

# Memorandum

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**DATE:** March 16, 2026  
**TO:** Members of the Board of Retirement  
**FROM:** Jennifer Reyes, Director of Finance  
**SUBJECT:** **FOURTH QUARTER 2025 AMENDED BUDGET TO ACTUALS REPORT**

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## Written Report

### Highlights

- **Fourth Quarter Target Benchmark:** 100% of amended budget used/0% remaining
- **Actual Utilization:** 86.9% used/13.1% remaining
- **Variance:** Approximately \$6.8 million under the amended budget

	Actuals to Date	Amended Budget	Amended Budget Remaining (\$)	Amended Budget Remaining (%)
<b>Administrative Expenses</b>				
Personnel Costs	\$ 26,057,361	\$ 28,109,519	\$ 2,052,158	7.3 %
Services and Supplies	12,504,198	16,456,093	3,951,895	24.0 %
Capital Expenditures	6,096,747	6,844,467	747,720	10.9 %
<b>Grand Total</b>	<b>\$ 44,658,306</b>	<b>\$ 51,410,079</b>	<b>\$ 6,751,773</b>	<b>13.1 %</b>

### Background/Discussion

The Board of Retirement approved OCERS’ Administrative Budget for Fiscal Year 2025 (FY25) on November 18, 2024, for \$47,957,279 to fund administrative expenses. On February 19, 2025, the Board approved a budget amendment of \$452,800 for the Microsoft 365 Commercial Cloud migration project, increasing the total FY25 administrative budget to \$48,410,079. On May 19, 2025, the Board approved a budget transfer of \$94,467 from the Services and Supplies budget category to the Capital Expenditures budget category to fund the purchase of Wi-Fi hardware and equipment. On August 27, 2025, the Board approved an additional budget amendment of \$3.0 million to the Capital Expenditures budget to fund the completion of construction documents for the new headquarters building and to settle a lease termination agreement. This amendment increased the total FY25 administrative budget to \$51,410,079.

Under California Government Code Sections 31580.2 and 31596.1, OCERS’ administrative budget is limited to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system. This provision (commonly referred to as the 21-basis points test) excludes investment related costs and expenditures for computer software, hardware, and related technology consulting services. The FY25 amended administrative budget represents 10.85 basis points of the projected actuarial accrued liability.

The Chief Executive Officer, or the Assistant CEO, has the authority to transfer funds within the three broad categories of the budget: 1) Personnel Costs, 2) Services and Supplies, and 3) Capital Expenditures. Funds may not be transferred from one broad category to another without approval from the Board of Retirement.

**Administrative Summary**

For the year ended December 31, 2025, year-to-date actual administrative expenses were \$44,658,306 or 86.9% of the \$51,410,079 administrative budget and below the amended budget at the end of the year by approximately \$6.8 million. A summary of all administrative expenses and explanations of significant cost drivers is below:

	Actual to Date	Amended Budget	Amended Budget Remaining (\$)	Amended Budget Used (%)
<b>Administrative Expenses</b>				
<b>Personnel Costs</b>	<b>\$ 26,057,361</b>	<b>\$ 28,109,519</b>	<b>\$ 2,052,158</b>	<b>92.7 %</b>
Services and Supplies				
Building Property Management and Maintenance	778,040	1,270,000	491,960	61.3 %
Due Diligence Expenses	65,576	120,000	54,424	54.6 %
Equipment - Rent and Leases	43,925	56,100	12,175	78.3 %
Equipment and Software	732,848	871,202	138,354	84.1 %
Infrastructure	1,942,465	2,856,600	914,135	68.0 %
Legal Services	1,177,632	1,405,000	227,368	83.8 %
Meetings and Related Costs	73,588	75,500	1,912	97.5 %
Memberships	92,938	118,160	25,222	78.7 %
Office Supplies	101,204	125,000	23,796	81.0 %
Postage and Delivery Costs	118,447	151,500	33,053	78.2 %
Printing Cost	75,612	125,000	49,388	60.5 %
Professional Services	6,392,653	7,800,531	1,407,878	82.0 %
Subscriptions and Periodicals	161,613	231,800	70,187	69.7 %
Telephone and Internet	302,666	344,200	41,534	87.9 %
Training and Related Costs	444,991	905,500	460,509	49.1 %
<b>Total Services and Supplies</b>	<b>12,504,198</b>	<b>16,456,093</b>	<b>3,951,895</b>	<b>76.0 %</b>
<b>Administrative Expense - Subtotal</b>	<b>38,561,559</b>	<b>44,565,612</b>	<b>6,004,053</b>	<b>86.5 %</b>
<b>Capital Expenditures*</b>	<b>6,096,747</b>	<b>6,844,467</b>	<b>747,720</b>	<b>89.1 %</b>
<b>Grand Total</b>	<b>\$ 44,658,306</b>	<b>\$ 51,410,079</b>	<b>\$ 6,751,773</b>	<b>86.9 %</b>

\*Capital expenditures represent purchase of assets to be amortized in future periods.

**Personnel Costs**

- **Actual:** \$26.1 million (92.7% of amended budget)
- **Variance:** \$2.1 million under the amended budget
- **Drivers:**

- Budgeted headcount for the year 135.
- Year-end vacancy rate is 3.0% with 4 vacant positions, 12 separations occurred during the year due to retirements and other separations. Additionally, many positions originally budgeted for the full year were filled throughout the year.
- Annual lump-sum payments made in January
- \$440,000 in Investment incentive compensation awards (2nd installment for 2023, 1st installment for 2024)
- Slight increase in leave balances

**Outlook:** Personnel costs are under budget for the year.

### **Services and Supplies**

- **Actual:** \$12.5 million (76.0% of amended budget)
- **Variance:** \$4.0 million under the amended budget
- **Drivers** (excluding variances less than \$5,000 under the amended budget):
  - **Building Property Management and Maintenance (61.3% used, \$491,960 under budget)**  
Spending in this category is under budget primarily due to savings incurred from the transition of the property management, maintenance and accounting functions for the building in-house. Building costs typically include monthly operating expenses and as-needed maintenance, both of which fluctuate throughout the year.
  - **Due Diligence Expenses (54.6% used, \$54,424 under budget)**  
Due diligence expenses, which include investment team travel and on-site manager visits, are under budget at the end of the year. Beginning in the third quarter and continuing into the fourth quarter some investment team travel was reimbursed by investment managers and reported in compliance with the California Fair Political Practices Commission (FPPC), Form 801, resulting in lower expenses than originally budgeted.
  - **Equipment—Rent and Leases (78.3% used, \$12,175 under budget)**  
Rents and leases include copier and postage machine rental costs, along with usage-based costs such as per-copy charges. For the year, expenses are under budget primarily due to increased reliance on electronic documents, reducing the need for printed materials.
  - **Equipment and Software (84.1% used, \$138,354 under budget)**  
This category includes expenditures for IT hardware and software, security software, and investment-related tools. Purchases are typically made as needed throughout the year. Current underspending reflects the timing of implementing an information security account takeover solution and incurring less than anticipated costs for investment data and market risk subscription software.
  - **Infrastructure (68% used, \$914,135 under budget)**  
Infrastructure costs encompass licensing and software subscriptions, including cloud platforms and the pension administration system (PAS). The variance is attributed lower-than-expected usage of on-demand technical support services. The implementation of various new platforms was delayed or deferred to next year. A significant portion of the infrastructure budget is attributed to the PAS,

including change orders for system enhancements and defect remediation which were lower than originally anticipated.

- **Legal Services (83.8% used, \$227,368 under budget)**  
Legal expenditures for investments, litigation and tax counsel are utilized on an as-needed basis. Investment legal services are over the amount budgeted by approximately \$27,000 at year-end due to additional services required with onboarding new investment managers. General board, tax counsel and outside counsel services, and other litigation costs are under budget by approximately \$254,000 primarily due to other litigation costs running lower than budget.
- **Memberships (78.7% used, \$25,222 under budget)**  
Membership costs are under budget due to non-renewal of certain memberships deemed unnecessary.
- **Office Supplies (81% used, \$23,796 under budget)**  
Office supplies category includes funding for office supplies, furniture and ergonomic items, as well as promotional materials, such as items in recognition of OCERS 80<sup>th</sup> Anniversary. These items are purchased on an as-needed basis and are within budget.
- **Postage and Delivery Costs (78.2% used, \$33,053 under budget)**  
Postage and delivery costs include the mailing of member newsletters, ad-hoc mailings, and regular postage and delivery services. No additional mailings occurred during the year. Three newsletters were delivered during the year versus four in the previous year which reduced the cost of postage. Regular postage and delivery costs incurred are lower than anticipated.
- **Printing Cost (60.5% used, \$49,388 under budget)**  
This category includes printing costs for member newsletters, the Annual Comprehensive Financial Report (ACFR) and additional mailings as needed. In 2025, three newsletters were printed versus four newsletters in the prior year which reduced costs. Additionally, fewer ACFR's were printed due to declining demand for hard copies as users increasingly prefer digital access.
- **Professional Services (82% used, \$1,407,878 under budget)**  
Consulting and professional services are used on an as-needed basis which results in costs fluctuating throughout the year. Annual contracts for Investment consulting services represent approximately 39% of the total professional services budget. Other services include actuarial services, the continuation of the master repository project, disability medical examinations, technology consulting, continuation of robotic process automation, and PAS project oversight and consulting. Many of these areas experienced savings or underutilization of the services including disability medical examinations, board election services, master repository project services and information technology.
- **Subscriptions and Periodicals (69.7% used, \$70,187 under budget)**  
Subscriptions and periodicals Include various online knowledge-based resources used by team members. Certain subscriptions budgeted were not utilized or renewed due to the availability of other resources.
- **Telephone and Internet (87.9% used, \$41,534 under budget)**  
This category includes costs related to internet, telecom services, and mobile services for staff. At year-end, expenses are under budget primarily due to lower than budgeted internet service costs of approximately \$35,000, and lower phone expenses of \$6,000.
- **Training and Related Costs (49.1% used, \$460,509 under budget)**  
Training expenses are under budget across all departments. The training category includes

leadership development programs, executive coaching, and participation in professional conferences. Many of our team members attended the SACRS conference during the fall which was in Orange County. The location reduced the cost of attendance since minimal travel costs were incurred. Additionally, virtual conferences remain an attractive learning experience for many team members.

**Outlook:** All services and supplies categories are under budget for the year.

### **Capital Expenditures**

- **Actual:** \$6.1 million (89.1% of amended budget)
- **Variance:** \$747,720 under the amended budget
- **Drivers:**
  - HQ development—program management and preconstruction services

**Outlook:** The replacement headquarters project has progressed to the development stage. An additional budget amendment for capital expenditures was approved during the third quarter to maintain momentum on the project. This amendment provided funding for work to complete 100% construction documents, permit fees, dry utilities designs, application fees, and a lease termination payment.

### **Conclusion:**

As of December 31, 2025, OCERS has utilized 86.9% of the amended FY25 administrative budget and complies with the 21-basis point test.

### **Submitted by:**



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Jennifer Reyes, Director of Finance