Audit Committee Meeting

Sacramento County Employees' Retirement System

Agenda Item 4

MEETING DATE: November 17, 2026

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, 2026, as presented by Crowe LLP:

a. Independent Auditor's Report within the Annual Comprehensive Financial Report (ACFR)

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/STRATEGIC PRIORITY

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

DISCUSSION

The ACRF is prepared by SCERS and audited in consultation with external auditors selected by the Board of Retirement. Crowe LLP is expected to, or by the date of this meeting, render an unmodified ("clean") opinion on SCERS's financial statements for the fiscal year ended June 30, 2026. Jennifer Aras, Partner at Crowe LLP, 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, 2026, SCERS' net position restricted for pension benefits totaled $16.476 billion, an increase of $1.89 billion or 13.0% from the $14.58 billion as of June 30, 2025.

- **Investment Performance**
  For the fiscal year ended June 30, 2026, SCERS achieved a total fund net return of

14.8%, which was 1.2 percentage points above the investment policy benchmark return of 13.6%, representing an 8.8% improvement. As compared to the 6.75% actuarial assumed rate of return, the total fund return was 8.05 percentage points higher, representing an 119% improvement.

For the fiscal year ended June 30, 2026, net investment income, after investment fees and expenses, was $2,153.3 million with the strongest performance from emerging equity, international, commodities, and domestic investments.

- **Pension Liability and Net Pension Liability**
  As of June 30, 2026, SCERS' total pension liability was $16.3 billion, up slightly at 4.5% from $15.6 billion as of June 30, 2025. And, as of June 30, 2026, SCERS' no longer had a Net Pension Liability (NPL), eliminating the $1.0 billion NPL as of June 30, 2025. The elimination of the NPL was primarily driven by higher-than-expected investment returns.

- **Contributions**
  For the fiscal year ended June 30, 2026, the $547.8 million of combined employer and member contributions increased by $2.7 million or 0.5%, from the prior year contributions of $545.0 million. Employer contributions decreased by $2.3 million or (0.6%), while member contributions increased by $5.0 million or 3.2%.

- **Deductions**
  For the fiscal year ended June 30, 2026, the $850.3 million of total retirement, withdrawal and other expense deductions increased by $51.0 million or 6.4%, from the prior year total deductions of $799.3 million.

  The increase in total deductions 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.

- **Administrative expenses presentation**
  The "Administrative expenses" within the ACFR is different than the limited amount of "expenses of administration" used to monitor compliance with Section 31580.2 of the Government Code. The ACFR presents all general operating costs while Section 31580.2 excludes costs such as technology and related costs.

  SCERS ensures we remain compliant with Section 31580.2's limit of "expenses of administration" and as required includes this calculation and details within the SCERS annual budget.

  For the fiscal year ended June 30, 2026, the $16.2 million of total administrative expenses increased by $2.5 million or 18.2%, from the prior year total expenses of $13.7 million. The increase was primarily attributable to an increase in salaries and benefits of $0.99 million or 11%, an increase in information and technology of $0.72 million or 170%, and an increase in County allocated expenses of $0.50 million or 48%.

ATTACHMENTS

- Draft Annual Comprehensive Financial Report for the year ended June 30, 2026
- Draft 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:

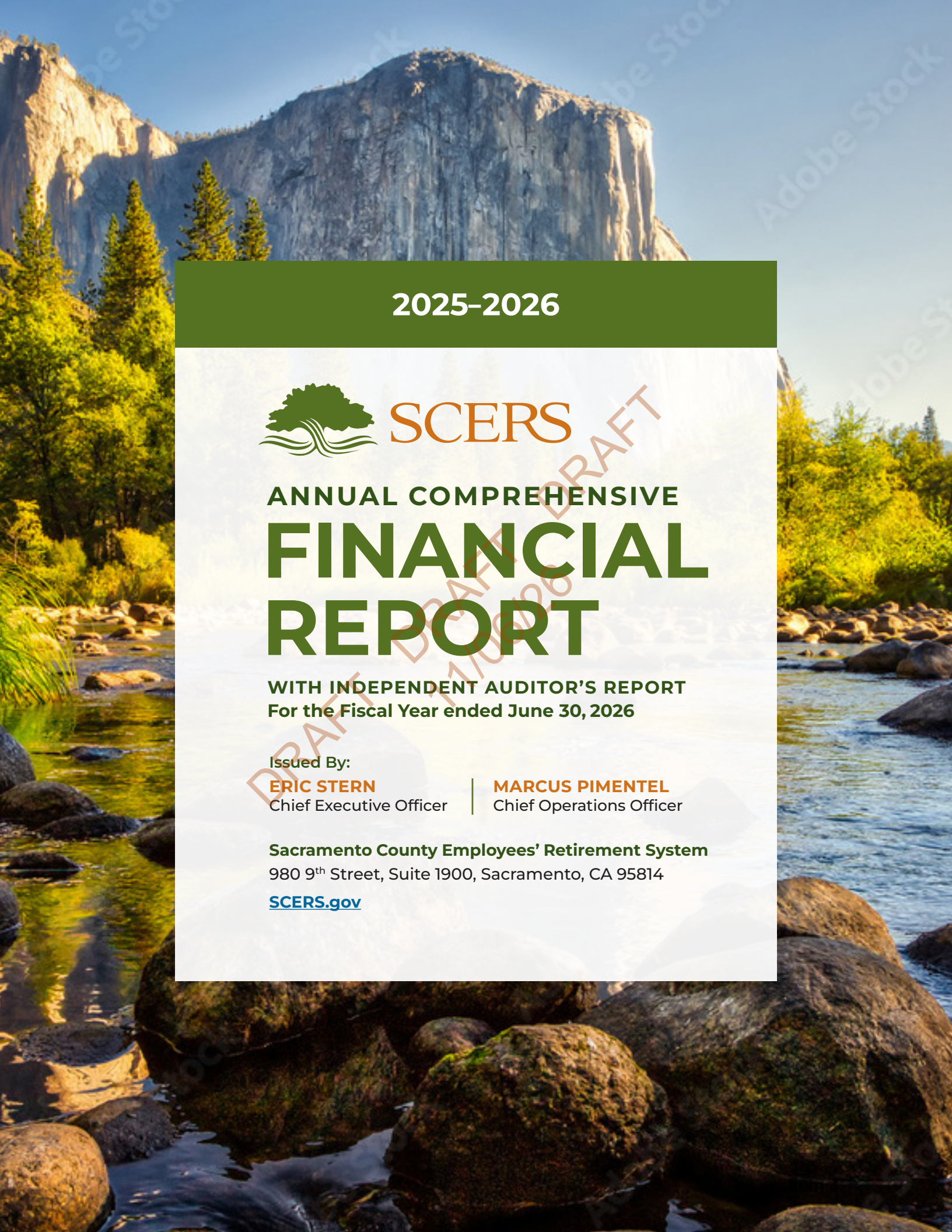
/S/

Marcus Pimentel
Chief Operations Officer

Reviewed by:

/S/

Eric Stern
Chief Executive Officer



2025–2026

SCERS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

WITH INDEPENDENT AUDITOR'S REPORT
For the Fiscal Year ended June 30, 2026

DRAFT DRAFT DRAFT 11/04/26

Issued By:

ERIC STERN
Chief Executive Officer

MARCUS PIMENTEL
Chief Operations Officer

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

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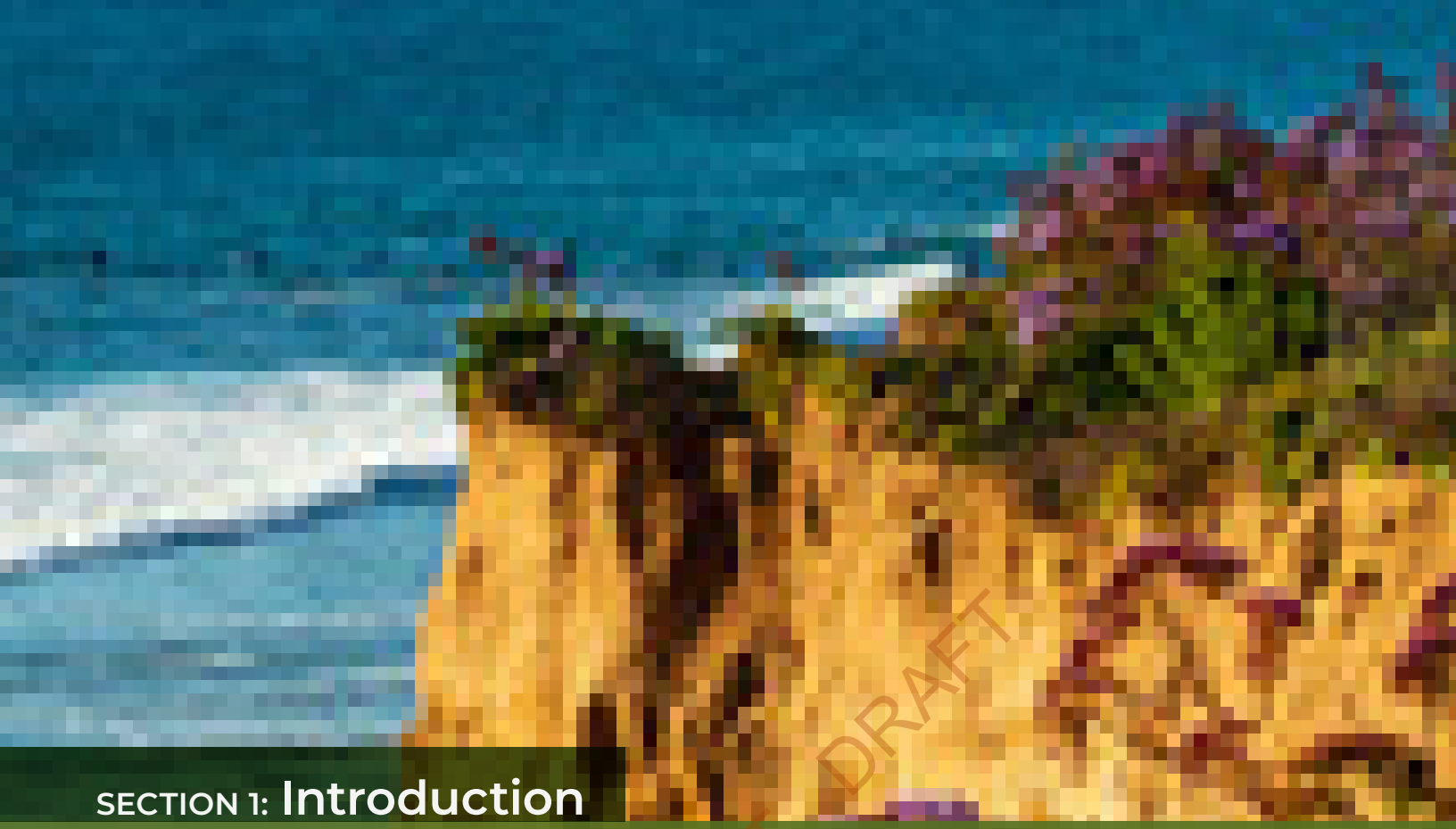
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SECTION 1: Introduction

CORE VALUE

Stewardship

We hold ourselves accountable to the trust members place in us to sustain SCERS for future generations.

DRAFT DRAFT DRAFT 2026/06/26



ERIC STERN, Chief Executive Officer
MARCUS PIMENTEL, Chief Operations Officer
STEVE DAVIS, Chief Investment Officer
KEITH RIDDLE, Chief Benefits Officer
TIM TAYLOR, Chief Technology Officer
JASON MORRISH, General Counsel

SCERS

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

NOVEMBER 19, 2026

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, 2026.

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.

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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, 2026, the County of Sacramento (and its Elected Officials); Superior Court of California, Sacramento County; Sacramento Employment and Training Agency; Sacramento Area Sewer District; and nine 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. **Crowe Limited Liability Partnership**, 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

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... ."

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 conducted 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.

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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, 2026, SCERS' investments provided a 14.8% rate of return (net of fees), compared to the investment policy benchmark return of 13.6%.

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 level 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 taxpayers.

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, 2026. 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, 2025, 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, 2026.

At June 30, 2026, SCERS' funding ratio on a market value of assets basis was 102.4%, with the market value of assets totaling $16.5 billion. On an actuarial basis, the funding ratio was 93.8%, with the actuarial value of assets totaling $15.1 billion and the actuarial accrued liability totaling $16.1 billion. Deferred gains under the smoothing methodology as of June 30, 2026 is $1,376.4 million (as compared to a gain of $527.6 million as of June 30, 2025). Deferred investment gains/(losses) are recognized over a rolling seven-year period.

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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 $14.6 million, which represented 0.09% of the System's actuarial accrued liability for the fiscal year ended June 30, 2026.

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, 2025. 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-fifth 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, including out-going Chief Operations Officer Margo Allen, and advisors for their commitment to SCERS and for working so diligently to ensure the successful operation of the System.

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Respectfully submitted,



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, 2025

and issued to the public 163 days after the fiscal year end

Christopher P. Morrill

Executive Director/CEO

DRAFT DRAFT DRAFT 11/06/25

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
RONALD SUTER
Appointed by Board of Supervisors

Present term expires June 30, 2027



Trustee
ALINA MANGRU
Elected by Miscellaneous Members

Present term expires December 31, 2027



Trustee
ROBERT AGUALLO, JR.
Appointed by Board of Supervisors

Present term expires December 31, 2027



Trustee
BRANDON GAYMAN
Elected by Safety Members

Present term expires December 31, 2027



Trustee
KEITH DEVORE
Appointed by Board of Supervisors

Present term expires June 30, 2027



Trustee
MARTHA HOOVER
Elected by Retired Members

Present term expires December 31, 2028



Trustee
CYRIL SHAH
Appointed by Board of Supervisors

Present term expires December 31, 2028



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

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Organization Chart

Board of Retirement



ERIC STERN
Chief Executive Officer



MARCUS PIMENTEL
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

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Participating Employers

Employer	Date Entered System
County of Sacramento	July 1, 1941
County of Sacramento, Elected Officials: • Board of Supervisors • Sheriff • Assessor • District Attorney	July 1, 1941
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 (SacSewer) member information was included in the totals for the County of Sacramento.

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Professional Consultants

Actuary

Segal

Auditor

Crowe LLP

Brown Armstrong Accountancy Corporation

Custodian

Northern Trust

State Street Corporation

Investment Consultant

Cerity Partners

Cliffwater, LLC

The Townsend Group

Legal Counsel

Buchalter

Foley & Lardner, LLP

Hanson Bridgett, LLP

Nossaman, LLP

Patrick M.K. Richardson, Esq.

Others

Sikich

DRAFT DRAFT DRAFT 11/06/25

NOTE

In the Auditor Section of this report, Crowe LLP has been selected as the auditor for FY2025-26.

In the Custodian Section of this report, Northern Trust replaced State Street Corporation on March 2, 2026.

In the Investment Section of this report, investment professionals are listed on pages **84**-**85**, and the schedules of manager fees and equity brokerage commissions are located on pages **82** and **83**.



SECTION 2: Financial

CORE VALUE

Communicating

We are responsive, provide clear and accurate information, and act with respect and transparency.



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 financial statements of the Sacramento County Employees' Retirement System, a component unit of the County of Sacramento, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the Sacramento County Employees' Retirement System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Sacramento County Employees' Retirement System, as of June 30, 2026, and the changes in fiduciary net position for the 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 *(Government Auditing Standards)*. 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 the Sacramento County Employees' Retirement System, 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 the Sacramento County Employees' Retirement System's 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.

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

Preliminary Draft

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 the Sacramento County Employees' Retirement System's 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 the Sacramento County Employees' Retirement System's 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 on pages 18-21 and Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Annual Money-Weighted Rate of Return on pages 60-66 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 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Sacramento County Employees' Retirement System's basic financial statements. The Schedule of Administrative Expenses, Schedule of Investment Fees and Expenses, and Schedule of Payments to Consultants are presented for purposes of additional analysis and are 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

Preliminary Draft

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 auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Administrative Expenses, Schedule of Investment Fees and Expenses, and Schedule of Payments to Consultants are 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 report. The other information comprises the Introductory, 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 does 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

The summarized comparative information presented herein as of and for the year ended June 30, 2025, was derived from financial statements that were audited by another auditor whose report thereon dated November 19, 2025 expressed an unmodified opinion on the financial statements. We do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November __, 2026 on our consideration of Sacramento County Employees' Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant 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 Sacramento County Employees' Retirement System's 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 Sacramento County Employees' Retirement System's internal control over financial reporting and compliance.

[redacted]

Sacramento, California
November __, 2026

Preliminary Draft

Management's Discussion and Analysis

For the Fiscal Year Ended June 30, 2026

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, 2026. 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, 2026. 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.

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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 2026 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, 2026 and 2025.

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2026 AND 2025

(Amounts Expressed in Millions)

	2026	2025	Increase/ (Decrease)	% Change
Assets				
Cash and short-term investments	$715.8	$470.7	$245.1	52.1%
Receivables and others	389.5	316.5	73.0	23.1
Investments	16,635.1	14,547.4	2,087.7	14.4
Capital assets	3.5	4.3	(0.8)	(18.6)
Total Assets	17,743.9	15,338.9	2,405.0	15.7
Liabilities				
Investment, and other current liabilities	1,270.5	757.4	513.1	67.7
Long-term liabilities	3.9	4.1	(0.2)	(4.9)
Total Liabilities	1,274.4	761.5	512.9	67.4
Net Position	**16,469.5**	**14,577.4**	**1,892.1**	**13.0**
Additions				
Member contributions	161.0	156.0	5.0	3.2
Employer contributions	386.7	389.0	(2.3)	(0.6)
Investment income	2,153.3	1,483.3	670.0	45.2
Other income	2.4	2.3	0.1	4.3
Health premiums collected	39.0	36.5	2.5	6.8
Total Additions	2,742.4	2,067.1	675.3	32.7
Deductions				
Retirement benefits and withdrawal of contributions	795.1	749.1	46.0	6.1
Administrative expenses	16.2	13.7	2.5	18.2
Health premiums remitted	39.0	36.5	2.5	6.8
Total Deductions	850.3	799.3	51.0	6.4
Change in Net Position	**1,892.1**	**1,267.8**	**624.3**	**49.2**
Beginning Net Position	14,577.4	13,309.6	1,267.8	9.5
Ending Net Position	**$16,469.5**	**$14,577.4**	**$1,892.1**	**13.0%**

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Detailed Analyses

Financial Position and Results of Operations

SCERS' net position increased by $1.89 billion (13%) in fiscal year 2026, reflecting strong investment returns and steady contribution inflows, which were partially offset by increased benefit payments. The primary contributing factors include:

- **Investment performance** for the fiscal year ended June 30, 2026, was strong, with SCERS achieving a net investment return of 14.8% and generating $2.15 billion in net investment income. The System's net return exceeded its policy benchmark of 13.6%, reflecting strong investment performance across several asset categories, particularly equity, private equity, absolute return, real assets, and liquid real return. The strong investment results were the primary driver of the increase in SCERS' net position during the fiscal year. 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** increased by $2.7 million (0.5%) for the fiscal year ended June 30, 2026. Employer contributions decreased by $2.3 million (0.6%), primarily reflecting a reduction in employer contribution rates resulting from favorable investment performance and improvements in SCERS' funded status in prior years. This decrease was partially offset by a $5.0 million (3.2%) increase in member contributions, primarily attributable to growth in active membership. Overall, total contributions remained relatively stable compared with the prior fiscal year. For additional information, refer to **Note 5** of the financial statements.
- **Retirement benefits and withdrawal of contributions** increased by $46.0 million (6.1%) for the fiscal year ended June 30, 2026, from $749.1 million in the prior fiscal year to $795.1 million. This increase is consistent with growth in the number of retirees receiving benefits and annual cost-of-living adjustments (COLAs).

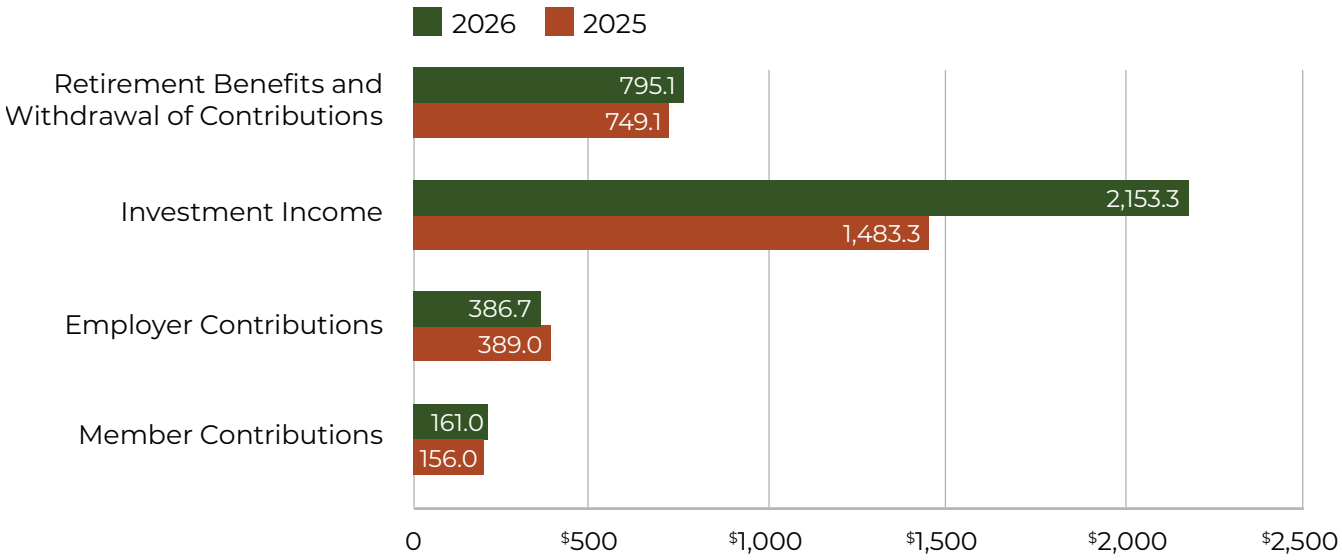
The chart below compares retirement benefit payments, investment income, employer contributions, and member contributions for fiscal years 2026 and 2025.

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Benefit Payments, Investment Income, and Contributions

FOR THE FISCAL YEAR ENDED JUNE 30

(Amounts Expressed in Millions)

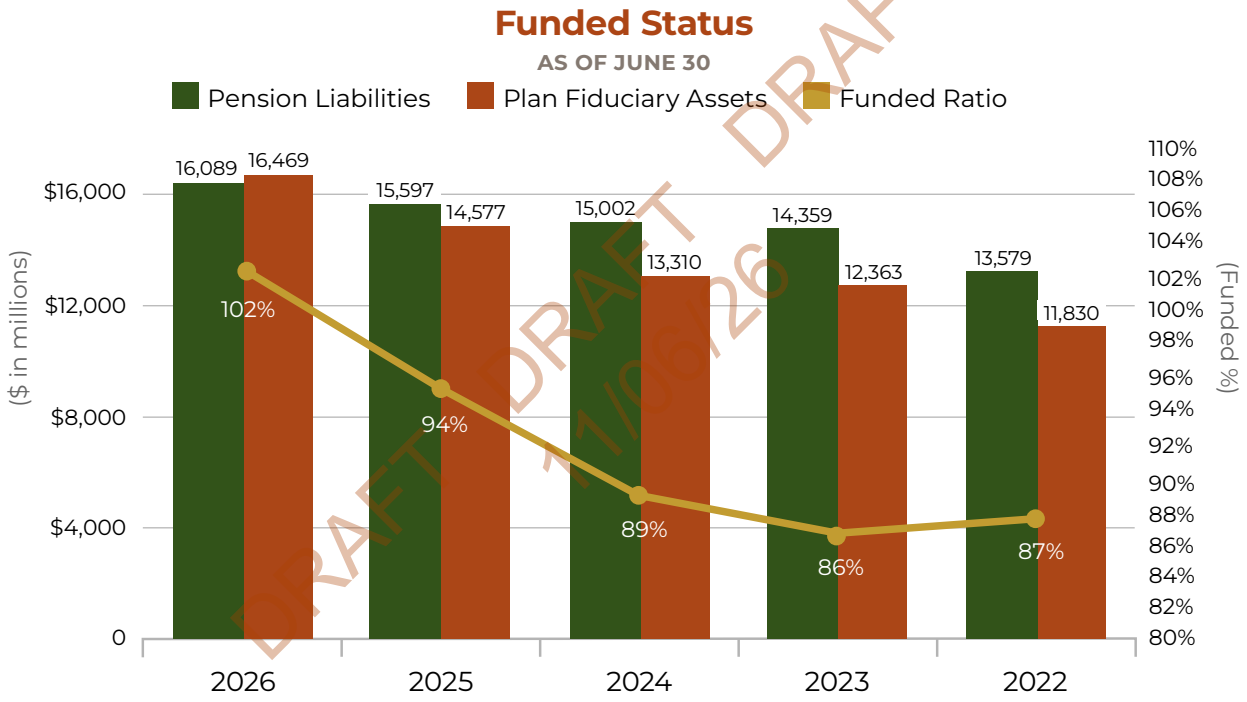


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As of June 30, 2026, SCERS' total reserves increased to $16.5 billion from $14.6 billion in 2025, primarily reflecting strong investment returns and contributions. These reserves consist of $1.4 billion in the member reserve, $3.9 billion in the employer reserve, $9.3 billion allocated for retiree and death benefits, $494.1 million in the contingency reserve, and $1.4 billion in the market stabilization reserve. Together, these reserves support the payment of retirement benefits and the System's other obligations. For additional information, refer to **Note 6** of the financial statements.

The chart below illustrates SCERS' funded status over the five-year period ended June 30, 2026. After declining to 86% in 2023, the funded ratio improved for three consecutive years, reaching 102% in 2026. At June 30, 2026, plan fiduciary assets exceeded the reported pension liabilities by approximately $380

million. In simple terms, the reported figures indicate that SCERS had slightly more in plan assets than measured pension liabilities at year-end. Maintaining this position over time will depend on investment performance, contributions, and changes in pension obligations.



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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 2025–26.

Currently Known Facts, Decisions, or Conditions

Accounting System and Banking Transition: SCERS is transitioning its accounting system from COMPASS (SAP) to Microsoft Dynamics 365 Business Central and establishing its own operational bank accounts with Bank of Montreal (BMO), separate from Sacramento County. The new accounting system and bank accounts will support SCERS' financial and accounting operations, while pension payroll, employee payroll, and certain County-allocated charges will continue to be processed through Sacramento County. The transition is expected to complete in early 2027 and is part of SCERS's ongoing efforts to strengthen its operational independence and improve the efficiency and effectiveness of its financial operations.

Statement of Fiduciary Net Position

AS OF JUNE 30, 2026, WITH COMPARATIVE TOTALS AS OF JUNE 30, 2025

(Amounts Expressed in Thousands)

	2026	2025
Assets		
Cash and short-term investments		
Cash invested with Sacramento County treasurer[1]	$5,290	$6,534
Other cash and cash equivalents	19,172	30,282
Short-term investments with fiscal agents	691,305	433,864
Securities lending collateral	612,401	224,339
Total cash and short-term investments	715,767	470,680
Receivables		
Member and employer contributions	36,598	43,120
Accrued investment income	53,877	38,291
Investment sales and other	298,864	234,253
Total receivables	389,339	315,664
Investments		
Equity	7,035,935	6,084,396
Fixed income	2,557,717	2,450,242
Private equity	1,981,042	1,808,640
Real assets	1,660,576	1,562,892
Absolute return	1,067,431	1,005,170
Real estate	946,783	916,286
Credit	773,259	495,465
Total investments	16,022,743	14,323,091
Other assets	194	874
Capital assets, net	3,460	4,347
Total assets	**17,743,904**	**15,338,995**
Liabilities		
Warrants payable	2,273	2,282
Accounts payable and other accrued liabilities [1]	33,638	6,221
Securities lending obligation	612,374	220,668
Investment purchases and other	621,494	527,507
Lease, Subscription & Compensated Absences – Current	712	712
Lease, Subscription & Compensated Absences – Non-Current	3,886	4,146
Total liabilities	**1,274,377**	**761,536**
Net position restricted for pension benefits and program administration	**$16,469,527**	**$14,577,459**

[1] **Includes Custodial Fund:** As of June 30, 2026, the Custodial Fund reported total assets and total liabilities of $3.95 million each, compared to $2.86 million each as of June 30, 2025, resulting in no ending net position. Additional information regarding the Custodial Fund is provided in **Note 8**.

The notes to the basic financial statements are an integral part of these statements.

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Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEAR ENDED JUNE 30, 2026, WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED JUNE 30, 2025

(Amounts Expressed in Thousands)

	2026	2025
Additions		
Contributions		
Member	$161,036	$156,024
Employer	386,688	389,042
Total contributions	547,724	545,066
Investment income		
Net appreciationin fair value of investments	2,012,340	1,333,822
Other investment income	345,452	323,360
Less: Investment fees and expenses	(205,643)	(175,101)
Net investment income	2,152,149	1,482,081
Securities lending income	12,883	17,000
Securities lending expense		
Borrower rebate expense	(11,432)	(15,506)
Securities lending management fees	(270)	(289)
Net income from securities lending	1,181	1,205
Other income	2,350	2,291
Health premiums collected [1]	38,984	36,541
Total additions	**2,742,388**	**2,067,184**
Deductions		
Retirement benefits	787,200	741,844
Withdrawal of contributions	7,892	7,245
Administrative expenses	16,244	13,739
Health premiums remitted [1]	38,984	36,541
Total deductions	**850,320**	**799,369**
Net increase in net position	**1,892,068**	**1,267,815**
Net position restricted for pension benefits and program administration		
Beginning of year	14,577,459	13,309,644
Ending of year	**$16,469,527**	**$14,577,459**

[1] **Includes Custodial Fund:** For the fiscal year ended June 30, 2026, the Custodial Fund reported additions and deductions of $38.98 million each, compared to $36.54 million each for the fiscal year ended June 30, 2025, resulting in no change in ending net position. Additional information regarding the Custodial Fund is provided in **Note 8.**

The notes to the basic financial statements are an integral part of these statements.

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Notes To The Basic Financial Statements

For The Fiscal Year Ended June 30, 2026

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, 2026, participating local government employers consisted of the County of Sacramento and its Elected Officials (County); Superior Court of California (Court), Sacramento County; 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.

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- **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, 2026, AND JUNE 30, 2025, THE SYSTEM'S MEMBERSHIP CONSISTED OF:

	2026	2025	Increase/ (Decrease)
Active Members:			
Vested			
Miscellaneous Tier 1	-	3	(3)
Miscellaneous Tier 2	15	20	(5)
Miscellaneous Tier 3	3,398	3,718	(320)
Miscellaneous Tier 4	243	251	(8)
Miscellaneous Tier 5	3,229	2,936	293
Total Vested Miscellaneous	6,885	6,928	(43)
Safety Tier 1	6	6	-
Safety Tier 2	487	575	(88)
Safety Tier 3	101	104	(3)
Safety Tier 4	780	715	65
Total Vested Safety	1,374	1,400	(26)
Total Vested	**8,259**	**8,328**	**(69)**
Non-Vested			
Miscellaneous Tier 3	16	20	(4)
Miscellaneous Tier 4	38	28	10
Miscellaneous Tier 5	4,929	4,804	125
Total Non-Vested Miscellaneous	4,983	4,852	131
Safety Tier 1	2	2	-
Safety Tier 2	5	4	1
Safety Tier 3	10	12	(2)
Safety Tier 4	807	754	53
Total Non-Vested Safety	824	772	52
Total Non-Vested	**5,807**	**5,624**	**183**
Total Active Members	**14,066**	**13,952**	**114**

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	2026	2025	Increase/ (Decrease)
Retirees and Beneficiaries Currently Receiving Benefits:			
Miscellaneous: Service	9,811	9,571	240
Miscellaneous: Beneficiary	1,498	1,434	64
Miscellaneous: Nonservice-Connected Disability	216	222	(6)
Miscellaneous: Service-Connected Disability	204	202	2
Total Miscellaneous	11,729	11,429	300
Safety: Service	2,450	2,378	72
Safety: Beneficiary	516	501	15
Safety: Nonservice-Connected Disability	14	15	(1)
Safety: Service-Connected Disability	288	283	5
Total Safety	3,268	3,177	91
Total Retirees and Beneficiaries	**14,997**	**14,606**	**391**
Terminated Employees Entitled to Benefits but Not Yet Receiving Them:			
Miscellaneous Tier 1	5	7	(2)
Miscellaneous Tier 2	41	47	(6)
Miscellaneous Tier 3	1,884	1,976	(92)
Miscellaneous Tier 4	136	136	-
Miscellaneous Tier 5	2,661	2,458	203
Total Miscellaneous	4,727	4,624	103
Safety Tier 1	8	8	-
Safety Tier 2	232	243	(11)
Safety Tier 3	17	16	1
Safety Tier 4	246	211	35
Total Safety	503	478	25
Total Terminated Members	**5,230**	**5,102**	**128**
Total Members	**34,293**	**33,660**	**633**

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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.

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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.

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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, 2026, 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 are transferred to County of Sacramento to fund the Retiree Medical and Dental Insurance Program. See **Note 8** for a detailed description of the program.

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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

Most of the investments held at June 30, 2026, are in custody of, or controlled by, Northern Trust, 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, 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)

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Capital Assets

FOR THE FISCAL YEAR ENDED JUNE 30, 2026

(Amounts Expressed in Thousands)

	July 1, 2025	Additions	Transfers	June 30, 2026
Capital Assets - Non-Depreciable				
Assets Under Construction	$27	$23	$(27)	$23
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	579	36	-	615
Information Systems	613	-	-	613
Total Depreciable Assets	7,500	36	-	7,536
Total Capital Assets (Cost)	**7,527**	**59**	**(27)**	**7,559**
Accumulated Depreciation and Amortization				
Leased Office Space: Right-of-Use	(2,435)	(608)	-	(3,043)
Subscription-Based IT Arrangements: Right-of-Use	(230)	(93)	-	(323)
Computer Equipment	(400)	(65)	-	(465)
Information Systems	(115)	(153)	-	(268)
Total Accumulated Depreciation and Amortization	**(3,180)**	**(919)**	**-**	**(4,099)**
Capital Assets: Net	**$4,347**	**$(860)**	**$(27)**	**$3,460**

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Total Net Capital Assets of $3.46 million include $2.94 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, 2026

(Amounts Expressed in Thousands)

Fiscal Year	Interest	Principal	Total Payment
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	**$481**	**$3,671**	**$4,152**

Other Assets

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

Lease, Subscription-Based IT Arrangements (SBITAs), and Compensated Absence

As of June 30, 2026, total liabilities for leases, SBITAs, and compensated absences were $4.60 million. Lease liabilities are associated with SCERS' office space lease, as described in the Capital Assets note on pages 30 and 31. No SBITA liabilities were outstanding as of June 30, 2026.

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, including consideration of amounts expected to be paid based on employee eligibility and anticipated leave usage. The current portion of the liability is estimated based on amounts expected to be paid in the subsequent fiscal year.

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Current and Non-Current Portion of Liabilities

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

	2026	2025
Current Liability		
Lease	$642	$588
Subscription-Based IT Arrangement	-	77
Compensated Absences	70	47
Total Current Liability	**712**	**712**
Non-Current Liability		
Lease	3,029	3,671
Subscription-Based IT Arrangement	-	-
Compensated Absences	857	475
Total Non-Current Liability	**3,886**	**4,146**
Total Liabilities	**$4,598**	**$4,858**

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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.

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, 2025, from which the summarized information was derived.

New Accounting Pronouncements

GASB Statement No. 103, Financial Reporting Model Improvements, and **GASB Statement No. 104, Disclosure of Certain Capital Assets,** were early implemented by SCERS in fiscal year 2024–25.

GASB Statement No. 105, Subsequent Events, was issued in December 2025 to improve the financial reporting requirements for subsequent events. The Statement defines the subsequent events period as the period after the date of the financial statements and before the date the financial statements are available to be issued. It also clarifies the requirements for recognized and non-recognized subsequent

events and requires disclosure of the date through which subsequent events have been evaluated. The requirements are effective for fiscal years beginning after June 15, 2026, with earlier application encouraged. SCERS early implemented the applicable provisions of this Statement for the fiscal year ending June 30, 2026.

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, 2026, is as follows:

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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 $5.3 million at June 30, 2026. The pool was not rated, and the weighted-average maturity of the pool was 321 days as of June 30, 2026.

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, 2026, other cash and cash equivalents constituted balances in bank demand deposit accounts of $19.2 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, 2026, the fair value of the System's short- term investments with fiscal agents was $691.3 million. These totals consisted of investments in the Northern Trust Collective 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 invests primarily in high-quality, short-term money market instruments, subject to investment quality, maturity, and sector diversification guidelines. As of June 30, 2026, the STIF reported an average quality rating of A1+, with 100% of its investments classified as Tier 1. Approximately 69.55% of investments had maturities of 97 days or less, while 30.45% had maturities exceeding 97 days. The weighted-average maturity was 43 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.

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The System had the following recurring fair value measurements at June 30, 2026:

Investment by Fair Value Level

AS OF JUNE 30, 2026

(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)	Significant Unobservable Inputs (Level 3)
Equity Securities				
Communication Services	$293,351	$293,351	$ -	$ -
Consumer Discretionary	474,411	474,411	-	-
Consumer Staples	207,309	207,309	-	-
Energy	197,277	197,277	-	-
Financials	759,588	759,588	-	-
Health Care	493,447	493,447	-	-
Industrials	596,952	596,949	3	-
Information Technology	1,145,124	1,145,124	-	-
Materials	198,774	198,774	-	-
Real Estate	68,280	68,280	-	-
Utilities	82,617	82,617	-	-
Total Equity Securities	**4,517,130**	**4,517,127**	**3**	**-**
Fixed Income Securities				
Securitized Obligations				
Asset-Backed Securities	$163,030	$ -	$163,030	$-
Credit Obligations				
Corporate Bonds	286,010	107	285,903	-
Municipals	4,975	-	4,975	-
Foreign Corporate Bonds	41,306	-	41,306	-
Foreign Government Agency Bonds	5,622	-	5,622	-
Foreign Government Bonds	10,611	-	10,611	-
U.S. Government and Agency Obligations				
Agency Securities	15,323	-	15,323	-
U.S. Treasury	1,330,269	-	1,330,269	-
Collateralized Mortgage Obligations	171,172	-	171,172	-
Mortgage Pass-Through				
FHLMC	87,530	-	87,530	-
FNMA	285,882	-	285,882	-
GNMA	144,572	-	144,572	-
Total Fixed Income Securities	**2,546,302**	**107**	**2,546,195**	**-**
Total Investments by Fair Value Level	**$7,063,432**	**$4,517,234**	**$2,546,198**	**$ -**

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Investments Measured at the Net Asset Value (NAV)

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)*	Redemption Notice Period
Equity Commingled Funds	$2,518,805	$ -	Daily, monthly	1–60 days
Fixed Income Commingled Funds	11,415	-	Monthly, quarterly	30–90 days
Real Assets	1,660,576	365,503	Quarterly for *open-end funds* Not applicable for *closed-end funds*	90 days
Real Estate	946,783	254,621	Monthly, quarterly for *open-end funds* Not applicable for *closed-end funds*	30–90 days
Absolute Return	1,067,431	-	Monthly, quarterly, and yearly	30–90 days
Credit	773,259	309,064	Not applicable	-
Private Equity	1,981,042	901,460	Not applicable	-
Securities Lending Collateral	612,401	-	Daily	-
Total Investments Measured at the NAV	**9,571,712**			
Total Investments	**$16,635,144**			

*Not applicable for closed end real assets, real estate, private credit and equity funds.

Note: In the event of significant asset outflows for a particular fund, the timing of redemption proceeds could extend beyond those disclosed.

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Investment Derivative Instruments

AS OF JUNE 30, 2026

(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)	Significant Unobservable Inputs (Level 3)
Assets				
Forwards	$858	$ -	$858	$ -
Options	125	-	125	-
Swaps	2,735	-	2,735	-
Liabilities				
Forwards	418	-	418	-
Options	135	-	135	-
Swaps	384	-	384	-
Total Investment Derivative Instruments	**$2,781**	**$ -**	**$2,781**	**$ -**

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.

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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.

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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

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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.

Credit

Credit investments include both liquid and illiquid credit strategies through limited partnerships, commingled funds, and separate accounts. Illiquid Credit investments primarily consist of private lending strategies, including direct lending and opportunistic lending, with a smaller allocation to special situations. These investments primarily consist of debt instruments that generate returns through interest income and principal repayments. Direct lending investments generally include senior secured loans to middle-market companies, while opportunistic lending includes a broader range of debt investments, such as asset-backed loans, subordinated debt, and structured credit. Special situations investments generally involve opportunities arising from corporate or market dislocations.

Liquid Credit investments primarily consist of publicly traded debt securities and other credit-related instruments, including corporate bonds, bank loans, structured credit, mortgage-backed securities, and asset-backed securities. These investments are generally made through flexible investment strategies across public credit markets, with the objective of generating income and enhancing investment returns. Certain strategies may also invest across both public and private credit markets.

The liquidity of Credit investments varies depending on the underlying investment strategy. Illiquid Credit investments are generally long-term in nature, and limited partners are constrained in their ability to exit a partnership investment prior to its dissolution, other than selling their interest in a secondary market. Distributions are received through interest income, principal repayments, and the liquidation of underlying assets. Liquid Credit investments generally provide greater liquidity through publicly traded securities.

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Limited partner interests in commingled funds are generally valued using the net asset value (NAV) of the partnership. The most significant input into the NAV of such an entity is the value of its underlying investment holdings. These holdings are valued by the general partners on a recurring basis, with valuations subject to applicable accounting standards and valuation methodologies.

Private Equity

Private equity investments include limited partnerships, commingled funds, and funds of funds (FoF) that invest in domestic and international private buyouts, venture capital, and growth equity. Private equity investments are made both on a direct basis through 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 distributions from portfolio funds.

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 by 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 will be liquidated over 8 to 15 years.

Limited partner interests in commingled funds are valued 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 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 Measurement 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 International Financial Reporting Standards. The measurement 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 restrictions 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.

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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, 2026, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 14.72%.

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Section 3: Securities Lending

State statutes permit the System to participate in securities lending transactions. Pursuant to Securities Lending Authorization Agreements, the System authorized State Street Bank and Trust Company to act as its securities lending agent through February 28, 2026. Effective March 2, 2026, the System transitioned its custodial and securities lending services from State Street Bank to Northern Trust, which assumed responsibility for administering the System's securities lending program. Under these arrangements, the respective lending agents were authorized to lend the System's securities to broker-dealers and banks pursuant to approved loan agreements.

During the fiscal year ended June 30, 2026, State Street Bank and Northern Trust, as the System's respective securities lending agents, loaned securities held in custody on behalf of the System, including U.S. government and agency obligations, domestic corporate bonds, and domestic and international equities. 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, 2026, SCERS did not impose any restrictions on the amount of the loans that State Street or Northern Trust made on its behalf. During the fiscal year ended June 30, 2026, 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, State Street, or Northern Trust.

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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 and Northern Trust 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**, Northern Trust 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. Northern Trust, 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, 2026, were as follows:

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Collateral and Securities on Loan

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

Security Description	Fair Value of Securities on Loan (Cash Collateral)	Cash Collateral Received	Fair Value of Securities on Loan (Non-Cash Collateral)	Non-Cash Collateral Fair Value	Total Fair Value of Securities on Loan
Fixed Income	$469,346	$481,130	$156,810	$164,418	$626,156
Equity	128,047	131,244	173,851	185,933	301,898
Total	**$597,393**	**$612,374**	**$330,661**	**$350,351**	**$928,054**

Securities Lending Collateral Credit Risk

All of the cash collateral received for securities lending is invested in the Northern Trust Collective Short Term Investment Fund (the Fund), which is not rated by credit rating agencies. At the time of purchase, the Fund invests in high-quality, short-term money market instruments. As of June 30, 2026, the Fund had an average quality rating of A1+, and 100% of its holdings were classified as Tier 1.

Securities Lending Collateral Interest Rate Risk

The Fund invests primarily in high-quality securities and emphasizes liquidity management to provide for redemptions on any business day. As of June 30, 2026, the Fund had a weighted average maturity of 43 days. The Fund invests in short-term money market instruments in accordance with its investment objectives and quality, maturity, and sector diversification guidelines.

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, 2026

Fixed Income Assets by Credit Rating

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

			Credit Obligations								Mortgage Pass-Through			
Credit Rating	Total Fair Value	Asset-Backed Securities	Corporate Bonds	Municipals	Foreign Corporate Bonds	Foreign Government Bonds	Foreign Government Agency Bonds	Agency Securities	U.S. Treasury	Collateralized Mortgage Obligations	FHLMC	FNMA	GNMA	Fixed Income Commingled Funds
AAA	$235,119	$107,613	-	$576	-	-	-	-	-	$126,930	-	-	-	-
Aaa	1,892	-	-	-	-	-	-	-	-	1,892	-	-	-	-
AA+	13,662	1,666	998	415	-	-	-	10,550	-	33	-	-	-	-
Aa1	1,099	1,099	-	-	-	-	-	-	-	-	-	-	-	-
AA	19,237	11,020	3,153	748	-	918	-	-	-	1,064	2,334	-	-	-
Aa2	5,939	3,853	1,574	-	-	-	-	-	-	512	-	-	-	-
AA-	12,772	1,518	4,037	2,864	-	-	-	-	-	4,353	-	-	-	-
Aa3	2,534	-	-	-	-	-	-	-	-	2,534	-	-	-	-
A+	9,492	219	8,925	-	-	-	-	348	-	-	-	-	-	-
A1	369	-	349	-	-	-	-	-	-	20	-	-	-	-
A	48,913	912	44,417	-	2,683	-	-	-	-	901	-	-	-	-
A2	1,589	489	-	-	-	-	-	-	-	1,100	-	-	-	-
A-	75,632	8,897	49,207	272	7,929	-	-	-	-	91	9,236	-	-	-
A3	4,259	-	1,582	-	-	-	-	-	-	2,677	-	-	-	-
BBB+	72,040	1,379	60,308	-	8,844	-	1,035	-	-	474	-	-	-	-
Baa1	1,689	-	1,033	-	450	-	206	-	-	-	-	-	-	-
BBB	58,611	1,790	41,509	-	9,104	479	2,534	-	-	198	2,997	-	-	-
Baa2	3,411	-	3,003	-	197	-	211	-	-	-	-	-	-	-
BBB-	51,260	5,764	34,578	-	4,697	1,953	425	204	-	948	2,691	-	-	-
Baa3	6,189	4,177	-	-	623	-	-	-	-	1,389	-	-	-	-
BB+	10,463	491	8,385	-	868	178	-	-	-	541	-	-	-	-
Ba1	117	-	117	-	-	-	-	-	-	-	-	-	-	-
BB	9,299	1,986	4,133	100	406	2,476	-	198	-	-	-	-	-	-

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			Credit Obligations								Mortgage Pass-Through			
Credit Rating	Total Fair Value	Asset-Backed Securities	Corporate Bonds	Municipals	Foreign Corporate Bonds	Foreign Government Bonds	Foreign Government Agency Bonds	Agency Securities	U.S. Treasury	Collateralized Mortgage Obligations	FHLMC	FNMA	GNMA	Fixed Income Commingled Funds
Ba2	$142	-	$142	-	-	-	-	-	-	-	-	-	-	-
BB-	6,946	-	3,223	-	1,506	1,521	696	-	-	-	-	-	-	-
Ba3	208	-	-	-	208	-	-	-	-	-	-	-	-	-
B+	5,379	-	3,847	-	1,216	-	316	-	-	-	-	-	-	-
B1	261	261	-	-	-	-	-	-	-	-	-	-	-	-
B	6,642	-	3,820	-	1,809	1,013	-	-	-	-	-	-	-	-
B2	598	-	598	-	-	-	-	-	-	-	-	-	-	-
B-	5,743	-	3,270	-	548	1,925	-	-	-	-	-	-	-	-
B3	118	-	118	-	-	-	-	-	-	-	-	-	-	-
CCC+	1,666	-	1,666	-	-	-	-	-	-	-	-	-	-	-
CCC	1,220	-	969	-	-	-	-	-	-	251	-	-	-	-
Caa2	99	-	99	-	-	-	-	-	-	-	-	-	-	-
Ca	414	414	-	-	-	-	-	-	-	-	-	-	-	-
D	203	-	203	-	-	-	-	-	-	-	-	-	-	-
WR	844	-	533	-	218	-	-	-	-	93	-	-	-	-
**NR	42,506	9,482	214	-	-	-	-	-	-	21,395	-	-	-	11,415
*AGY	508,724	-	-	-	-	-	199	4,023	-	3,776	70,272	285,882	144,572	-
*TSY	1,330,417	-	-	-	-	148	-	-	1,330,269	-	-	-	-	-
Total	**$2,557,717**	**$163,030**	**$286,010**	**$4,975**	**$41,306**	**$10,611**	**$5,622**	**$15,323**	**$1,330,269**	**$171,172**	**$87,530**	**$285,882**	**$144,572**	**$11,415**

* AGY and TSY 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.

Note: As of June 30, 2026 the Trust Funds held $691.3 million in the Northern Trust Collective Short Term Investment Fund, with an average WAM of 43 Days and average quality rating of A+

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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, 2026, 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, 2026, 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, 2026, the bank balance of cash and cash equivalents on deposit with SCERS' custodian bank and financial institutions totaled $20.2 million, of which $19.9 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, 2026, deposits held in the System's name for the margin accounts of $8.6 million were not insured or not collateralized, and these deposits were exposed to custodial credit risk.

As of June 30, 2026, 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, 2026.

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Weighted Average Maturity of Long-Term Fixed Income Portfolio

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

Type of Securities	Fair Value	Weighted Average Maturity (Years)
Securitized Obligations		
Asset-Backed Securities	$163,030	0.64
Credit Obligations		
Corporate Bonds	286,010	0.72
Municipals	4,975	0.06
Foreign Corporate Bonds	41,306	0.09
Foreign Government Bonds	10,611	0.02
Foreign Government Agency Bonds	5,622	0.01
U.S. Government & Agency Obligations		
Agency Securities	15,323	0.07
U.S. Treasury	1,330,269	3.51
Collateralized Mortgage Obligations	171,172	1.38
Mortgage Pass-Through		
FHLMC	87,530	0.62
FNMA	285,882	2.31
GNMA	144,572	1.20
No Weighted Average Maturity		
Fixed Income Commingled Fund	11,415	-
Total Fair Value with Weighted Average	**$2,557,717**	**0.89**

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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, 2026:

Investment in Foreign Cash Currency

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

Local Currency Name	Cash and Cash Equivalents	Equity	Fixed Income	Real Assets	Real Estate	Credit	Private Equity	Total
Australian Dollar	$40	$77,134	$1,268	$ -	$ -	$ -	$ -	$78,442
British Pound Sterling	(1,551)	235,390	2,525	-	245	-	-	236,609
Canadian Dollar	516	138,567	-	-	-	-	-	139,083
Danish Krone	232	24,142	-	-	-	-	-	24,374
Euro Currency	2,932	586,844	18,721	28,154	185,332	25,946	138,060	985,989
Hong Kong Dollar	612	48,367	-	-	-	-	-	48,979
Japanese Yen	3,241	383,471	-	-	8,820	-	-	395,532
New Israeli Shekel	1,747	21,781	-	-	-	-	-	23,528
New Zealand Dollar	17	334	-	-	-	-	-	351
Norwegian Krone	277	19,917	-	-	-	-	-	20,194
Singapore Dollar	106	19,774	-	-	-	-	-	19,880
Swedish Krona	1,164	44,649	-	-	-	-	-	45,813
Swiss Franc	(1)	156,468	-	-	-	-	-	156,467
Total	**$9,332**	**$1,756,838**	**$22,514**	**$28,154**	**$194,397**	**$25,946**	**$138,060**	**$2,175,241**

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Highly Sensitive Investments

As of June 30, 2026, SCERS' investments included Collateralized Mortgage Obligations and Mortgage Pass-Through securities totaling $689.2 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, 2026, total commodities investments were $29.2 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, 2026, 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, 2026:

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Derivative Instruments Fair Value and Notional Value

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

Investment Derivative Instruments	Net Appreciation/ (Depreciation) in Fair Value of Investments	Financial Statement Classification	Fair Value	Notional
Forwards	$590	Investment Sales and Other	$440	$60,190
Futures	8,929	Investment Sales and Other	-	391,349
Options	15	Investment Purchases and Other	(10)	2,842
Swaps	1,244	Investment Purchases and Other	2,351	62,763
Total Derivative Instruments	**$10,778**		**$2,781**	**$517,144**

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, 2026, 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.

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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, 2026.

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, 2026:

Non-Exchange Investment Derivative Instruments Counterparty Credit Rating

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

S&P Rating	Forward	Swaps	Total
AA-	$175	$8	$183
A+	683	23	706
A	-	2	2
Investments in Asset Position	858	33	891
Investments in Liability Position	(418)	(100)	(518)
Total Investments in Asset/(Liability) Position	**$440**	**$(67)**	**$373**

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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, 2026, was $0.89 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, 2026, 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, 2026, the System did not have any significant exposure to counterparty credit risk with any single party.

Interest Rate Risk

At June 30, 2026, 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, 2026

(Amounts Expressed in Thousands)

		Investment Maturities (in years)			
Investment Type	Total Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Bought	$1,820	$31	$1,789	$ -	$ -
Fixed Income Options Bought	125	120	5	-	-
Fixed Income Options Written	(135)	(133)	(2)	-	-
Interest Rate Swaps	531	(118)	48	93	508
Total	**$2,341**	**$(100)**	**$1,840**	**$93**	**$508**

Derivative Instruments Highly Sensitive to Interest Changes

Highly Sensitive Derivative Instruments to Interest Fluctuation

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

Investment Type	Reference Rate	Fair Value	Notional Value
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 3.927%	$73	$1,672
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 1.35%	258	292
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 3.672%	36	1,331
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 3.85%	121	2,114
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 3.136%	123	3,232
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 3.825%	157	2,543
Interest Rate Swaps	Receive Variable 1-day SONIA, Pay Fixed 1.2%	42	164
Interest Rate Swaps	Receive Variable 1-day SONIA, Pay Fixed 1.15%	69	375
Interest Rate Swaps	Receive Variable CPI, Pay Fixed 3.058%	(97)	18,567
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 4.127%	(10)	2,315
Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 4.132%	(13)	2,753

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Interest Rate Swaps	Receive Variable 1-day SOFR, Pay Fixed 4.699%	(21)	2,381
Interest Rate Swaps	Pay Variable 3-month BBR, Receive Fixed 4.014%	13	949
Interest Rate Swaps	Pay Variable 1-day ZARONIA, Receive Fixed 8.08%	21	1,185
Interest Rate Swaps	Pay Variable 1-day SONIA, Receive Fixed 4.423%	(12)	320
Interest Rate Swaps	Pay Variable 1-day SARON, Receive Fixed 0.48%	(1)	371
Interest Rate Swaps	Pay Variable 1-day CORRA, Receive Fixed 3.01%	(8)	930
Interest Rate Swaps	Pay Variable 1-day SONIA, Receive Fixed 4%	(6)	20,688
Interest Rate Swaps	Pay Variable 1-day SONIA, Receive Fixed 4%	-*	1,130
Interest Rate Swaps	Pay Variable 1-day SOFR, Receive Fixed 3.995%	(87)	3,453
Interest Rate Swaps	Pay Variable 1-day SOFR, Receive Fixed 3.886%	-*	2,015
Interest Rate Swaps	Pay Variable 1-day MXIBTIEF, Receive Fixed 7.348%	(14)	1,191
Interest Rate Swaps	Pay Variable 1-day TONAR, Receive Fixed 2.53%	(57)	559
Interest Rate Swaps	Pay Variable 1-day MXIBTIEF, Receive Fixed 7.566%	(11)	698
Interest Rate Swaps	Pay Variable 1-day TONAR, Receive Fixed 2.569%	(45)	478
Total Interest Rate Swaps		**$531**	**$71,706**

* As of June 30, 2026, the fair value of this interest rate swap was less than $1,000.

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Foreign Currency Risk

At June 30, 2026, 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, 2026

(Amounts Expressed in Thousands)

	Forward Contracts			
Currency Name	**Net Receivables**	**Net Payables**	**Swaps**	**Total Exposure**
Australian Dollar	$-	$(6)	$-	$(6)
Canadian Dollar	(344)	192	(8)	(160)
Euro Currency	(25)	574	11	560
Japanese Yen	-	-	(102)	(102)
Mexican Peso	-	-	(25)	(25)
New Zeland Dollar	-	-	13	13
Pound Sterling	13	35	93	141
Swiss Franc	-	-	(1)	(1)
South African rand	-	-	21	21
Total	**$(356)**	**$795**	**$2**	**$441**

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, 2026.

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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, 2026, is shown below:

Net Pension Liability and Funded Ratio

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

	2026
Total Pension Liability	$16,089,845
Less: Fiduciary Net Position	16,469,527
Net Pension Liability	**$(379,682)**
Fiduciary Net Position as a % of Total Pension Liability	102.4%

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, 2026.

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, 2026:

	2026
Discount rate	6.75%
Inflation rate	2.50%
Real across-the-board salary increase	0.25%
Projected salary increases*	4.50% – 10.75%

* Includes inflation at 2.50% plus real across-the-board salary increase of 0.25% plus merit and promotional increases as of June 30, 2026.

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	2026
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-2016** General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males and females, projected generationally with Scale MP-2021.
	For Safety Members: Pub-2016 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates unadjusted for males and decreased by 5% for females, projected generationally with Scale MP-2021.
b) Disability	**For Miscellaneous Disabled Members: Pub-2016** Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 5% for males and increased by 10% for females, projected generationally with Scale MP-2021.
	For Safety Disabled Members: Pub-2016 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 Scale MP-2021.
c) Beneficiary	**Not currently in Pay Status: Pub-2016** General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males and females, projected generationally with Scale MP-2021.
	Beneficiaries in Pay Status: Pub-2016 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 15% for females, projected generationally with Scale MP-2021.
Member Contribution Rate:	**For Miscellaneous Members: Pub-2016** General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10% for males and females, projected 30 years (from 2016) with Scale MP-2021, weighted 40% male and 60% female.
	For Safety Members: Pub-2016 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates unadjusted for males and decreased by 5% for females, projected 30 years (from 2016) with Scale MP-2021, weighted 75% male and 25% female.
Pre-Retirement Mortality:	**For Miscellaneous Member: Pub-2016** General Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with Scale MP-2021.
	For Safety Members: Pub-2016 Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with Scale MP-2021.
Other Assumptions:	Analysis of actuarial experience studies for the periods of July 1, 2022, through June 30, 2025, as of June 30, 2026.

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Assumed Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected arithmetic real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The returns are combined to produce the long-term expected arithmetic rate of return by weighting the expected arithmetic 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, 2026, are summarized in the table below:

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Global Equity ex-U.S.	39%	6.0%
Fixed Income – Core	12	3.7
Private Equity	11	9.2
Private Real Assets	7	7.1
Absolute Return	7	3.5
Core Real Estate	5	4.6
Credit	9	6.0
Fixed Income– U.S. Treasury	4	2.6
Liquid Real Return	1	5.1
Opportunistic Real Estate	1.5	9.2
Value Added Real Estate	1.5	7.4
Cash	2	0.9
Total	**100%**	**5.7%**

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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, 2026. 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, 2026.

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, 2026, 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, 2026

(Amounts Expressed in Thousands)

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	$1,743,347	($379,682)	$(2,126,086)

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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 23.34% of annual covered salary for fiscal year 2025–26 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 11.37% to 65.73% of covered payroll for fiscal year 2025-26. 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, 2026, totaled $547.7 million. Included in this total are employer contributions of $386.7 million in fiscal year 2025–26, of which $344.4 million was made by the County of Sacramento. Member contributions were $161.0 million in fiscal year 2025–26. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed as of June 30, 2024.

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.

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. Investment gains and losses are recognized (smoothed) over a seven-year period.

A summary of the various reserve accounts, which comprise net position restricted for pension benefits at June 30, 2026, is as follows:

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Summary of Reserve Accounts

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

	2026
Member reserve	$1,401,027
Employer reserve	3,891,892
Retiree and death benefit reserve	9,306,157
Contingency reserve	494,086
Total allocated reserves	15,093,162
Market stabilization reserve	1,376,365
Net position restricted for pension benefits and program administration	**$16,469,527**

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, 2026:

- 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.

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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

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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, 2026, 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)

	2026	2025	2024	2023	2022
Total pension liability					
Service cost	$318,999	$307,476	$287,892	$270,740	$264,372
Interest	1,047,509	1,008,109	964,837	912,500	873,481
Differences between expected and actual experience	(3,246)	28,692	96,174	279,701	74,494
Changes of assumptions	(75,531)	-	-	(20,664)	-
Benefit payments, including refunds of member contributions	(795,091)	(749,089)	(705,740)	(662,407)	(618,892)
Net change in total pension liability	492,640	595,188	643,163	779,870	593,455
Total pension liability - beginning	15,597,205	15,002,017	14,358,854	13,578,984	12,985,529
Total pension liability - ending (a)	**16,089,845**	**15,597,205**	**15,002,017**	**14,358,854**	**13,578,984**
Plan fiduciary net position					
Contributions - member	161,036	156,024	159,654	139,521	132,526
Contributions - employer	392,610	389,785	395,854	360,674	323,610
Contributions – withdrawn employer [1] [2] [3]	(3,572)	1,548	4,516	12,390	(14,284)
Net investment income/(loss)	2,153,329	1,483,286	1,104,629	710,907	(547,787)
Benefit paid	(787,200)	(741,844)	(698,773)	(655,591)	(614,345)
Withdrawal of contributions	(7,891)	(7,245)	(6,967)	(6,816)	(4,547)
Administrative expenses	(16,244)	(13,739)	(12,527)	(28,178)	(8,971)
Net change in plan fiduciary net position	1,892,068	1,267,815	946,386	532,907	(733,798)
Plan fiduciary net position - beginning	14,577,459	13,309,644	12,363,258	11,830,351	12,564,149
Plan fiduciary net position - ending (b)	**16,469,527**	**14,577,459**	**13,309,644**	**12,363,258**	**11,830,351**
Net pension liability - ending (a-b)	**(379,682)**	**$1,019,746**	**$1,692,373**	**$1,995,596**	**$1,748,633**
Plan fiduciary net position as a percentage of the total pension liability	102.4%	93.5%	88.7%	86.1%	87.1%
Covered payroll	$1,425,616	$1,358,447	$1,330,913	$1,175,393	$1,078,235
Net pension liability as a percentage of covered payroll	(26.6%)	75.1%	127.2%	169.8%	162.2%

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(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)

	2021	2020	2019	2018	2017
Total pension liability[1]					
Service cost	$265,224	$241,474	$238,685	$234,325	$193,490
Interest	855,203	830,663	783,932	747,682	706,016
Differences between expected and actual experience	74,045	50,651	165,493	18,566	(46,244)
Changes of assumptions	(324,177)	216,097	-	-	823,712
Benefit payments, including refunds of member contributions	(578,421)	(540,750)	(505,853)	(468,308)	(432,066)
Net change in total pension liability	291,874	798,135	682,257	532,265	1,244,908
Total pension liability - beginning	12,693,655	11,895,520	11,213,263	10,680,998	9,436,090
Total pension liability - ending (a)	**12,985,529**	**12,693,655**	**11,895,520**	**11,213,263**	**10,680,998**
Plan fiduciary net position					
Contributions – member	120,597	126,354	121,843	99,906	89,489
Contributions – employer	292,534	274,055	240,238	198,331	201,928
Contributions – withdrawn employer [1] [2] [3]	5,816	5,114	45,404	182	2,000
Net investment income/(loss)	2,753,409	301,373	675,726	844,489	1,048,915
Benefit paid	(575,329)	(537,698)	(502,944)	(465,354)	(429,754)
Withdrawal of contributions	(3,092)	(3,053)	(2,909)	(2,954)	(2,312)
Administrative expenses	(9,165)	(8,460)	(7,601)	(6,888)	(6,906)
Net change in plan fiduciary net position	2,584,770	157,685	569,757	667,712	903,360
Plan fiduciary net position – beginning	9,979,379	9,821,694	9,251,937	8,584,225	7,680,865
Plan fiduciary net position – ending (b)	**12,564,149**	**9,979,379**	**9,821,694**	**9,251,937**	**8,584,225**
Net pension liability – ending (a-b)	**$421,380**	**$2,714,276**	**$2,073,826**	**$1,961,326**	**$2,096,773**
Plan fiduciary net position as a percentage of the total pension liability	96.8%	78.6%	82.6%	82.5%	80.4%
Covered payroll	$1,034,343	$1,059,984 $	1,017,885	$985,375	$958,934
Net pension liability as a percentage of covered payroll	40.7%	256.1%	203.7%	199.0%	218.7%

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(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)

	2026	2025	2024	2023	2022
Actuarially determined contribution (ADC)	$392,610	$389,785	$395,853	$360,674	$323,610
Contributions in relation to the ADC	392,610	389,785	395,853	360,674	323,610
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$1,425,616	$1,358,447	$1,330,913	$1,175,393	$1,078,235
Contributions in relation to the ADC as a percentage of covered payroll	27.5%	28.7%	29.7%	30.7%	30.0%

	2021	2020	2019	2018	2017
Actuarially determined contribution (ADC)	$292,534	$274,055	$240,238	$198,331	$201,928
Contributions in relation to the ADC	292,534	274,055	240,238	198,331	201,928
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$1,034,343	$1,059,984	$1,017,885	$985,375	$958,934
Contributions in relation to the ADC as a percentage of covered payroll	28.3%	25.9%	23.6%	20.1%	21.1%

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Schedule of Annual Money-Weighted Rate of Return

FOR THE FISCAL YEARS ENDED JUNE 30

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Annual money-weighted rate of return, net of investment expenses	14.7%	11.1%	8.9%	6.0%	(4.3%)	27.4%	3.1%	7.2%	9.8%	13.6%

Notes To The Required Supplementary Information

For The Fiscal Year Ended June 30, 2026

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 2025-26 contribution rates reported in the Schedule of Employer Contributions:

Valuation date:	Actuarial valuation report as of June 30, 2024
Actuarial cost method:	Entry Age Actuarial Cost Method
Amortization method:	Level percentage 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 (11 years remaining as of June 30, 2024). 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 (AVA) is equal to the market value (or fair value) of assets (MVA) less unrecognized returns from each of the last seven years. Unrecognized returns are equal to the difference between the actual return and the expected return on the market value and are recognized over a seven-year period. The AVA is limited by a 30% corridor; the AVA cannot be less than 70% of MVA, nor greater than 130% of MVA.

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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	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%
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)**.	

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Changes in Methods and Assumptions in Net Pension Liability

Valuation date as of June 30, 2026:

2026
- The assumed post-retirement benefit increase is changed from 4.00% to 2.75% for Miscellaneous Tier 1 and Safety Tier 1 to reflect a closer estimated annual COLA for the tiers. In addition, the projected end-range on the increase of salary assumptions changed from 9.75% to 10.50%.

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.

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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.

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Other Supplementary Information

For the Fiscal Year Ended June 30, 2026

Schedule of Administrative Expenses

(Amounts Expressed in Thousands)

Administrative Expense	2026
Salaries and benefits	$10,001
Professional services	1,242
County allocated expenses	1,552
Information technology	1,137
Depreciation and amortization	787
Pension payroll services	330
Printing and postage	266
Interest and lease	225
Insurance Liability	221
Other	483
Total administrative expenses	**$16,244**

Schedule of Investment Fees and Expenses

(Amounts Expressed in Thousands)

Investment Expense	2026
Private equity	$85,806
Real assets	40,281
Equity	27,835
Absolute return	19,349
Credit	11,362
Real estate	10,301
Fixed income	5,504
Other investment expenses and fees	2,966
Investment consulting fees	1,901
Custodian fees	338
Total investment fees and expenses	**$205,643**

Schedule of Payments to Consultants

(Amounts Expressed in Thousands)

Consultant Expense	2026
Legal	$1,127
IT consulting	974
Actuarial	329
Medical consulting	94
Audit	74
Total consultant expense	**$2,598**

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SECTION 3: Investment

CORE VALUE

Excellence

We maintain high expectations of ourselves and focus on results.



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Chief Investment Officer's Report

Introduction

For the fiscal year ended June 30, 2026, the Sacramento County Employees' Retirement System (SCERS) generated a 14.8% return, net of fees. The strong fiscal year return was fueled by massive AI infrastructure corporate spending and resilient corporate earnings, despite several macroeconomic headwinds such as persistent inflation, rising bond yields, and the war in the Middle East. The 14.8% fiscal year return was well above SCERS' 6.75% actuarial rate of return and SCERS' policy index return of 13.6%. Assets under management ended the fiscal year at $16.5 billion, well ahead of the prior fiscal year's $14.5 billion level of assets.

SCERS' general investment consultant, Cerity (formerly Verus), prepared the investment returns cited in this transmittal using information it receives from SCERS' custodian bank and investment managers.

Market Overview

The 12 months spanning SCERS' fiscal year ending June 30, 2026 experienced two distinct halves. Through calendar year-end 2025 the story was a cooling labor market and a Federal Reserve (Fed) that cut interest rates three times while tariff-related inflation lingered. In 2026 the story flipped: the U.S.-Israel war with Iran (from Feb 28) and the closure of the Strait of Hormuz drove an energy shock, pushed headline inflation above 4%, and shifted central banks from easing toward tightening. Even so, U.S. equities finished near record highs, driven by earnings growth of more than 20% and a continued AI/tech-led rally.

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Federal Reserve policy

The federal funds rate began the period at 4.25–4.50% and the Fed cut the rate by 25 bp at each of the September, October and December 2025 meetings, to 3.50–3.75%, citing a softening labor market. Every one of those decisions drew dissents, reflecting a Fed Committee split between labor-market and inflation risks. The Fed then held the rate at every 2026 meeting through June. In June, new Fed Chairman Kevin Warsh chaired his first meeting and the Committee held the rate unanimously, but the projections turned hawkish, with inflation forecasts rising and projections of future rates hikes. After the end of SCERS' fiscal year, the Fed raised rates 25 bp on September 16, 2026, its first increase since 2023, with one additional 25 basis point rate hike projected before the end of 2026.

Inflation

Inflation remained a key headline throughout the fiscal year. Tariff increases enacted in 2025 pushed up goods prices, particularly in tariff-exposed categories such as household appliances and consumer electronics, even as businesses initially absorbed much of the cost rather than passing it to consumers. Headline CPI ran near 2.7% for the latter part of 2025 and early in 2026, then increased on the oil shock due the war with Iran and the closure of the Strait of Hormuz, rising above 3.0% and peaking at 4.2% in May of 2026. Headline CPI sits at 3.4% as of September of 2026 as the war continues. Core CPI, which excludes food and energy, sits at 2.4% and closer to the Fed's target of 2.0%; however, food and energy are essential components to the economy and prices are having a significant impact on consumers.

GDP

During the fiscal year, growth was strong and then uneven. Real GDP grew 4.4% annualized in the third quarter of 2025, slowed to 0.5% in the fourth quarter (a quarter that included the government shutdown),

and recovered to 2.5% and 2.2% in the first and second quarters of 2026, respectively. Recent drivers of growth have been resilient consumer spending and business investment, with net imports detracting from growth. Though growth overall has been fairly robust, many economists point to the K-shape of the current economy, which describes a bifurcated economic state where high-income earners and asset owners are thriving while lower- and middle-income households face mounting financial strain, a "have vs. have-not" economy.

Employment

The labor market has shifted into what many economists have termed a "low-hire, low-fire" equilibrium: layoffs remain historically low but hiring and job openings have slowed. Monthly payroll gains experienced volatility during the year, alternating between sharp gains and losses. Total net jobs created during SCERS' fiscal year amounted to 414,000, with a monthly average of 34,500 jobs. This number is down significantly from the prior year (June 30, 2024 to June 30, 2025), when an average of 186,000 jobs were created per month. During SCERS' fiscal year, the unemployment rate rose from 4.1% in mid-2025 to 4.6% in November, the highest since 2021, then eased to 4.3% in early 2026, and sits at 4.1% as of September 2026.

Outside the U.S.

- **Euro area:** The European Central Bank (ECB) held its deposit rate at 2.0% for a year, then hiked 25 bp to 2.25% in June of 2026, its first increase since 2023, citing energy-driven inflation. Inflation in the region has hovered around 3.0% as of June 2026, while GDP has been coming in well below 1.0%.
- **United Kingdom:** The Bank of England cut its Bank Rate from 4.25% to 3.75% over the period, then held in June 2026. CPI has also come in at around 3.0% with GDP also well below 1.0%.
- **Japan:** The Bank of Japan (BoJ) continued normalizing its rate, from 0.50% in mid-2025 to 0.75% and then 1.00% in June 2026, the highest since 1995. The yen sat near 160 per dollar, prompting a reported ¥11.7 trillion of intervention in May.
- **China:** Growth slowed through the period, from 5.4% early in 2025 to 4.3% in the second quarter of 2026, the weakest since late 2022 and below the 4.5–5% target. Fixed-asset investment fell 5.7% year to date, and property weakness and soft consumption fueled calls for stimulus.

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Financial market performance

All market segments generated positive returns during SCERS' 2025-26 fiscal year. Major global market returns for the fiscal year were as follows:

- Domestic equity markets (Russell 3000 Index) returned 22.8%;
- International equity markets (MSCI ACWI ex US) returned 27.7%;
- Emerging equity markets (MSCI Emerging Markets Index) returned 43.5%;
- Fixed income markets (Bloomberg US Aggregate Index) returned 3.8%;
- Absolute return markets (HFRI Fund of Funds Composite Index) returned 15.3%;
- Real estate markets (NFI-ODCE) returned 4.4%;
- And commodities (Bloomberg Commodity Index) returned 25.5%.

Within equity markets, value stocks returned 27.1% (Russell 1000 Value Index) reversing a multi-year trend of underperforming growth stocks, which returned 17.7% (Russell 1000 Growth Index), fueled partly by a rotation of AI infrastructure spending from mega-cap growth stocks to more value-oriented sectors such as industrials, energy, utilities, and materials. Small capitalization stocks returned an impressive 40.8% (Russell 2000 Index), outperforming large capitalization stocks at 22.0% (Russell 1000 Index). International stocks at 27.7% (MSCI ACWI ex-US Index) outperformed U.S. equities, benefitting from more attractive valuations than U.S. stocks, U.S. dollar weakness, and a rotation away from U.S. large cap growth stocks.

Fixed income markets generated moderate returns during SCERS' fiscal year. Treasuries generated returns of 2.7% (Bloomberg U.S. Treasury Index), as longer duration Treasury yields experienced volatility during the year, with the 10-year yield increasing moderately from 4.28% on June 30, 2025, to 4.44% on June 30, 2026. The credit sectors performed well, with high yield bonds returning 5.9% (Bloomberg U.S. Corporate High Yield Index), and investment grade corporate credit returning 4.3% (Bloomberg U.S. Credit Index). Credit spreads remain near historic lows. The broad-based Bloomberg Aggregate index, which contains an equal mix of Treasuries, agency mortgages, and investment grade credit, generated a return of 3.8%.

While SCERS has benefitted from the strong returns that have been generated within the portfolio this past fiscal year, we are reminded that many risks exist including geopolitical uncertainty, persistent inflation, and potentially overextended artificial intelligence spending, that can possibly disrupt markets. SCERS' investment program is designed to help SCERS navigate those challenges while supporting the retirement security of our members.

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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:

- 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.

- Generate returns in excess of policy benchmarks at the total fund and asset class levels over rolling three-year periods.
- 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.

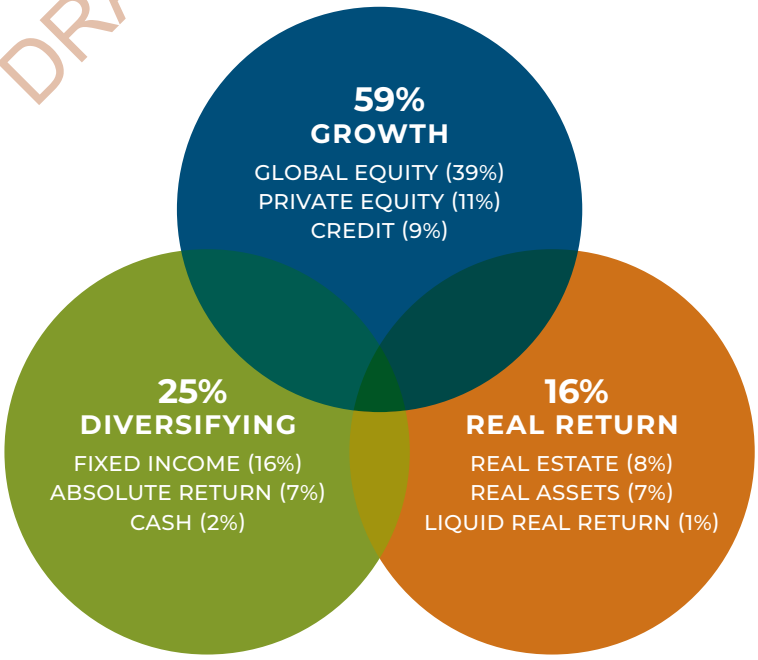
Asset Allocation

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 Cerity (formerly 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

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Asset Categories



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.

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 unexpectantly. 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.

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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 2026, SCERS continued with the implementation of strategic asset allocation changes approved by the Board earlier in 2025. Implementation activity during 2025 included conducting manager searches within the public market asset classes and meaningful implementation within the private markets, consistent with Board-approved annual investment plans.

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 new investment initiatives.

SCERS utilizes external investment managers to invest the System's assets. As of June 30, 2026, SCERS' assets were invested across:

	Separate Account Portfolios	Commingled Funds	Limited Partnerships	Total
Global Equity	8	9	-	17
Fixed Income	5	-	-	5
Absolute Return	1	-	13	14
Private Equity	1	-	92	93
Credit	2	-	29	31
Real Assets	1	-	40	41
Real Estate	-	-	31	31
Liquid Real Return	-	1	-	1
	18	**10**	**205**	**233**

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Significant investment activity during the fiscal year included the following:

- In Global Equity, SCERS terminated a $380 million mandate with an International Equity manager, terminated a $145 million mandate with a Domestic Equity manager, invested $250 million with a Global Equity manager, and invested $450 million with an International Equity manager during the fiscal year.
- In Absolute Return, SCERS redeemed $53 million from one fund, added $15 million to an existing manager, and made two new direct absolute return investments of $100 million in aggregate during the fiscal year.
- In Private Equity, SCERS made six new direct private equity fund commitments of $285 million in aggregate during the fiscal year.
- In Credit, SCERS made four new direct credit fund commitments of $183 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 one new direct real estate fund commitment of $50 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

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capital back to SCERS, while newer funds draw down capital and make new investments.

During the fiscal year, SCERS changed custodial banks from State Street Bank and Trust to Northern Trust. In addition to asset custody services, Northern Trust provides securities lending services to SCERS. For the fiscal year ended June 30, 2026, SCERS earned a net income of approximately $1.2 million from securities lending.

State Street Investment Management administers a portfolio overlay program for SCERS. 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'. State Street Bank and Trust also administered a brokerage commission recapture program for SCERS through most of the fiscal year and received commission recapture income of approximately $39,000.

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:

- Private market co-investments;
- Affordable housing strategies in real estate;
- Overview on performance reporting methodologies;
- Overlay program and portfolio rebalancing;
- And private credit market dynamic.

During the fiscal year, SCERS also hosted its annual investment forum in which many of SCERS' investment managers, consultants, and investment staff participated in presentations and panel discussions across SCERS' asset classes for the Board.

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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, 2026, 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, Cerity, 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.

For the fiscal year ending June 30, 2026, SCERS' total fund return was 14.8%, 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 13.6%. 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 11.6% net of fees, which was well above the actuarial return objective of 6.75%, and above SCERS' policy benchmark return of 10.9%. Over the longer trailing five-year and ten-year periods, SCERS' annualized investment return was 7.3%, and 9.6%, 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 7.0% and 8.6%, respectively.

SCERS also assesses its investment performance relative to a peer group of other public funds utilizing a series of universe comparisons provided by Cerity. For the fiscal year, the median public fund in the InvestorMetrics Universe of public funds with assets of greater than $1 billion was 14.5%. SCERS' net return of 14.8% ranked in the 40th percentile. Over the three-, five-, and ten-year periods, SCERS ranked in the 55th, 16th, and 12th percentiles, respectively.

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Growth Asset Category

The Growth asset category is comprised of the following asset classes: Global Equity, Private Equity, and Credit. The Growth asset category returned 20.5% for the fiscal year, net of fees, SCERS' best performing asset category. It was led by Global Equity (public equities) (24.0%), in addition to strong returns across Private Equity (15.1%) and Credit (6.7%). The Growth asset category return of 20.5% exceeded the policy benchmark return of 20.0%. For the three-year period, SCERS' Growth asset category annualized return was 16.4%, net of fees, slightly above the policy benchmark return of 16.2%. 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 6.0% for the fiscal year, net of fees, benefitting from moderate returns within Fixed Income (3.9%) and strong returns within Absolute Return (10.5%). Cash returned 3.9%. The Diversifying asset category return of 6.0% exceeded the policy benchmark return of 5.5%. For the three-year period, SCERS' Diversifying asset category annualized return was 5.5%, net of fees, above the policy benchmark return of 5.1%. 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 8.5%, net of fees. Liquid Real Return led performance, returning 15.2% during the fiscal year, followed by Real Assets, which returned 10.2%, followed by Real Estate with a 4.2% return. The Real Return asset category return of 8.5% exceeded the policy benchmark return of 7.8%. For the three-year period, SCERS' Real Return asset category annualized return was 4.3%, net of fees, which was above the policy benchmark return of 3.3%. 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 SSIM 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,



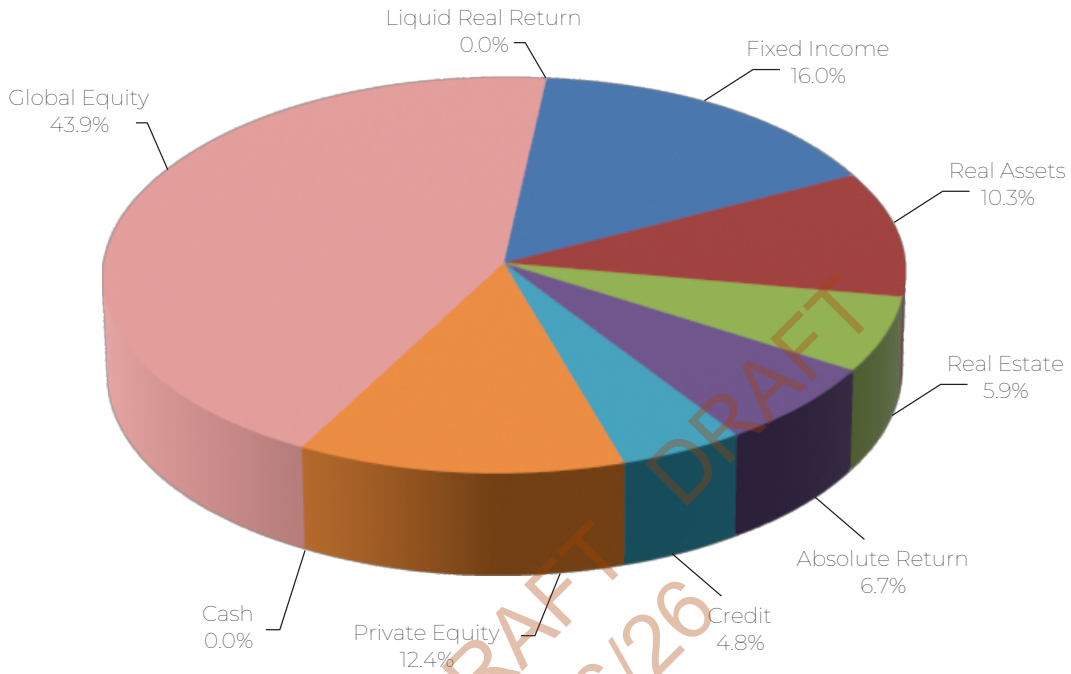
STEVE DAVIS
Chief Investment Officer

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Asset Allocation

Actual Asset Allocation

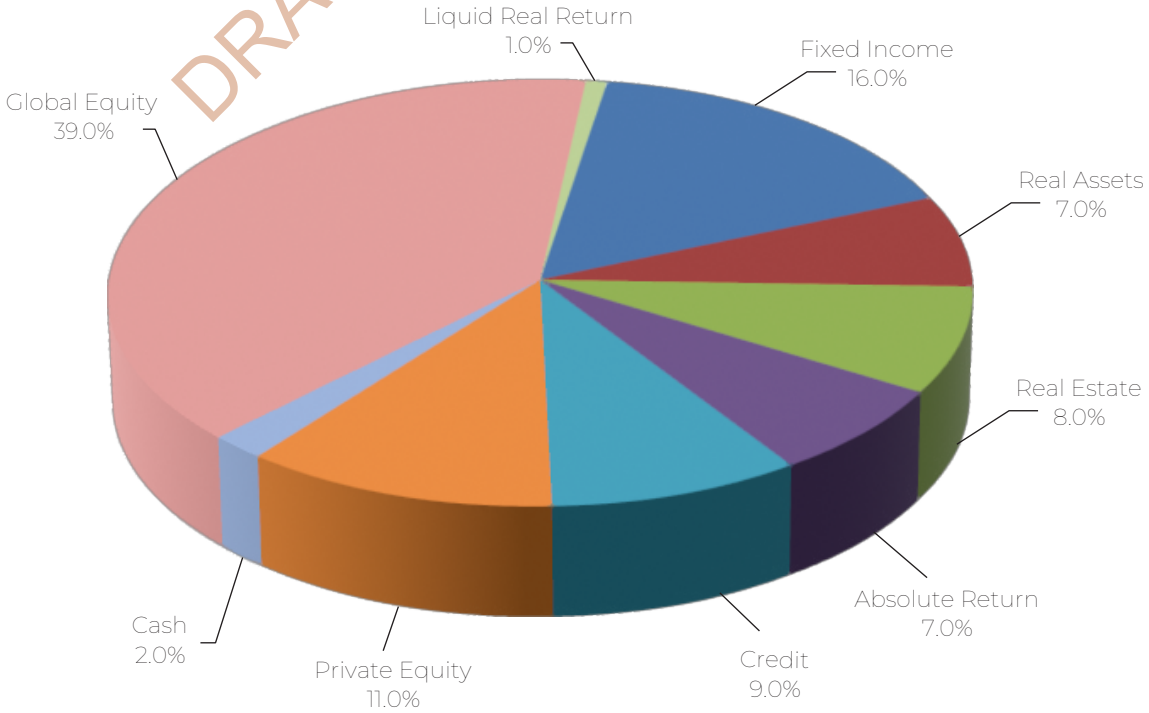
AS OF JUNE 30, 2026



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Target Asset Allocation

AS OF JUNE 30, 2026



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Investment Results

FOR THE PERIOD ENDED JUNE 30, 2026

	Annualized		
	1 Year	3 Years	5 Years
Growth Asset Category[1]	**20.5 %**	**16.4 %**	**9.6 %**
Benchmark: Growth Custom[1]	20.0 %	16.2 %	9.8 %
Global Equity	**24.0**	**19.5**	**10.2**
Benchmark: MSCI ACWI IMI	24.2	19.5	10.6
Private Equity	**15.1**	**10.0**	**9.0**
Benchmark: Cambridge Associates All PE 1 Qtr Lag[6]	10.3	7.0	7.8
Credit	**6.7**	**-**	**-**
Benchmark: Cambridge Associates U.S. Private Credit 1 Qtr Lag[2]	4.3	-	-
Diversifying Asset Category[1]	**6.0**	**5.5**	**2.0**
Benchmark: Diversifying Custom[1]	5.5	5.1	1.5
Fixed Income	**3.9**	**4.3**	**0.3**
Benchmark: Fixed Income Custom[8]	3.7	4.4	0.4
United States Treasury	**2.8**	**3.3**	**-0.3**
Benchmark: Blmbg US Treasury Index	2.7	3.2	-0.4
Absolute Return	**10.5**	**7.8**	**5.5**
Benchmark: HFRI Fund of Funds Conservative Index	10.5	7.7	5.3
Cash	**3.9**	**4.7**	**3.6**
Benchmark: Secured Overnight Financing Rate	4.0	4.8	3.7

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	Annualized		
	1 Year	3 Years	5 Years
Real Return Asset Category[1]	**8.5 %**	**4.3 %**	**6.5 %**
Benchmark: Real Return Custom[1]	7.8 %	3.3 %	6.0 %
Real Estate	**4.2**	**-1.6**	**2.1**
Benchmark: Real Estate Custom[5]	4.3	-1.1	3.0
Real Assets	**10.2**	**8.0**	**11.9**
Benchmark: Private Real Assets Custom[3]	11.5	8.1	10.5
Liquid Real Return	**15.2**	**9.8**	**6.3**
Benchmark: SSgA Real Asset[4]	13.9	8.9	5.7
SCERS Total Fund - Gross	15.0	11.8	7.5
SCERS Total Fund - Net	**14.8**	**11.6**	**7.3**
Benchmark: Policy Index[7]	13.6	10.9	7.0

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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.

1 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.

2 Credit is a combination of private credit and public credit and consists of the Cambridge Associates U.S. Private Credit 1 Qtr Lag and the Credit Suisse Leveraged Loan +2% 1 Qtr Lag benchmarkets.

3 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%.

4 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.

5 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.

6 As of 4/1/17, the Private Equity benchmark consists of 100% Thomson Reuters C|A All PE 1 Qtr Lag. From 1/1/12- 3/31/17 the benchmark consisted of 100% Russell 1000 +3% 1QL.

7 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 C|A 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.

8 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, 2026

(Amounts Expressed in Thousands)

	Fair Value*	Percentage of Total Investments
Type of investments		
Equity	$7,035,935	42.03%
Fixed income	2,557,717	15.28
Real assets	1,660,576	9.92
Real estate	946,783	5.66
Absolute return	1,067,431	6.38
Credit	773,259	4.62
Private equity	1,981,042	11.84
Total investments at fair value	**16,022,743**	**95.73**
Cash and short-term investments		
Cash and short-term investments (unallocated)	710,477	4.24
Cash invested with Sacramento County Treasurer	5,290	0.03
Total cash and short-term investments	715,767	4.27
Total investments	**$16,738,510**	**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.

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Summary of Manager Fees

FOR THE FISCAL YEAR ENDED JUNE 30, 2026

(Amounts Expressed in Thousands)

Type of Investment	Assets Under Management*	Manager Fees
Equity	$7,035,935	$27,835
Fixed income	2,557,717	5,504
Real assets	1,660,576	40,281
Real estate	946,783	10,301
Absolute return	1,067,431	19,349
Credit	773,259	11,362
Private equity	1,981,042	85,806
Total	**$16,022,743**	**$200,438**

Source: Northern Trust 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, 2026

Brokerage Firm	Commission Per Share*	Shares/Par Value	Total Commission*
Barclays Capital Inc.	$0.0063	1,966,082	$12,357
BNP Paribas Arbitrage S.N.C.	0.0167	773,963	12,953
BNY ConvergEx Execution Solutions LLC	0.0297	447,407	13,305
BOFA Securities, Inc.	0.0039	2,945,730	11,565
Capital Institutional Services, Inc.	0.0298	1,562,363	46,615
Citadel Securities Institutional LLC.	0.0223	612,079	13,661
Citigroup Global Markets Europe AG	0.0054	10,497,062	56,534
Citigroup Global Markets Limited	0.0030	10,755,647	32,596
Citigroup Global Markets, Inc.	0.0034	21,233,721	72,159
Deutsche Bank AG	0.0149	7,476,198	111,188
Goldman Sachs & Co. LLC.	0.0051	7,940,022	40,801
Instinet Europe Limited	0.0055	2,768,793	15,122
Instinet U.K. Limited	0.0067	2,178,382	14,682
J.P. Morgan Securities LLC	0.0067	3,446,632	23,037
J.P. Morgan Securities PLC	0.0039	3,541,342	13,676
Jefferies, LLC	0.0049	7,054,520	34,458
Liquidnet, Inc	0.0320	454,010	14,512
Mizuho Securities USA LLC	0.0056	2,053,790	11,552
Morgan Stanley & Co. LLC	0.0060	2,937,425	17,648
Morgan Stanley Co Incorporated	0.0027	14,587,006	38,872
RBC Capital Markets, LLC	0.0334	583,685	19,483
RBC Dominion Securities, Inc.	0.0115	1,495,007	17,146
Societe Generale S.A	0.0083	3,256,021	27,136
State Street Bank and Trust Company	0.0074	6,133,131	45,153
UBS AG	0.0036	7,886,352	28,137
UBS AG (London Branch)	0.0064	2,211,283	14,073
UBS Securities LLC	0.0053	2,262,475	12,092
Virtu Americas LLC	0.0296	550,902	16,317
William Blair & Company, LLC	0.0338	334,675	11,302
All Other Brokerage Firms**	0.0039	83,395,366	321,263
Total Brokerage Commissions	**$0.0052**	**213,341,071**	**$1,119,395**
Brokerage Commission Recapture			(42,587)
Net Brokerage Commissions			**$1,076,808**

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* 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.

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Ten Largest Equity Securities (By Fair Value)

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

Rank	Shares	Security Name	Fair Value
1	714,444	Nvidia Corp.	$142,953
2	418,258	Apple Inc.	121,027
3	286,409	Microsoft Corp.	106,836
4	433,534	Amazon Com Inc.	103,328
5	204,826	Alphabet Inc. Class C	72,371
6	35,124	Asml Holding NV	69,127
7	158,442	Alphabet Inc. Class A	56,622
8	143,960	Broadcom Inc.	54,381
9	39,668	Micron Technology Inc.	45,788
10	78,784	Meta Platforms Inc. Class A	44,378
Total of ten largest equity holdings			**$816,811**

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

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Ten Largest Debt Securities (By Fair Value)

AS OF JUNE 30, 2026

(Amounts Expressed in Thousands)

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value
1	77,630,000	United States Treasury Notes	3.63%	10/31/2030	$75,877
2	72,227,000	United States Treasury NTS DTD	4.13%	5/31/2031	71,962
3	68,702,000	United States Treasury NTS	4.25%	8/15/2035	67,827
4	53,644,000	United States Treasury NTS	4.13%	6/30/2028	53,617
5	38,625,000	FNMA 30 Year Pass-Throughs	5.50%	N/A	38,694
6	36,740,000	United States Treasury N/B	3.88%	8/15/2034	35,487
7	35,065,000	United States Treasury NTS	4.13%	6/30/2031	34,942
8	35,385,000	United States Treasury Notes	3.50%	11/15/2028	34,853
9	34,951,000	United States Treasury BDS	4.63%	11/15/2045	33,569
10	33,490,000	United States Treasury Notes	4.00%	7/31/2032	33,006
Total of ten largest debt securities					**$479,834**

Note: A complete list of debt securities is available upon request.

Investment Managers

AS OF JUNE 30, 2026

Global Equity

Acadian Asset Management
AllianceBernstein
Allspring Global Investments
Amova Asset Management
AQR Capital Management
ARGA Investment Management
Artisan Partners Asset Management
Baillie Gifford
D. E. Shaw
Eagle Capital Management
J.P. Morgan Asset Management
Lazard
LSV Asset Management
Man Group
Oaktree Capital Management
Snyder Capital Management
Walter Scott & Partners Limited
Weatherbie Capital
William Blair Investment Management

Fixed Income

Brandywine Global Investment Management
Brigade Capital Management
Neuberger Berman
PGIM
Reams Asset Management
TCW

Liquid Real Return

State Street Investment Management

Real Assets

Aberdeen Investments
Agriculture Capital Management
Ara Partners
ArcLight Capital Partners
BlackRock
Brookfield Asset Management
Carlyle
Digital Colony Management
EnCap Investments
EQT Partners
Equilibrium Capital Management
Harrison Street Real Estate Capital
I Squared Capital
IFM Investors
KKR
Manulife Investment Management
Meridiam
NGP Energy Capital Management
Paine Schwartz Partners
Pantheon Ventures
Quantum Capital Group
Ridgewood Infrastructure
Stonepeak Partners
Tailwater Capital

Real Estate

Asana Partners, LLC
Blue Owl[AP].I]
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
BlackRock
Capula Investment Management
Elliott Investment Management
GCM Grosvenor
Graham Capital Management
Hudson Bay Capital Management
Junto Capital Management

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Investment Managers

AS OF JUNE 30, 2026

Laurion Capital Management
Marshall Wace
PSquared Asset Management
Tudor

Credit

Ares Capital Management
Athyrium Capital Management
Benefit Street Partners
BlackRock
Brookfield Asset Management
Comvest Credit Partners
Diameter Capital Partners
IFM Investors
Metric Capital Partners
OrbiMed Advisors
Shamrock Capital Advisors
Silver Point Capital
Sky Leasing
Stonepeak Partners
Summit Partners

Private Equity

Abbott Capital Management
Accel-KKR
Alchemy Special Partners
Ardian
Atalaya Capital Management
Blue Owl Capital
Canvas Management Company
Cortec Group Management Services
CRV
CVC Capital Partners
Davidson Kempner Capital Management
Garrison Investment Group
Gridiron Capital
H.I.G. Capital
HarbourVest Partners
J.F. Lehman & Company
Khosla Ventures
Linden Capital Partners
Main Capital Partners
Marlin Equity Partners
New Enterprise Associates
Oaktree Capital Management
OrbiMed Advisors
RCP Advisors
Resurgens Technology Advisors
RRJ Capital
Shamrock Capital Advisors
Sixth Street Partners
Spectrum Equity Management
Strategic Value Partners
Summit Partners
The Riverside Company
Thoma Bravo
Threshold Ventures
Trinity Ventures
TSG Consumer Partners
Water Street Healthcare Partners
Waterland Private Equity Investments
Wayzata Investment Partners
Wynnchurch Capital

Overlay Program

State Street Investment Management

Investment Consultant

Cliffwater
Townsend
Cerity Partners

Proxy Advisor

Institutional Shareholder Services

Legal Counsel

Foley & Lardner, LLP
Nossaman, LLP

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 - porftolio analytics and investment accounting third-party service provider
XTP - investment transparency and risk consulting

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SECTION 4: Actuarial

CORE VALUE

Responsibility

We take ownership of our work, embrace ethical behavior, and act with integrity and honesty.

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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, 2025, actuarial experience study, which was adopted by the Board in August 2026. These assumptions and methods were used to complete the June 30, 2026, 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:	4.50% to 10.75%, 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	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%

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Post-Retirement Mortality Rates:	
a) Service	**Miscellaneous Members - Pub-2016** 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-2016 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-2016** 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-2016 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-2016** 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-2016 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, 2025, Actuarial Experience Study.
Pre-Retirement Mortality Rates:	**Miscellaneous Members - Pub-2016** 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-2016 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-2016** 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-2016 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.

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Mortality Rates for Disabled Member:	**Miscellaneous Members - Pub-2016** 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-2016 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, 2025 Actuarial Experience Study	**Miscellaneous Members -** 60% of disabled Miscellaneous members would receive a duty disability, and 40% 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 - 54
Percentage Eligible for Reciprocal Benefits:	**Miscellaneous Members -** 20% Safety Members - 30%
Actuarial Value of Assets:	Market value of assets (MVA) 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 market 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 market value of assets, nor greater than 130% of market value of assets.
Valuation Value of Assets:	Actuarial value of assets reduced by the value of non-valuation reserves and amounts.
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.

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Projected Salary increase:	Increased to 4.50% - 10.75% from 4.25% - 9.75%
Mortality:	Updated healthy and disabled mortality tables from Pub-2010 to Pub-2016, adjusted for SCERS experience.
Disability:	Revised disability incidence assumptions, decreasing for Miscellaneous members and increasing for Safety members.
Termination and retirement:	Updated withdrawal, vested termination, and retirement rates based on actual experience.
Unused sick leave:	Reduced Safety member conversion assumption from 2.25% to 2.00%; Miscellaneous remained at 1.50%.
Reciprocity:	Reduced assumed reciprocal system participation from 25% to 20% for Miscellaneous and 35% to 30% for Safety members.

Summary of Plan Provisions

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through June 30, 2026, that are applicable to the Sacramento County Employees' Retirement System, a cost-sharing multiple-employer defined benefit pension plan.

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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 Tier4. 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.

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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	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.

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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*
6/30/2026	Miscellaneous	11,868	$1,191,842	$100.4	4.34%
	Safety	2,198	306,894	139.6	2.05
	Total	14,066	$ 1,498,736	$106.6	3.88%
6/30/2025	Miscellaneous	11,780	1,133,839	$96.3	3.76%
	Safety	2,172	297,176	136.8	1.92%
	Total	13,952	$1,431,014	$102.6	3.35%
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%

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Source: Actuarial Valuation reports from June 30, 2017, through 2026.

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
6/30/2026	14,606	740	349	14,997	$810,239	$57,906	$14,412	5.67%	$54,027
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

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.

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Actuarial Analysis of Financial Experience

(Amounts Expressed in Millions)

	Plans Year Ended June 30									
	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Prior Valuation Unfunded Actuarial Liability	$1,984	$2,191	$2,307	$2,286	$2,380	$2,464	$2,192	$2,090	$2,016	$1,200
Salary Increase Greater (Less) than Expected	19	17	89	221	7	(36)	11	(24)	(40)	(3)
Asset Return Less (Greater) than Expected	(311)	(137)	(86)	(145)	(147)	3	20	8	6	3
Other Experience	(126)	(87)	(119)	(34)	46	(51)	25	118	108	(8)
Economic and Non-Economic Assumption Changes	(75)	-	-	(21)	-	-	216	-	-	824
Ending Unfunded Actuarial Accrued Liability	**$1,491**	**$1,984**	**$2,191**	**$2,307**	**$2,286**	**$2,380**	**$2,464**	**$2,192**	**$2,090**	**$2,016**

Source: Prepared using extracted data from Actuarial Valuations from June 30, 2017 through 2026.

Schedule of Funded Liabilities by Type

(Amounts Expressed in Thousands)

	Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	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)
6/30/2026	$1,269,501	$10,729,784	$4,090,560	$16,089,845	$15,093,162	100%	100%	76%
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

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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.

6/30/2022 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)
6/30/2026	$15,093,162	$16,089,845	$996,683	93.8%	$1,498,739	66.5%
6/30/2025	14,049,891	15,597,205	1,547,314	90.1	1,431,014	108.1
6/30/2024	13,209,968	15,002,017	1,792,049	88.1	1,358,649	131.9
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

Source: Prepared using extracted data from Actuarial Valuations from June 30, 2017, through 2026.

* Includes contingency reserve and retiree death benefit reserves.

** Covered payroll is based on actuarial assumed salary growth.

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Probabilities of Separation Prior to Retirement

Mortality Rate (%)

	Miscellaneous		Safety	
Age	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.

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Disability Rate (%)

Age	Miscellaneous	Safety
20	0.00%	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, 2026.

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

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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, 2026.



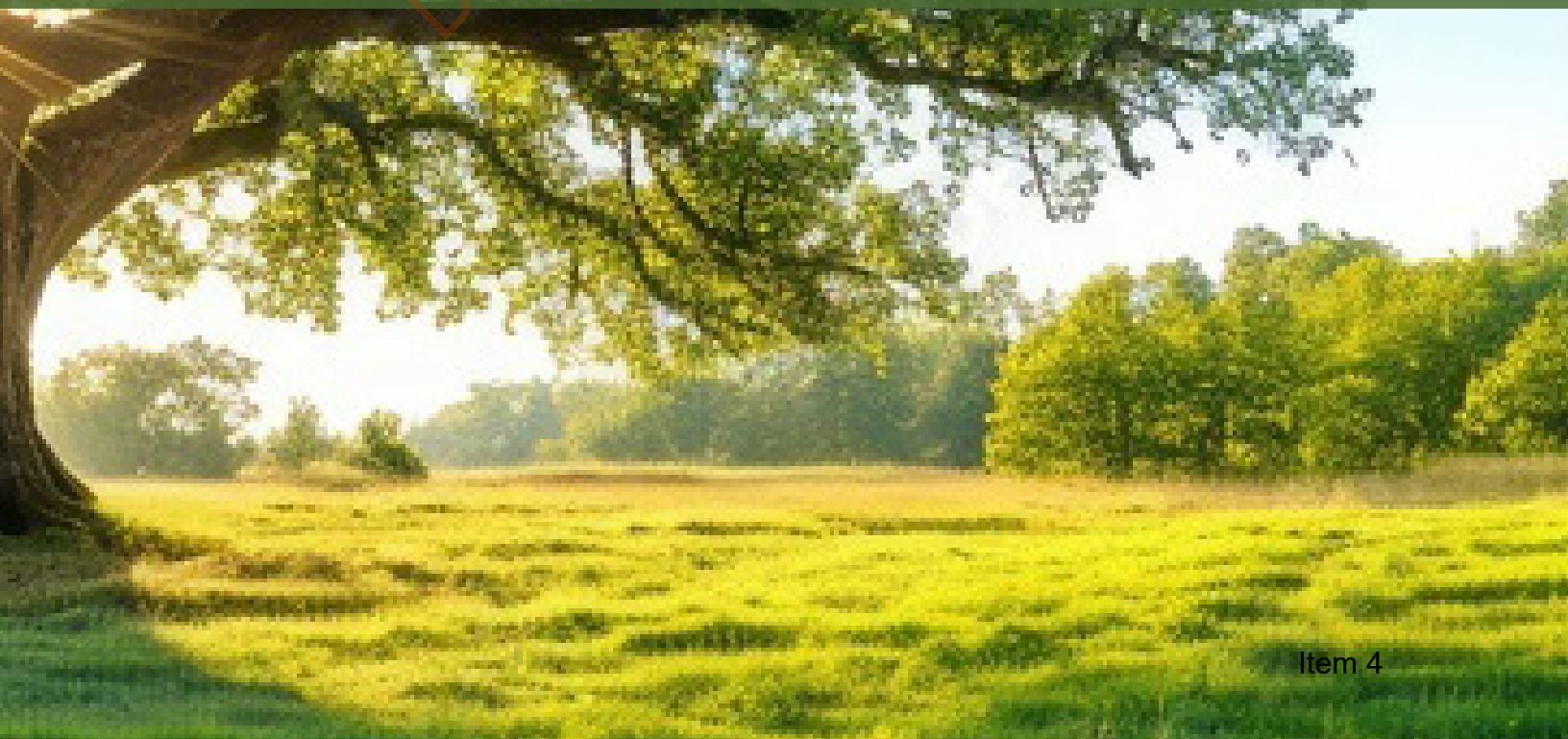
SECTION 5: Statistical

CORE VALUE

Solutions

We work as one team to ensure SCERS meets its mission.

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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 104** to **109**. 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 104**, **106** to **108**. The schedules contain information regarding the contribution amount and rate history for the last ten years.

Demographic and economic information is presented on **pages 110** to **116**. 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 115** to **117**. 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.

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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
2026	$161,036	$386,688	$2,153,330	$2,350	$38,984	$2,742,388
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

Source: Audited Financial Statements from June 30, 2017, through 2026.

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Schedule of Deductions by Type

(Amounts Expressed in Thousands)

	Benefits Paid						
Year Ended June 30	Retirement Benefits*	Survivor Benefits	Retiree Death Benefits	Administrative Expenses	Withdrawal Contributions	Health Premiums Remitted	Total
2026	$781,975	$4,024	$1,201	$16,244	$7,892	$38,984	$850,320
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

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

Source: Audited Financial Statements from June 30, 2017, through 2026 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	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Salaries and Benefits	$10,001	$9,010	$8,016	$6,553	$5,588	$5,585	$5,439	$5,128	$4,078	$3,984
County Allocated Expenses	1,552	1,052	894	1,071	686	1,143	852	488	557	-
Professional Services	1,242	1,100	1,309	646	815	751	649	606	879	1,149
Interest and Lease**	225	271	300	287	847	530	524	582	557	488
Information technology	1,137	422	349	742	272	632	365	133	157	-
Printing and postage	266	318	263	44	225	190	215	177	202	-
Pension Administration Project Impairment	-	-	-	17,131	-	-	-	-	-	-
Pension Payroll Services	330	223	278	376	312	177	182	185	208	-
Insurance Liability	221	224	207	156	129	96	92	97	89	-
Depreciation and Amortization	787	759	730	579	-	-	-	-	-	27
Equipment Purchases and Maintenance	-	-	-	-	-	-	-	-	-	61
Other	483	360	181	593	97	61	142	205	161	1,197
Total	**$16,244**	**$13,739**	**$12,527**	**$28,178**	**$8,971**	**$9,165**	**$8,460**	**$7,601**	**$6,888**	**$6,906**

Source: Audited Financial Statements from June 30, 2017, through 2026.

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Schedule of Changes in Fiduciary Net Position

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2026	2025	2024	2023	2022
Member contributions	$161,036	$156,024	$159,654	$139,521	$132,526
Employer contributions	386,688	389,042	397,981	371,248	306,335
Net investment income/(loss)	2,153,330	1,483,286	1,104,629	710,906	(547,786)
Other income	2,350	2,291	2,389	1,816	2,990
Health premiums collected	38,984	36,541	33,587	34,620	32,644
Total additions	2,742,388	2,067,184	1,698,240	1,258,111	(73,291)
Benefits paid					
Service benefits	781,975	736,946	694,137	650,934	609,516
Survivor benefits	4,024	3,810	3,595	3,538	3,206
Death benefits	1,201	1,088	1,041	1,119	1,623
Withdrawals					
Death	1,945	1,354	647	566	972
Separation	5,946	5,891	6,320	6,249	3,575
Miscellaneous	1	-	-	-	-
Administrative expenses	16,244	13,739	12,527	28,178	8,971
Health premiums remitted	38,984	36,541	33,587	34,620	32,644
Total deductions	850,320	799,369	751,854	725,204	660,507
Change in net position	**1,892,068**	**1,267,815**	**946,386**	**532,907**	**(733,798)**
Net position, beginning	14,577,459	13,309,644	12,363,258	11,830,351	12,564,149
Net position, ending	**$16,469,527**	**$14,577,459**	**$13,309,644**	**$12,363,258**	**$11,830,351**

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Schedule of Changes In Fiduciary Net Position (continued)

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2021	2020	2019	2018	2017
Member contributions	$120,597	$126,354	$121,843	$99,906	$89,489
Employer contributions	295,269	276,230	285,642	198,513	203,928
Net investment income/(loss)	2,753,409	301,373	672,786	841,370	1,048,915
Other income	3,081	2,939	2,940	3,119	-
Health premiums collected	32,362	-	-	-	-
Total additions	3,204,718	706,896	1,083,211	1,142,908	1,342,332
Benefits paid					
Service benefits	571,304	534,026	498,939	461,808	426,292
Survivor benefits	2,954	2,804	2,803	2,625	2,479
Death benefits	1,071	868	1,202	921	983
Withdrawals					
Death	218	259	826	704	298
Separation	2,774	2,745	2,022	2,173	1,974
Miscellaneous	100	49	61	77	40
Administrative expenses	9,165	8,460	7,601	6,888	6,906
Health premiums remitted	32,362	-	-	-	-
Total deductions	619,948	549,211	513,454	475,196	438,972
Change in net position	**2,584,770**	**157,685**	**569,757**	**667,712**	**903,360**
Net position, beginning	9,979,379	9,821,694	9,251,937	8,584,225	7,680,865
Net position, ending	**$12,564,149**	**$9,979,379**	**$9,821,694**	**$9,251,937**	**$8,584,225**

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Source: Audited Financial Statements from June 30, 2017, through 2026.

Schedule of Employer Contribution Rates

COUNTY[1]

Actuarial Valuation Date	Miscellaneous					Safety			
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 1	Tier 2	Tier 3	Tier 4
6/30/2026	N/A	16.89%	19.62%	19.49%	18.27%	60.83%	52.24%	50.94%	45.09%
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

SACSEWER

Actuarial Valuation Date	Miscellaneous			
	Tier 2	Tier 3	Tier 4	Tier 5
6/30/2026	21.78%	24.46%	20.20%	19.08%
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

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	COURT				SPECIAL DISTRICTS		
	Miscellaneous				Safety		
Actuarial Valuation Date	Tier 1	Tier 2	Tier 3	Tier 5	Tier 1	Tier 2	Tier 3
6/30/2026	N/A	20.80%	24.16%	18.24%	N/A	30.74%	24.99%
6/30/2025	21.04	22.40	26.04	20.09	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

Source: Actuarial Valuation reports from June 30, 2017, through 2026.

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 Sac Sewer.

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Schedule of Benefits Paid and Withdrawals By Type

FOR THE LAST TEN FISCAL YEARS ENDED JUNE 30

(Amounts Expressed in Thousands)

	2026	2025	2024	2023	2022
Type of Benefit					
Service retirement benefits	$781,975	$736,946	$694,137	$650,934	$609,516
Survivor benefits	4,024	3,810	3,595	3,538	3,206
Death benefits- before retirement	-	-	75	189	578
Death benefits- after retirement	1,201	1,088	966	930	1,046
Total Benefit Paid	**787,200**	**741,844**	**698,773**	**655,591**	**614,345**
Type of Withdrawal					
Death	$1,945	$1,354	$647	$566	$972
Separation	5,946	5,891	6,320	6,249	3,575
Miscellaneous	1	-	-	-	-
Total Withdrawals	**$7,892**	**$7,245**	**$6,967**	**$6,815**	**$4,547**

	2021	2020	2019	2018	2017
Type of Benefit					
Service retirement benefits	$571,304	$534,026	$498,939	$461,808	$426,292
Survivor benefits	2,954	2,804	2,803	2,625	2,479
Death benefits- before retirement	232	198	326	248	218
Death benefits- after retirement	839	670	876	673	765
Total Benefit Paid	**575,329**	**537,698**	**502,944**	**465,354**	**429,754**
Type of Withdrawal					
Death	$218	$259	$826	$704	$298
Separation	2,774	2,745	2,022	2,173	1,974
Miscellaneous	100	49	61	77	40
Total Withdrawals	**$3,092**	**$3,053**	**$2,909**	**$2,954**	**$2,312**

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Source: Audited Financial Statements from June 30, 2017, through 2026 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, 2026

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	540	14	2	8	7	106	11	6	-	15
$500 - $999	1,169	845	16	4	-	-	132	44	37	1	17
$1,000 - $1,499	1360	1,008	31	10	5	2	145	45	34	2	10
$1,500 - $1,999	1,227	922	38	22	10	4	125	25	30	1	8
$2,000 - $2,499	1,124	864	27	7	32	6	103	23	14	2	4
$2,500 - $2,999	1,095	850	22	10	33	14	112	8	7	6	12
$3,000 - $3,499	919	744	5	3	28	15	80	3	2	8	11
$3,500 - $3,999	859	701	8	4	31	13	75	7	5	6	1
$4,000 - $4,499	693	568	1	1	20	19	61	1	-	4	2
$4,500 - $4,999	669	537	-	-	26	28	49	-	-	10	4
$5,000 and Over	5,122	4,682	3	2	113	78	165	4	1	44	10
Total	**14,997**	**12,261**	**165**	**65**	**306**	**186**	**1,153**	**171**	**136**	**84**	**94**

Amount of Monthly Benefit	Type of Retirement (continued)* 11	12	13	15	16	17	Option Selected** Unmodified	1	2	3	4
$1 - $499	-	41	-	-	3	7	532	64	138	6	20
$500 - $999	-	71	-	-	-	2	873	89	184	11	12
$1,000 - $1,499	-	62	2	-	-	4	1,058	101	183	12	6
$1,500 - $1,999	-	41	1	-	-	-	974	77	156	14	6
$2,000 - $2,499	-	42	-	-	-	-	917	58	133	13	3
$2,500 - $2,999	-	19	1	-	-	1	890	69	129	3	4
$3,000 - $3,499	-	19	1	-	-	-	756	53	104	3	3
$3,500 - $3,999	-	7	1	-	-	-	711	47	90	7	4
$4,000 - $4,499	-	12	3	-	1	-	576	39	71	4	3
$4,500 - $4,999	-	7	7	-	-	1	567	26	68	3	5
$5,000 and Over	-	7	12	1	-	-	4,459	175	447	24	17
Total	**0**	**328**	**28**	**1**	**4**	**15**	**12,313**	**798**	**1,703**	**100**	**83**

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*Type of Retirement	**Option Selected

1 Service Retirement

2 Non-Service Connected Disability, age 55 and older

3 Non-Service Connected Disability, under age 55

4 Service Connected Disability, age 55 and older

5 Service Connected Disability, under age 55

6 Beneficiary of Service Retiree

7 Survivor Death Benefits

8 Beneficiary of Non-Service Connected Disability Retiree

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.

Unmodified

Qualified service retirement or non-service connected disability retirement beneficiary receives 60 percent continuance.

Qualified service connected disability retirement beneficiary receives 100 percent continuance.

The following options reduce the retired member's monthly benefit:

1 Beneficiary receives lump sum or member's unused contributions.

2 Beneficiary having an insurable interest in member's life receives 100 percent of member's reduced monthly benefit.

3 Beneficiary having an insurable interest in member's life receives 50 percent of member's reduced monthly benefit.

4 Benefits paid to person having an insurable interest in member's life as nominated by member's written designation.

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Schedule of Retired Members by Type of Benefit

AS OF JUNE 30, 2026

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Miscellaneous Members					
Service Retirement					
Unmodified	$7,995	$25,034,764	$7,343,472	$32,378,236	$4,050
Option 1	619	1,509,854	333,417	1,843,271	2,978
Option 2, 3, & 4	1,197	3,301,294	781,502	4,082,796	3,411
Total	9,811	29,845,912	8,458,391	38,304,303	3,904
Non-Service Disability					
Unmodified	184	240,001	112,728	352,729	1,917
Option 1	20	20,125	14,955	35,080	1,754
Option 2, 3, & 4	12	14,824	3,460	18,284	1,524
Total	216	274,950	131,143	406,093	1,880
Service Disability					
Unmodified	186	421,651	176,146	597,797	3,214
Option 1	11	26,357	4,208	30,565	2,779
Option 2, 3, & 4	7	9,562	3,793	13,355	1,908
Total	204	457,570	184,147	641,717	3,146
Beneficiary	1,498	1,872,098	1,246,243	3,118,341	2,082
Total Miscellaneous	**11,729**	**32,450,530**	**10,019,924**	**42,470,454**	**3,621**
Safety Members					
Service Retirement					
Unmodified	2,081	13,551,327	5,096,283	18,647,610	8,961
Option 1	80	440,800	135,762	576,562	7,207
Option 2, 3, & 4	289	1,534,753	422,528	1,957,281	6,773
Total	2,450	15,526,880	5,654,573	21,181,453	8,645
Non-Service Disability					
Unmodified	11	21,432	14,047	35,479	3,225
Option 1	-	-	-	-	-
Option 2, 3, & 4	3	6,009	2,145	8,154	2,718
Total	14	27,441	16,192	43,633	3,117
Service Disability					
Unmodified	263	1,067,936	529,307	1,597,243	6,073
Option 1	16	54,937	32,131	87,068	5,442
Option 2, 3, & 4	9	43,167	8,388	51,555	5,728
Total	288	1,166,040	569,826	1,735,866	6,027
Beneficiary	516	1,132,411	956,106	2,088,517	4,048
Total Safety	**3,268**	**17,852,772**	**7,196,697**	**25,049,469**	**7,665**
Total Retired Members	**14,997**	**$50,303,302**	**$17,216,621**	**$67,519,923**	**$4,502**

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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

	Years of Credited Service						
Retirement Effective Date	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
7/1/24 – 6/30/26							
Average monthly benefit	$2,005	$5,207	$7,925	$7,861	$-	$-	$9,777
Average monthly final average salary	$8,565	$10,011	$10,651	$7861	$-	$-	$11,234
Number of retired members	104	319	159	2	-	-	1
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

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Schedule of Average Benefit Payments: Years of Credited Services

FOR THE LAST TEN FISCAL YEARS

Retirement Effective Date	0-5	5-10	10-15	15-20	20-25	25-30	30+
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
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

Source: SCERS Retired Member Pension Payroll Data.

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Schedule of Average Benefit Payments: Years Since Retirement

FOR THE LAST TEN FISCAL YEARS

	Years Since Retirement						
As of	0-5	5-10	10-15	15-20	20-25	25-30	30+
6/30/2026:							
Average monthly benefit	$2,911	$4,216	$5,218	$3,278	$4,623	$7320	$8,914
Number of retired members	4,261	4,636	2,614	772	832	862	1,020
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

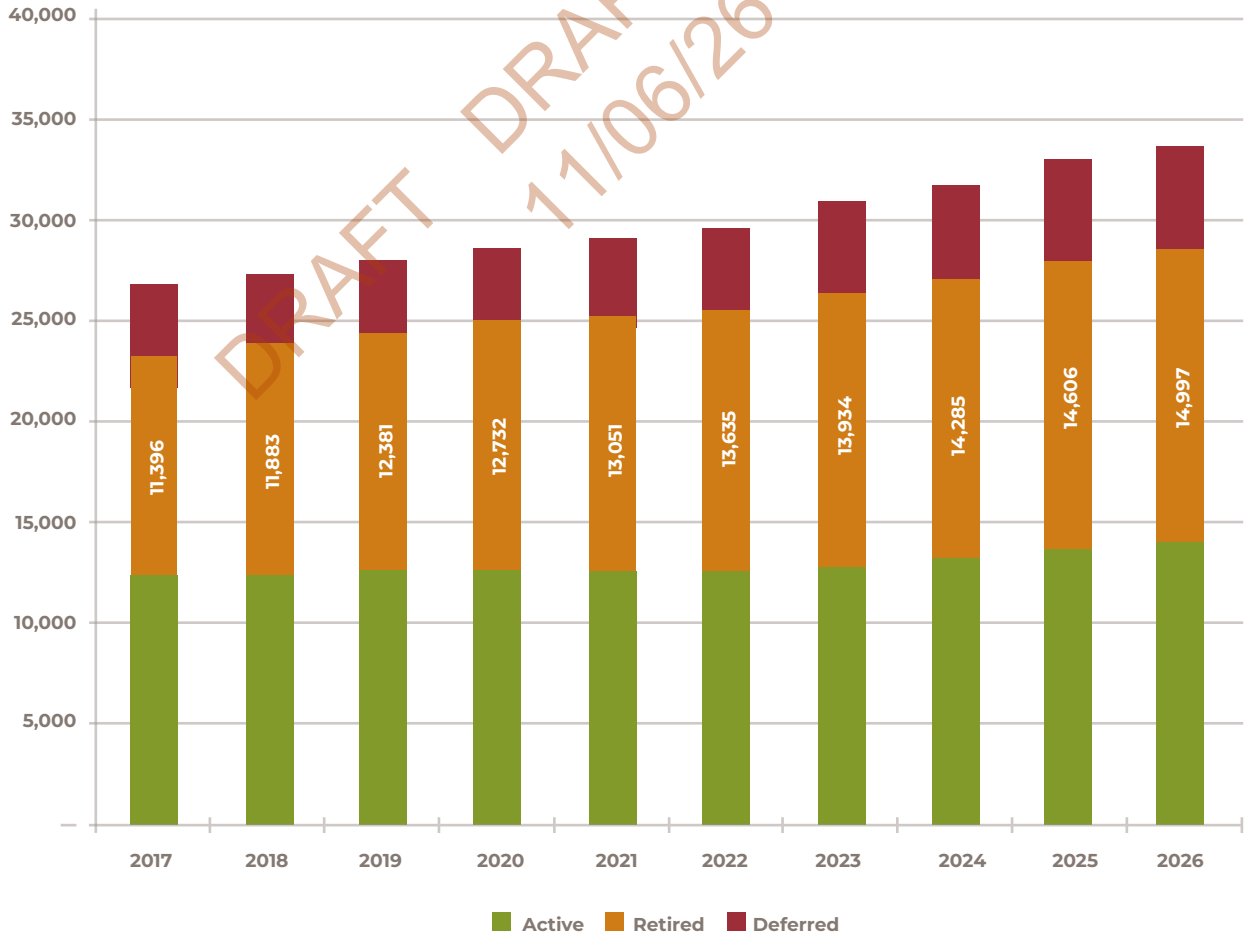
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Changes In System Membership

Fiscal Year Ended June 30:	Members			
	Active	Retired	Deferred	Total
2026	14,066	14,997	5,230	34,293
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

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System Membership at a Glance



Source: Actuarial Valuations from June 30, 2017, through 2026.

Schedule of Participating Employers and Active Members: Summary

CURRENT FISCAL YEAR AND NINE FISCAL YEARS AGO

	2026			2017		
Participating Employer	Covered Employees	Rank	Percent of Total System	Covered Employees	Rank	Percent of Total System
Sacramento County[1]	11,900	1	84.60%	11,306	1	89.89%
Sacramento Area Sewer District 2	766	2	5.45%	-	N/A	-
Superior Court	670	3	4.76%	655	2	5.21%
Sacramento Employment and Training Agency (SETA)	580	4	4.12%	501	3	3.98%
Sunrise Recreation and Park District	68	5	0.48%	52	4	0.41%
Carmichael Recreation and Park District	25	6	0.18%	17	6	0.14%
Mission Oaks Recreation and Park District	21	7	0.15%	22	5	0.17%
Orangevale Recreation and Park District	14	8	0.10%	12	7	0.10%
Rio Linda Elverta Recreation & Park District[3]	10	9	0.07%	-	N/A	-
Elk Grove Cosumnes Cemetery District	8	10	0.06%	5	8	0.04%
Fair Oaks Cemetery District	3	11	0.02%	5	8	0.04%
Galt-Arno Cemetery District	1	12	0.01%	2	9	0.02%
Total	**14,066**		**100.00%**	**12,577**		**100.00%**

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[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	2026	2025	2024	2023	2022
Carmichael Recreation and Park District	Misc.	25	22	23	24	24
Elk Grove Cosumnes Cemetery District	Misc.	8	7	7	6	6
Fair Oaks Cemetery District	Misc.	3	3	3	3	4
Galt-Arno Cemetery District	Misc.	1	1	1	1	1
Mission Oaks Recreation and Park District	Misc.	21	21	22	21	25
Orangevale Recreation and Park District	Misc.	14	12	13	14	13
Rio Linda Elverta Recreation & Park District	Misc.	10	9	8	11	11
Sacramento Employment and Training Agency (SETA)	Misc.	580	574	580	556	587
Sunrise Recreation and Park District	Misc.	68	62	63	64	78
Total Special District Members	Misc.	730	711	720	700	749
Superior Court Members	Misc.	670	693	723	696	622
Sacramento Area Sewer District	Misc.	766	688	-	-	-
Sacramento County Members[1]	Misc.	9,702	9,688	10,109	9,665	9,332
	Safety	2,198	2,172	2,138	2,106	2,054
Total Misc. and Safety	Misc.	11,868	11,780	11,552	11,061	10,703
	Safety	2,198	2,172	2,138	2,106	2,054
Total Members		**14,066**	**13,952**	**13,690**	**13,167**	**12,757**

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[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	2021	2020	2019	2018	2017
Carmichael Recreation and Park District	Misc.	21	21	22	23	19
Elk Grove Cosumnes Cemetery District	Misc.	5	6	6	7	5
Fair Oaks Cemetery District	Misc.	5	4	4	4	5
Galt-Arno Cemetery District	Misc.	1	1	1	2	2
Mission Oaks Recreation and Park District	Misc.	19	20	23	22	23
Orangevale Recreation and Park District	Misc.	13	13	12	13	14
Rio Linda Elverta Recreation & Park District	Misc.	9	8	8	9	-
Sacramento Employment and Training Agency (SETA)	Misc.	576	593	533	536	516
Sunrise Recreation and Park District	Misc.	51	50	68	69	55
Total Special District Members	Misc.	700	716	677	685	639
Superior Court Members	Misc.	603	652	648	640	658
Sacramento County Members[1]	Misc.	9,176	9,197	9,259	9,261	9,280
	Safety	2,021	2,085	2,094	2,091	2,010
Total Misc. and Safety	Misc.	10,479	10,565	10,584	10,586	10,577
	Safety	2,021	2,085	2,094	2,091	2,010
Total Members		**12,500**	**12,650**	**12,678**	**12,677**	**12,587**

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

Source: SCERS Active Member Data

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11/06/26



2025–2026

SCERS

980 9th Street, Suite 1900 Sacramento, CA 95814
SCERS.gov

Item 4

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*

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 as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise Sacramento County Employees' Retirement System's basic financial statements, and have issued our report thereon dated November __, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sacramento County Employees' Retirement System's 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sacramento County Employees' Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of Sacramento County Employees' Retirement System's 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 of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sacramento County Employees' Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Preliminary Draft

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

[redacted]

Sacramento, California
November __, 2026

Preliminary Draft

Sacramento County Employees' Retirement System

2026 Audit Results

November 17, 2026



Areas of Focus

Investments

Valuation and existence of investment assets, with particular attention to alternative investments, and the change in asset custodian during the year under audit.

Census Data & Net Pension Liability

Completeness and accuracy of active and retired member data used in actuarial calculations; Reasonableness of actuarial estimates and accuracy of pension liability disclosures.

Contributions

Completeness and accuracy of employer and member contributions, including reconciliation to supporting records and confirmation with a sample of employers.

Benefit Disbursements

Accuracy, eligibility, and authorization of retirement benefit payments, including testing of supporting member records and benefit calculations.

Required Communications

COMMUNICATIONS REGARDING OUR INDEPENDENCE FROM SCERS

Auditing standards generally accepted in the United States of America require independence for all audits, and we confirm that we are independent auditors with respect to Sacramento County Employees' Retirement System (SCERS) under the independence requirements established by the American Institute of Certified Public Accountants.

Additionally, we wish to communicate that we have no relationships with SCERS that, in our professional judgment, may reasonably be thought to bear on our independence and that we gave significant consideration to in reaching the conclusion that our independence has not been impaired.

Required Communications

AUDIT RESULTS

Area	Comments
Our responsibility with regard to the financial statement audit	Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with SCERS for further information on the responsibilities of management and of Crowe LLP.
Auditor's responsibility under government auditing standards	As part of obtaining reasonable assurance about whether the Company's financial statements are free of material misstatement, we performed tests of SCERS' compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts or disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.
Evaluation of presentation of financial statements and related disclosures	We are required to evaluate whether the presentation of the financial statements and the related disclosures are in conformity with U.S. GAAP, including our consideration of the form, arrangement, and content of the financial statements. We believe the financial statements and related disclosures are presented in conformity with U.S. GAAP.
Departures from the auditor's standard report	There were no modifications to the auditor's opinion or to any explanatory language included in the auditor's report.

Required Communications

AUDIT RESULTS

Area	Comments
Other information included in an annual report	We read information prepared by management that accompanies or includes the financial statements and consider whether: • a material inconsistency exists between the other information and the financial statements, • a material inconsistency exists between the other information and our knowledge, or • a material misstatement of fact exists, or the other information is misleading. We read the other information and noted no material inconsistencies or misstatement of facts based on our reading thereof
Corrected misstatements	No corrected misstatements were identified
Uncorrected misstatements	Uncorrected misstatements related to accounts and disclosures, determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole: • Alternative Investment Valuation – Testing over valuation of Alternative Investments identified lag variances based on year-end capital account statement values. The extrapolated impact of these variances resulted in an understatement in the valuation of alternative investments totaling approximately $110 million.

Required Communications

SIGNIFICANT ACCOUNTING POLICIES

Area	Comments
Initial selection of, or changes in, significant accounting policies or application thereof	SCERS did not adopt any significant accounting policies or change any significant accounting policies during the current period. Two recent accounting standards (GASB Statement No. 103, Financial Reporting Model Improvements, and GASB Statement No. 104, Disclosure of Certain Capital Assets) were early implemented during SCERS' 2024-25 fiscal year.
Significant accounting policies in (i) controversial areas or (ii) areas for which there is a lack of authoritative guidance or consensus, or diversity in practice	We are not aware of any significant accounting policies used by SCERS related to controversial areas or areas for which there is a lack of authoritative guidance or consensus, or diversity in practice.
Qualitative aspects of significant accounting practices	As a result of our evaluation of, and conclusions about, the qualitative aspects of SCERS' significant accounting policies and practices, the engagement team did not find any situations in which a significant accounting practice that is acceptable under the applicable financial reporting framework was considered not to be most appropriate to the particular circumstances of the entity.

Required Communications

RELATED PARTIES & SIGNIFICANT UNUSUAL TRANSACTIONS

Area	Comments
Related Parties	Based on the results of our audit procedures, we did not identify any significant findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
Significant Unusual Transactions	We did not identify any significant unusual transactions.

Required Communications

OTHER MATTERS

Communication Area	Comments
Difficult or contentious matters subject to consultation outside the audit engagement team	None.
Management consultations with other accountants	None.
Fraud and noncompliance with laws and regulations (illegal acts)	We are not aware of any matters that require communication.
Disagreements with management	None.
Significant difficulties encountered with management	None.
Representations from management	Refer to the letter of management's representation which will be provided to us separately.
Significant issues discussed, or subject to correspondence, with management	There were no such significant issues discussed, or subject to correspondence, with management.
Other findings or issues we find relevant or significant	There are no other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.

Thank you



Jen Aras
Audit Partner
+1 916 492-5119
jen.aras@crowe.com



Charles Raibley
Audit Senior Manager
+1 916 266 9572
charles.raibley@crowe.com

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