IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2019 AND 2018

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BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

BAKERSFIELD OFFICE
(MAIN OFFICE)
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

FRESNO OFFICE
10 RIVER PARK PLACE EAST
SUITE 208
FRESNO, CA 93720
TEL 559.476.3592

STOCKTON OFFICE
1919 GRAND CANAL BLVD
SUITE C6
STOCKTON, CA 95207
TEL 888.565.1040

WWW.BACPAS.COM

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement
Imperial County Employees' Retirement System
El Centro, California

Report on the Basic Financial Statements

We have audited the accompanying statements of plan net position of the Imperial County Employees' Retirement System (ICERS) as of June 30, 2019 and 2018, and the related statements of changes in plan net position for the fiscal years then ended, and the related notes to the basic financial statements, which collectively comprise ICERS' basic financial statements as listed in the table contents. We have also audited the schedule of net pension liability allocated by cost sharing plan, total of all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) listed as other supplemental information in the table of contents.

Management's Responsibility for the Basic Financial Statements

Management is responsible for the preparation and fair presentation of these basic 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 basic financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the ICERS' preparation and fair presentation of the basic financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ICERS' internal control over financial reporting (internal control). Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net position of ICERS as of June 30, 2019 and 2018, and its changes in plan net position for the fiscal years then ended and the schedule of net pension liability allocated by cost sharing plan, total of all entities of the columns titles net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) listed as other supplemental information in the table of contents in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, 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 required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 2, 2020, on our consideration of ICERS' internal control and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ICERS' internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
January 2, 2020

This Management's Discussion and Analysis (MD&A) of the financial activities of Imperial County Employees' Retirement System's (ICERS) is an overview of its fiscal operations for the year ended June 30, 2019. Readers are encouraged to consider the information presented in conjunction with the Basic Financial Statements and Notes to the Basic Financial Statements.

We are pleased to provide this overview and analysis of the financial activities of ICERS for the year ended June 30, 2019. ICERS is the public employee retirement system established by Imperial County on July 1, 1951, and is administered by the Board of Retirement to provide retirement, disability, and death and survivor benefits for its employees under the County Employees Retirement Act of 1937.

Financial Highlights

ICERS' plan net position as of June 30, 2019, was $876,015,092. The plan net position is held in trust for payment of pension benefits to participants and their beneficiaries and all of the net position is available to meet ICERS' ongoing obligations.

- Net position increased by $44,531,444; primarily due to an increase in the net appreciation in the fair value of investments.

- Total additions, as reflected in the Statement of Changes in Plan Net Position decreased $4,229,467 from the prior year; consisting mainly of a decline in net investment income.

- Deductions in plan net position increased from $43,170,966 to $46,818,867 versus the prior year. The increase was primarily due to an increase in retiree pension benefits.

- ICERS' funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2019, the date of the last funding actuarial valuation, the funded ratio for all ICERS agencies was 87.08%. In general, this indicates that for every dollar of benefits due, ICERS had approximately $.87 of assets available for payment as of that date. The funding ratios of the employer entities that participate in ICERS were 100%.

Overview of the Basic Financial Statements

This MD&A serves as an introduction to the basic financial statements. ICERS has two basic financial statements, the notes to the basic financial statements, and required and other supplemental information of historical trend information. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting.

The Statement of Plan Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of fiscal year-end. The Net Position Held in Trust for Pension Benefits, which is the assets less the liabilities, reflects the funds available for future use.

The Statement of Changes in Plan Net Position is the second financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as Additions or Deductions to the plan. The trend of Additions versus Deductions to the plan will indicate the condition of ICERS' financial position over time. Both statements are in compliance with all applicable GASB pronouncements. These pronouncements require certain disclosures and also require state and local governments to report using the full accrual basis of accounting. ICERS complies with all material requirements of these pronouncements.

The Statement of Plan Net Position and the Statement of Changes in Plan Net Position report information about ICERS' activities. These statements include all assets and liabilities using the full accrual basis of accounting as practiced by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and includes both realized and unrealized gains and losses on investments.

These two statements report ICERS' net position held in trust for pension benefits (net position) – the difference between assets and liabilities – as one way to measure ICERS' financial position. Over time, increases and decreases in ICERS' net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring ICERS' overall health.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year. Asset allocation, the long-term expected rate of return, discount rate, key actuarial assumptions, and the Schedule of Net Pension Liability based on GASB Statement No. 67 are also included in this section.

The Required Supplemental Information follows the notes and includes several GASB Statement No. 67 schedules. The Schedule of Changes in Net Pension Liability and Related Ratios provide an up-to-date financial indication of the extent to which the total pension liability is covered by the fiduciary net position of the Pension Plan. This information will improve the basic financial statements users' ability to compare the total pension liability for similar types of pension plans. Please note that liabilities on these schedules are calculated solely for financial reporting purposes and are not intended to provide information about the funding of ICERS' benefits.

Another schedule, the Schedule of Employer Contributions, helps the reader determine if plan sponsors are meeting the actuarially determined contributions over a period of time. New information about rates of return on pension plan investments, taking account of monetary flows into and out of the market is also provided. The Schedule of Investment Returns includes a money-weighted return performance calculation which is net of investment expenses.

The Other Supplemental Information section includes the Schedule of Employer Contributions Allocated by Cost Sharing, Schedule of Net Pension Liability Allocated by Cost Sharing Plan, and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan. These three schedules address GASB Statement No. 68 requirements. GASB Statement No. 68 governs the specifics of accounting for public pension plan obligations for plan sponsors. Plan sponsors are required to implement GASB Statement No. 68 for fiscal years beginning after June 15, 2014. GASB Statement No. 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers. Changes in the Net Pension Liability will be immediately recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Financial Analysis

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investment income (net of investment expense). Net position as of June 30, 2019, totaled $876,015,092, an increase of $44,531,444 from the prior year. ICERS' assets exceeded its liabilities at the end of the year. The Total Plan Net Position represents funds available for future payments. However, of importance, is the fact that unlike private pension funds, public pension funds are not required to report the future liability of obligations owed to retirees. Only current liabilities are reported in the Statement of Plan Net Position.

Below is a comparison of current and prior year balances:

	2019	2018	Increase (Decrease) 2019/2018
Investments at Fair Value	$ 868,791,343	$ 814,360,067	$ 54,431,276
Cash and Short-term Investments	4,043,107	5,083,669	(1,040,562)
Capital Assets (Net of Accumulated Depreciation)	2,574,658	3,074,569	(499,911)
Collateral Held for Securities Loaned	-	3,987,353	(3,987,353)
Receivables	1,723,464	10,430,923	(8,707,459)
Total Assets	877,132,572	836,936,581	40,195,991
Total Liabilities	1,117,480	5,452,933	(4,335,453)
Net Assets	$ 876,015,092	$ 831,483,648	$ 44,531,444

	2018	2017	Increase (Decrease) 2018/2017
Investments at Fair Value	$ 814,360,067	$ 770,625,393	$ 43,734,674
Cash and Short-term Investments	5,083,669	4,501,046	582,623
Capital Assets (Net of Accumulated Depreciation)	3,074,569	3,586,998	(512,429)
Collateral Held for Securities Loaned	3,987,353	19,940,249	(15,952,896)
Receivables	10,430,923	4,285,732	6,145,191
Total Assets	836,936,581	802,939,418	33,997,163
Total Liabilities	5,452,933	23,864,582	(18,411,649)
Net Assets	$ 831,483,648	$ 779,074,836	$ 52,408,812

In order to determine whether Plan Net Position will be sufficient to meet future obligations, the actuarial funded status needs to be calculated. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and Imperial County are needed to pay all expected future benefits.

ICERS' independent actuary, The Segal Company, performed an actuarial valuation as of June 30, 2019, and determined that the funded ratio of the actuarial assets to the actuarial accrued liability is 87.08%. The actuarial valuation as of June 30, 2018, determined the funded ratio to be 88.35%.

Additions to Plan Net Position

There are three primary sources of funding for ICERS retirement benefits: earnings/(losses) on investments of assets, employer contributions, and employee contributions. Income sources for the fiscal years June 30, 2019 and 2018, totaled $91,350,311 and $95,579,778, respectively.

Below is a comparison of selected current and prior year balances:

	2019	2018	Increase (Decrease) 2019/2018
Employer Contributions	$ 26,078,469	$ 21,014,523	$ 5,063,946
Plan Member Contributions	15,085,120	13,405,766	1,679,354
Net Investment Income	50,172,207	61,149,858	(10,977,651)
Miscellaneous Income	14,515	9,631	4,884
Total	$ 91,350,311	$ 95,579,778	$ (4,229,467)

	2018	2017	Increase (Decrease) 2018/2017
Employer Contributions	$ 21,014,523	$ 21,009,400	$ 5,123
Plan Member Contributions	13,405,766	13,299,670	106,096
Net Investment Income	61,149,858	85,761,157	(24,611,299)
Miscellaneous Income	9,631	11,715	(2,084)
Total	$ 95,579,778	$ 120,081,942	$ (24,502,164)

Deductions from Plan Net Position

ICERS was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan, refund of contributions to terminated employees, and the cost of administration.

Below is a comparison of selected current and prior year balances:

	2019	2018	Increase (Decrease) 2019/2018
Retirement Benefits	$ 42,553,359	$ 39,951,343	$ 2,602,016
Refund of Contributions	1,371,863	906,659	465,204
Lump Sum Death Benefits	157,159	88,750	68,409
Administrative	1,582,158	1,204,487	377,671
Technology Expense	839,852	713,503	126,349
Legal Expenses	140,323	148,112	(7,789)
Actuarial Expenses	174,153	158,112	16,041
Total Expenses	$ 46,818,867	$ 43,170,966	$ 3,647,901

	2018	2017	Increase (Decrease) 2018/2017
Retirement Benefits	$ 39,951,343	$ 36,525,724	$ 3,425,619
Refund of Contributions	906,659	934,947	(28,288)
Lump Sum Death Benefits	88,750	174,310	(85,560)
Administrative	1,204,487	1,410,591	(206,104)
Technology Expense	713,503	669,507	43,996
Legal Expenses	148,112	235,530	(87,418)
Actuarial Expenses	158,112	125,980	32,132
Total Expenses	$ 43,170,966	$ 40,076,589	$ 3,094,377

The Retirement Fund as a Whole

Despite variations in the stock market, management believes that ICERS is in reasonably sound financial position to meet its obligations to the retired and current employees. The current financial position results from a diversified investment program that prudently manages risk to minimize loss, an effective system of cost control and strategic planning. Management believes there will continue to be sufficient assets to meet all benefit obligations.

Requests for Information

This financial report is designed to provide the Retirement Board, our membership, taxpayers, and investment managers with a general overview of ICERS finances and to demonstrate ICERS' accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to:

Imperial County Employees' Retirement System
1221 State Street
El Centro, CA 92243

Respectfully submitted,

Scott W. Jarvis

Scott W. Jarvis
Retirement Administrator

BASIC FINANCIAL STATEMENTS

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET POSITION
AS OF JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
Assets		
Cash and cash equivalents	$ 4,043,107	$ 5,083,669
Security lending cash collateral	-	3,987,353
Total Cash	4,043,107	9,071,022
Receivables		
Contributions receivable	1,309,364	1,112,595
Accounts receivable - sale of investments	114,579	8,585,517
Accrued interest and dividends	275,605	663,326
Accounts receivable - other	23,916	69,485
Total Receivables	1,723,464	10,430,923
Investments at fair value		
Fixed income	242,751,321	220,843,540
Domestic equities	262,816,129	264,717,808
International equities	212,957,293	210,691,397
Alternative investments	54,484,910	41,611,794
Real estate	95,781,690	76,495,528
Total Investments	868,791,343	814,360,067
Capital assets (net of accumulated depreciation)	2,574,658	3,074,569
Total Assets	877,132,572	836,936,581
Liabilities		
Accounts payable - purchase of investments	889,490	1,406,579
Collateral payable for securites lending	-	3,987,353
Accounts payable - other	227,990	59,001
Total Liabilities	1,117,480	5,452,933
Net Position Held in Trust for Pension Benefits	$ 876,015,092	$ 831,483,648

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

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE FISCAL YEARS ENDED JUNE 30, 2019 AND 2018

	June 30, 2019	June 30, 2018
Additions		
Contributions		
Employer	$ 26,078,469	$ 21,014,523
Plan member	15,085,120	13,405,766
Total Contributions	41,163,589	34,420,289
Investment income		
Net realized and unrealized gains of investments	41,254,171	56,659,080
Interest and dividends	8,322,484	4,422,236
Real estate operating income, net	3,128,800	2,634,220
Alternative income	1,588,863	634,847
Total investment income	54,294,318	64,350,383
Less investment expenses	(4,122,111)	(3,200,525)
Net Investment Income	50,172,207	61,149,858
Securities lending activities		
Securities lending income	5,486	41,932
Less expenses from securities lending activities	(5,486)	(41,932)
Total Net Investment Income	50,172,207	61,149,858
Miscellaneous	14,515	9,631
Total Additions	91,350,311	95,579,778
Deductions		
Retirement benefits	42,553,359	39,951,343
Refunds of contributions	1,371,863	906,659
Lump sum death benefits	157,159	88,750
Administrative expenses	1,582,158	1,204,487
Technology expenses	839,852	713,503
Legal expenses	140,323	148,112
Actuarial expenses	174,153	158,112
Total Deductions	46,818,867	43,170,966
Net Increase	44,531,444	52,408,812
Net Position Held in Trust for Employees' Pension Benefits, Beginning of Year	831,483,648	779,074,836
Net Position Held in Trust for Employees' Pension Benefits, End of Year	$ 876,015,092	$ 831,483,648

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

NOTE 1 – PENSION PLAN DESCRIPTION

Plan Administration. The Imperial County Employees' Retirement Association (ICERS) was established by the County of Imperial in 1951. ICERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (CERL) (California Government Code Section 31450 et. seq.). ICERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by the County of Imperial. ICERS also provides retirement benefits to the employee members of the Imperial County Courts, Local Agency Formation Commission (LAFCO), and the Imperial County Transit Commission (ICTC), who became participants of the system on January 1, 2006, September 20, 2006 and November 16, 2011, respectively.

The management of ICERS is vested with the Imperial County (the County) Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the General membership; one member and one alternate are elected by the Safety membership, one member and one alternate are elected by the retired members of the Association. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with her term as County Treasurer. The current Board of Retirement roster is listed below:

	Term Expires
Patricia Lizarraga, General Member Employee	6/30/2022
Suzanne Bermudez, General Member Employee	6/30/2020
Luis Plancarte, County Supervisor	12/31/2019
Norma Jauregui, Public Member	6/30/2020
David West, Public Member	12/31/2020
Thomas Garcia., Safety Member Employee	12/31/2020
David H. Prince, Retiree Member	12/31/2020
Seat Vacant, Public Member	12/31/2020
Seat Vacant, Alternate Safety Member	12/31/2020
Terry Huskey, Alternate Retiree Member	12/31/2020
Karen Vogel, Ex-Officio Member	Ex-Officio

Becky Flammang, Public Member - Deceased

Plan Membership. ICERS' membership consisted of the following as reported in the most recent actuarial valuations dated June 30, 2019 and 2018:

	June 30, 2019	June 30, 2018
Active Members (Vested and Non-Vested)	2,283	2,161
Retired Members and Beneficiaries	1,232	1,193
Terminated Vested (Deferred)	526	500
Total Membership	4,041	3,854

NOTE 1 – <u>PENSION PLAN DESCRIPTION</u> (Continued)

Benefits Provided. ICERS provides service retirement, disability, death and survivor benefits to eligible employees. All regular full-time employees of the County of Imperial or contracting districts who work a minimum of 30 hours per week become members of ICERS effective on the first day of the first full pay period after employment. There are separate retirement plans for General and Safety member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. Any new Safety Member who becomes a member on or after January 1, 2013, is designated California Public Employees' Pension Reform Act of 2013 (PEPRA) Safety and is subject to the provisions of PEPRA, California Government Code 7522 et seq. and Assembly Bill (AB) 197. All other employees are classified as General members. New General Members employed after January 1, 2013 are designated as PEPRA General subject to the provisions of California Government Code 7522 et seq. and AB 197.

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

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

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

General member benefits are calculated pursuant to the provisions of Sections 31676.11 and 31676.14 for Regular and Regular plus Supplemental Benefits, respectively. The monthly allowance is equal to 1/60th of final compensation for Regular and Regular plus Supplemental Benefits, times years of accrued retirement service credit times age factor from either section 31676.11 (Regular Benefit) or 31676.14 (Regular plus Supplemental Benefit). General member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from section 7522.20(a).

Safety member benefits are calculated pursuant to the provisions of California Government Code Sections 31664 and 31664.1 for Regular and Regular plus Supplemental Benefits, respectively. The monthly allowance is equal to 1/50th (or 2%) of final compensation times years of accrued retirement service credit times age factor from Section 31664 (Regular Benefit) or 3% of final compensation times years of accrued retirement service credit times age factor from 31664.1 (Regular plus Supplemental Benefit). For those Safety member benefits first hired on or after January 1, 2013, are calculated pursuant to the provision California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from section 7522.25(d).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation.

Final average compensation consists of the highest 12 consecutive months for a General or Safety member and the highest 36 consecutive months for a PEPRA General and PEPRA Safety member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement

NOTE 1 – PENSION PLAN DESCRIPTION (Continued)

allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

ICERS provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Western Region, is capped at 2.0%.

Contributions. The County of Imperial and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ICERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 22.28% of compensation.

All members are required to make contributions to ICERS regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2019 for 2018-2019 (based on the June 30, 2017 valuation) was 12.89% of compensation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ICERS follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

The basic financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value, except that short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates or by various outside pricing sources. The fair value of real estate investments is based on independent appraisals.

Cash

Cash includes deposits with various financial institutions, the County trust fund, and international currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2019 and 2018.

Capital Assets

Capital assets are valued at historical cost less accumulated depreciation. Capital assets with an initial cost of more than $7,500 and an estimated useful life in excess of one year are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Equipment has a useful life of five years, leasehold improvements and office space forty years, and twelve years for the Pension Administration System (PAS).

Income Taxes

The Internal Revenue Service has ruled that plans such as ICERS qualify under Section 401(a) of the Internal Revenue Code and are not subject to tax under present tax laws. In December 2014, ICERS received a favorable letter of determination from the Internal Revenue Service (IRS). Accordingly, no provision for income taxes has been made in the accompanying basic financial statements, as the Plan is exempt from federal and state income taxes under provisions of the Internal Revenue Code, Section 401, and California Revenue and Taxation Code, Section 23701, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates

The preparation of ICERS' basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results could differ from these estimates.

Reclassifications

Comparative data for the prior year has been presented in the selected sections of the accompanying Statements of Plan Net Position and Changes in Plan Net Position. Also, certain accounts presented in the prior year's data may have been reclassified in order to be consistent with the current year's presentation.

Reserves

The reserves represent the components of ICERS' net position. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy requirements and other benefits as they become due.

The Contingency Reserve is established as required by the CERL to absorb possible future losses on investments. The reserve balance, per the CERL, is 1% of the total fair value of assets if excess earnings exist. ICERS' policy sets the targeted rate at 2%. The Contingency Reserve is 0% and 0% of the fair value of total assets at June 30, 2019 and 2018, respectively.

Asset Allocation Policy and Expected Long-term Rate of Return by Asset Class

The allocation of investment assets within the Defined Benefit portfolio is approved by ICERS' Board of Retirement as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The long-term expected rate of return on pension plan investments 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 weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Allocation Policy and Expected Long-term Rate of Return by Asset Class (Continued)

The target allocation and projected geometric real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following tables:

	June 30, 2019	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Large Cap U.S. Equity	23.00%	5.61%
Small Cap U.S. Equity	6.00%	6.37%
Developed International Equity	17.00%	6.96%
Emerging Markets Equity	7.00%	9.28%
U.S. Core Fixed Income	22.00%	1.06%
TIPS	5.00%	0.94%
Real Estate	5.00%	4.37%
Value Added Real Estate	5.00%	6.00%
Private Equity	5.00%	5.10%
Private Credit	5.00%	8.70%
Total	**100.00%**	

	June 30, 2018	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Large Cap U.S. Equity	23.00%	2.40%
Small Cap U.S. Equity	6.00%	2.30%
Developed International Equity	17.00%	6.50%
Emerging Markets Equity	7.00%	5.20%
U.S. Core Fixed Income	22.00%	0.80%
TIPS	5.00%	0.50%
Real Estate	10.00%	3.90%
Private Equity	5.00%	4.30%
Private Credit	5.00%	4.80%
Total	**100.00%**	

Rate of Return

For the years ended June 30, 2019 and 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.3% and 8.0% respectively. The money-weighted rates of return express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Future Accounting Pronouncements

GASB Statement No. 87 – *Leases.* The requirements of this statement are effective for reporting periods beginning after December 15, 2019. ICERS has not fully judged the impact of implementation of GASB Statement No. 87 on the basic financial statements.

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. ICERS has not fully judged the impact of implementation of GASB Statement No. 91 on the basic financial statements.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE

CERL vests the Board of Retirement with exclusive control over ICERS' investment portfolio. The Board of Retirement established an Investment Policy Statement in accordance with applicable local, State, and Federal laws. The Board of Retirement members exercise authority and control over the management of ICERS' assets (the Plan) by setting policy which the Investment Staff executes either internally, or through the use of external prudent experts. The Board of Retirement oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- 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 with like objectives.
- Diversify the investments of the Plan 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. Diversification is applicable to the deployment of the assets as a whole.

The Investment Policy Statement encompasses the following:

- Criteria for Selecting and Terminating Investment Managers
- Investment Objective and Guidelines by Asset Class
- Duties and Responsibilities of ICERS' Board of Retirement
- Duties and Responsibilities of Staff, Investment Managers, Custodian, and Investment Consultant
- Proxy Voting
- Statement of Objectives, Guidelines, and Procedures for each Investment Manager

The Fixed Income Portfolio includes the following components:

- U.S. Core Income – This portion of the portfolio will provide exposure to the U.S. fixed income market (maturities greater than 1 year) including, but not limited to, Treasury and government agency bonds, corporate debt, mortgage bonds (including CMOs), Yankees, and asset-backed securities. The portfolio will be comprised predominantly of investment grade issues.
- U.S. Core Plus Fixed Income – This portfolio will provide exposure to the U.S. fixed income market (maturities greater than 1 year) including, but not limited to, Treasury and government agency bonds, corporate debt, mortgage bonds (including CMOs), Yankees, asset-backed securities, Eurodollar bonds, private placements, and emerging market bonds. The portfolio will be comprised of both investment grade and below-investment grade issues.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Credit Quality Ratings of Investments in Fixed Income Securities

The credit quality of investments in fixed income securities as rated by nationally recognized ratings organizations as of June 30, 2019 and 2018, are as follows:

	Fair Value	
Quality Ratings	2019	2018
Aaa	$ 149,380,737	$ 128,903,613
Aa	9,407,083	6,626,918
A	23,261,925	23,597,227
Baa	48,068,747	45,633,367
Ba	8,345,162	10,937,332
B	3,041,045	5,145,084
N/R	1,246,622	-
Total Investments in Fixed Income Securities	$ 242,751,321	$ 220,843,541

N/R represents securities that are not rated

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ICERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class.

ICERS has adopted policies specific to each investment manager (asset class) to manage credit risk. In general, fixed income securities should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. In addition, the portfolio's average risk level, as measured by quality ratings of recognized rating services, is expected to approximate AA or its equivalent.

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a financial institution's failure, ICERS would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. ICERS' deposits are not exposed to custodial credit risk as its deposits are eligible for and covered by "pass-through insurance" in accordance with applicable law and Federal Deposit Insurance Corporation (FDIC) rules and regulations. Additional insurance against loss and theft is provided through a Financial Institution Bond.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, ICERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in ICERS' name, and held by the counterparty. ICERS' investment securities are not exposed to custodial credit risk because all securities are held by ICERS' custodial bank in ICERS' name. ICERS has investments in commingled funds that are not held by ICERS' custodial bank. However, investments in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. ICERS has no general policy on custodial credit risk for deposits.

Concentration of Credit Risk

As of June 30, 2019 and 2018, ICERS did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

ICERS does not have a general policy to manage interest rate risk. To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core and Core Plus Portfolios are restricted to +/- 25% of the Barclays Capital Aggregate Bond Index's modified adjusted duration. Deviations from any of the stated guidelines require prior written authorization from ICERS.

As of June 30, 2019, ICERS' Core Fixed Income manager had an effective duration of 5.72 years, while ICERS' Core Plus Fixed Income manager had an effective duration of 5.70 years.

Fixed Income Securities - Duration

As of June 30, 2019 and 2018, ICERS had the following securities:

	2019		2018	
Investment Type	Market Value	Effective Duration (in years)	Market Value	Effective Duration (in years)
Asset Backed Securities	$ 12,003,679	3.91	$ 15,205,480	3.49
Cash & Equivalents	6,733,888	0.00	16,699,383	0.00
CMBS	4,973,463	9.58	5,538,664	6.13
CMO Corporate	2,674,324	4.69	4,214,968	4.87
Corporates and Other Credit	32,641,844	4.99	30,165,356	5.07
Government	23,736,228	10.76	19,420,749	10.32
Mortgage Backed-Agency	18,624,036	16.39	16,718,457	16.17
Government (Non U.S.)	1,639,094	2.96	1,802,471	3.43
Sub-total	103,026,556	5.72	109,765,528	5.05
Core Plus Fixed Income Fund[1]	95,990,873	5.70	89,398,519	5.80
Treasury Inflation Protected Securities[1]	43,733,892	7.48	21,679,493	7.66
Total	$ 242,751,321		$ 220,843,540	

[1] Investments in Commingled Funds

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. Although ICERS does not have a specific policy regarding foreign currency risk, ICERS seeks to mitigate this risk through its investment policy constraints. ICERS' international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 30 days and not to exceed one year for either instrument) are permitted for defensive currency hedging. Non-U.S. equity investments are targeted at 24% of the investment portfolio with a maximum investment of 34%.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

International Investment Securities at Fair Value

ICERS' exposure to Foreign Currency Risk in U.S. dollars for equity and fixed income investments as of June 30, 2019, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Argentine Peso	$ -	$ -	$ -	$ -
Australian Dollar	10,447,001	-	-	10,447,001
Brazilian Real	5,711,659	-	-	5,711,659
British Pound	25,254,989	-	-	25,254,989
Chilean Peso	586,140	-	-	586,140
Chinese RNB	13,655,693	-	-	13,655,693
Colombian Peso	501,995	-	-	501,995
Czech Republic Koruna	416,742	-	-	416,742
Danish Krone	2,461,566	-	-	2,461,566
Euro Currency Unit	50,344,532	-	-	50,344,532
Egyptian Pound	242,832	-	-	242,832
Hong Kong Dollar	8,596,014	-	-	8,596,014
Hungarian Forint	85,712	-	-	85,712
Indian Rupee	6,161,373	-	-	6,161,373
Indonesian Rupiah	2,084,209	-	-	2,084,209
Israeli Shekel	864,478	-	-	864,478
Japanese Yen	34,813,570	-	-	34,813,570
Kenyan Shilling	416,283	-	-	416,283
Malysian Ringgit	901,566	-	-	901,566
Mexican Peso	2,532,467	450,416	-	2,982,883
New Zealand Dollar	366,304	1,307,989	-	1,674,293
Norwegian Krone	981,696	-	-	981,696
Panamanian Balboa	346,902	-	-	346,902
Peruvian Sol	450,973	-	-	450,973
Philippine Peso	384,118	-	-	384,118
Polish Zloty	399,991	-	-	399,991
Russian Ruble	3,748,422	-	-	3,748,422
Singapore Dollar	1,992,696	-	-	1,992,696
South African Rand	3,868,944	-	-	3,868,944
South Korean Won	8,452,156	-	-	8,452,156
Swedish Krona	3,926,783	-	-	3,926,783
Swiss Franc	13,318,828	-	-	13,318,828
Taiwan Dollar	7,599,855	-	-	7,599,855
Thailand Baht	1,662,955	-	-	1,662,955
Turkish Lira	314,278	-	-	314,278
Emirati Dirham	381,593	-	-	381,593
Total Securities Subject to Foreign Currency Risk	$ 214,275,315	$ 1,758,405	$ -	$ 216,033,720
U.S. Dollar (Securities held by International Managers)	1,699,822	-	-	1,699,822
Investment Securities	$ 215,975,137	$ 1,758,405	$ -	$ 217,733,542

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

International Investment Securities at Fair Value (Continued)

ICERS' exposure to Foreign Currency Risk in U.S. dollars for equity and fixed income investments as of June 30, 2018, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Argentine Peso	$ 210,867	$ -	$ -	$ 210,867
Australian Dollar	10,021,977	-	-	10,021,977
Brazilian Real	4,364,827	-	-	4,364,827
British Pound	26,682,048	-	-	26,682,048
Chilean Peso	881,684	-	-	881,684
Colombian Peso	483,117	-	-	483,117
Czech Republic Koruna	419,948	-	-	419,948
Danish Krone	2,397,188	-	-	2,397,188
Euro Currency Unit	50,818,497	-	-	50,818,497
Egyptian Pound	210,867	-	-	210,867
Hong Kong Dollar	7,315,565	-	-	7,315,565
Hungarian Forint	259,795	-	-	259,795
Indian Rupee	5,530,698	-	-	5,530,698
Indonesian Rupiah	1,838,120	-	-	1,838,120
Israeli Shekel	779,808	-	-	779,808
Japanese Yen	34,788,102	-	-	34,788,102
Kenyan Shilling	492,022	-	-	492,022
Malysian Ringgit	924,800	-	-	924,800
Mexican Peso	2,640,630	432,348	-	3,072,978
New Zealand Dollar	303,259	1,485,814	108	1,789,181
Norwegian Krone	1,068,626	-	-	1,068,626
Panamanian Balboa	281,156	-	-	281,156
Peruvian Sol	527,167	-	-	527,167
Polish Zloty	414,136	-	-	414,136
Russian Ruble	3,063,297	-	-	3,063,297
Singapore Dollar	1,848,434	-	-	1,848,434
South African Rand	4,290,552	-	-	4,290,552
South Korean Won	8,163,752	-	-	8,163,752
Swedish Krona	3,783,513	-	-	3,783,513
Swiss Franc	11,018,398	-	-	11,018,398
Taiwan Dollar	8,335,447	-	-	8,335,447
Thailand Baht	1,373,665	-	-	1,373,665
Turkish Lira	732,221	-	-	732,221
Emirati Dirham	632,600	-	-	632,600
Total Securities Subject to Foreign Currency Risk	$ 212,389,222	$ 1,918,162	$ 108	$ 214,307,492
U.S. Dollar (Securities held by International Managers)	1,476,067			1,476,067
Total International Investment Securities	$ 213,865,289	$ 1,918,162	$ 108	$ 215,783,559

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Derivatives

The Board of Retirement's Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument which represents direct ownership of an asset or an obligation of an issuer whose payments are based on or "derived" from the performance of some agreed-upon benchmark. Managers are required to mark-to-market derivative positions daily. Substitution, risk control, and arbitrage are the only derivative strategies permitted: leverage is prohibited.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from derivatives are included in net investment income. The following types of derivatives are permitted: Futures contracts, forward currency contracts, and covered call options.

1. Futures Contracts

   A futures contract represents an agreement to buy (long position) or sell (short position) and underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

2. Forward Currency Contracts

   A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

3. Option Contracts

   An option contract is a type of derivative security in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decided to exercise the option.

Fair values of derivatives contracts are obtained through ICERS custodian bank, JP Morgan. JP Morgan uses an independent third party pricing service for these price quotes. As of June 30, 2019 and 2018, there were no derivative contracts.

NOTE 4 – SECURITIES LENDING PROGRAM

The Board of Retirement's policies authorize ICERS to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower) and in turn, ICERS receives cash or non-cash collateral. ICERS pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Earnings generated above and beyond the interest paid to the borrower represent the net income to ICERS from the transaction.

NOTE 4 – SECURITIES LENDING PROGRAM (Continued)

ICERS' securities lending program is managed by JP Morgan Cash Collateral Investment Fund (CCIF) and primarily invests collateral received from ICERS in short-term debt obligations, including but not limited to bonds, notes, asset-backed securities, repurchase agreements, annuity contracts, and money-market investments. JP Morgan CCIF loans are collateralized at 102 percent (102%).

The collateral under the relationship with JP Morgan is marked-to-market daily and if the market value of the securities rises, ICERS receives additional collateral. The income earned from the investments made by JP Morgan is split between ICERS and JP Morgan, based on contractual agreements.

Under the terms of the lending agreement, the lending agent provides the borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle ICERS to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent shall be liable to ICERS for the amount of such excess, with interest. Either ICERS or the borrower of the security can terminate a loan on demand.

Since ICERS' has moved to a more passive investment style in equities, Securities on Loan have declined to a point where it was unprofitable to continue trading within the Securities Lending program and, as such, ICERS has discontinued the program. As of June 30, 2019, the fair value of securities on loan was $0 with the value of cash collateral received of $0 and non-cash collateral of $0. As of June 30, 2018, the fair value of securities on loan was $4,026,064 with the value of cash collateral received of $3,987,353 and non-cash collateral of $125,306. ICERS' income, net of expenses from securities lending, was $0 and $0 for the years ended June 30, 2019 and 2018, respectively. Cash collateral, and related repayment obligation, is not recorded on the books of ICERS, as there is no ability to pledge or sell the collateral absent borrower default.

As of June 30, 2019 and 2018, ICERS had the following securities lending (dollars in thousands):

	2019		2018	
Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Fair Value of Securities on Loan	Collateral Received
U.S. Government, Agencies, and Mortgage-Backed Securities	$ -	$ -	$ 120,421	$ 125,306
U.S. Corporate Fixed-Income	-	-	3,905,643	3,987,353
Total	$ -	$ -	$ 4,026,064	$ 4,112,659

NOTE 5 – REAL ESTATE

The following is a listing of California real estate indirectly held through ICERS shares in the respective investment companies:

Location	Appraised Value 2019	Appraised Value 2018
Separate Properites:		
ICERS El Centro Inc	$ 1,753,200	$ 1,714,585
ASB-Allegiance Real Estate Fund	36,485,098	34,098,127
ARA-American Strategic Value Realty Fund	20,588,786	6,044,035
Clarion Partners (formerly ING Clarion)	36,954,606	34,638,781
Total Properties	94,028,490	74,780,943
Total Real Estate	$ 95,781,690	$ 76,495,528

ICERS, like all who invest in the real estate arena have continued to experience substantial growth in its real estate portfolio. While the trend has continued to progress, it is a slow process due to the lag period between appraisals of properties in the various portfolios.

ICERS' outlook in its real estate portfolio remains cautiously optimistic and we will continue to closely monitor its movement into what is considered a mature stage of this current expansion cycle.

NOTE 6 – CAPITAL ASSETS

The changes in capital assets for the fiscal year ended June 30, 2019, are shown below.

	Balance June 30, 2018	Additions	Deductions	Balance June 30, 2019
Equipment	$ 107,193	$ 13,176	$ -	$ 120,369
Pension Administration System	5,882,730	-	-	5,882,730
Totals	5,989,923	13,176	-	6,003,099
Less: Accumulated Depreciation				
Equipment	107,194	659	-	107,853
Pension Administration System	2,808,160	512,428	-	3,320,588
Totals	2,915,354	513,087	-	3,428,441
Capital Assets-Net	$ 3,074,569	$ (499,911)	$ -	$ 2,574,658

NOTE 6 – CAPITAL ASSETS (Continued)

The changes in capital assets for the fiscal year ended June 30, 2018, are shown below.

	Balance June 30, 2017	Additions	Deductions	Balance June 30, 2018
Equipment	$ 107,193	$ -	$ -	$ 107,193
Pension Administration System	5,882,730	-	-	5,882,730
Totals	5,989,923	-	-	5,989,923
Less: Accumulated Depreciation				
Equipment	107,193	1	-	107,194
Pension Administration System	2,295,732	512,428	-	2,808,160
Totals	2,402,925	512,429	-	2,915,354
Capital Assets-Net	$ 3,586,998	$ (512,429)	$ -	$ 3,074,569

NOTE 7 – CONCENTRATIONS

ICERS has entered into a custodial agreement with JP Morgan. JP Morgan custodies securities and collects income for ICERS. The value of ICERS' investments under JP Morgan's custodianship at June 30, 2019 and 2018, was approximately $867,038,143 and $812,645,483, respectively.

The following firms professionally manage ICERS' investments:

	Value of Investments	
	2019	2018
Ares	$ 2,930,153	$ -
ASB Capital Management, LLC	36,485,098	34,098,127
American Realty Advisors	20,588,786	6,044,035
Audax Group	1,148,144	(7,238)
BlackRock	453,071,780	430,806,191
Bradford & Marzec	99,347,125	103,630,475
Clarion Partners	36,954,606	34,638,781
Crescent Capital	3,470,456	1,673,607
Dimensional	31,745,292	31,138,055
Harding Loevner	34,690,242	35,144,452
HarbourVest Partners, LLC	31,909,098	25,642,695
KKR	2,251,092	2,203,908
Lone Star	(59,503)	-
MacKay Shields, LLC	95,990,874	89,398,519
PIMCO	138,288	477,241
Portfolio Advisors	12,697,182	11,621,581
JP Morgan	3,679,430	6,135,054
Total Investments	$ 867,038,143	$ 812,645,483

NOTE 8 – FAIR VALUE MEASUREMENT

In fiscal year 2016, ICERS adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This Statement establishes a fair value hierarchy based on three types of input to develop the fair value measurements for investment.

Level 1 — reflects prices quoted in active markets.

Level 2 — reflects prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 — reflects prices based upon unobservable sources.

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

Assets classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. As of June 30, 2019, ICERS did not hold any investments classified in Level 3.

Derivative instruments are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

NOTE 8 – FAIR VALUE MEASUREMENT (Continued)

The following table represents the Fair Value Measurement of ICERS' investments as of June 30, 2019:

		Fair Value Measurements Using	
	June 30, 2019	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Debt Securities			
Asset Backed Securities	$ 12,003,678	$ -	$ 12,003,678
CMBS	4,973,463	-	4,973,463
CMO Corporate	2,674,324	-	2,674,324
Corporates and Other Credit	32,641,844	-	32,641,844
Mortgage Backed-Agency	18,624,036	-	18,624,036
Government	23,736,228	-	23,736,228
Government (Non U.S.)	1,639,094	-	1,639,094
Short Term & Equivalents	6,733,889	-	6,733,889
Total Debt Securities	103,026,556	-	103,026,556
Commingled Funds			
Domestic Bond Funds	139,724,765	-	139,724,765
Domestic Equity Funds	262,816,129	-	262,816,129
International Equity Funds	212,957,293	31,745,291	181,212,002
Total Commingled Funds	615,498,187	31,745,291	583,752,896
Total Investments by Fair Value Level	$ 718,524,743	$ 31,745,291	$ 686,779,452
Investments Measured at the Net Asset Value (NAV)			
Real Estate Funds	$ 95,781,690		
Private Equity Funds	54,484,910		
Total Investments Measured at NAV	150,266,600		
Total Investments by Fair Value Level	**$ 868,791,343**		
Securities Lending Collateral			$ -

NOTE 8 – FAIR VALUE MEASUREMENT (Continued)

The following table represents the Fair Value Measurement of ICERS' investments as of June 30, 2018:

		Fair Value Measurements Using	
	June 30, 2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Debt Securities			
Asset Backed Securities	$ 15,205,480	$ -	$ 15,205,480
CMBS	5,538,664	-	5,538,664
CMO Corporate	4,214,968	-	4,214,968
Corporates and Other Credit	30,165,356	-	30,165,356
Mortgage Backed-Agency	16,718,457	-	16,718,457
Government	19,420,749	-	19,420,749
Government (Non U.S.)	1,802,471	-	1,802,471
Short Term & Equivalents	16,699,382	-	16,699,382
Total Debt Securities	109,765,527	-	109,765,526
Commingled Funds			
Domestic Bond Funds	111,078,012	-	111,078,012
Domestic Equity Funds	264,717,808	-	264,717,808
International Equity Funds	210,691,397	31,138,055	179,553,342
Total Commingled Funds	586,487,217	31,138,055	555,349,162
Total Investments by Fair Value Level	$ 696,252,744	$ 31,138,055	$ 665,114,688
Investments Measured at the Net Asset Value (NAV)			
Real Estate Funds	$ 76,495,528		
Private Equity Funds	41,611,795		
Total Investments Measured at NAV	118,107,323		
Total Investments by Fair Value Level	**$ 814,360,067**		
Securities Lending Collateral			$ 3,987,353

NOTE 8 – FAIR VALUE MEASUREMENT (Continued)

The Valuation method for investments measured at the NAV per share (or its equivalent) is presented on the following table.

Investments Measured at Net Asset Value (NAV)

	Fair Value June 30, 2019	Unfunded Commitments	Redemption Frequency (If Currently Elligible)	Redemption Notice Period
Real Estate Funds (1)	$ 95,781,690	$ 15,417,500	Daily, Quarterly	30-90 days
Private Equity Funds (2)	54,484,910	60,940,348	Not Eligible	N/A
Total Investments Measured at NAV	**$ 150,266,600**	**$ 76,357,848**		

Investments Measured at Net Asset Value (NAV)

	Fair Value June 30, 2018	Unfunded Commitments	Redemption Frequency (If Currently Elligible)	Redemption Notice Period
Real Estate Funds (1)	$ 76,495,528	$ -	Daily, Quarterly	30-90 days
Private Equity Funds (2)	41,611,794	67,410,970	Not Eligible	N/A
Total Investments Measured at NAV	**$ 118,107,322**	**$ 67,410,970**		

(1) Real Estate Funds. This type includes four real estate funds that invest primarily in U.S. commercial real estate (including multi-family, industrial and retail and office space). The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

(2) Private Equity/Credit Funds. This type includes eleven funds that invest primarily in buyout, partnerships, venture capital and credit opportunities/debt funds. The fair value of these investments has been determined using a practical expedient based on the investments' NAV. It is expected that these investments will be held for the entire lives of the funds and will not be sold in the secondary market. Distributions from each fund will be received as the underlying assets are liquidated by the fund managers. Underlying assets of these funds are expected to be liquidated over the next one to 15 years, depending on the vintage year of each fund.

NOTE 9 – ADMINISTRATIVE EXPENSES

California Government Code §31580.2 requires that the Board of Retirement may expend no more than the greater of the following:

1) Twenty-one hundredths of 1 percent (0.21%) of the accrued actuarial liability of the retirement system.

2) Two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment (COLA) computed in accordance with Article 16.5 (commencing with §31870).

Due to the repeal of §31580.3, expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system for purposes of this section.

Due to ICERS' limited budget needs, ICERS has chosen to adopt section 2 of the government code with a current annual limit of $2,303,193. Beginning with fiscal years 2014-2015, ICERS has reclassified it's entire technology expense (with the exception of IT personnel costs) to its own designated account for more uniform adherence to code section §31580.2. Administrative costs of the plan are financed through investment plan assets.

NOTE 10 – RISK MANAGEMENT

ICERS is exposed to various risks of loss related to torts; theft or damage to, or destruction of, assets; injuries to employees; and errors and omissions. To address these risk items, ICERS is covered by the following policies and programs:

Liability Coverage
1st Layer: Up to $300,000 each occurrence
CSAC EIA Excess of $300,000 up to $4,700,000
ACE American Insurance Company: Excess of $5,000,000 up to $45,000,000
Liberty Insurance Corporation: Statutory excess of $50,000,000

For each of the above self-insurance coverage limits, the County maintains a separate Internal Service Fund. Funding for each fund is actuarially determined.

Fiduciary Liability Insurance
Hudson Insurance Company
$10,000,000 – Aggregate Limit of Liability (Including Defense Costs)
$250,000 – Sublimit of Liability for Cap (IRS) Penalties
$1,500,000 – HIPAA and HITECH Sublimit

In addition to the above, each investment manager and the fund's custodian carries a separate fidelity bond as well as errors and omissions insurance at levels consistent with their funds under management.

NOTE 11 – NET PENSION LIABILITY

The Net Pension Liability (NPL) (i.e., the Plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below:

	June 30, 2019	June 30, 2018
Total Pension Liability	$ 998,192,135	$ 964,592,586
Plan Fiduciary Net Position	(876,015,092)	(831,483,648)
Employers' Net Pension Liability	$ 122,177,043	$ 133,108,938
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87.76%	86.20%

The NPL was measured as of June 30, 2019 and 2018. ICERS' Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of June 30, 2018 and 2017, respectively.

Plan provisions. The plan provisions used in the measurement of the NPL as of June 30, 2019 and 2018, are the same as those used in the ICERS' actuarial valuation as of June 30, 2019 and 2018, respectively.

Actuarial assumptions. The TPL as of June 30, 2019, that was measured by the actuarial valuation as of June 30, 2018, used the same actuarial assumptions as the June 30, 2019 funding valuation. The TPL as of June 30, 2018, was remeasured by (1) revaluing the TPL as of June 30, 2017 (before the roll forward) to include the following actuarial assumptions that the Retirement Board had adopted for use in the pension funding valuation as of June 30, 2018, and (2) using this revalued TPL in rolling forward the results from June 30, 2017 to June 30, 2018. In particular, the following actuarial assumptions were applied to all periods included in the June 30, 2019 and 2018 measurements.

NOTE 11 – NET PENSION LIABILITY (Continued)

Inflation	3.00%
Salary increases	General: 4.75% to 8.25% and Safety: 4.75% to 11.50%, vary by service, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Administrative expenses	1.80% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expense) for the employer and member.
Other assumptions	See analysis of actuarial experience during the period July 1, 2013 through June 30, 2016.

Discount rate: The discount rates used to measure the TPLs were 7.25% as of both June 30, 2019 and June 30, 2018. For plan member contributions, the projection of cash flows used to determine the discount rate assumed member contributions will be made at the current contribution rate for the Regular and PEPRA benefits and that the contributions will be made at rates equal to the actuarially determined contribution rates for the Supplemental benefits. For employer contributions, the projection of cash flow used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates.

For this purpose, only member and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the Pension 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 both June 30, 2019 and June 30, 2018.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the NPL of ICERS as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the ICERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
ICERS Net Pension Liability As of June 30, 2019	$ 260,325,938	$ 122,177,043	$ 8,366,152

NOTE 12 – ACTUARIAL VALUATIONS

Pursuant to provisions in the CERL, ICERS engages an independent actuarial firm to perform an annual funding actuarial valuation. The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund ICERS. ICERS also hires an independent actuarial firm to audit the results of each triennial valuation.

Actuarial Methods

Actuarial Cost Method:	Entry Age Actuarial Cost Method. Entry Age equals attained age less years of service. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formulas have always been in effect (i.e., "replacement life within each tier").
Actuarial Value of Assets:	The Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return over 5 years or 10 six-month interest crediting periods. The Actuarial Value of Assets is further adjusted, if necessary, to be within 30% of the Market Value of Assets.

NOTE 12 – **ACTUARIAL VALUATIONS** (Continued)

Valuation Value of Assets:	The Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Amortization Policy:	The Unfunded Actuarial Accrued Liability associated with the Regular Legacy Benefit as of June 30, 2012 is amortized over a declining 19-year period (with 12 years remaining as of June 30, 2019). The Unfunded Actuarial Accrued Liability associated with the Supplemental UAAL relief for Safety members is amortized over a declining 19-year period (with 12 years remaining as of June 30, 2019). Any new UAAL emerging after June 30, 2012 that arises due to actuarial gains or losses will be amortized over a 15-year closed period. Any change in UAAL as a result of a change in actuarial assumptions or methods will be amortized over a 20-year closed period. Any change in UAAL that arises due to plan amendments will be amortized over a 15-year closed period and any change in UAAL due to temporary retirement incentive programs will be amortized over a 5-year closed period. If ICERS becomes overfunded, such surplus and any subsequent surpluses will be amortized over an open amortization period of 30 years.
Employer Contributions:	Employer contributions consist of two components: *Normal Cost:* The annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement-related benefits. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution rate is expressed as a level percentage of the member's compensation. *Contribution to the Unfunded Actuarial Accrued Liability (UAAL):* The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.50% (i.e., 3.00% inflation plus 0.50% across-the-board salary increase).

Member Contributions

General Legacy and Safety Legacy Members
Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General Legacy members and Safety Legacy members, respectively. The basic contribution rate for the Regular benefit is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/120 of Final Average Salary for General and 1/100 of Final Average Salary for Safety. That age is 55 for all General and 50 for all Safety.

It is assumed that contributions are made annually at the same rate, starting at entry age. In addition to their basic contributions for the Regular benefit, members pay one-half of the total normal cost necessary to fund their cost-of-living Regular benefit. Accumulation includes semi-annual crediting of interest at the assumed investment earning rate.

Members pay the additional Normal Cost attributable to the difference between the Total (i.e., Regular plus Supplemental) and Regular benefits. In addition, members also pay for the cost of any unfunded actuarial accrued liability attributable to the difference between the Total and the Regular benefits.

General Tier 3 and Safety Tier 3 Members
Pursuant to Section 7522.30(a) of the Government Code, General Tier 3 and Safety Tier 3 members are required to contribute at least 50% of the Normal Cost rate. In addition, there are certain additional requirements that would have to be met such as requiring the new employees to pay the contribution rate of "similarly situated employees," if it is greater (reference: Section 7522.30(c)). We further understand that different rules may have to be applied for collectively bargained employees, non-represented, managerial or other supervisory employees (reference: Section 7522.30(e)). In preparing the Normal Cost rates in this report, we have assumed that exactly 50% of the Normal Cost would be paid by the new members and we have taken into account in this valuation only the requirements of Section 7522.30(c), but not requirements of Section 7522.30(e).

Members also pay for the cost of any unfunded actuarial accrued liability (UAAL) for General Legacy and Safety Legacy Tiers attributable to the difference between the Total (i.e., Regular plus Supplemental) and the Regular benefits.

The results of this valuation reflect an agreement in effect for certain County bargaining units for the employer to pick up the Supplemental UAAL contributions for the Tier 3 members. According to a list provided by ICERS on August 15, 2019, all bargaining units covering General Tier 3 members except for the Professional Legal Bargaining Unit have reached this agreement, and all bargaining units covering Safety Tier 3 members have reached this agreement. Members who are not a part of the bargaining units that have reached this agreement (referenced in this valuation report as "Member Pays Supplemental UAAL") have a separate set of Tier 3 employer and member contribution rates that differ from the Tier 3 employer and member contribution rates for members belonging to the bargaining units that have reached this agreement (referenced in this valuation report as "Employer Picks Up Supplemental UAAL").

NOTE 12 – **ACTUARIAL VALUATIONS** (Continued)

Internal Revenue Code Section 415:	Section 415 of the Internal Revenue Code (IRC) specifies the maximum benefits that may be paid to an individual from a defined benefit plan and the maximum amounts that may be allocated each year to an individual's account in a defined contribution plan. A qualified pension plan may not pay benefits in excess of the Section 415 limits. The ultimate penalty for noncompliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets. In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $225,000 for 2019. Normal Retirement Age for these purposes is age 62. These are the limits in simplified terms. They must be adjusted based on each participant's circumstances, for such things as age at retirement, form of benefits chosen and after tax contributions. For members in the Legacy Tiers, benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m). Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard. Contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.
Changed Actuarial Assumptions:	There have been no changes in actuarial assumptions since the last valuation.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Litigation

ICERS is subject to legal proceedings and claims arising in the ordinary course of its operations. ICERS' management and legal counsel estimate the ultimate outcome of such litigation will not have a material effect on ICERS' basic financial statements.

Capital Commitments

ICERS' real estate and private equity investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity and discretion is controlled by ICERS' Investment Policy and the guidelines and limitations set forth in the contract, subscription agreement, limited partnership agreement, and/or other contractual documents applicable to each manager. Such investments are further restricted by the amount of capital allocated or committed to each manager. ICERS' Investment Policy, contractual obligations, and capital commitments are subject to approval by the Board of Retirement and may be updated as often as necessary to reflect ICERS' investment preferences, as well as changes in market conditions.

NOTE 13 – COMMITMENTS AND CONTINGENCIES (Continued)

Capital Commitments (Continued)

As of June 30, 2019, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
American Realty Advisors	Real Estate	$ 35,000,000	$ 15,417,500
Ares	Private Equity	8,000,000	5,252,958
Audax	Private Equity	7,000,000	5,894,964
Crescent	Private Equity	7,000,000	3,800,468
HarbourVest	Private Equity	70,000,000	39,209,486
KKR	Private Equity	10,000,000	1,054,718
Lone Star	Private Equity	5,750,000	5,727,754
PIMCO	Private Equity	10,000,000	-
Portfolio Advisors	Private Equity	11,250,000	-

As of June 30, 2018, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
American Realty Advisors	Private Equity	$ 35,000,000	$ 29,102,500
Audax	Private Equity	7,000,000	7,000,000
Crescent	Private Equity	7,000,000	5,381,754
HarbourVest	Private Equity	50,000,000	24,871,997
KKR	Private Equity	10,000,000	1,054,718
PIMCO	Private Equity	10,000,000	-
Portfolio Advisors	Private Equity	11,250,000	-

NOTE 14 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through January 2, 2020, which is the date the basic financial statements were issued. ICERS did not identify any subsequent events that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability							
Service cost	$ 27,921,553	$ 28,632,241	$ 25,909,942	$ 25,771,056	$ 24,654,181	$ 23,272,227	$ 22,802,375
Interest	68,966,822	66,589,540	61,765,040	59,345,608	56,219,107	53,633,171	50,488,475
Differences between expected and actual experience	(19,206,445)	(2,857,091)	(16,844,635)	(6,660,193)	(10,469,477)	(2,989,546)	(14,764,733)
Changes of assumptions	-	-	46,693,228	-	-	21,572,390	-
Benefit payments, including refunds of employee contributions	(44,082,381)	(40,946,752)	(37,634,982)	(34,668,642)	(32,617,937)	(31,068,263)	(29,320,590)
Net change in total pension liability	33,599,549	51,417,938	79,888,593	43,787,829	37,785,874	64,419,979	29,205,527
Total pension liability – beginning	964,592,586	913,174,648	833,286,055	789,498,226	751,712,352	687,292,373	658,086,846
Total pension liability – ending (a)	998,192,135	964,592,586	913,174,648	833,286,055	789,498,226	751,712,352	687,292,373
Plan Fiduciary Net Position							
Contributions – employer	26,078,469	21,014,523	21,009,400	20,506,786	18,458,585	17,045,429	16,082,961
Contributions – employee	15,085,120	13,405,766	13,299,670	12,918,809	11,328,165	10,519,020	10,093,363
Net investment income	50,186,722	61,159,489	85,772,872	1,726,183	12,811,880	95,831,177	62,556,490
Benefit payments, including refunds of employee contributions	(44,082,381)	(40,946,752)	(37,634,981)	(34,668,642)	(32,617,937)	(31,068,263)	(29,320,590)
Administrative expense	(2,736,486)	(2,224,214)	(2,441,608)	(2,303,583)	(2,079,611)	(1,890,474)	(1,521,247)
Net change in plan fiduciary net position	44,531,444	52,408,812	80,005,353	(1,820,447)	7,901,082	90,436,889	57,890,977
Plan fiduciary net position – beginning	831,483,648	779,074,836	699,069,483	700,889,930	692,988,848	602,551,959	544,660,982
Plan fiduciary net position – ending (b)	876,015,092	831,483,648	779,074,836	699,069,483	700,889,930	692,988,848	602,551,959
Plan's net pension liability – ending (a)-(b)	$ 122,177,043	$ 133,108,938	$ 134,099,812	$ 134,216,572	$ 88,608,296	$ 58,723,504	$ 84,740,414
Plan fiduciary net position as a percentage of the total pension liability	87.76%	86.20%	85.31%	83.89%	88.78%	92.19%	87.67%
Covered payroll	$ 117,036,000	$ 112,994,000	$ 114,539,000	$ 106,520,000	$ 102,235,000	$ 96,300,000	$ 100,356,000
Plan net pension liability as percentage of covered payroll	104.39%	117.80%	117.08%	126.00%	86.67%	60.98%	84.44%

Notes to Schedule:
Benefit Changes: None

Schedule is intended to show information for 10 years. Recalculations of prior years are not required. If prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have only shown years for which the new GASB statements have been implemented.

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(AMOUNTS IN MILLIONS)

Fiscal Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	$ 26	$ 26	$ -	$ 117	22.28%
2018	21	21	-	113	18.60%
2017	21	21	-	115	18.34%
2016	21	21	-	107	19.25%
2015	18	18	-	102	18.06%
2014	17	17	-	96	17.68%
2013	16	16	-	92	17.41%
2012	13	13	-	96	13.60%
2011	13	13	-	94	13.84%
2010	12	12	-	88	13.56%
2009	11	11	-	85	12.88%

Notes to Schedule:

Valuation date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Methods and assumptions used to establish "actuarially determined contributions" rates:	
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded actuarial accrued liability
Remaining amortization period	UAAL established as of June 30, 2012 is amortized over a declining period (with 14 years remaining as of the June 30, 2017 valuation which set the rates for the 2018/2019 fiscal year). Effective with the June 30, 2013 valuation, any change in UAAL that arises due to actuarial gains or losses will be amortized over a 15-year closed period. Any change in UAAL as a result of a change in actuarial assumptions or methods will be amortized over a 20-year closed period. Any change in UAAL that arises due to plan amendments will be amortized over a 15-year closed period and any change in UAAL due to temporary retirement incentive programs will be amortized over a 5-year closed period. If ICERS becomes overfunded, such surplus and any subsequent surpluses will be amortized over an open amortization period of 30 years.

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS (Continued)
(AMOUNTS IN MILLIONS)

Asset valuation method	The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over 5 years or 10 six-month interest crediting periods. The Actuarial Value of Assets is further adjusted, if necessary, to be within 30% of the Market Value of Assets. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Actuarial assumptions:	
June 30, 2017 valuation (for year ended 2019 Actuarially Determined Contributions)	
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Inflation rate	3.00%
Projected salary increases[1]	General: 4.75% to 8.25% and Safety: 4.75% to 11.50%, vary by service, including inflation
Cost of living adjustments	2.00% of retirement income
Other assumptions	Same as those used in the June 30, 2017 funding actuarial valuation.

(1) Includes inflation at 3.00% plus real across-the board salary increases of 0.50% plus merit and promotional increases.

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Annual money-weighted rate of return, net of investment expense	6.3%	8.0%	13.9%	0.4%	1.8%	16.2%	11.8%

Notes to Schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTAL INFORMATION

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF MEMBER AND EMPLOYER CONTRIBUTIONS
ALLOCATED BY COST SHARING PLAN (UNAUDITED)
AS OF JUNE 30, 2019

Employer	General	Safety	Total Contributions	Total %
County	$ 28,008,369	$ 11,053,244	$ 39,061,613	94.894%
Courts	1,839,687	-	1,839,687	4.469%
ICTC	219,021	-	219,021	0.532%
LAFCO	43,268	-	43,268	0.105%
Total	$ 30,110,345	$ 11,053,244	$ 41,163,589	100.000%

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF NET PENSION LIABILITY (NPL)
ALLOCATED BY COST SHARING PLAN (UNAUDITED)
AS OF JUNE 30, 2019

Employer	General	Safety	Total NPL	Total %
County	$ 78,409,424	$ 37,883,138	$ 116,292,562	95.184%
Courts	5,150,203	-	5,150,203	4.215%
ICTC	613,149	-	613,149	0.502%
LAFCO	121,129	-	121,129	0.099%
Total	$ 84,293,905	$ 37,883,138	$ 122,177,043	100.000%

Notes to Schedule:

Based on July 1, 2018 through June 30, 2019 contributions as provided by ICERS.

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position. The TPL for each membership class is obtained from internal valuation results. The Plan Fiduciary Net Position for each membership class was estimated by adjusting the Valuation Value of Assets (VVA) for each membership class by the ratio of the total ICERS Plan Fiduciary Net Position to total ICERS VVA. Based on this methodology, any non-valuation reserves (such as Reserve for Capital Assets) are allocated amongst the membership classes based on the VVA for each membership class.

The Safety membership class has one employer (County), so all of the NPL for Safety is allocated to the County.

For General, the NPL is allocated based on the actual contributions within the General membership class.

- First calculate ratio of employer's and member's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.
- If the employer is in several membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class.
- Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED
BY COST SHARING PLAN (UNAUDITED)
AS OF JUNE 30, 2019

	County General	County Safety	County Total	Courts	ICTC	LAFCO	Total for All Employers
Net Pension Liability	$ 78,409,424	$ 37,883,138	$ 116,292,562	$ 5,944,063	$ 588,681	$ 141,981	$ 122,967,287
Deferred Outflows of Resources							
Differences Between Expected and Actual Plan Experience	-	237,842	237,842	-	-	-	237,842
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	1,082,974	470,089	1,553,063	71,134	8,469	1,673	1,634,339
Changes of Assumptions	19,612,623	5,081,813	24,694,436	1,288,225	153,368	30,298	26,166,327
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	539,213	-	539,213	14,892	93,969	16,090	664,164
Total Deferred Outflows of Resources	$ 21,234,810	$ 5,789,744	$ 27,024,554	$ 1,374,251	$ 255,806	$ 48,061	$ 28,702,672
Deferred Inflows of Resources							
Differences Between Expected and Actual Plan Experience	$ 21,336,195	$ 9,583,797	$ 30,919,992	$ 1,401,436	$ 166,846	$ 32,961	$ 32,521,235
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	-	-	-	-
Changes of Assumptions	-	-	-	-	-	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	12,834	-	12,834	629,631	595	21,104	664,164
Total Deferred Inflows of Resources	$ 21,349,029	$ 9,583,797	$ 30,932,826	$ 2,031,067	$ 167,441	$ 54,065	$ 33,185,399
Pension Expense							
Proportionate Share of Plan Pension Expense	$ 24,215,077	$ 9,938,574	$ 34,153,651	$ 1,586,050	$ 187,974	$ 36,882	$ 35,964,557
Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense	116,145	-	116,145	(140,434)	24,673	(384)	-
Total Employer Pension Expense	$ 24,331,222	$ 9,938,574	$ 34,269,796	$ 1,445,616	$ 212,647	$ 36,498	$ 35,964,557

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED
BY COST SHARING PLAN (UNAUDITED) (Continued)
AS OF JUNE 30, 2019

Notes to Schedule:

Amounts shown in this exhibit were allocated by employer based on the Contributions Allocation Percentage Calculated in the Schedule of Employer Contributions Allocated by Cost Sharing Plan (above).

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Differences between expected and actual experience are recognized over the average of the expected remaining service lives of all members that are provided with pensions through ICERS determined as of June 30, 2018 (the beginning of the measurement period ending June 30, 2019) and is 6.67 years.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employees' expected remaining service life as the present value of $1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each non-active or retired members.
- Dividing the sum of the above amounts by the total number of active employee, non-active and retired members.