



Budget

For Fiscal Year

2026-27

Presented by:

Chief Executive Officer Dominic D. Brown, CPA, CFE

Chief Operations Officer Matthew Henry, CFE

Chief Financial Officer Angela Kruger, CPFO

June 10, 2026

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SECTION I

Letter from the Chief Executive Officer



June 10, 2026

Members of the Board of Retirement:

I am pleased to present to you the proposed Operating Expense Budget for fiscal year 2026-27.

Highlights of the 2025-26 and 2026-27 budgets include:

- The largest budgetary category is staff, which comprises 59.9% of the total proposed budget. The 2025-26 projected actual expense for staffing is \$7.4 million, which is \$674,281 less than what was approved.
- The proposed 2025-26 Administrative Expense Budget of \$7.7 million (8.66 basis points) is \$11.0 million (12.34 basis points) under the statutory limit of 21 basis points of the actuarial accrued liability of the retirement system, pursuant to Government Code Section 31580.2. See *Section IV – Administrative Expenses*.
- For 2026-27, staff recommends a budget of \$14.20 million, which is \$0.78 million or 5.9% more than last year's approved budget of \$13.42 million. The most significant increases are attributed to technology and investment related expenses .

Key Events for Fiscal Year 2025-26

Throughout the fiscal year, KCERA continued to focus on operational efficiency, member service enhancements, and organizational development. While staffing expenditures remained below budget due to unexpected vacancies during portions of the year, staff continued to maintain service levels and advance key organizational initiatives.

The Disability Unit continued making measurable progress in reducing the backlog of disability claims through process improvements and streamlined case management efforts.

KCERA also continued investing in staff education and professional development to ensure employees remain current on industry developments and regulatory changes. Increased activity by the Investment Team, including additional due diligence and investment-related training, contributed to higher education and professional development expenditures during the year. Additionally, certain investment consultant-related expenditures have been incorporated into the budget in recent years to improve transparency and financial reporting.

Several facility and security improvements were completed during the year to support staff safety and operational needs. KCERA completed the installation of security fencing along the east side of the building and added security monitoring systems near building exits to improve employee safety. The organization also completed development of the remaining office space to provide additional employee workspaces.

Board elections were successfully administered in-house during the fiscal year at a lower cost than originally anticipated. No Board elections are anticipated during fiscal year 2026-27.

Construction associated with the planned restroom addition was delayed due to the unexpected need to replace a building air conditioning unit. The project is expected to continue in the upcoming fiscal year.

Future Expectations

As KCERA moves into fiscal year 2026-27, management will continue emphasizing operational efficiency, transparency, fiscal responsibility, and member service. The organization remains committed to maintaining a culture focused on accountability, professional development, and prudent risk management.

Although the proposed operating budget reflects increases associated with staffing costs, technology investments, and continuing education, KCERA's Administrative Expense ratio remains unchanged from the prior year at 8.66 basis points, remaining substantially below the statutory limit of 21 basis points.

Projected staffing increases are primarily attributable to annual step increases and promotions. Subscription and membership expenditures are also increasing to ensure staff remain informed of evolving industry standards, regulatory requirements, and best practices.

KCERA will continue investing in technology, operational improvements, and staff development initiatives to support long-term organizational sustainability and effective administration of member benefits. The organization also expects to continue planned facility improvements, including completion of the restroom addition project delayed during the current fiscal year.

Management is very grateful to the Board for the support it has received over the last year, and I am pleased to present you with KCERA's budget for 2026-27.

Sincerely,

Dominic D. Brown

Dominic D. Brown
Chief Executive Officer

SECTION II

Administrative Expenses

Administrative Expense Budget

The administrative expenses incorporate the limits of Section 31580.2 of the County Employees Retirement Act of 1937, whereby administrative expenses are “capped” at 0.21% of KCERA’s actuarially accrued liabilities. The liability is calculated by KCERA’s actuary. Pursuant to the relevant code sections, certain costs are excluded from the expense cap, namely those associated with investment related costs, expenditures for computer software, hardware and related technology consulting services.

Comparison of Administrative Expenses to Limits (Section 31580.2)	FY25 Budget	FY26 Budget*	FY27 Proposed Budget**
Total actuarial accrued liabilities	\$8,332,592,000	\$8,685,408,000	\$8,912,400,000
Limit on expenses in basis points	21.00	21.00	21.00
Maximum allowed	\$17,498,443	\$18,239,357	\$18,716,040
Operating expenses budget***	\$12,954,348	\$13,417,181	\$14,238,947
Less information technology expenses	\$(788,882)	\$(807,095)	\$(1,194,573)
Less investment and legal expenses***	\$(4,848,927)	\$(5,089,607)	\$(5,285,371)
Administrative expenses	\$7,316,539	\$7,520,479	\$7,721,003
Over (Under) Maximum	\$(10,181,904)	\$(10,533,221)	\$(10,995,037)
Basis Points	8.78	8.66	8.66

* Based on total actuarial accrued liabilities for pension as of June 30, 2023 (latest available actuarial valuation).

** Based on projected valuation value of assets and actuarial accrued liabilities (ASOP 51 Risk Report updated estimate (April 4, 2024).

*** Includes prior period adjustments for non-admin custodial services.

SECTION III

Operating Expense Budget

Operating Expense Budget

KCERA's mission is to expertly administer retirement benefits, prudently invest the assets of the Association, and provide quality membership services to eligible public employees, retirees and their beneficiaries. The annual Operating Expense Budget is a detailed plan established to estimate the anticipated costs of carrying out that mission.

The Board annually adopts the operating budget for the administration of KCERA. Each month, the Board reviews year-to-date actual expenses to ensure budget compliance.

Important assumptions in the fiscal year 2026-27 budget include:

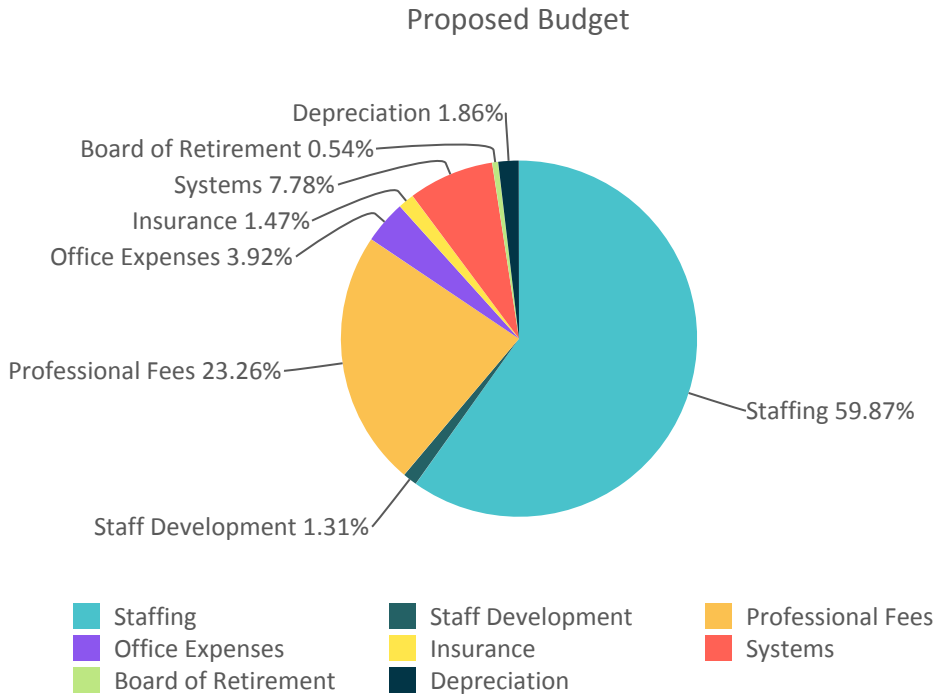
- Staffing expenses have increased primarily due to annual step increases, promotions, and ongoing efforts to maintain competitive compensation levels.
- Disability services expenditures remain stable while KCERA continues reducing the backlog of disability claims through operational efficiencies and streamlined processes.
- Continued investment-related activity, including due diligence efforts, professional development, and investment consultant services, has contributed to increased expenditures in several investment-related categories.
- Information technology expenditures increased primarily due to planned infrastructure and security enhancements, including new firewalls, a security camera system, replacement of UPS battery systems, and prepaid multi-year firewall software subscriptions.
- Board elections conducted during fiscal year 2025-26 were completed in-house at lower-than-anticipated costs. No Board elections are currently anticipated for fiscal year 2026-27.
- Office expenses, including member outreach activities, have been budgeted lower to better reflect current spending trends and operational efficiencies realized during the fiscal year. KCERA also completed development of the remaining office workspace area. Planned restroom improvements were delayed due to the unexpected replacement of a building air conditioning unit and are expected to continue during fiscal year 2026-27.

KCERA's requested fiscal year 2026-27 Operating Expense Budget may be viewed on the following pages.

Operating Expense Budget Summary

Expense Type	FYE 26	FYE 27	Increase (Decrease)	FYE 27
	Approved Budget*	Proposed Budget		% of Total Operating Expenses
Staffing	\$ 8,102,299	\$ 8,522,952	\$ 420,653	59.87 %
Staff Development	152,200	186,000	33,800	1.31 %
Professional Fees	3,180,500	3,312,300	131,800	23.26 %
Office Expenses	620,919	557,701	(63,218)	3.92 %
Insurance	199,594	209,527	9,933	1.47 %
Systems	728,715	1,108,183	379,468	7.78 %
Board of Retirement	187,000	77,000	(110,000)	0.54 %
Depreciation	245,954	265,284	19,330	1.86 %
Expenses	\$13,417,181	\$14,238,947	\$ 821,766	100 %

* Includes prior period adjustments for non-admin custodial services.



Total Proposed Budget

Expense Type	FYE 26 Approved Budget	FYE 26 Estimated Expenses	Over (Under)	FYE 27 Proposed Budget	Proposed vs. Approved Over (Under)	% Change
Personnel Costs						
Salaries	5,184,129	4,840,222	(343,907)	5,435,248	251,119	
Benefits	<u>2,918,170</u>	<u>2,587,796</u>	<u>(330,374)</u>	<u>3,087,704</u>	<u>169,534</u>	
Total Personnel Costs	8,102,299	7,428,018	(674,281)	8,522,952	420,653	5.19 %
Staff Development						
Education & professional development	122,000	160,742	(2,001)	142,000	20,000	
Staff recognition	<u>5,200</u>	<u>5,512</u>	<u>312</u>	<u>6,000</u>	<u>800</u>	
Total Staff Development	152,200	125,511	(26,689)	186,000	33,800	22.21 %
Professional Services						
Actuarial fees	157,250	218,826	61,576	163,200	5,950	
Audit fees	53,300	53,300	—	54,950	1,650	
Consultant fees	90,000	57,890	(32,110)	90,000	—	
Custodial fees	562,000	537,567	(24,433)	579,200	17,200	
Disability services	250,000	245,202	(4,798)	250,000	—	
Due diligence	25,000	25,846	846	38,000	13,000	
Investment consultants	1,602,950	1,651,435	48,485	1,671,950	69,000	
Legal fees	<u>465,000</u>	<u>455,859</u>	<u>(9,141)</u>	<u>465,000</u>	<u>—</u>	
Total Professional Services	3,180,500	3,245,925	40,425	3,312,300	106,800	3.36 %
Office Expenses						
Building expenses	232,000	218,577	(13,423)	197,000	(35,000)	
Communication platforms	60,939	59,882	(1,057)	65,001	4,062	
Equipment lease & maintenance	25,100	16,257	(8,843)	12,000	(13,100)	
Member engagement	50,000	29,887	(20,113)	38,000	(12,000)	
Subscriptions & memberships	36,200	34,250	(1,951)	63,000	26,800	
Office supplies & misc. admin.	83,700	68,342	(15,358)	83,700	—	
Payroll & accounts payable fees	25,000	—	(25,000)	—	(25,000)	
Postage	30,000	21,541	(8,459)	30,000	—	
Other services - Kern County	40,000	40,000	—	30,000	(10,000)	
Utilities	<u>37,980</u>	<u>34,556</u>	<u>(3,424)</u>	<u>39,000</u>	<u>1,020</u>	
Total Office Expenses	620,919	523,292	(97,628)	557,701	(63,218)	(10.18)%
Insurance	199,594	193,753	(5,841)	209,527	9,933	4.98 %
Information Technology Systems						
Audit-security & vulnerability scan	4,000	3,960	(40)	12,930	8,930	
Business continuity expenses	10,000	11,178	1,178	10,600	600	
Hardware	51,114	37,759	(13,355)	224,150	173,036	
Licensing & support	288,158	191,008	(97,150)	224,520	(63,638)	
Software	356,243	354,867	(1,376)	609,583	253,340	
Website design & hosting	<u>19,200</u>	<u>16,385</u>	<u>(2,815)</u>	<u>26,400</u>	<u>7,200</u>	
Total Information Technology Systems	728,715	615,157	(113,558)	1,108,183	379,468	52.07 %
Board of Retirement						
Board compensation	16,000	12,000	(4,000)	14,500	(1,500)	
Board conferences & training	50,000	55,610	5,610	55,000	5,000	
Board elections	112,500	69,189	(43,311)	—	(112,500)	
Board meetings	<u>8,500</u>	<u>6,964</u>	<u>(1,536)</u>	<u>7,500</u>	<u>(1,000)</u>	
Total Board of Retirement	187,000	143,763	(43,237)	77,000	(110,000)	(58.82)%
Depreciation	245,954	242,160	(3,794)	265,284	19,330	7.86 %
Total Operating Expenses	13,417,181	12,517,579	(920,809)	14,238,947	796,766	5.94 %

* Includes prior period adjustments for non-admin custodial services.

Proposed Administrative Budget

Expense Type	FYE 26 Approved Budget	FYE 26 Estimated Expenses	Over (Under)	FYE 27 Proposed Budget	Proposed vs. Approved Over (Under)	% Change
Staffing						
Salaries	3,793,751	3,553,034	(240,717)	3,985,577	191,826	
Benefits	2,156,200	1,966,352	(189,848)	2,330,879	174,679	
Staffing Total	5,949,951	5,519,386	(430,565)	6,316,456	366,505	6.16 %
Staff Development						
Education & professional development	97,600	95,999	(1,601)	142,000	44,400	
Staff recognition	4,160	4,410	250	6,000	1,840	
Staff Development Total	101,760	100,409	(1,351)	148,000	46,240	45.44 %
Professional Fees						
Audit fees	53,300	53,300	—	54,950	1,650	
Consultant fees	90,000	57,890	(32,110)	90,000	—	
Disability – administration	250,000	245,202	(4,798)	250,000	—	
Legal & actuarial (non-admin) fees	77,750	70,737	(7,013)	67,700	(10,050)	
Professional Fees Total	471,050	427,129	(43,921)	462,650	(8,400)	(1.78)%
Office Expenses						
Building expenses	185,600	174,862	(10,738)	157,600	(28,000)	
Communication platforms	40,000	47,906	7,906	30,400	(9,600)	
Equipment lease & maintenance	20,080	13,006	(7,074)	9,600	(10,480)	
Member engagement	50,000	29,887	(20,113)	38,000	(12,000)	
Subscriptions & memberships	28,960	27,400	(1,561)	50,400	21,440	
Office supplies & misc. admin.	66,960	54,674	(12,286)	66,960	—	
Other services - Kern County	40,000	40,000	—	30,000	(10,000)	
Payroll & accounts payable fees	25,000	—	(25,000)	—	(25,000)	
Postage	30,000	21,541	(8,459)	30,000	—	
Utilities	30,384	27,645	(2,739)	31,200	816	
Office Expense Total	516,984	436,921	(80,064)	444,160	(72,824)	(14.09)%
Insurance	159,675	155,002	(4,673)	167,622	7,947	4.98 %
Board of Retirement						
Board compensation	16,000	12,000	(4,000)	14,500	(1,500)	
Board conferences & training	50,000	55,610	5,610	55,000	5,000	
Board elections	112,500	69,189	(43,311)	—	(112,500)	
Board meetings	8,500	6,964	(1,536)	7,500	(1,000)	
Board of Retirement Total	187,000	143,763	(43,237)	77,000	(110,000)	(58.82)%
Depreciation	134,059	167,196	33,137	143,115	9,056	
Total Operating Expenses	7,520,479	6,949,806	(570,674)	7,759,003	238,524	3.17 %

Operating Expense Budget		Variance Over
2026-27 Proposed Budget vs. 2025-26 Approved Budget		(Under)
Personnel Costs		
<ul style="list-style-type: none"> Increased cost for personnel, due to regular increases in salaries and benefits consistent with COLA and annual step increments 		420,653
Staff Development		
<ul style="list-style-type: none"> Increased investment due diligence travel and education 		33,800
Professional Services		
<ul style="list-style-type: none"> Contracted increases in actuarial service fees 		5,950
<ul style="list-style-type: none"> Contracted increases in annual audit service fees 		1,650
<ul style="list-style-type: none"> Increase in custodial expenses related to separately managed investment accounts and ongoing portfolio activity 		17,200
<ul style="list-style-type: none"> Increase in investment consultant services associated with expanded investment activity, due diligence efforts, and portfolio oversight 		69,000
Office Expenses		
<ul style="list-style-type: none"> Office renovation projects completed during the fiscal year 		(35,000)
<ul style="list-style-type: none"> Recategorization of software and audio video equipment to ITS 		(13,100)
<ul style="list-style-type: none"> Office and member outreach expenses budgeted lower to reflect current spending trends and increased operational efficiencies 		(12,000)
<ul style="list-style-type: none"> Increase in subscriptions and memberships to maintain professional development. 		26,800
<ul style="list-style-type: none"> Realized savings in operating expenses due to increased efficiency of processes 		(29,918)
Information Technology Systems		
<ul style="list-style-type: none"> Increased audit, security, and vulnerability testing expenditures associated with ongoing cybersecurity and compliance initiatives 		8,930
<ul style="list-style-type: none"> Increased security and infrastructure expenditures related to replacement firewalls, upgraded security camera systems, and UPS battery replacement equipment 		173,036
<ul style="list-style-type: none"> Decrease in licensing and support expenses due to contract restructuring or timing of implementation 		(63,638)
<ul style="list-style-type: none"> Increased software expenditures related primarily to prepaid multi-year firewall software subscriptions and cybersecurity enhancements 		253,340
Board of Retirement		
<ul style="list-style-type: none"> No trustees elections in 2026-27 		(112,500)

Operating Expense Budget		Variance Over
2025-26 Estimated Expenses vs. 2025-26 Approved Budget		(Under)
Personnel Costs		
• Savings in salaries due to unexpected vacancies during the year		(674,281)
• Staff development expenditures exceeded budget due to increased professional development, continuing education, and investment-related due diligence activities		(26,689)
Professional Fees		
• Savings in other actuarial fees		61,576
• Decrease in consulting services		(32,110)
• Custodial fees were lower than anticipated primarily due to timing associated with the closure of separately managed accounts		(24,433)
• Disability claim review expenditures were lower than anticipated due to continued progress in reducing the backlog of cases and improved processing efficiencies”		(4,798)
• Increase in investment consultant services associated with expanded investment activity, due diligence efforts, and portfolio oversight		48,485
• Legal expenses lower than anticipated due to timing.		(9,141)
Office Expenses		
• Decreased building and property management expenses		(13,423)
• Decrease in anticipated office and member engagement expenses		(20,113)
• Decrease in memberships and subscriptions		(1,951)
• Savings in office supplies and expenses moving to electronic data		(15,358)
• Savings realized from transitioning Accounts Payable functions in-house		(25,000)
• Postage expenses were lower than anticipated, primarily due to increased utilization of electronic communications		(8,459)
• Decreased office expenses resulting from improved operational efficiencies		(13,324)
Insurance		
• Net decrease in insurance expenses		(5,841)
Systems		
• Applied savings from other IT expenses to purchase hardware		(13,355)
• Decrease in licensing and support expenses due to contract restructuring or timing of implementation		(97,150)
• Savings from security audit and other IT expenses		(1,376)
Board of Retirement		
• Decrease in trustees' attendance at conferences/training		5,610
• Board Election lower than initially anticipated		(43,311)

SECTION IV

Budget Policies and Process

Budget Policies and Process

Budget Policies

KCERA's budgeting policies and guidelines are based on the County Employees Retirement Law of 1937 ("CERL"), and the policies and charters of the Board of Retirement ("Board"). The California Government Code Section 31580.2 that governs the Kern County Employees' Retirement Association ("KCERA") specifies that the Board of Retirement "... 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..."

The retirement system's administrative expenses are limited to 0.21% (21 basis points) of the Actuarial Accrued Liability. Government Code Sections 31522.6 and 31580.2(b) indicate that KCERA should exclude actuarial fees, investment-related expenses and technology from that portion of the operating expense budget subject to the statutory limit.

The Board annually adopts the operating budget for the administration of KCERA. Each line item is budgeted based on Board initiatives, past costs, vendor proposals, and estimates of anticipated expenses. The Board also reviews year-to-date actual expenses for budget compliance on a monthly basis. The budget may be amended throughout the fiscal year, if necessary. Budgeted amounts may be reallocated between categories at the discretion of the Chief Executive Officer. These reclassifications do not result in increases or decreases to the total approved budget. Increases or decreases to the total approved budget must be approved by the Board of Retirement. Action items to increase or decrease the approved budget are introduced by KCERA staff to the Finance Committee. If the Finance Committee deems the action item necessary, it will recommend approval to the Board of Retirement.

Budget Process

The Budget Team consists of the Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, and the division managers of KCERA. The team members review the requirements of their respective divisions for the balance of the current fiscal year and the upcoming budget year. The Chief Financial Officer projects the current year-end actual expenses and the projected expenses for the budget year and finalizes the proposed budget.

The proposed budget is presented to the Finance Committee for review and feedback. Any revisions to the proposed budget recommended by the Finance Committee are incorporated to produce the final version the Committee recommends to the Board of Retirement for final adoption.

KCERA prepares the budget on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP) and consistent with KCERA's audited financial statements.



Organizational Chart

