



Board of Retirement Regular Meeting

Sacramento County Employees' Retirement System

Agenda Item 16

MEETING DATE: December 10, 2025

SUBJECT: Annual Comprehensive Financial Report for Fiscal Year Ended June 30, 2025

SUBMITTED FOR: Action Information

RECOMMENDATION

Receive and file the SCERS Annual Comprehensive Financial Report (ACFR) based on the audited financial statements and auditor reports as of and for the fiscal year ended June 30, 2025, 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

The ACFR is prepared and audited in consult with external auditors selected by the Board of Retirement.

On November 18, 2025, Brown Armstrong presented the June 30, 2025, SCERS financial statement audit results to the Audit Committee. The presentation included significant audit matters required by professional standards and the audit results. Brown Armstrong rendered an unmodified (or "clean") opinion on SCERS' financial statements. In addition to rendering an unmodified opinion on SCERS' financial statements, Brown Armstrong has completed its review of SCERS' annual comprehensive financial report for year ended June 30, 2025, provided for review.

Subsequent to the November 18, 2025, Audit Committee Meeting, Brown Armstrong reevaluated the Sac Sewer employee contribution samples that were initially tested during the audit. The sample consisted of two Miscellaneous Tier 5 members and one Miscellaneous Tier 3 member, drawn from the last pay period of June 2025. As a result of the re-testing, Brown Armstrong determined that the Tier 3 member's contributions were incorrect due to inaccurate rates programmed into the employer's pay file. Consequently, SCERS received a management letter addressing this pay file discrepancy. The management letter's recommendations include establishing reconciliation procedures with Sac Sewer for remitting contribution corrections,

requiring Sac Sewer to provide a reconciliation contribution recalculation for all members upon separation from the County of Sacramento, and having SCERS review Sac Sewer's reconciliations to confirm contribution rates.

FINANCIAL HIGHLIGHTS

- SCERS' net position restricted pension benefits as of June 30, 2025, totaled \$14,577.4 million, an increase of \$1,267.8 million or 9.5% from the \$13,309.6 million in net position as of June 30, 2024.
- For the fiscal year ended June 30, 2025, SCERS achieved a total fund net return of 10.8%, which was 0.9% higher than the investment policy benchmark return of 9.9% and 4.05% above the actuarial assumed rate of return of 6.75%. During fiscal year 2024–25, the strongest performance came from domestic, international, and emerging equity investments. Net investment income, after investment fees and expenses, was \$1,483.4 million for the fiscal year ended June 30, 2025.
- As of June 30, 2025, SCERS' total pension liability was \$15.6 billion, up slightly from \$15.0 billion as of June 30, 2024. The employers' Net Pension Liability (NPL) decreased to \$1.0 billion as of June 30, 2025, down from \$1.7 billion as of June 30, 2024. The reduction in the NPL was primarily driven by higher-than-expected investment returns.
- For the fiscal years ended June 30, 2025, and June 30, 2024, the combined employer and member contributions were \$545.0 and \$557.6 million, respectively, for a decrease of \$12.6 million or 2.2%. The decrease in employer contributions for the fiscal year ended June 30, 2025, was \$8.9 million, or by about 2.2%, over the fiscal year ended June 30, 2024. Accordingly, there was a decrease in employee contributions of \$3.7 million, or about 2.3%, over the fiscal year ended June 30, 2024.
- For the fiscal year ended June 30, 2025, total deductions—including benefit payments, withdrawals of contributions, and administrative expenses—totaled \$799.3 million, an increase of \$47.5 million (6.3%) from the prior year. The increase was primarily attributable to higher monthly benefit payments resulting from growth in the number of retired members, increased benefit amounts, and the annual cost-of-living adjustment paid to retirees and beneficiaries.

ATTACHMENTS

- Board Order
- SCERS Annual Financial Report for the year ended June 30, 2025
- Brown Armstrong Management Letter

/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
December 10, 2025**

AGENDA ITEM:

**Annual Comprehensive Financial Report for Fiscal Year
Ended June 30, 2025**

THE BOARD OF RETIREMENT hereby accepts the recommendation of staff to 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, 2025, issued by SCERS' independent auditor, Brown Armstrong Accountancy Corporation (Brown Armstrong).

I HEREBY CERTIFY that the above order was passed and adopted on December 10, 2025 by the following vote of the Board of Retirement, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

ALTERNATES (Present but not voting):

Chris Giboney
Board President

Eric Stern
Chief Executive Officer and
Board Secretary

2024-2025



ANNUAL COMPREHENSIVE
**FINANCIAL
REPORT**

WITH INDEPENDENT AUDITOR'S REPORT
For the Fiscal Year ended June 30, 2025

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.gov](https://www.scers.gov)

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SECTION 1: 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
KEITH RIDDLE, Chief Benefits Officer
TIM TAYLOR, Chief Technology Officer
JASON MORRISH, General Counsel



BOARD OF RETIREMENT AND SCERS' MEMBERS
 Sacramento County Employees' Retirement System
 980 9th Street, Suite 1900
 Sacramento, CA 95814

NOVEMBER 19, 2025

Dear Retirement Board Members and SCERS' 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, 2025.

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 money 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, 2025, the County of Sacramento; Superior Court of California, County of Sacramento; and 10 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 generally accepted accounting principles (GAAP) 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 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

The California Constitution 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 adopted in March 2025 as a result of an asset allocation study initiated in late 2024. 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, 2025, SCERS' investments provided a 10.8% rate of return (net of fees), compared to the investment policy benchmark return of 9.9%.

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 leveled 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 taxpayer.

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, 2025. 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, 2025.

At June 30, 2025, SCERS' funding ratio on a market value of assets basis was 93.5%, with the market value of assets totaling \$14.6 billion (see Note 4 for additional details). On an actuarial basis, the funding ratio was 90.1%, with the actuarial value of assets totaling \$14.1 billion and the actuarial accrued liability totaling \$15.6 billion. Deferred gains under the smoothing methodology as of June 30, 2025, is \$527.6 million (as compared to a gain of \$99.7 million as of June 30, 2024). 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 \$12.9 million, which represented 0.09% of the System's actuarial accrued liability for the fiscal year ended June 30, 2025.

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, 2024. 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-fourth 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.

Acknowledgments

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 "Eric Stern". The signature is stylized and cursive.

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, 2024

Christopher P. Morill

Executive Director/CEO

Board of Retirement



President
CHRIS GIBONEY
Elected by Safety Members
*Present term expires
December 31, 2027*



Trustee
M. TEPA BANDA
Elected by
Miscellaneous Members
*Present term expires
December 31, 2028*



Vice President
ROBERT AGUALLO, JR.
Appointed by Board
of Supervisors
*Present term expires
December 31, 2027*



Trustee
ALINA MANGRU
Elected by
Miscellaneous Members
*Present term expires
December 31, 2027*



Trustee
KEITH DEVORE
Appointed by Board
of Supervisors
*Present term expires
June 30, 2027*



Trustee
BRANDON GAYMAN
Elected by Safety Members
*Present term expires
December 31, 2027*



Trustee
JAMES DIEPENBROCK
Appointed by Board
of Supervisors
*Present term expires
December 31, 2025*



Trustee
MARTHA HOOVER
Elected by Retired Members
*Present term expires
December 31, 2028*



Trustee
RONALD SUTER
Appointed by Board
of Supervisors
*Present term expires
June 30, 2027*



Alternate Retiree Trustee
DAVE IRISH
Elected by Retired Members
*Present term expires
December 31, 2028*



Ex-Officio
CHAD RINDE
Sacramento County
Director of Finance
Member mandated by law

For a list of current Retirement Board Members please visit:

[SCERS.gov/retirement-board-members](https://scers.gov/retirement-board-members)

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
- Manager searches
- Manager due diligence
- Proxy voting and corporate governance
- Board education on investment issues



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



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

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"> • Board of Supervisors • Sheriff • Assessor • District Attorney 	
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
Sacramento Area Sewer District**	December 15, 2024

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

** Prior to December 15, 2024, Sacramento Area Sewer District 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

Investment Consultant

Cliffwater, LLC

The Townsend Group

Verus

Legal Counsel

Buchalter

Foley & Lardner, LLP

Hanson Bridgett, LLP

Nossaman, LLP

Patrick M.K. Richardson, Esq.

Others

Audit & Risk Management Services (ARMS)

Mosaic Governance Advisor

MSCI

NOTE: In the Investment Section of this report, investment professionals are listed on [pages 86](#) and [87](#), and the schedules of manager fees and equity brokerage commissions are located on [pages 83](#) and [84](#) respectively.



SECTION 2: 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

Opinion

We have audited the accompanying Statement of Fiduciary Net Position of the Sacramento County Employees' Retirement System (SCERS), a fiduciary component unit of the County of Sacramento (the County), reported in the County's pension trust fund, as of June 30, 2025, 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, 2025, 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 Opinion

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 is the responsibility of management and, 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 introduction, investment, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinion 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.

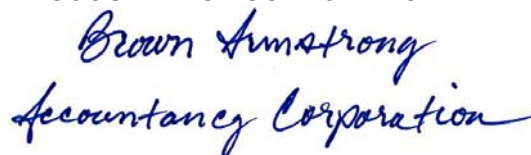
Report on Summarized Comparative Information

We have previously audited SCERS' June 30, 2024, basic financial statements, and our report dated November 20, 2024, 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, 2024, 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 19, 2025, 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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Stockton, California
November 19, 2025

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2025

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, 2025. During this fiscal year, SCERS implemented [Governmental Accounting Standards Board \(GASB\) Statement No. 103](#) and has made the required updates in this MD&A to reflect the new accounting guidance. 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 5](#) of this report and the Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplementary Information.

Overview of The Financial Statements

SCERS' basic financial statements provide a comprehensive overview of the System's financial position and changes in fiduciary resources for the fiscal year. Together with the accompanying notes, these statements present the information necessary to assess SCERS' fiduciary accountability and financial condition. The basic financial statements include:

- [Statement of Fiduciary Net Position](#)

Presents SCERS' assets, liabilities, and the resulting net position restricted for pension benefits as of June 30, 2025. This statement shows the financial resources available to pay benefits to current and future retirees.

- [Statement of Changes in Fiduciary Net Position](#)

Reports the financial activity for the year, including contributions, investment income, benefit payments, and administrative expenses. This statement explains how the net position changed over the fiscal year.

- [Notes to the Financial Statements](#)

The Notes to the Financial Statements provide essential context for SCERS' financial position, including key accounting policies, measurement bases, actuarial assumptions, contribution rates, funding status, assets and liabilities, membership data, and investment valuations. These disclosures help readers understand how the financial statements were prepared, the reliability of the data, and the assumptions affecting SCERS' financial position.

Following the basic financial statements are Required Supplementary Information (RSI) and Other Supplementary Information (OSI):

- [Required Supplementary Information \(RSI\)](#)

RSI includes schedules required by GASB, such as historical changes in SCERS' net pension liability, employer and member contributions, investment returns compared to assumptions, and actuarial valuation data. These schedules provide essential context for assessing the Plan's funding progress and long-term sustainability.

- [Other Supplementary Information \(OSI\)](#)

OSI includes detailed fiscal year 2025 schedules of administrative expenses, investment fees and expenses, and payments to consultants. These schedules provide additional context for evaluating SCERS' operational costs, investment management fees, and professional services, enhancing transparency and understanding of the Plan's financial management.

These components are interrelated: the change in net position reported in the Statement of Changes in Fiduciary Net Position determines the ending balance presented in the Statement of Fiduciary Net Position, while the Notes, RSI, and OSI provide important context and analytical perspective to evaluate SCERS' financial health and fiduciary stewardship.

Financial Summary

This section presents condensed financial information comparing the current and prior year, and provides key data to assess financial position and operating results for the fiscal years ended June 30, 2025 and 2024.

Fiduciary Net Position and Changes in Fiduciary Net Position (Condensed)

FOR THE FISCAL YEAR ENDED JUNE 30, 2025 AND 2024

(Amounts Expressed in Millions)

	2025	Restated 2024	Increase/ (Decrease)	% Change
Assets				
Cash and short-term investments	\$470.7	\$599.4	\$(128.7)	(21.5%)
Receivables and others	316.5	375.5	(59.0)	(15.7)
Investments	14,547.4	13,305.8	1,241.6	9.3
Capital assets	4.3	5.3	(1.0)	(18.9)
Total Assets	15,338.9	14,286.0	1,052.9	7.4
Liabilities				
Investment, and Other Current Liabilities	757.4	971.4	(214.0)	(22.0)
Long-Term Liabilities	4.1	5.0	(0.9)	(18.0)
Total Liabilities	761.5	976.4	(214.9)	(22.0)
Net Position	14,577.4	13,309.6	1,267.8	9.5
Additions				
Member contributions	156.0	159.7	(3.7)	(2.3)
Employer contributions	389.0	398.0	(9.0)	(2.3)
Investment income	1,483.3	1,104.6	378.7	34.3
Other Income	2.3	2.4	(0.1)	(4.2)
Health premiums collected	36.5	33.6	2.9	8.6
Total Additions	2,067.1	1,698.3	368.8	21.7
Deductions				
Retirement benefits and withdrawal of contributions	749.1	705.8	43.3	6.1
Administrative expenses	13.7	12.5	1.2	9.6
Health premiums remitted	36.5	33.6	2.9	8.6
Total Deductions	799.3	751.9	47.4	6.3
Change in Net Position	1,267.8	946.4	321.4	34.0
Beginning Net Position	13,309.6	12,363.2	946.4	7.7
Ending Net Position	\$14,577.4	\$13,309.6	\$1,267.8	9.5%

Detailed Analyses

Financial Position and Results of Operations

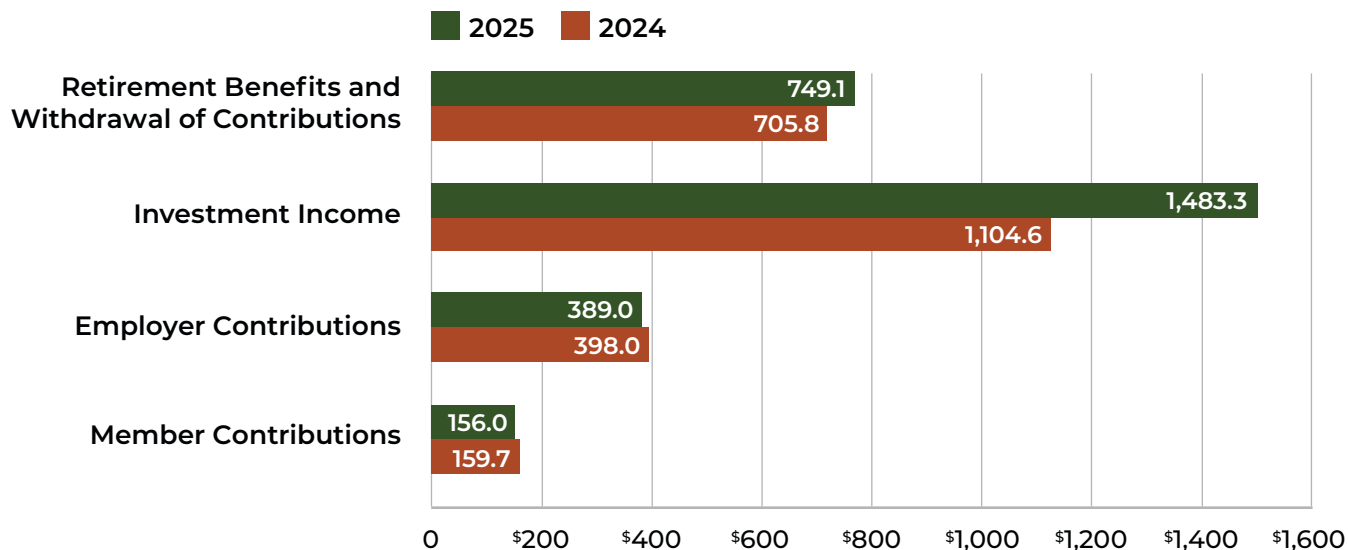
SCERS' net position increased by \$1.3 billion (9.5%) in fiscal year 2025, reflecting strong investment returns and steady contribution inflows, which was partially offset by increased benefit payments. The primary contributing factors include:

- Investment performance** for the fiscal year ended June 30, 2025, was strong, with SCERS achieving a net investment return of 10.8% and generating \$1.5 billion in net investment income, a 34.3% increase over the prior year. Positive results across investments in public and private equities, as well as credit investments, were the primary contributors to the growth of SCERS' net position, which reached \$14.6 billion. The System's diversified portfolio and disciplined strategic asset allocation continue to support its long-term goal of meeting benefit obligations while managing investment risk.
- Employer and member contributions** declined by \$12.7 million (2.3%), with employer contributions decreased by \$9.0 million (2.3%) and member contributions dropped by \$3.7 million (2.3%). This decrease is primarily due to reduced contribution rates, which reflect the positive impact of strong investment performance in recent years (see [Note 5](#) for additional details).
- Retirement benefits and withdrawal of contributions** rose by \$43.3 million (6.1%), consistent with retiree growth and cost of living adjustments (COLA).

The chart below compares Benefit Payments, Investment Income, Employer Contributions, and Member Contributions for 2025 and 2024.

Benefit Payments, Investment Income, and Contributions

FOR THE FISCAL YEAR ENDED JUNE 30
(Amounts Expressed in Millions)



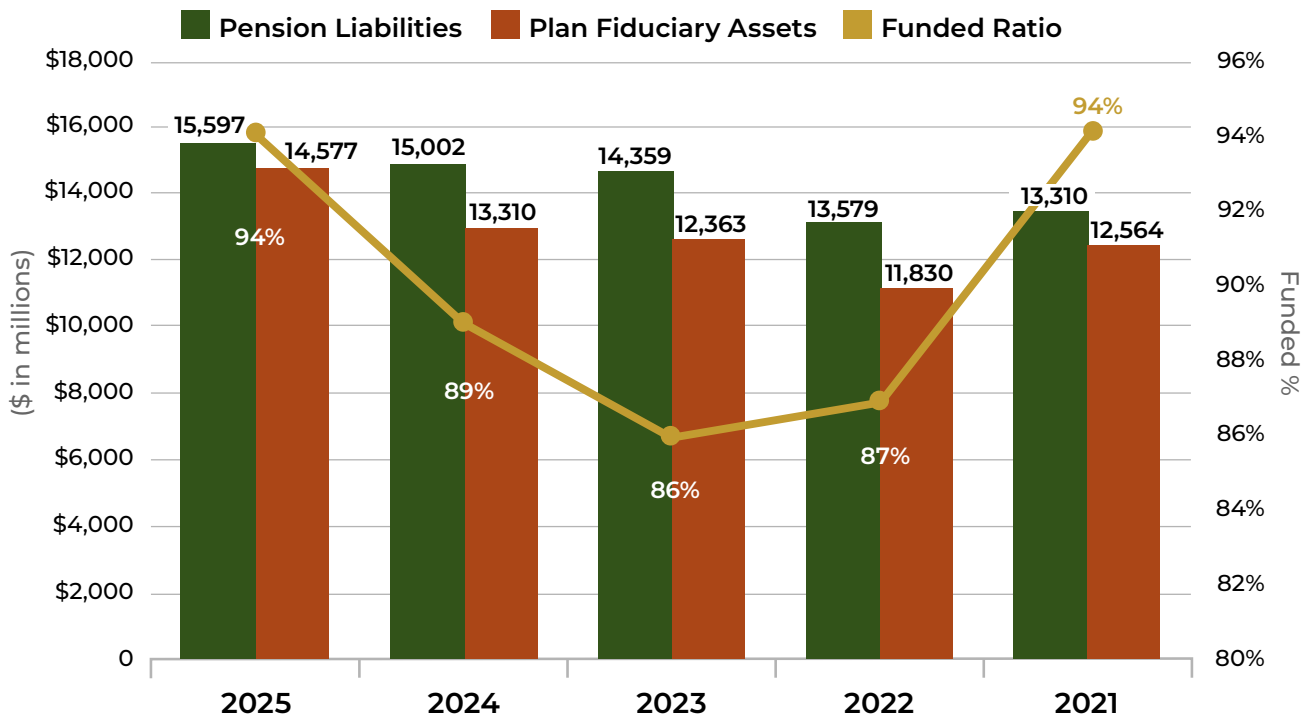
As of June 30, 2025, SCERS' total reserves have reached \$14.6 billion, reflecting an increase from \$13.3 billion in 2024, driven by strong investment returns and steady contributions. The reserves are composed of the following components: \$1.3 billion in the member reserve, \$3.6 billion in the employer reserve, \$8.7 billion

allocated for retiree and death benefits, \$437.3 million in the contingency reserve, and \$527.6 million in the market stabilization reserve. Collectively, these reserves provide a strong foundation to meet both current and future pension obligations. For additional information, refer to [Note 6](#) of the financial statements.

The chart below demonstrates SCERS' comparative data over five years on funded status, plan assets fair value and pension liabilities. SCERS has maintained a strong overall financial position throughout this period. After reaching 94% funded in 2021, the ratio declined due to market fluctuations, bottoming out at 86% in 2023. The system has since steadily improved, rising to 89% in 2024 and returning to 94% in 2025, demonstrating resilience and effective long-term financial management. This funded ratio means that as of June 30, 2025, SCERS had approximately 94 cents available for every dollar of anticipated future liability, underscoring the system's strong ability to meet its long-term retirement obligations.

Funded Status

AS OF JUNE 30



Significant Capital Asset and Long-Term Financing Activity

SCERS did not have any significant change in capital asset activity and new long-term financing arrangements during fiscal year 2024–25.

Currently Known Facts, Decisions, or Conditions

- **Custodial Bank Transition:** SCERS is transitioning custodial banking services from State Street Bank and Trust Company to The Northern Trust Company, with an expected effective date of May 1, 2026.

Statement of Fiduciary Net Position

AS OF JUNE 30, 2025, WITH COMPARATIVE TOTALS AS OF JUNE 30, 2024

(Amounts Expressed in Thousands)

	2025			Restated 2024*
	Pension Trust Fund	Custodial Fund	Total Fund	Total Fund
Assets				
Cash and short-term investments				
Cash invested with Sacramento County treasurer	\$3,679	\$2,855	\$6,534	\$8,766
Other cash and cash equivalents	30,282	-	30,282	20,463
Short-term investments with fiscal agents	433,864	-	433,864	570,225
Total cash and short-term investments	467,825	2,855	470,680	599,454
Receivables				
Member and employer contributions	43,120	-	43,120	45,412
Accrued investment income	38,291	-	38,291	33,629
Investment sales and other	234,253	-	234,253	294,615
Total receivables	315,664	-	315,664	373,656
Investments				
Equity	6,084,396	-	6,084,396	5,437,080
Fixed income	2,450,242	-	2,450,242	2,429,821
Real assets	1,562,892	-	1,562,892	1,280,633
Real estate	916,286	-	916,286	867,436
Absolute return	1,005,170	-	1,005,170	840,864
Private credit	495,465	-	495,465	420,495
Private equity	1,808,640	-	1,808,640	1,745,892
Total investments	14,323,091	-	14,323,091	13,022,221
Securities lending collateral	224,339	-	224,339	283,577
Other assets	874	-	874	1,840
Capital assets, net	4,347	-	4,347	5,262
Total assets	15,336,140	2,855	15,338,995	14,286,010
Liabilities				
Warrants payable	2,282	-	2,282	2,120
Accounts payable and other accrued liabilities	3,366	2,855	6,221	8,662
Securities lending obligation	220,668	-	220,668	276,160
Investment purchases and other	527,507	-	527,507	683,734
Lease, Subscription & Compensated Absences – Current	712	-	712	692
Lease, Subscription & Compensated Absences – Non-Current	4,146	-	4,146	4,998
Total liabilities	758,681	2,855	761,536	976,366
Net position restricted for pension benefits and program administration	\$14,577,459	\$ -	\$14,577,459	\$13,309,644

The [notes to the basic financial statements](#) are an integral part of these statements.*More information on the 2024 restatement is on [page 35](#).

Statement of Changes in Fiduciary Net Position
FOR THE FISCAL YEAR ENDED JUNE 30, 2025,
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2024
(Amounts Expressed in Thousands)

	2025			Restated 2024
	Pension Trust Fund	Custodial Fund	Total Fund	Total Fund
Additions				
Contributions				
Member	\$156,024	\$ -	\$ 156,024	\$159,654
Employer	389,042	-	389,042	397,981
Total contributions	545,066	-	545,066	557,635
Investment income				
Net appreciation (depreciation) in fair value of investments	1,333,822	-	1,333,822	923,319
Other investment income	323,360	-	323,360	320,877
Less: Investment fees and expenses	(175,101)	-	(175,101)	(140,920)
Net investment income	1,482,081	-	1,482,081	1,103,276
Securities lending income	17,000	-	17,000	17,918
Securities lending expense				
Borrower rebate expense	(15,506)	-	(15,506)	(16,270)
Securities lending management fees	(289)	-	(289)	(295)
Net income from securities lending	1,205	-	1,205	1,353
Other income	2,291	-	2,291	2,389
Health premiums collected	-	36,541	36,541	33,587
Total additions	2,030,643	36,541	2,067,184	1,698,240
Deductions				
Retirement benefits	741,844	-	741,844	698,773
Withdrawal of contributions	7,245	-	7,245	6,967
Administrative expenses	13,739	-	13,739	12,527
Health premiums remitted	-	36,541	36,541	33,587
Total deductions	762,828	36,541	799,369	751,854
Net increase in net position	1,267,815	-	1,267,815	946,386
Net position restricted for pension benefits and program administration Beginning of year	13,309,644	-	13,309,644	12,363,258
Ending of year	\$14,577,459	\$ -	\$14,577,459	\$13,309,644

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, 2025

Note 1: Plan Description

The Sacramento County Employees' Retirement System (SCERS, the System) 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 an eleven-member Board of Retirement. Four are appointed by the County Board of Supervisors; six 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, 2025, participating local government employers consisted of the County of Sacramento and its Elected Officials (County), Superior Court of California (Court), and ten special districts.

The System's membership consists of the following categories:

- **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.
- **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.

System's Membership

AS OF JUNE 30, 2025 AND JUNE 30, 2024, THE SYSTEM'S MEMBERSHIP CONSISTED OF:

	2025	2024	Increase/(Decrease)
Active Members:			
Vested			
Miscellaneous Tier 1	3	6	(3)
Miscellaneous Tier 2	20	23	(3)
Miscellaneous Tier 3	3,718	4,067	(349)
Miscellaneous Tier 4	251	258	(7)
Miscellaneous Tier 5	2,936	2,607	329
Total Vested Miscellaneous	6,928	6,961	(33)
Safety Tier 1	6	9	(3)
Safety Tier 2	575	665	(90)
Safety Tier 3	104	108	(4)
Safety Tier 4	715	621	94
Total Vested Safety	1,400	1,403	(3)
Total Vested	8,328	8,364	(36)
Non-Vested			
Miscellaneous Tier 3	20	18	2
Miscellaneous Tier 4	28	21	7
Miscellaneous Tier 5	4,804	4,552	252
Total Non-Vested Miscellaneous	4,852	4,591	261
Safety Tier 1	2	2	-
Safety Tier 2	4	2	2
Safety Tier 3	12	11	1
Safety Tier 4	754	720	34
Total Non-Vested Safety	772	735	37
Total Non-Vested	5,624	5,326	298
Total Active Members	13,952	13,690	262

	2025	2024	Increase/(Decrease)
Retirees and Beneficiaries Currently Receiving Benefits:			
Miscellaneous: Service	9,571	9,390	181
Miscellaneous: Beneficiary	1,434	1,402	32
Miscellaneous: Nonservice-Connected Disability	222	235	(13)
Miscellaneous: Service-Connected Disability	202	188	14
Total Miscellaneous	11,429	11,215	214
Safety: Service	2,378	2,308	70
Safety: Beneficiary	501	481	20
Safety: Nonservice-Connected Disability	15	17	(2)
Safety: Service-Connected Disability	283	264	19
Total Safety	3,177	3,070	107
Total Retirees and Beneficiaries	14,606	14,285	321
Terminated Employees Entitled to Benefits but Not Yet Receiving Them:			
Miscellaneous Tier 1	7	14	(7)
Miscellaneous Tier 2	47	58	(11)
Miscellaneous Tier 3	1,976	2,082	(106)
Miscellaneous Tier 4	136	137	(1)
Miscellaneous Tier 5	2,458	2,200	258
Total Miscellaneous	4,624	4,491	133
Safety Tier 1	8	9	(1)
Safety Tier 2	243	261	(18)
Safety Tier 3	16	14	2
Safety Tier 4	211	160	51
Total Safety	478	444	34
Total Terminated Members	5,102	4,935	167
Total Members	33,660	32,910	750

Pension Benefits

The System's benefits are established by the provisions of the [1937 Act](#) and [PEPRA](#) 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 Miscellaneous Tiers 1, 2, and 3 and Safety Tiers 1 and 2 are as follows:

- 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.
- 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.

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 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.
- 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.

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. 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.

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 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.
- 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.

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. 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.

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, 2025, 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, 2025 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 System.

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' 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/contract. The estimated useful lives for the assets in each category are as follows:

Capital Assets	Estimated Useful Lives
Leased Office Space - Right-of-Use	20 years (contract term)
Leasehold Improvements	7 years
Equipment and Furniture	5 years
Information System	4 years
Subscription-Based IT Arrangements - Right-of-Use	3–4 years (contract term)

Capital Assets

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

(Amounts Expressed in Thousands)

	July 1, 2024	Additions	Transfers/ Disposals	June 30, 2025
Capital Assets - Non-Depreciable				
Leasehold Improvements: Work in Progress	\$777	\$27	\$(777)	\$27
Capital Assets - Depreciable				
Leased Office Space: Right-of-Use	5,985	-	-	5,985
Subscription-Based IT Arrangements: Right-of-Use	323	-	-	323
Equipment and Furniture	475	71	33	579
Information Systems	-	15	598	613
Total Depreciable Assets	6,783	86	631	7,500
Total Capital Assets (Cost)	7,560	113	(146)	7,527
Accumulated Depreciation and Amortization				
Leased Office Space: Right-of-Use	(1,826)	(609)	-	(2,435)
Subscription-Based IT Arrangements: Right-of-Use	(124)	(106)	-	(230)
Computer Equipment	(348)	(52)	-	(400)
Information Systems	-	(115)	-	(115)
Total Accumulated Depreciation and Amortization	(2,298)	(882)	-	(3,180)
Capital Assets: Net	\$5,262	\$(769)	\$(146)	\$4,347

Total Net Capital Assets of \$4.3 million include \$3.6 million related to right-of-use leased office space. SCERS' office located at [980 9th Street, Suite 1900, Sacramento, CA 95814](#) is the only lease reported under [GASB Statement No. 87](#). The original lease period from March 1, 2011, and April 30, 2021, was extended to 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

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

Year	Interest	Principal	Total Payment
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
Total	\$681	\$4,259	\$4,940

SCERS has three subscription-based IT Arrangements (SBITAs) contracts reported under GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The details for each subscription are as follows.

SCERS began a 3-year and 3-month subscription with a cloud-based communication service provider on December 12, 2022, which includes three months of free service at the start. This communication system supports member services through phone, messaging, and online tools, ensuring secure and efficient communication. Payments are due monthly and increase as additional users are added. The subscription term ends on March 12, 2026.

SCERS entered a 3-year subscription with an online investment analytics and research platform on April 29, 2023, providing access to tools and data to support informed investment decisions. Payments are made annually in advance, starting with an initial payment of \$30,000. The subscription fee increases by 3.4% in each of the second and third years, with the contract ending April 28, 2026.

SCERS also contracted with a proxy voting and corporate governance service provider on July 1, 2023, for a 3-year subscription to Proxy Voting Services. This service offers a secure platform, expert voting recommendations aligned with SCERS' policies, and dedicated support for shareholder voting matters. The annual fee of \$56,500 is paid in advance and remains fixed throughout the subscription term, which ends June 30, 2026. The fee covers a set number of votes and reports, with additional charges applied if usage exceeds those limits.

To calculate the present value of minimum subscription payments, SCERS applied a 5% annual interest rate based on industry averages, as the providers did not supply specific rates.

Future Subscription Payment Maturity Schedule

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

Year	Interest	Principal	Total Payment
2025–26	-	\$77	\$77

Other Assets

Other assets consist of other accounts receivable, prepaid expenses, and accrued interest receivable.

Lease, Subscription-Based IT Arrangements, and Compensated Absence

As of June 30, 2025, total liabilities for leases, SBITAs, and compensated absences decreased from \$5.7 million in 2024 to \$4.9 million in 2025. The total decrease in liabilities was primarily due to reductions in lease obligations and accrued leave balances. Lease liabilities declined through regular scheduled payments, while SBITA liabilities decreased as several subscription contracts are scheduled to expire in fiscal year 2025–26. Additional details on leases and SBITAs are provided in the Capital Assets note on [pages 30](#) and [31](#).

For Compensated Absences, SCERS employees are granted vacation in varying amounts based on labor agreements and years of service. Certain job classifications within specific labor agreements receive compensated time off in lieu of overtime pay. Sick leave is earned by regular, full-time employees. Unused sick leave is carried forward to future years with no limit on accumulation. SCERS does not pay accumulated sick leave to employees who separate before retirement. At retirement, any unused sick leave is added to the employee's service credit. Management employees, under applicable labor agreements, may elect to cash out 50% of unused sick leave and apply the remaining 50% toward pension service credit, or roll 100% into pension service credit.

SCERS accrues compensated absences for amounts expected to be paid directly to employees. Amounts converted to pension service credit are not recorded as a liability. Compensated absences are calculated based on the employee's pay rate and leave balance as of the financial statement date. SCERS updated its estimates during the year to reflect the probability of eligible employees retiring and electing to cash out a portion of their sick leave, resulting in a decrease in the accrued liability. The current portion of the liability is estimated based on amounts budgeted for payment in the next fiscal year.

Current and Non-Current Portion of Liabilities

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

	2025	2024
Current Liability		
Lease	\$588	\$538
Subscription-Based IT Arrangement	77	110
Compensated Absences	47	44
Total Current Liability	712	692
Non-Current Liability		
Lease	3,671	4,259
Subscription-Based IT Arrangement	-	77
Compensated Absences	475	662
Total Non-Current Liability	4,146	4,998
Total Liabilities	\$4,858	\$5,690

Administrative Expenses

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted 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. The current liability portion of compensated absences is based on budget 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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SCERS' financial statements for the fiscal year ended June 30, 2024, from which the summarized information was derived.

Restatement of Comparative Balance

In 2025, SCERS implemented [**Governmental Accounting Standards Board \(GASB\) Statement No. 96**](#), Subscription-Based Information Technology Arrangements (SBITAs). GASB 96 establishes accounting and financial reporting requirements for SBITAs, including recognition of a right-to-use subscription asset and a corresponding subscription liability at the commencement of the subscription term. These arrangements were previously accounted for as operating expenses in the period incurred.

The system implemented the standard in the fiscal year ended June 30, 2025, after completing a comprehensive review of applicable contracts. In accordance with [**GASB Statement No. 100, Accounting Changes and Error Corrections**](#), the change in accounting principle has been applied retrospectively, and the comparative financial statements for the fiscal year ended June 30, 2024, have been restated.

The primary effects of the restatement include recognition of right-to-use subscription-based IT assets and related liabilities, as well as reclassification of certain technology-related expenses to amortization and interest expense.

Restatement of Comparative Fiduciary Net Position and Changes in Fiduciary Net Position

AS OF JUNE 30, 2024

(Amounts Expressed in Thousands)

	Restated 2024	As Originally Reported 2024	Increase/ (Decrease)
Statement of Fiduciary Net Position			
Asset			
Subscription-Based IT Arrangements - Right-of-Use	\$199	\$-	\$199
Liabilities			
Subscription Liability - Current	110	-	110
Subscription Liability - Non-Current	77	-	77
Total Liabilities	187	-	187
Net increase in Net Position	12		
Statement of Changes in Fiduciary Net Position			
Investment fees and expenses	-	117	(117)
Administrative Expenses	137	32	105
Total Expenses	137	149	(12)
Net increase in Net Position	12		

The restatement resulted in a net increase in fiduciary net position of \$12,000. This increase reflects the net effect of recognizing capital assets and corresponding liabilities related to subscription-based IT arrangements. The implementation of GASB 96 also resulted in a net decrease of expenses due to capitalization of previously expensed amounts.

New Accounting Pronouncements

[GASB Statement No. 103, Financial Reporting Model Improvements](#), was issued in April 2024 to enhance the usefulness and comparability of governmental financial statements. The Statement refines the content and structure of Management's Discussion and Analysis (MD&A), requiring that information be limited to five defined sections: (1) Overview of the Financial Statements, (2) Financial Summary, (3) Detailed Analyses, (4) Significant Capital Asset and Long-Term Financing Activity, and (5) Currently Known Facts, Decisions, or Conditions. The Statement emphasizes analytical discussion over restatement of financial data and discourages boilerplate or repetitive content. The requirements are effective for fiscal years beginning after June 15, 2025. SCERS implemented the applicable provisions of this Statement for the fiscal year ending June 30, 2025.

[GASB Statement No. 104, Disclosure of Certain Capital Assets](#), was issued in September 2024 to improve the transparency and comparability of capital asset disclosures. The Statement requires separate disclosure, by major class of underlying asset, for (1) lease assets recognized under GASB Statement No. 87,

Leases; (2) assets recognized under GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements; and (3) subscription assets recognized under GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Additionally, it requires separate disclosure of other intangible assets by major class. This Statement also introduces new disclosure requirements for capital assets held for sale, including the historical cost and accumulated depreciation by major asset class, and the carrying amount of any debt for which these assets are pledged as collateral. The requirements are effective for fiscal years beginning after June 15, 2025. SCERS implemented the applicable provisions 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, 2025, is as follows:

Asset Class	Target Allocation
Global Equity	39%
Fixed Income	16
Private Equity	11
Credit	9
Real Estate	8
Absolute Return	7
Real Assets	7
Cash	2
Liquid Real Return	1
Total	100%

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 \$6.5 million at June 30, 2025. The pool was not rated, and the weighted-average maturity of the pool was 329 days as of June 30, 2025.

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, 2025, other cash and cash equivalents constituted balances in bank demand deposit accounts of \$30.3 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. As of June 30, 2025, the fair value of the System's short-term investments with fiscal agents was \$433.9 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 P-1 by Moody's Investors Services (Moody's) and A-1 by Standard & Poor's Corporation (S&P) at the time of issuance. As of June 30, 2025, the STIF is not rated by credit rating agencies. Most investments range in maturity from overnight to 90 days with 35.68% of the investment over 90 days. For the fiscal year ended June 30, 2025, the weighted-average maturity was 36 days.

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, 2025:

Investment by Fair Value Level
AS OF JUNE 30, 2025
(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)	
Equity Securities				
Communication Services	\$311,581	\$311,581	\$ -	\$ -
Consumer Discretionary	463,106	463,106	-	-
Consumer Staples	227,556	227,556	-	-
Energy	158,586	158,586	-	-
Financials	712,441	712,441	-	-
Health Care	487,483	487,483	-	-
Industrials	670,136	670,136	-	-
Information Technology	987,658	987,658	-	-
Materials	166,501	166,501	-	-
Private Placement	7,845	7,845	-	-
Real Estate	73,233	73,233	-	-
Utilities	74,022	74,022	-	-
Total Equity Securities	4,340,148	4,340,148	-	-
Fixed Income Securities				
Securitized Obligations				
Asset-Backed Securities	\$412,088	\$ -	\$412,088	\$-
Credit Obligations				
Corporate Bonds	295,553	108	295,445	-
Municipals	5,382	-	5,382	-
Yankees	41,889	-	41,889	-
U.S. Government and Agency Obligations				
Agency Securities	83,215	-	83,215	-
U.S. Treasury	899,761	-	899,761	-
International Government	3,304	-	3,304	-
Collateralized Mortgage Obligations	153,058	-	153,058	-
Mortgage Pass-Through				
FHLMC	61,438	-	61,438	-
FNMA	306,175	-	306,175	-
GNMA	179,142	-	179,142	-
Total Fixed Income Securities	2,441,005	108	2,440,897	-
Total Investments by Fair Value Level	\$6,781,153	\$4,340,256	\$2,440,897	\$ -

Investments Measured at the Net Asset Value (NAV)

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)*	Redemption Notice Period
Equity Commingled Funds	\$1,744,248	\$ -	Daily, monthly	1–60 days
Fixed Income Commingled Funds	9,237	-	Monthly, quarterly	30–90 days
Real Assets	1,562,892	345,294	Quarterly and 3-Years	90 days
Real Estate	916,286	232,441	Monthly and quarterly	30–90 days
Absolute Return	1,005,170	-	Monthly and quarterly	30–90 days
Private Credit	495,465	234,175	Not applicable	-
Private Equity	1,808,640	742,070	Not applicable	-
Securities Lending Collateral	224,339	-	Not applicable	-
Total Investments Measured at the NAV	7,766,277			
Total Investments	\$14,547,430			

* 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

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

	Total	Fair Value Measurements by Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Forwards	\$292	\$ -	\$292	\$ -
Options	22	-	22	-
Swaps	131,122	-	131,122	-
Liabilities				
Forwards	1,101	-	1,101	-
Options	127	-	127	-
Swaps	128,563	-	128,563	-
Total Investment Derivative Instruments	\$1,645	\$ -	\$1,645	\$ -

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 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 the 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.

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. 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 settled 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, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 11.10%.

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, 2025, 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, 2025, 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, 2025, 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, 2025, were as follows:

Collateral and Securities on Loan

AS OF JUNE 30, 2025

(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	\$173,236	\$170,462	\$133,257	\$304,175
Equity	51,103	50,206	50,575	101,146
Total	\$224,339	\$220,668	\$183,832	\$405,321

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, 2025, the weighted average maturity was 10.52 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.

The following table depicts the fixed income assets by credit rating as of June 30, 2025

Fixed Income Assets by Credit Rating

AS OF JUNE 30, 2025

(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	\$220,896	\$120,914	\$571	\$ -	\$ -	\$ -	\$99,411	\$ -	\$ -	\$ -
AA+	261,297	2,193	672	-	33,381	-	7,206	40,046	177,799	-
Aa1	49,062	99	-	-	48,891	-	72	-	-	-
AA	13,843	8,283	3,317	-	-	-	2,243	-	-	-
Aa2	3,319	2,601	55	-	-	-	663	-	-	-
AA-	6,763	-	5,187	-	-	-	1,576	-	-	-
Aa3	3,155	-	442	-	-	-	2,713	-	-	-
A+	15,779	238	15,199	-	342	-	-	-	-	-
A1	1,511	-	1,312	-	-	-	199	-	-	-
A	41,056	2,369	38,584	-	-	-	103	-	-	-
A2	308	-	-	-	-	-	308	-	-	-
A-	52,439	1,357	49,615	-	-	-	1,467	-	-	-
A3	2,925	-	548	-	-	-	2,377	-	-	-
BBB+	72,675	812	71,008	-	202	-	653	-	-	-
Baa1	1,050	-	1,050	-	-	-	-	-	-	-
BBB	57,628	3	57,343	-	-	-	282	-	-	-
Baa2	413	-	413	-	-	-	-	-	-	-
BBB-	41,086	784	38,118	-	206	832	1,146	-	-	-
Baa3	4,828	-	3,445	-	-	-	1,383	-	-	-
BB+	17,691	686	16,458	-	-	-	547	-	-	-
BB	14,956	1,923	11,801	-	-	1,232	-	-	-	-
Ba2	1,032	-	-	-	-	1,032	-	-	-	-
BB-	6,432	-	6,031	-	193	208	-	-	-	-
Ba3	273	-	273	-	-	-	-	-	-	-
B+	8,535	-	8,070	-	-	-	465	-	-	-
B1	538	456	-	-	-	-	82	-	-	-
B	7,090	-	7,090	-	-	-	-	-	-	-
B2	377	-	377	-	-	-	-	-	-	-
B-	3,440	-	3,440	-	-	-	-	-	-	-
CCC+	1,473	-	1,473	-	-	-	-	-	-	-
CCC	1,206	-	341	-	-	-	865	-	-	-
Caa2	429	429	-	-	-	-	-	-	-	-
CCC-	72	-	72	-	-	-	-	-	-	-
CC	246	246	-	-	-	-	-	-	-	-
WR	234	-	-	-	-	-	234	-	-	-
NR**	457,282	268,695	519	9,237	-	-	29,063	21,392	128,376	-
NA*	1,078,903	-	-	-	899,761	-	-	-	-	179,142
Total	\$2,450,242	\$412,088	\$342,824	\$9,237	\$982,976	\$3,304	\$153,058	\$61,438	\$306,175	\$179,142

* 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, 2025, 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, 2025, 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, 2025, the bank balance of cash and cash equivalents on deposit with SCERS' custodian bank and financial institutions totaled \$16.3 million, of which \$16.0 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, 2025, deposits held in the System's name for the margin accounts of \$14.1 million were not insured or not collateralized, and these deposits were exposed to custodial credit risk.

As of June 30, 2025, 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 System employs the weighted average maturity (WAM) method to assess and disclose its interest rate risk. WAM measures the average time securities in the investment portfolio reach maturity, with each security's maturity date weighted by its market value. This approach helps to quantify the sensitivity of the portfolio to changes in interest rates. Securities with longer maturities typically exhibit greater price sensitivity to interest rate fluctuations.

The following table depicts the weighted average maturity in years of the long-term fixed income portfolio as of June 30, 2025.

Weighted Average Maturity of Long-Term Fixed Income Portfolio

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

Type of Securities	Fair Value	Weighted Average Maturity (Years)
Securitized Obligations		
Asset-Backed Securities	\$412,088	1.11
Credit Obligations		
Corporate Bonds	295,553	1.44
Municipals	5,382	0.08
Yankees	41,889	0.31
U.S. Government & Agency Obligations		
Agency Securities	83,215	0.14
U.S. Treasury	899,761	3.46
International Government	3,304	0.01
Collateralized Mortgage Obligations	153,058	1.58
Mortgage Pass-Through		
FHLMC	61,438	0.65
FNMA	306,175	3.29
GNMA	179,142	2.10
No Weighted Average Maturity		
Commingled Fund	9,237	-
Total Fair Value with Weighted Average	\$2,450,242	1.29

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. 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.

The following table represents cash and investments held in a foreign currency as of June 30, 2025:

Investment in Foreign Cash Currency

AS OF JUNE 30, 2025

(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	\$292	\$60,198	\$ -	\$ -	\$ -	\$ -	\$ -	\$60,490
Canadian Dollar	2,386	131,611	-	-	-	-	-	133,997
Danish Krone	1,112	49,418	-	-	-	-	-	50,530
Euro Currency	4,879	560,657	17,390	21,960	198,101	33,088	129,583	965,658
Hong Kong Dollar	541	35,385	-	-	-	-	-	35,926
Japanese Yen	1,469	314,055	-	-	13,377	-	-	328,901
New Israeli Sheqel	4	40,571	-	-	-	-	-	40,575
New Zealand Dollar	18	139	-	-	-	-	-	157
Norwegian Krone	743	10,616	-	-	-	-	-	11,359
Polish Zloty	89	-	-	-	-	-	-	89
Pound Sterling	3,599	254,597	2,784	-	287	-	-	261,267
Singapore Dollar	152	20,618	-	-	-	-	-	20,770
Swedish Krona	2	46,082	-	-	-	-	-	46,084
Swiss Franc	183	123,063	-	-	-	-	-	123,246
Total	\$15,469	\$1,647,010	\$20,174	\$21,960	\$211,765	\$33,088	\$129,583	\$2,079,049

Highly Sensitive Investments

As of June 30, 2025, SCERS' investments included Collateralized Mortgage Obligations and Mortgage Pass-Through securities totaling \$699.8 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, 2025, total commodities investments were \$33.3 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, 2025, 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, 2025:

Derivative Instruments Fair Value and Notional Value

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

Investment Derivative Instruments	Net Appreciation/ (Depreciation) in Fair Value of Investments	Financial Statement Classification	Fair Value	Notional
Forwards	\$(1,723)	Investment Sales and Other	\$(809)	\$62,802
Futures	16,297	Investment Sales and Other	-	503,882
Options	252	Investment Purchases and Other	(105)	(6,551)
Rights/Warrants	44	Investment Sales and Other	-	-
Swaps	1,816	Investment Purchases and Other	2,559	128,676
Total Derivative Instruments	\$16,686		\$1,645	

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 subsequent business day. As a result, the instruments themselves have no fair value at June 30, 2025, 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 as of June 30, 2025.

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, 2025:

Non-Exchange Investment Derivative Instruments Counterparty Credit Rating

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

S&P Rating	Forward	Swaps	Total
A+	\$147	\$9	\$156
A	14	-	14
A-	113	-	113
BBB+	-	3,033	3,033
Investments in Asset Position	274	3,042	3,316
Investments in Liability Position	(1,083)	(365)	(1,448)
Total Investments in Asset/(Liability) Position	\$(809)	\$2,677	\$1,868

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 as of June 30, 2025, was \$3.3 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 as of June 30, 2025, 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, 2025, the System did not have any significant exposure to counterparty credit risk with any single party.

Interest Rate Risk

At June 30, 2025, the System is exposed to interest rate risk on its derivative instruments as presented in the following tables:

Derivative Instruments Interest Rate Risk

AS OF JUNE 30, 2025

(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	\$(369)	\$ -	\$(369)	\$ -	\$ -
Credit Default Swaps Written	2,090	7	2,083	-	-
Fixed Income Options Bought	4	4	-	-	-
Fixed Income Options Written	(3)	(3)	-	-	-
Interest Rate Swaps	838	2	(27)	448	415
Total	\$2,560	\$10	\$1,687	\$448	\$415

Derivative Instruments Highly Sensitive to Interest Changes

Highly Sensitive Derivative Instruments to Interest Fluctuation

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

Investment Type	Reference Rate	Fair Value	Notional Value
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1%	\$74	\$3,138
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1.15%	72	459
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1.2%	42	212
Interest Rate Swaps	Receive Variable 12-month SOFR, Pay Fixed 1.35%	245	550
Interest Rate Swaps	Receive Variable 12-month SOFR, Pay Fixed 4.80509%	(4)	8,330
Interest Rate Swaps	Receive Variable 12-month SOFR, Pay Fixed 4.699%	(27)	2,360
Interest Rate Swaps	Receive Variable 12-month SOFR, Pay Fixed 3.85%	27	2,235
Interest Rate Swaps	Receive Variable 0-month SOFR, Pay Fixed 4.669%	(65)	10,545
Interest Rate Swaps	Receive Variable 12-month SOFR, Pay Fixed 3.1355%	79	3,355
Interest Rate Swaps	Receive Variable 12-month SOFR, Pay Fixed 3.82501%	46	2,700
Interest Rate Swaps	Receive Variable 12-month SOFR, Pay Fixed 3.92682%	5	1,745
Interest Rate Swaps	Receive Variable 0-month CORRA, Pay Fixed 2.9475%	(2)	5,112

Interest Rate Swaps	Receive Variable 0-month CORRA, Pay Fixed 2.9675%	(11)	5,112
Interest Rate Swaps	Pay Variable 12-month SOFR, Receive Fixed 4.395%	(2)	15,910
Interest Rate Swaps	Pay Variable 12-month SOFR, Receive Fixed 3.99487%	13	3,540
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 4.079%	169	5,134
Interest Rate Swaps	Pay Variable 0-month SOFR, Receive Fixed 4.097%	177	5,134
Total Interest Rate Swaps		\$838	\$75,571

Foreign Currency Risk

At June 30, 2025, 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:

Forward Contracts and Swaps Foreign Currencies Risk

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

Currency Name	Forward Contracts		Swaps	Total Exposure
	Net Receivables	Net Payables		
Brazilian Real	\$78	\$(15)	\$ -	\$63
Canadian Dollar	2	(13)	(13)	(24)
Chilean Peso	(1)	-	-	(1)
Czech Koruna	-	(36)	-	(36)
Euro Currency	104	(793)	(21)	(710)
Hungarian Forint	9	-	-	9
Indian Rupee	(1)	(7)	-	(8)
Indonesian Rupiah	6	-	-	6
Japanese Yen	(20)	3	-	(17)
Mexican Peso (new)	10	(9)	-	1
New Taiwan Dollar	(1)	(16)	-	(17)
Philippine Peso	10	-	-	10
Polish Zloty	5	-	-	5
Pound Sterling	-	(133)	189	56
Singapore Dollar	-	(20)	-	(20)
Peruvian Sol	11	-	-	11
South African Rand	(1)	(2)	-	(3)
South Korean Won	9	(2)	-	7
Thailand Baht	1	-	-	1
Turkish Lira	16	-	-	16
Yuan Renminbi Offshore	-	(4)	-	(4)
Total	\$237	\$(1,047)	\$155	\$(655)

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, 2025.

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, 2025 is shown below:

Net Pension Liability and Funded Ratio

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

	2025
Total Pension Liability	\$15,597,205
Less: Fiduciary Net Position	14,577,459
Net Pension Liability	\$1,019,746
Fiduciary Net Position as a % of Total Pension Liability	93.46%

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, 2022, 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, 2025.

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, 2025:

	2025
Discount rate	6.75%
Inflation rate	2.50%
Real across-the-board salary increase	0.25%
Projected salary increases*	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, 2025.

	2025
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.
c) Beneficiary	Beneficiary not currently in Pay Status: 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.
	Beneficiaries in Pay Status: Pub-2010 General Contingent Survivor Amount-Weighted Above-Median Monthly Table (separate tables for males and 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 Member: 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, 2025.

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. The 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, adding expected inflation, subtracting expected investment expenses, and including 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, 2025, 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
Total	100%	5.9%

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, 2025. 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, 2025.

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, 2025, 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.

Net Pension Liability Sensitivity to Discount Rate

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	\$3,100,500	\$1,019,746	\$(688,900)

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 4.17% to 23.26% of annual covered salary for fiscal year 2024–25 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 11.63% to 62.52% of covered payroll for fiscal year 2024–25. 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. Member and employer contributions for the fiscal year ended June 30, 2025, totaled \$545 million. Included in this total are employer contributions of \$389.0 million in fiscal year 2024–25, of which \$342.1 million was made by the County of Sacramento. Member contributions were \$156.0 million in fiscal year 2024–25. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed as of June 30, 2023.

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 and death benefit 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 and death benefit 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, 2025, is as follows:

Summary of Reserve Accounts

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

	2025
Member reserve	\$1,300,014
Employer reserve	3,647,847
Retiree and death benefit reserve	8,664,706
Contingency reserve	437,324
Total allocated reserves	14,049,891
Market stabilization reserve	527,568
Net position restricted for pension benefits and program administration	\$14,577,459

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 collecting monies from retirees and forwarding monies to employers and County of Sacramento Employee Benefit Office for processing of payment. The activities of the Program are accounted for in the custodial fund, a pass-through fund type as defined by [GASB Statement No. 84](#). SCERS does not provide any funding for the Program.

Below is the list of employers participating in the Program as of June 30, 2025:

- 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. The subsidies are paid directly by the employer, not the pension fund.

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 nor 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 19, 2025, 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)

	2025	Restated 2024	2023	2022	2021
Total pension liability					
Service cost	\$307,476	\$287,892	\$270,740	\$264,372	\$265,224
Interest	1,008,109	964,837	912,500	873,481	855,203
Differences between expected and actual experience	28,692	96,174	279,701	74,494	74,045
Changes of assumptions	-	-	(20,664)	-	(324,177)
Benefit payments, including refunds of member contributions	(749,089)	(705,740)	(662,407)	(618,892)	(578,421)
Net change in total pension liability	595,188	643,163	779,870	593,455	291,874
Total pension liability - beginning	15,002,017	14,358,854	13,578,984	12,985,529	12,693,655
Total pension liability - ending (a)	15,597,205	15,002,017	14,358,854	13,578,984	12,985,529
Plan fiduciary net position					
Contributions - member	156,024	159,654	139,521	132,526	120,597
Contributions - employer	389,785	395,854	360,674	323,610	292,534
Contributions - withdrawn employer ^{(1) (2) (3)}	1,548	4,516	12,390	(14,284)	5,816
Net investment income/(loss)	1,483,286	1,104,629	710,907	(547,787)	2,753,409
Benefit paid	(741,844)	(698,773)	(655,591)	(614,345)	(575,329)
Withdrawal of contributions	(7,245)	(6,967)	(6,816)	(4,547)	(3,092)
Administrative expenses	(13,739)	(12,527)	(28,178)	(8,971)	(9,165)
Net change in plan fiduciary net position	1,267,815	946,386	532,907	(733,798)	2,584,770
Plan fiduciary net position - beginning	13,309,644	12,363,258	11,830,351	12,564,149	9,979,379
Plan fiduciary net position - ending (b)	14,577,459	13,309,644	12,363,258	11,830,351	12,564,149
Net pension liability - ending (a-b)	\$1,019,746	\$1,692,373	\$1,995,596	\$1,748,633	\$421,380
Plan fiduciary net position as a percentage of the total pension liability	93.5%	88.7%	86.1%	87.1%	96.8%
Covered payroll	\$1,358,447	\$1,330,913	\$1,175,393	\$1,078,235	\$1,034,343
Net pension liability as a percentage of covered payroll	75.1%	127.2%	169.8%	162.2%	40.7%

(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)

	2020	2019	2018	2017	2016
Total pension liability⁽¹⁾					
Service cost	\$241,474	\$238,685	\$234,325	\$193,490	\$186,438
Interest	830,663	783,932	747,682	706,016	675,920
Differences between expected and actual experience	50,651	165,493	18,566	(46,244)	(49,245)
Changes of assumptions	216,097	-	-	823,712	-
Benefit payments, including refunds of member contributions	(540,750)	(505,853)	(468,308)	(432,066)	(405,702)
Net change in total pension liability	798,135	682,257	532,265	1,244,908	407,411
Total pension liability - beginning	11,895,520	11,213,263	10,680,998	9,436,090	9,028,679
Total pension liability - ending (a)	12,693,655	11,895,520	11,213,263	10,680,998	9,436,090
Plan fiduciary net position					
Contributions - member	126,354	121,843	99,906	89,489	77,494
Contributions - employer	274,055	240,238	198,331	201,928	207,884
Contributions - withdrawn employer ⁽¹⁾ ⁽²⁾ ⁽³⁾	5,114	45,404	182	2,000	1,136
Net investment income/(loss)	301,373	675,726	844,489	1,048,915	(72,399)
Benefit paid	(537,698)	(502,944)	(465,354)	(429,754)	(403,356)
Withdrawal of contributions	(3,053)	(2,909)	(2,954)	(2,312)	(2,346)
Administrative expenses	(8,460)	(7,601)	(6,888)	(6,906)	(6,362)
Net change in plan fiduciary net position	157,685	569,757	667,712	903,360	(197,949)
Plan fiduciary net position - beginning	9,821,694	9,251,937	8,584,225	7,680,865	7,878,814
Plan fiduciary net position - ending (b)	9,979,379	9,821,694	9,251,937	8,584,225	7,680,865
Net pension liability - ending (a-b)	\$2,714,276	\$2,073,826	\$1,961,326	\$2,096,773	\$1,755,225
Plan fiduciary net position as a percentage of the total pension liability	78.6%	82.6%	82.5%	80.4%	81.4%
Covered payroll	\$1,059,984	\$ 1,017,885	\$985,375	\$958,934	\$912,421
Net pension liability as a percentage of covered payroll	256.1%	203.7%	199.0%	218.7%	192.4%

(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)

	2025	2024	2023	2022	2021
Actuarially determined contribution (ADC)	\$389,785	\$395,853	\$360,674	\$323,610	\$292,534
Contributions in relation to the ADC	389,785	395,853	360,674	323,610	292,534
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$1,358,447	\$1,330,913	\$1,175,393	\$1,078,235	\$1,034,343
Contributions in relation to the ADC as a percentage of covered payroll	28.7%	29.7%	30.7%	30.0%	28.3%
	2020	2019	2018	2017	2016
Actuarially determined contribution (ADC)	\$274,055	\$240,238	\$198,331	\$201,928	\$207,884
Contributions in relation to the ADC	274,055	240,238	198,331	201,928	207,884
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$1,059,984	\$1,017,885	\$985,375	\$958,934	\$912,421
Contributions in relation to the ADC as a percentage of covered payroll	25.9%	23.6%	20.1%	21.1%	22.8%

Schedule of Annual Money-Weighted Rate of Return
FOR THE FISCAL YEARS ENDED JUNE 30

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expenses	11.1%	8.9%	6.0%	(4.3)%	27.4%	3.1%	7.2%	9.8%	13.6%	(1.0)%

Notes To The Required Supplementary Information

For The Fiscal Year Ended June 30, 2025

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 2024–25 contribution rates reported in the Schedule of Employer Contributions:

Valuation date:	Actuarial valuation report as of June 30, 2023
Actuarial cost method:	Entry Age Actuarial Cost Method
Amortization method:	Level percentage of payroll
Remaining amortization period:	The remaining amortization period on the balance of the June 30, 2012 Unfunded Actuarial Liability (UAAL) is 13 years as of June 30, 2022. 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.
Asset valuation method:	The fair 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 fair value basis and is recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the fair value of assets.

Actuarial assumptions:		
Investment rate of return:	6.75%, net of pension plan investment expense, including inflation	
Inflation rate:	2.50%	
Projected salary increases:	4.25% - 9.75% varying by service, including inflation	
Assumed post-retirement benefit increase:	Miscellaneous Tier 1	4.00%
	Miscellaneous Tier 2	0.00%
	Miscellaneous Tier 3	2.00%
	Miscellaneous Tier 4	2.00%
	Miscellaneous Tier 5	2.00%
	Safety Tier 1	4.00%
	Safety Tier 2	2.00%
	Safety Tier 3	2.00%
	Safety Tier 4	2.00%
Other assumptions:	Same as the assumptions used in the funding actuarial valuation as of June 30, 2023.	
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, 2025:

- 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 Fair 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, 2025

Schedule of Administrative Expenses

(Amounts Expressed in Thousands)

Administrative Expense	2025
Salaries and benefits	\$9,010
Professional services	1,100
County allocated expenses	1,052
Depreciation and amortization	759
Information technology	422
Printing and postage	318
Interest and lease	271
Insurance Liability	224
Pension payroll services	223
Other	360
Total administrative expenses	\$13,739

Schedule of Investment Fees and Expenses

(Amounts Expressed in Thousands)

Investment Expense	2025
Private equity	\$62,262
Real assets	36,270
Equity	24,240
Absolute return	17,711
Private credit	15,290
Real estate	9,670
Fixed income	5,490
Other investment expenses and fees	2,413
Investment consulting fees	1,433
Custodian fees	322
Total investment fees and expenses	\$175,101

Schedule of Payments to Consultants

(Amounts Expressed in Thousands)

Consultant Expense	2025
Legal	\$848
Medical consulting	314
IT consulting	299
Actuarial	284
Audit	77
Total consultant expense	\$1,822


A close-up photograph of a cluster of bright yellow flowers, likely a lupine, with a green stem and buds. The background is a soft-focus field of similar flowers under bright, natural light.

SECTION 3: Investment

CORE VALUE

Excellence

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

A close-up photograph of a cluster of bright yellow flowers, similar to the top image, showing more detail of the petals and buds. The background is a soft-focus field of similar flowers under bright, natural light.

Chief Investment Officer's Report

Introduction

For the fiscal year ended June 30, 2025, the Sacramento County Employees' Retirement System (SCERS) generated a 10.8% return, net of fees. The strong fiscal year return was fueled by moderating inflation, resilient economic data, and strong corporate earnings, though there was meaningful volatility along the way. The 10.8% fiscal year return was well above SCERS' 6.75% actuarial rate of return and SCERS' policy index return of 9.9%. Assets under management ended the fiscal year at \$14.6 billion, well ahead of the prior fiscal year's \$13.3 billion level of assets.

SCERS' general investment consultant, 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 saw a lot of change, highlighted by the transition from the Biden Administration to the second iteration of the Trump Administration. A focal point of the markets and economy have been on the tariff policy coming out of the White House early in the year, which peaked in early April with the "Liberation Day" announcement of sweeping tariffs on foreign imports from trading partners around the world to rectify trade deficits. The Liberation Day announcement was met with a dramatic selloff in equities and U.S. Treasuries along with extreme levels of volatility, as the tariffs presented uncertainty around almost all forward looking economic data, including company hiring decisions and the impact on the labor market, inflation and how much of the tariffs would be passed on to the consumer, the impact on GDP growth, and monetary policy and the Fed's path on interest rate policy. Since that time the tariff measures have been delayed and adjusted as the White House engages in the negotiation of trade deals, which has reduced volatility and led to a meaningful rally in equities. There is still much uncertainty related to the ultimate impact of the tariffs, but the markets have mostly looked past them so far.

While inflation has remained mostly in check, it has recently ticked up suggesting that businesses are starting to pass elevated import costs onto consumers, though to this point they have been fairly mild. As of September, headline inflation sits at 3.0%, still above the Fed's 2% target. Core inflation, which strips out more volatile food and energy, also sits at 3.0% and up from March levels of 2.8% prior to the tariff announcements.

The other side of the Fed's dual mandate of supporting full employment and keeping inflation rates low and stable, the jobs market, has experienced some weakness and is where the Fed is more focused. While the unemployment rate remains low at 4.3%, the monthly payroll gains have slowed dramatically over the past several months. The latest report showed that only 22,000 jobs were added during the month of August, which followed several downward revisions from prior months, which is an indication that while companies aren't necessarily laying workers off, they have been stagnant in their hiring decisions, partly due to the uncertainty around tariffs. The weakening of the labor market caused the Fed to take action at its most recent meetings in September and October, by lowering interest rates by 0.50% total to a range of 3.75% to 4.00%. The basis for the cut(s) is characterized by the Fed as "risk management" rather than

directed at shoring up a weak economy, given the slowdown in job gains and elevated inflation levels. These were the first rates cut in 2025 after three rate cuts during the second half of calendar year 2024, in which the Fed cut rates by an aggregate of 1%.

U.S. GDP has remained fairly steady to date, with real gross domestic product increasing at an annual rate of 3.8% (revised up from 3.3%) in the second quarter of 2025, which is consistent, if not higher than the strong measures over the prior year, though the first quarter of 2025 saw a 0.5% decrease in GDP due to a surge in pre-tariff imports as businesses and consumers looked to stockpile goods ahead of the implementation of the tariffs. Economic growth in the U.S. compares favorably to other developed economies across Europe, the UK, and Japan whose real GDPs are all under 2.0%. This has afforded the Federal Reserve a more patient approach to adjusting interest rates as it evaluates ongoing economic uncertainty. Among major emerging economies, India is leading the way with GDP growth of 7.0%, though their economy faces going forward challenges in the face of the U.S. tariffs. China is growing at a more modest 5.2%, with growth expected to slow due to the tariffs.

Geopolitical risks continue to be front and center, highlighted by the continuing multi-year conflicts in Ukraine and the Middle East, as well as broader and growing geopolitical tensions around the world. While these ongoing conflicts haven't had a significant impact on broad financial markets, they remain key risks and a catalyst for market volatility.

All market segments generated positive returns during SCERS' 2024-25 fiscal year. Major global market returns for the fiscal year were as follows: domestic equity markets (Russell 3000 Index) returned 15.3%; international equity markets (MSCI ACWI ex US) returned 17.7%; emerging equity markets (MSCI Emerging Markets Index) returned 15.3%; fixed income markets (Bloomberg US Aggregate Index) returned 6.1%; absolute return markets (HFRI Fund of Funds Composite Index) returned 8.0%; real estate markets (NFI-ODCE) returned 3.5%; and commodities (Bloomberg Commodity Index) returned 5.8%.

Within equity markets, growth stocks at 17.2% (Russell 1000 Growth Index) continued their multi-year trend of outperforming value stocks at 13.7% (Russell 1000 Value Index), fueled by the concentrated outperformance of a handful of large capitalization technology/AI stocks. Large capitalization stocks at 15.7% (Russell 1000 Index) outperformed small capitalization stocks at 7.7% (Russell 2000 Index). International equity stocks at 17.7% (MSCI ACWI ex-US Index) outperformed U.S. equities, benefitting from a weakening U.S. dollar.

Fixed income markets generated healthy returns during SCERS' fiscal year. Treasuries generated returns of 5.3% (Bloomberg U.S. Treasury Index), as longer duration Treasury yields experienced volatility during the year, with the 10-year yield decreasing from 4.68% on June 30, 2024, to 4.23% on June 30, 2025. The yield curve transitioned from an inverted level (short-term rates higher than longer-term rates) to a normal sloped yield curve (long-term rates higher than short-term rates), due to the interest rate cuts by the Federal Reserve, which impacts short-term rates, while long-term rates remained elevated. The credit sectors performed well, with high yield bonds returning 10.3% (Bloomberg U.S. Corporate High Yield Index), and investment grade corporate credit returning 6.8% (Bloomberg U.S. Credit Index). Credit

spreads remain near record lows. The broad-based Bloomberg Aggregate index, which contains an equal mix of Treasuries, agency mortgages, and investment grade credit, generated a return of 6.1%.

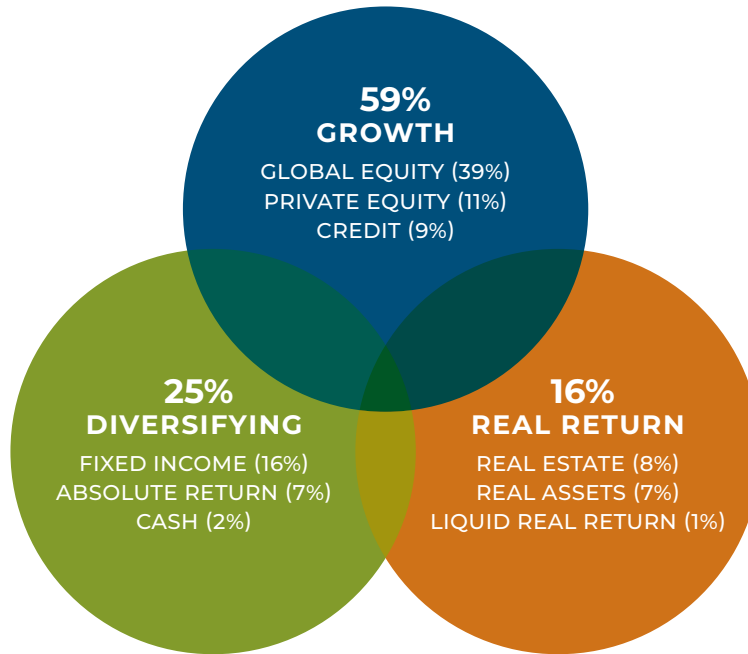
While SCERS welcomes the strong returns that have been generated within the portfolio this past fiscal year, especially within the public equity markets, we are reminded that many risks exist including high valuations within the markets, uncertainty around tariffs, a weakening labor market, and geopolitical tensions that can potentially disrupt markets. The diversification and long-term discipline afforded by SCERS' strategic asset allocation will help SCERS navigate today's dynamic environment.

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, 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 unexpectedly. 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, and energy, 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 2025, SCERS completed an asset liability modeling (ALM) study, which saw moderate changes to SCERS' strategic asset allocation. The revisions included a 1% reduction of the Global Equity asset class, a consolidation of the Private Credit and Public Credit asset classes into a single Credit asset class with a target allocation of 9%, an increase of 2% from SCERS' prior aggregated credit target of 7%, and a 1% decrease in the Real Estate asset class, as shown in the below. The recommended asset allocation slightly shifts risk within the portfolio toward higher yielding assets. At the asset category level, it increased Growth assets, slightly decreased Real Return assets, while leaving Diversifying unchanged.

Asset Class	Prior Policy	Revised Policy	Changes
Growth	58%	59%	1%
Global Equity	40	39	-1
Private Equity	11	11	-
Public Credit	2	-	-2
Private Credit	5	-	-5
Credit	-	9	9
Diversifying	25%	25%	0%
Fixed Income	16	16	-
Absolute Return	7	7	-
Cash	2	2	-
Real Return	17%	16%	-1%
Real Estate	9	8	-1
Real Assets	7	7	-
Liquid Real Return	1	1	-
	100%	100%	

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, 2025, SCERS' assets were invested across:

- **Global Equity:** 10 separate account portfolios and 7 commingled funds
- **Fixed Income:** 6 separate account portfolios
- **Absolute Return:** 1 fund-of-funds separate account portfolio and 12 fund partnerships
- **Private Equity:** 1 separate account portfolio, 3 fund-of-funds partnerships, and 90 fund partnerships
- **Private Credit:** 1 separate account portfolio and 22 fund partnerships
- **Real Estate:** 8 core real estate fund partnerships and 21 non-core real estate fund partnerships
- **Real Assets:** 1 separate account portfolio and 36 fund partnerships
- **Liquid Real Return:** 1 commingled fund

Significant investment activity during the fiscal year included the following:

- In Absolute Return, SCERS redeemed \$45 million from one fund and made three new direct absolute return investments of \$110 million in aggregate during the fiscal year.
- In Private Equity, SCERS made eight new direct private equity fund commitments of \$270 million in aggregate during the fiscal year.
- In Private Credit, SCERS made three new direct private credit fund commitments of \$150 million in aggregate during the fiscal year.
- In Real Assets, SCERS made four new direct real asset fund commitments of \$205 million in aggregate during the fiscal year.
- In Real Estate, SCERS made four new direct real estate fund commitments of \$180 million in aggregate during the fiscal year.

Within the private markets, SCERS was active making new commitments during the year. 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, investment activity within the private markets can moderate from year to year. SCERS consistently allocates to new funds annually within the private markets 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 (SSgA) 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, 2025, SCERS earned a net income of approximately \$1.2 million from securities lending and received commission recapture income of approximately \$52,000.

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

During the fiscal year, investment educational sessions were provided to the Board by SCERS' staff and investment consultants. The educational sessions included presentations regarding: (1) strategic asset allocation; (2) investment oversight; (3) cryptocurrency; (4) portfolio analytics; (5) private credit investing; (6) governance protocols; and (7) later-life private equity funds.

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 an 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, 2025, a majority of proxies were voted through an electronic voting platform provided by Institutional Shareholder Services.

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 category and asset class for the one-, three-, and five-year periods are shown within the Investment Results schedule. 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. The investment performance is being reported using SCERS' prior strategic asset allocation structure. Investment performance will transition to the new strategic asset allocation starting July 1, 2025.

For the fiscal year ending June 30, 2025, SCERS' total fund return was 10.8%, net of investment management fees. The net return for the fiscal year was well above both SCERS' actuarial return objective of 6.75% and the policy weighted benchmark return of 9.9%. Returns were positive across all market segments, with public equity returns leading all asset classes.

Over the trailing three-year period, SCERS' annualized investment return was 8.7% net of fees, which was well above the actuarial return objective of 6.75%, and slightly above SCERS' policy benchmark return of 8.6%. Over the longer trailing five-year and ten-year periods, SCERS' annualized investment return was 9.6%, and 8.0%, respectively, net of fees. Both the five- and ten-year annualized returns were above the actuarial return objective of 6.75%, and above SCERS' policy benchmark returns of 8.9% and 7.3%, respectively.

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 10.3%. SCERS' net return of 10.8% ranked in the 34th percentile. Over the three-, five-, and ten-year periods, SCERS ranked in the 68th, 26th, and 14th percentiles, respectively.

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 14.1% for the fiscal year, net of fees, SCERS' best performing asset category. It was led by Global Equity (public equities) (+16.6%), in addition to strong returns across Private Equity (+8.3%), Public Credit (+10.6%), and Private Credit (+7.8%). The Growth asset category return of 14.1% exceeded the policy benchmark return of 13.7%. For the three-year period, SCERS' Growth asset category annualized return was 12.8%, net of fees, below the policy benchmark return of 13.3%. 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.

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 6.3% for the fiscal year, net of fees, benefitting from strong returns across both Fixed Income (+6.6%) and Absolute Return (+5.9%). Cash returned 4.7%, lower than last year's 5.4% return, due to the Federal Reserve cutting short-term interest rates during the year. The Diversifying asset category return of 6.3% exceeded the policy benchmark return of 5.8%. For the three-year period, SCERS' Diversifying asset category annualized return was 3.6%, net of fees, slightly above the policy benchmark return of 3.4%. 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.

Real Return Asset Category

The Real Return asset category is comprised of the following asset classes: Real Estate, Real Assets, and Liquid Real Return. The Real Return asset category returned 5.9%, net of fees. Liquid Real Return led performance, returning 12.4% during the fiscal year, followed by Real Assets, which returned 8.0%. Real Estate returned a modest 1.4%. The Real Return asset category return of 5.9% exceeded the policy benchmark return of 4.4%. For the three-year period, SCERS' Real Return asset category annualized return was 1.2%, net of fees, which was dragged down by negative real estate returns over that period, but was above the policy benchmark return of 0.4%. 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 and rebalance exposures within the asset category.

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

Respectfully submitted,

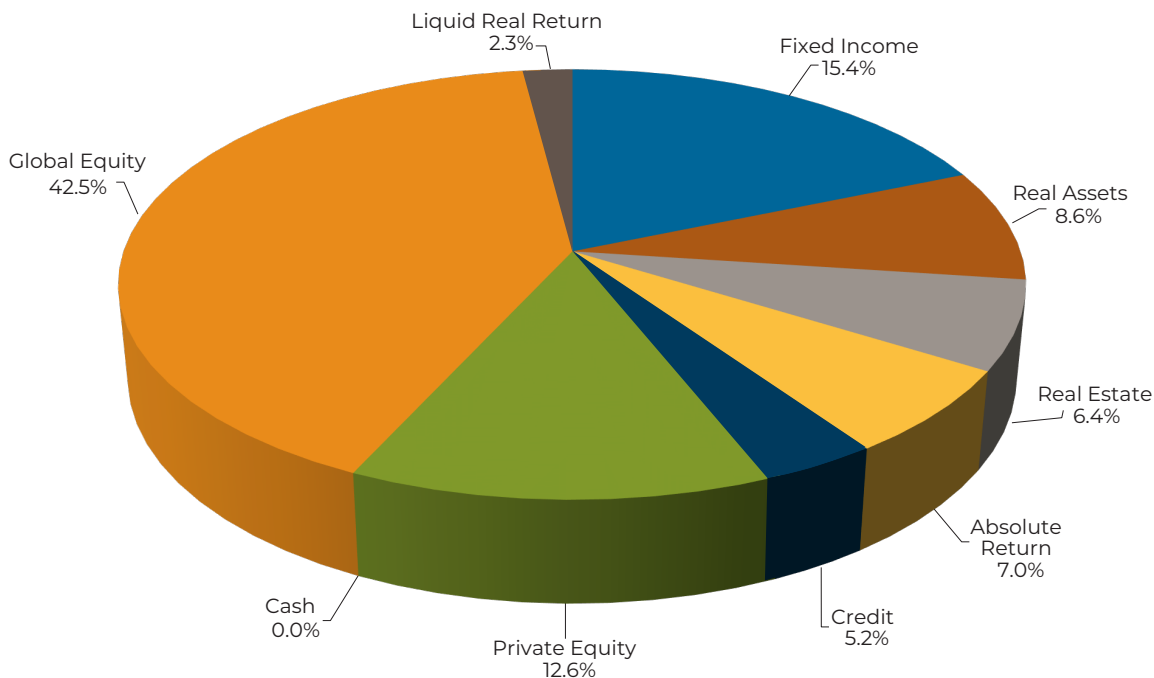


STEVE DAVIS
Chief Investment Officer

Asset Allocation

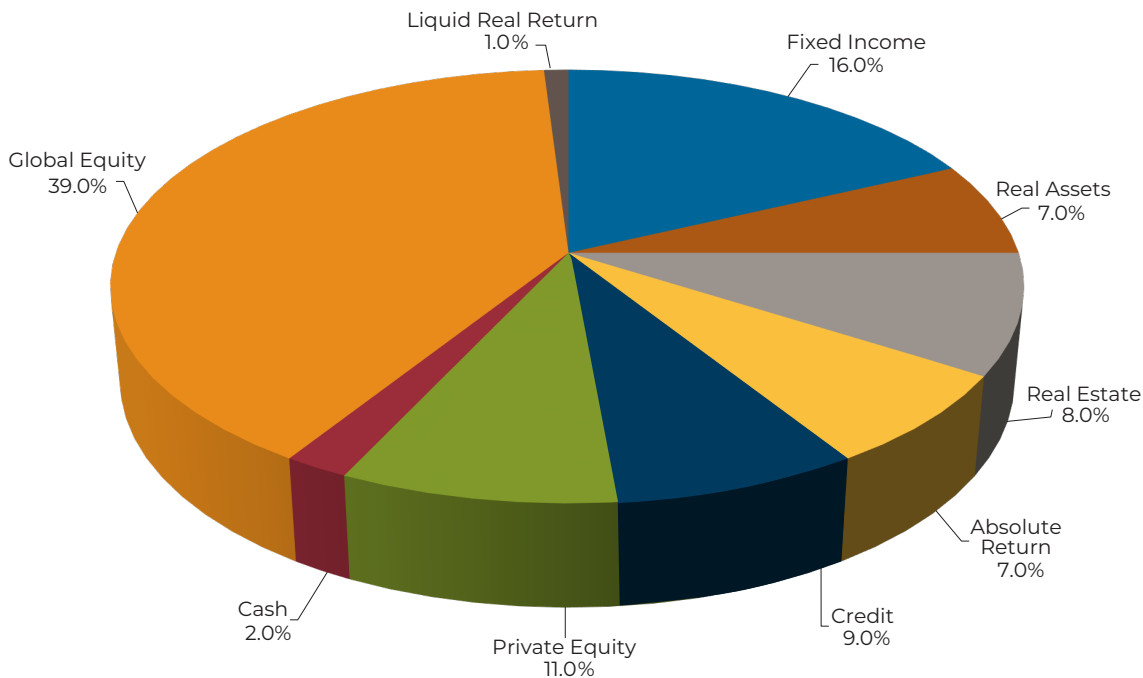
Actual Asset Allocation

AS OF JUNE 30, 2025



Target Asset Allocation

AS OF JUNE 30, 2025



Investment Results

FOR THE PERIOD ENDED JUNE 30, 2025

	Annualized		
	1 Year	3 Years	5 Years
Growth Asset Category¹	14.1 %	12.8 %	13.5 %
Benchmark: Growth Custom¹	13.7 %	13.3 %	13.1 %
Global Equity	16.6	17.2	13.1
Benchmark: MSCI ACWI IMI	15.9	16.8	13.4
Private Equity	8.3	3.2	16.8
Benchmark: Cambridge Associates All PE 1 Qtr Lag ⁶	6.0	2.2	15.1
Public Credit	10.6	7.6	8.3
Benchmark: Brigade Custom ²	8.9	9.7	6.7
Private Credit	7.8	8.1	10.8
Benchmark: Credit Suisse Leveraged Loan + 2% 1 Qtr Lag	9.2	9.2	11.1
Diversifying Asset Category¹	6.3	3.6	1.9
Benchmark: Diversifying Custom¹	5.8	3.4	1.1
Fixed Income	6.6	2.8	-0.3
Benchmark: Fixed Income Custom ⁸	6.2	3.1	-0.2
United States Treasury	5.4	1.6	-1.5
Benchmark: Blmbg US Treasury Index	5.3	1.5	-1.6
Absolute Return	5.9	5.2	6.0
Benchmark: HFRI Fund of Funds Conservative Index	5.8	5.5	6.2
Cash	4.7	4.7	2.8
Benchmark: Secured Overnight Financing Rate	4.8	4.8	2.9

	Annualized		
	1 Year	3 Years	5 Years
Real Return Asset Category¹	5.9 %	1.2 %	7.6 %
Benchmark: Real Return Custom¹	4.4 %	0.4 %	6.9 %
Real Estate	1.4	-5.9	3.7
Benchmark: Real Estate Custom ⁵	3.0	-4.9	3.4
Real Assets	8.0	7.8	12.9
Benchmark: Private Real Assets Custom ³	5.6	6.8	11.5
Liquid Real Return	12.4	5.6	7.3
Benchmark: SSgA Real Asset ⁴	7.6	4.4	7.1
SCERS Total Fund - Gross	11.0	8.9	9.8
SCERS Total Fund - Net	10.8	8.7	9.6
Benchmark: Policy Index⁷	9.9	8.6	8.9

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.

- 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.
- The Brigade Custom benchmark consists of 50% ICE BofA ML High Yield II and 50% Credit Suisse Leveraged Loans.
- 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%.
- 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.
- 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.
- 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.
- 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, 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.
- The Fixed Income Custom benchmark consists of 75% Bloomberg U.S. Aggregate Index and 25% Bloomberg U.S. Treasury Index.

Summary of Investment Assets

AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

Type of investments	Fair Value*	Percentage of Total Investments
Equity	\$6,146,708	41.56%
Fixed income	2,584,967	17.48
Real assets	1,563,116	10.57
Real estate	916,286	6.19
Absolute return	1,005,170	6.80
Private credit	495,465	3.35
Private equity	1,808,640	12.23
Total investments at fair value	14,520,352	98.18
Cash and short-term investments		
Cash and short-term investments (unallocated)	266,885	1.80
Cash invested with Sacramento County Treasurer	3,679	.02
Total cash and short-term investments	270,564	1.82
Total investments	\$14,790,916	100.00%

* 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.

Summary of Manager Fees

FOR THE FISCAL YEAR ENDED JUNE 30, 2025

(Amounts Expressed in Thousands)

Type of Investment	Assets Under Management*	Manager Fees
Equity	\$6,146,708	\$24,240
Fixed income	2,584,967	5,490
Real assets	1,563,116	36,270
Real estate	916,286	9,670
Absolute return	1,005,170	17,711
Private credit	495,465	15,290
Private equity	1,808,640	62,262
Total	\$14,520,352	\$170,933

Source: State Street Bank and MSCI.

* 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, 2025

Brokerage Firm	Commission Per Share*	Shares/Par Vvalue	Total Commission*
Barclays Capital LE	\$0.0090	4,065,119	\$36,692
BNP Paribas Arbitrage	0.0102	2,191,918	22,464
BNP Paribas Securities (Asia) Ltd	0.0323	902,300	29,126
BNP Paribas Securities Services	0.0081	3,447,509	27,933
Capital Institutional Svcs Inc Equities	0.0300	2,015,571	60,467
Citadel Securities Institutional LLC	0.0315	411,185	12,970
Citigroup Global Markets Europe AG	0.0025	5,243,800	13,171
Citigroup Global Markets, Inc.	0.0045	4,537,405	20,637
CLSA Singapore Pte Ltd	0.0057	1,847,153	10,501
Cowen And Company, LLC	0.0343	1,174,839	40,304
Daiwa Capital Markets America, Inc.	0.0621	311,300	19,345
Daiwa Securities SB Capital Markets	0.0166	721,600	12,000
Goldman Sachs + Co LLC	0.0054	8,195,659	44,475
Instinet UK, Ltd.	0.0069	2,946,452	20,471
J.P. Morgan Securities PLC	0.0031	10,097,830	31,347
Jefferies International Ltd	0.0145	2,032,196	29,486
Jefferies, LLC	0.0102	4,758,987	48,703
Joh. Berenberg, Gossler & Co. KG	0.0314	355,724	11,166
Merrill Lynch International	0.0052	7,694,214	39,887
Mizuho Securities USA, Inc.	0.0093	1,813,200	16,823
Morgan Stanley Co Incorporated	0.0034	15,542,730	53,032
RBC Capital Markets, LLC	0.0345	666,329	22,969
Royal Bank of Canada Europe Ltd	0.0283	479,695	13,562
Société Générale Securities Services	0.0192	1,431,183	27,416
UBS AG	0.0127	4,371,209	55,426
Virtu Americas LLC	0.0337	1,234,355	41,647
Virtu ITG Europe Limited	0.0485	250,205	12,127
William Blair & Company, LLC	0.0336	349,241	11,734
All Other Brokerage Firms**	0.0047	49,477,113	234,476
Total Brokerage Commissions	\$0.0074	138,566,021	1,020,357
Brokerage Commission Recapture			(52,315)
Net Brokerage Commissions			\$968,042

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

** All other brokerage firms are comprised of approximately 100 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, 2025

(Amounts expressed in thousands)

Rank	Shares	Security Name	Fair Value
1	291,521	Microsoft Corp.	\$145,005
2	805,407	Nvidia Corp.	127,246
3	498,093	Apple Inc.	102,194
4	463,276	Amazon.Com Inc.	101,638
5	95,400	Meta Platforms Inc. Class A	70,414
6	255,970	Alphabet Inc. Class C	45,407
7	160,313	Broadcom Inc.	44,190
8	105,201	United Health Group Inc.	32,820
9	62,787	Berkshire Hathaway Inc Class B	30,500
10	95,995	Tesla Inc.	30,494
Total of ten largest stock holdings			\$729,908

Note: A complete list of stock holdings is available upon request.**Ten Largest Bond Holdings (By Fair Value)**

AS OF JUNE 30, 2025

(Amounts expressed in thousands)

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value
1	70,645,000	United States Treasury N/B	3.88%	8/15/2034	\$68,976
2	43,640,000	United States Treasury N/B	4.13	11/15/2027	44,044
3	42,840,000	United States Treasury FRN	4.40	4/30/2027	42,841
4	44,885,000	FNMA TBA 30 YR	4.00	8/15/2054	41,726
5	39,673,000	United States Treasury N/B	3.88	6/30/2030	39,825
6	38,519,000	FNMA TBA 15 YR	2.50	7/15/2039	35,956
7	34,965,000	United States Treasury N/B	4.13	2/28/2027	35,147
8	37,045,000	United States Treasury N/B	4.25	8/15/2054	33,829
9	33,606,151	TSY INFL IX N/B	2.38	2/15/2055	32,471
10	31,630,000	United States Treasury FRN	4.44	10/31/2026	31,668
Total of ten largest bond holdings					\$406,483

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

Investment Managers/Funds

AS OF JUNE 30, 2025

Equity

Acadian Asset Management, LLC
 AllianceBernstein
 Allspring Global Investments
 AQR Capital Management
 ARGA Investment Management
 Artisan Partners Asset Management, Inc.
 Baillie Gifford & Co.
 D. E. Shaw & Co.
 Eagle Capital Management, LLC
 J.P. Morgan Asset Management
 Lazard, Inc.
 LSV Asset Management
 Nikko Asset Management Co., Ltd.
 Oaktree Capital Management, Inc.
 Snyder Capital Management
 Walter Scott & Partners Limited
 Weatherbie Capital, LLC
 William Blair Investment Management, LLC

Fixed Income

Brandywine Global Investment Management, LLC
 Brigade Capital Management
 Neuberger Berman Group, LLC
 PGIM, Inc.
 Reams Asset Management
 TCW Group

Liquid Real Return

State Street Global Advisors (SSgA)

Real Assets

Agriculture Capital Management
 Ara Partners
 ArcLight Capital Partners, LLC
 BlackRock, Inc.
 Brookfield Asset Management, Inc.
 Digital Colony Management, LLC
 EnCap Investments
 EQT Partners
 Equilibrium Capital Management, Inc.
 Harrison Street Real Estate Capital, LLC
 I Squared Capital

IFM Investors
 KKR & Co., Inc
 Meridiam
 NGP Energy Capital Management, LLC
 Paine Schwartz Partners, LLC
 Pantheon Ventures
 Quantum Capital Group
 Ridgewood Infrastructure, LLC
 Stonepeak Partners, L.P
 Tailwater Capital, LLC
 The Carlyle Group

Real Estate

Asana Partners, LLC
 Brookfield Asset Management, Inc.
 CIM Group
 Clarion Partners, LLC
 DRC Savills Investment Management
 ECE Real Estate Partners
 FPA Multifamily, LLC
 Hammes Realty Advisors, LLC
 KKR & Co., Inc.
 LaSalle Investment Management
 MetLife Investment Management
 Nordic Real Estate Partners
 Principal Asset Management
 Prologis, Inc.
 Sculptor Capital Management, Inc.
 Seven Seas Advisors Co., Ltd.
 The Carlyle Group
 The Townsend Group
 Westport Capital Partners

Absolute Return

Aristeia Capital, LLC
 BlackRock, Inc.
 Capula Investment Management
 Elliott Investment Management
 GCM Grosvenor
 Graham Capital Management
 Hudson Bay Capital Management
 Junto Capital Management

Investment Managers/Funds (continued)

AS OF JUNE 30, 2025

Laurion Capital Management
 Marshall Wace, LLP
 PSquared Asset Management AG
 Tudor Investment Corporation

Private Credit

Ares Management, LLC
 Athyrium Capital Management, LLC
 Benefit Street Partners, LLC
 BlackRock, Inc.
 Brookfield Asset Management, Inc.
 Comvest Equity Advisers, LLC
 IFM Investors
 Metric Capital Partners
 OrbiMed Advisors, LLC
 Shamrock Capital Advisors, LLC
 Silver Point Capital
 Sky Leasing, LLC
 Summit Partners

Private Equity

Abbott Capital Management, LLC
 Accel-KKR
 Alchemy Special Partners
 Ardian
 Atalaya Capital Management
 Canvas Management Company, LLC
 Cortec Group Management Services, LLC
 CRV, LLC
 CVC Capital Partners, PLC
 Davidson Kempner Capital Management
 Blue Owl Capital
 Garrison Investment Group
 Gridiron Capital, LLC
 H.I.G. Capital, LLC
 HarbourVest Partners
 J.F. Lehman & Company, LLC
 Khosla Ventures
 Linden Capital Partners, LLC
 Marlin Equity Partners
 New Enterprise Associates
 Oaktree Capital Management, Inc.
 OrbiMed Advisors, LLC

RCP Advisors
 Resurgens Technology Advisors
 RRJ Capital
 Shamrock Capital Advisors, LLC
 Sixth Street Partners
 Spectrum Equity Management, Inc.
 Strategic Value Partners, LLC
 Summit Partners
 The Riverside Company
 Thoma Bravo, LLC
 Threshold Ventures
 Trinity Ventures
 TSG Consumer Partners, LLC
 Waterland Private Equity Investments
 Wayzata Investment Partners, LLC
 Wynnchurch Capital, LLC

Overlay Program

State Street Global Advisors (SSgA)

Investment Consultant

Cliffwater, LLC
 The Townsend Group
 Verus Advisory, Inc.

Proxy Advisor

Institutional Shareholder Services, Inc.

Legal Counsel

Buchalter
 Foley & Lardner, LLP
 Hanson Bridgett, LLP
 Nossaman, LLP
 Patrick M.K. Richardson, Esq.

Other Investment Service Providers

BSR & Co., LLP – tax services
 Capital Economics – investment-related economic research
 eVestment – analytics service provider
 Financial Recovery Technologies – class action and antitrust litigation recovery
 MSCI – portfolio analytics and investment accounting third-party service provider



SECTION 4: Actuarial

CORE VALUE

Responsibility

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





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segalco.com

October 30, 2025

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 Sacramento County Employees' Retirement System (SCERS) Actuarial Valuation and Review as of June 30, 2025. 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, reaffirmed by the Board on March 17, 2021, and amended on April 17, 2024. 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 Actuarial Valuation and Review as of June 30, 2025, 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.

Board of Retirement
Sacramento County Employees' Retirement System
October 30, 2025
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 10 years remaining as of June 30, 2025). 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, 2025, 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, 2025, and the Actuarial Valuation and Review as of June 30, 2025, 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, 2025, 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, 2025, 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, 2025, valuation, the ratio of the actuarial value of assets to actuarial accrued liabilities increased from 88.1% to 90.1%. The employer's rate has decreased from 28.49% of payroll to 27.52% of payroll, while the employee's rate has decreased from 11.23% of payroll to 11.18% of payroll. The decrease in the employer's rate is primarily due to the investment return greater than expected after asset smoothing and the effect of amortizing the UAAL over a larger than expected projected total salary. The decrease in the employee's rate is primarily due to changes in active member demographics.

Board of Retirement
 Sacramento County Employees' Retirement System
 October 30, 2025
 Page 3

Effective December 15, 2024, the Sacramento Area Sewer District (SacSewer) has become a new employer of SCERS. (Prior to that date, members associated with SacSewer were still considered members of the County.) County employees assigned to SacSewer have separated from County employment to become employees of SacSewer. Pursuant to the terms of the Agreement between SCERS, SacSewer and the County, starting with the June 30, 2024, valuation, we have continued in the June 30, 2025, valuation to calculate fiscal year 2026-2027 employer and member contribution rates for SacSewer that are independent of the County's contribution rates.

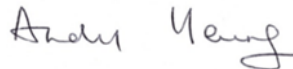
In the June 30, 2025, valuation, the actuarial value of assets excluded \$527.6 million in deferred investment gains, which represented about 3.6% of the fair value of assets. If these deferred investment gains were recognized immediately in the actuarial value of assets, the funded percentage would increase from 90.1% to 93.5%, and the aggregate employer contribution rate would decrease from 27.5%¹ of payroll to 24.8%¹ 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,



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



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



Molly Calcagno, ASA, MAAA, EA
 Senior Actuary

DC/elf
 Enclosures

cc: Eric Stern

¹ In calculating both of these contribution rates, we have excluded the \$437.3 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, 2025, 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	4.00%
Miscellaneous Tier 2	0.00%
Miscellaneous Tier 3	2.00%
Miscellaneous Tier 4	2.00%
Miscellaneous Tier 5	2.00%
Safety Tier 1	4.00%
Safety Tier 2	2.00%
Safety Tier 3	2.00%
Safety Tier 4	2.00%

Post-Retirement Mortality Rates:	
a) Service	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.
	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	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.
	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.
c) Beneficiary	Beneficiary not currently in Pay Status - 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.
	Beneficiaries in Pay Status - Pub-2010 General 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-2021.
Withdrawal Rates and Service Retirement Rates:	Refer to the June 30, 2022, Actuarial Experience Study.
Pre-Retirement Mortality Rates:	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.
	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.
Mortality Rates for Member Contributions:	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.
	Safety Members - Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 75% male and 25% female.

Mortality Rates for Disabled Member:	Miscellaneous 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 25 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 40% male and 60% female.
	Safety 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 25 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 75% male and 25% female.
Disability Incidence Rates: Refer to June 30, 2022 Actuarial Experience Study	Miscellaneous Members - 50% of disabled Miscellaneous members would receive a duty disability, and 50% will be assumed to receive a non-duty disability.
	Safety Members - 90% of disabled Safety members would receive a duty disability, and 10% will be assumed to receive a non-duty disability.
Average Entry Ages:	Miscellaneous Members - 35 Safety Members - 29
Percentage of Members Married at Retirement:	Male Members - 80% Female Members - 60%
Retirement Age for Deferred Vested Members:	Miscellaneous Miscellaneous Non-Reciprocal Members - 59 Miscellaneous Reciprocal Members - 61 Safety Members Safety Non-Reciprocal Members - 52 Safety Reciprocal Members - 55
Percentage Eligible for Reciprocal Benefits:	Miscellaneous Members - 25% Safety Members - 35%
Actuarial Value of Assets:	Fair value of assets less unrecognized returns in each of the last seven years. Unrecognized returns are equal to the difference between the actual market return and the expected return on the fair value, and are recognized over a seven-year period. The actuarial value of assets (AVA) is limited by a 30% corridor; the AVA cannot be less than 70% of fair value of assets, nor greater than 130% of 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, 2025, that are applicable to the Sacramento County Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan.

Membership

There are five tiers applicable to Miscellaneous members.

- Tier 1 includes all members who entered prior to September 27, 1981.
- Tier 2 and Tier 3 include members who were hired on or after September 27, 1981. Membership into Tier 2 or Tier 3 is determined by date of hire and by bargaining unit.
- Tier 4 includes County employees who entered on or after January 1, 2012 as adopted by the County and SacSewer. Membership into Tier 4 is determined by date of hire.
- Tier 5 includes all members hired on or after January 1, 2013.

There are four tiers applicable to Safety members.

- Tier 1 includes all members who entered before June 25, 1995.
- Tier 2 includes members who entered on or after June 25, 1995 but before January 1, 2012.
- Tier 3 includes County employees who entered on or after January 1, 2012 but before January 1, 2013.
- Tier 4 includes any new Safety employee who becomes a member on or after January 1, 2013 and is subject to the provisions of the [California Public Employees' Pension Reform Act of 2013 \(PEPRA\)](#), [California Government Code 7522](#) et seq. and [Assembly Bill \(AB\) 340](#). These members are designated as [PEPRA](#) Safety.

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.

All members who have attained the age of 70 are eligible to retire regardless of service.

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%
52	1.67	1.30	1.00	3.00	2.54	2.20
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.

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

(Amounts Expressed in Thousands)

Valuation Date	Plan Type	Number	Annual Payroll	Annual Average Pay	% Increase/ (decrease) in Average Pay*
6/30/2025	Miscellaneous	11,780	\$1,133,839	\$96.3	3.72%
	Safety	2,172	297,175	136.8	1.95
	Total	13,952	\$1,431,014	\$102.6	3.39%
6/30/2024	Miscellaneous	11,552	\$1,071,640	\$92.8	4.68%
	Safety	2,138	287,009	134.2	0.04
	Total	13,690	\$1,358,649	\$99.2	4.38%
6/30/2023	Miscellaneous	11,061	\$980,197	\$88.6	7.42%
	Safety	2,106	271,769	129.0	0.06
	Total	13,167	\$1,251,966	\$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%

Source: Actuarial Valuation reports from June 30, 2016 through 2025.

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

Valuation Date	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll (in thousands)	Payroll Added During Year ¹ (in thousands)	Payroll Removed During Year (in thousands)	% Increase In Annual Retiree Payroll	Average Annual Allowance
6/30/2025	14,285	742	421	14,606	\$766,745	\$61,382	\$16,585	6.21%	\$52,495
6/30/2024	13,934	722	371	14,285	721,948	56,868	13,625	6.37	50,539
6/30/2023	13,635	770	471 ²	13,934	678,705	54,281	15,474	6.06	48,709
6/30/2022	13,051	864	280 ²	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

Source: Prepared by Segal

Note: Participants are counted once for each benefit received.

¹ Includes data adjustments and automatic cost-of-living adjustments granted on April 1 of each year.

² 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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Prior Valuation Unfunded Actuarial Liability	\$2,191	\$2,307	\$2,286	\$2,380	\$2,464	\$2,192	\$2,090	\$2,016	\$1,200	\$1,190
Salary Increase Greater (Less) than Expected	17	89	221	7	(36)	11	(24)	(40)	(3)	(39)
Asset Return Less (Greater) than Expected	(137)	(86)	(145)	(147)	3	20	8	6	3	62
Other Experience	(87)	(119)	(34)	46	(51)	25	118	108	(8)	(13)
Economic and Non-Economic Assumption Changes	-	-	(21)	-	-	216	-	-	824	-
Ending Unfunded Actuarial Accrued Liability	\$1,984	\$2,191	\$2,307	\$2,286	\$2,380	\$2,464	\$2,192	\$2,090	\$2,016	\$1,200

Source: Prepared using extracted data from Actuarial Valuations from June 30, 2016 through 2025.

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)
6/30/2025	\$1,204,838	\$10,361,873	\$4,030,494	\$15,597,205	\$14,049,891	100%	100%	62%
6/30/2024	1,096,309	9,860,940	4,044,768	15,002,017	13,209,968	100	100	56
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

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%; 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%; Modification in non-economic assumptions.

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)
6/30/2025	\$14,049,891	\$15,597,205	\$1,547,314	90.1%	\$1,358,447	113.9%
6/30/2024	13,209,968	15,002,017	1,792,049	88.1	1,330,913	134.6
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

Source: Prepared using extracted data from Actuarial Valuations from June 30, 2016 through 2025.

* 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	0.19
40	0.08	0.31
45	0.16	0.41
50	0.21	0.78
55	0.27	1.30
60	0.33	1.32
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, 2025.

**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: Note: 45% of the Miscellaneous members and 45% of the Safety members are assumed to elect a withdrawal of contributions upon separation. The remaining 55% and 55% 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, 2025.

A full-page background image of a sunset over the ocean. The sun is a bright, glowing orb in the upper right, casting a shimmering path of light across the water's surface. The sky is filled with soft, golden clouds. A dark green horizontal band is positioned across the middle of the image, containing white text. The bottom portion of the image shows the sun's reflection on the calm water.

SECTION 5: 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, 2025 for the following five objectives: financial trends; revenue capacity; demographic and economic; and operating.

Financial trends are presented on [pages 106 to 111](#). 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 106, 108 to 110](#). The schedules contain information regarding the contribution amount and rate history for the last ten years.

Demographic and economic information is presented on [pages 112 to 118](#). 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 119 to 121](#). 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	Total
2025	\$156,024	\$389,042	\$1,483,286	\$2,291	\$36,541	\$2,067,184
2024	159,654	397,981	1,104,512	2,389	33,587	1,698,123
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

Source: Audited Financial Statements from June 30, 2016, through 2025.

Schedule of Deductions by Type

(Amounts Expressed in Thousands)

Year Ended June 30	Benefits Paid						Total
	Retirement Benefits*	Survivor Benefits	Retiree Death Benefits	Administrative Expenses	Withdrawal Contributions	Health Premiums Remitted	
2025	\$736,946	\$3,810	\$1,088	\$13,739	\$7,245	\$36,541	\$799,369
2024	694,137	3,595	1,041	12,422	6,967	33,587	751,749
2023	650,934	3,538	1,119	28,178	6,815	34,620	725,204
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

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

Source: Audited Financial Statements from June 30, 2016, through 2025 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	2025	2024*	2023	2022	2021	2020	2019	2018	2017	2016
Salaries and Benefits	\$9,010	\$8,016	\$6,553	\$5,588	\$5,585	\$5,439	\$5,128	\$4,078	\$3,984	\$3,506
County Allocated Expenses	1,052	894	1,071	686	1,143	852	488	557	-	-
Professional Services	1,100	1,309	646	815	751	649	606	879	1,149	1,081
Interest and Lease**	271	300	287	847	530	524	582	557	488	501
Information technology	422	349	742	272	632	365	133	157	-	-
Printing and postage	318	263	44	225	190	215	177	202	-	-
Pension Administration Project Impairment	-	-	17,131	-	-	-	-	-	-	-
Pension Payroll Services	223	278	376	312	177	182	185	208	-	-
Insurance Liability	224	207	156	129	96	92	97	89	-	-
Depreciation and Amortization	759	730	579	-	-	-	-	-	27	34
Equipment Purchases and Maintenance	-	-	-	-	-	-	-	-	61	26
Other	360	181	593	97	61	142	205	161	1,197	1,214
Total	\$13,739	\$12,527	\$28,178	\$8,971	\$9,165	\$8,460	\$7,601	\$6,888	\$6,906	\$6,362

* Professional Services, Interest and Lease, and Depreciation and Amortization expenses for fiscal year 2024 have been restated to reflect the implementation of [GASB Statement No. 96, Subscription-Based Information Technology Arrangements \(SBITAs\)](#).

** Interest and lease also include expenses related to [GASB Statement No. 87](#) and [96](#). A separate schedule and disclosure for both GASB 87 and GASB 96 are included.

Source: Audited Financial Statements from June 30, 2016, through 2025.

Schedule of Changes in Fiduciary Net Position

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2025	2024	2023	2022	2021
Member contributions	\$156,024	\$159,654	\$139,521	\$132,526	\$120,597
Employer contributions	389,042	397,981	371,248	306,335	295,269
Net investment income/(loss)	1,483,286	1,104,629	710,906	(547,786)	2,753,409
Other income	2,291	2,389	1,816	2,990	3,081
Health premiums collected	36,541	33,587	34,620	32,644	32,362
Total additions	2,067,184	1,698,240	1,258,111	(73,291)	3,204,718
Benefits paid					
Service benefits	736,946	694,137	650,934	609,516	571,304
Survivor benefits	3,810	3,595	3,538	3,206	2,954
Death benefits	1,088	1,041	1,119	1,623	1,071
Withdrawals					
Death	1,354	647	566	972	218
Separation	5,891	6,320	6,249	3,575	2,774
Miscellaneous	-	-	-	-	100
Administrative expenses	13,739	12,527	28,178	8,971	9,165
Health premiums remitted	36,541	33,587	34,620	32,644	32,362
Total deductions	799,369	751,854	725,204	660,507	619,948
Change in net position	1,267,815	946,386	532,907	(733,798)	2,584,770
Net position, beginning	13,309,644	12,363,258	11,830,351	12,564,149	9,979,379
Net position, ending	\$14,577,459	\$13,309,644	\$12,363,258	\$11,830,351	\$12,564,149

Schedule of Changes In Fiduciary Net Position (continued)

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2020	2019	2018	2017	2016
Member contributions	\$126,354	\$121,843	\$99,906	\$89,489	\$77,494
Employer contributions	276,230	285,642	198,513	203,928	209,020
Net investment income/(loss)	301,373	672,786	841,370	1,048,915	(72,399)
Other income	2,939	2,940	3,119	-	-
Total additions	<u>706,896</u>	<u>1,083,211</u>	<u>1,142,908</u>	<u>1,342,332</u>	<u>214,115</u>
Benefits paid					
Service benefits	534,026	498,939	461,808	426,292	399,690
Survivor benefits	2,804	2,803	2,625	2,479	2,443
Death benefits	868	1,202	921	983	1,223
Withdrawals					
Death	259	826	704	298	522
Separation	2,745	2,022	2,173	1,974	1,786
Miscellaneous	49	61	77	40	38
Administrative expenses	8,460	7,601	6,888	6,906	6,362
Total deductions	<u>549,211</u>	<u>513,454</u>	<u>475,196</u>	<u>438,972</u>	<u>412,064</u>
Change in net position	157,685	569,757	667,712	903,360	(197,949)
Net position, beginning	<u>9,821,694</u>	<u>9,251,937</u>	<u>8,584,225</u>	<u>7,680,865</u>	<u>7,878,814</u>
Net position, ending	<u>\$9,979,379</u>	<u>\$9,821,694</u>	<u>\$9,251,937</u>	<u>\$8,584,225</u>	<u>\$7,680,865</u>

Source: Audited Financial Statements from June 30, 2016, through 2025.

Schedule of Employer Contribution Rates
COUNTY¹

Actuarial Valuation Date	Miscellaneous					Safety			
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 1	Tier 2	Tier 3	Tier 4
6/30/2025	19.04%	18.59%	21.45%	21.16%	20.13%	64.01%	55.16%	54.22%	48.41%
6/30/2024	23.32	19.64	22.42	21.99	21.08	65.73	56.14	55.46	49.59
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

SACSEWER

Miscellaneous

Actuarial Valuation Date	Tier 2	Tier 3	Tier 4	Tier 5
6/30/2025	22.88%	25.60%	21.33%	20.55%
6/30/2024	23.09	26.06	21.76	20.96
6/30/2023	23.52	27.21	23.03	21.96

COURT

Miscellaneous

SPECIAL DISTRICTS

Miscellaneous

Actuarial Valuation Date	Tier 1	Tier 2	Tier 3	Tier 5	Tier 1	Tier 3	Tier 5
6/30/2025	21.04%	22.40%	26.04%	20.0%	N/A	32.77%	26.98%
6/30/2024	27.85	23.64	27.07	21.05	N/A	34.00	28.12
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

Source: Actuarial Valuation reports from June 30, 2016 through 2025.

Note: Actuarial Valuations are prepared subsequent to fiscal year-end and determined rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2025, is used to determine rates for the fiscal year 2026–27

¹ 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.

² As of June 30, 2020, there are no Miscellaneous Tier 1 members reported for Special Districts nor SacSewer.

Schedule of Benefits Paid and Withdrawals By Type

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2025	2024	2023	2022	2021
Type of Benefit					
Service retirement benefits	\$736,946	\$694,137	\$650,934	\$609,516	\$571,304
Survivor benefits	3,810	3,595	3,538	3,206	2,954
Death benefits- before retirement	-	75	189	578	232
Death benefits- after retirement	1,088	966	930	1,046	839
Total Benefit Paid	741,844	698,773	655,591	614,345	575,329
Type of Withdrawal					
Death	\$1,354	\$647	\$566	\$972	\$218
Separation	5,891	6,320	6,249	3,575	2,774
Miscellaneous	-	-	-	-	100
Total Withdrawals	\$7,245	\$6,967	\$6,815	\$4,547	\$3,092
	2020	2019	2018	2017	2016
Type of Benefit					
Service retirement benefits	\$534,026	\$498,939	\$461,808	\$426,292	\$399,690
Survivor benefits	2,804	2,803	2,625	2,479	2,443
Death benefits- before retirement	198	326	248	218	352
Death benefits- after retirement	670	876	673	765	871
Total Benefit Paid	537,698	502,944	465,354	429,754	403,356
Type of Withdrawal					
Death	\$259	\$826	\$704	\$298	\$522
Separation	2,745	2,022	2,173	1,974	1,786
Miscellaneous	49	61	77	40	38
Total Withdrawals	\$3,053	\$2,909	\$2,954	\$2,312	\$2,346

Source: Audited Financial Statements from June 30, 2016 through 2025 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, 2025

Amount of Monthly Benefit	Total Number of Retired Members	Type of Retirement*									
		1	2	3	4	5	6	7	8	9	10
\$1 - \$499	760	545	15	2	8	7	99	11	9	-	15
\$500 - \$999	1,175	862	18	4	-	-	120	46	35	1	17
\$1,000 - \$1,499	1,357	1,009	35	10	4	2	142	41	32	2	11
\$1,500 - \$1,999	1,248	942	38	20	12	4	127	26	34	-	7
\$2,000 - \$2,499	1,124	860	30	7	32	7	102	22	13	2	7
\$2,500 - \$2,999	1,074	851	20	7	33	14	97	6	8	7	10
\$3,000 - \$3,499	913	746	5	5	30	12	78	4	2	7	8
\$3,500 - \$3,999	837	686	7	2	28	12	72	6	5	5	2
\$4,000 - \$4,499	654	531	1	1	21	22	62	1	-	3	-
\$4,500 - \$4,999	684	535	1	-	30	33	53	-	-	14	4
\$5,000 and Over	4,780	4,382	2	2	111	62	147	4	1	39	10
Total	14,606	11,949	172	60	309	175	1,099	167	139	80	91

Amount of Monthly Benefit	Type of Retirement (continued)*						Option Selected**				
	11	12	13	15	16	17	Unmodified	1	2	3	4
\$1 - \$499	-	39	-	-	3	7	537	64	139	7	13
\$500 - \$999	-	70	-	-	-	2	876	94	184	9	12
\$1,000 - \$1,499	3	61	3	-	-	2	1,045	108	184	12	8
\$1,500 - \$1,999	-	37	1	-	-	-	998	76	154	13	7
\$2,000 - \$2,499	1	41	-	-	-	-	920	53	135	12	4
\$2,500 - \$2,999	1	17	2	-	-	1	869	62	136	4	3
\$3,000 - \$3,499	-	16	-	-	-	-	763	52	92	2	4
\$3,500 - \$3,999	-	9	3	-	-	-	691	45	91	6	4
\$4,000 - \$4,499	-	10	1	-	1	-	552	31	61	4	6
\$4,500 - \$4,999	-	6	7	-	-	1	578	29	73	3	1
\$5,000 and Over	-	7	12	1	-	-	4,190	156	392	24	18
Total	5	313	29	1	4	13	12,019	770	1,641	96	80

*Type of Retirement	**Option Selected
1 Service Retirement	Unmodified
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, 2025

	Monthly Allowances				Average Benefit
	Count	Basic	COL	Total	
Miscellaneous Members					
Service Retirement					
Unmodified	7,820	\$23,675,276	\$6,941,780	\$30,617,056	\$3,915
Option 1	592	1,379,684	305,564	1,685,248	2,847
Option 2, 3, & 4	1,158	3,068,956	718,458	3,787,414	3,271
Total	9,570	28,123,916	7,965,802	36,089,718	3,771
Non-Service Disability					
Unmodified	189	244,800	109,608	354,408	1,875
Option 1	21	20,859	14,419	35,278	1,680
Option 2, 3, & 4	13	15,211	3,323	18,534	1,426
Total	223	280,870	127,350	408,220	1,831
Service Disability					
Unmodified	183	413,655	170,953	584,608	3,195
Option 1	11	26,357	3,666	30,023	2,729
Option 2, 3, & 4	7	9,562	3,558	13,120	1,874
Total	201	449,574	178,177	627,751	3,123
Beneficiary	1,435	1,758,707	1,191,407	2,950,114	2,056
Total Miscellaneous	11,429	30,613,067	9,462,736	40,075,803	3,507
Safety Members					
Service Retirement					
Unmodified	2,031	12,998,157	4,836,848	17,835,004	8,781
Option 1	78	413,913	128,073	541,986	6,949
Option 2, 3, & 4	270	1,360,679	389,385	1,750,064	6,482
Total	2,379	14,772,749	5,354,306	20,127,054	8,460
Non-Service Disability					
Unmodified	12	21,853	14,087	35,940	2,995
Option 1	-	-	-	-	-
Option 2, 3, & 4	3	6,009	1,985	7,994	2,665
Total	15	27,862	16,072	43,934	2,929
Service Disability					
Unmodified	259	1,029,557	528,957	1,558,514	6,017
Option 1	16	54,937	30,424	85,361	5,335
Option 2, 3, & 4	8	36,949	7,263	44,212	5,527
Total	283	1,121,443	566,644	1,688,087	5,965
Beneficiary	500	1,070,552	889,970	1,960,522	3,921
Total Safety	3,177	16,992,606	6,826,992	23,819,597	7,498
Total Retired Members	14,606	\$47,605,673	\$16,289,728	\$63,895,400	\$4,375

Source: Prepared by Segal.

Note: Refer to [page 113](#) for the description of retirement options.

Schedule of Average Benefit Payments: Years of Credited Services

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+
7/1/24 – 6/30/25							
Average monthly benefit	\$536	\$1,465	\$1,950	\$3,293	\$4,109	\$5,771	\$6,625
Average monthly final average salary	\$9,736	\$8,515	\$8,579	\$8,825	\$9,429	\$10,852	\$10,326
Number of retired members	34	66	69	66	116	103	78
7/1/23 – 6/30/24							
Average monthly benefit	\$567	\$1,296	\$2,306	\$3,441	\$5,502	\$7,427	\$7,566
Average monthly final average salary	\$9,007	\$7,463	\$7,914	\$7,684	\$9,093	\$10,203	\$9,217
Number of retired members	29	82	47	66	130	117	101
7/1/22 – 6/30/23							
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
7/1/21 – 6/30/22							
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
7/1/20 – 6/30/21							
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
7/1/19 – 6/30/20							
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

Schedule of Average Benefit Payments (continued)

Retirement Effective Date	Years of Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
7/1/18 - 6/30/19							
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
7/1/17 - 6/30/18							
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
7/1/16 - 6/30/17							
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
7/1/15 - 6/30/16							
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

Source: SCERS Retired Member Pension Payroll Data.

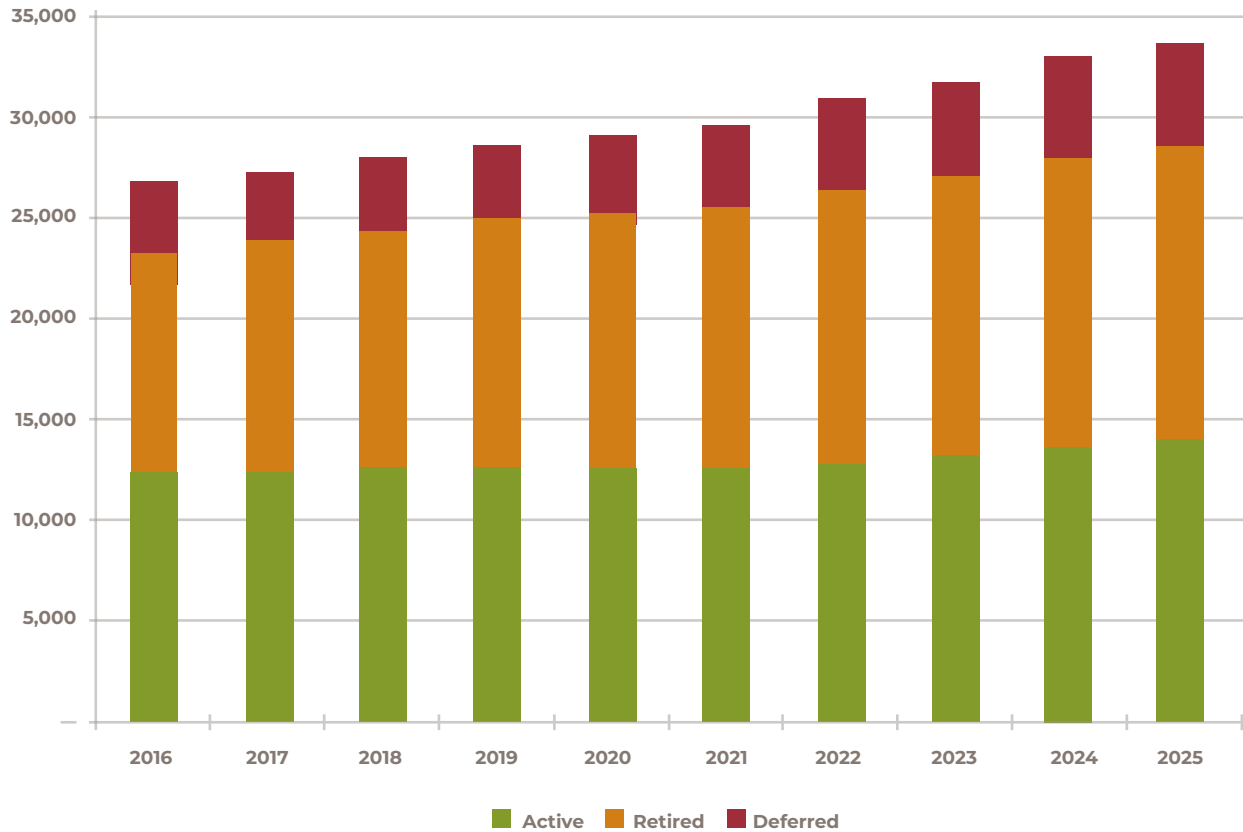
Schedule of Average Benefit Payments: Years Since Retirement
FOR THE LAST TEN FISCAL YEARS

As of	Years Since Retirement						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
6/30/2025:							
Average monthly benefit	\$4,840	\$4,279	\$4,297	\$4,636	\$ 4,576	\$3,534	\$3,188
Number of retired members	3,170	3,125	2,827	1,985	1,625	894	980
6/30/2024:							
Average monthly benefit	\$4,638	\$4,179	\$4,072	\$4,542	\$4,283	\$3,332	\$3,121
Number of retired members	3,163	3,204	2,678	2,026	1,419	860	935
6/30/2023:							
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
6/30/2022:							
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
6/30/2021:							
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
6/30/2020:							
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
6/30/2019:							
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
6/30/2018:							
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
6/30/2017:							
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
6/30/2016:							
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

Changes In System Membership

Fiscal Year Ended June 30:	Members			Total
	Active	Retired	Deferred	
2025	13,952	14,606	5,102	33,660
2024	13,690	14,285	4,935	32,910
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

System Membership at a Glance



Source: Actuarial Valuations from June 30, 2016 through 2025.

Schedule of Participating Employers and Active Members: Summary

CURRENT FISCAL YEAR AND NINE FISCAL YEARS AGO

Participating Employer	2025			2016		
	Covered Employees	Rank	Percent of Total System	Covered Employees	Rank	Percent of Total System
Sacramento County ¹	11,860	1	85.01%	11,120	1	89.73%
Superior Court	693	2	4.97%	651	2	5.25%
Sacramento Area Sewer District ²	688	3	4.93%	-	N/A	-
Sacramento Employment and Training Agency (SETA)	574	4	4.11%	548	3	4.42%
Sunrise Recreation and Park District	62	5	0.44%	19	5	0.15%
Carmichael Recreation and Park District	22	6	0.16%	20	4	0.16%
Mission Oaks Recreation and Park District	21	7	0.15%	11	7	0.09%
Orangevale Recreation and Park District	12	8	0.09%	13	6	0.10%
Rio Linda Elverta Recreation & Park District ³	9	9	0.06%	-	N/A	-
Elk Grove Cosumnes Cemetery District	7	10	0.05%	6	8	0.05%
Fair Oaks Cemetery District	3	11	0.02%	4	9	0.03%
Galt-Arno Cemetery District	1	12	0.01%	1	10	0.01%
Total	13,952		100.00%	12,393		100.00%

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

² Sacramento Area Sewer District separated from Sacramento County on December 15th, 2024 and is now a separate participating employer.

³ 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

SCERS Member Agency	Plan	2025	2024	2023	2022	2021
Carmichael Recreation and Park District	Misc.	22	23	24	24	21
Elk Grove Cosumnes Cemetery District	Misc.	7	7	6	6	5
Fair Oaks Cemetery District	Misc.	3	3	3	4	5
Galt-Arno Cemetery District	Misc.	1	1	1	1	1
Mission Oaks Recreation and Park District	Misc.	21	22	21	25	19
Orangevale Recreation and Park District	Misc.	12	13	14	13	13
Rio Linda Elverta Recreation & Park District	Misc.	9	8	11	11	9
Sacramento Employment and Training Agency (SETA)	Misc.	574	580	556	587	576
Sunrise Recreation and Park District	Misc.	62	63	64	78	51
Total Special District Members	Misc.	711	720	700	749	700
Superior Court Members	Misc.	693	723	696	622	603
Sacramento Area Sewer District	Misc.	688	-	-	-	-
Sacramento County Members¹	Misc.	9,688	10,109	9,665	9,332	9,176
	Safety	2,172	2,138	2,106	2,054	2,021
Total Misc. and Safety	Misc.	11,780	11,552	11,061	10,703	10,479
	Safety	2,172	2,138	2,106	2,054	2,021
Total Members		13,952	13,690	13,167	12,757	12,500

¹ 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

SCERS Member Agency	Plan	2020	2019	2018	2017	2016
Carmichael Recreation and Park District	Misc.	21	22	23	19	20
Elk Grove Cosumnes Cemetery District	Misc.	6	6	7	5	6
Fair Oaks Cemetery District	Misc.	4	4	4	5	4
Galt-Arno Cemetery District	Misc.	1	1	2	2	1
Mission Oaks Recreation and Park District	Misc.	20	23	22	23	11
Orangevale Recreation and Park District	Misc.	13	12	13	14	13
Rio Linda Elverta Recreation & Park District	Misc.	8	8	9	-	-
Sacramento Employment and Training Agency (SETA)	Misc.	593	533	536	516	548
Sunrise Recreation and Park District	Misc.	50	68	69	55	19
Total Special District Members	Misc.	716	677	685	639	622
Superior Court Members	Misc.	652	648	640	658	651
Sacramento County Members¹	Misc.	9,197	9,259	9,261	9,280	9,090
	Safety	2,085	2,094	2,091	2,010	2,030
Total Misc. and Safety	Misc.	10,565	10,584	10,586	10,577	10,363
	Safety	2,085	2,094	2,091	2,010	2,030
Total Members		12,650	12,678	12,677	12,587	12,393

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

Source: SCERS Active Member Data



2024-2025



SCERS

980 9th Street, Suite 1900 Sacramento, CA 95814

SCERS.gov

**AGREED UPON CONDITIONS REPORT DESIGNED TO INCREASE EFFICIENCY,
INTERNAL CONTROLS, AND/OR FINANCIAL REPORTING (MANAGEMENT LETTER)**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Sacramento County Employees' Retirement System (SCERS), a fiduciary component unit of the County of Sacramento (the County), reported in the County's pension trust fund, as of and for the fiscal year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise SCERS' basic financial statements, and have issued our report thereon dated November 19, 2025. In planning and performing our audit of the financial statements, we considered SCERS' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements and other information, but not for the purpose of expressing an opinion on the effectiveness of SCERS' internal control. Accordingly, we do not express an opinion on the effectiveness of SCERS' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses may exist that were not identified.

During our audit, we became aware of one matter that represents an opportunity for strengthening internal controls and operating efficiencies. The recommendation listed in this report summarizes our comments and suggestions regarding this matter.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various SCERS personnel, and we will be pleased to discuss these in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing these recommendations.

Restriction on Use

This information is intended solely for the use of the Audit Committee, Board of Retirement, and management of SCERS and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

Stockton, California
November 19, 2025

Current Year Agreed Upon Conditions and Recommendation

Agreed Upon Condition 2025-01 – Incorrect contribution rates used by the Employer for certain Sacramento Area Sewer District Employees

Condition

During our testing of Sacramento Area Sewer District (Sacramento Sewer) employees, we tested three (3) members and identified for one Miscellaneous Tier 3 member the incorrect fiscal year high and low contribution rates were used by Sacramento Sewer when recalculating retirement contributions. When recalculating the contribution amounts using the correct fiscal year 2024–25 SCERS Board-approved rates, we noted an overpayment of \$4.85 to SCERS for pay period 14 (June 15, 2025 through June 28, 2025). Although the error identified involved a single employee in our sample, discussions with SCERS management indicate the issue may be systemic. Sacramento Sewer recently departed from the County of Sacramento and transitioned to a new payroll system, and the error appears to stem from the employer's payroll configuration rather than any SCERS-controlled processes.

Criteria

Employers participating in SCERS are required to apply the correct SCERS Board-approved contribution rates when calculating and remitting retirement contributions. SCERS issues annual employer rate schedules specifying the applicable fiscal year rates by member classification and tier. Employers are responsible for ensuring that these rates are accurately entered, maintained, and applied within their payroll systems. Proper application of these rates is necessary to ensure accurate reporting and to prevent contribution overpayments or underpayments.

Cause

Primary Cause:

Sacramento Sewer's payroll system applied incorrect contribution rates due to erroneous configuration or setup during the transition to a new payroll system after its separation from the County of Sacramento.

Contributing Factors:

- Insufficient verification controls to confirm that the correct SCERS fiscal year contribution rates were entered into the new payroll system.
- Lack of a documented review or validation process for rate setup at the start of the implementation of their new payroll system.
- Absence of a post-migration reconciliation to ensure continued accuracy of payroll data reported to SCERS.

Effect

Using incorrect contribution rates resulted in inaccurate contribution amounts remitted to SCERS. For the member tested, we noted an overpayment of \$4.85 for one Miscellaneous Tier 3 member for one pay period. If similar errors occurred for other employees or pay periods, additional overpayments or underpayments may exist but have not yet been identified.

These errors create additional administrative burden for both Sacramento Sewer and SCERS, including researching discrepancies, recalculating contributions, and processing adjustments. Currently, SCERS has been unable to import Sacramento Sewer's payroll files into its pension administration system due to the reporting issues and has engaged an IT consultant to assist with resolving payroll file errors. Until these issues are corrected, SCERS cannot update affected member accounts, which may delay accurate crediting of contributions and service.

Recommendation

We recommend that SCERS require Sacramento Sewer to undergo a formal reconciliation and review process for all pay periods following its departure from the County of Sacramento and implementation of its new payroll system. This review should ensure that pensionable payroll, contribution rates, service credit, and retirement contributions are accurately calculated and reported. Specifically:

1. **Rate Verification Controls**

Sacramento Sewer should establish and document a formal process to verify that SCERS Board-approved contribution rates for the applicable fiscal year are correctly entered and actively applied in their payroll system before processing each fiscal year's first payroll. This process should include documented review and sign-off.

2. **Comprehensive Reconciliation of Affected Pay Periods**

For all pay periods in which incorrect rates may have been applied, SCERS should require Sacramento Sewer to perform a full reconciliation and recalculation of employer and member contributions for all affected members. All necessary adjustments should be identified and submitted within a mutually agreed-upon timeframe.

3. **SCERS Oversight and Validation**

SCERS should review Sacramento Sewer's reconciliations and confirm that the correct fiscal year rates were used, that contribution amounts were recalculated accurately, and that any resulting overpayments or underpayments are properly resolved. SCERS may wish to implement a temporary heightened monitoring period until Sacramento Sewer's payroll reporting is stable.

4. **Improved Ongoing Internal Controls**

Sacramento Sewer should adopt ongoing internal controls, such as an annual payroll configuration checklist, documented rate-setup review, and periodic monitoring to prevent recurrence of contribution rate errors.

Management Response

SCERS management concurs with the agreed-upon conditions findings and supports the recommendations outlined for ongoing remediation.