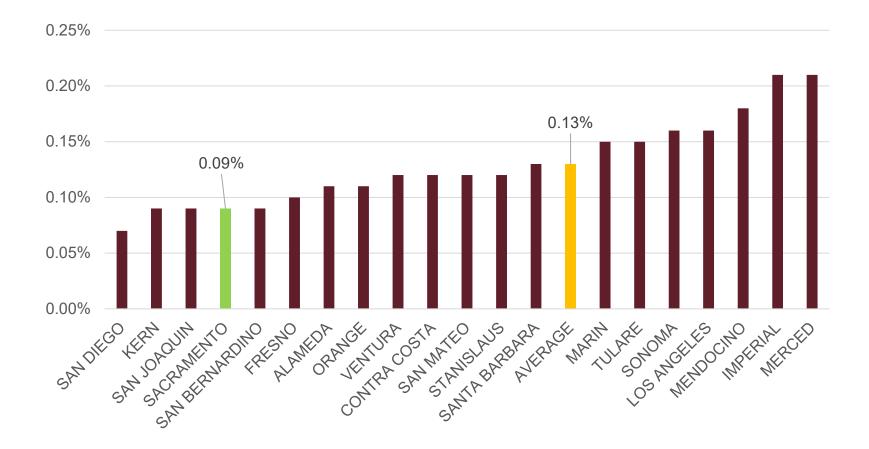
Capitalized Costs

- Represents 2.3% of budget
- Budget methodology: Actual and projected capitalized costs
- 2025-26: \$534,000
- 2024-25: \$1,844,000
- Decrease of \$1,310,000 or 71.8%
- Significant changes:
 - Equipment purchases reflect net decrease of \$1,250,000 or 71.4% is due to \$1,000,000 is reclassified to IT Services Expense

Administrative Expense Budget Limit

- Budget Limit for Administrative Expenses
 - The statutory limit is 0.21% of the total Actuarial Accrued Liability (AAL)
 - 2025-26 Administrative Expenses total 0.09% of AAL
 - Same as 2024-25 (0.09%)
- 2025-26 administrative expense budget total \$14.1 million, which excludes:
 - Computer software, computer hardware, and IT expenses
 - Legal, actuarial expenses
 - Investment-related expenses

Administrative Expense Comparison



Note: Other pension systems' data lag by a year

2025-2026



ANNUAL BUDGET

For the Fiscal Year 2025-2026

Sacramento County Employees' Retirement System Sacramento, California

2025-2026



ANNUAL BUDGET

For the Fiscal Year 2025-2026

Issued By:

ERIC STERN Chief Executive Officer

MARGO ALLEN Chief Operations Officer

JOSÉ MARTÍNEZ Senior Accounting Manager Sacramento County Employees' Retirement System

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> > SCERS.gov

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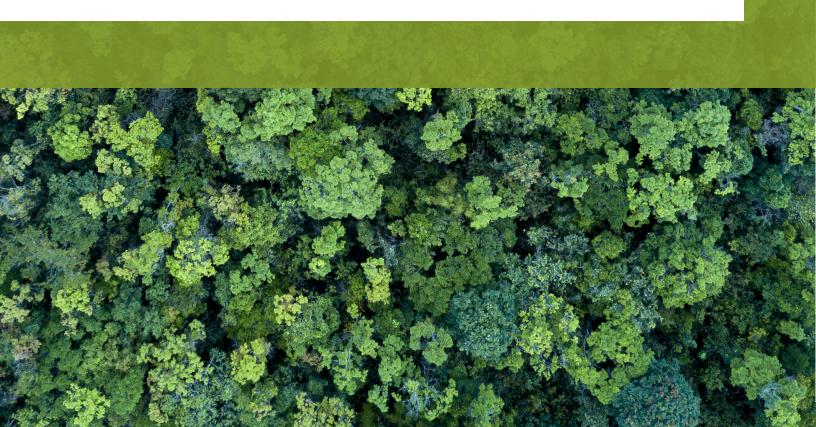
Administrative Expense Budget Limit	
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SECTION 8 Glossary

Glossary



Budget Methodology



Budget Methodology

The Sacramento County Employees' Retirement System (SCERS) Fiscal Year 2025-2026 Annual Budget of \$23,392,000 represents the financial resource needs to achieve SCERS strategic priorities and initiatives. The following budget methods are utilized in the SCERS 2025-2026 annual operating budget:

Salaries and Benefits:

- Salaries and benefits are projected using 26 pay period payroll costs ending in December 2024, plus adjustments for new positions.
- Salary savings are calculated based on the anticipated hire dates of vacant positions.
- Retirement Debt Service, Workers Compensation Insurance, and Unemployment Insurance are derived from the County Allocated Cost Package (ACP).
- Terminal pay and overtime are estimated based on the prior year's actual expenses and adjusted accordingly for current needs.

Services and Supplies:

• Service and supplies are based on charges derived from Allocated Cost Package, County Department of Technology, and SCERS' prior year actual expenses adjusted accordingly for current needs. Certain line items are based on contract amounts and anticipated cost changes.

Other Charges:

- Depreciation expense includes depreciation for Leased Assets and IT Equipment purchased in prior and current fiscal years.
- The Countywide Cost Allocation Plan (CCAP) costs are allocated to SCERS for central government support.
- The Amortization of Intangible Assets is amortized on software projects implemented in prior and current fiscal years.

Contingencies:

• Contingencies are calculated using 1% of the total budgeted amounts for Salaries and Benefits, Service and Supplies, and Other Charges.

Capitalized Costs:

• Capitalized costs are composed of capital improvement projects, new workflow software system, and IT equipment purchases. The budgeted amount is based on contract amounts and anticipated spending.



SECTION TWO Budget Changes



Budget Changes

Significant changes to the Fiscal Year 2025-2026 Budget are outlined below.

Salaries and Benefits:

• Increase of 6.6% to reflect salaries, COLA, and step adjustments. No new positions are requested.

Services and Supplies:

- Increase in Actuarial Services of \$185,000 or 120% is due to the increase in costs of actuarial services and consulting fees.
- Increase in GS-Parking Charges of \$88,000 or 101% is due to the anticipated increase of the parking cost.
- Increase in Board Meetings of \$20,000 or 333% is due to anticipated costs of the investment forum.
- Increase in Election Services of \$25,000 or 71% is due to Board elections anticipated in FY 25-26.
- Increase in Personnel Services- Allocated Cost Package (ACP) of \$97,000 or 100% is due to reclass from other personnel related ACP lines (Benefit Admin Services, Employment Services, Training Services) which have a 100% decrease.
- Increase in Department Services ACP of \$50,000, or 100%. This amount has been recategorized this year from other ACP line items and is related to the Employee Relations Team, Medical/Leaves Team, Payroll Team, and Specialized HR.
- Increase in Leave Cash Out of \$30,000 (100%) is budgeted for the first time in FY 2025/26, based on eligible SCERS employees.
- Increase in IT Services of \$1,004,000 or 4,781% is due to \$1,000,000 reclassification from Computer Software to IT Services.
- Decrease in Medical Services of \$100,000 or 23% is due to the anticipated decrease of the disability cases being processed.

Other Charges:

- Increase in Countywide Cost Allocation of \$904,000 or 1,330.1% is due to departmental increase of service cost related to Payment Services and Payroll-COMPASS.
- Increase in deprecation costs of \$339,000 is due to the reclassification of amortization to depreciation costs and prior year's purchases of software improvements and computers.

Capitalized Costs:

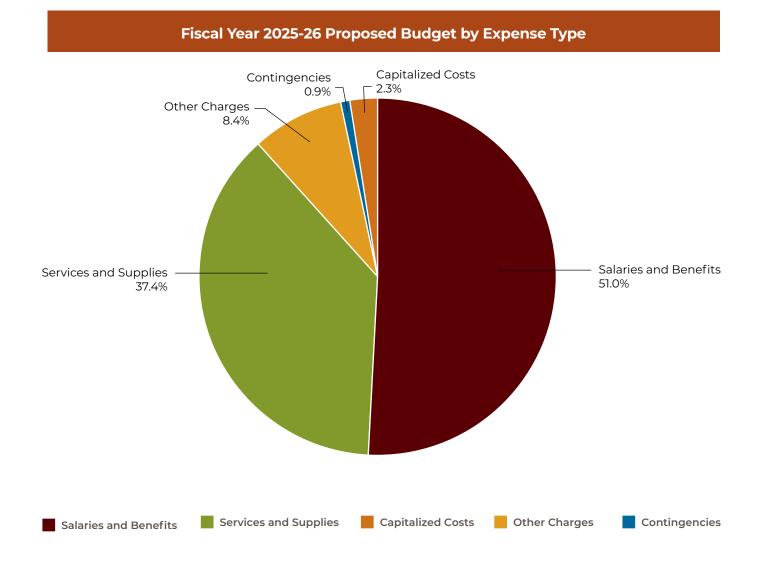
• Decrease in Computer Software of \$1,250,000 or 71.0% is due to reclass \$1,000,000 to IT Services.



SECTION THREE Budget Summary

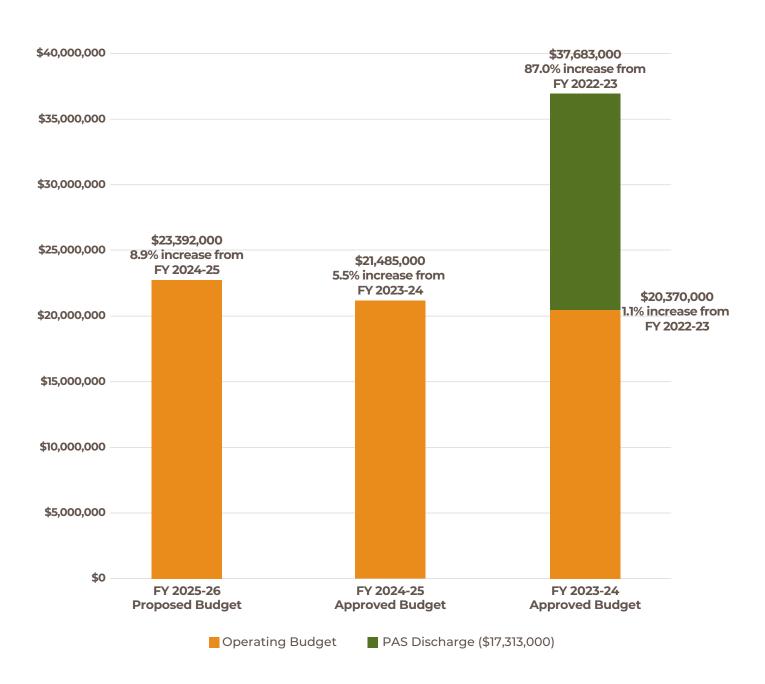
Expense Type	FY 2025-26 Proposed Budget	FY 2025-26 from FY 2024-25 Change (%)	FY 2024-25 Approved Budget	FY 2023-24 Amended Budget
Salaries and Benefits	\$11,924,000	6.6%	\$11,183,000	\$10,894,000
Services and Supplies	8,761,000	17.9	7,430,000	7,597,000
Other Charges	1,957,000	134.7	834,000	17,949,000
Contingencies	216,000	11.3	194,000	192,000
Total	22,858,000	16.4	19,641,000	36,632,000
Capitalized Costs	534,000	-71.0	1,844,000	1,051,000
Total Budget	\$23,392,000	8.9 %	\$21,485,000	\$37,683,000

Budget Summary

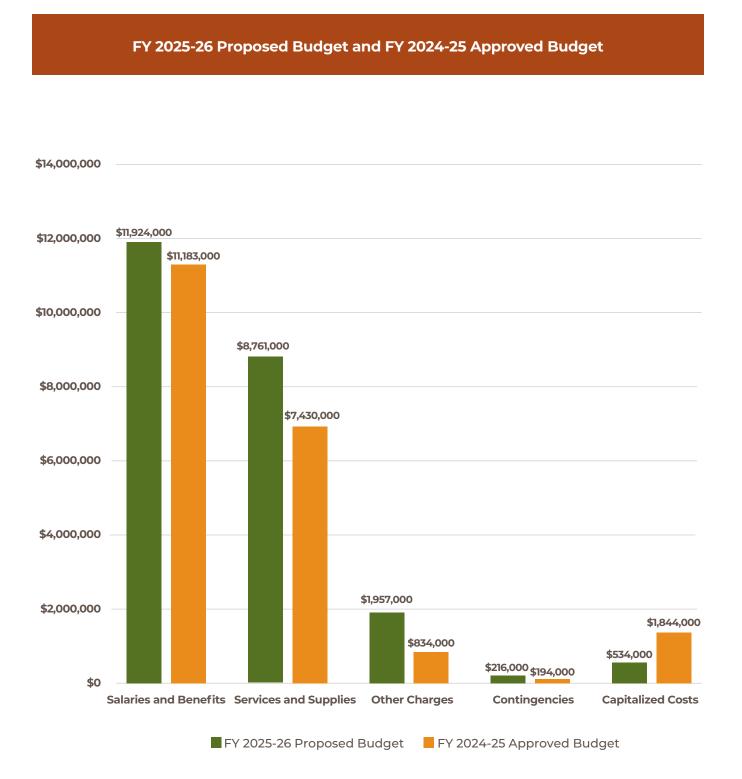


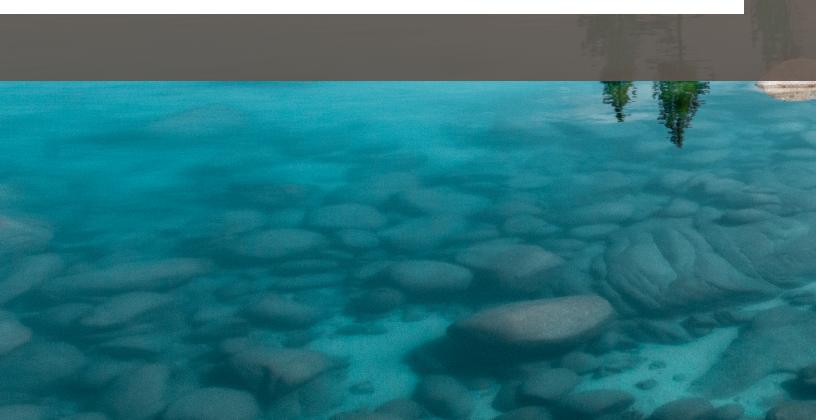
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For FY2023-24, the 87% increase is inclusive of the one-time, full amortization of the capitalized Pension Administration System (PAS) project incurred in prior years





SECTION FOUR Budget Detail



Budget Detail

Salaries and Benefits

Account Title	FY 2025-26 Proposed Budget	Increase/ (Decrease)	Percentage	FY 2024-25 Approved Budget	FY 2024-25 \$ Expended as of 12/31/2024	FY 2024-25 Percentage Expended as 12/31/2024	FY 2024-25 Anticipated Percentage Expended at 6/30/2025
Salaries and Benefits							
Salaries & Wages - Regular Employees	\$8,061,000	\$449,000	5.9%	\$7,612,000	\$3,017,004	40%	79%
Salaries & Wages - Committee Members	8,000	-	0.0	8,000	3,300	41	83
Salaries & Wages - Time & One Half O/T	10,000	-	0.0	10,000	-	0	65
Salaries & Wages - Straight Time O/T	2,000	-	0.0	2,000	-	0	70
Salaries & Wages - Premium Pay	114,000	7,000	6.5	107,000	51,790	48	97
Extra Help	56,000	56,000	100.0	-	22,562	100	100
Allowances	7,000	1,000	16.7	6,000	3,025	50	101
Terminal Pay	47,000	3,000	6.8	44,000	3,462	8	25
Leave Cash Out	30,000	30,000	100.0	-	-	100	100
Employee Assistance Program (EAP)	-	(2,000)	-100.0	2,000	981	49	100
County Employee Plan Select	-	(4,000)	-100.0	4,000	1,650	41	83
Group Insurance	1,051,000	31,000	3.0	1,020,000	314,214	31	80
Dental Plan	-	(97,000)	-100.0	97,000	39,283	40	81
Health Savings - Employer Cost	49,000	-	0.0	49,000	18,000	37	73
Life Insurance	-	(1,000)	-100.0	1,000	387	39	82
Vision Insurance	-	-	0.0	-	99	100	200
OASDI	569,000	29,000	5.4	540,000	185,258	34	69
401A Plan	107,000	7,000	7.0	100,000	44,552	45	89
Retirement-2004 POB Debt Service	564,000	(111,000)	-16.4	675,000	337,563	50	100
Retirement-Normal & UAAL	1,585,000	26,000	1.7	1,559,000	586,516	38	75
Workers Compensation Insurance	18,000	-	0.0	18,000	8,932	50	99
Salary Savings Factor	(354,000)	317,000	-47.2	(671,000)	-	0	0
Salaries and Benefits Total	\$11,924,000	\$741,000	6.6%	\$11,183,000	\$4,638,578	41%	87 %

Services and Supplies

Account Title	FY 2025-26 Proposed Budget	Increase/ (Decrease)	Percentage	FY 2024-25 Approved Budget	FY 2024-25 Expended As of 12/31/2024	FY 2024-25 Percentage Expended as 12/31/2024	FY 2024-25 Anticipated Percentage Expended at 6/30/2025
Services and Supplies							
401A Adminnistrative Services- ACP	\$1,000	\$-	0.0%	\$1,000	\$349	35%	70%
Accounting Services	76,000	(3,000)	-3.8	79,000	60,999	77	82
Actuarial Services	340,000	185,000	119.4	155,000	34,091	22	89
Advertising/Legal Notices	1,000	(3,000)	-75.0	4,000	373	9	76
Alarm Services - ACP	2,000	-	0.0	2,000	1,096	55	100
Assessment Collection	3,000	(4,000)	-57.1	7,000	-	0	0
Benefit Administration Services- ACP	-	(14,000)	-100.0	14,000	6,992	50	100
Board Meetings	26,000	20,000	333.3	6,000	1,749	29	72
Building Maintenance Services	35,000	(35,000)	-50.0	70,000	29,371	42	90
Business/Conference Expense	230,000	51,000	28.5	179,000	70,319	39	72
County Facility Use Charges - ACP	5,000	1,000	25.0	4,000	2,139	53	100
Countywide IT Services - ACP	71,000	4,000	6.0	67,000	33,428	50	100
Data Processing Supplies	36,000	6,000	20.0	30,000	14,536	48	97
Department of Finance Services	280,000	(45,000)	-13.8	325,000	110,954	34	90
Department Services Transportation-ACP	-	(70,000)	-100.0	70,000	34,955	50	100
Department Services- ACP	50,000	50,000	100.0	-	-	100	100
DPS Department Services Team	-	(176,000)	-100.0	176,000	88,082	50	100
Department of Technology Fee- ACP	104,000	40,000	62.5	64,000	37,256	58	100
Department of Technology Labor	400,000	50,000	14.3	350,000	232,871	67	133
Department of Technology Labor- ACP	20,000	8,000	66.7	12,000	6,236	52	100
Education & Training Services	18,000	1,000	5.9	17,000	160	1	35
Election Services	60,000	25,000	71.4	35,000	-	0	70
Employee Recognition	18,000	(7,000)	-28.0	25,000	6,364	25	62
Employee Tuition Reimbursement	10,000	(1,000)	-9.1	11,000	1,600	15	50
Employee Services- ACP	-	(53,000)	-100.0	53,000	26,498	50	100
Finance Internal Audits- ACP	3,000	-	0.0	3,000	1,319	44	100
Finance Payment Services- ACP	30,000	(15,000)	-33.3	45,000	22,581	50	100
Finance Payroll Services- ACP	5,000	1,000	25.0	4,000	1,986	50	100
Finance System Control & Recon- ACP	16,000	(4,000)	-20.0	20,000	9,798	49	100
GS-Mail/Postage Charges	200,000	30,000	17.6	170,000	112,857	66	133
GS-Messenger Services	6,000	-	0.0	6,000	2,913	49	97
GS-Parking Charges	175,000	88,000	101.1	87,000	28,656	33	78
GS-Printing Services	30,000	(20,000)	-40.0	50,000	5,232	10	38
GS-Purchasing Services	3,000	(1,000)	-25.0	4,000	1,920	48	96
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Services and Supplies (Continued)

Account Title	FY 2025-26 Proposed Budget	Increase/ (Decrease)	Percentage	FY 2024-25 Approved Budget	FY 2024-25 Expended As of 12/31/2024	FY 2024-25 Percentage Expended as 12/31/2024	FY 2024-25 Anticipated Percentage Expended at 6/30/2025
Services and Supplies							
GS-Surplus Property Management	\$4,000	\$-	0.0%	\$4,000	\$1,800	45%	90%
GS-Warehousing Charges	1,000	-	0.0	1,000	99	10	48
Information Technology Services	1,025,000	1,004,000	4781.0	21,000	6,000	29	72
Insurance-Premium	203,000	-	0.0	203,000	3,545	2	91
Interest Expense-Lease (ROU)	200,000	(28,000)	-12.3	228,000	113,767	50	100
Investment Services/Consultants and Other	2,063,000	126,000	6.5	1,937,000	323,278	17	89
Labor Relations Services- ACP	-	(11,000)	-100.0	11,000	5,687	52	100
Land Line Charges- ACP	-	-	0.0	-	16,970	100	100
Legal Services	1,319,000	94,000	7.7	1,225,000	425,428	35	78
Liability Insurance- ACP	70,000	3,000	4.5	67,000	33,521	50	100
Medical Services	330,000	(100,000)	-23.3	430,000	150,221	35	90
Memberships	37,000	2,000	5.7	35,000	12,024	34	79
Office Equipment Maintenance	3,000	1,000	50.0	2,000	921	46	92
Office Equipment Modular Furniture	8,000	(18,000)	-69.2	26,000	755	3	28
Office Supplies	10,000	(5,000)	-33.3	15,000	4,292	29	72
Other Professional Services	275,000	(22,000)	-7.4	297,000	115,784	39	84
Periodicals & Subscriptions	4,000	(1,000)	-20.0	5,000	1,778	36	87
Personnel Services- ACP	97,000	97,000	100.0	-	-	100	100
Postage Services	20,000	(5,000)	-20.0	25,000	2,607	10	62
Printing Services	15,000	(8,000)	-34.8	23,000	10,660	46	93
Rents/Leases- Equipment	15,000	3,000	25.0	12,000	7,296	61	122
Rents/Leases/RL Property	48,000	-	0.0	48,000	23,491	49	98
Reporting Services	30,000	-	0.0	30,000	-	0	0
Safety Program- ACP	1,000	-	0.0	1,000	539	54	108
Security Services	1,000	-	0.0	1,000	160	16	47
Software	324,000	38,000	13.3	286,000	53,724	19	61
Telecommunication	12,000	3,000	33.3	9,000	3,978	44	82
Telecommunication- ACP	22,000	3,000	15.8	19,000	-	0	0
Temporary Staffing Services	200,000	-	0.0	200,000	62,240	31	76
Training Services- ACP	-	(13,000)	-100.0	13,000	6,478	50	100
Transcribing Services	1,000	-	0.0	1,000	-	0	0
Wide Area Network	169,000	59,000	53.6	110,000	54,929	50	100
Services and Supplies Total	\$8,761,000	\$1,331,000	17.9%	\$7,430,000	\$2,429,652	33%	87%

Ot	her	Cate	gories
			301100

Account Title	FY 2025-26 Proposed Budget	Increase/ (Decrease)	Percentage	FY 2024-25 Approved Budget	FY 2024-25 Expended as of 12/31/2024	FY 2024-25 Percentage Expended as 12/31/2024	FY 2024-25 Anticipated Percentage Expended at 6/30/2025
Other Charges							
Amortization on Intangible Assets	\$-	\$(120,000)	-100.0%	\$120,000	\$-	-%	90%
Countywide Cost Allocation - ACP	972,000	904,000	1329.4	68,000	34,026	50	90
Depreciation Expense	985,000	339,000	52.5	646,000	327,891	51	90
Other Charges Total	\$1,957,000	\$1,123,000	134.7%	\$834,000	\$361,917	43%	90%
Contingencies							
Appropriation For Contingencies	216,000	22,000	11.3	194,000			90
Contingencies Total	\$216,000	\$22,000	-53.5%	\$194,000	\$-	0%	90%
Total	\$22,858,000	\$3,217,000	16.4 %	\$19,641,000	\$7,430,147	38%	90%
Capitalized Costs							
IT Equipment	34,000	(60,000)	-63.8	94,000	103,588	110	110
Computer Software	500,000	(1,250,000)	-71.4	1,750,000	-	-	90
Capitalized Costs Total	\$534,000	\$(1,310,000)	-71.0%	\$1,844,000	\$103,588	6%	91%
Grand Total	\$23,392,000	\$1,907,000	8.9 %	\$21,485,000	\$7,533,735	35%	88%



SECTION FIVE Budget by Function



Functions:

- Administration Team administers office and facility management, human resources, and agency administration duties.
- Benefit Team oversees the administration of benefits and related member services.
- **Board of Retirement** members attend business conferences and board meetings to oversee the SCERS Agency.
- **Finance Team** manages financial processes, including budgeting, accounting, cash management, financial planning and analysis, and financial reporting.
- Information Technology Team supports functionality of information technology software, maintenance and equipment, and the IT modernization program.
- Investment Team monitors the oversight and implementation of the investment programs.

Methodology:

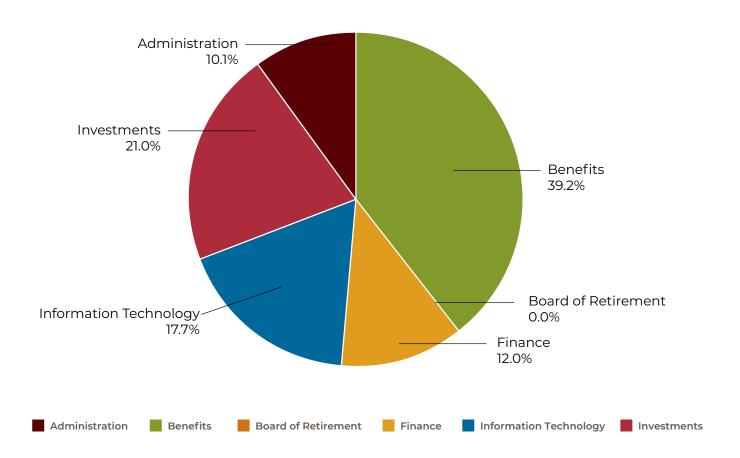
The following summarizes the methodologies used to allocate direct and indirect expenses:

- Salary and Benefit costs are allocated to each function. A salary and benefit percent-to-total is calculated for each respective function and utilized to allocate expenses. The Board of Retirement function is comprised of stipends for non-County employed Board members to attend regular and special Board and Committee meetings.
- Services and Supplies
 - Indirect expenses such as County allocated costs, fiduciary liability insurance, office supplies, postage and printing services, and rents are allocated based on the Full-Time Equivalent (FTE) functional percent-to-total. Indirect expenses are not charged to the Board of Retirement function.
 - **Direct expenses** such as actuarial, information technology expenses, investment-related expenses and legal expenses are charged directly to the respective functions incurring the costs.
- Other Charges are comprised of depreciation expenses, Countywide cost allocation, and amortization of intangible assets. Other charges are allocated to all functions except Board of Retirement based on the Full-Time Equivalent (FTE) functional percent-to-total.
- **Contingencies** are allocated to all functions except Board of Retirement based on the Full-Time Equivalent (FTE) functional percent-to-total.
- **Capitalized Costs** are comprised of new developments of software systems and IT equipment. Capitalized costs are allocated to the Information Technology function.

18 | Budget By Function

Budget by Function

FY 2025-26 Functional Budget



	Administration		Ben	efits	Board of Retirement	
Expense Type	Amount	Percentage	Amount	Percentage	Amount	Percentage
Salaries and Benefits	\$1,787,401	15.0%	\$5,243,043	44.0%	\$8,000	0.1%
Services and Supplies	334,910	3.8%	2,639,285	30.1%	-	0.0%
Other Charges	214,550	11.0%	1,159,033	59.2%	-	0.0%
Total	2,336,842	10.3%	9,041,214	39.9%	8,000	0.0%
Contingencies	23,675	11.0%	127,895	59.2%	-	0.0%
Capitalized Costs		0.0%		0.0%	-	0.0%
Total	23,675	3.2%	127,895	17.1%	-	0.0%
Grand Total	\$2,360,517	10.1%	\$9,169,109	39.2 %	\$8,000	0.0%

Budget by Function - Summary

	Finance		Information	Technology	Investments	
Expense Type	Amount	Percentage	Amount	Percentage	Amount	Percentage
Salaries and Benefits	\$2,025,721	17.0%	\$1,191,601	10.0%	\$1,668,241	14.0%
Services and Supplies	455,928	5.2%	2,236,688	25.5%	3,094,189	35.3%
Other Charges	292,076	14.9%	163,037	8.3%	128,781	6.6%
Total	2,773,699	12.3%	3,591,203	15.9%	4,891,042	21.6%
Contingencies	32,229	14.9%	17,991	8.3%	14,211	6.6%
Capitalized Costs		0.0%	534,000	100.0%		0.0%
Total	32,229	4.3%	551,991	73.6%	14,211	1.9%
Grand Total	\$2,805,928	12.0%	\$4,143,193	17.7 %	\$4,905,253	21.0%

Expense Type	Amount
Salaries and Benefits	\$11,924,000
Services and Supplies	8,761,000
Other Charges	1,957,000
Total	22,642,000
Contingencies	216,000
Capitalized Costs	534,000
Total	750,000
Grand Total	\$23,392,000



Section SIX Summary of Positions



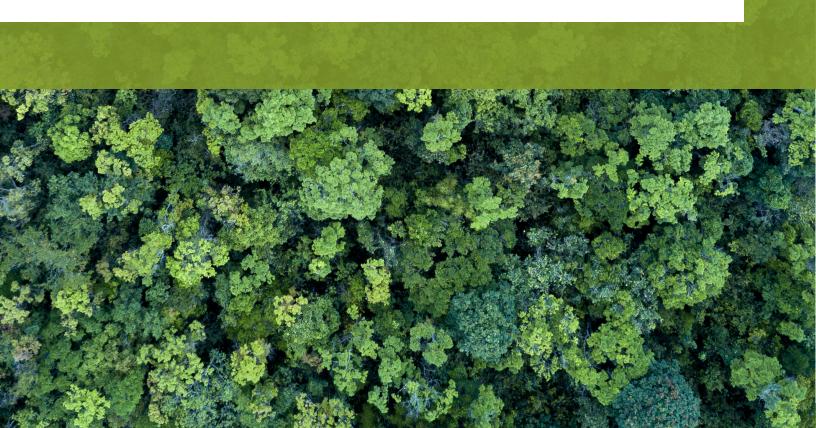
Summary of Positions

Position Title	FY 2025-26 Change Request	Proposed FY 2025-26	Approved FY 2024-25	Filled FY 2024-25*
Accountant	-	2	2	1
Accounting Manager	-	2	2	2
Accounting Technician	-	3	3	3
Admin Svcs Officer 1	-	1	1	1
Admin Svcs Officer 2	-	1	1	1
Asst Retirement Admin-Benefits Rng B	-	1	1	1
Asst Retirement Admin-Enterprise Rng B	-	1	1	1
Asst Retirement Admin-Investment Rng B	-	1	1	1
Asst Retirement Admin-Operations Rng B	-	1	1	1
Chief Investment Officer Retirement Rng B	-	1	1	1
Executive Secretary	-	1	1	-
IT Applications Analyst Lv 2	-	2	1	1
IT Business Systems Analyst Lv3	-	1	1	1
IT Infrastructure Analyst Lv 2	1	1	-	-
IT Support Specialist Lv 2	(1)	-	1	1
Office Specialist Lv1	-	4	4	3
Office Specialist Lv 2	(1)	5	6	5
Paralegal	(1)	1	2	1
Retirement Administrator	-	-	1	1
Retirement Benefits Specialist Lv 1	-	6	6	2
Retirement Benefits Specialist Lv 2	-	12	12	12
Retirement General Counsel Rng B	-	1	1	1
Retirement Investment Analyst Lv 2	-	1	1	1
Retirement Investment Officer	-	1	1	1
Retirement Services Analyst	-	3	3	1
Retirement Services Manager	-	2	2	2
Retirement Services Supervisor	-	4	4	3
Sr Accountant	-	3	3	3
Sr Accounting Mgr	-	1	1	1
Sr Office Specialist- Confidential	1	1	-	-
Sr Public Information Officer	-	1	1	1
Sr Retirement Benefits Specialist	-	7	7	6
Sr Retirement Investment Officer	-	2	2	2
Supv Information Technology Analyst	-	1	1	1
Total	(1)	75	76	63

* Fiscal year 2024-25 filled positions are presented as of March 1, 2025.



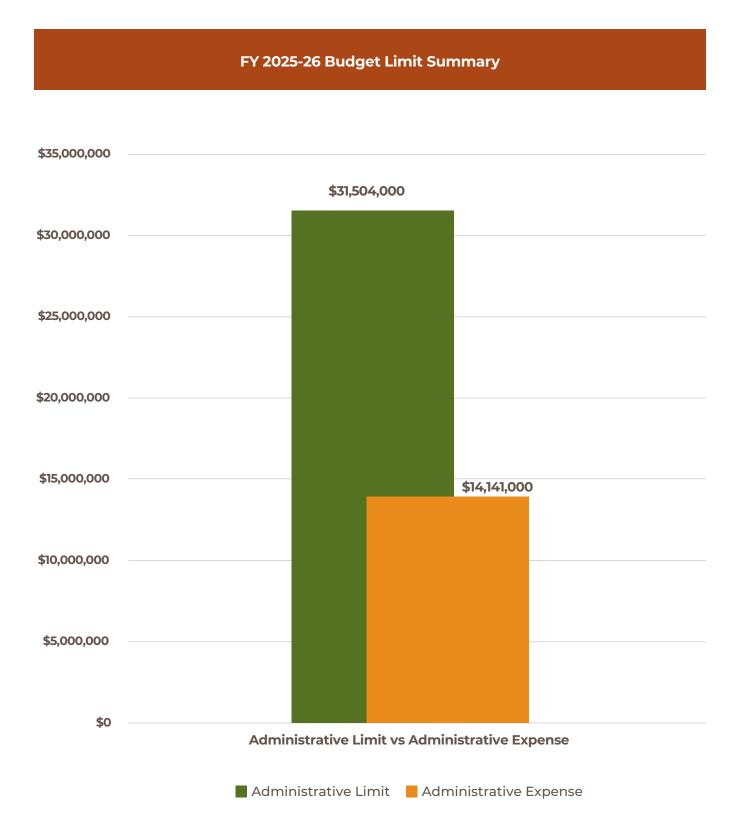
SECTION SEVEN Administrative Expense Budget Limit



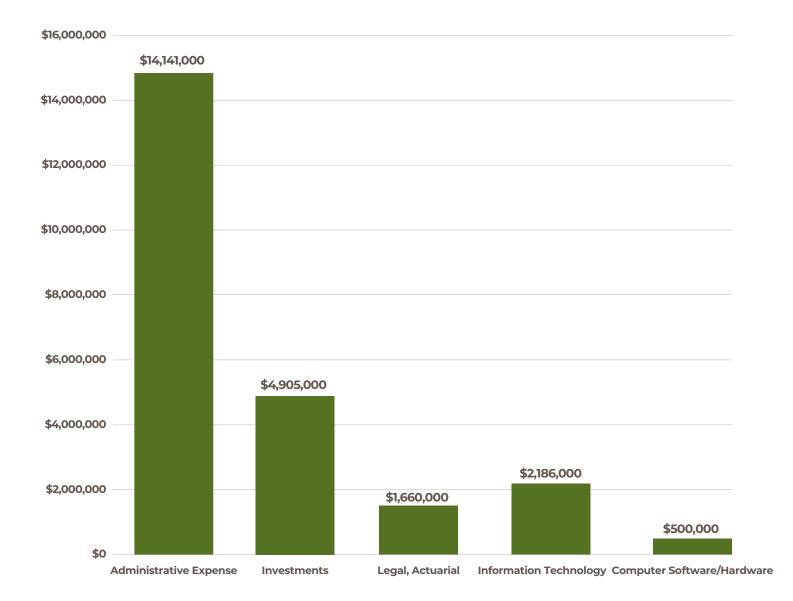
Administrative Expense Budget Limit

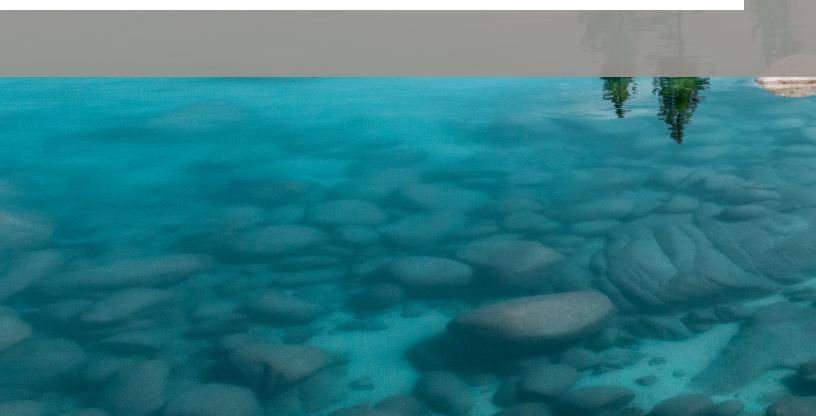
(Pursuant to governement code sections 31580.2 and 31596.1)

	%	FY 2025-26	%	FY 2024-25	Increase/ (Decrease)
Total Budget	-	\$23,392,000	-	\$21,485,000	\$1,907,000
Less: Investments Related Costs	-	(4,905,000)	-	(4,463,000)	(442,000)
Computer Software/Hardware	-	(500,000)	-	(1,399,000)	899,000
Technology Consulting services Costs	-	(2,186,000)	-	(1,238,000)	948,000
Legal, Actuarial Costs		(1,660,000)		(1,380,000)	(280,000)
Administrative Expenses Budget		14,141,000		13,005,000	(1,136,000)
Total Actuarial Accrued Liability as of June 30, 2024 and June 30, 2023, respectively		15,002,017,000		14,358,854,000	643,163,000
Administrative Expenses Budget Limit at Twenty-one Hundredths of One Percent	0.21%	31,504,000	0.21%	30,153,000	
Administrative Expenses Budget	0.09%	14,141,000	0.09%	13,005,000	1,136,000
Budget Limit in Excess of Administrative Expenses	0.12%	\$17,363,000	0.12%	\$17,148,000	\$215,000

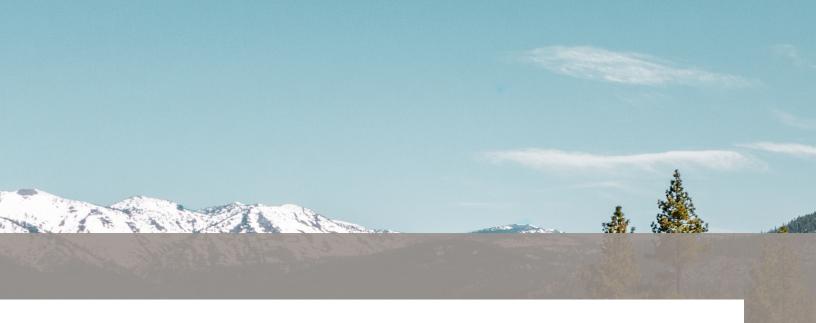


FY 2025-26 Budget Limit Categories





SECTION EIGHT



Glossary

Account Title	Description
401A Administrative Services - ACP	Expenses attributed to the administration of the 401A.
401A Plan-Employer Cost	This is the IRC 401(a) Retirement Savings Deferred Compensation Plan for management employees. When the employee participates in the County's IRC 457(b) Deferred Compensation Plan and contributes a minimum of 1%, SCERS provides a match of up to 3% of the employee's salary including premium pay and auto allowance.
Accounting Services	Expenses related to annual external audit.
Actuarial Services	Expenses attributed to actuarial services provided by Segal.
Advertising/Legal Notices	Expenses comprised of publicizing public hearings, legal notices, employment announcements, and solicitations for professional consultants and service providers.
Alarm Services	Expenses related to alarm services allocated from the Department of General Services.
Allowances	This line item is comprised of car allowance provided to the Chief Executive Officer.
Amortization of Intangible Assets	This is an amortization expense of intangible assets.
Appropriation for Contingencies	This line item is comprised of 1% of the total Salaries and Benefits, total Services and Supplies, and Other Charges expenses.
Assessment Collection	This line item is County Revenue Recovery fees for the collection of outstanding account receivables.
Benefit Administration Services- ACP	Expenses related to the administration of employee benefits. The costs are allocated based on the number of permanent authorized positions. In FY25- 26, it is charged to Personnel Services – ACP.

Board Meetings	Retirement Board expenses, including refreshments and meals.
Building Maintenance Services	Expenses related to building maintenance, including lighting installments, electrical system maintenance, and other utility services.
Business/Conference Expense	Expenses comprised of educational seminars, conferences, and meetings attended by Board members and SCERS staff, including registration, hotel, transportation, meals, tolls, parking and other travel costs.
County Employee Plan Select	Expenses related to the cost of employee plan selection and changes.
County Facility Use Charges	This is a County allocated cost for the County's shared meeting room based on the applicable facility's per- square-foot costs as calculated by the Department of General Services, Department of Regional Parks, and Risk Management. The costs are allocated based on the number of permanent authorized positions.
Countywide Cost Allocation- ACP	This is a County allocated cost indirect overhead and support service costs. Additional services are provided separately which are distributed through billing or cost transfer mechanisms such as Employee Fringe Benefits, County Executive Office, Labor Relations, Data Processing- Shared Systems, Civil Service Commission, Personnel Services, Finance, County Counsel, Regional Parks, General Services, Liability, Worker's Compensation, Regional Radio Communications System, Department of Technology, and other cost allocations.
Countywide IT Services - ACP	This is a County allocated cost for services provided by the Department of Technology which include County data centers, county-wide service desk, county- wide security, 3-1-1 contact center/County-wide communications center, and policy and planning initiatives. The charges are based on historical usage data and input from County Departments.
Data Processing Supplies	Expenses for purchases of non-capitalized equipment and supplies, including computers, monitors, laptop computers, and printers.

Dental Plan	Expenses related to the cost of employee dental plan.
Department of Finance Services	Expenses related to pension payroll services performed by the County Department of Finance. Charges are based on the cost per warrant and the total number of warrants processed.
Department Services- ACP	This is County allocated cost related to Employee Relations Team, Medical/Leaves Team, Payroll Team, and Specialized HR.
Department Services Transportation- ACP	Expenses related to transportation services offered by the County Department of General Services for facilitation of transportation. In FY25-26, it is charged to Personnel Services – ACP.
Depreciation Expense	Depreciation expense for capital assets such as building improvements, furniture, computer hardware, information system, office equipment, and office lease (GASB 87).
DPS Department Services Teams	This is a County allocated cost for personnel services, including central human resources, employee benefits, and labor relations services provided by the Department of Personnel Services. Personnel services costs are allocated based on SCERS' total FTE positions.
Department of Technology Fee- ACP	Expenses related to services provided by County of Sacramento Department of Technology for Power Business Intelligence, data storage, and virtual servers.
Department of Technology Labor	Expenses related to services provided by County of Sacramento Department of Technology for special projects and internal orders.
Department of Technology Labor- ACP	Expenses related to services provided by County of Sacramento Department of Technology for desktop support, server support, and data migration.
Employee Assistance Program (EAP)	Expenses pertaining to employee assistance programs.
Education & Training Services	Expenses pertaining to annual membership of online learning programs.

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Election Services	Expenses related to SCERS Board members elections.
Employee Recognition	Expenses comprised of water and coffee supplies for staff, refreshments for staff meetings, and other employee recognition items.
Employee Tuition Reimbursement	Employee tuition reimbursement payments that range from \$1,200 to \$1,500 per employee based on the employee's bargaining unit and labor agreement.
Employment Services- ACP	Expenses related to employment services support, such as hiring and termination. In FY25-26, it is charged to Personnel Services – ACP.
Extra Help	This line item is comprised of temporary employees. Retired temporary employees are limited to 960 hours per year.
Finance Internal Audits- ACP	Expenses related to internal audit services provided by County of Sacramento Department of Finance.
Finance Payment Services- ACP	Expenses related to payment services provided by County of Sacramento Department of Finance.
Finance Payroll Services- ACP	Expenses related to payroll services provided by County of Sacramento Department of Finance.
Finance System Control & Recon- ACP	This is the County allocated cost for maintaining overall function of the County's financial system – COMPASS, by performing system testing, upgrading, responding to service desk tickets, and maintaining user security. The costs of the System Control & Reconciliation unit are allocated to County departments and offices based on transaction counts for all document types, except payment issuance and payment clearing transactions.
Group Insurance- Employer Cost	Employer's contributions of health and dental insurance premiums. This is provided in the County's Personnel Cost Forecasting Report which calculates prior calendar year actual premium payments through December pay period 26 and adjusted to incorporate anticipated staffing changes in the budgeted fiscal year.

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GS-Mail/Postage Charges	Expenses related to U.S. postage and handling fees for sorted and unsorted first class mailings and certified mailings provided by County Department of General Services, including distribution of notices and forms to SCERS members, and postage costs for pension warrant and annual statements. The total annual cost for postage is determined by usage. Refer to account line-item Postage Services for mailing services provided by external vendor.
GS-Messenger Services	This is a County allocated cost from County Department of General Services for delivery of County inter-departmental mail. The annual cost is based on each daily mail/messenger pick-up or delivery stop.
GS-Parking Charges	Expense for parking space provided to employees.
GS-Printing Services	Expenses for printing service provided by County Department of General Services, including forms, letters, and other materials. The annual printing cost depends upon the size and complexity of printing services requested. See account line-item Printing Services for printing services provided by external vendors.
GS-Purchasing Services	This is a County allocated cost from County Department of General Services, Contract and Purchasing Services Division, for a centralized purchasing process and for monitoring contracted vendor performance and resolving problems with vendors. Costs are based upon SCERS' pro-rata share of the combined purchase order dollar values by fund center. Data from COMPASS for the most recent full fiscal year is used as the basis for allocation.
GS-Surplus Property Management	This is a County allocated cost from County Department of General Services for services related to collection, classification, storage, and redistribution of surplus county-owned equipment, vehicles, and other personal property. The costs are allocated based on SCERS' total FTE positions.

GS-Warehousing Charges	Expenses related to central warehouse and records management service provided by County Department of General Services, including the receipt, storage, retrieval, and destruction of semi- active and/or inactive records. Costs are based upon SCERS' space usage in square footage at a rate of \$0.73 per square foot.
Health Savings- Employer Cost	This line item includes the Retirement Health Savings Plan (RHSP) costs for each eligible employee at \$25 per pay period.
Information Technology Services	Expenses related to SCERS' public website hosting, intranet hosting, and maintenance and application support for the Pension Administration System.
Insurance- Premium	This represents the annual fiduciary insurance policy cost.
Interest Expense-Lease (ROU)	Interest expense portion of SCERS office lease payments. Governmental Accounting Standard Board Statement No 87 requires lessee (SCERS) to reduce the lease liability as payments are made and recognize an outflow of resources for interest of the liability.
Investment Services/Consultants and Other	Investment-related expenses for consulting services and third-party vendor services, including the accounting and reporting of private market investments. This line item excludes investment manager fees, which are paid directly from investment and are not included in the budget.
IT Equipment	This line item is to record any large purchases of Information Technology (IT) equipment that is to be capitalized, including portable computers (PCs), laptops, and tablets.

Labor Relations Services- ACP	This is a County allocated cost from the County Office of Labor Relations for administering the collective bargaining process between the County and its employee organizations. This includes contract negotiations, administration, training, and resolving disputes through mediation, arbitration, and administrative hearings. The costs are allocated based on SCERS' total FTE positions. In FY25-26, it is charged to Personnel Services – ACP.
Land Line Charges- ACP	This is the County allocated cost for administration of phone lines.
Legal Services	Expenses related to legal services such as legal consultation and representation.
Leave Cash Out	Employees can cash in up to forty (40) hours/year vacation after ten (10) years of service and 240 hours accrued vacation. Eligible employees receive cash payment on their accrued vacation hours. The payments are made in the following calendar year of the application.
Liability Insurance- ACP	Expenses related to allocation of liability insurance from County of Sacramento.
Life Insurance	Expenses related to cost of employee life insurance.
Medical Services	Expenses pertaining to disability retirement applications processing, including independent medical examinations, laboratory work, and specialized copying services.
Memberships	Annual membership dues for professional associations.
OASDI	Employer's mandated Social Security and Medicare Tax payments.
Office Equipment Maintenance	Expenses comprised of maintenance of office equipment such as desks, chairs, tables, filing cabinets, and other office furniture.
Office Equipment Modular Furniture	Expenses comprised of purchases for desks, chairs, tables, filing cabinets, and other office furniture.

Office Supplies	Expenses comprised of consumable supplies and miscellaneous office items.
Other Professional Services	Expenses attributed to professional services, such as graphic design, communication consulting, customer experience management, strategic planning, video production, photography, financial statements formatting, process improvement, strategic planning, and disaster recovery plan services.
Periodicals & Subscriptions	Expenses related to subscriptions, such as international business newspapers, daily financial newspapers, and other news and article subscriptions.
Personnel Services - ACP	Expenses related to the programs, such as Employment Services, Training and Organizational Development, Benefits Administration, Labor Relations. These programs are allocated to SCERS based on total full-time equivalent (FTE).
Postage Services	Expenses comprised of mail preparation services performed by contract vendors for presorting, stuffing, and sealing envelopes, United States Postal Services for direct mailings, Federal Express charges, BRM Permit charges, and other express mailing services.
Printing Services	Expenses related to specialty printing, rush orders, and quantity printing including member handbooks, member annual statements, newsletters to members, notices to members, envelopes, folders, portfolios, and stationery provided by contract vendors.
Rents/Leases-Equipment	Lease expenses for printers and photocopiers, including maintenance and repair service.
Rents/Leases/RL Property	Expenses related to lease operating expenses and storage fees.
Reporting Services	Expenses for contract services provided by the Office of Administrative Hearings related to disability retirement cases as required by the Retirement Board.

Retirement-2004 POB Debt Service	This is a County allocated cost pertaining to the principal and interest payments of the 2004 POB. Costs are allocated based on SCERS' total salaries.
Retirement-Normal & UAAL	This represents the employer's share of pension cost, which includes normal cost and Unfunded Actuarial Accrued Liability (UAAL) contributions.
Safety Program- ACP	This is a County allocated cost from the County Department of Personnel Services for managing the Countywide Safety/Accident Prevention and Industrial Hygiene programs. The costs of the Safety Program are allocated to SCERS based on the allocation methodology for the Workers' Compensation Insurance program (70 percent five- year claims history and 30 percent estimated risk calculated by weighted payroll).
Salaries & Wages-Committee Members	Salaries and wages for Board members who are not County employees to attend regular and special Board and Committee meetings.
Salaries & Wages-Premium Pay	Salaries and wages for pay differential based on a 3.35% management base pay, 5% pay differential for out of class staff, and 2.5% to 5% educational incentive for qualified employees in specified positions.
Salaries & Wages-Regular Employees	This line item is comprised of regular salaries and wages for Sacramento County Employee Retirement System (SCERS) personnel. SCERS uses the fiscal year 2024-25 Personnel Cost Forecasting (PCF) Report provided by County of Sacramento (County) as the basis, and updates anticipated staffing changes for fiscal year 2025-26. The PCF is based on data extracted from the human resources module of the Sacramento County Comprehensive Online Management Personnel and Accounting System (COMPASS) for pay period 26 ending December 2024, which includes a 3% cost-of-living adjustment (COLA) based on the current Consumer Price Index estimates. The budget reflects step increases based on the anniversary of an employee's start date. Exempt positions are budgeted based on anticipated step increases. Vacant positions are budgeted at the lowest step.

Salaries & Wages-Straight Time O/T	Straight overtime costs for operational needs, including leaves of absence and vacancies. Certain job classifications are paid straight overtime as prescribed by the labor agreements. Employees have the option to select monetary compensation or receive compensatory time off.
Salaries & Wages-Time & One-Half O/T	Salaries and wages time and one-half for operational needs, including leaves of absence and vacancies. Certain job classifications are paid regular time and one-half as prescribed by the labor agreements. Employees have the option to select monetary compensation or receive compensatory time off.
Salary Savings Factor	Salaries and benefits savings for vacant positions not anticipated to be filled during budgeted fiscal year periods.
Security Services	Expenses related to fingerprinting services provided by the State of California.
Software	Expenses related to software subscriptions.
Software System Development	This line item is comprised of capitalized costs related to SCERS's implementation of a workflow solution software, including the software and hardware costs (if any). Costs for the software related to activities in the application development stage will be capitalized and amortized over the estimated useful life of the software. Amortization of the capitalized costs will begin once the software is ready for its intended use.
Telecommunication	Expenses related to telecommunication outside of the County services, such as cell phones and television services.
Telecommunication – ACP	This is a County allocated cost from Department of Technology for telecommunication and cellular services, including in-house planning, installation, and maintenance of telephone systems, and on- going support and security compliance of cellular telephone service and equipment, along with external vendor cellular telephone charges. The charges are prepared based on input from County Departments and historical usage data and represent estimated Department of Technology costs for the fiscal year.

Temporary Staffing Services	Temporary services to cover operational needs, temporary vacancies, leaves of absence, and special projects as needed.
Terminal Pay	This line item represents anticipated payments for accrued leave balances and for one-half of sick leave balances upon retirement for management employees.
Training Services - ACP	Expenses related to training support received by County of Sacramento. In FY25-26, it is charged to Personnel Services – ACP.
Transcribing Services	Expenses related to qualified legal reporters to record disability retirement hearings, prepare transcripts as necessary, and copy medical reports.
Vision Insurance	Expenses related to the cost of employee vision plan selection.
Wide Area Network	This is a County allocated cost from Department of Technology for Wide Area Network (WAN), which includes infrastructure design, implementation, support, and maintenance services for the County's WAN. The charges are prepared based on historical usage data and County Departments input regarding estimated Department of Technology costs for the fiscal year.
Workers Compensation Insurance- Employer Cost	Employer's cost for Workers' Compensation Insurance claim payments and administration. The costs are allocated to County departments based on 70 percent of a five-year claims history and 30 percent estimated risk calculated by weighted payroll. The County purchases excess Workers' Compensation Insurance to cover claims above a self-insured retention of \$3.0 million.







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