



San Bernardino County Employees'  
Retirement Association

# 2021

# Annual Comprehensive

# Financial Report

**A Multiple-Employer Pension Trust Fund | San Bernardino, CA**  
For the Years Ended June 30, 2021 and 2020

**“  
PROUDLY SERVING  
THOSE WHO SERVE  
SAN BERNARDINO  
COMMUNITIES.  
”**

# **2021**

## **Annual Comprehensive Financial Report**

A Multiple-Employer Pension Trust Fund

San Bernardino, California

For the Years Ended June 30, 2021 and 2020

**Debby Cherney, CPA**

Chief Executive Officer

**Amy McInerny, CPA**

Chief Financial Officer



348 West Hospitality Lane | Suite 100 | San Bernardino, CA 92408

**p. 909.885.7980 | f. 909.885.7446 | [www.SBCERA.org](http://www.SBCERA.org)**

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## **Mission Statement**

**It is the mission of the San Bernardino County Employees' Retirement Association (SBCERA) to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned and which are commensurate with their years of service and compensation.**

**It is the responsibility of those charged with administration of SBCERA to:**

- Effectively collect contributions to fund liabilities incurred;
- Diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return;
- Administer the benefits impartially, fairly, and in accordance with the applicable law;
- Deliver service to the membership in an accurate, courteous, prompt, professional, and cost-efficient manner;
- Appropriately set employer and member contributions in accordance with responsible funding practices; and
- Strategically plan for the future.

# Introductory Section



## **Letter of Transmittal**

October 31, 2021

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

We are pleased to present the San Bernardino County Employees' Retirement Association (SBCERA) Annual Comprehensive Financial Report (Annual Report) for the fiscal years ended June 30, 2021 and 2020. The Annual Report is created to provide a detailed overview of the SBCERA Plan (the Plan) and SBCERA's financial, actuarial, and investment-related activities for the year.

Established effective January 1, 1945, under the County Employees Retirement Law of 1937 following a vote by the people of San Bernardino County on May 16, 1944, SBCERA administers service retirement, disability retirement, death and survivor benefits for over 43,000 members across 16 different active employers. A list of participating employers, as of June 30, 2021, can be found on page 36. SBCERA is an independent government entity, separate from San Bernardino County.

Providing retirement security is central to our mission at SBCERA. We're able to provide that security through long-term and opportunistic investing. We are proud to report that for the year ended June 30, 2021, investments provided a rate of return (net of fees) of 33.3%, our highest return in SBCERA history. While we don't count on these kinds of returns each year, we are confident we are prepared to fulfill the long-term commitment our members are counting on, while continuing to find appropriate opportunities to achieve our investment return goals – no matter what the economic climate brings.

Over the last 40 years, we have earned an average annual return of more than 8% on our investments, a period which includes numerous recessions and other economic disruptions – including the global financial crisis, which had an even broader sell-off than the one the world faced this last year.

As we've continued to navigate these unprecedented times, we are proud our team has stayed focused on our commitment to our members and employers while strategically planning for the future. Whether our members are just starting their career, already enjoying retirement, or somewhere in between – we have our members in mind and we're working hard for them every day.

The information contained in this Annual Report is designed to provide a complete and accurate review of the year's operations. SBCERA's management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that have been established for this purpose. We encourage you to review Management's Discussion and Analysis beginning on page 26, which provides a narrative introduction, overview, and analysis of our financial operations for the years ended June 30, 2021, and June 30, 2020.

As you read the 2021 Annual Report, we trust you, the members and participating employers of SBCERA, will appreciate the detailed work of staff in developing the report and find the content helpful in understanding SBCERA's defined benefit plan.

## Letter of Transmittal

(Continued)

### Financial Information

Management of SBCERA is responsible for establishing and maintaining an internal control structure designed to ensure SBCERA's assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, fair presentation of information, and all disclosures rests with SBCERA's Management. Brown Armstrong Accountancy Corporation, a firm of licensed certified public accountants, provides financial statement independent audit services to SBCERA. The financial statement audit provides reasonable assurance that SBCERA's Basic Financial Statements are presented in conformity with accounting principles generally accepted in the United States (GAAP) and are free from material misstatements.

The Independent Auditor's Report is presented as the first component of the financial section of this report. Included are all disclosures management believes necessary to enhance your understanding of the financial condition of the Plan.

SBCERA recognizes even sound internal controls have inherent limitations. SBCERA's internal controls are designed to provide reasonable, but not absolute, assurance that SBCERA's operating policies and procedures are sufficient to safeguard SBCERA's assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

This Annual Report has been prepared in accordance with GAAP as promulgated by the Governmental Accounting Standards Board.

### Actuarial Funding Status

SBCERA contracts with an independent actuarial firm, Segal Consulting (Segal), to conduct annual actuarial valuations, which are presented to the Board of Retirement (Board) each year. On a triennial basis, the actuarial firm also conducts an experience study and makes recommendations to the Board on all economic and non-economic assumptions, which was last completed for the year ended June 30, 2019. Segal completed the annual valuation for the year ended June 30, 2021, and it is presented annually to the Board.

The funding objective of SBCERA is to maintain a well-funded plan by setting a strategic allocation that has a high probability of achieving the returns necessary to meet the expected liabilities with the lowest level of expected risk, while secondarily minimizing contributions. Generally, employer contributions are relatively stable, on a percentage basis, based on Plan member payroll. However, on a five-year smoothed basis, if actual fund returns are below the actuarial hurdle rate of 7.25%, the employer will make up the shortfall on a 20-year amortized basis.

The actuarial accrued liability of the SBCERA Plan on June 30, 2021 and June 30, 2020 amounts to \$15 billion and \$14.3 billion, respectively. The actuarial value of assets increased from \$11.1 billion at June 30, 2020 to \$12.3 billion at June 30, 2021. The funding ratio, on an actuarial value basis, increased to 81.2% at June 30, 2021, from 77.9% for the previous fiscal year. This ratio compares the assets of the Plan to the liabilities of the Plan. High ratios indicate a well-funded plan with assets sufficient to pay most future benefits. Lower ratios may indicate recent changes to benefit structures, funding of a plan below actuarial requirements, poor asset performance, or a variety of other changes. For a more in-depth review of the funding of the Plan, see the Actuarial Section of this report (page 103).

## Letter of Transmittal

*(Continued)*

### Investments

The Board maintains sole and exclusive control of all investments of the Plan, and is responsible for the establishment of investment objectives, strategies and policies. The Board is authorized to invest in any form or type of investment deemed prudent in the informed opinion of the Board. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to the interests of the Plan members, their beneficiaries, and the Plan.

External, professional investment management firms manage SBCERA's assets. The investment staff closely monitors the activity of these managers and assists the Board with the implementation of investment policies and long-term investment strategies. SBCERA's Investment Plan, Policy and Guidelines establish the investment program goals, asset allocation, policies, performance objectives, investment management policies, and risk controls.

For the year ended June 30, 2021, investments provided a rate of return (net of fees) of 33.3%. The Plan's annualized rate of return (net of fees) over the five-year period ended June 30, 2021 was 10.7%. On a fair value basis, the total pension Plan net position available for benefits increased from \$10.3 billion to \$13.6 billion. Details of the components of this increase are included in the Statements of Changes in Fiduciary Net Position, part of the Management Discussion and Analysis, on page 26 of this report.

### Professional Services

Professional consultants are appointed by the Board to perform professional services that are essential to the effective and efficient operation of the Plan. An opinion from SBCERA's certified public accountant, a certification from the Plan's independent actuary, and a report on investment activity from the Plan's investment consultant are all included in this report. The consultants appointed by the Board are listed on page 19 of this report.

### Major Initiatives

During fiscal year (FY) 2018-19, SBCERA adopted a Triennial Strategic Plan for Fiscal Years 2020 through 2022, the purpose of which was to gain a common understanding for the direction of SBCERA, with informed direction from the Board to the staff. The Triennial Strategic Plan established an agreed-upon set of foundational values, and updated SBCERA's mission statement. Those values included:

#### **Integrity**

We will be honest, ethical, respectful, and trustworthy in all aspects in serving our members, employees, and our community.

#### **Accountability & Transparency**

We will ensure that the decisions we make and how we conduct business is clearly communicated and understood. We will be accountable for our conduct in all aspects of our service.

#### **Commitment**

We will approach our work enthusiastically.

#### **Effectiveness**

We will be results-oriented in a cost-effective manner, capitalizing on our strengths and weaknesses.

# Letter of Transmittal

(Continued)

## Major Initiatives (Continued)

### Professional Excellence

We will be skilled, confident, and capable.

### Collaboration

We will work together as a team and with key stakeholders.

The Strategic Plan contains five co-equal strategic pillars, around which all of SBCERA's work is grounded. Under each pillar, SBCERA established strategic priorities: projects, programs, and/or initiatives, with specific actionable goals, timing, and lead personnel. These priorities informed the development of the budgets for FY 2019-20, FY 2020-21, and FY 2021-22. The Strategic Plan is available at [www.sbcera.org/strategic-plan](http://www.sbcera.org/strategic-plan).

### Operational Excellence and Efficiency

Priorities in this area include realigning the organizational chart to balance skills and oversight, as well as a significant effort to modernize workflows and measurably improve service times to our membership. The latter effort is paired with another priority to document procedures across all areas of SBCERA to improve consistency, mitigate risk, reduce training costs, and improve internal controls. Modernizing our technology is key to SBCERA's focus on operational excellence, with two key projects: first, a refresh of our pension administration system, which is our most important enterprise system, and second, a replacement of our aged telephone system to provide a more agile system that can be deployed wherever SBCERA staff are working. We launched our new phone system earlier this year, which has significantly enhanced the customer experience and improved the quality of our records retention, and the refresh of our pension administration system is significantly underway. Other priorities in this area include replacing accounting systems, payroll systems, and enterprise content management. COVID-19 served as a catalyst to accelerate SBCERA's efforts to optimize business continuity plans through technology, which will enable better service capabilities during times of notable disruptions.

### Superior Service Experience

Notable priorities in this area include identifying key performance metrics and using them to drive greater accountability to our Members and Plan Sponsors. SBCERA engaged a third party to conduct a Member Engagement Survey as well as an Employer Survey of key personnel at Plan Sponsors. We've used feedback from these surveys to directly inform strategic decisions. Additionally, we are working on our second Member Engagement Survey as a follow-up to the 2019 Member Engagement Survey. As part of the pension administration system refresh, SBCERA will improve member and employer self-service capabilities, digital signatures, and improve business processes around personally identifiable information compliance.

### Quality Employer and Workplace

SBCERA is committed to being the workplace of choice in our area, and through our adopted Shared Values and Mission Statement, SBCERA seeks to have a happy, engaged workforce who are empowered to serve our members and our community. This includes providing a safe and healthy workplace, and it also includes developing and delivering training on technical and personal growth areas. SBCERA provides promotional growth opportunities within our organization and continues to do so in our current hybrid-remote work environment.

# Letter of Transmittal

(Continued)

## Major Initiatives (Continued)

### Prudent Fiscal Management

In FY 2019-20, SBCERA transformed its budget and reporting transparency, including an initiative to make information on travel and expense reporting available to the public both on our public agendas as well as on our website for compliance reporting. SBCERA unwound an unnecessarily complex offshore investment platform, which has reduced costs and administrative overhead, at a savings of nearly \$1 million per year in fees.

Last year, the Board approved the purchase of a cloud-based reporting software, Workiva. It has been fully implemented, with the first use being for investment reconciliations. This new software has made the Annual Report production and other financial reporting more efficient, creating a significant cost-savings. Our new software has allowed for better file sharing with our auditors for the financial statement audits and has rolled up to several schedules in the Annual Report, without additional data entry.

We have also fully transitioned to our new accounts payable automation solution, and have received great feedback on its ease of use.

SBCERA is actively working on Employer reporting improvement changes as part of the pension administration system refresh project and these changes have been added as a companion business process improvement initiative.

### Effective Communications

In May 2020, the Board approved a Strategic Communications Plan, which captured specific actionable projects and initiatives to improve stakeholder communications. SBCERA has since launched its refreshed brand new website with enhanced functionality, deployed our new online member portal, "mySBCERA" with improved self-service capabilities, completed our first employer survey with actionable items, created branded digital assets, and expanded our education program — shifting all in-person seminars to online webinars and growing attendance by 40% from the year prior. SBCERA also expanded our eCorrespondence efforts by creating our first eNewsletter with two separate and focused campaigns written with our members in mind. In support of this plan, SBCERA is working with a third party to conduct our second Member Engagement Survey that will serve as a follow-up to the 2019 Member Engagement Survey, and we're ramping up efforts to produce more video content. Staff is on track to implement the full plan on schedule by the end of calendar year 2022.

## Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SBCERA for its Annual Report for the year ended June 30, 2020. This is the 24th consecutive year that SBCERA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

## Letter of Transmittal

(Continued)

### Awards (Continued)

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

SBCERA also received an Award for Outstanding Achievement in Popular Annual Financial Reporting from the GFOA for its Popular Annual Financial Report (PAFR) for the year ended June 30, 2019, which is a short summary version of the Annual Report. SBCERA has applied for the award for the year ended June 30, 2020 and June 30, 2021, we believe that this award will be conferred.

In addition, the Public Pension Coordinating Council (PPCC) awarded a Public Pension Standards Award for Funding and Administration to SBCERA for the year ended June 30, 2021. This is the sixth consecutive year that SBCERA has applied for and received this prestigious award. In order to be awarded a Public Pension Standards Award, a public pension program must meet professional standards for plan design, administration, and funding, as set forth in the Public Pension Standards. The PPCC (a coalition of three national associations that represent public retirement systems and administrators) established the Public Pension Standards to reflect minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured. A Public Pension Standards Award is valid for a period of one year.

### Acknowledgments

We express our sincere appreciation to the Board for bestowing their confidence in us. SBCERA has a rich history and is one of the strongest public plans in California. We are proud to administer such a successful Plan and realize the importance of efficiently managing our resources and responsibly funding the Plan over time.

The successful and timely completion of this Annual Report would not be possible without the teamwork of SBCERA's incredible staff and professional providers, along with the support and leadership of the Board, and our esteemed Board Chair, Neal Waner.

To our Plan Sponsors and members, thank you for placing your trust in SBCERA. We are fully aware of our duty to you, and we will strive for continual improvement in our service and transparent communication.

Very truly yours,



Debby Cherney, CPA  
Chief Executive Officer



Amy McInerny, CPA  
Chief Financial Officer

# 2020-21 IN NUMBERS

## THE FOUNDATION FOR A SECURE RETIREMENT



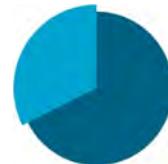
**\$13.6 BILLION**  
TOTAL NET POSITION



**33.3%**  
NET RATE OF RETURN



**44,000**  
MEMBERS



**91.2%**  
FUNDED (Market Value of Assets)



**16**  
PARTICIPATING EMPLOYERS



**\$4,171**  
AVERAGE MONTHLY BENEFIT



San Bernardino County Employees'  
Retirement Association

## Exhibit A: Page 15

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Government Finance Officers Association

**Certificate of  
Achievement  
For Excellence  
in Financial  
Reporting**

Presented to

**San Bernardino County**

**Employees' Retirement Association**

**California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

**June 30, 2020**

*Christopher P. Monill*

Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Administration  
2021***

Presented to

***San Bernardino County Employees'  
Retirement Association***

In recognition of meeting professional standards for  
plan administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator

## Members of the Board of Retirement

As of June 30, 2021



**Neal Waner**

Board Chair  
Audit Committee  
Executive Committee<sup>1</sup>  
Investment Committee<sup>1</sup>

Appointed by Board of Supervisors



**Marc Bracco**

Board Vice Chair  
Audit Committee  
Executive Committee  
Investment Committee  
Elected by Safety Members



**Jean-Rene Basle**

Administrative Committee



**Louis Fiorino**

Investment Committee



**Michael Kennedy**

Audit Committee<sup>1</sup>

Appointed by Board of Supervisors



**Ensen Mason**

Investment Committee

County Treasurer/Ex-Officio Member



**Janice Rutherford**

Administrative Committee<sup>1</sup>  
Executive Committee

Appointed by Board of Supervisors



**Dawn Stafford**

Administrative Committee

Elected by Retired Members



**Vere Williams**

Audit Committee

Elected by General Members

(1) Denotes Committee Chair.



**Harry Hatch**

Administrative Committee

Alternate Elected by Retired Members



**John Johnson**

Alternate Ex-Officio

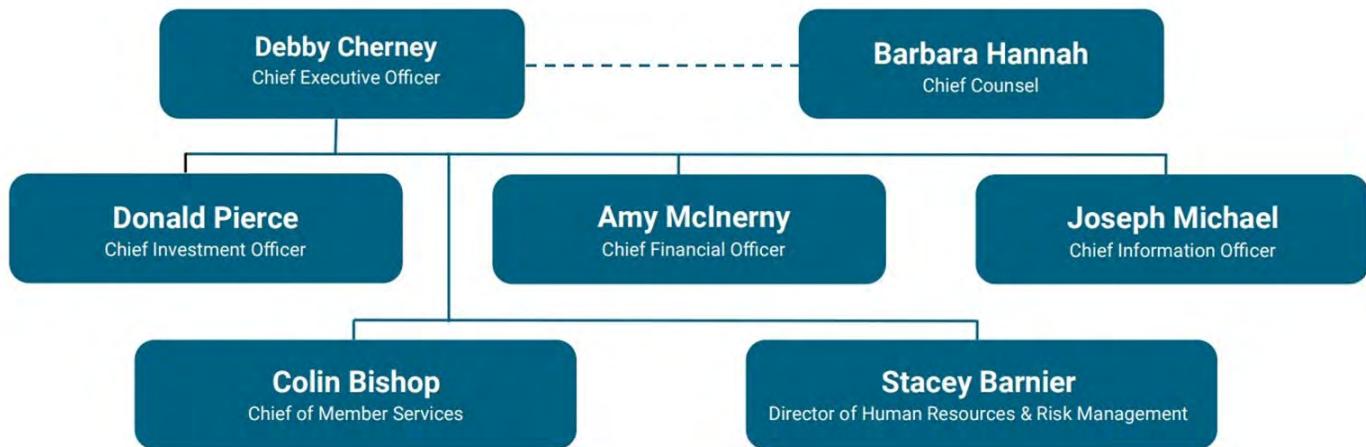


**Jared Newcomer**

Investment Committee (alternate)

Alternate Elected by Safety Members

## Key Members of the Administrative Staff



## Outside Consultants

As of June 30, 2021

### Actuary

Segal Consulting  
Consulting Actuary

### Legal Counsel

Liebert Cassidy Whitmore  
General Advisory Counsel

### Custodial Services

State Street Bank and Trust Company  
Custodian

### Nossaman, LLP

General Advisory Counsel

### Independent Auditors

Brown Armstrong  
Accountancy Corporation  
Financial Statement Auditor

### Hirschler Fleischer, APC

Investment Counsel

### Investment Consultants

NEPC, LLC  
Investment Advisor

### Morgan, Lewis & Bockius, LLP

Investment Counsel

Kreischer Miller  
Compliance Advisor

### Arias & Lockwood, APLC

Litigation & Disability Counsel

Chantico Global  
Asset Allocation Consultant

### Hanson Bridgett, LLP

Tax & Trust Counsel

Note: Investment Professionals are listed on page 95, and a schedule of manager fees is located on page 100, in the Investments section.

# REPORT FROM THE BOARD CHAIR

San Bernardino County Employees' Retirement Association

October 31, 2021

Dear Members:

On behalf of the San Bernardino County Employees' Retirement Association (SBCERA) Board of Retirement, I am pleased to present the June 30, 2021, Annual Comprehensive Financial Report.

SBCERA reached a market value of \$13.7 billion, with a net return on investments of 33.3% for the 12-month period that ended June 30, 2021. In a five-year period ended June 30, 2021, the Plan's net return was 10.7%. This record-breaking return on investments is a result of our long-term and opportunistic strategy, our skilled team, and steady advice from our investment partners, including NEPC. These results tell us that we have a dependable and versatile strategy in place to pay promised benefits to our members for years to come.

In 2019, our Chief Executive Officer, Debby Cherney, worked with the Board and staff to create and adopt a new Triennial Strategic Plan for fiscal years 2020, 2021, and 2022. The SBCERA team has been hard at work, focused on the goals that support this plan's pillars:

- Operational Excellence and Efficiency
- Superior Service Experience
- Quality Employer and Workplace
- Prudent Fiscal Management
- Effective Communications

Each strategic pillar has a variety of specific actionable projects and I'm proud to say we've accomplished most of them so far. This year, we've launched a new phone system, which has significantly enhanced the customer experience. We are also modernizing our pension software and fostering a renewed focus on customer service. You can read more about our strategic plan and implementation progress on our website at [www.SBCERA.org](http://www.SBCERA.org).

I'm grateful for the leadership of our senior executive team, for all our dedicated staff, and for my fellow Board Members. SBCERA has a skilled, confident, and capable team committed to serving those who serve San Bernardino communities. As Chair of the Board, I look forward to the continued focus on superior service our members and plan sponsors are counting on. I know we'll have successful years ahead as we strategically plan for the future, together.

Sincerely,



Neal Waner, Board Chair

# Financial Section



## Independent Auditor's Report



www.ba.cpa  
661-324-4971

### INDEPENDENT AUDITOR'S REPORT

Board of Retirement  
San Bernardino County Employees' Retirement Association  
San Bernardino, California

#### Report on the Financial Statements

We have audited the accompanying Statements of Fiduciary Net Position of the San Bernardino County Employees' Retirement Association (SBCERA) as of June 30, 2021 and 2020, the related Statements of Changes in Fiduciary Net Position for the fiscal years then ended, and the related notes to the financial statements, which collectively comprise SBCERA's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SBCERA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SBCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

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

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

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

# **Independent Auditor's Report**

*(Continued)*

## **Opinion**

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of SBCERA as of June 30, 2021 and 2020, and the changes in fiduciary net position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements. The other supplementary information and the introductory, investments, actuarial, and statistical sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory, investments, actuarial, and statistical sections, as noted in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2021, on our consideration of SBCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to

# **Independent Auditor's Report**

*(Continued)*

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 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 SBCERA's internal control over financial reporting and compliance.

## **Restrictions on Use**

Our report is intended solely for the information and use of SBCERA management, the Audit Committee of SBCERA, the Board of Retirement of SBCERA, and SBCERA employers and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

Bakersfield, California  
October 31, 2021

## Exhibit A: Page 25

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# Management's Discussion and Analysis

June 30, 2021 and 2020

The San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan). As management of SBCERA, we offer this narrative overview and analysis of the financial activities of SBCERA for the years ended June 30, 2021 and 2020. Readers are encouraged to consider the information presented in this analysis in conjunction with the financial statements as presented in this report.

## Financial Highlights

The net position – restricted for pensions of SBCERA as of June 30, 2021 and 2020 was \$13.6 billion and \$10.3 billion, respectively. All of the net position is available to meet SBCERA's ongoing obligations to Plan members (members) and their beneficiaries.

SBCERA's total net position – restricted for pensions increased by \$3.3 billion or 32.6% and decreased by \$301.1 million or 2.8% for the years ended June 30, 2021 and 2020, respectively. The increase for 2021 is primarily due to the gains from investment activity and the decrease for 2020 is primarily due to losses from net investment activity.

Total additions, as reflected in the Statements of Changes in Fiduciary Net Position, for the years ended June 30, 2021 and 2020 were \$4.0 billion and \$335.1 million, respectively. This includes employer and member contributions of \$671.7 million, net investment income of \$3.4 billion, and net securities lending income of \$144.0 thousand for the year ended June 30, 2021. For the year ended June 30, 2020, it includes employer and member contributions of \$637.2 million, net investment loss of \$302.3 million, and net securities lending income of \$213.0 thousand.

Total deductions as reflected in the Statements of Changes in Fiduciary Net Position are \$675.3 million for the year ended June 30, 2021, an increase of \$39.1 million over the year ended June 30, 2020, or approximately 6.2%. Total deductions for the year ended June 30, 2020 are \$636.2 million, an increase of \$45.0 million over the year ended June 30, 2019, or approximately 7.6%.

The net pension liability of participating employers as of June 30, 2021 and 2020 is \$1.3 billion and \$4.0 billion, respectively. The Plan fiduciary net position as a percentage of the total pension liability is 91.2% and 72.0% as of June 30, 2021 and 2020, respectively. The net pension liability as a percentage of covered payroll is 83.0% and 259.9% as of June 30, 2021 and 2020, respectively. Refer to Note 4 – Net Pension Liability of Participating Employers, and Required Supplementary Information sections of this report for further information.

## Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to SBCERA's Basic Financial Statements. The financial statements and required disclosures are prepared in accordance with pronouncements (accounting principles and reporting guidelines) as set forth by the Governmental Accounting Standards Board (GASB). These pronouncements require certain disclosures and require SBCERA to report using the full accrual method of accounting. SBCERA complies with all material requirements of these pronouncements. SBCERA's Basic Financial Statements are comprised of Statements of Fiduciary Net Position, Statements of Changes in Fiduciary Net Position, and Notes to the Basic Financial Statements.

# Management's Discussion and Analysis

June 30, 2021 and 2020

(continued)

## Overview of the Financial Statements (Continued)

The **Statements of Fiduciary Net Position** are a snapshot of account balances at year-end, indicating the assets available for future payments to retirees and their beneficiaries, and any current liabilities owed as of year-end.

The **Statements of Changes in Fiduciary Net Position** reflect all the activities that occurred during the year and show the impact of those activities as additions to or deductions from the Plan. The trend of additions versus deductions will indicate the condition of SBCERA's financial position over time.

The Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position report information about SBCERA's activities. These statements include all assets and liabilities, using the full accrual method of accounting, which is similar to the accounting used by private sector companies. All of the current year's revenues and expenses are considered regardless of when cash is received or paid. All investment gains and losses are shown at trade date, not settlement date, and both realized and unrealized gains and losses are shown on investments. Refer to Note 2 – Summary of Significant Accounting Policies for further information.

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report SBCERA's net position – restricted for pensions (net position is the difference between assets and liabilities) as one way to measure the Plan's financial position. Over time, increases and decreases in SBCERA's net position are an indicator of whether its financial health is improving or deteriorating. Other factors, such as investment earnings and SBCERA's actuarial funded status, should also be considered in measuring SBCERA's overall financial health. Refer to SBCERA's Basic Financial Statements following this analysis.

**Notes to the Basic Financial Statements** (Notes) are an integral part of the financial reports. The Notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements, including a detailed discussion of key policies, programs, investments, and activities that occurred during the year. Refer to the Notes to the Basic Financial Statements section of this report.

Other information to supplement SBCERA's Basic Financial Statements is provided as follows:

**Required Supplementary Information** (RSI) presents historical trend information concerning the changes in net pension liability, employer contributions, and investment returns. RSI includes notes that explain factors that significantly affect trends in the amounts reported, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions over time. The information is based on actuarial valuations and contributes to the understanding of the changes in the net pension liability of participating employers over the past ten years. Refer to the Required Supplementary Information section of this report.

**Other Supplementary Information** includes the Schedules of Administrative and Other Expenses, Investment Expenses, and Payments to Consultants, which are presented immediately following the Required Supplementary Information section of this report.

# Management's Discussion and Analysis

June 30, 2021 and 2020

(continued)

## Financial Analysis—Net Position

Net position may serve as an indication of SBCERA's financial position over time. Refer to Table 1, below, for further information. As of June 30, 2021, SBCERA had \$13.6 billion in net position, which means total assets of \$13.8 billion exceed total liabilities of \$209.0 million. All of the net position is available to meet SBCERA's ongoing obligation to members and their beneficiaries.

As of June 30, 2021, net position increased by \$3.3 billion, accounting for an 32.6% increase from the prior year. As of June 30, 2020, net position decreased by \$301.1 million, for an 2.8% decrease from the prior year. The increase for 2021 is primarily due to the gains from investment activity and the decrease for 2020 is primarily due to losses from net investment activity.

### FIDUCIARY NET POSITION (TABLE 1)

As of June 30, 2021, 2020 and 2019

(Amounts in Thousands)

	2021	2020	2019	Amount	Increase (Decrease) % Change
<b>ASSETS</b>					
Cash	\$ 6,423	\$ 12,845	\$ 14,574	\$ (6,422)	(50.00)%
Receivables	161,185	148,993	103,300	12,192	8.18 %
Investments, at Fair Value	13,671,886	10,422,472	10,640,653	3,249,414	31.18 %
Capital Assets, Net	6,336	5,268	4,907	1,068	20.27 %
<b>TOTAL ASSETS</b>	<b>13,845,830</b>	<b>10,589,578</b>	<b>10,763,434</b>	<b>3,256,252</b>	<b>30.75 %</b>
<b>LIABILITIES</b>					
Securities Lending	102,597	6,607	113,695	95,990	1,452.85 %
Securities Options Payable	129	199,075	270	(198,946)	(99.94)%
Payables for Securities Purchased	82,436	76,984	46,696	5,452	7.08 %
Other Liabilities	23,815	19,578	14,366	4,237	21.64 %
<b>TOTAL LIABILITIES</b>	<b>208,977</b>	<b>302,244</b>	<b>175,027</b>	<b>(93,267)</b>	<b>(30.86)%</b>
<b>NET POSITION—RESTRICTED FOR PENSIONS</b>					
	<b>\$ 13,636,853</b>	<b>\$ 10,287,334</b>	<b>\$ 10,588,407</b>	<b>\$ 3,349,519</b>	<b>32.56 %</b>

In order to determine that the \$13.6 billion in net position will be sufficient to meet future obligations, SBCERA's independent actuary, Segal Consulting, performed an actuarial valuation as of June 30, 2021. The result of the funding valuation determines what future contributions are needed by the participating employers and members to pay all expected future benefits. The valuation takes into account SBCERA's policy to smooth the impact of market volatility by spreading each year's gains or losses over five years.

On the valuation date, the assets available for 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 with respect to each member. The actuary uses assumptions regarding life expectancy, projected salary increases over time, projected retirement age, and expected rate of return for the investment portfolio (7.25% rate of return was used for the June 30, 2021 and 2020 valuations). The Board of Retirement (Board) reviews all assumptions used by the actuary every three years.

## Management's Discussion and Analysis

June 30, 2021 and 2020

(continued)

### Capital Assets

SBCERA's capital assets increased from \$5.3 million to \$6.3 million (net of accumulated depreciation and amortization) between the years ended June 30, 2020 and 2021, and from \$4.9 million to \$5.3 million between the years ended June 30, 2019 and 2020. This investment in capital assets includes equipment, furniture, leasehold improvements, software, and technology infrastructure with an initial cost of \$25.0 thousand or more and a life expectancy over one year. The total increase in SBCERA's investment in capital assets for the year ended June 30, 2021 was \$1.1 million from 2020. The total increase in SBCERA's investment in capital assets for the year ended June 30, 2020 was \$361.0 thousand from 2019. SBCERA underwent a large tenant improvement project and began a software project in the fiscal year ending June 30, 2021. Increases in the year ended June 30, 2020 were a result of smaller capital projects.

### Reserves

SBCERA's reserves are established based upon contributions and the accumulation of investment income, after satisfying investment, administrative, and other expenses. Refer to Table 2, on the following page, for further information.

Investments are stated at fair value, instead of at cost, and include the recognition of unrealized gains and losses in the current period. For actuarial purposes, it is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to fair value. Under this valuation method, the full value of market fluctuations are not recognized in a single year, rather, they are smoothed over a five-year period. This method results in more stable asset values and therefore, the plan costs are more stable. These gains and losses are shown in the net unrecognized gains/(losses) reserve account.

The total unrecognized net investment gain as of June 30, 2021 is \$1.4 million as compared to an unrecognized net investment loss of \$845.8 million as of June 30, 2020. This deferred investment gain of \$1.4 million will be recognized in the determination of the Actuarial Value of Assets for funding purposes in the next five years as part of a five-year smoothing technique.

**\$13.6 billion**

**in net position**

**32.6% increase**

**from prior year**



# Management's Discussion and Analysis

June 30, 2021 and 2020

(continued)

## Reserves (Continued)

### RESERVES (TABLE 2)

As of June 30, 2021, 2020 and 2019

(Amounts in Thousands)

TYPE OF RESERVE	2021	2020	2019
Member Deposit Reserve	\$ 1,740,041	\$ 1,609,792	\$ 1,517,088
Employer Current Service Reserve	3,223,886	2,972,558	2,762,603
Contra Account	(3,848,494)	(3,857,261)	(3,303,286)
Pension Reserve	5,481,662	5,190,499	4,883,597
Cost of Living Reserve	2,698,301	2,477,844	2,277,979
Annuity Reserve	2,873,163	2,653,421	2,422,029
Supplemental Disability Reserve	5,976	6,792	7,439
Survivor Benefit Reserve	83,927	78,998	74,376
Burial Allowance Reserve <sup>1</sup>	463	530	576
<b>TOTAL RESERVES (SMOOTHED MARKET ACTUARIAL VALUE)</b>	<b>12,258,925</b>	<b>11,133,173</b>	<b>10,642,401</b>
<b>Net Unrecognized Gains (Losses)</b>	<b>1,377,928</b>	<b>(845,839)</b>	<b>(53,994)</b>
<b>NET POSITION—RESTRICTED FOR PENSIONS INCLUDING NON-VALUATION RESERVES, AT FAIR VALUE</b>	<b>\$ 13,636,853</b>	<b>\$ 10,287,334</b>	<b>\$ 10,588,407</b>

(1) Reserve not included in valuation value of assets.

## Additions and Deductions from Fiduciary Net Position

### ADDITIONS

The primary sources of financing SBCERA benefits are through the collection of participating employer and member contributions and through earnings from investment income (net of investment expenses). Additions for the year ended June 30, 2021 totaled \$4.0 billion compared to \$335.1 million for June 30, 2020, and \$1.1 billion for June 30, 2019. Refer to Table 3, on page 31, for further information. Overall, additions increased by \$3.7 billion, or a 1,101.0% increase between the years ended June 30, 2020 and 2021, due primarily to a 1,209.3% increase in net investment income compared to the prior year. Employer and member contributions also increased by 6.6% and 2.2%, respectively, or 5.4% collectively. Net securities lending income decreased by 32.4% compared to the prior year.

Overall, total employer and member contributions continue to rise due to the increases in the average employer and member contribution rates, as recommended by the Plan's independent actuary. Refer to Note 3 – Contribution Requirements for further information.

# Management's Discussion and Analysis

June 30, 2021 and 2020

(continued)

## Additions to and Deductions from Fiduciary Net Position (Continued)

### DEDUCTIONS

SBCERA was created to provide lifetime retirement benefits, survivor benefits, and permanent disability benefits to eligible members and their beneficiaries. The cost of such programs includes recurring Plan designated benefit payments, refunds of contributions to terminated members, and the cost of administering the Plan.

Deductions for the year ended June 30, 2021 totaled \$675.3 million, an increase of \$39.1 million or 6.2% over the June 30, 2020 total deductions. The increase in deductions for the year ended June 30, 2020 totaled \$45.0 million or 7.6% over the June 30, 2019 amount of \$591.2 million. Refer to Table 3 below for further information. The increases in all years, related to benefits and refunds, are primarily due to the overall growth in the number of retirees and the average amount of benefits paid to them. Refer to Note 1 – Significant Provisions of the Plan (see section for SBCERA Membership) for further information. Deductions for administrative expenses have remained relatively stable in all years. In addition, deductions for other expenses have remained fairly consistent. Refer to Note 2 – Summary of Significant Accounting Policies (see section for Administrative Expenses), and Other Supplementary Information (see Schedule of Administrative and Other Expenses) for further information.

### CHANGES IN FIDUCIARY NET POSITION (TABLE 3)

As of June 30, 2021, 2020 and 2019

(Amounts in Thousands)

	2021	2020	2019	Increase (Decrease)	
				Amount	% Change
<b>ADDITIONS</b>					
Employer Contributions	\$ 498,747	\$ 467,985	\$ 446,295	\$ 30,762	6.57 %
Member Contributions	172,953	169,183	163,552	3,770	2.23 %
Net Investment Income (Loss) <sup>1</sup>	3,353,009	(302,263)	502,461	3,655,272	1,209.30 %
Net Securities Lending Income	144	213	292	(69)	(32.39)%
<b>TOTAL ADDITIONS</b>	<b>4,024,853</b>	<b>335,118</b>	<b>1,112,600</b>	<b>3,689,735</b>	<b>1,101.03 %</b>
<b>DEDUCTIONS</b>					
Benefits and Refunds	660,822	621,564	578,508	39,258	6.32 %
Administrative Expense	9,720	9,019	9,383	701	7.77 %
Other Expenses	4,792	5,608	3,292	(816)	(14.55)%
<b>TOTAL DEDUCTIONS</b>	<b>675,334</b>	<b>636,191</b>	<b>591,183</b>	<b>39,143</b>	<b>6.15 %</b>
<b>INCREASE (DECREASE) IN NET POSITION</b>	<b>3,349,519</b>	<b>(301,073)</b>	<b>521,417</b>	<b>3,650,592</b>	<b>1,212.53 %</b>
<b>NET POSITION-RESTRICTED FOR PENSIONS: BEGINNING OF YEAR</b>	<b>10,287,334</b>	<b>10,588,407</b>	<b>10,066,990</b>	<b>(301,073)</b>	<b>(2.84)%</b>
<b>END OF YEAR</b>	<b>\$ 13,636,853</b>	<b>\$ 10,287,334</b>	<b>\$ 10,588,407</b>	<b>\$ 3,349,519</b>	<b>32.56 %</b>

(1) Net of investment expenses of \$138,419, \$139,420, and \$156,158 for the years ending June 30, 2021, 2020, and 2019, respectively.

# Management's Discussion and Analysis

June 30, 2021 and 2020

(continued)

## Net Pension Liability of Participating Employers

SBCERA is subject to the provisions of GASB Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, and SBCERA's participating employers are subject to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 25*. These standards require governmental employers to recognize their long-term obligation for pension benefits as a liability on their statements of fiduciary net position, to recognize their annual pension expense as a comprehensive measurement of the annual cost of pension benefits, and requires SBCERA to provide note disclosures and required supplementary information related to the Plan's net pension liability (NPL) of participating employers.

NPL represents the excess of the total pension liability (using an entry age cost method, discounted at a discount rate that reflects the expected return on Plan assets) over fiduciary net position (valued at fair value). It is a measurement of pension liabilities using market assets that provides a consistent and standardized methodology allowing comparability of data and increased transparency of the pension liability across all governmental entities. SBCERA has complied with GASB 67 for the years ended June 30, 2021, 2020, and 2019.

Based on the June 30, 2021, 2020, and 2019 actuarial valuations, the NPL of participating employers on a fair value basis was \$1.3 billion, \$4.0 billion, and \$2.7 billion, respectively. Refer to Table 4, below, for further information. The decrease of \$2.7 billion or 67.1% from 2020 to 2021 is primarily due to the investment return being greater than the actuarial rate of 7.25%. The increase of \$1.3 billion or 47.8% from 2019 to 2020 is primarily a result of net investment gains increasing at a rate slower than the increase in total pension liability. Refer to Note 4 – Net Pension Liability of Participating Employers and the Required Supplementary Information sections of this report for further information.

## CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (TABLE 4)

As of June 30, 2021, 2020, and 2019

(Amounts in Thousands)

	2021	2020	2019		Increase (Decrease)	
				Amount	% Change	
Total Pension Liability	\$ 14,954,950	\$ 14,295,742	\$ 13,300,303	\$ 659,208	4.61 %	
Less Plan Fiduciary Net Position	13,636,853	10,287,334	10,588,407	3,349,519	32.56 %	
<b>NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS</b>	<b>\$ 1,318,097</b>	<b>\$ 4,008,408</b>	<b>\$ 2,711,896</b>	<b>\$ (2,690,311)</b>	<b>(67.12)%</b>	

# **Management's Discussion and Analysis**

June 30, 2021 and 2020

*(continued)*

## **Overall Analysis**

For the year ended June 30, 2021, SBCERA's financial position and results from operations have experienced an increase from the prior year, as net position increased by \$3.3 billion or 32.6% from the year ended June 30, 2020. For the year ended June 30, 2020, net position decreased by \$301.1 million or 2.8% from the year ended June 30, 2019. The overall increase in net position for June 30, 2021 is primarily attributable to the appreciation in the fair value of the Plan's investment portfolio due to gains incurred from SBCERA's unique asset positioning and a strengthening financial market. Despite the fluctuations in the financial markets, SBCERA remains in a sound financial position to meet its obligations to members and their beneficiaries. The overall financial position of SBCERA results from a very strong and successful investment program, risk management, and strategic planning. As a long-term investor, SBCERA can take advantage of price volatility along with a diversified exposure to domestic and international equities, fixed income investments, natural resources, real estate, infrastructure, private equity, and overlay programs. Overall, this diversification minimizes the risk of loss and maximizes the rate of return for the Plan.

## **SBCERA'S Fiduciary Responsibilities**

SBCERA's Board and management are fiduciaries of the pension trust fund. Under the California Constitution, the assets of the Plan can only be used for the exclusive benefit of members and their beneficiaries.

## **Requests for Information**

The Basic Financial Statements are designed to provide the SBCERA Board, its membership, taxpayers, investment managers, and creditors with a general overview of SBCERA's finances and to account for the money it received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

San Bernardino County Employees' Retirement Association (SBCERA)  
Attn: Fiscal Services Department  
348 West Hospitality Lane, Suite 100  
San Bernardino, CA 92408

Respectfully,



Amy McInerny, CPA  
Chief Financial Officer

## **Statements of Fiduciary Net Position**

As of June 30, 2021 and 2020

(Amounts in Thousands)

	2021	2020
<b>ASSETS</b>		
<b>Cash</b>		
Cash in Bank	\$ 6,423	\$ 6,375
Cash Pooled with County Treasurer	—	6,470
<b>TOTAL CASH</b>	<b>6,423</b>	<b>12,845</b>
<b>Receivables</b>		
Securities Sold	72,365	76,895
Accrued Interest and Dividends	15,316	27,235
Employer and Member Contributions	44,683	43,423
Due from Withdrawn Employers	5,458	452
Other Receivables	23,363	988
<b>TOTAL RECEIVABLES</b>	<b>161,185</b>	<b>148,993</b>
<b>Investments, at Fair Value</b>		
Short-Term Cash Investment Funds	2,078,026	1,056,304
Emerging Market Debt	95,384	74,384
United States Government Obligations and Other Municipals	367,687	70,739
Domestic Bonds	506,096	597,739
Foreign Bonds	536,039	445,178
Domestic Common and Preferred Stock	1,609,376	1,208,252
Foreign Common and Preferred Stock	1,070,799	741,915
Investments of Cash Collateral Received on Securities Lending	102,597	6,607
Real Estate	513,393	458,281
Domestic Alternatives	4,858,455	4,098,128
Foreign Alternatives	1,934,034	1,664,945
<b>TOTAL INVESTMENTS, AT FAIR VALUE</b>	<b>13,671,886</b>	<b>10,422,472</b>
<b>CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION</b>	<b>6,336</b>	<b>5,268</b>
<b>TOTAL ASSETS</b>	<b>13,845,830</b>	<b>10,589,578</b>
<b>LIABILITIES</b>		
Securities Lending	102,597	6,607
Securities Options Payable	129	199,075
Payables for Securities Purchased	82,436	76,984
Other Liabilities	23,815	19,578
<b>TOTAL LIABILITIES</b>	<b>208,977</b>	<b>302,244</b>
<b>NET POSITION—RESTRICTED FOR PENSIONS</b>	<b>\$13,636,853</b>	<b>\$10,287,334</b>

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

## Statements of Changes in Fiduciary Net Position

For the Years Ended June 30, 2021 and 2020  
(Amounts in Thousands)

	2021	2020
<b>ADDITIONS</b>		
<b>Contributions</b>		
Employer Contributions	\$ 498,747	\$ 467,985
Member Contributions	172,953	169,183
<b>TOTAL CONTRIBUTIONS</b>	<b>671,700</b>	<b>637,168</b>
<b>Investment Income (Loss)</b>		
Net Appreciation (Depreciation) in Fair Value of Investments:		
Securities and Alternative Investments	3,127,178	(520,280)
Real Estate	35,162	(5,775)
<b>TOTAL NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS</b>	<b>3,162,340</b>	<b>(526,055)</b>
Interest Income on Cash and Securities	223,710	265,019
<b>Other Investment Income</b>		
Dividend Income	61,442	63,556
Net Real Estate Rental Income	12,694	22,581
Other Income	31,242	12,056
<b>TOTAL OTHER INVESTMENT INCOME</b>	<b>105,378</b>	<b>98,193</b>
<b>Less Investment Expenses</b>		
Investment Advisement Fees	(114,566)	(88,495)
Other Investment Expenses	(23,853)	(50,925)
<b>TOTAL INVESTMENT EXPENSES</b>	<b>(138,419)</b>	<b>(139,420)</b>
<b>NET INVESTMENT INCOME</b>	<b>3,353,009</b>	<b>(302,263)</b>
<b>Securities Lending Income</b>		
Earnings	231	1,805
Less Rebates and Bank Charges	(87)	(1,592)
<b>NET SECURITIES LENDING INCOME</b>	<b>144</b>	<b>213</b>
<b>TOTAL ADDITIONS</b>	<b>4,024,853</b>	<b>335,118</b>
<b>DEDUCTIONS</b>		
Benefits and Refunds Paid to Members and Beneficiaries	660,822	621,564
Administrative Expenses	9,720	9,019
Other Expenses	4,792	5,608
<b>TOTAL DEDUCTIONS</b>	<b>675,334</b>	<b>636,191</b>
<b>NET INCREASE (DECREASE) IN NET POSITION</b>	<b>3,349,519</b>	<b>(301,073)</b>
<b>NET POSITION—RESTRICTED FOR PENSIONS</b>		
Beginning of Year	10,287,334	10,588,407
<b>END OF YEAR</b>	<b>\$ 13,636,853</b>	<b>\$ 10,287,334</b>

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

## Notes to the Basic Financial Statements

June 30, 2021 and 2020

### Note 1 – Significant Provisions of the Plan

The San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (Plan). SBCERA was established in 1945 and operates pursuant to the provisions of the California County Employees Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA), and the regulations, procedures, and policies adopted by SBCERA's Board of Retirement (Board). The Plan's provisions may be amended by the California state legislature and in some cases require approval by the San Bernardino County Board of Supervisors and/or the SBCERA Board.

SBCERA provides retirement, disability, death, and survivor benefits to its members, who are employed by 16 active Plan sponsors (participating employers), and five withdrawn employers.

### Active Plan Sponsors

- Barstow Fire Protection District (BFPD)
- Big Bear Fire Authority (BBFA)
- California State Association of Counties (CSAC)
- City of Big Bear Lake (CBBL)
- City of Chino Hills (CCH)
- Crestline Sanitation District (CSD)
- Department of Water and Power of the City of Big Bear Lake (DWP)
- Hesperia Recreation and Park District (HRPD)
- Law Library for San Bernardino County (LL)
- Local Agency Formation Commission (LAFCO)
- Mojave Desert Air Quality Management District (MDAQMD)
- San Bernardino County (County)
- San Bernardino County Employees' Retirement Association (SBCERA)
- San Bernardino County Transportation Authority (SBCTA)
- South Coast Air Quality Management District (SCAQMD)
- Superior Court of California, County of San Bernardino (Superior Court)

### Withdrawn Employers

- California Electronic Recording Transaction Network Authority (CERTNA) (withdrew June 30, 2021)
- Inland Library System (ILS) (withdrew May 31, 2019)
- Inland Valley Development Agency (IVDA) (withdrew June 30, 2012)
- Rim of the World Recreation and Park District (Rim) (withdrew May 4, 2013)
- San Bernardino International Airport Authority (SBIAA) (withdrew June 30, 2012)

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 *(Continued)*

## **Note 1 – Significant Provisions of the Plan *(Continued)***

Fiduciary oversight of SBCERA is vested with the SBCERA Board, which consists of nine voting members and three alternate members. Four members are appointed by the San Bernardino County Board of Supervisors, six members (which include two alternates) are elected by the members of SBCERA (General members elect two members, Safety members elect one member and one alternate, and Retired members elect one member and one alternate), and the County of San Bernardino Treasurer (County Treasurer) is an ex-officio member, elected by the residents of San Bernardino County, who has designated one alternate.

Board members serve three-year terms, with the exception of the County Treasurer, who serves during their tenure in office. The Board meets monthly. Appointed and retired members of the Board receive compensation (a stipend for meeting attendance), and all members are reimbursed for necessary business expenses pursuant to California Government Code (GC) section 31521. SBCERA's Chief Executive Officer is appointed by the Board, and implements the policies and direction set by the Board.

## **Membership and Benefit Eligibility**

All benefits established by the CERL and PEPRA, as amended from time to time, are administered by SBCERA for its participating employers. SBCERA administers benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who became members prior to January 1, 2013 (effective date of PEPRA) are Tier 1 members. All other members are Tier 2. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning five years of service credit or attaining the age of 70. Additional information regarding SBCERA's benefits is included in the Summary Plan Description, also known as The Compass, which is available on SBCERA's website at [www.SBCERA.org](http://www.SBCERA.org).

### **SBCERA MEMBERSHIP**

An employee who is appointed to a regular position and whose service is equal to or greater than 50% of the full standard of hours required by an SBCERA participating employer must become a member of SBCERA on the first day of employment. However, membership may be delayed in accordance with SBCERA regulations for establishing reciprocity with another public retirement system as described in the CERL, and employees who have attained age 60 prior to employment may waive their membership within 90 days following the initial appointment.

SBCERA membership consists of active members, inactive members, and their beneficiaries as displayed on the following page.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (Continued)

## Note 1 – Significant Provisions of the Plan (Continued)

### MEMBERSHIP AND BENEFIT ELIGIBILITY | SBCERA MEMBERSHIP (Continued)

#### SBCERA MEMBERSHIP

As of June 30, 2021

Membership Type	Tier 1			Tier 2			Total
	General	Safety	Sub-Total	General	Safety	Sub-Total	
<b>Active Members</b>							
Active Members—Vested	9,189	1,384	10,573	2,882	406	3,288	13,861
Active Members—Non-Vested	28	4	32	6872	735	7,607	7,639
<b>TOTAL ACTIVE MEMBERS</b>	<b>9,217</b>	<b>1,388</b>	<b>10,605</b>	<b>9,754</b>	<b>1,141</b>	<b>10,895</b>	<b>21,500</b>
<b>Inactive Members or Beneficiaries Currently Receiving Benefits</b>							
Retirees Currently Receiving Benefits	10,312	1,941	12,253	62	11	73	12,326
Beneficiaries and Dependents Currently Receiving Benefits	1,530	428	1,958	7	1	8	1,966
<b>TOTAL INACTIVE MEMBERS OR BENEFICIARIES CURRENTLY RECEIVING BENEFITS</b>	<b>11,842</b>	<b>2,369</b>	<b>14,211</b>	<b>69</b>	<b>12</b>	<b>81</b>	<b>14,292</b>
<b>Inactive Members not Receiving Benefits</b>							
Inactive Members Eligible for, but not yet Receiving Benefits	2,569	173	2,742	388	87	475	3,217
Inactive Members Eligible for Refund Value of Account Only <sup>1</sup>	1,773	57	1,830	2,979	171	3,150	4,980
<b>TOTAL INACTIVE MEMBERS NOT RECEIVING BENEFITS</b>	<b>4,342</b>	<b>230</b>	<b>4,572</b>	<b>3,367</b>	<b>258</b>	<b>3,625</b>	<b>8,197</b>
<b>TOTAL SBCERA MEMBERSHIP</b>	<b>25,401</b>	<b>3,987</b>	<b>29,388</b>	<b>13,190</b>	<b>1,411</b>	<b>14,601</b>	<b>43,989</b>

#### SBCERA MEMBERSHIP

As of June 30, 2020

Membership Type	Tier 1			Tier 2			Total
	General	Safety	Sub-Total	General	Safety	Sub-Total	
<b>Active Members</b>							
Active Members—Vested	9,870	1,474	11,344	1,910	265	2,175	13,519
Active Members—Non-Vested	35	3	38	7,388	869	8,257	8,295
<b>TOTAL ACTIVE MEMBERS</b>	<b>9,905</b>	<b>1,477</b>	<b>11,382</b>	<b>9,298</b>	<b>1,134</b>	<b>10,432</b>	<b>21,814</b>
<b>Inactive Members or Beneficiaries Currently Receiving Benefits</b>							
Retirees Currently Receiving Benefits	10,031	1,908	11,939	44	9	53	11,992
Beneficiaries and Dependents Currently Receiving Benefits	1,437	398	1,835	5	1	6	1,841
<b>TOTAL INACTIVE MEMBERS OR BENEFICIARIES CURRENTLY RECEIVING BENEFITS</b>	<b>11,468</b>	<b>2,306</b>	<b>13,774</b>	<b>49</b>	<b>10</b>	<b>59</b>	<b>13,833</b>
<b>Inactive Members not Receiving Benefits</b>							
Inactive Members Eligible for, but not yet Receiving Benefits	2,548	166	2,714	264	71	335	3,049
Inactive Members Eligible for Refund Value of Account Only <sup>1</sup>	1,802	57	1,859	2,424	162	2,586	4,445
<b>TOTAL INACTIVE MEMBERS NOT RECEIVING BENEFITS</b>	<b>4,350</b>	<b>223</b>	<b>4,573</b>	<b>2,688</b>	<b>233</b>	<b>2,921</b>	<b>7,494</b>
<b>TOTAL SBCERA MEMBERSHIP</b>	<b>25,723</b>	<b>4,006</b>	<b>29,729</b>	<b>12,035</b>	<b>1,377</b>	<b>13,412</b>	<b>43,141</b>

(1) Inactive members with fewer than five years of service credit are entitled to withdraw their refundable member contributions made, together with accumulated interest only.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 *(Continued)*

## **Note 1 – Significant Provisions of the Plan *(Continued)***

### **MEMBERSHIP AND BENEFIT ELIGIBILITY *(Continued)***

#### **MEMBERSHIP RETIREMENT BENEFITS**

General Tier 1 members are eligible for retirement benefits upon completion of 10 years of service credit and attaining age 50, or 30 years of service credit regardless of age, or age 70 regardless of years of service credit. Safety Tier 1 members have the same eligibility requirements as General members except they are required to complete only 20 years of service credit, regardless of age. Retirement benefits are calculated at 2% for General Tier 1 members and 3% for Safety Tier 1 members of the highest 12 consecutive months of compensation earnable, as defined in GC sections 31462.1, 31676.15, and 31664.1 of the CERL, for each completed year of service based on a normal retirement age of 55 for General members and age 50 for Safety members.

For Tier 1 members, the maximum monthly retirement allowance is 100% of final compensation, and final compensation is capped pursuant to internal Revenue Code (IRC) section 401(a)(17), which is \$285,000 and \$280,000 for the fiscal years ending June 30, 2021 and 2020, respectively. Tier 1 members and participating employers are exempt from paying contributions on compensation earnable paid in excess of the annual cap (except for the survivor benefit contribution), and Tier 1 members are exempt from paying contributions on compensation earnable when the member reaches 30 or more years of service credit (except for the survivor benefit contribution). The annual cap, for Tier 1 members, is applied to the fiscal year for the IRC section 401(a)(17) limit in effect at the beginning of the fiscal year.

General Tier 2 members are eligible for retirement benefits upon completion of five years of service credit and attaining age 52 or attaining age 70 regardless of service credit. Safety Tier 2 members are eligible for retirement benefits upon completion of five years of service credit and attaining age 50. Retirement benefits are calculated at 2.5% at age 67 for General Tier 2 members and 2.7% at age 57 for Safety Tier 2 members of the highest 36 consecutive months of pensionable compensation, as defined in GC sections 7522.20(a) and 7522.25(d) of the PEPRA, for each completed year of service. For Tier 2 members, the monthly retirement allowance is not capped. However, pensionable compensation for all Tier 2 members is limited each year by an annual cap pursuant to GC section 7522.10, which is \$153,671 and \$151,549 for calendar years 2021 and 2020, respectively. Since pensionable compensation is capped, participating employers and Tier 2 members are exempt from paying contributions on pensionable compensation paid in excess of the annual cap (except for the survivor benefit contribution).

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/registered domestic partner or eligible child. An eligible surviving spouse or registered domestic partner is one married to or registered with the member one year prior to the effective retirement date. To be considered a post-retirement eligible spouse/registered domestic partner, the member must have been married or legally registered at least two years prior to death, and the spouse/registered domestic partner must be 55 years or older upon the member's death, and no other person may be designated in a court order as a payee. There are four optional retirement allowances the member may choose, each requiring a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, registered domestic partner, or named beneficiary having an insurable interest in the life of the member.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 *(Continued)*

## **Note 1 – Significant Provisions of the Plan *(Continued)***

### **Terminated Member Benefits**

If a member terminates before earning five years of service credit, the member forfeits the right to receive benefits and is entitled to withdraw refundable contributions made, together with accumulated interest. If the member enters a reciprocal retirement system within 180 days of terminating from SBCERA and elects to leave their accumulated contributions on deposit with SBCERA, the member will receive a deferred retirement allowance when eligible. A member with fewer than five years of service credit may elect to leave accumulated contributions in the retirement fund indefinitely pursuant to GC section 31629.5. If a member terminates after five years of service credit, the member may elect to withdraw the refundable contributions, including interest earned, or leave the accumulated deposits in the retirement fund and be granted a deferred retirement allowance at the time the member would have been entitled to the allowance if service had been continued. The acceptance of a refund payment cancels the individual's rights and benefits in SBCERA.

### **Death and Disability Benefits**

The Plan provides death benefits to beneficiaries of members, and these benefits are governed by Articles 12 and 15.6 of the CERL. In accordance with applicable California law, a surviving spouse/registered domestic partner, or minor children, even if not the named beneficiary, may have certain rights superseding the rights of the named beneficiary.

#### **DEATH BEFORE RETIREMENT WITH FEWER THAN FIVE YEARS OF SERVICE CREDIT**

If a member with fewer than five years of service credit dies because of a non-work-related incident, the member's designated beneficiary will receive the member's refundable retirement contributions plus accumulated interest earned. In addition, the beneficiary will receive one month's compensation for each completed year the member served to a maximum of 50% of annual compensation pursuant to GC section 31781. If the member established reciprocity with another public pension plan, SBCERA will coordinate benefits with the last public employer, pursuant to GC sections 31839 and 31840.

#### **DEATH BEFORE RETIREMENT WITH MORE THAN FIVE YEARS OF SERVICE CREDIT**

A member who dies after earning five years of service credit, but whose death is not job-related, is entitled to leave the eligible spouse/registered domestic partner (or any eligible children) a monthly payment equal to 60% of the amount that would have been paid had the member retired with a non-service connected disability. If the beneficiary is other than a spouse/registered domestic partner or dependent child, the beneficiary receives a lump sum payment of the refundable retirement contributions plus accumulated interest earned. In addition, the beneficiary would receive one month's compensation for each completed year the member served to a maximum of six months pursuant to GC section 31781. If the member, with five years of service credit, dies while on deferred status, SBCERA will pay to the member's designated beneficiary or estate, the member's accumulated contributions on deposit. If the member established reciprocity with another public pension plan, SBCERA will coordinate benefits with the last public employer, pursuant to GC sections 31839 and 31840.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 *(Continued)*

## **Note 1 – Significant Provisions of the Plan *(Continued)***

### **DEATH AND DISABILITY BENEFITS *(Continued)***

#### **DEATH BEFORE RETIREMENT CAUSED BY EMPLOYMENT**

If a member dies due to injury or disease arising out of or in the course of employment, the surviving spouse/registered domestic partner is eligible for a monthly allowance equal to the amount that would have been paid had the employee retired with a service connected disability at the time of death. This amount is equal to 50% of the individual's final monthly compensation. If a Safety member dies while in the performance of duty, the spouse/registered domestic partner will receive an additional lump-sum payment equal to one year's salary. Furthermore, an additional death benefit of 25% of the annual death allowance may be payable for one eligible child, and increases to 40% for two eligible children, or 50% for three or more eligible children if the death qualifies pursuant to GC section 31787.5. Under GC section 31787.65, the final compensation upon which the additional death payment is calculated may be increased any time current active members, in the same classification as the deceased member, receive a compensation increase. The final compensation will be subject to these increases until the earlier of the death of the surviving spouse or eligible children, or the date that the deceased member would have attained the age of 50 years.

#### **DEATH AFTER RETIREMENT**

If the unmodified retirement option is chosen as part of a service retirement, the eligible spouse/registered domestic partner will receive 60% of the retiree's monthly pay for the remainder of the spouse/registered domestic partner's life. The continuance is 100% if the member retired with a service-connected disability. The spouse/registered domestic partner's eligibility in the case of a service retirement is determined by whether the marriage/registered domestic partnership occurred at least one year prior to retirement. In the event the member was unmarried at retirement, under GC section 31760.2, the eligibility is determined based on whether the marriage/registered domestic partnership occurred at least two years prior to the date of death of the member and the spouse/registered domestic partner has attained the age of 55 years on or prior to the date of death of the member. However, in the case of a service-connected disability, the spouse/registered domestic partner must have been married/registered at least one day prior to retirement pursuant to GC section 31786. A burial allowance of \$1,000 is also payable to the deceased retiree's beneficiary or estate (\$250 of this amount is discretionary, subject to the availability of funds in the burial allowance reserve), pursuant to GC sections 31789 and 31789.13.

If there is no eligible surviving spouse, any minor children are eligible and the unmodified option was selected at retirement, the total benefit received is 60% of the retiree's monthly compensation, which would be divided amongst the unmarried children (if more than one). The benefit continues until the unmarried child/children reach age 18 or marry, whichever comes first. If the child/children remain unmarried and are enrolled as full-time students in an accredited school, the benefit will continue up to the age of 22.

If one of the three modified retirement options are chosen by the member as part of a service retirement, the monthly allowance is reduced for the retiree's lifetime. The type of reduction is dependent on the election made by the member and is approved by the Board, upon the advice of SBCERA's independent actuary.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 *(Continued)*

## **Note 1 – Significant Provisions of the Plan *(Continued)***

### **DEATH AND DISABILITY BENEFITS *(Continued)***

#### **SURVIVOR BENEFITS**

The Plan provides a General member survivor benefit to an eligible spouse/registered domestic partner, eligible dependent children, and eligible dependent parents, if the active General member had been a member continuously for at least 18 months immediately prior to death, pursuant to GC section 31855.12.

#### **DISABILITY BENEFITS**

The Plan provides disability benefits to eligible members and Article 10 of the CERL governs these benefits.

A member who is found by the Board to be permanently incapacitated as a result of a service connected injury or illness, arising out of or in the course of the member's employment, is paid an annual disability allowance equal to the greater of 50% of the employee's final average compensation or the normal service retirement benefits accumulated by the member as of the date of the disability retirement. A member, who is found by the Board to be permanently incapacitated as a result of a non-service connected injury or illness, which does not arise out of or in the course of the member's employment, is paid a monthly allowance. If the member entered the system on or after January 1, 1981, pursuant to GC section 31727.7, the benefit is 20% of final average compensation for five years of service credit and 2% for each additional whole year of service credit thereafter, up to a maximum of 40% of final average compensation. For members who entered the system prior to January 1, 1981, the non-service connected monthly disability benefit is one-third of the member's final average compensation. For all members, regardless of when they entered the system, if the service retirement benefit is higher, the member would be paid that amount.

#### **Cost-of-Living Adjustments**

Pursuant to GC section 31870, an automatic cost-of-living adjustment is provided based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is "banked" and may be used in years when the CPI is less than 2%. In addition, there is a one-time 7% increase at retirement for members hired before August 19, 1975 pursuant to Article 16.6 of the CERL.

#### **Participating Employers**

A district may become a participating employer in SBCERA pursuant to GC section 31557. A participating employer is eligible to withdraw from SBCERA pursuant to GC section 31564. The terminating employer remains liable to SBCERA for the employer's share of any unfunded actuarial liability of the Plan, which is attributable to the employees of the withdrawing employer who either have retired or will retire from the Plan. The liability is determined by SBCERA's actuary pursuant to GC section 31564.2.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 1 – Significant Provisions of the Plan (*Continued*)

### PARTICIPATING EMPLOYERS (*Continued*)

Five employers have withdrawn from SBCERA, three remain liable for their unfunded actuarial liability at June 30, 2021.

On June 30, 2012, San Bernardino International Airport Authority (SBIAA) and the Inland Valley Development Agency (IVDA) withdrew from SBCERA, all liabilities have been fully paid. On May 4, 2013, Rim of the World Recreation and Park District (Rim) withdrew from SBCERA and subsequently entered into a payment agreement with SBCERA in February 2014 to pay their unfunded actuarial liability.

On May 31, 2019, Inland Library System's (ILS) last employee retired, effectively withdrawing membership from SBCERA as a participating employer. On June 30, 2021, CERTNA withdrew membership from SBCERA. Both employers have entered an agreement to pay their termination liabilities.

See below for a summary of the amounts due from withdrawn employers as of June 30, 2021 and 2020.

### DUE FROM WITHDRAWN EMPLOYERS

As of June 30, 2021 and 2020

(Amounts in Thousands)

Employer	Balance			Balance
	July 1, 2020	Additions	Deductions	
CERTNA	\$ —	\$ 2,528	\$ —	\$ 2,528
ILS	—	2,506	—	2,506
Rim	452	—	(28)	424
<b>TOTAL</b>	<b>\$ 452</b>	<b>\$ 5,034</b>	<b>\$ (28)</b>	<b>\$ 5,458</b>

Employer	Balance			Balance
	July 1, 2019	Additions	Deductions	
Rim	\$ 485	\$ —	\$ (33)	\$ 452
<b>TOTAL</b>	<b>\$ 485</b>	<b>\$ —</b>	<b>\$ (33)</b>	<b>\$ 452</b>

## Notes to the Basic Financial Statements

June 30, 2021 and 2020

(Continued)

### Note 2 – Summary of Significant Accounting Policies

The following are the significant accounting policies followed by SBCERA.

#### Basis of Accounting

The financial statements are prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (U.S.) known as Generally Accepted Accounting Principles (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Employer and member contributions are recognized as revenues when due, pursuant to statutory requirements. Contributions are recorded in the period the related salaries are earned and become measurable pursuant to statutory or contractual requirements. Investment income is recognized as revenue when earned. The net appreciation/(depreciation) in fair value of investments held by SBCERA is recorded as an increase/(decrease) to investment income based on the valuation of investments at year-end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when currently due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred.

#### CASH

Cash includes cash on hand (petty cash), deposits with a financial institution, and deposits with a pooled account managed by the San Bernardino County Treasurer. As of June 30, 2021, SBCERA no longer pools any cash with the San Bernardino County Treasurer. Refer to Note 7 – Deposits and Investments (see section for Cash and Deposits) for further information.

#### INVESTMENTS

SBCERA is authorized by GC sections 31594 and 31595 to invest in any form or type of investment deemed prudent by the Board and does so through the Investment Plan, Policy, and Guidelines established by the Board. The assets of the Plan are held for the exclusive purpose to provide benefits to members and their beneficiaries and to defray reasonable expenses of administering SBCERA. The Board is required by statute to use care, skill, prudence, and diligence to diversify the investments of the Plan 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. Refer to Note 7 – Deposits and Investments (see section for Investments) for further information.

Plan investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value for investments of publicly traded securities is based upon closing sales prices reported on recognized securities exchanges on the last business day of the period, or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis and dividends declared but not received are accrued on the ex-dividend date. Realized gains or losses of securities are determined based on average cost.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 2 – Summary of Significant Accounting Policies (*Continued*)

### BASIS OF ACCOUNTING | INVESTMENTS (*Continued*)

Fair value for investments in limited partnerships and/or commingled funds of debt securities, equity securities, real estate, private equity, commodities, infrastructure, and other alternatives is based on fund share price or percentage of ownership, provided by the fund manager or general partner, which is based on net asset value as determined by the fund manager or general partner. Fair value for these investments is reported by the fund manager and/or general partner on a monthly and/or quarterly basis and is supported by annual financial statements that are audited by an independent third-party accountant. Where fair value information as of June 30, 2021 and 2020 was not available at the time of these financial statements, SBCERA has estimated fair value by using the most recent fair value information available from the fund manager/general partner and adding any contributions and/or deducting any distributions to/from the investment from the date of the most recent fair value information.

Fair value for investments in separately owned real estate is based on independent appraisals obtained every three years along with quarterly valuations performed by SBCERA's individual real estate advisors in accordance with the Real Estate Information Standards of the National Council of Real Estate Investment Fiduciaries.

The allocation of investment assets within SBCERA's portfolio is approved by the Board as outlined in the Investment Plan, Policy, and Guidelines. 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 table below provides the Board's adopted Asset Allocation policy as of June 30, 2021 and 2020.

## ASSET ALLOCATION POLICY

As of June 30, 2021 and 2020

Asset Class	Target Allocation
Domestic Equity	13.00 %
International Equity	15.00 %
Domestic Fixed Income	15.00 %
International Fixed Income	20.00 %
Private Equity	16.00 %
Real Estate	7.00 %
Absolute Return	7.00 %
Timber	2.00 %
Infrastructure	1.00 %
Commodities	2.00 %
Short-Term Cash	2.00 %
<b>TOTAL</b>	<b>100.00 %</b>

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 2 – Summary of Significant Accounting Policies (*Continued*)**

### **BASIS OF ACCOUNTING (*Continued*)**

#### **DERIVATIVES**

The Plan uses financial instruments such as derivatives and similar transactions to gain exposure to various financial markets and reduce its exposure to certain financial market risks for purposes of investments only. The financial instruments are valued at fair value and, as such, gains and losses are recognized daily, based on changes in their fair value. These changes are reflected as net appreciation/(depreciation) in fair value of investments on the Statements of Changes in Fiduciary Net Position. The use of these financial instruments exposes the Plan to counter-party credit risk and to market risk associated with a possible adverse change in interest rates, equity values, and currency movement. The Plan may have additional exposure to derivative instruments through investments in commingled funds whose strategies may include the use of derivatives to gain exposure to various financial markets and reduce its exposure to certain financial market risks. Refer to Note 7 – Deposits and Investments (see section for Derivatives) for further information.

#### **RESERVES**

Employer and member contributions are allocated to various reserve accounts based on actuarial determinations. Pursuant to the Board's *Interest Crediting Procedures and Undesignated Excess Earnings Allocation* policy, funds in excess of reserve requirements are allocated first to prior year shortfalls (the Contra Account), then 3% of the fair value of assets are set aside as a contingency reserve for future losses, and any excess is then allocated to the employer current service reserve, maintained as an additional contingency reserve, or held as undesignated excess earnings. Refer to Note 5 – Reserves for further information.

#### **INCOME TAXES**

SBCERA is a qualified plan under IRC section 401(a) and is exempt from federal income taxes under IRC section 501(a). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

#### **ADMINISTRATIVE EXPENSES**

The Board adopts the annual operating budget for the administration of SBCERA. The administrative expenses are charged against the earnings of the Plan. Pursuant to GC section 31580.2, administrative expenses incurred in any one year are not to exceed twenty-one hundredths of one percent or 0.21% of SBCERA's actuarial accrued liabilities. Actual administrative expenses did not exceed this limitation for the years ended June 30, 2021 and 2020 (see table on next page).

Pursuant to GC sections 31522.5, 31522.7, 31580.2, 31529.9, 31596.1, and 31699.9, certain expenses are excluded from the limits described above for investment costs, actuarial service costs, legal service costs, and technology costs. Therefore, investment costs were offset against investment income, and actuarial service costs, technology costs, and non-investment legal service costs are all reported on the Statements of Changes in Fiduciary Net Position as Other Expenses. A Schedule of Administrative and Other Expenses subject to the statutory limitation described above is also included in the Other Supplementary Information section of this report.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 2 – Summary of Significant Accounting Policies (*Continued*)

### BASIS OF ACCOUNTING | ADMINISTRATIVE EXPENSES (*Continued*)

#### STATUTORY LIMITATION FOR ADMINISTRATIVE EXPENSES

For the Years Ended June 30, 2021 and 2020

(Amounts in Thousands)

		2021	2020
Actuarial Accrued Liability (AAL) <sup>1</sup>	a	\$ 13,304,683	\$ 12,604,942
Statutory Limit for Administrative Expenses (AAL x 0.21%)		27,940	26,470
Actual Administrative Expenses Subject to Statutory Limit	b	9,720	9,019
<b>EXCESS OF LIMITATION OVER ACTUAL ADMINISTRATIVE EXPENSES</b>		<b>\$ 18,220</b>	<b>\$ 17,451</b>
<b>ACTUAL ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF AAL</b>	b/a	<b>0.07%</b>	<b>0.07%</b>

#### MANAGEMENT'S ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### CAPITAL ASSETS

Capital assets are recorded at cost and consist of furniture, equipment, intangible assets, including computer software, and leasehold improvements with an initial cost of \$25 thousand or more and an estimated useful life in excess of one year. Depreciation and amortization are provided using the straight-line method over the estimated useful lives of the assets, which range from three to thirty-nine years. SBCERA's capital assets are summarized on the following page as of June 30, 2021 and 2020.

(1) The AAL, as determined by the Plan's actuary each year, is used to calculate the statutory limitation for administrative expenses for the year after next. For example, the AAL as of June 30, 2019 was approved by the Board in December 2019, and was used to establish the statutory limitation for administrative expenses for the year ended June 30, 2021.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 2 – Summary of Significant Accounting Policies (*Continued*)

### BASIS OF ACCOUNTING | CAPITAL ASSETS (*Continued*)

#### CAPITAL ASSETS

For the Years Ended June 30, 2021 and 2020

(Amounts in Thousands)

	2021			2020		
	Beginning	Additions	Ending	Beginning	Additions	Ending
Furniture, Equipment & Leaseholds	\$ 12,002	\$ 1,216	\$ 13,218	\$ 10,894	\$ 1,108	\$ 12,002
Computer Software	4,590	478	5,068	4,429	161	4,590
Accumulated Depreciation <sup>1</sup>	(7,408)	(352)	(7,760)	(6,978)	(430)	(7,408)
Accumulated Amortization <sup>1</sup>	(3,916)	(274)	(4,190)	(3,438)	(478)	(3,916)
<b>TOTAL</b>	<b>\$ 5,268</b>	<b>\$ 1,068</b>	<b>\$ 6,336</b>	<b>\$ 4,907</b>	<b>\$ 361</b>	<b>\$ 5,268</b>

#### EFFECT OF NEW GOVERNMENTAL STANDARDS BOARD (GASB) PRONOUNCEMENTS

GASB Statement No. 84 (GASB 84), *Fiduciary Activities* establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and whether the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post employment benefit arrangements that are fiduciary activities. SBCERA is a fiduciary component unit of San Bernardino County.

#### RECLASSIFICATION OF FINANCIAL STATEMENTS PRESENTATION

Certain amounts presented in the year ended June 30, 2020, financial statements were reclassified to be consistent with the current year's presentation. Such reclassifications have no effect on the net increase in fiduciary net position as previously reported.

#### SUBSEQUENT EVENTS

As of the report date, there were no subsequent events that require an adjustment or disclosure other than the information described within these Notes.

(1) Depreciation and amortization expense totaled \$626 thousand and \$945 thousand for the years ended June 30, 2021 and 2020, respectively.

# **NOTES TO THE BASIC FINANCIAL STATEMENTS**

June 30, 2021 and 2020 (*Continued*)

## **Note 3 – Contribution Requirements**

Participating employers and active members are required by statute to contribute a percentage of covered payroll to the Plan. This requirement is pursuant to GC sections 31453.5 and 31454 for participating employers, and GC sections 31621.6, 31639.25, and 7522.30 for active members. The contribution requirements are established and may be amended by the Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that considers the mortality, service (including age at entry into the Plan, if applicable, and tier), and compensation experience of the members and their beneficiaries, and also includes an evaluation of the Plan's assets and liabilities. Participating employers may pay a portion of the active member contributions, and active members may pay a portion of the participating employer contributions, through negotiations and bargaining agreements.

One of the funding objectives of the Plan is to establish contribution rates that, over time, will remain level as a percentage of payroll unless the Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Cost method. The employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the Unfunded Actuarial Accrued Liability (UAAL). Normal cost is 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 benefit if all underlying assumptions are met. The UAAL is the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets. Any new UAAL after June 30, 2002 is amortized over a closed 20-year period effective with that valuation.

SBCERA's actuarial valuation for funding purposes is completed as of June 30 of each year. The rates recommended in the actuarial valuation apply to the year beginning 12 months after the valuation date. For example, the actuarial valuation dated June 30, 2021 establishes the contribution rates for the year ended June 30, 2023. Any shortfall or excess contributions, because of this implementation lag, are amortized as part of SBCERA's UAAL in the following valuation. Commencing with the June 30, 2012 valuation, any increase in UAAL resulting from Plan amendments will be amortized over its own declining 15-year period; temporary retirement incentives, including the impact of benefits resulting from additional service permitted in GC section 31641.04 (Golden Handshake) will be amortized over a declining period of up to five years. If an over funding exists (i.e., the total of all UAAL becomes negative so that there is a surplus), such surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 20 years as the first of a new series of amortization layers. The amortization policy components apply separately to each of SBCERA's UAAL cost sharing groups.

For funding purposes, SBCERA's actuarial valuation values the Plan's assets at fair value of assets less unrecognized gains and losses from each of the last five years. Under this method, the assets used to determine employer contribution rates consider fair value by recognizing the differences between the actual market return and the expected market return over a five-year period.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 3 – Contribution Requirements (*Continued*)

Separate contribution rates are established by the Board for the General member survivor benefit provided by the Plan. The costs of survivor benefits are based on an annual valuation conducted by an independent actuary, and are equally shared between the participating employers and the active General members. The contribution rates are calculated to provide for the ongoing cost of this benefit, plus any amounts necessary to recognize any shortfall of reserves to the actuarial accrued liabilities associated with this benefit. For the survivor benefit valuation, the same amortization policy components as described on the previous page and above apply, except that a level dollar methodology is used instead of a level percent of payroll. Survivor benefit contribution rates, for the years ended June 30, 2021 and 2020 is \$1.35 per biweekly employer pay period.

The tables below provide a summary of the employer and member contributions received for the years ended June 30, 2021 and 2020. Participating employers satisfied 100% of the contribution requirements for the years ended June 30, 2021 and 2020.

### EMPLOYER CONTRIBUTIONS

For the Years Ended June 30, 2021 and 2020

(Amounts in Thousands)

Contribution Type	2021	2020
Actuarially Determined Contributions - Employer Paid	\$ 497,951	\$ 467,180
Actuarially Determined Contributions - Member Paid	147	142
Survivor Benefit Contributions	649	663
<b>TOTAL EMPLOYER CONTRIBUTIONS</b>	<b>\$ 498,747</b>	<b>\$ 467,985</b>

### MEMBER CONTRIBUTIONS

For the Years Ended June 30, 2021 and 2020

(Amounts in Thousands)

Contribution Type	2021	2020
Actuarially Determined Contributions - Member Paid	\$ 165,367	\$ 161,834
Actuarially Determined Contributions - Employer Paid	2,793	3,077
Survivor Benefit Contributions	649	663
Purchase of Eligible Service Credit	4,144	3,609
<b>TOTAL MEMBER CONTRIBUTIONS</b>	<b>\$ 172,953</b>	<b>\$ 169,183</b>

**Note:** SBCERA is also a participating employer and all SBCERA employees are eligible for membership in the Plan. The employer contributions paid by SBCERA, on behalf of these employees, are funded by earnings of the Plan, pursuant to GC section 31580.2. SBCERA paid 100% of the actuarially determined contributions, including survivor benefit contributions, in the amounts of \$1.7 million and \$1.5 million, for the years ended June 30, 2021 and 2020, respectively.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 3 – Contribution Requirements (*Continued*)

The tables below summarize the actuarially determined, Board approved, required employer and member contribution rates in effect for the years ended June 30, 2021 and 2020. Contribution rates are expressed as a percentage of covered payroll.

### EMPLOYER CONTRIBUTION RATES

For the Year Ended June 30, 2021

Actuarial Cost Group	Tier 1 Members <sup>1</sup>			Tier 2 Members <sup>1</sup>		
	Unfunded Actuarial		Total	Unfunded Actuarial Accrued		Total
	Normal Cost	Accrued Liability		Normal Cost	Liability	
County General Members	11.63 %	14.21 %	<b>25.84 %</b>	9.11 %	14.21 %	<b>23.32 %</b>
Safety Members	21.73 %	35.38 %	<b>57.11 %</b>	16.13 %	35.38 %	<b>51.51 %</b>
Superior Court Members	11.63 %	16.92 %	<b>28.55 %</b>	9.11 %	16.92 %	<b>26.03 %</b>
SCAQMD Members	13.02 %	31.20 %	<b>44.22 %</b>	8.16 %	31.20 %	<b>39.36 %</b>
LAFCO Members	11.58 %	24.18 %	<b>35.76 %</b>	9.06 %	24.18 %	<b>33.24 %</b>
Other General Members	11.58 %	26.80 %	<b>38.38 %</b>	9.06 %	26.80 %	<b>35.86 %</b>

### EMPLOYER CONTRIBUTION RATES

For the Year Ended June 30, 2020

Actuarial Cost Group	Tier 1 Members <sup>2</sup>			Tier 2 Members <sup>2</sup>		
	Unfunded Actuarial		Total	Unfunded Actuarial		Total
	Normal Cost	Accrued Liability		Normal Cost	Accrued Liability	
County General Members	11.63 %	13.76 %	<b>25.39 %</b>	9.10 %	13.76 %	<b>22.86 %</b>
Safety Members	21.66 %	33.42 %	<b>55.08 %</b>	16.19 %	33.42 %	<b>49.61 %</b>
Superior Court Members	11.63 %	16.73 %	<b>28.36 %</b>	9.10 %	16.73 %	<b>25.83 %</b>
SCAQMD Members	12.45 %	29.86 %	<b>42.31 %</b>	8.18 %	29.86 %	<b>38.04 %</b>
Other General Members	11.48 %	26.54 %	<b>38.02 %</b>	9.07 %	26.54 %	<b>35.61 %</b>

### MEMBER CONTRIBUTION RATES

For the Years Ended June 30, 2021 and 2020

Actuarial Cost Group	2021 <sup>1</sup>		2020 <sup>2</sup>	
	Lowest <sup>3</sup>	Highest <sup>3</sup>	Lowest <sup>3</sup>	Highest <sup>3</sup>
General Members - Tier 1	9.15 %	15.55 %	9.14 %	15.53 %
Safety Members - Tier 1	11.81 %	18.02 %	11.80 %	17.99 %
County General and Superior Court Members - Tier 2	9.11 %	9.11 %	9.10 %	9.10 %
Safety Members - Tier 2	16.13 %	16.13 %	16.19 %	16.19 %
SCAQMD Members - Tier 2	8.16 %	8.16 %	8.18 %	8.18 %
Other General Members - Tier 2	9.06 %	9.06 %	9.07 %	9.07 %

(1) Rates are in accordance with the June 30, 2019 valuation.

(2) Rates are in accordance with the June 30, 2018 valuation.

(3) Tier 1 rates are based on age at entry: Lowest rate shown represents entry age of 16, the highest rate shown represents the highest entry age rate.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 4 – Net Pension Liability of Participating Employers

The components of the net pension liability of participating employers as of June 30, 2021 and 2020 are below.

### NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

As of June 30, 2021 and 2020

(Amounts in Thousands)

		As of June 30, 2021	As of June 30, 2020
Total Pension Liability	a \$	14,954,950	\$ 14,295,742
Plan Fiduciary Net Position	b	13,636,853	10,287,334
<b>NET PENSION LIABILITY</b>	<b>a-b \$</b>	<b>1,318,097</b>	<b>\$ 4,008,408</b>

**PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE  
TOTAL PENSION LIABILITY** b/a 91.19 % 71.96 %

The net pension liability of participating employers was measured as of June 30, 2021 and 2020 and determined based upon the total pension liability from actuarial valuations as of June 30, 2021 and 2020, respectively.

## ACTUARIAL ASSUMPTIONS

The actuarial assumptions used to determine the total pension liability as of June 30, 2021 and 2020 were based on the results of the June 30, 2020 Actuarial Experience Study (experience study), which covered the periods from July 1, 2016 through June 30, 2019. They are the same assumptions used in the June 30, 2021 and 2020 actuarial valuations, respectively, which are used to determine future contribution rates for funding purposes. The key assumptions used in the actuarial valuations include the following items:

<b>Discount Rate</b>	7.25%
<b>Inflation</b>	2.75%
<b>Projected Salary Increases</b>	General: 4.55% to 12.75%; Safety: 4.75% to 12.25%; Includes real "across the board" salary increases of 0.50% and merit and promotional increases
<b>Cost-of-Living Adjustments</b>	Contingent upon consumer price index with a 2.00% maximum
<b>Administrative Expenses</b>	0.85% of payroll

The notes to the required supplementary information present multiyear information for changes made to actuarial assumptions.

## MORTALITY RATES

Mortality rates used in the June 30, 2021 and 2020 actuarial valuations were based on Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional MP-2019 projection scale. For healthy General members, the General Healthy Retiree rates increased by 10% were used. For healthy Safety members, the Safety Healthy Retiree rates were used. For disabled General members, the Non-Safety Disabled Retiree rates were used. For disabled Safety members, the Safety Disabled Retiree rates were used. For beneficiaries, Contingent Survivor rates increased by 10% were used.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 4 – Net Pension Liability of Participating Employers (*Continued*)

### LONG-TERM EXPECTED REAL RATE OF RETURN

The long-term expected rate of return on 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. This information is 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, and by adding expected inflation and subtracting expected investment expenses and a risk margin.

The target allocations approved by the Board, and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions as of June 30, 2021 and 2020, are summarized in the table below. This information will change every three years based on the triennial actuarial experience study.

### LONG-TERM EXPECTED REAL RATE OF RETURN

As of June 30, 2021 and 2020

Asset Class	Investment Classification	Target Allocation <sup>1</sup>	Long-Term Expected Real Rate of Return (Arithmetic)
Large Cap U.S. Equity	Domestic Common and Preferred Stock	11.00 %	5.42 %
Small Cap U.S. Equity	Domestic Common and Preferred Stock	2.00 %	6.21 %
Developed International Equity	Foreign Common and Preferred Stock	9.00 %	6.50 %
Emerging Market Equity	Foreign Common and Preferred Stock	6.00 %	8.80 %
U.S. Core Fixed Income	U.S. Government and Municipal/Domestic Bonds	2.00 %	1.13 %
High Yield/Credit Strategies	Domestic Bonds/Foreign Bonds	13.00 %	3.40 %
International Core Fixed Income	Foreign Bonds	1.00 %	(0.04)%
Emerging Market Debt	Emerging Market Debt	8.00 %	3.44 %
Real Estate	Real Estate	3.50 %	4.57 %
Value Added Real Estate	Real Estate	3.50 %	6.53 %
International Credit	Foreign Alternatives	11.00 %	5.89 %
Absolute Return	Domestic Alternatives/Foreign Alternatives	7.00 %	3.69 %
Real Assets	Domestic Alternatives/Foreign Alternatives	5.00 %	10.64 %
Private Equity	Domestic Alternatives/Foreign Alternatives	16.00 %	10.70 %
Cash and Equivalents	Short-Term Cash Investment Funds	2.00 %	(0.03)%
<b>TOTAL</b>		<b>100.00 %</b>	

(1) Based on the 2020 triennial experience study.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 4 – Net Pension Liability of Participating Employers (*Continued*)**

### **DISCOUNT RATE**

The discount rate used to measure the total pension liability was 7.25% for the years ended June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers and active members are made at the actuarially determined contribution rate. For this purpose, only employer and member contributions that are intended to fund benefits of current members and their beneficiaries are included.

Projected employer contributions that are intended to fund the service costs of future members and their beneficiaries, as well as projected contributions from future members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on Plan investments of 7.25% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021 and 2020.

The table below presents the net pension liability of participating employers calculated using the discount rate of 7.25% as of June 30, 2021 and 2020, as well as what the net pension liability of participating employers would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

### **SENSITIVITY OF NET PENSION LIABILITY TO CHANGES IN THE DISCOUNT RATE**

As of June 30, 2021 and 2020

(Amounts in Thousands)

<b>Net Pension Liability</b>	<b>1.00% Decrease 6.25%</b>		<b>Current Discount Rate 7.25%</b>	<b>1.00% Increase 8.25%</b>	
	\$ 3,340,100	\$ 1,318,097	\$ (336,155)		
June 30, 2021	\$ 3,340,100	\$ 1,318,097	\$ (336,155)		
June 30, 2020	\$ 5,949,945	\$ 4,008,408	\$ 2,418,610		

## Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

### Note 5 – Reserves

All employer and member contributions are allocated to various reserve accounts based on the recommendation of the Plan's actuary, as approved by the Board, and where applicable, as required by the CERL. SBCERA currently does not set aside a separate reserve for purposes of benefit increases or reduced employer contributions. All of the current reserves are available to pay for existing pensions or for Plan administration. All reserves, except the burial allowance reserve, are expected to be fully funded based on actuarially determined contributions. Set forth below are descriptions of the purpose of each reserve account.

#### **Member Deposit Reserve**

The reserve represents the total accumulated contributions of members.

#### **Employer Current Service Reserve**

The reserve includes the total accumulated contributions of the employers held for the benefit of non-retired General and Safety members on account of service rendered as a member of the Plan.

#### **Contra Account**

The contra account represents the amount of interest credited to the reserve accounts that has not been paid for out of current or excess earnings. A balance in this account is the result of applying the full interest crediting policy of the Board and will be replenished in subsequent periods as sufficient earnings allow.

#### **Pension Reserve**

The reserve represents total accumulated contributions of the employer held for the benefit of retired members for service rendered as a member of the retirement system less the pension payments made to retired members.

#### **Cost-of-Living Reserve**

The reserve represents the accumulated contributions of the employer to be used to pay cost-of-living payments.

#### **Annuity Reserve**

The reserve includes the total accumulated contributions of retired members less the annuity payments made to the members.

#### **Supplemental Disability Reserve**

The reserve represents the accumulated contributions of the employer to pay supplemental disability payments.

#### **Survivor Benefit Reserve**

The reserve represents the accumulated contributions of the employer and members to be used to pay retirees' survivor benefit allowances.

#### **Burial Allowance Reserve**

The reserve represents the excess earnings allocated by the Board to pay retirees' discretionary burial allowance. In 1985, the Board adopted GC section 31789.13 that provides an additional \$250 burial allowance to retired SBCERA members.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 5 – Reserves (*Continued*)

For funding purposes, the various reserve accounts comprise net position - restricted for pensions under the five-year smoothed market asset valuation method as displayed below.

### RESERVES

As of June 30, 2021 and 2020

(Amounts in Thousands)

	2021	2020
<b>Valuation Reserves</b>		
Member Deposit Reserve	\$ 1,740,041	\$ 1,609,792
Employer Current Service Reserve	3,223,886	2,972,558
Contra Account	(3,848,494)	(3,857,261)
Pension Reserve	5,481,662	5,190,499
Cost-of-Living Reserve	2,698,301	2,477,844
Annuity Reserve	2,873,163	2,653,421
Supplemental Disability Reserve	5,976	6,792
Survivor Benefit Reserve	83,927	78,998
<b>TOTAL RESERVED FOR PENSIONS</b>	<b>12,258,462</b>	<b>11,132,643</b>
<b>Non-Valuation Reserves</b>		
Burial Allowance Reserve	463	530
<b>TOTAL - NON-VALUATION RESERVES</b>	<b>463</b>	<b>530</b>
<b>TOTAL RESERVES (SMOOTHED MARKET ACTUARIAL VALUE)</b>	<b>12,258,925</b>	<b>11,133,173</b>
Net Unrecognized Gains/(Losses)	1,377,928	(845,839)
<b>NET POSITION - RESTRICTED FOR PENSIONS INCLUDING NON-VALUATION RESERVES, AT FAIR VALUE</b>	<b>\$ 13,636,853</b>	<b>\$ 10,287,334</b>

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 6 – Securities Lending**

SBCERA, pursuant to a Securities Lending Authorization Agreement (Agreement), has authorized State Street Bank and Trust Company (State Street) to act as SBCERA's agent in lending the Plan's securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

State Street lent, on behalf of SBCERA, certain securities of the Plan held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the U.S. Government. The types of securities loaned are U.S. Government obligations and other municipals, domestic equity, domestic fixed income, international equity, and international fixed income securities. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers are required to deliver collateral for each loan equal to 102% for domestic loans and 105% for international loans, of the fair value of the loaned securities plus accrued income, for the years ended June 30, 2021 and 2020.

SBCERA did not impose any restrictions during the two-year period ended June 30, 2021 on the amount of loans that State Street made on its behalf. Pursuant to the Agreement, State Street had an obligation to indemnify SBCERA in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the same two-year period that resulted in a declaration or notice of default of the borrower.

During the years ended June 30, 2021 and 2020, SBCERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of a liquidity pool. The pool is not rated. All securities in this pool with maturities of 13 months or less are rated at least "A1", "P1", or "F1", and maturities in excess of 13 months are rated at least "A-" or "A3", by at least two nationally recognized statistical rating organizations, or if unrated, have been determined by the bank to be of comparable quality. As of June 30, 2021, the liquidity pool had an average duration of 20 days, and a weighted average final maturity of 104 days. As of June 30, 2020, the liquidity pool had an average duration of 27 days, and a weighted average final maturity of 70 days. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2021, SBCERA had no credit risk exposure to borrowers. As of June 30, 2021, the fair value of securities on loan was \$104.7 million, with the fair value of cash collateral received for the securities on loan of \$102.6 million, and non-cash collateral of \$4.3 million. As of June 30, 2020, the fair value of securities on loan was \$10.1 million, with the fair value of cash collateral received for the securities on loan of \$6.6 million, and non-cash collateral of \$3.8 million.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 7 – Deposits and Investments**

### **Cash and Deposits**

The Board is authorized by the CERL to deposit monies to pay benefits and administrative costs. Operational cash accounts are held with a financial institution in the amount of \$6.4 million and \$6.4 million at June 30, 2021 and 2020, respectively. Except for a nominal balance, operational cash accounts held with a financial institution are swept into a pooled money market fund that invests in repurchase agreements and U.S. Treasuries. Operational cash accounts were also held with the San Bernardino County Treasurer's Investment Pool (SBCIP) in the amount of \$6.5 million at June 30, 2020. No funds were held in the SBCIP as of June 30, 2021, and all SBCIP accounts were closed as of June 30, 2021. The SBCIP is an external investment pool and is not registered with the Securities and Exchange Commission. At June 30, 2020, the SBCIP has a weighted average maturity of 353 days. The SBCIP is rated AAA-F/S1 by Fitch. The deposits in the SBCIP are reported at fair value. For further information regarding the SBCIP, refer to the San Bernardino County Annual Comprehensive Financial Report.

### **Investments**

The Board is authorized by the CERL to invest in any form or type of investment deemed prudent in the informed opinion of the Board. The CERL vests the Board with exclusive control over SBCERA's investment portfolio. The Board has adopted its Investment Plan, Policy and Guidelines, which provide the framework for the management of SBCERA's investments, in accordance with applicable local, state, and federal laws. The Board members exercise authority and control over the management of SBCERA's assets by setting policy, which the Investment Staff executes either internally or through the use of external prudent experts. SBCERA retains investment managers specializing in specific strategies and/or investments within a particular asset class. Investment managers are subject to the guidelines and controls established in SBCERA's Investment Plan, Policy and Guidelines, various types of investment manager agreements, and other applicable policies and documents.

#### **The Investment Plan, Policy and Guidelines encompass the following:**

- Purpose and Core Beliefs
- Governing Law
- Functional Organization and Responsibilities
- General Objectives and Plan Policies
- Asset Allocation Plan and Objectives
- Investment Structure
- Investment Program Implementation
- Review and Modification of Investment Plan
- Emergency Actions

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (Continued)

## NOTE 7 – Deposits and Investments (Continued)

### Derivatives

SBCERA invests in investment derivative instruments, and did not enter into any synthetic guaranteed investment contracts or hedging derivative instruments. SBCERA does post collateral for investment derivatives for speculation purposes pursuant to clearing requirements or swap agreements.

The following table provides a summary of the derivative instruments outstanding as of June 30, 2021.

### DERIVATIVE INSTRUMENTS OUTSTANDING

As of June 30, 2021  
(Amounts in Thousands)

Investment Derivatives	Change <sup>1</sup>	Fair Value at June 30, 2021		
		Classification	Amount <sup>2</sup>	Notional <sup>3</sup>
Commodity Futures Long	\$ (625,000)	Short-Term Cash Investment Funds	\$ —	—
Commodity Futures Short	1,203,000	Short-Term Cash Investment Funds	—	—
Credit Default Swaps Bought	(2,758,000)	Domestic & Foreign Alternatives	(3,132)	\$ 179
Credit Default Swaps Written	446,000	Domestic & Foreign Alternatives	1,360	\$ 111
Equity Options Bought	100,876,000	Domestic & Foreign Alternatives	1,289	2,019
Equity Options Written	(85,381,000)	Securities Options Payable	(514)	(332)
Fixed Income Futures Long	(1,761,000)	Domestic & Foreign Alternatives	—	263,400
Fixed Income Futures Short	10,445,000	Domestic & Foreign Alternatives	—	369,048
Fixed Income Options Bought	1,571,000	Domestic & Foreign Alternatives	6,110	375,000
Foreign Currency Futures Short	(972,000)	Domestic & Foreign Alternatives	—	—
Fx Forwards	(47,256,000)	Foreign Common and Preferred Stock	2,632	\$ 618
Index Futures Long	778,987,000	Domestic & Foreign Alternatives	—	20,080
Index Futures Short	(21,000)	Domestic & Foreign Alternatives	—	—
Index Options Bought	179,243,000	Domestic & Foreign Alternatives	14,114	251
Index Options Written	(171,170,000)	Securities Options Payable	—	—
Pay Fixed Interest Rate Swaps	2,253,000	Domestic & Foreign Alternatives	1	\$ 73
Receive Fixed Interest Rate Swaps	2,281,000	Domestic & Foreign Alternatives	(2,036)	\$ 3
Total Return Swaps Bond	(1,859,000)	Domestic & Foreign Alternatives	—	\$ —
Total Return Swaps Equity	1,367,000	Domestic & Foreign Alternatives	(768)	\$ 12
Warrants	2,870,000	Domestic & Foreign Alternatives	3,226	\$ 12
<b>TOTAL</b>	<b>\$769,739,000</b>		<b>\$ 22,282</b>	

(1) Negative values refer to losses; change reflected in the net appreciation in fair value of investments for securities and alternative investments.

(2) Negative values refer to liabilities.

(3) Notional may be a dollar amount or quantity of underlying investment; negative values refer to short positions.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **NOTE 7 – Deposits and Investments (*Continued*)**

### **DERIVATIVES (*Continued*)**

The following table provides a summary of the derivative instruments outstanding as of June 30, 2020.

### **DERIVATIVE INSTRUMENTS OUTSTANDING**

As of June 30, 2020

(Amounts in Thousands)

Investment Derivatives	Change <sup>1</sup>	Classification	Fair Value at June 30, 2020	
	Amount <sup>2</sup>		Notional <sup>3</sup>	
Commodity Futures Short	\$ 640	Short-Term Cash Investment Funds	\$ —	—
Commodity Futures Long	(795)	Short-Term Cash Investment Funds	—	—
Credit Default Swaps Bought	121,256	Domestic & Foreign Alternatives	(1,874)	\$ 202,047
Credit Default Swaps Written	(180)	Domestic & Foreign Alternatives	144	\$ 14,157
Equity Options Bought	26,174	Domestic & Foreign Alternatives	48,047	5,359
Equity Options Written	(18,095)	Securities Options Payable	(39,121)	(8,659)
Fixed Income Futures Long	7,043	Domestic & Foreign Alternatives	—	80,100
Fixed Income Futures Short	(17,100)	Domestic & Foreign Alternatives	—	(458,775)
Fixed Income Options Bought	(5,437)	Domestic & Foreign Alternatives	4,539	524,553
Foreign Currency Futures Short	(96)	Domestic & Foreign Alternatives	—	(18,750)
Foreign Currency Options Bought	(175)	Domestic & Foreign Alternatives	—	—
Futures Options Bought	(690)	Domestic & Foreign Alternatives	—	—
Future Options Written	911	Securities Options Payable	—	—
Fx Forwards	17,603	Foreign Common and Preferred Stock	2,291	\$ 813,415
Index Futures Long	(84,532)	Domestic & Foreign Alternatives	—	20,018
Index Futures Short	3,536	Domestic & Foreign Alternatives	—	—
Index Options Bought	122,393	Domestic & Foreign Alternatives	206,836	437
Index Options Written	(89,293)	Securities Options Payable	(159,954)	(659)
Pay Fixed Interest Rate Swaps	(3,912)	Domestic & Foreign Alternatives	(25)	\$ 9,689
Receive Fixed Interest Rate Swaps	(3,538)	Domestic & Foreign Alternatives	(4,717)	\$ 5,745
Total Return Swaps Bond	4,326	Domestic & Foreign Alternatives	—	\$ 1,482
Total Return Swaps Equity	(5,668)	Domestic & Foreign Alternatives	(2,193)	\$ (9,432)
Warrants	(2,200)	Domestic & Foreign Alternatives	356	\$ 11,707
<b>TOTAL</b>	<b>\$ 72,171</b>		<b>\$ 54,329</b>	

(1) Negative values refer to losses; change reflected in the net appreciation in fair value of investments for securities and alternative investments.

(2) Negative values refer to liabilities.

(3) Notional may be a dollar amount or quantity of underlying investment; negative values refer to short positions.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 7 – Deposits and Investments (*Continued*)

### DERIVATIVES (*Continued*)

The counterparty credit ratings of SBCERA's non-exchange traded investment derivative instruments outstanding and subject to loss as of June 30, 2021 and 2020 are displayed below.

### CREDIT QUALITY RATINGS (S&P) OF COUNTERPARTIES FOR INVESTMENT DERIVATIVES

As of June 30, 2021 and 2020

(Amounts in Thousands)

Counterparty Name	2021	2020	S&P Credit Rating
	Total Fair Value	Total Fair Value	
Bank of America	\$ —	\$ 605	A+
Barclays Bank	340	—	A
BNP Paribas	166	180	A+
Citibank N.A.	143	36	A+
Commonwealth Bank of Australia Sydney	—	232	AA-
Conversion Non Cash	18	159	N/A
Goldman Sachs + Co LLC	363	223	BBB+
Goldman Sachs International	912	276	A+
Goldman Sachs London LCH UK	106	—	BBB+
JP Morgan Securities Inc.	1,583	849	A-
JP Morgan FX	—	2	N/A
JP Morgan Chase Bank NA London	15	603	A+
JP Morgan Chase Bank, N.A.	932	391	A+
Merrill Lynch	—	43	N/A
Morgan Stanley LCH	—	8	BBB+
Royal Bank Of Canada	—	604	AA-
State Street Bank And Trust Company	2,794	690	AA-
State Street Bank London	1,999	—	A
UBS AG	—	315	A+
<b>TOTAL</b>	<b>\$ 9,371</b>	<b>\$ 5,216</b>	

The maximum exposure SBCERA would face in case of default of all counterparties is \$9.4 million and \$5.2 million as of June 30, 2021 and 2020, respectively. At June 30, 2021 and 2020, SBCERA did not have any significant exposure to counterparty credit risk with any single party. SBCERA does not have any specific policies relating to the posting of collateral or master netting agreements.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **NOTE 7 – Deposits and Investments (*Continued*)**

### **DERIVATIVES (*Continued*)**

As of June 30, 2021 and 2020, SBCERA is exposed to interest rate risk on its investments in various swap arrangements and fixed income options based on daily interest rates for LIBOR (London Interbank Offered Rate), EURIBOR (Euro Interbank Offered Rate), and federal funds rate. The following tables describe the maturity periods of these derivative instruments.

### **INVESTMENT MATURITIES**

As of June 30, 2021

(Amounts in Thousands)

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Credit Default Swaps Bought	\$ (3,132)	\$ —	\$ (3,132)	\$ —	\$ —
Credit Default Swaps Written	1,360	—	1,360	—	—
Fixed Income Options Bought	6,110	—	139	4,749	1,222
Pay Fixed Interest Rate Swaps	1	—	68	(3)	(64)
Receive Fixed Interest Rate Swaps	(2,036)	—	—	(2,036)	—
Total Return Swaps Equity	(768)	(65)	—	—	(703)
<b>TOTAL</b>	<b>\$ 1,535</b>	<b>\$ (65)</b>	<b>\$ (1,565)</b>	<b>\$ 2,710</b>	<b>\$ 455</b>

### **INVESTMENT MATURITIES**

As of June 30, 2020

(Amounts in Thousands)

Investment Type	Fair Value	Investment Maturities			
		Less than 1 Year	1-5 Years	6-10 Years	More than 10 Years
Credit Default Swaps Bought	\$ (1,874)	\$ —	\$ (1,874)	\$ —	\$ —
Credit Default Swaps Written	144	—	144	—	—
Fixed Income Options Bought	4,539	—	139	3,254	1,146
Pay Fixed Interest Rate Swaps	(25)	—	(27)	—	2
Receive Fixed Interest Rate Swaps	(4,717)	—	(4,717)	—	—
Total Return Swaps Equity	(2,193)	—	—	—	(2,193)
<b>TOTAL</b>	<b>\$ (4,126)</b>	<b>\$ —</b>	<b>\$ (6,335)</b>	<b>\$ 3,254</b>	<b>\$ (1,045)</b>

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## NOTE 7 – Deposits and Investments (*Continued*)

### DERIVATIVES (*Continued*)

SBCERA is exposed to foreign currency risk for its investments in derivative instruments denominated in foreign currencies that may be adversely affected by changes in the currency exchange rates as displayed below.

### NET EXPOSURE TO FOREIGN CURRENCY RISK FOR DERIVATIVE INSTRUMENTS

As of June 30, 2021

(Amounts in Thousands)

Currency	Fair Value	Options	Swaps	Forward Contracts	
				Net Receivables	Net Payables
Argentine Peso	\$ (279)	\$ –	\$ –	\$ –	\$ (279)
Brazilian Real	(36)	–	–	–	(36)
Canadian Dollar	88	–	–	88	–
Swiss Franc	3	–	–	3	–
Euro Currency	(901)	(129)	(2,049)	3,856	(2,579)
Pound Sterling	1,384	–	(192)	2,040	(464)
Japanese Yen	(230)	–	–	–	(230)
South Korean Won	(35)	–	–	–	(35)
Mexican Peso	3	–	–	14	(11)
Norwegian Krone	(52)	–	–	–	(52)
Peruvian Sol	98	–	–	365	(267)
Russian Ruble	54	–	–	54	–
Saudi Riyal	164	–	–	993	(829)
Swedish Krona	4	–	–	4	–
Turkish Lira	(20)	–	–	4	(24)
South African Rand	17	–	–	17	–
<b>TOTAL</b>	<b>\$ 262</b>	<b>\$ (129)</b>	<b>\$ (2,241)</b>	<b>\$ 7,438</b>	<b>\$ (4,806)</b>

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## NOTE 7 – Deposits and Investments (*Continued*)

### DERIVATIVES (*Continued*)

#### NET EXPOSURE TO FOREIGN CURRENCY RISK FOR DERIVATIVE INSTRUMENTS

As of June 30, 2020

(Amounts in Thousands)

Currency	Fair Value	Options	Swaps	Forward Contracts	
				Net Receivables	Net Payables
Brazilian Real	\$ 163	\$ –	\$ –	\$ 163	\$ –
Canadian Dollar	(67)	–	–	–	(67)
Euro Currency	(5,370)	7	(5,103)	–	(274)
Japanese Yen	13	–	–	13	–
Pound Sterling	2,623	–	312	2,317	(6)
Saudi Riyal	140	–	–	788	(648)
South African Rand	10	–	–	10	–
Swiss Franc	(5)	–	–	–	(5)
<b>TOTAL</b>	<b>\$ (2,493)</b>	<b>\$ 7</b>	<b>\$ (4,791)</b>	<b>\$ 3,291</b>	<b>\$ (1,000)</b>

At June 30, 2021 and 2020, SBCERA did not hold any positions in derivatives containing contingent features.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 7 – Deposits and Investments (*Continued*)**

### **Credit Risk**

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SBCERA seeks to maintain a diversified portfolio of debt investments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To mitigate credit risk, investment guidelines have been established for each manager investing on behalf of SBCERA.

Private placement investments' credit risk is controlled through limited partnership agreements and other applicable commingled fund documents. These investments are not rated by nationally recognized statistical rating organizations although they may be partly or wholly made up of individual securities rated by nationally recognized statistical rating organizations. The short-term cash investment funds consist primarily of open-ended mutual funds and external investment pools. These investments are not rated by a nationally recognized statistical rating organization. Therefore, they are disclosed as such in the aforementioned tables. Private placement investments considered fixed income investments are not shown in the following tables, but amount to \$87.9 million and \$95.6 million as of June 30, 2021 and 2020, respectively. U.S. Treasury obligations are considered obligations of the U.S. Government, are explicitly guaranteed by the U.S. Government, are not considered to have credit risk, and are not shown in the following tables, but amount to \$340.5 million and \$29.4 million as of June 30, 2021 and 2020, respectively.

The credit quality ratings of investments in fixed income securities and short-term cash investments by a nationally recognized statistical rating organization, Standard and Poor's (S&P) as of June 30, 2021 and 2020 follow.

## **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

### **Note 7 – Deposits and Investments (*Continued*)**

**Credit Risk (*Continued*)**

#### **CREDIT QUALITY RATINGS (S&P) OF FIXED INCOME AND SHORT-TERM CASH INVESTMENTS**

As of June 30, 2021

(Amounts in Thousands)

S&P Rating	Asset Backed	Corporate Bonds	Collateralized Mortgage Obligations	Emerging Market Debt	Foreign Bonds	Municipals	Short-Term Cash Investment Funds	Total
AAA	\$ –	\$ 26	\$ 646	\$ –	\$ –	\$ –	\$ –	\$ 672
AA	–	2,316	38,069	–	–	84	–	40,469
A	16	–	69	–	1,353	–	–	1,438
BBB	1,086	1,381	466	22,506	1,392	–	–	26,831
BB	8,724	37,229	2,690	–	17,617	–	–	66,260
B	14,437	32,845	5,990	–	46,903	–	–	100,175
CCC	5,544	29,230	7,354	28,413	18,168	–	–	88,709
CC	2,142	4,304	625	–	13	–	–	7,084
D	1,304	658	46	12,957	–	–	–	14,965
NR	82,038	72,578	82,306	16,309	450,593	26,393	2,078,026	2,808,243
NA <sup>1</sup>	10,330	61,647	–	15,199	–	749	–	87,925
<b>TOTAL</b>	<b>\$ 125,621</b>	<b>\$ 242,214</b>	<b>\$ 138,261</b>	<b>\$ 95,384</b>	<b>\$ 536,039</b>	<b>\$ 27,226</b>	<b>\$ 2,078,026</b>	<b>\$ 3,242,771</b>

(1) Private placements listed as NA.

Note: Table above does not include U.S. Treasury obligations, which amount to \$340,461 as these obligations are not subject to credit risk.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 7 – Deposits and Investments (*Continued*)**

**Credit Risk (*Continued*)**

### **CREDIT QUALITY RATINGS (S&P) OF FIXED INCOME AND SHORT-TERM CASH INVESTMENTS**

As of June 30, 2020

(Amounts in Thousands)

S&P Rating	Asset Backed	Corporate Bonds	Collateralized Mortgage Obligations	Emerging Market Debt	Foreign Bonds	Municipals	Short-Term Cash Investment Funds	Total
AAA	\$ 18	\$ 69	\$ 1,409	\$ –	\$ –	\$ –	\$ –	\$ 1,496
AA	–	15,178	31,748	–	–	1,363	–	48,289
A	18	–	–	–	–	–	–	18
BBB	944	14,941	584	5,805	13,542	–	–	35,816
BB	295	63,740	2,828	1,556	42,426	–	–	110,845
B	1,158	62,408	8,751	–	40,700	–	–	113,017
CCC	3,025	19,969	9,119	2,599	19,129	–	–	53,841
CC	12,419	4,214	2,009	18,147	–	–	–	36,789
D	2,954	8,143	106	17,608	1,570	–	–	30,381
NR	46,078	118,377	87,647	14,675	326,415	39,421	1,056,304	1,688,917
NA <sup>1</sup>	–	79,590	–	13,994	1,396	588	–	95,568
<b>TOTAL</b>	<b>\$ 66,909</b>	<b>\$ 386,629</b>	<b>\$ 144,201</b>	<b>\$ 74,384</b>	<b>\$ 445,178</b>	<b>\$ 41,372</b>	<b>\$ 1,056,304</b>	<b>\$ 2,214,977</b>

(1) Private placements listed as NA.

Note: Table above does not include U.S. Treasury obligations, which amount to \$29,367 as these obligations are not subject to credit risk.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 7 – Deposits and Investments (*Continued*)**

**CREDIT RISK (*Continued*)**

### **Custodial Credit Risk**

Custodial Credit Risk for deposits is the risk that, in the event of a financial institution's failure, SBCERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2021 and 2020, SBCERA's deposits with a financial institution are insured up to \$250 thousand by the Federal Deposit Insurance Corporation (FDIC) with the remaining balance exposed to custodial credit risk as it is not insured. However, the financial institution does collateralize the deposit of monies in excess of the FDIC insurance amount with eligible securities held by the pledging financial institution, but not in SBCERA's name. Deposits with San Bernardino County Treasurer's Investment Pool are not exposed to custodial credit risk as they are held in a trust fund in SBCERA's name. SBCERA does not have a general policy relating to custodial credit risk.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SBCERA would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in SBCERA's name, and held by the counterparty.

SBCERA's investment securities and collateral received through securities lending are not exposed to custodial credit risk because all securities are held by SBCERA's custodial bank in SBCERA's name or by other qualified third-party administrator trust accounts.

At June 30, 2021 and 2020, SBCERA did not hold any positions in derivatives containing contingent features.

### **Concentration of Credit Risk**

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2021 and 2020, SBCERA did not hold any investments in any one issuer that would represent 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. Generally, an investment with a longer maturity date has a greater sensitivity of its fair value to changes in market interest rates. One of the ways that SBCERA manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

To mitigate interest rate risk, the managers investing on behalf of SBCERA have applicable investment guidelines. Interest rate risk for emerging market and private placement debt investments is managed through limited partnership agreements and applicable fund documents.

## **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

### **Note 7 – Deposits and Investments (*Continued*)**

#### **INTEREST RATE RISK (*Continued*)**

As of June 30, 2021 and 2020, SBCERA had the following Fixed Income and Short-Term Cash Investments as displayed below.

#### **INTEREST RATE RISK OF FIXED INCOME AND SHORT-TERM CASH INVESTMENTS**

As of June 30, 2021

(Amounts in Thousands)

Investment Type	Fair Value	Investment Maturities			
		Less than 6 Months	6 Months to 1 Year	1-5 Years	More than 5 Years
Asset Backed	\$ 125,621	\$ 5,115	\$ —	\$ 21,888	\$ 98,618
Corporate Bonds	242,214	564	36,680	73,859	131,111
Collateralized Mortgage Obligations	138,261	—	17	3,163	135,081
Emerging Market Debt	95,384	6,839	2,914	17,252	68,379
Foreign Bonds	536,039	5,015	15,546	111,288	404,190
Municipals	27,226	4,729	61	3,101	19,335
Short-Term Cash Investment Funds	2,078,026	2,078,026	—	—	—
U.S. Treasury Obligations	340,461	336,345	—	—	4,116
<b>TOTAL</b>	<b>\$ 3,583,232</b>	<b>\$ 2,436,633</b>	<b>\$ 55,218</b>	<b>\$ 230,551</b>	<b>\$ 860,830</b>

#### **INTEREST RATE RISK OF FIXED INCOME AND SHORT-TERM CASH INVESTMENTS**

As of June 30, 2020

(Amounts in Thousands)

Investment Type	Fair Value	Investment Maturities			
		Less than 6 Months	6 Months to 1 Year	1-5 Years	More than 5 Years
Asset Backed	\$ 66,909	\$ 857	\$ —	\$ 13,616	\$ 52,436
Corporate Bonds	386,629	16,851	25,069	131,000	213,709
Collateralized Mortgage Obligations	144,201	867	62	4,990	138,282
Emerging Market Debt	74,384	2,143	7,205	22,048	42,988
Foreign Bonds	445,178	4,222	21,854	97,824	321,278
Municipals	41,372	4,508	163	4,201	32,500
Short-Term Cash Investment Funds	1,056,304	1,056,304	—	—	—
U.S. Treasury Obligations	29,367	6,222	24,973	—	(1,828)
<b>TOTAL</b>	<b>\$ 2,244,344</b>	<b>\$ 1,091,974</b>	<b>\$ 79,326</b>	<b>\$ 273,679</b>	<b>\$ 799,365</b>

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **NOTE 7 – Deposits and Investments (*Continued*)**

### **Foreign Currency Risk**

SBCERA's exposure to foreign currency risk primarily derives from its positions in foreign currency denominated international equity, fixed income investments, and foreign currency overlay exposure. SBCERA's investment policy allows international managers to enter into foreign exchange contracts provided the contracts have a maturity of one year or less and are limited to hedging currency exposure existing in the portfolio. Specific managers in international equities or fixed income may engage in the active management of currencies, per individual investment agreements approved by the Board.

SBCERA's net exposure to foreign currency risk in U.S. dollars as of June 30, 2021 and 2020 is displayed below.

### **NET EXPOSURE TO FOREIGN CURRENCY RISK**

As of June 30, 2021 and 2020

(Amounts in Thousands)

Currency	2021				2020			
	Fair Value	Fixed Income	Equity	Cash	Fair Value	Fixed Income	Equity	Cash
Argentine Peso	\$ 1,664	\$ 1,655	\$ –	\$ 9	\$ 1,633	\$ 1,624	\$ –	\$ 9
Australian Dollar	42,329	–	32,553	9,776	23,674	–	21,903	1,771
Brazilian Real	9,531	–	9,531	–	2,330	–	2,330	–
Canadian Dollar	16,584	–	15,967	617	8,610	–	8,560	50
Euro Currency	830,234	242,882	489,900	97,452	579,290	187,472	350,769	41,049
Hong Kong Dollar	1,314	–	–	1,314	3,331	–	–	3,331
Indonesian Rupiah	76	–	76	–	77	–	77	–
Japanese Yen	–	–	–	–	13,813	–	–	13,813
Mexican Peso	896	896	–	–	–	–	–	–
Pound Sterling	154,696	9,916	115,829	28,951	122,689	12,523	95,979	14,187
Swedish Krona	8,025	5,614	–	2,411	–	–	–	–
Swiss Franc	18	–	1	17	16	–	1	15
<b>TOTAL</b>	<b>\$ 1,065,367</b>	<b>\$ 260,963</b>	<b>\$ 663,857</b>	<b>\$ 140,547</b>	<b>\$ 755,463</b>	<b>\$ 201,619</b>	<b>\$ 479,619</b>	<b>\$ 74,225</b>

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (*Continued*)

## Note 7 – Deposits and Investments (*Continued*)

### Rate of Return

For the years ended June 30, 2021 and 2020, the annual money-weighted rate of return on the assets of the Plan, net of investment expense, was 33.2% and (2.9)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

### Commitments to Fund Partnerships

As of June 30, 2021 and 2020, the total capital commitments to fund partnerships were \$5.5 billion and \$4.9 billion, respectively. Of this amount, \$1.3 billion and \$1.1 billion, respectively, remained unfunded and is not recorded on the SBCERA Statements of Fiduciary Net Position as of June 30, 2021 and 2020. The following tables depict the total commitments and unfunded commitments, respectively, by asset class.

### TOTAL COMMITMENTS AND UNFUNDED COMMITMENTS TO FUND PARTNERSHIPS BY ASSET CLASS

As of June 30, 2021 and 2020  
(Amounts in Thousands)

Asset Class	2021		2020	
	Total Commitments	Unfunded Commitments	Total Commitments	Unfunded Commitments
Real Estate	\$ 892,312	\$ 221,343	\$ 752,024	\$ 131,732
Alternatives	4,589,802	1,122,000	4,134,846	937,117
<b>TOTAL</b>	<b>\$ 5,482,114</b>	<b>\$ 1,343,343</b>	<b>\$ 4,886,870</b>	<b>\$ 1,068,849</b>

### Fair Value Measurements

SBCERA categorizes its fair value measurements of its investments based on the fair value hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets. Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable. Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable.

The tables on the next two pages depict the fair value measurements as of June 30, 2021 and 2020.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (Continued)

## Note 7 – Deposits and Investments (Continued)

### FAIR VALUE MEASUREMENTS (Continued)

#### INVESTMENTS AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE

As of June 30, 2021

(Amounts in Thousands)

Investment Type	Fair Value Measurements Using			
	June 30, 2020	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Short-Term Cash Investment Funds	\$ 2,078,026	\$ 505,142	\$ 1,572,884	\$ —
Emerging Market Debt	80,185	—	80,163	22
<b>United States Government Obligations and Other Municipals:</b>				
U.S. Treasury	340,461	129,985	210,476	—
Municipals	27,226	—	27,226	—
<b>Total US Government Obligations and Other Municipals:</b>	<b>367,687</b>	<b>129,985</b>	<b>237,702</b>	<b>—</b>
<b>Domestic Bonds:</b>				
Asset Backed	125,621	—	49,870	75,751
Collateralized Mortgage Obligations	138,261	—	126,851	11,410
Corporate Bonds	242,214	—	222,951	19,263
<b>Total Domestic Bonds</b>	<b>506,096</b>	<b>—</b>	<b>399,672</b>	<b>106,424</b>
Foreign Bonds	536,039	—	510,771	25,268
Domestic Common and Preferred Stock	1,609,376	1,601,378	3,607	4,391
Foreign Common and Preferred Stock	933,217	924,186	8,861	170
Investments of Cash Collateral Received on Securities Lending	102,597	—	102,597	—
Domestic Alternatives	194,342	400	37,544	156,398
Foreign Alternatives	506,420	302	284,299	221,819
<b>TOTAL INVESTMENTS BY FAIR VALUE LEVEL</b>	<b>\$ 6,913,985</b>	<b>\$ 3,161,393</b>	<b>\$ 3,238,100</b>	<b>\$ 514,492</b>
<b>Investment Derivative Instruments</b>				
Swaps	\$ (5,446)	\$ —	\$ (5,446)	\$ —
Options	21,128	904	20,224	—
Forward Contracts	2,632	2,632	—	—
Warrants	3,226	\$ 50	2,260	\$ 916
<b>TOTAL INVESTMENT DERIVATIVE INSTRUMENTS</b>	<b>\$ 21,540</b>	<b>\$ 3,586</b>	<b>\$ 17,038</b>	<b>\$ 916</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Emerging Market Debt	\$ 15,199	—	—	—
Domestic Common and Preferred Stock	—	—	—	—
Foreign Common and Preferred Stock	134,950	—	—	—
Real Estate	513,393	—	—	—
<b>Domestic Alternatives:</b>				
Absolute Return Composite	1,128,646	—	—	—
Non-U.S. Developed Credit	265,200	—	—	—
Private Equity - Commodities	423,208	—	—	—
Private Equity - Composite	2,353,457	—	—	—
Private Equity - Infrastructure	237	—	—	—
Private Equity - Real Assets	22,246	—	—	—
U.S. Credit Strategies	456,320	—	—	—
<b>Total Domestic Alternatives</b>	<b>4,649,314</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Foreign Alternatives:</b>				
Absolute Return Composite	1,285	—	—	—
Non-U.S. Developed Credit	839,361	—	—	—
Private Equity - Composite	582,859	—	—	—
<b>Total Foreign Alternatives</b>	<b>1,423,505</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL INVESTMENTS MEASURED AT THE NAV</b>	<b>\$ 6,736,361</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>TOTAL INVESTMENTS MEASURED AT FAIR VALUE</b>	<b>\$ 13,671,886</b>	<b>—</b>	<b>—</b>	<b>—</b>

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (Continued)

## Note 7 – Deposits and Investments (Continued)

### FAIR VALUE MEASUREMENTS (Continued)

#### INVESTMENTS AND DERIVATIVE INSTRUMENTS MEASURED AT FAIR VALUE

As of June 30, 2020

(Amounts in Thousands)

Investment Type	June 30, 2020	Fair Value Measurements Using		
		Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Short-Term Cash Investment Funds	\$ 1,056,304	\$ 489,007	\$ 567,297	\$ –
Emerging Market Debt	60,390	–	60,282	108
United States Government Obligations and Other Municipals:				
U.S. Treasury	29,367	–	29,367	–
Municipals	41,372	–	41,372	–
<b>Total US Government Obligations and Other Municipals</b>	<b>70,739</b>	<b>–</b>	<b>70,739</b>	<b>–</b>
Domestic Bonds:				
Asset Backed	66,909	–	66,575	334
Collateralized Mortgage Obligations	144,201	–	144,201	–
Corporate Bonds	386,629	–	382,613	4,016
<b>Total Domestic Bonds</b>	<b>597,739</b>	<b>–</b>	<b>593,389</b>	<b>4,350</b>
Foreign Bonds	445,178	–	438,196	6,982
Domestic Common and Preferred Stock	1,203,528	1,196,686	2,800	4,042
Foreign Common and Preferred Stock	628,297	628,297	–	–
Investments of Cash Collateral Received on Securities Lending	6,607	–	6,607	–
Domestic Alternatives	134,102	2,654	7,991	123,457
Foreign Alternatives	404,746	7	290,980	113,759
<b>TOTAL INVESTMENTS BY FAIR VALUE LEVEL</b>	<b>\$ 4,607,630</b>	<b>\$ 2,316,651</b>	<b>\$ 2,038,281</b>	<b>\$ 252,698</b>
<b>Investment Derivative Instruments</b>				
Swaps	\$ (8,665)	\$ –	\$ (8,665)	\$ –
Options	259,422	–	259,422	–
Forward Contracts	2,291	2,291	–	–
Warrants	356	–	39	317
<b>TOTAL INVESTMENT DERIVATIVE INSTRUMENTS</b>	<b>\$ 253,404</b>	<b>\$ 2,291</b>	<b>\$ 250,796</b>	<b>\$ 317</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Emerging Market Debt	\$ 13,994			
Domestic Common and Preferred Stock	4,724			
Foreign Common and Preferred Stock	111,327			
Real Estate	458,281			
Domestic Alternatives:				
Absolute Return Composite	952,057			
Non-U.S. Developed Credit	188,741			
Private Equity - Commodities	302,299			
Private Equity - Composite	1,885,932			
Private Equity - Infrastructure	417			
Private Equity - Real Assets	34,176			
U.S. Credit Strategies	349,623			
<b>Total Domestic Alternatives</b>	<b>3,713,245</b>			
Foreign Alternatives:				
Absolute Return Composite	1,082			
Non-U.S. Developed Credit	848,136			
Private Equity - Composite	410,649			
<b>Total Foreign Alternatives</b>	<b>1,259,867</b>			
<b>TOTAL INVESTMENTS MEASURED AT THE NAV</b>	<b>\$ 5,561,438</b>			
<b>TOTAL INVESTMENTS MEASURED AT FAIR VALUE</b>	<b>\$ 10,422,472</b>			

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 7 – Deposits and Investments (*Continued*)**

### **FAIR VALUE MEASUREMENTS (*Continued*)**

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements, in their entirety, are categorized based on the lowest level input that is significant to the valuation. SBCERA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Investments are measured by type of investment as follows:

Short-term cash investments generally include investments in currency, classified in Level 1 of the fair value hierarchy at fair value, and money market-type securities, and other short-term investment funds, classified in Level 2 of the fair value hierarchy at fair value.

Debt securities includes emerging market debt, U.S. Government obligations and other municipals, domestic bonds, and foreign bonds. Debt securities classified in Level 2 of the fair value hierarchy are valued using the matrix pricing technique or the discounted cash flow method. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 of the fair value hierarchy are valued using the discounted cash flow method or proprietary pricing information.

Equity securities includes domestic and foreign common and preferred stock. Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities. Equity securities classified in Level 3 of the fair value hierarchy are valued with last trade data having limited trading volume.

Cash collateral received on securities lending consists primarily of U.S. Government debt obligations, and also includes domestic equity, domestic fixed income, international equity, and international fixed income securities classified in Level 2 of the fair value hierarchy using prices quoted in active markets for similar securities.

Alternative securities include domestic and foreign alternatives. Alternative securities classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Alternative securities classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities. Alternative securities classified in Level 3 of the fair value hierarchy are valued using the discounted cash flow method or proprietary pricing information.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using a market approach using prices quoted in active markets for those securities. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

The fair value of investments in certain equity, fixed income, real estate, and marketable alternatives are based on the investment's net asset value (NAV) per share (or its equivalent) provided by the investee. The fair values of investments in certain private equity funds have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Such fair value measurements are shown in the tables on the next two pages as of June 30, 2021 and 2020.

# Notes to the Basic Financial Statements

June 30, 2021 and 2020 (Continued)

## INVESTMENTS MEASURED AT THE NAV

As of June 30, 2021

(Amounts in Thousands)

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency <sup>1</sup>	Redemption Notice Period
Emerging Market Debt	\$ 15,199	\$ —	NA	NA
Foreign Common and Preferred Stock	134,950	—	D,Q	30-60 days
Real Estate	513,393	221,343	D,Q,NA	D, 30-90 days, NA
<b>Domestic Alternatives:</b>				
Absolute Return Composite	1,128,646	37,677	D,Q,NA	D, 65-180 days, NA
Non-U.S. Developed Credit	265,200	—	NA	NA
Private Equity - Commodities	423,208	19,261	A, NA	180 days, NA
Private Equity - Composite	2,353,457	804,579	D,Q,SA,NA	30-185 days, NA
Private Equity - Infrastructure	237	881	D	3 days
Private Equity - Real Assets	22,246	—	NA	NA
U.S. Credit Strategies	456,320	—	D,Q,SA,NA	30-180 days, NA
<b>Total Domestic Alternatives</b>	<b>4,649,314</b>	<b>862,398</b>		
<b>Foreign Alternatives:</b>				
Absolute Return Composite	1,285	8,415	NA	NA
Non-U.S. Developed Credit	839,361	14,412	NA	NA
Private Equity - Composite	582,859	236,775	NA	NA
<b>Total Foreign Alternatives</b>	<b>1,423,505</b>	<b>259,602</b>		
<b>TOTAL INVESTMENTS MEASURED AT THE NAV</b>	<b>\$ 6,736,361</b>	<b>\$ 1,343,343</b>		

## INVESTMENTS MEASURED AT THE NET ASSET VALUE (NAV)

As of June 30, 2020

(Amounts in Thousands)

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency <sup>1</sup>	Redemption Notice Period
Emerging Market Debt	\$ 13,994	\$ —	NA	NA
Domestic Common and Preferred Stock	4,724	—	NA	NA
Foreign Common and Preferred Stock	111,327	—	D,Q	30-60 days
Real Estate	458,281	131,732	D,Q,NA	D, 30-90 days, NA
<b>Domestic Alternatives:</b>				
Absolute Return Composite	952,057	26,792	D,Q,NA	D, 65-180 days, NA
Non-U.S. Developed Credit	188,741	—	NA	NA
Private Equity - Commodities	302,299	20,306	A, NA	180 days, NA
Private Equity - Composite	1,885,932	653,787	D,Q,SA,NA	30-185 days, NA
Private Equity - Infrastructure	417	881	D	3 days
Private Equity - Real Assets	34,176	—	NA	NA
U.S. Credit Strategies	349,623	—	D,Q,SA,NA	30-180 days, NA
<b>Total Domestic Alternatives</b>	<b>3,713,245</b>	<b>701,766</b>		
<b>Foreign Alternatives:</b>				
Absolute Return Composite	1,082	8,041	NA	NA
Non-U.S. Developed Credit	848,136	—	D, NA	30 days, NA
Private Equity - Composite	410,649	227,310	NA	NA
<b>Total Foreign Alternatives</b>	<b>1,259,867</b>	<b>235,351</b>		
<b>TOTAL INVESTMENTS MEASURED AT THE NAV</b>	<b>\$ 5,561,438</b>	<b>\$ 1,068,849</b>		

(1) D= Daily, M= Monthly, Q= Quarterly, SA= Semi-Annually, A= Annually, NA= Not Applicable

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 7 – Deposits and Investments (*Continued*)**

### **FAIR VALUE MEASUREMENTS (*Continued*)**

The investment types listed in the tables above were measured at the NAV as follows:

Emerging market debt includes investments in alternative funds that invest primarily in debt in emerging markets to access income from a broader global pool of assets. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments in this category are not redeemable as of June 30, 2021 and 2020. It is expected that the underlying assets of the funds will be liquidated over the next ten years.

Foreign common and preferred stock includes investments in equities that invest in assets that focus on global credit strategies to provide an income-focus by utilizing credit dislocation opportunities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. As of June 30, 2021 and 2020, 100% of investments in this category are redeemable with a 30-60 day notice.

Real estate investments provide stable income and participation in broad economic growth. This type includes real estate funds that invest in global commercial real estate and commingled funds. 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. As of June 30, 2021 and 2020, 65% and 66% of investments in this category are redeemable with a daily or 30-90 day notice.

Domestic alternatives: Absolute return composite provides income and diversification through below investment grade credit and distressed debt strategies. This type includes credit and debt securities. As of June 30, 2021 and 2020, 68% of investments in this category are redeemable with a 65-180 day notice. It is expected that the underlying assets of the funds will be liquidated over the next two to five years.

Domestic alternatives: Non-U.S. developed credit provides access to income from a broader pool of assets in Europe. This type includes investments in funds that focus on corporate and sovereign bonds of developed economies issued in U.S. dollars. Investments in this category are not redeemable as of June 30, 2021 and 2020.

Domestic alternatives: Private equity – commodities provide exposure to inflation related assets and includes investments in partnerships that focus on natural resources and energy. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. As of June 30, 2021 and 2020, 92% and 90%, respectively, of investments in this category are redeemable with a 180 day notice. It is expected that the underlying assets of the funds will be liquidated over the next eight years.

Domestic alternatives: Private equity – composite provides participation in equity and debt instruments that provide for a premium on illiquid assets. This type includes investments in partnerships as a limited partner that invest in private equity and private debt. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. As of June 30, 2021 and 2020, 28% and 33%, respectively, of investments in this category are redeemable with a 30-185 day notice. It is expected that the underlying assets of the funds will be liquidated over the next ten years.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 7 – Deposits and Investments (*Continued*)**

### **FAIR VALUE MEASUREMENTS (*Continued*)**

Domestic alternatives: Private equity – infrastructure provides participation in equity and debt instruments that provide for a premium on illiquid assets. This type includes investments in partnerships that focus on infrastructure in highly regulated markets. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. The underlying assets of the funds are currently in liquidation.

Domestic alternatives: Private equity – real assets provide exposure to inflation related assets and includes investments in partnerships that focus on real assets including timber and wetlands. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments in this category are not redeemable as of June 30, 2021 and 2020. It is expected that the underlying assets of the funds will be liquidated over the next two years.

Domestic alternatives: U.S. credit strategies include investments in assets that focus on U.S. credit strategies to provide an income-focus by utilizing credit dislocation. This type includes investments in funds that focus on credit strategies, including direct loans, securitized products, and public-traded debt products. As of June 30, 2021 and 2020, 87% and 96%, respectively, of investments in this category are redeemable with a 30-180 day notice. It is expected that the underlying assets of the funds will be liquidated over the next year, unless the partnership agreement allows for an indefinite continuance.

Foreign alternatives: Absolute return composite provides income and diversity through below investment grade global credit and distressed debt strategies. This type includes global credit and debt securities. Investments in this category are not redeemable as of June 30, 2021 and 2020. It is expected that the underlying assets of the funds will be liquidated over the next year.

Foreign alternatives: Non-U.S. developed credit provides access to income from a broader pool of assets in Europe. This type includes investments in funds that focus on corporate and sovereign bonds of developed economies. Only 0% and 3% of investments in this category are redeemable as of June 30, 2021 and 2020. The remaining assets may not be redeemed.

Foreign alternatives: Private equity – composite provides participation in equity and debt instruments that provide for a premium on illiquid assets. This type includes investments in partnerships as a limited partner that invest in private equity and private debt. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments in this category are not redeemable as of June 30, 2021 and 2020. It is expected that the underlying assets of the funds will be liquidated over the next twelve years.

# **Notes to the Basic Financial Statements**

June 30, 2021 and 2020 (*Continued*)

## **Note 8 – Related Party Transactions**

By necessity, SBCERA has entered into a Memorandum of Understanding with San Bernardino County (County), a participating employer, to provide administrative services in the areas of information technology, staff payroll, telecommunications, postage and mailing, motor pool services, and Board elections. SBCERA's payments to the County for the years ended June 30, 2021 and 2020 were \$142.2 thousand and \$359.7 thousand, respectively.

## **Note 9 – Litigation**

SBCERA is subject to legal proceedings and claims which have risen in the ordinary course of its business and have not been finally adjudicated. These actions, when finally concluded and determined, will not, in the opinion of the management of SBCERA, have a material adverse effect upon the financial position of SBCERA.

On July 30, 2020, the California Supreme Court filed its decision in Alameda County Deputy Sheriff's Assn. v Alameda County Employees' Retirement Assn., Cal. Supreme Court Case No. S247095, which became final on August 30, 2020 (the "Alameda Decision"). The Alameda Decision overturns certain legal and equitable determinations in the First DCA in Alameda and concludes that all amendments to the definition of Compensation Earnable in Government Code section 31641, enacted as a result of the Public Employees' Pension Reform Act of 2013 and related statutory changes to CERL ("PEPRA"), effective January 1, 2013 are constitutional, and that CERL retirement boards may not be contractually bound or estoppel by settlement agreements, board resolutions, or other similar actions, from implementing those amendments. The Alameda Decision further determines that CERL retirement boards may not include items in compensation earnable that section 31461 requires them to exclude. SBCERA's implementation of the Alameda Decision has not been completed, and is being directed by Board resolution. Affected members will have their benefits adjusted based on new Compensation Earnable amounts that do not include the amounts that the Alameda Decision has determined must be excluded. Affected members who have not yet retired, or still have contributions on deposit with SBCERA will receive a corrective distribution that includes a return of the member contributions made for those items excluded pursuant to the Alameda Decision.

# Required Supplementary Information

(Unaudited)

## SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Amounts in Thousands)

Years Ended June 30	(a) Actuarially Determined Contributions <sup>1</sup>	(b) Actual Contributions <sup>1</sup>	(a) - (b) Contribution Deficiency (Excess)	(c) Covered Payroll <sup>2</sup>	(b) / (c) Contributions as a % of Covered Payroll
2012	\$ 210,000	\$ 210,000	—	\$ 1,244,555	16.87%
2013	248,841	248,841	—	1,260,309	19.74%
2014	278,352	278,352	—	1,262,752	22.04%
2015	303,244	303,244	—	1,267,667	23.92%
2016	340,512	340,512	—	1,309,095	26.01%
2017	360,478	360,478	—	1,346,408	26.77%
2018	378,668	378,668	—	1,406,470	26.92%
2019	446,295	446,295	—	1,477,131	30.21%
2020	467,985	467,985	—	1,542,495	30.34%
2021	498,747	498,747	—	1,587,324	31.42%

## SCHEDULE OF INVESTMENT RETURNS

Years Ended June 30 <sup>3</sup>	Annual Money Weighted Rate of Return, Net of Investment Expense
2013	14.64%
2014	12.25%
2015	3.49%
2016	(0.97)%
2017	13.47%
2018	8.64%
2019	5.01%
2020	(2.87)%
2021	33.17%

(1) The Board has approved all contribution rates recommended by the Plan's actuary. Actuarially determined contributions include contributions required for the survivor benefit, and excludes employer paid member contributions, UAAL prepayments, Golden Handshake payments, funds deposited for purchase of service credit, payments made by withdrawn employers, member paid employer contributions, and member contributions. Commencing with the year ended June 30, 2015, member paid employer contributions are included in actuarially determined contributions.

(2) Covered payroll represents the collective total of SBCERA eligible wages of all SBCERA participating employers. The covered payroll shown is an estimate based on the prior year's valuation for each date shown.

(3) Data for the year ended June 30, 2012 is not available in a comparable format.

See accompanying notes to the Required Supplementary Information.

## **Required Supplementary Information**

(Unaudited) (Continued)

### **SCHEDULE OF CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS AND RELATED RATIOS**

(Amounts in Thousands)

		June 30, 2021	June 30, 2020	June 30, 2019
<b>Total Pension Liability</b>				
Service Cost		\$ 362,444	\$ 343,547	\$ 334,062
Interest		1,038,764	966,648	916,790
Differences Between Expected and Actual Experience		51,632	24,948	27,389
Changes of Assumptions		—	281,860	—
Changes in Benefit Terms		(132,810)	—	—
Benefit Payments, Including Refunds of Member Contributions		(660,822)	(621,564)	(578,508)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>		<b>659,208</b>	<b>995,439</b>	<b>699,733</b>
Total Pension Liability - Beginning		14,295,742	13,300,303	12,600,570
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>a</b>	<b>\$ 14,954,950</b>	<b>\$ 14,295,742</b>	<b>\$ 13,300,303</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employers <sup>1</sup>		\$ 498,747	\$ 467,985	\$ 446,295
Contributions - Members <sup>1</sup>		172,953	169,183	163,552
Transfer from an Outside Plan		—	—	—
Net Investment Income/(Loss)		3,353,153	(302,050)	502,753
Benefit Payments, Including Refunds of Member Contributions		(660,822)	(621,564)	(578,508)
Administrative Expenses		(9,720)	(9,019)	(9,383)
Other Expenses		(4,792)	(5,608)	(3,292)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>		<b>3,349,519</b>	<b>(301,073)</b>	<b>521,417</b>
Plan Fiduciary Net Position - Beginning		10,287,334	10,588,407	10,066,990
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>b</b>	<b>\$ 13,636,853</b>	<b>\$ 10,287,334</b>	<b>\$ 10,588,407</b>
<b>NET PENSION LIABILITY</b>	<b>a-b=c</b>	<b>\$ 1,318,097</b>	<b>\$ 4,008,408</b>	<b>\$ 2,711,896</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>b/a</b>	<b>91.19 %</b>	<b>71.96 %</b>	<b>79.61 %</b>
<b>COVERED PAYROLL<sup>2</sup></b>	<b>d</b>	<b>\$ 1,587,324</b>	<b>\$ 1,542,495</b>	<b>\$ 1,477,131</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>c/d</b>	<b>83.04 %</b>	<b>259.87 %</b>	<b>183.59 %</b>

(1) Commencing with the year ended June 30, 2015, member paid employer contributions are included in employer contributions, and employer paid member contributions are included in member contributions.

(2) Covered payroll represents the collective total of SBCERA eligible wages of all SBCERA participating employers. The covered payroll shown is an estimate based on the prior year's valuation for each date shown.

Note: Data as of June 30, 2012 is not available in a comparable format.  
See accompanying notes to the Required Supplementary Information.

## Required Supplementary Information

(Unaudited) *(Continued)*

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS AND RELATED RATIOS

(Amounts in Thousands) *(Continued)*

	June 30, 2018	June 30, 2017	June 30, 2016
<b>Total Pension Liability</b>			
Service Cost	\$ 321,931	\$ 300,779	\$ 295,458
Interest	868,277	803,778	770,842
Differences Between Expected and Actual Experience	25,714	(10,634)	(151,493)
Changes of Assumptions	—	662,714	—
Changes in Benefit Terms	—	—	—
Benefit Payments, Including Refunds of Member Contributions	(539,297)	(497,904)	(464,068)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>676,625</b>	<b>1,258,733</b>	<b>450,739</b>
<b>Total Pension Liability - Beginning</b>	<b>11,923,945</b>	<b>10,665,212</b>	<b>10,214,473</b>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>a \$ 12,600,570</b>	<b>\$ 11,923,945</b>	<b>\$ 10,665,212</b>
<b>Plan Fiduciary Net Position</b>			
Contributions - Employers <sup>1</sup>	\$ 378,668	\$ 360,478	\$ 340,512
Contributions - Members <sup>1</sup>	149,478	143,858	139,132
Transfer from an Outside Plan	4,312	—	—
Net Investment Income/(Loss)	797,480	1,098,198	(80,028)
Benefit Payments, Including Refunds of Member Contributions	(539,297)	(497,904)	(464,068)
Administrative Expenses	(8,752)	(9,961)	(7,569)
Other Expenses	(3,340)	(3,202)	(2,664)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>778,549</b>	<b>1,091,467</b>	<b>(74,685)</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>9,288,441</b>	<b>8,196,974</b>	<b>8,271,659</b>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>b \$ 10,066,990</b>	<b>\$ 9,288,441</b>	<b>\$ 8,196,974</b>
<b>NET PENSION LIABILITY</b>	<b>a-b=c \$ 2,533,580</b>	<b>\$ 2,635,504</b>	<b>\$ 2,468,238</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>b/a 79.89 %</b>	<b>77.90 %</b>	<b>76.86 %</b>
<b>COVERED PAYROLL<sup>2</sup></b>	<b>d \$ 1,406,470</b>	<b>\$ 1,346,408</b>	<b>\$ 1,309,095</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>c/d 180.14 %</b>	<b>195.74 %</b>	<b>188.55 %</b>

(1) Commencing with the year ended June 30, 2015, member paid employer contributions are included in employer contributions, and employer paid member contributions are included in member contributions.

(2) Covered payroll represents the collective total of SBCERA eligible wages of all SBCERA participating employers. The covered payroll shown is an estimate based on the prior year's valuation for each date shown.

Note: Data as of 2012 is not available in a comparable format.  
See accompanying notes to the Required Supplementary Information.

## Required Supplementary Information

(Unaudited) (Continued)

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS AND RELATED RATIOS (Amounts in Thousands) (Continued)

		June 30, 2015	June 30, 2014	June 30, 2013
<b>Total Pension Liability</b>				
Service Cost		\$ 290,642	\$ 271,473	\$ 273,020
Interest		732,842	709,993	673,932
Differences Between Expected and Actual Experience		(75,362)	(306,201)	(97,497)
Changes of Assumptions		—	328,748	—
Changes in Benefit Terms		—	—	—
Benefit Payments, Including Refunds of Member Contributions		(428,475)	(397,823)	(367,396)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>		<b>519,647</b>	<b>606,190</b>	<b>482,059</b>
<b>Total Pension Liability - Beginning</b>		<b>9,694,826</b>	<b>9,088,636</b>	<b>8,606,577</b>
<b>TOTAL PENSION LIABILITY - ENDING</b>	<b>a</b>	<b>\$ 10,214,473</b>	<b>\$ 9,694,826</b>	<b>\$ 9,088,636</b>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employers <sup>1</sup>		\$ 303,244	\$ 330,330	\$ 303,080
Contributions - Members <sup>1</sup>		129,895	89,861	91,056
Transfer from an Outside Plan		—	—	—
Net Investment Income/(Loss)		280,842	877,018	912,310
Benefit Payments, Including Refunds of Member Contributions		(428,475)	(397,823)	(367,396)
Administrative Expenses		(6,710)	(6,386)	(6,258)
Other Expenses		(2,208)	(2,483)	(1,572)
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>		<b>276,588</b>	<b>890,517</b>	<b>931,220</b>
<b>Plan Fiduciary Net Position - Beginning</b>		<b>\$ 7,995,071</b>	<b>\$ 7,104,554</b>	<b>\$ 6,173,334</b>
<b>PLAN FIDUCIARY NET POSITION - ENDING</b>	<b>b</b>	<b>\$ 8,271,659</b>	<b>\$ 7,995,071</b>	<b>\$ 7,104,554</b>
<b>NET PENSION LIABILITY</b>	<b>a-b=c</b>	<b>\$ 1,942,814</b>	<b>\$ 1,699,755</b>	<b>\$ 1,984,082</b>
<b>PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY</b>	<b>b/a</b>	<b>80.98 %</b>	<b>82.47 %</b>	<b>78.17 %</b>
<b>COVERED PAYROLL<sup>2</sup></b>	<b>d</b>	<b>\$ 1,267,667</b>	<b>\$ 1,262,752</b>	<b>\$ 1,260,309</b>
<b>NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL</b>	<b>c/d</b>	<b>153.26 %</b>	<b>134.61 %</b>	<b>157.43 %</b>

(1) Commencing with the year ended June 30, 2015, member paid employer contributions are included in employer contributions, and employer paid member contributions are included in member contributions.

(2) Covered payroll represents the collective total of SBCERA eligible wages of all SBCERA participating employers. The covered payroll shown is an estimate based on the prior year's valuation for each date shown.

Note: Data as of 2012 is not available in a comparable format.

See accompanying notes to the Required Supplementary Information.

# **Notes to the Required Supplementary Information**

(Unaudited)

## **Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability**

The net pension liability (NPL) of participating employers was measured as of June 30, 2013 through 2021 and determined based upon the total pension liability from actuarial valuations as of June 30, 2013 through 2021, respectively.

### **Changes in Benefit Terms**

For the year ended June 30, 2013: In September 2012, Governor Edmund G. Brown, Jr. (Governor Brown) signed the PEPRA, which resulted in the creation of two new benefit formulas for members entering SBCERA on or after January 1, 2013 (and who are not "reciprocal" with another pension system) as follows: 2.5% at age 67 for General members and 2.7% at age 57 for Safety members. PEPRA also caps pensionable compensation, reduces the amount of pay items eligible for pensionable compensation, increases the final average compensation used to calculate benefits from highest one-year average to a highest three-year average, and requires members to pay at least 50% of the total normal cost of the Plan. SBCERA members subject to the provisions of PEPRA are considered Tier 2 members.

For the year ended June 30, 2014: On September 6, 2013, Governor Brown approved Assembly Bill 1380 (AB 1380), which makes various technical corrections and conforming changes that align the CERL with the provisions of the PEPRA. In particular, the bill clarifies that Tier 2 members are eligible to retire at age 70, regardless of years of service, that the Board may, but is not required to, round Tier 2 contribution rates to the nearest quarter of one percent, and that those rates may be adjusted for any change in the normal cost rate. AB 1380 was effective January 1, 2014.

The addition of a new tier of benefits and the subsequent technical corrections stated above did not result in a significant change in the net pension liability of participating employers during the year in which the change was effective.

There were no changes in benefit terms for the years ended June 30, 2015 through 2021.

### **Changes of Methods and Assumptions**

The actuarial methods and assumptions used in actuarial valuations, for the years ended June 30, 2015 through 2021, were based on the results of Board approved triennial actuarial experience studies prepared by the Plan's independent actuary. The actuarial methods and assumptions used in determining the net pension liability are the same actuarial methods and assumptions used in determining contribution rates, except for the asset valuation method. For purposes of determining net pension liability, the fair value of assets was used for the years ended June 30, 2015 through 2021. See schedules of changes to actuarial methods and assumptions shown on the following page for actuarial methods and assumptions used for the years ended June 30, 2015 through 2021. Note: The discount rate of return used for the years ended June 30, 2015 through 2021 is equal to the investment rate of return shown on the following page.

## **Notes to the Required Supplementary Information**

(Unaudited) *(Continued)*

### **Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability *(Continued)***

Actuarially determined contributions are established and may be amended by the Board, based on an annual actuarial valuation and review, pursuant to Article 1 of the CERL. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, two years prior to the end of the year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule for the years ended June 30, 2011 through 2021 (adjustments were made to more closely reflect actual experience unless indicated otherwise).

### **SCHEDULE OF ACTUARIAL EXPERIENCE STUDIES**

For the Years Ended June 30, 2011 through 2021

<b>Years Ended June 30</b>	<b>Date of Actuarial Experience Study</b>	<b>Periods Covered in Actuarial Experience Study</b>
2011 to 2013	June 30, 2011	3 Year Period Ended 6/30/2011
2014 to 2016	June 30, 2014	3 Year Period Ended 6/30/2013
2017 to 2019	June 30, 2017	3 Year Period Ended 6/30/2016
2020 to 2022	June 30, 2020	3 Year Period Ended 6/30/2019

### **SCHEDULE OF CHANGES TO ACTUARIAL ECONOMIC ASSUMPTIONS**

For the Years Ended June 30, 2011 through 2021

<b>Years Ended June 30</b>	<b>Investment Rate of Return</b>	<b>Projected Salary Increases (General)</b>	<b>Projected Salary Increases (Safety)</b>	<b>Inflation</b>	<b>Wage Inflation</b>	<b>Cost of Living<sup>1</sup></b>	<b>Administrative Expenses</b>
2011 to 2013	7.75%	4.75% to 14.00%	4.75% to 14.00%	3.50%	4.00%	2.00%	Offset to Investment Return
2014 to 2016	7.50%	4.60% to 13.75%	4.55% to 13.75%	3.25%	3.75%	2.00%	0.60% of payroll <sup>2</sup>
2017 to 2019	7.25%	4.50% to 14.50%	4.70% to 14.50%	3.00%	3.50%	2.00%	0.70% of payroll <sup>2</sup>
2020 to 2022	7.25%	4.55% to 12.75%	4.75% to 12.25%	2.75%	3.25%	2.00%	0.85% of payroll <sup>2</sup>

### **SCHEDULE OF CHANGES TO AMORTIZATION METHODS**

For the Years Ended June 30, 2011 through 2021

<b>Years Ended June 30</b>	<b>Actuarial Cost Method</b>	<b>Amortization Method<sup>3</sup></b>	<b>Remaining Amortization Period<sup>4</sup></b>	<b>Asset Valuation Method</b>
2012 to 2021	Entry age	Level percent of payroll	20-year closed period	5-year smoothed market

(1) Cost-of-living adjustments are contingent upon the consumer price index with a 2.00% maximum.

(2) Allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.

(3) See Schedule of Changes to Actuarial Economic Assumptions for the wage inflation used.

(4) Effective June 30, 2012, any temporary change in UAAL 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 five years).

## **Notes to the Required Supplementary Information**

(Unaudited) *(Continued)*

### **Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability *(Continued)***

#### **SCHEDULE OF CHANGES TO ACTUARIAL NON-ECONOMIC ASSUMPTIONS**

<b>Years Ended June 30</b>	<b>Marriage Assumption<sup>1</sup></b>	<b>Mortality Rates<sup>2</sup> (General)</b>	<b>Mortality Rates<sup>2</sup> (Safety)</b>	<b>Reciprocity Assumption</b>	<b>Deferral Age for Vested Terminations</b>
2011 to 2013	Male members 70% Female members 55%	RP-2000 Combined Healthy Mortality Table: M - SB two years DML - SF four years DFL - SF five years	RP-2000 Combined Healthy Mortality Table: M - SB three years DM - SF one year	40%	General members Age 58 Safety members Age 52
2014 to 2016	Male members 70% Female members 55%	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020: DML - SF seven years DFL - SF eight years	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020: ML - SB two years FL - SB one year DM - SF two years	General members 40% Safety members 50%	General members Age 58 Safety members Age 52
2017 to 2019	Male members 65% Female members 55%	RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional MP-2016 projection scale: ML - SF one year DM - SF seven years	RP-2014 Healthy Annuitant Mortality Table projected generationally with two-dimensional MP-2016 projection scale: M - SB one year DM - SB one year	General members 40% Safety members 60%	General members Age 59 Safety members Age 53
2020 to 2022	Male members 65% Female members 55%	Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with two-dimensional MP-2019 projection scale: General Retirees - 10% increase Beneficiaries - General Contingent - 10% increase	Pub-2010 Amount-Weighted Above-Median Mortality Table projected generationally with two-dimensional MP-2019 projection scale	General members 40% Safety members 65%	General members Age 59 Safety members Age 53

(1) Assumed married at retirement or pre-retirement death.

(2) Type of Member: M = Member; ML = Male Member; FL = Female Member; DM = Disabled Member; DML = Disabled Male Member; DFL = Disabled Female Member. Mortality Table Type: SB = Set Back; SF = Set Forward.

Note: The probabilities of separation from active service and expectation of life are adjusted every three years with the actuarial experience study.

## **Other Supplementary Information**

### **SCHEDULE OF INVESTMENT EXPENSES**

For the Years Ended June 30, 2021 and 2020

(Amounts in Thousands)

<b>Type of Investment Expense</b>	<b>2021</b>	<b>2020</b>
Investment Manager's Advisement Fees		
Equity Managers		
Domestic	\$ 4,011	\$ 1,087
International	5,408	5,065
<b>TOTAL EQUITY MANAGERS</b>	<b>9,419</b>	<b>6,152</b>
Fixed Income Managers		
Domestic	7,367	13,158
International	11,577	8,362
<b>TOTAL FIXED INCOME MANAGERS</b>	<b>18,944</b>	<b>21,520</b>
Alternative Managers	77,297	53,220
Real Estate Managers	5,851	4,437
<b>TOTAL INVESTMENT MANAGER'S ADVISEMENT FEES</b>	<b>111,511</b>	<b>85,329</b>
Other Investment Advisement Fees		
Consultant Fees	2,150	1,925
Custodian Fees	798	1,058
Legal Fees	107	183
<b>TOTAL INVESTMENT ADVISEMENT FEES<sup>1</sup></b>	<b>114,566</b>	<b>88,495</b>
Other Investment Expenses		
Other Investment Expenses <sup>2</sup>	21,249	48,147
Investment Department Expenses	2,604	2,778
<b>TOTAL OTHER INVESTMENT EXPENSES</b>	<b>23,853</b>	<b>50,925</b>
<b>SECURITIES LENDING REBATES &amp; BANK CHARGES</b>	<b>87</b>	<b>1,592</b>
<b>TOTAL INVESTMENT EXPENSES</b>	<b>\$ 138,506</b>	<b>\$ 141,012</b>

(1) Advisement fees include amounts for investment management fees and performance fees. It does not include unrealized carried interest allocations.

(2) These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

# Other Supplementary Information

(Continued)

## SCHEDULE OF ADMINISTRATIVE AND OTHER EXPENSES

For the Years Ended June 30, 2021 and 2020

(Amounts in Thousands)

	2021	2020
<b>Actuarial Accrued Liability (AAL)<sup>1</sup></b>	\$ 13,304,683	\$ 12,604,942
<b>Statutory Limit for Administrative Expenses (AAL x 0.21%)</b>	27,940	26,470
<b>Administrative Expenses Subject to Statutory Limit</b>		
Personnel Services	7,609	6,374
Professional Services	820	1,125
Operational Miscellaneous	1,291	1,520
<b>TOTAL ADMINISTRATIVE EXPENSES SUBJECT TO STATUTORY LIMIT</b>	<b>9,720</b>	<b>9,019</b>
<b>Other Expenses Not Subject to Statutory Limit</b>		
Actuarial Services	184	253
Legal Services (Non-Investment)	1,726	1,547
Technology Infrastructure	2,882	3,808
<b>TOTAL OTHER EXPENSES NOT SUBJECT TO STATUTORY LIMIT</b>	<b>4,792</b>	<b>5,608</b>
<b>TOTAL ADMINISTRATIVE AND OTHER EXPENSES<sup>2</sup></b>	<b>\$ 14,512</b>	<b>\$ 14,627</b>

(1) Refer to Note 2 - Summary of Significant Accounting Policies (see section for Administrative Expenses) for further information.  
 (2) Does not include investment expenses, see Schedule of Investment Expenses for further information.

# Other Supplementary Information

(Continued)

## SCHEDULE OF PAYMENTS TO CONSULTANTS

For the Years Ended June 30, 2021 and 2020

(Amounts in Thousands)

Type of Service	2021	2020
<b>Payments to Consultants Subject to the Statutory Limit</b>		
Actuarial Services	\$ 8	\$ —
Agreed Upon Procedures	44	—
Audit Services	60	65
Communication Services	4	67
Human Resource Services	2	48
Medical/Disability Services	400	719
<b>TOTAL PAYMENTS TO CONSULTANTS SUBJECT TO THE STATUTORY LIMIT<sup>1</sup></b>	<b>518</b>	<b>899</b>
<b>Payments to Consultants Not Subject to the Statutory Limit</b>		
Actuarial Services	184	253
Custodian Services	798	1,058
Information Technology Services	119	104
Investment Services	2,151	1,925
Legal Services	472	447
<b>TOTAL PAYMENTS TO CONSULTANTS NOT SUBJECT TO THE STATUTORY LIMIT</b>	<b>3,724</b>	<b>3,787</b>
<b>TOTAL PAYMENTS TO CONSULTANTS</b>	<b>\$ 4,242</b>	<b>\$ 4,686</b>

(1) Pursuant to GC section 31580.2, administrative expenses incurred in any one year are not to exceed twenty-one hundredths of one percent (0.21%) of SBCERA's actuarial accrued liabilities. Refer to Note 2—Summary of Significant Accounting Policies for further information.

## Exhibit A: Page 89

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# Investments Section



## Report on Investment Activity



**Samuel M. Austin, III**

Partner

September 12, 2021

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

Dear Board Members:

The overall objective of the San Bernardino County Employees' Retirement Association (SBCERA) is to ensure continued access to retirement, disability and survivor benefits for current and future SBCERA participants. To ensure a solid foundation for the future of the Fund, SBCERA carefully plans and implements an investment program designed to produce superior long-term investment returns, while prudently managing the risk in the portfolio. Investment policy and asset allocation are reviewed and revised by the Board of Retirement, at least annually, to reflect the Fund's actuarial assumptions, accrued liabilities, and economic and investment outlook. The following is a report on the performance of the Fund for the year ended June 30, 2021 with background on the underlying capital market environment.

### Market Review for the Year Ended June 30, 2021

The U.S. economic recovery took hold in the fiscal year ended 6/30/2021, a result of re-opening measures enacted in the wake of the COVID-19 pandemic, along with optimism surrounding the vaccine rollout to combat the virus. Global governments supported their economies through continued fiscal stimulus measures, including the \$1.9 trillion American Rescue Plan passed in March 2021. The Federal Reserve remained accommodative, leaving the Fed Funds Rate in a targeted range of 0.00% -to- 0.25%, and continued its quantitative easing program. Similar actions were taken by central banks globally. These stimulus measures, along with the vaccine rollout for COVID-19 and easing of lockdown restrictions, provided strong tailwinds for risk assets during the fiscal year. U.S. stocks posted their twelfth consecutive year of positive returns and outperformed international equities, returning a robust 40.8% as measured by the S&P 500 Index. International developed-markets equities (+32.3% for the year) performed well but lagged domestic equities significantly. Emerging markets equities returned 40.9%, outperforming both U.S. equities and international-developed markets equities. U.S. equity outperformance was driven in large part by economically sensitive sectors like Financials, Industrials, and Energy which were expected to benefit from re-opening measures. Reflecting a steepening yield curve over the year, U.S. high quality fixed income returns were modestly negative, returning -0.3% in the fiscal year as measured by the Bloomberg U.S. Aggregate Bond Index.

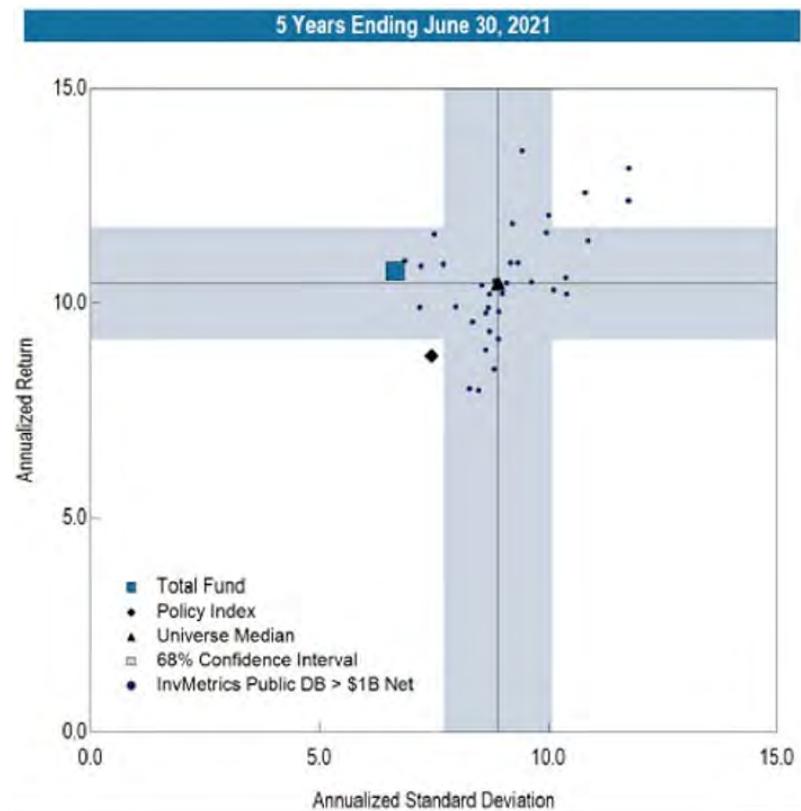
### The SBCERA Investment Portfolio

The SBCERA total investment portfolio return, net of fees was 33.3% for the year ended June 30, 2021 and outperformed its benchmark return by 13.6%. The median fund in the InvMetrics peer group universe of large Public Funds returned 27.0% in the same period. The Fund's five-year return net-of-fees for the period ended June 30, 2021 was 10.7% annualized which outperformed the fund's actuarial assumed rate of 7.25%. SBCERA has chosen an asset allocation policy which reduces the Fund's volatility risk to more consistently meet its actuarial targets. Over the past 10 years, the Fund's return of 8.3% outperforms the fund's actuarial rate of return and ranks in the 46th percentile in its peer group based solely on return. Based on risk, the plan's 10-year standard deviation, a measure of risk, ranked in the first percentile in its peer group (least variable), resulting in a risk-adjusted return (as measured by the Sharpe Ratio) of 1.4, which ranked first in its peer group (the highest).

## Report on Investment Activity

(Continued)

### InvMetrics Public Funds Greater than \$1 Billion Universe Risk-Return Comparison (Net of Fees)



With the majority of the global capital markets exhibiting relatively high valuations and divergent relative economic strength, the potential for downside risk and volatility are increasingly likely. Lower equity exposure and diversification can help protect portfolios from significant declines. SBCERA's portfolio continues to be positioned to withstand significant declines in equity markets.

NEPC, LLC serves as SBCERA's independent investment consultant and provides SBCERA with asset allocation guidance, quarterly economic and investment market updates and performance reviews, and investment manager monitoring and selection advice. SBCERA's custodian, State Street Bank and Trust Company, independently prepared the underlying performance data used in this report. Rates of return are represented using a time-weighted rate of return methodology based upon market values.

Sincerely,

Samuel M. Austin, III, Partner

Universe rankings are based on gross of fee performance unless otherwise noted.

# **Outline of Investment Policies**

As of June 30, 2021

## **General**

The overall goal of SBCERA's investment program is to provide members with retirement benefits as required by the California County Employees Retirement Law of 1937 (CERL). This is accomplished by employer and member contributions and the implementation of a carefully planned and executed long-term investment program.

The Board has exclusive control of all investments of the Plan and is responsible for the establishment of investment objectives, strategies, and policies. The Board is composed of nine members and three alternates.

- The County of San Bernardino Treasurer who serves in the capacity of ex-officio member (along with one alternate).
- Four members are appointed by the San Bernardino County Board of Supervisors.
- Two members are elected by active General members.
- One member is elected by active Safety members (along with one alternate).
- One member is elected by retired members (along with one alternate).

The Board is authorized to invest in any form or type of investment deemed prudent in the informed opinion of the Board. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to SBCERA and the investment portfolio in the following manner.

- Solely in the interest of and for the exclusive purpose of providing benefits to members and their beneficiaries; minimizing contributions thereto; and defraying reasonable expenses of administering the Plan.
- 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 and with like aims.
- To diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless under circumstances it is clearly prudent not to do so.

## **Summary of Investment Objectives**

The Board has adopted the Investment Plan, Policy, and Guidelines, which provide the framework for the management of SBCERA's investments. The Investment Plan, Policy, and Guidelines establishes investment program goals, asset allocation policies, performance objectives, investment management policies, and risk controls. It also defines the principal duties of the Board and investment staff.

SBCERA's primary investment objective is to efficiently allocate and manage the assets on behalf of the members and their beneficiaries. These assets are managed on a total return basis. While recognizing the importance of the "preservation of capital," SBCERA also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long term.

The total investment portfolio return, over the long term, is directed toward achieving and maintaining a fully-funded status for the Plan. Prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of SBCERA's members and their beneficiaries.

# **Outline of Investment Policies**

As of June 30, 2021

*(Continued)*

## **Asset Allocation**

A pension trust fund's strategic asset allocation policy, implemented in a consistent and timely manner, is generally recognized to be the largest determinant of investment performance. The asset allocation process determines an optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment objectives.

Effective July 2, 2020, the Board adopted a new asset allocation plan. The following factors were used to determine this new plan:

- Projected actuarial assets, liabilities, benefit payments, and contributions
- Historical and expected long-term capital market risk and return behavior
- Future economic conditions, including inflation and interest rate levels
- SBCERA's current and projected funding status

Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on SBCERA's behalf.

## **Use of Proxies**

SBCERA has adopted a proxy voting policy which best serves the economic interest of its beneficiaries. Investments in equity securities in particular are best viewed within the context of a long-term time horizon. The resolution of management and shareholder issues must be directed towards maximizing equity value; not to entrench the current management team or alternatively, to subject the company to excessive outside influences. SBCERA will support management if management's position appears reasonable, is not detrimental to the value of equity ownership, and reflects consideration of the impact of societal values and attitudes on the long-term viability of the corporation.

SBCERA shall support requests for additional disclosure if the requested information is on a subject relevant to the corporation's business, if it is of value to a majority of shareholders in evaluating the corporation or its managers, if the costs of disclosure are reasonable, and if the information to be disclosed will not disadvantage the corporation either competitively or economically.

## Investment Professionals

As of June 30, 2021

### Investment Managers

#### Domestic Equity

Russell Investment Group  
State Street Global Advisors  
TOBAM

#### International Equity

Mondrian Investment Partners Ltd  
Russell Investment Group  
TOBAM

#### Domestic Fixed Income

Angelo Gordon & Co., LP  
Apollo Global Management, LLC  
Beach Point Capital Mgmt, LP  
GoldenTree Asset Mgmt, LP  
Kayne Anderson Capital Advisors, LP  
MacKay Shields, LLC  
Manulife Investment Management  
Waterfall Asset Management, LLC

#### Global Fixed Income

Alcentra Ltd  
Ashmore Investment Mgmt Ltd  
Bardin Hill Investment Partners  
BNY Alcentra Group Holdings, Inc.  
Cairn Capital Ltd  
Gramercy Funds Mgmt, LLC  
Marathon Asset Mgmt, LP  
Prudential Investment Mgmt

#### Private Equity

Aberdeen Asset Management, PLC  
Adams Street Partners, LLC

Apollo Global Management, LLC

Ares Management, LLC

Aurora Capital Group

Crescent Capital Group, LP

Crestline Management, LP

Industry Ventures, LLC

Kayne Anderson Cap Advisors, LP

Lexington Partners

Partners Group

Pathway Capital Management, LLC

Siguler Guff Advisers, LLC

TCW Asset Management Company

Tennenbaum Capital Partners, LLC

The Catalyst Capital Group, Inc

Waterfall Asset Management, LLC

#### Real Estate

American Realty Advisors  
Apollo Global Management, LLC  
Bryanston Realty Partners, LLC  
Fortress Investment Group, LLC  
Invesco Real Estate Management  
Kayne Anderson Cap Advisors, LP  
Morgan Stanley Real Estate Fund  
Oaktree Capital Management, LP  
Partners Group  
PGIM Fund Management Ltd  
PGIM Real Estate  
Square Mile Capital Mgmt, LP  
Starwood Cap Group Global, LLC  
Tricon Capital Group, Inc  
Walton Street Capital, LLC

#### Short-Term Cash Investment Funds

State Street Global Advisors

#### Consultants

Chantico Global, LLC  
Kreischer Miller  
MCUBE Investment Technologies  
NEPC, LLC

#### Custodial Services

State Street Bank & Trust Company

#### Legal Counsel

Hirschler Fleischer, PC  
Morgan, Lewis & Bockius, LLP

#### Commodities

Energy Spectrum Capital

Pinnacle Asset Management, LP

Starwood Energy Group Global, LLC

# **Investment Professionals**

As of June 30, 2021

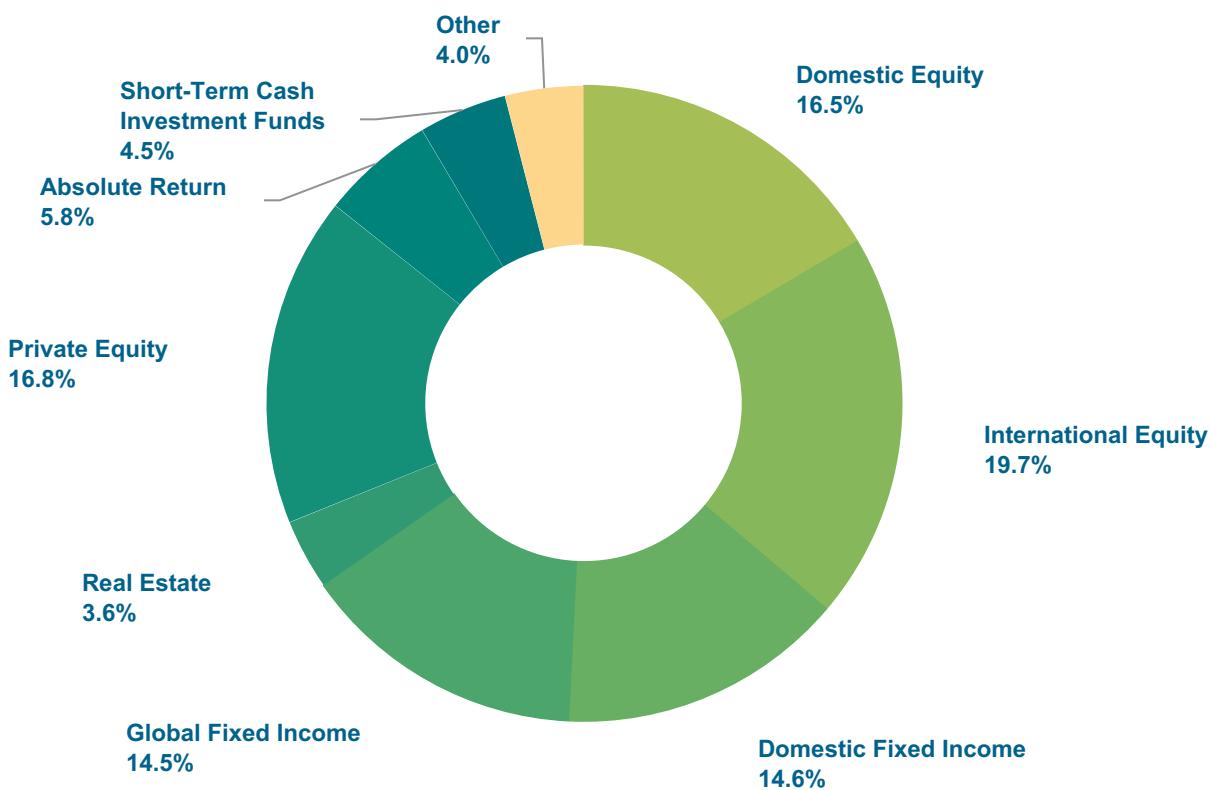
	<b>Current Year 2021</b>	<b>Annualized 3 year</b>	<b>Annualized 5 year</b>
<b>Total Portfolio</b>	33.3%	10.6%	10.7%
<i>SB Policy Benchmark</i>	19.7%	9.6%	8.8%
<b>Cash Equivalents</b>	(0.1)%	1.1%	0.7%
<i>BofA ML 3-Month T-Bill Benchmark</i>	0.1%	1.3%	1.2%
<b>Equity Segment</b>			
Domestic Equity	37.7%	16.7%	11.4%
<i>Russell 3000 Benchmark</i>	44.2%	18.7%	17.9%
Emerging Markets Equity	34.7%	8.1%	9.3%
<i>MSCI Emerging Markets Benchmark</i>	40.9%	11.3%	13.0%
International Equity	20.7%	5.0%	4.1%
<i>MSCI EAFE Benchmark</i>	32.3%	8.3%	10.3%
<b>Fixed Income Segment</b>			
Domestic Fixed Income	26.3%	9.1%	9.2%
<i>ICE BofA US High Yield Benchmark</i>	15.6%	7.2%	7.3%
Global and Emerging Market Fixed Income	16.4%	2.5%	5.3%
<i>Bloomberg Global Aggregate ex US Benchmark</i>	4.6%	3.1%	1.7%
<b>Real Asset Segment</b>			
Real Estate	7.5%	5.9%	5.8%
<i>NCREIF Property Benchmark</i>	2.6%	4.9%	5.8%
Timber	(1.6)%	(4.1)%	(2.9)%
<i>NCREIF Timberland Benchmark</i>	1.5%	1.7%	2.5%
Infrastructure	85.5%	9.6%	14.3%
<i>Russell 3000 Benchmark</i>	44.2%	18.7%	17.9%
Commodities	13.7%	10.9%	8.4%
<i>Bloomberg Commodity Benchmark</i>	45.6%	3.9%	2.4%
<b>Other Alternative Segment</b>			
Private Equity/Venture Capital	52.9%	20.3%	18.1%
<i>Cambridge Associates PE Benchmark</i>	52.5%	19.2%	17.6%
Absolute Return	19.6%	4.8%	6.7%
<i>91 Day T-Bill + 3% Benchmark</i>	3.1%	4.2%	4.1%

Note: Calculations were prepared using a time-weighted rate of return and are net of fees.

# Asset Allocation

As of June 30, 2021

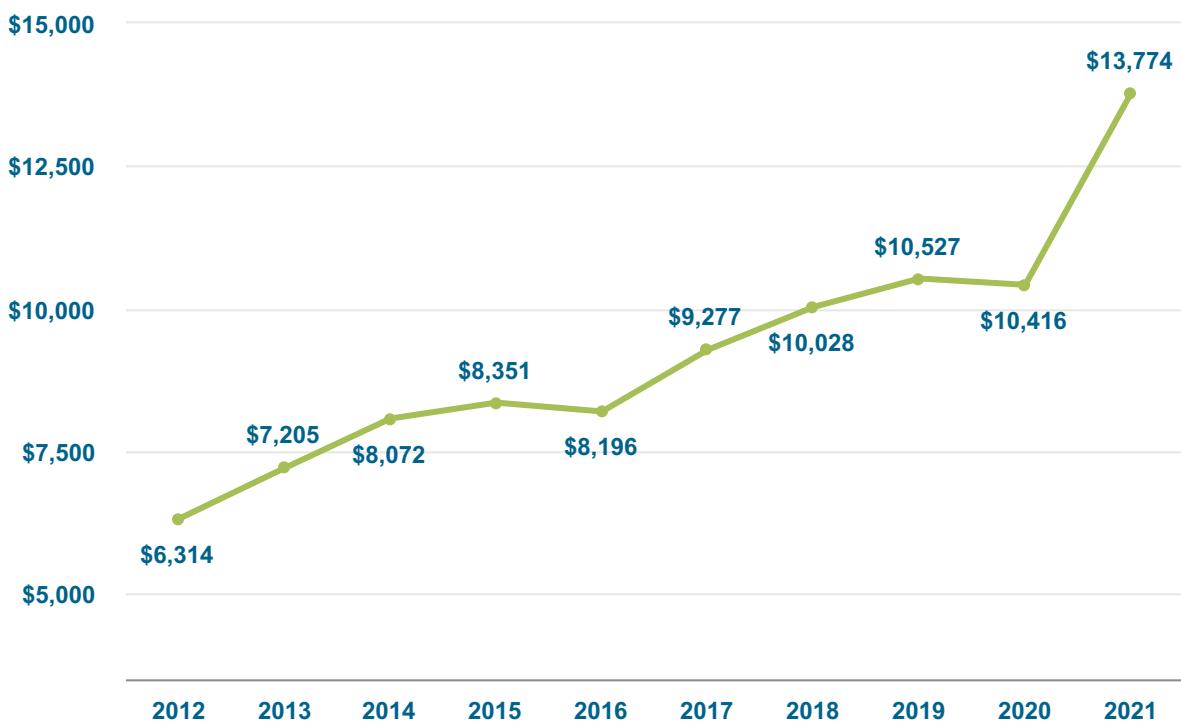
## TARGET VS. ACTUAL ASSET ALLOCATION PERCENTAGES



(1) The “other” category includes percentages 2% and below. These are combined for visual representation purposes.

## FAIR VALUE GROWTH OF PLAN ASSETS HELD FOR INVESTMENTS

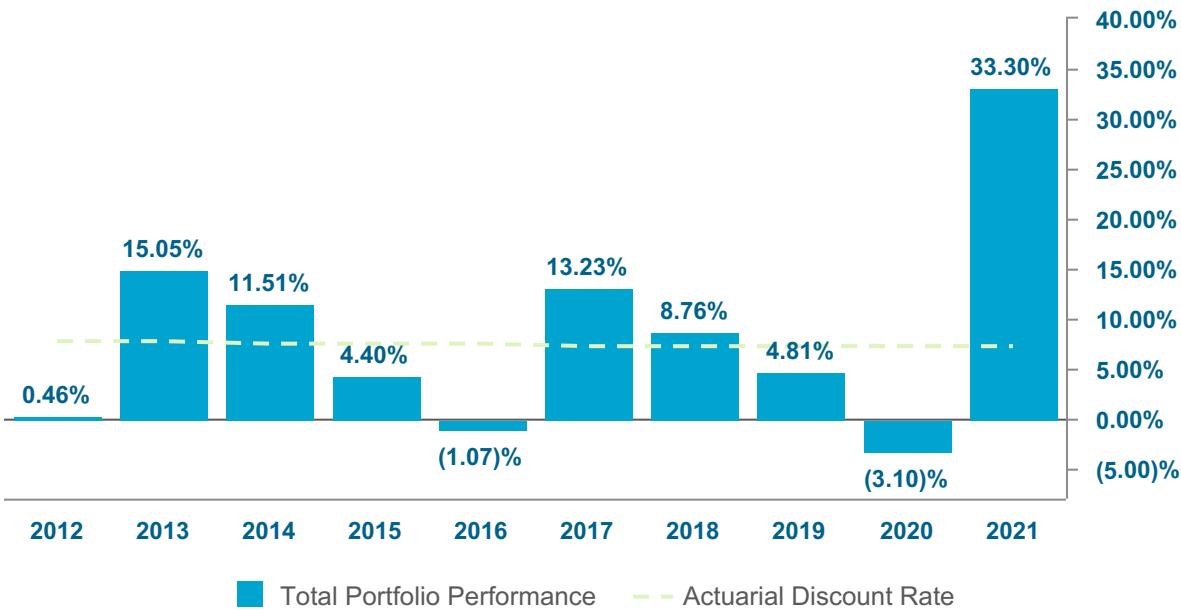
For the Years Ended June 30, 2012 through 2021 (Amounts in Millions)



Note: This chart depicts growth plan assets held for investment excluding investments of cash collateral received on securities lending transactions.

## HISTORY OF INVESTMENT PERFORMANCE

For the Years Ended June 30, 2012 through 2021 (Based on Fair Value)



Note: Calculations were prepared using a time-weighted rate of return and are net of fees.

# List of Largest Assets Held

As of June 30, 2021

(Amounts in Thousands) (By Fair Value)

## EQUITY HOLDINGS

Description	Shares	Fair Value
Ready Capital Corp	2,145	\$ 34,037
Bawag Group AG	572	30,430
Sutherland REIT Holdings Series A	2,013	27,999
MPLX LP MLP	469	13,899
LTBI Holdings	9,190	13,769
Williams Co Inc	486	12,903
Enterprise Products Partners MLP	508	12,256
Bausch Health Cos Inc	412	12,076
Frontera Energy Corp	1,789	11,065
California Resources Corp	332	10,011
<b>TOTAL OF LARGEST EQUITY HOLDINGS</b>	<b>\$</b>	<b>178,445</b>
<b>TOTAL EQUITY HOLDINGS</b>	<b>\$</b>	<b>2,680,175</b>

## FIXED INCOME HOLDINGS

Description	Par	Fair Value
Treasury Bill 12/21	\$ 88,200	\$ 88,180
Treasury Bill 09/21	75,000	74,993
Treasury Bill 12/21	58,200	58,186
Treasury Bill 09/21	50,000	49,994
WI Treasury Sec 10/21	40,000	39,993
Arch Keystone Funding LLC	37,327	31,508
Treasury Bill 08/21	25,000	24,998
Bac Loans 2nd Liens 092619SLS	41,546	24,874
Term Loan	23,546	20,772
Bac 2D1218 Loan	28,568	16,191
<b>HOLDINGS</b>	<b>\$</b>	<b>429,689</b>
<b>TOTAL FIXED INCOME HOLDINGS</b>	<b>\$</b>	<b>1,505,206</b>

Note: The holdings presented above pertain to holdings of equity interests or individual securities. They do not reflect SBCERA's investments in commingled funds and may not be publicly traded. A complete list of portfolio holdings is available upon request.

# Schedule of Fees and Commissions

For the Year Ended June 30, 2021

(Amounts in Thousands)

## FEES

Type of Fees	Assets Under Management at Fair Value	Fees <sup>1</sup>
<b>Investment Manager Advisement Fees</b>		
Equity Managers	\$2,680,175	\$ 9,419
Fixed Income Managers	1,505,206	18,944
Real Estate Managers	513,393	5,851
Alternative Managers	6,792,489	77,297
Short-Term Cash & Securities Lending Collateral	2,180,623	—
<b>TOTAL INVESTMENT MANAGERS' ADVISEMENT FEES</b>	<b>\$ 13,671,886</b>	<b>\$ 111,511</b>
<b>Other Investment Advisement Fees</b>		
Consultant Fees		\$ 2,150
Custodian Fees		798
Legal Services		107
<b>TOTAL INVESTMENT ADVISEMENT FEES</b>		<b>\$ 114,566</b>
<b>SECURITIES LENDING FEES</b>		<b>\$ 87</b>
<b>TOTAL FEES</b>		<b>\$ 114,653</b>

## COMMISSIONS

Brokerage Firm	Total Shares Traded (Actual Shares)	Commissions Per Share (Actual Dollars)	Total Commissions	% of Total Commissions <sup>3</sup>
Morgan Stanley	939,967	\$ 1.115	\$ 1,048	68.23 %
Goldman Sachs & Co LLC	1,297,447	0.161	209	13.61 %
B of A Securities, Inc.	3,494,862	0.015	52	3.39 %
National Financial Services Corporation	3,457,767	0.015	52	3.39 %
JP Morgan Securities	1,397,344	0.034	48	3.13 %
Other <sup>2</sup>	344,042,234	Various <sup>2</sup>	127	8.27 %
<b>TOTAL</b>	<b>354,629,621</b>		<b>\$ 1,536</b>	<b>100.00 %</b>

(1) Fees include amounts for investment management fees and performance fees. It does not include unrealized carried interest allocations and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

(2) Includes approximately 27 additional firms, each with less than 2.00% of total commissions. The average commission per share is 0.0231.

(3) Results are adjusted for rounding.

Note: SBCERA has commission recapture arrangements with Russell Investment Group.

# Investment Summary

As of June 30, 2021

(Amounts in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Short-Term Cash Investment Funds	\$ 2,078,026	15.20%
Emerging Market Debt	95,384	0.70%
U.S. Government Obligations and Other Municipal	367,687	2.69%
Domestic Bonds	506,096	3.70%
Foreign Bonds	536,039	3.92%
Domestic Common and Preferred Stock	1,609,376	11.77%
Foreign Common and Preferred Stock	1,070,799	7.83%
Investments of Cash Collateral Received on Securities Lending	102,597	0.75%
Real Estate	513,393	3.76%
Domestic Alternatives	4,858,455	35.54%
Foreign Alternatives	1,934,034	14.15%
<b>TOTAL INVESTMENTS, AT FAIR VALUE</b>	<b>\$ 13,671,886</b>	<b>100.00%</b>

# Actuarial Section



## Actuary's Certification Letter



October 18, 2021

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

**Re: San Bernardino County Employees' Retirement Association June 30, 2020 Actuarial Valuation for Funding Purposes**

Dear Members of the Board:

Segal prepared the June 30, 2020 annual actuarial valuation of the San Bernardino County Employees' Retirement Association (SBCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and SBCERA's funding policy that was last reviewed with the Board of Retirement in 2014. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the guidance provided by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2021 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. However, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements, however, the Association's auditor attested to the Association's financial statements. For actuarial valuation purposes, retirement plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over a five-year period.

One of the general goals of an actuarial valuation is to establish contribution rates, which, over time, will remain level as a percentage of payroll for each generation of active members. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (Normal Cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

In 2002, the Board of Retirement elected to amortize the Association's UAAL as of June 30, 2002 over a declining (or closed) 20-year period. Any change in UAAL that arises due to actuarial gains or losses or due to changes in actuarial assumptions or methods at each valuation after June 30, 2002 is amortized over its own declining (or closed) 20-year period. Effective with the June 30, 2012 valuation, any change in UAAL that arises due to plan amendments is amortized over its own declining (or closed) 15-year period (with the exception of a change due to retirement incentives, which is amortized over its own declining (or closed)

## Actuary's Certification Letter

*(Continued)*

Board of Retirement  
San Bernardino County Employees' Retirement Association  
October 18, 2021  
Page 2

period of up to 5 years). The progress being made towards meeting the funding objective through June 30, 2021 is illustrated in the Schedule of Funding Progress.<sup>1</sup>

Certain information found in the Notes to the Basic Financial Statements and the Required Supplementary Information (RSI) included in the Financial Section was prepared by the Association based on the results of the Governmental Accounting Standards (GAS) Statement No. 67 actuarial valuation as of June 30, 2021 prepared by Segal. For the Financial Section of the Annual Comprehensive Financial Report (Annual Report), Segal provided the Schedule of Changes in Net Pension Liability of Participating Employers and Related Ratios and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules prepared by the Association based on additional information provided by Segal and the results of the actuarial valuation as of June 30, 2020 for funding purposes is listed below.

- Schedule of Funding Progress
- Development of Actuarial Value of Assets
- Schedule of Active Member Valuation Data
- Schedule of Retirees & Beneficiaries
- Schedule of Funded Liabilities by Type
- Analysis of Financial Experience
- Ratio of Current Compensation-to-Compensation Anticipated at Retirement
- Probabilities of Separation from Active Service
- Expectation of Life
- Retirees and Beneficiaries Added to and Removed from Rolls
- Retired Members by Type of Benefit
- Average Benefit Payments
- Membership History
- Average Monthly Retirement Benefits

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<sup>1</sup> Effective with the June 30, 2020 valuation, the Board approved an adjustment to the remaining amortization period for the 2003 amortization layer in order to minimize the contribution rate tail volatility associated with that UAAL layer that was to be fully amortized in the 2023 valuation. This is done by changing the amortization period for the 2003 UAAL amortization layer from three to four years in the June 30, 2020 valuation.

## Actuary's Certification Letter

(Continued)

Board of Retirement  
San Bernardino County Employees' Retirement Association  
October 18, 2021  
Page 3

The valuation assumptions included in the Actuarial Section were adopted by the Board of Retirement based on the 2020 Actuarial Experience Study (for both the economic and non-economic assumptions). It is our opinion that the assumptions used in the June 30, 2021 valuation produce results, which, in aggregate, reflect the future experience of the retirement plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and the next experience analysis is due to be performed in 2023.

In the June 30, 2021 valuation, the ratio of the actuarial value of assets to actuarial accrued liabilities (funded percentage) increased from 77.9% to 82.0%. The average employer contribution rate has decreased from 34.33% of payroll to 32.63% of payroll, while the average member contribution rate has decreased from 11.12% of payroll to 10.96% of payroll.

Under the asset smoothing method, the total unrecognized investment gain is \$1.379 billion as of June 30, 2021. This investment gain will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. The deferred gain of \$1.379 billion represents about 10.1% of the market value of assets as of June 30, 2021. Unless offset by future investment gains or other favorable experience, the recognition of the \$1.379 billion market gain is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the net deferred gains were recognized immediately and entirely in the actuarial value of assets, the funded ratio would increase from 82.0% to 91.2%.
- If the net deferred gains were recognized immediately and entirely in the actuarial value of assets, the average employer contribution rate would decrease from 32.63% to 26.46% of payroll.

The actuarial calculations were directed under the supervision of Molly Calcagno, ASA, Enrolled Actuary, MAAA. 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 contained herein.

Sincerely,



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



Molly Calcagno, ASA, MAAA, EA  
Actuary

## **Schedule of Funding Progress**

For the Year Ended June 30, 2012 through 2021

(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets <sup>(1),(2)</sup> (a)	Actuarial Accrued Liability (AAL) <sup>3</sup> (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Projected Total Compensation (c)	UAAL as a Percentage of Projected Total Compensation ((b-a)/c)
6/30/2012	\$ 6,789,492	\$ 8,606,577	\$ 1,817,085	78.89%	\$ 1,260,309	144.18%
6/30/2013	7,204,918	9,088,636	1,883,718	79.27%	1,262,752	149.18%
6/30/2014	7,751,309	9,694,825	1,943,516	79.95%	1,267,667	153.31%
6/30/2015	8,255,353	10,214,473	1,959,120	80.82%	1,309,095	149.65%
6/30/2016	8,736,959	10,669,688	1,932,729	81.89%	1,346,408	143.55%
6/30/2017	9,385,977	11,928,310	2,542,333	78.69%	1,406,470	180.76%
6/30/2018	10,020,863	12,604,942	2,584,079	79.50%	1,477,131	174.94%
6/30/2019	10,642,401	13,304,683	2,662,282	79.99%	1,542,495	172.60%
6/30/2020	11,133,173	14,298,196	3,165,023	77.86%	1,587,324	199.39%
6/30/2021	12,258,925	14,957,436	2,698,511	81.96%	1,626,449	165.91%

(1) Includes assets held for survivor benefits, burial allowance, general retiree subsidy (GRS), and excess earnings (EE) reserves. Some years may not include the GRS and EE reserves.

(2) Excludes present value of additional future contributions payable from San Bernardino County to SBCERA related to the Crest Forest Fire transfer.

(3) Includes liabilities held for survivor benefits, burial allowance, general retiree subsidy (GRS), and excess earnings (EE) reserves. Some years may not include the GRS and EE reserves.

Note: Refer to the Required Supplementary Information section (see Schedule of Employer Contributions), and Note 3—Contribution Requirements, for further information.

# Latest Actuarial Valuation Methods & Assumptions

As of June 30, 2021

The Entry Age Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The Unfunded Actuarial Accrued Liability (UAAL) is funded over 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 UAAL 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). An analysis of the Plan's non-economic experience was last performed as of June 30, 2020, to establish the validity of these assumptions. An actuarial valuation is performed annually. The actuarial assumptions and methods listed below were recommended by the Plan's independent actuary, Segal Consulting, and were approved by the Board.

<b>Investment Rate of Return</b>	7.25% net of pension plan investment expense, including inflation
<b>Interest Credited to Member Accounts</b>	2.75% (Actual rate is based on six-month Treasury rate)
<b>Inflation</b>	2.75% per annum
<b>Salary Scale</b>	As shown in Table on page 115.
<b>Asset Valuation</b>	Smoothed market (five year average); See Development of Actuarial Value of Assets on page 108 which shows the development of the assets. As of June 30, 2021, the net unrecognized deferred loss is \$1,378,568 thousand.
<b>Gains and Losses</b>	Gains and losses are reflected in the UAAL. They are funded over the period described above.
<b>Spouses and Dependents</b>	65% of male members and 55% of female members assumed married at retirement or pre-retirement death, with female (or male) spouses assumed two (three) years younger (or older) than their spouses, respectively.
<b>Rates of Termination of Employment</b>	As shown in Table on page 116.
<b>Years of Life Expectancy After Retirement</b>	As shown in Table on page 118
<b>Years of Life Expectancy After Disability</b>	As shown in Table on page 118.
<b>Mortality Rate:</b> General	Healthy - Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019. Disabled - Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.
Safety	Healthy - Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019. Disabled - Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2019.
<b>Reciprocity Assumption</b>	40% of General members and 60% of Safety members who terminate with a vested benefit are assumed to enter a reciprocal system. Assume 4.55% and 4.75% compensation increases per annum, respectively.
<b>Deferral Age for Vested Terminations</b>	Age 59 for General members; Age 53 for Safety
<b>Cost-of-Living Adjustment</b>	Contingent upon consumer price index with a 2.00% maximum
<b>Administrative Expense Assumption Load</b>	0.85% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses).

Note: The above methods and assumptions were selected by the Plan's actuary as being appropriate for the Plan and are adopted for the year ended June 30, 2021.

## **Development of Actuarial Value of Assets**

As of June 30, 2021  
(Amounts in Thousands)

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to fair value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize fair value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

1. **Fair Value of Assets** \$ 13,636,853

2. **Calculation of Unrecognized Return**

	Original Amount	Unrecognized Return
Year Ended June 30, 2021 <sup>1</sup>	\$ 2,608,242	\$ 2,086,593
Year Ended June 30, 2020 <sup>1</sup>	(1,069,778)	(641,867)
Year Ended June 30, 2019 <sup>1</sup>	(227,826)	(91,130)
Year Ended June 30, 2018 <sup>1</sup>	124,860	24,972
Year Ended June 30, 2017 <sup>1</sup>	483,677	—
<b>TOTAL UNRECOGNIZED RETURN<sup>2</sup></b>		<b>1,378,568</b>

3. **Actuarial Value of Assets (1) - (2)** 12,258,285

4. **Actuarial Value as a Percentage of Market Value (3) / (1)** 89.9%

5. **Non-Valuation Reserves**

Burial Allowance Reserve	462
<b>TOTAL</b>	<b>462</b>

6. **PRELIMINARY VALUATION VALUE OF ASSETS (3) - (5)** \$ 12,257,822

7. **VALUATION VALUE OF ASSETS** \$ 12,272,690

(1) Recognized at 20% per year over five years.

(2) Deferred (unrecognized) return amount as of June 30, 2021 recognized in each of the next four years as follows:

(b) Amount recognized during 2021/2022	\$ 287,099
(c) Amount recognized during 2022/2023	262,128
(d) Amount recognized during 2023/2024	307,693
(d) Amount recognized during 2024/2025	521,648
Total	<u>\$ 1,378,568</u>

(3) Includes \$14.9 million that represents the present value of additional future contributions payable from San Bernardino County to SBCERA related to the Crest Forest Fire district transfer, and from the Barstow Fire Protection District and the City of Big Bear Lake and the Big Bear Fire Authority to SBCERA for their transfers.

# Schedule of Active Member Valuation Data

For the Years Ended June 30, 2012 through 2021

Valuation Date	Number of Participating Employers <sup>1</sup>	Number of Active Members	Annual Payroll	Annual Average Payroll	% Increase/(Decrease) in Average Payroll
<b>6/30/2012</b>					
General	18	17,155	\$ 1,061,588,530	\$ 61,882	1.03%
Safety	4	2,151	198,720,507	92,385	1.60%
<b>TOTAL</b>	<b>19</b>	<b>19,306</b>	<b>\$ 1,260,309,037</b>	<b>\$ 65,281</b>	<b>1.01%</b>
<b>6/30/2013</b>					
General	16	17,241	\$ 1,061,419,963	\$ 61,564	(0.51)%
Safety	3	2,160	201,332,001	93,209	0.89%
<b>TOTAL</b>	<b>17</b>	<b>19,401</b>	<b>\$ 1,262,751,964</b>	<b>\$ 65,087</b>	<b>(0.30)%</b>
<b>6/30/2014</b>					
General	16	17,314	\$ 1,067,502,671	\$ 61,655	0.15%
Safety	3	2,183	200,164,139	91,692	(1.63)%
<b>TOTAL</b>	<b>17</b>	<b>19,497</b>	<b>\$ 1,267,666,810</b>	<b>\$ 65,019</b>	<b>(0.11)%</b>
<b>6/30/2015</b>					
General	16	17,726	\$ 1,099,968,966	\$ 62,054	0.65%
Safety	3	2,212	209,126,288	94,542	3.11%
<b>TOTAL</b>	<b>17</b>	<b>19,938</b>	<b>\$ 1,309,095,254</b>	<b>\$ 65,658</b>	<b>0.98%</b>
<b>6/30/2016</b>					
General	16	18,165	\$ 1,120,811,245	\$ 61,702	(0.57)%
Safety	3	2,373	225,596,956	95,068	0.56%
<b>TOTAL</b>	<b>17</b>	<b>20,538</b>	<b>\$ 1,346,408,201</b>	<b>\$ 65,557</b>	<b>(0.15)%</b>
<b>6/30/2017</b>					
General	16	18,619	\$ 1,170,058,184	\$ 62,842	1.85%
Safety	3	2,491	236,411,926	94,906	(0.17)%
<b>TOTAL</b>	<b>17</b>	<b>21,110</b>	<b>\$ 1,406,470,110</b>	<b>\$ 66,626</b>	<b>1.63%</b>
<b>6/30/2018</b>					
General	16	18,798	\$ 1,217,602,722	\$ 64,773	3.07%
Safety	4	2,667	259,528,542	97,311	2.53%
<b>TOTAL</b>	<b>18</b>	<b>21,465</b>	<b>\$ 1,477,131,264</b>	<b>\$ 68,816</b>	<b>3.29%</b>
<b>6/30/2019</b>					
General	16	19,190	\$ 1,342,864,773	\$ 69,977	8.03%
Safety	3	2,633	283,584,004	107,704	10.68%
<b>TOTAL</b>	<b>17</b>	<b>21,823</b>	<b>\$ 1,626,448,777</b>	<b>\$ 74,529</b>	<b>8.30%</b>
<b>6/30/2020</b>					
General	16	19,203	\$ 1,312,194,815	\$ 68,333	(2.35)%
Safety	3	2,611	275,129,614	105,373	(2.16)%
<b>TOTAL</b>	<b>17</b>	<b>21,814</b>	<b>\$ 1,587,324,429</b>	<b>\$ 72,766</b>	<b>(2.37)%</b>
<b>6/30/2021</b>					
General	15	18,971	\$ 1,342,864,773	\$ 70,785	3.59%
Safety	3	2,529	283,584,004	112,133	6.41%
<b>TOTAL</b>	<b>16</b>	<b>21,500</b>	<b>\$ 1,626,448,777</b>	<b>\$ 75,649</b>	<b>3.96%</b>

(1) Participating employers may have both General and Safety members.

Note: Refer to the Latest Actuarial Valuation Methods and Assumptions, in this section, for information on recent changes to actuarial methods and assumptions.

# **Schedule of Retirees and Beneficiaries**

For the Years Ended June 30, 2012 through 2021

Number of Members				Annual Allowances							
Year <sup>1</sup>	Start of Year	Added During Year	Removed During Year	Beginning Annual Allowance	Added During Year	Removed During Year	Annual Allowance <sup>2</sup>	% Increase In Annual Allowance	Average Monthly Allowance <sup>2</sup>	Average Annual Allowance <sup>2</sup>	
	Year	Year	Year	Allowance	Year	Year	Allowance	%	\$	\$	
7/11 to 6/12	9,265	690	(219)	9,736	\$308,556,000	\$ 35,576,000	\$ (4,309,000)	\$339,823,000	10.13 %	\$ 2,909	\$ 34,904
7/12 to 6/13	9,736	755	(318)	10,173	339,823,000	38,851,000	(7,910,000)	370,764,000	9.11 %	3,037	36,446
7/13 to 6/14	10,173	756	(311)	10,618	370,764,000	35,254,000	(7,407,000)	398,611,000	7.51 %	3,128	37,541
7/14 to 6/15	10,618	796	(286)	11,128	398,611,000	39,452,000	(7,056,000)	431,007,000	8.13 %	3,228	38,732
7/15 to 6/16	11,128	803	(301)	11,630	431,007,000	42,262,000	(8,396,000)	464,873,000	7.86 %	3,331	39,972
7/16 to 6/17	11,630	869	(320)	12,179	464,873,000	49,799,000	(9,210,000)	505,462,000	8.73 %	3,459	41,503
7/17 to 6/18	12,179	850	(313)	12,716	505,462,000	49,124,000	(9,688,000)	544,898,000	7.80 %	3,571	42,851
7/18 to 6/19	12,716	859	(331)	13,244	544,898,000	49,620,000	(9,855,000)	584,663,000	7.30 %	3,679	44,145
7/19 to 6/20	13,244	934	(345)	13,833	584,663,000	56,441,000	(11,947,000)	629,157,000	7.61 %	3,790	45,482
7/20 to 6/21	13,833	884	(425)	14,292	629,157,000	54,314,000	(15,218,000)	668,253,000	6.21 %	3,896	46,757
Retired 7/1/20 to 6/30/21											
Total Retirees							General	Safety	General	Safety	
Average Age at Retirement							61.97	53.88	59.32	51.13	
Average Years of Credited Service at Retirement							22.67	25.01	19.20	21.37	
Average Final Average Salary							\$ 7,000	\$ 10,644	\$ 5,340	\$ 7,403	
Average Monthly Benefit							\$ 4,566	\$ 8,747	\$ 3,693	\$ 6,699	

(1) Amounts listed are as of the actuarial valuation date.

(2) Excludes monthly benefits for Supplemental Disability, Survivor Benefits, General Retiree Subsidy, and beneficiaries that are only receiving a Survivor Benefit.

# SUMMARY OF MAJOR PLAN PROVISIONS

As of June 30, 2021

<b>TIER 1</b> (SBCERA membership date is prior to January 1, 2013)		<b>TIER 2</b> (SBCERA membership date is on or after January 1, 2013)
<b>Eligibility</b>	First day of employment <sup>1</sup> .	First day of employment <sup>1</sup> .
<b>Definition of Salary</b>	Highest twelve consecutive months of compensation earnable.	Highest thirty-six consecutive months of pensionable compensation.
<b>Service Retirement</b>	<p><b>Normal Retirement Age</b> The later of: (1) age 55 for General members or (2) age 50 for Safety members or (3) the age at which the member vests in his/her benefits under the CERL, but not later than age 70.</p> <p><b>Early Retirement</b> Age 70 (regardless of service credit) or age 50 and 10 years of service credit or 30 years of service credit for General members and 20 years of service credit for Safety members (regardless of age). Active part-time employees at age 55 with a minimum of 10 years of membership and five years of service credit.</p> <p><b>Benefit</b> At normal retirement age, 2% times final average compensation for every year of "General" service credit for benefit and 3% times final average compensation for every year of "Safety" service credit for benefit.</p> <p><b>Benefit Adjustments</b> Reduced for retirement before age 55 for General members (age 50 for Safety members). Increased for retirement after age 55 up to age 65 (General members only).</p>	<p><b>Normal Retirement Age</b> The later of: (1) age 55 for General members or (2) age 50 for Safety members or (3) the age at which the member vests in his/her benefits under the CERL, but not later than age 70.</p> <p><b>Early Retirement</b> Age 70 (regardless of service credit) or age 52 and five years of service credit for General members or age 50 and five years of service credit for Safety members.</p> <p><b>Benefit</b> At age 67, 2.5% times final average compensation for every year of "General" service credit for benefit. At age 57, 2.7% times final average compensation for every year of "Safety" service credit for benefit.</p> <p><b>Benefit Adjustments</b> Reduced for retirement before age 67 for General members (age 57 for Safety members).</p>
<b>Disability Retirement</b>	<p><b>Non-Service Connected</b> (must have five years of service credit to be eligible)</p> <p><i>Members entering on or before December 31, 1980:</i> Greater of 1.8% of final average compensation per year of service, with a maximum of 33-1/3% if projected service is used or service retirement benefit (if eligible).</p> <p><i>Members entering on or after January 1, 1981:</i> 20% of final average compensation for the first five years plus 2% of final average compensation per year of service in excess of five, with a maximum of 40% of compensation or service retirement benefit (if eligible).</p> <p><b>Service Connected</b> Greater of 50% of final average compensation or service retirement benefit (if eligible).</p>	<p><b>Non-Service Connected</b> (must have five years of service credit to be eligible)</p> <p><i>Members entering on or after January 1, 2013:</i> 20% of final average compensation for the first five years plus 2% of final average compensation per year of service in excess of five, with a maximum of 40% of compensation or service retirement benefit (if eligible).</p> <p><b>Service Connected</b> Greater of 50% of final average compensation or service retirement benefit (if eligible).</p>

(1) Membership may be delayed for the purpose of establishing reciprocity with another public retirement system as described in the CERL. Employees who have attained age 60 prior to employment may waive membership within 90 days following initial appointment to an eligible position.

Note: SBCERA is a cost-sharing multiple-employer defined pension plan. Refer to Note 1—Significant Provisions of the Plan for further information. For funding and accounting purposes, SBCERA uses the same actuarial assumptions, except there is a 2-year lag in the assumptions for funding purposes versus the current year assumptions used to calculate total pension liability. Refer to Note 3—Contribution Requirements for further information.

# Summary of Major Plan Provisions

As of June 30, 2021

(Continued)

	TIER 1 (SBCERA membership date is prior to January 1, 2013)	TIER 2 (SBCERA membership date is on or after January 1, 2013)
<b>Death Before Retirement<sup>1</sup></b>	<p><b>Less Than 5-Years of Service Credit</b> Refund of contributions plus 1/12 of compensation per year of service credit up to 50% of annual compensation.</p> <p><b>5 or More Years of Service Credit</b> Lump sum refund of contributions plus 1/12 of compensation per year of service up to six months compensation.</p> <p><b>Optional Death Allowance</b> <b>(If eligible for disability or service retirement):</b> <b>Monthly payment equal to 60% of member's accrued allowance.</b></p> <p><b>Modified Optional Death Allowance</b> Lump sum of 1/12 of compensation per year of service up to six months compensation plus a reduced monthly benefit depending on the age of beneficiary.</p> <p><b>If Service-Connected</b> <b>Monthly payment equal to 50% of final monthly compensation.</b></p> <p><b>If Service-Connected and Safety Member</b> Additional lump-sum payment of one-year compensation plus a monthly benefit for minor children.</p>	<p><b>Less Than 5-Years of Service Credit</b> Refund of contributions plus 1/12 of compensation per year of service credit up to 50% of annual compensation.</p> <p><b>5 or More Years of Service Credit</b> Lump sum refund of contributions plus 1/12 of compensation per year of service up to six months compensation.</p> <p><b>Optional Death Allowance</b> <b>(If eligible for disability or service retirement):</b> <b>Monthly payment equal to 60% of member's accrued allowance.</b></p> <p><b>Modified Optional Death Allowance</b> Lump sum of 1/12 of compensation per year of service up to six months compensation plus a reduced monthly benefit depending on the age of beneficiary.</p> <p><b>If Service-Connected</b> <b>Monthly payment equal to 50% of final monthly compensation.</b></p> <p><b>If Service-Connected and Safety Member</b> Additional lump-sum payment of one-year compensation plus a monthly benefit for minor children.</p>
<b>Death After Retirement<sup>1</sup></b>	<p>\$1,000 lump sum burial allowance (\$250 is discretionary, funded from undesignated excess earnings and is subject at all times to the availability of funds in the Burial Allowance reserve).</p> <p><b>Service Retirement or Non-Service Disability<sup>2</sup></b> Monthly payment equal to 60% of member's allowance.</p> <p><b>Service Disability<sup>2</sup></b> Monthly payment equal to 100% of member's allowance.</p>	<p>\$1,000 lump sum burial allowance (\$250 is discretionary, funded from undesignated excess earnings and is subject at all times to the availability of funds in the Burial Allowance reserve).</p> <p><b>Service Retirement or Non-Service Disability<sup>2</sup></b> Monthly payment equal to 60% of member's allowance.</p> <p><b>Service Disability<sup>2</sup></b> Monthly payment equal to 100% of member's allowance.</p>
<b>Survivor Benefits</b>	<p><b>General Members Only</b> Monthly survivor benefit if General member completed at least 18 months of continuous membership with SBCERA including a one-time burial allowance of \$255.</p>	<p><b>General Members Only</b> Monthly survivor benefit if General member completed at least 18 months of continuous membership with SBCERA including a one-time burial allowance of \$255.</p>
<b>Vesting</b>	After five years of service. Must leave contributions on deposit.	After five years of service. Must leave contributions on deposit.
<b>Member's Contributions</b>	Percentage of compensation earnable based on entry age.	Fixed, flat-rate percentage of pensionable compensation.
<b>Cost-of-Living</b>	"Automatic" not to exceed 2% compounding COLA. A non-compounding 7% increase is payable at retirement for members hired on or before August 18, 1975.	"Automatic" not to exceed 2% compounding COLA.
<b>Current Year Changes in Plan Provisions</b>	None	None

(1) Payments are made payable to an eligible spouse, registered domestic partner, and/or eligible minor children.  
 (2) Payment may be adjusted depending on the payment option selected at time of retirement.

Note: A more detailed description of the Plan provisions is available upon request.

## Analysis of Financial Experience

For the Years Ended June 30, 2012 through 2021  
(Amounts in Thousands)

The following are the gains and losses in accrued liabilities during the years ended June 30, 2012 through 2021 resulting from the differences between assumed experience and actual experience.

Year Ended	Pay Increases <sup>1</sup>	Investment Income <sup>2</sup>	Death After Retirement <sup>3</sup>	Other <sup>4</sup>	Composite Gain (Loss) During the Year
6/30/2012 Gain/(Loss)	\$ 119,172	\$ (132,274)	\$ (12,372)	\$ (96,438)	\$ (121,912)
6/30/2013 Gain/(Loss) <sup>5</sup>	159,490	(138,466)	5,019	(105,908)	(79,865)
6/30/2014 Gain/(Loss)	227,699	(35,160)	8,550	(291,340)	(90,251)
6/30/2015 Gain/(Loss)	(19,400)	(72,831)	14,950	18,580	(58,701)
6/30/2016 Gain/(Loss)	135,705	(143,031)	(10,824)	(5,849)	(23,999)
6/30/2017 Gain/(Loss)	15,781	781	(9,835)	(665,842)	(659,115)
6/30/2018 Gain/(Loss) <sup>5</sup>	28,311	(25,827)	(17,763)	(111,271)	(126,550)
6/30/2019 Gain/(Loss)	(3,688)	(124,316)	(46,603)	2,351	(172,256)
6/30/2020 Gain/(Loss)	18,947	(281,808)	(50,361)	(303,618)	(616,840)
6/30/2021 Gain/(Loss)	17,236	322,548	15,938	(6,355)	349,367

(1) If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.

(2) If there is greater investment income than assumed, there is a gain. If less income, a loss.

(3) If retirees live longer than assumed, there is a loss. If not as long, a gain.

(4) Actual contributions less than expected, retiree subsidy reserve transfer and miscellaneous gains and losses resulting primarily from employee turnover, retirement incidence and data variances, and actuarial assumption changes.

(5) The June 30, 2013 and June 30, 2018 actuarial valuations were audited by independent actuaries, Milliman and Cheiron, respectively. The valuations were found to be complete, accurate, and prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

# Schedule of Funded Liabilities by Type

For the Years Ended June 30, 2012 through 2021

(Amounts in Thousands)

Actuarial Valuation Date	Aggregate Accrued Liabilities For			Actuarial Value of Assets	Portion of Accrued Liability Covered by Valuation Assets		
	(1) Active Member Contributions	(2) Retirees, Beneficiaries & Vested Participants	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6/30/2012	\$ 1,004,751	\$ 4,330,245	\$ 3,271,581	\$ 6,789,492	100%	100%	44.46%
6/30/2013	1,037,767	4,699,518	3,351,351	7,204,918	100%	100%	43.79%
6/30/2014	1,048,914	5,231,227	3,414,684	7,751,309	100%	100%	43.08%
6/30/2015	1,059,688	5,587,189	3,567,596	8,255,353	100%	100%	45.09%
6/30/2016	1,084,761	5,992,772	3,592,155	8,736,959	100%	100%	46.20%
6/30/2017	1,110,149	6,714,830	4,103,331	9,385,977	100%	100%	38.04%
6/30/2018	1,151,640	7,211,256	4,242,046	10,020,863	100%	100%	39.08%
6/30/2019	1,212,740	7,717,959	4,373,984	10,642,401	100%	100%	39.13%
6/30/2020	1,262,325	8,277,430	4,758,441	11,133,173	100%	100%	33.49%
6/30/2021	1,301,481	8,747,726	4,908,229	12,258,925	100%	100%	45.02%

# Ratio of Current Compensation to Compensation Anticipated at Retirement

As of June 30, 2021

Age	General Members	Safety Members
20	0.3859	0.3821
25	0.5135	0.4919
30	0.5910	0.5763
35	0.6363	0.6351
40	0.6788	0.6892
45	0.7240	0.7425
50	0.7723	0.7999
55	0.8239	0.8617
60	0.8788	0.9283
65	0.9375	1.0000
70	1.0000	

Note: Merit and promotional increases only (excludes inflation); assumes age at entry is 20. Refer to the Actuary Certification Letter for further information.

# Probabilities of Separation from Active Service

As of June 30, 2021

The following tables indicate the probability of separation from active service for each of the following sources of termination:

**Withdrawal:** Member terminates and either elects refunds of member contributions or contributions are left on deposit.

**Death:** Member dies prior to retirement.

**Disability:** Member receives a disability retirement; Non-service connected disability is when a disability is not employment-related; Service connected disability is when a disability is employment-related.

**Service Retirement:** Member retires after satisfaction of requirements of age and/or service for reasons other than disability.

The probabilities shown for each cause of termination represent the likelihood that a given member will terminate at a particular age for the indicated reason.

Age	Death <sup>1</sup>	Disability <sup>2</sup>	Tier 1		Tier 2 Service Retirement (All Years of Service)
			<30 Years of Service	≥30 Years of Service	
<b>General Members - Male</b>					
20	0.0004	0.0002	0.0000	0.0000	0.0000
30	0.0003	0.0003	0.0000	0.0000	0.0000
40	0.0006	0.0009	0.0000	0.0000	0.0000
50	0.0013	0.0026	0.0275	0.0275	0.0000
60	0.0028	0.0058	0.1200	0.3000	0.0900
70	0.0061	0.0112	0.2500	0.3750	0.4000
<b>General Members - Female</b>					
20	0.0001	0.0002	0.0000	0.0000	0.0000
30	0.0001	0.0003	0.0000	0.0000	0.0000
40	0.0003	0.0009	0.0000	0.0000	0.0000
50	0.0008	0.0026	0.0275	0.0275	0.0000
60	0.0017	0.0058	0.1200	0.3000	0.0900
70	0.0044	0.0112	0.2500	0.3750	0.4000
<b>Safety Members - Male</b>					
20	0.0004	0.0020	0.0000	0.0000	0.0000
30	0.0004	0.0034	0.0000	0.0000	0.0000
40	0.0005	0.0066	0.0000	0.0000	0.0000
50	0.0010	0.0228	0.1500	0.3750	0.0500
60	0.0023	0.0710	0.2500	0.3750	0.2500
<b>Safety Members - Female</b>					
20	0.0002	0.0020	0.0000	0.0000	0.0000
30	0.0002	0.0034	0.0000	0.0000	0.0000
40	0.0004	0.0066	0.0000	0.0000	0.0000
50	0.0008	0.0228	0.1500	0.3750	0.0500
60	0.0014	0.0710	0.2500	0.3750	0.2500

(1) All pre-retirement deaths are assumed to be non-service connected. Note that generational projections beyond the base year (2010) are not reflected in the above mortality rates.

(2) 55% of General member disabilities are assumed to be service connected and the other 45% are assumed to be non-service connected. 100% of Safety member disabilities are assumed to be service connected.

# Probabilities of Separation from Active Service

As of June 30, 2021

(Continued)

The withdrawal rates below apply based on years of service. No withdrawal is assumed after a member is first assumed to retire.

Years of Service	General Members	Safety Members
Less than 1	0.1500	0.0700
1-2	0.1100	0.0650
2-3	0.1000	0.0550
3-4	0.0800	0.0500
4-5	0.0700	0.0450
5-6	0.0650	0.0300
5-7	0.0600	0.0250
7-8	0.0475	0.0200
8-9	0.0450	0.0180
9-10	0.0450	0.0160
10-11	0.0450	0.0140
11-12	0.0450	0.0130
12-13	0.0425	0.0120
13-14	0.0425	0.0110
14-15	0.0400	0.0110
15-16	0.0375	0.0110
16-17	0.0350	0.0110
17-18	0.0325	0.0110
18-19	0.0300	0.0110
19-20	0.0300	0.0110
20 & More	0.0300	0.0110

Below are the probabilities of electing a refund of member contributions upon withdrawal.

Years of Service	General Members		Safety Members	
	Elected Refundable Contributions	Elected Non-Refundable Contributions <sup>1</sup>	Elected Refundable Contributions	Elected Non-Refundable Contributions <sup>1</sup>
Less than 5	1.0000	1.0000	1.0000	1.0000
5	0.4000	0.2000	0.2000	0.1000
10	0.3500	0.1750	0.2000	0.1000
15	0.2000	0.1000	0.1500	0.0750
20 or More	0.2000	0.1000	0.0000	0.0000

(1) Assumes member made both refundable and non-refundable contributions during the course of employment. Only the portion attributable to the refundable contributions may be withdrawn.

Note: Ratios provided by SBCERA's independent actuary, Segal Consulting. Refer to Segal's letter in the Actuarial section for further information.

# Expectation of Life

As of June 30, 2021

(Amounts in Years)

## General Service Retirees<sup>1</sup>

Age	Male	Female
50	35.00	37.45
60	25.37	27.63
70	16.57	18.40
80	9.10	10.38

## Safety Service Retirees<sup>2</sup>

Age	Male	Female
50	36.54	37.68
60	26.49	27.63
70	17.42	18.51
80	9.78	10.70

## General Disabled Retirees<sup>3</sup>

Age	Male	Female
20	51.88	55.63
30	42.21	45.32
40	33.47	36.20
50	25.57	28.26
60	19.03	21.66
70	13.36	15.12
80	8.04	8.92

## Safety Disabled Retirees<sup>4</sup>

Age	Male	Female
20	63.91	66.59
30	53.64	56.02
40	43.64	45.85
50	33.71	35.82
60	24.17	26.35
70	15.77	17.88
80	8.79	10.38

- (1) Determined by SBCERA's independent actuary, Segal Consulting, using the Pub-2010 General Healthy Amount-Weighted Above-Median Mortality Tables with rates increased by 10%, projected generationally with the two-dimensional mortality improvement scale MP-2019.
- (2) Determined using the Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.
- (3) Determined by Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019.
- (4) Determined by Pub-2010 Disabled Retiree Amount-Weighted Mortality Table projected generationally with the two-dimensional mortality improvement scale MP-2019..

# **History of the Total Employer Contribution Rates**

For Actuarial Valuation Years Ended June 30, 2012 through 2021

	<b>Valuation Date</b>				
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017 <sup>2</sup>
<b>County General - Tier 1</b>					
Normal Cost	12.18%	12.24%	11.63%	11.63%	11.70%
UAAL	14.99%	16.25%	14.21%	13.76%	13.57%
Total	27.17%	28.49%	25.84%	25.39%	25.27%
<b>County General - Tier 2</b>					
Normal Cost	9.04%	9.09%	9.11%	9.10%	9.16%
UAAL	14.99%	16.25%	14.21%	13.76%	13.57%
Total	24.03%	25.34%	23.32%	22.86%	22.73%
<b>Safety - Tier 1<sup>1</sup></b>					
Normal Cost	24.38%	24.38%	21.73%	21.66%	21.81%
UAAL	35.37%	37.28%	35.38%	33.42%	33.76%
Total	59.75%	61.66%	57.11%	55.08%	55.57%
<b>Safety - Tier 2<sup>1</sup></b>					
Normal Cost	15.84%	16.06%	16.13%	16.19%	16.54%
UAAL	35.37%	37.28%	35.38%	33.42%	33.76%
Total	51.21%	53.34%	51.51%	49.61%	50.30%
<b>SCAQMD - Tier 1</b>					
Normal Cost	14.20%	14.34%	13.02%	12.45%	11.84%
UAAL	33.24%	35.22%	31.20%	29.86%	28.50%
Total	47.44%	49.56%	44.22%	42.31%	40.34%
<b>SCAQMD - Tier 2</b>					
Normal Cost	8.12%	7.98%	8.16%	8.18%	8.39%
UAAL	33.24%	35.22%	31.20%	29.86%	28.50%
Total	41.36%	43.20%	39.36%	38.04%	36.89%
<b>Superior Court - Tier 1</b>					
Normal Cost	12.18%	12.24%	11.63%	11.63%	11.70%
UAAL	17.49%	18.94%	16.92%	16.73%	16.47%
Total	29.67%	31.18%	28.55%	28.36%	28.17%
<b>Superior Court - Tier 2</b>					
Normal Cost	9.04%	9.09%	9.11%	9.10%	9.16%
UAAL	17.49%	18.94%	16.92%	16.73%	16.47%
Total	26.53%	28.03%	26.03%	25.83%	26.07%
<b>Other General - Tier 1</b>					
Normal Cost	14.12%	14.03%	11.58%	11.48%	11.78%
UAAL	26.36%	29.04%	26.80%	26.54%	25.25%
Total	40.48%	43.07%	38.38%	38.02%	37.03%
<b>Other General - Tier 2</b>					
Normal Cost	9.12%	9.10%	9.06%	9.07%	9.05%
UAAL	26.36%	29.04%	26.80%	26.54%	25.25%
Total	35.48%	38.14%	35.86%	35.61%	34.30%
<b>LAFCO - Tier 1</b>					
Normal Cost	14.12%	14.03%	11.58%		
UAAL	21.18%	25.89%	24.18%		
Total	35.30%	39.92%	35.76%		
<b>LAFCO - Tier 2</b>					
Normal Cost	9.12%	9.10%	9.06%		
UAAL	21.18%	25.89%	24.18%		
Total	30.30%	34.99%	33.24%		

(1) For June 30, 2019, LAFCO members were transferred to a separate cost group to reflect additional UAAL payments.

(2) For June 30, 2017, the members in the Other Safety and County Safety cost groups were combined into the Safety cost group.

(3) Beginning June 30, 2013, Tier 2 rates were added pursuant to PEPRA.

Note: These are recommended rates and include a 2-year lag. For example, the rates recommended in the actuarial valuation dated June 30, 2021, will go into effect for the year ending June 30, 2023.

Note: For June 30, 2011 and 2012, contribution rates reflect a three-year phase in, which was approved by the Board on August 15, 2011.

## **History of the Total Employer Contribution Rates**

For Actuarial Valuation Years Ended June 30, 2012 through 2021  
(Continued)

	<b>Valuation Date</b>				
	6/30/2016	6/30/2015	6/30/2014	6/30/2013 <sup>3</sup>	6/30/2012
<b>County General - Tier 1</b>					
Normal Cost	11.50%	11.50%	11.50%	10.10%	9.94%
UAAL	10.91%	10.83%	10.99%	10.14%	9.02%
Total	22.41%	22.33%	22.49%	20.24%	18.96%
<b>County General - Tier 2</b>					
Normal Cost	8.45%	8.37%	8.40%	7.88%	
UAAL	10.91%	10.83%	10.99%	10.14%	
Total	19.36%	19.20%	19.39%	18.02%	
<b>County Safety - Tier 1<sup>2</sup></b>					
Normal Cost	22.14%	22.10%	22.06%	19.88%	19.73%
UAAL	28.06%	28.88%	27.03%	23.27%	20.26%
Total	50.20%	50.98%	49.09%	43.15%	39.99%
<b>County Safety - Tier 2<sup>2</sup></b>					
Normal Cost	15.15%	14.03%	15.22%	13.75%	
UAAL	28.06%	28.88%	27.03%	23.27%	
Total	43.21%	42.91%	42.25%	37.02%	
<b>SCAQMD - Tier 1</b>					
Normal Cost	11.68%	11.69%	11.73%	10.23%	9.87%
UAAL	23.25%	21.24%	18.46%	17.53%	15.35%
Total	34.93%	32.93%	30.19%	27.76%	25.22%
<b>SCAQMD - Tier 2</b>					
Normal Cost	7.66%	7.66%	7.97%	7.83%	
UAAL	23.25%	21.24%	18.46%	17.53%	
Total	30.91%	28.90%	28.43%	25.36%	
<b>Superior Court - Tier 1</b>					
Normal Cost	11.50%	11.50%	11.50%	10.10%	9.94%
UAAL	13.20%	12.40%	12.39%	11.65%	9.93%
Total	24.70%	23.90%	23.89%	21.75%	19.87%
<b>Superior Court - Tier 2</b>					
Normal Cost	8.45%	8.37%	8.40%	7.88%	
UAAL	13.20%	12.40%	12.39%	11.65%	
Total	21.65%	20.77%	20.79%	19.53%	
<b>Other General - Tier 1</b>					
Normal Cost	13.18%	12.88%	12.83%	11.67%	11.37%
UAAL	21.35%	20.17%	20.48%	18.24%	16.32%
Total	34.53%	33.05%	33.31%	29.91%	27.69%
<b>Other General - Tier 2</b>					
Normal Cost	8.74%	9.33%	9.29%	7.20%	
UAAL	21.35%	20.17%	20.48%	18.24%	
Total	30.09%	29.50%	29.77%	25.44%	
<b>Other Safety - Tier 1<sup>2</sup></b>					
Normal Cost	22.52%	22.35%	23.22%	20.48%	19.59%
UAAL	60.67%	49.96%	45.79%	39.17%	38.23%
Total	83.19%	72.31%	69.01%	59.65%	57.82%
<b>Other Safety - Tier 2<sup>2</sup></b>					
Normal Cost	13.06%	13.21%	12.82%	11.56%	
UAAL	60.67%	49.96%	45.79%	39.17%	
Total	73.73%	63.17%	58.61%	50.73%	

Note: See Note on page 119 for further information.

## Retirees and Beneficiaries

Added to and Removed from Rolls for the Years Ended June 30, 2012 through 2021  
For General and Safety Members (Dollars in Thousands)

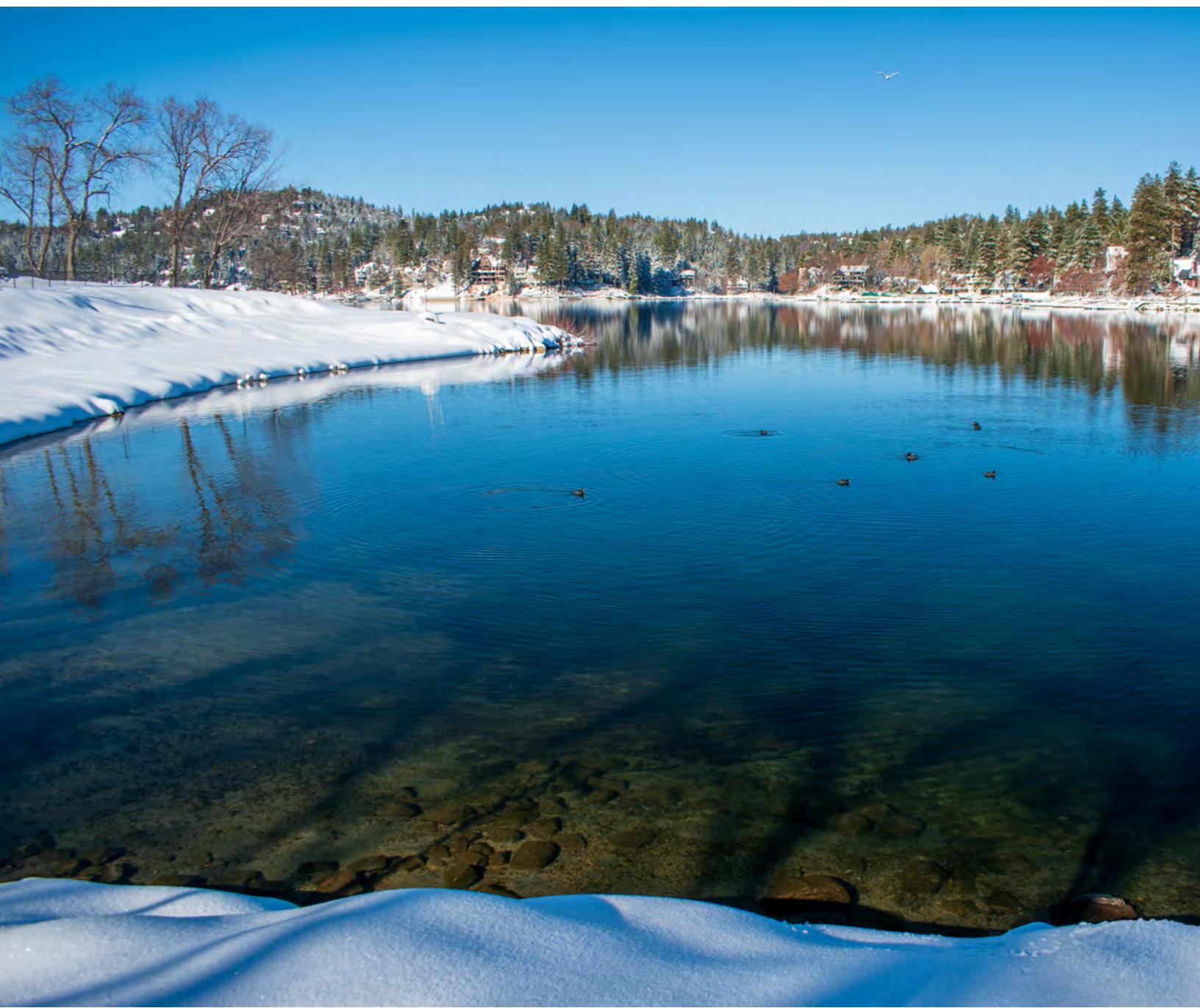
Year Ended	Added to Rolls		Removed from Rolls		Net Added/Removed from Rolls		Rolls-End of Year		% Increase in Annual Allowances	Average Annual Allowances (Actual Dollars)
	No.	Annual Allowances <sup>1</sup>	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances		
<b>6/30/2012</b>										
General	586	\$ 26,342	204	\$ 3,741	382	\$ 22,601	8,237	\$ 254,173	9.76%	\$ 30,857
Safety	104	9,234	15	568	89	8,666	1,499	85,650	11.26%	57,138
<b>TOTAL</b>	<b>690</b>	<b>\$ 35,576</b>	<b>219</b>	<b>\$ 4,309</b>	<b>471</b>	<b>\$ 31,267</b>	<b>9,736</b>	<b>\$ 339,823</b>	<b>10.13%</b>	<b>\$ 34,904</b>
<b>6/30/2013</b>										
General	638	\$ 28,585	283	\$ 6,470	355	\$ 22,115	8,592	\$ 276,288	8.70%	\$ 32,156
Safety	117	10,266	35	1,440	82	8,826	1,581	94,476	10.30%	59,757
<b>TOTAL</b>	<b>755</b>	<b>\$ 38,851</b>	<b>318</b>	<b>\$ 7,910</b>	<b>437</b>	<b>\$ 30,941</b>	<b>10,173</b>	<b>\$ 370,764</b>	<b>9.11%</b>	<b>\$ 36,446</b>
<b>6/30/2014</b>										
General	620	\$ 26,034	286	\$ 6,575	334	\$ 19,459	8,926	\$ 295,747	7.04%	\$ 33,133
Safety	136	9,220	25	832	111	8,388	1,692	102,864	8.88%	60,794
<b>TOTAL</b>	<b>756</b>	<b>\$ 35,254</b>	<b>311</b>	<b>\$ 7,407</b>	<b>445</b>	<b>\$ 27,847</b>	<b>10,618</b>	<b>\$ 398,611</b>	<b>7.51%</b>	<b>\$ 37,541</b>
<b>6/30/2015</b>										
General	632	\$ 28,114	259	\$ 5,744	373	\$ 22,370	9,299	\$ 318,117	7.56%	\$ 34,210
Safety	164	11,338	27	1,312	137	10,026	1,829	112,890	9.75%	61,722
<b>TOTAL</b>	<b>796</b>	<b>\$ 39,452</b>	<b>286</b>	<b>\$ 7,056</b>	<b>510</b>	<b>\$ 32,396</b>	<b>11,128</b>	<b>\$ 431,007</b>	<b>8.13%</b>	<b>\$ 38,732</b>
<b>6/30/2016</b>										
General	681	\$ 31,597	269	\$ 6,759	412	\$ 24,838	9,711	\$ 342,955	7.81%	\$ 35,316
Safety	122	10,665	32	1,637	90	9,028	1,919	121,918	8.00%	63,532
<b>TOTAL</b>	<b>803</b>	<b>\$ 42,262</b>	<b>301</b>	<b>\$ 8,396</b>	<b>502</b>	<b>\$ 33,866</b>	<b>11,630</b>	<b>\$ 464,873</b>	<b>7.86%</b>	<b>\$ 39,972</b>
<b>6/30/2017</b>										
General	740	\$ 38,025	289	\$ 7,774	451	\$ 30,251	10,162	\$ 373,206	8.82%	\$ 36,726
Safety	129	11,774	31	1,436	98	10,338	2,017	132,256	8.48%	65,571
<b>TOTAL</b>	<b>869</b>	<b>\$ 49,799</b>	<b>320</b>	<b>\$ 9,210</b>	<b>549</b>	<b>\$ 40,589</b>	<b>12,179</b>	<b>\$ 505,462</b>	<b>8.73%</b>	<b>\$ 41,503</b>
<b>6/30/2018</b>										
General	720	\$ 37,229	289	\$ 8,619	431	\$ 28,610	10,593	\$ 401,816	7.67%	\$ 37,932
Safety	130	11,895	24	1,069	106	10,826	2,123	143,082	8.19%	67,396
<b>TOTAL</b>	<b>850</b>	<b>\$ 49,124</b>	<b>313</b>	<b>\$ 9,688</b>	<b>537</b>	<b>\$ 39,436</b>	<b>12,716</b>	<b>\$ 544,898</b>	<b>7.80%</b>	<b>\$ 42,851</b>
<b>6/30/2019</b>										
General	743	\$ 37,774	296	\$ 8,033	447	\$ 29,741	11,040	\$ 431,557	7.40%	\$ 39,090
Safety	116	11,846	35	1,822	81	10,024	2,204	153,106	7.01%	69,467
<b>TOTAL</b>	<b>859</b>	<b>\$ 49,620</b>	<b>331</b>	<b>\$ 9,855</b>	<b>528</b>	<b>\$ 39,765</b>	<b>13,244</b>	<b>\$ 584,663</b>	<b>7.30%</b>	<b>\$ 44,145</b>
<b>6/30/2020</b>										
General	786	\$ 43,047	309	\$ 9,713	477	\$ 33,334	11,517	\$ 464,891	7.72%	\$ 40,366
Safety	148	13,394	36	2,234	112	11,160	2,316	164,266	7.29%	70,927
<b>TOTAL</b>	<b>934</b>	<b>\$ 56,441</b>	<b>345</b>	<b>\$ 11,947</b>	<b>589</b>	<b>\$ 44,494</b>	<b>13,833</b>	<b>\$ 629,157</b>	<b>7.61%</b>	<b>\$ 45,482</b>
<b>6/30/2021</b>										
General	763	\$ 41,916	369	\$ 11,930	394	\$ 29,986	11,911	\$ 494,877	6.45%	\$ 41,548
Safety	121	12,398	56	3,288	65	9,110	2,381	173,376	5.55%	72,816
<b>TOTAL</b>	<b>884</b>	<b>\$ 54,314</b>	<b>425</b>	<b>\$ 15,218</b>	<b>459</b>	<b>\$ 39,096</b>	<b>14,292</b>	<b>\$ 668,253</b>	<b>6.21%</b>	<b>\$ 46,757</b>

(1) Includes automatic cost-of-living adjustments granted annually on April 1.

## Exhibit A: Page 122

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# Statistical Section



## **Statistical Section Overview**

The objective of the Statistical Section is to clearly present historical, financial, and demographic information for the Plan. This supplemental information is meant to provide additional context to users of the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information and assist in analyzing the Plan's current financial position. Unless otherwise noted, the detailed data contained in this section is presented as a ten-year trend and is derived from a combination of sources including the general ledger, member database, and reports produced by the Plan's actuary.

As outlined below, the tables on the following pages provide information on financial trends and demographic trends.

**Financial Trends** - Contains historical data pertaining to Changes in Fiduciary Net Position at a more detailed level than what is presented in the Basic Financial Statements.

- Statistical Changes in Fiduciary Net Position
- Additions by Source
- Deductions by Type
- Benefit Expenses by Type

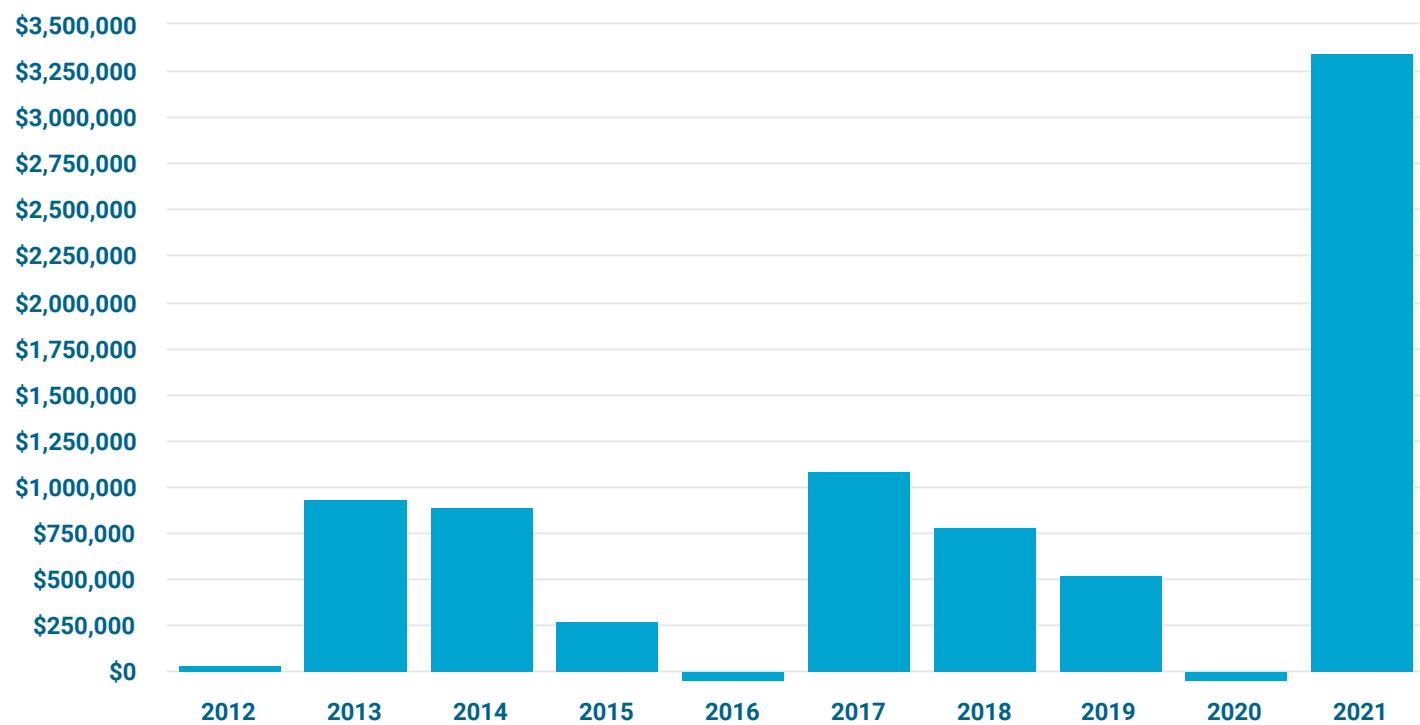
**Demographic Trends** - Contains historical data pertaining to the Plan's membership.

- Retired Members by Type of Benefit
- Average Benefit Payments
- History of Membership by Participating Employer
- Statistical Membership Information

## Statistical Changes in Fiduciary Net Position

For the Years Ended June 30, 2012 through 2021

(Amounts in Thousands)



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>ADDITIONS</b>										
Employer Contributions <sup>1</sup>	\$ 278,091	\$ 303,080	\$ 330,330	\$ 303,244	\$ 340,512	\$ 360,478	\$ 381,452	\$ 446,295	\$ 467,985	\$ 498,747
Member Contributions <sup>2</sup>	68,630	91,056	89,861	129,895	139,132	143,858	151,006	163,552	169,183	172,953
Investment Income/(Loss) <sup>3</sup>	39,786	912,310	877,018	280,842	(80,028)	1,098,198	797,480	502,753	(302,050)	3,353,153
<b>TOTAL ADDITIONS</b>	<b>\$ 386,507</b>	<b>\$ 1,306,446</b>	<b>\$ 1,297,209</b>	<b>\$ 713,981</b>	<b>\$ 399,616</b>	<b>\$ 1,602,534</b>	<b>\$ 1,329,938</b>	<b>\$ 1,112,600</b>	<b>\$ 335,118</b>	<b>\$ 4,024,853</b>
<b>DEDUCTIONS</b>										
Benefits and Refunds	\$ 341,728	\$ 367,396	\$ 397,823	\$ 428,475	\$ 464,068	\$ 497,904	\$ 539,297	\$ 578,508	\$ 621,564	\$ 660,822
Administrative Expenses	6,205	6,258	6,386	6,710	7,569	9,961	8,752	9,383	9,019	9,720
Other Expenses	1,814	1,572	2,483	2,208	2,664	3,202	3,340	3,292	5,608	4,792
<b>TOTAL DEDUCTIONS</b>	<b>\$ 349,747</b>	<b>\$ 375,226</b>	<b>\$ 406,692</b>	<b>\$ 437,393</b>	<b>\$ 474,301</b>	<b>\$ 511,067</b>	<b>\$ 551,389</b>	<b>\$ 591,183</b>	<b>\$ 636,191</b>	<b>\$ 675,334</b>
<b>TOTAL CHANGE IN FIDUCIARY NET POSITION</b>	<b>\$ 36,760</b>	<b>\$ 931,220</b>	<b>\$ 890,517</b>	<b>\$ 276,588</b>	<b>\$ (74,685)</b>	<b>\$ 1,091,467</b>	<b>\$ 778,549</b>	<b>\$ 521,417</b>	<b>\$ (301,073)</b>	<b>\$ 3,349,519</b>

(1) For the year ended June 30, 2018: Includes \$2,784 thousand in Employer Contributions for a Plan Asset transfer from an outside plan.

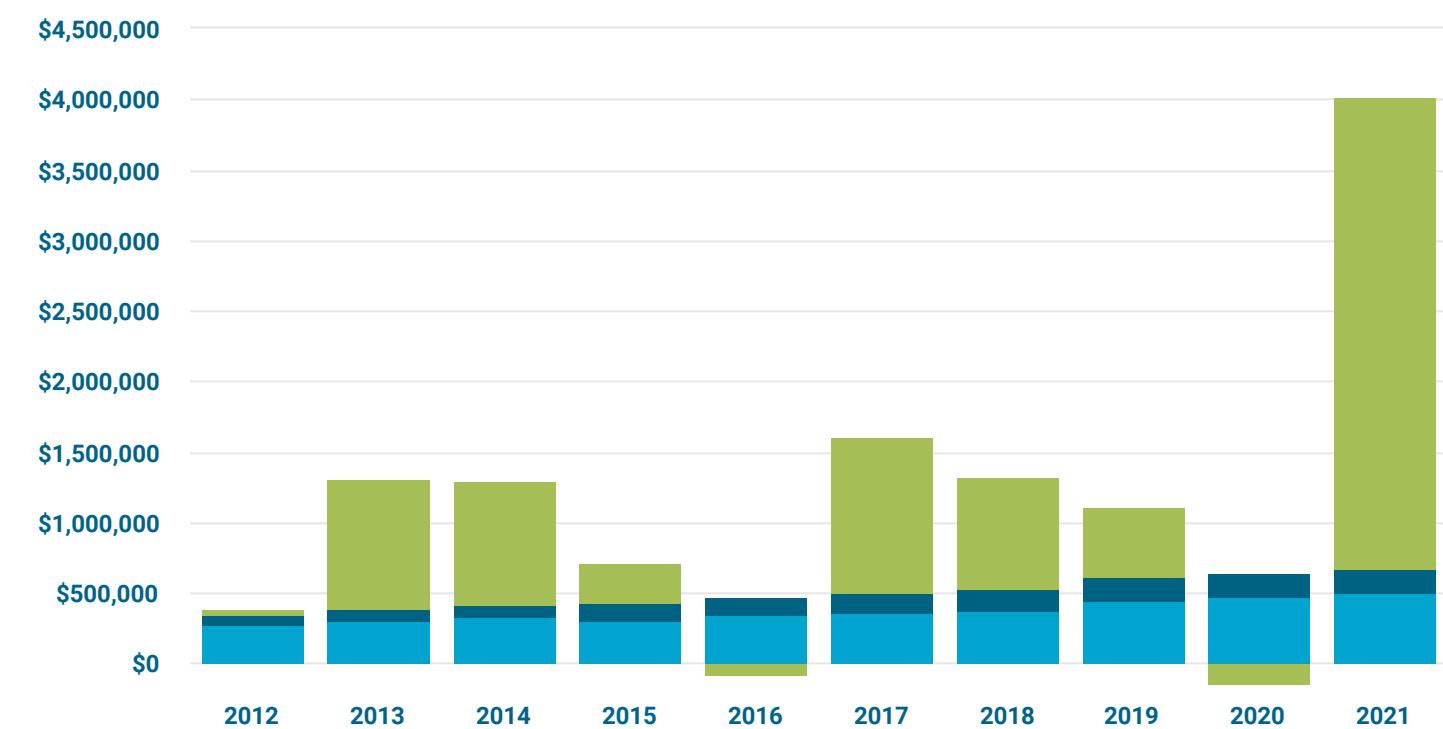
(2) For the year ended June 30, 2018: Includes \$1,528 thousand in Member Contributions for a Plan Asset transfer from an outside plan.

(3) Net of investment expenses and includes net securities lending income.

## Additions by Source

For the Years Ended June 30, 2012 through 2021

(Amounts in Thousands)



ADDITIONS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Employer Contributions <sup>1</sup>	\$278,091	\$303,080	\$330,330	\$303,244	\$340,512	\$360,478	\$381,452	\$446,295	\$467,985	\$498,747
Member Contributions <sup>2</sup>	68,630	91,056	89,861	129,895	139,132	143,858	151,006	163,552	169,183	172,953
Investment Income/(Loss) <sup>3</sup>	39,786	912,310	877,018	280,842	(\$80,028)	\$1,098,198	\$797,480	\$502,753	(\$302,050)	3,353,153
<b>TOTAL ADDITIONS</b>	<b>\$386,507</b>	<b>\$1,306,446</b>	<b>\$1,297,209</b>	<b>\$713,981</b>	<b>\$399,616</b>	<b>\$1,602,534</b>	<b>\$1,329,938</b>	<b>\$1,112,600</b>	<b>\$335,118</b>	<b>\$4,024,853</b>
COVERED PAYROLL <sup>4</sup>	\$1,244,555	\$1,260,309	\$1,262,752	\$1,267,667	\$1,309,095	\$1,346,408	\$1,406,470	\$1,477,131	\$1,542,495	\$1,587,324
EMPLOYER CONTRIBUTION AS A PERCENTAGE OF COVERED	22.34%	24.05%	26.16%	23.92%	26.01%	26.77%	27.12%	30.21%	30.34%	31.42%

(1) For the year ended June 30, 2018: Includes \$2,784 thousand in Employer Contributions for a Plan Asset transfer from an outside plan.

(1) For the year ended June 30, 2018: Includes \$1,528 thousand in Member Contributions for a Plan Asset transfer from an outside plan.

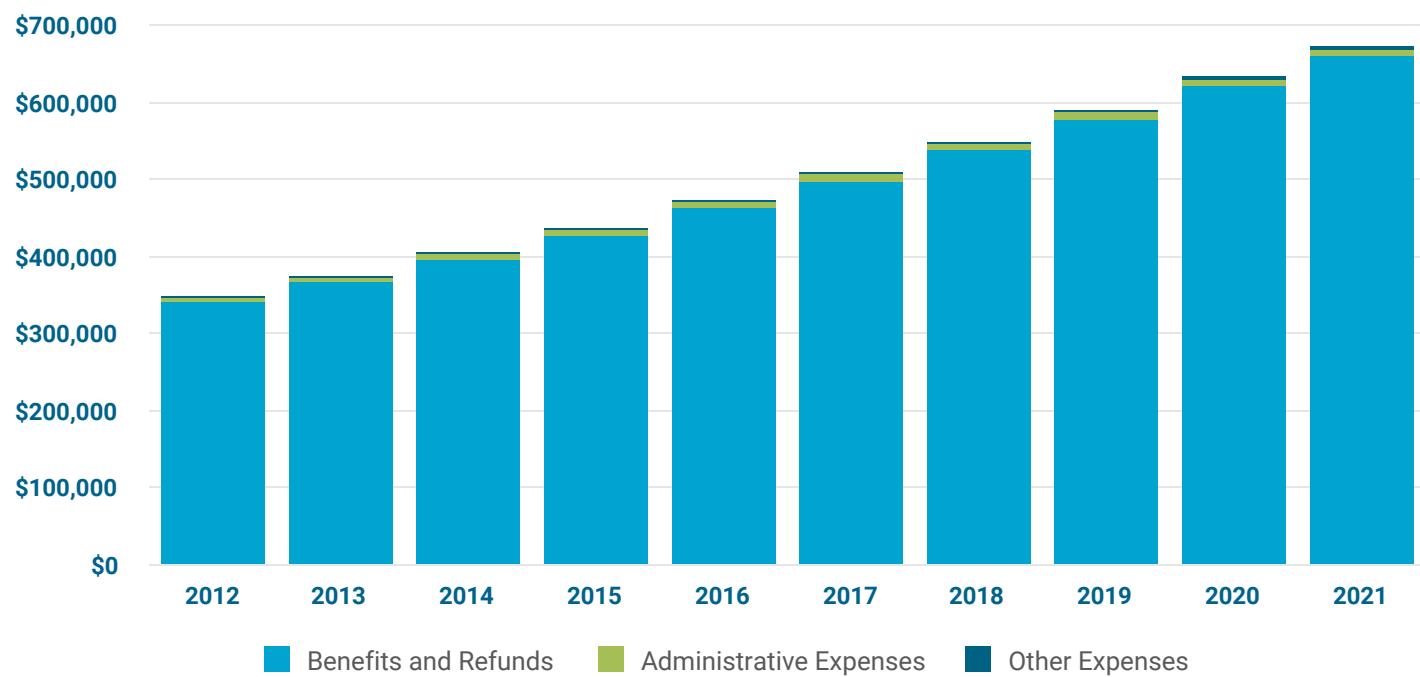
(2) Net of investment expenses and includes net securities lending income.

(3) Covered payroll represents the collective total of the SBCERA eligible wages of all participating employers. The covered payroll shown is based on the prior year's valuation for each year shown.

## Deductions by Type

For the Years Ended June 30, 2012 through 2021

(Amounts in Thousands)



DEDUCTIONS	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benefits and Refunds	\$341,728	\$367,396	\$397,823	\$428,475	\$464,068	\$497,904	\$539,297	\$578,508	\$621,564	\$660,822
Administrative Expenses	6,205	6,258	6,386	6,710	7,569	9,961	8,752	9,383	9,019	9,720
Other Expenses	1,814	1,572	2,483	2,208	2,664	3,202	3,340	3,292	5,608	4,792
<b>TOTAL DEDUCTIONS</b>	<b>\$349,747</b>	<b>\$375,226</b>	<b>\$406,692</b>	<b>\$437,393</b>	<b>\$474,301</b>	<b>\$511,067</b>	<b>\$551,389</b>	<b>\$591,183</b>	<b>\$636,191</b>	<b>\$675,334</b>

## **Benefit Expenses by Type**

For the Years Ended June 30, 2012 through 2021

(Amounts in Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Age &amp; Service Benefits</b>										
Retirees	\$256,160	\$276,360	\$300,482	\$327,541	\$354,650	\$384,184	\$418,274	\$450,480	\$483,085	\$515,309
Survivors	12,259	13,230	14,293	15,314	16,817	18,428	20,151	21,549	23,318	26,513
Death in Service Benefits	341	315	424	247	590	421	466	290	690	716
<b>Disability Benefits</b>										
Duty	44,080	47,137	50,325	52,722	55,037	58,519	61,904	65,824	71,290	74,849
Non-Duty	9,557	10,220	10,911	11,431	11,933	12,688	13,422	14,272	15,457	16,229
Survivor	7,947	8,576	9,265	9,927	10,902	11,946	13,064	13,971	15,117	17,188
<b>TOTAL BENEFIT PAYMENTS</b>	<b>330,344</b>	<b>355,838</b>	<b>385,700</b>	<b>417,182</b>	<b>449,929</b>	<b>486,186</b>	<b>527,281</b>	<b>566,386</b>	<b>608,957</b>	<b>650,804</b>
<b>Refunds</b>										
Death	717	826	1,016	1,106	1,678	1,563	1,463	1,312	1,988	2,220
Separation	10,667	10,732	11,107	10,187	12,461	10,155	10,553	10,811	10,619	7,798
<b>TOTAL REFUNDS</b>	<b>11,384</b>	<b>11,558</b>	<b>12,123</b>	<b>11,293</b>	<b>14,139</b>	<b>11,718</b>	<b>12,016</b>	<b>12,123</b>	<b>12,607</b>	<b>10,018</b>
<b>TOTAL BENEFIT AND REFUND PAYMENTS</b>	<b>\$341,728</b>	<b>\$367,396</b>	<b>\$397,823</b>	<b>\$428,475</b>	<b>\$464,068</b>	<b>\$497,904</b>	<b>\$539,297</b>	<b>\$578,509</b>	<b>\$621,564</b>	<b>\$660,822</b>

# **Retired Members by Type of Benefit**

For the Years Ended June 30, 2012 through 2021

General Members					Safety Members						
Amount of Monthly Benefit <sup>2</sup>	Number of Retirees	Type of Retirement <sup>1</sup>			Amount of Monthly Benefit <sup>2</sup>	Number of Retirees	Type of Retirement <sup>1</sup>				
		A	B	C			A	B	C		
\$0 - \$999	1,843	1,241	72	530	\$0 - \$999	127	42	19	66		
\$1,000 - \$1,999	2,763	2,047	254	462	\$1,000 - \$1,999	194	49	39	106		
\$2,000 - \$2,999	2,172	1,601	293	278	\$2,000 - \$2,999	237	84	77	76		
\$3,000 - \$3,999	1,517	1,257	122	138	\$3,000 - \$3,999	390	78	245	67		
\$4,000 - \$4,999	1,113	992	59	62	\$4,000 - \$4,999	269	83	145	41		
\$5,000 - \$5,999	655	618	18	19	\$5,000 - \$5,999	182	107	50	25		
\$6,000 - \$6,999	507	476	10	21	\$6,000 - \$6,999	168	109	41	18		
\$7,000 - \$7,999	358	342	7	9	\$7,000 - \$7,999	162	120	35	7		
\$8,000 - \$8,999	292	278	6	8	\$8,000 - \$8,999	149	112	31	6		
\$9,000 - \$9,999	209	206	2	1	\$9,000 - \$9,999	114	72	39	3		
Over \$10,000	482	470	3	9	Over \$10,000	389	255	120	14		
<b>TOTAL</b>	<b>11,911</b>	<b>9,528</b>	<b>846</b>	<b>1,537</b>		<b>TOTAL</b>	<b>2,381</b>	<b>1,111</b>	<b>841</b>	<b>429</b>	
							<b>Number of Retirees</b>	<b>Type of Retirement<sup>1</sup></b>			
							<b>GRAND TOTAL</b>	<b>14,292</b>	<b>10,639</b>	<b>1,687</b>	<b>1,966</b>

(1) Type of Retirement: A = Service Retirements; B = Disability Retirement; C = Beneficiary  
 (2) Excludes monthly benefits for Supplemental Disability, Survivor Benefit, and Burial Allowance.

Note: Refer to the Actuarial section, Summary of Major Plan Provisions, for further information.

## **Average Benefit Payments**

For the Retirement Effective Dates of July 1, 2011 through June 30, 2021

	Service Years Credited						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
<b>Period 7/1/11 to 6/30/12</b>							
Average Monthly Benefit	\$ 832	\$ 1,821	\$ 2,085	\$ 2,786	\$ 4,506	\$ 5,282	\$ 8,395
Monthly Final Average Salary	\$ 4,425	\$ 5,084	\$ 4,805	\$ 5,092	\$ 6,901	\$ 6,906	\$ 9,021
Number of Active Retirees	3	45	96	57	107	70	97
<b>Period 7/1/12 to 6/30/13</b>							
Average Monthly Benefit	\$ 2,696	\$ 1,871	\$ 2,006	\$ 3,405	\$ 4,119	\$ 6,005	\$ 8,223
Monthly Final Average Salary	\$ 9,857	\$ 4,645	\$ 5,369	\$ 6,426	\$ 6,479	\$ 7,969	\$ 8,771
Number of Active Retirees	6	45	112	72	92	92	93
<b>Period 7/1/13 to 6/30/14</b>							
Average Monthly Benefit	\$ 1,568	\$ 1,836	\$ 2,124	\$ 2,724	\$ 4,137	\$ 5,714	\$ 6,549
Monthly Final Average Salary	\$ 3,907	\$ 5,148	\$ 5,402	\$ 5,274	\$ 6,343	\$ 7,216	\$ 6,878
Number of Active Retirees	2	24	129	77	117	90	92
<b>Period 7/1/14 to 6/30/15</b>							
Average Monthly Benefit	\$ 1,111	\$ 1,713	\$ 1,983	\$ 2,804	\$ 4,521	\$ 5,708	\$ 7,713
Monthly Final Average Salary	\$ 5,347	\$ 5,293	\$ 5,112	\$ 5,527	\$ 6,685	\$ 6,837	\$ 7,473
Number of Active Retirees	4	46	92	81	96	110	114
<b>Period 7/1/15 to 6/30/16</b>							
Average Monthly Benefit	\$ 350	\$ 1,669	\$ 2,215	\$ 2,913	\$ 3,886	\$ 5,576	\$ 7,764
Monthly Final Average Salary	\$ 7,685	\$ 4,803	\$ 5,795	\$ 5,456	\$ 5,657	\$ 6,613	\$ 8,041
Number of Active Retirees	1	54	80	97	91	104	107
<b>Period 7/1/16 to 6/30/17</b>							
Average Monthly Benefit	\$ 574	\$ 2,042	\$ 2,239	\$ 3,306	\$ 4,470	\$ 6,253	\$ 7,770
Monthly Final Average Salary	\$ 3,227	\$ 5,955	\$ 5,187	\$ 6,294	\$ 6,493	\$ 7,224	\$ 7,793
Number of Active Retirees	3	63	103	90	86	107	145
<b>Period 7/1/17 to 6/30/18</b>							
Average Monthly Benefit	\$ 1,591	\$ 1,742	\$ 2,273	\$ 3,236	\$ 4,228	\$ 6,692	\$ 7,852
Monthly Final Average Salary	\$ 6,706	\$ 6,122	\$ 5,675	\$ 5,840	\$ 6,237	\$ 7,196	\$ 8,069
Number of Active Retirees	11	49	84	110	66	120	128
<b>Period 7/1/18 to 6/30/19</b>							
Average Monthly Benefit	\$ 2,292	\$ 1,655	\$ 2,207	\$ 2,959	\$ 4,401	\$ 6,475	\$ 7,545
Monthly Final Average Salary	\$ 5,396	\$ 6,098	\$ 5,700	\$ 5,760	\$ 6,802	\$ 7,759	\$ 7,783
Number of Active Retirees	4	28	94	128	110	89	137
<b>Period 7/1/19 to 6/30/20</b>							
Average Monthly Benefit	\$ 2,553	\$ 1,592	\$ 2,322	\$ 3,379	\$ 4,650	\$ 6,125	\$ 7,960
Monthly Final Average Salary	\$ 8,267	\$ 4,913	\$ 5,551	\$ 6,460	\$ 6,968	\$ 7,412	\$ 8,504
Number of Active Retirees	11	35	108	92	121	112	148
<b>Period 7/1/20 to 6/30/21</b>							
Average Monthly Benefit	\$ 2,052	\$ 1,567	\$ 2,605	\$ 3,499	\$ 4,397	\$ 6,524	\$ 8,074
Monthly Final Average Salary	\$ 10,854	\$ 6,972	\$ 6,212	\$ 6,712	\$ 6,794	\$ 8,291	\$ 8,874
Number of Active Retirees	3	26	82	91	122	86	144

Note: Active Retiree count does not include beneficiary payments. See page 133 for further information.

# History of Membership by Participating Employer

For the Years Ended June 30, 2012 through 2021

Employer	2021		2020		2019		2018		2017	
	Number of Members	% of Total								
BFPD	27	0.13%	26	0.12%	23	0.12%	23	0.11%	20	0.09%
BBFA <sup>1</sup>	61	0.28%	58	0.27%	58	0.27%	32	0.15%	—	—%
CERTNA <sup>2</sup>	—	—%	2	0.01%	2	0.01%	2	0.01%	2	0.01%
CSAC	108	0.50%	106	0.49%	114	0.52%	106	0.49%	100	0.47%
CBBL	55	0.26%	53	0.24%	50	0.23%	51	0.24%	67	0.32%
CCH	154	0.72%	154	0.71%	157	0.72%	152	0.71%	153	0.72%
County	19,054	88.62%	19,308	88.51%	19,338	88.61%	19,096	88.96%	18,797	89.05%
CFFPD <sup>3</sup>	—	—%	—	—%	—	—%	—	—%	—	—%
CSD <sup>4</sup>	19	0.09%	20	0.09%	20	0.09%	19	0.09%	19	0.09%
DWP <sup>5</sup>	35	0.16%	37	0.17%	38	0.17%	35	0.16%	31	0.15%
HRPD	18	0.08%	17	0.08%	24	0.11%	24	0.11%	24	0.11%
ILS <sup>6</sup>	—	—%	—	—%	—	—%	1	—%	1	0.01%
LL	6	0.03%	6	0.03%	7	0.03%	6	0.03%	6	0.03%
LAFCO	4	0.02%	5	0.02%	5	0.02%	5	0.02%	5	0.02%
MDAQMD	42	0.20%	41	0.19%	42	0.19%	42	0.20%	39	0.18%
RIM <sup>7</sup>	—	—%	—	—%	—	—%	—	—%	—	—%
SBCTA <sup>8</sup>	61	0.28%	60	0.27%	62	0.28%	57	0.27%	60	0.28%
SBCERA	71	0.33%	66	0.30%	64	0.29%	60	0.28%	64	0.30%
SCAQMD	775	3.60%	795	3.64%	759	3.48%	723	3.37%	702	3.33%
Superior Court	1,010	4.70%	1,060	4.86%	1,060	4.86%	1,031	4.80%	1,020	4.84%
<b>TOTAL EMPLOYEES</b>	<b>21,500</b>	<b>100.00%</b>	<b>21,814</b>	<b>100.00%</b>	<b>21,823</b>	<b>100.00%</b>	<b>21,465</b>	<b>100.00%</b>	<b>21,110</b>	<b>100.00%</b>

(1) On June 23, 2018, BBFA joined SBCERA as a participating employer. A portion of the new membership resulted from a Plan transfer from an outside plan as if those members were always members of SBCERA.

(2) On June 30, 2021, CERTNA withdrew from SBCERA.

(3) On July 13, 2013, CFFPD transferred all members to the County. For actuarial purposes, the transfer of the associated accrued liabilities occurred as of June 30, 2013.

(4) CSD previously reported under the County. On October 7, 2010, CSD requested to be treated as a separate employer.

(5) As of July 2, 2011, DWP requested to be treated as a separate employer. Prior to that, members were reported as CBBL employees.

(6) On May 31, 2019, ILS withdrew from SBCERA.

(7) On May 4, 2013, RIM withdrew from SBCERA.

(8) On June 24, 2017, the San Bernardino Associated Governments members transitioned to SBCTA as if no change of employer had occurred.

# History of Membership by Participating Employer

For the Years Ended June 30, 2012 through 2021  
(Continued)

2016		2015		2014		2013		2012	
Number of Members	% of Total								
18	0.09%	28	0.14%	27	0.14%	20	0.10%	20	0.10%
—	0.00%	—	0.00%	—	0.00%	—	0.00%	—	0.00%
2	0.01%	2	0.01%	1	0.01%	1	0.01%	1	0.01%
94	0.46%	94	0.47%	83	0.43%	94	0.47%	105	0.54%
67	0.33%	65	0.33%	66	0.34%	71	0.37%	77	0.40%
153	0.74%	152	0.76%	148	0.76%	161	0.83%	168	0.87%
18,319	89.19%	17,718	88.87%	17,341	88.93%	17,230	88.81%	16,963	87.87%
—	0.00%	—	0.00%	—	0.00%	—	0.00%	29	0.15%
19	0.09%	20	0.10%	19	0.10%	18	0.09%	20	0.10%
31	0.15%	32	0.16%	32	0.16%	33	0.17%	33	0.17%
40	0.19%	49	0.24%	44	0.23%	18	0.09%	18	0.09%
1	0.01%	1	0.01%	1	0.01%	1	0.01%	1	0.01%
8	0.04%	8	0.04%	8	0.04%	8	0.04%	8	0.04%
5	0.02%	5	0.02%	5	0.03%	4	0.02%	4	0.02%
39	0.19%	41	0.21%	41	0.21%	42	0.22%	38	0.20%
—	0.00%	—	0.00%	—	0.00%	—	0.00%	1	0.01%
55	0.27%	50	0.25%	45	0.23%	48	0.25%	41	0.21%
55	0.27%	48	0.24%	50	0.26%	47	0.24%	48	0.25%
682	3.32%	695	3.49%	697	3.57%	713	3.68%	740	3.83%
950	4.63%	930	4.66%	889	4.55%	892	4.60%	991	5.13%
20,538	100.00%	19,938	100.00%	19,497	100.00%	19,401	100.00%	19,306	100.00%

Note: See Note on page 131 for further information.

## **Statistical Membership Information**

For the Years Ended June 30, 2012 through 2021

### **ACTIVE MEMBERSHIP CLASSIFICATION**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
General	17,155	17,241	17,314	17,726	18,165	18,619	18,798	19,190	19,203	18,971
Safety	2,151	2,160	2,183	2,212	2,373	2,491	2,667	2,633	2,611	2,529
<b>TOTAL</b>	<b>19,306</b>	<b>19,401</b>	<b>19,497</b>	<b>19,938</b>	<b>20,538</b>	<b>21,110</b>	<b>21,465</b>	<b>21,823</b>	<b>21,814</b>	<b>21,500</b>

### **MEMBERSHIP HISTORY (ACTIVE AND DEFERRED)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Active	19,306	19,401	19,497	19,938	20,538	21,110	21,465	21,823	21,814	21,500
Deferred	3,782	3,921	4,356	4,804	5,136	5,547	6,211	6,726	7,494	8,197
<b>TOTAL</b>	<b>23,088</b>	<b>23,322</b>	<b>23,853</b>	<b>24,742</b>	<b>25,674</b>	<b>26,657</b>	<b>27,676</b>	<b>28,549</b>	<b>29,308</b>	<b>29,697</b>

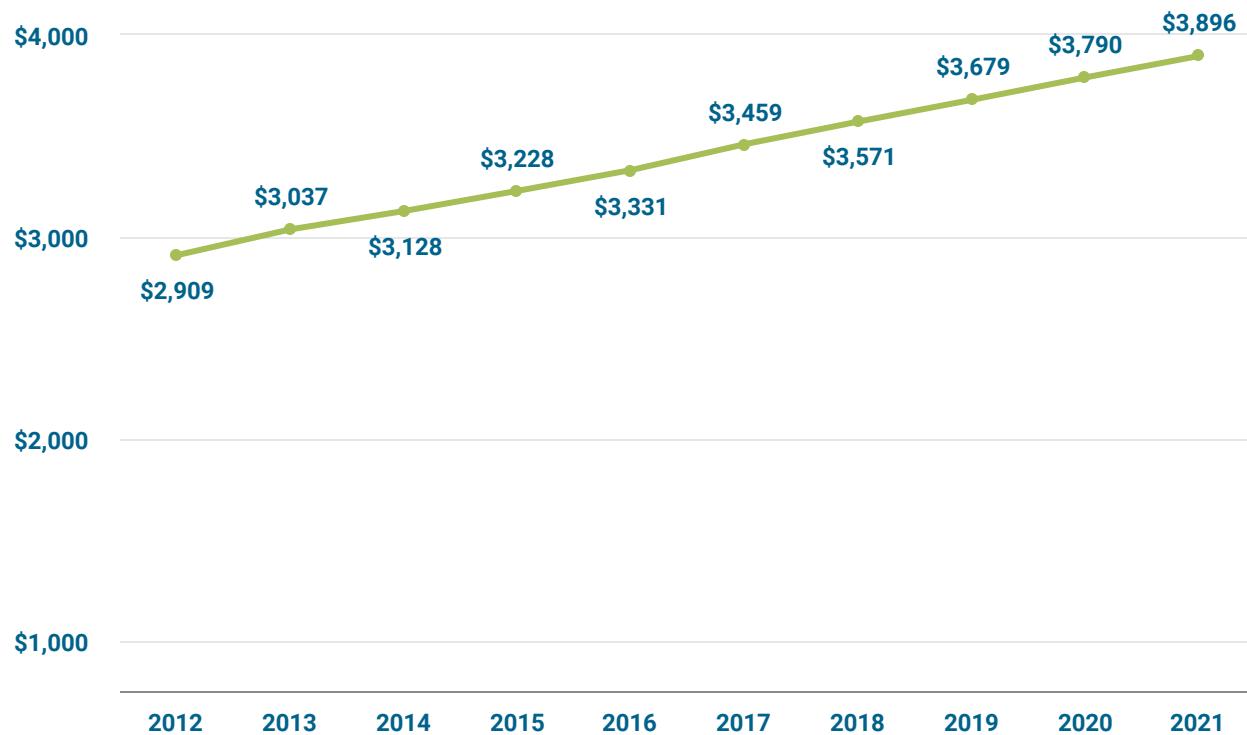
### **MEMBERSHIP HISTORY (RETIRED)**

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
Service Retirement	6,957	7,296	7,681	8,115	8,542	8,983	9,417	9,861	10,308	10,639
Service Connected Disability	1,047	1,093	1,124	1,148	1,168	1,207	1,242	1,281	1,351	1,362
Non-Service Connected Disability	350	351	350	355	352	363	351	339	333	325
Survivors	1,382	1,433	1,463	1,510	1,568	1,626	1,706	1,763	1,841	1,966
<b>TOTAL</b>	<b>9,736</b>	<b>10,173</b>	<b>10,618</b>	<b>11,128</b>	<b>11,630</b>	<b>12,179</b>	<b>12,716</b>	<b>13,244</b>	<b>13,833</b>	<b>14,292</b>

# Statistical Membership Information

For the Years Ended June 30, 2012 through 2021  
(Continued)

## AVERAGE MONTHLY RETIREMENT BENEFITS



## BENEFITS AND REFUNDS PAID

(Amounts in Thousands)

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Benefits	\$330,344	\$355,838	\$385,700	\$417,182	\$449,929	\$486,186	\$527,281	\$566,385	\$608,957	\$650,804
Refunds	11,384	11,558	12,123	11,293	14,139	11,718	12,016	12,123	12,607	10,018
<b>Total</b>	<b>\$341,728</b>	<b>\$367,396</b>	<b>\$397,823</b>	<b>\$428,475</b>	<b>\$464,068</b>	<b>\$497,904</b>	<b>\$539,297</b>	<b>\$578,508</b>	<b>\$621,564</b>	<b>\$660,822</b>

# 2021

## **Annual Comprehensive Financial Report**

**A Multiple-Employer Pension Trust Fund  
San Bernardino, California**

**For the Years Ended June 30, 2021 and 2020**



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