



## Finance and Administration Committee

# Agenda Item 3f

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**November 15, 2022**

**Item Name:** CalPERS Budget Policy

**Program:** Financial Office

**Item Type:** Action Consent

### **Recommendation**

Approve the revised budget policy.

### **Executive Summary**

CalPERS proposes a revision to the budget policy that was last approved by the board in March 2016. The revision does not increase or change the delegation of authority, but rather includes non-substantive changes to define terms, specify expenditure authority, and clarify roles and responsibilities.

### **Strategic Plan**

CalPERS' budget policy aligns with the 2022-27 Strategic Plan in that it links resource requests to strategic goals and objectives. Additionally, the policy emphasizes CalPERS' commitment to utilizing sound data when developing the budget and maintaining strong fiscal controls to promote pension sustainability.

### **Background**

Each fiscal year, CalPERS engages in two formal budget processes: an annual budget proposal and a mid-year review. The annual budget process culminates in April with the board's approval of the budget for the upcoming fiscal year. Subsequently each fall, CalPERS presents to the board a mid-year revision that aligns team member salaries and benefits with the outcomes of collective bargaining, updates projections for health plan enrollments, and addresses new, critical, and unforeseen resource needs not envisioned during the annual budget process.

CalPERS' budget policy sets the guiding principles for developing the annual and mid-year budgets, defines the expenses included in the budget categories, and identifies the expenditure authority for the Public Employees' Retirement Fund (PERF) and affiliate funds.

## **Analysis**

The revisions to the budget policy are largely formatting-related to clarify roles and responsibilities, identify authority for affiliate funds, and define the types of expenses included in the budget categories. Additionally, the revision uses plain language and differentiates policy from process.

## **Budget and Fiscal Impacts**

The revisions to the budget policy do not have a budgetary or fiscal impact.

## **Benefits and Risks**

The revised budget policy clarifies roles and responsibilities, defines budget categories, and identifies the expenditure authority for the affiliate funds. The benefit of these changes is to provide additional transparency into CalPERS' budget process. There is minimal risk if the revised policy is not approved.

## **Attachments**

Attachment 1 – Revised Policy, clean version

Attachment 2 – Revised Policy, red-line version

Attachment 3 – Current Policy

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