AGENDA

AUDIT COMMITTEE MEETING
SAN JOAQUIN COUNTY EMPLOYEES RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, MAY 9, 2025
IMMEDIATELY FOLLOWING BOARD OF RETIREMENT MEETING
Location: SJCERA Board Room, 220 East Channel Street, Stockton, California

Persons who require disability-related accommodations should contact SJCERA at (209) 468-9950 or ElainaP@sjcera.org at least forty-eight (48) hours prior to the scheduled meeting time.

1.0 ROLL CALL

2.0 PUBLIC COMMENT

2.01 The public is welcome to address the Committee during this time on matters within the Committee's jurisdiction. Members of the public are encouraged to complete a Public Comment form, which can be found near the entry to the Board Room. Speakers are limited to three minutes, and are expected to be civil and courteous. Public comment on items listed on the agenda may be heard at this time, or when the item is called, at the discretion of the Chair.

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Committee on items not listed on the agenda. Members of the Committee may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Committee; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

3.0 2024 AUDIT EXIT CONFERENCE

3.01 Presentation of Audit Results by Ashley Green, CPA of Brown Armstrong Accountancy Corporation — 02

3.02 Draft Conclusion of Audit and Internal Control Reports — 15

3.03 Draft Annual Financial Report — 24

3.04 Committee to discuss and give direction to auditor or staff as appropriate

4.0 COMMENT

4.01 Comments from the Committee

5.0 ADJOURNMENT

RESULTS OF SJCERA’S FINANCIAL STATEMENT AUDIT

for the Fiscal Year Ended
December 31, 2024

BROWN ARMSTRONG ACCOUNTANCY CORPORATION
2423 W. March Lane, Suite 202, Stockton, CA 95207
T: 661-324-4971 | F: 661-324-4997 | www.ba.cpa

Contacts: Ashley Green, CPA | agreen@ba.cpa

May 9, 2025

The Audit Committee
San Joaquin County Employees' Retirement Association
220 E. Channel St., Stockton, CA 95202

We are pleased to present to you the results of our audit of the San Joaquin County Employees' Retirement Association (SJCERA) financial statements for the year ending December 31, 2024.

We look forward to presenting the results of the audit and addressing your questions.

Sincerely,

Ashley Green, CPA
Audit Engagement Partner

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

AGENDA

SCOPE OF SERVICES

As the auditor for SJCERA, we are responsible for reporting on the financial statements of SJCERA for the fiscal year ended December 31, 2024. Our engagement is focused on delivering our services at three levels:

For the public and SJCERA	Independent opinions and reports that provide assurance on the financial information released by SJCERA.
For the Audit Committee & Board of Retirement	Assistance in discharging their fiduciary responsibilities.
For management	Observations and advice on financial reporting, accounting, and internal control issues from our professionals.

SCOPE OF SERVICES (CONT'D)

Audit of SJCERA's financial statements 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 (GAS), issued by the Comptroller General of the United States

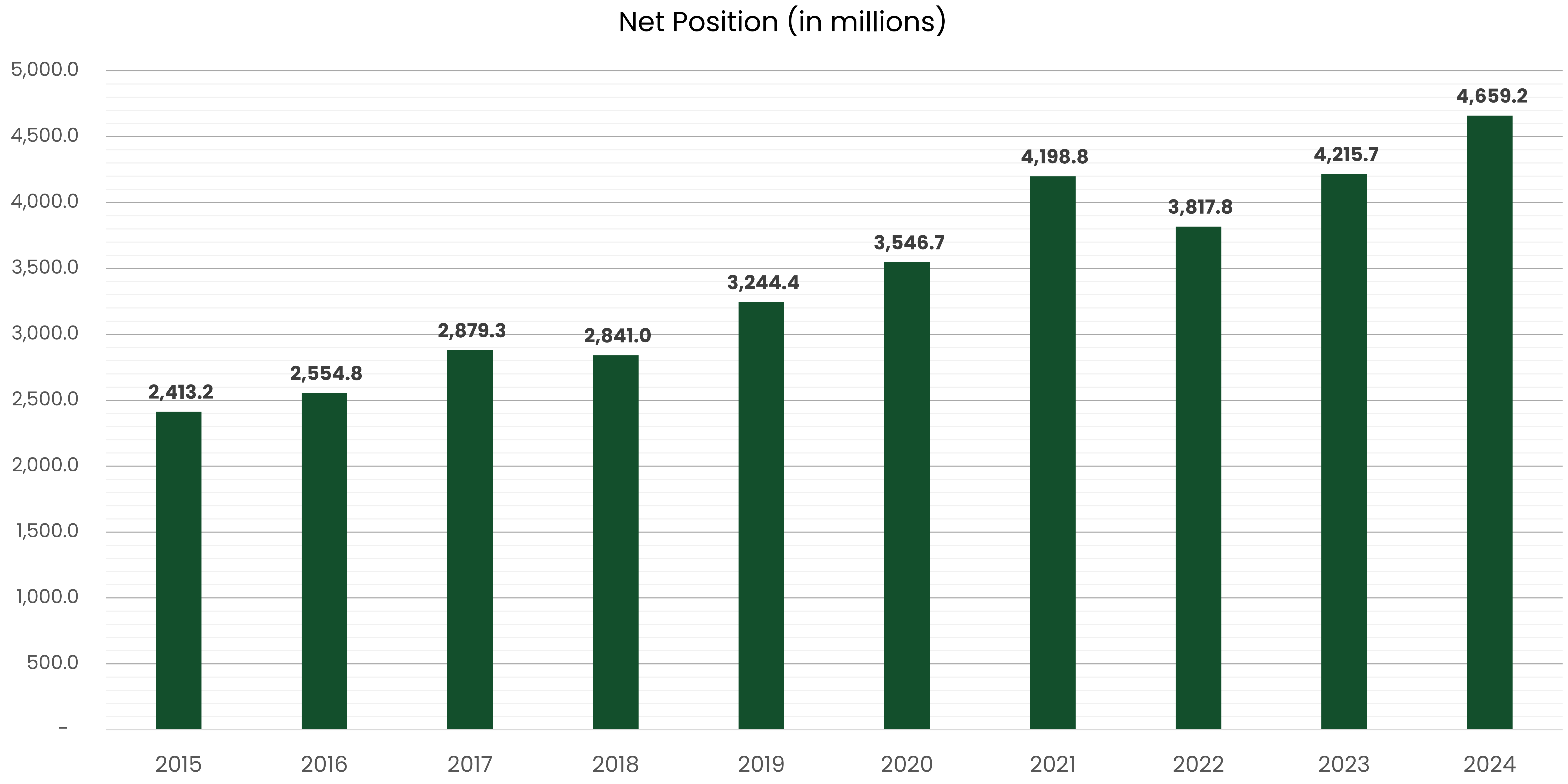
Other communications and reports required by professional standards including:

- Required Communication at the Conclusion of an Audit in Accordance with Professional Standards (SAS 114)
- Report on Internal Control Over Financial Reporting and on Compliance and Other Matters in Accordance with GAS

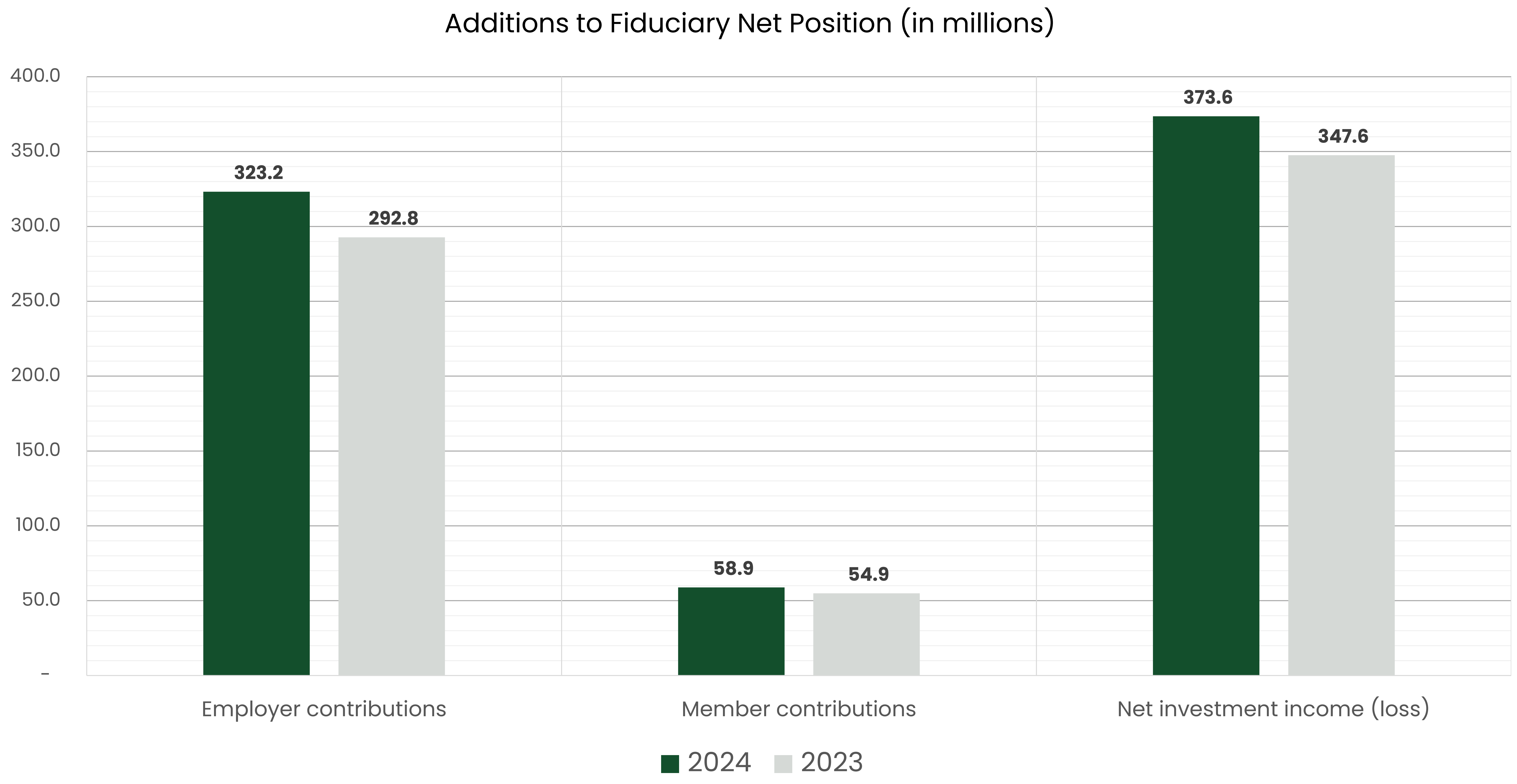
AUDIT TIMELINE & CRITICAL DATES

- Entrance Meeting with Audit Committee – January 14, 2025
- Interim Fieldwork – March 17, 2025
    - Onsite testing of internal controls
    - Walkthroughs and understanding key accounting areas
    - Updates minutes and agreements
- Final Fieldwork – April 7, 2025
    - Remote work from Brown Armstrong offices
    - Substantiate accounts and balances
    - Review confirmation responses
    - Drafting of financial statements
- ACFR Review and Audit Opinions to be Issued – May 28, 2025

FINANCIAL HIGHLIGHTS

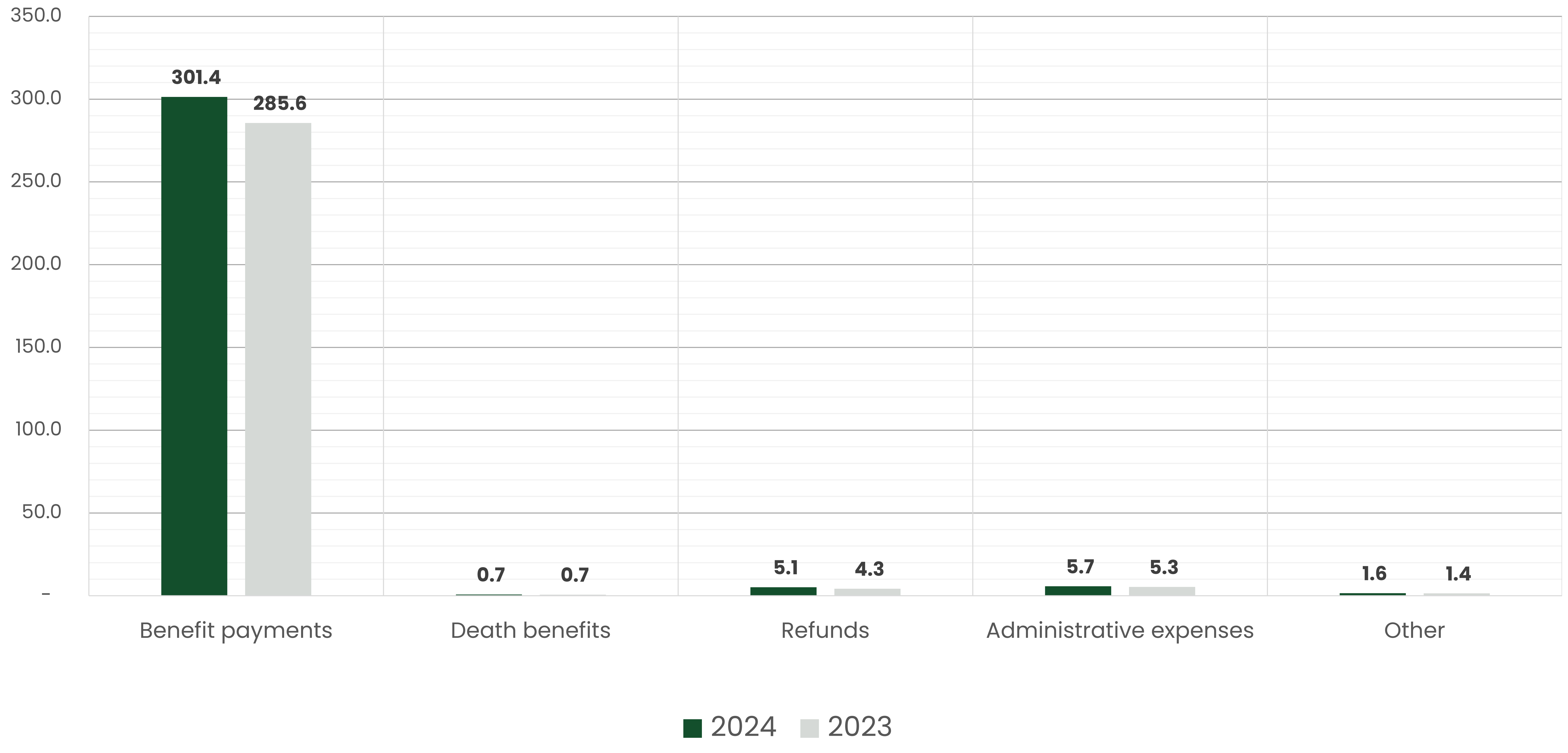


FINANCIAL HIGHLIGHTS (CONTINUED)



FINANCIAL HIGHLIGHTS (CONTINUED)

Deductions to Fiduciary Net Position (in millions)



REQUIRED COMMUNICATION LETTER

REPORT	SUMMARY OF REQUIRED COMMUNICATION

Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)	• New Accounting Standards Implemented - None
	• Significant Estimates and Sensitive Disclosures Reviewed
	  ◦ Fair Value of Investments
	  ◦ Contributions and Net Pension Liability Estimates
	    ▪ Based on actuary assumptions
	• Difficulties encountered in Performing Audit – None
	• Uncorrected Misstatements – None
	• Corrected Misstatements –
	Dr. Investments, at fair value $21,050,449
	Dr. Net appreciation/depreciation $9,825,637
	Cr. Receivables securities sold $30,876,086
	• Disagreements with Management – None
	• Other Audit Findings or Issues – None
	• Applied limited procedures to Required Supplementary Information.
	• We were engaged to provide an in relation to opinion on Other Supplementary Information.
	• We were not engaged to report on the Introductory, Investment, Actuarial, Statistical, and Compliance sections of the ACFR.

AUDIT OPINIONS ISSUED

REPORT	SUMMARY OF OPINION
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	• No noncompliance noted • No material weaknesses identified • Significant deficiencies noted • 2024-001 – Reconciliation of Investment Managers • Provided current year status of prior year findings
Report on Financial Statements (Opinion)	• Unmodified (Clean) Opinion

FINANCIAL STATEMENT REVIEW PROCESS

- Review Process
  - Administrative Review
  - Engagement Team Review
  - GFOA Review
  - Quality Control Review

- GFOA Award

- Questions on the Annual Financial Report

THANK YOU!
QUESTIONS?

ASHLEY GREEN, CPA

Audit Engagement Partner

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Stockton, CA 95207

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

REPORT TO THE BOARD OF RETIREMENT AND AUDIT COMMITTEE

FOR THE YEAR ENDED DECEMBER 31, 2024

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SAN JOAQUIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2024

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REQUIRED COMMUNICATION AT THE CONCLUSION OF AN AUDIT TO THE BOARD OF RETIREMENT AND AUDIT COMMITTEE IN ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)

To the Members of the Board of Retirement and Audit Committee of
San Joaquin County Employees' Retirement Association
Stockton, California

We have audited the basic financial statements and other information (financial statements) of the San Joaquin County Employees' Retirement Association (SJCERA), a pension trust fund of the County of San Joaquin, as of and for the year ended December 31, 2024, and have issued our report thereon dated May 28, 2025. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated December 16, 2024. Professional standards also require that we communicate to you the following information related to our audit.

<u>Significant Audit Matters</u>

Qualitative Aspects of Accounting Practices
Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SJCERA are described in Note 3, Summary of Significant Accounting Policies – Pension Plan, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2024. We noted no transactions entered into by SJCERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimates of the fair value of investments and the money-weighted rate of return are derived by various methods as described in Note 3, Summary of Significant Accounting Policies – Pension Plan; Note 4, Cash and Investments; and Note 5, Derivative Financial Instruments, to the financial statements. We evaluated the key factors and assumptions used to develop the estimates of the fair value of investments and the money-weighted rate of return in determining that they are reasonable in relation to the financial statements taken as a whole.

- Management's estimates of the contribution amounts and net pension liability are based on an actuarially-presumed interest rate and assumptions recommended by an independent actuary and adopted by the Board of Retirement and involve estimates of the values of reported amounts and probabilities about the occurrence of future events, as detailed in Note 6, Contributions Required and Contributions Made, and Note 8, Net Pension Liability and Significant Assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for cash and investments and derivative financial instruments in Notes 4 and 5 to the financial statements, respectively, were derived from SJCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes.

- The disclosures related to the funding policies, funded status, funding progress, and actuarial methods and assumptions in Note 6 and Note 8 were derived from actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrence of the future events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit
We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements
Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following accumulated misstatements detected as a result of audit procedures were corrected by management:

Dr. Investments, at fair value	$21,050,449	
Dr. Net appreciation/depreciation	$9,825,637	
Cr. Receivables securities sold		$30,876,086

Disagreements with Management
For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations
We have requested certain representations from management that are included in the management representation letter dated May 28, 2025.

Management Consultations with Other Independent Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SJCERA's financial statements, or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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Other Audit Findings or Issues
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SJCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters
We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions from the Employers and Other Contributing Sources – Defined Benefit Pension Plan, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, Schedule of Investment Expenses, and Schedule of Payments to Consultants, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introduction, investment, actuarial, and statistical sections, which accompany the financial statements but are not RSI. Such information has 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 it.

Restriction on Use

This information is intended solely for the information and use of the Board of Retirement, Audit Committee, and management of SJCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
May 28, 2025

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Members of the Board of Retirement and Audit Committee of
San Joaquin County Employees' Retirement Association
Stockton, California

We have audited, in accordance with the 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, the basic financial statements of the San Joaquin County Employees' Retirement Association (SJCERA), as of and for the year ended December 31, 2024, and the related notes to the basic financial statements, which collectively comprise SJCERA's basic financial statements and other information (financial statements), and have issued our report thereon dated May 28, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SJCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SJCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SJCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SJCERA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, described in the accompanying schedule of findings as item 2024-001, which we consider to be a significant deficiency. We have also provided the current status of prior year findings.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SJCERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

SJCERA's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on SJCERA's response to the finding identified in our audit and described in the accompanying schedule of findings. SJCERA's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SJCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SJCERA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
May 28, 2025

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Schedule of Findings

2024-001 – Reconciliation of Investment Managers

During our audit procedures over investments, we noted one investment was understated by $21.1 million as an investment class unit was omitted from being recorded. During our audit procedures over securities sold receivables we noted a difference of $30.9 million between the securities sold receivables reported by the Custodian, this error occurred due to an error in reporting by the Custodian and SJCERA not accurately accounting for the additional purchase of an investment during the year.

Recommendation

We recommend that management review cash, investment and pending trades balances by investment managers at the end of the year to ensure that investment manager accounts are reconciled and correctly classified.

Management's Response

Management agrees with the recommendation and has corrected the financial statements accordingly. Staff creates journal entries on a monthly basis updating cash, cost, investment income and expense. Procedures will be updated to include reconciliations of general ledger to the custodian for cash and cost on a monthly basis. At year end, staff create the market value adjustment based on custodian information and external manager statement. Procedures will be created to detail how to create journal entry along with the reconciliation of custodian and bank. Lastly, the custodian will close their book by end of February to allow time for staff to complete these procedures.

Status of Prior Year Findings

2023-001 – Terminated Investment Accounts

During our audit procedures over investments, we determined that the net appreciation and fair value of three terminated investment accounts were understated by $16.3 million. This occurred as a result of lack of management reconciliation and oversight. The market value adjustment accounts were not properly adjusted to close out the remaining balance once the investment in the fund was terminated and closed.

Recommendation

We recommend that management review all terminated investment accounts at the end of the year to ensure that there are no market value adjustments remaining on the books, under- or overstating the investment market value.

Management's Response

Management agrees with the recommendation. Management will review and update procedures as necessary to ensure proper documentation is in place, including a final Management review step to ensure adherence to the procedures for terminated investments. Management will ensure the review of terminated investments will occur on at least a yearly basis.

Current Year Status

At year end, management reviewed to ensure terminated assets are not included in the financial statements.

2023-002 – Custodial Fund Reconciliation

During our review of the Post-Employment Healthcare Custodial Fund, we noted there was no process in place for reviewing and reconciling the custodial fund accounts at year-end to ensure information was properly reported. We performed a reconciliation of the related accounts and noted a couple errors with entries that should have been posted to the custodial fund accounts, as well as a couple entries omitted, which in the aggregate had a direct effect on the financial reporting of the Custodial Fund. Upon further inquiry, we also noted there was no internal process for identifying unposted journal entries at year-end.

Recommendation

We recommend that management implement a process to review and reconcile the Custodial Fund account balances periodically to ensure that the passthrough amounts are properly reported. We also suggest that management create a process for periodically reviewing the journal entry log to ensure all entries created are reviewed and posted in a timely manner to ensure that account balances are correctly reported.

Management's Response

Management agrees with the recommendation. Management will create procedures to review and reconcile the Custodial Fund on a quarterly basis, including management oversight review. A procedure will be created for the periodic review of the journal entry log to ensure all entries are created, reviewed, and posted timely.

Current Year Status

Management created procedures to review and reconcile the Custodial Fund on a quarterly basis, including management oversight review.

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SAN JOAQUIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2024

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2024

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Retirement and Audit Committee of
San Joaquin County Employees' Retirement Association
Stockton, California

Report on the Audit of the Basic Financial Statements and Other Information

Opinions

We have audited the accompanying Statement of Fiduciary Net Position of the San Joaquin County Employees' Retirement Association (SJCERA), a pension trust fund of the County of San Joaquin, as of December 31, 2024; the Statement of Changes in Fiduciary Net Position for the fiscal year then ended; and the related notes to the basic financial statements, which collectively comprise SJCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) as of and for the fiscal year ended December 31, 2024, listed as other information in the table of contents.

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of SJCERA as of December 31, 2024; its changes in fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) as of and for the fiscal year ended December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Basic Financial Statements and Other Information

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

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

Management is also responsible for maintaining a current plan instrument, including all SJCERA plan amendments; administering SJCERA; and determining that SJCERA's transactions that are presented and disclosed in the basic financial statements and other information are in conformity with SJCERA's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Basic Financial Statements and Other Information

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

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

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

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

Required Supplementary Information

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

Other Supplementary Information

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

Report on Summarized Comparative Information

We have previously audited SJCERA's December 31, 2023, basic financial statements and other information, and our report dated May 29, 2024, expressed an unmodified opinion on those audited basic financial statements and other information. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended December 31, 2023, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2025, on our consideration of SJCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SJCERA's 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 SJCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
May 28, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

Management's Discussion and Analysis (MD&A) presents the overview and analysis of the financial activities of the San Joaquin County Employees' Retirement Association (SJCERA or the Plan) for the year ended December 31, 2024. This MD&A presents SJCERA's overall financial position and the results of its operations, in conjunction with SJCERA's basic financial statements and notes.

Financial Highlights

- SJCERA's fiduciary net position increased by $443.5 million, or 10.5 percent, to $4.7 billion as of December 31, 2024.

- SJCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of December 31, 2023, the date of the last actuarial valuation, the funded ratio for the actuarial liability was approximately 74.0 percent. In general, this indicates that for every dollar of benefits liability, SJCERA has about 74 cents. The portion of the pension liability attributable to inactive members (retired or deferred) is fully funded by plan assets. (Note 8c provides a more detailed explanation of recent changes in the funded ratio.)

- Revenues for the year were $758.0 million, an increase of $62.7 million from the prior year. The increase was caused by the increase in net investment gains/(losses) compared to the prior year. It was also due to an increase in employer and member contributions due to increase in salaries.

- Expenses for the year were $314.5 million, an increase of $17.1 million, or 5.8 percent, from the prior year's $297.4 million. This increase was primarily due to the $15.7 million increase in pension benefit payments to retirees.

Overview of the Basic Financial Statements

The SJCERA 2024 basic financial statements, notes to the basic financial statements, required supplementary information, other supplementary information, and other information were prepared in accordance with the accounting principles and reporting standards prescribed by the Governmental Accounting Standards Board (GASB). The following discussion and analysis are intended to serve as an introduction and overview of SJCERA's financial reporting components.

The **Statement of Fiduciary Net Position** is the financial statement that presents the major categories of assets and liabilities and their related values. It represents the resources available for future benefit payments to retirees and beneficiaries and the current liabilities owed as of December 31, 2024, with comparative totals as of December 31, 2023.

The **Statement of Changes in Fiduciary Net Position** is the financial statement that provides an income statement presentation of annual additions to and deductions from the Plan for the year ended December 31, 2024, with comparative totals as of December 31, 2023.

The **Notes to the Basic Financial Statements** provide additional information that is essential to a full understanding of the data provided in the audited financial statements.

The **Required Supplementary Information** provides the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions from the Employers and Other Contributing Sources, Schedule of Investment Returns, and Note to Required Supplementary Information.

The **Other Supplementary Information** includes a Schedule of Administrative Expenses, Schedule of Investment Expenses, and Schedule of Payments to Consultants.

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The **Other Information** includes two schedules pertaining to GASB Statement No. 68: the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan.

Defined Benefit Pension Plan Financial Analysis

As of December 31, 2024, SJCERA's Fiduciary Net Position was $4.7 billion, an increase of $443.5 million. Employer and member contributions of $382.1 million and net investment income and miscellaneous income of $375.9 million were offset by benefits payments and administrative expenses of $314.5 million. Over time, increases and decreases in fiduciary net position are one of the indicators of whether SJCERA's financial situation is improving or deteriorating. Additional factors, such as market conditions, also need to be considered in assessing SJCERA's overall financial situation.

The table below compares SJCERA's fiduciary net position as of December 31, 2024 and 2023.

SJCERA Fiduciary Net Position

	2024	2023	Increase (Decrease) Amount	Percent Change
Cash and Receivables	$ 292,153,400	$ 223,216,592	$ 68,936,808	30.88%
Investments	4,463,020,831	4,064,748,850	398,271,981	9.80%
Other Assets	5,114,390	4,660,336	454,054	9.74%
Total Assets	4,760,288,621	4,292,625,778	467,662,843	10.89%
Total Liabilities	101,072,463	76,927,614	24,144,849	31.39%
Total Fiduciary Net Position Restricted for Pension Benefits	$ 4,659,216,158	$ 4,215,698,164	$ 443,517,994	10.52%

Revenues – Additions to Fiduciary Net Position

The reserves needed to finance the retiree benefits are accumulated through the collection of employer and member contributions, and earnings on investments. The additions for the year ended December 31, 2024, totaled $758.0 million. Net investment gains and miscellaneous income totaled $375.9 million. The overall year 2024 revenues increased by $62.7 million from that of the prior year, primarily due to appreciation of investments and employer and member contributions.

In 2024, the San Joaquin County (County), San Joaquin County (SJC) Mosquito and Vector Control District (MVCD), and SJC Superior Court paid additional contributions to decrease their proportionate share of the unfunded actuarial liability (UAL). Employer contributions increased by $30.5 million, or 10.4 percent, over the prior year, and member contributions increased by $3.9 million, or 7.2 percent, over the prior year. The County and the majority of its members equally share the normal cost of pre-funding post-retirement cost-of-living adjustments. Some members also pay 114% or 133% of the basic member contribution rate, which reduces the employers' Normal Cost portion of the required contribution. Employers pay all of the required UAL amortization payment.

Expenses – Deductions from Fiduciary Net Position

SJCERA's primary expenses are the payment of benefits to retirees and beneficiaries, the refund of contributions to former members, and the administrative costs. Expenses for the year 2024 totaled $314.5 million, an increase of 5.8 percent over 2023. The increase is primarily attributed to the annual cost-of-living adjustment to retirees' benefit payments and the growth in the number and average amount of benefits paid to retirees.

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The table below compares SJCERA's Changes in Fiduciary Net Position.

Changes in Fiduciary Net Position	2024	2023	Increase (Decrease) Amount	Percent Change
Additions				
Employer Contributions	$ 323,248,229	$ 292,752,311	$ 30,495,918	10.42%
Member Contributions	58,873,823	54,934,141	3,939,682	7.17%
Net Investment Income and Miscellaneous Income	375,661,637	347,665,956	27,995,681	8.05%
Transfer from Healthcare Custodial Fund	255,666	-	255,666	100.00%
Total Additions	758,039,355	695,352,408	62,686,947	9.02%
Deductions				
Retirement Benefit Payments	301,364,059	285,617,687	15,746,372	5.51%
Death Benefits	747,067	653,960	93,107	14.24%
Refund of Contributions	5,139,038	4,266,024	873,014	20.46%
Administrative and Other Expenses	7,245,987	6,649,659	596,328	8.97%
Transfer from Healthcare Custodial Fund	25,210	219,676	(194,466)	-88.52%
Total Deductions	314,521,361	297,407,006	17,114,355	5.75%
Net Increase	443,517,994	397,945,402	45,572,592	11.45%
Fiduciary Net Position Restricted for Pension Benefits				
Beginning of Year	4,215,698,164	3,817,752,762	397,945,402	10.42%
End of Year	$ 4,659,216,158	$ 4,215,698,164	$ 443,517,994	10.52%

Plan Administration
SJCERA membership

The table below provides comparative SJCERA membership data for the last two years. Total membership as of December 31, 2024, was 16,975, an increase of 578 members, or 3.5 percent, compared to December 31, 2023.

SJCERA Membership
As of December 31, 2024 and 2023

Category	2024	2023	Increase (Decrease) Amount	Percent Change
Active Members	6,913	6,663	250	3.75%
Retired Members	6,931	6,799	132	1.94%
Deferred Members	3,131	2,935	196	6.68%
Total Membership	16,975	16,397	578	3.53%

Administrative Expenses

The County Employees Retirement Law of 1937 (CERL) Section 31580.2 limits the Administrative Expense to twenty-one hundredths of one percent (0.21 percent) of the accrued actuarial liability (AAL) of the system.

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The table below provides comparison of the actual administrative expenses for the calendar years ended 2024 and 2023. The AAL was used to calculate the statutory budget amount. SJCERA's administrative expenses were well below the limit imposed by CERL for both years.

Compliance with Statutory Limitation Administrative Expenses As of December 31, 2024 and 2023 (Dollars in Thousands)				
		2024		2023
Basis for Budget Calculation (Accrued Actuarial Liability):				
Actual Administrative Expenses	$	5,673	$	5,291
Accrued Actuarial Liability as Basis for Budget Calculation*		5,674,663		5,323,789
Administrative Expenses as a Percentage of:				
The Basis for Budget Calculation		0.10%		0.10%
Limit per CERL		0.21%		0.21%

* Based on valuations dated December 31, 2022 and December 31, 2021, respectively

Actuarial Valuations

SJCERA engages an independent actuarial firm, Cheiron, Inc., to perform an annual actuarial valuation to monitor its funding and funding integrity. The valuation assesses the magnitude of SJCERA's benefit commitments, in comparison with the assets expected to be available to support those commitments. The most recent annual actuarial valuation as of December 31, 2023, contains a detailed discussion of the funding requirements. This valuation is used for funding purposes and establishing employer and member contributions rates. As of December 31, 2023, the pension plan's accrued actuarial liabilities were $5.9 billion and the market value of assets net of Special Reserves (market value of assets basis) was $4.2 billion, resulting in UAL of $1.7 billion. The funded status (ratio) of market value of assets basis over accrued actuarial liabilities was 70.5 percent which increased from 66.6 percent. It also increased to 74.0 percent from 72.0 percent on an actuarial value of assets.

For the year ended December 31, 2024, a GASB Statement No. 67/68 report was prepared by Cheiron, Inc., to provide accounting and financial disclosure information. In order to accommodate the annual reporting requirements of our plan sponsors in a timely manner, the valuation was prepared using the December 31, 2023 valuation as the basis for calculating the total pension liability (TPL) and projected to December 31, 2024. Based on this actuarial valuation, the TPL was $6.2 billion compared to a fiduciary net position of $4.7 billion, resulting in the employers' net pension liability (NPL) of $1.5 billion and a fiduciary net position as a percentage of TPL of 75.6 percent. The NPL as a percentage of covered payroll was 258.82 percent. Please see the Note 8 for more details.

Reporting SJCERA's Fiduciary Responsibilities

SJCERA's Board of Retirement and staff are fiduciaries for the pension plan. Accordingly, SJCERA is responsible for ensuring that the assets reported in the statements are used for the intended purpose of paying retirement benefits to the eligible members and beneficiaries.

Contacting SJCERA's Management

This financial report is designed to provide the Board of Retirement, the membership, taxpayers, and investment managers with a general overview of SJCERA's finances and to show SJCERA's accountability for the money it receives. Any questions about this report, or need for additional financial information, can be addressed to SJCERA, 220 E. Channel Street, Stockton, California 95202.

Respectfully Submitted,

Brian P. McKelvey
Assistant Chief Executive Officer
May 28, 2025

BASIC FINANCIAL STATEMENTS

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2024 (WITH COMPARATIVE TOTALS)

	2024		2023	
	Defined Benefit Pension Plan	Post-Employment Healthcare Custodial Fund	Defined Benefit Pension Plan	Post-Employment Healthcare Custodial Fund
Assets				
Cash and Short-Term Investments				
Cash and Cash Equivalents	$ 157,429,655	$ 229,569	$ 129,780,743	$ 232,688
Cash Collateral - Futures Margin	16,000,000	-	-	-
Cash Collateral - Securities Lending	72,278,331	-	65,283,825	-
Total Cash and Short-Term Investments	245,707,986	229,569	195,064,568	232,688
Receivables				
Investment Income Receivables	7,699,376	-	9,183,732	-
Contributions Receivable	18,318,330	-	15,315,128	-
Securities Sold, Not Received	20,395,360	-	3,587,306	-
Miscellaneous Receivables	32,348	-	65,858	-
Total Receivables	46,445,414	-	28,152,024	-
Investments, at Fair Value				
Aggressive Growth	528,270,353	-	422,255,956	-
Traditional Growth	1,838,129,987	-	1,620,830,779	-
Risk Parity	225,359,431	-	381,698,273	-
Credit	694,795,403	-	676,177,727	-
Crisis Risk Offset (CRO)	472,276,466	-	455,595,676	-
Principal Protection	424,807,281	-	300,556,811	-
Core Real Assets	279,381,910	-	207,633,628	-
Total Investments, at Fair Value	4,463,020,831	-	4,064,748,850	-
Other Assets				
Prepaid Expenses	146,523	-	126,739	-
Equipment and Fixtures, Net	4,967,867	-	4,533,597	-
Total Other Assets	5,114,390	-	4,660,336	-
Total Assets	4,760,288,621	229,569	4,292,625,778	232,688
Liabilities				
Securities Lending - Cash Collateral	27,386,459	-	9,035,345	-
Securities Purchased, Not Paid	72,278,331	-	65,283,825	-
Accrued Expenses and Other Payables	1,099,858	-	2,237,795	-
Securities Lending Interest and Other Payables	307,815	-	370,649	-
Total Liabilities	101,072,463	-	76,927,614	-
Fiduciary Net Position Restricted for Pension and Post-Employment Healthcare Benefits	$4,659,216,158	$ 229,569	$4,215,698,164	$ 232,688

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

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2024 (WITH COMPARATIVE TOTALS)

	2024		2023	
	Defined Benefit Pension Plan	Post-Employment Healthcare Custodial Fund	Defined Benefit Pension Plan	Post-Employment Healthcare Custodial Fund
Additions				
Contributions				
Employer Contributions	$ 323,248,229	$ -	$ 292,752,311	$ -
Member Contributions	58,873,823	-	54,934,141	-
Employer Contributions to Healthcare Benefits	-	3,177,887	-	3,085,425
Total Contributions	382,122,052	3,177,887	347,686,452	3,085,425
Net Investment Income				
Net Appreciation in Fair Value of Investments	332,090,971	-	308,982,238	-
Interest	34,538,311	-	31,072,262	-
Dividends	23,401,133	-	21,015,892	-
Real Estate Income, Net	9,287,037	-	7,479,828	-
Investment Expenses	(26,029,411)	-	(21,312,493)	-
Miscellaneous Investment Income	-	-	-	-
Net Investment Income, Before Securities Lending Income	373,288,041	-	347,237,727	-
Securities Lending Income				
Earnings	3,911,381	-	4,812,034	-
Rebates	(3,486,248)	-	(4,351,491)	-
Fees	(106,224)	-	(115,074)	-
Net Securities Lending Income	318,909	-	345,469	-
Total Net Investment Income	373,606,950	-	347,583,196	-
Miscellaneous Income	2,054,687	-	82,760	-
Transfer Between Plans	255,666	25,210	-	219,676
Total Additions	758,039,355	3,203,097	695,352,408	3,305,101
Deductions				
Benefit Payments	301,364,059	2,950,550	285,617,687	3,124,862
Death Benefits	747,067	-	653,960	-
Refunds of Member Contributions	5,139,038	-	4,266,024	-
Administrative Expenses				
General Administrative Expenses	5,673,061	-	5,290,801	-
Other Expenses				
Information Technology Expenses	1,195,928	-	732,915	-
Actuary Fees	150,719	-	188,416	-
Fund Legal Fees	226,279	-	437,527	-
Total Administrative and Other Expenses	7,245,987	-	6,649,659	-
Transfer Between Plans	25,210	255,666	219,676	-
Total Deductions	314,521,361	3,206,216	297,407,006	3,124,862
Changes in Fiduciary Net Position	443,517,994	(3,119)	397,945,402	180,239
Fiduciary Net Position Restricted for Pension and Post-Employment Healthcare Benefits				
Beginning of Year	4,215,698,164	232,688	3,817,752,762	52,449
End of Year	$ 4,659,216,158	$ 229,569	$ 4,215,698,164	$ 232,688

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

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2024

The San Joaquin County Employees' Retirement Association (SJCERA) is the public employee retirement system established by the County of San Joaquin (County) to operate as a pension trust fund of the County. SJCERA is administered by the Board of Retirement of SJCERA (Board) to provide retirement, disability, and survivor benefits under the County Employees Retirement Law of 1937 (CERL) for the employees of the County and nine other participating employers within the County. SJCERA is a component unit of the County of San Joaquin. SJCERA also administers the Post-Employment Healthcare Custodial Fund. Although the assets of the plans (defined benefit pension and post-employment healthcare) are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to eligible members and beneficiaries of that plan, in accordance with the terms of the plan. A description of the Post-Employment Healthcare Custodial Fund is located in Note 2. All notes to the basic financial statements apply to both plans unless indicated otherwise.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION

a. General Description

SJCERA is a public retirement system established by the San Joaquin County Board of Supervisors effective June 28, 1946, under the provisions of the CERL and the Public Employees' Pension Reform Act of 2013 (PEPRA). SJCERA is administered by the Board. Pursuant to Government Code Sections 31520.1 and 31520.5, the Board consists of nine regular members, one alternate retired member, and under certain circumstances an alternate Safety member. Four members and the alternate member(s) are elected by SJCERA's members, four are appointed by the County Board of Supervisors, and the County Treasurer is an ex-officio member. Board members serve for a term of three years, except for the County Treasurer who is a permanent member. The Board members as of December 31, 2024, were as follows:

Michael Restuccia, Chair	Sam Kaisch
Michael Duffy, Vice Chair	Phonxay Keokham
Raymond McCray, Secretary	Steve Moore, Alternate
Chanda Bassett	Emily Nicholas
Steven Ding	J.C. Weydert

SJCERA is a multiple-employer retirement system covering the County and the San Joaquin County (SJC) Historical Society and Museum, Local Agency Formation Commission (LAFCO), Lathrop-Manteca Rural Fire Protection District, San Joaquin County Law Library, SJC Mosquito and Vector Control District (MVCD), Mountain House Community Services District, SJC Superior Court, Tracy Public Cemetery District, and the Waterloo-Morada Rural Fire Protection District. SJCERA operates as a cost-sharing, multiple employer defined benefit pension plan. All employees appointed to full-time, permanent positions with an SJCERA participating employer become SJCERA members. Persons who commence covered employment at age 60 or older may irrevocably elect to waive membership in SJCERA. Public Health, a division of the County's Healthcare Services Department, became a participant of SJCERA effective June 27, 1993. Prior to that date, they were members of the California Public Employees' Retirement System (CalPERS). The elected officials of the County may request to become members of SJCERA. All benefits vest after attaining five years of service credit.

Due to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, the County of San Joaquin (County) determined that SJCERA met the requirements of GASB Statement No. 84 and is a fiduciary component unit of the County. As such, it is included as a component unit in the County's financial statements as presented in its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2024.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION (Continued)

a. General Description (Continued)

SJCERA has two benefit tiers:

- Tier 1 - Hired into public service before January 1, 2013
- Tier 2 - Hired into public service for the first time on or after January 1, 2013

There are two membership types:

- **Safety Member** – Permanent employees engaged in the performance of active law enforcement, including probation officers and fire suppression employees, are considered Safety Members and are not generally covered by Social Security.
- **General Member** – All other eligible employees not classified as Safety Members are considered General Members and are covered by Social Security.

Membership Summary

SJCERA's membership as of December 31, 2024, is presented below.

Year 2024	Retirees		Beneficiaries		Active		Deferred		Total	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
General	4,792	145	762	3	1,708	4,371	1,151	1,730	8,413	6,249
Safety	986	15	228	-	349	485	150	100	1,713	600
Total	5,778	160	990	3	2,057	4,856	1,301	1,830	10,126	6,849

b. Plan Benefits

Eligibility for Retirement

Tier 1:

A Tier 1 member may retire for service at age 50 or older with five years of service credit, and at least ten years of membership. A General, Tier 1 member may retire at any age with 30 or more years of service credit. A Safety, Tier 1 member may retire at any age with 20 or more years of service credit.

Tier 2:

A Tier 2 member may retire for service with five or more years of service credit upon attaining the minimum retirement age: Age 52 for General, Tier 2 members, and Age 50 for Safety, Tier 2 members.

Any member of SJCERA, regardless of benefit tier, may retire at age 70 with no minimum service credit requirement.

Retirement Benefit

The monthly benefit amount at retirement depends upon the type of membership, years of retirement service credit, final average compensation, age at retirement, and the benefit option elected by the member.

Tier 1:

For Tier 1 members, final average compensation for purposes of computing a retirement allowance is the average monthly salary for the highest twelve consecutive months of employment. In addition to base salary, final average compensation may include other items defined as compensation earnable for retirement purposes.

NOTE 1 – <u>DEFINED BENEFIT PENSION PLAN DESCRIPTION</u> (Continued)

b. <u>Plan Benefits</u> (Continued)

Retirement Benefit (Continued)

The benefit formula for General, Tier 1 members is 2.6 percent of final average compensation for each year of service credit at age 62. The formula for Safety, Tier 1 members is 3.0 percent of final average compensation for each year of service credit at age 50 effective January 1, 2001. Members who retired prior to April 1, 1982, with 15 years or more of County service, receive an additional $50 monthly supplement commencing at age 65. Members who retired on or after April 1, 1982, but before January 1, 2001, receive a supplemental monthly benefit of $10 per year of service up to 30 years. This “Post 1982” supplemental benefit is payable if sufficient funds exist.

Federal law limits the annual compensation that may be used to calculate retirement benefits (applicable to persons who became SJCERA members on or after January 1, 1996), and the maximum annual benefit payable by SJCERA to any retired member. For 2024, the annual compensation limit under Internal Revenue Code Section 401(a)(17) is $345,000 and the annual benefit limit under Internal Revenue Code Section 415(b) is $275,000. Retired members whose statutory benefits from SJCERA would exceed the annual benefit limitation are eligible for the County’s Replacement Benefit Plan.

Tier 2:

For Tier 2 members, final average compensation for purposes of computing a retirement allowance is the average monthly salary for the highest 36 consecutive months of employment. In addition to base salary, final average compensation may include other items defined as pensionable compensation.

The benefit formula for General, Tier 2 members is 2.5 percent of final compensation for each year of service credit at age 67. The formula for Safety, Tier 2 members is 2.7 percent of final compensation for each year of service credit at age 57. PEPRA specifies the maximum annual compensation that may be used to calculate retirement benefits. The limits are adjusted annually based on changes in the Consumer Price Index (CPI). For 2024, the Tier 2 annual compensation limit is $151,446 for those included in the Federal Social Security System and $181,734 for those not included.

Cost-of-Living Adjustment (COLA)

For both Tier 1 and Tier 2 members, monthly allowances are eligible for an annual COLA based on the change in the CPI for the San Francisco-Oakland-Hayward area for the previous calendar year, up to a maximum of 3.0 percent. The Bureau of Labor Statistics does not publish a CPI for San Joaquin County. When the CPI exceeds 3.0 percent in any year, the difference between the actual change in CPI (rounded to the nearest one-half percent) and the 3.0 percent ceiling is “accumulated” for future years when the change is less than 3.0 percent. Based on the accumulated carry-over balances as of April 1, 2023, members received a 3.0% increase on April 1, 2024. Their accumulated carry-over balances were increased by 0.5%.

Terminated Members’ Deferred Retirement Benefit and Withdrawal of Contributions

A member leaving employment with at least five years of service credit becomes eligible for a retirement benefit once they meet the minimum service retirement age and have not withdrawn their accumulated member contributions.

Members who terminate employment with fewer than five years of service credit may leave their accumulated contributions on deposit until they become eligible for a retirement benefit at age 70. Contributions left on deposit with SJCERA continue to accrue interest.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION (Continued)

b. Plan Benefits (Continued)

Terminated Members' Deferred Retirement Benefit and Withdrawal of Contributions (Continued)

Upon termination of employment, members may withdraw their member contributions plus interest. Employer-paid contributions are not refundable. Members who take a refund of contributions become ineligible for future SJCERA retirement benefits.

Death Benefits

The beneficiary of an actively employed member who dies prior to attaining five years of credited service is refunded the member's accumulated contributions, with interest, and receives one month's salary for each full year of service, up to a maximum of six months' salary.

If the death occurs after five years of credited service and is not the result of a service-related injury or disease, the surviving spouse or minor children may elect to receive a lump sum benefit of the retirement contributions including interest and one month's salary for each full year of service up to six months' salary; 60 percent of the retirement allowance the deceased member would have received if they had retired with a nonservice-connected disability retirement benefit on the date of death; or a lump sum payment of six months' salary and a reduced monthly retirement benefit. The monthly allowance to minor children is discontinued once they marry or reach age 18 (age 22 if a full-time student).

The beneficiary of a deferred member receives the member's contributions plus accumulated interest.

Upon the death of a retiree, the beneficiary receives a retirement benefit as determined by the benefit option elected by the member at the time of retirement. In addition, the beneficiary also receives a $5,000 death benefit, which is paid from retirement reserves.

NOTE 2 – POST-EMPLOYMENT HEALTHCARE CUSTODIAL FUND

The Post-Employment Healthcare Custodial Fund accounts for assets held as an agent on behalf of others. The funds held within the Post-Employment Healthcare Custodial Fund do not meet the definition of a qualifying Other Post-Employment Benefits (OPEB) Trust under Governmental Accounting Standards Board (GASB) Statement No. 74. This fund is custodial in nature and is accounted for on the flow of economic resources measurement focus and accrual basis of accounting. GASB Statement No. 84, *Fiduciary Activities*, was implemented in 2019. The Post-Employment Healthcare Fund is classified as a Custodial Fund.

The Post-Employment Healthcare Custodial Fund is used as a clearing account for cash flows from employers to fund Sick Leave Bank Benefits for their eligible retired members on a pay-as-you-go basis, and for cash flows out for payment of Sick Leave Bank Benefits. The Sick Leave Bank Benefit allows accumulated unused and un-cashed sick leave to be converted to a Sick Leave Bank upon retirement at a rate of $27.65 per hour. Retired or deferred members who were employed prior to August 27, 2001, are eligible for Sick Leave Bank Benefits. In 2007, the San Joaquin County Superior Court (Court) extended eligibility for Sick Leave Bank Benefits to Court employees hired on or after August 27, 2001. Employers fund the Sick Leave Bank Benefits and employees are not required to contribute to the plan.

Sick Leave Bank Benefits may be used to pay for employer-sponsored group health, dental, and vision care insurance premiums and/or reimbursement of Medicare Part B premiums for the eligible members, their spouses, and dependents. When a retiree's Sick Leave Bank is depleted, the retiree assumes responsibility for payment of health, dental, and vision care insurance premiums.

SJCERA allocates the investments held at December 31, 2024, between the Defined Benefit Pension Plan and the Post-Employment Healthcare Custodial Fund based on the internal records of the respective accounts at December 31, 2024.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PENSION PLAN

a. Basis of Accounting

SJCERA's financial statements are presented on the accrual basis of accounting. Employer and member contributions that should have been made in the calendar year based on the actuarially determined contribution rates or amounts are recognized as revenues of that calendar year. Contributions receivable pursuant to an installment contract are also recognized in full in the year in which the contract is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

b. Reporting Entity

SJCERA, governed by the Board, is an independent government entity. SJCERA's annual financial statements are included in the County's financial reports as a pension trust fund. SJCERA is a component unit of the County.

c. Cash Equivalents

SJCERA's cash and short-term investments are managed by Northern Trust (NT) and the County Treasurer.

Northern Trust (NT)

Cash not required for daily operations is deposited with NT, SJCERA's master custodian for investment securities. NT pools cash from its clients pending permanent investment in its Short-Term Investment Fund (STIF). The cash in the STIF account is invested in high-grade money market instruments with very short maturities, such as bonds, notes, and other evidence of indebtedness, in accordance with SJCERA's investment policy.

The cash collateral received under the securities lending program is invested by NT through its securities lending collateral fund, which is created solely for the investment of cash collateral.

County Treasurer

Cash necessary for SJCERA's daily operations is pooled with other County funds for short-term investment by the County Treasurer. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds.

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NOTE 3 – <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PENSION PLAN</u> (Continued)

d. <u>Method Used to Value Investments</u>

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table.

Investments	Source
Publicly traded stocks and bonds, and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year-end. International securities reflect currency exchange rates in effect at December 31, 2024.
Mortgages	Equivalent pricing to comparable Government National Mortgage Association (GNMA).
Real estate equity funds	Fair value as provided by real estate fund manager.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by fund managers unless an alternative value has been determined by the Board per SJCERA's Real Estate Investment Policy and reviewed by SJCERA's Investment Consultant.
Private equity	Fair value as provided by the investment manager and reviewed by SJCERA's Investment Consultant.
Private placement bonds	Face value of the security subject to designated conditions such as sales restrictions or limited marketability.

e. <u>Capital Assets</u>

Capital assets, mainly leasehold improvements, furniture, and equipment, acquired by SJCERA are capitalized at cost. Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of three to seven years for computer equipment, furniture, and other equipment. Leasehold improvements are amortized over the life of the lease. Depreciation/amortization expenses of the capital assets are included in general administrative expenses.

The change in capital assets owned for the year ended December 31, 2024, is presented below:

	Balance December 31, 2023	Additions	Deletions/ Adjustments	Balance December 31, 2024
Original Cost	$ 6,684,169	$ 1,519,760	$ -	$ 8,203,929
Accumulated Depreciation and Amortization	(2,150,572)	(1,085,490)	-	(3,236,062)
Net Book Value	$ 4,533,597	$ 434,270	$ -	$ 4,967,867

Depreciation and amortization expense for the year ended December 31, 2024, was $1,085,490.

f. <u>Receivables</u>

Receivables consist primarily of interest, dividends, investments in transition (traded but not yet settled), and contributions owed by participating employers. Contributions receivable pursuant to an installment contract between the member and SJCERA for purchase of service credit are recognized in full in the year in which the contract is made.

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NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PENSION PLAN (Continued)

g. Use of Estimates in the Preparation of Financial Statements

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

NOTE 4 – CASH AND INVESTMENTS

a. Investment in Securities Lending Program

SJCERA participates in NT's pooled securities lending program. Under the agreement, NT is authorized to lend the SJCERA securities it holds to certain SJCERA-approved borrowers. NT does not have the ability to pledge or sell collateral securities unless a borrower default occurs.

All loans are fully collateralized with either cash, securities issued or fully guaranteed by the U.S. government, or irrevocable bank letters of credit. All collateral is held or invested by NT. The term or maturity of the securities loaned is generally matched with the term or maturity of the investment of the cash collateral. U.S. securities are loaned with collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned with collateral valued at 105 percent of the fair value of the securities plus any accrued interest.

As of December 31, 2024, SJCERA had the following securities out on loan.

	Fair Value of Securities Lent	Cash Collateral Value	Non-Cash Collateral Value
U.S. Equities	$ 4,204,380	$ 3,961,756	$ 346,323
U.S. Debt Securities	132,452,520	67,852,353	67,646,831
Total U.S. Securities	136,656,900	71,814,109	67,993,154
Non-U.S. Equities	8,726	-	9,478
Non-U.S. Debt Securities	55,937,101	464,222	59,274,095
Total Non-U.S. Securities	55,945,827	464,222	59,283,573
Total	$ 192,602,727	$ 72,278,331	$ 127,276,727

The cash collateral is reported on the financial statements as an asset and as a liability of SJCERA. Securities lending transactions collateralized by letters of credit or by securities that SJCERA does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in accordance with GASB Statement No. 28. The potential risks involved in the securities lending program include borrower bankruptcy, collateral deficiencies, settlement problems, corporate actions, dividends, and interest. SJCERA's pro-rata share of net income derived from NT's pooled securities lending transactions in 2024 was $318,909. As of December 31, 2024, there was no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at year-end were $192.6 million and the collateral received for those securities on loan was $199.6 million.

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NOTE 4 – CASH AND INVESTMENTS (Continued)

b. Cash and Short-Term Investments

The carrying value of cash and short-term investments as of December 31, 2024, consists of the following.

	Amount
Cash and Cash Equivalents - Custodian	$ 157,373,407
Cash and Cash Equivalents - County Treasury	56,248
Cash and Cash Equivalents - Post-Employment Healthcare Custodian Fund	229,569
Total Cash and Cash Equivalents	157,659,224
Cash Collateral - Futures Margin - Mount Lucas	16,000,000
Cash Collateral - Securities Lending - Custodian	72,278,331
Total Cash and Short-Term Investments	$ 245,937,555

Cash Collateral – Futures Margin

A futures contract represents a commitment for the future purchase or sale of an asset or index at a specified prices on a specified date. The purchase and sale of futures requires margin deposits equal to certain percentage of the contract amount. Subsequent payments (variation margin) are made or received by the Fund, depending on the fluctuations in the value of the contract. For the year ended, the fund had $16 million in cash collateral for variation margin.

c. Long-Term Investments

SJCERA owned the following long-term investments as of December 31, 2024.

	Fair Value
Investments-Categorized	
Aggressive Growth	$ 528,270,353
Traditional Growth	1,838,129,987
Risk Parity	225,359,431
Credit	694,795,403
Crisis Risk Offset (CRO)	472,276,466
Principal Protection	424,807,281
Core Real Assets	279,381,910
Total Investments-Categorized	4,463,020,831
Investments-Not Categorized	
Investments Held by Broker-Dealers Under Securities Loans	
U.S. Equities	3,961,756
U.S. Debt Securities	67,852,353
Non-U.S. Debt Securities	464,222
Total Investments Held by Broker-Dealers Under Securities Loans	72,278,331
Total Investments	$ 4,535,299,162

NOTE 4 – CASH AND INVESTMENTS (Continued)

c. Long-Term Investments (Continued)

GASB Statement No. 40, *Deposits and Investments Risk Disclosures,* established and modified disclosure requirements related to the following:

- Credit risk
- Custodial credit risk
- Concentration of credit risk
- Interest rate risk
- Foreign currency risk

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SJCERA's investment policy seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within the asset class. To control such risk, credit quality guidelines have been established for the separately managed accounts. The following table depicts the value of the investments exposed to those risks and the corresponding credit ratings from Standard & Poor's (S&P) as of December 31, 2024.

Quality Ratings	Fair Value
AAA	$ 6,179,089
AA	13,973,130
A	24,183,764
BBB	127,131,536
BBB	24,082,534
B	7,226,243
CCC	4,294,808
C	24,282
Not Rated	562,208,883
Subtotal	769,304,269
U.S. Government Agencies - Implied AAA (FNMA, FHLB, FHLMC, FFCB, SLMA, Other)	350,298,415
Total Investments in Fixed Income Securities	$ 1,119,602,684

Custodial Credit Risk – The custodial credit risk represents the risk that, in the event of the failure of the counterparty of a transaction, SJCERA will not be able to recover the value of deposits and investments or collateral securities that are in the possession of an outside party.

Deposits

The deposits with the County Treasurer are uninsured but secured by public funds of the pledging banks. The pool's investments, all held in the County's name, are short-term and include U.S. Treasury Bills, certain Federal agencies' instruments, bankers' acceptances, "prime" commercial paper, certificates of deposit, repurchase agreements, and the State Treasurer's Local Agency Investment Fund.

The cash deposits with NT are uninsured and uncollateralized. All underlying investments in the commingled STIF account are not registered in SJCERA's name.

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NOTE 4 – CASH AND INVESTMENTS (Continued)

c. Long-Term Investments (Continued)

Investment

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in SJCERA's name, and held by the counterparty. SJCERA's investment securities are not exposed to custodial credit risk because all securities are held by SJCERA's custodial bank in SJCERA's name, or by other qualified third party administrator trust accounts.

Concentration of Credit Risk – This risk represents the potential loss attributable to the magnitude of SJCERA's investments in a single issuer. As of December 31, 2024, for separately managed investment accounts, SJCERA did not hold any investments within any one issuer that would represent five percent (5%) or more of plan fiduciary net position.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

As of December 31, 2024, SJCERA had the following interest rate sensitive investments.

Investment Type	Fair Value	Weighted Average Maturity-Years
U.S. Government and Agency Instruments:		
U.S. Government Mortgages	$ 116,177,274	26.81
U.S. Government Bonds	165,965,927	19.02
Index-Linked Government Bonds	1,066,016	28.15
Municipal/Provincial Bonds	2,615,317	11.48
Government Agencies	8,116,444	14.41
Short-Term Bills and Notes	93,707,450	0.08
Total U.S. Government and Agency Instruments	387,648,428	
Corporate Securities:		
Asset Backed Securities	38,051,488	20.10
Commercial Mortgage-Backed Securities	9,790,535	12.58
Corporate Bonds	160,834,682	10.64
Corporate Convertible Bonds	1,693,835	30.14
Non-Government Backed CMOs	1,177,099	25.42
Total Corporate Securities	211,547,639	
Real Estate Financing	520,406,617	
Total Fixed Income Securities	$ 1,119,602,684	

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. SJCERA's external non-U.S. equity and fixed income investment managers may invest in international securities in accordance with their investment guidelines pertaining to these types of investments.

Currency hedging on an unleveraged basis is permitted by non-U.S. equity managers as a strategy to protect against losses due to currency translations (defensive hedging). However, it is expected that the primary sources of added value for non-U.S. equity investment managers will be stock and country selection, with currency management focused on limiting losses due to fluctuations in currency values. Managers may purchase or sell currency on a spot basis to accommodate securities settlements.

NOTE 4 – CASH AND INVESTMENTS (Continued)

c. Long-Term Investments (Continued)

Managers may invest in developed market currencies and emerging market currencies in accordance with their investment guidelines. Permitted derivative instruments are currency spots, currency forward contracts (deliverable or non-deliverable), currency futures, options on currency forwards or futures, and currency swaps. Other investments, contracts, or positions that, in the managers' judgment, are of similar purpose and character and equal credit quality and marketability to any of the investments above, are also permissible.

SJCERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2024, follows.

Currency	Fair Value
Australian Dollar	$ 1
British Pound Sterling	3
Canadian Dollar	4
Euro Currency	88,785
Total	$ 88,793

d. Fair Value Measurement

In accordance with GASB Statement No. 72, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement establishes a fair value hierarchy based on three types of input to develop the fair value measurements for investments. The level is determined based on the lowest level of input significant to the measurement in its entirety. Assets and liabilities measured at fair value are classified into one of the following categories:

Fair Value Hierarchy

Level 1 – reflects unadjusted quoted prices in active markets for identical assets or liabilities accessible on the measurement date. Observable markets include exchange markets, dealer markets, and brokered markets.

Level 2 – reflects similar observable inputs other than quoted market prices. It includes quoted prices for similar assets in active markets or quoted prices for identical or similar assets in inactive markets.

Level 3 – reflects prices based on unobservable sources. They should be used only when relevant Level 1 and Level 2 inputs are unavailable.

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NOTE 4 – CASH AND INVESTMENTS (Continued)

d. Fair Value Measurement (Continued)

The following table presents fair value measurements as December 31, 2024.

Investments by Fair Value Level	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
Common Stocks	$ 32,388	$ -	$ 32,388	$ -
Preferred Stocks	758,241	758,241	-	-
Total Equities	**790,629**	**758,241**	**32,388**	**-**
Fixed Income				
Asset Backed Securities	38,051,487	-	38,051,487	-
Commercial Mortgage-Backed Securities	9,790,535	-	9,790,535	-
Corporate Bonds	160,834,682	-	160,709,669	125,013
Corporate Convertible Bonds	1,693,835	-	1,693,835	-
Funds - Corporate Bonds	61,101,080	-	61,101,080	-
Funds - Fixed Income ETF	4,213,106	4,213,106	-	-
Government Agencies	8,116,444	-	8,116,444	-
Government Bonds	165,965,927	-	165,965,927	-
Government Mortgage-Backed Securities	118,689,891	-	118,689,891	-
Index Linked Government Bonds	1,066,016	-	1,066,016	-
Municipal/Provincial Bonds	2,615,317	-	2,615,317	-
Non-Government Backed CMOs	1,177,099	-	1,177,099	-
Other Fixed income	168,904,704	-	-	168,904,704
Total Fixed Income	**742,220,123**	**4,213,106**	**568,977,300**	**169,029,717**
Other Assets				
Short-Term Bills and Notes	93,710,765	-	93,710,765	-
Private Real Estate	60,083,113	-	-	60,083,113
Private Credit	38,482,497	-	-	38,482,497
Private Equity Funds	136,724,369	-	-	136,724,369
Swaps	235,829	-	235,829	-
Total Other Assets	**329,236,573**	**-**	**93,946,594**	**235,289,979**
Collateral from Securities Lending	**72,278,331**	**-**	**72,278,331**	**-**
Total Investments by Fair Value Level	**1,144,525,656**	**$ 4,971,347**	**$ 735,234,613**	**$ 404,319,696**
Investments Measured at the Net Asset Value (NAV)				
Global Equities Funds	1,760,462,351			
Emerging Markets Global Equity	77,664,320			
Fixed Income Funds	116,257,058			
Private Credit	289,352,093			
Risk Parity Funds	225,359,431			
Multi-Strategy Funds	269,880,203			
Hedge Funds - Fixed Income	9,383,896			
Private Equity Funds	353,840,098			
Private Real Estate Funds	288,574,056			
Total Investments Measured at NAV	**3,390,773,506**			
Total Investments	**$ 4,535,299,162**			

Investments Measured at the Net Asset Value (NAV)

SJCERA measures certain investments that do not have a readily determinable fair value, such as hedge funds, commingled funds, and private equity funds, using NAV as a practical expedient. The SJCERA investments valued at NAV are the majority holdings for the SJCERA portfolio. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for SJCERA investments measured at NAV.

NOTE 4 – CASH AND INVESTMENTS (Continued)

d. Fair Value Measurement (Continued)

The following table presents the investments measured at NAV as December 31, 2024:

Investments Measured at NAV	Fair Value	Unfunded Commitment	Redemption Frequency If Currently Eligible	Redemption Notice Period
Global Equities Funds	$ 1,760,462,351	$ -	Daily, Weekly, Semi-Monthly, Monthly	1-30 days
Emerging Markets Global Equity	77,664,320	-	Weekly	T-4 Days
Fixed Income Funds	116,257,058	18,034,439	Daily, Not Eligible	1 day
Private Credit	289,352,093	73,800,081	Not Applicable	Not Applicable
Risk Parity Funds	225,359,431	20,000,000	Monthly	5-15 days
Multi-Strategy Hedge Funds	269,880,203	-	Daily, Weekly, Semi-Monthly, Monthly	0-15 days
Hedge Funds - Fixed Income	9,383,896	12,717,985	Daily, Quarterly, Not Eligible	0-60 days
Private Equity Funds	353,840,098	107,594,662	Not Eligible	Not Applicable
Private Real Estate Funds	288,574,056	101,607,079	Quarterly, Not Eligible	5-90 Days, Not Applicable
Total Investments Measured at NAV	$ 3,390,773,506	$ 333,754,246		

Global Equities Funds - Assets within these funds represent shares of ownership in U.S. and international corporations, including publicly traded common stocks, American and Global Depository Receipts, as well as Real Estate Investment Trusts (REITS).

Emerging Markets Global Equity - Assets within this segment represent a diversified portfolio seeking to identify growing countries and the companies that complement our core Equity holdings.

Fixed Income Funds - Funds within this segment represent debt instruments of corporations, government or agencies characterized by a fixed or variable interest rate and stated maturity date, including marketable bonds.

Private Credit - Assets within this segment are defined by non-bank lending where the debt is not issued or traded on the public markets.

Risk Parity Funds - Funds within this segment represent portfolios that seek to balance the risk characteristics of assets across multiple segments. These portfolios generally invest in equities, bonds, and commodities among other assets.

Multi-Strategy Hedge Funds - Funds within this segment can involve holding both long and short positions in securities instead of traditional long-only investments in publicly traded investments. Portfolios also may utilize derivatives or hedging strategies as well. Multi-Strategy managers utilized various investment segments to invest, including but not limited to, equities, bonds, currency, and commodities.

Fixed Income Hedge Funds - Funds within this segment can involve holding both long and short positions in securities instead of traditional long-only investments in publicly traded investments. Portfolios also may utilize derivatives or hedging strategies as well. These investment funds generally focus on opportunities within fixed income markets.

Private Equity Funds - These funds are illiquid allocations that invest primarily in buyout funds, venture capital, and debt/special situations. These funds are not eligible for redemption and investment periods are generally between five and 15 years.

NOTE 4 – CASH AND INVESTMENTS (Continued)

d. Fair Value Measurement (Continued)

Private Real Estate Funds - These funds are defined as those investments that are unleveraged or leveraged positions in real property. The portfolio may pursue direct privately held partnership interests, fund-of-funds interests, and direct holdings for its real estate allocation.

e. Summary of Investment Policy

The CERL vests the Board with exclusive control over SJCERA's investment portfolio. The Board established investment policies in accordance with applicable local, State, and Federal laws. The Board members exercise authority and control over the management of SJCERA's assets by setting policy, which the staff executes either internally or through the use of external prudent experts. The Board provides oversight and guidance subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.

- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.

- Diversify the investments of the plans so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

f. Target Asset Allocation

The Board completed an asset-liability study during 2022, facilitated by its investment consultant, Meketa Investment Group, and its consulting actuary, Cheiron, Inc. A key aspect of the study was the Board's consensus on how it defines risk and determining its tolerance for risk, which plays a significant role in the selection of the policy mix of assets that comprise the strategic asset allocation for the investment program.

On June 3, 2022, the Board adopted a revised strategic asset allocation policy for SJCERA's investments. On July 8, 2022, the Board adopted an Implementation Plan which describes how the new strategic allocation is to be implemented. The Implementation Plan uses an "evolving policy" framework which allows the portfolio to be adjusted over time, with a target completion deadline of June 30, 2024. The plan also notes that SJCERA will move faster, depending on market conditions.

The strategic asset allocation is expected to improve the likelihood of the plan accomplishing its primary financial objective: to earn a long-term return that, coupled with projected contributions, is projected to be sufficient to attain full funding in the long-term while avoiding substantial deterioration in funded status along the way.

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NOTE 4 – CASH AND INVESTMENTS (Continued)

f. Target Asset Allocation (Continued)

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
CURRENT ASSET ALLOCATION POLICY

Asset Class	Policy Allocation Percentage	Purpose	Main Risk Exposures
Aggressive Growth	16.00%	Return	Growth
Traditional Growth	38.00%	Return	Growth, Currency
Credit	15.00%	Income, Growth	Growth
Core Real Assets	9.00%	Income, Growth	Growth, Interest Rates
Principal Protection	9.00%	Income, Stability	Interest Rates
Crisis Risk Offset (CRO)	13.00%	Return and Liquidity during a Growth Crisis	Interest Rates, Variables based on Trends, Alternative Factor Risks
	100.00%		

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

The Board has authorized certain investment managers to invest in, or otherwise enter into, transactions involving derivative financial instruments when such transactions are consistent with the investment objectives established for a specific investment manager's assignment. A professional investment consultant is employed to monitor and review each investment manager's securities and derivative position as well as the manager's performance relative to established benchmark rates of return and risk measures. Derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation.

Investment derivatives involve the following types of risks.

Market Risk: Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contacts.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Credit Risk: Credit risk of cash securities containing derivative features is based upon the credit worthiness of the issuers of such securities. It includes the risk that counterparties to contracts will not perform and/or the public exchange will not meet its obligation to assume this counterparty risk. Exchange traded derivatives are generally considered to be of lower credit risk than over-the-counter derivatives due to the exchange's margin requirements. The derivative investments are exchange traded, and credit risk is limited to the clearing corporation. As of December 31, 2024, collateral for derivatives was $8.9 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

The following Credit Risk Analysis schedule discloses the counterparty credit ratings of SJCERA's derivative investments as of December 31, 2024:

	S&P Credit Rating	
Derivative Type	Not Rated	Total Fair Value
Swap Contracts	$ 235,829	$ 235,829
Total	$ 235,829	$ 235,829

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. SJCERA is exposed to interest rate risk in the form of futures contracts and option contracts in the following global government bond markets.

Interest Rate Risk
As of December 31, 2024

Global Bonds	Futures Contracts	Option Contracts
Canadian Government Bond	$ 17,303,410	$ -
Long Gilt	(23,132,071)	-
Japanese Government Bond	(27,078,777)	-
Euro Bond	17,132,308	-
U.S. Notes	28,723,922	(24,625)
Eurodollars	119,213,691	-
SOFR	-	425,525
Sonia Future	66,895,595	-
Canadian Bills	118,060,593	-
Total	$ 317,118,671	$ 400,900

SJCERA measures derivative interest rate risk using duration with varying maturities of less than three months to more than 10 years. At December 31, 2024, SJCERA had the following investment derivative interest rate risks.

Interest Rate Risk Analysis
As of December 31, 2024
(Dollars in Thousands)

Derivative Type	Notional Value	Fair Value	< 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	5 to 10 Years	10+ Years
Futures Contracts	$ 16,890	$ -	$ 16,890	$ -	$ -	$ -	$ -	$ -
Swap Contracts	-	236	-	-	-	236	-	-
Total	$ 16,890	$ 236	$ 16,890	$ -	$ -	$ 236	$ -	$ -

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Foreign Currency Risk: Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. As of December 31, 2024, SJCERA had the derivative foreign currency exposures listed in the table below.

Foreign Currency Risk
As of December 31, 2024

Currency	Futures Contracts
British Pound	$ (18,051,206)
Canadian Dollar	(17,849,600)
Australian Dollar	(17,455,800)
Swiss Franc	(17,764,800)
Japanese Yen	(17,387,125)
Euro Currency	(18,050,019)
Mexican Peso	1,512,000
Total	$ (105,046,550)

Derivatives are carried as assets when the fair value is positive, and as liabilities when the fair value is negative. Gains and losses from derivatives are included in net investment income (loss). For financial reporting purposes, all SJCERA derivatives are classified as investment derivatives.

Derivative financial instruments held by SJCERA from time to time consist of the following.

Futures Contracts

A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Option Contracts

An option contract is a type of derivative security in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements

A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows the counterparties exchange are tied to a “notional” amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior marking-to-market.

All investment derivative positions are included as part of investments at fair value on the Statement of Fiduciary Net Position. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the Statement of Changes in Fiduciary Net Position. Investment information was provided either by SJCERA’s investment managers or SJCERA’s custodian bank. The Investment Derivatives schedule below is classified by type and reports the fair value balances and notional amounts of derivatives outstanding as of and for the year ended December 31, 2024.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Investment Derivatives
As of December 31, 2024

Derivative Type	Notional Amount	Fair Value
Futures Contracts	$ 165,546,699	$ 3,528,030
Option Contracts	949,638	1,212,306
Total	$ 166,496,337	$ 4,740,336

NOTE 6 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Defined Benefit Pension Plan

The funding objective of the plan is to establish contribution rates that, together with investment earnings, will provide sufficient assets to pay all benefits under the plan. The County and participating employers are required to contribute a percentage of their annual covered payroll at actuarially determined rates. Actuarial valuations involve estimates and make assumptions about the probability of events far into the future; therefore, actuarially determined rates are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Employer Contributions

For 2024, the required employer contribution rates including normal cost and amortization of the unfunded actuarial liability (UAL) were determined by using the valuation report as of December 31, 2022.

In 2024, the County made additional $27,252,129 contributions. The Court made additional $1,500,000 contributions to decrease its share of the UAL. MVCD made additional $100,000 contributions to decrease its share of the UAL. These additional annual contributions decrease only that individual employer's share of the UAL and not the liability for other entities participating in SJCERA.

The total fair value of the additional contributions, including prior year amounts and accumulated with interest at the plan's actual rate of return, was $288,207,597 as of December 31, 2024. These assets are included in the calculation of the UAL and funded ratio. However, under the funding policy with respect to these reserves requested by the contributors and approved by the Board, these assets are not currently included in the calculation of the employer contribution rates.

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NOTE 6 – **CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE** (Continued)

Employer Contributions (Continued)

EMPLOYER RETIREMENT CONTRIBUTION RATES	**2024** (Per 12/31/2022 Valuation)		
Expressed as a Percentage of Active Member Payroll	Normal Cost	UAL Amortization	Total
TIER 1			
General Members:			
Paying Basic Rate Only *(G.C. 31621.3)*	18.66%	30.96%	49.62%
Paying Basic Rate with COLA Cost Share	15.81%	30.96%	46.77%
Paying 114% of Basic Rate with COLA Cost Share	15.23%	30.96%	46.19%
Safety Members:			
Paying Basic Rate Only *(G.C. 31639.5)*	32.92%	67.42%	100.34%
Paying Basic Rate with COLA Cost Share	27.60%	67.42%	95.02%
Paying 133% of Basic Rate with COLA Cost Share	25.89%	67.42%	93.31%
Composite Total for General and Safety Combined:			
Paying Basic Rate Only *(G.C. 31621.3)*	21.69%	38.64%	60.33%
Paying Basic Rate with COLA Cost Share	18.31%	38.64%	56.95%
Paying 114%/133% of Basic Rate with COLA Cost Share	17.49%	38.64%	56.13%
TIER 2			
General Members:	10.07%	31.03%	41.10%
Safety Members:	15.74%	67.47%	83.21%
Composite Total for General and Safety Combined:	10.79%	35.58%	46.37%

The composite employer contribution rates (for General and Safety Members combined) expressed as a percentage, or range of percentages, of covered payroll for the past seven years are as follows:

Contribution Year	Tier 1	Tier 2
2024	56.13% - 60.33%	46.37%
2023	54.23% - 58.38%	44.54%
2022	55.24% - 59.33%	44.89%
2021	53.88% - 57.96%	43.69%
2020	50.86% - 54.72%	41.00%
2019	48.09% - 51.81%	38.60%
2018	45.18% - 48.75%	35.80%

Member Contributions

Member contributions are deducted from the member’s salary on a biweekly basis.

Tier 1 member contribution rates are calculated by the actuary using the Entry Age Normal Funding Method (Cost Method). Most Tier 1 members pay one-half of the cost of pre-funding post-retirement COLAs, and some pay an additional percentage of the basic member contribution rate, which reduces the employers’ normal cost. Tier 2 members pay a single contribution rate adjusted annually. The required contribution rates are expressed as a percentage of covered payroll. The 2024 contribution rates were determined using the actuarial valuation performed as of December 31, 2022.

Tier 1 members pay contributions based upon their membership category, General or Safety, and age at entry into membership. General, Tier 1 members employed before March 7, 1973, and all Safety, Tier 1 members stop paying member contributions when they have 30 years of service but continue to accrue retirement service credit for subsequent active employment subject to membership.

NOTE 6 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (Continued)

Member Contributions (Continued)

Tier 2 members pay contributions, based upon their membership category, equal to one-half of the normal cost of the applicable benefits.

In 2024, member contributions totaled $58,873,823 and employer contributions totaled $323,248,229. Member contributions increased by $3.9 million, or 7.2 percent, over the prior year, and employer contributions increased by $30.5 million, or 10.4 percent, over the prior year.

NOTE 7 – FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

As required by the CERL and the Board's policy, the following reserves from Fiduciary Net Position Restricted for Pension Benefits must be established and used to account for the members', employers', and retirees' contributions. The Unappropriated Earnings Reserve was insufficient to fully credit all reserves interest earnings at the 6.75 percent assumption rate. The Contingency Reserve was used to fund the $30,538,678 to satisfy the obligation.

a. Active and Deferred Members' Reserve

   This reserve represents the cumulative contributions made by active members, net of refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary.

b. Employer Advance Reserve

   This reserve represents the cumulative contributions made by the County and participating employers. Interest earnings are credited semi-annually to the reserve at the assumption rate determined by the actuary, if sufficient unappropriated earnings reserve funds exist.

c. County Additional 5% Contributions Reserve

   This reserve represents the additional contributions in excess of actuarially determined contributions paid by the County in order to decrease its share of the UAL.

d. MVCD Additional Contributions Reserve

   This reserve represents the additional contributions in excess of actuarially determined contributions paid by the MVCD in order to decrease its share of the UAL.

e. Court Additional Contribution Reserve

   This reserve represents the additional contributions in excess of actuarially determined contributions paid by the Court in order to decrease its share of the UAL.

f. Retired Members' Reserve

   This reserve accounts for the unpaid retirees' pension benefits. Upon a member's retirement, the member's accumulated contributions are transferred from the Active and Deferred Members' Reserve account to the Retired Members' Annuity Reserve account. In addition, the actuarially determined amount of the member's vested interest is transferred from the Employer Advance Reserve account to the Retired Members' Pension Reserve account. The Retired Members' Reserve account at December 31, 2024, includes the authorized "Purchasing Power" benefit reserve and additional pension benefits specified in the pre-April 1, 1982 class-action lawsuit settlement agreement. These benefits are explained in Note 1b. In accordance with the Statement of Reserve Policy, the post-April 1, 1982 Settlement Reserve is a Special Reserve, which is not included in valuation assets.

NOTE 7 – FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS (Continued)

g. Class Action Settlement – Post 4/1/82 Reserve

The Class Action Settlement – Post 4/1/82 Reserve designates the reserve that pays the Post-82 Class Action Settlement allowances for the lifetime of the members and beneficiaries, who retired between April 1, 1982, and December 31, 2000, to the extent sufficient funds are available.

h. Contingency Reserve

Earnings of the retirement fund during any year in excess of the total interest credited to contributions and reserves during the year remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The CERL provides that when the contingency reserve exceeds one percent of total assets, the retirement board may transfer all or any part of the surplus as specified in Government Code Section 31592.2. In June 2017, the Board amended the Reserve Policy, lowering the Contingency Reserve target from three percent to one percent of total assets. The Contingency Reserve is 0.0 percent of the fair value of total assets at December 31, 2024.

i. Market Stabilization Designation Reserve

This “designation” reserve is used to further minimize the impact of the fluctuations in the fair value of the investments owned by SJCERA. It represents the difference between the actuarial value of assets and the fair value of assets at year-end. It is the balance of deferred earnings and losses created by a five-year smoothing of actual gains and losses compared to the assumed investment rate of return.

j. Unappropriated Earnings Reserve

The Unappropriated Earnings Reserve (UER) is used to accumulate investment income earned by SJCERA, net of the investment expenses and SJCERA’s administration cost. From this unappropriated earnings reserve, interest is credited to various other reserves. In addition, at the Board’s discretion and subject to the settlement agreement in 2001, this reserve may also be used, from time to time, to stabilize the County’s and other employers’ actuarially determined contributions, and to fund the market stabilization and contingency reserves.

k. Summary of Reserves

A summary of reserved and designated net position at December 31, 2024, is as follows.

Reserves:	
Active and Deferred Members	$ 591,584,472
Employer Advance	2,929,747,279
County Additional 5% Contributions	279,843,426
MVCD Additional Contributions	767,668
Court Additional Contributions	7,596,503
Retired Members	940,170,882
Class Action Settlement - Post-4/1/82	91,201
Contingency	93
Market Stabilization Designation	(90,585,366)
Unappropriated Earnings (Restricted)	-
Total Reserves	$ 4,659,216,158

NOTE 8 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS

a. Net Pension Liability of Employers

SJCERA is a cost sharing, multiple-employer pension plan with a reporting date of December 31, 2024. Measurements as of the reporting date are based on the fair value of assets as of December 31, 2024, and the total pension liability as of the valuation date, December 31, 2023, projected to December 31, 2024. There were no significant events between the valuation date and the measurement date, so the updated procedures consisted of updated actuarial assumptions, plus the addition of service cost and interest cost offset by benefit payments.

The net pension liability was measured as of December 31, 2024, and determined based upon rolling forward the total pension liability from the actuarial valuation as of December 31, 2023. The net pension liability (i.e., the pension plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below.

Employers' Net Pension Liability (GASB Statement No. 67)

As of December 31, 2024
(Dollars in Millions)

Total Pension Liability	$	6,165
Plan Fiduciary Net Position		4,659
Employers' Net Pension Liability	$	1,506
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		75.6%

b. Actuarial Methods and Significant Assumptions

SJCERA retains an independent actuarial firm to conduct actuarial valuations of the pension plan, monitor SJCERA's funding status, and establish the contribution rate requirements for the pension plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability was determined by an actuarial valuation as of December 31, 2023, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67.

In the December 31, 2023 actuarial valuation, the Entry Age Normal Funding Method (Cost Method) was used. The actuarial assumptions include a 6.75 percent investment rate of return, annual inflation rate of 2.75 percent per year, and projected salary increases at 3.00 percent per year for the year ended 2024. The actuarial value of the plan's assets was based on a five-year smoothing of actual versus expected returns.

In 2015, the SJCERA Board changed the funding policy to amortize any unexpected changes in the UAL over a period of 15 years as a level percent of pay, with new amortization layers each year. The 2008 Extraordinary Actuarial Loss, which is amortized over a closed 30-year period, has 15 years remaining. The remaining UAL as of December 31, 2013, which is amortized over a closed 19-year period, has 9 years remaining. The new additions to the UAL on and after December 31, 2013, are amortized over 15 years. The single equivalent amortization period for the aggregate stream of UAL payments is 10 years for General and 11 years for Safety as of December 31, 2023. The amortization period for each UAL layer will decrease each year.

NOTE 8 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

b. Actuarial Methods and Significant Assumptions (Continued)

The total pension liability for the pension plan was determined by an actuarial valuation as of December 31, 2023, and accepted actuarial procedures were applied to project the total pension liability to December 31, 2024. Key methods and assumptions used in the latest actuarial valuations as of December 31, 2023, follow.

Key methods and assumptions used in the latest actuarial valuations are presented below:

Valuation Date	December 31, 2023
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll with Separate Amortization Periods for Extraordinary Actuarial Gains or Losses
Remaining Amortization Period	2008 Extraordinary Actuarial Loss - 15 years Remaining UAL as of January 1, 2014 - 9 years Subsequent Unexpected Changes in UAL after December 31, 2013 - 15 years
Asset Valuation Method	Smoothed Actuarial Value (5 years) 80% - 120% Asset Corridor
Actuarial Assumptions:	
Discount Rate	6.75%, Net of Pension Plan Investment Expenses, Including Inflation
Projected Salary Increases	3.00%, Plus Service-Based Rates
General Inflation Rate	2.75%
Cost-of Living Adjustments	2.60% Per Year Assumed
Healthy Mortality	Mortality rates for General active members are based on the sex distinct 2021 CalPERS Pre-Retirement Non-Industrial Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP- Mortality rates for Safety active members are based on the sum of the rates from the 2021 CalPERS Industrial and Non-Industrial Mortality tables, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. 10% of Safety member active deaths are assumed to occur in Mortality rates for healthy General annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females. Mortality rates for Safety annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females.
Disabled Mortality	Mortality rates for General disabled annuitants are based on status. Rates for General disabled annuitants with a service-related disability are based on the sex distinct 2021 CalPERS Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Rates for General disabled annuitants with a non-service-related disability are based on the sex distinct 2021 CalPERS Non-Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Mortality rates for Safety disabled annuitants are based on the sex distinct 2021 CalPERS Industrially Disabled Mortality Table, with generational mortality improvements projected from 2017 using Projection 80% of Scale MP-2020.

NOTE 8 – <u>NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS</u> (Continued)

c. Funded Status and Funding Progress

The annual actuarial valuation determines the progress made in accumulating sufficient assets to pay benefits when due. As of December 31, 2023, the pension plan's accrued actuarial liabilities were $5.9 billion and the market value of assets net of Special Reserves (market value of assets basis) was $4.2 billion, resulting in UAL of $1.7 billion. The funded status (ratio) of market value of assets basis over accrued actuarial liabilities was 70.5 percent.

As of the December 31, 2023 actuarial valuation, the funded status increased to 70.5 percent from 66.6 percent on a market value of assets basis. It increased to 74.0 percent from 72.0 percent on an actuarial value of assets. There were no assumption changes made as of December 31, 2023.

SJCERA's Funding Policy provides for regular employer and member contributions at actuarially determined rates, expressed as percentages of annual covered payroll. Contributions required and contributions made are explained in Note 6.

d. Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The allocation of investment assets within SJCERA's portfolio is approved by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit pension plan investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2024 and the long-term expected real rates of return.

Asset Class	Target Allocation	Arithmetic Long-Term Expected Real Rate of Return
Aggressive Growth	16.00%	10.33%
Traditional Growth	38.00%	6.98%
Stabilized Growth	24.00%	5.78%
Principal Protection	9.00%	2.62%
Crisis Risk Offset (CRO)	13.00%	2.27%
Cash	0.00%	0.36%
Total	100.00%	

e. Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent as of December 31, 2024. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024.

NOTE 8 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

f. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the net pension liability of SJCERA as of December 31, 2024, calculated using the discount rate of 6.75 percent, as well as what SJCERA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Total Pension Liability	$ 6,984,801,843	$ 6,165,057,299	$ 5,489,335,967
Pension Plan Fiduciary Net Position	4,659,216,158	4,659,216,158	4,659,216,158
Collective Net Pension Liability	$ 2,325,585,685	$ 1,505,841,141	$ 830,119,809
Fiduciary Net Position as a Percentage of the Total Pension Liability	66.7%	75.6%	84.9%

g. Rate of Return

For the year ended December 31, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 8.5 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 9 – INVESTMENT EXPENSES

Investment expenses include fees paid for investment management services, investment consulting services, fund evaluation services, securities custodian services, and interest expense and other fees incurred in security lending transactions.

NOTE 10 – GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses, including the depreciation and amortization of capital assets, are funded by investment income earnings and are limited, pursuant to Government Code Section 31580.2, to twenty-one-hundredths of one percent (0.21 percent) of SJCERA's accrued actuarial liability. The actual administration expense for the year ended December 31, 2024, was 0.10 percent of the accrued actuarial liability. SJCERA was in compliance with this requirement during 2024.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

SJCERA participates in certain investments that require commitments of a specified amount of capital upfront that is then drawn down at a later time as the investment vehicle requires. The total unfunded capital commitment represents the amount of funds that SJCERA could potentially be required to contribute at a future date. SJCERA had unfunded capital commitments totaling $333 million at December 31, 2024.

NOTE 12 – SUBSEQUENT EVENTS

SJCERA has evaluated subsequent events through May 28, 2025, the date on which the financial statements were available to be issued, noting no subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31

	2024	2023	2022	2021	2020
Total Pension Liability					
Service cost	$ 136,489,340	$ 124,642,194	$ 118,695,366	$ 116,888,677	$ 115,229,486
Interest (includes interest on service cost)	391,656,136	366,899,543	356,415,938	360,520,733	350,095,503
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience	57,862,580	168,153,229	(37,863,999)	(17,017,994)	(58,571,957)
Changes of assumptions	-	-	(58,741,183)	-	135,011,307
Benefit payments, including refunds of member contributions	(307,250,164)	(290,537,671)	(279,363,795)	(265,965,599)	(251,551,677)
Net Change in Total Pension Liability	278,757,892	369,157,295	99,142,327	194,425,817	290,212,662
Total Pension Liability - Beginning	5,886,299,407	5,517,142,112	5,417,999,785	5,223,573,968	4,933,361,306
Total Pension Liability - Ending (a)	$ 6,165,057,299	$ 5,886,299,407	$ 5,517,142,112	$ 5,417,999,785	$ 5,223,573,968
Fiduciary Net Position					
Contributions - employer	$ 323,248,229	$ 292,752,311	$ 269,080,047	$ 306,662,635	$ 240,700,988
Contributions - member	58,873,823	54,934,141	47,405,308	43,455,640	40,568,995
Transfer between plans	230,456	(219,676)	224,628	270,570	172,041
Net investment income (loss)	375,661,637	347,666,062	(412,759,726)	572,291,948	276,996,530
Benefit payments, including refunds of member contributions	(307,250,164)	(290,537,671)	(279,363,795)	(265,965,599)	(251,551,677)
Administrative expenses	(7,245,987)	(6,649,765)	(5,621,704)	(4,639,439)	(4,536,455)
Net Change in Fiduciary Net Position	443,517,994	397,945,402	(381,035,242)	652,075,755	302,350,422
Fiduciary Net Position - Beginning	4,215,698,164	3,817,752,762	4,198,788,004	3,546,712,249	3,244,361,827
Fiduciary Net Position - Ending (b)	$ 4,659,216,158	$ 4,215,698,164	$ 3,817,752,762	$ 4,198,788,004	$ 3,546,712,249
Net Pension Liability (a)-(b)	$ 1,505,841,141	$ 1,670,601,243	$ 1,699,389,350	$ 1,219,211,781	$ 1,676,861,719
Fiduciary Net Position as a Percentage of the Total Pension Liability	75.57%	71.62%	69.20%	77.50%	67.90%
Covered Payroll *	$ 581,811,177	$ 535,509,779	$ 484,055,752	$ 470,179,036	$ 460,456,931
Net Pension Liability as a Percentage of Covered Payroll	258.82%	311.96%	351.07%	259.31%	364.17%

* Covered Payroll reported by plan sponsors is the payroll on which contributions are based in accordance with GASB Statement No. 82.

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)
FOR THE YEARS ENDED DECEMBER 31

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 110,608,926	$ 103,300,553	$ 98,438,144	$ 92,857,369	$ 94,377,630
Interest (includes interest on service cost)	337,480,353	325,161,265	308,566,601	295,197,992	280,581,484
Change of benefit terms	-	-	-	-	-
Differences between expected and actual experience	4,950,114	(49,383,683)	37,219,673	(10,171,368)	(25,752,670)
Changes of assumptions	16,016,526	81,854,664	-	87,601,669	-
Benefit payments, including refunds of member contributions	(236,350,072)	(221,443,668)	(205,406,970)	(194,719,177)	(181,468,913)
Net Change in Total Pension Liability	232,705,847	239,489,131	238,817,448	270,766,485	167,737,531
Total Pension Liability - Beginning	4,700,655,459	4,461,166,328	4,222,348,880	3,951,582,395	3,783,844,864
Total Pension Liability - Ending (a)	$ 4,933,361,306	$ 4,700,655,459	$ 4,461,166,328	$ 4,222,348,880	$ 3,951,582,395
Fiduciary Net Position					
Contributions - employer	$ 225,528,756	$ 208,757,572	$ 200,051,742	$ 159,122,523	$ 150,371,556
Contributions - member	38,098,688	35,377,951	33,634,906	30,117,408	29,026,901
Transfer between plans	299,014	324,269	364,714	293,779	378,969
Net investment income (loss)	380,674,528	(56,397,598)	299,960,693	151,114,788	(47,339,750)
Benefit payments, including refunds of member contributions	(236,350,072)	(221,443,668)	(205,406,970)	(194,719,177)	(181,468,913)
Administrative expenses	(4,931,163)	(4,865,081)	(4,118,578)	(4,369,744)	(4,075,745)
Net Change in Fiduciary Net Position	403,319,751	(38,246,555)	324,486,507	141,559,577	(53,106,982)
Fiduciary Net Position - Beginning	2,841,042,076	2,879,288,631	2,554,802,124	2,413,242,547	2,466,349,529
Fiduciary Net Position - Ending (b)	$ 3,244,361,827	$ 2,841,042,076	$ 2,879,288,631	$ 2,554,802,124	$ 2,413,242,547
Net Pension Liability (a)-(b)	$ 1,688,999,479	$ 1,859,613,383	$ 1,581,877,697	$ 1,667,546,756	$ 1,538,339,848
Fiduciary Net Position as a Percentage of the Total Pension Liability	65.76%	60.44%	64.54%	60.51%	61.07%
Covered Payroll *	$ 453,710,584	$ 436,763,447	$ 425,886,951	$ 392,227,314	$ 396,136,470
Net Pension Liability as a Percentage of Covered Payroll	372.26%	425.77%	371.43%	425.15%	388.34%

* Covered Payroll reported by plan sponsors is the payroll on which contributions are based in accordance with GASB Statement No. 82.

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS
AND OTHER CONTRIBUTING SOURCES
DEFINED BENEFIT PENSION PLAN
FOR THE TEN YEARS ENDED DECEMBER 31

	2024	2023	2022	2021	2020
Actuarially Determined Contributions	$294,396,100	$266,112,389	$245,967,122	$233,148,239	$218,611,737
Contributions in Relation to the Actuarially Determined Contributions	323,248,229	292,752,311	269,080,047	306,662,635	240,700,988
Contribution Deficiency / (Excess)	$ (28,852,129)	$ (26,639,922)	$ (23,112,925)	$ (73,514,396)	$ (22,089,251)
Covered Payroll	$581,811,177	$535,509,779	$484,055,752	$470,179,036	$460,456,931
Contributions as a Percentage of Covered Payroll	55.56%	54.67%	55.59%	65.22%	52.27%

	2019	2018	2017	2016	2015
Actuarially Determined Contributions	$203,058,574	$188,322,653	$179,824,882	$159,122,523	$150,371,556
Contributions in Relation to the Actuarially Determined Contributions	225,528,756	208,757,572	200,051,742	159,122,523	150,371,556
Contribution Deficiency / (Excess)	$ (22,470,182)	$ (20,434,919)	$ (20,226,860)	$ -	$ -
Covered Payroll	$453,710,584	$436,763,447	$425,886,951	$392,227,914	$396,136,470
Contributions as a Percentage of Covered Payroll	49.71%	47.80%	46.97%	40.57%	37.96%

The contributions in excess of Actuarially Determined Contributions are due to the County's, MVCD's, and the Court's additional contributions.

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEARS ENDED DECEMBER 31

	2024	2023	2022	2021	2020
Annual Money-Weighted Rate of Return, Net of Investment Expense	8.50%	9.12%	-7.24%	13.68%	2.23%

	2019	2018	2017	2016	2015
Annual Money-Weighted Rate of Return, Net of Investment Expense	13.77%	-2.11%	11.85%	6.20%	-2.06%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. It is calculated by finding the rate of return that will set the present values of all cash flows and terminal values equal to the value of the initial investment. The money-weighted rate of return is equivalent to the internal rate of return (IRR).

Time-weighted rate of return assumes that all cash distributions are reinvested in the portfolio and the exact same periods are used for comparisons. When calculating the time-weighted rate of return, the effect of varying cash inflows is eliminated by assuming a single investment at the beginning of a period and measuring the growth or loss of fair value to the end of that period.

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2024

NOTE 1 – KEY METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

The following actuarial methods and assumptions were used to determine contribution rates for the year ended December 31, 2024, in the Schedule of Contributions from the Employers and Other Contributing Sources:

Valuation Date	December 31, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll with Separate Amortization Periods for Extraordinary Actuarial Gains or Losses
Remaining Amortization Period	2008 Extraordinary Actuarial Loss - 16 years Remaining UAL as of January 1, 2014 - 10 years Any future actuarial gains and losses - 15 years Single Equivalent Period - 11 years for General and 12 years for Safety
Asset Valuation Method	Smoothed Actuarial Value (5 years) 80%-120% Asset Corridor
Actuarial Assumptions:	
Discount Rate	6.75%, Net of Pension Plan Investment Expenses, Including Inflation
Projected Salary Increases	3.00%, Plus Service-Based Rates
General Inflation Rate	2.75%
Cost-of-Living Adjustments (COLA)	2.60% Per Year Assumed
Healthy Mortality	Mortality rates for General active members are based on the sex distinct 2021 CalPERS Pre-Retirement Non-Industrial Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Mortality rates for Safety active members are based on the sum of the rates from the 2021 CalPERS Industrial and Non-Industrial Mortality tables, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. 10% of Safety member active deaths are assumed to occur in the line of duty. Mortality rates for healthy General annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females. Mortality rates for Safety annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females.

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NOTE 1 – KEY METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES (Continued)

Disabled Mortality	Mortality rates for General disabled annuitants are based on status. Rates for General disabled annuitants with a service-related disability are based on the sex distinct 2021 CalPERS Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Rates for General disabled annuitants with a non-service-related disability are based on the sex distinct 2021 CalPERS Non-Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020.
	Mortality rates for Safety disabled annuitants are based on the sex distinct 2021 CalPERS Industrially Disabled Mortality Table, with generational mortality improvements projected from 2017 using Projection 80% of Scale MP-2020.

A complete description of the methods and assumptions used to determine contribution rates for the year ending December 31, 2024, can be found in the December 31, 2022 actuarial valuation report.

OTHER SUPPLEMENTARY INFORMATION

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31

General Administrative Expenses	2024
(Expenses Subject to the Statutory Limit)	
Personnel Services	
Staff Salaries	$ 2,155,491
Cafeteria Benefits	112,972
Insurance	341,255
Social Security	157,439
Retirement	932,923
Total Personnel Services	3,700,080
Professional Services	
Professional and Specialized Services	1,465,790
Allocated Department Costs	(27,469)
Total Professional Services	1,438,321
Communications	
Postage	19,451
Telephone	68,294
Travel	62,865
Total Communications	150,610
Rentals/Equipment	
Office Space and Equipment	139,318
Total Rentals/Equipment	139,318
Miscellaneous	
Office Supplies/Expense	74,449
Subscriptions and Periodicals	7,023
Memberships	4,406
Maintenance	7,720
Insurance	151,134
Total Miscellaneous	244,732
Total General Administrative Expenses	5,673,061
Other Expenses	
(Expenses Not Subject to the Statutory Limit)	
Information Technology Expenses	1,195,928
Actuary Fees	150,719
Fund Legal Fees	226,279
Total Other Expenses	1,572,926
Total General Administrative and Other Expenses	$ 7,245,987

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2024

	2024
Investment Management Fees	
Aggressive Growth	$ 9,746,902
Traditional Growth	1,263,443
Risk Parity	1,089,254
Credit	5,943,591
Crisis Risk Offset (CRO)	2,865,731
Principal Protection	461,245
Core Real Assets	1,676,643
Total Investment Management Fees	23,046,809
Other Investment Fees and Expenses	
Custodian Fees	168,427
Investment Consultant Fees	351,000
Miscellaneous Fees	1,420,879
Notional Interest Expense	1,042,296
Total Other Investment Fees and Expenses	2,982,602
Total Investment Expense	26,029,411
Securities Lending Fees	
Securities Lending Fees and Rebates	3,592,472
Total Investment Fees and Expenses	$ 29,621,883

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEAR ENDED DECEMBER 31, 2024

		2024
Nature of Service		
Actuarial-Retainer and Valuation	$	150,719
Audit		55,150
Fund Legal Fees		226,279
Business Technology Services		1,195,928
Total Payments to Consultants	$	1,628,076

OTHER INFORMATION

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024 *

Employer	Proportionate Share (1)	Net Pension Liability (2)
County of San Joaquin	92.8426%	$ 1,398,062,184
SJC Superior Court	3.2733%	49,290,989
Manteca-Lathrop Rural Fire Protection District	1.7558%	26,438,896
Waterloo-Morada Rural Fire Protection District	0.7089%	10,674,590
Tracy Public Cemetery District	0.0712%	1,072,841
SJC Mosquito and Vector Control District	0.5084%	7,655,391
SJC Historical Society and Museum	0.0665%	1,001,079
Mountain House Community Services District	0.7204%	10,848,613
Local Agency Formation Commission	0.0381%	574,096
San Joaquin County Law Library	0.0148%	222,462
Total	100.0000%	$ 1,505,841,141

*Numbers may not sum to total due to rounding.

(1) As SJCERA is a cost sharing multiple-employer pension plan, each employer participating in SJCERA must reflect a portion of the collective net pension liability and pension expense in their financial statements. The calculation for the proportionate share for each employer allocates net pension liability and pension expense based on each employer's share of the unfunded liability amortization payment. The proportionate shares are then adjusted to account for the additional contributions made by the County of San Joaquin, the SJC Mosquito and Vector Control District, and SJC Superior Court for the year ended December 31, 2024.

(2) Proportionate share of net pension liability is based on the actuarial valuation.

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS
ALLOCATED BY COST SHARING PLAN
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024

		Deferred Outflows of Resources					Deferred Inflows of Resources				Pension Expense		
Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense	Total Pension Expense
County of San Joaquin	$ 1,398,062,184	$ 121,035,824	$ 84,097,166	$ -	$ 5,488,399	$ 210,621,389	$ 17,221,559	$ 21,814,737	$ 1,786,965	$ 40,823,261	$ 246,588,626	$ 1,317,535	$ 247,906,161
SJC Superior Court	49,290,989	4,267,318	2,964,984	-	2,029,050	9,261,352	607,175	769,115	6,289,353	7,665,643	8,693,888	(1,956,321)	6,737,567
Manteca-Lathrop Rural Fire Protection District	26,438,896	2,288,921	1,590,370	-	2,652,993	6,532,284	325,679	412,541	2,689,497	3,427,717	4,663,263	(66,251)	4,597,012
Waterloo-Morada Rural Fire Protection District	10,674,590	924,142	642,105	-	947,560	2,513,807	131,491	166,562	1,256,936	1,554,989	1,882,772	226,547	2,109,319
Tracy Public Cemetery District	1,072,841	92,880	64,534	-	244,449	401,863	13,215	16,740	241,925	271,880	189,227	(20,249)	168,978
SJC Mosquito and Vector Control District	7,655,391	662,758	460,492	-	113,506	1,236,756	94,300	119,451	557,830	771,581	1,350,249	(116,276)	1,233,973
SJC Historical Society and Museum	1,001,079	86,667	60,218	-	201,365	348,250	12,331	15,620	103,471	131,422	176,569	41,067	217,636
Mountain House Community Services District	10,848,613	939,208	652,573	-	1,865,629	3,457,410	133,635	169,277	820,696	1,123,608	1,913,466	476,835	2,390,301
Local Agency Formation Commission	574,096	49,702	34,533	-	279,250	363,485	7,072	8,958	36,952	52,982	101,258	121,609	222,867
San Joaquin County Law Library	222,462	19,259	13,382	-	1,174	33,815	2,740	3,471	39,749	45,960	39,238	(24,496)	14,742
Totals	$ 1,505,841,141	$ 130,366,679	$ 90,580,357	$ -	$ 13,823,375	$ 234,770,411	$ 18,549,197	$ 23,496,472	$ 13,823,374	$ 55,869,043	$ 265,598,556	$ -	$ 265,598,556

NOTE 1 – BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Because San Joaquin County Employees' Retirement Association (SJCERA) is a cost sharing multiple-employer pension plan, employers participating in SJCERA are required to report a portion of the collective Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27.* GASB Statement No. 68 requires that the proportionate share for each employer be determined based on the employer's projected long-term contribution effort to the pension.

SJCERA's actuary prepared the following documents, (1) the Schedule of Cost Sharing Employer Allocations and (2) the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations based on information provided by SJCERA. These documents provide the required information for financial reporting related to SJCERA that employers may use in their financial statements. The measurement date for SJCERA is December 31, 2024. Measurements are based on the fair value of assets as of December 31, 2024, and the Total Pension Liability of $6,165,057,299 as of December 31, 2024, was measured as of a valuation date of December 31, 2023, and projected to December 31, 2024.

NOTE 2 – AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The difference between projected and actual investment earnings on pension plan investments is amortized over five years on a straight-line basis. One-fifth is recognized in Total Pension Expense for each of the five years. The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all active and inactive members of SJCERA, which is also five years. The net effect of the change in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources is recognized over the average expected remaining service lives of all active and inactive members of SJCERA.