IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2021 AND 2020

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2021 AND 2020

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

www.ba.cpa
661-324-4971

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, 2021 and 2020, the related statements of changes in plan net position for the years then ended, and the related notes to the 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 rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (specified row 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 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 financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ICERS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 financial statements.

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of ICERS as of June 30, 2021 and 2020, and its changes in plan net position for the years then ended, and the schedule of net pension liability allocated by cost sharing plan total of all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (specified row 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 management's discussion and analysis and 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 Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise ICERS' basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 10, 2022, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of ICERS' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ICERS' internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong Accountancy Corporation

Bakersfield, California
January 10, 2022

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 years ended June 30, 2021 and 2020. Readers are encouraged to consider the information presented in conjunction with the 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 years ended June 30, 2021 and 2020. 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, 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, 2021, was $1,126,787,589. 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 $231,769,690; 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, increased $216,246,343 from the prior year, consisting mainly of an increase in net investment income.

- Deductions in plan net position increased from $49,944,708 to $53,424,168 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, 2021, the date of the last funding actuarial valuation, the funded ratio for all ICERS agencies was 87.7%. 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 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 both realized and unrealized gains and losses on investments are shown.

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 (Notes) provide additional information that is essential to a full understanding of the data provided in the 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 (GASB 67) are also included in this section.

The Required Supplemental Information follows the notes and includes several GASB 67 schedules. The Schedule of Changes in Net Pension Liability and Related Ratios provides 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 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 (GASB 68) requirements. GASB 68 governs the specifics of accounting for public pension plan obligations for plan sponsors. Plan sponsors are required to implement GASB 68 for fiscal years beginning after June 15, 2014. GASB 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, 2021, totaled $1,126,787,589, an increase of $231,769,690 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:

	2021	2020	Increase (Decrease) 2021/2020
Investments at Fair Value	$ 1,123,086,833	$ 886,779,431	$ 236,307,402
Cash and Cash Equivalents	3,533,988	5,099,324	(1,565,336)
Capital Assets (Net of Accumulated Depreciation)	1,544,531	2,059,594	(515,063)
Receivables	3,117,573	2,754,522	363,051
Total Assets	1,131,282,925	896,692,871	234,590,054
Total Liabilities	4,495,336	1,674,972	2,820,364
Net Position Held in Trust for Pension Benefits	$ 1,126,787,589	$ 895,017,899	$ 231,769,690

	2020	2019	Increase (Decrease) 2020/2019
Investments at Fair Value	$ 886,779,431	$ 868,791,343	$ 17,988,088
Cash and Cash Equivalents	5,099,324	4,043,107	1,056,217
Capital Assets (Net of Accumulated Depreciation)	2,059,594	2,574,658	(515,064)
Collateral Held for Securities Loaned	-	-	-
Receivables	2,754,522	1,723,464	1,031,058
Total Assets	896,692,871	877,132,572	19,560,299
Total Liabilities	1,674,972	1,117,480	557,492
Net Position Held in Trust for Pension Benefits	$ 895,017,899	$ 876,015,092	$ 19,002,807

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, 2021, and determined that the funded ratio of the actuarial assets to the actuarial accrued liability is 87.7%. The actuarial valuation as of June 30, 2020, determined the funded ratio to be 84.8%.

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 ended June 30, 2021 and 2020, totaled $285,193,858 and $68,947,515, respectively.

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

	2021	2020	Increase (Decrease) 2021/2020
Employer Contributions	$ 27,812,265	$ 26,378,159	$ 1,434,106
Plan Member Contributions	15,022,486	15,111,979	(89,493)
Net Investment Income	242,348,883	27,401,104	214,947,779
Miscellaneous Income	10,224	56,273	(46,049)
Total	$ 285,193,858	$ 68,947,515	$ 216,246,343

	2020	2019	Increase (Decrease) 2020/2019
Employer Contributions	$ 26,378,159	$ 26,078,469	$ 299,690
Plan Member Contributions	15,111,979	15,085,120	26,859
Net Investment Income	27,401,104	50,172,207	(22,771,103)
Miscellaneous Income	56,273	14,515	41,758
Total	$ 68,947,515	$ 91,350,311	$ (22,402,796)

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:

	2021	2020	Increase (Decrease) 2021/2020
Retirement Benefits	$ 49,303,097	$ 45,512,613	$ 3,790,484
Refund of Contributions	914,219	1,502,178	(587,959)
Lump Sum Death Benefits	283,333	187,330	96,003
Administrative	1,489,145	1,529,964	(40,819)
Technology Expense	1,034,016	831,806	202,210
Legal Expenses	174,024	227,006	(52,982)
Actuarial Expenses	226,334	153,811	72,523
Total Deductions	$ 53,424,168	$ 49,944,708	$ 3,479,460

	2020	2019	Increase (Decrease) 2020/2019
Retirement Benefits	$ 45,512,613	$ 42,553,359	$ 2,959,254
Refund of Contributions	1,502,178	1,371,863	130,315
Lump Sum Death Benefits	187,330	157,159	30,171
Administrative	1,529,964	1,582,158	(52,194)
Technology Expense	831,806	839,852	(8,046)
Legal Expenses	227,006	140,323	86,683
Actuarial Expenses	153,811	174,153	(20,342)
Total Deductions	$ 49,944,708	$ 46,818,867	$ 3,125,841

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 Board of Retirement, 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,

J. David Puente

J. David Puente
Retirement Financial Officer

BASIC FINANCIAL STATEMENTS

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET POSITION
AS OF JUNE 30, 2021 AND 2020

	June 30, 2021	June 30, 2020
Assets		
Cash and cash equivalents	$ 3,533,988	$ 5,099,324
Receivables		
Contributions receivable	1,774,269	1,241,709
Accounts receivable - sale of investments	769,097	1,035,640
Accrued interest and dividends	561,827	467,108
Accounts receivable - other	12,380	10,065
Total Receivables	3,117,573	2,754,522
Investments at fair value		
Fixed income	282,057,920	236,646,355
Domestic equities	386,341,494	271,729,161
International equities	215,513,515	198,707,913
Private credit and equity	138,249,020	81,104,666
Real estate	100,924,884	98,591,336
Total Investments at Fair Value	1,123,086,833	886,779,431
Capital assets (net of accumulated depreciation)	1,544,531	2,059,594
Total Assets	1,131,282,925	896,692,871
Liabilities		
Accounts payable - purchase of investments	4,435,561	1,410,401
Accounts payable - other	59,775	264,571
Total Liabilities	4,495,336	1,674,972
Net Position Held in Trust for Pension Benefits	$ 1,126,787,589	$ 895,017,899

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

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR THE YEARS ENDED JUNE 30, 2021 AND 2020

	June 30, 2021	June 30, 2020
Additions		
Contributions		
Employer	$ 27,812,265	$ 26,378,159
Plan member	15,022,486	15,111,979
Total Contributions	42,834,751	41,490,138
Investment income		
Net appreciation in fair value of investments	237,812,986	22,206,373
Interest and dividends	3,824,923	4,222,592
Real estate operating income, net	2,596,464	3,608,932
Alternative income	3,803,545	2,490,810
Total investment income	248,037,918	32,528,707
Less investment expenses	(5,689,035)	(5,127,603)
Net Investment Income	242,348,883	27,401,104
Miscellaneous	10,224	56,273
Total Additions	285,193,858	68,947,515
Deductions		
Retirement benefits	49,303,097	45,512,613
Refunds of contributions	914,219	1,502,178
Lump sum death benefits	283,333	187,330
Administrative expenses	1,489,145	1,529,964
Technology expenses	1,034,016	831,806
Legal expenses	174,024	227,006
Actuarial expenses	226,334	153,811
Total Deductions	53,424,168	49,944,708
Net Increase	231,769,690	19,002,807
Net Position Held in Trust for Pension Benefits, Beginning of Year	895,017,899	876,015,092
Net Position Held in Trust for Pension Benefits, End of Year	$ 1,126,787,589	$ 895,017,899

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

NOTE 1 – PENSION PLAN DESCRIPTION

Plan Administration. The Imperial County Employees' Retirement Association (ICERS) was established by the County of Imperial (the County) in 1951. ICERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (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. ICERS also provides retirement benefits to the employee members of the Imperial County Courts (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 ICERS' Board of Retirement. The Board of Retirement 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 County 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
Karen Vogel, Ex-Officio Member	Ex-Officio
Patricia Lizarraga, General Member Employee	6/30/2022
Suzanne Bermudez, General Member Employee	6/30/2023
Luis Plancarte, County Supervisor	12/31/2022
Norma Jauregui, Public Member	6/30/2023
Seat Vacant, Public Member	-
Thomas Garcia., Safety Member Employee	12/31/2023
David H. Prince, Retiree Member	12/31/2023
Lizandro Escobosa, Public Member	12/31/2023
Seat Vacant, Alternate Safety Member	-
AJ Gaddis, Alternate Retiree Member	12/31/2023

Plan Membership. ICERS' membership consisted of the following as reported in the most recent actuarial valuations dated June 30, 2021 and 2020:

	June 30, 2021	June 30, 2020
Active Members (Vested and Non-Vested)	2,239	2,246
Retired Members and Beneficiaries	1,375	1,280
Terminated Vested (Deferred)	597	572
Total Membership	4,211	4,098

NOTE 1 – PENSION PLAN DESCRIPTION (Continued)

Benefits Provided. ICERS provides service retirement, disability, death, and survivor benefits to eligible employees. All regular full-time employees of the County 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 Section 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 Section 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

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

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 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 (COLA), based upon the Consumer Price Index for the Western Region, is capped at 2.0%.

Contributions. The County 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, 2021, for 2020-2021, and June 30, 2020, for 2019-2020 (based on the June 30, 2019 valuation) was 22.24% and 21.63% of compensation, respectively.

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, 2021, for 2020-2021 and June 30, 2020, for 2019-2020, (based on the June 30, 2019 valuation) was 12.01% and 12.39% of compensation, respectively.

NOTE 2 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>

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

The 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.

<u>Cash and Cash Equivalents</u>

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, 2021 and 2020.

<u>Capital Assets</u>

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).

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

Use of Estimates

The preparation of ICERS' 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 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' plan net position held in trust for pension benefits. 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 County Employees' Retirement Law of 1937 (CERL) to absorb possible future losses on investments. The reserve balance, per 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 was 0% of the fair value of total assets at June 30, 2021 and 2020.

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.

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:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

	June 30, 2021	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Large Cap U.S. Equity	23.00%	5.42%
Small Cap U.S. Equity	6.00%	6.21%
Developed International Equity	17.00%	6.50%
Emerging Markets Equity	7.00%	8.80%
U.S. Core Fixed Income	22.00%	1.13%
TIPS	5.00%	0.87%
Real Estate	5.00%	4.57%
Value Added Real Estate	5.00%	8.10%
Private Credit	5.00%	5.60%
Private Equity	5.00%	9.40%
Total	**100.00%**	

	June 30, 2020	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Large Cap U.S. Equity	23.00%	5.42%
Small Cap U.S. Equity	6.00%	6.21%
Developed International Equity	17.00%	6.50%
Emerging Markets Equity	7.00%	8.80%
U.S. Core Fixed Income	22.00%	1.13%
TIPS	5.00%	0.87%
Real Estate	5.00%	4.57%
Value Added Real Estate	5.00%	8.10%
Private Credit	5.00%	5.60%
Private Equity	5.00%	9.40%
Total	**100.00%**	

Rate of Return

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 24.2% and 0.5% respectively. The money-weighted rates of return express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Future Accounting Pronouncements

GASB Statement No. 87 – *Leases.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement is not applicable to ICERS.

NOTE 2 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u> (Continued)

GASB Statement No. 91 – *Conduit Debt Obligations.* The requirements of this statement are effective for reporting periods beginning after December 15, 2021. ICERS has not fully judged the impact of implementation of GASB Statement No. 91 on the financial statements.

GASB Statement No. 92 – *Omnibus 2020.* The requirements of this statement are effective for reporting periods after June 15, 2021. This statement is not applicable to ICERS.

GASB Statement No. 93 – *Replacement of Interbank Offered Rates.* The requirements of this statement, except for paragraphs 11b, 13, and 14 are effective for reporting periods beginning after June 15, 2020. The requirement in paragraph 11b is effective for reporting periods ending after June 15, 2021. The requirements in paragraphs 13 and 14 are effective for reporting periods beginning after June 15, 2021, and all reporting periods thereafter. The objective of this statement is to address those and other accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). This statement is not applicable to ICERS.

GASB Statement No. 94 – *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter. ICERS has not fully judged the impact of implementation of GASB Statement No. 94 on the financial statements.

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements.* The requirements of this statement are effective for reporting periods beginning after June 15, 2022, and all reporting periods thereafter. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). ICERS has not fully judged the impact of implementation of GASB Statement No. 96 on the financial statements.

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.* The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The primary objectives of this statement are to increase consistency and comparability related to the reporting of fiduciary component units, and mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans. This statement is not applicable to ICERS.

GASB Statement No. 98 – *The Annual Comprehensive Financial Report.* The requirements of this statement are effective for reporting periods ending after December 15, 2021. This Statement establishes the term *annual comprehensive financial report* and its acronym *ACFR.* That new term and acronym replace instances of *comprehensive annual financial report* and its acronym in generally accepted accounting principles for state and local governments. This statement is not applicable to ICERS.

NOTE 3 – <u>DEPOSIT AND INVESTMENT RISK DISCLOSURE</u>

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.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

- 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 collateralized mortgage obligations (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.

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, 2021 and 2020, are as follows:

	Fair Value	
Quality Ratings	2021	2020
Aaa	$ 157,061,717	$ 130,037,470
Aa	8,920,471	10,335,097
A	26,336,564	28,145,855
Baa	62,348,265	50,950,307
Ba	15,244,216	11,255,542
B	10,074,718	5,388,676
N/R*	2,071,969	533,408
Total Investments in Fixed Income Securities	$ 282,057,920	$ 236,646,355

* N/R represents securities that are not rated

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

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, 2021 and 2020, 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.

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, 2021 and 2020, ICERS' Core Fixed Income manager had an effective duration of 5.59 and 6.04 years, respectively, while ICERS' Core Plus Fixed Income manager had an effective duration of 6.60 and 6.00 years, respectively.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Fixed Income Securities - Duration

As of June 30, 2021 and 2020, ICERS had the following securities:

	2021		2020	
Investment Type	Market Value	Effective Duration (in years)	Market Value	Effective Duration (in years)
Asset Backed Securities	$ 9,394,424	5.91	$ 10,746,554	4.87
Cash and Equivalents	8,649,132	0.00	4,188,157	0.00
Commercial Mortgage-Backed Securities (CMBS)	3,253,702	1.68	4,706,307	9.14
CMO Corporate	2,454,133	0.02	882,675	0.00
Corporates and Other Credit	47,638,206	6.85	39,425,518	6.90
Government	19,123,513	4.97	11,540,704	14.57
Mortgage Backed-Agency	22,238,530	19.39	26,930,922	17.61
Government (Non-U.S.)	5,713,477	4.07	1,175,734	4.56
Sub-total	118,465,117	5.59	99,596,571	6.04
Core Plus Fixed Income Fund[1]	111,753,693	6.60	95,183,998	6.00
Treasury Inflation Protected Securities[1]	51,839,110	7.51	41,865,786	7.68
Total	$ 282,057,920		$ 236,646,355	

[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, 2021, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Australian Dollar	$ 11,577,028	$ 1,068,828	$ -	$ 12,645,856
Brazilian Real	3,344,412	-	-	3,344,412
British Pound	23,889,413	-	-	23,889,413
Canadian Dollar	-	2,037,920	1	2,037,921
Chilean Peso	253,032	-	-	253,032
Chinese RNB	16,853,966	-	-	16,853,966
Colombian Peso	172,480	-	-	172,480
Czech Republic Koruna	240,367	-	-	240,367
Danish Krone	4,082,258	-	-	4,082,258
Euro Currency Unit	56,784,730	-	-	56,784,730
Egyptian Pound	113,667	-	-	113,667
Hong Kong Dollar	7,141,181	-	-	7,141,181
Hungarian Forint	55,267	-	-	55,267
Indian Rupee	5,529,776	-	-	5,529,776
Indonesian Rupiah	956,770	-	-	956,770
Israeli Shekel	972,726	-	-	972,726
Japanese Yen	37,298,442	-	-	37,298,442
Kenyan Shilling	369,416	-	-	369,416
Malaysian Ringgit	464,246	-	-	464,246
Mexican Peso	2,123,510	129,205	-	2,252,715
New Zealand Dollar	382,712	413,628	214,516	1,010,856
Norwegian Krone	1,020,564	1,138,648	-	2,159,212
Panamanian Balboa	113,667	-	-	113,667
Peruvian Sol	-	-	-	-
Philippine Peso	259,757	-	-	259,757
Polish Zloty	334,736	-	-	334,736
Qatari Riyal	60,794	-	-	60,794
Russian Ruble	2,827,156	-	-	2,827,156
Saudi Riyal	677,025	-	-	677,025
Singapore Dollar	1,722,203	-	-	1,722,203
South African Rand	1,523,307	-	-	1,523,307
South Korean Won	6,665,796	-	-	6,665,796
Swedish Krona	6,011,763	-	-	6,011,763
Swiss Franc	15,069,272	-	-	15,069,272
Taiwan Dollar	7,790,763	-	-	7,790,763
Thailand Baht	713,686	-	-	713,686
Turkish Lira	129,878	-	-	129,878
Emirati Dirham	74,611	-	-	74,611
Total Securities Subject to Foreign Currency Risk	217,600,377	4,788,229	214,517	222,603,123
U.S. Dollar (Securities held by International Managers)	1,449,249	-	-	1,449,249
Total International Investment Securities	$ 219,049,626	$ 4,788,229	$ 214,517	$ 224,052,372

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, 2020, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Australian Dollar	$ 9,466,620	$ -	$ -	$ 9,466,620
Brazilian Real	3,699,072	-	-	3,699,072
British Pound	20,595,256	-	-	20,595,256
Canadian Dollar	-	-	-	-
Chilean Peso	352,292	-	-	352,292
Chinese RNB	17,185,040	-	-	17,185,040
Colombian Peso	264,739	-	-	264,739
Czech Republic Koruna	253,754	-	-	253,754
Danish Krone	3,206,661	-	-	3,206,661
Euro Currency Unit	47,555,633	-	-	47,555,633
Egyptian Pound	227,169	-	-	227,169
Hong Kong Dollar	7,000,953	-	-	7,000,953
Hungarian Forint	64,404	-	-	64,404
Indian Rupee	5,540,211	-	-	5,540,211
Indonesian Rupiah	1,440,013	-	-	1,440,013
Israeli Shekel	892,288	-	-	892,288
Japanese Yen	35,649,700	-	-	35,649,700
Kenyan Shilling	421,886	-	-	421,886
Malaysian Ringgit	617,208	-	-	617,208
Mexican Peso	1,955,571	114,021	-	2,069,592
New Zealand Dollar	460,086	611,071	-	1,071,157
Norwegian Krone	738,926	-	-	738,926
Panamanian Balboa	259,622	-	-	259,622
Peruvian Sol	324,528	-	-	324,528
Philippine Peso	281,769	-	-	281,769
Polish Zloty	246,883	-	-	246,883
Qatari Riyal	10,734	-	-	10,734
Russian Ruble	3,287,389	-	-	3,287,389
Saudi Riyal	126,125	-	-	126,125
Singapore Dollar	1,561,504	-	-	1,561,504
South African Rand	1,643,134	-	-	1,643,134
South Korean Won	6,403,019	-	-	6,403,019
Swedish Krona	4,308,079	-	-	4,308,079
Swiss Franc	13,914,118	-	-	13,914,118
Taiwan Dollar	7,813,543	-	-	7,813,543
Thailand Baht	992,471	-	-	992,471
Turkish Lira	198,580	-	-	198,580
Emirati Dirham	300,126	-	-	300,126
Total Securities Subject to Foreign Currency Risk	199,259,106	725,092	-	199,984,198
U.S. Dollar (Securities held by International Managers)	2,241,925	-	-	2,241,925
Total International Investment Securities	$ 201,501,031	$ 725,092	$ -	$ 202,226,123

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) an 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, 2021 and 2020, ICERS held no derivatives contracts.

NOTE 4 – REAL ESTATE

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

Location	Appraised Value 2021	2020
Separate Properties:		
ICERS El Centro Inc.	$ 1,945,192	$ 1,944,344
ARA-American Strategic Value Realty Fund	41,765,920	37,744,450
ASB-Allegiance Real Estate Fund	28,285,341	28,984,198
Clarion Partners (formerly ING Clarion)	28,928,431	29,918,344
Total Properties	98,979,692	96,646,992
Total Real Estate	$ 100,924,884	$ 98,591,336

ICERS has 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.

NOTE 5 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2021, are shown below.

	Balance June 30, 2020	Additions	Deductions	Balance June 30, 2021
Equipment	$ 120,369	$ -	$ -	$ 120,369
Pension Administration System	5,882,730	-	-	5,882,730
Totals	6,003,099	-	-	6,003,099
Less: Accumulated Depreciation				
Equipment	110,489	2,635	-	113,124
Pension Administration System	3,833,016	512,428	-	4,345,444
Totals	3,943,505	515,063	-	4,458,568
Capital Assets, Net	$ 2,059,594	$ (515,063)	$ -	$ 1,544,531

Total depreciation expense for the year ended June 30, 2021 was 515,063.

NOTE 5 – CAPITAL ASSETS (Continued)

The changes in capital assets for the year ended June 30, 2020, are shown below.

	Balance June 30, 2019	Additions	Deductions	Balance June 30, 2020
Equipment	$ 120,369	$ -	$ -	$ 120,369
Pension Administration System	5,882,730	-	-	5,882,730
Totals	6,003,099	-	-	6,003,099
Less: Accumulated Depreciation				
Equipment	107,853	2,636	-	110,489
Pension Administration System	3,320,588	512,428	-	3,833,016
Totals	3,428,441	515,064	-	3,943,505
Capital Assets, Net	$ 2,574,658	$ (515,064)	$ -	$ 2,059,594

Total depreciation expense for the year ended June 30, 2021 was 515,064.

NOTE 6 – 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, 2021 and 2020, was approximately $1,121,141,641 and $884,835,087, respectively.

The following firms professionally manage ICERS' investments:

	Value of Investments 2021	Value of Investments 2020
Ares Capital Europe IV	$ 7,038,893	$ 5,774,320
ASB Capital Management, LLC	28,285,341	37,744,450
American Realty Advisors	41,765,920	28,984,198
Audax Group	4,501,437	(2,818)
Ascribe Opportunities Fund	(13,213)	2,750,542
BlackRock	597,643,801	453,014,969
Bradford & Marzec	28,928,431	97,884,446
Clarion Partners	4,331,403	29,918,344
Crescent Capital	27,633,674	5,957,941
Dimensional	115,432,742	26,835,109
Harding Loevner	28,416,643	32,452,781
HarbourVest Partners, LLC	81,163,543	45,537,214
KKR	2,467,356	1,724,171
Lone Star Fund XI	484,365	124,271
MacKay Shields, LLC	111,753,694	95,183,998
PIMCO	13,736	101,650
Portfolio Advisors	13,818,403	12,239,860
Sixth Street Partners	24,443,097	6,897,515
JP Morgan	3,032,375	1,712,126
Total Investments	$ 1,121,141,641	$ 884,835,087

NOTE 7 – 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, 2021 and 2020, 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.

The following table represents the Fair Value Measurement of ICERS' investments as of June 30, 2021:

		Fair Value Measurements Using	
	6/30/2021	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	$ 9,394,424	$ -	$ 9,394,424
CMBS	3,253,702	-	3,253,702
CMO Corporate	2,454,133	-	2,454,133
Corporates and Other Credit	47,638,206	-	47,638,206
Mortgage Backed-Agency	22,238,530	-	22,238,530
Government	19,123,513	-	19,123,513
Government (Non-U.S.)	5,713,477	-	5,713,477
Short-Term and Equivalents	8,649,132	-	8,649,132
Total Debt Securities	118,465,117	-	118,465,117
Commingled Funds			
Domestic Bond Funds	163,592,803	-	163,592,803
Domestic Equity Funds	386,341,494	-	386,341,494
International Equity Funds	215,513,515	27,633,674	187,879,841
Total Commingled Funds	765,447,812	27,633,674	737,814,138
Total Investments by Fair Value Level	883,912,929	$ 27,633,674	$ 856,279,255
Investments Measured at the Net Asset Value (NAV)			
Real Estate Funds	100,924,884		
Private Equity Funds	138,249,020		
Total Investments Measured at NAV	239,173,904		
Total Investments by Fair Value Level	**$ 1,123,086,833**		

NOTE 7 – FAIR VALUE MEASUREMENT (Continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2021, is presented on the following table:

Investments Measured at Net Asset Value (NAV)

	Fair Value 6/30/2021	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds (1)	$ 100,924,884	$ 9,065,000	Daily, Quarterly	30-90 days
Private Equity Funds (2)	138,249,020	88,823,604	Not Eligible	N/A
Total Investments Measured at (NAV)	**$ 239,173,904**	**$ 97,888,604**		

(1) Real Estate Funds. This type includes four real estate funds that invest primarily in U.S. commercial real estate (including multi-family, industrial, 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 7 – FAIR VALUE MEASUREMENT (Continued)

The following table represents the Fair Value Measurement of ICERS' investments as of June 30, 2020:

	6/30/2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Fair Value Measurements Using: Significant Other Observable Inputs (Level 2)
Investments by Fair Value Level			
Debt Securities			
Asset Backed Securities	$ 10,746,554	$ -	$ 10,746,554
CMBS	4,706,307	-	4,706,307
CMO Corporate	882,675	-	882,675
Corporates and Other Credit	39,425,518	-	39,425,518
Mortgage Backed-Agency	26,930,922	-	26,930,922
Government	11,540,704	-	11,540,704
Government (Non-U.S.)	1,175,734	-	1,175,734
Short-Term and Equivalents	4,188,157	-	4,188,157
Total Debt Securities	99,596,571	-	99,596,571
Commingled Funds			
Domestic Bond Funds	137,049,784	-	137,049,784
Domestic Equity Funds	271,729,161	-	271,729,161
International Equity Funds	198,707,913	26,835,109	171,872,804
Total Commingled Funds	607,486,858	26,835,109	580,651,749
Total Investments by Fair Value Level	707,083,429	$ 26,835,109	$ 680,248,320
Investments Measured at the Net Asset Value (NAV)			
Real Estate Funds	98,591,336		
Private Equity Funds	81,104,666		
Total Investments Measured at NAV	179,696,002		
Total Investments by Fair Value Level	**$ 886,779,431**		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2020, is presented on the following table:

Investments Measured at Net Asset Value (NAV)

	Fair Value 6/30/2020	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds [1]	$ 98,591,336	$ -	Daily, Quarterly	30-90 days
Private Equity Funds [2]	81,104,666	119,659,412	Not Eligible	N/A
Total Investments Measured at (NAV)	**$ 179,696,002**	**$ 119,659,412**		

NOTE 7 – FAIR VALUE MEASUREMENT (Continued)

(1) *Real Estate Funds. This type includes four real estate funds that invest primarily in U.S. commercial real estate (including multi-family, industrial, 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 8 – 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 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 $2,444,381. Beginning with fiscal years 2014-2015, ICERS has reclassified its entire technology expense (with the exception of IT personnel costs) to its own designated account for more uniform adherence to Government Code Section 31580.2. Administrative costs of the Plan are financed through investment plan assets.

NOTE 9 – 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:	
SIR	$200,000
PRISM Pool	$4,800,000
Excess Layers Reinsured by:	
Starstone National Insurance Company	$5,000,000 excess $5,000,000
Everest Reinsurance Company	$9,000,000 excess $10,000,000
Allied World National Assurance Company, Continental Indemnity Company, Upland Specialty Insurance Company, Watford Re and Arch	$6,000,000 excess $19,000,000

NOTE 9 – RISK MANAGEMENT (Continued)

For each of the above self-insurance coverage limits, ICERS 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)
$10,000,000 – Settlor Sublimit
$1,500,000 – HIPAA and HITECH Sublimit
$500,000 – Voluntary Compliance Program (VCP) Compliance Fees Sublimit
$250,000 – Tax Penalty Sublimit
$250,000 – PPACA Sublimit
$250,000 – Section 502 (c) Pension Protection Act
$100,000 – Benefit Overpayment Sublimit
$2,000,000 – Trustee Claim Expenses Sublimit
$1,000,000 – Death Master File Penalties (Bipartisan Budget Act of 2013) Sublimit
$250,000 – Coverage for Claims of Equitable Relief and Surcharges Sublimit
$250,000 – Reinstatement of Sublimit for Voluntary Compliance Program Expenditures
$100,000 – Miscellaneous/Other Penalties 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 10 – 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, 2021	June 30, 2020
Total Pension Liability	$ 1,152,976,996	$ 1,091,701,435
Plan Fiduciary Net Position	(1,126,787,589)	(895,017,899)
Employers' Net Pension Liability	$ 26,189,407	$ 196,683,536
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	97.73%	81.98%

The NPL was measured as of June 30, 2021 and 2020. 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, 2020 and 2019, respectively.

Plan provisions. The plan provisions used in the measurement of the NPL as of June 30, 2021 and 2020, are the same as those used in the ICERS actuarial valuation as of June 30, 2021 and 2020, respectively. In particular, in developing the NPL as of June 30, 2021, the actuary been directed by ICERS' staff to eliminate the terminal pay assumption used in the prior valuations to anticipate cash out of unused vacation and holiday compensatory time included in Legacy members' final 12-month compensation earnable for the calculation of retirement benefits.

Actuarial assumptions. The TPL as of June 30, 2021, was remeasured by (1) revaluing the TPL as of June 30, 2019, (before the roll forward) to include the actuarial assumptions that the Board of Retirement has adopted for use in the pension funding valuation as of June 30, 2021, and (2) using this revalued TPL in rolling forward the results from June 30, 2020 to June 30, 2021. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

NOTE 10 – NET PENSION LIABILITY (Continued)

Inflation	2.75%
Salary increases	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%, vary by service, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Administrative expenses	1.90% 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, 2016 through June 30, 2019.

The TPL as of June 30, 2020, was remeasured by (1) revaluing the TPL as of June 30, 2019, (before the roll forward) to include the actuarial assumptions that the Board of Retirement has adopted for use in the pension funding valuation as of June 30, 2020, and (2) using this revalued TPL in rolling forward the results from June 30, 2019 to June 30, 2020. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%, vary by service, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Administrative expenses	1.90% 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, 2016 through June 30, 2019.

Discount rate: The discount rate used to measure the TPL was 7.00% as of June 30, 2021 and 2020. 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 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, 2021 and June 30, 2020.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the NPL of ICERS as of June 30, 2021, calculated using the discount rate of 7.00%, as well as what the ICERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
ICERS Net Pension Liability As of June 30, 2021	$ 192,088,894	$ 26,189,407	$ (108,997,689)

NOTE 10 – NET PENSION LIABILITY (Continued)

The following presents the NPL of ICERS as of June 30, 2020, calculated using the discount rate of 7.00%, as well as what the ICERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
ICERS Net Pension Liability As of June 30, 2020	$ 351,827,934	$ 196,683,536	$ 66,768,375

NOTE 11 – 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:	Market value of assets (MVA) less unrecognized returns in each of the last nine semi-annual interest crediting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on the market value, and are recognized semi-annually over a five-year period. Deferred gains and losses as of June 30, 2019, have been combined and will be recognized in equal amounts over a period of four and a half years from that date. The actuarial value of assets (AVA) is limited by a 30% corridor; the AVA cannot be less than 70% of MVA, nor greater than 130% of MVA.
Valuation Value of Assets:	The AVA reduced by the value of the non-valuation reserves.
Amortization Policy:	The Unfunded Actuarial Accrued Liability (UAAL) associated with the Regular Legacy Benefit as of June 30, 2012, is amortized over a declining 19-year period (with 10 years remaining as of June 30, 2021). The UAAL associated with the Supplemental UAAL relief for Safety members is amortized over a declining 19-year period (with 10 years remaining as of June 30, 2021). 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.

NOTE 11 – **ACTUARIAL VALUATIONS** (Continued)

Actuarial Methods (Continued)

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 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 ICERS) 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 CERL 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 UAAL attributable to the difference between the Total and the Regular benefits.

Actuarial Methods (Continued)

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 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 agreements in effect for the County to pick up the Supplemental UAAL contributions for the Tier 3 members. According to a list provided by ICERS on August 26, 2020, all bargaining units covering General Tier 3 and Safety Tier 3 members have reached this agreement with the County. Members belonging to the bargaining units that have reached this agreement (referenced in this valuation report as “Employer Picks Up 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 who are not a part of the bargaining units that have reached this agreement (referenced in this valuation report as “Member Pays Supplemental UAAL”). We understand that General Tier 3 members who are employed by the Courts or one of the other districts are not covered by such an agreement.

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 non-compliance 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 $230,000 for 2021 and 2020. 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.

Plan A benefits in excess of the limits may be paid through a qualified governmental excess plan that meets the requirements of Section 415(m).

NOTE 11 – **ACTUARIAL VALUATIONS** (Continued)

Actuarial Methods (Continued)

Legal Counsel's review and interpretation of the law and regulations should be sought on any questions in this regard.

Plan A contribution rates determined in this valuation have not been reduced for the Section 415 limitations. Actual limitations will result in gains as they occur.

NOTE 12 – 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' 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 Statement 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 Statement, 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.

As of June 30, 2021, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
American Realty Advisors	Real Estate	$ 45,000,000	$ 9,065,000
Ares	Private Equity	8,000,000	1,579,316
Ascribe	Private Equity	6,000,000	5,985,423
Audax	Private Equity	7,000,000	2,534,895
Crescent	Private Equity	7,000,000	2,646,472
HarbourVest	Private Equity	90,000,000	33,585,097
KKR	Private Equity	10,000,000	314,979
Lone Star	Private Equity	5,750,000	5,201,356
Sixth Street Partners	Private Equity	60,000,000	36,976,066
			$ 97,888,604

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Capital Commitments (Continued)

As of June 30, 2020, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
Ares	Private Equity	$ 8,000,000	$ 2,609,279
Ascribe	Private Equity	6,000,000	6,000,000
Audax	Private Equity	7,000,000	4,267,485
Crescent	Private Equity	7,000,000	1,086,237
HarbourVest	Private Equity	90,000,000	46,026,625
KKR	Private Equity	10,000,000	994,294
Lone Star	Private Equity	5,750,000	5,301,052
Sixth Street Partners	Private Equity	60,000,000	53,374,440
			$ 119,659,412

NOTE 13 – ALAMEDA DECISION

On July 30, 2020, the California Supreme court filed its decision in Alameda County Deputy Sheriff's Assn. v Alameda County Employees' Retirement Assn., Cal. Supreme Court Case No. S247095, which became final on August 30, 2020 (the "Alameda Decision"). The Alameda Decision overturns certain legal and equitable determinations in the First District Court of Appeal (DCA) in Alameda and concludes that all amendments to the definition of Compensation Earnable in Government Code section 31641, enacted as a result of the Public Employees' Pension Reform Act of 2013 and related statutory changes to CERL ("PEPRA"), effective January 1, 2013 are constitutional, and that CERL retirement boards may not be contractually bound or estopped by settlement agreements, board resolutions, or other similar actions, from implementing those amendments. The Alameda Decision further determines that CERL retirement boards may not include items in compensation earnable that section 31461 requires them to exclude.

ICERS's implementation of the Alameda Decision has not been completed, and was directed by Board resolution. Affected members who had not yet retired as of July 30, 2020 (the Supreme Court's decision date) have had their benefits adjusted based on new Compensation Earnable amounts that do not include the amounts that the Alameda Decision has determined must be excluded. And, unless otherwise directed by future court ruling or upon advice of tax counsel regarding the application of the Internal Revenue Code of 1986, collection of the overpayment of benefits and/or the refund of member contributions with respect to terminal pay shall not be made to active Tier 1 and 2 members.

NOTE 14 – SUBSEQUENT EVENTS

The COVID-19 pandemic outbreak in the United States has caused business disruption through mandated closings of businesses. While the disruption is expected to be temporary, the durations of the closings and the related financial impacts on ICERS remain uncertain and cannot be estimated at this time.

Subsequent events have been evaluated through January 10, 2022, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTAL INFORMATION

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

	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Total Pension Liability					
Service cost	$ 31,733,126	$ 29,422,109	$ 27,921,553	$ 28,632,241	$ 25,909,942
Interest	76,872,897	72,826,904	68,966,822	66,589,540	61,765,040
Change of benefit terms	3,100,034	(26,394,787)	-	-	-
Differences between expected and actual experience	70,154	495,827	(19,206,445)	(2,857,091)	(16,844,635)
Changes of assumptions		64,361,368	-	-	46,693,228
Benefit payments, including refunds of employee contributions	(50,500,650)	(47,202,121)	(44,082,381)	(40,946,752)	(37,634,982)
Net change in total pension liability	61,275,561	93,509,300	33,599,549	51,417,938	79,888,593
Total pension liability – beginning	1,091,701,435	998,192,135	964,592,586	913,174,648	833,286,055
Total pension liability – ending (a)	$ 1,152,976,996	$ 1,091,701,435	$ 998,192,135	$ 964,592,586	$ 913,174,648
Plan Fiduciary Net Position					
Contributions – employer	$ 27,812,265	$ 26,378,159	$ 26,078,469	$ 21,014,523	$ 21,009,400
Contributions – employee	15,022,486	15,111,979	15,085,120	13,405,766	13,299,670
Net investment income	242,359,108	27,457,377	50,186,722	61,159,489	85,772,872
Benefit payments, including refunds of employee contributions	(50,500,650)	(47,202,121)	(44,082,381)	(40,946,752)	(37,634,981)
Administrative expense	(2,923,519)	(2,742,587)	(2,736,486)	(2,224,214)	(2,441,608)
Net change in plan fiduciary net position	231,769,690	19,002,807	44,531,444	52,408,812	80,005,353
Plan fiduciary net position – beginning	895,017,899	876,015,092	831,483,648	779,074,836	699,069,483
Plan fiduciary net position – ending (b)	$ 1,126,787,589	$ 895,017,899	$ 876,015,092	$ 831,483,648	$ 779,074,836
System's net pension liability – (a)-(b)	$ 26,189,407	$ 196,683,536	$ 122,177,043	$ 133,108,938	$ 134,099,812
Plan fiduciary net position as a percentage of the total pension liability	97.73%	81.98%	87.76%	86.20%	85.31%
Covered employee payroll	$ 125,042,000	$ 121,949,000	$ 117,036,000	$ 112,994,000	$ 114,539,000
System's net pension liability as percentage of covered employee payroll	20.94%	161.28%	104.39%	117.80%	117.08%

(Continued on next page)

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

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability				
Service cost	$ 25,771,056	$ 24,654,181	$ 23,272,227	$ 22,802,375
Interest	59,345,608	56,219,107	53,633,171	50,488,475
Change of benefit terms	-	-	-	-
Differences between expected and actual experience	(6,660,193)	(10,469,477)	(2,989,546)	(14,764,733)
Changes of assumptions	-	-	21,572,390	-
Benefit payments, including refunds of employee contributions	(34,668,642)	(32,617,937)	(31,068,263)	(29,320,590)
Net change in total pension liability	43,787,829	37,785,874	64,419,979	29,205,527
Total pension liability – beginning	789,498,226	751,712,352	687,292,373	658,086,846
Total pension liability – ending (a)	$ 833,286,055	$ 789,498,226	$ 751,712,352	$ 687,292,373
Plan Fiduciary Net Position				
Contributions – employer	$ 20,506,786	$ 18,458,585	$ 17,045,429	$ 16,082,961
Contributions – employee	12,918,809	11,328,165	10,519,020	10,093,363
Net investment income	1,726,183	12,811,880	95,831,177	62,556,490
Benefit payments, including refunds of employee contributions	(34,668,642)	(32,617,937)	(31,068,263)	(29,320,590)
Administrative expense	(2,303,583)	(2,079,611)	(1,890,474)	(1,521,247)
Net change in plan fiduciary net position	(1,820,447)	7,901,082	90,436,889	57,890,977
Plan fiduciary net position – beginning	700,889,930	692,988,848	602,551,959	544,660,982
Plan fiduciary net position – ending (b)	$ 699,069,483	$ 700,889,930	$ 692,988,848	$ 602,551,959
System's net pension liability – (a)-(b)	$ 134,216,572	$ 88,608,296	$ 58,723,504	$ 84,740,414
Plan fiduciary net position as a percentage of the total pension liability	83.89%	88.78%	92.19%	87.67%
Covered employee payroll	$ 106,520,000	$ 102,235,000	$ 96,300,000	$ 100,356,000
System's net pension liability as percentage of covered employee payroll	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 Statements No. 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)

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
2021	28	28	-	125	22.24%
2020	26	26	-	122	21.63%
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%

Notes to Schedule:

Methods and assumptions used to establish "actuarially determined contributions" rates:

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

Actuarial cost method — Entry Age Actuarial Cost Method

Amortization method — Level percent of payroll for total unfunded actuarial accrued liability (UAAL)

Remaining amortization period — UAAL established as of June 30, 2012 is amortized over a declining period (with 12 years remaining as of the June 30, 2019 valuation which set the rates for the 2020/2021 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.

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.

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

Notes to Schedule (Continued):

Actuarial assumptions:

Valuation date	June 30, 2019 valuation (for year ended 2021 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, 2019 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, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Annual money-weighted rate of return, net of investment expense	24.2%	0.5%	6.3%	8.0%	13.9%

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Annual money-weighted rate of return, net of investment expense	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 EMPLOYER AND MEMBER CONTRIBUTIONS
ALLOCATED BY COST SHARING PLAN (UNAUDITED)
AS OF JUNE 30, 2021

Employer	General	Safety	Total Contributions	Total %
County	$ 29,240,888	$ 11,455,715	$ 40,696,603	95.008%
Courts	1,857,775	-	1,857,775	4.337%
ICTC	233,005	-	233,005	0.544%
LAFCO	47,368	-	47,368	0.111%
Total	$ 31,379,036	$ 11,455,715	$ 42,834,751	100.000%

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF NET PENSION LIABILITY (NPL)
ALLOCATED BY COST SHARING PLAN (UNAUDITED)
AS OF JUNE 30, 2021

Employer	General	Safety	Total NPL	Total %
County	$ 10,260,696	$ 15,370,898	$ 25,631,594	97.870%
Courts	484,667	-	484,667	1.851%
ICTC	60,788	-	60,788	0.232%
LAFCO	12,358	-	12,358	0.047%
Total	$ 10,818,509	$ 15,370,898	$ 26,189,407	100.000%

Notes to Schedule:

Based on July 1, 2020 through June 30, 2021 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, 2021

	County General	County Safety	County Total	Courts	ICTC	LAFCO	Total for All Employers
Net Pension Liability	$ 10,260,696	$ 15,370,898	$ 25,631,594	$ 484,667	$ 60,788	$ 12,358	$ 26,189,407
Deferred Outflows of Resources							
Differences Between Expected and Actual Plan Experience	$ 3,120,418	$ 1,483,193	$ 4,603,611	$ 198,251	$ 24,865	$ 5,055	$ 4,831,782
Changes of Assumptions	35,821,193	18,088,427	53,909,620	2,275,845	285,440	58,028	56,528,933
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	462,407	-	462,407	9,044	96,868	11,823	580,142
Total Deferred Outflows of Resources	$ 39,404,018	$ 19,571,620	$ 58,975,638	$ 2,483,140	$ 407,173	$ 74,906	$ 61,940,857
Deferred Inflows of Resources							
Differences Between Expected and Actual Plan Experience	$ 11,771,194	$ 8,230,009	$ 20,001,203	$ 747,865	$ 93,798	$ 19,068	$ 20,861,934
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	82,154,391	31,495,193	113,649,584	5,219,553	654,644	133,084	119,656,865
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	53,948	-	53,948	487,259	27,376	11,559	580,142
Total Deferred Inflows of Resources	$ 93,979,533	$ 39,725,202	$ 133,704,735	$ 6,454,677	$ 775,818	$ 163,711	$ 141,098,941
Pension Expense							
Proportionate Share of Plan Pension Expense	$ 7,811,467	$ 2,032,400	$ 9,843,867	$ 317,006	$ 40,810	$ 7,631	$ 10,209,314
Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense	129,192	-	129,192	(150,679)	20,412	1,075	-
Total Employer Pension Expense	$ 7,940,659	$ 2,032,400	$ 9,973,059	$ 166,327	$ 61,222	$ 8,706	$ 10,209,314

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (UNAUDITED) (Continued)
AS OF JUNE 30, 2021

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, 2020 (the beginning of the measurement period ending June 30, 2021) and is 6.57 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.