



Annual Budget Policy

I. Background & Objectives

- A. The purpose of this Annual Budget Policy is to establish the process by which the annual budget of the Ventura County Employees' Retirement Association (VCERA) is presented to, deliberated upon, and approved by the Board of Retirement (Board).
- B. The primary objectives of this policy are:
 - 1. To provide the Retirement Administrator and the Board with a clear process for establishing its annual 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.

II. Principles and Assumptions

- A. Sections 31522.1 and 31522.2 of the California Government Code authorize the Board to appoint the personnel necessary to administer the VCERA.
- B. Section 31580.2 of the California Government Code provides when such personnel have been appointed, the Board shall adopt an annual budget covering the entire expense of administration of the retirement system.
- C. Section 31580.2 of the California Government Code also provides that the entire expense of administration shall be paid from the earnings of the retirement fund and limits the expense of administration at the higher of (a) twenty-one hundredths of 1 percent (or 21/100, 21 basis points or 0.21%) of the accrued actuarial liability of the retirement system, or (b) two million dollars (\$2,000,000), subject to annual cost of living adjustments, ("the cap"), and further provides that expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration.
- D. Section 31596.1 of the California Government Code provides that the expenses of investing its money shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered as a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board: (a) costs, as approved by the board, of actuarial valuations and services rendered pursuant to Section 31453; (b) The compensation of any bank or trust company performing custodial services; (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement

entered into with a bank or mortgage service company to service such deeds of trust and mortgages; (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties; and (e) The compensation to an attorney for services rendered pursuant to Section 31607 or legal representation rendered pursuant to Section 31529.1.

- E. The "accrued actuarial liability of the retirement system" in any given fiscal year, shall be based on the most recent actuarial valuation of the system. Although no specific date for determining VCERA's total accrued liability for this purpose is set in the California Government Code, for VCERA purposes, the date in practice has been, and is intended to continue to be, June 30 of the immediate prior fiscal year.
- F. Article XVI, Section 17 of the Constitution of the State of California grants plenary and fiduciary authority to the Board for the administration of the system, subject to certain requirements.
- G. The duties and responsibilities of the Board require an open and cogent process for setting the administrative spending parameters for the fiscal year.
- H. The Retirement Administrator is charged with the responsibility to administer the Association within the budget parameters established by the Board in its annual budget.
- I. Although not a cost of administration, as set forth in item 5) above, proposed expenditures for computer software, computer hardware and computer technology consulting services in support of these computer products shall be included in the annual budget.

III. Guidelines

A. General Provisions:

- 1. The development of the proposed budget is the responsibility of the Retirement Administrator.
- 2. The adoption of the Budget is the responsibility of the Retirement Board.

3. The Finance Committee shall review the Proposed Budget and after discussion and deliberation, shall recommend a Proposed Budget to the Board.

B. Proposed Budget – Board Packet:

1. The proposed budget will be published on the VCERA website, and provided to the Board and agenda distribution recipients, not less than 25 days prior to the Board's budget hearing in order to provide the Board and members of the public adequate time for review.

C. The Retirement Board's Budget Deliberations:

1. The Board will hold a public hearing to consider the proposed budget at its June Disability meeting.
2. Should a second public hearing be required, due to the need for significant changes or additional discussion, the Board will hold a second June public hearing to consider the proposed budget at its June Business meeting.
3. If the June Board calendar only has one June combined Disability and Business meeting scheduled, the Board, if needed, shall call a second June budget deliberation meeting.

D. Adoption, Amendment and Review:

1. At the conclusion of its hearing(s), the Board will adopt the proposed budget, as it may have been revised, as the budget for the ensuing fiscal year.
2. The Retirement Administrator may ask the Board to amend the budget for the then 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.
3. The Retirement Administrator will provide quarterly budget status reports to the Finance Committee and Board, with comments on significant (the higher of fifteen percent or \$100,000) line-item account deviations from the adjusted budget, and a mid-year budget review and comments on all expenditure variations at the Board's

February or March meeting. The mid-year review may be used to explore program initiatives for the following fiscal year.

IV. Policy Review & History

This Board will review this policy at least every three (3) years to ensure that it remains relevant and appropriate.

Date	Action	Comments
June 16, 2003	Policy Adopted	Old policy title: “Limitation on Annual Administrative Budget”
July 1, 2013	Reviewed & Amended	Rewrote one page policy to three pages to provide more guidance; Changed name to “Annual Administrative Budget Policy”; Contains annual limitation and other budget preparation, modification, and review parameters
May 22, 2023	Reviewed & Amended	Changed name to “Annual Budget Policy”; Clarified date for determining accrued actuarial liability; Added step for review by Finance Committee; Clarified June meeting dates; Changed monthly to quarterly status reports and added Finance Committee; Moved mid-year budget review from January/February to February/March
October 27, 2025	Reformatted	Reformatted based on new policy format adopted by the Board on March 24, 2025