



Audit Committee Meeting

Sacramento County Employees' Retirement System

Agenda Item 3

MEETING DATE: November 18, 2025

SUBJECT: Annual Independent Financial Statement Audit

SUBMITTED FOR: Action X Information

RECOMMENDATION

Review the draft audited Financial Statements and the accompanying required draft reports for the fiscal year ended June 30, 2025, as presented by Brown Armstrong:

- a. Independent Auditor's Report on the Annual Financial Report
- b. Required Communications to the Members of the Audit Committee and Board of Retirement in Accordance with Professional Standards (SAS 114)
- c. Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

PURPOSE

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

DISCUSSION

This item fulfills the requirements of Sections 25250 and 25253 of the Government Code of the State of California, which mandate the preparation of an Annual Financial Report. The report is prepared and audited in consultation with external auditors selected by the Sacramento County Employees' Retirement System (SCERS) Board of Retirement.

Brown Armstrong rendered an unmodified ("clean") opinion on SCERS's financial statements for the fiscal year ended June 30, 2025. Ashley Green, Partner at Brown Armstrong, will present the audit results and report on matters required to be communicated under professional auditing standards.

FINANCIAL HIGHLIGHTS

- **Net Position Restricted for Pension Benefits:**
As of June 30, 2025, SCERS' net position restricted for pension benefits totaled \$14,577.5 million, an increase of \$1,267.9 million or 9.5% from the \$13,309.6 million reported as of June 30, 2024.
- **Investment Performance**
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.
- **Pension Liability and Net Pension Liability**
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.
- **Contributions**
For the fiscal years ended June 30, 2025, and June 30, 2024, combined employer and member contributions were \$545.0 million and \$557.6 million, respectively—a decrease of \$12.6 million (2.2%). Employer contributions decreased by \$8.9 million (2.2%), while employee contributions decreased by \$3.7 million (2.3%) compared to the prior fiscal year.
- **Deductions**
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

- Draft Audited Financial Statement for the year ended June 30, 2025
- Report to the Audit Committee and Board of Retirement
 - Required Communication to the Members of the Audit Committee and Board of Retirement in Accordance with Professional Standards (SAS 114)
 - Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Audit Committee Presentation

Prepared by:

/S/

Margo Allen
Chief Operations Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



RESULTS OF SCERS' FINANCIAL STATEMENT AUDIT

for the Fiscal Year Ended
June 30, 2025



BROWN ARMSTRONG ACCOUNTANCY CORPORATION
2423 W. March Lane, Suite 202, Stockton, CA 95207
T: 661-324-4971 | F: 661-324-4997 | www.ba.cpa

Contacts: Ashley Green, CPA | agreen@ba.cpa
Lindsey Gentry, CPA | lgentry@ba.cpa

November 18, 2025

The Audit Committee of
Sacramento County Employees' Retirement System
980 9th Street
Sacramento, CA 95814

We are pleased to present to you the results of our audit of the Sacramento County Employees' Retirement System (SCERS) financial statements for the fiscal year ended June 30, 2025.

We look forward to presenting the results of the audit and addressing your questions.

Sincerely,
Ashley Green, CPA
Engagement Partner

Lindsey P. Gentry, CPA
Audit Engagement Manager

BROWN ARMSTRONG ACCOUNTANCY CORPORATION



AGENDA

SCOPE OF SERVICES RECAP	4
AUDIT TIMELINE & CRITICAL DATES LIST	5
RESULTS OF THE AUDIT	
• Required Communication with Audit Committee and Board or Retirement	6
• Independent Auditor's Report on Internal Control	7
• Independent Auditor's Report on the Audit of the Financial Statements	7
QUESTIONS?	8

SCOPE OF SERVICES

Audit of SCERS' financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States

Other communications and reports required by professional standards including:

- Required Communication at the Conclusion of an Audit in Accordance with Professional Standards (SAS 114)
- Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with GAS

Optional, if applicable

- Agreed Upon Conditions Report Designed to Improve Efficiency, Internal Controls, and/or Financial Reporting (Management Letter)



AUDIT TIMELINE & CRITICAL DATES

- Audit Committee Scope of Services – June 17, 2025
- First Week of Fieldwork – July 21, 2025 (remote)
 - Testing of Internal Controls
 - Walkthroughs and Understanding of Key Accounting Areas
 - Update Minutes and Agreements
- Second Week of Fieldwork – September 29, 2025 (remote)
 - Substantiate all Accounts and Balances
 - Review Confirmation Responses
- Draft Reports Review – October/November 2025
- Audit Committee Presentation of Results – November 18, 2025
- Audit Opinions to be Issued – November 19, 2025

RESULTS OF THE AUDIT

REPORT

Required Communication to the Members of the Audit Committee and Board of Retirement in Accordance with Professional Standards (SAS 114)

SUMMARY OF OPINION / REQUIRED COMMUNICATION

- New Accounting Standards Adopted –
 - ❑ GASB Statements No. 103 *Financial Reporting Model Improvements* – No Impact
 - ❑ GASB Statement No. 104 *Disclosure of Certain Capital Assets*. – No Impact
 - ❑ Re-evaluation GASB Statement No. 96 *SBITA* – Restatement of Comparative Fiduciary Net Position
- Significant Estimates and Sensitive Disclosures Reviewed
 - ❑ Fair Value of Investments
 - ❑ Contributions and Net Pension Liability Estimates
 - ❖ Based on actuary assumptions
- Corrected and Uncorrected Misstatements – None were material, either individually or in the aggregate, to the financial statements taken as a whole.
- Disagreements with Management – None
- Other Audit Findings or Issues – None
- Applied limited procedures to Required Supplementary Information.
- We were engaged to provide an in relation to opinion on the Other Supplementary Information.
- We were not engaged to report on the Introductory, Investment, Actuarial, and Statistical sections of the ACFR.

RESULTS OF THE AUDIT (CONTINUED)

REPORT

SUMMARY OF OPINION / REQUIRED COMMUNICATION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- No material weaknesses, significant deficiencies, or control deficiencies identified
- No noncompliance noted

Independent Auditor's Report on the Audit of the Financial Statements (Opinion)

- Framework
 - Financial Statements:
 - U.S. Generally Accepted Accounting Principles
 - Audit Standards:
 - U.S. Generally Accepted Auditing Standards
 - Government Auditing Standards
- Unmodified (Clean) opinion on the Financial Statements

THANK YOU! QUESTIONS?



ASHLEY GREEN, CPA

Audit Engagement Partner

- 📞 (661)324-4971
- ✉️ agreen@ba.cpa
- 📍 2423 W. March Lane, Ste. 202
Stockton, CA 95207



LINDSEY GENTRY, CPA

Audit Engagement Manager

- 📞 (661)324-4971
- ✉️ lgentry@ba.cpa
- 📍 4200 Truxtun Ave, Ste. 300
Bakersfield, CA 93309

