

SANTA BARBARA COUNTY EMPLOYEES' RETIREMENT SYSTEM

BUDGET APPROVAL PROCESS

I. PURPOSE

The purpose of this Budget Approval Process is to establish the process by which the annual administrative budget of the Santa Barbara County Employees' Retirement System (the "System") is presented to, deliberated, and approved by the Retirement Board (the "Board").

II. OBJECTIVES

1. To provide the CEO and the Board with a clear process for establishing and monitoring its annual administrative budget.
2. To ensure that the budget is presented and adopted in a timely manner to avoid problems transitioning from one fiscal year to the next.

III. ASSUMPTIONS AND PRINCIPLES

1. Section 31522.1 of the California Government Code authorizes the Retirement Board to appoint the personnel necessary to administer the System.
2. Section 31580.2 of the California Government Code provides that upon appointment of such personnel, the Retirement Board will adopt an annual budget covering the entire expense of administration of the System for the fiscal year.
3. Section 31580.2 of the California Government Code provides that the entire expense of administration shall be paid from the earnings of the retirement fund and limits the expense for administration at the greater of (a) 21 basis points (21/100 of 1% or .21%) of the accrued actuarial liability of the retirement system, or (b) \$ 2 million, subject to further statutory modifications and exclusions, including those set forth in Government Code Sections 31580.2(b) and 31596.1.
4. In determining the "accrued actuarial liability of the retirement system" for purposes of the calculation referenced in paragraph 3 above in any given year, that determination shall be made based on the most recent actuarial valuation of liabilities as of the close of the previous fiscal year.
5. Article XVI, Section 17 of the Constitution of the State of California grants plenary authority to the Retirement Board over the administration of the System along with the fiduciary responsibility to the members and beneficiaries of the

System for the prompt delivery of benefits and related services, and to System employers to minimize employer contributions.

6. The duties and responsibilities of the Retirement Board require an open and cogent process for setting the administrative spending parameters for the fiscal year.
7. The CEO is charged with the responsibility to administer the System within the budget parameters established by the Board in its annual budget.

IV. GUIDELINES

1. GENERAL PROVISIONS

- A. The development of the proposed budget is the exclusive responsibility of the CEO.
- B. The adoption of the Budget is the exclusive responsibility of the Retirement Board.

2. PROPOSED BUDGET - BOARD PACKAGE

- A. Although the Budget will be adopted by expense category total, it will be presented in both program and line item formats.
- B. The program overview/policy presentation will include specific program goals to which the CEO will commit for the fiscal year.
- C. The line item presentation will include the previous fiscal year's actual expenditures, the current fiscal year's budget, the current fiscal year's estimated expenditures, and the future budget year's proposed expenditures and a statement setting forth how the previous year program goals were or were not met.
- D. The line item presentation will include a list of the positions to be authorized for the budget year.

3. THE RETIREMENT BOARD'S BUDGET DELIBERATIONS

- A. Program expenditures to assure the prompt delivery of benefits and related services to the members and beneficiaries of the System will receive primary consideration.
- B. The Proposed Budget Package will be brought before the Board for two separate public hearings.

4. **ADOPTION, AMENDMENT AND REVIEW**

- A. The budget and authorized position list will be adopted by the Board after the second public hearing.
- B. The CEO may ask the Board to amend the budget for the current fiscal year by presentation of the reasons for the amendment, its impact, the program/policy or goal changes involved in the amendment and the cost of the amendment for the remainder of the fiscal year.
- C. The CEO will provide a mid-year budget review no later than the Retirement Board's February meeting. The mid-year review may be used to explore program initiatives for the current or following fiscal year.

V. PROCESS REVIEW

The Retirement Board shall review this Policy at least every five years to ensure that it remains relevant and appropriate.

VI. AMENDMENT HISTORY

This Process was adopted by the Retirement Board on October 24, 2001, and revised on April 13, 2005, July 23, 2008, June 23, 2010, June 22, 2011, April 23, 2014, May 24, 2017, May 28, 2020; and March 22, 2023.