



Date: August 13, 2026  
To: PERA Board of Trustees  
From: Doug Anderson, Executive Director  
Subject: PERA Administrative Expense History

The Board approved the Proposed Budget for Fiscal Year 2027 (the "FY27 Budget") at the May 14 Board meeting. The FY27 Budget document showed the FY26 approved budget amounts, FY26 projected expenditures, and the FY27 budget amounts. The document did not include actual administrative expenses for FY26 (which were not yet known at that time) or actual expenses from prior years.

The attached exhibit shows actual administrative expenses from FY17 through FY25 by category. Further details are presented in the Annual Comprehensive Financial Report (the "ACFR") each year. Administrative expenses in FY24 and FY25 also include SBI administrative expenses.

The following shows the Compounded Annual Growth Rate (the "CAGR") for each category for the 8-year period from FY17 to FY25 and a brief explanation for the change.

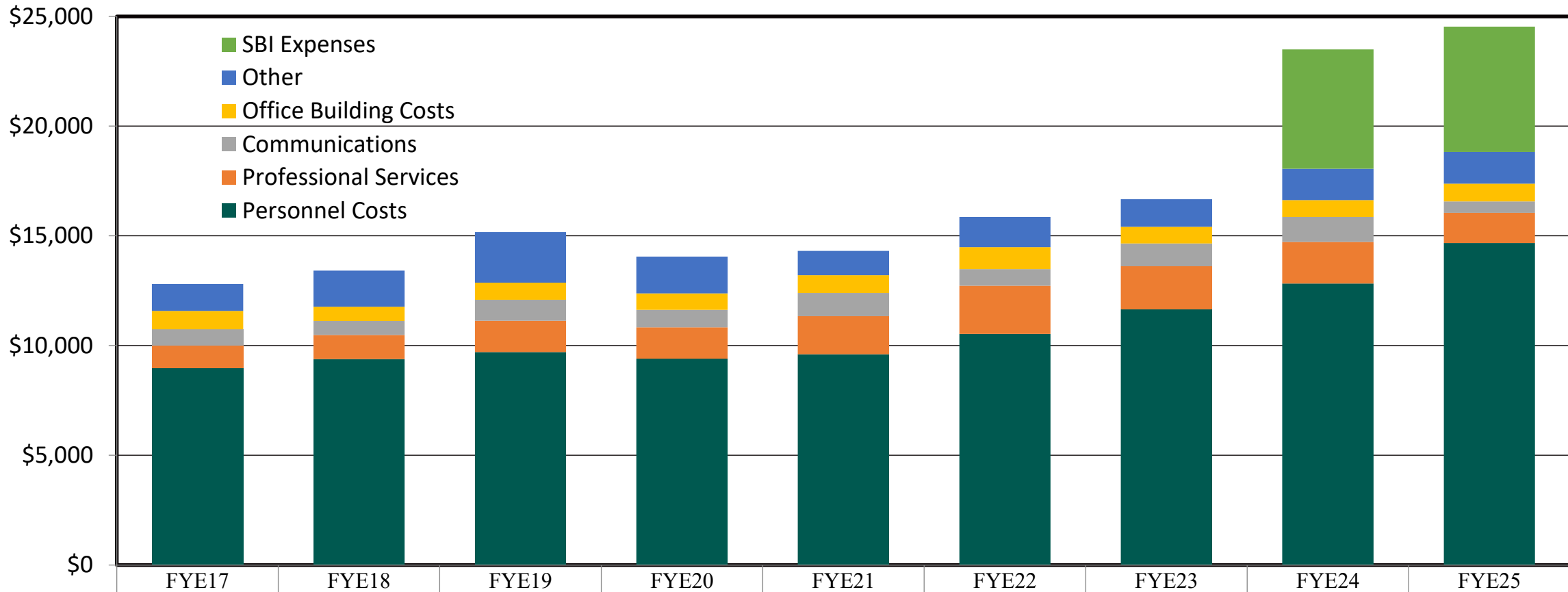
| Category              | CAGR   | Explanation                                                                        |
|-----------------------|--------|------------------------------------------------------------------------------------|
| Personnel Costs       | 6.4%   | Increases due to approved staff additions and increased payroll and benefit costs. |
| Professional Services | 3.4%   | Inflationary costs of actuarial, legal, audit, and medical evaluation services.    |
| Communications        | (4.1%) | Reduction in the number of mailings.                                               |
| Office Building Costs | (0.5%) | Slightly decreased building maintenance costs.                                     |
| Other                 | 2.1%   | No single contributing factors to changes.                                         |

Overall, total administrative costs (excluding SBI fees) have increased at an annualized rate of 4.9% during this period. Administrative costs as a percentage of plan assets have decreased slightly, from 0.044% to 0.040%. The annual cost per member has risen from \$26.70 to \$37.20 during that period, representing a 4.2% annualized increase. The annualized CPI rate for this same period was 3.7%.

While preparing this information, an error in the ACFR was discovered. Personnel costs were significantly understated by about \$4.4M. The cause of the error was primarily due to staff incorrectly excluding fringe benefit payroll costs. The Board approved the addition of two staff members earlier this year. The commitment to add staff is a step taken to reduce the likelihood of repeating this or a similar error next year.

I have disclosed the error to the Office of the Legislative Auditor (OLA) and informed them that the error will be communicated to the Board. I have also noted that PERA management's opinion is that the error is immaterial because it has no impact on decisions made by fund management or legislators. The assets of the plans are overstated by less than 0.01% (\$4.4M out of \$47B). This relatively small amount would not change how we present funding ratios or a funding sufficiency, which we round to the nearest 0.1%. In other words, the PERA scorecard, which we rely on for sharing information with stakeholders, trustees and legislators would not be impacted at all by this error (for example the General Plan funding ratio would not change from 90.8%). The OLA has not yet provided an opinion regarding PERA management's view of materiality.

# History of PERA Actual Administrative Expenses (in thousands)



|                       |         |         |         |         |         |          |          |          |          |
|-----------------------|---------|---------|---------|---------|---------|----------|----------|----------|----------|
| SBI Expenses          | -       | -       | -       | -       | -       | -        | -        | 5,439    | 5,709    |
| Other                 | 1,229   | 1,643   | 2,303   | 1,676   | 1,112   | 1,381    | 1,257    | 1,427    | 1,451    |
| Office Building Costs | 837     | 650     | 779     | 746     | 806     | 998      | 763      | 769      | 806      |
| Communications        | 726     | 643     | 960     | 806     | 1,055   | 752      | 1,036    | 1,129    | 519      |
| Professional Services | 1,055   | 1,096   | 1,423   | 1,424   | 1,739   | 2,195    | 1,962    | 1,899    | 1,377    |
| Personnel Costs       | \$8,965 | \$9,386 | \$9,709 | \$9,404 | \$9,605 | \$10,536 | \$11,654 | \$12,830 | \$14,674 |

