

Executive Team:

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Daryn Miller, CFA
Chief Investment Officer

Jennifer Zahry, JD
Chief Legal Officer

Matthew Henry, CFE
Chief Operations Officer



Board of Retirement:

Phil Franey, Chair
David Couch, Vice-Chair
Jordan Kaufman
Juan Gonzalez
Joseph D. Hughes
John Sanders
Rick Kratt
Tyler Whitezell
Dustin Contreras, Alternate
Chase Nunneley, Alternate
Robb Seibly, Alternate
3rd Member (Vacant)

February 8, 2024

Members, Board of Retirement
Employee Bargaining Units
Requesting News Media
Other Interested Parties

Subject: Meeting of the Kern County Employees' Retirement Association
Board of Retirement

Ladies and Gentlemen:

A meeting of the Kern County Employees' Retirement Association Board of Retirement will be held on Wednesday, February 14, 2024 at 8:30 a.m. in the KCERA Boardroom, 11125 River Run Boulevard, Bakersfield, California, 93311.

How to Participate: Listen to or View the Board Meeting

To listen to the live audio of the Board meeting, please dial one of the following numbers (*landline recommended for best audio*) and enter ID# 893 0978 6002:

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

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

- <https://us02web.zoom.us/j/89309786002?pwd=RWpTZ1hIWnAySFhYZ3RETS9qRjgyUT09>
- Passcode: 907990

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

Sincerely,

Dominic D. Brown
Chief Executive Officer

Attachments

AGENDA:

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

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

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

CALL TO ORDER

ROLL CALL (IN PERSON)

SALUTE TO FLAG

MOMENT OF SILENCE

AB 2449 REMOTE APPEARANCE(S)

Items 1 and/or 2 withdrawn from agenda if no trustees will have a need to appear via teleconference:

The first two items on the agenda are reserved for trustees who have a need to appear via teleconference due to a "just cause" need or an "emergency circumstance." Trustees who have notified this Board before agenda-posting will be called upon and will provide a general description of their need to attend via teleconference as allowed by law. Trustees who were not able to notify the Board in advance of posting and have a need to attend via teleconference will state their notification or request when called upon to do so. All trustees appearing via teleconference will need to disclose any adult person(s) present in the room of their remote location and their relationship to such person(s). Trustees appearing remotely are reminded to keep their cameras on throughout the meeting.

1. JUST CAUSE CIRCUMSTANCE(S):

- a) The following Trustee(s) have notified the Board of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).
 - NONE
- b) Call for Trustee(s) who wish to notify the Board of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).

2. EMERGENCY CIRCUMSTANCE(S):

- a) The following Trustee(s) have requested the Board approve their attendance of this meeting via teleconference due to an “Emergency Circumstance.” (See Government Code § 54953).
 - NONE
- b) Call for Trustee(s) requesting the Board approve their attendance of this meeting via teleconference due to an “Emergency Circumstance”. (See Government Code § 54953).

TAKE ACTION ON REQUEST(S) FOR REMOTE APPEARANCE

CONSENT MATTERS

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

- *3. Application for service-connected disability pension benefits for Harris Cushman, Sheriff (Safety) – **ADOPT RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION**
- *4. Application for service-connected disability pension benefits for Thomas Smith, Sheriff (Safety) – **ADOPT RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION**
- *5. Application for service-connected disability pension benefits for Theron Williams, General Services (General) – **ADOPT RECOMMENDATION OF SDAG TO GRANT SERVICE-CONNECTED DISABILITY PENSION**
- *6. Application for non-service-connected disability pension benefits for Armando Gomez, Information Technology Services (General) – **ADOPT RECOMMENDATION OF SDAG TO GRANT NON-SERVICE-CONNECTED DISABILITY PENSION**

*7. [Summary of proceedings of the following meetings:](#)

- December 11, 2023 Investment Committee
- December 11, 2023 Administrative Committee
- December 13, 2023 Board of Retirement
- January 18, 2024 Finance Committee Meeting

RECEIVE AND FILE

*8. [Report from the KCERA office on members retired from service for the month of December 2023 and January 2024 – RATIFY](#)

*9. [Report from the KCERA office on deceased retirees for the month of December 2023 and January 2024 – RECEIVE AND FILE](#)

*10. [Report of current disability retirement applications and appeals of KCERA Board decisions for the period ending January 31, 2024 – RECEIVE AND FILE](#)

*11. [Securities Lending Earnings Summary Report for the periods December 1-31, 2023 from Deutsche Bank – RECEIVE AND FILE](#)

*12. [KCERA asset allocation, cash flow position, investment fees cash flow, and operating expense budget status reports for the month of November 2023 and December 2023 – RECEIVE AND FILE](#)

*13. [Service provider evaluation period initiated pursuant to Evaluation Period Policy – RATIFY](#)

*14. [KCERA Class Action Proceeds Report from October 1, 2023 through December 31, 2023 from the Northern Trust Company – RECEIVE AND FILE](#)

*15. [Corrections in Benefit Payments Report for the period July through December 2023 – RECEIVE AND FILE](#)

*16. [Corrections in Benefit Contributions Report for the period July through December 2023 – RECEIVE AND FILE](#)

*17. [Glass Lewis Proxy Voting Management Report for the period January 1 through December 31, 2023 – RECEIVE AND FILE](#)

*18. [2024 Board of Retirement Committee Assignments – RECEIVE AND FILE](#)

*19. [Board of Retirement Semi-annual Trustee Education Report – RECEIVE AND FILE; POST TO KCERA WEBSITE IN ACCORDANCE WITH CALIFORNIA GOVERNMENT CODE SECTION 31522.8\(d\)](#)

- *20. [Kern County Employees' Retirement Association 2023 Annual Comprehensive Financial Report \(ACFR\) for the fiscal years ended June 30, 2023 and 2022 – RECEIVE AND FILE](#)
- *21. [Auditor's reports to management for the fiscal year ended June 30, 2023 – APPROVE AUDITOR'S REPORTS FOR THE FISCAL YEAR ENDED JUNE 30, 2023](#)
- *22. [Letter from Segal Consulting, dated February 7, 2024, on annual cost-of-living adjustment \(COLA\) rates as of April 1, 2024 – ADOPT THE FOLLOWING:](#)

RETIREMENT DATE	COLA
ON OR BEFORE APRIL 1, 2024	2.5%

- *23. [Letter from Segal, dated February 1, 2024, regarding Five-Year Projection of Employer Contribution Rates based on June 30, 2023 Valuation – RECEIVE AND FILE; DISTRIBUTE TO KCERA PLAN SPONSORS TO BE INTEGRATED INTO PAYROLL PROCESS](#)
- *24. [Amendment to Order Subscription Modification for Agreement with Workiva – effective February 21, 2024 – APPROVE; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW](#)
- *25. [Report on Special Pay Codes classified by the Chief Executive Officer – RECEIVE AND FILE](#)
- *26. [Memorandum from Chief Legal Officer Jennifer Esquivel Zahry, dated February 14, 2024, regarding gift restrictions – RECEIVE AND FILE](#)
- *27. [Memorandum from Chief Legal Officer Jennifer Esquivel Zahry, dated February 14, 2024, regarding gifts of travel – RECEIVE AND FILE](#)
- *28. [Memo from Chief Operating Officer Matthew Henry regarding application of the Actuarial Valuation to the Declining Employer Payroll Policy; SRBR Policy; and the evaluation of Amortization Periods – RECEIVE AND FILE](#)
- *29. [Invitation from Managed Funds Association to attend the Managed Funds Association Network Conference 2024 January 29-February 1, 2024, in Miami, FL – RATIFY ATTENDANCE OF CHIEF INVESTMENT OFFICER DARYN MILLER](#)
- *30. [Invitation for trustees and/or staff to attend the 2024 California Association of Public Retirement Systems \(CALAPRS\) General Assembly, March 2-5, 2024 in Rancho Mirage, CA – APPROVE THE ATTENDANCE OF TRUSTEES JOSEPH D. HUGHES AND RICK KRATT](#)

PUBLIC COMMENTS

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

INVESTMENT MATTERS

32. [Presentation on Annual Private Markets Plan presented by Andrea Auerbach](#), Investment Managing Director, Keirsten Lawton, Investment Managing Director, Kelly Jensen, Senior Investment Director, Maria Surina, Investment Director, Cambridge Associates, and Chief Investment Officer Daryn Miller, CFA - RECEIVE AND FILE
33. [Discussion and appropriate action on private market fund recommendation](#) presented by Maria Surina, Investment Director, Cambridge Associates¹, and Chief Investment Officer Daryn Miller, CFA – RECOMMEND THE BOARD OF RETIREMENT APPROVE UP TO \$50MM COMMITMENT TO JUNIPER CAPITAL; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW
34. [Discussion and appropriate action on hedge fund recommendation presented by Spencer Edge, Albourne America², and Chief Investment Officer Daryn Miller, CFA](#) – RECOMMEND THE BOARD OF RETIREMENT APPROVE A) \$65MM INVESTMENT IN ELLIOTT ASSOCIATES, L.P. FUND, AND B) TERMINATE SCULPTOR DOMESTIC PARTNERS II, L.P. FUND; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

FINANCIAL MATTERS

35. [Presentation of the inaugural internal and plan sponsor audit plan for the FY 2023-24](#), presented by Chief Executive Officer Dominic Brown, Chief Legal Officer Jennifer Zahry, and Chief Operations Officer Matthew Henry – HEAR PRESENTATION

STAFF REPORTS

36. [Report from Chief Executive Officer](#)

¹ Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

² Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

37. [Report from Chief Investment Officer](#)

38. [Report from Chief Legal Officer](#)

COMMITTEE REPORTS

39. Report from Committee Chairs:

- a. Administrative Committee: Contreras
- b. Finance Committee: Sanders
- c. Investment Committee: Whitezell

CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S)

EXECUTIVE SESSION

3. PUBLIC EMPLOYMENT (pursuant to Government Code §54957) Application for service-connected disability pension benefits:

Harris Cushman Sheriff Safety

4. PUBLIC EMPLOYMENT (pursuant to Government Code §54957) Application for service-connected disability pension benefits:

Thomas Smith Sherriff Safety

5. PUBLIC EMPLOYMENT (pursuant to Government Code §54957) Application for service-connected disability pension benefits:

Theron Williams General Services General

6. PUBLIC EMPLOYMENT (pursuant to Government Code §54957) Application for non-service-connected disability pension benefits:

Armando Gomez Information Technology Services General

40. CONFERENCE WITH LABOR NEGOTIATORS REGARDING UNREPRESENTED EMPLOYEE (pursuant to Government Code §54957.6(a))

Agency Designated Representatives: Juan Gonzalez and Joseph D. Hughes;
Unrepresented Employee: Chief Executive Officer

41. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to GOVERNMENT CODE §54957): Title: Chief Executive Officer

RETURN TO PUBLIC SESSION

ROLL CALL TO CONFIRM QUORUM

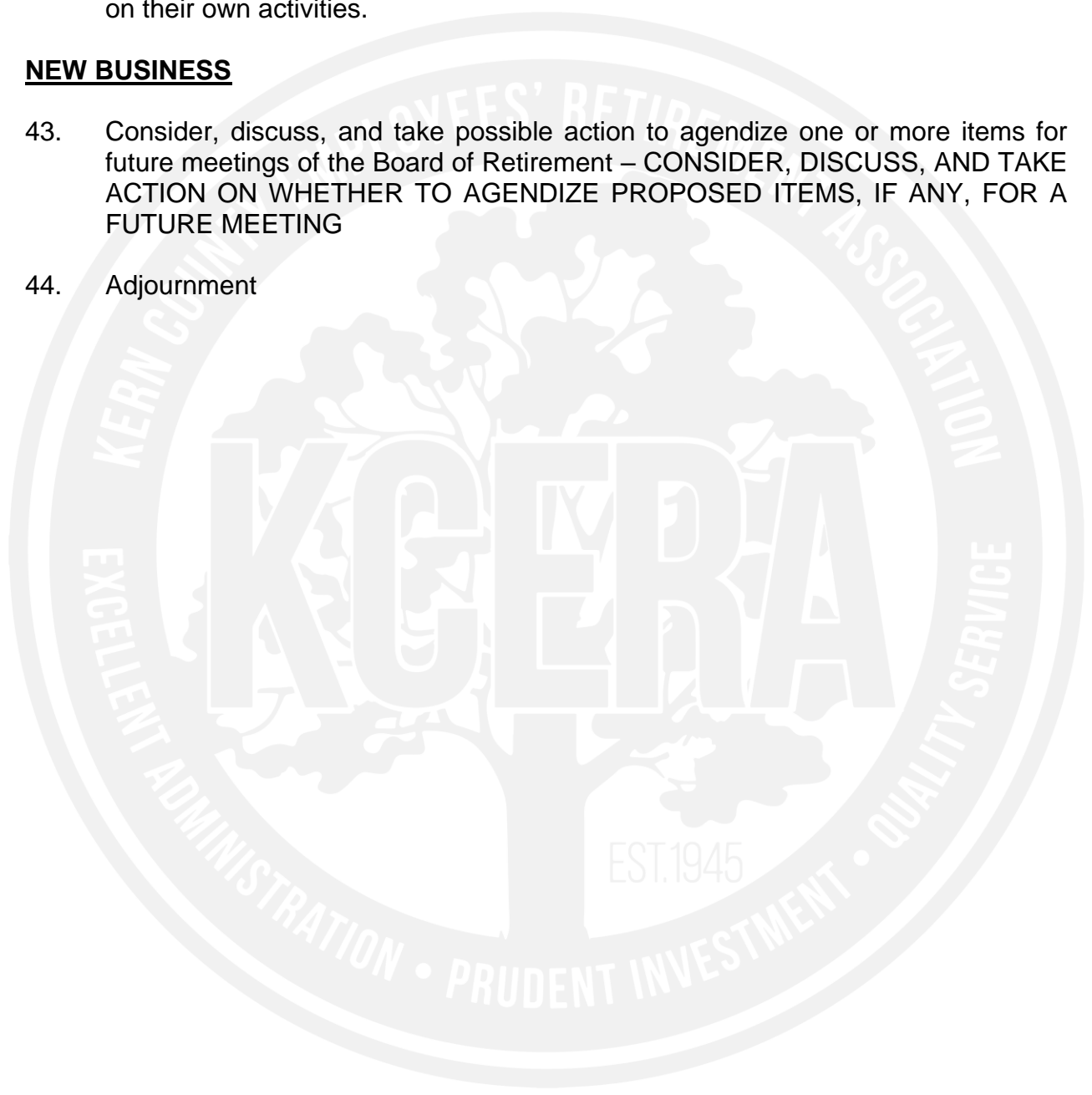
REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

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

NEW BUSINESS

43. Consider, discuss, and take possible action to agendaize one or more items for future meetings of the Board of Retirement – CONSIDER, DISCUSS, AND TAKE ACTION ON WHETHER TO AGENDIZE PROPOSED ITEMS, IF ANY, FOR A FUTURE MEETING
44. Adjournment



**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)
BOARD OF RETIREMENT**

11125 River Run Boulevard, Bakersfield, California

SUMMARY OF PROCEEDINGS

**Investment Committee
December 11, 2023**

10:00 a.m.

Committee Members: Couch, Kaufman, Chair Kratt, Nunneley (Alternate), Whitezell

ROLL CALL

Present: Couch, Kaufman, Whitezell

Absent: Kratt, Nunneley

**In Chair Rick Kratt's absence, Trustee Tyler Whitezell assumed the Chair role for the meeting*

NOTE: The vote is displayed in bold below each item. For example, Couch-Kaufman denotes Trustee David Couch made the motion and Trustee Jordan Kaufman seconded the motion.

AB 2449 REMOTE APPEARANCE(S)

1. JUST CAUSE CIRCUMSTANCE:

b) Call for Trustee(s) who wish to notify the Committee of a "Just Cause" to attend this meeting via teleconference. (See Government Code § 54953).

- **TRUSTEE RICK KRATT REQUESTED TO PARTICIPATE REMOTELY DUE TO TRAVEL ON OFFICIAL BUSINESS FOR THE COUNTY OF KERN**

Kaufman-Couch – 3 Ayes

TRUSTEE RICK KRATT ADDED TO THE ROLL AT 10:02 A.M.

Item 2 withdrawn from agenda.

3. Discussion and appropriate action on private market fund recommendation presented by Keirsten Lawton, Managing Director, Cambridge Associates¹, and Senior Investment Officer Geoff Nolan – MARK MALLORY, CAMBRIDGE ASSOCIATES, HEARD; CHAIR TYLER WHITEZELL HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE UP TO \$25MM COMMITMENT TO BLUE OWL STRATEGIC EQUITY PARTNERS; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Kaufman-Couch – 4 Ayes

4. Discussion and appropriate action on private market fund recommendation presented by Keirsten Lawton, Managing Director, Cambridge Associates², and Senior Investment Officer Geoff Nolan – KEIRSTEN LAWTON, CAMBRIDGE ASSOCIATES, HEARD; SENIOR INVESTMENT GEOFF NOLAN HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE UP TO \$25MM COMMITMENT TO OAK HILL STRUCTURED PRODUCTS FUND III; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Couch-Kaufman – 4 Ayes

5. Discussion and appropriate action on real estate fund recommendation presented by Scott Whalen, CFA, and Claudia Schloss, CFA, Verus³, and Senior Investment Officer Geoff Nolan – SCOTT WHALEN, CFA, AND JOHN WASNOCK, VERUS, HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

RECOMMENDED THE BOARD OF RETIREMENT APPROVE UP TO \$75MM COMMITMENT TO OAK STREET REAL ESTATE CAPITAL FUND VI; AUTHORIZE CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Couch-Kaufman – 4 Ayes

1 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

2 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

3 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

6. Discussion and appropriate action on restatement of fiscal year 2022-2023 quarterly performance reports presented by Scott Whalen, CFA, and Claudia Schloss, CFA, Verus – SCOTT WHALEN, CFA, VERUS HEARD; TRUSTEE DAVID COUCH HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

RECOMMENDED THE BOARD OF RETIREMENT RECEIVE AND FILE

Kaufman-Couch – 4 Ayes

PUBLIC COMMENTS

7. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

8. On their own initiative, Committee members may make a brief announcement refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – TRUSTEES DAVID COUCH AND TYLER WHITEZELL HEARD
9. ADJOURNED – 10:45 A.M.

Secretary, Board of Retirement

Chair, Investment Committee

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)
BOARD OF RETIREMENT**

11125 River Run Boulevard, Bakersfield, California

SUMMARY OF PROCEEDINGS

**Administrative Committee
December 11, 2023**

3:33 p.m.

Committee Members: Franey (Alternate), Chair Gonzalez, Hughes, Nunneley, Seibly

ROLL CALL

Present: Franey, Gonzalez, Hughes

Absent: Nunneley, Seibly

NOTE: The vote is displayed in bold below each item. For example, Gonzalez-Nunneley denotes Trustee Juan Gonzalez made the motion and Trustee Chase Nunneley seconded the motion.

AB 2449 REMOTE APPEARANCE(S)

Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.

*3. Annual Review of KCERA Insurance Coverages – RECEIVED AND FILED

Franey-Hughes – 3 Ayes

Trustee Phil Franey voted in place of Trustee Robb Seibly

PUBLIC COMMENTS

4. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

5. On their own initiative, Committee members may make a brief announcement refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – NONE

CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S) – NONE

EXECUTIVE SESSION

6. CONFERENCE WITH LABOR NEGOTIATORS REGARDING UNREPRESENTED EMPLOYEE (pursuant to Government Code §54957.6(a))

Agency Designated Representatives: Juan Gonzalez and Joseph D. Hughes;
Unrepresented Employee: Chief Executive Officer

7. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to GOVERNMENT CODE §54957): Title: Chief Executive Officer

RETURN TO PUBLIC SESSION

BOARD OF RETIREMENT RECONVENED AT 4:47 P.M.

ROLL CALL

To establish quorum present upon resuming public session

Present: Franey, Gonzalez, Hughes

Absent: Nunneley, Seibly

REPORT OF EXECUTIVE SESSION ACTIONS, IF APPLICABLE

ITEM 6 – NO REPORTABLE ACTION

ITEM 7 – NO REPORTABLE ACTION

8. ADJOURNED – 4:47 P.M.

Secretary, Board of Retirement

Chair, Administrative Committee

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)
BOARD OF RETIREMENT**

11125 River Run Boulevard, Bakersfield, California

SUMMARY OF PROCEEDINGS

**Board of Retirement Meeting
December 13, 2023**

8:33 A.M.

Board Members: Contreras (Alternate), Couch, Vice-Chair Franey, Gonzalez, Hughes, Kaufman, Kratt, Nunneley (Alternate), Sanders, Seibly (Alternate), Chair Whitezell

ROLL CALL

Present: Contreras, Couch, Franey, Gonzalez, Hughes, Kaufman, Kratt, Nunneley, Sanders, Seibly, Whitezell

Absent: None

SALUTE TO FLAG – CHAIR WHITEZELL

MOMENT OF SILENCE

NOTE: The vote is displayed in bold below each item. For example, Couch-Kaufman denotes Trustee David Couch made the motion and Trustee Jordan Kaufman seconded the motion.

AB 2449 REMOTE APPEARANCE(S)

Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.

CONSENT MATTERS

All consent matter items listed below with an asterisk () were considered to be routine and non-controversial by staff and approved by one motion, unless otherwise noted.*

*3. Summary of proceedings of the following meetings:

- November 1, 2023 Board of Retirement
- November 1, 2023 Nominating Committee

RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *4. Report from the KCERA office on members retired from service for the month of November 2023 – RATIFIED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *5. Report from the KCERA office on deceased retirees for the month of November 2023 – RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *6. Report of current disability retirement applications and appeals of KCERA Board decisions for the period ending November 30, 2023 – RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *7. KCERA asset allocation, cash flow position, investment fees cash flow, and operating expense budget status reports for the month of October 2023 – RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *8. Service provider evaluation period initiated pursuant to Evaluation Period Policy – RATIFIED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *9. Annual Fee Disclosure Report FY 2022-23 – RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *10. Annual On-Site Due Diligence Schedule FY 2022-23 – RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *11. Annual Investment Manager Compliance Report FY 2022-2023 – RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *12. Amended Verus Quarterly Investment Performance Reports for FY 2022-2023 and restatement explanation – RECEIVED AND FILED

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

- *13. Invitation from State Association of County Retirement Systems (SACRS) to Board of Directors to attend the SACRS Board of Directors Meeting January 22-23, 2024, in Riverside, California – APPROVED ATTENDANCE OF TRUSTEE JORDAN KAUFMAN

Franey-Kratt – 8 Ayes

Trustee Dustin Contreras was not called to vote in place of vacant seat 3

PUBLIC COMMENTS

14. The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Board. This portion of the meeting is reserved for persons to address the Board on any matter not on this agenda but under the jurisdiction of the Board. Board members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Board at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

INVESTMENT MATTERS

15. Discussion and appropriate action on private market fund recommendation presented by Keirsten Lawton, Managing Director, Cambridge Associates¹, and Senior Investment Officer Geoff Nolan – MARK MALLORY, CAMBRIDGE ASSOCIATES, HEARD; CHAIR TYLER WHITEZELL HEARD; TRUSTEE RICK KRATT HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

APPROVED UP TO \$25MM COMMITMENT TO BLUE OWL STRATEGIC EQUITY PARTNERS.; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Kratt-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

¹ Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

16. Discussion and appropriate action on private market fund recommendation presented by Keirsten Lawton, Managing Director, Cambridge Associates¹, and Senior Investment Officer Geoff Nolan – KEIRSTEN LAWTON, CAMBRIDGE ASSOCIATES, HEARD; CHAIR TYLER WHITEZELL HEARD; TRUSTEE RICK KRATT HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

APPROVED UP TO \$25MM COMMITMENT TO OAK HILL STRUCTURED PRODUCTS FUND III; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Kratt-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

17. Discussion and appropriate action on real estate fund recommendation presented by Scott Whalen, CFA, and Claudia Schloss, CFA, Verus², and Senior Investment Officer Geoff Nolan – CLAUDIA SCHOLSS, CFA, AND JOHN WASNOCK, VERUS, HEARD; CHAIR TYLER WHITEZELL HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD; SENIOR INVESTMENT OFFICER GEOFF NOLAN HEARD

APPROVED UP TO \$75MM COMMITMENT TO OAK STREET REAL ESTATE CAPITAL FUND VI; AUTHORIZED CHIEF EXECUTIVE OFFICER TO SIGN, SUBJECT TO LEGAL ADVICE AND REVIEW

Kratt-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

18. Presentation on the Private Markets Performance Report as of June 30, 2023 presented by Andrea Auerbach, Investment Managing Director, Keirsten Lawton, Investment Managing Director, Kelly Jensen, Senior Investment Director, Maria Surina, Senior Investment Director, Cambridge Associates³, and Chief Investment Officer Daryn Miller, CFA – ANDREA AUERBACH, KELLY JENSEN, KEIRSTEN LAWTON AND MARIA SURINA, CAMBRIDGE ASSOCIATES, HEARD; TRUSTEE JUAN GONZALEZ HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

RECEIVED AND FILED

Kratt-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

1 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

2 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

3 Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

19. Presentation on the 3rd Quarter Investment Performance Review period ending September 30, 2023 presented by Claudia Schloss, CFA, and John Wasnock, Verus – CLAUDIA SCHLOSS, CFA, VERUS, HEARD; TRUSTEES DAVID COUCH, JUAN GONZALEZ, AND RICK KRATT HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, HEARD

RECEIVED AND FILED

Franey-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

20. Presentation on the 3rd Quarter 2023 Portfolio Review presented by Spencer Edge, Albourne America¹ – SPENCER EDGE, ALBOURNE AMERICA, HEARD; CHAIR TYLER WHITEZELL HEARD

RECEIVED AND FILED

Kratt-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

FINANCIAL MATTERS

21. Discussion and appropriate action on the auditor's report to management and the draft Annual Comprehensive Financial Report (ACFR) for the fiscal year ending June 30, 2023, presented by Auditors Tim Rawal and Jason Ostroski, UHY LLP – JASON OSTROSKI, UHY LLP, HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD

APPROVED AUDITOR REPORTS AND ANNUAL COMPREHENSIVE FINANCIAL REPORT (ACFR) FOR THE FISCAL YEAR ENDED JUNE 30, 2023

Franey-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

¹ Written materials and investment recommendations from the consultants, fund managers and KCERA investment staff relating to alternative investments are exempt from public disclosure pursuant to California Government Code § 7928.710, § 7922.000, and §54957.5.

22. Discussion and appropriate action on review of the actuarial valuation as of June 30, 2023, recommended employer and employee contribution rates for fiscal year 2024-2025, and related reports presented by Actuaries Paul Angelo and Molly Calcagno, Segal – PAUL ANGELO AND MOLLY CALCAGNO, SEGAL, HEARD; CHAIR TYLER WHITEZELL HEARD; VICE-CHAIR PHIL FRANEY HEARD; TRUSTEES DAVID COUCH, JORDAN KAUFMAN, RICK KRATT AND ROBB SEIBLY HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD

RECEIVED AND FILED; APPROVED AND PROVIDED PLANS SPONSORS OPPORTUNITY TO REQUEST A PHASE-IN AND BRING THE REQUEST TO THE FEBRUARY BOARD OF RETIREMENT MEETING

Kratt-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

ADMINISTRATIVE MATTERS

23. Presentation on KCERA SWOT Analysis and Results presented by Communications Manager Jeremy Rowell – TRUSTEE ROBB SEIBLY HEARD; COMMUNICATIONS MANAGER JEREMY ROWELL HEARD

HEARD PRESENTATION

24. Slate of nominees for Chair and Vice-Chair for the calendar year 2024 presented by Nominating Committee Chair – VICE-CHAIR PHIL FRANEY HEARD

ELECTED TRUSTEE PHIL FRANEY AS CHAIR AND TRUSTEE DAVID COUCH AS VICE-CHAIR FOR CALENDAR YEAR 2024

Sanders-Couch – 9 Ayes

Trustee Dustin Contreras voted due to vacant 3rd seat

25. Presentation of plaque honoring Tyler Whitezell for his service to the Kern County Employees' Retirement Association Board of Retirement as 2023 Chair – CHAIR TYLER WHITEZELL HEARD; VICE-CHAIR PHIL FRANEY HEARD

MADE PRESENTATION

STAFF REPORTS

26. Report from Chief Executive Officer

CHIEF EXECUTIVE OFFICER DOMINIC BROWN REPORTED THE FOLLOWING:

- STAFFING UPDATE
- MEMBER OUTREACH
- DISABILITY UPDATE
- SOLAR UPDATE
- NEW PURCHASING CARD PROGRAM
- SPECIAL ELECTION UPDATE
- INTERNAL AUDIT/PLAN SPONSOR MONITOR
- NEW SOFTWARE PROGRAMS FOR FINANCE AND INVESTMENT TEAM
- OPERATIONS ACTIVITY
- UPCOMING MEETINGS AND EVENTS

TRUSTEE DUSTIN CONTRERAS LEFT AT 11:23 A.M.

TRUSTEE PHIL FRANNEY LEFT AT 11:26 A.M.

TRUSTEES JUAN GONZALEZ AND RICK KRATT HEARD; CHIEF EXECUTIVE OFFICER DOMINIC BROWN HEARD; ADMINISTRATIVE SERVICES OFFICER AIMEE MORTON HEARD

27. Report from Chief Investment Officer

CHIEF INVESTMENT OFFICER DARYN MILLER, CFA, REPORTED THE FOLLOWING:

- REBALANCING – NOVEMBER ACTIVITY
- POSITIONING – ACTUAL VS. POLICY TARGET
- DELEGATION UPDATE
- SECURITIES LENDING UPDATE
- KEY INITIATIVES
- INVESTMENT COMMITTEE MEETINGS

28. Report from Chief Legal Officer:

CHIEF LEGAL OFFICER JENNIFER ZAHRY REPORTED THE FOLLOWING:

- FELONY FORFEITURE CASE UPDATES
- DECEMBER CALENDAR

COMMITTEE REPORTS

29. Report from Committee Chairs:
- a. Administrative Committee: GONZALEZ – MEETING TO BE SCHEDULED JANUARY 2024
 - b. Finance Committee: CONTRERAS – MEETING TO BE SCHEDULED JANUARY 2024
 - c. Investment Committee: KRATT – NONE

CALL FOR PUBLIC COMMENT ON EXECUTIVE SESSION ITEM(S) – NONE

EXECUTIVE SESSION

30. CONFERENCE WITH LABOR NEGOTIATORS REGARDING UNREPRESENTED EMPLOYEE (pursuant to Government Code §54957.6(a))

Agency Designated Representatives: Juan Gonzalez and Joseph D. Hughes;
Unrepresented Employee: Chief Executive Officer

31. PUBLIC EMPLOYEE PERFORMANCE EVALUATION (pursuant to GOVERNMENT CODE §54957): Title: Chief Executive Officer

RETURN TO PUBLIC SESSION

BOARD OF RETIREMENT RECONVENED IN PUBLIC SESSION AT 12:42 P.M.

ROLL CALL

To establish quorum present upon resuming public session

Present: Couch, Gonzalez, Hughes, Kaufman, Kratt, Nunneley, Sanders, Seibly, Whitezell

Absent: Contreras, Franey

ITEM 30 – NO REPORTABLE ACTION

ITEM 31 – NO REPORTABLE ACTION

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

32. On their own initiative, Board members may make a brief announcement, refer matters to staff (subject to KCERA's rules and procedures), or make a brief report on their own activities – TRUSTEES DAVID COUCH AND ROBB SEIBLY HEARD

NEW BUSINESS

33. Consider, discuss, and take possible action to agendaize one or more items for future meetings of the Board of Retirement – NONE
34. ADJOURNED – 12:44 P.M.

Secretary, Board of Retirement

Chair, Board of Retirement

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION (KCERA)
BOARD OF RETIREMENT**

11125 River Run Boulevard, Bakersfield, California

SUMMARY OF PROCEEDINGS

**Finance Committee
January 18, 2024**

2:34 p.m.

Committee Members: Chair Contreras, Franey, Sanders, Whitezell (Alternate)

ROLL CALL

Present: Contreras, Franey, Sanders, Whitezell

Absent: None

NOTE: The vote is displayed in bold below each item. For example, Franey-Sanders denotes Trustee Phil Franey made the motion and Trustee John Sanders seconded the motion.

AB 2449 REMOTE APPEARANCE(S)

Items 1 and 2 withdrawn from agenda. No trustees appeared via teleconference.

CONSENT MATTERS

All consent matter items listed below with an asterisk () were considered to be routine and non-controversial by staff and approved by one motion, unless otherwise noted.*

- *3. Memo from Chief Operating Officer Matt Henry regarding application of the Actuarial Valuation to the Declining Employer Payroll Policy; SRBR Policy; and the evaluation of Amortization Periods – **RECOMMENDED THE BOARD OF RETIREMENT RECEIVE AND FILE**

Franey-Whitezell – 3 Ayes

Trustee Tyler Whitezell was not called on to vote as the alternate

- Trustee education regarding Other Audit Services and Agreed Upon Procedures Engagements presented by Chief Executive Officer Dominic Brown, CPA, and Tim Rawal, CPA, UHY LLP – TIM RAWAL, UHY LLP, HEARD; CHAIR DUSTIN CONTRERAS HEARD; TRUSTEE PHIL FRANEY HEARD; CHIEF EXECUTIVE OFFICE DOMINIC BROWN HEARD

RECEIVED EDUCATIONAL TRAINING (20 MINUTES EDUCATIONAL CREDIT)

- Presentation and discussion of the inaugural internal and plan sponsor audit plan for the FY 2023-24, presented by Chief Executive Officer Dominic Brown and Chief Operations Officer Matthew Henry – TRUSTEES PHIL FRANEY, JOHN SANDERS AND TYLER WHITEZELL HEARD; CHIEF EXECUTIVE OFFICE DOMINIC BROWN HEARD; CHIEF LEGAL OFFICER JENNIFER ZAHRY HEARD; CHIEF OPERATIONS OFFICER MATT HENRY HEARD

APPROVED

Whitezell-Franey – 4 Ayes

PUBLIC COMMENTS

- The public is provided the opportunity to comment on agenda items at the time those agenda items are discussed by the Committee. This portion of the meeting is reserved for persons to address the Committee on any matter not on this agenda but under the jurisdiction of the Committee. Committee members may respond briefly to statements made or questions posed. They may ask a question for clarification and, through the Chair, make a referral to staff for factual information or request staff to report back to the Committee at a later meeting. Speakers are limited to two minutes. Please state your name for the record prior to making a presentation – NONE

REFERRALS TO STAFF, ANNOUNCEMENTS OR REPORTS

- On their own initiative, Committee members may make a brief announcement refer matters to staff, subject to KCERA's rules and procedures, or make a brief report on their own activities – NONE
- ADJOURNED – 3:23 P.M.

Secretary, Board of Retirement

Chair, Finance Committee



**Kern County Employees' Retirement Association
New Retirees - December 1, 2023 to December 31, 2023**

Employer Name: County Of Kern

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Brazeau	Bradley	10/26/2023	Safety Tier I	2415S - Fire
Fernandez	Bernardo	11/04/2023	Safety Tier I	2210S - Sheriff
Garza	Phillip	11/18/2023	Safety Tier I	2210S - Sheriff
Guerra Garcia	Juan	11/04/2023	General Tier I	1610 - General Services Division
Hegelein	Donna	11/17/2023	General Tier I	5120 - Depart Of Human Services
Hollett	Barbara	10/27/2023	General Tier I	2210 - Sheriff
Huq	Sahana	11/04/2023	General Tier I	4120 - Behavioral Health & Reco
Killam	James	10/21/2023	General Tier I	2415 - Fire
Kimmel	Kevin	11/01/2023	Safety Tier I	2210S - Sheriff
Palmer	Ava	11/15/2023	General Tier I	8997 - Kern Medical Center
Pitts	Glen	11/18/2023	General Tier II PEPRA	2190 - Public Defender
Purdy	Eric	11/04/2023	General Tier I	4120 - Behavioral Health & Reco
Sempel	Richelle	11/18/2023	General Tier II PEPRA	8954 - Public Works-Public Ways
Wilson	Susan	11/18/2023	General Tier I	5120 - Depart Of Human Services
Winfrey	James	11/18/2023	General Tier II PEPRA	8954 - Public Works-Public Ways

Employer Name: Kern County Hospital Authority

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
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**Kern County Employees' Retirement Association
New Retirees - December 1, 2023 to December 31, 2023**

Crawford	James	11/18/2023	General Tier II	9460 - Kern County Hospital Authority
Gimena	Jeana	11/18/2023	General Tier I	9460 - Kern County Hospital Authority
Martinez	Tammy	10/20/2023	General Tier I	9460 - Kern County Hospital Authority
Ragnetti	Laura	09/23/2023	General Tier I	9460 - Kern County Hospital Authority

Employer Name: Ws Recreation & Park

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Gordon	Ronald	10/28/2023	General Tier I	0991 - West Side Recreation & Park District



**Kern County Employees' Retirement Association
New Retirees - January 01, 2024 to January 31, 2024**

Employer Name: County Of Kern

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Anthony	Elaine	12/01/2023	General Tier I	4110 - Depart Of Public Health
Bartels	Carol	12/11/2023	General Tier II	4120 - Behavioral Health & Reco
Bookout	Monique	12/02/2023	Safety Tier I	2340S - Probation-Safety
Colby	Christy	12/05/2023	General Tier I	8999 - Solid Waste Ent Fund
Delacruz	Bernabe	12/30/2023	General Tier II PEPRA	5510 - Veterans Service
Denton	Shane	12/02/2023	General Tier II PEPRA	1610 - General Services Division
Dodson Roundy	Brenda	12/02/2023	General Tier I	4300 - California Childrens Svcs
Gates	Ryan	12/01/2023	General Tier I	8997 - Kern Medical Center
Ramirez	Melissa	12/02/2023	General Tier I	2183 - Dept Of Child Support Svc
Rivera	Susanne	12/14/2023	General Tier I	2210 - Sheriff
Stith	Steve	12/02/2023	General Tier I	2415 - Fire
Whittington	Loren	10/09/2021	Safety Tier I	2415S - Fire

Employer Name: KC Superior Court

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Wood	Eugene	12/16/2023	General Tier I	9410 - Superior Court

Employer Name: Kern County Hospital Authority

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
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**Kern County Employees' Retirement Association
New Retirees - January 01, 2024 to January 31, 2024**

Salas	Gloria	12/02/2023	General Tier II PEPRA	9460 - Kern County Hospital Authority
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Employer Name: San Joaquin Valley APCD

Member Last Name	Member First Name	Retirement Date	Membership Tier	Department Name
Guerra	Hector	12/16/2023	General Tier I	0959 - San Joaquin Valley Air Pollution Control District



**Kern County Employees' Retirement Association
Decedents - December 1, 2023 to December 31,
2023**

Post-Retirement Deaths

Last Name	First Name	Membership Type	Employer Name
Boeckman	Brian	General	County Of Kern
Bundy	James	General	KC Superior Court
Cooper	Mina	General	County Of Kern
Johnson	Billy	Safety	County Of Kern
Kimmel	Ralph	General	County Of Kern
Lancaster	Michael	General	County Of Kern
Lehman	Laurence	General	County Of Kern
Perez	George	General	County Of Kern
Reed	Harold	General	KC Superior Court
Robin	Etta	General	County Of Kern
Robinson	Candace	General	County Of Kern
St Laurent	Marc	General	KC Superior Court
Thomas	Donald	Safety	County Of Kern



Kern County Employees' Retirement Association Decedents - January 01, 2024 to January 31, 2024

Pre-Retirement Deaths

Last Name	First Name	Membership Type	Employer Name
Placencia	Aubree	General	County Of Kern
Schleper	Shawn	General	County Of Kern
Shayer	Steven	General	KC Superior Court

Post-Retirement Deaths

Last Name	First Name	Membership Type	Employer Name
Amerson	Georgene	General	County Of Kern
Banducci	Eric	Safety	County Of Kern
Bellue	Robert	General	Kern County Water Agency
Blalock	Betty	General	County Of Kern
Bowen	Brenda	General	County Of Kern
Curtis	Jerri	General	County Of Kern
Dean	Peggy	General	County Of Kern
Dirksen	Loretta	General	KC Superior Court
Escobar	Antoine	General	County Of Kern
Farmer	William	General	County Of Kern
Farr	Catherine	General	County Of Kern
Garza	Myrna	General	County Of Kern
Hall	Johnie	General	County Of Kern
Hooton	Gregory	General	County Of Kern
Morrow	Harley	Safety	County Of Kern
Orman	Margaret	General	County Of Kern
Park	Ella	General	County Of Kern
Sachs	Carol	General	KC Superior Court
Smith	Carmen	General	County Of Kern
Tuck	Peter	General	County Of Kern
Williamson	Bill	Safety	County Of Kern
Witthans	Virginia	General	County Of Kern

**KCERA
STATUS OF DISABILITY RETIREMENT APPLICATIONS
AS OF JANUARY 31, 2024**

NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	DATE OF LAST CONTACT
Harbour, Leslie	SHERIFF	11/13/2023	11/21/2023
NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	MMRO ASSIGNED
Brazeau, Bradley	FIRE	10/23/2023	1/26/2024
Lindley, Jeffrey	FIRE	9/27/2023	1/12/2024
De La Rosa, Alfred	SHERIFF	9/18/2023	12/18/2023
Rickels, Adam	SHERIFF	8/11/2023	10/11/2023
Stephan, Daren	PUBLIC WORKS	7/7/2023	9/15/2023
Norris, David	SHERIFF	5/26/2023	8/11/2023
Meeks, Sandra	BEHAVIORAL HEALTH & RECOVERY SERVICES	5/1/2023	7/18/2023
Fulmer, Evon	DEPARTMENT OF HUMAN SERVICES	4/28/2023	7/18/2023
Muniz, Linda	BEHAVIORAL HEALTH & RECOVERY SERVICES	4/6/2023	6/26/2023
Romero, Anthony	FIRE	3/10/2023	6/19/2023
Gonzalez-Lopez, Rebecca	DEPARTMENT OF HUMAN SERVICES	3/9/2023	6/19/2023
Guivas Smith, Loida	AGING AND ADULT SERVICES	3/8/2023	6/19/2023
Allen, Paul	SHERIFF	2/22/2023	4/25/2023
Mierta, Richard	SHERIFF	2/10/2023	4/25/2023
Harbour, Leslie	SHERIFF	2/9/2023	4/25/2023
Ramirez, Edward	SHERIFF	2/7/2023	4/25/2023
Lock, Ranna	SHERIFF	2/1/2023	4/25/2023
Inman Ferguson, Jill	KERN COUNTY SUPERIOR COURT	1/24/2023	4/10/2023
Monahan, Laura	KERN COUNTY WATER AGENCY	1/3/2023	4/6/2023
Kimbrell, Tamara	SHERIFF	11/29/2022	3/23/2023
Dunlap, James	SHERIFF	11/1/2022	2/8/2023
Perez, Manuelita	PROBATION	10/27/2022	1/17/2023
Schmidt, Mark	FIRE	10/26/2022	3/23/2023
Yanez, Alfred	SHERIFF	10/3/2022	2/10/2022
Morrison, James	SHERIFF	9/14/2022	12/19/2022
Gregory, Dolores	SHERIFF	8/16/2022	12/19/2022
Smith, Clifton	FIRE	8/15/2022	12/19/2022
Cockrell, June	DEPARTMENT OF HUMAN SERVICES	8/11/2022	10/18/2022
Gaetzman, Travis	SHERIFF	8/10/2022	11/22/2022
Hartley-Anders, Kim	KERN COUNTY SUPERIOR COURT	8/9/2022	11/22/2022
Hudson, Richard	SHERIFF	8/8/2022	11/22/2022
Carrillo, Aaron	SHERIFF	7/15/2022	9/30/2022
Rice, Jerry	FIRE	7/7/2022	11/22/2022
Roden, Jim	SHERIFF	6/22/2022	9/30/2022

**KCERA
STATUS OF DISABILITY RETIREMENT APPLICATIONS
AS OF JANUARY 31, 2024**

NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	MMRO ASSIGNED
Rodriguez, Mark	FIRE	6/21/2022	9/1/2022
Fecke, Daniel	KERN COUNTY HOSPITAL AUTHORITY	6/15/2022	9/30/2022
Pena, Armando	PROBATION	5/27/2022	9/19/2022
Hill, Sheldon	SHERIFF	5/27/2022	8/19/2022
Gomez, Armando	INFORMATION TECHNOLOGY SERVICES	4/29/2022	10/14/2022
Cano, Emma	BEHAVIORAL HEALTH AND RECOVERY SERVICES	3/17/2022	8/19/2022
Fussel, Kathy	KERN COUNTY HOSPITAL AUTHORITY	11/3/2021	2/24/2022
Guandique, Sandra	RISK MANAGEMENT	10/15/2021	3/14/2022
Kauffman, Stephen	DISTRICT ATTORNEY	8/16/2021	4/25/2022
Brannan, Derek	SHERIFF	7/14/2021	11/22/2021
Leon, Theresa	DEPARTMENT OF HUMAN SERVICES	7/7/2021	10/18/2021
Patton, Eric	SHERIFF	6/30/2021	11/22/2021
Introini, Jessica	SHERIFF	6/18/2021	11/22/2021
Williams, Theron	GENERAL SERVICES	5/12/2021	9/15/2021
Smith, Thomas Jr.	SHERIFF	3/16/2021	11/8/2021
Sanders-Stubblefield, Misty	AGING AND ADULT SERVICES	2/25/2021	8/20/2021
McAdoo, John	SHERIFF	2/24/2021	8/20/2021
Cushman, Harris	SHERIFF	12/22/2020	8/19/2021
COMPLETED IN 2024			
NAME	DEPARTMENT	FILED	DATE COMPLETED

**KCERA
DISABILITY RETIREMENT APPLICATION APPEALS PENDING
AS OF JANUARY 31, 2024**

ADMINISTRATIVE HEARING	DEPARTMENT	DATE FILED	SDAG RECOMMENDATION	APPEAL RECEIVED	HEARING OFFICER ASSIGNED	STATUS
Baker, Breanne	DEPARTMENT OF HUMAN SERVICES	4/2/2020	SDAG to deny SCD	9/14/2023	10/3/2023	With Hearing Officer
Martinez de Moore, Brenda	BEHAVIORAL HEALTH AND RECOVERY SERVICES	12/10/2018	SDAG to deny SCD	9/15/2023	10/3/2023	With Hearing Officer
Candelaria, Valorie	DEPARTMENT OF HUMAN SERVICES	6/23/2021	SDAG to deny SCD	12/21/2023	1/17/2024	With Hearing Officer
Fleeman, Justin	SHERIFF	9/17/2020	SDAG to deny SCD	1/11/2024	1/30/2024	With Hearing Officer
Burchfield, James	PUBLIC WORKS	11/17/2020	SDAG to deny SCD	1/12/2024	Pending	In Assignment Phase
Bankston, Josh	SHERIFF	2/9/2021	SDAG to deny SCD	9/15/23; 1/19/2024	Pending	In Assignment Phase

HEARINGS COMPLETED IN 2024				
NAME	DEPARTMENT	DATE FILED	DATE COMPLETED	

**KCERA
STATUS OF DISABILITY RETIREMENT APPLICATIONS
AS OF DECEMBER 31, 2023**

NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	DATE OF LAST CONTACT
Harbour, Leslie	SHERIFF	11/13/2023	11/21/2023
Brazeau, Bradley	FIRE	10/23/2023	11/21/2023
Lindley, Jeffrey	FIRE	9/27/2023	10/26/2023
NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	MMRO ASSIGNED
De La Rosa, Alfred	SHERIFF	9/18/2023	12/18/2023
Rickels, Adam	SHERIFF	8/11/2023	10/11/2023
Stephan, Daren	PUBLIC WORKS	7/7/2023	9/15/2023
Norris, David	SHERIFF	5/26/2023	8/11/2023
Meeks, Sandra	BEHAVIORAL HEALTH & RECOVERY SERVICES	5/1/2023	7/18/2023
Fulmer, Evon	DEPARTMENT OF HUMAN SERVICES	4/28/2023	7/18/2023
Muniz, Linda	BEHAVIORAL HEALTH & RECOVERY SERVICES	4/6/2023	6/26/2023
Romero, Anthony	FIRE	3/10/2023	6/19/2023
Gonzalez-Lopez, Rebecca	DEPARTMENT OF HUMAN SERVICES	3/9/2023	6/19/2023
Guivas Smith, Loida	AGING AND ADULT SERVICES	3/8/2023	6/19/2023
Allen, Paul	SHERIFF	2/22/2023	4/25/2023
Miarta, Richard	SHERIFF	2/10/2023	4/25/2023
Harbour, Leslie	SHERIFF	2/9/2023	4/25/2023
Ramirez, Edward	SHERIFF	2/7/2023	4/25/2023
Lock, Ranna	SHERIFF	2/1/2023	4/25/2023
Inman Ferguson, Jill	KERN COUNTY SUPERIOR COURT	1/24/2023	4/10/2023
Monahan, Laura	KERN COUNTY WATER AGENCY	1/3/2023	4/6/2023
Kimbrell, Tamara	SHERIFF	11/29/2022	3/23/2023
Dunlap, James	SHERIFF	11/1/2022	2/8/2023
Perez, Manuelita	PROBATION	10/27/2022	1/17/2023
Schmidt, Mark	FIRE	10/26/2022	3/23/2023
Yanez, Alfred	SHERIFF	10/3/2022	2/10/2022
Morrison, James	SHERIFF	9/14/2022	12/19/2022
Gregory, Dolores	SHERIFF	8/16/2022	12/19/2022
Smith, Clifton	FIRE	8/15/2022	12/19/2022
Cockrell, June	DEPARTMENT OF HUMAN SERVICES	8/11/2022	10/18/2022
Gaetzman, Travis	SHERIFF	8/10/2022	11/22/2022
Hartley-Anders, Kim	KERN COUNTY SUPERIOR COURT	8/9/2022	11/22/2022
Hudson, Richard	SHERIFF	8/8/2022	11/22/2022
Carrillo, Aaron	SHERIFF	7/15/2022	9/30/2022
Rice, Jerry	FIRE	7/7/2022	11/22/2022
Roden, Jim	SHERIFF	6/22/2022	9/30/2022

**KCERA
STATUS OF DISABILITY RETIREMENT APPLICATIONS
AS OF DECEMBER 31, 2023**

NAME	PLAN SPONSOR/ DEPARTMENT	DATE FILED	MMRO ASSIGNED
Rodriguez, Mark	FIRE	6/21/2022	9/1/2022
Fecke, Daniel	KERN COUNTY HOSPITAL AUTHORITY	6/15/2022	9/30/2022
Pena, Armando	PROBATION	5/27/2022	9/19/2022
Hill, Sheldon	SHERIFF	5/27/2022	8/19/2022
Gomez, Armando	INFORMATION TECHNOLOGY SERVICES	4/29/2022	10/14/2022
Cano, Emma	BEHAVIORAL HEALTH AND RECOVERY SERVICES	3/17/2022	8/19/2022
Fussel, Kathy	KERN COUNTY HOSPITAL AUTHORITY	11/3/2021	2/24/2022
Guandique, Sandra	RISK MANAGEMENT	10/15/2021	3/14/2022
Kauffman, Stephen	DISTRICT ATTORNEY	8/16/2021	4/25/2022
Brannan, Derek	SHERIFF	7/14/2021	11/22/2021
Leon, Theresa	DEPARTMENT OF HUMAN SERVICES	7/7/2021	10/18/2021
Patton, Eric	SHERIFF	6/30/2021	11/22/2021
Introini, Jessica	SHERIFF	6/18/2021	11/22/2021
Williams, Theron	GENERAL SERVICES	5/12/2021	9/15/2021
Smith, Thomas Jr.	SHERIFF	3/16/2021	11/8/2021
Sanders-Stubblefield, Misty	AGING AND ADULT SERVICES	2/25/2021	8/20/2021
McAdoo, John	SHERIFF	2/24/2021	8/20/2021
Bankston, Josh	SHERIFF	2/9/2021	8/19/2021
Cushman, Harris	SHERIFF	12/22/2020	8/19/2021
Burchfield, James	PUBLIC WORKS	11/17/2020	7/16/2021
Fleeman, Justin	SHERIFF	9/17/2020	2/8/2021

**KCERA
STATUS OF DISABILITY RETIREMENT APPLICATIONS
AS OF DECEMBER 31, 2023**

COMPLETED IN 2023			
NAME	DEPARTMENT	FILED	DATE COMPLETED
Carvel, Scott	DISTRICT ATTORNEY	1/27/2017	8/9/2023
Rodriquez, Ted	SHERIFF	6/22/2017	4/12/2023
Coletti, John	SHERIFF	01/30/18	3/8/2023
Hulsey, Jonathan	PROBATION	4/18/2018	6/14/2023
Champlin, Timothy	PROBATION	4/25/2018	8/9/2023
Terry, Leann	SHERIFF	10/17/2019	5/3/2023
Brown, Michael	SHERIFF	4/14/2020	4/12/2023
Diffenbaugh, Anthony	FIRE	6/9/2020	8/9/2023
Tisinger, Douglas	KERN COUNTY WATER AGENCY	10/5/2020	4/12/2023
Carrillo, Mabelle	ANIMAL CONTROL	11/18/2020	6/14/2023
Bravo, Enrique	SHERIFF	3/1/2021	8/9/2023
Brandon, Bradly	SHERIFF	3/4/2021	8/9/2023
Garcia, Judy	KERN COUNTY HOSPITAL AUTHORITY	3/29/2021	10/11/2023
Gardner, Stephen	FIRE	7/19/2021	4/12/2023
Yohn, Jacob	SHERIFF	11/30/2021	11/1/2023
Barnes, Mark	SHERIFF	12/3/2021	5/3/2023

**KCERA
DISABILITY RETIREMENT APPLICATION APPEALS PENDING
AS OF DECEMBER 31, 2023**

ADMINISTRATIVE HEARING	DEPARTMENT	DATE FILED	SDAG RECOMMENDATION	APPEAL RECEIVED	HEARING OFFICER ASSIGNED	STATUS
Baker, Breanne	DEPARTMENT OF HUMAN SERVICES	4/2/2020	SDAG to deny SCD	9/14/2023	10/3/2023	With Hearing Officer
Martinez de Moore, Brenda	BEHAVIORAL HEALTH AND RECOVERY SERVICES	12/10/2018	SDAG to deny SCD	9/15/2023	10/3/2023	With Hearing Officer
Candelaria, Valorie	DEPARTMENT OF HUMAN SERVICES	6/23/2021	SDAG to deny SCD	12/21/2023	Pending	In Assignment Phase

HEARINGS COMPLETED IN 2023					
NAME	DEPARTMENT	DATE FILED	DATE COMPLETED		
Morgan, Gloria	SHERIFF	3/26/2015	2/24/2023		
Ashley, Mark	SHERIFF	9/3/2015	3/10/2023		

SECURITIES LENDING



Summary Earnings Report

Run Time: 16-Jan-2024 10:06 EST
Date Range: 01-DEC-2023 To 31-DEC-2023
Location: Not specified
Currency: USD
Client ID: Not Specified
Master Client: CAKERN
Grouping Type: None
Level: Individually

	Client ID	Average Contract Amount	Gross Earnings	DB Earnings	Client Earnings	Custody Account
KNCTY - Harvest Midstream	CAKE18	2,841,578.82	78,505.88	7,065.53	71,440.35	KNC15
KNCTY - PIMCO Midstream	CAKE19	8,283,917.79	3,044.04	273.96	2,770.08	KNC16
KNCTY PIMCO Core Plus	CAKE07	799,704.74	343.80	30.94	312.86	KNC11
KNCTY PIMCO EMD	CAKE08	280,722.64	193.02	17.37	175.65	KNC12
KNTCY - Alliance Bernstein	CAKE15	3,430,860.36	1,030.56	92.75	937.81	2664130
KNTCY - Geneva	CAKE16	1,923,816.61	621.22	55.91	565.31	2667336
KNTCY - Western Asset MGMT Co 01	CAKE03	1,928,306.79	2,578.49	232.06	2,346.43	KNC06
KNTCY - Western Asset MGMT Co 02	CAKE04	8,951,589.36	5,084.45	457.60	4,626.85	KNC08
CCY Total USD:		28,440,497.12	91,401.45	8,226.13	83,175.32	
Grand Total USD:			91,401.45	8,226.13	83,175.32	

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KCERA ASSET ALLOCATION*
11/30/2023

Manager Name	Type	(\$000)	Current Allocation	Target Percentage	Variance Over Target (Under Target)	Variance Over Target (Under Target) (\$000)
AllianceBernstein	Small Cap Value	83,881	1.5%	Domestic Equity Range 12.0% - 28.0%		
Geneva Capital	Small Cap Growth	49,916	0.9%			
Mellon Capital Management EB DV	Large Cap Passive	553,839	10.2%			
PIMCO StockPlus	Large Cap Enhanced	120,593	2.2%			
Total Domestic Equity		\$808,229	14.9%			\$808,229
American Century	International Small	56,878	1.0%	International Developed Equity Range 5.0% - 18.0%		
Cevian Capital II LP	International Large	41,005	0.8%			
Dalton Japan Long Only	International Small	50,000	0.9%			
Lazard Japanese Equity	International Large	104,078	1.9%			
Mellon Capital Management-EB DV	International Large Passive	393,639	7.3%			
Total International Developed Equity		\$645,600	11.9%			\$645,600
AB Emerging Markets Strategic Core	Emerging Markets	38,205	0.7%	Emerging Market Equity Range 0.0% - 9.0%		
DFA Emerging Markets Value Portfolio	Emerging Markets	83,557	1.5%			
Mellon Emerging Markets	Emerging Markets	84,862	1.6%			
Total Emerging Market Equity		\$206,624	3.8%			\$206,624
TOTAL EQUITY		\$1,660,453	30.6%	33.0%	(2.4%)	(\$130,465)
Mellon Capital Management Ag Bond	Core	160,333	3.0%	Core Range 10.0% - 25.0%		
PIMCO CP	Core Plus	164,250	3.0%			
Western Asset Management - CP	Core Plus	121,352	2.2%			
Total Core		\$445,935	8.2%		(6.8%)	(\$368,120)
TCW Securitized Opportunities LP	Securitized Opportunities	92,142	1.7%	Credit Range 5.0% - 10.0%		
Western Asset Management - HY	High Yield	165,435	3.0%			
PIMCO EM Beta	Emerging Markets	150,417	2.8%			
Stone Harbor Global Funds	Emerging Markets	39,811	0.7%			
Total Credit		\$447,805	8.3%			
TOTAL FIXED INCOME		\$893,740	16.5%	25.0%	(8.5%)	(\$463,019)
Gresham Commodity Builder Fund	Active	35,304	0.7%	Commodities Range 0.0% - 8.0%		
Wellington Trust Company (WTC)	Active	174,440	3.2%			
TOTAL COMMODITIES		\$209,744	3.9%	4.0%	(0.1%)	(\$7,337)
Aristeia International Ltd	Hedge Fund - Direct	72,593	1.3%	Hedge Fund Range 5.0% - 15.0%		
Brevan Howard Fund Limited	Hedge Fund - Direct	56,066	1.0%			
D.E. Shaw Composite Fund	Hedge Fund - Direct	64,350	1.2%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	48,145	0.9%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	85,425	1.6%			
Indus Pacific Opportunities Fund	Hedge Fund - Direct	45,652	0.8%			
PIMCO Commodity Alpha Fund LLC	Hedge Fund - Direct	77,056	1.4%			
Pharo Macro Fund LTD	Hedge Fund - Direct	62,978	1.2%			
Sculptor Enhanced LP (Formerly OZ Domestic)	Hedge Fund - Direct	45,599	0.8%			
TOTAL HEDGE FUND		\$557,864	10.3%		0.3%	\$15,160
ASB Capital Management	Core	156,822	2.9%	Core Real Estate Range 2.0% - 8.0%		
JPMCB Strategic Property Fund	Core	128,287	2.4%			
TOTAL CORE REAL ESTATE		\$285,109	5.3%	5.0%	0.3%	\$13,757
Davidson Kempner	Hedge Fund - Direct	56,150	1.0%	CE Alpha Pool Range 2.0% - 10.0%		
Garda Fixed Income	Hedge Fund - Direct	62,259	1.1%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	43,335	0.8%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	60,845	1.1%			
TOTAL CE ALPHA POOL		\$222,589	4.1%	8.0%	(3.9%)	(\$211,574)
Harvest Midstream	Midstream	149,688	2.8%	Midstream Energy Range 0.0% - 8.0%		
PIMCO Midstream	Midstream	158,614	2.9%			
TOTAL MIDSTREAM ENERGY		\$308,302	5.7%	5.0%	0.7%	\$36,950
Aristeia Select Opportunities II LP	Opportunistic	45,420	0.8%	Opportunistic Range 0.0% - 10.0%		
DB Investor's Fund IV	Opportunistic	1,022	0.0%			
River Birch International Ltd	Opportunistic	5,353	0.1%			
Sixth Street TAO Partners (D)	Opportunistic	96,176	1.8%			
TOTAL OPPORTUNISTIC		\$147,971	2.7%	0.0%	2.7%	\$147,971
Abbott Capital Funds	Private Equity Fund of Funds	16,921	0.3%	Private Equity Range 0.0% - 10.0%		
Brighton Park Capital Fund I	Private Equity	37,394	0.7%			
Brighton Park Capital Fund II	Private Equity	3,658	0.1%			
Level Equity Growth Partners	Private Equity	13,512	0.2%			
LGT Crown Global	Private Equity	32,013	0.6%			
Linden Capital Partners	Private Equity	17,334	0.3%			
Pantheon Funds	Private Equity Fund of Funds	8,155	0.2%			
Peak Rock	Private Equity	14,115	0.3%			
OrbiMed Private Investments IX	Private Equity	1,167	0.0%			
Rubicon Technology Partners IV	Private Equity	4,710	0.1%			
Vista Foundation Fund IV	Private Equity	18,766	0.3%			
Warren Equity Partners Fund III and Fund IV	Private Equity	46,538	0.9%			
TOTAL PRIVATE EQUITY		\$214,273	3.9%			
Ares Pathfinder Fund II	Private Credit	1,591	0.0%	Private Credit Range 0.0% - 13.0%		
Blue Torch Credit Opportunities II	Private Credit	15,185	0.3%			
Blue Torch Credit Opportunities Fund III	Private Equity	17,443	0.3%			
Brookfield Real Estate Finance Fund V	Private Credit	15,507	0.3%			
Cerberus Levered Loan Opportunities Fund V LP	Private Credit	11,310	0.2%			
Colony Distressed Credit Fund	Private Credit	18,576	0.3%			
Fortress Credit Opportunities Fund V	Private Credit	22,239	0.4%			
Fortress Lending Fund II (A)	Private Credit	26,176	0.5%			
Fortress Lending Fund III (A)	Private Credit	27,715	0.5%			
H.I.G Bayside Loan Opportunity Fund	Private Credit	46,214	0.9%			
Magnetar Constellation Fund V	Private Credit	26,928	0.5%			
OrbiMed Royalty & Credit Opportunities IV	Private Credit	5,517	0.1%			
Silver Point Specialty Credit Fund III	Private Credit	8,588	0.2%			
Sixth Street TAO Partners (B)	Private Credit	43,054	0.8%			
WEP IV TS Co-Investment LP	Private Credit	7,239	0.1%			
TOTAL PRIVATE CREDIT		\$295,282	5.4%	8.0%	(2.6%)	(\$138,881)
Covenant Apartment Fund X	Private Real Estate	29,984	0.6%	Private Real Estate Range 0.0% - 10.0%		
Covenant Apartment Fund XI	Private Real Estate	14,988	0.3%			
Invesco Real Estate Funds III & IV	Private Real Estate	1,018	0.0%			
KSL Capital Partners VI, LP and ITS Parallel Funds	Private Real Estate	4,453	0.1%			
LBA Logistics Value Fund IX	Private Real Estate	12,892	0.2%			
Landmark Real Estate Partners VIII	Private Real Estate	29,767	0.5%			
Long Wharf Real Estate Partners VI	Private Real Estate	34,161	0.6%			
Merit Hill Self-Storage V, LP	Private Real Estate	12,716	0.2%			
Singerman Real Estate Opportunity Fund IV	Private Real Estate	12,193	0.2%			
TOTAL PRIVATE REAL ESTATE		\$152,172	2.8%			
Northern Trust STIF	Short Term	158,529	2.9%	Cash Range -10.0% - 5.0%		
BlackRock Short Duration	Short Term	236,414	4.4%			
Parametric	Overlay	79,541	1.5%			
Treasurers Pooled Cash	Short Term	3,545	0.1%			
Wells Fargo Bank	Short Term	1,204	0.0%			
TOTAL CASH AND OVERLAY		\$479,233	8.8%	-8.0%	16.8%	\$913,396
Transition Accounts	Liquidation	303	0.0%			
Other		\$303	0.0%	0.0%	0.0%	\$303
As Allocated to Managers **		\$5,427,035	100.0%	100.0%	(0.0%)	(\$0)

*This report reflects the strategic asset allocation policy adopted by the Board of Retirement September 2023.

**Physical securities market value only. Does not include notional market values of the overlay or capital efficiency program

KCERA
CASH FLOW POSITION
NOVEMBER, 2023
TREASURERS POOLED CASH

Beginning Cash Balance:		\$	4,308,443
Employer Contributions	29,107,955		
Employee Contributions	5,750,239		
Service Purchases	88,110		
Miscellaneous	54,135		
Total Receipts:			35,000,440
Operating Expenses	(810,849)		
Investment Expenses	(953,015)		
Transfers-out	(34,000,000)		
Total Disbursements:			<u>(35,763,863)</u>
Ending Cash Balance:			<u><u>3,545,019</u></u>

NORTHERN TRUST

Beginning Cash Balance:		\$	132,057,262
Private Markets - Distributions	1,327,320		
Commingled Funds - Distributions	1,975,653		
Hedge Funds - Distributions	198,573		
Redemption American Century	10,000,000		
Redemption Mellon Intl	125,000,000		
Redemption AB Emerging Markets	15,000,000		
Redemption DB Investors	19,417,936		
Dividend and Interest Income	1,202,632		
Class Action Proceeds	288		
Interest	713,197		
Total Receipts:			174,835,600
Capital Calls			
Capital Calls Orbimed			
Capital Calls Warren Equity	(3,310,744)		
Capital Calls Landmark	(3,667,094)		
Capital Calls Ares Pathfinder	(1,590,909)		
Capital Calls Rubicon	(2,289,544)		
Capital Calls Covenant	(900,000)		
Capital Calls Merit Hill	(13,232,691)		
Capital Calls Crown Global	(2,500,000)		
Capital Calls Blue Torch	(12,000,000)		
Capital Calls Fortress	(8,200,000)		
Capital Calls Level Equity	(398,883)		
Contribution Lazard Japanese Equity	(100,000,000)		
Other Expenses	(12,689)		
Transfers-out	(1,000,000)		
Total Disbursements:			<u>(149,102,554)</u>
Ending Cash Balance:			<u><u>\$ 157,790,307</u></u>

**KCERA
CASH FLOW POSITION
NOVEMBER, 2023**

WELLS FARGO BANK

Beginning Cash Balance		\$ 1,630,103
Transfer In Northern Trust	1,000,000	
Transfer In TPC - County	34,000,000	
ACH Returns / Deletes	20,763	
Total Receipts:		35,020,763
ACH Benefit Payments	(30,935,706)	
Total Checks Paid	(143,628)	
Taxes Withholding Deposits	(4,367,214)	
Bank Services	(602)	
Total Disbursements:		(35,447,149)
WFB ending Balance		<u>\$ 1,203,716</u>

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT FEES CASH FLOW REPORT
FOR THE MONTH ENDED NOVEMBER, 2023**

Description	July	August	September	October	November	Total
Investment Base Fees:						
Domestic Equity:						
AllianceBernstein				145,101.55		145,101.55
Henderson Geneva Capital		95,077.00			97,284.00	192,361.00
Mellon Capital					64,654.57	64,654.57
International Equity:						
BlackRock			90,670.26			90,670.26
Fixed Income:						
Mellon Capital (Ag Bond)					10,962.57	10,962.57
Pacific Investment Management Company		275,622.93			309,236.21	584,859.14
Western Asset Management				165,649.45		165,649.45
Commodities:						
Wellington Trust Company		312,457.14		350,207.54		662,664.68
Real Estate:						
ASB Capital Management		319,553.46			305,430.29	624,983.75
Midstream Energy:						
Harvest Midstream				301,649.30		301,649.30
Overlay						
Parametric		74,523.00			75,233.00	149,756.00
Subtotal	0.00	1,077,233.53	90,670.26	962,607.84	862,800.64	2,993,312.27
Investment Professional Fees:						
Consulting:						
Abel Noser			7,875.00			7,875.00
Albourne America LLC		33,333.33	33,333.33	33,333.33	33,333.33	133,333.32
Cambridge Associates			187,500.00			187,500.00
Glass, Lewis & Co.	7,950.00					7,950.00
Two Sigma		11,250.00		11,250.00		22,500.00
Verus		34,166.67	34,166.67	34,166.67	34,166.67	136,666.68
Consulting - Other Expenses						0.00
Custodial:						
The Northern Trust Co.				121,666.67		121,666.67
Legal:						
Foley & Lardner LLP						0.00
Hanson Bridgett LLP						0.00
Nossaman LLP		8,983.50	82,779.00		20,000.00	111,762.50
Due Diligence / Investment-Related Travel:					2,713.91	
Subtotal	7,950.00	87,733.50	345,654.00	200,416.67	90,213.91	731,968.08
Total Investment Fees	7,950.00	1,164,967.03	436,324.26	1,163,024.51	953,014.55	3,725,280.35

KCERA
Operating Expense Budget Status Report
For the Month Ended November 30, 2023

Expense Type	Budget FY 2023/24	Expenses	Over (Under)
Staffing			
Salaries	4,215,888.00	\$1,443,141.96	(2,772,746.04)
Benefits	2,655,190.00	803,140.12	(1,852,049.88)
Staffing Total	6,871,078.00	2,246,282.08	(4,624,795.92)
Staff Development			
Education & Professional Development	120,000.00	28,532.51	(91,467.49)
Staff Appreciation	4,000.00	237.13	(3,762.87)
Staff Development Total	124,000.00	28,769.64	(95,230.36)
Professional Fees			
Actuarial fees	100,000.00	79,805.00	(20,195.00)
Audit fees	98,275.00	-	(98,275.00)
Consultant fees	115,000.00	59,846.00	(55,154.00)
Legal fees	70,000.00	15,062.77	(54,937.23)
Professional Fees Total	383,275.00	154,713.77	(228,561.23)
Office Expenses			
Building expenses	124,000.00	44,210.55	(79,789.45)
Communications	84,062.00	17,723.37	(66,338.63)
Equipment lease	12,000.00	4,762.70	(7,237.30)
Equipment maintenance	10,100.00	6,898.66	(3,201.34)
Memberships	20,000.00	5,340.00	(14,660.00)
Office supplies & misc. admin.	80,000.00	16,741.83	(63,258.17)
Payroll & accounts payable fees	25,000.00	496.96	(24,503.04)
Other Services - Kern County	40,000.00	28,676.00	(11,324.00)
Postage	20,000.00	3,031.98	(16,968.02)
Subscriptions	15,000.00	4,909.09	(10,090.91)
Utilities	30,000.00	20,954.41	(9,045.59)
Office Expense Total	460,162.00	153,745.55	(306,416.45)
Insurance	173,384.00	166,928.27	(6,455.73)
Member Services			
Disability - administration MMRO	200,000.00	24,825.00	(175,175.00)
Member Services Total	200,000.00	24,825.00	(175,175.00)
Systems			
Audit – security & vulnerability scan	15,000.00	9,670.00	(5,330.00)
Business continuity expenses	16,050.00	9,176.92	(6,873.08)
Hardware	37,420.00	8,994.69	(28,425.31)
Licensing & support	140,780.00	122,653.72	(18,126.28)
Software	217,600.00	71,232.95	(146,367.05)
Website design & hosting	13,200.00	5,500.00	(7,700.00)
Systems Total	440,050.00	227,228.28	(212,821.72)
Board of Retirement			
Board compensation	12,000.00	2,400.00	(9,600.00)
Board conferences & training	50,000.00	9,995.77	(40,004.23)
Board elections	-	-	-
Board meetings	8,500.00	895.04	(7,604.96)
Board of Retirement Total	70,500.00	13,290.81	(57,209.19)
Depreciation / Amortization	42,651.00	25,178.60	(17,472.40)
Total Operating Expenses	8,765,100.00	3,040,962.00	(5,724,138.00)

KCERA ASSET ALLOCATION*
12/31/2023

Manager Name	Type	(\$000)	Current Allocation	Target Percentage	Variance Over Target (Under Target)	Variance Over Target (Under Target) (\$000)
AllianceBernstein	Small Cap Value	93,666	1.7%			
Geneva Capital	Small Cap Growth	55,026	1.0%			
Mellon Capital Management EB DV	Large Cap Passive	570,001	10.4%			
PIMCO StockPlus	Large Cap Enhanced	126,341	2.3%			
Total Domestic Equity		\$854,034	15.4%	12 - 28%	15.4%	\$854,034
American Century	International Small	60,361	1.1%			
Cevian Capital II LP	International Large	44,029	0.8%			
Dalton Japan Long Only	International Small	52,057	0.9%			
Lazard Japanese Equity	International Large	109,171	2.0%			
Mellon Capital Management-EB DV	International Large Passive	415,299	7.5%			
Total International Developed Equity		\$680,917	12.2%	5 - 18%	12.2%	\$680,917
DFA Emerging Markets Value Portfolio	Emerging Markets	87,540	1.6%			
Mellon Emerging Markets	Emerging Markets	110,985	2.0%			
Total Emerging Market Equity		\$198,534	3.6%	0 - 9%	3.6%	\$198,534
TOTAL EQUITY		\$1,733,485	31.2%	33.0%	(1.8%)	(\$101,502)
Mellon Capital Management Ag Bond	Core	166,484	3.0%			
PIMCO CP	Core Plus	170,784	3.1%			
Western Asset Management - CP	Core Plus	127,010	2.3%			
Total Core		\$464,278	8.3%	15.0%	(6.7%)	(\$369,807)
TCW Securitized Opportunities LP	Securitized Opportunities	92,142	1.7%			
Western Asset Management - HY	High Yield	170,743	3.1%			
PIMCO EM Beta	Emerging Markets	156,791	2.8%			
Stone Harbor Global Funds	Emerging Markets	41,326	0.7%			
Total Credit		\$461,002	8.3%	10.0%	(1.7%)	(\$95,055)
TOTAL FIXED INCOME		\$925,280	16.6%	25.0%	(8.4%)	(\$464,862)
Gresham Commodity Builder Fund	Active	34,270	0.6%			
Wellington Trust Company (WTC)	Active	173,239	3.1%			
TOTAL COMMODITIES		\$207,509	3.7%	4.0%	(0.3%)	(\$14,914)
Aristeia International Ltd	Hedge Fund - Direct	72,819	1.3%			
Brevan Howard Fund Limited	Hedge Fund - Direct	55,841	1.0%			
D.E. Shaw Composite Fund	Hedge Fund - Direct	64,538	1.2%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	49,741	0.9%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	86,430	1.6%			
Indus Pacific Opportunities Fund	Hedge Fund - Direct	45,669	0.8%			
PIMCO Commodity Alpha Fund LLC	Hedge Fund - Direct	78,129	1.4%			
Pharo Macro Fund LTD	Hedge Fund - Direct	65,175	1.2%			
Sculptor Enhanced LP (Formerly OZ Domestic)	Hedge Fund - Direct	45,599	0.8%			
TOTAL HEDGE FUND		\$663,941	10.1%	10.0%	0.1%	\$7,884
ASB Capital Management	Core	156,822	2.8%			
JPIMCB Strategic Property Fund	Core	122,536	2.2%			
TOTAL CORE REAL ESTATE		\$279,358	5.0%	5.0%	0.0%	\$1,330
Davidson Kempner	Hedge Fund - Direct	56,724	1.0%			
Garda Fixed Income	Hedge Fund - Direct	63,292	1.1%			
HBK Multi-Strategy Fund	Hedge Fund - Direct	43,335	0.8%			
Hudson Bay Enhanced Fund LP	Hedge Fund - Direct	60,845	1.1%			
TOTAL CE ALPHA POOL		\$224,196	4.0%		(4.0%)	(\$220,649)
Harvest Midstream	Midstream	145,372	2.6%			
PIMCO Midstream	Midstream	157,549	2.8%			
TOTAL MIDSTREAM ENERGY		\$302,921	5.4%	5.0%	0.4%	\$24,893
Aristeia Select Opportunities II LP	Opportunistic	45,859	0.8%			
River Birch International Ltd	Opportunistic	5,370	0.1%			
Sixth Street TAO Partners (D)	Opportunistic	91,748	1.6%			
TOTAL OPPORTUNISTIC		\$142,977	2.6%	0.0%	2.6%	\$142,977
Abbott Capital Funds	Private Equity Fund of Funds	16,002	0.3%			
Brighton Park Capital Fund I	Private Equity	37,385	0.7%			
Brighton Park Capital Fund II	Private Equity	3,658	0.1%			
Level Equity Growth Partners	Private Equity	13,747	0.2%			
LGT Crown Global	Private Equity	37,910	0.7%			
Linden Capital Partners	Private Equity	17,263	0.3%			
Pantheon Funds	Private Equity Fund of Funds	8,411	0.2%			
Peak Rock	Private Equity	14,123	0.3%			
OrbiMed Private Investments IX	Private Equity	1,167	0.0%			
Rubicon Technology Partners IV	Private Equity	4,710	0.1%			
Vista Foundation Fund IV	Private Equity	18,766	0.3%			
Warren Equity Partners Fund III and Fund IV	Private Equity	46,538	0.8%			
TOTAL PRIVATE EQUITY		\$219,680	4.0%	5.0%	(1.0%)	(\$58,348)
Ares Pathfinder Fund II	Private Credit	2,299	0.0%			
Blue Torch Credit Opportunities II	Private Credit	15,185	0.3%			
Blue Torch Credit Opportunities Fund III	Private Equity	25,243	0.5%			
Brookfield Real Estate Finance Fund V	Private Credit	15,055	0.3%			
Cerberus Levered Loan Opportunities Fund V LP	Private Credit	15,804	0.3%			
Colony Distressed Credit Fund	Private Credit	17,347	0.3%			
Fortress Credit Opportunities Fund V	Private Credit	22,239	0.4%			
Fortress Lending Fund II (A)	Private Credit	28,176	0.5%			
Fortress Lending Fund III (A)	Private Credit	27,715	0.5%			
H.I.G. BaySide Loan Opportunity Fund	Private Credit	44,606	0.8%			
Magnetar Constellation Fund V	Private Credit	27,061	0.5%			
Oak Hill Advisors Structured Products Fund III LP	Private Credit	5,420	0.1%			
OrbiMed Royalty & Credit Opportunities IV	Private Credit	4,832	0.1%			
Silver Point Specialty Credit Fund III	Private Credit	8,935	0.2%			
Sixth Street TAO Partners (B)	Private Credit	42,695	0.8%			
IVEP IV TS Co-Investment LP	Private Credit	7,239	0.1%			
TOTAL PRIVATE CREDIT		\$309,851	5.6%	8.0%	(2.4%)	(\$134,994)
Covenant Apartment Fund X	Private Real Estate	29,684	0.5%			
Covenant Apartment Fund XI	Private Real Estate	14,988	0.3%			
Invesco Real Estate Funds III & IV	Private Real Estate	1,018	0.0%			
KSL Capital Partners VI, LP and ITS Parallel Funds	Private Real Estate	4,453	0.1%			
LBA Logistics Value Fund IX	Private Real Estate	15,969	0.3%			
Landmark Real Estate Partners VIII	Private Real Estate	31,988	0.6%			
Long Wharf Real Estate Partners VI	Private Real Estate	34,319	0.6%			
Merit Hill Self-Storage V, LP	Private Real Estate	32,716	0.6%			
Singerman Real Estate Opportunity Fund IV	Private Real Estate	14,643	0.3%			
TOTAL PRIVATE REAL ESTATE		\$159,758	2.9%	5.0%	(2.1%)	(\$118,271)
Northern Trust STIF	Short Term	156,919	2.8%			
BlackRock Short Duration	Short Term	238,051	4.3%			
Parametric	Overlay	93,968	1.7%			
Treasurers Pooled Cash	Short Term	1,490	0.0%			
Wells Fargo Bank	Short Term	921	0.0%			
TOTAL CASH AND OVERLAY		\$491,349	8.8%	-8.0%	16.8%	\$936,194
Transition Accounts	Liquidation	262	0.0%			
Other		\$262	0.0%	0.0%	0.0%	\$262
As Allocated to Managers **		\$5,560,566	100.0%	100.0%	0.0%	\$0

*This report reflects the strategic asset allocation policy adopted by the Board of Retirement September 2023.

**Physical securities market value only. Does not include notional market values of the overlay or capital efficiency program

KCERA
CASH FLOW POSITION
DECEMBER, 2023
TREASURERS POOLED CASH

Beginning Cash Balance:		\$	3,545,019
Employer Contributions	27,893,221		
Employee Contributions	2,536,890		
Service Purchases	42,930		
Miscellaneous	4,965		
Total Receipts:			30,478,006
Operating Expenses	(717,739)		
Investment Expenses	(315,058)		
Transfers-out	(31,500,000)		
Total Disbursements:			<u>(32,532,797)</u>
Ending Cash Balance:			<u><u>1,490,228</u></u>

NORTHERN TRUST

Beginning Cash Balance:		\$	157,790,307
Private Markets - Distributions	4,611,330		
Commingled Funds - Distributions	5,570,038		
Redemption AB Emerging Markets	38,102,935		
Dividend and Interest Income	4,246,175		
Tax Recovery	48,449		
Interest	753,468		
Securities Lending Earnings (NET)			
Total Receipts:			53,332,395
Capital Calls Blue Torch	(7,800,000)		
Capital Calls Parthenon	(418,795)		
Capital Calls Covenant	(939,357)		
Capital Calls Landmark	(2,536,729)		
Capital Calls LBA Logistics	(3,076,923)		
Capital Calls Cerberus	(4,315,518)		
Capital Calls Singerman	(2,450,000)		
Capital Calls Oak Hill	(5,420,411)		
Capital Calls Crown Global	(2,500,000)		
Capital Calls Brighton Park	(97,127)		
Capital Calls Ares Pathfinder	(707,790)		
Capital Calls Peak Rock	(218,728)		
Capital Calls Level Equity	(259,034)		
Contribution Mellon	(22,000,000)		
Other Expenses	(13,340)		
Transfers-out	(3,500,000)		
Total Disbursements:			<u>(56,253,751)</u>
Ending Cash Balance:		\$	<u><u>154,868,951</u></u>

**KCERA
CASH FLOW POSITION
DECEMBER, 2023**

WELLS FARGO BANK

Beginning Cash Balance		\$ 1,203,716
Transfer In Northern Trust	3,500,000	
Transfer In TPC - County	31,500,000	
ACH Returns / Deletes	18,658	
Total Receipts:		35,018,658
ACH Benefit Payments	(30,849,694)	
Total Checks Paid	(115,693)	
Taxes Withholding Deposits	(4,335,871)	
Bank Services	(575)	
Total Disbursements:		(35,301,833)
WFB ending Balance		<u>\$ 920,541</u>

**KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
INVESTMENT FEES CASH FLOW REPORT
FOR THE MONTH ENDED NOVEMBER, 2023**


Description	July	August	September	October	November	December	Total
Investment Base Fees:							
Domestic Equity:							
AllianceBernstein				145,101.55			145,101.55
Henderson Geneva Capital		95,077.00			97,284.00		192,361.00
Mellon Capital					64,654.57		64,654.57
International Equity:							
BlackRock			90,670.26				90,670.26
Fixed Income:							
Mellon Capital (Ag Bond)					10,962.57		10,962.57
Pacific Investment Management Company		275,622.93			309,236.21		584,859.14
Western Asset Management				165,649.45			165,649.45
Commodities:							
Wellington Trust Company		312,457.14		350,207.54			662,664.68
Real Estate:							
ASB Capital Management		319,553.46			305,430.29		624,983.75
Midstream Energy:							
Harvest Midstream				301,649.30			301,649.30
Overlay							
Parametric		74,523.00			75,233.00		149,756.00
Subtotal	0.00	1,077,233.53	90,670.26	962,607.84	862,800.64	0.00	2,993,312.27
Investment Professional Fees:							
Consulting:							
Abel Noser			7,875.00			7,875.00	15,750.00
Albourne America LLC		33,333.33	33,333.33	33,333.33	33,333.33	33,333.33	166,666.65
Cambridge Associates			187,500.00			187,500.00	375,000.00
Glass, Lewis & Co.	7,950.00						7,950.00
Two Sigma		11,250.00		11,250.00			22,500.00
Verus		34,166.67	34,166.67	34,166.67	34,166.67	34,166.67	170,833.35
Consulting - Other Expenses							0.00
Custodial:							
The Northern Trust Co.				121,666.67			121,666.67
Legal:							
Foley & Lardner LLP							0.00
Hanson Bridgett LLP							0.00
Nossaman LLP		8,983.50	82,779.00		20,000.00	52,183.00	163,945.50
Due Diligence / Investment-Related Travel:					2,713.91		
Subtotal	7,950.00	87,733.50	345,654.00	200,416.67	90,213.91	315,058.00	1,047,026.08
Total Investment Fees	7,950.00	1,164,967.03	436,324.26	1,163,024.51	953,014.55	315,058.00	4,040,338.35

KCERA
Operating Expense Budget Status Report
For the Month Ended December 31, 2023

Expense Type	Budget FY 2023/24	Expenses	Over (Under)
Staffing			
Salaries	4,215,888.00	\$1,734,152.05	(2,481,735.95)
Benefits	2,655,190.00	970,277.39	(1,684,912.61)
Staffing Total	6,871,078.00	2,704,429.44	(4,166,648.56)
Staff Development			
Education & Professional Development	120,000.00	30,632.81	(89,367.19)
Staff Appreciation	4,000.00	2,866.97	(1,133.03)
Staff Development Total	124,000.00	33,499.78	(90,500.22)
Professional Fees			
Actuarial fees	100,000.00	79,805.00	(20,195.00)
Audit fees	98,275.00	33,900.00	(64,375.00)
Consultant fees	115,000.00	59,846.00	(55,154.00)
Legal fees	70,000.00	25,202.17	(44,797.83)
Professional Fees Total	383,275.00	198,753.17	(184,521.83)
Office Expenses			
Building expenses	124,000.00	44,413.05	(79,586.95)
Communications	84,062.00	22,199.31	(61,862.69)
Equipment lease	12,000.00	5,637.45	(6,362.55)
Equipment maintenance	10,100.00	6,898.66	(3,201.34)
Memberships	20,000.00	5,890.00	(14,110.00)
Office supplies & misc. admin.	80,000.00	22,530.04	(57,469.96)
Payroll & accounts payable fees	25,000.00	496.96	(24,503.04)
Other Services - Kern County	40,000.00	28,676.00	(11,324.00)
Postage	20,000.00	3,966.36	(16,033.64)
Subscriptions	15,000.00	6,020.15	(8,979.85)
Utilities	30,000.00	25,006.56	(4,993.44)
Office Expense Total	460,162.00	171,734.54	(288,427.46)
Insurance	173,384.00	175,164.77	1,780.77
Member Services			
Disability - administration MMRO	200,000.00	119,768.75	(80,231.25)
Member Services Total	200,000.00	119,768.75	(80,231.25)
Systems			
Audit – security & vulnerability scan	15,000.00	9,670.00	(5,330.00)
Business continuity expenses	16,050.00	9,176.92	(6,873.08)
Hardware	37,420.00	22,069.53	(15,350.47)
Licensing & support	140,780.00	191,141.60	50,361.60
Software	217,600.00	74,241.64	(143,358.36)
Website design & hosting	13,200.00	6,600.00	(6,600.00)
Systems Total	440,050.00	312,899.69	(127,150.31)
Board of Retirement			
Board compensation	12,000.00	3,200.00	(8,800.00)
Board conferences & training	50,000.00	11,060.37	(38,939.63)
Board elections	-	-	-
Board meetings	8,500.00	1,871.95	(6,628.05)
Board of Retirement Total	70,500.00	16,132.32	(54,367.68)
Depreciation / Amortization	42,651.00	31,710.30	(10,940.70)
Total Operating Expenses	8,765,100.00	3,764,092.76	(5,001,007.24)

Date: February 14, 2024

To: Trustees, Board of Retirement

From: Dominic D. Brown, Chief Executive Officer 

Subject: **Initiation of Service Provider Evaluation Period**

The Board of Retirement's Evaluation Period Policy was established to help ensure that decisions involving the selection, retention, or termination of KCERA service providers are consistent with fiduciary standards of conduct, and that service providers being considered by KCERA are treated fairly.

An "evaluation period" may be initiated by the Chief Executive Officer ("CEO") in the following situations:

- a) when a request for proposals (RFP) has been issued by KCERA or a short list of candidate firms has been identified for consideration by KCERA, or
- b) the Board otherwise deems it to be in the best interest of KCERA and its members and beneficiaries to do so.

The CEO has exercised his discretion and initiated the evaluation period for the following providers:

- 1) Juniper Capital Investment Management, L.P.
- 2) Elliot Investment Management L.P.

Trustees are required to comply with the evaluation period restrictions upon receipt of this notification. (See Board Communications Policy).

During evaluation periods, trustees shall not communicate with the specified service providers, except during board meetings, committee meetings, or KCERA-authorized due diligence visits; nor shall they accept meals, travel, hotel, or other types of gifts from the specified service providers. Notwithstanding the above, Trustees who need to communicate with such service providers for reasons unrelated to KCERA business agree to disclose such need to the Board beforehand. If circumstances do not permit timely disclosure to the Board, the trustee shall provide disclosure of the intended communication to the CEO and to the Chair or Vice-Chair.

Service providers that breach this policy may be terminated by KCERA or disqualified from consideration in a search process. Board members who breach this policy may be sanctioned in accordance with the KCERA Code of Conduct. (See Evaluation Period Policy).

Pursuant to the aforementioned policies, your Board will be asked to ratify the above evaluation period instituted by Chief Executive Officer Dominic Brown.



◆ Class Action Activity Detail by Event Name

Class Action Name	Event Status	Event Status As Of	Class Start Class End	Filing Deadline	Objection/ Exclusion Deadline	Claims Admin Name	Web Address	
ARTHROCARE DOJ REMISSION FUND	DISBURSING	05 Jan 24	10 Dec 07 19 May 09	08 Jan 24		Rust	www.ArthroCareDOJRemission.com	
			Claim Status as of Date/ Claim Status	Account Paid	Account Paid Name	Amount Currency	Distribution/ Type	Date Distributed
			05 Jan 24 PAID	2608468	KNCTY-CASH ACCOUNT	1,370.43 USD	1 CASH	05 Jan 24
BAXTER INTERNATIONAL INC (SEC FAIR FUND)	FILED	22 Jan 24	05 May 15 21 Jan 20	23 Jan 24	15 Mar 23	Epiq Class Action & Claims Solutions, In	www.BaxterFairFundDistribution.com	
			Claim Status as of Date/ Claim Status	Account Paid	Account Paid Name	Amount Currency	Distribution/ Type	Date Distributed
			22 Jan 24 FILED					
ENVISION HEALTHCARE CORPORATION	NOTIFIED	18 Jan 24	31 Jan 14 29 Jan 18	08 Apr 24	29 Feb 24 29 Feb 24	Gilardi & Co.	www.EnvisionSecuritiesLitigation.com	
			Claim Status as of Date/ Claim Status	Account Paid	Account Paid Name	Amount Currency	Distribution/ Type	Date Distributed
			18 Jan 24 TO BE FILED					

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Class Action Proceeds by Account

Account Paid	Account Paid Name	Class Action Name	Gross Amount Paid	Net Amount Paid	Service Charge	Processing Charge	Currency	Date Distributed
2608468	KNCTY-CASH ACCOUNT	COGNIZANT TECHNOLOGY	40.60	40.60	0.00	0.00	USD	01 Nov 23
2608468	KNCTY-CASH ACCOUNT	DELL INC. (2014)	16.41	16.41	0.00	0.00	USD	28 Nov 23
2608468	KNCTY-CASH ACCOUNT	WAMU -TIA SETTLEMENT (2012)	230.49	230.49	0.00	0.00	USD	06 Nov 23
Sub Total	2608468	and Currency USD	287.50	287.50	0.00	0.00		
2664130	*KNCTY-ALLIANCEBERNSTEIN-S	EDUCATION REALTY TRUST, INC.	2,654.33	2,654.33	0.00	0.00	USD	29 Nov 23
2664130	*KNCTY-ALLIANCEBERNSTEIN-S	GRANITE CONSTRUCTION INC (N.D.	26.36	26.36	0.00	0.00	USD	06 Dec 23
Sub Total	2664130	and Currency USD	2,680.69	2,680.69	0.00	0.00		
2667336	KNCTY-GENEVA	AXOS FINANCIAL (FKA BOFI	38,996.51	38,996.51	0.00	0.00	USD	25 Oct 23
2667336	KNCTY-GENEVA	BANK OZK	3,527.41	3,527.41	0.00	0.00	USD	28 Nov 23
Sub Total	2667336	and Currency USD	42,523.92	42,523.92	0.00	0.00		
KNC04	KNCTY-TRANSITION ACCOUNT	WAMU -TIA SETTLEMENT (2012)	769.99	769.99	0.00	0.00	USD	06 Nov 23
Sub Total	KNC04	and Currency USD	769.99	769.99	0.00	0.00		

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Date: February 14, 2024
To: Trustees, Board of Retirement
From: Matthew Henry, Chief Operations Officer
Subject: Report on Errors in Benefit Payments

As required in the Correction of Errors in Benefit Payments Principles, Policy and Procedures, every reasonable effort is made to collect the amount of payments in excess of what members are entitled to receive. KCERA will abandon claims for collection of overpaid benefits only if it concludes that settlement is not possible and pursuing the claim is not appropriate under the circumstances. When KCERA has underpaid benefits, the member shall be entitled to both the correction of the underpayment prospectively and a retroactive lump-sum payment plus interest.

An underpayment in the amount of \$9,152.20 was made to one member during the past six months; in accordance with policy interest was not applicable due to the correction being processed in the same year. Accordingly, it is recommended the Board receive and file this report.

MEMBERS UNDERPAID						
#	NAME	EXPLANATION	DATE CORRECTED	PRINCIPAL UNDERPAID	INTEREST	PAID
1	Emalea Saba	This Return to Work SCD member should have received increases in supplemental pay between January 2023 – July 2023; received a retro pay in August 2023.	8/31/2023	\$ 9,152.20	\$ 0.00	\$ 9,152.20
			TOTALS	\$ 9,152.20	\$ 0.00	\$ 9,152.20

Date: February 14, 2024

To: Trustees, Board of Retirement

From: Dominic D. Brown, Chief Executive Officer



Subject: Report on Errors in Member Contributions

As required in the Correction of Errors in Member Contribution Principles, Policy and Procedures, every reasonable and prompt effort is made to recover the amount of any underpayment of contributions and to remit the amount of any overpayment of contributions. KCERA will abandon claims for collection of underpaid contributions only if it concludes that settlement is not possible and pursuing the claim is not appropriate under the circumstances. When a member has overpaid contributions, the member shall be entitled to both the correction of the overpayment and, if applicable, appropriate interest.

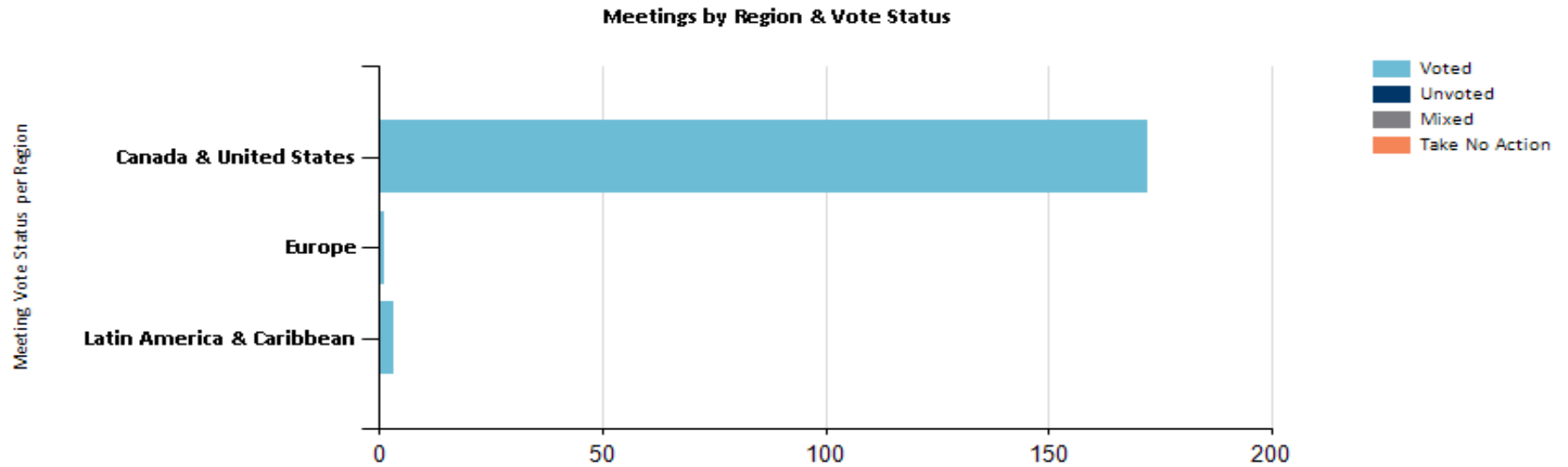
Below you will find a list of members who have had an overpayment of contributions resolved during the past six months. In addition, you will find a list of members who had an underpayment of contributions to KCERA, in which the repayment was resolved during the past six months. Accordingly, it is recommended the Board receive and file this report.

Attachment A

Employee ID	Amount	Corrective Action	Reason for Correction
xxxxx1078	\$3,158.43	Collected	Retroactive pay adjustment
xxxxx5682	\$5,355.46	Refund	IRS 401(a)(17) compensation limit adjustment
xxxxx1685	\$1,638.92	Refund	IRS 401(a)(17) compensation limit adjustment
xxxxx6997	\$4,714.82	Refund	Erroneous 5-year stop

Meeting Statistics Report

From 1/1/2023 to 12/31/2023



Region	Country Of Origin	Voted	Unvoted	Mixed	Take No Action	Total
Total for all Regions		176	0	0	0	176
Canada & United States		172	0	0	0	172
	Canada	9	0	0	0	9
	United States	163	0	0	0	163
Europe		1	0	0	0	1
	France	1	0	0	0	1
Latin America & Caribbean		3	0	0	0	3
	Cayman Islands	1	0	0	0	1
	Puerto Rico	1	0	0	0	1
	Virgin Islands (British)	1	0	0	0	1

2024 KCERA Board Committee Assignments

Member Seat #	Trustee Name	Administrative Committee	Finance Committee	Investment Committee
7th Alt. Sfty <i>(Elected)</i>	Contreras	Chair	Member	
4th <i>(Appointed)</i>	Couch			Member
8th <i>(Elected)</i>	Franey		Alternate	
2nd <i>(Elected)</i>	Gonzalez	Member	Member	
5th <i>(Appointed)</i>	Hughes	Member		
1st <i>(Statute)</i>	Kaufman			Member
7th <i>(Elected)</i>	Kratt			Member
1st Alt. <i>(Statute)</i>	Nunneley		Member	
6th <i>(Appointed)</i>	Sanders		Chair	Alternate
8th Alt. Ret. <i>(Elected)</i>	Seibly	Member		
9th <i>(Appointed)</i>	Whitezell			Chair
3rd <i>(Elected)</i>	Vacant	Alternate		

*The **alternate 7th member (safety)** shall vote as a member of the Board only if the 2nd (general elected), 3rd (general elected), 7th (safety elected), or 8th (retiree elected) member (and 8th alternate) is absent from a board meeting for any cause. Or, if there is a vacancy with respect to the 2nd, 3rd, 7th or 8th member (and 8th alternate), the alternate 7th member shall fill the vacancy until a successor qualifies.*

*The **alternate 8th (retiree elected) member** shall vote as a member of the Board if the 8th member is absent from a board meeting for any cause. Or, if the 8th member is present and both the 2nd and 3rd, both the 2nd and 7th, or both the 3rd and 7th members are absent from a board meeting for any cause.*

DUSTIN CONTRERAS (Education Cycle: January 2022-December 2023)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
Trustee Orientation	1/14/22	Bakersfield, CA	X	2
Capital Efficiency Program and Potential Changes	2/9/22	Bakersfield, CA	X	0.7
Disability Training	3/3/22	Bakersfield, CA	X	1.5
Fiduciary Responsibility and Governance	3/9/22	Bakersfield, CA	X	0.78
Trustee Orientation: Session 2	6/16/22	Bakersfield, CA	X	1
Sexual Harrassment Prevention Training	6/20/22	Virtual		2
SACRS UC Berkeley Program	7/17-20/22	Berkeley, CA		27
CALAPRS Principles of Pension Governance	8/29-9/1/22	Tiburon, CA		20.75
CALAPRS: Ethics training	9/1/22	Tiburon, CA		2
KCERA Declining Employer Payroll and Employer Termination Policies	10/12/22	Bakersfield, CA	X	0.42
KCERA Securities Litigation Policy	10/12/22	Bakersfield, CA	X	0.2
Cybersecurity	10/12/22	Bakersfield, CA	X	1
Attorney Client Relationship	10/12/22	Bakersfield, CA	X	0.63
AB 2449	11/2/22	Bakersfield, CA	X	0.46
Due Process and KCERA's Administrative Appeals Processes	12/14/22	Bakersfield, CA	X	0.28
AB 2449	2/8/23	Bakersfield, CA	X	0.53
Fiduciary duties with emphasis on investment considerations, including evaluation of ESG factors	3/8/23	Bakersfield, CA	X	1
Proxy voting	3/8/23	Bakersfield, CA	X	0.25
Chief Legal Officer Report regarding case review	3/8/23	Bakersfield, CA	X	0.23
CALAPRS Advanced Principles for Trustees	3/29 - 31/23	Los Angeles, CA		14
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
Managed Medical Review Organization Disability Workflow status update	6/14/23	Bakersfield, CA	X	0.58
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
Total Hours of Education				81.74

DAVID COUCH (Education Cycle: January 2022-December 2023)

Conference Name	Date	Location	KCERA Training	Hours of Education
Capital Efficiency Program and Potential Changes	2/9/22	Bakersfield, CA	X	0.7
Fiduciary Responsibility and Governance	3/9/22	Bakersfield, CA	X	0.78
Tail Risk Hedging	5/4/22	Bakersfield, CA	X	0.58
KCERA Board Communication Policy	5/4/22	Bakersfield, CA	X	0.38
SACRS: Spring Conference	5/10-13/22	Rancho Mirage, CA	X	3
Tail Risk Hedging	6/8/22	Bakersfield, CA	X	0.62
KCERA Benefit History	8/31/22	Bakersfield, CA	X	0.88
KCERA Declining Employer Payroll and Employer Termination Policies	10/12/22	Bakersfield, CA	X	0.42
KCERA Securities Litigation Policy	10/12/22	Bakersfield, CA	X	0.2
Cybersecurity	10/12/22	Bakersfield, CA	X	1
Attorney Client Relationship	10/12/22	Bakersfield, CA	X	0.63
AB 2449	11/2/22	Bakersfield, CA	X	0.46
Due Process and KCERA's Administrative Appeals Processes	12/14/22	Bakersfield, CA	X	0.28
AB 2449	2/8/23	Bakersfield, CA	x	0.53
Fiduciary duties with emphasis on investment considerations, including evaluation of ESG factors	3/8/23	Bakersfield, CA	X	1
Proxy voting	3/8/23	Bakersfield, CA	X	0.25
Chief Legal Officer Report regarding case review	3/8/23	Bakersfield, CA	X	0.23
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
SACRS Spring Conference	5/9/23-5/12/23	San Diego, CA		7
Ethics Training	4/27/23	Bakersfield, CA		2
Managed Medical Review Organization Disability Workflow status update	6/14/23	Bakersfield, CA	X	0.58
Sexual Harassment Prevention Training	7/7/23	Virtual		2
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Life cycle of an investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
Total Hours of Education				27.95

PHIL FRANEY (Education Cycle: January 2023-December 2024)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
AB 2449	2/8/23	Bakersfield, CA	x	0.53
AB 2449 continued Education	2/28/23	Bakersfield, CA	x	0.37
CALAPRS: General Assembly	3/5-7/2023	Monterey, CA		7
Fiduciary duties with emphasis on investment considerations, including evaluation of ESG factors	3/8/23	Bakersfield, CA	X	1
Proxy voting	3/8/23	Bakersfield, CA	X	0.25
Chief Legal Officer Report regarding case review	3/8/23	Bakersfield, CA	X	0.23
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
SACRS Spring Conference	5/9/23-5/12/23	San Diego, CA		9.5
Managed Medical Review Organization Disability Workflow status update	6/14/23	Bakersfield, CA	X	0.58
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
SACRS Fall Conference	11/7/23-11/9/23	Rancho Mirage, CA		9
Total Hours of Education				32.89

JUAN GONZALEZ (Education Cycle: July 2023-June 2025)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
Sexual Harassment Prevention Training	11/7/23	Rancho Mirage, CA	X	2
SACRS Fall Conference	11/7/23- 11/9/23	Rancho Mirage, CA		10.5
Total Hours of Education				14.37

JOSEPH D. HUGHES (Education Cycle: July 2023-June 2025)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
SACRS Fall Conference	11/8/23- 11/10/23	Rancho Mirage, CA		7.5
<i>Total Hours of Education</i>				9.1

JORDAN KAUFMAN (Education Cycle: January 2023-December 2024)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
AB 2449	2/8/23	Bakersfield, CA	x	0.53
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
Sexual Harassment Prevention Training	5/9/23	San Diego, CA	X	2
SACRS Spring Conference	5/9/23- 5/12/23	San Diego, CA		9
SACRS Fall Conference	11/8/23- 11/10/23	Rancho Mirage, CA		6
Total Hours of Education				19.52

RICK KRATT (Education Cycle: January 2023-December 2024)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
AB 2449	2/8/23	Bakersfield, CA	x	0.53
Fiduciary duties with emphasis on investment considerations, including evaluation of ESG factors	3/8/23	Bakersfield, CA	X	1
Proxy voting	3/8/23	Bakersfield, CA	X	0.25
Chief Legal Officer Report regarding case review	3/8/23	Bakersfield, CA	X	0.23
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
Managed Medical Review Organization Disability Workflow status update	6/14/23	Bakersfield, CA	X	0.58
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
SACRS Fall Conference	11/7/23 - 11/10/23	Rancho Mirage, CA		9
Total Hours of Education				16.02

CHASE NUNNELEY (Education Cycle: January 2022-December 2023)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
Capital Efficiency Program and Potential Changes	2/9/22	Bakersfield, CA	X	0.7
Tail Risk Hedging	5/4/22	Bakersfield, CA	X	0.58
KCERA Board Communication Policy	5/4/22	Bakersfield, CA	X	0.38
SACRS: Spring Conference	5/10-13/22	Rancho Mirage, CA		10.5
Sexual Harassment Prevention Training	7/11/22	Virtual	X	2
KCERA Benefit History	8/31/22	Bakersfield, CA	X	0.88
KCERA Declining Employer Payroll and Employer Termination Policies	10/12/22	Bakersfield, CA	X	0.42
KCERA Securities Litigation Policy	10/12/22	Bakersfield, CA	X	0.2
Attorney Client Relationship	10/12/22	Bakersfield, CA	X	0.63
Cybersecurity	10/12/22	Bakersfield, CA	X	1
AB 2449	11/2/22	Bakersfield, CA	X	0.46
Ethics Training	2/2/23	Virtual		2
AB 2449	2/8/23	Bakersfield, CA	x	0.53
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
SACRS Fall Conference	11/7/23 - 11/10/23	Rancho Mirage, CA		10.5
Total Hours of Education				35.21

JOHN SANDERS (Education Cycle: May 2023-April 2025)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
Trustee Orientation	5/2/23	Bakersfield, CA	X	2
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
Managed Medical Review Organization Disability Workflow status update	6/14/23	Bakersfield, CA	X	0.58
Sexual Harassment Prevention Training	7/15/23	Virtual		2
Ethics	7/17/23	Virtual		2.63
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.2
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
Total Hours of Education				9.5

ROBB SEIBLY (Education Cycle: January 2022-December 2023)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
Capital Efficiency Program and Potential Changes	2/9/22	Bakersfield, CA	X	0.7
Fiduciary Responsibility and Governance	3/9/22	Bakersfield, CA	X	0.78
Tail Risk Hedging	5/4/22	Bakersfield, CA	X	0.58
KCERA Board Communication Policy	5/4/22	Bakersfield, CA	X	0.38
Sexual Harassment Prevention Training	5/4/22	Virtual	X	2
Tail Risk Hedging	6/8/22	Bakersfield, CA	X	0.62
KCERA Benefit History	8/31/22	Bakersfield, CA	X	0.88
KCERA Declining Employer Payroll and Employer Termination Policies	10/12/22	Bakersfield, CA	X	0.42
KCERA Securities Litigation Policy	10/12/22	Bakersfield, CA	X	0.2
Attorney Client Relationship	10/12/22	Bakersfield, CA	X	0.63
AB 2449	11/2/22	Bakersfield, CA	X	0.46
Due Process and KCERA's Administrative Appeals Processes	12/14/22	Bakersfield, CA	X	0.28
Ethics Training	1/28/23	Bakersfield, CA		2
AB 2449	2/8/23	Bakersfield, CA	x	0.53
AB 2449 continued Education	2/28/23	Bakersfield, CA	X	0.37
Fiduciary duties with emphasis on investment considerations, including evaluation of ESG factors	3/8/23	Bakersfield, CA	X	1
Proxy voting	3/8/23	Bakersfield, CA	X	0.25
Chief Legal Officer Report regarding case review	3/8/23	Bakersfield, CA	X	0.23
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
CALAPRS: Trustee Roundtable	5/5/23	Virtual		4
Managed Medical Review Organization Disability Workflow status update	6/14/23	Bakersfield, CA	X	0.58
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
CALAPRS: Trustee Roundtable	10/27/23	Virtual		4
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals	11/1/23	Bakersfield, CA	X	0.25
Total Hours of Education				25.32

TYLER WHITEZELL (Education Cycle: January 2022-December 2023)

<i>Conference Name</i>	<i>Date</i>	<i>Location</i>	<i>KCERA Training</i>	<i>Hours of Education</i>
Capital Efficiency Program and Potential Changes	2/9/22	Bakersfield, CA	X	0.7
Fiduciary Responsibility and Governance	3/9/22	Bakersfield, CA	X	0.78
Tail Risk Hedging	5/4/22	Bakersfield, CA	X	0.58
KCERA Board Communication Policy	5/4/22	Bakersfield, CA	X	0.38
Tail Risk Hedging	6/8/22	Bakersfield, CA	X	0.62
Sexual Harassment Prevention Training	6/17/22	Virtual		2
KCERA Benefit History	8/31/22	Bakersfield, CA	X	0.8
KCERA Declining Employer Payroll and Employer Termination Policies	10/12/22	Bakersfield, CA	X	0.42
KCERA Securities Litigation Policy	10/12/22	Bakersfield, CA	X	0.2
Attorney Client Relationship	10/12/22	Bakersfield, CA	X	0.63
AB 2449	11/2/22	Bakersfield, CA	X	0.46
Cybersecurity	11/17/22	Bakersfield, CA	X	1
Due Process and KCERA's Administrative Appeals Processes	12/14/22	Bakersfield, CA	X	0.28
AB 2449	2/8/23	Bakersfield, CA	x	0.53
Fiduciary duties with emphasis on investment considerations, including evaluation of ESG factors	3/8/23	Bakersfield, CA	X	1
Proxy voting	3/8/23	Bakersfield, CA	X	0.25
Chief Legal Officer Report regarding case review	3/8/23	Bakersfield, CA	X	0.23
CALAPRS Advanced Principles for Trustees	3/29 - 31/23	Los Angeles, CA		14
Special District Status considerations	4/12/23	Bakersfield, CA	X	0.76
Triennial Actuarial Experience Study	4/12/23	Bakersfield, CA	X	0.98
History on KPI (Part 1)	4/12/23	Bakersfield, CA	X	0.25
KCERA Disability Retirement Process	5/3/23	Bakersfield, CA	X	0.23
KCERA Internal Revenue Code limits on Plan Sponsor Contributions under 26 USCA §401(a) (17)	5/3/23	Bakersfield, CA	X	0.18
Service purchases and community property	5/3/23	Bakersfield, CA	X	0.16
Managed Medical Review Organization Disability Workflow status update	6/14/23	Bakersfield, CA	X	0.58
Wellness Audit communication initiative	8/9/23	Bakersfield, CA	X	0.27
Ethics Training	10/24/23	Virtual		2
Life Cycle of an Investment	11/1/23	Bakersfield, CA	X	1
Fiduciary Training	11/1/23	Bakersfield, CA	X	0.35
Alameda Administrative Appeals Orientation	11/1/23	Bakersfield, CA	X	0.25
Total Hours of Education				31.87



2023 Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2023 and 2022

A photograph of a conference room with wood-paneled walls. The text 'KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION' is mounted on the wall in large, white, three-dimensional letters. In the foreground, there is a long table with several black chairs and microphones. An American flag is visible on the left side of the room.

KERN COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION

**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.

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



Kern County Employees' Retirement Association (KCERA)

11125 River Run Blvd, Bakersfield, CA 93311

Ph. (661) 381-7700 / www.kcera.org

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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, CPA, CFE
Chief Executive Officer



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. Morill

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)

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style.

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



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

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

Page

FINANCIAL SECTION

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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.

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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.

WHY 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	<u>\$ 5,386,581</u>	<u>\$ 5,131,129</u>	<u>\$ 5,417,513</u>

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.

KCERA 2023 - Statements of Fiduciary Net Position

As of June 30, 2023 and 2022

	(In thousands)	
	2023	2022
Assets		
Cash in County Pool	\$ 15,830	\$ 16,415
Cash and Cash Equivalents	<u>577,455</u>	<u>281,329</u>
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	<u>18,510</u>	<u>15,096</u>
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	—	<u>153,386</u>
Total Investments	<u>4,835,565</u>	<u>5,021,133</u>
Capital Assets:		
Computer Software	6,298	6,298
Equipment/Computers	953	846
Accumulated Depreciation	<u>(6,736)</u>	<u>(6,067)</u>
Total Capital Assets	515	1,077
Prepaid Expenses	<u>94</u>	<u>137</u>
Total Assets	<u>5,555,517</u>	<u>5,418,953</u>
Liabilities		
Securities Purchased	166,494	132,265
Collateral Held for Securities Lent	—	153,386
Other Liabilities	<u>2,442</u>	<u>2,173</u>
Total Liabilities	<u>168,936</u>	<u>287,824</u>
Fiduciary Net Position - Restricted for Pension Benefits	<u>\$ 5,386,581</u>	<u>\$ 5,131,129</u>

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

	(In thousands)	
	2023	2022
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:

<i>(In thousands)</i>		
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	<u>\$ 593,285</u>	<u>\$ 297,744</u>

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)

Type of Investment	S&P Credit Quality						NR	U.S. Gov Guaranteed	Total
	AAA	AA	A	BBB-B	CCC-C	D			
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							U.S. Gov Guaranteed	Total
	AAA	AA	A	BBB-B	CCC-C	D	NR		
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	Investment Maturities (in years) as of June 30, 2023						Maturity Not Determined
	Fair Value	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	Investment Maturities (in years) as of June 30, 2022					Maturity Not Determined
	Fair Value	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

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

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	<i>(In thousands)</i>	
	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	—
<i>Debt Securities:</i>	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	—
<i>Equity Investments:</i>	382,041	380,912	801	328
Real Estate	4,629	—	—	4,629
<i>Real Assets:</i>	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			
<i>Net Asset Value (NAV)</i>	3,698,529			
Credit Contracts	(172)	—	(172)	
Interest Rate Contracts	652	24	628	—
Other	3,604	409	—	3,195
<i>Derivatives</i>	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	—
<i>Debt Securities:</i>	877,863	—	874,356	3,507
Common Stock	255,133	254,976	—	157
Preferred Stock	86,966	86,966	—	—
Stapled Securities	753	—	753	—
<i>Equity Investments:</i>	342,852	341,942	753	157
Real Estate	5,394	—	—	5,394
<i>Real Assets:</i>	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			
<i>Net Asset Value (NAV)</i>	3,639,114			
Credit Contracts	(195)	—	(195)	—
Interest Rate Contracts	2,719	(188)	2,907	—
<i>Derivatives</i>	2,524	(188)	2,712	—
<i>Invested Securities Lending Collateral</i>	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				
<i>Diversified (2)</i>	147,375	Quarterly	90 Days	—
<i>Structured Credit (3)</i>	7,447	Quarterly	60 Days	—
<i>Long/Short (4)</i>	46,378	Quarterly	45 Days	—
<i>Event-Driven (5)</i>	107,838	Quarterly	30-90 Days	—
<i>Macro (6)</i>	116,298	Quarterly	30-90 Days	—
<i>Relative Value (7)</i>	441,517	Monthly, Quarterly	30-60-90 Days	—
Private Markets				
<i>Private Equity (8)</i>	189,904	N/A	N/A	281,045
<i>Private Credit (8)</i>	322,855	N/A	N/A	175,914
<i>Private Real Estate (8)</i>	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:				
<i>Diversified (2)</i>	103,261	Quarterly, Annually	30-75 Days	—
<i>Structured Credit (3)</i>	17,738	Quarterly	90 Days	—
<i>Long/Short (4)</i>	36,899	Quarterly	45 Days	—
<i>Event-Driven (5)</i>	236,863	Quarterly	65-90 Days	—
<i>Macro (6)</i>	133,416	Quarterly, Quarterly	30-90 Days	—
<i>Relative Value (7)</i>	166,546	Monthly, Quarterly	30-60-90 Days	—
<i>Arbitrage (8)</i>	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		Fair Value of Loaned Securities Securitized by	
	Cash	Cash Collateral	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. Inyokern¹ and Berrenda² 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.

¹This 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.)

Reserve Account	(In thousands)	
	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 District	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 through 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	
<i>Inflation:</i>	2.50%
<i>Salary Increases:</i>	General: 3.70% to 8.00%. Safety: 4.00% to 10.00%. Varies by service, including inflation and real accross-the-board salary increase.
<i>Investment Rate of Return:</i>	7.00%, net of plan investment expenses, including inflation.
<i>Administrative Expenses:</i>	0.95% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member.
<i>Real accross-the-board salary increase:</i>	0.50%
<i>Projected salary increases:</i>	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
<i>Cost of living adjustments (COLA):</i>	Retiree COLA increases due to CPI are assumed to be 2.50%
<i>Other Assumptions:</i>	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	
<i>Inflation:</i>	2.75%
<i>Salary Increases:</i>	General: 4.00% to 8.75%. Safety: 3.75% to 12.00%. Varies by service, including inflation.
<i>Investment Rate of Return:</i>	7.25%, net of plan investment expenses, including inflation.
<i>Administrative Expenses:</i>	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.
<i>Real accross-the-board salary increase:</i>	0.50%
<i>Projected salary increases:</i>	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
<i>Cost of living adjustments (COLA):</i>	Retiree COLA increases due to CPI are assumed to be 2.50%
<i>Other Assumptions:</i>	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
<i>Total Pension Liability:</i>					
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
<i>Total Pension Liability: Beginning of Year</i>					
	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
<i>Plan Fiduciary Net Position:</i>					
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
<i>Plan Fiduciary Net Position:</i>					
<i>Beginning of Year</i>	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
<i>Total Pension Liability:</i>					
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
<i>Total Pension Liability: Beginning of Year</i>					
	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
<i>Plan Fiduciary Net Position:</i>					
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
<i>Plan Fiduciary Net Position:</i>					
<i>Beginning of Year</i>	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 ACTUARILLY 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.

KCERA 2023 - Required Supplementary Information

	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% Safety: 3.75% to 12.00%	General: 4.00% to 8.75% 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
<i>Staffing</i>		
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
 <i>Staff Development</i>	 90,708	 45,705
<i>Professional Fees:</i>		
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
<i>Office Expenses:</i>		
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
 <i>Insurance</i>	 162,795	 148,495
<i>Member Services</i>		
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
<i>Systems:</i>		
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	<u>373,337</u>	<u>367,533</u>
<i>Board of Retirement</i>		
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	<u>48,573</u>	<u>74,457</u>
<i>Depreciation/Amortization</i>	<u>660,089</u>	<u>648,530</u>
Total Administrative Expenses	<u><u>\$ 7,260,168</u></u>	<u><u>\$ 6,702,392</u></u>

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

	2023	2022
<i>Investment manager Fees:</i>		
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
<i>Other Investment Expenses:</i>		
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
<i>Securities Lending rebates and bank fees</i>	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

Individual or Firm	Nature of Service	Commission/Fee	
		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.

Market Environment

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, strong 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



new Bank of Japan Governor Kazuo Ueda. However, this speculation proved to be 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:

<i>Asset Class</i>	<i>Policy Target</i>	<i>Year-End Allocation*</i>
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



- 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:

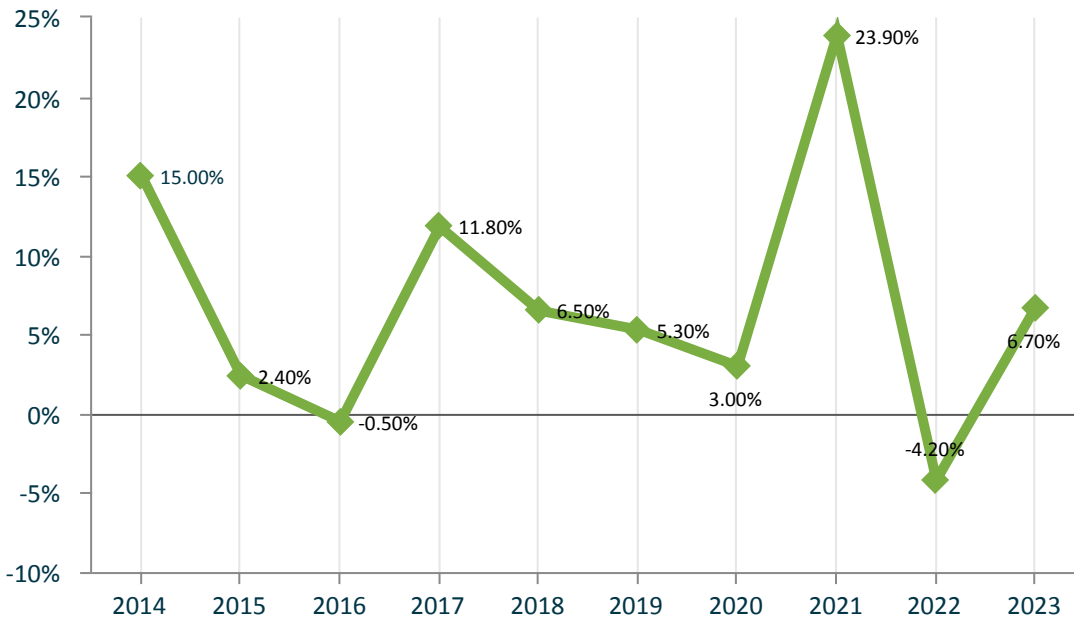
Asset Class	Actual	Target	Minimum	Maximum
Domestic Equity	16.5%	19.0%	16.0%	27.0%
International Developed Equity	11.8%	13.0%	8.0%	18.0%
Emerging Markets Equity	4.1%	5.0%	1.0%	9.0%
Domestic Fixed Income Core Plus	16.2%	14.0%	12.0%	25.0%
Domestic Fixed Income High Yield	4.9%	6.0%	3.0%	9.0%
Emerging Markets 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	<u>100.0%</u>	<u>100.0%</u>		

KCERA 2023 - Investment Summary

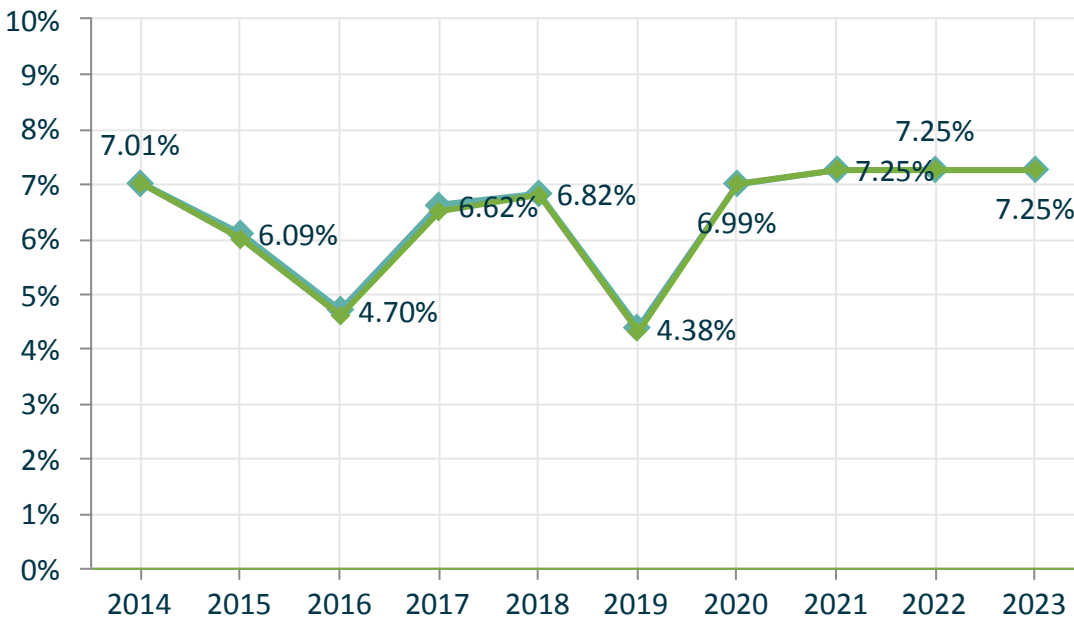
Type of Investment	Fair Value (In thousands)	% of Total Fair Value
<i>Domestic Equity:</i>		
All Cap Passive	\$ 535,891	9.87 %
Large Cap Enhanced	116,373	2.14 %
Small Cap Growth	50,512	0.93 %
Small Cap Value	85,475	1.57 %
Total Domestic Equities	788,251	14.51 %
<i>International /Global Equity</i>		
Large 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 %
<i>Fixed Income</i>		
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 %
<i>Real Estate</i>		
Core	305,432	5.63 %
Private Real Estate	134,133	2.47 %
Total Real Estate	439,565	8.10 %
<i>Alternate Investments</i>		
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 %
<i>Cash and Equivalents</i>	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 High 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

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

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

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%

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
<u>Domestic Equity</u>
AllianceBernstein
Geneva Capital
Mellon Capital Management EB DV
PIMCO StockPlus
<u>International Developed Equity</u>
American Century
Cevian Capital II LP
Mellon Capital Management-EB DV
<u>Emerging Market Equity</u>
AB Emerging Markets Strategic Core
DFA Emerging Markets Value Portfolio
Mellon Emerging Markets
<u>Core Fixed Income</u>
Mellon Capital Management Ag Bond
PIMCO
Western Asset Management - CP
<u>High Yield Fixed Income</u>
TCW Securitized Opportunities LP
Western Asset Management - HY
<u>Emerging Markets Debt</u>
PIMCO EM Beta
Stone Harbor Global Funds
<u>Commodities</u>
Gresham Commodity Builder Fund
Wellington Trust Company (WTC)
<u>Midstream Energy</u>
Harvest Midstream
PIMCO Midstream
<u>Core Real Estate</u>
ASB Capital Management
JPMCB Strategic Property Fund
<u>Private Equity</u>
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.)
<u>Private Real Estate</u>
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
<u>Private Credit</u>
Blue Torch Credit Opportunities 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)
<u>Opportunistic</u>
Aristeia Select Opportunities II LP
DB Investor's Fund IV
River Birch International Ltd
TSSP Adjacent Opportunities Partners (D)
<u>Hedge Funds</u>
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)
<u>Alpha Pool</u>
Davidson Kempner
Garda Fixed Income
HBK Multi-Strategy Fund
Hudson Bay Enhanced Fund LP
<u>Alpha Pool</u>
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)

Asset Classes	Assets Under Management	
	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
<u>Domestic Equity</u>		
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
<u>International / Global Equity</u>		
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
<u>Emerging Markets Managers</u>		
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
<u>Total Core</u>		
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
<u>Total Credit</u>		
TCW Securitized Opportunities	976,567	682,485
Western Asset Management Company	341,857	382,538
Total Credit Managers	1,318,424	1,065,023
<u>Total Emerging Markets Debt</u>		
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)

KCERA 2023 - Schedule of Investment Fees

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 Partners (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)

KCERA 2023 - Schedule of Investment Fees

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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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
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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

ST/hy
Enclosures

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

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

Actuarial Methods

<i>Funding Method:</i>	Entry Age Funding Method. Costs are allocated as a level percent of salary.
<i>Actuarial Cost Method:</i>	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).
<i>Amortization Period:</i>	<p>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).</p> <p>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).</p>

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.

KCERA 2023 - Table 2: Probabilities of Separation from Active Service

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

Years of Service	Termination Rates		Electing a Refund upon Termination	
	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.

KCERA 2023 - Table 2: Probabilities of Separation from Active Service

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)

KCERA 2023 - Schedule of Active Member Valuation Data

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 %

KCERA 2023 - Schedule of Retirees and Beneficiaries Added to and Removed from Payroll

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.

KCERA 2023 - Schedule of Funded Liabilities by Type & Actuarial Analysis of Financial Experience

Schedule of Funded Liabilities by Type								
Valuation Date	Aggregate Accrued Liabilities				Portion of Accrued Liabilities Covered by Reported Assets			
	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)	

KCERA 2023 - Schedule of Funding Progress & Schedule of Employer Contributions

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%).

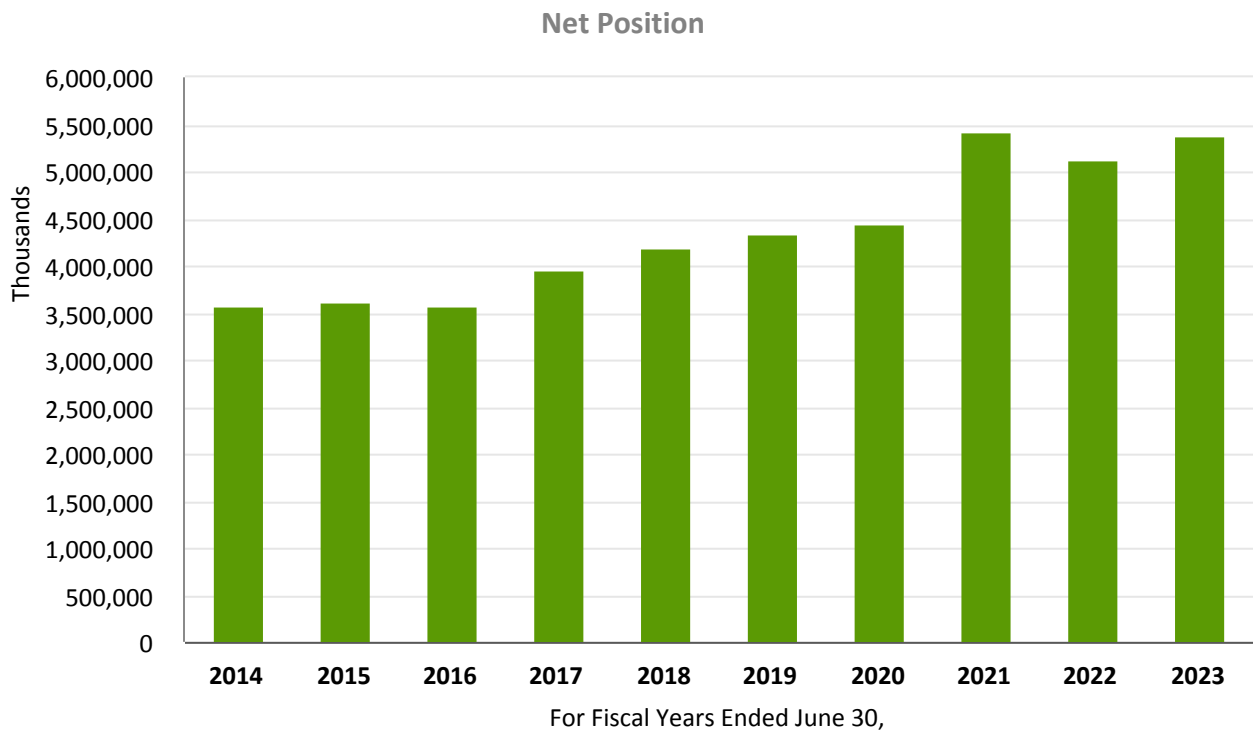
<p>Benefits Provided</p> <p>Restructured SRBR</p> <p>Death Benefit:</p>	<p>The SRBR currently provides two categories of benefits:</p> <p>The greater of either the “Floor Benefit” or the “Service SRBR Benefit”, payable monthly to retirees who were hired before July 1, 2022:</p> <p>The “Floor Benefit” 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.</p> <p>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.</p> <p>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.</p> <p>Upon the death of the retired member, 60% of the Restructured SRBR benefit continues to the retired member’s beneficiary.</p> <p>A one-time payment of \$5,000 to a retired member’s beneficiary.</p>
<p>Provisions</p> <p>Tier 1:</p> <p>Tier 2:</p> <p>Tier 3:</p> <p>Tier 4:</p>	<p>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:</p> <p>\$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.</p> <p>Three additional monthly stipends payable to retirees:</p> <ul style="list-style-type: none"> • \$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. <p>Upon the death of the retired member, 60% of the Tier 2 SRBR benefit continues to the retired member’s beneficiary.</p> <p>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%.</p> <p>\$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.</p>
<p>Funding</p>	<p>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.</p>

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



KCERA 2023 - Schedule of Changes in Fiduciary Net Position

(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.

KCERA 2023 - Schedule of Benefit Expenses by Type

(In thousands)

	2014	2015	2016	2017	2018
<i>Service Retirement Benefits</i>					
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
<i>Service-Connected Disability (SCD) Benefits</i>					
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
<i>Beneficiary Benefits</i>					
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
<i>Lump Sum Death Benefits</i>					
	564	862	787	894	903
Total Benefit Payments	254,383	270,367	285,456	301,893	317,923
<i>Refunds</i>					
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

KCERA 2023 - Schedule of Benefit Expenses by Type

(In thousands)

	2019	2020	2021	2022	2023
<i>Service Retirement Benefits</i>					
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
<i>Service-Connected Disability (SCD) Benefits</i>					
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
<i>Beneficiary Benefits</i>					
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
<i>Lump Sum Death Benefits</i>	1,025	1,097	1,010	1,374	1,217
Total Benefit Payments	\$ 337,037	\$ 356,642	\$ 374,483	\$ 391,940	\$ 410,416
<i>Refunds</i>					
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

KCERA 2023 - Schedule of Retired Members by Type of Benefit

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

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 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

KCERA 2023 - Participating Employers and Active Members

	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
<i>Participating Agencies</i>					
<i>(General Membership):</i>					
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
Total	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

KCERA 2023 - Participating Employers and Active Members

	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
<i>Participating Agencies</i>					
<i>(General Membership):</i>					
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 Community 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

December 13, 2023

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

We have audited the financial statements of the 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. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have previously communicated such information in our presentation on June 28, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by KCERA are described in Note 2 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2023. We noted no transactions entered into by KCERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting Estimates

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

- Management's estimate of the fair values for investment in hedge, private equity and real estate funds is based on most recent market values reported for known cash activity such as capital calls, distributions, and management fees. We evaluated the key factors and assumptions used to develop the values for investment in private equity funds and real estate in determining that it is reasonable in relation to the financial statements taken as a whole

- Management's estimate of the net pension liability is based on a third-party actuarial valuation. We evaluated the key factors and assumptions used to develop the net pension liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- To assess the reasonableness of the long-term expected rate of return, we benchmark assumptions to other public retirement systems. Data obtained from the National Association of State Retirement Administrators (NASRA) for 131 public plans reveals that the average nominal investment return assumption was 6.93%, as of March 2023, compared to 7.00% for KCERA.

Financial Statement Disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were not particularly sensitive financial statement disclosures. The most sensitive disclosures affecting the financial statements were:

- The disclosure of net pension liability, assumptions and methods for KCERA in Note 10 to the financial statements were based on a third-party actuarial valuation.

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

Significant Unusual Transactions

We identified no significant unusual transactions.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

Corrected Misstatements

Management did not identify, and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 13, 2023.

Management Consultations with Other Independent Accountants

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

Other Audit Findings or Issues

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

Supplementary information in relation to the financial statements as a whole

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior year and the reason for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management's responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the other supplementary information, specifically the schedules of administrative expenses, investment expenses and payments to consultants (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period of the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated December 13, 2023.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditor's report thereon) is being included in your annual report including the introductory, investment, actuarial and statistical sections accompanying the financial statements. Our responsibility for the other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditor's report thereon may be undermined by material inconsistencies between the audited financial statements and other information. 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. Our auditor's report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.

Our auditor's opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document. You are responsible to provide us the opportunity to review such documents before issuance.

Restriction on Use

This information is intended solely for the information and use of the board of retirement and management of KCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

UHY LLP

Columbia, Maryland

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statement of fiduciary net position and the related statement of changes in fiduciary net position of the Kern County Employees' Retirement Association (KCERA), as of and for the year ended June 30, 2023, and the related statement of changes in fiduciary net position for the year ended, and the related notes to KCERA's basic financial statements, and have issued our report thereon date December 13, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

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

Purpose of This Report

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

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Columbia, Maryland
December 13, 2023



Molly Calcagno, ASA, MAAA, EA
Senior Actuary
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M 415.265.6078
mcalcagno@segalco.com

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

Via Email

February 7, 2024

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

Re: Kern County Employees' Retirement Association (KCERA) Cost-of-Living Adjustments (COLA) as of April 1, 2024

Dear Dominic:

We have determined the cost-of-living adjustments for the Association in accordance with Section 31870 of the 1937 Act and reflecting Paragraph 15 of the Ventura Settlement. The cost-of-living adjustments are provided in the enclosed exhibit.

The first step in the development of the cost-of-living factor to be used by the Association on April 1, 2024 is to compare the annual average CPI for the Los Angeles-Long Beach-Anaheim Area (with 1982-84 as the base period), as published by the Bureau of Labor Statistics, in each of the past two years. The ratio of the past two annual indices, 321.583 in 2023 and 310.782 in 2022, is 1.0348. The County Law section cited above indicates that the resulting percentage change of 3.48% should be rounded to the nearest one-half percent, which is 3.5%, but shall not exceed the 2.0% maximum pursuant to Section 31870.

Based on historical practices, the maximum COLA is increased by an additional 0.5% (to 2.5%) on each April 1, with the additional 0.5% being provided through the Supplemental Retiree Benefit Reserve (SRBR) pursuant to Paragraph 15 of the Ventura Settlement. We understand that, according to the Ventura Settlement, these two COLAs combined (i.e., the maximum 2.0% under Section 31870 and the additional 0.5% payable through the SRBR) function "in all respects as if the County had adopted Government Code section 31870.1, except that the increase shall not exceed 2.5%."

The actual cost-of-living adjustment is independent of the date of retirement. The CPI adjustment to be applied on April 1, 2024 is provided in Column (4) of the enclosed exhibit. The COLA bank on April 1, 2024 is provided in Column (5).


Based on the Board's prior referral to legal for review of Government Code Section 31870, and consistent with KCERA staff's request, we have determined the April 1, 2024 COLA according to the following steps:

1. The first step in determining the COLA to be provided on April 1, 2024 is to determine the **rounded** change in the CPI (i.e., to the nearest 0.5%).
2. The second step is to add the COLA bank from April 1, 2023 to the result from Item 1 above.
3. To determine the COLA to be provided on April 1, 2024, the resulting percentage in Item 2 is rounded down to the completed 0.5%, but is limited to 2.0% pursuant to Section 31870, plus the additional COLA of up to 0.5% being provided through the SRBR, for a maximum of 2.5%.
4. To determine the COLA bank on April 1, 2024, the difference between the **rounded** change in the CPI (Item 1) and the COLA to be provided on April 1, 2024 (Item 3) is added to the April 1, 2023 COLA bank.

The actuarial liabilities for the April 1, 2024 COLA payments will be allocated between the COLA Reserve and the 0.5% COLA reserve set aside by the KCERA Board within the SRBR as provided in the Ventura Settlement. The portion allocated to the 2% COLA Reserve is the cost of any increase up to 2%, with any remaining cost allocated to the 0.5% COLA Reserve.

Please give us a call if you have any questions.

Sincerely,



Molly Calcagno, ASA, MAAA, EA
Senior Actuary

bts/bbf
Enclosure

Kern County Employees' Retirement Association Cost-of-Living Adjustment (COLA) as of April 1, 2024

All General and Safety
(Section 31870 - Maximum Annual COLA of 2.5%¹⁾)

Retirement Date	April 1, 2023 Accumulated Carry-Over (1)	CPI Change ² (2)	CPI Rounded ³ (3)	CPI Used ⁴ (4)	April 1, 2024 Accumulated Carry-Over ⁵ (5)
On or Before 04/01/1974	98.0%	3.48%	3.5%	2.5%	99.0%
04/02/1974 to 04/01/1975	95.4%	3.48%	3.5%	2.5%	96.4%
04/02/1975 to 04/01/1976	86.1%	3.48%	3.5%	2.5%	87.1%
04/02/1976 to 04/01/1977	77.5%	3.48%	3.5%	2.5%	78.5%
04/02/1977 to 04/01/1978	72.7%	3.48%	3.5%	2.5%	73.7%
04/02/1978 to 04/01/1979	67.8%	3.48%	3.5%	2.5%	68.8%
04/02/1979 to 04/01/1980	62.4%	3.48%	3.5%	2.5%	63.4%
04/02/1980 to 04/01/1981	53.7%	3.48%	3.5%	2.5%	54.7%
04/02/1981 to 04/01/1982	39.9%	3.48%	3.5%	2.5%	40.9%
04/02/1982 to 04/01/1983	32.1%	3.48%	3.5%	2.5%	33.1%
04/02/1983 to 04/01/1985	28.2%	3.48%	3.5%	2.5%	29.2%
04/02/1985 to 04/01/1986	25.7%	3.48%	3.5%	2.5%	26.7%
04/02/1986 to 04/01/1987	23.1%	3.48%	3.5%	2.5%	24.1%
04/02/1987 to 04/01/1988	21.9%	3.48%	3.5%	2.5%	22.9%
04/02/1988 to 04/01/1989	19.4%	3.48%	3.5%	2.5%	20.4%
04/02/1989 to 04/01/1990	17.0%	3.48%	3.5%	2.5%	18.0%
04/02/1990 to 04/01/1991	13.9%	3.48%	3.5%	2.5%	14.9%
04/02/1991 to 04/01/1992	10.0%	3.48%	3.5%	2.5%	11.0%
04/02/1992 to 04/01/1993	8.0%	3.48%	3.5%	2.5%	9.0%
04/02/1993 to 04/01/2000	8.3%	3.48%	3.5%	2.5%	9.3%
04/02/2000 to 04/01/2001	8.0%	3.48%	3.5%	2.5%	9.0%
04/02/2001 to 04/01/2002	8.2%	3.48%	3.5%	2.5%	9.2%
04/02/2002 to 04/01/2003	8.4%	3.48%	3.5%	2.5%	9.4%
04/02/2003 to 04/01/2004	8.1%	3.48%	3.5%	2.5%	9.1%
04/02/2004 to 04/01/2005	8.0%	3.48%	3.5%	2.5%	9.0%
04/02/2005 to 04/01/2007	8.2%	3.48%	3.5%	2.5%	9.2%
04/02/2007 to 04/01/2008	8.4%	3.48%	3.5%	2.5%	9.4%
04/02/2008 to 04/01/2010	8.1%	3.48%	3.5%	2.5%	9.1%
04/02/2010 to 04/01/2011	8.4%	3.48%	3.5%	2.5%	9.4%
04/02/2011 to 04/01/2012	8.2%	3.48%	3.5%	2.5%	9.2%
04/02/2012 to 04/01/2018	8.0%	3.48%	3.5%	2.5%	9.0%
04/02/2018 to 04/01/2019	7.5%	3.48%	3.5%	2.5%	8.5%
04/02/2019 to 04/01/2022	6.5%	3.48%	3.5%	2.5%	7.5%
04/02/2022 to 04/01/2023	5.0%	3.48%	3.5%	2.5%	6.0%
04/02/2023 to 04/01/2024		3.48%	3.5%	2.5%	1.0%

¹ Includes the additional 0.5% payable through the SRBR 0.5% COLA Reserve.

² Based on ratio of 2023 annual average CPI to 2022 annual average CPI for the Los Angeles - Long Beach - Anaheim Area.

³ Based on CPI change rounded to nearest one-half percent.

⁴ These are the cost-of-living adjustment factors to be applied on April 1, 2024.

⁵ These are the carry-over of the cost-of-living adjustments that have not been used on April 1, 2024.

February 1, 2024

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

**Re: Kern County Employees' Retirement Association (KCERA)
Five-Year Projection of Employer Contribution Rates**

Dear Dominic:

As requested, we have prepared a five-year projection of estimated employer contributions for KCERA. This projection is generally derived from the June 30, 2023 actuarial valuation. Other key assumptions and methods are detailed below. **It is important to note that these results are entirely dependent on those assumptions. Actual results as determined in future actuarial valuations will differ from these results. In particular, actual investment returns and actual salary levels different than assumed can have a significant impact on future contribution rates.**

Results

In the next several years, assuming the key assumptions and methods detailed below were to be met, the Contingency Reserve is anticipated to be exhausted. This occurs as the \$214 million of net deferred investment losses from the June 30, 2023 valuation are recognized in the valuation of assets under KCERA's five-year asset smoothing. As a result, there are no contribution rate changes due to recognition of net deferred investment losses until June 30, 2025, after the Contingency Reserve is anticipated to be exhausted.

The estimated contribution rate changes shown below apply to the average employer contribution rate for all of KCERA. For purposes of this projection, the contribution rate changes reflected are due to:

1. the recognition of net deferred investment losses under the actuarial asset smoothing methodology; and
2. the adjustment for the 12-month delay in rate implementation.

These amounts are then amortized as a level percentage of the Association's total active payroll base.

The following table provides the year-to-year rate changes from each of the above components and the cumulative rate change over the five-year projection period. These rate changes become effective 12 months following the actuarial valuation date shown in the table. To obtain the estimated **average** employer contribution rate at each successive valuation date, these cumulative rate changes should be added to the **average** employer rate in the June 30, 2023 actuarial valuation report. This calculation is generally the basis for the “total plan” projection of estimated employer contributions at the bottom of Exhibit B.

The rate changes shown below represent the changes in **average** rate for the aggregate plan.

Table One

Change in average rate as of valuation date (6/30)

Rate Change Component	2024	2025	2026	2027	2028
1. Investment (Gains)/Losses	0.00%	0.34%	1.22%	0.80%	0.00%
2. Adjustment for 12-Month Delay	<u>0.04%</u>	<u>0.03%</u>	<u>0.10%</u>	<u>0.06%</u>	<u>0.00%</u>
Incremental Rate Change	0.04%	0.37%	1.32%	0.86%	0.00%
Cumulative Rate Change	0.04%	0.41%	1.73%	2.59%	2.59%

The rate change for an individual cost group or employer will vary depending primarily on the size of that group’s assets and liabilities relative to its payroll. The ratio of the group’s assets to payroll is sometimes referred to as the Asset Volatility Ratio (AVR). A higher AVR results in more volatile contributions and can result from the following factors:

- More generous benefits
- More retirees
- Older workforce
- Shorter careers
- Higher funded ratio

Exhibit A shows the AVR for KCERA’s cost groups along with the “relative AVR” which is the AVR for that specific cost group divided by the average AVR for the aggregate plan. Using these ratios, we have estimated the rate change due to these generally investment related net losses for each individual cost group by multiplying the rate changes shown above for the aggregate plan by the relative AVR for each cost group. These estimated rate changes for each cost group are shown in Exhibit A.

As with the rate change components discussed earlier for the total plan, in order to obtain contribution rates for specific employers, the cumulative rate changes shown in Exhibit A should be added to the contribution rates in the June 30, 2023 actuarial valuation for specific employers depending on which cost groups they are in.

Exhibit B shows the projection of estimated employer contribution rates and dollar contributions for each cost group and for the total plan, using this methodology to apply the rate changes from Exhibit A.

Note that because we have **estimated** the allocation of the rate changes across the cost groups, the actual rate changes by group may differ from those shown in the exhibit, even if the plan-wide average rate changes are close to those shown above.

Key Assumptions and Methods

The projection is based upon the following assumptions and methods:

- June 30, 2023 non-economic assumptions remain unchanged.
- June 30, 2023 retirement benefit formulas remain unchanged.
- June 30, 2023 1937 Act and CalPEPRA statutes remain unchanged.
- UAAL amortization method remains unchanged (i.e., 18-year layers, level percent of pay).
- June 30, 2023 economic assumptions remain unchanged, including the 7.00% investment earnings assumption.
- We have assumed that returns of 7.00% are actually earned on a market value basis for each of the next five plan years beginning July 1, 2023.
- Active payroll grows at 3.00% per annum.
- Deferred investment gains and losses are recognized per the asset smoothing schedule shown on page 24 of the June 30, 2023 actuarial valuation. The amounts recognized in each year are funded over 18 years as a level percentage of the Association's total active payroll base.
- Deferred investment gains in the Contingency Reserve are credited according to the Board's Interest Crediting Policy.
- The Asset Volatility Ratio (AVR) used for these projections is based on the June 30, 2023 actuarial valuation and is assumed to stay constant during the projection period.
- All other actuarial assumptions used in the June 30, 2023 actuarial valuation are realized.
- No changes are made to any other actuarial methodologies.
- The projections do not reflect any changes in the employer contribution rates that could result due to future changes in the demographics of KCERA's active members or decreases in the employer contribution rates that might be due to new hires going into new tiers as applicable.

Other Considerations

It is important to note that the projection is based on plan assets as of June 30, 2023. The Association's funded status does not reflect short-term fluctuations of the market, but rather is based on the market values on the last day of the plan year. Moreover, this projection does not

include any possible short-term or long-term impacts on mortality of the covered population that may emerge after June 30, 2023 due to COVID-19. Segal is available to prepare projections of potential outcomes of market conditions and other demographic experience upon request.

Finally, we emphasize that projections, by their nature, are not a guarantee of future results. The modeling projections are intended to serve as illustrations of future financial outcomes that are based on the information available to us at the time the modeling is undertaken and completed, and the agreed-upon assumptions and methodologies described herein. Emerging results may differ significantly if the actual experience proves to be different from these assumptions or if alternative methodologies are used. Actual experience may differ due to such variables as demographic experience, the economy, stock market performance and the regulatory environment.

Segal valuation results are based on proprietary actuarial modeling software. The actuarial valuation models generate a comprehensive set of liability and cost calculations that are presented to meet regulatory, legislative and client requirements. Our Actuarial Technology and Systems unit, comprised of both actuaries and programmers, is responsible for the initial development and maintenance of these models. The models have a modular structure that allows for a high degree of accuracy, flexibility and user control. The client team programs the assumptions and the plan provisions, validates the models, and reviews test lives and results, under the supervision of the responsible actuary.

Unless otherwise noted, all of the above calculations are based on the June 30, 2023 actuarial valuation results including the participant data and actuarial assumptions on which that valuation was based. That valuation and these projections were completed under the supervision of Molly Calcagno, ASA, MAAA, Enrolled Actuary.

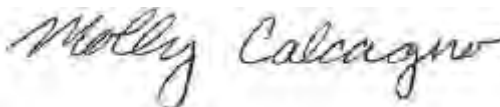
The undersigned are Members of the American Academy of Actuaries and meet the qualification requirement to render the actuarial opinion contained herein.

Please let us know if you have any questions.

Sincerely,



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



Molly Calcagno, ASA, MAAA, EA
Senior Actuary

ST/elf
Enclosures

Kern County Employees' Retirement Association
Estimated Employer Contribution Rate Changes by Cost Group based on June 30, 2023 Valuation

	General County¹ and Courts	General Districts	Safety	Total Plan
• Market Value of Assets (MVA) ²	\$3,030,696,317	\$274,599,061	\$1,917,170,418	\$5,222,465,797
• Projected Payroll for 2023/2024	\$518,149,462	\$43,621,669	\$154,344,952	\$716,116,083
• Asset Volatility Ratio (AVR) = MVA / Payroll	5.85	6.30	12.42	7.29
• Relative Asset Volatility Ratio (AVR) = CG AVR / Total Plan AVR	0.80	0.86	1.70	1.00
Estimated Incremental Rate Change as of 6/30/2024	0.03%	0.03%	0.07%	0.04%
Estimated Incremental Rate Change as of 6/30/2025	0.30%	0.32%	0.63%	0.37%
Estimated Incremental Rate Change as of 6/30/2026	1.06%	1.14%	2.25%	1.32%
Estimated Incremental Rate Change as of 6/30/2027	0.69%	0.74%	1.46%	0.86%
Estimated Incremental Rate Change as of 6/30/2028	0.00%	0.00%	0.00%	0.00%
Cumulative Rate Change as of 6/30/2024	0.03%	0.03%	0.07%	0.04%
Cumulative Rate Change as of 6/30/2025	0.33%	0.35%	0.70%	0.41%
Cumulative Rate Change as of 6/30/2026	1.39%	1.49%	2.95%	1.73%
Cumulative Rate Change as of 6/30/2027	2.08%	2.23%	4.41%	2.59%
Cumulative Rate Change as of 6/30/2028	2.08%	2.23%	4.41%	2.59%

¹ Including the Hospital Authority

² Excludes non-valuation reserves.

Kern County Employees' Retirement Association Projection of Estimated Employer Contributions

County General* without Courts

Valuation Date	Fiscal Year	Total Payroll	Total Employer Contribution	Contribution Rate
June 30, 2022	2023–24	\$481,619,000	\$191,781,000	39.82%
June 30, 2023	2024–25	496,068,000	191,085,000	38.52%
June 30, 2024	2025–26	510,950,000	196,971,000	38.55%
June 30, 2025	2026–27	526,279,000	204,459,000	38.85%
June 30, 2026	2027–28	542,067,000	216,339,000	39.91%
June 30, 2027	2028–29	558,329,000	226,682,000	40.60%
June 30, 2028	2029–30	575,079,000	233,482,000	40.60%

Courts

Valuation Date	Fiscal Year	Total Payroll	Total Employer Contribution	Contribution Rate
June 30, 2022	2023–24	\$36,530,000	\$14,517,000	39.74%
June 30, 2023	2024–25	37,626,000	14,539,000	38.64%
June 30, 2024	2025–26	38,755,000	14,987,000	38.67%
June 30, 2025	2026–27	39,918,000	15,556,000	38.97%
June 30, 2026	2027–28	41,116,000	16,459,000	40.03%
June 30, 2027	2028–29	42,349,000	17,245,000	40.72%
June 30, 2028	2029–30	43,619,000	17,762,000	40.72%

Estimated employer contribution amounts for 2023–24 fiscal year are based on June 30, 2022 valuation contribution rate and June 30, 2023 valuation payroll.

* Including the Hospital Authority

Kern County Employees' Retirement Association
Projection of Estimated Employer Contributions (*continued*)

Districts

Valuation Date	Fiscal Year	Total Payroll	Total Employer Contribution	Contribution Rate
June 30, 2022	2023–24	\$43,622,000	\$21,274,000	48.77%
June 30, 2023	2024–25	44,931,000	21,266,000	47.33%
June 30, 2024	2025–26	46,279,000	21,918,000	47.36%
June 30, 2025	2026–27	47,667,000	22,728,000	47.68%
June 30, 2026	2027–28	49,097,000	23,969,000	48.82%
June 30, 2027	2028–29	50,570,000	25,062,000	49.56%
June 30, 2028	2029–30	52,087,000	25,814,000	49.56%

Safety

Valuation Date	Fiscal Year	Total Payroll	Total Employer Contribution	Contribution Rate
June 30, 2022	2023–24	\$154,345,000	\$118,707,000	76.91%
June 30, 2023	2024–25	158,975,000	133,078,000	83.71%
June 30, 2024	2025–26	163,744,000	137,185,000	83.78%
June 30, 2025	2026–27	168,656,000	142,363,000	84.41%
June 30, 2026	2027–28	173,716,000	150,542,000	86.66%
June 30, 2027	2028–29	178,927,000	157,670,000	88.12%
June 30, 2028	2029–30	184,295,000	162,401,000	88.12%

Estimated employer contribution amounts for 2023–24 fiscal year are based on June 30, 2022 valuation contribution rate and June 30, 2023 valuation payroll.

Kern County Employees' Retirement Association
Projection of Estimated Employer Contributions (*continued*)

Total plan

Valuation Date	Fiscal Year	Total Payroll	Total Employer Contribution	Contribution Rate
June 30, 2022	2023–24	\$716,116,000	\$346,279,000	48.36%
June 30, 2023	2024–25	737,600,000	359,968,000	48.80%
June 30, 2024	2025–26	759,728,000	371,061,000	48.84%
June 30, 2025	2026–27	782,520,000	385,106,000	49.21%
June 30, 2026	2027–28	805,996,000	407,309,000	50.53%
June 30, 2027	2028–29	830,175,000	426,659,000	51.39%
June 30, 2028	2029–30	855,080,000	439,459,000	51.39%

Estimated employer contribution amounts for 2023–24 fiscal year are based on June 30, 2022 valuation contribution rate and June 30, 2023 valuation payroll.

Date: February 14, 2024

To: Trustees, Board of Retirement

From: Dominic D. Brown, Chief Executive Officer



Subject: **Workiva Inc. Software Subscription Modification**

BACKGROUND

KCERA Staff uses Workiva to prepare the financial statements, notes to the financial statements and supplemental information. Workiva has increased efficiency in the process and reduced human error. Workiva connects data between spreadsheets and reports, inclusive of dates, dollar values, membership information and other data. With these data flow connections, formulaic data in the financial statements is updated automatically throughout the report as spreadsheets are adjusted. Additionally, Workiva allows KCERA to present this information in reader friendly ways through well-designed graphs and tables. Workiva is a valuable tool staff uses to produce high-quality financial statements.

SUMMARY

KCERA would like to expand the effectiveness of Workiva and what the software can do for KCERA by implementing additional data connections allowing data to flow directly from accounting software and other databases (pension and investment) through an automated process. Currently reports would have to be manually pulled from these databases and manually pasted one by one into Workiva limiting KCERA's ability to fully utilize the software without additional work and data review; with the new functionality, data that exists outside Workiva can be automatically populated into created reports, graphs, and charts in Workiva eliminating the manual transfer of data and increasing KCERA's ability to share digestible information to shareholders. Implementation could come in the form of monthly reports shared with the Board and management, additional transparency with members, increased staff awareness of data trends and the addition of large reports such as the Popular Annual Financial Report (PAFR).

TERMS

If approved, KCERA's annual subscription contract with Workiva will be amended to include the WData component. The annual fee will increase by \$25,000, bringing the total subscription to \$70,000. Additionally, there is a fee of \$8,750 for the one-time implementation and associated training.

RECOMMENDATION

Therefore, it is recommended that your Board approve staff's recommendation to amend the annual Workiva contract to include the WData component subject to legal advice and review and authorize the CEO to sign.



AMENDMENT TO ORDER SUBSCRIPTION MODIFICATION

This Amendment (“**Amendment**”) is entered into by and between the Workiva entity named in the signature block below (“**Workiva**”) and Kern County Employees’ Retirement Association (“**Customer**”). This Amendment becomes effective as of **February 21, 2024** (“**Amendment Effective Date**”) for the purposes of amending the Subscription Order entered into by the parties on **June 27, 2019**, including any amendments thereto (the “**Subscription Order**”) as set forth herein. This Amendment is subject to and governed by the terms and conditions that were agreed upon and entered into by the parties on or around **June 26, 2019** (the “**Agreement**”) which is hereby incorporated by reference. In accordance with the foregoing the parties agree as follows:

1. Except for any terms that conflict with this Amendment, the Subscription Order and the Agreement will remain in full force and effect.
2. The parties are amending the Subscription Order to modify the scope of Subscription, as set forth in the “Subscription Mod” table below. Any Product, Subscription, Service, or Software feature being added by this Amendment (“**New Subscription**”) will be available as soon as reasonably practicable, but in no event later than five (5) days from the Amendment Effective Date. Subscription access for the New Subscription will continue until removed by Customer.
3. The fees associated with the New Subscription will be based on the total fees associated with the New Subscription below and prorated for the remainder of the Term set forth in the Subscription Order as of the Amendment Effective Date. Customer will also be responsible for ongoing fees for the New Subscription which are set forth in the table below. Such fees will be added to Customer’s current Total Subscription Fees. Customer shall submit payment in accordance with the Agreement.
4. In addition, a party will not be considered to have breached its obligations under Section 5 of the Agreement for disclosing Confidential Information of the other party to the extent required to satisfy any legal requirement of a competent governmental or regulatory authority, provided that promptly upon receiving any such request, and to the extent it is legally permissible, such party advises the other party prior to making such disclosure and provides a reasonable opportunity to the other party to object to such disclosure, take action to ensure confidential treatment of the Confidential Information, or (subject to applicable law) take such other action as it considers appropriate to protect the Confidential Information.

This offer is valid through February 29, 2024

ANNUAL SUBSCRIPTION MOD

SUBSCRIPTION(S) ADDED				
Product	Solution	Product Type	Qty	Total Fees
Wdata Prep	Financial Reporting	Subscriptions	1	25,457.28
Total Annual Subscription Fees				25,457.28
Total Increase to Annual Subscription Fees				25,457.28

WDATA PREP
Access to Wdata and one (1) system connector for the Financial Reporting Solution. Total data storage is limited to 100 GB. Queries are limited to 120 of terabytes per year.

EACH PARTY SIGNING THIS ORDER REPRESENTS THAT, ON THE DATE SET FORTH BELOW, SUCH PARTY’S AUTHORIZED REPRESENTATIVE HAS READ, UNDERSTANDS, AND AGREES TO BE BOUND BY THIS THE TERMS OF THIS ORDER.

SIGNATURES

CUSTOMER: Kern County Employees’ Retirement Association SIGNATURE: NAME: TITLE: DATE: ADDRESS: PO/Reference #:	WORKIVA INC. SIGNATURE: NAME: Jill Klindt TITLE: Executive Vice President and Chief Financial Officer DATE: ADDRESS: 2900 University Blvd. Ames, Iowa 50010, U.S.A.
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CUSTOMER CONTACT INFORMATION WORKIVA CONTACT INFORMATION

Invoicing Questions: BILLING CONTACT NAME: Matt Henry EMAIL: matt.henry@kcera.org Contract Questions / Notice: Kern County Employees’ Retirement Association ADDRESS: 11125 River Run Blvd Bakersfield, California 93311-8957 TELEPHONE: +16613817700 EMAIL:	Invoicing Questions: Workiva Accounts Receivable TELEPHONE: +1 (515) 817-6109 EMAIL: ar@accounting.workiva.com Contract Questions / Notice: Workiva Legal Team ADDRESS: 2900 University Blvd. Ames, Iowa 50010, USA TELEPHONE: +1 (515) 663-4435 EMAIL: legal@workiva.com
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ADDITIONAL TERM FOR SOLUTION PRODUCTS

TO THE EXTENT THE DESCRIPTION OF THIS SOFTWARE SUBSCRIPTION CONFLICTS WITH THE TERMS OF THE MASTER TERMS AND CONDITIONS, AND, NOTWITHSTANDING ANY ORDER OF PRECEDENCE THEREIN, THE PARTIES AGREE THAT THE DESCRIPTION IN THIS ORDER SHALL CONTROL. THIS DESCRIPTION AND THE TERMS OF THIS ORDER SHALL HAVE NO EFFECT ON ANY OTHER ACTIVE ORDER.



SPECIAL PAY CODE CLASSIFICATIONS

SPECIAL PAY CODES – PENSIONABLE AND NON-PENSIONABLE

Dept./BU	Code	Title	Details	Legal Authority
KCFFU	PQ	<p>Paramedic Preceptor-Fire</p> <p>INCLUDED FOR LEGACY MEMBERS</p> <p>EXCLUDED FOR PEPRA MEMBERS</p>	<p>Pay Fire department designated Paramedic Preceptors twenty percent (20%) of their base pay. This designation will be at the discretion of the Fire Chief. Paramedic Preceptors will be required to meet all requirements for Paramedic Preceptor as outlined in the Kern County Accreditation of EMS Personnel Policy and have documented and maintained the minimum required ten (10) ALS contacts each calendar year as defined under the paramedic designation.</p> <p>KCFFU MOU Article XXI, Section 6</p> <p>Approved 9/26/2023</p>	<p>PEPRA §7522.34(c)(7), (10), (12); Alameda Decision</p> <p><i>Not excluded from compensation earnable by CERL §31461</i></p>

THE FOLLOWING SPECIAL ALLOWANCE DESIGNATIONS DISPLAY THE SPECIAL ALLOWANCES CLASSIFIED BY THE CHIEF EXECUTIVE OFFICER PURSUANT TO KCERA BOARD'S ADMINISTRATION OF SPECIAL ALLOWANCES POLICY & CA SUPREME COURT ALAMEDA DECISION (7/30/2020)

COMPENSATION EARNABLE

THE FOLLOWING SPECIAL ALLOWANCES ARE CONSIDERED COMPENSATION EARNABLE FOR APPLICABLE MEMBERS (MEMBERSHIP BEFORE 1/1/2013).

<u>SPECIAL ALLOWANCE</u>	
<u>CODE</u>	<u>FULL LEGEND</u>
PQ	PARAMEDIC PRECEPTOR-FIRE

PENSIONABLE COMPENSATION

THE FOLLOWING SPECIAL ALLOWANCES ARE NOT CONSIDERED PENSIONABLE COMPENSATION FOR APPLICABLE MEMBERS (MEMBERSHIP ON OR AFTER 1/1/2013).

<u>SPECIAL ALLOWANCE</u>	
<u>CODE</u>	<u>FULL LEGEND</u>
PQ	PARAMEDIC PRECEPTOR-FIRE

Date: February 14, 2023
To: Trustees, Board of Retirement
From: Jennifer Esquivel Zahry, Chief Legal Officer
Subject: **Gift Restrictions**



This memo reminds you of the two gift restrictions that apply to members of KCERA's Board of Retirement and some KCERA staff: 1) the \$10 per month gift limit from lobbyists or lobbying firms; and 2) the \$590 annual gift limit from any single source. The statutes and regulations regarding gift restrictions, exceptions to such restrictions, and reporting requirements can be difficult to interpret. This memo summarizes general rules governing "gifts" under the Fair Political Practice Act.

Enforcement

According to the Fair Political Practices Commission, "failure to comply with the laws related to gifts, honoraria, loans, and travel payments may, depending on the violation, result in criminal prosecution and substantial fines, or in administrative or civil monetary penalties for as much as \$5,000 per violation or three times the amount illegally obtained. (See Gov. Code Sections 83116, 89520, 89521, 91000, 91004 and 91005.5.)"

Gift - Defined

A "gift" is any benefit given to you for which you did not provide payment or services of equal or greater value. Such benefits include, but are not limited to, meals, travel, sporting event tickets, conference fees, and price discounts not offered to the public.

With some exceptions, you will be deemed to have "received" or "accepted" a gift when you know you have actual possession of the gift or when you take any action exercising direction or control over the gift, including discarding the gift or turning it over to another person.

You can find a description of exceptions (i.e., items not considered gifts) at www.fppc.ca.gov. On the right side of the home page, under "Resources For..." and click on Public Officials & Employees, then click on Gifts and Honoraria.

Gift - Limits

\$50 Reporting Limit – You must report gifts of any kind that total more than \$50 from a single source in a calendar year on the Form 700 – Statement of Economic Interests. (Gov. Code, § 87207.)

\$590 Maximum Single Source Limit – You may not accept gifts that total more than \$590 from any single source in a calendar year. (Gov. Code, § 89503, Cal. Code Regs., tit. 2, § 18940.2.)

\$590 Disqualification Limit – If you accept a gift of \$590 from a single source within a 12-month period, you may be disqualified from voting or otherwise participating in any Board of Retirement decision affecting that source. (Gov. Code, §§ 87100 and 87103.)

To avoid becoming disqualified from voting on matters affecting the donor, you may return the gift (unused) or reimburse the donor for all or a portion of the gift within 30 days of receipt. You may also donate the gift to a charitable organization within 30 days of receipt. (C.C.R. §18941; Gov. Code 82028). You may also “buy down” the value of the gift by reimbursing the donor an amount that brings the value of the gift under \$590.

Please note that the look-back period for determining whether you may be disqualified from voting/participating on a decision affecting a source is 12-months from the date the matter is scheduled for action by the Board; however, the \$590 single source limit is based on a calendar year. This means that if gifts to you from a single source exceed \$590 within 12-months of the scheduled board action affecting that source, you can be disqualified from voting even if you did not exceed the \$590 maximum single source limit within the calendar year.

Gift Limits – Applicable to Spouses and Immediate Family Members

A gift given to your spouse¹ or child (up to age 23) is presumed to be a gift to you as follows: 1) if there is no established relationship between the donor and your family member to make the donor’s gift appropriate; or 2) within 12 months of making the gift the donor (a) lobbies KCERA, (b) is involved in an action before KCERA’s board, (c) has a contract with KCERA, or (d) engages in business with KCERA in which you will foreseeably participate. (Cal. Code Regs., tit. 2, § 18943).

Gifts Issues - Multiple Donors

If you receive separate gifts from an entity and a person who controls more than 50% of that entity, the gifts are treated as received from the same source.

A single gift from multiple donors (sources) need not be reported, unless any one individual contributes more than \$50 towards your gift. (But, a gift from a single organization (source) above \$50 must be reported: it is not considered a gift from multiple donors of that organization.)

Please contact me if you have additional questions regarding gifts. The FPPC also has a toll-free advice line at 1 (866) ASK—FPPC or advice@fppc.ca.gov.

¹ Includes domestic partners.

Date: February 14, 2023

To: Trustees, Board of Retirement

From: Jennifer Esquivel Zahry, Chief Legal Officer

Subject: **Gifts of Travel**



The statutes and regulations regarding travel payments and reporting requirements can be difficult to interpret. This memo summarizes important information regarding gifts of travel.

As a KCERA Trustee, your travel expenses for external education programs are reimbursed to you by KCERA. You are not required to report these reimbursements on your Form 700 -- Statement of Economic Interest. However, when your travel expenses are paid by someone other than yourself or KCERA, the payment/repayment is generally reportable and may be subject to the gift limitations described in the Gift Restrictions Memo dated February 14, 2023.

Speeches


While travel payments, advances, reimbursements for travel in the U.S. (related to a legitimate government purpose) made in connection with a speech given by a KCERA Trustee for expenses incurred the day immediately preceding the speech, the day of, and the day immediately following the speech, are not subject to the \$590 annual gift limit, Trustees are still subject to the disqualification rules regarding gifts. This means that a Trustee, who accepts a gift(s) of travel totaling \$590 or more from a third party in a 12-month period, may be disqualified from voting or otherwise participating in a Board of Retirement decision affecting the third party. (Gov. Code § 87103.)

Avoiding Disqualification

As set forth in the Gift Restriction Memo, to avoid becoming disqualified from voting on matters affecting the donor, you may refuse the gift of transportation or accommodations or reimburse the donor for all or a portion of the gift within 30 days of receipt. (C.C.R. § 18941; Gov. Code § 82028). You may also “buy down” the gift by reimbursing the donor an amount that brings the value of the gift under \$590. Such action needs to occur before the Trustee can vote on the decision affecting the donor.

Date: February 14, 2024

To: Trustees, Board of Retirement

From: Matthew Henry, Chief Operations Officer 

Subject: **Application of Actuarial Valuation to SRBR, and Declining Employer Payroll Policies. Evaluation of Amortization Period**

This memo updates your Board on the application of the annual Actuarial Valuation (valuation) to both the SRBR and Declining Employer Payroll policies. Staff also evaluated the amortization period currently being used in the valuation.

The valuation concluded that the SRBR benefits are actuarially funded within the range specified by policy that require no modification or suspension of benefits by this Committee and Board of Retirement. In conjunction with the valuation and staff's review of plan sponsors currently designated as declining employer and those under watch for declining employer there are no recommended changes. Staff will continue to monitor and bring to your committee any plan sponsor meeting the Declining Employer Payroll policy's triggering events.

Staff has also evaluated the amortization bases used in the valuation. There are two periods that were under evaluation, one for assumption changes and actuarial gains or losses (18 years) and the second for non-investment gains and losses. At this time there are no recommended changes to the length of amortization periods.

Therefore, it is recommended that your Board receive and file this memo.

Date: February 14, 2024

To: Trustees, Board of Retirement

From: Dominic D. Brown, Chief Executive Officer

Subject: **Managed Funds Association Conference 2024**
Miami, Florida
January 29-February 1, 2024



In accordance with the Travel Policy approved by the Board of Retirement on April 13, 2022, I have attached information concerning the above-captioned conference, as follows:

- Agenda and supporting information on the pertinence and relevance of attendance to a fiduciary – Preliminary agenda is attached
- Specific information as to whether staff or members of the Board will serve as a speaker or panel participant – None
- Specific information concerning the estimated total travel cost involved, including the estimated costs to be borne by KCERA and those costs borne by the conference sponsor

The topic list is timely and relevant to the administration of the retirement system. Accordingly, I recommend that the Board approve the attendance of Chief Investment Officer Daryn Miller.

Attachments

Travel Subject Managed Funds Association 2024 Conference
Date(s) January 29-February 1, 2024
Location Miami, FL
Proposed Attendee(s) Daryn Miller

Estimated Total Travel Cost \$2,216.70

Description	Computation	Miller	Totals	Borne By	
				KCERA	Sponsor
Registration fees	=	-	-	-	
Lodging expense	3 nights @ \$ 489.06 /night =	1,467.18	1,467.18	1,467.18	
Per diem meals reimbursement:	4 days @ \$ 69.00 /day =	276.00			
Less meals provided by sponsor	2 Breakfast, 2 Lunch, 0 Dinner = \$66.48	(\$66.48)			\$66.48
Total meals expense	=		276.00	209.52	
Shuttle/taxicab expense	=	140.00	140.00	140.00	
Airfare	=	\$400.00	\$400.00	400.00	
Vehicle-related expenses:	=	-	-	-	
Parking	- days @ - /day =	-	-	-	
Mileage	miles @ 0.395 /mile (Department Head) =	-	-	-	
	miles @ 0.670 /mile (Staff, Trustee) =	-	-	-	
Rental car	=	-	-	-	
Rental car gasoline	=	-	-	-	
Totals	=	2,216.70	\$ 2,283.18	\$ 2,216.70	\$ 66.48

MFA Network Miami 2024 - Agenda

January 29, 2024 - February 1, 2024 | CONFERENCE

LOEWS MIAMI BEACH HOTEL

Miami Beach, FL

Day 1: Monday, January 29, 2024

*1:1 Allocator Meetings 8:00am- 5:00pm

8:00AM – 9:00AM **Registration & Breakfast**

12:00pm – 2:00pm **All Conference Welcome Lunch**

5:00PM – 6:30PM **All Conference Welcome Reception**

Generously sponsored by Cboe
Offsite at the Betsy Hotel Rooftop

Day 2: Tuesday, January 30, 2024

*1:1 Allocator Meetings 8:00am- 5:00pm

6:30AM – 7:30AM **Conference Fitness Activity: HIIT Bootcamp**

8:00AM – 9:00AM **Registration & Breakfast**

8:00AM – 9:00AM **Allocator Breakfast & Networking (Invitation Only)**

9:15AM – 9:30AM **Opening Remarks**

Speakers

Bryan Corbett, President and Chief Executive Officer, MFA

9:30AM – 10:10AM **An Inside Look at the 2024 US Presidential Election**

Speakers

Jim Messina, CEO, The Messina Group; Campaign Manager for the 2012 Obama & Campaign & Senior Strategic Adviser for David Cameron's EU Referendum Campaign; Board Member, Blockchain.com; National Chair, Organizing for Action

Karl Rove, Foremost Conservative Commentator & Strategist; FOX News Contributor and Wall Street Journal Columnist; Former Deputy Chief of Staff and Sr. Advisor to President George W. Bush; New York Times Bestselling Author, 'Courage and Consequence' and 'The Triumph of William McKinley'

Moderated by

Bryan Corbett, President and Chief Executive Officer, MFA

10:10AM – 10:45AM **Keynote Q&A**

Speakers

Ken Griffin, Founder and Chief Executive Officer, Citadel

10:45AM – 11:15AM

2024 Economic Outlook and Fed Policy Analysis

Speakers

Claudio Irigoyen, Head of Global Economic Research, Bank of America

Alex Smith, Portfolio Strategist, Bridgewater Associates

David Zervos, Chief Market Strategist, Jefferies LLC

Moderated by

John Kushner, Head of Relationship Management, Hedge Fund Services, Northern Trust

11:15AM – 11:45AM

Regulation and Rule Readiness

Speakers

Dalia Blass, Partner, Sullivan & Cromwell LLP

Tracey Yurko, Chief Legal Officer and Corporate Secretary, Bridgewater Associates

Moderated by

Jennifer Han, Executive Vice President, Chief Counsel, Head of Global Regulatory Affairs, MFA

11:45AM – 12:10PM

Keynote Q&A

Speakers

Joe Dowling, Global Head, Blackstone Alternative Asset Management

Moderated by

Edouard Matitia-Cohen, Global Head of Equity Financing Distribution, Bank of America

12:10PM – 1:00PM

Lunch & 1:1 Allocator Meetings Only

1:00PM – 1:35PM

CIO Insights: Navigating Today's Economy

Speakers

Pablo E. Calderini, President and Chief Investment Officer, Graham Capital

Meredith Jenkins, Chief Investment Officer, Trinity Church Wall Street

Greg Lippmann, Chief Investment Officer, LibreMax Capital

Dharmesh Maniyar, PhD, Chief Investment Officer, Maniyar Capital

Moderated by

Herald van der Linde, Head of Asia Equity Strategy, HSBC

1:35PM – 2:00PM

Keynote Q&A

Speakers

Jonathan S. Lavine, Co-Managing Partner, Bain Capital

Moderated by

Kim Lew, President and Chief Executive Officer, Columbia Investment Management Company

2:00PM – 2:30PM

Building Resilient Portfolios: Fund Manager Insights

Speakers

Otto Hamaoui, Director of Portfolio Management, Man AHL

Charlotte Hamill, Principal, Bracebridge Capital

Mark Sullivan, CFA, CMT, Senior Managing Director, Partner, Head of Global Macro, Wellington Management

Moderated by

Amelie Lonergan, Americas Head of Prime Brokerage Sales, UBS

2:30PM – 2:55PM

Keynote Q&A

Speakers

Justin W. Slatky, Chief Investment Officer, Shenkman Capital Management, Inc.

Moderated by

Charmel Maynard, Associate Vice President, Chief Investment Officer & University Treasurer, University of Miami

2:55PM – 3:15PM

Networking Break

3:15PM – 3:45PM

Investing in Biotech: Why Now?

Speakers

Shomesh E. Chaudhuri, PhD, CEO & Co-CIO, QLS Advisors

Dr. Kiran Reddy, MD, Senior Managing Director, Blackstone Life Sciences

Stephanie A. Sirota, Partner, Chief Business Officer, RTW Investments

Moderated by

Carlos Rangel, Chief Investment Officer, W.K. Kellogg Foundation

3:45PM – 4:10PM

Keynote Q&A

Speakers

Fahmi Quadir, Founder and Chief Investment Officer, Safkhet Capital

Moderated by

Anne-Marie Fink, Chief Investment Officer, Private Markets and Funds Alpha,
State of Wisconsin Investment Board

4:10PM – 4:40PM

Private Credit Outlook

Speakers

James Ko, Deputy Chief Investment Officer, Arizona Public Safety Personnel
Retirement System

Jenny Lee, Co-Head of Private Credit, Brigade Capital Management

Jamie Weinstein, Managing Director and Portfolio Manager, PIMCO

Moderated by

Jake Pollack, Global Head of Credit Financing & Direct Lending, Credit Markets,
J.P. Morgan

4:30PM – 7:00PM

Women's Investment Leadership Dinner (Invitation Only)

5:30PM – 7:00PM

All Conference Cocktail Reception

Day 3: Wednesday, January 31, 2024

*1:1 Allocator Meetings 8:00am- 5:00pm

6:30AM – 7:30AM Conference Fitness Activity: Yoga

8:00AM – 9:00AM Registration & Breakfast

8:00AM – 10:00AM Institutional Investor Symposium (Invitation Only)

10:00AM – 10:05AM Opening Remarks

Speaker

Natalie Birrell, President and Partner, Anchorage Capital Group

10:05AM – 10:30AM Building Resilient Portfolios: Allocator Insights

Speakers

Anders Hall, Vice Chancellor for Investments and Chief Investment Officer, Vanderbilt University

Katherine Molnar, Chief Investment Officer, Fairfax County Police Officers Retirement System

Anthony Novara, Partner, Research Director – Marketable Alternatives & Capital Markets, Fiducient Advisors

Moderated by

Richard Ryan, Head of Capital Consulting, Americas, Société Générale

10:30AM – 10:55AM Keynote Q&A

Speakers

Karen Karniol-Tambour, Co-Chief Investment Officer, Bridgewater Associates

Moderated by

Ash Williams, Vice Chairman, JP Morgan Asset Management

10:55AM – 11:25AM **Is Multi-Strat Dominance Here to Stay?**

Speakers

Dr. John Claisse, CEO, Albourne Group

Carsten Schmitz, Co-Chief Investment Officer, Winton Capital Management

Jeff Shen, PhD, Managing Director, Co-CIO and Co-Head of Systematic Active Equity (SAE), BlackRock

Moderated by

Mithra Warriar, Managing Director, Citi

11:25AM – 11:50AM **Keynote Q&A**

Speakers

Tim Magnusson, Founding Partner and Chief Investment Officer, Garda Capital Partners

Moderated by

David Lohuis, Managing Director, Chairman of Global Financing, Investment Bank, Barclays

11:50AM – 12:25PM **Lunch & 1:1 Allocator Meetings Only**

12:25PM – 12:50PM **Keynote Q&A**

Speakers

Peter Kraus, Chairman and Chief Executive Officer, Aperture Investors

Moderated by

Ed Robertiello, CFA, Managing Director, Head of Private Markets, Missouri State Employees' Retirement System

12:50PM – 1:20PM **Trading Troubled Assets: The Distressed Debt Landscape**

Speakers

Suzanne Gibbons, Managing Member, Davidson Kempner

Paul Goldschmid, Partner, Co-Portfolio Manager, King Street Capital Management

Thibault Gournay, Co-Chief Investment Officer and Partner, Anchorage Capital Group

Moderated by

Ryan Sandahl, Managing Director, Financial Structuring, Houlihan Lokey

1:20PM – 1:45PM

Keynote Q&A

Speakers

Bruce Richards, Chief Executive Officer and Chairman, Marathon Asset Management, L.P.

Moderated by

Shiv Srinivasan, Chief Investment Officer, Active Investments, Abu Dhabi Investment Council

1:45PM – 2:15PM

Spotting Value and Opportunity in Emerging Managers

Speakers

Erik Serrano Berntsen, CEO, Stable

Peter Bremberg, Founder and Chief Investment Officer, The Quarry

Art Mbanefo, Founder and Chief Investment Officer, Phoenix Merchant Partners

Moderated by

Peter D. Greene, Partner and Co-Head of Investment Management Group, Schulte Roth & Zabel

2:15PM – 2:45PM

Commodities Boom and Bust: Navigating Swings in the Market

Speakers

Marcus Frampton, Chief Investment Officer, Alaska Permanent Fund Corporation

Jonathan Glidden, Managing Director, Pensions, Chief Investment Officer, Delta Air Lines

Diego Parrilla, Principal Investment and Management Committee, 36 South Capital

Moderated by

Jackie Rosner, Managing Director, PAAMCO Prisma

2:45PM – 3:00PM

Networking Break

3:00PM – 3:30PM

The Next Frontier of Investing with Generative AI

Speakers

Rohit Bhat, Director, Capital Markets, Exchanges, and Digital Assets, Google Cloud

Bryan Kelly, Managing Director, Head of Machine Learning, AQR Capital Management

Chris Longworth, Head of GAM Systematic, GAM Investments

Moderated by

Michael P. Kahn, Partner, Akin

3:30PM – 3:55PM

Keynote Q&A

Speakers

Josh Friedman, Co-Founder, Co-Chairman and Co-Chief Executive Officer, Canyon Partners, LLC

Moderated by

Mark Attanasio, Director, Alternative Investments, General Motors Asset Management

3:55PM – 4:25PM

Opportunities in Structured Credit

Speakers

Clinton Biondo, Managing Partner, Fir Tree Partners

Scott Burg, Chief Investment Officer and Managing Partner, Deer Park

Amir Vardi, Portfolio Manager, Head of Structured Credit, UBS Asset Management

Moderated by

Kenny King, *Global Head of Alternatives, Managing Director*, BNY Mellon

4:25pm – 4:55pm

The Booming Music Royalty Market

Speakers

Michael Chen, Managing Director, Head of Investments, HarbourView Equity Partners

Matt Settle, Managing Director, Carlyle

Cameron Smalls, Managing Director, Morgan Stanley Investment Management

Moderated by

Patrick Michel, Partner, Sidley Austin LLP

4:55pm – 5:15pm **Game-Changing Investments in Sports**

Day 4: Thursday, February 1, 2024

***1:1 Allocator Meetings 8:00am – 1:30pm**
Speakers
David Haber, Chief Financial Officer, National Basketball Association (NBA)

6:30AM – 7:00AM **Conference Fitness Activity: Meditation**
Moderated by
Brew Launo, Senior Managing Director, Blue Owl Capital Inc.

8:00AM – 9:00AM **Registration & Breakfast**
5:15PM – 7:00PM **Air Conference Reception**

8:00AM – 9:30AM **Family Office Breakfast (Invitation Only)**

9:30AM – 10:00AM **The New Era in Emerging Market Investment**

Speakers

Gregory Bond, CFA, Chief Executive Officer, Man Numeric

Farouki Majeed, CFA, Chief Investment Officer, School Employees Retirement System of Ohio

Joseph Mauro, President, Kirkoswald Asset Management

Moderated By

Bill Gulya, Managing Director, Head of Americas, SGX Group

10:00AM – 10:30AM **The Curious Case of Investing in China**

Speakers

Sean Cumiskey, Partner & Co-Chief Operating Officer, Yiheng Capital Management LP

Nicolas Gausse, CEO and Co-CIO, Metori Capital Management

Michael Soss, PhD, Deputy Chief Investment Officer, Millburn Ridgefield Corporation

Moderated By

Lindsay Costigan, Managing Director, BNP Paribas

10:30AM – 10:55AM **Investing in Longevity and Human Health**

Speakers

Gabrielle Rubenstein, Co-Founder and Managing Partner, Manna Tree Partners

Moderated By

Afsaneh Beschloss, Founder and Chief Executive Officer, RockCreek

10:55am - 11:25am 2024 Investor Priorities

Speakers

Geeta Kapadia, Chief Investment Officer, Fordham University

Paul Kreiselmaier, Director, Hedge Funds, Verus Investments

Steven Wilson, Director, Public Markets, Teacher Retirement System of Texas

Moderated By

10:00AM – 10:30AM

The Curious Case of Investing in China

Speakers

[Sean Cumiskey](#) , Partner & Co-Chief Operating Officer, Yiheng Capital Management LP

[Nicolas Gausse](#) , CEO and Co-CIO, Metori Capital Management

[Michael Soss, Phd](#) , Deputy Chief Investment Officer, Millburn Ridgefield Corporation

Moderated By

[Lindsay Costigan](#) , Managing Director, BNP Paribas

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Investing in Longevity and Human Health

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10:55am – 11:25am

2024 Investor Priorities

Speakers

[Geeta Kapadia](#) , Chief Investment Officer, Fordham University

[Paul Kreiselmaier](#) , Director, Hedge Funds, Verus Investments

[Steven Wilson](#) , Director, Public Markets, Teacher Retirement System of Texas

Moderated By

[Paul Enright](#) , Chairman of Fundamental Equities, Jain Global

11:25AM – 1:30PM

Lunch & 1:1 Allocator Meetings Only

Date: February 14, 2024
To: Trustees, Board of Retirement
From: Dominic D. Brown, Chief Executive Officer
Subject: **CALAPRS General Assembly**
Rancho Mirage, California
March 2-5, 2024



In accordance with the Travel Policy approved by the Board of Retirement on April 13, 2022, I have attached information concerning the above-captioned conference, as follows:

- Agenda and supporting information on the pertinence and relevance of attendance to a fiduciary – Preliminary agenda is attached
- Specific information as to whether staff or members of the Board will serve as a speaker or panel participant – None
- Specific information concerning the estimated total travel cost involved, including the estimated costs to be borne by KCERA and those costs borne by the conference sponsor

The topic list is timely and relevant to the administration of the retirement system. Accordingly, I recommend that the Board approve the attendance of Trustees Joseph D. Hughes and Rick Kratt.

Attachments

Forward Focus: Resilience Strategies for Public Pensions



GENERAL ASSEMBLY March 2 – 5, 2024

The California Association of Public Retirement Systems (CALAPRS) invites you to attend the annual General Assembly, March 2 – March 5, 2024 at the Omni Rancho Las Palmas in Rancho Mirage, CA! The General Assembly is an educational conference for retirement system trustees, senior staff, and our annual sponsors. Attendees will learn from experts and peers, while getting the opportunity to network with colleagues.

REGISTRATION

Register online at www.calaprs.org/events

- Retirement System Fee: \$250/person
- Sponsor Fee: \$2,500 annual sponsorship includes registration for 2 representatives at no additional cost.

LODGING

CALAPRS has arranged for a discounted room rate at the meeting hotel, the Omni Rancho Las Palmas, 41000 Bob Hope Drive, Rancho Mirage, CA for the duration of the meeting. The room rate is \$245/night, plus taxes and fees. The \$38/night per room resort fee is waived for those who book a room within the CALAPRS room block.

- Book Online: https://bit.ly/CALAPRS_GA2024
- By Phone: 1-800-THE-OMNI (1-800-843-6664); use group code 030324calaprs2024gen

Cut-off Date: The room rate is available until **February 9, 2024** or until the block is sold out, whichever comes first.

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General Assembly Program

**SATURDAY,
MARCH 2**

4:00 – 6:00 PM | Registration Open

**SUNDAY,
MARCH 3**

9:30 AM – 5:00 PM | Registration

10:00 AM – Noon | AB1234 Ethics for Trustees

Presenter: Ashley Dunning, Partner & Co-chair Pension, Benefits & Investments Group, Nossaman LLP

2:00 – 2:15 PM | Opening Remarks

2:15 – 3:15 PM | Approaching the (Employer Contribution) Cliff – A Case Study with SamCERA

Presenters: Scott Hood, CEO, San Mateo County Employees' Retirement Association and Joe Abdou, CFA, Consultant, Verus Investments

3:15 – 3:30 PM | Networking Break

3:30 – 4:30 PM | AI Today and the Investment Opportunities Ahead

Presenter: Mark Casey, Portfolio Manager, Capital Group

7:00 – 9:30 PM | Strolling Dinner at the Omni Rancho Last Palmas

**MONDAY,
MARCH 4**

7:00 AM – 4:00 PM | Registration

7:15 – 8:15 AM | Breakfast

8:15 – 8:30 AM | Opening Remarks

8:30 – 9:30 AM | A Conversation with Francis Donald, Chief Global Economist & Strategist, Manulife

Moderator: Thomas Kim, Senior Investment Officer, San Bernardino County Employees' Retirement Association

9:30 – 10:00 AM | Networking Break

10:00 – 11:00 AM | Envisioning an AI Future for Public Pensions

Presenters: Joel Levinson, Vice-President, Member and Employer Experience, BC Pension Corporation and Steve Delaney, CEO, Orange County Employees' Retirement System

11:00 AM – 12:00 PM | Geopolitics and Investing

Presenter: Thomas Mucha, Geopolitical Strategist, Wellington Management

12:00 – 1:00 PM | Lunch



**MONDAY,
MARCH 4**
(continued)

1:30 – 2:30 PM | SEC New Rules on Private Markets

Presenters: Yuliya Nossaman, Partner & Co-chair Pensions, Benefits & Investments Group, Nossaman LLP and Jim Van Horn, Partner, Hills Stern & Morley LLP

2:30 – 3:00 PM | Networking Break

3:00 – 4:00 PM | Investment Trends in Public Plans

Presenters: Andrea Picard, Head of U.S. Pensions, Americas Institutional Business, Blackrock and Alison Romano, CEO & CIO, San Francisco Employees' Retirement System

5:00 – 6:00 PM | Hosted Reception at the Omni Rancho Las Palmas

**TUESDAY,
MARCH 5**

7:30 – 11:00 AM | Registration Open

7:30 – 8:30 AM | Breakfast

8:30 – 10:00 AM | Perspectives: CalPERS' CEO Discusses Pensions, Policy and Private Markets

Presenter: Marcie Frost, CEO, California Public Employees' Retirement System

10:00 – 10:15 AM | Networking Break

10:15 – 11:00 AM | Innovative Approaches to Stakeholder Outreach & Communications

Presenters: Pension Administrators/CEOs

11:00 AM | Closing Remarks & Program Adjourns

**THANK YOU
TO OUR
2024
GENERAL
ASSEMBLY
PLANNING
COMMITTEE**

Debby Cherney, CEO, San Bernardino County Employees' Retirement Association
(Chair)

Greg Levin, CEO, Santa Barbara County Employees' Retirement System
(Co-Chair)

Steve Delaney, CEO, Orange County Employees Retirement System

Scott Hood, CEO, San Mateo County Employees' Retirement Association

Kim Malm, Deputy Executive Officer of Customer Services and Support Branch,
California Public Employees' Retirement System

Alison Romano, CEO & CIO · San Francisco Employees' Retirement System

KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

PRIVATE MARKETS ANNUAL PLAN



CAMBRIDGE FIFTY
ASSOCIATES YEARS

FEBRUARY 2024

KCERA Private Markets Portfolio—Where We Are Today

- KCERA' Private Markets portfolio continues to build towards its 18% long-term target allocation. As of September 30, 2023, the private markets portfolio NAV stood at \$590.8 million, or ~10.6% of total Plan assets¹
 - ~3.7% to private equity (5% target)
 - ~4.5% to private credit (8% target)
 - ~2.4% to private real estate (5% target)
- Approach is to build a concentrated, best ideas portfolio that benefits from ongoing thematic tailwinds; currently 26 active manager relationships across asset classes
- ~4 years into the program “restart”, performance continues to develop
 - Many funds are still in their investment periods; however, KCERA has started to see some capital distributions, mainly from secondaries and private credit funds
 - The portfolio has ~\$713 million in unfunded commitments waiting to be called

2023 Year in Review

- In 2023, KCERA made \$310 million in commitments to 10 funds and 1 co-investment
 - 3 private equity funds, 6 private credit funds, 1 private real estate fund, 1 co-investment
 - Amidst the overall market slowdown, ~\$148m of capital was called and deployed into a more rational investing environment

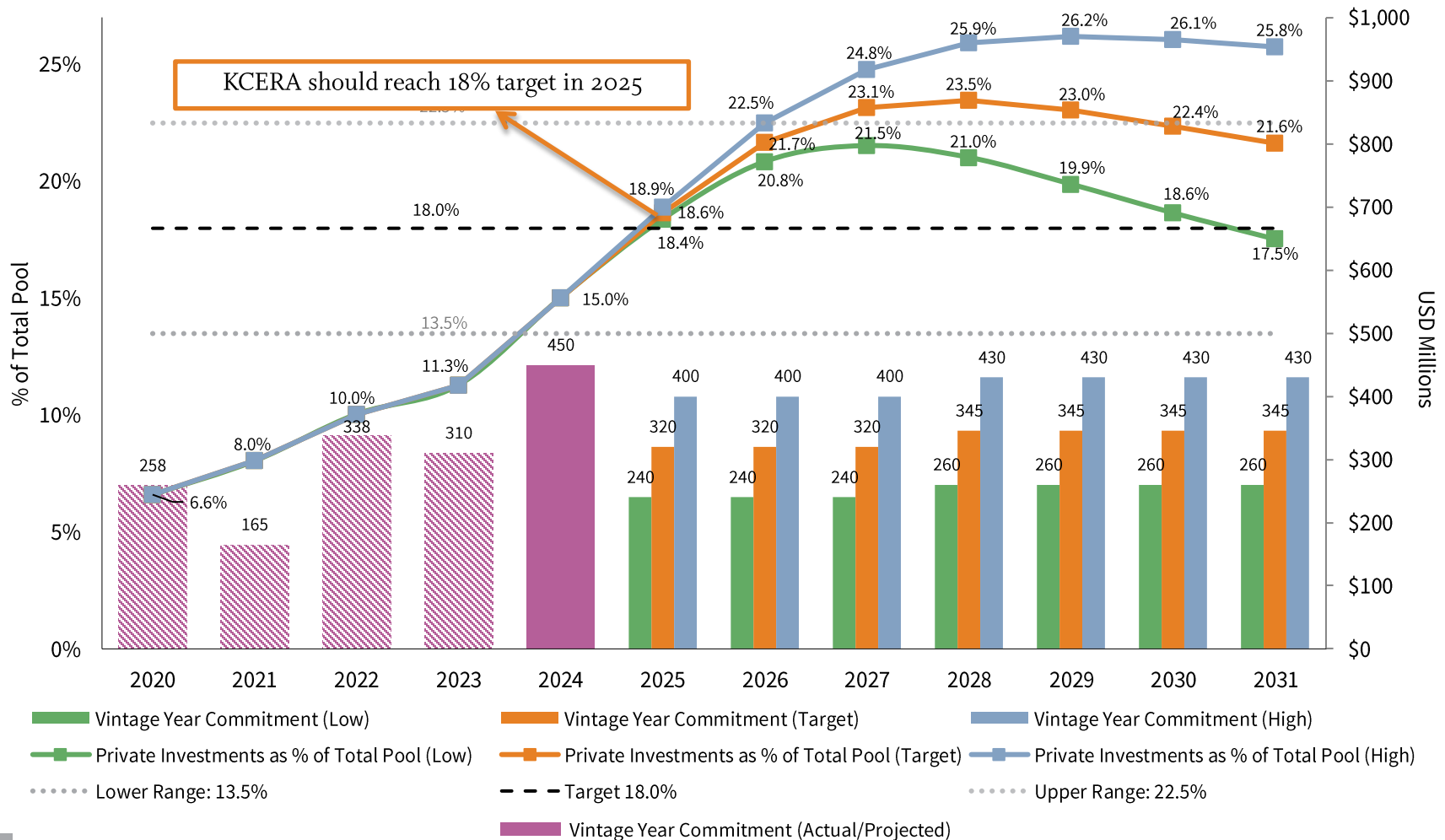
- **Private Equity:**
 - Added complimentary healthcare and financial services exposure to buyout portfolio
 - Made first co-investment alongside existing middle-market industrials-focused buyout manager
 - Augmented secondaries exposure with addition of GP-led secondaries strategy

- **Private Credit:**
 - Added three direct lending strategies, taking advantage of a more attractive credit environment driven by higher base rates/spreads and a pull back in activity from traditional lenders
 - Added complementary credit opportunities and specialty finance exposures (e.g., railcar leasing)

- **Private Real Assets:**
 - Light fundraising year for real assets; added specialized value-add self-storage exposure

Private Markets Commitment Pacing

- Recommended commitment pace of ~\$320 million p.a. for the portfolio to reach target around 2025; based on expected re-ups and new opportunities, anticipate ~\$450 million in commitments in 2024



2024 Private Markets Plan

- Private equity portfolio is well-diversified across key market segments
 - Seek select opportunities to add complementary exposures
 - Flexibly consider adding international exposure where market dynamics are attractive
 - Add venture capital exposure, particularly where LP access to top-tier managers has improved
- Within private credit, anticipate a mix of re-ups, as well as opportunities to add new strategies that complement the mix of commitments made in 2023
- Within real assets, expect a busy re-up year with an opportunity to add diversifying real estate exposure with top tier global manager; tactically pursue private equity energy commitment

	<i># of Manager Relationships</i>	<i>Target Returns (net)</i>	<i>Sub-Strategies</i>	<i>2024 Priorities / Potential Areas of Focus</i>
Private Equity	6-13*	12-15% IRR 1.8x-2.0x+	Middle Market Buyouts Growth Equity PE Secondaries Venture Capital	Buyout Re-ups and Upgrades International Buyout Exposure Early-Stage / Sector-focused Venture Capital
Private Credit	7-14	10-12% IRR 1.4x-1.7x	Direct Lending Credit Opportunities Niche/Specialty Finance	Opportunistic Credit Strategies Complementary Non-corporate Exposures
Private Real Assets	6-8	10-14% IRR 1.4x-1.7x	Opportunistic Real Estate Value Add Real Estate Real Estate Secondaries Real Assets	US/Europe Opportunistic Strategies Energy

Private Equity Commitment Planning

Managers	Strategy	2020	2021	2022	2023	2024	2025	Total
Buyouts								
<i>Vista Foundation</i>	Buyouts - Tech	\$25	--	--	--	--	--	\$25
<i>Peak Rock Capital</i>	Distressed Special Situations	\$30	--	--	--	--	--	\$30
<i>Warren Equity Partners</i>	Buyouts - Industrial	\$32.5	--	\$32.5	--	--	--	\$65
<i>Linden Capital Partners</i>	Buyouts - Healthcare	--	\$30	--	--	--	--	\$30
<i>Rubicon Technology Partners</i>	Buyouts - Tech	--	--	\$30	--	--	--	\$30
<i>Accel-KKR</i>	Buyouts - Tech	--	--	\$25	--	--	--	\$25
<i>Parthenon Capital</i>	Buyouts - Multi Industry	--	--	--	\$30	--	--	\$30
<i>TBD (Manager)</i>	Buyouts - Multi Industry	--	--	--	--	\$30	--	\$30
<i>Anticipated Re-up Commitments</i>	TBD	--	--	--	--	\$60	\$92.5	\$153
Subtotal Buyouts		\$88	\$30	\$88	\$30	\$90	\$93	\$418
Growth & Venture Capital ¹								
<i>Brighton Park</i>	Growth Equity	\$30	--	\$30	--	--	--	\$60
<i>Level Equity Growth & Opportunities</i>	Growth Equity	--	\$30	--	--	--	--	\$30
<i>OrbiMed Private Investments</i>	Venture Capital - Multi Stage	--	--	\$10	--	--	--	\$10
<i>Anticipated Re-up Commitments</i>	TBD	--	--	--	--	\$30	\$40	\$70
Subtotal Growth & Venture Capital		\$30	\$30	\$40	--	\$30	\$40	\$170
Co-Investments								
<i>Warren Equity Partners - Project Vern</i>	Buyouts - Industrial	--	--	--	\$10	--	--	--
Subtotal Co-Investments		--	--	--	\$10	--	--	--
Private Equity Secondaries								
<i>LGT - Crown Global Secondaries</i>	Global Secondaries	\$50	--	--	\$30	--	--	\$80
<i>Blue Owl Strategic Equity Fund</i>	Global Secondaries	--	--	--	\$25	--	--	\$25
Subtotal Private Equity Secondaries		\$50	--	--	\$55	--	--	\$105
Subtotal Private Equity		\$168	\$60	\$128	\$95	\$120	\$133	\$693
<i>Proposed Commitment Pace (Approximate)</i>		\$155	\$80	\$85	\$85	\$85	\$85	\$575
<i>Variance</i>		\$13	(\$20)	\$43	\$10	\$35	\$48	\$118



Notes: For illustrative purposes. Commitments in bold indicate the fund has closed. Commitment planning reflects estimated fundraising timelines.

1. Commitments to venture capital strategies will be made opportunistically as part of the private equity allocation for the time being, with potential for formalizing a target allocation down the line.
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Private Credit Commitment Planning

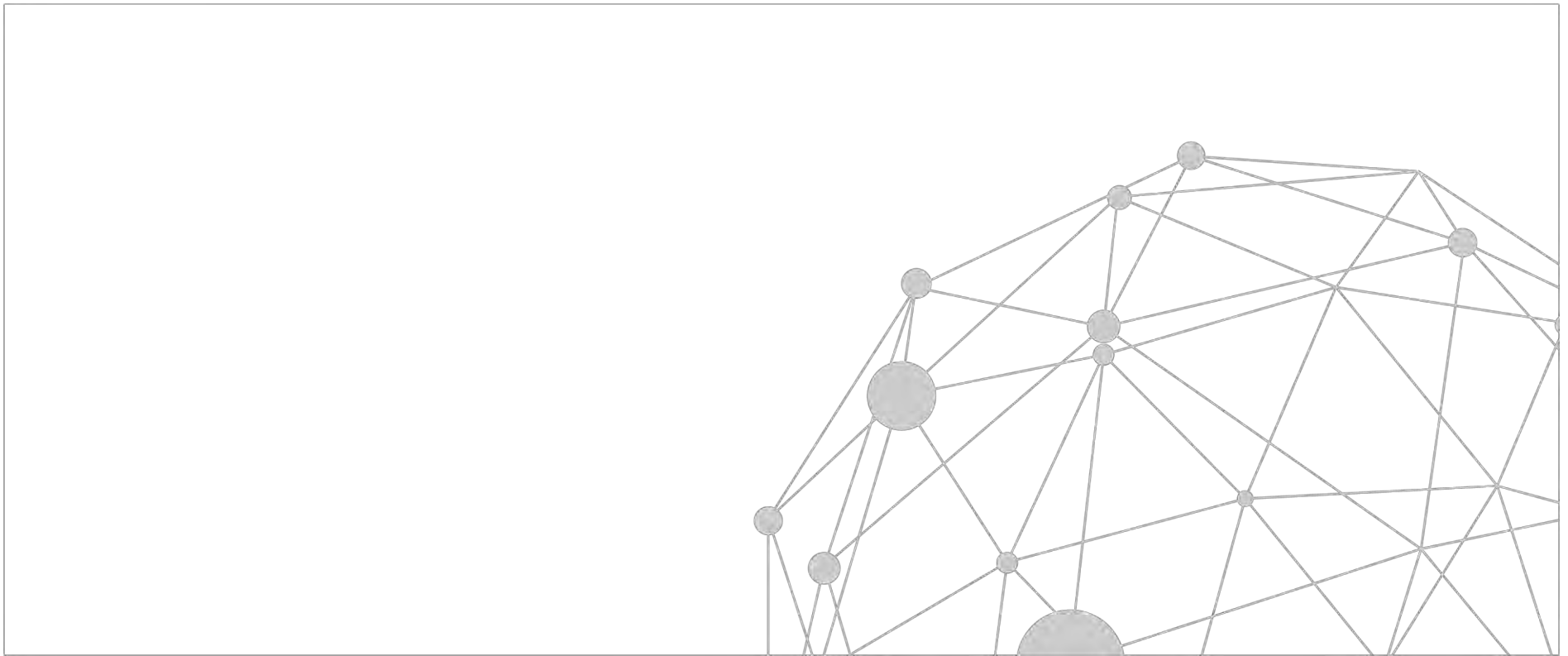
Managers	Strategy	2020	2021	2022	2023	2024	2025	Total
Private Credit								
<i>Fortress Credit Opportunities</i>	Credit Opportunities	\$40	--	--	--	--	--	\$40
<i>Blue Torch Credit Opportunities Fund</i>	Senior Lending	\$20	--	\$40	--	--	--	\$60
<i>Fortress Lending Fund</i>	Credit Opportunities	--	\$40	\$40	--	--	--	\$80
<i>OrbiMed Royalty & Credit Opportunities</i>	Specialty Finance	--	--	\$30	--	--	--	\$30
<i>Ares Senior Direct Lending</i>	Direct Lending	--	--	--	\$30	--	--	\$30
<i>Cerberus Levered Loan Opportunities</i>	Direct Lending	--	--	--	\$30	--	--	\$30
<i>Silver Point Specialty Credit</i>	Direct Lending	--	--	--	\$30	--	--	\$30
<i>Ares Pathfinder</i>	Credit Opportunities	--	--	--	\$30	--	--	\$30
<i>ITE Rail</i>	Specialty Finance	--	--	--	\$40	--	--	\$40
<i>OHA Structured Products Fund III</i>	Credit Opportunities	--	--	--	\$25	--	--	\$25
<i>TBD (Manager)</i>	Credit Opportunities	--	--	--	--	\$30	--	\$30
<i>Anticipated Re-up Commitments</i>	TBD	--	--	--	--	\$120	\$130	\$250
Subtotal Private Credit		\$60	\$40	\$110	\$185	\$150	\$130	\$675
<i>Proposed Commitment Pace (Approximate)</i>		\$45	\$80	\$85	\$125	\$150	\$150	\$635
<i>Variance</i>		\$15	(\$40)	\$25	\$60	--	(\$20)	\$40

Private Real Assets Commitment Planning

Managers	Strategy	2020	2021	2022	2023	2024	2025	Total
Private Real Assets								
<i>Covenant Capital Group</i>	US Value-Add Real Estate - Multi-Family	\$30	--	\$30	--	--	--	\$60
<i>Singerman Real Estate</i>	US Opportunistic Real Estate	--	\$35	--	--	--	--	\$35
<i>LBA Realty</i>	US Real Estate - Industrial	--	\$30	--	--	--	--	\$30
<i>KSL Capital Partners</i>	Opportunistic Real Estate - Hospitality	--	--	\$30	--	--	--	\$30
<i>Merit Hill Capital</i>	Self-Storage	--	--	--	\$30	--	--	\$30
<i>TBD (Manager)</i>	Energy	--	--	--	--	\$30	--	\$30
<i>TBD (Manager)</i>	Global Opportunistic	--	--	--	--	\$50	--	\$50
<i>Anticipated Re-up Commitments</i>	TBD	--	--	--	--	\$100	\$60	\$160
Subtotal Private Real Assets		\$30	\$65	\$60	\$30	\$180	\$60	\$425
Real Assets Secondaries								
<i>Landmark Partners, Inc.</i>	Real Estate Secondaries	--	--	\$40	--	--	--	\$40
Subtotal Real Assets Secondaries		--	--	\$40	--	--	--	\$40
Subtotal Private Real Assets		\$30	\$65	\$100	\$30	\$180	\$60	\$465
<i>Proposed Commitment Pace (Approximate)</i>		\$30	\$80	\$85	\$85	\$85	\$85	\$450
<i>Variance</i>		--	(\$15)	\$15	(\$55)	\$95	(\$25)	\$15
Total Private Investments		\$258	\$165	\$338	\$310	\$450	\$323	\$1,843
<i>Proposed Commitment Pace (Approximate)</i>		\$230	\$240	\$260	\$260	\$295	\$320	\$1,605
<i>Variance</i>		\$28	(\$75)	\$78	\$50	\$155	\$3	\$238

Notes: For illustrative purposes. Commitments in bold indicate the fund has closed. Commitment planning reflects estimated fundraising timelines. Commitment to Juniper Capital in 2024 includes an additional \$15 million to \$20 million for co-investment opportunities over the life of the fund.
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APPENDIX



Implementation Plan for Private Equity Portfolio

STRATEGY	GROWTH EQUITY & VENTURE CAPITAL	BUYOUTS
POSSIBLE WEIGHTING (% OF TOTAL PE ALLOCATION)	20%-40%	50-70%
# OF MANAGER RELATIONSHIPS	2-5	4-8
COMMITMENT SIZING	\$30-35M (Growth Equity) \$6-10M (Venture Capital)	\$30-50M
TARGET RETURN	12-15%+	12-15%+
TARGET MULTIPLE	1.8X-2.0X+	1.8X
FOCUS	<ul style="list-style-type: none"> ▪ Mid and lower middle market growth equity ▪ Strong sourcing capability ▪ Sub sectors of expertise ▪ Venture capital (early-stage and/or sector specialist bias) 	<ul style="list-style-type: none"> ▪ Small/mid-cap bias ▪ Operational value-add ▪ Buy and build ▪ Sector specialists ▪ PE secondaries

Total Private Equity Portfolio Targets (net): 12-15% IRR; 1.8-2.0x Multiple

Implementation Plan for Private Credit Portfolio

STRATEGY	DISTRESSED	CREDIT OPPORTUNITIES	PRIVATE CREDIT
WEIGHTING (% OF TOTAL PRIVATE CREDIT ALLOCATION)	0%-25%	30%-70%	30%-70%
# OF MANAGER RELATIONSHIPS	0-2	3-6	4-6
COMMITMENT SIZING	\$20-50M	\$20-50M	\$30-50M
TARGET RETURN	12-15%	10-13%	9-12%
TARGET MULTIPLE	1.7X	1.5X	1.4X
FOCUS	<ul style="list-style-type: none"> ▪ Special situations ▪ Distressed credit ▪ Distressed assets and ABS 	<ul style="list-style-type: none"> ▪ Credit opportunities ▪ ABS ▪ Intellectual property ▪ Litigation finance ▪ Royalties ▪ Life settlements 	<ul style="list-style-type: none"> ▪ Senior secured lending/direct lending ▪ Capital solutions

Total Private Credit Portfolio Targets (net): 10-12% IRR; 1.4-1.7x Multiple

Implementation Plan for Private Real Assets Portfolio

STRATEGY	OPPORTUNISTIC REAL ESTATE	VALUE-ADDED REAL ESTATE	OPPORTUNISTIC REAL ASSETS
WEIGHTING (% OF TOTAL REAL ASSETS ALLOCATION)	20%-50%	20%-50%	10%-30%
# OF MANAGER RELATIONSHIPS	2-5	2-5	1-2
COMMITMENT SIZING	\$25-40M	\$25-40M	\$25-40M
TARGET RETURN	12-15%	10-13%	15-20%
TARGET MULTIPLE	1.5-1.8X	1.3-1.6X	1.5-2.0X
FOCUS	<ul style="list-style-type: none"> ▪ Defensive property types ▪ Secular-driven opportunities ▪ Property-type specialists ▪ Operationally-oriented firms ▪ Real estate secondaries as J-curve mitigant <ul style="list-style-type: none"> ▪ Opportunistic energy ▪ Established, experienced managers ▪ Portfolio diversifiers 		
Total Private Real Assets Portfolio Targets (net): 10-14% IRR; 1.4-1.7x Multiple			

KCERA's Legacy Portfolio

- As of September 30, 2023, KCERA's legacy portfolio included \$1.1 billion in commitments to 23 private investment partnerships, of which \$1.1 billion had been drawn down. Distributions of \$1.2 billion, or 110.2% of paid-in capital, had been received. The legacy portfolio has generated a net IRR of 7.6% since inception.

ASSET CLASS	SINCE INCEPTION RETURNS	NOTES
Private Equity	7.6% net IRR 1.6x net TVPI	<ul style="list-style-type: none"> The legacy Private Equity portfolio is made up of nine funds across two manager relationships with vintage years between 1997-2008. Three funds are fully liquidated, and the rest are no longer making new investments but have remaining NAV that will be distributed over time Exposures are almost fully concentrated in diversified Fund of Funds, along with one private equity secondaries fund
Private Credit	4.5% net IRR 1.1x net TVPI	<ul style="list-style-type: none"> The legacy Private Credit portfolio is made up of five funds across five manager relationships with vintage years between 2015-2019. Three funds are still calling capital, while the remaining two are no longer making new investments but have remaining NAV that will be distributed over time Exposures are concentrated in real estate debt strategies, distressed corporate credit, and senior debt strategies
Private Real Estate	8.3% net IRR 1.3x net TVPI	<ul style="list-style-type: none"> The legacy Private Real Estate portfolio is made up of nine funds across four manager relationships with vintage years between 1996-2019. Six funds have been fully liquidated, two are no longer making new investments but have remaining NAV, and one is still actively investing Exposures are concentrated in generalist, direct real estate mandates, with one real estate secondaries fund

KCERA's Legacy Portfolio

ASSET CLASS	LEGACY MANAGERS
Private Equity	<ul style="list-style-type: none"> • Abbott Capital Private Equity Fund II, IV, V, VI • Pantheon USA Fund III, V, VI, VII • Pantheon Global Secondary Fund III
Private Credit	<ul style="list-style-type: none"> • DC Value Recovery Fund IV (f/k/a Colony Distressed Credit Fund IV)¹ • Magnetar Constellation Fund V • TSSP Adjacent Opportunities Partners (B) • Brookfield Real Estate Finance Fund V • H.I.G. Bayside Loan Opportunity Feeder Fund V
Private Real Estate	<ul style="list-style-type: none"> • Fidelity Real Estate Manager II, III • Fidelity Real Estate Growth Fund I, II, III • Invesco Real Estate Fund III, IV • Long Wharf Real Estate Partners VI • Landmark Real Estate Partners VIII



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ALTERNATIVE INVESTMENTS RECORDS

EXEMPT FROM PUBLIC DISCLOSURE

(CA Gov. Code §7928.710)

(CA Gov. Code §7922.000)

(CA Gov. Code §54957.5)

DO NOT REPRODUCE

DO NOT DISTRIBUTE

ALTERNATIVE INVESTMENTS RECORDS

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DO NOT REPRODUCE

DO NOT DISTRIBUTE



KERN COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION

Compliance & Internal Audit

Presented by:

Matthew Henry, CFE

Chief Operations Officer

Jennifer Zahry

Chief Legal Officer

Compliance & Internal Audit



Engage outside audit firm
RFP for other audit services,
awarded to UHY.



Risk Assessment
KCERA staff develops
materials to assess risk.



Audit Plan
KCERA staff presents audit
plan to finance committee.

Engage Outside Audit Firm



Outside Audit Firm - UHY

- Engage UHY to assist KCERA in starting its compliance and audit function.
- Agreed Upon Procedures vs. Financial Audit (Auditor Independence)
- Roles in Process
- Initial Audit Plan & Timeline



Risk Assessment



Audit Plan

Risk Assessment

Risk assessment procedures began with a questionnaire focused on member services and plan sponsors. The questionnaire tabulates risk by scoring key work activities for likelihood of occurring and impact if it were to happen.



Risk Assessment

Risk Factors



Likelihood

- Complexity – What is the likelihood of something going wrong due to the complexity?
- Change – What is the likelihood of something going wrong due to a change in process?
- Controls – What is the likelihood for something going wrong due to lack of controls?



Impact

- Materiality/Fiscal Impact – What is the dollar impact if something were to go wrong?
- Operational impact – How significant would KCERA be impacted if something were to go wrong?
- Reputation – How would KCERA's reputation be impacted if something were to go wrong?



Risk Assessment



Examples of Key Work Activities

- Member Enrollment Processing
- Member Active Payroll Posting
- Member Service Audits
- Domestic Relations Order Benefit Calculations
- Reciprocity Establishment and Processing
- Disability Claim Processing
- Member Retirement Counseling



Interpreting the Results

The Key Work Activities with a high likelihood or impact rank indicates that these activities are by nature a high risk because of such factors as having complex or highly regulated transactions or could have a material impact on KCERA if a risk event were to occur. A high-risk rank does not mean that an activity is being managed ineffectively.



Audit Plan Development



The plan reflects the results of a continuous risk assessment process gathered from various sources including, but not limited to:

Management questionnaires, discussions and interviews with staff, relevant or current events, and any prior audits or engagements.



Audit Plan

Initial Audits Identified

- Internal control questionnaire for plan sponsors
- Plan sponsors are sending data and contributions timely
- Plan sponsors are using board approved salary schedules
- Verification of use of KCERA Board approved contribution rates
- Verification of membership status for participating and non-participating employees



Audit Authority

§31543. Audit of county or district by board The board may audit a county or district to determine the correctness of retirement benefits, reportable compensation, and enrollment in, and reinstatement to, the system. During an audit, the board may require a county or district to provide information or make available for examination or copying at a specified time and place, books, papers, data, or records, including, but not limited to, personnel and payroll records, as deemed necessary by the board. (Added by Stats. 2012, Ch. 296 (AB 340), Sec. 31)

Authorization – Employer Compliance & Audit



**Federal Rules and
Regulations**



CERL



PEPRA

Legal Authorities



Tax Qualified Status – IRC 401(a)

CERL Art. 4 Membership Requirements

- 31551 – Exclusions from Membership
- 31552 – Automatic membership
- 31552.5 – Hospital Authority Membership
- 31557 – District Membership
- 31561 – Temporary Membership
- 31562 – Elective Office
- 31563 – Termination of Membership (Felony) related PEPR

CERL Art. 5 and 5.5 Financial Provisions

- 31593 – Audit and Report
- 31611 – Valuation

CERL Art. 1 - General

- 31455.5 Fraud
- 31461 Compensation Earnable
- 31462.05 Final Compensation (PEPRA)
- 31462.1 Final Compensation (Legacy)

PEPRA

- 7522.34 Pensionable Compensation
- 7522.56 Post-Retirement Employment
- 7522.72 Felony Forfeiture
- **Not exhaustive list of authorities**



Presentation



CLOSED SESSION



OPEN SESSION



QUESTIONS?





Chief Executive Officer's Report

Presented by: Dominic Brown, Chief Executive Officer
February 2024



Office Update

- Staffing
 - Recruitments: Deputy/Senior Deputy Chief Legal Officer, Accountant I/II, Administrative Specialist/Senior Specialist, Member Services Technician, Legal Secretary, Network Engineer, Investment Analyst, Senior Member Services Analyst (DP), Member Services Specialist (DP), Network Manager (DP)
- Member Outreach: Stakeholder Summit 2024
- Disability – Since December 8 files were prepared for Board recommendation
- Solar Project – City Inspection hurdle cleared



Office Update (cont'd)

- Special Election Update – Beginning now, and election day will be in April '24
- New software program evaluations have completed and implementation steps have commenced by Investment and Finance team



Operations Activity

- Member Services
 - 15 new retirements and calculations
 - 54 death benefit calculations
 - 149 service-credit purchase calculations
 - 67 retirement estimates
 - 225 new active members
 - 92 terminations with disposition packets
 - 25 in-person appointments
 - 150 walk-ins
 - 639 phone calls
 - 162 emails
- Communications
 - Monitoring website traffic analytics
 - Stakeholder Survey
- Accounting & Reporting
 - Service Purchases – <30 days
 - ACFR Finalized
- Information Technology
 - Retro Split Project
 - Tax withholding update for retirement estimates



Upcoming Events

- Administrative Committee – Meeting to be scheduled in late February or early March
- Finance Committee – No meetings scheduled
- Investment Committee – No meetings scheduled
- Board of Retirement – Next regular monthly meeting will be March 13, 2024, Special Board meeting may be necessary before then to evaluate an investment opportunity





CIO REPORT

INVESTMENT PROGRAM
UPDATE
February 2024

Presented by:
Daryn Miller, CFA
Chief Investment Officer



Rebalancing

DECEMBER / JANUARY ACTIVITY

- Rates
 - -50MM Parametric Rates

Reporting period covers 12/01/2023 to 01/31/2024



Fixed Income: Reduce rates exposure following fixed income rally to generate cash for increase private market capital call activity; underweight both policy target and adjusted policy target.

Asset Class	Actual	Policy Target	Adj. Policy Target	Diff. Act. vs. Adj. Pol.
Public Equities	32.7%	33.0%	34.1%	-1.4%
Fixed Income	23.0%	25.0%	27.9%	-4.9%
Core	14.7%	15.0%	17.9%	-3.1%
Credit	8.2%	10.0%	10.0%	-1.8%
Commodities	3.8%	4.0%	4.0%	-0.2%
Hedge Funds	10.2%	10.0%	10.0%	0.2%
Alpha Pool	4.1%	8.0%	8.0%	-4.0%
Midstream Energy	5.5%	5.0%	5.0%	0.5%
Core Real Estate	4.8%	5.0%	7.2%	-2.3%
Private Real Estate	2.8%	5.0%	2.8%	0.0%
Private Equity	3.9%	5.0%	3.9%	0.0%
Private Credit	5.1%	8.0%	5.1%	0.0%
Opportunistic	2.7%	0.0%	0.0%	2.7%
Cash	1.4%	-8.0%	-8.0%	9.4%
Total	100.0%	100.0%	100.0%	0.0%

Positioning

ACTUAL VS POLICY TARGET

Public Equity: underweight policy target and adjusted policy target. Underweight is primarily in domestic large cap.

Core Fixed Income: underweight policy target and adjusted policy target.

Credit: Underweight both high yield and EMD.

Core Real Estate: Now underweight due to 1) requested redemptions, 2) growth in total Plan assets, and 3) underperformance.

Private Equity: underweight policy target is typically reallocated to public equity. However, underweight is currently reallocated to other asset classes where we see better return opportunity.


Private Credit: underweight policy target increased in 2023 due to increasing the Strategic Asset Allocation Private Credit target from 5% to 8%.



UPDATES

Delegation

Staff has been working with our governance consultant Aon to construct an investment manager delegation model. This was presented to the Investment Committee on February 5th. The Investment Committee had a productive conversation, and Staff and Aon will continue to work on the initiative. The item will be returning to the Investment Committee in 2-3 months.





Key Initiatives

Enhancing return while managing risk

- **Currency management**
- **Improve hedge fund program returns**
- **Multi-asset research / tactical asset allocation**
- **Opportunistic investments**
- **Private markets**
- **Repositioning fixed income**



Investment Committee Meetings

Next meeting TBD

The last IC meeting was held on February 5th





CLO Report February 2024

Jennifer Esquivel Zahry, Chief Legal Officer
Maggie Peralta-Lee, KCERA Senior Paralegal
Irma Chavez, KCERA Senior Legal Secretary
Sofia Reyes, Senior Paralegal (Ret.)

Litigation Update

VCERA v. Criminal Justice Attorneys Association et al, 2024 WL 193165

- Parties:
 - Ventura County Employees' Retirement Association
 - Ventura County Employee Associations
 - Retiree, former Ventura County Counsel
 - County of Ventura
- Action:
 - Declaratory Relief – declaring that VCERA had the legal authority to exclude from final compensation for retirement benefits accrued, but unused, hours of annual leave exceeding employees' calendar year allowance.

Straddling

VCERA v. Criminal Justice Attorneys Association et al, 2024 WL 193165

- Issue: Did the PEPRA Legislation eliminate (and did the *Alameda* decision confirm) straddling no longer allowed?
- Scenario: Ken works for the County. He is a Tier 1 member of Utopia CERA. His applicable MOU allows him to cashout up to 200 hours of accruals annually. He cashed out 200 hours in July 2020 and 50 hours in April 2021. In May 2021, he decides to retire. His highest 12-months compensation (FAC) period is June 2020 to May 2021. He redeemed his accruals during his FAC period. UCERA staff included compensation for the 200 hours of leave in his FAC. Ken argues that compensation for the full 250 hours should have been included in his FAC.

Section 31461

VCERA v. Criminal Justice Attorneys Association et al, 2024 WL 193165

- PEPRA Legislation: Amendment to CERL Cal. Gov. Code section 31461, subdivision (b)(2)
 - Excludes the following from compensation earnable
 - “Payments for unused vacation, annual, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or other, **in an amount that exceeds that which may be earned and payable in each 12-month period** during the final average salary period regardless of when reported or paid.”
- Employee Assoc. Argument: statute doesn't specify a calendar year limit

Litigation Update

VCERA v. Criminal Justice Attorneys Association et al, 2024 WL 193165

- Legislative Intent: Eliminate Pension Spiking
 - “Purpose of the PEPRA Legislation was to circumscribe CERL’s very broad and general definition of compensation earnable to reduce pension spiking -- the manipulation of an employee’s pattern of work and pay to produce inflated compensation earnable during the final compensation period.”
- Court interprets the statute consistent with the “underlying concept of compensation earnable which is intended to reflect pay for work ordinarily performed during the course of a year.”

Legal Update

VCERA v. Criminal Justice Attorneys Association et al, 2024 WL 193165

- Conclusion:
 - The VCERA Board was REQUIRED to exclude compensation for unused leave that exceeds calendar year allowances.
 - “The task of a county retirement board is not to design the county’s pension plan but to implement the design enacted by the Legislature through the CERL.”
 - “The Board had no authority to ‘adopt or act on an interpretation [of the CERL] that is inconsistent with [the PEPRA legislation].’”



February Calendar

	Pending CLO Review
Board/Committee Meetings/Staff Meetings/Conferences	14
Community Property Matters	4
Disability Matters	6
Investment/ Custodial Documents	7
Member Inquiries	3
Operational Contracts	3
Public Records Act Requests	3
Staff Inquiries	13



Q4 2023 Metrics	Completed
Operational Contracts	2
Investment/ Custodial Documents	21
Board Documents	29
Disability Matters	10
Community Property Matters	64
Legal Correspondence	92
Administrative Appeals	4
Board/Committee Meetings/Staff Meetings/ Conferences	48
Post-Retirement Employment	3
Probate Matters	12
Public Records Act Requests	5
Special Pay Codes	1
Trainings Board Members/ Staff	3



UPDATE: Retirement Board's Limits on Inclusion of "Straddled" Leave Cashouts in Retirement Allowance Determinations Affirmed by Second DCA

01.19.2024 | By **Ashley K. Dunning, Alexander Westerfield**

UPDATE: On January 18, 2024, the Second DCA responded to requests for publication of its decision discussed in our last eAlert on this topic (below) and certified the decision for publication. This is an important next step in retirement boards' continuing efforts to implement PEPPRA in accordance with the California Supreme Court's 2020 *Alameda* decision.

Nossaman represented VCERA through the superior and appellate court proceedings. **Ashley Dunning**, co-chair of the Pensions, Benefits & Investments (PB&I) Group, was lead trial and appellate counsel, with PB&I litigation team **Alexander Westerfield**.

On January 4, 2024, the Second District Court of Appeal, Division 6, unanimously rejected the first lawsuit challenging a county retirement board's implementation of the California Supreme Court's *Alameda* decision (*VCERA v. County of Ventura, et al*, [Second DCA, Div. 6, Case No. B325722] (*VCERA* decision)).

(For background on the 2020 *Alameda* decision, which upheld the constitutionality of changes to the County Employees Retirement Law of 1937 (CERL) that were adopted in connection with enactment of the Public Employees' Pension Reform Act of 2013 (PEPPRA), see here: California Courts Continue to Address Vested Rights Lawsuits.)

Specifically, following the *Alameda* decision, numerous county retirement boards, including that of the Ventura County Employees' Retirement Association (VCERA), took actions to implement the state Supreme Court's directive that PEPPRA's changes to CERL must be implemented by county retirement systems.

The issue leading to the *VCERA* decision arose from a practice that the Supreme Court discussed in *Alameda* regarding leave cashouts that “straddle” calendar years and result in the potential inclusion of more cashed-out leave in retirement allowance calculations than would be permitted when applying limiting principles to those inclusions.

The Second DCA concluded as follows: “We follow the Supreme Court’s analysis of subdivision (b)(2) and (4) to conclude that amended section 31461 requires exclusion of compensation for leave cashouts that exceed the one (or three) calendar year’s limits for such cashouts for the purposes of calculating legacy members’ retirement benefits.”

The court further observed, “Designating a 12- or 36-month final average compensation period that straddles multiple years to receive compensation for leave cashouts greater than the amount a member could receive in one or three calendar years, respectively, is the type of manipulation that the PEPRA exclusions sought to eradicate.”

The court of appeal thus affirmed the superior court’s grant of summary adjudication in favor of VCERA on this issue.

Takeaway from the *VCERA* Decision

The *Alameda* decision resolved the constitutionality of one key aspect of PEPRA as it applies to members of CERL retirement systems who first were enrolled in certain California public retirement plans prior to January 1, 2013 (“legacy” or “classic” members). The *VCERA* decision has now given further force, and meaning, to the *Alameda* decision.

As anticipated, however, the scope of *Alameda* and its application in particular circumstances continues to be the subject of debate and litigation.

Indeed, several other pending cases continue to make their way through California superior and appellate courts on this and related topics.

In this context, guidance provided by courts of appeal, such as in the *VCERA* decision, will prove invaluable to other retirement systems and boards with respect to their efforts to comply with the *Alameda* decision and PEPRA, particularly where such courts published their decisions. Given that reality, as of January 8, 2024, efforts to obtain publication of the *VCERA* decision are underway.

2024 WL 193165
Only the Westlaw citation
is currently available.
Court of Appeal, **Second**
District, Division 6, California.

VENTURA COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION,
Plaintiff and Respondent,
v.
CRIMINAL JUSTICE
ATTORNEYS ASSOCIATION
OF **VENTURA COUNTY** et
al., Defendants and Appellants.

2d Civil No. B325277

|

Filed January 4, 2024

Synopsis

Background: **County's** public retirement system brought action against employee associations for declaratory relief that it had legal authority to exclude from final compensation for retirement benefits accrued, but unused, hours of annual leave exceeding employees' calendar year allowance. Retiree filed cross-complaint for declaratory relief, and **county** filed a complaint in intervention. The Superior Court, Santa Barbara **County**, No. VENCI00546574, **Colleen K. Sterne**, J., granted summary adjudication in favor of system. Associations appealed.

[Holding:] The Court of Appeal, **Baltodano**, J., held that provisions of Public Employees' Pension Reform Act (PEPRA) required system to exclude those amounts.

Affirmed.

Procedural Posture(s): On Appeal; Motion for Summary Adjudication; Complaint for Declaratory Relief.

West Headnotes (8)

[1] Public Employment  **Pensions and retirement benefits in general**

Provisions of Public Employees' Pension Reform Act (PEPRA) excluding from "compensation earnable" payments for unused leave in amount that exceeded what could be earned and payable in each 12-month period during final average salary period required exclusion of compensation for legacy members, who were employed prior to PEPRA's effective date, so that retirement benefits could not be based on leave cashouts manipulated by members designating a 12 or 36-month final average compensation period that straddled multiple years; the provision was ambiguous and was intended to eliminate pension spiking by excluding income designed to artificially inflate a pension benefit and limiting the inclusion of other types of compensation. [Cal. Gov't Code § 31461\(b\)\(2, 4\)](#); [Cal. Gov't Code §§ 31462\(a\), 31462.1\(a\)](#).

[2] **Appeal and Error** 🔑 Statutory or legislative law

Trial court's interpretation of statute is question of law that Court of Appeal reviews de novo.

[3] **Statutes** 🔑 Purpose and intent

When interpreting statute, court's fundamental task is to ascertain legislature's intent to effectuate purpose of statute.

[4] **Statutes** 🔑 Plain Language; Plain, Ordinary, or Common Meaning

Court interpreting statute begins by examining statutory language, giving terms their plain, ordinary meaning.

[5] **Statutes** 🔑 Extrinsic Aids to Construction

Statutes 🔑 Plain, literal, or clear meaning; ambiguity

If statutory language is ambiguous, court may look to extrinsic sources, including legislative history.

[6] **Statutes** 🔑 Intent

Statutes 🔑 Relation to plain, literal, or clear meaning; ambiguity

Court selects statutory construction that comports most closely with intent of legislature, with view of promoting, rather than defeating,

general purpose of statute, and avoiding interpretation that would lead to absurd results.

[7] **Courts** 🔑 Highest appellate court
Courts 🔑 Dicta

When the Supreme Court has reached well beyond the holding necessary to its opinion to express its broader view, dicta from the high court should be followed.

[8] **Counties** 🔑 Pensions and benefits
Public Employment 🔑 Authority to regulate

Task of a **county** retirement board is not to design the **county's** pension plan but to implement the design enacted by the legislature.

Superior Court **County** of Santa Barbara, Colleen K. Sterne, Judge (Super. Ct. No. VENCI00546574)(Santa Barbara **County**)

Attorneys and Law Firms

Rains Lucia Stern St. Phalle & Silver, Jacob A. Kalinski, Santa Monica, and Brian P. Ross for Defendants and Appellants

Norman Dowler and Michael G. Walker for Retired Employees' Association of **Ventura County**, Inc., Regina Artman, Scott Barash, Lyn Krieger, Mark Lunn, Roberto R. Orellana, Tracey Frances Pirie, Marty Robinson and

Chris Stephens as Amici Curiae on behalf of Defendants and Appellants.

Nossaman, Ashley K. Dunning, San Francisco, Aalia Taufiq and Alexander Westerfield for Plaintiff and Respondent.

Opinion

BALTODANO, J.

*1 After our Supreme Court's decision in *Alameda County Deputy Sheriff's Assn. v. Alameda County Employees' Retirement Assn.* (2020) 9 Cal.5th 1032, 266 Cal.Rptr.3d 381, 470 P.3d 85 (*Alameda*), the **Ventura County Employees' Retirement Association (VCERA)** adopted a resolution (the Resolution) excluding compensation for accrued, but unused, hours of annual leave exceeding employees' calendar year allowance ("leave cashouts") for purposes of calculating their retirement benefits. **VCERA** subsequently filed a lawsuit seeking a judicial declaration that its Resolution was legal. The trial court ruled in favor of **VCERA**. The Criminal Justice Attorneys Association of **Ventura** and **Ventura County Professional Peace Officers' Association** (collectively, Appellants) appeal the judgment.¹ We affirm.

FACTUAL AND PROCEDURAL HISTORY

VCERA is a public retirement system established by **Ventura County** to provide retirement benefits to employees of the **county** and other local public entities, including Appellants. It is governed by the **County Employees Retirement Law of 1937 (CERL)** (*Gov. Code*,² § 31450 et seq.), the California

Public Employees' Pension Reform Act of 2013 (PEPRA) (§ 7522 et seq.), and article XVI, section 17 of the California Constitution. **VCERA** is administered by a board of retirement (the Board) charged with implementing CERL's provisions. (*Alameda, supra*, 9 Cal.5th at p. 1052, 266 Cal.Rptr.3d 381, 470 P.3d 85.)

Retirement calculations under CERL and PEPRA

CERL governs the calculation of **VCERA** members' retirement allowances based on a statutory formula comprised of an employee's (1) age at retirement, (2) years of service, and (3) final compensation. (§§ 31676.01-31676.19.) Only final compensation is relevant to this dispute.

For "legacy" members (employed by the **county** or another public retirement system prior to PEPRA's effective January 1, 2013, date)³, final compensation is calculated based on an employee's "compensation earnable" during a representative period of their employment. (§§ 31462, 31462.1.) The representative period of employment is either a 12- or 36-month "final average compensation" period. Legacy members with a 12-month final average compensation period are Tier 1 members (§ 31462.1, subd. (a)). Legacy members with a 36-month final average compensation period are Tier 2 members (§ 31462, subd. (a)).

Section 31461 defines "compensation earnable" as "the average compensation as determined by the board, for the period under

consideration upon the basis of the average number of days ordinarily worked by persons in the same grade or class of positions during the period, and at the same rate of pay.” (§ 31461, subd. (a).) In other words, it is the “ ‘average monthly pay ... received by the retiring employee for the average number of days worked in a month by the other employees in the same job classification at the same base pay level.’ ” (*Alameda, supra*, 9 Cal.5th at p. 1058, 266 Cal.Rptr.3d 381, 470 P.3d 85.)

*2 When PEPRA became effective in January 2013, it revised laws governing pension plans and amended provisions of CERL. (*Alameda, supra*, 9 Cal.5th at pp. 1051-1052, 266 Cal.Rptr.3d 381, 470 P.3d 85.) As relevant here, PEPRA amended section 31461 by adding subdivision (b), which excludes certain items from compensation earnable (hereafter referred to as “PEPRA exclusions”). (Assem. Bill No. 340 (2011-2012 Reg. Sess.); Stats. 2012, ch. 296, § 28.) PEPRA now excludes from compensation earnable: “(2) Payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off, however denominated, whether paid in a lump sum or otherwise, in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid”; and “(4) Payments made at termination of employment, except those payments that do not exceed what is earned and payable in each 12-month period during the final average salary period, regardless of when reported or paid.” (§ 31461, subd. (b)(2) & (4).)

Leave cashouts

A **VCERA** member may receive compensation for leave cashouts—accrued, but unused, hours of annual leave. A member's terms of employment (e.g., a Memorandum of Agreement or the **County** Management Resolution) limit the number of hours a member may cash out in a calendar year. The calendar year's allowance for leave cashouts varies depending on the employer and the employee's seniority, date of hire, bargaining unit, and title.

VCERA members may designate a 12- or 36-month final average compensation period that does not align with calendar years. Thus, the designated period may straddle two or four calendar years. For example, a Tier 1 member (those employees with a 12-month final average compensation period) may designate July 1 of year 1 to June 30 of year 2, or a Tier 2 member (those employees with a 36-month final average compensation period) may designate July 1 of year 1 to June 30 of year 4.

For legacy members, a member's compensation earnable includes compensation for leave cashouts during the 12- or 36-month final average compensation period. Before *Alameda*, a member's compensation earnable could include leave cashouts exceeding the member's calendar year allowance for leave cashouts. To illustrate, if a member designated a final average compensation period that aligned with the calendar year(s), that member could not cash out more than their calendar year allowance for leave cashouts. But, if a member designated a final average compensation period

that straddled multiple years (two years for Tier 1 members or four years for Tier 2 members), that member could cash out leave exceeding their calendar year allowance within the designated period. For instance, if the calendar year's allowance for leave cashouts was 200 hours, a Tier 1 member could cash out 200 hours in year 1 and an additional 200 hours for year 2 for a total of 400 hours of leave redeemed during their final average compensation period.

Alameda decision and the Resolution

In July 2020, our Supreme Court decided *Alameda*, *supra*, 9 Cal.5th 1032, 266 Cal.Rptr.3d 381, 470 P.3d 85. In *Alameda*, the plaintiffs (labor unions and other labor groups) challenged the amendments to CERL (i.e., the PEPRAs) exclusions under § 31461, subd. (b) on the ground that the plaintiffs possessed (1) contractual or equitable rights to receive pension benefits and (2) a constitutional right to receive pension benefits according to the law as it existed prior to PEPRAs. (*Alameda*, *supra*, 9 Cal.5th at pp. 1052-1053, 266 Cal.Rptr.3d 381, 470 P.3d 85.) The court upheld the PEPRAs exclusions, concluding they did not violate contractual, equitable, or constitutional rights. (*Id.* at p. 1054, 266 Cal.Rptr.3d 381, 470 P.3d 85.)

Thereafter, in October 2020, the Board adopted the Resolution in response to *Alameda*. The Resolution stated that *Alameda* “determine[d] 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. [¶] ... [¶] The Board hereby determines that the *Alameda* Decision and other applicable law require it to change its determinations of certain pay codes for ... compensation earnable.”

*3 Following adoption of the Resolution, **VCERA** excluded from compensation earnable payments for leave cashouts that exceeded a **VCERA** member's calendar year allowance for leave cashouts. This exclusion applied to all retirement benefit payments made on or after August 31, 2020, (the date of the first issuance of retirement allowances after *Alameda* became final) to all **VCERA** members who retired on or after January 1, 2013, PEPRAs's effective date. Any overpayments made to employees before the issuance of the *Alameda* decision were not recouped.

The lawsuit

In its first cause of action, **VCERA** filed a lawsuit seeking declaratory relief that it had the “legal authority” to take the actions set forth in the Resolution with respect to the PEPRAs exclusions.⁴

Leroy Smith, the former **county** counsel of **Ventura County**, filed a cross-complaint against **VCERA** for declaratory relief. Smith accrued 368.1 hours of annual leave per year, and his calendar year allowance for leave cashouts was 200 hours. As a Tier 1 member, Smith designated October 2019 to October 2020 as his final average compensation period.

He cashed out 240 hours of leave: 40 hours in 2019 and 200 hours in 2020. **VCERA** only included compensation for the 200 hours of leave (his calendar year leave allowance) in determining Smith's compensation earnable. Smith's cross-complaint alleged a single cause of action for declaratory relief that **VCERA** had a legal duty to include cash payments for all 240 hours of leave in his compensation earnable for the purposes of calculating his retirement benefits.

The **County** of **Ventura** (the **County**) filed a complaint in intervention in Smith's cross-action. The **County** alleged one cause of action for declaratory relief, seeking a judicial declaration that “**VCERA** was not legally required to take the actions set forth in [the Resolution] ... as it relates to annual leave cashouts that exceed what can be redeemed in a single calendar year.”

The parties stipulated to resolving two issues by summary adjudication: (1) whether **VCERA** must exclude from compensation earnable annual leave cashouts exceeding the calendar year allowance for leave cashouts; and if so, (2) whether **VCERA** must exclude such leave cashouts from the calculation of retirement benefit payments to members who retired on or after January 1, 2013, the effective date of PEPRAs amendments to CERL.

The trial court granted summary adjudication in favor of **VCERA**. As to the first issue, the court found that for members with a 12-month final average compensation period (Tier 1 members), “**VCERA** must exclude from the calculation of retirement benefit payments all compensation for leave cashouts

that exceed the maximum amount of leave that was earnable and payable to the member in either calendar year that began or ended with the member's 12-month measurement period.” Similarly, for members with a 36-month period (Tier 2 members), **VCERA** must exclude leave cashouts that exceed the maximum amount of leave earnable or payable in “any three-calendar-year period that began or ended within the member's 36-month measurement period.”

As to the **second** issue, the trial court concluded that “**VCERA** may exclude such leave cashouts from the calculation of retirement benefit payments made on or after August 31, 2020, to **VCERA** members who retired on or after January 1, 2013.”

DISCUSSION

*4 [1] Appellants contend the trial court erred in interpreting **subdivision (b)(2) of section 31461** as applied to legacy members—employees who began their employment before PEPRAs effective date. They argue that nothing in the statute's plain text or legislative history required the Board to exclude leave cashouts exceeding employees' calendar year allowance for leave cashouts from retirement benefit calculations. We conclude the trial court did not err.

[2] [3] [4] [5] [6] The trial court's interpretation of a statute is a question of law that we review de novo. (*R & P Capital Resources, Inc. v. California State Lottery* (1995) 31 Cal.App.4th 1033, 1036, 37 Cal.Rptr.2d 436.) When interpreting a statute, “our fundamental task is to ascertain the

Legislature's intent to effectuate the purpose of the statute. [Citation.] We begin by examining the statutory language, giving terms their plain, ordinary meaning. If the language is ambiguous, we may look to extrinsic sources, including legislative history. We select the construction that comports most closely with the intent of the Legislature, with a view of promoting, rather than defeating, the general purpose of the statute, and avoiding an interpretation that would lead to absurd results.” (*Fair Education Santa Barbara v. Santa Barbara Unified School Dist.* (2021) 72 Cal.App.5th 884, 898, 287 Cal.Rptr.3d 641.)

In upholding the PEPRA exclusions, including section 31461, subdivision (b)(2), our Supreme Court in *Alameda* examined the legislative intent behind PEPRA and its amendments to CERL. (*Alameda, supra*, 9 Cal.5th at pp. 1059-1063, 266 Cal.Rptr.3d 381, 470 P.3d 85.) The court observed that a bill analysis of the “pre-PEPRA version of Assembly Bill 340 explained that the purpose of these changes was to circumscribe CERL's ‘very broad and general definition of “compensation earnable” ’ in order to reduce pension ‘ “spik[ing],” ’ the manipulation of an employee's pattern of work and pay to produce inflated compensation earnable during the final compensation period.” (*Id.* at p. 1061, 266 Cal.Rptr.3d 381, 470 P.3d 85.) Moreover, the court noted that a review of the PEPRA exclusions “demonstrates that the Legislature sought to limit pension spiking by eliminating practices that, while arguably permitted under the broad language of the preexisting definition, are inconsistent with the statute's overall concept of compensation earnable.” (*Ibid.*)

In analyzing subdivision (b)(2) and (4) of section 31461, *Alameda* observed that in **counties** where an employee is permitted to cash out leave time, “compensation for cashed out leave time becomes ‘compensation’ for purposes of section 31460 in the year in which the cash value is received, which need not be the year in which the surrendered time was earned. This can lead to a distortion of the pension calculation when leave time awarded in a prior year is cashed out during the final compensation period, since this has the effect of adding remuneration for a prior year's service to the compensation received for service during the final compensation period. A similar problem arises with payments made upon termination of employment, excluded by section 31461, subdivision (b)(4), because such payments are generally also compensation for the surrender of accrued leave time. By limiting the amount of ‘cash out’ and termination pay that can be included in compensation earnable to the value of leave time ‘earned and payable in each 12-month period during the final average salary period’ [citation], the Legislature appears to have intended to prevent retiring employees from, in effect, including remuneration earned during prior years in the final compensation calculation.” (*Alameda, supra*, 9 Cal.5th at p. 1062, 266 Cal.Rptr.3d 381, 470 P.3d 85.)

*5 *Alameda* also noted that “[p]rior to PEPRA's amendment, even in **counties** that limited the amount of leave time that could be cashed out in a calendar year, employees were able to double the amount of cashed out leave time received during a final compensation year by designating a final compensation year that

straddles two calendar years By cashing out leave time in the **second** half of the prior calendar year and the first half of the subsequent calendar year, a retiring employee could double the amount of cashed out leave time received in the final compensation year. *By limiting the inclusion of cashed out leave time to that 'earned and payable' in a '12-month period,' subdivision (b)(2) and (4) prevent this practice.*" (*Alameda, supra*, 9 Cal.5th at pp. 1062-1063, 266 Cal.Rptr.3d 381, 470 P.3d 85, italics added.)

The Supreme Court clarified that although there was nothing "inherently abusive" about cashing out unused leave time outside the context of pension benefit calculations, "the pre-PEPRA definition of compensation earnable allowed an employee to considerably increase his or her pension benefit by ... accumulating and cashing out a large quantity of unused leave time during the final compensation period. Because such enhancements are arguably inconsistent with the underlying concept of compensation earnable, which is intended to reflect pay for work ordinarily performed during the course of a year, these types of enhancement have been characterized as pension spiking." (*Alameda, supra*, 9 Cal.5th at p. 1063, 266 Cal.Rptr.3d 381, 470 P.3d 85.)

We follow the Supreme Court's analysis of subdivision (b)(2) and (4) to conclude that amended [section 31461](#) requires exclusion of compensation for leave cashouts that exceed the one (or three) calendar year's limits for such cashouts for purposes of calculating legacy members' retirement benefits. Designating a 12- or 36-month final average compensation

period that straddles multiple years to receive compensation for leave cashouts greater than the amount a member could receive in one or three calendar years, respectively, is the type of manipulation that the PEPRA exclusions sought to eradicate. (See *Alameda, supra*, 9 Cal.5th at pp. 1062-1063, 266 Cal.Rptr.3d 381, 470 P.3d 85.)

[7] Appellants argue that our high court's statements in *Alameda* regarding the legislative intent behind the PEPRA exclusions are dicta. But when the Supreme Court has reached well beyond the holding necessary to its opinion to express its broader view, as it did in *Alameda*, dicta from the high court should be followed. (📄 *Aviles-Rodriguez v. Los Angeles Community College Dist.* (2017) 14 Cal.App.5th 981, 990, 222 Cal.Rptr.3d 444.) In our view, the high court's statements in *Alameda* are persuasive. We thus reject Appellants' argument that the Supreme Court's analysis regarding [section 31461, subdivision \(b\)\(2\)](#) was dicta.

Appellants contend the plain language of [section 31461, subdivision \(b\)](#) makes no mention of a "calendar year" and thus does not limit leave cashouts to what is earned and payable in a "calendar year." But in our view, subdivision (b)(2)'s limitation of leave cashouts "in an amount that exceeds that which may be earned and payable in each 12-month period during the final average salary period" is ambiguous. The final average compensation period may or may not be based on a calendar year. This ambiguity is highlighted where, as here, an employer places calendar year limitations on leave cashouts. Where there is ambiguity, we look to extrinsic sources such as legislative history. As the

Alameda court observed, the legislative history reveals the PEPRA exclusions were intended to eliminate pension spiking by “excluding income designed to artificially inflate a pension benefit” and “limiting the inclusion of other types of compensation that were reasonably viewed as inconsistent with CERL's general approach to pensionable compensation.” (See *Alameda, supra*, 9 Cal.5th at p. 1102, 266 Cal.Rptr.3d 381, 470 P.3d 85.)

*6 We must interpret section 31461, subdivision (b), to effectuate the Legislature's intent of eliminating pension spiking. Thus, we interpret this statute to comport with the “underlying concept of compensation earnable, which is intended to reflect pay for work ordinarily performed during the course of a year.” (*Alameda, supra*, 9 Cal.5th at p. 1063, 266 Cal.Rptr.3d 381, 470 P.3d 85.) A member's compensation earnable during the final compensation period is meant to reflect the *average* pay the retiring employee received. (*Id.* at p. 1058, 266 Cal.Rptr.3d 381, 470 P.3d 85.) And, an employee's average pay during this compensation period includes payment for leave cashouts *that is subject to annual limitations*. Allowing members to avoid annual leave cashout limitations by designating a straddled final average compensation period does not comport with the concept of compensation earnable and is inconsistent with the legislative intent behind the PEPRA exclusions.

[8] While we appreciate the impact of the Board's resolution on members' retirement allowances, we nonetheless conclude the Board was required to comply with section 31461, subdivision (b) and *Alameda* and exclude compensation for unused leave exceeding their calendar year allowances. “The task of a **county** retirement board is not to design the **county's** pension plan but to implement the design enacted by the Legislature through CERL.” (*Alameda, supra*, 9 Cal.5th at pp. 1066-1067, 266 Cal.Rptr.3d 381, 470 P.3d 85.) The Board had no authority here to “adopt or act on an interpretation [of CERL's provisions] that is inconsistent with those provisions.” (*Id.* at p. 1067, 266 Cal.Rptr.3d 381, 470 P.3d 85.)⁵

DISPOSITION

The judgment is affirmed. Respondent shall recover costs on appeal.

We concur:

GILBERT, P. J.

CODY, J.

All Citations

--- Cal.Rptr.3d ----, 2024 WL 193165

Footnotes

- 1 We granted the Retired Employees' Association of **Ventura County**, Inc., Regina (Renee) Artman, Scott Barash, Lyn Krieger, Mark Lunn, Roberto R. Orellana, Tracey Frances Pirie, Marty Robinson, and Chris Stephens's application to file an amicus curiae brief in support of Appellants.
- 2 Further unspecified statutory references are to the Government Code.
- 3 Final compensation for “new members” who joined the retirement system on or after January 1, 2013, are governed by different statutes (§§ 7522.32, § 7522.34). The calculation of their retirement benefits is not at issue here.
- 4 **VCERA** alleged a **second** cause of action for declaratory relief with respect to other provisions in the Resolution. This **second** cause of action is not at issue in this action nor are the other provisions in the Resolution.
- 5 Appellants do not challenge the trial court's resolution of the **second** issue—whether **VCERA** can exclude from compensation earnable leave cashouts that exceed annual cashout limitations for members who retired on or after January 1, 2013, PEPRA's effective date. Accordingly, we will not address this issue or disturb the trial court's ruling on this issue. (¶ *Golden Door Properties, LLC v. County of San Diego* (2020) 50 Cal.App.5th 467, 555, 264 Cal.Rptr.3d 309 [issues not raised in appellant's opening brief are deemed waived].)