MENDOCINO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

Date: May 20th, 2026
To: Board of Retirement
From: F. Robert Reveles, Retirement Financial Investment Officer
Subject: Preliminary Quarterly Budget Update – Q3 FY26

Introduction

Attached is the budget update report for the quarter and year-to-date ending March 31, 2026. While the major expenses through March 31, 2026, 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 due to the hiring of two new staff members. Office Expense rose this quarter due to Board of Retirement election costs, while year-to-date (YTD) office expense is driven higher by accounting software licensing, and earlier payment of our Zoom license. Quarterly Legal Expense is lower because the prior year included updates to plan documents required by SECURE 2.0 legislation. YTD Legal Expense is lower because last year required extra tax and board counsel review of the VCP. The previous year's quarterly Audit credit corrected period billing errors. YTD Audit rose because our auditors traveled to be onsite last Fall. Consulting - Actuary is higher this year due to Segal's January presentation to the Board of Supervisors and attendance at our February off-site meeting. YTD Contract expenses are up due to the initiation of the MGO procedures audit. Quarterly Staff Education and Training is greater for both periods due to more staff than prior year. For the quarter, primary cost drivers are earlier payments for the SACRS Spring Conference and attendance at the NCPERS Communication Summit, multiple CALAPRS events, and the February off-site meeting. YTD expenses increased due to more staff attending a greater number of events and increased registration costs. Quarterly Membership increased because our GFOA membership was paid in January rather than December, while YTD Membership increased because of greater a ACFR review fee.

- Board Expense is lower for the quarter and flat YTD. Quarterly Fiduciary Insurance declined (less negative) because four trustees reimbursed the waiver of recourse, compared to seven last year. Board Meeting Stipends rose for the quarter and YTD due to the February off-site meeting and higher attendance in the September/December 2025 quarters. Board Education and Training costs decreased for the quarter and YTD; this year fewer trustees attended the CALAPERS General Assembly and no trustees attended the SACRS Public Pension Investment Management Program (vs one attendee last year).

- Disability Expense increased over both prior periods, due to more applications. There were three applications this quarter and four YTD. There were no reviews in the prior year.

- Technology Expense is lower for the quarter and YTD. Quarterly LRS – Pension Gold expense is lower because the last period had scripting updates to benefit payments and split account interest corrections. YTD LRS – Pension Gold expense is lower because the prior year included setup fees of the previous contract. Quarterly County IT Project Expense is lower because the February meeting was not recorded. While YTD IT hours dropped (109 this year vs 116 last year), the cost is higher because our requests required senior staff, such as Network Administrators. PCX Scan Station costs rose per our contract.

- Investment Expense is lower than both prior periods. Investment Manager Fees are lower overall than in the prior fiscal year because of the new structure of the international portfolio. Last year's fees included Mondrian while this year includes Brandes and SSGA. Custodial Bank expenses increased for both periods because MCERA's average Assets Under Management (AUM) grew from $742M last year to $841M this year. YTD Investment Monitoring is greater due to specialized legal fees for the new Kayne Anderson real estate fund. Because this was the first new real estate investment MCERA has made in many years, staff engaged an attorney for support on partnership agreement due diligence and side-letter negotiations.

- Property Maintenance Plan expenses are greater in the prior periods due to improvements to the 625 Kings Court property. There is no capital improvement planned for the current 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 expenses remain below budget for both the quarter and YTD. Current quarter Office Expenses increased due to the recent retired member special election. YTD Office Expense is lower due to savings on postage, water, board meeting support and office equipment. Legal Expenses are lower for both periods due to fewer board counsel hours and minimal tax counsel payments. Consulting – Actuary costs are higher for both periods because of the January presentation to the Mendocino County BOS and our February off-site meeting. Contract expenses are lower YTD because our Survivor and Death Benefit Procedures audit is still underway. Staff Education and Training costs are under budget this quarter. While we saved money because staff skipped the Callan National Conference and CALAPRS General Assembly, those savings were offset by extra training. This included more CALAPRS Roundtables and travel for the NCPERS Communications Summit and the upcoming Spring SACRS. YTD Staff Education and Training is lower because staff attended fewer events than planned. YTD staff education events include the CALAPRS Administrators Institute and Roundtables, Nossaman's Fiduciaries Forum, the LRS Teaming conference, the Fall SACRS Conference, the Markets Group Northern California Institutional Forum, the NCPERS Communications and Member Services Summit, the CALAPRS

General Assembly, and our February Offsite meeting. Current quarter Membership, the "upgraded" GFOA membership, is lower than budget due to a slight delay in the renewal payment.

- Overall Board Expenses remain under budget for the quarter and YTD. Meeting Stipends are lower for both periods due to lower trustee attendance over the last two quarters. This line item's budget includes regular meetings, Audit Committee, and off-site meeting expenses. Board Education and Training expenses are under budget for both periods. Quarterly costs are lower because no trustees attended the Callan National Conference or the CALAPRS Principles of Pension Management course. YTD spending is also down because fewer trustees attended the Fall SACRS conference. These savings were partially offset by one trustee attending the CALAPRS General Assembly in March.

- Disability expenses are over budget for the quarter but remain under budget YTD. Quarterly Administrative Review is greater because the budget spreads expenses evenly over the year, which did not match when the actual expenses occurred. YTD expenses cover four applications and remain under budget.

- Technology Expense remains below budget for both periods. The LRS – Pension Gold budget assumes 31 billable hours per quarter. Including our LRS Teaming Conference credit of 10 hours, we've only been billed 25 hours all year. Current projects this year include updating DRO split account functionality, adding new pay components, and installation of Kofax on a new machine. County IT expenses are lower for both periods primarily because we have yet to be billed for our annual ISF expense of $10,579.

- Investment Expense is lower than budget for both periods. Overall investment performance has been outstanding, with a total time-weighted return of over 8% through three quarters. Though four of the six managers have Net Asset Values (NAV) greater than anticipated, two managers, RREEF and J.P. Morgan, are driving the savings in the Investment Manager Fees line over both periods. Conversely, Custodian Bank – State Street fees are higher because our AUM grew more than expected. The budget contemplated AUM at $787M during the first half of the year and $841M during the second; our actual AUM averaged $831M. Investment Monitoring is greater than the budget due to legal review of our new real estate investments.

Conclusion

Through the third quarter of Fiscal Year 2026, MCERA expenditures are below budget projections, with total spending just over 13% under budget. Excluding technology and investment costs, expenses are $111,853 (approx. 8%) below budget estimates. Current year administrative decreases YTD are primarily due to the Personnel, Legal Expense, Board Education, the Disability Subtotal, and Contracts categories. While overall administrative costs rose compared to last year due to higher personnel and contracts costs, lower legal fees helped balance that increase.

Mendocino County Employees Retirement Association Fiscal Year 2026 Budget Comparison Schedule 1A: Current Year Quarter vs Prior Year Quarter				
	FY 2025 Jan- Mar Actual	**FY 2026 Jan- Mar Actual**	**Difference $**	**Difference %**
Administrative				
Personnel	$ 198,978	$ 273,270	74,292	37.34%
Office Expense	9,198	10,676	1,478	16.07%
Legal Expense	41,876	35,131	(6,745)	-16.11%
Audit	(6,198)	-	6,198	-100.00%
Consulting - Actuary	1,500	17,500	16,000	1066.67%
Contracts	10	-	(10)	-100.00%
Staff Education and Training	2,191	6,130	3,939	179.78%
Membership	-	200	200	100.00%
Imputed Rent (625-B Kings Court)	14,707	14,878	171	1.16%
Subtotal	**$ 262,262**	**$ 357,785**	**$ 95,523**	**36.42%**
Board Expense				
Fiduciary Insurance	$ (63)	$ (30)	33	-52.38%
Board Meeting Stipends	1,200	1,322	122	10.17%
Board Education and Training	4,464	2,476	(1,988)	-44.53%
Subtotal	**$ 5,601**	**$ 3,768**	**$ (1,833)**	**-32.73%**
Total Administrative & Board Expense	**$ 267,863**	**$ 361,553**	**$ 93,690**	**34.98%**
Disability				
Administrative Review	$ -	$ 22,050	$ 22,050	100.00%
Hearings[1]	-	-	-	0.00%
Subtotal	**$ -**	**$ 22,050**	**$ 22,050**	**100.00%**
Total Administrative, Board, and Disability Expense	**$ 267,863**	**$ 383,603**	**$ 115,740**	**43.21%**
Technology				
LRS - Pension Gold	$ 12,150	$ 1,570	$ (10,580)	-87.08%
County IT Project Expenses	3,361	1,762	(1,599)	-47.58%
PCX Scan Station	6,904	7,249	345	5.00%
Subtotal	**$ 22,415**	**$ 10,581**	**$ (11,834)**	**-52.80%**
Investment				
Investment Manager Fees[2]	$ 309,634	$ 267,770	(41,864)	-13.52%
Investment Consultant - Callan	49,499	50,737	1,238	2.50%
Custodian Bank - State Street	18,950	21,974	3,024	15.96%
Actuary Services - Valuation	-	-	-	0.00%
Investment Monitoring[3]	3,736	3,960	224	6.00%
Subtotal	**$ 381,819**	**$ 344,441**	**$ (37,378)**	**-9.79%**
Property Maintenance Plan	$ 45,082	$ -	$ (45,082)	**-100.00%**
Total MCERA Expenses	**$ 717,179**	**$ 738,625**	**$ 21,446**	**2.99%**
Total Administrative Expenses	**$ 267,863**	**$ 383,603**	**$ 115,740**	**43.21%**
(Total ex Technology & Investment)				

[1] All Hearing related expenses including any hearing preparations.

[2] Investment fees paid directly to managers.

[3] 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 Jul- Mar Actual	**FY 2026 Jul- Mar Actual**	**Difference $**	**Difference %**
Administrative				
Personnel	$ 608,619	$ 801,468	192,849	31.69%
Office Expense	20,473	24,622	4,149	20.27%
Legal Expense	129,301	90,554	(38,747)	-29.97%
Audit	43,500	50,500	7,000	16.09%
Consulting - Actuary	32,183	46,603	14,420	44.81%
Contracts	10	23,479	23,469	234690.00%
Staff Education and Training	13,143	19,136	5,993	45.60%
Membership	6,485	6,880	395	6.09%
Imputed Rent (625-B Kings Court)	44,120	44,634	514	1.17%
Subtotal	**$ 897,834**	**$ 1,107,876**	**$ 210,042**	**23.39%**
Board Expense				
Fiduciary Insurance	$ 73,667	$ 76,007	2,340	3.18%
Board Meeting Stipends	3,250	2,476	(774)	-23.82%
Board Education and Training	8,413	5,743	(2,670)	-31.74%
Subtotal	**$ 85,330**	**$ 84,226**	**$ (1,104)**	**-1.29%**
Total Administrative & Board Expense	**$ 983,164**	**$ 1,192,102**	**$ 208,938**	**21.25%**
Disability				
Administrative Review	$ -	$ 29,370	$ 29,370	100.00%
Hearings[1]	-	-	-	0.00%
Subtotal	**$ -**	**$ 29,370**	**$ 29,370**	**100.00%**
Total Administrative, Board, and Disability Expense	**$ 983,164**	**$ 1,221,472**	**$ 238,308**	**24.24%**
Technology				
LRS - Pension Gold	$ 178,892	$ 87,516	$ (91,376)	-51.08%
County IT Project Expenses	6,785	7,423	638	9.40%
PCX Scan Station	6,904	7,249	345	5.00%
Subtotal	**$ 192,581**	**$ 102,188**	**$ (90,393)**	**-46.94%**
Investment				
Investment Manager Fees[2]	$ 1,128,944	$ 830,591	(298,353)	-26.43%
Investment Consultant - Callan	146,083	149,735	3,652	2.50%
Custodian Bank - State Street	56,475	63,851	7,376	13.06%
Actuary Services - Valuation	78,000	81,000	3,000	3.85%
Investment Monitoring[3]	11,458	22,129	10,671	93.13%
Subtotal	**$ 1,420,960**	**$ 1,147,306**	**$ (273,654)**	**-19.26%**
Property Maintenance Plan	$ 563,464	$ -	$ (563,464)	**-100.00%**
Total MCERA Expenses	**$ 3,160,169**	**$ 2,470,966**	**$ (689,203)**	**-21.81%**
Total Administrative Expenses (Total ex Technology & Investment)	**$ 983,164**	**$ 1,221,472**	**$ 238,308**	**24.24%**

[1] All Hearing related expenses including any hearing preparations.

[2] Investment fees paid directly to managers.

[3] 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 Jan- Mar Budget		**FY 2026 Jan- Mar Actual**		**Difference $**		**Difference %**
Administrative							
Personnel	$	270,008	$	273,270		3,262	1.21%
Office Expense		9,303		10,676		1,373	14.76%
Legal Expense		38,750		35,131		(3,619)	-9.34%
Audit		-		-		-	0.00%
Consulting - Actuary		10,793		17,500		6,707	62.14%
Contracts		12,892		-		(12,892)	-100.00%
Staff Education and Training		6,462		6,130		(332)	-5.14%
Membership		-		200		200	100.00%
Imputed Rent (625-B Kings Court)		14,878		14,878		0	0.00%
Subtotal	**$**	**363,085**	**$**	**357,785**	**$**	**(5,300)**	**-1.46%**
Board Expense							
Fiduciary Insurance	$	-		(30)		(30)	-100.00%
Board Meeting Stipends		2,144		1,322		(822)	-38.33%
Board Education and Training		17,830		2,476		(15,354)	-86.11%
Subtotal	**$**	**19,973**	**$**	**3,768**	**$**	**(16,205)**	**-81.13%**
Total Administrative & Board Expense	**$**	**383,058**	**$**	**361,553**	**$**	**(21,505)**	**-5.61%**
Disability							
Administrative Review	$	5,000	$	22,050	$	17,050	341.00%
Hearings[1]		10,000		-		(10,000)	-100.00%
Subtotal	**$**	**15,000**	**$**	**22,050**	**$**	**7,050**	**47.00%**
Total Administrative, Board, and Disability Expense	**$**	**398,058**	**$**	**383,603**	**$**	**(14,455)**	**-3.63%**
Technology							
LRS - Pension Gold	$	14,000	$	1,570	$	(12,430)	-88.79%
County IT Project Expenses		12,906		1,762		(11,144)	-86.35%
PCX Scan Station		7,249		7,249		0	0.00%
Subtotal	**$**	**34,155**	**$**	**10,581**	**$**	**(23,574)**	**-69.02%**
Investment							
Investment Manager Fees[2]	$	354,535	$	267,770		(86,765)	-24.47%
Investment Consultant - Callan		50,737		50,737		0	0.00%
Custodian Bank - State Street		20,334		21,974		1,640	8.07%
Actuary Services - Valuation		-		-		-	0.00%
Investment Monitoring[3]		4,960		3,960		(1,000)	-20.16%
Subtotal	**$**	**430,565**	**$**	**344,441**	**$**	**(86,124)**	**-20.00%**
Property Maintenance Plan	$	-	$	-	$	-	**0.00%**
Total MCERA Expenses	**$**	**862,778**	**$**	**738,625**	**$**	**(124,154)**	**-14.39%**
Total Administrative Expenses	**$**	**398,058**	**$**	**383,603**	**$**	**(14,455)**	**-3.63%**
(Total ex Technology & Investment)							

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[2] Investment fees paid directly to managers.

[3] 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 Jul- Mar Budget	FY 2026 Jul- Mar Actual	Difference $	Difference %
Administrative				
Personnel	$ 830,338	$ 801,468	(28,870)	-3.48%
Office Expense	27,522	24,622	(2,900)	-10.54%
Legal Expense	116,250	90,554	(25,696)	-22.10%
Audit	50,500	50,500	-	0.00%
Consulting - Actuary	42,379	46,603	4,224	9.97%
Contracts	38,676	23,479	(15,197)	-39.29%
Staff Education and Training	24,391	19,136	(5,255)	-21.54%
Membership	6,645	6,880	235	3.54%
Imputed Rent (625-B Kings Court)	44,634	44,634	0	0.00%
Subtotal	**$ 1,181,334**	**$ 1,107,876**	**$ (73,458)**	**-6.22%**
Board Expense				
Fiduciary Insurance	$ 74,026	$ 76,007	1,981	2.68%
Board Meeting Stipends	6,431	2,476	(3,955)	-61.50%
Board Education and Training	26,534	5,743	(20,791)	-78.36%
Subtotal	**$ 106,991**	**$ 84,226**	**$ (22,765)**	**-21.28%**
Total Administrative & Board Expense	**$ 1,288,325**	**$ 1,192,102**	**$ (96,223)**	**-7.47%**
Disability				
Administrative Review	$ 15,000	$ 29,370	$ 14,370	95.80%
Hearings[1]	30,000	-	(30,000)	-100.00%
Subtotal	**$ 45,000**	**$ 29,370**	**$ (15,630)**	**-34.73%**
Total Administrative, Board, and Disability Expense	**$ 1,333,325**	**$ 1,221,472**	**$ (111,853)**	**-8.39%**
Technology				
LRS - Pension Gold	$ 125,734	$ 87,516	$ (38,218)	-30.40%
County IT Project Expenses	17,560	7,423	(10,137)	-57.73%
PCX Scan Station	7,249	7,249	0	0.00%
Subtotal	**$ 150,542**	**$ 102,188**	**$ (48,354)**	**-32.12%**
Investment				
Investment Manager Fees[2]	$ 1,063,604	$ 830,591	(233,013)	-21.91%
Investment Consultant - Callan	149,735	149,735	0	0.00%
Custodian Bank - State Street	59,820	63,851	4,031	6.74%
Actuary Services - Valuation	81,000	81,000	-	0.00%
Investment Monitoring[3]	14,880	22,129	7,249	48.72%
Subtotal	**$ 1,369,039**	**$ 1,147,306**	**$ (221,733)**	**-16.20%**
Property Maintenance Plan	$ -	$ -	$ -	**0.00%**
Total MCERA Expenses	**$ 2,852,906**	**$ 2,470,966**	**$ (381,940)**	**-13.39%**
Total Administrative Expenses (Total ex Technology & Investment)	**$ 1,333,325**	**$ 1,221,472**	**$ (111,853)**	**-8.39%**

[1] All Hearing related expenses including any hearing preparations.

[2] Investment fees paid directly to managers.

[3] Investment manager monitoring, manager due diligence, investment data.