

Executive Team:

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
Chief Legal Officer

Matthew Henry, CFE
Chief Operations Officer



Board of Retirement:

Dustin Contreras, Chair
Joseph D. Hughes, Vice-Chair
Jordan Kaufman
Ajaib Gill
Rocio Mosqueda
David Couch
John Sanders
Rick Kratt
Jeff Frapwell
Tyler Whitezell
Chase Nunneley, Alternate
Robb Seibly, Alternate

June 16, 2026

Trustees, Board of Retirement
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association Finance Committee

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Finance Committee will be held on Tuesday, June 23, 2026, at 3:00 p.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

How to Participate: Listen to or View the Board Meeting

To listen to the live audio of the Board meeting, please dial one of the following numbers and enter ID# 825 0858 4134:

- (669) 900-9128; U.S. Toll-free: (888) 788-0099 or (877) 853-5247

To access live audio and video of the Board meeting, please use the following:

- <https://us02web.zoom.us/j/82508584134?pwd=1h6z0zar4NengGD6iBQWu1nxSKPfNX.1>
- Passcode: 969583

Items of business will be limited to the matters shown on the attached agenda. If you have any questions or require additional service, please contact KCERA at (661) 381-7700 or send an email to Administration@kcera.org.

Sincerely,

Dominic D. Brown

Dominic D. Brown
Chief Executive Officer

Attachments

❖ **KCERA Board Agenda Notifications:** Sign up [here](#) on the KCERA website.

AGENDA:

All agenda item supporting documentation is available for public review on KCERA's website at www.kcera.org following the posting of the agenda. Any supporting documentation that relates to an agenda item for an open session of any regular meeting that is distributed after the agenda is posted and prior to the meeting will also be available for review at the same location.

**AMERICANS WITH DISABILITIES ACT
(Government Code Section 54953.2)**

Disabled individuals who need special assistance to listen to and/or participate in the meeting of the Board of Retirement may request assistance by calling (661) 381-7700 or sending an email to Administration@kcera.org. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting materials and access available in alternative formats. Requests for assistance should be made at least two (2) days in advance of a meeting whenever possible.

CALL TO ORDER

ROLL CALL (IN PERSON)

SB 707 REMOTE APPEARANCE(S)

Item 1 withdrawn from agenda if no trustee(s) request to appear remotely:

1. Trustee(s) who have notified the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code Section 54953.8.3).

CONSENT MATTERS

All items listed with an asterisk () are considered to be routine and non-controversial by staff and will be approved by one motion if no member of the Committee or public wishes to comment or ask questions. If comment or discussion is desired by anyone, the item will be removed from the consent agenda and will be considered in the listed sequence with an opportunity for any member of the public to address the Committee concerning the item before action is taken. Staff recommendations are shown in caps after each item.*

- *2. [KCERA Audited Schedules of Employer Allocations and Pension Amounts by Employer and Segal GASB 68 Actuarial Valuation Report based on June 30, 2025 Measurement Date for Employer Reporting as of June 30, 2026 – RECOMMEND THE BOARD OF RETIREMENT RECEIVE AND FILE](#)

PUBLIC COMMENTS

3. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation.

MATTERS FOR CONSIDERATION

4. [Presentation on the FY 2025-26 Financial Statement and GASB 68 Audit Plan by Auditors Jason Ostroski and Tim Rawal, UHY – APPROVE](#)
5. [Discussion and appropriate action on the Actuarial Experience Study for the period July 1, 2022 through June 30, 2025, presented by Actuary Molly Calcagno, Segal – RECOMMEND THE BOARD OF RETIREMENT ADOPT THE ECONOMIC AND NON-ECONOMIC ASSUMPTIONS](#)

REFERRALS TO STAFF, ANNOUNCEMENTS, OR REPORTS

6. On their own initiative, Committee members may make a brief announcement, refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities.
7. Adjournment



SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER

*Actuarial Valuation based on June 30, 2025 Measurement Date
for Employer Reporting as of June 30, 2026*

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
11125 River Run Boulevard Bakersfield, CA 93311
(661) 381-7700 (661) 381-7799 fax www.kcera.org

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INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Kern County Employees' Retirement Association
Bakersfield, California

Opinion

We have audited the accompanying schedule of employer allocations of the Kern County Employees' Retirement Association (KCERA), as of and for the year ended June 30, 2025, and related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense as of and for the year ended June 30, 2025, and the net pension liability as of June 30, 2024 (specified row totals), included in the accompanying schedule of pension amounts by employer and related notes.

In our opinion, the accompanying schedules referred to above present fairly, in all material respects, the employer allocations and the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense for KCERA, as of and for the year ended June 30, 2025, and net pension liability as of June 30, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of KCERA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedules

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KCERA'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.

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and the specified row totals included in the accompanying schedule of pension amounts by employer are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted 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 schedules.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, 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 schedules.
- 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 KCERA'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 schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about KCERA'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.

Other Matter

Audited Fiduciary Net Position of the Kern County Employees' Retirement Association

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of KCERA, as of and for the year ended June 30, 2025, and our report thereon, dated December 19, 2025, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

UHY LLP

Columbia, Maryland
April 30, 2026

Kern County Employees' Retirement Association - Schedule of Employer Allocations

As of and for the year ended June 30, 2025

	Actual Payroll by Employer	Employer Payroll Percentage	Total Allocated Net Pension Liability	Employer Proportionate Share
Kern County	\$ 600,235,702	71.487 %	\$ 1,688,704,328	76.287 %
Kern County Hospital Authority	154,194,276	18.364 %	316,091,861	14.279 %
Kern County Superior Courts	38,831,282	4.625 %	79,602,515	3.596 %
Berrenda Mesa Water District	198,481	0.024 %	2,641,570	0.119 %
Buttonwillow Recreation and Park District	87,068	0.010 %	251,883	0.011 %
East Kern Cemetery District	158,210	0.019 %	457,692	0.021 %
Inyokern Community Services District	—	— %	211,304	0.010 %
Kern County Water Agency	6,419,607	0.765 %	18,571,536	0.839 %
Kern Mosquito and Vector Control District	1,499,949	0.178 %	4,339,262	0.198 %
North of the River Sanitation District	1,655,915	0.197 %	4,790,463	0.216 %
San Joaquin Valley Unified Air Pollution Control District	35,161,732	4.188 %	94,486,442	4.268 %
Shafter Recreation and Park District	274,902	0.033 %	795,275	0.036 %
West Side Cemetery District	202,421	0.024 %	585,592	0.026 %
West Side Mosquito and Vector Control District	366,354	0.044 %	1,059,840	0.048 %
West Side Recreation and Park District	351,464	0.042 %	1,016,764	0.046 %
Total	\$ 839,637,363	100 %	\$ 2,213,606,327	100 %

**Kern County Employees' Retirement Association - Schedule of
Pension Amounts by Employer**

As of and for the year ended June 30, 2025 with Net Pension
Liability as of June 30, 2024

	Kern County	Kern County Hospital Authority	Kern County Superior Courts
NET PENSION LIABILITY (ASSET) as of June 30, 2024	\$ 1,836,801,255	\$ 331,776,526	\$ 94,379,791
NET PENSION LIABILITY (ASSET) as of June 30, 2025	1,688,704,328	316,091,861	79,602,515
Deferred Outflows of Resources			
Differences between expected and actual experience	152,514,833	28,547,743	7,189,278
Net difference between projected and actual investment earnings on pension plan investments	—	—	—
Changes of assumptions	50,102,554	9,378,202	2,361,745
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,365,812	9,776,279	49,383
Total Deferred Outflows of Resources	218,983,199	47,702,224	9,600,406
Deferred Inflows of Resources			
Differences between expected and actual experience	17,556,329	3,286,195	827,574
Net difference between projected and actual investment earnings on pension plan investments	77,721,296	14,547,880	3,663,643
Changes of assumptions	—	—	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	8,224,222	7,910,039
Total Deferred Inflows of Resources	95,277,625	26,058,297	12,401,256
Pension Expense			
Proportionate share of plan pension expense	198,943,917	37,238,343	9,377,861
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	7,461,283	(337,152)	(3,792,334)
Total Employer Pension Expense	\$ 206,405,200	\$ 36,901,191	\$ 5,585,527

**Kern County Employees' Retirement Association - Schedule of
Pension Amounts by Employer**

As of and for the year ended June 30, 2025 with Net Pension
Liability as of June 30, 2024 (continued)

	Berrenda Mesa Water District	Buttonwillow Recreation and Park District	East Kern Cemetery District
NET PENSION LIABILITY (ASSET) as of June 30, 2024	\$ 3,785,533	\$ 269,719	\$ 535,273
NET PENSION LIABILITY (ASSET) as of June 30, 2025	2,641,570	251,883	457,692
Deferred Outflows of Resources			
Differences between expected and actual experience	238,573	22,749	41,336
Net difference between projected and actual investment earnings on pension plan investments	—	—	—
Changes of assumptions	78,373	7,473	13,579
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	52,209	4,439
Total Deferred Outflows of Resources	316,946	82,431	59,354
Deferred Inflows of Resources			
Differences between expected and actual experience	27,463	2,619	4,758
Net difference between projected and actual investment earnings on pension plan investments	121,576	11,593	21,065
Changes of assumptions	—	—	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,005,634	24,193	44,564
Total Deferred Inflows of Resources	1,154,673	38,405	70,387
Pension Expense			
Proportionate share of plan pension expense	311,201	29,673	53,920
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(334,078)	20,677	(7,771)
Total Employer Pension Expense	\$ (22,877)	\$ 50,350	\$ 46,149

**Kern County Employees' Retirement Association - Schedule of
Pension Amounts by Employer**

As of and for the year ended June 30, 2025 with Net Pension
Liability as of June 30, 2024 (continued)

	Inyokern Community Services District	Kern County Water Agency	Kern Mosquito and Vector Control District
NET PENSION LIABILITY (ASSET) as of June 30, 2024	\$ 137,615	\$ 22,478,766	\$ 4,912,665
NET PENSION LIABILITY (ASSET) as of June 30, 2025	211,304	18,571,536	4,339,262
Deferred Outflows of Resources			
Differences between expected and actual experience	19,084	1,677,283	391,899
Net difference between projected and actual investment earnings on pension plan investments	—	—	—
Changes of assumptions	6,269	551,003	128,743
Changes in proportion and differences between employer contributions and proportionate share of contributions	41,607	—	74,300
Total Deferred Outflows of Resources	66,960	2,228,286	594,942
Deferred Inflows of Resources			
Differences between expected and actual experience	2,197	193,076	45,112
Net difference between projected and actual investment earnings on pension plan investments	9,725	854,740	199,711
Changes of assumptions	—	—	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	7,972	3,037,133	451,712
Total Deferred Inflows of Resources	19,894	4,084,949	696,535
Pension Expense			
Proportionate share of plan pension expense	24,894	2,187,887	511,202
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	9,777	(1,185,266)	(49,217)
Total Employer Pension Expense	\$ 34,671	\$ 1,002,621	\$ 461,985

**Kern County Employees' Retirement Association - Schedule of
Pension Amounts by Employer**

As of and for the year ended June 30, 2025 with Net Pension
Liability as of June 30, 2024 (continued)

	North of the River Sanitation District	San Joaquin Valley Unified Air Pollution Control District	Shafter Recreation and Park District
NET PENSION LIABILITY (ASSET) as of June 30, 2024	\$ 5,410,496	\$ 115,634,413	\$ 858,631
NET PENSION LIABILITY (ASSET) as of June 30, 2025	4,790,463	94,486,442	795,275
Deferred Outflows of Resources			
Differences between expected and actual experience	432,649	8,533,515	71,825
Net difference between projected and actual investment earnings on pension plan investments	—	—	—
Changes of assumptions	142,129	2,803,340	23,595
Changes in proportion and differences between employer contributions and proportionate share of contributions	285,485	849,953	82,346
Total Deferred Outflows of Resources	860,263	12,186,808	177,766
Deferred Inflows of Resources			
Differences between expected and actual experience	49,803	982,312	8,268
Net difference between projected and actual investment earnings on pension plan investments	220,477	4,348,665	36,602
Changes of assumptions	—	—	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	348,823	5,799,359	37,231
Total Deferred Inflows of Resources	619,103	11,130,336	82,101
Pension Expense			
Proportionate share of plan pension expense	564,357	11,131,316	93,690
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	4,313	(1,328,489)	14,833
Total Employer Pension Expense	\$ 568,670	\$ 9,802,827	\$ 108,523

**Kern County Employees' Retirement Association - Schedule of
Pension Amounts by Employer**

As of and for the year ended June 30, 2025 with Net Pension
Liability as of June 30, 2024 (continued)

	West Side Cemetery District	West Side Mosquito and Vector Control District	West Side Recreation and Park District	Total
NET PENSION LIABILITY (ASSET) as of June 30, 2024	\$ 642,567	\$ 1,530,059	\$ 1,176,989	\$2,420,330,298
NET PENSION LIABILITY (ASSET) as of June 30, 2025	585,592	1,059,840	1,016,764	2,213,606,327
Deferred Outflows of Resources				
Differences between expected and actual experience	52,888	95,719	91,829	199,921,203
Net difference between projected and actual investment earnings on pension plan investments	—	—	—	—
Changes of assumptions	17,374	31,445	30,167	65,675,991
Changes in proportion and differences between employer contributions and proportionate share of contributions	—	—	18,931	27,600,744
Total Deferred Outflows of Resources	70,262	127,164	140,927	293,197,938
Deferred Inflows of Resources				
Differences between expected and actual experience	6,088	11,018	10,571	23,013,383
Net difference between projected and actual investment earnings on pension plan investments	26,951	48,778	46,796	101,879,498
Changes of assumptions	—	—	—	—
Changes in proportion and differences between employer contributions and proportionate share of contributions	164,559	357,039	188,264	27,600,744
Total Deferred Inflows of Resources	197,598	416,835	245,631	152,493,625
Pension Expense				
Proportionate share of plan pension expense	68,988	124,858	119,782	260,781,889
Net amortization of deferred amounts and expensed portion of current-period changes in proportion and differences between employer's contributions and proportionate share of contributions	(195,918)	(179,525)	(101,133)	—
Total Employer Pension Expense	\$ (126,930)	\$ (54,667)	\$ 18,649	\$ 260,781,889

Cost-Sharing, Multiple-Employer Pension Plan
Notes to Schedules of Employer Allocations and Pension Amounts
by Employer As of and for the Year Ended June 30, 2025

Note 1 – DESCRIPTION OF THE ENTITY

Plan Description

The Kern County Employees' Retirement Association (KCERA) was established on January 1, 1945 by the County of Kern Board of Supervisors under the provisions of the County Employees' Retirement Law of 1937 (CERL). KCERA is a cost-sharing, multiple-employer defined benefit plan (the Plan) covering all permanent employees of the County of Kern and of the following agencies: Buttonwillow Recreation and Park District, East Kern Cemetery District, Kern County Hospital Authority, Kern County Superior Court, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Unified Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, West Side Recreation and Park District, and the Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members.

Pension Benefits

All regular, full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. Safety membership includes those in active law enforcement, fire suppression, criminal investigation, detention and probation.

General members (excluding Tier III) are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with 5 or more years of retirement service credit.

Safety members are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age.

The retirement benefit the member will receive is based on age at retirement, final average compensation (FAC), years of retirement service credit and benefit tier.

General member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Sections 31676.17 and 31676.01, respectively. The monthly allowance is equal to 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31676.17 (Tier I), or 1/90th of FAC times years of accrued retirement service credit times an age factor from Section 31676.01 (Tier II). General Tier III member benefits are calculated pursuant to the provisions found in California Government Code Section 7522.20(a). The monthly allowance is equal to the FAC multiplied by years of accrued retirement credit multiplied by an age factor from Section 7522.20(a).

Safety member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Sections 31664.1 and 31664, respectively. The monthly allowance is equal to 3% of FAC times years of accrued retirement service credit times an age factor from Section 31664.1 (Tier I), or 1/50th of FAC times years of accrued retirement service credit times an age factor from Section 31664 (Tier II).

For members in Tiers I and II, the maximum monthly retirement allowance is 100% of final average compensation (FAC). There is no FAC limit on the maximum retirement benefit for General Tier III members. However, the maximum amount of compensation earnable that can be taken into account for 2025 for members in Tier I and Tier II is \$350,000. For General Tier III members who are enrolled in Social Security, the maximum amount of pensionable compensation that can be taken into account for 2025 is equal to \$155,081 (\$186,096 for those not enrolled in Social Security). These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

FAC consists of the highest 12 consecutive months of pensionable pay for a General Tier I or Tier IIA member or a Safety Tier I or Tier IIA members, and the highest 36 consecutive months of pensionable pay for a General Tier IIB or Tier III member or a Safety Tier IIB member.

The member may elect an unmodified retirement allowance or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible spouse or partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55 on or prior to the date of death. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

Death Benefits

An active member's beneficiary is entitled to receive death benefits, which consist of accumulated contributions, plus interest, and one month's salary for each full year of service, up to a maximum of six months of salary.

If a member is vested and their death is not the result of a job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive a lifetime monthly allowance equal to 60% of the retirement allowance to which they would have been entitled if they had retired with a nonservice-connected disability on the date of their death. The same choice is given to their minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

If a member dies in the performance of duty, the spouse or registered domestic partner receives, for life, monthly allowance equal to at least 50% of the member's final average salary. This will only apply to minor children under the age of 18 (continuing to age 22 if enrolled full time in an accredited school).

If a member dies after retirement, a death benefit of \$5,000 is payable to their designated beneficiary or the estate.

If the retirement was for service-connected or nonservice-connected disability and the member chose the unmodified allowance option, their surviving spouse, registered domestic partner or minor children will receive a monthly continuance equal to 60% of the benefit.

If the retirement was for service-connected disability, their spouse, registered domestic partner or minor children will receive a 100% continuance of the member's benefit.

Disability Benefits

A member with five years of service, regardless of age, who becomes permanently incapacitated from the performance of duty will be eligible for a nonservice-connected disability retirement. Any member who becomes permanently incapacitated for the performance of duty as a result of injury or disease arising out of and in the course of employment is eligible for a service-connected disability, regardless of service length or age.

Cost-of-Living Adjustments

An annual cost-of-living adjustment (COLA) of up to 2.0% was adopted for all retirees and continuance beneficiaries as of April 1, 1973. An additional 0.5% COLA was granted by the Ventura Settlement as of April 1, 2002, resulting in a maximum COLA of 2.5%, depending on the rate of inflation.

Supplemental Benefits

The Board of Retirement and the Board of Supervisors adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement. SRBR currently provides for 82% purchasing power protection and the \$5,000 death benefit.

On September 14, 2022, the Board adopted a Restructured SRBR benefit effective July 1, 2022 equal to \$1.80 per year of service, but no less than the member's current SRBR benefit as of July 1, 2022. The Restructured SRBR benefit also includes a 2.5% COLA on the SRBR benefit, so long as the SRBR remains adequately funded. This plan amendment increased the NPL by \$30.4 million.

Contributions

Eligible employees and their beneficiaries are entitled to pension, disability and survivors' benefits under the provision of the CERL with the establishment of KCERA on January 1, 1945. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries, depending up their age at date of entry in the Plan, membership type and benefit tier.

Members are required to make contributions to KCERA regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2025 for 2024-2025 (based on the June 30, 2023 valuation) was 7.41% of compensation.

Interest is credited to member contributions semi-annually on June 30 and December 31, in accordance with Article 5.5 of the CERL. Member contributions and credited interest are refundable upon termination of membership.

The County of Kern and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from KCERA's actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2025 for 2024-2025 (based on the June 30, 2023 valuation and after reflecting the phase-in of the impact of the assumption changes) was 48.80% of compensation.

Note 2 - MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Employers participating in the Plan are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2015, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, Accounting and Financial Reporting for Pensions an Amendment of GASB Statement No. 27. In accordance with GASB Statement No. 82, Pension Issues an Amendment of GASB Statements No. 67, No. 68 and No. 73, employer-paid member contributions are classified as employee contributions for purposes of GASB Statement 68. Starting with the June 30, 2016 measurement date for the employers, employer-paid member contributions are excluded from employer contributions.

The accompanying schedules were prepared by KCERA's independent actuary and were derived from information provided by KCERA in accordance with the standards issued by the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities. As prescribed by GASB, they are reported using the economic resources measurement focus and the accrual basis of accounting.

Employer-covered payroll KCERA received within the fiscal year ended June 30, 2025, is used as the basis for determining each employer's proportionate share reported in the Schedule of Employer Allocations. The following items for each membership class is based on the corresponding proportionate share within each membership class:

- Net Pension Liability
- Service cost
- Interest on the Total Pension Liability
- Expensed portion of the current-period benefit changes
- Expensed portion of current-period difference between expected and actual experience in the Total Pension Liability
- Member contributions
- Projected earnings on plan investments
- Expensed portion of current-period differences between actual and projected earnings on plan investments
- Administrative expense
- Recognition of beginning-of-year deferred outflows of resources as pension expense
- Recognition of beginning-of-year deferred inflows of resources as pension expense

The Fiduciary Net Position of KCERA and additions to/deductions from KCERA's Fiduciary Net Position have been determined on the same basis as they are reported in KCERA's Annual Comprehensive Financial Report. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The reporting date and measurement date for the plan is June 30, 2025. For purposes of measuring the Net Pension Liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 3 – NET PENSION LIABILITY

The Net Pension Liability of \$2,213,606,327 was measured as of June 30, 2025. The Net Pension Liability (NPL) is the Total Pension Liability reduced by the Plan's Fiduciary Net Position. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability was determined based upon rolling forward the Total Pension Liability from the actuarial valuation as of June 30, 2024 to the measurement date of June 30, 2025. The Plan provisions used in the measurement of the Net Pension Liability are the same as those used in the KCERA actuarial valuation as of June 30, 2025. The Total Pension Liability and the Plan's Fiduciary Net Position include liabilities and assets held for the Supplemental Retiree Benefit Reserve (SRBR). The employers' proportions of the NPL are based on the employers' share of covered payroll for each membership class.

The NPL for each membership class is obtained from internal valuation results based on the actual participants in each membership class.

- The safety membership class has only one employer (Kern County), so all of the NPL for safety is allocated to the County.
- For general and district membership classes, the NPL is allocated based on the covered payroll within their respective classes.
 - Calculate ratio of employer's payroll to the total payroll for the membership class.
 - This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.
- If the employer is in several membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class. Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.
- The negative NPL associated with the SRBR is allocated based on the actual total payroll for each employer within KCERA.

Note 4 – ACTUARIAL ASSUMPTIONS

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

Assumption Type	Assumption
<i>Investment rate of return</i>	7.00%, net of pension plan investment expense, including inflation
<i>Inflation rate</i>	2.50%
<i>"Across-the-board" salary increase</i>	0.50%
<i>Projected salary increases</i>	General: 3.70% to 8.00% Safety: 4.00% to 10.00% The above salary increases vary by service and include inflation and "across-the-board" salary increase
<i>Cost-of-Living adjustments</i>	2.50%
<i>Administrative expenses</i>	0.95% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member
<i>Other assumptions</i>	See analysis of actuarial experience during the period July 1, 2019 through June 30, 2022

The Entry Age actuarial cost Method used in KCERA's annual actuarial valuation has also been applied in measuring the Service Cost and TPL with one exception. For purposes of measuring the Service Cost and TPL, KCERA has reflected the same plan provisions used in determining the member's Actuarial Present Value of Projected Benefits. This is different from the version of this method applied in KCERA's annual funding valuation, where the Normal Cost is determined as if the current benefit accrual rate had always been in effect.

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

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

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return	Weighted Average
Global Equity	37%	7.05%	2.60%
Core Fixed Income	14%	1.97%	0.28%
High Yield Corporate Credit	6%	4.63%	0.28%
Emerging Market Debt Blend (Hard)	2%	4.72%	0.09%
Emerging Market Debt Blend (Local)	2%	4.53%	0.09%
Commodities	4%	4.21%	0.17%
Core Real Estate	5%	3.86%	0.19%
Value Added Real Estate	5%	6.70%	0.34%
Midstream	5%	8.00%	0.40%
Capital Efficiency Alpha Pool	8%	3.10%	0.25%
Hedge Funds	10%	3.10%	0.31%
Private Equity	5%	10.27%	0.51%
Private Credit	5%	6.97%	0.35%
Cash	(8)%	0.63%	(0.05)%
Inflation			2.50%
Total	100%		8.31%

Note 5 – DISCOUNT RATE

The discount rate used to measure the TPL was 7.00% as of June 30, 2025. The projection of cash flows used to determine the discount rates assumes plan member contributions will be made at the current contribution rates and that employer contributions will be made at rates equal to the actuarially determined contribution rates.

For this purpose, only employee and 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 for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's 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 June 30, 2025.

The discount rate assumptions have been developed without taking into consideration any impact of the 50/50 allocation of future excess earnings between the retirement and Supplemental Retiree Benefit Reserve SRBR asset pools.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the Net Pension Liability as of June 30, 2025, calculated using a discount rate of 7.00%, and what the Net Pension Liability would be if it were calculated using a discount rate that is one point lower (6.00%) or one point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability as of June 30, 2025	\$3,361,420,394	\$2,213,606,327	\$1,271,303,269

Note 6 - AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

There have been changes in each employer’s proportionate share of the total Net Pension Liability (NPL) during the measurement period ended June 30, 2025. The net effect of the change on the employer’s proportionate share of the collective NPL and collective deferred outflows of resources and deferred inflows of resources for the current period is recognized over the average of the expected remaining service lives of all employees that are provided with pensions through KCERA which is 4.50 years determined as of June 30, 2024 (the beginning of the measurement period ending June 30, 2025).

Deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as follows:

Reporting Date for Employer under GAS 68 Year Ended June 30:	
2026	\$ —
2027	\$ 155,236,085
2028	\$ 32,524,233
2029	\$ (21,566,404)
2030	\$ (25,489,601)
2031	\$ —
Thereafter	\$ —

Note 7 – ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

Additional financial information supporting the preparation of the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer (including the disclosure of the Net Pension Liability and the unmodified audit opinion on the financial statements) is located in the Kern County Employees’ Retirement Association’s Annual Comprehensive Financial Report for the fiscal years ended June 30, 2025 and 2024. The supporting actuarial information is included in the Governmental Accounting Standards (GAS) 67 Actuarial Valuation as of June 30, 2025 and Governmental Accounting Standard (GAS) 68 Actuarial Valuation as of June 30, 2025. The additional financial and actuarial information is available at www.kcera.org or by contacting KCERA’s office, 11125 River Run Blvd., Bakersfield, CA 93311, or by calling (661) 381-7700.



Kern County Employees' Retirement Association

**FY2026 Financial Statement and GASB
68 Audit Plan Presentation**

June 23, 2026

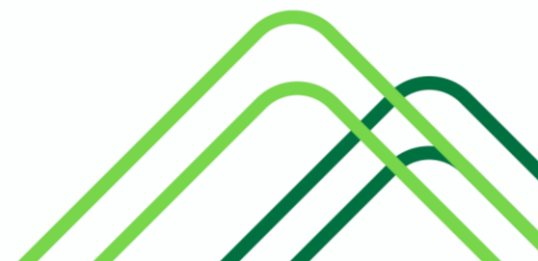
Overview

Requirements and Deliverables

Required Governance Communication

Audit Plan, Significant Audit Areas and Timeline

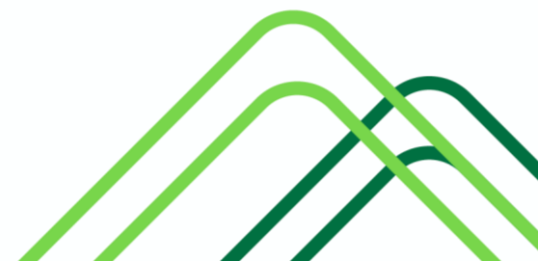
Finance Committee Discussion



Requirements & Deliverables

Audit Engagement Requirements and Deliverables

- Conduct an audit of the basic financial statements of the Kern County Employees' Retirement Association (KCERA) for the year ending June 30, 2026 in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards (GAS).
- Issue an opinion on the fairness of the basic financial statements.
- Provide consultation services, as requested, to assist KCERA staff in preparation of the basic financial statements.
- Expand testing in selected areas and/or examine special areas of concern throughout the engagement and upon the request of the Board of Retirement or Finance Committee.



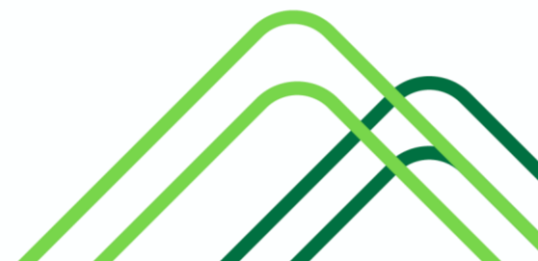
Required Governance Communications

Auditor's Responsibilities - Opinion

- Responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance are presented fairly, in all material respects, in conformity with generally accepted accounting principles in the United States of America.

Significant Audit Risks

- We are required to present the identified significant and/or fraud risks relevant to our audit.
 - Management Override of Controls and Revenue Recognition
 - Required for any audit engagement
 - Valuation of Alternative Investments and Actuarial Amounts
 - Due to the complexity of these amounts, we consider the valuation to be a significant audit risk



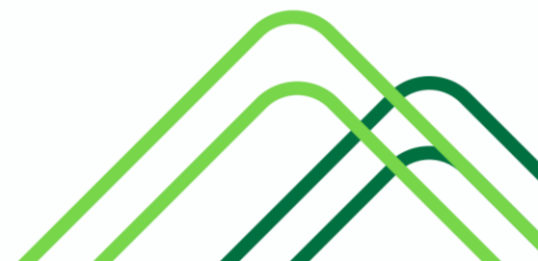
Required Governance Communications

Auditor's Responsibilities - Standards

- Responsible for performing the audit in accordance with generally accepted auditing standards. The audit is designed to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement.

Auditor's Responsibilities – Other

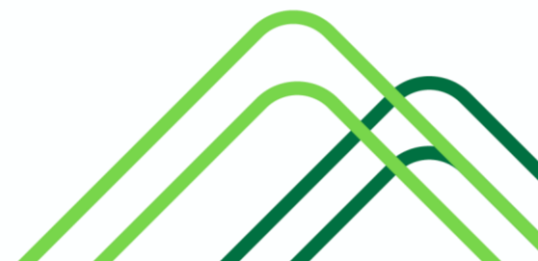
- Exercise professional judgment and maintain professional skepticism
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.



Required Governance Communications

Auditor's Responsibilities – Other

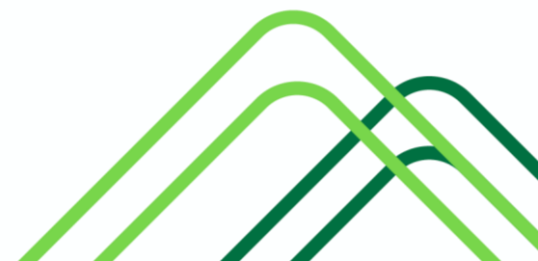
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness KCERA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the KCERA's ability to continue as a going concern for a reasonable period of time.



Required Governance Communications

Management Responsibilities

- Preparation and fair presentation of the financial statements and GASB 68 schedules.
- The design, implementation and maintenance of internal controls relevant to the fair presentation of the financial statements and GASB 68 schedules.

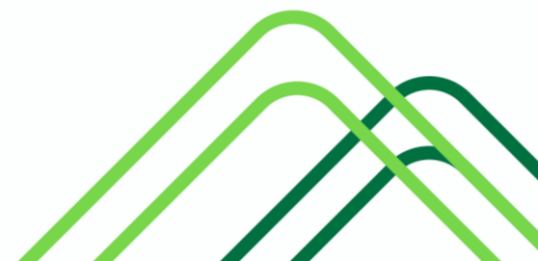


Audit Plan & Significant Audit Areas

Phased Approach – Planning, Internal Control, Substantive Test Work and Reporting

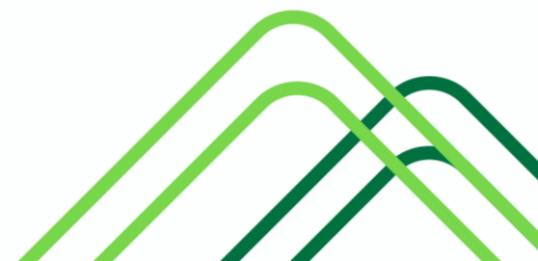
We have identified the following areas as significant audit areas and processes:

- **Investments and Investment Income**
 - Investments – Alternative/Non-Custodial
 - Investments – Publicly Traded/Custodial
- **Contributions/Member Testing**
 - Employer and Member
- **Benefit Payments**
 - Annuity and lump sum benefit payment testing
 - Data analytic procedures over benefit payments
- **TPL, NPL and Related Disclosures**
 - Demographic and informational testing over employer census data
 - Data analytic procedures over census files
- **Financial Statement Preparation Process**



Timeline

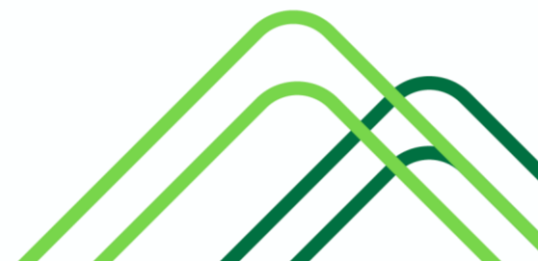
Key Milestone	Dates
Planning	July 2026
Internal Controls Testing	July/August 2026
Substantive Testing	September – November 2026
Issue Financial Statement Audit	December 2026
GASB 68 Audit Procedures	April 2027
Issue GASB 68 Audit	April/May 2027



Finance Committee Discussion

Recognizing the importance of two-way communication, we encourage you to provide us with information you consider relevant to the audit. This may include, but is not limited to the following:

- KCERA's objectives and strategies and the related business risks that may result in material misstatements.
- Your understanding of risks of fraud and controls in place to prevent and detect fraud.
- Other matters you believe are relevant to the audit of the financial statements.





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Audit | Tax | Advisory | Consulting

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Kern County Employees' Retirement Association

Actuarial Experience Study

Analysis for the period from July 1, 2022 through June 30, 2025

June 23, 2026 / Molly Calcagno

Agenda

Actuarial Experience Study Overview

Summary of Recommendations

Actuarial Cost Impact

Taking a Closer Look

Actuarial Experience Study Overview

Actuarial Experience Study Overview

Why do we need experience studies?

Develop recommended assumptions for annual actuarial valuation

- Reviews economic and demographic assumptions every three years
- Current study is based on the **three-year** period from 2022-2025
 - Most assumptions include experience from prior studies to increase the “credibility”

Segal’s role is to make appropriate recommendations to the Board

- Recommendations follow guidance of Actuarial Standards of Practice
 - Assumptions are reasonable individually and in aggregate (ASOP No. 27)

Purpose of the Actuarial Assumptions

What do the assumptions do?



Economic

How will assets grow?

How will salaries and benefits increase?

How will UAAL be amortized?

What type of benefits will be paid?

When will benefits be paid and how long?



Demographic

Actuaries make assumptions as to when and how a member will leave active service and estimate the amount, duration and present value of the expected benefits paid.

Role of Actuarial Assumptions and Methods

$$C + I = B + E$$

Contributions + Investment Income
equals
Benefit Payments + Expenses

- Assumptions do not directly affect the **payment** of benefits, only the **timing** of contributions
 - Actuarial valuation determines the “current” cost, not the ultimate cost

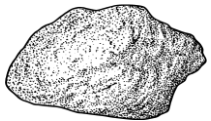
Actuarial Assumption Impacts

How do the assumptions impact liabilities and costs?

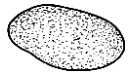
Economic



Inflation



Investment return



Salary increase

Demographic



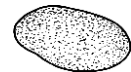
Post-retirement mortality



Pre-retirement mortality



Retirement



Termination



Disability (General members)



Disability (Safety members)

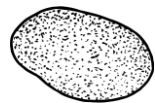
Scale of relative impact of assumptions



Boulder



Rock



Pebble



Sand

Summary of Recommendations

Summary of Economic Assumptions



Assumption	Recommendation
Inflation	<ul style="list-style-type: none">• Maintain current assumption of 2.50%
Cost-of-Living Increases	<ul style="list-style-type: none">• Maintain current assumption of 2.50%
Investment Return	<ul style="list-style-type: none">• Reduce investment return assumption from 7.00% to 6.75%
Salary Increase	<ul style="list-style-type: none">• Maintain current inflation assumption of 2.50%• Maintain current “across-the-board” salary assumption of 0.50%• Introduce separate assumptions for Tier I and IIA members and Tier IIB and III members• Adjust merit & promotion salary assumptions to reflect past experience
Payroll Growth	<ul style="list-style-type: none">• Maintain current assumption of 3.00%
Administrative Expenses	<ul style="list-style-type: none">• Increase current administrative expense load assumption from 0.95% to 1.00% of projected payroll

Summary of Demographic Assumptions

Rates of decrement



Assumption	Recommendation
Mortality	<ul style="list-style-type: none">• Adopt new Pub-2016 base tables• Adopt new adjustments to base tables to reflect KCERA experience• Maintain latest MP-2021 projection scale
Disability	<ul style="list-style-type: none">• Adjust rates to reflect slightly lower incidence of disability for General members and slightly higher incidence of disability for Safety members
Termination	<ul style="list-style-type: none">• Adjust rates to reflect slightly lower overall termination experience for Safety members
Retirement	<ul style="list-style-type: none">• Introduce separate assumptions for General Tier II and Safety Tier II members with service less than 25 years of service and with 25 or more years of service• Decrease rates to reflect lower overall retirement experience for General Tier I and General Tier II with less than 25 years of service• Increase rates to reflect higher overall retirement experience for Safety Tier I with less than 25 years of service

Summary of Demographic Assumptions

Miscellaneous assumptions

Assumption	Recommendation
Deferred Vested Retirement Age	<ul style="list-style-type: none">• Maintain current assumption at 60 for General members with reciprocity• Maintain current assumption at 56 for General members without reciprocity• Increase assumption from 51 to 52 for Safety members with reciprocity• Maintain current assumption at 51 for Safety members without reciprocity
Reciprocity	<ul style="list-style-type: none">• Reduce assumption from 45% to 40% of future General deferred vested members that will be covered by a reciprocal system• Increase assumption from 60% to 65% of future Safety deferred vested members that will be covered by a reciprocal system
Beneficiary Assumptions	<ul style="list-style-type: none">• Maintain current assumption of 65% for males and 55% for females expected to have an eligible survivor at retirement• Maintain assumption that male retirees are three years older than their spouses and that female retirees are two years younger than their spouses• Maintain assumption that male retirees have a female survivor and female retirees have a male survivor

Actuarial Cost Impact

Estimated Actuarial Impact

Modeled as of June 30, 2025

Actual cost impact will be reflected in the June 30, 2026 valuation

Component	Economic Assumptions	Demographic Assumptions	Total Change
Employer normal cost rate	+1.14%	+0.08%	+1.22%
Employer UAAL rate	<u>+2.34%</u>	<u>-0.73%</u>	<u>+1.61%</u>
Total Employer rate	+3.48%	-0.65%	+2.83%
Total Member rate	+0.64%	+0.05%	+0.69%
UAAL	+\$277 M	-\$76 M	+\$201 M
VVA funded ratio	-2.2%	+0.6%	-1.6%

Estimated Actuarial Impact

Modeled as of June 30, 2025

Actual cost impact will be reflected in the June 30, 2026 valuation

Component	Current Assumptions	Total Change	Recommended Assumptions
Employer normal cost rate	11.84%	+1.22%	13.06%
Employer UAAL rate	<u>32.33%</u>	<u>+1.61%</u>	<u>33.94%</u>
Total Employer rate	44.17%	+2.83%	47.00%
Total Member rate	7.67%	+0.69%	8.36%
UAAL	\$2,406 M	+\$201 M	\$2,607 M
VVA funded ratio	72.3%	-1.6%	70.7%

Employer Contribution Rate Impact

Modeled as of June 30, 2025 as % of payroll

Plans and Employer	Current Assumptions	Total Change	Recommended Assumptions
General County without Courts	34.29%	+1.76%	36.05%
Courts	34.73%	+2.00%	36.73%
County Safety	75.59%	+6.30%	81.89%
District Category I	47.27%	+2.49%	49.76%
District Category II	46.82%	+2.49%	49.31%
District Category III	42.66%	+2.30%	44.96%
District Category V	43.26%	+2.10%	45.36%
District Category VI	56.82%	+3.65%	60.47%
Declining Employers	207.69%	+7.72%	215.41%
All Categories Combined	44.17%	+2.83%	47.00%

Member Contribution Rate Impact

Modeled as of June 30, 2025 as % of payroll

Plans and Employer	Current Assumptions	Total Change	Recommended Assumptions
County General without Courts			
County General Tier I without Courts	5.99%	+0.48%	6.47%
County General Tier IIA without Courts	6.93%	+0.56%	7.49%
County General Tier IIB without Courts	6.59%	+0.49%	7.08%
Courts			
Courts Tier I	8.14%	+0.01%	8.15%
Courts Tier IIA	6.41%	+0.55%	6.96%
Courts Tier IIB	6.59%	+0.49%	7.08%
County Safety			
County Safety Tier I	8.23%	+0.63%	8.86%
County Safety Tier IIA	9.96%	+0.86%	10.82%
County Safety Tier IIB	14.12%	+2.10%	16.22%
District			
District Category I Tier I	5.02%	+0.45%	5.47%
District Category I Tier IIA	6.17%	+0.56%	6.73%
District Category I Tier IIB	6.59%	+0.49%	7.08%

Member Contribution Rate Impact

Modeled as of June 30, 2025 as % of payroll

Plans and Employer	Current Assumptions	Total Change	Recommended Assumptions
District			
District Category II Tier I	6.57%	+0.50%	7.07%
District Category II Tier IIB	6.59%	+0.49%	7.08%
District Category II Tier III	7.90%	+0.69%	8.59%
District Category III Tier I (Buttonwillow)	N/A	N/A	N/A
District Category III Tier I (SJVAPCD)	12.38%	+1.11%	13.49%
District Category III Tier IIA (Buttonwillow)	N/A	N/A	N/A
District Category III Tier IIA (SJVAPCD)	6.96%	+0.48%	7.44%
District Category III Tier IIB	6.59%	+0.49%	7.08%
District Category V Tier I	0.00%	+0.00%	0.00%
District Category V Tier IIA	6.33%	+0.57%	6.90%
District Category V Tier IIB	6.59%	+0.49%	7.08%
District Category VI Tier I	0.00%	+0.00%	0.00%
District Category VI Tier IIB	6.59%	+0.49%	7.08%

Member Contribution Rate Impact

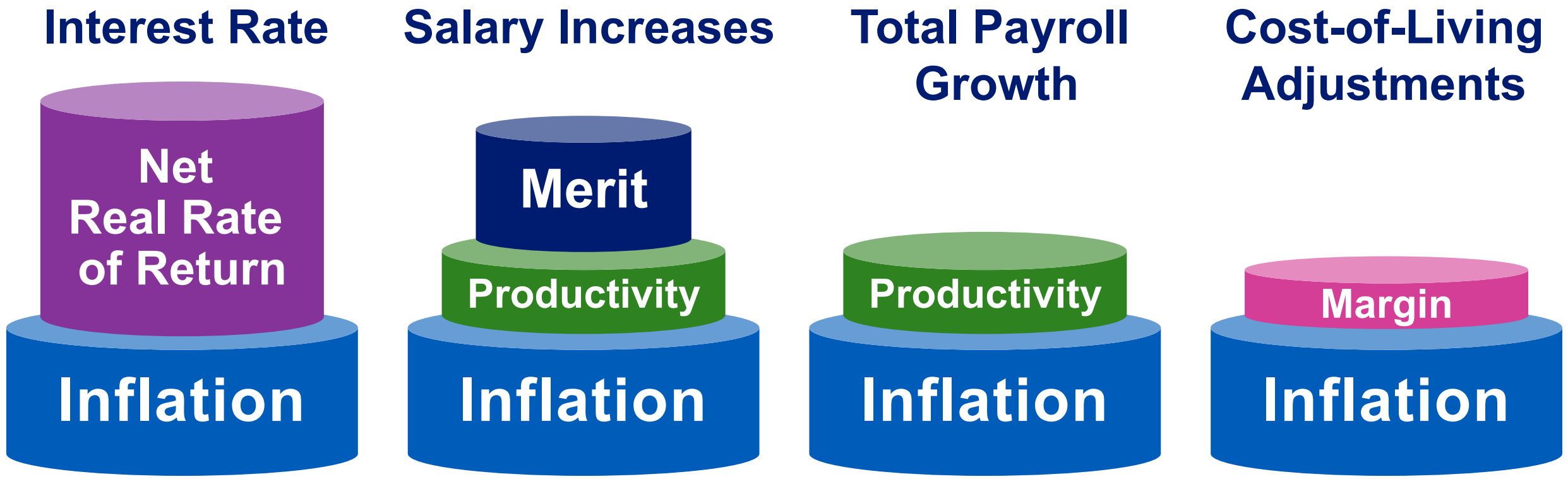
Modeled as of June 30, 2025 as % of payroll

Plans and Employer	Current Assumptions	Total Change	Recommended Assumptions
Declining Employers			
Declining Employers Tier I	6.20%	+0.46%	6.66%
Declining Employers Tier IIB	6.59%	+0.49%	7.08%
All Categories Combined	7.67%	+0.69%	8.36%

Taking a Closer Look

Summary of Economic Assumptions

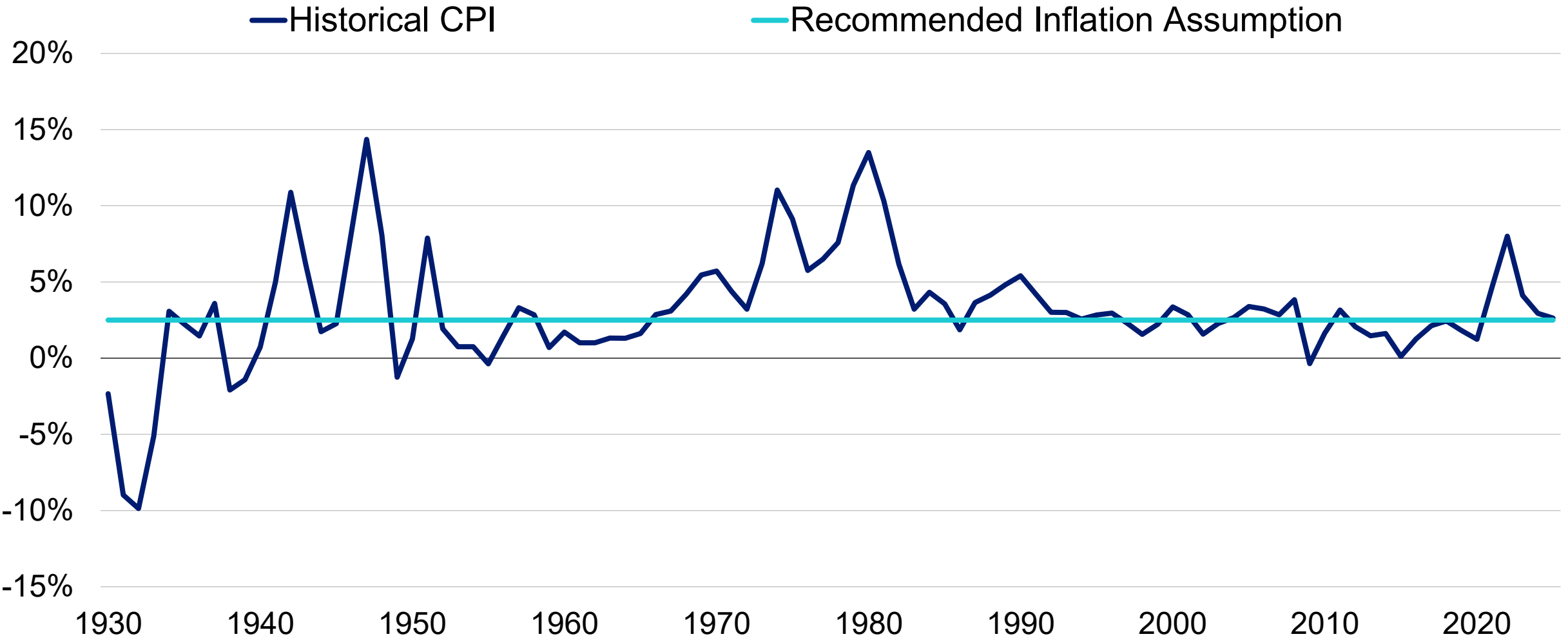
What are the components of the economic assumptions?



Each component should be consistent across all economic assumptions

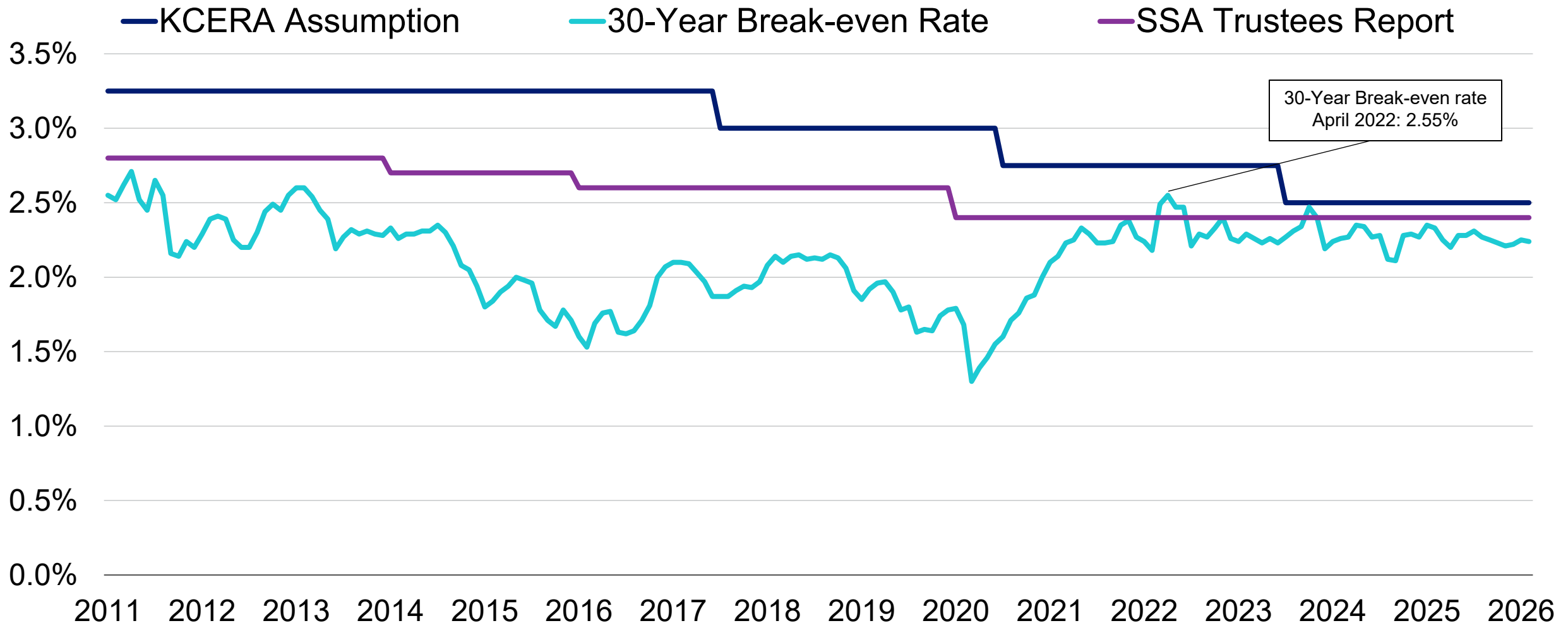
Historical Consumer Price Index (CPI)

Price inflation historical review



Historical Inflation Forecasts

Price inflation comparisons



Price Inflation Assumption

Looking forward

Future expectations

- Investment consultant survey average inflation is 2.49%
 - Verus: 2.30% annual inflation over 30 years
- Social Security Administration: 2.40% average CPI over 75 years
- Market implied forward inflation hovering between 2%-2.5%
- Public Plan Database: 2.50% median inflation assumption

Recommend maintaining annual inflation assumption at 2.50%

Investment Earnings Assumption

Putting it all together

Assumption Component	June 30, 2026 Recommended	June 30, 2023 Adopted
Inflation	2.50%	2.50%
Portfolio expected arithmetic real return	5.16%	5.81%
Expense adjustment	(0.05%)	(0.05%)
Adjustment to expected geometric real return	(0.52%)	(0.75%)
Risk adjustment	(0.34%)	(0.51%)
Total	6.75%	7.00%
Confidence level	55%	56%

Risk Adjustment

Risk adjustment

- **Decrease** in risk adjustment
 - Results in **slightly lower** confidence level under **6.75% recommendation**
- Compares risk position over time

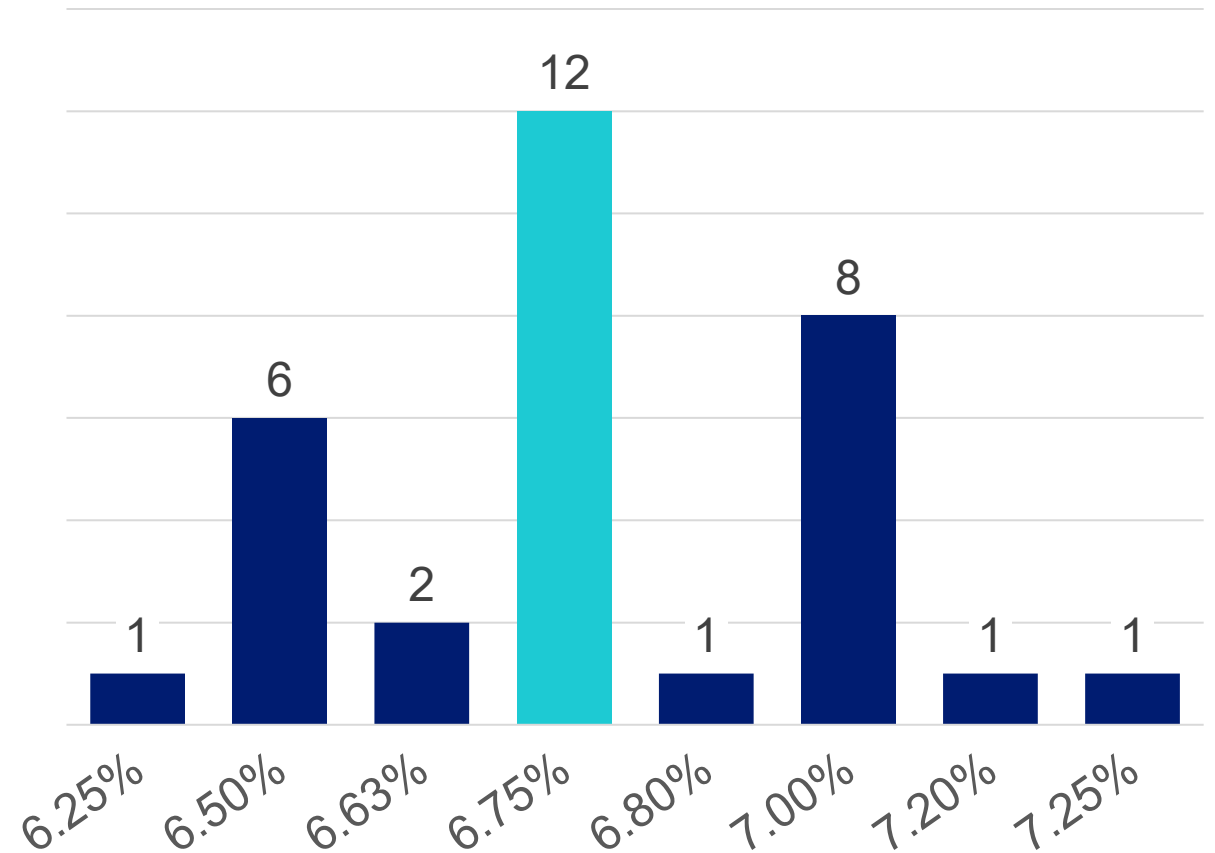
Years Ending June 30	Investment Return	Risk Adjustment	Confidence Level
2011 – 2013	7.75%	(0.04%)	49%
2014 – 2016	7.50%	0.23%	53%
2017 – 2019	7.25%	0.22%	53%
2020 – 2022	7.25%	0.35%	55%
2023 – 2025	7.00%	0.51%	56%
2026 (Recommended)	6.75%	0.34%	55%

Comparison with Other Systems

How does the 6.75% recommendation compare?

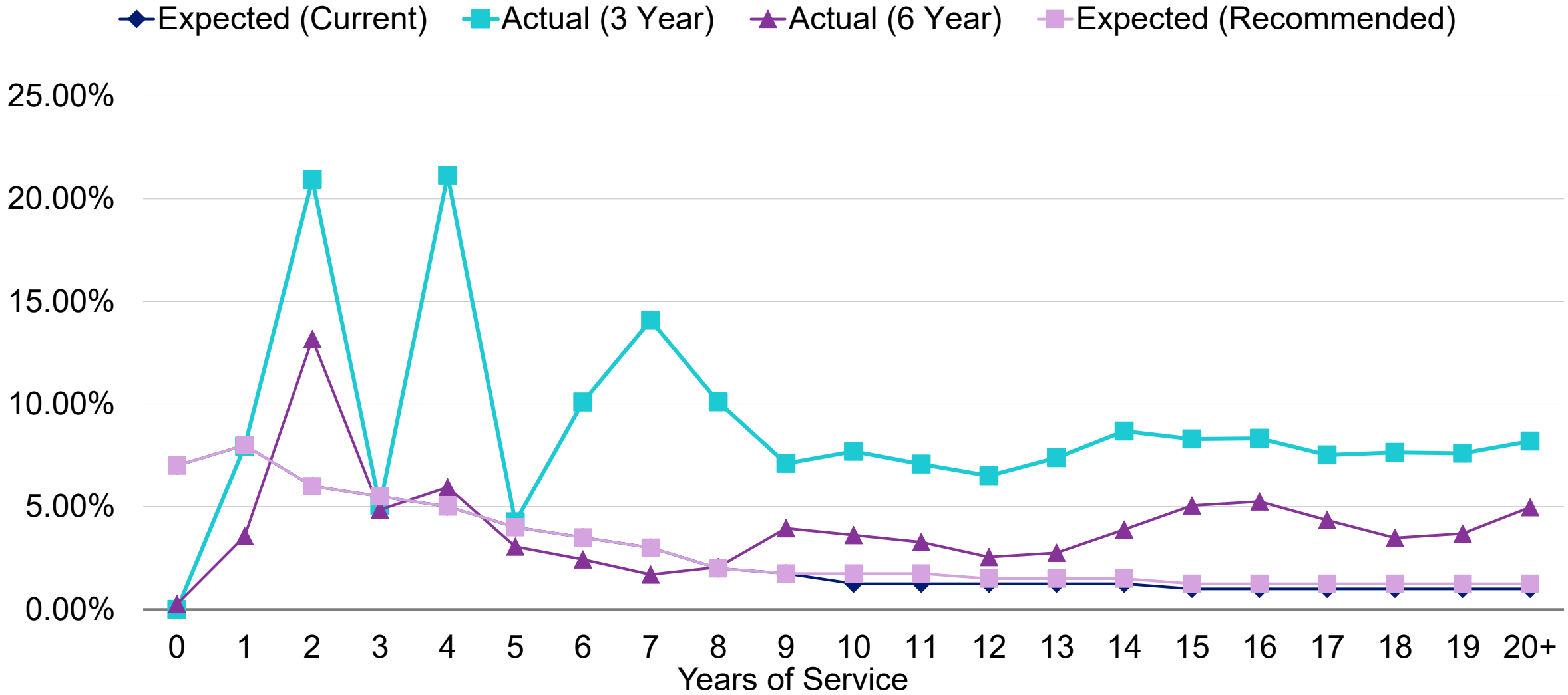
- **National** median is 7.00%
 - NCPERS’s survey mean is 6.67%
 - 149 survey responses, as of 2025
 - Public Plan’s survey mean is 6.91%
 - 239 large public retirement funds in their 2024 fiscal year valuation
 - 72% of the systems have reduced their investment return assumption from 2017 to 2024
 - State systems outside California tend to lag emerging practices

California Public Sector Systems



Merit and Promotion Increase Example

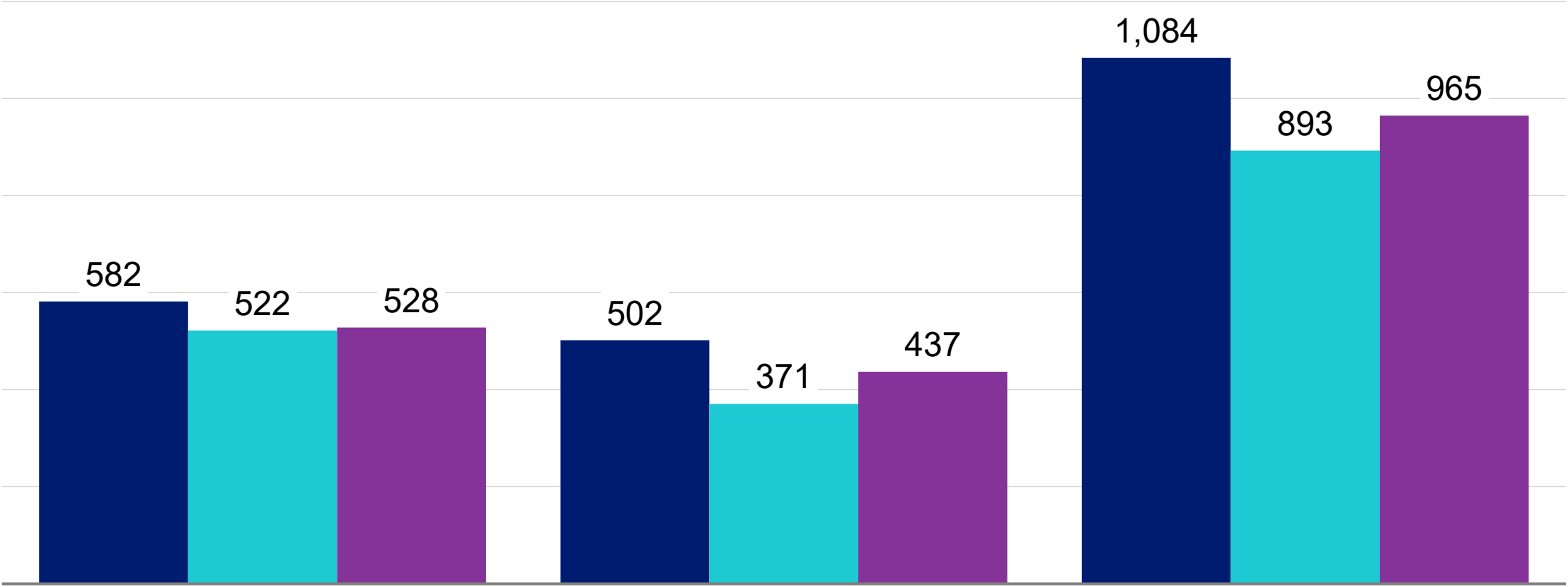
Safety Tier I and IIA Members



Retirement Assumption Example

General Tier I Members

■ Expected (Current) ■ Actual ■ Expected (Recommended)



3-Year Total (2019-22)

3-Year Total (2022-25)

Total (2019-25)

Note: Results may not add due to rounding.

Thank You

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