SCERA

Sonoma County Employees' Retirement Association 2021

(A Pension Trust Fund for The County of Sonoma, Santa Rosa, California)

Annual Comprehensive Financial Report For the Year Ended December 31, 2021

Annual Comprehensive Financial Report

For the year ended December 31, 2021

Sonoma County Employees' Retirement Association

A Pension Trust Fund for the County of Sonoma

ISSUED BY

JULIE WYNE
CHIEF EXECUTIVE OFFICER

CHERYL ENOLD
FINANCE AND RETIREE SERVICES MANAGER

JAMES FAILOR
CHIEF INVESTMENT OFFICER

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Santa Rosa, California 95403
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SCERA

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Cover: Designed by Valdemar Galvan

SCERA

Introductory Section

Sonoma County Employees' Retirement Association
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Julie Wyne
Chief Executive Officer

June 8, 2022

Sonoma County Employees' Retirement Association
Board of Retirement
Santa Rosa, California

Dear Board Members:

As the Chief Executive Officer (CEO) of the Sonoma County Employees' Retirement Association (the System or SCERA), I am pleased to present this Annual Comprehensive Financial Report (ACFR) for the year ended December 31, 2021.

The Sonoma County Employees' Retirement Association is a public employee defined benefit retirement system that was established by the County of Sonoma on January 1, 1946. SCERA is administered by the Board of Retirement (Board) to provide retirement, disability, and survivor benefits for its members under the California State Government Code, Section 31450 et seq. (County Employees Retirement Law of 1937 "CERL") and Section 7522 et seq. the California Public Employees' Pension Reform Act of 2013 (PEPRA). SCERA provides pension and survivor benefits to the safety and general members employed by Sonoma County and five other participating employers as listed below:

Sonoma County Water Agency (Water Agency)
Sonoma Valley Fire District
Community Development Commission
Sonoma County Transportation Authority (Transportation Authority)
Superior Court of California – County of Sonoma (Superior Court)

Responsibility for the accuracy of the data, along with the completeness and fairness of the information presented in this Annual Comprehensive Financial Report, rests with SCERA's management. To the best of our knowledge, the enclosed data is accurate in all material respects and is reported in a manner designed to fairly present both SCERA's financial position and operating results.

Introductory Section

SCERA is governed by the California Constitution, the CERL, PEPRA, and the bylaws, regulations, resolutions, policies and procedures adopted by the Board. The Sonoma County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect benefits of SCERA members. SCERA operates its plan in conformance with Internal Revenue Service rules and regulations.

The SCERA Board is responsible for establishing policies governing the administration of the retirement plan, setting actuarial funding policies, making benefit determinations and managing the investment of the System's assets. The day-to-day management of SCERA is delegated to a CEO appointed by the Board and employed directly by the System.

The SCERA Board is a nine member Board, four of whom are appointed by the Sonoma County Board of Supervisors, four of whom are elected by SCERA's membership, and the Sonoma County Treasurer. In addition, the SCERA Board has an Alternate Retired Board Member position. Board members, with the exception of the Sonoma County Treasurer, serve three-year terms of office with no term limits. The Sonoma County Treasurer serves in an ex-officio capacity as a function of the office of Treasurer.

Financial Information

Brown Armstrong Accountancy Corporation provides financial statement independent audit services to SCERA. The independent audit, for the plan year ending December 31, 2021, states that SCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP), are free of material misstatement and sufficient internal accounting controls exist to provide safekeeping of assets and fair presentation of the financial statements and supporting schedules. SCERA recognizes that even sound internal controls have inherent limitations. We believe that SCERA's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

GAAP requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This Letter of Transmittal complements the information in the MD&A and should be read in conjunction with it. The MD&A can be found on pages 15 through 20.

Actuarial Funding Status

SCERA's funding objective is to meet benefit promises by achieving long-term full funding of the cost of benefits, seeking reasonable and equitable allocation of those costs, minimizing volatility of contributions where possible and consistent with other policy goals, and obtaining optimum returns consistent with the assumption of prudent risk. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the level of investment potential.

Pursuant to provisions in the County Employees Retirement Law of 1937, SCERA engages Segal, an independent actuarial firm, to perform actuarial valuations of the System annually. As of this latest actuarial valuation as of December 31, 2021, the funding status (the ratio of Valuation Value of Assets to Actuarial Accrued Liabilities) is 92.9%.

Additionally, every three years, a triennial experience study is completed, comparing the System's experience over the prior three years to the System's assumptions. The economic and non-economic assumptions are updated at the time each triennial valuation is performed and the updated assumptions are used in the annual valuation, which serves as the basis for changes in member and employer contribution rates necessary to properly fund the System. In advance of each triennial experience study, the System procures an asset liability modeling study conducted by its investment consultant, Aon. This study, and any resulting asset allocation changes, helps SCERA's actuary in the development of the System's investment return assumption recommendation.

The most recent triennial experience study was completed by Segal in 2021 and performed on data for the period of January 1, 2018 through December 31, 2020. The resulting assumption changes were applied in the December 31, 2021 valuation for the plan year beginning January 1, 2022.

Investments

The Board has exclusive control of all investments of the System and is responsible for the establishment of investment objectives, strategies, and policies. The Board is authorized to invest in any form or type of investment deemed prudent in the informed opinion of the Board. Members of the Board serve in a fiduciary capacity in discharging their duties with respect to SCERA and the investment portfolio and are bound to act in the best interests of the plan participants when making investment decisions. The assets of SCERA are exclusively managed by external professional investment management firms (a listing of all investment professionals who provide services to SCERA can be found on page 10 of this report).

The investment staff closely monitors the activity of these managers and assists the Board with implementation of investment policies and long-term investment strategies. The Investment Policy Statement establishes the investment program goals, risk philosophy, asset allocation policies, performance objectives, investment management policies and risk controls. A summary of the asset allocation can be found in the Investment Section of this report.

Investments (continued)

For the year ended December 31, 2021, the SCERA investment portfolio experienced a return of 18.6% compared to a return of 8.6% for the year ended December 31, 2020. The SCERA fund annualized rates of return over the last 3, 5, 10 and 20-year periods, were 14.6%, 11.2%, 10.8% and 7.8%, respectively.

Service Efforts and Accomplishments

Operations

Personnel changes in our small staff have been at the forefront during the year, with the retirement of the Assistant CEO, the Retiree and Financial Services Manager and the announced 2022 retirement of the Senior Investment Officer. The Board approved a combination of positions to create an Assistant CEO/Chief Legal Counsel position which was successfully recruited. The new position was filled in early 2022. We also successfully recruited for a Finance and Retiree Manager and will begin recruitment for an Investment Officer in mid-2022.

SCERA received its Actuarial Experience Study and adopted new assumptions in several areas, with the lowering of the investment return assumption to 6.75% the lowering of the inflation assumption to 2.50% and the lowering of the annual salary growth assumption to 3.0%. Among other assumption changes, SCERA adopted amount-weighted mortality tables to be used in conjunction with the generational mortality improvement scales during with the last Experience Study. The amount-weighted scaled correlates mortality improvements with benefit amounts being paid under the assumption that the more benefit a retiree or beneficiary is receiving the more likely that retiree or beneficiary will receive better medical care and therefore potentially live longer.

The Board conducted its public meetings in a hybrid manner in accordance with the California State of Emergency declared on March 4, 2020 and Resolution #156 adopted by the SCERA Board. The order allows Trustees to appear by teleconference with relaxed Brown Act requirements regarding the inclusion of the address they are attending from listed on the agenda, the necessity for that location to be ADA compliant and the posting of the agenda in a public place near the location they are attending from at least 72 hours prior to the meeting.

Budget

The Board approves SCERA's annual budget. The CERL limits SCERA's annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting service ("IT costs"), to twenty-one hundredths of one percent (0.21%) of the System's actuarial accrued liability. SCERA's administrative expenses have historically been far below this limitation. In 2021, SCERA's administrative expense, excluding IT costs of $0.2 million, totaled $2.6 million and was 0.08% of SCERA's actuarial accrued liability.

Governance

SCERA's Strategic Plan covers a five year period from 2018 through 2022, and in line with its strategic goals SCERA adopted an annual Business Plan. SCERA's Business Plan highlights the routine actions that staff performs each year and indicates how these actions keep SCERA in line with its strategic goals. Projects above and beyond routine actions, like the annual investment plan, are highlighted in the Business Plan. It is important to recognize the daily work that keeps SCERA's operations running, in addition to highlighting special projects. By doing so, SCERA is providing a more comprehensive view of the strategic work that staff is performing annually.

SCERA discussed the status of its reserves, pursuant to the Cost of Living Adjustment (COLA) policy, and communicated to the Sonoma County Administrator and Sonoma County Association of Retired Employees' Board President the inability to recommend a COLA based upon the insufficiency of the reserves, the loss of purchasing power since the last COLA was granted, and the cost of a COLA should one be able to be granted. In addition, the Board received education on SCERA's negative contingency reserve and how it interacts with the Board's ability to recommend a COLA to the Board of Supervisors. Trustees indicated a desire to study the issue further in 2022.

Retirement Board

2021 saw the reelection of Brian Williams to the Safety Member position for the term beginning January 1, 2022, and the election of Amos Eaton to the General Member position, replacing Trustee Christel Querijero mid-term for the term beginning January 1, 2021. Robert Williamson was reappointed to the Board by the Sonoma County Board of Supervisors for the term beginning January 1, 2022 and Sonoma County Board of Supervisor Member Chris Coursey was appointed for the term beginning January 1, 2022. We are very pleased with the election and appointment of these Trustees and greatly appreciate the continuity of our Board. The Board officers consist of Brian Williams, Chair, and Robert Williamson, Vice Chair, and our Investment Committee officers consist of Greg Jahn, Chair, and Erick Roeser, Vice Chair.

Certificates of Achievement

These awards recognize contributions to the practice of government finance exemplifying outstanding financial management. In doing so, they stress practical, documented work that offers leadership to the profession.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SCERA for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2020. In order to be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is the twenty second consecutive year that a Certificate of Achievement has been received for the SCERA Annual Comprehensive Financial Report.

SCERA received from the GFOA an Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2020. The PAFR is sent to all SCERA members and includes highlights of the Annual Comprehensive Financial Report. This was the seventeenth year the PAFR was submitted to the GFOA and we are very pleased that the PAFR again received the Certificate of Achievement.

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to SCERA in recognition of compliance with professional standards for plan funding and administration for 2020. This is the sixth year SCERA participated in and received an award from the PPCC program which judges a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments and Communications.

Acknowledgements

The compilation of this report reflects the combined and dedicated effort of SCERA's staff under the leadership of the Board of Retirement. The pandemic caused SCERA to shift its thinking to accommodate shelter in place orders and safety protocols in the office. As has always been the case, SCERA staff and the Board kept SCERA operations running smoothly. I am very proud of the dedication shown by each member of the SCERA team, and our advisors, to continue to serve our members, invest plan assets, participate in public meetings and perform all the necessary tasks to keep this system running smoothly. I am honored to be part of such an excellent organization.

Respectfully submitted,

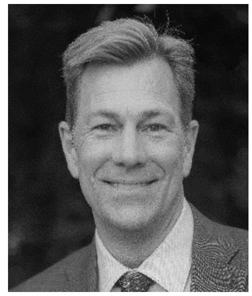
Julie Wyne
Chief Executive Officer

Members of the Board of Retirement

As of December 31, 2021

Chair
Brian Williams

Elected by Safety Members.
Present term expires
December 31, 2021

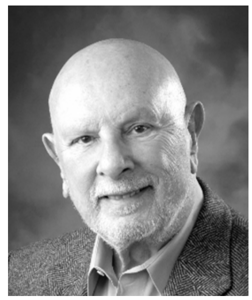


Trustee
Erick Roeser

Auditor/Controller/
Treasurer/Tax Collector
Ex-Officio Trustee

Trustee
Travis Balzarini

Elected by General Members.
Present term expires
December 31, 2022



Trustee
Joe Tambe

Appointed by Board of Supervisors.
Present term expires
December 31, 2023

Trustee
Amos Eaton

Elected by General Members.
Present term expires
December 31, 2023

Trustee
Tim Tuscany

Elected by Retiree Members.
Present term expires
December 31, 2023

Trustee
Susan Gorin

Appointed by Board of Supervisors.
Present term expires
December 31, 2021

Trustee
Robert Williamson

Appointed by Board of Supervisors.
Present term expires
December 31, 2022

Trustee
Greg Jahn

Appointed by Board of Supervisors.
Present term expires
December 31, 2023

Alternate Trustee
Neil Baker

Elected by Retiree Members.
Present term expires
December 31, 2023

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sonoma County Employees' Retirement Association

California

For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

December 31, 2020

Christopher P. Morrill

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2020

Presented to

Sonoma County Employees' Retirement Association

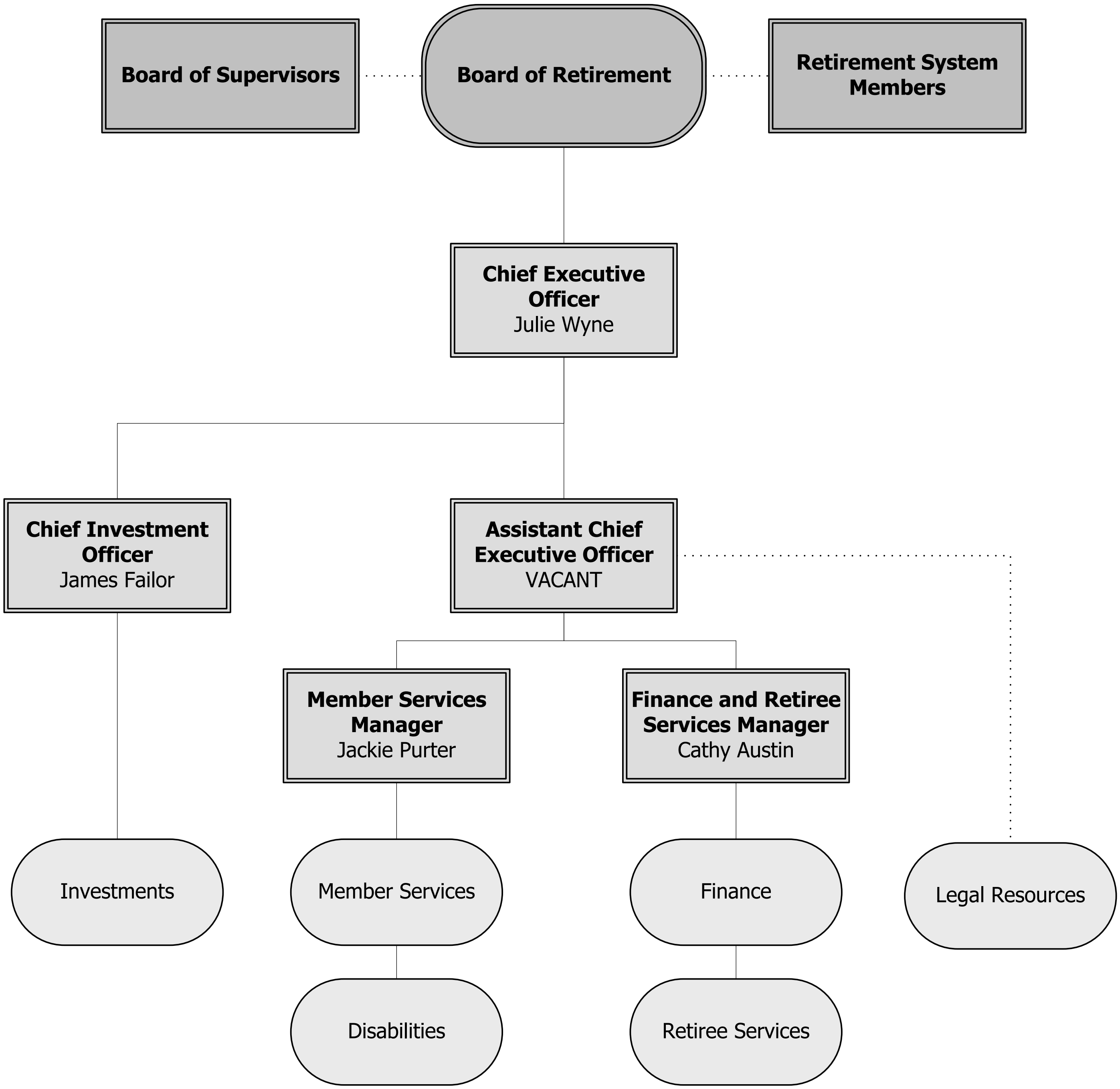
In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

Administrative Organization Chart



See page 10 for consulting services and investment managers and pages 58 and 59 for schedules of management fees and commissions.

List of Professional Consultants
as of December 31, 2021

Consulting Services

Actuary
Segal

Auditors
Brown Armstrong Accountancy Corporation

Investment Custodians
State Street, Inc.

Data Processing
Information Systems, County of Sonoma
Levi, Ray and Shoup

Investment Consultants
Aon Hewitt Investment Consulting, Inc. (Aon)

Legal Counsel
County Counsel, County of Sonoma
Ice Miller, LLP
Mayer Brown LLP
Nossaman, LLP

Investment Managers

Fixed Income
DoubleLine Capital LP
Guggenheim Partners Investment Management LLC
Pacific Investment Management Company (PIMCO)
Reams Asset Management Company

Broad Mandate US Equity
Jacobs Levy

Large Cap US Equity
State Street Global Advisors Index Strategy

Small Cap US Equity
Systematic Financial Management

Non-US Equity
Arrowstreet International Equity Fund
State Street Global Advisors Index Strategy

Global Equity
Dodge and Cox
State Street Global Advisors Index Strategy
State Street Global Advisors Interim Index Strategy

Real Assets
Axium Infrastructure North America Fund
IFM Global Infrastructure Fund
J.P. Morgan Strategic Property Fund
UBS AgriVest Farmland Fund
UBS Trumbull Property Fund

Opportunistic
Davidson Kempner Special Opportunity Fund

Overlays
Parametric – Cash & Equity Overlays

Financial Section

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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661-324-4971

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the
Sonoma County Employees' Retirement Association
Santa Rosa, California

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Statement of Fiduciary Net Position of the Sonoma County Employees' Retirement Association (SCERA), a pension trust fund of the County of Sonoma, as of December 31, 2021, and the related Statement of Changes in Fiduciary Net Position for the year then ended and the related notes to the financial statements, which collectively comprise SCERA's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of SCERA as of December 31, 2021, and the changes in 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 SCERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

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FRESNO
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559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95219
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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

Auditor's Responsibilities for the Audit of the 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 SCERA'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 SCERA'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 (MD&A) and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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 MD&A and RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SCERA's basic financial statements. The supplementary information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the supplementary information as listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial 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 opinions 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.

Report on Summarized Comparative Information

We have previously audited SCERA's December 31, 2020, financial statements, and our report dated May 27, 2021, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 8, 2022, on our consideration of SCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCERA'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 SCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
June 8, 2022

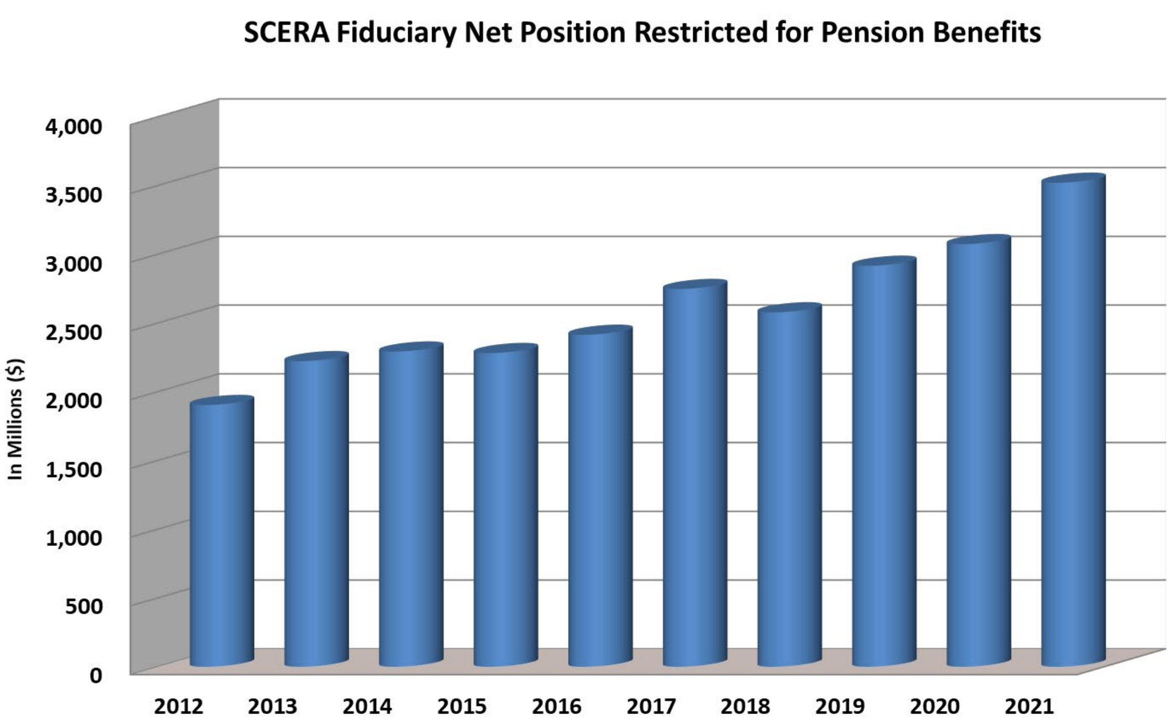
SCERA
Sonoma County Employees' Retirement Association
433 Aviation Boulevard, Suite 100, Santa Rosa, CA 95403
Tel: (707) 565-8100 / Fax: (707) 565-8102 / www.scretire.org

Introduction

Management is pleased to provide this discussion and analysis (MD&A) of the financial activities of the Sonoma County Employees' Retirement Association (the System, The Plan, or SCERA) for the year ended December 31, 2021. Readers are encouraged to consider the information presented here in conjunction with the information included in the Letter of Transmittal found in the Introductory Section on page 2 of this Annual Comprehensive Financial Report (ACFR).

Financial Highlights

- SCERA's fiduciary net position as of December 31, 2021 is $3,521 million. This amount reflects an increase of 15% in fiduciary net position during 2021, primarily as a result of a net investment income of $522 million.
- SCERA's funding objective is to meet the long-term benefit obligations through contributions and investment income. As of December 31, 2021, the date of our last actuarial valuation, the actuarial funding ratio for SCERA was 92.9%. The funding ratio is computed by the actuary and uses the actuarial value of assets that incorporate smoothing of investment returns over a five-year period. If the fair value of Fiduciary Net Position were used as of December 31, 2021, the funded ratio for SCERA would be approximately 101.8%.
- Revenues (additions to net position) for the year were $646 million. This was comprised of $75 million of employer contributions, $49 million of member contributions, and investment income of $522 million.
- Expenses (deductions in net position) for the year were $199 million, an increase of $5 million (3%) over the prior year. The majority of the increase in expenses came from a $5 million (3%) increase in pension benefit payments and refunds of contributions.



Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to SCERA's financial statements, which are comprised of the following components:

- Statement of Fiduciary Net Position (page 22)
- Statement of Changes in Fiduciary Net Position (page 23)
- Notes to the Financial Statements (pages 24 through 41)

The Statement of Fiduciary Net Position is a snapshot of account balances at year-end. It indicates the assets available for future payments to retirees and any current liabilities owed at this time.

The Statement of Changes in Fiduciary Net Position provides a view of the current year additions to and deductions from the System. This statement covers the activity over a one-year period.

These statements are in compliance with various pronouncements of the Governmental Accounting Standards Board (GASB) in accordance with Generally Accepted Accounting Principles (GAAP).

These pronouncements require certain disclosures and also require the state and local governments to report using the full accrual method of accounting. SCERA complies with all material, applicable aspects of these pronouncements.

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position report information about SCERA's activities. These statements include all assets and liabilities, using the full accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when the cash is received or paid. All investment gains and losses are shown at trade date, not settlement date. In addition, both realized and unrealized gains and losses are shown on investments. All capital assets are depreciated over their useful lives.

Over time, increases and decreases in SCERA's fiduciary net position are one indicator of whether its financial health is improving or deteriorating. There are other factors that should also be considered in measuring SCERA's overall financial health.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. Please note that this report also contains required supplementary information and other supplementary information in addition to the basic financial statements themselves.

Summary of Fiduciary Net Position

As of December 31,

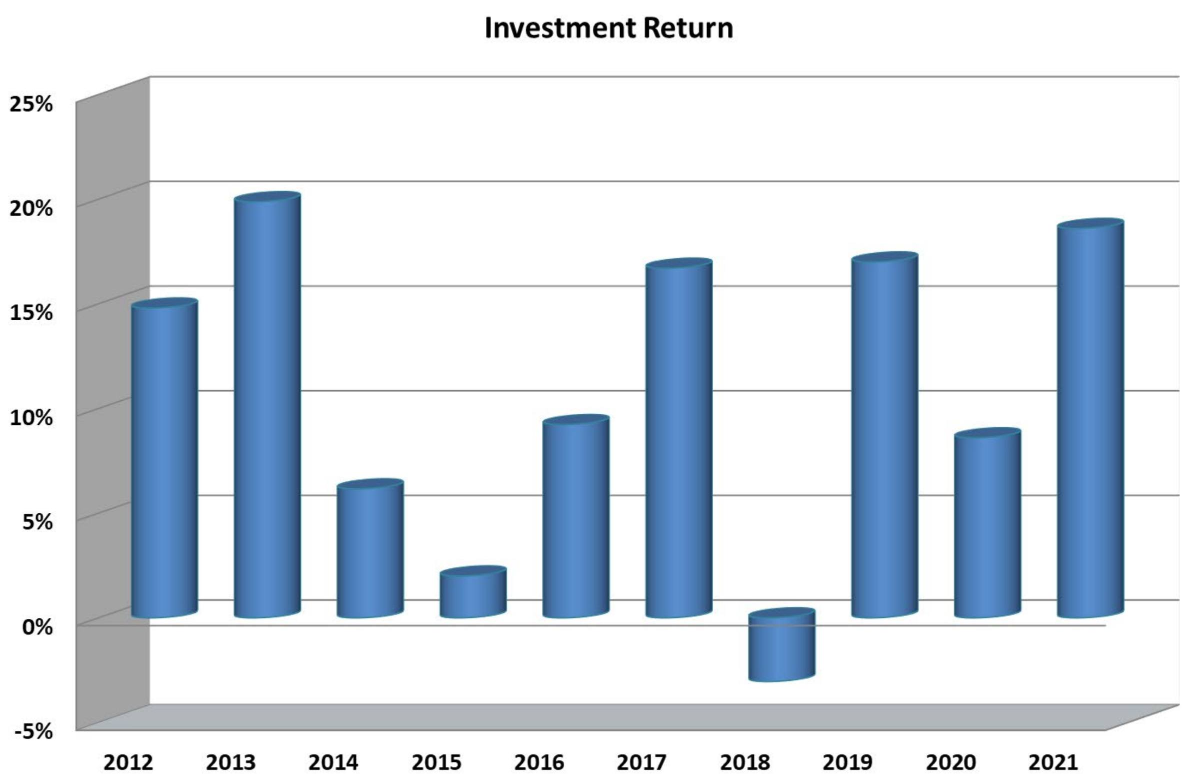
(Dollars in Thousands)	2021	2020	Increase (Decrease) Amount	% Change
Cash and Short-Term Investments	$ 186,729	$ 141,308	$ 45,421	32%
Receivables	71,405	77,339	(5,934)	(8)%
Investments	3,427,149	3,019,883	407,266	13%
Securities Lending Collateral	80,415	81,408	(993)	(1)%
Prepaid Expense	77	69	8	12%
Capital Assets, net	1,892	1,979	(87)	(4)%
Total Assets	3,767,667	3,321,986	445,681	13%
Accounts Payable	3,667	2,811	856	13%
Security Purchases Payable	101,596	109,200	(7,604)	(7)%
Collateral Held for Securities Lent	80,415	81,408	(993)	(1)%
Unearned Revenue	60,628	54,892	5,736	10%
Total Liabilities	246,306	248,311	(2,005)	(1)%
Fiduciary Net Position Restricted for Pension Benefits	$ 3,521,361	$ 3,073,675	$ 447,686	15%

The Retirement Fund as a Whole

SCERA's fiduciary net position increased 15% in 2021 reflecting investment returns of 18.6%, combined with pension benefit and refund payment increases of 3%. However, as you can see from the ten-year investment return graph below, investment returns can vary significantly from year to year. SCERA maintains a diversified investment portfolio and asset allocation that is structured to meet the long-term funding requirements of the System. Reflective of variations in the investment markets, the five, ten, and twenty-year returns are 11.2%, 10.8% and 7.8%, respectively. This illustrates the importance of a long-term investment strategy incorporating structured diversification and a balanced investment portfolio. SCERA Management and Actuary concur that SCERA remains in a financial position that will enable the System to meet its obligations to participants and beneficiaries. The current financial position results from a strong and successful investment program, risk management and strategic planning.

Investment Analysis

Investment returns, gross of fees, were good in 2021 with a gain of 18.6%. The returns were strong in 2020 with a gain of 8.6% at the total portfolio level. SCERA's target asset allocation includes 21.5% US equities, 21.5% international equities, 18% global equities, 16% fixed income, 20% real assets and up to 3% in cash and overlay investments. SCERA's asset allocation is set based on a comprehensive investment policy. SCERA's equity returns were 24.1%, 18.8% and 13.7% for the one, three and five-year periods ended December 31, 2021, respectively. SCERA's returns for fixed income over these same periods were 0.6%, 5.5% and 4.5%, respectively. Real assets produced returns of 20.4%, 8.9% and 8.4%, respectively, for the same one, three, and five-year periods. For additional information on SCERA investments see the Investment Section (pages 50 through 62).



Summary of Reserves
As of December 31,

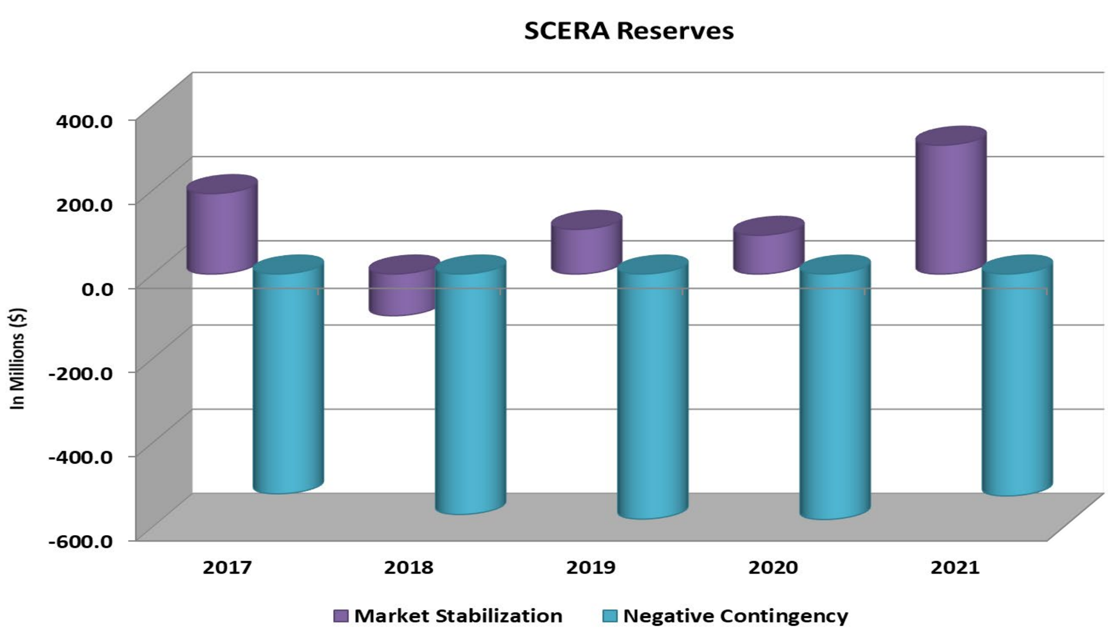
(Dollars in Thousands)	2021	2020	2019
Member Reserve	$ 600,996	$ 603,510	$ 593,656
Employer Reserve	997,870	944,942	835,234
Annuitant Reserve	2,116,287	1,986,462	1,930,871
Cost of Living Reserve-Current	27,917	29,808	32,193
Interest Fluctuation Reserve	-	-	-
Market Stabilization Reserve	305,856	91,988	105,598
Negative Contingency Reserve	(527,565)	(583,035)	(580,662)
Total	$ 3,521,361	$ 3,073,675	$ 2,916,890

Reserves

SCERA's reserves are established from contributions and the accumulation of investment income after satisfying investment and administrative expenses. They are not required by GAAP, but they equate to the fiduciary net position restricted for pension benefits. Under GAAP, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses in the current period. SCERA has adopted a five-year smoothing methodology for investment gains and losses. As a result, investment gains and losses are held in the Market Stabilization Reserve account and recognized over a five-year period. This has the effect of smoothing both positive and negative fluctuations in investment performance versus assumptions and has a stabilizing effect on contribution rates.

An understanding of the smoothing methodology is an essential part of measuring SCERA's overall financial health.

Investment returns were 18.6% in 2021, which is better than the assumed rate of 7.0%. The 2021 results were included in 5-year smoothing bringing the Market Stabilization Reserve to a positive $305.9 million as of December 31, 2021. The Market Stabilization Reserve can vary widely from year to year as noted in this summary of reserves over the past three years. The fluctuation from year to year is due to investment performance versus the actuarial assumed rate-of-return and the five-year recognition of prior investment experience.



Summary of Changes in Fiduciary Net Position

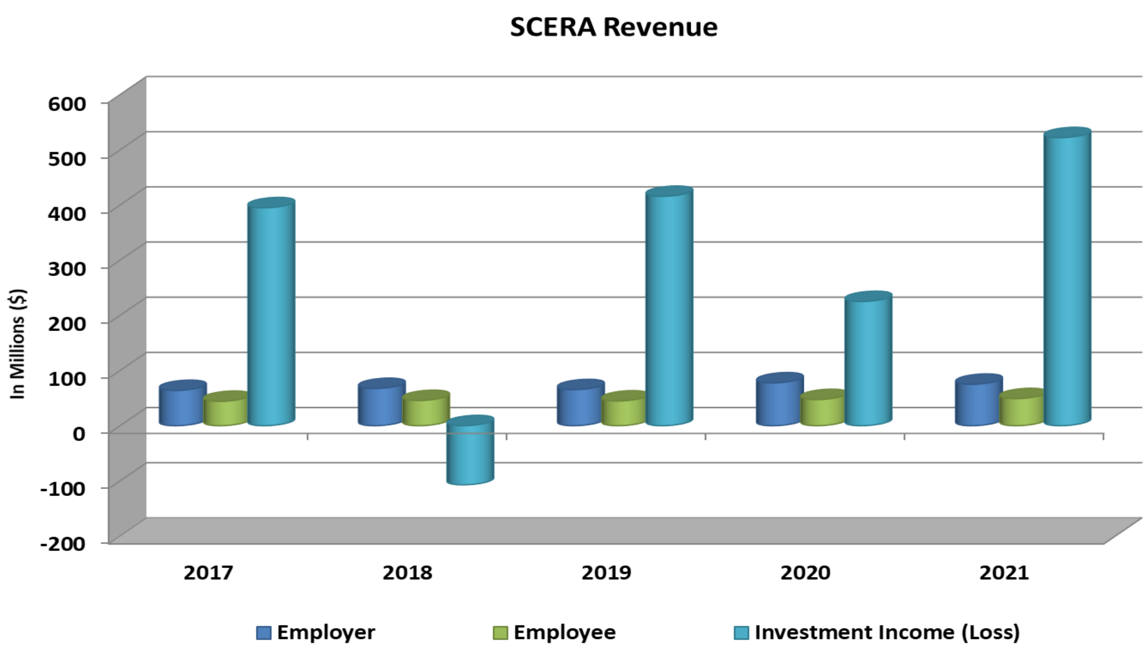
For the Year Ended December 31,

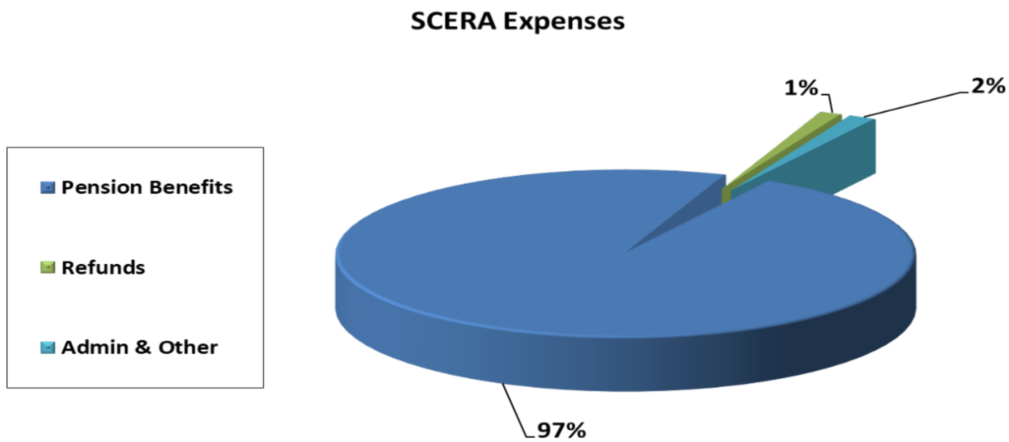
(Dollars in Thousands)	2021	2020	Increase (Decrease) Amount	% Change
Additions				
Employer Contributions	$ 74,953	$ 77,506	$ (2,553)	(3)%
Member Contributions	49,056	47,364	1,692	3%
Net Investment Income	522,116	224,854	297,263	132%
Net Securities Lending Income	122	186	(64)	(34)%
Total Additions	646,247	349,910	296,337	85%
Deductions				
Pension Benefits	193,130	185,982	7,148	4%
Refunds of Contributions	2,376	4,111	(1,735)	(42)%
Administrative and Other Expenses	3,055	3,032	23	1%
Total Deductions	198,561	193,125	5,436	3%
Change in Fiduciary Net Position	447,686	156,785	290,901	185%
Fiduciary Net Position, Beginning of Year	3,073,675	2,916,890	156,785	5%
Fiduciary Net Position, End of Year	$ 3,521,361	$ 3,073,675	$ 447,686	15%

Revenues (Additions to Net Position)

The sources to finance the benefits SCERA provides to its members are accumulated through income on investments and through the collection of employee and employer contributions. These income sources for the fiscal year ended December 31, 2021 totaled $646 million. Revenues in 2021 can be attributed primarily to positive investment earnings as well as both employer and employee contributions.

Good investment income in 2021 was the result of strong equity and fixed income returns. The 2021 return on investments was a positive 18.6%, which followed the strong returns of 8.6% in 2020. The total balance of investment assets (less collateral held for securities on loan) increased from approximately $3,020 million in 2020 to $3,427 million in 2021.





Expenses (Deductions in Net Position)

The primary uses of SCERA assets are the payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated employees, and the cost of administering the System. These expenses for the fiscal year ended December 31, 2021 were $198.5 million, an increase of $5.4 million, or 3%, compared to expenses of $193.1 million for the year ended December 31, 2020. Pension benefits and refunds increased 3% due to an increasing number of retirees and withdrawals in 2021. Administrative and other expenses decreased by 1% in 2021, made up in large part of a decrease in both actuarial and legal expenses.

Fiduciary Responsibility

SCERA's Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution and California state law, the assets can only be used for the exclusive benefit of plan participants and their beneficiaries, and to defray the administrative and investment expenses of administering the System.

Requests for Information

The financial report is designed to provide the Retirement Board, our membership, taxpayers, investment managers and creditors with a general overview of SCERA finances and to account for the money it receives. Questions concerning any of the information in this report or requests for additional financial information should be addressed to:

SCERA
433 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403

Respectfully submitted,

Cheryl A. Enold, CPA
Finance and Retiree Services Manager

SCERA

Statement of Fiduciary Net Position

As of December 31,

(Dollars in Thousands)	2021	2020
Assets		
Cash and Short-term Investments (Note D)	$ 186,729	$ 141,308
Receivables		
Employer Contributions	2,849	2,703
Interest and Dividends	5,576	5,034
Securities Sold	62,980	69,602
Total Receivables	71,405	77,339
Investments at Fair Value (Note E)		
Fixed Income	582,702	504,235
Equities	2,134,078	1,756,950
Real Assets	664,599	553,860
Asset Allocation	-	151,334
Opportunistic	45,770	53,504
Collateral Held for Securities Lent (Note F)	80,415	81,408
Total Investments	3,507,564	3,101,291
Prepaid Expense	77	69
Capital Assets Net of Depreciation (Note I)	1,892	1,979
Total Assets	3,767,667	3,321,986
Liabilities		
Accounts Payable (Note J)	3,667	2,811
Security Purchases Payable	101,596	109,200
Collateral Held for Securities Lent (Note F)	80,415	81,408
Unearned Revenue (Note K)	60,628	54,892
Total Liabilities	246,306	248,311
Fiduciary Net Position Restricted for Pension Benefits	$ 3,521,361	$ 3,073,675

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31,

(Dollars in Thousands)	2021	2020
Additions		
Contributions (Note M)		
Employer	$ 74,953	$ 77,506
Member	49,056	47,364
Total Contributions	124,009	124,870
Investment Income		
From Investing Activities		
Net Appreciation in Fair Value of Investments	496,115	191,740
Investment Income	49,276	50,891
	545,391	242,631
Less Expenses from Investing Activities	19,288	13,707
Less Allowance for Earnings on Unearned Revenue (Note K)	3,987	4,070
Net Investing Activity Income	522,116	224,854
From Securities Lending Activities		
Gross Securities Lending Income	117	287
Plus: Borrower Rebates	26	(56)
Less: Agent Fees	21	45
Net Securities Lending Income	122	186
Total Net Investment Income	522,238	225,040
Total Additions	**646,247**	**349,910**
Deductions		
Pension Benefits	193,130	185,982
Refunds of Contributions	2,376	4,111
Actuarial Study Fees	210	160
Attorney Fees	18	26
Administrative Expenses	2,827	2,846
Total Deductions	**198,561**	**193,125**
Change in Fiduciary Net Position	447,686	156,785
Fiduciary Net Position, Beginning of Year	3,073,675	2,916,890
Fiduciary Net Position, End of Year	**$ 3,521,361**	**$ 3,073,675**

The notes to the financial statements are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

(Dollars in Thousands)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Sonoma County Employees' Retirement Association (the System, the Plan, or SCERA) was organized under the provisions of the County Employees Retirement Law of 1937 on January 1, 1946. The Sonoma County Board of Supervisors may adopt resolutions, as permitted by the County Employees Retirement Law of 1937, which may affect benefits of SCERA members. On September 12, 2012, the California Public Employees' Pension Reform Act (PEPRA) was signed into law. In order to comply with this law, a new tier, Plan B, was established for both General and Safety members who enter the System on or after January 1, 2013. SCERA administers a cost-sharing, multiple-employer Defined Benefit Pension Plan (DBPP) and serves as a distribution agent for Post-Employment Healthcare Plans (PHP) for both the County of Sonoma and the Superior Court.

Reporting Entity

SCERA, with its own governing board, is an independent governmental entity separate and distinct from the County of Sonoma. SCERA's annual financial statements are included in the County of Sonoma's Annual Comprehensive Financial Report as a fiduciary pension trust fund.

Basis of Accounting

SCERA follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are prepared using the accrual basis of accounting in accordance with the generally accepted accounting principles (GAAP) in the United States of America, under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investment income is recognized as revenue when earned, and expenses are recognized when incurred.

The net appreciation (or depreciation) in the fair value of investments is recorded as an increase (or decrease) to investment income, which includes both realized and unrealized gains and losses on investments, based upon investment valuations.

Valuation of Investments

Investments in securities are reported at fair value based upon closing sales prices reported on recognized securities exchanges on the last business day of the period, or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. Purchases and sales of securities are accounted for on a trade date basis, and dividends declared but not received are accrued on the ex-dividend date. Realized gains and losses are determined on the basis of average costs.

Unsettled investment trades as of year-end are reported in the financial statements on an accrual basis of accounting. The corresponding funds receivable from a sale and funds payable for a purchase are reported in receivables-securities sold and liabilities-security purchases payable, respectively.

Investment Concentrations

The Board of Retirement (the Board) Trustees' policies and guidelines enable the portfolio to develop into numerous asset classes and to take advantage of professional investment managers with diverse management styles. The result is a well-diversified portfolio. The investment portfolio contained no concentration of investments in any one entity that represented 5% or more of the total investment portfolio or the fiduciary net position.

Use of Estimates in the Preparation of Financial Statements

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

Capital assets are carried at cost less accumulated depreciation. Depreciation is calculated using the straight-line method with a 5-year life for computer hardware and software, 5-year life for equipment and furniture, 10-year life for building improvements, 10-year life for integrated pension systems and 30-year life for buildings. Leasehold improvements are depreciated over the life of the lease.

Administrative Expenses

The Board annually adopts the operating budget for the administration of SCERA. The administrative expenses are charged against SCERA's earnings and are limited to twenty-one hundredths of one percent of the accrued actuarial liability of the retirement system, as set forth under Government Code Section 31580.2.

B. PENSION PLAN DESCRIPTION

General Information

Members include employees in a permanent position of at least half time in the County of Sonoma, Water Agency, Sonoma Valley Fire District, Transportation Authority, Superior Court, and Community Development Commission. Plan members are classified as either General or Safety. Membership becomes effective on the first day of entrance into eligible service. The System provides member benefits as defined by law upon retirement, death, or disability.

Management of the System is vested in the Board, with the Chief Executive Officer serving at the discretion of the Board. The Board of Retirement consists of nine voting trustees and one alternate trustee. Four trustees are appointed by the County of Sonoma's Board of Supervisors, five trustees (including the one alternate) are elected by the members of SCERA. General members elect two trustees, Safety members elect one trustee, and retired members elect one trustee and one alternate trustee. The County of Sonoma Treasurer is an ex-officio trustee. Board trustees serve three year terms, with the exception of the County Treasurer, who serves during their tenure in office.

At December 31, 2021, the total annual employees' payroll covered by the Plan was $383 million.

At December 31, 2021, Plan membership consisted of the following:

Membership Type	2021
Retired Members and Beneficiaries	
General Members	4,415
Safety Members	1,063
Subtotal	**5,478**
Current Members	
General Members	3,385
Safety Members	681
Subtotal	**4,066**
Deferred Members	
General Members	1,322
Safety Members	247
Subtotal	**1,569**
Total General Membership	9,122
Total Safety Membership	1,991
Total Membership	**11,113**

Benefit Provisions

Vesting and Retirement Eligibility. Upon completing five years of creditable service, employees have non-revocable rights to receive benefits attributable to employer's contributions, provided employee contributions have not been withdrawn. Plan A members are eligible to retire at age 50 with ten years of service or thirty years of service (safety members-twenty years) regardless of age. Plan B General members are eligible to retire at age 52 with five years of service; Plan B Safety members are eligible to retire at age 50 with five years of service. Members in all plans are eligible to retire at age 70, regardless of years of service.

B. PENSION PLAN DESCRIPTION (continued)

Benefit Provisions (continued)

Basis of Benefit Payments. Benefits are based upon a combination of age, years of service, highest average compensation and the benefit payment option selected by the member. For Plan A members, highest average compensation is defined as the highest 12 consecutive months of compensation earnable. The maximum benefit payable to a member or beneficiary is 100% of the highest average compensation. For Plan B members, highest average compensation is based on the highest 36 consecutive months of pensionable compensation. Additionally, Plan B members are limited in the amount of compensation used to calculate a benefit to 100% of the Social Security taxable wage base limit in 2013, adjusted for inflation (or 120% for non-Social Security integrated positions).

Cost of Living Benefits. SCERA has recommended to the Sonoma County Board of Supervisors, on an ad hoc basis, several one-time, post-retirement cost of living adjustments (COLAs), the last of which was adopted in 2008. These COLAs have been fully funded by transfers from the Undistributed Earnings Reserve or Interest Fluctuation Reserve into the Cost of Living Reserve account. Since 2008, the Board has been unable to recommend a COLA due to negative contingency reserve balances.

Disability Benefits. Members with 5 years of service, regardless of age, are eligible to apply for a non-service connected disability. The benefit for Plan A General members, Plan A Safety members, and Plan B Safety members is 1.8% of highest average compensation for each year of service; the benefit for Plan B General members is 1.5% of highest average compensation for each year of service. The maximum benefit for both Plans is 1/3 of highest average compensation.

All employees, regardless of years of service, are eligible for service connected disability. A service connected disability benefit is the greater of 50% of highest average compensation or a service retirement benefit.

Death Benefit - Prior to Retirement. In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system (based on the salary earned during the last twelve months preceding the member's death), but not to exceed 6 months of salary.

If a member dies while eligible for service retirement or non-service connected disability, the member's spouse/registered domestic partner receives 60% of the allowance that the member would have received for retirement on the day of the member's death.

If a member dies in the performance of duty, the spouse/registered domestic partner will receive a lifetime benefit equal to 50% of the member's highest average compensation or a service retirement benefit, whichever is higher.

Death Benefit - After Retirement. As part of the retirement process, members are required to select among several options for benefits continuation upon the member's death. For married / registered domestic partner retirees, the most common retirement option is the unmodified option, which pays the retiree's eligible spouse or registered domestic partner a lifetime benefit equal to 60% of the benefit the retiree was receiving.

Return of Contributions. If a member should resign or die before becoming eligible for retirement, the member's contributions plus interest may be refunded. In lieu of receiving a return of contributions, a resigning member may elect to leave the member's contributions on deposit.

C. POST-EMPLOYMENT HEALTHCARE PLAN DESCRIPTION

General Information

The County of Sonoma and the Superior Court provide other post-employment benefits to retirees. Both of these employers currently reimburse Medicare premiums to each retired employee who is covered under Medicare Parts A and B, except for County employees covered by certain labor union contracts.

SCERA does not determine eligibility, nor negotiate for the healthcare benefits, but acts solely as a conduit which deducts premiums from benefit payments and forwards these deductions to the employers. The County of Sonoma and Superior Court pay an annual fee to SCERA for the processing of retiree health insurance deductions. Benefit eligibility, coverage and premium cost negotiations are the responsibility of the employers. As such, GASB Statement No. 74 does not apply.

D. CASH AND SHORT-TERM INVESTMENTS

Cash and short-term investments consist of short-term investments with fiscal agents as well as deposits held in a pooled account with the County of Sonoma. All participants in the pool share earnings and losses. Short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All cash, deposits and short-term investments are carried at cost, which approximates fair value. The Sonoma County Treasury Oversight Committee has regulatory oversight for all monies deposited into the Sonoma County Treasury Pool. Such amounts are invested in accordance with investment policy guidelines established by the County Treasurer and reviewed by the County Board of Supervisors. The objectives of the policy are, in order of priority, safety of principal, liquidity and yield. Similarly, the short-term investment fund held by State Street Bank (which is a liquidity fund investing in short-term investment securities) is carried at cost, which approximates fair value.

A summary of cash and short-term investments, as of December 31, 2021

Cash and Short-Term Investment Funds (held by) (Dollars in Thousands)	2021
County Treasury	$ 3,197
Custodian Bank	183,532
Total	$ 186,729

The vast majority of the above cash is overlaid with stock and bond futures contracts so there is little to no economic exposure to cash.

E. DEPOSITS AND INVESTMENTS

State Street Bank serves as custodian of SCERA's investments. SCERA's asset classes include US Equity, Non-US Equity, Global Equity, Fixed Income, Real Assets and Opportunistic. Any class may be held in direct form, pooled form, or both. During 2021, SCERA had 18 investment managers, managing 19 individual portfolios.

Investments at December 31, 2021 consist of the following (excluding collateral held for securities lending as described in Note F):

Investments at Fair Value (Dollars in Thousands)	2021
Fixed Income	$ 582,702
Equities	2,134,078
Real Assets	664,599
Opportunistic	45,770
Total Investments	$ 3,427,149

The Board has established a policy for investing, specifying the following target allocations with a minimum and maximum range for each of these asset classes.

Asset Class	Min	Target	Max
Core Plus Fixed Income	14.0%	16.0%	18.0%
Alternative Fixed Income	2.0%	3.0%	4.0%
Real Assets	17.0%	20.0%	23.0%
Domestic Equities	19.5%	21.5%	23.5%
Non-U.S. Equities	19.5%	21.5%	23.5%
Global Equities	16.0%	18.0%	20.0%
Opportunistic	0.0%	0.0%	6.0%
Total		100%	

The asset allocation is incorporated into SCERA's Investment Policy Statement, which helps guide the manner in which SCERA invests. In November 2020, the Board elected to remove Global Asset Allocation from the Plan's Investment Policy and to defund the current manager's account throughout 2021. The Board has adopted a long-term investment horizon such that the likelihood and durations of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of SCERA will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. No more than 5%, or the benchmark weight plus 2.5%, whichever is higher, of any one manager's portfolio shall be invested in the securities of any one issuing corporation at cost. Investments in any corporation should not exceed 10% of the outstanding shares of the corporation.

E. DEPOSITS AND INVESTMENTS (continued)

The Board's investment policies and guidelines permit investment in numerous specified asset classes to take advantage of the non-correlated economic behavior of diverse asset classes. The risk to be assumed must be considered appropriate for the return anticipated and consistent with the total diversification of the System. The result is a well-diversified portfolio.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. SCERA investment securities are not exposed to custodial credit risk since all securities are registered in the System's name and held by the System's custodial bank.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the System will not be able to recover its deposits or collateral securities that are in the possession of an outside party. Any cash associated with the System's investment portfolios not invested at the end of a day are temporarily swept overnight to State Street Bank's short-term investment fund.

That portion of the System's cash held by the County of Sonoma as part of the County's treasury pool totaled $3,197 as of December 31, 2021. Accordingly, SCERA's investments in the treasury pool are held in the name of the County and are not specifically identifiable.

Disclosure of the legal and contractual provisions of the County's Investment Policy and carrying amounts by type of investments may be found in the notes to the County's separate Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021.

E. DEPOSITS AND INVESTMENTS (continued)

Credit and Interest Rate Risk

Credit risk associated with SCERA's fixed income securities is identified by their ratings in the table following. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. SCERA has no general policy on credit and interest rate risk. SCERA monitors the interest rate risk inherent in its portfolio by measuring the duration of its portfolio. A rating of N/R represents pooled funds and other securities that have not been rated by S&P and N/A represents pooled securities that do not have a set duration.

The average duration and S&P credit rating of SCERA's fixed income portfolio as of December 31, 2021 was:

Investment Type		Fair Value (Dollars in Thousands)	S&P Rating	Duration
Government Issues	$	167,349	AA+	10.20
Agency Backed Mortgages		94,134	AA+	5.06
Bank Loans		91,792	B	5.17
Corporates		82,715	BBB	7.75
Non-Agency Backed Mortgages		73,446	AA+	5.79
Other Asset Backed		38,312	B	5.01
Other		32,298	N/R	N/A
Municipals		2,656	AA-	16.31
Total	$	582,702		

Per SCERA's Investment Policy Statement, fixed income portfolios must have an overall, fair value weighted average quality of at least AA-. At least 80% of the fair value of the portfolio must be rated at least Baa/BBB or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO). In cases when the yield spread adequately compensates for additional risk, up to 20% of the value of each fixed income portfolio may be invested in below investment grade securities provided that they are easily tradable and overall fixed income quality is maintained. Up to a maximum of 2% of the portfolio may be invested in bonds rated CCC/Caa or lower. Fixed income securities of any one issuer shall not exceed 10% of the total bond portfolio at the time of purchase. This does not apply to issues of the US Treasury or securities guaranteed by the US Government. Mortgage or asset backed securities that are credit independent of the issuer shall be limited to 25% of the value of the total issue or pool.

Firms that manage fixed income portfolios continually monitor the risk associated with their fixed income investments. They are expected to provide, as a component of their reports, a risk/reward analysis of the management decisions relative to their benchmarks.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. SCERA's Investment Policy Statement expects investment managers will use forward currency exchange contracts and currency and stock index futures contracts and related options and transactions for defensive currency hedging. It is preferred that currency exposures be un-hedged, but may periodically be up to 100% hedged for a specific country or up to 30% of the total portfolio at the manager's discretion. Such transactions should not be speculative in nature and should not exceed the value of underlying securities holdings.

E. DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk (continued)

The following positions represent SCERA's exposure to foreign currency risk as of December 31, 2021:

Securities Base Currency		Fair Value in USD (Dollars in Thousands)
Canada – CAD	$	527
Japan – JPY		215
Brazil – BRL		85
Australia – AUD		61
Euro – EUR		57
Norway – NOK		46
South Africa – ZAR		28
Singapore – SGD		18
South Korea – KRW		10
Taiwan – TWD		8
Malaysia – MYR		5
Sweden – SEK		5
New Zealand – NZD		2
Denmark – DKK		1
Guernsey – GBP		(9)
Total Non-USD Securities	$	1,059

Derivatives

The Board authorized certain investment managers to invest in or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's assignment. However such instruments shall not be used to create leverage or for speculative purposes.

The acceptable investment purposes for the use of derivatives include:

1. For defensive currency strategies of non-dollar portfolio holdings.
2. For controlling the duration of fixed income portfolios.
3. For managing yield curve strategies of fixed income portfolios.
4. For control of equity or fixed income exposure during portfolio transitions to overlay cash positions.
5. For effecting transitions to new investment managers.
6. For rebalancing the System's asset allocation toward Investment Policy Statement targets.

Risks arise from the possible inability of counterparties to meet the terms of their contract. The risks of accounting loss from these off-balance sheet transactions include the credit risk and the possibility that future changes in market prices may make such financial instruments less valuable (market risk).

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from derivatives are included in net investment income. For financial reporting purposes all SCERA derivatives are classified as investment derivatives. The following are types of derivatives: futures contracts, forward contracts, option contracts and swap agreements.

Futures Contracts

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

E. DEPOSITS AND INVESTMENTS (continued)

Forward Contracts

A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Option Contracts

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

The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option. At expiration, sale, or exercise, realized gains and losses are recognized.

Swap Agreements

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

The following positions represent SCERA's exposure to derivatives as of December 31, 2021:

Investment Derivatives Summary
(Dollars in Thousands)

Derivative Type	Change in Fair Value	Fair Value	Notional
Futures	$ 6,563	$ -	$ 97,733
Forwards	(939)	(203)	26,248
Options	2,593	(173)	(11)
Swaps – Credit Default	(6)	904	32,020
Swaps – Interest Rate	637	90	33,347
Total	$ 8,848	$ 618	$ 189,337

Investment Derivative Credit Risk

The credit risk of using derivative instruments may include the risk that counterparties to contracts will not perform and/or the public exchange will not meet its obligation to assume this counterparty risk. SCERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions.

The following represents SCERA's exposure to derivative credit risk as of December 31, 2021:

Derivative Credit Risk Ratings Summary
(Dollars in Thousands)

S&P Credit Rating	Fair Value
AA-	$ 6
A+	90
A	13
BBB+	1,151
Total subject to credit risk	$ 1,260

E. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments subject to interest rate risk as of December 31, 2021 are:

Interest Rate Risk Analysis
(Dollars in Thousands)

Derivative Type	Interest Rate Derivatives
Fair Value	$994
Notional	$160,374
Reference Rate	Libor - 3 months

F. SECURITIES LENDING

State statutes do not prohibit SCERA from participating in securities lending transactions and SCERA has, via a Securities Lending Authorization Agreement with State Street Bank and Trust Company (collectively "State Street"), authorized State Street to lend its securities to broker-dealers and banks pursuant to a form of loan agreement.

During 2021, State Street lent, on behalf of SCERA, certain securities held by State Street as custodian and received cash (United States and foreign currency), securities issued or guaranteed by the United States government and irrevocable letters of credit as collateral. State Street did not have the ability to pledge or sell collateral securities absent a borrower default.

Borrowers were required to deliver collateral for each loan equal to (i) in the case of loaned securities denominated in United States dollars or sovereign debt issued by foreign governments, 102% of the fair value of the loaned securities; and (ii) in the case of loaned securities not denominated in United States dollars or whose primary trading market was not located in the United States, 105% of the fair value of the loaned securities.

SCERA did not impose any restrictions during 2021 on the amount of the loans that State Street made on its behalf and State Street had indemnified SCERA by agreeing to purchase replacement securities, or return the cash collateral in the event a borrower failed to return a loaned security or pay distributions thereon. There were no failures by any borrowers to return loaned securities or pay distributions thereon during 2021. There were no losses during 2021 resulting from a default of the borrowers.

During 2021, SCERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders in a collective investment pool. As of December 31, 2021, such investment pool had an average duration of 15 days and an average weighted final maturity of 90 days. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2021, SCERA had no credit risk exposure to borrowers.

As of December 31, 2021, the fair value of the securities on loan was $88.7 million. The fair value of associated collateral was $90.6 million ($80.4 million of cash collateral and $10.2 million of non-cash collateral). Non-cash collateral, which SCERA does not have the ability to sell unless the borrower defaults, is not reported in the Statement of Fiduciary Net Position.

Due to the nature of the securities lending program and State Street's collateralization of loans at 102% (or 105% for non-United States dollar securities), we believe that there is no credit risk as defined by GASB Statement No. 28 and GASB Statement No. 40.

G. SUMMARY OF INVESTMENT POLICIES

The County Employees Retirement Law of 1937 (Law) and the California Constitution vest the Board of Retirement with exclusive control over the investment of SCERA's investment portfolio. The Law allows for the Board to invest, or delegate the authority to invest, the investment portfolio through the purchase, holding, or sale of any form or type of investment, financial instrument or financial transaction when prudent in the informed opinion of the Board.

G. SUMMARY OF INVESTMENT POLICIES (continued)

Additionally, the Law requires that the Board and its officers and employees shall discharge their duties with respect to SCERA and the investment portfolio as follows:

- Solely in the interest of, and for the exclusive purposes of, providing benefits to participants and their beneficiaries, and defraying reasonable expenses of administering SCERA.
- With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- Shall diversify the investment portfolio to minimize the risk of loss and maximize the rate-of-return, unless under the circumstances it is clearly prudent not to do so.

H. FAIR VALUE MEASUREMENTS

In 2016, SCERA adopted GASB Statement No. 72, *Fair Value Measurement and Application.* GASB Statement No. 72 establishes a fair value hierarchy based on three levels of input to develop the fair value measurements for investments. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Fixed income and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Fixed income and equity securities classified in Level 2 are valued using prices determined by the use of matrix pricing techniques maintained by the various pricing vendors for those securities. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified in Level 3 are determined in good faith by the investment managers who utilize independent third party appraisals and operating results.

The categorization of SCERA's investments within the fair value hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. Details are provided in the table on page 34.

H. FAIR VALUE MEASUREMENTS (continued)

Investments and Derivatives Measured at Fair Value

For the Year Ended December 31, 2021

INVESTMENT TYPE (Dollars in Thousands)	Total	Fair Value Measurements Using: 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 Level				
Fixed Income Securities				
U.S. Government Securities	$ 167,349	$ -	$ 167,349	$ -
Agency Backed Mortgages	94,134	-	94,134	-
Bank Loans	91,792	-	89,778	2,014
Corporate	82,715	-	82,715	-
Non-Agency Backed Mortgages	73,446	-	73,446	-
Other Asset Backed	38,312	-	38,312	-
Other	32,298	-	32,298	-
Municipals	2,656	-	2,656	-
Total Fixed Income Securities	582,702	-	580,688	2,014
Equity Securities				
Domestic Equity	958,602	957,355	1,239	8
Non-US Equity	915,187	604,356	310,831	-
Global Equity	260,289	260,289	-	-
Total Equity Securities	2,134,078	1,822,000	312,070	8
Real Assets				
Real Estate	336,522	-	-	336,522
Infrastructure	181,357	-	-	181,357
U.S. Farmland	146,720	-	-	146,720
Total Real Assets	664,599	-	-	664,599
Collateral from Securities Lending	80,415	-	80,415	-
Limited Partnership (Opportunistic)	45,770	-	-	45,770
Total Investments	$ 3,507,564	$ 1,822,000	$ 973,173	$ 712,391
Derivatives				
Options	$ (173)	$ (173)	$ -	$ -
Swaps	994	-	994	-
Forwards	(203)	(203)	-	-
Total Derivatives	$ 618	$ (376)	$ 994	$ -

I. CAPITAL ASSETS

Depreciation and amortization expense for the year ending December 31, 2021 totaled $87. Capital asset activity for the year ended December 31, 2021 is as follows:

(Dollars in Thousands)	Balance 12/31/2020	Additions	Retirements	Balance 12/31/2021
Capital Assets, not being depreciated				
Land	$ 1,025	$ -	$ -	$ 1,025
Total Capital Assets, not being depreciated	1,025	-	-	1,025
Capital Assets, being depreciated				
Building	1,869	-	-	1,869
Building Remodel	1,087	-	-	1,087
Furniture & Equipment	107	-	-	107
Computer Software/Hardware	2,897	-	-	2,897
Total Capital Assets, being depreciated	5,960	-	-	5,960
Less accumulated depreciation for:				
Building	(969)	(64)	-	(1,033)
Building Remodel	(1,087)	-	-	(1,087)
Furniture & Equipment	(87)	(9)	-	(96)
Computer Software/Hardware	(2,863)	(14)	-	(2,877)
Total Accumulated Depreciation	(5,006)	(87)	-	(5,093)
Total Capital Assets being depreciated, net	954	(87)	-	867
Total Capital Assets, net	$ 1,979	$ (87)	$ -	$ 1,892

J. ACCOUNTS PAYABLE

Accounts payable as of December 31 consist of:

(Dollars in Thousands)	2021
Administrative Expenses	$ 299
Accrued Sick & Vacation Leave	319
Consulting & Management Fees	3,049
Total	$ 3,667

K. UNEARNED REVENUE

The County of Sonoma may prepay the current year and up to one additional year of employer "normal costs" and Unfunded Actuarial Accrued Liability (UAAL) contributions. These prepaid contributions are accounted for as unearned revenue. On each regular County payday, the actual earned contributions are recognized as revenue. The unearned revenue balance was $60.6 million as of December 31, 2021.

For the year ended December 31, 2021 and going forward, these prepaid contributions held on account have received, and will continue to receive, a discount for early payment. The discount for the year ended December 31, 2021 was calculated at the annual actuarial investment earnings assumption rate of 7.0%. Contribution revenues have been increased and investment income decreased to reflect this discount. For the year ended December 31, 2021, the discount earned was $4 million.

L. APPORTIONMENT OF EARNINGS

Interest is apportioned semi-annually at June 30th and December 31st (at one-half the annual actuarial investment earnings assumption rate) to the DBPP reserve accounts for all contributions on deposit for a full six months, with the exception of the Member Reserve accounts, which are credited at one-half of the yield on the 10-year Treasury Note at June 30th and December 31st.

L. APPORTION OF EARNINGS (continued)

The Employer Reserves are also credited with the dollar difference between the Member Reserve interest crediting rate and the annual actuarial investment earning assumption rate so that, in total, reserves are credited at the annual actuarial investment earnings assumption rate. Interest apportioned at the annual actuarial assumed investment earnings rate of 7.0%, for year ended December 31, 2021 was $249.9 million.

In January 2021, CEO Julie Wyne presented to the Board the status of the reserves, loss of purchasing power and cost of a COLA, if one could be granted, and noted that under the COLA policy the reserves were insufficient to fully fund the COLA so one could not be recommended. Pursuant to the COLA policy, after presentation to the Board, this information was sent to the Sonoma County Board of Supervisors and the Sonoma County Association of Retired Employees.

M. CONTRIBUTIONS

Contribution Rates

Contribution rates for the employer and its covered employees are established and may be amended by the Board (and then shall be adopted by the governing bodies of participating employers). The contribution rates are determined based on the benefit structure established by the employer. Plan A members are required to contribute between approximately 7% and 15% of their annual covered salary, and the member's particular rate is based upon age at entry into the System. Plan B members are required to contribute a flat rate as calculated by the actuary.

SCERA's funding policy for employer contributions are actuarially determined rates that, expressed as a percentage of annual covered payroll, are required to accumulate sufficient assets to pay benefits when due.

Level percentage of payroll employer contribution rates are determined using the entry age normal actuarial cost method. SCERA also used the level entry age normal cost method with an Unfunded Actuarial Accrued Liability payment to amortize the unfunded liability.

In order to allow the County to more accurately budget for pension contributions (in accordance with the Board's funding policy), the contribution rates determined in each valuation will be assumed to take effect at the beginning of the fiscal year starting at least twelve months after the end of the Valuation Year, except when significant benefit or actuarial assumption changes occur.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the three years ending December 31, 2021
(Dollars in Thousands)

Year Ended	Annual Required Contribution (ARC)	Contributions as a % of ARC
12/31/19	$ 65,155	100%
12/31/20	$ 77,506	100%
12/31/21	$ 74,953	100%

Funding Status and Method

The actuarial funding ratio as of December 31, 2021, was 92.9%. SCERA's actuary uses five-year smoothing of market gains and losses to derive the actuarial value of assets. The actuarial value of assets as of December 31, 2021, was $3.2 billion.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, inflation and investment returns. Amounts determined regarding the funded status of the System and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

SCERA's employer contribution rates provide for both normal cost and a contribution to amortize any unfunded or over-funded actuarial accrued liabilities. The funding policy adopted by the Board is to amortize the outstanding balance of the December 31, 2007 UAAL as well as any new UAAL established on each subsequent actuarial valuation after the December 31, 2007 valuation over separate 20-year declining periods.

N. NET PENSION LIABILITY/(ASSET)

GASB Statement No. 67 requires public pension plans to provide a net pension liability. The net pension liability/(asset) is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The net pension liability/(asset) is an accounting measurement for financial statement report purposes. The components of net pension liability/(asset) of participating employers as of December 31, 2021 are as follows:

(Dollars in Thousands)		2021
Total Pension Liability	$	3,460,051
Less: Fiduciary Net Position		3,521,361
Net Pension Liability/(Asset)	$	(61,310)
Fiduciary Net Position as a Percentage of Total Pension Liability/(Asset)		101.77%

The net pension liability/(asset) of participating employers was measured as of December 31, 2021 and determined based upon the total pension liability from actuarial valuations as of December 31, 2021.

Actuarial Assumptions

In preparing an actuarial valuation, the actuary employs generally accepted actuarial methods and assumptions to evaluate the System's assets, liabilities, and future contribution requirements. The actuary utilizes member data and financial information provided by the System along with economic and demographic assumptions made about the future to estimate the System's financial status as of a specified point in time. Examples of estimates include assumptions about future employment, mortality, future investment returns, future salary increases, expected retirements and other relevant factors. Actuarially determined amounts are subject to continual review or modification. The Board reviews the economic and demographic assumptions of the System every three years.

The actuarial assumptions used to determine the total future pension liability as of December 31, 2021 were based on the results of the most recent Actuarial Experience Study which covered the period from January 1, 2018 through December 31, 2020. These same assumptions were used in the December 31, 2021 actuarial valuation to project future liabilities while the assumptions in place as of December 31, 2020 were used to measure the plan's actual performance against what was expected. Both the 2020 and 2021 assumptions are used to determine contribution rates for funding purposes. Key methods and assumptions used in the latest actuarial valuation and the total pension liability to project future liabilities are presented below.

Sensitivity Analysis

In accordance with GASB Statement No. 67, changes to the total pension liability and net pension liability/(asset) must be reported as of December 31, 2021. The net pension liability/(asset) changes when there are changes in the discount rate. The following presents the net pension liability/(asset), calculated using the discount rate of 6.75 percent, as well as what the net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (5.75) or 1 percentage point higher (7.75) than the current 6.75 percent.

SCHEDULE OF SENSITIVITY ANALYSIS
As of December 31, 2021
(Dollars in Thousands)

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability/(Asset)	$343,973	$(61,310)	$(397,983)

N. NET PENSION LIABILITY/(ASSET) (continued)

Key Assumptions Used in Annual Actuarial Valuation and Total Pension Liability

Valuation Date	December 31, 2021
Actuarial Experience Study	3 Year Period Ending December 31, 2020
Actuarial Cost Method	Entry Age Normal Cost Method
Discount Rate	6.75%
Inflation Rate	2.50%
Across the Board Salary Increase	0.50%
Projected Salary Increases	General Members 3.55% - 8.00% and Safety Members 4.00% - 10.50%, varying by service, including inflation
Cost of Living Adjustments	0.00% of retirement income
Mortality Rates	General Healthy Members: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table, increased by 5% for females. Safety Healthy Members: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table. General Disabled Members: Pub-2010 Non-Safety Disabled Retiree Table decreased 5% for males and 10% for females. Safety Disabled Members: Pub-2010 Safety Disabled Retiree Table decreased 5% for females. Pub-2010 Contingent Survivor Table increased 5% for males and females. All mortality tables are projected generationally with the 2-dimensional mortality improvement scale MP-2020
Other Assumptions	Same as those used in the December 31, 2021 funding actuarial valuation.

Long-Term Expected Real Rate of Return

The long-term expected real rate-of-return on assets was determined using a building block method in which the expected future real rates-of-return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate-of-return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. 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 for each major asset class from the 2020 experience study are summarized in the table below:

Asset Class	Target	Expected Real Rate of Return (without inflation)	Expected Nominal* Rate of Return (with assumed inflation)
Large Cap Equity	16.50%	5.35%	7.85%
Small Cap Equity	5.00%	6.55%	9.05%
Developed International Equity	14.88%	6.31%	8.81%
Emerging Market Equity	6.62%	8.47%	10.97%
Core Fixed Income	16.00%	0.70%	3.20%
Global Equity	18.00%	6.28%	8.78%
Real Estate	10.00%	4.89%	7.39%
Farmland	5.00%	5.90%	8.40%
Bank Loans	3.00%	2.43%	4.93%
Infrastructure	5.00%	6.05%	8.55%
Total	100%		

*Nominal rate-of-return does not include the effect of compounding.

N. NET PENSION LIABILITY/(ASSET) (continued)

Money-Weighted Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate-of-return on pension plan investments, net of pension plan investment expense, was 16.91%. The money-weighted rate-of-return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The investment rate-of-return assumption used for projecting future liabilities was 6.75% for the year ended December 31, 2021.

GASB Statement No. 67 requires determination that the System's fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that System member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate-of-return on System investments was applied to all periods of projected benefit payments to determine the total pension liability.

O. RESERVES

The reserves represent components of SCERA's assets. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed (as determined by actuarial valuation) to satisfy retirements and other benefits as they become due. SCERA has the following major classes of reserves:

- **Member Reserves** represent member contributions and earnings allocations less amounts transferred to Annuitant Reserves for service and disability retirements or refunds.
- **Employer Reserves** represent employer contributions and earnings allocations less amounts transferred to Annuitant Reserves for service and disability retirements or paid out as death benefits.
- **Annuitant Reserves** represent transfers of accumulated contributions of members who have retired, employer contributions needed to fund retired member benefits as determined by the actuary and earnings allocations less amounts paid out as annuitant (retiree) benefits.
- **Cost of Living Reserves** represent amounts transferred from undistributed earnings reserves to fund ad hoc cost of living increases.
    - **COLA Reserves - Current** represent amounts set aside to fund the cost of COLAs that have already been granted to retirees as determined by the actuary, recommended by the SCERA Board of Retirement and authorized by the Sonoma County Board of Supervisors.
- **Unreserved (Undistributed Investment Earnings)** is credited with all investment earnings. Reduction of this account is through payment of administrative expenses and consultant and management expenses. The remaining undistributed earnings can only be used for payment of pension benefits as described in Section 31592.2 of the Government Code.
- **Market Stabilization Reserve** is the difference between the current fair value of assets and the smoothed actuarial value of assets (AVA) that is used in developing the Unfunded Actuarial Accrued Liability (UAAL). The value in this reserve will be recognized in developing the AVA over the next 4 years.
- **Interest Fluctuation Reserve** is a reserve set by the Board at 3% of the fair value of assets to provide funds to offset future deficiencies in interest earnings, losses on investment or other contingencies.
- **Negative Contingency Reserve** is used to track interest crediting shortfalls as a result of investment returns below the assumed investment rate of return.

O. RESERVES (continued)

A breakdown of the reserve accounts, which comprise the total fiduciary net position restricted for pension benefits at December 31, 2021, 2020, and 2019 are as follows:

SCHEDULE OF RESERVES

(Dollars in Thousands)	2021	2020	2019
Member Reserve	$ 600,996	$ 603,510	$ 593,656
Employer Reserve	997,870	944,942	835,234
Annuitant Reserve	2,116,287	1,986,462	1,930,871
Cost of Living Reserve-Current	27,917	29,808	32,193
Interest Fluctuation Reserve	-	-	-
Market Stabilization Reserve	305,856	91,988	105,598
Negative Contingency Reserve	(527,565)	(583,035)	(580,662)
Total Reserved for Pension Benefits	3,521,361	3,073,675	2,916,890
Total Fiduciary Net Position Restricted for Pension Benefits	$ 3,521,361	$ 3,073,675	$ 2,916,890

P. RISK MANAGEMENT

(Dollars in Thousands)

SCERA is covered by the County of Sonoma's self-insurance program for general liability and workers' compensation coverage. The below policies and coverages are as of December 31, 2021.

For general liability coverage, the County maintains a self-insured retention of $1,000 per occurrence, with excess coverage up to $35,000 per occurrence provided through Public Risk Innovation, Solutions, and Management (PRISM) – formerly California State Association of Counties, Excess Insurance Authority (CSAC-EIA), Excess Liability Program. For workers' compensation coverage, the County maintains a self-insured retention of $300 per occurrence with excess coverage to statutory limits provided through participation in the PRISM Excess Workers' Compensation program. For each of the above self-insurance coverages, the County maintains a separate Internal Service Fund. Funding for each fund is actuarially evaluated annually.

SCERA participates in a joint-purchase property insurance program through PRISM. Coverage is "All Risk" for physical loss and damage including flood, earthquake, and terrorism. Limits of property coverage are $25,000 in aggregate per occurrence for all risk, $25,000 in aggregate per occurrence for flood, $25,000 in aggregate per occurrence for earthquake, and $200,000 in aggregate per occurrence for terrorism. There is a $5,000 pooled deductible per occurrence.

SCERA employees are covered under the County of Sonoma public employee faithful performance/employee dishonesty coverage through a joint-purchase program provided by American International Group (AIG), and administered through the PRISM. Coverages include forgery and alteration, theft, disappearance and destruction, robbery and safe burglary, and computer fraud, with limits to $15,000 and a $25 deductible.

SCERA is covered for cyber liability under a CSAC-EIA Cyber Liability Program through Lloyd's of London-Beazley Syndicate in the amount of $25,000 aggregate limit for all program members and $2,000 for each individual program member with a $50 deductible. SCERA is also covered under an excess layer provided through AXA SL in the amount of $10,000 aggregate limit for all program members, and $3,000 for each individual program member under excess layers through Crum & Foster, Ironshore (Liberty), Tokio, and Zurich. Coverage includes cyber-crime liability,

P. RISK MANAGEMENT (continued)

information security and privacy liability, privacy notification, regulatory defense, website media content liability, and data protection.

SCERA purchases separate Fiduciary Liability coverage for actual or alleged breach of fiduciary duties through Hudson Insurance Company. Limits of coverage are $10,000 annual aggregate with a $50 deductible, per insured. The Trustees pay a waiver of recourse premium of $100 dollars total. Coverage includes breach of fiduciary, Directors and Officers coverage, employee dishonesty coverage, and employment practices coverage.

Q. COMMITMENTS AND CONTINGENCIES

As of December 31, 2021, SCERA has invested in two different Davidson Kempner private credit strategies that are a part of SCERA's Opportunistic investments. The funds have ended their investment periods, but remain open and could technically call additional funds for "follow-on" investments. Given that the two open funds are well past their formal investment period they are very unlikely to call from the remaining $67.6 million commitment.

As of December 31, 2021, SCERA committed to invest $135 million with KKR Diversified Core Infrastructure Fund to increase real asset investments. In April 2022, KKR called $54 million of the commitment and the remaining $81 million is expected to be called by the end of 2022.

R. DATE OF MANAGEMENT'S REVIEW

The date to which events occurring after December 31, 2021, have been evaluated for possible adjustments to the financial statements or disclosures is June 8, 2022, which is the date that the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

(UNAUDITED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS

For the years ended December 31, 2021, 2020, 2019, and 2018

(Dollars in Thousands)	2021	2020	2019	2018
Total Pension Liability				
Service cost	$ 79,490	$ 76,153	$ 77,185	$ 73,316
Interest	227,230	218,710	214,052	210,532
Change of benefit terms	-	-	-	-
Difference between expected and actual experience	(12,334)	16,309	(37,245)	12,137
Change of assumptions	96,768	-	-	31,798
Benefit payments, including refunds of employee contributions	(195,506)	(190,092)	(182,746)	(172,562)
Net Change in Total Pension Liability	195,648	121,080	71,246	155,221
Total Pension Liability – Beginning	3,264,403	3,143,323	3,072,077	2,916,856
Total Pension Liability – Ending (a)	$ 3,460,051	$ 3,264,403	$ 3,143,323	$ 3,072,077
Plan Fiduciary Net Position				
Contributions – employer	$ 74,953	$ 77,506	$ 65,155	$ 67,425
Contributions – employee	49,056	47,364	44,659	45,567
Net investment income/(loss)	522,238	225,040	415,559	(107,078)
Benefit payments, including refunds of employee contributions	(195,506)	(190,092)	(182,746)	(172,562)
Administrative expense	(3,055)	(3,033)	(3,546)	(3,583)
Net Change in Plan Fiduciary Net Position	447,686	156,785	339,081	(170,231)
Plan Fiduciary Net Position – Beginning	3,073,675	2,916,890	2,577,809	2,748,040
Plan Fiduciary Net Position – Ending (b)	3,521,361	3,073,675	2,916,890	2,577,809
Net Pension Liability/(Asset) – Ending (a) – (b)	$ (61,310)	$ 190,728	$ 226,433	$ 494,268
Plan fiduciary net position as a percentage of the total pension liability	101.77%	94.16%	92.80%	83.91%
Covered payroll	$ 383,134	$ 373,107	$ 350,995	$ 355,558
Net Pension Liability/(Asset) as a percentage of covered payroll	(16)%	51.12%	64.51%	139.01%

The schedule of changes in net pension liability/(asset) displays the components of the total pension liability and plan fiduciary net position for the System, calculated in conformity with the requirements of GASB Statements No. 67 and No. 82. Covered payroll represents the collective total of the System eligible wages upon which contributions are based of all System Employers.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS (continued)

For the years ended December 31, 2017, 2016, 2015, 2014 and 2013

(Dollars in Thousands)	2017	2016	2015	2014	2013
Total Pension Liability					
Service cost	$ 71,798	$ 69,834	$ 67,839	$ 70,200	$ 66,133
Interest	202,726	194,741	187,756	184,919	176,193
Change of benefit terms	-	-	-	-	-
Difference between expected and actual experience	883	5,296	(15,191)	(69,415)	8,772
Change of assumptions	-	-	93,686	-	-
Benefit payments, including refunds of employee contributions	(165,949)	(157,452)	(149,364)	(141,675)	(135,961)
Net Change in Total Pension Liability	109,458	112,419	184,726	44,029	115,137
Total Pension Liability – Beginning	2,807,398	2,694,979	2,510,253	2,466,224	2,351,087
Total Pension Liability – Ending (a)	$ 2,916,856	$ 2,807,398	$ 2,694,979	$ 2,510,253	$ 2,466,224
Plan Fiduciary Net Position					
Contributions – employer	$ 63,822	$ 63,639	$ 68,240	$ 61,179	$ 51,852
Contributions – employee	44,161	40,783	38,714	37,126	35,491
Net investment income/(loss)	394,909	189,949	34,589	117,663	370,313
Benefit payments, including refunds of employee contributions	(165,948)	(157,452)	(149,364)	(141,676)	(135,960)
Administrative expense	(3,732)	(4,219)	(3,526)	(3,590)	(3,850)
Net Change in Plan Fiduciary Net Position	333,212	132,700	(11,347)	70,702	317,846
Plan Fiduciary Net Position – Beginning	2,414,828	2,282,128	2,293,475	2,222,773	1,904,927
Plan Fiduciary Net Position – Ending (b)	2,748,040	2,414,828	2,282,128	2,293,475	2,222,773
Net Pension Liability/(Asset) – Ending (a) – (b)	$ 168,816	$ 392,570	$ 412,851	$ 216,778	$ 243,451
Plan fiduciary net position as a percentage of the total pension liability	94.21%	86.02%	84.68%	91.36%	90.13%
Covered payroll	$ 345,631	$ 329,078	$ 311,404	$ 299,875	$ 299,142
Net Pension Liability/(Asset) as a percentage of covered payroll	48.84%	119.29%	132.58%	72.29%	81.38%

The schedule of changes in net pension liability/(asset) displays the components of the total pension liability and plan fiduciary net position for the System, calculated in conformity with the requirements of GASB Statements No. 67 and No. 82. Covered payroll represents the collective total of the System eligible wages upon which contributions are based of all System Employers.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF INVESTMENT RETURNS

For years 2014 through 2021

Year Ended December 31	Annual Money-Weighted Rate of Return, Net of Investment Expense
2014	5.54%
2015	1.50%
2016	8.55%
2017	16.11%
2018	-3.39%
2019	16.35%
2020	9.05%
2021	16.91%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

Year Ended December 31	Actuarially Determined Employer Contributions	Actual Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2012	$ 45,079	$ 45,079	$ -	$ 294,552*	15.30%
2013	51,852	51,852	-	299,142*	17.33%
2014	61,179	61,179	-	299,875*	20.40%
2015	64,687	68,240	(3,553)	311,404	21.91%
2016	63,640	63,640	-	329,078	19.34%
2017	63,822	63,822	-	345,631	18.47%
2018	67,425	67,425	-	355,558	18.96%
2019	65,155	65,155	-	350,995	18.56%
2020	70,784	77,506	(6,722)	373,107	20.77%
2021	73,142	74,953	(1,811)	383,134	19.56%

* Covered Payroll amounts changed due to payroll system corrections.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

Note A – Schedule of Changes in Net Pension Liability/(Asset) and Related Ratios

The total pension liability contained in this schedule was obtained from the System's actuary, Segal.

Note B – Schedule of Investment Returns

The money-weighted return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Note C – Actuarial Assumptions Used in Determining the Actuarially Determined Contributions

The employer statutory contribution rates for the first six months of 2021 are calculated based on the December 31, 2018 actuarial valuation; the rates for the last six months of 2021 are calculated based on the December 31, 2019 valuation. Details of the actuarial methods and assumptions used for these valuations are as follows:

Valuation Date	December 31, 2019	December 31, 2018
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level percent, open	Level percent, open
Remaining amortization period	20 years layered, declining	20 years layered, declining
Asset valuation	5-year, smoothed, market	5-year, smoothed, market
Investment rate of return	7.00%	7.00%
Includes inflation at	2.75%	2.75%
Across the Board salary increase	0.50%	0.50%
Projected salary increases	2.75%, plus service-based rates	2.75%, plus service-based rates
Cost of living adjustments	None	None
Mortality rates	Various rates based on RP-2014 Headcount-Weighted Healthy or Disabled Annuitant Tables projected with 2-dimensional mortality improvement scale MP-2017.	Various rates based on RP-2014 Healthy Annuitant Table projected 20 years with 2-dimensional scale (MP-2017)

Change of Assumptions

Triennially the System requests that the actuary perform an analysis of all economic and non-economic assumptions in the form of an Experience Study. The most recent triennial analysis was performed as of December 31, 2020 for the period of January 1, 2018 through December 31, 2020. Based on the results of this study, the Board adopted new economic and non-economic assumptions effective with the December 31, 2021 valuation for calculating future projected liability and contribution rates. The significant changes included the following:

Changes in Actuarial Assumptions

	2020 Experience Study	2017 Experience Study	Change
Investment Return	6.75%	7.00%	(0.25)%
Assumed Inflation	2.50%	2.75%	(0.25)%
Payroll Growth	3.00%	3.25%	(0.25)%
Mortality Rates	Various rates based on Pub-2010 Amount-Weighted Healthy or Disabled Above Median Mortality Tables, Projected generationally with 2-dimensional mortality improvement scale MP-2020, Based on Respective Population	Various rates based on RP-2014 Headcount-Weighted Healthy or Disabled Annuitant Tables, Projected with 2-dimensional mortality improvement scale MP-2017.	

These new assumptions will be used to determine the Actuarially Determined Contributions effective in fiscal year 2023-2024.

ADMINISTRATIVE EXPENSES

For the years ended December 31,

(Dollars in Thousands)		2021		2020
Personnel Services				
Salaries, Wages and Benefits	$	2,012	$	2,060
Office Expenses				
Equipment & Software Maintenance		131		117
Postage		56		51
Office Supplies		51		27
Printing and Stationary		29		30
Telephone Charges		19		18
Total Office Expenses		286		243
Other Services and Charges				
Disability Medical Fees		137		134
Data Processing Charges		88		89
Insurance		77		71
Audit Fees		61		62
Transportation, Travel and Training		21		25
Professional Services		21		12
County Services		20		17
Memberships		16		16
Actuarial Retainer Fees		12		12
Disability Hearing Officer Fees		10		0
Total Other Services and Charges		463		438
Building Expenses				
Depreciation		34		42
All Other Building Expenses		24		28
Utilities		10		10
Total Building Expenses		68		80
Depreciation/Amortization – Capital Assets		23		50
Less: Retiree Medical Billing Revenues		(25)		(25)
Total Administrative Expenses	$	2,827	$	2,846

FEES AND OTHER INVESTMENT EXPENSES

For the years ended December 31,

(Dollars in Thousands)		2021		2020
Investment Manager Fees				
Equity Managers	$	9,627		4,376
Real Assets Managers		4,732	$	4,386
Fixed Income Managers		1,630		1,466
Asset Allocation		529		801
Opportunistic Managers		295		352
Total Investment Manager Fees		16,813		11,381
Other Investment Expense				
Investment Custodian		1,121		905
Investment Travel & Staff Salary		600		583
Cash Overlay Manager		332		359
Investment Consultant		345		345
Investment Legal Counsel		29		92
Bloomberg Service		27		27
Other Investment Services		21		15
Total Other Investment Expense		2,475		2,326
Total Fees and Other Investment Expenses(A)	**$**	**19,288**	$	**13,707**

(A) This schedule depicts direct expenses relating to the generation of investment income. Not reported on this schedule is the allowance for earnings on unearned revenue totaling $4.0 million and $4.1 million for the years ending December 31, 2021 and 2020, respectively (Please see Note K to the financial statements).

SCHEDULE OF PAYMENTS TO CONSULTANTS

For the years ended December 31,

(Dollars in Thousands)		2021		2020
Audit				
Brown Armstrong Accountancy Corporation	$	61	$	62
Total		61		62
Legal Counsel (External)				
Mayer Brown, LLP		29		92
County of Sonoma, County Counsel		15		21
Nossaman, LLP		1		4
Ice Miller, LLP		2		1
Total		47		118
Actuarial				
Segal Consulting		210		160
Total		210		160
Total Payments to Consultants	**$**	**318**	**$**	**340**

Investment Section

April 12, 2022

Ms. Julie Wyne
Chief Executive Officer
Sonoma County Employees' Retirement Association
433 Aviation Boulevard
Santa Rosa, CA 95403

Dear Ms. Wyne:

As your investment consultant, Aon Investments USA Inc. (Aon Investments) is pleased to provide you with our report on the Sonoma County Employees' Retirement Association (SCERA) for the year ending December 31, 2021.

The SCERA Retirement Fund (Fund) is managed in accordance with a written Investment Policy Statement. The Investment Policy Statement is periodically reviewed and revised by the Retirement Board depending on actuarial assumptions, accrued liabilities, information provided through asset and liability studies and/or other relevant analyses.

Investment Policy

The Fund's Investment Policy started and ended the year with a target allocation of 61% to Equities,19% to Fixed Income, and 20% to Real Assets.

Asset Class:	Target Allocation
U.S. Equities	*21.5%*
Non-U.S. Equities	*21.5*
Global Equities	*18.0*
Equities	**61.0%**
Core Fixed Income	*16.0%*
Alternative Fixed Income	*3.0*
Fixed Income	**19.0%**
Real Assets	**20.0%**
Opportunistic Allocation	**n/a**
Overlay Strategies*	**3.0%**
Total Fund	***100.0%***

*Overlay Strategies has a targeted notional value of 3.0% of Fund assets. This is run as an overlay against US equity assets held elsewhere in the Fund and the cash set aside for "margin" is securitized with the cash overlay. Because the equity insurance risk premium strategy within the asset class is run as an overlay, it is excluded from the policy allocations that total 100%.

While the target allocations did not change during the 2021 calendar year, the Retirement Board voted to increase the future target allocation to Real Assets from 20% to 26%, with an additional 3% allocation to Infrastructure and 3% allocation to Farmland. Funding will be sourced from Global Equities (61% to 59%) and from Core Fixed Income (16% to 12%). The target allocations will change as soon as respective

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Investment advice and consulting services provided by Aon Investments USA, Inc.

Ms. Julie Wyne
Sonoma County Employees' Retirement Association
April 12, 2022
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managers are identified and funded. The intent of these asset allocation changes is to garner a slightly higher expected return while keeping the Fund's expected level of risk constant.

Investment Managers

The SCERA Fund's roster of investment management accounts underwent the following changes during 2021:

- Terminated the Hexavest Global Equity strategy within the Global Equities asset class.
- Completed the termination of the GMO Global Asset Allocation Fund effective December 2021.
- Implemented "Rule of Law" screens within separate account mandates.
- Hired the KKR Diversified Core Infrastructure Fund to be within the Fund's Real Assets allocation. The strategy is expected to begin drawing capital within 2022.

Capital Markets

The major global capital markets ended calendar-year 2021 with strong results. The U.S. stock market, as measured by the Russell 3000 Index, returned +25.7% in 2021. The non-U.S. stock market, as measured by the MSCI All Country World IMI ex-U.S. (Net with USA Gross), returned +8.5% over the same period. In the US stock market, growth stocks outperformed value stocks within the large cap sub-universe but within the small cap space value significantly outperformed growth during the year. Across the capitalization spectrum, large-cap stocks outperformed small-cap stocks. The fixed income market, as measured by the Bloomberg U.S. Aggregate Bond Index, returned -1.5% in 2021. Meanwhile, the real estate market returned +22.2%, as measured by the NCREIF ODCE Index.

Fund Performance

The SCERA Fund (net-of-fees[1]) finished 2021 with a +16.4% return for the year, outperforming the policy portfolio return of +12.5%. The Fund's annualized returns over the past three- and five-year periods were +13.5% and +10.4%, respectively. The Fund produced an annualized return of +10.1% over the ten-year period ending December 2021. For the 30-year period, the Fund returned +7.9%, annualized. The Plan and benchmark returns reflect that the market values of the Real Assets are booked with a quarter lag. We continue to believe the Fund is positioned to generate strong investment results over the long-term.

Sincerely,

John J. Lee
Partner

Chris Behrns
Associate Partner

[1] In reporting investment performance, Aon Investments calculates geometrically linked rates of return for SCERA monthly using statements provided by State Street Bank. Aon Investments reconciles these rates of return with those provided by the investment managers. We monitor any discrepancies (due to computational differences, securities pricing services, etc.) between Aon Investments and the investment managers but find that they generally do not tend to persist over time. All rates of return contained in this report are net of investment management fees. All rates of return presented in this report for time periods greater than one year are annualized.

SUMMARY OF INVESTMENT OBJECTIVES

The Board has adopted an Investment Policy Statement, which reflects the Board's policy for the management of SCERA's investments. The Board is responsible for overseeing the investment activities for SCERA (the Plan). This includes, but is not limited to, selecting acceptable asset classes; defining allowable ranges of holdings by asset class and by individual investment managers as a percent of assets; defining acceptable securities within each class; and establishing investment performance expectations. The Board will make revisions to this Investment Policy Statement as necessary.

The Board has adopted a long-term investment horizon such that the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of the Plan will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. All transactions undertaken on behalf of the Plan will be in the sole interest of the participants and beneficiaries.

SCERA's primary investment objective is to minimize risk and maximize return, diversifying as prudent, for the purpose of providing benefits to members and beneficiaries.

An integral part of the overall Investment Policy Statement is the strategic asset allocation policy. This allocation mix is designed to provide an optimal mix of asset categories with return expectations that reflect expected risk. This emphasizes a maximum diversification of the portfolio that protects the fund from declines that a particular asset class may experience in a given period.

SUMMARY OF PROXY VOTING GUIDELINES

Voting of proxy ballots shall be in accordance with SCERA's Proxy Voting Policy. The investment managers shall review each proxy ballot and vote them in a manner that preserves and enhances shareholder value. Each investment manager shall keep accurate written records of all proxy votes and, at least annually, provide a detailed report to the Investment Committee, documenting all votes.

INVESTMENT OPERATIONS

Program Developments

2021 was the second year of the COVID-19 pandemic and, due to social distancing guidelines, the Board continued to meet, as it did in most of 2020, via video conference. Similarly, the investment team continued to carry out its responsibilities while observing social distancing guidelines. Due diligence on the Plan's investment managers is performed on an ongoing basis by our investment consultant, Aon, supplemented by SCERA's investment staff. Investment staff normally meets with each of the Plan's managers on-site once every three years. Since the outbreak of the pandemic staff has conducted its due diligence review meetings by way of video conference. In 2021, we held six such meetings.

The Plan's consultant performs an Asset-Liability (A-L) study for SCERA every three years to reassess the appropriateness of the policy asset allocation and to study potential adjustments. From the 2020 study the Board and consultant concluded that the Plan's asset allocation continues to be appropriate. It also suggested that the Board could consider adding more to its illiquid investments if they believe the Plan will be adequately compensated. This additional compensation is commonly referred to as an "illiquidity premium." SCERA's Real Assets allocation, which for our Plan includes real estate, farmland, and infrastructure, is an example of less liquid investments. SCERA currently has a target policy weight of 20% to Real Assets. In keeping with the results of the 2020 A-L study, the Board decided in 2021 to increase its allocation to both Infrastructure and Farmland with each allocation increasing from 5% to 8%.

Program Developments (continued)

This 3% increase in each is intended to be sourced from a 2% decrease in Core Fixed Income and a 1% decrease in Global Equities. We believe this asset allocation shift will keep the overall risk of the Plan's portfolio approximately unchanged while raising the expected return somewhat from the illiquidity premium.

To implement the increased allocation to infrastructure, SCERA staff and the Plan's consultant conducted a search for an additional fund which ultimately resulted in the Board's decision to commit $135 million to the KKR Diversified Core Infrastructure Fund (DCIF). KKR is expected to call this commitment in 2022. DCIF will invest in "brownfield" (existing/operating) assets in OECD (Organization for Economic Co-operation and Development) countries, which are nations committed to democracy, market economies, and predominantly have developed economies. The KKR fund will emphasize Utilities and Renewable Energy with less in transportation and social assets. This strategy is complementary to SCERA's two existing Infrastructure managers, AXIUM and IFM, thereby offering a diversification benefit. Due to the limited universe of appropriate farmland funds open to new investments, the search for an additional farmland fund is expected to be conducted in 2022 with funding to begin in 2023 or later. The Plan's policy asset allocation will be updated to reflect the increased allocations to infrastructure and farmland once a majority of the respective commitments are invested.

SCERA continued to hold investments in its "opportunistic" allocation in 2021, though no new such investments were identified during the year. The Opportunistic allocation has a policy weight range of 0% to 6%. The allocation's main purpose has been to capitalize on outsized opportunities resulting from significant market dislocations. We believe that accessible and meaningful dislocations are not common and are typically not long-lived. As a result, there will be periods when the allocation goes unused. Since 2015, we have employed this allocation by investing in a series of Special Opportunity Funds (SOFs) managed by Davidson Kempner (DK). SCERA has invested in DK SOF III, III-A and IV. SOF III-A concluded the return of investor capital in 2020 and is now closed. DK SOF III and IV are both in the process of harvesting investments and returning capital with appraised values at 2021 year-end of $15 million and $30.7 million, respectively.

While the Plan did not identify any "Opportunistic" investments in 2021, there was a new "Opportunistic" investment approved in 2020 which carried over into the New Year. In 2020, the Board approved a commitment to the TCW TALF 2.0 Fund (TALF stands for Term Asset-Backed Securities Loan Facility and TALF securities were issued during the Global Financial Crisis.) The government planned to issue TALF securities again to support the asset-backed securities market during the recession induced by the COVID-19 pandemic. The Plan's commitment to the TCW fund was $35 million. In late 2020, TCW called 10% ($3.5 million) from SCERA's commitment to have available for investing. After finding no attractively priced issues that were appropriate for the Fund, TCW returned the called capital plus interest in early 2021 and closed the Fund. TCW did not charge management fees on the committed or the called capital.

SCERA began 2021 with one manager on "watch," Hexavest, and another manager, GMO, slated for defunding. The Plan ended the year with no managers on "watch." During the year, both the Hexavest and GMO accounts were discontinued. The Board made the decision to end the GMO Global Asset Allocation account in December 2020 after 15 years of benchmark-like performance. The decision was also made to defund the account with monthly drawdowns throughout 2021 to fund retiree payroll. The last drawdown was in December 2021, so the account was closed by the end of the year. SCERA does not plan to replace GMO with another active asset allocator as, based on experience, we have been persuaded of the difficulty in adding value with active asset allocation. The Hexavest account was discontinued in mid-2021 after poor performance, a restructuring of the investment team and, ultimately, a change in ownership. A replacement Global Equity manager was considered but, after a search, staff and consultant could not identify a manager they both believed to be a compelling "high conviction" manager.

Program Developments (continued)

Given the outcome of the Global Equity manager search, the Board elected to move the assets from the Hexavest account to an "interim management" strategy managed by State Street Global Markets (SSGM). Based on direction from SCERA, SSGM traded a small portion of the portfolio to reduce the tracking error of the account's performance versus a Global Equity benchmark. The intent is to capture Global Equity market performance, similar to an index fund, for an interim period (generally less than a year). Some of this capital will likely fund the new infrastructure commitment or other cash needs, such as retiree payroll, and any remaining funds are expected to be invested in the Plan's Global Equity Rule of Law (ROL) Index strategy (see below). The overall purpose of the interim management strategy is to transition assets over time to other investments while minimizing expected overall transition costs.

The Board received an educational presentation in 2021 from Aon on their fiduciary responsibilities and its application to issues such as ESG (Environmental, Social & Governance) investing. In a related presentation, Aon reviewed the appropriate way to include ESG issues in the investment process. Aon's new due diligence practice includes evaluation of the manager's ability to assess the impact of ESG issues on the expected risk and return of investment opportunities. The Board also reviewed, as we do every two to three years, the Plan's experience with active management versus the passive alternative by asset class. This review helps shape future allocations between active and passive alternatives within asset classes. Last, the Plan's consultant reviewed the structure of the Plan's equity portfolio with the result being that the Board confirmed the appropriateness of the existing structure, but did modestly increase the weight of its highest conviction equity managers; Arrowstreet, Jacobs Levy and Dodge & Cox.

In recent years, SCERA's investment staff have been increasingly concerned regarding the growing weight to China in the most common non-US and global equity indices. Never before have these benchmarks had such a large exposure to a country with a poor Rule of Law (ROL). SCERA staff orchestrated a series of discussions in 2020 and early 2021 including multiple presentations by experts on investing in the Chinese market. Staff also identified and presented on the ROL Index which is published by the World Justice Project, a spinoff from the American Bar Association. In January 2021, the Board elected to adopt a ROL investment guideline which was implemented in March 2021.

The ROL guideline eliminates markets that score poorly on the ROL Index, the most notable being China (including Hong Kong) and Russia. Practically speaking, this guideline means we have eliminated more than half, but not all, of our exposure to these poor ROL countries. Investments where the Plan participates in commingled vehicles will continue to possess exposures as we have no control over the investment guidelines pertaining to the specific investment vehicle. The Board views the ROL investment guideline as a long-term risk mitigation issue and not a market timing effort. They are aware that China is a very large market, that they have an economy that has been growing quite rapidly and that it is home to a number of important tech firms. However, the Board also believes it is prudent to avoid investing in countries where the claim on our assets, or the capital generated by those assets, is tenuous and there is little protection provided by the legal system.

Investment Results

For calendar year 2021, the Plan's investment portfolio returned 18.6% gross-of-fees. With annual investment management fees of approximately 0.5%, this equates to a return of 18.1% net-of-fees, a return considerably above the current Actuarial Assumed Rate-of-Return (ROR) of 7.0%.

Four of the last five calendar years have produced returns greater than the assumed ROR, which more than offset the negative return from 2018, producing an above-par five-year gross-of-fee return of 11.2%. As individual calendar year returns can be volatile, progress is monitored by using "smoothed" five-year returns rather than focusing on the more volatile nature of annual returns. SCERA's performance over twenty-five years is 7.8% gross-of-fees, which on an after-fee basis is broadly in-line with long-term expectations. Given the long-term nature of the Plan's liabilities, this long-term return is arguably the most relevant when evaluating the financial performance of the Plan's assets.

Market Commentary

Dodge & Cox, who manage a global equity portfolio for SCERA, include a market commentary in their letter to clients from which much of the following three paragraphs was extracted. U.S. markets posted exceptionally strong results in 2021, with the S&P 500 Index up 29% on the back of unprecedented stimulus and a solid economy. With strong consumer balance sheets and easy access to credit, demand continues to remain elevated. In contrast, COVID-19 variants, supply chain disruptions, and labor market frictions have been affecting supply. As a result, inflation not seen since the 1980s, has influenced the Federal Reserve to raise interest rates in 2022.

Internationally, developed markets also posted solid results for the year (the MSCI EAFE Index appreciated 11%), as economic growth in most developed market countries rebounded to above pre-pandemic levels. However, the MSCI Emerging Markets Index declined 3%. China's stock market dropped 22% amid ongoing regulatory interventions by the Chinese government and concerns about a slowdown in economic growth. Internet-related companies in particular were impacted, with the CSI China Internet Index down 49%.

During the first half of 2021, the global value indices appreciated and outperformed their growth counterparts, but in the second half of the year, value underperformed growth amid concerns about COVID-19 variants. Hence, while valuations remain above average for the market overall, wide valuation disparities remain between value and growth stocks. The MSCI World Value Index currently trades at 14.2 times forward earnings compared to a lofty 31.2 times for the MSCI World Growth Index. This market divergence is so rare it now rounds to the 100th percentile of historical experience. The discount for stocks that benefit from rising rates also continues to be extremely wide. This valuation spread is particularly extraordinary given the remarkably low level of nominal and real interest rates, and would appear to suggest a greater likelihood of rates staying lower for longer than we believe is warranted.

The Plan's US Equity managers, in aggregate, returned 34.5%, a very strong absolute return that significantly outperformed the Russell 3000 benchmark return of 25.7%. The key factors behind the relative outperformance were the Plan's tilt toward small cap stocks coupled with outperformance from the active managers. Jacobs Levy employs a quantitative investment strategy that utilizes a broad holding of stocks that was favored by the greater dispersion in individual stock returns experienced in 2021. Systematic' s investment style was also back in favor as they focus on companies with strong balance sheets and free-cash-flow which benefited from investors increasingly embracing individual company fundamentals as 2021 progressed.

The Plan's Non-US Equity managers delivered an aggregate return of 18.0% for the year, well in excess of the asset class benchmark of 8.5%. The Plan's Rule of Law (ROL) guideline (which minimizes the exposure to countries with a poor ROL record) caused our Non-US index strategy to meaningfully outperformed the benchmark, while the 130/30 (partial short extension) strategy managed by Arrowstreet delivered outsized benchmark relative performance.

The Plan's Global Equity portfolio managers invest in both US and non-US domiciled stocks and the asset class benchmark delivered a return of 18.5% for the year. SCERA's Global Equity managers in aggregate produced a return of 18.8%, a result in line with the benchmark. The Global Equity ROL Index strategy outperformed the benchmark and Dodge & Cox also delivered strong benchmark relative performance with superior stock selection across many of the industry sectors in which they invest. These relative performance gains were offset by a partial year of underperformance by the Plan's terminated global equity manager, Hexavest.

In Fixed Income, the Plan's managers produced an aggregate return of 0.6% for 2021 compared to the benchmark's return of -1.5%. The majority of assets within the Fixed Income portfolio are dedicated to "Core Plus" mandates where the Plan has three portfolio managers. Performance amongst these managers was mixed, with two of the managers outperforming the benchmark while the third manager marginally underperformed. Supplementing the Core Plus Fixed Income assets is an allocation to Alternative Fixed Income which is comprised of a bank loan mandate. Guggenheim, the Plan's bank loan manager, outperformed its bank loan benchmark and further, bank loans in general outperformed the asset class benchmark, making the bank loan mandate accretive to total Fixed Income performance.

Market Commentary (continued)

The Plan's Real Assets portfolio is composed of Real Estate, Farmland and Infrastructure. Combined, the Real Assets portfolio delivered a robust 20.4% return for the year. SCERA invests in two core real estate investment funds, the JPMorgan Strategic Property Fund (SPF) and the UBS Trumbull Property Fund (TPF). These are both large privately managed real estate equity funds that invest in commercial properties across the US. SPF modestly underperformed the core real estate benchmark in 2021, while TPF recorded much weaker performance relative to the benchmark resulting in the Real Estate asset class returning 19.0% which compares unfavorably to the benchmark return of 22.2%

Farmland was included in the Real Assets portfolio to provide an uncorrelated source of stable returns with a strong income component. The Plan's Farmland exposure is invested in the UBS AgriVest Farmland Fund which delivered a very healthy absolute return of 9.3% for the year, but underperformed the Core Farmland Index benchmark of 10%. The Fund derived 3.3% of this return from income, which was less than the 3.8% from income recorded by the benchmark. This accounted for most of the underperformance versus the benchmark.

The Plan obtains exposure to Infrastructure through its investment in the IFM Global Infrastructure Fund and the Axium North America II Fund. Absolute performance in 2021 reflected the reopening of the economy with IFM and Axium posting returns of +17.7% and +11.4%, respectively while the Infrastructure benchmark returned +12.4%. The benchmark is an "Inflation Plus" construct, which does not reflect the economic slowdown induced by COVID-19 which hit transportation assets particularly hard, but does reflect the increase in consumer price inflation.

The Plan's Opportunistic investments, with its initial investment in mid-2016, has included three distressed credit funds managed by Davidson Kempner. All three funds have completed their investment cycle and the smallest of the three funds has returned capital to investors and is now closed. The remaining two funds are now in the "harvesting" stage, where fund investments are realized and capital is being returned to investors. Market prices are not readily available for this type of investing, but the investments are periodically appraised to provide valuation estimates. Current indications are that they have achieved an annualized Internal Rate of Return (which adjusts for the timing of cash flows) in aggregate in the region of 10.5%. This is substantially in excess of the Plan's current actuarial assumed ROR.

The long-term perspective of the Plan allows it to focus on trends and not the short-term gyrations of the financial markets that influence interim results. Calendar year 2021 was a very strong year that further lifted the current intermediate five- and ten-year returns to something above our long-term expectations. The longer horizon 20- and 25-year returns are healthy and in-line with expectations. We remain confident that SCERA's investment program is designed to meet the funding requirements of the Plan without taking undue risk.

INVESTMENT RESULTS BASED ON FAIR VALUE

For the year ended December 31, 2021*

Account	Current Year	3 Year	5 Year
Fixed Income			
DoubleLine – Core Plus	0.63%	3.99%	3.70%
Guggenheim Bank Loan Fund	6.10%	5.61%	4.65%
PIMCO – Core Plus	-0.65%	5.15%	4.33%
Reams Asset Management – Core Plus	-1.34%	8.27%	6.00%
Benchmark: BB U.S. Aggregate Bond Index	-1.54%	4.79%	3.57%
Total Fixed Income	0.62%	5.47%	4.47%
Real Assets			
JP Morgan Strategic Property Fund	14.06%	6.48%	6.99%
UBS Trumbull Property Fund	8.55%	1.88%	3.70%
Benchmark: NCREIF ODCE	14.63%	7.06%	7.51%
UBS AgriVest	4.76%	4.48%	5.06%
Benchmark: UBS Core Farmland Index (custom)	7.70%	5.59%	5.68%
AXINFRA NA LP	43.06%	N/A	N/A
IFM Global Infrastructure Fund	17.97%	10.61%	N/A
Benchmark: CPI + 5% Year	10.64%	7.94%	N/A
Total Real Assets	20.38%	8.86%	8.38%
Domestic Equity			
Jacobs Levy: Broad Mandate Equity	43.83%	29.40%	20.31%
Benchmark: Russell 3000	25.66%	25.79%	17.97%
SSGA: Russell 1000 Index Fund	26.46%	26.22	N/A
Benchmark: Russell 1000	26.45%	26.21%	N/A
Systematic Financial Mgmt: Small Cap Value	32.69%	20.53%	13.51%
Benchmark: Russell 2000 Blended	14.82%	20.02%	12.02%
Total Domestic Equity	34.51%	24.79%	17.68%
Non-U.S. Equity			
Arrowstreet Capital	26.36%	21.15%	16.43%
SSGA: MSCI ACWI Ex US IMI Index Fund	13.01%	15.35%	10.96%
Benchmark: MSCI AC World Ex US IMI(net) II	8.53%	13.62%	9.83%
Total Non-U.S. Equity	17.96%	15.57%	11.39%
Global Equity			
SSGA ACWI IMI Index Fund-Funded 1/2021	20.89	N/A	N/A
Benchmark: MSCI ACWI IMI (net) w/USA Gross	18.50%	N/A	N/A
SSGA Interim Management – Funded 8/2021	N/A	N/A	N/A
Benchmark: MSCI ACWI IMI (net) w/USA Gross	N/A	N/A	N/A
Dodge & Cox	21.56%	16.39%	11.84%
Benchmark: MSCI Global Equity Blended II	18.50%	20.54%	12.42%
Total Global Equity	18.75%	15.21%	9.90%
Opportunistic			
Davidson Kempner Funds	21.63%	9.90%	10.45
Benchmark: Custom	13.33%	12.29%	10.78
Total Fund	**18.57%**	**14.62%**	**11.23%**

* Using time weighted rate-of-return based on the market rate-of-return; returns and benchmarks are shown gross of fees.

SCHEDULE OF MANAGEMENT FEES

For the years ended December 31,

(Dollars in Thousands)	2021	2020
Fixed Income		
PIMCO	$ 460	$ 414
Guggenheim	447	408
DoubleLine	449	382
Reams Asset Management	274	262
Total Fixed Income	**1,630**	**1,466**
Real Assets		
UBS AgriVest	1,396	1,347
JP Morgan	1,359	1,216
IFM Global	746	737
UBS Realty	672	707
Axium	559	379
Total Real Assets	**4,732**	**4,386**
Domestic Equity		
Jacobs Levy	1,118	1,001
Systematic Financial Management	873	682
State Street Global Advisors	48	41
Total Domestic Equity	**2,039**	**1,724**
Non-U.S. Equity		
Arrowstreet Capital	5,976	569
State Street Global Advisors	233	166
Templeton Investment Counsel	-	638
Total Non-U.S. Equity	**6,209**	**1,373**
Global Equity		
Dodge & Cox	1,108	847
Hexavest	251	432
State Street Global Advisors	20	-
Total Global Equity	**1,379**	**1,279**
Asset Allocation		
Grantham, Mayo, Van Otterloo and Company	529	801
Total Asset Allocation	**529**	**801**
Opportunistic		
Davidson Kempner	295	352
Total Opportunistic	**295**	**352**
Total Investment Manager Fees	**16,813**	**11,381**
Other Investment Expenses		
Investment Custodian	1,121	905
Investment Travel and Staff Salary	600	583
Cash Overlay Manager	332	359
Investment Consultant	345	345
Investment Legal Counsel	29	92
Bloomberg Service	27	27
Other Investment Services	21	15
Total Other Investment Expenses	**2,475**	**2,326**
Total Fees/Other Investment Expenses	**$ 19,288**	**$ 13,707**

SCHEDULE OF BROKER COMMISSIONS

For the year ended December 31, 2021
(dollars not in Thousands)

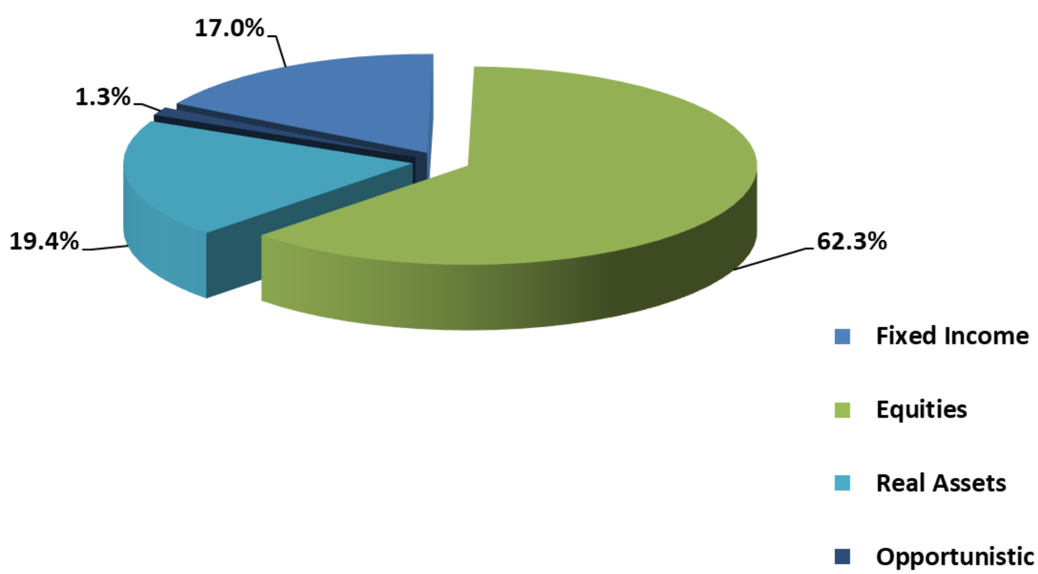
Brokerage Firm	Number of Shares Traded	Total Commissions	Commission Per Share
ITG INC	10,584,186	$ 30,480	0.0029
MORGAN STANLEY CO INCORPORATED	4,896,907	27,590	0.0056
INSTINET	1,637,544	20,804	0.0127
LIQUIDNET INC	892,094	10,913	0.0122
CITIBANK N.A.	13,108,106	7,914	0.0006
STATE STREET BANK AND TRUST COMPANY	614,763	6,148	0.0100
VIRTU AMERICAS LLC	314,435	5,262	0.0167
BOFA SECURITIES, INC.	347,719	4,386	0.0126
CANTOR FITZGERALD + CO.	163,150	3,701	0.0227
CREDIT SUISSE SECURITIES (USA) LLC	439,000	3,382	0.0077
J.P. MORGAN SECURITIES LLC	430,036	3,180	0.0074
UBS SECURITIES LLC	302,457	2,503	0.0083
CITIBANK INTERNATIONAL PLC	72,980	2,418	0.0331
ABN AMRO CLEARING BANK N.V.	74,726	2,148	0.0287
SANFORD C BERNSTEIN CO LLC	273,082	1,934	0.0071
VIRTU ITG EUROPE LIMITED	508,451	1,887	0.0037
EVERCORE ISI	57,225	1,717	0.0300
ROBERT W. BAIRD CO.INCORPORATED	53,916	1,611	0.0299
GOLDMAN SACHS + CO LLC	319,336	1,610	0.0050
STIFEL NICOLAUS + CO INC	50,560	1,517	0.0300
STATE STREET BANK AND TRUST CO	180,777	1,441	0.0080
CIBC WORLD MARKETS INC	184,708	1,385	0.0075
BMO CAPITAL MARKETS	50,333	1,365	0.0271
JONES TRADING INSTITUTIONAL SERVICES, LLC	62,191	1,299	0.0209
CITIBANK AG	35,900	1,229	0.0342
PIPER JAFFRAY & CO.	42,546	1,228	0.0289
CREDIT LYONNAIS SECURITIES(ASIA)	1,580,900	1,132	0.0007
BARCLAYS CAPITAL LE	184,929	1,084	0.0059
CITIGROUP GLOBAL MARKETS INC	69,820	1,079	0.0155
SUNTRUST CAPITAL MARKETS, INC.	36,030	1,035	0.0287
All Others	1,576,489	12,949	0.0075
TOTAL	39,145,296	$ 166,331	0.0042

INVESTMENTS AT FAIR VALUE

For the year ended December 31, 2021

Investments at Fair Value (Dollars in Thousands)			
		Amount	**Percentage**
Fixed Income	$	582,702	17.0%
Equities		2,134,078	62.3%
Real Assets		664,599	19.4%
Opportunistic		45,770	1.3%
Total Investments	$	3,427,149	100%

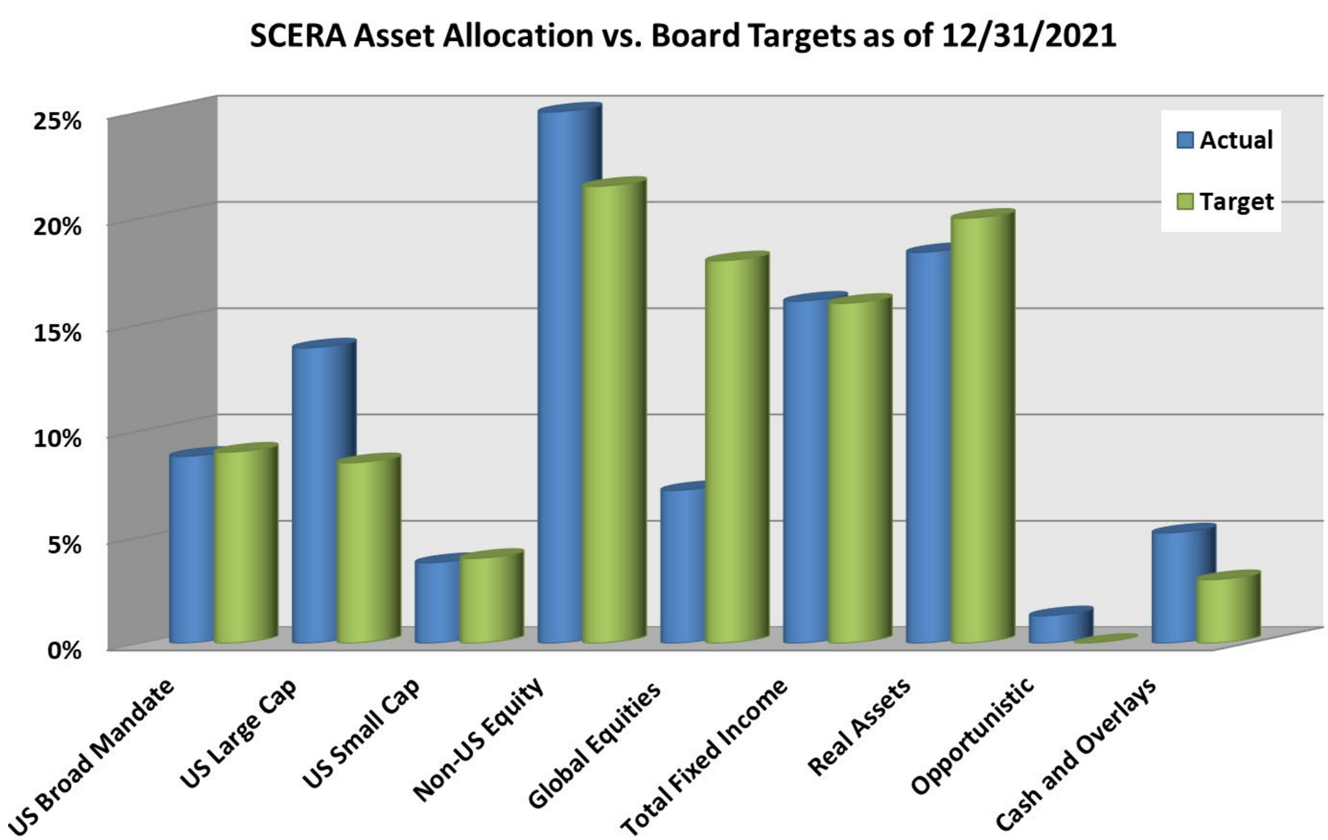
SCERA Investment Securities: Allocation at Fair Value as of 12/31/2021



ASSET ALLOCATION

For the year ended December 31, 2021

Asset Class	% of Actual	Target %
US Broad Mandate	8.80%	9.00%
US Large Cap	13.90%	8.50%
US Small Cap	3.80%	4.00%
Non-US Equity	25.30%	21.50%
Global Equities	7.20%	18.00%
Total Fixed Income	16.10%	16.00%
Real Assets	18.40%	20.00%
Opportunistic	1.30%	0.00%
Cash and Overlays	5.20%	3.00%
Total Asset Allocation	100%	100%



LARGEST EQUITY HOLDINGS

At December 31, 2021

(Dollars in Thousands)

	Shares	Stock		Fair Value
1)	8,255	Alphabet Inc	$	23,887
2)	55,248	Microsoft		18,581
3)	103,111	Apple Inc.		18,309
4)	5,083	Amazon.Com Inc		16,948
5)	233,231	HP Inc.		8,786
6)	182,622	Wells Fargo Co.		8,762
7)	116,371	Gilead Sciences Inc		8,450
8)	159,731	iShares MSCI Switzerland ETF		8,423
9)	90,800	Schwab Corp		7,636
10)	337,668	Ford Motor Co.		7,013
		Total Largest Equity Holdings	$	126,795

LARGEST FIXED INCOME HOLDINGS

At December 31, 2021

(Dollars in Thousands)

	Par	Bonds		Fair Value
1)	16,605,000	U.S. Treasury 0.125% due 11/30/2022	$	16,567
2)	11,900,000	U.S. Treasury 0.75% due 03/31/2026		13,442
3)	1,238,546	PIMCO FDS Short Term FLTG Nav Mutual Fund		12,399
4)	12,000,000	U.S. Treasury 1.375% due 10/31/2028		12,291
5)	11,680,000	FNMA TBA 30 year 2.50% due 11/25/2051		12,093
6)	9,045,000	U.S. Treasury .025% due 11/15/2023		11,585
7)	902,282	PIMCO FDS PAC Invt Mgmt SER Asset Bkd Secs		11,204
8)	7,660,000	U.S. Treasury 1.375% due 11/15/2031		9,510
9)	7,765,000	U.S. Treasury 2.00% due 08/15/2051		9,263
10)	7,395,000	FNMA TBA 30 year 2.50% due 02/11/2051		7,801
		Total Largest Fixed Income Holdings	$	116,155

A complete list of portfolio holdings is available upon request.

Actuarial Section

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

May 19, 2022

Board of Retirement
Sonoma County Employees' Retirement Association
433 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403

Re: Actuarial Valuation for the Sonoma County Employees' Retirement Association

Dear Members of the Board:

Segal prepared the December 31, 2021 actuarial valuation of the Sonoma County Employees' Retirement Association (SCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and SCERA's funding policy that was last reviewed and updated by the Board in 2020. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs).

As part of the December 31, 2021 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, 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 investment return on valuation value over a five-year period. The full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

One of the general goals of an actuarial valuation is to establish rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. 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).

The outstanding balance of the December 31, 2007 restart UAAL is amortized over a 21-year declining period. The impact of the Cash Allowance and new UAAL established on each subsequent actuarial valuation is amortized over separate 20-year declining periods. All of the annual amortization payments are calculated on a level percentage of payroll basis.

Note N to the Basic Financial Statements and the Required Supplementary Information (RSI) included in the Financial Section were prepared by the Association based on the results of the Governmental Accounting Standards Board Statement No. 67 (GASB 67) actuarial valuation as of December 31, 2021 prepared by Segal. For the Financial Section of the Annual Comprehensive Financial Report, Segal provided the Schedule of the Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the Association's Annual Comprehensive Financial Report is provided below. These schedules were prepared based on the results of the actuarial valuation as of December 31, 2021 for funding purposes.

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Board of Retirement
May 19, 2022
Page 2

1. Schedule of Retired Members (Including Beneficiaries) by Type of Benefit;
2. Schedule of Benefit Expenses by Type;
3. Schedule of Average Benefit Payment Amounts; and
4. Schedule of Retirees and Beneficiaries Added to and Removed from Retiree Payroll.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board in conjunction with the December 31, 2021 actuarial valuation. It is our opinion that the assumptions used in the December 31, 2021 valuation produce results, which, in the aggregate, reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2023 and the assumptions approved in that analysis will be applied in the December 31, 2024 valuation.

In the December 31, 2021 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 91.3% to 92.9%. The increase in the funded status was primarily the result of investment return (after "smoothing") higher than the 7.00% return assumption used in the December 31, 2020 valuation. The calculated employer's rate, resulting from this valuation, along with the calculated employee's rate at the average entry age are as follows, expressed as a percent of payroll:

	General		Safety	
	Employer Rate	**Employee Rate**	**Employer Rate**	**Employee Rate**
Plan A – County	18.23%	12.82%	32.44%	13.37%
Plan A – Court	33.65%	12.93%	N/A	N/A
Plan A – SVFD	17.96%	11.57%	38.42%	11.90%
Plan B – County – Without UAAL Sunset	12.74%	10.71%	22.93%	16.27%
Plan B – County – With UAAL Sunset	N/A	N/A	22.93%	13.27%
Plan B – Court	27.67%	10.71%	N/A	N/A
Plan B – SVFD	11.86%	7.68%	22.13%	14.00%
All Categories Combined (General & Safety):			**18.69%**	**12.19%**

Note: The above employer and employee rates have not been adjusted to reflect that some active members represented by some of the bargaining groups have agreed to pay additional employee Normal Cost contributions that are above those provided in the table.

As a result of using the actuarial value of assets in the actuarial valuation, there were $305.9 million in net deferred investment gains as of December 31, 2021, which represented 8.7% of the market value of assets. If these net deferred investment gains were recognized immediately in the actuarial value of assets, the funded percentage would increase from 92.9% to 101.8% and the aggregate employer contribution rate, expressed as a percent of payroll, would decrease from 18.7% to 12.3%.

The undersigned are Members of the American Academy of Actuaries and 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

Andy Yeung

Andy Yeung, ASA, MAAA, FCA, EA
Vice President & Actuary

OH/bbf
Enclosures

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Segal

SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

The Entry Age Normal Cost Method was used in conjunction with the following actuarial assumptions. The funding policy adopted by the Board is to amortize the outstanding balance of the December 31, 2007 unfunded actuarial accrued liability (UAAL) as well as any new UAAL established on each subsequent actuarial valuation after the December 31, 2007 valuation over separate 20-year declining periods. This approach is often referred to as a "layered amortization method." The Board as of December 31, 2021, has adopted the following interest rate and inflation rate assumptions:

ASSUMPTIONS

Valuation Interest Rate	6.75%
Inflation Assumption	2.50%
Across the Board Salary Increase	0.50%
Interest Credited to Reserve Accounts	6.75%
Cost of Living Adjustments	Provided on an ad hoc basis, subject to availability of excess earnings, none assumed in the valuation
Asset Valuation	5-Year Smoothed Actuarial Value

The following demographic and salary increase assumptions were used with the actuarial valuation as of December 31, 2021. These assumptions were updated based on the System's actual experience through December 31, 2020. The assumptions were recommended by the actuary and approved by the Board.

Post-Retirement Mortality

(a) Service

General and Safety Members and Beneficiaries — Pub-2010 Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) increased by 5% for General females, projected generationally with the two-dimensional mortality improvement scale MP-2020. Pub-2010 Contingent Survivor Table increased by 5% for males and females.

(b) Disability

General and Safety Members — Non-Safety Pub-2010 Disabled Retiree Amount-Weighted Mortality Table (separate for males and females) for General decreased 5% for males and decreased 10% for females, for Safety Pub-2010 Safety Disabled Retiree Amount-Weighted decreased 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2020

(c) For Employee Contribution Rate Purposes

General Members — Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) increased 5% for females, projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP 2020, weighted 33.33% male and 66.67% female.

Safety Members — Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 30 years (from 2010) with the two-dimensional mortality improvement scale MP-2020, weighted 75% male and 25% female.

Pre-Retirement Mortality

General and Safety Members — Pub-2010 General and Safety Employee Amount-Weighted Above-Median Mortality Table (separate for males and females), decreased 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2020.

Withdrawal Rates	Based upon the Experience Analysis as of 12/31/20 (Table on Page 67)
Disability Rates	Based upon the Experience Analysis as of 12/31/20 (Table on Page 67)
Service Retirement Rates	Based upon the Experience Analysis as of 12/31/20 (Table on Page 67)
Reciprocity Assumption	25% of General members and 35% of Safety members who terminate are assumed to enter a reciprocal system
Salary Scales	As shown in Table on Page 68
Leave Conversion Compensation Increase	3.25% for General Plan A Superior Court; 2.00% for Sonoma Valley Fire General members, 2.50% for Safety Plan A Sonoma Valley Fire members
Spouses and Dependents	70% of male employees and 55% of female employees assumed to be married at retirement. Female spouses are assumed to be 3 years younger than their male member spouses. Male spouses are assumed to be 2 years older than their female member spouses.
Deferral Vested Retirement Age	Without reciprocity - 58 for General members; 52 for Safety members With reciprocity - 60 for General members; 55 for Safety members

PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE

General Members						
Age Nearest	**Withdrawal**	**Mortality Male(1)**	**Mortality Female(1)**	**Disability(2)**	**Service(4)**	**Terminated Vested(5)**
20	.0125	.0003	.0001	.0005	.0000	.0400
30	.0110	.0003	.0001	.0005	.0000	.0400
40	.0044	.0005	.0003	.0014	.0000	.0300
50	.0032	.0012	.0008	.0023	.0500	.0225
60	.0004	.0026	.0017	.0030	.2100	.0225

Safety Members						
Age Nearest	**Withdrawal**	**Mortality Male(1)**	**Mortality Female(1)**	**Disability(3)**	**Service(4)**	**Terminated Vested(5)**
20	.0100	.0004	.0001	.0010	.0000	.0375
30	.0085	.0003	.0002	.0068	.0000	.0300
40	.0025	.0005	.0004	.0150	.0000	.0140
50	.0002	.0010	.0008	.0250	.1800	.0030
60	.0000	.0022	.0014	.0300	.5000	.0000

(1) All pre-retirement deaths are assumed to be non-service connected deaths.
(2) 55% of General disabilities are assumed to be service connected disabilities. The other 45% are assumed to be non-service disabilities.
(3) 100% of Safety disabilities are assumed to be service connected disabilities.
(4) Retirement rates shown above are for non-PEPRA members with less than 30 years of service.
(5) Withdrawal and vested termination rates shown above are for members with at least five years of service.

The probabilities shown for each cause of termination represent the likelihood that a given member will terminate at a particular age for the indicated reason. For example, if the probability of withdrawal of a General member at age 30 is 0.0110, then we are assuming that 1.10% of the active General members at age 30 will terminate without vested rights during the next year.

ACTUARIAL ASSUMPTIONS FOR MERIT AND LONGEVITY SALARY INCREASE RATES

As of December 31, 2021

Consists of the sum of two parts: A uniform inflation component of 2.50% plus “Across the Board” salary increases of 0.50% per year; plus, an age-related component for merit and promotion increases:

Years of Service	General Members	Safety Members
Less than 1	5.00%	7.50%
1-2	5.50%	7.50%
2-3	4.50%	5.00%
3-4	3.50%	4.50%
4-5	2.50%	3.50%
5-6	2.00%	1.75%
6-7	1.50%	1.50%
7-8	1.25%	1.25%
8-9	1.25%	1.25%
9-10	1.25%	1.25%
10-11	1.00%	1.25%
11-12	1.00%	1.25%
12-13	0.75%	1.25%
13-14	0.75%	1.00%
14-15	0.75%	1.00%
15 & Over	0.55%	1.00%

SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Projected Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/12	$ 1,856,847	$ 2,351,087*	$ 494,240	79.0%	$ 302,763	163.2%
12/31/13	2,016,781	2,466,224	449,443	81.8%	329,894	136.2%
12/31/14	2,167,210	2,510,253	343,043	86.3%	324,418	105.7%
12/31/15	2,289,057	2,694,979	405,922	84.9%	339,516	119.6%
12/31/16	2,399,171	2,807,398	408,227	85.5%	356,130	114.6%
12/31/17	2,557,299	2,916,856	359,557	87.7%	369,751	97.2%
12/31/18	2,667,345	3,072,077	404,732	86.8%	378,160	107.0%
12/31/19	2,811,292	3,143,323	332,031	89.4%	378,159	87.8%
12/31/20	2,981,688	3,264,403	282,715	91.3%	400,562	70.6%
12/31/21	3,215,505	3,460,051	244,546	92.9%	408,279	59.9%

* The December 31, 2012 Actuarial Accrued Liability was recalculated by the Actuary to reflect the value of the elimination by the County of Sonoma of vacation and sick leave cash outs for all employees.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Items Impacting Unfunded Actuarial Accrued Liability (UAAL)

(Dollars in Thousands)

Plan Years	2021	2020	2019	2018	2017
Beginning of the Year UAAL Liability	$ 282,715	$ 332,031	$ 404,732	$ $ 359,557	$ $ 408,227
Source of Actuarial (Gain) Loss:					
Compensation Increase/(Decrease)	(5,243)	17,286	(34,651)	11,293	4,586
Expected Contributions	(1,976)	(255)	12,332	(493)	4,568
Investment Experience Recognized	(99,099)	(41,110)	(32,718)	13,629	(44,256)
Other Experience	(7,266)	(983)	(2,786)	661	(3,890)
Subtotal: Actuarial (Gain) Loss	$ (113,584)	$ (25,062)	$ (57,823)	$ 25,090	$ (38,992)
Other Items Impacting UAAL:					
Assumption Change (Triennial Experience Study)	96,768	-	-	31,798	-
Interest Accrual on UAAL Balance	18,586	22,003	27,009	24,876	28,358
Additional UAAL Contributions from County	(1,873)	(7,128)	-	-	-
Expected employer/employee contributions less normal cost	(38,066)	(39,129)	(41,887)	(36,589)	(38,036)
End of the Year UAAL Liability (Surplus)	$ 244,546	$ 282,715	$ 332,031	$ 404,732	$ 359,557

SCHEDULE OF PROJECTED ACTIVE MEMBER VALUATION DATA

(Dollars in Thousands)

Actuarial Valuation Date	Plan Type	Number of Active Members	Projected Covered Payroll $	Annual Average Pay $ (not in thousands)	Percentage of Increase (Decrease) in Average Pay*
12/31/12					
	General	2,928	$ 235,101	$ 80,294	-2.9%
	Safety	692	67,662	97,778	-2.5%
	Total	3,620	302,763	83,636	-2.8%
12/31/13					
	General	3,125	258,101	82,592	2.8%
	Safety	708	71,793	101,403	3.7%
	Total	3,833	329,894	86,067	2.9%
12/31/14					
	General	3,211	255,577	79,594	-3.6%
	Safety	711	68,841	96,824	-4.5%
	Total	3,922	324,418	82,718	-3.9%
12/31/15					
	General	3,366	270,904	80,483	1.1%
	Safety	705	68,612	97,323	0.5%
	Total	4,071	339,516	83,399	0.8%
12/31/16					
	General	3,411	285,234	83,622	3.9%
	Safety	701	70,896	101,135	3.9%
	Total	4,112	356,130	86,607	3.9%
12/31/17					
	General	3,385	294,379	86,966	4.0%
	Safety	725	75,372	103,961	2.8%
	Total	4,110	369,751	89,964	3.9%
12/31/18					
	General	3,309	300,960	90,952	4.6%
	Safety	712	77,200	108,427	4.3%
	Total	4,021	378,160	94,046	4.5%
12/31/19					
	General	3,334	302,388	90,698	-0.3%
	Safety	706	75,771	107,324	-1.0%
	Total	4,040	378,159	93,604	-0.5%
12/31/20					
	General	3,368	318,143	94,461	4.2%
	Safety	722	82,419	114,154	6.4%
	Total	4,090	400,562	97,937	4.6%
12/31/21					
	General	3,385	326,981	96,597	2.3%
	Safety	681	81,298	119,380	4.6%
	Total	4,066	408,279	100,413	2.5%

* Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average individual salary increases received by members who worked the full year.

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

(Dollars in Thousands)

	Added to Rolls		Removed from Rolls		Rolls- End of Year			
Plan Year	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	Increase in Annual Allowances	Average Annual Allowances
2012	320	$ 13,849,254	83	$ 1,553,730	4,258	$ 131,041,416	10.4%	$ $30,775
2013	210	7,701,998	74	1,605,950	4,394	137,137,464	4.7%	31,210
2014	221	8,161,011	109	2,283,279	4,506	143,015,196	4.3%	31,739
2015	250	9,770,420	103	2,557,112	4,653	150,228,504	5.0%	32,286
2016	275	10,781,541	116	2,399,349	4,812	158,610,696	5.6%	32,961
2017	247	10,357,620	123	3,161,640	4,936	165,806,676	4.5%	33,591
2018	282	11,112,780	122	2,346,684	5,096	174,572,772	5.3%	34,257
2019	271	10,852,601	117	2,825,537	5,250	182,599,836	4.6%	34,781
2020	221	9,145,755	124	2,928,699	5,347	188,816,892	3.4%	35,313
2021	252	10,627,821	121	2,826,693	5,478	196,618,020	4.1%	35,892

SCHEDULE OF FUNDED LIABILITIES BY TYPE

(Dollars in Thousands)

		Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Valuation Assets %		
	(1)	(2)	(3)					
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Valuation Value of Assets	(1)	(2)	(3)
12/31/12	$428,407	$1,389,477	$533,203	$2,351,087*	$1,856,847	100	100	7
12/31/13	450,989	1,443,559	571,676	2,466,224	2,016,781	100	100	21
12/31/14	484,181	1,498,062	528,010	2,510,253	2,167,210	100	100	35
12/31/15	513,444	1,633,647	547,888	2,694,979	2,289,057	100	100	26
12/31/16	534,785	1,717,405	555,208	2,807,398	2,399,171	100	100	26
12/31/17	569,375	1,785,450	562,031	2,916,856	2,557,299	100	100	36
12/31/18	600,487	1,882,466	589,124	3,072,077	2,667,345	100	100	31
12/31/19	593,655	1,963,064	586,604	3,143,323	2,811,292	100	100	43
12/31/20	603,510	2,016,270	644,623	3,264,403	2,981,688	100	100	56
12/31/21	600,996	2,144,203	714,852	3,460,051	3,215,505	100	100	66

This exhibit includes actuarially funded liabilities and assets.

* The December 31, 2012 Actuarial Accrued Liability was recalculated by the Actuary to reflect the value of the elimination by the County of Sonoma of vacation and sick leave cash outs for all employees.

SUMMARY OF PLAN PROVISIONS

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, and the California Public Employees' Pension Reform Act of 2013, as amended through December 31, 2021.

Membership
Membership becomes effective on the first day of entrance into eligible service.

Highest Average Compensation
Highest average compensation is defined as the highest 12 consecutive months of compensation earnable for Plan A members, subject to a cap of 100% of salary. For Plan B members it is defined as highest 36 consecutive months of pensionable compensation, subject to the Social Security taxable wage base limit adjusted for inflation.

Return of Contributions
If a member should resign or die before becoming eligible for retirement, the member's contributions plus interest will be refunded upon request. In lieu of receiving a return of contributions, a member may elect to leave his or her contributions on deposit.

Service Retirement Benefit
Plan A members are eligible to retire at age 50 with 10 years of service or 30 years of service (Safety members 20 years) regardless of age. Plan B members are eligible to retire at age 52 (age 50 for Safety) with 5 years of service. All members may retire at age 70 regardless of years of service.

Basis of Benefit Payments
Benefits are based upon a combination of age, years of service, highest average compensation, and the benefit payment option selected by the member, up to the Internal Revenue Code Section 415 limit.

Cost of Living Benefit
SCERA has approved, on an ad hoc basis, multiple one-time post-retirement cost of living increases. These cost of living increases have been funded by transfers from the Undistributed Investment Earnings, Interest Fluctuation Reserve above statutory limits into the Cost of Living Reserve account.

Disability Benefit
Members with 5 years of service, regardless of age, are eligible to apply for a non-service connected disability retirement. Service connected disability retirement benefits may be granted regardless of length of service.

Death Benefit - Prior to Retirement
In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, but not to exceed 6 months of salary. The death benefit is based on the salary earned during the last twelve months preceding the member's death.

If a member dies while eligible for service retirement or non-service connected disability, his or her spouse or domestic partner receives 60% of the allowance that the member would have received for retirement on the day of his or her death.

If a member dies in the performance of duty, the spouse or registered domestic partner will receive a lifetime benefit equal to 50% of the member's highest one-year average compensation or a service retirement benefit whichever is higher.

Death Benefit - After Retirement
As part of the retirement process, members are required to select among several options for benefits continuation upon the member's death. For married retirees, the most common retirement option is the unmodified option, which pays the retiree's eligible spouse or registered domestic partner a lifetime benefit equal to 60% of the benefit the retiree was receiving.

Contributions
Contribution rates for the participating employers and their covered employees are established and may be amended by the SCERA Board of Retirement, and then implemented by all participating employers. The contribution rates are based on the benefit structure established by the employer. Plan A members are required to contribute between 7% and 15% of their annual covered salary and their particular rate is based upon age at entry to the System. Plan B members contribute one half of the normal cost of their benefit. The employer is required to contribute the remaining amounts necessary to finance the coverage of their employees through periodic contributions at actuarially determined rates.

Statistical Section

STATISTICAL SECTION OVERVIEW

This section provides additional detailed information in order to promote a more comprehensive understanding of this year's financial statements, note disclosures, and supplemental information. In addition, this section provides multi-year trends of the financial and operational information in order to facilitate the understanding of how the organization's financial position and performance have changed over time. This section provides contextual data for SCERA's changes in Fiduciary Net Position, benefit expenses, retirement types, benefit payments and membership data.

CHANGES IN FIDUCIARY NET POSITION

Last Ten Years

(Dollars in Thousands)	2021	2020	2019	2018	2017
Additions					
Employer Contributions	$ 74,953	$ 77,506	$ 65,155	$ 67,425	$ 63,822
Member Contributions	49,056	47,364	44,659	45,567	44,161
Net Investment Income/(Loss)	522,238	225,040	415,559	(107,078)	394,909
Total Additions	646,247	349,910	525,373	5,914	502,892
Deductions					
Retirement Benefits	193,130	185,982	179,424	170,370	162,973
Refunds	2,376	4,111	3,322	2,192	2,975
Administrative Expenses	2,827	2,846	3,152	3,072	3,156
Other Expenses	228	186	394	511	576
Total Deductions	198,561	193,125	186,292	176,145	169,680
Change in Fiduciary Net Position	$ 447,686	$ 156,785	$ 339,081	$ (170,231)	$ 333,212

(Dollars in Thousands)	2016	2015	2014	2013	2012
Additions					
Employer Contributions	$ 63,639	$ 68,240	$ 61,179	$ 51,852	$ 45,079
Member Contributions	40,783	38,714	37,126	35,492	36,963
Net Investment Income/(Loss)	189,949	34,589	117,663	370,240	242,604
Total Additions	294,371	141,543	215,968	457,584	324,646
Deductions					
Retirement Benefits	155,220	147,277	140,430	134,311	123,832
Refunds	2,232	2,087	1,246	1,650	2,133
Administrative Expenses	3,665	3,268	3,107	3,227	2,992
Other Expenses	554	258	483	550	548
Total Deductions	161,671	152,890	145,266	139,738	129,505
Change in Fiduciary Net Position	$ 132,700	$ (11,347)	$ 70,702	$ 317,846	$ 195,141

REVENUES BY SOURCE

(Dollars in Thousands)

Fiscal Year Ended 12/31	Member Contributions	Employer Contributions	Investment Net Income/(Loss)	Total
2012	$ 36,963	$ 45,079	$ 242,604	$ 324,646
2013	35,492	51,852	370,240	457,584
2014	37,126	61,179	117,663	215,968
2015	38,714	68,240	34,589	141,543
2016	40,783	63,639	189,949	294,371
2017	44,161	63,822	394,909	502,892
2018	45,567	67,425	(107,078)	5,914
2019	44,659	65,155	415,559	525,373
2020	47,364	77,506	225,040	349,910
2021	49,056	74,953	522,238	646,247

EXPENSES BY TYPE

(Dollars in Thousands)

Fiscal Year Ended 12/31	Pension Benefits	Administrative & Other Expenses	Contribution Refunds	Total
2012	$ 123,832	$ 3,540	$ 2,133	$ 129,505
2013	134,311	3,777	1,650	139,738
2014	140,430	3,590	1,246	145,266
2015	147,277	3,526	2,087	152,890
2016	155,220	4,219	2,232	161,671
2017	162,973	3,732	2,975	169,680
2018	170,370	3,583	2,192	176,145
2019	179,424	3,546	3,322	186,292
2020	185,982	3,032	4,111	193,125
2021	193,130	3,055	2,376	198,561

SCHEDULE OF BENEFIT EXPENSES BY TYPE

(Estimated Based upon Annualized Benefit Amounts as of December 31 of each year)
(Dollars in Thousands)

	2021	2020	2019	2018	2017
Service Retirement Payroll:					
General	$ 129,892	$ 125,424	$ 121,503	$ 117,058	$ 111,380
Safety	33,782	31,511	30,507	28,353	26,318
Total	$ 163,674	$ 156,935	$ 152,010	$ 145,411	$ 137,698
Disability Retiree Payroll:					
General	7,336	7,240	7,321	7,391	7,450
Safety	13,709	13,187	12,836	11,856	11,232
Total	$ 21,045	$ 20,427	$ 20,157	$ 19,247	$ 18,682
Beneficiary Payroll:					
General	8,633	8,411	7,756	7,393	7,083
Safety	3,265	3,044	2,677	2,521	2,345
Total	$ 11,898	$ 11,455	$ 10,433	$ 9,914	$ 9,428
Total Benefit Expense:					
General	145,861	141,075	136,580	131,842	125,913
Safety	50,756	47,742	46,020	42,730	39,895
Total	$ 196,617	$ 188,817	$ 182,600	$ 174,572	$ 165,808

	2016	2015	2014	2013	2012
Service Retirement Payroll:					
General	$ 107,281	$ 101,918	$ 97,528	$ 93,074	$ 88,930
Safety	24,488	23,137	21,767	20,708	19,738
Total	$ 131,769	$ 125,055	$ 119,295	$ 113,782	$ 108,668
Disability Retiree Payroll:					
General	7,298	7,141	7,312	7,431	7,286
Safety	10,818	9,732	9,073	8,790	8,494
Total	$ 18,116	$ 16,873	$ 16,385	$ 16,221	$ 15,780
Beneficiary Payroll:					
General	6,534	6,252	5,502	5,387	4,912
Safety	2,190	2,048	1,834	1,748	1,681
Total	$ 8,724	$ 8,300	$ 7,336	$ 7,135	$ 6,593
Total Benefit Expense:					
General	121,113	115,311	110,342	105,892	101,128
Safety	37,496	34,917	32,674	31,246	29,913
Total	$ 158,609	$ 150,228	$ 143,016	$ 137,138	$ 131,041

Source of data: December 31, 2021 Actuarial Valuation Report
SCERA systems do not provide the level of detail necessary to fully populate this table. Therefore, SCERA actuaries provide an estimate using December 31 data which is then annualized.

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

Summary of Monthly Allowances Being Paid – As of December 31, 2021

(Dollars in Thousands)

	General Members		Safety Members		Total	
	Number	Monthly Allowance	Number	Monthly Allowance	Number	Monthly Allowance
Retired Members						
Service Retirement	3,577	$ 10,825	592	$ 2,815	4,169	$ 13,640
Ordinary Disability	90	119	13	21	103	140
Duty Disability	232	492	317	1,122	549	1,614
Beneficiaries	516	719	141	272	657	991
Total Retired Members	4,415	$ 12,155	1,063	$ 4,230	5,478	$ 16,385

Source of data: December 31, 2021 Actuarial Valuation Report

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS

(Estimated Based upon Annualized Benefit Amounts as of December 31 of each year)

	Number of Years of Service							
(Dollars in Thousands)	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	Unknown
Valuation date 12/31/12								
Final Average Retiree Salary (1)	$4,281	$4,683	$5,207	$5,537	$6,113	$6,445	$7,070	(2)
Average Monthly Benefit of Retirees	$885	$1,294	$1,716	$2,444	$3,446	$4,556	$6,063	$1,985
Number Retirees	267	475	917	621	536	388	398	202
Average Monthly Benefit of Beneficiaries	$868	$715	$875	$1,104	$1,590	$2,006	$2,248	$1,096
Number Beneficiaries	21	60	91	61	43	40	36	102
Valuation date 12/31/13								
Final Average Retiree Salary (1)	$4,361	$4,843	$5,344	$5,699	$6,329	$6,600	$7,243	(2)
Average Monthly Benefit of Retirees	$887	$1,314	$1,761	$2,503	$3,572	$4,640	$6,168	$1,503
Number Retirees	279	488	955	643	568	407	403	167
Average Monthly Benefit of Beneficiaries	$827	$696	$893	$1,129	$1,607	$1,984	$2,251	$1,093
Number Beneficiaries	25	63	95	67	50	43	43	98
Valuation date 12/31/14								
Final Average Retiree Salary (1)	$4,437	$4,946	$5,469	$5,867	$6,439	$6,716	$7,396	(2)
Average Monthly Benefit of Retirees	$864	$1,314	$1,798	$2,570	$3,632	$4,719	$6,246	$1,535
Number Retirees	291	503	987	669	580	424	410	151
Average Monthly Benefit of Beneficiaries	$759	$763	$936	$1,138	$1,627	$1,979	$2,308	$1,102
Number Beneficiaries	29	68	96	66	53	41	44	94
Valuation date 12/31/15								
Final Average Retiree Salary (1)	$4,414	$5,007	$5,567	$6,005	$6,563	$6,923	$7,583	(2)
Average Monthly Benefit of Retirees	$849	$1,329	$1,833	$2,625	$3,703	$4,827	$6,316	$1,527
Number Retirees	296	519	1,017	687	595	445	419	145
Average Monthly Benefit of Beneficiaries	$742	$791	$960	$1,322	$1,617	$1,991	$2,317	$1,097
Number Beneficiaries	29	69	103	75	56	56	49	93
Valuation date 12/31/16								
Final Average Retiree Salary (1)	$5,487	$5,225	$5,587	$5,931	$6,533	$6,712	$7,242	$3,259
Average Monthly Benefit of Retirees	$857	$1,367	$1,884	$2,711	$3,826	$4,893	$6,368	$1,508
Number Retirees	310	532	1,045	734	615	455	433	134
Average Monthly Benefit of Beneficiaries	$661	$791	$975	$1,317	$1,617	$1,998	$2,301	$1,106
Number Beneficiaries	31	69	109	76	60	58	55	96

(1) Final Average Salary information is not reported by SCERA in every record, therefore we have only included those members with a Final Average Salary while calculating these figures.
(2) Less than one-half of the members in this category were reported with a final average salary.

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS (continued)

(Estimated Based upon Annualized Benefit Amounts as of December 31 of each year)

	Number of Years of Service							
(Dollars in Thousands)	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	Unknown
Valuation date 12/31/17								
Final Average Retiree Salary (1)	$5,699	$5,381	$5,715	$6,027	$6,594	$6,872	$7,411	$3,298
Average Monthly Benefit of Retirees	$883	$1,380	$1,928	$2,768	$3,858	$5,004	$6,527	$1,535
Number Retirees	323	550	1,067	767	631	464	438	125
Average Monthly Benefit of Beneficiaries	$744	$805	$961	$1,280	$1,930	$2,000	$2,487	$1,138
Number Beneficiaries	32	73	110	77	67	58	58	96
Valuation date 12/31/18								
Final Average Retiree Salary (1)	$6,003	$5,576	$5,857	$6,159	$6,743	$7,026	$7,475	$3,343
Average Monthly Benefit of Retirees	$884	$1,405	$1,973	$2,844	$3,963	$5,130	$6,604	$1,592
Number Retirees	333	566	1,097	793	662	482	444	116
Average Monthly Benefit of Beneficiaries	$784	$791	$1,002	$1,348	$1,907	$1,994	$2,470	$1,047
Number Beneficiaries	35	77	115	80	68	63	61	104
Valuation date 12/31/19								
Final Average Retiree Salary (1)	$6,328	$5,742	$5,997	$6,271	$6,830	$7,053	$7,630	$3,414
Average Monthly Benefit of Retirees	$861	$1,415	$2,019	$2,903	$4,010	$5,180	$6,743	$1,566
Number Retirees	351	590	1,126	816	690	495	456	103
Average Monthly Benefit of Beneficiaries	$779	$805	$1,054	$1,337	$1,929	$1,990	$2,465	$1,056
Number Beneficiaries	36	81	115	83	74	64	67	103
Valuation date 12/31/20								
Final Average Retiree Salary (1)	$6,482	$5,843	$6,079	$6,320	$6,940	$7,147	$7,720	$3,445
Average Monthly Benefit of Retirees	$853	$1,435	$2,054	$2,926	$4,085	$5,241	$6,837	$1,528
Number Retirees	361	600	1,135	832	716	500	462	93
Average Monthly Benefit of Beneficiaries	$800	$907	$1,147	$1,393	$2,022	$2,051	$2,561	$1,084
Number Beneficiaries	43	82	121	86	77	70	71	98
Valuation date 12/31/21								
Final Average Retiree Salary (1)	$6,690	$6,027	$6,158	$6,424	$7,081	$7,239	$7,851	$3,468
Average Monthly Benefit of Retirees	$860	$1,449	$2,091	$2,978	$4,196	$5,313	$6,968	$1,531
Number Retirees	372	643	1,145	866	741	500	470	84
Average Monthly Benefit of Beneficiaries	$791	$917	$1,201	$1,439	$2,043	$2,085	$2,588	$1,078
Number Beneficiaries	48	84	120	83	81	71	77	93

(1) Final Average Salary information is not reported by SCERA in every record, therefore we have only included those members with a Final Average Salary while calculating these figures.

Source of data: December 31, 2021 Actuarial Valuation Report

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

As of December 31,

	Total-All Employers	County of Sonoma	Water Agency	Sonoma Valley Fire District	Community Development Commission	Transportation Authority	Superior Court
2021							
Number of Covered Employees	4,066	3,553	232	60	49	14	158
Percentage to Total System	100%	87.37%	5.71%	1.48%	1.21%	0.34%	3.89%
2020							
Number of Covered Employees	4,090	3,582	231	59	37	12	169
Percentage to Total System	100%	87.59%	5.65%	1.44%	0.90%	0.29%	4.13%
2019							
Number of Covered Employees	4,040	3,536	215	50	46	14	179
Percentage to Total System	100%	87.52%	5.32%	1.24%	1.14%	0.35%	4.43%
2018							
Number of Covered Employees	4,021	3,526	217	47	40	13	178
Percentage to Total System	100%	87.69%	5.40%	1.17%	.99%	0.32%	4.43%
2017							
Number of Covered Employees	4,110	3,608	217	46	43	12	184
Percentage to Total System	100%	87.79%	5.27%	1.12%	1.05%	0.29%	4.48%
2016							
Number of Covered Employees	4,112	3,612	219	40	41	12	188
Percentage to Total System	100%	87.84%	5.33%	0.97%	1.00%	0.29%	4.57%
2015							
Number of Covered Employees	4,071	3,577	215	41	39	11	188
Percentage to Total System	100%	87.87%	5.28%	1.00%	0.96%	0.27%	4.62%
2014							
Number of Covered Employees	3,922	3,465	202	39	35	10	171
Percentage to Total System	100%	88.35%	5.15%	1.0%	0.89%	0.25%	4.36%
2013							
Number of Covered Employees	3,833	3,383	195	40	31	10	174
Percentage to Total System	100%	88.26%	5.09%	1.04%	0.81%	0.26%	4.54%
2012							
Number of Covered Employees	3,620	3,176	187	40	30	10	177
Percentage to Total System	100%	87.73%	5.17%	1.10%	0.83%	0.28%	4.89%

Source of data: SCERA systems

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