

Purpose and Background

1. The Board of Retirement annually adopts a budget covering the expenses of administering the retirement system. The administration expenses, as defined in Government Code Section 31580.2, incurred in any year will be charged against the earnings of the retirement fund and will not exceed 21 basis points of the actuarial accrued liability of the system.
2. The purpose of the Budget Approval Policy is to establish the process by which the OCERS annual budget is approved by the Board of Retirement.

Roles

3. The preparation and presentation of the budget is the responsibility of the Chief Executive Officer.
4. The adoption of an annual budget is the responsibility of the Board of Retirement.

Guidelines

General Provisions

5. The Chief Executive Officer will present to the Board of Retirement a proposed administrative budget for the next calendar year that supports the initiatives set out in the proposed Business Plan, which is directly linked to OCERS three year Strategic Plan, along with ongoing operations of the system. The Budget will be presented to the Board during the month of November.
6. The proposed budget will be compiled based upon budget requests approved by the Chief Executive Officer from each functional department within OCERS as follows:
 - a. Board;
 - b. Communications;
 - c. Disabilities;
 - d. Executive;
 - e. Finance;
 - f. Human Resources;
 - g. Information Security;
 - h. Information Technology;
 - i. Internal Audit;
 - j. Investments;
 - k. Legal;
 - l. Member Services;
 - m. Operations Support Services; and/or
 - n. Such other functions that may be adopted by OCERS in the future.

OCERS Board Policy

Budget Approval Policy

7. The budget shall be organized into three broad categories of expenditures:
 - a. Salaries and Benefits;
The Salaries and Benefits category will include salaries, overtime, fringe benefits, temporary help costs and any other costs directly related to employee and Board member compensation.
 - b. Services and Supplies
The Services and Supplies category will include items such as professional services, legal services, equipment, information technology infrastructure and software expenses (other than those that are capitalized on OCERS' books as assets that will be depreciated over time and budgeted as capital expenditures), maintenance costs, office expenses, training, and meetings & travel costs. Investment management fees (including directly billed fees, indirectly paid fees reported on investment manager statements, fees and costs for investment management that are netted in portfolio returns, foreign income tax and security lending fees) are not to be included in the annual administrative budget. These expenses are to be managed and reported in accordance with the Board of Retirement's Investment Fee Policy; and
 - c. Capital Projects.
8. The Capital Project budget category will include the current year's costs for all capital asset purchases. Capital assets include items such as buildings, building improvements, vehicles, machinery, equipment, internally generated computer software, computer hardware and all other tangible or intangible assets that are used in operations, cost more than \$25,000 per item, and have initial useful lives extending beyond a single reporting period. The Chief Executive Officer, or the Assistant CEO, Finance & Internal Operations, is granted authority to transfer funds within a category. Funds may not be moved from one category to another without the approval of the Board of Retirement.
9. The value of the actuarial accrued liability (AAL) at the beginning of the budget year will be used for purposes of calculating the 21 basis point test. That value will be calculated by the system's actuary using the prior year's beginning AAL and projecting it to the beginning of the budget year.
10. The Chief Executive Officer may request that the Board amend the budget for the current fiscal year by presenting reasons for the budget amendment, its expected impact, and the cost of the amendment for the remainder of the budget year.

Policy Review

11. The Board shall review this policy at least every three years to ensure that it remains relevant and appropriate.

Policy History

12. This policy was adopted by the Board of Retirement on February 19, 2002.
13. The policy was revised on October 27, 2003, May 16, 2005, March 24, 2008, March 22, 2010, January 18, 2011, June 18, 2012, July 20, 2015, July 17, 2017, April 20, 2020 and June 19, 2023.



OCERS Board Policy Budget Approval Policy

Secretary's Certificate

I, the undersigned, the duly appointed Secretary of the Orange County Employees Retirement System, hereby certify the adoption of this policy.

A handwritten signature in blue ink that reads "Steve Delaney". The signature is contained within a thin black rectangular border.

6/19/2023

Steve Delaney
Secretary of the Board

Date