KCERA
KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

2023
Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2023 and 2022

KERN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

A defined benefit public pension plan (California)

KCERA's Vision:
To be a trusted pension partner, delivering financial security and accurate information through a commitment to expertise, innovation, and continual improvement.

KERN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

2023 Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

Issued By:

Dominic D. Brown, CPA, CFE

Chief Executive Officer

Angela Kruger

Chief Financial Officer

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INTRODUCTORY SECTION

December 13, 2023

Board of Retirement
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311

Dear Board Members:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the years ended June 30, 2023 and 2022. This Letter of Transmittal is presented as a narrative introduction, overview and analysis in conjunction with the Management's Discussion and Analysis included in the Financial Section of the Annual Comprehensive Financial Report.

Kern County Employees' Retirement Association (KCERA) is a public employee retirement system that was established on January 1, 1945 by the County of Kern. The KCERA Plan provides retirement, disability, death, beneficiary, cost-of-living and supplemental retirement benefits. As of June 30, 2023, KCERA had 13,948 active and deferred-vested members and paid retirement benefits to 9,156 retirees and their beneficiaries.

KCERA AND ITS SERVICES

KCERA provides retirement allowances and other benefits to all permanent general and safety employees of the County of Kern and of participating special districts. As of June 30, 2023, fourteen districts participated in the retirement plan: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services 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 Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, and West Side Recreation and Park District.

The Plan is administered by the KCERA Board of Retirement (Board), which consists of nine members and three alternate members. The Board is responsible for establishing policies governing the administration of the retirement plan, determining benefit allowances and managing the investments of KCERA's assets. The Board oversees the Chief Executive Officer and the KCERA staff in the performance of their duties in accordance with the County Employees' Retirement Law of 1937 (CERL) and the regulations, procedures and policies adopted by the KCERA Board.

MAJOR INITIATIVES

KCERA Workplace Culture and Recruitments

KCERA is committed to a collaborative culture with an emphasis on teamwork. KCERA seeks to have a happy, engaged workforce who are empowered to serve our members and our community. This includes providing a safe and healthy workplace, and it also includes developing and delivering training on technical and personal growth areas. KCERA provides promotional growth opportunities within our organization and encourages staff to excel.

KCERA management continued the organizational growth that is allowing us to better accomplish the mission of the organization. As part of that growth, KCERA added a Communications Manager.

MAJOR INITIATIVES (CONT.)

SRBR Restructure

On September 14, 2022, the KCERA Board of Retirement unanimously voted to restructure the Supplemental Retiree Benefit Reserve (SRBR) Program. KCERA Staff worked with its actuaries to devise a process in which all members had their SRBR benefit calculated, on a one-time basis, under the new "Years of Service" benefit ($1.80 per year of service) and the old SRBR 1-4 structure. Members then received whichever benefit calculation yielded a higher result. This is the member's starting SRBR benefit under the Restructured SRBR (also referred to as the "floor" benefit). Eligible members will receive a 2.5% COLA on their SRBR benefit every year, so long as the SRBR remains adequately funded. Under the restructured SRBR, KCERA's Board will consider benefit changes when the SRBR funding is above 115% funded or below 95% funded for two consecutive years. The change in benefit structure was effective July 1, 2022, and is now fully implemented.

Alameda Decision

On August 24th, 2020, the Board of Retirement approved a resolution to implement the Alameda California Supreme Court decision. The Alameda decision filed on July 30, 2020, concludes that all amendments to the definition of compensation earnable in Government Code section 31461, enacted as a result of the Public Employees' Pension Reform Act of 2013 and related statutory changes to CERL ("PEPRA"), effective January 1, 2013 are constitutional, and that CERL retirement boards may not be contractually bound or estopped by settlement agreements, board resolutions, or other similar actions, from implementing those amendments. The Alameda Decision further determines that CERL retirement boards may not include items in retirement allowance calculations, either compensation earnable under section 31461, as amended, or pensionable compensation under section 7522.34, that the applicable statutes require them to exclude ("PEPRA Exclusions").

FUNDING

KCERA's funding objective is to meet long-term benefit obligations through level contributions to the Plan and the accrual and compounding of investment income. As of June 30, 2022, the funded ratio of the Plan was 69.2% using actuarial assets and actuarial liabilities of $5,102,402,000 and $7,372,653,000, respectively. The funded percentage increased 2.1% from June 30, 2021, due primarily to recognition of net deferred investment gains.

Pursuant to provisions in the County Employees' Retirement Law of 1937, KCERA engages an independent actuarial consulting firm, Segal Consulting, to conduct annual actuarial valuations. Every three years, an experience study is performed to review all economic and demographic assumptions. The economic and demographic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member and employer contribution rates necessary to properly fund the Plan. The last triennial analysis was performed as of June 30, 2022.

The triennial analysis covered several changes to economic and non-economic assumptions that were adopted by the Board of Retirement on June 14, 2023, for the June 30, 2023, actuarial valuation. The actuary recommended changes in the assumptions for inflation, promotional and merit salary increases, retirement rates, mortality rates, termination rates, and disability incidence rates. The major changes included lowering the inflation assumption from 2.75% to 2.50%, reducing the current inflationary salary increase assumption from 2.75% to 2.50%, real "across the board" salary increases will decrease from 3.25% to 3.00%, and maintaining the mortality tables follow Pub-2010 Amount Weighted Mortality Tables. These assumption changes resulted in the Board adopting a change in KCERA's assumed rate from 7.25% to 7.00%.

FINANCIAL INFORMATION

The ACFR for the years ended June 30, 2023 and 2022 was prepared by KCERA's management, which is responsible for the accuracy, completeness, fair presentation of information and all disclosures in this report. The report has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

FINANCIAL INFORMATION (CONT.)

KCERA maintains an internal control system to provide reasonable assurance that assets are properly safeguarded from loss, theft or misuse, and the fair presentation of the financial statements and supporting schedules. Further, it should be recognized that there are inherent limitations in the effectiveness of any system of internal controls due to changes in conditions. Moreover, the concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits to be derived. The Board of Retirement has established a finance committee to oversee the financial reporting process and to review the scope and results of independent audits. The independent auditors have unrestricted access to the finance committee to discuss their related findings as to the integrity of the financial reporting and adequacy of internal controls.

KCERA's external auditor, UHY LLP, has conducted an audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America, performing such tests and other procedures as they deem necessary to express an opinion in their report to the Board of Retirement. The financial audit ensures that KCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free of material misstatements. Their opinion is that KCERA's financial statements present fairly, in all material respects, the Fiduciary Net Position of KCERA as of June 30, 2023 and 2022 and its Changes in Fiduciary Net Position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INVESTMENTS

The Board of Retirement has exclusive control of all investments of KCERA and is responsible for establishing investment policies, objectives and strategies. The Board is authorized to invest in any form or type of investment deemed "prudent" in the informed opinion of the Board. The members of the Board serve as fiduciaries for the members and beneficiaries of the retirement association and are held to a high standard of care in all transactions.

The Board operates under a standard of care in California commonly known as the "prudent person" rule, which allows the Board to invest or delegate the authority to invest the assets of the Plan when prudent in the informed opinion of the Board. In addition, the rule requires the Board to diversify the investments of the Plan, unless it is clearly prudent not to do so under the circumstances. The Board therefore makes basic policy decisions with respect to the Plan, including, but not limited to, the allocation of assets to various investment classes. The Board delegates much discretion to professional investment advisors to execute investment policy subject only to policy and guidelines provided by the Board.

KCERA's assets are managed exclusively by external, professional investment managers. KCERA staff monitors the activity of these managers and assists the Board with the development and implementation of investment policies and long-term investment strategies. These policies and guidelines are outlined in KCERA's Investment Policy Statement, which states the investment philosophy, investment guidelines, performance objectives and asset allocation of the Plan. The Board employs the services of independent investment consultants Verus Investments, Albourne America, Cambridge Associates and Abel Noser to assist the Board in formulating policies, setting goals and manager guidelines, and selecting and monitoring the performance of the money managers.

For fiscal year 2023, the investments of the Plan returned 5.9%* (net of fees). KCERA's annualized rate of return, net of fees, was 8.1% in the past three years, 6.5% in the past five years, and 6.7% in the past ten years. The investment expenses of the fund are linked to the performance of the investment portfolio and other factors and therefore vary year to year.

* References in this document to KCERA's investment rate of return assume a time-weighted rate of return unless otherwise specified as a money-weighted rate of return, per GASB 67 guidelines.

PROFESSIONAL SERVICES

The Board retains professional consultants and investment managers to provide professional services essential to the effective and efficient operation of KCERA. These entities are included in the Schedule of Investment Fees on pages 78-81.

Opinions from the certified public accountant and the actuary for the Plan are included in this report. The consultants and investment managers retained by the Board are listed on pages 10 and 75, respectively, of this report.

CERTIFICATE OF ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KCERA for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

In order to be awarded the Certificate of Achievement, a government unit must publish an easily readable and well-organized Annual Comprehensive Financial Report. This report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we will again submit it to the GFOA for appraisal.

KCERA also received the Public Pension Standards Award for Fund and Administration for the fiscal year ended June 30, 2022. The award is issued by the Public Pension Coordinating Council and is used to recognize KCERA meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

ACKNOWLEDGMENTS

The compilation of this report reflects the combined effort of the KCERA staff. This report is intended to provide complete information as a basis for management decisions, as a means for establishing compliance with legal requirements, and as a means for determining the responsible stewardship of the KCERA fund.

We wish to take this opportunity to thank the members of KCERA for their confidence in KCERA and to express our gratitude to the Board of Retirement for your support of the KCERA administration and the best interests of the beneficiaries of the Plan throughout the fiscal year. We also wish to thank the consultants and staff for their continued commitment to KCERA and their diligent work to ensure the successful administration of the Plan.

Respectfully submitted,

Dominic D. Brown

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Angela Kruger

Angela Kruger
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kern County Employees' Retirement Association
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2023

Presented to

Kern County Employees' Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

Members of the Board of Retirement
As of June 30, 2023

Tyler Whitezell, Chair
Position: 9th Member
Appointed by:
Board of Supervisors
Term expires: Dec. 31, 2025

Phil Franey
Position: 8th Member
Elected by:
Retired Members
Term expires: Dec. 31, 2025

Jordan Kaufman
Position: 1st Member
Appointed by:
Statute

Chase Nunneley
Position: 1st Member (Alt)
Appointed by:
Statute

Juan Gonzalez
Position: 2nd Member
Elected by:
General Members
Term expires: Dec. 31, 2025

Janine Adams
Position: 3rd Member
Elected by:
General Members
Term expires: Dec. 31, 2025

David Couch
Position: 4th Member
Appointed by:
Board of Supervisors
Term expires: Dec. 31, 2024

Joseph D. Hughes
Position: 5th Member
Appointed by:
Board of Supervisors
Term expires: Dec. 31, 2025

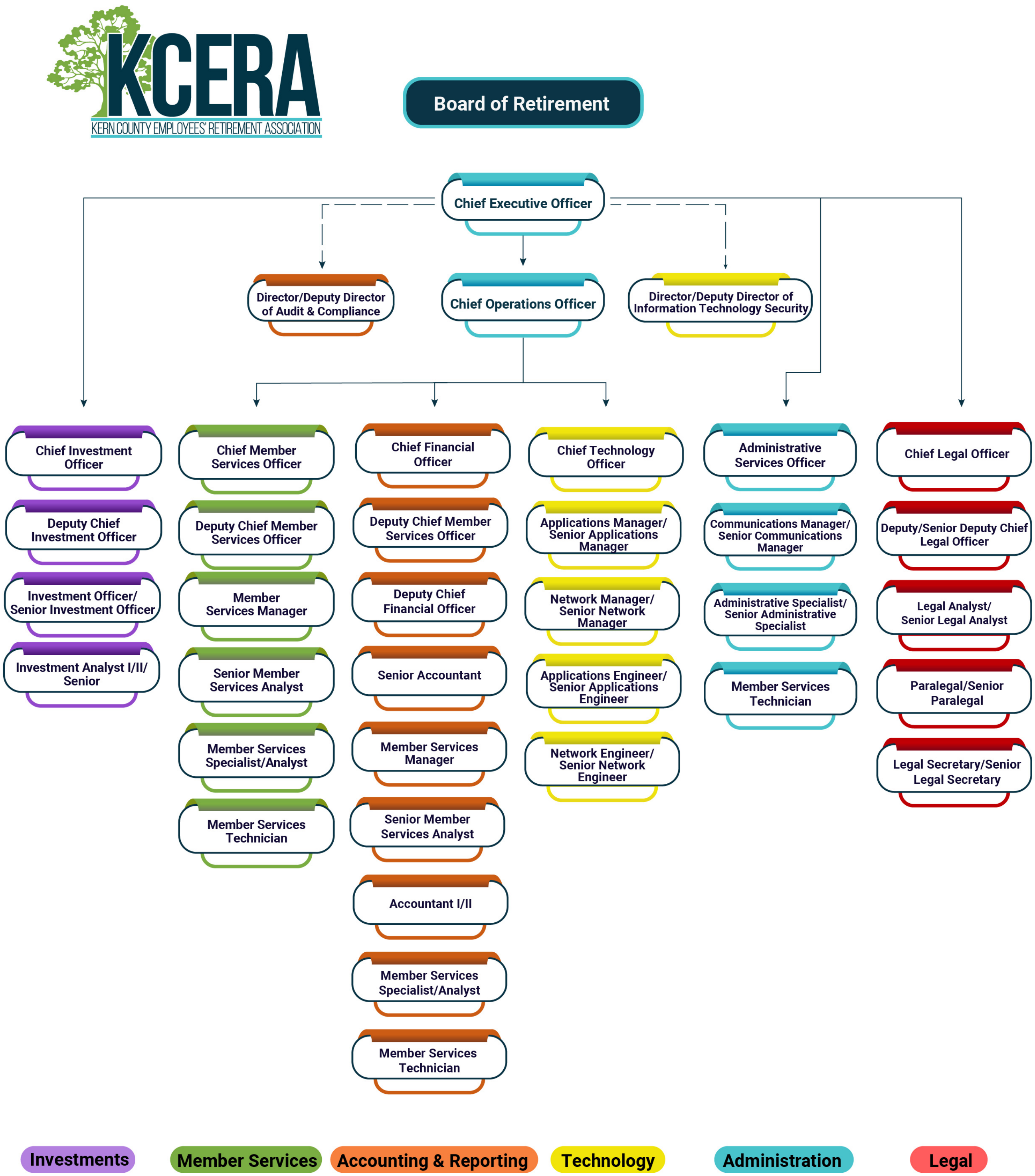
John Sanders
Position: 6th Member
Appointed by:
Board of Supervisors
Term expires: Dec. 31, 2024

Rick Kratt
Position: 7th Member
Elected by:
Safety Members
Term expires: Dec. 31, 2024

Dustin Contreras
Position: 7th Member (Alt)
Elected by:
Safety Members
Term expires: Dec. 31, 2024

Robb Seibly
Position: 8th Member (Alt)
Elected by:
Retired Members
Term expires: Dec. 31, 2025

Positions FY 2023-2024
As June 14, 2023



Refer to the Investment Section Schedule of Investment Management Fees pgs 78 - 81 for a list of Investment Professionals

As of June 30, 2023

ACTUARY

The Segal Company, Inc.

AUDITORS

UHY, LLP

CUSTODIAN

The Northern Trust Company

INVESTMENT CONSULTANTS

Albourne America LLC
Cambridge Associates
Verus Investments

LEGAL

Foley & Lardner, LLP
Hanson Bridgett, LLP
Ice Miller, LLP
Nossaman, LLP
Reed Smith, LLP

OTHER SPECIALIZED SERVICES

Abel Noser
Agility Recovery Solutions
AON Consulting, Inc
Aurora Systems Consulting, Inc
Glass, Lewis & Co., LLC
Deutsche Bank

Refer to the Investment Section for a list of Investment Managers pg 75

FINANCIAL SECTION

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UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of Kern County Employees' Retirement Association (KCERA), which comprise the statement of fiduciary net position and statement of changes in fiduciary net position, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise KCERA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of KCERA, as of June 30, 2023, and the respective changes in its fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

Other Information

The financial statements of KCERA as of June 30, 2022 were audited by other auditors whose report dated December 19, 2022 expressed an unmodified opinion on those statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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 Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 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.

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 the schedule of changes in net pension liability and related ratios, employer contributions and money-weighted rates of return and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental

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

Other Supplemental Information

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

Other Information included in the Annual Report

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2023, on our consideration of the KCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of the KCERA'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 KCERA's internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
December 13, 2023

This section presents management's discussion and analysis of the Kern County Employees' Retirement Association's (KCERA) financial statements and the significant events and conditions that affected the operations and performance during the years ended June 30, 2023 and 2022. It is presented as a narrative overview and analysis in conjunction with the Executive Director's *Letter of Transmittal* included in the Introductory Section of the Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- KCERA's net position increased by $255.5 million during the fiscal year ended June 30, 2023, a 5.0% increase from the last fiscal year. The increase was primarily the result of positive investment returns.

- Member contributions increased by $5.0 million, or 9.2%, mainly as a result of a increase in covered payroll. Employer contributions increased by $29.8 million, or 10.4%, which was primarily due to an increase in covered payroll. The average employer contribution rate decreased from 48.91% of payroll for fiscal year 2021-22 to 48.76% for fiscal year 2022-23.

- The total fund's investment performance did not meet the actuarial assumed rate of return for the fiscal year. The investment portfolio reported a total return of 5.9% (net of fees)* versus the actuarial assumed rate of return of 7.25% for the fiscal year ended June 30, 2022.

- Vested pension benefits increased by $16.8 million, or 4.5%, over the prior year. The increase is attributable to a 1.6% increase in retired members and beneficiaries receiving pension benefits, and a 2.8% increase in the average monthly benefit, which rose to $3,764 in the fiscal year. In 2022, the Board adopted a COLA increase of 2.5% for new pensioners. Pensioners with an accumulated COLA carry-over received up to the maximum 2.5% increase in April 2023.

- As of June 30, 2023, the date of the most recent actuarial funding valuation, the funded ratio for KCERA was 68.7% compared to the funded ratio of 69.2% as of June 30, 2022. The decrease in the ratio is due to recent changes to actuarial assumptions and an increase in salaries.

OVERVIEW OF BASIC FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

1) **The Statement of Fiduciary Net Position** is the basic statement of position for a defined benefit pension plan. This statement presents asset and liability account balances at fiscal year-end. The difference between assets and liabilities represents the net position available for future payments to retirees and their beneficiaries. Assets and current liabilities of the Plan reflect full accruals. The statement reflects investments at fair value and accounting liabilities as distinct from actuarial liabilities.

2) **The Statement of Changes in Fiduciary Net Position** is the basic operating statement for a defined benefit pension plan. Changes in plan net position are recorded as additions or deductions from the Plan. All additions and deductions are reported on a full accrual basis.

3) **Notes to the Basic Financial Statements** are an integral part of the financial statements and provide important additional information.

4) **Required Supplementary Information** consists of three required schedules and their related notes: Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Money-Weighted Rates of Return.

** References in this document to KCERA's investment rate of return assume a time-weighted rate of return unless otherwise specified as a money-weighted rate of return, per GASB 67 guidelines.*

OVERVIEW OF BASIC FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION (cont)

5) **Other Supplemental Information** includes schedules of administrative expenses, investment manager fees, other investment expenses, and payments to consultants.

The required financial statements and disclosures have been prepared in accordance with accounting principles generally accepted in the United States of America and are in compliance with Governmental Accounting Standards Board (GASB) Statements.

FINANCIAL ANALYSIS

FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

KCERA provides pension benefits to the employees and their beneficiaries of the County of Kern and other public agencies. KCERA's benefits are funded by member and employer contributions, and by investment income. KCERA's fiduciary net position restricted for pension benefits at June 30, 2023 was $5.4 billion, an increase of $255.5 million, or 5.0%, from June 30, 2022. KCERA's fiduciary net position-restricted for pension benefits at June 30, 2022 was $5.1 billion, a decrease of $286,384 million, or (5.3)%, from June 30, 2021. Key elements of the increase in net position are described below and in Tables 1 and 2 on pages 18 & 19.

CONTRIBUTIONS AND INVESTMENT INCOME

Additions to fiduciary net position include member and employer contributions and investment income. Member contributions were approximately $59.5 million, $54.5 million and $53.8 million for the years ended June 30, 2023, 2022 and 2021, respectively.

Member contributions increased by $5.0 million, or 9.2% in 2023 and increased by $0.7 million, or 1.4% in 2022. The increase in member contributions in 2023 was primarily the result of increases in covered payroll.

Employer contributions were $316.8 million, $287.1 million and $268.6 million for the years ended June 30, 2023, 2022 and 2021, respectively. Employer contributions increased approximately $29.8 million, or 10.4% in 2023 and increased approximately $18.5 million, or 6.9% in 2022. The increase in 2023 was due to a increase in covered payroll. The increase in 2022 was primarily due to a increase in covered payroll.

Net investment and securities lending income was $304.2 million, $(219.9) million and $1,042 million for the years ended June 30, 2023, 2022 and 2021, respectively.

For the fiscal years ended June 30, 2023, 2022 and 2021, the KCERA portfolio returned (net of fees) 5.9%, (4.5)%, and 23.9%, respectively. More information on KCERA's investment portfolio is contained in the investment section of this report.

BENEFITS, REFUNDS AND EXPENSES

Deductions to plan fiduciary net position include pension benefits, lump sum payments, supplemental benefits, refunds of member contributions, and administrative expenses. The pension benefits (annuity, pension and cost-of- living allowances) were $388.2 million, $371.4 million and $355.2 million for the years ended June 30, 2023, 2022 and 2021, respectively. Pension benefits increased by approximately $16.8 million, or 4.5% in 2023 and $16.2 million, or 4.6% in 2022.

These increases were mainly due to a consistently growing population of retired members and beneficiaries receiving pension benefits and an increase in the average monthly benefit, attributable to higher final average compensations, and the maximum 2.5% cost-of-living adjustment. Retired members and beneficiaries increased by 1.6% in 2023 and by 2.0% in 2022.

FINANCIAL ANALYSIS (CONT.)

BENEFITS, REFUNDS AND EXPENSES (CONT.)

KCERA previously adopted California Government Code Section 31618, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). In fiscal year 2023, SRBR was restructured to include an annual 2.5% COLA on SRBR benefits, so long as SRBR remains adequately funded. SRBR also includes a $5,000 death benefit. In addition to pension benefits, the supplemental retirement benefits paid were $22.2 million, $20.6 million and $19.3 million for the years ended June 30, 2023, 2022 and 2021, respectively. Refunds of member contributions were $7.4 million, $9.4 million and $6.5 million for the years ended June 30, 2023, 2022 and 2021, respectively.

KCERA's administrative expenses were $7.3 million, $6.7 million and $6.1 million for the years ended June 30, 2023, 2022 and 2021, respectively.

Average aggregate monthly defined benefit payments, excluding SRBR benefits, AND total number of retirees and beneficiaries:

June 2023	June 2022	June 2021
$32.1 million	$30.7 million	$29.4 million
9,156	9,015	8,835

STATEMENT OF FIDUCIARY NET POSITION

Table 1 *(in thousands)*

	2023	Increase (Decrease) Amount	2022	Increase (Decrease) Amount	2021
Assets					
Current Assets	$ 719,437	$ 322,694	$ 396,743	$ (96,366)	$ 493,109
Investments	4,835,565	(32,182)	4,867,747	(133,237)	5,000,984
Securities Lending Collateral	—	(153,386)	153,386	(28,133)	181,519
Capital Assets	515	(562)	1,077	(615)	1,692
Total Assets	**5,555,517**	**136,564**	**5,418,953**	**(258,351)**	**5,677,304**
Liabilities					
Current Liabilities	168,936	34,498	134,438	56,166	78,272
Liabilities for Security Lending	—	(153,386)	153,386	(28,133)	181,519
Total Liabilities	**168,936**	**(118,888)**	**287,824**	**28,033**	**259,791**
Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,386,581**	**$ 255,452**	**$ 5,131,129**	**$ (286,384)**	**$ 5,417,513**

FINANCIAL ANALYSIS (CONT.)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Table 2 *(in thousands)*

	2023	Increase (Decrease) Amount	2022	Increase (Decrease) Amount	2021
Additions					
Employer Contributions*	$ 316,838	$ 29,775	$ 287,063	$ 18,438	$ 268,625
Member Contributions*	59,521	5,007	54,514	725	53,789
Net Investment Income	304,208	524,154	(219,946)	(1,263,307)	1,043,361
Total Additions	**680,567**	**558,936**	**121,631**	**(1,244,144)**	**1,365,775**
Deductions					
Pension Benefits	388,231	16,881	371,350	16,153	355,197
Supplemental Retirement Benefits	22,185	1,595	20,590	1,304	19,286
Refunds of Member Contributions	7,439	(1,934)	9,373	2,860	6,513
Administrative Expenses	7,260	558	6,702	641	6,061
Total Deductions	**425,115**	**17,100**	**408,015**	**20,958**	**387,057**
Increase (Decrease) in Net Position	**$ 255,452**	**$ 541,836**	**$ (286,384)**	**$ (1,265,102)**	**$ 978,718**
Fiduciary Net Position - Restricted for Pension Benefits					
At Beginning of Year	**$ 5,131,129**	**$ (286,384)**	**$ 5,417,513**	**$ 978,718**	**$ 4,438,795**
At End of Year	**$ 5,386,581**	**$ 255,452**	**$ 5,131,129**	**$ (286,384)**	**$ 5,417,513**

**Employer paid member contributions are classified as member contributions.*

RESERVES

KCERA’s reserves are established for the purpose of managing benefit operations in accordance with the County Employees Retirement Law of 1937 (CERL). The total amount of reserves equals KCERA’s Fiduciary Net Position – Restricted for Pension Benefits at the end of the year.

Investments are stated at fair value instead of at cost and include the recognition of unrealized gains and losses. Unrealized gains and losses effect the reserves indirectly through an actuarial asset “smoothing” process and are held in the Market Stabilization Reserve with a portion allocated to all other reserves. KCERA uses a five-year smoothing methodology to recognize unrealized gains and losses. The five-year smoothing is calculated by subtracting the expected return of the actuarial assumed interest rate of 7.25% from the total Fund’s actual return on net position. The Market Stabilization Reserve was $(208.8) million, $(220) million and $429.1 million for the years ended June 30, 2023, 2022 and 2021, respectively.

Interest at the actuarial rate of 7.25%, or at the highest rate possible if net earnings are not sufficient to credit the full actuarial rate, is credited semiannually on December 31 and June 30. Interest is credited to all reserves, except the contingency reserve. KCERA credited the reserves 7.25% in fiscal year 2023 and 7.25% in fiscal year 2022. In addition, in fiscal year 2023, $(92.9) million was credited to decrease the contingency reserve to a 0.46% of total fair value of assets, in accordance with the Board of Retirement’s Interest Crediting Policy. As investment returns continue to improve, the Contingency Reserve will increase to 3% of fair value of assets.

RESERVES (CONT.)

(in thousands)

KCERA Reserves	2023	2022	2021
Member Reserve	601,611	547,558	505,907
Employer Reserve	1,471,085	1,294,007	1,169,530
Cost of Living Reserve	1,830,478	1,687,815	1,557,603
Retired Member Reserve	1,537,885	1,562,252	1,549,933
Supplemental Retiree Benefit Reserve	129,750	142,006	151,852
Contingency Reserve	24,619	117,544	53,624
Market Stabilization Reserve	(208,847)	(220,053)	429,064
Total	**$ 5,386,581**	**$ 5,131,129**	**$ 5,417,513**

FIDUCIARY RESPONSIBILITIES

The Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Pension Protection Act of 1992, the Board of Retirement has plenary authority and fiduciary responsibility for the investment of monies and for the administration of KCERA. The Board of Retirement has the sole and exclusive fiduciary responsibility over the assets of the Plan. The assets are held for the exclusive purpose of providing benefits to KCERA members and their survivors, as mandated.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of KCERA's finances and accountability for the plan sponsors and members. Questions concerning any of the information provided in this report or requests for additional information should be directed to Angela Kruger, KCERA's Chief Financial Officer, at angela.kruger@kcera.org or (661) 381-7700.

As of June 30, 2023 and 2022

	(In thousands) 2023	2022
Assets		
Cash in County Pool	$ 15,830	$ 16,415
Cash and Cash Equivalents	577,455	281,329
Total Cash and Cash Equivalents	593,285	297,744
Receivables:		
Investments Sold	97,212	74,962
Interest and Dividends	10,336	8,804
Contributions and Other Receivables	18,510	15,096
Total Receivables	126,058	98,862
Investments at Fair Value:		
Short Duration Fixed Income	124,460	107,839
Domestic Fixed Income	735,517	890,184
International Fixed Income	193,983	326,337
Domestic Equities	788,494	503,917
International Equities	855,274	703,510
Commodities	50,780	306,656
Hedge Funds	589,539	637,028
Alpha Pool	174,680	139,591
Midstream	299,149	266,594
Core Real Estate	305,432	386,678
Private Real Estate	134,133	162,563
Private Equity	189,903	138,642
Private Credit	322,855	298,225
Opportunistic	102,634	178,176
Swaps/Options	(31,268)	(178,193)
Collateral Held for Securities Lending	—	153,386
Total Investments	4,835,565	5,021,133
Capital Assets:		
Computer Software	6,298	6,298
Equipment/Computers	953	846
Accumulated Depreciation	(6,736)	(6,067)
Total Capital Assets	515	1,077
Prepaid Expenses	94	137
Total Assets	5,555,517	5,418,953
Liabilities		
Securities Purchased	166,494	132,265
Collateral Held for Securities Lent	—	153,386
Other Liabilities	2,442	2,173
Total Liabilities	168,936	287,824
Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,386,581**	**$ 5,131,129**

See accompanying notes to the financial statements.

KCERA 2023 - Statements of Changes in Fiduciary Net Position

For the years ended June 30, 2023 and 2022

	2023	2022
		(In thousands)
Additions		
Contributions:		
Employer	$ 316,838	$ 287,063
Member	59,521	54,514
Total Contributions	**376,359**	**341,577**
Investment Income:		
Net Appreciation in Fair Value of Investments	236,974	(253,607)
Interest	45,860	30,603
Dividends	79,903	40,098
Real Estate Income	14,215	22,292
Total Investment Income	376,952	(160,614)
Less: Investment Expenses	73,283	59,814
Net Investment Income	303,669	(220,428)
Securities Lending Activity:		
Securities Lending Income	599	535
Less: Rebates & Bank Fees	60	53
Net Securities Lending Income	539	482
Total Additions	**680,567**	**121,631**
Deductions		
Retirement and Survivor Benefits	388,231	371,350
Supplemental Retirement Benefits	22,185	20,590
Refunds of Member Contributions	7,439	9,373
Administrative Expenses	7,260	6,702
Total Deductions	**425,115**	**408,015**
Net Increase	**255,452**	**(286,384)**
Fiduciary Net Position - Restricted for Pension At Beginning of Year	**5,131,129**	**5,417,513**
Fiduciary Net Position - Restricted for Pension At End of Year	**$ 5,386,581**	**$ 5,131,129**

See accompanying notes to the financial statements.

NOTE 1 – DESCRIPTION OF PLAN

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, Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services 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 Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, and West Side Recreation and Park District. The Plan is administered by the Kern County Board of Retirement, which consists of nine members and two alternate members.

As of June 30, 2023, employee membership data related to the pension plan was as follows:

	General	Safety	Total
Active – Vested	4,291	1,194	5,485
Active – Non-Vested	3,549	523	4,072
Total Active Members	**7,840**	**1,717**	**9,557**
Terminated – Deferred Vested	3,900	491	4,391
Retirees and Beneficiaries	6,937	2,219	9,156
Total Members	**18,677**	**4,427**	**23,104**

As of June 30, 2022, employee membership data related to the pension plan was as follows:

	General	Safety	Total
Active – Vested	4,226	1,206	5,432
Active – Non-Vested	3,149	495	3,644
Total Active Members	**7,375**	**1,701**	**9,076**
Terminated – Deferred Vested	3,550	465	4,015
Retirees and Beneficiaries	6,851	2,164	9,015
Total Members	**17,776**	**4,330**	**22,106**

BENEFIT PROVISIONS

KCERA provides service retirement, disability, death, survivor and supplemental benefits to eligible employees. 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 and probation officers. 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 five or more years of retirement service credit.

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

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 retirement 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 age factor from Section 31676.17 (Tier I) or 1/90th of FAC times years of accrued retirement service credit times 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 the 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 age factor from Section 31664.1 (Tier I) or 1/50th (2%) of FAC times years of accrued retirement service credit times age factor from Section 31664 (Tier II).

For members in Tier I or Tier II, the maximum monthly retirement allowance is 100% of FAC. There is no FAC limit on the maximum retirement benefit for General Tier III members.

The maximum amount of compensation earnable that can be taken into account for 2023 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is $345,000. The maximum amount of compensation earnable that was taken into account for 2022 was $330,000. For General Tier III members enrolled in Social Security who joined on or after January 1, 2013, the maximum pensionable compensation for 2023 is $151,446. The maximum pensionable compensation for 2022 was $146,042. 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 pay for a General Tier I or Tier IIA member or a Safety Tier I or Tier IIA member, and the highest 36 consecutive months of 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 an optional retirement allowance. The unmodified option 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 for at least one year prior to the effective retirement date. Certain surviving spouses or partners may also be eligible if marriage or partnership occurred at least two years prior to the date of death and the surviving spouse or partner is age 55 as of the date of death. There are also four optional retirement allowances the member may choose. Each option requires a reduction in the unmodified allowance to grant 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.

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

DEATH BENEFITS:

Death Before Retirement

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

If a member is vested and his/her death is not the result of job-caused injury or disease, the spouse or registered domestic partner will be entitled to receive, for life, a monthly allowance equal to 60% of the retirement allowance they would have been entitled to receive if they had retired for a non- service-connected disability on the date of their death. This 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, his/her spouse or registered domestic partner receives, for life, a monthly allowance equal to at least 50% of the member's final average salary. This can also apply to minor children under age 18 (continuing to age 22 if enrolled full time in an accredited school).

Death After Retirement

If a member dies after retirement, a death benefit of $5,000 is payable to his/her designated beneficiary or estate. If the retirement was for a nonservice-connected disability and the member chose the unmodified allowance option, the surviving spouse, registered domestic partner or minor children will receive a monthly continuance equal to 60% of the benefit. If the retirement was for a service-connected disability, the spouse, registered domestic partner or minor children will receive a 100% continuance of the member's benefit.

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

DISABILITY BENEFIT:

A member with five years of service, regardless of age, who becomes permanently incapacitated for 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 ADJUSTMENT:

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 in 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. In fiscal year 2023, SRBR provided a variable monthly benefit and a $5,000 death benefit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

KCERA, with its own governing board, is an independent governmental entity separate and distinct from the County of Kern.

BASIS OF ACCOUNTING

KCERA follows Governmental Accounting Standards Board (GASB) accounting principles and reporting guidelines. The financial statements are prepared using the accrual basis of accounting and reflect the overall operations of KCERA. Employer and member contributions are recognized in the period in which the contributions are due, and benefits and refunds of prior contributions are recognized when due and payable in accordance with the terms of the Plan. Investment income is recognized as revenue when earned and is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. The net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) to investment income based on investment valuations, which includes both realized and unrealized gains and losses on investments.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

ADMINISTRATIVE EXPENSES

KCERA's Board annually adopts the operating budget for the administration of KCERA. Costs of administering the Plan are charged against the Plan's earnings. KCERA's administrative budget is calculated pursuant to Government Code Section 31580.2(a), which provides that the administrative expenses incurred in any year may not exceed the greater of either twenty-one hundredths of 1 percent (0.21%) of the actuarial accrued liability of the system or $2,000,000, as adjusted annually by the amount of the annual cost-of-living adjustment computed in accordance with Article 16.5. Government Code Section 31580.2(b) provides that expenditures for computer software, hardware and computer technology consulting services in support of the computer products shall not be considered a cost of administrative expenses in the calculation.

CASH EQUIVALENTS

Cash equivalents are assets that are readily convertible into cash, such as short-term government bonds, short-term investment funds or Treasury bills and commercial paper. Cash equivalents are distinguished from other investments through their short-term existence; they mature within three months. A cash equivalent must also be an investment with an insignificant risk of change in value.

VALUATION OF INVESTMENTS

Fair value for investments are derived by various methods as indicated in the following table:

Publicly traded stocks	Most recent exchange closing price. International securities reflect currency exchange rates in effect at June 30, 2023 and 2022.
Short-term investments and bonds	Institutional evaluations or priced at par.
OTC securities	Evaluations based on good faith opinion as to what a buyer in the marketplace would pay for a security.
Commingled funds	Net asset value provided by the investment manager.
Alternative investments	Net asset value provided by the Fund manager based on the underlying financial statements and fair value of the Fund.
Real estate investments	Estimated based on price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investments without a public market are valued based on assumptions made and multiple valuation techniques or appraisals used by the investment manager. The KCERA property is valued based on an annual appraisal.
Commodities Swaps/Options	Listed market prices are used to report the fair values for derivative instruments, if available. If listed market prices are not available for derivative instruments, the price used may be from a vendor, an investment manager or a counterparty.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

RISKS AND UNCERTAINTIES

KCERA invests in various investment securities, which are exposed to various risks, including interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the Statement of Fiduciary Net Position.

CAPITAL ASSETS

Assets shall be recorded at historical cost or, if that amount is not practicably determined, at estimated historical cost. Accumulated depreciation shall be summarized and reflected on KCERA's annual financial statements. Capital assets shall be depreciated over their estimated useful lives using the straight-line depreciation method. Intangible assets with limited useful lives (e.g., by legal or contractual provisions) should be amortized over their estimated useful lives. Amortization of computer software should begin when the program is placed into service.

Capitalization Thresholds and Useful Life

Capital Asset	Thresholds	Useful Life
Furniture	$2,500	5-15 years
Equipment/Computers	$5,000	3-10 years
Internally generated computer software	$1,000,000	5-12 years
Computer software	$100,000	3-10 years

INCOME TAXES

The Plan qualifies under Section 401(a) of the Internal Revenue Code and is therefore not subject to tax under present income tax laws. No provision for income taxes has been made in the accompanying financial statements, as the Plan is exempt from federal and state income taxes under the provisions of Internal Revenue Code, Section 501 and California Revenue and Taxation Code, Section 23701, respectively.

MANAGEMENT'S ESTIMATES

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

RECLASSIFICATIONS OF PRIOR YEAR BALANCES

Certain prior year balances have been reclassified to conform to the current year presentation. Reclassifications did not have an effect on prior year fiduciary net position.

GASB PRONOUNCEMENTS

GASB Statement No. 96 (GASB 96) Subscription-Based Information Technology Arrangements (SBITA) will have an effect for reporting in the ACFR. A SBITA is defined as a contract that conveys control of the right to use another party’s information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The requirements for GASB 96 are effective for reporting periods beginning after June 15, 2022. KCERA does not have any SBITAs that have a material impact on the June 30, 2023 financial statements.

NOTE 3 – DEPOSITS AND INVESTMENTS

The Board of Retirement (the Board) has the fiduciary responsibility and authority to oversee the investment portfolio. The Board is governed by the County Employees' Retirement Law of 1937. It is also governed by California Government Code Sections 31594 and 31595, which provide for prudent person governance of the Plan. Under this law, the type and amount of plan investments as well as the quality of securities are not specifically delineated; rather, the investments made are assumed to be in the best interest of the Plan such that others with similar information would acquire similar investments. The Board is required to diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless it is clearly prudent not to do so. The investments shall be made for the exclusive purpose of providing benefits to the participants and their beneficiaries and defraying reasonable expenses to the Plan.

The Board maintains a formal Investment Policy Statement, which addresses guidelines for the investment process. The primary investment objectives for KCERA's assets shall be:

1. Earn a long-term net of fees rate of return which is equal to or exceeds the assumed rate of return.
2. Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark.
3. Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

The asset allocation decision is a critical decision and involves complex analysis. KCERA's policy regarding the allocation of assets is established and may be amended by the Board. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation as of June 30, 2023:

Asset Class	Target	Range
Global Equity	37 %	32 - 46%
Domestic	19 %	16 - 27%
International Developed	13 %	8 - 18%
Emerging Market	5 %	1 - 9%
Fixed Income	24 %	20 - 34%
Core	14 %	12 - 25%
Credit	6 %	3 - 9%
Emerging Market Debt	4 %	1 - 7%
Commodities	4 %	0 - 6%
Hedge Funds	10 %	5 - 15%
Core Real Estate	5 %	3 - 7%
CE Alpha Pool	5 %	0 - 7%
Midstream Energy	5 %	0 - 7%
Opportunistic	0 %	0 - 10%
Private Markets	15 %	0 - 30%
Private Equity	5 %	0 - 10%
Private Credit	5 %	0 - 10%
Private Real Estate	5 %	0 - 10%
Cash*	(5)%	-7 - 5%

* *In fiscal year 2019-2020 the Board approved a new strategic long-term asset allocation which includes the new Capital Efficiency program. The Capital Efficiency program seeks to improve the returns of the Plan by using derivatives in place of physical securities, and then utilizing a portion of the unencumbered cash from the derivative position to fund investments in the CE Alpha Pool. As a result, as capital is invested in the CE Alpha Pool, the effective cash exposure for the Plan becomes negative.*

For the year ended June 30, 2023 and 2022, the annual money-weighted rate of return on pension plan investments, net of pension investment expenses, was 6.7% and (4.2)%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

The Board retains a number of professional investment managers. Investment manager selection involves complex due diligence and the Board's investment policy requires independent performance measurement of investment managers.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

DEPOSITS

Cash and cash equivalents are carried at cost plus accrued interest, which approximates fair value. All cash and cash equivalents are held as follows: by the County of Kern as part of Kern County's treasury pool; by Wells Fargo Bank as cash for benefit payments and KCERA Property, Inc.; and by KCERA's master global custodian, The Northern Trust Company. The County Treasury Oversight Committee is responsible for regulatory oversight of the Kern County Treasury Pool. Substantially all of the cash held at The Northern Trust Company is swept into collective, short-term investment funds.

Below is a summary of cash and cash equivalents as of June 30, 2023 and 2022:

(In thousands)

Held by	2023	2022
County of Kern	$ 15,830	$ 16,415
Wells Fargo	2,394	958
Northern Trust	576,904	282,265
Disbursements	(1,843)	(1,894)
Total	**$ 593,285**	**$ 297,744**

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the Plan will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. KCERA does not have a formal policy for custodial credit risk but limits custodial credit risk for deposits by maintaining cash in an external investment pool managed by the County of Kern and cash and cash equivalents managed by The Northern Trust Company. Deposits held at The Northern Trust Company that were uninsured and uncollateralized were $0.2 million and $2.2 million for the years ended June 30, 2023 and 2022, respectively. Additionally, $250 thousand of the deposits held at Wells Fargo Bank were FDIC (Federal Deposit Insurance Corporation) insured while the remaining $2.14 million and $0.7 million were uninsured and uncollateralized for the years ended June 30, 2023 and 2022, respectively.

INVESTMENTS

Investments of the Plan are reported at fair value. In fulfilling its responsibilities, the Board of Retirement has contracted with investment managers and a master global custodian. For the year ended June 30, 2023 and 2022, The Northern Trust Company is the global custodian for the majority of the investments of the Plan.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations. The KCERA investment policy's minimum average credit quality rating for fixed income, with the exception of high yield, shall be at least A- and the minimum issue quality shall be B-rated. The minimum overall average credit quality for high yield shall be at least B.

At June 30, 2023 and 2022, KCERA's assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations, as shown on the next page.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

Standard & Poor's (S&P) Credit Quality by Investment Type

As of June 30, 2023 *(In thousands)*

	S&P Credit Quality								
Type of Investment	**AAA**	**AA**	**A**	**BBB-B**	**CCC-C**	**D**	**NR**	**U.S. Gov Guaranteed**	**Total**
Asset-Backed Securities	$ 24,411	$ 1,610	$ 804	$ 673	$ 3,843	$ 483	$ 21,872	$ —	**$ 53,696**
Bank Deposits	—	—	—	—	—	—	900	—	**900**
Bank Loans	—	—	—	9,114	405	—	3,117	—	**12,636**
Commercial Mortgage-Backed Securities	2,201	—	—	690	—	—	14,996	—	**17,887**
Commercial Paper	—	—	—	—	—	—	3,526	—	**3,526**
Corporate Bonds	1,053	3,134	33,058	251,943	9,243	—	16,761	—	**315,192**
Corporate Convertible Bonds	—	—	—	911	223	—	1,378	—	**2,512**
Government Agencies	5,722	9,565	1,340	4,333	—	82	6,311	867	**28,220**
Government Bonds	—	2,415	5,716	59,289	2,457	1,452	44,222	53,606	**169,157**
Government Mortgage Backed Securities	—	—	—	696	—	—	792	119,850	**121,338**
Government-Issued Commercial Mortgage Backed Securities	—	—	—	—	—	—	—	1,283	**1,283**
Municipal / Provincial Bonds	186	—	2,559	391	596	—	281	—	**4,013**
U.S. Treasuries & Notes	—	—	—	47	—	—	16,699	59,595	**76,341**
Non-Government-Backed C.M.O.s	843	266	108	431	171	—	3,396	—	**5,215**
Repurchase Agreements	—	—	—	—	—	—	(1,544)	—	**(1,544)**
Sukuk	—	—	238	392	—	—	3,900	—	**4,530**
Collective / Commingled Funds	—	—	—	—	—	—	239,058	—	**239,058**
Total Fixed Income	**$ 34,416**	**$ 16,990**	**$ 43,823**	**$328,910**	**$16,938**	**$ 2,017**	**$375,665**	**$ 235,201**	**$ 1,053,960**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

Standard & Poor's (S&P) Credit Quality by Investment Type

As of June 30, 2022 *(In thousands)*

Type of Investment	S&P Credit Quality AAA	AA	A	BBB-B	CCC-C	D	NR	U.S. Gov Guaranteed	Total
Asset-Backed Securities	$ 14,793	$ 1,537	$ 1,007	$ 1,986	$ 5,863	$ 487	$ 16,374	$ —	**$ 42,047**
Bank Loans	—	—	—	14,981	677	—	4,649	—	**20,307**
Commercial Mortgage-Backed Securities	3,124	100	507	571	—	—	18,641	—	**22,943**
Commercial Paper	—	—	—	—	—	—	1,493	—	**1,493**
Corporate Bonds	1,526	5,855	43,753	274,331	14,540	—	17,763	—	**357,768**
Corporate Convertible Bonds	—	—	—	2,098	297	—	2,741	—	**5,136**
Government Agencies	473	1,851	1,439	4,133	518	—	5,212	1,413	**15,039**
Government Bonds	—	1,808	6,165	62,802	2,011	580	34,911	68,465	**176,742**
Government Mortgage Backed Securities	—	—	394	468	—	—	373	99,683	**100,918**
Government-Issued Commercial Mortgage Backed Securities	—	—	—	—	—	—	—	916	**916**
Municipal / Provincial Bonds	290	—	2,666	469	339	—	181	—	**3,945**
U.S. Treasuries & Notes	—	—	—	—	—	—	541	10,337	**10,878**
Non-Government-Backed C.M.O.s	1,427	380	133	362	204	—	4,196	—	**6,702**
Sukuk	—	—	248	598	—	—	1,875	—	**2,721**
Collective / Commingled Funds	—	—	—	—	—	—	556,805	—	**556,805**
Total Fixed Income	**$ 21,633**	**$ 11,531**	**$ 56,312**	**$362,799**	**$ 24,449**	**$1,067**	**$665,755**	**$ 180,814**	**$ 1,324,360**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

CUSTODIAL CREDIT RISK - INVESTMENTS

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. KCERA does not have a formal policy for limiting custodial credit risk. As of June 30, 2023 and 2022, there were no investment securities exposed to custodial credit risk.

CONCENTRATION OF CREDIT RISK

The KCERA investment policy limits exposure to any single investment manager or product. The maximum allocation to a single active manager is up to 12% of the aggregate fair value of the Plan. The maximum allocation to a single active management product is 8%. This limitation applies to any non-index investment vehicle. With the exception of any sovereign entity (both U.S. and non-U.S.) U.S. agency-backed and U.S. agency issued mortgages, portfolios may not invest more than 5% per investment-grade issuer. Securities of a single noninvestment-grade issuer should not represent more than 2% of the fair value of the portfolio. KCERA's investment portfolio contained no investments in any one single investment-grade issuer greater than 5% of fiduciary net position as of June 30, 2023 and 2022 (other than the exceptions listed above).

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. KCERA's investment policy requires active managers to be within 20% of their benchmark. The overall Fund duration is expected to be within 20% of the Fund's benchmark duration. At June 30, 2023 and 2022, the segmented time distribution of the fixed income portfolio, by investment type, was as follows:

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

(In thousands)

Investment Type	Fair Value	Investment Maturities (in years) as of June 30, 2023				Maturity Not Determined
		Less Than 1	1-5	6-10	More Than 10	
Asset-Backed Securities	$ 53,696	$ 454	$ 15,498	$ 15,653	$ 22,091	$ —
Bank Deposits	900	900	—	—	—	—
Bank Loans	12,636	—	10,028	2,608	—	—
Commercial Mortgage-Backed Securities	17,887	—	934	852	16,101	—
Commercial Paper	3,526	3,526	—	—	—	—
Corporate Bonds	315,192	4,356	122,417	148,822	39,597	—
Corporate Convertible Bonds	2,512	267	1,334	—	911	—
Government Agencies	28,220	7,144	11,018	5,424	4,634	—
Government Bonds	169,157	6,487	46,089	34,340	82,241	—
Government Mortgage Backed Securities	121,338	58,622	204	1,699	60,813	—
Government-Issued Commercial Mortgage Backed Securities	1,283	—	180	458	645	—
Municipal / Provincial Bonds	4,013	1,088	391	281	2,253	—
US Treasuries & Notes	76,341	72,129	964	3,201	47	—
Non-Government-Backed C.M.O.s	5,215	—	200	143	4,872	—
Repurchase Agreements	(1,544)	(1,544)	—	—	—	—
Sukuk	4,530	—	1,613	1,746	1,171	—
Collective / Commingled Funds	239,058	—	—	—	—	239,058
Total	**$ 1,053,960**	**$ 153,429**	**$ 210,870**	**$ 215,227**	**$ 235,376**	**$ 239,058**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

(In thousands)

Investment Type	Fair Value	Investment Maturities (in years) as of June 30, 2022				Maturity Not Determined
		Less than 1	1-5	6-10	More than 10	
Asset-Backed Securities	$42,047	$ —	$ 5,270	$ 12,859	$ 23,918	$ —
Bank Loans	20,307	—	10,696	9,611	—	—
Commercial Mortgage-Backed Securities	22,943	—	272	1,055	21,616	—
Commercial Paper	1,493	1,493	—	—	—	—
Corporate Bonds	357,768	8,002	127,189	169,466	53,111	—
Corporate Convertible Bonds	5,136	—	1,967	380	2,789	—
Government Agencies	15,039	—	7,650	3,011	4,378	—
Government Bonds	176,742	24,624	37,065	33,114	81,939	—
Government Mortgage Backed Securities	100,918	43,660	151	2,896	54,211	—
Government-Issued Commercial Mortgage Backed Securities	916	—	42	396	478	—
Municipal / Provincial Bonds	3,945	—	1,286	650	2,009	—
US Treasuries & Notes	10,878	8,519	2,359	—	—	—
Non-Government-Backed C.M.O.s	6,702	—	227	206	6,269	—
Sukuk	2,721	—	981	1,508	232	—
Collective / Commingled Funds	556,805	—	—	—	—	556,805
Total	**$1,324,360**	**$86,298**	**$195,155**	**$235,152**	**$250,950**	**$556,805**

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of an investment.

The Board of Retirement considers the currency risk exposure when setting the asset allocation targets of the Plan. KCERA's investment policy permits an 18% allocation to non-U.S. equities and a 4% allocation to emerging market debt. In addition, the core fixed income and high yield managers invest in a diversified portfolio, which can include up to 10% in foreign currency exposure and 30% in non-dollar securities.

The direct holdings shown on the following page represent KCERA's foreign currency risk exposure as of June 30, 2023 and 2022.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

Foreign Currency **Fair Value**

As of June 30, 2023 *(In thousands)*

Foreign Currency	Equities	Fixed Income	Cash	Cash Collateral/ Variation Margin	Swaps/Options	Total
Brazilian real	$ —	$ 11,338	$ (3,372)	$ —	$ 51	$ 8,017
Canadian dollar	5,821	6,958	8,425	—	—	21,204
Chilean peso	—	505	1,407	—	(96)	1,816
Chinese yuan renminbi	—	—	2,896	—	16	2,912
Colombian peso	—	4,697	1,015	—	—	5,712
Czech koruna	—	1,872	2,475	77	(65)	4,359
HK offshore Chinese yuan renminbi	—	7,853	(3,335)	—	—	4,518
Hungarian forint	—	30	2,420	228	(223)	2,455
Indonesian rupiah	—	7,913	(1,724)	—	—	6,189
Malaysian ringgit	—	9,094	(1,564)	—	—	7,530
Mexican peso	—	7,607	1,903	393	(332)	9,571
New Romanian leu	—	3,237	(431)	—	—	2,806
Peruvian nuevo sol	—	2,867	(1,338)	—	—	1,529
Polish zloty	—	2,331	3,375	114	(90)	5,730
South African rand	—	7,455	(1,196)	23	(4)	6,278
Thai baht	—	7,806	(302)	—	—	7,504
Other Currencies[1]	35	4,276	(864)	(121)	—	3,326
Total	$ 5,856	$ 85,839	$ 9,790	$ 714	$ (743)	$ 101,456

Foreign Currency **Fair Value**

As of June 30, 2022 *(In thousands)*

Foreign Currency	Equities	Fixed Income	Cash	Cash Collateral/ Variation Margin	Swaps/Options	Total
Brazilian real	$ —	$ 10,023	$ (2,967)	$ —	$ 51	$ 7,107
Canadian dollar	14,681	409	5,239	—	—	20,329
Chinese yuan renminbi	—	—	2,839	—	(26)	2,813
Colombian peso	—	11,598	(1,458)	—	251	10,391
Czech koruna	—	1,609	1,847	75	(64)	3,467
HK offshore Chinese yuan renminbi	—	3,475	355	—	—	3,830
Hungarian forint	—	2,436	(512)	235	(221)	1,938
Indonesian rupiah	—	7,986	(1,569)	—	—	6,417
Malaysian ringgit	—	4,443	2,409	—	—	6,852
Mexican peso	—	7,649	2,682	677	(632)	10,376
New Romanian leu	—	1,085	1,031	—	—	2,116
Polish zloty	—	1,395	3,013	470	(444)	4,434
South African rand	—	7,173	(993)	7	12	6,199
Thai baht	—	7,334	(626)	—	—	6,708
Other Currencies[2]	33	(3,339)	9,629	741	(508)	6,556
Total	$ 14,714	$ 63,276	$ 20,919	$ 2,205	$ (1,581)	$ 99,533

1 Other currencies include (in thousands) $2 of Argentine peso, $(189) of Australian dollar, $10 of British pound sterling, $181 of Dominican peso, $512 of Egyptian pound, $(260) of Euro, $1,453 of Japanese yen, $45 of New Zealand dollar, $91 of Philippine peso, $758 of Russian ruble, $5 of Swiss franc, $695 of Turkish lira, $23 of Uruguayan peso uruguayo
1

2 Other currencies include (in thousands) $4 of Argentine peso, $(186) of Australian dollar, $674 of British pound sterling, $1,344 of Chilean peso, $71 of Danish krone, $96 of Dominican peso, $1,057 of Egyptian pound, $428 of Euro, $140 of Japanese yen, $(9) of New Israeli shekel, $45 of New Zealand dollar, $1,400 of Peruvian nuevo sol, $89 of Philippine peso, $871 of Russian ruble, $5 of Swiss franc, $432 of Turkish lira, $96 of Uruguayan peso uruguayo
2

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

HIGHLY SENSITIVE INVESTMENTS

KCERA utilizes investments that are highly sensitive to interest rate changes in its fixed income, separately managed investment accounts. Highly sensitive investments include mortgage-backed securities, asset-backed securities, collateralized mortgage obligations, and collateralized bond obligations (CBO). Mortgage-backed securities, collateralized mortgage obligations and asset-backed securities are created from pools of mortgages or other assets (receivables). A CBO is an investment-grade, asset-based security comprised of low-rated bonds that are transferred to a special purpose vehicle that manages the issue. Such securities are subject to credit and interest rate risks, including uncollectible mortgages or receivables backing a security, home mortgages that are prepaid at the option of the homeowner, and the duration and maturity of the issues.

Such securities are subject to credit and interest rate risks, including uncollectible mortgages or receivables backing a security, home mortgages that are prepaid at the option of the homeowner, and the duration and maturity of the issues.

Fair Value *(In thousands)*

	June 30, 2023	June 30, 2022
Mortgage-Backed Securities	$ 140,508	$ 124,777
Asset-Backed Securities	53,696	42,047
Collateralized Mortgage Obligation Securities	5,215	6,702
Total	**$ 199,419**	**$ 173,526**

NOTE 4 – FAIR VALUE MEASUREMENT

KCERA's investments are measured and reported within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value:

- Level 1 – Investments reflect prices quoted in active markets.
- Level 2 – Investments reflect prices that are based on a similar observable asset, either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 – Investments reflect prices based on unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Debt, equities and investment derivatives classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. Assets classified in Level 3, due to lack of an independent pricing source, are valued using an internal fair value as provided by the investment manager.

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

Investments Measured at Fair Value *(In thousands)*

	June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Asset-Backed Securities	$ 187,360	$ —	$ 186,725	$ 635
Bank Loans	12,636	—	12,053	583
Bond Funds	6,389	—	6,389	—
Collateralized Debt Obligations	19,207	—	19,207	—
Corporate Debt Securities	317,704	—	317,280	424
Government Debt Securities	192,486	—	186,191	6,295
State & Local Government Debt Securities	1,758	—	1,758	—
Structured Debt	4,212	—	4,212	—
Sukuk	4,530	—	4,530	—
Debt Securities:	**746,282**	**—**	**738,345**	**7,937**
Common Stock	248,256	247,928	—	328
Commodity Funds	2,128	2,128	—	—
Equity Funds	130,856	130,856	—	—
Preferred Stock	801	—	801	—
Equity Investments:	**382,041**	**380,912**	**801**	**328**
Real Estate	4,629	—	—	4,629
Real Assets:	**4,629**	**—**	—	**4,629**
Investments Measured at the Net Asset Value (NAV)				
Alpha Pool	174,680			
Core Real Estate	305,432			
Hedge Funds	589,539			
Opportunistic	102,634			
Private Credit	322,855			
Private Equity	189,904			
Private Real Estate	134,133			
Commingled Commodity Funds	49,751			
Commingled Equity Funds	1,507,538			
Commingled Bond Funds	322,063			
Net Asset Value (NAV)	**3,698,529**			
Credit Contracts	(172)	—	(172)	
Interest Rate Contracts	652	24	628	—
Other	3,604	409	—	3,195
Derivatives	**4,084**	**433**	**456**	**3,195**
Total	**$ 4,835,565**			

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

Investments Measured at Fair Value *(In thousands)*

	June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Asset-Backed Securities	$ 265,374	$ —	$ 265,194	$ 180
Bank Loans	20,307	—	19,707	600
Bond Funds	11,117	—	11,117	—
Collateralized Debt Obligations	17,239	—	17,239	—
Corporate Debt Securities	362,904	—	361,540	1,364
Government Debt Securities	194,172	—	192,809	1,363
State & Local Government Debt Securities	1,670	—	1,670	—
Structured Debt	2,359	—	2,359	—
Sukuk	2,721	—	2,721	—
Debt Securities:	**877,863**	**—**	**874,356**	**3,507**
Common Stock	255,133	254,976	—	157
Preferred Stock	86,966	86,966	—	—
Stapled Securities	753	—	753	—
Equity Investments:	**342,852**	**341,942**	**753**	**157**
Real Estate	5,394	—	—	5,394
Real Assets:	**5,394**	—	**—**	**5,394**
Investments Measured at the Net Asset Value (NAV)				
Real Estate Funds	456,626			
Hedge Funds	747,045			
Private Equity	386,425			
Commingled Commodity Funds	334,656			
Commingled Equity Funds	1,448,582			
Commingled Bond Funds	265,780			
Net Asset Value (NAV)	**3,639,114**			
Credit Contracts	(195)	—	(195)	—
Interest Rate Contracts	2,719	(188)	2,907	—
Derivatives	**2,524**	**(188)**	**2,712**	**—**
Invested Securities Lending Collateral	**153,386**	**—**	**153,386**	**—**
Total	**$ 5,021,133**			

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

(In thousands)

Investments Measured at Net Asset Value (NAV)	6/30/2023	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Commingled Bond Funds (1)	$ 322,063	Daily, Quarterly	1-30 Days	$ —
Commingled Commodity Funds (1)	49,751	Daily	1 Day	—
Commingled Equity Fund Domestic (1)	861,783	Daily, Monthly	1-30 Days	—
Commingled Equity Fund Non-US (1)	645,755	Daily	1-90 Days	—
Hedge Funds				
Diversified (2)	147,375	Quarterly	90 Days	—
Structured Credit (3)	7,447	Quarterly	60 Days	—
Long/Short (4)	46,378	Quarterly	45 Days	—
Event-Driven (5)	107,838	Quarterly	30-90 Days	—
Macro (6)	116,298	Quarterly	30-90 Days	—
Relative Value (7)	441,517	Monthly, Quarterly	30-60-90 Days	—
Private Markets				
Private Equity (8)	189,904	N/A	N/A	281,045
Private Credit (8)	322,855	N/A	N/A	175,914
Private Real Estate (8)	439,565	Quarterly	30 Days	224,005
Total	**$ 3,698,529**			**$ 680,964**

(1) Commingled Bond Funds, Commodity Funds and Equity Funds: Two bond funds, three commodity funds and thirteen equity funds are considered to be commingled in nature. Each is valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments.

(2) Diversified Hedge Fund: A hedge fund where the capital is deployed across multiple superstrategies; it is not concentrated in on broad area of strategies. The fund is valued at NAV.

(3) Structured Credit Hedge Fund: This strategy invests in ABS securities and other structured credit instruments like CLOs. The fund is valued at NAV.

(4) Long/Short Hedge Fund: Consisting of one fund utilizing both long and short strategies seeking risk-adjusted returns principally through investment in the Asian-Pacific region. The fund is valued at NAV.

(5) Event-Driven Hedge Funds: Consisting of three funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share.

(6) Macro Hedge Funds: The investment decisions are based on a manager's top-down or macro views on the market. The fund is valued at NAV.

(7) Relative Value Hedge Funds: Consisting of four funds, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing or selling these instruments. The funds are valued at NAV.

(8) Private Equity and Real Estate Funds: KCERA's Private Asset portfolio consists of eighteen private equity funds with exposure to funds investing in buyouts, venture capital and special situations. An additional fifteen private credit funds and ten private real estate funds. The Core Real Estate portfolio, comprised of two funds, invest mainly in U.S. commercial real estate and utilizes a combination of Core open-end commingled funds and closed-end Value-Added funds. The open-end funds are eligible for redemption on a quarterly basis. Distributions are received from the closed-end funds as underlying investments within the funds are liquidated. Individual holdings contained in the funds are valued at NAV using a combination of the income, cost and sales comparison approaches.

NOTE 4 – FAIR VALUE MEASUREMENT (CONT)

The valuation method for investments measured at the net asset value (NAV) per share, or equivalent, is presented in the table below.

(In thousands)

Investments Measured at Net Asset Value (NAV)	6/30/2022	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Commingled Bond Funds (1)	$ 265,780	Daily, Quarterly, None	2-30 Days	$ —
Commingled Commodity Funds (1)	334,656	Daily, Monthly	1-30 Days	—
Commingled Equity Fund Domestic (1)	1,049,618	Daily, Quarterly	1-60 Days	—
Commingled Equity Fund Non-US (1)	398,964	Daily, Monthly	1-15 Days	—
Hedge Funds:				
Diversified (2)	103,261	Quarterly , Annually	30-75 Days	—
Structured Credit (3)	17,738	Quarterly	90 Days	—
Long/Short (4)	36,899	Quarterly	45 Days	—
Event-Driven (5)	236,863	Quarterly	65-90 Days	—
Macro (6)	133,416	Quarterly, Quarterly	30-90 Days	—
Relative Value (7)	166,546	Monthly, Quarterly	30-60-90 Days	
Arbitrage (8)	52,322	Quarterly	60 Days	—
Real Estate Funds (9)	456,626	Quarterly, None	30-45 Days	128,724
Private Equity Funds (9)	386,425	N/A	N/A	237,646
Total	**$ 3,639,114**			**$ 366,370**

[1] Commingled Bond Funds, Commodity Funds and Equity Funds: Two bond funds, three commodity funds and thirteen equity funds are considered to be commingled in nature. Each is valued at the net asset value (NAV) of units held at the end of the period based upon the fair value of the underlying investments.

[2] Diversified Hedge Fund: A hedge fund where the capital is deployed across multiple superstrategies; it is not concentrated in on broad area of strategies. The fund is valued at NAV.

[3] Structured Credit Hedge Fund: This strategy invests in ABS securities and other structured credit instruments like CLOs. The fund in valued at NAV.

[4] Long/Short Hedge Fund: Consisting of one fund utilizing both long and short strategies seeking risk-adjusted returns principally through investment in the Asian-Pacific region. The fund is valued at NAV.

[5] Event-Driven Hedge Funds: Consisting of four funds, this strategy seeks to gain an advantage from pricing inefficiencies that may occur in the onset or aftermath of a corporate action or related event. These investments are valued at NAV per share.

[6] Macro Hedge Funds: The investment decisions are based on a manager's top-down or macro views on the market. The fund is valued at NAV.

[7] Relative Value Hedge Funds: Consisting of three funds, this strategy's main focus is to benefit from valuation discrepancies that may be present in related financial instruments by simultaneously purchasing or selling these instruments. The funds are valued at NAV.

[8] Arbitrage Hedge Funds: Managers take long and short positions in different markets in to take advantage of inefficiencies in the market. The fund is valued at NAV.

[9] Private Equity and Real Estate Funds: KCERA's Private Asset portfolio consists of twelve private equity funds with exposure to funds investing in buyouts, venture capital and special situations. An additional eight private credit funds and two opportunistic funds investing directly in distressed credit, special situations and real estate. The Real Estate portfolio, comprised of six funds, invests mainly in U.S. commercial real estate and utilizes a combination of Core open-end commingled funds and closed-end Value-Added funds. The open-end funds are eligible for redemption on a quarterly basis. Distributions are received from the closed-end funds as underlying investments within the funds are liquidated. Individual holdings contained in the funds are valued at NAV using a combination of the income, cost and sales comparison approaches.

NOTE 5 – SECURITIES LENDING

Under provisions of state statutes, the Board of Retirement permits KCERA to participate in a securities lending program, whereby securities are transferred to independent broker-dealers and other entities for collateral with a simultaneous agreement to return the collateral for the same securities plus a fee in the future. Deutsche Bank is KCERA's agent for securities lending.

Deutsche Bank is authorized to lend U.S. government obligations, U.S. bonds and equities, and international bonds and equities that are being held in custody to various borrowers, such as banks and brokers. Securities are lent for collateral. KCERA does not have the ability to pledge or sell collateral securities absent a broker default. All securities loans can be terminated on demand by either KCERA or the borrower.

U.S. securities are loaned versus collateral valued at 102% of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 110% of the fair value of the securities plus any accrued interest. Marking to market is performed every business day subject to de minimis rules of change in value; the borrower is required to deliver additional collateral when necessary so that the total collateral held by the agent will at least equal the fair value of the borrowed securities. Deutsche Bank invests cash collateral in repurchase agreements on an overnight and term basis collateralized by readily liquid and marketable securities at 102% or greater.

KCERA's Securities Lending Program was temporarily suspended as of the June 30, 2023. At June 30, 2022, KCERA had no credit risk exposure to borrowers due to the nature of the program's collateralization of loans at 102% or 110% plus accrued interest.

The table below show the balances relating to securities lending transactions as of June 30, 2022.

As of June 30, 2022 *(In thousands)*

Security Type	Fair Value of Loaned Securities Securitized by Cash	Cash Collateral	Fair Value of Loaned Secuities Securitized by Non-Cash Collateral	Non-Cash Collateral
Domestic Equities	$ 60,103	$ 61,572	$ 2,480	$ 2,348
Corporate Bonds	51,013	52,236	15,954	16,499
Corporate Bonds	923	946	—	—
Government Bonds	38,065	38,632	—	18,847
Total	**$ 150,104**	**$ 153,386**	**$ 18,434**	**$ 37,694**

NOTE 6 – DERIVATIVES

DESCRIPTION OF AND AUTHORITY FOR DERIVATIVE INVESTMENTS

KCERA invests in derivative financial investments (i.e., instruments) as authorized by the Board of Retirement. Investment managers may use derivatives where guidelines permit. A derivative instrument is defined as a contract that derives its value, usefulness and marketability from an underlying instrument that represents a direct ownership of an asset or a direct obligation of an issuer. Derivative instruments include, but are not limited to, futures, options, forward contracts, and interest rate or commodity swap transactions. All derivatives are considered investments by KCERA.

Substitution and risk control are the two derivative strategies permitted. Substitution strategy is when the characteristics of the derivative sufficiently parallel that of the cash market instruments; the derivatives may be substituted on a short-term basis for the cash market instrument. Risk control strategy is when the characteristics of the derivative sufficiently parallel that of the cash instrument; an opposite position from the cash instrument could be taken in the derivative instrument to alter the exposure to or the risk of the cash instrument.

Portfolios may not sell securities short nor create leverage through the use of financial futures and options. Uncovered futures or options positions are prohibited.

Financial futures and options may only be used to hedge currency risk or to manage portfolio duration. Investment in structured notes is prohibited. KCERA may invest in the following:

FUTURES

Futures contracts are used to hedge against a possible increase in the price of currency. Futures contracts are classified by category of underlying instrument, such as equity, fixed income, commodity or cash equivalent. Derivative positions are tied to the performance of underlying securities. Futures contracts are priced "mark-to-market," and daily settlements are recorded as investment gains or losses. Accounting for the daily mark-to-markets in this manner, the fair value of the futures contract at the end of the reporting period is the pending mark-to-market. For investment performance, risk and exposure purposes, KCERA's custodian reports the notional fair values of futures contracts with corresponding offsets. When a futures contract is closed, futures are removed from the record with the final gain/loss equal to the fluctuation in value from the last mark-to-market to the closing value.

OPTIONS

Options are used to manage risk exposures in certain accounts as a result of asset allocation requirements or unusual flows of cash to or from such accounts. Purchased put/call options are reported as assets with cost equal to the premium amount paid at inception, and written put/call options are reported as liabilities with cost equal to the premium received at inception. During the term of the options contracts, options are revalued at the end of each reporting period. Unrealized gains and losses are reported as the difference between the premium (cost) and the current fair value. At expiration, sale, or exercise, options are removed from record, and realized gains and losses are generally recognized. Because of the nature of options transactions, notional values are not included in the Investment Derivatives Summary table on page 45.

NOTE 6 – DERIVATIVES (CONT.)

DESCRIPTION OF AND AUTHORITY FOR DERIVATIVE INVESTMENTS (CONT.)

SWAPS

Swap transactions are used to preserve a return or spread on investments to protect against currency fluctuations as a duration management technique or to protect against any increase in the price of securities. Because the fair values of swaps can fluctuate, swaps are represented as assets (if fair value is greater than zero) and liabilities (if fair value is less than zero). If a premium is paid or received at inception of the swap, the premium amount is generally recorded as the cost of the swap. During the term of the swap agreement, the periodic cash flows as either income or expense associated with the swap agreement. At each reporting period, swaps are revalued and unrealized gains or losses are reported. KCERA’s custodian generally obtains swap valuations from a pricing vendor, the investment manager or the counterparty. At closing, KCERA’s custodian removes the swap assets and liabilities from the record. The difference between any closing premium exchanged and the cost basis is recognized as realized gain or loss.

FORWARD EXCHANGE CONTRACTS

Forward exchange contracts are used for the purpose of hedging against adverse movement in currency exchange rates and to facilitate settlement of transactions in foreign securities. KCERA’s reporting methodology for foreign exchange (FX) contracts reflects payables and receivables for the currencies to be exchanged while the forward FX contracts are pending; the two pending cash flows are valued separately. The overall cost basis for a pending FX deal is zero (the net of the cost basis for the payable and receivable). Pending forward FX contracts are valued using the closing forward FX rate as of the report date. The difference between the forward rate (base fair value) at the reporting date and the contracted rate on trade date (base cost) of the forward FX contract is unrealized gain/loss. The difference between the spot rate applied at settlement date and the contracted rate on trade date is realized gain/loss at the settlement of the forward FX contract. KCERA does not discount the valuation of the anticipated cash flows associated with pending forward FX contracts.

SUMMARY OF DERIVATIVE INVESTMENTS

Investment derivative instruments are reported as investments (if fair value is greater than zero) or liabilities (if fair value is less than zero) as of fiscal year end on the Statement of Fiduciary Net Position. Listed market prices are used to report the fair values for derivative instruments, if available. If listed market prices are not available for derivative instruments, the price used may be from a vendor, an investment manager or a counterparty. All changes in fair value are reported in the Statement of Changes in Fiduciary Net Position as a component of investment income.

As of June 30, 2023 and 2022, KCERA has the following instruments outstanding with an objective to earn a rate of return consistent with KCERA’s investment policies. Notional values listed that are positive (assets) or negative (liabilities) are aggregated for similar derivative types.

NOTE 6 – DERIVATIVES (CONT.)

Derivative Investment Summary

As of June 30, 2023 *(In thousands)*

Derivative Investment Type	Changes in Fair Value Gain (Loss)	Fair Value	Notional Value
Futures	$ (11,613)	$ —	$ 684,231
Options	192	418	—
Swaps	3,798	482	—
Foreign Exchange Contracts	983	369	—
Total Value	**$ (6,640)**	**$ 1,269**	**$ 684,231**

As of June 30, 2022 *(In thousands)*

Derivative Investment Type	Changes in Fair Value Gain (Loss)	Fair Value	Notional Value
Futures	$ (54,504)	$ —	$ 627,215
Options	(43)	(210)	—
Swaps	1,734	2,733	—
Foreign Exchange Contracts	(2,603)	(49)	—
Rights/Warrants Equity Contracts	1	—	—
Total Value	**$ (55,415)**	**$ 2,474**	**$ 627,215**

NOTE 7 – CONTRIBUTIONS

Following the establishment of KCERA on January 1, 1945, eligible employees and their beneficiaries became entitled to pension, disability and survivor benefits under the provisions of the CERL. As a condition of participation under the provisions of the CERL, members are required to pay a percentage of their salaries, depending on their entry age in the Plan, membership type and benefit tier.

The funding objective of the KCERA Board of Retirement is to provide sufficient assets to permit the payment of all regular benefits promised under KCERA while minimizing the volatility of contribution rates for participating employers from year to year as a percentage of covered payroll. There are three sources of funding for KCERA retirement benefits: employer contributions, member contributions and investment earnings.

Total contributions made during fiscal years 2023 and 2022, respectively, amounted to approximately $376.3 million and $341.6 million, of which $316.8 million and $287.1 million were contributed by employers, and $59.5 million and $54.5 million were contributed by members.

PENSION OBLIGATION BONDS

In 1995 and 2003, the County of Kern issued pension obligation bonds and contributed $224.5 million and $285.1 million to the Plan, respectively. Special districts did not participate in the funding provided by pension obligation bonds. Therefore, different employer contribution rates are required to fund the unfunded liabilities for each class of participation.

COST-OF-LIVING ADJUSTMENT

On April 1, 1973, an annual cost-of-living adjustment (COLA) of up to 2% for all retirees and continuance beneficiaries was adopted. The 2% COLA was funded entirely from the unreserved fund balance until February 5, 1983. After this date and prior to fiscal year 2003, funding of the 2% COLA was included in the employers' contributions. In fiscal year 2002, the County of Kern activated Government Code Section 31617, which provides that COLAs shall be funded first from excess earnings, to the extent of such excess, and thereafter from employer contributions. In fiscal year 2023, the Plan had no excess earnings; $0 was reserved to fund the employer COLA contributions in fiscal year 2023.

EMPLOYER CONTRIBUTIONS

Each year, an actuarial valuation is performed for the purpose of determining the funded position of the retirement plan and the employer contributions necessary to pay benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Actuarial Cost Method. The Plan's employer rates provide for both "Normal Cost" and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2023 ranged from 36.03% to 76.91% of covered payroll, with a combined average of 48.76% for all employers.

NOTE 7 – CONTRIBUTIONS (CONT.)

DECLINING EMPLOYER CONTRIBUTIONS

In August 2019, the Board determined that a triggering event occurred during the 2019-20 fiscal year, resulting from two employers ceasing to enroll new hires and/or a material and expected long-lasting reduction in KCERA covered payroll. Based on KCERA's Declining Employer Payroll Policy, KCERA's actuary determined the Valuation Value of Assets (VVA), Actuarial Accrued Liability (AAL) and resulting Unfunded Actuarial Accrued Liability (UAAL). AS of June 30, 2023 the UAAL allocated to Inyokern Community Services District was $128,000 and the UAAL allocated to Berrenda Mesa Water District was $3,907,000. The District's UAAL were amortized as a single layer over an 18-year period. Inyokern[1] and Berrenda[2] Mesa will be billed annually for the UAAL contributions.

MEMBER CONTRIBUTIONS

Member contributions are made through payroll deductions on a pre-tax basis, per IRS Code Section 414(h)(2). Member contribution rates for fiscal year 2023 ranged from 4.72% to 19.29% and were applied to the member's base pay plus "pensionable" special pay; they were calculated based on the member's KCERA entry age and actuarially calculated benefits. Members are required to contribute depending on the member's tier, employer and bargaining unit. For certain safety bargaining units, a flat member contribution rate is applied. "New members," as defined in PEPRA, hired on or after January 1, 2013 pay a flat member contribution rate: 50% of the total Normal Cost rate.

For members covered by Social Security, the member contribution rates above apply to monthly salaries over $350. (A one-third reduction in the rates applies to the first $350 of monthly salary.)

As a result of the 1997 Memorandum of Understanding (MOU), some members received an employer "pick up" of their contributions. General members hired after MOU-specified dates in 2004 or 2005 and safety members hired after MOU-specified dates in 2007 were required to pay 100% of the employees' retirement contributions with the employer paying no part of the employees' contributions. Effective in 2014, non-contributing County general and safety members were required to pay one-third of their employee contributions. Buttonwillow Recreation and Park District and San Joaquin Valley Air Pollution Control District did not elect the 1997 MOU. Buttonwillow employees continue to pay 50% of their full rates. San Joaquin's Tier I members pay 50% of the Normal Cost rate as of June 30, 2018. Employees of the Kern County Superior Court are required to pay an additional 8% of base salary.

Interest is credited to member contributions semiannually 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.

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[1] This annual UAAL contribution in dollars of $13,000 for Inyokern is equal to the level dollar layered amortization of the $124,000 in UAAL of $13,000 plus $0 in administrative expenses plus a $0 adjustment due to the 12-month delay between the valuation date and the plan year beginning July 1, 2022.

[2] This annual UAAL contribution in dollars of $431,000 for Berrenda Mesa is equal to the level dollar layered amortization of the $4,195,000 in UAAL of $437,000 plus $1,000 in administrative expenses minus a $7,000 adjustment due to the 12-month delay between the valuation date and the plan year beginning July 1, 2022.

NOTE 8 – RESERVE ACCOUNTS AND DESIGNATIONS OF NET POSITION

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Member, employer and retired members' reserves are fully funded. KCERA maintains the following reserve and designation accounts:

MEMBER'S DEPOSIT RESERVE – member contributions and interest allocation to fund member retirement benefits.

EMPLOYER'S ADVANCE RESERVE – employer contributions and interest allocation to fund member retirement benefits.

COST-OF-LIVING RESERVE– employer contributions and interest allocation to fund annual cost-of-living increases for retirees and their continuance beneficiaries.

RETIRED MEMBERS' RESERVE – transfers from members' deposit reserve and employers' advance reserve, and interest allocation for funding of retirees' and their beneficiaries' monthly annuity payments.

SUPPLEMENTAL RETIREE BENEFIT RESERVE – monies reserved for enhanced, non-vested benefits to current and future retired members and their beneficiaries.

COLA CONTRIBUTION RESERVE – monies reserved to credit future employer COLA contributions

CONTINGENCY RESERVE – excess income to supplement deficient earnings. The contingency reserve satisfies the Government Code Section 31616 requirement for KCERA to reserve at least 1% of assets, up to a maximum of 3% of assets. At fiscal year ended June 30, 2023, 0.46% of the Plan's fiduciary net position were in contingencies, according to the Board of Retirement's Interest Credit Policy.

Balances in these reserve accounts and designations of fiduciary net position available for pension and other benefits at June 30, 2023 and 2022 (under the five-year smoothed fair asset valuation method for actuarial valuation purposes) are as follows:

NOTE 8 – RESERVE ACCOUNTS AND DESIGNATIONS OF NET POSITION (CONT.)

(In thousands)

Reserve Account	2023	2022
Members' Deposit Reserve - General	$ 352,124	$ 325,743
Members' Deposit Reserve - Safety	188,128	171,943
Members' Deposit Reserve - Special District	41,584	37,373
Members' Deposit Reserve - Courts	5,411	3,925
Members' Deposit Reserve - Hospital Authority	14,364	8,574
Employers' Advance Reserve - General	572,762	489,657
Employers' Advance Reserve - Safety	687,514	628,132
Employers' Advance Reserve - Special Distict	68,728	56,700
Employers' Advance Reserve - Courts	30,057	28,945
Employers' Advance Reserve - Kern Medical	112,024	90,573
Cost-of-living Reserve - General	954,255	889,114
Cost-of-living Reserve - Safety	728,421	671,515
Cost-of-living Reserve - Special District	84,967	76,937
Cost-of-living Reserve - Courts	12,395	10,769
Cost-of-living Reserve - Kern Medical	50,440	39,480
Retired Members' Reserve - General	1,144,410	1,161,298
Retired Members' Reserve - Safety	393,475	400,954
Supplemental Retiree Benefit Reserve (SRBR)	133,698	131,236
SRBR allocated for 0.5% COLA	(3,948)	10,770
Contingency Reserve	24,619	117,544
Total reserves at five-year smoothed fair value actuarial valuation	**5,595,428**	**5,351,182**
Market Stabilization Reserve*	(208,847)	(220,053)
Total Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,386,581**	**$ 5,131,129**

** The Market Stabilization Reserve represents the difference between the five-year smoothed fair value of the fund and the fair value as of the fiscal year end.*

NOTE 9 - RELATED PARTY TRANSACTION

OFFICE LEASE

KCERA, as the sole shareholder, formed a title holding corporation, KCERA Property, Inc. (KPI) for the purpose of accommodating the administrative offices of the Plan. In October 2010, KCERA entered into a build-to-suit lease agreement with KPI to occupy 14,348 square feet. KCERA is required to pay a monthly rate of $2.13 per square foot as well as taxes, insurance and operating costs as defined in the agreement. The base rent was subject to an automatic 10.4% increase beginning on the fifth anniversary of the commencement date, November 2015, and on each fifth year anniversary date thereafter during the lease term. The sum of payments due for fiscal year ended June 30, 2023 is $367,239 for base rent and $16,345 for HVAC, insurance and assessment fees. KCERA's base rent and other costs are abated from KPI's rental income.

On June 14, 2023 the KCERA Board of Retirement unanimously voted to transfer the KCERA property held by KCERA Property, Inc. to KCERA and dissolve KPI. KCERA transferred the KCERA property building at market value in the 3rd quarter of 2023, recorded the property as Gift-in-Kind income and a capital asset and began depreciating the asset using the straight-line method of depreciation over 30 years in accordance with GAAP.

NOTE 10 – NET PENSION LIABILITY

The components of the net pension liability are as follows:

Reserve Account	June 30, 2023	June 30, 2022
Total Pension Liability	$7,902,924,528	$7,510,905,541
Plan Fiduciary Net Position	(5,386,581,194)	(5,131,128,660)
Net Pension Liability	**$2,516,343,334**	**$2,379,776,881**
Plan Fiduciary Net Position as Percentage of Total Pension Liability	**68.16%**	**68.32%**

The Plan's Fiduciary Net Position includes assets held for the Supplemental Retiree Benefit Reserve (SRBR). A split of the Total Pension Liability (TPL), Plan's Fiduciary Net Position (FNP) and Net Pension Liability (NPL) by the regular benefits (non- SRBR) and the SRBR benefits as of June 30, 2023 and June 30, 2022 are shown in the tables below.

June 30, 2023	Regular Benefits (Non-SRBR)	SRBR Benefits	Total KCERA
Total Pension Liability	$7,791,557,918	$111,366,610	$7,902,924,528
Plan Fiduciary Net Position	5,252,882,900	133,698,294	5,386,581,194
Net Pension Liability (Asset)	**$2,538,675,018**	**$(22,331,684)**	**$2,516,343,334**

June 30, 2022	Regular Benefits (Non-SRBR)	SRBR Benefit	Total KCERA
Total Pension Liability	$7,403,163,840	$107,741,701	$7,510,905,541
Plan Fiduciary Net Position	4,999,892,890	131,235,770	5,131,128,660
Net Pension Liability (Asset)	**$2,403,270,950**	**$(23,494,069)**	**$2,379,776,881**

The Net Pension Liability (NPL) for the plan was measured as of June 30, 2023 and June 30, 2022. The Plan's Fiduciary Net Position was valued as of the measurement dates while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of June 30, 2022, and June 30, 2021, respectively, to the measurement date of June 30, 2023 and 2022, respectively.

PLAN PROVISIONS. 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, 2023 and 2022, respectively. The TPL and the Plan's Fiduciary Net Position include liabilities and assets held for the Supplemental Retiree Benefit Reserve (SRBR).

ACTUARIAL ASSUMPTIONS AND METHODS. The TPLs as of June 30, 2023 and 2022 that were measured by actuarial valuations as of June 30, 2022 and 2021, respectively, used the same actuarial assumptions and actuarial cost method as the June 30, 2022 and 2021 funding valuations. The actuarial assumptions used in the 2023 valuation were based on the results of an experience study for the period from July 1, 2019 though June 30, 2022. The assumptions used in the 2022 valuation were based on the results of an experience study for the period from July 1, 2016 through June 30, 2019. In particular, the following actuarial assumptions were applied to the periods included in the measurement.

NOTE 10 – NET PENSION LIABILITY (CONT.)

As of June 30, 2023	
Inflation:	2.50%
Salary Increases:	General: 3.70% to 8.00%. Safety: 4.00% to 10.00%. Varies by service, including inflation and real accross-the-board salary increase.
Investment Rate of Return:	7.00%, net of plan investment expenses, including inflation.
Administrative Expenses:	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.
Real accross-the-board salary increase:	0.50%
Projected salary increases:	General: 3.70% to 8.00% and Safety: 4.00% to 10.00%, varying by service, including inflation and real accross-the-board salary increase
Cost of living adjustments (COLA):	Retiree COLA increases due to CPI are assumed to be 2.50%
Other Assumptions:	Same as those used in the June 30, 2023 funding valuations. These assumptions were developed in the analysis of actuarial experience for the period July 1, 2019 through June 30, 2022.

As of June 30, 2022	
Inflation:	2.75%
Salary Increases:	General: 4.00% to 8.75%. Safety: 3.75% to 12.00%. Varies by service, including inflation.
Investment Rate of Return:	7.25%, net of plan investment expenses, including inflation.
Administrative Expenses:	0.90% 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.
Real accross-the-board salary increase:	0.50%
Projected salary increases:	General: 4.00% to 8.75% and Safety: 3.75% to 12.00%, varying by service, including inflation and real accross-the-board salary increase
Cost of living adjustments (COLA):	Retiree COLA increases due to CPI are assumed to be 2.50%
Other Assumptions:	Same as those used in the June 30, 2022 funding valuation. These assumptions were developed in the analysis of actuarial experience for the period July 1, 2016 through June 30, 2019.

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 and Actuarial Accrued Liability are 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 building block method in which expected future real rates of return (i.e., expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. This data is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized on the next page.

NOTE 10 – NET PENSION LIABILITY (CONT.)

	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 (Hard)	2%	4.72%	0.09%
Emerging Market Debt (Local)	2%	4.53%	0.09%
Commodities	4%	4.21%	0.17%
Core Real Estate	5%	3.86%	0.19%
Private 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%**

Discount rate. The discount rates used to measure the TPL was 7.00% and 7.25% as of June 30, 2023 and 2022, respectively. The projection of cash flows used to determine the discount rates 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 employee and employer contributions that are intended to fund benefits for 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 TPL as of both June 30, 2023 and 2022.

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 Supplement Retirement Benefit Reserve (SRBR) asset pools.

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the NPL of the KCERA as of June 30, 2023 and 2022, calculated using the discount rates of 7.00% and 7.25% respectively, as well as what the KCERA's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	(6.00%)	Current (7.00%)	(8.00%)
Net Pension Liability as of June 30, 2023	$ 3,549,044,545	$ 2,516,343,334	$ 1,667,639,118

	(6.25%)	Current (7.25%)	(8.25%)
Net Pension Liability as of June 30, 2022	$ 3,356,289,212	$ 2,379,776,881	$ 1,576,389,656

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR FISCAL YEARS ENDED JUNE 30

(In thousands)

	2023	2022	2021	2020	2019
Total Pension Liability:					
Service Cost	$ 119,520	$ 118,979	$ 123,394	$ 124,146	$ 122,869
Interest	538,058	523,872	510,015	481,972	466,379
Change of Benefit Terms	—	30,438	(32,129)	—	—
Differences between Expected and Actual Experience	(33,520)	(69,170)	(16,282)	(23,991)	(48,814)
Changes in Assumptions	185,815	—	—	151,379	—
Benefit Payments, including Refunds	(417,855)	(400,108)	(378,799)	(361,094)	(341,812)
Net Change in Total Pension Liability	392,018	204,011	206,199	372,412	198,622
Total Pension Liability: Beginning of Year	7,510,906	7,306,895	7,100,696	6,728,284	6,529,662
Total Pension Liability: End of Year (a)	**7,902,924**	**7,510,906**	**7,306,895**	**7,100,696**	**6,728,284**
Plan Fiduciary Net Position:					
Contributions - Employer [1]	316,838	287,063	268,625	273,909	229,120
Contributions - Employee	59,521	54,514	53,789	57,862	50,132
Net Investment Income	304,208	(219,947)	1,043,361	127,861	214,244
Benefit Payments, including Refunds	(417,855)	(400,108)	(378,799)	(361,094)	(341,774)
Administrative Expense	(7,260)	(6,702)	(6,061)	(5,523)	(4,804)
Other [2]	—	(1,204)	(2,197)	—	—
Net Change in Plan Fiduciary Net Position	255,452	(286,384)	978,718	93,015	146,918
Plan Fiduciary Net Position:					
Beginning of Year	5,131,129	5,417,513	4,438,795	4,345,780	4,198,862
Plan Fiduciary Net Position: End of Year (b)	**5,386,581**	**5,131,129**	**5,417,513**	**4,438,795**	**4,345,780**
Net Pension Liability: (a) - (b)	**$ 2,516,343**	**$ 2,379,777**	**$ 1,889,382**	**$ 2,661,901**	**$ 2,382,504**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	68.16 %	68.32 %	74.14 %	62.51 %	64.59 %
Covered Payroll [3]	$ 677,026	$ 612,609	$ 604,320	$ 607,695	$ 579,072
Plan Net Pension Liability as a Percentage of Covered Payroll	371.68 %	388.47 %	312.65 %	438.03 %	411.43 %

[1] See footnote (1) under Schedule of Employer Contributions.
[2] This represents the amount of recovery or refunds or benefits and/or member contributions previously paid in conjunction with pay items impacted by the implementation of the Alameda Decision.
[3] Cover Payroll represents payroll on which contributions to the pension plan are based.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS FOR FISCAL YEARS ENDED JUNE 30 (CONT.)

(In thousands)

	2018	2017	2016	2015	2014
Total Pension Liability:					
Service Cost	$ 123,407	$ 122,184	$ 123,181	$ 125,161	$ 125,118
Interest	450,172	438,385	427,646	415,820	400,559
Change of Benefit Terms	31,034	—	—	5,036	—
Differences between Expected and Actual Experience	(80,208)	(109,368)	(105,053)	(89,306)	(57,034)
Changes in Assumptions	—	196,259	—	—	205,038
Benefit Payments, including Refunds	(321,613)	(305,817)	(288,738)	(273,865)	(257,495)
Net Change in Total Pension Liability	202,792	341,643	157,036	182,846	416,186
Total Pension Liability: Beginning of Year	6,326,870	5,985,227	5,828,191	5,645,345	5,229,159
Total Pension Liability: End of Year (a)	**6,529,662**	**6,326,870**	**5,985,227**	**5,828,191**	**5,645,345**
Plan Fiduciary Net Position:					
Contributions - Employer [1]	242,534	224,351	234,713	215,477	220,393
Contributions - Employee	52,504	51,410	33,279	30,325	25,810
Net Investment Income	267,659	426,606	(27,535)	81,931	487,591
Benefit Payments, including Refunds	(321,613)	(305,817)	(288,738)	(273,864)	(257,495)
Administrative Expense	(5,117)	(5,243)	(5,224)	(4,887)	(4,958)
Other [2]	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	235,967	391,307	(53,505)	48,982	471,341
Plan Fiduciary Net Position:					
Beginning of Year	3,962,895	3,571,588	3,625,093	3,576,111	3,104,770
Plan Fiduciary Net Position: End of Year (b)	**4,198,862**	**3,962,895**	**3,571,588**	**3,625,093**	**3,576,111**
Net Pension Liability: (a) - (b)	**$ 2,330,800**	**$ 2,363,975**	**$ 2,413,639**	**$ 2,203,098**	**$ 2,069,234**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.30 %	62.64 %	59.67 %	62.20 %	63.35 %
Covered Payroll [3]	$ 576,729	$ 546,671	$ 537,540	$ 531,598	$ 533,851
Plan Net Pension Liability as a Percentage of Covered Payroll	404.14 %	432.43 %	449.02 %	414.43 %	387.61 %

[1] See footnote (1) under Schedule of Employer Contributions.

[2] This represents the amount of recovery or refunds or benefits and/or member contributions previously paid in conjunction with PEPRA implementation and pay items impacted by the implementation of the Alameda Decision.

[3] Cover Payroll represents payroll on which contributions to the pension plan are based.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Covered Payroll
2014	$220,393,000	$220,393,000	—	$533,850,811	41.28%
2015	$215,477,000	$215,477,000	—	$531,598,183	40.53%
2016	$216,229,000	$216,229,000	—	$537,539,991	40.23%
2017	$224,351,000	$224,351,000	—	$546,671,003	41.04%
2018	$242,534,000	$242,534,000	—	$576,728,789	42.05%
2019	$229,120,000	$229,120,000	—	$579,071,865	39.57%
2020	$273,909,000	$273,909,000	—	$607,695,110	45.07%
2021	$268,626,000	$268,626,000	—	$604,320,398	44.45%
2022	$287,063,000	$287,063,000	—	$612,609,249	46.86%
2023	$316,838,000	$316,838,000	—	$677,026,425	46.80%

See accompanying notes to this schedule on next page.

(1) All "Actuarially Determined Contributions" through June, 2014 were determined as the "Annual Required Contribution" under GAS 25 and 27. Starting from 2016, actuarially determined contributions exclude employer paid member contributions.

(2) Covered payroll represents payroll on which contributions to the pension plan are based.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

METHODS AND ASSUMPTIONS USED TO ESTABLISH ACTUARIALLY DETERMINED CONTRIBUTION RATES:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability
Remaining amortization period:	12.5 years as of June 30, 2023 for all UAAL as of June 30, 2011. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 18-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).
Asset valuation method	Market value of assets (MVA) less unrecognized returns in each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized semi-annually over a five-year period. The Actuarial Value of Assets (AVA) cannot be less than 50% of MVA, nor greater than 150% of MVA. The AVA is reduced by the value of the non-valuation reserves.

	June 30, 2021 Valuation Date (used for the year ended June 30, 2023 ADC)	June 30, 2020 Valuation Date (used for the year ended June 30, 2022 ADC)
Actuarial Assumptions:		
Investment rate of return	7.25%, net of investment expenses, including inflation	7.25%, net of investment expenses, including inflation
Inflation rate	2.75%	2.75%
Real across-the-board		
salary increase	0.50%	0.50%
*Projected salary increases**	General: 4.00% to 8.75%	General: 4.00% to 8.75%
	Safety: 3.75% to 12.00%	Safety: 3.75% to 12.00%
Administrative expenses	0.90% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses) for the employer and the member	0.90% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses) for the employer and the member
Cost-of-living adjustments	2.5% (actual increases based on CPI increases with a 2.5% maximum)	2.5% (actual increases based on CPI increases with a 2.5% maximum)
Other assumptions	Same as those used in the June 30, 2021 funding actuarial valuation.	Same as those used in the June 30, 2020 funding actuarial valuation.

**Includes inflation at 2.75% plus real across-the-board salary increase of 0.50% plus merit and promotional increases that vary by service.*

SCHEDULE OF MONEY WEIGHTED RATES OF RETURNS FOR LAST 10 FISCAL YEARS ENDED JUNE 30

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual Money-Weighted Rate of Return*	6.7%	-4.2%	24.3%	3.2%	5.6%	6.8%	12.0%	0.3%	3.0%	15.5%

**Net of investment expenses.*

Data is provided only for those years for which information is available.

SCHEDULE ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Staffing		
Salaries	$ 3,308,199	$ 2,822,794
Benefits	1,908,335	1,834,721
Temporary staff	16,201	36,177
Staffing Total	**5,232,735**	**4,693,692**
Staff Development	90,708	45,705
Professional Fees:		
Actuarial fees	30,623	105,709
Audit fees[1]	48,480	53,500
Consultant fees	47,507	41,744
Legal fees	79,241	36,675
Professional Fees Total	**205,851**	**237,628**
Office Expenses:		
Building expenses	113,778	121,744
Communications	28,739	28,976
Equipment lease	9,712	10,086
Equipment maintenance	2,000	2,000
Memberships	13,720	12,749
Office supplies & misc. admin.	35,516	39,620
Payroll & accounts payable fees	26,932	25,797
Other Services - Kern County	—	37,851
Postage	19,688	21,522
Subscriptions	14,595	11,009
Utilities	50,321	42,080
Office Expenses Total	**315,001**	**353,434**
Insurance	162,795	148,495
Member Services		
Disability - legal	—	2,896
Disability - professional services	—	9,826
Disability - administration MMRO	158,351	106,200
Member communications	12,728	13,996
Member Services Total	**$ 171,079**	**$ 132,918**

See accompanying independent auditor's report. *Schedule continued on next page.*

[1] *Includes periodic actuarial audit, see page 61.*

SCHEDULE ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022 *(CONT.)*

	2023	2022
Systems:		
Audit - security & vulnerability scan	$ 13,750	$ 2,290
Business continuity expense	16,934	8,740
Hardware	35,511	52,251
Licensing & support	166,895	125,005
Software	126,543	97,539
Website design	13,704	81,708
Systems Total	**373,337**	**367,533**
Board of Retirement		
Board compensation	7,100	10,640
Board conferences & training	37,458	20,492
Board elections	—	40,974
Board meetings	4,015	2,351
Board of Retirement Total	**48,573**	**74,457**
Depreciation/Amortization	660,089	648,530
Total Administrative Expenses	**$ 7,260,168**	**$ 6,702,392**

SCHEDULE OF INVESTMENT EXPENSES FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Investment manager Fees:		
Equity	$ 4,405,303	$ 4,224,707
Fixed income	2,479,304	2,545,173
Commodities	1,542,888	2,078,697
Midstream Energy	1,924,734	1,791,459
Real estate	6,700,532	4,961,774
Opportunistic	4,452,170	4,515,578
Private equity/Credit funds	24,300,426	12,763,699
Hedge funds	24,485,566	24,032,903
Cash and Overlay	614,687	706,914
Total Investment Manager Fees	**70,905,610**	**57,620,904**
Other Investment Expenses:		
Custodian	500,708	363,646
Actuarial valuation	167,550	232,693
Investment consultants	1,588,459	1,406,361
Legal fees	68,846	141,008
Due Diligence	9,027	—
Real estate	43,077	49,799
Total Other Investment Expenses	**2,377,667**	**2,193,507**
Total Fees and Other Investment Expenses	**73,283,277**	**59,814,411**
Securities Lending rebates and bank fees	59,919	53,430
Total Investment Expenses	**$ 73,343,196**	**$ 59,867,841**

See accompanying independent auditor's report.

SCHEDULE OF PAYMENTS TO CONSULTANTS FOR THE YEARS ENDED JUNE 30, 2023 AND 2022

		Commission/Fee	
Individual or Firm	**Nature of Service**	**2023**	**2022**
Agility Recovery Solutions	Disaster recovery/audit	$ 30,684	$ 11,030
CliftonLarsonAllen	External auditors	42,000	53,500
Cortex Applied Research, Inc.	Policy consultants	35,000	51,500
Ice Miller	Legal counsel	1,775	13,673
Kenneth Irvin Robinson	Professional Services	12,507	—
Kern County Counsel	Legal counsel	2,320	3,450
Nossaman LLP	Legal counsel	42,863	20,904
Reed Smith LLP	Legal counsel	32,283	2,039
Segal Consulting	Actuarial services	30,623	105,709
Total Payments to Consultants		**$ 230,055**	**$ 261,805**

These payments were made to outside consultants other than investment professionals.
A Schedule of Investment Fees is presented on pages 77-80 in the Investment Section.

See accompanying independent auditor's report.

INVESTMENT SECTION

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September 29, 2023

Mr. Dominic Brown
Executive Director
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311

Dear Mr. Brown,

Verus is pleased to have had the opportunity to serve the Kern County Employees' Retirement Association since July 2011 and to provide this investment review for the fiscal year ending June 30, 2023.

Verus independently calculated the Fund's fiscal year performance results utilizing a time-weighted annualized rate of return methodology (modified Dietz method) with data on market valuations and transactions provided by the Fund's custodian bank, the Northern Trust Company. For the fiscal year ended June 30, 2023, KCERA's retirement fund had an investment gain of 5.9% (net of fees) and ended the fiscal year with total assets of approximately $5.4 billion.

All KCERA's investments are managed according to guidelines codified in KCERA's Statement of Investment Goals, Objectives, and Policies. This Statement is reviewed periodically to ensure best practices are employed in all aspects of our work and was last updated in April 2022.

<u>Market Environment</u>

2023 Summary

Risks assets delivered a strong start to 2023, building off the positive momentum seen towards the end of 2022. Year-to-date performance was positive across all major asset classes outside of commodities, as was performance on a one-year basis. Counter to the challenging outlook presented in our last letter and despite an end to massive economic stimulus introduced in response to the global pandemic, as well as rapidly rising interest rates, economic growth proved to be resilient. While earlier in the year many economists had forecast a U.S. recession in mid to late summer (especially after a series of regional bank failures, notably Silicon Valley Bank and First Republic), sentiment eased considerably as the prospect of a "soft-landing" was revived. Falling headline inflation, stgong labor market data, and the first rate pause from the Federal Reserve all contributed to a more positive macroeconomic outlook.

However, challenges remain. Within the U.S., inflation is still a concern. The Federal Reserve continues to face difficult policy decisions as inflation, while lower, sits above the two-percent

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target and economic and labor market strength persists. The FOMC paused rate hikes in June, but markets are pricing in as many as two additional hikes before the end of the current tightening cycle. Overseas, growth in advanced economies remains subdued as many central banks continue their battle against inflation. Within emerging markets, the loudest narrative has centered on China. Reopening after the pandemic provided a material boost to activity, though positive momentum faltered and has been overshadowed by mounting geopolitical tension, a lack of broader accommodative stimulus, and a severely challenged real estate market.

U.S. Equity

Shares in the U.S. outperformed relative to international developed and emerging markets across both the year-to-date and one-year periods. The S&P 500 index rose by 16.9% year-to-date and 19.6% over the trailing one-year period. Many expected a higher rate environment and slowing domestic consumer spending to put a ceiling on domestic equity prices, especially following a series of regional bank failures. This ceiling was quickly shattered as the prospect and development of artificial intelligence (AI) technology boosted prices in the technology-heavy S&P 500 index.

Following concerns over the stability of the broader U.S. financial system, a wave of AI developments fueled a rally in many U.S. technology shares. Some of the largest technology names, which have made significant investments in research and development over past several years, saw the biggest increases. Notable year-to-date movers include Nvidia (+189.5%), Meta (+138.5%), Apple (+49.3%), and Microsoft (+42.0%).

The significant movements of heavyweight technology names is apparent when looking at size and style factors. Large-cap equities significantly outperformed over the one-year, with the Russell 1000 index gaining 19.4% relative to a 12.3% increase in the Russell 2000 index. And growth handily outperformed value, with the Russell 1000 Growth index rising 27.1% from last year compared to an 11.5% gain from the Russell 1000 Value index.

While U.S. shares have outperformed, the earnings story remains uncertain. According to FactSet, S&P 500 companies are on track for their third straight quarter of year-over-year earnings decline. The expected decline of -7.0% in Q2 2023 reflects a volatile business environment. While earnings expectations are rosier going forward, recent gains seen from U.S. equities are by no means an indicator that the Federal Reserve has been successful in achieving a “soft-landing” for the economy.

International Equity

Despite underperformance relative to the U.S., both international developed and emerging market shares saw gains over the past year. While directionality was the same, performance divergence was significant between the two. The MSCI EAFE index increased 18.8% year-over-year, but the MSCI EM index posted a meager 1.7% gain.

International developed shares rebounded in Q4 of 2022, and this momentum carried into 2023, driven by strength from both European and Japanese shares. The STOXX 50, which represents the 50 largest companies in Europe, rose 36.3% from the prior year. While Europe continues to face tighter central bank policies due to high inflation (June 2023 CPI came in at 5.5% year-over-year), resilience was much better than expected, especially in comparison to the negative sentiment following Russia's invasion of Ukraine. Japanese equities also saw strong performance due to a combination of positive economic growth, inflation (Japan has sought higher inflation for many years), and a potential shift in regard to foreign shareholder prioritization. The TOPIX index increased 25.9% year-to-date and the 31.2% over the past year.

China dominated the narrative in emerging markets, as emerging market shares initially outperformed on enthusiasm around the country's reopening. This reopening momentum turned out to be short-lived, as negative sentiment quickly overshadowed the move away from an almost three-year "zero-covid" policy. It appears that two primary factors contributed to losses for Chinese shares. The first was a smaller-than-expected reopening wave of economic activity, with no substantial monetary or fiscal stimulus used to accelerate the reopening. This contrasted sharply with the large amounts of stimulus used in the U.S. and Europe. This smaller-than-expected reopening wave provided no reprieve to the already struggling real estate market. The second factor was growing geopolitical tension with the United States. A series of events, including a spy balloon being shot down over U.S. airspace, continued to bolster negative relations between the two global leaders, which likely hurt foreign investor sentiment. The MSCI China index fell -5.5% over the year-to-date, contributing to -16.8% loss over the trailing one-year period.

Fixed Income

Inflation and Federal Reserve action continued to be the dominant driver of fixed income performance over the past year. With the bulk of Federal Reserve rate hikes occurring in the second half of 2022, bonds received the brunt of the pain over the 2022 calendar year (Bloomberg U.S. Aggregate down -13.0%). The Federal Reserve continued to increase rates in response to inflation in 2023 but at a considerably slower pace. The upper bound of the Fed's target rate moved from 4.50% to 5.25% over the first half of 2023. Smaller hikes were likely in response to strong signs of falling inflation, as headline CPI fell to 3.0% in June of 2023. While the FOMC decided to pause their rate hikes at the June meeting, commentary from Federal Reserve Chairman Powell was explicit that pausing was not a signal of the end of the tightening cycle. Fed funds futures (an indicator of investor expectations) are pricing in another 25-basis point rate hike at the FOMC's July meeting, as the Federal Reserve will continue to watch the path of inflation, especially when looking at the core basket (4.8% year-over-year rise in June).

Positive performance in 2023 has helped to improve one-year performance for the fixed income complex. Core fixed income (Bloomberg U.S. Aggregate) saw a 2.1% gain over the year-to-date period, bringing the one-year loss to -0.9%. In terms of duration, short maturity U.S. treasuries outperformed, with the Bloomberg U.S. Treasury 1-3 Year index gaining 0.1% over the one-year, compared to -2.1% and -6.8% losses from the U.S. Treasury index and U.S. Treasury Long index, respectively.

Expectations for worsening credit conditions may have reached a peak earlier in the year following the failure of several regional banks, as many investors expected a material pull back in credit availability. While high-yield bond and leveraged loan default rates have reached a two-year high per J.P. Morgan, the broader credit spectrum has performed strongly over the one-year period. Emerging market debt in local currency (+11.4%) was the best performer, followed by leveraged loans (+10.1%), high-yield bonds (+9.1%), and hard currency emerging market debt (+7.4%). Credit spreads compressed over the year-to-date, with the average option-adjusted spread for high-yield and investment grade bonds sitting at 390 basis points and 123 basis points, respectively. It has been surprising to see credit spreads remain at low levels, despite recent rises in bond default activity and expectations that defaults will continue to rise into 2024.

Commodities

In 2022, there were two major stories in the commodities space. First, the rapid increase in energy and grain prices—much of this due to Russia's invasion of Ukraine—was an contributing factor for global inflation. The second story was commodity performance. Commodities were one of the few asset classes to post a positive return during the 2022 calendar year, and the asset dominated the narrative in 2022 with some market participants calling for a new booming commodity cycle. However, commodities ended up playing a much smaller role in 2023, as a combination of easing supply pressures and lower demand hurt price performance. The Bloomberg Commodity index fell -7.8% over the year-to-date, driving the -9.6% one-year loss.

Currency

The strong dollar theme which prevailed through the first three quarters of 2022 reversed quickly in the fourth. The dollar has continued to weaken through the first half of 2023, but the magnitude has been relatively small compared to the end of last year. Interest rates have played a material role. As inflation in the U.S. seems to be under control, this has led to lower rate expectations relative to other major currencies such as the Euro and the British Pound. During this period, the Japanese Yen saw a small surge on speculation of changing rate policy under

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new Bank of Japan Governor Kazuo Ueda. However, this speculation proved to fleeting, as the Yen weakened 8.7% against the dollar over the first half of the year. The Bloomberg Dollar index, a gauge of the U.S. dollar relative to major pairs, saw moderate losses over the past year, down -2.2%.

Outlook

Risk assets experienced a tailwind through the first half of the year, as inflation has shown signs of easing, real earnings growth has moved back into positive territory, and the labor market remains resilient. While strong asset performance has boosted sentiment, continued risks threaten the rebound enjoyed through the first half of the year, including regional banks fragility, commercial office real estate vacancy, and stubborn inflation. It is also important to remember that rising interest rates tend to impact the economy with a lag. We believe many effects of interest rate rises have yet to be felt and the economy and markets may feel some pain through the latter part of this year and into 2024.

Asset Allocation

At fiscal year-end, KCERA's asset allocation was broadly in line with Investment Policy targets, as shown in the table below:

Asset Class	*Policy Target*	*Year-End Allocation**
Equity	37%	32.4%
Fixed Income	24%	25.0%
Commodities	4%	4.3%
Hedge Funds (incl. Alpha Pool)	18%	14.2%
Midstream Energy MLPs	5%	5.8%
Core Real Estate	5%	5.7%
Private Equity	5%	3.5%
Private Credit	5%	4.6%
Private Real Estate	5%	2.5%
Opportunistic Investments	0%	3.1%
Cash	-8%	-1.2%

Investment Objectives

As stated in the Plan's Investment Policy, the Plan's primary investment objectives are as follows:

- Earn a long-term net of fees rate of return which is equal to or exceeds the assumed rate of return;
- Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark ("Policy Benchmark"); and

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- Earn a long-term net of fees rate of return which exceeds the long-term rate of inflation.

Objectives / Performance	*1-Year*	*3-Year*	*5-Year*	*10-Year*
Assumed Rate of Return*	7.0%			
Policy Benchmark	8.1%	7.8%	6.6%	6.6%
Rate of Inflation	3.0%	5.8%	3.9%	2.7%
Net-of-Fee Performance	**5.9%**	**8.1%**	**6.5%**	**6.7%**

*The current actuarial assumed rate of return is used for comparison to investment performance across periods.

As always, Verus greatly appreciates the opportunity to assist the KCERA Board in meeting the Plan's long-term investment objectives. We look forward to continuing in our role of investment advisor and providing guidance to help navigate ever-changing capital market environments.

Sincerely,

Scott J. Whalen, CFA, CAIA
Executive Managing Director

POLICIES ADOPTED BY THE BOARD OF RETIREMENT ON MARCH 9, 2016

GENERAL INFORMATION

The Board of Retirement (the Board) has exclusive control of the investments of the retirement fund and, therefore, establishes investment policies and implements investment decisions. The overall objective of KCERA's investment program is to prudently invest assets such as to offset some of the costs of the Plan in providing the retirement benefits required by the County Employees' retirement Law of 1937.

The Board is governed by Government Code Sections 31594 and 31595, which provide a standard of care commonly known as the "prudent expert rule," a rule that recognizes that special skill and knowledge may be necessary in order to invest the fund prudently. Accordingly, the Board retains a number of professional investment advisers and investment consultants. The Board is required to diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless it is clearly prudent not to do so.

The Board consists of nine members and two alternate members. Four members of the Board are appointed by the Kern County Board of Supervisors; four members are elected by active and retired members of KCERA; and the County Treasurer-Tax Collector is a statutory member of the Board.

SUMMARY OF INVESTMENT GUIDELINES

The Board of Retirement has adopted an Investment Policy Statement to serve as the framework for investment policy making and investment objective setting within the context of applicable California laws. The Statement establishes investment guidelines, objectives and policies, and defines the responsibilities of the Board members in regard to KCERA's investments. The investment philosophy articulated in the Statement is outlined below:

- Protecting the corpus of the Fund;
- Managing the fund in a prudent manner, recognizing risk and return trade-offs;
- Earning adequate investment returns in order to protect and pay the benefits promised to the participants with a minimum amount of associated risk;
- Maintaining sufficient liquidity to fund expenses and benefit payments as they come due; and
- Complying with applicable law.

SUMMARY OF PROXY VOTING GUIDELINES

The Board has established the KCERA Proxy Voting Policy for dealing with proxies. This policy considers shareholder voting on corporate issues to represent assets of the Plan to be voted in the best interests of the beneficiaries of the Plan. The voting of proxies is delegated to a third party to vote on behalf of the Board according to the guidelines established in the policy. The Board is responsible to monitor proxy voting to see that its policies are implemented effectively.

ASSET ALLOCATION

The Board of Retirement periodically establishes an asset allocation policy aimed at achieving a long-term rate of return on the fund's investments such as to prudently add income to the fund to help provide the benefits promised. The asset allocation statement provides a target allocation or weighting to each of the broad investment classes of assets along with allowable ranges of weightings around each target weight. The target weights are viewed as longer-term objectives to be funded in a manner consistent with efficiency and cost savings. The asset allocation policy provides the target level of diversification among asset classes anticipated for the future. Asset allocation is reviewed on an annual basis to ensure that the expectations and assumptions incorporated in the policy remain valid and appropriate. Investment performance is monitored on quarterly, annual and multi-year basis. The asset allocation of the fund is rebalanced, as needed, but also in view of the costs of such transactions.

The Board engages external professional investment advisers to invest various portions of the fund. The advisers are, however, constrained to invest as provided in KCERA's investment policies and allocation guidelines. Investment advisers formally notice their compliance with such policies, and their portfolios are scrutinized for compliance at regular intervals. KCERA's investment consultant and investment staff participate in policy formulation and new manager searches, as well as in the termination of existing managers failing to perform or maintain compliance with their investment mandates.

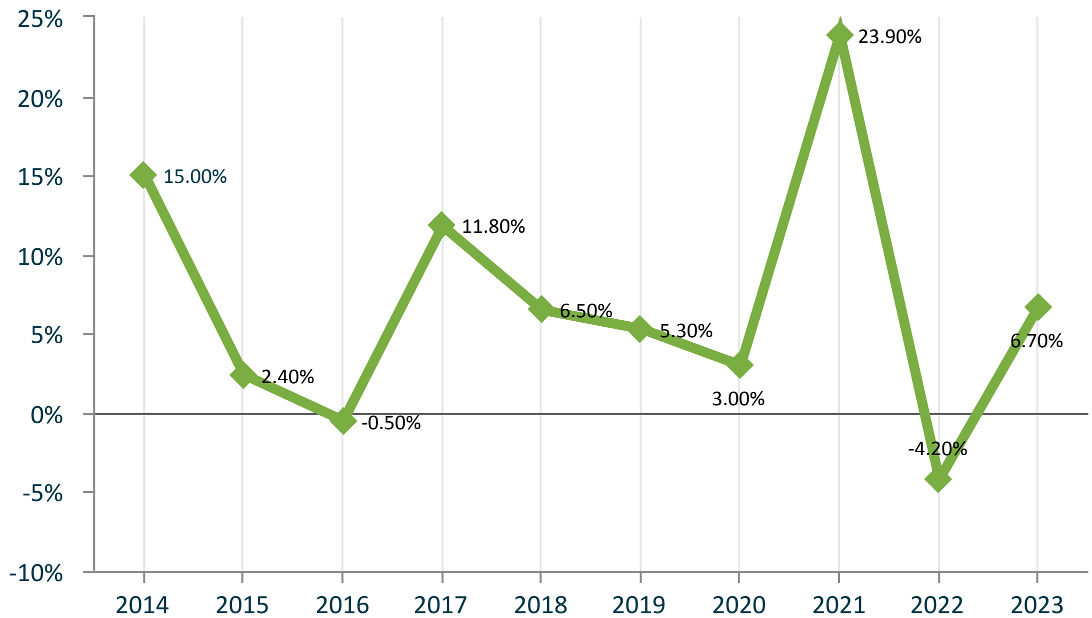
The Board of Retirement adopted the current asset allocation policy in April 2023. KCERA's strategic target asset allocation and actual asset allocation as of June 30, 2023 are as follows:

Asset Class	Actual	Target	Minimum	Maximum
Domestic Equity	16.5%	19.0%	16.0%	27.0%
International Developed Equity	11.8%	13.0%	8.0%	18.0%
Emerging Markets Equity	4.1%	5.0%	1.0%	9.0%
Domestic Fixed Income Core Plus	16.2%	14.0%	12.0%	25.0%
Domestic Fixed Income High Yield	4.9%	6.0%	3.0%	9.0%
Emerging Markets Fixed Income	4.0%	4.0%	1.0%	7.0%
Commodities	4.3%	4.0%	0.0%	8.0%
Hedge Funds	10.1%	10.0%	5.0%	15.0%
Capital Efficiency Alpha Pool	4.1%	8.0%	2.0%	10.0%
Midstream	5.8%	5.0%	0.0%	8.0%
Core Real Estate	5.7%	5.0%	2.0%	8.0%
Opportunistic	3.1%	0.0%	0.0%	10.0%
Private Equity	3.5%	5.0%	0.0%	10.0%
Private Credit	4.6%	5.0%	0.0%	10.0%
Private Real Estate	2.5%	5.0%	0.0%	10.0%
Cash and Equivalents	-1.2%	-8.0%	-10.0%	5.0%
Total	100.0%	100.0%		

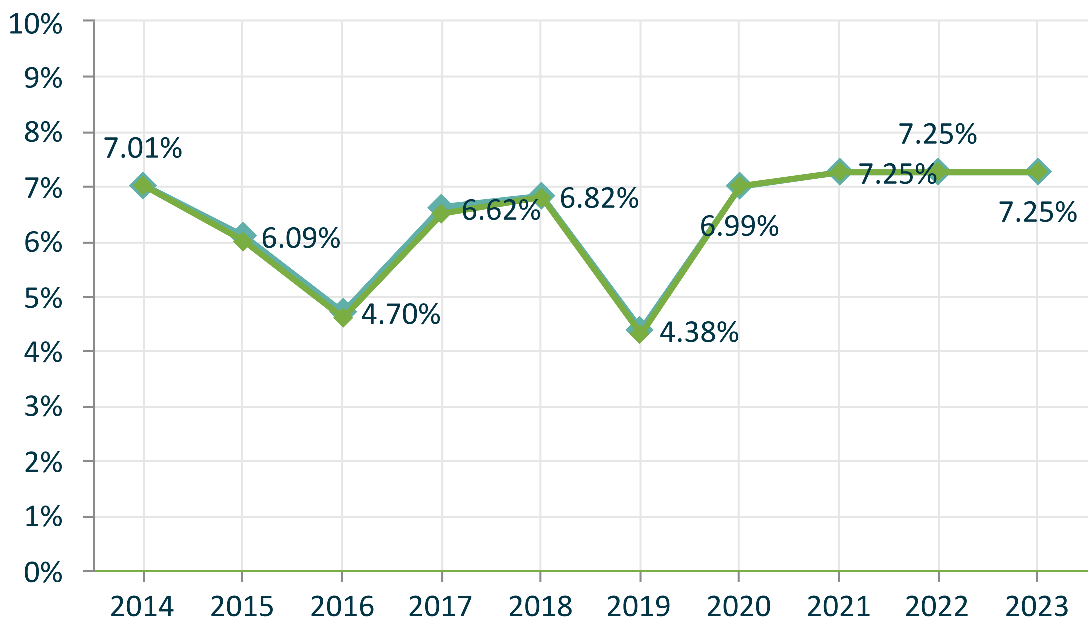
Type of Investment	Fair Value (In thousands)	% of Total Fair Value
Domestic Equity:		
All Cap Passive	$ 535,891	9.87 %
Large Cap Enhanced	116,373	2.14 %
Small Cap Growth	50,512	0.93 %
Small Cap Value	85,475	1.57 %
Total Domestic Equities	788,251	14.51 %
International /Global Equity		
Large Cap	38,875	0.72 %
Global	526,645	9.70 %
Small Cap	70,989	1.31 %
Emerging Markets	219,008	4.03 %
Total International Equities	855,517	15.76 %
Fixed Income		
Core	161,045	2.97 %
Core Plus	272,201	5.01 %
Structured Debt	95,425	1.76 %
High Yield	161,355	2.97 %
Emerging Markets	208,206	3.84 %
Short Duration Fixed Income	124,460	2.29 %
Total Fixed Income	1,022,692	16.55 %
Real Estate		
Core	305,432	5.63 %
Private Real Estate	134,133	2.47 %
Total Real Estate	439,565	8.10 %
Alternate Investments		
Private Credit	322,855	5.95 %
Private Equities	189,903	3.50 %
Opportunistic	102,634	1.89 %
Hedge Funds	589,539	10.86 %
Midstream	299,149	5.51 %
Alpha Pool	174,680	3.22 %
Commodities	50,780	0.94 %
Total Alternative Investments	1,729,540	31.87 %
Cash and Equivalents	593,285	10.91 %
Total Investments	**$ 5,428,850**	**97.70 %**
KCERA Capital Assets	609	
KCERA Receivables/Payables	(42,878)	
Fiduciary Net Position	**$ 5,386,581**	

*Fair Value totals are inclusive of payables and receivables as of June 30.

ANNUAL RETURNS (NET OF FEES) FOR PERIODS ENDED JUNE 30



FIVE-YEAR SMOOTHED ASSET VALUATION FOR PERIODS ENDED JUNE 30



KCERA uses the five-year smoothed spread gain valuation method to allocate investment earnings greater than (or less than) the assumed investment return (i.e., actuarial assumption rate minus actual rate). The reserve account balances reflect the five-year smoothed asset valuation method for actuarial purposes. In accordance with KCERA's Interest Crediting Policy, when investment returns would result in a negative five-year smoothed rate, KCERA sets the smoothed rate at 0.00% and credits the Contingency Reserve with the negative balance.

RETURNS FOR PERIODS ENDED JUNE 30

	Current Year	Annualized		
		3-Year	5-Year	10-Year
Total Fund:	5.9	8.1	6.5	6.7
Benchmark: Policy Index*	8.1	7.8	6.6	6.6
Domestic Equity:	17.6	13.9	11.3	—
Benchmark: MSCI USA IMI (Net)	19.2	14.1	11.5	—
International Developed Equity:	17.1	9.8	4.3	—
Benchmark: MSCI World ex USA IMI Index	16.3	8.9	4.2	—
Emerging Markets Equity:	4.6	4.4	—	—
Benchmark: MSCI EM IMI (Net)	3.2	3.6	1.4	—
Core Plus Fixed Income:	(1.0)	(4.0)	0.8	—
Benchmark: Barclays US Aggregate	(0.9)	(4.0)	0.8	—
High Yield/Specialty Credit	7.5	3.0	3.1	—
Benchmark: ICE BofAML High Yield Index	8.9	3.2	3.2	—
Emerging Market Debt:	11.2	(1.0)	0.6	—
Benchmark: **	9.4	(2.2)	0.5	—
Commodities:	(7.0)	16.5	5.5	-0.4
Benchmark: Bloomberg Comm. Index	(9.6)	17.8	4.7	-1.0
Hedge Funds	6.8	8.4	6.9	5.6
Benchmark: ***	7.2	5.8	5.8	5.9
Alpha Pool	(0.9)	4.8	—	—
Benchmark: 91-Day T-Bill +4%	6.7	4.3	—	—
Midstream Energy	19.3	—	—	—
Benchmark: Alerian Midstream Energy Index	12.2	—	—	—
Core Real Estate:	(12.3)	4.9	4.4	—
Benchmark: NCREIF-ODCE	(10.0)	8.0	6.5	—
Private Real Estate:	7.9	16.7	12.6	12.3
Private Equity:	(0.5)	20.1	11.5	10.8
Private Credit:	3.2	3.0	4.8	—
Opportunistic	0.6	15.0	—	—
Benchmark: Assumed Rate of Return +3%	7.2	7.2	—	—

* Total Fund:

37% MSCI ACWI IMI,
6% Ice BofA ML Hogh Yield Master II Index
2% JPM Governmental Bond Index Emerging Markets
7.5% 3-Month T-Bill + 400 bps
2% Actual time-weighted Private Equity Returns
1% Actual time-weighted Private Real Estate Returns
4% Alerian Midstream 1% BBgBarc

14% Bloomberg US Aggregate
2% JPM Emerging Markets Bond Index Global Diversified
4% Bloomberg Commodities
2.5% MSCI ACWI 5% NCREIF-ODCE
4% Actual time-weighted Private Credit Returns
3% MSCI ACWI* 1% Bloomberg US Aggregate
5% Alerian Midstream 5% 3-Month T-Bill + 400bps, 91 Day T-Bills (-)5%3-MonthT-Bill
8% 91 day T-Bill + 4%

** 50 JPM EMBI Global Div/50 JPM GBI EM

*** 75% 90Day TBills + 4% / 25% MSCI ACWI

Note: Return calculations were prepared, net of fees, using a time-weighted rate of return based on fair values.

Note: Return calculations were prepared, net of fees, using a time-weighted rate of return based on fair values.

INVESTMENT MANAGERS

Domestic Equity
AllianceBernstein
Geneva Capital
Mellon Capital Management EB DV
PIMCO StockPlus

International Developed Equity
American Century
Cevian Capital II LP
Mellon Capital Management-EB DV

Emerging Market Equity
AB Emerging Markets Strategic Core
DFA Emerging Markets Value Portfolio
Mellon Emerging Markets

Core Fixed Income
Mellon Capital Management Ag Bond
PIMCO
Western Asset Management - CP

High Yield Fixed Income
TCW Securitized Opportunities LP
Western Asset Management - HY

Emerging Markets Debt
PIMCO EM Beta
Stone Harbor Global Funds

Commodities
Gresham Commodity Builder Fund
Wellington Trust Company (WTC)

Midstream Energy
Harvest Midstream
PIMCO Midstream

Core Real Estate
ASB Capital Management
JPMCB Strategic Property Fund

Private Equity
Abbott Capital Funds
Brighton Park Capital Fund I
Brighton Park Capital Fund II
Level Equity Growth Partners
LGT Crown Global
Linden Capital Partners
Pantheon Funds
Peak Rock
OrbiMed Private Investments IX
Rubicon Technology Partners IV
Vista Foundation Fund IV
Warren Equity Partners Fund III and Fund IV

INVESTMENT MANAGERS (CONT.)

Private Real Estate
Covenant Apartment Fund X
Covenant Apartment Fund XI
Invesco Real Estate Funds III & IV
KCERA Property
KSL Capital Partners VI, LP
LBA Logistics Value Fund IX
Landmark Real Estate Partners VIII
Long Wharf Real Estate Partners VI
Singerman Real Estate Opportunity Fund IV

Private Credit
Blue Torch Credit Opportunites II
Blue Torch Credit Opportunities III
Brookfield Real Estate Finance Fund V
Colony Distressed Credit Fund
Fortress Credit Opportunities Fund V
Fortress Lending Fund II (A)
Fortress Lending Fund III (A)
H.I.G Bayside Loan Opportunity Fund
Magnetar Constellation Fund V
OrbiMed Royalty & Credit Opportunities IV
TSSP Adjacent Opportunities Partners (B)

Opportunistic
Aristeia Select Opportunities II LP
DB Investor's Fund IV
River Birch International Ltd
TSSP Adjacent Opportunities Partners (D)

Hedge Funds
Aristeia International Ltd
Brevan Howard Fund Limited
D.E. Shaw Composite Fund
HBK Multi-Strategy Fund
Hudson Bay Enhanced Fund LP
Indus Pacific Opportunities Fund
Magnetar Structured Credit Fund
PIMCO Commodity Alpha Fund LLC
Pharo Macro Fund LTD
Sculptor Enhanced LP (Formerly OZ Domestic)

Alpha Pool
Davidson Kempner
Garda Fixed Income
HBK Multi-Strategy Fund
Hudson Bay Enhanced Fund LP

Alpha Pool
BlackRock Short Duration
Parametric

LARGEST STOCK DIRECT HOLDINGS (FAIR VALUE)

Shares	Stocks	Fair Value
166,567	CHENIERE ENERGY INC COM NEW	25,378,148
1,959,381	MLP ENERGY TRANSFER LP COMMON UNITS REP	24,884,139
703,487	MLP MPLX LP COM UNIT REPSTG LTD PARTNER	23,876,349
543,234	MLP ENTERPRISE PRODS PARTNERS L P COM	14,314,216
169,810	TARGA RES CORP COM	12,922,541
483,539	WESTERN MIDSTREAM PARTNERS L P COM UNITS	12,823,454
155,598	MLP MAGELLAN MIDSTREAM PARTNERS LP COM	9,696,867
283,611	PEMBINA PIPELINE CORPORATION COMMON	8,916,730
198,819	KINDER MORGAN INC DEL COM	3,423,663
235,203	MLP PLAINS ALL AMERICAN PIPELINE L.P. UNIT	3,316,362

LARGEST BOND DIRECT HOLDINGS (FAIR VALUE)

Par	Bonds	Fair Value
20,000,000	FNMA SINGLE FAMILY MORTGAGE 4.5% 30 YEARS	19,237,500
9,500,000	FNMA SINGLE FAMILY MTG 5 30 YEARS SETTLES	9,312,969
9,500,000	FNMA SINGLE FAMILY MORTGAGE 2.5% 30 YEARS	8,066,836
8,740,000	UNITED STATES TREAS BDS 2% 11-15-2041	6,397,612
6,200,000	FNMA 30 YEAR PASS-THROUGHS 0% 30 YEARS	6,326,422
5,000,000	UNITED STATES TREASURY NTS USD 'BE-2024'	4,873,242
6,000,000	UNITED STATES TREAS BDS 2.25% 05-15-2041	4,620,938
6,000,000	CANADA HOUSING TST 2.35% GTD 15/09/2023 CAD	4,511,143
4,500,000	FNMA SINGLE FAMILY MORTGAGE 3% 30 YEARS	3,965,801
3,864,907	FEDERAL HOME LN MTG CORP POOL #SD8290	3,898,761

A complete list of portfolio holdings is available upon request.

FOR YEARS ENDED JUNE 30

(In thousands)

Assets Under Management		
Asset Classes	**2023**	**2022**
Domestic Fixed Income	$ 704,249	$ 711,991
International Fixed Income	193,983	326,337
Short Duration Fixed Income	124,460	107,839
Domestic Equities	788,494	503,917
International Equities	855,274	703,510
Commodities	50,780	306,656
Hedge Funds	589,539	637,028
Alpha Pool	174,680	139,591
Midstream	299,149	266,594
Core Real Estate	305,432	386,678
Private Real Estate	134,133	162,563
Private Equity	189,903	138,642
Private Credit	322,855	298,225
Opportunistic	102,634	178,176
Investments at Fair Value	**4,835,565**	**4,867,747**
Cash & Short-Term Investments	593,285	297,744
Investments Sold / Purchased	(69,282)	(57,303)
Investment Income & Other Liabilities	28,846	23,900
Total Assets Under Management	**5,388,414**	**5,132,088**
KCERA Capital Assets	515	1,077
KCERA Prepaid Expenses	94	137
KCERA Accruals	(2,442)	(2,173)
Fiduciary Net Position	**$ 5,386,581**	**$ 5,131,129**

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2023	2022
Domestic Equity		
AllianceBernstein Trust Company	$ 589,130	$ 774,407
Henderson Geneva Capital Management	366,697	406,751
Mellon Capital Management (Dynamic US Equity)	—	30,154
Mellon Capital Management (US Equity) Stock Index	54,541	46,122
PIMCO StocksPLUS #4450	188,901	363,761
Total Domestic Equity Managers	**1,199,269**	**1,621,195**
International / Global Equity		
American Century	126,999	149,940
BlackRock Institutional Trust Company	—	21,561
Cevian Capital II SP	1,517,015	1,175,334
Mellon Int'l (Canada Stock & Int'l Stock)	147,743	158,562
Total International Equity Managers	**1,791,757**	**1,505,397**
Emerging Markets Managers		
AllianceBernstein Trust Company	1,035,029	669,293
Dimensional Fund Advisors	339,063	381,240
MCM DB SL Emerging Markets Stock Index Fund	40,185	47,582
Total Emerging Markets Managers	**1,414,277**	**1,098,115**
Total Core		
Mellon Capital Management (Fixed Income) Agg Bond	44,024	50,572
Pacific Investment Management Company #7350	126,518	169,892
Western Asset Management Company	350,631	488,095
Total Core Managers	**521,173**	**708,559**
Total Credit		
TCW Securitized Opportunities	976,567	682,485
Western Asset Management Company	341,857	382,538
Total Credit Managers	**1,318,424**	**1,065,023**
Total Emerging Markets Debt		
PIMCO EB Beta	400,188	426,518
Stone Harbor Investment Partners	239,519	345,073
Total Emerging Markets Debt Managers	**639,707**	**771,591**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2023	2022
Commodities		
Gresham Investment Management	323,560	473,255
Wellington Trust Company	1,219,328	1,605,442
Total Commodity Managers	**1,542,888**	**2,078,697**
Hedge Funds		
Aristeia International Ltd	1,266,246	1,065,956
Brevan Howard Multi-Strategy Fund	4,550,717	1,751,097
D.E. Shaw Composite Fund	2,172,109	7,111,064
HBK Multi-Strategy Fund	1,302,913	1,465,095
Hudson Bay Cap Structure Arbitrage	5,863,790	5,423,475
Indus Pacific Opportunities Fund	608,885	(222,964)
Magnetar Structured Credit Fund	97,751	186,830
Myriad Opportunities Offshore Fund	—	377,908
PIMCO Commodities #2580	1,134,468	1,076,352
Sculptor Capital (formerly OZ)	870,851	595,938
PMF (PHARO)	1,242,244	1,265,833
Total Hedge Fund Managers	**19,109,974**	**20,096,584**
Core Real Estate		
ASB Real Estate Investors	1,409,474	1,394,449
J.P. Morgan Chase Bank (Strategic Property Fund)	1,002,181	803,762
Total Core Real Estate Managers	**2,411,655**	**2,198,211**
CE Alpha Pool		
Davidson Kempner Institutional Partners	1,025,640	822,439
Garda Fixed Income	2,851,149	1,498,669
HBK Multi-Strategy fund - Alpha Pool	1,252,985	1,408,952
HBK SPAC Series	245,818	206,259
Total CE Alpha Pool Managers	**5,129,774**	**3,730,060**
Midstream Energy		
Harvest Midstream	1,270,163	1,196,495
PIMCO Midsream 11178	654,571	594,964
Total Midstream Energy Managers	**1,924,734**	**1,791,459**
Opportunistic		
Aristeia Select Opportunities II	(233,321)	233,320
River Birch International Ltd	39,013	13,487
Sixth Street TAO Partners (D)	4,646,478	4,268,771
Total Opportunistic Managers	**4,452,170**	**4,515,578**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2023	2022
Private Equity		
Abbott Capital Management (Fund V)	15,971	6,075
Abbott Capital Management (Fund VI)	369,185	410,207
Blue Torch Credit Opportunities Fund II	1,622,086	—
Blue Torch Credit Opportunities Fund III	684,099	—
Brighton Park Capital Fund I	321,799	620,231
Level Equity Opportunities fund 2021	241,871	85,089
Level Equity Growth Partners V	1,061,823	578,853
LGT Crown Global	1,439,668	1,164,591
Linden Capital Partners V	545,614	559,371
Linden Co-Investment Fund V	117,247	—
OrbiMed Private Investments IX	180,147	—
Pantheon Ventures, Inc. (Fund VII)	—	176,054
Peak Rock	167,123	74,997
Rubicon Technology Partners IV	750,000	—
Vista Equity Partners	500,000	499,918
Warren Equity Partners Fund III	391,196	1,243,474
Total Private Equity Managers	**8,407,829**	**5,418,860**
Private Credit		
Brookfield Real Estate Finance Fund V	310,272	434,204
Colony Capital Credit IV, LLC	449,720	637,781
Fortress Credit Opportunity Fund V	270,325	192,484
Fortress Lending Fund II (A) LP	3,483,322	1,518,206
Fortress Lending Fund III	1,966,360	289,243
HIG	6,390,441	2,040,288
Magnetar Constellation Fund V	401,948	526,859
Sixth Street TAO Parners (B)	1,848,812	1,705,774
OrbiMed Royalty & Credit Opportunities IV	771,397	—
Total Private Credit Managers	**15,892,597**	**7,344,839**
Private Real Estate		
Covenant Apartment Fund X	375,000	375,000
Covenant Apartment Fund XI	335,458	—
Invesco Real Estate (US Value-Add Fund IV)	50,379	148,674
KSL Capital Partners VI and ITS Parallel Fund	659,127	—
Landmark Real Estate Partners VIII	1,072,221	548,527
LBA Logistics Value Fund IX	405,000	303,750
Long Wharf Real Estate Partners (FREG Fund III)	866,692	924,093
Singerman Real Estate Opportunity Fund IV	525,000	463,519
Total Real Estate Managers	**2,897,185**	**1,375,951**
Cash and Overlay		
BlackRock Short Duration	329,032	232,553
Parametric Overlay	285,655	474,361
Total Overlay Managers	**614,687**	**706,914**
Total Investment Managers' Fees	**$ 70,905,610**	**$ 57,620,904**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Other Investment Expenses	2023	2022
Custodial Fees		
The Northern Trust Company	500,708	363,646
Actuarial Fees		
Segal Company	167,550	232,693
Investment Consultant Fees		
Abel Noser	30,750	30,000
Albourne America LLC	379,617	411,350
Glass, Lewis & Co.	7,950	8,511
Verus	410,000	410,000
Cambridge Associates	750,000	537,500
Investment Consulting - Other Expenses	10,142	9,000
Legal Fees		
Foley & Lardner LLP	—	3,684
Hanson Bridgett LLP	—	7,680
Nossaman LLP	68,846	129,644
Due Diligence		
Investment Related Expenses	9,027	—
Real Estate Expenses		
KCERA Property Inc.	43,077	49,799
Total Other Investment Expenses	**2,377,667**	**2,193,507**
Total Investment Expenses	73,283,277	59,814,411
Security Lending Bank Fees		
Deutsche Bank	59,919	53,430
Total Investment Fees and Services	**$ 73,343,196**	**$ 59,867,841**

ACTUARIAL SECTION

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Segal

180 Howard Street, Suite 1100
San Francisco, CA 94105-6147
segalco.com

Via Email

September 18, 2023

Board of Retirement
Kern County Employees' Retirement Association
11125 River Run Boulevard
Bakersfield, CA 93311

Re: Kern County Employees' Retirement Association (KCERA)
June 30, 2022 Actuarial Valuation for Funding Purposes

Dear Members of the Board:

Segal prepared the June 30, 2022 annual actuarial valuation of the Kern County Employees' Retirement Association (KCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and KCERA's funding policy that was last reviewed with the Board in 2012. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2022 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. However, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, retirement plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected market investment return over 10 six-month periods. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 50% of the market value of assets.

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

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Board of Retirement
September 18, 2023
Page 2

The UAAL as of June 30, 2011 is amortized as a level percentage of payroll over a 13.5-year closed period as of June 30, 2022. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over an 18-year closed period effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years). The progress being made towards meeting the funding objective through June 30, 2022 is illustrated in the Schedule of Funding Progress.

A listing of supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the Association's Annual Comprehensive Financial Report (ACFR) is provided below. Unless otherwise stated, the schedules were prepared based on the results of the actuarial valuation as of June 30, 2022 for funding purposes. In particular, we have excluded the benefits, assets and liabilities associated with the Supplemental Retiree Benefit Reserve (SRBR) when preparing the schedules. The notes to the financial section and Required Supplementary Information were prepared by the Association based on the results of the Governmental Accounting Standards (GAS) 67 actuarial valuation as of June 30, 2023 prepared by Segal.

Exhibit 1	Schedule of Active Member Valuation Data;
Exhibit 2	Retirees and Beneficiaries Added to and Removed from Retiree Payroll;
Exhibit 3	Schedule of Funded Liabilities by Type;
Exhibit 4	Actuarial Analysis of Financial Experience; and
Exhibit 5	Schedule of Funding Progress.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the June 30, 2019 Actuarial Experience Study.

As we disclosed in our June 30, 2022 funding valuation report, the 7.25% investment return assumption that the Board approved for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates was developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.25%.

As indicated by the guidance found in Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions"), we performed stochastic modeling to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an "outflow" (i.e., assets not available to fund the benefits included in the funding valuation) that would average approximately 0.3% of assets over time. **For informational purposes only**, when we applied the results of our stochastic model to this

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valuation, we estimated that such an annual outflow would increase the actuarial accrued liability (AAL) measured in this valuation using a 7.25% investment return assumption from $7.37 billion to $7.64 billion (for a difference of about $268 million) and would increase the employer's contribution rate by about 4.1% of payroll.

It is our opinion that the assumptions used in the June 30, 2022 valuation produce results, which, in aggregate, reflect the future experience of the retirement plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and was last performed as of June 30, 2019 with those assumptions first being implemented in the June 30, 2020 actuarial valuation.

In the June 30, 2022 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) increased from 67.1% to 69.2%. The aggregate employer contribution rate has decreased from 49.10% of payroll to 48.76% of payroll, while the aggregate employee rate has increased from 6.82% of payroll to 6.96% of payroll.

Under the asset smoothing method, the total unrecognized net investment losses are $220 million as of June 30, 2022. These investment losses will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years.

The deferred losses of $220 million represent about 4.3% of the market value of assets as of June 30, 2022. Unless offset by future investment gains or other favorable experience, the recognition of the $220 million market losses is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows (without taking into consideration any possible impact of the 50/50 excess earnings allocation between the retirement and SRBR asset pools):

- If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 69.2% to 66.2%.
- If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate would increase from 48.76% to 51.68% of payroll.

The actuarial calculations were directed under the supervision of Molly Calcagno, ASA, MAAA, Enrolled Actuary. We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

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

Molly Calcagno, ASA, MAAA, EA
Senior Actuary

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Enclosures

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The methods and assumptions below were selected by the actuary as being appropriate for the Plan and were used in the latest actuarial valuation dated June 30, 2022. The most recently updated Summary of Actuarial Assumptions and Methods was adopted by the Board of Retirement on August 3, 2020.

Economic Assumptions

Interest Rate of Return:	7.25% per year, net of investment expenses
Salary Increases:	Rates vary by service as shown in Table 1 on page 89
Inflation Assumption:	2.75% per year
Cost-of-Living Adjustments:	2.50% (actual increases depend on CPI increases; 2.50% maximum)

Actuarial Methods

Funding Method:	Entry Age Funding Method. Costs are allocated as a level percent of salary.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. The actuarial present value of the projected benefits of each member are allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age).
Amortization Period:	The actuarial present value of benefits expected to be paid in the future is the Normal Cost. The difference between the Normal Cost and the actuarial present value of all future benefits for contributing members, former contributing members and their survivors is the Actuarial Accrued Liability (AAL). The difference between the AAL and the actuarial value of the assets is the Unfunded Actuarial Accrued Liability (UAAL). As of June 30, 2020, the remaining amortization period for all UAAL as of June 30, 2011 was 15.5 years. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over an 18-year closed period, effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of a change due to retirement incentives, which are amortized over a declining period of up to 5 years).

Actuarial Methods (CONT.)

Amortization Period (CONT.):	Beginning July 1, 2009, any liability attributable to golden handshakes is paid by one of two methods, as elected by the employer: 1. Payment in full in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted; or 2. According to a 5-year amortization to be invoiced to the employer in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted. The amortization schedule will be based upon the valuation interest rate used in the most recently completed valuation at the time that the amortization schedule is created. The employer may complete payment of the golden handshake(s) at any time during the 5-year amortization period.

Demographic Assumptions

Post-Retirement Mortality:	
A) General Members and Safety Members:	Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table set forward one year for male and two years for female General Members and set back one year for male and female Safety members projected generationally with the two-dimensional MP-2016 projection scale.
B) Beneficiaries:	Rates are the same as a General service retiree of the opposite sex.
C) Disability Retirement:	Combined RP-2014 Healthy Annuitant Mortality Table set forward seven years for male and eight years for female General Members and set forward three years for male and female Safety Members projected generationally with the two-dimensional MP-2016 projection scale.
Proportion of Members with Spouse/Partner at Retirement:	70% of male active members and 60% of female active employees are assumed to have a spouse or registered domestic partner eligible for the 60% continuance at retirement. Females are assumed to be three years younger than their spouses.
Rate of Termination of Employment:	Rates vary by years of service, as shown in Table 2 on page 90.
Reciprocal Agency:	For current active members, the probability of joining a reciprocal agency immediately after terminating is 45% for General members and 60% for Safety members.
Deferred Retirement Age for Vested Termination:	Age 57 for General members. Age 53 for Safety members.

Annual Rate of Compensation Increase

Years of Service	General Members	Safety Members
Less than 1	5.50	8.75
1 - 2	4.50	7.00
2 - 3	4.00	5.50
3 - 4	3.50	5.00
4 - 5	3.00	4.50
5 - 6	2.50	4.00
6 - 7	2.25	3.50
7 - 8	1.75	2.50
8 - 9	1.50	1.50
9 - 10	1.25	1.25
10 - 11	1.15	1.00
11 - 12	1.05	0.80
12 - 13	0.95	0.75
13 - 14	0.85	0.70
14 - 15	0.75	0.65
15 - 16	0.75	0.60
16 - 17	0.75	0.55
17 - 18	0.75	0.50
18 - 19	0.75	0.50
19 - 20	0.75	0.50
20 & Over	0.75	0.50

The chart above depicts annual increases in salary before wage inflation. Inflation is 2.75% per year, plus “across the board” real salary increases of 0.50% per year; plus the merit and promotion increases.

Mortality Rates : Pre-Retirement

Age	General		Safety	
	Male	Female	Male	Female
25	0.03	0.01	0.03	0.02
30	0.04	0.01	0.04	0.02
35	0.05	0.02	0.04	0.03
40	0.07	0.04	0.05	0.04
45	0.10	0.06	0.07	0.06
50	0.15	0.08	0.10	0.08
55	0.22	0.12	0.15	0.11
60	0.32	0.19	0.23	0.14
65	0.47	0.30	0.35	0.20

Disability Incidence Rates

Age	General*	Safety*
20	0.02	0.05
25	0.03	0.07
30	0.04	0.10
35	0.07	0.19
40	0.09	0.28
45	0.13	0.39
50	0.18	1.08
55	0.26	2.55
60	0.36	3.70
65	0.40	4.00
70	0.00	0.00

Termination Rates			Electing a Refund upon Termination	
Years of Service	General	Safety	General	Safety
Less than 1	17.00	9.00	100.00	100.00
1 - 2	13.00	8.00	100.00	100.00
2 - 3	10.00	7.00	100.00	100.00
3 - 4	9.00	6.00	100.00	100.00
4 - 5	8.50	5.00	100.00	100.00
5 - 6	8.00	4.00	36.00	44.00
6 - 7	7.00	3.50	34.00	40.00
7 - 8	6.00	3.25	32.00	38.00
8 - 9	5.00	3.00	30.00	32.00
9 - 10	4.00	2.60	28.00	30.00
10 - 11	3.75	2.20	26.00	26.00
11 - 12	3.50	1.80	25.00	25.00
12 - 13	3.25	1.60	24.00	21.00
13 - 14	3.00	1.40	23.00	18.00
14 - 15	2.75	1.20	22.00	15.00
15 - 16	2.50	1.00	21.00	12.00
16 - 17	2.30	0.90	18.00	10.00
17 - 18	2.10	0.75	16.00	8.00
18 - 19	1.90	0.75	14.00	6.00
19 - 20	1.70	0.75	13.00	4.00
20 - 21	1.50	0.00	12.00	0.00
21 - 22	1.30	0.00	11.00	0.00
22 - 23	1.10	0.00	10.00	0.00
23 - 30	1.00	0.00	<8.00	0.00
30 & Over	0.00	0.00	0.00	0.00

(Rates in percentages)

**Disability 50% of General member disabilities are assumed to be service-connected, and the other 50% are assumed to be nonservice-connected. Furthermore, 90% of Safety member disabilities are assumed to be service-connected.*

Retirement Rates

Age	General Tier I		General Tiers IIA and IIB	General Tier III	Safety Tier I		Safety Tier IIA and IIB
	<25 Years of Service	>25 Years of Service			<25 Years of Service	>25 Years of Service	
45 - 48	0.00	0.00	0.00	0.00	5.00	5.00	0.00
49	0.00	0.00	0.00	0.00	25.00	25.00	0.00
50	10.00	10.00	5.00	0.00	10.00	30.00	3.00
51	6.00	6.00	3.00	0.00	8.00	24.00	3.00
52	6.00	12.00	3.00	3.00	8.00	24.00	3.00
53	6.00	12.00	3.00	3.00	8.00	24.00	5.00
54	6.00	12.00	3.50	3.50	12.00	24.00	11.00
55	6.00	12.00	4.00	4.00	14.00	28.00	13.00
56	6.00	14.00	4.50	4.50	14.00	28.00	12.00
57	6.00	16.00	5.00	5.00	8.00	28.00	12.00
58	9.00	18.00	6.50	6.50	8.00	28.00	12.00
59	16.00	24.00	11.00	11.00	14.00	28.00	12.00
60	20.00	35.00	12.00	12.00	25.00	28.00	12.00
61	16.00	28.00	13.00	13.00	25.00	50.00	12.00
62	20.00	35.00	20.00	20.00	25.00	50.00	25.00
63 - 64	20.00	30.00	20.00	20.00	25.00	50.00	25.00
65 - 68	35.00	35.00	35.00	35.00	100.00	100.00	100.00
69	40.00	40.00	40.00	40.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(Rates in percentages)

Valuation Date	Plan Type	Members	Annual Payroll	Annual Average Pay	Increase in Average Pay
6/30/2013	General	6,619	$410,905,480	$62,080	(0.7)%
	Safety	1,866	$144,847,330	$77,625	(0.7)%
	Total	**8,485**	**$555,752,810**	**$65,498**	**(0.6)%**
6/30/2014	General	6,629	$410,350,884	$61,902	(0.3)%
	Safety	1,883	$145,284,147	$77,156	(0.6)%
	Total	**8,512**	**$555,635,031**	**$65,277**	**(0.3)%**
6/30/2015	General	6,637	$411,427,313	$61,990	0.1 %
	Safety	1,844	$145,396,935	$78,849	2.2 %
	Total	**8,481**	**$556,824,248**	**$65,655**	**0.6 %**
6/30/2016	General	6,788	$421,043,714	$62,028	0.1 %
	Safety	1,839	$146,217,425	$79,509	0.8 %
	Total	**8,627**	**$567,261,139**	**$65,754**	**0.2 %**
6/30/2017	General	6,966	$431,532,274	$61,948	(0.1)%
	Safety	1,762	$140,549,312	$79,767	0.3 %
	Total	**8,728**	**$572,081,586**	**$65,546**	**(0.3)%**
6/30/2018	General	7,106	$443,482,638	$62,410	0.7 %
	Safety	1,761	$140,698,321	$79,897	0.2 %
	Total	**8,867**	**$584,180,959**	**$65,883**	**0.5 %**
6/30/2019	General	7,433	$471,228,860	$63,397	1.6 %
	Safety	1,764	$141,048,417	$79,959	0.1 %
	Total	**9,197**	**$612,277,277**	**$66,574**	**1.0 %**
6/30/2020	General	7,641	$495,639,348	$64,866	2.3 %
	Safety	1,685	$138,930,289	$82,451	3.1 %
	Total	**9,326**	**$634,569,637**	**$68,043**	**2.2 %**
6/30/2021	General	7,382	$484,722,431	$65,663	1.2 %
	Safety	1,690	$138,571,654	$81,995	(0.6)%
	Total	**9,072**	**$623,294,085**	**$68,705**	**1.0 %**
6/30/2022	General	7,375	$490,017,034	$66,443	1.2 %
	Safety	1,701	$143,085,184	$84,118	2.6 %
	Total	**9,076**	**$633,102,218**	**$69,756**	**1.5 %**

Plan Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Allowance Added*	Annual Allowance Removed*	Retiree Payroll Ending*	% Increase in Retiree Allowance	Average Annual Allowance*
2013	6,890	468	187	7,171	$22,305,618	$3,825,313	$244,822,020	8.2%	$34,141
2014	7,171	442	216	7,397	$19,663,621	$4,173,211	$260,312,430	3.1%	$35,192
2015	7,397	440	238	7,599	$20,734,025	$5,817,539	$275,229,096	5.7%	$36,219
2016	7,599	454	206	7,847	$20,236,339	$5,034,075	$290,431,360	5.5%	$37,012
2017	7,847	501	255	8,093	$22,566,737	$6,358,810	$306,639,287	5.6%	$37,889
2018	8,093	426	218	8,301	$22,799,714	$6,125,093	$323,313,908	5.4%	$38,949
2019	8,301	402	208	8,495	$25,086,184	$5,533,123	$342,866,969	6.0%	$40,361
2020	8,495	405	233	8,667	$24,009,780	$6,538,327	$360,338,422	5.1%	$41,576
2021	8,667	468	300	8,835	$26,956,474	$9,582,527	$377,712,369	4.8%	$42,752
2022	8,835	494	314	9,015	$29,403,970	$10,973,763	$396,142,576	4.9%	$43,943

* *Includes data adjustments and automatic cost-of-living adjustments granted on April 1st. Excludes SRBR amounts.*

Schedule of Funded Liabilities by Type

	Aggregate Accrued Liabilities					Portion of Accrued Liabilities Covered by Reported Assets		
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
6/30/2013	$244,832	$3,153,966	$1,709,821	$5,108.619	$3,120,632	100%	91%	0%
6/30/2014	$268,826	$3,446,962	$1,776,652	$5,492.44	$3,342,122	100%	89%	0%
6/30/2015	$295,447	$3,607,511	$1,754,215	$5,657.173	$3,529,786	100%	90%	0%
6/30/2016	$320,400	$3,766,875	$1,725,817	$5,813.092	$3,685,447	100%	89%	0%
6/30/2017	$351,592	$4,093,826	$1,746,015	$6,191.433	$3,913,073	100%	87%	0%
6/30/2018	$387,376	$4,288,475	$1,722,963	$6,398.814	$4,163,476	100%	88%	0%
6/30/2019	$414,082	$4,513,958	$1,694,455	$6,622.495	$4,291,573	100%	86%	0%
6/30/2020	$461,921	$4,823,175	$1,720,493	$7,005.589	$4,508,548	100%	84%	0%
6/30/2021	$505,907	$5,020,756	$1,637,562	$7,164.225	$4,806,026	100%	86%	0%
6/30/2022	$547,557	$5,258,274	$1,566,822	$7,372.653	$5,102,402	100%	87%	0%

Note: Includes actuarially funded liabilities and assets. The non-valuation reserves such as the SRBR are not included.

Actuarial Analysis of Financial Experience (In thousands)

Investment Performance	June 30, 2022	June 30, 2021	June 30, 2020
Asset Return Greater			
(Less) than Expected	$ 9,678	$ 30,447	$ (65,123)
Salary Increase Less			
(Greater) than Expected	$ 6,599	$ 39,749	$ 13,666
Other Experience			
Including Demographic Changes	$ 16,560	$ (6,980)	$ (506)
Change in Assumptions/Methodology	$ —	$ —	$ (146,618)
Plan Changes	$ (1,246)	$ 28,922	$ —
Composite Gain (or Loss) During Year	**$ 31,591**	**$ 92,138**	**$ (198,581)**

SCHEDULE OF FUNDING PROGRESS* (In thousands)

Actuarial Valuation Date (1)	Actuarial Accrued Liability* (2)	Valuation Value of Assets** (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Annual Payroll (4) / (6) (7)
6/30/2013	$5,108,619	$3,120,632	$1,987,987	61.1 %	$555,752	357.7%
6/30/2014	$5,492,440	$3,342,122	$2,150,318	60.8 %	$555,634	387.0%
6/30/2015	$5,657,173	$3,529,786	$2,127,387	62.4 %	$556,824	382.1%
6/30/2016	$5,813,092	$3,685,447	$2,127,645	63.4 %	$567,261	375.1%
6/30/2017	$6,191,433	$3,913,073	$2,278,360	63.2 %	$572,081	398.3%
6/30/2018	$6,398,814	$4,163,476	$2,235,338	65.1 %	$584,180	382.6%
6/30/2019	$6,622,495	$4,291,573	$2,330,922	64.8 %	$612,277	380.7%
6/30/2020	$7,005,589	$4,508,548	$2,497,041	64.4 %	$634,570	393.5%
6/30/2021	$7,164,225	$4,806,026	$2,358,199	67.1 %	$623,295	378.3%
6/30/2022	$7,372,653	$5,102,402	$2,270,251	69.2 %	$633,103	358.6%

** Excludes liabilities held for SRBR Reserves Unallocated to 0.5% COLA benefits.*

*** Excludes assets for SRBR Reserves Unallocated to 0.5% COLA benefits and COLA Contribution Reserve.*

*** Excludes assets for Contingency Reserve (unless the Contingency Reserve is negative).*

SCHEDULE OF EMPLOYER CONTRIBUTIONS (In thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2013	$211,677	100%
2014	$220,393	100%
2015	$215,477	100%
2016	$234,714	100%
2017	$224,351	100%
2018	$242,534	100%
2019	$229,120	100%
2020	$273,909	100%
2021	$268,626	100%
2022	$287,063	100%

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, including Sections 31676.01, 31676.14, 31676.17, 31664, 31664.1 and 7522.20(a), as adopted by the County of Kern and special districts.

Membership

Membership is automatic upon appointment to a permanent position of 50% or more of the regular standard hours required. Retirement entry date is the first day of the first full biweekly payroll period following the date of employment.

All safety and general members hired by the County of Kern or a special district on or after January 1, 2013 are subject to the "new member" provisions found in Code Section 7522.20(a) of the Public Employees' Pension Reform Act of 2013 (PEPRA).

Final Average Salary

For non-PEPRA benefit tiers, "final average salary" is the highest 12 consecutive months of pensionable pay, including base salary and other pay elements includible as a result of the "Ventura" decision. "Pensionable compensation" for members subject to PEPRA is the highest 36 consecutive months of pensionable pay, including base salary and eligible special pay items defined in PEPRA.

Vesting

Members are considered vested in the Plan after obtaining five years of retirement service credit.

Member Contribution Rates

The basic contribution is computed on the member's base pay plus pensionable special pays, with the contribution rate being determined by the member's entry age into KCERA, the classification of the member, the Plan's economic assumptions and the member's life expectancy at the retirement age specified in the County Employees' Retirement Law of 1937.

The normal rates of contribution are such as to provide, for each year of service, an average annuity at age 55 of 1.0% of final compensation for General Tier I members, an average annuity at age 60 of 0.833% of final compensation for General Tier II members, an average annuity at age 50 of 1.5% of final compensation for Safety Tier I members, and an average annuity at age 50 of 1.0% of final compensation for Safety Tier II members, according to the tables adopted by the Board of Supervisors, for each year of service rendered after entering the Plan.

General and safety members subject to PEPRA provisions will pay 100% of their contributions until retirement. Their contribution rates will be 50% of the actuarially determined Normal Cost rate for each membership group. All other KCERA members will contribute based on their entry age or a flat average rate (i.e., for certain safety bargaining units).

Per IRS Code Section 414(h)(2), member contributions made through payroll deductions are pretax. Interest is credited to contribution balances on June 30 and December 31, per the County Employees' Retirement Law of 1937, Article 5.5.

Withdrawal Benefits

If a member resigns, his or her contributions plus interest can be refunded. Members with less than five years of service may elect to leave his or her contributions on deposit and receive interest. Any vested member may elect to leave his or her contributions on deposit and receive a deferred-vested benefit when eligible for retirement.

Compensation Limit

For members who joined KCERA on or after July 1, 1996 but before January 1, 2013, "compensation earnable" is limited by IRC Section 401(a)(17) and indexed annually for inflation. "Pensionable compensation" for General Tier III members enrolled in Social Security is capped at the Social Security limit and indexed annually for inflation.

Service Retirement Benefits

General members with at least 10 years of retirement service credit who are age 50 or older, have 30 years of service credit regardless of age, or are age 70 regardless of service credit are eligible for service retirement.

General Tier I provides 3.0% of final compensation for each year of service at age 60, multiplied by Government Code Section 31676.17 factors. General Tier II provides 1.62% of final compensation for each year of service at age 65, multiplied by Government Code Section 31676.01 factors.

Berrenda Mesa Water District and Inyokern Community Services District still have Government Code Section 31676.14 for service prior to January 1, 2005.

General Tier II applies to most general members hired by the County of Kern and Kern County Hospital Authority on or after October 27, 2007, or hired by the following special districts: Berrenda Mesa Water District on or after January 12, 2010; Buttonwillow Recreation and Park District and East Kern Cemetery District on or after December 17, 2012; Inyokern Community Services District on or after December 13, 2012; Kern County Water Agency on or after January 1, 2010; Kern Mosquito and Vector Control District on or after December 12, 2012; North of the River Sanitation District on or after October 29, 2007; San Joaquin Valley Air Pollution Control District on or after July 31, 2012; Shafter Recreation and Park District on or after December 19, 2012; West Side Cemetery District on or after December 18, 2012; West Side Mosquito and Vector Control District on or after November 15, 2012; and Kern County Superior Court on or after March 12, 2011.

General members hired by the West Side Recreation and Park District on or after January 1, 2013 are General Tier III members. Their benefit formula is 2.5% at age 67. They are eligible to retire at age 52 with 5 years of retirement service credit.

Safety members with at least 10 years of retirement service credit who are age 50 or older, or with 20 years of retirement service credit regardless of age, are eligible for service retirement.

Safety Tier I provides 3.0% of final compensation for each year of service at age 50, multiplied by Government Code Section 31664.1 factors. Safety Tier II provides 2.0% of final compensation for each year of service at age 50, multiplied by Government Code Section 31664 factors.

For members integrated with Social Security, benefits based on $350 of monthly final average salary are reduced by one-third.

Disability Benefit

Members with five years of retirement service credit, regardless of age, are eligible for nonservice-connected disability. This benefit provides 20% to 40% of the member's final average monthly compensation for life.

If the disability is service-connected, there is no minimum retirement service credit requirement. This benefit provides 50% of the member's final average monthly compensation, tax-free, for life.

Death Benefit (Before Retirement)

A non-vested active member's beneficiary is entitled to receive the Basic Death Benefit, which consists of accumulated contributions plus interest and one month of salary for each full year of service, up to six months of salary.

The beneficiary (i.e., eligible spouse or registered domestic partner) of a vested active member who does not die in the performance of duty is entitled to either the Basic Death Benefit or a monthly benefit equal to 60% of the benefit payable if the member had retired with a nonservice-connected disability on his or her date of death. This also applies to minor children if there is no eligible spouse or partner.

If a member dies in the performance of duty, the eligible spouse, partner or minor children receives 50% of the member's final average salary.

Death Benefit (After Retirement)

A death benefit of $5,000 is payable to the designated beneficiary or estate of a retiree upon the death of the retired member.

If a member retired for service or with a nonservice-connected disability and he or she chose the Unmodified Option, the eligible surviving spouse, registered domestic partner or minor children will receive a benefit equal to 60% of the member's retirement benefit. If the retirement was for a service-connected disability, the member's spouse, registered domestic partner or minor children will receive a 100% continuance of the benefit.

Supplemental Retirement Benefits (SRBR)

The Board of Retirement adopted California Government Code Section 31618 on April 23, 1984, which provided for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR may be used only for the benefit of retired members and their beneficiaries. The legacy distribution of the SRBR included Tier 1, Tier 2, Tier 3, Tier 4 (Floor Benefit). September 14, 2022 the Board of Retirement approved a Service SRBR benefit, based on the member's years of service at retirement multiplied by $1.80 adjusted annually by a 2.5% fixed rate COLA (Service SRBR Benefit). Under the Restructured SRBR, KCERA's Board will consider benefit changes when the SRBR funding is above 115% funded or below 95% funded for two consecutive years.

Post-Retirement Cost-of-Living Benefits

Each April 1, retiree benefits are adjusted by the percentage change in the Consumer Price Index for the preceding calendar year (capped at 2.5%).

Benefits Provided	The SRBR currently provides two categories of benefits:
Restructured SRBR	The greater of either the "Floor Benefit" or the "Service SRBR Benefit", payable monthly to retirees who were hired before July 1, 2022: The "Floor Benefit" is equal to the total current Legacy SRBR Benefit as of July 1, 2022 or the member's future retirement date. The Legacy SRBR Benefits (Tier 1, Tier 2, Tier 3 and Tier 4) are shown below. The "Service SRBR Benefit" is equal to the member's years of service at retirement multiplied by $1.80 and adjusted by a 2.5% fixed rate COLA effective as of July 1, 2022 (without regard to retirement date) with the first increase applied July 1, 2023. The Restructured SRBR benefit will be adjusted annually to receive a 2.5% fixed rate COLA on July 1 each year, with the first increase applied on the latter of July 1, 2023 or the July 1st immediately following the date of retirement. Upon the death of the retired member, 60% of the Restructured SRBR benefit continues to the retired member's beneficiary.
Death Benefit:	A one-time payment of $5,000 to a retired member's beneficiary.
Provisions	
	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. The legacy benefits are shown below:
Tier 1:	$35.50 per month payable to retirees who were hired on or before July 1, 1994. Upon the death of the retired member, 60% of the Tier 1 SRBR benefit continues to the retired member's beneficiary.
Tier 2:	Three additional monthly stipends payable to retirees: • $1.372 per year of service for members who retired prior to 1985. This was granted July 1, 1994. • $5.470 per year of service for members who retired prior to 1985. This was granted July 1, 1996. • $10.276 per year of service for members who retired prior to 1981. This was granted July 1, 1997. Upon the death of the retired member, 60% of the Tier 2 SRBR benefit continues to the retired member's beneficiary.
Tier 3:	Additional benefits to maintain 82% purchasing power protection. Upon death, this benefit continues to be paid to the retired member's beneficiary based on the applicable continuation percentage under the member's form of payment elected at retirement. Starting July 1, 2018, there is a cap on the maximum annual inflation used in the calculation of the SRBR Tier 3 benefits of 4%.
Tier 4:	$21 per month granted starting July 1, 2018, payable to retirees who were hired prior to July 1, 2018. Upon the death of the retired member, 60% of the Tier 4 SRBR benefit continues to the retired member's beneficiary.
Funding	Under the Restructured SRBR, KCERA's Board will consider benefit changes when the SRBR funding is above 115% funded or below 95% funded for two consecutive years.

STATISTICAL SECTION

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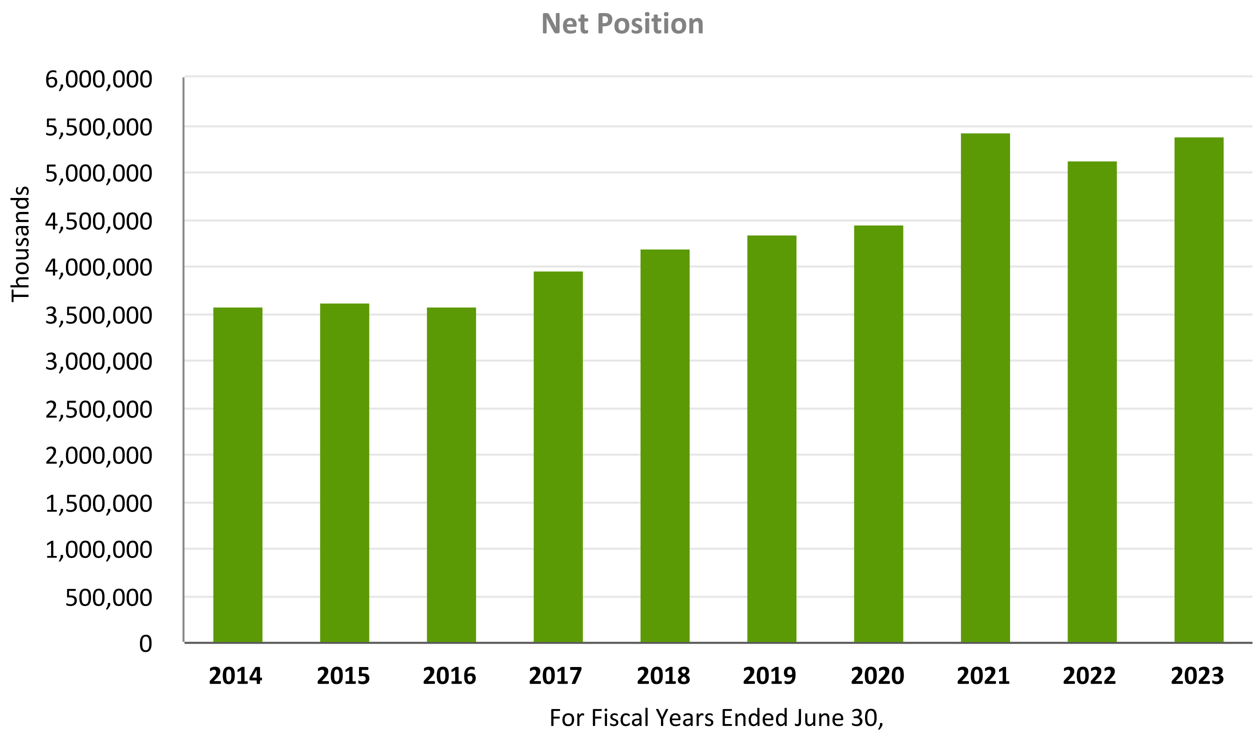
The Statistical Section offers additional historical perspective and detail to provide a fuller understanding of this year's financial statements, note disclosures and supplementary information. This section also provides 10 year trending of financial and operating information to supply a more comprehensive perspective on how KCERA's financial position and performance have changed over time. Specifically, the financial and operating information provides contextual data for KCERA's changes in net position, benefit expenses, retirement types, benefit payments and membership data. The financial and operating trend information is located on the following pages.

KCERA NET POSITION VALUE



(In thousands)

	2014	2015	2016	2017	2018
Additions					
Employer Contributions	$ 220,393	$ 215,477	$ 234,714	$ 241,112	$ 242,534
Member Contributions	25,810	30,325	33,278	34,649	52,503
Net Investment Income (Loss)	487,494	81,930	(27,535)	426,607	267,659
Total Additions	**733,697**	**327,732**	**240,457**	**702,368**	**562,696**
Deductions					
Total Benefit Expenses**	257,495	273,865	288,738	305,817	321,613
Administrative Expenses	4,860	4,886	5,225	5,243	5,116
Total Deductions	**262,355**	**278,751**	**293,963**	**311,060**	**326,729**
Change in Fiduciary Net Position	**$ 471,342**	**$ 48,981**	**$ (53,506)**	**$ 391,308**	**$ 235,967**

(In thousands)

	2019	2020	2021	2022	2023
Additions					
Employer Contributions*	$ 229,120	$ 273,909	$ 268,625	$ 287,063	$ 316,838
Member Contributions*	50,132	57,862	53,789	54,514	59,521
Net Investment Income (Loss)	214,244	127,861	1,043,361	(219,947)	304,208
Total Additions	**493,496**	**459,632**	**1,365,775**	**121,630**	**680,567**
Deductions					
Total Benefit Expenses**	341,774	361,094	380,996	401,313	417,855
Administrative Expenses	4,804	5,523	6,061	6,702	7,260
Total Deductions	**346,578**	**366,617**	**387,057**	**408,015**	**425,115**
Change in Fiduciary Position	**$ 146,918**	**$ 93,015**	**$ 978,718**	**$ (286,384)**	**$ 255,452**

** The 2018, 2019, 2020, 2021, 2022 and 2023 fiscal year's financial statements reclassified employer paid member contributions as member contributions.*

*** See Schedule of Benefit Expenses by Type on next page.*

(In thousands)

	2014	2015	2016	2017	2018
Service Retirement Benefits					
General	$ 137,993	$ 148,697	$ 159,101	$ 169,370	$ 179,977
Safety	68,705	72,097	74,978	78,453	81,806
Total	206,698	220,794	234,079	247,823	261,783
Service-Connected Disability (SCD) Benefits					
General	8,331	8,422	8,260	8,411	8,647
Safety	20,565	21,222	21,676	22,207	22,842
Total	28,896	29,644	29,936	30,618	31,489
Beneficiary Benefits					
General	10,660	11,186	12,261	13,579	14,136
Safety	7,565	7,881	8,393	8,979	9,612
Total	18,225	19,067	20,654	22,558	23,748
Lump Sum Death Benefits	564	862	787	894	903
Total Benefit Payments	**254,383**	**270,367**	**285,456**	**301,893**	**317,923**
Refunds					
General	2,762	2,876	2,563	2,718	2,966
Safety	350	622	719	1,206	724
Total	3,112	3,498	3,282	3,924	3,690
Total Benefit Expenses	**$ 257,495**	**$ 273,865**	**$ 288,738**	**$ 305,817**	**$ 321,613**

(In thousands)

	2019	2020	2021	2022	2023
Service Retirement Benefits					
General	$ 193,308	$ 206,802	$ 217,511	$ 225,207	$ 235,805
Safety	86,007	91,880	96,306	99,934	105,098
Total	279,315	298,682	313,817	325,141	340,903
Service-Connected Disability (SCD) Benefits					
General	8,479	8,451	8,567	8,655	9,030
Safety	22,596	23,548	24,388	25,125	25,232
Total	31,075	31,999	32,955	33,780	34,262
Beneficiary Benefits					
General	14,903	14,818	15,944	18,161	19,205
Safety	10,719	10,046	10,757	13,484	14,829
Total	25,622	24,864	26,701	31,645	34,034
Lump Sum Death Benefits	1,025	1,097	1,010	1,374	1,217
Total Benefit Payments	**$ 337,037**	**$ 356,642**	**$ 374,483**	**$ 391,940**	**$ 410,416**
Refunds					
General	3,519	3,126	5,206	7,151	5,085
Safety	1,218	1,326	1,307	2,222	2,354
Total	4,737	4,452	6,513	9,373	7,439
Total Benefit Expenses	**$ 341,774**	**$ 361,094**	**$ 380,996**	**$ 401,313**	**$ 417,855**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement								
		1	2	3	4	5	6	7	8	9
$1-500	368	252	4	0	0	50	7	0	5	50
$501-1,000	880	605	21	0	0	142	22	2	20	68
$1,001-1,500	885	644	51	17	0	102	20	0	12	39
$1,501-2,000	906	618	41	77	0	91	26	0	20	33
$2,001-3,000	1575	1,104	26	179	0	151	14	2	56	43
$3,001-4,000	1338	968	6	190	0	114	4	6	35	15
$4,001-5,000	816	664	4	67	0	62	0	0	10	9
$5,001-6,000	574	499	2	24	0	30	3	1	14	1
Over $6,000	1814	1,613	5	124	0	40	1	1	28	2
Totals	**9,156**	**6,967**	**160**	**678**	**0**	**782**	**97**	**12**	**200**	**260**

Amount of Monthly Benefit	Number of Retirants	Option Selected						
		Option 1	Option 2	Option 3	Option 4	Unmodified		
						A	B	C
$1-500	368	10	39	0	0	111	208	0
$501-1,000	880	6	63	5	0	322	484	0
$1,001-1,500	885	4	75	5	1	317	475	8
$1,501-2,000	906	6	53	3	0	331	471	42
$2,001-3,000	1575	9	83	12	3	592	764	112
$3,001-4,000	1338	7	62	3	6	514	604	142
$4,001-5,000	816	4	42	0	2	388	332	48
$5,001-6,000	574	2	39	5	2	303	209	14
Over $6,000	1814	3	89	8	5	1188	410	111
Totals	**9,156**	**51**	**545**	**41**	**19**	**4,066**	**3,957**	**477**

Type of Retirement

1 – Normal retirement for age and service
2 – NonService - connected disability retirement
3 – Service-connected disability retirement
4 – Former member with deferred future benefit
5 – Beneficiary payment – normal retirement
6 – Beneficiary payment – active member who died and was eligible for retirement
7 – Beneficiary payment – death in service
8 – Beneficiary payment – disability retirement
9 – Supplemental and ex-spouses

Option Selected

Option 1 – Beneficiary receives lump sum of member's unused contributions
Option 2 – Beneficiary receives 100% of member's reduced monthly allowance
Option 3 – Beneficiary receives 50% of member's reduced monthly allowance
Option 4 – More than one beneficiary receives 100% of member's reduced monthly allowance
A – Unmodified 60% continuance
B – Unmodified no continuance
C – Unmodified 100% continuance

KCERA 2023 - Schedule of Average Benefit Payment Amounts by Year of Retirement

	Years of Retirement Service Credit						
	0-5	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal Year 2014							
Average Annual Benefit ($)	10,431	16,440	23,155	35,119	51,454	77,698	98,814
Average Monthly Benefit ($)	869	1,370	1,930	2,927	4,288	6,475	8,234
Average Final Monthly Salary ($)	9,119	5,439	4,964	5,257	5,938	6,788	7,351
Number of Active Retirants	15	26	63	38	46	63	44
Fiscal Year 2015							
Average Annual Benefit ($)	5,097	16,401	26,189	38,462	48,992	67,614	102,023
Average Monthly Benefit ($)	425	1,367	2,182	3,205	4,083	5,635	8,502
Average Final Monthly Salary ($)	5,732	5,474	5,262	5,565	5,424	6,280	7,520
Number of Active Retirants	6	44	69	36	39	71	53
Fiscal Year 2016							
Average Annual Benefit ($)	7,297	16,475	27,315	37,434	51,534	72,159	87,963
Average Monthly Benefit ($)	608	1,373	2,276	3,120	4,295	6,013	7,330
Average Final Monthly Salary ($)	7,213	5,340	5,886	5,637	5,957	6,722	7,086
Number of Active Retirants	23	44	69	40	44	77	52
Fiscal Year 2017							
Average Annual Benefit ($)	8,321	16,995	28,136	42,138	54,056	71,223	93,319
Average Monthly Benefit ($)	693	1,416	2,345	3,511	4,505	5,935	7,777
Average Final Monthly Salary ($)	8,677	5,928	5,958	6,054	6,331	6,668	7,155
Number of Active Retirants	17	45	75	58	66	59	55
Fiscal Year 2018							
Average Annual Benefit ($)	7,547	15,984	22,571	37,983	60,378	67,700	96,421
Average Monthly Benefit ($)	629	1,332	1,881	3,165	5,032	5,642	8,035
Average Final Monthly Salary ($)	8,584	6,086	5,457	5,963	7,266	6,583	7,493
Number of Active Retirants	14	49	59	55	55	55	41

	Years of Retirement Service Credit						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Fiscal Year 2019							
Average Annual Benefit ($)	11,031	14,886	24,561	35,795	53,592	87,309	97,130
Average Monthly Benefit ($)	919	1,240	2,047	2,983	4,466	7,276	8,094
Average Final Monthly Salary ($)	9,659	5,228	5,834	5,622	6,772	8,362	7,856
Number of Active Retirants	18	34	64	45	58	52	52
Fiscal Year 2020							
Average Annual Benefit ($)	10,306	12,823	25,605	37,831	45,657	70,809	86,362
Average Monthly Benefit ($)	859	1,069	2,134	3,153	3,805	5,901	7,197
Average Final Monthly Salary ($)	9,959	5,334	6,073	6,047	5,954	6,934	7,102
Number of Active Retirants	9	34	63	52	66	65	40
Fiscal Year 2021							
Average Annual Benefit ($)	8,740	13,823	23,936	38,113	54,385	65,558	86,728
Average Monthly Benefit ($)	728	1,152	1,995	3,176	4,532	5,463	7,227
Average Final Monthly Salary ($)	9,741	6,648	6,412	6,301	7,236	6,754	7,434
Number of Active Retirants	15	36	50	43	85	50	48
Fiscal Year 2022							
Average Annual Benefit ($)	6,688	11,310	21,780	36,973	52,834	76,469	81,722
Average Monthly Benefit ($)	557	943	1,815	3,081	4,403	6,372	6,810
Average Final Monthly Salary ($)	7,052	5,424	5,879	6,787	6,827	8,058	7,279
Number of Active Retirants	13	26	58	52	97	54	46
Fiscal Year 2023							
Average Annual Benefit ($)	9,954	12,148	15,895	39,859	60,075	68,174	84,643
Average Monthly Benefit ($)	829	1,012	1,325	3,322	5,006	5,681	7,054
Average Final Monthly Salary ($)	7,748	6,644	5,862	6,871	8,366	7,257	7,450
Number of Active Retirants	14	31	58	46	65	51	33

	2014	2015	2016	2017	2018
County of Kern					
General Members	5,833	5,827	5,937	4,720	4,818
Safety Members	1,886	1,847	1,840	1,767	1,771
Total	7,719	7,674	7,777	6,487	6,589
Participating Agencies (General Membership):					
Berrenda Mesa Water District	10	9	6	6	4
Buttonwillow Recreation and Park District	4	5	4	3	2
East Kern Cemetery District	1	1	2	2	2
Inyokern Community Services District	1	1	1	—	—
Kern County Hospital Authority	—	—	—	1,374	1,446
Kern County Water Agency	68	67	62	60	59
Kern Mosquito & Vector Control District	18	18	18	18	19
North of the River Sanitation District	12	13	13	13	18
San Joaquin Valley Air Pollution Control District	276	264	269	273	275
Shafter Recreation and Park District	—	—	—	1	3
West Side Cemetery District	6	6	6	6	6
West Side Mosquito & Vector Control Dist.	10	10	9	8	8
West Side Recreation and Park District	11	11	11	9	8
Kern County Superior Court	389	414	457	478	483
	806	819	858	2,251	2,333
Total Active Membership:					
General Members	6,639	6,645	6,795	6,971	7,151
Safety Members	1,886	1,847	1,840	1,767	1,771
Total	8,525	8,492	8,635	8,738	8,922

	2019	2020	2021	2022	2023
County of Kern:					
General Members	5,014	5,091	4,891	4,900	5,190
Safety Members	1,773	1,685	1,690	1,701	1,717
Total	6,787	6,776	6,581	6,601	6,907
Participating Agencies (General Membership):					
Berrenda Mesa Water District	3	3	3	3	3
Burtonwillow Recreation and Park District	1	1	1	1	2
East Kern Cemetery District	2	2	2	2	2
Inyokern Commnunity Services District	—	—	—	—	—
Kern County Hospital Authority	1,550	1,621	1,605	1,559	1,671
Kern County Water Agency	55	53	51	49	52
Kern Mosquito & Vector Control District	18	22	21	20	22
North of the River Sanitation District	18	20	17	19	19
San Joaquin Valley Air Pollution Control District	289	303	296	314	348
Shafter Recreation and Park District	2	4	4	3	4
West Side Cemetery District	6	5	4	3	3
West Side Mosquito & Vector Control Dist.	8	6	5	5	5
West Side Recreation and Park District	7	6	5	5	4
Kern County Superior Court	519	504	477	492	515
	2,478	**2,550**	**2,491**	**2,475**	**2,650**
Total Active Membership:					
General Members	7,492	7,641	7,382	7,375	7,840
Safety Members	1,773	1,685	1,690	1,701	1,717
Total	**9,265**	**9,326**	**9,072**	**9,076**	**9,557**