California Public Employees' Retirement System

Fiscal Year 2026-27

Annual Budget Proposal

April 13, 2026

Table of Contents

A. **Executive Summary** 3

B. **2025-26 Current Year Update** 4

C. **CalPERS' Budget Process** 5

D. **2026-27 Proposed Operating Budget and Fees** 6

I. Administrative Operating Costs 8

II. Investment Operating Costs 14

III. Headquarters Building Costs 15

IV. Investment External Management Fees 16

V. Third Party Administrator Fees 18

VI. Administrative Operating Costs by Branch 19

VII. Administrative Operating Costs by Trust Fund 20

VIII. 2027-28 Projection 21

IX. Social Security Fee Update 22

Executive Summary

As part of the annual budget process, CalPERS proposes an increase of $52.3 million, or 5.9%, over the 2025-26 operating costs budget to support strategic priorities, core business needs, and its mission of delivering retirement and health care benefits, while also proposing an increase of $423.7 million, or 20.2%, over the 2025-26 total fees estimate, which is subject to change based on factors such as market and enrollment data fluctuations.

Administrative Operating Cost increases reflect updated budgeting methodology, growth in the incentive budget for the eligible population, new enterprise software and consulting services, hardware refresh, and increased Pro Rata costs, with total authorized positions remaining unchanged at 2,843.

Investment Operating Cost increases are driven by the Investment Data and Technology Modernization Initiative. Headquarters Building Cost decreases are mainly due to the removal of funding for the interior LED lighting replacement project.

2026-27 Total Operating Budget

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Administrative Operating Costs	$551,594	$648,463	$678,900	$30,438	4.7%
Investment Operating Costs	119,834	186,417	224,547	38,130	20.5%
Headquarters Building Costs	29,301	47,088	30,830	(16,258)	(34.5%)
CalPERS Total Operating Budget	**$700,729**	**$881,967**	**$934,277**	**$52,310**	**5.9%**
Total Positions	**2,843.0**	**2,843.0**	**2,843.0**	**-**	**0.0%**

Investment External Management Fee estimates are driven by continued allocation to private asset classes and increased active management, while Third Party Administrator (TPA) Fee estimates reflect administrative costs associated with new Pharmacy Benefit Manager (PBM), CVS Caremark (CVS). Although PBM administrative costs increase slightly, overall pharmacy related savings will increase significantly.

2026-27 Total Fees

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Investment External Management Fees	$1,303,031	$1,786,961	$2,207,980	$421,019	23.6%
Third Party Administrator Fees	273,194	308,630	311,272	2,642	0.9%
CalPERS Total Fees	**$1,576,225**	**$2,095,591**	**$2,519,252**	**$423,661**	**20.2%**

2025-26 Current Year Update

As of December 31, 2025, CalPERS has expended 37.2% of its $881.97 million authorized operating budget and projects ending the year with approximately $34.5 million, or 3.9%, in unexpended funds, while it has expended 39.8% of its total $2.1 billion estimated fees budget and expects to end the year with expenditures exceeding the estimated amount by 1.4%.

Administrative Operating Costs is projected to have savings primarily due to position vacancies. Investment Operating Costs are estimated to be lower than anticipated due to savings in the Data and Technology Modernization Initiative, while Headquarters Building Costs will realize savings due to lower insurance costs.

2025-26 Total Operating Expenditures

($ in thousands)	2025-26 Authorized Budget	2025-26 Expenditures and Encumbrances thru 12-31-25	Percent Expended	Forecast	Savings
Administrative Operating Costs	$648,463	$272,302	42.0%	$617,545	$30,918
Investment Operating Costs	186,417	41,312	22.2%	183,007	3,410
Headquarters Building Costs	47,088	14,110	30.0%	46,887	200
Total Operating Budget Forecast	**$881,967**	**$327,723**	**37.2%**	**$847,439**	**$34,528**

Investment External Management Fees are expected to exceed mid-year estimates in 2025-26 due to performance. TPA Fees are expected to be less than mid-year estimates in 2025-26 due to declining enrollment in Long Term Care.

2025-26 Total Fee Expenditures

($ in thousands)	2025-26 Authorized Budget	2025-26 Expenditures and Encumbrances thru 12-31-25	Percent Expended	Forecast	Savings
Investment External Management Fees	$1,786,961	$689,486	38.6%	$1,817,813	($30,852)
Third Party Administrator Fees	308,630	145,310	47.1%	306,515	2,115
Total Fees Forecast	**$2,095,591**	**$834,796**	**39.8%**	**$2,124,328**	**($28,737)**

CalPERS' Budget Process

Each fiscal year, CalPERS engages in two formal budget processes: an annual budget proposal and a mid-year review. The annual proposal details the twelve-month budget for CalPERS Board of Administration approval prior to the start of the new fiscal year. In contrast, the mid-year review addresses new, critical, and unforeseen resource needs not envisioned when developing the annual proposal. At mid-year, CalPERS adjusts the budget to reflect statewide compensation and benefit increases negotiated through collective bargaining.

When developing the annual budget, CalPERS' Financial Office reviews existing budget levels for each division and program, and considers requests for additional funds to maintain, improve, or implement services, initiatives, and projects. Financial Office team members work collaboratively with each division to understand their organizational structures and business objectives as a basis for maintaining existing funding levels, and for analyzing and approving new increases. The Financial Office reviews and analyzes all budget requests to inform decisions made by senior management and executive leaders. Pursuant to the CalPERS Budget Policy, the main criteria used to prioritize budget increases include:

- Mitigating risk
- Identifying opportunities for cost efficiencies
- Aligning with the strategic plan and business plan
- Implementing CalPERS Board decisions and directives
- Complying with legal mandates

As both the annual and mid-year budgets are developed, CalPERS utilizes a position pooling process that redirects vacancies to where they are most critically needed within the organization. The objective of this process is to limit staffing and related budgetary increases, and to focus resources in the areas of highest priority.

2026-27 Proposed Operating Budget and Fees

CalPERS proposes a 2026-27 operating budget of $934.3 million, an increase of $52.3 million, or 5.9%, above the 2025-26 budget. The primary increases are in Investment Operating Costs and Administrative Operating Costs.

2026-27 Total Operating Budget

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Administrative Operating Costs	$551,594	$648,463	$678,900	$30,438	4.7%
Investment Operating Costs	119,834	186,417	224,547	38,130	20.5%
Headquarters Building Costs	29,301	47,088	30,830	(16,258)	(34.5%)
CalPERS Total Operating Budget	**$700,729**	**$881,967**	**$934,277**	**$52,310**	**5.9%**
Total Positions	**2,843.0**	**2,843.0**	**2,843.0**	**-**	**0.0%**

CalPERS estimates $2.52 billion is needed for Investment External Management Fees and Third Party Administrator Fees, an increase of $423.7 million, or 20.2%, above 2025-26 estimates.

2026-27 Total Fees

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Investment External Management Fees	$1,303,031	$1,786,961	$2,207,980	$421,019	23.6%
Third Party Administrator Fees	273,194	308,630	311,272	2,642	0.9%
CalPERS Total Fees	**$1,576,225**	**$2,095,591**	**$2,519,252**	**$423,661**	**20.2%**

Operating Budget and Fee Adjustments: A Five-Year Overview

Total Budget 2022-23 through 2026-27

($ in thousands)	2022-23 Actual	2023-24 Actual	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	Five-Year Change	Annual Growth (%)
Administrative Operating Costs	$511,944	$528,833	$551,594	$648,463	$678,900	$166,957	5.8%
Investment Operating Costs	93,547	101,528	119,834	186,417	224,547	131,000	19.1%
Headquarters Building Costs	17,802	20,835	29,301	47,088	30,830	13,028	11.6%
CalPERS Total Operating Budget	**$623,292**	**$651,196**	**$700,729**	**$881,967**	**$934,277**	**$310,985**	**8.4%**

Total Fees 2022-23 through 2026-27

($ in thousands)	2022-23 Actual	2023-24 Actual	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	Five-Year Change	Annual Growth (%)
Investment External Management Fees	$898,964	$1,144,859	$1,303,031	$1,786,961	$2,207,980	$1,309,016	19.7%
Third Party Administrator Fees	306,122	281,939	273,194	308,630	311,272	5,150	0.3%
CalPERS Total Fees	**$1,205,086**	**$1,426,798**	**$1,576,225**	**$2,095,591**	**$2,519,252**	**$1,314,166**	**15.9%**

Over the past five years, CalPERS' operating expenses have increased an average of 8.4% annually. Fees have risen 15.9% each year.

I. Administrative Operating Costs

Administrative Operating Costs include Personal Services expenses (salaries and benefits for staff) and Operating Expenses & Equipment (OE&E). In 2026-27, CalPERS proposes a $30.4 million (4.7%) increase to Administrative Operating Costs above the 2025-26 authorized budget.

CalPERS proposes a $19 million increase to Personal Services to align position salaries and benefits more closely to their actual pay rate ($14.2 million) and provide funding for incentives ($4.5 million).

CalPERS proposes an $11.4 million increase to OE&E. This increase includes Pro Rata costs ($7.4 million) which are determined by the Department of Finance. Pro Rata costs represent CalPERS' portion of statewide administrative services as well as CalPERS' employee annuitant health care costs. Annuitant healthcare costs represent the largest share of Pro Rata costs. Also included in the OE&E increase is $2.3 million for the Information Technology hardware refresh and new capital, and $2.9 million for various other administrative initiatives detailed further in the pages to follow.

Administrative Operating Costs by Object of Expenditure

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Salaries & Wages	$303,028	$346,664	$360,426	$13,763	4.0%
Benefits	134,470	159,751	164,995	5,244	3.3%
Total Personal Services	$437,498	$506,415	$525,422	$19,007	3.8%
General Expense	11,138	11,278	11,523	245	2.2%
Software	1,061	2,330	605	(1,726)	(74.0%)
Printing	113	168	162	(7)	(3.9%)
Postage	2,711	4,449	3,990	(459)	(10.3%)
Communications	1,422	1,164	1,370	206	17.7%
Data Processing Services	19,330	25,023	27,315	2,292	9.2%
Travel	1,628	2,986	3,191	206	6.9%
Training	1,150	1,328	1,648	320	24.1%
Medical Exam/Disability Travel	2,003	2,275	2,275	-	0.0%
Facilities Operations	7,409	8,927	9,120	193	2.2%
Central Administrative Services	28,898	33,585	41,022	7,437	22.1%
University Enterprises, Inc.	424	559	481	(78)	(14.0%)
External Legal Counsel	3,634	5,818	5,898	80	1.4%
Professional Services	5,168	5,903	6,451	548	9.3%
Consultants	20,303	28,115	27,887	(228)	(0.8%)
Audit Services	1,655	1,455	1,809	354	24.3%
Federal Legislative Rep	1,098	654	462	(192)	(29.4%)
Admin Hearings	785	1,402	1,300	(102)	(7.3%)
Consolidated Data Centers	214	469	469	-	0.0%
Equipment (Includes EDP)	3,952	4,161	6,501	2,341	56.3%
Total Operating Expenses & Equipment	$114,096	$142,048	$153,478	$11,431	8.0%
Total Administrative Costs	**$551,594**	**$648,463**	**$678,900**	**$30,438**	**4.7%**

2026-27 Budget Requests

To develop the annual budget, the Financial Office works collaboratively with program areas to analyze existing funding levels and make informed decisions on new budget increases. In response to Budget Requests received for 2026-27, some items will require budget augmentation, while others can be funded through the redirection of anticipated budget savings.

The following Budget Requests resulted in a recommended budget increase of $5.15 million:

- $2.3 million for the IT hardware refresh plan and IT Capital in support of enterprise needs and the hardware refresh policy.

- $0.2 million for enterprise software:
  - $0.1 million for the FedRAMP compliant environment within ServiceNow to meet federal security and compliance standards.
  - $0.02 million for an Examination and Certification Online System interface that will modernize and automate data exchange in support of CalPERS' internal recruitment.
  - $0.08 million for a font licensing agreement for digital and cloud-based platforms.

- $2.7 million for consulting services:
  - $0.6 million for consulting services to provide extended support related to the Oracle Fusion Human Capital Management project.
  - $0.2 million for a subscription to Gartner to access advisory services that will continue to support innovation in human resources.
  - $0.9 million to modernize CalPERS' public-facing website.
  - $1.0 million for strategic projects to provide expertise, experience, and knowledge required for health rate development and negotiations.

The following Budget Requests are proposed to be funded by redirecting $0.5 million in anticipated savings from OE&E (based on historical expenditure trends):

- $0.2 million for a consultant to enhance multi-factor authentication for members and employers and provide Power of Attorney access to member accounts.
- $0.3 million for a consultant to guide the final stages of the Oracle PeopleSoft Financial Supply Chain Management project and deploy patches to maintain system stability.

Authorized Position Allocation

The total authorized position count for 2026-27 remains at 2,843, unchanged from current year.

Authorized Positions by Branch

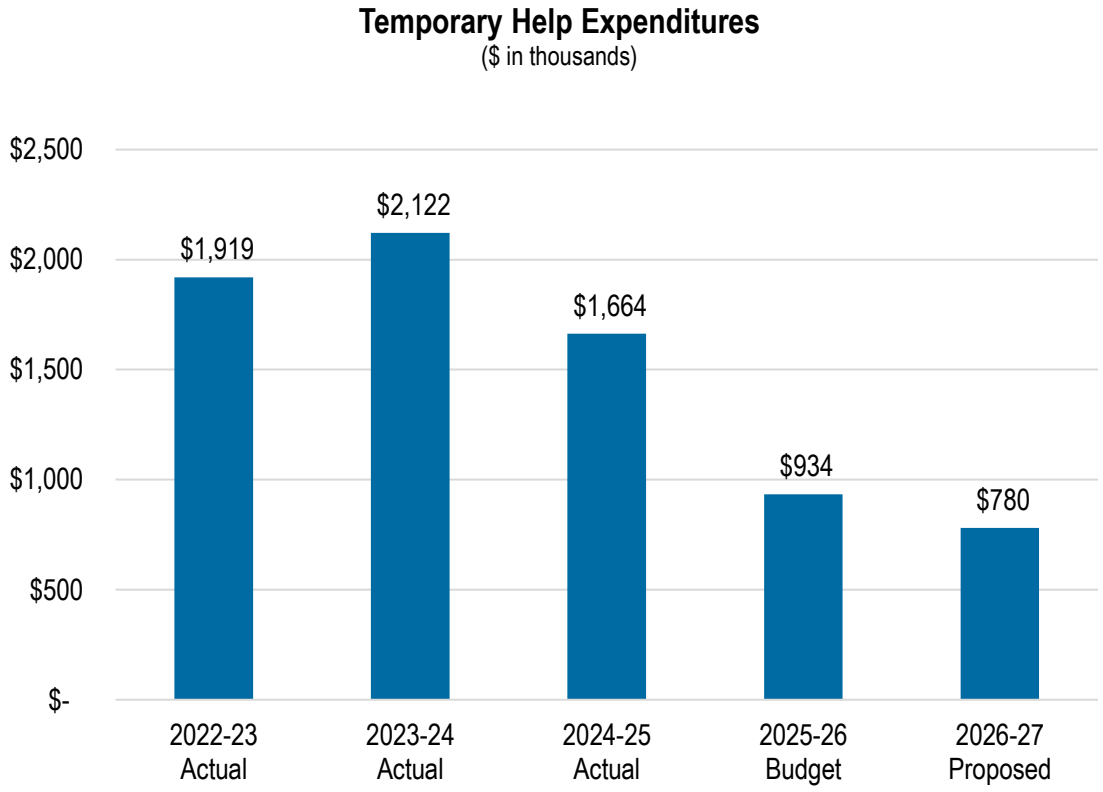
Positions by Branch	2025-26 Authorized	2026-27 Proposed	% Change
Actuarial Office	65.0	65.0	0.0%
Communications and Stakeholder Relations	77.0	74.0	(3.9%)
Customer Services and Support	880.5	880.5	0.0%
Executive Office*	79.0	82.0	3.8%
Financial Office	179.0	179.0	0.0%
General Counsel	136.0	138.0	1.5%
Health Policy and Benefits	203.0	202.5	(0.2%)
Investment Office	371.0	372.0	0.3%
Operations and Technology	829.5	819.5	(1.2%)
Position Pool	23.0	30.5	32.6%
Total Authorized Positions	**2,843.0**	**2,843.0**	**0.0%**

Office of Audit Services included in Executive Office

Temporary Help: A Five-Year Overview

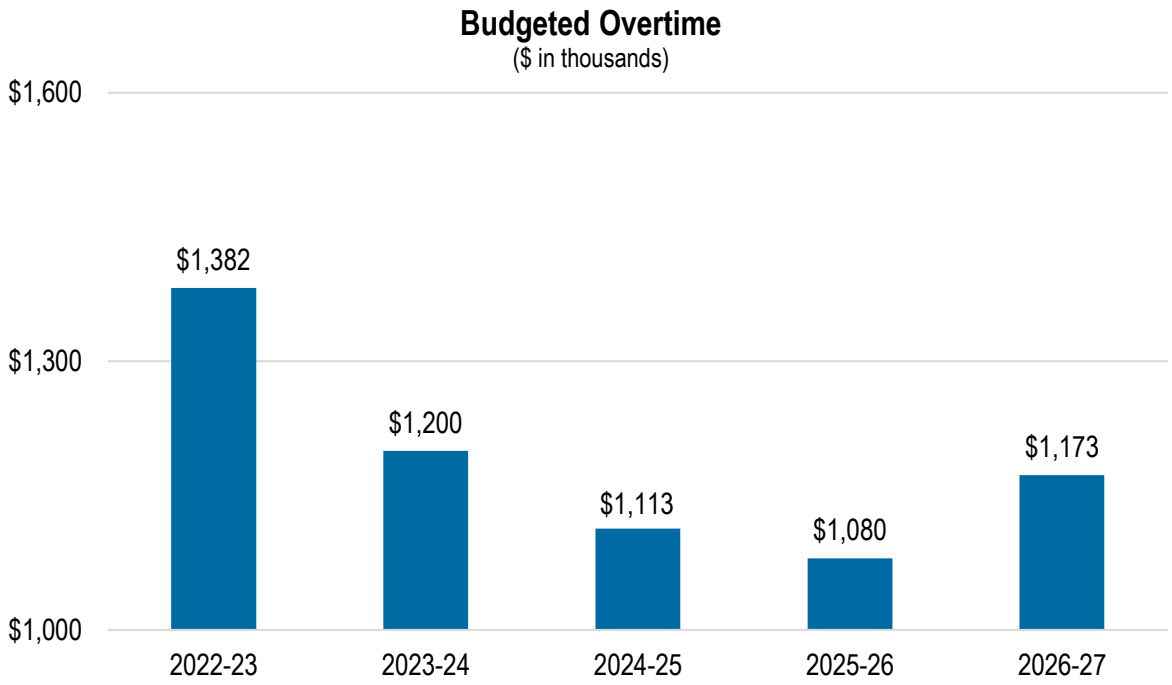
The Salaries and Wages budget, within Administrative Operating Costs, includes funding for temporary help, such as Seasonal Clerks, Retired Annuitants, and CalPERS Board members' employer reimbursements. In 2026-27, CalPERS proposes $0.8 million for temporary help.

As shown below, temporary help expenses have decreased significantly over the past five years. This is due to the elimination of permanent positions in blankets, and the limitation of seasonal clerks for regular, ongoing work.



Overtime Budget: A Five-Year Overview

The Salaries and Wages budget includes funding for overtime expenses. CalPERS proposes an increase of $93,000 in the overtime budget due to higher wages in 2026-27.



II. Investment Operating Costs

Investment Operating Costs budget the expenses incurred to support investment activities. This includes consultants to assist the CalPERS Board and team members with strategic guidance and expertise related to investment strategies, activities, systems, and strategic 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.

The total proposed Investment Operating Costs for 2026-27 are $224.5 million. This is a $38.1 million or 20.5% increase from the 2025-26 budget.

Most of this increase is due to continued implementation of the Investment Data and Technology Modernization Initiative ($36.4 million). The remainder of the increase is related to the maintenance and operations of existing systems and services.

Investment Operating Costs

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Investment Consultants	$5,769	$12,000	$12,000	$ -	0.0%
Board Consultants	5,395	5,600	5,600	-	0.0%
Technology Consultants	14,431	43,200	67,000	23,800	55.1%
Total Consultant Expenses	$25,594	$60,800	$84,600	$23,800	39.1%
Audits	73	705	705	-	0.0%
Tax Advisory Services	1,161	1,200	1,320	120	10.0%
Master Custodian Fee	10,307	10,610	10,610	-	0.0%
Fund Administration Services / Fees	10,308	12,530	14,140	1,610	12.8%
External Legal	5,583	8,000	8,000	-	0.0%
Appraisal Fees	8,687	14,000	14,000	-	0.0%
Company Expense	115	336	336	-	0.0%
Miscellaneous Operating Expense	112	396	396	-	0.0%
Total Operating Expenses	$36,346	$47,777	$49,507	$1,730	3.6%
Data	10,651	14,100	16,500	2,400	17.0%
Analytics	15,093	16,500	18,470	1,970	11.9%
Trading and Portfolio Management Systems	27,399	39,400	48,100	8,700	22.1%
Business Operations Tool	4,644	7,600	7,100	(500)	(6.6%)
Other Technology Expense	108	240	270	30	12.5%
Total Technology Expenses	$57,894	$77,840	$90,440	$12,600	16.2%
Total Investment Operating Expenses	**$119,834**	**$186,417**	**$224,547**	**$38,130**	**20.5%**

III. Headquarters Building Costs

Headquarters Building Costs reflect expenses incurred to operate, maintain, and improve the Lincoln Plaza campus. It includes funding for security and maintenance of regional offices, the offsite emergency operations center, the Front Street parking lot, and warehouse space. Revenues in parking and rent offset these expenses. Total proposed Headquarters Building Costs in 2026-27 are $36.5 million, which is a $15.8 million or 30.2% decrease from the 2025-26 budget.

The proposed reduction in Headquarters Building Costs recognizes attrition of one-time costs for the LED lighting project currently underway. The budget for Lincoln Plaza includes an increase in funding for replacement flooring inventory, which is intended to meet projected needs over the next five to seven years. Of the $36.5 million total Headquarters Building Costs, $5.7 million is budgeted within the Administrative Operating Costs budget (included in Facilities Operations) and represents amounts charged to affiliate funds for their reasonable share of building costs.

Headquarters Building Costs

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Utilities	$2,152	$2,902	$3,046	$143	4.9%
Engineering Services	4,327	4,910	5,152	242	4.9%
Janitorial	3,987	4,067	4,359	292	7.2%
Landscaping	662	832	877	45	5.4%
General Maintenance	476	1,102	2,147	1,044	94.8%
Security	2,825	3,603	3,725	122	3.4%
Property Mgmt. & Administrative Fees	1,714	2,235	2,371	136	6.1%
Café Plaza	369	392	399	7	1.7%
Offsite Expenses	1,005	986	1,037	51	5.1%
Emergency Operations Center (EOC)	458	516	568	52	10.1%
Operating Other	2,328	3,751	3,923	172	4.6%
Total Operating Expenses	$20,303	$25,296	$27,603	$2,307	9.1%
Owner Improvements	1,464	2,216	2,216	-	0.0%
Building Improvements	11,969	24,909	6,720	(18,189)	(73.0%)
Furniture & Fixtures	296	300	420	120	40.0%
Building Insurance	897	1,027	1,027	-	0.0%
Total Non-Operating Expenses	$14,625	$28,452	$10,383	($18,069)	(63.5%)
Less: Revenue	(1,432)	(1,456)	(1,465)	(9)	0.6%
Total Headquarters Building Expenses	**$33,495**	**$52,292**	**$36,521**	**($15,771)**	**(30.2%)**
Less: Amount included in Admin. Budget	(4,195)	(5,204)	(5,691)	(487)	9.4%
Total Headquarters Building Budget	**$29,301**	**$47,088**	**$30,830**	**($16,258)**	**(34.5%)**

IV. Investment External Management Fees

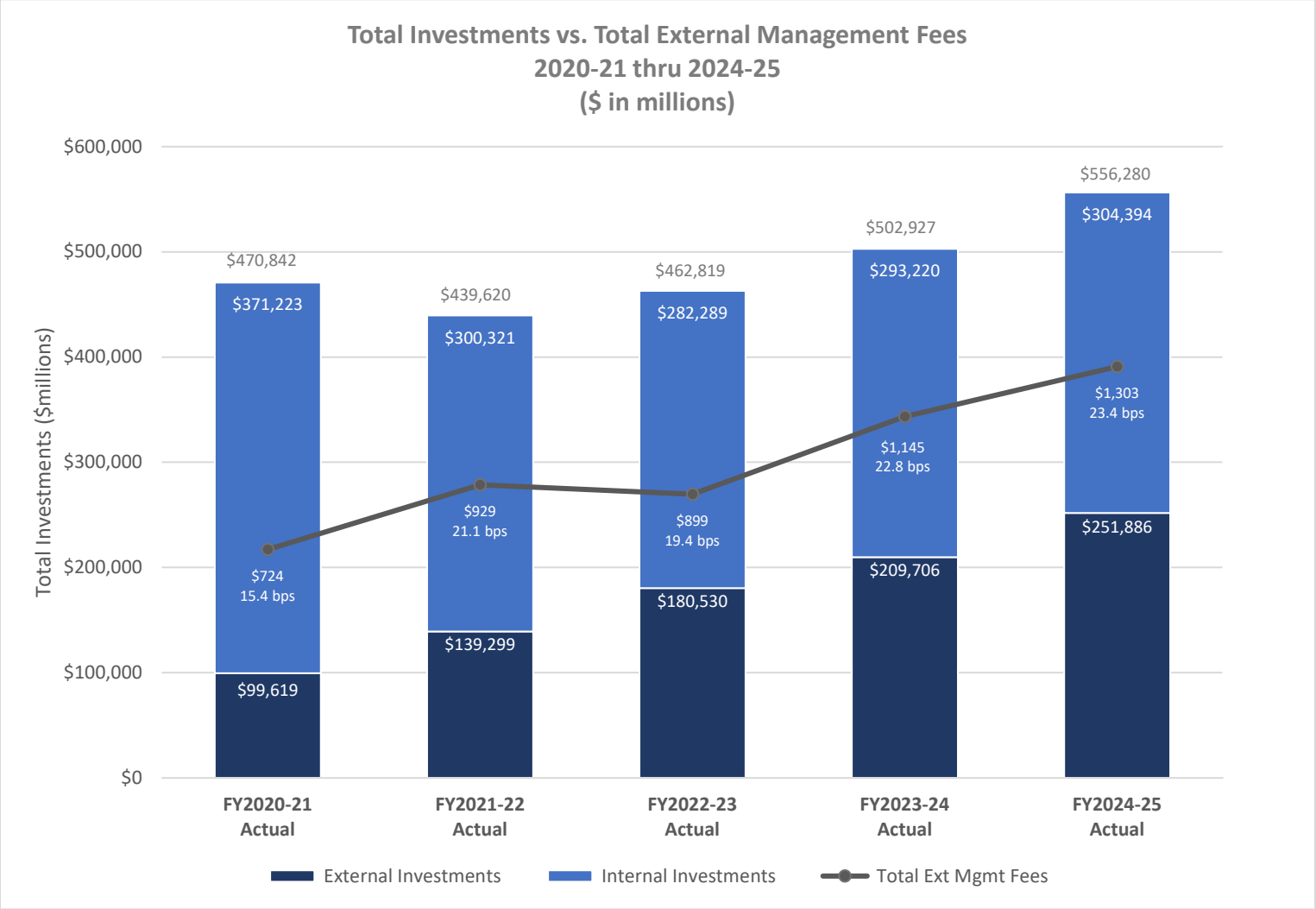
The Investment External Management Fees budget estimates the fees paid to external investment managers and advisors to manage specific portfolios. While CalPERS estimates annual Investment External Management Fees based on market assumptions and estimated deployment of capital to investment diversification strategies, actual fees paid within a fiscal year are subject to market fluctuations. Current assumptions estimate total fees in 2026-27 to be $2.2 billion, which is a $421 million or 23.6% increase over the 2025-26 budget.

The increase is a result of greater private asset allocation and more active management in accordance with the Board-approved investment plan for 2026-27. Much of the increase is attributable to Private Equity. CalPERS estimates a $234.4 million increase due to anticipated new partnerships and associated capital deployments. Global Equity performance fees are estimated to increase by $44.9 million due to a transition to performance-based external management fee structures.

Investment External Management Fees

($ in thousands)	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Global Equity	$116,124	$125,369	$9,245	8.0%
Fixed Income	88,000	133,000	45,000	51.1%
Real Assets	384,353	419,135	34,782	9.0%
Private Equity	733,639	968,000	234,361	31.9%
Opportunistic Strategies	1,566	940	(626)	(39.9%)
Private Debt	174,835	196,689	21,854	12.5%
External Management - Base Fees	$1,498,517	$1,843,134	$344,617	23.0%
Global Equity	67,048	111,947	44,899	67.0%
Real Assets	221,396	252,898	31,502	14.2%
External Management - Performance Fees	$288,444	$364,845	$76,401	26.5%
Total External Management Fees	**$1,786,961**	**$2,207,980**	**$421,019**	**23.6%**

As displayed below, CalPERS' total assets under management (AUM) have increased $85.4 billion since 2020-21. Over the same time horizon, the amount of fees paid to external investment managers has increased from $724 million to $1.3 billion. In terms of basis points (bps), external management fees compared to total investments have increased from 15.4 bps to 23.4 bps. This increase is a result of higher allocation to private assets and greater reliance on active external management.



* Bps calc based on total AUM and expense type.

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 CalPERS 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. Current estimates for TPA Fees in 2026-27 are $311.3 million, which is a 0.9% increase over the 2025-26 budget.

CalPERS estimates TPA fees will increase by $9.1 million due to CVS administrative fee structures. These increases will be offset by overall pharmacy program savings. There is a reduction in Health Program TPA estimates because of enrollment and migration changes. Long Term Care Program fee estimates reflect projected enrollment declines resulting from cancellations and the continued suspension of new enrollments. All other TPA fees are expected to remain flat.

Third Party Administrator Fees

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Health Program	$230,150	$257,712	$256,306	($1,406)	(0.5%)
Pharmacy Benefit Manager	15,988	25,595	34,698	9,103	35.6%
Total Health	$246,138	$283,308	$291,004	$7,696	2.7%
Long Term Care Program	23,342	21,314	16,260	(5,054)	(23.7%)
Supplemental Income Plan	3,605	3,900	3,900	-	0.0%
California Employers' Retiree Benefit Trust	90	90	90	-	0.0%
California Employers' Pension Prefunding Trust	18	18	18	-	0.0%
Total Third Party Administrator Fees	**$273,194**	**$308,630**	**$311,272**	**$2,642**	**0.9%**

VI. Administrative Operating Costs by Branch

Presented below is the proposed Administrative Operating Costs by CalPERS branch. The year-over-year changes reflect updates in the administrative expenses.

Administrative Operating Costs by Branch

($ in thousands)	2024-25 Actual	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Actuarial Office	$14,050	$14,559	$14,361	($199)	(1.4%)
Communications and Stakeholder Relations	14,376	15,459	16,520	1,062	6.9%
Customer Services and Support	110,732	117,808	120,590	2,782	2.4%
Executive Office	10,409	12,047	12,340	293	2.4%
Financial Office	25,745	28,909	29,304	395	1.4%
General Counsel	29,595	39,614	41,808	2,193	5.5%
Health Policy and Benefits Branch	32,082	37,292	38,565	1,273	3.4%
Investment Office	112,590	148,449	154,841	6,391	4.3%
Office of Audit Services	7,223	9,664	9,704	40	0.4%
Operations and Technology	159,436	181,276	189,456	8,180	4.5%
Enterprise	6,458	9,801	10,391	590	6.0%
Pro-Rata Assessment	28,898	33,585	41,022	7,437	22.1%
Total Administrative Operating Costs	**$551,594**	**$648,463**	**$678,900**	**$30,438**	**4.7%**

VII. Administrative Operating Costs by Trust Fund

Funds for Administrative Operating costs are appropriated annually and are available for encumbrance or expenditure for one fiscal year. The culmination of each annual and mid-year budget cycle is the distribution, or allocation, of administrative expenses to the trusts and state funds. This is done through a process designed to match expenses to the funds that receive the related benefit. While the CalPERS Board has authority to set the budget and expenses for most trusts and funds, appropriations for administrative costs from the Public Employees' Contingency Reserve Fund, Public Employees' Health Care Fund, and Old-Age & Survivors Insurance Fund are authorized by the Legislature. The following allocation establishes the expenditure authority for Administrative Operating Costs and will be provided to the State Controller's Office to effectuate the transfer and payment of funds for administrative expenses.

Administrative Operating Costs by Fund

($ in thousands)	2025-26 Authorized Budget	2026-27 Proposed Budget	$ Change	% Change
Public Employees' Retirement Fund (PERF)	$522,430	$551,638	$29,208	5.6%
Public Employees' Contingency Reserve Fund (CRF)	37,980	38,542	562	1.5%
Public Employees' Health Care Fund (HCF)	54,681	55,487	807	1.5%
Long-Term Care Fund (LTCF)	9,310	8,744	(567)	(6.1%)
Annuitants' Health Care Coverage Fund (CERBT)	9,384	9,480	97	1.0%
Deferred Compensation Fund (IRC 457)	2,944	3,089	145	4.9%
Supplemental Contributions Program Fund (SCP)	261	242	(19)	(7.3%)
Judges' Retirement Fund (JRF)	2,430	2,275	(155)	(6.4%)
Judges' Retirement Fund II (JRF II)	3,290	3,519	229	7.0%
Legislators' Retirement Fund (LRF)	761	768	7	1.0%
Replacement Benefit Custodial Fund (RBF)	664	731	67	10.0%
California Employers' Pension Prefunding Trust (CEPPT)	326	366	40	12.3%
Old-Age & Survivors Insurance Fund (OASI)	1,225	1,242	18	1.4%
Reimbursements	2,777	2,777	-	0.0%
Total Administrative Operating Costs	**$648,463**	**$678,900**	**$30,438**	**4.7%**
Statewide Pro-Rata Assessment	$33,585	$41,022	$7,437	22.1%
CalPERS Administrative Costs	$614,878	$637,878	$23,000	3.7%

VIII. 2027-28 Projection

As part of the budget process, CalPERS considers and monitors the multi-year impact of fiscal decisions to estimate future operating expenses. Based on current information and known factors, CalPERS projects a future operating cost increase of $33.5 million, or 3.6%, in 2027-28.

For Administrative Operating Costs, this is driven by statewide compensation and benefit increases negotiated through collective bargaining. The Investment Operating Costs increase is due to projected expenses related to ongoing maintenance and operations, Investment Data and Technology Modernization Initiative, and inflationary pressures. Headquarters Building Costs are expected to decline, mainly as a result of completing one-time building improvement projects. Additionally, utility expenses are anticipated to decrease following the installation of LED lighting throughout all buildings.

2027-28 Projection

($ in thousands)	2026-27 Proposed Budget	2027-28 Projected Budget	$ Change	% Change
Administrative Operating Costs	$678,900	$708,316	$29,416	4.3%
Investment Operating Costs	224,547	230,372	5,825	2.6%
Headquarters Building Costs	30,830	29,116	(1,714)	(5.6%)
Total Projection	**$934,277**	**$967,804**	**$33,527**	**3.6%**
Authorized Positions	**2,843.0**	**2,843.0**	**-**	**0.0%**

IX. Social Security Fee Update

On June 30, 2025, the fund's net position was $1.1 million. For the upcoming 2026-27 fiscal year, CalPERS will lower and continue charging Old Age and Survivors' Insurance administrative fees to employers to maintain required reserves. The fees charged to establish new or modify existing Social Security agreements will remain unchanged. All fees are determined, adjusted, and collected in accordance with California Code of Regulations, Title 2, § 592.1.