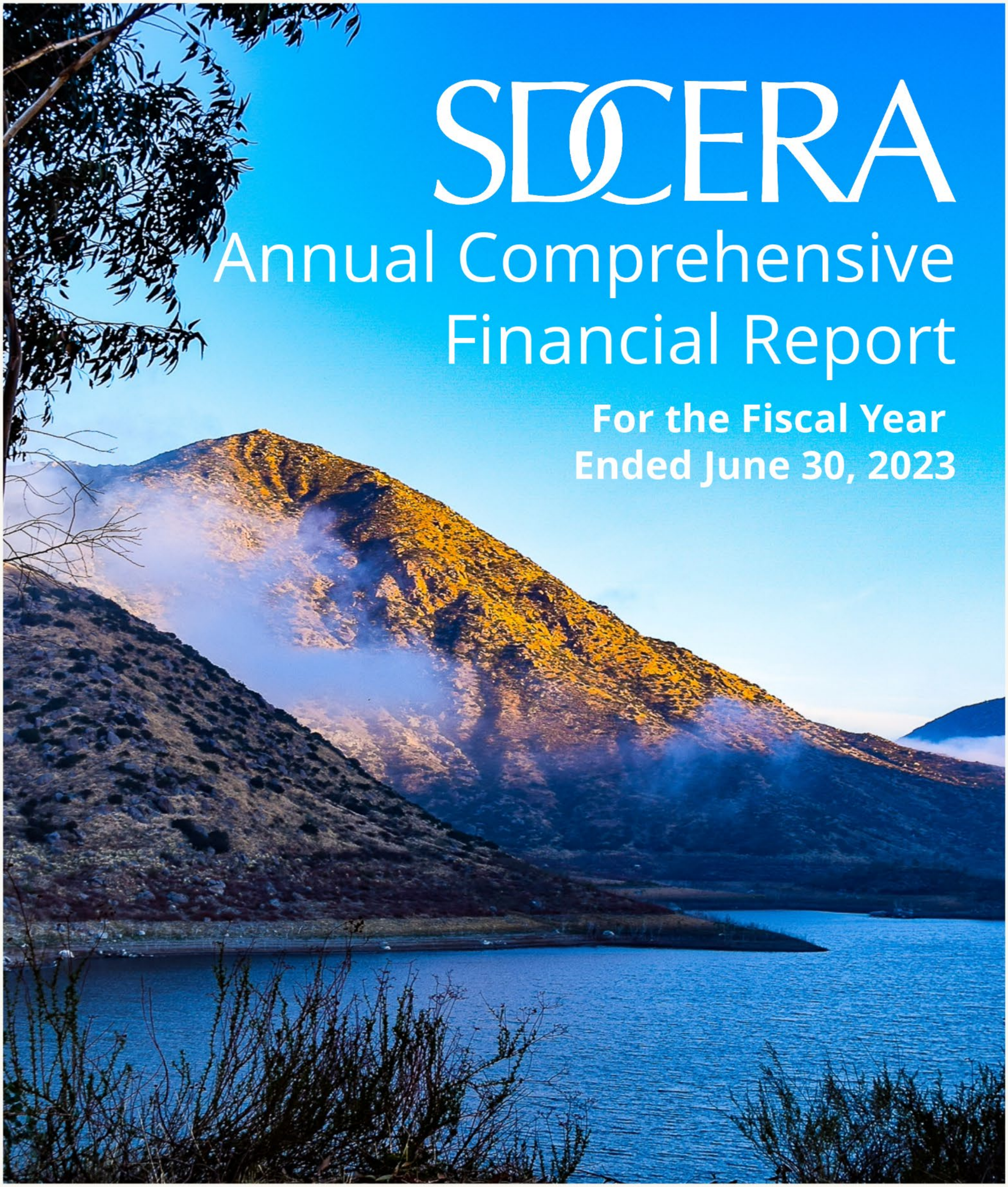

SDCERA

Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2023

San Diego County Employees Retirement Association

A Component Unit of the County of San Diego, CA

2023

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023

San Diego County Employees Retirement Association

A Component Unit of the County of San Diego, CA

Issued by:

Tracy Sandoval

Chief Executive Officer

Michael T. Pattison

Director of Finance

Prepared by: The Finance Department of the San Diego County Employees Retirement Association

SDCERA

Table of Contents

Table of Contents (continued)

Actuarial Section

Statistical Section

Table of Contents (continued)

Introductory Section

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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, 2023 (FY 2023). 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, 2023, and includes information from the current actuarial valuation as of June 30, 2023.

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 Accountancy Corporation has audited the accompanying basic financial statements and related disclosures and has issued an unmodified ("clean") opinion 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 49,000 Members (or their beneficiaries) who are active, retired, or former employees of the County or of any of the Participating Employers: The San Diego Local Agency Formation Commission, the San Dieguito River Park Joint Powers Authority, the San Diego County Office of Education, 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.

Continued Evolution in a Changing Environment

SDCERA's work revolves around its fiduciary responsibility to accurately and promptly pay benefits to our Members and their beneficiaries. Effective coordination and communication with the Plan Sponsor, Participating Employers, and Members is essential to ensure SDCERA maintains and regularly updates records on over 19,000 Active Members, 8,300 Deferred Members, and over 21,800 Retired Members and their beneficiaries, who are spread over all 50 U.S. states, two territories, and 21 countries. SDCERA set an ambitious business plan for FY 2023, completing several significant accomplishments focused on enhancing service to Members.

Enhancing Service Delivery

SDCERA enhanced the functionality of its new Member Portal platform, an online tool available to Members, allowing them access to their specific retirement information. The initial functionality established during FY 2022 provided Retired Members online access to their 1099-R forms and monthly earnings statements. During FY 2023, SDCERA expanded functionality to our Active and Deferred Members, providing real-time information including their current contributions, tier classification, vesting status, service credit, final average compensation, and retirement estimates based on minimum and maximum ages.

Additionally, SDCERA launched a new website with an easy-to-use content management system, search capability, improved navigation, and a design that aligns with modern standards.

SDCERA completed several significant improvements in the administration of SDCERA-sponsored retiree health and dental plans and the Health Insurance Allowance (HIA) Reimbursement program. Effective January 1, SDCERA closed its dental insurance plans and transitioned most participating Members to comparable plans of SDCERA's recognized retired employees organization, the Retired Employees of San Diego County (RESDC). Additionally, SDCERA closed its health insurance plans to new enrollees, and assumed the administration of the plans back in-house to provide better service and shift our focus to educating Members about comparable, but less expensive options. SDCERA also transitioned the HIA Reimbursement program to a new administrator, ASIFlex.

Strength in Leadership

The leadership team welcomed a few new faces during the fiscal year. Ernest Solomon became the new Information Technology Director in February 2023. SDCERA also welcomed new Board members with the Board of Supervisors' appointment of Trustee Michelle Diaz Agha in September 2022, the safety Members re-election of Trustee David Gilmore in November 2022, and the retired Members re-election of Trustees Skip Murphy and Susan Mallet (Alternate) in May 2023.

Investments

SDCERA's FY 2023 investment return was 9.6%, and Trust Fund assets totaled $15.8 billion as of June 30, 2023. SDCERA's three-year investment return was 7.5%, the five-year return was 5.8%, and the 10-year return was 6.5% as of June 30, 2023. 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 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, 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 2023 Actuarial Valuation and Review (Valuation) that establishes the funding requirements and contributions by Members, Plan Sponsors, and Participating Employers for FY 2025. In FY 2023, all actuarially determined contributions were paid, including an additional voluntary payment of $8.8 million made by the County of San Diego, the plan sponsor. Data from the Valuation and Segal's certification letter are included in the Actuarial section.

As required by Board policy, Segal conducted its triennial experience study in May 2022 to compare the actual experience with that expected under the current actuarial assumptions during the three-year experience period from July 1, 2018, through June 30, 2021. As a result of their study, Segal recommended, and the Board adopted several changes to both economic and demographic assumptions. These changes included a reduction in the inflation assumption from 2.75% to 2.5%, a reduction in the investment return assumption from 7.0% to 6.5%, as well as other adjustments to demographic assumptions, including rates of retirement, mortality, and disability. The impact of these assumption changes was incorporated in the FY 2022 and FY 2023 Valuations.

As of June 30, 2023, the Valuation Value of Assets was $16.5 billion, and the Total Actuarial Accrued Liability was $21.6 billion. The difference between the Valuation Value of Assets and the Actuarial Accrued Liability is the plan's Unfunded Actuarial Accrued Liability (UAAL) on a Valuation Value of Assets basis. SDCERA's FY 2023 UAAL is $5.1 billion, an increase from the FY 2022 UAAL of $4.8 billion. A year-to-year change in the UAAL reflects accrued normal pension costs, employer and member contributions, interest, assumption changes, the difference between actual and expected investment returns, contributions, salary increases, and cost-of-living payments.

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 as of June 30, 2023, was 76.4%, a slight decrease from 76.7% as of June 30, 2022.

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. SDCERA's internal audit function is led by 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

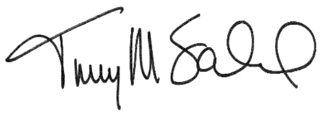
For the 27th consecutive year, the Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SDCERA for its ACFR for the fiscal year ended June 30, 2022. To be awarded a Certificate of Achievement, a government 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 2022 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 2023 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

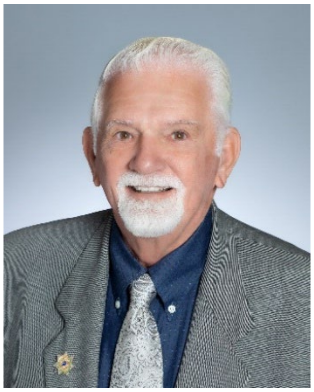
The preparation of this report would not have been possible without the skill, effort, and dedication of the entire SDCERA Finance team. I would also like to express my gratitude to the SDCERA board and staff, as well as our professional service partners, who work diligently each day to ensure excellent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



Tracy M. Sandoval
Chief Executive Officer
November 3, 2023

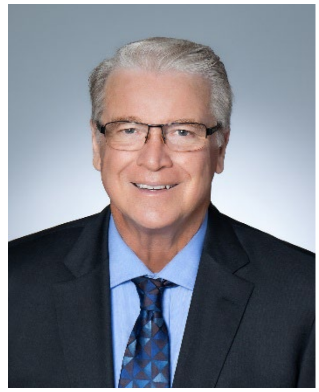
Board of Retirement

AS OF JUNE 30, 2023



SKIP MURPHY
CHAIR
ELECTED BY SDCERA RETIRED MEMBERS
TERM EXPIRES JUNE 30, 2026

DAVID GILMORE
VICE CHAIR
ELECTED BY SDCERA SAFETY MEMBERS
TERM EXPIRES DEC. 31, 2025

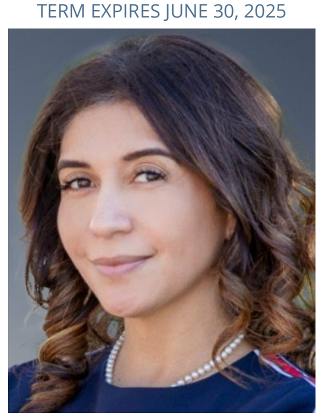


BOB GOODCHILD
SECRETARY
ELECTED BY SDCERA GENERAL MEMBERS
TERM EXPIRES JUNE 30, 2025

DAN MCALLISTER
COUNTY TREASURER-TAX COLLECTOR
HOLDS OFFICE DURING INCUMBENCY

LISA RHONE
ELECTED BY SDCERA GENERAL MEMBERS
TERM EXPIRED JUNE 30, 2023

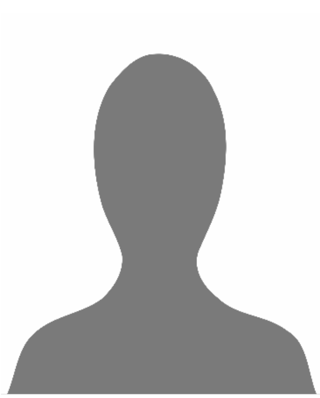
PAUL DOSTART
APPOINTED BY COUNTY SUPERVISORS
TERM EXPIRES JUNE 30, 2024



MICHELLE DIAZ AGHA
APPOINTED BY COUNTY SUPERVISORS
TERM EXPIRES JUNE 30, 2025

NATASHA WONG
APPOINTED BY COUNTY SUPERVISORS
TERM EXPIRES DEC. 31, 2023

TOM HEBRANK
APPOINTED BY COUNTY SUPERVISORS
TERM EXPIRED JUNE 30, 2023

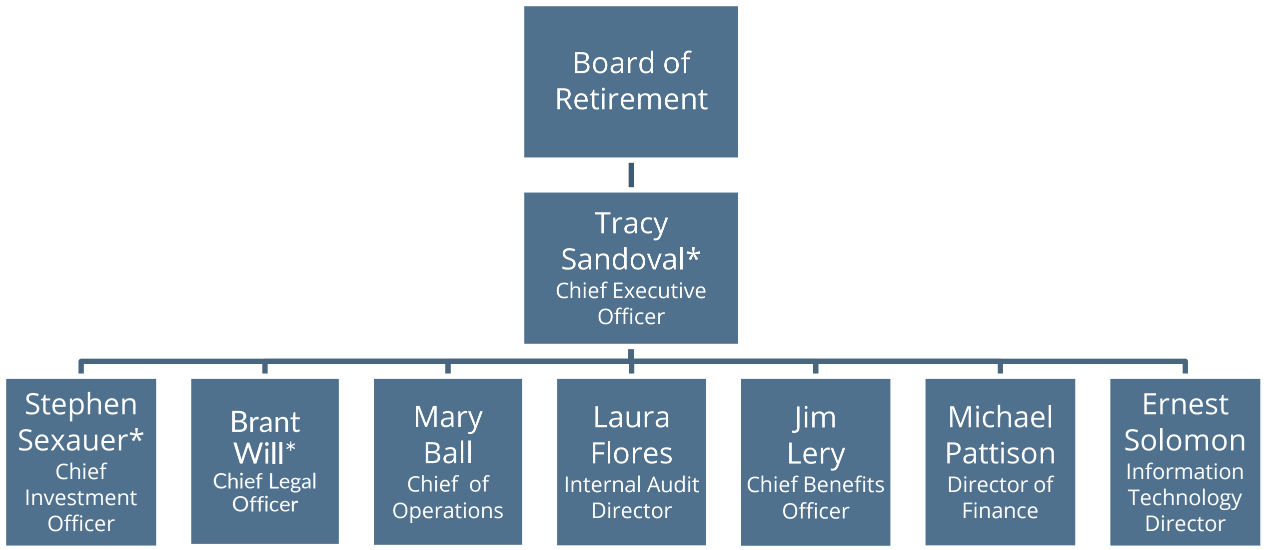


VACANT
ALTERNATE BOARD MEMBER
ELECTED BY SDCERA SAFETY MEMBERS

SUSAN MALLETT
ALTERNATE BOARD MEMBER
ELECTED BY SDCERA RETIRED MEMBERS
TERM EXPIRES JUNE 30, 2026

Organization Chart

AS OF JUNE 30, 2023



*Appointed by the Board of Retirement

Consultants

AS OF JUNE 30, 2023

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

RETIREE HEALTH INSURANCE PROGRAM
Cheiron
201 Lomas Santa Fe, Suite 400
Solana Beach, CA 92075

INVESTMENTS
Albourne America, LLC
50 Danbury Road
Wilton, CT 06897

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

SDCERA FY 2023 domestic and international commissions, investment fees paid and list of investment managers are set out in the Investments section on pages 82, 83 and 84, respectively.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Diego County Employees Retirement Association California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2023

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

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Financial Section

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 Audit of the Financial Statements

Opinions

We have audited the accompanying Statement of Fiduciary Net Position of the San Diego County Employees Retirement Association (SDCERA), a pension trust fund and component unit of the County of San Diego, as of June 30, 2023, the related Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the financial statements, which collectively comprise SDCERA's basic financial statements as listed in the table of cSontents.

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, 2023, and the changes in fiduciary net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SDCERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

BAKERSFIELD
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 95207
209-451-4833

Management is also responsible for maintaining a current plan instrument, including all SDCERA plan amendments; administering SDCERA; and determining that SDCERA's transactions that are presented and disclosed in the financial statements are in conformity with SDCERA's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SDCERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDCERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a 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 MD&A and RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SDCERA's basic financial statements. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplemental information, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory, investment, actuarial, and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited SDCERA's June 30, 2022 financial statement, and our report dated November 9, 2022, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of June 30, 2022, is consistent in all material respects, with the audited financial statements for which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2023, 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 agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
November 3, 2023

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 the Plan) for the fiscal year ended June 30, 2023.

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, and the Superior Court of California - County of San Diego.

SDCERA's fiscal year (FY) 2023 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 2023 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, 2023, with comparative totals as of June 30, 2022.

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, 2023, with FY 2022 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 3, 2023

Plan Financial Highlights

- The Plan's Fiduciary Net Position, which represents funds restricted for current and future benefits, was $15.8 billion at the end of FY 2023, an increase of $1.3 billion or 8.8% from the prior fiscal year.
- Total Additions to Plan Net Position were $2.3 billion, including net investment gains of $1.4 billion, employer pension and Other Postemployment Benefit (OPEB) contributions of $687.1 million and Member contributions of $171.0 million. FY 2023 total additions were $3.0 billion more than FY 2022 primarily due to investment gains.
- Employer and Member contributions to the Plan increased by $43.0 million, or 5.3%, from FY 2022. Employer pension and OPEB contributions increased from $650.9 million to $687.1 million. Member pension contributions increased from $164.1 million to $171.0 million.
- Total deductions from Fiduciary Net Position were $989.6 million, an increase of $63.4 million, or 6.8% from FY 2022. Retirement and death benefits increased $63.9 million due to an increase of 384 retired Members and beneficiaries and the cost-of-living adjustment (COLA) applied 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, 2021, Triennial Experience Study that became effective with the June 30, 2022, 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 76.4% as of June 30, 2023. Pursuant to GASB Statement No. 67 reporting requirement, the Plan's Fiduciary Net Position as a percentage of the Total Pension Liability was 74.0%.
- SDCERA's Unfunded Actuarial Accrued Liability (UAAL) increased by $338.2 million from $4.8 billion to $5.1 billion as of June 30, 2023, and is attributable to individual salary increases greater than expected for active members, investment return (after smoothing) less than the 6.50% assumed rate, COLA increases greater than expected for retirees and beneficiaries, and actual contributions less than expected due to the scheduled one-year delay in implementing contributions rates determined in the last valuation.
- SDCERA's FY 2023 time-weighted net investment return was 9.6% compared to (9.4)% in FY 2022. For the three, five and ten-year periods ended June 30, 2023, SDCERA's net investment returns were 7.5%, 5.8% and 6.5%, respectively. Annual investment returns for each of the last ten years can be found in the Investment section.
- Total Investment Expense in FY 2023 was $32.0 million, a decrease of $32.6 million, or 50.5% from FY 2022 expenses of $64.6 million, due primarily to the decrease in performance-based investment management fees.

Plan Financial Analysis

As of June 30, 2023, SDCERA's Fiduciary Net Position was $15.8 billion, an increase of $1.3 billion, or 8.8% from FY 2022. For FY 2023, SDCERA's portfolio investment performance was up 9.6%, net of fees. The Plan's Fiduciary Net Position increased by $858.1 million in employer and Member contributions combined with investment gains of $1.4 billion. These increases were offset by benefit payments and refunds of $970.7 million, and administrative expenses of $18.9 million. Table 1 presents the Plan's Fiduciary Net Position as of June 30, 2023 and 2022.

Table 1: Fiduciary Net Position

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

			Increase/(Decrease)	
	2023	2022	Amount	% Change
Cash, cash equivalents and collateral cash	$ 2,392,247	$ 2,342,018	$ 50,229	2.1%
Securities lending cash collateral	97,302	71,341	25,961	36.4%
Receivables	1,141,144	1,404,567	(263,423)	(18.8%)
Investments	13,600,662	12,273,132	1,327,530	10.8%
Property, plant and equipment	3,496	3,872	(376)	(9.7%)
Total assets	**$17,234,851**	**$16,094,930**	**$ 1,139,921**	**7.1%**
Collateral payable for securities lending	$ 97,324	$ 71,364	$ 25,960	36.4%
Investments purchased	1,259,744	1,432,374	(172,630)	(12.1%)
Other	58,493	50,855	7,638	15.0%
Total liabilities	**$ 1,415,561**	**$ 1,554,593**	**$ (139,032)**	**(8.9%)**
Fiduciary net position	**$15,819,290**	**$14,540,337**	**$ 1,278,953**	**8.8%**

For the year ended June 30, 2023, the increase in investments of $1.3 billion was due to market gains in the current year as investments reported gains of 9.6% net of fees. The decrease in receivables of $263.4 million and the investments purchased liability of $172.6 million were due to the timing of settlement of pending investment activity for investments sold and purchased at fiscal year-end.

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)

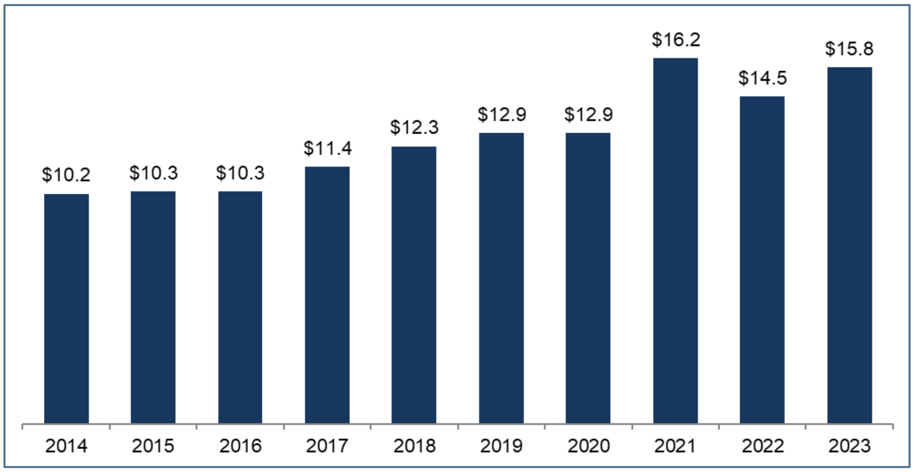


Table 3 presents the Plan's Changes in Fiduciary Net Position for FY 2023 and FY 2022.

Table 3: Changes in Fiduciary Net Position

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

			Increase/ (Decrease)	
	2023	2022	Amount	% Change
Additions				
Employer pension contributions	$ 669,031	$ 632,595	$ 36,436	5.8%
Employer OPEB contributions	18,054	18,381	(327)	(1.8%)
Member pension contributions	171,018	164,089	6,929	4.2%
Net investment income (loss)	1,408,683	(1,510,810)	2,919,493	(193.2%)
Net securities lending income	1,803	781	1,022	130.9%
Total additions	**$ 2,268,589**	**$ (694,964)**	**$ 2,963,553**	**(426.4%)**
Deductions				
Retirement and death benefits	$ 953,169	$ 889,295	$ 63,874	7.2%
Health benefits	10,097	12,840	(2,743)	(21.4%)
Refund of contributions	7,478	7,659	(181)	(2.4%)
Administrative expenses	18,892	16,437	2,455	14.9%
Total deductions	**$ 989,636**	**$ 926,231**	**$ 63,405**	**6.8%**
Net increase/(decrease) in fiduciary net position	**$ 1,278,953**	**$ (1,621,195)**	**$ 2,900,148**	**(178.9%)**
Fiduciary net position at beginning of year	14,540,337	16,161,532	(1,621,195)	(10.0%)
Fiduciary net position at end of year	**$ 15,819,290**	**$ 14,540,337**	**$ 1,278,953**	**8.8%**

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 totaled $2.3 billion for FY 2023, representing an increase of $3.0 billion from FY 2022.

Employer and Member pension contributions totaled $858.1 million in FY 2023, an increase of $43.0 million from FY 2022. Segal's recommended average FY 2023 employer contribution rate was 44.8% of payroll compared to 45.8% in FY 2022; the recommended average Member contribution rate for FY 2023 was 11.6% compared to 11.8% for FY 2022.

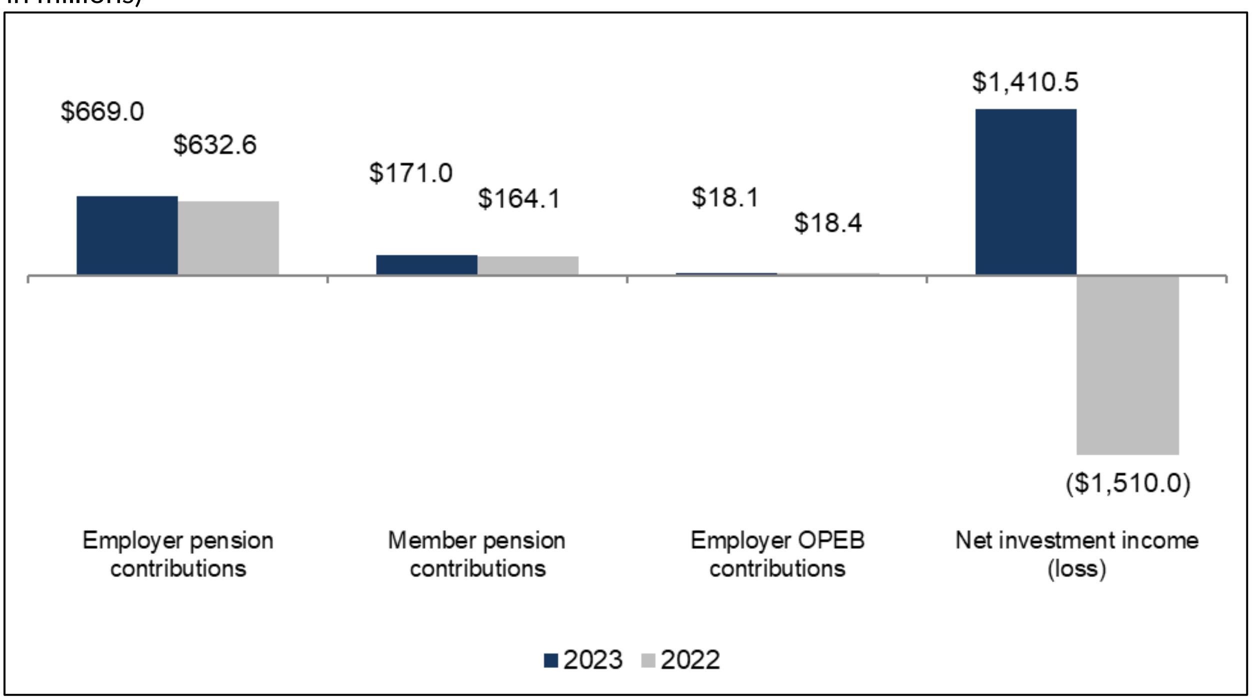
Employer Other Postemployment Benefits Plan (OPEB Plan) contributions totaled $18.1 million in FY 2023, a decrease of approximately $326.4 thousand from FY 2022. OPEB Plan contributions totaled $18.4 million in FY 2022, a decrease of approximately $477.7 thousand from FY 2021.

Net Investment Income (Loss) including securities lending totaled $1.4 billion in FY 2023, an increase of $3.3 billion from FY 2022. FY 2023's investment return was 9.6%, net of fees. Net investment income included net market appreciation in the fair value of investments of $904.6 million; interest income of $337.1 million; income from dividends, real estate, private equity and private real assets of $199.0 million; and income from net securities lending of $1.8 million, offset by $32.0 million in investment expenses.

Table 4 presents the Plan's Additions to Fiduciary Net Position for FY 2023 and FY 2022.

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 51 in the Investment section.

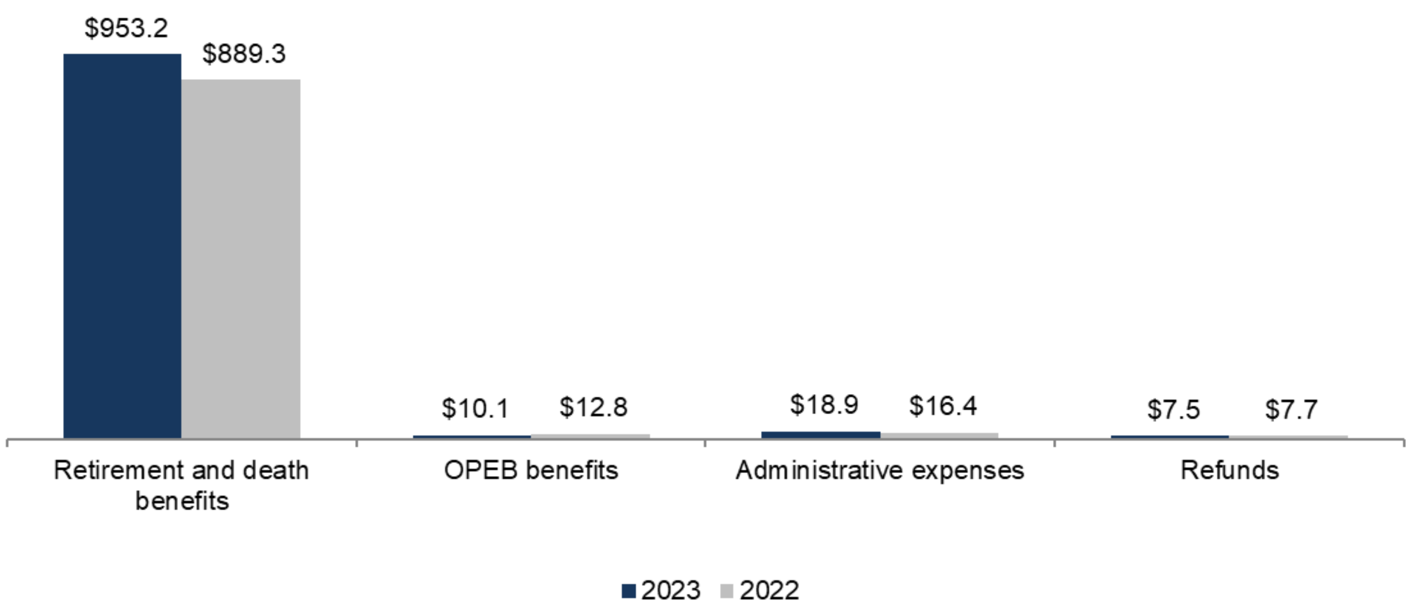
Deductions From Plan Fiduciary Net Position

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 expenses. In FY 2023, these deductions totaled $989.6 million, an increase of 6.8% from $926.2 million in FY 2022. The increase was primarily due to the increase in the number of retired Members and the cost-of-living adjustments applied to retired Members' monthly benefit payments.

Table 5 presents SDCERA's Deductions from Fiduciary Net Position for FY 2023 and FY 2022.

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, 2023, and 2022. Total Membership as of June 30, 2023, was 49,310, an increase of 2,093 Members or 4.4% compared to Membership as of June 30, 2022.

Table 6: Membership Summary

As of June 30, 2023, and June 30, 2022

Category	2023	2022	Change
Active Members	19,098	18,138	960
Deferred Members	8,337	7,588	749
Retired Members and Beneficiaries	21,875	21,491	384
Total Membership	**49,310**	**47,217**	**2,093**

Administrative Expenses

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 2023, administrative expenses totaled $18.9 million compared to $16.4 million in FY 2022, an increase of $2.5 million due to increased investment in both SDCERA's staffing levels and in information technology infrastructure as part of SDCERA's FY 2023 Strategic Plan.

The CERL requires administrative expenses, excluding investment-related costs and expenditures for computer, hardware, software and technology services to not exceed 0.21% of SDCERA's Actuarial Accrued Liability. SDCERA's FY 2023 administrative expenses subject to this limit were $13.7 million, or 0.075% of the Actuarial Accrued Liability, which is in compliance with CERL. More information regarding SDCERA's compliance with the CERL statutory limitation for administrative expenses 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, 2023. 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, 2023, the Plan's Actuarial Accrued Liability (AAL) was $21.6 billion compared to the Valuation Value of Assets (VVA) of $16.5 billion resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $5.1 billion. The UAAL increase of $338.2 million from the prior year is primarily attributable to the individual salary increases greater than expected for active members, investment return (after smoothing) less than the 6.50% assumed rate, COLA increases greater than expected for retirees and beneficiaries, and actual contributions less than expected due to the scheduled one-year delay in implementing contributions rates determined in the last valuation..

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 $21.3 billion compared to a Fiduciary Plan Net Position of $15.8 billion, resulting in the employers' Net Pension Liability of $5.5 billion. The Plan's Fiduciary Net Position as a percentage of the total pension liability for June 30, 2023, is 73.9%.

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

The Plan's FY 2023 investment return, net of fees, was 9.6% compared to (9.4)% in FY 2022.

The VVA smooths investment gains and losses over five years. The Plan's FY 2023 funded ratio on the VVA basis decreased from 76.7% to 76.4%. For the Market Value of Assets (MVA) basis, the funded ratio increased from 70.6% to 72.9%. 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 2023. 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 Net 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%
2022	14,503,991	(9.4)%	8.2%	6.50%	76.7%	71.9%
2023	15,771,333	9.6%	5.5%	6.50%	76.4%	73.9%

(1) Excludes assets for OPEB Plan.

(2) Net of fees.

Interest Credits to Member Accounts

SDCERA credits interest semiannually on 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, 2022 and June 30, 2023 were 3.0% and 2.4%, respectively.

Other Postemployment Benefits (OPEB)

SDCERA administers a Health Insurance Allowance and Medicare Part B Reimbursement 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 2023 with a balance of $36.3 million. It received employer contributions of $18.1 million combined with net investment income of $3.9 million. It paid out $10.1 million in HIA benefits, including $6.6 million for premium allowance and $3.5 million for Medicare Part B premium reimbursement, ending with a balance of $48.0 million as of June 30, 2023.

The OPEB Plan has a UAAL of $49.2 million and a funded ratio of 49.4%, as determined by Segal in its June 30, 2023 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 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 Cheiron to provide health benefits consulting services.

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, 2023
(dollars in thousands with summarized comparative amounts as of June 30, 2022)

	June 30, 2023			June 30, 2022
	Pension Plan	**OPEB Plan**	**Total Fund**	**Total Fund**
Assets				
Cash and short-term Investments				
Cash in County pool	$ 1,281	$ -	$ 1,281	$ 2,183
Cash and cash equivalents with fiscal agents	2,383,714	7,252	2,390,966	2,339,835
Total cash and short-term investments	**2,384,995**	**7,252**	**2,392,247**	**2,342,018**
Securities lending cash collateral	**97,007**	**295**	**97,302**	**71,341**
Receivables				
Contributions	8,989	-	8,989	7,530
Accrued interest and dividends	43,754	133	43,887	37,642
Settlement of investments sold	1,084,942	3,326	1,088,268	1,359,395
Total receivables	**1,137,685**	**3,459**	**1,141,144**	**1,404,567**
Investments at fair value				
Domestic equity securities	3,312,802	10,074	3,322,876	2,141,005
International equity securities	721,670	2,194	723,864	1,203,864
Total equity securities	**4,034,472**	**12,268**	**4,046,740**	**3,344,869**
Total fixed income securities	**7,116,710**	**21,641**	**7,138,351**	**6,850,814**
Cash and securities for swaps	122,583	373	122,956	(336,637)
Private equity	474,759	1,444	476,203	576,343
Private real assets	419,624	1,276	420,900	467,380
Real estate	1,391,281	4,231	1,395,512	1,370,363
Total investments	**13,559,429**	**41,233**	**13,600,662**	**12,273,132**
Capital assets, net	**3,485**	**11**	**3,496**	**3,872**
Total assets	**$ 17,182,601**	**$ 52,250**	**$ 17,234,851**	**$ 16,094,930**
Liabilities				
Collateral payable for securities lending	$ 97,029	$ 295	$ 97,324	$ 71,364
Settlement of investments purchased	1,255,924	3,820	1,259,744	1,432,374
Professional services	12,834	39	12,873	12,376
Death benefits	2,234	-	2,234	1,709
Retirement benefits	1,526	-	1,526	1,296
Refunds to members	2,086	-	2,086	2,825
County advance contribution	26,192	80	26,272	19,507
Other	13,443	59	13,502	13,142
Total liabilities	**$ 1,411,268**	**$ 4,293**	**$ 1,415,561**	**$ 1,554,593**
Fiduciary net position				
Net position restricted for pension	**15,771,333**	-	**15,771,333**	**14,503,991**
Net position restricted for OPEB	-	**47,957**	**47,957**	**36,346**
Total fiduciary net position	**$15,771,333**	**$47,957**	**$15,819,290**	**$14,540,337**

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, 2023
(dollars in thousands with summarized comparative amounts for June 30, 2022)

	June 30, 2023			June 30, 2022
	Pension Plan	OPEB Plan	Total Fund	Total Fund
Additions to plan net position				
Contributions				
Employer contributions	$ 669,031	$ 18,054	$ 687,085	$ 650,976
Plan Member contributions	171,018	-	171,018	164,089
Total contributions	**840,049**	**18,054**	**858,103**	**815,065**
Investment income				
Net appreciation/(depreciation) in fair value of investments				
Equity securities	639,160	1,763	640,923	(722,049)
Fixed income	29,636	82	29,718	(722,528)
Foreign currency	(16,876)	(47)	(16,923)	66,491
Real estate & private equity	(120,516)	(332)	(120,848)	312,019
Private real assets	15,748	43	15,791	32,413
Futures	103,027	284	103,311	(73,303)
Swaps	251,911	695	252,606	(627,595)
Total net appreciation/(depreciation) in fair value of investments	**902,090**	**2,488**	**904,578**	**(1,734,552)**
Interest income				
Fixed income	323,000	891	323,891	128,464
Cash	13,188	36	13,224	1,408
Total interest income	**336,188**	**927**	**337,115**	**129,872**
Other				
Dividends	67,351	186	67,537	24,512
Real estate income	81,726	225	81,951	76,881
Private equity income	7,015	19	7,034	4,877
Private real assets income	42,342	117	42,459	52,160
Total other	**198,434**	**547**	**198,981**	**158,430**
Less: Investment expenses	**(31,903)**	**(88)**	**(31,991)**	**(64,561)**
Net investment income (loss), before securities lending	**1,404,809**	**3,874**	**1,408,683**	**(1,510,811)**
Securities lending income and appreciation/(depreciation)	4,184	12	4,196	781
Securities lending rebates and bank charges	(2,386)	(7)	(2,393)	1
Net securities lending	**1,798**	**5**	**1,803**	**782**
Net investment income (loss)	**1,406,607**	**3,879**	**1,410,486**	**(1,510,029)**
Total additions to plan net position	**$ 2,246,656**	**$ 21,933**	**$ 2,268,589**	**$ (694,964)**
Deductions from plan net position				
Benefits				
Retirement benefits	$ 950,682	$ -	$ 950,682	$ 887,269
Death benefits	2,487	-	2,487	2,027
Health benefits	-	10,097	10,097	12,839
Total benefits	**953,169**	**10,097**	**963,266**	**902,135**
Member refunds	7,478	-	7,478	7,659
Administrative expenses	18,667	225	18,892	16,437
Total deductions from plan net position	**$ 979,314**	**$ 10,322**	**$ 989,636**	**$ 926,231**
Increase/(decrease) in net position for pension and OPEB	**1,267,342**	**11,611**	**1,278,953**	**(1,621,195)**
Beginning of year:				
Net position restricted for pension	**14,503,991**	**-**	**14,503,991**	**16,126,341**
Net position restricted for OPEB	**-**	**36,346**	**36,346**	**35,191**
End of period	**$15,771,333**	**$ 47,957**	**$15,819,290**	**$14,540,337**

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, the Plan or the Trust Fund) is a public retirement system and a fiduciary component unit of the County of San Diego (County) established 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 four Participating Employers (the San Diego Local Agency Formation Commission, the San Dieguito River Park Joint Powers Authority, the San Diego County Office of Education and the Superior Court of California - County of San Diego) and the Members' beneficiaries.

Membership

SDCERA provides retirement, disability, survivor and healthcare benefits for more than 49,000 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; and

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) and, 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 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 2023 is $330,000. 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 2023 is $330,000. 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 2023 is $330,000. 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 2023 is $146,042 for General Members and $175,250 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 2023 is $146,042 for General Members and $175,250 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, 2023.

Table 9: Membership by Tier

As of June 30, 2023

	General	Safety	Total
Active Members			
Tier I	11	-	11
Tier A	4,802	1,130	5,932
Tier B	1,251	408	1,659
Tier C	3,852	1,018	4,870
Tier D	6,080	546	6,626
Total Active Members	**15,996**	**3,102**	**19,098**
Deferred Members			
Tier I	723	-	723
Tier A	2,194	372	2,566
Tier B	687	121	808
Tier C	1,831	285	2,116
Tier D	2,036	88	2,124
Total Deferred Members	**7,471**	**866**	**8,337**
Retired Members and Beneficiaries			
Tier I	4,235	367	4,602
Tier II	1,120	280	1,400
Tier A	11,846	3,585	15,431
Tier B	187	55	242
Tier C	144	50	194
Tier D	6	-	6
Total Retired Members and Beneficiaries	**17,538**	**4,337**	**21,875**
Total Membership	**41,005**	**8,305**	**49,310**

Source: Segal, Actuarial Certification Letter - Pension Plan 2023

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, 2023 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 of 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 of 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 of 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% per year. The COLA for retired Tier B, Tier C, and Tier D Members is limited to a maximum of 2% 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% 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% 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% 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 and Medicare Part B Reimbursement Program

SDCERA administers a Health Insurance Allowance and Medicare Part B Reimbursement Program (HIA) for retired Tier I and Tier II Members. Pursuant to the HIA, eligible Members may receive a reimbursement 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 reimbursement allowance benefits are paid from a Health Benefits 401(h) Trust established by the SDCERA Board of Retirement and the San Diego County 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 reimbursement allowance. The HIA allowance is not a vested SDCERA benefit, is not guaranteed and may be reduced or discontinued at any time.

The HIA reimbursement allowance may be applied to a Member's insurance premiums for an SDCERA-sponsored health or RESDC dental plan or toward medical, dental, and prescription insurance premiums paid by the Member. The HIA minimum reimbursement amount 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 maximum HIA reimbursement amount is set at $300 per month, plus reimbursement of up to $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 reimbursement 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 reimbursement 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.

Effective January 1, SDCERA closed its dental insurance plans and transitioned most participating Members to comparable plans of SDCERA's recognized retired employees organization, the Retired Employees of San Diego County (RESDC). Additionally, SDCERA closed its health insurance plans to new enrollees, and assumed the administration of the plans back in-house to provide better service and shift our focus to educating Members about comparable, but less expensive options. SDCERA also transitioned the HIA Reimbursement program to a new administrator, ASIFlex.

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.

Mortgage Loans

Table 12 presents SDCERA's mortgage loans payable associated with its real estate investments as of June 30, 2023. Principal includes amortization and terminal principal payments for the loan balance as of June 30, 2023, and Interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2023.

Table 12: Mortgage Loans Payable

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

Fiscal year payable	Principal [1]	Interest [2]	Total
2024	$ 25,995	$ 26,666	$ 52,661
2025	137,562	22,058	159,620
2026	107,812	14,195	122,007
2027	48,580	9,583	58,163
2028	103,854	6,220	110,074
2029-2033	54,887	7,068	61,955
Total	**$ 478,690**	**$ 85,790**	**$ 564,480**

[1] Principal includes amortization and terminal principal payments for the loan balances as of June 30, 2023.

(2) Interest includes interest payments on the forecasted loan balances, inclusive of additional draws after June 30, 2023.

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 provided 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, 2023.

Table 13: Derivative Instruments Summary

As of June 30, 2023
(dollars in thousands)

Derivative Type	Changes in Fair Value (1)	Fair Value	Notional Value
Swaps	$ 329,317	$ 122,956	$ 3,459,024
Options	25,855	(404)	-
Forwards	(15,976)	9,177	511,504
Futures	35,621	22,089	581,079
Total	**$ 374,817**	**$ 153,818**	**$ 4,551,607**

(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, 2023.

Table 14: Swaps by Type

As of June 30, 2023
(dollars in thousands)

Type	Description/Counterparty	Notional Value	Fair Value
Cleared Interest Rate Swaps	Chicago Mercantile Exchange Inc	$ -	$ 311
Cleared Interest Rate Swaps	LCH Ltd	-	(7,632)
Total Return Swaps	BNP Paribas SA	58,434	4,172
Total Return Swaps	Citibank NA	416,298	10,926
Total Return Swaps	First Union National Bank/Charlotte NC	140,589	8,121
Total Return Swaps	HSBC Bank PLC	428,904	19,347
Total Return Swaps	JPMorgan Chase Bank NA	586,682	22,474
Total Return Swaps	Merrill Lynch & Co Inc	110,868	4,395
Total Return Swaps	Morgan Stanley & Co International PLC	517,726	(1,584)
Total Return Swaps	Royal Bank of Canada	636,856	36,320
Total Return Swaps	UBS AG/London	120,544	6,986
Total Return Swaps	Merrill Lynch International	147,917	5,434
Total Return Swaps	Wells Fargo Bank	294,206	13,686
Total		**$ 3,459,024**	**$ 122,956**

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, 2023.

Table 15: Options by Type

As of June 30, 2023
(dollars in thousands)

Type	Notional Value	Fair Value
Call	$ -	$ (2)
Put	-	(402)
Total	**$ -**	**$ (404)**

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, 2023.

Table 16: Forward Contracts by Type

As of June 30, 2023
(dollars in thousands)

Type	Notional Value	Fair Value
Foreign Currency Forwards	$ 511,504	$ 9,177
Total	**$ 511,504**	**$ 9,177**

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, 2023.

Table 17: Futures Contracts by Type

As of June 30, 2023
(dollars in thousands)

Type	Notional Value	Fair Value
Equity Futures	$ 746,272	$ 19,046
Fixed Income Futures	(165,193)	3,043
Total	**$ 581,079**	**$ 22,089**

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, 2023
(dollars in thousands)

	Balance July 1, 2022	Additions	Deletions & Transfers	Balance June 30, 2023
Capital assets being depreciated				
Computer hardware, software, & maintenance	$ 13,767	$ 814	$ -	$ 14,581
Office furniture and fixtures	1,331	-	-	1,331
Leasehold improvements	1,802	-	-	1,802
Total capital assets being depreciated	**$ 16,900**	**$ 814**	**$ -**	**$ 17,714**
Less accumulated depreciation for:				
Computer hardware, software, & maintenance	$ (10,276)	$ (1,381)	$ -	$ (11,657)
Office furniture and fixtures	(1,330)	(1)	-	(1,331)
Leasehold improvements	(1,731)	(16)	-	(1,747)
Total accumulated depreciation	**$ (13,337)**	**$ (1,398)**	**$ -**	**$ (14,735)**
Net capital assets being depreciated	**$ 3,563**	**$ (584)**	**$ -**	**$ 2,979**
Work in process	**246**	**1,038**	**(814)**	**470**
Leased capital assets	**63**	**-**	**(16)**	**47**
Total net capital assets	**$ 3,872**	**$ 454**	**$ (830)**	**$ 3,496**

Depreciation expense for the fiscal year ended June 30, 2023 was $1.4 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

In May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)*, which defines a SBITA, establishes that a SBITA results in a right-to-use subscription asset and a corresponding liability, provides capitalization criteria for outlays other than subscriptions payments and requires note disclosures regarding SBITA. The reporting requirements of this statement are effective for fiscal years beginning after June 15, 2022.

This pronouncement did not significantly impact SDCERA. Management will continue to evaluate subscription-based information technology arrangements for impact in future periods.

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 (Investment Philosophy), III.E (Investment Manager Requirements), IV.F (Risk Measurement and Management) and G (Tracking Error), and VI.A (Asset Class Allocations, Ranges and Update Cycle) and B (Total Trust Fund Benchmarks) 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, 2023, SDCERA's investments included collateralized mortgage obligations (CMO) and mortgage-backed securities totaling $176.6 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 fiscal year (FY) 2023, the annual money-weighted rate of return for the Trust Fund, net of fees, was 9.5%. 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 9.6%, net of fees, for FY 2023.

Investment Risk

In accordance with Governmental 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 monitored and managed by SDCERA's investment managers in accordance with the interest rate risk parameters specified in each manager's investment guidelines.

Table 19 presents exposure to interest rate risk in terms of maturity as of June 30, 2023.

Table 19: Investment Maturities by Type

As of June 30, 2023
(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	$ 25,912	$ -	$ -	$ 70,374	$ 96,286
Asset-Backed	99,836	104,226	2,315	465	206,842
Commingled Funds	231,843	608,682	121,343	594,947	1,556,815
Convertibles	5,299	100,299	-	1,445	107,043
Corporates	152,742	775,270	42,031	30,494	1,000,537
Municipal	186	-	-	-	186
Non-Agency CMO or Mortgage-Backed	-	2,039	-	78,312	80,351
Private Placements	1,055,751	952,092	350,022	279,624	2,637,489
Sovereign Debt	606	-	-	-	606
U.S. Government Debt	162,465	440,691	196,922	198,638	998,716
Totals	**$ 1,734,640**	**$ 2,983,299**	**$ 712,633**	**$ 1,254,299**	**$ 6,684,871**

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 issuers 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 risk is monitored and managed by SDCERA's investment managers in accordance with the credit rating parameters specified in each manager's investment guidelines.

Tables 20 and 21 present SDCERA's fixed income securities ratings by category as of June 30, 2023. 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, 2023
(dollars in thousands)

Investment Type	AAA	AA	A	BBB	Below Investment Grade	Not Rated	Totals
Agency CMO or Mortgage-Backed	$ 96,286	$ -	$ -	$ -	$ -	$ -	$ 96,286
Asset-Backed	95,163	5,109	1,858	-	12,681	92,031	206,842
Commingled Funds	1,031,992	74,943	155,187	135,316	95	159,282	1,556,815
Convertibles	-	-	2	-	4,690	102,351	107,043
Corporates	-	15,706	547,665	-	388,108	49,058	1,000,537
Municipal	-	-	-	-	-	186	186
Non-Agency CMO or Mortgage-Backed	13,234	1,164	7,884	-	8,446	49,623	80,351
Private Placements	716,952	21,683	237,681	-	895,232	765,941	2,637,489
Sovereign Debt	-	-	-	-	606	-	606
U.S. Government Debt	998,716	-	-	-	-	-	998,716
Totals	**$2,952,343**	**$ 118,605**	**$ 950,277**	**$135,316**	**$1,309,858**	**$1,218,472**	**$ 6,684,871**

Table 21: Credit Risk Percentage of Holdings

As of June 30, 2023

Investment Type	AAA	AA	A	BBB	Below Investment Grade	Not Rated
Agency CMO or Mortgage-Backed	3.3%	-	-	-	-	-
Asset-Backed	3.2%	4.3%	0.2%	-	1.0%	7.5%
Commingled Funds	34.9%	63.2%	16.3%	100.0%	-	13.1%
Convertibles	-	-	-	-	0.4%	8.4%
Corporates	-	13.2%	57.7%	-	29.6%	4.0%
Municipal	-	-	-	-	-	-
Non-Agency CMO or Mortgage-Backed	0.5%	1.0%	0.8%	-	0.6%	4.1%
Private Placements	24.3%	18.3%	25.0%	-	68.3%	62.9%
Sovereign Debt	-	-	-	-	0.1%	-
U.S. Government Debt	33.8%	-	-	-	-	-
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, 2023. Credit ratings were issued by S&P Global Ratings.

Table 22: Credit Risk of Derivatives at Fair Value

As of June 30, 2023
(dollars in thousands)

Credit Rating	Swaps	Forwards
A+	$ 81,441	$ 130
A	-	8,308
A-	-	(132)
AA-	28,688	871
Not Rated	12,827	-
Total subject to credit risk	**$ 122,956**	**$ 9,177**

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, 2023, in conformance with GASB Statements No. 40 and No. 67, no single issuer exceeded 5% of SDCERA's total investments or represented 5% 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 monitored and managed by SDCERA's investment managers in accordance with the foreign currency exposure parameters specified in each manager's investment guidelines.

Table 23: Net Exposure to Foreign Currency Risk

As of June 30, 2023
(dollars in thousands)

Currency Name	Equity	Fixed Income	Foreign Exchange Contracts	Cash & Cash Equivalents	Commingled Funds	Total
EURO CURRENCY UNIT	$58,796	$283,889	$(733)	$ 6,926	$234,854	$ 583,732
JAPANESE YEN	-	-	(298)	139,580	167,396	306,678
POUND STERLING	-	47,466	29	1,399	103,462	152,356
HONG KONG DOLLAR	-	-	-	23	139,398	139,421
TAIWAN DOLLAR	-	-	(3)	-	82,033	82,030
INDIAN RUPEE	-	-	-	-	78,861	78,861
CANADIAN DOLLAR	-	16,670	(1)	7,368	51,359	75,396
AUSTRALIAN DOLLAR	-	9,470	118	2,151	57,293	69,032
SWISS FRANC	-	-	-	895	67,068	67,963
SOUTH KOREAN WON	-	-	-	-	66,310	66,310
BRAZILIAN REAL	2	-	-	612	30,126	30,740
CHINESE YUAN RENMINBI	-	-	-	-	24,361	24,361
SWEDISH KRONA	-	-	-	111	23,783	23,894
SAUDI RIYAL	-	-	-	-	21,297	21,297
DANISH KRONE	-	-	(1)	281	20,352	20,632
SOUTH AFRICAN RAND	-	-	-	2	17,687	17,689
MEXICAN PESO	-	-	-	39	13,279	13,318
THAILAND BAHT	-	-	-	-	11,402	11,402
INDONESIAN RUPIAH	-	-	(23)	-	11,176	11,153
SINGAPORE DOLLAR	-	-	-	63	9,504	9,567
MALAYSIAN RINGGIT	-	-	-	-	7,382	7,382
NORWEGIAN KRONE	-	-	-	7	7,204	7,211
UAE DIRHAM	-	-	-	-	6,400	6,400
CHILEAN PESO	-	-	-	-	5,390	5,390
QATAR RIALS	-	-	-	-	4,826	4,826
POLISH ZLOTY	-	-	-	1	4,824	4,825
ISRAELI SHEKEL	-	-	(1)	-	4,782	4,781
TURKISH LIRA	-	-	-	-	3,659	3,659
PHILIPPINES PESO	-	-	-	-	3,199	3,199
NEW ZEALAND DOLLAR	-	-	-	383	1,795	2,178
Other (less than $2 million holdings)	-	-	(4)	12	2,867	2,875
Total	**$58,798**	**$357,495**	**$(917)**	**$159,853**	**$1,283,329**	**$1,858,558**

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, 2023, SDCERA's investment in this mutual fund totaled $97.3 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 and therefore not exposed to custodial credit risk.

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 between 102% or 105% 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, 2023, the Plan had $584.2 million in securities on loan and held cash and non-cash collateral of $637.3 million from borrowers.

Table 24 presents SDCERA's Securities Lending Transactions as of June 30, 2023.

Table 24: Securities Lending Transactions

As of June 30, 2023
(dollars in thousands)

	SDCERA Securities Lent	Cash and Non-Cash Collateral
Lent for cash collateral:		
Domestic corporate	$ 84,884	$ 87,058
Domestic equities	3,834	3,946
U.S. government debt	5,819	5,939
International corporate	375	382
Lent for securities collateral:		
Domestic corporate	3,242	3,340
Domestic equities	12,639	13,657
U.S. government debt	461,915	510,234
International corporate	1,895	1,991
Exchange Traded	9,645	10,725
Total	**$584,248**	**$637,272**

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, 2023, the short-term investment account consisted of 100.1% overnight repurchase agreements and 0.2% asset-backed securities.

Table 25: Securities Lending Investments

As of June 30, 2023
(dollars in thousands)

	Fair value	% of Total
Repurchase agreements	$ 97,411	100.1%
Asset-backed floating	170	0.2%
Other (cash)	(279)	-0.3%
Total	**$ 97,302**	**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, 2023, 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, 2023. 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, 2023
(dollars in thousands)

	Total as of 6/30/2023	Level 1	Level 2	Level 3
Investments by Fair Value Level				
Equity Securities:				
Domestic Equity Securities	$3,299,849	$ 103,284	$1,154,613	$ 2,041,952
International Equity Securities	717,781	(1,377)	277,486	441,672
Total Equity Securities	**4,017,630**	**101,907**	**1,432,099**	**2,483,624**
Total Fixed Income Securities	**7,136,599**	**1,185,891**	**5,874,544**	**76,164**
Private Equity	241,810	-	-	241,810
Private Real Assets	71,351	-	-	71,351
Real Estate	615,676	-	-	615,676
Total Investments by Fair Value Level	**$12,083,066**	**$1,287,798**	**$7,306,643**	**$3,488,625**
Investments Measured at Net Asset Value (NAV)				
Private Equity	$ 234,393			
Private Real Assets	349,549			
Real Estate	779,836			
Total Investments Measured at NAV	**$ 1,363,778**			
Investments Derivative Instruments				
Forwards	$ 9,177	$ -	$ 9,177	$ -
Futures	22,089	22,089	-	-
Options	(404)	-	(404)	-
Swaps	122,956	-	122,956	-
Total Investments Derivative Instruments	**$ 153,818**	**$ 22,089**	**$ 131,729**	**$ -**
Total Investments Measured at Fair Value	**$13,600,662**			
Securities Lending Collateral Payable				
Collateral payable for securities lending	97,324	-	97,324	-
Total Securities Lending Collateral Payable	**$ 97,324**	**$ -**	**$ 97,324**	**$ -**

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:

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 dates other than June 30, the value is obtained from the most recently available valuation combined with 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, 2023.

Table 27: Investments Measured at Net Asset Value

As of June 30, 2023
(dollars in thousands)

	Net Asset Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Private Equity Funds	$ 234,393	$134,132	Not Eligible	N/A
Private Real Assets Funds	349,549	85,770	Variable	Variable
Real Estate Funds	779,836	237,078	Variable	Variable
Total Investments measured at NAV	**$1,363,778**	**$456,980**		

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, 2021 established the funding requirements for FY 2023. Table 28 presents Member and employer contribution rates in effect for FY 2023.

Table 28: Contribution Rates

For the fiscal year ended June 30, 2023

Member Classification	Tier	Average Member Rates	Employer Rate
General Members	Tier 1	11.63%	43.23%
	Tier A	12.77%	43.23%
	Tier B	10.63%	43.23%
	Tier C	9.17%	36.74%
	Tier D	6.54%	34.11%
Safety Members	Tier A	15.86%	64.03%
	Tier B	13.72%	64.03%
	Tier C	15.16%	55.83%
	Tier D	13.89%	54.56%

Source: Segal, Actuarial Valuation and Review as of June 30, 2021. Rates effective July 1, 2022.

Note 5. Health Insurance Allowance and Medicare Part B Reimbursement 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, 2021, established the employer contribution rate of 1.22% of covered payroll, which amounted to $17.8 million for FY 2023. The Internal Revenue Code limits employer contributions to a 401(h) Trust account to a maximum of 25% 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% of the total assets of the retirement fund as of June 30, 2023.

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, 2023.

Table 29: Reserve Account Balances

As of June 30, 2023
(dollars in thousands)

Reserve for Member contributions	$	1,662,931
Reserve for employer contributions		834,233
Reserve for retirement allowance		12,819,072
Total contributions and allowance	**$**	**15,316,236**
Reserve for undistributed earnings		-
Reserve for contingencies		-
Reserve for smoothed market value transition		1,196,805
Reserve for market stabilization		(741,708)
Total pension plan	**$**	**15,771,333**
Reserve for OPEB plan		47,957
Total fund	**$**	**15,819,290**

Note 7. Administrative Expenses

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 expenses to a maximum of 0.21% of the Plan's Actuarial Accrued Liability. In FY 2023, SDCERA's actual expenses were 0.07% 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, 2023.

Table 30: Statutory Administrative Expense Limitation

For the fiscal year ended June 30, 2023
(dollars in thousands)

Total Actuarial Accrued Liability as of June 30, 2022	$ 20,541,288
Maximum CERL Limit	0.21%
Maximum allowable for administrative expenses	$ 43,137
Actual administrative expenses subject to the CERL statutory limit	13,737
Excess of allowance over actual administrative expenses	$ 29,400
Actual administrative expenses as a % of total Actuarial Accrued Liability	0.07%

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 44, 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 $134.1 million, real estate funds in the amount of $237.1 million and private real asset funds in the amount of $85.8 million. SDCERA funds these commitments from Plan assets over multiple fiscal years.

Note 9. Pension Disclosures

Table 31 presents the components of the Plan's Net Pension Liability as of June 30, 2023.

Table 31: Net Pension Liability

As of June 30, 2023
(dollars in millions)

Total pension liability	$	21,327
Plan's fiduciary net position		(15,771)
Net pension liability	$	5,556
Plan's fiduciary net position as a percentage of the total pension liability		73.95%

Source: Segal, Governmental Accounting Standards (GAS) 67 Actuarial Valuation and Review as of June 30, 2023

The Net Pension Liability was measured as of June 30, 2023. The Total Pension Liability (TPL) was determined based upon rolling forward the TPL from the actuarial valuation as of June 30, 2022 and adjusting the TPL to reflect the change in actuarial assumptions approved by the Board effective June 30, 2023.

Actuarial Assumptions

The following significant actuarial assumptions were used to measure the TPL as of June 30, 2023.

Inflation rate	2.50%
Salary increases	General: 3.90% to 10.50% and Safety: 4.10% to 11.75% vary by service, including 2.50% inflation, and 0.50% across-the-board salary increases
Investment rate of return	6.50%, net of pension plan investment expense, including inflation
Cost-of-living adjustment	2.75% for Tiers with a maximum of 3% (Tiers I, II and A) 2.00% for Tiers with a maximum of 2% (Tiers B, C and D)

Source: Segal, GAS 67 Actuarial Valuation and Review as of June 30, 2023

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 2023 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 32.

Table 32: Asset Class Expected Real Rate of Return – Pension

Asset class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap U.S. equity	19.00%	5.40%
Small Cap U.S. equity	3.00%	6.17%
Developed international equity	15.00%	6.13%
Global equity	11.50%	6.20%
Emerging markets equity	5.00%	8.17%
High yield bonds	6.40%	2.76%
Bank loan	0.60%	2.02%
Real estate	7.40%	4.59%
Private equity	5.00%	10.83%
Private credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real estate (non-core)	2.60%	7.94%
Intermediate duration bonds – government	10.30%	-0.24%
Intermediate duration bonds – credit	10.20%	0.70%
Total	**100.00%**	**4.80%**

Source: Segal, GAS 67 Actuarial Valuation and Review as of June 30, 2023

Discount Rate

The discount rate used to measure the TPL was 6.5%. 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, 2023.

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

Table 33, a required disclosure of GASB Statement No. 67, presents the Employers' Net Pension Liability as of June 30, 2023, calculated using the discount rate of 6.5%, 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 (7.5%) and one percentage point lower (5.5%) than the current rate.

Table 33: Sensitivity of the Net Pension Liability to Changes in the Discount Rate

As of June 30, 2023
(dollars in millions)

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net pension liability	$8,560.7	$5,555.7	$3,105.8

Source: Segal, GAS 67 Actuarial Valuation and Review of Pension Plan as of June 30, 2023

Note 10. Other Postemployment Benefits (OPEB)

GASB Statement No. 74 requires that SDCERA report the Employers' Net OPEB Liability (NOL). Table 34 presents a schedule of the components of the NOL as of June 30, 2023.

Table 34: Net OPEB Liability

As of June 30, 2023
(dollars in thousands)

Total OPEB liability	$ 97,184
OPEB fiduciary net position	(47,957)
Net OPEB liability	$ 49,227
OPEB fiduciary net position as a percentage of the total OPEB liability	49.35%

Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2023

The NOL was measured as of June 30, 2023. 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 actuarial valuation as of June 30, 2023.

OPEB Actuarial Assumptions

The following lists the significant actuarial assumptions used to measure the TOL as of June 30, 2023.

Inflation rate	2.50%
Salary increases	General: 3.90% to 10.25%, including 2.50% inflation, and 0.50% across the board salary increases
Discount rate	6.50%
Health care trend	Non-Medicare: 7.25% graded to ultimate 4.50% over 11 years. Medicare: 6.50% graded to ultimate 4.50% over 8 years
Health insurance allowance subsidy increases	0.00%

Source: Segal, GAS 74 Actuarial Valuation and Review as of June 30, 2023

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

Table 35: Asset Class Expected Real Rate of Return – OPEB

Asset class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap U.S. equity	19.00%	5.40%
Small Cap U.S. equity	3.00%	6.17%
Developed international equity	15.00%	6.13%
Global equity	11.50%	6.20%
Emerging markets equity	5.00%	8.17%
High yield bonds	6.40%	2.76%
Bank loan	0.60%	2.02%
Real estate	7.40%	4.59%
Private equity	5.00%	10.83%
Private credit	1.00%	5.93%
Timberland	0.80%	4.44%
Farmland	0.70%	5.62%
Infrastructure	1.50%	6.02%
Real estate (non-core)	2.60%	7.94%
Intermediate duration bonds – government	10.30%	-0.24%
Intermediate duration bonds – credit	10.20%	0.70%
Total	**100.00%**	**4.80%**

Source: Segal, GAS 74 Actuarial Valuation of OPEB Plan as of June 30, 2023

Discount Rate

The discount rate used to measure the TOL was 6.5% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed 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 (if any) for future plan members and their beneficiaries, as well as projected contributions (if any) from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the TOL as of June 30, 2023.

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, 2023, calculated using the discount rate of 6.5%, as well as what the employers' NOL would be if it were calculated using a discount rate that is one percentage point higher (7.5%) and one percentage point lower (5.5%) than the current rate. Table 36 presents the Sensitivity of the Net OPEB Liability to Changes in the Discount Rate as of June 30, 2023.

Table 36: Sensitivity of the Net OPEB Liability to Changes in the Discount Rate
As of June 30, 2023
(dollars in millions)

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Net OPEB liability	$56.4	$49.2	$42.9

Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2023

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, 2023, calculated using the health care trend rates as described in the OPEB Actuarial Assumptions table on page 57, 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 37 presents the Sensitivity of the Net OPEB Liability to Changes in the Health Care Trend Rate as of June 30, 2023.

Table 37: Sensitivity of the Net OPEB Liability to the Changes in the Health Care Trend Rate
As of June 30, 2023
(dollars in millions)

	1% Decrease	Current Trend	1% Increase
Net OPEB liability	$46.5	$49.2	$52.0

Source: Segal, GAS 74 Actuarial Valuation and Review of OPEB Plan as of June 30, 2023

Note 11. Subsequent Events

SDCERA has evaluated subsequent events from June 30, 2023, through November 3, 2023, 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 38 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 shows information for the last ten years. Covered payroll represents payroll on which contributions to the Plan are based.

Table 38: Changes in Net Pension Liability and Related Ratios

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

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	$ 398,392	$ 365,091	$ 366,716	$ 360,261	$ 327,905
Interest	1,306,539	1,290,670	1,236,773	1,185,483	1,140,798
Differences between expected and actual experience	400,235	(169,078)	38,983	66,249	106,963
Changes of assumptions	-	1,071,275	-	-	402,002
Benefit payments, including refunds of Member contributions	(960,647)	(896,955)	(844,842)	(794,110)	(743,864)
Net change in total pension liability	**$ 1,144,519**	**$ 1,661,003**	**$ 797,630**	**$ 817,883**	**$ 1,233,804**
Total pension liability - beginning	20,182,528	18,521,525	17,723,895	16,906,012	15,672,208
Total pension liability - ending (a)	**$21,327,047**	**$20,182,528**	**$18,521,525**	**$17,723,895**	**$16,906,012**
Plan fiduciary net position					
Contributions - employer	$ 669,031	$ 632,595	$ 615,699	$ 568,924	$ 532,360
Contributions - Member	171,018	164,089	162,740	150,683	145,746
Contributions - employer pickup of Member contributions	-	-	-	23	48
Net investment income (loss)	1,406,607	(1,505,642)	3,298,654	134,294	667,578
Benefit payments, including refunds of Member contributions	(960,647)	(896,955)	(844,842)	(794,111)	(743,864)
Administrative expenses	(18,667)	(16,437)	(14,913)	(13,732)	(13,425)
Net change in plan fiduciary net position	**$ 1,267,342**	**$ (1,622,350)**	**$ 3,217,338**	**$ 46,081**	**$ 588,443**
Plan fiduciary net position - beginning	14,503,991	16,126,341	12,909,003	12,862,922	12,274,479
Plan fiduciary net position - ending (b)	**$ 15,771,333**	**$ 14,503,991**	**$ 16,126,341**	**$12,909,003**	**$12,862,922**
Plan's net pension liability - ending (a)-(b)	**$ 5,555,714**	**$ 5,678,537**	**$ 2,395,184**	**$ 4,814,892**	**$ 4,043,090**
Plan fiduciary net position as percentage of total pension liability	73.95%	71.86%	87.07%	72.83%	76.08%
Covered payroll	$ 1,553,765	$ 1,450,980	$ 1,391,054	$ 1,349,434	$ 1,276,239
Plan net pension liability as percentage of covered payroll	357.56%	391.36%	172.18%	356.81%	316.80%

Table 38 is continued on the next page.

Table 38 is continued from the previous page.

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 325,984	$ 322,159	$ 301,126	$ 286,960	$ 275,060
Interest	1,082,689	1,041,402	981,703	941,789	906,177
Differences between expected and actual experience	(130,589)	(188,131)	(20,774)	(126,948)	(194,580)
Changes of assumptions	-	-	788,402	309,945	-
Benefit payments, including refunds of Member contributions	(689,938)	(650,626)	(629,095)	(592,259)	(560,751)
Net change in total pension liability	**$ 588,146**	**$ 524,804**	**$ 1,421,362**	**$ 819,487**	**$ 425,906**
Total pension liability - beginning	15,084,062	14,559,258	13,137,896	12,318,409	11,892,503
Total pension liability - ending (a)	**$15,672,208**	**$ 15,084,062**	**$14,559,258**	**$13,137,896**	**$12,318,409**
Plan fiduciary net position					
Contributions - employer	$ 520,735	$ 418,011	$ 382,753	$ 386,041	$ 353,840
Contributions - Member	140,402	112,579	104,636	98,590	78,920
Contributions - employer pickup of Member contributions	3,753	20,815	22,833	28,730	40,857
Net investment income (loss)	915,650	1,248,304	63,686	242,576	1,220,343
Benefit payments, including refunds of Member contributions	(689,938)	(650,626)	(629,095)	(592,259)	(560,750)
Administrative expenses	(13,187)	(13,287)	(13,875)	(14,043)	(12,709)
Net change in plan fiduciary net position	**$ 877,415**	**$ 1,135,796**	**$ (69,062)**	**$ 149,635**	**$ 1,120,501**
Plan fiduciary net position - beginning	11,397,064	10,261,268	10,330,330	10,180,695	9,060,194
Plan fiduciary net position - ending (b)	**$12,274,479**	**$ 11,397,064**	**$10,261,268**	**$10,330,330**	**$10,180,695**
Plan's net pension liability - ending (a) - (b)	**$ 3,397,729**	**$ 3,686,998**	**$ 4,297,990**	**$ 2,807,566**	**$ 2,137,714**
Plan fiduciary net position as a percentage of the total pension liability	78.32%	75.56%	70.48%	78.63%	82.65%
Covered payroll	$ 1,232,105	$ 1,181,480	$ 1,140,883	$ 1,120,001	$ 1,072,896
Plan net pension liability as percentage of covered payroll	275.77%	312.07%	376.73%	250.68%	199.25%

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

Table 39 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 39: Money-Weighted Rate of Return – Pension Plan

For the fiscal years ended June 30

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Rate of Return	13.39%	2.13%	1.43%	11.95%	7.95%	5.40%	1.08%	25.07%	(9.23)%	9.52%

Table 40 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 40: 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]
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[4]	-	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%
2022	632,595	632,595	-	1,450,980	43.60%
2023	660,233	669,031	(8,798)	1,553,765	43.06%

[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, 2023

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, 2023 Actuarial Valuation and Review. These assumptions were adopted by the Board as a result of the July 1, 2018, through June 30, 2021 Actuarial Experience Study, dated May 3, 2022.

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 2023 are calculated based on the June 30, 2021 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	6.50%, net of pension plan administrative and investment expenses, including inflation
Inflation rate	2.50%
Real across-the-board salary increases	0.50%
Projected salary increases	General: 3 .90% to 10.50% and Safety: 4.10% to 11.75% vary by service, including inflation
Other assumptions	See analysis of actuarial experience during the period July 1, 2018 through June 30, 2021.

Table 41 presents the Schedule of Employer Contributions to the OPEB Plan for ten fiscal years.

Table 41: 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
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%
2022	18,381	18,381	-	1,450,980	1.27%
2023	18,054	18,054	-	1,553,765	1.16%

(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, 2023

Table 42 presents the Changes in Net OPEB Liability and Related Ratios.

Table 42: Changes in Net OPEB Liability and Related Ratios

For the fiscal year ending June 30, 2023
(whole dollars)

		Amount
Total OPEB liability		
Service cost [1]	$	20,133
Interest		6,897,082
Change of benefit terms		-
Differences between expected and actual experience		(33,815,469)
Changes of assumptions		23,120,941
Benefit payments, including refunds of Member contributions		(10,096,261)
Net change in Total OPEB liability	**$**	**(13,873,574)**
Total OPEB liability - beginning		111,057,479
Total OPEB liability - ending (a)	**$**	**97,183,905**
Plan Fiduciary Net Position		
Employer contributions	$	18,054,439
Net investment income (loss)		3,878,821
Benefit payments, including refunds of Member contributions		(10,096,261)
Administrative expenses		(225,438)
Other retiree contributions		-
Net change in Plan Fiduciary Net Position	**$**	**11,611,561**
Plan Fiduciary Net Position - beginning		36,345,854
Plan Fiduciary Net Position - ending (b)	**$**	**47,957,415**
Net OPEB Liability - ending (a) - (b)	**$**	**49,226,490**
Plan Fiduciary Net Position as a percentage of the Total OPEB Liability		49.35%
Covered payroll [2][3]	$	1,553,764,933
Plan net OPEB liability as a percentage of covered payroll		3.17%

[1] The service cost is based on the previous year's valuation as of June 30, 2022.
[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, 2023

Other Supplemental Information

Table 43 presents SDCERA's FY 2023 Investment Expenses.

Table 43: Investment Expenses

For the fiscal year ended June 30, 2023
(dollars in thousands)

		Amount
Investment management expenses:		
Global equity	$	452
U.S. equity		277
Non-U.S. equity: developed		481
Non-U.S. equity: emerging		403
Risk-reducing fixed income		2,972
Return-seeking fixed income		3,690
Opportunistic		5,597
Real estate		13,435
Private debt		2,426
Private equity		(5,795)
Private real assets		4,210
Total investment management expenses	**$**	**28,148**
Other investment expenses:		
Administrative, in-house staff and other		1,959
Actuarial services		393
Consulting services		973
Custodian services		518
Total other investment expenses	**$**	**3,843**
Total investment expenses	**$**	**31,991**

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

Tables 44 presents SDCERA's FY 2023 Administrative Expenses.

Table 44: Administrative Expenses

For the fiscal year ended June 30, 2023
(dollars in thousands)

	Pension	OPEB	Total	% of Total
Expenses subject to the CERL statutory limit:				
Employee salaries and benefits	$ 10,604	$ -	$ 10,604	56.1%
Professional services	957	213	1,170	6.2%
Leased real property	1,583	-	1,583	8.4%
Office depreciation and amortization	17	-	17	0.1%
Office operations	576	12	588	3.1%
Total Expense Subject to the CERL Statutory Limit	**$ 13,737**	**$ 225**	**$ 13,962**	**73.9%**
Expenses not subject to the CERL statutory limit:				
Professional services	$ 3,031	$ -	$ 3,031	16.1%
Computer software and maintenance	518	-	518	2.7%
Computer depreciation and amortization	1,381	-	1,381	7.3%
Total expense not subject to the CERL statutory limit	**$ 4,930**	**$ -**	**$ 4,930**	**26.1%**
Total administrative expenses	**$ 18,667**	**$ 225**	**$ 18,892**	**100.0%**

Table 45 presents SDCERA's FY 2023 Professional Services Payments to Consultants. Actuarial services for the Pension Plan are included with Investment Expense in accordance with CERL.

Table 45: Professional Services Payments to Consultants

For the fiscal year ended June 30, 2023
(dollars in thousands)

Type of Service	Pension Plan	OPEB Plan	Total
Administrative Expense:			
Computer services	$ 3,031	$ -	$ 3,031
Disability services	513	-	513
Legal services	177	-	177
Audit services	200	-	200
Other miscellaneous services	67	213	280
Total administrative expense consultant services	**$ 3,988**	**$ 213**	**$ 4,201**
Investment Expense:			
Actuarial services	$ 393	$ -	$ 393
Consulting services	973	-	973
Custodian services	518	-	518
Total investment expense consultant services	**$ 1,884**	**$ -**	**$ 1,884**
Total payments to consultants	**$ 5,872**	**$ 213**	**$ 6,085**

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Investment Section

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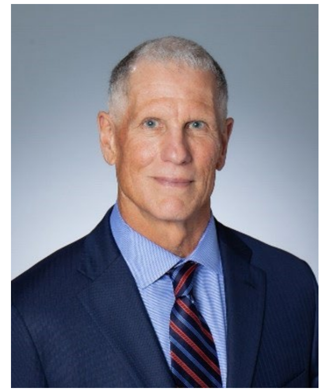
Chief Investment Officer's Letter



STEPHEN SEXAUER
CHIEF INVESTMENT OFFICER

I am pleased to report SDCERA's investment results for the fiscal year ended June 30, 2023 (FY 2023).

The Trust Fund return for FY 2023 was 9.6%. The annualized returns for the three-year, five-year, and ten-year periods ending June 30, 2023, were 7.5%, 5.8%, and 6.5%, respectively. All returns are net-of-fee, time-weighted rates of return.

In July 2022, when FY 2023 began, investment markets had just experienced some of the worst losses ever: The "best performing" of all the major indexes, the Bloomberg U.S. Aggregate Bond Index, was down 10.4% from January through June 2022, its worst start to a year ever. The S&P 500 stock index was off to its worst start since 1970 and fourth worst ever, down 20%. The Fed had already raised the Fed Funds rate from 0.25% to 1.75%, on its way to 5.50%. Backward-looking returns were dismal, while forward-looking returns were expected to get worse. Oil prices had recently peaked at $100 (Brent crude oil), and energy security was the new priority worldwide as Russia's invasion of Ukraine showed no end and energy markets were turned upside down. Inflation hit 9%, the highest in 40 years. The U.S. budget deficit was at wartime extremes, and the economy was near a recession. Gloom and doom dominated the news stories.

But as we know from the reported FY 2023 returns, while there was and is plenty of gloom in the news, it was a bright year for market returns worldwide. Global equity markets bottomed in September 2022 and then turned around and never looked back, gaining 34% from the September bottom to the end of FY 2023 on June 30. Overall, FY 2023 was a great year for investment markets. This recent boom and bust in markets follows the 2020 COVID lockdowns, when U.S. equity markets fell 34% in twenty-three days, and the Great Financial Crisis in 2008–2009, when global equity markets fell 50% from October 2008 through February 2009.

These large boom-bust-recover cycles will always be with us. They directly reflect the ups and downs of economic growth that determine company earnings growth and cash flows, which in turn determine the returns in stock investments and a company's ability to make its bond payments to investors. The ups and downs of fundamental economic factors are amplified by the normal price discovery in the markets, as millions of investors work to sort out the value of the over 9,000 companies that comprise the global stock and bond indexes. The results can be volatile in the short term and at times unsettling. But it is the long term that matters for a successful pension system.

Pension systems are for the long term. Some current SDCERA members who spend their working careers with the County of San Diego will easily be receiving benefits in the year 2088, which is 65 years from now. Some could still be members in the system in the year 2100. Sound unbelievable? Consider this: SDCERA currently has a member who is 106 years old, and 29 members who are over 100 years old. Our actuaries budget trust fund payments for members living that long. Pensions, like the economy and investment markets, are for the long term—the really long term.

What does the long term look like? Since 1937, when California public pensions were established, the trend growth rate of the U.S economy has been 7.0% per year and stock prices have grown 7.3% per year. With stock dividends included, the total return on U.S. stocks has been 10.6% per year. These long-term growth rates, reflecting the strength of the U.S. economy, align with the 1984 Constitutional update to California's pension law allowing public pensions to fully invest in higher growth/higher return equities to gain the growth in the economy. These higher expected returns can support higher employee pension benefits and/or lower contributions by employees and employers. This change also made pension funds more complex and short-term returns much more volatile. But the change also designated pension funds as trust funds and pension boards and staff as fiduciaries under the law. This brought a high level of skill, professionalism, and fiduciary responsibility to the stewardship of the trust fund assets, preparing pension systems to deal with the unavoidable economic uncertainties and associated market volatility.

The short term of annual investment returns are reported above. For ten years, the SDCERA Trust Fund returned 6.5%, which matches the actuarial assumed rate of return that SDCERA's actuary has estimated will, when combined with employee and employer contributions, maintain a trust fund strongly positioned to support the benefits payments the County of San Diego and affiliated employers have negotiated with their employees.

We will continue to be capable and responsible fiduciaries and stewards of the Trust Fund assets. We will continue to focus on asset allocation, which determines 95% of the Trust Fund's returns. We will maintain ample liquidity to reliably pay retired members their promised benefits, no matter the current short-term market conditions. We look forward to our continued work on behalf of SDCERA's nearly 50,000 members in FY 2024.

The Investments Section of [SDCERA's website] links to reports that detail Trust Fund risks and returns: reports on the annual asset allocation analyses and recommendations to the Board; the monthly Risk-Return Reports; and the quarterly detailed review of the Trust Fund by SDCERA's General Consultant, Aon Investments USA.

Sincerely,

Steve Sexauer

Stephen Sexauer
Chief Investment Officer
November 3, 2023

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 County Employees Retirement Law of 1937 (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, 2023, is presented in Table 46.

Table 46: Asset Allocation Policy

As of June 30, 2023

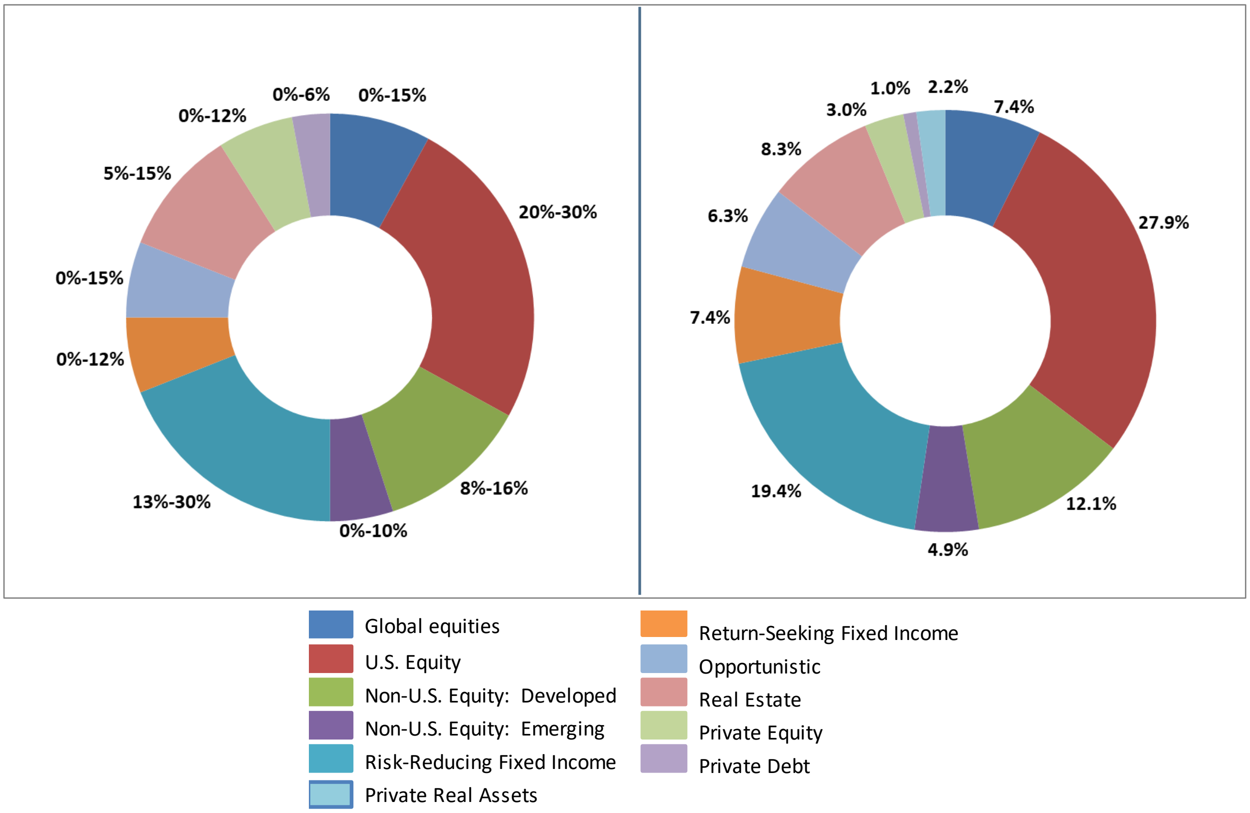
Asset class	Benchmark	Target
Public markets equity		
Global equity	MSCI ACWI Investable Market Index	8%
U.S. equity	MSCI USA Investable Market Index	25%
Non-U.S. equity: developed	MSCI EAFE Investable Market Index	12%
Non-U.S. equity: emerging	MSCI Emerging Markets Index	5%
Fixed income		
Risk-reducing fixed income	Bloomberg 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 debt(2)	Balanced Benchmark(1)	3%
Total fund		**100%**

(1) Balanced Benchmark is composed of 70% MSCI ACWI Investable Market Index and 30% Bloomberg US Intermediate Aggregate Bond Index.
(2) Private Debt asset class was added in FY 2023 with a 3% allocation. The allocation for Private Real Assets was decreased to 0%.

Target Asset Allocation and Actual Asset Allocation as of June 30, 2023, are presented in Tables 47 and 48.

Table 47: Target Allocation

Table 48: Actual Allocation



Tables 49 and 50 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, 2023.

Table 49: Total Fund Performance Results

Annualized, net of fees
For the periods ended June 30, 2023

Asset class (with benchmarks)	1 Year	3 Year	5 Year	10 Year
Global equity	19.7%	12.7%	8.1%	9.1%
MSCI ACWI Investable Market Index	16.1%	11.0%	7.7%	8.5%
U.S. equity	19.0%	13.9%	11.3%	11.5%
MSCI USA Investable Market Index	18.6%	13.6%	11.0%	11.8%
Non-U.S. equity: developed	17.1%	8.0%	4.2%	n/a
MSCI EAFE Investable Market Index	17.5%	8.4%	3.9%	n/a
Non-U.S. equity: emerging	2.4%	3.1%	0.8%	3.0%
MSCI Emerging Markets Index	1.8%	2.3%	0.9%	3.0%
Risk-reducing fixed income	0.0%	(2.2)%	1.0%	n/a
Bloomberg Intermediate Aggregate Bond Index	(0.6)%	(2.9)%	0.8%	n/a
Return-seeking fixed income	10.1%	5.5%	3.8%	n/a
ICE BofAML U.S. High Yield Master II Index	9.0%	3.2%	3.2%	n/a
Opportunistic	10.1%	6.1%	1.7%	3.9%
Balanced Benchmark[1]	11.1%	6.9%	5.9%	6.7%
Real estate	0.0%	9.3%	9.5%	10.5%
NCREIF ODCE Index	(11.2)%	6.9%	5.5%	7.7%
Private equity	(6.1)%	14.6%	9.5%	11.4%
MSCI ACWI Investable Market Index	16.1%	11.0%	7.7%	8.6%
Private real assets	13.0%	13.6%	6.5%	6.2%
MSCI ACWI Investable Market Index	16.1%	11.0%	7.7%	8.6%
Private debt	(2.3)%	n/a	n/a	n/a
Balanced Benchmark[1]	11.1%	n/a	n/a	n/a
Total fund	**9.6%**	**7.5%**	**5.8%**	**6.5%**
Total fund benchmark	**9.4%**	**7.3%**	**6.0%**	**6.6%**

[1]The SDCERA Balanced Benchmark is comprised of 70% ACWI IMI and 30% Bloomberg U.S. Intermediate Aggregate Index.

Table 50: Total Fund Performance Results

Annualized, net of fees
As of June 30, 2023

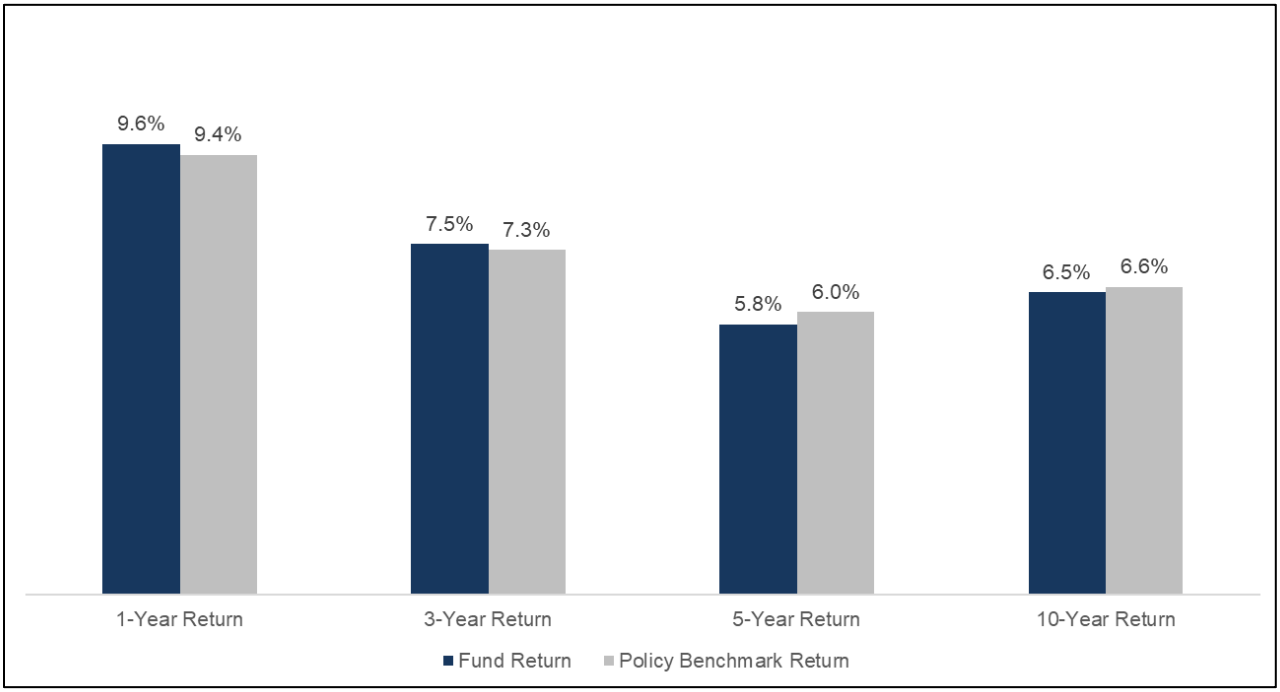
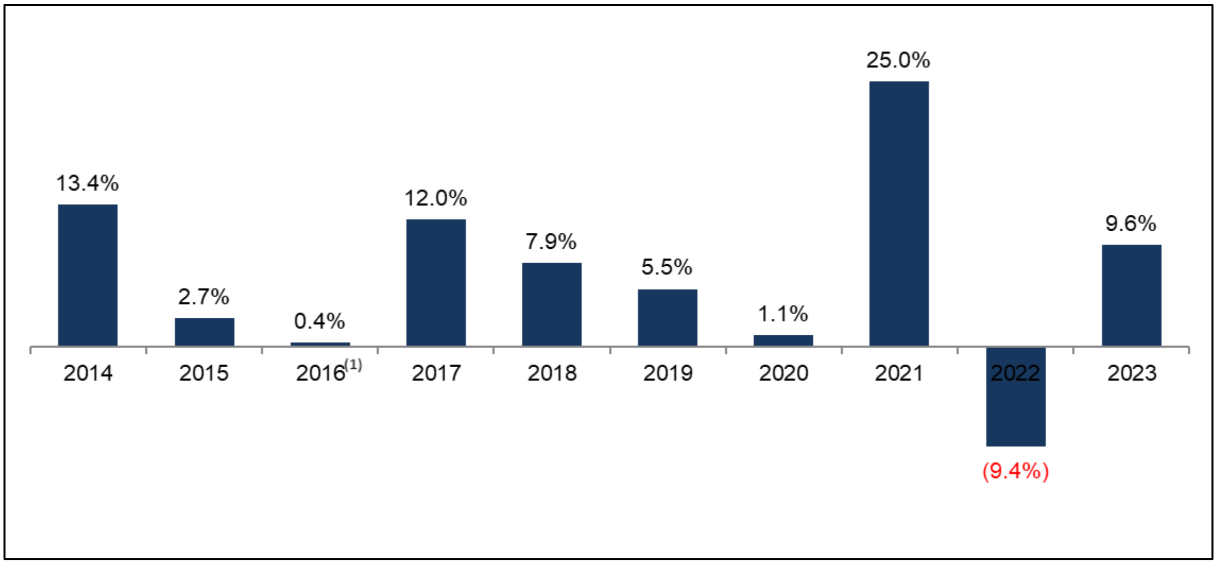


Table 51 presents SDCERA's time-weighted Annual Investment Returns, net of fees, for the last ten fiscal years.

Table 51: Annual Investment Returns

For the fiscal year ended June 30



(1) Correction of calculation reported in the FY 2016 Comprehensive Annual Financial Report of 0.5%.

SDCERA Trust Fund equity exposure is attained largely through commingled funds and other equity replication strategies. Table 52 presents SDCERA's top ten equity holdings based on fair value as of June 30, 2023. A listing of all holdings is available upon request.

Table 52: Top 10 Holdings – Equity

As of June 30, 2023

Issuer	Shares	Fair Value
PROLOGIS INC	70,864	$ 8,690,052
AMERICAN TOWER CORP	43,589	8,453,651
REXFORD INDUSTRIAL REALTY INC	146,275	7,638,481
EQUINIX INC	9,698	7,602,650
DIGITALBRIDGE GROUP INC	479,135	7,048,076
INTELSAT S.A.	241,539	5,555,397
CAESARS ENTERTAINMENT INC	94,079	4,795,207
MGM RESORTS INTERNATIONAL	108,843	4,780,385
FTAI AVIATION LTC	145,581	4,609,094
ALEXANDRIA REAL ESTATE EQUITIES INC	38,697	4,391,723

Table 53 presents SDCERA's top ten fixed income holdings as of June 30, 2023. A listing of all holdings is available upon request.

Table 53: Top 10 Holdings – Fixed Income

As of June 30, 2023

Security	Par	Fair value
U.S. TREASURY NOTE 2.875% 09/30/2023 DD 09/30/18	$ 142,300,000	$ 141,454,738
U.S. TREAS-CPI INFLAT 0.125% 10/15/2026 DD 10/15/21	121,876,902	113,898,840
U.S. TREASURY NOTE 1.625% 05/15/2031 DD 05/15/21	105,270,000	89,421,602
U.S. TREASURY NOTE 0.625% 08/15/2030 DD 08/15/20	110,000,000	87,587,500
U.S. TREASURY NOTE 2.750% 02/15/2028 DD 02/15/18	81,280,000	76,355,245
U.S. TREASURY NOTE 2.375% 05/15/2027 DD 05/15/17	66,040,000	61,479,278
U.S. TREASURY BOND 1.250% 05/15/2050 DD 05/15/20	101,600,000	56,999,632
U.S. TREASURY NOTE 2.250% 08/15/2027 DD 08/15/17	60,170,000	55,600,690
U.S. TREASURY BOND 2.375% 11/15/2049 DD 11/15/19	73,395,000	54,685,147
HSBC HOLDINGS PLC VAR RT 03/13/2028 DD 03/13/17	54,400,000	50,933,632

Table 54 presents domestic commissions paid by SDCERA during FY 2023.

Table 54: Commissions Paid – Domestic

For the fiscal year ended June 30, 2023

Brokerage Firm	Total Commissions	% of Total Commissions
CITIGROUP GLOBAL MARKETS, INC., NEW YORK	$ 66,515	22.8%
MERRILL LYNCH PIERCE FENNER SMITH INC NY	45,578	15.6%
STIFEL NICOLAUS	34,281	11.8%
WELLS FARGO SECURITIES LLC, CHARLOTTE	33,453	11.5%
CITIGROUP GBL MKTS INC, NEW YORK	29,297	10.0%
J.P. MORGAN SECURITIES LLC, NEW YORK	19,852	6.8%
GOLDMAN SACHS & CO, NY	17,144	5.9%
MORGAN STANLEY AND CO., LLC, NEW YORK	16,690	5.7%
NATIONAL FINL SVCS CORP, NEW YORK	11,206	3.8%
RAYMOND JAMES & ASSOC INC, ST PETERSBURG	7,623	2.6%
Other (1)	10,227	3.5%
Total	**$ 291,866**	**100.0%**

(1) Includes 8 additional firms, each with 1.1% or less of total commissions

Table 55 presents international commissions paid by SDCERA during FY 2023.

Table 55: Commissions Paid – International

For the fiscal year ended June 30, 2023

Brokerage Firm	Total Commissions	% of Total Commissions
ROYAL BANK OF CANADA, TORONTO (RBCH)	$ 69,882	67.7%
CITIGROUP GLOBAL MARKETS EURO, FRANKFURT	16,622	16.1%
CITIGROUP GLOBAL MARKETS LTD, LONDON	12,501	12.1%
KEB SALOMON SMITH BARNEY SECS, SEOUL	4,176	4.1%
Total	**$ 103,181**	**100.0%**

Table 56 presents a summary of SDCERA's Investment Expense by Asset Class for FY 2023.

Table 56: Investment Expense by Asset Class

For the fiscal year ended June 30, 2023

Asset class	Net Assets at Fair Value	Assets as % of Total	Investment Expenses
Global equity	$ 1,180,710	7.5%	$ 453
U.S. equity	4,429,877	27.9%	277
Non-U.S. equity: developed	1,919,017	12.1%	481
Non-U.S. equity: emerging	772,495	4.9%	403
Total public markets equity	**$ 8,302,099**	**52.4%**	**$ 1,614**
Risk-reducing fixed income	3,082,763	19.4%	2,972
Return-seeking fixed income	1,171,299	7.4%	3,690
Total fixed income	**$ 4,254,062**	**26.8%**	**$ 6,662**
Total opportunistic	**$ 999,576**	**6.3%**	**$ 5,597**
Real estate	1,311,403	8.3%	13,435
Private debt	153,983	1.0%	2,426
Private equity	473,531	3.0%	(5,795)
Private real assets	356,545	2.2%	4,209
Total private assets	**$2,295,462**	**14.5%**	**$ 14,275**
Total net assets	**$ 15,851,199**	**100.0%**	**$ 28,148**
Other investment expense:			
Administrative, in-house staff and other			$ 1,959
Actuarial services			393
Consulting services			973
Custodian services			518
Total additional other professional fees			**$ 3,843**
Total investment expense			**$ 31,991**

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

Table 57 presents the list of investment managers for the fiscal year ended June 30, 2023.

Table 57: Investment Managers

For the fiscal year ended June 30, 2023

Global equity
- Allianz Global Investors
- BlackRock Institutional Trust Company

U.S. equity
- BlackRock Institutional Trust Company
- Pacific Investment Management Company
- Mellon Investments Corporation

Non-U.S. equity: developed
- BlackRock Institutional Trust Company
- Pacific Investment Management Company
- Mellon Investments Corporation

Non-U.S. equity: emerging
- BlackRock Institutional Trust Company
- Dimensional Fund Advisors
- Pacific Investment Management Company
- Mellon Investments Corporation

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
- Hotchkis & Wiley Capital Management
- Oaktree Capital Management, LP

Loans
- Voya

Opportunistic
- BlackRock Institutional Trust Company
- Pacific Investment Management Company
- American Assets Capital Advisers, LLC
- Voya

Real estate
- Ascentris
- Brookfield Asset Management
- DWS Asset Management
- J.P. Morgan Asset Management
- Pacific Coast Capital Partners, LLC
- The Blackstone Group

Private equity
- Apollo Capital Management
- Bain Capital
- Baring Private Equity Asia
- Cerberus Capital Management, LP
- Coller Capital
- DRI Capital
- 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 debt
- Apollo Capital Management
- Brookfield Asset Management
- Oaktree Capital Management, LP
- RK Capital Management, LLP

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
- Manulife Investment Management Timberland and Agriculture Inc,
- J.P. Morgan Asset Management
- Kayne Anderson Capital Advisors, LP
- Macquarie Infrastructure Partners, Inc

Actuarial Section

Segal

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

November 1, 2023

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, 2023 Actuarial Valuation for Funding Purposes

Dear Members of the Board:

Segal prepared the June 30, 2023 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, 2023 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 funding policy was last reviewed by the Board in 2021. Under the policy, effective with the June 30, 2013 valuation, any change in the UAAL that arises due to plan amendments is amortized over separate 15-year

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Board of Retirement
San Diego County Employees Retirement Association
November 1, 2023
Page 2

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, 2023 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 Annual Comprehensive Financial Report (ACFR) is provided below. These schedules have been prepared based on the results of the actuarial valuation as of June 30, 2023 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, 2021 Triennial Actuarial Experience Study and became effective with the June 30, 2022 valuation. Details of the assumptions, methods and models used in performing the actuarial valuation are provided in our valuation report. It is our opinion that the assumptions used in the June 30, 2023 valuation produce results, which, in the aggregate,

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Segal

anticipate the future experience of the Plan. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias. 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 2025, and the assumptions adopted by the Board at that time will be used in setting the contribution rates in the June 30, 2025 valuation.

In the June 30, 2023 valuation, the ratio of the valuation assets to actuarial accrued liabilities has decreased slightly from 76.7% to 76.3%. The average employer's rate has decreased slightly from 50.18% of payroll to 50.17% of payroll, while the average member's rate has decreased slightly from 11.94% of payroll to 11.92% of payroll.

In the June 30, 2023 valuation, the actuarial value of assets included $742 million in net deferred investment losses, which represented about 4.7% of the market value of assets. If these net deferred investment losses were recognized immediately, and assuming further that the balance in the Contingency Reserve, if any, would be included as part of the valuation value of assets, the funded percentage would decrease from 76.3% to 72.9% and the average employer contribution rate, expressed as a percent of payroll, would increase from 50.17% to 53.25%.

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 and Actuary

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

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

bts/hy
Enclosures

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Segal

Segal

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San Francisco, CA 94105-6147
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VIA E-MAIL

November 1, 2023

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, 2023 Actuarial Valuation for Funding Purposes**

Dear Members of the Board:

Segal performed an actuarial valuation of the Health Insurance Allowance (HIA) and Medicare Part B (Med B) funded through the San Diego County Employees Retirement Association (SDCERA) Other Postemployment Benefits (OPEB) Plan as of June 30, 2023. We certify that the actuarial valuation was prepared in accordance with generally accepted actuarial principles and practices.

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, 2023 is about 3 years. The ADC has decreased from 1.24% of payroll in the last valuation as of June 30, 2022 to 1.06% of payroll in the current valuation as of June 30, 2023. The funded ratio has increased from 32.73% in the June 30, 2022 valuation to 49.35% in the June 30, 2023 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).

Board of Retirement
San Diego County Employees Retirement Association
November 1, 2023
Page 2

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 Annual Comprehensive Financial Report (ACFR) 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, 2018 through June 30, 2021 Experience Study dated May 3, 2022. 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 Samuel Boustani, FCA, ASA, MAAA. We are Members of the American Academy of Actuaries and collectively 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

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

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

Samuel Boustani, FCA, ASA, MAAA
Consulting Actuary

JL/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 or the Plan) 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 Health Benefits 401(h) Account, Undistributed Excess Earnings Reserve, Supplemental Pension Benefit Reserve and Disability Supplemental Pension Reserve.

Table 58 presents the Determination of Actuarial Valuation Value of Assets.

Table 58: Determination of Actuarial Valuation Value of Assets

For the fiscal year ended June 30, 2023

Market Value of Assets [1]					$15,819,290,327
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)	11.11%	$ (7,702,476)
Six months ended December 31, 2019	$736,715,261	$450,722,262	285,992,999	20	57,198,600
Six months ended June 30, 2020	(615,653,608)	475,178,239	(1,090,831,847)	30	(327,249,554)
Six months ended December 31, 2020	2,043,942,561	452,765,992	1,591,176,568	40	636,470,627
Six months ended June 30, 2021	1,246,043,509	522,960,394	723,083,115	50	361,541,558
Six months ended December 31, 2021	596,981,163	565,430,044	31,551,119	60	18,930,671
Six months ended June 30, 2022	(2,123,446,387)	584,582,744	(2,708,029,132)	70	(1,895,620,392)
Six months ended December 31, 2022	290,305,755	471,782,584	(181,476,829)	80	(145,181,463)
Six months ended June 30, 2023	1,101,467,381	479,339,722	622,127,659	90	559,904,474[5]
Total unrecognized return [6]					$ (741,707,955)
Actuarial Value of Assets					**$16,560,998,282**
Actuarial Value of Assets as a percentage of Market Value of Assets					104.7%
Non-valuation reserves and other adjustments:					
Supplemental Pension Benefit Reserve					$ -
Health Benefits 401(h) Account					47,957,415
Disability Supplemental Pension Benefit Reserve					-
Contingency Reserve					-
Undistributed Excess Earnings Reserve					-
Subtotal					$ 47,957,415
Valuation Value of Assets					**$16,513,040,867**

(1) The market value of assets net of non-valuation reserves is $15,771,332,912.
(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) Includes an adjustment that decreases the unrecognized deferred gains by $10,419 for the valuation value of assets to match the valuation reserves.
(6) Deferred return of June 30, 2023 recognized in each of the next five years:

(a) Amount recognized on June 30, 2024	$(152,986,061)
(b) Amount recognized on June 30, 2025	(93,399,000)
(c) Amount recognized on June 30, 2026	(374,859,440)
(d) Amount recognized on June 30, 2027	(182,675,063)
(e) Amount recognized on June 30, 2028	62,211,608
(f) Subtotal	$(741,707,955)

Source: Segal, Actuarial Valuation and Review as of June 30, 2023

Table 58 is continued on the next page.

Table 58 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, 2023

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 May 2022, Segal completed a Triennial Actuarial Experience Study for the period July 1, 2018 through June 30, 2021. 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 prior 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, 2023, are described on the following pages.

Economic Assumptions

Net Investment Return	6.50%, net of administrative and investment expenses. Based on the Actuarial Experience Study dated May 3, 2022, expected administrative and investment expenses represent about 0.70% fo the Actuarial Value of Assets.
Member contribution crediting rate	One-half of the net investment return credited semi-annually.
Consumer Price Index (CPI) (Inflation Rate)	Increases of 2.50% per year
Cost-of-Living Adjustment (COLA)	Retiree cost-of-living adjustment (COLA) increases of 2.75% per year for Tier 1 and Tier A, and 2.0% 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% COLA increases until their COLA banks are exhausted, and 2.75% thereafter.
Increase in Internal Revenue Code Section 401(a)(17) Compensation Limit	Increase of 2.50% per year from the valuation date.
Increase in compensation limit (Section 7522.10)	Increase of 2.50% 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 2.50%, plus “across the board” salary increases of 0.50% per year, plus the merit and promotional increases detailed below.

Merit and Promotion Increases

Year of Service	General	Safety
Less than 1	7.50%	8.75%
1-2	6.00%	6.40%
2-3	5.25%	5.00%
3-4	4.75%	4.60%
4-5	3.75%	4.50%
5-6	3.00%	3.75%
6-7	2.50%	3.00%
7-8	2.25%	2.25%
8-9	2.00%	2.00%
9-10	1.75%	1.75%
10-11	1.50%	1.70%
11-12	1.40%	1.40%
12-13	1.30%	1.30%
13-14	1.20%	1.20%
14-15	1.05%	1.15%
15 and over	0.90%	1.10%

Demographic Assumptions

Retirement age and benefit for Deferred Vested Members	General retirement age:	Reciprocal Members	60
		Other Members	58
	Safety retirement age:	Reciprocal Members	54
		Other Members	51
	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. 17% of future General and 27% of future Safety deferred vested Members are assumed to continue to work for a reciprocal employer. For reciprocals, 3.90% and 4.10% 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: 0.90% 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 not currently in Pay Status:** PUB-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

- **Beneficiaries in Pay Status:** Pub-2010 Contingent Survivor Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

- **Safety Members:** PUB-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 5% for males and decreased 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Disabled

- **General Members:** PUB-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates decreased by 15%, projected generationally with the two-dimensional mortality improvement scale MP-2021.

- **Safety Members:** PUB-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

The PUB-2010 mortality tables and adjustments as shown above reasonably reflect the mortality experience as of the measurement date. These mortality tables were adjusted to future years using the 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), projected generationally with the two-dimensional mortality improvement scale MP-2021.

- **Safety Members:** PUB-2010 Safety Employee Amount-Weighted Above-Median Mortality Table (separate for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.

Termination Rates

Years of Service	General	Safety
Less than 1	12.50%	7.50%
1 – 2	8.25%	5.75%
2 – 3	6.75%	4.75%
3 – 4	5.50%	4.00%
4 – 5	5.25%	3.50%
5 – 6	5.00%	3.25%
6 – 7	4.75%	2.75%
7 – 8	4.25%	2.75%
8 – 9	3.50%	2.65%
9 – 10	3.50%	2.50%
10 – 11	3.50%	2.25%
11 – 12	3.25%	2.00%
12 – 13	3.00%	1.50%
13 – 14	2.75%	1.30%
14 – 15	2.50%	1.10%
15 – 16	2.30%	0.90%
16 – 17	2.10%	0.80%
17 – 18	1.80%	0.70%
18 – 19	1.65%	0.60%
19 – 20	1.60%	0.60%
20 and over	1.50%	0.60%

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	-	50.00%	-	-	-
50	4.75%	8.00%	-	-	-
51	4.50%	10.00%	-	-	-
52	4.50%	10.00%	-	4.00%	3.00%
53	5.00%	10.00%	-	4.00%	3.00%
54	6.00%	12.00%	-	4.00%	3.00%
55	8.00%	14.00%	7.00%	4.00%	3.00%
56	8.00%	20.00%	8.00%	4.00%	4.00%
57	9.00%	20.00%	8.00%	5.00%	4.50%
58	9.00%	27.00%	9.00%	5.00%	4.50%
59	12.00%	30.00%	9.00%	5.00%	7.00%
60	15.00%	30.00%	12.00%	6.00%	10.00%
61	18.00%	30.00%	15.00%	8.00%	12.00%
62	20.00%	32.00%	18.00%	10.00%	14.00%
63	22.00%	30.00%	18.00%	12.00%	16.00%
64	22.00%	30.00%	18.00%	14.00%	18.00%
65	32.00%	35.00%	30.00%	26.00%	23.00%
66	35.00%	35.00%	30.00%	30.00%	26.00%
67	35.00%	35.00%	30.00%	30.00%	26.00%
68	30.00%	35.00%	30.00%	30.00%	26.00%
69	30.00%	30.00%	30.00%	25.00%	26.00%
70	30.00%	30.00%	30.00%	25.00%	30.00%
71	25.00%	25.00%	25.00%	25.00%	25.00%
72	25.00%	25.00%	25.00%	25.00%	25.00%
73	25.00%	25.00%	25.00%	25.00%	25.00%
74	25.00%	25.00%	25.00%	25.00%	25.00%
75 and over	100.00%	100.00%	100.00%	100.00%	100.00%

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	3.0%	-	3.0%	-	-
45	3.0%	-	3.0%	-	-
46	4.0%	-	4.0%	-	-
47	5.0%	-	5.0%	-	-
48	6.0%	6.0%	6.0%	-	-
49	14.0%	14.0%	6.5%	-	-
50	15.0%	30.0%	11.5%	15.0%	15.0%
51	15.0%	40.0%	11.0%	9.5%	9.5%
52	16.0%	40.0%	12.0%	11.0%	11.0%
53	16.0%	40.0%	12.0%	11.0%	11.0%
54	16.0%	40.0%	13.0%	11.0%	11.0%
55	16.0%	30.0%	20.0%	17.0%	16.0%
56	16.0%	30.0%	22.5%	20.0%	18.0%
57	16.0%	35.0%	20.0%	20.0%	18.0%
58	18.0%	35.0%	20.0%	20.0%	18.0%
59	20.0%	35.0%	20.0%	22.0%	20.0%
60	20.0%	35.0%	21.0%	21.0%	20.0%
61	25.0%	35.0%	26.0%	26.0%	26.0%
62	25.0%	35.0%	26.0%	26.0%	26.0%
63	25.0%	40.0%	26.0%	26.0%	26.0%
64	28.0%	40.0%	30.0%	30.0%	30.0%
65	50.0%	50.0%	50.0%	50.0%	50.0%
66	50.0%	50.0%	50.0%	50.0%	50.0%
67	50.0%	50.0%	50.0%	50.0%	50.0%
68	50.0%	50.0%	50.0%	50.0%	50.0%
69	50.0%	50.0%	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	0.02%	0.16%
35	0.03%	0.29%
40	0.10%	0.44%
45	0.18%	0.59%
50	0.21%	1.10%
55	0.26%	1.61%
60	0.32%	1.90%
65	0.41%	2.00%
70	0.51%	1.70%
75	0.55%	1.50%

(1) 75% of General disabilities are assumed to be service-connected disabilities and the other 25% 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 59 presents the Historical Summary of Actual Experience Versus Assumptions for FY 2019 through FY 2023.

Table 59: Historical Summary of Actual Experience Versus Assumptions

For the fiscal years ended June 30

Assumption	2023	2022	2021	2020	2019	3-year average	5-year average
Inflation [1]	5.5%	8.1%	4.1%	1.3%	2.8%	5.89%	4.35%
Assumed [2]						2.58%	2.65%
Average pay increase	6.1%	3.1%	3.7%	3.7%	3.5%	4.3%	4.02%
Assumed [3]						3.08%	3.15%
Merit & longevity pay increase	3.1%	3.3%	2.1%	2.6%	2.6%	2.83%	2.74%
Assumed [4]						0.94%	0.93%
Total payroll	11.7%	2.8%	2.3%	5.3%	5.3%	5.60%	5.48%
Assumed [3]						3.08%	3.55%
Investment return rate [5]	5.5%	8.2%	7.5%	6.7%	5.1%	7.07%	6.60%
Assumed [6]						6.67%	6.80%
Real rate of investment return	0.0%	0.1%	3.4%	5.4%	2.3%	1.17%	2.25%
Assumed [7]						4.08%	4.15%
Admin. expenses (% of assets)	0.1%	0.1%	0.1%	0.1%	0.1%	0.10%	0.10%
Assumed						0.10%	0.10%

(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, 2022 valuation, this assumption has been decreased from 2.75% to 2.50%. However, we have included an additional 0.25% for a total of 2.75% to anticipate cost-of-living adjustment (COLA) for retirees eligible for up to 3% annual COLA.
(3) Effective with the June 30, 2022 valuation, this assumption has been reduced from 3.25% to 3.00%.
(4) Effective with the June 30, 2022 valuation, this assumption has remained unchanged at 0.90% for General members and increased from 1.00% to 1.10% for Safety members.
(5) Based on actuarial value of assets, not market value or book value.
(6) Effective with the June 30, 2022 valuation, this assumption has been decreased from 7.00% to 6.50%.
(7) Effective with the June 30, 2022 valuation, this assumption has been decreased from 4.25% to 4.00%.
Source: Segal, Actuarial Certification Letter – Pension Plan as of June 30, 2023

Table 60 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 60: 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	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)
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%
2022	1,523,062	13,267,475	5,741,751	20,541,288	15,763,835	100%	100%	16.8%
2023	1,669,140	14,060,066	5,899,534	21,628,740	16,513,041	100%	100%	13.3%

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 20, 2023

Table 61 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 61: 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)
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%
2022	-	107,722	3,335	111,057	36,346	0.0%	33.7%	0.0%
2023	-	93,699	3,485	97,184	47,957	0.0%	51,2%	0.0%

[(1)] Valuations performed biennially prior to fiscal year 2016

Source: Segal, Actuarial Certification Letter - OPEB Plan as of June 30, 2023

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

Table 62 presents the weighted-average Employer Pension Contribution Rates for ten fiscal years.

Table 62: 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 %
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%
2022	2024	12.87%	31.93%	44.80%	22.12%	52.67%	74.79%
2023	2025	12.21%	30.97%	43.18%	21.49%	56.56%	78.05%

Source: Segal, Actuarial Certification Letter - Pension Plan

In addition, Table 40, 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 63 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 63: 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
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%
2022	1,381	94,112,687	590	19,942,822	21,491	939,997,958	8.6%	43,739	4.6%
2023	1,022	72,726,032	638	21,173,646	21,875	991,550,344	5.5%	45,328	3.6%

(1) Includes annual cost-of-living adjustments granted on April 1.
(2) Correction of the -3.4% reported in the FY 2019 Comprehensive Annual Financial Report.
Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 64 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 64: 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
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)%
2022	180	472,845	262	1,410,354	3,576	12,593,197	(6.9)%	3,522	(4.8)%
2023	156	295,309	304	2,072,311	3,428	10,816,195	(14.1)%	3,155	(10.4)%

[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 as of June 30, 2023

In addition, Table 41, 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 65 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 65: Schedule of Funding Progress – Pension Plan

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

Valuation Year	Valuation 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)
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%
2022	15,763,835	20,541,288	4,777,453	76.7%	1,504,228	317.6%
2023	16,513,041	21,628,740	5,115,699	76.4%	1,679,867	304.5%

[1] Excludes assets for Supplemental Pension Benefit Reserve, Disability Supplemental Pension Benefit Reserve and Health Benefits 401(h) Account.
[2] Excludes liabilities for Supplemental Pension Benefit Reserve, Disability Supplemental Pension Benefit Reserve and Health Benefits 401(h) Account.
Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 66 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 66: Schedule of Funding Progress – OPEB Plan

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

Valuation Year	(1) Valuation Value of 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%
2022	36,346	111,057	74,712	32.7%	1,504,228	5.0%
2023	47,957	97,184	49,226	49.4%	1,679,867	2.9%

Note: Biennial valuations performed prior to FY 2016.
Source: Segal Actuarial Valuation and Review of OPEB Plan as of June 30, 2023

Table 67 presents Retirement Payroll and Average Pension Benefit for ten fiscal years.

Table 67: Retirement Payroll and Average Pension Benefit

For the fiscal years ended June 30,

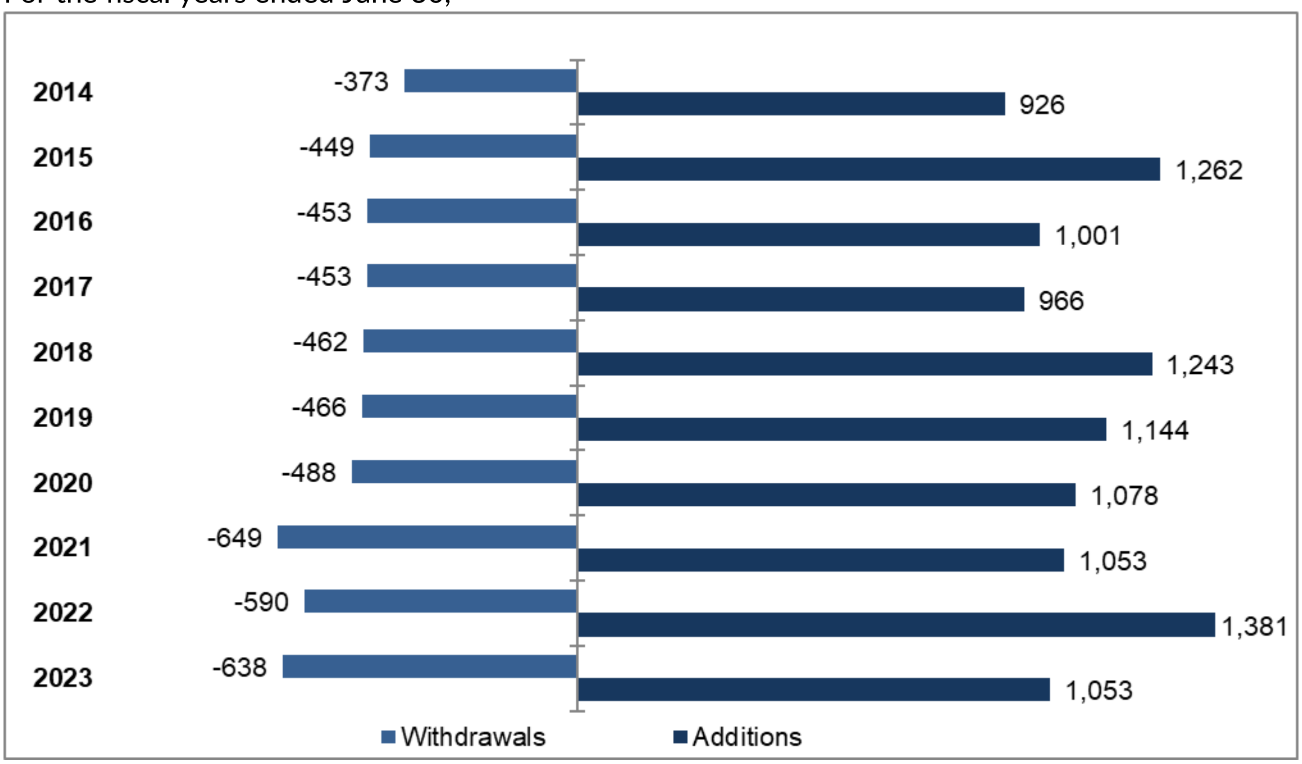
Year	Total payroll (in thousands)	Average annual benefit (in dollars)
2014	$ 561,769	$ 34,311
2015	599,089	34,859
2016	630,569	35,557
2017	665,774	36,487
2018	723,860	38,042
2019	775,719	39,365
2020	825,612	40,679
2021	865,828	41,827
2022	939,998	43,739
2023	991,550	45,328

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 68 presents Membership Activity for ten fiscal years.

Table 68: Membership Activity

For the fiscal years ended June 30,



Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 69 presents Average Annual Salaries by Member Type for ten fiscal years.

Table 69: Average Annual Salaries by Active Member Type

For the fiscal years ended June 30,

Year	General	Safety
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
2022	78,206	105,692
2023	83,976	108,508

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 70 presents the Annual Active Membership for 10 fiscal years.

Table 70: Annual Active Membership

For the fiscal years ended June 30,

Year	General	Safety
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
2022	15,019	3,119
2023	15,996	3,102

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 71 presents the Actuarial Analysis of Financial Experience for ten fiscal years.

Table 71: Actuarial Analysis of Financial Experience – Pension Plan

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

	2023	2022	2021	2020	2019
Prior valuation unfunded actuarial liability	$4,777,453	$3,668,415	$4,025,344	$4,022,868	$3,397,581
Salary increase greater (less) than expected	161,443	82,590	33,115	50,440	29,087
Smoothed asset return less (greater) than expected	150,808	(169,102)	(64,250)	44,836	262,197
Other experience	25,995	91,675	(325,794)	(92,800)	(100,972)
Economic and non-economic assumption changes	-	1,103,875	-	-	434,975
Ending unfunded actuarial accrued liability	**$5,115,699**	**$4,777,453**	**$3,668,415**	**$4,025,344**	**$4,022,868**

	2018	2017	2016	2015	2014
Prior valuation unfunded actuarial liability	$3,370,946	$3,318,455	$2,544,743	$2,316,718	$2,445,205
Salary increase greater (less) than expected	63,267	(40,360)	(46,093)	(56,977)	(35,468)
Smoothed asset return less (greater) than expected	15,393	165,322	188,601	(15,609)	(2,155)
Other experience	(52,025)	(72,471)	(140,579)	(19,783)	(90,864)
Economic and non-economic assumption changes	-	-	771,783	320,394	-
Ending unfunded actuarial accrued liability	**$3,397,581**	**$3,370,946**	**$3,318,455**	**$2,544,743**	**$2,316,718**

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 72 presents the Schedule of Active Member Valuation Data for ten fiscal years.

Table 72: Schedule of Active Member Valuation Data

For the fiscal years ended June 30,

Valuation Year	Participating Agencies	Employees	Total Payroll	% Change from Prior Year Total Payroll	Average Salary	% Change from Prior Year Average Salary
2014	5	17,466	$1,122,864,480	5.2%	$64,289	1.7%
2015	5	17,656	1,163,362,748	3.6%	65,891	2.5%
2016	5	17,768	1,206,940,234	3.7%	67,928	3.1%
2017	5	17,994	1,253,223,398	3.8%	69,647	2.5%
2018	5	17,869	1,290,949,926	3.0%	72,245	3.7%
2019	5	18,173	1,359,311,226	5.3%	74,798	3.5%
2020	5	18,451	1,431,140,792	5.3%	77,564	3.7%
2021	6 (1)	18,200	1,463,344,878	2.3%	80,404	3.7%
2022	6	18,138	1,504,227,792	2.8%	82,932	3.1%
2023	6	19,098	1,679,866,544	11.7%	87,960	6.1%

(1) Effective March 1, 2021, 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

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

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.

SDCERA will start a request for proposals for an actuarial audit of the June 30, 2023 Valuation to be completed by June 30, 2024.

Statistical Section

Statistical Section Overview

The Statistical section provides historical perspective and detail for a more comprehensive understanding of SDCERA's FY 2023 financial statements, note disclosures and supplementary information. The information in this section is presented in two major categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist with an understanding of how SDCERA's financial position and activities have changed over time. Financial trend and expense information by plan for the last ten fiscal years are presented in Changes in Fiduciary Net Position (Tables 73 and 74) and Pension Benefit and Refund Deductions from Net Position by Type (Table 75).

Table 73: Changes in Fiduciary Net Position – Pension Plan

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

	2023	2022	2021	2020	2019
Additions					
Employer contributions	$ 669.0	$ 632.6	$ 615.7	$ 568.9	$ 532.4
Member contributions	171.0	164.1	162.7	150.7	145.7
Net investment income (loss)	1,406.6	(1,505.6)	3,298.7	134.3	667.6
Total additions	**$2,246.6**	**$ (708.9)**	**$4,077.1**	**$ 853.9**	**$1,345.7**
Deductions					
Retirement and death benefits	$ 953.2	$ 889.3	$ 838.5	$ 788.4	$ 738.6
Member refunds	7.5	7.7	6.4	5.7	5.3
Administrative expenses	18.6	16.4	14.9	13.7	13.4
Total deductions	**$ 979.3**	**$ 913.4**	**$ 859.8**	**$ 807.8**	**$ 757.3**
Net change in pension plan net position	**$1,267.3**	**$(1,622.3)**	**$3,217.3**	**$ 46.1**	**$ 588.4**

	2018	2017	2016	2015	2014
Additions					
Employer contributions	$ 524.5	$ 438.8	$ 405.6	$ 414.8	$ 394.7
Member contributions	140.4	112.6	104.6	98.6	78.9
Net investment income (loss)	915.6	1,248.3	63.6	242.5	1,220.4
Total additions	**$1,580.5**	**$1,799.7**	**$ 573.8**	**$ 755.9**	**$1,694.0**
Deductions					
Retirement and death benefits	$ 685.5	$ 647.1	$ 625.5	$ 589.7	$ 558.0
Member refunds	4.4	3.5	3.6	2.6	2.8
Administrative expenses	13.2	13.3	13.8	14.0	12.7
Total deductions	**$ 703.1**	**$ 663.9**	**$ 642.9**	**$ 606.3**	**$ 573.5**
Net change in pension plan net position	**$ 877.4**	**$ 1,135.8**	**$ (69.1)**	**$ 149.6**	**$1,120.5**

Table 74: Changes in Fiduciary Net Position – OPEB Plan

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

	2023	2022	2021	2020	2019
Additions					
Contributions	$ 18.0	$ 18.4	$ 18.9	$ 20.2	$ 20.3
Investment income, net of expenses	3.9	(4.4)	6.2	0.5	1.0
Total additions	**$ 21.9**	**$ 14.0**	**$ 25.1**	**$ 20.7**	**$ 21.3**
Deductions					
Health benefits	$ 10.1	$ 12.8	$ 14.3	$ 16.0	$ 16.2
Administrative expenses	0.2	-	-	-	-
Total deductions	**$ 10.3**	**$ 12.8**	**$ 14.3**	**$ 16.0**	**$ 16.2**
Net change in OPEB net position	**$ 11.6**	**$ 1.2**	**$ 10.8**	**$ 4.7**	**$ 5.2**

	2018	2017	2016	2015	2014
Additions					
Contributions	$ 19.6	$ 21.0	$ 19.7	$ 21.0	$ 20.2
Investment income, net of expenses	1.0	0.2	-	0.1	0.5
Total additions	**$ 20.6**	**$ 21.2**	**$ 19.7**	**$ 21.1**	**$ 20.7**
Deductions					
Health benefits	$ 16.8	$ 17.6	$ 18.4	$ 19.3	$ 20.0
Administrative expenses	-	0.8	0.1	-	-
Total deductions	**$ 16.8**	**$ 18.4**	**$ 18.5**	**$ 19.3**	**$ 20.0**
Net change in OPEB net position	**$ 3.8**	**$ 2.8**	**$ 1.2**	**$ 1.8**	**$ 0.7**

Table 75: Pension Benefit and Refund Deductions from Net Position by Type [1]

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

	2023	2022	2021	2020	2019
Type of benefit					
Age and service	$811.4	$755.7	$708.0	$664.4	$620.2
Disability - duty	64.3	61.3	60.4	59.0	57.5
Disability - non-duty	6.4	6.4	6.4	6.6	6.3
Death benefits	2.5	2.0	2.4	1.8	1.4
Survivors	68.6	63.9	61.4	56.7	53.1
Total	**$953.2**	**$889.3**	**$838.6**	**$788.5**	**$738.5**
Type of refund					
Separation	7.5	7.7	6.4	5.7	5.3
Total	**$ 7.5**	**$ 7.7**	**$ 6.4**	**$5.7**	**$5.3**

	2018	2017	2016	2015	2014
Type of benefit					
Age and service	$574.3	$539.3	$520.6	$490.1	$470.3
Disability - duty	54.4	53.5	51.9	49.8	49.1
Disability - non-duty	6.1	5.9	6.3	6.3	6.6
Death benefits	1.6	1.7	1.6	1.2	1.5
Survivors	49.1	46.6	45.0	42.3	30.5
Total	**$685.5**	**$647.0**	**$625.4**	**$589.7**	**$558.0**
Type of refund					
Separation	4.4	3.6	3.6	2.6	2.7
Total	**$4.4**	**$3.6**	**$3.6**	**$2.6**	**$2.7**

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

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Operating information is intended to provide information about SDCERA's operations and membership to assist in using financial statement information to understand and evaluate SDCERA's financial condition.

Table 76, 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.

Table 76: Retired Members by Type of Benefit

As of June 30, 2023

Amount of Monthly Benefit	Number of Retirees & Beneficiaries	Type of Retirement 1	2	3	4	5	6
$0 - $1,000	3,484	2,730	386	213	23	25	107
1,000 - 2,000	4,210	3,184	442	198	111	143	132
2,000 - 3,000	3,618	2,751	307	103	329	68	60
3,000 - 4,000	2,868	2,130	179	47	416	17	79
4,000 - 5,000	2,058	1,626	112	21	234	8	57
5,000 - 6,000	1,461	1,290	70	9	79	5	8
6,000 - 7,000	1,110	1,015	41	6	35	4	9
7,000 - 8,000	860	785	19	-	50	1	5
8,000 - 9,000	654	612	12	1	27	-	2
9,000 - 10,000	456	423	5	-	28	-	-
Over 10,000	1,096	1,044	7	1	40	1	3
Total	**21,875**	**17,590**	**1,580**	**599**	**1,372**	**272**	**462**

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 as of June 30, 2023

Table 77, 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 77: Retired Members by Benefit Option Selected

As of June 30, 2023

		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	3,484	3,232	59	182	3	4	1	3
1,000 - 2,000	4,210	3,966	64	166	2	7	-	5
2,000 - 3,000	3,618	3,462	47	98	4	7	-	-
3,000 - 4,000	2,868	2,756	45	58	2	6	-	1
4,000 - 5,000	2,058	1,985	28	40	-	4	-	1
5,000 - 6,000	1,461	1,393	19	34	1	14	-	-
6,000 - 7,000	1,110	1,065	14	25	-	6	-	-
7,000 - 8,000	860	837	8	14	-	1	-	-
8,000 - 9,000	654	632	7	14	-	1	-	-
9,000 - 10,000	456	443	3	8	2	-	-	-
Over 10,000	1,096	1,072	6	17	-	1	-	-
Total	**21,875**	**20,843**	**300**	**656**	**14**	**51**	**1**	**10**

[1] **Option Selected:**
Unmodified - Beneficiary receives 60% continuance. (100% 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% of member's reduced monthly benefit.
Option 3 - Beneficiary receives 50% of member's reduced monthly benefit.
Option 4 – Other continuation percentage received by beneficiary 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

Tables 78 and 79 present average benefit payments for the Pension Plan and OPEB for the last 10 fiscal years respectively.

Table 78: Average Benefit Payments – Pension Plan

For the fiscal years ended June 30

	Years of Credited Service						
Effective Year of Retirement	**0-5**	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
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
2022							
Average annual benefit	$6,571	$13,853	$27,699	$39,979	$61,425	$92,085	$101,193
Average monthly benefit	$548	$1,154	$2,308	$3,332	$5,119	$7,674	$8,433
Average final monthly salary	$8,031	$6,138	$6,688	$6,786	$7,815	$9,464	$8,776
Number of retired members	60	157	133	184	270	170	176
2023							
Average annual benefit	$5,671	$13,162	$28,064	$42,523	$58,228	$85,891	$103,812
Average monthly benefit	$473	$1,097	$2,339	$3,544	$4,852	$7,158	$8,651
Average final monthly salary	$8,354	$5,881	$7,050	$7,279	$7,612	$8,984	$8,970
Number of retired members	40	166	93	116	184	120	94

Source: Segal, Actuarial Certification Letter - Pension Plan as of June 30, 2023

Table 79: Average Benefit Payments – OPEB Plan

For the fiscal years ended June 30

	Health Insurance Reimbursement	Medical Reimbursement[3]	Medicare Part B Reimbursement
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
2022			
Average monthly benefit	$199	$228	$94
Number of retired members	917	2,536	3,067
2023 [2]			
Average monthly benefit	$139	$259	$94
Number of retired members	1,369	1,686	2,917

[1] Biennial valuations performed prior to FY 2016

[2] Starting January 2023, there have been some changes made by SDCERA in the way their HIA and Med B will be reimbursed. Because the change in reimbursement method, the claim experience might be somewhat incomplete for the plan year 2023. Please see the June 30, 2023 OPEB funding valuation report for more detail.

[3] Includes both medical and dental reimbursement for those in SDCERA-sponsored medical plans

Source: Segal, Actuarial Certification Letter – OPEB Plan as of June 30, 2023

Membership information, including the number of covered Members by employer for the last ten fiscal years, is shown on Table 80, the Schedule of Participating Employers.

Table 80: Schedule of Participating Employers

For the fiscal years ended June 30

	Total	County of San Diego	Superior Court	San Dieguito River Valley Joint Powers Authority	Local Agency Formation Commission	San Diego County Office of Education
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	42,807	2,839	30	18	10
Percentage to total system	100%	93.66%	6.21%	0.07%	0.04%	0.02%
Rank		1	2	3	4	5
2022						
Number of covered employees	47,217	44,209	2,947	32	19	10
Percentage to total system	100%	93.63%	6.24%	0.07%	0.04%	0.02%
Rank		1	2	3	4	5
2023						
Number of covered employees	49,310	46,308	2,942	31	19	10
Percentage to total system	100%	93.91%	5.97%	0.06%	0.04%	0.02%
Rank		1	2	3	4	5

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