

# **California Public Employees' Retirement System**

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## **Fiscal Year 2025-26 Annual Budget Proposal**

April 14, 2025



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## A. Executive Summary

### Executive Summary

CalPERS proposes an increase of \$213.4 million, or 8.4%, over the 2024-25 budget. This increase reflects the financial resources needed by the organization to achieve strategic priorities and initiatives, meet core business needs, and further the mission of delivering retirement and health care benefits to members and their beneficiaries.

Administrative Operating Cost increases reflect growth in Investment Office salaries and incentives for specific classifications, new enterprise software and consulting services, CalPERS Board elections, and increased ProRata costs.

Investment Operating Cost increases are driven by the Investment Data and Technology Modernization Initiative.

Headquarters Building Cost increases are primarily due to the continued replacement of fluorescent lighting with LED lighting throughout all Lincoln Plaza buildings.

Investment External Management Fee increases are a result of a continued increase in active management and an increased allocation to private asset classes.

Third Party Administrator Fee (TPA) increases are primarily due to the recognition of a full year of expenditures for the Population Health Management administrator, as well as enrollment and migration changes.

Total authorized positions remain unchanged at 2,843.

### 2025-26 Total Budget

(\$ in thousands)	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
				\$	%
Administrative Operating Costs	\$528,833	\$609,826	\$637,365	\$27,539	4.5%
Investment Operating Costs	101,528	155,877	186,417	30,540	19.6%
Headquarters Building Costs	20,835	31,465	41,378	9,914	31.5%
Total: Operating Costs	\$651,196	\$797,167	\$865,160	\$67,993	8.5%
Investment External Management Fees	1,144,859	1,454,031	1,569,425	115,394	7.9%
Third Party Administrator Fees	281,939	275,416	305,389	29,972	10.9%
Total: Fees	\$1,426,798	\$1,729,448	\$1,874,814	\$145,366	8.4%
<b>CalPERS Total Budget</b>	<b>\$2,077,994</b>	<b>\$2,526,615</b>	<b>\$2,739,974</b>	<b>\$213,359</b>	<b>8.4%</b>
<b>Total Positions</b>	<b>2,843.0</b>	<b>2,843.0</b>	<b>2,843.0</b>	<b>-</b>	<b>0.0%</b>

## B. 2024-25 Current Year Update

### 2024-25 Current Year Update

As of December 31, 2024, CalPERS has expended 41% of its total \$2.53 billion authorized budget. Based on fiscal projections, CalPERS estimates that it will end the year with approximately \$75.1 million, or 3%, in unexpended funds.

Administrative Operating Costs is projected to have savings primarily due to position vacancies.

Investment Operating Costs is projected to have savings due to lower than anticipated contract and consultant costs.

Headquarters Building Costs projected savings are a result of lower than anticipated insurance costs.

TPA Fees have a projected savings due to revised estimates for health and long-term care.

### 2024-25 Current Year Update

(\$ in thousands)	2024-25 Authorized Budget	2024-25 Expenditures and Encumbrances thru 12-31-24	Percent Expended	Forecast	Savings
Administrative Operating Costs	\$609,826	\$253,867	41.6%	\$538,149	\$71,677
Investment Operating Costs	155,877	28,726	18.4%	153,677	2,200
Headquarters Building Costs	31,465	10,987	34.9%	31,336	128
Total: Operating Costs	\$797,167	\$293,579	36.8%	\$723,162	\$74,005
Investment External Management Fees	1,454,031	618,037	42.5%	1,454,031	-
Third Party Administrator Fees	275,416	123,189	44.7%	274,326	1,090
Total: Fees	\$1,729,448	\$741,226	42.9%	\$1,728,357	\$1,090
<b>CalPERS Total Forecast</b>	<b>\$2,526,615</b>	<b>\$1,034,805</b>	<b>41.0%</b>	<b>\$2,451,520</b>	<b>\$75,095</b>

## B. 2024-25 Current Year Update

### Social Security Fee Update

On June 30, 2024, the fund's net position was \$1.3 million. For the upcoming 2025-26 fiscal year, CalPERS will 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.

## C. CalPERS' Budget Process

### 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.

## D. 2025-26 Proposed Budget

### 2025-26 Proposed Budget

CalPERS' total 2025-26 proposed budget is \$2.74 billion, an increase of \$213.4 million, or 8.4%, compared to the 2024-25 budget. The primary increases are in Investment External Management Fees, Investment Operating Costs, Third Party Administrator Fees, and Administrative Operating Costs.

#### 2025-26 Total Budget

(\$ in thousands)	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
				\$	%
Administrative Operating Costs	\$528,833	\$609,826	\$637,365	\$27,539	4.5%
Investment Operating Costs	101,528	155,877	186,417	30,540	19.6%
Headquarters Building Costs	20,835	31,465	41,378	9,914	31.5%
Total: Operating Costs	\$651,196	\$797,167	\$865,160	\$67,993	8.5%
Investment External Management Fees	1,144,859	1,454,031	1,569,425	115,394	7.9%
Third Party Administrator Fees	281,939	275,416	305,389	29,972	10.9%
Total: Fees	\$1,426,798	\$1,729,448	\$1,874,814	\$145,366	8.4%
<b>CalPERS Total Budget</b>	<b>\$2,077,994</b>	<b>\$2,526,615</b>	<b>\$2,739,974</b>	<b>\$213,359</b>	<b>8.4%</b>
<b>Total Positions</b>	<b>2,843.0</b>	<b>2,843.0</b>	<b>2,843.0</b>	<b>-</b>	<b>0.0%</b>

Based on proposed budget levels, CalPERS' expenses have increased 8.2% annually over the past five years.

#### Total Budget 2021-22 through 2025-26

(\$ in thousands)	2021-22 Actual	2022-23 Actual	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Five-Year Change	Annual Growth
Administrative Operating Costs	\$512,636	\$511,944	\$528,833	\$609,826	\$637,365	\$124,729	4.5%
Investment Operating Costs	87,919	93,547	101,528	155,877	186,417	98,498	16.2%
Headquarters Building Costs	15,994	17,802	20,835	31,465	41,378	25,384	20.9%
Total Operating Budget	\$616,550	\$623,292	\$651,196	\$797,167	\$865,160	\$248,610	7.0%
Investment External Management Fees	928,634	898,964	1,144,859	1,454,031	1,569,425	640,791	11.1%
Third Party Administrator Fees	299,581	306,122	281,939	275,416	305,389	5,807	0.4%
Total: Fees	\$1,228,215	\$1,205,086	\$1,426,798	\$1,729,448	\$1,874,814	\$646,599	8.8%
<b>CalPERS Total Budget</b>	<b>\$1,844,765</b>	<b>\$1,828,378</b>	<b>\$2,077,994</b>	<b>\$2,526,615</b>	<b>\$2,739,974</b>	<b>\$895,209</b>	<b>8.2%</b>

## D. 2025-26 Proposed Budget

### I. Administrative Operating Costs

Administrative Operating Costs include Personal Services expenses (salaries and benefits for staff) and Operating Expenses & Equipment (OE&E). In 2025-26, Administrative Operating Costs are proposed to increase \$27.5 million, or 4.5%, from the 2024-25 authorized budget.

The Personal Services budget increase of \$13.3 million is primarily driven by an update to budgeting methodology for specific Investment Office position salaries and incentives, annualized salaries and benefit costs for positions redirected to Human Resources, and the restoration of personal services budget that was redirected to OE&E in 2024-25 to fund critical or unanticipated resource needs.

As detailed on the following page, there are numerous adjustments to OE&E categories that net to an overall increase of \$14.2 million. The primary driver of the increase is attributable to ProRata, CalPERS Board elections, enterprise software, and consulting services. Additionally, the proposed budget redirects anticipated savings in OE&E and the personal services budget to fund student assistants, training, and additional enterprise software and consulting services.

## D. 2025-26 Proposed Budget

### Administrative Operating Costs by Object of Expenditure

(\$ in thousands)	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
				\$	%
Salaries & Wages	\$277,811	\$333,397	\$344,759	\$11,362	3.4%
Benefits	137,370	148,613	150,549	1,936	1.3%
<b>Total Personal Services</b>	<b>\$415,182</b>	<b>\$482,010</b>	<b>\$495,308</b>	<b>\$13,298</b>	<b>2.8%</b>
General Expense	\$8,279	\$10,621	\$11,278	\$657	6.2%
Software	3,913	1,023	2,330	1,308	127.9%
Printing	88	168	168	-	0.0%
Postage	2,082	2,729	4,449	1,720	63.0%
Communications	1,153	1,464	1,164	(300)	(20.5%)
Data Processing Services	20,341	23,929	25,023	1,094	4.6%
Travel	1,248	2,966	2,986	20	0.7%
Training	875	1,351	1,328	(23)	(1.7%)
Medical Exam/Disability Travel	1,912	2,250	2,275	25	1.1%
Facilities Operations	7,432	8,234	8,936	701	8.5%
Central Administrative Services	26,527	28,898	33,585	4,687	16.2%
University Enterprises, Inc.	371	369	559	190	51.5%
External Legal Counsel	3,272	5,663	5,818	155	2.7%
Professional Services	4,484	4,975	5,903	928	18.7%
Consultants	23,958	23,724	28,115	4,391	18.5%
Audit Services	1,546	1,455	1,455	-	0.0%
Federal Legislative Rep	411	661	654	(6)	(1.0%)
Admin Hearings	775	1,402	1,402	-	0.0%
Consolidated Data Centers	341	427	469	42	9.8%
Equipment (Includes EDP)	4,646	5,508	4,161	(1,348)	(24.5%)
<b>Total Operating Expenses &amp; Equipment</b>	<b>\$113,651</b>	<b>\$127,816</b>	<b>\$142,057</b>	<b>\$14,241</b>	<b>11.1%</b>
<b>Total Administrative Costs</b>	<b>\$528,833</b>	<b>\$609,826</b>	<b>\$637,365</b>	<b>\$27,539</b>	<b>4.5%</b>

## D. 2025-26 Proposed Budget

### Formal Budget Requests

To develop the annual budget, the Financial Office works collaboratively with divisions and programs to analyze existing funding levels and make informed decisions on new budget increases. In response to Formal Budget Requests received for 2025-26, anticipated budget savings are proposed for redirection to fund most new business objectives, in an effort to limit budget increases, while augmentation is recommended for health-related initiatives due to lower anticipated savings for redirection.

The following Formal Budget Requests resulted in a recommended budget augmentation of \$3.3 million:

- \$1.0 million for a case management solution to track and process grievances and appeals related to health and retirement benefits.
- \$2.3 million for strategic projects to provide expertise, experience, and knowledge required for health rate development and negotiations.

The following Formal Budget requests are proposed to be funded by redirecting \$1.7 million in anticipated savings from Personal Services (vacant positions) and OE&E (based on historical expenditure trends):

- \$0.4 million for student assistants in the Information Technology Services Branch, Office of Audit Services, Health Policy & Benefits Branch and Human Resources to create a pipeline of future candidates for permanent employment opportunities.
- \$0.1 million total for enterprise software:
  - \$0.02 million for software to assist with contact center workload efficiencies and maintain quality employer learning experiences.
  - \$0.08 million for website threat detection software to help safeguard the myCalPERS system and mitigate risk.
- \$1.1 million for consulting services:
  - \$0.2 million for parallel valuation and certification services to confirm calculations used to set rates that are in compliance with professional standards.
  - \$0.1 million for a call summary tool to automate summarization of contact center interactions.
  - \$0.3 million for a consultant to stabilize system architecture for PeopleSoft supply chain management functions.
  - \$0.1 million for a subscription to Gartner to access advisory services that will support innovation in human resources.
  - \$0.3 million for myCalPERS security testing services to mitigate risk and improve the overall safekeeping of the myCalPERS system.
  - \$0.2 million for employer multi-factor authentication implementation to enhance security efforts and safeguard sensitive data in the myCalPERS system.
- \$0.1 million for Human Resources travel and enterprise-wide training.

## D. 2025-26 Proposed Budget

### Staffing Level

The total authorized position count for 2025-26 remains at 2,843, unchanged from current year.

### Authorized Positions by Branch

Positions by Branch	2024-25 Authorized	2025-26 Proposed	% Change
Actuarial Office	65.0	65.0	0.0%
Communications and Stakeholder Relations	76.0	77.0	1.3%
Customer Services and Support	885.5	880.5	(0.6%)
Executive Office	17.0	17.0	0.0%
Financial Office	174.0	179.0	2.9%
General Counsel	135.0	136.0	0.7%
Health Policy and Benefits	204.0	203.0	(0.5%)
Investment Office	370.0	371.0	0.3%
Office of Audit Services	62.0	62.0	0.0%
Operations and Technology	826.5	829.5	0.4%
Position Pool	28.0	23.0	(17.9%)
<b>Total Authorized Positions</b>	<b>2,843.0</b>	<b>2,843.0</b>	<b>0.0%</b>

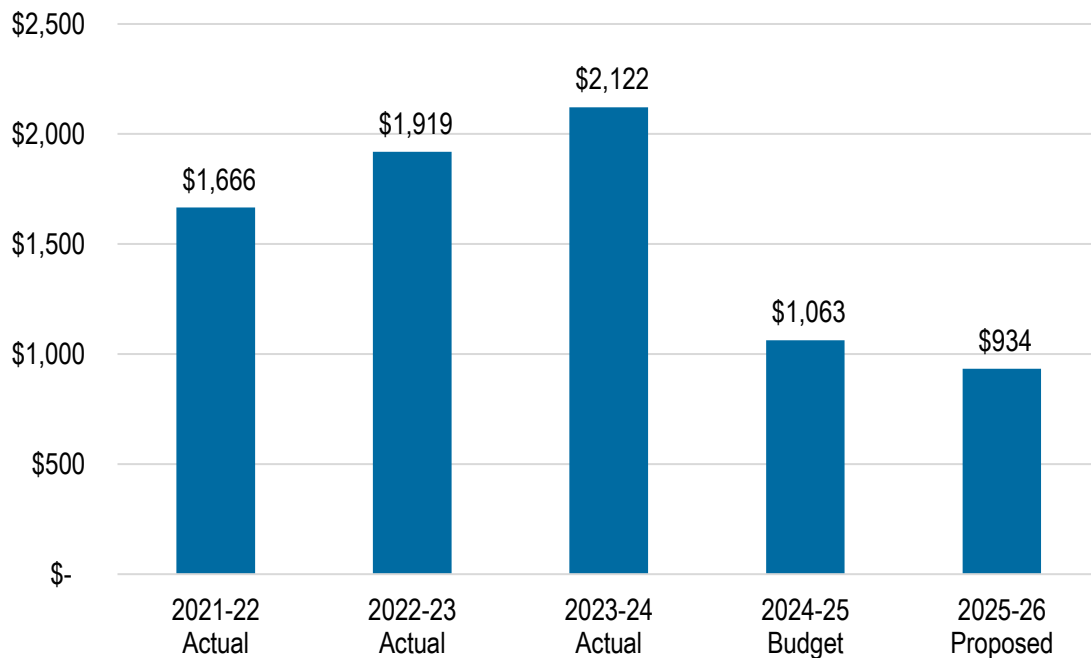
## D. 2025-26 Proposed Budget

### Temporary Help

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 2025-26, CalPERS proposes \$0.9 million for temporary help.

As displayed 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.

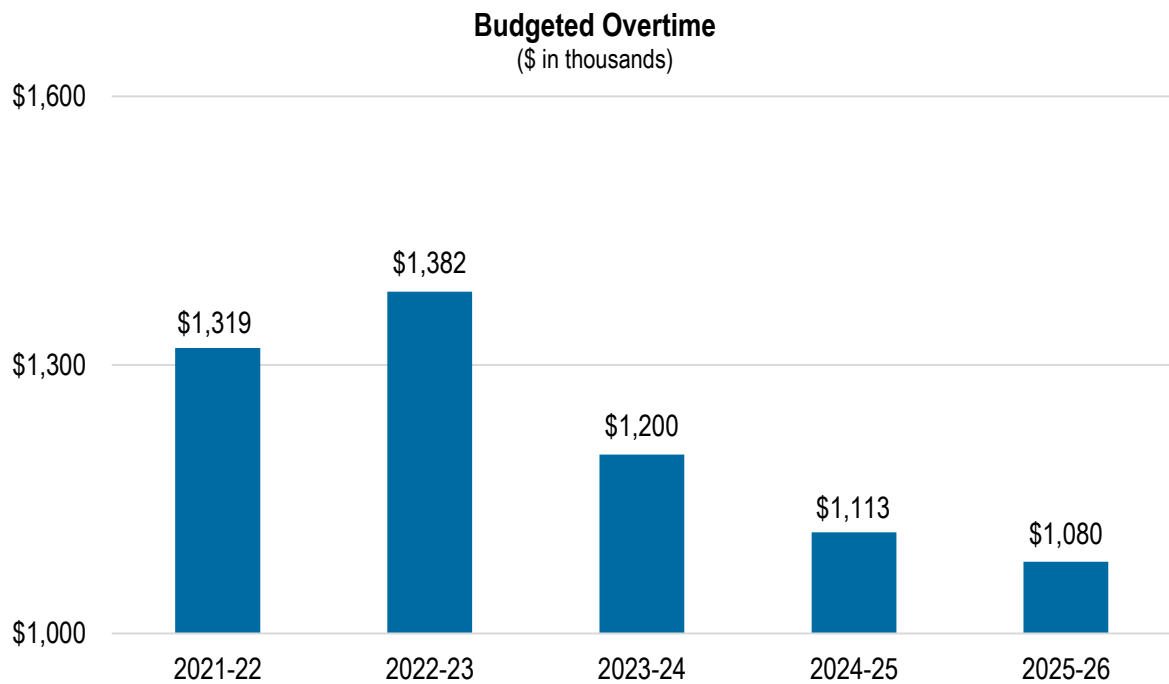
**Temporary Help Expenditures**  
(\$ in thousands)



## D. 2025-26 Proposed Budget

### Overtime

The Salaries and Wages budget includes funding for overtime expenses. CalPERS proposes a decrease of \$33,000 in the overtime budget due to less overtime needs in 2025-26. CalPERS maintains a notable budget reduction over the past five years.



## D. 2025-26 Proposed Budget

### 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 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 in 2025-26 are \$186.4 million. This is a \$30.5 million or 19.6% increase compared to the 2024-25 budget. The primary driver behind the increase is the Investment Data and Technology Modernization Initiative, accounting for \$27.9 million of the overall increase. The remainder of the increase is attributable to maintenance and operations for existing systems.

## D. 2025-26 Proposed Budget

### Investment Operating Costs

(\$ in thousands)	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
				\$	%
Investment Consultants	\$5,461	\$12,000	\$12,000	\$ -	0.0%
Board Consultants	5,520	6,500	5,600	(900)	(13.8%)
Technology Consultants	7,971	24,700	43,200	18,500	74.9%
<b>Total Consultant Expenses</b>	<b>\$18,952</b>	<b>\$43,200</b>	<b>\$60,800</b>	<b>\$17,600</b>	<b>40.7%</b>
Audits	\$273	\$705	\$705	\$ -	0.0%
Tax Advisory Services	181	1,200	1,200	-	0.0%
Master Custodian Fee	10,124	10,610	10,610	-	0.0%
Fund Administration Services / Fees	10,978	12,010	12,530	520	4.3%
External Legal	4,183	8,000	8,000	-	0.0%
Appraisal Fees	9,747	14,000	14,000	-	0.0%
Company Expense	159	336	336	-	0.0%
Miscellaneous Operating Expense	172	396	396	-	0.0%
<b>Total Operating Expenses</b>	<b>\$35,817</b>	<b>\$47,257</b>	<b>\$47,777</b>	<b>\$520</b>	<b>1.1%</b>
Data	\$7,984	\$12,300	\$14,100	\$1,800	14.6%
Analytics	13,272	17,000	16,500	(500)	(2.9%)
Trading and Portfolio Management Systems	22,296	28,400	39,400	11,000	38.7%
Business Operations Tool	3,194	7,500	7,600	100	1.3%
Other Technology Expense	12	220	240	20	9.1%
<b>Total Technology Expenses</b>	<b>\$46,759</b>	<b>\$65,420</b>	<b>\$77,840</b>	<b>\$12,420</b>	<b>19.0%</b>
<b>Total Investment Operating Expenses</b>	<b>\$101,528</b>	<b>\$155,877</b>	<b>\$186,417</b>	<b>\$30,540</b>	<b>19.6%</b>

## D. 2025-26 Proposed Budget

### 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. The total proposed Headquarters Building Costs in 2025-26 are \$46.6 million, which is a \$10.2 million or 28.1% increase over the 2024-25 budget.

The proposed increase in Headquarters Building Costs is primarily attributed to the continued replacement of fluorescent lighting with LED lighting across the Lincoln Plaza buildings. Increases are expected for a required electrical power down that occurs every five years, and the replacement of electrical power supplies in Lincoln Plaza West and the Emergency Operations Center.

Of the \$46.6 million total Headquarters Building Costs, \$5.2 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.

## D. 2025-26 Proposed Budget

### Headquarters Building Costs

(\$ in thousands)	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
				\$	%
Utilities	\$2,510	\$2,746	\$2,902	\$156	5.7%
Engineering Services	4,106	4,391	4,910	519	11.8%
Janitorial	3,238	3,815	4,067	252	6.6%
Landscaping	656	809	832	23	2.8%
General Maintenance	596	1,179	1,102	(77)	(6.5%)
Security	2,868	3,469	3,603	134	3.8%
Property Mgmt. & Administrative Fees	1,507	1,905	2,235	330	17.3%
Café Plaza	399	388	392	4	1.1%
Offsite Expenses	1,040	1,098	986	(111)	(10.2%)
Emergency Operations Center (EOC)	420	483	516	33	6.8%
Operating Other	2,372	2,387	3,751	1,364	57.2%
<b>Total Operating Expenses</b>	<b>\$19,711</b>	<b>\$22,671</b>	<b>\$25,296</b>	<b>\$2,626</b>	<b>11.6%</b>
Owner Improvements	1,470	2,136	2,216	80	3.7%
Building Improvements	4,288	11,620	19,209	7,589	65.3%
Furniture & Fixtures	293	300	300	-	0.0%
Building Insurance	841	1,027	1,027	-	0.0%
<b>Total Non-Operating Expenses</b>	<b>\$6,892</b>	<b>\$15,083</b>	<b>\$22,752</b>	<b>\$7,669</b>	<b>50.8%</b>
Less: Revenue	(1,395)	(1,394)	(1,456)	(62)	4.5%
<b>Total Headquarters Building Expenses</b>	<b>\$25,208</b>	<b>\$36,360</b>	<b>\$46,592</b>	<b>\$10,232</b>	<b>28.1%</b>
Less: Amount included in Admin. Budget	(4,373)	(4,895)	(5,213)	(318)	6.5%
<b>Total Headquarters Building Budget</b>	<b>\$20,835</b>	<b>\$31,465</b>	<b>\$41,378</b>	<b>\$9,914</b>	<b>31.5%</b>

## D. 2025-26 Proposed Budget

### IV. Investment External Management Fees

The Investment External Management Fees budget estimates fees paid to external investment manager and 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. Current assumptions estimate total fees in 2025-26 at \$1.57 billion, which is a \$115.4 million or 7.9% increase over the 2024-25 budget.

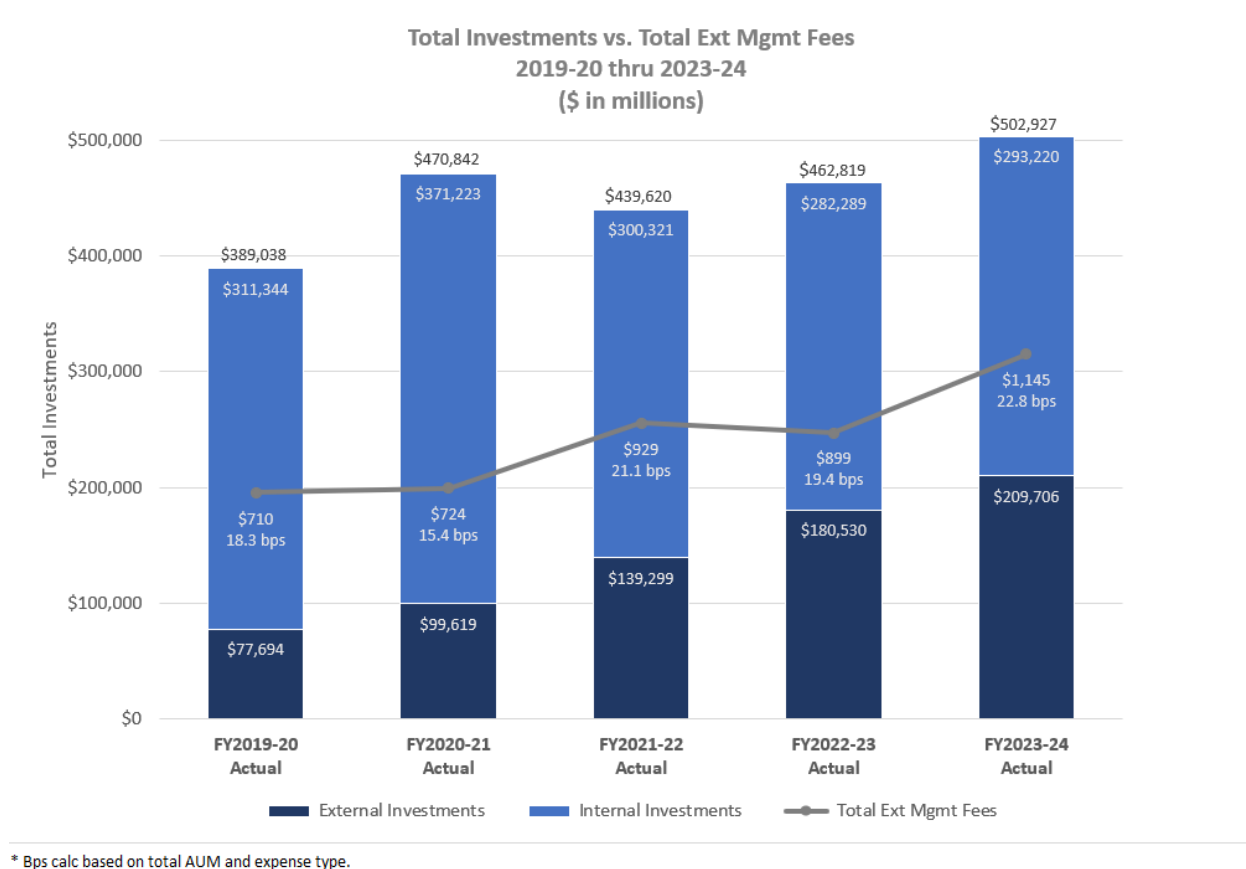
CalPERS continues to drive an increase in active management and an increased allocation to private asset classes. As a result, public asset class management fees are estimated to increase from additional capital deployed to active managers and private asset class fee increases represent new commitments and capital deployed. Offsetting these fee increases is an estimated reduction in Real Asset performance fees compared to the prior year.

#### Investment External Management Fees

(\$ in thousands)	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
			\$	%
Global Equity	\$93,002	\$85,505	(\$7,497)	(8.1%)
Fixed Income	83,500	103,000	19,500	23.4%
Real Assets	321,316	357,512	36,196	11.3%
Private Equity	656,551	685,000	28,449	4.3%
Opportunistic Strategies	2,230	2,547	317	14.2%
Private Debt	105,300	173,739	68,439	65.0%
External Management - Base Fees	\$1,261,899	\$1,407,303	\$145,403	11.5%
Real Assets	192,132	162,122	(30,010)	(15.6%)
External Management - Performance Fees	\$192,132	\$162,122	(\$30,010)	(15.6%)
<b>Total External Management Fees</b>	<b>\$1,454,031</b>	<b>\$1,569,425</b>	<b>\$115,394</b>	<b>7.9%</b>

## D. 2025-26 Proposed Budget

As displayed below, CalPERS' total assets under management (AUM) has increased \$113.89 billion since 2019-20. Over the same time horizon, the amount of fees paid to external investment managers has increased from \$710 million to \$1.15 billion. In terms of basis points (bps), external management fees compared to total investments have increased from 18.3 bps to 22.8 bps.



## D. 2025-26 Proposed Budget

### 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.

When preparing the annual budget, CalPERS estimates TPA Fees based on enrollment data after the Fall Open Enrollment process. However, actual enrollment fluctuates throughout the fiscal year and can impact expenses. Based on enrollment through January 2025, estimated TPA Fees for 2025-26 are \$305.4 million, which is a 10.9% increase over the 2024-25 budget.

The year-over-year increase in TPA Fees for the Health Program is primarily due to the recognition of a full year of expenditures for the Population Health Management administrator, as well as enrollment and migration changes. The Pharmacy Benefit Manager TPA fees are increasing back to the contracted pricing, after a temporary contract reduction in calendar year 2024. The decrease in Long Term Care Program fees reflects projected enrollment declines, a continued suspension of new enrollments, and the completion of a one-time retroactive adjustment in the Long-Term Administrator fee in 2024-25. The Supplemental Income Plan fees are projected to increase due to a rise in assets under management.

#### Third Party Administrator Fees

(\$ in thousands)	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
				\$	%
Health Program	\$244,162	\$230,945	\$258,443	\$27,498	11.9%
Pharmacy Benefit Manager	16,784	17,131	21,624	4,493	26.2%
Total, Health	\$260,946	\$248,075	\$280,067	\$31,991	12.9%
Long Term Care Program	17,318	23,633	21,314	(2,319)	(9.8%)
Supplemental Income Plan	3,567	3,600	3,900	300	8.3%
California Employers' Retiree Benefit Trust	90	90	90	-	0.0%
California Employers' Pension Prefunding Trust	18	18	18	-	0.0%
<b>Total Third Party Administrator Fees</b>	<b>\$281,939</b>	<b>\$275,416</b>	<b>\$305,389</b>	<b>\$29,972</b>	<b>10.9%</b>

## E. Appendix

### I. 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)	2023-24 Actual	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
				\$	%
Actuarial Office	\$14,720	\$14,629	\$14,317	(\$313)	(2.1%)
Communications and Stakeholder Relations	13,044	15,019	15,177	158	1.1%
Customer Services and Support	108,223	114,610	115,748	1,137	1.0%
Executive Office	8,872	11,203	11,395	191	1.7%
Financial Office	23,736	27,447	28,452	1,005	3.7%
General Counsel	29,197	37,939	38,357	418	1.1%
Health Policy and Benefits Branch	34,046	34,409	36,751	2,342	6.8%
Investment Office	97,919	137,409	145,516	8,107	5.9%
Office of Audit Services	6,311	9,295	9,501	206	2.2%
Operations and Technology	159,832	170,251	178,954	8,704	5.1%
Enterprise	6,408	8,718	9,613	895	10.3%
Pro-Rata Assessment	26,527	28,898	33,585	4,687	16.2%
<b>Total Administrative Operating Costs</b>	<b>\$528,833</b>	<b>\$609,826</b>	<b>\$637,365</b>	<b>\$27,539</b>	<b>4.5%</b>

## E. Appendix

### II. 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)	2024-25 Authorized Budget	2025-26 Proposed Budget	Change	
			\$	%
Public Employees' Retirement Fund (PERF)	\$488,367	\$513,409	\$25,042	5.1%
Public Employees' Contingency Reserve Fund (CRF)	37,186	37,477	290	0.8%
Public Employees' Health Care Fund (HCF)	53,626	54,031	405	0.8%
Long-Term Care Fund (LTCF)	8,365	9,169	803	9.6%
Annuitants' Health Care Coverage Fund (CERBT)	8,894	9,154	259	2.9%
Deferred Compensation Fund (IRC 457)	2,533	2,892	359	14.2%
Supplemental Contributions Program Fund (SCP)	248	257	9	3.5%
Judges' Retirement Fund (JRF)	2,323	2,391	68	2.9%
Judges' Retirement Fund II (JRF II)	3,071	3,226	155	5.0%
Legislators' Retirement Fund (LRF)	746	748	3	0.3%
Replacement Benefit Custodial Fund (RBF)	634	652	18	2.8%
California Employers' Pension Prefunding Trust (CEPPT)	298	321	22	7.5%
Old-Age & Survivors Insurance Fund (OASI)	1,202	1,210	7	0.6%
Reimbursements	2,330	2,430	100	4.3%
<b>Total Administrative Operating Costs</b>	<b>\$609,826</b>	<b>\$637,365</b>	<b>\$27,539</b>	<b>4.5%</b>
<i>Statewide Pro-Rata Assessment</i>	\$28,898	\$33,585	\$4,687	16.2%
<i>CalPERS Administrative Costs</i>	\$580,928	\$603,780	\$22,852	3.9%

## E. Appendix

### III. 2026-27 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 \$38.9 million, or 4.5%, in 2026-27. 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 the Investment Data and Technology Modernization Initiative, as well as inflationary pressures. Headquarters Building Costs are expected to increase due to inflation and building improvement projects.

#### 2026-27 Projection

(\$ in thousands)	2025-26 Proposed Budget	2026-27 Projected Budget	Change	
			\$	%
Administrative Operating Costs	\$637,365	\$652,899	\$15,535	2.4%
Investment Operating Costs	186,417	209,172	22,755	12.2%
Headquarters Building Costs	41,378	41,950	571	1.4%
<b>Total Projection</b>	<b>\$865,160</b>	<b>\$904,021</b>	<b>\$38,860</b>	<b>4.5%</b>
<b>Authorized Positions</b>	<b>2,843.0</b>	<b>2,843.0</b>	<b>-</b>	<b>0.0%</b>