

Date: October 21, 2026
To: Board of Retirement
From: F. Robert Reveles, Retirement Financial Investment Officer
Subject: Preliminary Quarterly Budget Update – Q1 FY27

Introduction

Attached is the budget update report for the first quarter of the fiscal year ending June 30, 2027. Please note the figures in the report are preliminary and updates may occur if any new expense information is received. Each quarterly report is typically composed of four schedules. One exception is the first budget update of the fiscal year when the quarter and year-to-date (YTD) schedules present identical information. As this report is the first of the fiscal year, the YTD schedules are excluded. Schedule 1A compares current quarter expenditures to the expenditures during the same period of the prior year. Schedule 2A compares current quarter's actual expenditures to budgeted amounts. As in prior years, all disability hearing and hearing preparation expenses are reported as hearing expenses. Similarly, investment manager fees are aggregated in one line item. The details of each expense category are discussed in the accompanying narrative. MCERA's total expenses for the quarter are less than budget estimates and prior period expenses. Total administrative costs excluding technology and investment expenses are also below budget estimates and the prior periods.

Schedule 1A: Current Quarter vs Prior Year Quarter

Highlights from FY 2026 vs FY 2027 actual expense comparison for the current quarter are presented below:

- Administrative Expenses are lower overall than the prior period, as a lack of recorded expenditures for several unbilled services entirely offset increases. Personnel expenses rose primarily due to the addition of the new Retirement Accountant. Office expenses rose due to a catch-up in the County's postage billing cycle, higher Adobe licensing costs, and notices sent for the recent trustee election. These increases were partially offset by the absence of prior-year expenses, which included office phones, a voice recorder, and recruitment advertising for the retirement accountant position. Legal expenses increased due to additional reviews by Board Counsel during the quarter. Audit expenses are lower due to the timing of project billings. Consulting – Actuary decreased because quarterly billings have not yet been received. Contract expenses also declined because Agreed-Upon Procedures (AUP) audit billings have not yet been received. Staff Education and Training expenses increased due to travel accommodations for staff attending the 2026 LRS Teaming Conference, the Fall SACRS conference, and the CALAPRS Intermediate course in Retirement Plan Administration.
- Board Expense increased compared to the prior period. Board Meeting Stipends decreased compared to last year due to a trustee vacancy and the absence of an Audit Committee meeting. Board Education and Training expenses increased significantly due to registration fees and travel reimbursements for two trustees attending the CALAPRS Principles of Pension Governance program.



- Disability Expense is less than the prior year and includes two medical assessments. The prior year included a single assessment.
- Overall technology expenses remained flat compared to the prior period, as lower LRS PensionGold costs offset an increase in County IT expenses. The decrease in LRS PensionGold expenditures was driven by a drop from three large prior-period change orders, which covered a new computer software installation, DRO split-account benefits, and benefit payment updates, to a single change order this quarter for transmittal upload errors. Both periods include the annual business continuity plan, which increased 5%. County IT expenses rose due to website migration, AI policy updates, and extended meeting durations.
- Investment Expenses declined compared to the prior period. Investment manager fees decreased because the performance results for J.P. Morgan have not yet been received; however, this reduction was partially offset by a 4% to 13% increase in other manager fees driven by favorable market returns. Custodial Bank – State Street fees rose due to a growth in average Assets Under Management (AUM), which increased from \$814 million in the prior period to \$921 million in the current fiscal year. Investment Monitoring expenses rose due to higher database software fees and legal consultation regarding the recent Kayne Anderson Real Estate sale.
- Capital Improvement Plan expenses of \$4,651 represent the purchase of LED lighting hardware for 625-A Kings Court in Ukiah.

Schedule 2A Year-to-Date Actual Vs Budget

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

- Total Administrative Expenses overall are below budget primarily due to timing factors. Office expenses are below budget because the general insurance billing from the County has not yet been received. In total, other office categories were down slightly, as a timing-related increase in Adobe licensing was offset by lower expenses for general supplies, postage, and office communications. Legal expenses dipped because MCERA required less work than expected across our three legal vendors. Audit, Consulting -Actuary, and Contracts are all below budget because quarterly services and project billings have not yet been received. Finally, Staff Education and Training expenses were under budget because personnel attended fewer and different events than originally anticipated. Although the budget accounted for multiple GFOA trainings and CALAPRS Roundtables, actual activity was limited to the CALAPRS Administrators Institute and the Accountants Roundtable, the CFA Society of San Francisco's ALTS 2026 conference, and select GFOA and CALAPRS training registrations.



- Board Expense is under budget primarily due to lower trustee headcount. Board Meeting Stipends declined because the number of appointed trustees was lower than budgeted. In addition to regular Board of Retirement meetings, the annual stipend budget accounts for three Audit Committee meetings. Board Education and Training expenses were under budget due to lower-than-anticipated training course enrollment. While the budget allocated funds for three trustees to attend the CALAPRS Principles of Pension Management Program, two trustees attended during the quarter.
- Disability Expense is below budgeted estimates with two cases being reviewed to date.
- Technology Expense is marginally above budget due to numerous County IT projects and AI review. The quarterly LRS – PensionGold budget allocates 40 support hours. During the quarter, MCERA closed one change order utilizing 2.5 hours, and LRS invoiced the MCERA for the annual business continuity plan. Additionally, MCERA will receive a \$3,000 billing credit (representing 10 hours of credit each) for the Retirement Analyst and Benefits Specialist's upcoming attendance at the LRS Teaming Conference in October. County IT expenses exceeded the budget due to required contract reviews of new AI provisions and the County's ongoing website migration. Annually, the budget allocates 60 hours for general IS Tech support. During the quarter, County IS Techs billed 23.25 hours. Notably, these figures exclude all time spent by the IS Specialist who records and streams MCERA Board meetings.
- Investment Expenses are less than budget. Investment manager fees include direct billings from Brandes, Ninety-One, SSGA, and T. Rowe, alongside indirect fees (paid via unit sales) from J.P. Morgan and RREEF. Except for T. Rowe, all directly billed manager fees tracked below budget for the quarter. Meanwhile, indirect fees for RREEF are estimated slightly under budget at \$60,000, while J.P. Morgan fees are excluded from this report. Investment Monitoring expenses declined because no on-site due diligence has been conducted this year. While the annual budget includes both Morningstar software and on-site due diligence travel, spending so far has been limited to the software subscription.

Conclusion

MCERA expenses are below budget estimates and the prior periods actual expenses. Preliminary Total expenditures are roughly 37% lower than budget. Excluding technology and investment expense, expenditures are lower than budget estimates by \$68,647 or approximately 18%. The total decrease is primarily due to the Investment Manager Fees, Audit, the Disability Subtotal, and Legal Expense. The decrease in actual-to-actual Administrative Expenses, ex Technology and Investment, spending is driven by lower Investment Manager Fees and Audit offset by increases in Legal Expense.

Mendocino County Employees Retirement Association				
Fiscal Year 2027 Actual vs Prior Year Comparison				
Schedule 1A: Current Year Quarter vs Prior Year Quarter				
	FY 2026	FY 2027		
	Jul-Sep	Jul-Sep	Variance	
	Actual	Actual	\$	%
Administrative				
Personnel	\$ 219,261	\$ 233,054	13,793	6.29%
Office Expense	6,292	7,623	1,331	21.15%
Legal Expense	21,400	30,650	9,250	43.23%
Audit	38,871	4,599	(34,272)	-88.17%
Consulting - Actuary	9,063	-	(9,063)	-100.00%
Contracts	11,075	3,367	(7,708)	-69.60%
Staff Education and Training	5,629	6,801	1,172	20.82%
Membership	4,000	4,000	-	0.00%
Imputed Rent (625-B Kings Court)	14,878	15,063	185	1.24%
Subtotal	\$ 330,469	\$ 305,157	\$ (25,312)	-7.66%
Board Expense				
Fiduciary Insurance	\$ -	\$ -	-	0.00%
Board Meeting Stipends	1,200	800	(400)	-33.33%
Board Education and Training	580	6,838	6,258	1078.97%
Subtotal	\$ 1,780	\$ 7,638	\$ 5,858	329.10%
Total Administrative & Board Expense	\$ 332,249	\$ 312,795	\$ (19,454)	-5.86%
Disability				
Administrative Review	\$ 7,320	\$ 2,520	\$ (4,800)	-65.57%
Hearings ¹	-	-	-	0.00%
Subtotal	\$ 7,320	\$ 2,520	\$ (4,800)	-65.57%
Total Administrative, Board, and Disability Expense	\$ 339,569	\$ 315,315	\$ (24,254)	-7.14%
Technology				
LRS - Pension Gold	\$ 10,030	\$ 8,601	\$ (1,429)	-14.25%
County IT Project Expenses	2,774	4,126	1,352	48.74%
PCX Scan Station	-	-	-	0.00%
Subtotal	\$ 12,804	\$ 12,727	\$ (77)	-0.60%
Investment				
Investment Manager Fees ²	\$ 271,205	\$ 180,028	(91,177)	-33.62%
Investment Consultant - Callan	49,499	50,737	1,238	2.50%
Custodian Bank - State Street	20,584	23,151	2,567	12.47%
Actuary Services - Valuation	-	-	-	0.00%
Investment Monitoring ³	4,209	4,801	592	14.07%
Subtotal	\$ 345,497	\$ 258,717	\$ (86,780)	-25.12%
Capital Improvement Plan	\$ -	\$ 4,651	\$ 4,651	100.00%
Total MCERA Expenses	\$ 697,870	\$ 591,410	\$ (106,460)	-15.26%
Total Administrative Expenses	\$ 339,569	\$ 315,315	\$ (24,254)	-7.14%
(Total ex Technology & Investment)				
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 2027 Budget Comparison				
Schedule 2A: Current Year Quarter Actual vs Quarter Budget				
	FY 2027	FY 2027		
	Jul-Sep	Jul-Sep	Variance	
	Budget	Actual	\$	%
Administrative				
Personnel	\$ 233,104	\$ 233,054	(50)	-0.02%
Office Expense	11,121	7,623	(3,497)	-31.45%
Legal Expense	40,626	30,650	(9,976)	-24.56%
Audit	25,248	4,599	(20,649)	-81.78%
Consulting - Actuary	9,150	-	(9,150)	-100.00%
Contracts	12,399	3,367	(9,032)	-72.84%
Staff Education and Training	7,340	6,801	(539)	-7.35%
Membership	4,000	4,000	-	0.00%
Imputed Rent (625-B Kings Court)	15,075	15,063	(12)	-0.08%
Subtotal	\$ 358,062	\$ 305,157	\$ (52,905)	-14.78%
Board Expense				
Fiduciary Insurance	\$ -	\$ -	-	0.00%
Board Meeting Stipends	1,700	800	(900)	-52.94%
Board Education and Training	10,750	6,838	(3,912)	-36.39%
Subtotal	\$ 12,450	\$ 7,638	\$ (4,812)	-38.65%
Total Administrative & Board Expense	\$ 370,512	\$ 312,795	\$ (57,717)	-15.58%
Disability				
Administrative Review	\$ 5,000	\$ 2,520	\$ (2,480)	-49.60%
Hearings ¹	8,450	-	(8,450)	-100.00%
Subtotal	\$ 13,450	\$ 2,520	\$ (10,930)	-81.26%
Total Administrative, Board, and Disability Expense	\$ 383,962	\$ 315,315	\$ (68,647)	-17.88%
Technology				
LRS - Pension Gold	\$ 9,600	\$ 8,601	\$ (999)	-10.41%
County IT Project Expenses	2,832	4,126	1,294	45.69%
PCX Scan Station	-	-	-	0.00%
Subtotal	\$ 12,432	\$ 12,727	\$ 295	2.37%
Investment				
Investment Manager Fees ²	\$ 461,100	\$ 180,028	(281,072)	-60.96%
Investment Consultant - Callan	50,124	50,737	613	1.22%
Custodian Bank - State Street	22,871	23,151	280	1.22%
Actuary Services - Valuation	-	-	-	0.00%
Investment Monitoring ³	5,163	4,801	(362)	-7.01%
Subtotal	\$ 539,258	\$ 258,717	\$ (280,541)	-52.02%
Capital Improvement Plan	\$ 5,000	\$ 4,651	\$ (349)	-6.98%
Total MCERA Expenses	\$ 940,652	\$ 591,410	\$ (349,243)	-37.13%
Total Administrative Expenses	\$ 383,962	\$ 315,315	\$ (68,647)	-17.88%
(Total ex Technology & Investment)				
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.				