SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
A Component Unit of the City of Sacramento, California

Annual Financial Report

Fiscal Year Ended June 30, 2023
(With Comparative Totals for the Fiscal Year Ended June 30, 2022)

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December 19, 2023

TO: Members of the Sacramento City Employees' Retirement System
Members of the Sacramento City Council

Transmitted herewith is the annual report of the Administration, Investment and Fiscal Management Board (Board) for the Sacramento City Employees' Retirement System (SCERS or System). This report addresses Board membership, history of the System, investment objectives, asset allocation, financial results, members' interest credit, fund performance, administration highlights, together with reports by an independent auditor and actuary, all as of the close of the 2023 Fiscal Year, or June 30, 2023.

The Annual Financial Report consists of three main sections: an Introductory Section represented by this letter of transmittal and the identification of the System's financial governing body, and the administrative and consulting services utilized by SCERS; the Financial Section which contains the Independent Auditor's Report, Management's Discussion and Analysis (MD&A), the financial statements of SCERS, Required Supplementary Information (RSI), and Other Supplementary Information; and the Actuarial Section which contains the independent consulting actuary's valuation along with related actuarial data and statements.

BOARD MEMBERSHIP

As set out in the Sacramento City (City) Charter, the Board is comprised of five members, three of whom are City officials (or their designees), and two of whom are public citizen members appointed by the City Council. The Sacramento City Manager, City Treasurer and Director of Finance are the City officials designated to serve on this Board. By City Charter, the public citizen members must be residents of the City of Sacramento, not connected with City government, and at least one of these members must be qualified by training and experience in the management and investment of funds.

The members of the Board as of the close of the fiscal year are as follows:

City Officials
Howard Chan, City Manager (Jason Bader, Designee)
John Colville, City Treasurer
Director of Finance (Leyne Milstein, Designee)

Public Citizen Members
David Bach
Manuel Leon – State of California

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Howard Chan, City Manager, was appointed to his current position in February 2017 and assumed the Board membership position at that time. Mr. Chan has appointed Jason Bader, Principal Management Analyst, to serve as his designee. He has been with the City since 2005 and has served as Vice Chair and was most recently elected as Chair of the Board in 2022 and 2023.

John Colville, City Treasurer, was appointed to his current position in February 2016 and assumed his position on the Board in February 2016 upon his appointment as Interim City Treasurer. Prior to his appointment as City Treasurer, Mr. Colville served as Interim City Treasurer and prior to that, as Chief Investment Officer for the City. As Chief Investment Officer, Mr. Colville supervised the investment activities of the City Treasurer's Office, including the investment of City and SCERS funds. Mr. Colville has been a City employee since 2004.

Leyne Milstein, Assistant City Manager was serving for the vacant Director of Finance seat. Ms. Milstein has served the Board in various capacities since 2008.

David Bach is a public citizen member and joined the Board in early 2022.

Manuel Leon, an employee of the State of California, State Senate, was appointed to the Board in February 2016 as a public citizen Board member and served as the Vice-Chair from April 2016 to January 2018. In January 2018 he was elected as Chair and served until 2021.

HISTORY

SCERS is a defined benefit plan in which retirement benefits for City member employees are based upon age, final compensation, and length of service. City employee members make contributions to the System and, until 1993, the City made a normal contribution which was a percentage of total City payrolls. These cash payments are held in trust and invested to meet the retirement benefits of members. However, if these invested assets prove inadequate to meet the defined benefits, the City must contribute additional monies to pay benefits. Between fiscal year 1988/1989 and fiscal year 2006/2007, the System's anticipated liabilities were fully funded or in an actuarial surplus condition, and the City was not required to make contributions to the System during that time period. The City has been required to make contributions from fiscal year 2007/2008 through fiscal year 2021/2022. No contribution was required for the current fiscal year ended June 30, 2023.

In 1977, with the passage of Measure E, SCERS became a "closed" system, i.e., there would be no additional employees participating in the plan. Since that time, all full-time and eligible part-time employees of the City participate in the California Public Employees' Retirement System (CalPERS) rather than SCERS. In 1977, the average age of SCERS active members was 36 years.

In June 1989, the voters of Sacramento approved the transfer of SCERS active safety members to CalPERS. Effective December 30, 1989, SCERS active safety members were transferred to CalPERS with a cash transfer of $103.3 million in January 1990.

As of June 30, 2023, there is one active miscellaneous member and a total of 780 plan participants. As of said date, the one active miscellaneous member is 68.5 years old and has 46.3 years of service.

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Pursuant to the Sacramento City Charter, the Board has exclusive authority to invest and manage the System's funds. The Board, in turn, has selected the Sacramento City Treasurer and Treasurer's Office investment personnel to conduct daily investment activities consistent with Board-approved policies and direction. The City Treasurer's office also serves as staff to the Board.

INVESTMENT OBJECTIVES

The overarching goal of the SCERS investment program is to utilize prudent investment practices to generate adequate long-term returns that, when combined with employer and employee contributions, will result in sufficient assets to pay the present and future obligations of the System. In furtherance of this goal, the Board has adopted an investment policy that, among other things, authorizes the investment in different asset classes to promote both long-term returns and short-term cash needs. The emphasis on cash income and fixed income investments is intended to meet current benefit payments on a continuing basis, while equity investments are intended to grow the asset base with dividend income providing additional support for current benefit payments.

The emphasis on interest revenue and dividend income is particularly important for SCERS as there are no new entrants to the System to provide a continuing source of funds to help cover the liabilities of the System. Cash payments for benefits have exceeded contributions since 1989. Accordingly, the cash generation emphasis in SCERS investments is a critical feature required from SCERS status as a "closed" plan, that has negligible and declining numbers of active, contributing members. Equity investments are permitted to inject an element of growth within the investment portfolios to grow the System's asset base.

The Board annually reviews and approves the SCERS investment policy and forwards the same to the City Council for its approval pursuant to City Charter requirements. All SCERS investments are held by a third-party custodian, except for the sole remaining real estate trust deed.

ASSET ALLOCATION

Pursuant to the SCERS investment policy, the Board annually reviews its asset allocation, i.e., the allocation of the System's funds to different investment asset classes. On May 19, 2022, the Board established the asset allocation of the investment of SCERS funds during the fiscal year beginning July 1, 2022, and ended June 30, 2023. The approved asset allocation is as follows:

Fixed Income	
Fixed Income/Real Estate	32.5%
Equity	
Large Cap Growth	32.5%
Equity Income	30.0%
International	5.0%
	100.0%

ACTUARIAL EARNINGS ASSUMPTION

During the fiscal year ended June 30, 2023, SCERS actuarial earnings assumption was 6.0%.

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FINANCIAL RESULTS

The plan net position of SCERS decreased from $254.171 million to $249.966 million by the end of the fiscal year ended June 30, 2023. This $4.205 million decrease is summarized as follows:

SCERS PLAN NET POSITION	$ in thousands
Plan net position 6/30/22	$254,171
Members Contributions	3
Total Investment Income	24,292
Benefit Payments and Expenses	(28,500)
Plan net position 6/30/23	$249,966

SCERS' Total Pension Liability (TPL) as of June 30, 2023, is approximately $261.807 million. TPL represents the present value of all future benefits that will be paid by SCERS. SCERS funding ratio using fair value of assets was 95.5% percent of TPL on June 30, 2023. The funding ratio is defined as that portion of the total TPL for which there are assets available for benefits. As such, the System's actuary indicates that for every dollar of benefits due, SCERS has approximately $0.96 of assets available for payment. SCERS has a Net Pension Liability of $11.841 million.

TOTAL FUND PERFORMANCE

As required by the SCERS Investment Policy, the Board retained a third-party firm, namely Segal Marco Advisors (formerly Rogerscasey) to calculate total investment return and measure investment performance. Segal Marco Advisors is an independent fund evaluation and performance measurement service that calculates and reports the investment results of over 2,500 managed pension investment portfolios in the U.S. Segal Marco Advisors calculates the investment results of the managed portfolios and compares such results to the database of predetermined industry benchmarks.

Table 1 below shows investment return results of SCERS for the specified periods ended June 30, 2023:

Table 1

SCERS Total Rate of Return
TOTAL PLAN ASSETS
For the periods ended June 30, 2023

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS – All Funds	10.1%	8.4%	7.6%
Custom Index – Target*	8.5%	6.7%	6.0%
Actuarial Assumption**	6.0%	6.2%	6.4%

*The Custom Index is a blended return based on the actual market performance of Segal Marco Advisors benchmarks representing each of the investment asset classes utilized by the System pursuant to the Board's established asset allocation.
** The Actuarial Assumption was changed to 6.0% as of June 30, 2021.

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For the fiscal year ended June 30, 2023, the total return of the System's invested assets resulted in a 10.1% overall return. The System's investment returns exceeded the market-based benchmarks utilized by Segal Marco Advisors for each of the 1-year, 3-year and 10-year time frames. The System also outperformed the 1-year actuarial assumption over these periods. Consistent with the "prudent person" standard set forth in the SCERS investment policy, the Board and its investment staff does not attempt to boost performance to the actuarial rate of return by going into riskier investments that would inject more volatile, non-transparent and/or illiquid assets into the portfolio. Rather, driven by the System's status as a "closed" fund virtually devoid of present and future member cash contributions, the System's investment policy points to a relatively conservative investment strategy that stresses the importance of preservation of capital and generation of cash flows from such assets.

Preservation of the SCERS' assets is challenged by the required cash payments of retiree benefits paid from such assets. As the number of active members and their contributions have been in constant decline, the number of retirees and hence the amount of cash needed for benefits payments has stabilized and has been declining since 2015. The preservation of the System's assets at the same time as the liabilities of the plan decline (declining retiree benefits being paid) will facilitate improving funding ratios over time. Increasing the funding ratio over time will further decrease the need to incur risk in the portfolio as the System works towards an endgame of meeting the benefit payments of a dwindling retiree pool in an orderly, non-volatile manner.

To best manage the long-term competing factors of capital preservation and cash generation, the Board historically has placed emphasis on income-generating investments. Such investments include allocations to interest-bearing fixed income instruments as well as dividend-paying equity securities. The emphasis on interest-bearing fixed income investments reached as high as 70% of plan assets in 1995, all with the goal of generating cash yields close to the actuarial return assumption of 6.0%. Such fixed income investments are within the Fixed Income Fund maintained by the System.

Long-term interest rates continued to fall from their high levels in the early 1980's, including consistent declines since then through the 2008-2009 financial crisis that resulted in historic low rates. As the yield on long maturity bonds fell below the actuarial return assumption, the Board started to allocate funds to dividend-paying equities. At first, these dividend-paying equity holdings were lumped together with interest-bearing fixed income securities, all within the Fixed Income Fund. While the dividend-paying stocks have certain bond-like attributes, such as a consistent, steady stream of periodic income, they behave sufficiently differently to warrant analyzing and managing such holdings separately from bond holdings. From and after 2008, such stocks were recorded in their own portfolio within the System known as the Equity Income Fund. The Equity Income Fund's cash dividends, as well as the interest earned on Fixed Income Fund holdings, constitute an important portion of the return on the System's assets. In addition, Equity Income stock holdings may also contribute capital returns in the form of higher share values.

For the fiscal year ended June 30, 2023, the System's targeted allocation was 62.5% in income producing assets, with the Fixed Income Fund at 32.5% and the Equity Income Fund at 30.0%. The overweight to income-generating investments reflects the Board's prudent approach to maintaining the actuarial soundness of the System and the ability to pay retiree benefits. Moreover, the volatility of the Fixed Income Fund and Equity Income Fund has been less than what is experienced in the other growth equity portions of the SCERS portfolio. In overweighting the portfolio to these two Funds, the Board seeks more consistent cashflow and total returns while minimizing undue volatility in City contributions which may occur due to wide swings in portfolio values due to greater weightings to the more growth-oriented equity allocations.

Fixed Income Performance

Based on the Board's asset allocation for FY 2023, 32.5% of SCERS assets were allocated to fixed income investments within the Fixed Income Fund. During the year, such fixed income investments included corporate, municipal, and mortgage-backed bonds, short-term high yield ETFs, plus short-term, cash-equivalent investments. In addition, the Fund includes a real estate first trust deed funded by the System with a maturity date of 2024. All told, the Fixed Income Fund's investments are debt securities whose primary source of portfolio return is interest income, with increases in value of the holdings a secondary source of return.

Table 2 reflects SCERS' performance of the Fixed Income Fund for various periods ended June 30, 2023:

Table 2

SCERS Total Rate of Return
FIXED INCOME
For the periods ended June 30, 2023

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS Fixed Income Fund	1.3%	-2.9%	2.9%
Fixed Portfolio Index*	-.90%	-4.0%	1.5%

*Fixed Portfolio Index = 100% Barclays US Aggregate Bond Index from March 2008 to present.

The Fixed Income Fund produced a total rate of return of 1.3% for the one-year period ended June 30, 2023, as rates continued to move up in the fiscal year as the Federal Reserve (Fed) continued to intervene with interest rate hikes to tame inflation. The fund outperformed its benchmark over the fiscal year ended June 2023, and has a long history of outperformance as reflected in the returns over the 10-year timeframe. Over the past 10 years, the Fixed Income Fund has returned 2.9% which exceeds the benchmark return of 1.5%. The Fixed Income Fund continues to generate significant cashflow to the fund, and is primarily invested in high-quality, high coupon corporate and municipal securities.

This year's Fixed Income Fund's return of 1.3% is a significant increase over the previous year's return of -12.3%. This increase in return occurred in a changing interest rate environment. In the Fall of 2014, the Fed terminated their bond purchase program. They continued with their first hike of the Federal Funds rate in December 2015. The tightening strategy grew in momentum with six 0.25% Federal Fund rate hikes through FY 2018 (bond prices move inversely to interest rates as higher rates result in lower bond values). Those rate hikes in the short-term Federal Funds rate, coupled with a strengthening labor market and economy, resulted in an upward shift in rates across all maturities on the yield curve. However, at the last hike in December 2018, the Fed faced great criticism that the last hike may not have been warranted due to softening economic data. While equity and bond markets suffered in the aftermath of the December 2018 hike, the Fed maintained their stance of being data dependent and made no changes to interest rates through June of 2019, citing stable unemployment and low inflation which stabilized fixed income markets. As the new fiscal year began in June of 2019, markets were stable, and the economy was expanding but inflation was stagnant. Increased rhetoric on the trade war front with China and flat GDP led the Fed to reduce interest rates three times by October 2019 down to 1.75%. In late 2019 and early 2020, rumors of an uncontrollable pandemic began to echo through global markets. In the first calendar quarter of 2020, the United States equity markets experienced a major downward shock and the Fed intervened twice within two weeks in March 2020 and took the Fed Funds rate down to .25% to support an economy that had all but come to a standstill. As the fiscal year ended in 2021 the Fed had communicated its intent to keep this .25% rate in effect for the next 12 months. In FY 2022, rates hit historic lows and with the backdrop of rising inflation the Fed began aggressively raising interest rates. The first hike raised the Federal funds rate off essentially 0% in March 2022. By the end of the fiscal year ended June 30, 2023, the Fed had raised rates 525 basis points since the March 2022 lows. This hawkish stance continued into the next fiscal year with the last raise occurring in July 2023 (after the end of the fiscal year in this report). As the yields on bonds increase, the underlying prices decrease. Regardless of this inverse relationship of rates and prices the fixed income portfolio still produced a positive return for the fiscal year. It is important to note, the coupons of the portfolio's holdings continued to contribute approximately $3.1 million in cash interest payments, continuing the trend of year over year interest income increases as more funds are allocate to the portfolio.

Equity Investment Performance

Equity investment is a broad term used to describe investments in ownership interests in the issuing corporation. Common stocks represent corporate ownership interests. Stocks are typically purchased with the desire to capitalize on the growth of the issuing corporation. Also, many corporations pay dividends to holders of their common stock which provides shareholders with cash income. Common stocks can be purchased individually so the shareholders can target specific companies for growth and/or income purposes. Common stocks may also be purchased in groups through exchange traded funds (ETFs). ETFs can hold stocks of companies included in indexes (e.g., S&P 500 and Russell 2000) or which participate in various economic sectors (e.g., technology, financial and energy sectors) or focus on different investment themes (e.g., growth and value stocks). ETFs provide investors with effective tools to provide exposure into broad swaths of the market or into specific sectors of the economy. This is as opposed to requiring investors to identify stocks of individual companies to achieve the same exposure, all while incurring the risk that such selected individual companies fail to perform in-line with the index or sector (known as "single company risk"). While an ETF represents a collection of stocks, each ETF trades like stocks of individual companies on the major exchanges. SCERS equity portfolios are invested in both single company stocks and ETFs.

By Board policy for the fiscal year ended June 30, 2023, 67.50% of SCERS assets were to be allocated to equity investments, both domestic and international and including both growth and income objectives.

Table 3 shows the performance of SCERS' equity investments, both domestic and international:

Table 3

SCERS Total Rate of Return
DOMESTIC EQUITY INVESTMENTS
For the periods ended June 30, 2023

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS Domestic Equities	15.1%	14.1%	10.7%
Domestic Equity Index*	17.0%	12.2%	10.3%
Individual SCERS Domestic Equity Portfolios			
Large Cap Growth Fund	19.1%	14.4%	11.8%
Large Cap Index**	17.6%	12.8%	10.7%
Equity Income Fund	11.1%	13.6%	9.0%
Equity Income Index***	9.0%	11.8%	7.4%

*Domestic Equity Index = February 2006 to present = 100% Russell 3000 Index (price)
**Large Cap Index = June 2007 to present = 100% S&P 500
***Equity Income Index = March 1992 to June 2016 = 100% Dow Jones Select Dividend Index, July 2016 to present = Russell 1000 value (price)

Table 4

SCERS Total Rate of Return
INTERNATIONAL EQUITY INVESTMENTS
For the periods ended June 30, 2023

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS International Fund	12.6%	7.7%	3.8%
International Equity Index*	9.6%	4.6%	2.1%

*International Index = February 2006 – June 2007 = 33% Nikkei, 67% MSCI EAFE, July 2007 to present = 100% MSCI ACWI ex US

Per Table 3, the performance of the overall SCERS domestic equity portfolio was 15.1% for the one-year period as compared to the 17.0% return by the benchmark (Russell 3000 which represents the stocks of approximately 98% of U.S. publicly traded corporations). Although the domestic equity portfolios underperformed the benchmark on a 1-year basis, the underlying portfolios outperformed their respective benchmarks. This is due to the inefficiencies when "rolling" up into a benchmark. Both domestic equity sub portfolios outperformed their respective benchmarks by 150-200 basis points. Both portfolios also greatly outperformed the Plan's actuarial rate of return of 6.0%. The above average performance of the portfolios and the market benchmarks are commensurate with a market that developed a comfort level in a higher interest rate environment and the prospects for recovery in the economy without the potential for a deep recession.

The two domestic stock portfolios, Large Cap Growth Fund and Equity Income Fund, showed highly correlated returns for the fiscal year as investors bought both growth-oriented stocks and income producing stocks at different stages over the fiscal year. Like these outstanding domestic returns, the international portfolio also recorded positive returns as recession fears continued to be tampered down in the United States and around the world.

The Plan's largest equity portfolio is the Large Cap Growth Fund which is benchmarked to the S&P 500 Index. The 1-year return outperformed the actuarial target and its corresponding benchmark in the short and long-term. The markets began the year on a positive note and then began to falter at the start of the second quarter. The selloff was short lived, and by October 2022 the markets began a steady climb higher through June of 2023, leading to double digit gains for the fiscal year. Although the Large Cap Growth Fund's primary objective is growth, the portfolio also generated over $1.25 million in dividend payments to fund the System's operating needs.

The second largest equity portfolio is the Equity Income Fund. As stated above, the purpose of this Fund is primarily to boost the dividend cash income of the Plan to provide a source of benefit payments. Just like the Large Cap Growth Fund, the Equity Income Fund had positive returns as a result of the rally that gained traction starting in the second quarter of FY 2023. Typically, investors flock to dividend paying stocks but in a rising interest rate environment these stocks look less attractive as risk free rates are competitive. As a result, the Equity Income fund underperformed the Large Cap Growth Fund as growth was more attractive than value during the fiscal year. These equities provide a generous cash flow through dividends along with the potential for upside. The big unknown that equity markets are attempting to assess is the continued fear of an upcoming recession, although recent signals point to a shallow one if it does indeed materialize. The Equity Income Fund helps to fulfill the Board's objective of enhancing cash income to help pay benefits. The Fund's dollar contribution from dividends was $1.70 million for the year, providing much needed cash into the System as intended.

The International Fund holds equities issued by foreign corporations. It is the smallest of the three equity portfolios. While almost half of the world's investable equities are issued by foreign companies, the Board has kept the portfolio's weighting low (5.0% for the fiscal year ended June 30, 2023) due to global economic and political uncertainties as well as geo-political strife. The lower weighting to international stocks was reflective of the past ten years when international stocks were either in bear markets or otherwise vastly underperformed the domestic stock market by posting low single digit returns over the longer time periods. For the fiscal year ended June 30, 2023, not unlike our domestic markets, international markets benefitted from the belief the world could evade a long and sustained recession Our international portfolio turned in a 12.6% return for the FY 2023 compared to the benchmark return of 9.6%. While the international component of the portfolio does not contribute significant cashflow into the System, it offers prudent diversification away from the domestic holdings which comprise the majority of the Fund's assets. The International Fund generated almost $0.2 million in dividend payments over the fiscal year.

In 2014, the Board authorized an options program primarily involving the writing of call options on existing equity holdings. The purpose of the options program is to increase cash income to the Fund and provide a hedge against the decline in its investments. Since its inception, the call-write program has had a neutral impact on the returns and cash generation of the Fund. The options program had been temporarily halted as the Fund had struggled to find adequate specialist coverage for the program. The program restarted in November 2022 and ended the fiscal year providing a .10% boost to the returns of the Large Cap Growth Fund. This program is something that is prudent to run in a market that has more uncertainty and spiking volatility.

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INDEPENDENT AUDIT

SCERS receives an independent audit of the basic financial statements. Macias Gini & O'Connell LLP (MGO) conducted the audit for the fiscal year ended June 30, 2023, and issued an unmodified or "clean" opinion. The Independent Auditor's Report can be found on page 12 of this report. The City is responsible for establishing and maintaining internal controls designed to ensure the protection of assets from loss, theft, or misuse, and for ensuring the accounting information generated is adequate to prepare financial statements in conformity with accounting principles generally accepted in the U.S. The design of the internal controls is to provide reasonable assurance, although not absolute assurance, of achieving these objectives. The accuracy and completeness of the data outlined in this report is the sole responsibility of the management of SCERS.

ACTUARIAL VALUATION

The actuarial valuation and GASB 67 & 68 reports for SCERS as of June 30, 2023, are presented in this document. Very briefly, these reports identify a Net Pension Liability of $11.841 million as of June 30, 2023. This amount is a decrease from a Net Pension Liability of $16.370 million as of June 30, 2022.

PROFESSIONAL SERVICES

SCERS engages the following consultants to assist in the management and investment of assets:

Firm	**Duties**
Segal Marco Advisors	Performance evaluation
Foster & Foster (formerly known as Bartel Associates)	Actuarial evaluation and asset allocation (since 6/30/06)
JPMorgan	Custody and master trust (since 8/1/17)

BOARD MEETINGS

For the fiscal year ended June 30, 2023, the first two regular meetings of the Board were held via Zoom as a result of the Covid-19 pandemic. Those meetings were held at 1:30 pm on September 22, 2022, and on November 17, 2022. The third regular meeting on May 25, 2023, was held in person as the City of Sacramento Clerk's office resumed in person meetings. In both formats, the Board's meetings were open to the public and attendees were afforded the opportunity to provide input on any matter on the meeting agenda or not on the agenda that may be related to the Board's activities.

John Colville Digitally signed by John Colville Date: 2023.12.15 14:27:17 -08'00'

John Colville, City Treasurer
Administration, Investment and
Fiscal Management Board

Jason Bader Digitally signed by Jason Bader Date: 2023.12.18 10:41:30 -08'00'

Jason Bader, Chair
Administration, Investment and
Fiscal Management Board

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POLICY STATEMENT

As a matter of policy, the Administration, Investment and Fiscal Management Board has determined the following schedules shall be included as addenda to the Annual Financial Report of the Sacramento City Employees' Retirement System:

1. A letter of transmittal to the City Council from the Board Chair;
2. An independent auditor's report;
3. A statement of the System's fiduciary net position;
4. A statement of changes in the fiduciary net position
5. A detailed listing of investments (by security) as of the end of the fiscal year;
6. A statement from the Actuary showing the estimated position of the Fund based on latest actuarial projections; and
7. The policy statement of the Board. The Board shall notify recognized employee organizations and the City Council of any changes in the policy statement that are to be made.

Adopted May 1978

MGO. Certified Public Accountants

Independent Auditor's Report

Administration, Investment, and Fiscal Management Board Sacramento City Employees' Retirement System Sacramento, California	Honorable Mayor and City Council City of Sacramento Sacramento, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Sacramento City Employees' Retirement System (SCERS), a component unit of the City of Sacramento, California, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the SCERS' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the plan net position of SCERS as of June 30, 2023, and the changes in its plan net position for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the SCERS' financial statements for the fiscal year ended June 30, 2022, from which such partial information was derived.

Report on Partial Comparative Information

We have previously audited the SCERS' 2022 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated December 19, 2022. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

The SCERS' management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of changes in net pension liability (asset) and related ratios, the schedule of employer contributions and the schedule of investment returns, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the SCERS' basic financial statements. The listing of investments is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the listing of investments is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

The SCERS' management is responsible for the other information included in the annual financial report. The other information comprises the introductory and actuarial sections but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 19, 2023, on our consideration of the SCERS' 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the SCERS' 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 the SCERS' internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
December 19, 2023

The management of the Sacramento City Employees' Retirement System (SCERS) is pleased to provide this overview and analysis of the financial activities of SCERS for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the Financial Statements and Supplemental Schedules that follow this discussion.

Financial Highlights

- SCERS held $250.0 million of net position restricted for pension benefits as of June 30, 2023, and $254.2 million as of June 30, 2022. SCERS' entire net position balance is restricted for its ongoing obligation to plan participants and their beneficiaries.
- SCERS' funding objective is to maintain sufficient net position through investments and contributions to meet long-term obligations for benefits. As of June 30, 2023, SCERS had a funded status of 95.5% which means for every dollar of total pension liability, SCERS had approximately $0.96 of assets available to pay those benefits. This figure is based on the most recent actuarial valuation as of June 30, 2023. As of June 30, 2022, SCERS had a funded status of 93.9%.
- For the fiscal year ended June 30, 2023, actuarially determined and actual employer contributions were zero. For the fiscal year ended June 30, 2022, employer contributions were $3.5 million.
- For the fiscal year ended June 30, 2023, SCERS' net income from investment activity was $23.3 million, compared to net investment loss of $32.3 million in the prior year. The increase in investment income was mainly due to appreciation in the fair value of investments of $17.5 million in 2023 compared to depreciation in the fair value of investments of $37.6 million in 2022.

Overview of Financial Statements

The following discussion and analysis are intended to serve as an introduction to SCERS' financial statements, which are comprised of the following components:

1. ***Statement of Fiduciary Net Position*** is a snapshot of account balances as of June 30, 2023, with comparative amounts for 2022. It indicates the total assets and the total liabilities as well as the net position available for future payment of retirement benefits and investment expenses.
2. ***Statement of Changes in Fiduciary Net Position*** provides a view of additions and deductions to SCERS' net position during each of the fiscal years.
3. ***Notes to the Basic Financial Statements*** and ***Required Supplementary Information*** provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

The statement of fiduciary net position and the statement of changes in fiduciary net position report information about SCERS' financial activities, prepared using the accrual basis of accounting. Contributions to SCERS are recognized when due, and benefits and refunds are recognized when due and payable. Investments are reported at fair value, except mortgage loans, which are reported at amortized cost. The estimated fair value of investments is based on available quoted market prices or other significant observable inputs. Purchases and sales of investments are recorded on a trade date basis.

Financial Analysis

SCERS' net position may serve as a useful indicator of SCERS' financial position over time. As mentioned earlier, SCERS' entire net position balance is restricted for SCERS' ongoing obligation to plan participants and their beneficiaries. Net position as of June 30, 2023 and 2022 is as follows:

FIDUCIARY NET POSITION SUMMARY
As of June 30, 2023 and 2022
(in thousands)

	2023	2022	Change	Percent
Cash and cash equivalents	$ 4,414	$ 7,825	$ (3,411)	-44%
Receivables	926	888	38	4%
Investments	244,682	247,750	(3,068)	-1%
Total assets	250,022	256,463	(6,441)	-3%
Total liabilities	56	2,292	(2,236)	-98%
Net position restricted for pensions	$ 249,966	$ 254,171	$ (4,205)	-2%

SCERS' net position restricted for pension benefits decreased in 2023, as benefit payments exceeded contributions and investment income. Cash and investments decreased by $3.4 million and $3.1 million, respectively. The decrease can be attributed to $27.5 million in benefit payments, offset by $23.3 million of net investment income. $2.2 million of June 2022 benefits payable were paid in 2023. Although fiduciary net position decreased by 2%, total pension liability decreased by 3%, which led to an increase in SCERS' funded status from 93.9% to 95.5% in 2023.

The following table summarizes additions and deductions for 2023 and 2022:

HIGHLIGHTS OF CHANGES IN FIDUCIARY NET POSITION
Fiscal years ended June 30, 2023 and 2022
(in thousands)

	2023	2022	Change	Percent
Additions:				
Employer contributions	$ -	$ 3,479	$ (3,479)	-100%
Employee contributions	3	9	(6)	-67%
Net appreciation (depreciation) in the fair value of investments	17,525	(37,595)	55,120	147%
Interest	3,411	2,779	632	23%
Dividends	3,356	3,732	(376)	-10%
Investment expenses	(999)	(1,221)	222	18%
Total net additions	23,296	(28,817)	52,113	181%
Deductions:				
Benefit payments	27,501	28,145	(644)	-2%
Total deductions	27,501	28,145	(644)	-2%
Net decrease in fiduciary net position	(4,205)	(56,962)	52,757	93%
Net position restricted for pensions:				
Beginning of fiscal year	254,171	311,133	(56,962)	-18%
End of fiscal year	$ 249,966	$ 254,171	$ (4,205)	-2%

- For the fiscal year ended June 30, 2023, actuarially determined and actual employer contributions were zero. Actuarially determined contributions were based on a June 30, 2021 valuation date. SCERS had a funded status of 110.2% at that time.
- Net appreciation (depreciation) in the fair value of investments increased by $55.1 million in 2023. The $17.5 million gain during the fiscal year ended June 30, 2023, consists of $8.8 million of unrealized gains and $8.7 million of realized gains, compared to $53.2 million of unrealized losses and $15.6 million of realized gains for the fiscal year ended June 30, 2022.
- The decrease in realized gains is mainly due to the performance of the Large Cap Growth Fund, which recognized a $6.2 million gain in 2023 compared to a $11.4 million gain in 2022. Also, the Fixed Income Fund and International Fund recognized a combined loss of $500 thousand in 2023 compared to a $700 thousand gain in 2022. The increase in unrealized gains is mainly due to the performance of the Large Cap Growth Fund, which recognized a $6.3 million increase in fair value in 2023 compared to a $23.0 million decrease in fair value in 2022. Also, the Fixed Income Fund and Equity Income Fund recognized a combined $1.5 million increase in fair value in 2023 compared to a $24.4 million decrease fair value in 2022.
- Benefit payments to plan participants decreased due to a decline in the number of participants receiving benefits. The decrease was slightly offset by the annual cost-of-living adjustment made to the benefit amount. As the plan has been closed since 1977, the number of participants receiving benefits declines each year.

Changes in Funded Ratio

SCERS funded ratios as of June 30, 2022, and 2023 were 93.9% and 95.5%, respectively. The increase in funded ratio between June 30, 2022, and June 30, 2023, is due to the decrease in total pension liability of 3%, while fiduciary net position decreased by only 2%.

Currently Known Facts and Events

The overall risk profile of SCERS has remained unchanged since June 30, 2023, and the volatility of the investment portfolio remains in line with the overall financial markets. The global capital markets are highly dynamic and the value of SCERS investments changes every day.

Requests for Information

This financial report is designed to provide a general overview of SCERS' finances and to demonstrate SCERS' accountability for the money it receives and distributes. If you have questions about this report, or need additional financial information, contact the City of Sacramento Department of Finance, Accounting Division, 915 I Street, 4^{th} floor, Sacramento, CA, 95814.

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

Statement of Fudiciary Net Position

June 30, 2023

With Comparative Totals as of June 30, 2023

(Amounts Expressed in Thousands)

	2023	2022
Assets		
Cash and cash equivalents	$ 4,414	$ 7,825
Receivables:		
Interest and dividends	926	888
Total receivables	926	888
Investments:		
Corporate bonds/notes	50,763	45,810
Equities	19,163	21,197
Exchange traded funds	147,933	149,073
Mortgage loans	274	558
Municipal bonds/notes	22,449	28,798
U.S. agency securities	1,129	745
U.S. Treasury bonds	2,971	1,569
Total investments	244,682	247,750
Total assets	250,022	256,463
Liabilities		
Benefits payable	53	2,289
Accounts payable	3	3
Total liabilities	56	2,292
Net position restricted for pensions	$ 249,966	$ 254,171

See accompanying notes to basic financial statements.

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position
Fiscal Year Ended June 30, 2023
With Comparative Totals For the Fiscal Year Ended June 30, 2022
(Amounts Expressed in Thousands)

	2023	2022
Additions		
Contributions:		
Employer	$ -	$ 3,479
Employees	3	9
Total contributions	3	3,488
Investment income (loss):		
From investment activities:		
Net appreciation (depreciation) in the fair value of investments	17,525	(37,595)
Interest	3,411	2,779
Dividends	3,356	3,732
Total investment income (loss)	24,292	(31,084)
Less investment expense:		
Banking, interest, fiscal agent and other	30	25
Professional services	969	1,196
Total investment expense	999	1,221
Net investment income (loss)	23,293	(32,305)
Total net additions	23,296	(28,817)
Deductions		
Benefit payments	27,501	28,145
Total deductions	27,501	28,145
Net decrease in fiduciary net position	(4,205)	(56,962)
Net position restricted for pensions		
Beginning of fiscal year	254,171	311,133
End of fiscal year	$ 249,966	$ 254,171

See accompanying notes to basic financial statements.

Note A – Plan Description

The City of Sacramento, California, (City) sponsors and administers a defined benefit contributory pension system known as the Sacramento City Employees' Retirement System (SCERS). The fiscal management of SCERS is vested in the five-member Administration, Investment, and Fiscal Management Board (Board), consisting of the City Manager, Director of Finance, City Treasurer and two public members who are appointed by the City Council. Because of this relationship with the City, SCERS is reported as a component unit of the City.

SCERS is a single-employer system and an integral part of the City. The accompanying financial statements are included as a pension trust fund in the basic financial statements of the City. The system covers all City employees hired before January 29, 1977, and is closed to new members. Employee contribution rates are generally frozen (with minor exceptions), and the City is responsible for any actuarially determined unfunded obligation of the plan. SCERS is comprised of the individual plans listed below. The City Charter establishes plan membership, contributions, and benefit provisions. Any changes must be approved by the electorate of the City.

1. Charter Section 399 Plan – This defined benefit plan was established effective January 1, 1977, to provide retirement, disability and death benefits. Active members contribute at a rate based upon entry age and type of employment. Members of this plan who have completed at least 5 years of service in the aggregate and attained the age of 50 are eligible for service retirement.

2. Equal Shares Plan – This defined benefit plan was established July 1, 1970, to provide retirement, disability and death benefits to all City employees electing coverage at that date and to all employees who were hired from that date through January 1, 1977. Members of this plan who have completed at least 5 years of service in the aggregate and attained the age of 55 for miscellaneous members or age 50 for safety members are eligible for service retirement.

3. Charter Section 175 Plans – These defined benefits were established in 1953 and provide for retirement, disability and death benefits at a lower amount than the successor Equal Shares Plan. Members of this plan who have completed at least 20 years of service in the aggregate and attained the age of 55 are eligible for service retirement.

For each of the plans above, service retirement allowance as a percentage of average monthly compensation is calculated with set rates based on plan and age at retirement multiplied by the number of service years credited to the member at retirement. Service retirement allowance is capped at 75% of a member's final compensation for the Charter Section 399 Plan and Equal Shares Plan.

(Dollars in thousands, except as otherwise noted)

Note A – Plan Description (Continued)

Plan membership at June 30, 2023, consisted of the following:

	Section 399	Equal Shares	Section 175	Total
Inactive members or beneficiaries receiving benefits	712	27	35	774
Inactive members entitled to but not yet receiving benefits	4	-	1	5
Active plan members	1	-	-	1
Total plan members	717	27	36	780

Cost-of-Living Adjustment – This adjustment, established in 1969, provides for annual retirement benefit increases of up to 3% of normal benefits based on a corresponding rise in the consumer price index. Cost-of-living benefits are payable to retirees and beneficiaries of all of the above plans after one year of retirement. The cost-of-living adjustment was 3% for fiscal year 2023. Members contribute to this adjustment at a rate of 1% of their normal retirement contributions. The City is required to fund all costs in excess of members' contributions and investment earnings.

Social Security Adjustment – For members participating in Social Security, their benefit will be adjusted at the later of age 62 or actual retirement age. The amount of the adjustment is one half of the primary insurance amount (PIA) from Social Security, multiplied by the ratio of the sum of salary earned from the City to the sum of salary from all sources used in the calculation of the Social Security amount. The member's benefit under SCERS plus the amount received from Social Security cannot be less than the member's benefit under SCERS calculated with no reductions at the time of retirement. This adjustment applies to service retirees and not to disabled retirees.

SCERS reports the assets and activities of all plans in one trust fund. All assets accumulated for the payment of benefits may be used to pay benefits to any of the plan members or beneficiaries.

Benefits fully vest after five years of service. All accumulated benefits as of June 30, 2023, are fully vested.

As the plans included in SCERS are closed to new members, the number of active members in the system is declining. Member contributions have declined as members retire. During the fiscal year ended June 30, 2023, active member contributions ranged from 7% to 9% of payroll. At June 30, 2023, accumulated contributions and interest of the active member and the inactive members entitled to but not yet receiving benefits totaled approximately $645. For the fiscal year ended June 30, 2023, interest was credited to members' contributions at the rate of 7.25%. Members have an option to withdraw their accumulated contributions, including interest, upon termination of their employment with the City.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

SCERS' financial statements are prepared using the accrual basis of accounting. Member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments

SCERS' investments are recorded at fair value, except mortgage loans, which are recorded at amortized cost. Investments are reported at fair value based on available quoted market prices or other significant observable inputs. The mortgage loans are collateralized loans whose fair value is unknown. Purchases and sales of investments are recorded on a trade date basis.

Administrative Costs

The City charter requires all costs of administration, excluding investment activity, to be paid by the City. These costs are, therefore, excluded from the accompanying financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Note C – Cash and Investments

Cash and Cash Equivalents

SCERS participates in the City of Sacramento's investment pool, which is not rated by a nationally recognized statistical rating organization. The City Treasurer is granted authority for managing the pool by City Charter and City Council ordinances and resolutions. The City Treasurer reports investment activity monthly to the City Council and the investment policy is reaffirmed annually by the City Council. The pool is accounted for on an amortized cost basis during the year. The value of the pool shares that may be withdrawn at any time is determined on an amortized cost basis, which is different than the fair value of SCERS' position in the pool. Information regarding the investments within the City's pool, including the related risks, can be found in the City's Annual Comprehensive Financial Report (ACFR). The City's investment pool is not rated and has a weighted average maturity of 1.78 years as of June 30, 2023.

Note C – Cash and Investments (Continued)

Investments

The City Charter vests the Board with the authority to administer and invest the funds of the System consistent with charter provisions. The Board is mandated to adopt general investment standards that the City Council shall either approve or disapprove. These standards are set forth in an Investment Policy document that is annually reviewed by the Board and approved by the City Council. The Investment Policy sets forth the type of investments the System may hold and directs the Board to determine how the System funds may be allocated to different general asset classes. The Board sets the asset allocations by resolution effective for each fiscal year. The Board and its investment managers are required to conform their investment practices to the terms of the Investment Policy and related Board resolutions.

On May 19, 2022, the Board adopted the following asset allocation policy for fiscal year 2023:

Asset Class	Target Allocation
Fixed Income/Real Estate	32.5%
Large Cap Growth	32.5%
Equity Income	30.0%
International	5.0%
Total	100.0%

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that SCERS 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 maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of SCERS' investments to market interest rate fluctuations is provided by the following table that shows the distribution of SCERS' investments by maturity. The remaining maturity of the SCERS' investments included in the tables below is based on the stated maturity dates of the individual investments, except in the case of variable rate investments where the maturity date below is the next reset date. Variable rate securities are investments with terms that provide for the adjustment of interest rates on specified dates based on predefined mathematical formulas. The fair value of such investments can reasonably be expected to be affected at each interest rate reset date.

(Dollars in thousands, except as otherwise noted)

Note C – Cash and Investments (Continued)

Interest Rate Risk (Continued)

At June 30, 2023, SCERS' investments have maturities as follows:

		Remaining Maturity in Years				
Investment Type	No Maturity	Under 1	1-5	Over 5/ 10 or less	Over 10	Total
Cash and short-term investments:						
City of Sacramento Investment Pool	$ -	$ 4,414	$ -	$ -	$ -	$ 4,414
Investments:						
Corporate bonds/notes	-	-	11,301	28,253	11,209	50,763
Equities	19,163	-	-	-	-	19,163
Exchange traded funds	147,933	-	-	-	-	147,933
Mortgage loans	-	274	-	-	-	274
Municipal bonds/notes	-	-	6,793	10,095	5,561	22,449
U.S. agency securities	-	-	4	-	1,125	1,129
U.S. Treasury bonds	-	-	1,519	-	1,452	2,971
Total Investments	167,096	274	19,617	38,348	19,347	244,682
Total Cash and Investments	$ 167,096	$ 4,688	$ 19,617	$ 38,348	$ 19,347	$ 249,096

Investments in callable securities are investments that, although having clearly defined maturities, allow for the issuer to redeem or call such securities earlier than their respective maturity dates. The investor must then replace the called securities with investments that may have lower yields than the original securities.

The fair values of the callable securities held at June 30, 2023, by investment type are as follows:

Investment Type	Total
Corporate bonds/notes	$ 8,091
Municipal bonds/notes	3,181
U.S. agency securities	361
	$ 11,633

(Dollars in thousands, except as otherwise noted)

Note C – Cash and Investments (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of June 30, 2023, SCERS held a bond that is currently in default of the semi-annual interest payments. The bond issuer Lehman Brothers filed for Chapter 11 bankruptcy protection on September 15, 2008. The bond has a maturity date of December 29, 2099, and a fair value of $4 as of June 30, 2023.

At June 30, 2023, SCERS' investments and credit ratings are as follows:

Investment Type	S & P	Total
City of Sacramento Investment Pool	not rated	$ 4,414
Corporate bonds/notes	A	13,730
	AA	5,065
	BBB	31,964
	not rated	4
Municipal bonds/notes	A	3,986
	AA	12,096
	not rated	6,367
U.S. agency securities	AA	860
	Total	$ 78,486

Concentration Risk

As of June 30, 2023, SCERS held the following investments in an individual issuer exceeding 5% of fiduciary net position (other than investments issued or explicitly guaranteed by the U.S. government):

iShares Russell 1000 Value ETF	$ 37,327
Technology Select Sector SPDR Fund (ETF)	17,979
Healthcare Select Sector SPDR Fund (ETF)	15,065

Note C – Cash and Investments (Continued)

Money-weighted Rate of Return

For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 9.64%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SCERS will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. As of June 30, 2023, all SCERS cash and cash equivalents are held with the City of Sacramento Investment Pool and SCERS is not exposed to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SCERS will not be able to recover the value of its investment or collateral securities that are in the possession of another party. As of June 30, 2023, all SCERS investments held with the custodian were held in SCERS' name and SCERS is not exposed to custodial credit risk for investments.

Fair Value Measurement and Application

SCERS categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SCERS has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect SCERS' own assumptions about the inputs market participants would use in pricing the asset or liability (including assumptions about risk).

Note C – Cash and Investments (Continued)

Fair Value Measurement and Application (Continued)

Unobservable inputs are developed based on the best information available in the circumstances and may include SCERS' own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used, need to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of what constitutes observable requires judgment by SCERS' management. SCERS management considers observable data to be that market data, which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market. The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to SCERS management's perceived risk of that investment.

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

SCERS' treasury pool's asset market prices are derived from closing bid prices as of the end of business day as supplied by ICE Data Services DBA ICE Data Pricing & Reference Data, LLC. Where prices are not available from generally recognized sources, the securities are priced using a yield-based matrix system to arrive at an estimated market value. Prices that fall between data points are interpolated.

The following is a description of the valuation methods and assumptions used by SCERS to estimate the fair value of its investments:

- When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy.
- For investments classified within Level 2 of the fair value hierarchy, SCERS' custodian generally use a multi-dimensional relational model. Inputs to their pricing models are based on observable market inputs in active markets. The inputs to the pricing models are typically benchmark yields, reported trades, broker-dealer quotes, issuer spreads and benchmark securities, among others.
- SCERS held one type of investment that is measured using Level 3 inputs, Mortgage Loans. The Mortgage Loan is reported using the income approach. The value of the Mortgage Loan on the books is materially close to the Discounted Cash Flow, therefore the book value is reported.

(Dollars in thousands, except as otherwise noted)

Note C – Cash and Investments (Continued)

Fair Value Measurement and Application (Continued)

There have been no changes in the methods and assumptions used at June 30, 2023. The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. SCERS management believes its valuation methods are appropriate and consistent with other market participants. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SCERS has the following recurring fair value measurements as of June 30, 2023:

		Fair Value Measurements on a Recurring Basis Using		
Investments by Fair Value Level	Balance at June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds/notes	$ 50,763	$ -	$ 50,763	$ -
Equities	19,163	19,163	-	-
Exchange traded funds	147,933	147,933	-	-
Mortgage loans	274	-	-	274
Municipal bonds/notes	22,449	-	22,449	-
U.S. agency securities	1,129	-	1,129	-
U.S. Treasury bonds	2,971	2,971	-	-
Total Investments by Fair Value Level	244,682	$ 170,067	$ 74,341	$ 274
Investments at Fair Value not Subject to Fair Value Hierarchy				
City of Sacramento Investment Pool	4,414			
Total Cash and Investments	$ 249,096			

Deposits and withdrawals in the City of Sacramento Investment Pool are made on the basis of $1 and not fair value. Accordingly, the measurement of fair value of SCERS' investment in the investment pool is based on uncategorized inputs not defined as Level 1, Level 2, or Level 3.

(Dollars in thousands, except as otherwise noted)

Note D – Related Party Transactions

At June 30, 2023, SCERS held revenue bonds issued by the Sacramento City Financing Authority (SCFA) in the amount of $3,124. SCFA is a blended component unit of the City of Sacramento because its Board is comprised of all City Council members, and there is a financial benefit/burden relationship between the City and SCFA. These bonds are measured at fair value using Level 2 inputs.

Note E – Funding Policy

The City's funding policy provides for actuarially determined contributions under the entry age normal method, which are discounted and adjusted annually to ensure that sufficient assets will be available to pay benefits when due. The City Council established and may amend the obligations of the plan members and the City to contribute to the plan. For the fiscal year ended June 30, 2023, the City's annual required and actual contribution was zero.

Note F – Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2023, is shown below. The total pension liability is based on an actuarial valuation as of June 30, 2023.

	June 30, 2023
Total pension liability	$ 261,807
Plan fiduciary net position	249,966
City's net pension liability	$ 11,841
Plan fiduciary net position as a percentage of the total pension liability	95.5%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.5%
Salary increases	2.5% CPI plus 0.5% merit, average
Discount rate	6.0%

Mortality rates for service retirements and beneficiaries were based on CalPERS 2000-2019 Mortality Table projected for future mortality improvement utilizing Society of Actuaries Scale MP-2021. Mortality rates for disability retirements were based on CalPERS 2000-2019 Mortality Table for non-work Disabled Retirees for Miscellaneous and CalPERS 2000-2019 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected for future mortality improvement utilizing Society of Actuaries Scale MP-2021.

Note F – Net Pension Liability of the City (Continued)

Discount rate

The discount rate was set equal to the long-term expected rate of return. The long-term expected rate of return was used since current assets, future City contributions, and future member contributions are projected to be sufficient to cover all future benefit payments and expenses. This "crossover test" was performed in accordance with the requirements specified in GASB Statement 67, including a projection that the Plan's funding policy will remain unchanged.

The 6.0% long-term expected rate of return was selected by the Board. SCERS' Actuary, Foster & Foster, estimates that a passively managed portfolio with a similar asset allocation would exceed the selected rate about 45% of the time and concludes the selected rate is reasonable. The sensitivity of the discount rate to a 1% change is shown below.

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage-point lower (5%) or 1 percentage-point higher (7%) than the current rate:

	1% decrease (5%)	Current Discount Rate (6%)	1% increase (7%)
City net pension liability (asset)	$ 31,642	$ 11,841	$ (5,551)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long- term perspective and are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation.

REQUIRED SUPPLEMENTARY INFORMATION

Sacramento City Employees' Retirement System
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Last Ten Fiscal Years
(in thousands)

	Fiscal Year				
	2023	**2022**	**2021**	**2020**	**2019**
Total pension liability					
Service cost	$ 5	$ 6	$ 18	$ 49	$ 66
Interest	15,407	16,098	18,342	19,363	20,095
Differences between expected and actual experience	3,355	5	(6,349)	(3,768)	304
Changes of assumptions	-	218	2,673	(1,593)	(927)
Benefit payments, including refunds of member contributions	(27,501)	(28,145)	(28,992)	(30,457)	(31,134)
Net change in total pension liability	(8,734)	(11,818)	(14,308)	(16,406)	(11,596)
Total pension liability -- beginning	270,541	282,359	296,667	313,073	324,669
Total pension liability -- ending (a)	$ 261,807	$ 270,541	$ 282,359	$ 296,667	$ 313,073
Plan fiduciary net position					
Contributions -- employer	$ -	$ 3,479	$ 3,822	$ 4,410	$ 7,507
Contributions -- member	3	9	16	25	49
Net investment income (loss)	23,293	(32,305)	73,150	7,591	18,537
Benefits payments, including refunds of member contributions	(27,501)	(28,145)	(28,992)	(30,457)	(31,134)
Net change in fiduciary net position	(4,205)	(56,962)	47,996	(18,431)	(5,041)
Plan fiduciary net position -- beginning	254,171	311,133	263,137	281,568	286,609
Plan fiduciary net position -- ending (b)	$ 249,966	$ 254,171	$ 311,133	$ 263,137	$ 281,568
Net pension liability (asset) -- ending (a) - (b)	$ 11,841	$ 16,370	$ (28,774)	$ 33,530	$ 31,505
Plan fiduciary net position as a percentage of the total pension liability	95.48%	93.95%	110.19%	88.70%	89.94%
Covered payroll	$ 103	$ 189	$ 270	$ 362	$ 678
Net pension liability (asset) as a percentage of covered payroll	11496.12%	8661.38%	-10657.04%	9262.43%	4646.76%

Notes to Schedule:

The information in this schedule is prepared in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans,* which SCERS implemented for the fiscal year ended June 30, 2014.

For the fiscal year ended June 30, 2023, no assumption changes were made from the previous year.

Sacramento City Employees' Retirement System
Schedule of Changes in Net Pension Liability (Asset) and Related Ratios
Last Ten Fiscal Years
(in thousands)

	Fiscal Year				
	2018	2017	2016	2015	2014
Total pension liability					
Service cost	$ 92	$ 96	$ 103	$ 131	176
Interest	20,877	22,759	23,416	23,134	23,779
Differences between expected and actual experience	(2,457)	(3,701)	(1,173)	(8,783)	-
Changes of assumptions	862	(16,246)	-	23,117	-
Benefit payments, including refunds of member contributions	(31,583)	(32,171)	(32,683)	(33,791)	(33,688)
Net change in total pension liability	(12,209)	(29,263)	(10,337)	3,808	(9,733)
Total pension liability -- beginning	336,878	366,141	376,478	372,670	382,403
Total pension liability -- ending (a)	$ 324,669	$ 336,878	$ 366,141	$ 376,478	372,670
Plan fiduciary net position					
Contributions -- employer	$ 8,645	$ 8,645	$ 8,645	$ 9,183	9,649
Contributions -- member	55	63	146	82	161
Net investment income	20,982	26,803	7,799	13,375	40,317
Benefits payments, including refunds of member contributions	(31,583)	(32,171)	(32,683)	(33,791)	(33,688)
Net change in fiduciary net position	(1,901)	3,340	(16,093)	(11,151)	16,439
Plan fiduciary net position -- beginning	288,510	285,170	301,263	312,414	295,975
Plan fiduciary net position -- ending (b)	$ 286,609	$ 288,510	$ 285,170	$ 301,263	312,414
Net pension liability -- ending (a) - (b)	$ 38,060	$ 48,368	$ 80,971	$ 75,215	60,256
Plan fiduciary net position as a percentage of the total pension liability	88.28%	85.64%	77.89%	80.02%	83.83%
Covered payroll	$ 921	$ 1,049	$ 1,020	$ 1,180	$ 2,279
Net pension liability as a percentage of covered payroll	4132.46%	4610.87%	7938.33%	6374.15%	2643.97%

Sacramento City Employees' Retirement System
Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

	Fiscal Year				
	2023	2022	2021	2020	2019
Actuarially determined contributions	$ -	$ 3,479	$ 3,822	$ 4,410	$ 5,268
Contributions in relation to the actuarially determined contribution	$ -	$ 3,479	$ 3,822	$ 4,410	$ 7,507
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ (2,239)
Covered payroll	$ 103	$ 189	$ 270	$ 362	$ 678
Contributions as a percentage of covered payroll	0%	1841%	1416%	1218%	1107%

Notes to Schedule

Valuation date:
Actuarially determined contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates above:

Actuarial cost method	Entry age normal for fiscal years 2019 - 2023
Amortization method	Level dollar payments over 11 years, open period for fiscal year 2023 Level dollar payments over 12 years, open period for fiscal years 2021 - 2022 Level dollar payments over 13 years, open period for fiscal years 2019 - 2020
Asset valuation method	3 year smoothed market value for fiscal years 2019 - 2023
Inflation	2.50 % for fiscal year 2023 2.75% for fiscal years 2019 - 2022
Salary increases	2.50% CPI plus 0.5% merit for fiscal year 2023 2.75% CPI plus 0.5% merit for fiscal years 2019 - 2022
Investment rate of return	6.00% for fiscal year 2023 6.50% for fiscal years 2019-2022
Retirement age	For fiscal years 2019- 2023, deferred vested members covered under Section 399 are assumed to retire at age 62; those covered under 175 are assumed to retire at age 65.
Mortality	CalPERS 1997-2015 Mortality Tables with Scale MP-2020 for fiscal year 2023 CalPERS 1997-2015 Mortality Tables with Scale MP-2019 for fiscal year 2022 CalPERS 1997-2015 Mortality Tables with Scale MP-2018 for fiscal year 2021 CalPERS 1997-2015 Mortality Tables with Scale MP-2017 for fiscal year 2020 CalPERS 1997-2011 Mortality Tables with Scale MP-2016 for fiscal year 2019

Sacramento City Employees' Retirement System
Schedule of Employer Contributions
Last Ten Fiscal Years
(in thousands)

	Fiscal Year 2018	2017	2016	2015	2014
Actuarially determined contributions	$ 8,267	$ 8,330	$ 8,645	$ 9,183	$ 9,649
Contributions in relation to the actuarially determined contribution	$ 8,645	$ 8,645	$ 8,645	9,183	9,649
Contribution deficiency (excess)	$ (378)	$ (315)	$ -	$ -	$ -
Covered payroll	$ 921	$ 1,049	$ 1,020	$ 1,180	$ 2,279
Contributions as a percentage of covered payroll	939%	824%	848%	778%	423%

Notes to Schedule

Valuation date:
Actuarially determined contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry age normal for fiscal years 2014 - 2018
Amortization method	Level dollar payments over 14 years, open period for fiscal years 2014 - 2018
Asset valuation method	3 year smoothed market value for fiscal years 2014 - 2018
Inflation	3.00% for fiscal years 2014 - 2018
Salary increases	3.00% CPI plus 0.5% merit for fiscal years 2014 - 2018
Investment rate of return	6.50% for fiscal years 2014 - 2018
Retirement age	For fiscal years 2014 - 2018, deferred vested members covered under Section 399 are assumed to retire at age 62; those covered under 175 are assumed to retire at age 65.
Mortality	CalPERS 1997-2011 Mortality Tables with Scale MP-2014 for fiscal year 2018 CalPERS 1997-2007 Mortality Tables with Scale MP-2014 for fiscal year 2017 CalPERS 1997-2007 Mortality Tables with Scale AA for fiscal years 2014 - 2016

Sacramento City Employees' Retirement System
Schedule of Investment Returns
Last Ten Fiscal Years

	2023	2022	2021	2020	2019
Annual money-weighted rate of return, net of investment expense	9.64%	-10.57%	29.13%	3.21%	7.08%

Notes to Schedule:
The information in this schedule is prepared in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, which SCERS implemented for the fiscal year ended June 30, 2014.

Sacramento City Employees' Retirement System
Schedule of Investment Returns
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	7.96%	10.22%	3.05%	4.86%	14.56%

OTHER SUPPLEMENTARY INFORMATION

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
Listing of Investments
June 30, 2023

Investments	Maturity Date	Quantity	Amortized Cost	Fair Value
CORPORATE BONDS/NOTES				
Amazon Com Inc	5/12/2031	2,000,000	$ 2,010,535	$ 1,682,016
Apple Inc	2/9/2027	3,000,000	3,000,000	2,880,765
Bank of America Corp	10/21/2027	1,000,000	1,004,551	931,464
Barclays Bank Plc	4/8/2025	1,000,000	1,000,000	951,986
Boeing Co	3/1/2045	1,500,000	1,533,667	1,054,828
British Telecommunications Plc	11/8/2029	2,000,000	2,052,320	1,753,865
Cargill Inc	10/10/2025	500,000	499,540	495,073
Cigna Corp	3/15/2030	1,000,000	982,511	849,622
Citigroup Inc	7/22/2036	5,000,000	5,000,000	4,220,769
Colgate Palmolive Co	3/2/2026	500,000	500,858	501,790
Constellation Brands Inc	8/1/2029	2,000,000	2,093,139	1,802,730
Csx Corp	2/15/2030	1,000,000	999,278	863,235
CVS Health Corp	2/28/2031	1,000,000	1,006,820	794,252
Disney Walt Co	1/13/2031	3,000,000	3,192,618	2,611,915
Dollar Tree Inc	5/15/2025	500,000	494,598	484,020
Dow Chem Co	11/15/2030	1,000,000	1,013,517	825,768
Dow Chem Co	11/15/2042	1,500,000	1,630,146	1,263,506
Dupont De Nemours Inc	11/15/2025	500,000	491,448	489,674
Dupont De Nemours Inc	11/15/2028	500,000	493,042	491,705
Ebay Inc	7/15/2042	2,000,000	2,018,656	1,588,389
General Dynamics Corp	4/1/2027	350,000	348,531	334,002
General Mills Inc	4/17/2025	500,000	498,620	487,265
General Motors Financial Co Inc	1/8/2031	1,000,000	999,902	783,344
Gilead Sciences Inc	3/1/2026	350,000	348,508	336,704
Goldman Sachs Group Inc	2/7/2030	1,500,000	1,519,132	1,277,516
Honeywell Intl Inc	2/15/2028	500,000	503,488	506,703
HP INC	6/17/2031	1,000,000	1,003,363	806,099
HSBC Holdings PLC	8/18/2031	900,000	918,191	718,395
John Deere Capital Corp	1/20/2028	600,000	606,299	599,500
JP Morgan Chase & Co	4/22/2031	1,500,000	1,531,834	1,268,767
Kroger Co	5/1/2030	800,000	807,878	661,531
Lehman Bros Hldg Inc Escrow	12/29/2099	2,500,000	1,478,416	3,750
Lockheed Martin Corp	10/15/2025	500,000	503,543	498,965
Lowes Cos Inc	10/15/2030	1,000,000	997,892	801,299
Martin Marietta Material	3/15/2030	1,000,000	992,481	844,914
Mcdonalds Corp	1/30/2026	500,000	493,761	483,306
Mead Johnson Nutrition Company	11/15/2025	350,000	353,045	341,382
Mondelez Intl Inc	2/4/2031	1,000,000	992,442	785,403
Nasdaq Inc	1/15/2031	1,000,000	989,816	776,145
Norfolk Southern Corp	5/15/2031	1,000,000	1,014,554	830,710
Oracle Corp	3/25/2031	1,500,000	1,494,530	1,280,568
Quest Diagnostics Inc	6/30/2030	2,000,000	2,074,280	1,758,638
RTX Corporation	8/16/2025	500,000	497,397	489,898
Ryder Sys Inc	6/1/2025	500,000	489,411	488,318
Starbucks Corp	12/1/2047	1,500,000	1,602,573	1,182,787
Sysco Corp	2/15/2030	1,000,000	1,025,828	851,720
United Parcel Service Inc	4/1/2030	500,000	490,161	498,053
United Parcel Service Inc	3/15/2029	1,000,000	1,027,676	943,478
Unitedhealth Group Inc	5/15/2031	2,000,000	2,020,586	1,691,104
Verizon Communications Inc	3/15/2034	2,000,000	2,158,458	1,895,842
Sub-total			**60,799,839**	**50,763,478**

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

Listing of Investments

June 30, 2023

Investments	Maturity Date	Quantity	Amortized Cost	Fair Value
EQUITIES - LARGE CAP GROWTH				
Alphabet, Inc. Cl C Capital Stock		8,000	196,461	967,760
Amazon.com Inc.		7,000	173,179	912,520
Apple Inc.		6,000	137,467	1,163,820
Constellation Brands Cl A		3,550	553,118	873,762
Home Depot Inc		2,900	310,681	900,856
MasterCard Incorporated		2,500	363,275	983,250
Mcdonald's Corp		3,000	758,339	895,230
Meta Platforms Inc		3,700	254,954	1,061,826
Unitedhealth Group Inc		1,900	560,841	913,216
Sub-total			**3,308,314**	**8,672,240**
EQUITIES - FIXED ALTERNATIVE EQUITIES				
Bank of America Corp		22,310	340,666	640,074
Home Depot Inc		2,300	338,312	714,472
International Bus Mach		8,010	1,140,735	1,071,818
Jpmorgan Chase & Co		7,000	472,196	1,018,080
Lockheed Martin Corp		2,200	298,037	1,012,836
Merck & Co Inc (new)		9,000	448,417	1,038,510
Morgan Stanley Com New		9,000	935,985	768,600
Pfizer Inc		20,685	970,793	758,726
RTX Corporation		10,700	706,369	1,048,172
Union Pac Corp Com		4,000	438,135	818,480
Wal Mart Stores Inc		7,470	874,706	1,174,135
Walgreens Boots Allian Com		15,000	519,360	427,350
Sub-total			**7,483,711**	**10,491,252**
EXCHANGE TRADED FUNDS				
Invesco S&P 500 Equal Weight ETF		6,000	834,990	897,840
Ishares Msci Acwi Us Etf		203,000	9,410,400	9,991,660
Ishares Preferred & Income Securities ET		65,260	2,490,642	2,018,492
Ishares Russell 2000 ETF		4,500	500,131	842,715
Ishares Tr Russell 1000 Val		236,500	28,289,357	37,326,795
Ishares Tr U.S. Real Es Etf		8,915	701,018	771,504
Ishares Tr Us Telecom Etf		32,742	986,340	723,598
Ishares U.S. Transportation ETF		14,600	2,207,579	3,647,372
Ishares Us Home Cons Etf		5,000	133,439	427,200
Select Sector Spdr Tr Communication		107,000	5,528,339	6,963,560
Select Sector Spdr Tr Rl Est Sel Sec		21,500	688,545	810,335
Select Sector Spdr Tr Sbi Cons Discr		34,000	3,016,566	5,773,540
Select Sector Spdr Tr Sbi Cons Stpls		80,500	4,215,353	5,970,685
Select Sector Spdr Tr Sbi Healthcare		113,500	9,910,453	15,064,855
Select Sector Spdr Tr Sbi Int-Energy		72,300	4,736,316	5,868,591
Select Sector Spdr Tr Sbi Int-Finl		193,000	4,651,936	6,506,030
Select Sector Spdr Tr Sbi Int-Inds		48,800	2,971,535	5,237,216
Select Sector Spdr Tr Sbi Int-Utils		30,055	1,374,327	1,966,799
Select Sector Spdr Tr Sbi Materials		45,915	2,874,271	3,804,976
Select Sector Spdr Tr Technology		103,410	5,905,591	17,978,863
Spdr Bberg Barclays ST High Yield Bond E		60,500	1,638,056	1,494,350
Spdr Series Trust Kbw Regn Bk Etf		58,400	2,660,898	2,384,472
Spdr Series Trust S&p Bk Etf		28,000	1,116,556	1,008,000
Spdr Series Trust S&p Retail Etf		9,100	869,656	580,125
Spdr Tr Unit Ser 1		13,000	3,533,292	5,762,640
Vaneck Vectors Semiconductor Etf		27,000	718,122	4,110,750
Sub-total			**101,963,708**	**147,932,963**

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM

Listing of Investments

June 30, 2023

Investments	Maturity Date	Quantity	Amortized Cost	Fair Value
MORTGAGE LOANS				
Walgreens Drugs/Adahi, Inc	5/1/2024	274,343	274,343	274,343
Sub-total			**274,343**	**274,343**
MUNICIPAL BONDS/NOTES				
Bay Area Toll Auth Calif Toll	4/1/2030	2,190,000	2,182,103	1,997,174
California St	11/1/2030	1,500,000	1,478,052	1,228,650
California St	10/1/2028	500,000	511,367	504,755
California St Go Bds	11/1/2026	2,000,000	2,000,000	2,115,000
City of Salem Oregon	6/1/2026	500,000	504,968	498,520
El Dorado CA Irrigation Dist Rev Bonds	1/1/2025	200,000	200,087	193,502
Houston Tex Arpt Sys Rev Arpt Sys	1/1/2028	3,850,000	3,750,315	3,986,444
Moreland Calif Sch Dist	8/1/2030	1,235,000	1,235,000	1,211,794
New York St Urban Dev Corp Sales Tax Rev	3/15/2031	2,000,000	2,040,013	1,728,420
Pennsylvania Economic Dev Fing	6/15/2034	3,000,000	3,073,579	2,436,060
Sacramento Calif Pub Fing Auth	4/1/2050	3,000,000	3,151,297	3,123,960
Union City Calif Cmnty Redev A	10/1/2030	250,000	247,370	240,550
Univ Calif Regts Med Ctr Poole	5/15/2031	2,350,000	2,415,102	2,521,292
Wisconsin St	5/1/2032	200,000	200,000	170,702
Wisconsin St Gen Fund Annual Approp Reve	5/1/2029	500,000	492,072	491,860
Sub-total			**23,481,324**	**22,448,683**
US AGENCY SECURITIES				
Fannie Mae Pool #256393	9/1/2036	21,816	21,744	22,653
Federal Farm Credit Bank	7/23/2035	500,000	499,754	361,244
Freddie Mac Pool #SD8278	12/1/2052	472,418	478,914	476,556
Gnma Pool #439515	3/15/2027	4,174	4,093	4,141
Gnma Pool #550718	11/15/2035	171,777	167,160	173,529
Gnma Pool #648348	10/15/2035	88,748	88,443	90,424
Sub-total			**1,260,109**	**1,128,547**
US TREASURY BONDS				
U.S. Treasury Note	2/15/2041	2,000,000	1,874,439	1,452,422
U.S. Treasury Note	3/31/2025	240,000	240,066	235,284
U.S. Treasury Note	9/15/2025	300,000	297,138	291,891
U.S. Treasury Note	10/15/2025	500,000	495,872	494,414
U.S. Treasury Note	11/15/2025	500,000	499,316	497,402
Sub-total			**3,406,831**	**2,971,413**
TOTAL			**$ 201,978,179**	**$ 244,682,919**

APPENDIX A

City of SACRAMENTO

City of Sacramento

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

Sacramento City Employees' Retirement System

June 30, 2023 Actuarial Valuation

November 20, 2023

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

ACTUARIAL VALUATION

CITY OF SACRAMENTO
SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM (SCERS)
DEFINED BENEFIT PLAN

We are pleased to present the results of our June 30, 2023 actuarial valuation of the Sacramento City Employees' Retirement System (SCERS).

The purpose of this valuation is to:

- Determine the System's June 30, 2023 Funded Status, and
- Calculate the fiscal year 2024/25 Actuarially Determined Contribution (ADC).

The information in this report may not be appropriate for purposes other than System funding but may be useful to the City for the System's financial management. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the assumptions; changes in assumptions; changes expected as part of the natural progression of the plan; and changes in plan provisions or applicable law. Actuarial models necessarily rely on the use of estimates and are sensitive to changes. Small variations in estimates may lead to significant changes in actuarial measurements. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such measurements.

The valuation is based on the System's benefit provisions summarized in Section 9, employee data, and on the System's financial information, all furnished by the City. We reviewed the financial and employee data for reasonableness, including comparing to prior year data, but did not perform an audit.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. As members of the American Academy of Actuaries, meeting Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

Drew Ballard, FSA, MAAA, EA
Senior Consulting Actuary

Katherine Moore
Katherine Moore, ASA, MAAA
Consulting Actuary

Braeleen Ballard
Braeleen Ballard, ASA, MAAA, EA
Consulting Actuary

TABLE OF CONTENTS

SECTION 1
EXECUTIVE SUMMARY

Following are the valuation results. See notes following the table for a description of terms. Results from the June 30, 2022 valuation are provided for comparative purposes.

	--------amounts in $000's---------		
	June 30, 2022	**June 30, 2023**	**% change**
■ **Participant Counts**			
• Actives	2	1	-50.0%
• Terminated Vesteds & Reciprocals	5	5	0.0%
• Service Retirees	447	429	-4.0%
• Disableds	82	80	-2.4%
• Beneficiaries	292	265	-9.2%
• Total	828	780	-5.8%
■ **Actuarial Liabilities**			
• Present Value of Projected Benefits	$ 270,548	$ 261,810	-3.2%
• Actuarial Accrued Liability	270,541	261,807	-3.2%
■ **Assets**			
• Market Value of Assets	254,171	249,966	-1.7%
• Approximate Annual Rate of Return	-10.8%	9.7%	
• Actuarial Value of Assets	262,645	250,051	-4.8%
• Approximate Annual Rate of Return	4.4%	6.0%	
■ **Plan Funded Status**			
• Actuarial Accrued Liability	270,541	261,807	-3.2%
• Actuarial Value of Plan Assets	262,645	250,051	-4.8%
• Unfunded Actuarial Accrued Liability	7,896	11,756	48.9%
• Funded Ratio	97.1%	95.5%	-1.6%
• Funded Ratio, Market Value Basis	93.9%	95.5%	1.7%

	2023/24	**2024/25**	**% change**
■ **Annual Cost**[1]	$1,399	$1,362	-2.6%
■ **Annual Cost (% Proj. Plan Payroll)**[1]	933.2%	1,640.0%	
■ **Annual Cost (% Proj. City Payroll)**	0.3%	0.3%	

1 See page 11 for details.

SECTION 1
EXECUTIVE SUMMARY

Purpose of Actuarial Valuation

The actual costs of a defined benefit plan are determined entirely by the amount of the benefit promise, the actual salaries and service of the plan participants, and how long they and their beneficiaries live to receive payments. An actuarial valuation is a mathematical model which attempts to quantify this actual cost by setting assumptions that, it is hoped, duplicate reality as closely as possible. In addition, the actuarial methodology provides a reasonable plan, or method, towards funding the expected plan costs. This information assists the plan trustees so they can make informed decisions regarding plan investments and how much in contributions will be required from the employer to eventually fully pay the plan's costs.

Summary Information & Results

The Sacramento City Employees' Retirement System (SCERS) is a closed defined benefit pension plan. It has not accepted new members since January 28, 1977, and only 1 active member (out of a total plan membership of 780) remain.

Since the last valuation, the plan experienced overall losses on liabilities. Plan liabilities increased more than expected, by $3.6 million. This was mostly due to a larger COLA than expected[2] ($5.3 million), but was offset by a gain due to retirees and beneficiaries not living as long as expected ($1.7 million). Market value return on assets was greater than expected, about 9.7% for the year. On the smoothed actuarial basis, the return on assets was 6.0% which was the expected rate of return on plan assets. Lower benefit payments than expected resulted in a $0.3 million gain to the assets.

Since the last valuation, the plan's asset allocation was changed to be slightly more conservative. Based on discussions, the discount rate used in the valuation has not changed. We believe 6.0% is a reasonable discount rate for this plan.

No assumptions were changed since the prior valuation.

The July 1, 2023 total plan unfunded actuarial accrued liability (UAAL) is $11.8 million, as compared to an expected UAAL of $8.4 million.

The plan's funded ratio on an actuarial value of assets basis is 95.5%, a decrease from 97.1% in the prior valuation. The plan's funded ratio using market value of assets basis is 95.5%, an increase from 93.9% in the prior valuation.

The City's contribution has decreased from $1.399 million for fiscal year 2023/24 to $1.362 million for fiscal year 2024/25.

The average life expectancy of the plan's retirees is now 10.5 years, down from 10.9 years as of June 30, 2022. We recommend keeping the amortization at a rolling 11-year period for the 2024/25 recommended contribution.

2 The CPI used for COLA increases was 5.6%. 3% COLA was paid and COLA banks were increased. (Index used is CPI-U for San Francisco/Oakland/Hayward area.)

Discussion of Plan Risks

Actuarial Standard of Practice No. 51, Assessment and Disclosure of Risk Associated with Measuring Pension Obligations and Determining Pension Plan Contributions, requires the actuary to assess and disclose the risk that actual future measurements may differ significantly from expected future measurements.

This plan is considered a very mature pension plan since almost all of its liabilities are for retirees, and there is one remaining active employee with very little associated payroll. The following table presents various measures illustrating the plan's maturity:

	June 30, 2022	June 30, 2023
Maturity Ratios		
• Inactive AAL/total AAL	99.8%	99.9%
• Inactive participant count/total count	99.8%	99.9%
• Benefit payments/market value of assets	11.1%	11.0%
• Benefit payments/employer contributions	809.0%	N/A

A very mature pension plan presents unique risks. The plan has negative cash flow (benefit payments exceed contributions), and benefit payments are relatively large compared to the asset value. The plan's investment manager must carefully manage the plan's liquidity needs as the plan "winds down" over the next 50 or more years. In addition to investment risk (investment returns being different than expected), asset/liability mismatch risk (changes in asset values not matched by changes in liabilities) could be significant for this plan. The plan is also subject to longevity risk (the potential that participants will live longer than projected) but we believe this risk is less significant than investment and asset/liability mismatch risk.

The scope of this valuation did not include a risk assessment - an evaluation of the potential impacts of these factors on the plan's funded status or projected employer contributions. However, we have included the following to assist in the plan's management:

- Table of expected benefit payments for the next 50 years
- Sensitivity analysis: Contributions calculated under different discount rates

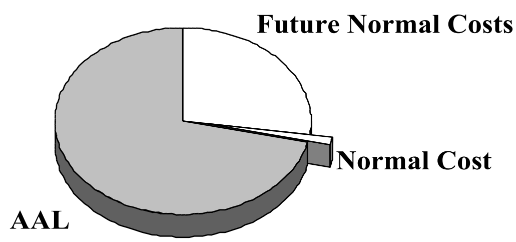
Low Default-Risk Obligation Measure

Actuarial Standards of Practice ("ASOP") No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, was revised as of December 2021 to include communication of a "low-default-risk obligation measure" (LDROM). This liability measure is consistent with the determination of the actuarial accrued liability shown on page 5 in terms of member data, plan provisions, and assumptions/methods, including the use of the Entry Age Normal Cost Method, except that the discount rate is tied to low-default-risk fixed income securities. The S&P Municipal Bond 20 Year High Grade Rate Index (daily rate closest to, but not later than, the measurement date of June 30, 2023) was selected to represent a current market rate of low risk but longer-term investments that could be included in a low-risk asset portfolio. The discount rate used in this LDROM valuation was 4.13%, resulting in an LDROM of $301 million. The LDROM should not be considered the "correct" liability measurement; it simply shows a possible outcome if the Board elected to hold a very low risk asset portfolio. Given that plan benefits are paid over time through the combination of contributions and investment returns, prudent investments selected by the Board help to balance asset accumulation through these two sources.

Definitions

The Present Value of Projected Benefits (PVPB) is the present value of all future benefits for current plan participants. The Actuarial Accrued Liability (AAL) represents the portion of the PVPB attributable to past service. The AAL is recognized over service through the date a participant is expected to commence benefits. Therefore, the AAL is equal to the PVPB for current retirees. The Normal Cost is the portion of the PVPB allocated or earned during the year following the valuation date.

PVPB



SECTION 2
LIABILITY INFORMATION & FUNDED STATUS

A comparison of the Present Value of Benefits, Actuarial Accrued Liability, Employer Normal Cost, and the Funded Ratio for the current and prior valuations follows. (Note that numbers throughout the report may not add due to rounding.)

(amounts in $000's)

	June 30, 2022	June 30, 2023
Present Value of Projected Benefits		
■ Active Employees	$ 481	$ 236
■ Vested Terminated & Reciprocals	403	382
■ Service Retirees	193,774	188,363
■ Disabled Participants	24,697	24,605
■ Beneficiaries	51,193	48,224
■ Total	270,548	261,810
Actuarial Accrued Liability		
■ Active Employees	$ 474	$ 233
■ Vested Terminated & Reciprocals	403	382
■ Service Retirees	193,774	188,363
■ Disabled Participants	24,697	24,605
■ Beneficiaries	51,193	48,224
■ Total	270,541	261,807

	2022/23	2023/24
Normal Cost		
■ Employer Normal Cost (beginning of year)	$ 0	$ 1

	June 30, 2022	June 30, 2022
Plan Funded Status		
■ Total Actuarial Accrued Liability	$ 270,541	$ 261,807
■ Actuarial Value of Plan Assets	262,645	250,051
■ Unfunded Actuarial Accrued Liability	7,896	11,756
■ Funded Ratio	97.1%	95.5%
■ Market Value of Assets	254,171	249,966
■ Funded Ratio – Market Value Basis	93.9%	95.5%

Details of the June 30, 2023 Present Value of Benefits, Actuarial Accrued Liability and Employer Normal Cost by employee category:

(amounts in $000's)

	Safety	Miscellaneous	Total
Present Value of Projected Benefits			
■ Active Employees	$ -	$ 236	$ 236
■ Vested Terminated & Reciprocals	-	382	382
■ Service Retirees	7,510	180,853	188,363
■ Disabled Participants	9,806	14,799	24,605
■ Beneficiaries	12,817	35,407	48,224
■ Total	30,133	231,677	261,810
Actuarial Accrued Liability			
■ Active Employees	-	233	233
■ Vested Terminated & Reciprocals	-	382	382
■ Service Retirees	7,510	180,853	188,363
■ Disabled Participants	9,806	14,799	24,605
■ Beneficiaries	12,817	35,407	48,224
■ Total	30,133	231,674	261,807

	Safety	Miscellaneous	Total
Normal Cost			
■ Employer Normal Cost (on June 30, 2023)	$ 0	$ 1	$ 1

SECTION 2
LIABILITY INFORMATION & FUNDED STATUS

Details of the June 30, 2023 Present Value of Benefits, Actuarial Accrued Liability and Employer Normal Cost by benefit section:

(amounts in $000's)

	Section 175	Sections 302 & 399	Total
Present Value of Projected Benefits			
■ Active Employees	$ -	$ 236	$ 236
■ Vested Terminated & Reciprocals	50	332	382
■ Service Retirees	4,211	184,152	188,363
■ Disabled Participants	349	24,256	24,605
■ Beneficiaries	3,681	44,543	48,224
■ Total	8,291	253,519	261,810
Actuarial Accrued Liability			
■ Active Employees	-	233	233
■ Vested Terminated & Reciprocals	50	332	382
■ Service Retirees	4,211	184,152	188,363
■ Disabled Participants	349	24,256	24,605
■ Beneficiaries	3,681	44,543	48,224
■ Total	8,291	253,516	261,807

	Section 175	Sections 302 & 399	Total
Normal Cost			
■ Employer Normal Cost (on 6/30/23)	$ 0	$ 1	$ 1

SECTION 3
ASSET INFORMATION

Assets for SCERS are held in trust. Trust monies may be used to pay benefits to plan participants and their beneficiaries. The trust is managed under the direction of the Administration, Investment, and Fiscal Management Board. Asset information is provided by the City of Sacramento, and has not yet been audited.

Asset Reconciliation – Market Value of Assets

Following reconciles the June 30, 2021 through June 30, 2022 and the June 30, 2022 through June 30, 2023 market value of assets. Numbers may not add due to rounding.

(amounts in $000's)

	2021/22		2022/23	
■ Beginning of Year Balance:		$ 311,133		$ 254,171
• Member Contributions	$ 9		$ 3	
• City Contributions	3,479		-	
• Investment Income	(31,084)		24,292	
■ Total Additions		(27,596)		24,295
• Benefit Payments	28,145		27,501	
• Member Refunds	-		-	
• Investment Expenses	1,221		999	
■ Total Deductions		29,366		28,500
■ Net Assets at End of Year		254,171		249,966
■ Approximate Return on Assets		-10.8%		9.7%

SECTION 3
ASSET INFORMATION

Asset Allocation – Market Value of Assets

The July 1, 2023 trust asset allocation is provided by the City of Sacramento and based on an allocation strategy of 35.0% fixed income and 65.0% equity. Details are shown below.

(amounts in $000's)

		Market Value	Percentage
■ Cash & Short Term Investments		$ 4,414	1.8%
■ Receivables		926	0.4%
■ Investments			
• US Agencies	$ 1,129		0.5%
• US Treasury Bonds	2,971		1.2%
• Corporate Bonds	50,763		20.3%
• Equities	19,163		7.7%
• Exchange Traded Funds	147,933		59.2%
• Mortgage Loans	274		0.1%
• Municipal Bonds	22,449		9.0%
■ Total Investments		244,682	
■ Total Assets		250,022	
■ Other Liabilities Payable		(56)	0.0%
■ Net Pension Benefit Trust Assets		249,966	100.0%

Target Allocation by Asset Class

The Administration, Investment and Fiscal Management Board of the Sacramento City Employees' Retirement System changed the asset allocation May 18, 2023. The fund is rebalanced each year.

	Current Allocation		Prior Allocation	
■ Fixed Bonds/Real Estate	35.0%		32.5%	
Total Fixed		35.0%		32.5%
■ Large Cap Growth	30.0%		32.5%	
■ Equity Income	30.0%		30.0%	
■ International Equities	5.0%		5.0%	
Total Equity		65.0%		67.5%
Total Fixed & Equity		100.0%		100.0%

SECTION 3
ASSET INFORMATION

Development of Actuarial Value of Assets

The Actuarial Value of Assets is based upon a three year smoothing of market assets. This method reduces volatility in contribution rates, and also reduces volatility in the size of the actuarial gains and losses due to asset returns. Because the plan is frozen to new membership and the membership is primarily composed of retirees and beneficiaries, it is important from a cash flow perspective that asset values used in calculating contribution rates not stray too far from market value. For this reason, a corridor of 15% around the market value is imposed upon the actuarial value.

(amounts in $000's)

	2022/23
■ **Actuarial Value of Assets, Beginning of Year**	$ 262,645
• Contributions	3
• Expected Earnings	14,946
• Benefit Payments	(27,501)
■ Expected Actuarial Value of Assets, End of Year	250,093
■ Market Value of Assets, End of Year	249,966
■ Difference between MVA & Expected AVA	(127)
■ **Preliminary Actuarial Value of Assets, End of Year** *(Expected AVA+ 1/3 Difference)*	250,051
■ Actuarial Value of Assets Corridor	
• Cap: 115% of Market Value	287,461
• Min: 85% of Market Value	212,471
■ **Actuarial Value of Assets, End of Year** *(No greater than Cap, not less than Min)*	250,051
■ Approximate Annual Rate of Return	6.0%

SECTION 4
CONTRIBUTION DEVELOPMENT

Actuarially Determined Contribution
Following is the development of the 2024/25 Actuarially Determined Contribution. The 2023/24 Actuarially Determined Contribution was calculated in the June 30, 2022 actuarial valuation and is shown for comparison.

(amounts in $000's)

Contribution Year	2023/24	2024/25
■ Actuarially Determined Contribution		
• Employer Normal Cost	$ 0	$ 1
• UAAL Amortization[3]	1,399	1,361
• Total Cost	1,399	1,362
■ Projected Plan Payroll	150	83
■ Actuarially Determined Contribution (as a percent of plan payroll)		
• Employer Normal Cost	0.0%	1.1%
• UAAL Amortization	933.2%	1,638.9%
• Total Contribution	933.2%	1,640.0%
■ Projected Total City Payroll	419,060	437,440
■ Actuarially Determined Contribution (as a percent of total City payroll)		
• Employer Normal Cost	0.0%	0.0%
• UAAL Amortization	0.3%	0.3%
• Total Contribution	0.3%	0.3%

3 The Unfunded Actuarial Accrued Liability (UAAL) as of the beginning of the contribution year is being amortized as a level dollar amount over a rolling 11-year period for 2023/24 and 2024/25. As the plan continues to mature, this amortization period will be monitored.

SECTION 5
SCHEDULE OF FUTURE CONTRIBUTIONS

Below are the historic and projected contributions and benefit payments. City contributions for years ending 6/30/2026 and later are estimated assuming 6/30/24 and subsequent market value of assets earn 6.00% and assuming the Actuarially Determined Contribution is contributed each year. These contributions are designed to achieve 100% funding of the system.

Year Ending[4]	Member Contributions	City Contributions	Benefit Payments
6/30/1997	$1,080,000	$0	$23,274,000
6/30/1998	1,090,000	0	23,825,000
6/30/1999	1,136,000	0	24,249,000
6/30/2000	1,079,000	0[5]	24,901,000
6/30/2001	989,000	0	25,087,000
6/30/2002	1,011,000	0	25,588,000
6/30/2003	978,000	0	26,619,000
6/30/2004	1,056,000	0	26,772,000
6/30/2005	809,000	0	27,524,000
6/30/2006	789,000	0	28,749,000
6/30/2007	699,000	0	29,604,000
6/30/2008	596,000	3,534,000	29,896,000
6/30/2009	607,000	3,159,000	30,707,000
6/30/2010	377,000	3,431,000	31,719,000
6/30/2011	342,000	10,547,000	33,003,000
6/30/2012	332,000	10,361,000	33,057,000
6/30/2013	219,000	10,573,000	33,237,000
6/30/2014	161,000	9,649,000	33,688,000
6/30/2015	82,000	9,183,000	33,791,000
6/30/2016	69,000	8,645,000	32,683,000
6/30/2017	63,000	8,645,000	32,171,000
6/30/2018	55,000	8,645,000	31,583,000
6/30/2019	49,000	7,507,000	31,134,000
6/30/2020	25,000	4,410,000	30,457,000
6/30/2021	16,000	3,822,000	28,992,000
6/30/2022	9,000	3,479,000	28,145,000
6/30/2023	3,000	0	27,501,000
6/30/2024	*2,000*	*1,399,000*	*27,094,000*
6/30/2025	*1,000*	*1,362,000*	*26,599,000*
6/30/2026	*1,000*	*1,274,000*	*26,031,000*
6/30/2027	*0*	*1,190,000*	*25,393,000*
6/30/2028	*0*	*1,112,000*	*24,703,000*

4 Information prior to 6/30/2006 valuation is taken from prior actuary's valuation report. Member contributions and benefit payments for years ending 6/30/2024 and later are estimated.

5 Shown as a negative 1.367 million by prior actuary.

SECTION 6
ACTUARIAL (GAIN)/LOSS ANALYSIS

The gain/loss analysis of plan assets, actuarial liability, and unfunded actuarial liability for the one year period between valuation dates:

(amounts in $000's)

	Actuarial Accrued Liability (Gain)/Loss	Actuarial Value of Assets Gain/(Loss)	Unfunded Actuarial Accrued Liability (Gain)/Loss
■ **June 30, 2022 Actual Value**	$ 270,541	$ 262,645	$ 7,896
■ **June 30, 2023 Expected Value**[6]	258,179	249,810	8,369
■ COLA more than expected	5,336		
■ Demographic (Gain)/Loss[7]	(1,708)		
■ Investment loss on Actuarial Value of Assets basis		(42)	
■ Benefit payments less than expected		286	
■ Member contributions less than expected		(3)	
■ Total (Gain)/Loss			3,387
■ **June 30, 2023 Actual Value**	261,807	250,051	11,756

6 Based on expected 2022/23 benefit payments and contributions.
7 Primarily due to more retiree and beneficiary deaths than expected.

SECTION 7
SENSITIVITY ANALYSIS

The Plan's June 30, 2023 funded status and 2024/25 fiscal year contribution are shown below at 5.00%, 6.00%, and 7.00% discount rates.

(amounts in $000's)

Discount Rate	5.00%	Current 6.00%	7.00%
■ Present Value of Projected Benefits	$ 281,613	$ 261,810	$ 244,417
■ Funded Status			
• Actuarial Accrued Liability	281,608	261,807	244,415
• Actuarial Value of Assets	250,051	250,051	250,051
• Unfunded Actuarial Accrued Liability	31,557	11,756	(5,636)
■ Funded Ratio	88.8%	95.5%	102.3%
■ 2024/25 Actuarially Determined Contribution			
• Employer Normal Cost	2	1	0
• UAAL Amortization (11 years)	3,728	1,361	(960)
• Total Contribution (not less than 0)	3,730	1,362	0
• Total Employer Contribution (as a percent of Plan payroll)	4,491.1%	1,640.0%	0.0%
• Total Employer Contribution (as a percent of total City payroll)	0.9%	0.3%	0.0%

SECTION 8
HEADCOUNT AND BENEFIT PAYMENT PROJECTION

Headcount and Benefit Payment Projection

Fiscal Year Ending June 30,	Active Count	Term Vested Count	Retiree Count	Annual Benefit Payments (000's)
2024	1	5	774	$ 27,094
2025	1	5	746	26,599
2026	0	5	716	26,031
2027	0	5	684	25,393
2028	0	5	651	24,703
2029	0	5	618	23,966
2030	0	5	585	23,165
2031	0	5	552	22,243
2032	0	5	519	21,288
2033	0	4	486	20,302
2034	0	4	454	19,284
2035	0	4	422	18,234
2036	0	4	391	17,155
2037	0	4	360	16,053
2038	0	4	330	14,932
2039	0	3	301	13,797
2040	0	3	273	12,657
2041	0	3	245	11,522
2042	0	2	219	10,404
2043	0	2	194	9,315
2044	0	2	171	8,268
2045	0	2	149	7,269
2046	0	1	129	6,328
2047	0	1	111	5,452
2048	0	1	94	4,648
2049	0	1	79	3,919
2050	0	0	66	3,270
2051	0	0	55	2,701
2052	0	0	45	2,209
2053	0	0	37	1,790

SECTION 8
HEADCOUNT AND BENEFIT PAYMENT PROJECTION

Fiscal Year Ending June 30,	Active Count	Term Vested Count	Retiree Count	Annual Benefit Payments (000's)
2054	0	0	30	$ 1,439
2055	0	0	24	1,149
2056	0	0	19	914
2057	0	0	15	727
2058	0	0	12	579
2059	0	0	10	464
2060	0	0	8	375
2061	0	0	6	307
2062	0	0	5	254
2063	0	0	4	214
2064	0	0	4	183
2065	0	0	3	159
2066	0	0	3	140
2067	0	0	2	125
2068	0	0	2	112
2069	0	0	2	101
2070	0	0	2	93
2071	0	0	1	85
2072	0	0	1	78
2073	0	0	1	73

SECTION 9
PLAN PROVISIONS

A. Plan Effective Date

Originally established effective April 1, 1935.

B. Plan Year

July 1 to June 30.

C. Participation

The plan is closed with no new members since January 28, 1977.

D. Eligibility to Retire

Section 175: Age 70, or age 55 and 20 years of service.

Sections 302 and 399: Age 70, or age 50 and 5 years of service.

E. Vesting

100% vesting with five years of participation.

F. Average Monthly Compensation

Average monthly salary for the 36 months prior to termination.

G. Employee Contributions

Each participant contributes a certain percentage based on his or her age at entry into the plan.

H. Service Retirement Benefit

Section 175:

Average Monthly Compensation times years of service times Benefit Factor. For retirement after age 65 with 20 years of service, benefit is a minimum of $60 per month.

Sections 302 and 399:

Average Monthly Compensation times years of service times Benefit Factor, but no larger than 75% of final average earnings.

Benefit Factors at sample ages:

Retirement Age	Section 175	Sections 302 and 399
50	n/a	1.10%
55	1.10%	1.75%
60	1.67%	2.40%
65	2.44%	2.40%

I. Vested Termination Benefit

Return of employee contributions with interest, or if the value is greater than $500, the member may choose to leave the contributions in the system. The member may become eligible in the future for retirement, disability or death benefits.

J. Non-Industrial (Ordinary) Disability Benefit

Eligibility is ten years of service.

Section 175:

With 16 2/3 years of service: 1½% of final average salary times years of service to disability.

Less than 16 2/3 years of service: Minimum of 1½% of final average salary times years of service would have earned to age 60, or 25% of final average earnings.

Sections 302 and 399:

Not Eligible for Retirement: Lesser of 1½% of Final Average Earnings times years of service or final average earnings times benefit factor at age 50 times years of service at age 50, minimum of 25% of final average earnings.

Eligible for Retirement: Maximum of retirement allowance or 25% of final average earnings.

K. Industrial Disability Benefit

Sections 302 and 399:

Not Eligible for Retirement: 50% of final average earnings.

Eligible for retirement: Maximum of retirement allowance or 50% of final average earnings.

L. Death Benefit – Pre Retirement Eligibility

Return of employee contributions with interest, plus 1/12 of salary in the year preceding death multiplied by the smaller of 6 or years of service.

M. Death Benefit – Post Retirement Eligibility

50% of the member's benefit as if the member retired at the time of death, paid as a lifetime benefit to the spouse.

N. Death Benefit – Post Retirement Death

$500 paid to the member's estate upon death.

O. Social Security Reduction at age 62

For members participating in Social Security, their benefit will be reduced at the later of age 62 or actual retirement age. The amount of the reduction is one half of the PIA from Social Security, multiplied by the ratio of the sum of salary earned from the City to the sum of salary from all sources used in the calculation of the Social Security amount. The member's benefit under the System plus the amount received from Social Security cannot be less than the member's benefit under the System calculated with no reductions as of his retirement age. The City applies this offset to service retirees, not to disabled retirees.

P. Reduction Account

A member can choose to reduce his normal contributions to the System by an amount equal to the taxes paid for Social Security coverage. At the time of retirement, the regular retirement benefit will be reduced by the actuarial equivalent of the accumulated value of the reduction of contributions.

Q. Cost of Living

Benefits will be increased each July 1 by the change in the CPI for the San Francisco/Oakland area for the preceding calendar year limited to 3% (with COLA bank).

R. Benefit Forms

Section 175:

Lifetime benefit to the member, which may be actuarially reduced to provide a continuance to a beneficiary.

Section 302 and 399:

Lifetime benefit to the member, with an automatic 50% continuance to the spouse.

SECTION 10
METHODS AND ASSUMPTIONS

Actuarial Methods

The actuarial cost method used for this valuation is the Entry Age Normal (EAN) method. The Present Value of Projected Benefits (PVPB) is the present value of all future benefits for current plan participants. The Actuarial Accrued Liability (AAL) represents the portion of the PVPB attributable to past service. The AAL is recognized over service through the date a participant is expected to commence benefits.

We recommend amortizing the current unfunded AAL over an 11-year rolling period as a level dollar amount. Because the plan is closed, the amortization period should be regularly reviewed. The Board has regularly reduced the amortization period in the recent past. Under current Board policy, when the average future life expectancy of the plan participants drops below 5 years, the amortization period will be reduced to no more than 5 years.

Plan funded status based on excess of
1) Value of Normal Retirement Benefit in excess of employee contributions over
2) Actuarial Value of Assets

The contribution generated by the current valuation will be payable for the City's fiscal year beginning one year later (2024/25). The June 30, 2022 valuation generated a contribution for fiscal year 2023/24.

The Actuarial Value of Assets is a 3-year smoothed market value. Gains and losses will be recognized over a three year period. For June 30, 2006, the first year of this method, the Actuarial Asset Value was set equal to the Market Value. The Actuarial Value of Assets will be limited by a 15% corridor. The Actuarial Value of Assets will be no greater than 115% of Market Value of Assets and no less than 85% of Market Value of Assets.

Data

The City provided participant data as of 7/1/2023. We reviewed the data for reasonableness and resolved any questions with the City. We believe the resulting data can be relied on for all purposes of this valuation without limitation.

Basis for Assumptions

Mortality assumptions are based on CalPERS 2000-2019 experience study, since that study is based on populations similar to this plan. Mortality improvement is the Society of Actuaries Scale MP-2021. Inflation is based on our estimate for the plan's very long-time horizon. The salary merit assumption is based on our expectation of overall payroll growth, due to the current age of the remaining employee. The 6.00% discount rate was selected by the Board. Foster & Foster estimates that a passively managed portfolio with a similar asset allocation would exceed that selected rate about 45% of the time. We believe the 6.00% discount rate is reasonable.

Retirement and disablement rates are insignificant due to the age of the remaining participants and are based on rates used historically.

The Social Security offset, marriage, retirement age for deferred vesteds, and reciprocal assumptions are based in part on plan experience. Due to the small number and age of remaining employees and deferred vested, these assumptions are not significant.

Actuarial Assumptions

Assumptions used in the valuation are as follows:

- **Discount Rate**

  6.00% net of investment expenses[8].

  Selected by the Board.

- **Inflation**

  2.5%

- **Salary Scale**

  2.5% CPI

  0.50% Merit

- **Social Security Wage Base**

  2.75%

- **Termination**

  None assumed. The one remaining active is retirement-eligible.

- **Retirement**

  Rates vary based on age. Sample rates follow:

Age	Non Sec 175
69	33%
70	100%

- **Disability**

  Rates vary based on age, gender and if the disability is job-related or not. Sample rates follow:

	Job Related		Ordinary	
	Male	Female	Male	Female
59	.00612	.00336	.01683	.00924
60	.00639	.00351	.01761	.00969
61+	.00000	.00000	.00000	.00000

8 Administrative expenses are not paid from plan assets.

- **Healthy Mortality**
  CalPERS 2000-2019 Pre-Retirement Mortality table for males and females and CalPERS 2000-2019 Post-Retirement Mortality table for males and females. Sample rates are as follows:

	Pre-Retirement		Post-Retirement	
Age	Male	Female	Male	Female
50	0.13%	0.08%	0.27%	0.20%
60	0.29%	0.18%	0.57%	0.46%
70	0.59%	0.40%	1.34%	1.00%
80	1.03%	0.76%	4.38%	3.40%
90	n/a	n/a	14.54%	11.09%
100	n/a	n/a	36.20%	31.58%

- **Post-Retirement Disabled Mortality**
  For Miscellaneous retirees, CalPERS 2000-2019 Non-Work-Related Disability table for males and females. For Safety retirees, CalPERS 2000-2019 Work-Related Disability table for males and females. Sample rates are as follows:

	Non-Work-Related		Work-Related	
Age	Male	Female	Male	Female
50	1.73%	1.44%	0.44%	0.31%
60	2.68%	1.96%	0.94%	0.87%
70	4.06%	2.91%	2.19%	1.86%
80	8.04%	6.11%	5.93%	5.18%
90	16.77%	14.40%	16.74%	12.43%
100	36.20%	31.58%	36.20%	31.58%

- **Mortality Improvement Projection**

  Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2021.

- **Social Security Offset**

  Monthly benefits for current retirees and vested terminated assumed to decrease at the later of age 62 or actual retirement, based on the average expected offset of future retirees.

- **Marriage**

  85% of male employees and 60% of female employees are assumed to be married. Wives are assumed to be four years younger than husbands.

- **Retirement Age**

  Deferred vested members covered under Section 399 are assumed to retire at age 62; those covered under Section 175 are assumed to retire at age 65.

- **Reciprocal Members**

  All remaining deferred vested members are assumed to have reciprocity with other retirement systems, and their pay is assumed to increase with salary scale after separation from the City.

- **COLA**

  2.5% CPI

  Future benefits increased with CPI up to 3.0% per year with actual COLA banks.

- **Actuarial Modeling**

  Our valuation was performed using and relying on ProVal, an actuarial model leased from WinTech. Our use of ProVal is consistent with its intended purpose. We have reviewed and understand ProVal and its operation, sensitivities and dependencies.

- **COVID-19**

  No adjustments to the assumptions have been made for COVID-19 since the future impacts are unknown.

SECTION 11
PARTICIPANT DATA

Data Summary

Following summarizes participant demographic information for the June 30, 2022 and June 30, 2023 actuarial valuations.

	June 30, 2022	June 30, 2023
■ **Participant Counts**		
• Actives	2	1
• Terminated Vesteds	4	4
• Reciprocals	1	1
• Service Retirees	447	429
• Disableds	82	80
• Beneficiaries[9]	292	265
• Total	828	780
■ **Actives**		
• Average Age	68.4	68.5
• Average Service	45.2	46.3
• Salary		
➢ Total	$ 149,951	$83,054
➢ Average	74,976	83,054
• Overall City Payroll	395,004,000	412,329,000
■ **Terminated Vesteds & Reciprocals**		
• Average Age	71.7	72.7
■ **Retirees, Disableds & Beneficiaries**		
• Average Age	79.9	80.5
• Average Monthly Benefit	$ 2,871	$ 2,974
• Life expectancy	10.9	10.5

[9] The June 30, 2022 valuation included 5 spouses of deceased retirees whom the City has not been able to contact and were not yet receiving benefits. One of these 5 spouses began collecting benefits and has since passed away. The remaining 4 have been excluded in the June 30, 2023 valuation as the City believes it is unlikely they will receive future benefits.

June 30, 2023 Participant Data

Following summarizes participant demographic information for the June 30, 2023 actuarial valuation, broken out by employee category and benefit section.

	Safety		Miscellaneous		
	Section 175	Section 302 & 399	Section 175	Section 302 & 399	Total
■ Actives					
• Count	-	-	-	1	1
• Average Age	n/a	n/a	n/a	68.5	68.5
• Average Service	n/a	n/a	n/a	46.3	46.3
• Projected Salary					
➢ Average	$ -	$ -	$ -	$83,054	$83,054
➢ Total (000's)	-	-	-	83	83
■ Vested Terms & Reciprocals					
• Count	-	-	1	4	5
• Average Age	n/a	n/a	72.6	72.7	72.7
■ All Inactives					
• Count	15	98	20	641	774
• Average Age	87.3	84.5	83.5	79.6	80.5
• Avg. Monthly Benefit	$2,526	$3,271	$2,473	$2,954	$2,974
■ Service Retirees					
• Count	5	17	9	398	429
• Average Age	92.4	88.9	82.5	78.9	79.5
• Average Retirement Age	54.1	54.6	63.3	59.6	59.4
• Avg. Monthly Benefit	$3,186	$5,405	$3,095	$3,585	$3,642
■ Disabled Retirees					
• Count	-	29	3	48	80
• Average Age	n/a	81.0	89.5	77.2	79.0
• Average Retirement Age	n/a	41.1	49.9	48.7	46.0
• Avg. Monthly Benefit	n/a	$3,195	$1,469	$2,514	$2,722
■ Beneficiaries					
• Count	10	52	8	195	265
• Average Age	84.8	85.0	82.3	81.7	82.5
• Avg. Monthly Benefit	$2,197	$2,616	$2,151	$1,775	$1,967

Data Reconciliation
6/30/2022 to 6/30/2023

		Terminated		Receiving Payments			
	Actives	Vested	Reciprocal	Disabled	Benefic.	Retirees	Total
■ **June 30, 2022**	2	4	1	82	292	447	828
• New Hires	-	-	-	-	-	-	-
• Disabled	-	-	-	-	-	-	-
• Terminated	-	-	-	-	-	-	-
• Deceased	-	-	-	(2)	(30)	(19)	(51)
• New Beneficiaries	-	-	-	-	7	-	7
• Retired	(1)	-	-	-	-	1	-
• Adjustment[10]	-	-	-	-	(4)	-	(4)
■ **June 30, 2023**	1	4	1	80	265	429	780

[10] Includes 4 spouses of deceased retirees whom the City has not been able to contact but were included in the June 30, 2022 valuation. Since it is unlikely the spouses will receive benefits in the future, they were removed from the data for the June 30, 2023 valuation.

Active Age/Service

Following are active counts by age and service groups:

	Service							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 & Over**	**Total**
Under 25	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-
30-34	-	-	-	-	-	-	-	-
35-39	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	-	-
45-49	-	-	-	-	-	-	-	-
50-54	-	-	-	-	-	-	-	-
55-59	-	-	-	-	-	-	-	-
60-64	-	-	-	-	-	-	-	-
65 & Over	-	-	-	-	-	-	1	1
Total	-	-	-	-	-	-	1	1

Inactives Age/Status/Monthly Benefit

Following are inactive counts and monthly benefit by age and status.

Safety

Age		Service Retirees	Disability Retirees	Beneficiaries	Total
Under 50	Count	-	-	-	-
	Avg. Benefit	-	-	-	-
50-54	Count	-	-	-	-
	Avg. Benefit	-	-	-	-
55-59	Count	-	-	-	-
	Avg. Benefit	-	-	-	-
60-64	Count	-	-	-	-
	Avg. Benefit	-	-	-	-
65-69	Count	-	-	1	1
	Avg. Benefit	-	-	2,040	2,040
70-74	Count	1	2	3	6
	Avg. Benefit	5,021	3,008	1,986	2,833
75-79	Count	2	13	13	28
	Avg. Benefit	4,860	3,388	2,209	2,946
80-84	Count	2	7	15	24
	Avg. Benefit	2,918	2,564	2,716	2,689
85 & Over	Count	17	7	30	54
	Avg. Benefit	5,132	3,521	2,685	3,564
Total	Count	22	29	62	113
	Avg. Benefit	4,901	3,195	2,548	3,172

Miscellaneous

Age		Service Retirees	Disability Retirees	Beneficiaries	Total
Under 50	**Count**	-	-	-	-
	Avg. Benefit	-	-	-	-
50-54	**Count**	-	-	-	-
	Avg. Benefit	-	-	-	-
55-59	**Count**	-	-	2	2
	Avg. Benefit	-	-	1,841	1,841
60-64	**Count**	-	-	3	3
	Avg. Benefit	-	-	1,304	1,304
65-69	**Count**	39	10	14	63
	Avg. Benefit	3,433	2,597	1,269	2,819
70-74	**Count**	86	16	25	127
	Avg. Benefit	3,731	2,778	1,840	3,238
75-79	**Count**	123	6	47	176
	Avg. Benefit	3,736	2,594	1,643	3,138
80-84	**Count**	79	6	31	116
	Avg. Benefit	3,207	2,789	1,989	2,860
85 & Over	**Count**	80	13	81	174
	Avg. Benefit	3,589	1,720	1,890	2,658
Total	**Count**	407	51	203	661
	Avg. Benefit	3,574	2,452	1,790	2,940

APPENDIX B

City of Sacramento

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

City of Sacramento

Sacramento City Employees' Retirement System

June 30, 2023
GASBS 67 & 68 Reporting

November 20, 2023

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

GASBS 67 & 68 Reporting

CITY OF SACRAMENTO
Sacramento City Employees' Retirement System (SCERS)
DEFINED BENEFIT PLAN

This report presents reporting and disclosure information for the Sacramento City Employees' Retirement System (SCERS) for the fiscal year ending June 30, 2023 to assist the City in preparing financial statement information in accordance with Governmental Accounting Standards Board Statements No. 67 and 68 (GASBS 67 and 68).

The report provides information intended for reporting under GASBS 67 and 68, but may not be appropriate for other purposes. Information provided in this report may be useful to the City for the System's financial management. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as: plan experience differing from that anticipated by the assumptions; changes in assumptions; changes expected as part of the natural progression of the plan; and changes in plan provisions or applicable law. Actuarial models necessarily rely on the use of estimates and are sensitive to changes. Small variations in estimates may lead to significant changes in actuarial measurements. Due to the limited scope of this assignment, we did not perform an analysis of the potential range of such measurements.

This report is based on our June 30, 2023 actuarial valuation of the System and our report dated October 16, 2023 which contains complete details of that valuation and is to be considered a part of this report.

To the best of our knowledge, this report is complete and accurate and has been conducted using generally accepted actuarial principles and practices. Additionally, in our opinion, actuarial methods and assumptions comply with GASBS 67 and 68. As members of the American Academy of Actuaries meeting the Academy Qualification Standards, we certify the actuarial results and opinions herein.

Respectfully submitted,

Drew Ballard, FSA, MAAA, EA
Senior Consulting Actuary

Katherine Moore

Katherine Moore, ASA, MAAA
Consulting Actuary

Braeleen Ballard

Braeleen Ballard, ASA, EA, MAAA
Consulting Actuary

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SECTION 1
GASBS 67 & 68 APPLICABLE DATES

Applicable Dates and Periods

Fiscal Year End	June 30, 2023	
Reporting Standard	**GASBS 67**	**GASBS 68**
■ Reporting date[1]	June 30, 2023	June 30, 2023
■ Reporting period	FY 2023	FY 2023
■ Measurement date[2]	N/A	June 30, 2023
■ Measurement period	N/A	July 1, 2022 to June 30, 2023
■ Actuarial valuation date[3]	June 30, 2023	June 30, 2023

1 Employer's or plan's fiscal year-end.
2 No earlier than employer's prior fiscal year end.
3 Within 30 months of fiscal year end.

Exhibit 1: **Notes to Financial Statements** ***($000's)***

Net Pension Liability/(Asset)
(Amounts in 000's)

	Fiscal Year Ending	
	6/30/23	**6/30/22**
■ Total pension liability (TPL)	$261,807	$270,541
■ Fiduciary net position (FNP)	249,966	254,171
■ Net pension liability (NPL)	11,841	16,370
■ Funded status (FNP/TPL)	95.5%	93.9%

Significant Assumptions and Other Inputs Used to Measure Total Pension Liability at 6/30/23:

■ Discount Rate	■ 6.00%, net of investment expenses
■ Inflation Rate	■ 2.50%
■ Salary Scale	■ 3.00%
■ Mortality Assumption for Service retirements & beneficiaries	■ CalPERS 2000-2019 Post-Retirement Mortality Table projected fully generational with Society of Actuaries Scale MP-2021.
■ Mortality Assumption for Disability retirements	■ CalPERS 2000-2019 Mortality Table for non-work Disabled Retirees for Miscellaneous and CalPERS 2000-2019 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected fully generational with Society of Actuaries Scale MP-2021.

Changes of assumptions and changes in experience affecting the measurement of the Total Pension Liability since the prior measurement date
No assumption changes.
The overall experience loss was due to a cost of living increase greater than expected, but this was offset by more deaths than expected.

Discount rate
The discount rate was set equal to the long-term expected rate of return. The long-term expected rate of return was used since current assets, future City contributions, and future member contributions are projected to be sufficient to cover all future benefit payments and expenses. This "crossover test" was performed in accordance with the requirements specified in GASB Statement 67, including a projection that the Plan's funding policy will remain unchanged[4]. No administrative expenses were assumed to be paid from Trust assets since the City Charter requires the City to pay all administrative expenses.

The 6.00% long-term expected rate of return was selected by the Board. Foster & Foster estimates that a passively managed portfolio with a similar asset allocation (65.0% equities and

4 The current recommended policy includes a change in the amortization period from 11 years to 5 years when the average future life expectancy of plan participants is below 5 years.

35.0% fixed income) would exceed the selected rate about 45% of the time. We believe the 6.0% rate is reasonable.

Date of actuarial valuation
The June 30, 2023 Total Pension Liability is based on an actuarial valuation as of June 30, 2023.

Sensitivity of the net pension liability to a 1% change in the discount rate

	1% Decrease 5.00%	**Discount Rate 6.00%**	**1% Increase 7.00%**
Net Pension Liability (NPL)	$31,642	$11,841	$(5,551)

Schedule of Changes in Net Pension Liability & Related Ratios[5]
(Amounts in $000's)

Fiscal Year	2022/23
Total Pension Liability	
Service cost	$ 5
Interest	15,407
Changes of benefit terms	0
Differences between expected and actual experience	3,355
Changes of assumptions	0
Benefit payments	(27,501)
Net change in Total Pension Liability	(8,734)
Total Pension Liability at beginning of year	270,541
Total Pension Liability at end of year	261,807
Fiduciary Net Position	
Contributions - employer	0
Contributions - member	3
Net investment income	23,293
Benefit payments	(27,501)
Administrative expenses	0
Other income	0
Net change in Fiduciary Net Position	(4,205)
Fiduciary Net Position at beginning of year	254,171
Fiduciary Net Position at end of year	249,966
Net Pension Liability (Asset) at end of year	11,841
Fiduciary Net Position as percentage of Total Pension Liability	95.5%
Covered-employee payroll	103
Net Pension Liability (Asset) as percentage of Covered-employee Payroll	11,496.1%

Notes to Schedule of Changes in Net Pension Liability & Related Ratios
The Total Pension Liability as of June 30, 2023 is based on an actuarial valuation as of June 30, 2023.

Changes of Assumptions. No assumption changes were made in 2022/23.

Differences between actual and expected experience. The largest component for 2022/23 was a cost of living increase greater than expected, but this was offset by more deaths than expected.

5 GASBS 67 and 68 require this information be reported in the Required Supplementary Information for 10 years or as many years are available upon implementation. Only the current year is shown in this report.

Employer Actuarially Determined Contribution[6]
(Amounts in $000's)

Fiscal Year	(1) Actuarially Determined Contribution (ADC)	(2) Employer Contributions in relation to the Actuarially Determined Contribution	(3) Contribution Deficiency (Excess) (1)-(2)	(4) Covered-Employee Payroll	(5) Employer Contribution / Covered-Employee Payroll (2)/(4)
2022/23	$ 0	$ 0	$ 0	$103	0.0%

Significant Methods and Assumptions Used in Calculation of ADC for 2022/23

Actuarial Assumption	FY 2022/23
■ Actuarial valuation date	■ June 30, 2021
■ Actuarial cost method	■ Entry Age Normal, level percent of payroll
■ Amortization method	■ Level dollar amount
■ Amortization period	■ 11 years open
■ Asset method	■ Actuarial value of assets ■ Gains/losses recognized over 3 years ■ Corridor of 85% - 115% of market value of assets
■ Inflation	■ 2.5%
■ Discount rate	■ 6.0%, net of investment expenses
■ Salary scale	■ 3.0%
■ Mortality rate table	■ CalPERS' 1997-2015 Experience Study ■ Mortality projected fully generational with Scale MP-2020
■ All other	■ Same as used in determining total pension liability for 2022/23

6 GASBS 67 and 68 require this information be reported in the Required Supplementary Information for 10 years or as many years are available upon implementation. Only the current year is shown in this report.

Changes in Net Pension Liability/(Asset)

(Amounts in 000's)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/ (Asset) (a) – (b)
■ Balances at FYE 6/30/2022	$270,541	$254,171	$16,370
■ Changes for the year:			
• Service cost	5		5
• Interest	15,407		15,407
• Change of assumptions	0		0
• Change of benefit terms	0		0
• Differences between expected and actual experience	3,355		3,355
• Contributions—employer		0	0
• Contributions—member		3	(3)
• Net investment income		23,293	(23,293)
• Benefit payments, including refunds of member contributions	(27,501)	(27,501)	0
• Administrative expense[7]	0	0	0
■ Net changes	(8,734)	(4,205)	(4,529)
■ Balances at FYE 6/30/2023	261,807	249,966	11,841

Pension Expense/(Income) for Fiscal Year

(Amounts in 000's)

	2022/23
■ Pension Expense/(Income)	$3,079

[7] No administrative expenses are paid from the trust. As required by City Charter, the City pays all administrative expenses of the plan.

Balance of Deferred Outflows of Resources and Inflows of Resources as of June 30, 2023

(Amounts in 000's)

	Deferred Outflows of Resources	Deferred Inflows of Resources
■ Differences between expected and actual experience	$0	$0
■ Changes of assumptions and other inputs	0	0
■ Net difference between actual and projected earnings on investments	2,274	0
■ Employer contributions made subsequent to the Measurement Date	N/A	N/A
■ Total	2,274	0

Recognition of Deferred Outflows of Resources and Inflows of Resources in Future Pension Expense/(Income)

(Amounts in 000's)

Measurement Period Ended June 30:	Net Deferred Outflows/(Inflows) of Resources
2024	($1,127)
2025	(3,098)
2026	8,271
2027	(1,772)
2028	0
Thereafter	0

Recognition of Deferred Outflows and Inflows of Resources

Differences between Actual and Expected Experience
Changes in Assumptions and Other Inputs

The average expected remaining service lifetime (AERSL) for the plan is calculated as 1.1 years of total expected future service divided by 780 plan participants, resulting in 0.001 years. Since the AERSL is less than 1.0, a recognition period of 1.0 year is used. Therefore all deferred outflows and inflows of resources for differences between actual and expected experience, and for changes in assumptions and other inputs, are fully recognized immediately. No recognition schedules are maintained for these amounts.

Recognition of Deferred Outflows and Inflows of Resources (cont.)

(Amounts in 000's)

Projected Versus Actual Earnings on Investments

Measurement Period	2018/19	2019/20	2020/21	2021/22	2022/23	Total
■ Initial amount*	$(673)	$9,865	$(56,863)	$50,233	$(8,868)	
■ Initial recognition period	5	5	5	5	5	
■ Amount recognized in pension expense for current fiscal year:						
• 2022/23	(133)	1,973	(11,373)	10,047	(1,774)	$(1,260)
■ Amount recognized in pension expense for future fiscal years:						
• 2023/24	0	1,973	(11,373)	10,047	(1,774)	(1,127)
• 2024/25	0	0	(11,371)	10,047	(1,774)	(3,098)
• 2025/26	0	0	0	10,045	(1,774)	8,271
• 2026/27	0	0	0	0	(1,772)	(1,772)
• 2027/28	0	0	0	0	0	0
■ Deferred Outflows/(Inflows) as of FYE 6/30/23	0	1,973	(22,744)	30,139	(7,094)	
■ Net Deferred Outflows/(Inflows) as of FYE 6/30/23						2,274

* For 2022/23 Projected earnings = $14,425, actual earnings = $23,293, Difference = $(8,868)

SECTION 5
GASBS 68 SUPPORTING CALCULATIONS

Components of GASBS 68 Pension Expense/(Income) for Fiscal Year
(Amounts in 000's)

	FY 2022/23
■ Service cost	$5
■ Interest on the total pension liability including service cost	15,407
■ Projected earnings on plan investments	(14,425)
■ Member contributions	(3)
■ Administrative expense	0
■ Recognition of deferred outflows and inflows of resources:	
• Difference between expected and actual experience	3,355
• Changes in assumptions and other inputs	0
• Difference between actual and projected earnings on investments	(1,260)
■ Total Pension Expense/(Income)	3,079

Calculation of Interest on the Total Pension Liability
(Amounts in 000's)

	Dollar Amount	Expected Return	Portion of Year	Interest
■ Beginning Total Pension Liability	$270,541	6.0%	1.0	$16,232
■ Service Cost	5	6.0%	1.0	0
■ Benefit Payments	(27,501)	6.0%	0.5	(825)
■ Difference between expected and actual experience	3,355	6.0%	0	0
■ Changes of assumptions	-	6.0%	0	0
■ Interest on Total Pension Liability				15,407

SECTION 5
GASBS 68 SUPPORTING CALCULATIONS

Calculation of Projected Earnings on Pension Plan Investments
(Amounts in 000's)

	Dollar Amount	Expected Return	Portion of Year	Projected Earnings
■ Beginning Fiduciary Net Position	$254,171	6.0%	1.0	$15,250
■ Employer Contributions	0	6.0%	0.5	0
■ Member Contributions	3	6.0%	0.5	0
■ Benefit Payments	(27,501)	6.0%	0.5	(825)
■ Administrative Expenses	0	6.0%	0.5	0
■ Projected Earnings on Investments				14,425

GASBS 68 Balance Equation
(Amounts in 000's)

	6/30/22	6/30/23	Change
■ Total Pension Liability	$270,541	$261,807	$(8,734)
■ Fiduciary Net Position	254,171	249,966	(4,205)
■ Net Pension Liability/(Asset)	16,370	11,841	(4,529)
■ Deferred inflows of resources	0	0	0
■ Deferred outflows of resources	(9,882)	(2,274)	7,608
■ Employer contributions	N/A	0	0
■ Net impact on balance sheet	6,488	9,567	3,079

Check:

■ Pension expense/(income) for year $3,079

Discount Rate "Crossover" Test
Projection of Contributions – amounts in $000's

Year	Payroll	Employer Contributions for Current Employees	Employee Contributions for Current Employees	Contributions from Payroll of Future Employees	Total Contributions
1	$83	$1,399	$2	$0	$1,400
2	57	1,362	1	0	1,363
3	39	1,274	1	0	1,274
4	0	1,190	0	0	1,190
5	0	1,112	0	0	1,112
6	0	979	0	0	979
7	0	900	0	0	900
8	0	835	0	0	835
9	0	770	0	0	770
10	0	709	0	0	709
11	0	652	0	0	652
12	0	600	0	0	600
13	0	552	0	0	552
14	0	507	0	0	507
15	0	465	0	0	465
16	0	799	0	0	799
17	0	644	0	0	644
18	0	517	0	0	517
19	0	414	0	0	414
20	0	330	0	0	330
21	0	261	0	0	261
22	0	206	0	0	206
23	0	161	0	0	161
24	0	125	0	0	125
25	0	97	0	0	97
*	*	*	*	*	*
32	0	11	0	0	11
33	0	8	0	0	8
34	0	5	0	0	5
35	0	3	0	0	3
36	0	2	0	0	2
37	0	1	0	0	1
38	0	0	0	0	0
39	0	0	0	0	0
*	*	*	*	*	*
74	0	0	0	0	0
75	0	0	0	0	0
76	0	0	0	0	0
77	0	0	0	0	0

Note: Years 26 to 31 and years 40 to 73 omitted.

Discount Rate "Crossover" Test

Projection of Fiduciary Net Position – amounts in $000's

Year	Projected Beginning Fiduciary Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expense	Projected Investment Earnings	Projected Ending Fiduciary Net Position
1	$249,966	$1,400	$27,094	$0	$14,227	$238,499
2	238,499	1,363	26,599	0	13,553	226,816
3	226,816	1,274	26,031	0	12,866	214,926
4	214,926	1,190	25,393	0	12,169	202,892
5	202,892	1,112	24,703	0	11,466	190,767
6	190,767	979	23,966	0	10,756	178,535
7	178,535	900	23,165	0	10,044	166,315
8	166,315	835	22,243	0	9,337	154,244
9	154,244	770	21,288	0	8,639	142,365
10	142,365	709	20,302	0	7,954	130,726
11	130,726	652	19,284	0	7,285	119,379
12	119,379	600	18,234	0	6,634	108,379
13	108,379	552	17,155	0	6,005	97,780
14	97,780	507	16,053	0	5,400	87,634
15	87,634	465	14,932	0	4,824	77,991
16	77,991	799	13,797	0	4,290	69,283
17	69,283	644	12,657	0	3,797	61,067
18	61,067	517	11,522	0	3,334	53,397
19	53,397	414	10,404	0	2,904	46,311
20	46,311	330	9,315	0	2,509	39,835
21	39,835	261	8,268	0	2,150	33,979
22	33,979	206	7,269	0	1,827	28,743
23	28,743	161	6,328	0	1,540	24,116
24	24,116	125	5,452	0	1,287	20,076
25	20,076	97	4,648	0	1,068	16,593
*	*	*	*	*	*	*
32	4,877	11	1,149	0	258	3,997
33	3,997	8	914	0	213	3,304
34	3,304	5	727	0	177	2,759
35	2,759	3	579	0	148	2,331
36	2,331	2	464	0	126	1,995
37	1,995	1	375	0	108	1,729
38	1,729	0	307	0	95	1,518
39	1,518	0	254	0	83	1,347
*	*	*	*	*	*	*
74	65	0	1	0	4	68
75	68	0	1	0	4	71
76	71	0	0	0	4	75
77	75	0	0	0	4	79

Note: Years 26 to 31 and years 40 to 73 omitted.

Discount Rate "Crossover" Test

Present Values of Projected Benefit Payments – amounts in $000's

Year	Projected Beginning Fiduciary Net Position	Projected Benefit Payments	"Funded" Portion of Benefit Payments	"Unfunded" Portion of Benefit Payments	PV of "Funded" Benefit Payments	PV of "Unfunded" Benefit Payments	PV of Benefit Payments using 6.00% Discount Rate
1	$249,966	$27,094	$27,094	$0	$25,560	$0	$25,560
2	238,499	26,599	26,599	0	23,673	0	23,673
3	226,816	26,031	26,031	0	21,856	0	21,856
4	214,926	25,393	25,393	0	20,113	0	20,113
5	202,892	24,703	24,703	0	18,459	0	18,459
6	190,767	23,966	23,966	0	16,895	0	16,895
7	178,535	23,165	23,165	0	15,406	0	15,406
8	166,315	22,243	22,243	0	13,955	0	13,955
9	154,244	21,288	21,288	0	12,600	0	12,600
10	142,365	20,302	20,302	0	11,337	0	11,337
11	130,726	19,284	19,284	0	10,159	0	10,159
12	119,379	18,234	18,234	0	9,062	0	9,062
13	108,379	17,155	17,155	0	8,043	0	8,043
14	97,780	16,053	16,053	0	7,100	0	7,100
15	87,634	14,932	14,932	0	6,231	0	6,231
16	77,991	13,797	13,797	0	5,431	0	5,431
17	69,283	12,657	12,657	0	4,700	0	4,700
18	61,067	11,522	11,522	0	4,037	0	4,037
19	53,397	10,404	10,404	0	3,439	0	3,439
20	46,311	9,315	9,315	0	2,905	0	2,905
21	39,835	8,268	8,268	0	2,432	0	2,432
22	33,979	7,269	7,269	0	2,017	0	2,017
23	28,743	6,328	6,328	0	1,657	0	1,657
24	24,116	5,452	5,452	0	1,347	0	1,347
25	20,076	4,648	4,648	0	1,083	0	1,083
*	*	*	*	*	*	*	*
32	4,877	1,149	1,149	0	178	0	178
33	3,997	914	914	0	134	0	134
34	3,304	727	727	0	100	0	100
35	2,759	579	579	0	75	0	75
36	2,331	464	464	0	57	0	57
37	1,995	375	375	0	43	0	43
38	1,729	307	307	0	33	0	33
39	1,518	254	254	0	26	0	26
*	*	*	*	*	*	*	*
74	65	1	1	0	0	0	0
75	68	1	1	0	0	0	0
76	71	0	0	0	0	0	0
77	75	0	0	0	0	0	0
Total					253,300	0	253,300

Note: Years 26 to 31 and years 40 to 73 omitted.