2021 Annual Comprehensive Financial Report

San Diego County Employees Retirement Association

A Pension Trust Fund for the County of San Diego

For the fiscal year ended June 30, 2021

SDCERA

San Diego, CA

2021

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2021

San Diego County Employees Retirement Association
A Pension Trust Fund for the County of San Diego, CA

Tracy Sandoval
Chief Executive Officer

Michael T. Pattison
Director of Finance

SDCERA

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Introductory Section

Nurse on duty in County jail
Credit: Media Relations/Sheriff's Department

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SDCERA
San Diego County Employees
Retirement Association

Letter of Transmittal

TRACY M. SANDOVAL
CHIEF EXECUTIVE OFFICER

To the Trustees, Members and Beneficiaries, Plan Sponsor, and Participating Employers of the San Diego County Employees Retirement Association:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the San Diego County Employees Retirement Association (SDCERA or Plan) for the fiscal year ended June 30, 2021 (FY 2021). The information contained in this report is intended to provide a detailed overview of SDCERA's financial and investment results for the fiscal year ended June 30, 2021 and includes information from the current actuarial valuation as of June 30, 2021.

SDCERA's management assumes full responsibility for the complete and fair presentation of the financial information contained in this report, which is based upon a comprehensive internal control framework established for this purpose. The objective is to provide reasonable assurance that the financial statements are free of any material misstatements.

Brown Armstrong has audited the accompanying basic financial statements and related disclosures and has issued an unmodified opinion ("clean") in the independent auditor's report located in the front of the financial section of this report. The audit provides reasonable assurance that SDCERA's financial statements are presented in conformity with generally accepted accounting principles and are free from material misstatement.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

SDCERA and Its Services

SDCERA was established as a public retirement system by the County of San Diego (County or Plan Sponsor) on July 1, 1939, under the California County Employees Retirement Law of 1937 (CERL). SDCERA administers retirement, disability, survivor, and healthcare benefits for over 45,000 Members (or their beneficiaries) who are active, retired, or former employees of the County or of any of the five Participating Employers: the San Diego Local Agency Formation Commission, the San Dieguito River Park Joint Powers Authority, the San Diego County Office of Education, the San Diego County Air Pollution Control District and the Superior Court of California - County of San Diego.

The Board of Retirement (Board) has the sole and exclusive responsibility to administer SDCERA. The Board's nine Trustees include four Trustees appointed by the County Board of Supervisors, four Trustees elected by SDCERA Members (two elected by active General Members, one elected by active Safety Members, and one elected by Retired Members), and the County Treasurer-Tax Collector. In addition, active Safety Members and Retired Members each select an alternate Trustee.

A Year of Change

New Leadership

FY 2021 was a year of significant change for SDCERA. Our leadership has many new faces, including my own as SDCERA's new Chief Executive Officer appointed in November 2020, and the appointments of Mary Ball as the new Chief of Operations, Michael Pattison as the new Director of Finance, and Brian McKelvey as the new Information Technology Director.

Upon the retirements of Trustee Samantha Begovich in September 2020, and Trustees Dianne Jacob and Richard Tarte in December 2020, SDCERA welcomed three new board members in 2021. The Board of Supervisors unanimously approved the appointment of Trustee Nora Vargas and Trustee Paul Dostart in January 2021, and the general Members elected Trustee Lisa Rhone in February 2021.

Technology Transformation

In December 2020, SDCERA embarked on a new partnership with Peraton as our information technology services provider. SDCERA and Peraton have made vast improvements to our technology environment including our networks, computer hardware and system backup capabilities, which have led to increased stability and redundancy. These infrastructure improvements will assist SDCERA to move forward with the many information technology initiatives planned to enhance service delivery to our Members.

SDCERA Operations in the Age of COVID-19

Our work revolves around our fiduciary responsibility to accurately and promptly pay benefits to our Members and their beneficiaries. Effective coordination and communication with our Plan Sponsor, our Participating Employers and our Members is essential to ensure SDCERA maintains and regularly updates records on over 18,000 Active Members, nearly 7,000 Deferred Members, and over 20,000 Retired Members and their beneficiaries, who are spread over all 50 U.S. states, four territories, and 22 countries.

Throughout FY 2021 during the COVID-19 outbreak, we continued to successfully serve our Members by transitioning our SDCERA team to working remotely. With the increased vaccination rates in San Diego County, the decline in COVID-19 cases, and the easing of stay-at-home orders in California, the SDCERA team returned to the office in July 2021 with hybrid teleworking schedules. We remain committed to providing a safe working environment in accordance with public health protocols for our SDCERA team as well as our Members.

I want to recognize the continued flexibility, innovation, and dedication of the SDCERA 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.

Investments

SDCERA's FY 2021 investment return was 25.0 percent, and Trust Fund assets totaled $16.2 billion as of June 30, 2021. SDCERA's three-year investment return was 10.1 percent, the five-year return was 10.0 percent, and the ten-year return was 7.9 percent as of June 30, 2021. All returns are net-of-fee, time-weighted rates of return.

The Board has exclusive authority and fiduciary responsibility for the investment of SDCERA's assets (Trust Fund). The Board has adopted an Investment Policy Statement (IPS) that defines the Trust Fund's governing principles and policies concerning delegation of authority, investment objectives, and asset allocation. The investment objectives are to generate long-term returns that, when combined with employer and Member contributions, will result in assets sufficient to pay retiree benefit obligations and to diversify the investments of the Trust Fund so as to minimize the risk of loss and maximize returns.

The IPS and asset allocation are updated at least annually to ensure that they remain consistent with prevailing investment and economic circumstances. The Trust Fund is managed and monitored by our investment team for compliance with the IPS on an ongoing basis, and updates are reported monthly to the Board.

Actuarial Valuation and Review

Segal Consulting, the Board's independent Actuary, summarizes SDCERA's actuarial data in an annual Actuarial Valuation and Review and other reports, in accordance with generally accepted actuarial principles and practices. Segal prepared SDCERA's FY 2021 Actuarial Valuation and Review (Valuation) that establishes the funding requirements and contributions by Members, Plan Sponsors, and Participating Employers for FY 2023. In FY 2021, all actuarially determined contributions were paid. The Valuation and Segal's certification letter are included in the Actuarial section.

SDCERA's financial status is the funded ratio that compares the Plan's Valuation Value of Assets to its Actuarial Accrued Liabilities. The funded ratio on June 30, 2021, was 80.0 percent, which is an increase from 77.3 percent on June 30, 2020. The Valuation Value of Assets was $14.7 billion, and the Total Actuarial Accrued Liability was $18.3 billion on June 30, 2021.

The difference between the Valuation Value of Assets and the Actuarial Accrued Liability is the plan's Unfunded Actuarial Accrued Liability (UAAL) on Valuation Value of Assets basis. SDCERA's FY 2021 UAAL is $3.7 billion, a decrease from the FY 2020 UAAL of $4.0 billion. A year-to-year change in the UAAL reflects accrued normal pension costs, employer and member contributions, interest, the difference between actual and expected investment returns, contributions, salary increases and cost-of-living payments.

Accountability And Transparency

SDCERA's management is responsible for the accuracy of the data and the completeness and fairness of financial information presented in this ACFR. To the best of management's knowledge, this data is accurate in all material respects and is reported in a manner designed to transparently present SDCERA's operating results, financial position, and Trust Fund assets.

Detailed financial information is provided in the Management's Discussion and Analysis in the Financial section. SDCERA's financial statements are prepared using the accrual basis of accounting. Contributions from the County, Participating Employers, and active Members are recognized as revenue when earned. Benefit payments are recorded when due and payable in accordance with the terms of the Plan. Other expenses are recorded when corresponding liabilities are incurred, regardless of when payment is due or made.

SDCERA is committed to accountability and transparency. SDCERA has an Audit Committee that includes three Board members and two independent public members. During FY 2021, the Audit Committee approved the transition of SDCERA's internal audit function from an outsourced model to the hiring of a full-time Internal Audit Director, who reports functionally to the Audit Committee and administratively to the Chief Executive Officer.

In addition, four independent organizations monitor and report on the Trust Fund, as follows:

> **Aon Investments USA, Inc.** is the Board's independent General Investment Consultant that monitors and provides independent reporting on SDCERA's investment program, including asset allocation, investment manager performance, and portfolio risk metrics;
>
> **BNY Mellon** is the Board's independent Custodian Bank, which custodies and monitors SDCERA investment positions and provides independent performance reporting on all SDCERA investments;

Segal is the Board's independent actuary that summarizes SDCERA's actuarial data in an annual Actuarial Valuation and Review and other reports, in accordance with generally accepted actuarial principles and practices; and

Brown Armstrong Accountancy Corporation is the Board's independent accounting firm that certifies SDCERA's financial statements, in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Achievements In Financial Reporting and Plan Administration

For the 25th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SDCERA for its ACFR for the fiscal year ended June 30, 2020. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current ACFR continues to meet the Certificate of Achievement Program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA also recognized SDCERA's FY 2020 Popular Annual Financial Report (PAFR) for Outstanding Achievement in Popular Annual Financial Reporting. The GFOA established the PAFR Awards Program to encourage and assist state and local governments to extract information from their ACFRs to produce PAFRs specifically designed to be easily understandable to the general public and other interested parties without a background in public finance.

The Public Pension Coordinating Council awarded SDCERA with its 2021 Public Pension Standards Award for Funding and Administration in recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

ACKNOWLEDGEMENTS

The preparation of this report would not have been possible without the skill, effort, and dedication of the entire SDCERA Finance team. I would also like to express my gratitude to the SDCERA board and staff, as well as our professional service partners, who work diligently each day to ensure excellent service to our Members.

Sincerely,

Tracy M. Sandoval
Chief Executive Officer
November 10, 2021

Board of Retirement

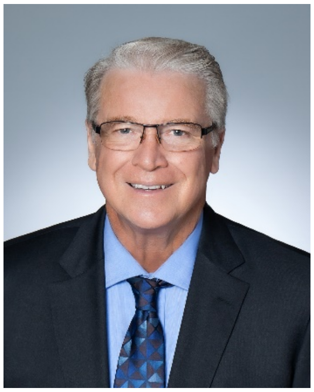
As of June 30, 2021

Skip Murphy
Chair
Elected by SDCERA Retired Members
Term Expires June 30, 2023

Mark Hovey
Vice Chair
Appointed by County Supervisors
Term Expires June 30, 2022

David Gilmore
Secretary
Elected by SDCERA Safety Members
Term Expires Dec. 31, 2022

Paul Dostart
Appointed by County Supervisors
Term Expires June 30, 2024



Bob Goodchild
Elected by SDCERA General Members
Term Expires June 30, 2022

Tom Hebrank
Appointed by County Supervisors
Term Expires June 30, 2023

Dan McAllister
County Treasurer-Tax Collector
Holds Office During Incumbency

Lisa Rhone
Elected by SDCERA General Members
Term Expires June 30, 2023

Nora Vargas
Appointed by County Supervisors
Term Expires Dec. 31, 2023

Tim Hancock
Alternate Board Member
Elected by SDCERA Safety Members
Term Expires Dec. 31, 2022

Susan Mallett
Alternate Board Member
Elected by SDCERA Retired Members
Term Expires June 30, 2023

Organization Chart

As of June 30, 2021

- Board of Retirement
  - Tracy Sandoval* — Chief Executive Officer
    - Stephen Sexauer* — Chief Investment Officer
    - Brant Will* — Chief Legal Officer
    - Jim Lery — Chief Benefits Officer
    - Mary Ball — Chief of Operations
    - Michael Pattison — Director of Finance
    - Brian McKelvey — Director of Information Technology

* Appointed by the Board of Retirement

Consultants

As of June 30, 2021

Actuary

Segal
180 Howard Street, Suite 1100
San Francisco, CA 94105-6147

Auditor

Brown Armstrong
Accountancy Corporation
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309

Custodian

The Bank of New York Mellon
400 S. Hope Street
Los Angeles, CA 90071

Operational Auditor

Moss Adams LLP
4747 Executive Drive, Suite 1300
San Diego, CA 92121

Retiree Health Insurance Program

Cheiron
201 Lomas Santa Fe, Suite 400
Solana Beach, CA 92075

Mercer
17901 Von Karman Avenue, Suite 1102
Irvine, CA 92614

Investments

Albourne America, LLC
50 Danbury Road
Wilton, CT 06897

Aon Investments USA Inc.
200 East Randolph Street
Chicago, IL 60601

SDCERA FY 2021 domestic and international commissions, investment fees paid and list of investment managers are set out in the Investments section on pages 80, 81 and 82, respectively.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Employees Retirement Association California

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill
Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2021

Presented to

San Diego 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

Financial Section

Vector Control's mosquitofish breeding program
Credit: County Communications

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
San Diego County Employees Retirement Association
San Diego, California

Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position of the San Diego County Employees Retirement Association (SDCERA) as of June 30, 2021 and 2020, the related Statements of Changes in Fiduciary Net Position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise SDCERA's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SDCERA's preparation and fair presentation of the financial statements 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 SDCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of SDCERA as of June 30, 2021 and 2020, and the changes in fiduciary net position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The other supplemental information and the introduction, investments, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as noted in the table of contents, 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. Such 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 auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction, investments, actuarial, and statistical sections, as noted in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 10, 2021, on our consideration of SDCERA'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 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 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 SDCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 10, 2021

Management's Discussion and Analysis

MICHAEL PATTISON
DIRECTOR OF FINANCE

I am pleased to present the Management's Discussion and Analysis (MD&A) that provides an overview and analysis of the financial activities of the San Diego County Employees Retirement Association (SDCERA or Plan) for the fiscal year ended June 30, 2021 (FY 2021).

The MD&A is intended to help the reader understand the purpose and meaning of the key components of SDCERA's financial statements. Staff believes the information presented here in conjunction with the Basic Financial Statements and the Notes to the Basic Financial Statements provides an accurate picture of SDCERA's overall financial status.

SDCERA's funding objective is to meet long-term benefit obligations through investment earnings and contributions from the Plan Sponsor, Participating Employers and Members. SDCERA's Plan Sponsor is the County of San Diego (County), and its Participating Employers are the San Diego Local Agency Formation Commission, the San Dieguito River Park Joint Powers Authority, the San Diego County Office of Education, the San Diego County Air Pollution Control District and the Superior Court of California - County of San Diego.

SDCERA's FY 2021 Annual Comprehensive Financial Report (ACFR) provides financial and other relevant Plan information in five sections: Introductory, Financial, Investment, Actuarial and Statistical.

The ACFR's Financial Section includes the Independent Auditor's Report, MD&A, the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, Notes to the Basic Financial Statements, Required Supplemental Information (Unaudited) and Other Supplemental Information. The following describes these components.

The Independent Auditor's Report, prepared by Brown Armstrong Accountancy Corporation, renders an opinion on the fair presentation of SDCERA's financial statements.

The MD&A provides an overview and analysis of FY 2021 financial activities. The MD&A should be read in conjunction with the Chief Executive Officer's Letter of Transmittal in the Introductory Section and the financial statements that immediately follow the MD&A.

The Statement of Fiduciary Net Position is the financial statement that presents the Plan's major categories of assets and liabilities and their related values. It presents the assets available for future payments of benefits to retirees and beneficiaries and the current liabilities owed as of June 30, 2021, with comparative totals as of June 30, 2020 (FY 2020).

The Statement of Changes in Fiduciary Net Position is the financial statement that provides an income statement presentation of annual additions to and deductions from the Plan as of June 30, 2021, with FY 2020 comparative totals.

The Notes to the Basic Financial Statements provide additional information essential to a full understanding of the data presented in the audited financial statements. The Notes provide a quantitative and qualitative basis for assessing SDCERA's financial condition.

The Required Supplemental Information (Unaudited) provides information about the sources of changes in the Net Pension Liability (NPL) for the Plan Sponsor and each Participating Employer. This information presents the components of the NPL and related ratios, including the Plan's fiduciary net position as a percentage of the Total Pension Liability (TPL) and the NPL as a percentage of employee payrolls. The Required Supplemental Information also includes Schedules of Investment Returns and Plan Sponsor Contributions.

The Other Supplemental Information includes Schedules of Investment Expenses, Administrative Expenses and Professional Services Payments to Consultants.

The financial statements and the required disclosures are in compliance with accounting principles generally accepted in the United States of America and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

Michael Pattison
Director of Finance
November 10, 2021

Plan Financial Highlights

- The Plan's Fiduciary Net Position, which represents funds restricted for current and future benefits, was $16.2 billion at the end of FY 2021, an increase of $3.2 billion or 25.0 percent from the prior fiscal year.
- Total additions to Fiduciary Net Position were $4.1 billion, including net investment gains of $3.3 billion, employer pension and Other Postemployment Benefit (OPEB) contributions of $634.6 million and Member contributions of $162.7 million. FY 2021 total additions increased by $3.2 billion from FY 2020 primarily due to investment returns.
- Employer and Member pension contributions to the Plan increased by $58.8 million, or 8.2 percent, from FY 2020. Employer pension and OPEB contributions increased from $589.2 million to $634.6 million or 7.7 percent. Member pension contributions increased by 8.0 percent, from $150.7 million to $162.7 million.
- Total deductions from Fiduciary Net Position were $874.0 million, an increase of $50.2 million or 6.1 percent from FY 2020. Retirement benefits increased $49.4 million due to an increase of 404 retired Members and beneficiaries and the payment of a cost-of-living adjustment (COLA) to retired Members' monthly benefits.
- SDCERA's funding objective is to meet its long-term benefit obligations through employee and employer contributions and investment income. SDCERA's independent Actuary, Segal, used actuarial assumptions adopted by SDCERA's Board of Retirement (Board) based on its June 30, 2018 Triennial Experience Study that became effective with the June 30, 2019 Actuarial Valuation and Review (Valuation). Segal reported in the Valuation that the Plan's funded status (the ratio of the Valuation Value of Assets to Actuarial Accrued Liabilities) was 80.0 percent as of June 30, 2021. In addition, pursuant to GASB Statement No. 67 reporting requirement, the Plan's Fiduciary Net Position as a percentage of the total pension liability was 87.1 percent.
- SDCERA's Unfunded Actuarial Accrued Liability (UAAL) decreased by $356.9 million from $4.025 billion to $3.668 billion as of June 30, 2021, attributable to employer contributions toward the UAAL, along with a net decrease due to actuarial experience. Actuarial experience resulted in the UAAL from cost-of-living-adjustment (COLA) increases for retirees being lower than expected, and the investment return (after "smoothing") was greater than the 7.00 percent return assumption. These decreases were offset by increases in the UAAL for actual contributions less than expected (mainly due to smaller than projected total payroll for FY 2021) and higher than expected individual salary increases for active members.
- SDCERA's FY 2021 time-weighted net investment return was 25.0 percent compared to 1.1 percent in FY 2020. The FY 2021 return also exceeded the current actuarially assumed investment rate of return of 7.0 percent. For the three, five and ten-year periods ended June 30, 2021, SDCERA's net investment returns were 10.1 percent, 10.0 percent and 7.9 percent, respectively. Annual investment returns for the last ten years can be found in the Investment section.
- Total Investment Expense in FY 2021 was $103.0 million, an increase of $57.8 million or 127.9 percent from FY 2020 expenses of $45.2 million, due primarily to the increase in performance-based investment management fees.

Plan Financial Analysis

As of June 30, 2021, SDCERA's Fiduciary Net Position was $16.2 billion, an increase of $3.2 billion or 25.0 percent from FY 2020. For FY 2021, SDCERA's portfolio investment performance gained 25.0 percent, net of fees. The Plan's Fiduciary Net Position increased by $797.3 million in employer and Member contributions and $3.3 billion in net investment income. These increases were partially offset by benefit payments and refunds of $859.1 million and administrative expenses of $14.9 million.

Table 1 presents the Plan's Fiduciary Net Position as of June 30, 2021 and 2020.

Table 1: Fiduciary Net Position

For the fiscal years ended June 30
(dollars in thousands)

	2021	2020	Increase/ (Decrease)	% Change
Cash, cash equivalents and collateral cash	$ 4,369,323	$ 2,273,747	$ 2,095,576	92.2%
Securities lending cash collateral	238,881	16,080	222,801	1,385.6%
Receivables	959,339	521,593	437,746	83.9%
Investments	12,038,276	10,853,620	1,184,656	10.9%
Property, plant and equipment	4,396	5,720	(1,324)	(23.1%)
Total assets	**$17,610,215**	**$13,670,760**	**$ 3,939,455**	**28.8%**
Collateral payable for securities lending	$ 238,904	$ 16,124	$ 222,780	1,381.7%
Investments purchased	1,155,985	682,843	473,142	69.3%
Other	53,794	38,437	15,357	40.0%
Total liabilities	**$ 1,448,683**	**$ 737,404**	**$ 711,279**	**96.5%**
Net Position	**$16,161,532**	**$12,933,356**	**$ 3,228,176**	**25.0%**

The increase in cash, cash equivalents and collateral cash of $2.1 billion was primarily due to an increase in the use of cash equivalents as collateral within strategies that collateralize derivative positions with cash equivalents and fixed income instruments and an increase in the value of those strategies. The increase in investments of $1.2 billion was primarily due to asset growth with an overall investment return of 25.0 percent for the year. The increases in receivables of $438 million and the corresponding investments purchased liability of $473 million were primarily due to the timing of settlement of pending investment activity for investments sold and purchased. The increase of $15 million in other liabilities is due to the timing of payment for investment management fees, administrative expenses, payroll taxes payable and pending retirement benefits.

Table 2 presents the Plan's Net Position for the last ten fiscal years.

Table 2: Net Position

For Pension and OPEB benefits
For the fiscal years ended June 30
(dollars in billions)

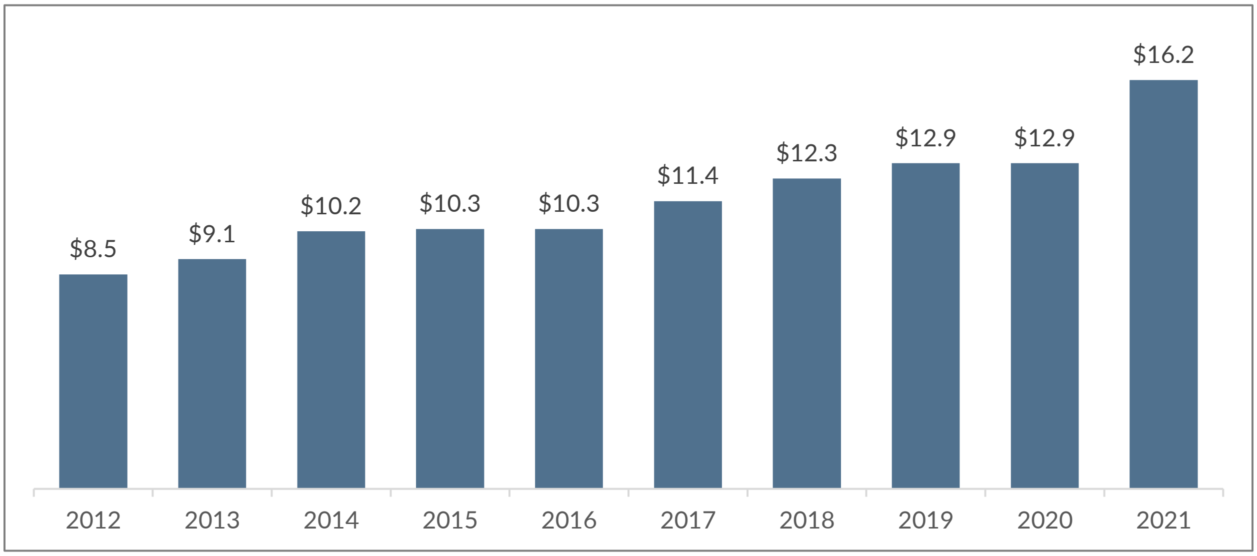


Table 3 presents the Plan's Changes in Fiduciary Net Position for FY 2021 and FY 2020.

Table 3: Changes in Fiduciary Net Position

For the fiscal years ended June 30
(dollars in thousands)

	2021	2020	Increase/ (Decrease)	% Change
Additions				
Employer pension contributions	$ 615,699	$568,947	$46,752	8.2%
Employer OPEB contributions	18,859	20,255	(1,396)	(6.9%)
Member contributions	162,740	150,683	12,057	8.0%
Net investment income	3,304,449	134,560	3,169,889	2,355.7%
Net securities lending income	450	237	213	89.9%
Total additions	**$4,102,197**	**$874,682**	**$3,227,515**	**369.0%**
Deductions				
Retirement and death benefits	$ 838,486	$788,428	$ 50,058	6.3%
Health benefits	14,265	16,018	(1,753)	(10.9%)
Refund of contributions	6,357	5,682	675	11.9%
Administrative expenses	14,913	13,732	1,181	8.6%
Total deductions	**$ 874,021**	**$823,860**	**$ 50,161**	**6.1%**
Net increase/(decrease) in net position	**$3,228,176**	**$ 50,822**	**$3,177,354**	**6,251.9%**
Net position at beginning of year	12,933,356	12,882,534	50,822	0.4%
Net position at end of year	**$16,161,532**	**$12,933,356**	**$3,228,176**	**25.0%**

Additions To Fiduciary Net Position

The primary sources of funds that pay for Member benefits are employer and Member contributions and investment income. These income sources (Additions) totaled $4.1 billion for FY 2021, representing an increase of $3.2 billion from FY 2020.

Employer and Member pension contributions totaled $778.4 million in FY 2021, an increase of $58.8 million from FY 2020. Segal's recommended average FY 2021 employer contribution rate was 46.2 percent of payroll compared to 43.0 percent in FY 2020; the recommended average Member contribution rate for FY 2021 was 12.2 percent compared to 11.7 percent for FY 2020.

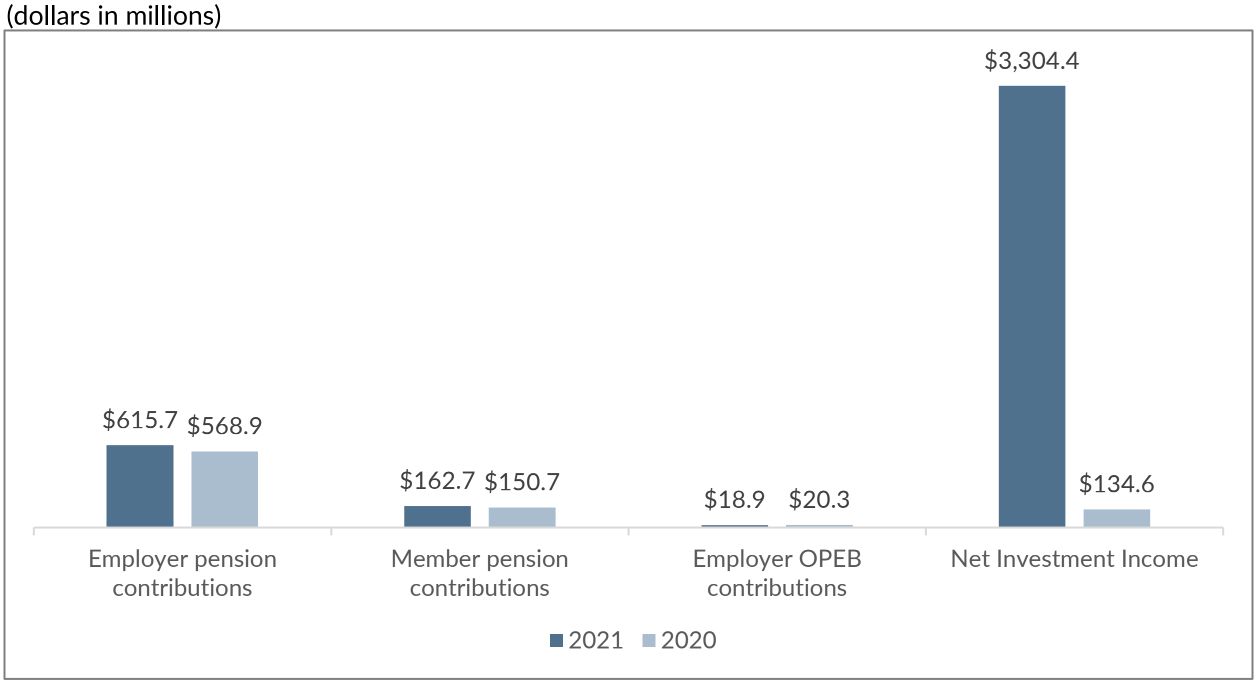
Employer Other Postemployment Benefits Plan (OPEB Plan) contributions totaled $18.9 million in FY 2021, a decrease of approximately $1.4 million from FY 2020.

Net Investment Income including securities lending totaled $3.3 billion in FY 2021, an increase of $3.2 billion from FY 2020. FY 2021's investment return was 25.0 percent, net of fees. Net investment income included net market appreciation in the fair value of investments of $3.2 billion; interest income of $109.6 million; income from dividends, real estate, private equity and private real assets of $118 million; and net securities lending of $450 thousand, offset by $103 million in investment expenses.

Table 4 presents the Plan's Additions to Fiduciary Net Position for FY 2021 and FY 2020.

Table 4: Additions to Fiduciary Net Position

For the fiscal years ended June 30
(dollars in millions)



Annual investment returns may be found on Table 52 in the Investment section.

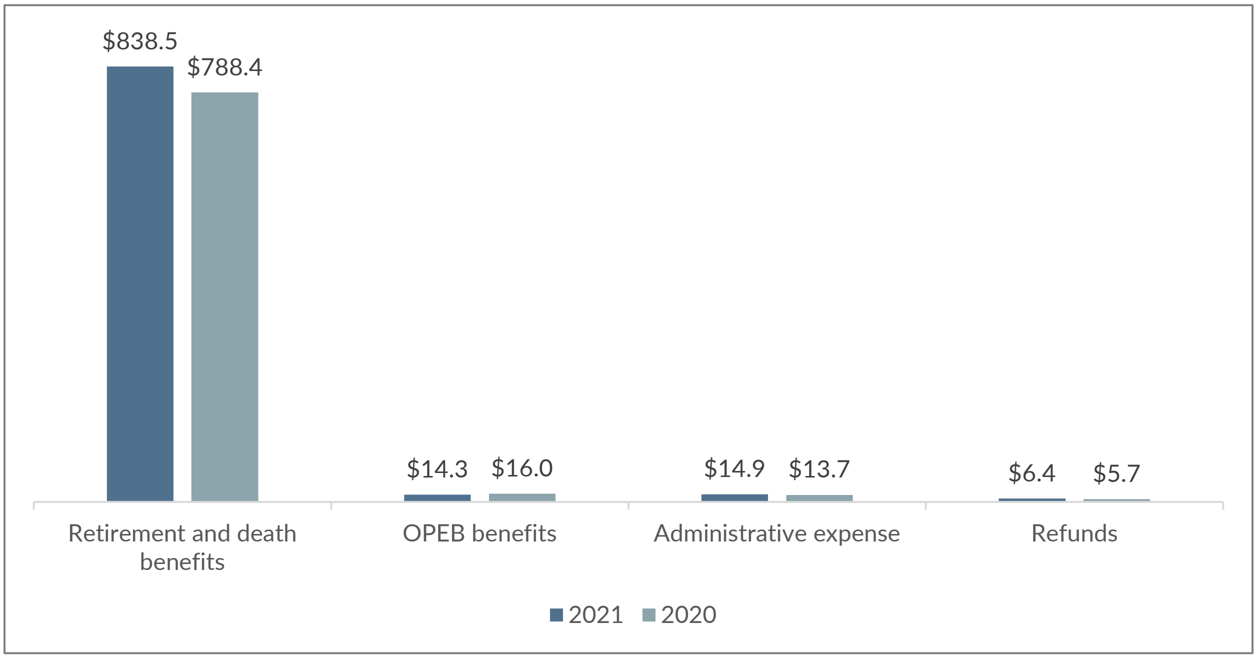
Deductions From Plan Fiduciary Net Position

SDCERA's Plan assets are used to pay retirement, disability and survivor benefits; contribution refunds for terminated Members; health insurance allowance benefits; and SDCERA's administrative expense. In FY 2021, these deductions totaled $874.0 million, an increase of 6.1 percent from $823.9 million in FY 2020. The increase was primarily due to the increase in the number of retired Members and the application of a COLA to retired Members' monthly benefit payments.

Table 5 presents SDCERA's Deductions from Fiduciary Net Position for FY 2021 and FY 2020.

Table 5: Deductions from Fiduciary Net Position

For the fiscal years ended June 30
(dollar in millions)



Plan Administration

SDCERA Membership

Table 6 presents SDCERA Membership data as of June 30, 2021 and 2020. Total Membership as of June 30, 2021 was 45,704, an increase of 547 Members or 1.2 percent compared to Membership as of June 30, 2020.

Table 6: Membership Summary

As of June 30, 2021, and June 30, 2020

Category	2021	2020	Change
Active Members	18,200	18,451	(251)
Deferred Members	6,804	6,410	394
Retired Members and Beneficiaries	20,700	20,296	404
Total Membership	**45,704**	**45,157**	**547**

Administrative Expense

Pursuant to the County Employees Retirement Law of 1937 (CERL), the Board annually adopts an administrative budget covering the entire expense of administration and charges that expense against the earnings of the Trust Fund. In FY 2021, administrative expenses totaled $14.9 million compared to $13.7 million in FY 2020, an increase of $1.2 million due to increased investment in SDCERA's information technology infrastructure.

The CERL requires administrative expense, excluding investment-related costs and expenditures for computer, hardware, software and technology services to not exceed 0.21 percent of SDCERA's Actuarial Accrued Liability. SDCERA's FY 2021 administrative expenses subject to this limit were $11.1 million or 0.06 percent of the Actuarial Accrued Liability, which is in compliance with CERL. More information regarding SDCERA's compliance with the CERL statutory limitation for administrative expense can be found in Note 7 to the Basic Financial Statements.

Actuarial Valuations

Segal prepared SDCERA's Valuation and Governmental Accounting Standards Actuarial Valuation and Review (GAS 67 Valuation) reports as of June 30, 2021. The Valuation is used to assess whether the Plan's assets and contributions to the Plan are sufficient to provide the prescribed benefits and provides the basis for developing employer and Member contribution rates for the following year.

As of June 30, 2021, the Plan's Actuarial Accrued Liability (AAL) was $18.340 billion compared to the Valuation Value of Assets (VVA) of $14.672 billion resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $3.668 billion, attributable to employer contributions toward the UAAL along with a net decrease due to actuarial experience. Actuarial experience resulted in the UAAL from cost-of-living-adjustment (COLA) increases for retirees being lower than expected, and the investment return (after "smoothing") was greater than the 7.00 percent return assumption. These decreases were offset by increases in the UAAL for actual contributions less than expected (mainly due to smaller than projected total payroll for FY 2021) and higher than expected individual salary increases for active members.

The GAS 67 Valuation complies with the requirements of GASB Statement No. 67 that defines rules for reporting pension liability and expense for financial reporting purposes. The GAS 67 Valuation determined that the Total Pension Liability (TPL) was $18.5 billion compared to a Fiduciary Plan Net Position of $16.1 billion, resulting in the employers' Net Pension Liability of $2.4 billion. The Plan's Fiduciary Net Position as a percentage of the total pension liability for June 30, 2021, is 87.1 percent.

Fair Value, Rates of Return, Funded Ratio, and Fiduciary Net Position as a Percent of Total Pension Liability

The Plan's FY 2021 investment return, net of fees, was 25.0 percent compared to 1.1 percent in FY 2020.

The VVA smooths investment gains and losses over five years. The Plan's FY 2021 funded ratio on the VVA basis increased from 77.3 percent to 80.0 percent. For the Market Value of Assets (MVA) basis, the funded ratio increased from 72.8 percent to 87.1 percent. Additional information about the Plan's funding progress is included in the Actuarial section.

Table 7 presents SDCERA's total investment portfolio value, investment returns, actuarial returns and assumed rate of return, funded ratio and fiduciary net position as a percent of total pension liability for FY 2014 through FY 2021. Total Pension Plan assets at fair value do not include OPEB Plan assets.

Table 7: Fair Value, Rates of Return, Funded Ratio and Fiduciary Net Position as a Percentage of Total Pension Liability

For fiscal years ended June 30
(dollars in thousands)

Year	Total Pension Plan Assets at Fair Value[1]	Annual Investment Return [2]	Annual Return on Valuation Value of Assets	Actuarial Assumed Rate of Return	Funded Ratio on Valuation Value of Assets	Fiduciary Net Position as Percent of Total Pension Liability
2014	$10,180,695	13.4%	7.8%	7.75%	80.9%	82.7%
2015	10,330,330	2.7%	7.9%	7.50%	80.5%	78.6%
2016	10,261,268	0.4%	5.7%	7.25%	76.9%	70.5%
2017	11,397,065	12.0%	5.7%	7.25%	77.4%	75.6%
2018	12,274,479	7.9%	7.1%	7.25%	78.4%	78.3%
2019	12,862,922	5.5%	5.1%	7.00%	76.3%	76.1%
2020	12,909,003	1.1%	6.7%	7.00%	77.3%	72.8%
2021	16,126,341	25.0%	7.5%	7.00%	80.0%	87.1%

(1) Excludes assets for OPEB Plan.
(2) Net of fees.

Interest Credits to Member Accounts

SDCERA credits interest semiannually, effective December 31 and June 30, to all Member accounts that have had contributions on deposit six months prior to such dates. The interest crediting rate is calculated based upon reserve balances and current year earnings and cannot exceed one-half of the assumed investment rate of return or be less than zero. The interest credit percentages applied for December 31, 2020 and June 30, 2021 were 3.5 percent for both periods.

Other Postemployment Benefits (OPEB)

SDCERA administers a Health Insurance Allowance Program (HIA) for retired Tier I and Tier II Members. Pursuant to the HIA, eligible Members may receive an allowance based on their years of service or receipt of a disability retirement benefit. The HIA allowance is paid for by an Other Postemployment Benefit Plan (OPEB Plan) that is funded annually by the County and other Participating Employers on an actuarially determined basis.

The OPEB Plan began FY 2021 with a balance of $24.4 million. It received employer contributions of $18.9 million and earned $6.2 million in investment earnings. It paid out $14.3 million in HIA benefits, including $10.3 million for premium allowance and $4 million for Medicare Part B premium reimbursement, ending with a balance of $35.2 million as of June 30, 2021.

The OPEB Plan has a UAAL of $76.3 million and a funded ratio of 31.6 percent, as determined by Segal in its June 30, 2021 OPEB Plan Valuation. OPEB Plan assets are pooled with Trust Fund assets for investment purposes, and investment earnings are allocated to the OPEB Plan based on its percentage of total Trust Fund assets.

This Annual Comprehensive Financial Report complies with GASB Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Statement No. 74 addresses accounting and financial reporting issues related to the postemployment benefits other than pensions.

Retiree Health Insurance Program

SDCERA offers medical and dental insurance plans for retired Members, surviving spouses or registered domestic partners and eligible dependents. Because the Internal Revenue Code prohibits the use of public pension plan assets to pay expenses associated with retiree health insurance benefits, SDCERA accounts for all staff time and expenses associated with the Program and recoups these expenses from Program participants. SDCERA partners with Mercer to administer the Program and Cheiron to provide health benefits consulting services.

Known Factors That May Impact Operations or Financial Conditions

The COVID-19 pandemic has had minimal impact on the operations of SDCERA. Although financial markets have been volatile, SDCERA's Trust Fund assets continue to be prudently invested in a well-diversified investment portfolio in accordance with the Board's Investment Policy Statement.

Requests For Financial Information

If you have any questions about the information in the Financial section or would like any additional financial information, contact Michael Pattison, SDCERA's Director of Finance, at 2275 Rio Bonito Way, Suite 100, San Diego, CA 92108.

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Basic Financial Statements

Statement of Fiduciary Net Position

As of June 30, 2021
(with summarized comparative amounts as of June 30, 2020)

	June 30, 2021			June 30, 2020
	Pension Plan	OPEB Plan	Total Fund	Total Fund
Assets				
Cash and short-term Investments				
Cash in County pool	$ 7,641,938	$ -	$ 7,641,938	$ 7,673,947
Cash and cash equivalents with fiscal agents	4,352,166,838	9,514,054	4,361,680,892	2,266,073,539
Total cash and short-term investments	**4,359,808,776**	**9,514,054**	**4,369,322,830**	**2,273,747,486**
Securities lending cash collateral	**238,361,303**	**520,156**	**238,881,459**	**16,079,933**
Receivables				
Contributions	6,799,257	-	6,799,257	6,203,145
Accrued interest and dividends	27,317,605	59,613	27,377,218	28,448,686
Settlement of investments sold	923,132,885	2,029,315	925,162,200	486,940,727
Total receivables	**957,249,747**	**2,088,928**	**959,338,675**	**521,592,558**
Investments at fair value				
Domestic equity securities	2,320,683,437	5,064,238	2,325,747,675	1,617,194,922
International equity securities	1,613,354,456	3,520,692	1,616,875,148	1,273,020,358
Total equity securities	**3,934,037,893**	**8,584,930**	**3,942,622,823**	**2,890,215,280**
Total fixed income securities	**5,857,577,770**	**12,782,513**	**5,870,360,283**	**5,227,592,131**
Cash and securities for swaps	97,223,909	212,164	97,436,073	208,820,775
Opportunistic	-	-	-	200,648,982
Private equity	659,313,529	1,438,766	660,752,295	643,764,196
Private real assets	462,122,192	1,008,451	463,130,643	563,683,071
Real estate	1,001,787,982	2,186,120	1,003,974,102	1,118,895,706
Total investments	**12,012,063,275**	**26,212,944**	**12,038,276,219**	**10,853,620,141**
Capital assets, net	**4,386,565**	**9,572**	**4,396,137**	**5,719,810**
Total assets	**$ 17,571,869,666**	**$ 38,345,654**	**$ 17,610,215,320**	**$ 13,670,759,928**
Liabilities				
Collateral payable for securities lending	$ 238,384,283	$ 520,207	$ 238,904,490	$ 16,123,594
Settlement of investments purchased	1,153,467,731	2,517,117	1,155,984,848	682,842,628
Professional services	27,777,996	60,617	27,838,613	15,736,558
Death benefits	1,574,959	-	1,574,959	927,762
Retirement benefits	907,862	-	907,862	1,723,336
Refunds to members	1,615,023	-	1,615,023	1,027,237
County advance contribution	10,287,399	22,449	10,309,848	8,284,826
Other	11,513,621	34,068	11,547,689	10,737,618
Total liabilities	**$ 1,445,528,874**	**$ 3,154,458**	**$ 1,448,683,332**	**$ 737,403,559**
Net position restricted for pension	**$ 16,126,340,792**	**$ 35,191,196**	**$ 16,161,531,988**	**$ 12,933,356,369**

The Notes to the Basic Financial Statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

For the fiscal year ended June 30, 2021

(with summarized comparative amounts for June 30, 2020)

	June 30, 2021			June 30, 2020
	Pension Plan	**OPEB Plan**	**Total Fund**	**Total Fund**
Additions to plan net position				
Contributions				
Employer contributions	$ 615,699,063	$ 18,858,579	$ 634,557,642	$ 589,202,573
Plan member contributions	162,740,017	-	162,740,017	150,682,565
Total contributions	**778,439,080**	**18,858,579**	**797,297,659**	**739,885,138**
Investment income				
Net appreciation/(depreciation) in fair value of investments				
Equity securities	1,458,467,215	2,761,145	1,461,228,360	240,773,661
Fixed income	124,336,538	235,392	124,571,930	116,733,293
Foreign currency	(4,412,097)	(8,353)	(4,420,450)	134,338
Real estate & private equity	249,181,410	471,746	249,653,156	9,220,542
Private real assets	46,553,699	88,135	46,641,834	(57,147,632)
Opportunistic	15,564,073	29,465	15,593,538	(150,002,894)
Futures	237,987,998	450,555	238,438,553	(3,896,332)
Swaps	1,046,091,006	1,980,441	1,048,071,447	(241,889,656)
Total net appreciation/(depreciation) in fair value of investments	**3,173,769,842**	**6,008,526**	**3,179,778,368**	**(86,074,680)**
Interest income				
Fixed income	108,787,737	205,955	108,993,692	131,749,491
Cash	639,339	1,210	640,549	6,026,396
Total interest income	**109,427,076**	**207,165**	**109,634,241**	**137,775,887**
Other				
Dividends	20,276,347	38,387	20,314,734	38,117,884
Real estate income	67,104,787	127,042	67,231,829	54,677,748
Private equity income	3,743,337	7,087	3,750,424	14,544,142
Private real assets income	26,702,326	50,552	26,752,878	20,757,049
Total other	**117,826,797**	**223,068**	**118,049,865**	**128,096,823**
Less: Investment expenses	**(102,818,840)**	**(194,655)**	**(103,013,495)**	**(45,237,891)**
Net investment income, before securities lending	**3,298,204,875**	**6,244,104**	**3,304,448,979**	**134,560,139**
Securities lending appreciation/(depreciation)	20,591	39	20,630	(9,555)
Securities lending income	291,669	552	292,221	482,010
Securities lending rebates and bank charges	136,734	259	136,993	(235,211)
Net securities lending	**448,994**	**850**	**449,844**	**237,244**
Net investment income	**3,298,653,869**	**6,244,954**	**3,304,898,823**	**134,797,383**
Total additions to plan net position	**$ 4,077,092,949**	**$ 25,103,533**	**$ 4,102,196,482**	**$ 874,682,521**
Deductions from plan net position				
Benefits				-
Retirement benefits	$ 836,063,519	$ -	$ 836,063,519	$ 786,657,413
Death benefits	2,422,293	-	2,422,293	1,771,046
Health benefits	-	14,265,333	14,265,333	16,017,778
Total benefits	**838,485,812**	**14,265,333**	**852,751,145**	**804,446,237**
Member refunds	6,356,967	-	6,356,967	5,681,503
Administrative expenses	14,912,751	-	14,912,751	13,732,065
Total deductions from plan net position	**$ 859,755,530**	**$ 14,265,333**	**$ 874,020,863**	**$ 823,859,805**
Increase/(decrease) in net position for pension	**3,217,337,419**	**10,838,200**	**3,228,175,619**	**50,822,716**
Net position restricted for pension				
Beginning of year	**12,909,003,373**	**24,352,996**	**12,933,356,369**	**12,882,533,653**
End of period	**$16,126,340,792**	**$ 35,191,196**	**$16,161,531,988**	**$12,933,356,369**

The Notes to the Basic Financial Statements are an integral part of this statement

Notes to the Basic Financial Statements

Note 1. Description Of Plans

San Diego County Employees Retirement Association (SDCERA) is a public retirement system that was established by the County of San Diego (County) on July 1, 1939, pursuant to California's County Employees Retirement Law of 1937 (CERL). SDCERA is governed by the Board of Retirement (Board) which is made up of nine Trustees including four Trustees appointed by the County Board of Supervisors, four Trustees elected by SDCERA Members (two elected by active General Members, one elected by active Safety Members and one elected by retired Members) and the County Treasurer-Tax Collector. In addition, active Safety Members and retired Members each elect an alternate Trustee.

SDCERA administers a cost-sharing multi-employer defined benefit pension plan for the active, retired or former employees of the County of San Diego (SDCERA's Plan Sponsor) or one of SDCERA's five Participating Employers (the San Diego Local Agency Formation Commission, the San Dieguito River Park Joint Powers Authority, the San Diego County Office of Education, the San Diego County Air Pollution Control District and the Superior Court of California - County of San Diego) and the Members' beneficiaries. Effective March 1, 2021, the San Diego Air Pollution Control district separated from the County for financial reporting purposes. However, that separation has no impact on the district's funding requirements for the Pension Plan.

Membership

SDCERA provides retirement, disability, survivor and healthcare benefits for more than 45,000 Plan participants. SDCERA's Membership is comprised of the following:

Active Members
An active Member is an employee currently working in a permanent position at least 20 hours per week for the County of San Diego or an SDCERA Participating Employer.

Deferred Members
A deferred Member is a former employee of the County of San Diego or an SDCERA Participating Employer who has not yet retired and left their retirement contributions on deposit with SDCERA; and

Retired Members
A retired Member is a former employee of the County or other Participating Employer or their beneficiaries who are receiving a monthly retirement benefit.

There are two Membership classifications:

Safety Members
Employees (Members) in active law enforcement (e.g., Deputy Sheriffs, Probation Officers and District Attorney Investigators); and

General Members
All non-Safety Members.

Membership Tiers

General and Safety Members who entered SDCERA Membership prior to October 1, 1978 are Tier I Members.

On August 15, 1978, the County Board of Supervisors established Tier II for employees entering the retirement system on or after October 1, 1978.

On March 8, 2002, the Board of Supervisors eliminated Tier II and established Tier A for active General Members and all non-retired Safety Members who entered on or after March 8, 2002 and before August 28, 2009. All active General Members were converted to Tier A unless they elected to opt-out during a one-time opt-out period. All active and deferred Safety Members were converted to Tier A. All deferred General Tier II Members and active Members who elected to opt out of Tier A were converted to Tier I. Both Tier I and Tier II are closed to new Members.

On July 21, 2009, the Board of Supervisors closed Tier A to new Members and established Tier B for General and Safety Members hired on or after August 28, 2009 and who entered SDCERA Membership before January 1, 2013.

On October 30, 2012, in accordance with the California Public Employees' Pension Reform Act (PEPRA), the Board of Supervisors established Tier C for General and Safety employees entering SDCERA Membership for the first time on or after January 1, 2013 and who do not have reciprocal service that began prior to January 1, 2013.

On January 9, 2018, the Board of Supervisors established Tier D for General Members first hired on or after July 1, 2018 and who do not have reciprocal service that began prior to January 1, 2013. On January 8, 2019, the Board of Supervisors established Tier D for Safety Members first hired on or after July 1, 2020 and who do not have reciprocal service that began prior to January 1, 2013.

Table 8 presents a summary of the five active Member benefit Tiers.

Table 8: Summary of Benefit Tiers

Tier	General	Safety	Final Compensation for Benefit Determination	Compensation Limit	Maximum Benefit
Tier 1	All General Members with membership dates before March 8, 2002, who made a specific and irrevocable election to opt out of Tier A. This also included those General Members in deferred status on March 8, 2002.	N/A	Highest consecutive 26 biweekly pay periods of compensation earnable (FAC1)	For Members with membership dates on or after July 1, 1996, Compensation Earnable is limited to Internal Revenue Code Section 401(a)(17). The limit in 2021 is $290,000. The limit is indexed for inflation on an annual basis.	100% of Final Average Compensation
Tier A	All General Members with membership dates or continuing employment on or after March 8, 2002, and before August 28, 2009, except as noted above.	All Safety Members with membership dates before August 28, 2009.	Highest consecutive 26 biweekly pay periods of compensation earnable (FAC1)	For Members with membership dates on or after July 1, 1996, Compensation Earnable is limited to Internal Revenue Code Section 401(a)(17). The limit in 2021 is $290,000. The limit is indexed for inflation on an annual basis.	100% of Final Average Compensation
Tier B	All General Members with membership dates on or after August 28, 2009, and before January 1, 2013.	All Safety Members with membership dates on or after August 28, 2009, and before January 1, 2013.	Highest consecutive 78 biweekly pay periods of compensation earnable (FAC3)	For Members with membership dates on or after July 1, 1996, Compensation Earnable is limited to Internal Revenue Code Section 401(a)(17). The limit in 2021 is $290,000. The limit is indexed for inflation on an annual basis.	100% of Final Average Compensation
Tier C	All General Members with membership dates on or after January 1, 2013, and hired before July 1, 2018.	All Safety Members with membership dates on or after January 1, 2013, and hired before July 1, 2020.	Highest consecutive 78 biweekly pay periods of compensation earnable (FAC3)	The limit in 2021 is $128,059 for General Members and $153,671 for Safety Members. The limits are indexed for inflation on an annual basis.	There is no Final Compensation limit on the maximum retirement benefit.
Tier D	All General Members hired on or after July 1, 2018.	All Safety Members hired on or after July 1, 2020.	Highest consecutive 78 biweekly pay periods of compensation earnable (FAC3)	The limit in 2021 is $128,059 for General Members and $153,671 for Safety Members. The limits are indexed for inflation on an annual basis.	There is no Final Compensation limit on the maximum retirement benefit.

Table 9 presents SDCERA membership by tier as of June 30, 2021.

Table 9: Membership by Tier

As of June 30, 2021

	General	Safety	Total
Active Members			
Tier I	14	-	14
Tier A	5,861	1,570	7,431
Tier B	1,367	432	1,799
Tier C	4,384	1,208	5,592
Tier D	3,270	94	3,364
Total Active Members	**14,896**	**3,304**	**18,200**
Deferred Members			
Tier I	884	-	884
Tier A	2,288	410	2,698
Tier B	631	113	744
Tier C	1,569	196	1,765
Tier D	709	4	713
Total Deferred Members	**6,081**	**723**	**6,804**
Retired Members and Beneficiaries			
Tier I	4,504	409	4,913
Tier II	1,243	283	1,526
Tier A	10,990	3,093	14,083
Tier B	81	16	97
Tier C	59	20	79
Tier D	2	-	2
Total Retired Members and Beneficiaries	**16,879**	**3,821**	**20,700**
Total Membership	**37,856**	**7,848**	**45,704**

Source: Segal, Actuarial Certification Letter - Pension Plan

Retirement Benefits

A Member's retirement benefit formula is based on the Member's classification - General and Safety and benefit Tier. The benefit formula is calculated using three factors: Age Factor, Service Credit and highest one-year (FAC1) or three-year (FAC3) Final Average Compensation (FAC). The retirement benefit formulas by membership classifications and benefit Tiers as of June 30, 2021 are summarized below in Table 10:

Table 10: Summary of Benefit Formulas by Tier and Membership

General	Service Eligibility	Retirement Age	Benefit Formula
Tier 1	Age 50 with minimum of 5 years of service credit and 10 years of eligibility, at any age with 30 or more years service credit or age 70 regardless of years of service.	50	(1.34% x FAC1 – 1/3 x 1.34% x $350 x 12) x Yrs
		55	(1.77% x FAC1 – 1/3 x 1.77% x $350 x 12) x Yrs
		60	(2.34% x FAC1 – 1/3 x 2.34% x $350 x 12) x Yrs
		62 and over	(2.62% x FAC1 – 1/3 x 2.62% x $350 x 12) x Yrs
Tier A	Age 50 with minimum of 5 years of service credit and 10 years of eligibility, at any age with 30 or more years service credit or age 70 regardless of years of service.	50	(2.00% x FAC1 – 1/3 x 2.00% x $350 x 12) x Yrs
		55	(2.50% x FAC1 – 1/3 x 2.50% x $350 x 12) x Yrs
		60 and over	(3.00% x FAC1 – 1/3 x 3.00% x $350 x 12) x Yrs
Tier B	Age 55 with minimum of 5 years of service credit and 10 years of eligibility, at any age with 30 or more years service credit or age 70 regardless of years of service.	50	(1.34% x FAC3 – 1/3 x 1.34% x $350 x 12) x Yrs
		55	(1.77% x FAC3 – 1/3 x 1.77% x $350 x 12) x Yrs
		60	(2.34% x FAC3 – 1/3 x 2.34% x $350 x 12) x Yrs
		62 and over	(2.62% x FAC3 – 1/3 x 2.62% x $350 x 12) x Yrs
Tier C	Age 52 with minimum of 5 years of service credit or age 70 regardless of years of service.	52	1.00% x FAC3 x Yrs
		55	1.30% x FAC3 x Yrs
		60	1.80% x FAC3 x Yrs
		62	2.00% x FAC3 x Yrs
		65	2.30% x FAC3 x Yrs
		67 and over	2.50% x FAC3 x Yrs
Tier D	Age 52 with minimum of 5 years of service credit or age 70 regardless of years of service.	52	0.87% x FAC3 x Yrs
		55	0.99% x FAC3 x Yrs
		60	1.28% x FAC3 x Yrs
		62	1.39% x FAC3 x Yrs
		65 and over	1.62% x FAC3 x Yrs

Table 10 is continued on the next page.

Table 10 is continued from the previous page.

Safety	Service Eligibility	Retirement Age	Benefit Formula
Tier A	Age 50 with minimum of 5 years of service credit and 10 years of eligibility, at any age with 20 or more years of service credit or age 70 regardless of years of service.	50 and over	3.00% x FAC1 x Yrs
Tier B	Age 50 with minimum of 5 years of service credit and 10 years of eligibility, at any age with 20 or more years of service credit or age 70 regardless of years of service credit.	50	2.29% x FAC3 x Yrs
		55 and over	3.00% x FAC3 x Yrs
Tier C	Age 50 with minimum of 5 years of service credit or age 70 regardless of service.	50	2.00% x FAC3 x Yrs
		55	2.50% x FAC3 x Yrs
		57 and over	2.70% x FAC3 x Yrs
Tier D	Age 50 with minimum of 5 years of service credit or age 70 regardless of service.	50	2.00% x FAC3 x Yrs
		55	2.36% x FAC3 x Yrs
		57 and over	2.50% x FAC3 x Yrs

Cost-of-Living Adjustments

A cost-of-living adjustment (COLA) is paid to retired Members based on changes in the Consumer Price Index for the San Diego-Carlsbad Area. The COLA for retired Tier I, Tier II, and Tier A Members is limited to a maximum of 3 percent per year. The COLA for retired Tier B, Tier C, and Tier D Members is limited to a maximum of 2 percent per year.

In May 2007, the Board approved a permanent Supplemental Targeted Adjustment for Retirees (STAR) COLA for Tier I Members who retired on or before March 31, 1982 and Tier II Members who retired on or before March 31, 1989.

Disability Benefits

Disability retirement benefits are available to Members who are determined by the Board to be permanently incapacitated. Members who meet the eligibility requirements for both a disability retirement benefit and a service retirement benefit receive whichever benefit is higher. Table 11 presents a Summary of Disability Benefits.

Table 11: Summary of Disability Benefits

	Non-Service Connected		Service Connected
	General	Safety	General and Safety
Eligibility	Five years of service	Five years of service	No age or service requirements
Benefit	1.8% per year of service. If the benefit does not exceed one-third of Final Average Compensation, the service is projected to 62, but the total benefit cannot be more than one-third of Final Average Compensation. For all members, 100% of the Service Retirement benefit will be paid, if greater.	1.8% per year of service. If the benefit does not exceed one-third of Final Average Compensation, the service is projected to 55, but the total benefit cannot be more than one-third of Final Average Compensation. For all members, 100% of the Service Retirement benefit will be paid, if greater.	50% of Final Average Compensation or 100% of Service Retirement benefit, if greater. Benefit is tax-free up to 50% of Final Average Compensation.

Survivor Benefits

Survivor benefits are available to eligible beneficiaries of SDCERA Members.

Upon a retired Member's death, the Member's eligible beneficiary will receive a one-time lump-sum benefit payment of $3,500 and may receive a percentage of the Member's retirement benefit based on the benefit option the Member selected at retirement. If the retired Member had received a service-connected disability retirement and selected the unmodified benefit option, the eligible beneficiary will receive a monthly continuance of 100 percent of the Member's benefit.

Upon an active Member's death, the Member's eligible beneficiary may receive survivor benefits based on whether the Member was vested or non-vested at the time of death and whether the death was service-connected or nonservice-connected. If the active Member was non-vested and their death was nonservice-connected, the eligible beneficiary may receive a refund of the Member's contributions, plus accumulated interest, and one month's salary for each year of the Member's service credit to a maximum of six months' salary.

If the active Member was vested and their death was nonservice-connected, the eligible beneficiary may receive a monthly benefit equal to 60 percent of the retirement benefit the Member would have received if they had retired with a nonservice-connected disability on the date of death. If the active Member was vested and their death was service-connected, the eligible beneficiary may receive a monthly benefit equal to 50 percent of the Member's monthly FAC.

Upon a deferred Member's death, the eligible beneficiary will receive a refund of the deferred Member's contributions, plus accumulated interest. Deferred Members who die while they are active members of a reciprocal agency will be afforded the same benefits as an active Member's non-service connected death. The reciprocal agencies may share in payment of the death benefit.

Terminated Members’ Deferred Retirement Benefit and Withdrawal of Contributions

A Member who leaves employment with at least five years of service credit and has not withdrawn their accumulated Member contributions becomes eligible for a retirement benefit once they meet the minimum retirement age. Tier I, Tier A and Tier B Members also must have ten years of eligibility.

Members who terminate employment on or after January 1, 2003, with fewer than five years of service credit may leave their accumulated contributions on deposit until they become eligible for a retirement benefit at age 70. Contributions left on deposit with SDCERA continue to accrue interest.

After terminating employment, Members may withdraw their Member contributions, plus accumulated interest. Employer-paid contributions are not refundable. Members who take a refund of their contributions are ineligible for any future SDCERA retirement benefits.

Health Insurance Allowance Program

SDCERA administers a Health Insurance Allowance Program (HIA) for retired Tier I and Tier II Members. Pursuant to the HIA, eligible Members may receive an allowance based on their years of service or receipt of a disability retirement benefit.

The HIA is a cost-sharing multiple-employer Other Post-Employment Benefit (“OPEB”) Plan governed by the plan document established by the County of San Diego and other participating employers. HIA allowance benefits are paid from a Health Benefits 401(h) Trust established by SDCERA’s Board and the County’s Board of Supervisors. The 401(h) Trust, which is funded by the County and other Participating Employers on an actuarially determined basis, is pooled with Pension Trust Fund assets for investment purposes. 401(h) Trust assets are used exclusively to fund the HIA allowance. The HIA allowance is not a vested SDCERA benefit, is not guaranteed and may be reduced or discontinued at any time.

The HIA allowance may be applied to a Member’s insurance premiums for an SDCERA-sponsored health or dental plan or toward medical, dental, and prescription insurance premiums paid by the Member. The HIA minimum allowance is $200 per month and increases for each year of service credit to a maximum of $400 per month for Members with 20 or more years of SDCERA service credit. When Members become eligible for Medicare, their HIA allowance is set at $300 per month, plus reimbursement of $93.50 per month for Medicare Part B premiums. Members who were granted a disability retirement and were determined to be totally disabled are eligible for the maximum HIA allowance. Members with less than 10 years of service credit who were granted a disability retirement and determined to be partially disabled are eligible for the minimum HIA allowance.

SDCERA’s Statement of Fiduciary Net Position is allocated between the Pension Plan and OPEB Plan based on each plan’s pro-rata share of total Trust Fund assets after the balances and transactions specific to the Pension Plan and OPEB Plan are assigned. The total investment income of the pooled funds is allocated between the Pension Plan and OPEB Plan based on each plan’s pro-rata share of total Trust Fund assets.

Note 2. Summary of Significant Accounting Policies

Measurement Focus and Basis of Accounting

SDCERA's operations are accounted for on the accrual basis of accounting. Employer and Member contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred. The net appreciation or depreciation in fair value of investments is recorded as an increase or decrease to investment income based on the valuation of investments, which includes realized and unrealized gains and losses.

Use of Estimates

SDCERA's Basic Financial Statements are prepared in accordance with accounting principles generally accepted in the United States of America and require management to make estimates and assumptions that effect certain financial statement amounts and disclosures. Actual results could differ from these estimates.

Investments

The California Constitution and the CERL grant the Board exclusive control over SDCERA's Trust Fund. The CERL permits the Board to invest, or delegate the authority to invest, Trust Fund assets through the purchase, holding or sale of any form or type of investment, financial instrument, or financial transaction. All purchases and sales of investments are accounted for on a trade-date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized and unrealized gains or losses of securities are determined based on fair values.

Cash and Short-Term Investments

Cash and short-term investments are cash and assets readily convertible to cash. They include funds held in bank accounts, certificates of deposit, banker's acceptances, Treasury bills, commercial paper and other money market instruments with original maturities of 90 days or less.

Valuation Of Investments

SDCERA's custodian bank provides daily valuation of portfolio assets using third-party vendors or specified alternative sources that are considered reliable. The custodian bank reviews the data received from these sources for valuation accuracy. Pricing methodologies vary by asset type and are summarized next.

Equity

Exchange-traded domestic and global equities and equity option values are based on the closing price reported by the primary exchange on which the asset trades or other agreed-upon exchange. Over-the-counter (OTC) equity investments not traded on an exchange and warrants are valued based on the last bid price.

Fixed Income

Domestic and global fixed income securities with an active market and Preferred stocks are valued based on bid prices.

Private Equity and Private Real Assets

The fair value of all private equity and private real asset investments are determined based on valuations provided in good faith by the General Partners or fund managers consistent with their valuation policies. Valuation assumptions are based upon the nature of the investments and underlying businesses, and valuation techniques vary based upon investment type and involve expert judgment. Private equity and private real assets funds are subject to annual independent audit.

Real Estate

Real estate directly owned by SDCERA is held in separate accounts. Limited Partner interests are valued based on the net asset value of the partnership, which is determined by the General Partners in accordance with the partnership's valuation policies. Properties are generally valued by an independent third-party appraisal performed on a rotational one-to-three-year basis consistent with the Uniform Standards of Professional Appraisal Practice. During the interim years, real estate values are adjusted for market conditions and cash flow activities. Real estate investments held in separate accounts and Limited Partner interests are subject to an annual independent audit.

Opportunistic

Opportunistic investments consist of equity and fixed income investments that are valued as described above and commingled fund structures that are valued on a Net Asset Value basis.

Mortgage Loans

Table 12 presents SDCERA's mortgage loans payable associated with its real estate investments as of June 30, 2021. Principal includes amortization and terminal principal payments for the loan balance as of June 30, 2021, and Interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2021.

Table 12: Mortgage Loans Payable

For the fiscal years ended June 30,
(dollars in thousands)

Fiscal year payable	Principal [1]	Interest [2]	Total
2022	$ 64,172	$ 11,625	$ 75,797
2023	70,631	11,710	82,341
2024	23,107	9,629	32,736
2025	34,229	8,557	42,786
2026	83,138	5,974	89,112
2027-2031	105,350	17,554	122,904
Total	**$ 380,627**	**$ 65,049**	**$ 445,676**

[1] Principal includes amortization and terminal principal payments for the loan balances as of June 30, 2021.
[2] Interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2021.

Derivative Financial Instruments

Derivatives are used in investment portfolios to gain exposure to certain assets or markets, to protect against the risk of adverse moves in asset prices or to enhance returns. SDCERA permits its investment managers to use derivatives to implement their approved investment strategies within their portfolios as long as such usage does not introduce market leverage to the total Trust Fund.

SDCERA reports the fair value of derivative instruments in the Statement of Fiduciary Net Position. Table 13 presents SDCERA's derivative instruments as reported in the Basic Financial Statements in the domestic equity, international equity fixed income and private equity categories as of June 30, 2021.

Table 13: Derivative Instruments Summary

As of June 30, 2021
(dollars in thousands)

Derivative Type	Changes in Fair Value [1]	Fair Value	Notional Value
Swaps	$ (111,385)	$ 97,436	$ 3,863,844
Options	(359)	(388)	-
Forwards	7,057	6,286	425,002
Futures	1,911	5,074	843,887
Total	**$ (102,776)**	**$ 108,408**	**$ 5,132,733**

(1) All changes in the fair value of these derivatives are reported as investment income in the Statement of Changes in Fiduciary Net Position.

Swaps

Swaps are contracts by which the parties agree to exchange cash flows and usually involve exchanging a fixed cash flow for a variable cash flow. For example, one party may agree to receive a fixed interest payment in exchange for the total return of an equity index. Swaps do not trade on exchanges. Table 14 presents SDCERA's Swaps by Type as of June 30, 2021.

Table 14: Swaps by Type

As of June 30, 2021
(dollars in thousands)

Type	Description/Counterparty	Notional Value	Fair Value
Cleared Credit Default Swaps	Intercontinental Exchange Holdings	$ -	$ 10
Cleared Interest Rate Swaps	Chicago Mercantile Exchange Inc	-	45
Cleared Interest Rate Swaps	LCH Ltd	-	(261)
Total Return Swaps	BNP Paribas SA	153,617	3,807
Total Return Swaps	Bank of America NA	67,317	2,023
Total Return Swaps	Barclays Bank PLC	166,112	8,353
Total Return Swaps	Citibank NA	616,444	10,985
Total Return Swaps	Credit Suisse AG	119,330	1,585
Total Return Swaps	First Union National Bank/Charlotte NC	419,792	19,270
Total Return Swaps	Goldman Sachs International	92,932	7,221
Total Return Swaps	HSBC Securities Inc	546,187	8,233
Total Return Swaps	JPMorgan Chase Bank NA	345,449	7,659
Total Return Swaps	Merrill Lynch & Co Inc	195,996	8,070
Total Return Swaps	Morgan Stanley & Co International PLC	441,920	3,488
Total Return Swaps	Morgan Stanley Capital Services LLC	432,434	4,864
Total Return Swaps	Royal Bank of Canada	266,314	12,084
Total		**$ 3,863,844**	**$ 97,436**

Options

Options are contracts that give the buyer the right, but not the obligation, to buy or sell an asset at a pre-determined price by a specified date. While options may be privately negotiated, the majority of options are standardized contracts that trade on an exchange. Table 15 presents SDCERA's Options by Type as of June 30, 2021.

Table 15: Options by Type

As of June 30, 2021
(dollars in thousands)

Type	Notional Value		Fair Value	
Call	$	-	$	(269)
Put		-		(119)
Total	**$**	**-**	**$**	**(388)**

Forwards

Forwards are non-standardized, binding contracts between two parties to buy and sell an asset at a specified price at a certain future date; they do not trade on an exchange. Forwards settle at the end of the contract term. Table 16 presents SDCERA's Forward Contracts by Type as of June 30, 2021.

Table 16: Forward Contracts by Type

As of June 30, 2021
(dollars in thousands)

Type	Notional Value		Fair Value	
Foreign Currency Forwards	$	425,002	$	6,286
Total	**$**	**425,002**	**$**	**6,286**

Futures

Futures are standardized, binding contracts to buy and sell an asset at a specified price by a certain date. Futures are exchange-traded and are settled daily. For SDCERA, net gains and losses for the daily settlements are included in the Statement of Changes in Fiduciary Net Position. Table 17 presents a summary of SDCERA's Futures Contracts by Type as of June 30, 2021.

Table 17: Futures Contracts by Type

As of June 30, 2021
(dollars in thousands)

Type	Notional Value		Fair Value	
Equity Futures	$	811,331	$	6,350
Fixed Income Futures		32,556		(1,276)
Total	**$**	**843,887**	**$**	**5,074**

Capital Assets

Capital assets are carried at cost, less accumulated depreciation. Depreciation is calculated using the straight-line method with a three-to-ten-year life for computer software, three years for hardware, and five-to-ten-years for office equipment and leasehold improvements.

Table 18 presents the cost and accumulated depreciation of capital assets.

Table 18: Change in Capital Assets

For the fiscal year ended June 30, 2021
(dollars in thousands)

	Balance July 1, 2020	Additions	Deletions & Transfers	Balance June 30, 2021
Capital assets being depreciated				
Computer hardware, software, & maintenance	$ 19,216	$ 47	$ (5,877)	$ 13,386
Office furniture and fixtures	1,467	-	-	1,467
Leasehold improvements	1,802	-	-	1,802
Total capital assets being depreciated	**$ 22,485**	**$ 47**	**$ (5,877)**	**$ 16,655**
Less accumulated depreciation for:				
Computer hardware, software, & maintenance	$ (13,622)	$ (1,401)	$ 5,925	$ (9,098)
Office furniture and fixtures	(1,444)	(2)	-	(1,446)
Leasehold improvements	(1,699)	(16)	-	(1,715)
Total accumulated depreciation	**$ (16,765)**	**$ (1,419)**	**$ 5,925**	**$ (12,259)**
Net capital assets	**$ 5,720**	**$ (1,372)**	**$ 48**	**$ 4,396**

Depreciation expense for the fiscal year ended June 30, 2021 was $1.419 million.

Other Externally Managed Fund Structures

The fair value of externally managed funds, including mutual funds, is based on the net asset value of the fund.

Income Taxes

The Internal Revenue Service (IRS) has ruled that public retirement plans such as SDCERA's qualify under Section 401(a) of the Internal Revenue Code and are not subject to present income tax laws. Accordingly, no provision for income taxes has been made in the Basic Financial Statements. SDCERA received a favorable IRS Tax Determination Letter in June 2016.

Implementation Of New Accounting Standards

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* provides temporary relief to governments and stakeholders in light of the COVID-19 pandemic. The requirements of this statement are effective immediately. The effective date for GASB Statement No. 87 was postponed by 18 months for the Commission.

Note 3. Deposits and Investments

SDCERA retains investment managers who specialize in particular asset classes and are subject to the guidelines and controls established in SDCERA's Investment Policy Statement (IPS). SDCERA contracts with The Bank of New York Mellon (BNY Mellon) to custody Plan assets.

SDCERA's Investment Philosophy is contained in the Investment Policy Statement (IPS) and is based on Modern Portfolio Theory, which posits that a diversified portfolio with capitalization-weighted allocations to multiple asset classes will maximize Trust Fund returns and diversify against the risk of loss. Interest rate and credit risks are embedded in a capitalization-weighted portfolio, cannot be diversified away, and are observed in the expected and realized volatilities of the Trust Fund, its components, and the benchmarks. This is reviewed and reported to the Board monthly.

Any risks from deviations from the capitalization-weighted benchmarks are taken by active investment managers and these risks are captured by the expected and realized tracking error of each manager. These data are also reviewed by staff and are reported to the Board monthly at a summary level for the total Trust Fund. Chapters II.A, III.E, IV.F and G, and VI.A and B of the Investment Policy Statement are the formal policy statements that address these risks and overall risk management.

Highly Sensitive Investments

As of June 30, 2021, SDCERA's investments included collateralized mortgage obligations (CMO) and mortgage-backed securities totaling $164.9 million. These securities are highly sensitive to interest rate fluctuations and are subject to prepayment risk in a period of declining interest rates.

Annual Rate of Return

In FY 2021, the annual money-weighted rate of return for the Trust Fund, net of fees, was 25.1 percent. The money-weighted rate of return reflects investment performance, net of fees, adjusted for the timing of cash flows and the amounts invested. The money-weighted rate of return can be different than the time-weighted rate of return for the Plan, which was 25.0 percent, net of fees.

Investment Risk

In accordance with Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures*, investment risk disclosure is required for interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk) and foreign currency risk.

Interest Rate Risk

Interest rate risk is the risk that a change in interest rates will adversely impact the fair value of an investment. In general, an investment's maturity and coupon rate affect how much its price will change as a result of fluctuations in market interest rates. Interest rate risk is addressed in the IPS, Section IV.F., as part of the overall Trust Fund Risk Measurement and Management. Investment managers with interest rate exposures monitor these exposures as part of their role addressed in the IPS, Chapter III.E.

Table 19 presents exposure to interest rate risk in terms of maturity as of June 30, 2021.

Table 19: Investment Maturities by Type

As of June 30, 2021
(dollars in thousands)

	Investment Maturities (in years)				
Investment Type	**Less than 1**	**1-5**	**6-10**	**More than 10**	**Totals**
Agency CMO or Mortgage-Backed	$ 42,097	$ 46,407	$ -	$ -	$ 88,504
Asset Backed	27,919	2,632	24,405	3,447	58,403
Commingled Funds	277,468	826,459	530,732	9,194	1,643,853
Convertibles	3,707	2,116	1,942	791	8,556
Corporates	251,423	41,744	245,751	85,375	624,293
Municipal	506	-	-	-	506
Non-Agency CMO or Mortgage-Backed	30,411	43,477	2,485	-	76,373
Private Placements	901,742	254,354	446,003	328,682	1,930,781
Sovereign Debt	76,072	-	21,096	-	97,168
US Government Debt	155,053	194,835	473,661	317,411	1,140,960
Totals	**$ 1,766,398**	**$ 1,412,024**	**$ 1,746,075**	**$ 744,900**	**$ 5,669,397**

Credit Risk

Credit risk is the risk that a bond issuer or counterparty will fail to make timely interest and principal payments and thus default on its obligations. Credit risk is influenced by the issuer's or counterparty's financial position and prior history of payments or defaults. Credit rating agencies evaluate borrowers' creditworthiness and issue ratings on debt issuances to designate the level of confidence that the borrower will honor its debt obligations as agreed. Credit rate risk is addressed in the IPS, Section IV.F., as part of the overall Trust Fund Risk Measurement and Management. Investment managers with credit rate exposures monitor these exposures as part of their role addressed in the IPS, Chapter III.E.

Tables 20 and 21 present SDCERA's fixed income securities ratings by category as of June 30, 2021. Credit ratings were issued by Standard & Poor's (S&P) Global Ratings. The weighted average credit rating of Below Investment Grade assets was B.

Table 20: Credit Risk

As of June 30, 2021
(dollars in thousands)

Investment Type	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Totals
Agency CMO or Mortgage-Backed	$ 88,504	$ -	$ -	$ -	$ -	$ -	$ 88,504
Asset Backed	32,683	791	1,894	-	1,047	21,988	58,403
Commingled Funds	44,921	1,105,527	105,699	163,953	2,457	221,296	1,643,853
Convertibles	-	-	600	-	-	7,956	8,556
Corporates	266	18,372	164,272	184,096	216,362	40,925	624,293
Municipal	-	-	-	-	-	506	506
Non-Agency CMO or Mortgage-Backed	28,959	731	3,892	7,452	-	35,339	76,373
Private Placements	559,448	11,144	116,842	85,708	517,830	639,809	1,930,781
Sovereign Debt	-	11,471	18,023	17,264	-	50,410	97,168
US Government Debt	1,133,811	-	-	-	-	7,149	1,140,960
Totals	**$1,888,592**	**$1,148,036**	**$411,222**	**$458,473**	**$ 737,696**	**$1,025,378**	**$5,669,397**

Table 21: Credit Risk Percentage of Holdings

As of June 30, 2021

Investment Type	AAA	AA	A	BBB	Below Investment Grade	Not Rated
Agency CMO or Mortgage-Backed	4.7%	-	-	-	-	-
Asset Backed	1.7%	0.1%	0.5%	-	0.1%	2.1%
Commingled Funds	2.4%	96.2%	25.7%	35.8%	0.3%	21.6%
Convertibles	-	-	0.1%	-	-	0.8%
Corporates	-	1.6%	40.0%	40.2%	29.3%	4.0%
Municipal	-	-	-	-	-	-
Non-Agency CMO or Mortgage-Backed	1.5%	0.1%	0.9%	1.6%	-	3.4%
Private Placements	29.7%	1.0%	28.4%	18.7%	70.3%	62.5%
Sovereign Debt	-	1.0%	4.4%	3.7%	-	4.9%
US Government Debt	60.0%	-	-	-	-	0.7%
Totals	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Agency Collateralized Mortgage Obligations or Mortgage-Backed Securities

Agency collateralized mortgage obligations (CMOs) or mortgage-backed securities are securities issued by an agency that use mortgages as collateral.

Asset-Backed

Asset-backed securities are securities that are collateralized by a pool of assets such as loans, leases, credit card debt, royalties or receivables.

Commingled Funds

Commingled funds are professionally managed diversified investment portfolios comprised of assets from multiple investors and managed as a single portfolio. Commingled funds are not publicly traded and participation in them is typically limited to institutional investors.

Convertibles

Convertibles are securities that can be converted into other securities under specified conditions, such as convertible bonds or preferred stock that can be converted into shares of common stock.

Corporates

Corporates refer to debt securities issued by domestic or foreign corporations.

Municipal

Municipal bonds are debt securities issued by a state, county, city, redevelopment agency, special purpose district, school district or similar entity.

Non-Agency CMOs or Mortgage-Backed Securities

Non-Agency CMOs or mortgage-backed securities are domestic and foreign securities that use mortgages as collateral but are issued by an entity other than an agency.

Private Placements

Private placements are domestic and foreign stocks or bonds sold to pre-selected investors and institutions rather than in the open market.

Sovereign Debt

Sovereign debt refers to fixed income securities issued by the central governments of countries other than the U.S.

U.S. Government Debt

U.S. Government debt refers to fixed income securities issued by the United States of America, such as Treasury notes and bonds.

Derivative Credit Risk

Derivative instruments generally have a maturity of one year or less. Table 22 presents counterparty credit ratings related to swaps and forward contracts in SDCERA's portfolio as of June 30, 2021. Credit ratings were issued by S&P Global Ratings.

Table 22: Credit Risk of Derivatives at Fair Value

As of June 30, 2021
(dollars in thousands)

Credit Rating	Swaps	Forwards
A+	$ 77,205	$ 3,844
A	8,353	1,703
AA-	11,823	739
Not Rated	55	-
Total subject to credit risk	**$ 97,436**	**$ 6,286**

Concentration of Credit Risk

Credit risk concentration refers to the risk of loss that could occur from a disproportionately large exposure to any single credit risk, such as investing a large proportion of a portfolio's assets in a single security or in the securities of a single issuer. As of June 30, 2021, in conformance with GASB Statements No. 40 and No. 67, no single issuer exceeded five percent of SDCERA's total investments or represented five percent or more of its total net position. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools and other pooled investments are exempt from GASB disclosure requirements.

Foreign Currency Risk

Foreign currency risk is the risk that a change in exchange rates will adversely impact the value of an investment. Table 23 presents SDCERA's Net Exposure to Foreign Currency Risk. Foreign currency risk is addressed in the IPS, Section IV.F., as part of the overall Trust Fund Risk Measurement and Management. Investment managers with foreign currency exposures monitor these exposures as part of their role addressed in the IPS, Chapter III.E

Table 23: Net Exposure to Foreign Currency Risk

As of June 30, 2021
(dollars in thousands)

Currency Name	Equity	Fixed Income	Foreign Exchange Contracts	Cash & Cash Equivalents	Commingled Funds	Total
EURO CURRENCY UNIT	$147,740	$91,682	$ -	$ 1,216	$323,845	$ 564,483
POUND STERLING	12,288	127,285	(246)	1,062	152,707	293,096
JAPANESE YEN	25,546	1,804	(41)	90	241,041	268,440
HONG KONG DOLLAR	25,646	-	-	381	169,859	195,886
ISRAELI SHEKEL	-	51,690	-	51,467	6,716	109,873
SWISS FRANC	5,766	-	-	714	90,322	96,802
SOUTH KOREAN WON	14,718	-	-	-	75,175	89,893
AUSTRALIAN DOLLAR	4,007	8,538	(60)	293	77000	89,778
TAIWAN DOLLAR	-	-	-	-	79,123	79,123
CANADIAN DOLLAR	11,955	24,449	(183)	2,250	24,109	62,580
INDIAN RUPEE	-	-	-	-	56,772	56,772
SWEDISH KRONA	2,541	-	-	-	45,033	47,574
BRAZILIAN REAL	5,506	-	-	1,041	29,377	35,924
DANISH KRONE	1,643	-	(2)	267	25,143	27,051
CHINESE YUAN RENMINBI	-	-	-	-	25,653	25,653
SOUTH AFRICAN RAND	1,916	-	-	139	21,356	23,411
RUSSIAN RUBLE	-	-	177	-	16,294	16,471
SAUDI RIYAL	-	-	-	-	15,322	15,322
SINGAPORE DOLLAR	367	-	(339)	2	11,695	11,725
NORWEGIAN KRONE	1,457	-	-	-	9,442	10,899
MEXICAN PESO	1,399	-	-	33	8,719	10,151
THAILAND BAHT	460	-	-	-	9,183	9,643
MALAYSIAN RINGGIT	1,180	-	-	-	7,573	8,753
INDONESIAN RUPIAH	748	-	(153)	-	6,026	6,621
TURKISH LIRA	2,919	-	-	-	1,545	4,464
POLISH ZLOTY	415	-	-	-	3,925	4,340
UAE DIRHAM	-	-	-	-	3,856	3,856
NEW ZEALAND DOLLAR	105	-	-	-	3,577	3,682
QATAR RIALS	-	-	-	-	3,623	3,623
PHILIPPINES PESO	112	-	-	-	3,333	3,445
CHILEAN PESO	-	-	-	-	2,935	2,935
Other (less than $2 million holdings)	324	-	-	-	2,723	3,047
Total	**$268,758**	**$305,448**	**$(847)**	**$ 58,955**	**$1,553,002**	**$2,185,316**

SDCERA also had indirect exposure to foreign currency through its investment in DFA Emerging Markets Value Portfolio (NASDAQ: DFEVX), an institutional mutual fund that invests primarily in shares of foreign equities. As of June 30, 2021, SDCERA's investment in this mutual fund totaled $206.2 million. Detailed information about the fund is available at: us.dimensional.com.

Custodial Credit Risk

Custodial credit risk is the risk of being unable to recover the value of investment or collateral securities in the possession of an outside party. Custodial credit risk is influenced by how the securities are insured and registered and where they are held. SDCERA's investments are insured, registered or held by the Plan or its agent in the Plan's name. SDCERA's deposits are insured, registered or collateralized with securities held by fiscal agents in the Plan's name. Therefore, SDCERA's custodial credit risk is not material and is addressed in its overall risk policy in Chapter IV of its IPS.

Securities Lending

SDCERA's IPS permits the Plan to enter into securities lending transactions. SDCERA lends U.S. Government obligations, domestic and international bonds and equities to brokers with a simultaneous agreement to return collateral for the same securities plus a fee in the future. SDCERA's securities lending agent BNY Mellon manages the securities lending program and receives securities and/or cash as collateral. Cash and non-cash collateral are pledged at 102 percent and 105 percent of the fair value of domestic securities and international securities on loan, respectively. There are no restrictions on the amount of securities that can be loaned at one time. The term to maturity of the loaned securities is generally not matched with the term to maturity of the investment of the cash collateral. BNY Mellon is required to indemnify SDCERA if the borrowers fail to return the borrowed securities.

As of June 30, 2021, the Plan had $320.0 million in securities on loan and held cash and non-cash collateral of $327.2 million from borrowers.

Table 24 presents SDCERA's Securities Lending Transactions as of June 30, 2021.

Table 24: Securities Lending Transactions

As of June 30, 2021
(whole dollars)

	SDCERA Securities Lent	Cash and Non-Cash Collateral
Lent for cash collateral:		
Domestic corporate	$ 13,455,675	$ 13,793,534
Domestic equities	967,841	989,645
US government debt	217,744,578	222,182,890
International equities	1,773,278	1,890,721
Exchange Traded	46,764	47,700
Lent for securities collateral:		
Domestic corporate	1,362,849	1,392,866
Domestic equities	5,725,751	5,879,712
US government debt	66,792,129	68,507,210
International equities	3,780,426	4,062,787
Exchange Traded	8,307,645	8,490,622
Total	**$ 319,956,936**	**$ 327,237,687**

BNY Mellon invests the cash collateral for securities lending in a separately managed, short-term investment account. As shown in Table 25, at June 30, 2021, the short-term investment account consisted of 46.2 percent overnight repurchase agreements, 6.3 percent money funds, 47.4 percent time deposits and 0.1 percent asset-backed securities.

Table 25: Securities Lending Investments

As of June 30, 2021
(whole dollars)

	Fair value	% of Total
Repurchase agreements	$ 110,398,211	46.2%
Money funds	15,037,000	6.3%
Time deposits	113,130,000	47.4%
Asset-backed floating	282,779	0.1%
Other (cash)	33,469	0.0%
Total	**$ 238,881,459**	**100.0%**

The time deposits and asset-backed securities were rated A by S&P Global Ratings. SDCERA does not have the ability to pledge or sell collateral securities without a borrower default. As of June 30, 2021, SDCERA had no credit risk exposure to borrowers.

Fair Value of Investments

SDCERA measures and records its investments using fair value measurement guidelines in accordance with generally accepted accounting principles. These guidelines recognize a three-level fair value hierarchy, as follows:

Level 1: Quoted prices for identical investments in active markets;

Level 2: Observable inputs other than quoted market prices; and,

Level 3: Unobservable inputs.

Table 26 presents a schedule of SDCERA's Fair Value Measurements as of June 30, 2021. Values are derived from BNY Mellon and are presented based on securities classification. Amounts per asset class, when aggregated, correspond to values presented in the Statement of Fiduciary Net Position.

Table 26: Fair Value Measurements

As of June 30, 2021

	Total as of 6/30/2021	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Equity Securities:				
Domestic Equity Securities	$2,316,126,559	$ 262,085,782	$2,053,809,239	$ 231,538
International Equity Securities	1,617,388,907	158,924,038	1,003,446,706	455,018,163
Total Equity Securities	**3,933,515,466**	**421,009,820**	**3,057,255,945**	**455,249,701**
Total Fixed Income Securities	**5,868,496,258**	**1,593,753,603**	**4,202,602,595**	**72,140,060**
Private Equity	233,450,598	-	-	233,450,598
Private Real Assets	164,519,888	-	-	164,519,888
Real Estate	496,872,654	-	-	496,872,654
Total Investments by Fair Value Level	**$10,696,854,864**	**$2,014,763,423**	**$7,259,858,540**	**$1,422,232,901**
Investments measured at Net Asset Value (NAV)				
Private Equity	$ 427,301,697			
Private Real Assets	298,610,755			
Real Estate	507,101,448			
Total Investments measured at NAV	**$1,233,013,900**			
Investments Derivative Instruments:				
Forwards	$ 6,286,195	$ -	$ 6,286,195	$ -
Futures	5,073,550	5,073,550	-	-
Options	(388,363)	-	(388,363)	-
Swaps	97,436,073	-	97,436,073	-
Total Investments Derivative Instruments	**$ 108,407,455**	**$5,073,550**	**$ 103,333,905**	**$ -**
Total investments Measured at Fair Value	**$12,038,276,219**			
Investments Securities Lending Collateral				
Collateral payable for securities lending	238,904,490	-	238,904,490	-
Total Collateral from securities lending	**$ 238,904,490**	**$ -**	**$ 238,904,490**	**$ -**

Values derived from custodian bank and presented based on securities classification. Amounts per asset class, when aggregated, correspond to values as presented in the Statement of Fiduciary Net Position.

Fixed income and equity securities classified as Level 1 are valued using prices quoted in active markets for those securities. Securities classified as Level 2 are valued using matrix pricing, market corroborated pricing and inputs such as yield curves and indices. Securities classified as Level 3 are valued using investment manager pricing for private placements, private equities and real estate.

Investments valued using the net asset value (NAV) per share or its equivalent are considered "alternative investments" and, unlike more traditional investments, generally do not have readily-obtainable market values and take the form of limited partnerships. SDCERA invests in the following alternate investments:

Opportunistic Funds. These funds include investment strategies that include global allocation and other investments. The investment strategies primarily use liquid securities to achieve their investment objectives.

Private Equity Funds. These funds generally invest in illiquid, non-publicly traded equity and debt securities and partnership interests. Investments in these Limited Partnership investments are stated at fair value in accordance with U.S. generally accepted accounting principles and Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurement*.

Private Real Assets Funds. These funds generally invest in agriculture, energy, infrastructure, metals and mining, and timber assets. The investments are typically illiquid and non-publicly traded.

Real Estate Funds. These funds invest both in U.S. and foreign commercial real estate. The fair values of the investments have been determined using the NAV per share or its equivalent of the Plan's ownership interest in partners' capital. Generally, these investments cannot be redeemed. Distributions from each fund are received when income is distributed or when the underlying investments in the funds are liquidated.

SDCERA values alternative investments based on the partnerships' financial statements. If June 30 statements are available, those values are used. If partnerships have fiscal years ending on dates other than June 30, the value is obtained from the most recently available valuation taking into account subsequent calls and distributions.

Table 27 presents a schedule of the unfunded commitments, redemption frequency and redemption notice period for SDCERA's Alternative Investments Measured at Net Asset Value, as of June 30, 2021.

Table 27: Investments Measured at Net Asset Value (NAV)

As of June 30, 2021

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	$ 427,301,697	$161,683,737	Not Eligible	N/A
Private Real Assets Funds	298,610,755	80,387,762	Variable	Variable
Real Estate Funds	507,101,448	123,955,913	Variable	Variable
Total Investments measured at NAV	**$1,233,013,900**	**$366,027,412**		

Note 4. Pension Plan Funding Policy

SDCERA's pension plan funding policy is adopted by the Board based upon the recommendation of SDCERA's independent Actuary. The policy establishes the goals and funding requirements of the Plan.

The County and Participating Employers are required to contribute a percentage of their annual covered payroll at actuarially determined rates to SDCERA in order to accumulate sufficient assets to pay benefits when due. Employer contribution rates are comprised of the Normal Cost (the portion of the present value of future benefits attributed to the current year) and a payment to amortize the Unfunded Actuarial Accrued Liability (UAAL).

Like their employers, Members are required to contribute a percentage of their compensation to SDCERA at rates determined by an actuarial valuation that incorporate assumptions such as interest rate earned, annual salary increase rate and anticipated mortality among service retired Members. Cost of living adjustments (COLA) are funded by both active Member and employer contributions, and they are shown combined with Normal Cost contributions. Member contributions are not used to amortize the UAAL.

Normal Cost and the allocation of benefit values between service rendered before and after actuarial valuation dates are determined using an individual entry-age actuarial cost method having the following characteristics:

The annual Normal Costs for each active Member, payable from the date of entry into the Plan until retirement, accumulate to the amount necessary to fully fund the Member's retirement benefits; and

Each annual Normal Cost is a constant percentage of the Member's year-by-year projected covered compensation.

Member contribution rates vary according to Membership Tier. Contribution rates for Tier I, Tier A, and Tier B are based on rates recommended by the actuary and approved by the Board and vary depending on entry age. Contribution rates for Tier C and D Members (General and Safety) are based on recommendations made by the actuary and approved by the Board as required by the Public Employees' Pension Reform Act (PEPRA).

Segal's Actuarial Valuation and Review as of June 30, 2019 established the funding requirements for FY 2021. Table 28 presents Member and employer contribution rates in effect for FY 2021.

Table 28: Contribution Rates

For the fiscal year ended June 30, 2021

Member Classification	Tier	Average Member Rates	Employer Rate
General Members	Tier 1	11.70%	44.32%
	Tier A	13.03%	44.32%
	Tier B	10.63%	44.32%
	Tier C	9.14%	37.66%
	Tier D	6.50%	35.02%
Safety Members	Tier A	15.97%	62.26%
	Tier B	13.75%	62.26%
	Tier C	15.23%	53.99%
	Tier D	14.53%	53.29%

Source: Segal, Actuarial Valuation and Review as of June 30, 2019. Rates effective July 1, 2020.

Note 5. Health Insurance Allowance Program (HIA) Funding Policy

The HIA is funded annually by the County and other Participating Employers on an actuarially-determined basis. The Actuarial Valuation of Other Postemployment Benefits (OPEB) as of June 30, 2019 established the employer contribution rate of 1.40 percent of covered payroll, which amounted to $18.9 million for FY 2021. The Internal Revenue Code limits employer contributions to a 401(h) Trust account to a maximum of 25 percent of the employer's normal cost contributions to the pension plan. SDCERA is in compliance with this limit.

The HIA is governed by an OPEB Plan. The HIA allowance is paid from a Health Benefits 401(h) Trust established by SDCERA's Board and the County's Board of Supervisors. 401(h) Trust assets are used exclusively to fund the HIA allowance and are pooled with SDCERA Pension Trust Fund assets for investment purposes. The HIA allowance is not a vested SDCERA benefit, is not guaranteed, and it may be reduced or discontinued at any time.

Note 6. Reserves Of Plan Assets

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Member contribution reserves are fully funded. Set forth below are descriptions of the purpose of each reserve account.

Member Contribution Reserve

This reserve includes contributions from active and deferred Members.

Employer Contribution Reserve

This reserve includes employer contributions to the Plan for active Members.

Retirement Allowance Reserve

This reserve includes:

- Amounts transferred from Member contributions (annuity).
- Amounts transferred from employer contributions (pension) made in prior years for active Members upon retirement.

Undistributed Excess Earnings Reserve

This reserve includes earnings on actuarial assets and is the source of funds for crediting interest to reserves semi-annually and for other uses at Board discretion, as permitted by statute and subject to the Interest Crediting and Excess Earnings Policy.

Statutory Contingency Reserve

This reserve represents actual earnings that exceed the total interest credited to contributions and reserves up to 1.0 percent of the total assets of the retirement fund as of June 30, 2021.

Smoothed Market Value Transition Reserve

This reserve represents the accumulated difference between the Actuarial Value of Assets and the book or cost value of assets on June 30, 2005. This was a one-time adjustment to align the reserve balances with the Actuarial Value of Assets.

Market Stabilization Account

This account represents the balance of deferred earnings created by a five-year smoothing of actual gains and losses compared to the assumed investment rate of return.

OPEB Plan 401(H) Account

This account was established based on the Board of Supervisors' and the Board's adoption of a funding mechanism under Section 401(h) of the Internal Revenue Code. This mechanism calls for contributions from employers to a separate account each year.

Table 29 presents SDCERA's Reserve Account Balances as of June 30, 2021.

Table 29: Reserve Account Balances

As of June 30, 2021
(dollars in thousands)

Reserve for Member contributions	$	1,430,161
Reserve for employer contributions		1,023,179
Reserve for retirement allowance		11,159,486
Total contributions and allowance	**$**	**13,612,826**
Reserve for undistributed earnings		-
Reserve for contingencies		161,615
Reserve for smoothed market value transition		1,058,683
Reserve for market stabilization		1,293,217
Total pension plan	**$**	**16,126,341**
Reserve for OPEB plan		35,191
Total fund	**$**	**16,161,532**

Note 7. Administrative Expense

The Board adopts an annual administrative expense budget for the administration of SDCERA. The administrative budget includes expenses that are limited by CERL, as well as certain expenses that are excludable from the limitation, all of which are charged against the annual investment earnings of the Trust Fund. CERL limits eligible administrative expense to a maximum of 0.21 percent of the Plan's Actuarial Accrued Liability. In FY 2021, SDCERA's actual expense was 0.06 percent of the Plan's Actuarial Accrued Liability.

Table 30 presents SDCERA's compliance with the CERL statutory administrative expense limitation for the fiscal year ended June 30, 2021.

Table 30: Statutory Administrative Expense Limitation

For the fiscal year ended June 30, 2021

Total Actuarial Accrued Liability as of June 30, 2020	$ 17,741,219
Maximum CERL Limit	0.21%
Maximum allowable for administrative expenses	$ 37,257
Actual administrative expenses subject to the CERL statutory limit	11,107
Excess of allowance over actual administrative expenses	$ 26,150
Actual administrative expenses as a % of total Actuarial Accrued Liability	0.06%

The administrative budget also includes certain expenses that are not subject to the CERL limitation, including investment-related expenses and expenditures for computer software, hardware and technology services. Table 45, located in the Required Supplemental Information of the Financial section, lists additional detail about these expenses.

Note 8. Commitments And Contingencies

Derivative Instruments

Through certain investment managers, SDCERA is a party to derivative financial instruments. Derivative instruments include but are not limited to contracts for delayed delivery of securities, commodities or currencies in which the seller agrees to make delivery at a specified future date of a specified instrument at a specified price or yield. Risks arise from the possible inability of counterparties to meet the terms of their contract. The risk of loss from these financial instruments includes credit risk (see Note 3) and market risk, which refers to the possibility that future changes in market prices may make such financial instruments less valuable.

Unfunded Commitments

The Statement of Fiduciary Net Position does not reflect unfunded commitments to invest in private equity funds in the amount of $161.7 million, real estate funds in the amount of $124.0 million and private real asset funds in the amount of $80.4 million. SDCERA funds these commitments from Plan assets over multiple fiscal years.

Lease Commitments

SDCERA has operating leases for office facilities and equipment. Operating lease payments are recorded as expenses when paid or incurred. Table 31 presents SDCERA's Future Minimum Lease Commitments.

Table 31: Future Minimum Lease Commitments

For the fiscal years ended June 30

	Operating Leases	
Year	**Equipment**	**Building**
2022	$ 16,369	$ 1,597,457
2023	16,369	1,645,703
2024	16,369	1,694,017
2025	16,369	1,742,401
2026	13,641	1,793,157
Totals	**$ 79,117**	**$ 8,472,735**

Note 9. Pension Disclosures

Table 32 presents the components of the Plan's Net Pension Liability as of June 30, 2021.

Table 32: Net Pension Liability

As of June 30, 2021

Total pension liability	**$**	**18,521**
Plan's fiduciary net position		(16,126)
Net pension liability	$	2,395
Plan's fiduciary net position as a percentage of the total pension liability		87.07%

Source: Segal, GAS 67 Actuarial Valuation and Review as of June 30, 2021

The Net Pension Liability was measured as of June 30, 2021. The Total Pension Liability (TPL) was determined based upon rolling forward the TPL from the actuarial valuation as of June 30, 2020.

Actuarial Assumptions

The following significant actuarial assumptions were used to measure the TPL as of June 30, 2021.

Inflation rate	2.75%
Salary increases	General: 4.15% to 10.50% and Safety: 4.25% to 12.00% vary by service, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Cost-of-living adjustment	2.75%, Maximum of 3% for Tier I, II and A. Maximum of 2% for Tier B, C and D

See the Actuarial section for other assumptions.

The Trust Fund's asset allocation is set out in the Investment Policy Statement (IPS) and approved by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving the assumed investment rate of return.

The long-term assumed investment rate of return on pension plan investments was determined in 2019 using a building-block method in which expected future real rates of return (expected returns net of inflation) are developed for each major asset class. These returns are combined to produce the long-term assumed investment rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. The investment return assumption for funding purposes is developed net of both investment and administrative expenses; however, the same investment return assumption is used for financial reporting purposes, where it is considered gross of administrative expenses. 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 assumptions are summarized in Table 33.

Table 33: Asset Class Expected Real Rate of Return – Pension

Asset class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap US equity	18.00%	5.44%
Small Cap US equity	2.00%	6.18%
Developed international equity	15.00%	6.54%
Global equity	5.80%	6.45%
Emerging markets equity	7.00%	8.73%
High yield bonds	6.00%	3.64%
Intermediate bonds	19.20%	1.25%
Private real estate (Core)	7.20%	4.51%
Private real estate (Non-Core)	1.80%	5.82%
Private equity	7.00%	9.00%
Infrastructure	4.50%	5.83%
Hedge funds	4.00%	4.90%
Private debt	1.00%	6.50%
Timber	0.75%	4.34%
Farmland	0.75%	5.63%
Total	**100.00%**	**5.19%**

Source: Segal, GAS 67 Actuarial Valuation and Review as of June 30, 2021

Discount Rate

The discount rate used to measure the TPL was 7.0 percent. The projection of cash flows used to determine the discount rate assumed plan Member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only 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 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 June 30, 2021.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

Table 34, a required disclosure of GASB Statement No. 67, presents the Employers' Net Pension Liability as of June 30, 2021, calculated using the discount rate of 7.0 percent, as well as what the Employers' Net Pension Liability would be if it were calculated using a discount rate that is one percentage point higher (8.0 percent) and one percentage point lower (6.0 percent) than the current rate.

Table 34: Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As of June 30, 2021
(dollars in millions)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net pension liability	$4,955.5	$2,395.2	$301.0

Source: Segal, GAS 67 Actuarial Valuation and Review of OPEB Plan as of June 30, 2021

Note 10. Other Postemployment Benefits (OPEB)

GASB Statement No. 74 requires that SDCERA report the Employers' Net OPEB Liability (NOL). Table 35 presents a schedule of the components of the NOL as of June 30, 2021.

Table 35: Net OPEB Liability

As of June 30, 2021
(dollars in thousands)

Total OPEB liability	$ 111,482
OPEB fiduciary net position	(35,191)
Net OPEB liability	$ 76,291
OPEB fiduciary net position as a percentage of the total OPEB liability	31.57%

Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB as of June 30, 2021

The NOL was measured as of June 30, 2021. The Plan's Fiduciary Net Position was valued as of the measurement date, and the Total OPEB Liability (TOL) was determined based upon the results of the funding actuarial valuations as of June 30, 2021.

OPEB Actuarial Assumptions

The following lists the significant actuarial assumptions used to measure the TOL as of June 30, 2021.

Inflation rate	2.75%
Salary increases	General: 4.15% to 10.50%, including inflation
Discount rate	7.00%
Health care trend	Non-Medicare: 6.75% graded to ultimate 4.5% over 9 years. Medicare: 6.25% graded to ultimate 4.5% over 7 years
Health insurance allowance increases	0.00%

See the Actuarial section for other assumptions.

The long-term expected rate of return on OPEB Plan investments, a GASB Statement No. 74 disclosure requirement, was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation and deducting expected investment expenses and a risk margin. 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 assumptions are summarized in the following table:

Table 36 presents a schedule of SDCERA's long-term expected real rate of return by asset class.

Table 36: Asset Class Expected Real Rate of Return – OPEB

Asset class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap US equity	18.00%	5.44%
Small Cap US equity	2.00%	6.18%
Developed international equity	15.00%	6.54%
Global equity	5.80%	6.45%
Emerging markets equity	7.00%	8.73%
High yield bonds	6.00%	3.64%
Intermediate bonds	19.20%	1.25%
Private real estate (Core)	7.20%	4.51%
Private real estate (Non-Core)	1.80%	5.82%
Private equity	7.00%	9.00%
Infrastructure	4.50%	5.83%
Hedge funds	4.00%	4.90%
Private debt	1.00%	6.50%
Timber	0.75%	4.34%
Farmland	0.75%	5.63%
Total	**100%**	**5.19%**

Source: Segal, GAS 74 Actuarial Valuation of OPEB Plan as of June 30, 2021

Discount Rate

The discount rate used to measure the TOL was 7.0 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed employer contributions will be made at the rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for current Members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future Members and their beneficiaries, as well as projected contributions from future 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 Members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2021.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following, a required disclosure of GASB Statement No. 74, presents the NOL as of June 30, 2021, calculated using the discount rate of 7.0 percent, as well as what the employers' NOL would be if it were calculated using a discount rate that is one percentage point higher (8.0 percent) and one percentage point lower (6.0 percent) than the current rate. Table 37 presents the Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of June 30, 2021.

Table 37: Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

As of June 30, 2021
(dollars in millions)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net OPEB liability	$84.1	$76.3	$69.4

Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2021

Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate

The following, a required disclosure of GASB Statement No. 74, presents the NOL as of June 30, 2021, calculated using the trend rates for non-Medicare and Medicare plans provided on page 60, as well as what the NOL would be if it were calculated using a trend rate that is one percentage point higher and one percentage point lower than the current rate. Table 38 presents the Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate as of June 30, 2021.

Table 38: Sensitivity of the Net OPEB Liability to the Changes in the Health Care Trend Rate

As of June 30, 2021
(dollars in millions)

	1% Decrease	Current Trend	1% Increase
Net OPEB liability	$76.0	$76.3	$76.6

Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2021

Note 11. Subsequent Events

SDCERA has evaluated subsequent events from June 30, 2021, through November 10, 2021, the date the Basic Financial Statements were issued, and concluded that none have occurred that require recognition or disclosure in the Basic Financial Statements.

Required Supplemental Information (Unaudited)

Table 39 presents the schedule of Changes in Net Pension Liability and Related Ratios, which reports the components of the Total Pension Liability (TPL) and Plan Fiduciary Net Position for each year, calculated in conformity with the requirements of GASB Statement No. 67. This schedule is intended to show information for the last ten years. Additional years' information will be displayed as it becomes available. Covered payroll represents payroll on which contributions to the Plan are based.

Table 39: Changes in Net Pension Liability and Related Ratios

For the fiscal years ending June 30
(dollars in thousands)

	2021	2020	2019	2018	2017
Total pension liability					
Service cost	$ 366,716	$ 360,261	$ 327,905	$ 325,984	$ 322,159
Interest	1,236,773	1,185,483	1,140,798	1,082,689	1,041,402
Differences between expected and actual experience	38,983	66,249	106,963	(130,589)	(188,131)
Changes of assumptions	-	-	402,002	-	-
Benefit payments, including refunds of Member contributions	(844,842)	(794,110)	(743,864)	(689,938)	(650,626)
Net change in total pension liability	**$ 797,630**	**$ 817,883**	**$ 1,233,804**	**$ 588,146**	**$ 524,804**
Total pension liability - beginning	17,723,895	16,906,012	15,672,208	15,084,062	14,559,258
Total pension liability - ending (a)	**$18,521,525**	**$17,723,895**	**$16,906,012**	**$15,672,208**	**$ 15,084,062**
Plan fiduciary net position					
Contributions - employer	$ 615,699	$ 568,924	$ 532,360	$ 520,735	$ 418,011
Contributions - Member	162,740	150,683	145,746	140,402	112,579
Contributions - employer pickup of Member contributions	-	23	48	3,753	20,815
Net investment income	3,298,654	134,294	667,578	915,650	1,248,304
Benefit payments, including refunds of Member contributions	(844,842)	(794,111)	(743,864)	(689,938)	(650,626)
Administrative expense	(14,913)	(13,732)	(13,425)	(13,187)	(13,287)
Net change in plan fiduciary net position	**$ 3,217,338**	**$ 46,081**	**$ 588,443**	**$ 877,415**	**$ 1,135,796**
Plan fiduciary net position - beginning	12,909,003	12,862,922	12,274,479	11,397,064	10,261,268
Plan fiduciary net position - ending (b)	**$ 16,126,341**	**$12,909,003**	**$12,862,922**	**$12,274,479**	**$ 11,397,064**
Plan's net pension liability - ending (a) - (b)	**$ 2,395,184**	**$ 4,814,892**	**$ 4,043,090**	**$ 3,397,729**	**$ 3,686,998**
Plan fiduciary net position as percentage of total pension liability	87.07%	72.83%	76.08%	78.32%	75.56%
Covered payroll	$ 1,391,054	$ 1,349,434	$ 1,276,239	$ 1,232,105	$ 1,181,480
Plan net pension liability as percentage of covered payroll	172.18%	356.81%	316.80%	275.77%	312.07%

Table 39 is continued on the next page

Table 39 is continued from the previous page

	2016	2015	2014	2013
Total pension liability				
Service cost	$ 301,126	$ 286,960	$ 275,060	$ 258,308
Interest	981,703	941,789	906,177	881,864
Differences between expected and actual experience	(20,774)	(126,948)	(194,580)	(161,275)
Changes of assumptions	788,402	309,945	-	258,993
Benefit payments, including refunds of Member contributions	(629,095)	(592,259)	(560,751)	(543,284)
Net change in total pension liability	**$ 1,421,362**	**$ 819,487**	**$ 425,906**	**$ 694,606**
Total pension liability - beginning	13,137,896	12,318,409	11,892,503	11,197,897
Total pension liability - ending (a)	**$14,559,258**	**$13,137,896**	**$12,318,409**	**$11,892,503**
Plan fiduciary net position				
Contributions - employer	$ 382,753	$ 386,041	$ 353,840	$ 312,288
Contributions - Member	104,636	98,590	78,920	71,718
Contributions - employer pickup of Member contributions	22,833	28,730	40,857	45,605
Net investment income	63,686	242,576	1,220,343	669,882
Benefit payments, including refunds of Member contributions	(629,095)	(592,259)	(560,750)	(543,284)
Administrative expense	(13,875)	(14,043)	(12,709)	(11,454)
Net change in plan fiduciary net position	**$ (69,062)**	**$ 149,635**	**$ 1,120,501**	**$ 544,755**
Plan fiduciary net position - beginning	10,330,330	10,180,695	9,060,194	8,515,439
Plan fiduciary net position - ending (b)	**$10,261,268**	**$10,330,330**	**$10,180,695**	**$ 9,060,194**
Plan's net pension liability - ending (a) - (b)	**$ 4,297,990**	**$ 2,807,566**	**$ 2,137,714**	**$ 2,832,309**
Plan fiduciary net position as a percentage of the total pension liability	70.48%	78.63%	82.65%	76.18%
Covered payroll	$ 1,140,883	$ 1,120,001	$ 1,072,896	$ 1,028,420
Plan net pension liability as percentage of covered payroll	376.73%	250.68%	199.25%	275.40%

Source: Segal, GAS 67 Actuarial Valuation and Review as of June 30 of each fiscal year.

Table 40 presents a schedule of the annual money-weighted rate of return as required by GASB Statement No. 67. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the amounts actually invested. In contrast, performance information presented in the Investments section is calculated on a time-weighted rate of return basis for the last ten years.

Table 40: Money-Weighted Rate of Return – Pension Plan

For the fiscal years ended June 30

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Rate of Return	5.82%	7.87%	13.39%	2.13%	1.43%	11.95%	7.95%	5.40%	1.08%	25.07%

Table 41 presents the employer contributions to the Pension Plan for the last ten fiscal years. The actuarially determined contributions for the County and SDCERA's Participating Employers are based on the actuarially determined rate, and the percentage of these contributions paid by the employers each year.

Table 41: Schedule of Employer Contributions – Pension Plan

For fiscal years ended June 30
(dollars in thousands)

Year	Actuarially Determined Contributions(1)	Contributions in Relation to Actuarially Determined Contributions(2)	Contribution Deficiency (Excess)	Covered Payroll(3)	Contributions as % of Covered Payroll(3)
2012	$ 274,106	$ 274,106	$ -	$1,047,414	26.17%
2013	298,128	312,288	(14,160)	1,028,420	30.37%
2014	353,841	353,841	-	1,072,896	32.98%
2015	386,041	386,041	-	1,120,001	34.47%
2016	382,425(4)	382,425(4)	-	1,140,883	33.52%
2017	417,921(4)	417,921	-	1,181,479	35.37%
2018	498,231(4)	520,733(4)	(22,502) (4)	1,232,105	42.26%
2019	518,574(4,5)	532,406(4,5)	(13,832)	1,276,239	41.71%
2020	558,904	568,924	(10,020)	1,349,434	42.16%
2021	615,699	615,699	-	1,391,054	44.26%

(1) All "Actuarially Determined Contributions" through June 30, 2015 were determined as the "Annual Required Contribution" under GAS 25 and 27.
(2) Excludes employer pickup of Member contributions and proceeds from Pension Obligation Bonds.
(3) Covered payroll represents payroll on which contributions to the pension plan are based.
(4) Based on updated total employer contribution amount provided by SDCERA after corresponding GAS 67 reports were finalized.
(5) These amounts include $8 million required to "true up" the prepaid contributions made by the County for FY 2018. In addition, this is based on updated total employer contribution amount provided by SDCERA after Segal finalized the June 30, 2019 GAS 67 report.
Source: Segal, GAS 67 Actuarial Valuation and Review as of June 30, 2021

The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30. Rates are effective one year after the valuation date for the fiscal year that begins July 1. The following actuarial methods and assumptions were used by the Actuary in the preparation of the June 30, 2021 Actuarial Valuation and Review. These assumptions were adopted by the Board as a result of the July 1, 2015, through June 30, 2018 Actuarial Experience Study, dated April 5, 2019. There have been no assumption changes since the last valuation.

Actuarial Valuation Method

Valuation	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported. The actuarially determined contribution rates for FY 2021 are calculated based on the June 30, 2019 valuation.
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded actuarial accrued liability (UAAL)
Remaining amortization period	Prior to July 1, 2013, the Plan's UAAL was amortized over 20-year fixed (i.e., decreasing) layered amortization periods. As of July 1, 2013, any new UAAL resulting from plan amendments is amortized over separate decreasing 15-year periods; early retirement incentive programs (ERIPs) are amortized over separate decreasing periods of up to five years; assumption and method changes are amortized over separate decreasing 20-year periods; and experience gains/losses are amortized over separate decreasing 20-year periods.
Asset valuation method	Market value of assets less unrecognized returns in each of the last five years. Unrecognized return is equal to the difference between the actual market return and the expected return on market value and is recognized over a five-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves and designations.

Actuarial Assumptions

Investment rate of return	7.00%, net of pension plan administrative and investment expenses, including inflation
Inflation rate	2.75%
Real across-the-board salary increases	0.50%
Projected salary increases	General: 4.15% to 10.50% and Safety: 4.25% to 12.00% vary by service, including inflation
Other assumptions	See analysis of actuarial experience during the period July 1, 2015 through June 30, 2018.

Table 42 presents the Schedule of Employer Contributions to the OPEB Plan for ten fiscal years.

Table 42: Schedule of Employer Contributions – OPEB Plan

For the fiscal years ended June 30
(dollars in thousands)

Year	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll[1][2]	Contributions as Percentage of Covered Payroll
2012	$ 19,198	$ 19,198	$ -	$1,047,414	1.83%
2013	19,025	19,025	-	1,028,420	1.85%
2014	20,208	20,208	-	1,072,896	1.88%
2015	21,111	21,111	-	1,120,001	1.88%
2016	19,719	19,719	-	1,140,883	1.73%
2017	20,409	20,409	-	1,181,480	1.73%
2018	19,638	19,638	-	1,232,105	1.59%
2019	20,310	20,310	-	1,276,239	1.59%
2020	20,255	20,255	-	1,349,434	1.50%
2021	18,859	18,859	-	1,391,054	1.36%

(1) Covered payroll represents payroll on which contributions to the OPEB Plan are based.
(2) Includes payroll for active employees who will not be eligible for a benefit from the OPEB Plan.
Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2021

Table 43 presents the Changes in Net OPEB Liability and Related Ratios.

Table 43: Changes in Net OPEB Liability and Related Ratios

For the fiscal year ending June 30, 2021

		Amount
Total OPEB liability		
Service cost [1]	$	21,749
Interest		8,156,880
Change of benefit terms		-
Differences between expected and actual experience		(5,949,776)
Changes of assumptions		(119,247)
Benefit payments, including refunds of Member contributions		(14,265,333)
Net change in Total OPEB liability	**$**	**(12,155,727)**
Total OPEB liability - beginning		123,637,769
Total OPEB liability - ending (a)	**$**	**111,482,042**
Plan Fiduciary Net Position		
Employer contributions	$	18,858,579
Net investment income		6,244,954
Benefit payments, including refunds of Member contributions		(14,265,333)
Administrative expense		-
Other retiree contributions		-
Net change in Plan Fiduciary Net Position	**$**	**10,838,200**
Plan Fiduciary Net Position - beginning		24,352,996
Plan Fiduciary Net Position - ending (b)	**$**	**35,191,196**
Net OPEB Liability - ending (a) - (b)	**$**	**76,290,846**
Covered payroll [2][3]	$	1,391,053,973
Plan net OPEB liability as a percentage of covered payroll		5.48%

[1] The service cost is based on the previous year's valuation, valuation as of June 30, 2020.
[2] Covered payroll represents payroll on which contributions to the OPEB Plan are based.
[3] Includes payroll for active employees who will not be eligible for a benefit from the OPEB Plan.
Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2021

Other Supplemental Information

Table 44 presents SDCERA's FY 2021 Investment Expense.

Table 44: Investment Expense

For the fiscal year ended June 30, 2021
(dollars in thousands)

		Amount
Investment management expense:		
Global equity	$	385
U.S. equity		6,384
Non-U.S. equity: developed		9,816
Non-U.S. equity: emerging		1,859
Risk-reducing fixed income		2,541
Return-seeking fixed income		3,223
Opportunistic		3,562
Real estate		10,629
Private equity		32,765
Private real assets		27,832
Total investment management expense	**$**	**98,996**
Other investment expense:		
Administrative, in-house staff and other		1,954
Actuarial services		355
Consulting services		1,066
Custodian services		642
Total other investment expense	**$**	**4,017**
Total investment expense	**$**	**103,013**

Investment expenses for both public and private assets include performance fees.

Tables 45 presents SDCERA's FY 2021 Administrative Expense.

Table 45: Administrative Expense

For the fiscal year ended June 30, 2021
(dollars in thousands)

	Amount	% of Total
Expenses subject to the CERL statutory limit:		
Employee salaries and benefits	$ 7,813	52%
Professional services	986	7%
Leased real property	1,685	11%
Office depreciation and amortization	18	0%
Office operations	605	4%
Total Expense Subject to the CERL Statutory Limit	**$ 11,107**	**74%**
Expenses not subject to the CERL statutory limit:		
Professional services	$ 2,031	14%
Computer software and maintenance	360	2%
Computer depreciation and amortization	1,415	10%
Total expense not subject to the CERL statutory limit	**$ 3,806**	**26%**
Total administrative expense	**$ 14,913**	**100%**

Table 46 presents SDCERA's FY 2021 Professional Services Payments to Consultants. Actuarial services for the Pension Plan are included with Investment Expense in accordance with CERL.

Table 46: Professional Services Payments to Consultants

For the fiscal year ended June 30, 2021
(dollars in thousands)

Type of Service	Amount
Administrative Expense:	
Computer services	$ 2,031
Disability services	194
Legal services	486
Audit services	196
Other miscellaneous services	110
Total administrative expense consultant services	**$ 3,017**
Investment Expense:	
Actuarial services	$ 355
Consulting services	1,066
Custodian services	642
Total investment expense consultant services	**$ 2,063**
Total payments to consultants	**$ 5,080**

Investment Section

Beach water quality inspection
Credit: County Communications

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Chief Investment Officer's Letter

I am pleased to report SDCERA's investment results for the fiscal year ended June 30, 2021 (FY 2021).

STEPHEN SEXAUER
CHIEF INVESTMENT OFFICER

The Trust Fund return for FY 2021 was 25.0 percent. The annualized returns for the three-year, five-year, and ten-year periods ending June 30, 2021, were 10.1 percent, 10.0 percent, and 7.9 percent, respectively. All returns are net-of-fee time-weighted rates of return.

Going to extremes: The COVID-19 pandemic brought much of the global economy to a standstill in 2020. Government lockdowns and changes in individual behavior to limit exposure to the virus led to an extreme and rapid drop in the value of risk assets. In response, the Fed and other central banks around the world acted to restore liquidity and expanded quantitative easing programs where central banks buy government debt. The U.S. federal government passed three major COVID-related stimulus programs and issued $5.3 trillion in new debt. The bulk of the debt proceeds were transferred to households and state and local governments, where as much as 40 percent of the transfers were immediately spent. In addition to the stimulus spending, the rapid development and widespread distribution of COVID-19 vaccines allowed for the reopening of many parts of the global economy. The resulting rebound in economic activity has been just as extreme as the preceding drop, especially in the goods-producing sectors of the economy. The overall result was the fast fall into one of the deepest, yet shortest, recessions on record, then an equally steep economic recovery. The U.S. stock market saw its fastest drop on record, and then one of the steepest stock market rebounds ever—and for the SDCERA Trust Fund, the highest fiscal-year return on record.

The Trust Fund's FY 2021 return was primarily determined by its asset allocation. Additional value added after fees came from above-index returns by SDCERA's investment managers and from the gains on assets invested opportunistically during the height of the COVID-19 crisis in March and April of 2020, a time when risk spreads were wide and expected returns high.

The Investments Section of SDCERA's website links to following reports that detail Trust Fund risk and return reporting: (a) The CIO Markets Reports as well as the Trust Fund's FY 2021 reports on the annual asset allocation analyses and recommendations to the Board; (b) The monthly Risk-Return Reports, which are detailed reviews of the approved asset allocations, return and risk measures, and changes made to the portfolio each month; and (c), the quarterly, detailed, deep-dive review of the Trust Fund by SDCERA's General Consultant, Aon Investments USA.

Going forward in FY 2022, uncertainty is high regarding central bank interest rate and bond-buying policies. Central bank policies are tied to the strength of the increase in inflation and to employment data across all sectors in the economy. The COVID-19 economic recovery is well underway, but labor shortages and physical supply bottlenecks are causing problems in almost all industries, from containerized shipping to computer chips to restaurants. Asset valuations are now much higher than those at the beginning of FY 2021, with yields low and risk spreads narrow, which decreases expected returns.

We continue to focus on the decision variables we have the most control over: asset allocation and Trust Fund diversification, investment management expenses, and ready access to liquid assets to reliably pay benefits and make opportunistic investments when market volatility creates high expected returns. This approach follows directly from our fiduciary mandate in the California Constitution and the County Employment Retirement Law that requires SDCERA to prudently diversify to minimize the risk of loss and to maximize the rate of return, and to defray reasonable expenses.

Sincerely,

Stephen Sexauer
Chief Investment Officer
November 10, 2021

Overview Of SDCERA's Investment Policies

San Diego County Employees Retirement Association's (SDCERA's) investment program is managed in accordance with the California Constitution and CERL that provides that the Board of Retirement (Board), its officers and employees discharge their duties:

Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system,

With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims, and

Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SDCERA's Board has adopted an Investment Policy Statement (IPS) that establishes the legal authority and fiduciary responsibilities, investment philosophy and performance objectives, governance of the investment program, permissible asset classes, the use of leverage, risk measurement and management, asset allocation and Trust Fund monitoring and reporting.

SDCERA's Asset Allocation Policy as of June 30, 2021 is presented in Table 47.

Table 47: Asset Allocation Policy

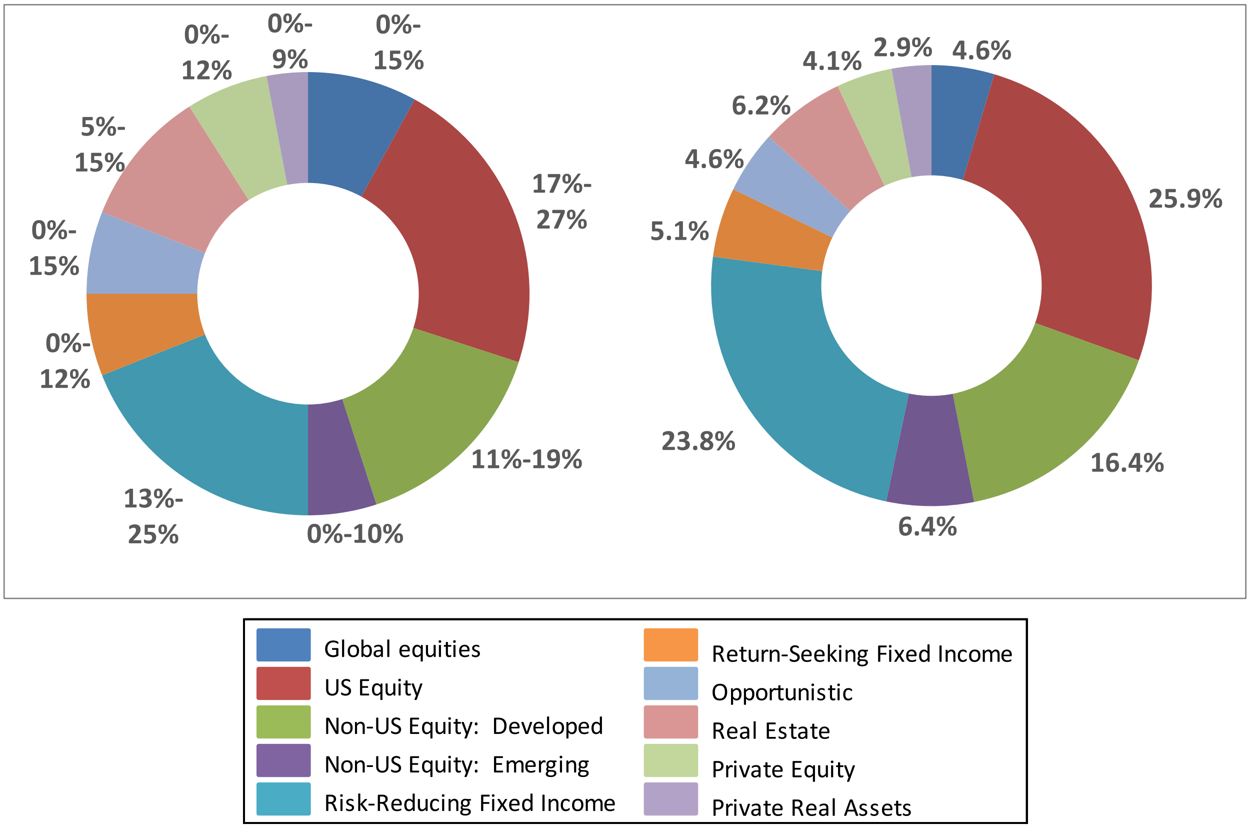
As of June 30, 2021

Asset class	Benchmark	Target
Public markets equity		
Global equity	MSCI ACWI Investable Market Index	8%
US equity	MSCI USA Investable Market Index	22%
Non-US equity: developed	MSCI EAFE Investable Market Index	15%
Non-US equity: emerging	MSCI Emerging Markets Index	5%
Fixed income		
Risk-reducing fixed income	Bloomberg Barclays U.S. Intermediate Aggregate Bond Index	19%
Return-seeking fixed income	ICE BofA US High Yield Constrained Index	6%
Opportunistic	Balanced Benchmark[1]	6%
Private assets		
Real estate	NCREIF ODCE Index	10%
Private equity	MSCI ACWI Investable Market Index	6%
Private real assets	MSCI ACWI Investable Market Index	3%
Total fund		**100%**

[1] Balanced Benchmark is composed of 70% MSCI ACWI Investable Market Index and 30% Bloomberg Barclays US Intermediate Aggregate Bond Index.

Target Asset Allocation and Actual Asset Allocation as of June 30, 2021 are presented in Tables 48 and 49.

Table 48: Target Allocation **Table 49: Actual Allocation**



Tables 50 and 51 present SDCERA's annualized, time-weighted Total Fund Performance Results, net-of-fees, and SDCERA's Policy Benchmark for the one, three, five and ten-year periods ended June 30, 2021.

Table 50: Total Fund Performance Results

Annualized, net of fees

For the periods ended June 30, 2021

Asset class (with benchmarks)	1 Year	3 Year	5 Year	10 Year
Global equity	40.4%	13.1%	13.8%	10.2%
MSCI ACWI Investable Market Index	40.9%	14.2%	14.6%	9.9%
US equity	44.9%	18.7%	17.7%	12.9%
MSCI USA Investable Market Index	43.8%	18.2%	17.3%	14.1%
Non-US equity: developed	33.6%	9.2%	10.9%	n/a
MSCI EAFE Investable Market Index	33.6%	8.3%	10.5%	n/a
Non-US equity: emerging	42.4%	10.6%	12.4%	4.8%
MSCI Emerging Markets Index	40.9%	11.3%	12.9%	4.3%
Risk-reducing fixed income	0.1%	4.0%	2.2%	n/a
Bloomberg Barclays Intermediate Aggregate Bond Index	0.1%	4.4%	2.5%	n/a
Return-seeking fixed income	18.6%	6.8%	6.9%	n/a
ICE BofAML US High Yield Master II Index	15.6%	7.1%	7.3%	n/a
Opportunistic	26.5%	4.8%	4.3%	5.1%
Balanced Benchmark[1]	27.5%	11.6%	11.1%	8.1%
Real estate	4.6%	8.0%	8.5%	n/a
NCREIF ODCE Index	5.2%	4.0%	5.3%	n/a
Private equity	40.3%	13.7%	14.5%	12.6%
MSCI ACWI Investable Market Index	40.9%	14.2%	14.6%	9.9%
Private real assets	8.9%	0.6%	4.6%	2.9%
MSCI ACWI Investable Market Index	40.9%	14.2%	14.6%	9.9%
Total fund	**25.0%**	**10.1%**	**10.0%**	**7.9%**
Total fund benchmark	**26.5%**	**11.1%**	**10.8%**	**8.1%**

[1]The SDCERA Balanced Benchmark is comprised of 70% ACWI IMI and 30% Bloomberg Barclays US International Aggregate Bond Index.

Table 51: Total Fund Performance Results

Annualized, net of fees

As of June 30, 2021

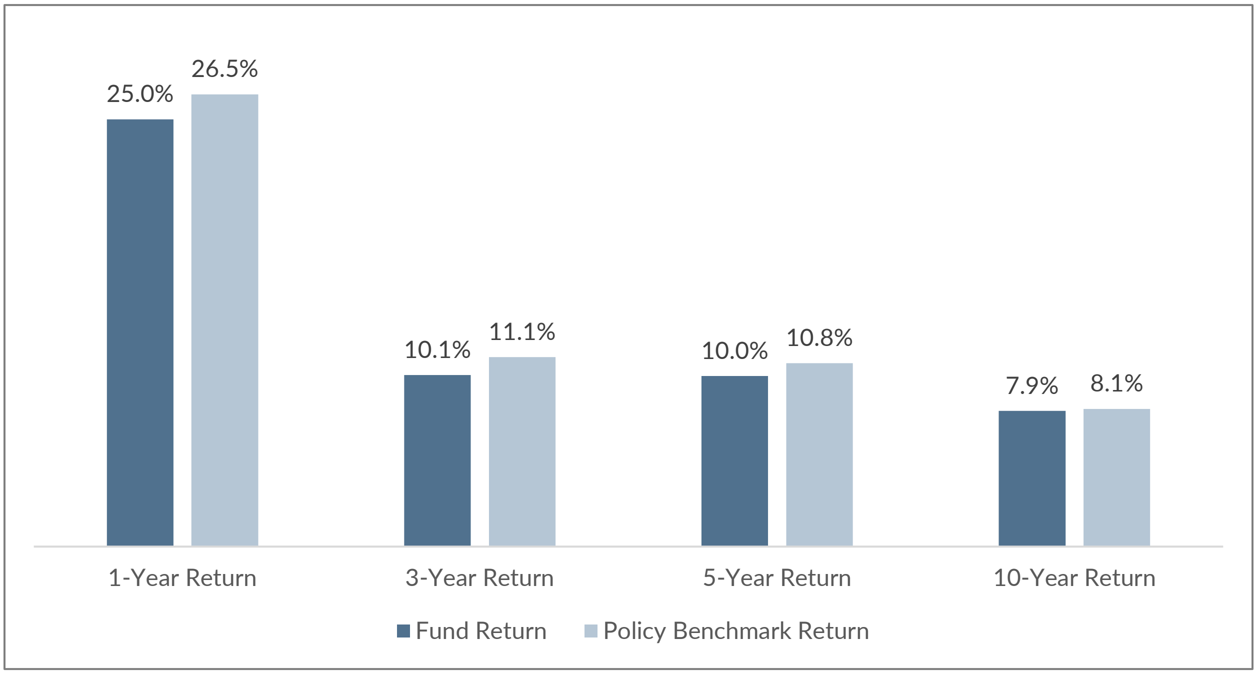
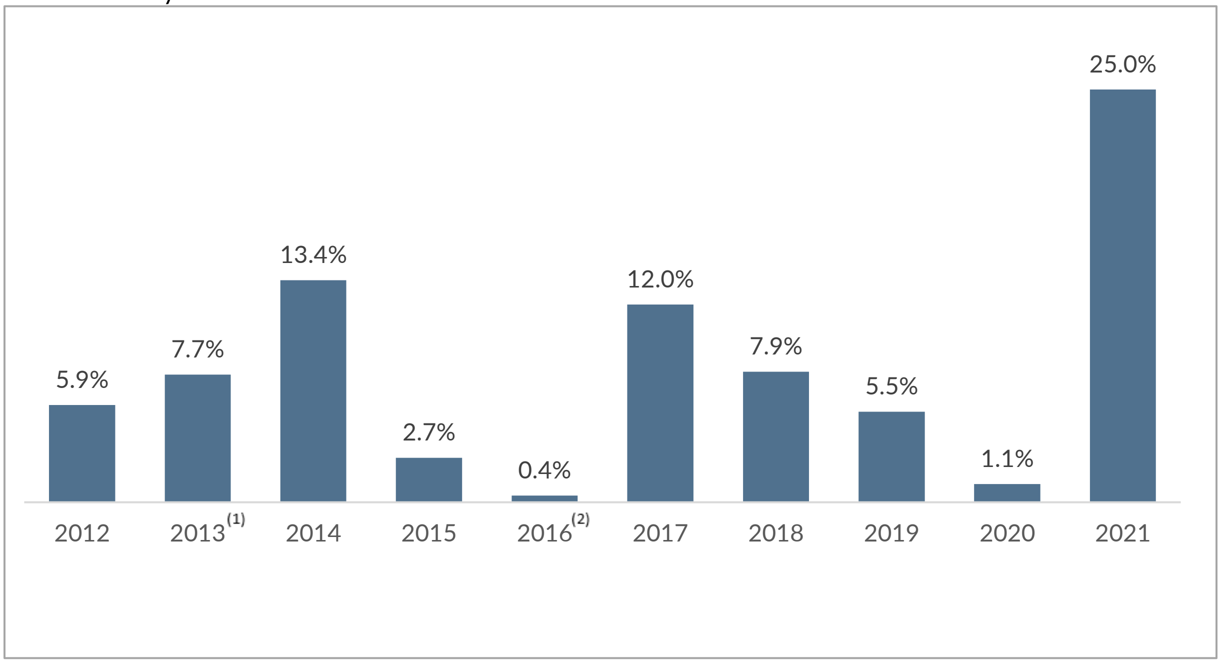


Table 52 presents SDCERA's time-weighted Annual Investment Returns, net of fees, for the last ten fiscal years.

Table 52: Annual Investment Returns

For the fiscal year ended June 30



(1) Correction of input reported in the FY 2013 CAFR of 7.8%.

(2) Correction of calculation reported in the FY 2016 CAFR of 0.5%.

SDCERA Trust Fund equity exposure is attained largely through commingled funds and other equity replication strategies. Table 53 presents SDCERA's top ten equity holdings based on fair value as of June 30, 2021. A listing of all holdings is available upon request.

Table 53: Top 10 Holdings – Equity

As of June 30, 2021

Issuer	Shares	Fair value
MICROSOFT CORP	43,846	$ 11,877,881
APPLE INC	82,117	11,246,744
AMAZON.COM INC	2,656	9,137,065
FACEBOOK INC	12,147	4,223,633
NVIDIA CORP	4,453	3,562,845
ALPHABET INC-CL C	1,295	3,245,684
PAYPAL HOLDINGS INC	10,925	3,184,419
JPMORGAN CHASE & CO	19,394	3,016,543
TAIWAN SEMICONDUCTOR MANUFACTURING	24,375	2,928,900
MASTERCARD INC	7,983	2,914,513

Table 54 presents SDCERA's top ten fixed income holdings as of June 30, 2021. A listing of all holdings is available upon request.

Table 54: Top 10 Holdings – Fixed Income

As of June 30, 2021

Security	Par	Fair value
U S TREASURY NOTE 1.875% 03/31/2022	$ 152,300,000	$ 154,334,728
U S TREASURY NOTE 1.375% 09/30/2023	129,080,000	132,190,828
U S TREASURY NOTE 0.625% 08/15/2030	131,405,000	122,519,394
U S TREASURY NOTE 2.750% 02/15/2028	81,280,000	89,611,200
U S TREASURY NOTE 2.250% 08/15/2027	82,820,000	88,620,713
U S TREAS-CPI INFLAT 0.125% 04/15/2025	76,787,115	82,877,869
U S TREASURY NOTE 2.000% 11/15/2026	68,000,000	71,793,040
U S TREASURY NOTE 2.375% 05/15/2027	66,040,000	71,129,703
U S TREASURY BOND 1.250% 05/15/2050	67,800,000	55,397,346
U S TREASURY NOTE 2.250% 02/15/2027	47,450,000	50,738,285

Table 55 presents domestic commissions paid by SDCERA during FY 2021.

Table 55: Commissions Paid – Domestic

For the fiscal year ended June 30, 2021

Brokerage Firm	Total Commissions	% of Total Commissions
CITIGROUP GLOBAL MARKETS, INC., NEW YORK	$ 68,829	20.9%
JEFFERIES & CO INC, NEW YORK	52,196	15.8%
MERRILL LYNCH PIERCE FENNER SMITH INC NY	49,807	15.1%
CITIGROUP GBL MKTS/SALOMON, NEW YORK	49,798	15.1%
BARCLAYS CAPITAL INC./LE, NEW JERSEY	41,105	12.5%
MIZUHO SECURITIES USA INC, NEW YORK	17,498	5.3%
CREDIT SUISSE, NEW YORK (CSUS)	16,506	5.0%
MIZUHO SECURITIES USA INC. NEW YORK	9,961	3.0%
MORGAN STANLEY & CO INC, NY	8,010	2.4%
CITIGROUP GBL MKTS INC, NEW YORK	4,609	1.4%
Other [(1)]	11,530	3.5%
Total	**$ 329,849**	**100.0%**

[(1)] Includes 21 additional firms, each with 0.5% or less of total commissions

Table 56 presents international commissions paid by SDCERA during FY 2021.

Table 56: Commission Paid – International

For the fiscal year ended June 30, 2021

Brokerage Firm	Total Commissions	% of Total Commissions
ROYAL BANK OF CANADA, TORONTO (RBCH)	$ 77,704	56.7%
CITIGROUP GLOBAL MARKETS LTD, LONDON	30,136	22.0%
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	7,579	5.5%
KEB SALOMON SMITH BARNEY SECS, SEOUL	5,879	4.3%
ABN AMRO CLEARING BANK N.V, AMSTERDAM	4,064	3.0%
INVESTMENT TECHNOLOGY GROUP LTD,DUBLIN	2,980	2.2%
JEFFERIES HONG KONG LIMITED, HONG KONG	2,446	1.8%
JEFFERIES & CO LTD, LONDON	2,186	1.6%
MIRAE ASSET SECURITIES, SEOUL	1,389	1.0%
BANQUE PARIBAS, PARIS	1,193	0.9%
Other [(1)]	1,592	1.0%
Total	**$ 137,148**	**100.0%**

[(1)] Includes four additional firms, each with 0.6% or less of total commissions

Table 57 presents a summary of SDCERA's Investment Expense by Asset Class for FY 2021.

Table 57: Investment Expense by Asset Class

For the fiscal year ended June 30, 2021

Asset class	Net Assets at Fair Value	Assets as % of Total	Investment Expenses
Global equity	$ 737,513,584	4.6%	$ 384,538
US equity	4,200,444,431	25.9%	6,383,661
Non-US equity: developed	2,660,908,280	16.4%	9,816,179
Non-US equity: emerging	1,036,021,505	6.4%	1,858,762
Total public markets equity	**8,634,887,800**	**53.3%**	**18,443,140**
Risk-reducing fixed income	3,852,130,679	23.8%	2,540,579
Return-seeking fixed income	818,309,826	5.1%	3,223,773
Total fixed income	**4,670,440,505**	**28.9%**	**5,764,352**
Total opportunistic	**751,415,573**	**4.6%**	**3,562,373**
Real estate	1,011,084,073	6.2%	10,629,297
Private equity	661,182,591	4.1%	32,765,058
Private real assets	461,850,887	2.9%	27,831,874
Total private assets	**2,134,117,551**	**13.2%**	**71,226,229**
Total net assets	**$ 16,190,861,429**	**100.0%**	**$ 98,996,094**
Other investment expense:			
Administrative, in-house staff and other			$ 1,954,101
Actuarial services			354,683
Consulting services			1,066,521
Custodian services			642,096
Total additional other professional fees			**$ 4,017,401**
Total investment expense			**$ 103,013,495**

Investment expenses for both public and private assets include performance fees.

Table 58: Investment Managers

As of June 30, 2021

Global equity
- Allianz Global Investors
- BlackRock Institutional Trust Company

US equity
- BlackRock Institutional Trust Company
- Pacific Investment Management Company

Non-US equity : developed
- BlackRock Institutional Trust Company
- Pacific Investment Management Company

Non-US equity : emerging
- BlackRock Institutional Trust Company
- Dimensional Fund Advisors
- Pacific Investment Management Company

Risk-reducing fixed income
- BNY Mellon Asset Management North America
- BlackRock Institutional Trust Company
- Hoisington Investment Management Company
- Pacific Investment Management Company
- SLC Management

Return-seeking fixed income
- Allianz Global Investors
- Hotchkis & Wiley Capital Management
- Oaktree Capital Management, LP

Opportunistic
- BlackRock Institutional Trust Company
- Pacific Investment Management Company

Real estate
- American Assets Capital Advisers, LLC
- Ascentris
- Brookfield Asset Management
- Canyon Partners Real Estate, LLC
- DWS Asset Management
- J.P. Morgan Asset Management
- Pacific Coast Capital Partners, LLC
- The Blackstone Group
- Trophy Property Development, LP

Private equity
- Apollo Capital Management
- Bain Capital
- Baring Private Equity Asia
- Cerberus Capital Management, LP
- Coller Capital
- DRI Capital
- D.E. Shaw & Company
- EQT Fund Management, Ltd
- FountainVest Partners
- Graham Partners
- HarbourVest Partners, LLC
- Hellman & Friedman, LLC
- Horizon Capital
- Lexington Partners Advisors, LP
- New Mountain Capital, LLC
- Northgate Capital
- Oaktree Capital Management, LP
- Onex Partners
- Paul Capital
- Providence Equity Partners, LLC
- Public Pension Capital, LLC
- SSG Capital Management, Ltd
- Stark Investments
- The Blackstone Group
- The Capital Group
- The Gores Group
- TPG Capital

Private real assets
- Actis Capital, LLP
- Amerra Capital Management, LLC
- Brookfield Asset Management
- Denham Capital Management, LP
- EnCap Investments, LP
- EnerVest, Ltd
- Falcon E&P Opportunities GP, LLC
- Global Infrastructure Partners
- Hancock Agricultural Investment Group
- J.P. Morgan Asset Management
- Kayne Anderson Capital Advisors, LP
- Macquarie Infrastructure Partners, Inc
- Merit Energy Company
- Molpus Woodlands Group, LLC
- RK Capital Management, LLP
- Taurus Funds Management Pty Ltd
- The Energy & Minerals Group

Actuarial Section

Credit: Park Ranger Nathan Hester

Segal

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November 4, 2021

Board of Retirement
San Diego County Employees Retirement Association
2275 Rio Bonito Way, Suite 100
San Diego, CA 92108-1685

Re: San Diego County Employees Retirement Association (SDCERA)
June 30, 2021 Actuarial Valuation for Funding Purposes

Dear Members of the Board:

Segal prepared the June 30, 2021 annual actuarial valuation of the San Diego County Employees Retirement Association (SDCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and SDCERA's funding policy. 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). (With the exception of including the liability for benefits paid after the Section 415(b) limit was applied to the retirees in pay status, the same assumptions and methods have also been used in preparing the results for financial reporting purposes under Governmental Accounting Standards Board Statement No. 67.)

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 member 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, 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 investment return over 10 six-month interest crediting periods.

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). Actuarial gains and losses are incorporated into the UAAL.

Effective with the June 30, 2004 valuation, the Association's UAAL has been amortized using 20-year fixed (i.e., decreasing) layered amortization periods. The 20-year period was last reaffirmed when the Board performed a substantive review of the pension component of its actuarial funding policy in 2013. As a result of the review in 2013, effective with the

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June 30, 2013 valuation, any change in the UAAL that arises due to plan amendments is amortized over separate 15-year decreasing amortization periods. Also, any change in the UAAL that arises due to retirement incentives is amortized over separate decreasing amortization periods of up to 5 years.

Notes number 1, 4 and 9 to the Basic Financial Statements and the Required Supplementary Information (RSI) included in the Financial Section were prepared by the Association based on the results of the Governmental Accounting Standards (GAS) Statement No. 67 actuarial valuation as of June 30, 2021 prepared by Segal. A listing of the other supporting schedules Segal prepared for inclusion in the actuarial, statistical and financial sections of the Association's Comprehensive Annual Financial Report (Annual Report) is provided below. These schedules have been prepared based on the results of the actuarial valuation as of June 30, 2021 for funding purposes.

Actuarial Section

1. Schedule of active member valuation data;
2. Historical summary of average payroll;
3. Retirees and beneficiaries added to and removed from retiree payroll;
4. Schedule of Funded Liabilities by Type;
5. Historical summary of actual experience versus assumptions;
6. History of employer contribution rates;
7. Schedule of funding progress;
8. Actuarial Analysis of Financial Experience;

Statistical Section

9. Schedule of benefit expenses by type;
10. Schedule of retiree members by type of retirement and option selected;
11. Average benefit payments (pension plan);
12. Schedule of participating employers; and

Financial Section

13. Membership summary

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2018 Triennial Actuarial Experience Study and became effective with the June 30, 2019 valuation. It is our opinion that the assumptions used in the June 30, 2021 valuation produce results, which, in the aggregate, anticipate the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience study is performed every three years. The next experience analysis for the full review of the economic and non-economic assumptions will be performed in year 2022, and the assumptions

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Segal

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adopted by the Board at that time will be used in setting the contribution rates in the June 30, 2022 valuation.

In the June 30, 2021 valuation, the ratio of the valuation assets to actuarial accrued liabilities has increased from 77.3% to 80.0%. The average employer's rate has decreased from 45.38% of payroll to 44.81% of payroll, while the average member's rate has decreased from 11.62% of payroll to 11.58% of payroll.

In the June 30, 2021 valuation, the actuarial value of assets included $1,293 million in net deferred investment gains, which represented about 8.0% of the market value of assets. If these net deferred investment gains were recognized immediately in the valuation value of assets, the funded percentage would increase from 80.0% to 87.0% and the average employer contribution rate, expressed as a percent of payroll, would decrease from 44.81% to 38.51%.

The undersigned are Members of the American Academy of Actuaries and meet the qualification requirements to render the actuarial opinion contained herein.

Sincerely,

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

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

AW/jl
Enclosures

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Segal

Segal

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VIA E-MAIL

November 4, 2021

Board of Retirement
San Diego County Employees Retirement Association
2275 Rio Bonito Way, Suite 100
San Diego, CA 92108-1685

Re: San Diego County Employees Retirement Association (SDCERA)
June 30, 2021 Actuarial Valuation for Funding Purposes

Dear Members of the Board:

Segal performed an actuarial valuation of the Health Insurance Allowance funded through the San Diego County Employees Retirement Association (SDCERA) Other Postemployment Benefits (OPEB) Plan as of June 30, 2021. We certify that the actuarial valuation was prepared in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet with our understanding of the parameters of the Governmental Accounting Standards Board (GASB) Statement No. 74.

As part of our valuation, Segal conducted an examination of all participant data for reasonableness. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Market Value.

The Entry Age Cost Method was used to determine the Actuarially Determined Contribution (ADC) and the actuarial accrued liability. Under this method, the ADC provides for current cost (normal cost plus a level dollar amount to amortize any Unfunded Actuarial Accrued Liability (UAAL[1]). The UAAL is amortized over separate declining 20-year level dollar bases starting June 30, 2007 and the equivalent single amortization period as of June 30, 2021 is about 6 years. The ADC has decreased from 1.31% of payroll in the last valuation as of June 30, 2020 to 1.22% of payroll in the current valuation as of June 30, 2021. The funded ratio has increased from 19.70% in the June 30, 2020 valuation to 31.57% in the June 30, 2021 valuation.

[1] In valuations for financial reporting purposes under GASB Standards No. 74 and 75, the Normal Cost is referred to as the Service Cost; the Actuarial Accrued Liability (AAL) is referred to the as the Total OPEB Liability (TOL), and the UAAL is referred to as the Net OPEB Liability (NOL).

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San Diego County Employees Retirement Association
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The method described above is used for the purposes of fulfilling the Plan's accounting and funding requirements. A listing of the supporting OPEB-related Exhibits Segal prepared to assist with the completion of the Association's CAFR is provided below:

1. Schedule of actuarial methods and assumptions;
2. Summary of Plan benefits;
3. Retirees and beneficiaries added to and removed from retiree payroll;
4. Membership benefit coverage information; and
5. Average monthly benefit payments.

The actuarial valuation reflects a long-term perspective that involves estimates of the value of reported amounts and assumptions about the probability of events far into the future. The assumptions used in this valuation were adopted by the Board based on the July 1, 2015 through June 30, 2018 Experience Study dated April 5, 2019. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The valuation was based upon the benefits provided under the terms of the substantive plan in effect at the time of the valuation. The schedules presented in the Actuarial Section have been prepared and/or reviewed by Segal. That valuation and these schedules were completed under the supervision of Mary Kirby, FSA, MAAA, FCA. We are Members of the American Academy of Actuaries and meet the "General Qualification Standards for Statements of Actuarial Opinion" to render the actuarial opinion contained in the valuation.

Sincerely,

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

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

Mary Kirby, FSA, MAAA, FCA
Senior Vice President & Consulting Actuary

JAC/jl
Attachments

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Segal

Actuarial Cost Methods and Assumptions

An actuarial cost method allocates the present value of Members' projected benefits to their years of service. San Diego County Employees Retirement Association (SDCERA) uses the Entry Age Actuarial Cost Method to determine the Normal Cost (see Note 4 to the Basic Financial Statements) and the Actuarial Accrued Liability (AAL), which are used to determine the recommended contributions. The Entry Age Actuarial Cost Method produces individual Normal Costs as a level percentage of covered payroll over each Member's career. The Entry Age Actuarial Cost Method is considered a reasonable method under the Actuarial Standards of Practice and a model practice by the California Actuarial Advisory Panel.

Actuarial Value of Assets

The Board of Retirement (Board) adopted an asset valuation method that gradually adjusts the value of assets to market value in order to produce level and predictable plan costs from year to year. The actuarial value of assets is the market value of assets less unrecognized returns in each of the last nine semi-annual accounting periods. Unrecognized returns are the difference between the actual market return and the expected return on invested assets and are recognized semi-annually over a five-year period.

Valuation Value of Assets

The valuation value of assets is the actuarial value of assets reduced by non-valuation reserves and designations including the 401(h)- health benefits reserve, undistributed reserve, contingency reserve, supplemental benefit reserve and disability supplemental reserve.

Table 59 presents the Determination of Actuarial Valuation Value of Assets.

Table 59: Determination of Actuarial Valuation Value of Assets

For the fiscal year ended June 30, 2021

Market Value of Assets [1]					**$16,161,531,988**
Calculation of unrecognized return [2]	**Actual Return**	**Expected Return**	**Investment Gain / (Loss)**	**Percent Deferred**	**Unrecognized Amount**
June 30, 2019 Combined net deferred loss [3][4]			$ (69,322,281)	55.56%	$ (38,512,378)
Six months ended December 31, 2019	$736,715,261	$450,722,262	285,992,999	60	171,595,799
Six months ended June 30, 2020	(615,653,608)	475,178,239	(1,090,831,847)	70	(763,582,293)
Six months ended December 31, 2020	2,043,942,561	452,765,992	1,591,176,568	80	1,272,941,255
Six months ended June 30, 2021	1,246,043,509	522,960,394	723,083,115	90	650,774,804
Total unrecognized return [5]					$ 1,293,217,186
Actuarial Value of Assets					**$14,868,314,802**
Actuarial Value of Assets as a percentage of Market Value of Assets					92.0%
Non-valuation reserves and other adjustments:					
Supplemental Benefit Reserve					$ -
401(h) Reserve					35,191,196
Disability Supplemental Benefit Reserve					-
Contingency Reserve					161,615,320
Undistributed Reserve					-
Subtotal					$ 196,806,516
Valuation Value of Assets					**$14,671,508,286**

[1] The market value of assets net of non-valuation reserves is $15,964,725,472.
[2] Recognition at 10% per six month period over 5 years.
[3] Net deferred loss as of June 30, 2019 was combined and will be recognized over 4.5 years.
[4] See next page for the individual six-month periods that were combined.
[5] Deferred return of June 30, 2021 recognized in each of the next five years:
[a] Amount recognized on June 30, 2022 $286,479,216
[b] Amount recognized on June 30, 2023 286,479,216
[c] Amount recognized on June 30, 2024 294,181,691
[d] Amount recognized on June 30, 2025 353,768,752
[e] Amount recognized on June 30, 2026 72,308,312
[f] Subtotal $1,293,217,186
Source: Segal, Actuarial Valuation and Review as of June 30, 2021

Table 59 is continued on the next page.

Table 59 is continued from the previous page.

Deferred Gains and Losses combined as of June 30, 2019	Actual Return	Expected Return	Investment Gain / (Loss)	Percent Deferred	Unrecognized Amount
Calculation of unrecognized return					
Six months ended December 31, 2014	$119,504,895	$394,295,090	$(274,790,196)	- %	$ -
Six months ended June 30, 2015	109,066,220	397,349,983	(288,283,763)	10	(28,828,376)
Six months ended December 31, 2015	(191,207,912)	386,704,127	(577,912,039)	20	(115,582,408)
Six months ended June 30, 2016	240,985,994	377,344,430	(136,358,436)	30	(40,907,531)
Six months ended December 31, 2016	428,031,532	371,539,799	56,491,733	40	22,596,693
Six months ended June 30, 2017	807,091,824	385,289,150	421,802,674	50	210,901,337
Six months ended December 31, 2017	904,963,814	413,919,909	491,043,905	60	294,626,343
Six months ended June 30, 2018	(1,761,593)	446,336,489	(448,098,082)	70	(313,668,657)
Six months ended December 31, 2018	(508,675,405)	445,128,409	(953,803,815)	80	(763,043,052)
Six months ended June 30, 2019	1,163,828,252	425,402,285	738,425,967	90	664,583,370
Combined net deferred loss as of June 30, 2019					**$(69,322,281)**

Note: Results may be slightly off due to rounding.
Source: Segal, Actuarial Valuation and Review as of June 30, 2021

Amortization Policy

In accordance with Board policy, the Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2012, is amortized over separate 20-year period amortization layers based on the valuations during which each separate layer was previously established. Each UAAL layer is amortized over a "closed" amortization period so that the amortization period for each layer decreases by one year with each actuarial valuation. The UAAL is amortized as a level percentage of payroll so that the amortization amount in each year during the amortization period will be a level percentage of covered payroll, taking into consideration the current assumption for general payroll increase.

Any new UAAL layer that was added on or after June 30, 2013, as a result of assumption changes, method changes or actuarial gains or losses identified in the annual valuation, is amortized over a period of 20 years. Any new UAAL layer, as a result of plan amendments, is amortized over a period of 15 years. Finally, any new UAAL layer, as a result of Early Retirement Incentive Programs, is amortized over a period of up to 5 years.

If the AAL is overfunded, such surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 20 years as the first of a new series of amortization layers.

On September 19, 2019, the Board approved an adjustment to the remaining amortization periods for certain amortization layers in order to minimize the contribution rate volatility associated with the UAAL layers that were to be fully amortized between the fiscal year 2024 and 2030 valuations. This was accomplished by setting the amortization period for those UAAL layers to six years in the 2019 Actuarial Valuation and Review. The adjustment extended the amortization period for the 2004 UAAL amortization by one year.

Actuarial Assumptions

The contribution requirements and benefit values of the Plan are calculated by applying actuarial assumptions to the benefit provisions and member information furnished using the actuarial cost methods described previously. Benefit provisions are described in Note 1 to the Basic Financial Statements.

In accordance with Board policy, an actuarial experience study is conducted every three years to compare the Plan's actual experience to projected experience and to review the economic and demographic actuarial assumptions used to determine the Plan's liabilities. In April 2019, Segal completed a Triennial Actuarial Experience Study for the period July 1, 2015 through June 30, 2018. As a result of this Experience Study, Segal recommended assumption changes to the investment return, inflation rate, mortality and other demographic factors. The Board adopted the recommended assumption changes.

In July 2019, SDCERA retained Cheiron, another independent Actuary, to review the economic and demographic assumptions recommended in the Experience Study. Cheiron found the assumptions to be reasonable and in accordance with generally accepted actuarial principles. The economic and demographic assumptions used in Segal's Actuarial Valuation and Review as of June 30, 2021, are described on the following pages.

Economic Assumptions

Investment rate of return	7.00 percent, net of pension plan administrative and investment expenses, including inflation. The investment return assumption is the estimated average net rate of return on current and future assets of the Plan as of the valuation date. This rate is used to discount liabilities.
Member contribution crediting rate	One-half of the net investment return credited semi-annually.
Consumer Price Index (CPI) (Inflation rate)	Retiree cost-of-living adjustment (COLA) increases of 2.75 percent per year for Tier 1 and Tier A, and 2.0 percent maximum increase per year for Tier B, Tier C and Tier D. For Tier 1 and Tier A Members that have COLA banks, it is assumed that they receive 3.0 percent COLA increases until their COLA banks are exhausted, and 2.75 percent thereafter.
Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit	Increase of 2.75 percent per year from the valuation date.
Increase in compensation limit (Section 7522.10)	Increase of 2.75 percent per year from the valuation date.
Salary increases	The salary increase assumptions are increases in the salary of a Member between the date of the valuation to the date of separation from active service. The annual rate of compensation increase includes inflation at 2.75 percent, plus “across the board” salary increases of 0.50 percent per year, plus the merit and promotional increases detailed below.

Merit and Promotion Increases

Year of Service	General	Safety
Less than 1	7.25%	8.75%
1-2	5.50%	6.25%
2-3	5.00%	5.00%
3-4	4.25%	4.60%
4-5	3.00%	4.50%
5-6	2.50%	2.75%
6-7	2.00%	2.40%
7-8	1.75%	1.75%
8-9	1.50%	1.50%
9-10	1.40%	1.40%
10-11	1.30%	1.30%
11-12	1.20%	1.20%
12-13	1.10%	1.15%
13-14	1.00%	1.10%
14-15	0.95%	1.05%
15 & Over	0.90%	1.00%

Demographic Assumptions

Retirement age and benefit for Deferred Vested Members	General retirement age:	Reciprocal Members	60
		Other Members	57
	Safety retirement age:	Reciprocal Members	53
		Other Members	50
	Future deferred vested Members who terminate with less than five years of service and are not vested are assumed to retire at age 70 for both General and Safety if they decide to leave their contributions on deposit. 20% of future General and 30% of future Safety deferred vested Members are assumed to continue to work for a reciprocal employer. For reciprocals, 4.15% and 4.25% compensation increases are assumed per annum for General and Safety Members, respectively.		
Future benefit accruals	1.0 year of service per year of employment.		
Form of payment	All active and inactive Members are assumed to elect the unmodified option at retirement.		
Percent married	For all active and inactive Members, 70% of male Members and 55% of female Members are assumed to be married at pre-retirement death or retirement.		
Age and gender of spouse	For all active and inactive Members, male Members are assumed to have a female spouse who is three years younger than the Member and female Members are assumed to have a male spouse who is two years older than the Member.		
Service converted from unused sick leave	The following assumptions for service converted from unused sick leave as a percentage of service at retirement are used: General Members: 1.00% Safety Members: 1.50% Pursuant to Government Code Section 31641.02, the cost of the benefit for Tiers I, A and B Members will be charged only to employers and will not affect Member contribution rates.		

Demographic Assumptions (continued)

Post-retirement mortality rates

Healthy

- General Members and all beneficiaries: PUB-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) times 100 percent for males and 105 percent for females projected generationally with the two-dimensional mortality improvement scale MP-2018.

- Safety Members: PUB-2010 Safety Healthy Retiree Amount Weighted Above-Median Mortality Table (separate tables for males and females) times 105 percent for males and 95 percent for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

Disabled

- General Members: PUB-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) times 75 percent for males and 75 percent for females, projected generationally with the two-dimensional mortality scale MP-2018.

- Safety Members: PUB-2010 Safety Disabled Retiree Amount- Weighted Mortality Table (separate tables for males and females) times 100 percent for males and 100 percent for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

The PUB-2010 mortality tables and adjustment described above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using generational projection to reflect future mortality improvement between the measurement date and those years.

Pre-retirement mortality rates

- General Members: PUB-2010 General Employee Amount- Weighted Above-Median Mortality Table (separate for males and females) times 100 percent for males and 100 percent for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

- Safety Members: PUB-2010 Safety Employee-Amount Weighted Above-Median Mortality Table (separate for males and females) times 100 percent for males and 100 percent for females, projected generationally with the two-dimensional mortality improvement scale MP-2018.

Termination Rates

Years of Service	General	Safety
Less than 1	12.00%	7.50%
1 – 2	8.25%	5.75%
2 – 3	7.00%	4.25%
3 – 4	5.50%	3.25%
4 – 5	5.50%	3.00%
5 – 6	5.25%	2.75%
6 – 7	4.50%	2.50%
7 – 8	4.25%	2.50%
8 – 9	3.75%	2.25%
9 – 10	3.50%	2.00%
10 – 11	3.25%	1.75%
11 – 12	3.00%	1.50%
12 – 13	2.75%	1.25%
13 – 14	2.50%	1.00%
14 – 15	2.25%	0.90%
15 – 16	2.00%	0.80%
16 – 17	1.75%	0.70%
17 – 18	1.70%	0.60%
18 – 19	1.65%	0.50%
19 – 20	1.60%	0.50%
20 & over	1.50%	0.50%

The greater of a refund of Member contributions or a deferred annuity is valued when a Member terminates. No termination is assumed after a Member is first assumed to retire.

Retirement Rates – General

Age	Tier I & Tier A (Less than 30 years of service)	Tier I & Tier A (Over 30 years of service)	Tier B	Tier C	Tier D
49	-	75%	-	-	-
50	4%	10%	-	-	-
51	4%	10%	-	-	-
52	4%	10%	-	4%	3%
53	5%	10%	-	4%	3%
54	6%	14%	-	4%	3%
55	8%	16%	5%	4%	3%
56	9%	18%	6%	4.5%	4%
57	9%	20%	7%	5.5%	5%
58	9%	20%	7%	5.5%	5%
59	11%	24%	7%	5.5%	6%
60	16%	24%	9%	7%	9%
61	18%	25%	13%	10%	12%
62	20%	26%	18%	14%	15%
63	22%	27%	18%	14%	17%
64	22%	28%	18%	14%	19%
65	32%	32%	30%	26%	23%
66	35%	35%	30%	30%	26%
67	35%	35%	30%	30%	26%
68	35%	35%	30%	30%	26%
69	30%	30%	30%	30%	26%
70	30%	30%	30%	30%	30%
71	25%	25%	25%	25%	25%
72	25%	25%	25%	25%	25%
73	25%	25%	25%	25%	25%
74	25%	25%	25%	25%	25%
75 and Over	100%	100%	100%	100%	100%

Retirement Rates – Safety

Age	Tier A (Less than 30 years of service)	Tier A (More than 30 years of service)	Tier B	Tier C	Tier D
41	6.0%	-	6.0%	-	-
42	6.0%	-	6.0%	-	-
43	6.0%	-	6.0%	-	-
44	2.0%	-	2.0%	-	-
45	2.0%	-	2.0%	-	-
46	2.0%	-	2.0%	-	-
47	3.0%	-	3.0%	-	-
48	4.0%	4.0%	4.0%	-	-
49	11.0%	11.0%	4.5%	-	-
50	15.0%	37.5%	11.5%	15.0%	15.0%
51	15.0%	37.5%	11.0%	9.5%	9.5%
52	15.0%	37.5%	11.0%	10.5%	10.5%
53	15.0%	37.5%	11.0%	10.5%	10.5%
54	15.0%	37.5%	12.5%	11.0%	11.0%
55	15.0%	30.0%	19.0%	16.5%	15.0%
56	15.0%	32.0%	22.5%	20.0%	18.0%
57	15.0%	32.0%	20.0%	20.0%	18.0%
58	15.0%	32.0%	20.0%	20.0%	18.0%
59	15.0%	32.0%	20.0%	22.0%	20.0%
60	22.0%	33.0%	22.0%	22.0%	20.0%
61	25.0%	37.5%	26.0%	26.0%	26.0%
62	25.0%	37.5%	26.0%	26.0%	26.0%
63	25.0%	37.5%	26.0%	26.0%	26.0%
64	28.0%	42.0%	30.0%	30.0%	30.0%
65	50.0%	75.0%	50.0%	50.0%	50.0%
66	50.0%	75.0%	50.0%	50.0%	50.0%
67	50.0%	75.0%	50.0%	50.0%	50.0%
68	50.0%	75.0%	50.0%	50.0%	50.0%
69	50.0%	75.0%	50.0%	50.0%	50.0%
70 and Over	100.0%	100.0%	100.0%	100.0%	100.0%

Disability Rates

Age	General[1]	Safety [2]
20	0.00%	0.02%
25	0.01%	0.07%
30	0.03%	0.19%
35	0.05%	0.37%
40	0.13%	0.48%
45	0.20%	0.62%
50	0.24%	1.06%
55	0.31%	1.42%
60	0.41%	1.68%
65	0.48%	1.92%
70	0.56%	1.70%
75	0.60%	1.50%

(1) 70% of General disabilities are assumed to be service-connected disabilities and the other 30% are assumed to be non-service connected.

(2) 90% of Safety disabilities are assumed to be service-connected disabilities and the other 10% are assumed to be non-service connected.

Other Actuarial Information

Table 60 presents the Historical Summary of Actual Experience Versus Assumptions for FY 2017 through FY 2021.

Table 60: Historical Summary of Actual Experience Versus Assumptions

For the fiscal years ended June 30

Assumption	2021	2020	2019	2018	2017	3-year average	5-year average
Inflation (1)	4.1%	1.3%	2.8%	3.0%	3.3%	2.7%	2.9%
Assumed (2)						2.8%	2.9%
Average pay increase	3.7%	3.7%	3.5%	3.7%	2.5%	3.6%	3.4%
Assumed (3)						3.3%	3.4%
Merit & longevity pay increase	2.1%	2.6%	2.6%	2.7%	2.3%	2.4%	2.5%
Assumed (4)						0.9%	0.9%
Total payroll	2.3%	5.3%	5.3%	3.0%	3.8%	4.3%	3.9%
Assumed (3)						3.3%	3.4%
Investment return rate (5)	7.5%	6.7%	5.1%	7.1%	5.7%	6.4%	6.4%
Assumed (6)						7.0%	7.1%
Real rate of investment return	3.4%	5.4%	2.3%	4.1%	2.4%	3.7%	3.5%
Assumed (7)						4.3%	4.3%
Admin. expenses (% of assets)	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Assumed						0.1%	0.1%

(1) Based on Consumer Price Index for the San Diego-Carlsbad Area, All items, 1982-84=100 (formerly the San Diego County Area).

(2) Effective with the June 30, 2019 valuation, this assumption has been decreased from 3.00% to 2.75%.

(3) Effective with the June 30, 2019 valuation, this assumption has been reduced from 3.50% to 3.25%.

(4) Effective with the June 30, 2019 valuation, this assumption has been increased from 0.75% to 0.90% for General members and remained unchanged at 1.00% for Safety members.

(5) Based on actuarial value of assets, not market value or book value.

(6) Effective with the June 30, 2019 valuation, this assumption has been decreased from 7.25% to 7.00%.

(7) This assumption has remained unchanged at 4.25% since the June 30, 2016 valuation.

Source: Segal, Actuarial Certification
Letter – Pension Plan

Table 61 presents the Schedule of Funded Liabilities by Type for the Pension Plan for ten fiscal years. Liabilities for vested deferred Members are included in active Member contributions.

Table 61: Schedule of Funded Liabilities by Type – Pension Plan

For fiscal years ended June 30,
(dollars in thousands)

	Aggregate accrued liabilities for				Portion of accrued liability covered by reported assets			
Valuation Year	Active Member Contributions [1]	Liability For Retired Members	Active Members (Employer Financed Portion)	Total	Valuation Value of Assets	Active Member Contributions	Liability For Retired Members	Active Members (Employer Financed Portion)
2012	$482,861	$6,010,596	$4,449,715	$10,943,172	$8,607,483	100%	100%	47.5%
2013	551,337	6,577,083	4,502,817	11,631,237	9,186,032	100%	100%	45.7%
2014	631,296	6,885,584	4,624,269	12,141,149	9,824,431	100%	100%	49.9%
2015	758,538	7,493,615	4,827,927	13,080,080	10,535,337	100%	100%	47.3%
2016	861,198	8,360,237	5,127,655	14,349,090	11,030,635	100%	100%	35.3%
2017	1,021,169	8,787,965	5,128,738	14,937,872	11,566,926	100%	100%	34.3%
2018	1,232,177	9,563,887	4,967,173	15,763,237	12,365,656	100%	100%	31.6%
2019	1,437,562	10,322,407	5,195,143	16,955,112	12,932,244	100%	100%	22.6%
2020	1,680,369	10,946,423	5,114,427	17,741,219	13,715,875	100%	100%	21.3%
2021	1,430,161	11,449,996	5,459,766	18,339,923	14,671,508	100%	100%	32.8%

[1] Liabilities for vested deferred members are included in active member contributions.
Source: Segal, Actuarial Certification Letter - Pension Plan

Table 62 presents the Schedule of Funded Liabilities by Type for the Other Postemployment Benefits (OPEB) Plan for ten fiscal years. OPEB Actuarial Valuations were performed biennially prior to fiscal year 2016.

Table 62: Schedule of Funded Liabilities by Type – OPEB Plan

For the fiscal years ended June 30,
(dollars in thousands)

Valuation Year [1]	Active Member Contributions	Liability For Retired Participants	Liability For Non-Retired Members (Employer Financed Portion)	Total	Valuation Value of Assets	Active Member Contributions	Liability For Retired Participants	Liability For Active Members (Employer Financed Portion)
2012	$ -	$176,173	$ 9,129	$185,302	$ 5,064	0.0%	2.9%	0.0%
2014	-	162,113	7,079	169,192	4,743	0.0%	2.9%	0.0%
2016	-	152,802	6,615	159,417	7,790	0.0%	5.1%	0.0%
2017	-	147,223	6,123	153,346	10,613	0.0%	7.2%	0.0%
2018	-	136,882	5,718	142,600	14,436	0.0%	10.5%	0.0%
2019	-	128,281	4,861	133,142	19,612	0.0%	15.3%	0.0%
2020	-	119,471	4,167	123,638	24,353	0.0%	20.4%	0.0%
2021	-	107,747	3,735	111,482	35,191	0.0%	32.7%	0.0%

[1] Valuations performed biennially for 2008-2016
Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2021

In addition, plan provisions for the Health Insurance Allowance Program are summarized in Note 1 of the Financial section.

Table 63 presents the weighted-average Employer Pension Contribution Rates for ten fiscal years.

Table 63: History of Employer Pension Contribution Rates

For the fiscal years ended June 30,

		General			Safety		
Valuation Year	Effective Fiscal Year	Normal %	UAAL %	Total %	Normal %	UAAL %	Total %
2012	2014	13.04%	17.81%	30.85%	21.33%	24.59%	45.92%
2013	2015	13.31%	19.96%	33.27%	20.73%	23.34%	44.07%
2014	2016	13.34%	19.17%	32.51%	20.40%	22.44%	42.84%
2015	2017	13.31%	20.93%	34.24%	20.64%	24.21%	44.85%
2016	2018	13.56%	24.65%	38.21%	21.49%	33.12%	54.61%
2017	2019	13.12%	25.25%	38.37%	21.15%	34.27%	55.42%
2018	2020	12.72%	25.82%	38.54%	20.75%	36.36%	57.11%
2019	2021	13.25%	28.52%	41.77%	21.33%	38.76%	60.09%
2020	2022	12.69%	28.45%	41.14%	21.05%	39.92%	60.97%
2021	2023	12.29%	27.57%	39.86%	20.69%	40.67%	61.36%

Source: Segal, Actuarial Certification Letter - Pension Plan

In addition, Table 41, Schedule of Employer Contributions – Pension Plan in the Required Supplementary Information of the Financial section, reports the actuarially determined contributions and contributions made resulting from these rates.

Table 64 presents the demographic activity of retired Members and beneficiaries, added to and removed from the retiree payroll, for the Pension Plan for ten fiscal years. Annual allowances include cost-of-living adjustments granted annually on April 1.

Table 64: Retirees and Beneficiaries Added to and Removed from Retiree Payroll – Pension

For the fiscal years ended June 30,

	Added to rolls		Removed from rolls		Rolls at end of year				
Year	Number	Annual allowance [1]	Number	Annual allowance	Number	Annual allowance	% Increase in retiree allowance	Average annual allowance	Change in average benefit
2012	1,082	$51,405,845	412	$9,370,529	15,166	$497,318,040	9.2%	$32,792	4.4%
2013	1,077	44,953,478	423	10,603,202	15,820	531,668,316	6.9%	33,607	2.5%
2014	926	40,013,206	373	9,912,670	16,373	561,768,852	5.7%	34,311	2.1%
2015	1,262	49,273,532	449	11,953,676	17,186	599,088,708	6.6%	34,859	1.6%
2016	1,001	45,335,508	453	11,854,880	17,734	630,569,336	5.3%	35,557	2.0%
2017	966	47,315,942	453	12,110,822	18,247	665,774,456	5.6%	36,487	2.6%
2018	1,243	71,529,673	462	13,444,458	19,028	723,859,671	8.7%	38,042	4.3%[2]
2019	1,144	65,719,672	466	13,859,911	19,706	775,719,432	7.2%	39,365	3.5%
2020	1,078	64,905,265	488	15,013,140	20,296	825,611,577	6.4%	40,679	3.3%
2021	1,053	60,656,655	649	20,440,119	20,700	865,828,093	4.9%	41,827	2.8%

(1) Includes annual cost-of-living adjustments granted on April 1.
(2) Correction of the -3.4% reported in the FY 2019 Annual Comprehensive Financial Report.
Source: Segal, Actuarial Certification Letter - Pension Plan

Table 65 presents the demographic activity of retired Members and beneficiaries, added to and removed from retiree payroll, for the OPEB Plan for ten fiscal years. OPEB Actuarial Valuations were performed biennially prior to fiscal year 2016.

Table 65: Retirees and Beneficiaries Added to and Removed from Retiree Payroll – OPEB

For the fiscal years ended June 30,

	Added to rolls		Removed from rolls		Rolls at end of year				
Year [1]	Number	Annual allowance[2]	Number	Annual allowance	Number	Annual allowance	% Increase in retiree allowance	Average annual allowance	Change in average benefit
2012	162	$449,510	564	$2,106,672	5,555	$20,623,923	-7.4%	$ 3,713	-0.7%
2014	148	896,902	517	2,072,409	5,186	19,448,416	-5.7%	3,750	1.0%
2016	133	397,523	577	2,353,550	4,742	17,492,119	-10.1%	3,689	-1.6%
2017	117	830,210	295	1,088,060	4,564	17,234,269	-1.5%	3,776	2.4%
2018	62	174,133	294	1,165,333	4,332	16,243,069	-5.8%	3,750	-0.7%
2019	101	343,383	312	1,114,161	4,121	15,472,291	-4.7%	3,754	0.1%
2020	83	211,637	268	953,472	3,936	14,730,456	-4.8%	3,742	-0.3%
2021	46	113,541	324	1,313,291	3,658	13,530,706	-8.1%	3,699	-1.2%

[1] Valuations performed biennially for 2012-2016.
[2] Includes increases for continuing retirees who are not receiving the maximum level of monthly allowance.
Source: Segal, Actuarial Certification Letter - OPEB Plan

In addition, Table 42, Schedule of Employer Contributions – OPEB Plan in the Required Supplementary Information of the Financial section, reports the actuarially determined contributions and contributions made resulting from these rates.

Table 66 presents the Schedule of Funding Progress for the Pension Plan for ten fiscal years. The Valuation Value of Assets does not include assets for Supplemental Benefit and Health Benefit Reserves. The AAL does not include liabilities for Supplemental Benefit and Health Benefit Reserves.

Table 66: Schedule of Funding Progress – Pension Plan

For the fiscal years ended June 30,
(dollars in thousands)

Valuation Year	Value of Assets [1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (%) (a)/(b)	Projected Covered Payroll (c)	UAAL as % of Covered Payroll [(b)-(a)]/(c)
2012	$8,607,483	$10,943,172	$2,335,689	78.7%	$1,052,366	222.0%
2013	9,186,032	11,631,237	2,445,205	79.0%	1,067,792	229.0%
2014	9,824,431	12,141,149	2,316,718	80.9%	1,122,864	206.3%
2015	10,535,337	13,080,080	2,544,743	80.5%	1,163,363	218.7%
2016	11,030,635	14,349,090	3,318,455	76.9%	1,206,941	275.0%
2017	11,566,927	14,937,873	3,370,946	77.4%	1,253,222	269.0%
2018	12,365,656	15,763,237	3,397,581	78.5%	1,290,950	263.2%
2019	12,932,244	16,955,112	4,022,868	76.3%	1,359,312	296.0%
2020	13,715,875	17,741,219	4,025,344	77.3%	1,431,142	281.3%
2021	14,671,508	18,339,923	3,668,415	80.0%	1,463,345	250.7%

[1] Excludes assets for Supplemental Benefit and 401(h) Health Reserves.
[2] Excludes liabilities for Supplemental Benefit and 401(h) Health Reserves.
Source: Segal, Actuarial Valuation and Review as of June 30, 2021

Table 67 presents the Schedule of Funding Progress of the OPEB Plan. This schedule is intended to show information for the last ten years. Additional years' information will be displayed as it becomes available. Covered payroll represents payroll on which contributions to the OPEB Plan are based.

Table 67: Schedule of Funding Progress – OPEB Plan

For the fiscal years ended June 30,
(dollars in thousands)

Valuation Year	(1) Valuation Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded AAL (UAAL) (2) - (1)	Funded Ratio (1)/(2)	(4) Annual Covered Payroll	UAAL as % of Covered Payroll (3)/(4)
2014	$ 4,743	$ 169,192	$ 164,449	2.8%	$ 1,122,864	14.6%
2016	7,790	159,417	151,627	4.9%	1,206,940	12.6%
2017	10,613	153,346	142,733	6.9%	1,253,224	11.4%
2018	14,436	142,600	128,164	10.1%	1,290,950	9.9%
2019	19,612	133,142	113,530	14.7%	1,359,311	8.4%
2020	24,353	123,638	99,285	19.7%	1,431,141	6.9%
2021	35,191	111,482	76,291	31.6%	1,463,345	5.2%

Note: Biennial valuations performed prior to FY 2016.
Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2021

Table 68 presents Retirement Payroll and Average Pension Benefit for ten fiscal years.

Table 68: Retirement Payroll and Average Pension Benefit

For the fiscal years ended June 30,

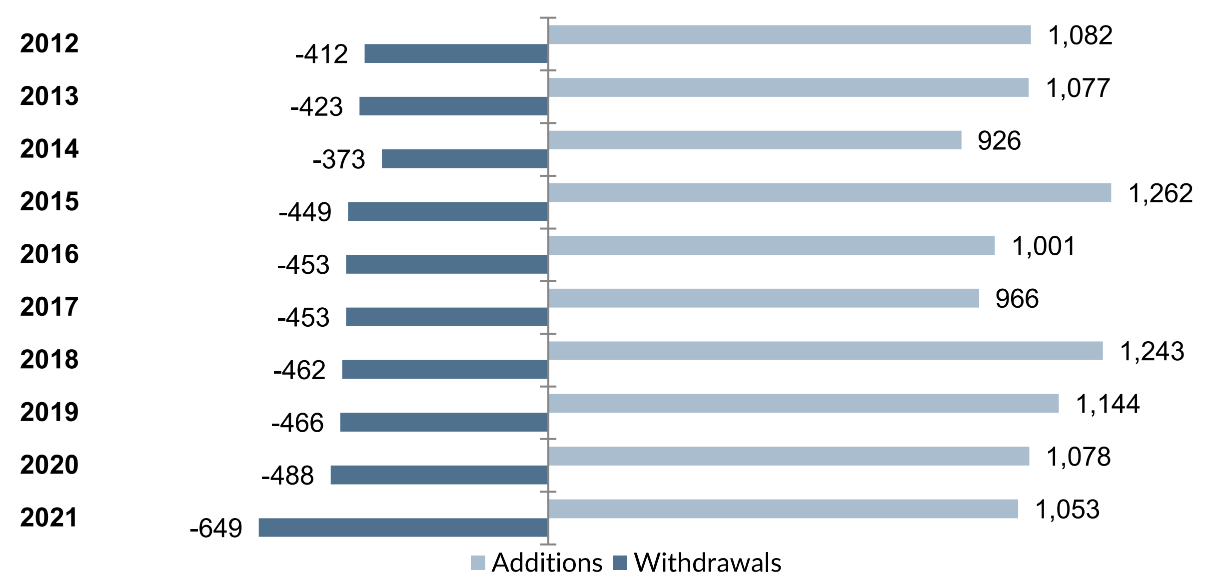
Year	Total payroll (in thousands)	Average annual benefit (in dollars)
2012	$ 497,318	$ 32,792
2013	531,668	33,607
2014	561,769	34,311
2015	599,089	34,859
2016	630,569	35,557
2017	665,774	36,487
2018	723,860	38,042
2019	775,719	39,365
2020	825,612	40,679
2021	865.828	41,827

Source: Segal, Actuarial Certification Letter - Pension Plan

Table 69 presents Membership Activity for ten fiscal years.

Table 69: Membership Activity

For the fiscal years ended June 30,



Source: Segal, Actuarial Certification Letter - Pension Plan

Table 70 presents Average Annual Salaries by Member Type for ten fiscal years.

Table 70: Average Annual Salaries by Active Member Type

For the fiscal years ended June 30,

Year	General	Safety
2012	$ 61,709	$ 73,000
2013	60,765	72,870
2014	61,313	75,866
2015	62,562	78,771
2016	64,282	82,472
2017	65,765	85,297
2018	68,372	88,192
2019	70,569	92,335
2020	73,021	97,136
2021	75,620	101,971

Source: Segal, Actuarial Certification Letter - Pension Plan

Table 71 presents the Annual Active Membership for ten fiscal years.

Table 71: Annual Active Membership

For the fiscal years ended June 30,

Year	General	Safety
2012	13,196	3,261
2013	13,470	3,421
2014	13,895	3,571
2015	14,030	3,626
2016	14,207	3,561
2017	14,418	3,576
2018	14,377	3,492
2019	14,642	3,531
2020	14,975	3,476
2021	14,896	3,304

Source: Segal, Actuarial Certification Letter - Pension Plan

Table 72 presents the Actuarial Analysis of Financial Experience for ten fiscal years.

Table 72: Actuarial Analysis of Financial Experience – Pension Plan

For the fiscal years ended June 30,
(dollars in thousands)

	2021	2020	2019	2018	2017
Prior valuation unfunded actuarial liability	$4,025,344	$4,022,868	$3,397,581	$3,370,946	$3,318,455
Salary increase greater (less) than expected	33,115	50,440	29,087	63,267	(40,360)
Smoothed asset return less (greater) than expected	(64,250)	44,836	262,197	15,393	165,322
Other experience	(325,794)	(92,800)	(100,972)	(52,025)	(72,471)
Economic and non-economic assumption changes	-	-	434,975	-	-
Ending unfunded actuarial accrued liability	**$3,668,415**	**$4,025,344**	**$4,022,868**	**$3,397,581**	**$3,370,946**

	2016	2015	2014	2013	2012
Prior valuation unfunded actuarial liability	$2,544,743	$2,316,718	$2,445,205	$2,335,689	$1,940,366
Salary increase greater (less) than expected	(46,093)	(56,977)	(35,468)	(169,406)	(196,062)
Smoothed asset return less (greater) than expected	188,601	(15,609)	(2,155)	19,304	533,655
Other experience	(140,579)	(19,783)	(90,864)	(4,136)	74,197
Economic and non-economic assumption changes	771,783	320,394	-	263,754	(16,467)
Ending unfunded actuarial accrued liability	**$3,318,455**	**$2,544,743**	**$2,316,718**	**$2,445,205**	**$2,335,689**

Source: Segal, Actuarial Certification Letter - Pension Plan

Table 73 presents the Schedule of Active Member Valuation Data for ten fiscal years.

Table 73 – Schedule of Active Member Valuation Data

For the fiscal years ended June 30,

Valuation Year	Employees	Total Payroll	% Change from Prior Year Total Payroll	Average Salary	% Change from Prior Year Average Salary
2012	16,457	$1,052,366,941	-3.50%	$63,946	-3.10%
2013	16,891	1,067,792,128	1.50%	63,217	-1.10%
2014	17,466	1,122,864,480	5.20%	64,289	1.70%
2015	17,656	1,163,362,748	3.60%	65,891	2.50%
2016	17,768	1,206,940,234	3.70%	67,928	3.10%
2017	17,994	1,253,223,398	3.80%	69,647	2.50%
2018	17,869	1,290,949,926	3.00%	72,245	3.70%
2019	18,173	1,359,311,226	5.30%	74,798	3.50%
2020	18,451	1,431,140,792	5.30%	77,564	3.70%
2021	18,200	1,463,344,878	2.30%	80,404	3.70%

Source: Segal, Actuarial Certification Letter - Pension Plan

Actuarial Audit

In accordance with Board policy, an independent review of the validity of the analyses and methodologies used in preparing SDCERA's actuarial valuation is conducted every five to seven years. Cheiron conducted an actuarial audit of Segal's Actuarial Valuation and Review as of June 30, 2018 (FY 2018 Valuation) and reviewed Segal's Actuarial Experience Study for the period July 1, 2015 to June 30, 2018. Cheiron performed a full parallel valuation, including the calculation of the projected benefits, actuarial liability and Normal Cost for all SDCERA Members, and compared the results to those shown in Segal's FY 2018 Valuation.

Cheiron's audit confirmed that the Board can rely on Segal's results, that SDCERA's actuarial methods and assumptions are in compliance with Actuarial Standards of Practice (ASOPs), the liabilities and costs computed in the FY 2018 Valuation were materially accurate and were computed in accordance with generally accepted actuarial principles, and that the communication of Actuarial Valuation results is complete and accurate.

Statistical Section

Property tax payments
Credit: Treasurer-Tax Collector's Office

Statistical Section

The Statistical section provides historical perspective and detail for a more comprehensive understanding of SDCERA's FY 2021 financial statements, note disclosures and supplementary information. Three data categories are included in this section and described herein: financial trends and expense information (Tables 74-76), demographic and economic information (Tables 77-80) and Schedule of Participating Employers (Table 81).

Financial trend and expense information by plan for the last ten fiscal years are presented in Changes in Fiduciary Net Position (Tables 74 and 75) and Pension Benefit and Refund Deductions from Net Position by Type (Table 76).

Table 74: Changes in Fiduciary Net Position – Pension Plan

For the fiscal years ended June 30
(dollars in millions)

	2021	2020	2019	2018	2017
Additions					
Employer contributions	$ 615.7	$ 568.9	$ 532.4	$ 524.5	$ 438.8
Member contributions	162.7	150.7	145.7	140.4	112.6
Net investment income	3,298.7	134.3	667.6	915.6	1,248.3
Total additions	**$4,077.1**	**$ 853.9**	**$1,345.7**	**$1,580.5**	**$1,799.7**
Deductions					
Retirement and death benefits	$ 838.5	$ 788.4	$ 738.6	$ 685.5	$ 647.1
Member refunds	6.4	5.7	5.3	4.4	3.5
Administrative expense	14.9	13.7	13.4	13.2	13.3
Total deductions	**$ 859.8**	**$ 807.8**	**$ 757.3**	**$ 703.1**	**$ 663.9**
Net change in pension plan net position	**$ 3,217.3**	**$ 46.1**	**$ 588.4**	**$ 877.4**	**$ 1,135.8**

	2016	2015	2014	2013	2012
Additions					
Employer contributions	$ 405.6	$ 414.8	$ 394.7	$ 357.9	$ 334.8
Member contributions	104.6	98.6	78.9	71.7	59.8
Net investment income	63.6	242.5	1,220.4	669.9	454.6
Total additions	**$ 573.8**	**$ 755.9**	**$1,694.0**	**$1,099.5**	**$ 849.2**
Deductions					
Retirement and death benefits	$ 625.5	$ 589.7	$ 558.0	$ 540.5	$ 496.3
Member refunds	3.6	2.6	2.8	2.8	3.4
Administrative expense	13.8	14.0	12.7	11.4	10.9
Total deductions	**$ 642.9**	**$ 606.3**	**$ 573.5**	**$ 554.7**	**$ 510.6**
Net change in pension plan net position	**$ (69.1)**	**$ 149.6**	**$1,120.5**	**$ 544.8**	**$ 338.6**

Table 75: Changes in Fiduciary Net Position – OPEB Plan

For the fiscal years ended June 30
(dollars in millions)

	2021	2020	2019	2018	2017
Additions					
Contributions	$ 18.9	$ 20.2	$ 20.3	$ 19.6	$ 21.0
Investment income, net of expense	6.2	0.5	1.0	1.0	0.2
Total additions	**$ 25.1**	**$ 20.7**	**$ 21.3**	**$ 20.6**	**$ 21.2**
Deductions					
Health benefits	$ 14.3	$ 16.0	$ 16.2	$ 16.8	$ 17.6
Administrative expense	-	-	-	-	0.8
Total deductions	**$ 14.3**	**$ 16.0**	**$ 16.2**	**$ 16.8**	**$ 18.4**
Net change in OPEB net position	**$ 10.8**	**$ 4.7**	**$ 5.2**	**$ 3.8**	**$ 2.8**

	2016	2015	2014	2013	2012
Additions					
Contributions	$ 19.7	$ 21.0	$ 20.2	$ 19.0	$ 19.2
Investment income, net of expense	-	0.1	0.5	0.3	0.2
Total additions	**$ 19.7**	**$ 21.1**	**$ 20.7**	**$ 19.3**	**$ 19.4**
Deductions					
Health benefits	$ 18.4	$ 19.3	$ 20.0	$ 20.4	$ 21.3
Administrative expense	0.1	-	-	-	0.2
Total deductions	**$ 18.5**	**$ 19.3**	**$ 20.0**	**$ 20.4**	**$ 21.5**
Net change in OPEB net position	**$ 1.2**	**$ 1.8**	**$ 0.7**	**$ (1.1)**	**$ (2.1)**

Table 76: Pension Benefit and Refund Deductions from Net Position by Type [1]

For the fiscal years ended June 30
(dollars in millions)

	2021	2020	2019	2018	2017
Type of benefit					
Age and service	$708.0	$664.4	$620.2	$574.3	$539.3
Disability - duty	60.4	59	57.5	54.4	53.5
Disability - non-duty	6.4	6.6	6.3	6.1	5.9
Death benefits	2.4	1.8	1.4	1.6	1.7
Survivors	61.4	56.7	53.1	49.1	46.6
Total	**$838.6**	**$788.5**	**$738.5**	**$685.5**	**$647.0**
Type of refund					
Separation	6.4	5.7	5.3	4.4	3.6
Total	**$ 6.4**	**$5.7**	**$5.3**	**$4.4**	**$3.6**

	2016	2015	2014	2013	2012 [2]
Type of benefit					
Age and service	$520.6	$490.1	$470.3	$456.0	$418.0
Disability - duty	51.9	49.8	49.1	48	45.1
Disability - non-duty	6.3	6.3	6.6	6.3	6.1
Death benefits	1.6	1.2	1.5	1.3	1.6
Survivors	45.0	42.3	30.5	28.9	25.5
Total	**$625.4**	**$589.7**	**$558.0**	**$540.5**	**$496.3**
Type of refund					
Separation	3.6	2.6	2.7	2.8	3.4
Total	**$3.6**	**$2.6**	**$2.7**	**$2.8**	**$3.4**

[1] Amounts include supplemental benefit allowance, if any. Such allowance was suspended effective June 30, 2018.

[2] Amounts prior to June 30, 2013 were extracted from SDCERA's June 30, 2012 Annual Comprehensive Financial Report. Effective June 30, 2013, the amounts broken down between Service Retirement, the two types of Disability Retirement and Survivors have been estimated using the membership information provided by SDCERA for the corresponding June 30 valuation.

Source: Segal, Actuarial Certification Letter - Pension Plan

Demographic and economic information are shown in the Retired Members by Type (Tables 77 and 78) and the Average Benefit Payments (Tables 79 and 80). The Retired Members by Type of Benefit details the number of retired Members receiving benefits by payment level and by type of retirement for the fiscal year. The Retired Members by Type of Benefit Option Selected provides a matrix of the payment options and beneficiary choices Members selected at their retirement, stratified by monthly payment amounts. Table 79, Average Benefit Payments for the Pension Plan, shows the number of retired Members and the average monthly benefit for the last 10 fiscal years. Table 80, Average Benefit Payments for the OPEB Plan, shows the number of retired Members and the average monthly benefit for the last 10 fiscal years.

Table 77: Retired Members by Type of Benefit

As of June 30, 2021

		Type of Retirement					
Amount of Monthly Benefit	**Number of Retirees & Beneficiaries**	**1**	**2**	**3**	**4**	**5**	**6**
$0 - $1,000	3,516	2,722	451	173	17	31	122
1,000 - 2,000	4,344	3,252	467	161	177	156	131
2,000 - 3,000	3,554	2,692	302	87	346	67	60
3,000 - 4,000	2,689	1,978	168	33	412	16	82
4,000 - 5,000	1,906	1,542	90	15	211	12	36
5,000 - 6,000	1,301	1,157	68	9	56	3	8
6,000 - 7,000	938	856	33	2	41	2	4
7,000 - 8,000	733	674	13	-	42	-	4
8,000 - 9,000	544	505	6	1	31	-	1
9,000 - 10,000	376	355	5	1	15	-	-
Over 10,000	799	762	4	-	29	1	3
Total	**20,700**	**16,495**	**1,607**	**482**	**1,377**	**288**	**451**

Type of Retirement:
1 - Normal/Early Retirement for age and service
2 - Beneficiary Payment - Surviving Spouse
3 - Beneficiary Payment - Non-Spouse Survivor
4 - Service Connected Disability Retirement
5 - Non-service Connected Disability Retirement
6 - Beneficiary Payment - Disability
Note: The amounts in the table reflect the number of benefits paid. Some payees receive multiple benefits, i.e., retiree and surviving spouse.
Source: Segal, Actuarial Certification Letter - Pension Plan

Table 78: Retired Members by Type of Benefit Option Selected

As of June 30, 2021

		Option Selected [1]						
Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Unmodified	1	2	3	4	Death - Minor Child Supplement	Lump-Sum Installment
$0 - $1,000	3,516	3,276	57	173	3	4	1	2
1,000 - 2,000	4,344	4,118	62	147	3	9	-	5
2,000 - 3,000	3,554	3,407	38	98	4	7	-	-
3,000 - 4,000	2,689	2,597	35	46	1	9	-	1
4,000 - 5,000	1,906	1,835	27	39	-	4	-	1
5,000 - 6,000	1,301	1,234	20	33	2	12	-	-
6,000 - 7,000	938	910	8	18	-	2	-	-
7,000 - 8,000	733	711	8	13	-	1	-	-
8,000 - 9,000	544	526	3	12	1	2	-	-
9,000 - 10,000	376	368	3	4	1	-	-	-
Over 10,000	799	780	5	13	-	1	-	-
Total	**20,700**	**19,762**	**266**	**596**	**15**	**51**	**1**	**9**

[1] **Option Selected:**
Unmodified - Beneficiary receives 60 percent continuance. (100 percent continuance for duty disability).
The following options reduce the retired member's monthly benefit:
Option 1 - Beneficiary receives lump sum of member's unused contributions.
Option 2 - Beneficiary receives 100 percent of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50 percent of member's reduced monthly benefit.
Option 4 – Other percentage of member’s reduced monthly benefit or split account paid to ex-spouse of member.
Death-Minor Child Supplement - Paid to minor child of deceased member with no surviving spouse.
Lump sum installment - Death benefit paid in installments.

Source: Segal, Actuarial Certification Letter - Pension Plan

Table 79: Average Benefit Payments – Pension Plan

For the fiscal years ended June 30

Effective Year of Retirement	Years of Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30+
2012							
Average annual benefit	$12,316	$12,473	$21,098	$32,172	$48,805	$62,542	$80,469
Average monthly benefit	$1,026	$1,039	$1,758	$2,681	$4,067	$5,212	$6,706
Average final monthly salary	$9,243	$4,920	$5,066	$5,123	$6,137	$6,409	$6,856
Number of retired members	35	132	234	139	198	108	120
2013							
Average annual benefit	$9,841	$12,071	$20,662	$32,694	$50,152	$66,810	$82,334
Average monthly benefit	$820	$1,006	$1,722	$2,725	$4,179	$5,568	$6,861
Average final monthly salary	$7,418	$4,639	$5,046	$5,498	$6,413	$7,028	$7,099
Number of retired members	46	155	252	141	160	121	84
2014							
Average annual benefit	$8,743	$10,779	$21,114	$34,509	$43,163	$66,107	$77,237
Average monthly benefit	$729	$898	$1,759	$2,876	$3,597	$5,509	$6,436
Average final monthly salary	$5,972	$4,439	$4,985	$5,721	$5,650	$6,922	$6,760
Number of retired members	40	127	207	107	122	115	78
2015							
Average annual benefit	$15,796	$12,134	$22,655	$36,351	$48,394	$67,321	$80,473
Average monthly benefit	$1,316	$1,011	$1,888	$3,029	$4,033	$5,610	$6,706
Average final monthly salary	$7,434	$5,024	$5,477	$6,025	$6,538	$6,784	$7,284
Number of retired members	36	139	182	134	112	154	92
2016							
Average annual benefit	$7,845	$12,054	$21,110	$35,637	$43,210	$62,040	$78,949
Average monthly benefit	$654	$1,005	$1,759	$2,970	$3,601	$5,170	$6,579
Average final monthly salary	$7,067	$5,076	$5,238	$5,984	$5,865	$6,538	$7,000
Number of retired members	26	133	163	162	124	136	97
2017							
Average annual benefit	$6,215	$13,432	$22,049	$32,922	$47,252	$70,354	$82,145
Average monthly benefit	$518	$1,119	$1,837	$2,743	$3,938	$5,863	$6,845
Average final monthly salary	$7,829	$5,149	$5,272	$5,722	$6,280	$7,302	$7,205
Number of retired members	32	108	168	161	100	151	77
2018							
Average annual benefit	$6,663	$12,952	$25,013	$33,719	$53,899	$76,916	$92,397
Average monthly benefit	$555	$1,079	$2,084	$2,810	$4,492	$6,410	$7,700
Average final monthly salary	$8,190	$5,155	$6,043	$5,698	$6,757	$7,785	$8,038
Number of retired members	35	138	182	198	138	195	153
2019							
Average annual benefit	$6,620	$11,540	$24,507	$36,045	$53,362	$71,859	$88,679
Average monthly benefit	$552	$962	$2,042	$3,004	$4,447	$5,988	$7,390
Average final monthly salary	$8,656	$4,975	$5,681	$5,962	$6,852	$7,382	$7,817
Number of retired members	46	151	157	154	139	156	131
2020							
Average annual benefit	$6,232	$11,948	$27,258	$37,082	$54,331	$74,570	$87,505
Average monthly benefit	$519	$996	$2,271	$3,090	$4,528	$6,214	$7,292
Average final monthly salary	$6,942	$5,498	$6,528	$6,215	$6,993	$7,760	$7,815
Number of retired members	59	130	122	147	163	136	133
2021							
Average annual benefit	$6,831	$13,456	$29,839	$40,632	$57,242	$84,191	$96,432
Average monthly benefit	$569	$1,121	$2,487	$3,386	$4,770	$7,016	$8,036
Average final monthly salary	$7,552	$6,126	$6,815	$6,898	$7,532	$8,838	$8,471
Number of retired members	45	129	124	133	160	139	133

Source: Segal, Actuarial Certification Letter - Pension Plan

Table 80: Average Benefit Payments – OPEB Plan

For the fiscal years ended June 30

	Health Insurance Reimbursement	Medical Reimbursement	Medicare Part B Reimbursement
2012 [(1)]			
Average monthly benefit	$196	$243	$93
Number of retired members	1,148	4,331	4,657
2014 [(1)]			
Average monthly benefit	$196	$243	$93
Number of retired members	1,148	4,331	4,657
2016			
Average monthly benefit	$197	$265	$94
Number of retired members	918	3,375	4,050
2017			
Average monthly benefit	$214	$245	$94
Number of retired members	931	3,512	4,005
2018			
Average monthly benefit	$213	$242	$94
Number of retired members	912	3,318	3,798
2019			
Average monthly benefit	$217	$241	$94
Number of retired members	880	3,142	3,624
2020			
Average monthly benefit	$229	$239	$94
Number of retired members	819	2,977	3,492
2021			
Average monthly benefit	$221	$239	$94
Number of retired members	744	2,740	3,277

[(1)] Biennial valuations performed prior to FY 2016

Source: Segal, Actuarial Certification Letter – OPEB Plan

Membership information, including the number of covered Members by employer for the last ten fiscal years, is shown on Table 81, the Schedule of Participating Employers.

Table 81: Schedule of Participating Employers

For the fiscal years ended June 30

	Total	County of San Diego	Superior Court	Air Pollution Control District [1]	San Dieguito River Valley Joint Powers Authority	Local Agency Formation Commission	San Diego County Office of Education
2012							
Number of covered employees	36,662	34,882	1,740	-	18	13	9
Percentage to total system	100%	95.14%	4.75%	-	0.05%	0.04%	0.02%
Rank		1	2	-	3	4	5
2013							
Number of covered employees	37,711	36,017	1,653	-	19	13	9
Percentage to total system	100%	95.51%	4.38%	-	0.05%	0.03%	0.02%
Rank		1	2	-	3	4	5
2014							
Number of covered employees	38,930	36,435	2,444	-	25	13	13
Percentage to total system	100%	93.59%	6.28%	-	0.07%	0.03%	0.03%
Rank		1	2	-	3	4	5
2015							
Number of covered employees	40,116	37,513	2,552	-	26	14	11
Percentage to total system	100%	93.52%	6.36%	-	0.06%	0.03%	0.03%
Rank		1	2	-	3	4	5
2016							
Number of covered employees	40,915	38,403	2,461	-	25	15	11
Percentage to total system	100%	93.86%	6.01%	-	0.06%	0.04%	0.03%
Rank		1	2	-	3	4	5
2017							
Number of covered employees	41,900	39,316	2,534	-	26	13	11
Percentage to total system	100%	93.83%	6.05%	-	0.06%	0.03%	0.03%
Rank		1	2	-	3	4	5
2018							
Number of covered employees	42,825	40,218	2,557	-	25	15	10
Percentage to total system	100%	93.91%	5.97%	-	0.06%	0.04%	0.02%
Rank		1	2	-	3	4	5
2019							
Number of covered employees	44,030	41,301	2,676	-	26	17	10
Percentage to total system	100%	93.80%	6.08%	-	0.06%	0.04%	0.02%
Rank		1	2	-	3	4	5
2020							
Number of covered employees	45,157	42,338	2,764	-	28	17	10
Percentage to total system	100%	93.76%	6.12%	-	0.06%	0.04%	0.02%
Rank		1	2	-	3	4	5
2021							
Number of covered employees	45,704	42,502	2,839	305	30	18	10
Percentage to total system	100%	92.99%	6.21%	0.67%	0.07%	0.04%	0.02%
Rank		1	2	3	4	5	6

[1] Effective March 1, 2021, the San Diego Air Pollution Control District separated from the County for financial reporting purposes only.

Source: Segal, Actuarial Certification Letter - Pension Plan

SDCERA

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