Imperial County Employees' Retirement System

Governmental Accounting Standards Board Statement No. 67 (GAS 67) Actuarial Valuation

As of June 30, 2022

Segal

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December 12, 2022

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

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GAS 67) Actuarial Valuation as of June 30, 2022. It contains various information that will need to be disclosed in order to comply with GAS 67.

This report was prepared in accordance with generally accepted actuarial principles and practices at the request of the Board to assist ICERS in preparing items related to the pension plan in their financial report. The census and financial information on which our calculations were based was prepared by ICERS. That assistance is gratefully acknowledged.

The measurements shown in this actuarial valuation may not be applicable for other purposes. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

The actuarial calculations were completed under the supervision of Andy Yeung, ASA, Enrolled Actuary, MAAA, FCA. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in the actuarial valuation is complete and accurate. Further, in our opinion, the assumptions as approved by the Board are reasonably related to the experience of and expectations for the Plan.

We look forward to reviewing this report with you and to answering any questions.

Sincerely,

Segal

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

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

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GAS 67) as of June 30, 2022. This valuation is based on:

- The benefit provisions of ICERS, as administered by the Board;
- The characteristics of covered active members, inactive vested members, and retired members and beneficiaries as of June 30, 2021, provided by ICERS;
- The assets of the Plan as of June 30, 2022, provided by ICERS;
- Economic assumptions regarding future salary increases and investment earnings adopted by the Board for the June 30, 2022 valuation; and
- Other actuarial assumptions, regarding employee terminations, retirement, death, etc. adopted by the Board for the June 30, 2022 valuation.

General observations on GAS 67 actuarial valuation

1. The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans still develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as ICERS uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is determined on generally the same basis as ICERS' Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the Normal Cost component of the annual plan cost for funding and financial reporting.
3. The Net Pension Liability (NPL) is equal to the difference between the TPL and the Plan Fiduciary Net Position. The Plan Fiduciary Net Position is equal to the market value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) calculated on a market value basis.
4. Section 3 contains two schedules (i.e., Appendix B and Appendix C) that the American Institute of Certified Public Accountants (AICPA) recommends be prepared by cost sharing pension plans. These two schedules contain summary information related to

GAS 68 and are based on many of the results that will be shown in a separate GAS 68 report. The first schedule shows the method used for allocating the NPL along with the NPL amounts allocated amongst all of the employers in ICERS. The second schedule is a summary that shows the allocated NPL, deferred outflows and inflows of resources and pension expense by employer. Further information regarding GAS 68 including additional information that employers will need to disclose will be provided in a separate report that is anticipated to be completed during the first quarter of 2023.

Highlights of the valuation

1. For this report, the reporting dates for the Plan are June 30, 2022 and June 30, 2021. The NPLs are measured as of June 30, 2022 and June 30, 2021, and are determined based upon rolling forward the TPL from the actuarial valuations as of June 30, 2021 and June 30, 2020, respectively. The Plan Fiduciary Net Positions (plan assets) are valued as of the measurement dates. In addition, any changes in actuarial assumptions or plan provisions that occurred between the valuation date and the measurement date have been reflected.
2. The NPL increased from $26.2 million as of June 30, 2021 to $168.2 million as of June 30, 2022 primarily due to the -7.45% return on the market value of assets during 2021-2022 that fell short of the assumed return of 7.00% (an investment loss of about $162.6 million). Changes in these values during the last two fiscal years ending June 30, 2022 and June 30, 2021 can be found in *Section 2, Schedule of changes in Net Pension Liability* on page 17.
3. The pension expense increased from $10.2 million as of June 30, 2021 to $32.9 million as of June 30, 2022. The primary cause of the increase is the recognition of a charge of $32.5 million in this year's pension expense that is associated with the $162.6 million asset loss.
4. The discount rate used to determine the TPL and NPL as of both June 30, 2022 and June 30, 2021 was 7.00%, following the same assumptions used by ICERS in the pension funding valuations as of the same dates. The detailed derivation of the discount rate of 7.00% used in the calculation of the TPL and NPL as of June 30, 2022 can be found in *Section 3, Appendix A* on page 21. Various other information that is required to be disclosed can be found throughout *Section 2*.
5. As we pointed out in last year's GAS 67 report, during the year ended June 30, 2021, the County offered one year of additional service to certain members in an early retirement incentive program ("Golden Handshake"). 59 County members elected to retire under this program, causing an increase in liability of $3.1 million in the prior year's valuation that we allocated to the County. While the County had not paid the additional contribution required to defray that liability as of June 30, 2021, the County did pay the entire cost of the Golden Handshake in a single lump sum on July 1, 2021. This one-time contribution is only used to reduce the liability associated with the County's Golden Handshake program and is disregarded when we allocate the NPL among various employers.

Section 1: Actuarial Valuation Summary

6. At this time, there has been no resolution to the Deputy Sheriffs' Association, et. al., v. County of Imperial and Imperial County Employees' Retirement System litigation. We will reflect any outcome, once it is known, in future actuarial valuations.
7. It is important to note that this actuarial valuation is based on plan assets as of June 30, 2022. Due to the COVID-19 pandemic, market conditions have changed significantly since the onset of the Public Health Emergency. The plan's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Moreover, this actuarial valuation does not include any possible short-term or long-term impacts on mortality of the covered population that may emerge after June 30, 2022. While it is impossible to determine how the pandemic will affect market conditions and other demographic experience of the plan in future valuations, Segal is available to prepare projections of potential outcomes upon request.

Summary of key valuation results

Measurement Date		June 30, 2022	June 30, 2021
Disclosure elements for plan year ending June 30:	• Service cost[1]	$32,218,427	$31,733,126
	• Total Pension Liability	1,204,626,121	1,152,976,996
	• Plan Fiduciary Net Position	1,036,383,203	1,126,787,589
	• Net Pension Liability	168,242,918	26,189,407
Schedule of contributions for plan year ending June 30:	• Actuarially determined contributions[2]	$33,723,091	$27,812,265
	• Actual contributions[2]	33,723,091	27,812,265
	• Contribution deficiency / (excess)	0	0
Demographic data for plan year ending June 30:[3]	• Number of retired members and beneficiaries	1,370	1,360
	• Number of inactive vested members[4]	707	597
	• Number of active members	2,221	2,236
Key assumptions as of June 30:	• Investment rate of return	7.00%	7.00%
	• Inflation rate	2.75%	2.75%
	• Projected salary increases[5]	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%
	• Cost of living adjustments	2.00%	2.00%

1 The service cost is based on the previous year's valuation, meaning the 2022 and 2021 values are based on the valuations as of June 30, 2021 and June 30, 2020, respectively. Both of the service costs have been calculated using the assumptions shown in the 2021 column as there were no changes in the actuarial assumptions between the June 30, 2021 and June 30, 2022 valuations. The service cost shown in this report does not include an administrative expense load.

2 For June 30, 2022, includes $3,100,034 paid by the County in a single lump sum on July 1, 2021 to defray the cost of the Golden Handshake.

3 Data as of June 30, 2021 is used in the measurement of the TPL as of June 30, 2022.

4 Includes inactive members due a refund of member contributions.

5 For June 30, 2022 and June 30, 2021, includes inflation at 2.75% plus real across-the-board salary increases of 0.50% plus merit and promotion increases.

Important information about actuarial valuations

An actuarial valuation is a budgeting tool with respect to the financing of future projected obligations of a pension plan. It is an estimated forecast – the actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.

In order to prepare a valuation, Segal relies on a number of input items. These include:

Plan of benefits	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan description in this report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan provisions.
Participant data	An actuarial valuation for a plan is based on data provided to the actuary by ICERS. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Assets	This valuation is based on the market value of assets as of the measurement date, as provided by ICERS.
Actuarial assumptions	In preparing an actuarial valuation, Segal projects the benefits to be paid to existing plan participants for the rest of their lives and the lives of their beneficiaries. This projection requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of each participant for each year. In addition, the benefits projected to be paid for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments. The projected benefits are then discounted to a present value, based on the assumed rate of return that is expected to be achieved on the plan's assets. There is a reasonable range for each assumption used in the projection and the results may vary materially based on which assumptions are selected. It is important for any user of an actuarial valuation to understand this concept. Actuarial assumptions are periodically reviewed to ensure that future valuations reflect emerging plan experience. While future changes in actuarial assumptions may have a significant impact on the reported results, that does not mean that the previous assumptions were unreasonable.
Models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Section 1: Actuarial Valuation Summary

The user of Segal's actuarial valuation (or other actuarial calculations) should keep the following in mind:

The valuation is prepared at the request of the Board to assist ICERS in preparing items related to the pension plan in their financial reports. Segal is not responsible for the use or misuse of its report, particularly by any other party.
An actuarial valuation is a measurement of the plan's assets and liabilities at a specific date. Accordingly, except where otherwise noted, Segal did not perform an analysis of the potential range of future financial measures. The actual long-term cost of the plan will be determined by the actual benefits and expenses paid and the actual investment experience of the plan.
If ICERS is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
Segal does not provide investment, legal, accounting, or tax advice. Segal's valuation is based on our understanding of applicable guidance in these areas and of the plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.

As Segal has no discretionary authority with respect to the management or assets of ICERS, it is not a fiduciary in its capacity as actuaries and consultants with respect to ICERS.

Section 2: GAS 67 Information

General information about the pension plan

Plan Description

Plan administration. The Imperial County Employees' Retirement System (ICERS) was established by the County of Imperial in 1951. ICERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et seq.). ICERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by the County of Imperial. ICERS also provides retirement benefits to the employee members of the Imperial County Courts, LAFCO, and ICTC.

The management of ICERS is vested with the Imperial County Board of Retirement. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the General membership; one member and one alternate are elected by the Safety membership, one member and one alternate are elected by the retired members of the System. 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.

Plan membership. At June 30, 2022, pension plan membership consisted of the following:

Retired members or beneficiaries currently receiving benefits	1,370
Inactive vested members entitled to but not yet receiving benefits	707
Active members	2,221
Total	**4,298**

Note: Data as of June 30, 2022 is not used in the measurement of the TPL as of June 30, 2022.

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

Government Code 7522 et seq. 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.

General members hired prior to January 1, 2013, are eligible to retire once they attain the age of 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, with five years of retirement service credit.

Safety members hired prior to January 1, 2013, are eligible to retire once they attain the age of 60 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, with 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 of California Government Code Section 7522.20(a). 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). Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision of 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. However, for members with membership dates on or after January 1, 2013 the maximum amount of pensionable compensation that can be taken into account for 2022 is equal to $161,969 (reference Section 7522.10). This limit is adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

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 or PEPRA Safety member.

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

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

The County of Imperial and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ICERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2022 for 2021-2022 (based on the June 30, 2020 valuation) was 27.01% of compensation.[1]

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, 2022 for 2021-2022 (based on the June 30, 2020 valuation) was 13.18% of compensation.

[1] The employer contributions used in determining this average rate include $3,100,034 paid by the County in a single lump sum on July 1, 2021 to defray the cost of the Golden Handshake. If these contributions were disregarded, the average employer contribution rate would be 24.52% of compensation.

Net Pension Liability

Measurement Date	June 30, 2022	June 30, 2021
Components of the Net Pension Liability		
Total Pension Liability	$1,204,626,121	$1,152,976,996
Plan Fiduciary Net Position	(1,036,383,203)	(1,126,787,589)
Net Pension Liability	**$168,242,918**	**$26,189,407**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.03%	97.73%

The Net Pension Liability (NPL) was measured as of June 30, 2022 and June 30, 2021. The Plan 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, 2021 and June 30, 2020, respectively.

Plan provisions. The plan provisions used in the measurement of the NPL as of June 30, 2022 and June 30, 2021 are the same as those used in the ICERS actuarial valuations as of June 30, 2022 and June 30, 2021, respectively.

Actuarial assumptions. The TPLs as of June 30, 2022 and June 30, 2021 were determined by actuarial valuations as of June 30, 2021 and June 30, 2020, respectively. In particular, the following actuarial assumptions were applied to all periods included in the June 30, 2022 and June 30, 2021 measurements:

Investment rate of return:	7.00%, net of pension plan investment expense, including inflation
Inflation:	2.75%
Real across-the-board salary increase:	0.50%
Projected salary increases:	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%, vary by service, including inflation and real across-the-board salary increase
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.
Cost of Living Adjustments (COLA):	Retiree COLA increases due to CPI subject to a 2.00% maximum change per year for all General and Safety.
Other assumptions:	Same as those used in the June 30, 2022 funding valuation.

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments was determined in 2020 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 arithmetic 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 as of June 30, 2022 are shown in the following table. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return
Large Cap U.S. Equity	23%	5.42%
Small Cap U.S. Equity	6%	6.21%
Developed International Equity	17%	6.50%
Emerging Markets Equity	7%	8.80%
U.S. Core Fixed Income	22%	1.13%
TIPS	5%	0.87%
Real Estate	5%	4.57%
Value Added Real Estate	5%	8.10%
Private Credit	5%	5.60%
Private Equity	5%	9.40%
Total	**100%**	**5.01%**

Section 2: GAS 67 Information

Discount rate. The discount rate used to measure the TPL was 7.00% as of both June 30, 2022 and June 30, 2021. For plan member contributions, the projection of cash flows used to determine the discount rate assumed member contributions will be made at the current contribution rate for the Regular and PEPRA benefits and that the contributions will be made at rates equal to the actuarially determined contribution rates for the Supplemental benefits. For employer contributions, the projection of cash flow used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates.

For this purpose, only member and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the Pension Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2022 and June 30, 2021.

Discount rate sensitivity

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the NPL of ICERS as of June 30, 2022, 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%)
Net Pension Liability as of June 30, 2022	$340,939,864	$168,242,918	$27,515,122

Schedule of changes in Net Pension Liability – Last two fiscal years

Measurement Date	June 30, 2022	June 30, 2021
Total Pension Liability		
• Service cost	$32,218,427	$31,733,126
• Interest	81,082,871	76,872,897
• Change of benefit terms	0	3,100,034
• Differences between expected and actual experience	(7,914,786)	70,154
• Changes of assumptions	0	0
• Benefit payments, including refunds of member contributions	(53,737,387)	(50,500,650)
Net change in Total Pension Liability	$51,649,125	$61,275,561
Total Pension Liability – beginning	1,152,976,996	1,091,701,435
Total Pension Liability – ending	**$1,204,626,121**	**$1,152,976,996**
Plan Fiduciary Net Position		
• Contributions – employer[1]	$33,723,091	$27,812,265
• Contributions – member	16,454,735	15,022,486
• Net investment income	(83,829,242)	242,359,108
• Benefit payments, including refunds of member contributions	(53,737,387)	(50,500,650)
• Administrative expense	(3,015,583)	(2,923,519)
• Other	0	0
Net change in Plan Fiduciary Net Position	$(90,404,386)	$231,769,690
Plan Fiduciary Net Position – beginning	1,126,787,589	895,017,899
Plan Fiduciary Net Position – ending	**$1,036,383,203**	**$1,126,787,589**
Net Pension Liability – ending	**$168,242,918**	**$26,189,407**
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	86.03%	97.73%
Covered payroll[2]	$124,873,000	$125,042,000
Net Pension Liability as percentage of covered payroll	134.73%	20.94%

Notes to Schedule:

Benefit changes: During the year ended June 30, 2021, the County offered one year of additional service to certain members in an early retirement incentive program ("Golden Handshake"). 59 County members elected to retire under this program. See Item (5) on page 5 of this report for a discussion of this benefit change.

[1] For June 30, 2022, includes $3,100,034 paid by the County in a single lump sum on July 1, 2021 to defray the cost of the Golden Handshake.

[2] Covered payroll represents payroll on which contributions to the pension plan are based.

Schedule of employer contributions – Last ten fiscal years ($ in millions)

Year Ended June 30	Actuarially Determined Contributions[1]	Contributions in Relation to the Actuarially Determined Contributions[1]	Contribution Deficiency / (Excess)	Covered Payroll[1]	Contributions as a Percentage of Covered Payroll
2013	$16	$16	$0	$92[2]	17.41%
2014	17	17	0	96[2]	17.68%
2015	18	18	0	102	18.06%
2016	21	21	0	107	19.25%
2017	21	21	0	115	18.34%
2018	21	21	0	113	18.60%
2019	26	26	0	117	22.28%
2020	26	26	0	122	21.63%
2021	28	28	0	125	22.24%
2022	34[3]	34[3]	0	125	27.01%

See accompanying notes to this schedule on the next page.

1 Covered payroll represents payroll on which contributions to the pension plan are based.

2 “Backed into” by dividing the contributions in relation to the actuarially determined contributions by the contributions as a percentage of covered payroll. These amounts may therefore be different from the actual payrolls of the System.

3 Includes $3,100,034 paid by the County in a single lump sum on July 1, 2021 to defray the cost of the Golden Handshake. If these contributions were disregarded, the average employer contribution rate would be 24.52% of compensation.

Schedule of employer contributions – last ten fiscal years (continued)

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

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the 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
Remaining amortization period:	UAAL established as of June 30, 2012 is amortized over a declining period (with 11 years remaining as of the June 30, 2020 valuation which set the rates for the 2021-2022 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 over 120% funded, 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.

Schedule of employer contributions – last ten fiscal years (continued)

Actuarial assumptions:

Valuation Date:	June 30, 2020 (for year ended June 30, 2022 actuarially determined contributions)
Investment rate of return:	7.00%, net of pension plan investment expense, including inflation
Inflation rate:	2.75%
Real across-the-board salary increase:	0.50%
Projected salary increases:[1]	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%, vary by service, including inflation and real across-the-board salary increase
Administrative expenses:	1.90% of payroll allocated to both the employer and member based on the components of the total average contribution rate (Before expenses) for the employer and member.
Cost of Living Adjustments (COLA):	Retiree COLA increases due to CPI subject to a 2.00% maximum change per year for all General and Safety.
Other assumptions:	Same as those used in the June 30, 2020 funding actuarial valuation.

[1] Includes inflation at 2.75% plus real across-the-board salary increases of 0.50% plus merit and promotion increases.

Appendix A: Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2022 ($ in millions)

Year Beginning July 1	Projected Beginning Plan Fiduciary Net Position (a)	Projected Total Contributions (b)	Projected Benefit Payments (c)	Projected Administrative Expenses (d)	Projected Investment Earnings (e)	Projected Ending Plan Fiduciary Net Position (f) = (a) + (b) - (c) - (d) + (e)
2021	$1,127	$50	$54	$3	-$84	$1,036
2022	1,036	45	58	2	72	1,093
2023	1,093	45	60	2	76	1,150
2024	1,150	45	63	2	80	1,209
2025	1,209	45	66	2	84	1,270
2026	1,270	48	69	2	88	1,335
2027	1,335	48	72	2	92	1,401
2028	1,401	47	76	2	97	1,467
2029	1,467	49	79	2	101	1,536
2030	1,536	49	83	2	106	1,607
2031	1,607	40	87	2	110	1,668
2038	2,016	33	119	2	138	2,066
2039	2,066	32	124	1	141	2,113
2040	2,113	21	129	1	144	2,147
2056	2,096	3	180	0 *	140	2,058
2057	2,058	2	181	0 *	137	2,015
2058	2,015	2	182	0 *	134	1,969
2085	424	0	60	0	27	391
2086	391	0	54	0	25	363
2087	363	0	48	0	24	338
2107	521	0	0 *	0	36	557
2108	557	0	0 *	0	39	595
2109	595	0	0 *	0	42	637
2132	2,821	0	0 *	0	197	3,019
2133	3,019	0	0	0	211	3,230
2133	Discounted Value: 2 **					

* Less than $1 million, when rounded.

** $3,019 million when discounted with interest at the rate of 7.00% per annum has a value of about $2 million as of June 30, 2022.

Appendix A: Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate as of June 30, 2022 ($ in millions) (continued)

Notes:

(1) Amounts may not total exactly due to rounding.

(2) Amounts shown in the year beginning July 1, 2021 row are actual amounts, based the information provided by ICERS.

(3) Various years have been omitted from this table.

(4) Column (a): Except for the "discounted value" shown for 2133, all of the projected beginning Plan Fiduciary Net Position amounts shown have not been adjusted for the time value of money.

(5) Column (b): Projected total contributions include employee and employer normal cost rates applied to closed group projected payroll (based on covered active members as of June 30, 2021), plus member and employer contributions to the Unfunded Actuarial Accrued Liability; plus employer and member contributions to fund each year's annual administrative expenses. Contributions are assumed to occur halfway through the year, on average.

(6) Column (c): Projected benefit payments have been determined in accordance with paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of June 30, 2021. The projected benefit payments reflect the cost of living increase assumptions used in June 30, 2022 valuation report.

(7) Column (d): Projected administrative expenses are assumed to be 1.90% of closed group projected payroll and are assumed to occur halfway through the year, on average.

(8) Column (e): Projected investment earnings are based on the assumed investment rate of return of 7.00% per annum.

(9) As illustrated in this appendix, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are not covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.00% per annum was applied to all periods of projected benefit payments to determine the Total Pension Liability as of June 30, 2022 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

(10) This projection is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of Plan Fiduciary Net Position and the discounting of benefits is part of the model.

Appendix B: Schedule of Employer Allocations as of June 30, 2022

Actual Total (Employer and Member) Contributions by Employer and Membership Class July 1, 2021 to June 30, 2022

Employer	General	General Percentage	Safety	Safety Percentage	Total Contributions	Total Percentage
County	$31,634,763	93.261%	$13,157,068	100.000%	$44,791,831	95.144%
Courts	2,014,171	5.938%	0	0.000%	2,014,171	4.278%
ICTC	216,443	0.638%	0	0.000%	216,443	0.460%
LAFCO	55,347	0.163%	0	0.000%	55,347	0.118%
Total for all Employers	**$33,920,724**	**100.000%**	**$13,157,068**	**100.000%**	**$47,077,792**	**100.000%**

Allocation of June 30, 2022 Net Pension Liability (NPL)[1]

Employer	General	General Percentage	Safety	Safety Percentage	Total NPL	Total Percentage
County	$104,902,575	93.261%	$55,759,973	100.000%	$160,662,548	95.494%
Courts	6,679,099	5.938%	0	0.000%	6,679,099	3.970%
ICTC	717,737	0.638%	0	0.000%	717,737	0.427%
LAFCO	183,534	0.163%	0	0.000%	183,534	0.109%
Total for all Employers	**$112,482,945**	**100.000%**	**$55,759,973**	**100.000%**	**$168,242,918**	**100.000%**

1 In the June 30, 2021 GAS 67 report, there was an increase in NPL due to the Golden Handshake, because that plan change caused an increase in the Total Pension Liability, and the Golden Handshake contribution was not yet reflected in the assets as of that date. That increase in NPL as of June 30, 2021 was allocated only to the County. As of June 30, 2022, this increase in the Total Pension Liability has been implicitly removed from the NPL because the Golden Handshake contributions of $3.1 million have been included in the asset value as of June 30, 2022.

Appendix B: Schedule of Employer Allocations as of June 30, 2022 (continued)

Notes:

Based on July 1, 2021 through June 30, 2022 contributions as provided by ICERS. The one-time contribution made by the County for the Golden Handshake is disregarded in allocating the NPL.

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.

- Calculate ratio of employer's and member's contributions to the total contributions for the membership class.
- Multiply this ratio 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.

Appendix C: Schedule of Pension Amounts by Employer as of June 30, 2022

Deferred Outflows of Resources	County General	County Safety	County Total	Courts
Differences Between Actual and Expected Experience	$2,464,079	$1,177,983	$3,642,062	$156,887
Net Excess of Projected Over Actual Earnings on Pension Plan Investments (If Any)	25,619,933	10,824,910	36,444,843	1,631,210
Changes of Assumptions	24,714,295	13,394,126	38,108,421	1,573,548
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	322,882	0	322,882	735,896
Total Deferred Outflows of Resources	**$53,121,189**	**$25,397,019**	**$78,518,208**	**$4,097,541**
Deferred Inflows of Resources				
Differences Between Expected and Actual Experience	$13,429,725	$5,770,663	$19,200,388	$855,064
Net Excess of Actual Over Projected Earnings on Pension Plan Investments (If Any)	0	0	0	0
Changes of Assumptions	0	0	0	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	828,774	0	828,774	333,999
Total Deferred Inflows of Resources	**$14,258,499**	**$5,770,663**	**$20,029,162**	**$1,189,063**
Net Pension Liability				
Net Pension Liability as of June 30, 2021	$10,260,696	$15,370,898	$25,631,594	$484,667
Net Pension Liability as of June 30, 2022	$104,902,575	$55,759,973	$160,662,548	$6,679,099
Pension Expense				
Proportionate Share of Allocable Plan Pension Expense	$22,427,246	$8,818,414	$31,245,660	$1,402,968
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	(13,582)	0	(13,582)	(18,459)
Total Employer Pension Expense Excluding That Attributable to Employer-Paid Member Contributions	**$22,413,664**	**$8,818,414**	**$31,232,078**	**$1,384,509**

Appendix C: Schedule of Pension Amounts by Employer as of June 30, 2022 (continued)

Deferred Outflows of Resources	ICTC	LAFCO	Total
Differences Between Actual and Expected Experience	$16,859	$4,311	$3,820,119
Net Excess of Projected Over Actual Earnings on Pension Plan Investments (If Any)	175,290	44,824	38,296,167
Changes of Assumptions	169,094	43,239	39,894,302
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	101,620	31,721	1,192,119
Total Deferred Outflows of Resources	**$462,863**	**$124,095**	**$83,202,707**
Deferred Inflows of Resources			
Differences Between Expected and Actual Experience	$91,885	$23,496	$20,170,833
Net Excess of Actual Over Projected Earnings on Pension Plan Investments (If Any)	0	0	0
Changes of Assumptions	0	0	0
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	21,600	7,746	1,192,119
Total Deferred Inflows of Resources	**$113,485**	**$31,242**	**$21,362,952**
Net Pension Liability			
Net Pension Liability as of June 30, 2021	$60,788	$12,358	$26,189,407
Net Pension Liability as of June 30, 2022	$717,737	$183,534	$168,242,918
Pension Expense			
Proportionate Share of Allocable Plan Pension Expense	$152,268	$38,144	$32,839,040
Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	25,878	6,163	0
Total Employer Pension Expense Excluding That Attributable to Employer-Paid Member Contributions	**$178,146**	**$44,307**	**$32,839,040**

Appendix C: Schedule of Pension Amounts by Employer as of June 30, 2022 (continued)

Amounts shown in this Appendix were allocated by employer based on the Contributions Allocation Percentage calculated in Appendix B.

Based on our understanding of the requirements under GAS 82, and direction from ICERS and the outside auditor, we have treated the 3% employer paid member contributions for employees in the Legacy tier that are included in "Contributions - employer" on page 17 as member contributions when we develop the employer pension expense as of June 30, 2022.[1]

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, 2021 (the beginning of the measurement period ending June 30, 2022), which is 6.47 years.

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

- Calculating each active employee's 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 nonactive or retired member.
- Dividing the sum of the above amounts by the total number of active employees, nonactive and retired members.

The pension expense increased from $10.2 million as of June 30, 2021 to $32.9 million as of June 30, 2022. The primary cause of the increase is the recognition of a charge of $32.5 million in this year's pension expense that is associated with the $162.6 million asset loss.

[1] It should be noted that after an inquiry we made in 2019 and subsequent discussion, we have continued to treat the County's contributions related to the 1/3 pickup of the Safety Supplemental UAAL as of June 30, 2006 and the pickup of Supplemental UAAL for certain Tier 3 members as employer contributions when we develop the employer pension expense.

Appendix D: Definition of Terms

Definitions of certain terms as they are used in Statement 67. The terms may have different meanings in other contexts.

Actuarial Present Value of Projected Benefit Payments:	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial Valuation:	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial Valuation Date:	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution:	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad Hoc Cost-of-Living Adjustments (Ad Hoc COLAs):	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad Hoc Postemployment Benefit Changes:	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Automatic Cost-of-Living Adjustments (Automatic COLAs):	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic Postemployment Benefit Changes:	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Cost-of-Living Adjustments:	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (Cost-Sharing Pension Plan):	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered Payroll:	Payroll on which contributions to the pension plan are based.
Defined Benefit Pension Plans:	Pension plans that are used to provide defined benefit pensions.

Defined Benefit Pensions:	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of Statement 67.)
Defined Contribution Pension Plans:	Pension plans that are used to provide defined contribution pensions.
Defined Contribution Pensions:	Pensions having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and (3) provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount Rate:	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension Plan Fiduciary Net Position is projected (under the requirements of Statement 67) to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.
Entry Age Actuarial Cost Method:	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive Employees:	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Multiple-Employer Defined Benefit Pension Plan:	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL):	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.

Other Postemployment Benefits:	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension Plans:	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions:	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan Members:	Individuals that are covered under the terms of a pension plan. Plan members generally include (1) employees in active service (active plan members) and (2) terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment:	The period after employment.
Postemployment Benefit Changes:	Adjustments to the pension of an inactive employee.
Postemployment Healthcare Benefits:	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected Benefit Payments:	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public Employee Retirement System:	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real Rate of Return:	The rate of return on an investment after adjustment to eliminate inflation.
Service Costs:	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single-Employer Defined Benefit Pension Plan (Single-Employer Pension Plan):	A defined benefit pension plan that is used to provide pensions to employees of only one employer.
Termination Benefits:	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL):	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of Statement 67.

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