

**IMPERIAL COUNTY EMPLOYEES'  
RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITOR'S REPORT**

**FOR THE FISCAL YEARS ENDED  
JUNE 30, 2024 AND 2023**

**IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM  
JUNE 30, 2024 AND 2023**

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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 Supplemental Information*****Opinions***

We have audited the accompanying statements of plan net position of the Imperial County Employees' Retirement System (ICERS), as of June 30, 2024 and June 30, 2023, 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; the schedule of net pension liability allocated by cost sharing plan; 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.

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, 2024 and June 30, 2023; its changes in plan net position for the fiscal years then ended; the schedule of employer pension amounts allocated by cost sharing plan total of all entities of the rows titled net pension liability; the employer and member contributions; and the 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, 2024 and June 30, 2023, 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 Supplemental 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 Supplemental Information***

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

In preparing the financial statements and other supplemental 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 supplemental 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 Supplemental Information***

Our objectives are to obtain reasonable assurance about whether the financial statements and other supplemental 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 supplemental 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 supplemental 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 supplemental 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 supplemental 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 is the responsibility of management and, 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 supplemental 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***

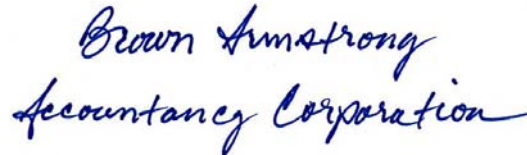
Our audits were conducted for the purpose of forming an opinion on the financial statements and other supplemental information that collectively comprise ICERS' basic financial statements. The other supplemental information is presented for purposes of additional analysis and is not a required part of 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 GAAS. 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 19, 2024, 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

Handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation".

Bakersfield, California  
December 19, 2024

**IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2024 AND 2023**

This Management's Discussion and Analysis (MD&A) of the financial activities of the Imperial County Employees' Retirement System (ICERS) is an overview of its fiscal operations for the fiscal years ended June 30, 2024 and 2023. 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 fiscal years ended June 30, 2024 and 2023. 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, 2024, was \$1,197,046,152. 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 \$92,672,791, 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 \$26,224,868 from the prior fiscal year, consisting mainly of an increase in net investment income.
- Deductions in plan net position increased from \$59,271,312 to \$60,813,547 versus the prior fiscal 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, 2024, the date of the last funding actuarial valuation, the funded ratio for all ICERS agencies was 92.3%. In general, this indicates that for every dollar of benefits due, ICERS had approximately \$0.92 of assets available for payment as of that date. The funding ratios of the employer entities that participate in ICERS were 100%.

**Overview of the Financial Statements**

This MD&A serves as an introduction to the basic financial statements. ICERS has two basic financial statements, the notes to the basic financial statements, and required 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 fiscal 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 fiscal 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 and Member Contributions Allocated by Cost Sharing Plan, 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, 2024, totaled \$1,197,046,152, an increase of \$92,672,791 from the prior fiscal year. ICERS' assets exceeded its liabilities at the end of the fiscal 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 fiscal year balances:

	2024	2023	Increase (Decrease) 2024/2023
Investments at Fair Value	\$ 1,188,079,547	\$ 1,098,448,049	\$ 89,631,498
Cash and Cash Equivalents	6,493,444	2,714,740	3,778,704
Capital Assets (Net of Accumulated Depreciation)	-	514,405	(514,405)
Receivables	3,370,935	3,321,864	49,071
<b>Total Assets</b>	<b>1,197,943,926</b>	<b>1,104,999,058</b>	<b>92,944,868</b>
<b>Total Liabilities</b>	<b>897,774</b>	<b>625,697</b>	<b>272,077</b>
<b>Net Position Held in Trust for Pension Benefits</b>	<b>\$ 1,197,046,152</b>	<b>\$ 1,104,373,361</b>	<b>\$ 92,672,791</b>

	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)
<b>Total Assets</b>	<b>1,104,999,058</b>	<b>1,038,861,975</b>	<b>66,137,083</b>
<b>Total Liabilities</b>	<b>625,697</b>	<b>2,478,772</b>	<b>(1,853,075)</b>
<b>Net Position Held in Trust for Pension Benefits</b>	<b>\$ 1,104,373,361</b>	<b>\$ 1,036,383,203</b>	<b>\$ 67,990,158</b>

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, 2024, and determined that the funded ratio of the actuarial assets to the actuarial accrued liability is 92.3%. The actuarial valuation as of June 30, 2023, determined the funded ratio to be 90.7%.

## 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, 2024 and 2023, totaled \$153,486,338 and \$127,261,470, respectively.



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

	2024	2023	Increase (Decrease) 2024/2023
Employer Contributions	\$ 27,366,348	\$ 29,345,685	\$ (1,979,337)
Plan Member Contributions	17,329,798	16,813,311	516,487
Net Investment Income	108,786,490	81,100,012	27,686,478
Miscellaneous Income	3,702	2,462	1,240
<b>Total</b>	<b>\$ 153,486,338</b>	<b>\$ 127,261,470</b>	<b>\$ 26,224,868</b>

	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 (Loss)	81,100,012	(83,832,087)	164,932,099
Miscellaneous Income	2,462	2,845	(383)
<b>Total</b>	<b>\$ 127,261,470</b>	<b>\$ (33,651,416)</b>	<b>\$ 160,912,886</b>

#### 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 fiscal year balances:

	2024	2023	Increase (Decrease) 2024/2023
Retirement Benefits	\$ 55,935,380	\$ 53,275,724	\$ 2,659,656
Refund of Contributions	1,681,379	2,537,191	(855,812)
Lump Sum Death Benefits	195,962	171,457	24,505
Administrative Expenses	1,582,255	1,727,379	(145,124)
Technology Expenses	990,062	1,038,267	(48,205)
Legal Expenses	191,888	290,801	(98,913)
Actuarial Expenses	236,621	230,493	6,128
<b>Total Deductions</b>	<b>\$ 60,813,547</b>	<b>\$ 59,271,312</b>	<b>\$ 1,542,235</b>

	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
<b>Total Deductions</b>	<b>\$ 59,271,312</b>	<b>\$ 56,752,970</b>	<b>\$ 2,518,342</b>

## **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,



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J. David Puente  
Retirement Financial Officer

## **BASIC FINANCIAL STATEMENTS**

**IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM  
STATEMENTS OF PLAN NET POSITION  
AS OF JUNE 30, 2024 AND 2023**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 6,493,444	\$ 2,714,740
Receivables		
Contributions receivable	2,125,142	2,219,974
Accounts receivable - sale of investments	-	380,709
Accrued interest and dividends	1,186,011	684,510
Accounts receivable - other	<u>59,782</u>	<u>36,671</u>
Total Receivables	3,370,935	3,321,864
Investments at fair value		
Fixed income	332,760,992	243,697,241
Domestic equities	395,102,627	373,453,001
International equities	177,117,600	202,918,148
Alternative investments	181,929,578	162,150,348
Real estate	<u>101,168,750</u>	<u>116,229,311</u>
Total Investments at Fair Value	1,188,079,547	1,098,448,049
Capital assets (net of accumulated depreciation)	<u>-</u>	<u>514,405</u>
Total Assets	<u>1,197,943,926</u>	<u>1,104,999,058</u>
<b>Liabilities</b>		
Accounts payable - purchase of investments	696,612	280,832
Accounts payable - other	<u>201,162</u>	<u>344,865</u>
Total Liabilities	<u>897,774</u>	<u>625,697</u>
<b>Net Position Held in Trust for Pension Benefits</b>	<u>\$1,197,046,152</u>	<u>\$1,104,373,361</u>

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 FISCAL YEARS ENDED JUNE 30, 2024 AND 2023**

	June 30, 2024	June 30, 2023
<b>Additions</b>		
Contributions		
Employer	\$ 27,366,348	\$ 29,345,685
Plan member	17,329,798	16,813,311
Total Contributions	44,696,146	46,158,996
Investment income		
Net appreciation in fair value of investments	102,379,896	71,460,880
Interest and dividends	6,232,102	5,486,852
Real estate operating income, net	1,559,836	2,913,579
Alternative income	5,298,396	7,622,368
Total investment income	115,470,230	87,483,679
Less investment expenses	(6,683,740)	(6,383,667)
Net Investment Income	108,786,490	81,100,012
Miscellaneous	3,702	2,462
Total Additions	153,486,338	127,261,470
<b>Deductions</b>		
Retirement benefits	55,935,380	53,275,724
Refunds of contributions	1,681,379	2,537,191
Lump sum death benefits	195,962	171,457
Administrative expenses	1,582,255	1,727,379
Technology expenses	990,062	1,038,267
Legal expenses	191,888	290,801
Actuarial expenses	236,621	230,493
Total Deductions	60,813,547	59,271,312
Net Increase	92,672,791	67,990,158
Net Position Held in Trust for Pension Benefits, Beginning of Year	1,104,373,361	1,036,383,203
<b>Net Position Held in Trust for Pension Benefits, End of Year</b>	<b>\$1,197,046,152</b>	<b>\$1,104,373,361</b>

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

**IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023**

**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	12/31/2026
David H. Prince, Retiree Member	12/31/2026
Seat Vacant, Public Member	-
Jennifer Benavidez, Alternate Safety Member	12/31/2026
AJ Gaddis, Alternate Retiree Member	12/31/2026

*Plan Membership.* ICERS' membership consisted of the following as reported in the most recent actuarial valuations dated June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023
Active Members (Vested and Non-Vested)	2,326	2,300
Retired Members and Beneficiaries	1,446	1,399
Terminated Vested (Deferred)	874	772
Total Membership	4,646	4,471

**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 (CPI) 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, 2024, for 2023-2024, and June 30, 2023, for 2022-2023 (based on the June 30, 2022 valuation) was 20.05% and 22.71% 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, 2024, for 2023-2024 and June 30, 2023, for 2022-2023, (based on the June 30, 2022 valuation) was 12.70% and 13.01% 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, 2024 and 2023.

### 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 fiscal 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 fiscal year's data may have been reclassified in order to be consistent with the current fiscal 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, 2024 and 2023.

### 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)

<b>Asset Class</b>	<b>June 30, 2024</b>	
	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>	

<b>Asset Class</b>	<b>June 30, 2023</b>	
	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>	

Rate of Return

For the fiscal years ended June 30, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.1% and 5.1%, 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. 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. This pronouncement did not significantly impact ICERS during the current fiscal year. Management will continue to evaluate accounting and financial reporting for future periods

### Future Accounting Pronouncements

**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.

**GASB Statement No. 102 – *Certain Risk Disclosures.*** The objective of this statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this statement are effective with fiscal years beginning after June 15, 2024. ICERS has not yet determined the effect of this statement on the financial statements.

**GASB Statement No. 103 – *Financial Reporting Model Improvements.*** The objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This statement also addresses certain application issues. The requirements of this statement are effective with fiscal years beginning after June 15, 2025. ICERS has not yet determined the effect of this statement on the financial statements.

**GASB Statement No. 104 – *Disclosure of Certain Capital Assets.*** The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective with fiscal years beginning after June 15, 2025. ICERS has not yet determined the effect of this statement on the financial statements.

## **NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES**

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 DISCLOSURES** (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, 2024 and 2023, are as follows:

Quality Ratings	Fair Value	
	2024	2023
Aaa	\$ 82,814,675	\$ 161,084,764
Aa	131,078,116	4,950,067
A	37,568,602	29,787,169
Baa	68,217,014	36,593,921
Ba	10,546,166	8,539,464
B	2,269,428	2,546,045
N/R*	266,991	195,811
Total Investments in Fixed Income Securities	<u>\$ 332,760,992</u>	<u>\$ 243,697,241</u>

\* N/R represents securities that are not rated

### **NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES** (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, 2024 and 2023, 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, 2024 and 2023, ICERS' Core Fixed Income manager had an effective duration of 6.12 years and 6.71 years, respectively, while ICERS' Core Plus Fixed Income manager had an effective duration of 6.00 years and 6.70 years, respectively.

**NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES** (Continued)Fixed Income Securities - Duration

As of June 30, 2024 and 2023, ICERS had the following securities:

<u>Investment Type</u>	<u>2024</u>		<u>2023</u>	
	<u>Market Value</u>	<u>Effective Duration (in years)</u>	<u>Market Value</u>	<u>Effective Duration (in years)</u>
Asset-Backed Securities	\$ 20,311,887	6.15	\$ 10,460,244	2.31
Cash and Equivalents	27,074,748	0.00	8,293,862	0.00
Commercial Mortgage-Backed Securities	5,023,123	1.20	285,698	1.80
CMO Corporate	2,524,809	9.18	-	-
Corporates and Other Credit	37,669,812	5.38	27,023,804	5.26
Government	34,415,575	10.33	34,842,591	10.05
Mortgage Backed-Agency	<u>29,470,500</u>	15.68	<u>23,283,961</u>	15.57
Sub-Total	156,490,454	6.12	104,190,160	6.71
Core Plus Fixed Income Fund <sup>1</sup>	42,774,765	6.00	97,905,762	6.70
Treasury Inflation Protected Securities <sup>1</sup>	<u>133,495,773</u>	6.51	<u>41,601,319</u>	6.68
Total	<u>\$ 332,760,992</u>		<u>\$ 243,697,241</u>	

<sup>1</sup> Investments in Commingled FundsForeign 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 DISCLOSURES** (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, 2024, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Australian Dollar	\$ 11,406,366	\$ -	\$ -	\$ 11,406,366
Brazilian Real	943,179	-	-	943,179
British Pound	22,660,240	-	-	22,660,240
Chilean Peso	130,518	-	-	130,518
Chinese RNB	5,799,441	-	-	5,799,441
Colombian Peso	29,551	-	-	29,551
Czech Republic Koruna	24,626	-	-	24,626
Danish Krone	6,038,664	-	-	6,038,664
Euro Currency Unit	52,142,527	-	-	52,142,527
Hong Kong Dollar	2,734,523	-	-	2,734,523
Hungarian Forint	51,715	-	-	51,715
Indian Rupee	5,031,108	-	-	5,031,108
Indonesian Rupiah	342,302	-	-	342,302
Israeli Shekel	1,128,437	-	-	1,128,437
Japanese Yen	34,539,330	-	-	34,539,330
Kuwaiti Dinar	81,266	-	-	81,266
Malaysian Ringgit	381,704	-	-	381,704
Mexican Peso	591,026	-	-	591,026
New Zealand Dollar	289,734	-	-	289,734
Norwegian Krone	914,949	-	-	914,949
Philippine Peso	167,457	-	-	167,457
Polish Zloty	238,873	-	-	238,873
Qatari Riyal	162,532	-	-	162,532
Saudi Riyal	881,614	-	-	881,614
Singapore Dollar	2,058,636	-	-	2,058,636
South African Rand	669,829	-	-	669,829
South Korean Won	3,056,096	-	-	3,056,096
Swedish Krona	4,925,476	-	-	4,925,476
Swiss Franc	14,974,667	-	-	14,974,667
Taiwan Dollar	5,006,482	-	-	5,006,482
Thailand Baht	386,629	-	-	386,629
Turkish Lira	233,948	-	-	233,948
Emirati Dirham	305,363	-	-	305,363
Total Securities Subject to Foreign Currency Risk	178,328,808	-	-	178,328,808
U.S. Dollar (Securities held by International Managers)	-	-	-	-
Total International Investment Securities	\$ 178,328,808	\$ -	\$ -	\$ 178,328,808

**NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES** (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, 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
Polish Zloty	334,896	-	-	334,896
Qatari Riyal	171,480	-	-	171,480
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	<u>203,796,368</u>	<u>-</u>	<u>-</u>	<u>203,796,368</u>
U.S. Dollar (Securities held by International Managers)	<u>787,685</u>	<u>-</u>	<u>-</u>	<u>787,685</u>
Total International Investment Securities	<u>\$ 204,584,053</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,584,053</u>



### **NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURES** (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, 2024 and 2023, 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	
	2024	2023
Separate Properties:		
ICERS El Centro Inc.	\$ 2,043,270	\$ 1,999,601
ARA-American Strategic Value Realty Fund	50,852,753	56,175,865
ASB-Allegiance Real Estate Fund	21,017,421	27,602,011
Clarion Partners (formerly ING Clarion)	27,255,306	30,451,834
 Total Properties	 99,125,480	 114,229,710
 Total Real Estate	 \$ 101,168,750	 \$ 116,229,311

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, 2024, are shown below.

	Balance	Additions	Deductions	Balance
	June 30, 2023			June 30, 2024
Equipment	\$ 120,369	\$ -	\$ -	\$ 120,369
Pension Administration System	5,882,730	-	-	5,882,730
 Totals	 6,003,099	 -	 -	 6,003,099
 <u>Less: Accumulated Depreciation</u>				
Equipment	118,394	1,976	-	120,370
Pension Administration System	5,370,300	512,429	-	5,882,729
 Totals	 5,488,694	 514,405	 -	 6,003,099
 Capital Assets, Net	 \$ 514,405	 \$ (514,405)	 \$ -	 \$ -

Total depreciation expense for the fiscal year ended June 30, 2024, was \$514,405.

**NOTE 5 – CAPITAL ASSETS** (Continued)

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
<u>Less: Accumulated Depreciation</u>				
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	<u>\$ 1,029,468</u>	<u>\$ (515,063)</u>	<u>\$ -</u>	<u>\$ 514,405</u>

Total depreciation expense for the fiscal year ended June 30, 2023, 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, 2024 and 2023, was approximately \$1,186,036,277 and \$1,096,448,448, respectively.

**NOTE 6 – CONCENTRATIONS** (Continued)

The following firms professionally manage ICERS' investments:

	Value of Investments	
	2024	2023
Ares Capital Europe IV	\$ 5,889,390	\$ 7,025,903
ASB Capital Management, LLC	21,017,421	27,602,011
American Realty Advisors	50,852,753	56,175,865
Ascribe Opportunities Fund	4,916,698	5,351,462
Audax Group	5,363,545	5,379,471
BlackRock	590,368,914	572,298,500
Clarion Partners	27,255,306	30,451,834
Crescent Capital	2,978,355	2,859,131
Dimensional	24,626,078	25,981,888
Ducenta (formerly Bradford & Marzec)	-	97,820,775
Harding Loevner	-	19,692,080
HarbourVest Partners, LLC	80,933,299	80,174,897
Income Research & Management	131,328,818	-
KKR	1,377,433	1,690,253
Lone Star Fund XI	4,560,662	3,611,794
MacKay Shields, LLC	133,495,773	97,905,762
Portfolio Advisors	11,820,085	11,986,763
Sixth Street Partners	64,090,111	44,070,675
JP Morgan	25,161,637	6,369,382
Total Investments	<u>\$ 1,186,036,277</u>	<u>\$ 1,096,448,448</u>

**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, 2024 and 2023, ICERS did not hold any investments classified in Level 3.

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

**NOTE 7 – FAIR VALUE MEASUREMENT** (Continued)

The following table represents the Fair Value Measurement of ICERS' investments as of June 30, 2024:

	6/30/2024	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Investments by Fair Value Level</b>			
Debt Securities			
Asset-Backed Securities	\$ 20,311,887	\$ -	\$ 20,311,887
CMBS	5,023,123	-	5,023,123
CMO Corporate	2,524,809	-	2,524,809
Corporates and Other Credit	37,669,812	-	37,669,812
Mortgage-Backed - Agency	29,470,500	-	29,470,500
Government	34,415,575	-	34,415,575
Short-Term and Equivalents	27,074,748	-	27,074,748
Total Debt Securities	156,490,454	-	156,490,454
Commingled Funds			
Domestic Bond Funds	176,270,538	-	176,270,538
Domestic Equity Funds	395,102,627	-	395,102,627
International Equity Funds	177,117,600	24,626,078	152,491,522
Total Commingled Funds	748,490,765	24,626,078	723,864,687
Total Investments by Fair Value Level	904,981,219	\$ 24,626,078	\$ 880,355,141
<b>Investments Measured at the Net Asset Value (NAV)</b>			
Real Estate Funds	101,168,750		
Private Equity Funds	181,929,578		
Total Investments Measured at NAV	283,098,328		
Total Investments by Fair Value Level	<b>\$ 1,188,079,547</b>		

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) as of June 30, 2024, is presented on the following table:

	Fair Value 6/30/2024	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds <sup>(1)</sup>	\$ 101,168,750	\$ -	Daily, Quarterly	30-90 days
Private Equity Funds <sup>(2)</sup>	181,929,578	90,069,028	Not Eligible	N/A
<b>Total Investments Measured at NAV</b>	<b>\$ 283,098,328</b>	<b>\$ 90,069,028</b>		

**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.

The following table represents the Fair Value Measurement of ICERS’ investments as of June 30, 2023:

	6/30/2023	Fair Value Measurements Using	
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
<b>Investments by Fair Value Level</b>			
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
<b>Investments Measured at the Net Asset Value (NAV)</b>			
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	<b>\$ 1,098,448,049</b>		

**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:

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

(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 \$2,807,527. 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, Continental Indemnity Company, Arcadian Risk Capital LTD, Somers Reinsurance, Arch Reinsurance LTD	\$6,000,000 excess \$19,000,000

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:

	<u>June 30, 2024</u>	<u>June 30, 2023</u>
Total Pension Liability	\$ 1,323,302,205	\$ 1,261,528,642
Plan Fiduciary Net Position	<u>(1,197,046,152)</u>	<u>(1,104,373,361)</u>
Employers' Net Pension Liability	<u>\$ 126,256,053</u>	<u>\$ 157,155,281</u>
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	90.46%	87.54%

The NPL was measured as of June 30, 2024 and 2023. 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, 2023 and 2022, respectively.

*Plan provisions.* The plan provisions used in the measurement of the NPL as of June 30, 2024 and 2023, are the same as those used in the ICERS actuarial valuation as of June 30, 2024 and 2023, respectively.

*Actuarial assumptions.* The TPL as of June 30, 2024 was measured by (1) revaluing the TPL as of June 30, 2023 (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, 2024 and (2) using this revalued TPL in rolling forward the results from June 30, 2023 to June 30, 2024:

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, 2024 funding valuation.

The TPL as of June 30, 2023 was determined by actuarial valuations as of June 30, 2022. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

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.

*Discount rate.* The discount rate used to measure the TPLs was 6.75% as of June 30, 2024 and June 30, 2023. 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.

**NOTE 10 – NET PENSION LIABILITY** (Continued)

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, 2024 and June 30, 2023.

*Sensitivity of the Net Pension Liability to changes in the discount rate.* The following presents the NPL of ICERS as of June 30, 2024, 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:

	<u>1% Decrease (5.75%)</u>	<u>Current Discount Rate (6.75%)</u>	<u>1% Increase (7.75%)</u>
ICERS Net Pension Liability As of June 30, 2024	<u>\$ 316,813,621</u>	<u>\$ 126,256,053</u>	<u>\$ (28,558,651)</u>

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:

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

**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.

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

Actuarial Methods (Continued)

Valuation Value of Assets:	The AVA reduced by the value of the non-valuation reserves.
Amortization Policy:	<p>The Unfunded Actuarial Accrued Liability (UAAL) associated with the Regular Legacy Benefit as of June 30, 2012, is amortized over a declining 19-year period (with 7 years remaining as of June 30, 2024).</p> <p>The Unfunded Actuarial Accrued Liability associated with the Supplemental UAAL relief for Safety members is amortized over a declining 19-year period (with 7 years remaining as of June 30, 2024).</p> <p>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.</p>
Employer Contributions:	<p>Employer contributions consist of two components:</p> <p><i>Normal Cost</i></p> <p>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.</p> <p><i>Contribution to the Unfunded Actuarial Accrued Liability</i></p> <p>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).</p> <p>The amortization policy is described above.</p>

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

### Actuarial Methods (Continued)

#### Member Contributions: **General Legacy and Safety Legacy Members**

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

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

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

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

#### **General Tier 3 and Safety Tier 3 Members**

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

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

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

### Actuarial Methods (Continued)

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 \$275,000 for 2024. 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.

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

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

Legacy 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.

**NOTE 12 – COMMITMENTS AND CONTINGENCIES** (Continued)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, 2024, outstanding capital commitments consisted of:

<u>Investment Manager</u>	<u>Investment Type</u>	<u>Total Capital Commitment</u>	<u>Outstanding Capital Commitment</u>
Ares	Private Equity	\$ 8,000,000	\$ 2,666,905
Ascribe	Private Equity	6,000,000	1,343,477
Audax	Private Equity	7,000,000	688,066
Crescent	Private Equity	7,000,000	4,062,914
HarbourVest	Private Equity	90,000,000	24,274,686
KKR	Private Equity	10,000,000	314,979
Lone Star	Private Equity	5,750,000	463,956
Sixth Street Partners	Private Equity	90,000,000	56,254,045
			<u>\$ 90,069,028</u>

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

<u>Investment Manager</u>	<u>Investment Type</u>	<u>Total Capital Commitment</u>	<u>Outstanding Capital Commitment</u>
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
			<u>\$ 69,799,662</u>

**NOTE 13 – SUBSEQUENT EVENTS**

Subsequent events have been evaluated through December 19, 2024, 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**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
<b>Total Pension Liability</b>					
Service cost	\$ 33,366,276	\$ 31,663,521	\$ 32,218,427	\$ 31,733,126	\$ 29,422,109
Interest	85,454,228	84,580,822	81,082,871	76,872,897	72,826,904
Change of benefit terms	-	-	-	3,100,034	(26,394,787)
Differences between expected and actual experience	765,780	(29,857,410)	(7,914,786)	70,154	495,827
Changes of assumptions	-	26,499,960	-	-	64,361,368
Benefit payments, including refunds of employee contributions	<u>(57,812,721)</u>	<u>(55,984,372)</u>	<u>(53,737,387)</u>	<u>(50,500,650)</u>	<u>(47,202,121)</u>
<b>Net change in total pension liability</b>	61,773,563	56,902,521	51,649,125	61,275,561	93,509,300
<b>Total pension liability – beginning</b>	<u>1,261,528,642</u>	<u>1,204,626,121</u>	<u>1,152,976,996</u>	<u>1,091,701,435</u>	<u>998,192,135</u>
<b>Total pension liability – ending (a)</b>	<u>\$ 1,323,302,205</u>	<u>\$ 1,261,528,642</u>	<u>\$ 1,204,626,121</u>	<u>\$ 1,152,976,996</u>	<u>\$ 1,091,701,435</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	\$ 27,366,348	\$ 29,345,685	\$ 33,723,091	\$ 27,812,265	\$ 26,378,159
Contributions – employee	17,329,798	16,813,311	16,454,735	15,022,486	15,111,979
Net investment income (loss)	108,790,192	81,102,474	(83,829,242)	242,359,108	27,457,377
Benefit payments, including refunds of employee contributions	(57,812,721)	(55,984,372)	(53,737,387)	(50,500,650)	(47,202,121)
Administrative expense	<u>(3,000,826)</u>	<u>(3,286,940)</u>	<u>(3,015,583)</u>	<u>(2,923,519)</u>	<u>(2,742,587)</u>
<b>Net change in plan fiduciary net position</b>	92,672,791	67,990,158	(90,404,386)	231,769,690	19,002,807
<b>Plan fiduciary net position – beginning</b>	<u>1,104,373,361</u>	<u>1,036,383,203</u>	<u>1,126,787,589</u>	<u>895,017,899</u>	<u>876,015,092</u>
<b>Plan fiduciary net position – ending (b)</b>	<u>\$ 1,197,046,152</u>	<u>\$ 1,104,373,361</u>	<u>\$ 1,036,383,203</u>	<u>\$ 1,126,787,589</u>	<u>\$ 895,017,899</u>
<b>System's net pension liability – (a)-(b)</b>	<u>\$ 126,256,053</u>	<u>\$ 157,155,281</u>	<u>\$ 168,242,918</u>	<u>\$ 26,189,407</u>	<u>\$ 196,683,536</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	90.46%	87.54%	86.03%	97.73%	81.98%
<b>Covered employee payroll</b>	\$ 136,508,000	\$ 129,235,000	\$ 124,873,000	\$ 125,042,000	\$ 121,949,000
<b>System's net pension liability as percentage of covered employee payroll</b>	92.49%	121.60%	134.73%	20.94%	161.28%

(Continued on next page)



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

	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
<b>Total Pension Liability</b>					
Service cost	\$ 27,921,553	\$ 28,632,241	\$ 25,909,942	\$ 25,771,056	\$ 24,654,181
Interest	68,966,822	66,589,540	61,765,040	59,345,608	56,219,107
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(19,206,445)	(2,857,091)	(16,844,635)	(6,660,193)	(10,469,477)
Changes of assumptions	-	-	46,693,228	-	-
Benefit payments, including refunds of employee contributions	(44,082,381)	(40,946,752)	(37,634,982)	(34,668,642)	(32,617,937)
<b>Net change in total pension liability</b>	33,599,549	51,417,938	79,888,593	43,787,829	37,785,874
<b>Total pension liability – beginning</b>	964,592,586	913,174,648	833,286,055	789,498,226	751,712,352
<b>Total pension liability – ending (a)</b>	<u>\$ 998,192,135</u>	<u>\$ 964,592,586</u>	<u>\$ 913,174,648</u>	<u>\$ 833,286,055</u>	<u>\$ 789,498,226</u>
<b>Plan Fiduciary Net Position</b>					
Contributions – employer	\$ 26,078,469	\$ 21,014,523	\$ 21,009,400	\$ 20,506,786	\$ 18,458,585
Contributions – employee	15,085,120	13,405,766	13,299,670	12,918,809	11,328,165
Net investment income (loss)	50,186,722	61,159,489	85,772,872	1,726,183	12,811,880
Benefit payments, including refunds of employee contributions	(44,082,381)	(40,946,752)	(37,634,981)	(34,668,642)	(32,617,937)
Administrative expense	(2,736,486)	(2,224,214)	(2,441,608)	(2,303,583)	(2,079,611)
<b>Net change in plan fiduciary net position</b>	44,531,444	52,408,812	80,005,353	(1,820,447)	7,901,082
<b>Plan fiduciary net position – beginning</b>	831,483,648	779,074,836	699,069,483	700,889,930	692,988,848
<b>Plan fiduciary net position – ending (b)</b>	<u>\$ 876,015,092</u>	<u>\$ 831,483,648</u>	<u>\$ 779,074,836</u>	<u>\$ 699,069,483</u>	<u>\$ 700,889,930</u>
<b>System's net pension liability – (a)-(b)</b>	<u>\$ 122,177,043</u>	<u>\$ 133,108,938</u>	<u>\$ 134,099,812</u>	<u>\$ 134,216,572</u>	<u>\$ 88,608,296</u>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	87.76%	86.20%	85.31%	83.89%	88.78%
<b>Covered employee payroll</b>	\$ 117,036,000	\$ 112,994,000	\$ 114,539,000	\$ 106,520,000	\$ 102,235,000
<b>System's net pension liability as percentage of covered employee payroll</b>	104.39%	117.80%	117.08%	126.00%	86.67%

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
2024	\$ 27	\$ 27	\$ -	\$ 137	20.05%
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%

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 9 years remaining as of the June 30, 2022 valuation which set the rates for the 2023-2024 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:**

<i>Valuation date</i>	June 30, 2022 valuation (for year ended 2024 Actuarially Determined Contributions)
<i>Investment rate of return</i>	7.00%, net of pension plan investment expense, including inflation
<i>Inflation rate</i>	2.75%
<i>Projected salary increases<sup>(1)</sup></i>	General: 4.50% to 9.25% and Safety: 4.50% to 11.25%, vary by service, including inflation
<i>Administrative Expenses</i>	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
<i>Cost-of-living adjustments</i>	Retiree COLA increases due to CPI subject to a 2.00% maximum change per year for all General and Safety.
<i>Other assumptions</i>	Same as those used in the June 30, 2022 funding actuarial valuation.

<sup>(1)</sup> 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**

	<u>June 30, 2024</u>	<u>June 30, 2023</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Annual money-weighted rate of return, net of investment expense	6.1%	5.1%	-8.1%	24.2%	0.5%
	<u>June 30, 2019</u>	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Annual money-weighted rate of return, net of investment expense	6.3%	8.0%	13.9%	0.4%	1.8%

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, 2024**

<u>Employer</u>	<u>General</u>	<u>Safety</u>	<u>Total Contributions</u>	<u>Total %</u>
County	\$ 30,362,687	\$ 12,360,586	\$ 42,723,273	95.586%
Courts	1,716,605	-	1,716,605	3.841%
ICTC	171,139	-	171,139	0.383%
LAFCO	85,129	-	85,129	0.190%
<b>Total</b>	<u><u>\$ 32,335,560</u></u>	<u><u>\$ 12,360,586</u></u>	<u><u>\$ 44,696,146</u></u>	<u><u>100.000%</u></u>

**IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM  
SCHEDULE OF NET PENSION LIABILITY (NPL)  
ALLOCATED BY COST SHARING PLAN  
AS OF JUNE 30, 2024**

<u>Employer</u>	<u>General</u>	<u>Safety</u>	<u>Total Contributions</u>	<u>Total %</u>
County	\$ 76,145,523	\$ 45,162,830	\$ 121,308,353	96.081%
Courts	4,305,014	-	4,305,014	3.409%
ICTC	429,194	-	429,194	0.340%
LAFCO	213,492	-	213,492	0.169%
<b>Total</b>	<b><u>\$ 81,093,223</u></b>	<b><u>\$ 45,162,830</u></b>	<b><u>\$ 126,256,053</u></b>	<b><u>100.000%</u></b>

Notes to Schedule:

Based on July 1, 2023, through June 30, 2024, 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.
- For purposes of the above results, the reporting date for the employer under GASB 68 is June 30, 2025. The reporting date and measurement date for the plan under GASB 67 are June 30, 2024. Consistent with the provisions of GASB 68 the assets and liabilities measured as of June 30, 2024, are not adjusted or "rolled forward" to June 30, 2025, for employer reporting under GASB 68. Other results, such as the total deferred inflows and outflows would also be allocated based on the same proportionate shares determined above.

**IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM  
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN  
AS OF JUNE 30, 2024**

	<u>County General</u>	<u>County Safety</u>	<u>County Total</u>	<u>Courts</u>	<u>ICTC</u>	<u>LAFCO</u>	<u>Total for All Employers</u>
<b>Net Pension Liability</b>	\$ 76,145,523	\$ 45,162,830	\$ 121,308,353	\$ 4,305,014	\$ 429,194	\$ 213,492	\$ 126,256,053
<b>Deferred Outflows of Resources</b>							
Differences Between Expected and Actual Plan Experience	\$ 1,768,769	\$ 662,893	\$ 2,431,662	\$ 100,000	\$ 9,970	\$ 4,959	\$ 2,546,591
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	-	-	-	-
Changes of Assumptions	20,531,737	12,701,308	33,233,045	1,160,796	115,727	57,566	34,567,134
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	417,887	-	417,887	466,294	44,817	79,128	1,008,126
<b>Total Deferred Outflows of Resources</b>	<u>\$ 22,718,393</u>	<u>\$ 13,364,201</u>	<u>\$ 36,082,594</u>	<u>\$ 1,727,090</u>	<u>\$ 170,514</u>	<u>\$ 141,653</u>	<u>\$ 38,121,851</u>
<b>Deferred Inflows of Resources</b>							
Differences Between Expected and Actual Plan Experience	\$ 18,118,141	\$ 8,858,164	\$ 26,976,305	\$ 1,024,339	\$ 102,123	\$ 50,799	\$ 28,153,566
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	3,595,684	393,189	3,988,873	203,288	20,267	10,081	4,222,509
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	522,560	-	522,560	412,963	71,604	999	1,008,126
<b>Total Deferred Inflows of Resources</b>	<u>\$ 22,236,385</u>	<u>\$ 9,251,353</u>	<u>\$ 31,487,738</u>	<u>\$ 1,640,590</u>	<u>\$ 193,994</u>	<u>\$ 61,879</u>	<u>\$ 33,384,201</u>
<b>Pension Expense</b>							
Proportionate Share of Plan Pension Expense	\$ 18,603,099	\$ 8,531,404	\$ 27,134,503	\$ 1,030,369	\$ 105,579	\$ 51,487	\$ 28,321,938
Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense	33,513	-	33,513	(56,415)	7,915	14,987	-
<b>Total Employer Pension Expense</b>	<u>\$ 18,636,612</u>	<u>\$ 8,531,404</u>	<u>\$ 27,168,016</u>	<u>\$ 973,954</u>	<u>\$ 113,494</u>	<u>\$ 66,474</u>	<u>\$ 28,321,938</u>



**IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM**  
**SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (Continued)**  
**AS OF JUNE 30, 2024**

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 GASB 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, 2024.

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, 2023 (the beginning of the measurement period ending June 30, 2024) and is 5.98 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 decreased from \$39.8 million as of June 30, 2023, to \$28.3 million as of June 30, 2024. The primary cause of the decrease is the recognition of a credit of \$7.0 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.