



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

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### Agenda Item 13

**MEETING DATE:** March 19, 2025

**SUBJECT:** 2025-26 Budget Preview

**SUBMITTED FOR:** ☐ Action ☒ Information

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#### **RECOMMENDATION**

Receive and file presentation regarding anticipated changes in SCERS' 2025-26 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. As in 2025, staff is presenting a working draft of the 2025-2026 budget to the Board intended to highlight significant changes that Staff will be recommending at the April 2025 Board meeting.

The draft 2025-26 budget reflects a \$23.4 million spending plan—an increase of \$1.9 million or 8.9% from the prior year's operating budget. The proposed budget growth for 2025-26 is attributable largely to known salary increases and the County Cost Allocation (CCAP).

Staff expect to make further refinements to the budget before the April 2025 Board meeting, as well as incorporate any feedback or direction from the Board.

#### **ATTACHMENTS**

- Board Order
- Budget Presentation

Prepared by:

/s/

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Margo Allen  
Chief Operations Officer

Reviewed by:

/s/

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Eric Stern  
Chief Executive Officer



# **Retirement Board Order**

## **Sacramento County Employees' Retirement System**

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**Before the Board of Retirement**  
**March 19, 2025**

AGENDA ITEM:

### **2025-26 Budget Preview**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file presentation regarding anticipated changes in SCERS' 2025-26 annual budget.

I HEREBY CERTIFY that the above order was passed and adopted on March 19, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:

(Present but not voting)

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James Diepenbrock  
Board President

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Eric Stern  
Chief Executive Officer and  
Board Secretary



# **Budget Preview: 2025-26 Annual Budget**

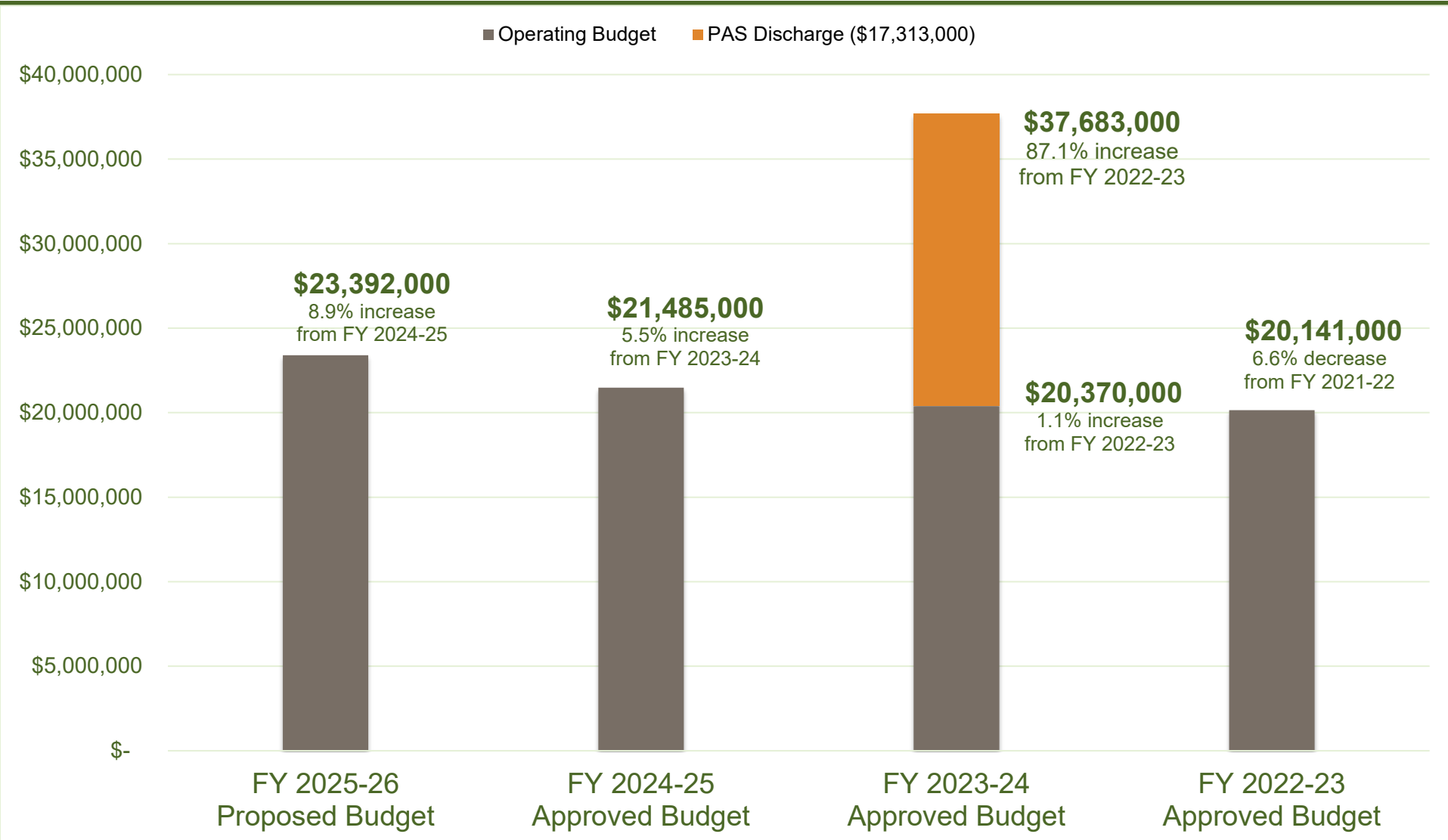
# Budget Authority

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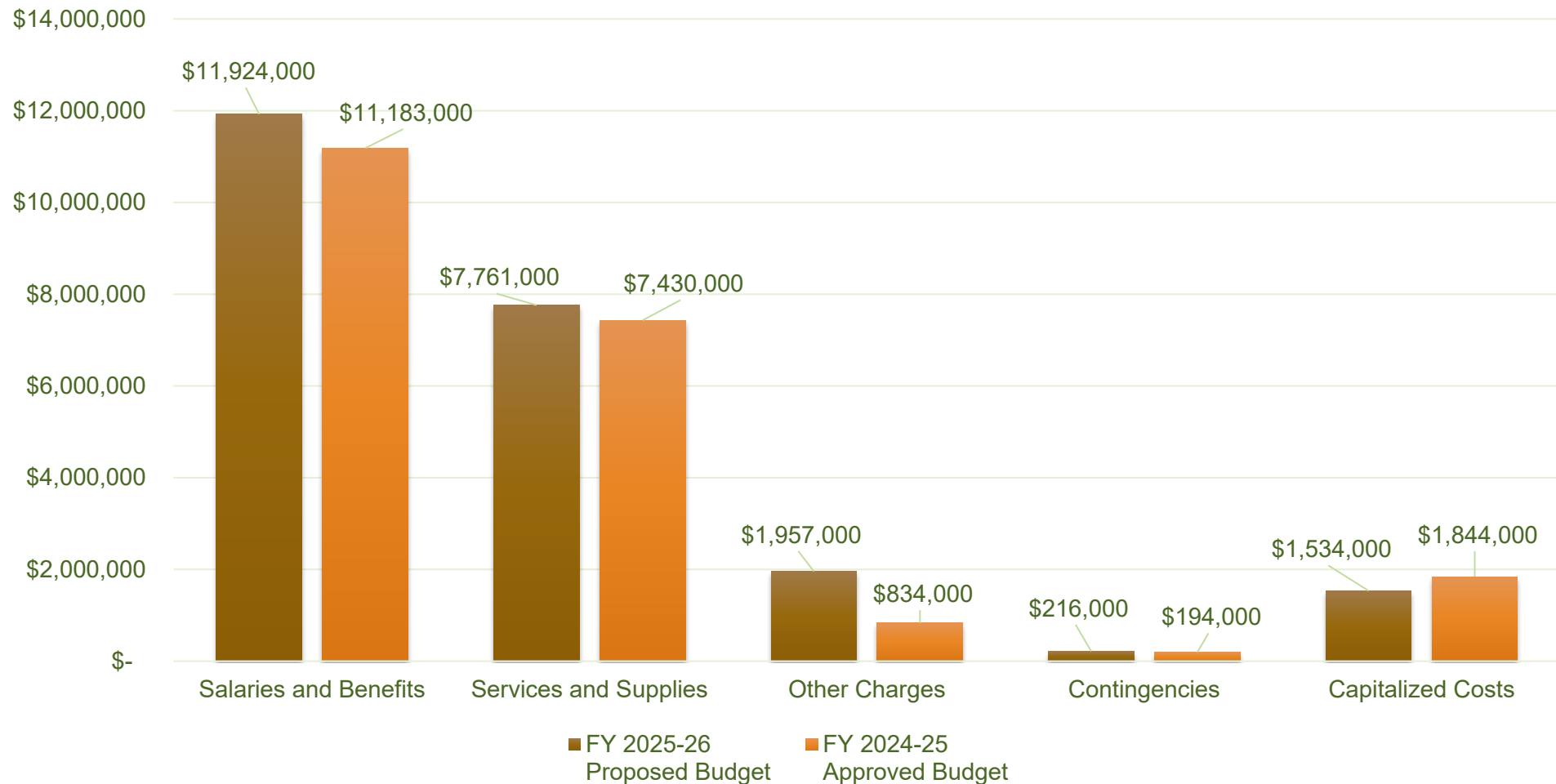
Gov Code § 31580.2

(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. ...**

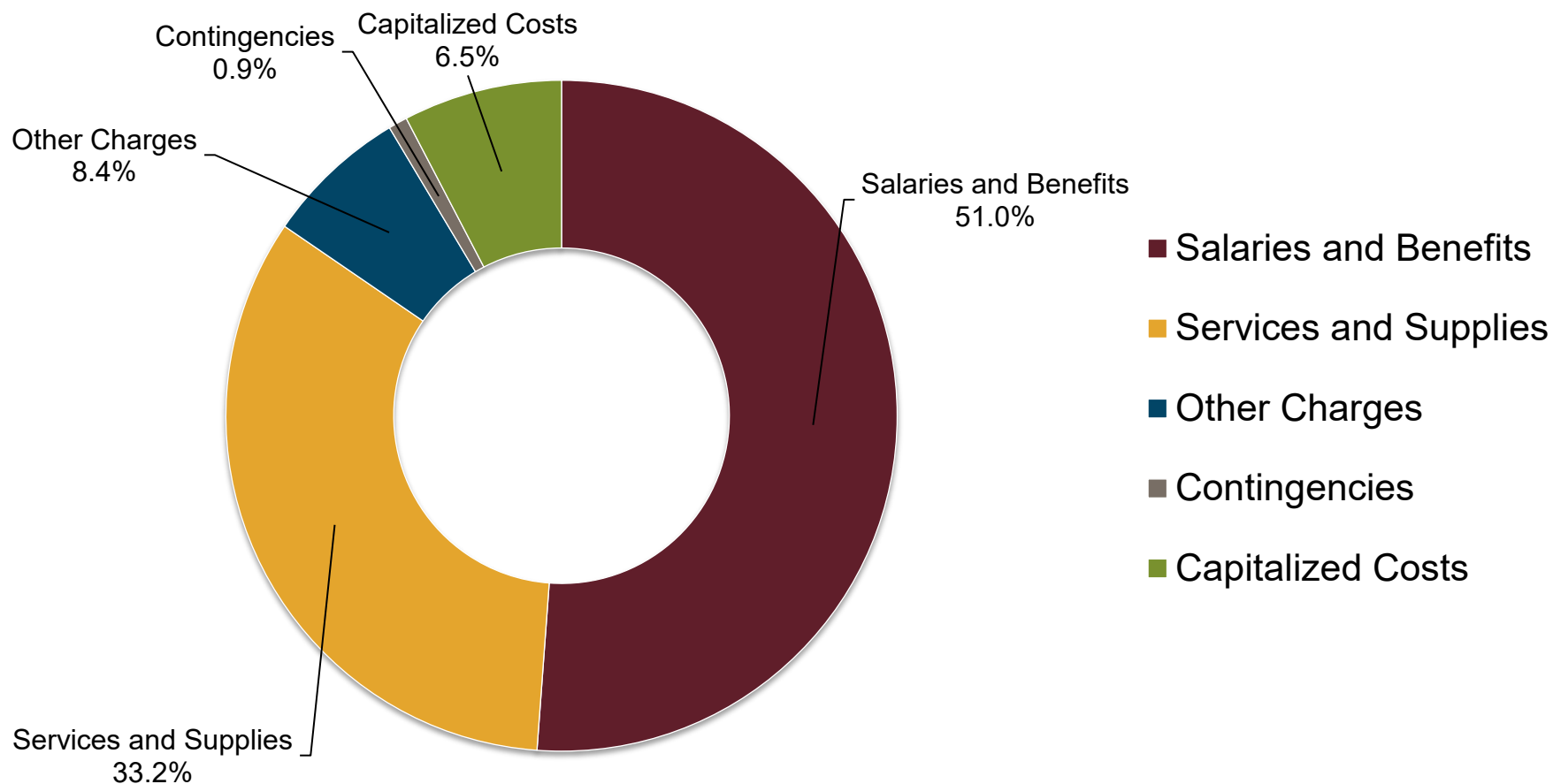
# Operating Expense Budget 4-Year Comparison



# 2025-26 Proposed and 2024-25 Approved Budget Summary



# 2025-26 Proposed Budget by Expense Type

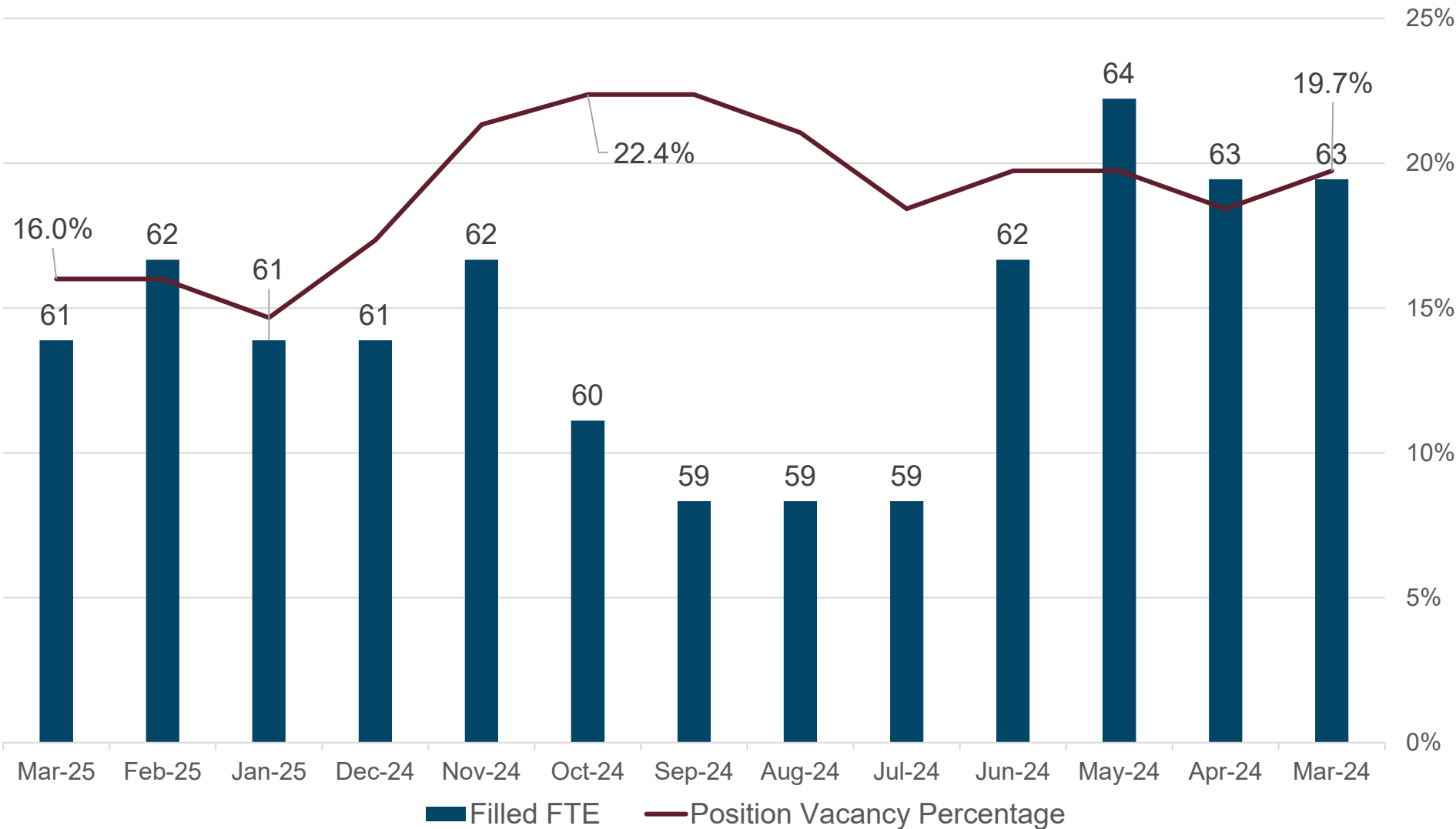


# Salaries and Benefits

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- 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%
- Significant changes:
  - No position growth
    - 1 IT reclassification (Board approved 12/11/2024)
  - More positions filled
  - Known salary increases

# Positions Filled and Vacancy Percentage



# Service and Supplies

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- Represents 33.2% of budget
- Includes office lease, legal and other professional services
- Budget methodology: Analysis of prior-year actual spending and known growth
- 2025-26: \$7,761,000
- 2024-25: \$7,430,000
- Increase of \$331,000 or 4.5%

# Service and Supplies

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- 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 Board Meetings of \$20,000 due to anticipated costs of Investment Forum
  - Increase in Election Services of \$35,000 due to Board elections in Fall 2025
  - Decrease in Medical Services of \$100,000 or 23% is due to the anticipated decrease of the disability cases being processed.

# Compliance Program (Internal Audit)

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- Started with risk assessment in 2024-25
  - Consultant cost: \$60,000
- Will move to audit phase in 2025-26
  - Estimated consultant cost: \$100,000
- Potential scope:
  - Internal controls, separation of duties with employers
  - Accurate reporting of contributions, service credit
  - Overpayments
- Audit Committee oversight

# Other Charges

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- 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

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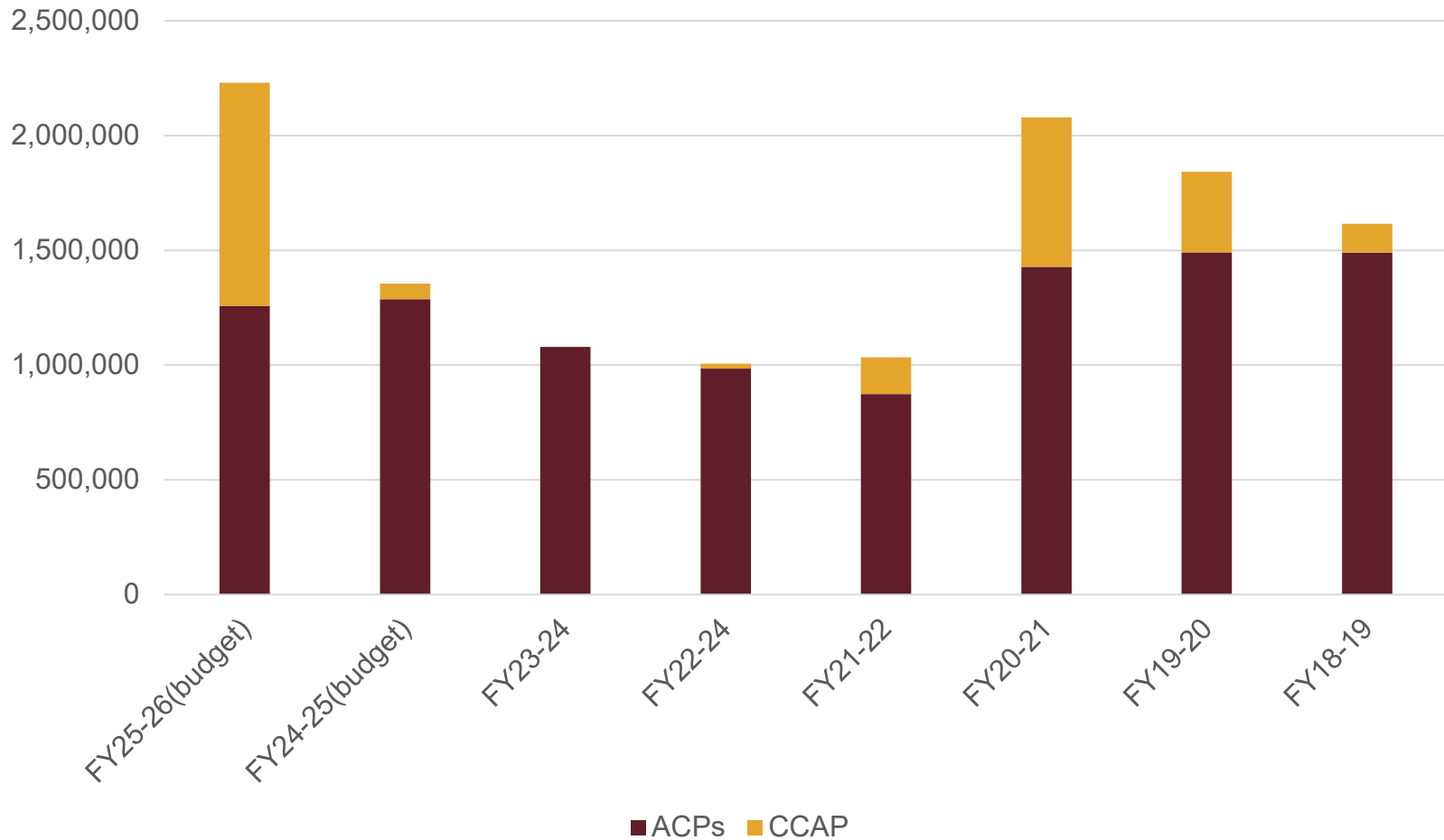
- Allocated County Package (ACP):
  - Retirement POB Debt Service
  - Employer Share Workers Compensation Insurance
  - DTech: Labor, Fee
  - DOF: Payroll Service, Payment Service, Audits, etc.
  - DGS: Printing Service, Messenger Service, etc.
  - DPS: Personnel Service
  - Other ACPs
- Total ACP 2025-26: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

# CCAP – Additional “True Up”

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- 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

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- 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

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- Represents 6.5% of budget
- Budget methodology: Actual and projected capitalized costs
- 2025-26: \$1,534,000
- 2024-25: \$1,844,000
- Decrease of \$310,000 or 16.8%
- Significant changes:
  - Equipment purchases reflect net decrease of \$60,000 or 63.8% is due to anticipated reduced purchase of new equipment
  - Software purchases reflect net decrease of \$250,000 or 14.3%. Continued implementation of Digital Transformation projects

# Digital Transformation Initiatives

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- 2023-24: \$1 million
  - MySCERS portal development/SAP licenses
  - Online appointment scheduling
  - Member Engagement platform/email distribution service
- 2024-25: \$1.75 million
  - MySCERS portal implementation
  - Online Retirement Application
  - Online Death Notification/Secure File Upload
  - New Web platform and updates (in progress)
  - MySCERS portal enhancements (e.g. Member Statements)
  - Service purchase calculator (in progress)
  - Back-office process improvements (in progress)

# Digital Transformation Initiatives

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- 2025-26: \$1.5 million
  - MySCERS portal enhancements
  - Software development TBD

# Administrative Expense Budget Limit

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- Budget Limit for Administrative Expenses
  - The statutory limit is 0.21% of the total Actuarial Accrued Liability (AAL)
  - 2025-26 Administrative Expenses total 0.08% of AAL
  - Slight decrease from 2024-25 (0.10%)
- 2025-26 administrative expense budget total \$12.3 million, which excludes:
  - Computer software, computer hardware, and IT expenses
  - Actuarial expenses
  - Investment-related expenses, including legal expenses

# Next Steps

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- Incorporate Board feedback
- Further refinement of numbers
- Present to Board on April 16<sup>th</sup>