2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Fiscal Years Ended June 30, 2022 and 2021

Kern County Employees' Retirement Association

A defined benefit public pension plan (California)

2022

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2022 and 2021

Issued by:

Dominic D. Brown, CPA, CFE

Chief Executive Officer

Angela Kruger

Chief Financial Officer

Kern County Employees' Retirement Association (KCERA)

11125 River Run Blvd, Bakersfield, CA 93311

Ph. (661) 381-7700 / www.kcera.org

INTRODUCTORY SECTION

December 19, 2022

Board of Retirement
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311

Dear Board Members:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the years ended June 30, 2022 and 2021. This Letter of Transmittal is presented as a narrative introduction, overview and analysis in conjunction with the Management's Discussion and Analysis included in the Financial Section of the Annual Comprehensive Financial Report.

Kern County Employees' Retirement Association (KCERA) is a public employee retirement system that was established on January 1, 1945 by the County of Kern. The KCERA Plan provides retirement, disability, death, beneficiary, cost-of-living and supplemental retirement benefits. As of June 30, 2022, KCERA had 13,091 active and deferred-vested members and paid retirement benefits to 9,015 retirees and their beneficiaries.

KCERA AND ITS SERVICES

KCERA provides retirement allowances and other benefits to all permanent general and safety employees of the County of Kern and of participating special districts. As of June 30, 2022, fourteen districts participated in the retirement plan: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Hospital Authority, Kern County Superior Court, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, and West Side Recreation and Park District.

The Plan is administered by the KCERA Board of Retirement (Board), which consists of nine members and three alternate members. The Board is responsible for establishing policies governing the administration of the retirement plan, determining benefit allowances and managing the investments of KCERA's assets. The Board oversees the Chief Executive Officer and the KCERA staff in the performance of their duties in accordance with the County Employees' Retirement Law of 1937 (CERL) and the regulations, procedures and policies adopted by the KCERA Board.

MAJOR INITIATIVES

KCERA & COVID-19
As a result of the COVID-19 pandemic, KCERA transitioned staff to remote work over a three-day period in March 2020. Member services were essentially uninterrupted, with staff utilizing technology to provide those services. In May of 2021 KCERA began a gradual return to the office. By June 30, 2022, KCERA's staff had fully returned to the KCERA offices. We want to recognize the continued flexibility, innovation, and dedication of the KCERA team as we have adapted to the new COVID-19 world and, at the same time, have successfully fulfilled all our fiduciary, operational, and financial responsibilities.

MAJOR INITIATIVES (CONT.)

KCERA Reorganization and Recruitments
KCERA management continued the reorganization that is allowing us to better accomplish the mission of the organization. A Deputy Chief Legal Officer was added to the Legal section to assist with KCERA's extensive legal matters. Additionally, an Accountant position was upgraded to Senior Accountant to more accurately reflect the complex demands of the Finance section.

Alameda Decision
On August 24th, 2020, the Board of Retirement approved a resolution to implement the Alameda California Supreme Court decision. The Alameda decision filed on July 30, 2020, concludes that all amendments to the definition of compensation earnable in Government Code section 31461, enacted as a result of the Public Employees' Pension Reform Act of 2013 and related statutory changes to CERL ("PEPRA"), effective January 1, 2013 are constitutional, and that CERL retirement boards may not be contractually bound or estopped by settlement agreements, board resolutions, or other similar actions, from implementing those amendments. The Alameda Decision further determines that CERL retirement boards may not include items in retirement allowance calculations, either compensation earnable under section 31461, as amended, or pensionable compensation under section 7522.34, that the applicable statutes require them to exclude ("PEPRA Exclusions").

FUNDING

KCERA's funding objective is to meet long-term benefit obligations through level contributions to the Plan and the accrual and compounding of investment income. As of June 30, 2021, the funded ratio of the Plan was 67.1% using actuarial assets and actuarial liabilities of $4,806,026,000 and $7,164,255,000, respectively. The funded percentage increased 2.7% from June 30, 2020, due primarily to recognition of net deferred investment gains.

Pursuant to provisions in the County Employees' Retirement Law of 1937, KCERA engages an independent actuarial consulting firm, Segal Consulting, to conduct annual actuarial valuations. Every three years, an experience study is performed to review all economic and demographic assumptions. The economic and demographic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member and employer contribution rates necessary to properly fund the Plan. The last triennial analysis was performed as of June 30, 2019.

The triennial analysis covered several changes to economic and non-economic assumptions that were adopted by the Board of Retirement on August 12, 2020, for the June 30, 2020, actuarial valuation. The actuary recommended changes in the assumptions for inflation, promotional and merit salary increases, retirement rates, mortality rates, termination rates, and disability incidence rates. The major changes included lowering the inflation assumption from 3.00% to 2.75%, reducing the current inflationary salary increase assumption from 3.00% to 2.75%, real "across the board" salary increases will decrease from 3.50% to 3.25%, and changing the mortality tables to the Pub-2010 Amount Weighted Mortality Tables.

FINANCIAL INFORMATION

The ACFR for the years ended June 30, 2022 and 2021 was prepared by KCERA's management, which is responsible for the accuracy, completeness, fair presentation of information and all disclosures in this report. The report has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

FINANCIAL INFORMATION (CONT.)

KCERA maintains an internal control system to provide reasonable assurance that assets are properly safeguarded from loss, theft or misuse, and the fair presentation of the financial statements and supporting schedules. Further, it should be recognized that there are inherent limitations in the effectiveness of any system of internal controls due to changes in conditions. Moreover, the concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived. The Board of Retirement has established a finance committee to oversee the financial reporting process and to review the scope and results of independent audits. The independent auditors have unrestricted access to the finance committee to discuss their related findings as to the integrity of the financial reporting and adequacy of internal controls.

KCERA's external auditor, CliftonLarsonAllen, LLP, has conducted an audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America, performing such tests and other procedures as they deem necessary to express an opinion in their report to the Board of Retirement. The financial audit ensures that KCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free of material misstatements. Their opinion is that KCERA's financial statements present fairly, in all material respects, the Fiduciary Net Position of KCERA as of June 30, 2022 and 2021 and its Changes in Fiduciary Net Position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INVESTMENTS

The Board of Retirement has exclusive control of all investments of KCERA and is responsible for establishing investment policies, objectives and strategies. The Board is authorized to invest in any form or type of investment deemed "prudent" in the informed opinion of the Board. The members of the Board serve as fiduciaries for the members and beneficiaries of the retirement association and are held to a high standard of care in all transactions.

The Board operates under a standard of care in California commonly known as the "prudent person" rule, which allows the Board to invest or delegate the authority to invest the assets of the Plan when prudent in the informed opinion of the Board. In addition, the rule requires the Board to diversify the investments of the Plan, unless it is clearly prudent not to do so under the circumstances. The Board therefore makes basic policy decisions with respect to the Plan, including, but not limited to, the allocation of assets to various investment classes. The Board delegates much discretion to professional investment advisors to execute investment policy subject only to policy and guidelines provided by the Board.

KCERA's assets are managed exclusively by external, professional investment managers. KCERA staff monitors the activity of these managers and assists the Board with the development and implementation of investment policies and long-term investment strategies. These policies and guidelines are outlined in KCERA's Investment Policy Statement, which states the investment philosophy, investment guidelines, performance objectives and asset allocation of the Plan. The Board employs the services of independent investment consultants Verus Investments, Albourne America, Cambridge Associates and Abel Noser to assist the Board in formulating policies, setting goals and manager guidelines, and selecting and monitoring the performance of the money managers.

For fiscal year 2022, the investments of the Plan returned (4.5)%* (net of fees). KCERA's annualized rate of return, net of fees, was 6.8% in the past three years, 6.5% in the past five years, and 7.1% in the past ten years. The investment expenses of the fund are linked to the performance of the investment portfolio and other factors and therefore vary year to year.

* References in this document to KCERA's investment rate of return assume a time-weighted rate of return unless otherwise specified as a money-weighted rate of return, per GASB 67 guidelines.

PROFESSIONAL SERVICES

The Board retains professional consultants and investment managers to provide professional services essential to the effective and efficient operation of KCERA. These entities are included in the Schedule of Investment Fees on pages 77-80.

Opinions from the certified public accountant and the actuary for the Plan are included in this report. The consultants and investment managers retained by the Board are listed on pages 10 and 74, respectively, of this report.

CERTIFICATE OF ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KCERA for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and well-organized Annual Comprehensive Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we will again submit it to the GFOA for appraisal.

KCERA also received the Public Pension Standards Award for Fund and Administration for the fiscal year ended June 30, 2021. The award is issued by the Public Pension Coordinating Council and is used to recognize KCERA meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the KCERA staff. This report is intended to provide complete information as a basis for management decisions, as a means for establishing compliance with legal requirements, and as a means for determining the responsible stewardship of the KCERA fund.

We wish to take this opportunity to thank the members of KCERA for their confidence in KCERA and to express our gratitude to the Board of Retirement for your support of the KCERA administration and the best interests of the beneficiaries of the Plan throughout the fiscal year. We also wish to thank the consultants and staff for their continued commitment to KCERA and their diligent work to ensure the successful administration of the Plan.

Respectfully submitted,

Dominic D. Brown

Angela Kruger

Dominic D. Brown, CPA, CFE	Angela Kruger
Chief Executive Officer	Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kern County Employees' Retirement Association
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2022

Presented to

Kern County Employees' Retirement Association

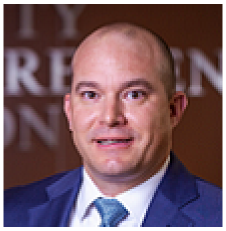
In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H Winkle

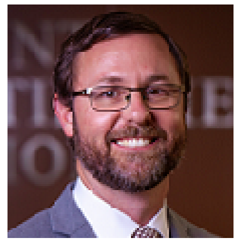
Alan H. Winkle
Program Administrator



Rick Kratt
Elected by Safety Members
Term expires on December 31, 2024

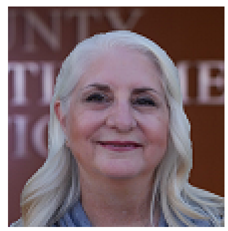
Jordan Kaufman
Appointed by Statute

Joseph D. Hughes
Appointed by Board of Supervisors
Term expires on December 31, 2022



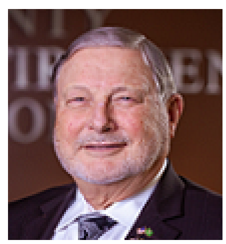
Chase Nunneley
Appointed by Statute

Dustin Contreras
Elected by Safety Members
Term expires on December 31, 2024

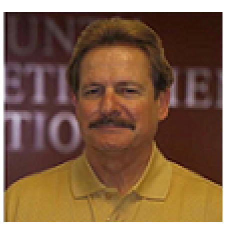


Jeanine Adams
Elected by General Members
Term expires on December 31, 2022

David Couch
Appointed by Board of Supervisors
Term expires on December 31, 2024

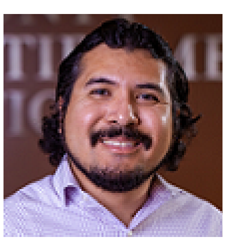


Robb Seibly
Elected by Retired Members
Term expires on December 31, 2022



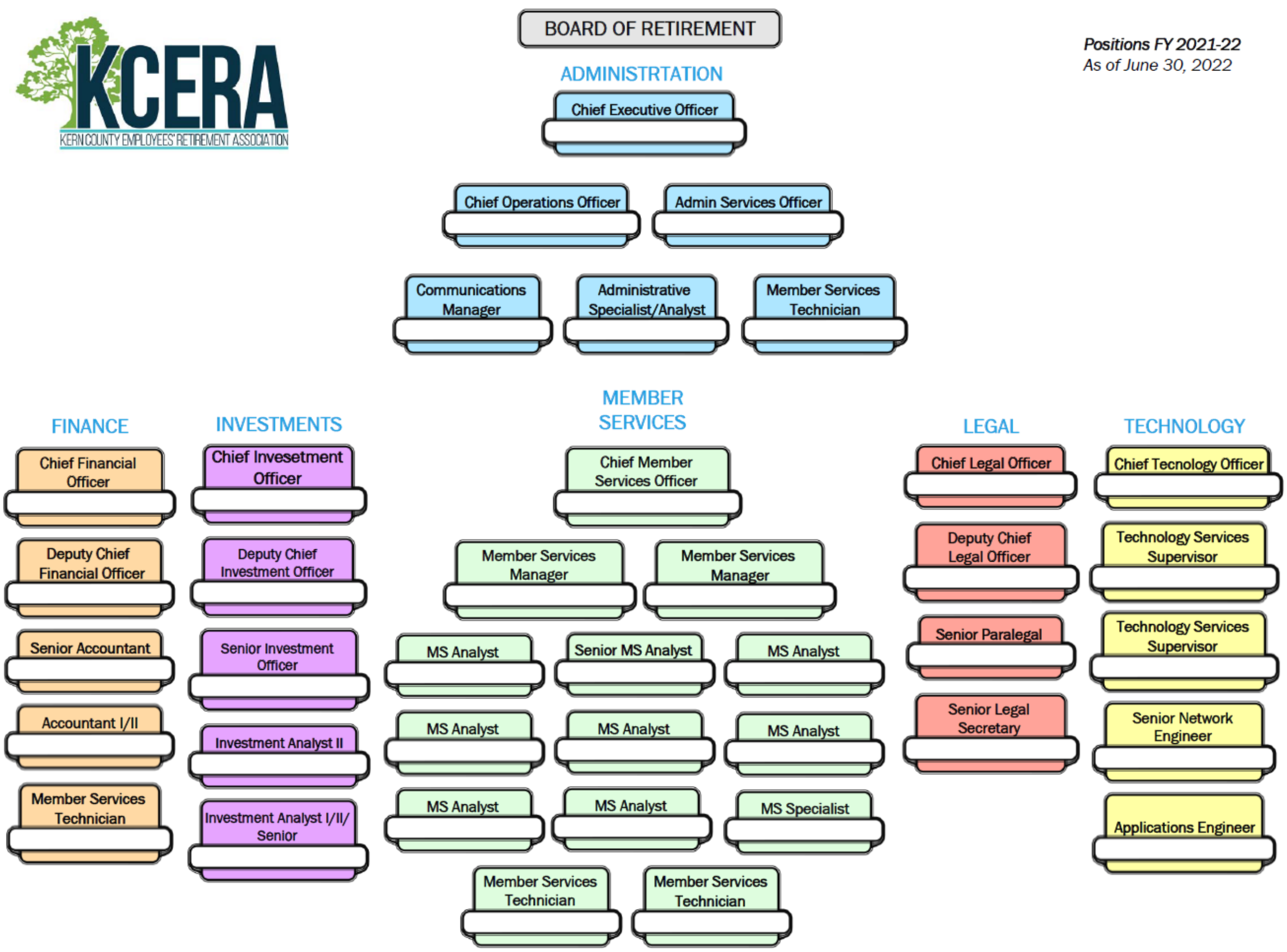
Phil Franey
Elected by Retired Members
Term expires on December 31, 2022

Traco Mathews
Appointed by Board of Supervisors
Term expires on December 31, 2024



Juan Gonzalez
Elected by General Members
Term expires on December 31, 2024

Tyler Whitezell
Appointed by Board of Supervisors
Term expires on December 31, 2022


BOARD OF RETIREMENT
Positions FY 2021-22
As of June 30, 2022
ADMINISTRTATION
Chief Executive Officer
Chief Operations Officer
Admin Services Officer
Communications Manager
Administrative Specialist/Analyst
Member Services Technician
FINANCE
Chief Financial Officer
Deputy Chief Financial Officer
Senior Accountant
Accountant I/II
Member Services Technician
INVESTMENTS
Chief Invesetment Officer
Deputy Chief Investment Officer
Senior Investment Officer
Investment Analyst II
Investment Analyst I/II/ Senior
MEMBER SERVICES
Chief Member Services Officer
Member Services Manager
Member Services Manager
MS Analyst
Senior MS Analyst
MS Analyst
MS Analyst
MS Analyst
MS Analyst
MS Analyst
MS Analyst
MS Specialist
Member Services Technician
Member Services Technician
LEGAL
Chief Legal Officer
Deputy Chief Legal Officer
Senior Paralegal
Senior Legal Secretary
TECHNOLOGY
Chief Tecnology Officer
Technology Services Supervisor
Technology Services Supervisor
Senior Network Engineer
Applications Engineer

As of June 30, 2022

ACTUARY

The Segal Company, Inc.

AUDITORS

CliftonLarsonAllen, LLP

CUSTODIAN

The Northern Trust Company

INVESTMENT CONSULTANTS

Albourne America LLC
Cambridge Associates
Verus Investments

LEGAL

Foley & Lardner, LLP
Hanson Bridgett, LLP
Ice Miller, LLP
Nossaman, LLP
Reed Smith, LLP

OTHER SPECIALIZED SERVICES

Abel Noser
Agility Recovery Solutions
Cortex Applied Research, Inc.
Glass, Lewis & Co., LLC
Deutsche Bank
Cheiron

Refer to the Investment Section for a list of Investment Managers, pg 72 and the Schedule of Investment Management Fees pgs 75-78

FINANCIAL SECTION

CliftonLarsonAllen LLP
CLAconnect.com

INDEPENDENT AUDITORS' REPORT

Board of Retirement and the Finance Committee
Kern County Employees' Retirement Association
Bakersfield, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Kern County Employees' Retirement Association (the Plan), which comprise the statements of fiduciary net position and statements of changes of fiduciary net position, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Plan, as of June 30, 2022 and 2021, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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 Plan'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.

Board of Retirement and the Finance Committee
Kern County Employees' Retirement Association

Auditors' 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 auditors' report that includes 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 Plan'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 Plan'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 and required supplementary information, as listed in the table of contents, 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 consider 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 GAAS, 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.

Board of Retirement and the Finance Committee
Kern County Employees' Retirement Association

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The Schedules of Administrative Expenses, Investment Expenses and 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 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 GAAS. In our opinion, Schedules of Administrative Expenses, Investment Expenses and 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 listed in the table of contents but does not include the basic financial statements and our auditors' 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2022, on our consideration of the Plan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 the Plan'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 the Plan's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Denver, Colorado
December 19, 2022

This section presents management's discussion and analysis of the Kern County Employees' Retirement Association's (KCERA) financial statements and the significant events and conditions that affected the operations and performance during the years ended June 30, 2022 and 2021. It is presented as a narrative overview and analysis in conjunction with the Executive Director's *Letter of Transmittal* included in the Introductory Section of the Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- KCERA's net position decreased by $(286.4) million during the fiscal year ended June 30, 2022, a (5.3)% decrease from the last fiscal year. The decrease was primarily the result of negative investment returns.

- Member contributions increased by $0.7 million, or 1.3%, mainly as a result of a increase in covered payroll. Employer contributions increased by $18.4 million, or 6.9%, which was primarily due to increase in covered payroll. The average employer contribution rate decreased from 49.10% of payroll for fiscal year 2020-21 to 48.91% for fiscal year 2021-22.

- The total fund's investment performance did not meet the actuarial assumed rate of return for the fiscal year. The investment portfolio reported a total return of (4.5)% (net of fees)* versus the actuarial assumed rate of return of 7.25% for the fiscal year ended June 30, 2022. The decrease was due to unfavorable market conditions.

- Vested pension benefits increased by $16.2 million, or 4.6%, over the prior year. The increase is attributable to a 2.0% increase in retired members and beneficiaries receiving pension benefits, and a 2.8% increase in the average monthly benefit, which rose to $3,563 in the fiscal year. In 2021, the Board adopted a COLA increase of 1.5% for new pensioners. Pensioners with an accumulated COLA carry-over received up to the maximum 2.5% increase in April 2022.

- As of June 30, 2022, the date of the most recent actuarial funding valuation, the funded ratio for KCERA was 69.2% compared to the funded ratio of 67.1% as of June 30, 2021. The increase in the ratio is due to the deferral of the most current year investment losses and the recognition of prior investment gains and losses.

OVERVIEW OF BASIC FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

1) **The Statement of Fiduciary Net Position** is the basic statement of position for a defined benefit pension plan. This statement presents asset and liability account balances at fiscal year-end. The difference between assets and liabilities represents the net position available for future payments to retirees and their beneficiaries. Assets and current liabilities of the Plan reflect full accruals. The statement reflects investments at fair value and accounting liabilities as distinct from actuarial liabilities.

2) **The Statement of Changes in Fiduciary Net Position** is the basic operating statement for a defined benefit pension plan. Changes in plan net position are recorded as additions or deductions from the Plan. All additions and deductions are reported on a full accrual basis.

3) **Notes to the Basic Financial Statements** are an integral part of the financial statements and provide important additional information.

4) **Required Supplementary Information** consists of three required schedules and their related notes: Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Money-Weighted Rates of Return.

** References in this document to KCERA's investment rate of return assume a time-weighted rate of return unless otherwise specified as a money-weighted rate of return, per GASB 67 guidelines.*

OVERVIEW OF BASIC FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION (cont)

5) **Other Supplemental Information** includes schedules of administrative expenses, investment manager fees, other investment expenses, and payments to consultants.

The required financial statements and disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America and are in compliance with Governmental Accounting Standards Board (GASB) Statements.

FINANCIAL ANALYSIS

FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

KCERA provides pension benefits to the employees and their beneficiaries of the County of Kern and other public agencies. KCERA's benefits are funded by member and employer contributions, and by investment income. KCERA's fiduciary net position restricted for pension benefits at June 30, 2022 was $5.1 billion, an decrease of $(286.4) million, or (5.3)%, from June 30, 2021. KCERA's fiduciary net position-restricted for pension benefits at June 30, 2021 was $5.4 billion, an increase of $978.7 million, or 22.0%, from June 30, 2020. Key elements of the increase in net position are described below and in Tables 1 and 2 on pages 17 & 18.

CONTRIBUTIONS AND INVESTMENT INCOME

Additions to fiduciary net position include member and employer contributions and investment income. Member contributions were approximately $54.5 million, $53.8 million and $57.9 million for the years ended June 30, 2022, 2021 and 2020, respectively.

Member contributions increased by $0.7 million, or 1.3% in 2022 and decreased by $(4.1) million, or (7.0)% in 2021. The increase in member contributions in 2022 was primarily the result of increases in covered payroll.

Employer contributions were $287.1 million, $268.6 million and $273.9 million for the years ended June 30, 2022, 2021 and 2020, respectively. Employer contributions increased approximately $18.4 million, or 6.9% in 2022 and decreased approximately $(5.3) million, or (1.9)% in 2021. The increase in 2022 was due to a increase in covered payroll. The decrease in 2021 was primarily due to a decrease in covered payroll.

Net investment and securities lending income was $(219.9) million, $1,043.4 million and $127.9 million for the years ended June 30, 2022, 2021 and 2020, respectively.

For the fiscal years ended June 30, 2022, 2021 and 2020, the KCERA portfolio returned (net of fees) (4.5)%, 23.9%, and 3.0%, respectively. More information on KCERA's investment portfolio is contained in the investment section of this report.

BENEFITS, REFUNDS AND EXPENSES

Deductions to plan fiduciary net position include pension benefits, lump sum payments, supplemental benefits, refunds of member contributions, and administrative expenses. The pension benefits (annuity, pension and cost-of- living allowances) were $371.4 million, $355.2 million and $338.9 million for the years ended June 30, 2022, 2021 and 2020, respectively. Pension benefits increased by approximately $16.2 million, or 4.6% in 2022 and $16.3 million, or 4.8% in 2021.

These increases were mainly due to a consistently growing population of retired members and beneficiaries receiving pension benefits and an increase in the average monthly benefit, attributable to higher final average compensations, and the maximum 2.5% cost-of-living adjustment. Retired members and beneficiaries increased by 1.9% in 2022 and by 2.0% in 2021.

FINANCIAL ANALYSIS (CONT.)

BENEFITS, REFUNDS AND EXPENSES (CONT.)

KCERA previously adopted California Government Code Section 31618, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). In fiscal year 2022, SRBR provides retirees with 82% purchasing power parity and a $5,000 death benefit. In addition to pension benefits, the supplemental retirement benefits paid were $20.6 million, $19.3 million and $17.7 million for the years ended June 30, 2022, 2021 and 2020, respectively. Refunds of member contributions were $9.4 million, $6.5 million and $4.5 million for the years ended June 30, 2022, 2021 and 2020, respectively.

KCERA's administrative expenses were $6.7 million, $6.1 million and $5.5 million for the years ended June 30, 2022, 2021 and 2020, respectively.

Average aggregate monthly defined benefit payments, excluding SRBR benefits, AND total number of retirees and beneficiaries:

2022	2021	2020
$30.7 million	$29.4 million	$28.2 million
9,015	8,835	8,667

STATEMENT OF FIDUCIARY NET POSITION

Table 1 *(in thousands)*

	2022	Increase (Decrease) Amount	2021	Increase (Decrease) Amount	2020
Assets					
Current Assets	$ 504,582	$ 11,473	$ 493,109	$ 170,150	$ 322,959
Investments	4,759,908	(241,076)	5,000,984	607,362	4,393,622
Securities Lending Collateral	153,386	(28,133)	181,519	(2,641)	184,160
Capital Assets	1,077	(615)	1,692	(653)	2,345
Total Assets	**5,418,953**	**(258,351)**	**5,677,304**	**774,218**	**4,903,086**
Liabilities					
Current Liabilities	134,438	56,166	78,272	(201,859)	280,131
Liabilities for Security Lending	153,386	(28,133)	181,519	(2,641)	184,160
Total Liabilities	**287,824**	**28,033**	**259,791**	**(204,500)**	**464,291**
Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,131,129**	**$ (286,384)**	**$ 5,417,513**	**$ 978,718**	**$ 4,438,795**

FINANCIAL ANALYSIS (CONT.)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Table 2 *(in thousands)*

	2022	Increase (Decrease) Amount	2021	Increase (Decrease) Amount	2020
Additions					
Employer Contributions*	$ 287,063	$ 18,438	$ 268,625	$ (5,284)	$ 273,909
Member Contributions*	54,514	725	53,789	(4,073)	57,862
Net Investment Income	(219,947)	(1,263,308)	1,043,361	915,500	127,861
Total Additions	**121,630**	**(1,244,145)**	**1,365,775**	**906,143**	**459,632**
Deductions					
Pension Benefits	371,350	16,153	355,197	16,302	338,895
Supplemental Retirement Benefits	20,590	1,304	19,286	1,539	17,747
Refunds of Member Contributions	9,373	2,860	6,513	2,061	4,452
Administrative Expenses	6,702	641	6,061	538	5,523
Total Deductions	**408,015**	**20,958**	**387,057**	**20,440**	**366,617**
Increase (Decrease) in Net Position	**$ (286,384)**	**$ (1,265,103)**	**$ 978,718**	**$ 885,703**	**$ 93,015**
Fiduciary Net Position -					
Restricted for Pension Benefits					
At Beginning of Year	**$ 5,417,513**	**$ 978,718**	**$ 4,438,795**	**$ 93,015**	**$ 4,345,780**
At End of Year	**$ 5,131,129**	**$ (286,385)**	**$ 5,417,513**	**$ 978,718**	**$ 4,438,795**

**Employer paid member contributions are classified as member contributions.*

RESERVES

KCERA's reserves are established for the purpose of managing benefit operations in accordance with the County Employees Retirement Law of 1937 (CERL). The total amount of reserves equals KCERA's Fiduciary Net Position – Restricted for Pension Benefits at the end of the year.

Investments are stated at fair value instead of at cost and include the recognition of unrealized gains and losses. Unrealized gains and losses effect the reserves indirectly through an actuarial asset "smoothing" process and are held in the Market Stabilization Reserve with a portion allocated to all other reserves. KCERA uses a five-year smoothing methodology to recognize unrealized gains and losses. The five-year smoothing is calculated by subtracting the expected return of the actuarial assumed interest rate of 7.25% from the total Fund's actual return on net position. The Market Stabilization Reserve was $(220.1) million, $429 million and $(196.2) million for the years ended June 30, 2022, 2021 and 2020, respectively.

Interest at the actuarial rate of 7.25%, or at the highest rate possible if net earnings are not sufficient to credit the full actuarial rate, is credited semiannually on December 31 and June 30. Interest is credited to all reserves, except the contingency reserve. KCERA credited the reserves 7.25% in fiscal year 2022 and 7.25% in fiscal year 2021. In addition, in fiscal year 2022, $63.9 million was credited to increase the contingency reserve to a 2.29% of total fair value of assets, in accordance with the Board of Retirement's Interest Crediting Policy. As investment returns continue to improve, the Contingency Reserve will increase to 3% of fair value of assets.

RESERVES (CONT.)

(in thousands)

KCERA Reserves

	2022	2021	2020
Member Reserve	547,558	505,907	461,921
Employer Reserve	1,294,007	1,169,530	1,052,439
Cost of Living Reserve	1,687,815	1,557,603	1,437,684
Retired Member Reserve	1,562,252	1,549,933	1,539,650
Supplemental Retiree Benefit Reserve	142,006	151,852	159,691
Contingency Reserve	117,544	53,624	(16,355)
Market Stabilization Reserve	(220,053)	429,064	(196,235)
Total	**$ 5,131,129**	**$ 5,417,513**	**$ 4,438,795**

FIDUCIARY RESPONSIBILITIES

The Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Pension Protection Act of 1992, the Board of Retirement has plenary authority and fiduciary responsibility for the investment of monies and for the administration of KCERA. The Board of Retirement has the sole and exclusive fiduciary responsibility over the assets of the Plan. The assets are held for the exclusive purpose of providing benefits to KCERA members and their survivors, as mandated.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of KCERA’s finances and accountability for the plan sponsors and members. Questions concerning any of the information provided in this report or requests for additional information should be directed to Angela Kruger, KCERA’s Chief Financial Officer, at angela.kruger@kcera.org or (661) 381-7700.

As of June 30, 2022 and 2021

	(In thousands) 2022	2021
Assets		
Cash in County Pool	$ 16,415	$ 10,945
Short-Term Investment Funds	389,168	425,488
Total Cash and Short-Term Investment Funds	405,583	436,433
Receivables:		
Investments Sold	74,962	33,460
Interest and Dividends	8,804	7,956
Contributions and Other Receivables	15,096	15,095
Total Receivables	98,862	56,511
Investments at Fair Value:		
Domestic Fixed Income	890,184	834,930
International Fixed Income	326,338	366,910
Domestic Equities	808,226	912,614
International Equities	819,911	978,552
Real Estate Investments	462,020	390,499
Alternative Investments	1,296,766	1,173,685
Commodities	334,656	345,848
Swaps/Options	(178,193)	(2,054)
Collateral Held for Securities Lending	153,386	181,519
Total Investments	4,913,294	5,182,503
Capital Assets:		
Computer Software	6,298	6,298
Equipment/Computers	846	813
Accumulated Depreciation	(6,067)	(5,419)
Total Capital Assets	1,077	1,692
Prepaid Expenses	137	165
Total Assets	5,418,953	5,677,304
Liabilities		
Securities Purchased	132,265	77,248
Collateral Held for Securities Lent	153,386	181,519
Other Liabilities	2,173	1,024
Total Liabilities	287,824	259,791
Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,131,129**	**$ 5,417,513**

See accompanying notes to the financial statements.

For the years ended June 30, 2022 and 2021

	2022	*(In thousands)* **2021**
Additions		
Contributions:		
Employer	$ 287,063	$ 268,625
Member	54,514	53,789
Total Contributions	**341,577**	**322,414**
Investment Income:		
Net Appreciation in Fair Value of Investments	(253,607)	1,038,614
Interest	30,603	33,928
Dividends	40,098	15,619
Real Estate Investments	22,292	16,385
Total Investment Income	(160,614)	1,104,546
Less: Investment Expenses	59,814	61,550
Net Investment Income	(220,428)	1,042,996
Securities Lending Activity:		
Securities Lending Income	534	405
Less: Rebates & Bank Fees	53	40
Net Securities Lending Income	481	365
Total Additions	**121,630**	**1,365,775**
Deductions		
Retirement and Survivor Benefits	371,350	355,197
Supplemental Retirement Benefits	20,590	19,286
Refunds of Member Contributions	9,373	6,513
Administrative Expenses	6,702	6,061
Total Deductions	**408,015**	**387,057**
Net Increase	**(286,384)**	**978,718**
Fiduciary Net Position - Restricted for Pension At Beginning of Year	**5,417,513**	**4,438,795**
Fiduciary Net Position - Restricted for Pension At End of Year	**$ 5,131,129**	**$ 5,417,513**

See accompanying notes to the financial statements.

NOTE 1 – DESCRIPTION OF PLAN

The Kern County Employees' Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA is a cost-sharing, multiple-employer defined benefit plan (the Plan) covering all permanent employees of the County of Kern, Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Hospital Authority, Kern County Superior Court, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, and West Side Recreation and Park District. The Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members.

As of June 30, 2022, employee membership data related to the pension plan was as follows:

	General	Safety	Total
Active – Vested	4,226	1,206	5,432
Active – Non-Vested	3,149	495	3,644
Total Active Members	**7,375**	**1,701**	**9,076**
Terminated – Deferred Vested	3,550	465	4,015
Retirees and Beneficiaries	6,851	2,164	9,015
Total Members	**17,776**	**4,330**	**22,106**

As of June 30, 2021, employee membership data related to the pension plan was as follows:

	General	Safety	Total
Active – Vested	4,240	1,302	5,542
Active – Non-Vested	3,142	388	3,530
Total Active Members	**7,382**	**1,690**	**9,072**
Terminated – Deferred Vested	2,569	241	2,810
Retirees and Beneficiaries	6,746	2,089	8,835
Total Members	**16,697**	**4,020**	**20,717**

BENEFIT PROVISIONS

KCERA provides service retirement, disability, death, survivor and supplemental benefits to eligible employees. All regular full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. Safety membership includes those in active law enforcement, fire suppression, criminal investigation and probation officers. General members (excluding Tier III) are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with five or more years of retirement service credit.

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

Safety members are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age.

The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and retirement benefit tier.

General member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of FAC times years of accrued retirement service credit times age factor from Section 31676.17 (Tier I) or 1/90th of FAC times years of accrued retirement service credit times age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the FAC multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Sections 31664.1 and 31664, respectively. The monthly allowance is equal to 3% of FAC times years of accrued retirement service credit times age factor from Section 31664.1 (Tier I) or 1/50th (2%) of FAC times years of accrued retirement service credit times age factor from Section 31664 (Tier II).

For members in Tier I or Tier II, the maximum monthly retirement allowance is 100% of FAC. There is no FAC limit on the maximum retirement benefit for General Tier III members.

The maximum amount of compensation earnable that can be taken into account for 2022 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is $305,000. The maximum amount of compensation earnable that was taken into account for 2021 was $290,000. For General Tier III members enrolled in Social Security who joined on or after January 1, 2013, the maximum pensionable compensation for 2022 is $134,974. The maximum pensionable compensation for 2021 was $128,059. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

FAC consists of the highest 12 consecutive months of pay for a General Tier I or Tier IIA member or a Safety Tier I or Tier IIA member, and the highest 36 consecutive months of pay for a General Tier IIB or Tier III member or a Safety Tier IIB member.

The member may elect an unmodified retirement allowance or an optional retirement allowance. The unmodified option provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible spouse or partner is one married to or registered with the member for at least one year prior to the effective retirement date. Certain surviving spouses or partners may also be eligible if marriage or partnership occurred at least two years prior to the date of death and the surviving spouse or partner is age 55 as of the date of death. There are also four optional retirement allowances the member may choose. Each option requires a reduction in the unmodified allowance to grant the member the ability to provide certain benefits to a surviving spouse, domestic partner or named beneficiary having an insurable interest in the life of the member.

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

DEATH BENEFITS:

Death Before Retirement

An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions and interest and one month of salary for each full year of service, up to a maximum of six months' salary.

If a member is vested and his/her death is not the result of job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive, for life, a monthly allowance equal to 60% of the retirement allowance they would have been entitled to receive if they had retired for a non- service-connected disability on the date of their death. This same choice is given to their minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

If a member dies in the performance of duty, his/her spouse or registered domestic partner receives, for life, a monthly allowance equal to at least 50% of the member's final average salary. This can also apply to minor children under age 18 (continuing to age 22 if enrolled full time in an accredited school).

Death After Retirement

If a member dies after retirement, a death benefit of $5,000 is payable to his/her designated beneficiary or estate. If the retirement was for a nonservice-connected disability and the member chose the unmodified allowance option, the surviving spouse, registered domestic partner or minor children will receive a monthly continuance equal to 60% of the benefit. If the retirement was for a service-connected disability, the spouse, registered domestic partner or minor children will receive a 100% continuance of the member's benefit.

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

DISABILITY BENEFIT:

A member with five years of service, regardless of age, who becomes permanently incapacitated for the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment, is eligible for a service-connected disability, regardless of service length or age.

COST-OF-LIVING ADJUSTMENT:

An annual cost-of-living adjustment (COLA) of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement in April 1, 2002, resulting in a maximum COLA of 2.5%, depending on the rate of inflation.

SUPPLEMENTAL BENEFITS:

The Board of Retirement and the Board of Supervisors adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement. In fiscal year 2019, SRBR provided for 80% purchasing power protection and a $5,000 death benefit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

KCERA, with its own governing board, is an independent governmental entity separate and distinct from the County of Kern.

BASIS OF ACCOUNTING

KCERA follows Governmental Accounting Standards Board (GASB) accounting principles and reporting guidelines. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of KCERA. Employer and member contributions are recognized in the period in which the contributions are due, and benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. Investment income is recognized as revenue when earned and is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) to investment income based on investment valuations, which includes both realized and unrealized gains and losses on investments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

ADMINISTRATIVE EXPENSES

KCERA's Board annually adopts the operating budget for the administration of KCERA. Costs of administering the Plan are charged against the Plan's earnings. KCERA's administrative budget is calculated pursuant to Government Code Section 31580.2(a), which provides that the administrative expenses incurred in any year may not exceed the greater of either twenty-one hundredths of 1 percent (0.21%) of the actuarial accrued liability of the system or $2,000,000, as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5. Government Code Section 31580.2(b) provides that expenditures for computer software, hardware and computer technology consulting services in support of the computer products shall not be considered a cost of administrative expenses in the calculation.

CASH EQUIVALENTS

Cash equivalents are assets that are readily convertible into cash, such as short-term government bonds or Treasury bills and commercial paper. Cash equivalents are distinguished from other investments through their short-term existence; they mature within three months. A cash equivalent must also be an investment with an insignificant risk of change in value.

VALUATION OF INVESTMENTS

Fair value for investments are derived by various methods as indicated in the following table:

Publicly traded stocks	Most recent exchange closing price. International securities reflect currency exchange rates in effect at June 30, 2022 and 2021.
Short-term investments and bonds	Institutional evaluations or priced at par.
OTC securities	Evaluations based on good faith opinion as to what a buyer in the marketplace would pay for a security.
Commingled funds	Net asset value provided by the investment manager.
Alternative investments	Net asset value provided by the Fund manager based on the underlying financial statements and fair value of the Fund.
Real estate investments	Estimated based on price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investments without a public market are valued based on assumptions made and multiple valuation techniques or appraisals used by the investment manager. The KCERA property is valued based on an annual appraisal.
Commodities Swaps/Options	Listed market prices are used to report the fair values for derivative instruments, if available. If listed market prices are not available for derivative instruments, the price used may be from a vendor, an investment manager or a counterparty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

RISKS AND UNCERTAINTIES

KCERA invests in various investment securities, which are exposed to various risks, including interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

CAPITAL ASSETS

Assets shall be recorded at historical cost or, if that amount is not practicably determined, at estimated historical cost. Accumulated depreciation shall be summarized and reflected on KCERA's annual financial statements. Capital assets shall be depreciated over their estimated useful lives using the straight-line depreciation method. Intangible assets with limited useful lives (e.g., by legal or contractual provisions) should be amortized over their estimated useful lives. Amortization of computer software should begin when the program is placed into service.

Capitalization Thresholds and Useful Life

Capital Asset	Thresholds	Useful Life
Furniture	$2,500	5-15 years
Equipment/Computers	$5,000	3-10 years
Internally generated computer software	$1,000,000	5-12 years
Computer software	$100,000	3-10 years

INCOME TAXES

The Plan qualifies under Section 401(a) of the Internal Revenue Code and is therefore not subject to tax under present income tax laws. No provision for income taxes has been made in the accompanying financial statements, as the Plan is exempt from federal and state income taxes under the provisions of Internal Revenue Code, Section 501 and California Revenue and Taxation Code, Section 23701, respectively.

MANAGEMENT'S 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. These affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

GASB PRONOUNCEMENTS

The accompanying financial statements were prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). KCERA has determined that no new GASB statements were applicable to KCERA during fiscal year 2022.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Board of Retirement (the Board) has the fiduciary responsibility and authority to oversee the investment portfolio. The Board is governed by the County Employees’ Retirement Law of 1937. It is also governed by California Government Code Sections 31594 and 31595, which provide for prudent person governance of the Plan. Under this law, the type and amount of plan investments as well as the quality of securities are not specifically delineated; rather, the investments made are assumed to be in the best interest of the Plan such that others with similar information would acquire similar investments. The Board is required to diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless it is clearly prudent not to do so. The investments shall be made for the exclusive purpose of providing benefits to the participants and their beneficiaries and defraying reasonable expenses to the Plan.

The Board maintains a formal Investment Policy Statement, which addresses guidelines for the investment process. The primary investment objectives for KCERA’s assets shall be:

1. Earn a long-term net of fees rate of return which is equal to or exceeds the assumed rate of return.
2. Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark.
3. Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

The asset allocation decision is a critical decision and involves complex analysis. KCERA's policy regarding the allocation of assets is established and may be amended by the Board. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation as of June 30, 2022:

Asset Class	Target	Range
Global Equity	37 %	32 - 46%
Domestic		16 - 27%
International Developed		8 - 18%
Emerging Market		1 - 9%
Fixed Income	24 %	20 - 34%
Core	14 %	12 - 25%
Credit	6 %	3 - 9%
Emerging Market Debt	4 %	1 - 7%
Commodities	4 %	0 - 6%
Hedge Funds	10 %	5 - 15%
Core Real Estate	5 %	3 - 7%
CE Alpha Pool	5 %	0 - 7%
Midstream Energy	5 %	0 - 7%
Opportunistic	0 %	0 - 10%
Private Equity	5 %	0 - 10%
Private Credit	5 %	0 - 10%
Private Real Estate	5 %	0 - 10%
Cash*	-5 %	-7 - 5%

* *In fiscal year 2019-2020 the Board approved a new strategic long-term asset allocation which includes the new Capital Efficiency program. The Capital Efficiency program seeks to improve the returns of the Plan by using derivatives in place of physical securities, and then utilizing a portion of the unencumbered cash from the derivative position to fund investments in the CE Alpha Pool. As a result, as capital is invested in the CE Alpha Pool, the effective cash exposure for the Plan becomes negative.*

For the year ended June 30, 2022 and 2021, the annual money-weighted rate of return on pension plan investments, net of pension investment expenses, was (4.2)% and 24.3%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The Board retains a number of professional investment managers. Investment manager selection involves complex due diligence and the Board's investment policy requires independent performance measurement of investment managers.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

DEPOSITS

Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. All cash and cash equivalents are held as follows: by the County of Kern as part of Kern County's treasury pool; by Wells Fargo Bank as cash for benefit payments and KCERA Property, Inc.; and by KCERA's master global custodian, The Northern Trust Company. The County Treasury Oversight Committee is responsible for regulatory oversight of the Kern County Treasury Pool. Substantially all of the cash held at The Northern Trust Company is swept into collective, short-term investment funds.

Below is a summary of cash, deposits and short- term investments as of as of June 30, 2022 and 2021:

(In thousands)

Held by	2022	2021
County of Kern	$ 16,415	$ 10,945
Wells Fargo	958	1,776
Northern Trust	390,104	426,782
Disbursements	(1,894)	(3,070)
Total	**$ 405,583**	**$ 436,433**

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. KCERA does not have a formal policy for custodial credit risk but limits custodial credit risk for deposits by maintaining cash in an external investment pool managed by the County of Kern and cash and short-term investments managed by The Northern Trust Company. Deposits held at The Northern Trust Company that were uninsured and uncollateralized were $2.2 million and $1.7 million for the years ended June 30, 2022 and 2021, respectively.

INVESTMENTS

Investments of the Plan are reported at fair value. In fulfilling its responsibilities, the Board of Retirement has contracted with investment managers and a master global custodian. For the year ended June 30, 2022 and 2021, The Northern Trust Company is the global custodian for the majority of the investments of the Plan.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The KCERA investment policy's minimum average credit quality rating for fixed income, with the exception of high yield, shall be at least A- and the minimum issue quality shall be B-rated. The minimum overall average credit quality for high yield shall be at least B.

At June 30, 2022 and 2021, KCERA's assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations, as shown on the next page.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

Standard & Poor's (S&P) Credit Quality by Investment Type

As of June 30, 2022 *(In thousands)*

	S&P Credit Quality								
Type of Investment	AAA	AA	A	BBB-B	CCC-C	D	NR	U.S. Gov Guaranteed	Total
Asset-Backed Securities	$ 14,793	$ 1,537	$ 1,007	$ 1,986	$ 5,863	$ 487	$ 16,374	$ —	**$ 42,047**
Bank Loans	—	—	—	14,981	677	—	4,649	—	**20,307**
Commercial Mortgage-Backed Securities	3,124	100	507	571	—	—	18,641	—	**22,943**
Commercial Paper	—	—	—	—	—	—	1,493	—	**1,493**
Corporate Bonds	1,526	5,855	43,753	274,331	14,540	—	17,763	—	**357,768**
Corporate Convertible Bonds	—	—	—	2,098	297	—	2,741	—	**5,136**
Government Agencies	473	1,851	1,439	4,133	518	—	5,212	1,413	**15,039**
Government Bonds	—	1,808	6,165	62,802	2,011	580	34,911	68,465	**176,742**
Government Mortgage Backed Securities	—	—	394	468	—	—	373	99,683	**100,918**
Government-Issued Commercial Mortgage Backed Securities	—	—	—	—	—	—	—	916	**916**
Municipal / Provincial Bonds	290	—	2,666	469	339	—	181	—	**3,945**
U.S. Treasuries & Notes	—	—	—	—	—	—	541	10,337	**10,878**
Non-Government-Backed C.M.O.s	1,427	380	133	362	204	—	4,196	—	**6,702**
Sukuk	—	—	248	598	—	—	1,875	—	**2,721**
Collective / Commingled Funds	—	—	—	—	—	—	448,967	—	**448,967**
Total Fixed Income	**$ 21,633**	**$ 11,531**	**$ 56,312**	**$362,799**	**$24,449**	**$ 1,067**	**$557,917**	**$ 180,814**	**$ 1,216,522**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

Standard & Poor's (S&P) Credit Quality by Investment Type

As of June 30, 2021 *(In thousands)*

	S&P Credit Quality								
Type of Investment	AAA	AA	A	BBB-B	CCC-C	D	NR	U.S. Gov Guaranteed	Total
Asset-Backed Securities	$ 2,219	$ 972	$ 681	$ 2,482	$ 5,181	$ 299	$ 5,941	$ —	**$ 17,775**
Bank Loans	—	—	—	22,872	337	—	6,409	—	**29,618**
Commercial Mortgage-Backed Securities	1,798	—	280	1,053	—	—	9,495	—	**12,626**
Corporate Bonds	3,568	7,146	39,904	273,392	14,003	—	22,202	—	**360,215**
Corporate Convertible Bonds	—	—	—	1,594	449	—	4,798	—	**6,841**
Government Agencies	—	1,120	2,143	5,930	313	—	9,084	1,463	**20,053**
Government Bonds	—	5,955	8,455	62,865	2,743	127	60,956	97,713	**238,814**
Government Mortgage Backed Securities	—	—	—	198	—	—	281	82,359	**82,838**
Government-Issued Commercial Mortgage Backed Securities	—	—	—	—	—	—	—	1,316	**1,316**
Municipal / Provincial Bonds	—	198	3,663	606	—	455	715	—	**5,637**
U.S. Treasuries & Notes	—	—	—	—	—	—	1,602	3,949	**5,551**
Non-Government-Backed C.M.O.s	—	576	77	262	773	—	4,210	—	**5,898**
Sukuk	—	—	273	1,460	—	—	2,055	—	**3,788**
Collective / Commingled Funds	—	—	—	—	—	—	410,870	—	**410,870**
Total Fixed Income	**$ 7,585**	**$ 15,967**	**$ 55,476**	**$372,714**	**$ 23,799**	**$ 881**	**$538,618**	**$ 186,800**	**$ 1,201,840**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

CUSTODIAL CREDIT RISK - INVESTMENTS

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. KCERA does not have a formal policy for limiting custodial credit risk. As of June 30, 2022 and 2021, there were no investment securities exposed to custodial credit risk.

CONCENTRATION OF CREDIT RISK

The KCERA investment policy limits exposure to any single investment manager or product. The maximum allocation to a single active manager is up to 12% of the aggregate fair value of the Plan. The maximum allocation to a single active management product is 8%. This limitation applies to any non-index investment vehicle. With the exception of any sovereign entity (both U.S. and non-U.S.) U.S. agency-backed and U.S. agency issued mortgages, portfolios may not invest more than 5% per investment-grade issuer. Securities of a single noninvestment-grade issuer should not represent more than 2% of the fair value of the portfolio. KCERA's investment portfolio contained no investments in any one single investment-grade issuer greater than 5% of fiduciary net position as of June 30, 2022 and 2021 (other than the exceptions listed above).

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. KCERA's investment policy requires active managers to be within 20% of their benchmark. The overall Fund duration is expected to be within 20% of the Fund's benchmark duration. At June 30, 2022 and 2021, the segmented time distribution of the fixed income portfolio, by investment type, was as follows:

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

(In thousands)

Investment Type	Investment Maturities (in years) as of June 30, 2022					
	Fair Value	Less Than 1	1-5	6-10	More Than 10	Maturity Not Determined
Asset-Backed Securities	$ 42,047	$ —	$ 5,270	$ 12,859	$ 23,918	$ —
Bank Loans	20,307	—	10,696	9,611	—	—
Commercial Mortgage-Backed Securities	22,943	—	272	1,055	21,616	—
Commercial Paper	1,493	1,493	—	—	—	—
Corporate Bonds	357,768	8,002	127,189	169,466	53,111	—
Corporate Convertible Bonds	5,136	—	1,967	380	2,789	—
Government Agencies	15,039	—	7,650	3,011	4,378	—
Government Bonds	176,742	24,624	37,065	33,114	81,939	—
Government Mortgage Backed Securities	100,918	43,660	151	2,896	54,211	—
Government-Issued Commercial Mortgage Backed Securities	916	—	42	396	479	—
US Treasuries & Notes	3,945	—	1,286	650	2,009	—
Municipal / Provincial Bonds	10,878	8,519	2,359	—	—	—
Non-Government-Backed C.M.O.s	6,702	—	227	206	6,269	—
Sukuk	2,721	—	981	1,508	232	—
Collective / Commingled Funds	$ 448,967	$ —	$ —	$ —	$ —	$ 448,967
Total	**$ 1,216,522**	**$ 86,298**	**$ 195,155**	**$ 235,152**	**$ 250,951**	**$ 448,967**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

(In thousands)

		Investment Maturities (in years) as of June 30, 2021				
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Maturity Not Determined**
Asset-Backed Securities	$17,775	$ 289	$ —	$ 3,692	$ 13,794	$ —
Bank Loans	29,618	—	10,598	19,020	—	—
Commercial Mortgage-Backed Securities	12,626	—	—	863	11,763	—
Corporate Bonds	360,215	8,294	100,158	181,909	69,854	—
Corporate Convertible Bonds	6,841	345	2,395	620	3,481	—
Government Agencies	20,053	—	9,981	4,899	5,173	—
Government Bonds	238,814	10,985	77,710	54,868	95,251	—
Government Mortgage Backed Securities	82,838	17,951	59	3,222	61,606	—
Government-Issued Commercial Mortgage Backed Securities	1,316	—	10	924	382	—
Index-Linked Government Bonds	5,637	150	1,139	1,824	2,524	—
Municipal / Provincial Bonds	5,551	3,500	—	—	2,051	—
Non-Government-Backed C.M.O.s	5,898	—	324	41	5,533	—
Sukuk	3,788	—	1,083	2,705	—	—
Collective / Commingled Funds	410,870	—	—	—	—	410,870
Total	**$1,201,840**	**$41,514**	**$203,457**	**$274,587**	**$271,412**	**$410,870**

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of an investment.

The Board of Retirement considers the currency risk exposure when setting the asset allocation targets of the Plan. KCERA’s investment policy permits an 18% allocation to non-U.S. equities and a 4% allocation to emerging market debt. In addition, the core fixed income and high yield managers invest in a diversified portfolio, which can include up to 10% in foreign currency exposure and 30% in non-dollar securities.

The direct holdings shown on the following page represent KCERA’s foreign currency risk exposure as of June 30, 2022 and 2021.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

Foreign Currency — **Fair Value**

As of June 30, 2022 *(In thousands)*

Foreign Currency	Equities	Fixed Income	Cash	Cash Collateral/ Variation Margin	Swaps/Options	Total
Brazilian real	$ —	$ 10,023	$ (2,967)	$ —	$ 51	$ 7,107
Canadian dollar	14,681	409	5,239	—	—	20,329
Chinese yuan renminbi	—	—	2,839	—	(26)	2,813
Colombian peso	—	11,598	(1,458)	—	251	10,391
Czech koruna	—	1,609	1,847	75	(64)	3,467
HK offshore Chinese yuan renminbi	—	3,475	355	—	—	3,830
Hungarian forint	—	2,436	(512)	235	(221)	1,938
Indonesian rupiah	—	7,986	(1,569)	—	—	6,417
Malaysian ringgit	—	4,443	2,409	—	—	6,852
Mexican peso	—	7,649	2,682	677	(632)	10,376
New Romanian leu	—	1,085	1,031	—	—	2,116
Polish zloty	—	1,395	3,013	470	(444)	4,434
South African rand	—	7,173	(993)	7	12	6,199
Thai baht	—	7,334	(626)	—	—	6,708
Other Currencies[1]	33	(3,339)	9,629	741	(508)	6,556
Total	$ 14,714	$ 63,276	$ 20,919	$ 2,205	$ (1,581)	$ 99,533

Foreign Currency — **Fair Value**

As of June 30, 2021 *(In thousands)*

Foreign Currency	Equities	Fixed Income	Cash	Cash Collateral/ Variation Margin	Swaps/Options	Total
Brazilian real	$ —	$ 14,629	$ (6,065)	$ —	$ 28	$ 8,592
Canadian dollar	11,112	654	3,986	—	—	15,752
Chinese yuan renminbi	—	3,752	2,856	—	(63)	6,545
Colombian peso	—	8,744	(1,574)	—	69	7,239
Czech koruna	—	2,107	1,184	10	(8)	3,293
Euro	—	3,682	(12)	270	35	3,975
Hungarian forint	—	397	2,737	46	(36)	3,144
Indonesian rupiah	—	6,509	774	—	—	7,283
Malaysian ringgit	—	4,762	1,009	—	—	5,771
Mexican peso	—	8,263	3,989	(22)	76	12,306
Polish zloty	—	2,478	4,352	79	(49)	6,860
Russian ruble	—	11,817	(2,309)	—	—	9,508
South African rand	—	7,057	(832)	—	—	6,225
Thai baht	—	3,355	3,555	—	—	6,910
Other Currencies[2]	38	11,338	862	211	(104)	12,345
Total	$ 11,150	$ 89,544	$ 14,512	$ 594	$ (52)	$ 115,748

1 Other currencies include (in thousands) $4 of Argentine peso, $(186) of Australian dollar, $674 of British pound sterling, $1,344 of Chilean peso, $71 of Danish krone, $96 of Dominican peso, $1,057 of Egyptian pound, $428 of Euro, $140 of Japanese yen, $(9) of New Israeli shekel, $45 of New Zealand dollar, $1,400 of Peruvian nuevo sol, $89 of Philippine peso, $871 of Russian ruble, $5 of Swiss franc, $432 of Turkish lira, $96 of Uruguayan peso uruguayo

2 Other currencies include (in thousands) $5 of Argentine peso, $51 of Australian dollar, $335 of British Pound Sterling, $2,035 of Chilean peso, $98 of Dominican peso, $1,378 of HK offshore Chinese Yuan Renminbi, $2,650 of Japanese yen, $2,437 of New Romanian leu, $50 of New Zealand dollar, $1,719 of Peruvian nuevo sol, $98 of Philippine peso, $5 of Swiss franc, $1,485 of Turkish lira

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

HIGHLY SENSITIVE INVESTMENTS

KCERA utilizes investments that are highly sensitive to interest rate changes in its fixed income, separately managed investment accounts. Highly sensitive investments include mortgage-backed securities, asset-backed securities, collateralized mortgage obligations, and collateralized bond obligations (CBO). Mortgage-backed securities, collateralized mortgage obligations and asset-backed securities are created from pools of mortgages or other assets (receivables). A CBO is an investment-grade, asset-based security comprised of low-rated bonds that are transferred to a special purpose vehicle that manages the issue. Such securities are subject to credit and interest rate risks, including uncollectible mortgages or receivables backing a security, home mortgages that are prepaid at the option of the homeowner, and the duration and maturity of the issues.

Such securities are subject to credit and interest rate risks, including uncollectible mortgages or receivables backing a security, home mortgages that are prepaid at the option of the homeowner, and the duration and maturity of the issues.

Fair Value *(In thousands)*

	June 30, 2022	June 30, 2021
Mortgage-Backed Securities	$ 124,777	$ 96,780
Asset-Backed Securities	42,047	17,775
Collateralized Mortgage Obligation Securities	6,702	5,898
Total	**$ 173,526**	**$ 120,453**

NOTE 4 – FAIR VALUE MEASUREMENT

KCERA’s investments are measured and reported within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based on unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment’s risk.

Debt, equities and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

Investments Measured at Fair Value

(In thousands)

	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Asset-Backed Securities	$ 157,535	$ —	$ 157,355	$ 180
Bank Loans	20,308	—	19,707	601
Bond Funds	11,117	—	11,117	—
Collateralized Debt Obligations	17,239	—	17,239	—
Corporate Debt Securities	362,903	—	361,540	1,363
Government Debt Securities	194,172	—	192,809	1,363
State & Local Government Debt Securities	1,670	—	1,670	—
Structured Debt	2,359	—	2,359	—
Sukuk	2,721	—	2,721	—
Debt Securities:	**770,024**	**—**	**766,517**	**3,507**
Common Stock	255,133	254,976	—	157
Convertible Equity	—	—	—	—
Equity Funds	86,966	86,966	—	—
Preferred Stock	753	—	753	—
Equity Investments:	**342,852**	**341,942**	**753**	**157**
Real Estate	5,394	5,394	—	—
Real Assets:	**5,394**	**—**	—	**—**
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	456,626			
Hedge Funds	910,341			
Private Equity	386,425			
Commingled Commodity Funds	334,656			
Commingled Equity Funds	1,285,286			
Commingled Bond Funds	265,780			
Net Asset Value (NAV)	**3,639,114**			
Credit Contracts	(195)	—	(195)	—
Interest Rate Contracts	2,719	(188)	2,907	—
Other	—	—	—	—
Derivatives	**2,524**	**(188)**	**2,712**	**—**
Invested Securities Lending Collateral	**153,386**	—	**153,386**	—
Total	**$ 4,913,294**			

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

Investments Measured at Fair Value

(In thousands)

	June 30, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Asset-Backed Securities	$ 117,451	$ —	$ 103,011	$ 14,440
Bank Loans	29,618	—	29,618	—
Bond Funds	11,524	—	11,524	—
Collateralized Debt Obligations	3,525	—	—	3,525
Corporate Debt Securities	364,839	—	363,123	1,716
Government Debt Securities	263,669	107,414	155,363	892
State & Local Government Debt Securities	3,228	—	3,228	—
Structured Debt	4,858	2,052	—	2,806
Short Term Investment Funds	69,938	2,160	67,778	—
Debt Securities:	**802,500**	**109,466**	**669,655**	**23,379**
Common Stock	345,733	345,562	—	171
Equity Funds	559	—	559	—
Preferred Stock	96,745	86,745	—	10,000
Stapled Securities	789	—	789	—
Equity Investments:	**443,826**	**432,307**	**1,348**	**10,171**
Real Estate	5,014	—	—	5,014
Real Assets:	**5,014**	—	**—**	**5,014**
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	385,485			
Hedge Funds	770,926			
Private Equity	402,759			
Commingled Commodity Funds	345,848			
Commingled Equity Funds	1,447,340			
Commingled Bond Funds	399,340			
Net Asset Value (NAV)	**3,751,698**			
Credit Contracts	(3,132)	—	(3,132)	—
Interest Rate Contracts	1,783	(53)	1,836	—
Other	(705)	—	(705)	—
Derivatives	**(2,054)**	**(53)**	**(2,001)**	**—**
Invested Securities Lending Collateral	**181,519**	**—**	**184,160**	**—**
Total	**$ 5,182,503**			

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

(In thousands)

Investments Measured at Net Asset Value (NAV)	6/30/2022	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Commingled Bond Funds [1]	$ 263,591	Daily, Quarterly, None	2-30 Days	$ —
Commingled Commodity Funds [1]	334,656	Daily, Monthly	1-30 Days	—
Commingled Equity Fund Domestic[1]	1,051,805	Daily, Quarterly	1-60 Days	—
Commingled Equity Fund Non-US [1]	398,964	Daily, Monthly	1-15 Days	—
Hedge Funds:				
Diversified [2]	103,261	Quarterly, Annually	30-75 Days	—
Structured Credit [3]	17,738	Quarterly	90 Days	—
Long/Short [4]	36,899	Quarterly	45 Days	—
Event-Driven [5]	236,863	Quarterly	65-90 Days	—
Macro [6]	133,416	Quarterly, Quarterly	30-90 Days	—
Relative Value [7]	166,546	Monthly, Quarterly	30-60-90 Days	—
Arbitrage [8]	52,322	Quarterly	60 Days	—
Real Estate Funds [9]	456,626	Quarterly, None	30-45 Days	128,724
Private Asset Funds [9]	386,427	N/A	N/A	237,646
Total	**$ 3,639,114**			**$ 366,370**

[1] Commingled Bond Funds, Commodity Funds and Equity Funds: Two bond funds, three commodity funds and thirteen equity funds are considered to be commingled in nature. Each is valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments.

[2] Diversified Hedge Fund: A hedge fund where the capital is deployed across multiple superstrategies; it is not concentrated in on broad area of strategies.

[3] Structured Credit Hedge Fund: This strategy invests in ABS securities and other structured credit instruments like CLOs.

[4] Long/Short Hedge Fund: Consisting of one fund utilizing both long and short strategies seeking risk-adjusted returns principally through investment in the Asian-Pacific region. The fund is valued at NAV.

[5] Event-Driven Hedge Funds: Consisting of four funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share.

[6] Macro Hedge Funds: The investment decisions are based on a manager's top-down or macro views on the market.

[7] Relative Value Hedge Funds: Consisting of three funds, this strategy’s main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing or selling these instruments. The funds are valued at NAV.

[8] Arbitrage Hedge Funds: Managers take long and short positions in different markets in to take advantage of inefficiencies in the market.

[9] Private Asset and Real Estate Funds: KCERA’s Private Asset portfolio consists of twelve private equity funds with exposure to funds investing in buyouts, venture capital and special situations. An additional eight private credit funds and two opportunistic funds investing directly in distressed credit, special situations and real estate. The Real Estate portfolio, comprised of six funds, invests mainly in U.S. commercial real estate and utilizes a combination of Core open-end commingled funds and closed-end Value-Added funds. The open-end funds are eligible for redemption on a quarterly basis. Distributions are received from the closed-end funds as underlying investments within the funds are liquidated. Individual holdings contained in the funds are valued at NAV using a combination of the income, cost and sales comparison approaches.

NOTE 4 – FAIR VALUE MEASUREMENT (CONT)

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

(In thousands)

Investments Measured at Net Asset Value (NAV)	6/30/2021	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Commingled Bond Funds [1]	$ 399,340	Daily, Quarterly, None	2-30 Days	$ —
Commingled Commodity Funds [1]	345,848	Daily, Monthly	1-30 Days	—
Commingled Equity Fund Domestic [1]	555,899	Daily, Quarterly	1-60 Days	—
Commingled Equity Fund Non-US [1]	891,441	Daily, Monthly	1-15 Days	—
Hedge Funds:				
Alpha Pool [5]	105,076	Monthly	30 Days	—
Directional [2]	136,141	Monthly	30-60 Days	—
Equity Long/Short [3]	40,202	Quarterly	45 Days	—
Event-Driven [4]	158,036	Quarterly, Annually, 36 Months	45-90 Days	—
Multi-Strategy [5]	147,886	Quarterly, Annually	60-90 Days	—
Relative Value [6]	183,585	Monthly, Quarterly, Semi-annually	45-120 Days	—
Real Estate Funds [7]	385,485	Quarterly, None	30-45 Days	103,430
Private Asset Funds [7]	402,759	N/A	N/A	159,568
Total	**$ 3,751,698**			**$ 262,998**

[1] Commingled Bond Funds, Commodity Funds and Equity Funds: Three bond funds, three commodity funds and nine equity funds are considered to be commingled in nature. Each is valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments.

[2] Directional: The global macro funds utilize this strategy to generate consistent long-term appreciation through active, direct and indirect, leveraged trading and investment on a global basis in multiple investment strategies. The directional funds are valued at NAV.

[3] Equity Long/Short Hedge Fund: Consisting of one fund utilizing both long and short strategies seeking risk-adjusted returns principally through investment in the Asian-Pacific region. The fund is valued at NAV.

[4] Event-Driven Hedge Funds: Consisting of four funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share.

[5] Multi-Strategy Hedge Funds: The eight funds that make up this group aim to pursue varying strategies in order to diversify risks and reduce volatility. These investments are valued at NAV per share.

[6] Relative Value Hedge Funds: Consisting of three funds, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing or selling these instruments. The funds are valued at NAV.

[7] Private Asset and Real Estate Funds: KCERA's Private Asset portfolio consists of twelve private equity funds with exposure to funds investing in buyouts, venture capital and special situations. An additional eight private credit funds and two opportunistic funds investing directly in distressed credit, special situations and real estate. The Real Estate portfolio, comprised of six funds, invests mainly in U.S. commercial real estate and utilizes a combination of Core open-end commingled funds and closed-end Value-Added funds. The open-end funds are eligible for redemption on a quarterly basis. Distributions are received from the closed-end funds as underlying investments within the funds are liquidated. Individual holdings contained in the funds are valued at NAV using a combination of the income, cost and sales comparison approaches.

NOTE 5 – SECURITIES LENDING

Under provisions of state statutes, the Board of Retirement permits KCERA to participate in a securities lending program, whereby securities are transferred to independent broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities plus a fee in the future. Deutsche Bank is KCERA's agent for securities lending.

Deutsche Bank is authorized to lend U.S. government obligations, U.S. bonds and equities, and international bonds and equities that are being held in custody to various borrowers, such as banks and brokers. Securities are lent for collateral. KCERA does not have the ability to pledge or sell collateral securities absent a broker default. All securities loans can be terminated on demand by either KCERA or the borrower.

U.S. securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 110% of the fair value of the securities plus any accrued interest. Marking to market is performed every business day subject to de minimis rules of change in value; the borrower is required to deliver additional collateral when necessary so that the total collateral held by the agent will at least equal the fair value of the borrowed securities. Deutsche Bank invests cash collateral in repurchase agreements on an overnight and term basis collateralized by readily liquid and marketable securities at 102% or greater.

At June 30, 2022 and 2021, KCERA had no credit risk exposure to borrowers due to the nature of the program's collateralization of loans at 102% or 110% plus accrued interest.

The tables below show the balances relating to securities lending transactions as of June 30, 2022 and 2021.

As of June 30, 2022 *(In thousands)*

Security Type	Fair Value of Loaned Securities Securitized by Cash	Cash Collateral	Fair Value of Loaned Securities Securitized by Non-Cash Collateral	Non-Cash Collateral
Domestic Equities	$ 60,103	$ 61,572	$ 2,480	$ 2,348
International Equities	—	—	—	—
Corporate Bonds	51,013	52,236	15,954	16,499
Government Bonds	923	946	—	—
Treasuries	38,065	38,632	—	18,847
Total	**$ 150,104**	**$ 153,386**	**$ 18,434**	**$ 37,694**

As of June 30, 2021 *(In thousands)*

Security Type	Fair Value of Loaned Securities Securitized by Cash	Cash Collateral	Fair Value of Loaned Secuities Securitized by Non-Cash Collateral	Non-Cash Collateral
Domestic Equities	$ 40,281	$ 41,269	$ 318	$ —
International Equities	—	—	—	—
Corporate Bonds	61,400	62,784	157	—
Corporate Bonds	1,287	1,323	—	—
Government Bonds	74,983	76,143	—	504
Total	**$ 177,951**	**$ 181,519**	**$ 475**	**$ 504**

NOTE 6 – DERIVATIVES

DESCRIPTION OF AND AUTHORITY FOR DERIVATIVE INVESTMENTS

KCERA invests in derivative financial investments (i.e., instruments) as authorized by the Board of Retirement. Investment managers may use derivatives where guidelines permit. A derivative instrument is defined as a contract that derives its value, usefulness and marketability from an underlying instrument that represents a direct ownership of an asset or a direct obligation of an issuer. Derivative instruments include, but are not limited to, futures, options, forward contracts, and interest rate or commodity swap transactions. All derivatives are considered investments by KCERA.

Substitution and risk control are the two derivative strategies permitted. Substitution strategy is when the characteristics of the derivative sufficiently parallel that of the cash market instruments; the derivatives may be substituted on a short-term basis for the cash market instrument. Risk control strategy is when the characteristics of the derivative sufficiently parallel that of the cash instrument; an opposite position from the cash instrument could be taken in the derivative instrument to alter the exposure to or the risk of the cash instrument.

Portfolios may not sell securities short nor create leverage through the use of financial futures and options. Uncovered futures or options positions are prohibited.

Financial futures and options may only be used to hedge currency risk or to manage portfolio duration. Investment in structured notes is prohibited. KCERA may invest in the following:

FUTURES

Futures contracts are used to hedge against a possible increase in the price of currency. Futures contracts are classified by category of underlying instrument, such as equity, fixed income, commodity or cash equivalent. Derivative positions are tied to the performance of underlying securities. Futures contracts are priced "mark-to-market," and daily settlements are recorded as investment gains or losses. Accounting for the daily mark-to-markets in this manner, the fair value of the futures contract at the end of the reporting period is the pending mark-to-market. For investment performance, risk and exposure purposes, KCERA's custodian reports the notional fair values of futures contracts with corresponding offsets. When a futures contract is closed, futures are removed from the record with the final gain/loss equal to the fluctuation in value from the last mark-to-market to the closing value.

OPTIONS

Options are used to manage risk exposures in certain accounts as a result of asset allocation requirements or unusual flows of cash to or from such accounts. Purchased put/call options are reported as assets with cost equal to the premium amount paid at inception, and written put/call options are reported as liabilities with cost equal to the premium received at inception. During the term of the options contracts, options are revalued at the end of each reporting period. Unrealized gains and losses are reported as the difference between the premium (cost) and the current fair value. At expiration, sale, or exercise, options are removed from record, and realized gains and losses are generally recognized. Because of the nature of options transactions, notional values are not included in the Investment Derivatives Summary table on page 45.

NOTE 6 – DERIVATIVES (CONT.)

DESCRIPTION OF AND AUTHORITY FOR DERIVATIVE INVESTMENTS (CONT.)

SWAPS

Swap transactions are used to preserve a return or spread on investments to protect against currency fluctuations as a duration management technique or to protect against any increase in the price of securities. Because the fair values of swaps can fluctuate, swaps are represented as assets (if fair value is greater than zero) and liabilities (if fair value is less than zero). If a premium is paid or received at inception of the swap, the premium amount is generally recorded as the cost of the swap. During the term of the swap agreement, the periodic cash flows as either income or expense associated with the swap agreement. At each reporting period, swaps are revalued and unrealized gains or losses are reported. KCERA's custodian generally obtains swap valuations from a pricing vendor, the investment manager or the counterparty. At closing, KCERA's custodian removes the swap assets and liabilities from the record. The difference between any closing premium exchanged and the cost basis is recognized as realized gain or loss.

FORWARD EXCHANGE CONTRACTS

Forward exchange contracts are used for the purpose of hedging against adverse movement in currency exchange rates and to facilitate settlement of transactions in foreign securities. KCERA's reporting methodology for foreign exchange (FX) contracts reflects payables and receivables for the currencies to be exchanged while the forward FX contracts are pending; the two pending cash flows are valued separately. The overall cost basis for a pending FX deal is zero (the net of the cost basis for the payable and receivable). Pending forward FX contracts are valued using the closing forward FX rate as of the report date. The difference between the forward rate (base fair value) at the reporting date and the contracted rate on trade date (base cost) of the forward FX contract is unrealized gain/loss. The difference between the spot rate applied at settlement date and the contracted rate on trade date is realized gain/loss at the settlement of the forward FX contract. KCERA does not discount the valuation of the anticipated cash flows associated with pending forward FX contracts.

SUMMARY OF DERIVATIVE INVESTMENTS

Investment derivative instruments are reported as investments (if fair value is greater than zero) or liabilities (if fair value is less than zero) as of fiscal year end on the Statement of Fiduciary Net Position. Listed market prices are used to report the fair values for derivative instruments, if available. If listed market prices are not available for derivative instruments, the price used may be from a vendor, an investment manager or a counterparty. All changes in fair value are reported in the Statement of Changes in Fiduciary Net Position as a component of investment income.

As of June 30, 2022 and 2021, KCERA has the following instruments outstanding (see Summary table on next page) with an objective to earn a rate of return consistent with KCERA's investment policies. Notional values listed on the Summary table that are positive (assets) or negative (liabilities) are aggregated for similar derivative types.

NOTE 6 – DERIVATIVES (CONT.)

Derivative Investment Summary

As of June 30, 2022 *(In thousands)*

Derivative Investment Type	Changes in Fair Value Gain (Loss)	Fair Value	Notional Value
Futures	$ (54,504)	$ —	$ 627,215
Options	(43)	(210)	—
Swaps	1,734	2,733	—
Foreign Exchange Contracts	(2,603)	(49)	—
Rights/Warrants Equity Contracts	1	—	—
Total Value	**$ (55,415)**	**$ 2,474**	**$ 627,215**

As of June 30, 2021 *(In thousands)*

Derivative Investment Type	Changes in Fair Value Gain (Loss)	Fair Value	Notional Value
Futures	$ 81,122	$ —	$ 536,690
Options	(182)	(114)	—
Swaps	(6,331)	(1,235)	—
Foreign Exchange Contracts	(67)	(705)	—
Rights/Warrants Equity Contracts	—	—	—
Total Value	**$ 74,542**	**$ (2,054)**	**$ 536,690**

NOTE 7 – CONTRIBUTIONS

Following the establishment of KCERA on January 1, 1945, eligible employees and their beneficiaries became entitled to pension, disability and survivor benefits under the provisions of the CERL. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries, depending on their entry age in the Plan, membership type and benefit tier.

The funding objective of the KCERA Board of Retirement is to provide sufficient assets to permit the payment of all regular benefits promised under KCERA while minimizing the volatility of contribution rates for participating employers from year to year as a percentage of covered payroll. There are three sources of funding for KCERA retirement benefits: employer contributions, member contributions and investment earnings.

Total contributions made during fiscal years 2022 and 2021, respectively, amounted to approximately $341.6 million and $322.4 million, of which $287.1 million and $268.6 million were contributed by employers, and $54.5 million and $53.8 million were contributed by members.

PENSION OBLIGATION BONDS

In 1995 and 2003, the County of Kern issued pension obligation bonds and contributed $224.5 million and $285.1 million to the Plan, respectively. Special districts did not participate in the funding provided by pension obligation bonds. Therefore, different employer contribution rates are required to fund the unfunded liabilities for each class of participation.

COST-OF-LIVING ADJUSTMENT

On April 1, 1973, an annual cost-of-living adjustment (COLA) of up to 2% for all retirees and continuance beneficiaries was adopted. The 2% COLA was funded entirely from the unreserved fund balance until February 5, 1983. After this date and prior to fiscal year 2003, funding of the 2% COLA was included in the employers' contributions. In fiscal year 2002, the County of Kern activated Government Code Section 31617, which provides that COLAs shall be funded first from excess earnings, to the extent of such excess, and thereafter from employer contributions. In fiscal year 2022, the Plan had no excess earnings; $0 was reserved to fund the employer COLA contributions in fiscal year 2022.

EMPLOYER CONTRIBUTIONS

Each year, an actuarial valuation is performed for the purpose of determining the funded position of the retirement plan and the employer contributions necessary to pay benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Actuarial Cost Method. The Plan's employer rates provide for both "Normal Cost" and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2022 ranged from 36.02% to 76.64% of covered payroll, with a combined average of 48.91% for all employers.

NOTE 7 – CONTRIBUTIONS (CONT.)

DECLINING EMPLOYER CONTRIBUTIONS

In August 2019, the Board determined that a triggering event occurred during the 2019-20 fiscal year, resulting from two employers ceasing to enroll new hires and/or a material and expected long-lasting reduction in KCERA covered payroll. Based on KCERA's Declining Employer Payroll Policy, KCERA's actuary determined the Valuation Value of Assets (VVA), Actuarial Accrued Liability (AAL) and resulting Unfunded Actuarial Accrued Liability (UAAL). AS of June 30, 2021 the UAAL allocated to Inyokern Community Services District was $124,000 and the UAAL allocated to Berrenda Mesa Water District was $4,195,000. The District's UAAL were amortized as a single layer over an 18-year period. Inyokern[1] and Berrenda[2] Mesa will be billed annually for the UAAL contributions.

MEMBER CONTRIBUTIONS

Member contributions are made through payroll deductions on a pre-tax basis, per IRS Code Section 414(h)(2). Member contribution rates for fiscal year 2022 ranged from 4.72% to 19.29% and were applied to the member's base pay plus "pensionable" special pay; they were calculated based on the member's KCERA entry age and actuarially calculated benefits. Members are required to contribute depending on the member's tier, employer and bargaining unit. For certain safety bargaining units, a flat member contribution rate is applied. "New members," as defined in PEPRA, hired on or after January 1, 2013 pay a flat member contribution rate: 50% of the total Normal Cost rate.

For members covered by Social Security, the member contribution rates above apply to monthly salaries over $350. (A one-third reduction in the rates applies to the first $350 of monthly salary.)

As a result of the 1997 Memorandum of Understanding (MOU), some members received an employer "pick up" of their contributions. General members hired after MOU-specified dates in 2004 or 2005 and safety members hired after MOU-specified dates in 2007 were required to pay 100% of the employees' retirement contributions with the employer paying no part of the employees' contributions. Effective in 2014, non-contributing County general and safety members were required to pay one-third of their employee contributions. Buttonwillow Recreation and Park District and San Joaquin Valley Air Pollution Control District did not elect the 1997 MOU. Buttonwillow employees continue to pay 50% of their full rates. San Joaquin's Tier I members pay 50% of the Normal Cost rate as of June 30, 2018. Employees of the Kern County Superior Court are required to pay an additional 8% of base salary.

Interest is credited to member contributions semiannually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

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[1]This annual UAAL contribution in dollars of $13,000 for Inyokern is equal to the level dollar layered amortization of the $124,000 in UAAL of $13,000 plus $0 in administrative expenses plus a $0 adjustment due to the 12-month delay between the valuation date and the plan year beginning July 1, 2022.

[2] This annual UAAL contribution in dollars of $431,000 for Berrenda Mesa is equal to the level dollar layered amortization of the $4,195,000 in UAAL of $437,000 plus $1,000 in administrative expenses minus a $7,000 adjustment due to the 12-month delay between the valuation date and the plan year beginning July 1, 2022.

NOTE 8 – RESERVE ACCOUNTS AND DESIGNATIONS OF NET POSITION

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Member, employer and retired members’ reserves are fully funded. KCERA maintains the following reserve and designation accounts:

MEMBER'S DEPOSIT RESERVE – member contributions and interest allocation to fund member retirement benefits.

EMPLOYER'S ADVANCE RESERVE – employer contributions and interest allocation to fund member retirement benefits.

COST-OF-LIVING RESERVE– employer contributions and interest allocation to fund annual cost-of-living increases for retirees and their continuance beneficiaries.

RETIRED MEMBERS' RESERVE – transfers from members’ deposit reserve and employers’ advance reserve, and interest allocation for funding of retirees’ and their beneficiaries’ monthly annuity payments.

SUPPLEMENTAL RETIREE BENEFIT RESERVE – monies reserved for enhanced, non-vested benefits to current and future retired members and their beneficiaries.

COLA CONTRIBUTION RESERVE – monies reserved to credit future employer COLA contributions

CONTINGENCY RESERVE – excess income to supplement deficient earnings. The contingency reserve satisfies the Government Code Section 31616 requirement for KCERA to reserve at least 1% of assets, up to a maximum of 3% of assets. At fiscal year ended June 30, 2022, 2.29% of the Plan’s net position were in contingencies, according to the Board of Retirement’s Interest Credit Policy.

Balances in these reserve accounts and designations of net position available for pension and other benefits at June 30, 2022 and 2021 (under the five-year smoothed fair asset valuation method for actuarial valuation purposes) are as follows:

NOTE 8 – RESERVE ACCOUNTS AND DESIGNATIONS OF NET POSITION (CONT.)

(In thousands)

Reserve Account	2022	2021
Members' Deposit Reserve - General	$ 325,743	$ 305,216
Members' Deposit Reserve - Safety	171,943	158,711
Members' Deposit Reserve - Special District	37,373	33,029
Members’ Deposit Reserve - Courts	3,925	2,324
Members’ Deposit Reserve - Hospital Authority	8,574	6,627
Employers' Advance Reserve - General	489,657	427,228
Employers' Advance Reserve - Safety	628,132	581,003
Employers' Advance Reserve - Special Distict	56,700	54,312
Employers' Advance Reserve - Courts	28,945	25,370
Employers' Advance Reserve - Kern Medical	90,573	81,617
Cost-of-living Reserve - General	889,114	830,471
Cost-of-living Reserve - Safety	671,515	619,641
Cost-of-living Reserve - Special District	76,937	69,634
Cost-of-living Reserve - Courts	10,769	9,330
Cost-of-living Reserve - Kern Medical	39,480	28,528
Retired Members' Reserve - General	1,161,298	1,150,088
Retired Members' Reserve - Safety	400,954	399,845
Supplemental Retiree Benefit Reserve (SRBR)	131,236	128,798
SRBR allocated for 0.5% COLA	10,770	23,054
Contingency Reserve	117,544	53,624
Total reserves at five-year smoothed fair value actuarial valuation	**5,351,182**	**4,988,449**
Market Stabilization Reserve*	(220,053)	429,064
Total Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,131,129**	**$ 5,417,513**

** The Market Stabilization Reserve represents the difference between the five-year smoothed fair value of the fund and the fair value as of the fiscal year end.*

NOTE 9 - RELATED PARTY TRANSACTION

OFFICE LEASE

KCERA, as the sole shareholder, formed a title holding corporation, KCERA Property, Inc. (KPI) for the purpose of accommodating the administrative offices of the Plan. In October 2010, KCERA entered into a build-to-suit lease agreement with KPI to occupy 14,348 square feet. KCERA is required to pay a monthly rate of $2.13 per square foot as well as taxes, insurance and operating costs as defined in the agreement. The base rent was subject to an automatic 10.4% increase beginning on the fifth anniversary of the commencement date, November 2015, and on each fifth year anniversary date thereafter during the lease term. The sum of payments due for fiscal year ended June 30, 2022 is $367,239 for base rent and $13,732 for HVAC, insurance and assessment fees. KCERA’s base rent and other costs are abated from KPI’s rental income.

NOTE 10 – NET PENSION LIABILITY

The components of the net pension liability are as follows:

Reserve Account	June 30, 2022	June 30, 2021
Total Pension Liability	$7,510,905,541	$7,306,894,934
Plan Fiduciary Net Position	(5,131,128,660)	(5,417,513,179)
Net Pension Liability	**$2,379,776,881**	**$1,889,381,755**
Plan Fiduciary Net Position as Percentage of Total Pension Liability	**68.32%**	**74.14%**

The Plan's Fiduciary Net Position includes assets held for the Supplemental Retiree Benefit Reserve (SRBR). A split of the Total Pension Liability (TPL), Plan's Fiduciary Net Position (FNP) and Net Pension Liability (NPL) by the regular benefits (non- SRBR) and the SRBR benefits as of June 30, 2022 and June 30, 2021 are shown in the tables below.

June 30, 2022	Regular Benefits (Non-SRBR)	SRBR Benefits	Total KCERA
Total Pension Liability	$7,403,163,840	$107,741,701	$7,510,905,541
Plan Fiduciary Net Position	4,999,892,890	131,235,770	5,131,128,660
Net Pension Liability (Asset)	**$2,403,270,950**	**$(23,494,069)**	**$2,379,776,881**

June 30, 2021	Regular Benefits (Non-SRBR)	SRBR Benefit	Total KCERA
Total Pension Liability	$7,227,710,796	$79,184,138	$7,306,894,934
Plan Fiduciary Net Position	5,288,714,922	128,798,257	5,417,513,179
Net Pension Liability (Asset)	**$1,938,995,874**	**$(49,614,119)**	**$1,889,381,755**

The Net Pension Liability (NPL) for the plan was measured as of June 30, 2022 and June 30, 2021. The Plan's Fiduciary Net Position was valued as of the measurement dates while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of June 30, 2021, and June 30, 2020, respectively, to the measurement date of June 30, 2022 and 2021, respectively.

PLAN PROVISIONS. The plan provisions used in the measurement of the net pension liability are the same as those used in the KCERA actuarial valuation as of June 30, 2022 and 2021, respectively. The TPL and the Plan's Fiduciary Net Position include liabilities and assets held for the Supplemental Retiree Benefit Reserve (SRBR).

ACTUARIAL ASSUMPTIONS AND METHODS. The TPLs as of June 30, 2022 and 2021 that were measured by actuarial valuations as of June 30, 2021 and 2020, respectively, used the same actuarial assumptions and actuarial cost method as the June 30, 2021 and 2020 funding valuations. The actuarial assumptions used in the 2020 valuation were based on the results of an experience study for the period from July 1, 2016 though June 30, 2019. The assumptions used in the 2019 valuation were based on the results of an experience study for the period from July 1, 2013 through June 30, 2016. In particular, the following actuarial assumptions were applied to the periods included in the measurement.

NOTE 10 – NET PENSION LIABILITY (CONT.)

As of June 30, 2022	
Inflation:	2.75%
Salary Increases:	General: 4.00% to 8.75%. Safety: 3.75% to 12.00%. Varies by service, including inflation and real accross-the-board salary increase.
Investment Rate of Return:	7.25%, net of plan investment expenses, including inflation.
Administrative Expenses:	0.90% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member.
Other Assumptions:	Same as those used in the June 30, 2022 funding valuations. These assumptions were developed in the analysis of actuarial experience for the period July 1, 2016 through June 30, 2019.

As of June 30, 2021	
Inflation:	2.75%
Salary Increases:	General: 4.00% to 8.75%. Safety: 3.75% to 12.00%. Varies by service, including inflation.
Investment Rate of Return:	7.25%, net of plan investment expenses, including inflation.
Administrative Expenses:	0.90% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member.
Other Assumptions:	Same as those used in the June 30, 2020 funding valuation. These assumptions were developed in the analysis of actuarial experience for the period July 1, 2016 through June 30, 2019.

The Entry Age Actuarial Cost Method used in KCERA's annual actuarial valuation has also been applied in measuring the Service Cost and TPL with one exception. For purposes of measuring the Service Cost and TPL, KCERA has reflected the same plan provisions used in determining the member's Actuarial Present Value of Projected Benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the Normal Cost and Actuarial Accrued Liability are determined as if the current benefit accrual rate had always been in effect.

The long-term expected rate of return on pension plan investments was determined using building block method in which expected future real rates of return (i.e., expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized on the next page.

NOTE 10 – NET PENSION LIABILITY (CONT.)

	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Weighted Average
Global Equity	37%	6.51%	2.41%
Core Fixed Income	14%	1.09%	0.15%
High Yield Corporate Credit	6%	3.38%	0.20%
Emerging Market Debt Blend	4%	3.41%	0.14%
Commodities	4%	3.08%	0.12%
Core Real Estate	5%	4.59%	0.23%
Private Real Estate	5%	9.50%	0.48%
Midstream	5%	8.20%	0.41%
Capital Efficiency Alpha Pool	5%	2.40%	0.12%
Hedge Funds	10%	2.40%	0.24%
Private Equity	5%	9.40%	0.47%
Private Credit	5%	5.60%	0.28%
Cash	-5%	0.00%	0.00%
Inflation	0%	0.00%	2.75%
Total	100%		**8.00%**

Discount rate. The discount rate used to measure the TPL was 7.25% as of June 30, 2022 and 2021. The projection of cash flows used to determine the discount rates assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and 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 costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2022 and 2021.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplement Retirement Benefit Reserve (SRBR) asset pools.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the NPL of the KCERA as of June 30, 2022, calculated using the discount rate of 7.25%, as well as what the KCERA's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current (7.25%)	1% Increase (8.25%)
Net Pension Liability as of June 30, 2022	$ 3,356,289,212	$ 2,379,776,881	$ 1,576,389,656

	1% Decrease (6.25%)	Current (7.25%)	1% Increase (8.25%)
Net Pension Liability as of June 30, 2021	$ 2,845,489,516	$ 1,889,381,755	$ 1,103,132,119

NOTE 11 - SUBSEQUENT EVENT

In compliance with accounting standards, management has evaluated events that have occurred after fiscal year-end to determine if these events are required to be disclosed in the basic financial statements.

SRBR RESTRUCTURE

On September 14, 2022 the KCERA Board of Retirement unanimously voted to restructure the Supplemental Retiree Benefit Reserve (SRBR) Program. This change came after more than a year and a half of working meetings with the Finance Committee and the Board to improve the mix of benefits to reflect the following objectives:

- Allocate additional funds by increasing benefits
- Increase predictability of future assets and liabilities
- Exercise duty of loyalty to all KCERA members
- Simplify the benefit structure
- Do no harm to any members already receiving benefits

Before the recent revisions, the SRBR Policy required the Board consider new benefits whenever the funded ratio exceeded 120% two years in a row, and required the Board consider eliminating benefits when the funded ratio fell below 120% for two consecutive years. This ongoing need to re-evaluate benefits, along with the wide range of benefit options available to the Board, regularly resulted in prolonged and burdensome approval processes.

Resolution

With the help of KCERA's actuaries, KCERA Staff proposed a new benefit structure to address the past problems and allocate funds to all members, including current and future retirees. KCERA Trustees considered a range of new benefit options, but ultimately favored a single benefit based on years of service ("Years of Service Benefit").

KCERA Staff and Trustees focused on developing a benefit structure that would maintain SRBR benefits for any member who was already receiving them while creating a more predictable and sustainable structure for the future. To do so, KCERA Staff worked with its actuaries to devise a process in which all members will have their SRBR benefit calculated, on a one-time basis, under the new "Years of Service" benefit ($1.80 per year of service) and the old SRBR 1-4 structure. Members will then receive whichever benefit calculation yields a higher result. That will be the member's starting SRBR benefit under the Restructured SRBR (also referred to as the "floor" benefit).

One of the best aspects of this Restructured SRBR is that eligible members will receive a 2.5% COLA on their SRBR benefit every year, so long as the SRBR remains adequately funded.

Under the Restructured SRBR, KCERA's Board will consider benefit changes when the SRBR funding is above 115% funded or below 95% funded for two consecutive years. If the funded ratio begins to creep up above 115%, the KCERA Board can increase benefits or change the eligibility date to include more members. If the funded ratio drops below 95%, the Board can simply suspend or reduce the annual 2.5% SRBR COLA to bring the funded status within range.

The change in benefit structure is effective July 1, 2022, but it will take time for staff to fully implement the change. For eligible retirees whose "floor" benefit is greater under the Years of Service calculation, Staff is currently targeting January 2023 for the first new payments, and February for any retroactive payments. The first 2.5% COLA will be applied July 1, 2023 for all eligible recipients.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR FISCAL YEARS ENDED JUNE 30

(In thousands)

	2022	2021	2020	2019	2018
Total Pension Liability:					
Service Cost	$ 118,979	$ 123,394	$ 124,146	$ 122,869	$ 123,407
Interest	523,872	510,015	481,972	466,379	450,172
Change of Benefit Terms	30,438	(32,129)	—	—	31,034
Differences between Expected and Actual Experience	(69,170)	(16,282)	(23,991)	(48,814)	(80,208)
Changes in Assumptions	—	—	151,379	—	—
Benefit Payments, including Refunds	(400,108)	(378,799)	(361,094)	(341,812)	(321,613)
Net Change in Total Pension Liability	204,011	206,199	372,412	198,622	202,792
Total Pension Liability: Beginning of Year	7,306,895	7,100,696	6,728,284	6,529,662	6,326,870
Total Pension Liability: End of Year (a)	**7,510,906**	**7,306,895**	**7,100,696**	**6,728,284**	**6,529,662**
Plan Fiduciary Net Position:					
Contributions - Employer [1]	287,063	268,625	273,909	229,120	242,534
Contributions - Employee	54,514	53,789	57,862	50,132	52,504
Net Investment Income	(219,947)	1,043,361	127,861	214,244	267,659
Benefit Payments, including Refunds	(400,108)	(378,799)	(361,094)	(341,774)	(321,613)
Administrative Expense	(6,702)	(6,061)	(5,523)	(4,804)	(5,117)
Other [2]	(1,204)	(2,197)	—	—	—
Net Change in Plan Fiduciary Net Position	(286,384)	978,718	93,015	146,918	235,967
Plan Fiduciary Net Position:					
Beginning of Year	5,417,513	4,438,795	4,345,780	4,198,862	3,962,895
Plan Fiduciary Net Position: End of Year (b)	**5,131,129**	**5,417,513**	**4,438,795**	**4,345,780**	**4,198,862**
Net Pension Liability: (a) - (b)	**$ 2,379,777**	**$ 1,889,382**	**$ 2,661,901**	**$ 2,382,504**	**$ 2,330,800**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.32 %	74.14 %	62.51 %	64.59 %	64.30 %
Covered Payroll [3]	$ 612,609	$ 604,320	$ 607,695	$ 579,072	$ 576,729
Plan Net Pension Liability as a Percentage of Covered Payroll	388.47 %	312.65 %	438.03 %	411.43 %	404.14 %

[1] See footnote (1) under Schedule of Employer Contributions.
[2] This represents the amount of recovery or refunds or benefits and/or member contributions previously paid in conjunction with pay items impacted by the implementation of the Alameda Decision.
[3] Cover Payroll represents payroll on which contributions to the pension plan are based.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR FISCAL YEARS ENDED JUNE 30 (CONT.)

(In thousands)

	2017	2016	2015	2014	2013
Total Pension Liability:					
Service Cost	$ 122,184	$ 123,181	$ 125,161	$ 125,118	$ 125,644
Interest	438,385	427,646	415,820	400,559	384,837
Change of Benefit Terms	—	—	5,036	—	—
Differences between Expected and Actual Experience	(109,368)	(105,053)	(89,306)	(57,034)	(49,064)
Changes in Assumptions	196,259	—	—	205,038	—
Benefit Payments, including Refunds	(305,817)	(288,738)	(273,865)	(257,495)	(242,630)
Net Change in Total Pension Liability	341,643	157,036	182,846	416,186	218,787
Total Pension Liability: Beginning of Year	5,985,227	5,828,191	5,645,345	5,229,159	5,010,372
Total Pension Liability: End of Year (a)	**6,326,870**	**5,985,227**	**5,828,191**	**5,645,345**	**5,229,159**
Plan Fiduciary Net Position:					
Contributions - Employer [1]	224,351	234,713	215,477	220,393	211,677
Contributions - Employee	51,410	33,279	30,325	25,810	20,283
Net Investment Income	426,606	(27,535)	81,931	487,591	319,432
Benefit Payments, including Refunds	(305,817)	(288,738)	(273,864)	(257,495)	(242,630)
Administrative Expense	(5,243)	(5,224)	(4,887)	(4,958)	(4,016)
Other [2]	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	391,307	(53,505)	48,982	471,341	304,746
Plan Fiduciary Net Position:					
Beginning of Year	3,571,588	3,625,093	3,576,111	3,104,770	2,800,024
Plan Fiduciary Net Position: End of Year (b)	**3,962,895**	**3,571,588**	**3,625,093**	**3,576,111**	**3,104,770**
Net Pension Liability: (a) - (b)	**$ 2,363,975**	**$ 2,413,639**	**$ 2,203,098**	**$ 2,069,234**	**$ 2,124,389**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	62.64 %	59.67 %	62.20 %	63.35 %	59.37 %
Covered Payroll [3]	$ 546,671	$ 537,540	$ 531,598	$ 533,851	$ 516,465
Plan Net Pension Liability as a Percentage of Covered Payroll	432.43 %	449.02 %	414.43 %	387.61 %	411.33 %

[1] See footnote (1) under Schedule of Employer Contributions.
[2] This represents the amount of recovery or refunds or benefits and/or member contributions previously paid in conjunction with pay items impacted by the implementation of the Alameda Decision.
[3] Cover Payroll represents payroll on which contributions to the pension plan are based.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Covered Payroll
2013	$211,677,000	$211,677,000	—	$516,465,189	40.99%
2014	$220,393,000	$220,393,000	—	$533,850,811	41.28%
2015	$215,477,000	$215,477,000	—	$531,598,183	40.53%
2016	$216,229,000	$216,229,000	—	$537,539,991	40.23%
2017	$224,351,000	$224,351,000	—	$546,671,003	41.04%
2018	$242,534,000	$242,534,000	—	$576,728,789	42.05%
2019	$229,120,000	$229,120,000	—	$579,071,865	39.57%
2020	$273,909,000	$273,909,000	—	$607,695,110	45.07%
2021	$268,626,000	$268,626,000	—	$604,320,398	44.45%
2022	$287,063,000	$287,063,000	—	$612,609,249	46.86%

See accompanying notes to this schedule on next page.

(1) All "Actuarially Determined Contributions" through June, 2014 were determined as the "Annual Required Contribution" under GAS 25 and 27. Starting from 2016, actuarially determined contributions exclude employer paid member contributions.

(2) Covered payroll represents payroll on which contributions to the pension plan are based.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

METHODS AND ASSUMPTIONS USED TO ESTABLISH ACTUARIALLY DETERMINED CONTRIBUTION RATES:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability
Remaining amortization period:	13.5 years as of June 30, 2022 for all UAAL as of June 30, 2011. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 18-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).
Asset valuation method	Market value of assets (MVA) less unrecognized returns in each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized semiannually over a five-year period. The Actuarial Value of Assets (AVA) cannot be less than 50% of MVA, nor greater than 150% of MVA. The AVA is reduced by the value of the non-valuation reserves.

	June 30, 2020 Valuation Date (used for the year ended June 30, 2022 ADC)
Actuarial Assumptions:	
Investment rate of return	7.25%, net of pension plan investment expenses, including inflation
Inflation rate	2.75%
Real across-the-board salary increase	0.50%
*Projected salary increases**	General: 4.00% to 8.75% Safety: 3.75% to 12.00%
Administrative expenses	0.90% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses) for the employer and member
Cost-of-living adjustments	2.50% (actual increases contingent upon CPI increases with a 2.50% maximum)
Other assumptions	Same as those used in the June 30, 2020 funding actuarial valuation

**Includes inflation at 2.75% plus real across-the-board salary increase of 0.50% plus merit and promotional increases.*

SCHEDULE OF MONEY WEIGHTED RATES OF RETURNS FOR LAST 10 FISCAL YEARS ENDED JUNE 30

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Annual Money-Weighted Rate of Return*	(4.2)%	24.3%	3.2%	5.6%	6.8%	12.0%	0.3%	3.0%	15.5%	10.8%

**Net of investment expenses.*

Data is provided only for those years for which information is available.

SCHEDULE ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Staffing		
Salaries	$ 2,822,794	$ 2,357,739
Benefits	1,834,721	1,651,823
Temporary staff	36,177	82,179
Staffing Total	**4,693,692**	**4,091,741**
Staff Development	45,705	16,636
Professional Fees:		
Actuarial fees	105,709	71,570
Audit fees[1]	53,500	126,500
Consultant fees	41,744	45,807
Legal fees	36,675	119,665
Professional Fees Total	**237,628**	**363,542**
Office Expenses:		
Building expenses	121,744	62,863
Communications	28,976	35,540
Equipment lease	10,086	10,138
Equipment maintenance	2,000	9,638
Memberships	12,749	9,495
Office supplies & misc. admin.	39,620	50,631
Payroll & accounts payable fees	25,797	4,584
Other Services - Kern County	37,851	—
Postage	21,522	20,209
Subscriptions	11,009	9,991
Utilities	42,080	39,586
Office Expenses Total	**353,434**	**252,675**
Insurance	148,495	136,176
Member Services		
Benefit payment fees	—	14,745
Disability - legal	2,896	46,111
Disability - medical advisors	—	15,113
Disability - professional services	9,826	167,210
Disability - administration MMRO	106,200	—
Member communications	13,996	13,247
Member Services Total	**$ 132,918**	**$ 256,426**

See accompanying independent auditors' report. *Schedule continued on next page.*

[1] *Includes periodic actuarial audit, see page 61.*

SCHEDULE ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021 *(CONT.)*

	2022	2021
Systems:		
Audit - security & vulnerability scan	$ 2,290	$ 7,680
Business continuity expense	8,740	18,730
Hardware	52,251	33,359
Licensing & support	125,005	142,796
Software	97,539	69,384
Website design	81,708	1,655
Systems Total	**367,533**	**273,604**
Board of Retirement		
Board compensation	10,640	12,161
Board conferences & training	20,492	4,535
Board elections	40,974	—
Board meetings	2,351	137
Board of Retirement Total	**74,457**	**16,833**
Depreciation/Amortization	648,530	653,043
Total Administrative Expenses	**$ 6,702,392**	**$ 6,060,676**

SCHEDULE OF INVESTMENT EXPENSES FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

	2022	2021
Investment manager Fees:		
Equity	$ 4,224,707	$ 4,491,285
Fixed income	2,545,173	3,863,690
Commodities	2,078,697	1,457,520
Midstream Energy	1,791,459	525,498
Real estate	4,961,774	2,537,863
Opportunistic	4,515,578	3,264,743
Private equity/Credit funds	12,763,699	8,324,665
Hedge funds	24,032,903	34,115,922
Cash and Overlay	706,914	301,265
Total Investment Manager Fees	**57,620,904**	**58,882,451**
Other Investment Expenses:		
Custodian	363,646	536,729
Actuarial valuation	232,693	130,576
Investment consultants	1,406,361	1,646,195
Legal fees	141,008	308,169
Real estate	49,799	45,600
Total Other Investment Expenses	**2,193,507**	**2,667,269**
Total Fees and Other Investment Expenses	**59,814,411**	**61,549,720**
Securities Lending rebates and bank fees	53,430	40,503
Total Investment Expenses	**$ 59,867,841**	**$ 61,590,223**

See accompanying independent auditors' report.

SCHEDULE OF PAYMENTS TO CONSULTANTS FOR THE YEARS ENDED JUNE 30, 2022 AND 2021

		Commission/Fee	
Individual or Firm	**Nature of Service**	**2022**	**2021**
Cortex Applied Research, Inc.	Policy consultants	$ 51,500	$ 45,807
Segal Consulting	Actuarial services	105,709	71,570
Kern County Counsel	Legal counsel	3,450	63,688
Nossaman LLP	Legal counsel	20,904	68,424
Ice Miller	Legal counsel	13,673	20,809
Reed Smith LLP	Legal counsel	2,039	12,856
Cheiron	External auditors	—	80,000
CliftonLarsonAllen	External auditors	53,500	46,500
Agility Recovery Solutions	Disaster recovery/audit	11,030	18,730
TraceSecurity LLC	System audit	—	7,680
Total Payments to Consultants		**$ 261,805**	**$ 436,064**

These payments were made to outside consultants other than investment professionals.
A Schedule of Investment Fees is presented on pages 77-80 in the Investment Section.

See accompanying independent auditors' report.

INVESTMENT SECTION

Verus

September 22, 2022

Mr. Dominic Brown
Executive Director
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311

Dear Mr. Brown,

Verus is pleased to have had the opportunity to serve the Kern County Employees' Retirement Association since July 2011 and to provide this investment review for the fiscal year ending June 30, 2022.

Verus independently calculated the Fund's fiscal year performance results utilizing a time-weighted annualized rate of return methodology (modified Dietz method) with data on market valuations and transactions provided by the Fund's custodian bank, the Northern Trust Company. For the fiscal year ended June 30, 2022, KCERA's retirement fund had an investment loss of 4.5% (net of fees) and ended the fiscal year with total assets of approximately $5.0 billion.

All KCERA's investments are managed according to guidelines codified in KCERA's Statement of Investment Goals, Objectives, and Policies. This Statement is reviewed periodically to ensure best practices are employed in all aspects our work and was last updated in April 2022.

Market Environment

2022 Summary

The broad story was a tale of two halves over the fiscal year, as global markets delivered mildly positive returns in the latter half of 2021, with below-average volatility, spurred by easy monetary policy, pandemic reopening demand, and a resurgence in economic growth. The reopening story painted a more optimistic picture in advanced economies, while emerging economies struggled due to less access to quality vaccines and more stringent pandemic lockdown measures, specifically within China. However, this optimism began to fade as inflation surged and central banks turned more hawkish.

The first half of 2022 proved to be a notably different environment from what was experienced during 2021. The persistence of inflation was a driving narrative, as the supply shocks coming from Russia's invasion of Ukraine and supply chain issues from China's continued zero-covid policy accelerated already high price growth. Central banks, keen to lower inflation, responded by raising interest rates, which hurt both equities and bonds alike. Nearly all asset classes have sustained losses year-to-date, a somewhat

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rare occurrence, which left most diversified portfolios materially in the red. Central bank tightening also increased fears of recession and possibly stagflation, as inflation ceased to moderate through the end of the fiscal year (U.S. headline CPI hit 9.1% in June—a four-decade high).

U.S. Equity

While the S&P 500 delivered a solid 11.7% return in the second half of 2021, the first half of 2022 saw a significant reversal of -20%, qualifying as a technical market correction. In an effort to curb four-decade high inflation within the U.S., the Federal Reserve raised their policy rate by 25 bps, 50 bps, and 75 bps, respectively, at their March, May, and June meetings. It's important to note that although the pace of rate hikes has been rapid compared to most previous tightening cycles, the overall magnitude of tightening has been small.

Higher interest rates have diminished the present value of cash flows further out in the future, hitting growth-orientated sectors the hardest (Consumer Discretionary -32.8%, Communication Services -30.2%, Information Technology -27.0% YTD).

Investors began recognizing the potential for recession in the second quarter of 2022, as economic data indicated a slowdown alongside Federal Reserve tightening. Persistent inflation in the face of multiple rate hikes impacted company revenues and profits. On the sales front, declines in real purchasing power slashed consumer sentiment and impacted discretionary spending. With regard to corporate profits, higher expenses, particularly for companies unable to pass through prices, have resulted in earnings compression (MSCI U.S. Profit Margins down from 12.9% in December 2021 to 12.2% in June 2022). Ultimately, U.S. equities have faced a tough environment in the first half of 2022, with the S&P 500 falling 20.0% as of June 30th.

Briefly looking at size and style, the Value factor outperformed the Growth factor during the fiscal year (Russell 1000 Value -7.4%, Russell 1000 Growth -19.0%). The Russell 1000 Value Index has declined -12.9% versus -28.1% for the Russell 1000 Growth Index year-to-date. As expected, rising rates inflicted more pain on duration-sensitive equities. From a size perspective, small-cap equities underperformed significantly during the fiscal year (Russell 2000 -25.2%, Russell 1000 -13.0%).

International Equity

International developed equities lagged U.S. equities over the fiscal year, as the MSCI EAFE Index returned -17.8% relative to the S&P 500 -10.6% return. Dollar strength hurt U.S. investors with unhedged foreign currency exposure, as the Bloomberg Dollar Spot Index advanced 10.3% during the period. Despite the underperformance over the full fiscal year, both developed and emerging market equities outperformed U.S. shares on a year-to-date basis through June 30th, as the MSCI EAFE and MSCI EM Indices returned -19.6% and -17.6%, respectively.

Verus

Emerging market equities underperformance during the fiscal year was primarily due to the large drop in Chinese equities (MSCI China -31.8%), as the country locked down major cities and cracked down on sectors including technology, education, and real estate. This narrative switched gears during the first half of 2022, as news of potential easing of government restrictions and the reopening of several large cities boosted share prices of the largest country constituent in the MSCI EM Index (35.4%). While being the worst performer over the full fiscal year, emerging market equities ended the first half of 2022 as the best performing market.

Developed economies faced a similar equity environment to that of the United States. Positive performance in the second half of 2021 due to reopening growth was reversed in the first half of 2022, as rising inflation was amplified by Russia's invasion of Ukraine in late February. Ensuing sanctions against Russian petroleum exports from the West pushed energy prices upward, forcing the Bank of England and European Central Bank to shift gears in terms of monetary policy. The MSCI EAFE Index fell -19.6% over the year-to-date, wiping out the 2.3% gain seen during the second half of 2021. International developed equities continue to be challenged, as the energy crisis escalates, and consumer strength remains less resilient than that of the U.S.

Fixed Income

Core fixed income suffered a loss of -10.3% over the full fiscal year (BBgBarc U.S. Aggregate), though the entirety of the losses occurred in the first half of 2022. All eyes have been on inflation, which has forced central bankers to tighten conditions while attempting to avoid pushing their economies into recession. Rate hikes and forward guidance from central banks have hammered equity and bond markets alike and created the uncommon environment of sharp losses in both asset classes.

The magnitude of expected rate hikes has jumped materially since late 2021. During December 2021, Fed funds futures contracts implied the Fed Funds Rate would end 2022 at 0.82% (only three 25 bps rate hikes expected). By the end of March 2022, markets were pricing in a total of nine 25 bps rate hikes. This placed the implied Fed Funds Rate at 2.39% by the end of 2022. The trend continued in Q2, as inflation remained persistent. The Federal Reserve pushed through an additional 50 bps hike in May and a 75 bps hike in June (the largest single meeting hike since 1994). Going forward, markets are pricing in an additional seven rate hikes (not including the six previously implemented) by the end of 2022, bringing the year-end implied rate in line with the Fed's expectation of 3.4%. Many countries currently face similar problems, as inflation remains a challenge.

The impact of policy tightening on duration-sensitive assets has been significant. Performance was negative across all fixed income asset classes over the year-to-date, as rates jumped from historically low levels. The Bloomberg Global Treasury Index returned -14.8% in dollar terms over the year-to-date. In the U.S., the Bloomberg Universal Index suffered its worst-ever quarterly loss in Q1 2022—down -6.1%—while the Bloomberg Aggregate Index fell -5.9% (its third worst quarterly loss, dating back to 1976). Performance during Q2 was also negative, with the Universal and Aggregate Indices down -5.1% and -4.7%, respectively. Longer duration assets underperformed. The Bloomberg U.S. Long Treasury

Index fell -21.3% year-to-date, compared to the -3.0% decline of the Bloomberg U.S. Treasury 1-3 Year index.

Looking at credit, spreads significantly widened over the course of 2022. Investment grade spreads widened by 63 bps, moving from 0.92% to 1.55% at the end of June. High yield spreads also jumped, starting the year at 283 bps before moving to 569 bps over the same period. Spread movements widely reflected the risk-off tone and growing concerns over a slowing economy. Despite spread expansion, default rates for par weighted U.S. high yield and bank loans ended Q2 at 0.76% and 0.74%—far below the longer-term historical averages of 3.2% and 3.1%. The variable rate characteristic of bank loans helped as rates rose, resulting in bank loan outperformance over high yield bonds, declining -4.4% versus -14.2% over the year-to-date. Outside of the U.S., emerging market debt struggled in both hard and local currency terms. Hard currency underperformed, with the JPM EMBI GD Index falling -20.3%, relative to the -14.5% decline of the JPM GBI-EM GD Index.

Commodities

Commodities were the best performing asset class over the fiscal year, with the Bloomberg Commodity Index returning 24.3%. Commodities moved higher in Q3 2021, driven by supply chain imbalances and rising signs of inflation. These gains tailed off towards the end of 2021, as signals of tighter monetary policy crimped global economic growth expectations.

The real story emerged in the first quarter of 2022, specifically following Russia's invasion of Ukraine. Both Russia and Ukraine being large suppliers of energy and grain commodities spiked prices, propelling inflation higher. Natural gas and WTI Crude Oil prices shot up +58.4% and 38.3%, while Wheat and Corn bounced 29.6% and 26.3%, respectively. Despite the sharp tick up in prices, commodities have begun to normalize, as recession fears have cut demand forecasts, shipping costs have moved down, and supply chain pressures have started to ease.

Currency

A strong dollar remained the biggest currency story in 2022, as the dollar continued its 2021 trend. The Bloomberg Dollar Spot Index returned +7.4% over the year-to-date, driven by higher relative interest rates, a relatively strong economic outlook, and safe-haven currency status. The dollar performed well against major pairs, as currency impacts were significant within the international developed equities space. The Japanese Yen remaining particularly strained, down -15.2% against the dollar in 2022, as the Bank of Japan anchored rates while other central banks hiked. The J.P. Morgan Emerging Markets Currency Index declined -1.8%, though the dollar was mixed relative to emerging market currency pairs. The Russian Ruble remained incredibly volatile, initially plummeting after the invasion of Ukraine, but spiking as petroleum export prices rose, imports fell, and high rates set by the Bank of Russia propelled the currency.

Outlook

A key question going forward is whether global central banks will be able to bring inflation under control without dragging their respective economies into recession. This task is perhaps more difficult than past inflationary regimes, given the war in Ukraine, lockdowns in China, and acute pandemic-related supply shortages, which have led to high prices that may be difficult to control with traditional central bank policy. Within the U.S, the possibility of a "soft landing" for the economy seems to be off the table, as the economy appears to be in recession, or at least very close to one. Uncertainty remains high, although the recent drawdown of most major asset classes has reversed the "low return environment" dynamic that has been common for nearly a decade. Many asset classes now appear to offer robust yields and prospective returns relative to past years—perhaps a silver lining in an environment which has proved challenging for investors with diversified portfolios.

Written by Verus Advisory

Asset Allocation

At fiscal year-end, KCERA's asset allocation was broadly in line with Investment Policy targets, as shown in the table below:

Asset Class	*Policy Target*	*Year-End Allocation**
Equity	37%	34.9%
Fixed Income	24%	22.4%
Commodities	4%	5.3%
Hedge Funds (incl. Alpha Pool)	18%	15.9%
Midstream Energy MLPs	5%	6.3%
Core Real Estate	5%	7.1%
Private Equity	5%	2.8%
Private Credit	5%	4.9%
Private Real Estate	5%	1.7%
Opportunistic Investments	0%	3.3%
Cash	-8%	-4.6%

During the year, the Plan implemented a planned increase to its Capital Efficiency program, which included a modest adjustment to the Alpha Pool from 5% to 8% and an offsetting adjustment to cash. This change is intended to take further advantage of the alpha earning potential inherent in hedge funds and should increase the Plan's overall efficiency by increasing expected return while maintaining a relatively conservative risk profile.

Verus

Investment Objectives

As stated in the Plan's Investment Policy, the Plan's primary investment objectives are as follows:

- Earn a long-term net of fees rate of return which is equal to or exceeds the assumed rate of return;
- Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark ("Policy Benchmark"); and
- Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

Objectives / Performance	***1-Year***	***3-Year***	***5-Year***	***10-Year***
Assumed Rate of Return*	7.25%			
Policy Benchmark	-6.6%	6.1%	6.3%	6.7%
Rate of Inflation	9.1%	5.0%	3.9%	2.6%
Net-of-Fee Performance	**-4.2%**	**7.1%**	**6.8%**	**7.4%**

*The current actuarial assumed rate of return is used for comparison to investment performance across periods.

As always, Verus greatly appreciates the opportunity to assist the KCERA Board in meeting the Plan's long-term investment objectives. We look forward to continuing in our role of investment advisor and providing guidance to help navigate ever-changing capital market environments.

Sincerely,

Scott J. Whalen, CFA, CAIA
Executive Managing Director

POLICIES ADOPTED BY THE BOARD OF RETIREMENT ON MARCH 9, 2016

GENERAL INFORMATION
The Board of Retirement (the Board) has exclusive control of the investments of the retirement fund and, therefore, establishes investment policies and implements investment decisions. The overall objective of KCERA's investment program is to prudently invest assets such as to offset some of the costs of the Plan in providing the retirement benefits required by the County Employees' retirement Law of 1937.

The Board is governed by Government Code Sections 31594 and 31595, which provide a standard of care commonly known as the "prudent expert rule," a rule that recognizes that special skill and knowledge may be necessary in order to invest the fund prudently. Accordingly, the Board retains a number of professional investment advisers and investment consultants. The Board is required to diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless it is clearly prudent not to do so.

The Board consists of nine members and two alternate members. Four members of the Board are appointed by the Kern County Board of Supervisors; four members are elected by active and retired members of KCERA; and the County Treasurer-Tax Collector is a statutory member of the Board.

SUMMARY OF INVESTMENT GUIDELINES
The Board of Retirement has adopted an Investment Policy Statement to serve as the framework for investment policy making and investment objective setting within the context of applicable California laws. The Statement establishes investment guidelines, objectives and policies, and defines the responsibilities of the Board members in regard to KCERA's investments. The investment philosophy articulated in the Statement is outlined below:

- Protecting the corpus of the Fund;
- Managing the fund in a prudent manner, recognizing risk and return trade-offs;
- Earning adequate investment returns in order to protect and pay the benefits promised to the participants with a minimum amount of associated risk;
- Maintaining sufficient liquidity to fund expenses and benefit payments as they come due; and
- Complying with applicable law.

SUMMARY OF PROXY VOTING GUIDELINES
The Board has established the KCERA Proxy Voting Policy for dealing with proxies. This policy considers shareholder voting on corporate issues to represent assets of the Plan to be voted in the best interests of the beneficiaries of the Plan. The voting of proxies is delegated to a third party to vote on behalf of the Board according to the guidelines established in the policy. The Board is responsible to monitor proxy voting to see that its policies are implemented effectively.

ASSET ALLOCATION

The Board of Retirement periodically establishes an asset allocation policy aimed at achieving a long-term rate of return on the fund's investments such as to prudently add income to the fund to help provide the benefits promised. The asset allocation statement provides a target allocation or weighting to each of the broad investment classes of assets along with allowable ranges of weightings around each target weight. The target weights are viewed as longer-term objectives to be funded in a manner consistent with efficiency and cost savings. The asset allocation policy provides the target level of diversification among asset classes anticipated for the future. Asset allocation is reviewed on an annual basis to ensure that the expectations and assumptions incorporated in the policy remain valid and appropriate. Investment performance is monitored on quarterly, annual and multi-year basis. The asset allocation of the fund is rebalanced, as needed, but also in view of the costs of such transactions.

The Board engages external professional investment advisers to invest various portions of the fund. The advisers are, however, constrained to invest as provided in KCERA's investment policies and allocation guidelines. Investment advisers formally notice their compliance with such policies, and their portfolios are scrutinized for compliance at regular intervals. KCERA's investment consultant and investment staff participate in policy formulation and new manager searches, as well as in the termination of existing managers failing to perform or maintain compliance with their investment mandates.

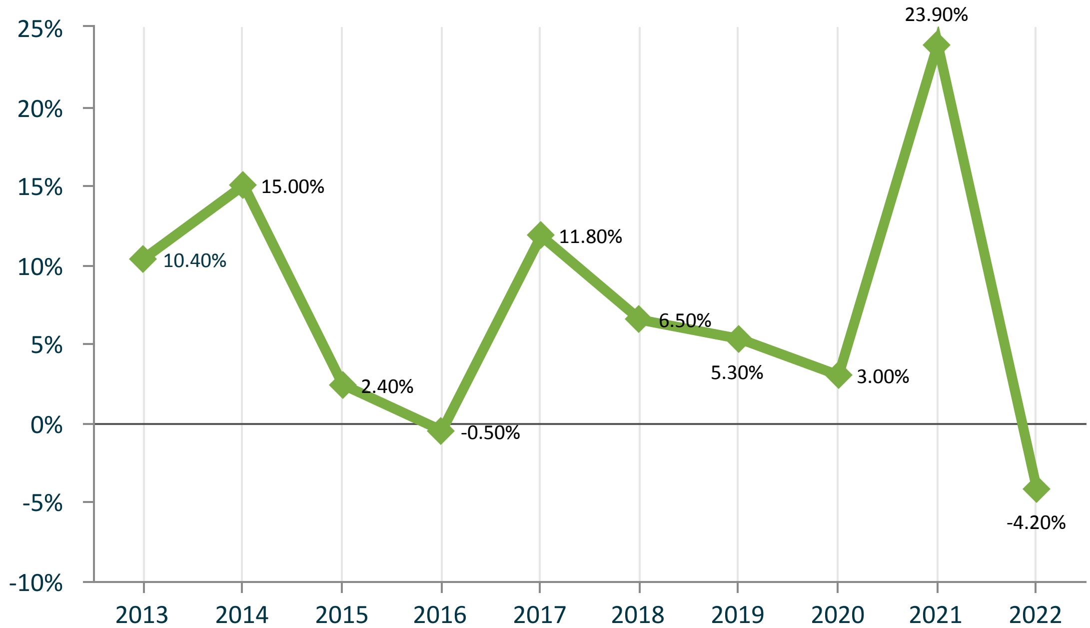
The Board of Retirement adopted the current asset allocation policy in April 2022. KCERA's strategic target asset allocation and actual asset allocation as of June 30, 2022 are as follows:

Asset Class	Actual	Target	Minimum	Maximum
Domestic Equity	18.7%	21.0%	16.0%	27.0%
International Developed Equity	11.3%	12.0%	8.0%	18.0%
Emerging Markets Equity	4.9%	4.0%	1.0%	9.0%
Domestic Fixed Income Core Plus	12.0%	14.0%	12.0%	25.0%
Domestic Fixed Income High Yield	6.1%	6.0%	3.0%	9.0%
Emerging Markets Fixed Income	4.3%	4.0%	1.0%	7.0%
Commodities	5.3%	4.0%	0.0%	6.0%
Hedge Funds	10.8%	10.0%	5.0%	15.0%
Capital Efficiency Alpha Pool	5.1%	5.0%	0.0%	7.0%
Midstream	6.3%	5.0%	0.0%	7.0%
Core Real Estate	7.1%	5.0%	3.0%	7.0%
Opportunistic	3.3%	0.0%	0.0%	10.0%
Private Equity	2.8%	5.0%	0.0%	10.0%
Private Credit	4.9%	5.0%	0.0%	10.0%
Private Real Estate	1.7%	5.0%	0.0%	10.0%
Cash and Equivalents	-4.6%	-5.0%	-5.0%	-7.0%
Total	100.0%	100.0%		

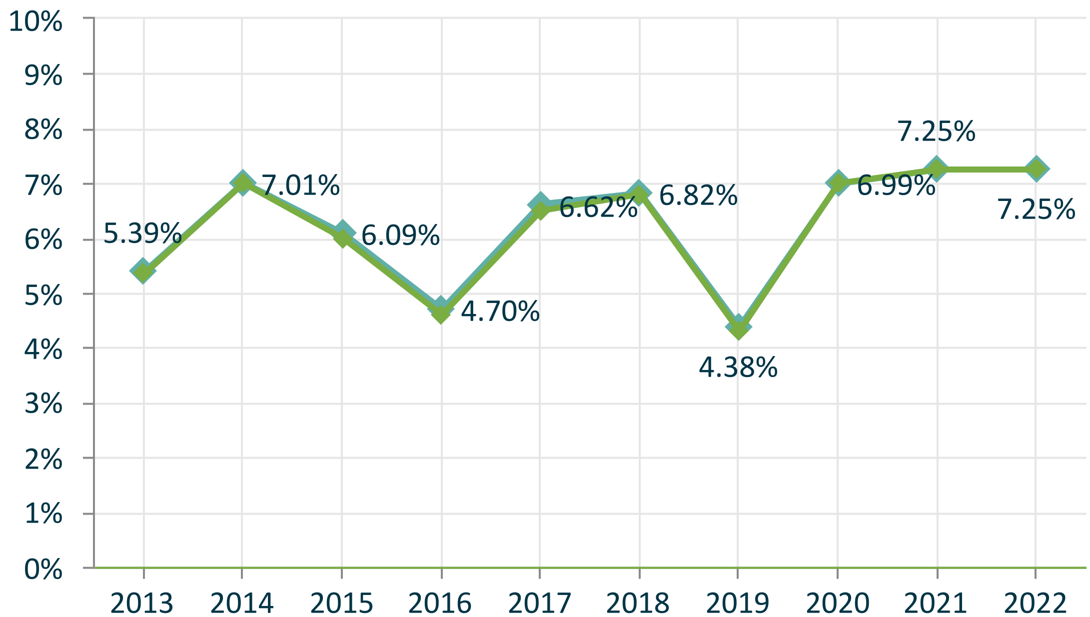
Type of Investment	Fair Value (In thousands)	% of Total Fair Value
Domestic Equity:		
All Cap Passive	$ 280,796	5.28 %
Large Cap Enhanced	97,925	1.84 %
Small Cap Growth	45,419	0.85 %
Small Cap Value	363,010	6.82 %
Total Domestic Equities	787,150	14.79 %
International /Global Equity		
Large Cap	31,023	0.58 %
Global	478,361	8.99 %
Small Cap	87,144	1.64 %
Emerging Markets	246,460	4.63 %
Total International Equities	842,988	15.84 %
Fixed Income		
Core	162,487	3.05 %
Core Plus	402,028	7.56 %
Structured Debt	71,104	1.34 %
High Yield	183,852	3.46 %
Emerging Markets	218,857	4.11 %
Total Fixed Income	1,038,328	19.52 %
Real Estate		
Core	356,171	6.70 %
Value Added	101,220	1.90 %
Property	4,629	0.09 %
Total Real Estate	462,020	8.69 %
Alternate Investments		
Private Credit	245,818	4.62 %
Private Equities	140,607	2.64 %
Opportunistic	165,740	3.12 %
Hedge Funds	474,701	8.92 %
Alpha Pool	267,900	5.04 %
Commodities	334,656	6.29 %
Total Alternative Investments	1,629,422	30.63 %
Collateral held for Securities Lending	153,386	2.88 %
Cash and Equivalents	405,583	7.65 %
Total Investments	**$ 5,318,877**	**100.00 %**
KCERA Capital Assets	1,214	
KCERA Receivables/Payables	(188,962)	
Fiduciary Net Position	**$ 5,131,129**	

*Fair Value totals are inclusive of payables and receivables as of June 30.

ANNUAL RETURNS (NET OF FEES) FOR PERIODS ENDED JUNE 30



FIVE-YEAR SMOOTHED ASSET VALUATION FOR PERIODS ENDED JUNE 30



KCERA uses the five-year smoothed spread gain valuation method to allocate investment earnings greater than (or less than) the assumed investment return (i.e., actuarial assumption rate minus actual rate). The reserve account balances reflect the five-year smoothed asset valuation method for actuarial purposes. In accordance with KCERA's Interest Crediting Policy, when investment returns would result in a negative five-year smoothed rate, KCERA sets the smoothed rate at 0.00% and credits the Contingency Reserve with the negative balance.

RETURNS FOR PERIODS ENDED JUNE 30

	Current Year	Annualized 3-Year	Annualized 5-Year	Annualized 10-Year
Total Fund:	(4.5)	6.8	6.5	7.1
Benchmark: Policy Index*	(6.6)	6.1	6.4	6.7
Domestic Equity:	(12.2)	10.0	10.9	—
Benchmark: MSCI USA IMI (Net)	(13.7)	10.0	10.7	—
International Developed Equity:	(17.3)	2.1	2.8	—
Benchmark: MSCI World ex USA IMI Index	(17.7)	1.7	2.6	—
Emerging Markets Equity:	(21.9)	(1.3)	(0.3)	—
Benchmark: MSCI EM IMI (Net)	(24.8)	1.1	2.3	—
Core Plus Fixed Income:	(11.4)	(0.8)	1.0	—
Benchmark: Barclays US Aggregate	(10.3)	(0.9)	0.9	—
High Yield/Specialty Credit	(10.0)	0.4	2.2	—
Benchmark: ICE BofAML High Yield Index	(12.7)	(0.1)	1.9	—
Emerging Market Debt:	(19.8)	(4.9)	(2.3)	—
Benchmark: **	(20.2)	(5.5)	(1.7)	—
Commodities:	19.4	14.7	9.8	—
Benchmark: Bloomberg Comm. Index	24.3	14.3	8.4	—
Hedge Funds	3.0	8.6	7.1	6.1
Benchmark: ***	(1.0)	5.4	5.9	5.8
Alpha Pool	1.5	—	—	—
Benchmark: 91-Day T-Bill +4%	4.2	—	—	—
Midstream Energy	9.3	—	—	—
Benchmark: Alerian Midstream Energy Index	11.4	—	—	—
Core Real Estate:	24.8	10.2	8.7	—
Benchmark: NCREIF-ODCE	29.5	12.7	10.5	—
Private Real Estate:	31.3	15.4	12.0	12.3
Private Equity:	22.9	16.0	13.3	11.6
Private Credit:	1.2	3.8	6.1	—
Opportunistic	(5.4)	—	—	—
Benchmark: Assumed Rate of Return +3%	7.2	—	—	—

* Total Fund:

37% MSCI ACWI IMI.
6% Ice BofA ML Hogh Yield Master II Index
2% JPM Governmental Bond Index Emerging Markets
7.5% 3-Month T-Bill + 400 bps
2% Actual time-weighted Private Equity Returns
1% Actual time-weighted Private Real Estate Returns
4% Alerian Midstream 1% BBgBarc

14% Bloomberg US Aggregate
2% JPM Emerging Markets Bond Index Global Diversified
4% Bloomberg Commodities
2.5% MSCI ACWI 5% NCREIF-ODCE
4% Actual time-weighted Private Credit Returns
3% MSCI ACWI* 1% Bloomberg US Aggregate
5% Alerian Midstream 5% 3-Month T-Bill + 400bps, 91 Day T-Bills (-)5%3-MonthT-Bill

** 50 JPM EMBI Global Div/50 JPM GBI EM

*** 75% 90Day TBills + 4% / 25% MSCI ACWI

Note: Return calculations were prepared, net of fees, using a time-weighted rate of return based on fair values.

Note: Return calculations were prepared, net of fees, using a time-weighted rate of return based on fair values.

INVESTMENT MANAGERS

Domestic Equity
AllianceBernstein
Geneva Capital
Mellon Capital Management EB DV
PIMCO StockPlus

International Developed Equity
American Century
Cevian Capital II LP
Mellon Capital Management-EB DV

Emerging Market Equity
AB Emerging Markets Strategic Core
DFA Emerging Markets Value Portfolio
Mellon Emerging Markets

Core Fixed Income
Mellon Capital Management Ag Bond
PIMCO
Western Asset Management - CP

High Yield Fixed Income
TCW Securitized Opportunities LP
Western Asset Management - HY

Emerging Markets Debt
PIMCO EM Beta
Stone Harbor Global Funds

Commodities
Gresham Commodity Builder Fund
Wellington Trust Company (WTC)

Midstream Energy
Harvest Midstream
PIMCO Midstream

Core Real Estate
ASB Capital Management
JPMCB Strategic Property Fund

Private Equity
Abbott Capital Funds
Brighton Park
Level Equity Growth Partners
LGT Crown Global
Pantheon Funds
Peak Rock
Vista
Warren Equity Partners

INVESTMENT MANAGERS (CONT.)

Private Real Estate
Covenant Apartment Fund
Invesco Real Estate Funds III & IV
KCERA Property
LBA Logistics Value Fund IX
Landmark Real Estate Partners VIII
Long Wharf Real Estate Partners VI
Singerman Real Estate Opportunity Fund IV

Private Credit
Blue Torch Credit Opportunites
Brookfield Real Estate Finance Fund V
Colony Distressed Credit Fund
Fortress Credit Opportunities Fund V
Fortress Lending Fund II (A)
Fortress Lending Fund III (A)
H.I.G Bayside Loan Opportunity Fund
Magnetar Constellation Fund V
TSSP Adjacent Opportunities Partners (B)

Opportunistic
Aristeia Select Opportunities II LP
DB Investor's Fund IV
River Birch International Ltd
TSSP Adjacent Opportunities Partners (D)

Hedge Funds
Aristeia International Ltd
Brevan Howard Fund Limited
D.E. Shaw Composite Fund
HBK Multi-Strategy Fund
Hudson Bay Enhanced Fund LP
Indus Pacific Opportunities Fund
Magnetar Structured Credit Fund
Myriad Opportunities Offshore Fund
PIMCO Commodity Alpha Fund LLC
PMF LTD
Sculptor Enhanced LP (Formerly OZ Domestic)

Alpha Pool
Davidson Kempner
Garda Fixed Income
HBK Multi-Strategy Fund
HBK Spac Fund
Hudson Bay Enhanced Fund LP

Information on the Custodian, Consultants and Other Specialized Services can be found on page 10.

LARGEST STOCK DIRECT HOLDINGS (FAIR VALUE)

Shares	Stocks	Fair Value
3,737,714	MLP ENERGY TRANSFER LP COMMON UNITS REP	37,302,386
236,605	CHENIERE ENERGY INC COM NEW	31,475,563
1,234,519	MLP ENTERPRISE PRODS PARTNERS L P COM	30,085,228
994,741	MLP MPLX LP COM UNIT REPSTG LTD PARTNER	28,996,700
425,955	TARGA RES CORP COM	25,416,735
752,375	WESTERN MIDSTREAM PARTNERS L P COM UNITS	18,290,236
495,089	PEMBINA PIPELINE CORPORATION COMMON	17,491,098
452,942	WILLIAMS CO INC COM	14,136,320
393,637	MLP DCP MIDSTREAM LP COMMON UNITS	11,643,782
138,500	ENBRIDGE INC COM NPV	5,836,552

LARGEST BOND DIRECT HOLDINGS (FAIR VALUE)

Par	Bonds	Fair Value
22,400,000	FNMA SINGLE FAMILY MORTGAGE 0% 30 YEARS	21,460,207
10,600,000	FNMA SINGLE FAMILY MORTGAGE 2% 30 YEARS	9,120,555
9,000,000	UNITED STATES OF AMER TREAS NOTES .125%	8,982,085
9,000,000	UNITED STS TREAS NTS .125% 09-30-2022	8,966,968
9,000,000	FNMA SINGLE FAMILY MORTGAGE 0% 30 YEARS	8,918,506
8,740,000	UNITED STATES TREAS BDS 2% 11-15-2041	8,718,299
6,760,000	UNITED STATES TREAS BDS 2.25% 05-15-2041	7,030,974
6,480,000	UNITED STATES TREAS BDS WIT 1 7/8 08/15/41	6,196,632
5,504,000	UNITED STATES TREAS BDS 2.0% 02-15-2052	5,022,372
5,130,000	UNITED STATES TREAS BDS 1.875% DUE	4,845,759

A complete list of portfolio holdings is available upon request.

FOR YEARS ENDED JUNE 30

(In thousands)

Assets Under Management				
Asset Classes		**2022**		**2021**
Domestic Equity	$	808,226	$	912,614
International / Global Equity		641,718		976,498
Fixed Income		1,216,522		1,201,840
Real Estate		462,020		390,499
Hedge Funds		914,297		852,051
Private Credit		243,818		216,110
Private Equity		138,651		105,524
Commodities		334,656		345,848
Investments at Fair Value		**4,759,908**		**5,000,984**
Cash & Short-Term Investments		405,583		436,433
Investments Sold / Purchased		(57,303)		(43,788)
Investment Income & Other Liabilities		23,900		23,051
Total Assets Under Management		**5,132,088**		**5,416,680**
KCERA Capital Assets		1,077		1,692
KCERA Prepaid Expenses		137		165
KCERA Accruals		(2,173)		(1,024)
Fiduciary Net Position	**$**	**5,131,129**	**$**	**5,417,513**

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2022	2021
Domestic Equity		
AllianceBernstein Trust Company	$ 774,407	$ 779,571
Henderson Geneva Capital Management	406,751	527,076
Mellon Capital Management (Dynamic US Equity)	30,154	367,416
Mellon Capital Management (US Equity) Stock Index	46,122	52,629
PIMCO StocksPLUS #4450	363,761	532,868
Total Domestic Equity Managers	**1,621,195**	**2,259,560**
International / Global Equity		
American Century	149,940	104,639
BlackRock Institutional Trust Company	21,561	260,196
Cevian Capital II SP	1,175,334	345,122
Pyramis Global Advisors (Small Cap)	—	271,048
Mellon Int'l (Canada Stock & Int'l Stock)	158,562	81,998
Total International Equity Managers	**1,505,397**	**1,063,003**
Emerging Markets Managers		
AllianceBernstein Trust Company	669,293	695,100
Dimensional Fund Advisors	381,240	433,555
MCM DB SL Emerging Markets Stock Index Fund	47,582	40,067
Total Emerging Markets Managers	**1,098,115**	**1,168,722**
Total Core		
Mellon Capital Management (Fixed Income) Agg Bond	50,572	52,887
Pacific Investment Management Company #7350	169,892	180,336
Western Asset Management Company	488,095	535,270
Total Core Managers	**708,559**	**768,493**
Total Credit		
TCW Securitized Opportunities	682,485	931,114
Western Asset Management Company	382,538	449,605
Total Credit Managers	**1,065,023**	**1,380,719**
Total Emerging Markets Debt		
PIMCO EB Beta	426,518	1,307,159
Stone Harbor Investment Partners	345,073	407,319
Total Emerging Markets Debt Managers	**771,591**	**1,714,478**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2022	2021
Commodities		
Gresham Investment Management	473,255	380,756
Wellington Trust Company	1,605,442	1,076,764
Total Commodity Managers	**2,078,697**	**1,457,520**
Hedge Funds		
Aristeia International Ltd	1,065,956	3,578,377
Systematica Blue Trend (formerly BlueTrend Fund)	—	15,375
Brevan Howard Multi-Strategy Fund	1,751,097	2,206,490
D.E. Shaw Composite Fund	7,111,064	5,257,062
HBK Multi-Strategy Fund	1,465,095	2,061,218
Hudson Bay Cap Structure Arbitrage	5,423,475	7,451,652
Indus Pacific Opportunities Fund	(222,964)	2,956,868
Magnetar Structured Credit Fund	186,830	868,828
Myriad Opportunities Offshore Fund	377,908	1,405,790
PIMCO Commodities #2580	1,076,352	1,190,635
Sculptor Capital (formerly OZ)	595,938	2,864,941
PMF (PHARO)	1,265,833	2,575,829
Total Hedge Fund Managers	**20,096,584**	**32,433,065**
Core Real Estate		
ASB Real Estate Investors	1,394,449	941,421
J.P. Morgan Chase Bank (Strategic Property Fund)	803,762	(489,756)
Total Core Real Estate Managers	**2,198,211**	**451,665**
CE Alpha Pool		
Davidson Kempner Institutional Partners	822,439	453,808
Garda Fixed Income	1,498,669	—
HBK Multi-Strategy fund - Alpha Pool	1,408,952	979,866
HBK SPAC Series	206,259	249,183
Total CE Alpha Pool Managers	**3,730,060**	**1,433,674**
Midstream Energy		
Harvest Midstream	1,196,495	287,610
PIMCO Midsream 11178	594,964	237,888
Total Midstream Energy Managers	**1,791,459**	**525,498**
Opportunistic		
Aristeia Select Opportunities II	233,320	—
River Birch International Ltd	13,487	6,647
TSSP Adjacent Opportunities Partners (D)	4,268,771	3,258,096
Total Opportunistic Managers	**4,515,578**	**3,264,743**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2022	2021
Private Equity		
Abbott Capital Management (Fund V)	6,075	121,642
Abbott Capital Management (Fund VI)	410,207	327,014
Brighton Park Capital Fund I	620,231	282,133
Level Equity Opportunities fund 2021	85,089	—
Level Equity Growth Partners V	578,853	—
LGT Crown Global	1,164,591	611,722
Linden Capital Partners V	559,371	—
Pantheon Ventures, Inc. (Fund VI)	—	3,964
Pantheon Ventures, Inc. (Fund VII)	176,054	92,106
Peak Rock	74,997	—
Vista Equity Partners	499,918	674,297
Warren Equity Partners Fund III	1,243,474	407,635
Total Private Equity Managers	**3,424,417**	**1,346,475**
Private Credit		
Blue Torch Credit Opportunities Fund II	—	142,615
Brookfield Real Estate Finance Fund V	434,204	518,561
Colony Capital Credit IV, LLC	637,781	834,014
Fortress Credit Opportunity Fund V	192,484	79,752
Fortress Lending Fund II (A) LP	1,518,206	656,583
Fortress Lending Fund III	289,243	—
HIG	2,040,288	1,299,245
Magnetar Constellation Fund V	526,859	690,455
TSSP Adjacent Opportunities Partners (B)	1,705,774	1,582,927
Total Private Credit Managers	**5,639,065**	**4,221,225**
Private Real Estate		
Long Wharf Real Estate Partners (FREG Fund III)	924,093	837,961
Invesco Real Estate (Fund III)	—	26,235
Invesco Real Estate (US Value-Add Fund IV)	148,674	356,377
Landmark Real Estate Partners VIII	548,527	600,000
LBA Logistics Value Fund IX	303,750	—
Singerman Real Estate Opportunity Fund IV	463,519	—
Covenant Apartment Fund X	375,000	265,625
Total Real Estate Managers	**1,925,044**	**1,820,573**
Cash and Overlay		
BlackRock Short Duration	232,553	—
Parametric Overlay	474,361	301,265
Total Overlay Managers	**706,914**	**301,265**
Total Investment Managers' Fees	**$ 57,620,904**	**$ 58,882,451**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Other Investment Expenses	2022	2021
Custodial Fees		
The Northern Trust Company	363,646	536,729
Actuarial Fees		
Segal Company	232,693	130,576
Investment Consultant Fees		
Abel Noser	30,000	30000.00
Albourne America LLC	411,350	409,450
Glass, Lewis & Co.	8,511	7,294
Verus	410,000	400,000
Cambridge Associates	537,500	799,451
Investment Consulting - Other Expenses	9,000	—
Legal Fees		
Foley & Lardner LLP	3,684	54,011
Hanson Bridgett LLP	7,680	26,400
Nossaman LLP	129,644	227,758
Real Estate Expenses		
KCERA Property Inc.	49,799	45,600
Total Other Investment Expenses	**2,193,507**	**2,667,269**
Total Investment Expenses	59,814,411	61,549,720
Security Lending Bank Fees		
Deutsche Bank	53,430	40,503
Total Investment Fees and Services	**$ 59,867,841**	**$ 61,590,223**

ACTUARIAL SECTION

Segal

180 Howard Street, Suite 1100
San Francisco, CA 94105-6147
segalco.com

Via Email

September 7, 2022

Board of Retirement
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311

**Re: Kern County Employees' Retirement Association (KCERA)
June 30, 2021 Actuarial Valuation for Funding Purposes**

Dear Members of the Board:

Segal prepared the June 30, 2021 annual actuarial valuation of the Kern County Employees' Retirement Association (KCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and KCERA's funding policy that was last reviewed with the Board in 2012. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2021 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. However, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, retirement plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected market investment return over 10 six-month periods. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 50% of the market value of assets.

One of the general goals of an actuarial valuation is to establish contribution rates, which, over time, will remain level as a percentage of payroll for each generation of active members. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

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Board of Retirement
September 7, 2022
Page 2

The UAAL as of June 30, 2011 is amortized as a level percentage of payroll over a 14.5-year closed period as of June 30, 2021. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over an 18-year closed period effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years). The progress being made towards meeting the funding objective through June 30, 2021 is illustrated in the Schedule of Funding Progress.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's Annual Comprehensive Financial Report (ACFR) is provided below. Unless otherwise stated, the schedules were prepared based on the results of the actuarial valuation as of June 30, 2021 for funding purposes. In particular, we have excluded the benefits, assets and liabilities associated with the Supplemental Retiree Benefit Reserve (SRBR) when preparing the schedules. The notes to the financial section and Required Supplementary Information were prepared by the Association based on the results of the Governmental Accounting Standards (GAS) 67 actuarial valuation as of June 30, 2022 prepared by Segal.

Exhibit 1	Schedule of Active Member Valuation Data;
Exhibit 2	Retirees and Beneficiaries Added to and Removed from Retiree Payroll;
Exhibit 3	Schedule of Funded Liabilities by Type;
Exhibit 4	Actuarial Analysis of Financial Experience; and
Exhibit 5	Schedule of Funding Progress.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the June 30, 2019 Actuarial Experience Study.

As we disclosed in our June 30, 2021 funding valuation report, the 7.25% investment return assumption that the Board approved for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates was developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.25%.

As indicated by the guidance found in Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions"), we performed stochastic modeling in 2015 to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an "outflow" (i.e., assets not available to fund the benefits included in the funding valuation) that would average approximately 0.3% of assets over time. **For informational purposes only**, when we applied the results of our stochastic model to this valuation, we estimated that such an annual outflow would increase the actuarial accrued liability (AAL) measured in this valuation using a 7.25% investment return assumption from $7.16 billion to $7.43 billion (for a difference of about $262 million) and would increase the employer's contribution rate by about 4.2% of payroll.

It is our opinion that the assumptions used in the June 30, 2021 valuation produce results, which, in aggregate, reflect the future experience of the retirement plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and was last performed as of June 30, 2019 with those assumptions first being implemented in the June 30, 2020 actuarial valuation.

In the June 30, 2021 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) increased from 64.4% to 67.1%. The aggregate employer contribution rate has decreased from 49.16% of payroll to 49.10% of payroll, while the aggregate employee rate has increased from 6.74% of payroll to 6.82% of payroll.

Under the asset smoothing method, the total unrecognized net investment gains are $429 million as of June 30, 2021. These investment gains will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years.

The deferred gains of $429 million represent about 7.9% of the market value of assets as of June 30, 2021. Unless offset by future investment losses or other unfavorable experience, the recognition of the $429 million market gains is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows (without taking into consideration any possible impact of the 50/50 excess earnings allocation between the retirement and SRBR asset pools):

- If the deferred gains were recognized immediately in the valuation value of assets, the funded percentage would increase from 67.1% to 73.1%.
- If the deferred gains were recognized immediately in the valuation value of assets, the aggregate employer rate would decrease from 49.10% to 43.31% of payroll.

The actuarial calculations were directed under the supervision of Molly Calcagno, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA	Molly Calcagno, ASA, MAAA, EA
Senior Vice President & Actuary	Actuary

ST/bbf
Enclosures

5736939v1/13452.002

Segal

The methods and assumptions below were selected by the actuary as being appropriate for the Plan and were used in the latest actuarial valuation dated June 30, 2021. The most recently updated Summary of Actuarial Assumptions and Methods was adopted by the Board of Retirement on August 3, 2020.

Economic Assumptions

Interest Rate of Return:	7.25% per year, net of investment expenses
Salary Increases:	Rates vary by service as shown in Table 1 on page 89
Inflation Assumption:	2.75% per year
Cost-of-Living Adjustments:	2.50% (actual increases depend on CPI increases; 2.50% maximum)

Actuarial Methods

Funding Method:	Entry Age Funding Method. Costs are allocated as a level percent of salary.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. The actuarial present value of the projected benefits of each member are allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age).
Amortization Period:	The actuarial present value of benefits expected to be paid in the future is the Normal Cost. The difference between the Normal Cost and the actuarial present value of all future benefits for contributing members, former contributing members and their survivors is the Actuarial Accrued Liability (AAL). The difference between the AAL and the actuarial value of the assets is the Unfunded Actuarial Accrued Liability (UAAL). As of June 30, 2020, the remaining amortization period for all UAAL as of June 30, 2011 was 15.5 years. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over an 18-year closed period, effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of a change due to retirement incentives, which are amortized over a declining period of up to 5 years).

Actuarial Methods (CONT.)

Amortization Period (CONT.):	Beginning July 1, 2009, any liability attributable to golden handshakes is paid by one of two methods, as elected by the employer: 1. Payment in full in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted; or 2. According to a 5-year amortization to be invoiced to the employer in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted. The amortization schedule will be based upon the valuation interest rate used in the most recently completed valuation at the time that the amortization schedule is created. The employer may complete payment of the golden handshake(s) at any time during the 5-year amortization period.

Demographic Assumptions

Post-Retirement Mortality:	
A) General Members and Safety Members:	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward one year for male and two years for female General Members and set back one year for male and female Safety members projected generationally with the two-dimensional MP-2016 projection scale.
B) Beneficiaries:	Rates are the same as a General service retiree of the opposite sex.
C) Disability Retirement:	Combined RP-2014 Healthy Annuitant Mortality Table set forward seven years for male and eight years for female General Members and set forward three years for male and female Safety Members projected generationally with the two-dimensional MP-2016 projection scale
Proportion of Members with Spouse/Partner at Retirement:	70% of male active members and 60% of female active employees are assumed to have a spouse or registered domestic partner eligible for the 60% continuance at retirement. Females are assumed to be three years younger than their spouses.
Rate of Termination of Employment:	Rates vary by years of service, as shown in Table 2 on page 88.
Reciprocal Agency:	For current active members, the probability of joining a reciprocal agency immediately after terminating is 45% for General members and 60% for Safety members.
Deferred Retirement Age for Vested Termination:	Age 57 for General members. Age 53 for Safety members.

Annual Rate of Compensation Increase

Years of Service	General Members	Safety Members
Less than 1	5.50	8.75
1 - 2	4.50	7.00
2 - 3	4.00	5.50
3 - 4	3.50	5.00
4 - 5	3.00	4.50
5 - 6	2.50	4.00
6 - 7	2.25	3.50
7 - 8	1.75	2.50
8 - 9	1.50	1.50
9 - 10	1.25	1.25
10 - 11	1.15	1.00
11 - 12	1.05	0.80
12 - 13	0.95	0.75
13 - 14	0.85	0.70
14 - 15	0.75	0.65
15 - 16	0.75	0.60
16 - 17	0.75	0.55
17 - 18	0.75	0.50
18 - 19	0.75	0.50
19 - 20	0.75	0.50
20 & Over	0.75	0.50

The chart above depicts annual increases in salary before wage inflation. Inflation is 2.75% per year, plus "across the board" real salary increases of 0.50% per year; plus the merit and promotion increases.

Mortality Rates : Pre-Retirement				
Age	General		Safety	
	Male	Female	Male	Female
25	0.03	0.01	0.03	0.02
30	0.04	0.01	0.04	0.02
35	0.05	0.02	0.04	0.03
40	0.07	0.04	0.05	0.04
45	0.10	0.06	0.07	0.06
50	0.15	0.08	0.10	0.08
55	0.22	0.12	0.15	0.11
60	0.32	0.19	0.23	0.14
65	0.47	0.30	0.35	0.20

Disability Incidence Rates		
Age	General*	Safety*
20	0.02	0.05
25	0.03	0.07
30	0.04	0.10
35	0.07	0.19
40	0.09	0.28
45	0.13	0.39
50	0.18	1.08
55	0.26	2.55
60	0.36	3.70
65	0.40	4.00
70	0.00	0.00

Termination Rates			Electing a Refund upon Termination	
Years of Service	General	Safety	General	Safety
Less than 1	17.00	9.00	100.00	100.00
1 - 2	13.00	8.00	100.00	100.00
2 - 3	10.00	7.00	100.00	100.00
3 - 4	9.00	6.00	100.00	100.00
4 - 5	8.50	5.00	100.00	100.00
5 - 6	8.00	4.00	36.00	44.00
6 - 7	7.00	3.50	34.00	40.00
7 - 8	6.00	3.25	32.00	38.00
8 - 9	5.00	3.00	30.00	32.00
9 - 10	4.00	2.60	28.00	30.00
10 - 11	3.75	2.20	26.00	26.00
11 - 12	3.50	1.80	25.00	25.00
12 - 13	3.25	1.60	24.00	21.00
13 - 14	3.00	1.40	23.00	18.00
14 - 15	2.75	1.20	22.00	15.00
15 - 16	2.50	1.00	21.00	12.00
16 - 17	2.30	0.90	18.00	10.00
17 - 18	2.10	0.75	16.00	8.00
18 - 19	1.90	0.75	14.00	6.00
19 - 20	1.70	0.75	13.00	4.00
20 - 21	1.50	0.00	12.00	0.00
21 - 22	1.30	0.00	11.00	0.00
22 - 23	1.10	0.00	10.00	0.00
23 - 30	1.00	0.00	<8.00	0.00
30 & Over	0.00	0.00	0.00	0.00

(Rates in percentages)

**Disability 50% of General member disabilities are assumed to be service-connected, and the other 50% are assumed to be nonservice-connected. Furthermore, 90% of Safety member disabilities are assumed to be service-connected.*

Retirement Rates							
Age	General Tier I		General Tiers IIA and IIB	General Tier III	Safety Tier I		Safety Tier IIA and IIB
	<25 Years of Service	>25 Years of Service			<25 Years of Service	>25 Years of Service	
45 - 48	0.00	0.00	0.00	0.00	5.00	5.00	0.00
49	0.00	0.00	0.00	0.00	25.00	25.00	0.00
50	10.00	10.00	5.00	0.00	10.00	30.00	3.00
51	6.00	6.00	3.00	0.00	8.00	24.00	3.00
52	6.00	12.00	3.00	3.00	8.00	24.00	3.00
53	6.00	12.00	3.00	3.00	8.00	24.00	5.00
54	6.00	12.00	3.50	3.50	12.00	24.00	11.00
55	6.00	12.00	4.00	4.00	14.00	28.00	13.00
56	6.00	14.00	4.50	4.50	14.00	28.00	12.00
57	6.00	16.00	5.00	5.00	8.00	28.00	12.00
58	9.00	18.00	6.50	6.50	8.00	28.00	12.00
59	16.00	24.00	11.00	11.00	14.00	28.00	12.00
60	20.00	35.00	12.00	12.00	25.00	28.00	12.00
61	16.00	28.00	13.00	13.00	25.00	50.00	12.00
62	20.00	35.00	20.00	20.00	25.00	50.00	25.00
63 - 64	20.00	30.00	20.00	20.00	25.00	50.00	25.00
65 - 68	35.00	35.00	35.00	35.00	100.00	100.00	100.00
69	40.00	40.00	40.00	40.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(Rates in percentages)

Valuation Date	Plan Type	Members	Annual Payroll	Annual Average Pay	Increase in Average Pay
6/30/2012	General	6,494	$406,039,414	$62,525	0.2 %
	Safety	1,759	$137,518,061	$78,180	(1.6)%
	Total	**8,253**	**$543,557,475**	**$65,862**	**(0.1)%**
6/30/2013	General	6,619	$410,905,480	$62,080	(0.7)%
	Safety	1,866	$144,847,330	$77,625	(0.7)%
	Total	**8,485**	**$555,752,810**	**$65,498**	**(0.6)%**
6/30/2014	General	6,629	$410,350,884	$61,902	(0.3)%
	Safety	1,883	$145,284,147	$77,156	(0.6)%
	Total	**8,512**	**$555,635,031**	**$65,277**	**(0.3)%**
6/30/2015	General	6,637	$411,427,313	$61,990	0.1 %
	Safety	1,844	$145,396,935	$78,849	2.2 %
	Total	**8,481**	**$556,824,248**	**$65,655**	**0.6 %**
6/30/2016	General	6,788	$421,043,714	$62,028	0.1 %
	Safety	1,839	$146,217,425	$79,509	0.8 %
	Total	**8,627**	**$567,261,139**	**$65,754**	**0.2 %**
6/30/2017	General	6,966	$431,532,274	$61,948	(0.1)%
	Safety	1,762	$140,549,312	$79,767	0.3 %
	Total	**8,728**	**$572,081,586**	**$65,546**	**(0.3)%**
6/30/2018	General	7,106	$443,482,638	$62,410	0.7 %
	Safety	1,761	$140,698,321	$79,897	0.2 %
	Total	**8,867**	**$584,180,959**	**$65,883**	**0.5 %**
6/30/2019	General	7,433	$471,228,860	$63,397	1.6 %
	Safety	1,764	$141,048,417	$79,959	0.1 %
	Total	**9,197**	**$612,277,277**	**$66,574**	**1.0 %**
6/30/2020	General	7,641	$495,639,348	$64,866	2.3 %
	Safety	1,685	$138,930,289	$82,451	3.1 %
	Total	**9,326**	**$634,569,637**	**$68,043**	**2.2 %**
6/30/2021	General	7,382	$484,722,431	$65,663	1.2 %
	Safety	1,690	$138,571,654	$81,995	(0.6)%
	Total	**9,072**	**$623,294,085**	**$68,705**	**1.0 %**

KCERA 2022 - Schedule of Retirees and Beneficiaries Added to and Removed from Payroll

Plan Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Allowance Added	Annual Allowance Removed	Retiree Payroll Ending	% Increase in Retiree Allowance	Average Annual Allowance*
2012	6,570	499	179	6,890	$24,783,041	$3,411,092	$226,341,715	10.4%	$32,851
2013	6,890	468	187	7,171	$22,305,618	$3,825,313	$244,822,020	8.2%	$34,141
2014	7,171	442	216	7,397	$19,663,621	$4,173,211	$260,312,430	3.1%	$35,192
2015	7,397	440	238	7,599	$20,734,025	$5,817,539	$275,229,096	5.7%	$36,219
2016	7,599	454	206	7,847	$20,236,339	$5,034,075	$290,431,360	5.5%	$37,012
2017	7,847	501	255	8,093	$22,566,737	$6,358,810	$306,639,287	5.6%	$37,889
2018	8,093	426	218	8,301	$22,799,714	$6,125,093	$323,313,908	5.4%	$38,949
2019	8,301	402	208	8,495	$25,086,184	$5,533,123	$342,866,969	6.0%	$40,361
2020	8,495	405	233	8,667	$24,009,780	$6,538,327	$360,338,422	5.1%	$41,576
2021	8,667	468	300	8,835	$26,956,474	$9,582,527	$377,712,369	4.8%	$42,752

** Excludes SRBR amounts*

Schedule of Funded Liabilities by Type

Valuation Date	Aggregate Accrued Liabilities: Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Reported Assets: Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
6/30/2012	$231,626	$2,933,987	$1,729,377	$4,894.99	$2,960,507	100%	93%	0%
6/30/2013	$244,832	$3,153,966	$1,709,821	$5,108.619	$3,120,632	100%	91%	0%
6/30/2014	$268,826	$3,446,962	$1,776,652	$5,492.44	$3,342,122	100%	89%	0%
6/30/2015	$295,447	$3,607,511	$1,754,215	$5,657.173	$3,529,786	100%	90%	0%
6/30/2016	$320,400	$3,766,875	$1,725,817	$5,813.092	$3,685,447	100%	89%	0%
6/30/2017	$351,592	$4,093,826	$1,746,015	$6,191.433	$3,913,073	100%	87%	0%
6/30/2018	$387,376	$4,288,475	$1,722,963	$6,398.814	$4,163,476	100%	88%	0%
6/30/2019	$414,082	$4,513,958	$1,694,455	$6,622.495	$4,291,573	100%	86%	0%
6/30/2020	$461,921	$4,823,175	$1,720,493	$7,005.589	$4,508,548	100%	84%	0%
6/30/2021	$505,907	$5,020,756	$1,637,562	$7,164.225	$4,806,026	100%	86%	0%

Actuarial Analysis of Financial Experience (In thousands)

Investment Performance	June 30, 2021	June 30, 2020	June 30, 2019
Asset Return Greater			
(Less) than Expected	$ 30,447	$ (65,123)	$ (110,973)
Salary Increase Less			
(Greater) than Expected	$ 39,749	$ 13,666	$ 34,965
Other Experience			
Including Demographic Changes	$ (6,980)	$ (506)	$ (42,967)
Change in Assumptions/Methodology	$ —	$ (146,618.00)	$ —
Plan Changes	$ 28,922	$ —	$ —
Composite Gain (or Loss) During Year	**$ 92,138**	**$ (198,581)**	**$ (118,975)**

SCHEDULE OF FUNDING PROGRESS* (In thousands)

Actuarial Valuation Date (1)	Actuarial Accrued Liability (2)	Valuation Value of Assets (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Annual Payroll (4) / (6) (7)
6/30/2012	$4,894,990	$2,960,507	$1,934,483	60.5 %	$543,558	355.9%
6/30/2013	$5,108,619	$3,120,632	$1,987,987	61.1 %	$555,752	357.7%
6/30/2014	$5,492,440	$3,342,122	$2,150,318	60.8 %	$555,634	387.0%
6/30/2015	$5,657,173	$3,529,786	$2,127,387	62.4 %	$556,824	382.1%
6/30/2016	$5,813,092	$3,685,447	$2,127,645	63.4 %	$567,261	375.1%
6/30/2017	$6,191,433	$3,913,073	$2,278,360	63.2 %	$572,081	398.3%
6/30/2018	$6,398,814	$4,163,476	$2,235,338	65.1 %	$584,180	382.6%
6/30/2019	$6,622,495	$4,291,573	$2,330,992	64.8 %	$612,277	380.7%
6/30/2020	$7,005,589	$4,508,548	$2,497,041	64.4 %	$634,570	393.5%
6/30/2021	$7,164,255	$4,806,026	$2,358,199	67.1 %	$623,295	378.3%

** Net of SRBR and $5,000 death benefits*

SCHEDULE OF EMPLOYER CONTRIBUTIONS (In thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2012	$189,837	100%
2013	$211,677	100%
2014	$220,393	100%
2015	$215,477	100%
2016	$234,714	100%
2017	$224,351	100%
2018	$242,534	100%
2019	$229,120	100%
2020	$273,909	100%
2021	$268,626	100%

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, including Sections 31676.01, 31676.14, 31676.17, 31664, 31664.1 and 7522.20(a), as adopted by the County of Kern and special districts.

Membership

Membership is automatic upon appointment to a permanent position of 50% or more of the regular standard hours required. Retirement entry date is the first day of the first full biweekly payroll period following the date of employment.

All safety and general members hired by the County of Kern or a special district on or after January 1, 2013 are subject to the "new member" provisions found in Code Section 7522.20(a) of the Public Employees' Pension Reform Act of 2013 (PEPRA).

Final Average Salary

For non-PEPRA benefit tiers, "final average salary" is the highest 12 consecutive months of pensionable pay, including base salary and other pay elements includible as a result of the "Ventura" decision. "Pensionable compensation" for members subject to PEPRA is the highest 36 consecutive months of pensionable pay, including base salary and eligible special pay items defined in PEPRA.

Vesting

Members are considered vested in the Plan after obtaining five years of retirement service credit.

Member Contribution Rates

The basic contribution is computed on the member's base pay plus pensionable special pays, with the contribution rate being determined by the member's entry age into KCERA, the classification of the member, the Plan's economic assumptions and the member's life expectancy at the retirement age specified in the County Employees' Retirement Law of 1937.

The normal rates of contribution are such as to provide, for each year of service, an average annuity at age 55 of 1.0% of final compensation for General Tier I members, an average annuity at age 60 of 0.833% of final compensation for General Tier II members, an average annuity at age 50 of 1.5% of final compensation for Safety Tier I members, and an average annuity at age 50 of 1.0% of final compensation for Safety Tier II members, according to the tables adopted by the Board of Supervisors, for each year of service rendered after entering the Plan.

General and safety members subject to PEPRA provisions will pay 100% of their contributions until retirement. Their contribution rates will be 50% of the actuarially determined Normal Cost rate for each membership group. All other KCERA members will contribute based on their entry age or a flat average rate (i.e., for certain safety bargaining units).

Per IRS Code Section 414(h)(2), member contributions made through payroll deductions are pretax. Interest is credited to contribution balances on June 30 and December 31, per the County Employees' Retirement Law of 1937, Article 5.5.

Withdrawal Benefits

If a member resigns, his or her contributions plus interest can be refunded. Members with less than five years of service may elect to leave his or her contributions on deposit and receive interest. Any vested member may elect to leave his or her contributions on deposit and receive a deferred-vested benefit when eligible for retirement.

Compensation Limit

For members who joined KCERA on or after July 1, 1996 but before January 1, 2013, "compensation earnable" is limited by IRC Section 401(a)(17) and indexed annually for inflation. "Pensionable compensation" for General Tier III members enrolled in Social Security is capped at the Social Security limit and indexed annually for inflation.

Service Retirement Benefits

General members with at least 10 years of retirement service credit who are age 50 or older, have 30 years of service credit regardless of age, or are age 70 regardless of service credit are eligible for service retirement.

General Tier I provides 3.0% of final compensation for each year of service at age 60, multiplied by Government Code Section 31676.17 factors. General Tier II provides 1.62% of final compensation for each year of service at age 65, multiplied by Government Code Section 31676.01 factors.

Berrenda Mesa Water District and Inyokern Community Services District still have Government Code Section 31676.14 for service prior to January 1, 2005.

General Tier II applies to most general members hired by the County of Kern and Kern County Hospital Authority on or after October 27, 2007, or hired by the following special districts: Berrenda Mesa Water District on or after January 12, 2010; Buttonwillow Recreation and Park District and East Kern Cemetery District on or after December 17, 2012; Inyokern Community Services District on or after December 13, 2012; Kern County Water Agency on or after January 1, 2010; Kern Mosquito and Vector Control District on or after December 12, 2012; North of the River Sanitation District on or after October 29, 2007; San Joaquin Valley Air Pollution Control District on or after July 31, 2012; Shafter Recreation and Park District on or after December 19, 2012; West Side Cemetery District on or after December 18, 2012; West Side Mosquito and Vector Control District on or after November 15, 2012; and Kern County Superior Court on or after March 12, 2011.

General members hired by the West Side Recreation and Park District on or after January 1, 2013 are General Tier III members. Their benefit formula is 2.5% at age 67. They are eligible to retire at age 52 with 5 years of retirement service credit.

Safety members with at least 10 years of retirement service credit who are age 50 or older, or with 20 years of retirement service credit regardless of age, are eligible for service retirement.

Safety Tier I provides 3.0% of final compensation for each year of service at age 50, multiplied by Government Code Section 31664.1 factors. Safety Tier II provides 2.0% of final compensation for each year of service at age 50, multiplied by Government Code Section 31664 factors.

For members integrated with Social Security, benefits based on $350 of monthly final average salary are reduced by one-third.

Disability Benefit

Members with five years of retirement service credit, regardless of age, are eligible for nonservice-connected disability. This benefit provide 20% to 40% of the member's final average monthly compensation for life.

If the disability is service-connected, there is no minimum retirement service credit requirement. This benefit provides 50% of the member's final average monthly compensation, tax-free, for life.

Death Benefit (Before Retirement)

A non-vested active member's beneficiary is entitled to receive the Basic Death Benefit, which consists of accumulated contributions plus interest and one month of salary for each full year of service, up to six months of salary.

The beneficiary (i.e., eligible spouse or registered domestic partner) of a vested active member who does not die in the performance of duty is entitled to either the Basic Death Benefit or a monthly benefit equal to 60% of the benefit payable if the member had retired with a nonservice-connected disability on his or her date of death. This also applies to minor children if there is no eligible spouse or partner.

If a member dies in the performance of duty, the eligible spouse, partner or minor children receives 50% of the member's final average salary.

Death Benefit (After Retirement)

A death benefit of $5,000 is payable to the designated beneficiary or estate of a retiree after the member dies.

If a member retired for service or with a nonservice-connected disability and he or she chose the Unmodified Option, the eligible surviving spouse, registered domestic partner or minor children will receive a benefit equal to 60% of the member's retirement benefit. If the retirement was for a service-connected disability, the member's spouse, registered domestic partner or minor children will receive a 100% continuance of the benefit.

Supplemental Retirement Benefits (SRBR)

The Board of Retirement adopted California Government Code Section 31618 on April 23, 1984, which provided for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR may be used only for the benefit of retired members and their beneficiaries. The distribution of the SRBR shall be determined by the Board of Retirement. SRBR approved benefits include all Tier 1, Tier 2, Tier 3, Tier 4 and death benefits approved through the June 30, 2021 Actuarial Valuation.

Post-Retirement Cost-of-Living Benefits

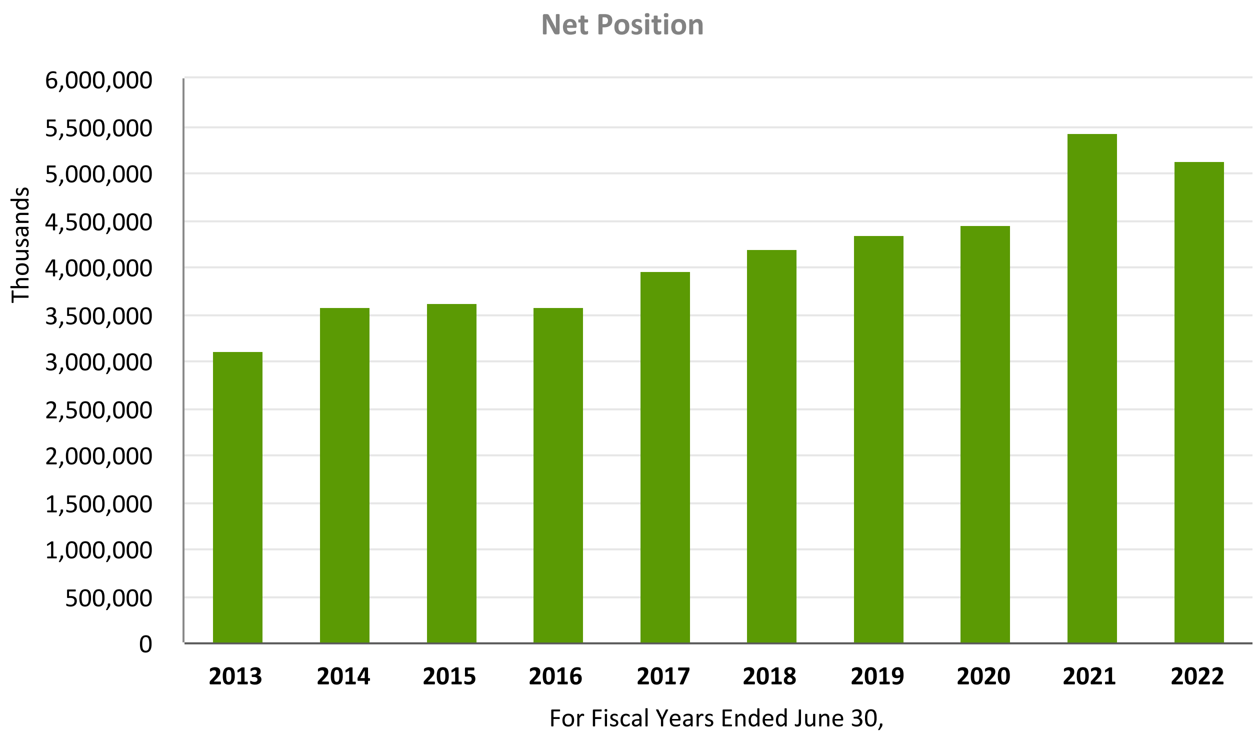
Each April 1, retiree benefits are adjusted by the percentage change in the Consumer Price Index for the preceding calendar year (capped at 2.5%).

Eligibility	Tier 1:	Hired on or before July 1, 1994.
	Tier 2:	Pensioners with at least five years of credited service and who retired prior to 1981 or 1985 (and their surviving beneficiaries) whose benefits have reduced by 20% in purchasing power since retirement.
	Tier 3:	Pensioners and their surviving beneficiaries whose benefits have reduced by 20% in purchasing power since retirement.
	Tier 4:	Hired on or before July 1, 2018.
Benefits	Tier 1:	$35.50 per month, not subject to cost-of-living adjustments.
	Tier 2:	$1.372 times years of service, per month, for members who retired prior to 1985; granted July 1, 1994. $5.470 times years of service, per month, for members who retired prior to 1985; granted July 1, 1996. $10.276 times years of service, per month, for members who retired prior to 1981; granted July 1, 1997.
	Tier 3:	Additional benefits to maintain 80% purchasing power protection.
	Tier 4:	$21.00 per month, not subject to cost-of-living adjustments.
	Death Benefit:	A one-time payment of $5,000 to a retired member’s beneficiary.
	0.5% COLA	$64.7 million allocation of funds to initially pay for a 0.5% cost-of- living allowance; arisen from a litigation judgment entered on January 24, 2002.
Funding		Crediting of interest and the allocation of “undistributed earnings”: the amount that remains after net earnings have been used to credit interest to the Plan’s reserves.

STATISTICAL SECTION

The Statistical Section offers additional historical perspective and detail to provide a fuller understanding of this year's financial statements, note disclosures and supplementary information. This section also provides 10 year trending of financial and operating information to supply a more comprehensive perspective on how KCERA's financial position and performance have changed over time. Specifically, the financial and operating information provides contextual data for KCERA's changes in net position, benefit expenses, retirement types, benefit payments and membership data. The financial and operating trend information is located on the following pages.

KCERA NET POSITION VALUE



KCERA 2022 - Schedule of Changes in Fiduciary Net Position

(In thousands)

	2013	2014	2015	2016	2017
Additions					
Employer Contributions	$ 211,677	$ 220,393	$ 215,477	$ 234,714	$ 241,112
Member Contributions	20,283	25,810	30,325	33,278	34,649
Net Investment Income (Loss)	319,264	487,494	81,930	(27,535)	426,607
Total Additions	**551,224**	**733,697**	**327,732**	**240,457**	**702,368**
Deductions					
Total Benefit Expenses**	242,630	257,495	273,865	288,738	305,817
Administrative Expenses	3,848	4,860	4,886	5,225	5,243
Total Deductions	**246,478**	**262,355**	**278,751**	**293,963**	**311,060**
Change in Fiduciary Net Position	**$ 304,746**	**$ 471,342**	**$ 48,981**	**$ (53,506)**	**$ 391,308**

(In thousands)

	2018	2019	2020	2021	2022
Additions					
Employer Contributions*	$ 242,534	$ 229,120	$ 273,909	$ 268,625	$ 287,063
Member Contributions*	52,503	50,132	57,862	53,789	54,514
Net Investment Income (Loss)	267,659	214,244	127,861	1,043,361	(219,947)
Total Additions	**562,696**	**493,496**	**459,632**	**1,365,775**	**121,630**
Deductions					
Total Benefit Expenses**	321,613	341,774	361,094	380,996	401,313
Administrative Expenses	5,116	4,804	5,523	6,061	6,702
Total Deductions	**326,729**	**346,578**	**366,617**	**387,057**	**408,015**
Change in Fiduciary Position	**$ 235,967**	**$ 146,918**	**$ 93,015**	**$ 978,718**	**$ (286,385)**

** The 2018, 2019, 2020, 2021 and 2022 fiscal year's financial statements reclassified employer paid member contributions as member contributions.*

*** See Schedule of Benefit Expenses by Type on next page.*

(In thousands)

	2013	2014	2015	2016	2017
Service Retirement Benefits					
General	$ 127,139	$ 137,993	$ 148,697	$ 159,101	$ 169,370
Safety	68,078	68,705	72,097	74,978	78,453
Total	195,217	206,698	220,794	234,079	247,823
Service-Connected Disability (SCD) Benefits					
General	8,064	8,331	8,422	8,260	8,411
Safety	15,495	20,565	21,222	21,676	22,207
Total	23,559	28,896	29,644	29,936	30,618
Beneficiary Benefits					
General	11,152	10,660	11,186	12,261	13,579
Safety	8,602	7,565	7,881	8,393	8,979
Total	19,754	18,225	19,067	20,654	22,558
Lump Sum Death Benefits	606	564	862	787	894
Total Benefit Payments	**239,136**	**254,383**	**270,367**	**285,456**	**301,893**
Refunds					
General	2,973	2,762	2,876	2,563	2,718
Safety	521	350	622	719	1,206
Total	3,494	3,112	3,498	3,282	3,924
Total Benefit Expenses	**$ 242,630**	**$ 257,495**	**$ 273,865**	**$ 288,738**	**$ 305,817**

(In thousands)

	2018	2019	2020	2021	2022
Service Retirement Benefits					
General	$ 179,977	$ 193,308	$ 206,802	$ 217,511	$ 225,618
Safety	81,806	86,007	91,880	96,306	99,934
Total	261,783	279,315	298,682	313,817	325,552
Service-Connected Disability (SCD) Benefits					
General	8,647	8,479	8,451	8,567	8,655
Safety	22,842	22,596	23,548	24,388	25,125
Total	31,489	31,075	31,999	32,955	33,780
Beneficiary Benefits					
General	14,136	14,903	14,818	15,944	18,161
Safety	9,612	10,719	10,046	10,757	13,484
Total	23,748	25,622	24,864	26,701	31,645
Lump Sum Death Benefits	903	1,025	1,097	1,010	1,876
Total Benefit Payments	**$ 317,923**	**$ 337,037**	**$ 356,642**	**$ 374,483**	**$ 392,853**
Refunds					
General	2,966	3,519	3,126	5,207	6,695
Safety	724	1,218	1,326	1,307	2,274
Total	3,690	4,737	4,452	6,514	8,969
Total Benefit Expenses	**$ 321,613**	**$ 341,774**	**$ 361,094**	**$ 380,997**	**$ 401,822**

KCERA 2022 - Schedule of Retired Members by Type of Benefit

Amount of Monthly Benefit	Number of Retirants	Type of Retirement								
		1	2	3	4	5	6	7	8	9
$1-500	373	256	2	0	0	53	8	0	6	48
$501-1,000	888	610	24	1	0	141	21	2	20	69
$1,001-1,500	930	667	56	26	0	108	22	0	13	38
$1,501-2,000	890	609	42	78	0	87	22	0	21	31
$2,001-3,000	1601	1,122	23	195	0	152	12	1	53	43
$3,001-4,000	1298	935	7	184	0	119	3	7	31	12
$4,001-5,000	786	653	2	53	0	58	1	0	11	8
$5,001-6,000	537	472	2	25	0	23	2	0	12	1
Over $6,000	1712	1,524	5	120	0	36	1	1	24	1
Totals	**9,015**	**6,848**	**163**	**682**	**0**	**777**	**92**	**11**	**191**	**251**

Amount of Monthly Benefit	Number of Retirants	Option Selected						
		Option	Option	Option	Option	Unmodified		
		1	2	3	4	A	B	C
$1-500	373	9	37	0	0	115	0	212
$501-1,000	888	5	63	5	0	319	1	495
$1,001-1,500	930	5	76	5	0	334	10	500
$1,501-2,000	890	7	52	4	0	330	46	451
$2,001-3,000	1601	8	80	13	4	589	127	780
$3,001-4,000	1298	8	58	1	3	513	135	580
$4,001-5,000	786	4	37	1	2	396	38	308
$5,001-6,000	537	2	28	5	2	303	15	182
Over $6,000	1712	3	80	7	4	1139	108	371
Totals	**9,015**	**51**	**511**	**41**	**15**	**4,038**	**480**	**3,879**

Type of Retirement

1 – Normal retirement for age and service
2 – NonService - connected disability retirement
3 – Service-connected disability retirement
4 – Former member with deferred future benefit
5 – Beneficiary payment – normal retirement
6 – Beneficiary payment – active member who died and was eligible for retirement
7 – Beneficiary payment – death in service
8 – Beneficiary payment – disability retirement
9 – Supplemental and ex-spouses

Option Selected

Option 1 – Beneficiary receives lump sum of member's unused contributions
Option 2 – Beneficiary receives 100% of member's reduced monthly allowance
Option 3 – Beneficiary receives 50% of member's reduced monthly allowance
Option 4 – More than one beneficiary receives 100% of member's reduced monthly allowance
A – Unmodified 60% continuance
B – Unmodified no continuance
C – Unmodified 100% continuance

KCERA 2022 - Schedule of Average Benefit Payment Amounts by Year of Retirement

	Years of Retirement Service Credit						
	0-5	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal Year 2013							
Average Annual Benefit ($)	10,016	18,534	24,145	35,166	48,651	68,141	86,483
Average Monthly Benefit ($)	835	1,544	2,012	2,930	4,054	5,678	7,207
Average Final Monthly Salary ($)	7,851	5,445	4,930	5,435	5,613	6,289	6,545
Number of Active Retirants	17	30	73	56	65	62	74
Fiscal Year 2014							
Average Annual Benefit ($)	9,988	16,032	23,223	34,756	49,783	76,869	95,563
Average Monthly Benefit ($)	832	1,336	1,935	2,896	4,149	6,406	7,964
Average Final Monthly Salary ($)	9,447	5,439	5,081	5,300	5,881	6,883	7,300
Number of Active Retirants	16	26	65	39	47	64	45
Fiscal Year 2015							
Average Annual Benefit ($)	4,984	15,972	25,347	37,633	47,744	66,201	99,504
Average Monthly Benefit ($)	415	1,331	2,112	3,136	3,979	5,517	8,292
Average Final Monthly Salary ($)	5,732	5,474	5,230	5,551	5,424	6,284	7,520
Number of Active Retirants	6	44	70	37	39	72	53
Fiscal Year 2016							
Average Annual Benefit ($)	7,115	15,615	26,646	36,159	50,102	70,638	86,002
Average Monthly Benefit ($)	593	1,301	2,221	3,013	4,175	5,887	7,167
Average Final Monthly Salary ($)	7,213	5,349	5,886	5,585	5,939	6,722	7,103
Number of Active Retirants	23	43	69	41	45	77	53
Fiscal Year 2017							
Average Annual Benefit ($)	8,058	16,600	27,270	40,904	52,623	69,290	91,444
Average Monthly Benefit ($)	671	1,383	2,272	3,409	4,385	5,774	7,620
Average Final Monthly Salary ($)	8,677	5,928	5,944	6,034	6,331	6,605	7,155
Number of Active Retirants	17	45	76	59	66	60	55

	Years of Retirement Service Credit						
	0-5	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal Year 2018							
Average Annual Benefit ($)	7,379	15,207	22,003	37,024	58,771	66,055	94,362
Average Monthly Benefit ($)	615	1,267	1,834	3,085	4,898	5,505	7,863
Average Final Monthly Salary ($)	8,584	6,108	5,457	5,964	7,266	6,583	7,493
Number of Active Retirants	14	48	59	53	55	55	41
Fiscal Year 2019							
Average Annual Benefit ($)	10,773	14,021	24,348	34,802	52,104	85,145	94,720
Average Monthly Benefit ($)	898	1,168	2,029	2,900	4,342	7,095	7,893
Average Final Monthly Salary ($)	9,659	5,327	5,834	5,622	6,772	8,362	7,856
Number of Active Retirants	18	35	64	45	58	52	52
Fiscal Year 2020							
Average Annual Benefit ($)	10,066	12,648	25,112	37,219	44,669	68,992	84,226
Average Monthly Benefit ($)	839	1,054	2,093	3,102	3,722	5,749	7,019
Average Final Monthly Salary ($)	9,959	5,373	6,089	6,086	5,954	6,934	7,102
Number of Active Retirants	9	33	62	53	66	65	40
Fiscal Year 2021							
Average Annual Benefit ($)	8,628	13,320	23,282	37,017	52,979	63,815	85,297
Average Monthly Benefit ($)	719	1,110	1,940	3,085	4,415	5,318	7,108
Average Final Monthly Salary ($)	9,483	6,752	6,395	6,285	7,236	6,754	7,434
Number of Active Retirants	13	35	51	43	85	50	48
Fiscal Year 2022							
Average Annual Benefit ($)	6,522	11,189	21,316	35,964	51,317	74,399	81,410
Average Monthly Benefit ($)	543	932	1,776	2,997	4,276	6,200	6,784
Average Final Monthly Salary ($)	7,041	5,449	5,923	6,787	6,824	8,058	7,406
Number of Active Retirants	13	28	57	52	97	54	44

	2013	2014	2015	2016	2017
County of Kern					
General Members	5,873	5,833	5,827	5,937	4,720
Safety Members	1,873	1,886	1,847	1,840	1,767
Total	7,746	7,719	7,674	7,777	6,487
Participating Agencies (General Membership):					
Berrenda Mesa Water District	10	10	9	6	6
Buttonwillow Recreation and Park District	6	4	5	4	3
East Kern Cemetery District	1	1	1	2	2
Inyokern Community Services District	1	1	1	1	—
Kern County Hospital Authority	—	—	—	—	1,374
Kern County Water Agency	65	68	67	62	60
Kern Mosquito & Vector Control District	18	18	18	18	18
North of the River Sanitation District	13	12	13	13	13
San Joaquin Valley Air Pollution Control District	281	276	264	269	273
Shafter Recreation and Park District	—	—	—	—	1
West Side Cemetery District	6	6	6	6	6
West Side Mosquito & Vector Control Dist.	7	10	10	9	8
West Side Recreation and Park District	10	11	11	11	9
Kern County Superior Court	353	389	414	457	478
	771	806	819	858	2,251
Total Active Membership:					
General Members	6,644	6,639	6,645	6,795	6,971
Safety Members	1,873	1,886	1,847	1,840	1,767
Total	8,517	8,525	8,492	8,635	8,738

	2018	2019	2020	2021	2022
County of Kern:					
General Members	4,818	5,014	5,091	4,891	4,900
Safety Members	1,771	1,773	1,685	1,690	1,701
Total	6,589	6,787	6,776	6,581	6,601
Participating Agencies (General Membership):					
Berrenda Mesa Water District	4	3	3	3	3
Burtonwillow Recreation and Park District	2	1	1	1	1
East Kern Cemetery District	2	2	2	2	2
Inyokern Commnunity Services District	—	—	—	—	—
Kern County Hospital Authority	1,446	1,550	1,621	1,605	1,559
Kern County Water Agency	59	55	53	51	49
Kern Mosquito & Vector Control District	19	18	22	21	20
North of the River Sanitation District	18	18	20	17	19
San Joaquin Valley Air Pollution Control District	275	289	303	296	314
Shafter Recreation and Park District	3	2	4	4	3
West Side Cemetery District	6	6	5	4	3
West Side Mosquito & Vector Control Dist.	8	8	6	5	5
West Side Recreation and Park District	8	7	6	5	5
Kern County Superior Court	483	519	504	477	492
	2,333	**2,478**	**2,550**	**2,491**	**2,475**
Total Active Membership:					
General Members	7,151	7,492	7,641	7,382	7,375
Safety Members	1,771	1,773	1,685	1,690	1,701
Total	**8,922**	**9,265**	**9,326**	**9,072**	**9,076**