



Date: August 19, 2026
To: Board of Retirement
From: F. Robert Reveles, Retirement Financial Investment Officer
Subject: Preliminary Quarterly Budget Update – Q4 FY 2026

Introduction

Attached is the budget update report for the quarter and year-to-date ending June 30, 2026. While the major expenses through June 30, 2026, are recorded, please note the figures in the report are preliminary and minor updates may occur as new data is received. The report is divided into four schedules. Schedule 1A compares current quarter expenditures to the expenditures during the same quarter of the prior year. Schedule 1B compares fiscal year expenditures to prior fiscal year expenditures. Schedule 2A compares current quarter expenditures to current quarter budgeted amounts. Schedule 2B compares fiscal year expenditures to fiscal year budgeted amounts.

Schedule 1A & 1B

Highlights from FY 2025 vs FY 2026 actual expense comparison for the current quarter are presented below:

- Across major categories, Administrative Expense is higher than both prior periods compared to a year ago. Personnel expenses increased over both prior periods due to expanded staffing levels, including the addition of a retirement benefit specialist and a retirement accountant, as well as the modification of the job description of the Retirement Financial Investment Officer. Office expenses increased over both comparable periods. For the quarter, the rise was driven by higher postage volumes, board meeting meal provisions, and increased copier maintenance costs. YTD office expenses rose due to additional accounting software licenses, supplies for the Board Special Elections, recruitment advertising for the retirement accountant position, and specialized recording software used to produce educational videos. Legal expense increased over the prior year quarter due to advice regarding the Court's upcoming Section 218 Social Security participation vote but is lower YTD than last year since last year included expenses related to the VCP. YTD Audit increased over the prior year due to the independent auditors being on-site this year. The prior year the auditors worked remotely. Consulting Actuary expense increased significantly over the prior year quarter due to transition costs for the new actuary. (The prior period quarter also had an abnormally low services expense) YTD Consulting – Actuary also rose significantly due to fees for presentations for the Board of Supervisors and the Retirement Board's Educational Offsite, along with the transition cost to the new actuary and special studies. Contract expenses increased over both prior periods due to the Agreed-Upon Procedures reviews, which were introduced as a new component of MCERA's internal audit program and not included in the prior year's budget. Staff Education and Training increased this quarter because three staff attended the Spring SACRS conference, compared to just one attendee in the prior year. YTD staff training expenses also rose compared to last year, driven by expanded staff participation in events, including the Spring SACRS conference and multiple CALAPRS events and webinars. Over the course of the fiscal year, staff attended several key educational events, including the CALAPRS Administrators Institute, Nossaman's Fiduciary Forum, the Fall and Spring SACRS conferences, the LRS Teaming Conference, the Markets Group Northern California Institutional Forum, the NCPERS Communications & Member Services Summit, and numerous CALAPRS roundtables.

- Board Expense is higher for the quarter and flat YTD. Quarterly training and education expenses rose compared to the prior year period due to trustee attendance at the Spring SACRS conference. However, YTD training expenses are lower because the prior year included attendance by five trustees at the CALAPRS General Assembly. YTD training events attended include the Fall and Spring SACRS conferences, the CALAPRS General Assembly, and a trustee roundtable. Quarterly Board Meeting Stipends are lower than the prior year because of one fewer trustee.
- Disability Expenses decreased for the quarter but remain higher YTD. While both the prior and current quarters reflect a consistent volume of two cases each, YTD Administrative Review expenses rose because the current period includes seven cases compared to only two cases last year. Currently, there are two pending disability applications.
- Technology Expense is higher for the quarter and lower YTD. Quarterly LRS – Pension Gold expense is higher than the last period due to changes to the actuarial file extracts. YTD PensionGold (LRS) expense is lower because the prior year included setup fees of the previous contract. Quarterly County IT Project Expense is greater than the prior year due to AI policy review, longer board meetings, and generally more IT support than the prior year quarter. YTD IT support is up over 34%. (excluding the Enterprise Internal Service Fund fee) The YTD increase is due to a combination of extended meetings, operating system upgrades, VPN Single-Sign On migrations, scanner software updates, AI policy review, and diagnosis of board room hardware failures.
- Investment Expense is lower than both prior periods. Overall Investment Manager Fees are lower than last fiscal year due to the restructuring of the international portfolio in April and May of last year. Prior year fees were elevated by management and withdrawal costs from Mondrian. The net change in management fees for all managers aside from Mondrian is near zero. Custodial Bank expenses increased for both periods because MCERA's average Assets Under Management (AUM) grew. Last year's average AUM was \$749 million, while this year's average AUM is \$861 million. For actuarial services, the quarterly expenses include the recent experience study, while the year-to-date (YTD) figures include the annual valuation. YTD Investment Monitoring is greater due to legal fees for the new Kayne Anderson and LaSalle real estate funds. Because these were the first new real estate investments MCERA made in many years, staff engaged an attorney for support on partnership agreement due diligence and side-letter negotiations.

Schedule 2A & 2B

Schedule 2A compares actual expenditures vs budgeted amounts. Highlights from the budget vs actual comparison for the current quarter and YTD are presented below:

- Administrative expenses remain under budget for the quarter and the year. Personnel expenses are lower because the Retirement Accountant position is only filled for part of the year. Quarterly Office Expenses are up due to increased postage, copier, and general supply usage, though these are offset by lower communications, board meeting, and office equipment costs. YTD Office Expenses remain lower due to overall savings on postage and equipment, as the budget includes new staff desktops and trustee iPads. Quarterly Legal Services are higher due to payments for legal reviews of the Court's Section 218 Social Security vote and the recent AI policy. Consulting-Actuary is lower for both periods because the budget includes the triennial experience study and an actuarial audit. Consulting-Actuary costs are lower for both periods because during the year MCERA changed actuaries, eliminating the need for a formal actuarial audit, and the triennial experience study expenses are reallocated into the Investment subsection. Quarterly Contracts exceed the budget because actual AUP audit invoices are paid as received rather than allocated like the budget, equally by quarter; however, YTD Contracts remain low because the AUP audit took less time than the vendor originally estimated. Staff Education and Training costs for both periods are under budget because staff didn't attend as many training events as the budget anticipated. YTD Staff Education and Training expense

includes the CALAPRS Administrators Institute, the Nossaman Fiduciaries Forum, LRS Teaming conference, Spring and Fall SACRS conferences, the February Off-site, CALAPRS General Assembly, NCPERS Communications and Member Services Summit, the Markets Group Institutional Forum, and multiple CALAPRS Roundtables.

- Board Expenses remain under budget for both periods. Quarterly Fiduciary Insurance is negative due to trustee reimbursement of the waiver of recourse. Quarterly Board Meeting Stipends are low due to active Board vacancies, while year-to-date (YTD) costs were further reduced by hosting the February off-site meeting at the County Museum. Board Education and Training expenses finished below budget for both periods due to lower than anticipated conference participation. Specifically, one trustee attended the Spring SACRS conference while YTD expenses declined due to lower aggregate participation across both the Fall and Spring events.
- Disability Expense remains lower for both periods than budgeted. These expenses are inherently difficult to project, as ultimate costs depend on both the total volume of cases and the severity of each individual claim.
- Technology Expense is above budget for the quarter and lower YTD. LRS-Pension Gold required significantly fewer billable hours than expected, with actual utilization at 57 hours this quarter against a budgeted 93 hours. These billings were primarily driven by modifications to the actuarial extract, bringing the YTD total to a modest 82 hours. County IT Project Expenses ran higher for the quarter due to the timing of the Enterprise Internal Service Fund charges.
- Investment Expenses are lower than budgeted for both periods. Investment Management Fees are lower than expected primarily due to J.P. Morgan, whose actual incentive fees averaged 49 bps versus a budgeted 150 bps. Performance among the remaining managers varied: RREEF was \$44,000 below budget, while Ninety One (+\$16,250), T. Rowe (+\$10,890), Brandes (+\$4,400), and SSGA (+\$1,690) all finished over budget. Custodian Bank fees for State Street were higher because total portfolio AUM grew faster than projected. The budget estimated average AUM at \$787 million for the first half of the year and \$812 million for the second, while actual averages reached \$831 million and \$861 million, respectively. Actuary Services - Valuation ran over budget for both periods because the line item now includes unbudgeted experience study expenses. Investment Monitoring increased due to legal reviews for new real estate investments.

Conclusion

Through the fourth quarter of Fiscal Year 2026, MCERA expenditures are below budget projections, with total spending 14% under budget for the year. All budget categories (administrative, board expense, disability expenses, technology and investment) are below budget with the largest contributors being the reduction in Investment Fees and Administrative expenses. The Administrative Budget, which excludes technology and investment costs, is \$237,753, or approximately 12.3%, below budget estimates.

Mendocino County Employees Retirement Association
Fiscal Year 2026 Budget Comparison
Schedule 1A: Last Year Quarter Actual vs Current Year Quarter Actual

Budget Category	FY 2025 Apr - Jun Actual	FY 2026 Apr - Jun Actual	Difference \$	Difference %
Administrative				
Personnel	\$ 285,363	\$ 336,341	\$ 50,978	17.86%
Office Expense	6,295	6,782	487	7.73%
Legal Expense	38,845	59,579	20,734	53.38%
Audit	-	-	-	0.00%
Consulting - Actuary	3,029	18,698	15,669	517.28%
Contracts	12,710	18,939	6,229	49.01%
Staff Education and Training	1,538	3,957	2,419	157.28%
Membership	-	-	-	0.00%
Imputed Rent (625-B Kings Court)	14,707	14,878	171	1.16%
Subtotal	\$ 362,487	\$ 459,173	\$ 96,686	26.67%
Board Expense				
Fiduciary Insurance	\$ -	\$ (10)	\$ (10)	-100.00%
Board Meeting Stipends	1,237	1,000	(237)	-19.16%
Board Education and Training	50	1,325	1,275	2550.00%
Subtotal	\$ 1,287	\$ 2,315	\$ 1,028	79.88%
Total Administrative & Board Expense	\$ 363,774	\$ 461,488	\$ 97,714	26.86%
Disability				
Administrative Review	\$ 11,850	\$ 6,975	\$ (4,875)	-41.14%
Hearings ¹	-	-	-	0.00%
Subtotal	\$ 11,850	\$ 6,975	\$ (4,875)	-41.14%
Total Administrative, Board, and Disability Expense	\$ 375,624	\$ 468,463	\$ 92,839	24.72%
Technology				
LRS - Pension Gold	\$ 2,288	\$ 8,596	\$ 6,308	275.70%
County IT Project Expenses	11,094	11,837	743	6.70%
PCX Scan Station	4,626	4,626	-	0.00%
Subtotal	\$ 18,008	\$ 25,059	\$ 7,051	39.15%
Investment				
Investment Manager Fees ²	\$ 363,990	\$ 242,179	\$ (121,811)	-33.47%
Investment Consultant - Callan	49,499	50,737	1,238	2.50%
Custodian Bank - State Street	19,490	23,021	3,531	18.12%
Actuary Services - Valuation	-	48,768	48,768	100.00%
Investment Monitoring ³	3,736	23,960	20,224	541.33%
Subtotal	\$ 436,715	\$ 388,665	\$ (48,050)	-11.00%
Property Maintenance Plan	\$ -	\$ -	\$ -	0.00%
Total MCERA Expenses	\$ 830,347	\$ 882,187	\$ 51,840	6.24%
Total Administrative Expenses (Total ex Technology & Investment)	\$ 375,624	\$ 468,463	\$ 92,839	24.72%

¹ All Hearing related expenses including any hearing preparations.

² Investment fees paid directly to managers.

³ Investment manager monitoring, manager due diligence, investment data.

Mendocino County Employees Retirement Association
Fiscal Year 2026 Budget Comparison
Schedule 1B: Prior Year To Date vs Current Year To Date

Budget Category	FY 2025 Jul - Jun Actual	FY 2026 Jul - Jun Actual	Difference \$	Difference %
Administrative				
Personnel	\$ 893,981	\$ 1,137,809	\$ 243,828	27.27%
Office Expense	26,769	31,704	4,935	18.43%
Legal Expense	168,146	150,133	(18,013)	-10.71%
Audit	43,500	50,500	7,000	16.09%
Consulting - Actuary	35,212	65,301	30,089	85.45%
Contracts	12,720	42,418	29,698	233.47%
Staff Education and Training	14,681	23,094	8,413	57.31%
Membership	6,485	6,880	395	6.09%
Imputed Rent (625-B Kings Court)	58,826	59,511	685	1.16%
Subtotal	\$ 1,260,320	\$ 1,567,349	\$ 307,029	24.36%
Board Expense				
Fiduciary Insurance	\$ 73,667	\$ 75,997	\$ 2,330	3.16%
Board Meeting Stipends	4,487	4,522	35	0.78%
Board Education and Training	8,463	7,068	(1,395)	-16.48%
Subtotal	\$ 86,617	\$ 87,587	\$ 970	1.12%
Total Administrative & Board Expense	\$ 1,346,937	\$ 1,654,936	\$ 307,999	22.87%
Disability				
Administrative Review	\$ 11,850	\$ 36,345	\$ 24,495	206.71%
Hearings ¹	-	-	-	0.00%
Subtotal	\$ 11,850	\$ 36,345	\$ 24,495	206.71%
Total Administrative, Board, and Disability Expense	\$ 1,358,787	\$ 1,691,281	\$ 332,494	24.47%
Technology				
LRS - Pension Gold	\$ 181,179	\$ 96,112	\$ (85,067)	-46.95%
County IT Project Expenses	17,879	19,260	1,381	7.72%
PCX Scan Station	11,530	11,875	345	2.99%
Subtotal	\$ 210,588	\$ 127,247	\$ (83,341)	-39.58%
Investment				
Investment Manager Fees ²	\$ 1,492,934	\$ 1,072,764	\$ (420,170)	-28.14%
Investment Consultant - Callan	195,582	200,471	4,889	2.50%
Custodian Bank - State Street	75,965	86,834	10,869	14.31%
Actuary Services - Valuation	78,000	129,768	51,768	66.37%
Investment Monitoring ³	15,194	46,089	30,895	203.34%
Subtotal	\$ 1,857,675	\$ 1,535,926	\$ (321,750)	-17.32%
Property Maintenance Plan	\$ -	\$ -	\$ -	0.00%
Total MCERA Expenses	\$ 3,427,050	\$ 3,354,454	\$ (72,596)	-2.12%
Total Administrative Expenses (Total ex Technology & Investment)	\$ 1,358,787	\$ 1,691,281	\$ 332,494	24.47%

¹ All Hearing related expenses including any hearing preparations.

² Investment fees paid directly to managers.

³ Investment manager monitoring, manager due diligence, investment data.

Mendocino County Employees Retirement Association
Fiscal Year 2026 Budget Comparison
Schedule 2A: Current Quarter Budget vs Current Quarter Actual

Budget Category	FY 2026 Apr - Jun Budget	FY 2026 Apr - Jun Actual	Difference \$	Difference %
Administrative				
Personnel	\$ 369,057	\$ 336,341	\$ (32,716)	-8.86%
Office Expense	6,383	6,782	399	6.25%
Legal Expense	38,750	59,579	20,829	53.75%
Audit	-	-	-	0.00%
Consulting - Actuary	115,793	18,698	(97,096)	-83.85%
Contracts	12,892	18,939	6,047	46.91%
Staff Education and Training	8,356	3,957	(4,399)	-52.65%
Membership	-	-	-	0.00%
Imputed Rent (625-B Kings Court)	14,878	14,878	0	0.00%
Subtotal	\$ 566,109	\$ 459,173	\$ (106,936)	-18.89%
Board Expense				
Fiduciary Insurance	\$ -	(10)	\$ (10)	-100.00%
Board Meeting Stipends	2,144	1,000	(1,144)	-53.35%
Board Education and Training	12,456	1,325	(11,131)	-89.36%
Subtotal	\$ 14,600	\$ 2,315	\$ (12,285)	-84.14%
Total Administrative & Board Expense	\$ 580,709	\$ 461,488	\$ (119,221)	-20.53%
Disability				
Administrative Review	\$ 5,000	\$ 6,975	\$ 1,975	39.50%
Hearings ¹	10,000	-	(10,000)	-100.00%
Subtotal	\$ 15,000	\$ 6,975	\$ (8,025)	-53.50%
Total Administrative, Board, and Disability Expense	\$ 595,709	\$ 468,463	\$ (127,246)	-21.36%
Technology				
LRS - Pension Gold	\$ 14,000	\$ 8,596	\$ (5,404)	-38.60%
County IT Project Expenses	2,327	11,837	9,510	408.70%
PCX Scan Station	4,847	4,626	(221)	-4.55%
Subtotal	\$ 21,173	\$ 25,059	\$ 3,886	18.35%
Investment				
Investment Manager Fees ²	\$ 354,535	\$ 242,179	\$ (112,355)	-31.69%
Investment Consultant - Callan	50,737	50,737	0	0.00%
Custodian Bank - State Street	20,334	23,021	2,687	13.21%
Actuary Services - Valuation	-	48,768	48,768	100.00%
Investment Monitoring ³	4,960	23,960	19,000	383.06%
Subtotal	\$ 430,565	\$ 388,665	\$ (41,900)	-9.73%
Property Maintenance Plan	\$ -	\$ -	\$ -	0.00%
Total MCERA Expenses	\$ 1,047,448	\$ 882,187	\$ (165,261)	-15.78%
Total Administrative Expenses (Total ex Technology & Investment)	\$ 595,709	\$ 468,463	\$ (127,246)	-21.36%

¹ All Hearing related expenses including any hearing preparations.

² Investment fees paid directly to managers.

³ Investment manager monitoring, manager due diligence, investment data.

Mendocino County Employees Retirement Association
Fiscal Year 2026 Budget Comparison
Schedule 2B: Current Year Budget vs Current Year Actual

Budget Category	FY 2026 Jul - Jun Budget	FY 2026 Jul - Jun Actual	Difference \$	Difference %
Administrative				
Personnel	\$ 1,199,395	\$ 1,137,809	\$ (61,586)	-5.13%
Office Expense	33,904	31,704	(2,201)	-6.49%
Legal Expense	155,000	150,133	(4,867)	-3.14%
Audit	50,500	50,500	-	0.00%
Consulting - Actuary	158,172	65,301	(92,872)	-58.72%
Contracts	51,568	42,418	(9,150)	-17.74%
Staff Education and Training	32,747	23,094	(9,653)	-29.48%
Membership	6,645	6,880	235	3.54%
Imputed Rent (625-B Kings Court)	59,511	59,511	(0)	0.00%
Subtotal	\$ 1,747,443	\$ 1,567,349	\$ (180,094)	-10.31%
Board Expense				
Fiduciary Insurance	\$ 74,026	\$ 75,997	\$ 1,971	2.66%
Board Meeting Stipends	8,575	4,522	(4,053)	-47.27%
Board Education and Training	38,990	7,068	(31,922)	-81.87%
Subtotal	\$ 121,591	\$ 87,587	\$ (34,004)	-27.97%
Total Administrative & Board Expense	\$ 1,869,034	\$ 1,654,936	\$ (214,098)	-11.46%
Disability				
Administrative Review	\$ 20,000	\$ 36,345	\$ 16,345	81.73%
Hearings ¹	40,000	-	(40,000)	-100.00%
Subtotal	\$ 60,000	\$ 36,345	\$ (23,655)	-39.43%
Total Administrative, Board, and Disability Expense	\$ 1,929,034	\$ 1,691,281	\$ (237,753)	-12.32%
Technology				
LRS - Pension Gold	\$ 139,734	\$ 96,112	\$ (43,622)	-31.22%
County IT Project Expenses	19,887	19,260	(627)	-3.15%
PCX Scan Station	12,096	11,875	(221)	-1.82%
Subtotal	\$ 171,716	\$ 127,247	\$ (44,469)	-25.90%
Investment				
Investment Manager Fees ²	\$ 1,418,139	\$ 1,072,764	\$ (345,375)	-24.35%
Investment Consultant - Callan	200,471	200,471	(0)	0.00%
Custodian Bank - State Street	80,154	86,834	6,680	8.33%
Actuary Services - Valuation	81,000	129,768	48,768	60.21%
Investment Monitoring ³	19,840	46,089	26,249	132.30%
Subtotal	\$ 1,799,604	\$ 1,535,926	\$ (263,679)	-14.65%
Property Maintenance Plan	\$ -	\$ -	\$ -	0.00%
Total MCERA Expenses	\$ 3,900,354	\$ 3,354,454	\$ (545,900)	-14.00%
Total Administrative Expenses (Total ex Technology & Investment)	\$ 1,929,034	\$ 1,691,281	\$ (237,753)	-12.32%

¹ All Hearing related expenses including any hearing preparations.

² Investment fees paid directly to managers.

³ Investment manager monitoring, manager due diligence, investment data.