Sacramento County Employees' Retirement System

Governmental Accounting Standards Board Statement No. 67 (GASBS 67) Actuarial Valuation as of June 30, 2024

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October 16, 2024

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
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Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GASBS 67) Actuarial Valuation as of June 30, 2024 for the Sacramento County Employees' Retirement System ("SCERS" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASBS 67. Please refer to SCERS' Actuarial Valuation and Review as of June 30, 2024 for the data, assumptions, and plan of benefits underlying these calculations.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, MAAA, FCA, Enrolled Actuary. We 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 herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of SCERS and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

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

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GASBS 67) as of June 30, 2024. This report is based on:

- The benefit provisions of SCERS, as administered by the Board;
- The characteristics of covered active, inactive, and retired members and beneficiaries as of June 30, 2024, provided by SCERS;
- The assets of the Plan as of June 30, 2024, provided by SCERS;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2024 funding valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the June 30, 2024 funding valuation.

General observations on a GASBS 67 actuarial valuation

1. The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, they do not apply to contribution amounts for pension funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring 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 Total Pension Liability (TPL) measure for financial reporting shown in this report is generally determined on the same basis as SCERS' Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the service cost for financial reporting shown in this report and the normal cost component of the annual plan cost for funding.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan Fiduciary Net Position (FNP). The Plan FNP is equal to the fair value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.

Highlights of the valuation

1. The reporting date for the Plan is June 30, 2024 and the NPL was measured as of the same date. The TPL was determined based upon the actuarial valuation as of June 30, 2024 and the Plan FNP was also valued as of the measurement date.
2. The NPL decreased from $1,995.6 million as of June 30, 2023 to $1,692.4 million as of June 30, 2024 primarily due to a return on the market value of assets of 8.8% during fiscal year 2023-2024 that was more than the assumption of 6.75% used in the June 30, 2023 valuation (a gain of about $264 million[1]). Changes in these values during the last two fiscal years can be found in *Section 2, Exhibit 3 - Schedule of changes in Net Pension Liability* on page 20.
3. The discount rate used to measure the TPL and NPL as of June 30, 2024 was 6.75%, following the same assumptions used by SCERS in the actuarial funding valuation as of June 30, 2024. The detailed calculations used in the derivation of the 6.75% discount rate can be found in *Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.
4. The Plan Fiduciary Net Position as of June 30, 2024 includes $10.8 million that is available to offset a portion of the legacy. members' future COLA contribution rates. Since the $10.8 million can only be used in the future to reduce contribution rates for the legacy employees, we have included a liability of the same amount so that the employer's net NPL is unchanged by the availability of this amount.
5. On July 30, 2020, the California Supreme Court issued a decision in the case of Alameda County Deputy Sheriffs' Association et al. v. Alameda County Employees' Retirement Association (ACERA) and Board of Retirement of ACERA. That decision affected the benefits paid by SCERS to its members and/or the contributions received by SCERS from its members. In particular, the June 30, 2024 valuation reflected refunding member contributions to active and deferred vested members associated with the excluded premium pays under the Alameda Decision, and reduced retiree and beneficiary benefits as the result of reduced final average salary calculations caused by the excluded premium pays. (These adjustments were partially reflected in the June 30, 2023 valuation. When preparing the financial and membership data provided for the June 30, 2023 valuation, SCERS had not finished refunding member contributions and reducing retiree and beneficiary benefits.)

   Following the practice in the June 30, 2023 valuation, we have reflected the contribution refunds and reduced retiree and beneficiary benefits noted above as part of experience gains and losses rather than as a plan amendment. We have estimated that the reduction in the TPL for the retirees and beneficiaries reported for this year's valuation (that were not reflected in the June 30, 2023 valuation) to be about $17 million as of June 30, 2024.[2]

[1] Equal to about $251 million investment gain net of investment expenses but gross of about $12 million in administrative expenses.

[2] We estimated that the reduction in the TPL prior to June 30, 2023 for the retirees and beneficiaries reported in the June 30, 2023 valuation to be about $14 million as of June 30, 2023.

Summary of key valuation results

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Disclosure elements		
Service cost[1]	$287,892,288	$270,739,734
Total Pension Liability	15,002,017,000	14,358,854,000
Plan Fiduciary Net Position	13,309,631,000	12,363,258,000
Net Pension Liability	1,692,386,000	1,995,596,000
Schedule of contributions		
Actuarially determined contributions[2]	$395,853,306	$360,673,968
Actual contributions	395,853,306	360,673,968
Contribution deficiency / (excess)	0	0
Demographic data		
Number of retired members and beneficiaries	14,285	13,934
Number of inactive members[3]	4,935	4,702
Number of active members	13,690	13,167
Key assumptions		
Investment rate of return	6.75%	6.75%
Inflation rate	2.50%	2.50%
"Across-the-board" salary increase	0.25%	0.25%
Projected salary increases[4]	4.25% to 9.75%	4.25% to 9.75%
Cost-of-living adjustments	Miscellaneous and Safety Tier 1: 2.75% Miscellaneous Tier 2: 0.00% All other Tiers: 2.00%	Miscellaneous and Safety Tier 1: 2.75% Miscellaneous Tier 2: 0.00% All other Tiers: 2.00%

1 The service cost is based on the previous year's valuation, meaning the service cost as of the June 30, 2024 and June 30, 2023 measurement dates are based on the valuations as of June 30, 2023 and June 30, 2022, respectively. The June 30, 2024 service cost has been calculated using the assumptions shown in the Prior Year column, while the June 30, 2023 service cost has been calculated using the assumptions from the June 30, 2022 valuation. Please refer to the note on the next page for the assumptions used for the June 30, 2023 service cost.

2 These amounts exclude $2,127,362 and $10,573,829 in receivable contributions due from Sacramento Metropolitan Fire (SMF) in the 2024 and 2023 valuations, respectively. (This represents the change in the withdrawal liability for SMF as a result of our annual update.)

3 Includes inactive members with member contributions on deposit.

4 Includes inflation at 2.50% plus "across-the-board" salary increase of 0.25% plus merit and promotion increases that vary by service.

Note to footnote 1 from prior page

The June 30, 2023 service cost has been calculated using the following assumptions as of June 30, 2022:

- Investment rate of return: 6.75%
- Inflation rate 2.75%
- "Across-the-board" salary increase 0.25%
- Projected salary increases: 4.25% to 10.50%
  - Projected salary increases include inflation at 2.75% plus across-the-board increase of 0.25% plus merit and promotion increases that vary by service.
- Cost-of-living adjustments
  - Miscellaneous and Safety Tier 1: 2.75%
  - Miscellaneous Tier 2: 0.00%
  - All other Tiers: 2.00%

Important information about actuarial valuations

In order to prepare a valuation, Segal relies on a number of input items. These include:

Input Item	Description
Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Member information	An actuarial valuation for a plan is based on data provided to the actuary by SCERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial information	The valuation is based on the fair value of assets as of the measurement date, as provided by SCERS.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if any). The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Actuarial models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. The discount rate used for calculating Total Pension Liability is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If SCERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by SCERS upon delivery and review. SCERS should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASBS 67 Information

General information about the pension plan

Plan administration

The Sacramento County Employees' Retirement System (SCERS) was established by the County of Sacramento in 1941. SCERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq). SCERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and Miscellaneous members employed by the County of Sacramento.[1] SCERS also provides retirement benefits to the employee members of the Superior Court of California (County of Sacramento) and nine Special Districts.

The management of SCERS is vested with the Sacramento County Board of Retirement. The Board consists of nine members and two alternates.

- Four members are appointed by the Board of Supervisors;
- Two members are elected by the Miscellaneous membership;
- One member and one alternate are elected by the Safety membership;
- One member and one alternate are elected by the retired members of the System;
- The County Director of Finance serves as ex officio member.

All members of the Board of Retirement serve terms of three years except for the County Director of Finance whose term runs concurrent with their term as Director of Finance.

[1] Effective December 15, 2024, the Sacramento Area Sewer District (SacSewer) will become a new employer of SCERS. However, as of the June 30, 2024 reporting and measurement date in this report, members associated with SacSewer are still considered members of the County.

Plan membership

At June 30, 2024, pension plan membership consisted of the following:

Membership	Count
Retired members and beneficiaries	14,285
Inactive members[1]	4,935
Active members	13,690
Total	**32,910**

Benefits provided

SCERS provides service retirement, disability, death and survivor benefits to eligible employees. All permanent full-time or part-time employees of the County of Sacramento or contracting district become members of SCERS upon employment.

There are separate retirement plans for Safety and Miscellaneous members. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain other classifications.

There are four tiers applicable to Safety members.

- Tier 1 includes all members who entered prior to June 25, 1995.
- Tier 2 includes members who entered on or after June 25, 1995 but prior to January 1, 2012.
- Tier 3 includes County employees who entered on or after January 1, 2012 but prior to 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) 197. These members are designated as PEPRA Safety.

All other employees are classified as Miscellaneous members. 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 and June 27, 1993, respectively, but prior to January 1, 2012 for County members and January 1, 2013 for contracting districts.
- Tier 4 includes County employees who entered on or after January 1, 2012 but prior to January 1, 2013.

[1] Includes inactive members due a refund of member contributions.

- Tier 5 includes any new Miscellaneous employee who becomes a member on or after January 1, 2013 and is subject to the provisions of PEPRA, California Government Code 7522 et seq. and AB 197. These members are designated as PEPRA Miscellaneous.

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit, and retirement plan and tier.

- Final average compensation consists of the highest 12 consecutive months for a Tier 1 Safety or Tier 1 Miscellaneous member and the highest 36 consecutive months for a Tier 2, Tier 3, Tier 4 or Tier 5 member.
- For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation. There is no maximum for members with membership dates on or after January 1, 2013.

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

SCERS provides an annual cost-of-living benefit to Safety Tier 1, Tier 2, Tier 3 and Tier 4 members and Miscellaneous Tier 1, Tier 3, Tier 4 and Tier 5 members. The cost-of-living adjustment, based upon the ratio of the past two Consumer Price Indices for the San Francisco-Oakland-Hayward area, is capped at 4.0% for Tier 1 members and 2.0% for all other members eligible for a cost-of-living adjustment.

Safety member benefit

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50 and have acquired five years of retirement service credit, or upon attainment of age 70.

Safety member benefits for Tier 1 and Tier 2 are calculated pursuant to the provisions of California Government Code Section 31664.1. Safety member benefits for Tier 3 are calculated pursuant to the provision of California Government Code Section 31664.2. The monthly allowance is equal to 2% of the first $350 of final compensation, plus 3% of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31664.1 (Tier 1 and 2) or 31664.2 (Tier 3). Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of

California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

Miscellaneous member benefits

Miscellaneous members hired prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. Miscellaneous members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit, or upon attainment of age 70.

Miscellaneous member benefits for Tier 1, Tier 2 and Tier 3 are calculated pursuant to the provisions of California Government Code Section 31676.14. Miscellaneous member benefits for Tier 4 are calculated pursuant to the provisions of California Government Code Section 31676.1. The monthly allowance is equal to 1/90th of the first $350 of final compensation, plus 1/60th of the excess final compensation times years of accrued retirement service credit times age factor from either Section 31676.14 (Tier 1, Tier 2 and Tier 3) or Section 31676.1 (Tier 4). Miscellaneous member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Contributions

The County of Sacramento and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SCERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2024 for 2023-2024 (based on the June 30, 2022 valuation) was 29.74% of compensation.

All members are required to make contributions to SCERS regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2024 for 2023-2024 (based on the June 30, 2022 valuation) was 12.00% of compensation.

Exhibit 1 – Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Components of the Net Pension Liability		
Total Pension Liability	$15,002,017,000	$14,358,854,000
Plan Fiduciary Net Position	(13,309,631,000)	(12,363,258,000)
Net Pension Liability	**$1,692,386,000**	**$1,995,596,000**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability[1]	88.72%	86.10%

The NPL for the Plan in this valuation was measured as of June 30, 2024. The Plan FNP was valued as of the measurement date and the TPL was determined based upon the actuarial valuation as of June 30, 2024.

Plan provisions

The plan provisions used in the measurement of the NPL as of June 30, 2024 are the same as those used in SCERS' actuarial funding valuation as of June 30, 2024.

Actuarial assumptions

The TPL as of June 30, 2024 uses the same actuarial assumptions as the actuarial funding valuation as of June 30, 2024. The actuarial assumptions used in that funding valuation were based on the results of an experience study for the period July 1, 2019 through June 30, 2022. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

[1] These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

Section 2: GASBS 67 Information

Assumption Type	Assumption
Investment rate of return	6.75%, net of pension plan investment expense, including inflation.
Inflation rate	2.50%
“Across-the-board” salary increase	0.25%
Salary increases	4.25% to 9.75% The above salary increases vary by service and include inflation and “across-the-board” salary increase.
Cost-of-living adjustments	Miscellaneous Tier 1: 2.75% Safety Tier 1: 2.75% Miscellaneous Tier 2: 0.00% All other Tiers: 2.00%
Other assumptions	See the analysis of actuarial experience for the period July 1, 2019 through June 30, 2022.

Detailed information regarding all actuarial assumptions can be found in the June 30, 2024 Actuarial Valuation and Review.

Exhibit 2 – Discount rate

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments[1] was determined using a building-block method in which expected arithmetic real rates of return (expected returns, net of inflation and, beginning with June 30, 2023, any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with June 30, 2023 including only investment consulting fees, custodian fees and other miscellaneous investment expenses) and a risk margin. Beginning with June 30, 2023 this portfolio return is also adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses), are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the actuarial funding valuation as of June 30, 2024. This information will be subject to change every three years based on the results of an actuarial experience study.

[1] Note that the investment return assumption for funding purposes was developed net of both investment and administrative expenses; however, the same investment return assumption was used for financial reporting purposes, where it is considered gross of administrative expenses. This results in an increase in the margin for adverse deviation when using that investment return assumption for financial reporting.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return[1]
Global equity	40.00%	7.05%
Private equity	11.00%	10.12%
Public credit – high yield	1.00%	4.63%
Public credit – leveraged loan	1.00%	4.07%
Private credit	5.00%	6.69%
Fixed income – core	12.00%	1.97%
Fixed income – U.S. Treasury	4.00%	1.31%
Core real estate	6.00%	3.86%
Value added real estate	1.50%	6.70%
Opportunistic real estate	1.50%	8.60%
Absolute return	7.00%	3.00%
Real assets	7.00%	7.30%
Liquid real return	2.00%	4.40%
Cash	1.00%	0.63%
Total	**100.00%**	**5.92%**

Discount rate

The discount rate used to measure the TPL was 6.75% as of June 30, 2024.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates.[2] Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan FNP was projected to be available to make all 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 TPL as of June 30, 2024.

[1] Arithmetic real rates of return are net of inflation.
[2] For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Discount rate sensitivity

The following presents the NPL of SCERS as of June 30, 2024 calculated using the current discount rate of 6.75%, as well as what the SCERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

Line Description	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net Pension Liability	$3,701,817,000	$1,692,386,000	$42,325,000

Exhibit 3 – Schedule of changes in Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2024	June 30, 2023
Total Pension Liability		
Service cost	$287,892,288	$270,739,734
Interest	964,836,649	912,500,116
Change of benefit terms	0	0
Differences between expected and actual experience	96,174,063 [1]	279,701,150 [1]
Changes of assumptions	0	(20,664,000)
Benefit payments, including refunds of member contributions	(705,740,000)	(662,407,000)
Other	0	0
Net change in Total Pension Liability	**$643,163,000**	**$779,870,000**
Total Pension Liability — beginning	14,358,854,000	13,578,984,000
Total Pension Liability — ending	**$15,002,017,000**	**$14,358,854,000**
Plan Fiduciary Net Position		
Contributions — employer	$395,853,000	$360,674,000
Contributions — member	159,654,000	139,521,000
Net investment income	1,104,512,000	710,907,000
Benefit payments, including refunds of member contributions	(705,740,000)	(662,407,000)
Administrative expense	(12,422,000)	(28,178,000) [2]
Other	4,516,000 [3]	12,390,000 [4]
Net change in Plan Fiduciary Net Position	**$946,373,000**	**$532,907,000**
Plan Fiduciary Net Position — beginning	12,363,258,000	11,830,351,000
Plan Fiduciary Net Position — ending	**$13,309,631,000**	**$12,363,258,000**
Net Pension Liability — ending	**$1,692,386,000**	**$1,995,596,000**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.72%	86.10%
Covered payroll [5]	$1,330,913,098	$1,175,393,299
Plan Net Pension Liability as percentage of covered payroll	127.16%	169.78%

See accompanying footnotes to this schedule on next page.

Footnotes to prior page

1. Net of the reductions in the retiree and beneficiary benefits reported for the June 30, 2023 and 2024 valuations under the Alameda Decision as experience gains and losses as discussed on page 6.
2. Includes a one-time impairment amount of $17.1 million associated with termination of pension administration services provided by an outside vendor.
3. We have classified the $2,308,375 interest contribution made by Sacramento Metropolitan Fire, a non-active employer, during 2023-2024 as well as the $2,127,362 receivable contributions due from Sacramento Metropolitan Fire, in the "Other" category. We have also classified net $80,000 of miscellaneous income in the "Other" category. This is done to anticipate that the NPL for the active employers to be disclosed later in our GASBS 68 actuarial valuation as of June 30, 2024 will be allocated using the employer contributions excluding the total $4,436,000 contributions made and miscellaneous income received during 2023-2024. Following last year's practice, we have continued to treat the net $80,000 in miscellaneous income as an amount to be recognized immediately as of the June 30, 2024 measurement date.
4. We have classified the $1,775,000 interest contribution made by Sacramento Metropolitan Fire, a non-active employer, during 2022-2023 as well as the $10,573,829 receivable contributions due from Sacramento Metropolitan Fire, in the "Other" category. We have also classified $41,000 of miscellaneous income and federal tax credit in the "Other" category. This is done to anticipate that the NPL for the active employers disclosed later in our GASBS 68 actuarial valuation as of June 30, 2023 will be allocated using the employer contributions excluding the total $12,349,000 contributions made and miscellaneous income and federal tax credit received during 2022-2023. Following the prior year's practice, we have continued to treat the $41,000 in miscellaneous income and federal tax credit as an amount to be recognized immediately as of the June 30, 2023 measurement date.
5. Covered payroll represents payroll on which contributions to the pension plan are based.

Exhibit 4 – Schedule of employer contributions

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2015	$221,823,365	$221,823,365	$0	$873,328,000	25.40%
2016	207,884,162	207,884,162	0	912,421,000	22.78%
2017	201,928,297	201,928,297	0	958,934,000	21.06%
2018	198,331,133	198,331,133	0	985,375,000	20.13%
2019	240,237,090	240,237,090	0	1,017,885,000	23.60%
2020	274,054,940	274,054,940	0	1,059,984,000	25.85%
2021	292,533,591	292,533,591	0	1,034,343,000	28.28%
2022	323,609,923	323,609,923	0	1,078,235,000	30.01%
2023	360,673,968	360,673,968	0	1,175,393,000	30.69%
2024	395,853,306	395,853,306	0	1,330,913,000	29.74%

See accompanying notes to this schedule on next page.

[1] Covered payroll represents payroll on which contributions to the pension plan are based.

Notes

Methods and assumptions used to establish the actuarially determined contribution for the year ended June 30, 2024

Valuation date

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (the June 30, 2022 valuation sets the rates for the 2023-2024 fiscal year).

Actuarial cost method

Entry Age Actuarial Cost Method

Amortization method

Level percent of payroll

Remaining amortization period

The balance of the UAAL as of June 30, 2012 is amortized separately from any future changes in UAAL over a period of 23 years from June 30, 2012 (13 years remaining 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 actuarial value of assets is equal to the market value (or fair value) of assets less unrecognized returns from each of the last six years. The unrecognized return each year is equal to the difference between the actual and expected returns on the market value of assets, recognized over a seven-year period. The actuarial value of assets is further adjusted, if necessary, to be within 30% of the market value of assets.

Other information

All members with membership dates on or after January 1, 2013 enter the new tiers created by the California Public Employees' Pension Reform Act of 2013 (PEPRA).

Actuarial assumptions

The actuarially determined contribution for the year ended June 30, 2024 is based on the results of the SCERS June 30, 2022 Actuarial Valuation and Review. The actuarial assumptions used in that valuation are as follows:

Assumption Type	Assumptions Used in the June 30, 2022 Valuation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation.
Inflation rate	2.75%
"Across-the-board" salary increase	0.25%
Salary increases	4.25% to 10.50% The above salary increases vary by service and include inflation and "across-the-board" salary increase.
Cost-of-living adjustments	Miscellaneous Tier 1: 2.75% Safety Tier 1: 2.75% Miscellaneous Tier 2: 0.00% All other Tiers: 2.00%
Other assumptions	Same as those used in the funding actuarial valuation as of June 30, 2022.

Appendix A: Projection of Plan Fiduciary Net Position

Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2024 ($ in millions)

Year Beginning July 1	Beginning Plan Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Plan Fiduciary Net Position (a) + (b) – (c) – (d) + (e)
2024	$13,310	$519	$786	$13	$886	$13,915
2025	13,915	513	812	14	926	14,529
2026	14,529	508	850	15	966	15,138
2027	15,138	498	890	15	1,005	15,736
2028	15,736	510	929	16	1,044	16,346
2029	16,346	507	970	16	1,084	16,950
2030	16,950	502	1,011	17	1,123	17,547
2031	17,547	500	1,052	18	1,162	18,139
2032	18,139	498	1,094	18	1,200	18,725
2033	18,725	486	1,134	19	1,237	19,296
2049	22,188	110	1,568	22	1,442	22,149
2050	22,149	108	1,584	22	1,439	22,089
2051	22,089	102	1,597	22	1,434	22,006
2052	22,006	96	1,609	22	1,428	21,898
2108	98,145	100 [1]	4	99	6,625	104,767
2109	104,767	106	3	105	7,072	111,836
2110	111,836	113 [1]	2	112	7,549	119,384
2111	119,384	121 [1]	1	120	8,058	127,442
2135	572,495	575 [1]	0 [2]	575	38,643	611,138
2136	611,138	614 [1]	0 [2]	614	41,252	652,390 [3]

[1] Mainly attributable to employer contributions to fund each year's annual administrative expenses.
[2] Less than $1 million when rounded.
[3] The Plan FNP of $652,390 million has a value of $406 million as of June 30, 2024 when discounted with interest at the rate of 6.75% per annum.

Notes

1. Amounts may not total exactly due to rounding.
2. Various years have been omitted from this table.
3. **Column (a):** Except for the “discounted value” for 2136 shown in footnote 3 on the previous page, none of the Plan FNP amounts shown have been adjusted for the time value of money.
4. **Column (b):** Projected total contributions include member and employer normal cost contributions based on closed group projections (based on covered active members as of June 30, 2024); plus employer contributions to the UAAL. Contributions are assumed to occur halfway through the year, on average.
5. **Column (c):** Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive and retired members and beneficiaries as of June 30, 2024. The projected benefit payments reflect the cost-of-living increase assumptions used in the June 30, 2024 report. Benefit payments are assumed to occur halfway through the year, on average.
6. **Column (d):** Projected administrative expenses are calculated as approximately 0.10% of the beginning Plan FNP. The 0.10% was based on the actual fiscal year 2023-2024 administrative expenses (unaudited) as a percentage of the beginning Plan FNP as of July 1, 2023. Administrative expenses are assumed to occur halfway through the year, on average.
7. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 6.75% per annum and reflect the assumed timing of cashflows, as noted above.
8. As illustrated in this appendix, the Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected “cross-over date” when projected benefits are **not** covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 6.75% per annum was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2024 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

Appendix B: Definition of terms

Definitions of certain terms as they are used in GASB Statement No. 67. The terms may have different meanings in other contexts.

Term	Definition
Active employees	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual contributions	Cash contributions recognized as additions to the Plan Fiduciary Net Position.
Actuarial present value of projected benefit payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial valuation	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial valuation date	The date as of which an actuarial valuation is performed.
Actuarially determined contribution	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad hoc cost-of-living adjustments (Ad Hoc COLAs)	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad hoc postemployment benefit changes	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent employer	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent multiple-employer defined benefit pension plan (agent pension plan)	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
Automatic cost-of-living adjustments (Automatic COLAs)	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic postemployment benefit changes	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Appendix B: Definition of terms

Term	Definition
Closed period	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Contributions	Additions to the Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-living adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-sharing employer	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-sharing multiple employer defined benefit pension plan (Cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered payroll	Payroll on which contributions to a pension plan are based.
Deferred retirement option program (DROP)	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined benefit pension plans	Pension plans that are used to provide defined benefit pensions.
Defined benefit pensions	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of GASB Statement No. 67.)
Defined contribution pension plans	Pension plans that are used to provide defined contribution pensions.

Appendix B: Definition of terms

Term	Definition
Defined contribution pensions	Pensions having terms that: 1. Provide an individual account for each employee; 2. Define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and 3. Provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount rate	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which: a. The amount of the Plan Fiduciary Net Position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period, and b. Pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.
Entry age actuarial cost method	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive employees	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Measurement period	The period between the prior and the current measurement dates.
Multiple-employer defined benefit pension plan	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL)	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.
Non-employer contributing entities	Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.

Appendix B: Definition of terms

Term	Definition
Other postemployment benefits	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension plans	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan members	Individuals that are covered under the terms of a pension plan. Plan members generally include: 1. Employees in active service (active plan members), and 2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment	The period after employment.
Postemployment benefit changes	Adjustments to the pension of an inactive employee.
Postemployment healthcare benefits	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected benefit payments	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public employee retirement system	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real rate of return	The rate of return on an investment after adjustment to eliminate inflation.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single employer	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-employer defined benefit pension plan (Single-employer pension plan)	A defined benefit pension plan that is used to provide pensions to employees of only one employer.

Appendix B: Definition of terms

Term	Definition
Special funding situations	Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: 1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
Termination benefits	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL)	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 67.

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