

Date: March 18, 2026  
To: Board of Retirement  
From: F. Robert Reveles, Retirement Financial Investment Officer  
Chris Anton, Retirement Accountant  
Subject: Preliminary Quarterly Budget Update – Q2 FY26

### Introduction

Attached is the budget update report for the quarter and year-to-date ending December 31, 2025. While the major expenses through December 31, 2025, are recorded, please note the figures in the report are preliminary and minor updates may occur as new data is received. The report is divided into four schedules. Schedule 1A compares current quarter expenditures to the expenditures during the same quarter of the prior year. Schedule 1B compares fiscal year expenditures to prior fiscal year expenditures. Schedule 2A compares current quarter expenditures to current quarter budgeted amounts. Schedule 2B compares fiscal year expenditures to fiscal year budgeted amounts. Total administrative expenses excluding technology and investment categories are higher than in the prior year periods. MCERA's total administrative expenses excluding technology and investment categories for the quarter and fiscal year are below budget estimates.

### Schedule 1A & 1B:

Highlights from FY 2025 vs FY 2026 actual expense comparison for the current quarter are presented below:

- Administrative Expense is higher than both prior periods. Personnel expenses are elevated in both periods due to the hiring of two new staff members. Quarterly Office Expense is greater than the prior year because of new office equipment for the Retirement Accountant and increased travel reimbursements for Benefits Staff. Office Expenses are elevated YTD due to additional user software and license expenses. Legal expenses are elevated in the prior year because of MCERA's participation in the Ventura amicus brief, DRO case work and the VCP. Quarterly Audit expense is lower due to timing in the prior year. (Invoices billed sooner this year) Quarterly Consulting – Actuary is higher than the prior period due to the timing of the reimbursement from the County for the fiscal year 2024 GAS 68 report (which was received in November 2024). The Quarterly and YTD Contracts increased over prior year due to starting the AUP audits this year. Staff Education and Training is greater for both periods due to higher costs for training, one additional staff member attending SACRS compared to the prior year, and early payment for the NCPERS Communication Conference. During the quarter staff attended the LRS annual Teaming Conference, the Fall SACRS conference, and the Markets Group Northern California Institutional Forum.
- Board Expense is greater for both periods, driven primarily by an increase in Fiduciary Insurance. Quarterly Board Education and Training is greater than last year because of increased registration, hotel, and travel reimbursement for two trustees for the Fall SACRS conference. YTD Board Education costs are less than the prior period because the prior period includes trustee attendance to the SACRS Public Pension Investment Management program. No trustees attended the program in July 2025.



- Disability Expense is greater year-to-date. There were no expenses in the current quarter. YTD there was one disability medical review case. There are three pending disability applications currently.
- Technology Expense is lower for the quarter and YTD. LRS – Pension Gold is lower than the prior year because the prior year included an implementation expense for the original 10-year contract, which is now complete. County IT Project Expenses are higher than both prior periods because the current periods include installation of copier equipment and setting up two laptops. In the current quarter, we used over 43 IT Service hours, while last year we used 18. YTD, we used more than 83 IT service hours, while prior YTD we used 47. Longer Board meetings in the current year also contributed to higher County IT Project Expense.
- Investment Expense is lower than both prior periods. Investment Manager Fees (including Brandes, J.P. Morgan, Ninety-One, RREEF, SSGA, and T. Rowe) are lower overall than the prior fiscal year because of the new investment structure of the international portfolio. The current quarter's equity fees are over 30% lower than the prior year while YTD equity fees are over 33% lower than prior year. The prior period includes Mondrian with the old international structure, and the new year includes Brandes and SSGA World with the new international structure. Custodial Bank expenses are greater than the prior periods because MCERA's total fund Assets Under Management (AUM) are greater than the previous year. The FY25-26 AUM average is \$831M while the prior year AUM average is \$742M. Investment Monitoring is greater than the prior year because staff and Board counsel decided to engage an investment attorney for Limited Partner Agreement review (due diligence) and side-letter negotiations with the new Kayne Anderson real estate investment. Because MCERA hasn't invested in a new real estate fund in quite some time, staff believed it prudent to contract with the firm for the review.
- Property Maintenance Plan expenses are elevated in the prior periods because of improvements to the 625 Kings Court asset. There are no capital projects planned for this fiscal year.

#### Schedule 2A & 2B:

Schedule 2A compares actual expenditures vs budgeted amounts. Highlights from the budget vs actual comparison for the current quarter are presented below:

- Administrative Expense is below budget for both periods. Personnel costs for the quarter and YTD are slightly lower due to hiring later in year than anticipated. Office Expense is lower for both periods due to savings on postage, general office supplies, and office equipment. Legal expenses are for both periods due to HBRP project completion (no billing from Hansen Bridgett) and savings on board counsel expense during the first quarter. Quarterly Audit expense is below budget due to invoice timing. Contracts are lower YTD because the budget equally divides the annual expenses into each quarter, while MGO expenses are billed as work is completed. Staff Education and Training is below budget for both periods because the budget accounts for more training events than staff attended. Training events underutilized were the LRS Teaming Conference (one attended versus two budgeted) and GFOA training. YTD Staff Education and Training expense covers the



## Preliminary Quarterly Budget Update Continued

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CALAPRS Administrators Institute, the Nossaman Fiduciaries Forum, the LRS Teaming conference, Fall SACRS conference, multiple CALAPRS Roundtables, the Markets Group Institutional Forum, and travel and registration for the NCPERS Communications and Member Services Summit.

- Board Expense is below budget for both periods. Fiduciary Insurance is higher than expected. Board Meeting Stipends are lower for both periods because trustee attendance has been lower than anticipated and we have one unfilled, appointed position. Additionally, the stipend budget contains funds for Audit Committee stipends and off-site meeting costs. Board Education and Training expenses for the quarter and YTD are lower than budget because the budget includes registration and travel expenses for four trustees to attend the Fall SACRS conference. Two trustees attended the conference, and expenses were lower for hotel and transportation than budgeted.
- Disability Expense is below budget for both periods with only one disability review expense and no hearing expenses YTD.
- Technology Expense is below budget for both periods. MCERA received a 10-hour credit for staff attendance to the LRS Teaming Conference. The budget includes 31 hours of LRS work per month for the quarter. MCERA used 5.25 hours of credit through December 2025. The quarterly Pension Gold expenses are the annual hosting/license fees. County IT expenses are higher for both periods because of set up on a new printer, two new laptops, and software updates to three office computers.
- Investment Expense is lower than budget for both periods. Investment Manager Fees include fees billed from the following managers: Brandes, J.P. Morgan, Ninety-One, RREEF, SSGA, and T. Rowe. So far, the year has been outstanding as market returns of the total portfolio returned over 8% on a time-weighted basis. As such, most strategy NAVs are higher than anticipated in the budget. The savings in the fees line item is solely due to RREEF and J.P. Morgan. Custodian Bank – State Street is higher than budgeted due to the increase in AUM since the budget was approved. The AUM in the budget was contemplated at \$787M during the first half of the year and \$812M during the second half of the year. Investment Monitoring is greater than the budget because of due diligence review and side-letter negotiations for our new real estate investments.

### Conclusion

Halfway through Fiscal Year 2026 all expense category subtotals remain below budget estimates. Total MCERA expenditures are nearly 13% below budget. Excluding technology and investment expense, expenditures are lower than budget estimates by \$94,895 or about 10%. The administrative decrease YTD is primarily due to the Personnel, Legal Expense, and the Disability Subtotal. The increase in actual-to-actual Prior Year administrative spending YTD is driven by higher Personnel and Contracts offset slightly by lower Legal Expense.

Mendocino County Employees Retirement Association				
Fiscal Year 2026 Budget Comparison				
Schedule 1A: Current Year Quarter vs Prior Year Quarter				
	FY 2025	FY 2026		
	Oct-Dec	Oct-Dec	Difference	
	Actual	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 230,724	\$ 308,936	78,212	33.90%
Office Expense	7,008	7,653	645	9.20%
Legal Expense	41,255	34,023	(7,232)	-17.53%
Audit	18,805	11,629	(7,176)	-38.16%
Consulting - Actuary	1,719	21,500	19,781	1150.73%
Contracts	-	12,404	12,404	100.00%
Staff Education and Training	4,745	7,377	2,632	55.47%
Membership	2,485	2,680	195	7.85%
Imputed Rent (625-B Kings Court)	14,707	14,878	171	1.16%
<b>Subtotal</b>	<b>\$ 321,448</b>	<b>\$ 421,080</b>	<b>\$ 99,632</b>	<b>30.99%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ 73,730	\$ 76,037	2,307	3.13%
Board Meeting Stipends	925	1,000	75	8.11%
Board Education and Training	2,106	2,686	580	27.54%
<b>Subtotal</b>	<b>\$ 76,761</b>	<b>\$ 79,723</b>	<b>\$ 2,962</b>	<b>3.86%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 398,209</b>	<b>\$ 500,803</b>	<b>\$ 102,594</b>	<b>25.76%</b>
<b>Disability</b>				
Administrative Review	\$ -	\$ -	\$ -	0.00%
Hearings <sup>1</sup>	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 398,209</b>	<b>\$ 500,803</b>	<b>\$ 102,594</b>	<b>25.76%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 152,284	\$ 75,916	\$ (76,368)	-50.15%
County IT Project Expenses	1,387	2,887	1,500	108.15%
PCX Scan Station	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ 153,671</b>	<b>\$ 78,803</b>	<b>\$ (74,868)</b>	<b>-48.72%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 323,271	\$ 291,616	(31,655)	-9.79%
Investment Consultant - Callan	48,292	49,499	1,207	2.50%
Custodian Bank - State Street	18,762	21,293	2,531	13.49%
Actuary Services - Valuation	78,000	81,000	3,000	3.85%
Investment Monitoring <sup>3</sup>	3,736	13,960	10,224	273.66%
<b>Subtotal</b>	<b>\$ 472,061</b>	<b>\$ 457,368</b>	<b>\$ (14,693)</b>	<b>-3.11%</b>
<b>Property Maintenance Plan</b>	<b>\$ 273,531</b>	<b>\$ -</b>	<b>\$ (273,531)</b>	<b>-100.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 1,297,472</b>	<b>\$ 1,036,974</b>	<b>\$ (260,498)</b>	<b>-20.08%</b>
<b>Total Administrative Expenses</b>	<b>\$ 398,209</b>	<b>\$ 500,803</b>	<b>\$ 102,594</b>	<b>25.76%</b>
<b>(Total ex Technology &amp; Investment)</b>				
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, manager due diligence, investment data.				

Mendocino County Employees Retirement Association				
Fiscal Year 2026 Budget Comparison				
Schedule 1B: Current Year To Date vs Prior Year To Date				
	FY 2025	FY 2026		
	Jul-Dec	Jul-Dec	Difference	
	Actual	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 409,641	\$ 528,197	118,556	28.94%
Office Expense	11,275	13,945	2,670	23.68%
Legal Expense	87,425	55,423	(32,002)	-36.61%
Audit	49,698	50,500	802	1.61%
Consulting - Actuary	30,683	30,563	(120)	-0.39%
Contracts	-	23,479	23,479	100.00%
Staff Education and Training	10,952	13,006	2,054	18.75%
Membership	6,485	6,680	195	3.01%
Imputed Rent (625-B Kings Court)	29,413	29,756	343	1.17%
<b>Subtotal</b>	<b>\$ 635,572</b>	<b>\$ 751,549</b>	<b>\$ 115,977</b>	<b>18.25%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ 73,730	\$ 76,037	2,307	3.13%
Board Meeting Stipends	2,050	2,200	150	7.32%
Board Education and Training	3,949	3,266	(683)	-17.30%
<b>Subtotal</b>	<b>\$ 79,729</b>	<b>\$ 81,503</b>	<b>\$ 1,774</b>	<b>2.23%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 715,301</b>	<b>\$ 833,052</b>	<b>\$ 117,751</b>	<b>16.46%</b>
<b>Disability</b>				
Administrative Review	\$ -	\$ 7,320	\$ 7,320	100.00%
Hearings <sup>1</sup>	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 7,320</b>	<b>\$ 7,320</b>	<b>100.00%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 715,301</b>	<b>\$ 840,372</b>	<b>\$ 125,071</b>	<b>17.49%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 166,742	\$ 85,946	\$ (80,796)	-48.46%
County IT Project Expenses	3,424	5,661	2,237	65.33%
PCX Scan Station	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ 170,166</b>	<b>\$ 91,607</b>	<b>\$ (78,559)</b>	<b>-46.17%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 819,310	\$ 562,821	(256,489)	-31.31%
Investment Consultant - Callan	96,584	98,998	2,414	2.50%
Custodian Bank - State Street	37,525	41,877	4,352	11.60%
Actuary Services - Valuation	78,000	81,000	3,000	3.85%
Investment Monitoring <sup>3</sup>	7,722	18,169	10,447	135.29%
<b>Subtotal</b>	<b>\$ 1,039,141</b>	<b>\$ 802,865</b>	<b>\$ (236,276)</b>	<b>-22.74%</b>
<b>Property Maintenance Plan</b>	<b>\$ 518,382</b>	<b>\$ -</b>	<b>\$ (518,382)</b>	<b>-100.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 2,442,990</b>	<b>\$ 1,734,844</b>	<b>\$ (708,146)</b>	<b>-28.99%</b>
<b>Total Administrative Expenses</b>	<b>\$ 715,301</b>	<b>\$ 840,372</b>	<b>\$ 125,071</b>	<b>17.49%</b>
<b>(Total ex Technology &amp; Investment)</b>				

<sup>1</sup> All Hearing related expenses including any hearing preparations.

<sup>2</sup> Investment fees paid directly to managers.

<sup>3</sup> Investment manager monitoring, manager due diligence, investment data.

Mendocino County Employees Retirement Association				
Fiscal Year 2026 Budget Comparison				
Schedule 2A: Current Year Quarter vs Current Quarter Budget				
	FY 2026	FY 2026		
	Oct-Dec	Oct-Dec	Difference	
	Budget	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 317,323	\$ 308,936	(8,387)	-2.64%
Office Expense	9,139	7,653	(1,486)	-16.26%
Legal Expense	38,750	34,023	(4,727)	-12.20%
Audit	37,500	11,629	(25,871)	-68.99%
Consulting - Actuary	20,793	21,500	707	3.40%
Contracts	12,892	12,404	(488)	-3.79%
Staff Education and Training	14,714	7,377	(7,337)	-49.86%
Membership	2,645	2,680	35	1.32%
Imputed Rent (625-B Kings Court)	14,878	14,878	0	0.00%
<b>Subtotal</b>	<b>\$ 468,634</b>	<b>\$ 421,080</b>	<b>\$ (47,554)</b>	<b>-10.15%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ 74,026	76,037	2,011	2.72%
Board Meeting Stipends	2,144	1,000	(1,144)	-53.35%
Board Education and Training	8,704	2,686	(6,018)	-69.14%
<b>Subtotal</b>	<b>\$ 84,874</b>	<b>\$ 79,723</b>	<b>\$ (5,151)</b>	<b>-6.07%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 553,508</b>	<b>\$ 500,803</b>	<b>\$ (52,705)</b>	<b>-9.52%</b>
<b>Disability</b>				
Administrative Review	\$ 5,000	\$ -	\$ (5,000)	-100.00%
Hearings <sup>1</sup>	10,000	-	(10,000)	-100.00%
<b>Subtotal</b>	<b>\$ 15,000</b>	<b>\$ -</b>	<b>\$ (15,000)</b>	<b>-100.00%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 568,508</b>	<b>\$ 500,803</b>	<b>\$ (67,705)</b>	<b>-11.91%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 97,734	\$ 75,916	\$ (21,818)	-22.32%
County IT Project Expenses	2,327	2,887	560	24.07%
PCX Scan Station	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ 100,060</b>	<b>\$ 78,803</b>	<b>\$ (21,257)</b>	<b>-21.24%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 354,535	\$ 291,616	(62,919)	-17.75%
Investment Consultant - Callan	49,499	49,499	(0)	0.00%
Custodian Bank - State Street	19,743	21,293	1,550	7.85%
Actuary Services - Valuation	81,000	81,000	-	0.00%
Investment Monitoring <sup>3</sup>	4,960	13,960	9,000	181.45%
<b>Subtotal</b>	<b>\$ 509,737</b>	<b>\$ 457,368</b>	<b>\$ (52,369)</b>	<b>-10.27%</b>
<b>Property Maintenance Plan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 1,178,305</b>	<b>\$ 1,036,974</b>	<b>\$ (141,331)</b>	<b>-11.99%</b>
<b>Total Administrative Expenses</b>	<b>\$ 568,508</b>	<b>\$ 500,803</b>	<b>\$ (67,705)</b>	<b>-11.91%</b>
<b>(Total ex Technology &amp; Investment)</b>				
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, manager due diligence, investment data.				

Mendocino County Employees Retirement Association				
Fiscal Year 2026 Budget Comparison				
Schedule 2B: Current Year To Date vs Current Budget Year To Date				
	FY 2026	FY 2026	Difference	
	Jul-Dec	Jul-Dec		
	Budget	Actual	\$	%
<b>Administrative</b>				
Personnel	\$ 560,330	\$ 528,197	(32,133)	-5.73%
Office Expense	18,219	13,945	(4,274)	-23.46%
Legal Expense	77,500	55,423	(22,077)	-28.49%
Audit	50,500	50,500	-	0.00%
Consulting - Actuary	31,586	30,563	(1,023)	-3.24%
Contracts	25,784	23,479	(2,305)	-8.94%
Staff Education and Training	17,929	13,006	(4,923)	-27.46%
Membership	6,645	6,680	35	0.53%
Imputed Rent (625-B Kings Court)	29,756	29,756	0	0.00%
<b>Subtotal</b>	<b>\$ 818,249</b>	<b>\$ 751,549</b>	<b>\$ (66,700)</b>	<b>-8.15%</b>
<b>Board Expense</b>				
Fiduciary Insurance	\$ 74,026	\$ 76,037	2,011	2.72%
Board Meeting Stipends	4,288	2,200	(2,088)	-48.69%
Board Education and Training	8,704	3,266	(5,438)	-62.48%
<b>Subtotal</b>	<b>\$ 87,018</b>	<b>\$ 81,503</b>	<b>\$ (5,515)</b>	<b>-6.34%</b>
<b>Total Administrative &amp; Board Expense</b>	<b>\$ 905,267</b>	<b>\$ 833,052</b>	<b>\$ (72,215)</b>	<b>-7.98%</b>
<b>Disability</b>				
Administrative Review	\$ 10,000	\$ 7,320	\$ (2,680)	-26.80%
Hearings <sup>1</sup>	20,000	-	(20,000)	-100.00%
<b>Subtotal</b>	<b>\$ 30,000</b>	<b>\$ 7,320</b>	<b>\$ (22,680)</b>	<b>-75.60%</b>
<b>Total Administrative, Board, and Disability Expense</b>	<b>\$ 935,267</b>	<b>\$ 840,372</b>	<b>\$ (94,895)</b>	<b>-10.15%</b>
<b>Technology</b>				
LRS - Pension Gold	\$ 111,734	\$ 85,946	\$ (25,788)	-23.08%
County IT Project Expenses	4,654	5,661	1,007	21.64%
PCX Scan Station	-	-	-	0.00%
<b>Subtotal</b>	<b>\$ 116,387</b>	<b>\$ 91,607</b>	<b>\$ (24,780)</b>	<b>-21.29%</b>
<b>Investment</b>				
Investment Manager Fees <sup>2</sup>	\$ 709,069	\$ 562,821	(146,248)	-20.63%
Investment Consultant - Callan	98,998	98,998	(0)	0.00%
Custodian Bank - State Street	39,486	41,877	2,391	6.06%
Actuary Services - Valuation	81,000	81,000	-	0.00%
Investment Monitoring <sup>3</sup>	9,920	18,169	8,249	83.16%
<b>Subtotal</b>	<b>\$ 938,474</b>	<b>\$ 802,865</b>	<b>\$ (135,609)</b>	<b>-14.45%</b>
<b>Property Maintenance Plan</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0.00%</b>
<b>Total MCERA Expenses</b>	<b>\$ 1,990,128</b>	<b>\$ 1,734,844</b>	<b>\$ (255,284)</b>	<b>-12.83%</b>
<b>Total Administrative Expenses</b>	<b>\$ 935,267</b>	<b>\$ 840,372</b>	<b>\$ (94,895)</b>	<b>-10.15%</b>
<b>(Total ex Technology &amp; Investment)</b>				
<sup>1</sup> All Hearing related expenses including any hearing preparations.				
<sup>2</sup> Investment fees paid directly to managers.				
<sup>3</sup> Investment manager monitoring, manager due diligence, investment data.				