

San Bernardino County Employees' Retirement Association

**Governmental Accounting Standards Board
Statement No. 67 (GASB 67) Actuarial Valuation as of
June 30, 2025**



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October 6, 2025

Board of Retirement
San Bernardino County Employees' Retirement Association
348 West Hospitality Lane, Suite 100
San Bernardino, CA 92408

Dear Board Members:

We are pleased to submit this Governmental Accounting Standards Board Statement No. 67 (GASB 67) Actuarial Valuation as of June 30, 2025 for the San Bernardino County Employees' Retirement Association ("SBCERA" or "the Association" or "the Plan"). It contains various information that will need to be disclosed in order to comply with GASB 67. Please refer to SBCERA's Actuarial Valuation and Review as of June 30, 2025 for the data, assumptions, and plan of benefits underlying these calculations.

This report has been prepared in accordance with generally accepted actuarial principles and practices for the exclusive use and benefit of the Board of Retirement (the Board), based upon information provided by the staff of the Plan and the Plan's other service providers.

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

The actuarial calculations were directed under the supervision of Molly Calcagno, ASA, MAAA and Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. The assumptions used in this actuarial valuation were selected by the Board of Retirement based upon our analysis and recommendations. In our opinion, the assumptions are reasonable and take into account the experience of SBCERA and reasonable expectations. In addition, in our opinion, the combined effect of these assumptions is expected to have no significant bias.

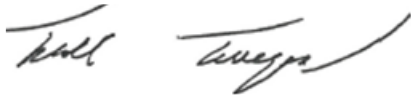
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Segal makes no representation or warranty as to the future status of the Plan and does not guarantee any particular result. This document does not constitute legal, tax, accounting or investment advice or create or imply a fiduciary relationship. The Board is encouraged to discuss any issues raised in this report with the Plan's legal, tax and other advisors before taking, or refraining from taking, any action.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Tauzer".

Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary

A handwritten signature in black ink, appearing to read "Molly Calcagno".

Molly Calcagno, ASA, MAAA, EA
Senior Actuary

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Section 1: Actuarial Valuation Summary

Purpose and basis

This report has been prepared by Segal to present certain disclosure information required by Governmental Accounting Standards Board Statement No. 67 (GASB 67) as of June 30, 2025. This report is based on:

- The benefit provisions of the Plan, as administered by the Board of Retirement;
- The characteristics of covered active members, inactive members, and retired members and beneficiaries as of May 31, 2025, provided by the staff of SBCERA;
- The assets of the Plan as of June 30, 2025, provided by the staff of SBCERA;
- Economic assumptions regarding future salary increases and investment earnings and adopted by the Board of Retirement for the June 30, 2025 valuation; and
- Other actuarial assumptions regarding employee terminations, retirement, death, etc. adopted by the Board of Retirement for the June 30, 2025 valuation.

General observations on GASB 67 actuarial valuation

1. The Governmental Accounting Standards Board (GASB) rules only define pension liability and expense for financial reporting purposes, they do not apply to contribution amounts for pension funding purposes. Employers and plans should continue to develop and adopt funding policies under current practices.
2. When measuring pension liability, GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as SBCERA uses for funding. This means that the Total Pension Liability (TPL) measure for financial reporting shown in this report is generally determined on the same basis as SBCERA's Actuarial Accrued Liability (AAL) measure for funding. We note that the same is generally true for the service cost for financial reporting shown in this report and the normal cost component of the annual plan cost for funding.
3. The TPL and the Plan Fiduciary Net Position (FNP) include liabilities and assets held for Survivor Benefit and Burial Allowance Plans. In the case of the Burial Allowance, the TPL only includes a liability up to the amount in the Burial Allowance Reserve because we understand that the \$250 portion of the Burial Allowance is a nonvested benefit and once the Reserve is depleted, no further benefits would need to be paid.

Section 1: Actuarial Valuation Summary

4. The Net Pension Liability (NPL) is equal to the difference between the TPL and the FNP. The Plan FNP is equal to the fair value of assets and therefore, the NPL measure is very similar to an Unfunded Actuarial Accrued Liability (UAAL) on a market value basis.
5. Based on discussions with SBCERA and their auditors, starting with the June 30, 2015 measurement date for the Plan, member paid employer contributions are included as part of the Actuarially Determined Contribution (ADC). Previously these amounts were classified as member contributions and excluded from the ADC.

Highlights of the valuation

1. The reporting date for the Plan is June 30, 2025 and the NPL was measured as of the same date. The TPL was determined based upon the actuarial funding valuation as of June 30, 2025 and the Plan FNP was also valued as of the measurement date.
2. The NPL decreased from \$2.12 billion as of June 30, 2024 to \$1.86 billion as of June 30, 2025. Changes in these values during the last two fiscal years can be found in *Section 2, Exhibit 3 – Schedule of changes in Net Pension Liability* on page 19.
3. The discount rate used to measure the TPL and NPL as of June 30, 2025 was 7.25%, following the same assumptions used by SBCERA in the actuarial funding valuation as of June 30, 2025. The detailed calculations used in the derivation of the 7.25% discount rate can be found in *Appendix A*. Various other information that is required to be disclosed can be found throughout *Section 2*.

Section 1: Actuarial Valuation Summary

Summary of key valuation results

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2025	June 30, 2024
Disclosure elements		
Service cost ¹	\$410,671,867	\$381,771,279
Total Pension Liability	18,296,111,447	17,369,677,774
Plan Fiduciary Net Position	16,432,218,838	15,248,225,226
Net Pension Liability	1,863,892,609	2,121,452,548
Schedule of contributions		
Actuarially determined contributions ²	\$603,340,558	\$581,196,604
Actual contributions	603,395,526	593,853,813
Contribution deficiency / (excess) ³	(54,968)	(12,657,209)
Demographic data		
Number of retired members and beneficiaries	16,404	15,924
Number of inactive members ⁴	11,625	11,005
Number of active members	24,121	23,131
Key assumptions		
Investment rate of return	7.25%	7.25%
Inflation rate	2.50%	2.50%
"Across-the-board" salary increase	0.50%	0.50%
Projected salary increases ⁵	General: 4.30% to 9.50% Safety: 4.75% to 10.00%	General: 4.30% to 9.50% Safety: 4.75% to 10.00%
Cost-of-living adjustments	2.00% of retirement income	2.00% of retirement income

¹ Excludes administrative expense load. The service cost is based on the previous year's valuation, meaning the June 30, 2025 and June 30, 2024 measurement values are based on the valuations as of June 30, 2024 and June 30, 2023, respectively. Both service costs have been calculated using the assumptions shown in the June 30, 2024 measurement date column, as there were no changes in the actuarial assumptions between the June 30, 2024 and June 30, 2023 valuations.

² See footnote 1 under *Section 2, Exhibit 4 – Schedule of employer contributions* on page 20.

³ Includes additional contributions made by LAFCO during 2024-2025 and 2023-2024 and SBCTA during 2023-2024 towards the reduction of their UAALs.

⁴ Includes inactive members with member contributions on deposit.

⁵ Includes inflation at 2.50% plus real across-the-board salary increase of 0.50% plus merit and promotion increases.

Section 1: Actuarial Valuation Summary

Important information about actuarial valuations

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

Input Item	Description
Plan provisions	Plan provisions define the rules that will be used to determine benefit payments, and those rules, or the interpretation of them, may change over time. Even where they appear precise, outside factors may change how they operate. It is important to keep Segal informed with respect to plan provisions and administrative procedures, and to review the plan summary included in our report (as well as the plan summary included in our funding valuation report) to confirm that Segal has correctly interpreted the plan of benefits.
Member information	An actuarial valuation for a plan is based on data provided to the actuary by the staff of SBCERA. Segal does not audit such data for completeness or accuracy, other than reviewing it for obvious inconsistencies compared to prior data and other information that appears unreasonable. It is important for Segal to receive the best possible data and to be informed about any known incomplete or inaccurate data.
Financial information	The valuation is based on the fair value of assets as of the measurement date, as provided by the staff of SBCERA.
Actuarial assumptions	In preparing an actuarial valuation, Segal starts by developing a forecast of the benefits to be paid to existing plan members for the rest of their lives and the lives of their beneficiaries. This requires actuarial assumptions as to the probability of death, disability, withdrawal, and retirement of members in each year, as well as forecasts of the plan's benefits for each of those events. In addition, the benefits forecasted for each of those events in each future year reflect actuarial assumptions as to salary increases and cost-of-living adjustments (if applicable). The forecasted benefits are then discounted to a present value, typically based on an estimate of the rate of return that will be achieved on the plan's assets. All of these factors are uncertain and unknowable. Thus, there will be a range of reasonable assumptions, and the results may vary materially based on which assumptions are selected within that range. That is, there is no right answer (except with hindsight). It is important for any user of an actuarial valuation to understand and accept this constraint. The actuarial model may use approximations and estimates that will have an immaterial impact on our results. In addition, the actuarial assumptions may change over time, and while this can have a significant impact on the reported results, it does not mean that the previous assumptions or results were unreasonable or wrong.
Actuarial models	Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Deterministic cost projections are based on a proprietary forecasting model. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary. The discount rate used for calculating Total Pension Liability is based on a model developed by our Actuarial Technology and Systems unit, comprised of both actuaries and programmers. The model allows the client team, under the supervision of the responsible actuary, control over the entry of future expected contribution income, benefit payments and administrative expenses. The projection of fiduciary net position and the discounting of benefits is part of the model.

Section 1: Actuarial Valuation Summary

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

- The actuarial valuation is prepared at the request of the Board. Segal is not responsible for the use or misuse of its report, particularly by any other party.
- An actuarial valuation is a measurement at a specific date — it is not a prediction of a plan's future financial condition. Accordingly, Segal did not perform an analysis of the potential range of financial measurements, except where otherwise noted.
- If SBCERA is aware of any event or trend that was not considered in this valuation that may materially change the results of the valuation, Segal should be advised, so that we can evaluate it.
- Segal does not provide investment, legal, accounting or tax advice and is not acting as a fiduciary to the Plan. This valuation is based on Segal's understanding of applicable guidance in these areas and of the Plan's provisions, but they may be subject to alternative interpretations. The Board should look to their other advisors for expertise in these areas.
- While Segal maintains extensive quality assurance procedures, an actuarial valuation involves complex computer models and numerous inputs. In the event that an inaccuracy is discovered after presentation of Segal's valuation, Segal may revise that valuation or make an appropriate adjustment in the next valuation.
- Segal's report shall be deemed to be final and accepted by SBCERA upon delivery and review. SBCERA should notify Segal immediately of any questions or concerns about the final content.

Section 2: GASB 67 Information

General information about the pension plan

Plan administration

The San Bernardino County Employees' Retirement Association ("SBCERA" or "the Association" or "the Plan") was established by San Bernardino County in 1945. SBCERA is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et seq.), the California Public Employees' Pension Reform Act of 2013 (California Government Code 7522 et seq.), and the regulations, procedures, and policies adopted by SBCERA's Board of Retirement.

SBCERA is a cost-sharing multiple employer public employee retirement association whose main function is to provide service retirement, disability, death and survivor benefits to the Safety and General members employed by San Bernardino County. SBCERA also provides retirement benefits to the employee members for 15 other employers, which are members of SBCERA.

The management of SBCERA is vested with the SBCERA Board of Retirement (the Board). The Board consists of twelve trustees, of which three are alternates:

- Four trustees are appointed by the San Bernardino County Board of Supervisors;
- Two General member trustees are elected by the General members;
- Two Safety member trustees (including one alternate) are elected by the Safety members;
- Two Retired member trustees (including one alternate) are elected by the Retired members; and
- The San Bernardino County Treasurer serves as an ex-officio member who has designated an alternate.

Board members serve three-year terms, with the exception of the County Treasurer, who serves during their tenure in office.

Section 2: GASB 67 Information

Plan membership

At June 30, 2025, pension plan membership consisted of the following:

Membership	General Tier 1	Safety Tier 1	Tier 1 Sub-Total	General Tier 2	Safety Tier 2	Tier 2 Sub-Total	Total
Active members — vested	6,538	1,025	7,563	5,694	904	6,598	14,161
Active members — nonvested	18	3	21	9,159	780	9,939	9,960
Inactive plan members or beneficiaries currently receiving benefits							
Retirees currently receiving benefits	11,675	2,115	13,790	272	64	336	14,126
Beneficiaries and dependents currently receiving benefits	1,739	519	2,258	17	3	20	2,278
Inactive plan members entitled to but not yet receiving benefits							
Inactive members eligible for, but not yet receiving benefits	2,570	180	2,750	1,260	187	1,447	4,197
Inactive members eligible for refund value of account only ¹	1,634	47	1,681	5,480	267	5,747	7,428
Total	24,174	3,889	28,063	21,882	2,205	24,087	52,150

Benefits provided

SBCERA provides service retirement, disability, death and survivor benefits to eligible employees. Generally, any employee of San Bernardino County or participating employers who is appointed to a regular position whose service is at least fifty percent of the full standard of hours required by a participating SBCERA employer (e.g., 20 hours per week or more) must become a member of SBCERA effective on the first day of employment. There are separate retirement benefits for General and Safety member employees. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members.

There are currently two tiers applicable to both General and Safety members. Members with membership dates before January 1, 2013 are included in General Tier 1 or Safety Tier 1. Any new member who becomes a member on or after January 1, 2013 is designated as General Tier 2 or Safety Tier 2 and is subject to the provisions of California Public Employees' Pension Reform Act of 2013 (CalPEPRA).

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. Final average compensation consists of the highest 12 consecutive months for Tier 1 members and the highest 36 consecutive months for Tier 2 members. For Tier 1 members, the maximum monthly retirement

¹ Inactive members with less than 5 years of service are entitled to withdraw their refundable contributions made, together with accumulated interest only.

Section 2: GASB 67 Information

allowance is 100% of final compensation. There is no final compensation limit on the maximum retirement benefit for Tier 2 members. However, the maximum amount of compensation earnable that can be taken into account for 2025 for Tier 1 members with membership dates on or after July 1, 1996 is \$350,000. The maximum amount of pensionable compensation for Tier 2 members that can be taken into account for 2025 is equal to \$186,096. These limits are adjusted on an annual basis. Tier 1 members and employers are exempt from paying contributions on compensation earnable paid in excess of the annual cap. In addition, Tier 1 members are exempt from paying member contributions once they have reached 30 or more years of service. Tier 2 members and employers are exempt from paying contributions on pensionable compensation paid in excess of the annual cap.

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 or at least two years prior to the date of death and has attained age 55 on or prior to the date of death. 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.

SBCERA provides an annual cost-of-living adjustment (COLA) benefit to all retirees. The COLA, based upon the ratio of the past two November Consumer Price Indices for All Urban Consumers for the Riverside-San Bernardino-Ontario Area, is capped at 2.0%.

General members

General Tier 1 members are eligible for Early Retirement once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit or with 30 years of service regardless of age. General Tier 2 members are eligible for Early Retirement once they attain the age of 70 regardless of service or at age 52 and have acquired five or more years of retirement service credit.

General Tier 1 benefit is calculated pursuant to the provisions of California Government Code of Section 31676.15. The monthly allowance is equal to 2% of final compensation times years of accrued retirement service credit times age factor from Section 31676.15. General Tier 2 benefit is calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Section 2: GASB 67 Information

Safety members

Safety Tier 1 members are eligible for Early Retirement once they attain the age of 70 regardless of service or at age 50 and have acquired 10 or more years of retirement service credit or with 20 years of service regardless of age. Safety Tier 2 members are eligible for Early Retirement once they attain the age of 70 regardless of service or at age 50 and have acquired five or more years of retirement service credit.

Safety Tier 1 benefit is calculated pursuant to the provisions of California Government Code Section 31664.1. The monthly allowance is equal to 3% of final compensation times years of accrued retirement service credit times age factor from Section 31664.1. Safety Tier 2 benefit is calculated pursuant to the provisions found in 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).

Contributions

San Bernardino County and 15 other participating employers contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from SBCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2025 for 2024-2025 (based on the June 30, 2023 valuation) was 30.22% of compensation.

Members are required to make contributions to SBCERA regardless of the retirement plan or tier in which they are included. Tier 1 members with 30 or more years of service are exempt from paying member contributions. The average member contribution rate as of June 30, 2025 for 2024-2025 (based on the June 30, 2023 valuation) was 10.44% of compensation.

Section 2: GASB 67 Information

Exhibit 1: Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2025	June 30, 2024
Components of the Net Pension Liability		
Total Pension Liability	\$18,296,111,447	\$17,369,677,774
Plan Fiduciary Net Position	(16,432,218,838)	(15,248,225,226)
Net Pension Liability	\$1,863,892,609	\$2,121,452,548
Plan Fiduciary Net Position as a percentage of the Total Pension Liability ¹	89.81%	87.79%

The NPL for the Plan in this valuation was measured as of June 30, 2025. The Plan FNP was valued as of the measurement date and the TPL was determined based upon the actuarial valuation as of June 30, 2025.

Plan provisions

The plan provisions used in the measurement of the NPL as of June 30, 2025 are the same as those used in SBCERA's actuarial funding valuation as of June 30, 2025. The TPL and the Plan FNP include liabilities and assets held for Survivor Benefit and Burial Allowance Plans.

Actuarial assumptions and actuarial cost method

The TPL as of June 30, 2025 uses the same actuarial assumptions as the actuarial funding valuation as of June 30, 2025. The actuarial assumptions used in that funding valuation were based on the results of an experience study for the period July 1, 2019 through June 30, 2022. In particular, the following actuarial assumptions were applied to all periods included in the measurement:

¹ These funded percentages are not necessarily appropriate for assessing the sufficiency of Plan assets to cover the estimated cost of settling the Plan's benefit obligation or the need for or the amount of future contributions.

Section 2: GASB 67 Information

Assumption Type	Assumption
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Inflation rate	2.50%
"Across-the-board" salary increase	0.50%
Salary increases	General: 4.30% to 9.50% Safety: 4.75% to 10.00% The above salary increases vary by service and include inflation and "across-the-board" salary increase.
Cost-of-living adjustments	Retiree COLA increases of 2.00% per year
Administrative expenses	0.90% of payroll allocated to both the employer and member based on components of the total contribution rate (before expenses) for the employer and member
Mortality	Mortality rates are based on the Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2021 projection scale. For healthy General retirees, the General Healthy Retiree rates (increased by 10%) were used. For healthy Safety retirees, the Safety Healthy Retiree rates (decreased by 5% for females) were used. For disabled General retirees, the Non Safety Disabled Retiree rates (decreased by 5% for females) were used. For disabled Safety retirees, the Safety Disabled Retiree rates were used. For beneficiaries not currently in pay status, the General Healthy Retiree rates (increased by 10%) were used. For beneficiaries currently in pay status, the General Contingent Survivor rates (increased by 5% for males and 15% for females) were used.
Other assumptions	Same as those used in the June 30, 2025 and June 30, 2024 funding valuations. These assumptions were developed in the actuarial experience study for the period July 1, 2019 through June 30, 2022.

Detailed information regarding all actuarial assumptions can be found in the June 30, 2025 Actuarial Valuation and Review.

The Entry Age Actuarial Cost Method used in SBCERA's annual actuarial valuation for funding purposes has also been applied in measuring the service cost and TPL with one exception. For purposes of measuring the service cost and TPL, we have applied the Entry Age method with costs allocated as a level percent of compensation. This is different from the version of this method applied in SBCERA's annual funding valuation for the Survivor Benefit, where costs are allocated as a level dollar amount based on service. The service cost associated with the Survivor Benefit as of June 30, 2025 was \$1,097,000 while the TPL was \$25,408,000.

Section 2: GASB 67 Information

Exhibit 2: Discount rate

Determination of discount rate and investment rates of return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected arithmetic real rates of return (expected returns, net of inflation and, beginning with the June 30, 2023 measurement date, any applicable investment management expenses) are developed for each major asset class. These returns are combined to produce the long-term expected arithmetic rate of return for the portfolio by weighting the expected arithmetic real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses¹ and a risk margin. Beginning with June 30, 2023 this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio.

The target allocation (approved by the Board) and projected arithmetic real rates of return for each major asset class (after deducting inflation and applicable investment management expenses) are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the actuarial funding valuation as of June 30, 2025. This information will be subject to change every three years based on the results of an actuarial experience study.

¹ Investment management expenses include investment consulting fees, custodian fees and other miscellaneous investment expenses and fees, and exclude investment manager fees.

Section 2: GASB 67 Information

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return ¹
Large Cap U.S. Equity	14.50%	6.00%
Small Cap U.S. Equity	2.50%	6.65%
Developed International Equity	7.00%	7.01%
Emerging Markets Equity	6.00%	8.80%
U.S. Core Fixed Income	2.00%	1.97%
Emerging Market Debt	6.00%	4.76%
Real Estate - Core	2.50%	3.86%
Cash & Equivalents	2.00%	0.63%
Private Equity	18.00%	9.84%
High Yield/Credit Strategies	13.00%	6.48%
Absolute Return	7.00%	7.10%
Real Estate - Non-Core	2.50%	5.40%
Real Assets	6.00%	10.10%
International Credit	11.00%	7.10%
Total	100.00%	7.12%

¹ Arithmetic real rates of return are net of inflation.

Section 2: GASB 67 Information

Discount rate

The discount rate used to measure the TPL was 7.25% as of June 30, 2025.

The projection of cash flows used to determine the discount rate assumes plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates.¹ Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan FNP 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 June 30, 2025.

Discount rate sensitivity

The following presents the NPL of SBCERA as of June 30, 2025, calculated using the discount rate of 7.25%, as well as what the NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

Line Description	1% Decrease in Discount Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Net Pension Liability	\$4,297,215,724	\$1,863,892,609	\$(121,763,585)

¹ For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included.

Section 2: GASB 67 Information

Exhibit 3: Schedule of changes in Net Pension Liability

Line Description	Current Year	Prior Year
Reporting and Measurement Date	June 30, 2025	June 30, 2024
Total Pension Liability		
Service cost	\$410,671,867	\$381,771,279
Interest	1,257,872,170	1,190,478,183
Change of benefit terms	0	0
Differences between expected and actual experience	118,666,974	164,338,058
Changes of assumptions	0	0
Benefit payments, including refunds of member contributions	(860,777,338)	(811,054,398)
Other	0	0
Net change in Total Pension Liability	\$926,433,673	\$925,533,122
Total Pension Liability — beginning	17,369,677,774	16,444,144,652
Total Pension Liability — ending	\$18,296,111,447	\$17,369,677,774
Plan Fiduciary Net Position		
Contributions — employer	\$603,395,526	\$593,853,813
Contributions — member	210,507,312	204,043,207
Net investment income	1,251,840,908	1,210,418,942
Benefit payments, including refunds of member contributions	(860,777,338)	(811,054,398)
Administrative expense	(13,519,174)	(13,472,617)
Other expenses	(7,453,622)	(6,913,254)
Net change in Plan Fiduciary Net Position	\$1,183,993,612	\$1,176,875,693
Plan Fiduciary Net Position — beginning	15,248,225,226	14,071,349,533
Plan Fiduciary Net Position — ending	\$16,432,218,838	\$15,248,225,226
Net Pension Liability — ending	\$1,863,892,609	\$2,121,452,548
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	89.81%	87.79%
Covered payroll ¹	\$1,985,692,239	\$1,812,215,938
Plan Net Pension Liability as percentage of covered payroll	93.87%	117.06%

Note: Results include Survivor Benefit and Burial Allowance. In the case of the Burial Allowance, the TPL only includes a liability up to the amount in the Burial Allowance Reserve because we understand that the \$250 portion of the Burial Allowance is a nonvested benefit and once the Reserve is depleted, no further benefits would need to be paid.

¹ Covered payroll represents payroll on which contributions to the pension plan are based. The covered payroll shown is an estimate based on the prior year's valuation for each date shown.

Section 2: GASB 67 Information

Exhibit 4: Schedule of employer contributions

Year Ended June 30	Actuarially Determined Contributions ¹	Contributions in Relation to the Actuarially Determined Contributions ¹	Contribution Deficiency / (Excess)	Covered Payroll ²	Contributions as a Percentage of Covered Payroll ²
2016	\$340,511,616	\$340,511,616	\$0	\$1,309,095,254	26.01%
2017	360,477,890	360,477,890	0	1,346,408,201	26.77%
2018	378,667,309	378,667,309	0	1,406,470,110	26.92%
2019	446,110,014	446,294,977	(184,963) ³	1,477,131,264	30.21%
2020	467,943,068	467,985,568	(42,500) ³	1,542,495,237	30.34%
2021	493,671,903	493,715,755	(43,852) ³	1,587,324,431	31.10%
2022	550,295,377	550,345,540	(50,163) ³	1,626,448,779	33.84%
2023	555,741,684	555,891,684	(150,000) ^{3,4}	1,663,990,875	33.41%
2024	581,196,604	593,853,813	(12,657,209) ^{3,5}	1,812,215,938	32.77%
2025	603,340,558	603,395,526	(54,968) ³	1,985,692,239	30.39%

See accompanying notes to this schedule on the next page.

¹ The Board has approved all contribution rates recommended by the actuary. Actuarially determined contributions include contributions required for the Survivor Benefit and member paid employer contributions, and exclude employer paid member contributions, UAAL prepayments, golden handshake payments, funds deposited for purchase of service credit, payments made by withdrawn employers and member contributions.

² Covered payroll represents payroll on which contributions to the pension plan are based. The covered payroll shown is an estimate based on the prior year's valuation for each date shown.

³ Includes additional contributions made by LAFCO towards the reduction of their UAAL.

⁴ Includes additional contributions made by Law Library towards the reduction of their UAAL.

⁵ Includes additional contributions of \$12,604,709 made by SBCTA to pay off their UAAL as of June 30, 2023.

Section 2: GASB 67 Information

Methods and assumptions used to establish the actuarially determined contribution for the year ended June 30, 2025

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 (i.e., for fiscal year 2024-2025, are based on the June 30, 2023 valuation).

Actuarial cost method

Entry Age Actuarial Cost Method

Amortization method

Level percent of payroll (3.00% payroll growth assumed in the June 30, 2023 valuation)

Remaining amortization period

20 years for all UAAL prior to June 30, 2002. Any changes in UAAL after June 30, 2002 are amortized over a 20-year closed period effective with each valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).

Asset valuation method

Market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a five-year period. The actuarial value of assets is reduced by the value of the non-valuation reserves.

Section 2: GASB 67 Information

Actuarial assumptions

Assumption Type	Assumption used in the June 30, 2023 Actuarial Valuation and Review (for year ended 2025 ADC)
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Inflation rate	2.50%
“Across-the-board” salary increase	0.50%
Salary increases	General: 4.30% to 9.50% Safety: 4.75% to 10.00% The above salary increases vary by service and include inflation and “across-the-board” salary increase.
Cost-of-living adjustments	Retiree COLA increases of 2.00% per year
Administrative expenses	0.90% of payroll allocated to both the employer and member based on components of the total contribution rate (before expenses) for the employer and member
Other assumptions	Same as those used in the June 30, 2023 funding valuation

Appendix A: Projection of Plan Fiduciary Net Position

Projection of Plan Fiduciary Net Position for use in the Calculation of Discount Rate
as of June 30, 2025 (\$ in millions)

Year Beginning July 1	Beginning Plan Fiduciary Net Position (a)	Total Contributions (b)	Benefit Payments (c)	Administrative Expenses (d)	Investment Earnings (e)	Ending Plan Fiduciary Net Position (a) + (b) – (c) – (d) + (e)
2025	\$16,432	\$734	\$1,003	\$18	\$1,181	\$17,327
2026	17,327	726	1,001	17	1,246	18,281
2027	18,281	718	1,053	17	1,313	19,242
2028	19,242	707	1,104	16	1,380	20,209
2029	20,209	671	1,158	16	1,447	21,154
2030	21,154	602	1,213	15	1,511	22,039
2031	22,039	507	1,273	15	1,570	22,829
2032	22,829	481	1,333	14	1,624	23,585
2033	23,585	460	1,394	14	1,676	24,314
2034	24,314	437	1,453	14	1,726	25,011
2051	28,916	93	2,269	5	2,019	28,755
2052	28,755	84	2,298	5	2,006	28,542
2053	28,542	74	2,324	4	1,989	28,277
2054	28,277	65	2,347	4	1,969	27,961
2114	33,773	0	0 ¹	0	2,449	36,221
2115	36,221	0	0 ¹	0	2,626	38,847
2116	38,847	0	0 ¹	0	2,816	41,663
2117	41,663	0	0 ¹	0	3,021	44,683
2140	208,394	0	0 ¹	0	15,109	223,502 ²

¹ Less than \$1 million, when rounded.

² The Plan FNP of \$223,502 million when discounted with interest at the rate of 7.25% per annum has a value of \$67 million as of June 30, 2025.

Appendix A: Projection of Plan Fiduciary Net Position

Notes

1. Amounts may not total exactly due to rounding.
2. Certain years have been omitted from the table.
3. **Column (a):** Except for the "discounted value" for June 30, 2141 shown in footnote 2 on the previous page, none of the projected beginning Plan FNP amounts shown have been adjusted for the time value of money.
4. **Column (b):** Projected total contributions include employee and employer normal cost rates applied to closed group projected payroll (based on covered active members as of May 31, 2025), plus employer contributions to the unfunded actuarial accrued liability, plus employee and employer contributions to fund each year's annual administrative expenses. Contributions are assumed to occur halfway through the year, on average.
5. **Column (c):** Projected benefit payments have been determined in accordance with Paragraph 39 of GASB Statement No. 67, and are based on the closed group of active, inactive vested, retired members, and beneficiaries as of May 31, 2025. The projected benefit payments are assumed to occur halfway through the year, on average and reflect the cost-of-living increase assumptions used in the June 30, 2025 valuation report.
6. **Column (d):** Projected administrative expenses are assumed to be 0.90% of closed group projected payroll and are assumed to occur halfway through the year, on average.
7. **Column (e):** Projected investment earnings are based on the assumed investment rate of return of 7.25% per annum.
8. As illustrated in this appendix, the Plan FNP was projected to be available to make all projected future benefit payments for current Plan members. In other words, there is no projected "cross-over date" when projected benefits are **not** covered by projected assets. Therefore, the long-term expected rate of return on Plan investments of 7.25% per annum was applied to all periods of projected benefit payments to determine the TPL as of June 30, 2025 shown earlier in this report, pursuant to paragraph 44 of GASB Statement No. 67.

Appendix B: Definition of Terms

Definitions of certain terms as they are used in GASB Statement No. 67. The terms may have different meanings in other contexts.

Term	Definition
Active employees	Individuals employed at the end of the reporting or measurement period, as applicable.
Actual contributions	Cash contributions recognized as additions to the Plan Fiduciary Net Position.
Actuarial present value of projected benefit payments	Projected benefit payments discounted to reflect the expected effects of the time value (present value) of money and the probabilities of payment.
Actuarial valuation	The determination, as of a point in time (the actuarial valuation date), of the service cost, Total Pension Liability, and related actuarial present value of projected benefit payments for pensions performed in conformity with Actuarial Standards of Practice unless otherwise specified by the GASB.
Actuarial valuation date	The date as of which an actuarial valuation is performed.
Actuarially determined contribution	A target or recommended contribution to a defined benefit pension plan for the reporting period, determined in conformity with Actuarial Standards of Practice based on the most recent measurement available when the contribution for the reporting period was adopted.
Ad hoc cost-of-living adjustments (Ad Hoc COLAs)	Cost-of-living adjustments that require a decision to grant by the authority responsible for making such decisions.
Ad hoc postemployment benefit changes	Postemployment benefit changes that require a decision to grant by the authority responsible for making such decisions.
Agent employer	An employer whose employees are provided with pensions through an agent multiple-employer defined benefit pension plan.
Agent multiple-employer defined benefit pension plan (agent pension plan)	A multiple-employer defined benefit pension plan in which pension plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.
Automatic cost-of-living adjustments (Automatic COLAs)	Cost-of-living adjustments that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).
Automatic postemployment benefit changes	Postemployment benefit changes that occur without a requirement for a decision to grant by a responsible authority, including those for which the amounts are determined by reference to a specified experience factor (such as the earnings experience of the pension plan) or to another variable (such as an increase in the consumer price index).

Appendix B: Definition of Terms

Term	Definition
Closed period	A specific number of years that is counted from one date and declines to zero with the passage of time. For example, if the recognition period initially is five years on a closed basis, four years remain after the first year, three years after the second year, and so forth.
Contributions	Additions to the Plan Fiduciary Net Position for amounts from employers, non-employer contributing entities (for example, state government contributions to a local government pension plan), or employees. Contributions can result from cash receipts by the pension plan or from recognition by the pension plan of a receivable from one of these sources.
Cost-of-living adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-sharing employer	An employer whose employees are provided with pensions through a cost-sharing multiple-employer defined benefit pension plan.
Cost-sharing multiple employer defined benefit pension plan (Cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered payroll	Payroll on which contributions to a pension plan are based.
Deferred retirement option program (DROP)	A program that permits an employee to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The employee continues to provide service to the employer and is paid for that service by the employer after the DROP entry date; however, the pensions that would have been paid to the employee (if the employee had retired and not entered the DROP) are credited to an individual employee account within the defined benefit pension plan until the end of the DROP period.
Defined benefit pension plans	Pension plans that are used to provide defined benefit pensions.
Defined benefit pensions	Pensions for which the income or other benefits that the employee will receive at or after separation from employment are defined by the benefit terms. The pensions may be stated as a specified dollar amount or as an amount that is calculated based on one or more factors such as age, years of service, and compensation. (A pension that does not meet the criteria of a defined contribution pension is classified as a defined benefit pension for purposes of GASB Statement No. 67.)
Defined contribution pension plans	Pension plans that are used to provide defined contribution pensions.

Appendix B: Definition of Terms

Term	Definition
Defined contribution pensions	Pensions having terms that: 1. Provide an individual account for each employee; 2. Define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee's account for periods in which that employee renders service; and 3. Provide that the pensions an employee will receive will depend only on the contributions (or credits) to the employee's account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as pension plan administrative costs, that are allocated to the employee's account.
Discount rate	The single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the following: 1. The actuarial present value of benefit payments projected to be made in future periods in which: a. The amount of the Plan Fiduciary Net Position is projected (under the requirements of GASB Statement No. 67) to be greater than the benefit payments that are projected to be made in that period, and b. Pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term expected rate of return, calculated using the long-term expected rate of return on pension plan investments. 2. The actuarial present value of projected benefit payments not included in 1., calculated using the municipal bond rate.
Entry age actuarial cost method	A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.
Inactive employees	Terminated individuals that have accumulated benefits but are not yet receiving them, and retirees or their beneficiaries currently receiving benefits.
Measurement period	The period between the prior and the current measurement dates.
Multiple-employer defined benefit pension plan	A defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
Net Pension Liability (NPL)	The liability of employers and non-employer contributing entities to employees for benefits provided through a defined benefit pension plan.
Non-employer contributing entities	Entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities.

Appendix B: Definition of Terms

Term	Definition
Other postemployment benefits	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits, regardless of the manner in which they are provided. Other postemployment benefits do not include termination benefits.
Pension plans	Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed and benefits are paid as they come due.
Pensions	Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits.
Plan members	Individuals that are covered under the terms of a pension plan. Plan members generally include: 1. Employees in active service (active plan members), and 2. Terminated employees who have accumulated benefits but are not yet receiving them and retirees or their beneficiaries currently receiving benefits (inactive plan members).
Postemployment	The period after employment.
Postemployment benefit changes	Adjustments to the pension of an inactive employee.
Postemployment healthcare benefits	Medical, dental, vision, and other health-related benefits paid subsequent to the termination of employment.
Projected benefit payments	All benefits estimated to be payable through the pension plan to current active and inactive employees as a result of their past service and their expected future service.
Public employee retirement system	A special-purpose government that administers one or more pension plans; also may administer other types of employee benefit plans, including postemployment healthcare plans and deferred compensation plans.
Real rate of return	The rate of return on an investment after adjustment to eliminate inflation.
Service costs	The portions of the actuarial present value of projected benefit payments that are attributed to valuation years.
Single employer	An employer whose employees are provided with pensions through a single-employer defined benefit pension plan.
Single-employer defined benefit pension plan (Single-employer pension plan)	A defined benefit pension plan that is used to provide pensions to employees of only one employer.

Appendix B: Definition of Terms

Term	Definition
Special funding situations	Circumstances in which a non-employer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exists: 1. The amount of contributions for which the non-employer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to the pensions. 2. The non-employer entity is the only entity with a legal obligation to make contributions directly to a pension plan.
Termination benefits	Inducements offered by employers to active employees to hasten the termination of services, or payments made in consequence of the early termination of services. Termination benefits include early-retirement incentives, severance benefits, and other termination-related benefits.
Total Pension Liability (TPL)	The portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 67.

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