KCERA
KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

2024
Annual Comprehensive Financial Report

Fiscal Years Ended June 30, 2024 and 2023

KERN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION

A defined benefit public pension plan
(California)

WWW.KCERA.ORG

KCERA's mission is to expertly administer retirement benefits, prudently invest the assets of the Association, and provide quality membership services to eligible public employees, retirees and their beneficiaries.

2024
Annual Comprehensive Financial Report

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Issued By:

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Angela Kruger, CPFO
Chief Financial Officer

Kern County Employees' Retirement Association
11125 River Run Blvd, Bakersfield, CA 93311
(661) 381-7700 / www.kcera.org

INTRODUCTORY SECTION

December 11, 2024

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

Dear Board Members:

We are pleased to present the Annual Comprehensive Financial Report (ACFR) for the years ended June 30, 2024 and 2023. This Letter of Transmittal is presented as a narrative introduction, overview and analysis in conjunction with the Management's Discussion and Analysis included in the Financial Section of the Annual Comprehensive Financial Report.

Kern County Employees' Retirement Association (KCERA) is a public employee retirement system that was established on January 1, 1945 by the County of Kern. The KCERA Plan provides retirement, disability, death, beneficiary, cost-of-living and supplemental retirement benefits. As of June 30, 2024, KCERA had 15,045 active and deferred-vested members and paid retirement benefits to 9,281 retirees and their beneficiaries.

KCERA AND ITS SERVICES

KCERA provides retirement allowances and other benefits to all permanent general and safety employees of the County of Kern and of participating special districts. As of June 30, 2024, fourteen districts participated in the retirement plan: Berrenda Mesa Water District, Buttonwillow Recreation and Park District, East Kern Cemetery District, Inyokern Community Services District, Kern County Hospital Authority, Kern County Superior Court, Kern County Water Agency, Kern Mosquito and Vector Control District, North of the River Sanitation District, San Joaquin Valley Air Pollution Control District, Shafter Recreation and Park District, West Side Cemetery District, West Side Mosquito and Vector Control District, and West Side Recreation and Park District.

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

MAJOR INITIATIVES

<u>Operational and Fiscal Compliance</u>
KCERA enlisted an external auditor to conduct compliance audits of plan sponsors, focusing on ensuring adherence to laws, regulations, memoranda of understanding (MOUs), procedures, and verifying member data prior to retirement. The audit was completed during FY 23-24. KCERA is currently in the process of filling the Director of Compliance position to continue the efforts initiated by the audit. The Director of Compliance will be responsible for overseeing KCERA's operational and fiscal compliance, conducting risk assessments, developing and testing internal controls, and implementing compliance policies and procedures.

MAJOR INITIATIVES (CONT.)

Communications Initiatives

KCERA staff have developed the inaugural KCERA Strategic Communications Plan, outlining the objectives, key messages, and strategies for communicating KCERA's programs and policies from 2024 to 2026. The goal of the plan and its associated communication activities is to enhance engagement and effectively communicate with KCERA's members, plan sponsors, and other stakeholders.

KCERA continues to strengthen its outreach to members and plan sponsors while building meaningful relationships with key stakeholders. Member communications have included retirement seminars, plan sponsor resource fairs, and podcasts designed to increase access to KCERA staff, along with updates to the KCERA website and improved access to staff support. Looking ahead, KCERA plans to incorporate a variety of communication methods and formats to educate and inform members on a broad range of pension planning topics.

Information Technology

KCERA has hired a full-time Director of Information Technology Security to oversee cybersecurity efforts and ensure adherence to information security best practices. This role will be primarily responsible for KCERA's overall cybersecurity strategy, policies, procedures, and plans. The Director of Information Technology Security will evaluate and implement security best practices to protect KCERA's networks, systems, and offices from both internal and external threats.

FUNDING

KCERA's funding objective is to meet long-term benefit obligations through level contributions to the Plan and the accrual and compounding of investment income. As of June 30, 2024, the funded ratio of the Plan was 69.9% using actuarial assets and actuarial liabilities of $5,822,219,000 and $8,332,592,000 respectively. The funded percentage increased 1.2% from June 30, 2023, due primarily to investment return on the valuation value (after asset smoothing) greater than the assumed rate of 7.00%.

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

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

FINANCIAL INFORMATION

The ACFR for the years ended June 30, 2024 and 2023 was prepared by KCERA's management, which is responsible for the accuracy, completeness, fair presentation of information and all disclosures in this report. The report has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB).

FINANCIAL INFORMATION (CONT.)

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

KCERA's external auditor, UHY LLP, has conducted an audit of the basic financial statements in accordance with auditing standards generally accepted in the United States of America, performing such tests and other procedures as they deem necessary to express an opinion in their report to the Board of Retirement. The financial audit ensures that KCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free of material misstatements. Their opinion is that KCERA's financial statements present fairly, in all material respects, the Fiduciary Net Position of KCERA as of June 30, 2024 and 2023 and its Changes in Fiduciary Net Position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

INVESTMENTS

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

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

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

For fiscal year 2024, the investments of the Plan returned 9.6%* (net of fees). KCERA's annualized rate of return, net of fees, was 3.7% in the past three years, 7.3% in the past five years, and 6.1% in the past ten years. The investment expenses of the fund are linked to the performance of the investment portfolio and other factors and therefore vary year to year.

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

PROFESSIONAL SERVICES

The Board retains professional consultants and investment managers to provide professional services essential to the effective and efficient operation of KCERA. These entities are included in the Schedule of Investment Fees on pages 80-84.

Opinions from the certified public accountant and the actuary for the Plan are included in this report. The consultants and investment managers retained by the Board are listed on pages 10 and 76-80, respectively, of this report.

CERTIFICATE OF ACHIEVEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to KCERA for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This was the 23rd consecutive year that the Plan has received this prestigious award. The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports.

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

A Certificate of Achievement is valid for a period of one year only. We believe that our current Annual Comprehensive Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

KCERA also received the Public Pension Standards Award for Fund and Administration for the fiscal year ended June 30, 2023. The award is issued by the Public Pension Coordinating Council and is used to recognize KCERA meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

ACKNOWLEDGMENTS

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

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

Respectfully submitted,

Dominic D. Brown

Angela Kruger

Dominic D. Brown, CPA, CFE
Chief Executive Officer

Angela Kruger, CPFO
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Kern County Employees' Retirement Association California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2023

Christopher P. Morrill

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2024

Presented to

Kern County Employees' Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle

Alan H. Winkle
Program Administrator

Members of the Board of Retirement
As of June 30, 2024

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

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

Jordan Kaufman
Position: 1st Member
Appointed by:
Statute

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

Juan Gonzalez
Position: 2nd Member
Elected by:
General Members
Term expires: Dec. 31, 2024

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

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

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

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

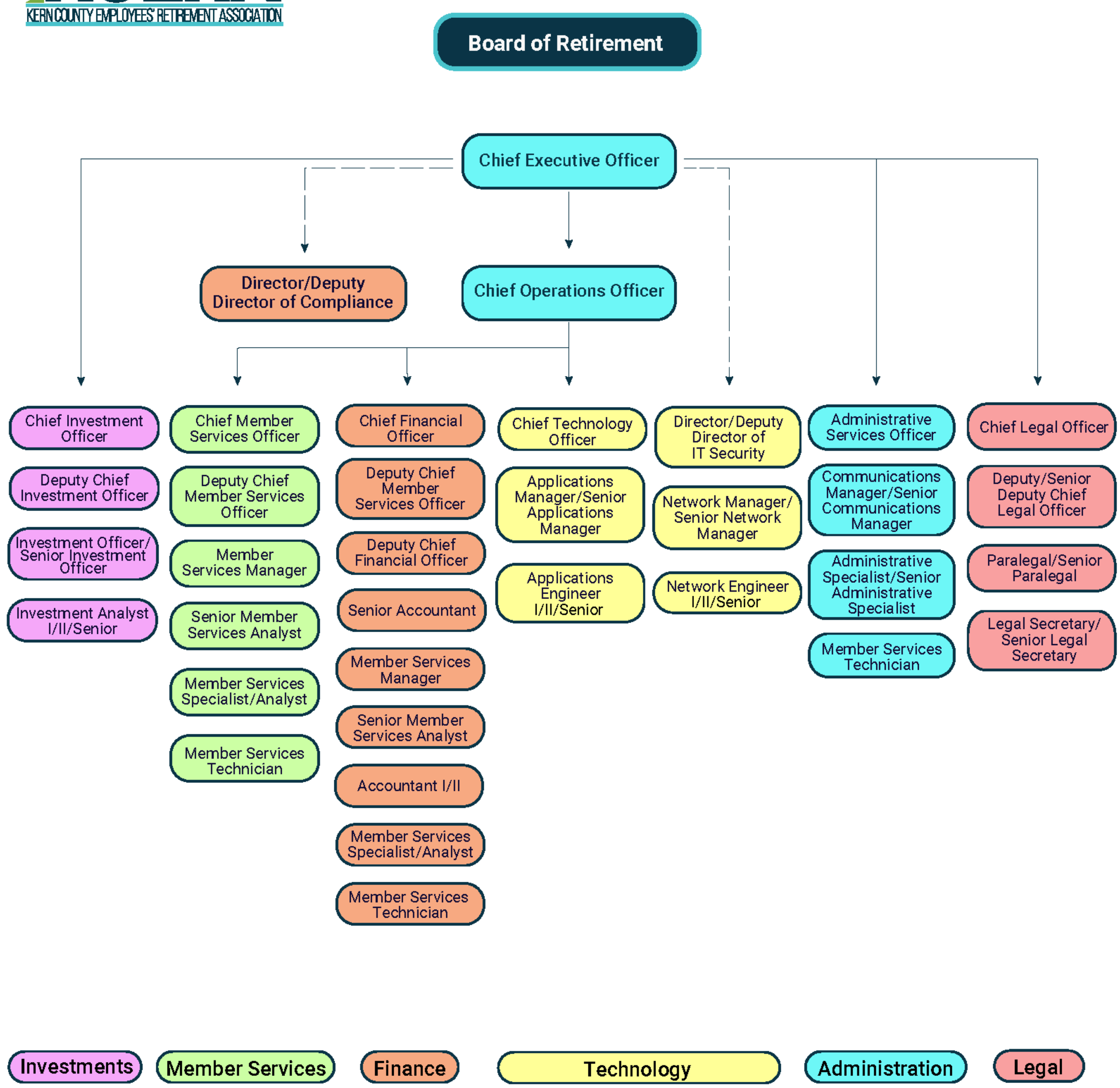
Dustin Contreras
Position: 7th Member (Alt)
Elected by:
Safety Members
Term expires: Dec. 31, 2024

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

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

KCERA
KERN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Positions FY 2024-2025
As of April 9, 2024



Refer to the Investment Section Schedule of Investment Management Fees pgs 80 - 84 for a list of Investment Professionals

As of June 30, 2024

ACTUARY

The Segal Company, Inc.

AUDITORS

UHY, LLP

CUSTODIAN

The Northern Trust Company

INVESTMENT CONSULTANTS

Albourne America LLC
Cambridge Associates
Verus Investments

LEGAL

Barbara Kong-Brown, ESQ.
Duane E. Bennett
Hanson Bridgett, LLP
Ice Miller, LLP
Nossaman, LLP
Reed Smith, LLP

OTHER SPECIALIZED SERVICES

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

Refer to the Investment Section for a list of Investment Managers pg 76-78

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of Retirement and the Finance Committee
Kern County Employees' Retirement Association
Bakersfield, California

Opinion

We have audited the accompanying financial statements of Kern County Employees' Retirement Association (KCERA), which comprise the statements of fiduciary net position and statements of changes in fiduciary net position, as of and for the years ended June 30, 2024 and 2023, and the related notes to the financial statements, which collectively comprise KCERA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of KCERA, as of June 30, 2024 and 2023, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about KCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules of changes in net pension liability and related ratios, employer contributions and money-weighted rates of return and related notes, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplemental Information

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

Other Information included in the Annual Report

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2024, on our consideration of KCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of KCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering KCERA's internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
December 16, 2024

This section presents management's discussion and analysis of the Kern County Employees' Retirement Association's (KCERA) financial statements and the significant events and conditions that affected the operations and performance during the years ended June 30, 2024 and 2023. It is presented as a narrative overview and analysis in conjunction with the Chief Executive Officer and Chief Financial Officer's *Letter of Transmittal* included in the Introductory Section of the Annual Comprehensive Financial Report.

FINANCIAL HIGHLIGHTS

- KCERA's net position increased by $485.8 million during the fiscal year ended June 30, 2024, a 9.0% increase from the last fiscal year. The increase was primarily the result of positive investment returns.
- Member contributions increased by $5.6 million, or 9.4%, mainly as a result of an increase in covered payroll. Employer contributions increased by $41.3 million, or 13.0%, which was primarily due to an increase in covered payroll and the employer contribution rate. The average employer contribution rate increased from 48.76% of payroll for fiscal year 2022-23 to 48.80% for fiscal year 2023-24.
- The total fund's investment performance exceeded the actuarial assumed rate of return for the fiscal year. The investment portfolio reported a total return of 9.6% (net of fees)* versus the actuarial assumed rate of return of 7.00% for the fiscal year ended June 30, 2024.
- Vested pension benefits increased by $15.3 million, or 3.9%, over the prior year. The increase is attributable to a 1.4% increase in retired members and beneficiaries receiving pension benefits, and a 2.7% increase in the average monthly benefit, which rose to $3,865 in the fiscal year. In 2023, the Board adopted a COLA increase of 2.5% for new pensioners. Pensioners received the maximum 2.5% increase in April 2024.
- As of June 30, 2024, the date of the most recent actuarial funding valuation, the funded ratio for KCERA was 69.9% compared to the funded ratio of 68.7% as of June 30, 2023. The funded ratio is an important metric for the System, indicating that KCERA has accumulated 69.9% of the assets needed to cover the liability for both active and retired members.

OVERVIEW OF BASIC FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION

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

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

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

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

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

OVERVIEW OF BASIC FINANCIAL STATEMENTS AND ACCOMPANYING INFORMATION (cont)

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

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

FINANCIAL ANALYSIS

FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

KCERA provides pension benefits to the employees and their beneficiaries of the County of Kern and other public agencies. KCERA's benefits are funded by member and employer contributions, and by investment income. KCERA's fiduciary net position restricted for pension benefits at June 30, 2024 was $5.9 billion, an increase of $485.8 million, or 9.0%, from June 30, 2023. KCERA's fiduciary net position restricted for pension benefits at June 30, 2023 was $5.4 billion, an increase of $255.5 million, or 5.0%, from June 30, 2022. Key elements of the increase in net position are described below and in Tables 1 and 2 on pages 17 & 18.

CONTRIBUTIONS AND INVESTMENT INCOME

Additions to fiduciary net position include member and employer contributions and investment income. Member contributions were approximately $65.1 million, $59.5 million and $54.5 million for the years ended June 30, 2024, 2023 and 2022, respectively.

Member contributions increased by $5.6 million, or 9.4% in 2024 and increased by $5.0 million, or 9.3% in 2023. The increase in member contributions in 2024 was primarily the result of increases in covered payroll.

Employer contributions were $358.1 million, $316.8 million and $287.1 million for the years ended June 30, 2024, 2023 and 2022, respectively. Employer contributions increased approximately $41.3 million, or 13.0% in 2024 and increased approximately $29.8 million, or 10.4% in 2023. The increases in 2024 and 2023 were primarily due to increases in covered payroll and increased employer contribution rates.

Net investment and securities lending income was $503.2 million, $304.2 million and $(219.9) million for the years ended June 30, 2024, 2023 and 2022, respectively.

For the fiscal years ended June 30, 2024, 2023 and 2022, the KCERA portfolio returned (net of fees) 9.6%, 5.9%, and (4.5)%, respectively. More information on KCERA's investment portfolio is contained in the investment section of this report.

BENEFITS, REFUNDS AND EXPENSES

Deductions to plan fiduciary net position include pension benefits, lump sum payments, supplemental benefits, refunds of member contributions, and administrative expenses. The pension benefits (annuity, pension and cost-of- living allowances) were $403.5 million, $388.2 million and $371.4 million for the years ended June 30, 2024, 2023 and 2022, respectively. Pension benefits increased by approximately $15.3 million, or 3.9% in 2024 and $16.8 million, or 4.5% in 2023.

These increases were mainly due to a consistently growing population of retired members and beneficiaries receiving pension benefits and an increase in the average monthly benefit, attributable to higher final average compensations, and the maximum 2.5% cost-of-living adjustment. Retired members and beneficiaries increased by 1.4% in 2024 and by 1.6% in 2023.

FINANCIAL ANALYSIS (CONT.)

BENEFITS, REFUNDS AND EXPENSES (CONT.)

KCERA previously adopted California Government Code Section 31618, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). In fiscal year 2023, SRBR was restructured to include an annual 2.5% COLA on SRBR benefits, so long as SRBR remains adequately funded. SRBR also includes a $5,000 death benefit. In addition to pension benefits, the supplemental retirement benefits paid were $23.9 million, $22.2 million and $20.6 million for the years ended June 30, 2024, 2023 and 2022, respectively. Refunds of member contributions were $4.9 million, $7.4 million and $9.4 million for the years ended June 30, 2024, 2023 and 2022, respectively.

KCERA's administrative expenses were $8.2 million, $7.3 million and $6.7 million for the years ended June 30, 2024, 2023 and 2022, respectively.

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

June 2024	June 2023	June 2022
$33.6 million	$32.1 million	30.7 million
9,281	9,156	9,015

STATEMENT OF FIDUCIARY NET POSITION

Table 1 *(in thousands)*

	2024	Increase (Decrease) Amount	2023	Increase (Decrease) Amount	2022
Assets					
Current Assets	$ 679,657	$ (39,780)	$ 719,437	$ 322,694	$ 396,743
Investments	5,329,359	493,794	4,835,565	(32,182)	4,867,747
Securities Lending Collateral	174,736	174,736	—	(153,386)	153,386
Capital Assets	5,880	5,365	515	(562)	1,077
Total Assets	**6,189,632**	**634,115**	**5,555,517**	**136,564**	**5,418,953**
Liabilities					
Current Liabilities	142,508	(26,428)	168,936	34,498	134,438
Liabilities for Security Lending	174,736	174,736	—	(153,386)	153,386
Total Liabilities	**317,244**	**148,308**	**168,936**	**(118,888)**	**287,824**
Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,872,388**	**$ 485,807**	**$ 5,386,581**	**$ 255,452**	**$ 5,131,129**

FINANCIAL ANALYSIS (CONT.)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Table 2 *(in thousands)*

	2024	Increase (Decrease) Amount	2023	Increase (Decrease) Amount	2022
Additions					
Employer Contributions*	$ 358,108	$ 41,270	$ 316,838	$ 29,775	$ 287,063
Member Contributions*	65,087	5,566	59,521	5,007	54,514
Net Investment Income	503,187	198,979	304,208	524,154	(219,946)
Total Additions	**926,382**	**245,815**	**680,567**	**558,936**	**121,631**
Deductions					
Pension Benefits	403,520	15,289	388,231	16,881	371,350
Supplemental Retirement Benefits	23,948	1,763	22,185	1,595	20,590
Refunds of Member Contributions	4,885	(2,554)	7,439	(1,934)	9,373
Administrative Expenses	8,222	962	7,260	558	6,702
Total Deductions	**440,575**	**15,460**	**425,115**	**17,100**	**408,015**
Increase (Decrease) in Net Position	**$ 485,807**	**$ 230,355**	**$ 255,452**	**$ 541,836**	**$ (286,384)**
Fiduciary Net Position - Restricted for Pension Benefits					
At Beginning of Year	**$ 5,386,581**	**$ 255,452**	**$ 5,131,129**	**$ (286,384)**	**$ 5,417,513**
At End of Year	**$ 5,872,388**	**$ 485,807**	**$ 5,386,581**	**$ 255,452**	**$ 5,131,129**

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

RESERVES

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

Investments are stated at fair value instead of at cost and include the recognition of unrealized gains and losses. Unrealized gains and losses affect the reserves indirectly through an actuarial asset "smoothing" process and are held in the Market Stabilization Reserve with a portion allocated to all other reserves. KCERA uses a five-year smoothing methodology to recognize unrealized gains and losses. The five-year smoothing is calculated by subtracting the expected return of the actuarial assumed interest rate of 7.00% from the total Fund's actual return on net position. The Market Stabilization Reserve was $(90.0) million, $(208.8) million and $(220.1) million for the years ended June 30, 2024, 2023 and 2022, respectively.

Interest at the actuarial rate of 7.00%, or at the highest rate possible if net earnings are not sufficient to credit the full actuarial rate, is credited semiannually on December 31 and June 30. Interest is credited to all reserves, except the contingency reserve. KCERA credited the reserves 7.00% in fiscal years 2024 and 2023. In addition, in fiscal year 2024, $(20.5) million was credited to decrease the contingency reserve to a 0.07% of total fair value of assets, in accordance with the Board of Retirement's Interest Crediting Policy. As investment returns continue to improve, the Contingency Reserve will increase to 3% of fair value of assets.

RESERVES (CONT.)

(in thousands)

KCERA Reserves			
	2024	**2023**	**2022**
Member Reserve	667,640	601,611	547,558
Employer Reserve	1,697,624	1,471,085	1,294,007
Cost of Living Reserve	1,989,777	1,830,478	1,687,815
Retired Member Reserve	1,488,583	1,537,885	1,562,252
Supplemental Retiree Benefit Reserve	114,658	129,750	142,006
Contingency Reserve	4,093	24,619	117,544
Market Stabilization Reserve	(89,987)	(208,847)	(220,053)
Total	**$ 5,872,388**	**$ 5,386,581**	**$ 5,131,129**

FIDUCIARY RESPONSIBILITIES

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

REQUESTS FOR INFORMATION

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

As of June 30, 2024 and 2023

	(In thousands) 2024	2023
Assets		
Cash in County Pool	$ 16,103	$ 15,830
Cash and Cash Equivalents	567,462	577,455
Total Cash and Cash Equivalents	583,565	593,285
Receivables:		
Investments Sold	62,556	97,212
Interest and Dividends	12,364	10,336
Contributions and Other Receivables	20,823	18,510
Total Receivables	95,743	126,058
Investments at Fair Value:		
Short Duration Fixed Income	160,516	124,460
Domestic Fixed Income	719,670	735,517
International Fixed Income	199,682	193,983
Domestic Equities	975,103	788,494
International Equities	940,315	855,274
Commodities	37,694	50,780
Hedge Funds	610,593	589,539
Alpha Pool	194,354	174,680
Midstream	295,591	299,149
Core Real Estate	244,045	305,432
Private Real Estate	180,015	134,133
Private Equity	268,661	189,903
Private Credit	351,597	322,855
Opportunistic	154,345	102,634
Swaps/Options	(2,822)	(31,268)
Collateral Held for Securities Lending	174,736	—
Total Investments	5,504,095	4,835,565
Capital Assets:		
Computer Software	6,298	6,298
Equipment/Computers	1,177	953
Office Building & Land	5,052	—
Solar	304	—
Accumulated Depreciation	(6,951)	(6,736)
Total Capital Assets	5,880	515
Prepaid Expenses	349	94
Total Assets	6,189,632	5,555,517
Liabilities		
Securities Purchased	138,866	166,494
Collateral Held for Securities Lent	174,736	—
Other Liabilities	3,642	2,442
Total Liabilities	317,244	168,936
Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,872,388**	**$ 5,386,581**

See accompanying notes to the financial statements.

KCERA 2024 - Statements of Changes in Fiduciary Net Position

For the years ended June 30, 2024 and 2023

	2024	2023
		(In thousands)
Additions		
Contributions:		
Employer	$ 358,108	$ 316,838
Member	65,087	59,521
Total Contributions	**423,195**	**376,359**
Investment Income:		
Net Appreciation in Fair Value of Investments	483,290	236,974
Interest	59,949	45,860
Dividends	34,595	79,903
Real Estate Income	13,013	14,215
Total Investment Income	590,847	376,952
Less: Investment Expenses	88,187	73,283
Net Investment Income	502,660	303,669
Securities Lending Activity:		
Securities Lending Income	579	599
Less: Rebates & Bank Fees	52	60
Net Securities Lending Income	527	539
Total Additions	**926,382**	**680,567**
Deductions		
Retirement and Survivor Benefits	403,520	388,231
Supplemental Retirement Benefits	23,948	22,185
Refunds of Member Contributions	4,885	7,439
Administrative Expenses	8,222	7,260
Total Deductions	**440,575**	**425,115**
Net Increase	**485,807**	**255,452**
Fiduciary Net Position - Restricted for Pension At Beginning of Year	**5,386,581**	**5,131,129**
Fiduciary Net Position - Restricted for Pension At End of Year	**$ 5,872,388**	**$ 5,386,581**

See accompanying notes to the financial statements.

NOTE 1 – DESCRIPTION OF PLAN

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

As of June 30, 2024, employee membership data related to the pension plan was as follows:

	General	Safety	Total
Active – Vested	4,489	1,202	5,691
Active – Non-Vested	3,854	672	4,526
Total Active Members	**8,343**	**1,874**	**10,217**
Terminated – Deferred Vested	4,311	517	4,828
Retirees and Beneficiaries	7,028	2,253	9,281
Total Members	**19,682**	**4,644**	**24,326**

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

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

BENEFIT PROVISIONS

KCERA provides service retirement, disability, death, survivor and supplemental benefits to eligible employees. All regular full-time employees of the County of Kern or contracting districts who work 50% or more of the regular standard hours required become members of KCERA effective on the first day of the payroll period following the date of hire. Safety membership includes those in active law enforcement, fire suppression, criminal investigation and probation officers. General members (excluding Tier III) are eligible to retire at age 70 regardless of service or at age 50 with 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General Tier III members are eligible to retire at age 70 regardless of service or at age 52 with five or more years of retirement service credit.

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

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

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

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

Safety member benefits for Tier I and Tier II are calculated pursuant to California Gov. Code Sections 31664.1 and 31664, respectively. The monthly allowance is equal to 3% of FAC times years of accrued retirement service credit times age factor from Section 31664.1 (Tier I) or 1/50th (2%) of FAC times years of accrued retirement service credit times age factor from Section 31664 (Tier II).

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

The maximum amount of compensation earnable that can be taken into account for 2024 for members with membership dates on or after July 1, 1996 but before January 1, 2013 is $345,000. The maximum amount of compensation earnable that was taken into account for 2023 was $330,000. For General Tier III members enrolled in Social Security who joined on or after January 1, 2013, the maximum pensionable compensation for 2024 is $151,446. The maximum pensionable compensation for 2023 was $146,042. These limits are adjusted on an annual basis. Members are exempt from paying member contributions and employers are exempt from paying employer contributions on compensation in excess of the annual cap.

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

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

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

DEATH BENEFITS:
Death Before Retirement

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

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

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

Death After Retirement

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

NOTE 1 – DESCRIPTION OF PLAN (CONT.)

BENEFIT PROVISIONS (CONT.)

DISABILITY BENEFIT:

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

COST-OF-LIVING ADJUSTMENT:

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

SUPPLEMENTAL BENEFITS:

The Board of Retirement and the Board of Supervisors adopted Government Code Section 31618 on April 23, 1984, which provides for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR is used only for the benefit of future and current retired members and their beneficiaries. The supplemental benefit is not a guaranteed benefit. The distribution of the SRBR is determined by the Board of Retirement. In fiscal year 2024, SRBR provided a variable monthly benefit and a $5,000 death benefit.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

REPORTING ENTITY

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

BASIS OF ACCOUNTING

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

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

ADMINISTRATIVE EXPENSES

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

CASH EQUIVALENTS

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

VALUATION OF INVESTMENTS

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

Publicly traded stocks	Most recent exchange closing price. International securities reflect currency exchange rates in effect at June 30, 2024 and 2023.
Short-term investments and bonds	Institutional evaluations or priced at par.
OTC securities	Evaluations based on good faith opinion as to what a buyer in the marketplace would pay for a security.
Commingled funds	Net asset value provided by the investment manager.
Alternative investments	Net asset value provided by the Fund manager based on the underlying financial statements and fair value of the Fund.
Real estate investments	Estimated based on price that would be received to sell an asset in an orderly transaction between marketplace participants at the measurement date. Investments without a public market are valued based on assumptions made and multiple valuation techniques or appraisals used by the investment manager. The KCERA property is valued based on an annual appraisal.
Commodities Swaps/Options	Listed market prices are used to report the fair values for derivative instruments, if available. If listed market prices are not available for derivative instruments, the price used may be from a vendor, an investment manager or a counterparty.

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

RISKS AND UNCERTAINTIES

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

CAPITAL ASSETS

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

Capitalization Thresholds and Useful Life

Capital Asset	Thresholds	Useful Life
Furniture	$2,500	5-15 years
Equipment/Computers	$5,000	3-10 years
Internally generated computer software	$1,000,000	5-12 years
Computer software	$100,000	3-10 years
Building and Building Improvements	$100,000	15-30 years

INCOME TAXES

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

MANAGEMENT'S ESTIMATES

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

RECLASSIFICATIONS OF PRIOR YEAR BALANCES

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

GASB PRONOUNCEMENTS

KCERA reviews the requirements of all new GASB pronouncements and their impact on the financial statements. For the fiscal year ended June 30, 2024, there was no material impact to the KCERA financial statements resulting from the implementation of new accounting pronouncements.

NOTE 3 – DEPOSITS AND INVESTMENTS

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

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

1. Earn a long-term net of fees rate of return which is equal to or exceeds the Plan's assumed rate of return;

2. Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark shown in the table on page 75;

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

The asset allocation decision is a critical decision and involves complex analysis. KCERA's policy regarding the allocation of assets is established and may be amended by the Board. It is the policy of the Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The following was the Board's adopted asset allocation as of June 30, 2024:

Asset Class	Target	Range
Public Equity	33%	23 - 45%
Domestic		12 - 28%
International Developed		5 - 18%
Emerging Market		0 - 9%
Fixed Income	25%	15 - 35%
Core	15%	10 - 25%
Credit	10%	5 - 10%
Commodities	4%	0 - 8%
Hedge Funds	10%	5 - 15%
Core Real Estate	5%	2 - 8%
Alpha Pool	8%	2 - 10%
Midstream	5%	0 - 8%
Opportunistic	0%	0 - 10%
Private Markets	18%	0 - 33%
Private Equity	5%	0 - 10%
Private Credit	8%	0 - 13%
Private Real Estate	5%	0 - 10%
Cash*	-8%	-10 - 5%

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

For the year ended June 30, 2024 and 2023, the annual money-weighted rate of return on pension plan investments, net of pension investment expenses, was 9.9% and 6.7%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

DEPOSITS

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

Below is a summary of cash and cash equivalents as of June 30, 2024 and 2023:

(In thousands)

Held by	2024	2023
County of Kern	$ 16,103	$ 15,830
Wells Fargo	1,375	2,394
Northern Trust	567,421	576,904
Disbursements	(1,334)	(1,843)
Total	**$ 583,565**	**$ 593,285**

Custodial Credit Risk - Deposits

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Plan will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. KCERA manages this risk and limits the potential for losses by maintaining cash and cash equivalents with more than one financial institution, including cash for benefit payments in an external account managed by the County of Kern and cash for the purpose of the Plan's strategic asset allocation in an account that invests in a pool of high-quality, short-term money market instruments managed by The Northern Trust Company. Additionally, the Plan maintains an investment in a portfolio of short-term investments managed by an external manager that targets a higher rate of return by assuming a higher level of deliberate interest rate risk. This portfolio managed by BlackRock Financial Management serves as an additional source of liquidity and helps to reduce the concentration of custodial credit risk for deposits. Deposits held at The Northern Trust Company that were uninsured and uncollateralized were $3.2 million and $0.2 million for the years ended June 30, 2024 and 2023, respectively. Additionally, $250 thousand of the deposits held at Wells Fargo Bank were FDIC (Federal Deposit Insurance Corporation) insured while the remaining $1.13 million and $2.14 million were uninsured and uncollateralized for the years ended June 30, 2024 and 2023, respectively.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS

Investments of the Plan are reported at fair value. In fulfilling its responsibilities, the Board of Retirement has contracted with investment managers and a master global custodian. For the year ended June 30, 2024 and 2023, The Northern Trust Company is the global custodian for the majority of the investments of the Plan.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt investment will not fulfill its obligations on contractual payment of interest and principal. The KCERA Investment Policy Statement does not specify a minimum average credit quality rating for fixed income. Instead, the minimum average credit quality for a fixed income investment strategy is determined in the Investment Manager Agreement (IMA) or fund documents agreed upon between KCERA and the respective investment manager. The minimum average credit quality is subject to the risk-return profile and objectives of the sub-asset class within the context of the broader Plan. The weighted average credit quality for the *Core* sleeve of the fixed income allocation should not fall below A and the weighted average credit quality for the *Credit* sleeve of the fixed income allocation should not fall below B.

At June 30, 2024 and 2023, KCERA's assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations, as shown on the next page.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

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

As of June 30, 2024 *(In thousands)*

	S&P Credit Quality								
Type of Investment	**AAA**	**AA**	**A**	**BBB-B**	**CCC-C**	**D**	**NR**	**U.S. Gov Guaranteed**	**Total**
Asset-Backed Securities	$ 31,539	$ 1,866	$ 47	$ 689	$ 2,349	$ 623	$ 24,679	$ —	**$ 61,792**
Bank Deposits	—	—	—	—	—	—	9,002	—	**9,002**
Bank Loans	—	—	—	9,884	413	—	1,207	—	**11,504**
Commercial Mortgage-Backed Securities	3,057	—	—	667	—	—	16,769	—	**20,493**
Commercial Paper	—	—	—	—	—	—	17,679	—	**17,679**
Corporate Bonds	196	2,055	31,522	266,220	14,043	—	13,534	—	**327,570**
Corporate Convertible Bonds	—	—	—	2,933	273	—	1,085	—	**4,291**
Government Agencies	—	6,644	1,047	6,378	—	—	6,617	1,459	**22,145**
Government Bonds	—	3,252	2,752	64,836	1,964	1,760	48,622	91,558	**214,744**
Government Mortgage Backed Securities	—	—	—	863	—	—	426	123,052	**124,341**
Government-Issued Commercial Mortgage Backed Securities	—	—	—	—	—	—	—	996	**996**
Municipal / Provincial Bonds	—	116	1,422	314	771	—	408	—	**3,031**
U.S. Treasuries & Notes	—	—	—	112	—	—	23,831	56,860	**80,803**
Non-Government-Backed C.M.O.s	1,070	95	34	412	112	—	7,597	—	**9,320**
Repurchase Agreements	—	—	—	—	—	—	(1,635)	—	**(1,635)**
Sukuk	—	—	242	1,088	—	—	4,072	—	**5,402**
Collective / Commingled Funds	—	—	—	—	—	—	168,390	—	**168,390**
Total Fixed Income	**$ 35,862**	**$ 14,028**	**$ 37,066**	**$354,396**	**$19,925**	**$ 2,383**	**$342,283**	**$ 273,925**	**$ 1,079,868**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

CUSTODIAL CREDIT RISK - INVESTMENTS

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty to a transaction, the Plan will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. KCERA manages this risk and limits the potential for losses by maintaining accounts with multiple asset managers depending on their domain of investment expertise. Consideration of an investment manager's operational policies and procedures are a component of the Plan's due diligence process. The Plan maintains relationships with multiple investment managers thereby reducing the level of custodial credit risk for investments. As of June 30, 2024 and 2023, there were no investment securities exposed to custodial credit risk.

CONCENTRATION OF CREDIT RISK

The KCERA Investment Policy Statement limits the exposure to any single investment manager or product. The maximum allocation to a single active manager is 12% of the Plan's aggregate value. The maximum allocation to a single active management product is 8% of the Plan and no investment in a single investment strategy may exceed 10% of that investment manager's total assets under management. These limitations apply to any non-index investment vehicles and there is no maximum allocation limit for passive investment managers or passive investment products. These concentration guidelines may be overridden by the Board if deemed appropriate under special circumstances. In addition to these broader concentration limits, fixed income issuer concentration limits are also determined between KCERA and the Plan's investment managers. Issuer concentration limits are identified in Investment Manager Agreements and fund documents. KCERA's investment portfolio contained no investments in any one single investment-grade issuer greater than 5% of fiduciary net position as of June 30, 2024 and 2023 (other than the exceptions listed above).

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment; there is an inverse correlation between interest rates and the value of a fixed income investment. Duration is a measure of sensitivity to interest rate risk. Relative duration targets are determined in conjunction with the Plan's investment managers and are outlined in the respective investment manager guidelines and operative documents. These targets require that the duration of a fixed income portfolio remain within an acceptable range around the duration of a benchmark index. At June 30, 2024 and 2023, the segmented time distribution of the fixed income portfolio, by investment type, was as follows:

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

(In thousands)

Investment Type		Investment Maturities (in years) as of June 30, 2023				Maturity Not Determined
	Fair Value	Less Than 1	1-5	6-10	More Than 10	
Asset-Backed Securities	$ 61,792	$ —	$ 20,929	$ 18,156	$ 22,707	$ —
Bank Deposits	9,002	9,002	—	—	—	—
Bank Loans	11,504	—	9,267	2,237	—	—
Commercial Mortgage-Backed Securities	20,493	101	1,095	993	18,304	—
Commercial Paper	17,679	17,679	—	—	—	—
Corporate Bonds	327,570	9,820	153,445	129,319	34,986	—
Corporate Convertible Bonds	4,291	—	1,353	4	2,934	—
Government Agencies	22,145	3,422	7,516	5,864	5,343	—
Government Bonds	214,744	13,374	61,441	54,055	85,874	—
Government Mortgage Backed Securities	124,341	64,589	583	5,282	53,887	—
Government-Issued Commercial Mortgage Backed Securities	996	—	175	200	621	—
Municipal / Provincial Bonds	3,031	—	314	180	2,537	—
US Treasuries & Notes	80,803	64,187	6,037	10,467	112	—
Non-Government-Backed C.M.O.s	9,320	175	91	197	8,857	—
Repurchase Agreements	(1,635)	(1,635)	—	—	—	—
Sukuk	5,402	701	2,832	1,625	244	—
Collective / Commingled Funds	168,390	—	—	—	—	168,390
Total	**$ 1,079,868**	**$ 181,415**	**$ 265,078**	**$ 228,579**	**$ 236,406**	**$ 168,390**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

(In thousands)

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the value of an international investment that is denominated in U.S. Dollars. The risk and return of an international investment can be bifurcated into two components, which include the risk of holding the underlying security and the risk of adverse movement in the exchange rate. An adverse movement in the exchange rate could result in a translation loss when converting the value of an international investment to U.S. Dollars. The Board of Retirement considers the currency risk exposure when establishing the Plan's strategic asset allocation. The KCERA Investment Policy Statement permits investment in International Developed Equity and Emerging Market Equity within the Public Equity allocation and investment in Emerging Market Debt within the Fixed Income allocation.

KCERA is aware of the foreign currency risk inherent in international investing. KCERA is in the process of developing and implementing a Foreign Currency management program with the objective of assuming judicious foreign currency risk and generating incremental return.

The direct holdings shown on the following page represent KCERA's foreign currency risk exposure as of June 30, 2024 and 2023.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

Foreign Currency — **Fair Value**

As of June 30, 2024 *(In thousands)*

Foreign Currency	Equities	Fixed Income	Cash	Cash Collateral/ Variation Margin	Swaps/Options	Total
Brazilian real	$ —	$ 13,525	$ (5,291)	$ —	$ (229)	$ 8,005
Canadian dollar	6,732	1,783	10,184	—	—	18,699
Chinese yuan renminbi	—	—	2,899	—	19	2,918
Colombian peso	—	3,966	(704)	—	—	3,262
Czech koruna	—	2,180	2,900	54	(37)	5,097
HK offshore Chinese yuan renminbi	—	3,868	207	—	—	4,075
Hungarian forint	—	991	1,304	168	(124)	2,339
Indian rupee	—	583	1,102	—	—	1,685
Indonesian rupiah	—	8,347	(814)	—	—	7,533
Japanese yen	120,733	—	2,965	51	—	123,749
Malaysian ringgit	—	9,307	(1,582)	104	—	7,829
Mexican peso	—	13,131	(3,168)	199	(143)	10,019
New Romanian leu	—	3,910	(814)	—	—	3,096
Peruvian nuevo sol	—	2,910	(1,193)	—	—	1,717
Polish zloty	—	1,504	4,650	101	(80)	6,175
South African rand	—	6,984	433	19	3	7,439
Thai baht	—	3,251	3,934	—	—	7,185
Turkish lira	—	—	3,407	—	—	3,407
Other Currencies[1]	34	8,595	(8,547)	111	(4)	189
Total	$ 127,499	$ 84,835	$ 11,872	$ 807	$ (595)	$ 224,418

Foreign Currency — **Fair Value**

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

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

1 Other currencies include (in thousands) $(125) of Australian dollar, $13 of British pound sterling, $1,377 of Chilean peso, $261 of Dominican peso, $(1,253) of Euro, $47 of Hong Kong dollar, $(4) of New Taiwan dollar, $45 of New Zealand dollar, $114 of Russian ruble, $5 of Swiss franc, $235 of Uruguayan peso uruguayo[1]

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

NOTE 3 – DEPOSITS AND INVESTMENTS (CONT.)

INVESTMENTS (CONT.)

HIGHLY SENSITIVE INVESTMENTS

KCERA invests in securities that are highly sensitive to interest rate changes in the Fixed Income allocation. Highly sensitive investments include mortgage-backed securities, asset-backed securities, collateralized mortgage obligations, and collateralized bond obligations. Mortgage-backed securities, collateralized mortgage obligations and asset-backed securities are created from pools of mortgages or other receivable assets. A collateralized bond obligation is a tranche of a broader pool of non-investment grade bonds that are transferred to a special purpose vehicle to facilitate management of the issue. These securities are subject to credit risk, interest rate risk, and mortgage prepayment and extension risk.

Fair Value *(In thousands)*

	June 30, 2024	June 30, 2023
Mortgage-Backed Securities	$ 145,830	$ 140,508
Asset-Backed Securities	61,792	53,696
Collateralized Mortgage Obligation Securities	9,320	5,215
Total	**$ 216,942**	**$ 199,419**

NOTE 4 – FAIR VALUE MEASUREMENT

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

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

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

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

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

Investments Measured at Fair Value *(In thousands)*

	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Asset-Backed Securities	$ 202,193	$ —	$ 201,497	$ 696
Bank Loans	11,504	—	10,898	606
Bond Funds	262,199	—	4,586	257,613
Collateralized Debt Obligations	17,728	—	17,728	—
Corporate Debt Securities	331,861	—	331,348	513
Government Debt Securities	235,379	—	233,174	2,205
State & Local Government Debt Securities	1,635	—	1,635	—
Structured Debt	16,616	—	16,616	—
Sukuk	5,401	—	5,401	—
Debt Securities:	**1,084,516**	**—**	**822,883**	**261,633**
Common Stock	384,669	367,738	—	16,931
Commodity Funds	1,457	1,457	—	—
Equity Funds	130,856	130,856	—	—
Preferred Stock	801	—	801	—
Equity Investments:	**517,783**	**500,051**	**801**	**16,931**
Investments Measured at the Net Asset Value (NAV)				
Alpha Pool	194,354			
Core Real Estate	244,045			
Hedge Funds	610,593			
Opportunistic	154,345			
Private Credit	351,597			
Private Equity	268,661			
Private Real Estate	180,015			
Commingled Commodity Funds	37,694			
Commingled Equity Funds	1,560,016			
Commingled Bond Funds	297,422			
Net Asset Value (NAV)	**3,898,742**			
Credit Contracts	206	—	206	
Interest Rate Contracts	1,806	23	1,783	—
Other	1,042	409	595	38
Derivatives	**3,054**	**432**	**2,584**	**38**
Total	**$ 5,504,095**			

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

Investments Measured at Fair Value *(In thousands)*

	June 30, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value				
Asset-Backed Securities	$ 187,360	$ —	$ 186,725	$ 635
Bank Loans	12,636	—	12,053	584
Bond Funds	6,389	—	6,389	—
Collateralized Debt Obligations	19,207	—	19,207	—
Corporate Debt Securities	317,704	—	317,280	423
Government Debt Securities	192,486	—	186,191	6,295
State & Local Government Debt Securities	1,758	—	1,758	—
Structured Debt	4,212	—	4,212	—
Sukuk	4,530	—	4,530	—
Debt Securities:	**746,282**	**—**	**738,345**	**7,937**
Common Stock	248,256	247,928	—	328
Commodity Funds	2,128	2,128	0	—
Preferred Stock	130,856	130,856	—	—
Stapled Securities	801	—	801	—
Equity Investments:	**382,041**	**380,912**	**801**	**328**
Real Estate	4,629	—	—	4,629
Real Assets:	**4,629**	—	**—**	**4,629**
Investments Measured at the Net Asset Value (NAV)				
Alpha Pool	174,680			
Core Real Estate	305,432			
Hedge Funds	589,539			
Opportunistic	102,634			
Private Credit	322,855			
Private Equity	189,904			
Private Real Estate	134,133			
Commingled Commodity Funds	49,751			
Commingled Equity Funds	1,507,538			
Commingled Bond Funds	322,063			
Net Asset Value (NAV)	**3,698,529**			
Credit Contracts	(172)	—	(172)	—
Interest Rate Contracts	652	24	628	—
Other	3,604	409	—	3,195
Derivatives	**4,084**	**433**	**456**	**3,195**
Total	**$ 4,835,565**			

NOTE 4 – FAIR VALUE MEASUREMENT (CONT.)

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

(In thousands)

Investments Measured at Net Asset Value (NAV)	6/30/2024	Redemption Frequency	Redemption Notice Period	Unfunded Commitments
Commingled Bond Funds (1)	$ 297,422	Daily, Quarterly	1-30 Days	$ —
Commingled Commodity Funds (1)	37,694	Daily	1 Day	—
Commingled Equity Fund Domestic (1)	813,699	Daily, Monthly	1-30 Days	—
Commingled Equity Fund Non-US (1)	746,317	Daily	1-90 Days	—
Hedge Funds				
Diversified (2)	171,414	Quarterly	90 Days	—
Long/Short (3)	49,088	Quarterly	45 Days	—
Event-Driven (4)	155,687	Quarterly	30-90 Days	—
Macro (5)	228,503	Quarterly	30-90 Days	—
Relative Value (6)	354,600	Monthly, Quarterly	30-60-90 Days	—
Private Markets				
Private Equity (7)	268,661	N/A	N/A	236,990
Private Credit (7)	351,597	N/A	N/A	339,603
Private Real Estate (7)	180,015	N/A	N/A	212,002
Core Real Estate (7)	244,045	Quarterly	30 Days	—
Total	**$ 3,898,742**			**$ 788,595**

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

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

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

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

(5) Macro Hedge Funds: Consisting of two hedge funds where the investment decisions are based on a manager's top-down or macro views on the market. The fund is valued at NAV.

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

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

NOTE 4 – FAIR VALUE MEASUREMENT (CONT)

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

(In thousands)

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

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

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

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

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

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

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

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

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

NOTE 5 – SECURITIES LENDING

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

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

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

KCERA's Securities Lending Program was temporarily suspended as of the June 30, 2023. At June 30, 2024, KCERA had no credit risk exposure to borrowers due to the nature of the program's collateralization of loans at 102% or 110% plus accrued interest.

The table below show the balances relating to securities lending transactions as of June 30, 2024.

As of June 30, 2024 *(In thousands)*

Security Type	Fair Value of Loaned Securities Securitized by Cash	Cash Collateral	Fair Value of Loaned Secuities Securitized by Non-Cash Collateral	Non-Cash Collateral
Domestic Equities	$ 67,829	$ 66,164	$ 818	$ —
Corporate Bonds	62,542	61,126	5,338	—
Government Bonds	1,547	1,511	—	—
Treasuries	46,574	45,935	—	6,298
Total	$ 178,492	$ 174,736	$ 6,156	$ 6,298

NOTE 6 – DERIVATIVES

DESCRIPTION OF AND AUTHORITY FOR DERIVATIVE INVESTMENTS

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

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

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

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

FUTURES

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

OPTIONS

Options are used to manage risk exposures in certain accounts as a result of asset allocation requirements or unusual flows of cash to or from such accounts. Purchased put/call options are reported as assets with cost equal to the premium amount paid at inception, and written put/call options are reported as liabilities with cost equal to the premium received at inception. During the term of the options contracts, options are revalued at the end of each reporting period. Unrealized gains and losses are reported as the difference between the premium (cost) and the current fair value. At expiration, sale, or exercise, options are removed from record, and realized gains and losses are generally recognized. Because of the nature of options transactions, notional values are not included in the Investment Derivatives Summary table on page 48.

NOTE 6 – DERIVATIVES (CONT.)

DESCRIPTION OF AND AUTHORITY FOR DERIVATIVE INVESTMENTS (CONT.)

SWAPS

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

FORWARD EXCHANGE CONTRACTS

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

SUMMARY OF DERIVATIVE INVESTMENTS

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

As of June 30, 2024 and 2023, KCERA has the following instruments outstanding with an objective to earn a rate of return consistent with KCERA's investment policies. Notional values listed that are positive (assets) or negative (liabilities) are aggregated for similar derivative types.

NOTE 6 – DERIVATIVES (CONT.)

Derivative Investment Summary

As of June 30, 2024 *(In thousands)*

Derivative Investment Type	Changes in Fair Value Gain (Loss)	Fair Value	Notional Value
Futures	$ 14,352	$ —	$ 584,047
Options	(1,791)	31	—
Swaps	(36)	2,024	—
Foreign Exchange Contracts	602	1,247	—
Total Value	**$ 13,127**	**$ 3,302**	**$ 584,047**

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

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

NOTE 7 – CONTRIBUTIONS

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

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

Total contributions made during fiscal years 2024 and 2023, respectively, amounted to approximately $423.2 million and $376.3 million, of which $358.1 million and $316.8 million were contributed by employers, and $65.1 million and $59.5 million were contributed by members.

PENSION OBLIGATION BONDS

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

COST-OF-LIVING ADJUSTMENT

On April 1, 1973, an annual cost-of-living adjustment (COLA) of up to 2% for all retirees and continuance beneficiaries was adopted. The 2% COLA was funded entirely from the unreserved fund balance until February 5, 1983. After this date and prior to fiscal year 2003, funding of the 2% COLA was included in the employers' contributions. In fiscal year 2002, the County of Kern activated Government Code Section 31617, which provides that COLAs shall be funded first from excess earnings, to the extent of such excess, and thereafter from employer contributions. In fiscal year 2024, the Plan had no excess earnings; $0 was reserved to fund the employer COLA contributions in fiscal year 2024.

EMPLOYER CONTRIBUTIONS

Each year, an actuarial valuation is performed for the purpose of determining the funded position of the retirement plan and the employer contributions necessary to pay benefits accruing to KCERA members not otherwise funded by member contributions or investment earnings. The employer contribution rates are actuarially determined by using the Entry Age Actuarial Cost Method. The Plan's employer rates provide for both "Normal Cost" and a contribution to amortize any unfunded or overfunded actuarial accrued liabilities. Contribution rates determined in each actuarial valuation (as of June 30) apply to the fiscal year beginning 12 months after the valuation date. Employer rates for fiscal year 2024 ranged from 38.52% to 83.71% of covered payroll, with a combined average of 48.80% for all employers.

NOTE 7 – CONTRIBUTIONS (CONT.)

DECLINING EMPLOYER CONTRIBUTIONS

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

MEMBER CONTRIBUTIONS

Member contributions are made through payroll deductions on a pre-tax basis, per IRS Code Section 414(h)(2). Member contribution rates for fiscal year 2024 ranged from 4.72% to 19.29% and were applied to the member's base pay plus "pensionable" special pay; they were calculated based on the member's KCERA entry age and actuarially calculated benefits. Members are required to contribute depending on the member's tier, employer and bargaining unit. For certain safety bargaining units, a flat member contribution rate is applied. "New members," as defined in PEPRA, hired on or after January 1, 2013 pay a flat member contribution rate: 50% of the total Normal Cost rate.

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

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

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

[1]This annual UAAL contribution in dollars of $12,000 for Inyokern is equal to the level dollar layered amortization of the $110,000 in UAAL of $12,000 plus $0 in administrative expenses plus a $0 adjustment due to the 12-month delay between the valuation date and the plan year beginning July 1, 2023.

[2] This annual UAAL contribution in dollars of $407,000 for Berrenda Mesa is equal to the level dollar layered amortization of the $3,769,000 in UAAL of $410,000 plus $1,000 in administrative expenses minus a $4,000 adjustment due to the 12-month delay between the valuation date and the plan year beginning July 1, 2023.

NOTE 8 – RESERVE ACCOUNTS AND DESIGNATIONS OF NET POSITION

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

VALUATION RESERVES:

MEMBERS' DEPOSIT RESERVE – The reserves to which member contributions are credited. These contributions may be refunded to the member upon separation from service or left on deposit by the member upon separation from service (deferred retirement). Upon retirement of a member, a transfer is made to Retired Member Reserves (Annuity).

EMPLOYERS' ADVANCE RESERVE – The reserves to which basic employer contributions are credited. Upon retirement of a member, a transfer is made to Retired Members' Reserves (Pension).

COST-OF-LIVING RESERVE – The reserves to which cost-of-living employer contributions are credited.

RETIRED MEMBERS' RESERVE – The reserves to which transfers are made from Members' Deposit Reserves and Employer Advance Reserves at the time of a member's retirement. The total of these reserves should equal the present value (excluding cost-of-living increases) of the total benefit due to all retirees and eligible beneficiaries.

ALLOCATED SUPPLEMENTAL RETIREE BENEFIT RESERVE (0.5% COLA Reserve) – This portion of the SRBR is treated as a valuation reserve and can only be used to provide the additional 0.5% COLA benefit. This reserve is used to pay for an additional 0.5% COLA benefit until the allocated amount is exhausted. At that time, the Cost-of-Living Reserve will be used to pay for the additional 0.5% COLA benefit.

NON-VALUATION RESERVES:

COLA CONTRIBUTION RESERVE (CCR) – The funds in the CCR, if any, are applied as of the subsequent July 1 in lieu of cash contributions otherwise expected to be paid by the employers. Any funds in the CCR as of December 31 will be used to determine the amount of employer contributions that will be reduced for the subsequent fiscal year commencing July 1. Such amounts will be transferred from the CCR to the Cost-of-Living Reserve on July 1. Any interest earned on the CCR after December 31 will remain in the CCR and be used towards the subsequent year's determination of the credits.

CONTINGENCY RESERVE – The reserve is maintained in an amount equal to 3% of the total market value of assets to provide funds to offset future deficiencies in interest earnings, losses on investment or other contingencies. This reserve consists of the minimum 1% required plus a discretionary 2%. If the Contingency Reserve is negative, then it will be included as an offset to the valuation value of assets used to determine the employers' contribution rates in the annual actuarial valuation. At fiscal year ended June 30, 2024, 0.07% of the Plan's fiduciary net position were in contingencies, according to the Board of Retirement's Interest Credit Policy.

SUPPLEMENTAL RETIREE BENEFIT RESERVE (SRBR) – This reserve is used for the payment of benefits provided to members who are retired or beneficiaries as determined by the Board. The SRBR reserve is divided into two parts:

1. Allocated SRBR (0.5% COLA Reserve) - This reserve was originally funded by the SRBR. However, this reserve is now treated as a valuation reserve and can only be used to provide the additional 0.5% COLA benefit.

2. Unallocated SRBR - This reserve is the remaining amount of the total SRBR less the Allocated SRBR (0.5% COLA Reserve).

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

Balances in these reserve accounts and designations of fiduciary net position available for pension and other benefits at June 30, 2024 and 2023 (under the five-year smoothed fair asset valuation method for actuarial valuation purposes) are shown below:

(In thousands)

Reserve Account	2024	2023
Members' Deposit Reserve - General	$ 381,181	$ 352,124
Members' Deposit Reserve - Safety	211,359	188,128
Members' Deposit Reserve - Special District	45,554	41,584
Members' Deposit Reserve - Courts	7,904	5,411
Members' Deposit Reserve - Hospital Authority	21,642	14,364
Employers' Advance Reserve - General	670,975	572,762
Employers' Advance Reserve - Safety	781,012	687,514
Employers' Advance Reserve - Special Distict	76,800	68,728
Employers' Advance Reserve - Courts	35,477	30,057
Employers' Advance Reserve - Kern Medical	133,360	112,024
Cost-of-living Reserve - General	1,025,898	954,255
Cost-of-living Reserve - Safety	792,996	728,421
Cost-of-living Reserve - Special District	93,339	84,967
Cost-of-living Reserve - Courts	14,001	12,395
Cost-of-living Reserve - Kern Medical	63,543	50,440
Retired Members' Reserve - General	1,128,461	1,144,410
Retired Members' Reserve - Safety	360,122	393,475
Supplemental Retiree Benefit Reserve (SRBR)	136,063	133,698
SRBR allocated for 0.5% COLA	(21,405)	(3,948)
Contingency Reserve	4,093	24,619
Total reserves at five-year smoothed fair value actuarial valuation	**5,962,375**	**5,595,428**
Market Stabilization Reserve*	(89,987)	(208,847)
Total Fiduciary Net Position - Restricted for Pension Benefits	**$ 5,872,388**	**$ 5,386,581**

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

NOTE 9 – NET PENSION LIABILITY

The components of the net pension liability are as follows:

Reserve Account	June 30, 2024	June 30, 2023
Total Pension Liability	$8,292,717,931	$7,902,924,528
Plan Fiduciary Net Position	(5,872,387,633)	(5,386,581,194)
Net Pension Liability	**$2,420,330,298**	**$2,516,343,334**
Plan Fiduciary Net Position as Percentage of Total Pension Liability	**70.81%**	**68.16%**

The Plan's Fiduciary Net Position includes assets held for the Supplemental Retiree Benefit Reserve (SRBR). A split of the Total Pension Liability (TPL), Plan's Fiduciary Net Position (FNP) and Net Pension Liability (NPL) by the regular benefits (non- SRBR) and the SRBR benefits as of June 30, 2024 and June 30, 2023 are shown in the tables below.

June 30, 2024	Regular Benefits (Non-SRBR)	SRBR Benefits	Total KCERA
Total Pension Liability	$8,179,834,668	$112,883,263	$8,292,717,931
Plan Fiduciary Net Position	5,736,324,535	136,063,098	5,872,387,633
Net Pension Liability (Asset)	**$2,443,510,133**	**$(23,179,835)**	**$2,420,330,298**

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

The Net Pension Liability (NPL) for the plan was measured as of June 30, 2024 and June 30, 2023. The Plan's Fiduciary Net Position was valued as of the measurement dates while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of June 30, 2023, and June 30, 2022, respectively, to the measurement date of June 30, 2024 and 2023, respectively.

PLAN PROVISIONS. The plan provisions used in the measurement of the net pension liability are the same as those used in the KCERA actuarial valuation as of June 30, 2024 and 2023, respectively. The TPL and the Plan's Fiduciary Net Position include liabilities and assets held for the Supplemental Retiree Benefit Reserve (SRBR).

ACTUARIAL ASSUMPTIONS AND METHODS. The TPLs as of June 30, 2024 and 2023 that were measured by actuarial valuations as of June 30, 2023 and 2022, respectively, used the same actuarial assumptions and actuarial cost method as the June 30, 2023 and 2022 funding valuations. The actuarial assumptions used in both valuations were based on the results of an experience study for the period from July 1, 2019 though June 30, 2022. In particular, the following actuarial assumptions were applied to the periods included in the measurement.

NOTE 9 – NET PENSION LIABILITY (CONT.)

As of June 30, 2024	
Inflation:	2.50%
Salary Increases:	General: 3.70% to 8.00%. Safety: 4.00% to 10.00%. Varies by service, including inflation and real accross-the-board salary increase.
Investment Rate of Return:	7.00%, net of plan investment expenses, including inflation.
Administrative Expenses:	0.95% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member.
Real accross-the-board salary increase:	0.50%
Projected salary increases:	General: 3.70% to 8.00% and Safety: 4.00% to 10.00%, varying by service, including inflation and real accross-the-board salary increase
Cost of living adjustments (COLA):	Retiree COLA increases due to CPI are assumed to be 2.50%
Other Assumptions:	Same as those used in the June 30, 2024 funding valuations. These assumptions were developed in the analysis of actuarial experience for the period July 1, 2019 through June 30, 2022.

As of June 30, 2023	
Inflation:	2.50%
Salary Increases:	General: 3.70% to 8.00%. Safety: 4.00% to 10.00%. Varies by service, including inflation and real accross-the-board salary increase.
Investment Rate of Return:	7.00%, net of plan investment expenses, including inflation.
Administrative Expenses:	0.95% of payroll allocated to both the employer and the member based on the components of the total average contribution rate (before expenses) for the employer and the member.
Real accross-the-board salary increase:	0.50%
Projected salary increases:	General: 3.70% to 8.00% and Safety: 4.00% to 10.00%, varying by service, including inflation and real accross-the-board salary increase
Cost of living adjustments (COLA):	Retiree COLA increases due to CPI are assumed to be 2.50%
Other Assumptions:	Same as those used in the June 30, 2023 funding valuations. These assumptions were developed in the analysis of actuarial experience for the period July 1, 2019 through June 30, 2022.

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

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

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

NOTE 9 – NET PENSION LIABILITY (CONT.)

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

Discount rate. The discount rate used to measure the TPL was 7.00% as of June 30, 2024 and 2023. The projection of cash flows used to determine the discount rates assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2024 and 2023.

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

Sensitivity of the Net Pension Liability to changes in the discount rate. The following presents the NPL of the KCERA as of June 30, 2024 and 2023, calculated using the discount rate of 7.00%, as well as what the KCERA's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	(6.00%)	Current (7.00%)	(8.00%)
Net Pension Liability as of June 30, 2024	$ 3,505,423,420	$ 2,420,330,298	$ 1,528,963,510

	(6.25%)	Current (7.25%)	(8.25%)
Net Pension Liability as of June 30, 2023	$ 3,549,044,545	$ 2,516,343,334	$ 1,667,639,118

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

(In thousands)

	2024	2023	2022	2021	2020
Total Pension Liability:					
Service Cost	$ 138,929	$ 119,520	$ 118,979	$ 123,394	$ 124,146
Interest	547,797	538,058	523,872	510,015	481,972
Change of Benefit Terms	—	—	30,438	(32,129)	—
Differences between Expected and Actual Experience	135,420	(33,520)	(69,170)	(16,282)	(23,991)
Changes in Assumptions	—	185,815	—	—	151,379
Benefit Payments, including Refunds	(432,353)	(417,855)	(400,108)	(378,799)	(361,094)
Net Change in Total Pension Liability	389,793	392,018	204,011	206,199	372,412
Total Pension Liability: Beginning of Year	7,902,925	7,510,906	7,306,895	7,100,696	6,728,284.463
Total Pension Liability: End of Year (a)	**8,292,718**	**7,902,924**	**7,510,906**	**7,306,895**	**7,100,696**
Plan Fiduciary Net Position:					
Contributions - Employer [1]	358,108	316,838	287,063	268,625	273,909
Contributions - Employee	65,087	59,521	54,514	53,789	57,862
Net Investment Income	503,187	304,208	(219,947)	1,043,361	127,861
Benefit Payments, including Refunds	(432,353)	(417,855)	(400,108)	(378,799)	(361,094)
Administrative Expense	(8,222)	(7,260)	(6,702)	(6,061)	(5,523)
Other [2]	—	—	(1,204)	(2,197)	—
Net Change in Plan Fiduciary Net Position	485,807	255,452	(286,384)	978,718	93,015
Plan Fiduciary Net Position:					
Beginning of Year	5,386,581	5,131,129	5,417,513	4,438,795	4,345,780.06
Plan Fiduciary Net Position: End of Year (b)	**5,872,388**	**5,386,581**	**5,131,129**	**5,417,513**	**4,438,795**
Net Pension Liability: (a) - (b)	**$ 2,420,330**	**$ 2,516,343**	**$ 2,379,777**	**$ 1,889,382**	**$ 2,661,901**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	70.81 %	68.16 %	68.32 %	74.14 %	62.51 %
Covered Payroll [3]	$ 797,698	$ 677,026	$ 612,609	$ 604,320	$ 607,695
Plan Net Pension Liability as a Percentage of Covered Payroll	303.41 %	371.68 %	388.47 %	312.65 %	438.03 %

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

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

(In thousands)

	2019	2018	2017	2016	2015
Total Pension Liability:					
Service Cost	$ 122,869	$ 123,407	$ 122,184	$ 123,181	$ 125,161
Interest	466,379	450,172	438,385	427,646	415,820
Change of Benefit Terms	—	31,034	—	—	5,036
Differences between Expected and Actual Experience	(48,814)	(80,208)	(109,368)	(105,053)	(89,306)
Changes in Assumptions	—	—	196,259	—	—
Benefit Payments, including Refunds	(341,812)	(321,613)	(305,817)	(288,738)	(273,865)
Net Change in Total Pension Liability	198,622	202,792	341,643	157,036	182,846
Total Pension Liability: Beginning of Year	6,529,662	6,326,870	5,985,227	5,828,191	5,645,345
Total Pension Liability: End of Year (a)	**6,728,284**	**6,529,662**	**6,326,870**	**5,985,227**	**5,828,191**
Plan Fiduciary Net Position:					
Contributions - Employer [1]	229,120	242,534	224,351	234,713	215,477
Contributions - Employee	50,132	52,504	51,410	33,279	30,325
Net Investment Income	214,244	267,659	426,606	(27,535)	81,931
Benefit Payments, including Refunds	(341,774)	(321,613)	(305,817)	(288,738)	(273,864)
Administrative Expense	(4,804)	(5,117)	(5,243)	(5,224)	(4,887)
Other [2]	—	—	—	—	—
Net Change in Plan Fiduciary Net Position	146,918	235,967	391,307	(53,505)	48,982
Plan Fiduciary Net Position: Beginning of Year	4,198,862	3,962,895	3,571,588	3,625,093	3,576,111
Plan Fiduciary Net Position: End of Year (b)	**4,345,780**	**4,198,862**	**3,962,895**	**3,571,588**	**3,625,093**
Net Pension Liability: (a) - (b)	**$ 2,382,504**	**$ 2,330,800**	**$ 2,363,975**	**$ 2,413,639**	**$ 2,203,098**
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	64.59 %	64.30 %	62.64 %	59.67 %	62.20 %
Covered Payroll [3]	$ 579,072	$ 576,729	$ 546,671	$ 537,540	$ 531,598
Plan Net Pension Liability as a Percentage of Covered Payroll	411.43 %	404.14 %	432.43 %	449.02 %	414.43 %

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contribution as % of Covered Payroll
2015	$215,477,000	$215,477,000	—	$531,598,183	40.53%
2016	$216,229,000	$216,229,000	—	$537,539,991	40.23%
2017	$224,351,000	$224,351,000	—	$546,671,003	41.04%
2018	$242,534,000	$242,534,000	—	$576,728,789	42.05%
2019	$229,120,000	$229,120,000	—	$579,071,865	39.57%
2020	$273,909,000	$273,909,000	—	$607,695,110	45.07%
2021	$268,626,000	$268,626,000	—	$604,320,398	44.45%
2022	$287,063,000	$287,063,000	—	$612,609,249	46.86%
2023	$316,838,000	$316,838,000	—	$677,026,425	46.80%
2024	$358,108,000	$358,108,000	—	$797,698,496	44.89%

See accompanying notes to this schedule below.

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

METHODS AND ASSUMPTIONS USED TO ESTABLISH ACTUARIALLY DETERMINED CONTRIBUTION RATES:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll for total unfunded liability
Remaining amortization period:	11.5 years as of June 30, 2024 for all UAAL as of June 30, 2011. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 18-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).
Asset valuation method	Market value of assets (MVA) less unrecognized returns in each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized semi-annually over a five-year period. The Actuarial Value of Assets (AVA) cannot be less than 50% of MVA, nor greater than 150% of MVA. The AVA is reduced by the value of the non-valuation reserves.

	June 30, 2022 Valuation Date (used for the year ended June 30, 2024 ADC)	June 30, 2021 Valuation Date (used for the year ended June 30, 2023 ADC)
Actuarial Assumptions:		
Investment rate of return	7.25%, net of investment expenses, including inflation	7.25%, net of investment expenses, including inflation
Inflation rate	2.75%	2.75%
Real across-the-board salary increase	0.50%	0.50%
*Projected salary increases**	General: 4.00% to 8.75% Safety: 3.75% to 12.00%	General: 4.00% to 8.75% Safety: 3.75% to 12.00%
Administrative expenses	0.90% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses) for the employer and the member	0.90% of payroll allocated to both the employer and member based on the components of the total average contribution rate (before expenses) for the employer and the member
Cost-of-living adjustments	2.5% (actual increases based on CPI increases with a 2.5% maximum)	2.5% (actual increases based on CPI increases with a 2.5% maximum)
Other assumptions	Same as those used in the June 30, 2022 funding actuarial valuation.	Same as those used in the June 30, 2023 funding actuarial valuation.

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

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

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Annual Money-Weighted Rate of Return*	9.9%	6.7%	-4.2%	24.3%	3.2%	5.6%	6.8%	12.0%	0.3%	3.0%

**Net of investment expenses.*

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

SCHEDULE ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Staffing		
Salaries	$ 3,812,114	$ 3,308,199
Benefits	2,172,499	1,908,335
Temporary staff	28,851	16,201
Staffing Total	**6,013,464**	**5,232,735**
Staff Development	94,859	90,708
Professional Fees:		
Actuarial fees	119,943	30,623
Audit fees	77,620	48,480
Consultant fees	132,565	47,507
Legal fees	157,883	79,241
Professional Fees Total	**488,011**	**205,851**
Office Expenses:		
Building expenses	136,731	113,778
Communications	50,111	28,739
Equipment lease	10,908	9,712
Equipment maintenance	6,899	2,000
Memberships	21,029	13,720
Office supplies & misc. admin.	48,027	35,516
Payroll & accounts payable fees	14,565	26,932
Other Services - Kern County	32,802	—
Postage	17,194	19,688
Subscriptions	15,152	14,595
Utilities	49,528	50,321
Office Expenses Total	**402,946**	**315,001**
Insurance	179,620	162,795
Member Services		
Disability - professional services	1,537	—
Disability - administration MMRO	312,804	158,351
Member communications	20,855	12,728
Member Services Total	**$ 335,196**	**$ 171,079**

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

SCHEDULE ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2024 AND 2023 *(CONT.)*

	2024	2023
Systems:		
Audit - security & vulnerability scan	$ 9,670	$ 13,750
Business continuity expense	9,177	16,934
Hardware	62,535	35,511
Licensing & support	146,511	166,895
Software	172,725	126,543
Website design	13,200	13,704
Systems Total	**413,818**	**373,337**
Board of Retirement		
Board compensation	10,700	7,100
Board conferences & training	27,445	37,458
Board elections	37,704	—
Board meetings	3,207	4,015
Board of Retirement Total	**79,056**	**48,573**
Depreciation/Amortization	215,392	660,089
Total Administrative Expenses	**$ 8,222,362**	**$ 7,260,168**

SCHEDULE OF INVESTMENT EXPENSES FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024	2023
Investment manager Fees:		
Equity	$ 3,070,844	$ 4,405,303
Fixed income	2,168,738	2,479,304
Commodities	1,565,407	1,542,888
Midstream energy	1,823,932	1,924,734
Real estate	7,613,116	6,700,532
Opportunistic	3,361,558	4,452,170
Private equity/credit funds	35,758,423	24,300,426
Hedge funds	24,745,534	24,485,566
Cash and overlay	774,724	614,687
Total Investment Manager Fees	**80,882,276**	**70,905,610**
Other Investment Expenses:		
Custodian	480,367	500,708
Actuarial valuation	33,786	167,550
Investment consultants	1,677,719	1,588,459
Legal fees	472,679	68,846
Due diligence	11,607	9,027
Real estate	4,628,772	43,077
Total Other Investment Expenses	**7,304,930**	**2,377,667**
Total Fees and Other Investment Expenses	**88,187,206**	**73,283,277**
Securities lending expenses and bank fees	52,115	59,919
Total Investment Expenses	**$ 88,239,321**	**$ 73,343,196**

See accompanying independent auditor's report.

SCHEDULE OF PAYMENTS TO CONSULTANTS FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

Individual or Firm	Nature of Service	Commission/Fee 2024	Commission/Fee 2023
Agility Recovery Solutions	Disaster recovery/audit	$ 18,847	$ 30,684
UHY LLP	External auditors	77,620	42,000
Cortex Applied Research, Inc.	Policy consultants	750	35,000
AON Consulting, Inc.	Policy consultants	90,000	—
Ice Miller	Legal counsel	3,561	1,775
Kenneth Irvin Robinson	Professional Services	598	12,507
Alliance Resource Consulting LLC	Professional Services	33,000	—
Regional Government Services	Professional Services	8,815	—
Kern County Counsel	Legal counsel	208	2,320
Nossaman LLP	Legal counsel	143,814	42,863
Barbara Kong-Brown, ESQ.	Legal counsel	6,795	—
Duane E Bennett	Legal counsel	3,505	—
Reed Smith LLP	Legal counsel	—	32,283
Segal Consulting	Actuarial services	119,943	30,623
Total Payments to Consultants		**$ 507,456**	**$ 230,055**

These payments were made to outside consultants other than investment professionals.
A Schedule of Investment Fees is presented on pages 80 - 84 in the Investment Section.

See accompanying independent auditor's report.

INVESTMENT SECTION

Verus

September 30, 2024

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

Dear Mr. Brown,

Verus is pleased to have had the opportunity to serve the Kern County Employees' Retirement Association since July 2011 and to provide this investment review for the fiscal year ending June 30, 2024.

Verus independently calculated the Fund's fiscal year performance results utilizing a time-weighted annualized rate of return methodology (modified Dietz method) with data on market valuations and transactions provided by the Fund's custodian bank, the Northern Trust Company. For the fiscal year ended June 30, 2024, KCERA's retirement fund had an investment gain of 9.6% (net of investment management fees) and ended the fiscal year with total assets of approximately $5.8 billion.

All KCERA's investments are managed according to guidelines codified in KCERA's Statement of Investment Goals, Objectives, and Policies. This Statement is reviewed periodically to ensure best practices are employed in all aspects of our work and was last updated in September 2023.

<u>Market Environment</u>

2024 Summary

Risk assets have delivered strong performance over the past year, with the first half of 2024 continuing the upward trend that closed out 2023. Expectations for a recession abated as economic growth proved resilient. The "soft landing" narrative was strengthened, as inflation slowed and the economy continued to grow. In more recent months, some economic data has shown signs of cooling, specifically in the labor market. However, it appears that much of this slowdown may be a return to normalcy that reflects pre-pandemic conditions, rather than a sign if a coming recession. Expectations for interest rate cuts were far more ambitious a year ago, but markets have now solidified expectations that the Federal Reserve will begin cutting interest rates before the end of the year, providing a potential tailwind to both equities and fixed income.

Risk assets outside the United States continued to lag. Developed economies largely experienced stagnation, as the Eurozone saw very low economic growth, the U.K. emerged from recession, and the Japanese economy actually contracted. Despite poor growth, falling inflation allowed the

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European Central Bank to cut interest rates in June, which helped lead to an increase in risk assets. In emerging economies, China concerns remain, with population decline and a tumbling housing market threatening future growth prospects. Two key emerging market countries outperformed most risk assets, however, as Taiwan continues to benefit from its exposure to semiconductors amid growing AI investment, and India has delivered strong economic growth across its economy.

U.S. Equity

Domestic shares continued to build on the previous year's outperformance during the first half of 2024, beating both developed and emerging market equities. The S&P 500 index gained 24.6% over the past year as U.S. equities prove to be the best performing asset class. Concerns have bubbled up over increasing absolute and relative valuations, leading to some fears of a correction. However, domestic stocks continued to climb as investment in artificial intelligence (AI) boosted earnings expectations, and lower inflation has led to expectations for a handful of interest rate cuts, beginning in the fall.

Index concentration remains an important story in U.S. equity markets, with the S&P 500 Equal Weighted Index significantly lagging the flagship index, returning 11.8% over the last year. However, there was a split among the top performing "Magnificent Seven" stocks, with some companies significantly outperforming others. Nvidia is still the darling of the AI investment boom, returning 192.1% over the last year with earnings growth of 629%. While none of the other companies have matched the success of Nvidia, Meta (+76.1%), Google (+52.3%), Amazon (+48.2%) and Microsoft (+32.3%) have all outperformed the index while delivering strong earnings growth. Apple (+9.2%) and Tesla (-24.4%) both lagged after reporting revenue declines in Q1.

These Magnificent Seven movements have had substantial implications on size and style investing, which have both seen significantly widening gaps from the previous year. Over the last year, Growth stocks returned 33.5%, significantly outperforming the 13.1% gain from Value stocks. Similarly, Small Cap stocks, represented by the Russell 2000 Index, returned just 10.1% over the last year, lagging the 23.9% gain posted by the Large Cap stocks in the Russell 1000 Index.

Investors will be watching earnings closely, especially those of technology companies that have gained due to rosy expectations around artificial intelligence. With forward valuations hovering around one standard deviation above the 10-year average, markets are pricing in double-digit earnings growth over the next several years.

International Equity

International equities posted gains in the first half of 2024, although these markets were unable to match the remarkable performance of U.S. equities. Emerging markets, which benefitted from higher exposure to semiconductor stocks and a more growth-oriented set of companies slightly outperformed international developed shares. The MSCI EM Index has returned 12.5% over the last year, just over the 11.6% gain of the MSCI EAFE Index.

International developed shares performed reasonably well despite material weaknesses in the macroeconomic picture. Japanese equities, the largest country weight in the MSCI EAFE index, saw the strongest performance, with the TOPIX returning 12.7% in unhedged currency terms, and 32.5% in hedged currency terms. The Japanese Yen has declined 10.2% relative to the dollar over the past six months, which played a part in boosting exports that became cheaper with a weakening currency. High earnings growth, as well as the end of negative interest rate policy and deflation, provided a tailwind to Japanese equity markets over the last year. In Europe, falling inflation and an interest rate cut in June lifted an equity market that had otherwise been held back by low growth. In the past year, the Euro Stoxx 50 returned 12.0% in unhedged currency terms, and 16.3% in hedged currency terms.

Emerging market equities narrowly outperformed international developed equities, while lagging the United States, returning 12.5% in unhedged currency terms and 15.8% in hedged currency terms, over the last year. Technology exposure is responsible for much of the growth in emerging markets. Taiwan, the second-largest weight in the MSCI EM Index, holds a 70% weight in Information Technology. This provided a substantial tailwind, since the MSCI Taiwan Index returned 41.4% over the past year as TSMC (which alone makes up 50% of the MSCI Taiwan Index) is the world's largest manufacturer of semiconductors, producing chips for companies including Nvidia and Apple. India also performed well, with the MSCI India Index posting a 34.9% gain. India's economy has been growing at an average pace of 6-7% per year, with policies supportive of economic growth and strong positioning within global supply chains.

Fixed Income

Fed policy expectations continued to dominate risk asset behavior over the past year. One year ago, markets were expecting four interest rate cuts by the end of 2024. A year earlier, the market expected four rate cuts to occur in the first half of 2024, with two more in the second half of the year. Instead, there have been no rate cuts, with just two or three priced in before the end of 2024. Interest rates staying higher for longer has been a headwind for long-duration assets over the past year (Bloomberg U.S. Treasury Long 5.6%), as the two-year yield moved from 4.90% to 4.77%, and the ten-year yield moved from 3.84% to 4.40%.

As of June, it had been 11 months since the Federal Reserve implemented its final interest rate hike. Comments made by FOMC members have suggested that higher interest rates have had a material impact on economic activity and have been effective at slowing inflation. With inflation down to 3.0% for CPI and 2.6% for Core PCE (the Fed's preferred inflation gauge), and cooling labor market numbers, investors are looking to the Fed's July meeting to guide rate cut expectations for September.

Core fixed income (Bloomberg U.S. Aggregate) has risen just 2.6% over the past year, as yield increases have outweighed the benefits of the higher rate environment. The shorter end of the curve fared much better than the long end, returning 4.5% throughout the same period. Investors were compensated by taking credit risk, as emerging market debt in hard currency terms (+9.2%), high yield (+10.4%), and Bank Loans (+11.1%) all provided excess returns to investors as spreads have contracted throughout much of the last year. Emerging market debt in local currency terms gained just +0.7%, the only major credit sub-index to underperform treasuries, which gained +5.5%.

Credit conditions have held up well over the past year, reflecting stable economic activity and expectations. Spreads continued to contract, with high-yield and investment grade option adjusted spreads moving from 390 bps to 309 bps and 123 bps to 94 bps, respectively. More recently, default activity has slowed to $37B in default/distressed exchanges taking place in the first half of 2024, which was 14% lower than the same period last year. Eighty percent of that default activity has come from bank loans, which is the largest gap between the two asset classes in the last ten years. High yield default rates are down to 1.8%, materially lower than the long-term average of 3.4%.

Commodities

After fiscal year 2022-2023's -9.6% decline in commodity prices, some of those losses were regained, with the Bloomberg Commodity Index rising 5.0% over the last year. A large driver of these gains was an increase in Energy prices, with Brent Crude Oil contracts increasing 21.6% over the past year. Early in the year, OPEC+ agreed to cut production, and while the group is considering increasing production again later in the year, the market is expecting inventory to decline due to the high demand over the summer months. Grains, the second largest weight in the index, declined 19.7% over the first half of the year, as favorable weather led to an increase in suppl, and demand for U.S. crops has declined in favor of cheaper Brazilian crops. Industrial Metals (+13.0%), Precious Metals (+22.5%), Softs (+17.7%), and Livestock (+2.4%) make up the other half of the index, providing a boost in performance for the overall commodity complex.

Currency

The story within currency markets so far in 2024 has been one of dollar strength, with the dollar trading stronger against its three major pairs. The DXY increased from 102.9 to 105.9 over the course of the past year. The Pound Sterling and Euro both weakened against the dollar, declining 0.6% and 1.8%, respectively. Much of this decline is likely due to the carry trade that favored the U.S. dollar. The European Central Banks cut interest rates in June, while the Federal Reserve has waited to cut interest rates. This differential means that holding the dollar pays more than holding the Euro, incentivizing investors to buy the dollar, and sell the Euro. The Japanese Yen saw more extreme movements against the dollar, falling 10.2%. The interest rate differential between the U.S. and Japan is far greater than either of the European currencies, with the Bank of Japan recently exiting many years of a negative interest rate environment earlier in 2024. It's widely believed that the BoJ sold U.S. dollars to offset some of the declines the yen was experiencing.

Outlook

The last year has been very strong for risk assets, as artificial intelligence investment led to a rally in mega cap technology companies, and broader fears of a recession began to flame out at the beginning of 2024. It's looking more and more likely that the Federal Reserve was successful in engineering a soft landing, something that has arguably only been done once before, in the mid-1990s. There are some signs of late cycle behavior, with high asset valuations, tight credit spreads, and fairly strong economic growth. However, falling inflation and a steepening yield curve as interest rates are cut are traditionally indicative of a trough in the business cycle. If some of these characteristics take place without a recession, it could give way for a "reset" to the beginning of a new cycle, where easing policy can create conditions for a period of sustained growth.

While growth has been resilient and there are expectations for interest rates cuts, both domestic equity and credit markets appear to be priced optimistically. Equity markets are priced for high earnings growth, which creates downside risk if AI-induced efficiency gains do not live up to expectations. There have also been signs of consumer weakness in lower-income segments, as many families are still struggling to adjust to higher price levels and have not seen commensurate gains in wages. Credit spreads are historically low, and a decrease in profitability among companies could result in some equity-like volatility, should a broader contraction take place. Internationally, the Eurozone continues to face poor growth, despite interest rate cuts, while poor demographic trends in China still weigh on investor sentiment. While investors have seen strong returns over the past fiscal year, material risks remain, and high valuations could potentially create an environment conducive to higher volatility and downside mean reversion.

Asset Allocation

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

Asset Class	*Policy Target*	*Year-End Allocation**
Equity	33%	33.7%
Fixed Income	25%	22.1%
Commodities	4%	3.8%
Hedge Funds (incl. Alpha Pool)	18%	13.7%
Midstream Energy MLPs	5%	5.2%
Core Real Estate	5%	4.2%
Private Equity	5%	4.6%
Private Credit	8%	5.8%
Private Real Estate	5%	3.1%

Opportunistic Investments	0%	2.6%
Cash	-8%	1.0%

Investment Objectives

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

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

Objectives / Performance	*1-Year*	*3-Year*	*5-Year*	*10-Year*
Assumed Rate of Return*	7.0%			
Policy Benchmark	10.6%	3.9%	7.5%	6.2%
Rate of Inflation	3.0%	5.0%	4.2%	2.8%
Net-of-Fee Performance	**9.6%**	**3.7%**	**7.3%**	**6.1%**

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

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

Sincerely,

Scott J. Whalen, CFA, CAIA
Managing Director

INVESTMENT POLICIES

GENERAL INFORMATION

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

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

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

SUMMARY OF INVESTMENT GUIDELINES

The Board of Retirement has adopted an Investment Policy Statement to establish policies for the administration and investment of KCERA's plan assets ("Plan") within the context of applicable California laws. This Statement formally documents the goals, objectives, and guidelines of the investment program, and is intended to allow for sufficient flexibility in the investment process to capture opportunities, yet ensure prudence, consistency, and care. Additionally, the policy sets forth in writing the position of the Board with respect to the Plan's investment risk/return posture, including asset allocation. The investment objectives articulated in the Statement are outlined below:

- Earn a long-term net of fees rate of return which is equal to or exceeds the Plan's assumed rate of return;

- Earn a long-term net of fees rate of return which is equal to or exceeds the established benchmark shown in the table on page 75;

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

SUMMARY OF PROXY VOTING GUIDELINES

The Board has established the KCERA Proxy Voting Policy for dealing with proxies. Because the proxy vote is an asset of the Plan, it must be managed prudently and for the exclusive benefit of the Plan. It is the intent of the policy to lay out a broad set of guidelines within which proxies must be voted to maximize shareholder value. For all equity oriented separately managed accounts, a proxy voting service provider is retained to vote all proposals submitted to stockholders in accordance with this policy. All commingled investment fund proxies are voted by the respective Manager of each fund in accordance with the Manager's proxy guidelines.

Due to the significant resources required to properly manage a proxy voting program, the Board has chosen to delegate the proxy voting decision to a third-party provider of proxy voting services and to follow that provider's detailed proxy voting guidelines. The overarching and universal guideline is that proxies must be voted in the best interest of the Plan and its beneficiaries and in order to maximize shareholder value.

ASSET ALLOCATION

The long-term strategic asset allocation (herein referred to as “asset allocation”, “target asset allocation”, or “strategic asset allocation”) is one of the most important investment decisions the Board makes. The primary objective of the asset allocation decision is to establish an asset allocation which produces the highest expected investment return with a prudent level of risk.

The Board selects an asset allocation that is predicated on a number of factors, including:

1. Actuarial considerations of the Plan, including current and projected contributions, benefit payments, assets, liabilities, and funded status;
2. Appropriate levels of risk and return, as evidenced by various quantitative techniques, including mean-variance optimization, stress testing, and scenario analysis;
3. An assessment of potential future economic conditions;
4. Long-term capital market assumptions; and
5. Liquidity considerations.

From time to time the Plan’s actual asset allocation will deviate from the strategic asset allocation. Rebalancing can occur between asset classes, within an asset class, and between investment managers, with the objective of maintaining the strategic asset allocation exposures. Rebalancing or portfolio allocation changes can also occur in response to specific risks or anticipated changes in markets. Rebalancing may occur through the buying and selling of physical investments or through the use of derivatives.

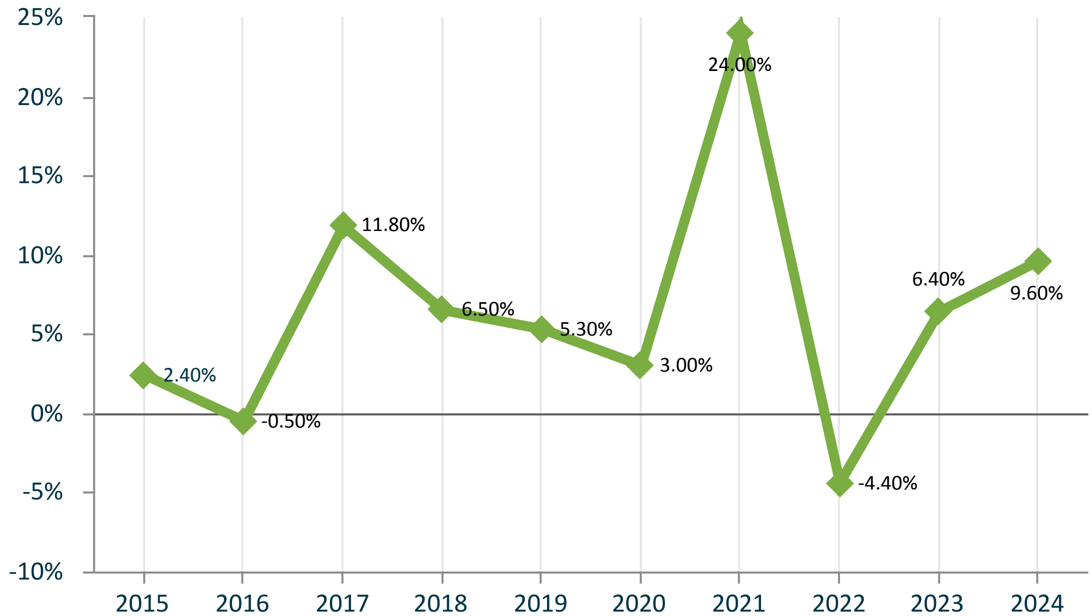
The Board adopted an Investment Policy Statement in April 2014, amended in September 2023, in which the Board is to periodically set, review and revise its asset allocation targets. KCERA’s strategic target asset allocation and actual asset allocation as of June 30, 2024 are as follows:

Asset Class	Actual	Target	Range
Public Equity		33.0%	23 - 45%
Domestic	17.6%		12 - 28%
International Developed	12.4%		5 - 18%
Emerging Market	3.7%		0 - 9%
Fixed Income		25.0%	15 - 35%
Core	14.3%	15.0%	10 - 25%
Credit	4.5%	10.0%	5 - 10%
Emerging Market Debt	3.4%	0.0%	0%
Commodities	3.8%	4.0%	0 - 8%
Hedge Funds	9.8%	10.0%	5 - 15%
Alpha Pool	3.9%	8.0%	2 - 8%
Midstream	5.2%	5.0%	2 - 10%
Core Real Estate	4.2%	5.0%	0 - 8%
Opportunistic	2.6%	0.0%	0 - 10%
Private Equity	5.0%	5.0%	0 - 10%
Private Credit	5.5%	8.0%	0 - 13%
Private Real Estate	3.1%	5.0%	0 - 10%
Cash	1.0%	-8.0%	-10 - 5%
Total	100.0%		

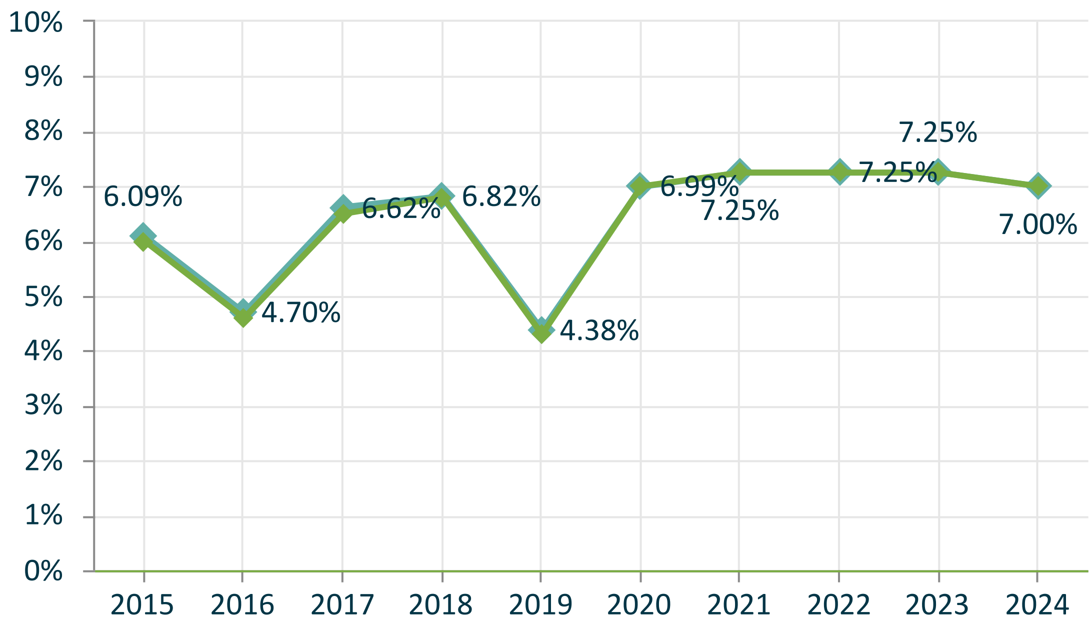
Type of Investment	Fair Value (In thousands)	% of Total Fair Value
Domestic Equity:		
All Cap Passive	$ 664,961	10.92 %
Large Cap Enhanced	146,190	2.40 %
Small Cap Growth	58,384	0.96 %
Small Cap Value	105,688	1.74 %
Total Domestic Equities	975,223	16.02 %
International /Global Equity		
Large Cap	166,121	2.73 %
Global	436,964	7.18 %
Small Cap	122,963	2.02 %
Emerging Markets	214,147	3.52 %
Total International Equities	940,195	15.45 %
Fixed Income		
Core	165,322	2.72 %
Core Plus	292,894	4.81 %
Structured Debt	92,290	1.52 %
High Yield	170,079	2.79 %
Emerging Markets	195,945	3.22 %
Short Duration Fixed Income	160,516	2.64 %
Total Fixed Income	1,077,046	15.06 %
Real Estate		
Core	244,045	4.01 %
Private Real Estate	180,015	2.96 %
Total Real Estate	424,060	6.97 %
Alternate Investments		
Private Credit	351,597	5.78 %
Private Equities	268,661	4.41 %
Opportunistic	154,345	2.54 %
Hedge Funds	610,593	10.03 %
Midstream	295,591	4.86 %
Alpha Pool	194,354	3.19 %
Commodities	37,694	0.62 %
Total Alternative Investments	1,912,835	31.43 %
Cash and Equivalents	583,565	9.57 %
Total Investments	**$ 6,087,660**	**97.37 %**
KCERA Capital Assets and Prepaid Expenses	6,229	
KCERA Receivables/Payables	(221,501)	
Fiduciary Net Position	**$ 5,872,388**	

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

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



FIVE-YEAR SMOOTHED ASSET VALUATION FOR PERIODS ENDED JUNE 30



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

RETURNS FOR PERIODS ENDED JUNE 30

	Current Year	Annualized 3-Year	5-Year	10-Year
Total Fund:	9.6	3.7	7.3	6.1
Benchmark: Policy Index*	10.6	3.9	7.5	6.2
Domestic Equity:	22.1	8.0	13.9	12.3
Benchmark: MSCI USA IMI (Net)	23.3	8.2	14.3	12.3
International Developed Equity:	10.9	2.4	6.7	5.0
Benchmark: MSCI World ex USA IMI Index	10.8	2.0	6.3	4.2
Emerging Markets Equity:	13.8	(2.4)	2.7	2.2
Benchmark: MSCI EM IMI (Net)	13.6	-4.1	3.9	3.1
Core Plus Fixed Income:	2.4	(3.5)	-0.2	1.5
Benchmark: Bloomberg US Aggregate	2.6	(3.0)	-0.2	1.3
High Yield/Specialty Credit	7.5	1.3	3.2	3.0
Benchmark: ICE BofA US High Yield Index	10.4	1.6	3.7	4.2
Emerging Market Debt:	6.0	(1.9)	0.2	0.5
Benchmark: **	4.9	(2.9)	(0.6)	0.9
Commodities:	13.7	8.1	9.8	0.5
Benchmark: Bloomberg Comm. Index	5.0	5.7	7.2	-1.3
Hedge Funds	9.2	6.2	8.3	5.8
Benchmark: ***	11.5	6.8	7.5	6.5
Alpha Pool	0.7	0.5	—	—
Benchmark: 3-Month T-Bill +4%	8.6	6.1	—	—
Midstream Energy	29.8	19.2	—	—
Benchmark: Alerian Midstream Energy Index	26.7	16.5	—	—
Core Real Estate:	(19.7)	-4.3	-1.2	—
Benchmark: NCREIF-ODCE	(9.3)	1.9	3.2	—
Private Real Estate:	(6.4)	9.9	9.2	10.4
Private Equity:	11.9	11.0	11.7	10.2
Private Credit:	13.2	5.7	5.5	—
Opportunistic	2.5	-0.9	—	—
Benchmark: Assumed Rate of Return +3%	10.0	10.0	—	—

* Total Fund:

33% MSCI ACWI IMI,
6% Ice BofA ML Hogh Yield Master II Index
2% JPM Governmental Bond Index Emerging Markets
7.5% 3-Month T-Bill + 3%
5% Actual time-weighted Private Equity Returns
3% Actual time-weighted Private Real Estate Returns
4% Alerian Midstream 1% BBgBarc
** 50 JPM EMBI Global Div/50 JPM GBI EM Global Div
*** 75% 90Day TBills + 3% / 25% MSCI ACWI IMI

17% Bloomberg US Aggregate
2% JPM Emerging Markets Bond Index Global Diversified
4% Bloomberg Commodities
2.5% MSCI ACWI, 8% + 3-month T Bill , 7% NCREIF-ODCE
6% Actual time-weighted Private Credit Returns
3% MSCI ACWI* 1% Bloomberg US Aggregate
0 Assumed Rate of Return +3%, -8% 3-month T Bill

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

INVESTMENT MANAGERS	INVESTMENT MANAGERS (CONT.)
Domestic Equity	**Private Real Estate**
AllianceBernstein	Covenant Apartment Fund X
Geneva Capital	Covenant Apartment Fund XI
Mellon Capital Management EB DV	Invesco Real Estate Funds III & IV
PIMCO StockPlus	Juniper Capital IV LP & Juniper High Noon Partners GP
International Developed Equity	KSL Capital Partners VI, LP
American Century	LBA Logistics Value Fund IX
Cevian Capital II LP	Landmark Real Estate Partners VIII & IX
Dalton Japan Long Only	Long Wharf Real Estate Partners VI
Lazard Japanese Equity	Merit Hill Self-Storage V, LP
Mellon Capital Management-EB DV	Singerman Real Estate Opportunity Fund IV
Emerging Market Equity	**Private Credit**
AB Emerging Markets Strategic Core	Ares Pathfinder Fund II
DFA Emerging Markets Value Portfolio	Blue Torch Credit Opportunites II
Mellon Emerging Markets	Blue Torch Credit Opportunities III
Core Fixed Income	Brookfield Real Estate Finance Fund V
Mellon Capital Management Ag Bond	Cerberus Levered Loan Opportunities Fund V LP
PIMCO CP	Colony Distressed Credit Fund
Western Asset Management - CP	Fortress Credit Opportunities Fund V
High Yield Fixed Income	Fortress Lending Fund II (A)
TCW Securitized Opportunities LP	Fortress Lending Fund III (A)
Western Asset Management - HY	H.I.G Bayside Loan Opportunity Fund
Emerging Markets Debt	HPS Special Situations Opportunity Fund II
PIMCO EM Beta	ITE Rail Fund LP
Stone Harbor Global Funds	Magnetar Constellation Fund V
Commodities	Oak Hill Advisors Structured Products Fund III LP
Gresham Commodity Builder Fund	OrbiMed Royalty & Credit Opportunities IV
Wellington Trust Company (WTC)	Silver Point Specialty Credit Fund III
Midstream Energy	Sixth Street TAO Partners (B)
Harvest Midstream	**Opportunistic**
PIMCO Midstream	Aristeia Select Opportunities II LP
Core Real Estate	Pharo Opportunities Fund SPC
ASB Capital Management	DB Investor's Fund IV
Blue Owl Real Estate Fund VI	Hudson Bay Special Opportunities Fund
JPMCB Strategic Property Fund	River Birch International Ltd
	Sixth Street TAO Partners (D)

Information on the Custodian, Consultants and Other Specialized Services can be found on page 11.

INVESTMENT MANAGERS (CONT.)
Private Equity
Abbott Capital Funds
Blue Owl Strategic Equity HoldCo
Brighton Park Capital Fund I
Brighton Park Capital Fund II
Level Equity Growth Partners
LGT Crown Global V & VI
Linden Capital Partners
Longreach CAP Parners IV-JPY
Pantheon Funds
Parthenon Investors VII
Peak Rock
OrbiMed Private Investments IX
Rubicon Technology Partners IV
Vista Foundation Fund IV
Warren Equity Partners Fund III and Fund IV
WEP IV TS Co-Investment LP

INVESTMENT MANAGERS (CONT.)
Hedge Funds
Aristeia International Ltd
Brevan Howard Fund Limited
D.E. Shaw Composite Fund
HBK Multi-Strategy Fund
Hudson Bay Enhanced Fund LP
Indus Pacific Opportunities Fund
Magnetar Structured Credit Fund
PIMCO Commodity Alpha Fund LLC
Pharo Macro Fund LTD
Sculptor Enhanced LP (Formerly OZ Domestic)
Alpha Pool
Davidson Kempner
Garda Fixed Income
HBK Multi-Strategy Fund
Hudson Bay Enhanced Fund LP
Cash and Overlay
BlackRock Short Duration
Parametric

Information on the Custodian, Consultants and Other Specialized Services can be found on page 11.

LARGEST STOCK DIRECT HOLDINGS (FAIR VALUE)

Shares	Stocks	Fair Value
1,507,703	MLP ENERGY TRANSFER LP COMMON UNITS REP	36,036,266
567,666	MLP MPLX LP COM UNIT REPSTG LTD PARTNER	33,384,853
181,591	TARGA RES CORP COM	24,866,259
523,651	MLP ENTERPRISE PRODS PARTNERS L P COM	24,187,259
103,021	CHENIERE ENERGY INC COM NEW	19,532,182
355,654	WESTERN MIDSTREAM PARTNERS L P COM UNITS	19,458,562
261,280	WILLIAMS CO INC COM	16,973,650
710,058	MLP PLAINS ALL AMERICAN PIPELINE L.P. UNIT	12,681,636
63,100	PLAINS GP HLDGS L P LTD PARTNER INT CL ANEW	7,844,176
179,944	PEMBINA PIPELINE CORPORATION COMMON	6,672,324

LARGEST BOND DIRECT HOLDINGS (FAIR VALUE)

Par	Bonds	Fair Value
19,400,000	FNMA SINGLE FAMILY MORTGAGE 4.5% 30 YEARS	18,288,289
18,250,000	FNMA 30 YEAR PASS-THROUGHS 5.5% 30 YEARS	17,996,924
9,600,000	UNITED STATES OF AMER TREAS NOTES 4.25%	9,556,875
9,500,000	UNITED STATES OF AMER TREAS BONDS 4.25%	9,045,781
8,800,000	FNMA SINGLE FAMILY MORTGAGE 0.0% 30 YEARS	8,503,687
7,810,000	UNITED STATES OF AMER TREAS NOTES 4.25%	7,788,492
9,500,000	FNMA SINGLE FAMILY MORTGAGE 2.5% 30 YEARS	7,764,395
6,900,000	UNITED STATES OF AMER TREAS NOTES 4.0%	6,697,313
5,000,000	UNITED STATES OF AMER TREAS NOTES 5.0%	4,996,094
4,240,000	PVTPL VENTURE GLOBAL LNG INC 9.875%	4,614,922

A complete list of portfolio holdings is available upon request.

FOR YEARS ENDED JUNE 30

(In thousands)

Asset Classes	Assets Under Management 2024	2023
Domestic Fixed Income	$ 716,848	$ 704,249
International Fixed Income	199,682	193,983
Short Duration Fixed Income	160,516	124,460
Domestic Equities	975,103	788,494
International Equities	940,315	855,274
Commodities	37,694	50,780
Hedge Funds	610,593	589,539
Alpha Pool	194,354	174,680
Midstream	295,591	299,149
Core Real Estate	244,045	305,432
Private Real Estate	180,015	134,133
Private Equity	268,661	189,903
Private Credit	351,597	322,855
Opportunistic	154,345	102,634
Investments at Fair Value	**5,329,359**	**4,835,565**
Cash & Short-Term Investments	583,565	593,285
Investments Sold / Purchased	(76,310)	(69,282)
Investment Income & Other Liabilities	33,187	28,846
Total Assets Under Management	**5,869,801**	**5,388,414**
KCERA Capital Assets	5,880	515
KCERA Prepaid Expenses	349	94
KCERA Accruals	(3,642)	(2,442)
Fiduciary Net Position	**$ 5,872,388**	**$ 5,386,581**

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2024	2023
Domestic Equity		
AllianceBernstein Trust Company	$ 664,494	$ 589,130
Henderson Geneva Capital Management	405,953	366,697
Mellon Capital Management (US Equity) Stock Index	68,169	54,541
PIMCO StocksPLUS #4450	316,232	188,901
Total Domestic Equity Managers	**1,454,848**	**1,199,269**
International / Global Equity		
American Century	111,864	126,999
Cevian Capital II SP	451,882	1,517,015
Dalton Japan Long Only	111,876	—
Lazard Japanese Equity	235,861	—
Mellon Int'l (Canada Stock & Int'l Stock)	141,263	147,743
Total International Equity Managers	**1,052,746**	**1,791,757**
Emerging Markets Managers		
AllianceBernstein Trust Company	129,402	1,035,029
Dimensional Fund Advisors	382,565	339,063
MCM DB SL Emerging Markets Stock Index Fund	51,283	40,185
Total Emerging Markets Managers	**563,250**	**1,414,277**
Total Core		
Mellon Capital Management (Fixed Income) Agg Bond	44,805	44,024
Pacific Investment Management Company #7350	403,377	126,518
Western Asset Management Company	323,084	350,631
Total Core Managers	**771,266**	**521,173**
Total Credit		
TCW Securitized Opportunities	470,628	976,567
Western Asset Management Company	385,738	341,857
Total Credit Managers	**856,366**	**1,318,424**
Total Emerging Markets Debt		
PIMCO EB Beta	439,839	400,188
Stone Harbor Investment Partners	101,267	239,519
Total Emerging Markets Debt Managers	**541,106**	**639,707**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2024	2023
Commodities		
Gresham Investment Management	200,064	323,560
Wellington Trust Company	1,365,343	1,219,328
Total Commodity Managers	**1,565,407**	**1,542,888**
Hedge Funds		
Aristeia International Ltd	1,648,756	1,266,246
Brevan Howard Multi-Strategy Fund	1,001,253	4,550,717
D.E. Shaw Composite Fund	5,206,879	2,172,109
HBK Multi-Strategy Fund	1,942,595	1,302,913
Hudson Bay Cap Structure Arbitrage	3,951,899	5,863,790
Indus Pacific Opportunities Fund	1,104,845	608,885
Magnetar Structured Credit Fund	—	97,751
PIMCO Commodities #2580	1,345,337	1,134,468
PMF (PHARO)	1,488,734	1,242,244
Sculptor Capital (formerly OZ)	991,659	870,851
Total Hedge Fund Managers	**18,681,957**	**19,109,974**
Core Real Estate		
ASB Real Estate Investors	1,085,226	1,409,474
Blue Owl Real Estate Fund VI	280,479	—
J.P. Morgan Chase Bank (Strategic Property Fund)	1,086,911	1,002,181
Total Core Real Estate Managers	**2,452,616**	**2,411,655**
CE Alpha Pool		
Davidson Kempner Institutional Partners	2,009,056	1,025,640
Garda Fixed Income	2,407,146	2,851,149
HBK Multi-Strategy fund - Alpha Pool	1,647,375	1,252,985
HBK SPAC Series	—	245,818
Total CE Alpha Pool Managers	**6,063,577**	**5,375,592**
Midstream Energy		
Harvest Midstream	1,141,661	1,270,163
PIMCO Midsream 11178	682,271	654,571
Total Midstream Energy Managers	**1,823,932**	**1,924,734**
Opportunistic		
Aristeia Select Opportunities II	—	(233,321)
Hudson Bay Special Opportunities Fund	9,847	—
River Birch International Ltd	33,308	39,013
Sixth Street TAO Partners (D)	3,318,403	4,646,478
Total Opportunistic Managers	**3,361,558**	**4,452,170**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2024	2023
Private Equity		
Abbott Capital Management (Fund V)	—	15,971
Abbott Capital Management (Fund VI)	174,853	369,185
Blue Owl Strategic Equity	157964	—
Brighton Park Capital Fund I	419,749	321,799
Brighton Park Fund II	663,395	—
Level Equity Opportunities fund 2021	1,043,344	241,871
Level Equity Growth Partners V	222,619	1,061,823
LGT Crown Global	2,372,580	1,439,668
Linden Capital Partners V	355,392	545,614
Linden Co-Investment Fund V	36,063	117,247
Longreach CAP Partners IV-JPY	299,961	—
OrbiMed Private Investments IX	224,471	180,147
Parthenon Investors VII	454,944	—
Peak Rock	225,072	167,123
Rubicon Technology Partners IV	499,449	750,000
Vista Equity Partners	500,000	500,000
Warren Equity Partners Fund III	263,830	391,196
Warren Equity Partners Fund IV	433,609	—
Total Private Equity Managers	**8,347,295**	**6,101,644**
Private Credit		
Ares Pathfindr Fund II	491,852	—
Blue Torch Credit Opportunities Fund II	1,385,393	1,622,086
Blue Torch Credit Opportunities Fund III	2,224,396	684,099
Brookfield Real Estate Finance Fund V	263,126	310,272
Cerberus Levered Loan Opportunities Fund	882,598	—
Colony Capital Credit IV, LLC	333,276	449,720
Fortress Credit Opportunity Fund V	719,693	270,325
Fortress Lending Fund II (A) LP	4,385,715	3,483,322
Fortress Lending Fund III	3,985,853	1,966,360
HIG Bayside Loan Opportunity Fund V	8,856,327	6,390,441
HPS Special Situation Opportunity Fund II	186,656	—
ITE Rail Fund LP	107,145	—
Magnetar Constellation Fund V	329,093	401,948
Oak Hill Advisors Structured Products Fund III	117,423	—
OrbiMed Royalty & Credit Opportunities IV	1,039,567	771,397
Silver Point Specialty Credit Fund III	169,020	—
Sixth Street TAO Parners (B)	1,933,995	1,848,812
Total Private Credit Managers	**27,411,128**	**18,198,782**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Investment Manager Fees	2024	2023
Private Real Estate		
Covenant Apartment Fund X	374,999	375,000
Covenant Apartment Fund XI	375,000	335,458
Invesco Real Estate (US Value-Add Fund IV)	9,379	50,379
Juniper Capital IV LP	578,804	—
KSL Capital Partners VI and ITS Parallel Fund	533,664	659,127
Landmark Real Estate Partners VIII & IX	851,303	1,072,221
LBA Logistics Value Fund IX	405,000	405,000
Long Wharf Real Estate Partners (FREG Fund III)	585,898	866,692
Merit Hill Self-Storage V	921,453	—
Singerman Real Estate Opportunity Fund IV	525,000	525,000
Total Real Estate Managers	**5,160,500**	**4,288,877**
Cash and Overlay		
BlackRock Short Duration	489,561	329,032
Parametric Overlay	285,163	285,655
Total Overlay Managers	**774,724**	**614,687**
Total Investment Managers' Fees	**80,882,276**	**70,905,610**

(Schedule of Investment Fees continued on next page)

FOR YEARS ENDED JUNE 30

Other Investment Expenses	2024	2023
Custodial Fees		
The Northern Trust Company	480,367	500,708
Actuarial Fees		
Segal Company	33,786	167,550
Investment Consultant Fees		
Abel Noser	31,500	30,750
Albourne America LLC	412,950	379,617
Glass, Lewis & Co.	7,950	7,950
Verus	410,000	410,000
Cambridge Associates	750,000	750,000
Nasdaq Evestment	19,500	0
Venn - Consultative	45,000	0
Investment Consulting - Other Expenses	819	10,142
Legal Fees		
Nossaman LLP	472,679	68,846
Due Diligence		
Investment Related Expenses	11,607	9,027
Real Estate Expenses		
KCERA Property Inc.	4,628,772	43,077
Total Other Investment Expenses	**7,304,930**	**2,377,667**
Total Investment Expenses	88,187,206	73,283,277
Security Lending Bank Fees		
Deutsche Bank	52,115	59,919
Total Investment Fees and Services	**$ 88,239,321**	**$ 73,343,196**

ACTUARIAL SECTION

Segal

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

August 7, 2024

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

RE: Kern County Employees' Retirement Association (KCERA)
June 30, 2023 actuarial valuation for funding purposes

Dear Members of the Board:

Segal prepared the June 30, 2023 annual actuarial valuation of the Kern County Employees' Retirement Association (KCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and KCERA's funding policy that was last reviewed with the Board in 2012. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2023 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. However, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, retirement plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected market investment return over 10 six-month periods. The deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 50% of the market value of assets.

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

The UAAL as of June 30, 2011 is amortized as a level percentage of payroll over a 12.5-year closed period as of June 30, 2023. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over an 18-year closed period effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to five years). The progress being made towards meeting the funding objective through June 30, 2023 is illustrated in the Schedule of Funding Progress.

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

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

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the June 30, 2022 Actuarial Experience Study.

As we disclosed in our June 30, 2023 funding valuation report, the 7.00% investment return assumption that the Board approved for determining the liabilities for funding purposes and used for establishing the employer and employee contribution rates was developed without considering the impact of any future 50/50 excess earnings allocation. This is based on our understanding that Article 5.5 of the Statute, which authorizes the allocation of 50% of excess earnings to the SRBR, does not allow for the use of a different investment return for funding than is used for interest crediting. This would appear in effect to preclude the prefunding of the SRBR through the use of an assumption lower than the market earnings assumption of 7.00%.

As indicated by the guidance found in Actuarial Standard of Practice (ASOP) No. 4 ("Measuring Pension Obligations and Determining Pension Plan Costs or Contributions"), we performed stochastic modeling to estimate the impact of the 50% allocation of future excess earnings to the SRBR. The results of our model indicated that the 50/50 allocation of future excess earnings would have about the same impact as an "outflow" (i.e., assets not available to fund the benefits included in the funding valuation) that would average approximately 0.3% of assets over time. For informational purposes only, when we applied the results of our stochastic model to this valuation, we estimated that such an annual outflow would increase the actuarial accrued liability (AAL) measured in this valuation using a 7.00% investment return assumption from $7.92 billion to $8.21 billion (for a difference of about $291 million) and would increase the employer's contribution rate by about 4.8% of payroll.

It is our opinion that the assumptions used in the June 30, 2023 valuation produce results, which, in aggregate, reflect the future experience of the retirement plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and was last performed as of June 30, 2022 with those assumptions first being implemented in the June 30, 2023 actuarial valuation.

In the June 30, 2023 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) decreased from 69.2% to 68.7%. The aggregate employer contribution rate has increased from 48.76% of payroll to 48.80% of payroll, while the aggregate employee rate has increased from 6.96% of payroll to 7.41% of payroll.

Under the asset smoothing method, the total unrecognized net investment losses are $214 million as of June 30, 2023. These investment losses will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years.

The deferred losses of $214 million represent about 4.0% of the market value of assets as of June 30, 2023. Unless offset by future investment gains or other favorable experience, the recognition of the $214 million market losses is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows (without taking into consideration any possible impact of the 50/50 excess earnings allocation between the retirement and SRBR asset pools):

- If the deferred losses were recognized immediately in the valuation value of assets, the funded percentage would decrease from 68.7% to 66.0%.
- If the deferred losses were recognized immediately in the valuation value of assets, the aggregate employer rate would increase from 48.80% to 51.31% of payroll.

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

Sincerely,

Molly Calcagno

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

Molly Calcagno, ASA, MAAA, EA
Senior Actuary

JT/jl
Attachments

5896007v3/13452.002

The methods and assumptions below were selected by the actuary as being appropriate for the Plan and were used in the latest actuarial valuation dated June 30, 2023. The most recently updated Summary of Actuarial Assumptions and Methods was adopted by the Board of Retirement on June 8, 2023.

Economic Assumptions

Interest Rate of Return:	7.00% per year, net of investment expenses
Salary Increases:	Rates vary by service as shown in Table 1 on page 91
Inflation Assumption:	2.50% per year
Cost-of-Living Adjustments:	2.50% (actual increases depend on CPI increases; 2.50% maximum)

Actuarial Methods

Funding Method:	Entry Age Funding Method. Costs are allocated as a level percent of salary.
Actuarial Cost Method:	Entry Age Actuarial Cost Method. The actuarial present value of the projected benefits of each member are allocated as a level percentage of the member's projected compensation between entry age and assumed exit (until maximum retirement age).
Amortization Period:	The actuarial present value of benefits expected to be paid in the future is the Normal Cost. The difference between the Normal Cost and the actuarial present value of all future benefits for contributing members, former contributing members and their survivors is the Actuarial Accrued Liability (AAL). The difference between the AAL and the actuarial value of the assets is the Unfunded Actuarial Accrued Liability (UAAL). As of June 30, 2023, the remaining amortization period for all UAAL as of June 30, 2011 was 12.5 years. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over an 18-year closed period, effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of a change due to retirement incentives, which are amortized over a declining period of up to 5 years).
Amortization Period (CONT.):	Beginning July 1, 2009, any liability attributable to golden handshakes is paid by one of two methods, as elected by the employer: 1. Payment in full in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted; or 2. According to a 5-year amortization to be invoiced to the employer in the first month of the fiscal year following the fiscal year in which the golden handshake(s) was granted. The amortization schedule will be based upon the valuation interest rate used in the most recently completed valuation at the time that the amortization schedule is created. The employer may complete payment of the golden handshake(s) at any time during the 5-year amortization period.

Demographic Assumptions

Post-Retirement Mortality:

A) General Members:	Pub-2010 General Healthy Retiree Amount-Weighted Mortality Table (separate tables for males and females) with rates unadjusted for males and increased by 15% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
B) Safety Members:	Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected generationally with the two-dimensional mortality improvement scale MP-2021.
C) Beneficiaries:	Pub-2010 Contingent Survivor Amount-Weighted Mortality Table (separate tables for males and females) with rates increased by 10% for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
D) Disability Retirement:	For General disabled members, Pub-2010 Non-Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females), with rates decreased by 5% for males and females projected generationally with the two-dimensional mortality improvement scale MP-2021. For Safety disabled members, Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) projected generationally with the two-dimensional mortality improvement scale MP-2021.
Proportion of Members with Spouse/Partner at Retirement:	For all active and inactive members, 70% of male members and 60% of female members are assumed to be married at pre-retirement death or retirement. For all active and inactive members, male members are assumed to have a female spouse who is 3 years younger than the member and female members are assumed to have a male spouse who is 2 years older than the member.
Rate of Termination of Employment:	Rates vary by years of service, as shown in Table 2 on page 92.
Reciprocal Agency:	For current active members, the probability of joining a reciprocal agency immediately after terminating is 45% for General members and 60% for Safety members. For reciprocal members, we assume 4.00% and 3.75% compensation increases per annum for General and Safety members, respectively.
Deferred Retirement Age for Vested Termination:	Age 57 for General members. Age 53 for Safety members.

Annual Rate of Compensation Increase

Years of Service	General Members	Safety Members
Less than 1	5.00	7.00
1 - 2	5.25	8.00
2 - 3	4.50	6.00
3 - 4	4.00	5.50
4 - 5	3.25	5.00
5 - 6	2.75	4.00
6 - 7	2.25	3.50
7 - 8	2.00	3.00
8 - 9	1.75	2.00
9 - 10	1.50	1.75
10 - 11	1.25	1.25
11 - 12	1.15	1.25
12 - 13	1.05	1.25
13 - 14	1.00	1.25
14 - 15	0.90	1.25
15 - 16	0.80	1.00
16 & Over	0.70	1.00

The chart above depicts annual increases in salary before wage inflation. Inflation is 2.50% per year, plus “across the board” real salary increases of 0.50% per year; plus the merit and promotion increases.

Mortality Rates : Pre-Retirement

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

Disability Incidence Rates

Age	General*	Safety*
20	0.02	0.05
25	0.02	0.07
30	0.03	0.10
35	0.06	0.18
40	0.08	0.33
45	0.11	0.46
50	0.16	1.01
55	0.22	2.34
60	0.31	3.75
65	0.35	4.25

	Termination Rates		Electing a Refund upon Termination	
Years of Service	General	Safety	General	Safety
Less than 1	20.00	11.00	100.00	100.00
1 - 2	15.00	9.00	100.00	100.00
2 - 3	12.00	8.00	100.00	100.00
3 - 4	11.00	7.00	100.00	100.00
4 - 5	9.00	6.50	100.00	100.00
5 - 6	8.50	5.50	25.00	30.00
6 - 7	8.00	4.75	25.00	30.00
7 - 8	7.50	4.50	25.00	30.00
8 - 9	6.50	4.25	25.00	30.00
9 - 10	5.00	4.00	25.00	30.00
10 - 11	4.50	3.50	15.00	12.00
11 - 12	4.00	3.25	15.00	12.00
12 - 13	3.75	3.00	15.00	12.00
13 - 14	3.50	2.00	15.00	12.00
14 - 15	3.25	2.00	15.00	12.00
15 - 16	3.00	2.00	15.00	12.00
16 - 17	2.75	1.00	15.00	12.00
17 - 18	2.25	0.90	15.00	12.00
18 - 19	2.00	0.80	15.00	12.00
19 - 20	1.90	0.75	15.00	12.00
20 - 21	1.75	0.00	0.00	0.00
21 - 22	1.50	0.00	0.00	0.00
22 - 23	1.25	0.00	0.00	0.00
23 - 30	1.00	0.00	0.00	0.00
30 & Over	0.00	0.00	0.00	0.00

(Rates in percentages)

**Disability 50% of General member disabilities are assumed to be service-connected, and the other 50% are assumed to be nonservice-connected. Furthermore, 90% of Safety member disabilities are assumed to be service-connected. The other 10% are assumed to be non-service connected disabilities.*

Retirement Rates

Age	General Tier I		General Tiers IIA and IIB	General Tier III	Safety Tier I		Safety Tier IIA and IIB
	<25 Years of Service	>25 Years of Service			<25 Years of Service	>25 Years of Service	
41 - 48	0.00	0.00	0.00	0.00	5.00	5.00	0.00
49	0.00	0.00	0.00	0.00	22.00	36.00	0.00
50	10.00	10.00	5.00	0.00	16.00	36.00	5.00
51	6.00	6.00	3.00	0.00	10.00	30.00	3.00
52	6.00	10.00	3.00	3.00	10.00	30.00	3.00
53	5.00	12.00	3.00	3.00	10.00	30.00	5.00
54	5.00	12.00	3.25	3.25	12.00	28.00	11.00
55	5.00	12.00	3.50	3.50	14.00	28.00	13.00
56	6.00	14.00	4.00	4.00	14.00	28.00	12.00
57	5.00	16.00	4.50	4.50	14.00	28.00	12.00
58	9.00	20.00	6.50	6.50	14.00	28.00	12.00
59	14.00	24.00	11.00	11.00	14.00	28.00	12.00
60	20.00	30.00	12.00	12.00	30.00	60.00	15.00
61	14.00	24.00	13.00	13.00	30.00	60.00	15.00
62	20.00	30.00	20.00	20.00	30.00	60.00	30.00
63 - 64	20.00	30.00	20.00	20.00	30.00	60.00	30.00
65 - 66	33.00	33.00	33.00	33.00	100.00	100.00	100.00
67 - 68	30.00	30.00	30.00	30.00	100.00	100.00	100.00
69	35.00	35.00	35.00	35.00	100.00	100.00	100.00
70	100.00	100.00	100.00	100.00	100.00	100.00	100.00

(Rates in percentages)

Valuation Date	Plan Type	Members	Annual Payroll	Annual Average Pay	Increase in Average Pay
6/30/2014	General	6,629	$410,350,884	$61,902	(0.3)%
	Safety	1,883	$145,284,147	$77,156	(0.6)%
	Total	**8,512**	**$555,635,031**	**$65,277**	**(0.3)%**
6/30/2015	General	6,637	$411,427,313	$61,990	0.1 %
	Safety	1,844	$145,396,935	$78,849	2.2 %
	Total	**8,481**	**$556,824,248**	**$65,655**	**0.6 %**
6/30/2016	General	6,788	$421,043,714	$62,028	0.1 %
	Safety	1,839	$146,217,425	$79,509	0.8 %
	Total	**8,627**	**$567,261,139**	**$65,754**	**0.2 %**
6/30/2017	General	6,966	$431,532,274	$61,948	(0.1)%
	Safety	1,762	$140,549,312	$79,767	0.3 %
	Total	**8,728**	**$572,081,586**	**$65,546**	**(0.3)%**
6/30/2018	General	7,106	$443,482,638	$62,410	0.7 %
	Safety	1,761	$140,698,321	$79,897	0.2 %
	Total	**8,867**	**$584,180,959**	**$65,883**	**0.5 %**
6/30/2019	General	7,433	$471,228,860	$63,397	1.6 %
	Safety	1,764	$141,048,417	$79,959	0.1 %
	Total	**9,197**	**$612,277,277**	**$66,574**	**1.0 %**
6/30/2020	General	7,641	$495,639,348	$64,866	2.3 %
	Safety	1,685	$138,930,289	$82,451	3.1 %
	Total	**9,326**	**$634,569,637**	**$68,043**	**2.2 %**
6/30/2021	General	7,382	$484,722,431	$65,663	1.2 %
	Safety	1,690	$138,571,654	$81,995	(0.6)%
	Total	**9,072**	**$623,294,085**	**$68,705**	**1.0 %**
6/30/2022	General	7,375	$490,017,034	$66,443	1.2 %
	Safety	1,701	$143,085,184	$84,118	2.6 %
	Total	**9,076**	**$633,102,218**	**$69,756**	**1.5 %**
6/30/2023	General	7,840	$561,771,131	$71,654	7.8 %
	Safety	1,717	$154,344,952	$89,892	6.9 %
	Total	**9,557**	**$716,116,083**	**$74,931**	**7.4 %**

Plan Year	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Allowance Added*	Annual Allowance Removed*	Retiree Payroll Ending*	% Increase in Retiree Allowance	Average Annual Allowance*
2014	7,171	442	216	7,397	$19,663,621	$4,173,211	$260,312,430	3.1%	$35,192
2015	7,397	440	238	7,599	$20,734,025	$5,817,539	$275,229,096	5.7%	$36,219
2016	7,599	454	206	7,847	$20,236,339	$5,034,075	$290,431,360	5.5%	$37,012
2017	7,847	501	255	8,093	$22,566,737	$6,358,810	$306,639,287	5.6%	$37,889
2018	8,093	426	218	8,301	$22,799,714	$6,125,093	$323,313,908	5.4%	$38,949
2019	8,301	402	208	8,495	$25,086,184	$5,533,123	$342,866,969	6.0%	$40,361
2020	8,495	405	233	8,667	$24,009,780	$6,538,327	$360,338,422	5.1%	$41,576
2021	8,667	468	300	8,835	$26,956,474	$9,582,527	$377,712,369	4.8%	$42,752
2022	8,835	494	314	9,015	$29,403,970	$10,973,763	$396,142,576	4.9%	$43,943
2023	9,015	411	270	9,156	$26,191,643	$8,775,248	$413,558,971	4.4%	$45,168

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

Schedule of Funded Liabilities by Type

	Aggregate Accrued Liabilities				Portion of Accrued Liabilities Covered by Reported Assets			
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
6/30/2014	$268,826	$3,446,962	$1,776,652	$5,492,440	$3,342,122	100%	89%	0%
6/30/2015	$295,447	$3,607,511	$1,754,215	$5,657,173	$3,529,786	100%	90%	0%
6/30/2016	$320,400	$3,766,875	$1,725,817	$5,813,092	$3,685,447	100%	89%	0%
6/30/2017	$351,592	$4,093,826	$1,746,015	$6,191,433	$3,913,073	100%	87%	0%
6/30/2018	$387,376	$4,288,475	$1,722,963	$6,398,814	$4,163,476	100%	88%	0%
6/30/2019	$414,082	$4,513,958	$1,694,455	$6,622,495	$4,291,573	100%	86%	0%
6/30/2020	$461,921	$4,823,175	$1,720,493	$7,005,589	$4,508,548	100%	84%	0%
6/30/2021	$505,907	$5,020,756	$1,637,562	$7,164,225	$4,806,026	100%	86%	0%
6/30/2022	$547,557	$5,258,274	$1,566,822	$7,372,653	$5,102,402	100%	87%	0%
6/30/2023	$601,498	$5,588,265	$1,729,085	$7,918,848	$5,436,078	100%	87%	0%

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

Actuarial Analysis of Financial Experience (In thousands)

Investment Performance	June 30, 2023	June 30, 2022	June 30, 2021
Asset Return Greater			
(Less) than Expected	$ 7,072	$ 9,678	$ 30,447
Salary Increase Less			
(Greater) than Expected	$ (124,510)	$ 6,599	$ 39,749
Other Experience			
Including Demographic Changes	$ 29,722	$ 16,560	$ (6,980)
Change in Assumptions/Methodology	$ (185,434)	$ —	$ —
Plan Changes	$ —	$ (1,246)	$ 28,922
Composite Gain (or Loss) During Year	**$ (273,150)**	**$ 31,591**	**$ 92,138**

SCHEDULE OF FUNDING PROGRESS* (In thousands)

Actuarial Valuation Date (1)	Actuarial Accrued Liability* (2)	Valuation Value of Assets** (3)	Unfunded Actuarial Accrued Liability (UAAL) (3) - (2) (4)	Funded Ratio (2) / (3) (5)	Annual Covered Payroll (6)	UAAL as % of Annual Payroll (4) / (6) (7)
6/30/2014	$5,492,440	$3,342,122	$2,150,318	60.8 %	$555,634	387.0%
6/30/2015	$5,657,173	$3,529,786	$2,127,387	62.4 %	$556,824	382.1%
6/30/2016	$5,813,092	$3,685,447	$2,127,645	63.4 %	$567,261	375.1%
6/30/2017	$6,191,433	$3,913,073	$2,278,360	63.2 %	$572,081	398.3%
6/30/2018	$6,398,814	$4,163,476	$2,235,338	65.1 %	$584,180	382.6%
6/30/2019	$6,622,495	$4,291,573	$2,330,922	64.8 %	$612,277	380.7%
6/30/2020	$7,005,589	$4,508,548	$2,497,041	64.4 %	$634,570	393.5%
6/30/2021	$7,164,225	$4,806,026	$2,358,199	67.1 %	$623,295	378.3%
6/30/2022	$7,372,653	$5,102,402	$2,270,251	69.2 %	$633,103	358.6%
6/30/2023	$7,918,848	$5,436,078	$2,482,770	68.7 %	$716,116	346.7%

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

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

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS (In thousands)

Fiscal Year Ended June 30,	Annual Required Contribution	Percentage Contributed
2014	$220,393	100%
2015	$215,477	100%
2016	$216,229	100%
2017	$224,351	100%
2018	$242,534	100%
2019	$229,120	100%
2020	$273,909	100%
2021	$268,626	100%
2022	$287,063	100%
2023	$316,838	100%

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

Membership

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

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

Final Average Salary

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

Vesting

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

Member Contribution Rates

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

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

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

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

Withdrawal Benefits

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

Compensation Limit

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

Service Retirement Benefits

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

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

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

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

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

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

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

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

Disability Benefit

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

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

Death Benefit (Before Retirement)

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

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

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

Death Benefit (After Retirement)

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

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

Post-Retirement Cost-of-Living Benefits

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

Supplemental Retirement Benefits (SRBR)

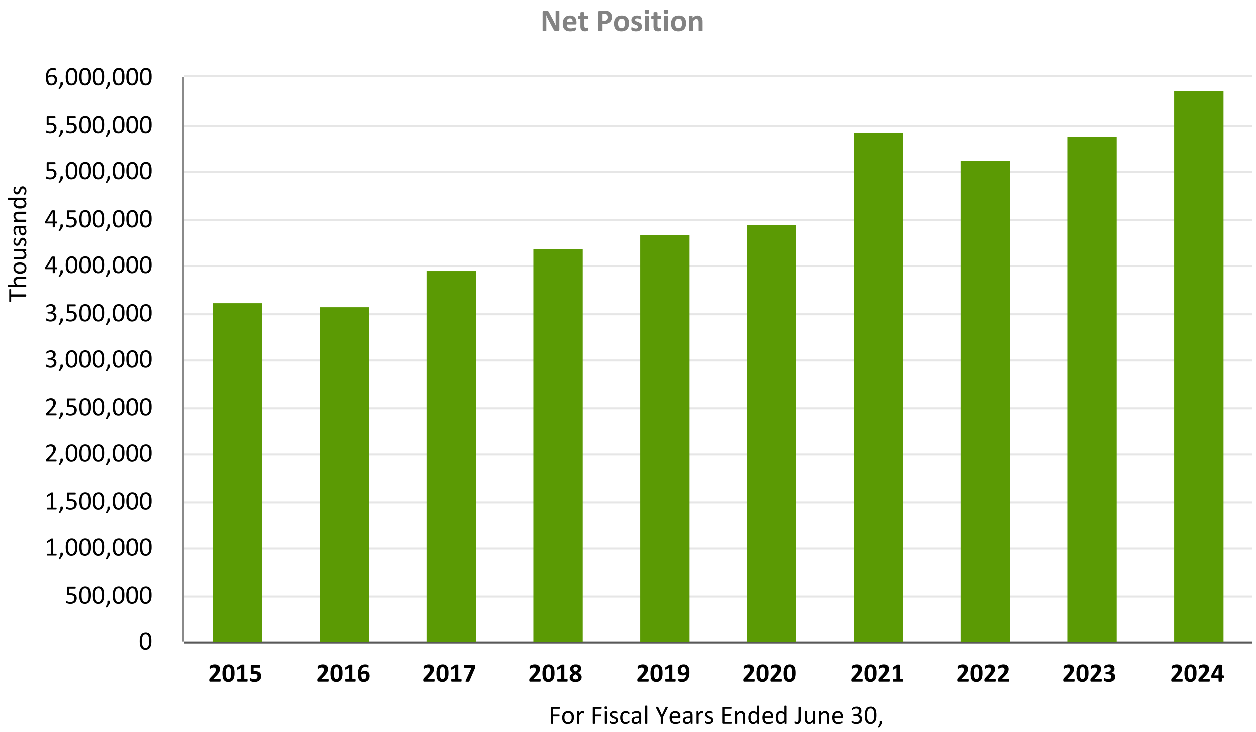
The Board of Retirement adopted California Government Code Section 31618 on April 23, 1984, which provided for the establishment of the Supplemental Retiree Benefit Reserve (SRBR). The SRBR may be used only for the benefit of retired members and their beneficiaries. The legacy distribution of the SRBR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

Benefits Provided	The SRBR currently provides two categories of benefits:
Restructured SRBR	The greater of either the "Floor Benefit" or the "Service SRBR Benefit", payable monthly to retirees who were hired before July 1, 2022: The "Floor Benefit" is equal to the total current Legacy SRBR Benefit as of July 1, 2022 or the member's future retirement date. The Legacy SRBR Benefits (Tier 1, Tier 2, Tier 3 and Tier 4) are shown below. The "Service SRBR Benefit" is equal to the member's years of service at retirement multiplied by $1.80 and adjusted by a 2.5% fixed rate COLA effective as of July 1, 2022 (without regard to retirement date) with the first increase applied July 1, 2023. The Restructured SRBR benefit will be adjusted annually to receive a 2.5% fixed rate COLA on July 1 each year, with the first increase applied on the latter of July 1, 2023 or the July 1st immediately following the date of retirement. Upon the death of the retired member, 60% of the Restructured SRBR benefit continues to the retired member's beneficiary.
Death Benefit:	An additional one-time post-retirement death benefit of $5,000 is paid to a retired member's beneficiary upon the death of the retired member.
Legacy SRBR Benefits	
	On September 14, 2022, the Board adopted a Restructured SRBR benefit effective July 1, 2022 equal to $1.80 per year of service, but no less than the member's current SRBR benefit as of July 1, 2022. The Restructured SRBR benefit also includes a 2.5% COLA on the SRBR benefit, so long as the SRBR remains adequately funded. The legacy benefits are shown below:
Tier 1:	$35.50 per month payable to retirees who were hired on or before July 1, 1994. Upon the death of the retired member, 60% of the Tier 1 SRBR benefit continues to the retired member's beneficiary.
Tier 2:	Three additional monthly stipends payable to retirees: • $1.372 per year of service for members who retired prior to 1985. This was granted July 1, 1994. • $5.470 per year of service for members who retired prior to 1985. This was granted July 1, 1996. • $10.276 per year of service for members who retired prior to 1981. This was granted July 1, 1997. Upon the death of the retired member, 60% of the Tier 2 SRBR benefit continues to the retired member's beneficiary.
Tier 3:	Additional benefits to maintain 82% purchasing power protection. Upon death, this benefit continues to be paid to the retired member's beneficiary based on the applicable continuation percentage under the member's form of payment elected at retirement. Starting July 1, 2018, there is a cap on the maximum annual inflation used in the calculation of the SRBR Tier 3 benefits of 4%.
Tier 4:	$21 per month granted starting July 1, 2018, payable to retirees who were hired prior to July 1, 2018. Upon the death of the retired member, 60% of the Tier 4 SRBR benefit continues to the retired member's beneficiary.
Funding	Under the Restructured SRBR, KCERA's Board will consider benefit changes when the SRBR funding is above 115% funded or below 95% funded for two consecutive years.

STATISTICAL SECTION

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

KCERA NET POSITION VALUE



(In thousands)

	2015	2016	2017	2018	2019
Additions					
Employer Contributions	$ 215,477	$ 234,714	$ 241,112	$ 242,534	$ 229,120
Member Contributions	30,325	33,278	34,649	52,503	50,132
Net Investment Income (Loss)	81,930	(27,535)	426,607	267,659	214,244
Total Additions	**327,732**	**240,457**	**702,368**	**562,696**	**493,496**
Deductions					
Total Benefit Expenses**	273,865	288,738	305,817	321,613	341,774
Administrative Expenses	4,886	5,225	5,243	5,116	4,804
Total Deductions	**278,751**	**293,963**	**311,060**	**326,729**	**346,578**
Change in Fiduciary Net Position	**$ 48,981**	**$ (53,506)**	**$ 391,308**	**$ 235,967**	**$ 146,918**

(In thousands)

	2020	2021	2022	2023	2024
Additions					
Employer Contributions*	$ 273,909	$ 268,625	$ 287,063	$ 316,838	$ 358,108
Member Contributions*	57,862	53,789	54,514	59,521	65,087
Net Investment Income (Loss)	127,861	1,043,361	(219,947)	304,208	503,187
Total Additions	**459,632**	**1,365,775**	**121,630**	**680,567**	**926,382**
Deductions					
Total Benefit Expenses**	361,094	380,996	401,313	417,855	432,353
Administrative Expenses	5,523	6,061	6,702	7,260	8,222
Total Deductions	**366,617**	**387,057**	**408,015**	**425,115**	**440,575**
Change in Fiduciary Position	**$ 93,015**	**$ 978,718**	**$ (286,384)**	**$ 255,452**	**$ 485,807**

** The 2018, 2019, 2020, 2021, 2022, 2023 and 2024 fiscal year's financial statements reclassified employer paid member contributions as member contributions.*

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

(In thousands)

	2015	2016	2017	2018	2019
Service Retirement Benefits					
General	$ 148,697	$ 159,101	$ 169,370	$ 179,977	$ 193,308
Safety	72,097	74,978	78,453	81,806	86,007
Total	220,794	234,079	247,823	261,783	279,315
Service-Connected Disability (SCD) Benefits					
General	8,422	8,260	8,411	8,647	8,479
Safety	21,222	21,676	22,207	22,842	22,596
Total	29,644	29,936	30,618	31,489	31,075
Beneficiary Benefits					
General	11,186	12,261	13,579	14,136	14,903
Safety	7,881	8,393	8,979	9,612	10,719
Total	19,067	20,654	22,558	23,748	25,622
Lump Sum Death Benefits	862	787	894	903	1,025
Total Benefit Payments	**270,367**	**285,456**	**301,893**	**317,923**	**337,037**
Refunds					
General	2,876	2,563	2,718	2,966	3,519
Safety	622	719	1,206	724	1,218
Total	3,498	3,282	3,924	3,690	4,737
Total Benefit Expenses	**$ 273,865**	**$ 288,738**	**$ 305,817**	**$ 321,613**	**$ 341,774**

(In thousands)

	2020	2021	2022	2023	2024
Service Retirement Benefits					
General	$ 206,802	$ 217,511	$ 225,207	$ 235,805	$ 244,678
Safety	91,880	96,306	99,934	105,098	110,286
Total	298,682	313,817	325,141	340,903	354,964
Service-Connected Disability (SCD) Benefits					
General	8,451	8,567	8,655	9,030	8,967
Safety	23,548	24,388	25,125	25,232	26,128
Total	31,999	32,955	33,780	34,262	35,095
Beneficiary Benefits					
General	14,818	15,944	18,161	19,205	20,466
Safety	10,046	10,757	13,484	14,829	15,761
Total	24,864	26,701	31,645	34,034	36,227
Lump Sum Death Benefits	1,097	1,010	1,374	1,217	1,182
Total Benefit Payments	**$ 356,642**	**$ 374,483**	**$ 391,940**	**$ 410,416**	**$ 427,468**
Refunds					
General	3,126	5,206	7,151	5,085	3,968
Safety	1,326	1,307	2,222	2,354	917
Total	4,452	6,513	9,373	7,439	4,885
Total Benefit Expenses	**$ 361,094**	**$ 380,996**	**$ 401,313**	**$ 417,855**	**$ 432,353**

Amount of Monthly Benefit	Number of Retirants	Type of Retirement								
		1	2	3	4	5	6	7	8	9
$1-500	375	256	5	0	0	53	4	0	5	52
$501-1,000	872	611	16	0	0	131	23	2	18	71
$1,001-1,500	864	615	47	15	0	116	20	0	12	39
$1,501-2,000	878	595	42	73	0	88	25	0	21	34
$2,001-3,000	1541	1,102	26	164	0	139	16	1	51	42
$3,001-4,000	1369	975	10	187	0	127	5	6	43	16
$4,001-5,000	878	708	3	80	0	65	1	1	10	10
$5,001-6,000	598	518	2	22	0	36	3	1	14	2
Over $6,000	1906	1,693	5	127	0	46	1	1	31	2
Totals	**9,281**	**7,073**	**156**	**668**	**0**	**801**	**98**	**12**	**205**	**268**

Amount of Monthly Benefit	Number of Retirants	Option Selected						
		Option 1	Option 2	Option 3	Option 4	Unmodified A	Unmodified B	Unmodified C
$1-500	375	10	42	0	0	108	215	0
$501-1,000	872	6	67	4	0	331	464	0
$1,001-1,500	864	4	76	5	1	312	460	6
$1,501-2,000	878	6	55	3	0	313	463	38
$2,001-3,000	1541	9	86	13	3	575	753	102
$3,001-4,000	1369	6	66	3	5	523	628	138
$4,001-5,000	878	4	43	0	2	402	370	57
$5,001-6,000	598	1	41	4	3	311	223	15
Over $6,000	1906	4	100	9	5	1225	448	115
Totals	**9,281**	**50**	**576**	**41**	**19**	**4,100**	**4,024**	**471**

Type of Retirement

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

Option Selected

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

KCERA 2024 - Schedule of Average Benefit Payment Amounts by Year of Retirement

	Years of Retirement Service Credit						
	0-5	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal Year 2015							
Average Annual Benefit ($)	5,224	16,940	26,663	39,431	50,216	69,111	106,446
Average Monthly Benefit ($)	435	1,412	2,222	3,286	4,185	5,759	8,871
Average Final Monthly Salary ($)	5,732	5,518	5,238	5,638	5,424	6,280	7,640
Number of Active Retirants	6	43	67	34	39	71	51
Fiscal Year 2016							
Average Annual Benefit ($)	7,479	16,887	27,997	38,763	52,822	73,698	90,162
Average Monthly Benefit ($)	623	1,407	2,333	3,230	4,402	6,142	7,514
Average Final Monthly Salary ($)	7,213	5,340	5,886	5,706	5,957	6,673	7,086
Number of Active Retirants	23	44	69	39	44	76	52
Fiscal Year 2017							
Average Annual Benefit ($)	8,529	17,420	28,827	43,753	55,111	72,915	95,040
Average Monthly Benefit ($)	711	1,452	2,402	3,646	4,593	6,076	7,920
Average Final Monthly Salary ($)	8,677	5,928	5,957	6,133	6,331	6,645	7,155
Number of Active Retirants	17	45	74	56	66	58	55
Fiscal Year 2018							
Average Annual Benefit ($)	7,728	16,408	23,294	38,932	61,888	69,182	99,152
Average Monthly Benefit ($)	644	1,367	1,941	3,244	5,157	5,765	8,263
Average Final Monthly Salary ($)	8,584	5,968	5,502	5,963	7,266	6,583	7,515
Number of Active Retirants	14	48	57	55	55	55	40
Fiscal Year 2019							
Average Annual Benefit ($)	11,307	15,258	25,185	36,690	54,658	89,646	99,812
Average Monthly Benefit ($)	942	1,271	2,099	3,057	4,555	7,471	8,318
Average Final Monthly Salary ($)	9,659	5,228	5,856	5,622	6,772	8,406	7,888
Number of Active Retirants	18	34	63	45	58	50	51

	Years of Retirement Service Credit						
	0-5	**5-10**	**10-15**	**15-20**	**20-25**	**25-30**	**30+**
Fiscal Year 2020							
Average Annual Benefit ($)	10,564	13,143	26,245	38,776	47,085	72,362	88,931
Average Monthly Benefit ($)	880	1,095	2,187	3,231	3,924	6,030	7,411
Average Final Monthly Salary ($)	9,959	5,334	6,073	6,047	5,993	6,934	7,102
Number of Active Retirants	9	34	63	52	65	65	40
Fiscal Year 2021							
Average Annual Benefit ($)	10,326	14,169	24,832	39,375	55,813	67,197	89,068
Average Monthly Benefit ($)	861	1,181	2,069	3,281	4,651	5,600	7,422
Average Final Monthly Salary ($)	9,423	6,648	6,412	6,341	7,232	6,754	7,464
Number of Active Retirants	16	36	50	44	86	50	47
Fiscal Year 2022							
Average Annual Benefit ($)	6,855	12,494	22,686	37,829	54,185	78,380	83,765
Average Monthly Benefit ($)	571	1,041	1,890	3,152	4,515	6,532	6,980
Average Final Monthly Salary ($)	7,052	5,428	5,970	6,851	6,864	8,058	7,279
Number of Active Retirants	13	27	58	51	98	54	46
Fiscal Year 2023							
Average Annual Benefit ($)	6,769	12,752	16,791	40,560	61,354	69,818	86,759
Average Monthly Benefit ($)	564	1,063	1,399	3,380	5,113	5,818	7,230
Average Final Monthly Salary ($)	8,561	6,636	5,905	6,921	8,323	7,118	7,450
Number of Active Retirants	14	34	57	47	66	52	33
Fiscal Year 2024							
Average Annual Benefit ($)	9,620	14,882	14,919	41,699	58,202	80,856	86,575
Average Monthly Benefit ($)	802	1,240	1,243	3,475	4,850	6,738	7,215
Average Final Monthly Salary ($)	9,189	7,406	5,833	7,485	8,037	8,714	7,527
Number of Active Retirants	18	31	43	44	52	67	30

	2015	2016	2017	2018	2019
County of Kern					
General Members	5,827	5,937	4,720	4,818	5,014
Safety Members	1,847	1,840	1,767	1,771	1,773
Total	7,674	7,777	6,487	6,589	6,787
Participating Agencies (General Membership):					
Berrenda Mesa Water District	9	6	6	4	3
Buttonwillow Recreation and Park District	5	4	3	2	1
East Kern Cemetery District	1	2	2	2	2
Inyokern Community Services District	1	1	—	—	—
Kern County Hospital Authority	—	—	1,374	1,446	1,550
Kern County Water Agency	67	62	60	59	55
Kern Mosquito & Vector Control District	18	18	18	19	18
North of the River Sanitation District	13	13	13	18	18
San Joaquin Valley Air Pollution Control District	264	269	273	275	289
Shafter Recreation and Park District	—	—	1	3	2
West Side Cemetery District	6	6	6	6	6
West Side Mosquito & Vector Control Dist.	10	9	8	8	8
West Side Recreation and Park District	11	11	9	8	7
Kern County Superior Court	414	457	478	483	519
	819	858	2,251	2,333	2,478
Total Active Membership:					
General Members	6,645	6,795	6,971	7,151	7,492
Safety Members	1,847	1,840	1,767	1,771	1,773
Total	8,492	8,635	8,738	8,922	9,265

	2020	2021	2022	2023	2024
County of Kern:					
General Members	5,091	4,891	4,900	5,190	5,574
Safety Members	1,685	1,690	1,701	1,717	1,874
Total	6,776	6,581	6,601	6,907	7,448
Participating Agencies (General Membership):					
Berrenda Mesa Water District	3	3	3	3	3
Burtonwillow Recreation and Park District	1	1	1	2	2
East Kern Cemetery District	2	2	2	2	2
Inyokern Commnunity Services District	—	—	—	—	—
Kern County Hospital Authority	1,621	1,605	1,559	1,671	1,787
Kern County Water Agency	53	51	49	52	49
Kern Mosquito & Vector Control District	22	21	20	22	21
North of the River Sanitation District	20	17	19	19	18
San Joaquin Valley Air Pollution Control District	303	296	314	348	357
Shafter Recreation and Park District	4	4	3	4	4
West Side Cemetery District	5	4	3	3	3
West Side Mosquito & Vector Control Dist.	6	5	5	5	5
West Side Recreation and Park District	6	5	5	4	4
Kern County Superior Court	504	477	492	515	514
	2,550	**2,491**	**2,475**	**2,650**	**2,769**
Total Active Membership:					
General Members	7,641	7,382	7,375	7,840	8,343
Safety Members	1,685	1,690	1,701	1,717	1,874
Total	**9,326**	**9,072**	**9,076**	**9,557**	**10,217**