

California Public Employees' Retirement System

Fiscal Year 2023-24 Year-End Expenditure Report

November 19, 2024



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Executive Summary

In 2023-24, CalPERS expended \$2.064 billion, or 84.5% of its \$2.444 billion authorized budget. Amounts reported reflect expenses and contract obligations (encumbrances) through June 30, 2024.

2023-24 Total Expenditures

(\$ in thousands)	2023 24 Authorized Budget	2023 24 Expenditures and Encumbrances	Percent Expended	Balance
Administrative Operating Costs	\$616,670	\$528,833	85.8%	\$87,837
Investment Operating Costs	150,595	101,528	67.4%	49,067
Headquarters Building Costs	22,753	20,835	91.6%	1,918
Total: Operating Costs	\$790,018	\$651,196	82.4%	\$138,822
Investment External Mgmt Fees	1,368,386	1,130,796	82.6%	237,589
Third Party Administrator Fees	285,156	281,939	98.9%	3,217
Total: Fees	\$1,653,542	\$1,412,735	85.4%	\$240,807
CalPERS Total Budget to Expenditures	\$2,443,560	\$2,063,931	84.5%	\$379,629

Note: While this basis of reporting is consistent with state budgeting practices, it differs from CalPERS' Annual Comprehensive Financial Report, which reports expenditures at the fund level using a full accrual basis as required by Generally Accepted Accounting Principles (GAAP). Within table, numbers may not add due to rounding of budget details.

The following pages detail 2023-24 expenditures by budget category.

I. Administrative Operating Costs

Administrative Operating Costs include Personal Services expenses (salaries and benefits for staff) and Operating Expenses & Equipment (OE&E). In 2023-24, CalPERS expended \$528.8 million, or 85.8% of its Administrative Operating Costs budget leaving a balance of \$87.8 million. This includes \$70.9 million in salary and benefits savings primarily driven by vacancies.

A portion of the surplus in OE&E is attributable to position vacancies and efforts to reduce discretionary spending, consistent with state budgeting practices. Data Processing expenses were lower than projected due to favorable negotiations for software and service licenses. External Legal Counsel surpluses reflect a lower than anticipated need for outside counsel and Attorney General's Office services for litigation and legal matters. Consulting savings were driven by leveraging funding in 2022-23 to migrate the Oracle PeopleSoft Human Capital Management application to a cloud product.

B. 2023-24 Year-End Expenditures

Administrative Operating Costs by Object of Expenditure

(\$ in thousands)	2023 24 Authorized Budget	2023 24 Expenditures and Encumbrances	Percent Expended	Balance
Salaries & Wages	\$326,969	\$277,811	85.0%	\$49,158
Benefits	159,100	137,370	86.3%	21,730
Total Personal Services	\$486,070	\$415,182	85.4%	\$70,888
General Expense	10,116	8,279	81.8%	1,837
Software	3,523	3,913	111.1%	(390)
Printing	242	88	36.4%	154
Postage	2,214	2,082	94.0%	132
Communications	1,515	1,153	76.1%	362
Data Processing Services	24,163	20,341	84.2%	3,822
Travel	2,926	1,248	42.6%	1,678
Training	1,274	875	68.7%	399
Medical Exam/Disability Travel	2,000	1,912	95.6%	88
Facilities Operations	8,169	7,432	91.0%	737
Central Administrative Services	26,527	26,527	100.0%	-
University Enterprises, Inc.	455	371	81.6%	84
External Legal Counsel	5,941	3,272	55.1%	2,669
Professional Services	4,937	4,484	90.8%	453
Consultants	27,486	23,958	87.2%	3,528
Audit Services	1,546	1,546	100.0%	-
Federal Legislative Rep	591	411	69.5%	180
Admin Hearings	1,402	775	55.3%	627
Consolidated Data Centers	350	341	97.4%	9
Equipment (Includes EDP)	5,225	4,646	88.9%	580
Total Operating Expenses & Equipment	\$130,600	\$113,651	87.0%	\$16,949
Total Administrative Costs	\$616,670	\$528,833	85.8%	\$87,837

Note: Numbers may not add due to rounding of budget details.

II. Investment Operating Costs

Investment Operating Costs include expenses specifically incurred to sustain and optimize investment portfolio management activities. These costs are essential for managing assets effectively and maximizing returns. Key categories include operating expenses for external audit, legal, and appraisal services (for asset valuations), as well as costs for fund administration, custody, portfolio management systems, and market data and analytic services. These expenses also include consultants to assist the board and team members with strategic guidance and expertise related to investment activities, strategies, and systems. In 2023-24, CalPERS expended \$101.5 million, or 67.4% of its Investment Operating Costs budget, leaving a balance of \$49.1 million.

The surplus in Investment Operating Costs is attributable to savings found in all categories. Investment and Technology Consultant costs reflect a \$21.4 million surplus due to fewer investment proposals and transactions requiring prudent person opinions, as well as projects that were re-prioritized or deferred. Operating Expenses savings of \$12.3 million reflect lower than anticipated External Legal engagements. Appraisal Fee initial projections were greater than actual executed investments. Additionally, Fund Administration Fees were renegotiated, resulting in lower than projected actual expenditures. The \$15.4 million balance in Technology Expenses was the result of deferred project and service implementations, less than anticipated fee increases, and delayed contract negotiations.

B. 2023-24 Year-End Expenditures

Investment Operating Costs

(\$ in thousands)	2023 24 Authorized Budget	2023 24 Expenditures and Encumbrances	Percent Expended	Balance
Investment Consultants	\$12,000	\$5,461	45.5%	\$6,539
Board Consultants	6,500	5,520	84.9%	980
Technology Consultants	21,830	7,971	36.5%	13,859
Total Consultant Expenses	\$40,330	\$18,952	47.0%	\$21,378
Audits	705	273	38.7%	432
Tax Advisory Services	1,200	181	15.0%	1,019
Master Custodian Fee	12,000	10,124	84.4%	1,876
Fund Administration Services / Fees	12,979	10,978	84.6%	2,001
External Legal	8,000	4,183	52.3%	3,817
Appraisal Fees	12,500	9,747	78.0%	2,753
Company Expense	450	159	35.3%	291
Miscellaneous Operating Expense	300	172	57.4%	128
Total Operating Expenses	\$48,134	\$35,817	74.4%	\$12,317
Data	9,900	7,984	80.7%	1,916
Analytics	17,900	13,272	74.1%	4,628
Trading and Portfolio Management Systems	30,450	22,296	73.2%	8,154
Business Operations Tool	3,500	3,194	91.3%	306
Other Technology Expense	381	12	3.2%	369
Total Technology Expenses	\$62,131	\$46,759	75.3%	\$15,372
Total Investment Operating Expenses	\$150,595	\$101,528	67.4%	\$49,067

Note: Numbers may not add due to rounding of budget details.

III. Headquarters Building Costs

The 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. In 2023-24, CalPERS expended \$25.2 million, or 91.6% of its Headquarter Building Costs budget for these purposes. The \$2.3 million surplus in the Headquarters Building Account Costs is due to less janitorial expenses and supply costs, and lower than anticipated costs for fire and life safety, and HVAC projects.

Headquarters Building Costs

(\$ in thousands)	2023 24 Authorized Budget	2023 24 Expenditures and Encumbrances	Percent Expended	Balance
Utilities	\$2,570	\$2,510	97.6%	\$61
Engineering Services	4,290	4,106	95.7%	184
Janitorial	3,550	3,238	91.2%	313
Landscaping	742	656	88.4%	86
General Maintenance	1,076	596	55.3%	481
Security	3,001	2,868	95.6%	133
Property Mgmt. & Administrative Fees	1,651	1,507	91.3%	143
Café Plaza	384	399	103.8%	(14)
Offsite Expenses	1,015	1,040	102.5%	(25)
Emergency Operations Center (EOC)	521	420	80.6%	101
Operating Other	2,561	2,372	92.7%	188
Total Operating Expenses	\$21,361	\$19,711	92.3%	\$1,650
Owner Improvements	1,884	1,470	78.0%	414
Building Improvements	4,539	4,288	94.5%	251
Furniture & Fixtures	300	293	97.7%	7
Building Insurance	837	841	100.5%	(5)
Total Non-Operating Expenses	\$7,559	\$6,892	91.2%	\$667
Subtotal Expenses	\$28,921	\$26,603	92.0%	\$2,318
Less: Revenue	(1,405)	(1,395)	99.3%	(10)
Total Headquarters Building Expenses	\$27,516	\$25,208	91.6%	\$2,308
Less: Amount included in Admin. Budget	(4,762)	(4,373)	91.8%	(390)
Total Headquarters Building Budget	\$22,753	\$20,835	91.6%	\$1,918

Note: Numbers may not add due to rounding of budget details.

IV. Investment External Management Fees

Investment External Management Fees are paid to external investment managers and advisors for management of specific portfolios. In 2023-24, CalPERS expended \$1.1 billion, or 82.6% of its Investment External Management Fees budget.

A total of 99.9% of Total External Management Base Fees were expended, leaving surpluses in most asset classes. Private Equity base fees were higher than estimated because of increased partnership commitments and continued deployment of capital in private asset classes per the Board-approved Strategic Asset Allocation. Total Performance Fees were under budget by \$236.9 million, a surplus driven by Real Assets market fluctuations.

Investment External Management Fees

(\$ in thousands)	2023 24 Authorized Budget	2023 24 Expenditures and Encumbrances	Percent Expended	Balance
Global Equity	\$65,333	\$47,746	73.1%	\$17,587
Fixed Income	66,000	49,166	74.5%	16,834
Real Assets	327,000	296,062	90.5%	30,938
Private Equity	490,000	556,851	113.6%	(66,851)
Opportunistic Strategies	2,409	2,357	97.9%	52
Private Debt	82,645	80,474	97.4%	2,171
External Management - Base Fees	\$1,033,386	\$1,032,655	99.9%	\$731
Real Assets	335,000	98,141	29.3%	236,859
External Management - Performance Fees	\$335,000	\$98,141	29.3%	\$236,859
Total External Management Fees	\$1,368,386	\$1,130,796	82.6%	\$237,589

Note: Numbers may not add due to rounding of budget details.

V. Third Party Administrator Fees

CalPERS contracts with Third Party Administrators (TPA) to support the delivery of health and pension services with a focus on strengthening and improving long-term sustainability for members. The 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.

Of the \$285.2 million budgeted for TPA Fees, CalPERS expended \$281.9 million, or 98.9%. The surplus in Pharmacy Benefit Manager fees is due to a temporary reduction in administrative fees for calendar year 2024. The savings in Long-Term Care Program fees are due to a reduction in policies. The expenditures for Supplemental Income Plan fees were higher than projected, which are based on assets under management.

Third Party Administrator Fees

(\$ in thousands)	2023 24 Authorized Budget	2023 24 Expenditures and Encumbrances	Percent Expended	Balance
Health Program	\$244,700	\$244,162	99.8%	\$538
Pharmacy Benefit Manager	19,190	16,784	87.5%	2,406
Total, Health	\$263,890	\$260,946	98.9%	\$2,944
Long-Term Care Program	17,758	17,318	97.5%	440
Supplemental Income Plan	3,400	3,567	104.9%	(167)
California Employers' Retiree Benefit Trust (CERBT)	90	90	100.0%	-
California Employers' Pension Prefunding Trust (CEPPT)	18	18	100.0%	-
Total Third Party Administrator Fees	\$285,156	\$281,939	98.9%	\$3,217

Note: Numbers may not add due to rounding of budget details.

VI. Administrative Operating Costs by Fund

The following is the distribution of Administrative Operating Costs to each trust and state fund.

Administrative Operating Costs by Fund

(\$ in thousands)	2023 24 Authorized Budget	2023 24 Expenditures and Encumbrances	Percent Expended	Balance
Public Employees' Retirement Fund (PERF)	\$492,643	\$421,832	85.6%	\$70,811
Public Employees' Contingency Reserve Fund (CRF)	37,162	30,823	82.9%	6,339
Public Employees' Health Care Fund (HCF)	53,547	48,742	91.0%	4,805
Long-Term Care Fund (LTCF)	11,014	8,464	76.8%	2,550
Annuitants' Health Care Coverage Fund (CERBT)	8,419	7,112	84.5%	1,307
Deferred Compensation Fund (IRC 457)	2,451	2,090	85.3%	361
Supplemental Contributions Program Fund (SCP)	312	253	81.1%	59
Judges' Retirement Fund (JRF)	2,579	2,278	88.4%	300
Judges' Retirement Fund II (JRF II)	3,236	2,806	86.7%	430
Legislators' Retirement Fund (LRF)	820	707	86.2%	113
Replacement Benefit Custodial Fund (RBF)	692	582	84.2%	110
California Employers' Pension Prefunding Trust (CEPPT)	176	141	80.4%	34
Old-Age & Survivors Insurance Fund (OASI)	1,202	862	71.7%	339
Reimbursements	2,418	2,139	88.5%	279
Total Administrative Operating Costs	\$616,670	\$528,833	85.8%	\$87,837
<i>Statewide Pro-Rata Assessment</i>	\$26,527	\$26,527	100.0%	\$ -
<i>CalPERS Administrative Costs</i>	\$590,143	\$502,306	85.1%	\$87,837

Note: Numbers may not add due to rounding of budget details.