

SCERS NEWSLETTER

RETIREMENT INFORMATION

What's inside

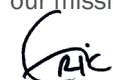
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A Message from SCERS' CEO

Last year, as part of our strategic planning project, SCERS members provided us with survey feedback, letting us know what we were doing well and where we could improve.

We continue to build upon that which we were already doing well, such as reducing wait times for first retirement payments. We've also addressed suggested improvements by adding mid-career webinars and more in-person outreach events to provide ongoing education about the pension program for members at all stages in their careers. Additionally, we've provided new technology tools, such as the service purchase calculator and online retirement application, with more improvements in the works.

We take our mission seriously: We serve our members by prudently managing assets and delivering retirement benefits, education, and services. We are here for you, working as one team to ensure we meet our mission, and we value your trust along the way.



—Eric Stern



SCERS Achieves Strong Investment Returns in Fiscal Year 2025-26

SCERS reported a 14.8% total fund return for the fiscal year ending June 30, 2026, net of fees, placing SCERS' performance in the top 16th and 12th percentile among public pension plans over the past 5 and 10 years, respectively.

All asset classes generated positive returns during the fiscal year, led by Global Equity, which returned 24.0%. Other strong-performing asset classes included Private Equity, Private Credit, and Real Assets.

"These results demonstrate the value of SCERS' diversified investment program and our commitment to generating strong long-term returns while managing risk," said Steve Davis, Chief Investment Officer.

The 14.8% return also exceeded SCERS' 6.75% assumed rate of return, which is used to establish contribution rates. The strong investment performance is expected to accelerate SCERS' path toward full funding, increasing its funded status from approximately 94% as of June 30, 2025, toward 100%. Funded status measures the pension fund's assets relative to its long-term liabilities.

SCERS ended the fiscal year with approximately \$16.3 billion in assets supporting more than 33,000 members and beneficiaries. By mid-September 2026, SCERS had reached another milestone: \$17 billion in assets.

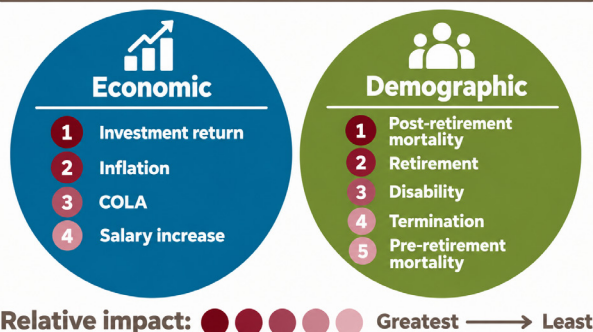
"We are proud of the results achieved this year, but we know that markets can change quickly," Davis said. "Geopolitical uncertainty, inflation, and other economic risks reinforce the importance of staying diversified, disciplined, and focused on the long term. Our investment program is designed to help SCERS navigate those challenges while supporting the retirement security of our members."



SCERS Board Maintains Long-Term Investment Return Assumption

At its August 19 meeting, the SCERS Retirement Board approved several updates to the actuarial assumptions used to determine employer and employee contribution rates, including changes related to mortality and salary projections. The Board, however, declined to adopt its actuary's recommendation to reduce the assumed long-term investment return—also known as the discount rate—from 6.75% to 6.50%.

Actuarial Assumption Impact on Liability



The assumed investment return is an important component in determining how much must be contributed to fund future pension benefits. A lower investment return assumption means that a greater share of future benefit costs must be funded through employer and employee contributions rather than anticipated investment earnings.

SCERS was 94% funded as of June 30, 2025. At the August meeting, the Board also received a report that the investment portfolio earned 14.8% for fiscal year 2025–26, bringing the approximately \$16 billion retirement system closer to full funding.

The funded ratio represents the relationship between the system's assets and its long-term pension obligations. A system that is 100% funded has sufficient assets, based on its actuarial assumptions, to meet its projected benefit obligations.

The Board will review its actuarial assumptions again in 2029. In the meantime, SCERS will continue to monitor its long-term liquidity and cash flow needs as its membership demographic profile matures and the number of retirees receiving benefits grows relative to the number of active members contributing to the system. Over time, these trends could require SCERS to adjust its investment strategy and reduce portfolio risk.

For now, however, the Board determined that the case for lowering the investment return assumption was not compelling enough to justify the resulting increase in employer and employee contribution rates.

Under the actuary's recommendation, a 6.50% investment return assumption was estimated to provide a 62% likelihood of achieving or exceeding the assumed return in a given year. Based on current capital market assumptions, maintaining the 6.75% assumption provides an estimated 58% likelihood.

While a lower investment return assumption would provide a larger cushion against the potential effects of future market losses, SCERS will also examine other approaches to strengthening its financial position. These may include increasing reserves and moderating the pace of contribution-rate reductions as the system moves closer to full funding.

The Retirement Board will review and approve contribution rates for fiscal year 2027–28 at its December 16, 2026, meeting. Minor changes in contribution rates may result from the assumption updates approved by the Board, as well as the annual actuarial experience and investment results.

Visit scers.gov/actuarial-experience-study for more information.

SCERS Welcomes New Chief Operations Officer

Marcus Pimentel joined the SCERS leadership team in September 2026 as Chief Operations Officer overseeing multiple service areas, including Financial Operations, Administrative Services, and Information Technology.

Mr. Pimentel comes to SCERS from Santa Cruz County, where he has more than 31 years of local government experience. Most recently, he was the Santa Cruz County Budget Manager, and previously held administrative, financial and accounting positions in the cities of Santa Cruz, Watsonville, Monterey, and Capitola.

Mr. Pimentel also served as a founding member and treasurer of the Pajaro Valley Health Care District board of directors, former President (2021) of California Society of Municipal Finance Officers, Board Chair of Salud Para La Gente Inc., and Board Member of the Public Agency Risk Sharing Authority of California.

Mr. Pimentel received a Bachelor of Science degree in accounting from Santa Clara University. His appointment replaces outgoing COO Margo Allen, who will be retiring at the end of this year. SCERS wishes Dr. Allen all the best in retirement.



COO Marcus Pimentel



A Matter of FAQs

“What happens to my contributions if I leave SCERS before retirement?”



If you leave SCERS-covered employment before retiring, you must decide what to do with the contributions you already made to SCERS. Here are your options:

1. Withdraw your contributions as a lump-sum refund

If you choose to withdraw your contributions, you will be provided with immediate funds, but it will be taxed as income (federal and state) and may be subject to tax penalties if you withdraw before age 59 1/2.

Withdrawing terminates your SCERS membership and pension, and you will lose the opportunity and power of compounding interest that you would gain by keeping your money where it is.

If you ever rejoin SCERS and choose to redeposit your contribution, it will cost more than the original refund, due to interest.

2. Roll your pre-tax contributions to an IRA or new employer plan, or after-tax contributions to a Roth IRA or to yourself

Rolling your contributions into other retirement accounts can bolster those accounts, but this action only includes your own contributions—not your employer's. Rolling your contributions also terminates your SCERS membership and pension. The benefit of not having your contributions managed by SCERS could require more self-management and investment knowledge.

Pre-tax rollovers will be subject to tax withholding, and if you ever rejoin SCERS and choose to redeposit your contributions, it will cost more than the original refund.

3. Leave your contributions on deposit with SCERS

If you leave your contributions with SCERS, they will continue to accrue compounding interest and your SCERS membership status remains intact. If you return to SCERS-covered employment, you pick up where you left off, keeping your service credit and benefit tier.

By keeping your contributions at SCERS, you can also establish reciprocity with another California public retirement system to link your benefits, if applicable.

If you are unsure of the decision that's right for you, seek advice from SCERS and other qualified professionals.

Benefit Verification Update

Our last newsletter described our periodic certification requirement for retirees (mostly over 90 years of age) and beneficiaries to confirm continued eligibility for benefit payments. Implementing this verification process reinforces the long-term health of the pension fund and strengthens public confidence in our stewardship by protecting the benefits you've worked hard to earn.

SCERS is now conducting a second round of benefit verifications and sent out 524 notices to payees, including 115 over the age of 90 who aged in since the last mailing.

SCERS also sent certifications to 409 out-of-state payees residing in states that consider vital statistics proprietary and don't as readily share information, which presents a higher risk of undetectable deaths.

There is no action to take unless you are contacted by SCERS. Our member services team is available to assist and answer any questions or concerns. Thank you for your understanding, and for helping keep the SCERS system secure for generations to come.

Outreach Season is Here Again

It's that time of year again when SCERS participates in fall open enrollment events at various locations around the county.

While SCERS does not provide health care benefits, our staff attend open enrollment fairs hosted by the County, Sac Sewer, and other employers to serve as an on-site resource for members who are already engaged in benefit matters.

If you have general questions for SCERS and would like to speak with us in person, our staff will be happy to chat with you at one of these events, or contact us directly at 916-874-9119 or sacretire@sacounty.gov.

The SCERS off-site event calendar is located at scers.gov/calendar.



SCERS staff at a recent SETA outreach event



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

PRESORTED
STANDARD MAIL
U.S. POSTAGE

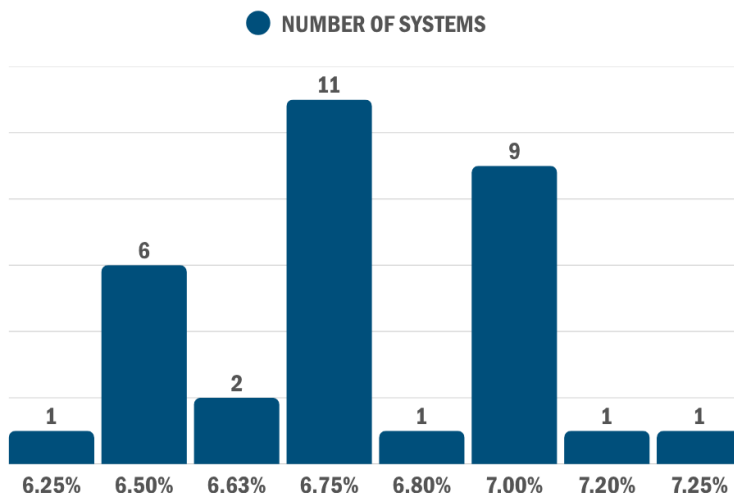
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SACRAMENTO, CA
PERMIT #24

Investment Return Assumption

SCERS is one of 11 California public retirement systems that uses a 6.75% investment assumption, or discount rate, to determine liabilities and set contribution rates. Retirement systems periodically review this key assumption to ensure the plan can meet its long-term benefit obligations while balancing risk and volatility.

Investment Assumptions Used by CA Public Retirement Systems



Upcoming Events

Board Meetings - 10:00 a.m.

- Wednesday, October 21
- Wednesday, November 18
- Wednesday, December 16

Board meetings are presented as in-person events, with live-streamed meeting links accessible from our home page quick link menu. Visit scers.gov/board-meetings for agendas, minutes, and other Board updates.

Retirement Planning Webinars

- Wednesday, October 28, Mid-Career, 12:00 p.m.
- Thursday, December 10, 10:00 a.m.

Retirement Planning Webinars are for members who plan to retire within a few years. Guests include representatives from some or all of the following agencies: Social Security Administration, Fidelity Investments, MissionSquare Retirement, Sacramento County Retired Employees Association, and Sacramento County Employee Benefits Office.

Mid-Career lunchtime webinars provide a short, high-level overview of the SCERS benefit program for employees far from retirement. Register via the SCERS event calendar at scers.gov/calendar.