

California Public Employees' Retirement System

Fiscal Year 2025-26 Mid-Year Budget

November 18, 2025



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Executive Summary

At mid-year, CalPERS proposes a \$237.6 million, or 8.7% increase to the 2025-26 authorized budget. The majority of the mid-year increase is attributable to updated estimates for Investment External Management Fees. An adjustment to Administrative Operating Costs is necessary to provide funding for increased employer retirement, health plan contribution rates, board-approved salary adjustments, and key classification upgrades. Third Party Administrator (TPA) Fees are projected to increase due to higher administrative fees for a new Pharmacy Benefit Manager. Additional Headquarters Building Costs funding is needed to address higher than anticipated expenses related to the Lincoln Plaza LED lighting project. Total authorized positions remain unchanged at 2,843.

Mid-Year Total Budget

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Administrative Operating Costs	\$637,365	\$648,463	\$11,098	1.7%
Investment Operating Costs	186,417	186,417	-	0.0%
Headquarters Building Costs	41,378	47,088	5,709	13.8%
Total Operating Costs	\$865,160	\$881,967	\$16,807	1.9%
Investment External Management Fees	1,569,425	1,786,961	217,536	13.9%
Third Party Administrator Fees	305,389	308,630	3,241	1.1%
Total Fees	\$1,874,814	\$2,095,591	\$220,777	11.8%
CalPERS Total Budget	\$2,739,974	\$2,977,558	\$237,584	8.7%
Total Positions	2,843.0	2,843.0	-	0.0%

The following pages detail the 2025-26 Mid-Year adjustments by expenditure category.

I. Administrative Operating Costs

Administrative Operating Costs include Personal Services expenses (salaries and benefits for staff) and Operating Expenses and Equipment (OE&E). At mid-year, CalPERS proposes a net increase of \$11.1 million, or 1.7%, for Administrative Operating Costs, specifically in the Personal Services category. Of this amount, \$8.5 million is allocated for collectively bargained changes, including adjustments to retirement and health plan contribution rates, general salary increases, the Personal Leave Program, and Other Post Employment Benefit (OPEB) contributions for CalPERS. Additionally, \$1.6 million is requested to support board-approved salary adjustments for executive and Investment Office staff, and \$1 million is designated for key classification upgrades.

A \$9,000 decrease in affiliate rent share is due to cost allocation changes resulting from Personal Services adjustments.

B. 2025-26 Proposed Mid-Year Budget

Administrative Operating Costs by Object of Expenditure

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Salaries & Wages	\$344,759	\$346,664	\$1,905	0.6%
Benefits	150,549	159,751	9,202	6.1%
Total Personal Services	\$495,308	\$506,415	\$11,107	2.2%
General Expense	11,278	11,278	-	0.0%
Software	2,330	2,330	-	0.0%
Printing	168	168	-	0.0%
Postage	4,449	4,449	-	0.0%
Communications	1,164	1,164	-	0.0%
Data Processing Services	25,023	25,023	-	0.0%
Travel	2,986	2,986	-	0.0%
Training	1,328	1,328	-	0.0%
Medical Exam/Disability Travel	2,275	2,275	-	0.0%
Facilities Operations	8,936	8,927	(9)	(0.1%)
Central Administrative Services	33,585	33,585	-	0.0%
University Enterprises, Inc.	559	559	-	0.0%
External Legal Counsel	5,818	5,818	-	0.0%
Professional Services	5,903	5,903	-	0.0%
Consultants	28,115	28,115	-	0.0%
Audit Services	1,455	1,455	-	0.0%
Federal Legislative Rep	654	654	-	0.0%
Admin Hearings	1,402	1,402	-	0.0%
Consolidated Data Centers	469	469	-	0.0%
Equipment (Includes EDP)	4,161	4,161	-	0.0%
Total Operating Expenses & Equipment	\$142,057	\$142,048	(\$9)	0.0%
Total Administrative Costs	\$637,365	\$648,463	\$11,098	1.7%

II. Investment Operating Costs

Investment Operating Costs budget the expenses incurred to support investment activities. This includes consultants to assist the board and team members with strategic guidance and expertise related to investment strategies, activities, systems, and initiatives. Additional expense categories include professional services required for due diligence, asset valuation, and fund administration and custody, as well as technology expenses for data and analytic services, trading and portfolio management systems, and business operations tools.

At mid-year, total Investment Operating Costs remain unchanged at \$186.4 million.

Investment Operating Costs

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Investment Consultants	\$12,000	\$12,000	\$ -	0.0%
Board Consultants	5,600	5,600	-	0.0%
Technology Consultants	43,200	43,200	-	0.0%
Total Consultant Expenses	\$60,800	\$60,800	\$ -	0.0%
Audits	705	705	-	0.0%
Tax Advisory Services	1,200	1,200	-	0.0%
Master Custodian Fee	10,610	10,610	-	0.0%
Fund Administration Services / Fees	12,530	12,530	-	0.0%
External Legal	8,000	8,000	-	0.0%
Appraisal Fees	14,000	14,000	-	0.0%
Company Expense	336	336	-	0.0%
Miscellaneous Operating Expense	396	396	-	0.0%
Total Operating Expenses	\$47,777	\$47,777	\$ -	0.0%
Data	14,100	14,100	-	0.0%
Analytics	16,500	16,500	-	0.0%
Trading and Portfolio Management Systems	39,400	39,400	-	0.0%
Business Operations Tool	7,600	7,600	-	0.0%
Other Technology Expense	240	240	-	0.0%
Total Technology Expenses	\$77,840	\$77,840	\$ -	0.0%
Total Investment Operating Expenses	\$186,417	\$186,417	\$ -	0.0%

III. Headquarters Building Costs

Headquarters (HQ) Building expenses include costs to operate and maintain the HQ campus and regional offices, the offsite emergency operations center, the Front Street parking lot, and warehouse space. At mid-year, total HQ Building Costs increase by \$5.7 million to address higher than anticipated expenses related to the replacement of fluorescent lighting with LED lighting throughout Lincoln Plaza.

Headquarters Building Costs

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Utilities	\$2,902	\$2,902	\$ -	0.0%
Engineering Services	4,910	4,910	-	0.0%
Janitorial	4,067	4,067	-	0.0%
Landscaping	832	832	-	0.0%
General Maintenance	1,102	1,102	-	0.0%
Security	3,603	3,603	-	0.0%
Property Mgmt. & Administrative Fees	2,235	2,235	-	0.0%
Café Plaza	392	392	-	0.0%
Offsite Expenses	986	986	-	0.0%
Emergency Operations Center (EOC)	516	516	-	0.0%
Operating Other	3,751	3,751	-	0.0%
Total Operating Expenses	\$25,296	\$25,296	\$ -	0.0%
Owner Improvements	2,216	2,216	-	0.0%
Building Improvements	19,209	24,909	5,700	29.7%
Furniture & Fixtures	300	300	-	0.0%
Building Insurance	1,027	1,027	-	0.0%
Total Non-Operating Expenses	\$22,752	\$28,452	\$5,700	25.1%
Less: Revenue	(1,456)	(1,456)	-	0.0%
Total Headquarters Building Expenses	\$46,592	\$52,292	\$5,700	12.2%
Less: Amount included in Admin. Budget	(5,213)	(5,204)	9	(0.2%)
Total Headquarters Building Budget	\$41,378	\$47,088	\$5,709	13.8%

IV. Investment External Management Fees

The Investment External Management Fees budget estimates fees paid to external investment advisor contracts to manage specific portfolios. While CalPERS estimates annual Investment External Management Fees based on market assumptions and estimated deployment of capital to investment diversification strategies, actual fees paid within a fiscal year are subject to market fluctuations.

At mid-year, CalPERS estimates a net increase of \$217.5 million, or 13.9% over the annual budget amount for external management fees. This estimate captures base fee increases of \$91.2 million, driven by increased manager and advisor fees in Global Equity, Real Estate, and Private Equity, resulting from an increase in new investments and market value.

A \$126.3 million increase in Global Equity and Real Assets performance fee estimates account for projected Global Equity manager performance and improved market conditions for Real Estate and Infrastructure.

Investment External Management Fees

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Global Equity	\$85,505	\$116,124	\$30,619	35.8%
Fixed Income	103,000	88,000	(15,000)	(14.6%)
Real Assets	357,512	384,353	26,841	7.5%
Private Equity	685,000	733,639	48,639	7.1%
Opportunistic Strategies	2,547	1,566	(981)	(38.5%)
Private Debt	173,739	174,835	1,096	0.6%
External Mgmt - Base Fees	\$1,407,303	\$1,498,517	\$91,214	6.5%
Global Equity	-	67,048	67,048	0.0%
Real Assets	162,122	221,396	59,274	36.6%
External Mgmt - Performance Fees	\$162,122	\$288,444	\$126,322	77.9%
Total External Management Fees	\$1,569,425	\$1,786,961	\$217,536	13.9%

V. Third Party Administrator Fees

CalPERS contracts with Third Party Administrators to support the delivery of health and pension services with a focus on strengthening and improving long-term sustainability for members. The board approves Third Party contracts with terms that typically extend five years and include annual fee increases. TPAs provide administration, recordkeeping, and participant communication services for Health Benefits, Long Term Care, the Supplemental Income Plans, the California Employers' Retiree Benefit Trust Fund, and the California Employers' Pension Prefunding Trust.

At mid-year, CalPERS estimates an increase of \$3.2 million, or 1.1% over the annual budget amount for TPA fees. This adjustment reflects a \$4 million increase in Pharmacy Benefit Manager fees due to higher administrative service fees for a new provider beginning January 2026. This increase is offset by a \$0.7 million reduction in Health Program fees to reflect updated enrollment estimates.

Third Party Administrator Fees

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Health Program	\$258,443	\$257,712	(\$730)	(0.3%)
Pharmacy Benefit Manager	21,624	25,595	3,971	18.4%
Total Health	\$280,067	\$283,308	\$3,241	1.1%
Long Term Care Program	21,314	21,314	-	0.0%
Supplemental Income Plan	3,900	3,900	-	0.0%
California Employers' Retiree Benefit Trust (CERBT)	90	90	-	0.0%
California Employers' Pension Prefunding Trust (CEPPT)	18	18	-	0.0%
Total Third Party Administrator Fees	\$305,389	\$308,630	\$3,241	1.1%

I. Administrative Operating Costs by Branch

The following chart details Administrative Operating Costs (salaries and OE&E) by branch. The adjustments below are primarily driven by statewide compensation and benefit adjustments impacting each branch.

Administrative Operating Costs by Branch

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Actuarial Office	\$14,317	\$14,559	\$243	1.7%
Communications and Stakeholder Relations	15,177	15,459	282	1.9%
Customer Services and Support	115,748	117,808	2,061	1.8%
Executive Office	11,395	12,047	652	5.7%
Financial Office	28,452	28,909	457	1.6%
General Counsel	38,357	39,614	1,257	3.3%
Health Policy and Benefits Branch	36,751	37,292	541	1.5%
Investment Office	145,516	148,449	2,933	2.0%
Office of Audit Services	9,501	9,664	163	1.7%
Operations and Technology	178,954	181,276	2,321	1.3%
Enterprise	9,613	9,801	187	1.9%
Pro-Rata Assessment	33,585	33,585	-	0.0%
Total Administrative Operating Costs	\$637,365	\$648,463	\$11,098	1.7%

II. Administrative Operating Costs by Fund

The following allocation establishes the fund authority for Administrative Operating Costs. Upon board approval of the mid-year budget, CalPERS will provide this information to the State Controller's Office to effectuate payment of administrative expenses for the remainder of the fiscal year.

Administrative Operating Costs by Fund

(\$ in thousands)	2025-26 Annual Budget	2025-26 Proposed Mid-Year Budget	Change	
			\$	%
Public Employees' Retirement Fund (PERF)	\$513,409	\$522,430	\$9,022	1.8%
Public Employees' Contingency Reserve Fund (CRF)	37,477	37,980	503	1.3%
Public Employees' Health Care Fund (HCF)	54,031	54,681	650	1.2%
Long-Term Care Fund (LTCF)	9,169	9,310	142	1.5%
Annuitants' Health Care Coverage Fund (CERBT)	9,154	9,384	230	2.5%
Deferred Compensation Fund (IRC 457)	2,892	2,944	53	1.8%
Supplemental Contributions Program Fund (SCP)	257	261	4	1.5%
Judges' Retirement Fund (JRF)	2,391	2,430	39	1.6%
Judges' Retirement Fund II (JRF II)	3,226	3,290	64	2.0%
Legislators' Retirement Fund (LRF)	748	761	13	1.7%
Replacement Benefit Custodial Fund (RBF)	652	664	12	1.9%
California Employers' Pension Prefunding Trust (CEPPT)	321	326	5	1.6%
Old-Age & Survivors Insurance Fund (OASI)	1,210	1,225	15	1.2%
Reimbursements	2,430	2,777	347	14.3%
Total Administrative Operating Costs	\$637,365	\$648,463	\$11,098	1.7%
<i>Statewide Pro-Rata Assessment</i>	\$33,585	\$33,585	\$ -	0.0%
<i>CalPERS Administrative Costs</i>	\$603,780	\$614,878	\$11,098	1.8%

III. 2026-27 Operating Costs Projection

As part of the budget process, CalPERS monitors the out-year impact of fiscal decisions to estimate future operating cost expenses.

For Administrative Operating Costs, CalPERS projects a \$14.1 million increase to account for expected collective bargaining adjustments to salaries and benefits and inflationary increases to operating expenses and equipment.

Within Investment Operating Costs, CalPERS estimates a \$37.5 million increase due to inflationary pressures and the continued implementation of the Data and Technology Modernization Initiative.

Headquarters Building Expenses are expected to decrease by \$16.9 million, primarily due to the removal of one-time building improvement such as the LED Lighting Project.

During the development of the 2026-27 Annual Budget, CalPERS will analyze all operating costs and make funding recommendations based on updated data, assumptions, and priorities.

2026-27 Projection

(\$ in thousands)	2025-26 Proposed Mid-Year Budget	2026-27 Projected Budget	Change	
			\$	%
Administrative Operating Costs	\$648,463	\$658,466	\$14,122	2.2%
Investment Operating Costs	186,417	223,905	37,488	20.1%
Headquarters Building Costs	47,088	30,179	(16,909)	(35.9%)
Total Projection	\$881,967	\$912,549	\$34,701	3.9%
Authorized Positions	2,843.0	2,843.0	-	0.0%