



Date: May 14, 2026  
To: PERA Board of Trustees  
From: Doug Anderson, Executive Director  
Subject: Fiscal Year 2027 Budget

Attached is the Proposed Budget for Fiscal Year 2027 (the “FY27 Budget”). The document shows the FY26 approved budget amounts, FY26 projected expenditures, and the FY27 budget amounts. Also shown is how actual FY26 expenditures compare to FY26 budgeted amounts and how expected FY27 expenses compare to projected FY26 expenses.

This memo only provides a board overview of the most significant items. PERA staff will present the FY27 Budget and describe key expenditures and variances in detail at the Board meeting.

### **Comparison of Administrative Expenses to Other Retirement Systems**

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At the May 2025 Board meeting, the board requested information comparing PERA’s administrative costs to other funds in Minnesota and nationally. Using the most recent data from 2023 Annual Comprehensive Financial Reports (ACFRs), PERA’s \$53 cost per member (actives and retirees only) compares favorably with Minnesota State Retirement System and Teachers Retirement Association costs both at \$106 per member.

Nationally, PERA ranked 12<sup>th</sup> lowest out of 61 similarly sized retirement systems across the US. Staff will provide updated information at the Board meeting.

### **FY26 Variances**

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The FY26 approved budget was \$37,442,067. The projected FY26 expenditure is anticipated to be significantly lower at approximately \$30,378,332 which is a \$7.1 million positive variance. The two largest contributing factors are lower than expected staff pay and lower than expected system modernization costs.

FY26 staff pay is projected to be about \$2.1M less than budgeted. A positive variance is expected every year because budgeted pay assumes staff is at full capacity for the entire year. During FY26 PERA experienced higher than expected vacancies due in part to hiring delays attributable to a severely depleted Human Resource team. The attached exhibit shows current staff hiring status by divisions. Overall staff capacity is 84%. We are optimistic that FY27 vacancies will be reduced due to the recent re-staffing of the HR team.

The other large driver of the FY26 positive variance is due to slower than forecasted progress of the systems modernization project due to resource constraints and under-estimating the time to develop detailed business requirements. There is no expected change in the total multi-year budgeted amounts of work or costs. However, the anticipated length of the project is now longer than originally expected, which will delay and lower annual costs, while extending them for a greater time. The delay explains the \$3.4M decrease in projected FY26 expenditure compared to FY26 budget.

## PERA SVF Administrative Fees

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The FY27 Budget includes all costs (both personnel and consulting fees) to perform work for the SVF Plan. However, it does not include credit for the PERA administrative fees collected from the participating entities. The 2027 SVF Plan year (calendar year) fee will be increased to \$80/member. The total fees collected will increase from about \$400,000 in 2026 (\$60/member and 7,000 members) to about \$640,000 in 2027 (\$80/member and 8,000 members).

## FY27 Proposed Budget

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The proposed FY27 Budget is \$46,689,602 which is a \$9.2M or 24.7% increase over the approved FY26 budget. The \$9.2M proposed increase is primarily due to:

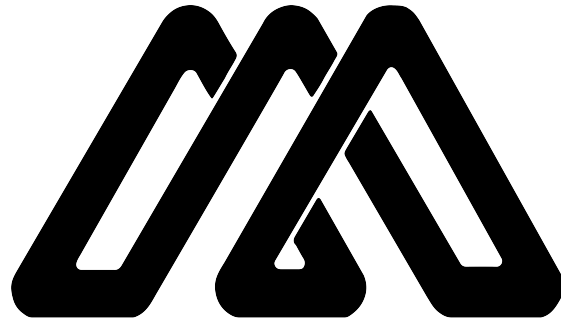
- \$3.8M of one-time expenses for space renovations and security enhancements. If approved, most expenses would not occur until FY28. However, planning and design costs would need to be incurred in FY27. The intention is to restructure existing space to move from a hoteling model to a resumption of each employee having their own workspace, increase available meeting rooms, and make certain security enhancements as recommended by the recently completed security assessment.
- \$2.5M increase in system modernization expenses due to accelerating progress. The board had previously approved future modernization costs expected to occur over a 5-to-7-year window. Progress has been delayed but is now accelerating.
- \$0.8M in nonnegotiable expenses such as employee wage increases and increases in benefits, SBI investment fees, statewide indirect costs, and facilities management fees.
- \$0.7M to fill temporary employment positions. These positions are intended to help address work backlogs due to the high FY26 vacancy rates. This cost may be viewed as delayed expenditure of previously unspent payroll costs and is not an annually recurring increase.
- \$0.6M increase for four new staff positions as follows:
  - Assistant Executive Director – This position would work collaboratively with the new Executive Director to better achieve PERA’s mission.
  - Fraud Analyst – This position will investigate suspicious activity, detect fraudulent transactions, verify data accuracy, and implement controls to protect against unauthorized access.
  - Infrastructure Engineer – This position is in the Network Operations team and would work directly with Employers and their technical staff to respond to technical questions and issues.
  - Retirement Services Specialist – This person will help ensure member service standards are met during and after the ID.me transition.
- \$0.6M in IT Equipment and Hardware upgrades.

The remaining changes in budget from FY26 to FY27 will be discussed at the Board meeting.

## Conclusion

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Staff requests that the Board take action to approve the FY27 budget as presented.



PUBLIC EMPLOYEES  
RETIREMENT ASSOCIATION

# Proposed Budget for Fiscal Year 2027

**Presented by:**

Doug Anderson, Executive Director

Mark Sauceman, Chief Information Officer

Don Haller, Chief Operations Officer

**Date: May 14, 2026**

# Budget Statement

Table 1. Fiscal Year 2027 Budget

Description	FY26 Approved Budget	FY26 Projected Expenditures	FY26 Over/Under Variance	FY27 Proposed Budget	% Change Approved FY26 Proposed FY27	\$ Change Approved FY26 Proposed FY27
<b>PERSONNEL SERVICES</b>						
Full Time Pay	\$18,218,690	\$16,169,976	(\$2,048,714)	\$19,457,978	6.80%	\$1,239,288
Part-Time/ Temporary Pay	254,008	273,420	19,412	209,526	(17.51%)	(44,482)
Overtime Pay	27,000	96,546	69,546	27,000	0.00%	0
Other Benefits	45,000	56,517	11,517	22,500	(50.00%)	(22,500)
<b>Total Personnel Services</b>	<b>\$18,544,698</b>	<b>\$16,596,459</b>	<b>(\$1,948,239)</b>	<b>\$19,717,004</b>	<b>6.32%</b>	<b>\$1,172,306</b>
<b>SUPPLIES &amp; SERVICES</b>						
<i>Supplies &amp; Equipment</i>						
Office Supplies & Equipment	\$50,000	\$48,730	(\$1,270)	\$57,800	15.60%	\$7,800
IT Equipment & Hardware	323,121	298,166	(24,955)	953,900	195.21%	630,779
<b>Total Supplies &amp; Equipment</b>	<b>\$373,121</b>	<b>\$346,896</b>	<b>(\$26,225)</b>	<b>\$1,011,700</b>	<b>171.15%</b>	<b>\$638,579</b>
<i>Communications</i>						
Mailing & Printing Services	\$613,500	\$690,892	\$77,392	\$738,607	20.39%	\$125,107
Telephone & Connectivity	186,000	191,055	5,055	200,610	7.85%	14,610
<b>Total Communications</b>	<b>\$799,500</b>	<b>\$881,947</b>	<b>\$82,447</b>	<b>\$939,217</b>	<b>17.48%</b>	<b>\$139,717</b>
<i>Professional Services</i>						
SBI Investment Fees	\$5,782,000	\$5,286,000	(\$496,000)	\$5,782,000	0.00%	\$0
Financial & Actuarial Services	950,476	945,693	(4,783)	932,792	(1.86%)	(17,684)
Management Services	751,101	587,588	(163,513)	1,405,942	87.18%	654,841
Medical Review Services	700,000	450,000	(250,000)	510,000	(27.14%)	(190,000)
Legal Services	106,000	224,500	118,500	192,000	81.13%	86,000
IT Services	2,377,067	2,127,524	(249,543)	2,710,735	14.04%	333,668
<b>Total Professional Services</b>	<b>\$10,666,644</b>	<b>\$9,621,305</b>	<b>(\$1,045,339)</b>	<b>\$11,533,469</b>	<b>8.13%</b>	<b>\$866,825</b>



Description (Continued)	FY26 Approved Budget	FY26 Projected Expenditures	FY26 Over/Under Variance	FY27 Proposed Budget	% Change Approved FY26 Proposed FY27	\$ Change Approved FY26 Proposed FY27
<b>Modernization Costs</b>						
Systems Modernization	\$5,844,600	\$2,398,850	(\$3,445,750)	\$8,263,975	41.40%	\$2,419,375
<b>Total Modernization Costs</b>	<b>\$5,844,600</b>	<b>\$2,398,850</b>	<b>(\$3,445,750)</b>	<b>\$8,263,975</b>	<b>41.40%</b>	<b>\$2,419,375</b>
<b>Other Costs</b>						
Training & Development	\$148,155	\$103,276	(\$44,879)	\$156,800	5.84%	\$8,645
Travel	109,770	79,214	(30,556)	102,216	(6.88%)	(7,554)
Operating Costs	21,000	21,723	723	20,371	(3.00%)	(629)
<b>Total Other Costs</b>	<b>\$278,925</b>	<b>\$204,213</b>	<b>(\$74,712)</b>	<b>\$279,387</b>	<b>0.17%</b>	<b>\$462</b>
<b>Total Supplies &amp; Services</b>						
<b>Total Supplies &amp; Services</b>	<b>\$17,962,790</b>	<b>\$13,453,211</b>	<b>(\$4,509,579)</b>	<b>\$22,027,748</b>	<b>22.63%</b>	<b>\$4,064,958</b>
<b>BUILDING COSTS</b>						
Space Renovations	\$200,000	\$25,000	(\$175,000)	\$4,000,000	1,900.00%	\$3,800,000
Building Operating Costs	363,865	303,662	(60,203)	482,577	32.63%	118,712
<b>Total Building Costs</b>	<b>\$563,865</b>	<b>\$328,662</b>	<b>(\$235,203)</b>	<b>\$4,482,577</b>	<b>694.97%</b>	<b>\$3,918,712</b>
<b>TOTAL &amp; GRAND TOTAL</b>						
<b>Total</b>	<b>\$37,071,353</b>	<b>\$30,378,332</b>	<b>(\$6,693,021)</b>	<b>\$46,227,329</b>	<b>24.70%</b>	<b>\$9,155,976</b>
Contingency of 1%	370,714	0	(370,714)	462,273	24.70%	91,559
<b>Grand Total</b>	<b>\$37,442,067</b>	<b>\$30,378,332</b>	<b>(\$7,063,735)</b>	<b>\$46,689,602</b>	<b>24.70%</b>	<b>\$9,247,535</b>

## Budget Overview

Board policy requires that PERA staff, under the direction of the executive director, prepare an Administrative and Capital Expenditure Budget annually for approval by the PERA Board of Trustees. The budget includes administrative expenditures, such as staff salaries, supplies and services, and capital expenditures, including building and equipment costs. The budget does not include benefit payments or revenues, such as contributions from employers and members and investment earnings. PERA prepares the budget and recognizes costs using the full accrual basis of accounting. PERA budgets for and recognizes the costs of goods and services when received, not when paid. The budget also includes a contingency amount of 1% of the baseline budget.

In May, staff present the budget for the upcoming fiscal year to the board. If changes are required, staff present a revised budget in June.

# Amending the Budget

Board policy allows the executive director to transfer funds within three broad categories: (1) Personnel; (2) Supplies and Services, which includes Modernization Costs; and (3) Building Costs. The board must pre-approve transfers made by the executive director between the three categories, and a transfer of funds within or between the categories must not change the total budget amount approved by the board.

In addition, board policy allows the executive director to spend up to \$5,000 (not including a series of payments) of the contingency fund for emergency items without prior board approval. However, approval is required after-the-fact for affirmation.

The board can amend the originally-approved budget for a specific administrative purpose or an acquisition if amending the budget is approved by a majority vote of the trustees present at a meeting.

# Fiscal Year 2026 Budget Review

PERA requested and the board approved a fiscal year 2026 (FY26) budget of \$37,442,067. Projected FY26 expenses total \$30,378,332, which is under the FY26 budget by \$7,063,735, or 18.9%.

FY26 projected expenses that are over or under the FY26 budget by at least \$100,000 are listed by category in table [2](#) below.

# Fiscal Year 2026 Highlights

**Table 2. Explanations for Variance from Approved Budget to Projected Expenses**

Budget Category:	Over/(Under) FY26 Budget Amount	Explanation for FY26 Projected Expense Increase/Decrease
<b>PERSONNEL SERVICES</b>		
Full Time Pay	(\$2,048,714)	As of the beginning of May, PERA has 26 vacant positions due to staffing issues within its Human Resources Team. With the FY26 budget, the Board of Trustees approved a total head count of 159 staff (including the 3 additional staff requests not included in the original budget). PERA estimates that, at any given time, approximately 10 to 13 positions will be vacant due to expected turnover and length of time to complete the hiring process.
<b>SUPPLIES &amp; SERVICES</b>		
<i>Professional Services</i>		
SBI Investment Fees	(\$496,000)	SBI bills PERA at the beginning of the fiscal year for PERA's share of SBI's administrative expenses SBI budgets for the fiscal year. Depending on SBI's actual administrative expenses, SBI will either bill or refund PERA at the end of the fiscal year. At this time, PERA does not have any additional information regarding SBI's actual FY26 administrative expenses.



Budget Category: (Cont.)	Over/(Under) FY26 Budget Amount	Explanation for FY26 Projected Expense Increase/Decrease
Management Services	(163,513)	The variance is a result of the following: <ul style="list-style-type: none"> <li>PERA budgeted \$100,000 for a technical writer to document standard operating procedures for the Finance Team, but is only forecasted to spend \$25,000 due to the team's significant staff constraints during FY26.</li> <li>PERA budgeted \$50,000 for website videos, but is only forecasted to spend \$5,000.</li> <li>PERA saved \$12,000, as the vendor hired to scan documents for storage was able to complete the work more efficiently than anticipated.</li> </ul>
Medical Review Services	(250,000)	PERA saw a drop in disability applications. The FY26 budget was based on an estimate of 300 new applicants and 150 reapplicants. As of March 15, 2026, PERA received 148 new applicants and 125 reapplicants.
Legal Services	118,500	PERA budgeted \$60,000 for the Attorney General and is forecasted to spend \$85,000, as more work was required to address the lawsuit by MNDDA than initially anticipated. PERA budgeted \$11,000 for the Office of Administrative Hearings and is forecasted to spend \$22,000 due to an increase in the number of cases. PERA budgeted \$35,000 for Ice Miller and is forecasted to spend \$117,500 due to the creation of a new pension plan and tax law changes.
IT Services	(249,543)	The variance is a result of the following: <ul style="list-style-type: none"> <li>\$355,000 reduction in costs for contract workers.</li> <li>\$252,000 increase in on-going software licenses and subscriptions.</li> <li>\$50,000 reduction in costs for Statewide Volunteer Firefighter Plan computer system.</li> <li>\$40,000 reduction in costs for PERA's exchange upgrade.</li> <li>\$35,000 reduction in costs for security advisory services.</li> <li>\$17,538 reduction in costs for information security.</li> </ul>
<b>Modernization Costs</b>		
Systems Modernization	(\$3,445,750)	PERA did not procure the following costs the board approved in the FY26 budget: <ul style="list-style-type: none"> <li>\$3.78 million for contractors. The volume of work for these contractors was less than originally anticipated.</li> <li>\$160,000 for reduction in consulting services due to delayed start to Omni Channel implementation.</li> <li>\$72,000 for change management. The need for change management services was less than originally anticipated.</li> </ul>
<b>BUILDING COSTS</b>		
Space Renovations	(\$175,000)	Annually, PERA budgets \$200,000 for remodel and repair to its office and is projected to spend \$25,000 for an architect to provide drawing for PERA's space renovations.

# Upcoming Fiscal Year 2027 Budget

PERA staff propose a fiscal year 2027 (FY27) Administrative and Capital Expenditure Budget of \$46,689,602, which is an increase of \$9,247,535, or 24.7%, from the approved FY26 budget.

## Nonnegotiable Expenses

Annually, PERA must budget for certain costs that are not negotiable. PERA must pay these costs at the amount set by another entity. Nonnegotiable costs include personnel costs, such as employee wage increases and increases in employer-paid taxes and health insurance premiums, SBI investment fees, statewide indirect costs, facilities management fees, and software license costs. PERA uses the most current, available data from these other entities in its budget. These costs are expected to increase by about \$0.76 million in the FY27 budget when compared to the FY26 budget.

**Table 3. Nonnegotiable Expenses**

Budget Category	Budget Subcategory	Approved FY26 Budget	Proposed FY27 Budget	FY27 Budget Variance (\$)	FY27 Budget Variance (%)
Personnel Services	Total Personnel Services	\$18,544,698	\$19,051,014	\$506,316	2.7%
SBI Investment Fees	Total SBI Investment Fees	5,782,000	5,782,000	0	0.0%
Technology Costs	Total Technology Costs	0	135,000	135,000	100.0%
Facilities Management Fees	Total Facilities Management Fees	360,865	479,327	118,462	32.8%
<b>Total</b>		<b>\$24,687,563</b>	<b>\$25,447,341</b>	<b>\$759,778</b>	<b>3.1%</b>

Personnel Services only includes positions approved in the FY26 budget. The proposed FY27 budget for SBI Investment Fees is not yet available from SBI. Facilities Management Fees only includes the budgets approved by the Facilities Management Committee.

## Fiscal Year 2027 Highlights

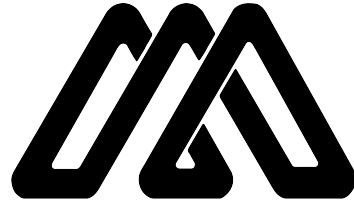
FY27 budget proposal increases or decreases of at least \$100,000 from the FY26 approved budget are listed by category in table 4 below.

**Table 4. Explanations for Variance Between Current and Prior Year Budgets**

Budget Category:	Over/(Under) FY27 Budget Amount	Explanation for FY27 Budget Increase/Decrease
<b>PERSONNEL SERVICES</b>		
Full Time Pay	\$1,239,288	The budget proposal includes \$665,990 in payroll and fringe benefit costs for four additional FTEs and \$573,298 in salary increases for PERA staff.
<b>SUPPLIES &amp; SERVICES</b>		
<i>Supplies &amp; Equipment</i>		
IT Equipment & Hardware	\$630,779	The budget proposal includes: \$200,000 for the expansion of our disaster recovery data center, \$350,000 for new computer equipment related to the roll-out of Omni Channel, \$35,000 for desktop computer equipment for new employees, and \$15,000 for the replacement of laptops, and \$150,000 reduction in costs budgeted for Cisco switches.
<i>Communications</i>		
Mailing & Printing Services	\$125,107	The budget proposal includes: \$85,000 increase in printing costs for new member forms and 1099s. \$30,000 increase in mailing costs due to higher volume, inflation, and outsourcing the printing of personal benefit statements.
<i>Professional Services</i>		
Management Services	\$654,841	The budget proposal includes \$536,820 for contract workers and \$296,647 for the board election which is offset by a reduction in one-time costs for the NPS survey of \$55,000 and on-going statewide indirect costs of \$107,589 (from \$166,689 to \$59,100). These statewide indirect costs do not include the cost of the Office of the Legislative Auditor's audit of PERA's Annual Comprehensive Financial Report.
Medical Review Services	(190,000)	The reduction in the FY27 budget reflects the decrease in the results in FY26 compared to what was budgeted for FY26. PERA estimates 220 applications and 150 reapplications.
IT Services	333,668	<p>The budget proposal includes:</p> <ul style="list-style-type: none"> <li>• \$400,000 increase in costs for software licenses.</li> <li>• \$100,000 for data security and protection.</li> <li>• \$40,000 for role based security controls.</li> <li>• \$20,000 for annual cybersecurity tabletop exercise.</li> <li>• \$10,000 for privileged access management.</li> <li>• \$4,000 for security awareness training module.</li> </ul> <p>The budget proposal is reduced by:</p> <ul style="list-style-type: none"> <li>• \$170,000 increase in costs for legacy development contractors.</li> <li>• \$75,000 reduction in costs for Docuware in the cloud.</li> <li>• \$50,000 reduction in costs for Statewide Volunteer Firefighter Plan computer system.</li> </ul>



Budget Category: (Cont.)	Over/(Under) FY27 Budget Amount	Explanation for FY27 Budget Increase/Decrease
<b>Modernization Costs</b>		
Systems Modernization	\$2,419,375	The budget proposal includes the following: <ul style="list-style-type: none"> <li>• \$4 million for the myPERA conversion project.</li> <li>• \$70,000 increase for new reporting tools.</li> <li>• \$1.06 million reduction one-time costs for contract workers.</li> <li>• \$400,000 reduction in one-time costs for multi-factor authentication.</li> </ul>
<b>BUILDING COSTS</b>		
Space Renovations	\$3,800,000	PERA estimates \$4 million in space renovation costs which is offset by the \$200,000 it has historically budgeted for remodeling costs.
Building Operating Costs	\$118,712	Several factors attributed to this variance: Income from the Retirement System building decreased \$1.75 million. The FY26 budget included a one-time cash infusion of \$1.8 million and the FY27 budget includes an increase of \$50,000 in other income from invested in treasury cash. Expenses from the Retirement System building decreased by \$1.28 million. The space renovation budget decreased by \$1.5 million from FY26 to FY27 due to the completion of the window gasket and seal project, cooling tower work, and passenger elevator repair. PERA's share of the facilities management budget decreased from 36.5% to 28.9% due to a reduction in the space occupied.



PUBLIC EMPLOYEES  
RETIREMENT ASSOCIATION

End of Budget Document.

# Staff Hiring Status – 5/6/26

	Division	Supervisor	Approved	Filled	Unfilled	Capacity
<b>Agency Wide Support (33)</b>	Executive Support	Doug Anderson	7	6	1	86%
	HR Team	Patty Heminover	4	3	1	75%
	Accounting/Finance	Vacant	14	8	6	57%
	Communications	Vacant	8	7	1	88%
<b>AIM (34)</b>	Employer Services	Jaime Voigt	11	8	3	73%
	DMS	Shanna Adams	8	7	1	88%
	Eligibility	Alan Klimisch	10	9	1	90%
	SSSA & SVF & MA2	Heather Schoenberger	5	5	-	100%
<b>IS (33)</b>	Development	Mark Sauceman	25	20	5	80%
	Network Ops & Security	Bob Janas	8	7	1	88%
<b>Pension Services (59)</b>	Member Services	Don Haller & Tim K.	23	21	2	91%
	Calculations	Sarah Fischer	18	16	2	89%
	Claims	Afiya Krueger	11	11	-	100%
	Product Owners	Emmanuel Maadu	7	5	2	71%
			<b>159</b>	<b>133</b>	<b>26</b>	<b>84%</b>





**Agenda Item #4**  
**March 18, 2026 Meeting**

Date: March 09, 2026

To: Retirement Systems of Minnesota, Facilities Management Committee Members

From: Jackie Reckmann, MSRS Chief Financial Officer and Facilities Manager

Re: **Proposed Facility Budget Request for Fiscal Year 2027**

I am pleased to present, for your review and approval, the fiscal year 2027 Retirement Systems of Minnesota Facilities Budget. As you are aware, the Co-Tenancy Agreement between PERA, MSRS, and TRA defines the duties of the Facilities Management Committee. One of those duties is to establish an annual budget for ongoing operation and maintenance of the facilities.

An overview of the proposed fiscal year 2027 budget is as follows:

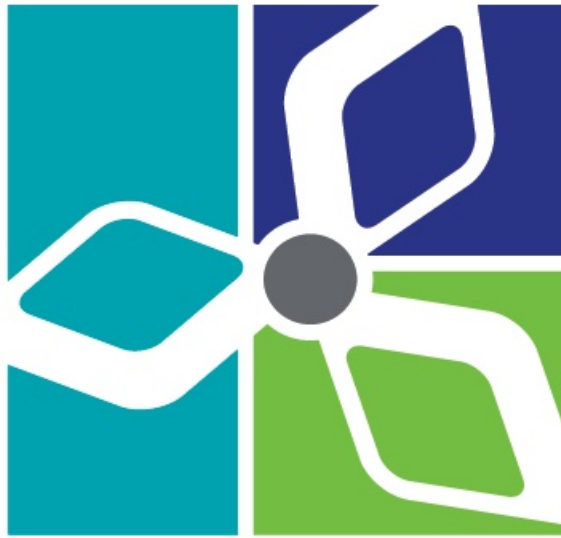
- Total Income of \$569,192 is expected, which is 75.44 percent less than the fiscal year 2026 budget. The income decrease is due to not having a cash infusion this year.
- Total Expenses are \$2,236,192, which is 36.48 percent less than the fiscal year 2026 budget. The majority of this expenditure decrease is because there are currently fewer planned projects this year. This may change after the committee considers projects due to the security assessment.
- Net Loss/Proportionate Share of Expenses is estimated to be \$1,667,000, which is 38.61 percent lower than the fiscal year 2026 budget. The decrease is a result of the decrease in both income and expenses, which offsets the proportionate share of expenses.

Additionally, as part of preparing the fiscal year 2027 facility budget, we reviewed fiscal year 2026 activity. We are projecting a surplus of \$340,527.

I look forward to telling you more about the proposed fiscal year 2027 facility budget, and to presenting our recommendations to you at the March 18, 2026, Facility Management Committee meeting.

We thank you very much for your continued commitment and support of our facilities.

**Staff Recommendation: We recommend that the Committee approve the fiscal year 2027 Facility Budget.**



# Retirement Systems of Minnesota

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Minnesota State Retirement System  
Teachers Retirement Association  
Public Employees Retirement Association

Facilities Management Committee  
Proposed Facility Budget  
Fiscal Year 2027

Presented By: Jackie Reckmann, MSRS  
Date: March 9, 2026

Retirement Systems of Minnesota  
 Facility Management Committee – Proposed Facility Budget  
 Fiscal Year 2027

Category	Approved FY2026 Annual Budget	Estimated FY2026 Results	Over / (Under) Variance	FY2027 Annual Budget Request	% Change
<b>INCOME</b>					
Lease Income					
State Board of Investment	\$457,056	\$457,056	\$0	\$457,056	0.00%
Office of the Secretary of State	18,024	18,024	0	18,024	0.00%
Room Rental	1,000	900	(100)	1,000	0.00%
Parking Fees	12,600	13,524	924	12,831	1.83%
Other Income (ITC)	29,000	96,651	67,651	80,281	176.83%
One-Time Cash Infusion	1,800,000	1,800,000	0	0	(100.00%)
<b>Total Income</b>	<b>\$2,317,680</b>	<b>\$2,386,155</b>	<b>\$68,475</b>	<b>\$569,192</b>	<b>(75.44%)</b>
<b>EXPENSES</b>					
FMD - Building Property Management	\$1,771,354	\$1,803,409	(\$32,055)	\$1,988,231	12.24%
FMD - Parking Property Management	50,000	55,000	(5,000)	55,000	10.00%
Supplies	1,650	1,000	650	1,712	3.76%
Plant Services and Maintenance	8,800	8,800	0	8,976	2.00%
Repairs	47,500	47,500	0	50,000	5.26%
Space Renovation	1,555,000	1,137,811	417,189	50,000	(96.78%)
Recycling	1,400	1,235	165	1,400	0.00%
Common Area Phones	5,500	4,988	512	5,500	0.00%
Statewide Indirect Costs	4,100	5,335	(1,235)	7,762	89.32%
Landscaping	3,000	3,000	0	3,000	0.00%
Insurance	49,000	44,391	4,609	46,611	(4.88%)
Cafeteria Services	18,000	9,000	9,000	18,000	0.00%
Other Services	5,000	58,308	(53,308)	0	(100.00%)
<b>Total Expenses</b>	<b>\$3,520,304</b>	<b>\$3,179,777</b>	<b>\$340,527</b>	<b>\$2,236,192</b>	<b>(36.48%)</b>
<b>NET INCOME (LOSS) – PROPORTIONATE SHARE *</b>					
PERA - 36.5%	(\$440,543)	(\$291,257)	(\$149,286)	(\$610,199)	38.51%
TRA - 36.0%	(434,280)	(287,039)	(147,241)	(601,589)	38.53%
MSRS - 27.5%	(327,802)	(215,326)	(112,476)	(455,212)	38.87%
<b>Total Cash From Retirement Systems</b>	<b>(\$1,202,625)</b>	<b>(\$793,622)</b>	<b>(\$409,003)</b>	<b>(\$1,667,000)</b>	<b>38.61%</b>
FY26 PERA - 28.9%				(\$479,327)	8.80%
FY26 TRA - 34.0%				(\$567,149)	30.60%
FY26 MSRS - 37.1%				(\$620,531)	89.30%
				<b>(\$1,667,007)</b>	<b>38.61%</b>

\*Parking expenses included in the proportional share are calculated at 33.3% for each plan.

Prior Fiscal Year (2026) Budget Review

Income: The Retirement Services Building derives income from four sources: leases, room rental, parking fees and other income. We are anticipating that we will receive income totaling \$2,386,155 by June 30th, which is \$68,475 more than budgeted. Income is higher than expected due to the increase in Invested Treasurer's Cash (ITC) based on the cash balance in the Building Services Fund.

Lease income is derived from leasing office space to two state agencies: the State Board of Investment and the Office of the Secretary of State. With a remodel of space completed in February, 2025, the State Board of Investment now leases 10,458 square feet on the first floor, 5,270 square feet on the second floor, and 2,866 square feet on the fourth floor. In total SBI increased their square footage from 11,569 square feet to 19,044 square feet, making the lease income \$\$457,056. The Office of the Secretary of State leases 751 square feet on the third floor, totaling \$18,024 annually.

Room rental is derived from the daily use of our training and board rooms from non-building tenants. Hybrid work throughout state agencies has led to increased need for room rentals. We anticipate receiving \$900 for room rental for this fiscal year.

Parking fees for the use of our parking ramp are collected from the State Board of Investment as tenants, with estimated collected revenue at \$13,524, this is \$924 more than budgeted.

Expenses: Retirement Services Building expenses include Department of Administration, Facilities Management Division (FMD) property management costs, repairs, space renovation, supplies and other building related costs. Fiscal year 2026 expenses are projected to be around \$3,179,777, which is \$340,527 less than budgeted. This is due to a large portion of the window gasket and seal project coming in less than expected. A security assessment, which was approved by the FMC after the annual budget was approved, was completed in fiscal year 2026. This is detailed in the Other Service category, with the assessment totaling \$32,300.

Department of Administration, Facilities Management Division property management costs for the building were budgeted to be \$1,803,409 and \$55,000 for the parking ramp. The actual costs were more than initially budgeted by \$32,300.

Fiscal year 2026 project costs and budget variances are detailed below:

Prior FY Projects	Approved Amount	Estimated Expenditures	Over / (Under) Variance
Passenger Elevator Repair	\$22,500	\$22,512	(\$12)
Cooling Tower Work	300,000	380,000	(80,000)
Technology Upgrades-Board & Training Rooms	60,000	0	60,000
Window Gasket & Seal Project	1,145,000	588,715	556,285
Boardroom Refresh	50,000	0	50,000
Contingency Repairs	25,000	0	25,000
	<u>\$1,602,500</u>	<u>\$991,227</u>	<u>\$611,273</u>

Total Budget surplus is projected to be \$409,003.

## Budget Overview

One of the duties charged to the Facilities Management Committee (FMC) in the Co-Tenancy Agreement is to establish an annual budget for ongoing operation and maintenance of the Retirement Services Building (RSB). The Facilities Manager, in conjunction with the Chief Financial Officers and Accounting Directors from each of the retirement systems, coordinates budget preparation and presents the budget to the FMC for their approval. Once the budget is approved, the Facilities Manager is responsible for monitoring the budget and ensuring that the total annual budget is not exceeded. The facility budget is approved by the FMC, not by the individual retirement systems boards. The boards, however, annually approve the funding that is required to support the building budget as part of each agency's operating budget.

### Proposed Budget Fiscal Year 2027 Highlights by Category

Facility income is projected to be \$569,192. Budget categories are detailed below.

Budget Category	Budget Amount	Budget Description
Lease Income	457,056	The State Board of Investment (SBI) leases 19,044 square feet at \$24.00 per square foot. They are currently in year 5 of a 5 year lease, effective from 7/1/21 through 6/30/26, and plan to extend for additional 5 years. The lease was amended for the additional square footage after a space study was completed.
	\$18,024	The Secretary of State leases 751 square feet at \$24.00 per square foot, totaling \$18,024 annually. A 5 year lease is effective from 1/1/22 through 12/31/27. They do not plan to extend their lease beyond 12/31/27.
Room Rental	\$1,000	Room rental is derived from the daily use of our training and board rooms from non-building tenants.
Parking Fees	\$12,831	Parking Fees are collected from SBI on behalf of their employees.
Other Income	\$80,281	Other income consists mainly of Invested Treasurer's Cash (ITC), which is interest earned on building fund cash in the state treasury.
	<b>\$569,192</b>	<b>Total Projected Income</b>

Facility expenses are projected to be \$2,236,192. Budget categories are detailed below.

Budget Category	Budget Amount	Budget Description
FMD - Building Property Management	\$1,988,231	This amount is based on an interagency agreement with The Department of Administration, Facilities Management Division (FMD). FMD handles the facility janitorial, landscaping, snow removal, engineering, maintenance, utilities, and pest control services.
FMD - Parking Ramp Property Management	\$55,000	This amount is based on an interagency agreement with with The Department of Administration, Facilities Management Division (FMD). FMD handles the management of the parking ramp.
Building Supplies	\$1,712	Mainly miscellaneous supply and courtyard related items.
Plant Services and Maintenance	\$8,976	For services to maintain live plants throughout the interior of the building and the exterior courtyard and for interior holiday decorating services.
Repairs	\$50,000	Contingency for any unbudgeted repairs.
Space Renovation	\$50,000	The building fiscal year 2027 space renovation budget consists of: * Freight Elevator Door
Recycling	\$1,400	Contracted building recycling services are based on the weight of materials removed.
Common Area Phones	\$5,500	There are phone lines used to service the building in common areas such as the board room, security desk, lobby, loading dock, penthouse, elevators, storage rooms, etc.
State Indirect Costs	\$7,762	The State charges indirect costs to agencies to pay for usage of the State's accounting and procurement system (SWIFT) and Minnesota Management and Budget's accounting and budgeting services. We will not receive a fiscal year 2027 invoice until May, but anticipate cost increases from the prior year.
Landscaping	\$3,000	Landscaping services that are not handled by FMD. This allows us to replace trees or shrubs as needed and maintain any of the outdoor plants to keep the property looking fresh and healthy.
Building insurance	\$46,611	The Retirement Services Building is insured through the State of Minnesota's Risk Management Division.
Cafeteria Services	\$18,000	Cafeteria service operations are supplemented up to \$1,500 per month.
	\$2,236,192	Total Projected Expense

### CASH FLOW ANALYSIS

The chart below displays how the cash in the building fund is treated for budgeting purposes.

#### Definitions:

- Roll Forward OUT - Available fiscal year resources less fiscal year expenditures
- Roll Forward IN - Amount of cash rolled forward from the previous fiscal year
- Collected Amount - Income plus proportional shares billed to the retirement plans
- Available Resources - Cash carried forward (Roll Forward IN) plus collected amounts
- Expended - Actual expenditures

Estimates are in blue

# CASH FLOW ANALYSIS

