

2021 - 2022



POPULAR
ANNUAL

FINANCIAL REPORT

For the Fiscal Year ended
June 30, 2022

Sacramento County
Employees' Retirement System

Sacramento, CA



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

**Sacramento County Employees' Retirement System
California**

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill
Executive Director/CEO

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER



As Chief Executive Officer, I am pleased to issue the Popular Annual Financial Report (PAFR) on behalf of the Sacramento County Employees' Retirement System (SCERS or the System). The PAFR provides insight into the organization's services, financial results, investments, and membership information.

The financial data presented in the PAFR is derived from SCERS' Annual Comprehensive Financial Report (ACFR) as of and for the fiscal years ended June 30, 2022, and 2021 and is presented in conformity with Generally Accepted Accounting Principles. The ACFR provides more detailed information and is available on the SCERS' website at www.scers.org.

SCERS remains focused on maintaining a sustainable pension program for the long term. At June 30, 2022, SCERS was 87.1% funded at the market value of assets totaling \$11.8 billion, and the total pension liability totaling \$13.6 billion. The funded status represents the percentage of future pension benefits covered by the System's assets. In general terms, this funded ratio means that as of June 30, 2022, SCERS had 87.1% available for each dollar of anticipated future liability.

For the fiscal year ended June 30, 2022, SCERS' investments provided a -3.5% rate of return (net of fees). 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.

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

I look forward to sharing our progress with you.

Respectfully submitted,

ERIC STERN
Chief Executive Officer

BOARD OF RETIREMENT

RICHARD B. FOWLER II

President

Appointed by the Board of Supervisors

KEITH DEVORE

Vice President

Appointed by the Board of Supervisors

RONALD SUTER

Trustee

Appointed by the Board of Supervisors

BEN LAMERA

Ex-Officio

Member mandated by law

ALINA MANGRU

Trustee

Elected by the Miscellaneous Members

JACK NOBLE

Safety Trustee

Elected by the Safety Members

CHRIS GIBONEY

Alternate Safety Trustee

Elected by the Safety Members

MARTHA HOOVER

Trustee

Elected by the Retired Members

KATHY O'NEIL

Alternate Retiree Trustee

Elected by the Retired Members

VACANT

Trustee

Appointed by the Board of Supervisors

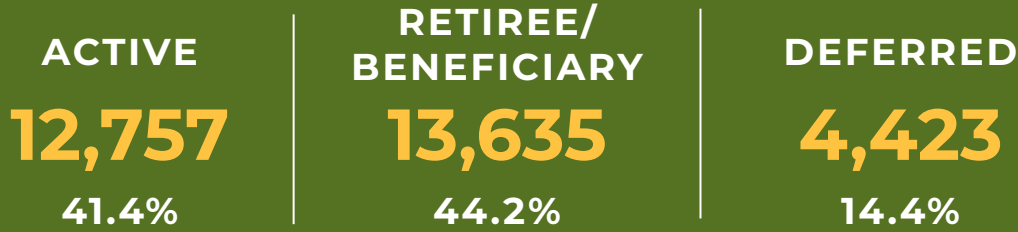
VACANT

Trustee

Elected by the Miscellaneous Members

MEMBERS

SCERS' active members include permanent full-time and part-time employees of the County of Sacramento (and its Elected Officials); Superior Court of California (County of Sacramento); and nine Special Districts. Deferred members include those who have separated from active employment but not yet retired. As of June 30, 2022, SCERS had:

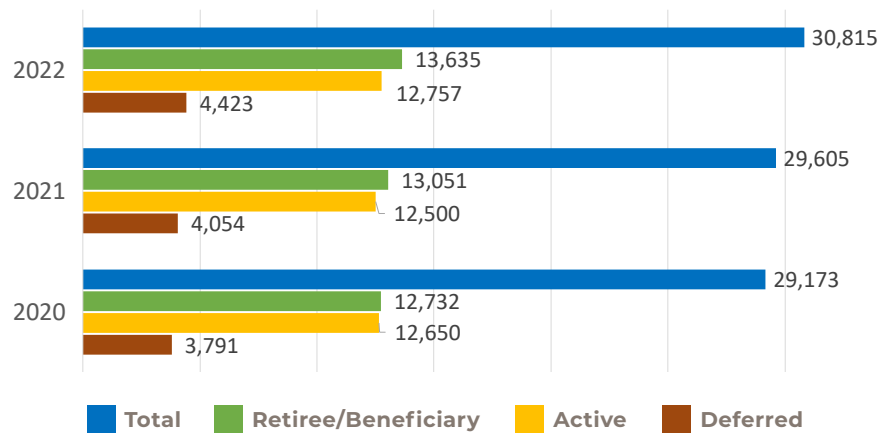


ACCOMPLISHMENT HIGHLIGHTS

- Focused on stabilizing retirement application processing month-over-month and improving new-retiree satisfaction scores year-over-year.
- Completed a series of nine educational videos, launched a LinkedIn page, and hosted four pension planning webinars.
- Adopted a responsible-growth operating budget, completed an actuarial audit, and finished the 2021-22 Fiscal Year with a strong 87.1% funded status.
- Maintained responsible pacing of new investment opportunities in public and private markets, and adopted a new Portfolio Analytics and Risk Management platform.
- Recruited and filled key staff positions, retained a training consultant, updated office technology, and onboarded new Board trustees.
- Made considerable headway with the Pension Administration System (PAS) project with a scheduled go-live in 2023.

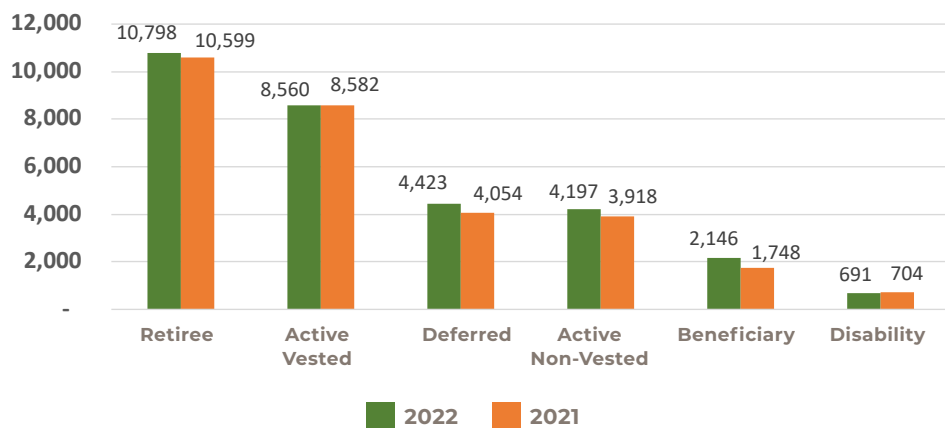
MEMBERSHIP GROWTH

AS OF FISCAL YEAR ENDED JUNE 30



MEMBERSHIP STATUS

AS OF FISCAL YEAR ENDED JUNE 30



FINANCIAL SUMMARY

STATEMENT OF FIDUCIARY NET POSITION (CONDENSED)

AS OF FISCAL YEAR ENDED JUNE 30

(Amounts Expressed in Millions)

	2022	2021	Increase/ (Decrease)	% Change
Assets				
Cash and short-term investments	\$ 533.5	\$ 436.2	\$ 97.3	22.3%
Receivables	247.9	255.5	(7.6)	-3.0%
Investments	11,554.5	12,747.1	(1,192.6)	-9.4%
Capital assets, net	21.4	19.9	1.5	7.5%
Total assets	12,357.3	13,458.7	(1,101.4)	-8.2%
Liabilities				
Other liabilities	47.8	43.1	4.7	10.9%
Investment obligation	479.1	851.5	(372.4)	-43.7%
Total liabilities	526.9	894.6	(367.7)	-41.1%
Net position restricted for pension benefits	\$ 11,830.4	\$ 12,564.1	\$ (733.7)	-5.8%

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION (CONDENSED)

FOR THE FISCAL YEAR ENDED JUNE 30

(Amounts Expressed in Millions)

	2022	2021	Increase/ (Decrease)	% Change
Additions				
Member contributions	\$ 132.5	\$ 120.6	\$ 11.9	9.9%
Employer contributions	306.2	295.3	10.9	3.7%
Net investment income (loss)	(544.6)	2,756.4	(3,301.0)	-119.8%
Other additions*	32.6	32.4	0.2	0.6%
Total additions	(73.3)	3,204.7	(3,278.0)	-102.3%
Deductions				
Retirement benefit payments and refunds	618.8	578.4	40.4	7.0%
Administrative expenses	9.0	9.2	(0.2)	-2.2%
Other deductions*	32.6	32.4	0.2	0.6%
Total deductions	660.4	620.0	40.4	6.5%
Net increase (decrease) in net position	(733.7)	2,584.7	(3,318.4)	-128.4%
Net position beginning of year	12,564.1	9,979.4	2,584.7	25.9%
Net position ending of year	\$ 11,830.4	\$ 12,564.1	\$ (733.7)	-5.8%

*Other additions/deductions include retiree health care premiums (for health care benefits that are provided by the County of Sacramento) that are deducted from retirement benefits for remittance purposes only.

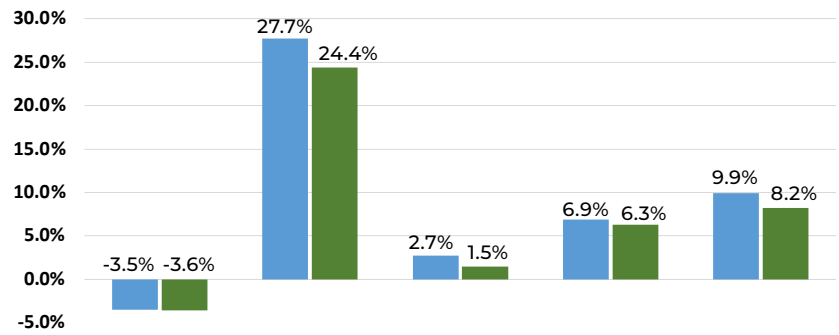
INVESTMENTS

For the fiscal year ended June 30, 2022, SCERS generated a -3.5% net return. The fiscal year return represents the first significant loss since the global financial crisis of 2008-09. Public market investments across equities and bonds suffered the greatest losses, while absolute return and private market investments generated positive returns. The -3.5% fiscal year return fell short of SCERS' 6.75% actuarial rate of return. Investments came in ahead of SCERS' benchmark return of -3.6% of what a similar portfolio would be expected to generate.

INVESTMENT PERFORMANCE

ACTUAL RETURNS VS. BENCHMARK

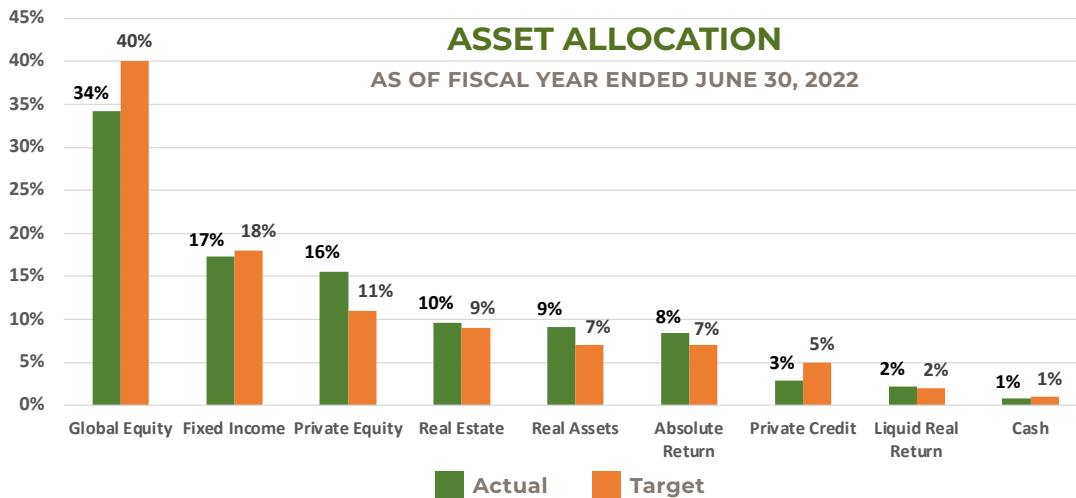
FOR THE FISCAL YEAR ENDED JUNE 30



	2022	2021	2020	2019	2018
SCERS	-3.5%	27.7%	2.7%	6.9%	9.9%
Benchmark	-3.6%	24.4%	1.5%	6.3%	8.2%

ASSET ALLOCATION

AS OF FISCAL YEAR ENDED JUNE 30, 2022



FUNDING RATIOS

A commonly reported piece of information regarding the System's financial status is the funded ratio. These ratios compare the Market and Actuarial Value of Assets to the Actuarial Accrued Liability of the System. Higher ratios indicate a relatively well-funded plan while lower ratios may indicate recent changes to actuarial assumptions, funding of the plan below actuarial requirements, poor asset performance, or a variety of other causes.

ACTUARIAL VALUES AND FUNDED RATIOS

AS OF FISCAL YEAR ENDED JUNE 30

(Amounts Expressed in Millions)

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Assets (AVA)	AVA Funded Status	Market Value of Assets (MVA)	MVA Funded Status
2022	13,579	11,648	86%	11,830	87%
2021	12,986	10,930	82%	12,564	97%
2020	12,694	10,230	81%	9,979	79%
2019	11,896	9,703	82%	9,822	83%
2018	11,213	9,123	81%	9,252	83%



**SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM**

980 9th Street, Suite 1900
Sacramento, CA 95814

SCERS.org

**2022
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MISSION STATEMENT

We are dedicated to providing the highest level of retirement services and managing system resources in an effective and prudent manner.

Core Values we are committed to:

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

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

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

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

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



Answered
13,392
Telephone Calls



Processed
732
Service Retirements



Scanned & Indexed Over
10,000
Member Documents



Responded to
14,224
Member Emails



94%
Incoming Calls Completed Within 10 Minutes



Conducted
4
Virtual Pre-Retirement Seminars