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

Annual Financial Report

Fiscal Year Ended June 30, 2020
(With Comparative Totals as of June 30, 2019)

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Fiscal Year Ended June 30, 2020

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December 18, 2020

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 2020 Fiscal Year, or June 30, 2020

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 Additional 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 (Leyne Milstein, Designee)
John Colville, City Treasurer
Dawn Holm, Director of Finance (Jason Bader Designee)

Public Citizen Members
Vacant Seat
Manuel Leon – State of California

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.

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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.

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 Leyne Milstein, Assistant City Manager, to serve as his designee. She has served on the Board in various capacities since 2008.

Dawn Holm, Finance Director, has designated Jason Bader to serve as her designee. Mr. Bader began his Board service in 2018. Mr. Bader is a Principal Management Analyst and joined the City in 2005. Mr. Bader serves as Vice Chair of the Board having been elected in November 2019.

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 the present.

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, 2020, the average age of SCERS active members is 66.3 years and the average years of service is 37 years. As of said date, there are 5 active miscellaneous members and a total of 924 plan participants.

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.

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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 16, 2019, the Board established the asset allocation of the investment of SCERS funds during the fiscal year beginning July 1, 2019 and ending June 30, 2020. The approved asset allocation is as follows:

Fixed Income	
Fixed Bond	30.0%
Equity	
Large Cap Growth	35.0%
Equity Income	27.5%
International	7.5%
	100.0%

ACTUARIAL EARNING ASSUMPTION

During the fiscal year ended June 30, 2020, SCERS actuarial earnings assumption was 6.5%.

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FINANCIAL RESULTS

The plan net position of SCERS decreased from $281.568 million to $263.137 million by the end of fiscal year ended June 30, 2020. This $18.431 million decrease is summarized as follows:

SCERS PLAN NET POSITION	**$ in thousands**
Plan net position 6/30/19	$281,568
Members Contributions	25
City Contributions	4,410
Total Investment Income	8,692
Benefit Payments and Expenses	-31,558
Plan net position 6/30/20	263,137

SCERS' Total Pension Liability (TPL) as of June 30, 2020 is approximately $296.667 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 88.7 percent of TPL on June 30, 2020. 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 $0.88 of assets available for payment. SCERS has a Net Pension Liability (NPL) of $33.530 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, 2020:

Table 1

SCERS Total Rate of Return
TOTAL PLAN ASSETS
For the periods ended June 30, 2020

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS – All Funds	3.25%	6.10%	8.10%
Custom Index – Target*	1.11%	4.41%	6.76%
Actuarial Assumption	6.50%	6.50%	6.50%

*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.

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For the fiscal year ended June 30, 2020, the total return of the System's invested assets resulted in a 3.25% 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. Accordingly, System investments took advantage of the returns the various asset classes provided to the investing marketplace, plus added additional returns for each time-period. While the System outperformed the benchmarks, the 1 and 3 yr. portfolio returns underperformed the 6.5% actuarial rate of return, mostly as a result of the Covid-19 pandemic and its effect on domestic and global stock markets. 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 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 6.5%. Such fixed income investments are within the Fixed 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 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 Fund. While the dividend-paying stocks have certain bond-like attributes, such as a consistent, steady stream of periodic income, they behave sufficiently different 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 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, approximately 57.5% of the System's assets were allocated to the Fixed Fund (30%) and Equity Income Fund (27.5%). The overweight to income-generating investments reflects the Board's prudent approach to maintain the actuarial soundness of the System and the ability to pay retiree benefits. Moreover, the volatility of the Fixed 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 cash revenue and total returns while minimizing undue volatility in City contributions which may take place as a result of wide swings in portfolio value from greater weightings to the more growth-oriented equity allocations.

Fixed Income Performance

Based on the Board's asset allocation for FY2020, 30% of SCERS assets were allocated to fixed income investments within the Fixed Fund. During the year, such fixed income investments included corporate, municipal and mortgage-backed bonds, short-term high yield ETF's, 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 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 Fund for various periods ended June 30, 2020:

Table 2

SCERS Total Rate of Return
FIXED INCOME
For the periods ended June 30, 2020

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS Fixed Fund	7.54%	6.06%	6.02%
Fixed Portfolio Index*	8.74%	5.32%	3.82%

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

The Fixed Fund produced a total rate of return of 7.54% for the one-year period ended June 30, 2020, a rate less than the Fund's market-based benchmark, the Barclays US Aggregate Bond Index that turned in a 8.74% return. The fund has a long history of outperformance as reflected by the returns for the 3 and 10-year timeframes. Over the past 10 years, the Fixed Fund has returned 6.02% annually which exceeds the benchmark return of 3.82% and, more importantly, nears the assumed actuarial rate of return of 6.5%. Hence, the Fixed Fund has been a key contributor to the performance of the entire Plan. The Fixed Fund outperformed both the Equity Income and International asset classes for the fiscal year ended June 30, 2020. The Fixed Fund's outperformance is due primarily to its heavy weighting in high-quality, high coupon corporate and municipal securities.

This year's Fixed Fund's return at 7.54% is a decrease over the previous years' return of 8.54%. This slight decrease in returns occurred in a changing interest rate environment. In the Fall of 2014, the Federal Reserve (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 FY2018 (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 3 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 2 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, the Fed communicated its intent to keep this .25% rate in effect for the next 1-2 years. As a result, market interest rates continue to be holding at historic lows. The portfolio does contain many high coupon bonds that will be subject to call risk going forward. We will be challenged to re-deploy these assets in high income producing vehicles if the low interest rate environment persists. Also important, the high coupons of the portfolio's holdings continued to contribute in excess of $4.0 million dollars in cash interest payments.

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, 2020, 70% 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, 2020

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS Domestic Equities	1.83%	6.84%	11.08%
Domestic Equity Index*	4.53%	7.99%	11.52%
Individual SCERS Domestic Equity Portfolios			
Large Cap Growth Fund	7.51%	9.45%	11.95%
Large Cap Index**	5.39%	8.56%	11.64%
Equity Income Fund	-5.71%	3.27%	10.07%
Equity Income Index***	-11.33%	-.80%	8.23%

*Domestic Equity Index=Jan 1983-Jan 2006 100% S&P 500(price), Feb 2006-present 100% Russell 3000 Index (price)
**Large Cap Index = Dec 1992 – June 2007 = 100% Russell 1000 Growth, June 2007 to present = 100% S&P 500
***Equity Income Index = Apr 1986 – Feb 1992 = 100% Fixed Portfolio, Mar 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, 2020

Annualized Compound Returns	1 Yr.	3 Yrs.	10 Yrs.
SCERS International Fund	-5.45%	.74%	2.01%
International Equity Index*	-7.05%	-1.45%	2.22%

*International Index = Feb 2006 – Jun 2007 = 33% Nikkei, 67% MSCI EAFE, Jul 2007 to present = 100% MSCI ACWI ex US

Per Table 3, the performance of the overall SCERS domestic equity portfolio was 1.83% for the one-year period as compared to the 4.53% return by the benchmark (Russell 3000 which represents the stocks of approximately 98% of US publicly traded corporations). While both domestic portfolios outperformed their specific benchmarks, there is a divergence when rolled up into the higher domestic equity blended index. These domestic portfolios (and the benchmark) significantly underperformed the Plan's actuarial rate of return of 6.5%. The below average performance of the portfolios and the market benchmark is commensurate with the surging Covid-19 pandemic that marched across the globe in early 2020. While equity markets did suffer a correction in 1st quarter of 2020, they did manage to recapture much of the losses by the end of the fiscal year ended June 30, 2020.

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The two domestic stock portfolios, Large Cap Growth Fund and Equity Income Fund, showed divergent returns for the fiscal year as investors favored growth-oriented stocks late in the cycle. Similar to the negative returns for the year on the Equity Income portfolio, the International portfolio also recorded negative returns as the pandemic spread worldwide

The Plan's largest equity portfolio is the Large Cap Growth Fund which is benchmarked to the S & P 500 Index. While the 1 yr. returns lagged historical domestic long-term returns in the 9% range, both the 3 yr. and 10 yr. returns exceed 9% The domestic markets surged until the winter of FY2020 as the Covid-19 landed in North America. The S & P 500 turned in a negative 18.70% return in the first quarter of 2020. It followed the dramatic selloff by posting a positive 17.85% return in the second quarter of 2020. Although the volatility for the last part of the fiscal year was intense, the portfolio still managed to post a 7.51% return beating the actuarial assumption. Although the Large Cap Funds primary objective is growth, the portfolio also generated over $1.89 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. Unlike the Large Cap Growth Fund, the Equity Income Fund did not bounce back as dramatically from the Covid-19 induced selloff that roiled the markets in early 2020. As investors leaned heavily back into growth companies, value-oriented dividend producers were left behind. With ever decreasing interest rates in the bond market, these equities still provide a generous cash flow through dividends along with the potential for upside as the world looks ahead to a vaccine and emergence from the pandemic. 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 $1.99 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 (7.5% for the year ended June 30, 2020) 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. Not unlike our domestic markets, International markets were also hit hard with Covid-19 pandemic. While the initial outbreak seemed contained to China, it quickly spread across the globe and all equity markets were negatively affected. Our international portfolio turned in a -5.45% return for the FY2020 vs the benchmark return of -7.05%. 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 over $ .5 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.

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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, 2020 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, 2020 are presented in this document. Very briefly, these reports identify a Net Pension Liability (NPL) of $33.53 million as of June 30, 2020. This amount represents a 6.4% increase in NPL over the prior fiscal year.

PROFESSIONAL SERVICES

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

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

BOARD MEETINGS

For the fiscal year ended June 30, 2020, regular meetings of the Board were held in the Historic City Hall Hearing Room, #204 915 "I" Street at 1:30 pm on September 12, 2019 and February 13, 2020. The November 21, 2019 meeting was held in the City Treasurer's Conference Room 2nd Floor, 915 "I" Street, at 1:30 p.m. The final meeting of the fiscal year was held on June 25, 2020 at 1:30pm via Zoom as a virtual meeting due to shelter in place orders for the Covid-19 pandemic. 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: 2020.12.11 11:10:42 -08'00'

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

Manuel Leon, Chair,
Administration, Investment and
Fiscal Management Board

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<u>POLICY STATEMENT</u>

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

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 Financial Statements

We have audited the accompanying 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, 2020, and the related notes to the financial statements, which collectively comprise SCERS' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net position of SCERS as of June 30, 2020, 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.

Emphasis of Matter

As discussed in Note F to the financial statements, the total pension liability for SCERS, based on the actuarial valuation as of June 30, 2020, exceeded SCERS' fiduciary net position by $33,530,000. The actuarial valuation is very sensitive to the underlying assumptions, including a discount rate of 6.50 percent, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Other Matters

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 SCERS' financial statements for the fiscal year ended June 30, 2019, from which such partial information was derived.

We have previously audited SCERS' 2019 financial statements, and we expressed an unmodified opinion on the financial statements in our report dated December 19, 2019. In our opinion, the partial comparative information presented herein as of and for the fiscal year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 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, 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the SCERS' basic financial statements. The introductory section, listing of investments, and actuarial section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 18, 2020, on our consideration of 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 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 SCERS' internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
December 18, 2020

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
A Component Unit of the City of Sacramento
Management's Discussion and Analysis (Unaudited)
Fiscal Year Ended June 30, 2020

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, 2020. 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 $263.1 million of net position restricted for pension benefits as of June 30, 2020 and $281.6 million as of June 30, 2019. 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, 2020, SCERS had a funded status of 88.7% which means for every dollar of total pension liability, SCERS had approximately $0.89 of assets available to pay those benefits. This figure is based on the most recent actuarial valuation as of June 30, 2020. As of June 30, 2019, SCERS had a funded status 89.9 %.
- SCERS' employer contributions were $4.4 million for the fiscal year ended June 30, 2020, a decrease from $7.5 million for 2019.
- For the fiscal year ended June 30, 2020, SCERS' net income from investment activity was $7.6 million, compared to net investment income of $18.5 million in the prior year. The decrease in investment income was mainly due to a decrease in appreciation in the fair value of investments, from $10.9 million in 2019 to $284 thousand in 2020.

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 Plan Net Position*** is a snapshot of account balances as of June 30, 2020 with comparative amounts for 2019. 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 Plan 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 plan net position and the statement of changes in plan 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, 2020 and 2019 is as follows:

NET POSITION SUMMARY
As of June 30, 2020 and 2019
(in thousands)

	2020	2019	Change	Percent
Cash and cash equivalents	$ 6,573	$ 8,344	$ (1,771)	-21%
Receivables	974	1,300	(326)	-25%
Investments at fair value	258,055	274,467	(16,412)	-6%
Total assets	265,602	284,111	(18,509)	-7%
Total liabilities	2,465	2,543	(78)	-3%
Net position restricted for pension benefits	$ 263,137	$ 281,568	$ (18,431)	-7%

SCERS' net position restricted for pension benefits decreased in 2020, as benefit payments and contribution refunds exceeded contributions and investment income. Cash and investments decreased by $1.8 million and $16.4 million, respectively. The decrease in cash and investments can be mainly attributed to the net decrease in plan net position. Total pension liability also decreased but at a lower rate, which led to a decrease in plan fiduciary net position as a percentage of total pension liability from 89.9% to 88.7% in 2020.

The following table summarizes additions and deductions for 2020 and 2019:

HIGHLIGHTS OF CHANGES IN NET POSITION
Fiscal years ended June 30, 2020 and 2019
(in thousands)

	2020	2019	Change	Percent
Additions:				
Employer contributions	$ 4,410	$ 7,507	$ (3,097)	-41%
Employee contributions	25	49	(24)	-49%
Net appreciation in the fair value of investments	284	10,940	(10,656)	97%
Interest	3,939	4,130	(191)	-5%
Dividends	4,469	4,568	(99)	-2%
Investment expenses	(1,101)	(1,101)	-	0%
Total additions	12,026	26,093	(14,067)	-54%
Deductions:				
Benefit payments	30,455	30,880	(425)	-1%
Refunds of employee contributions	2	254	(252)	-99%
Total deductions	30,457	31,134	(677)	-2%
Net increase/(decrease) in net position	(18,431)	(5,041)	(13,390)	266%
Net position restricted for pension benefits:				
Beginning of fiscal year	281,568	286,609	(5,041)	-2%
End of fiscal year	$ 263,137	$ 281,568	$ (18,431)	-7%

- Required employer contributions decreased for the fiscal year ended June 30, 2020, due to improved performance of the investment portfolio over the past several years.
- Employee contributions for the fiscal year ended June 30, 2020 decreased from 2019 due to retirement of active members. Contributions are expected to decline as the system is closed to new members and the number of active members decreases with each passing year.
- Net appreciation in fair value of investments decreased by $10.7 million in 2020. The $284 thousand gain during the fiscal year ended June 30, 2020 consists of $6.9 million of unrealized losses and $7.2 million of realized gains, compared to $2.8 million of unrealized gains and $8.1 million of realized gains for the fiscal year ended June 30, 2019.
- The decrease in realized gains is mainly due to the performance of the Large Cap Growth Fund and Equity Income Fund, combined $4.4 million gain in 2020 compared to $8.3 million in 2019, offset partially by the performance of Fixed Bonds Fund, $3 million gain in 2020 compared to $200 thousand loss in 2019. The decrease in unrealized gains is mainly due to a $6.9 million decrease in fair value of the Equity Income Fund in 2020.
- 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 and a $248 thousand death benefit paid out to a deceased member's beneficiary. As the plan has been closed since 1977, the number of participants receiving benefits declines each year.
- Refunds of employee contributions decreased, as a vested member elected to terminate his membership with SCERS and received a refund of contributions totaling $254 thousand in 2019. There was no large withdrawal in 2020.

Changes in Funded Ratio

SCERS funded ratios as of June 30, 2019 and 2020 were 89.9% and 88.7%, respectively. The decrease in funded ratio between June 30, 2019 and June 30, 2020 is largely due to the decrease in plan fiduciary net position of $18.4 million in 2020, as benefit payments exceeded contributions and investment income.

Currently Known Facts and Events

The overall risk profile of SCERS has remained unchanged since June 30, 2020, 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, 4th floor, Sacramento, CA, 95814.

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
Statement of Plan Net Position
June 30, 2020
With Comparative Totals as of June 30, 2019
(Amounts Expressed in Thousands)

	2020	2019
Assets		
Cash and cash equivalents	$ 6,573	$ 8,344
Receivables:		
Interest and dividends	974	1,300
Total receivables	974	1,300
Investments:		
U.S. agencies	695	813
Corporate bonds/notes	29,245	23,268
Equities	30,686	32,110
Exchange traded funds	156,156	164,194
Municipal bonds/notes	40,199	52,775
Mortgage loans	1,074	1,307
Total investments	258,055	274,467
Total assets	265,602	284,111
Liabilities		
Benefits payable	2,460	2,536
Accounts payable	5	7
Total liabilities	2,465	2,543
Net position restricted for pensions	$ 263,137	$ 281,568

See accompanying notes to basic financial statements.

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
Statement of Changes in Plan Net Position
Fiscal Year Ended June 30, 2020
With Comparative Totals for the Fiscal Year Ended June 30, 2019
(Amounts Expressed in Thousands)

	2020	2019
Additions		
Contributions:		
Employer	$ 4,410	$ 7,507
Employees	25	49
Total contributions	4,435	7,556
Investment income:		
From investment activities:		
Net appreciation in fair value of investments	284	10,940
Interest	3,939	4,130
Dividends	4,469	4,568
Total investment income	8,692	19,638
Less investment expense:		
Banking, interest, fiscal agent and other	24	52
Professional services	1,077	1,049
Total investment expense	1,101	1,101
Net investment income	7,591	18,537
Total net additions	12,026	26,093
Deductions		
Benefit payments	30,455	30,880
Refunds of employee contributions	2	254
Total deductions	30,457	31,134
Net decrease in plan net position	(18,431)	(5,041)
Net position restricted for pensions		
Beginning of fiscal year	281,568	286,609
End of fiscal year	$ 263,137	$ 281,568

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 final 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, 2020 consisted of the following:

	Section 399	Equal Shares	Section 175	Total
Inactive members or beneficiaries receiving benefits	820	45	49	914
Inactive members entitled to but not yet receiving benefits	4	-	1	5
Active plan members	5	-	-	5
Total plan members	829	45	50	924

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 2020. 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.

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, 2020 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, 2020, active member contributions ranged from 6% to 10% of payroll. At June 30, 2020, active members' accumulated contributions, including interest, totaled approximately $1,555. For the fiscal year ended June 30, 2020, interest was credited to members' contributions at the rate of 8.50%. 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 Comprehensive Annual Financial Report (CAFR). The City's investment pool is not rated and has a weighted average maturity of 2.13 years as of June 30, 2020.

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 16, 2019, the Board adopted the following asset allocation policy for fiscal year 2020:

Asset Class	Target Allocation
Fixed Income	30.0%
Large Cap Growth	35.0%
Equity Income	27.5%
International	7.5%
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, 2020, 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	$ -	$ 6,573	$ -	$ -	$ -	$ 6,573
Investments:						
Corporate bonds/notes	-	5,163	1,024	7,250	15,808	29,245
Equities	30,686	-	-	-	-	30,686
Exchange traded funds	156,156	-	-	-	-	156,156
Mortgage loans	-	-	1,074	-	-	1,074
Municipal bonds/notes	-	1,508	-	12,525	26,166	40,199
U.S. agency securities	-	-	9	15	671	695
Total Investments	186,842	6,671	2,107	19,790	42,645	258,055
Total Cash and Investments	$ 186,842	$ 13,244	$ 2,107	$ 19,790	$ 42,645	$ 264,628

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, 2020 by investment type are as follows:

Investment Type	Total
Corporate bonds/notes	$ 14,556
Municipal bonds/notes	12,630
	$ 27,186

(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, 2020, 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 $28 as of June 30, 2020.

At June 30, 2020, SCERS' investments and credit ratings are as follows:

Investment Type	S & P	Total
City of Sacramento Investment Pool	not rated	$ 6,573
Corporate bonds/notes	A	10,031
	AA	3,418
	BBB	15,768
	not rated	28
Equities (exempt from disclosure)	N/A	30,686
Exchange traded funds (exempt from disclosure)	N/A	156,156
Mortgage loans	not rated	1,074
Municipal bonds/notes	A	8,963
	AA	27,745
	not rated	3,491
U.S. agency securities	AAA	61
	N/A	634
Total Cash and Investments		$ 264,628

Concentration Risk

As of June 30, 2020, SCERS held the following investments in an individual issuer exceeding 5% of total investments and net position (other than U.S. Treasury securities, mutual funds, and external investment pools):

iShares Russell 1000 Value EFT	$ 32,209
Technology Select Sector SPDR Fund (ETF)	18,573
Health Care Select Sector SPDR Fund (ETF)	13,735
iShares MSCI ACWI ETF	13,404

Note C – Cash and Investments (Continued)

Money-weighted Rate of Return

For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense was 3.21%. 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, 2020, 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, 2020, 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 the 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 the 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 the 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. The 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 pools 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 process 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' custodians 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, 2020. 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, 2020:

		Fair Value Measurements on a Recurring Basis Using		
Investments by Fair Value Level	Balance at June 30, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Corporate bonds/notes	$ 29,245	$ -	$ 29,245	$ -
Equities	30,686	30,686	-	-
Exchange traded funds	156,156	156,156	-	-
Mortgage loans	1,074	-	-	1,074
Municipal bonds/notes	40,199	-	40,199	-
U.S. agency securities	695	-	695	-
Total Investments by Fair Value Level	258,055	$ 186,842	$ 70,139	$ 1,074
Investments at Fair Value not Subject to Fair Value Hierarchy				
City of Sacramento Investment Pool	6,573			
Total Cash and Investments	$ 264,628			

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, 2020, SCERS held revenue bonds issued by the Sacramento City Financing Authority (SCFA) in the amount of $4,082. 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, 2020, the City's annual required and actual contribution was $4,410.

Note F – Net Pension Liability of the City

The components of the net pension liability of the City at June 30, 2020 is shown below. The total pension liability is based on an actuarial valuation as of June 30, 2020.

	June 30, 2020
Total pension liability	$ 296,667
Plan fiduciary net position	(263,137)
City's net pension liability	$ 33,530
Plan fiduciary net position as a percentage of the total pension liability	88.7%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement.

Inflation	2.75%
Salary increases	2.75% CPI plus 0.50% merit, average
Discount rate	6.50%

Mortality rates for service retirements and beneficiaries were based on CalPERS 1997-2015 Mortality Table projected for future mortality improvement utilizing Society of Actuaries Scale MP-2019. Mortality rates for disability retirements were based on CalPERS 1997-2015 Mortality Table for non-work Disabled Retirees for Miscellaneous and CalPERS 1997-2015 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected for future mortality improvement utilizing Society of Actuaries Scale MP-2019.

(Dollars in thousands, except as otherwise noted)

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 Plan's funding policy will remain unchanged.

The 6.5% long-term expected rate of return was derived based on the inflation assumption of 2.75% and a long-term asset allocation of 70% equities and 30% fixed income. The geometric real rates of return were assumed to be 4.36% for large cap equities, 4.93% for international equities, and 1.47% for fixed income. 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 6.5%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.5%) or 1 percentage-point higher (7.5%) than the current rate:

	1% decrease (5.5%)	Current Discount Rate (6.5%)	1% increase (7.5%)
City net pension liability	$ 57,627	$ 33,530	$ 12,577

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 and Related Ratios
Last Ten Fiscal Years

(in thousands)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	$ 49	$ 66	$ 92	$ 96	$ 103	$ 131	176
Interest	19,363	20,095	20,877	22,759	23,416	23,134	23,779
Differences between expected and actual experience	(3,768)	304	(2,457)	(3,701)	(1,173)	(8,783)	-
Changes of assumptions	(1,593)	(927)	862	(16,246)	-	23,117	-
Benefit payments, including refunds of member contributions	(30,457)	(31,134)	(31,583)	(32,171)	(32,683)	(33,791)	(33,688)
Net change in total pension liability	(16,406)	(11,596)	(12,209)	(29,263)	(10,337)	3,808	(9,733)
Total pension liability -- beginning	313,073	324,669	336,878	366,141	376,478	372,670	382,403
Total pension liability -- ending (a)	$ 296,667	$ 313,073	$ 324,669	$ 336,878	$ 366,141	$ 376,478	372,670
Plan fiduciary net position							
Contributions -- employer	$ 4,410	$ 7,507	$ 8,645	$ 8,645	$ 8,645	$ 9,183	9,649
Contributions -- member	25	49	55	63	146	82	161
Net investment income	7,591	18,537	20,982	26,803	7,799	13,375	40,317
Benefits payments, including refunds of member contributions	(30,457)	(31,134)	(31,583)	(32,171)	(32,683)	(33,791)	(33,688)
Net change in fiduciary net position	(18,431)	(5,041)	(1,901)	3,340	(16,093)	(11,151)	16,439
Plan fiduciary net position -- beginning	281,568	286,609	288,510	285,170	301,263	312,414	295,975
Plan fiduciary net position -- ending (b)	$ 263,137	$ 281,568	$ 286,609	$ 288,510	$ 285,170	$ 301,263	312,414
Net pension liability -- ending (a) - (b)	$ 33,530	$ 31,505	$ 38,060	$ 48,368	$ 80,971	$ 75,215	60,256
Plan fiduciary net position as a percentage of the total pension liability	88.70%	89.94%	88.28%	85.64%	77.89%	80.02%	83.83%
Covered payroll	$ 362	$ 678	$ 921	$ 1,049	$ 1,020	$ 1,180	$ 2,279
Net pension liability as a percentage of covered payroll	9262.43%	4646.76%	4132.46%	4610.87%	7938.33%	6374.15%	2643.97%

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. Data is not available for the years prior to implementation, so only seven fiscal years are presented.

For the fiscal year ended June 30, 2020, the calculation of the total pension liability was affected by the change in assumption of mortality improvement to use Society of Actuaries Scale MP-2019. Inflation, salary increases, and discount rate assumptions remained the same as the previous year.

Sacramento City Employees' Retirement System
Schedule of Employer Contributions
Last Ten Fiscal Years

(in thousands)

	Fiscal Year				
	2020	2019	2018	2017	2016
Actuarially determined contributions	$ 4,410	$ 5,268	$ 8,267	$ 8,330	$ 8,645
Contributions in relation to the actuarially determined contribution	$ 4,410	$ 7,507	$ 8,645	$ 8,645	$ 8,645
Contribution deficiency (excess)	$ -	$ (2,239)	$ (378)	$ (315)	$ -
Covered payroll	362	678	921	1,049	1,020
Contributions as a percentage of covered payroll	1218%	1107%	939%	824%	848%

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 2016 - 2020
Amortization method	Level dollar payments over 13 years, open period for fiscal years 2019 - 2020 Level dollar payments over 14 years, open period for fiscal years 2016 - 2018
Asset valuation method	3 year smoothed market value for fiscal years 2016 - 2020
Inflation	2.75% for fiscal years 2019 - 2020 3.00% for fiscal years 2016 - 2018
Salary increases	2.75% CPI plus 0.5% merit for fiscal years 2019 - 2020 3.00% CPI plus 0.5% merit for fiscal years 2016 - 2018
Investment rate of return	6.50% for fiscal years 2016 - 2020
Retirement age	For fiscal years 2016 - 2020, 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-2017 for fiscal year 2020 CalPERS 1997-2011 Mortality Tables with Scale MP-2016 for fiscal year 2019 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 year 2016

Sacramento City Employees' Retirement System
Schedule of Employer Contributions
Last Ten Fiscal Years

(in thousands)

	Fiscal Year 2015	2014	2013	2012	2011
Actuarially determined contributions	$ 9,183	$ 9,649	$ 10,573	$ 10,361	$ 10,547
Contributions in relation to the actuarially determined contribution	9,183	9,649	10,573	10,361	10,547
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 1,180	$ 2,279	$ 2,279	$ 2,959	$ 4,132
Contributions as a percentage of covered payroll	778%	423%	464%	350%	255%

Notes to Schedule

The actuarial valuation was rolled forward from 6/30/2013 to 6/30/2014. As a result, the covered payroll used to calculate the contributions as a percentage of covered payroll is the same for both years.

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 2011 - 2015
Amortization method	Level dollar payments over 14 years, open period for fiscal years 2014 - 2015 Level dollar payments over 15 years, open period for fiscal years 2011 - 2013
Asset valuation method	3 year smoothed market value for fiscal years 2011 - 2015
Inflation	3.00% for fiscal years 2011 - 2015
Salary increases	3.00% CPI plus 0.5% merit for fiscal years 2011 - 2015
Investment rate of return	6.50% for fiscal years 2011 - 2015
Retirement age	For fiscal years 2011 - 2015, 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 1997-2007 Mortality Tables with Scale AA for fiscal years 2013 - 2015 CalPERS 1997-2007 Mortality Tables for fiscal year 2012 1994 Group Annuity Mortality Tables for fiscal year 2011

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

(in thousands)

	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	3.21%	7.08%	7.96%	10.22%	3.05%	4.86%	14.56%

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. Data is not available for the years prior to implementation so only seven fiscal years are presented.

ADDITIONAL INFORMATION

SACRAMENTO CITY EMPLOYEES' RETIREMENT SYSTEM
LISTING OF INVESTMENTS
JUNE 30, 2020

Investments	Maturity Date	Quantity	Amortized Cost	Fair Value
US GOVERNMENT OBLIGATION				
Fannie Mae Pool #256393	9/1/2036	52,266	$ 52,094	$ 60,743
Gnma Pool #320296	3/15/2022	4,481	4,399	4,500
Gnma Pool #329837	11/15/2022	4,691	4,619	4,751
Gnma Pool #450066	12/15/2026	1,414	1,405	1,420
Gnma Pool #439515	3/15/2027	13,185	12,929	13,741
Gnma Pool #550718	11/15/2035	348,126	338,770	394,841
Gnma Pool #648348	10/15/2035	183,990	183,358	214,818
Sub-total			**597,574**	**694,813**
CORPORATE BONDS				
Apple Inc	2/9/2027	3,000,000	3,000,000	3,417,690
Bank of America Corp	10/21/2027	1,000,000	1,007,722	1,102,870
Barclays Bank Plc	4/8/2025	1,000,000	1,000,000	1,024,110
Boeing Co	3/1/2045	1,500,000	1,538,325	1,303,440
Citigroup Inc	7/22/2036	5,000,000	5,000,000	4,901,450
Dow Chem Co	11/15/2042	1,500,000	1,650,286	1,675,890
Ebay Inc	7/15/2042	2,000,000	2,021,593	2,176,840
Goldman Sachs Group Inc	2/7/2030	1,500,000	1,527,827	1,572,900
JP Morgan Chase & Co	4/22/2031	1,500,000	1,544,065	1,584,165
Lehman Bros Hldg Inc Escrow	12/29/2099	2,500,000	1,449,526	28,000
Lloyds Tsb Bk Plc	1/21/2021	5,000,000	5,018,299	5,162,950
Starbucks Corp	12/1/2047	1,500,000	1,615,166	1,612,980
United Parcel Service Inc	3/15/2029	1,000,000	1,042,224	1,156,430
Verizon Communications Inc	3/15/2034	2,000,000	2,202,862	2,525,340
Sub-total			**29,617,894**	**29,245,055**
EQUITIES - LARGE CAP GROWTH				
Alphabet, Inc. Cl C Capital Stock		1,000	491,152	1,413,610
Amazon.com Inc.		800	395,837	2,207,056
Apple Inc.		5,500	504,047	2,006,400
Constellation Brands Cl A		3,350	485,444	586,083
Disney (Walt) Com		12,400	1,544,503	1,382,724
Facebook Inc Cl A		5,500	378,985	1,248,885
Home Depot Inc		6,550	701,711	1,640,841
Intel Corp		20,200	1,147,113	1,208,566
MasterCard Incorporated		6,000	871,859	1,774,200
Paypal Hldgs Inc Com		10,000	737,164	1,742,300
Starbucks Corp		16,150	997,254	1,188,479
Unitedhealth Group Inc		4,000	1,180,717	1,179,800
Sub-total			**9,435,787**	**17,578,943**
EQUITIES - FIXED ALTERNATIVE EQUITIES				
Bank Of America Corp		25,000	381,741	593,750
Chevron Corporation		12,000	1,346,621	1,070,760
Costco Whsl Corp New Com		3,480	1,015,457	1,055,171
Home Depot Inc		7,000	1,029,646	1,753,570
International Bus Mach		13,000	1,936,869	1,570,010
Jpmorgan Chase & Co		14,000	944,392	1,316,840
Lockheed Martin Corp		3,000	406,415	1,094,760
Merck & Co Inc (new)		15,000	782,219	1,159,950
Raytheon Technologies Com		15,650	1,033,147	964,353
Union Pac Corp Com		9,000	985,804	1,521,630
Wal Mart Stores Inc		8,400	983,605	1,006,152
Sub-total			**10,845,917**	**13,106,946**

EXCHANGE TRADED FUNDS				
Ishares Inc Core Msci Emkt		43,000	2,392,330	2,046,800
Ishares Msci Acwi Us Etf		310,000	13,656,692	13,404,400
Ishares MSCI Eafe ETF		29,100	2,087,274	1,771,317
Ishares Preferred & Income Securities ET		66,000	2,522,182	2,286,240
Ishares Russell 2000 ETF		15,000	1,667,104	2,147,700
Ishares Tr Russell 1000 Val		286,000	32,850,264	32,209,320
Ishares Tr Transp Ave Idx		23,400	3,511,835	3,805,776
Ishares Tr Us Telecom Etf		40,000	1,204,984	1,102,400
Ishares Tr U.S. Real Es Etf		10,000	786,336	788,100
Ishares Us Home Cons Etf		10,000	266,878	441,500
Select Sector Spdr Tr Communication		91,400	4,417,976	4,939,256
Select Sector Spdr Tr Rl Est Sel Sec		51,000	1,633,293	1,775,310
Select Sector Spdr Tr Sbi Cons Discr		52,000	3,730,699	6,640,920
Select Sector Spdr Tr Sbi Cons Stpls		142,700	7,264,543	8,367,928
Select Sector Spdr Tr Sbi Healthcare		137,250	10,769,628	13,734,608
Select Sector Spdr Tr Sbi Int-Energy		80,000	5,382,383	3,028,000
Select Sector Spdr Tr Sbi Int-Finl		247,000	5,087,006	5,715,580
Select Sector Spdr Tr Sbi Int-Inds		71,500	4,390,401	4,912,050
Select Sector Spdr Tr Sbi Int-Utils		51,500	2,282,104	2,906,145
Select Sector Spdr Tr Sbi Materials		47,000	2,696,557	2,648,450
Select Sector Spdr Tr Technology		177,750	9,779,471	18,573,098
Spdr Series Trust Kbw Regn Bk Etf		79,800	3,295,256	3,063,522
Spdr Series Trust S&p Bk Etf		52,200	1,744,271	1,646,388
Spdr Series Trust S&p Retail Etf		30,000	1,292,104	1,286,400
Spdr Bbg Barc ST High Yield Bond ETF		60,500	1,638,056	1,524,600
Spdr Tr Unit Ser 1		40,000	9,619,186	12,334,400
Vaneck Vectors Etf Tr Semiconductor Et		20,000	1,063,885	3,056,000
Sub-total			**137,032,697**	**156,156,207**
MORTGAGE LOANS				
Walgreens Drugs/Adahi, Inc	5/1/2024	1,073,618	1,073,618	1,073,618
Sub-total			**1,073,618**	**1,073,618**
MUNICIPAL BONDS				
Bay Area Toll Auth Calif Toll Toll Brid	4/1/2030	930,000	941,513	1,187,266
California St Go Bds	11/1/2026	2,000,000	2,000,000	2,715,280
California St Go Bds	3/1/2036	525	548	505
Houston Tex Arpt Sys Rev Arpt Sys	1/1/2028	5,000,000	4,784,269	5,913,450
Millbrae Calif Sch Dist	7/1/2020	500,000	500,000	500,000
Moreland Calif Sch Dist	8/1/2030	1,235,000	1,235,000	1,364,490
New York St Urban Dev Corp Sales Tax Rev	3/15/2031	2,000,000	2,055,592	2,126,020
Pasadena Calif Wtr Rev	6/1/2031	3,000,000	2,970,555	3,093,780
Pasadena Calif Wtr Rev	6/1/2033	2,000,000	1,979,540	2,057,580
Riverside Cnty Calif Redev Agy Tax Alloc	10/1/2037	3,000,000	3,009,459	3,049,890
Sacramento Calif Pub Fing Auth	4/1/2050	3,000,000	3,168,255	4,081,890
Union City Calif Cmnty Redev A	10/1/2030	250,000	246,283	270,685
Univ Calif Regts Med Ctr Poole	5/15/2031	2,350,000	2,439,909	3,135,793
University Calif Revs For Prev	5/15/2021	1,000,000	1,000,000	1,008,100
University Calif Revs For Prev	5/15/2031	5,755,000	6,267,609	6,985,534
Vermont State Build America Bonds	8/15/2027	2,700,000	2,681,885	2,709,126
Sub-total			**35,280,418**	**40,199,389**
Total			**$ 223,883,906**	**$ 258,054,971**

APPENDIX A

City of Sacramento

Sacramento City Employees' Retirement System

June 30, 2020
Actuarial Valuation

December 3, 2020

BARTEL ASSOCIATES, LLC

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, 2020 actuarial valuation of the Sacramento City Employees' Retirement System (SCERS).

The purpose of this valuation is to:

- Determine the System's June 30, 2020 Funded Status, and
- Calculate the fiscal year 2021/22 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 valuations may differ significantly if the System's experience differs from our assumptions or if there are changes in plan design, actuarial methods or actuarial assumptions. The project scope did not include an analysis of this potential variation.

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,

Mary Elizabeth Redding, FSA, MAAA, EA
Vice President

Deanna Van Valer, ASA, MAAA, EA
Assistant Vice President

Katherine Moore, ASA, MAAA
Associate 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, 2019 valuation are provided for comparative purposes.

	--------*amounts in $000's*---------		
	June 30, 2019	**June 30, 2020**	**% change**
■ **Participant Counts**			
• Actives	8	5	-37.5%
• Terminated Vesteds & Reciprocals	8	5	-37.5%
• Service Retirees	555	506	-8.8%
• Disableds	104	96	-7.7%
• Beneficiaries	314	312	-0.6%
• Total	989	924	-6.6%
■ **Actuarial Liabilities**			
• Present Value of Projected Benefits	$ 313,179	$ 296,709	-5.3%
• Actuarial Accrued Liability	313,073	296,667	-5.2%
■ **Assets**			
• Market Value of Assets	281,568	263,137	-6.5%
• Approximate Annual Rate of Return	6.7%	2.8%	
• Actuarial Value of Assets	277,234	266,646	-3.8%
• Approximate Annual Rate of Return	7.3%	5.8%	
■ **Plan Funded Status**			
• Actuarial Accrued Liability	313,073	296,667	-5.2%
• Actuarial Value of Plan Assets	277,234	266,646	-3.8%
• Unfunded Actuarial Accrued Liability	35,839	30,021	-16.2%
• Funded Ratio	88.6%	89.9%	1.5%
• Funded Ratio, Market Value Basis	89.9%	88.7%	-1.3%

	2020/21	**2021/22**	**% change**
■ **Annual Cost**[1]	3,822	3,479	-9.0%
■ **Annual Cost (% Proj. Plan Payroll)**[1]	1066.7%	1998.3%	
■ **Annual Cost (% Proj. City Payroll)**	1.1%	0.9%	

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 5 active members (out of a total plan membership of 924) remain.

Since the last valuation, the plan experienced overall gains on liabilities and losses on market assets. Plan liabilities increased less than expected, by $3.7 million. This was mostly due to retirees and beneficiaries not living as long as expected, but this was offset by greater COLA than expected[2]. Market value return on assets was less than expected, about 2.8% for the year which resulted in a loss of $1.6 million on the actuarial (smoothed) value of assets.

One assumption was changed since the prior valuation.

- The mortality improvement projection was updated to the Society of Actuaries most recent table, MP-2019. This decreased liabilities further by $1.6 million.

After the assumption changes, the July 1, 2020 total plan unfunded actuarial accrued liability (UAAL) is $30.0 million, as compared to expected UAAL of $33.6 million.

The plan's funded ratio on an actuarial value of assets basis is 89.9%, an increase from 88.6% in the prior valuation. The plan's funded ratio using market value of assets basis is 88.7%, a decrease from 89.9% in the prior valuation.

We recommend keeping the amortization period at a rolling 12-year period for the 2021/22 recommended contribution. The average life expectancy of the plan's retirees is now 11.6 years, slightly down from 11.8 years as of June 30, 2019. We believe a 12-year amortization will result in the unfunded liability being paid off in a period of time relating to the remaining lifetime of plan participants, while also providing sufficient contribution smoothing for plan management. The 3-year asset smoothing method provides some smoothing of contribution volatility. The City's contribution has decreased from $3.822 million for fiscal year 2020/21 to $3.479 million for fiscal year 2021/22. The prior valuation projected a 2021/22 contribution of $3.469 million. The 2021/22 contribution is less than projected due to the factors discussed above.

[2] The CPI used for COLA increases was 3.3%, so the full 3% COLA was paid, and COLA banks were increased. The valuation assumes CPI of 2.75%. (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 are almost no remaining active employees with very little associated payroll. The following table presents various measures illustrating the plan's maturity:

	June 30, 2019	June 30, 2020
■ **Maturity Ratios**		
• Inactive AAL/total AAL	98.9%	99.4%
• Inactive participant count/total count	99.2%	99.5%
• Benefit payments/market value of assets	10.9%	11.2%
• Benefit payments/employer contributions	791.5%	834.6%

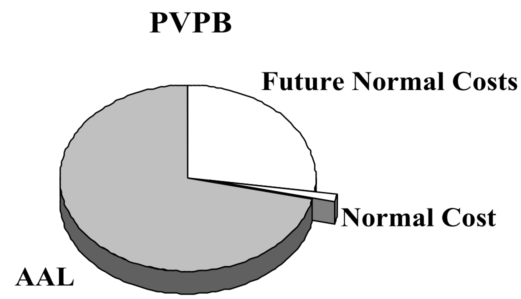
A very mature pension plan presents unique risks. The plan has negative cash flow (benefit payments exceed contributions), and benefit payments are relatively large compared to the asset value. The plan's investment manager must carefully manage the plan's liquidity needs as the plan "winds down" over 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
- Sensitivity analysis: Contributions calculated under different amortization periods

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.



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, 2019	June 30, 2020
Present Value of Projected Benefits		
■ Active Employees	$ 3,423	$ 1,722
■ Vested Terminated & Reciprocals	927	536
■ Service Retirees	225,202	212,531
■ Disabled Participants	30,748	28,435
■ Beneficiaries	52,878	53,486
■ Total	313,179	296,709
Actuarial Accrued Liability		
■ Active Employees	$ 3,318	$ 1,680
■ Vested Terminated & Reciprocals	927	536
■ Service Retirees	225,202	212,531
■ Disabled Participants	30,748	28,435
■ Beneficiaries	52,878	53,486
■ Total	313,073	296,667

	2019/20	2020/21
Normal Cost		
■ Employer Normal Cost (beginning of year)	$ 15	$ 3

	June 30, 2019	June 30, 2020
Plan Funded Status		
■ Total Actuarial Accrued Liability	$ 313,073	$ 296,667
■ Actuarial Value of Plan Assets	277,234	266,646
■ Unfunded Actuarial Accrued Liability	35,839	30,021
■ Funded Ratio	88.6%	89.9%
■ Market Value of Assets	$ 281,568	$ 263,137
■ Funded Ratio – Market Value Basis	89.9%	88.7%

SECTION 2
LIABILITY INFORMATION & FUNDED STATUS

Details of the June 30, 2020 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	$ -	$ 1,722	$ 1,722
■ Vested Terminated & Reciprocals	-	536	536
■ Service Retirees	12,714	199,817	212,531
■ Disabled Participants	11,682	16,753	28,435
■ Beneficiaries	16,128	37,359	53,486
■ Total	40,524	256,185	296,709
Actuarial Accrued Liability			
■ Active Employees	-	1,680	1,680
■ Vested Terminated & Reciprocals	-	536	536
■ Service Retirees	12,714	199,817	212,531
■ Disabled Participants	11,682	16,753	28,435
■ Beneficiaries	16,128	37,359	53,486
■ Total	40,524	256,144	296,667

	Safety	Miscellaneous	Total
Normal Cost			
■ Employer Normal Cost (on June 30, 2020)	$ -	$ 3	$ 3

SECTION 2
LIABILITY INFORMATION & FUNDED STATUS

Details of the June 30, 2020 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	$ -	$ 1,722	$ 1,722
■ Vested Terminated & Reciprocals	65	470	536
■ Service Retirees	4,689	207,841	212,531
■ Disabled Participants	1,154	27,281	28,435
■ Beneficiaries	4,451	49,035	53,486
■ Total	10,360	286,349	296,709
Actuarial Accrued Liability			
■ Active Employees	-	1,680	1,680
■ Vested Terminated & Reciprocals	65	470	536
■ Service Retirees	4,689	207,841	212,531
■ Disabled Participants	1,154	27,281	28,435
■ Beneficiaries	4,451	49,035	53,486
■ Total	10,360	286,308	296,667

	Section 175	Sections 302 & 399	Total
Normal Cost			
■ Employer Normal Cost (on 6/30/20)	$ -	$ 3	$ 3

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, 2018 through June 30, 2019 and the June 30, 2019 through June 30, 2020 market value of assets. Numbers may not add due to rounding.

(amounts in $000's)

	2018/19		2019/20	
■ Beginning of Year Balance:		$ 286,609		$ 281,568
• Member Contributions	$ 49		$ 25	
• City Contributions	7,507		4,410	
• Investment Income	19,638		8,692	
■ Total Additions		27,194		13,127
• Benefit Payments	30,880		30,455	
• Member Refunds	254		2	
• Investment Expenses	1,101		1,101	
■ Total Deductions		32,235		31,558
■ Net Assets at End of Year		281,568		263,137
■ Approximate Return on Assets		6.7%		2.8%

SECTION 3
ASSET INFORMATION

Asset Allocation – Market Value of Assets

The July 1, 2020 trust asset allocation is provided by the City of Sacramento and based on an allocation strategy of 30% fixed income and 70% equity. Details are shown below.

(amounts in $000's)

		Market Value	Percentage
■ Cash & Short Term Investments		$ 6,573	2.5%
■ Receivables		974	0.4%
■ Investments			
• US Agencies	$ 695		0.3%
• Corporate Bonds	29,245		11.1%
• Equities	30,686		11.7%
• Exchange Traded Funds	156,156		59.3%
• Mortgage Loans	1,074		0.4%
• Municipal Bonds	40,199		15.3%
■ Total Investments		258,055	
■ Total Assets		265,602	
■ Other Liabilities Payable		(2,465)	-0.9%
■ Net Pension Benefit Trust Assets		263,137	100.0%

Target Allocation by Asset Class

The Administration, Investment and Fiscal Management Board of the Sacramento City Employees' Retirement System has not changed the asset allocation since May 3, 2018, as shown below. The fund is rebalanced each year.

	Current Allocation	
■ Fixed Bonds/Real Estate	30.0%	
Total Fixed		30.0%
■ Large Cap Growth	35.0%	
■ Equity Income	27.5%	
■ International Equities	7.5%	
Total Equity		70.0%
Total Fixed & Equity		100.0%

Discount Rate Development

Bartel Associates modeled the nominal rate of return for the fund, based upon our current capital market assumptions, which include mean returns, standard deviation of returns, and correlation coefficients, as well as our assumed inflation rate. Our modeling showed a 50% likelihood that returns would average (geometric average) at least 6.75% per year and a 55% likelihood that they would average at least 6.39% per year. After adjusting for expenses and rounding, we recommend a 6.50% discount rate for the valuation. This is unchanged since the prior valuation.

Confidence Level	**50%**	**55%**	**60%**
■ Inflation Adjusted Return	6.75%	6.39%	6.06%
■ Investment Expenses[3]	0.10%	0.10%	0.10%
■ Net Return after Expenses	6.65%	6.29%	5.96%
■ **Discount Rate Assumption**	**6.50%**		

3 Based on average investment expenses for a typical passive investment strategy. This is not plan specific.

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)

	2019/20
■ **Actuarial Value of Assets, Beginning of Year**	$ 277,234
• Contributions	4,435
• Expected Earnings	17,188
• Benefit Payments	(30,457)
■ Expected Actuarial Value of Assets, End of Year	268,400
■ Market Value of Assets, End of Year	263,137
■ Difference between MVA & Expected AVA	(5,263)
■ **Preliminary Actuarial Value of Assets, End of Year** *(Expected AVA+ 1/3 Difference)*	
■ Actuarial Value of Assets Corridor	266,646
• Cap: 115% of Market Value	302,608
• Min: 85% of Market Value	223,666
■ **Actuarial Value of Assets, End of Year** *(No greater than Cap, not less than Min)*	266,646
■ Approximate Annual Rate of Return	5.8%

SECTION 4
CONTRIBUTION DEVELOPMENT

Actuarially Determined Contribution
Following is the development of the 2021/22 Actuarially Determined Contribution. The 2020/21 Actuarially Determined Contribution was calculated in the June 30, 2019 actuarial valuation and is shown for comparison.

(amounts in $000's)

Contribution Year	2020/21	2021/22
■ Actuarially Determined Contribution		
• Employer Normal Cost	$ 10	$ 2
• UAAL Amortization[4]	3,812	3,477
• Total Cost	3,822	3,479
■ Projected Plan Payroll	358	174
■ Actuarially Determined Contribution (as a percent of plan payroll)		
• Employer Normal Cost	2.9%	1.0%
• UAAL Amortization	1063.8%	1997.3%
• Total Contribution	1066.7%	1998.3%
■ Projected Total City Payroll	363,821	407,290
■ Actuarially Determined Contribution (as a percent of total City payroll)		
• Employer Normal Cost	0.0%	0.0%
• UAAL Amortization	1.1%	0.9%
• Total Contribution	1.1%	0.9%

4 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 12-year period for 2020/21 and 2021/22. 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 6/30/2023 and later are estimated assuming 6/30/21 and subsequent market value of assets earn 6.50% and assuming the Actuarially Determined Contribution is contributed each year. These contributions are designed to achieve 100% funding of the system.

Year Ending[5]	Member Contributions	City Contributions	Benefit Payments
6/30/1994	1,432,000	0	24,165,000
6/30/1995	1,320,000	0	24,565,000
6/30/1996	1,228,000	0	25,027,000
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[6]	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	*15,000*	3,822,000	*29,486,000*
6/30/2022	*8,000*	*3,479,000*	*29,035,000*
6/30/2023	*5,000*	*3,383,000*	*28,556,000*
6/30/2024	*4,000*	*3,263,000*	*28,010,000*
6/30/2025	*2,000*	*3,128,000*	*27,402,000*

5 Information prior to 6/30/2006 valuation is taken from prior actuary's valuation report. Member contributions and benefit payments for years ending 6/30/2021 and later are estimated.

6 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, 2019 Actual Value**	$ 313,073	$ 277,234	$ 35,839
■ **June 30, 2020 Expected Value**	301,915	268,281	33,634
■ COLA greater than expected	877		
■ Demographic (Gain)/Loss[7]	(4,532)		
■ Investment Loss		(1,629)	
■ Contributions less than expected		(6)	
■ Total (Gain)/Loss			(2,020)
■ **June 30, 2020 Prior to Changes in Assumptions**	298,260	266,646	31,614
■ Change in Mortality Improvement Assumption	(1,593)		(1,593)
■ **June 30, 2020 Actual Value**	296,667	266,646	30,021

7 Primarily due to more retiree and beneficiary deaths than expected.

The Plan's June 30, 2020 funded status and 2021/22 fiscal year contribution are shown below at 5.50%, 6.50%, and 7.50% discount rates.

(amounts in $000's)

Discount Rate	5.50%	Current 6.50%	7.50%
■ Present Value of Projected Benefits	$ 320,818	$ 296,709	$ 275,747
■ Funded Status			
• Actuarial Accrued Liability	320,764	296,667	275,714
• Actuarial Value of Assets	266,646	266,646	266,646
• Unfunded Actuarial Accrued Liability	54,118	30,021	9,068
■ Funded Ratio	83.1%	89.9%	96.7%
■ 2021/22 Actuarially Determined Contribution			
• Employer Normal Cost	4	2	-
• UAAL Amortization (12 years)	6,147	3,477	878
• Total Contribution	6,151	3,479	878
• Total Employer Contribution (as a percent of Plan payroll)	3533.1%	1998.3%	504.4%
• Total Employer Contribution (as a percent of total City payroll)	1.5%	0.9%	0.2%

The Plan's 2021/22 fiscal year contribution would increase if the amortization period of the Unfunded Actuarial Accrued Liability were shorter. Shown below are results based on the current 12-year period, as well as for 13, 11, and 10 year periods.

The average life expectancy of retirees is currently 11.6 years, down slightly from 11.8 years as of June 30, 2019. We recommend continuing to use a 12 year amortization period.

(amounts in $000's)

Amortization Years	13	Recom-mended 12	11	10
■ 2021/22 Actuarially Determined Contribution				
• Employer Normal Cost	$ 2	$ 2	$ 2	$ 2
• UAAL Amortization	3,299	3,477	3,690	3,946
• Total Employer Contribution	3,301	3,479	3,692	3,948
• Total Employer Contribution (as a percent of Plan payroll)	1895.9%	1998.3%	2120.3%	2267.8%
• Total Employer Contribution (as a percent of total City payroll)	0.8%	0.9%	0.9%	1.0%

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)
2021	5	5	914	$ 29,486
2022	2	5	885	29,035
2023	2	5	853	28,556
2024	1	5	819	28,010
2025	1	5	785	27,402
2026	0	5	749	26,749
2027	0	5	713	26,026
2028	0	5	677	25,230
2029	0	5	642	24,400
2030	0	5	606	23,539
2031	0	5	571	22,647
2032	0	5	537	21,723
2033	0	4	503	20,769
2034	0	4	469	19,783
2035	0	4	437	18,768
2036	0	4	405	17,727
2037	0	4	373	16,661
2038	0	4	343	15,578
2039	0	4	313	14,482
2040	0	3	285	13,383
2041	0	3	257	12,287
2042	0	3	231	11,203
2043	0	3	206	10,142
2044	0	2	183	9,111
2045	0	2	161	8,122
2046	0	2	140	7,181
2047	0	1	122	6,297
2048	0	1	105	5,477
2049	0	1	89	4,724
2050	0	1	76	4,041

Fiscal Year Ending June 30,	Active Count	Term Vested Count	Retiree Count	Annual Benefit Payments (000's)
2051	0	1	63	$ 3,430
2052	0	1	53	2,888
2053	0	0	44	2,416
2054	0	0	36	2,009
2055	0	0	29	1,663
2056	0	0	24	1,375
2057	0	0	19	1,138
2058	0	0	16	946
2059	0	0	13	792
2060	0	0	10	670
2061	0	0	9	574
2062	0	0	7	499
2063	0	0	6	442
2064	0	0	5	399
2065	0	0	4	365
2066	0	0	4	339
2067	0	0	3	317
2068	0	0	3	299
2069	0	0	3	282
2070	0	0	2	267

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:

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

<u>Less than 16 2/3 years of service</u>: 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:

<u>Not Eligible for Retirement</u>: 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.

<u>Eligible for Retirement</u>: Maximum of retirement allowance or 25% of final average earnings.

K. Industrial Disability Benefit

Sections 302 and 399:

<u>Not Eligible for Retirement</u>: 50% of final average earnings.

<u>Eligible for retirement</u>: 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.

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 a 12-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 (2021/22). The June 30, 2019 valuation generated a contribution for fiscal year 2020/21.

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 7/1/2020. We reviewed the data, but did not perform an audit.

Basis for Assumptions

Mortality assumptions are based on CalPERS 1997-2015 experience study, since that study is based on populations similar to this plan. Mortality improvement is the Society of Actuaries Scale MP-2019. 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 remaining employees.

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.

SECTION 10
METHODS AND ASSUMPTIONS

Actuarial Assumptions

Assumptions used in the valuation are as follows:

- **Discount Rate**

  6.50% net of investment expenses[8]. See page 9 for derivation.

- **Inflation**

  2.75%

- **Salary Scale**

  2.75% CPI

  0.50% Merit

- **Social Security Wage Base**

  3.00%

- **Termination**

  None assumed. All active employees are retirement-eligible.

- **Retirement**

  Rates vary based on age. Sample rates follow:

Age	Non Sec 175
55	6%
60	26%
65	40%
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 1997-2015 Pre-Retirement Mortality table for males and females and CalPERS 1997-2015 Post-Retirement Mortality table for males and females. Sample rates are as follows:

	Pre-Retirement		Post-Retirement	
Age	Male	Female	Male	Female
50	0.12%	0.08%	0.44%	0.39%
60	0.26%	0.17%	0.75%	0.52%
70	0.62%	0.39%	1.50%	1.06%
80	1.66%	0.94%	4.64%	3.49%
90	n/a	n/a	14.94%	11.38%
100	n/a	n/a	35.37%	30.62%

- **Post-Retirement Disabled Mortality**
  For Miscellaneous retirees, CalPERS 1997-2015 Non-Work-Related Disability table for males and females. For Safety retirees, CalPERS 1997-2015 Work-Related Disability table for males and females. Sample rates are as follows:

	Non-Work-Related		Work-Related	
Age	Male	Female	Male	Female
50	1.40%	1.23%	0.44%	0.39%
60	2.42%	1.52%	0.75%	0.52%
70	3.77%	2.50%	1.80%	1.27%
80	7.32%	5.38%	5.57%	4.18%
90	16.74%	14.92%	16.43%	12.52%
100	35.37%	35.05%	35.37%	30.62%

- **Mortality Improvement Projection**

  Post-retirement mortality projected fully generational with Society of Actuaries Scale MP-2019.

  Prior valuation used mortality projected fully generational with Society of Actuaries Scale MP-2018.

- **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.

Data Summary

Following summarizes participant demographic information for the June 30, 2019 and June 30, 2020 actuarial valuations.

	June 30, 2019	June 30, 2020
Participant Counts		
Actives	8	5
Terminated Vesteds	5	4
Reciprocals	3	1
Service Retirees[9]	555	506
Disableds	104	96
Beneficiaries[10]	314	312
Total	989	924
Actives		
Average Age	65.0	66.3
Average Service	35.9	37.0
Salary		
Total	$ 536,145	$ 330,244
Average	67,018	66,049
Overall City Payroll	341,277,000	382,053,000
Terminated Vesteds & Reciprocals		
Average Age	69.0	69.7
Retirees, Disableds & Beneficiaries		
Average Age	78.8	79.0
Average Monthly Benefit	$ 2,652	2,725
Life expectancy	11.8	11.6

9 The June 30, 2020 valuation includes one retiree eligible for benefits but not yet receiving them.

10 Includes one former spouse of a deceased retiree whom the City has not been able to contact and is not yet receiving benefits.

June 30, 2020 Participant Data

Following summarizes participant demographic information for the June 30, 2020 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	-	-	-	5	5
• Average Age	n/a	n/a	n/a	66.3	66.3
• Average Service	n/a	n/a	n/a	37.0	37.0
• Projected Salary					
➢ Average	$ -	$ -	$ -	66,049	66,049
➢ Total (000's)	-	-	-	330	330
■ **Vested Terms & Reciprocals**					
• Count	-	-	1	4	5
• Average Age	n/a	n/a	69.6	69.7	69.7
■ **All Inactives**					
• Count	20	136	29	729	914
• Average Age	86.1	83.5	82.9	77.8	79.0
• Avg. Monthly Benefit	$2,423	$3,115	$1,912	$2,692	$2,725
■ **Service Retirees**					
• Count	6	32	12	456	506
• Average Age	89.2	89.0	82.3	77.0	78.0
• Average Retirement Age	53.4	54.6	63.0	59.6	59.3
• Avg. Monthly Benefit	$2,786	$5,191	$2,365	$3,274	$3,368
■ **Disabled Retirees**					
• Count	3	33	4	56	96
• Average Age	92.4	78.3	84.3	75.3	77.3
• Average Retirement Age	52.1	41.5	50.0	49.6	46.9
• Avg. Monthly Benefit	$3,177	$2,892	$1,410	$2,294	$2,490
■ **Beneficiaries**					
• Count	11	71	13	217	312
• Average Age	82.8	83.4	83.0	80.3	81.2
• Avg. Monthly Benefit	$2,020	$2,284	$1,648	$1,573	$1,754

Data Reconciliation
6/30/2019 to 6/30/2020

		Terminated		Receiving Payments			
	Actives	Vested	Reciprocal	Disabled	Benefic.	Retirees	Total
■ **June 30, 2019**	8	5	3	104	314	555	989
• New Hires	-	-	-	-	-	-	-
• Disabled	(1)	-	-	1	-	-	-
• Terminated	-	-	-	-	-	-	-
• Deceased	-	(1)	-	(9)	(21)	(52)	(83)
• New Beneficiaries	-	-	-	-	19	-	19
• Retired	(2)	-	(1)	-	-	3	-
• Adjustment/Cash Out	-	-	(1)	-	-	-	(1)
■ **June 30, 2020**	5	4	1	96	312	506	924

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	-	-	-	-	1	-	1	2
65 & Over	-	-	-	-	-	-	3	3
Total	-	-	-	-	1	-	4	5

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**	-	-	1	1
	Avg. Benefit	-	-	1,867	1,867
65-69	**Count**	-	-	2	2
	Avg. Benefit	-	-	2,018	2,018
70-74	**Count**	1	10	14	25
	Avg. Benefit	7,337	3,324	1,848	2,658
75-79	**Count**	4	13	12	29
	Avg. Benefit	2,794	2,410	2,304	2,419
80-84	**Count**	3	5	12	20
	Avg. Benefit	5,941	2,683	2,386	2,993
85 & Over	**Count**	30	8	41	79
	Avg. Benefit	4,883	3,373	2,349	3,415
Total	**Count**	38	36	82	156
	Avg. Benefit	4,811	2,916	2,249	3,027

Miscellaneous

Age		Service Retirees	Disability Retirees	Beneficiaries	Total
Under 50	**Count**	-	-	1	1
	Avg. Benefit	-	-	710	710
50-54	**Count**	-	-	-	-
	Avg. Benefit	-	-	-	-
55-59	**Count**	-	-	4	4
	Avg. Benefit	-	-	1,214	1,214
60-64	**Count**	11	2	10	23
	Avg. Benefit	2,963	2,081	1,229	2,132
65-69	**Count**	76	18	17	111
	Avg. Benefit	3,435	2,407	1,402	2,957
70-74	**Count**	121	11	39	171
	Avg. Benefit	3,303	2,896	1,700	2,911
75-79	**Count**	104	6	33	143
	Avg. Benefit	3,288	1,644	1,717	2,856
80-84	**Count**	77	13	43	133
	Avg. Benefit	3,094	2,184	1,793	2,584
85 & Over	**Count**	79	10	83	172
	Avg. Benefit	3,136	1,648	1,459	2,240
Total	**Count**	468	60	230	758
	Avg. Benefit	3,251	2,235	1,578	2,663

APPENDIX B

City of Sacramento

Sacramento City Employees' Retirement System

June 30, 2020
GASBS 67 & 68 Reporting

December 3, 2020

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, 2020 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 results may differ significantly if the System's experience differs from our assumptions or if there are changes in plan design, actuarial methods, or actuarial assumptions. The project scope did not include an analysis of this potential variation.

This report is based on our June 30, 2020 actuarial valuation of the System and our report dated October 2020 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,

Mary Elizabeth Redding, FSA, MAAA, EA
Vice President

Deanna Van Valer, ASA, MAAA, EA
Assistant Vice President

Katherine Moore, ASA, MAAA
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SECTION 1
GASBS 67 & 68 APPLICABLE DATES

Applicable Dates and Periods

Fiscal Year End	June 30, 2020	
Reporting Standard	**GASBS 67**	**GASBS 68**
■ Reporting date[1]	June 30, 2020	June 30, 2020
■ Reporting period	FY 2020	FY 2020
■ Measurement date[2]	N/A	June 30, 2020
■ Measurement period	N/A	July 1, 2019 to June 30, 2020
■ Actuarial valuation date[3]	June 30, 2020	June 30, 2020

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.

SECTION 2
GASBS 67 AND 68 NOTE DISCLOSURES

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

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

	Fiscal Year Ending	
	6/30/20	**6/30/19**
■ Total pension liability (TPL)	$ 296,667	$ 313,073
■ Fiduciary net position (FNP)	263,137	281,568
■ Net pension liability (NPL)	33,530	31,505
■ Funded status (FNP/TPL)	88.7%	89.9%

Significant Assumptions and Other Inputs Used to Measure Total Pension Liability at 6/30/20:

■ Discount Rate	■ 6.50%, net of investment expenses
■ Inflation Rate	■ 2.75%
■ Salary Scale	■ 3.25%
■ Mortality Assumption for Service retirements & beneficiaries	■ CalPERS 1997-2015 Post-Retirement Mortality Table projected fully generational with Society of Actuaries Scale MP-2019.
■ Mortality Assumption for Disability retirements	■ CalPERS 1997-2015 Mortality Table for non-work Disabled Retirees for Miscellaneous and CalPERS 1997-2015 Mortality Table for work-related Disabled Retirees for Safety. Both tables were projected fully generational with Society of Actuaries Scale MP-2019.

Changes of assumptions and changes in experience affecting the measurement of the Total Pension Liability since the prior measurement date

Mortality improvement was changed from fully generational projection with Society of Actuaries Scale MP-2018 to fully generational projection with Society of Actuaries Scale MP-2019.
The overall experience gain was primarily due to more retiree and beneficiary deaths than expected. This was partially offset by CPI being greater than expected, leading to increased COLA banks and an experience loss.

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.

4 The current recommended policy includes a change in the amortization period from 12 years to 5 years when the average future life expectancy of plan participants is below 5 years.

The 6.50% long-term expected rate of return was derived based on the inflation assumption of 2.75% and a long-term asset allocation of 70% equities and 30% fixed income. The geometric real rates of return were assumed to be 4.36% for US large cap equities, 4.93% for international equities and 1.47% for fixed income.

Date of actuarial valuation
The June 30, 2020 Total Pension Liability is based on an actuarial valuation as of June 30, 2020.

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

	1% Decrease 5.50%	**Discount Rate 6.50%**	**1% Increase 7.50%**
Net Pension Liability (NPL)	$57,627	$33,530	$12,577

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

Fiscal Year	2019/20
Total Pension Liability	
Service cost	$ 49
Interest	19,363
Changes of benefit terms	0
Differences between expected and actual experience	(3,768)
Changes of assumptions	(1,593)
Benefit payments	(30,457)
Net change in Total Pension Liability	(16,406)
Total Pension Liability at beginning of year	313,073
Total Pension Liability at end of year	296,667
Fiduciary Net Position	
Contributions - employer	4,410
Contributions - member	25
Net investment income	7,591
Benefit payments	(30,457)
Administrative expenses	0
Other income	0
Net change in Fiduciary Net Position	(18,431)
Fiduciary Net Position at beginning of year	281,568
Fiduciary Net Position at end of year	263,137
Net Pension Liability (Asset) at end of year	33,530
Fiduciary Net Position as percentage of Total Pension Liability	88.7%
Covered-employee payroll	362
Net Pension Liability as percentage of Covered-employee Payroll	9262.4%

Notes to Schedule of Changes in Net Pension Liability & Related Ratios
The Total Pension Liability as of June 30, 2020 is based on an actuarial valuation as of June 30, 2020.

Changes of Assumptions. In 2019/20, mortality improvement was changed to use Society of Actuaries Scale MP-2019.

Differences between actual and expected experience. The largest component for 2019/20 was 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)
2019/20	$ 4,410	$ 4,410	$ 0	$ 362	1218.2%

Significant Methods and Assumptions Used in Calculation of ADC for 2019/20

Actuarial Assumption	FY 2019/2020
■ Actuarial valuation date	■ June 30, 2018
■ Actuarial cost method	■ Entry Age Normal, level percent of payroll
■ Amortization method	■ Level dollar amount
■ Amortization period	■ 13 years open
■ Asset method	■ Actuarial value of assets ■ Gains/losses recognized over 3 years ■ Corridor of 85% - 115% of market value of assets
■ Inflation	■ 2.75%
■ Discount rate	■ 6.50%, net of investment expenses
■ Salary scale	■ 3.25%
■ Mortality rate table	■ CalPERS' 1997-2015 Experience Study ■ Mortality projected fully generational with Scale MP-2017
■ All other	■ Same as used in determining total pension liability for 2019/20

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 6/30/2019	$313,073	$281,568	$31,505
■ Changes for the year:			
• Service cost	49		49
• Interest	19,363		19,363
• Change of assumptions	(1,593)		(1,593)
• Change of benefit terms	0		0
• Differences between expected and actual experience	(3,768)		(3,768)
• Contributions—employer		4,410	(4,410)
• Contributions—member		25	(25)
• Net investment income		7,591	(7,591)
• Benefit payments, including refunds of member contributions	(30,457)	(30,457)	0
• Administrative expense[7]	0	0	0
■ Net changes	(16,406)	(18,431)	2,025
■ Balances at FYE 6/30/2020	296,667	263,137	33,530

Pension Expense/(Income) for Fiscal Year

(Amounts in 000's)

	2019/20
■ Pension Expense/(Income)	$ (1,790)

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, 2020
(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	4,497	0
■ Employer contributions made subsequent to the Measurement Date	N/A	N/A
■ Total	4,497	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
2021	$ (561)
2022	1,245
2023	1,840
2024	1,973
2025	0
Thereafter	0

SECTION 5
GASBS 68 SUPPORTING CALCULATIONS

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 6.1 years of total expected future service divided by 924 plan participants, resulting in 0.007 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	2015/16	2016/17	2017/18	2018/19	2019/20	Total
■ Initial amount*	$11,007	$(9,028)	$(2,973)	$(673)	$9,865	
■ Initial recognition period	5	5	5	5	5	
■ Amount recognized in pension expense for current fiscal year:						
• 2019/20	2,203	(1,806)	(595)	(135)	1,973	1,640
■ Amount recognized in pension expense for future fiscal years:						
• 2020/21	0	(1,804)	(595)	(135)	1,973	(561)
• 2021/22	0	0	(593)	(135)	1,973	1,245
• 2022/23	0	0	0	(133)	1,973	1,840
• 2023/24	0	0	0	0	1,973	1,973
• 2024/25	0	0	0	0	0	0
■ Deferred Outflows/(Inflows) as of FYE 6/30/20	0	(1,804)	(1,188)	(403)	7,892	
■ Net Deferred Outflows/(Inflows) as of FYE 6/30/20						4,497

* For 2019/20 Projected earnings = $17,456, actual earnings = $7,591. Difference = $9,865

Components of GASBS 68 Pension Expense/(Income) for Fiscal Year

(Amounts in 000's)

	FY 2019/20
■ Service cost	$ 49
■ Interest on the total pension liability including service cost	19,363
■ Projected earnings on plan investments	(17,456)
■ Member contributions	(25)
■ Administrative expense	0
■ Recognition of deferred outflows and inflows of resources:	
• Difference between expected and actual experience	(3,768)
• Changes in assumptions and other inputs	(1,593)
• Difference between actual and projected earnings on investments	1,640
■ Total Pension Expense	(1,790)

Calculation of Interest on the Total Pension Liability

(Amounts in 000's)

	Dollar Amount	Expected Return	Portion of Year	Interest
■ Beginning Total Pension Liability	$313,073	6.5%	1.0	$20,350
■ Service Cost	49	6.5%	1.0	3
■ Benefit Payments	(30,457)	6.5%	0.5	(990)
■ Difference between expected and actual experience	(3,768)	6.5%	0.0	0
■ Changes of assumptions	(1,593)	6.5%	0.0	0
■ Interest on Total Pension Liability				19,363

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	$281,568	6.5%	1.0	$18,302
■ Employer Contributions	4,410	6.5%	0.5	143
■ Member Contributions	25	6.5%	0.5	1
■ Benefit Payments	(30,457)	6.5%	0.5	(990)
■ Administrative Expenses	0	6.5%	0.5	0
■ Projected Earnings on Investments				17,456

GASBS 68 Balance Equation
(Amounts in 000's)

	6/30/19	6/30/20	Change
■ Total Pension Liability	$313,073	$296,667	$(16,406)
■ Fiduciary Net Position	281,568	263,137	(18,431)
■ Net Pension Liability/(Asset)	31,505	33,530	2,025
■ Deferred inflows of resources	3,728	0	(3,728)
■ Deferred outflows of resources	0	(4,497)	(4,497)
■ Employer contributions	N/A	4,410	4,410
■ Net impact on balance sheet	35,233	33,443	(1,790)

Check:

■ Pension expense/(income) for year $(1,790)

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	$330	$3,822	$15	$0	$3,838
2	174	3,479	8	0	3,487
3	117	3,383	5	0	3,389
4	80	3,263	4	0	3,267
5	41	3,128	2	0	3,130
6	28	2,944	1	0	2,945
7	7	2,711	0	0	2,711
8	0	2,654	0	0	2,654
9	0	2,490	0	0	2,490
10	0	2,335	0	0	2,335
11	0	2,190	0	0	2,190
12	0	2,054	0	0	2,054
13	0	1,926	0	0	1,926
14	0	1,805	0	0	1,805
15	0	1,692	0	0	1,692
16	0	1,585	0	0	1,585
17	0	1,485	0	0	1,485
18	0	2,732	0	0	2,732
19	0	2,236	0	0	2,236
20	0	1,828	0	0	1,828
21	0	1,493	0	0	1,493
22	0	1,218	0	0	1,218
23	0	991	0	0	991
24	0	806	0	0	806
25	0	654	0	0	654
*	*	*	*	*	*
45	0	6	0	0	6
46	0	5	0	0	5
47	0	4	0	0	4
48	0	3	0	0	3
49	0	2	0	0	2
50	0	1	0	0	1
51	0	1	0	0	1
52	0	0	0	0	0
*	*	*	*	*	*
80	0	0	0	0	0
81	0	0	0	0	0
82	0	0	0	0	0
83	0	0	0	0	0

Note: Years 26 to 44, and 53 to 79 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	$263,137	$3,838	$29,486	$0	$16,270	$253,759
2	253,759	3,487	29,035	0	15,664	243,875
3	243,875	3,389	28,556	0	15,034	233,742
4	233,742	3,267	28,010	0	14,389	223,388
5	223,388	3,130	27,402	0	13,731	212,846
6	212,846	2,945	26,749	0	13,061	202,103
7	202,103	2,711	26,026	0	12,379	191,167
8	191,167	2,654	25,230	0	11,692	180,283
9	180,283	2,490	24,400	0	11,006	169,379
10	169,379	2,335	23,539	0	10,321	158,496
11	158,496	2,190	22,647	0	9,637	147,677
12	147,677	2,054	21,723	0	8,960	136,967
13	136,967	1,926	20,769	0	8,290	126,414
14	126,414	1,805	19,783	0	7,633	116,069
15	116,069	1,692	18,768	0	6,989	105,981
16	105,981	1,585	17,727	0	6,364	96,204
17	96,204	1,485	16,661	0	5,760	86,788
18	86,788	2,732	15,578	0	5,224	79,166
19	79,166	2,236	14,482	0	4,748	71,668
20	71,668	1,828	13,383	0	4,283	64,397
21	64,397	1,493	12,287	0	3,835	57,438
22	57,438	1,218	11,203	0	3,409	50,861
23	50,861	991	10,142	0	3,009	44,720
24	44,720	806	9,111	0	2,637	39,051
25	39,051	654	8,122	0	2,296	33,879
*	*	*	*	*	*	*
45	2,741	6	365	0	166	2,548
46	2,548	5	339	0	155	2,369
47	2,369	4	317	0	144	2,200
48	2,200	3	299	0	133	2,037
49	2,037	2	282	0	123	1,880
50	1,880	1	267	0	114	1,729
51	1,729	1	252	0	104	1,582
52	1,582	0	238	0	95	1,440
*	*	*	*	*	*	*
80	37	0	1	0	2	38
81	38	0	1	0	2	39
82	39	0	0	0	3	42
83	42	0	0	0	3	45

Note: Years 26 to 44, and 53 to 79 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 6.50% Discount Rate
1	$263,137	$29,486	$29,486	$0	$27,686	$0	$27,686
2	253,759	29,035	29,035	0	25,599	0	25,599
3	243,875	28,556	28,556	0	23,640	0	23,640
4	233,742	28,010	28,010	0	21,772	0	21,772
5	223,388	27,402	27,402	0	20,000	0	20,000
6	212,846	26,749	26,749	0	18,332	0	18,332
7	202,103	26,026	26,026	0	16,748	0	16,748
8	191,167	25,230	25,230	0	15,244	0	15,244
9	180,283	24,400	24,400	0	13,843	0	13,843
10	169,379	23,539	23,539	0	12,540	0	12,540
11	158,496	22,647	22,647	0	11,328	0	11,328
12	147,677	21,723	21,723	0	10,203	0	10,203
13	136,967	20,769	20,769	0	9,159	0	9,159
14	126,414	19,783	19,783	0	8,192	0	8,192
15	116,069	18,768	18,768	0	7,298	0	7,298
16	105,981	17,727	17,727	0	6,472	0	6,472
17	96,204	16,661	16,661	0	5,712	0	5,712
18	86,788	15,578	15,578	0	5,014	0	5,014
19	79,166	14,482	14,482	0	4,377	0	4,377
20	71,668	13,383	13,383	0	3,798	0	3,798
21	64,397	12,287	12,287	0	3,274	0	3,274
22	57,438	11,203	11,203	0	2,803	0	2,803
23	50,861	10,142	10,142	0	2,383	0	2,383
24	44,720	9,111	9,111	0	2,010	0	2,010
25	39,051	8,122	8,122	0	1,682	0	1,682
*	*	*	*	*	*	*	*
45	2,741	365	365	0	21	0	21
46	2,548	339	339	0	19	0	19
47	2,369	317	317	0	16	0	16
48	2,200	299	299	0	15	0	15
49	2,037	282	282	0	13	0	13
50	1,880	267	267	0	11	0	11
51	1,729	252	252	0	10	0	10
52	1,582	238	238	0	9	0	9
*	*	*	*	*	*	*	*
80	37	1	1	0	0	0	0
81	38	1	1	0	0	0	0
82	39	0	0	0	0	0	0
83	42	0	0	0	0	0	0
Total					286,320	0	286,320

Note: Years 26 to 44, and 53 to 79 omitted.