



# Board of Retirement Regular Meeting

## Sacramento County Employees' Retirement System

---

### Agenda Item 10

**MEETING DATE:** January 17, 2024

**SUBJECT:** Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2023

**SUBMITTED FOR:**  Consent       Deliberation and Action       Receive and File

---

### RECOMMENDATION

Receive and file the SCERS Annual Comprehensive Financial Report (the ACFR) based on the audited financial statements and auditor reports as of and for the fiscal year ended June 30, 2023, issued by SCERS' independent auditor, Brown Armstrong Accountancy Corporation (Brown Armstrong).

### PURPOSE

This item supports the Strategic Management Plan by maintaining transparent communications to stakeholders and promoting fiscal responsibility and stewardship.

### DISCUSSION

This item fulfils the requirements of Sections 25250 and 25253 of the Government Code of the State of California to prepare an Annual Financial Report. The ACFR is prepared in consultation with the external auditors, Brown Armstrong, selected by the Sacramento County Employees' Retirement System's Board of Retirement. The financial section of the ACFR represent the audited financial statements for the fiscal year ended June 30, 2023.

On November 14, 2023, Brown Armstrong presented the June 30, 2023, SCERS financial statement audit results to the Audit Committee. On December 6, 2023, the SCERS Board of Retirement approved the audit financial statements for the fiscal year ended June 30, 2023.

### ATTACHMENTS

- Board Order
- SCERS Annual Comprehensive Financial Report

/s/

---

Margo Allen  
Chief Operations Officer

/s/

---

Eric Stern  
Chief Executive Officer



# Retirement Board Order

## Sacramento County Employees' Retirement System

---

Before the Board of Retirement  
January 17, 2024

AGENDA ITEM:

**Annual Comprehensive Financial Report for  
Fiscal Year Ended June 30, 2023**

THE BOARD OF RETIREMENT hereby approves Staff's recommendation to receive and file the SCERS Annual Comprehensive Financial Report based on the audited financial statements and auditor reports as of and for the fiscal year ended June 30, 2023, issued by SCERS' independent auditor, Brown Armstrong Accountancy Corporation.

I HEREBY CERTIFY that the above order was passed and adopted on January 17, 2024, by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES:  
(Present but not voting)

---

James Diepenbrock  
Board President

---

Eric Stern  
Chief Executive Officer and  
Board Secretary

**2022-2023**



**ANNUAL COMPREHENSIVE**  
**FINANCIAL**  
**REPORT**

**For the Fiscal Year ended June 30, 2023**

Sacramento County Employees' Retirement System  
Sacramento, California

2022-2023



ANNUAL COMPREHENSIVE

# FINANCIAL REPORT

WITH INDEPENDENT  
AUDITOR'S REPORT

For the Fiscal Year ended June 30, 2023

Issued By:

**ERIC STERN**  
Chief Executive Officer

**MARGO ALLEN**  
Chief Operations Officer

Sacramento County  
Employees' Retirement System

980 9th Street, Suite 1900  
Sacramento, CA 95814

[SCERS.org](https://www.scers.org)

# Table Of Contents

## SECTION 1 Introduction

Letter Of Transmittal.....	6
Certificate Of Achievement .....	10
Board Of Retirement.....	11
Organization Chart .....	12
Participating Employers.....	13
Professional Consultants .....	14

## SECTION 2 Financial

Independent Auditor's Report.....	16
Management's Discussion And Analysis.....	19

### Basic Financial Statements

Statement Of Fiduciary Net Position .....	26
Statement Of Changes In Fiduciary Net Position .....	27
Notes To The Basic Financial Statements.....	28

### Required Supplementary Information

Schedule Of Changes In Net Pension Liability And Related Ratios.....	63
Schedule Of Employer Contributions.....	65
Schedule Of Annual Money-Weighted Rate Of Return.....	65
Notes To The Required Supplementary Information.....	66

### Other Supplementary Information

Schedule Of Administrative Expenses .....	70
Schedule Of Investment Fees And Expenses.....	70
Schedule Of Payments To Consultants .....	70

## SECTION 3 Investment

Chief Investment Officer's Report.....	72
Asset Allocation.....	82
Investment Results.....	83
Summary Of Investment Assets.....	85
Schedule Of Manager Fees.....	85
Schedule Of Equity Brokerage Commission.....	86
Ten Largest Stock Holdings (By Fair Value) .....	87
Ten Largest Bond Holdings (By Fair Value).....	87
Investment Managers/Funds .....	88

# Table Of Contents

## SECTION 4 Actuarial

Actuarial Certification Letter.....	93
Summary Of Actuarial Assumptions And Methods.....	96
Summary Of Plan Provisions.....	99
Schedule Of Active Member Valuation Data.....	102
Retirees And Beneficiaries Added To And Removed From Retiree Payroll.....	103
Actuarial Analysis Of Financial Experience.....	104
Schedule Of Funded Liabilities By Type.....	105
Schedule Of Funding Progress.....	106
Probabilities Of Separation Prior To Retirement.....	107
Mortality Rate.....	107
Disability Rate.....	107
Withdrawal Rate With Less Than Five Years Of Service.....	108
Withdrawal Rate With Five Or More Years Of Service.....	108

## SECTION 5 Statistical

Summary Of Statistical Data.....	110
Schedule Of Additions By Source.....	111
Schedule Of Deductions By Type.....	111
Schedule Of Administrative Expenses.....	112
Schedule Of Changes In Fiduciary Net Position.....	113
Schedule Of Employer Contribution Rates.....	115
Schedule Of Benefits Paid And Withdrawals By Type.....	116
Schedule Of Distribution Of Retired Members And Beneficiaries By Type And By Monthly Amount.....	117
Schedule Of Retired Members By Type Of Benefit.....	119
Schedule Of Average Benefit Payments (Based On Years Of Credited Service).....	120
Schedule Of Average Benefit Payments (Based On Years Since Retirement).....	122
Changes In System Membership.....	123
System Membership At A Glance.....	123
Schedule Of Participating Employers And Active Members - Summary.....	124
Schedule Of Participating Employers And Active Members - Detail.....	125



SECTION ONE

# Introduction

CORE VALUE

## Stewardship

*By recognizing the trust members put in us to manage assets and resources prudently, to sustain SCERS for future generations.*

**ERIC STERN**, Chief Executive Officer  
**MARGO ALLEN**, Chief Operations Officer  
**STEVE DAVIS**, Chief Investment Officer  
**JASON MORRISH**, General Counsel  
**KEITH RIDDLE**, Chief Benefits Officer  
**TIM TAYLOR**, Chief Technology Officer



**BOARD OF RETIREMENT**

Sacramento County Employees' Retirement System  
980 9th Street, Suite 1900  
Sacramento, CA 95814

**NOVEMBER 17, 2023**

Dear Board Members:

As Chief Executive Officer of the Sacramento County Employees' Retirement System (SCERS or the System), I am pleased to present this Annual Comprehensive Financial Report (ACFR or the Report) for the fiscal year ended June 30, 2023.

I trust that readers of this Report and members of the System will find this information helpful in understanding SCERS and its commitment to financial integrity and customer service.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in this Report rests with the management of the System. To the best of management's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System.

**The System**

SCERS is a cost-sharing multiple-employer public employee retirement system, enacted and administered in accordance with the provisions of the County Employees Retirement Law of 1937 (California Government Code Section 31450, et seq) (1937 Act) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). Since its establishment by the Sacramento County Board of Supervisors in 1941, SCERS has provided retirement, disability, and survivors' benefits to eligible participants of the System Under Article XVI, Section 17 of the Constitution of the State of California, the SCERS Board of Retirement (the Board) is vested with plenary authority and fiduciary responsibility for the investment of monies and the administration of the System. Together, the provisions of the State Constitution and the 1937 Act establish SCERS as a separate and independent governmental entity from the public employers that participate in SCERS. At June 30, 2023, the County of Sacramento (and its Elected Officials); Superior Court of California, County of Sacramento; and nine Special Districts participated in SCERS.

**Accounting System and Reports**

Management of SCERS is responsible for establishing and maintaining internal controls designed to ensure that the System's assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of information, and all disclosures in this Report and in the System's records, rests with SCERS' management. Brown Armstrong Accountancy Corporation, a certified public accounting firm, has audited the financial statements and related disclosures. The financial statement audit provides reasonable assurance that SCERS' financial statements are presented in conformity with



accounting principles generally accepted in the United States and are free from material misstatements. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) The cost of a control should not exceed the benefits likely to be derived; and (2) The assessment of costs and benefits requires estimates and judgments by management.

This report has been prepared in accordance with generally accepted accounting principles (GAAP) as promulgated by the Governmental Accounting Standards Board (GASB). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditor's report.

### **Investments – General Authority and SCERS**

Article XVI, Section 17 of the Constitution of the State of California provides that "...notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system... ." Article XVI, Section 17(a) further provides that "...the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets... ."

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to protect the System from the possibility that a particular asset class may experience poor investment performance in a given period.

The current strategic asset allocation model was established as a result of an asset allocation study conducted in 2021. SCERS' strategic asset allocation views risk exposures through multiple lenses, including functional and common factor exposures, in order to manage and maintain allocations that are aligned with SCERS' investment philosophy and objectives. This multiple lens approach uses a functional framework to group and classify segments of SCERS' portfolio in order to link segments that are exposed to similar economic environments and risk factors, and which would be expected to have similar roles and outcomes in a portfolio. The functional grouping takes a simplified approach at the asset category level, by breaking the portfolio into three asset categories, with greater complexity reserved at the asset class level. The asset categories include: (1) Growth, (2) Diversifying, and (3) Real Return.

SCERS' strategic asset allocation has heavy allocations to growth assets that can drive returns. However, it also maintains meaningful diversification, especially to investment strategies with low and negative correlations to equity markets that can reduce portfolio volatility and protect against significant market drawdowns. It is also expected to generate meaningful cash flow for SCERS.

For the fiscal year ended June 30, 2023, SCERS' investments provided a 6.1% rate of return (net of fees), compared to the investment policy benchmark return of 6.6%.

More detailed information regarding SCERS' strategic asset allocation, professional investment advisors, and investment performance can be found in the Investment Section of this Report.

## Actuarial Funding Status

SCERS' overall funding objective is to meet long-term benefit promises by maintaining a well-funded plan status through a combination of superior investment returns and employer and member contributions, which are both minimized and maintained as level as possible for each generation of active members. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the investment potential. The advantage of a well-funded plan is that the benefits earned by participants are funded during their working careers and not by future generations of taxpayers.

To help reduce year-to-year volatility in employer contribution rates due to fluctuations in investment performance, SCERS smooths the investment gains and losses over a seven-year period. This not only stabilizes contribution rates, but also improves the ability of the employer to plan for possible future increases or decreases in the contribution rates.

SCERS engaged an independent actuarial consulting firm, Segal, to conduct its annual actuarial valuation as of June 30, 2023. Triennially, the System requests that its actuary perform an analysis of the appropriateness of all economic and non-economic assumptions. The most recent triennial analysis was performed as of June 30, 2022, and as a result of that analysis, the Board approved certain changes to the actuarial assumptions, which were incorporated in the actuarial valuation as of June 30, 2023.

At June 30, 2023, SCERS' funding ratio on a market (fair) value of assets basis was 86.1%. On an actuarial basis, the funding ratio was 86.5%, with the actuarial value of assets totaling \$12.4 billion and the actuarial accrued liability totaling \$14.4 billion. Deferred losses under the smoothing methodology as of June 30, 2023 is \$59.8 million (as compared to a gain of \$182.5 million as of June 30, 2022). Deferred investment gains/(losses) are recognized over a rolling seven-year period.

## Budget

The Board approves SCERS' annual budget. The 1937 Act limits SCERS' annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting services (IT costs), to twenty-one hundredths of one percent (0.21%) of the System's actuarial accrued liability. SCERS' administrative expenses have historically been below the limitation. Administrative expenses, excluding IT costs, were \$27.4 million, which represented 0.19% of the System's actuarial accrued liability for the fiscal year ended June 30, 2023.

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to SCERS for its ACFR for the fiscal year ended June 30, 2022. In order to be granted this national award, a governmental entity must publish an easily readable and efficiently organized ACFR that meets the highest standards of governmental financial reporting. This was the twenty-third consecutive year that SCERS has received this prestigious award.

A Certificate of Achievement is valid for a period of one year. Management believes that this current ACFR continues to meet the requirements for earning a Certificate of Achievement, and it will be submitted to the GFOA for consideration of the award.

## Acknowledgements

This Report is intended to provide complete and reliable information with respect to the responsible stewardship of SCERS. The compilation of this Report is a product of the combined and dedicated effort of the System's staff. This Report is also a reflection of the leadership of the SCERS Board in assuring prudent fiduciary oversight of SCERS. I would like to take this opportunity to express my thanks to the SCERS Board, Staff, and advisors for their commitment to SCERS and for working so diligently to ensure the successful operation of the System.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'ES' with a flourish underneath.

**ERIC STERN**

Chief Executive Officer

## Certificate of Achievement

---



Government Finance Officers Association

### Certificate of Achievement for Excellence in Financial Reporting

Presented to

**Sacramento County Employees' Retirement System  
California**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

June 30, 2022

*Christopher P. Morrill*

Executive Director/CEO

## Board of Retirement



**President**  
**JAMES DIEPENBROCK**

Appointed by Board of Supervisors

*Present term expires December 31, 2025*



**Trustee**  
**ALINA MANGRU**

Elected by Miscellaneous Members

*Present term expires December 31, 2024*



**Vice President**  
**ROBERT AGUALLO, JR.**

Appointed by Board of Supervisors

*Present term expires December 31, 2025*



**Trustee**  
**JACK NOBLE**

Elected by Safety Members

*Present term expires December 31, 2024*



**Trustee**  
**KEITH DEVORE**

Appointed by Board of Supervisors

*Present term expires June 30, 2024*



**Trustee**  
**MARTHA HOOVER**

Elected by Retired Members

*Present term expires December 31, 2024*



**Trustee**  
**RONALD SUTER**

Appointed by Board of Supervisors

*Present term expires June 30, 2024*



**Alternate Safety Trustee**  
**CHRIS GIBONEY**

Elected by Safety Members

*Present term expires December 31, 2024*



**Ex-Officio**  
**CHAD RINDE**

Sacramento County Director of Finance

*Member mandated by law*



**Alternate Retiree Trustee**  
**DAVE IRISH**

Elected by Retired Members

*Present term expires December 31, 2024*



**Trustee**  
**M. TEPA BANDA**

Elected by Miscellaneous Members

*Present term expires December 31, 2024*

# Organization Chart

## Board of Retirement



**ERIC STERN**  
Chief Executive Officer



**MARGO ALLEN**  
Chief Operations Officer

- Accounting and financial reporting
- Budgeting and cash flow analysis
- Human resources
- Facilities and safety
- Administration and records
- Enterprise risk management



**STEVE DAVIS**  
Chief Investment Officer

- Investment policy and objectives
- Investment compliance and performance reporting
- Asset allocation rebalancing
- Manager searches
- Manager due diligence
- Proxy voting and corporate governance
- Board education on investment issues



**JASON MORRISH**  
General Counsel

- Legal representation and counsel to SCERS Board and staff
- Legal service planning and budgeting
- Oversight of outside legal counsel
- Evaluation of securities litigation
- Analysis of state and federal legislation



**KEITH RIDDLE**  
Chief Benefits Officer

- Service, disability, deferred, and reciprocal retirements
- Pension payroll administration
- Seminar presentations and member retirement counseling
- Retirement publications and communications
- Death benefits and service credit purchases
- Community property interest resolution



**TIM TAYLOR**  
Chief Technology Officer

- Information technology strategic planning
- Implementation and maintenance of IT solutions
- IT policy, procedures, and practice oversight
- Coordination with external IT entities

## Participating Employers

Employer	Date Entered System
County of Sacramento	July 1, 1941
County of Sacramento, Elected Officials:	July 1, 1941
<ul style="list-style-type: none"> <li>• Board of Supervisors</li> <li>• Sheriff</li> <li>• Assessor</li> <li>• District Attorney</li> </ul>	
Sacramento Metropolitan Fire District*	March 1, 1957
Sunrise Recreation and Park District	August 1, 1961
Fair Oaks Cemetery District	March 1, 1962
Carmichael Recreation and Park District	January 1, 1967
Mission Oaks Recreation and Park District	February 1, 1976
Sacramento Employment and Training Agency (SETA)	June 1, 1979
Orangevale Recreation and Park District	March 3, 1987
Elk Grove Cosumnes Cemetery District	April 28, 1987
Galt-Arno Cemetery District	July 1, 1987
Superior Court of California, County of Sacramento**	June 25, 2006
Rio Linda Elverta Recreation and Park District	October 1, 2017

\* North Highlands Fire District (NHFD) was formed in 1951 and became a participating SCERS employer in the late 1950s. In 1984, the NHFD consolidated with the Citrus Heights Fire District who through several mergers eventually became part of the Sacramento Metropolitan Fire District (SMFD). SMFD is not an active employer. Florin Fire Protection District (FFPD) entered the system on July 1, 1974 and terminated its membership on December 31, 1996. On December 1, 2000, SMFD became successor, and employees of FFPD became employees of SMFD. SMFD is not an active employer.

\*\* Prior to June 25, 2006, Superior Court of California member information was included in the totals for the County of Sacramento.

## Professional Consultants

---

### **Actuary**

Segal

### **Auditor**

Brown Armstrong Accountancy Corporation

### **Custodian**

State Street Corporation

### **Information Technology Consultant**

Linea Solutions, Inc.

### **Investment Consultant**

Cliffwater, LLC

The Townsend Group

Verus Advisory, Inc.

Burgiss Group, LLC

### **Legal Counsel**

Foley & Lardner, LLP

Hanson Bridgett, LLP

Nossaman, LLP

Patrick M.K. Richardson, Esq.

**Note:** In the Investment Section of this report, investment professionals are listed on [pages 88-91](#), and the schedules of manager fees and equity brokerage commissions are located on [pages 85](#) and [86](#).





SECTION TWO

# Financial

CORE VALUE

## Communicating

*Clearly and concisely, recognizing that members and employers expect us to act with integrity, transparency, and honesty.*

# Independent Auditor's Report



www.ba.cpa  
661-324-4971

## INDEPENDENT AUDITOR'S REPORT

To the Audit Committee and Board of Retirement of the  
Sacramento County Employees' Retirement System  
Sacramento, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying Statement of Fiduciary Net Position of the Sacramento County Employees' Retirement System (SCERS), a pension trust fund of the County of Sacramento, as of June 30, 2023, the related Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise SCERS' basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of SCERS as of June 30, 2023, and the changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SCERS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SCERS' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

BAKERSFIELD  
4200 Truxtun Avenue, Suite 300  
Bakersfield, CA 93309  
661-324-4971

FRESNO  
10 River Park Place East, Suite 208  
Fresno, CA 93720  
559-476-3592

STOCKTON  
2423 West March Lane, Suite 202  
Stockton, CA 95207  
209-451-4833

Management is also responsible for maintaining a current plan instrument, including all SCERS plan amendments; administering SCERS; and determining that SCERS' transactions that are presented and disclosed in the financial statements are in conformity with SCERS' plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

#### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SCERS' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SCERS' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCERS' basic financial statements. The accompanying other supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Information**

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory, investment, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

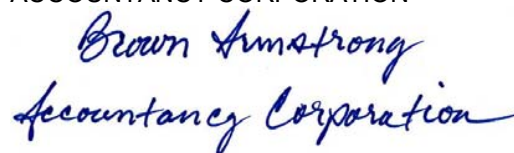
**Report on Summarized Comparative Information**

We have previously audited SCERS' June 30, 2022, basic financial statements, and our report dated November 17, 2022, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2023, on our consideration of SCERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCERS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCERS' internal control over financial reporting and compliance.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Stockton, California  
November 17, 2023

## Management's Discussion and Analysis

This section presents Management's Discussion and Analysis (MD&A) of the financial activities of the Sacramento County Employees' Retirement System (SCERS, the System, or the Plan) for the fiscal year ended June 30, 2023. Readers are encouraged to consider the narrative overview and information presented in this MD&A in conjunction with the Letter of Transmittal beginning on [page 6](#) of this report and the Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplemental Information.

### Financial Highlights

As of June 30, 2023, SCERS' fiduciary net position restricted for pension benefits and program administration (net position) totaled \$12,363.3 million. This represented an increase of \$532.9 million or 4.5% from the \$11,830.4 million in SCERS' net position as of June 30, 2022.

Additions to net position were \$1,258.1 million and -\$73.3 million for the fiscal years ended June 30, 2023 and 2022, respectively. The total additions for the fiscal year ended June 30, 2023, increased by \$1,331.4 million, or 1,816.4%, over the fiscal year ended June 30, 2022. The primary reason for the increase in additions was the investment performance.

Deductions from net position were \$725.2 million and \$660.4 million for the fiscal years ended June 30, 2023 and 2022, respectively. The total deductions for the fiscal year ended June 30, 2023, increased by \$64.8 million or 9.8% over the fiscal year ended June 30, 2022. The primary reason for the increase in total deductions is due to impairment of the pension administration system, the increased annual cost-of-living adjustment, and the increased number of retirees.

SCERS' funding objective is to meet long-term benefit obligations through contributions and investment earnings. To achieve level and predictable contribution costs from one year to the next, SCERS bases the determination of contribution rates on an actuarial asset valuation method that gradually adjusts to the market (fair) value of assets (asset smoothing). Under this actuarial asset valuation methodology, investment market returns for the fiscal year above or below the assumed investment return rate (6.75% which was used to determine the contribution rates for the fiscal year ended June 30, 2023) are recognized over seven years (the asset smoothing period). This smoothed value is referred to as the Actuarial Value of Assets. By using the Actuarial Value of Assets to determine the contribution rates, SCERS is able to lower the year-to-year volatility in contribution rates that would come from using the fair value of assets.

As of June 30, 2023, SCERS' total pension liability was \$14,358.9 million, an increase from \$13,579.0 million as of June 30, 2022. The employers' net pension liability was \$1,995.6 million as of June 30, 2023, which increased from \$1,748.6 million as of June 30, 2022. The fiduciary net position as a percentage of total pension liability decreased to 86.1% as of June 30, 2023, from 87.1% as of June 30, 2022.

## Overview Of The Financial Statements

This MD&A serves as an introduction to the basic financial statements and other information accompanying the basic financial statements, which are comprised of the following components:

- Statement of Fiduciary Net Position – Pension Trust Fund and Custodial Fund
- Statement of Changes in Fiduciary Net Position – Pension Trust Fund and Custodial Fund
- Notes to the Basic Financial Statements
- Required Supplementary Information
- Other Supplemental Information

### **A Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position**

are presented for the fiduciary funds as of and for the fiscal year ended June 30, 2023, along with comparative total information as of and for the fiscal year ended June 30, 2022. These financial statements reflect the resources available to pay benefits to retirees and beneficiaries as of year-end, and the changes in those resources during the year.

The fiduciary fund statements report SCERS' net position restricted for pension benefits and program administration. Over time, increases or decreases in net position serve as one indicator of whether SCERS' financial health is improving or deteriorating. Other factors, such as market conditions or the System's fiduciary net position as a percentage of the employers' total pension liability, should also be considered in measuring the System's overall health.

**The Notes to the Basic Financial Statements** are an integral part of the financial reports and provide additional information that is essential for a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, this report presents certain **Required Supplementary Information** which includes the employers' changes in net pension liability and related ratios, actuarially determined contributions (ADC), actuarial assumptions used to calculate the ADC, historical money-weighted rate of return and other required supplementary information related to SCERS' defined benefit pension plan as required by Governmental Accounting Standards Board (GASB) Statement No. 67.

Schedules of administrative expenses, investment fees and expenses, and payments to consultants are presented as **Other Supplementary Information** following the Required Supplementary Information.

## Financial Analysis

### Fiduciary Net Position

SCERS' net position restricted for pension benefits and program administration as of June 30, 2023, totaled \$12,363.3 million, an increase of \$532.9 million or 4.5% from the \$11,830.4 million in net position as of June 30, 2022. The increase in net position for the fiscal year ended June 30, 2023, was due to investment income offset to some degree by the benefits and expenses paid during the fiscal year exceeding the contributions received.

For the fiscal year ended June 30, 2023, the total fund return, net of fees, of 6.1% was 0.5% lower than the return of the investment policy benchmark of 6.6%. During fiscal year 2022-23, investments with the strongest returns came from the global equity, real assets, and private credit investments.

In the fiscal year ended June 30, 2023, the increase in cash and short-term investments was the result of an increase in other cash and cash equivalents due to the dedicated 2% target allocation to cash per the approved asset allocation policy. The increase in receivables and investment purchases and other as of June 30, 2023, was the result of an increase in trading activity at year-end by the external investment managers. The decrease in securities lending collateral and securities lending liability as of June 30, 2023, reflected a lower level of activity in the securities lending industry.

The table below compares SCERS' fiduciary net position as of June 30, 2023, and 2022:

<b>Fiduciary Net Position</b>				
FOR THE FISCAL YEAR ENDED JUNE 30				
<i>(Amounts Expressed in Millions)</i>				
	<b>2023</b>	<b>2022</b>	<b>Increase/ (Decrease)</b>	<b>% Change</b>
<b>Assets</b>				
Cash and short-term investments	\$591.3	\$533.5	\$57.8	10.8%
Receivables	382.7	246.6	136.1	55.2
Investments	11,997.9	11,304.2	693.7	6.1
Securities lending collateral	195.2	250.3	(55.1)	(22.0)
Other assets	1.2	1.3	(0.1)	(7.7)
Capital assets, net	4.9	21.4	(16.5)	(77.1)
<b>Total assets</b>	<b>13,173.2</b>	<b>12,357.3</b>	<b>815.9</b>	<b>6.6</b>
<b>Liabilities</b>				
Other liabilities	31.0	47.8	(16.8)	(35.1)
Investment purchases and other	587.3	234.6	352.7	150.3
Securities lending obligation	191.6	244.5	(52.9)	(21.6)
<b>Total liabilities</b>	<b>809.9</b>	<b>526.9</b>	<b>283.0</b>	<b>53.7</b>
<b>Net position restricted for pension benefits and program administration</b>	<b>\$12,363.3</b>	<b>\$11,830.4</b>	<b>\$532.9</b>	<b>4.5%</b>

Governmental Accounting Standards Board (GASB) Statement No. 67 replaced Governmental Accounting Standards Board (GASB) Statement No. 25 and redefined pension liability and expense for financial reporting purposes but does not apply to contribution amounts for pension funding purposes. When measuring the total pension liability, Governmental Accounting Standards Board (GASB) uses the same actuarial cost method and the same type of discount rate as SCERS uses for funding. Therefore, the employers' total pension liability measured for financial reporting purposes shown in this report is determined on the same basis as SCERS' actuarial accrued liability measured for funding purposes.

SCERS retains an independent actuarial firm, Segal, to perform the annual actuarial valuations to determine the employers' total pension liability (expected future benefits) and Actuarially Determined Contribution (ADC). The annual actuarial valuation measures the current and projected assets and liabilities of the retirement system, as well as the System's funded status. This information forms the basis for establishing the actuary's recommendations for the employer and member contribution rates for the upcoming fiscal year to pay the expected future benefits.

As of June 30, 2023, the employers' total pension liability was \$14,358.9 million, and the net pension liability (the total pension liability less the Plan's fiduciary net position) was \$1,995.6 million. The Plan's fiduciary net position as a percentage of the total pension liability was 86.1%. In general terms, this ratio means that as of June 30, 2023, SCERS had approximately 86 cents available for each dollar of anticipated future liability.

The Required Supplementary Information presents additional information regarding the net pension liability.



## Reserves

SCERS' reserves are established in accordance with the requirements of the County Employees Retirement Law of 1937 (1937 Act), utilizing contributions and the accumulation of investment income, after recognition of administrative and investment expenses. Under GASB Statement No. 67, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses. However, for actuarial funding purposes, SCERS utilizes a seven-year smoothing methodology under which a portion of the market gains and losses is recognized and allocated to the reserves through interest crediting. The difference between the fair value of assets (equivalent to the net position restricted for pension benefits and program administration) and the smoothed actuarial value of assets is tracked in the market stabilization reserve.

Lower than expected investment performance resulted in a reduction of gains to SCERS' market stabilization reserve from \$182.5 million as of June 30, 2022, to -\$59.8 million as of June 30, 2023.

The following table presents a reserve summary as of fiscal years ended June 30, 2023, and 2022:

### Net Position Restricted For Pension Benefits At June 30

AS OF FISCAL YEAR ENDED JUNE 30

(Amounts Expressed in Millions)

	2023	2022
Member reserve	\$1,100.5	\$1,059.2
Employer reserve	3,286.0	3,278.7
Retiree and death benefit reserve	7,665.7	6,955.1
Contingency reserve	370.9	354.9
Total allocated reserves and designations	12,423.1	11,647.9
Market stabilization reserve	(59.8)	182.5
<b>Net position restricted for pension benefits and program administration</b>	<b>\$12,363.3</b>	<b>\$11,830.4</b>

## Changes in Fiduciary Net Position

The following table presents the changes in fiduciary net position for the fiscal years ended June 30, 2023, and 2022.

### Changes In Fiduciary Net Position

FOR THE FISCAL YEAR ENDED JUNE 30

(Amounts Expressed in Millions)

	2023	2022	Increase/ (Decrease)	% Change
<b>Additions</b>				
Member contributions	\$139.5	\$132.5	\$7.0	5.3%
Employer contributions	371.2	306.3	64.9	21.2
Net investment income (loss)	786.9	(339.1)	1,126.0	332.1
Net securities lending income	1.3	1.6	(0.3)	(18.8)
Investment fees and expenses	(77.3)	(210.3)	133.0	(63.2)
Other income	1.9	3.1	(1.2)	(38.7)
Health premiums collected from members and employers	34.6	32.6	2.0	6.1
<b>Total additions</b>	<b>1,258.1</b>	<b>(73.3)</b>	<b>1,331.4</b>	<b>(1,816.4)</b>
<b>Deductions</b>				
Benefits paid	655.6	614.3	41.3	6.7
Withdrawal of contributions	6.8	4.5	2.3	51.1
Administrative expenses	28.2	9.0	19.2	213.3
Health premiums remitted to health carriers	34.6	32.6	2.0	6.1
<b>Total deductions</b>	<b>725.2</b>	<b>660.4</b>	<b>64.8</b>	<b>9.8</b>
Increase (decrease) in net position	532.9	(733.7)	1,266.6	(172.6)
<b>Net position, beginning</b>	<b>11,830.4</b>	<b>12,564.1</b>	<b>(733.7)</b>	<b>(5.8)</b>
<b>Net position, ending</b>	<b>\$12,363.3</b>	<b>\$11,830.4</b>	<b>\$532.9</b>	<b>4.5%</b>

### Additions to Net Position

Financing for the benefits that SCERS provides to its members is derived primarily through the collection of employer contributions and member contributions, and investment earnings. For the fiscal years ended June 30, 2023 and 2022, total additions were \$1,258.1 million and -\$73.3 million, respectively.

For the fiscal years ended June 30, 2023 and 2022, the combined employer and member contributions were \$510.7 million and \$438.8 million, respectively, for an increase of \$71.9 million. Individually, there was an increase in employer contributions for the fiscal year ended June 30, 2023, of \$64.9 million or 21.2% over the fiscal year ended June 30, 2022. There was an increase in member contributions of \$7.0 million or 5.3% over the fiscal year ended June 30, 2022.

Net investment income (loss) after investment fees and expenses was \$710.9 million and -\$547.8 million for the fiscal years ended June 30, 2023 and 2022, respectively. The net investment gains were primarily driven by the investment performance of the portfolio. The Investment Section of this report provides a detailed discussion of the investment markets and investment performance.

### **Deductions from Net Position**

SCERS' net position was primarily used for the payment of benefits to members and beneficiaries, for the payment of contribution refunds to terminated employees, and for the cost of administering the System. For the fiscal years ended June 30, 2023 and 2022, total deductions were \$725.2 million and \$660.4 million, respectively.

Deductions increased by \$64.8 million or 9.8% in the fiscal year ended June 30, 2023. The primary cause of the increase in deductions was due to the impairment of the pension administrative system and the increase in monthly benefit payments resulting from an increase in the number of retired members and the annual cost-of-living adjustment paid to retirees and beneficiaries.

The Board of Retirement approves SCERS' annual administrative budget. The 1937 Act limits SCERS' annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting services (IT costs), to twenty-one hundredths of one percent (0.21%) of the System's actuarial accrued liability. Administrative expenses of \$27.4 million for the fiscal year ended June 30, 2023, excluding IT costs, were 0.19% of the System's actuarial accrued liability. SCERS' administrative expenses have historically been below the limitation.

### **Currently Known Facts, Conditions, Or Decisions**

On July 30, 2020, the California Supreme Court issued a decision in the case of Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association and Board of Retirement of ACERA ("Alameda"). SCERS processed corrections during the 2022-23 fiscal year. SCERS is in the process of making additional corrections during the 2023-24 fiscal year. SCERS determined that the contribution and pension payment adjustments, in aggregate, will be immaterial to the System.

### **SCERS' Fiduciary Responsibilities**

SCERS' Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution and California state law, the net position must be used exclusively for the benefit of plan participants and their beneficiaries.

### **Requests For Information**

This report is designed to provide the Board of Retirement, SCERS members, participating employers, taxpayers, and other stakeholders and interested parties with a general overview of SCERS' finances and to show accountability for the money SCERS receives.

### **Questions about this report or requests for additional financial information may be addressed to:**

Sacramento County Employees' Retirement System  
980 9th Street, Suite 1900  
Sacramento, CA 95814

Copies of this report are available at the above address and on the System's website at:

[SCERS.org/post/annual-comprehensive-financial-report-ACFR](https://scers.org/post/annual-comprehensive-financial-report-ACFR)

## Statement Of Fiduciary Net Position

AS OF JUNE 30, 2023, WITH COMPARATIVE TOTALS AS OF JUNE 30, 2022

(Amounts Expressed in Thousands)

	2023			2022
	Pension Trust Fund	Custodial Fund	Total Fund	Total Fund
<b>Assets</b>				
Cash and short-term investments				
Cash invested with Sacramento county treasurer	\$7,776	\$2,734	\$10,510	\$14,195
Other cash and cash equivalents	203,853	-	203,853	138,585
Short-term investments with fiscal agents	376,949	-	376,949	380,751
Total cash and short-term investments	588,578	2,734	591,312	533,531
Receivables				
Member and employer contributions	37,869	-	37,869	29,617
Accrued investment income	30,450	-	30,450	22,476
Investment sales and other	314,364	-	314,364	194,525
Total receivables	382,683	-	382,683	246,618
Investments				
Equity	4,781,134	-	4,781,134	3,900,492
Fixed income	2,242,284	-	2,242,284	2,225,639
Real assets	1,060,383	-	1,060,383	1,037,564
Real estate	999,559	-	999,559	1,090,302
Absolute return	845,895	-	845,895	955,803
Private credit	415,913	-	415,913	330,188
Private equity	1,652,724	-	1,652,724	1,764,212
Total investments	11,997,892	-	11,997,892	11,304,200
Securities lending collateral	195,198	-	195,198	250,331
Other assets	1,196	-	1,196	1,267
Capital assets, net	4,883	-	4,883	21,433
<b>Total assets</b>	<b>13,170,430</b>	<b>2,734</b>	<b>13,173,164</b>	<b>12,357,380</b>
<b>Liabilities</b>				
Warrants payable	3,329	-	3,329	2,074
Accounts payable and other accrued liabilities	19,780	2,734	22,514	40,132
Current lease liability	450	-	450	444
Long-term lease liability	4,797	-	4,797	5,287
Investment purchases and other	587,250	-	587,250	234,559
Securities lending obligation	191,566	-	191,566	244,533
<b>Total liabilities</b>	<b>807,172</b>	<b>2,734</b>	<b>809,906</b>	<b>527,029</b>
<b>Net position restricted for pension benefits and program administration</b>	<b>\$12,363,258</b>	<b>\$ -</b>	<b>\$12,363,258</b>	<b>\$11,830,351</b>

The notes to the basic financial statements are an intergral part of these statements

**Statement Of Changes In Fiduciary Net Position**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023,**  
**WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2022**  
*(Amounts Expressed in Thousands)*

	2023			2022
	Pension Trust Fund	Custodial Fund	Total Fund	Total Fund
<b>Additions</b>				
Contributions				
Member	\$139,521	\$ -	\$139,521	\$132,526
Employer	371,248	-	371,248	306,335
Total contributions	510,769	-	510,769	438,861
Investment income (loss)				
Net appreciation (depreciation) in fair value of investments	503,818	-	503,818	(574,873)
Other investment income	283,126	-	283,126	235,754
Less: Investment fees and expenses	(77,347)	-	(77,347)	(210,286)
Net investment income (loss)	709,597	-	709,597	(549,405)
Securities lending income	10,753	-	10,753	2,048
Securities lending expense				
Borrower rebate expense	(9,114)	-	(9,114)	(229)
Securities lending management fees	(330)	-	(329)	(200)
Net income from securities lending	1,309	-	1,309	1,619
Other income	1,816	-	1,816	2,990
Health premiums collected from members and employers	-	34,620	34,620	32,644
<b>Total additions</b>	<b>1,223,491</b>	<b>34,620</b>	<b>1,258,111</b>	<b>(73,291)</b>
<b>Deductions</b>				
Benefits paid	655,591	-	655,591	614,345
Withdrawal of contributions	6,815	-	6,815	4,547
Administrative expenses	28,178	-	28,178	8,971
Health premiums remitted to health carriers	-	34,620	34,620	32,644
<b>Total deductions</b>	<b>690,584</b>	<b>34,620</b>	<b>725,204</b>	<b>660,507</b>
<b>Net increase (decrease) in net position</b>	<b>532,907</b>	<b>-</b>	<b>532,907</b>	<b>(733,798)</b>
<b>Net position restricted for pension benefits and program administration</b>				
<b>Beginning of year</b>	11,830,351	-	11,830,351	12,564,149
<b>Ending of year</b>	<b>\$12,363,258</b>	<b>\$ -</b>	<b>\$12,363,258</b>	<b>\$11,830,351</b>

The notes to the basic financial statements are an integral part of these statements.

## Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2023

### Note 1 - Plan Description

The Sacramento County Employees' Retirement System (SCERS, the System, or the Plan) is a cost-sharing multiple-employer defined benefit pension plan, which operates under the County Employees Retirement Law of 1937 (Section 31450 et seq of the California Government Code) (1937 Act) and the California Public Employees' Pension Reform Act of 2013 (PEPRA). The System was created by resolution of the Sacramento County (the County) Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of the County and participating Special Districts (Special Districts or Member Districts). SCERS is governed by a eleven member Board of Retirement. Four are appointed by the County Board of Supervisors; seven are elected by the members of the System (two by the Miscellaneous members, two by the Safety members and two by the Retiree members); and the County Director of the Department of Finance serves as an Ex-Officio member. An alternate Safety member and an alternate Retiree member are also elected by those respective member groups. The System is legally and fiscally independent of the County.

At June 30, 2023, participating local government employers consisted of the County of Sacramento (and its Elected Officials), Superior Court of California, and nine special districts.

#### The System's membership consists of the following categories:

- **Safety Tier 1** - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start date prior to June 25, 1995.
- **Safety Tier 2** - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start date on or after June 25, 1995 but prior to January 1, 2012.
- **Safety Tier 3** - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start date on or after January 1, 2012 but prior to January 1, 2013.
- **Safety Tier 4** - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start date on or after January 1, 2013.
- **Miscellaneous Tier 1** - Includes all members other than Safety who have a membership start date prior to September 27, 1981.
- **Miscellaneous Tier 2** - Includes all members other than Safety who have a membership start date on or after September 27, 1981, and prior to June 27, 1993, and who elected not to become members of Miscellaneous Tier 3.

- **Miscellaneous Tier 3** - Includes all members other than Safety who have a membership start date on or after June 27, 1993, and prior to January 1, 2013 and those Miscellaneous Tier 2 members who elected to become members of this class. The Miscellaneous Tier 3 is closed to employees of Sacramento County who have a membership start date on or after January 1, 2012.
- **Miscellaneous Tier 4** - Includes members other than Safety who are employees of Sacramento County and have a membership start date on or after January 1, 2012 but prior to January 1, 2013.
- **Miscellaneous Tier 5** - Includes all members other than Safety who have a membership start date on or after January 1, 2013.

**System's Membership**

(Amounts Expressed in Thousands)

As of June 30, 2023 and June 30, 2022, the System's membership consisted of:

	2023	2022	Increase/(Decrease)
<b>Active Members:</b>			
<b>Vested</b>			
Miscellaneous Tier 1	7	13	(6)
Miscellaneous Tier 2	28	32	(4)
Miscellaneous Tier 3	4,424	4,829	(405)
Miscellaneous Tier 4	264	271	(7)
Miscellaneous Tier 5	2,222	1,999	223
<b>Total Miscellaneous</b>	<b>6,945</b>	<b>7,144</b>	<b>(199)</b>
Safety Tier 1	14	17	(3)
Safety Tier 2	762	849	(87)
Safety Tier 3	112	112	-
Safety Tier 4	540	438	102
<b>Total Safety</b>	<b>1,428</b>	<b>1,416</b>	<b>12</b>
<b>Total Vested</b>	<b>8,373</b>	<b>8,560</b>	<b>(187)</b>
<b>Non-Vested</b>			
Miscellaneous Tier 3	25	30	(5)
Miscellaneous Tier 4	28	37	(9)
Miscellaneous Tier 5	4,063	3,492	571
<b>Total Miscellaneous</b>	<b>4,116</b>	<b>3,559</b>	<b>557</b>
Safety Tier 1	1	-	1
Safety Tier 2	2	-	2
Safety Tier 3	11	11	-
Safety Tier 4	664	627	37
<b>Total Safety</b>	<b>678</b>	<b>638</b>	<b>40</b>
<b>Total Non-Vested</b>	<b>4,794</b>	<b>4,197</b>	<b>597</b>
<b>Total Active Members</b>	<b>13,167</b>	<b>12,757</b>	<b>410</b>

	2023	2022	Increase/(Decrease)
<b>Retirees and beneficiaries currently receiving benefits:</b>			
Miscellaneous - Service	8,939	8,730	209
Miscellaneous - Beneficiary	1,605	1,588	17
Miscellaneous - Nonservice-Connected Disability	237	250	(13)
Miscellaneous - Service-Connected Disability	178	181	(3)
<b>Total Miscellaneous</b>	<b>10,959</b>	<b>10,749</b>	<b>210</b>
Safety - Service	2,153	2,068	85
Safety - Beneficiary	564	558	6
Safety - Nonservice-Connected Disability	18	17	1
Safety - Service-Connected Disability	240	243	(3)
<b>Total Safety</b>	<b>2,975</b>	<b>2,886</b>	<b>89</b>
<b>Total Retirees and Beneficiaries</b>	<b>13,934</b>	<b>13,635</b>	<b>299</b>
<b>Terminated employees entitled to benefits but not yet receiving them:</b>			
Miscellaneous Tier 1	17	23	(6)
Miscellaneous Tier 2	71	84	(13)
Miscellaneous Tier 3	2,160	2,298	(138)
Miscellaneous Tier 4	133	133	-
Miscellaneous Tier 5	1,886	1,451	435
<b>Total Miscellaneous</b>	<b>4,267</b>	<b>3,989</b>	<b>278</b>
Safety Tier 1	12	17	(5)
Safety Tier 2	283	312	(29)
Safety Tier 3	14	14	-
Safety Tier 4	126	91	35
<b>Total Safety</b>	<b>435</b>	<b>434</b>	<b>1</b>
<b>Total Terminated Members</b>	<b>4,702</b>	<b>4,423</b>	<b>279</b>
<b>Grand Total</b>	<b>31,803</b>	<b>30,815</b>	<b>988</b>



## Pension Benefits

The System's benefits are established by the provisions of the 1937 Act and PEPRRA and provide for retirement, death, and disability benefits. All permanent full-time and part-time employees of the County, Superior Court and Special Districts are eligible to participate in the System. Upon reaching five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years of service has been achieved for Miscellaneous Tiers 1, 2, 3 and 4 and Safety Tiers 1, 2, and 3, or prior to attaining age 52 or if less than 5 years of service has been achieved for Miscellaneous Tier 5, or prior to attaining age 50 or if less than 5 years of service has been achieved for Safety Tier 4.

Effective June 29, 2003, the County Board of Supervisors adopted new benefit formulas for all SCERS members, including the employees of Special Districts, for service credit prospectively from June 29, 2003, and for County employees, retroactively to service credit which precedes that date. In accordance with applicable retirement law, each SCERS Special District's governing body determined whether or not to apply these formulas retroactively for service credit earned prior to June 29, 2003 by their employees.

### **Retirement benefits under Safety Tiers 1 and 2 and Miscellaneous Tiers 1, 2 and 3 are as follows:**

- Members covered under Safety Tier 1 who retire at age 50, or thereafter, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final average salary is the member's average salary for the highest twelve consecutive months of credited service.
- Members covered under Safety Tier 2 who retire at age 50, or thereafter, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.47 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final average salary is the member's average salary for the highest twelve consecutive months of credited service.
- Members covered under Miscellaneous Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.47 percent of their final average salary for each year of credited service. There is no cost-of-living adjustment. Final average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.47 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Miscellaneous Tiers 1, 2, and 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.61 percent of final average salary for each year of credited service at age 62.

Members whose employers determined not to retroactively apply the formulas to service credit earned prior to June 29, 2003 will continue to have their retirement benefits for that service calculated pursuant to the formulas in effect at the time the service was earned (i.e., Safety and Miscellaneous members who retire at age 50 earn 2 percent and 1.1 percent, respectively, of their final average salary for each year of credited service).

Effective January 1, 2012, the County Board of Supervisors adopted new tiers for County employees hired on or after January 1, 2012, but before January 1, 2013. Retirement benefits under these tiers are as follows:

- Members covered under Safety Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 2.29 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 4 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.18 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Safety Tier 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 3 percent of final average salary for each year of credited service at age 55. The retirement benefits of Miscellaneous Tier 4 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.43 percent of final average salary for each year of credited service at age 65.

Effective January 1, 2013, with the implementation of PEPRA, the County Board of Supervisors adopted new tiers for employees of the County, Superior Court and Special Districts who are eligible to participate in the System and who were hired on or after January 1, 2013. Retirement benefits under these new tiers are as follows:

- Members covered under Safety Tier 4 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 5 who retire at age 52 are entitled to a retirement benefit, payable monthly for life, equal to 1 percent of their final average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Safety Tier 4 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.7 percent of final average salary for each year of credited service at age 57. The retirement benefits of Miscellaneous Tier 5 members who retire after age 52 are increased by an age factor for each quarter year of age up to a maximum of 2.5 percent of final average salary for each year of credited service at age 67.

### Member Termination

Upon separation from employment with a participating employer, members' accumulated contributions are refundable with interest accrued through the prior six-month period ended June 30 or December 31. Interest on member accounts is credited semiannually on June 30 and December 31. Withdrawal of such accumulated contributions results in forfeiture of the related benefits.

### Financing

Benefits payable by the System are financed through member contributions, employer contributions, and earnings from investments. Member contributions are required by law. Contribution rates, which are actuarially determined, are based on age at entry into the System (a single rate is used for members entering the System after January 1, 1975). County, Superior Court and Special Districts' contributions are actuarially determined to provide for the balance of contributions needed to fund benefits. All contribution rates are reviewed and revised annually. The authority for both benefit provisions and contribution obligations are derived from the 1937 Act and PEPRA.

## Note 2 – Summary Of Significant Accounting Policies

SCERS reports fiduciary funds at June 30, 2023, which include pension trust and custodial funds. The pension trust fund and custodial fund are accounted for on the flow of economic resources measurement focus and the accrual basis of accounting. The custodial fund accounts for assets held by SCERS in a custodial capacity on behalf of the participating employers to fund the Retiree Medical and Dental Insurance Program. See [Note 8](#) for a detailed description of the program.

### Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB).

### Valuation of Investments

The majority of the investments held at June 30, 2023 are in the custody of, or controlled by, State Street Bank, the System's custodian bank. The System's investment portfolio consists of domestic and international equities, domestic and international fixed income, real assets, real estate, absolute return, private credit, and private equity. The diversity of the System's investment portfolio requires a wide range of techniques to determine fair value. Investments are valued at their fair values in accordance with GASB Statement No. 72, Fair Value Measurement and Application, which results in the recognition of fair value gains and losses. See [Note 3, Section 2](#) for disclosures related to investment classification and valuation.

### Contributions and Benefits

Member and employer contributions are recognized when due pursuant to statutory requirements. Benefits and refunds are recognized when the benefits are currently due and payable in accordance with the terms of the Plan.

## Income and Expenses

Interest income is recognized as it accrues. Dividend income is recognized when the dividends are declared. Realized gains and losses and unrealized gains and losses on investments are combined and reported together as net appreciation (depreciation) in the fair value of investments. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investment purchases and sales are recorded based on trade date accounting.

## Securities Lending

Securities lending transactions are short-term collateralized loans of the System's securities for the purpose of generating additional investment income. For each lending transaction, the System receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on the System's Statement of Fiduciary Net Position as if the lending transactions had not occurred. Cash collateral received for the loaned securities is reported as securities lending obligation on the Statement of Fiduciary Net Position. Cash collateral is reinvested in the lending agent's cash collateral investment pool, valued at fair value, and reported as securities lending collateral on the Statement of Fiduciary Net Position. Non-cash collateral held is not reported on the Statement of Fiduciary Net Position nor is there a corresponding liability reported on the financial statement as the System does not have the ability to pledge or sell them without a borrower default. See [Note 3, Section 3](#) for disclosures related to securities lending transactions.

## Capital Assets

Capital assets are carried at cost, net of accumulated depreciation and amortization. SCERS's capitalization threshold is an initial cost of \$10,000 and two years of useful life. Depreciation and amortization are calculated using the straight-line method over the estimated useful lives of the depreciable assets or over the term of the lease. The estimated useful lives for the assets in each category are as follows:

<b>Capital Assets</b>	<b>Estimated Useful Lives</b>
Computer Software	3 years
Computer Hardware	5 years
Office Equipment	5 years
Office Furniture	5 years
Office Lease (Right-to-use lease assets)	20 years (lease term)
Building improvements	7 years
Information System	15 years

SCERS updated the capital asset policy and revised the useful lives of assets.

Impairment of Pension Administration System (PAS): Government Accounting Standard Board (GASB) 42 *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and GASB 51 *Accounting and Financial Reporting' for Intangible Assets* require impaired capital assets that are no longer in use to be reported at the lower of carrying value or fair value. SCERS fully impaired the capitalized cost of \$17.13 million related to the Board decision to decommission the Pension Administration System (PAS).

Total Net Capital Assets of \$4.88 million include \$4.77 million related to right-to-use lease asset. SCERS' office located at **980 9th Street, Suite 1900, Sacramento, CA 95814** is the only current lease reported under Governmental Accounting Standards Board (GASB) 87 concurrently exceeding the \$10,000 capitalization threshold. The original lease period from March 1, 2011, and April 30, 2021, was extended to April 30, 2031. SCERS does not plan to extend the lease after April 30, 2031. There are no outstanding lease commitments nor impairment losses recognized, and other payments or variables excluded in previous lease liability are not recognized this year.

The rental amount is expected to increase annually by 3% approximately from \$58,021 to \$75,769 per month during the renewal lease term from May 1, 2021, to April 30, 2031. SCERS determined a 5% annual interest rate based on researching the average calculation of present value of minimum lease payment in lieu of the lessor not providing an interest rate.

**Future Lease Payment Maturity Schedule under GASB Statement No. 87**

AS OF JUNE 30, 2023

(Amounts Expressed in Thousands)

Year	Interest	Principal	Total Payment
2023-24	\$231	\$450	\$681
2024-25	228	538	766
2025-26	200	588	788
2026-27	169	642	811
2027-28	136	700	836
2028-29	99	761	860
2029-30	60	827	887
2030-31	17	741	758
<b>Total</b>	<b>\$1,140</b>	<b>\$5,247</b>	<b>\$6,387</b>

**Other Assets**

Other assets consist of other accounts receivable, prepaid expenses, and security deposits.

**Administrative Expenses**

Administrative costs are financed through employer contributions, member contributions and earnings from investments.

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect disclosures and reported amounts.. Actual results could differ from those estimates.

**Comparative Totals**

The Basic Financial Statements includes prior year summarized comparative information in total but not at the level of detail required for presentation in conformity with generally accepted accounting principles in the U.S. Accordingly, such information should be read in conjunction with SCERS' financial statements for the fiscal year ended June 30, 2022, from which the summarized information was derived.

## New Accounting Pronouncements

GASB Statement No. 93, Replacement of Interbank Offered Rates, was issued in March 2020. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of the IBOR (Inter Bank Offered Rate). The global reference to LIBOR (the London Inter Bank Offered Rate) will cease at the end of 2021. Statement No. 93, removes LIBOR as an appropriate benchmark interest rate and identifies a Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates. The Statement also provides exceptions for hedge accounting termination provisions of Statement No. 53 and lease modification guidance in Statement No. 87, which will result from replacement of the reference rate. The provisions of Statement No. 93, are effective for reporting periods beginning after June 15, 2021. This Statement did not have an impact on SCERS.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, was issued in May 2020. This statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs). The guidance requires the recognition of a right-to-use subscription asset and a corresponding subscription liability for contracts that convey control of the right-to-use another party's information technology software alone or in conjunction with tangible capital assets for a specified time period in an exchange or exchange-like transaction. The requirements of this statement are similar to those of Statement No. 87, *Leases*. The provisions of this statement are effective with fiscal years beginning after June 15, 2022, SCERS does not have any SBITAs that meet the criteria of this GASB Statement and concurrently exceed the \$10,000 capitalization threshold.

GASB Statement No. 99, *Omnibus*, was issued in April 2022. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The practice issues addressed with this Statement that are applicable to SCERS are clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives. The requirements related to leases are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. SCERS reviewed the applicable provisions but it did not impact the financial statements as of June 30, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections - An amendment of GASB Statement No. 62*, was issued in June 2022. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in the absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements. This Statement also requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature and quantitative effects should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. The requirements of

this Statement are effective with fiscal years beginning after June 15, 2023, and reporting periods thereafter. SCERS will implement the applicable provision of this Statement for the fiscal year ending June 30, 2024.

GASB Statement No. 101, *Compensated Absences*, was issued in June 2022. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurements guidance for compensated absences. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also requires that a liability for certain types of compensated absences including parental leave, military leave, and jury duty leave not be recognized until the leave commences. The requirements of this Statement are effective with fiscal years beginning after December 15, 2023, and reporting periods thereafter. SCERS will implement the applicable provision of this Statement for the fiscal year ending June 30, 2025.

## Note 3 - Cash And Investments

### Section 1: Investment Policies

Article XVI, Section 17 of the Constitution of the State of California provides that "...notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system..." Article XVI, Section 17(a) further provides that "...the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets...". The investment authority for the System rests primarily through the "prudent person rule," as set forth in Section 31595 of the 1937 Act, which establishes a standard for all fiduciaries, including anyone with investment authority on behalf of the System.

### Asset Allocation

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to reduce the range of outcomes to which the portfolio is subject, and to protect the System from the possibility that a particular asset class may experience poor investment performance in a given period. The System's adopted asset allocation policy as of June 30, 2023, is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Equity	40 %
Fixed Income	18
Private Equity	11
Real Estate	9
Real Assets	7
Absolute Return	7
Private Credit	5
Cash	2
Liquid Real Return	1
<b>Total</b>	<u>100 %</u>

## Section 2: Investment Summary

### Cash Invested with Sacramento County Treasurer

The System invests cash held for benefit payments and general operations in the County Treasurer's pool. The County Treasury Oversight Committee is responsible for regulatory oversight of the pool. The System's share of the County Treasurer's pool is separately accounted for, and interest earned, net of related expenses, is apportioned quarterly based on the proportion of the System's average daily cash balance to the total of the pooled cash and investments.

The value of the System's pooled shares is determined on an amortized cost basis, which approximates fair value. The fair value of the System's cash invested with the County Treasurer for both pension trust and custodial funds totaled \$10.5 million at June 30, 2023. The pool was not rated, and the weighted-average maturity of the pool was 267 days at June 30, 2023.

Interest earned but not received from the County Treasurer at year end is reported as a component of accrued investment income on the Statement of Fiduciary Net Position. Cash and investments included within the County Treasurer's pool are described in the County's Annual Comprehensive Financial Report.

### Other Cash and Cash Equivalents

At June 30, 2023, other cash and cash equivalents constituted balances in bank demand deposit accounts of \$203.9 million.

### Short-Term Investments with Fiscal Agents

Short-term investments, which include highly-liquid investments expected to be utilized by the System within 30-90 days, are reported at fair value. These investments may include securities that have a maturity in excess of 90 days but are readily marketable. At June 30, 2023, the fair value of the System's short-term investments with fiscal agents was \$376.9 million. These totals consisted of investments in the State Street Short-Term Investment Fund (STIF). The STIF is designed to provide qualified benefit plans with an investment vehicle that may be accessed on a daily basis. The STIF is limited to investing in securities that are rated A-1 by Moody's Investors Services (Moody's) and P-1 by Standard & Poor's Corporation (S&P) at the time of issuance. As of June 30, 2023, the STIF is not rated by credit rating agencies. Most investments range in maturity from overnight to 90 days with 32% of the investment over 90 days. For the fiscal year ended June 30, 2023, the weighted-average maturity was 25 days. Investments in the STIF from all participating custodial clients of State Street Bank were \$54.9 billion on June 30, 2023.

### Fair Value of Investments

The System measures and records its investments using fair value measurement guidelines established by U.S. generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy, as follows:

**Level 1** - Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities accessible on the measurement date.

**Level 2** - Fair value is determined using quoted prices in inactive markets or significant observable inputs (including, but not limited to, quoted prices for similar investments, interest rates, foreign exchange rates, volatility and credit spreads), either directly or indirectly. These inputs may be derived principally from, or corroborated by, observable market data through correlation or by other means.

**Level 3** - Fair value is determined using unobservable inputs, including situations where there is little market activity, if any, for the asset or liability.



The System had the following recurring fair value measurements at June 30, 2023:

### Investment by Fair Value Level

JUNE 30, 2023

(Amounts Expressed in Thousands)

	Fair Value Measurements by Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Equity Securities</b>				
Communication Services	\$269,908	\$269,908	\$-	\$-
Consumer Discretionary	415,607	415,404	203	-
Consumer Staples	223,950	223,950	-	-
Energy	161,042	161,042	-	-
Financials	474,467	474,467	-	-
Health Care	460,563	460,563	-	-
Industrials	566,190	566,190	-	-
Information Technology	648,517	648,517	-	-
Materials	140,892	140,747	145	-
Private Placement	572	311	261	-
Real Estate	96,762	96,762	-	-
Utilities	74,826	74,826	-	-
<b>Total Equity Securities</b>	<b>\$3,533,296</b>	<b>\$3,532,687</b>	<b>\$609</b>	<b>\$-</b>
<b>Fixed Income Securities</b>				
Securitized Obligations				
Asset-Backed Securities	\$339,928	\$-	\$339,928	\$-
Credit Obligations				
Corporate Bonds	321,086	344	320,742	-
Municipals	7,843	-	7,843	-
Yankees	61,408	-	61,408	-
Private Placement	204		204	
U.S. Government and Agency Obligations				
Agency Securities	44,648	-	44,648	-
U.S. Treasury	849,491	-	849,491	-
International Government	3,347	-	3,347	-
Collateralized Mortgage Obligations	127,109	-	127,109	-
Mortgage Pass-Through				
FHLMC	90,641	-	90,641	-
FNMA	314,976	-	314,976	-
GNMA	67,450	-	67,450	-
<b>Total Fixed Income Securities</b>	<b>2,228,131</b>	<b>344</b>	<b>2,227,787</b>	<b>-</b>
<b>Total Investments by Fair Value Level</b>	<b>\$5,761,427</b>	<b>\$3,533,031</b>	<b>\$2,228,396</b>	<b>\$-</b>

**Investments Measured at the Net Asset Value (NAV)****JUNE 30, 2023***(Amounts Expressed in Thousands)*

	<b>Fair Value</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (If Currently Eligible)*</b>	<b>Redemption Notice Period</b>
Equity Commingled Funds	\$1,247,838	\$-	Daily, monthly	1 - 60 days
Fixed Income Commingled Funds	14,153	-	Monthly, quarterly	30 - 90 days
Real Assets	1,060,383	307,065	Quarterly and 3-Years	90 days
Real Estate	999,559	217,155	Monthly and quarterly	30 - 90 days
Absolute Return	845,895	-	Monthly and quarterly	30 - 90 days
Private Credit	415,913	292,183	Not applicable	-
Private Equity	1,652,724	820,879	Not applicable	-
Securities Lending Collateral	195,198	-	Not applicable	-
<b>Total Investments Measured at the NAV</b>	<b>6,431,663</b>			
<b>Total Investments</b>	<b>\$12,193,090</b>			

\*Not applicable for closed end real assets, real estate, private credit and private equity funds.

Note: In the event of significant asset outflows for a particular fund, the timing of redemption proceeds could extend beyond those disclosed.

**Investment Derivative Instruments****JUNE 30, 2023***(Amounts Expressed in Thousands)*

	<b>Total</b>	<b>Fair Value Measurements by Using</b>		
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>	<b>Significant Unobservable Inputs (Level 3)</b>
<b>Assets</b>				
Forwards	\$868	\$868	\$-	\$-
Options	21	-	21	-
Swaps	73,809	-	73,809	-
<b>Liabilities</b>				
Forwards	(321)	(321)	-	-
Options	(190)	-	(190)	-
Swaps	(73,187)	-	(73,187)	-
<b>Total Investment Derivative Instruments</b>	<b>\$1,000</b>	<b>\$547</b>	<b>\$453</b>	<b>\$-</b>

### **Equity Securities**

The majority of the System's domestic and international equity securities are actively traded on major stock exchanges or over-the-counter (OTC). Investments listed or traded on a securities exchange are valued at fair value as of the close of trading on the valuation day. Fair value is determined based on the last reported trade price on the exchange considered to be the primary market for such security. Listed investments that are not traded on a particular day are valued at the last known price which is deemed best to reflect their fair value. Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

### **Fixed Income Securities**

Debt securities consist of investments in customized separate accounts and commingled funds which primarily invest in negotiable obligations of the U.S. Government and U.S. Government-sponsored agencies, U.S. and non-U.S. corporations, securitized offerings backed by residential and commercial mortgages, and non-dollar denominated sovereign states. Debt securities that are not actively traded are valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value, and are classified in Level 2. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings, and other assumptions based upon the specifics of the asset type.

### **Equity and Fixed Income Commingled Funds**

Certain equity and fixed income investments are invested in a commingled fund to provide dedicated exposure to a specific segment of the market and are valued at the Net Asset Value (NAV). An example would be an emerging market equity mandate invested through a commingled fund, or a core plus fixed income mandate where SCERS receives the high yield credit exposure through a commingled fund that is managed by the investment manager. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the fund manager on a continuous basis and audited annually. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment.

### **Investments Measured at the Net Asset Value (NAV)**

Investments valued using the net asset value (NAV) per share (or its equivalent) are investments in non-governmental pooled investment vehicles (i.e., limited partner or non-managing member interest or LP/LLC interest). These alternative investments, unlike more traditional investments, generally do not have readily obtainable fair values and are generally valued at the most recent net asset value per unit or based on capital account information available from the general partners of such vehicles. If the June 30 valuations are not available, the value is derived from the most recent available valuation taking into account of subsequent cash flow activities.

### **Absolute Return**

Absolute return investments are made on a direct basis in limited partnerships, commingled funds, separate accounts, and through externally managed customized separate accounts (CSA). Each CSA manager's investments consist of portfolio funds and co-investments as well as marketable securities held from time to time as a result of a distribution from a portfolio fund.

Absolute return investments include commingled funds that invest in domestic and international investment strategies including: (1) Market neutral strategies such as equity or fixed income market neutral, fixed income arbitrage, and convertible bond arbitrage; (2) Event driven strategies such as risk arbitrage, merger arbitrage, distressed debt, credit and other event-driven strategies; (3) Equity and credit long/short strategies where there is a combination of long and short positions primarily in exchange traded securities, with a net market exposure less than 100% of that of the overall equity or fixed income market (strategies may be focused on U.S., non-U.S., and/or specialty mandates); (4) Global Macro strategies such as all market portfolios, opportunistic long-only, managed futures, currency, dedicated short selling strategies or other specialty strategies; and (5) Multi-strategies where absolute return managers invest using a combination of previously described strategies.

Absolute return investments are generally less liquid as compared to equity and fixed income and more liquid as compared to private market investments, such as real assets, real estate, private credit, and private equity. Direct absolute return investments consist of securities traded on national security exchanges, as well as securities that do not have readily determinable fair values (illiquid securities). For CSAs, the fund manager's evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided to them by the portfolio funds, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any.

Typically, the fair value of investments is determined by the fund manager in good faith and in compliance with the following guidelines:

- The value of illiquid investments is determined by the fund manager in good faith and in compliance with the definition of fair value under U.S. GAAP (Financial Accounting Standards Board (FASB) Accounting Standards Codification, Topic 820, Fair Value Measurements and Disclosures); however, in some circumstances certain illiquid investments may require reporting financial information and valuations in accordance with accounting standards other than U.S. GAAP, such as under International Financial Reporting Standards.
- Securities that are traded on a national securities exchange are valued at their last reported sales prices on the valuation date on the national securities exchange on which such securities are principally traded or on a consolidated tape which includes such exchange, or, if there are no sales on such date on such exchange or consolidated tape, securities are typically valued at the mean between the last "bid" and "ask" prices at the close of trading on such date on the largest national securities exchange on which such securities are traded.
- Securities not traded on a national securities exchange, but traded over-the-counter, are valued at the last reported sales price as reported by the Nasdaq National Market of the Nasdaq Stock Market, or if such prices are not reported by the Nasdaq Stock Market, as reported by the National Quotation Bureau, Inc., or if such prices are not reported by the National Quotation Bureau, the valuation of options or notional principal contracts not traded on a national securities exchange may be determined in good faith by a reliable source selected by the fund manager.
- Commodity interests traded on a United States or foreign exchange are valued at their last reported settlement price on the valuation date on the exchange on which such interests were purchased or sold. Commodity interests not traded on a United States or foreign exchange are valued at the mean between

their last “bid” and “asked” prices on the date as of which the value is being determined, as reported by a reliable source selected in good faith by the fund manager.

- Short-term money market instruments and bank deposits are valued at cost plus accrued interest to the date of valuation.

### **Real Assets and Real Estate**

Real assets and real estate investments are held in limited partnerships. Limited partner interest is valued using the NAV of the partnership. Core and core plus real estate is held typically as a limited partner in a commingled fund and is valued at NAV. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a recurring basis, audited annually, and periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment. Real assets and real estate investments are held in open-ended and closed-ended commingled funds. Closed-ended commingled funds are long-term and illiquid in nature. As a result, investors are subject to redemption restrictions, which generally limit distributions and restrict the ability of limited partners to exit a partnership investment. These investments cannot be redeemed with the funds unless sold in a secondary market. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over 2 to 15 years.

### **Private Credit and Private Equity**

Private credit investments include direct limited partnerships, commingled funds, and separate accounts that invest in direct lending, and opportunistic lending strategies. Private equity investments include limited partnerships, commingled funds and fund of funds (FoF) that invest in domestic and international private buyouts, venture capital, growth equity and distressed debt. Private credit and private equity investments are made both on a direct basis in limited partnerships, commingled funds, separate accounts, and through externally managed FoF. Each FoF manager’s investments consist of portfolio funds and co-investments as well as marketable securities held from time to time as a result of a distribution from a portfolio fund.

These investments are long-term and illiquid in nature. As a result, limited partners are constrained in their ability to exit a partnership investment prior to its dissolution, other than selling their interest in a private equity secondary market. Distributions are received through cash flows and the liquidation of the underlying assets of the fund. It is expected that the underlying assets of the fund would be liquidated over 8 to 15 years.

Limited partner interest in commingled funds is valued by using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a recurring basis, audited annually, and periodically appraised by an independent third party.

Typically, the fair value of all investments is determined by the fund manager in good faith and in compliance with the definition of fair value under U.S. GAAP (FASB Accounting Standards Codification, Topic 820, Fair Value Measurements and Disclosures). In some circumstances, partnership agreements require reporting financial information and valuations in accordance with accounting standards other than U.S. GAAP, such as under International Financial Reporting Standards. The measure of fair value by the fund manager is

typically conducted on a quarterly basis. Marketable securities are valued according to the most recent public market price with appropriate discounts to reflect any contractual or regulatory restriction upon sale.

The fair value of each investment as reported does not necessarily represent the amount that may ultimately be realized, since such amounts depend upon future circumstances that cannot reasonably be determined until the position is actually liquidated. The evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided by each fund, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any. The evaluation of the fair value of co-investments is based on the most recent information available at the time of valuation ascribed to such investments by the sponsor partnership. If the manager does not agree with this valuation, holds different securities than the sponsor partnership, is unable to obtain the sponsor partnership's valuation, or has information that results in a different valuation, the manager may use their own internal evaluation of fair value. The assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

### **Investment Derivative Instruments**

The fair values of derivative contracts can be affected by changes in interest rates, foreign exchange rates, commodity prices, credit spreads, market volatility, expected return, liquidity and other factors. The majority of the System's derivative instruments are traded in the OTC derivative market and are classified within Level 2. OTC derivatives classified within Level 2 are valued using models that utilize actively quoted or observable market input values from external market data providers, third-party pricing vendors and/or recent trading activity. The fair values of OTC derivatives for swaps and forward contracts are determined using discounted cash flow models. The fair values of option contracts and warrants are determined using Black-Scholes option pricing models. These models' key inputs include the contractual terms of the respective contract along with significant observable inputs, including interest rates, currency rates, credit spreads, equity prices, index dividend yield, volatility, and other factors. The fair value of rights is calculated using the same parameters used for pricing options, including the rights' subscription price, prevailing interest rates, time to expiration, and the share price of the underlying stock, taking into consideration the level of its volatility. Futures positions are exchange traded and settle in cash on a daily basis and thus have no fair value.

### **Annual Money-Weighted Rate of Return**

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 5.97%.

### Section 3: Securities Lending

State statutes permit the System to participate in securities lending transactions and, pursuant to a Securities Lending Authorization Agreement, the System has authorized State Street Bank and Trust Company (State Street) to act as its agent in lending the System's securities to broker-dealers and banks pursuant to an approved loan agreement.

During the fiscal year ended June 30, 2023, on behalf of the System, State Street loaned securities held by State Street as custodian, including U.S. government and agency obligations, domestic corporate bonds, and domestic and international equities and received, as collateral, U.S. and foreign currency, U.S. government bonds, U.S. corporate bonds, U.S. equity, and international equity securities. The System does not have the ability to pledge or sell security collateral absent a borrower default. Borrowers are required to deliver collateral for each loan equal to a minimum of 100% of the fair value of the loaned security.

During the fiscal year ended June 30, 2023, SCERS did not impose any restrictions on the amount of the loans that State Street made on its behalf. During the fiscal year ended June 30, 2023, there were no failures to return loaned securities or pay distributions thereon by any borrowers. Moreover, there were no losses resulting from a default of the borrowers or State Street.

SCERS and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Since the collateral received from the borrowers was greater than the amounts borrowed, the System had minimal credit risk exposure to the borrowers. Furthermore, the lending agreement with State Street requires the custodian to indemnify the System if the borrower fails to return the loaned securities.

Additional information regarding the cash collateral investment pool (collateral pool) follows:

**Method for Determining Fair Value.** The fair value of investments held by the collateral pool is based upon valuations provided by a recognized pricing service.

**Policy for Utilizing Amortized Cost Method.** Because the collateral pool does not meet the requirements of [Rule 2a-7 of the Investment Company Act of 1940](#), State Street has valued the collateral pool investments at fair value for reporting purposes.

**Regulatory Oversight.** The collateral pool is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the collateral pool), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the System's position in the collateral pool is the same as the System's pro rata share of the collateral pool.

Collateral and related securities on loan at June 30, 2023, were as follows:

(Amounts Expressed in Thousands)

Security Description	Fair Value of Reinvested Cash Collateral	Cash Collateral Value	Non-Cash Collateral Value	Fair Value of Securities on Loan
Fixed Income	\$126,015	\$123,727	\$181,133	\$305,948
Equity	69,182	67,838	28,296	96,434
<b>Total</b>	<b>\$195,197</b>	<b>\$191,565</b>	<b>\$209,429</b>	<b>\$402,382</b>

### Securities Lending Collateral Credit Risk

All of the cash collateral received for securities lending is invested in the State Street Compass Fund Liquidity Pool (The Compass Fund), which is not rated by credit rating agencies. At the time of purchase, all securities with maturities of 13 months or less must be rated at least A1, P1 or F1 and all securities with maturities in excess of 13 months must be rated A- or A3 by any two of the nationally-recognized statistical rating organizations or, if unrated, be of comparable quality. The fund may invest in other State Street managed vehicles provided they conform to the guidelines.

### Securities Lending Collateral Interest Rate Risk

The Compass Fund's Investment Policy Guidelines provide that the lending agent shall maintain the dollar-weighted average maturity of The Compass Fund in a manner that the lending agent believes is appropriate to the objective of The Compass Fund, provided that (i) in no event shall any Eligible Security be acquired with a remaining legal final maturity of greater than 18 months, (ii) the lending agent shall maintain a dollar-weighted average maturity of The Compass Fund not to exceed 75 calendar days and (iii) the lending agent shall maintain a dollar-weighted average maturity to final of The Compass Fund not to exceed 180 calendar days. As of June 30, 2023, the weighted average maturity was 7.15 days.

## Section 4: Deposit And Investment Risks

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, the following schedules disclose the System's investments subject to certain types of risk.

### Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally-recognized statistical rating organizations. The ratings used to determine the quality of the individual securities are the ratings provided by Standard & Poor's (S&P). If there are no ratings provided by S&P, then the ratings provided by Moody's and Fitch Group are used, respectively.

SCERS utilizes external investment managers to manage its portfolios. SCERS' Investment Policy specifies that fixed income investments will include both active and passive index investments in U.S. Treasury and agency securities, corporate bonds, mortgage-backed and asset-backed securities and non-dollar denominated sovereign and corporate debt.

SCERS' portfolio is comprised of actively-managed investment strategies in which each strategy will have a minimum average credit quality rating by a Nationally Recognized Statistical Rating Organization (NRSRO). Portfolio diversification is constrained by investment guideline parameters for each individual strategy in order to minimize overall market and credit risk.



## Notes to the Basic Financial Statements (continued)

SCERS' portfolio is comprised of actively-managed investment strategies in which each strategy will have a minimum average credit quality rating by a Nationally Recognized Statistical Rating Organization (NRSRO). Portfolio diversification is constrained by investment guideline parameters for each individual strategy in order to minimize overall market and credit risk.

The following table depicts the fixed income assets by credit rating as of June 30, 2023:

(Amounts Expressed in Thousands)

Credit Rating	Total	Securitized Obligations	Credit Obligations	Commingled Funds	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through		
								FHLMC	FNMA	GNMA
Aaa	\$189,217	\$98,620	\$1,652	\$-	\$6,250	\$-	\$82,695	\$-	\$-	\$-
AA+	471,185	95	266	-	57,325	-	7,882	90,641	314,976	-
AA-1	1,095	1,095	-	-	-	-	-	-	-	-
AA	7,117	5,346	1,745	-	-	-	26	-	-	-
AA-2	527	144	383	-	-	-	-	-	-	-
AA-	6,998	192	6,608	-	-	-	198	-	-	-
AA-3	1,901	698	410	-	-	-	793	-	-	-
A+	18,558	642	17,337	-	321	-	258	-	-	-
A-1	2,206	758	1,241	-	-	-	207	-	-	-
A	25,773	2,907	22,823	-	-	-	43	-	-	-
A-2	2,667	834	1,833	-	-	-	-	-	-	-
A-3	918	-	582	-	-	-	336	-	-	-
A-	74,248	74	74,037	-	-	-	137	-	-	-
BBB+	73,141	-	71,586	-	-	-	1,555	-	-	-
BAA-1	625	-	450	-	-	-	175	-	-	-
BBB	80,609	917	77,675	-	-	1,833	184	-	-	-
BAA-2	942	184	-	-	-	-	758	-	-	-
BBB-	56,398	699	52,429	-	-	495	2,775	-	-	-
BAA-3	2,134	415	862	-	-	-	857	-	-	-
BB+	19,711	1,344	16,568	-	199	402	1,198	-	-	-
BA-1	299	-	-	-	-	-	299	-	-	-
BB	12,540	572	10,055	-	-	-	1,913	-	-	-
BA-2	2,502	443	198	-	-	501	1,360	-	-	-
BB-	14,091	-	11,884	-	176	-	2,031	-	-	-
BA-3	1,070	-	-	-	-	-	1,070	-	-	-
B+	8,065	1,129	6,136	-	-	-	800	-	-	-
B-1	304	-	304	-	-	-	-	-	-	-
B	6,579	-	6,216	-	-	-	363	-	-	-
B-2	853	-	853	-	-	-	-	-	-	-
B-	2,671	9	2,447	-	-	-	215	-	-	-
CCC+	507	-	507	-	-	-	-	-	-	-
Caa1	1,282	-	1,282	-	-	-	-	-	-	-
CCC	1,604	631	356	-	70	116	431	-	-	-
CCC-	680	-	680	-	-	-	-	-	-	-
Caa3	237	-	237	-	-	-	-	-	-	-
CC	1,880	1,880	-	-	-	-	-	-	-	-
D	456	456	-	-	-	-	-	-	-	-
NA*	897,248	-	-	-	829,798	-	-	-	-	67,450
NR**	253,446	219,844	899	14,153	-	-	18,550	-	-	-
<b>Total</b>	<b>\$2,242,284</b>	<b>\$339,928</b>	<b>\$390,541</b>	<b>\$14,153</b>	<b>\$894,139</b>	<b>\$3,347</b>	<b>\$127,109</b>	<b>\$90,641</b>	<b>\$314,976</b>	<b>\$67,450</b>

\* NA represents securities explicitly guaranteed by the U.S. government, which are not subject to the GASB Statement No. 40 credit risk disclosure requirements.

\*\* NR represents those securities that are not rated.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2023, the System had no single issuer that exceeds 5% of total investments per GASB Statement No. 40 disclosure requirements or any one issuer which represents 5% or more of total fiduciary net position in accordance with GASB Statement No. 67. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from the disclosure requirements.

The System's investment policy does not allow more than 5% of the total portfolio fair value to be invested in any one issuer, and as of June 30, 2023, the System had no issuer that exceeds 5% of total portfolio fair value. As noted in the previous discussion of credit risk, manager investment guidelines place limitations on the maximum holdings in any one issuer.

### **Custodial Credit Risk**

Custodial credit risk is the risk that, in the event a financial institution or counterparty fails, the System would not be able to recover the value of its deposits, investments, or securities. As of June 30, 2023, the bank balance of cash and cash equivalents on deposit with SCERS' custodian bank and financial institutions totaled \$182.9 million, of which \$182.6 million was not insured by the Federal Deposit Insurance Corporation (FDIC) and was exposed to custodial credit risk. The System believes that the risk is not significant because the cash is held with major financial institutions.

As of June 30, 2023, deposits held in the System's name for the margin accounts of \$21.4 million were not insured or not collateralized, and these deposits were exposed to custodial credit risk.

As of June 30, 2023, 100% of the System's investments held with the custodian were held in the System's name, and the System is not exposed to custodial credit risk related to these investments. There are no general policies relating to custodial credit risk.

## Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment guidelines negotiated with the actively-managed external portfolio managers give each of the managers the discretion to deviate within a particular range from the effective duration of the relevant Bloomberg Aggregate Bond Index benchmark.

The following tables depict the duration in years of the long-term fixed income portfolio vs. the benchmark as of June 30, 2023.

(Amounts Expressed in Thousands)

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset-Backed Securities	\$339,928	0.34	2.42	(2.08)
Credit Obligations				
Corporate Bonds	321,086	5.33	7.33	(2.00)
Municipals	7,843	0.25	9.94	(9.69)
Yankees	61,408	0.61	5.57	(4.96)
Private Placement	204	-	3.75	(3.75)
U.S. Government & Agency Obligations				
Agency Securities	44,648	0.17	3.25	(3.08)
U.S. Treasury	849,491	7.17	7.43	(0.26)
International Government	3,347	4.08	6.50	(2.42)
Collateralized Mortgage Obligations	127,109	2.92	4.11	(1.19)
Mortgage Pass-Through				
FHLMC	90,641	6.34	5.01	1.33
FNMA	314,976	6.21	5.78	0.43
GNMA	67,450	5.40	5.29	0.11
No Effective Duration				
Commingled Fund	14,153	NA	NA	NA
<b>Total Fair Value with Weighted Average</b>	<b>\$2,242,284</b>	<b>5.05</b>	<b>6.18</b>	<b>(1.13)</b>

NA represents securities that have no effective duration.

## Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following tables represent cash and investments held in a foreign currency as of June 30, 2023:

(Amounts Expressed in Thousands)

Local Currency Name	Cash and Cash Equivalents	Equity	Fixed Income	Real Assets	Real Estate	Private Credit	Private Equity	Total
Australian Dollar	\$716	\$55,779	\$-	\$-	\$-	\$-	\$-	\$56,495
Brazilian Real	2	1,433	-	-	-	-	-	1,435
Canadian Dollar	1,158	100,041	144	-	-	-	-	101,343
Chilean Peso	-	306	-	-	-	-	-	306
Czech Koruna	62	-	-	-	-	-	-	62
Danish Krone	1,091	79,048	-	-	-	-	-	80,139
Euro Currency	3,712	436,866	18,193	5,454	174,550	24,225	117,305	780,305
Hong Kong Dollar	1,101	44,543	-	-	-	-	-	45,644
Hungarian Forint	(362)	-	-	-	-	-	-	(362)
Japanese Yen	2,109	284,546	-	-	7,109	-	-	293,764
Mexican Peso	(588)	-	-	-	-	-	-	(588)
New Israeli Sheqel	50	11,342	-	-	-	-	-	11,392
New Zealand Dollar	(343)	1,115	-	-	-	-	-	772
Norwegian Krone	(55)	10,474	-	-	-	-	-	10,419
Polish Zloty	(510)	-	-	-	-	-	-	(510)
Pound Sterling	573	154,236	3,150	-	471	-	-	158,430
Singapore Dollar	57	17,892	-	-	-	-	-	17,949
South African Rand	202	-	-	-	-	-	-	202
Swedish Krona	99	31,613	-	-	-	-	-	31,712
Swiss Franc	20	120,162	-	-	-	-	-	120,182
Yuan Renminbi	11	-	-	-	-	-	-	11
<b>Total</b>	<b>\$9,105</b>	<b>\$1,349,396</b>	<b>\$21,487</b>	<b>\$5,454</b>	<b>\$182,130</b>	<b>\$24,225</b>	<b>\$117,305</b>	<b>\$1,709,102</b>

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. The System does not have a foreign currency risk policy.

### Highly Sensitive Investments

As of June 30, 2023, SCERS' investments included Collateralized Mortgage Obligations and Mortgage Pass-Through securities totaling \$600.1 million. These securities are highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities.

As of June 30, 2023, total commodities investments was \$1.0 million. The investments consist of commodity futures hedge fund-of-funds and exposure through a customized, diversified real assets strategy.

Spot commodity prices have historically been a poor investment and have declined in real terms. However, investment in collateralized commodity futures can provide higher returns. The futures market is an efficient way for producers to hedge price risk by forward-selling commodities at lower prices relative to spot prices to investors and speculators generating a roll yield (backwardation).

In general, commodities are volatile investments that are prone to large price spikes. By investing in commodity futures, investors get exposure to short-term price movement and risk, as well as long-term price trends. This price volatility and the need for producers to hedge their production provides the fundamental rationale for why investment managers pay the risk premium to speculators and long-only investors in the commodity markets.

## Section 5: Derivative Instruments

The System's investment portfolios contain individual securities as well as investments in external investment pools. The System's investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include futures contracts, currency forward contracts, option contracts, swap agreements, and rights and warrants. The System uses derivatives to minimize the exposure of certain investments to adverse fluctuations in financial and currency markets, as an alternative to investments in the cash market in which the manager is permitted to invest, and as an additional yield curve and/or duration management strategy. The System does not use derivatives for speculative purposes or to create leverage, however, this does not apply to investments in external pools. As of June 30, 2023, the derivative instruments held by the System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

The table below presents the related net appreciation/(depreciation) in fair value, the fair value and the notional value of derivative instruments outstanding at June 30, 2023:

*(Amounts Expressed in Thousands)*

Investment Derivative Instruments	Net Appreciation/ (Depreciation) in Fair Value of Investments	Financial Statement Classification	Fair Value	Notional
Forwards	\$308	Investment Sales and Other	\$547	\$77,193
Futures	53,198	Investment Sales and Other	-	378,430
Options	(260)	Investment Purchases and Other	(169)	(2,979)
Rights/Warrants	20	Investment Sales and Other	-	2
Swaps	17,064	Investment Purchases and Other	622	73,280
<b>Total Derivative Instruments</b>	<b>\$70,330</b>		<b>\$1,000</b>	

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the instruments themselves have no fair value at June 30, 2023, or at the end of any trading day. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under net appreciation/(depreciation) in fair value of investments as they are incurred.

Forward contracts are obligations to buy or sell a currency or other commodity at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2023.

### Counterparty Credit Risk

The table below presents the counterparty credit ratings of the System's non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2023:

(Amounts Expressed in Thousands)

<b>S&amp;P Rating</b>	<b>Forward</b>	<b>Swaps</b>	<b>Total</b>
A	\$61	\$-	\$61
A-	315	-	315
A+	451	-	451
AA-	22	-	22
BBB+	-	1,051	1,051
Investments in Asset Position	849	1,051	1,900
Investments in Liability Position	(302)	(415)	(717)
<b>Total Investments in Asset/(Liability) Position</b>	<b>\$547</b>	<b>\$636</b>	<b>\$1,183</b>

The System could be exposed to risk if the counterparties to derivative contracts are unable to meet the terms of the contracts. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. The System anticipates that the counterparties will be able to satisfy their obligations under the contracts.

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty risk at June 30, 2023, was \$1.9 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The System did not have any master netting agreements with its counterparties at June 30, 2023, except that certain investment managers used netting arrangements at their discretion to minimize counterparty risks. The above schedules present exposure for similar instruments with the same counterparty on a net basis.

At June 30, 2023, the System did not have any significant exposure to counterparty credit risk with any single party.

**Interest Rate Risk**

At June 30, 2023, the System is exposed to interest rate risk on its derivative instruments as presented in the following tables:

(Amounts Expressed in Thousands)

Investment Type	Total Fair Value	Investment Maturities (in years)			
		Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Bought	\$(425)	\$0	\$(425)	\$0	\$0
Credit Default Swaps Written	523	-	523	-	-
Fixed Income Options Bought	-	-	-	-	-
Fixed Income Options Written	(1)	(1)	-	-	-
Interest Rate Swaps	524	-	373	100	51
<b>Total</b>	<b>\$621</b>	<b>\$(1)</b>	<b>\$471</b>	<b>\$100</b>	<b>\$51</b>

**Derivative Instruments Highly Sensitive to Interest Changes**

(Amounts Expressed in Thousands)

Investment Type	Reference Rate	Fair Value	Notional Value
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1%	\$352	2,911
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1.15%	100	426
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1.2%	51	197
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 4.94625%	(4)	4,028
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 5.11%	8	5,300
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 5.088%	17	53,260
<b>Total Interest Rate Swaps</b>		<b>\$524</b>	<b>\$26,068</b>



## Foreign Currency Risk

At June 30, 2023, the System was exposed to foreign currency risk on its investments in forward contracts and swaps denominated in foreign currencies as presented in the following tables:

(Amounts Expressed in Thousands)

Currency Name	Forward Contracts		Swaps	Total Exposure
	Net Receivables	Net Payables		
Australian Dollar	\$5	\$6	\$-	\$11
Brazilian Real	18	3	-	21
Canadian Dollar	140	(39)	-	101
Chilean Peso	-	(9)	-	(9)
Colombian Peso	64	-	-	64
Euro Currency	(13)	217	(15)	189
Hungarian Forint	45	(10)	-	35
Indian Rupee	-	(11)	-	(11)
Indonesian Rupiah	(13)	-	-	(13)
Japanese Yen	(16)	-	-	(16)
Mexican Peso (new)	13	-	-	13
New Israeli Sheqel	(2)	2	-	-
New Taiwan Dollar	(14)	1	-	(13)
New Zealand Dollar	(2)	2	-	-
Polish Zloty	26	(40)	-	(14)
Pound Sterling	6	(62)	503	447
Singapore Dollar	0	13	-	13
Peruvian Sol	2	-	-	2
South African Rand	58	(4)	-	54
South Korean Won	(16)	39	-	23
Thailand Baht	-	20	-	20
Yuan Renminbi Offshore	(33)	151	-	118
<b>Total</b>	<b>\$268</b>	<b>\$279</b>	<b>\$488</b>	<b>\$1,035</b>

The System has investments in futures contracts. As indicated on the preceding pages, futures variation margin accounts are settled each trading day and recognized as realized gains/(losses) as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2023.

## Note 4 – Pension Liability And Significant Assumptions

The employers' net pension liability (i.e., the total pension liability determined in accordance with GASB Statement No. 67 less the System's fiduciary net position) as of June 30, 2023 is shown below:

(Amounts Expressed in Thousands)

	<b>2023</b>
Total Pension Liability	\$ 14,358,854
Less: Fiduciary Net Position	12,363,258
<b>Net Pension Liability</b>	<b>\$1,995,596</b>
Fiduciary Net Position as a % of Total Pension Liability	86.1%

The actuarial valuation of the System involves estimates of the amounts reported and assumptions about the probability of occurrence of events far into the future. Some examples include future salary increases and future employee mortality. The net pension liability is subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Triennially, the System requests that its actuary, Segal, perform an analysis of the appropriateness of all economic and non-economic assumptions. The last triennial analysis was performed as of June 30, 2023, and as a result of that analysis, the Board of Retirement approved certain changes to the actuarial assumptions, which were incorporated in the actuarial valuation report as of June 30, 2023.

### Disclosure of Information about Actuarial Methods and Assumptions

The required Schedule of Changes in Net Pension Liability and Related Ratios, immediately following the Notes to the Basic Financial Statements, presents multi-year trend information about whether the employers' net pension liability is increasing or decreasing over time.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

### Actuarial Methods and Renewal Application Part A and B:

The following significant actuarial assumptions were used to measure the total pension liability as of June 30, 2023:

	<b>2023</b>
<b>Discount rate</b>	6.75%
<b>Inflation rate</b>	2.50%
<b>Real across-the-board salary increase</b>	0.25%
<b>Projected salary increases*</b>	4.25% - 9.75%

\* Includes inflation at 2.50% plus real across-the-board salary increase of 0.25% plus merit and promotional increases as of June 30, 2023.

**Actuarial Methods and Renewal Application Part A and B (continued):****2023****Assumed post-retirement benefit increase:**

Miscellaneous Tier 1	2.75%
Miscellaneous Tier 2	0.00%
Miscellaneous Tier 3	2.00%
Miscellaneous Tier 4	2.00%
Miscellaneous Tier 5	2.00%
Safety Tier 1	2.75%
Safety Tier 2	2.00%
Safety Tier 3	2.00%
Safety Tier 4	2.00%

**Post-Retirement Mortality:**

## a) Service

**For Miscellaneous Members** - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

**For Safety Members** - Pub-2010 Safety Healthy Retiree Amount- Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

## b) Disability

**For Miscellaneous Disabled Members** - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), with rates unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

**For Safety Disabled Members** - Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and unadjusted for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

**Member Contribution Rate:**

**For Miscellaneous Members** - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males and 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 40% male and 60% female .

**For Safety Members** - Pub-2010 Safety Healthy Retiree Amount- Weighted Above-Median Mortality Table (separate tables for males and females) with rates decreased by 5% for males, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 75% male and 25% female.

**Pre-Retirement Mortality:** **For Miscellaneous Members** - Pub-2010 General Employee Amount- Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021, updated from MP-2019.

**For Safety Members** - Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021, updated from MP-2019.

**Other Assumptions:** Analysis of [actuarial experience studies](#) for the periods of July 1, 2019, through June 30, 2022, as of June 30, 2023.

### Assumed Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption, as of June 30, 2023, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity	40%	7.1%
Fixed Income – Core	12	2.0
Private Equity	11	10.1
Real Assets	7	7.3
Absolute Return	7	3.0
Core Real Estate	6	3.9
Private Credit	5	6.7
Fixed Income – U.S. Treasury	4	1.3
Liquid Real Return	2	4.4
Opportunistic Real Estate	1.5	8.6
Value Added Real Estate	1.5	6.7
Public Credit – High Yield	1	4.6
Public Credit – Leveraged Loan	1	4.1
Cash	1	0.6
<b>Total</b>	<b>100%</b>	<b>5.9%</b>

### Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The discount rate used to measure the total pension liability was 6.75% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that member contributions will be made based on the current contribution rate and that employer contributions will be made at the end of each pay period based on the actuarially determined contribution rates. For this purpose, only the employer contributions that are intended to fund benefits for current Plan members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service cost for future Plan members and their beneficiaries, as well as projected contributions from future Plan members, are not included.

Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the projected future benefit payments for current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2023.

In accordance with GASB Statement No. 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers’ net pension liability as of June 30, 2023, calculated using the discount rate, as well as what the employers’ net pension liability would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

(Amounts Expressed in Thousands)

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
	<b>5.75%</b>	<b>6.75%</b>	<b>7.75%</b>
Net pension liability	\$3,925,717	\$1,995,596	\$410,690

### Note 5 - Contributions Required And Contributions Made

Contributions to the Plan are made pursuant to Section 31584 of the 1937 Act. The System’s funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute, and such contributions range from 4.16% to 23.72% of annual covered salary for fiscal year 2022-23 depending on the member’s tier, employer, and bargaining unit. Each employer of the System is obligated by State law to make all required contributions to the Plan and, depending on the participating employer and their employees’ tiers, such contribution rates range from 12.04% to 72.96% of covered payroll for fiscal year 2022-23. The required contributions include current service cost and amortization of any unfunded prior service cost as of June 30, 2012, over a period of 23 years from June 30, 2012, amortization of any unfunded service costs resulting in actuarial gains or losses and amortization of any unfunded service costs resulting from changes in actuarial assumptions and methods over a 20-year period, amortization of any unfunded service costs resulting from Plan amendments over a 15-year period and amortization of any unfunded service costs resulting from retirement incentive programs over a period of up to 5 years.

Employer contribution rates are determined using the entry age normal cost method based on a level percentage of payroll. The System also uses this actuarial method to amortize the unfunded liability, if applicable. Member and employer contributions for the fiscal year ended June 30, 2023, totaled \$510.8 million. Included in this total are employer contributions of \$371.2 million in fiscal year 2022-23, of which \$331.1 million was made by the County of Sacramento. Member contributions were \$139.5 million in fiscal year 2022-23. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed as of June 30, 2021.

## Note 6 – Reserves

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Descriptions of the purpose for the reserve and designated accounts are provided below.

**Member reserve** represents the balance of member contributions. Additions include member contributions and interest earnings. Deductions include refunds of member contributions and transfers to retiree reserves.

**Employer reserve** represents the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and interest earnings. Deductions include transfers to retiree reserves, lump sum death benefits, and payments under California Government Code Sections 31725.5 and 31725.6 related to alternative employment for members otherwise entitled to disability retirement benefits.

**Retiree and death benefit reserves** represent the balance of transfers from member reserves, employer reserves, and interest earnings, less payments to retirees, and payments to beneficiaries of retired members who are deceased.

**Contingency reserve** was created to serve as a reserve against deficiencies in future earnings and unexpected expenses. Investment gains and losses are recognized (smoothed) over a seven-year period.

**Total allocated reserves** and designations represent the smoothed actuarial value of assets (the fair value of assets less the unrecognized/deferred gains and losses) and is the sum of the preceding reserves.

**Market stabilization reserve** represents the unrecognized/deferred gains and losses and is the difference between the smoothed actuarial value of assets and the net position restricted for pension benefits at fair value.

A summary of the various reserve accounts, which comprise net position restricted for pension benefits at June 30, 2023, is as follows:

*(Amounts Expressed in Thousands)*

	<b>2023</b>
Member reserve	\$1,100,473
Employer reserve	3,285,992
Retiree and death benefit reserve	7,665,731
Contingency reserve	370,898
Total allocated reserves and designations	12,423,094
Market stabilization reserve	(59,836)
<b>Net position restricted for pension benefits and program administration</b>	<b>\$12,363,258</b>

## Note 7 - Plan Termination

SCERS is administered in accordance with the provisions of the [1937 Act](#) found in the California Government Code at Section 31450 et seq. Once adopted by the governing body of a county, there are no provisions in the 1937 Act which permit the governing body of the county to terminate the Plan. Section 31564 permits the governing body of a district to withdraw its employees if certain prerequisites are met. The governing body of a county or district can adopt optional provisions within the 1937 Act via ordinance or resolution. Once adopted, Section 31483 permits the governing body of a county or district to terminate the applicability of the optional provisions after a future date as specified in a subsequent ordinance or resolution.

## Note 8 - Retiree Medical And Dental Insurance Program

### Plan Description

The Sacramento County Retiree Medical and Dental Insurance Program (the Program) is a multiple-employer medical and dental plan, which is sponsored and administered by the County of Sacramento and financed by three participating employers. SCERS' role in regard to the Program is limited to maintaining data provided by the administrator, collecting monies from the participating employers and retirees, and remitting premium payments to health carriers. The activities of the Program are accounted for in the custodial fund. SCERS does not provide any funding for the Program.

### Below is the list of employers participating in the Program as of June 30, 2023:

- County of Sacramento
- Sacramento Metropolitan Fire District
- Sacramento Employment and Training Agency

The Program provides medical and/or dental subsidy/offset payments to eligible retirees. The Sacramento County Board of Supervisors, at its own discretion, sets the amount of subsidy/offset payment available to eligible County retirees on a year-to-year basis. The medical subsidy amounts for special districts' retirees are varied and are established by each of the special district.

### Eligibility

**County annuitants who retired after May 31, 2007** - According to the Program's Administrative Policy, only County annuitants from bargaining unit 003, who retired after May 31, 2007, may be eligible for a premium subsidy/offset depending on the annuitant's credited service hours and type of retirement.

**Special Districts' annuitants** - The medical subsidy amounts for special districts' annuitants are varied and are established by each of the member districts.

There are no vested benefits associated with the Program. The Program does not create any contractual, regulatory, or other vested entitlement to present or future retirees, their spouses, or dependents for medical and/or dental benefits, or subsidy/offset payments at any particular level, or at all. The County of Sacramento and other participating employers may, in their sole discretion, amend or terminate, in whole or in part, the Program by Resolution of the Board of Supervisors.

### **Contributions and Reserves**

The System does not have any authority to establish or amend the obligations of the Plan members and employers to contribute to the Program. SCERS does not determine the contribution rate or collect the required contributions from employers. Monies received by the System in excess of liabilities to pay premiums are recognized as liabilities payable to the employers. There are no net position or legally required reserve accounts for the Program.

### **Request for Information**

Requests for additional financial information regarding the Program may be addressed to:

**County of Sacramento**  
**Department of Finance, Auditor-Controller Division**

700 H Street, Room 3650  
Sacramento, CA 95814

<https://finance.saccounty.gov/AuditorController/Pages/default.aspx>

### **Note 9 – Contingencies**

The System is involved in litigation relating to various matters. In the opinion of management, after consultation with legal counsel, the outcome of these matters is not expected to have a material adverse effect on the System's financial statements.

### **Note 10 – Subsequent Events**

The System has evaluated subsequent events through November 17, 2023, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.



## Required Supplementary Information

### Schedule Of Changes In Net Pension Liability And Related Ratios

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2023	2022	2021	2020	2019
<b>Total pension liability</b>					
Service cost	\$270,740	\$264,372	\$265,224	\$241,474	\$238,685
Interest	912,500	873,481	855,203	830,663	783,932
Differences between expected and actual experience	279,701	74,494	74,045	50,651	165,493
Changes of assumptions	(20,664)	-	(324,177)	216,097	-
Benefit payments, including refunds of member contributions	(662,407)	(618,892)	(578,421)	(540,750)	(505,853)
<b>Net change in total pension liability</b>	<b>779,870</b>	<b>593,455</b>	<b>291,874</b>	<b>798,135</b>	<b>682,257</b>
<b>Total pension liability - beginning</b>	<b>13,578,984</b>	<b>12,985,529</b>	<b>12,693,655</b>	<b>11,895,520</b>	<b>11,213,263</b>
<b>Total pension liability - ending (a)</b>	<b>\$14,358,854</b>	<b>\$13,578,984</b>	<b>\$12,985,529</b>	<b>\$12,693,655</b>	<b>\$11,895,520</b>
<b>Plan fiduciary net position</b>					
Contributions - member	\$139,521	\$132,526	\$120,597	\$126,354	\$121,843
Contributions - employer	360,674	323,610	292,534	274,055	240,238
Contributions - withdrawn employer <sup>(1) (2) (3)</sup>	12,390	(14,284)	5,816	5,114	45,404
Net investment income/(loss)	710,907	(547,787)	2,753,409	301,373	675,726
Benefit paid	(655,591)	(614,345)	(575,329)	(537,698)	(502,944)
Withdrawal of contributions	(6,816)	(4,547)	(3,092)	(3,053)	(2,909)
Administrative expenses	(28,178)	(8,971)	(9,165)	(8,460)	(7,601)
<b>Net change in plan fiduciary net position</b>	<b>532,907</b>	<b>(733,798)</b>	<b>2,584,770</b>	<b>157,685</b>	<b>569,757</b>
<b>Plan fiduciary net position - beginning</b>	<b>11,830,351</b>	<b>12,564,149</b>	<b>9,979,379</b>	<b>9,821,694</b>	<b>9,251,937</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>12,363,258</b>	<b>11,830,351</b>	<b>12,564,149</b>	<b>\$9,979,379</b>	<b>\$9,821,694</b>
<b>Net pension liability - ending (a-b)</b>	<b>\$1,995,596</b>	<b>\$1,748,633</b>	<b>\$421,380</b>	<b>\$2,714,276</b>	<b>\$2,073,826</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	86.1%	87.1%	96.8%	78.6%	82.6%
<b>Covered payroll</b>	\$1,175,393	\$1,078,235	\$1,034,343	\$1,059,984	\$1,017,885
<b>Net pension liability as a percentage of covered payroll</b>	169.8%	162.2%	40.7%	256.1%	203.7%

(1) Effective fiscal year ended 2018, the interest portion of withdrawn employer contributions was reported as Other Income on the Statement of Changes in Fiduciary Net Position.

(2) The withdrawn employer contributions reflected accrual of estimated unfunded actuarial accrued liability for which the withdrawn employer is contractually required to pay the System.

(3) This balance also includes other miscellaneous income.

## Schedule Of Changes In Net Pension Liability And Related Ratios (continued)

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2018	2017	2016	2015	2014
<b>Total pension liability<sup>(1)</sup></b>					
Service cost	\$234,325	\$193,490	\$186,438	\$185,428	\$192,701
Interest	747,682	706,016	675,920	643,427	617,240
Differences between expected and actual experience	18,566	(46,244)	(49,245)	(6,447)	(108,155)
Changes of assumptions	-	823,712	-	-	15,781
Benefit payments, including refunds of member contributions	(468,308)	(432,066)	(405,702)	(374,657)	(347,619)
<b>Net change in total pension liability</b>	<b>532,265</b>	<b>1,244,908</b>	<b>407,411</b>	<b>447,751</b>	<b>369,948</b>
<b>Total pension liability - beginning</b>	<b>10,680,998</b>	<b>9,436,090</b>	<b>9,028,679</b>	<b>8,580,928</b>	<b>8,210,980</b>
<b>Total pension liability - ending (a)</b>	<b>\$11,213,263</b>	<b>\$10,680,998</b>	<b>\$9,436,090</b>	<b>\$9,028,679</b>	<b>\$8,580,928</b>
<b>Plan fiduciary net position</b>					
Contributions - member	\$99,906	\$89,489	\$77,494	\$68,143	\$57,635
Contributions - employer	198,331	201,928	207,884	221,823	209,367
Contributions - withdrawn employer <sup>(1) (2) (3)</sup>	182	2,000	1,136	1,136	1,136
Net investment income/(loss)	844,489	1,048,915	(72,399)	158,222	1,107,152
Benefit paid	(465,354)	(429,754)	(403,356)	(372,369)	(344,890)
Withdrawal of contributions	(2,954)	(2,312)	(2,346)	(2,288)	(2,729)
Administrative expenses	(6,888)	(6,906)	(6,362)	(5,854)	(5,665)
<b>Net change in plan fiduciary net position</b>	<b>667,712</b>	<b>903,360</b>	<b>(197,949)</b>	<b>68,813</b>	<b>1,022,006</b>
<b>Plan fiduciary net position - beginning</b>	<b>8,584,225</b>	<b>7,680,865</b>	<b>7,878,814</b>	<b>7,810,001</b>	<b>6,787,995</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>9,251,937</b>	<b>8,584,225</b>	<b>7,680,865</b>	<b>\$7,878,814</b>	<b>\$7,810,001</b>
<b>Net pension liability - ending (a-b)</b>	<b>\$1,961,326</b>	<b>\$2,096,773</b>	<b>\$1,755,225</b>	<b>\$1,149,865</b>	<b>\$770,927</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	82.5%	80.4%	81.4%	87.3%	91.0%
<b>Covered payroll</b>	\$985,375	\$958,934	\$912,421	\$873,328	\$858,343
<b>Net pension liability as a percentage of covered payroll</b>	199.0%	218.7%	192.4%	131.7%	89.8%

(1) Effective fiscal year ended 2018, the interest portion of withdrawn employer contributions was reported as Other Income on the Statement of Changes in Fiduciary Net Position.

(2) The withdrawn employer contributions reflected accrual of estimated unfunded actuarial accrued liability for which the withdrawn employer is contractually required to pay the System.

(3) This balance also includes other miscellaneous income.

### Schedule Of Employer Contributions

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2023	2022	2021	2020	2019
Actuarially determined contribution (ADC)	\$360,674	\$323,610	\$292,534	\$274,055	\$240,238
Contributions in relation to the ADC	360,674	323,610	292,534	274,055	240,238
<b>Contribution deficiency (excess)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
Covered payroll	\$1,175,393	\$1,078,235	\$1,034,343	\$1,059,984	\$1,017,885
<b>Contributions in relation to the ADC as a percentage of covered payroll</b>	<b>30.7%</b>	<b>30.0%</b>	<b>28.3%</b>	<b>25.9%</b>	<b>23.6%</b>
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (ADC)	\$198,331	\$201,928	\$207,884	\$221,823	\$209,367
Contributions in relation to the ADC	198,331	201,928	207,884	221,823	209,367
<b>Contribution deficiency (excess)</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>	<b>\$-</b>
Covered payroll	\$985,375	\$958,934	\$912,421	\$873,328	\$858,343
<b>Contributions in relation to the ADC as a percentage of covered payroll</b>	<b>20.1%</b>	<b>21.1%</b>	<b>22.8%</b>	<b>25.4%</b>	<b>24.4%</b>

### Schedule Of Annual Money-Weighted Rate Of Return

FOR THE FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses*	6.0%	(4.3)%	27.4%	3.1%	7.2%	9.8%	13.6%	(1.0)%	2.0%	16.2%

## Notes To The Required Supplementary Information

For The Fiscal Year Ended June 30, 2023

The schedules presented in the Required Supplementary Information provide information to help promote an understanding of the employers' net pension liability over time on a fair value of assets basis. The Schedule of Changes in Net Pension Liability and Related Ratios includes historical trend information about the System's total pension liability and the progress made in accumulating sufficient assets to pay benefits when due.

The Schedule of Employer Contributions presents historical trend information about the actuarially determined contribution and the actual contributions made. The Schedule of Annual Money-Weighted Rate of Return presents investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

### Methods and Assumptions Used to Establish Actuarially Determined Contribution Rates

The following actuarial methods and assumptions were used to determine the fiscal year 2022-23 contribution rates reported in the Schedule of Employer Contributions:

<b>Valuation date:</b>	Actuarial valuation report as of June 30, 2021
<b>Actuarial cost method:</b>	Entry Age Actuarial Cost Method
<b>Amortization method:</b>	Level percentage of payroll
<b>Remaining amortization period:</b>	14 years (declining) as of June 30, 2021 for the outstanding balance of the June 30, 2012 Unfunded Actuarial Accrued Liability (UAAL). Effective June 30, 2013, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with each valuation. Any change in UAAL that arises due to plan amendments will be amortized over its own declining 15-year period and any change in UAAL due to retirement incentive programs will be amortized over a declining period of up to 5 years.
<b>Asset valuation method:</b>	The market value of assets less unrecognized returns from each of the last six years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a seven-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

**Actuarial assumptions:**

Investment rate of return:	6.75%, net of pension plan investment expense, including inflation	
Inflation rate:	2.75%	
Projected salary increases:	4.25% - 10.50% varying by service, including inflation	
Assumed post-retirement benefit increase:	Miscellaneous Tier 1	2.75%
	Miscellaneous Tier 2	0.00%
	Miscellaneous Tier 3	2.00%
	Miscellaneous Tier 4	2.00%
	Miscellaneous Tier 5	2.00%
	Safety Tier 1	2.75%
	Safety Tier 2	2.75%
	Safety Tier 3	2.75%
	Safety Tier 4	2.75%

**Other assumptions:** Same as those used in June 30, 2021, funding actuarial valuation.

**Other information:** All members with membership dates on or after January 1, 2013, enter the new tiers (i.e., Miscellaneous Tier 5 and Safety Tier 4) created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

## Changes in Methods and Assumptions in Net Pension Liability

Valuation date as of June 30:

- 2023**
- The inflation rate was reduced from 2.75% to 2.50% to reflect the gradual decline of average inflation rates over the last several years.
- 2021**
- Beginning with this GASB Statement No. 67 actuarial valuation, we no longer add the Contingency Reserve to the Actuarial Accrued Liability when we develop the funded status on a Market Value and Actuarial Value basis as of June 30, 2021. Because this change does not affect the values used to determine the UAAL on a Valuation Value of Assets basis, there is no impact on the employers' UAAL contribution rate.
- 2020**
- The inflation rate was reduced from 3.0% to 2.75% to reflect the gradual decline of average inflation rates over the last several years.
  - The investment rate of return was reduced from 7.00% to 6.75% to reflect the projected real rate of return for the next 10-15 years based on SCERS' asset allocation model and risk tolerance.
  - The salary increase assumption was reduced from 3.0% to 2.75% to maintain the current real "across the board" salary increase assumption at 0.25%. This means that the combined inflationary and real "across the board" salary increases will decrease from 3.25% to 3.00%.
  - The retirement rates were adjusted to be more in line with the experience.
  - The mortality rates were adjusted and a generational approach was used to reflect a slight mortality improvement.
  - Termination rates were adjusted to reflect a lower incidence of termination for Miscellaneous and Safety members.
  - The disability rates were adjusted to reflect slightly lower incidence of disability for Miscellaneous and Safety members.
  - Maintain assumption for new Miscellaneous disabled retirees to anticipate conversions of unused sick leave at retirement.
  - Maintain assumption for assumed average entry ages of 35 for Miscellaneous and 29 for Safety.

**2017**

- The inflation rate was reduced from 3.25% to 3.0% to reflect the gradual decline of average inflation rates over the last several years.
- The investment rate of return was reduced from 7.50% to 7.00% to reflect the projected real rate of return for the next 10-15 years based on SCERS' asset allocation model and risk tolerance.
- The salary increase assumption was adjusted slightly to reflect past experience.
- The retirement rates were adjusted to be more in line with the experience.
- The mortality rates were adjusted and a generational approach was used to reflect a slight mortality improvement.
- Termination rates were adjusted to reflect lower incidence of termination, with a lower proportion electing to receive a deferred vested benefit.
- The disability rates were adjusted to reflect slightly lower incidence of disability for Miscellaneous and Safety members.
- An assumption was introduced for new Miscellaneous disabled retirees to anticipate conversions of unused sick leave at retirement.

**2014**

- The mortality rates were adjusted to reflect a slight mortality improvement.
- Termination rates were adjusted to reflect lower incidence of termination, with a higher proportion electing to receive a deferred vested benefit.
- Years of service instead of age was used in determining and applying the merit and promotional rates of salary increase.

## Other Supplementary Information

For The Fiscal Year Ended June 30, 2023

### Schedule of Administrative Expenses

(Amounts expressed in thousands)

Administrative Expense	2023
Pension administration project impairment	\$17,131
Salaries and benefits	6,553
County allocated expenses	1,071
Information technology	742
Professional services	646
Depreciation	579
Pension payroll services	376
Rent and lease	287
Insurance Liability	156
Printing and postage	44
Other	593
<b>Total administrative expenses</b>	<b>\$28,178</b>

### Schedule of Investment Fees and Expenses

(Amounts expressed in thousands)

Investment Expense	2023
Equity	\$14,422
Fixed income	3,551
Real assets	17,518
Real estate	1,117
Absolute return	4,559
Private credit	3,792
Private equity	27,656
Custodian fees	500
Investment consulting fees	1,661
Other investment expenses and fees	2,571
<b>Total investment fees and expenses</b>	<b>\$77,347</b>

### Schedule of Payments to Consultants

(Amounts expressed in thousands)

Consultant Expense	2023
IT consulting *	\$703
Legal	1,079
Actuarial	269
Medical consulting	133
Audit	75
<b>Total consultant expense</b>	<b>\$2,258</b>

\* IT Consulting also includes payments to consultants related to SCERS' IT Modernization Project and these costs have been capitalized.



The background of the entire page is a close-up photograph of numerous yellow and orange flowers, likely poppies, with green stems and leaves. The flowers are in various stages of bloom, creating a vibrant and textured background. A semi-transparent white box is overlaid on the upper left portion of the image, containing the section title.

SECTION THREE

# Investment

CORE VALUE

## Excellence

*By taking pride in our work, maintaining high expectations, and focusing on results.*

## Chief Investment Officer's Report

---

### Introduction

For the fiscal year ended June 30, 2023, the Sacramento County Employees' Retirement System (SCERS) generated a 6.1% net return. The fiscal year return represents a nice rebound from the rare loss generated during the prior fiscal year. Markets rallied during the year in hopes that central banks were on the path toward getting inflation under control and potentially avoiding a recession in light of its rapid increase in interest rates. The 6.1% fiscal year return was slightly below SCERS' 6.75% actuarial rate of return, and also came in slightly under SCERS' policy index return of 6.6%. Assets under management ended the fiscal year at \$12.4 billion, ahead of the prior fiscal year's level of assets.

SCERS' general investment consultant, Verus Advisory (Verus), prepared the investment returns cited in this transmittal using information it receives from SCERS' custodian bank and investment managers.

### Market Overview

The fiscal year can best be characterized by central banks' ultra hawkish actions to get inflation under control. Coming off of pent up consumer demand fueled by extraordinary monetary and fiscal policy during the pandemic, inflation picked up significantly in the prior fiscal year, with headline inflation peaking at 9.1% in the first half of 2022. Inflation has been on a downward trajectory over the past year as central banks have raised interest rates at an unprecedented pace, but the question going forward is will inflation continue towards the Federal Reserve's (The Fed) target rate of 2%, or will it remain at elevated levels.

Different inflation metrics are telling varying stories. Headline inflation, which includes energy and food, has fallen sharply, and sits at 3.7% as of the end of August 2023. However, energy has driven most of this decrease, as food inflation remains elevated. Core inflation, which excludes food and energy, has been more stubborn and remains near 5%. Goods inflation is way down as pandemic fueled supply chain disruptions have sorted themselves out. However, services inflation remains sticky and has yet to ease significantly. Shelter inflation is currently the highest contributor to inflation, followed by transportation services. Markets seem to believe that The Fed is finished raising rates and are more likely to cut rates in 2024. The reality is that while meaningful progress has been made by The Fed and other central banks, inflation is still a risk going forward.

Another area of uncertainty is whether extreme monetary policy will push the economy into a recession. A couple of data points suggest that the rapid rise in interest rates will do so. In particular is the inverted yield curve, where short term rates at the front end of the yield curve are higher than long term rates farther out on the curve, which has preceded the past 7 recessions. In addition, the Leading Economic Index (LEI) is negative and has been a consistent predictor of recessions over the past 60 years. While these measures are typically good recession predictors, current economic conditions are relatively strong and the market has seemed to assign a lower level of probability of recession in recent months. It's important to remember that the impacts of tightening monetary policy and rate rises occur with a lag, and most recessions have occurred 6-24 months after a yield curve inversion. The current inversion started in July of last year. So, it's probably too early to say whether the economy will avoid a recession and if a soft landing has been navigated.

Many economists believe that avoiding a recession hinges on employment, as well as the health of the consumer and its ability to support the higher cost of debt. Unemployment sits at a very low level of 3.7%, and job growth remains strong, with the U.S. labor market adding over 3 million jobs over the past year. There is speculation that companies are reluctant to reduce headcount given the challenges they faced replacing laid off workers after pandemic lockdowns eased.

Housing also remains resilient. The Case-Shiller Home Price Index is close to record levels reached in 2022. Demand remains strong, new home supply is low, and existing housing turnover is low as homeowners with low mortgage rates are locked into their current homes. However, affordability remains low due to higher prices and interest rates. Consumer spending also remains robust; however, consumer excess savings that accumulated during the pandemic have nearly worn off. Consumer debt has also increased, and along with higher interest rates, loan delinquencies across auto loans and credit cards have seen an uptick.

While it is still too early to predict whether a recession will be avoided, several market segments have performed as if it has, particularly public equities. Major global market returns for the 2022-23 fiscal year were as follows: domestic equity markets (Russell 3000 Index) returned 19.0%; international equity markets (MSCI ACWI ex US) returned 12.7%; emerging equity markets (MSCI Emerging Markets Index) returned 1.7%; fixed income markets (Bloomberg US Aggregate Index) returned 2.1%; and absolute return markets (HFRI Fund of Funds Composite Index) returned 3.7%. A couple of market segments which were bright spots last fiscal year struggled this year, including real estate (NFI-ODCE Index) which returned -11.5% and commodities (Bloomberg Commodity Index) which returned -9.6%.

Within equity markets, in a reversal from last year, growth stocks at 27.1% (Russell 1000 Growth Index) significantly outperformed value stocks at 11.5% (Russell 1000 Value Index). Large capitalization stocks at 19.4% (Russell 1000 Index) outperformed small capitalization stocks at 12.3% (Russell 2000 Index). International equity stocks were dragged down by muted performance with emerging markets, as the (MSCI EM Index) returned only 1.7%. China was the laggard in emerging markets, impacted by the country's zero-COVID policy, geo-political tensions with the U.S., and stress within the property market.

Fixed income markets continued to struggle in the fiscal year due to the rising interest rate environment. Treasuries generated returns of -2.1% (Bloomberg Barclays U.S. Treasury Index), as longer duration Treasury yields rose during the year, with the 10-year yield increasing from 3.01% on June 30, 2022 to 3.84% on June 30, 2023. There was greater value owning short duration bonds during the year given the inverted yield curve. The credit sectors fared better, with high yield bonds returning 5.4% (Bloomberg Barclays U.S. Corporate High Yield Index), and investment grade corporate credit returning 3.1% (Bloomberg U.S. Credit Index). The broad-based Bloomberg Barclays Aggregate index, which contains an equal mix of Treasuries, agency mortgages, and investment grade credit, generated a return of 2.1%.

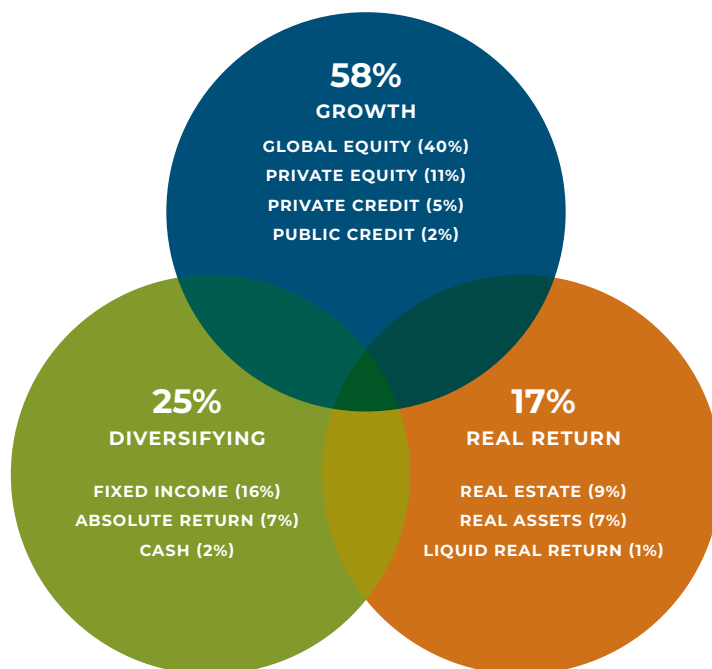
Public markets generally performed better than private markets during the year, as the latter experienced the lag effect of rising interest rates and valuation deterioration that public markets faced the prior year. SCERS' investment portfolio contains exposure across both public and private assets, and SCERS' strategic asset allocation is structured to provide diversification across economic environments and risk factors, which should translate to more consistent returns in a variety of market outcomes.

## Asset Allocation

SCERS' investment program is structured around a strategic asset allocation model established by SCERS' Board with the assistance of SCERS' investment staff, general investment consultant Verus Advisory, alternative assets consultant Cliffwater LLC, and real estate consultant The Townsend Group. The objective of the asset allocation model is to ensure the diversification of investments in a manner that generates a desired rate of investment return with an acceptable level of investment risk. To achieve this, the asset allocation is broadly diversified across asset categories, asset classes, and within asset classes to provide consistent long-term performance. The asset allocation targets are not tactical, but rather, are long term in nature, consistent with the long-term nature of SCERS' benefit obligations. The asset allocation model is reviewed every three to five years, but the long-term capital market assumptions for the various asset classes and sub-asset classes are reviewed and adjusted as appropriate each year. Research has shown that the asset allocation mix is the largest driver of investment performance.

SCERS' strategic asset allocation views risk exposures through multiple lenses, including functional and common factor exposures, in order to manage and maintain allocations that are aligned with SCERS' investment philosophy and objectives. This multiple lens approach uses a functional framework to group and classify portions of SCERS' portfolio in order to link segments that are exposed to similar economic environments and risk factors, and which would be expected to have similar roles and outcomes in a portfolio. The functional grouping takes a simplified approach at the asset category level by breaking the portfolio into three asset categories, with greater complexity reserved at the asset class level. The asset categories include: (1) Growth; (2) Diversifying; and, (3) Real Return.

### Asset Categories



The Growth asset category includes those segments of the portfolio that tend to perform best in a high growth and low/moderate inflationary environment, including most equity and credit investments. In contrast, they tend to perform poorly during recessionary periods, when GDP growth is contracting, or

during certain periods when inflation rises expectantly. Growth assets tend to comprise the dominant allocation within most institutional investment portfolios, including that of SCERS. The Diversifying asset category includes those segments of the portfolio which are expected to protect capital and perform better than the Growth asset category during dislocated and stressed market environments, including traditional fixed income and absolute return strategies. The Real Return asset category includes those segments of the portfolio that protect against inflation, generate cash flow, and provide further portfolio diversification, including private real estate, infrastructure, energy, and agriculture investments, as well as liquid real return investments.

SCERS' strategic asset allocation has an expected return profile in line with SCERS' actuarial assumed rate of return. The strategic asset allocation takes a risk-balanced approach that maintains heavy allocations to growth assets that can drive returns. However, it also maintains meaningful diversification, especially to investment strategies with low and negative correlations to equity markets that can reduce portfolio volatility and protect against significant market drawdowns. It is also expected to generate meaningful cash flow for SCERS' plan. A risk-balanced approach has proven valuable over economic and market cycles. The strategic asset allocation contains a meaningful allocation to higher returning, diversifying, and less liquid private market investments, so tracking SCERS' liquidity profile in order to maintain sufficient liquidity and cash flows in order to meet benefit payment obligations is a key focus of the Board and SCERS' investment staff.

The strategic asset allocation also maintains a 2% dedicated cash allocation. Given that SCERS is a mature plan with a greater level of benefit payments going out than contributions coming in on an annual basis, a dedicated cash allocation adds an additional layer of liquidity, and helps close this gap in an environment where investment earnings fall short of target.

During the year, SCERS evaluated its strategic asset allocation in light of changing capital market assumptions and made a couple of small adjustments. This included increasing the dedicated cash allocation from 1% to 2%, in line with SCERS' increasing negative cash flow profile, and also to take advantage of the higher interest rate environment where the front end of the yield curve is yielding over 5%. SCERS reduced the Liquid Real Return allocation from 2% to 1% to fund the increased cash allocation, based on the segment's less favorable risk/return profile going forward.

The adjustment's impact on the risk/return profile of SCERS' strategic asset allocation was marginal given that the change only represented 2% of the total portfolio. SCERS plans on conducting its next asset liability modeling study in late calendar year 2024, which will incorporate updated capital market assumptions and plan liability data, to ensure that SCERS' investment portfolio is tracking its actuarial return assumption of 6.75% over the long term.

SCERS is still transitioning the portfolio to the strategic asset allocation adjustments made during the last asset liability modeling study approved in 2021. Implementation activity during 2023 included conducting several manager searches within the public market asset classes and meaningful implementation within the private markets, consistent with Board-approved annual investment plans.

The performance summary section of the Chief Investment Officer's Report will highlight the performance of the asset categories, and their underlying asset classes.

## Investment Portfolio Implementation

In addition to providing assistance to the Board in establishing the strategic asset allocation model, SCERS' investment staff and consultants assist in developing investment policy statements, conduct searches for and recommend the selection of investment managers, monitor investment manager performance and compliance, advise on developments in the investment markets, and analyze and develop recommendations for possible tactical adjustments and new investment initiatives.

**SCERS utilizes external investment managers to invest the System's assets. As of June 30, 2023, SCERS' assets were invested across:**

- **Global Equity** - 9 separate account portfolios and 7 commingled funds
- **Fixed Income** - 6 separate account portfolios
- **Absolute Return** - 1 fund-of-funds separate account portfolio and 11 fund partnerships
- **Private Equity** - 1 separate account portfolio, 3 fund-of-funds partnerships, and 80 fund partnerships
- **Private Credit** - 1 separate account portfolio and 17 fund partnerships
- **Real Estate** - 7 core real estate fund partnerships and 20 non-core real estate fund partnerships
- **Real Assets** - 1 separate account portfolio and 30 fund partnerships
- **Liquid Real Return** - 1 commingled fund

**Significant investment activity during the fiscal year included the following:**

- In Global Equity, SCERS terminated an emerging markets equity manager, and added two new emerging markets equity managers during the fiscal year. SCERS also terminated an international developed small cap equity manager and hired a replacement international developed small cap equity manager. In addition, SCERS fully redeemed from a fund from the Global/Unconstrained segment of the Global Equity asset class.
- In Absolute Return, SCERS redeemed from three funds and made one new fund investment during the fiscal year.
- In Private Equity, SCERS made five new direct private equity fund commitments, and committed capital to a separate account co-investments portfolio during the fiscal year. SCERS also sold three fund-of-funds partnerships in the secondary market during the fiscal year.
- In Private Credit, SCERS made two new direct private credit fund commitments and added additional capital to an existing private credit fund during the fiscal year.
- In Real Assets, SCERS made two new direct real assets fund commitments and added additional capital to two existing real assets funds during the fiscal year.
- In Real Estate, SCERS made one new direct real estate fund commitment during the fiscal year.

With the downturn in public market valuations during 2022, private market valuations became inflated, and several of SCERS' private market asset classes are at or above targets. However, SCERS was still active making new commitments during the year, though at the lower end of budget ranges, due to the longer investment period for private market commitments, the importance of maintaining vintage year diversification, and the objective of investing with top tier investment managers. Within the private markets, SCERS consistently allocates to new funds annually in order to account for existing funds that sell investments and distribute capital back to SCERS, while newer funds draw down capital and make new investments.

SCERS' custodial bank is State Street Bank and Trust (State Street). In addition to asset custody services, State Street provides securities lending services to SCERS, and through State Street Global Advisors and State Street Global Markets, administers a portfolio overlay program and a brokerage commission recapture program, respectively. The portfolio overlay program assures that SCERS' portfolio exposures are consistent with the strategic asset allocation targets through cost-effective rebalancing, using investment proxies to close gaps relative to target allocation levels and to eliminate 'cash drag'. For the fiscal year ended June 30, 2023, SCERS earned a net income of approximately \$1.3 million from securities lending and received commission recapture income of approximately \$18,100.

SCERS' primary legal services related to the investment program are provided by specialized outside legal counsel and fiduciary counsel.

During the fiscal year, SCERS added a third-party portfolio analytics software system to better understand exposures and risks holistically across the portfolio. Also during the fiscal year, investment educational sessions were provided to the Board by SCERS' staff, investment consultants, and various investment managers to assist the Board with updates on the macroeconomic environment and better understanding existing investments. The educational sessions included presentations regarding: (1) investment manager activity, compliance, and watch list report; (2) private markets investing in entertainment royalty content; (3) global markets outlook; (4) ESG and values-based investing; and, (5) absolute return trend-following strategies.

## SCERS Investment Objectives

SCERS' investment objectives are set forth in the Board's Master Investment Policy Statement and through customized investment policy statements for each asset category.

At the highest level, SCERS' investment objectives are:

### Overarching Plan Objectives:

- Provide for current and future benefit payments to plan participants and their beneficiaries, and sustain the plan over its useful life
- Diversify plan assets as its main defense against large market drawdowns
- Preserve a degree of liquidity ample to meet benefit payments and capital calls, without incurring substantial transaction costs or "fire sales" of illiquid holdings
- Incur costs that are reasonable and consistent with industry standards

- Achieve funding goals, including the maintenance of funded status and manageable, consistent contribution rates
- Maintain risk exposure required to meet return requirements, while limiting drawdown exposure

### **Investment Performance Objectives:**

- Generate returns in excess of policy benchmarks at the total fund and asset class levels over rolling three-year periods
- Achieve real (after inflation) returns at the total fund level that are at or above the actuarial real return (assumed return less per capita pay growth) over complete market cycles
- For asset classes and actively managed portfolios, achieve net returns that exceed policy benchmarks, and rank in the top half of a competitive, after-fee universe

### **Proxy Voting Guidelines and Procedures**

As a fiduciary, the Board has a non-obligation to manage SCERS' assets in the best interest of the plan participants. The Board retains third-party services to provide guidance for voting proxies and acting on corporate actions, such as mergers and acquisitions. For the fiscal year ended June 30, 2023, a majority of proxies were voted through an electronic voting platform provided by Institutional Shareholder Services, with the assistance of research and analysis provided by Institutional Shareholder Services and Glass Lewis & Co.

### **Summary of Investment Results**

SCERS monitors capital market investment returns through reference to recognized and easily obtainable market indices, which are used as asset class benchmarks. The benchmark index performance by asset class for one, three, and five years is shown within the Investment Results schedule. The performance of the asset categories is also provided; however, since these were inceptioned in 2017, performance goes back only to that year. The asset class benchmark returns are weighted by the asset allocation to provide a policy-weighted return based on SCERS' total fund. SCERS presents its returns using a time-weighted rate of return methodology based upon market values. SCERS' general investment consultant, Verus, prepared the investment returns cited in this section using information it received from SCERS' custodian bank and investment managers. The total fund performance is reported net and gross of investment management fees.

After generating a -3.5% return net of investment management fees in the prior fiscal year, SCERS' returns were back up for the fiscal year ending June 30, 2023. For the period, SCERS' total fund return was 6.1%, net of investment management fees. The net return for the fiscal year was slightly below both SCERS' policy weighted benchmark return of 6.6% and the actuarial return objective of 6.75%. Returns were positive across all market segments, except for private equity, fixed income, and real estate. Positive returns were led by public equities.

Over the trailing three-year period, SCERS' annualized investment return was 9.4% net of fees. The three-year annualized return was also well above the actuarial return objective of 6.75%, and above SCERS' policy benchmark return of 8.5%. Over the trailing five-year period, SCERS' annualized investment return was 7.5%



net of fees. The five-year annualized return was above the actuarial return objective of 6.75%, and above SCERS' policy benchmark return of 6.7%.

SCERS also assesses its investment performance relative to a peer group of other public funds utilizing a series of universe comparisons provided by Verus. For the fiscal year, the median public fund in the InvestorMetrics Universe of public funds with assets of greater than \$1 billion was 7.8%. SCERS' net return of 6.1% ranked in the 77th percentile. SCERS was impacted by having less exposure to public equities, which led market performance. Over the three and five-year periods, SCERS ranked in the 26th and 16th percentiles, respectively, benefitting from robust returns and greater diversification across alternative asset classes.

## Growth Asset Category

The Growth asset category is comprised of the following asset classes: Global Equity, Private Equity, Public Credit, and Private Credit. The Growth asset category returned 9.8% for the fiscal year, net of fees, SCERS' best performing asset category. It was led by double digit returns within Global Equity (public equities), while Private Equity generated negative returns. Public Credit and Private Credit generated moderate returns. The Growth asset category return trailed the policy benchmark return of 11.4%. For the three-year period, SCERS' Growth asset category annualized return was 12.9%, net of fees, above the policy benchmark return of 12.4%. The Growth asset category and benchmark return is a weighted average of the underlying asset class and benchmark returns, based on their weights within SCERS' strategic asset allocation.

Global Equities returned 16.9% for the fiscal year, net of fees. The return was slightly above the benchmark MSCI ACWI IMI return of 16.7%. For the three-year period, SCERS' Global Equity annualized return was 10.4%, net of fees, slightly below the benchmark return of 11.0%.

The Private Equity asset class struggled during the year, returning -4.8%. After generating an impressive 21.7% the prior fiscal year, the lag effect of poor public market valuations in 2022 caught up with the asset class in 2023, particularly within the venture capital segment. The -4.8% return slightly trailed the -4.0% return of the asset class benchmark, the Thomson Reuters C/A All Private Equity Index. For the three-year period, SCERS' Private Equity asset class returned +23.4%, net of fees, well ahead of the benchmark return of +22.0%. Another longer-term comparison measure is the Russell 3000 Index plus 3%, which returned -5.6% and +21.6% for the fiscal year and three-year period, respectively. Please note that the returns of the Private Equity asset class and benchmark are lagged one quarter.

SCERS' Public Credit portfolio generated a fiscal year 3.1% return, net of fees, but significantly trailed the custom benchmark return of 9.6% (comprised of 50% BofA Merrill Lynch U.S. HY Master II Index / 50% Credit Suisse Leveraged Loans Index). For the three-year period, the Public Credit portfolio annualized return was 7.3%, net of fees, well ahead of the benchmark return of 4.7%.

The Private Credit asset class generated a return of 6.3%, net of fees for the fiscal year, compared to the 4.2% return of the asset class benchmark, the Credit Suisse Leveraged Loan Index plus 2%. For the three-year period, SCERS' Private Credit asset class returned 12.0%, net of fees, compared to the benchmark return of 10.5%. Please note that the returns of the Private Credit asset class and benchmark are lagged one quarter.

## Diversifying Asset Category

The Diversifying asset category is comprised of the following asset classes: Fixed Income, Absolute Return and Cash. The Diversifying asset category returned 0.6% for the fiscal year, net of fees, and was negatively impacted by the Fixed Income exposure and rising interest rate environment, while the Absolute Return and Cash segments generated positive returns. The return was slightly above the policy benchmark return of 0.4%. For the three-year period, SCERS' Diversifying asset category annualized return was -0.3%, net of fees, above the policy benchmark return of -1.3%. The Diversifying asset category and benchmark return is a weighted average of the underlying asset class and benchmark returns, based on their weights within SCERS' strategic asset allocation.

SCERS' Fixed Income portfolio, which is comprised of core plus and U.S. Treasury exposures generated a fiscal year -0.5% return, net of fees, which was ahead of the custom asset class benchmark (75% Bloomberg Aggregate Index / 25% Bloomberg U.S. Treasury Index) return of -1.2%. For the three-year period, the Fixed Income portfolio annualized return was -2.4%, net of fees, compared to the benchmark return of -4.2%. Fixed income has struggled in the rising interest rate environment.

SCERS' Absolute Return portfolio generated a 2.5% return, net of fees, which trailed the benchmark HFRI FoF Conservative Index return of 3.5%. For the three-year period, the Absolute Return portfolio annualized return was an impressive 5.7%, net of fees, compared to the index return of 6.0%, and significantly outperformed SCERS' Fixed Income return of -2.4%.

SCERS' Cash allocation returned a robust 3.9%, benefitting from the higher interest rate environment.

## Real Return Asset Category

The Real Return asset category is comprised of the following asset classes: Real Estate, Real Assets, and Liquid Real Return. After an impressive 21.3% return during the prior fiscal year, the Real Return asset category struggled this year, returning -0.3%, net of fees. The poor result was driven by negative Real Estate Returns, whereas Real Assets and Liquid Real Return generated positive returns. The -0.3% return was slightly ahead of the policy benchmark return of -0.8%. For the three-year period, SCERS' Real Return asset category annualized return was an impressive 11.5%, net of fees, above the policy benchmark return of 11.0%. The Real Return asset category and benchmark return is a weighted average of the underlying asset class and benchmark returns, based on their weights within SCERS' strategic asset allocation. The Real Return asset category return includes the SSGA Real Assets Strategy, which is the proxy used within SCERS' Overlay Program to replicate exposure while the asset class is implemented.

The Real Estate asset class struggled during the fiscal year in the rising interest rate environment, returning -8.3%, net of fees, after an impressive return of +27.6% the prior year. The -8.3% return trailed the -7.2% return of the custom asset class benchmark (60% NFI-ODCE / 40% NFI-ODCE plus 1%). For the three-year period, SCERS' Real Estate asset class returned 9.7%, net of fees, compared to the benchmark return of 8.4%. Please note that the returns of some segments of the Real Estate asset class and benchmark are lagged one quarter.

The Real Assets asset class remained resilient, generating an impressive return of 9.2%, net of fees, for the fiscal year, compared to the 7.3% return of the asset class benchmark, (comprised of 60% Cambridge

Associates Private Infrastructure Index / 30% Cambridge Associates Private Energy Index / 10% NCREIF Farmland Index). For the three-year period, SCERS' Real Assets asset class returned 16.8%, net of fees, compared to the benchmark return of 14.9%. Please note that the returns of the Real Assets asset class and benchmark are lagged one quarter.

SCERS' Liquid Real Return asset class generated a fiscal year 2.4% return, net of fees, which was ahead of the benchmark return of 0.2%. For the three-year period, SCERS' Liquid Real Return asset class returned 7.4%, net of fees, in line with the benchmark return of 7.4%.

Additional information regarding SCERS' investment program can be found on the pages immediately following this report.

Respectfully submitted,

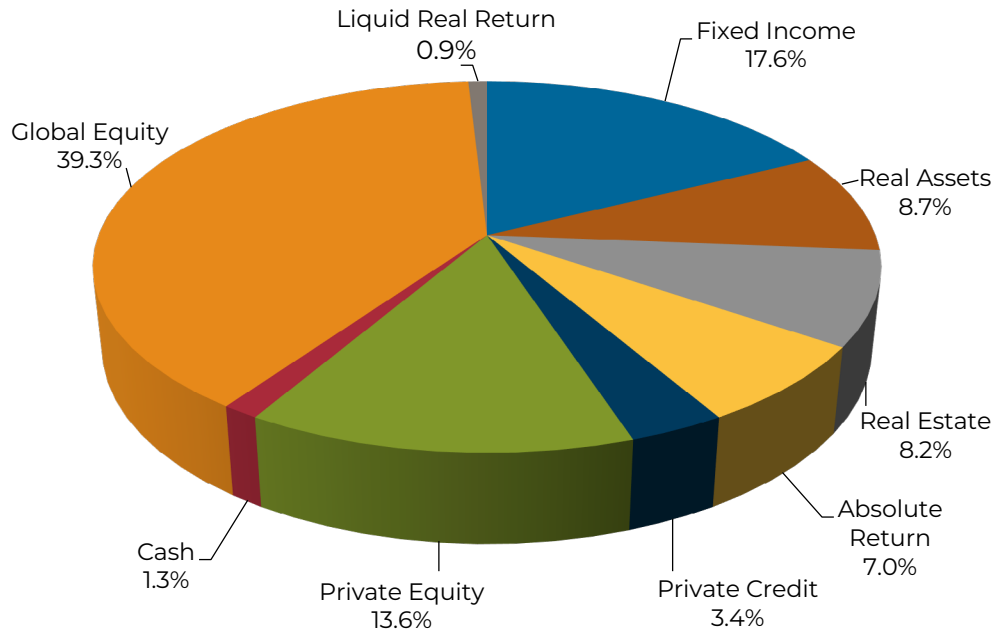
A handwritten signature in black ink, appearing to read "Steve Davis". The signature is written in a cursive, flowing style.

**STEVE DAVIS**  
Chief Investment Officer

# Asset Allocation

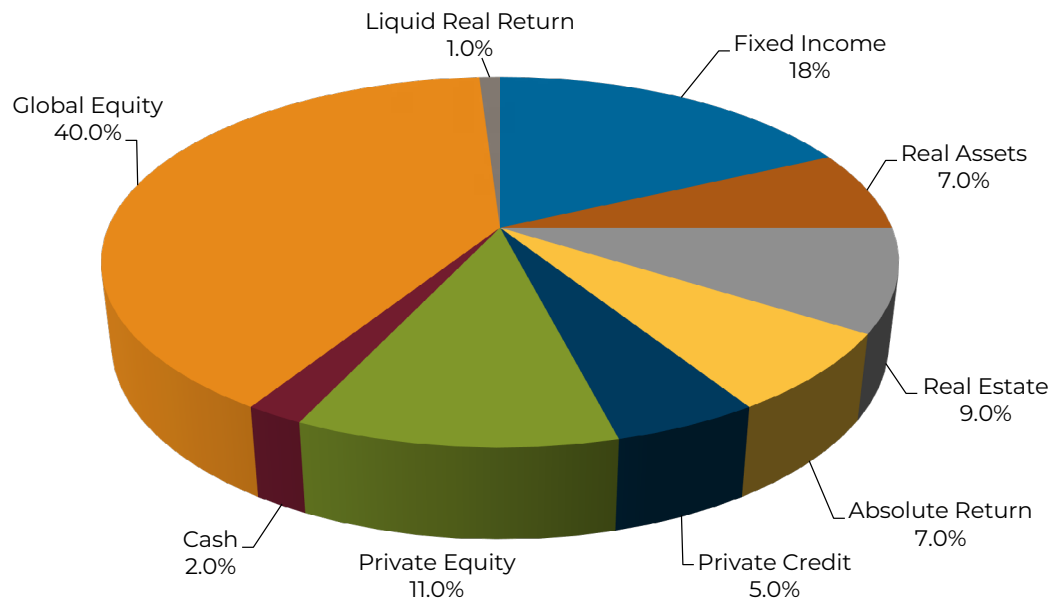
## Actual Asset Allocation

AS OF JUNE 30, 2023



## Target Asset Allocation

AS OF JUNE 30, 2023



## Investment Results

FOR THE PERIOD ENDED JUNE 30, 2023

	Annualized		
	1 Year	3 Years	5 Years
<b>Growth Asset Category<sup>1</sup></b>	<b>9.8</b> %	<b>12.9</b> %	<b>9.5</b> %
<b>Benchmark: Growth Custom<sup>1</sup></b>	11.4 %	12.4 %	8.8 %
<b>Global Equity</b>	<b>16.9</b>	<b>10.4</b>	<b>7.7</b>
Benchmark: MSCI ACWI IMI	16.7	11.0	8.1
<b>Private Equity</b>	<b>-4.8</b>	<b>23.4</b>	<b>19.7</b>
Benchmark: Cambridge Associates All PE 1 Qtr Lag <sup>6</sup>	-4.0	22.0	14.9
<b>Public Credit</b>	<b>3.1</b>	<b>7.3</b>	<b>3.5</b>
Benchmark: Brigade Custom <sup>2</sup>	9.6	4.7	3.6
<b>Private Credit</b>	<b>6.3</b>	<b>12.0</b>	<b>8.3</b>
Benchmark: Credit Suisse Leveraged Loan + 2% 1 Qtr Lag	4.2	10.5	5.6
<b>Diversifying Asset Category<sup>1</sup></b>	<b>0.6</b>	<b>-0.3</b>	<b>1.9</b>
<b>Benchmark: Diversifying Custom<sup>1</sup></b>	0.4	-1.3	1.5
<b>Fixed Income</b>			
Core/Core Plus Fixed Income	<b>0.0</b>	<b>-2.9</b>	<b>1.5</b>
Benchmark: BBgBarc US Aggregate TR	-0.9	-4.0	0.8
United States Treasury	<b>-2.2</b>	<b>-4.7</b>	<b>0.5</b>
Benchmark: BBgBarc US Treasury TR	-2.1	-4.8	0.4
<b>Absolute Return</b>	<b>2.5</b>	<b>5.7</b>	<b>3.2</b>
Benchmark: HFRI Fund of Funds Conservative Index	3.5	6.0	3.9
<b>Cash</b>	<b>3.9</b>	<b>1.4</b>	<b>N/A</b>
Benchmark: Secured Overnight Financing Rate	3.9	1.4	N/A

	Annualized		
	1 Year	3 Years	5 Years
<b>Real Return Asset Category<sup>1</sup></b>	<b>-0.3 %</b>	<b>11.5 %</b>	<b>7.2 %</b>
<b>Benchmark: Real Return Custom<sup>1</sup></b>	-0.8 %	11.0 %	6.6 %
<b>Real Estate</b>	<b>-8.3</b>	<b>9.7</b>	<b>7.1</b>
Benchmark: Real Estate Custom <sup>5</sup>	-7.2	8.4	7.0
<b>Real Assets</b>	<b>9.2</b>	<b>16.8</b>	<b>10.2</b>
Benchmark: Private Real Assets Custom <sup>3</sup>	7.3	14.9	7.6
<b>Liquid Real Return</b>	<b>2.4</b>	<b>7.4</b>	<b>N/A</b>
Benchmark: SSgA Real Asset <sup>4</sup>	0.2	7.4	N/A
<b>SCERS Total Fund - Gross</b>	6.3	9.6	7.8
<b>SCERS Total Fund - Net</b>	<b>6.1</b>	<b>9.4</b>	<b>7.5</b>
<b>Benchmark: Policy Index<sup>7</sup></b>	6.6	8.5	6.7

**Notes:** Unless noted, returns were prepared by Verus Advisory, Inc., and shown on a net of fee basis and included the overlay effect. Return calculations were prepared using a time-weighted rate of return. Investment return and index return for real assets, real estate, private credit, and private equity are one quarter in arrears.

<sup>1</sup> The asset category and benchmark return is a weighted average of the underlying asset class and benchmark returns, based on their weights within SCERS' strategic asset allocation.

<sup>2</sup> The Brigade Custom benchmark consists of 50% ICE BofA ML High Yield II and 50% Credit Suisse Leveraged Loans.

<sup>3</sup> As of 1/19/22, the Private Real Assets Custom benchmark consists of 30% Cambridge Associates Private Energy 1 Qtr Lag, 60% Cambridge Associates Private Infrastructure 1 Qtr Lag, 10% NCREIF Farmland Index. From 7/1/17-1/18/22, the Private Real Assets Custom benchmark consisted of 35% Cambridge Associates Private Energy 1 Qtr Lag, 45% Cambridge Associates Private Infrastructure 1 Qtr Lag, 10% NCREIF Farmland 1 Qtr Lag, and 10% NCREIF Timberland Index Lagged. Prior to that the benchmark consisted of 100% CPI-U Headline +5%.

<sup>4</sup> As of 3/2/18, the SSgA Real Asset Benchmark consists of 30% BBgBarc 1-10 Yr US TIPS, 25% S&P Global Infrastructure, 15% FTSE EPRA/NAREIT Developed Liquid, 10% BBgBarc Roll Select Commodity TR, 10% BBgBarc USD Floating Rate Note<5yr, and 10% S&P Global Large Mid Cap Commodity Resources. From 10/1/15-3/1/18, the SSgA Real Asset Benchmark consisted of 20% BBgBarc Roll Select Commodity TR, 20% MSCI World Natural Resources, 20% S&P Global Infrastructure, 10% BBgBarc US Govt Inflation-Linked 1-10 Yrs, 10% BBgBarc US TIPS, 10% FTSE EPRA/NAREIT Developed Liquid, and 10% S&P MLP.

<sup>5</sup> As of 1/19/22, the Real Estate Custom benchmark consists of 60% NFI-ODCE and 40% NFI-ODCE net+1% 1Q Lag. From 7/1/17-1/18/22, the Real Estate Custom benchmark consisted of 65% NFI-ODCE and 35% NFI-ODCE net+1% 1Q Lag. Prior to that the benchmark consisted of 100% NCREIF.

<sup>6</sup> As of 4/1/17, the Private Equity benchmark consists of 100% Thomson Reuters CJA All PE 1 Qtr Lag. From 1/1/12- 3/31/17 the benchmark consisted of 100% Russell 1000 +3% 1QL.

<sup>7</sup> From 7/01/2023, the Policy Index benchmark consists of 12% Bloomberg Aggregate, 4% Bloomberg US Treasury, 1% ICE BofA ML High Yield II, 2.1% Cambridge Associates Private Energy 1 Qtr Lag, 4.2% Cambridge Associates Private Infrastructure 1 Qtr Lag, 1% Credit Suisse Leverage Loans, 5% Credit Suisse Leverage Loans +2% 1 Qtr Lag, 7% HFRI FoF Conservative Index, 40% MSCI ACWI IMI, 5.4% NFI-ODCE, 3.6% NFI-ODCE net +1% 1Q Lag, 0.7% NCREIF Farmland 1 Qtr Lag, 11% Cambridge Associates All PE 1 Qtr Lag, 0.1% Bloomberg Roll Select Commodity Total Return, 0.1% Bloomberg Barclays U.S. Floating Rate Note <5 Yr, 0.1% S&P Global LargeMidCap Commodity and Resources, 0.25% S&P Global Infrastructure Index - Net of Tax on Dividend, 0.3% Bloomberg Barclays U.S. Government Inflation-Linked 1-10 Yrs, 0.15% FTSE EPRA Nareit Developed Liquid Index, and 2% Secured Overnight Financing Rate.

From 4/01/2022, the Policy Index benchmark consists of 12% Bloomberg Aggregate, 4% Bloomberg US Treasury, 1% ICE BofA ML High Yield II, 2.1% Cambridge Associates Private Energy 1 Qtr Lag, 4.2% Cambridge Associates Private Infrastructure 1 Qtr Lag, 1% Credit Suisse Leverage Loans, 5% Credit Suisse Leverage Loans +2% 1 Qtr Lag, 7% HFRI FoF Conservative Index, 40% MSCI ACWI IMI, 5.4% NFI-ODCE, 3.6% NFI-ODCE net +1% 1Q Lag, 0.7% NCREIF Farmland 1 Qtr Lag, 11% Cambridge Associates All PE 1 Qtr Lag, 0.2% Bloomberg Roll Select Commodity Total Return, 0.2% Bloomberg Barclays U.S. Floating Rate Note <5 Yr, 0.2% S&P Global LargeMidCap Commodity and Resources, 0.5% S&P Global Infrastructure Index - Net of Tax on Dividend, 0.6% Bloomberg Barclays U.S. Government Inflation-Linked 1-10 Yrs, 0.3% FTSE EPRA Nareit Developed Liquid Index, and 1% Secured Overnight Financing Rate.

From 7/1/2019 to 3/31/2022, 6/30/2021, the Policy Index benchmark consisted of 10% BBgBarc Aggregate, 5% BBgBarc US Treasury, 1% ICE BofA ML High Yield II, 2.5% Cambridge Associates Private Energy 1 Qtr Lag, 3.2% Cambridge Associates Private Infrastructure 1 Qtr Lag, 2.4% FTSE WGBI ex US Unhedged, 1% Credit Suisse Leverage Loans, 4% Credit Suisse Leverage Loans +2% 1 Qtr Lag, 0.6% JPM GBI EM Diversified, 3% HFRI FoF Composite Index + 1%, 7% HFRI FoF Conservative Index, 20% MSCI ACWI ex US, 4.6% NFI-ODCE, 2.5% NFI-ODCE net +1% 1Q Lag, 0.7% NCREIF Farmland 1 Qtr Lag, 0.7% Timberland Index Lagged, 20% Russell 3000, 9% Thomson Reuters CJA All PE 1 Qtr Lag, 0.2% Bloomberg Roll Select Commodity Total Return, 0.2% Bloomberg Barclays U.S. Floating Rate Note <5 Yr, 0.2% S&P Global LargeMidCap Commodity and Resources, 0.5% S&P Global Infrastructure Index - Net of Tax on Dividend, 0.6% Bloomberg Barclays U.S. Government Inflation-Linked 1-10 Yrs, 0.3% FTSE EPRA Nareit Developed Liquid Index, and 1% ICE LIBOR Spot/Next Overnight USD.

## Summary Of Investment Assets

AS OF JUNE 30, 2023

(Amounts Expressed in Thousands)

Type of investments	Fair Value*	Percentage of Total Investments
Equity	\$4,826,432	38.35%
Fixed income	2,386,147	18.96
Real assets	1,060,397	8.43
Real estate	999,559	7.94
Absolute return	845,895	6.72
Private credit	415,913	3.30
Private equity	1,652,725	13.13
<b>Total investments at fair value</b>	<b>12,187,067</b>	<b>96.83</b>
<b>Cash and short-term investments</b>		
Cash and short-term investments (unallocated)	391,627	3.11
Cash invested with Sacramento County Treasurer	7,776	.06
<b>Total cash and short-term investments</b>	<b>399,403</b>	<b>3.17</b>
<b>Total investments</b>	<b>\$12,586,470</b>	<b>100.00%</b>

\* Certain investment fair values reported in this schedule include cash held by the external investment managers and short-term investments based on the nature of how the investment portfolios are managed.

## Schedule Of Manager Fees

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

(Amounts Expressed in Thousands)

Type of Investment	Assets Under Management *	Manager Fees
Equity	\$4,826,432	\$14,422
Fixed income	2,386,147	3,551
Real assets	1,060,397	17,518
Real estate	999,559	1,117
Absolute return	845,895	4,559
Private credit	415,913	3,792
Private equity	1,652,724	27,656
<b>Total</b>	<b>\$12,187,067</b>	<b>\$72,615</b>

Source: State Street Bank and Burgiss.

\* Certain investment fair values reported in this schedule include cash held by the external investment managers and short-term investments based on the nature of how the investment portfolios are managed.

## Schedule Of Equity Brokerage Commission

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Brokerage Firm	Commission Per Share*	Shares/Par Value	Total Commission*
State Street Bank and Trust Company	\$0.0100	7,353,110	\$73,531
Citi Bank N.A.	0.0101	6,592,793	66,275
Merrill Lynch International	0.0100	4,333,430	43,380
UBS AG	0.0196	1,938,852	38,063
Instinet UK, Ltd.	0.0020	15,617,877	30,702
J.P. Morgan Securities PLC	0.0085	3,293,878	27,988
Morgan Stanley Co Incorporated	0.0041	5,384,613	22,140
Exane SA	0.0328	633,836	20,767
J.P. Morgan Securities PLC	0.0059	3,499,736	20,736
Capital Institutional Svcs Inc Equities	0.0300	680,022	20,401
Goldman Sachs + Co LLC	0.0041	4,445,706	18,007
Citi Bank International PLC	0.0414	434,447	17,969
Citigroup Global Markets, Inc.	0.0221	699,794	15,443
Pershing Securities Ltd.	0.0087	1,765,067	15,332
Virtu Americas LLC	0.0224	617,024	13,802
Jefferies, LLC	0.0093	1,282,108	11,904
RBC Capital Markets, LLC	0.0306	381,319	11,678
Citigroup Global Markets, Inc.	0.0088	1,177,190	10,411
UBS Securities Asia Ltd.	0.0041	2,394,720	9,733
Liquidnet Europe Limited	0.0204	460,284	9,411
UBS Securities LLC	0.0263	343,817	9,054
Stifel Nicolaus + Co Inc.	0.0311	283,768	8,825
Citi Bank N.A.	0.0461	185,960	8,570
CLSA Singapore PTE Ltd.	0.0041	2,094,376	8,560
Raymond James and Associates Inc.	0.0274	301,557	8,274
All Other Brokerage Firms**	0.0041	48,579,447	197,842
<b>Total Brokerage Commissions</b>	<b>\$ 0.0064</b>	<b>114,774,731</b>	<b>738,797</b>
Brokerage Commission Recapture			(18,078)
<b>Net Brokerage Commissions</b>			<b>\$720,718</b>

\* Commission Per Share is rounded to the nearest four decimal points. Amounts in Total Commission are actual unrounded commission amounts.

\*\* All other brokerage firms is comprised of approximately 124 additional firms, each receiving less than 1% of total commissions. A complete listing of brokerage fees is available.



### Ten Largest Stock Holdings (By Fair Value)

AS OF JUNE 30, 2023

(Amounts expressed in thousands)

Rank	Shares	Security Name	Fair Value
1	351,234	Microsoft Corp.	\$119,609
2	566,441	Apple Inc.	109,873
3	545,680	Amazon.Com Inc.	71,135
4	185,843	Meta Platforms Inc. Class A	53,333
5	405,034	Alphabet Inc. Class C	48,997
6	88,458	Nvidia Corp.	37,420
7	209,438	Novo Nordisk A/S B	33,738
8	67,965	Netflix Inc.	29,938
9	58,534	United Health Group Inc.	28,134
10	232,417	Alphabet Inc. Class A	27,820
<b>Total of ten largest stock holdings</b>			<b>\$559,997</b>

Note: A complete list of stock holdings is available upon request.

### Ten Largest Bond Holdings (By Fair Value)

AS OF JUNE 30, 2023

(Amounts expressed in thousands)

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value
1	90,595,000	United States Treasury N/B	3.00%	8/15/2052	\$77,027
2	59,740,000	United States Treasury FRN	5.45%	1/31/2025	59,842
3	50,240,000	United States Treasury N/B	4.13%	11/15/2032	51,339
4	45,425,000	FNMA TBA 30 YR	5.00%	8/14/2053	44,517
5	34,830,000	FNMA TBA 30 YR	5.50%	8/14/2053	34,656
6	32,583,456	Federal Home Loan PC Pool	4.00%	6/1/2052	30,595
7	26,053,000	United States Treasury N/B	2.75%	8/15/2032	23,884
8	28,720,000	United States Treasury N/B	2.88%	5/15/2052	23,800
9	24,075,000	United States Treasury N/B	0.13%	12/15/2023	23,528
10	25,345,000	FNMA TBA 15 YR	2.50%	7/18/2038	23,073
<b>Total of ten largest bond holdings</b>					<b>\$392,261</b>

Note: A complete list of bond holdings is available upon request.

## Investment Managers/Funds

AS OF JUNE 30, 2023

**Equity**


---

Acadian Asset Management  
 Alliancebernstein L.P.  
 Allspring Global Investments  
 AQR US Enhanced Equity  
 ARGA Emerging Markets Equity Fund  
 Artisan Partners Global Opportunities  
 Baillie Gifford & Co.  
 Brookfield Liquid Real Return  
 D.E. Shaw & Co.  
 Eagle Capital Management  
 JP Morgan Asset Management  
 Lazard Asset Management  
 LSV Asset Management  
 Nikko Asset Management CIT  
 Oaktree Emerging Markets Equity Fund LP  
 Snyder Capital Management  
 Walter Scott International EAFE Income Growth  
 Weatherbie Capital, LLC  
 William Blair International Small Cap Growth Portfolio

**Fixed Income**


---

Brandywine U.S. Fixed Income  
 MetWest Asset Management  
 Neuberger Berman Fixed Income, LLC  
 Prudential Investment Management  
 Reams Core Plus Fixed Income  
 SC Credit Opportunities Mandate, LLC

**Liquid Real Return**


---

Brookfield Liquid Real Return  
 State Street Global Advisors  
 State Street Global Advisors -  
 Real Asset Strategy  
 State Street Global Advisors -  
 SCERS Barclays 1-10 Year Tips Index

**Real Assets**


---

ACM FUND II, LLC  
 Ara Partners Fund III, L.P.  
 ArcLight Energy Partners Fund VI, L.P.  
 Brookfield Infrastructure Fund III, L.P.  
 Brookfield Infrastructure Fund IV, L.P.  
 Brookfield Super-Core Infrastructure Partners  
 Carlyle Power Partners II, L.P.  
 DigitalBridge Partners II, L.P.  
 EnCap Energy Capital Fund IX, L.P.  
 EnCap Energy Capital Fund X, L.P.  
 EnCap Flatrock Midstream Fund III, L.P.  
 EnCap Flatrock Midstream Fund IV, L.P.  
 EQT Infrastructure Fund IV, SCSp  
 Global Energy & Power Infrastructure Fund II, L.P.  
 Harrison Street Social Infrastructure Fund, L.P.  
 IFM Global Infrastructure (U.S.), L.P.  
 ISQ Global Infrastructure Fund II, L.P.  
 ISQ Global Infrastructure Fund III, L.P.  
 Meridiam Infrastructure North America III, L.P.  
 Meridiam Infrastructure North America IV  
 Meridiam Sustainable Infrastructure Europe IV, SLP  
 NGP Royalty Partners, L.P.  
 NGP Royalty Partners II, L.P.  
 Paine Schwartz Food Chain Fund V, L.P.  
 Pantheon SCERS SIRF MM, LLC  
 Quantum Energy Partners VI, L.P.  
 Quantum Energy Partners VII, L.P.  
 Ridgewood Water & Strategic Infrastructure Fund II, LP  
 Tailwater Energy Fund III, L.P.  
 Tailwater Energy Fund IV, L.P.  
 Wastewater Opportunity Fund, LLC

**Real Estate**


---

Asana Partners Fund II, L.P.  
 Asana Partners Fund III  
 Brookfield Premier Real Estate Partners, L.P.  
 Carlyle China Realty, L.P.  
 Carlyle China Rome Logistics, L.P.

CIM Fund VIII, L.P.  
Clarion Lion Properties Fund, L.P.  
ECE European Prime Shopping Centre Fund II, SCS-SIF  
European Real Estate Debt Fund II, L.P.  
Hammes Partners II, L.P.  
Hammes Partners III, L.P.  
Hammes Partners IV, L.P.  
KKR Real Estate Partners Americas, L.P.  
LaSalle China Logistics Venture, L.P.  
MetLife Core Property Fund, L.P.  
NREP Nordic Strategies Fund, FCP-FIS  
NREP Nordic Strategies Fund II, SCSp  
NREP Nordic Strategies Fund III, SCSp  
NREP Nordic Strategies Fund IV, SCSp  
NREP Nordic Strategies Fund V, SCSp  
Principal US Property Account  
Prologis Targeted Europe Logistics Fund, L.P.  
Prologis Targeted US Logistics Fund, L.P.  
Sculptor Real Estate Fund III, L.P.  
Sculptor Real Estate Fund IV, L.P.  
Seven Seas Japan Opportunity Fund, GK  
Townsend Real Estate Fund, L.P.

### Absolute Return

---

Aristeia Partners, L.P.  
BlackRock Event Driven Equity Fund  
Davidson Kempner Institutional Partners, L.P.  
Elliott International Limited  
Graham Global Investment Fund II SPC Ltd.  
Laurion Capital Ltd.  
LMR Fund Ltd.  
MW Global Opportunities Fund  
PSquared Event Opportunity Fund, L.P.  
SC Absolute Return Fund, LLC – Diversifying Series  
SC Absolute Return Fund, LLC – Growth Series  
Sculptor Domestic Partners II, L.P.  
Third Point Partners Qualified, L.P.  
Tudor BVI Global Fund Ltd.  
Two Sigma Risk Premia Enhanced Fund, L.P.  
Two Sigma Risk Premia Enhanced Fund, L.P.

### Private Credit

---

Ares Capital Europe Fund V, L.P.  
Athyrium Opportunities Fund II, L.P.  
Athyrium Opportunities Fund III, L.P.  
Benefit Street Partners Senior Secured Opportunities Fund, L.P.  
Benefit Street Partners Senior Secured Opportunities Fund II, L.P.  
Brookfield Infrastructure Debt Fund III, LP  
IFM U.S. Infrastructure Debt Fund, L.P.  
MCP Private Capital Fund IV, SCSp  
OrbiMed Royalty and Credit Opportunities Fund III, L.P.  
OrbiMed Royalty & Credit Opportunities IV, LP  
Shamrock Capital Debt Opportunities Fund I, L.P.  
Silver Point Specialty Credit Fund II, L.P.  
Silver Point Specialty Credit Fund III, L.P.  
Summit Partners Credit Fund, L.P.  
Summit Partners Credit Fund II, L.P.  
Summit Partners Credit Fund III, L.P.  
Summit Partners Credit Fund IV, LP  
TCP Direct Lending Fund VIII-[S], LLC

### Private Equity

---

Abbott Capital Private Equity Fund VI, L.P.  
Accel-KKR Capital Partners V, L.P.  
Accel-KKR Capital Partners VI, L.P.  
Accel-KKR Capital Partners VII, L.P.  
Accel-KKR Growth Capital Partners II, L.P.  
Accel-KKR Growth Capital Partners III, L.P.  
Accel-KKR Growth Capital Partners IV, L.P.  
Atalaya Special Opportunities Fund V, L.P.  
Atalaya Special Opportunities Fund VI, L.P.  
Canvas Ventures 3, L.P.  
Cortec Group Fund VII, L.P.  
Cortec Group Fund VIII, L.P.  
CRV Select, L.P.  
CRV Select II, L.P.  
CRV XVIII, L.P.  
CRV XIX, L.P.  
CVC Capital Partners IX, L.P.  
DavidsonKempner Long-Term Distressed Opportunities Fund IV, L.P.  
Davidson Kempner Long-Term Distressed Opportunities Fund V, L.P.

Dyal II US Investors, L.P.  
Dyal III Pension Investors L.P.  
Garrison Opportunity Fund III A LLC  
Golden Capital Co-Investments, LP  
Gridiron Capital Fund IV, L.P.  
Gridiron Capital Fund V, L.P.  
H.I.G. Bayside Loan Opportunity Fund III (Europe-US\$), L.P.  
H.I.G. Capital Partners V, L.P.  
H.I.G. Europe Capital Partners II, L.P.  
HarbourVest International Private Equity Partners VI-Partnership Fund L.P.  
HarbourVest Partners VIII, L.P.  
Khosla Ventures IV, L.P.  
Khosla Ventures V, L.P.  
Khosla Ventures VI, L.P.  
Khosla Ventures VII, L.P.  
Khosla Ventures VIII, L.P.  
Linden Capital Partners III, L.P.  
Linden Capital Partners IV, L.P.  
Linden Capital Partners V, L.P.  
Marlin Equity IV, L.P.  
Marlin Equity Partners V, L.P.  
Marlin Equity Partners VI, L.P.  
Marlin Heritage, L.P.  
Marlin Heritage II, L.P.  
Marlin Heritage III, L.P.  
Marlin Heritage Europe L.P.  
New Enterprise Associates 14, L.P.  
New Enterprise Associates 15, L.P.  
New Enterprise Associates 16, L.P.  
New Enterprise Associates 17, L.P.  
Oaktree Power Opportunities Fund VI, L.P.  
OrbiMed Private Investments VIII, L.P.  
OrbiMed Private Investments IX, L.P.  
Private Equity Partners X, L.P.  
RCP Multi-Fund Feeder (SCERS), L.P.  
RRJ Capital Master Fund II, L.P.  
RRJ Capital Master Fund III, L.P.  
Shamrock Capital Content Fund II, L.P.  
Shamrock Capital Content Fund III, L.P.  
Shamrock Capital Growth Fund V, L.P.  
Sixth Street Opportunities Partners III, L.P.

Sixth Street Opportunities Partners IV (A), L.P.  
Sixth Street Opportunities Partners V, L.P.  
Spectrum Equity VII, L.P.  
Spectrum Equity VIII-A, L.P.  
Spectrum Equity IX-A, L.P.  
Spectrum Equity X, L.P.  
Strategic Value Special Situations Fund V, L.P.  
Summit Partners Europe Growth Equity Fund II, L.P.  
Summit Partners Europe Growth Equity Fund III, L.P.  
Summit Partners Venture Capital Fund III-A, L.P.  
Summit Partners Venture Capital Fund IV-A, L.P.  
Summit Partners Venture Capital Fund V-A, L.P.  
Thoma Bravo Fund XI, L.P.  
Thoma Bravo Fund XII, L.P.  
Thoma Bravo Fund XIII, L.P.  
Threshold Ventures III, L.P.  
Threshold Venture IV, L.P.  
Trinity Ventures XI, L.P.  
Trinity Ventures XII, L.P.  
TSG Consumer Partners 9, L.P.  
TSG7 A, L.P.  
TSG7 B, L.P.  
TSG8, L.P.  
Waterland Private Equity Fund V C.V.  
Waterland Private Equity Fund VI, C.V.  
Wayzata Opportunities Fund III, L.P.  
Wynnchurch Capital Partners V, L.P.

**Investment Consultant**

---

Cliffwater, LLC  
The Townsend Group  
Verus Advisory, Inc.

**Proxy Advisor**

---

Glass Lewis & Co.  
Institutional Shareholder Services, Inc.

**Legal Counsel**

---

Cliffwater, LLC  
The Townsend Group  
Verus Advisory, Inc.

**Other Investment Service Providers**

---

BSR & Co. LLP - tax services

Burgiss - investment accounting third-party service provider and performance analytics

Capital Economics - investment-related economic research

Colmore Inc. - investment accounting third-party service provider

Financial Recovery Technologies - class action and antitrust litigation recovery

Stroock & Stroock & Lavan LLP



SECTION FOUR

# Actuarial

CORE VALUE

## Responsibility

*By taking ownership of work, following through, holding ourselves accountable, and embracing ethical behavior.*



180 Howard Street  
Suite 1100  
San Francisco, CA 94105-6147  
T 415.263.8200  
segalco.com

## Via Email

November 21, 2023

Board of Retirement  
Sacramento County Employees' Retirement System  
980 9th Street, Suite 1900  
Sacramento, CA 95814-2738

### **Re: Actuarial Valuation for the Sacramento County Employees' Retirement System**

Dear Members of the Board:

Segal prepared the June 30, 2023, annual actuarial valuation of the Sacramento County Employees' Retirement System (SCERS). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and SCERS' funding policy adopted by the Board on June 19, 2013, and reaffirmed by the Board on March 17, 2021. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2023, actuarial valuation, Segal conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account fair value by recognizing the differences between the total actual investment return at fair value and the expected investment return from the prior six years. Investment gains/losses are recognized over a seven-year period and the deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the fair value of assets.

One of the general goals of an actuarial valuation is to establish contribution rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any Unfunded Actuarial Accrued Liability (UAAL). The UAAL is amortized over different periods depending on the source.

5793932v1/05750.002

Board of Retirement  
 Sacramento County Employees' Retirement System  
 November 21, 2023  
 Page 2

The System's remaining outstanding balance of the June 30, 2012, UAAL is amortized as a level percentage of payroll over a declining 23-year period (with 12 years remaining as of June 30, 2023). Effective with the June 30, 2013, valuation, the change in UAAL that arises due to actuarial gains or losses or from changes in actuarial assumptions or methods at each valuation is amortized as a level percentage of payroll over its own declining 20-year period. Any change in UAAL that arises due to plan amendments will be amortized as a level percentage of payroll over its own declining 15-year period and any change in UAAL due to retirement incentive programs will be amortized as a level percentage of payroll over its own declining period of up to 5 years. The progress being made towards meeting the funding objective through June 30, 2023, is illustrated in the Schedule of Funding Progress.

Notes number 1, 4, and 5 to the Basic Financial Statements and the Required Supplemental Information (RSI) included in the Financial Section were prepared by the System based on the results of the Governmental Accounting Standards Board Statement 67 (GASBS 67) actuarial valuation as of June 30, 2023, and the Actuarial Valuation and Review as of June 30, 2023, both prepared by Segal. For the Financial Section of the Annual Comprehensive Financial Report (ACFR), Segal provided the Schedule of Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the System's ACFR is provided below. These schedules were prepared based on the results of the actuarial valuation as of June 30, 2023, for funding purposes. All other schedules in the Actuarial and Statistical Sections of the System's ACFR were prepared by the System.

1. Retirees and beneficiaries added to and removed from retiree payroll;
2. Schedule of funded liabilities by type; and
3. Schedule of retiree members by type of benefit.

The valuation assumptions included in the Actuarial Section, including the assumptions for determining optional form of benefits, were adopted by the Retirement Board based on the June 30, 2022, Actuarial Experience Study recommending assumptions for use starting with the June 30, 2023, valuation. It is our opinion that the assumptions used in the June 30, 2023, valuation produce results, which, in the aggregate, anticipate the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2025, and assumptions approved in that analysis will be applied in the June 30, 2026, valuation.

In the June 30, 2023, valuation, the ratio of the actuarial value of assets to actuarial accrued liabilities increased from 85.8% to 86.5%. The employer's rate has decreased from 30.87% of payroll to 30.02% of payroll, while the employee's rate has decreased from 11.92% of payroll to 11.60% of payroll. The decrease in the employer's rate is primarily due to the effect of higher than expected return on investments (after asset smoothing). The decrease in the employee's rate is primarily due to changes in actuarial assumptions.



Board of Retirement  
Sacramento County Employees' Retirement System  
November 21, 2023  
Page 3

In the June 30, 2023, valuation, the actuarial value of assets excluded \$59.8 million in deferred investment losses, which represented about 0.5% of the fair value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 86.5% to 86.1%, and the aggregate employer contribution rate would increase from 30.02%<sup>1</sup> of payroll to 30.4%<sup>1</sup> of payroll.

The undersigned are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,



Paul Angelo, FSA, MAAA, FCA, EA  
Senior Vice President and Actuary



Todd Tauzer, FSA, MAAA, FCA, CERA  
Senior Vice President and Actuary



Andy Yeung, ASA, MAAA, FCA, EA  
Vice President and Actuary

ST/bbf  
Enclosures

<sup>1</sup> In calculating both of these contribution rates, we have excluded the \$370.9 million available in the Contingency Reserve. If that amount were applied, the aggregate employer contribution rate would have decreased by about 2.2% of payroll.

## Summary Of Actuarial Assumptions And Methods

GASB Statement No. 67 rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and pension plans can still develop and adopt funding policies under current practices. SCERS' Board of Retirement and management staff are responsible for establishing and maintaining the System's funding policy. When measuring the total pension liability, GASB uses the same actuarial cost method (Entry Age Method) and the same type of discount rate (expected return on assets) as SCERS uses for funding. This means that the Normal Cost component of the annual plan cost is determined on the same basis for funding and financial reporting.

The following assumptions and methods were based on the June 30, 2022 actuarial experience study, which was adopted by the Board in August 2023. These assumptions and methods were used to complete the June 30, 2023 actuarial valuation report.

Valuation Interest Rate and Rate of Return on Investments:	6.75%, net of administration and investment expenses
Inflation Rate:	2.50%
Real Across-the-Board Salary Increase:	0.25%
Projected Salary Increases:	4.25% - 9.75%, varying by service, including inflation and across-the-board salary increases
Member Contribution Crediting Rate:	5-year Treasury rate, assuming sufficient net investment earnings
Post-Retirement Cost-of-Living Adjustment:	
Miscellaneous Tier 1	2.75%
Miscellaneous Tier 2	0.00%
Miscellaneous Tier 3	2.00%
Miscellaneous Tier 4	2.00%
Miscellaneous Tier 5	2.00%
Safety Tier 1	2.75%
Safety Tier 2	2.00%
Safety Tier 3	2.00%
Safety Tier 4	2.00%

Post-Retirement Mortality:	
a) Service	<b>Miscellaneous Members</b> - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
	<b>Safety Members</b> - Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.
b) Disability	<b>Miscellaneous Disabled Members</b> - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), with rates unadjusted for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
	<b>Safety Disabled Members</b> - Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), with rates increased by 5% for males and unadjusted for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
	<b>All Beneficiaries</b> - Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females), with rates increased by 5% for males and increased by 10% for females, projected generationally with the two-dimensional mortality improvement scale MP-202119.
Withdrawal Rates and Service Retirement Rates:	Refer to the June 30, 2022, Actuarial Experience Study.
Pre-Retirement Mortality:	<b>Miscellaneous Members</b> - Pub-2010 General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021, updated from MP-2019.
	<b>Safety Members</b> - Pub-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021, updated from MP-2019.
Mortality Rates for Member Contributions:	<b>Miscellaneous Members</b> - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males and 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 40% male and 60% female
	<b>Safety Members</b> - Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates decreased by 5% for males, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 75% male and 25% female.

## Summary Of Actuarial Assumptions And Methods (continued)

Disability Rates: Refer to June 30, 2022 Actuarial Experience Study	<b>Miscellaneous Members</b> - 50% of disabled Miscellaneous members would receive a duty disability, and 50% will be assumed to receive a non-duty disability.
	<b>Safety Members</b> - 90% of disabled Safety members would receive a duty disability, and 10% will be assumed to receive a non-duty disability.
Average Entry Ages:	<b>Miscellaneous Members</b> - 35 <b>Safety Members</b> - 29
Percentage of Members Married at Retirement:	<b>Male Members</b> - 80% <b>Female Members</b> - 60%, increased from 55%
Retirement Age for Deferred Vested Members:	<b>Miscellaneous Members</b> - 59 <b>Safety Members</b> - 52
Percentage Eligible for Reciprocal Benefits:	<b>Miscellaneous Members</b> - 25%, decreased from 30% <b>Safety Members</b> - 35%, decreased from 40%
Actuarial Value of Assets:	The fair value of assets less unrecognized returns in each of the last six years. Unrecognized return is equal to the difference between actual and expected returns on a fair value basis and is recognized over a seven-year period. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the fair value of assets.
Valuation Value of Assets:	Actuarial value of assets reduced by the value of non-valuation reserves and designations.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. Entry Age is the age on the valuation date minus years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation.
Amortization Policy:	The balance of the UAAL as of June 30, 2012 shall be amortized separately from any future changes in UAAL over a period of 23 years as of June 30, 2012.
	Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 20 years.
	Any new UAAL as a result of changes in actuarial assumptions or methods will be amortized over a period of 20 years.
	The change in UAAL as a result of any Plan amendments will be amortized over a period of 15 years and the change in UAAL resulting from retirement incentive programs will be amortized over a period of up to 5 years.
Changes in Actuarial Assumptions:	None.

## Summary Of Plan Provisions

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through June 30, 2023, that are applicable to the Sacramento County Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan.

### Membership

Miscellaneous employees entering before September 27, 1981 are Tier 1 members. Miscellaneous employees entering on or after September 27, 1981 are Tier 2 members. Miscellaneous employees entering on or after June 27, 1993 but before January 1, 2012 are Tier 3 members. County Miscellaneous employees entering on or after January 1, 2012 but before January 1, 2013 are Tier 4 members. Miscellaneous employees entering on or after January 1, 2013 are Tier 5 members.

Safety members entering before June 25, 1995 are Tier 1 members. Safety members entering on or after June 25, 1995 but before January 1, 2012 are Tier 2 members. Safety employees entering on or after January 1, 2012 but before January 1, 2013 are members of Tier 3. Safety members entering on or after January 1, 2013 are Tier 4 members.

### Final Average Salary

Final average salary (FAS) is defined as the highest 12 consecutive months of compensation earnable for Miscellaneous Tier 1 and Safety Tier 1 and highest 36 consecutive months of compensation earnable or pensionable compensation for Miscellaneous Tier 2, Tier 3, Tier 4 and Tier 5 and Safety Tier 2, Tier 3 and Tier 4. FAS for Miscellaneous Tier 5 and Safety Tier 4 is also subject to a compensation limit under state statute.

### Return of Contributions

Upon separation from service, a member may elect to leave his or her contributions on deposit. If the member has five or more years of service, he or she may elect to receive a deferred benefit when eligible for retirement. Regardless of "vested" status, separated members may request a return of contributions, plus interest, at any time.

### Service Retirement Benefit

Miscellaneous Tier 1, Tier 2, Tier 3 and Tier 4 and Safety Tier 1, Tier 2 and Tier 3 members with 10 years of service who have attained the age of 50 are eligible to retire. All members with 30 years of service (20 years for Safety), regardless of age, are eligible to retire.

Miscellaneous Tier 5 and Safety Tier 4 members with 5 years of service who have attained the age of 52 (age 50 for Safety) are eligible to retire.

The benefit expressed as a percentage of monthly FAS per year of service, depending on age at retirement, is illustrated below for typical ages. For members whose benefits are integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first \$350 of monthly FAS per year of service after January 1, 1956.

Age	Miscellaneous Tier 1, 2 and 3	Miscellaneous Tier 4	Miscellaneous Tier 5	Safety Tier 1 and 2	Safety Tier 3	Safety Tier 4
50	1.48%	1.18%	N/A	3.00%	2.29%	2.00%
55	1.95	1.49	1.30%	3.00	3.00	2.50
60	2.44	1.92	1.80	3.00	3.00	2.70
62	2.61	2.09	2.00	3.00	3.00	2.70
65	2.61	2.43	2.30	3.00	3.00	2.70
67 and over	2.61	2.43	2.50	3.00	3.00	2.70

### Disability Benefit

Members with five years of service, regardless of age, are eligible for non-service connected disability. For Miscellaneous Tier 1 members, the benefit is 1.5% (1.8% for Safety Tier 1 members) of FAS for each year of service. If this benefit does not equal one-third of FAS, the benefit is increased by the same percentage of FAS for the years which would have been credited to age 65 (age 55 for Safety members), but the total benefit in this case cannot be more than one-third of FAS .

For Tier 2, Tier 3, Tier 4 and Tier 5 members, the benefit is 20% of FAS for the first five years of service plus 2% for each additional year for a maximum of 40% of FAS.

If the disability is service connected, the member may retire regardless of length of service, with a benefit of 50% of FAS or 100% Service Retirement benefit, if greater.

### Death Benefit (Before Retirement)

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) month's salary .

If a member dies while eligible for service retirement or non-service connected disability, the spouse receives 60% of the allowance that the member would have received for retirement.

If a member dies in the performance of duty, the spouse or minor child receives the greater of 50% of the member's final average salary or 100% of the Service Retirement benefit.

### **Death Benefit (After Retirement)**

If a member dies after retirement, a \$4,000 lump sum burial allowance is paid to the beneficiary or estate. If the retirement was for service connected disability, 100% of the member's allowance as it was at death is continued to the eligible spouse for life.

If the retirement was for other than service connected disability and the member elected the unmodified option, 60% of the member's allowance is continued to an eligible spouse for life.

An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement.

### **Maximum Benefit**

The maximum benefit payable to all Miscellaneous and Safety members or beneficiaries is the lower of 100% of FAS or the qualified plan dollar limits established by the Internal Revenue Service.

### **Cost-of-Living Adjustments**

The maximum increase in retirement allowance is 4% per year for Miscellaneous Tier 1 and Safety Tier 1 members and 2% for Safety Tier 2, Tier 3 and Tier 4, and Miscellaneous Tier 3, Tier 4 and Tier 5 members.

Miscellaneous Tier 2 members have no cost-of-living benefit. The cost-of-living increases effective in the month of April are based on the average annual change in the Consumer Price Index for the calendar year preceding April.

### **Contribution Rates**

Basic member contribution rates are designed to provide an average annuity at age 55 equal to 1/240 of FAS for Miscellaneous Tier 1, 2 and 3 members, at age 60 equal to 1/120 of FAS for Miscellaneous Tier 4 members and 1/100 of FAS at age 50 for Safety Tier 1, Tier 2 and Tier 3 members. For Miscellaneous Tier 5 and Safety Tier 4 members, the rates are 50% of the Normal Cost rate. For members integrated with Social Security, the above contributions except for Miscellaneous Tier 5 and Safety Tier 4 are reduced by one-third of that portion of such contribution payable with respect to the first \$350 of monthly salary. Cost-of-living contribution rates are designed to pay for one-half of the future cost-of-living costs. Member contributions are refundable upon termination from the system.

## Schedule Of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll (in thousands)	Annual Average Pay (in thousands)	% Increase/ (decrease) in Average Pay*
6/30/2023	Miscellaneous	11,061	\$980,197	\$88.6	7.42%
	Safety	2,106	271,769	129.0	0.06%
	Total	13,167	\$1,251,965	\$95.1	7.20%
6/30/2022	Miscellaneous	10,703	\$882,615	\$82.5	2.73%
	Safety	2,054	249,025	121.2	1.76%
	Total	12,757	\$1,131,640	\$88.7	2.48%
6/30/2021	Miscellaneous	10,479	\$841,176	\$80.3	2.60%
	Safety	2,021	240,787	119.1	1.83%
	Total	12,500	\$1,081,963	\$86.6	2.28%
6/30/2020	Miscellaneous	10,565	\$826,569	\$78.2	3.21%
	Safety	2,085	243,943	117.0	3.80
	Total	12,650	\$1,070,512	\$84.6	3.33%
6/30/2019	Miscellaneous	10,584	\$802,318	\$75.8	2.86%
	Safety	2,094	236,023	112.7	3.52
	Total	12,678	\$1,038,341	\$81.9	3.02%
6/30/2018	Miscellaneous	10,586	\$780,148	\$73.7	2.24%
	Safety	2,091	227,668	108.9	0.43
	Total	12,677	\$1,007,816	\$79.5	2.07%
6/30/2017	Miscellaneous	10,577	\$762,440	\$72.1	3.26%
	Safety	2,010	217,919	108.4	2.31
	Total	12,587	\$980,359	\$77.9	2.84%
6/30/2016	Miscellaneous	10,363	723,429	\$69.8	1.80%
	Safety	2,030	\$215,126	106.0	2.20
	Total	12,393	\$938,555	\$75.7	1.88%
6/30/2015	Miscellaneous	10,093	\$692,138	\$68.6	1.84%
	Safety	1,979	205,203	103.7	1.36
	Total	12,072	\$897,341	\$74.3	1.78%
6/30/2014	Miscellaneous	10,085	\$679,079	\$67.3	-0.12%
	Safety	1,964	200,920	102.3	-0.08%
	Total	12,049	\$879,999	\$73.0	0.08%

Source: Actuarial Valuation reports from June 30, 2014 through 2023.

Note: Refer to the *Participating Employers in the Introductory Section* for a list of participating employers who have joined the System for the last ten years.

\* Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.



**Retirees And Beneficiaries Added To And  
Removed From Retiree Payroll**

<b>Valuation Date</b>	<b>At Beginning of Year</b>	<b>Added During Year</b>	<b>Removed During Year</b>	<b>At End of Year</b>	<b>Annual Retiree Payroll (In thousands)</b>	<b>Payroll Added During Year* (In thousands)</b>	<b>Payroll Removed During Year (in thousands)</b>	<b>% Increase In Annual Retiree Payroll</b>	<b>Average Annual Allowance</b>
6/30/2023	13,635	770	471 <sup>2</sup>	13,934	\$678,705	\$54,281	\$15,474	6.06%	\$48,709
6/30/2022	13,051	864	280	13,635	639,898	59,817	9,957	8.45	46,931
6/30/2021	12,732	702	383	13,051	590,038	44,004	12,916	5.56	45,210
6/30/2020	12,381	693	342	12,732	558,950	47,214	11,455	6.83	43,901
6/30/2019	11,883	789	291	12,381	523,191	49,436	8,402	8.51	42,252
6/30/2018	11,396	758	271	11,883	482,157	44,173	7,891	8.14	40,572
6/30/2017	10,960	750	314	11,396	445,875	40,102	9,332	7.41	39,126
6/30/2016	10,541	727	308	10,960	415,105	35,144	8,591	6.83	37,875
6/30/2015	10,049	776	284	10,541	388,552	40,636	7,849	9.22	36,861
6/30/2014	9,634	674	259	10,049	355,765	31,335	6,746	7.42	35,403

Source: Prepared by Segal

Note: Participants are counted once for each benefit received.

<sup>1</sup> Includes data adjustments and automatic cost-of-living adjustments granted on April 1.

<sup>2</sup> Retiree and beneficiary deaths during 2021/2022 were underreported as of June 30, 2022. These deaths were reported during 2022/2023.

### Actuarial Analysis Of Financial Experience

(Amounts Expressed in Millions)

	Plans Year Ended June 30									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Prior Valuation Unfunded Actuarial Liability	\$2,286	\$2,380	\$2,464	\$2,192	\$2,090	\$2,016	\$1,200	\$1,190	\$1,268	\$1,413
Salary Increase Greater (Less) than Expected	221	7	(36)	11	(24)	(40)	(3)	(39)	(39)	(138)
Asset Return Less (Greater) than Expected	(145)	(147)	3	20	8	6	3	62	(24)	(38)
Other Experience	(34)	46	(51)	25	118	108	(8)	(13)	(15)	15
Economic and Non-Economic Assumption Changes	(21)	-	-	216	-	-	824	-	-	16
<b>Ending Unfunded Actuarial Accrued Liability</b>	<b>\$2,307</b>	<b>\$2,286</b>	<b>\$2,380</b>	<b>\$2,464</b>	<b>\$2,192</b>	<b>\$2,090</b>	<b>\$2,016</b>	<b>\$1,200</b>	<b>\$1,190</b>	<b>\$1,268</b>

Source: Prepared using extracted data from Actuarial Valuations from June 30, 2014 through 2023.

## Schedule Of Funded Liabilities By Type

(Amounts Expressed in Thousands)

Valuation Date	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets			
	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/Vested Members	Active Members (Employer Financed Portion)
6/30/2023	\$1,025,063	\$9,361,647	\$3,972,144	\$14,358,854	\$12,423,093	100%	100%	51%
6/30/2022	945,681	8,916,593	3,716,710	13,578,984	11,647,866	100	100	48
6/30/2021	909,340	8,299,868	4,100,498	13,309,706	10,929,549	100	100	42
6/30/2020	875,808	7,857,941	3,959,906	12,693,655	10,229,760	100	100	38
6/30/2019	820,202	7,354,648	3,720,670	11,895,520	9,703,313	100	100	41
6/30/2018	756,179	6,879,316	3,577,768	11,213,263	9,123,004	100	100	42
6/30/2017	713,290	6,410,447	3,557,261	10,680,998	8,665,226	100	100	43
6/30/2016	677,596	5,635,248	3,123,246	9,436,090	8,236,402	100	100	62
6/30/2015	645,591	5,356,228	3,026,860	9,028,679	7,838,825	100	100	61
6/30/2014	632,969	4,939,239	3,008,720	8,580,928	7,321,993	100	100	58

Source: Prepared by Segal

Events affecting year to year comparability:

6/30/2023	Inflation assumption decreased from 2.75% to 2.50%; No change in 2.75% COLA assumption for Tier 1; Combined inflationary and real "across the board" component of salary increase assumption decreased while merit and promotional component of salary increase assumption increased; Modification in non-economic assumptions.
6/30/2022	The amount in the Contingency Reserve is no longer included in the Actuarial Accrued Liability.
6/30/2020	Investment return assumption decrease from 7.00% to 6.75%; Inflation assumption decreased from 3.00% to 2.75%; Salary increase assumption decreased while merit and promotional component of salary increase assumption increased; COLA increase assumption for Tier 1 decreased from 3.00% to 2.75%; and Modification in non-economic assumptions.
6/30/2017	Investment return assumption decreased from 7.50% to 7.00%; Inflation assumption decreased from 3.25% to 3.00%; Salary increase assumption decreased while merit and promotional component of salary increase assumption increased; COLA increase assumption for Tier 1 decrease from 3.25% to 3.00%; and Modification in non-economic assumptions.
6/30/2014	Changes to post-retirement mortality rates and termination rates before retirement; Changes to retirement age and benefit for deferred vested members; and Changes to annual rates of compensation increase.

## Schedule Of Funding Progress

*(Amounts Expressed in Thousands)*

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll** (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2023	\$12,423,093	\$14,358,854	\$1,935,761	86.5%	\$1,251,966	154.6%
6/30/2022	11,647,866	13,578,984	1,931,118	85.8	1,131,640	170.6
6/30/2021	10,929,549	13,309,706	2,380,157	82.1	1,081,961	220.0
6/30/2020	10,229,760	12,693,655	2,463,894	80.6	1,070,512	230.2
6/30/2019	9,703,313	11,895,520	2,192,207	81.6	1,038,341	211.1
6/30/2018	9,123,004	11,213,263	2,090,259	81.4	1,007,815	207.4
6/30/2017	8,665,226	10,680,998	2,015,772	81.1	980,359	205.6
6/30/2016	8,236,402	9,436,090	1,199,688	87.3	938,555	127.8
6/30/2015	7,838,825	9,028,679	1,189,854	86.8	897,341	132.6
6/30/2014	7,312,993	8,580,928	1,267,935	85.2	879,999	144.1

Source: Prepared using extracted data from Actuarial Valuations from June 30, 2014 through 2023.

\* Includes contingency reserve and retiree death benefit reserves.

\*\* Covered payroll is based on actuarial assumed salary growth.

### Probabilities Of Separation Prior To Retirement

Mortality Rate (%)				
Age	Miscellaneous		Safety	
	Male	Female	Male	Female
20	0.04%	0.01%	0.04%	0.01%
25	0.02	0.01	0.03	0.02
30	0.03	0.01	0.04	0.02
35	0.04	0.02	0.04	0.03
40	0.06	0.03	0.05	0.04
45	0.09	0.05	0.07	0.06
50	0.13	0.08	0.10	0.08
55	0.19	0.11	0.15	0.11
60	0.28	0.17	0.23	0.14
65	0.41	0.27	0.35	0.20

Note: Generational projections beyond the base year (2010) are not reflected in the above mortality rates. All Miscellaneous pre-retirement deaths are assumed to be nonservice-connected. For Safety, 50% pre-retirement deaths are assumed to be nonservice-connected and the rest are assumed to be service-connected.

Disability Rate (%)		
Age	Miscellaneous	Safety
20	-%	0.05%
25	0.01	0.05
30	0.02	0.08
35	0.04	0.22
40	0.08	0.36
45	0.16	0.46
50	0.23	0.68
55	0.31	0.92
60	0.41	1.12
65	0.47	0.00
70	0.67	0.00

Note: For Miscellaneous, 50% of disabilities are assumed to be service-connected disabilities and the other 50% are assumed to be nonservice-connected disabilities. For Safety, 90% of disabilities are assumed to be service-connected disabilities and the other 10% are assumed to be nonservice-connected disabilities.

Source: Actuarial Valuation report as of June 30, 2023.

**Withdrawal Rate (%)  
Less than Five Years of Service**

Years of Service	Miscellaneous	Safety
Less than 1	13.00%	4.75%
1 - 2	9.50	4.00
2 - 3	7.00	4.00
3 - 4	5.75	2.50
4 - 5	5.50	2.50

Note: 55% of the Miscellaneous members and 50% of the Safety members are assumed to elect a withdrawal of contributions upon separation. The remaining 45% and 50% of Miscellaneous and Safety members, respectively, are assumed to elect a deferred retirement benefit.

**Withdrawal Rate (%)  
Five or More Years of Service**

Age	Miscellaneous	Safety
5 - 6	5.50%	2.50%
6 - 7	5.25	2.50
7 - 8	5.00	2.25
8 - 9	4.75	1.25
9 - 10	4.50	1.00
10 - 11	4.25	1.00
11 - 12	3.50	1.00
12 - 13	3.25	1.00
13 - 14	2.75	1.00
14 - 15	2.50	1.00
15 - 16	2.00	0.75
16 - 17	2.00	0.75
17 - 18	2.00	0.75
18 - 19	2.00	0.75
19 - 20	1.75	0.75
20 - 21	1.75	0.00
21 & Over	1.50	0.00

Note: 20% of the Miscellaneous terminated members and 15% of the Safety terminated members are assumed to elect a withdrawal of contributions upon separation. The remaining 80% and 85% of Miscellaneous and Safety terminated members, respectively, are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is eligible to retire.

Source: Actuarial Valuation report as of June 30, 2023.



SECTION FIVE

# Statistical

CORE VALUE

## Solutions

*By working with urgency to help one another succeed, fostering teamwork and collaboration, and asking for help when needed.*

## Summary of Statistical Data

---

Issued in May 2004, pronouncement GASB Statement No. 44, Economic Conditioning Reporting: The Statistical Section, establishes and modifies requirements related to the supplementary information presented in this section of the report.

The pension trust fund is accounted for under the accrual basis of accounting. Information is provided for the last ten years ended June 30, 2023 for the following five objectives: financial trends; revenue capacity; demographic and economic; and operating.

Financial trends are presented on [pages 111 to 115](#). The schedules contain trend information to aid in understanding how the System's financial performance has changed over time.

Revenue capacity is presented on [pages 111, 113](#) and [114](#). The schedules contain information regarding the contribution amount and rate history for the last ten years.

Demographic and economic information is presented on [pages 108 to 112](#). These schedules offer demographic and economic indicators to enhance understanding of the environment within which the System's financial activities take place. The schedules show the average monthly benefit payments followed by the System membership.

Operating information is presented on [pages 122](#) and [123](#). These schedules contain pension plan data to assist in understanding how the information in the financial report relates to the pension plan the System administers. This section includes the schedules of principal participating employers and active members.



### Schedule Of Additions By Source

(Amounts Expressed in Thousands)

Fiscal Year Ended June 30:	Member Contributions	Employer Contributions	Net Investment Income/(Loss)	Other Income	Health Premiums Collected from Members and Employers	Total
2023	\$139,521	\$371,248	\$710,906	\$1,816	\$34,620	1,258,111
2022	132,526	306,335	(547,786)	2,990	32,644	(73,291)
2021	120,597	295,269	2,753,409	3,081	32,362	3,204,718
2020	126,354	276,230	301,373	2,939	-	706,896
2019	121,843	285,642	672,786	2,940	-	1,083,211
2018	99,906	198,513	841,370	3,119	-	1,142,908
2017	89,489	203,928	1,048,915	-	-	1,342,332
2016	77,494	209,020	(72,399)	-	-	214,115
2015	68,143	222,959	158,222	-	-	449,324
2014	57,635	210,503	1,107,152	-	-	1,375,290

Source: Audited Financial Statements from June 30, 2014, through 2023.

### Schedule Of Deductions By Type

(Amounts Expressed in Thousands)

Year Ended June 30:	Benefits Paid			Administrative Expenses	Withdrawals	Health Premiums Remitted to Health Carriers	Total
	Service*	Survivor Benefits	Retiree Death Benefits				
2023	\$650,935	\$3,528	\$1,119	\$28,178	\$6,815	\$34,620	\$725,205
2022	609,516	3,206	1,623	8,971	4,547	32,644	660,507
2021	571,304	2,954	1,071	9,165	3,092	32,362	619,948
2020	534,026	2,804	868	8,460	3,053	-	549,211
2019	498,939	2,803	1,202	7,601	2,909	-	513,454
2018	461,808	2,625	921	6,888	2,954	-	475,196
2017	426,292	2,479	983	6,906	2,312	-	438,972
2016	399,690	2,443	1,223	6,362	2,346	-	412,064
2015	368,788	2,404	1,177	5,854	2,288	-	380,511
2014	341,756	2,116	1,018	5,665	2,729	-	353,284

\* Amounts reported here include both service and disability retirement benefits and active death benefits.

Source: Audited Financial Statements from June 30, 2014, through 2023 and SCERS Retired Member Pension Payroll Data.

### Schedule Of Administrative Expenses

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

Type of Expenses	2023	2022	2021	2020	2019*	2018	2017	2016	2015	2014
Salaries and benefits	\$6,553	\$5,588	\$5,585	\$5,439	\$5,128	\$4,078	\$3,984	\$3,506	\$3,445	\$3,300
County allocated expenses	1,071	686	1,143	852	488	557	-	-	-	-
Professional services	646	815	751	649	606	879	1,149	1,081	811	786
Rent and lease **	287	847	530	524	582	557	488	501	456	460
Information technology	742	272	632	365	133	157	-	-	-	-
Printing and postage	44	225	190	215	177	202	-	-	-	-
Pension Administration Project Impairment	17,131	-	-	-	-	-	-	-	-	-
Pension payroll services	376	312	177	182	185	208	-	-	-	-
Insurance liability	156	129	96	92	97	89	-	-	-	-
Depreciation	579	-	-	-	-	-	27	34	36	36
Equipment purchases and maintenance	-	-	-	-	-	-	61	26	32	21
Other	593	97	61	142	205	161	1,197	1,214	1,074	1,062
<b>Total</b>	<b>\$28,178</b>	<b>\$8,971</b>	<b>\$9,165</b>	<b>\$8,460</b>	<b>\$7,601</b>	<b>\$6,888</b>	<b>\$6,906</b>	<b>\$6,362</b>	<b>\$5,854</b>	<b>\$5,665</b>

\* In the fiscal year ended June 30, 2019, the System revised the presentation of the administrative expenses as reported in the Other Supplemental Information section. As a result, certain amounts have been revised to present at a detail level.

\*\* Rent and lease also include expenses related to GASB Statement No. 87. A separate schedule and disclosure for GASB Statement No. 87 is included.

Source: Audited Financial Statements from June 30, 2014, through 2023.

## Schedule Of Changes In Fiduciary Net Position

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

*(Amounts Expressed in Thousands)*

	2023	2022	2021	2020	2019
Member contributions	\$139,521	\$132,526	\$120,597	\$126,354	\$121,843
Employer contributions	371,248	306,335	295,269	276,230	285,642
Net investment income/(loss)	710,906	(547,786)	2,753,409	301,373	672,786
Other income	1,816	2,990	3,081	2,939	2,940
Health premiums collected from members and employers	34,620	32,644	32,362	-	-
<b>Total additions</b>	<b>1,258,111</b>	<b>(73,291)</b>	<b>3,204,718</b>	<b>706,896</b>	<b>1,083,211</b>
Benefits paid	\$655,591	614,345	575,329	537,698	502,944
Withdrawal of contributions	6,815	4,547	3,092	3,053	2,909
Administrative expenses	28,178	8,971	9,165	8,460	7,601
Health premiums remitted to health carriers	34,620	32,644	32,362	-	-
<b>Total deductions</b>	<b>725,204</b>	<b>660,507</b>	<b>619,948</b>	<b>549,211</b>	<b>513,454</b>
<b>Change in net position</b>	<b>532,907</b>	<b>(733,798)</b>	<b>2,584,770</b>	<b>157,685</b>	<b>569,757</b>
Net position, beginning	11,830,351	12,564,149	9,979,379	9,821,694	9,251,937
<b>Net position, ending</b>	<b>\$12,363,258</b>	<b>\$11,830,351</b>	<b>\$12,564,149</b>	<b>\$9,979,379</b>	<b>\$9,821,694</b>

## Schedule Of Changes In Fiduciary Net Position (continued)

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Member contributions	\$99,906	\$89,489	\$77,494	\$68,143	\$57,635
Employer contributions	198,513	203,928	209,020	222,959	210,503
Net investment income/(loss)	841,370	1,048,915	(72,399)	158,222	1,107,152
Other income	3,119	-	-	-	-
Total additions	<u>1,142,908</u>	<u>1,342,332</u>	<u>214,115</u>	<u>449,324</u>	<u>1,375,290</u>
Benefits paid	465,354	429,754	403,356	372,369	344,890
Withdrawal of contributions	2,954	2,312	2,346	2,288	2,729
Administrative expenses	6,888	6,906	6,362	5,854	5,665
Total deductions	<u>475,196</u>	<u>438,972</u>	<u>412,064</u>	<u>380,511</u>	<u>353,284</u>
<b>Change in net position</b>	<b>667,712</b>	<b>903,360</b>	<b>(197,949)</b>	<b>68,813</b>	<b>1,022,006</b>
Net position, beginning	<u>8,584,225</u>	<u>7,680,865</u>	<u>7,878,814</u>	<u>7,810,001</u>	<u>6,787,995</u>
<b>Net position, ending</b>	<b><u>\$9,251,937</u></b>	<b><u>\$8,584,225</u></b>	<b><u>\$7,680,865</u></b>	<b><u>\$7,878,814</u></b>	<b><u>\$7,810,001</u></b>

\* Source: Audited Financial Statements from June 30, 2014, through 2023.

Schedule Of Employer Contribution Rates

Actuarial Valuation Date	COUNTY <sup>1</sup>									
	Miscellaneous					Safety				
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 1	Tier 2	Tier 3	Tier 4	
6/30/2023	24.86%	20.28%	23.27%	22.83%	21.96%	62.52%	57.70%	57.24%	51.29%	
6/30/2022	23.95%	20.55%	24.13%	23.75%	22.71%	69.13%	58.48%	58.20%	52.27%	
6/30/2021	25.37	21.70	24.83	24.48	23.43	72.96	58.70	57.47	52.37	
6/30/2020	24.38	20.87	24.07	23.65	22.59	66.07	57.35	56.01	51.10	
6/30/2019	22.03	19.17	22.20	21.91	20.96	61.78	53.75	53.11	49.35	
6/30/2018	20.19	17.74	20.43	19.92	18.98	54.68	48.31	47.40	43.85	
6/30/2017	18.43	15.85	18.62	17.96	16.96	48.41	44.28	43.33	39.72	
6/30/2016	15.83	13.85	15.89	15.01	14.11	41.30	37.44	36.51	34.11	
6/30/2015	16.26	15.01	17.41	15.25	14.13	42.11	39.42	37.73	34.40	
6/30/2014	17.58	16.55	19.24	15.96	14.87	42.59	41.56	39.92	35.13	

Actuarial Valuation Date	COURT				SPECIAL DISTRICTS		
	Miscellaneous				Miscellaneous		
	Tier 1	Tier 2	Tier 3	Tier 5	Tier 1	Tier 3	Tier 5
6/30/2023	30.25%	24.06%	28.00%	21.93%	N/A	35.44%	29.53%
6/30/2022	27.01%	24.18%	29.22%	22.67%	N/A	36.55%	30.14%
6/30/2021	29.10	25.78	29.92	23.39	N/A	37.65	31.24
6/30/2020	28.20	24.95	29.21	22.55	N/A	36.89	30.36
6/30/2019	24.97	22.91	27.01	20.92	33.26	35.19	29.21
6/30/2018	23.40	22.05	25.41	18.95	31.42	33.33	26.97
6/30/2017	21.59	20.11	23.56	16.93	30.00	31.86	25.34
6/30/2016	18.16	16.87	19.84	14.08	26.27	27.85	22.19
6/30/2015	17.99	16.66	19.83	14.09	25.92	27.76	22.02
6/30/2014	18.55	17.54	20.65	14.87	26.16	28.26	22.48

Source: Actuarial Valuation reports from June 30, 2014 through 2023.

Note: Actuarial Valuations are prepared subsequent to fiscal year-end and determine rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2023 is used to determine rates for the fiscal year 2024-25.

<sup>1</sup> Effective July 1, 2014, subsequent to the completion of the actuarial valuation for the year ended June 30, 2013, the County and several bargaining groups entered into an agreement for members to pick up an additional portion of the total normal cost in fiscal year 2014-15. The County employer contribution rates shown have not been adjusted to reflect the members agreeing to pick up an additional portion of the normal cost.

<sup>2</sup> As of June 30, 2020, there are no Miscellaneous Tier 1 members reported for Special Districts.

### Schedule Of Benefits Paid And Withdrawals By Type

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2023	2022	2021	2020	2019
<b>Type of Benefit</b>					
Service retirement benefits	\$650,935	\$609,516	\$571,304	\$534,026	\$498,939
Survivor benefits	3,538	3,206	2,954	2,804	2,803
Death benefits- before retirement	189	578	232	198	326
Death benefits- after retirement	930	1,046	839	670	876
<b>Total Benefit Paid</b>	<b>\$655,592</b>	<b>\$614,345</b>	<b>\$575,329</b>	<b>\$537,698</b>	<b>\$502,944</b>
<b>Type of Withdrawal</b>					
Death	\$566	\$972	\$218	\$259	\$826
Separation	6,249	3,575	2,774	2,745	2,022
Miscellaneous	0	0	100	49	61
<b>Total Withdrawals</b>	<b>\$6,815</b>	<b>\$4,547</b>	<b>\$3,092</b>	<b>\$3,053</b>	<b>\$2,909</b>
	2018	2017	2016	2015	2014
<b>Type of Benefit</b>					
Service retirement benefits	\$461,808	\$426,292	\$399,690	\$368,788	\$341,756
Survivor benefits	2,625	2,479	2,443	2,404	2,116
Death benefits- before retirement	248	218	352	411	312
Death benefits- after retirement	673	765	871	766	706
<b>Total Benefit Paid</b>	<b>\$465,354</b>	<b>\$429,754</b>	<b>\$403,356</b>	<b>\$372,369</b>	<b>\$344,890</b>
<b>Type of Withdrawal</b>					
Death	\$704	\$298	\$522	\$320	\$445
Separation	2,173	1,974	1,786	1,815	2,211
Miscellaneous	77	40	38	153	73
<b>Total Withdrawals</b>	<b>\$2,954</b>	<b>\$2,312</b>	<b>\$2,346</b>	<b>\$2,288</b>	<b>\$2,729</b>

Source: Audited Financial Statements from June 30, 2013 through 2022 and SCERS Retired Member Pension Payroll Data.

**Schedule Of Distribution Of Retired Members and Beneficiaries By Type And By Monthly Amount**

AS OF JUNE 30, 2023

Amount of Monthly Benefit	Total Number of Retired Members	Type of Retirement*									
		1	2	3	4	5	6	7	8	9	10
\$1 - \$499	781	568	15	3	7	7	93	12	9	1	17
\$500 - \$999	1,232	889	24	7	1	-	128	46	37	3	27
\$1,000 - \$1,499	1,398	1,041	45	11	5	3	146	39	33	1	15
\$1,500 - \$1,999	1,261	937	37	21	15	6	127	23	32	-	13
\$2,000 - \$2,499	1,150	883	35	6	34	7	110	19	7	4	12
\$2,500 - \$2,999	1,026	820	15	6	32	9	87	6	7	7	13
\$3,000 - \$3,499	903	723	5	4	30	9	94	5	2	6	6
\$3,500 - \$3,999	782	611	8	1	29	15	83	5	33	3	6
\$4,000 - \$4,499	681	519	1	-	22	18	79	-	-	10	9
\$4,500 - \$4,999	652	519	1	-	27	25	50	-	-	12	4
\$5,000 and Over	4,068	3,582	2	2	78	39	269	5	1	23	24
<b>Total</b>	<b>13,934</b>	<b>11,092</b>	<b>188</b>	<b>61</b>	<b>280</b>	<b>138</b>	<b>1,266</b>	<b>160</b>	<b>131</b>	<b>70</b>	<b>146</b>

Amount of Monthly Benefit	Type of Retirement (continued)*						Option Selected**				
	11	12	13	15	16	17	Unmodified	1	2	3	4
\$1 - \$499	-	33	-	6	4	6	552	67	142	7	13
\$500 - \$999	-	56	-	9	2	3	928	102	177	8	17
\$1,000 - \$1,499	4	42	3	8	-	2	1,098	100	173	16	11
\$1,500 - \$1,999	-	42	1	7	-	-	1,023	71	152	12	3
\$2,000 - \$2,499	1	21	-	11	-	-	944	64	126	11	5
\$2,500 - \$2,999	1	15	1	5	2	-	835	66	119	3	3
\$3,000 - \$3,499	-	11	1	7	-	-	755	47	91	4	6
\$3,500 - \$3,999	-	8	4	6	-	-	650	40	83	7	2
\$4,000 - \$4,499	-	8	4	8	1	2	572	29	70	4	6
\$4,500 - \$4,999	-	2	8	4	-	-	557	32	58	3	2
\$5,000 and Over	-	5	5	32	1	-	3,594	118	319	19	18
<b>Total</b>	<b>6</b>	<b>231</b>	<b>27</b>	<b>103</b>	<b>10</b>	<b>13</b>	<b>11,508</b>	<b>736</b>	<b>1,510</b>	<b>94</b>	<b>86</b>

* Type of Retirement	** Option Selected
1 Service Retirement	<b>Unmodified</b>
2 Non-Service Connected Disability, age 55 and older	Qualified service retirement or non-service connected disability retirement beneficiary receives 60 percent continuance.
3 Non-Service Connected Disability, under age 55	Qualified service connected disability retirement beneficiary receives 100 percent continuance.
4 Service Connected Disability, age 55 and older	The following options reduce the retired member's monthly benefit:
5 Service Connected Disability, under age 55	1. Beneficiary receives lump sum or member's unused contributions.
6 Beneficiary of Service Retiree	2. Beneficiary having an insurable interest in member's life receives 100 percent of member's reduced monthly benefit.
7 Survivor Death Benefits	3. Beneficiary having an insurable interest in member's life receives 50 percent of member's reduced monthly benefit.
8 Beneficiary of Non-Service Connected Disability Retiree	4. Benefits paid to person having an insurable interest in member's life as nominated by member's written designation.
9 Beneficiary of Service Connected Disability Retiree	
10 Divorce Receiving Benefits	
11 Interim Non-Service Connected Disability Retirement	
12 Non-Member Receiving Benefits	
13 Survivor Death Benefits-Service Connected Death	
15 Beneficiary of Survivor Death Benefit-Service Connected Death	
16 Beneficiary of Non-Member	
17 Beneficiary of Divorce Receiving Benefits	

Source: SCERS Retired Member Pension Payroll Data.



Schedule Of Retired Members By Type Of Benefit

AS OF JUNE 30, 2023

	Monthly Allowances				Average Benefit
	Count	Basic	COL	Total	
<b>Miscellaneous Members</b>					
Service Retirement					
Unmodified	7,494	\$21,511,559	\$5,853,888	\$27,365,447	\$3,652
Option 1	573	1,271,092	264,016	1,535,108	2,679
Option 2, 3, & 4	1,091	2,662,874	582,706	3,245,580	2,975
Total	9,158	25,445,525	6,700,610	32,146,135	3,510
Non-Service Disability					
Unmodified	213	262,315	123,216	385,531	1,810
Option 1	19	15,798	12,650	28,448	1,497
Option 2, 3, & 4	11	10,476	2,621	13,097	1,191
Total	243	288,589	138,487	427,076	1,758
Service Disability					
Unmodified	174	356,109	162,167	518,276	2,979
Option 1	6	10,641	2,454	13,095	2,183
Option 2, 3, & 4	4	3,922	2,499	6,421	1,605
Total	184	370,672	167,120	537,792	2,923
Beneficiary	1,374	1,600,533	1,057,962	2,658,495	1,935
<b>Total Miscellaneous</b>	<b>10,959</b>	<b>27,705,319</b>	<b>8,064,179</b>	<b>35,769,498</b>	<b>3,264</b>
<b>Safety Members</b>					
Service Retirement					
Unmodified	1,910	11,706,252	3,974,649	15,680,901	8,210
Option 1	69	349,407	100,920	450,327	6,526
Option 2, 3, & 4	255	1,233,900	301,778	1,535,678	6,022
Total	2,234	13,289,559	4,377,347	17,666,906	7,908
Non-Service Disability					
Unmodified	15	32,109	13,737	45,846	3,056
Option 1	1	850	283	1,133	1,133
Option 2, 3, & 4	3	6,009	1,675	7,684	2,561
Total	19	38,968	15,695	54,663	2,877
Service Disability					
Unmodified	223	794,444	450,631	1,245,075	5,583
Option 1	17	57,039	27,992	85,031	5,002
Option 2, 3, & 4	6	23,221	6,419	29,640	4,940
Total	246	874,704	485,042	1,359,746	5,527
Beneficiary	476	973,454	734,498	1,707,952	3,588
<b>Total Safety</b>	<b>2,975</b>	<b>15,176,685</b>	<b>5,612,582</b>	<b>20,789,267</b>	<b>6,988</b>
<b>Total Miscellaneous and Safety</b>	<b>13,934</b>	<b>\$42,882,004</b>	<b>\$13,676,761</b>	<b>\$56,558,765</b>	<b>\$4,059</b>

Source: Prepared by Segal.

Note: Refer to [page 118](#) for the description of retirement options.

## Schedule Of Average Benefit Payments

FOR THE LAST TEN FISCAL YEARS

Retirement Effective Date	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<b>7/1/22 - 6/30/23</b>							
Average monthly benefit	\$853	\$1,415	\$2,658	\$3,334	\$5,193	\$6,820	\$7,009
Average monthly final average salary	\$8,811	\$7,633	\$8,262	\$7,474	\$8,488	\$9,750	\$9,750
Number of retired members	51	88	57	104	156	84	84
<b>7/1/21 - 6/30/22</b>							
Average monthly benefit	1,042	1,341	1,341	3,326	3,326	7,121	6,942
Average monthly final average salary	8,252	7,347	7,347	7,263	7,263	9,822	8,164
Number of retired members	41	67	67	133	133	124	120
<b>7/1/20 - 6/30/21</b>							
Average monthly benefit	\$1,799	\$1,497	\$2,444	\$3,051	\$5,108	\$7,455	\$4,872
Average monthly final average salary	\$7,692	\$8,219	\$7,798	\$7,280	\$8,590	\$10,065	\$11,804
Number of retired members	12	32	68	81	142	100	120
<b>7/1/19 - 6/30/20</b>							
Average monthly benefit	\$1,799	\$1,536	\$2,071	\$3,145	\$5,080	\$6,892	\$7,396
Average monthly final average salary	\$7,692	\$8,086	\$6,622	\$7,114	\$8,492	\$9,281	\$9,572
Number of retired members	12	69	79	93	107	86	88
<b>7/1/18 - 6/30/19</b>							
Average monthly benefit	\$779	\$1,298	\$1,901	\$2,796	\$4,733	\$6,594	\$6,747
Average monthly final average salary	\$9,039	\$6,946	\$5,802	\$6,371	\$7,603	\$9,081	\$8,160
Number of retired members	32	55	84	127	105	84	107
<b>7/1/17 - 6/30/18</b>							
Average monthly benefit	\$431	\$1,152	\$1,881	\$3,028	\$5,149	\$6,273	\$6,686
Average monthly final average salary	\$8,199	\$6,531	\$6,288	\$6,862	\$8,435	\$8,778	\$8,134
Number of retired members	37	74	81	123	71	113	90
<b>7/1/16 - 6/30/17</b>							
Average monthly benefit	\$628	\$1,275	\$1,698	\$2,681	\$4,249	\$6,279	\$6,902
Average monthly final average salary	\$8,186	\$6,730	\$5,728	\$5,993	\$7,463	\$8,503	\$8,475
Number of retired members	35	58	108	115	88	108	73

**Schedule Of Average Benefit Payments (continued)**

FOR THE LAST TEN FISCAL YEARS

Retirement Effective Date	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<b>7/1/15 - 6/30/16</b>							
Average monthly benefit	\$581	\$1,110	\$1,768	\$2,378	\$4,268	\$5,083	\$6,630
Average monthly final average salary	\$8,700	\$6,355	\$5,856	\$5,568	\$7,428	\$7,410	\$7,934
Number of retired members	23	87	118	69	88	94	69
<b>7/1/14 - 6/30/15</b>							
Average monthly benefit	\$569	\$1,052	\$1,845	\$2,524	\$4,305	\$6,378	\$6,557
Average monthly final average salary	\$8,340	\$6,184	\$5,967	\$6,047	\$7,236	\$8,574	\$7,768
Number of retired members	33	74	109	98	89	112	89
<b>7/1/13 - 6/30/14</b>							
Average monthly benefit	\$488	\$1,216	\$1,558	\$2,583	\$4,490	\$5,190	\$7,239
Average monthly final average salary	\$7,757	\$6,710	\$5,223	\$6,071	\$7,727	\$7,345	\$8,539
Number of retired members	17	62	128	85	75	77	72

Source: SCERS Retired Member Pension Payroll Data.

**Schedule Of Average Benefit Payments**  
FOR THE LAST TEN FISCAL YEARS

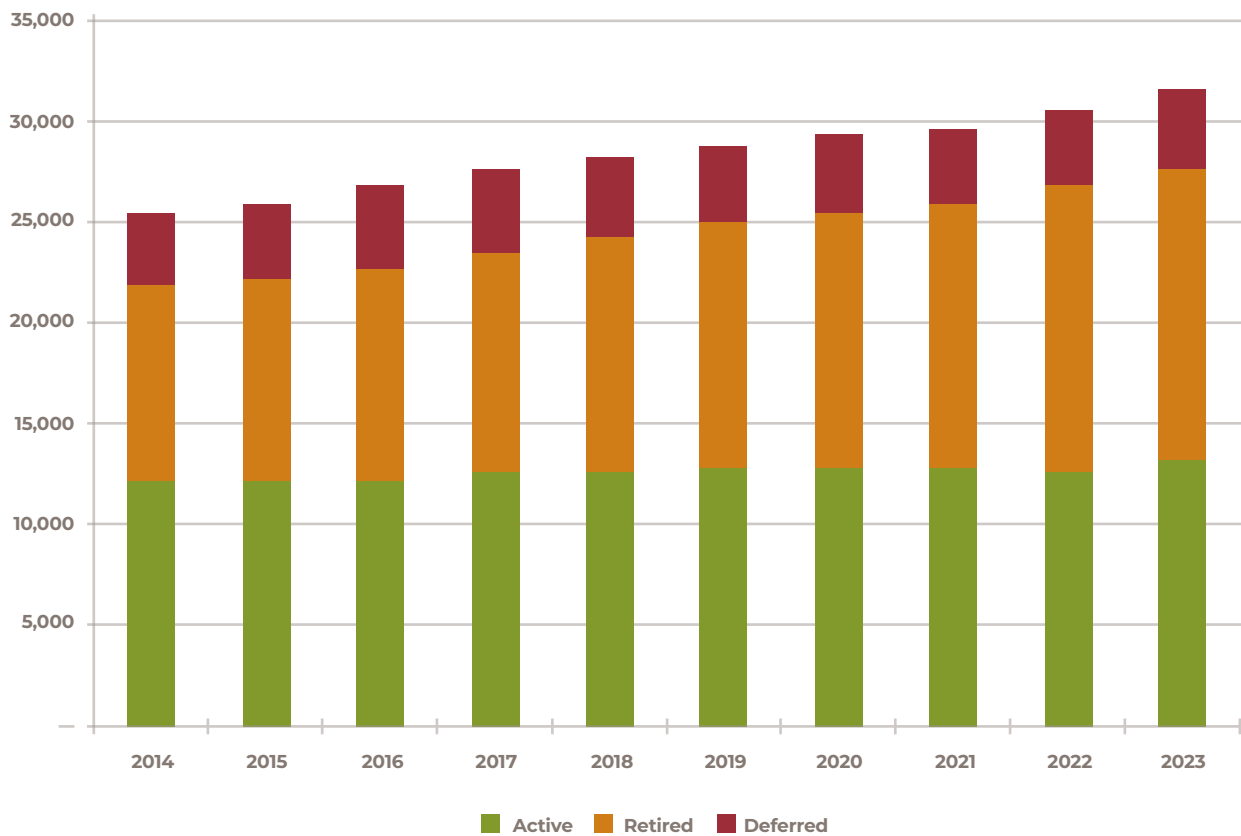
As of	Years Since Retirement						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<b>6/30/2023:</b>							
Average monthly benefit	\$4,283	\$3,980	\$4,081	\$4,483	\$3,626	\$3,222	\$3,144
Number of retired members	3,582	3,422	2,571	2,131	2,131	639	567
<b>6/30/2022:</b>							
Average monthly benefit	\$4,289	\$3,870	\$4,075	\$4,365	\$3,111	\$3,159	\$2,564
Number of retired members	3,356	3,062	2,345	2,175	1,055	805	837
<b>6/30/2021:</b>							
Average monthly benefit	\$4,141	\$3,762	\$4,041	\$4,110	\$3,053	\$3,037	\$2,351
Number of retired members	3,133	2,960	2,303	2,008	1,021	820	806
<b>6/30/2020:</b>							
Average monthly benefit	\$3,894	\$3,796	\$3,972	\$3,904	\$3,026	\$2,970	\$2,314
Number of retired members	3,149	2,951	2,147	1,840	1,108	757	780
<b>6/30/2019:</b>							
Average monthly benefit	\$3,766	\$3,616	\$3,891	\$3,687	\$2,877	\$2,893	\$2,204
Number of retired members	3,242	2,817	2,161	1,621	1,068	728	744
<b>6/30/2018:</b>							
Average monthly benefit	\$3,645	\$3,615	\$3,868	\$2,923	\$2,716	\$2,725	\$2,074
Number of retired members	3,140	2,652	2,421	1,262	984	715	709
<b>6/30/2017:</b>							
Average monthly benefit	\$3,472	\$3,592	\$3,783	\$2,666	\$2,720	\$2,359	\$1,983
Number of retired members	3,027	2,475	2,365	1,214	1,006	646	663
<b>6/30/2016:</b>							
Average monthly benefit	\$3,398	\$3,550	\$3,560	\$2,626	\$2,623	\$2,175	\$1,963
Number of retired members	2,946	2,418	2,152	1,181	966	642	625
<b>6/30/2015:</b>							
Average monthly benefit	\$3,409	\$3,456	\$3,371	\$2,616	\$2,532	\$2,098	\$1,818
Number of retired members	2,933	2,241	1,958	1,250	942	601	616
<b>6/30/2014:</b>							
Average monthly benefit	\$3,240	\$3,392	\$3,177	\$2,503	\$2,493	\$2,026	\$1,709
Number of retired members	2,809	2,254	1,726	1,199	901	586	574

Source: SCERS Retired Member Pension Payroll Data.

### Changes In System Membership

Fiscal Year Ended June 30:	Members			Total
	Active	Retired	Deferred	
2023	13,167	13,934	4,702	31,803
2022	12,757	13,635	4,423	30,815
2021	12,500	13,051	4,054	29,605
2020	12,650	12,732	3,791	29,173
2019	12,678	12,381	3,602	28,661
2018	12,677	11,883	3,509	28,069
2017	12,587	11,396	3,425	27,408
2016	12,393	10,960	3,301	26,654
2015	12,072	10,541	3,261	25,874
2014	12,049	10,049	3,201	25,299

### System Membership At A Glance



Source: Actuarial Valuations from June 30, 2014 through 2023

**Schedule Of Participating Employers and Active Members - Summary**

CURRENT FISCAL YEAR AND NINE FISCAL YEARS AGO

Participating Employer	2023			2014		
	Covered Employees	Rank	Percent of Total System	Covered Employees	Rank	Percent of Total System
Sacramento County <sup>1</sup>	11,771	1	89.40%	10,790	1	89.62%
Superior Court	696	2	5.29	625	2	5.19
Sacramento Employment and Training Agency (SETA)	556	3	4.22	547	3	4.54
Sunrise Recreation and Park District	64	4	0.49	22	4	0.18
Carmichael Recreation and Park District	24	6	0.18	21	5	0.17
Mission Oaks Recreation and Park District	21	5	0.16	12	7	0.10
Orangevale Recreation and Park District	14	7	0.11	13	6	0.11
Rio Linda Elverta Recreation & Park District	11	8	0.08	N/A <sup>2</sup>	N/A <sup>2</sup>	N/A <sup>12</sup>
Elk Grove Cosumnes Cemetery District	6	9	0.05	6	9	0.05
Fair Oaks Cemetery District	3	10	0.02	4	10	0.03
Galt-Arno Cemetery District	1	11	0.01	1	11	0.01
<b>Total</b>	<b>13,167</b>		<b>100.00%</b>	<b>12,049</b>		<b>100.00%</b>

<sup>1</sup> Includes elected officials consisting of Board of Supervisors (5), Assessor (1), District Attorney (1), and Sheriff (1).

<sup>2</sup> Rio Linda Elverta Recreation & Park District became a participating employer on October 1, 2017.

Source: SCERS Active Member Data.

**Schedule Of Participating Employers And Active Members - Detail**

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

<b>SCERS Member Agency</b>	<b>Plan</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Carmichael Recreation and Park District	Misc.	24	24	21	21	22
Elk Grove Cosumnes Cemetery District	Misc.	6	6	5	6	6
Fair Oaks Cemetery District	Misc.	3	4	5	4	4
Galt-Arno Cemetery District	Misc.	1	1	1	1	1
Mission Oaks Recreation and Park District	Misc.	21	25	19	20	23
Orangevale Recreation and Park District	Misc.	14	13	13	13	12
Rio Linda Elverta Recreation & Park District	Misc.	11	11	9	8	8
Sacramento Employment and Training Agency (SETA)	Misc.	556	587	576	593	533
Sunrise Recreation and Park District	Misc.	64	78	51	50	68
<b>Total Special District Members</b>	Misc.	700	749	700	716	677
	Safety	-	-	-	-	-
<b>Superior Court Members</b>	Misc.	696	622	603	652	648
<b>Sacramento County Members<sup>1</sup></b>	Misc.	9,665	9,332	9,176	9,197	9,259
	Safety	2,106	2,054	2,021	2,085	2,094
<b>Total Members</b>	Misc.	11,061	10,703	10,479	10,565	10,584
	Safety	2,106	2,054	2,021	2,085	2,094
	<b>Total</b>	<b>13,167</b>	<b>12,757</b>	<b>12,500</b>	<b>12,650</b>	<b>12,678</b>

<sup>1</sup> Includes elected officials consisting of Board of Supervisors (5), Assessor (1), District Attorney (1), and Sheriff (1).

Source: SCERS Active Member Data

**Schedule Of Participating Employers and Active Members - Detail (continued)**

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

<b>SCERS Member Agency</b>	<b>Plan</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Carmichael Recreation and Park District	Misc.	23	19	20	19	21
Elk Grove Cosumnes Cemetery District	Misc.	7	5	6	4	6
Fair Oaks Cemetery District	Misc.	4	5	4	4	4
Galt-Arno Cemetery District	Misc.	2	2	1	1	1
Mission Oaks Recreation and Park District	Misc.	22	23	11	12	12
Orangevale Recreation and Park District	Misc.	13	14	13	13	13
Rio Linda Elverta Recreation & Park District	Misc.	9	-	-	-	-
Sacramento Employment and Training Agency (SETA)	Misc.	536	516	548	544	547
Sunrise Recreation and Park District	Misc.	69	55	19	22	22
<b>Total Special District Members</b>	Misc.	685	639	622	619	626
	Safety	-	-	-	-	-
<b>Superior Court Members</b>	Misc.	640	658	651	631	625
<b>Sacramento County Members</b>	Misc.	9,261	9,280	9,090	8,843	8,834
	Safety	20,901	2,010	2,030	1,979	1,964
<b>Total Members</b>	Misc.	10,586	10,577	10,363	10,093	10,085
	Safety	2,091	2,010	2,030	1,979	1,964
	<b>Total</b>	<b>12,677</b>	<b>12,587</b>	<b>12,393</b>	<b>12,072</b>	<b>12,049</b>

<sup>1</sup> Includes elected officials consisting of Board of Supervisors (5), Assessor (1), District Attorney (1), and Sheriff (1).

Source: SCERS Active Member Data





2022 - 2023



980 9th Street, Suite 1900  
Sacramento, CA 95814

[SCERS.org](http://SCERS.org)