IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2023 AND 2022

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
JUNE 30, 2023 AND 2022

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BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements and Other Information

Opinions

We have audited the accompanying statements of plan net position of the Imperial County Employees' Retirement System (ICERS), as of June 30, 2023 and June 30, 2022, the related statements of changes in plan net position for the fiscal years then ended, and the related notes to the basic financial statements, which collectively comprise ICERS' basic financial statements as listed in the table of contents. We have also audited the schedule of employer and member contributions allocated by cost sharing plan totals of all entities and the schedule of employer pension amounts 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 (other information) in the table of contents.

In our opinion, the basic financial statements and other supplemental information referred to above present fairly, in all material respects, the plan net position of ICERS as of June 30, 2023 and June 30, 2022 and its changes in plan net position for the fiscal years then ended, and the schedule of employer pension amounts 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, as of and for the fiscal years ended June 30, 2023 and June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements and Other Information

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements and Other Information

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

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

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

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

Required Supplemental Information

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

Other Supplemental Information

Our audits were conducted for the purpose of forming an opinion on the financial statements and other information 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 December 21, 2023, on our consideration of ICERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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
December 21, 2023

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 fiscal years ended June 30, 2023 and 2022. 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, 2023 and 2022. 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, 2023, was $1,104,373,361. The plan's 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 $67,990,158, 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 $160,912,886 from the prior year, consisting mainly of an increase in net investment income.

- Deductions in plan net position increased from $56,752,970 to $59,271,312 versus the prior year. The increase was primarily due to an increase in retiree pension benefits and an increase in refunds of contributions.

- ICERS' funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2023, the date of the last funding actuarial valuation, the funded ratio for all ICERS agencies was 90.7%. In general, this indicates that for every dollar of benefits due, ICERS had approximately $.90 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 requires 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, 2023, totaled $1,104,373,361, an increase of $67,990,158 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:

	2023	2022	Increase (Decrease) 2023/2022
Investments at Fair Value	$ 1,098,448,049	$ 1,024,760,965	$ 73,687,084
Cash and Cash Equivalents	2,714,740	6,293,990	(3,579,250)
Capital Assets (Net of Accumulated Depreciation)	514,405	1,029,468	(515,063)
Receivables	3,321,864	6,777,552	(3,455,688)
Total Assets	1,104,999,058	1,038,861,975	66,137,083
Total Liabilities	625,697	2,478,772	(1,853,075)
Net Position Held in Trust for Pension Benefits	$ 1,104,373,361	$ 1,036,383,203	$ 67,990,158

	2022	2021	Increase (Decrease) 2022/2021
Investments at Fair Value	$ 1,024,760,965	$ 1,123,086,833	$ (98,325,868)
Cash and Cash Equivalents	6,293,990	3,533,988	2,760,002
Capital Assets (Net of Accumulated Depreciation)	1,029,468	1,544,531	(515,063)
Collateral Held for Securities Loaned	-	-	-
Receivables	6,777,552	3,117,573	3,659,979
Total Assets	1,038,861,975	1,131,282,925	(92,420,950)
Total Liabilities	2,478,772	4,495,336	(2,016,564)
Net Position Held in Trust for Pension Benefits	$ 1,036,383,203	$ 1,126,787,589	$ (90,404,386)

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, 2023, and determined that the funded ratio of the actuarial assets to the actuarial accrued liability is 90.7%. The actuarial valuation as of June 30, 2022, determined the funded ratio to be 92.8%.

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, 2023 and 2022, totaled $127,261,470 and $(33,651,416), respectively.

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

	2023	2022	Increase (Decrease) 2023/2022
Employer Contributions	$ 29,345,685	$ 33,723,091	$ (4,377,406)
Plan Member Contributions	16,813,311	16,454,735	358,576
Net Investment Income	81,100,012	(83,832,087)	164,932,099
Miscellaneous Income	2,462	2,845	(383)
Total	$ 127,261,470	$ (33,651,416)	$ 160,912,886

	2022	2021	Increase (Decrease) 2022/2021
Employer Contributions	$ 33,723,091	$ 27,812,265	$ 5,910,826
Plan Member Contributions	16,454,735	15,022,486	1,432,249
Net Investment Income	(83,832,087)	242,348,883	(326,180,970)
Miscellaneous Income	2,845	10,224	(7,379)
Total	$ (33,651,416)	$ 285,193,858	$ (318,845,274)

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:

	2023	2022	Increase (Decrease) 2023/2022
Retirement Benefits	$ 53,275,724	$ 51,207,616	$ 2,068,108
Refund of Contributions	2,537,191	2,133,790	403,401
Lump Sum Death Benefits	171,457	395,981	(224,524)
Administrative Expenses	1,727,379	1,696,293	31,086
Technology Expenses	1,038,267	896,405	141,862
Legal Expenses	290,801	272,951	17,850
Actuarial Expenses	230,493	149,934	80,559
Total Deductions	$ 59,271,312	$ 56,752,970	$ 2,518,342

	2022	2021	Increase (Decrease) 2022/2021
Retirement Benefits	$ 51,207,616	$ 49,303,097	$ 1,904,519
Refund of Contributions	2,133,790	914,219	1,219,571
Lump Sum Death Benefits	395,981	283,333	112,648
Administrative Expenses	1,696,293	1,489,145	207,148
Technology Expenses	896,405	1,034,016	(137,611)
Legal Expenses	272,951	174,024	98,927
Actuarial Expenses	149,934	226,334	(76,400)
Total Deductions	$ 56,752,970	$ 53,424,168	$ 3,328,802

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,

Scott W. Jarvis

Scott W. Jarvis
Retirement Administrator

BASIC FINANCIAL STATEMENTS

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET POSITION
AS OF JUNE 30, 2023 AND 2022

	June 30, 2023	June 30, 2022
Assets		
Cash and cash equivalents	$ 2,714,740	$ 6,293,990
Receivables		
Contributions receivable	2,219,974	2,084,095
Accounts receivable - sale of investments	380,709	4,126,331
Accrued interest and dividends	684,510	556,285
Accounts receivable - other	36,671	10,841
Total Receivables	3,321,864	6,777,552
Investments at fair value		
Fixed income	243,697,241	252,085,914
Domestic equities	373,453,001	324,955,175
International equities	202,918,148	174,698,670
Private credit and equity	162,150,348	145,341,746
Real estate	116,229,311	127,679,460
Total Investments at Fair Value	1,098,448,049	1,024,760,965
Capital assets (net of accumulated depreciation)	514,405	1,029,468
Total Assets	1,104,999,058	1,038,861,975
Liabilities		
Accounts payable - purchase of investments	280,832	2,371,335
Accounts payable - other	344,865	107,437
Total Liabilities	625,697	2,478,772
Net Position Held in Trust for Pension Benefits	$ 1,104,373,361	$ 1,036,383,203

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, 2023 AND 2022

	June 30, 2023	June 30, 2022
Additions		
Contributions		
Employer	$ 29,345,685	$ 33,723,091
Plan member	16,813,311	16,454,735
Total Contributions	46,158,996	50,177,826
Investment income		
Net appreciation in fair value of investments	71,460,880	(88,643,049)
Interest and dividends	5,486,852	4,266,016
Real estate operating income, net	2,913,579	2,847,779
Alternative income	7,622,368	3,574,825
Total investment income	87,483,679	(77,954,429)
Less investment expenses	(6,383,667)	(5,877,658)
Net Investment Income	81,100,012	(83,832,087)
Miscellaneous	2,462	2,845
Total Additions	127,261,470	(33,651,416)
Deductions		
Retirement benefits	53,275,724	51,207,616
Refunds of contributions	2,537,191	2,133,790
Lump sum death benefits	171,457	395,981
Administrative expenses	1,727,379	1,696,293
Technology expenses	1,038,267	896,405
Legal expenses	290,801	272,951
Actuarial expenses	230,493	149,934
Total Deductions	59,271,312	56,752,970
Net Increase (Decrease)	67,990,158	(90,404,386)
Net Position Held in Trust for Pension Benefits, Beginning of Year	1,036,383,203	1,126,787,589
Net Position Held in Trust for Pension Benefits, End of Year	$ 1,104,373,361	$ 1,036,383,203

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 (Board) 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 Transportation 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. The Board consists of nine members and two alternates. The County Treasurer is a member of the Board 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 serve terms of three years except for the County Treasurer whose term runs concurrent with her term as County Treasurer. The current Board roster is listed below:

	Term Expires
Suzanne Bermudez, Ex-Officio Member	Ex-Officio
Patricia Lizarraga, General Member Employee	6/30/2025
Mario Salinas, General Member Employee	6/30/2026
Luis Plancarte, County Supervisor	12/31/2024
Norma Jauregui, Public Member	6/30/2026
Jose Landeros, Public Member	12/31/2026
Carl A. Armstrong, Safety Member Employee	12/31/2023
David H. Prince, Retiree Member	12/31/2023
Seat Vacant, Public Member	-
Jennifer Benavidez, Alternate Safety Member	12/31/2023
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, 2023 and 2022:

	June 30, 2023	June 30, 2022
Active Members (Vested and Non-Vested)	2,300	2,222
Retired Members and Beneficiaries	1,399	1,388
Terminated Vested (Deferred)	772	707
Total Membership	4,471	4,317

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 – PENSION PLAN DESCRIPTION (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. 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, 2023, for 2022-2023, and June 30, 2022, for 2021-2022 (based on the June 30, 2021 valuation) was 22.71% and 27.01% 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, 2023, for 2022-2023 and June 30, 2022, for 2021-2022, (based on the June 30, 2021 valuation) was 13.01% and 13.18% of compensation, respectively.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Cash and Cash Equivalents

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 on June 30, 2023 and 2022.

Capital Assets

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

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.

Comparative Data and 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, 2023 and 2022.

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 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, 2023	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Large Cap U.S. Equity	26.00%	6.00%
Small Cap U.S. Equity	7.00%	6.65%
Developed International Equity	14.00%	7.01%
Emerging Markets Equity	6.00%	8.80%
U.S. Core Fixed Income	22.00%	1.97%
TIPS	5.00%	1.77%
Real Estate	5.00%	3.86%
Value Added Real Estate	5.00%	6.70%
Private Credit	5.00%	6.69%
Private Equity	5.00%	10.12%
Total	**100.00%**	

	June 30, 2022	
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, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.1% and (8.1)%, respectively. The money-weighted rates of return express investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Accounting Pronouncements

GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (SBITAs).* In May 2020, GASB issued Statement No. 96, *SBITAs.* This Statement provides guidance on accounting and financial reporting for SBITAs. The guidance requires the recognition of a right-to-use subscription asset and a corresponding subscription liability for contracts that convey control of the right-to-use another party's information technology software alone or in conjunction with tangible capital assets for a specified period in an exchange or exchange-like transaction. The provisions of this statement are effective with fiscal years beginning after June 15, 2022. GASB Statement No. 96, *SBITAs*, was implemented in the current fiscal year. This pronouncement did not significantly impact ICERS during the current fiscal year. Management will continue to evaluate information technology agreements for future periods.

GASB Statement No. 99 – *Omnibus 2022.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees. The practice issues addressed in this Statement applicable to ICERS are clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements. The requirements related to GASB Statement No. 96 are effective for the fiscal years beginning after June 15, 2022, and all reporting periods thereafter. ICERS reviewed the applicable provisions, but it did not impact the financial statements as of June 30, 2023.

Future Accounting Pronouncements

GASB Statement No. 100 – *Accounting Changes and Error Corrections-an amendment of GASB Statement No. 62.* The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this Statement are effective with fiscal years beginning after June 15, 2023. ICERS has not yet determined the effect of this Statement on the financial statements.

GASB Statement No. 101 – *Compensated Absences.* The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurements guidance for compensated absences. The requirements of this Statement are effective with fiscal years beginning after December 15, 2023. ICERS has not yet determined the effect of this Statement on the financial statements.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE

CERL vests the Board with exclusive control over ICERS' investment portfolio. The Board established an Investment Policy Statement in accordance with applicable local, State, and Federal laws. The Board 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 oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- Diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

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, 2023 and 2022, are as follows:

	Fair Value	
Quality Ratings	2023	2022
Aaa	$ 161,084,764	$ 156,229,187
Aa	4,950,067	7,472,855
A	29,787,169	26,202,298
Baa	36,593,921	45,921,693
Ba	8,539,464	11,085,494
B	2,546,045	4,879,083
N/R*	195,811	295,304
Total Investments in Fixed Income Securities	$ 243,697,241	$ 252,085,914

* 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, 2023 and 2022, 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, 2023 and 2022, ICERS' Core Fixed Income manager had an effective duration of 6.71 years and 6.36 years, respectively, while ICERS' Core Plus Fixed Income manager had an effective duration of 6.70 years and 6.70 years, respectively.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Fixed Income Securities - Duration

As of June 30, 2023 and 2022, ICERS had the following securities:

	2023		2022	
Investment Type	Market Value	Effective Duration (in years)	Market Value	Effective Duration (in years)
Asset Backed Securities	$ 10,460,244	2.31	$ 14,400,711	3.83
Cash and Equivalents	8,293,862	0.00	13,465,701	0.00
Commercial Mortgage-Backed Securities (CMBS)	285,698	1.80	4,184,216	1.03
CMO Corporate	-	-	2,065,426	0.03
Corporates and Other Credit	27,023,804	5.26	24,219,360	4.21
Government	34,842,591	10.05	32,258,990	11.98
Mortgage Backed-Agency	23,283,961	15.57	16,922,996	12.58
Sub-total	104,190,160	6.71	107,517,400	6.36
Core Plus Fixed Income Fund[1]	97,905,762	6.70	98,434,982	6.70
Treasury Inflation Protected Securities[1]	41,601,319	6.68	46,133,532	6.89
Total	$ 243,697,241		$ 252,085,914	

[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 20% 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, 2023, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Australian Dollar	$ 11,698,967	$ -	$ -	$ 11,698,967
Brazilian Real	2,893,742	-	-	2,893,742
British Pound	23,866,430	-	-	23,866,430
Chilean Peso	155,891	-	-	155,891
Chinese RNB	12,365,618	-	-	12,365,618
Colombian Peso	119,246	-	-	119,246
Czech Republic Koruna	124,442	-	-	124,442
Danish Krone	4,717,325	-	-	4,717,325
Euro Currency Unit	55,178,341	-	-	55,178,341
Egyptian Pound	98,460	-	-	98,460
Hong Kong Dollar	4,628,116	-	-	4,628,116
Hungarian Forint	57,160	-	-	57,160
Indian Rupee	6,804,177	-	-	6,804,177
Indonesian Rupiah	1,328,929	-	-	1,328,929
Israeli Shekel	1,006,363	-	-	1,006,363
Japanese Yen	35,725,878	-	-	35,725,878
Kazakhstan Tenge	236,305			236,305
Kenyan Shilling	98,460	-	-	98,460
Korean Won	3,380,244			3,380,244
Kuwaiti Dinar	25,982			25,982
Malaysian Ringgit	418,308	-	-	418,308
Mexican Peso	1,921,597	-	-	1,921,597
New Zealand Dollar	314,488	-	-	314,488
Norwegian Krone	1,022,087	-	-	1,022,087
Panamanian Balboa	157,537	-	-	157,537
Philippine Peso	244,230	-	-	244,230
Polish Zloty	334,896	-	-	334,896
Qatari Riyal	171,480	-	-	171,480
Saudi Riyal	1,194,625	-	-	1,194,625
Singapore Dollar	2,232,867	-	-	2,232,867
South African Rand	1,120,512	-	-	1,120,512
South Korean Won	1,693,519	-	-	1,693,519
Swedish Krona	5,173,334	-	-	5,173,334
Swiss Franc	14,843,851	-	-	14,843,851
Taiwan Dollar	6,855,318	-	-	6,855,318
Thailand Baht	543,021	-	-	543,021
Turkish Lira	226,042	-	-	226,042
Emirati Dirham	818,580	-	-	818,580
Total Securities Subject to Foreign Currency Risk	203,796,368	-	-	203,796,368
U.S. Dollar (Securities held by International Managers)	787,685	-	-	787,685
Total International Investment Securities	$ 204,584,053	$ -	$ -	$ 204,584,053

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, 2022, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Australian Dollar	$ 10,435,675	$ -	$ -	$ 10,435,675
Brazilian Real	2,269,981	-	-	2,269,981
British Pound	21,793,303	-	-	21,793,303
Canadian Dollar	-	-	-	-
Chilean Peso	117,958	-	-	117,958
Chinese RNB	12,984,809	-	-	12,984,809
Colombian Peso	177,376	-	-	177,376
Czech Republic Koruna	182,191	-	-	182,191
Danish Krone	3,570,793	-	-	3,570,793
Euro Currency Unit	42,800,641	-	-	42,800,641
Egyptian Pound	75,448	-	-	75,448
Hong Kong Dollar	5,536,234	-	-	5,536,234
Hungarian Forint	55,368	-	-	55,368
Indian Rupee	5,434,178	-	-	5,434,178
Indonesian Rupiah	1,153,272	-	-	1,153,272
Israeli Shekel	961,874	-	-	961,874
Japanese Yen	29,633,627	-	-	29,633,627
Kenyan Shilling	169,758	-	-	169,758
Malaysian Ringgit	467,018	-	-	467,018
Mexican Peso	1,874,815	-	-	1,874,815
New Zealand Dollar	263,527	-	-	263,527
Norwegian Krone	1,106,814	-	-	1,106,814
Panamanian Balboa	94,310	-	-	94,310
Peruvian Sol	-	-	-	-
Philippine Peso	228,694	-	-	228,694
Polish Zloty	239,542	-	-	239,542
Qatari Riyal	129,995	-	-	129,995
Russian Ruble	-	-	-	-
Saudi Riyal	818,485	-	-	818,485
Singapore Dollar	1,936,924	-	-	1,936,924
South African Rand	1,305,669	-	-	1,305,669
South Korean Won	4,489,634	-	-	4,489,634
Swedish Krona	4,493,138	-	-	4,493,138
Swiss Franc	13,110,475	-	-	13,110,475
Taiwan Dollar	6,380,336	-	-	6,380,336
Thailand Baht	748,730	-	-	748,730
Turkish Lira	129,995	-	-	129,995
Emirati Dirham	194,992	-	-	194,992
Total Securities Subject to Foreign Currency Risk	175,365,579	-	-	175,365,579
U.S. Dollar (Securities held by International Managers)	1,376,927	-	-	1,376,927
Total International Investment Securities	$ 176,742,506	$ -	$ -	$ 176,742,506

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Derivatives

The Board'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, 2023 and 2022, 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 2023	Appraised Value 2022
Separate Properties:		
ICERS El Centro Inc.	$ 1,999,601	$ 1,961,544
ARA-American Strategic Value Realty Fund	56,175,865	57,843,717
ASB-Allegiance Real Estate Fund	27,602,011	31,743,731
Clarion Partners (formerly ING Clarion)	30,451,834	36,130,468
Total Properties	114,229,710	125,717,916
Total Real Estate	$ 116,229,311	$ 127,679,460

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 fiscal year ended June 30, 2023, are shown below.

	Balance June 30, 2022	Additions	Deductions	Balance June 30, 2023
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	115,759	2,635	-	118,394
Pension Administration System	4,857,872	512,428	-	5,370,300
Totals	4,973,631	515,063	-	5,488,694
Capital Assets, Net	$ 1,029,468	$ (515,063)	$ -	$ 514,405

Total depreciation expense for the fiscal year ended June 30, 2023, was $515,063.

NOTE 5 – CAPITAL ASSETS (Continued)

The changes in capital assets for the fiscal year ended June 30, 2022, are shown below.

	Balance June 30, 2021	Additions	Deductions	Balance June 30, 2022
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	113,124	2,635	-	115,759
Pension Administration System	4,345,444	512,428	-	4,857,872
Totals	4,458,568	515,063	-	4,973,631
Capital Assets, Net	$ 1,544,531	$ (515,063)	$ -	$ 1,029,468

Total depreciation expense for the fiscal year ended June 30, 2022, was $515,063.

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, 2023 and 2022, was approximately $1,096,448,448 and $1,022,799,421, respectively.

The following firms professionally manage ICERS' investments:

	Value of Investments	
	2023	2022
Ares Capital Europe IV	$ 7,025,903	$ 6,945,257
ASB Capital Management, LLC	27,602,011	31,743,731
American Realty Advisors	56,175,865	57,843,717
Audax Group	5,379,471	4,623,419
Ascribe Opportunities Fund	5,351,462	2,915,814
BlackRock	572,298,500	502,852,277
Clarion Partners	30,451,834	36,130,468
Crescent Capital	2,859,131	3,070,904
Dimensional	25,981,888	24,073,089
Ducenta (formerly Bradford & Marzec)	97,820,775	97,413,703
Harding Loevner	19,692,080	18,862,010
HarbourVest Partners, LLC	80,174,897	81,058,681
KKR	1,690,253	1,486,790
Lone Star Fund XI	3,611,794	3,506,089
MacKay Shields, LLC	97,905,762	98,434,982
PIMCO	-	13,617
Portfolio Advisors	11,986,763	12,557,769
Sixth Street Partners	44,070,675	29,163,407
JP Morgan	6,369,382	10,103,697
Total Investments	$ 1,096,448,448	$ 1,022,799,421

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, 2023 and 2022, 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, 2023:

		Fair Value Measurements Using	
	6/30/2023	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	$ 10,460,244	$ -	$ 10,460,244
CMBS	285,698	-	285,698
Corporates and Other Credit	27,023,804	-	27,023,804
Mortgage Backed-Agency	23,283,961	-	23,283,961
Government	34,842,591	-	34,842,591
Short-Term and Equivalents	8,293,862	-	8,293,862
Total Debt Securities	104,190,160	-	104,190,160
Commingled Funds			
Domestic Bond Funds	139,507,081	-	139,507,081
Domestic Equity Funds	373,453,001	-	373,453,001
International Equity Funds	202,918,148	25,981,888	176,936,260
Total Commingled Funds	715,878,230	25,981,888	689,896,342
Total Investments by Fair Value Level	820,068,390	$ 25,981,888	$ 794,086,502
Investments Measured at the Net Asset Value (NAV)			
Real Estate Funds	116,229,311		
Private Equity Funds	162,150,348		
Total Investments Measured at NAV	278,379,659		
Total Investments by Fair Value Level	**$ 1,098,448,049**		

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, 2023, is presented on the following table:

	Fair Value 6/30/2023	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds (1)	$ 116,229,311	$ -	Daily, Quarterly	30-90 days
Private Equity Funds (2)	162,150,348	69,799,662	Not Eligible	N/A
Total Investments Measured at (NAV)	**$ 278,379,659**	**$ 69,799,662**		

(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, 2022:

		Fair Value Measurements Using	
	6/30/2022	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	$ 14,400,711	$ -	$ 14,400,711
CMBS	4,184,216	-	4,184,216
CMO Corporate	2,065,426	-	2,065,426
Corporates and Other Credit	24,219,360	-	24,219,360
Mortgage Backed-Agency	16,922,996	-	16,922,996
Government	32,258,990	-	32,258,990
Short-Term and Equivalents	13,465,702	-	13,465,702
Total Debt Securities	107,517,401	-	107,517,401
Commingled Funds			
Domestic Bond Funds	144,568,513	-	144,568,513
Domestic Equity Funds	324,955,175	-	324,955,175
International Equity Funds	174,698,670	24,073,089	150,625,581
Total Commingled Funds	644,222,358	24,073,089	620,149,269
Total Investments by Fair Value Level	751,739,759	$ 24,073,089	$ 727,666,670
Investments Measured at the Net Asset Value (NAV)			
Real Estate Funds	127,679,460		
Private Equity Funds	145,341,746		
Total Investments Measured at NAV	273,021,206		
Total Investments by Fair Value Level	**$ 1,024,760,965**		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2022, is presented on the following table:

	Fair Value 6/30/2022	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds (1)	$ 127,679,460	$ 2,304,000	Daily, Quarterly	30-90 days
Private Equity Funds (2)	145,341,746	78,307,695	Not Eligible	N/A
Total Investments Measured at (NAV)	**$ 273,021,206**	**$ 80,611,695**		

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 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 $2,599,321. 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, Great American Insurance Company, Arcadian Risk Capital LTD, Somers Reinsurance, Arch Reinsurance Limited	$9,000,000 excess $10,000,000
Allied World National Assurance Company, Upland Specialty Insurance, Continential Indemnity Company, Arcadian Risk Capital LTD, Somers Reinsurance, Arch Reinsurance LTD	$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, 2023	June 30, 2022
Total Pension Liability	$ 1,261,528,642	$ 1,204,626,121
Plan Fiduciary Net Position	(1,104,373,361)	(1,036,383,203)
Employers' Net Pension Liability	$ 157,155,281	$ 168,242,918
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	87.54%	86.03%

The NPL was measured as of June 30, 2023 and 2022. 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, 2022 and 2021, respectively.

Plan provisions. The plan provisions used in the measurement of the NPL as of June 30, 2023 and 2022, are the same as those used in the ICERS actuarial valuation as of June 30, 2023 and 2022, respectively.

Actuarial assumptions. The TPL as of June 30, 2023 was measured by (1) revaluing the TPL as of June 30, 2022 (before the roll forward) to include the following actuarial assumptions that the Retirement Board has adopted for use in the funding valuation as of June 30, 2023 and (2) using this revalued TPL in rolling forward the results from June 30, 2022 to June 30, 2023:

NOTE 10 – NET PENSION LIABILITY (Continued)

Inflation	2.50%
Salary increases	General: 4.00% to 10.00% and Safety: 4.25% to 10.75%, vary by service, including inflation and 0.50% real across-the-board salary increase
Investment rate of return	6.75%, net of pension plan investment expense, including inflation
Administrative expenses	2.10% 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	Same as those used in the June 30, 2023 funding valuation.

The TPL as of June 30, 2022 was determined by actuarial valuations as of June 30, 2021. 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 and 0.50% real across-the-board salary increase
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	Same as those used in the June 30, 2022 funding valuation.

Discount rate. The discount rates used to measure the TPLs were 6.75% and 7.00% as of June 30, 2023 and June 30, 2022, respectively. 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, 2023 and June 30, 2022.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the NPL of ICERS as of June 30, 2023, calculated using the discount rate of 6.75%, as well as what the ICERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
ICERS Net Pension Liability As of June 30, 2023	$ 339,221,322	$ 157,155,281	$ 9,224,456

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%)
ICERS Net Pension Liability As of June 30, 2022	$ 340,939,864	$ 168,242,918	$ 27,515,122

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 is the age on the valuation date minus 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 formula for each individual has always been in effect (i.e., "replacement life within a 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 associated with the Regular Legacy Benefit as of June 30, 2012 is amortized over a declining 19-year period (with 8 years remaining as of June 30, 2023). The Unfunded Actuarial Accrued Liability associated with the Supplemental UAAL relief for Safety members is amortized over a declining 19-year period (with 8 years remaining as of June 30, 2023). 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 over 120% funded, 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 Unfunded Actuarial Accrued Liability (UAAL)

The annual contribution rate that, if paid annually over the UAAL amortization period, would accumulate to the amount necessary to fully fund the UAAL. Accumulation includes annual crediting of interest at the assumed investment earning rate. The contribution (or rate credit in the case of a negative UAAL) is calculated to remain as a level percentage of future active member payroll (including payroll for new members as they enter the System) assuming a constant number of active members. In order to remain as a level percentage of payroll, amortization payments (credits) are scheduled to increase at the annual rate of 3.00% (i.e., 2.50% inflation plus 0.50% across-the-board salary increase).

The amortization policy is described on the previous page.

Member Contributions:

General Legacy and Safety Legacy Members

Articles 6 and 6.8 of the 1937 Act define the methodology to be used in the calculation of member basic contribution rates for General Legacy members and Safety Legacy members, respectively.

The basic contribution rate for the Regular benefit is determined so that the accumulation of a member's basic contributions made in a given year until a certain age will be sufficient to fund an annuity at that age that is equal to 1/120 of Final Average Salary for General and 1/100 of Final Average Salary for Safety. That age is 55 for all General and 50 for all Safety.

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

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

NOTE 11 – ACTUARIAL VALUATIONS (Continued)

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

The results of this valuation reflect agreements in effect as of July 1, 2023 for the County to pick up the Supplemental UAAL contributions for the Tier 3 members. According to a list provided by ICERS on that date, all bargaining units covering General Tier 3 members except for the Unrepresented Medical Staff and all bargaining units covering Safety Tier 3 members have reached agreements 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 noncompliance is disqualification: active participants could be taxed on their vested benefits and the IRS may seek to tax the income earned on the plan's assets.

In particular, Section 415(b) of the IRC limits the maximum annual benefit payable at the Normal Retirement Age to a dollar limit of $160,000 indexed for inflation. That limit is $265,000 for 2023. 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 and may be updated as often as necessary to reflect ICERS' investment preferences, as well as changes in market conditions.

As of June 30, 2023, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
Ares	Private Equity	$ 8,000,000	$ 1,682,659
Ascribe	Private Equity	6,000,000	768,835
Audax	Private Equity	7,000,000	688,066
Crescent	Private Equity	7,000,000	4,062,914
HarbourVest	Private Equity	90,000,000	20,666,136
KKR	Private Equity	10,000,000	314,979
Lone Star	Private Equity	5,750,000	1,457,076
Sixth Street Partners	Private Equity	90,000,000	40,158,997
			$ 69,799,662

NOTE 12 – COMMITMENTS AND CONTINGENCIES (Continued)

Capital Commitments (Continued)

As of June 30, 2022, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
American Realty Advisors	Real Estate	$ 45,000,000	$ 2,304,000
Ares	Private Equity	8,000,000	1,682,659
Ascribe	Private Equity	6,000,000	3,142,000
Audax	Private Equity	7,000,000	2,161,713
Crescent	Private Equity	7,000,000	3,966,297
HarbourVest	Private Equity	90,000,000	25,066,136
KKR	Private Equity	10,000,000	314,979
Lone Star	Private Equity	5,750,000	3,541,567
Sixth Street Partners	Private Equity	60,000,000	38,432,344
			$ 80,611,695

NOTE 13 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through December 21, 2023, which is the date the financial statements were issued. ICERS did not identify any subsequent events that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

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

	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Total Pension Liability					
Service cost	$ 31,663,521	$ 32,218,427	$ 31,733,126	$ 29,422,109	$ 27,921,553
Interest	84,580,822	81,082,871	76,872,897	72,826,904	68,966,822
Change of benefit terms	-	-	3,100,034	(26,394,787)	-
Differences between expected and actual experience	(29,857,410)	(7,914,786)	70,154	495,827	(19,206,445)
Changes of assumptions	26,499,960	-	-	64,361,368	-
Benefit payments, including refunds of employee contributions	(55,984,372)	(53,737,387)	(50,500,650)	(47,202,121)	(44,082,381)
Net change in total pension liability	56,902,521	51,649,125	61,275,561	93,509,300	33,599,549
Total pension liability – beginning	1,204,626,121	1,152,976,996	1,091,701,435	998,192,135	964,592,586
Total pension liability – ending (a)	$ 1,261,528,642	$ 1,204,626,121	$ 1,152,976,996	$ 1,091,701,435	$ 998,192,135
Plan Fiduciary Net Position					
Contributions – employer	$ 29,345,685	$ 33,723,091	$ 27,812,265	$ 26,378,159	$ 26,078,469
Contributions – employee	16,813,311	16,454,735	15,022,486	15,111,979	15,085,120
Net investment income	81,102,474	(83,829,242)	242,359,108	27,457,377	50,186,722
Benefit payments, including refunds of employee contributions	(55,984,372)	(53,737,387)	(50,500,650)	(47,202,121)	(44,082,381)
Administrative expense	(3,286,940)	(3,015,583)	(2,923,519)	(2,742,587)	(2,736,486)
Net change in plan fiduciary net position	67,990,158	(90,404,386)	231,769,690	19,002,807	44,531,444
Plan fiduciary net position – beginning	1,036,383,203	1,126,787,589	895,017,899	876,015,092	831,483,648
Plan fiduciary net position – ending (b)	$ 1,104,373,361	$ 1,036,383,203	$ 1,126,787,589	$ 895,017,899	$ 876,015,092
System's net pension liability – (a)-(b)	$ 157,155,281	$ 168,242,918	$ 26,189,407	$ 196,683,536	$ 122,177,043
Plan fiduciary net position as a percentage of the total pension liability	87.54%	86.03%	97.73%	81.98%	87.76%
Covered employee payroll	$ 129,235,000	$ 124,873,000	$ 125,042,000	$ 121,949,000	$ 117,036,000
System's net pension liability as percentage of covered employee payroll	121.60%	134.73%	20.94%	161.28%	104.39%

(Continued on next page)

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

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Total Pension Liability					
Service cost	$ 28,632,241	$ 25,909,942	$ 25,771,056	$ 24,654,181	$ 23,272,227
Interest	66,589,540	61,765,040	59,345,608	56,219,107	53,633,171
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(2,857,091)	(16,844,635)	(6,660,193)	(10,469,477)	(2,989,546)
Changes of assumptions	-	46,693,228	-	-	21,572,390
Benefit payments, including refunds of employee contributions	(40,946,752)	(37,634,982)	(34,668,642)	(32,617,937)	(31,068,263)
Net change in total pension liability	51,417,938	79,888,593	43,787,829	37,785,874	64,419,979
Total pension liability – beginning	913,174,648	833,286,055	789,498,226	751,712,352	687,292,373
Total pension liability – ending (a)	$ 964,592,586	$ 913,174,648	$ 833,286,055	$ 789,498,226	$ 751,712,352
Plan Fiduciary Net Position					
Contributions – employer	$ 21,014,523	$ 21,009,400	$ 20,506,786	$ 18,458,585	$ 17,045,429
Contributions – employee	13,405,766	13,299,670	12,918,809	11,328,165	10,519,020
Net investment income	61,159,489	85,772,872	1,726,183	12,811,880	95,831,177
Benefit payments, including refunds of employee contributions	(40,946,752)	(37,634,981)	(34,668,642)	(32,617,937)	(31,068,263)
Administrative expense	(2,224,214)	(2,441,608)	(2,303,583)	(2,079,611)	(1,890,474)
Net change in plan fiduciary net position	52,408,812	80,005,353	(1,820,447)	7,901,082	90,436,889
Plan fiduciary net position – beginning	779,074,836	699,069,483	700,889,930	692,988,848	602,551,959
Plan fiduciary net position – ending (b)	$ 831,483,648	$ 779,074,836	$ 699,069,483	$ 700,889,930	$ 692,988,848
System's net pension liability – (a)-(b)	$ 133,108,938	$ 134,099,812	$ 134,216,572	$ 88,608,296	$ 58,723,504
Plan fiduciary net position as a percentage of the total pension liability	86.20%	85.31%	83.89%	88.78%	92.19%
Covered employee payroll	$ 112,994,000	$ 114,539,000	$ 106,520,000	$ 102,235,000	$ 96,300,000
System's net pension liability as percentage of covered employee payroll	117.80%	117.08%	126.00%	86.67%	60.98%

Notes to Schedule:
Benefit Changes: None

Schedule is intended to show information for 10 years.

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
2023	$ 29	$ 29	$ -	$ 129	22.71%
2022	34	34	-	125	27.01%
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%

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 10 years remaining as of the June 30, 2021 valuation which set the rates for the 2022-2023 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.

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

Notes to Schedule (Continued):

Actuarial assumptions:

Valuation date	June 30, 2021 valuation (for year ended 2023 Actuarially Determined Contributions)
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Inflation rate	2.75%
Projected salary increases[(1)]	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%, vary by service, including inflation
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	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, 2021 funding actuarial valuation.

[(1)] Includes inflation at 2.75% 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, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Annual money-weighted rate of return, net of investment expense	5.1%	-8.1%	24.2%	0.5%	6.3%

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

Notes to Schedule:

Schedule is intended to show information for 10 years.

OTHER SUPPLEMENTAL INFORMATION

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER AND MEMBER CONTRIBUTIONS
ALLOCATED BY COST SHARING PLAN
AS OF JUNE 30, 2023

Employer	General	Safety	Total Contributions	Total %
County	$ 31,110,242	$ 12,968,298	$ 44,078,540	95.493%
Courts	1,824,047	-	1,824,047	3.951%
ICTC	193,280	-	193,280	0.419%
LAFCO	63,129	-	63,129	0.137%
Total	$ 33,190,698	$ 12,968,298	$ 46,158,996	100.000%

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF NET PENSION LIABILITY (NPL)
ALLOCATED BY COST SHARING PLAN
AS OF JUNE 30, 2023

Employer	General	Safety	Total NPL	Total %
County	$ 97,250,334	$ 53,401,460	$ 150,651,794	95.862%
Courts	5,701,954	-	5,701,954	3.628%
ICTC	604,192	-	604,192	0.384%
LAFCO	197,341	-	197,341	0.126%
Total	$ 103,753,821	$ 53,401,460	$ 157,155,281	100.000%

Notes to Schedule:

Based on July 1, 2022 through June 30, 2023 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
AS OF JUNE 30, 2023

	County General	County Safety	County Total	Courts	ICTC	LAFCO	Total for All Employers
Net Pension Liability	$ 97,250,334	$ 53,401,460	$ 150,651,794	$ 5,701,954	$ 604,192	$ 197,341	$ 157,155,281
Deferred Outflows of Resources							
Differences Between Expected and Actual Plan Experience	$ 1,814,350	$ 920,438	$ 2,734,788	$ 106,379	$ 11,272	$ 3,682	$ 2,856,121
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	16,822,823	7,508,210	24,331,033	986,351	104,516	34,137	25,456,037
Changes of Assumptions	28,765,849	17,700,958	46,466,807	1,686,591	178,715	58,372	48,390,485
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	472,248	-	472,248	601,095	71,858	39,504	1,184,705
Total Deferred Outflows of Resources	$ 47,875,270	$ 26,129,606	$ 74,004,876	$ 3,380,416	$ 366,361	$ 135,695	$ 77,887,348
Deferred Inflows of Resources							
Differences Between Expected and Actual Plan Experience	$ 24,411,817	$ 12,263,453	$ 36,675,270	$ 1,431,307	$ 151,664	$ 49,537	$ 38,307,778
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	675,667	-	675,667	456,080	48,683	4,275	1,184,705
Total Deferred Inflows of Resources	$ 25,087,484	$ 12,263,453	$ 37,350,937	$ 1,887,387	$ 200,347	$ 53,812	$ 39,492,483
Pension Expense							
Proportionate Share of Plan Pension Expense	$ 27,066,524	$ 10,974,560	$ 38,041,084	$ 1,566,215	$ 167,917	$ 54,023	$ 39,829,239
Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense	28,453	-	28,453	(53,864)	17,667	7,744	-
Total Employer Pension Expense	$ 27,094,977	$ 10,974,560	$ 38,069,537	$ 1,512,351	$ 185,584	$ 61,767	$ 39,829,239

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (Continued)
AS OF JUNE 30, 2023

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).

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 the Schedule of changes in NPL as member contributions when we develop the employer pension expense as of June 30, 2023.

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, 2022 (the beginning of the measurement period ending June 30, 2023) and is 6.20 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.

The pension expense increased from $32.9 million as of June 30, 2022 to $39.8 million as of June 30, 2023. The primary cause of the increase is the recognition of a charge of $18.0 million in this year's pension expense that is associated with changes in actuarial assumptions in the past and the current valuations partially offset by gains from investment experience in the current valuation.