

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

For Employer Reporting as of June 30, 2023
Using a Measurement Date of June 30, 2022



TABLE OF CONTENTS

Independent Auditor's Report	Page 2
Schedule of Employer Allocations	Page 4
Notes to the Schedule of Employer Allocations	Page 4
Schedule of Pension Amounts by Employer	Page 6
Notes to the Schedule of Pension Amounts by Employer	Page 7

INDEPENDENT AUDITOR'S REPORT

To the Internal Governance Committee and Board of Retirement of
Stanislaus County Employees' Retirement Association
Modesto, California

Report on the Schedules

Opinions

We have audited the accompanying schedule of employer allocations of Stanislaus County Employees' Retirement Association (StanCERA) for the fiscal year ended June 30, 2022, and the related notes to the schedule. We have also audited the total for all employers of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the accompanying schedule of pension amounts by employer of StanCERA as of and for the fiscal year ended June 30, 2022, and the related notes to the schedule.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations for the fiscal year ended June 30, 2022, and the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions for the total of all employers in StanCERA as of and for the fiscal year ended June 30, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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 Schedules section of our report. We are required to be independent of StanCERA 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 opinions.

Management's Responsibility for the Schedules

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

In preparing the schedules, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about StanCERA's ability to continue as a going concern within one year after the date the schedules are available to be issued.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 schedules.

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

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

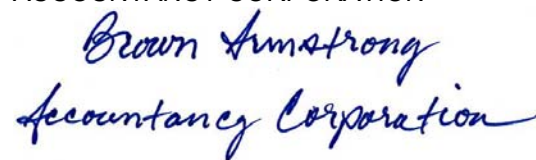
Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of StanCERA as of and for the fiscal years ended June 30, 2022 and 2021, and our report thereon, dated November 4, 2022, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of StanCERA's management, the Internal Governance Committee, the Board of Retirement, and StanCERA's participating employers and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive, flowing style.

Stockton, California
September 12, 2023

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
(Pension Trust Fund for the County of Stanislaus, California)

Schedule of Employer Allocations
For the fiscal year ended June 30, 2022

Employer	Employer Allocations	
	June 30, 2022	
	Percentage	Unfunded Liability Amortization Payment Share
Stanislaus County	88.5915%	\$ 52,270,252
City of Ceres	6.1773%	3,644,685
Stanislaus Superior Court	4.3198%	2,548,721
Stanislaus County Council of Governments	0.3953%	233,212
East Side Mosquito Abatement District	0.1879%	110,839
Salida Sanitary District	0.1692%	99,844
Keyes Community Services District	0.1015%	59,869
Hills Ferry Cemetery District	0.0575%	33,919
Stanislaus Regional Transit Authority	0.0000%	-
Total	100.0000%	\$ 59,001,341

Notes to the Schedule of Employer Allocations

Description of System and Applicable Provisions of the Law

The Stanislaus County Employees' Retirement Association (StanCERA) is an integrated public employee retirement system established under and subject to the legislative authority of the State of California as enacted and amended in the County Employees Retirement Law of 1937 (Chapter 677 Statutes of 1937) and the Public Employees' Pension Reform Act of 2013. StanCERA is governed by the Board of Retirement and is a cost-sharing multiple-employer defined benefit pension plan. StanCERA was established by the Stanislaus County Board of Supervisors on July 1, 1948 and was integrated with Social Security on January 1, 1956. StanCERA provides retirement, disability, death, beneficiary, cost-of-living, and ad-hoc retirement benefits.

Summary of Significant Accounting Policies

The above schedule includes the allocation percentages for each contributing employer, reflecting a methodology that allocates the Net Pension Liability and other Pension Amounts based on each employer's share of the Unfunded Liability amortization payments, with separate amortization rates for General and Safety members. Each employer's amortized share as of June 30, 2022, and June 30, 2021, is determined by multiplying the actual covered payroll reported to StanCERA by each contributing employer for the respective fiscal year by the employer's amortization rates for both General and Safety classifications from the most recent actuarial valuation report (the report as of June 30, 2021, and June 30, 2020, respectively).

The new employer, Stanislaus Regional Transit Authority, is included for the first time in this report, since joining the plan in July 2021. However, its proportionate share allocation is 0% as of June 30, 2022, as it was not required to make a payment towards the unfunded liability during the fiscal year.

Notes to the Schedule of Employer Allocations (continued)

Basis of Accounting

Covered payroll for employers contributing to StanCERA is reported on an accrual basis of accounting, and related contributions are recognized when received or due pursuant to legal requirements.

Contribution Rates

The County Employees Retirement Law of 1937 establishes the basic obligations for employer and member contributions to the retirement system. The actual employer and member contribution rates in effect each year are based on recommendations made by an independent actuary and adopted by the Board of Retirement.

StanCERA's policy for contributions states that actuarially determined rates are expressed as a percentage of annual covered payroll that is required to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded liability. Annual covered payroll is the basis for determining plan member and employer contributions, which are reported in StanCERA's basic financial statements and are the basis for the employer allocation calculation. Plan member contributions reported in StanCERA's basic financial statements include plan member contributions paid by the employer.

Use of Estimates in the Preparation of the Schedule

The preparation of this schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

STANISLAUS COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
(Pension Trust Fund of the County of Stanislaus, California)

Schedule of Pension Amounts by Employer
As of and for the fiscal year ended June 30, 2022

Deferred Outflows of Resources							
Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportionate Share	Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Stanislaus County	\$ 653,851,143	\$ 47,694,213	\$ 4,296,340	\$ 93,132,838	\$ 1,977,445	\$ 330,258	\$ 147,431,094
City of Ceres	45,591,673	3,325,618	299,575	6,493,958	5,470,464	214,184	15,803,799
Stanislaus Superior Court	31,882,361	2,325,612	209,493	4,541,240	329,116	314,230	7,719,691
Stanislaus County Council of Governments	2,917,519	212,814	19,170	415,564	303,154	25,132	975,834
East Side Mosquito Abatement District	1,386,799	101,158	9,112	197,532	48,016	42,557	398,375
Salida Sanitary District	1,248,784	91,091	8,206	177,873	52,688	50,455	380,313
Keyes Community Services District	749,123	54,644	4,922	106,703	33,942	7,698	207,909
Hills Ferry Cemetery District	424,380	30,956	2,789	60,448	15,053	18,102	127,348
Stanislaus Regional Transit Authority	-	-	-	-	-	91,906	91,906
Total for All Employers	\$ 738,051,782	\$ 53,836,106	\$ 4,849,607	\$ 105,126,156	\$ 8,229,878	\$ 1,094,522	\$ 173,136,269

Deferred Inflows of Resources						
Employer	Differences Between Expected and Actual Experience	Changes in Assumptions	Net Difference Between Projected and Actual Earnings on Pension Plan Investments	Changes in Proportionate Share	Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources
Stanislaus County	\$ -	\$ 42,110,750	\$ -	\$ 4,343,595	\$ 216,314	\$ 46,670,659
City of Ceres	-	2,936,295	-	1,925,176	800,115	5,661,586
Stanislaus Superior Court	-	2,053,357	-	1,282,954	62,135	3,398,446
Stanislaus County Council of Governments	-	187,900	-	68,652	9,247	265,799
East Side Mosquito Abatement District	-	89,316	-	247,681	-	336,997
Salida Sanitary District	-	80,427	-	223,670	-	304,097
Keyes Community Services District	-	48,247	-	86,806	6,711	141,764
Hills Ferry Cemetery District	-	27,332	-	51,344	-	78,676
Stanislaus Regional Transit Authority	-	-	-	-	-	-
Total for All Employers	\$ -	\$ 47,533,624	\$ -	\$ 8,229,878	\$ 1,094,522	\$ 56,858,024

Pension Expense Excluding That Attributable to Employer-Paid Member Contributions					
Employer	Proportionate Share of Allocable Plan Pension Expense	Pension Expense Related to Specific Liabilities of Individual Employers	Net Amortization of Deferred Amounts from Changes in Proportionate Share	Net Amortization of Deferred Amounts from Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
Stanislaus County	\$ 79,554,320	\$ -	\$ (231,594)	\$ (24,473)	\$ 79,298,253
City of Ceres	5,547,156	-	754,052	(59,455)	6,241,753
Stanislaus Superior Court	3,879,139	-	(410,542)	29,226	3,497,823
Stanislaus County Council of Governments	354,976	-	84,572	(1,782)	437,766
East Side Mosquito Abatement District	168,732	-	(103,119)	14,265	79,878
Salida Sanitary District	151,940	-	(69,651)	15,530	97,819
Keyes Community Services District	91,146	-	(14,703)	(2,275)	74,168
Hills Ferry Cemetery District	51,634	-	(9,015)	5,992	48,611
Stanislaus Regional Transit Authority	-	-	-	22,976	22,976
Total for All Employers	\$ 89,799,043	\$ -	\$ -	\$ 4	\$ 89,799,047

The accompanying notes are an integral part of this schedule.

Notes to the Schedule of Pension Amounts by Employer

Summary of Significant Policies

The Total Pension Liability as of the valuation date includes, but is not limited to, the anticipated expenses of the plan (including the cost-of-living increases, lump sum death benefits, etc.) as well the expected rate of return on investments and inflation. Measurements as of the reporting date are based on the fair value of assets (fiduciary net position) as of June 30, 2022, and the Total Pension Liability as of the valuation date, June 30, 2021, using updated procedures to roll forward to StanCERA's fiscal year end of June 30, 2022. The actuarial assumptions used in the June 30, 2021, valuation were based on the results of the most recent actuarial experience study for the period July 1, 2018 through June 30, 2021. There were no significant events between the valuation date and the measurement date.

The components of the Net Pension Liability of StanCERA at June 30, 2022 and June 30, 2021, were as follows:

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Total Pension Liability	\$ 3,264,477,126	\$ 3,158,273,535
Plan Fiduciary Net Position	<u>\$ (2,526,425,344)</u>	<u>\$ (2,730,597,870)</u>
Net Pension Liability	<u>\$ 738,051,782</u>	<u>\$ 427,675,665</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.4%	86.5%

The increase in Net Pension Liability and decrease in Plan Fiduciary Net Position as a percentage of the Total Pension Liability are due to a decrease in investment gains compared to the prior year as well as an actuarial liability loss. The investment losses are recognized over five years and the actuarial liability loss is recognized over the average remaining service life of all members, which is also five years.

Notes to the Schedule of Pension Amounts by Employer (continued)

Actuarial Assumptions

The Total Pension Liability was determined based on the June 30, 2021 and 2020 actuarial valuations rolled forward to June 30, 2022 and 2021, respectively, using the following actuarial assumptions, applied to all periods included in the measurement

ACTUARIAL VALUATION ASSUMPTIONS

Measurement Date	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Investment Rate of Return	6.75%, net of investment expenses	6.75%, net of investment expenses
Projected Salary Increases	2.75%, per year plus merit component based on employee classification and years of service	2.75%, per year plus merit component based on employee classification and years of service
Attributed to Inflation	2.50%	2.50%
Cost-of-Living Adjustments	100% of Consumer Price Index (CPI) up to 3.0% annually with banking, 2.4% annual increases assumed	100% of Consumer Price Index (CPI) up to 3.0% annually with banking, 2.4% annual increases assumed

MORTALITY ASSUMPTIONS

<u>Service Type</u>	<u>Table Used</u>
Post-Retirement	2021 California Public Employees' Retirement System (CalPERS) Healthy Annuitant adjusted for 107.6% for males and 115.3% for females
Pre-Retirement	
General Members	2021 CalPERS Pre-Retirement Non-Industrially adjusted by 102.2% for males and 110.2% for females
Safety Members	2021 CalPERS Pre-Retirement Non-Industrially adjusted by 102.6% for males and 100.9% for females
Non-Service Disability Retirees	2021 CalPERS Non-Industrially Disability Annuitant no adjustment for males and females
Service-Connected Disability Retirees	2021 CalPERS Industrially Disability Annuitant no adjustment for males and adjusted by 105% for females
Active Member Disability	
General Members	2021 CalPERS Public Agency Miscellaneous Non-Industrial Disability
Safety Members	2021 CalPERS Public Agency Police Non-Industrial Disability

The mortality assumptions employ a fully generational mortality improvement projection from the base year 2017 using the Society of Actuaries (SOA) Scale MP-2020. For withdrawals, vested terminations, and reciprocal transfers, the rates vary by age, gender and classification.

Notes to the Schedule of Pension Amounts by Employer (continued)

Expected Long-Term Rate of Return by Asset Class

The long-term defined benefit pension plan return expectations were determined using a building-block approach. An inflation forecast is the baseline and various real return premiums (e.g., bonds, equities, etc.) are added to create nominal return expectations for each asset class. These expectations are combined to produce the long-term expected rate of return by weighting the expected nominal rates of return by the target asset allocation percentages and including an expected return from rebalancing uncorrelated asset classes. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equities		
U.S. Large Cap	16.00%	4.50%
U.S. Small Cap	4.00%	5.10%
International Equities		
Int'l Development	14.50%	4.60%
Emerging Market Equity	5.50%	7.10%
U.S. Fixed Income		
U.S. Treasury	6.00%	1.00%
Short-term Gov/Credit	7.00%	3.00%
Real Estate		
Core	6.50%	2.80%
Value-add	6.00%	4.30%
Risk Parity	10.00%	3.70%
Absolute Return	3.00%	3.10%
Private Equity	5.00%	7.90%
Private Credit	8.00%	6.30%
Infrastructure	7.50%	5.50%
Cash	1.00%	0.50%

Discount Rate

The discount rate used to measure the total pension liability was 6.75% on June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Schedule of Pension Amounts by Employer (continued)

Basis of Accounting

The net pension liability, pension expense, deferred outflows of resources, and deferred inflows of resources are recognized on a full accrual basis of accounting.

Amortization of Deferred Outflows and Deferred Inflows of Resources

The difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis beginning with the year in which they occur. One-fifth was recognized in pension expense during the measurement period and the remaining difference between projected and actual investment earnings on pension plan investments on June 30, 2022, is to be amortized over the remaining 4 year period.

Current period changes in assumptions, differences between expected and actual experience, the differences between employer contributions and proportionate share of contributions, and the recognition of changes in proportionate share are recognized over the average of the expected remaining service lives of all active and inactive members as of June 30, 2021 (the beginning of the measurement period ending June 30, 2022), which is 5 years. The table below shows the net amount of deferred outflows and deferred inflows of resources to be recognized by each participating employer in the next five years.

Recognition of Deferred Outflows and Deferred Inflows of Resources as of and for the fiscal year ended June 30, 2022

Employer	Proportionate Share of Recognition for Fiscal Year End				
	2023	2024	2025	2026	2027
Stanislaus County	\$ 25,507,386	\$ 21,993,794	\$ (7,343,787)	\$ 60,603,037	\$ -
City of Ceres	2,860,117	2,105,731	(89,382)	5,265,747	-
Stanislaus Superior Court	1,218,970	882,430	(619,331)	2,839,177	-
Stanislaus County Council of Governments	223,293	143,630	49,577	293,535	-
East Side Mosquito Abatement District	9,569	(16,866)	(32,473)	101,149	-
Salida Sanitary District	(15,465)	10,506	(14,878)	96,054	-
Keyes Community Services District	20,830	17,964	(23,405)	50,757	-
Hills Ferry Cemetery District	10,549	9,734	(5,030)	33,418	-
Stanislaus Regional Transit Authority	22,976	22,976	22,976	22,978	-
Total for All Employers	<u>\$ 29,858,225</u>	<u>\$ 25,169,899</u>	<u>\$ (8,055,733)</u>	<u>\$ 69,305,852</u>	<u>\$ -</u>

Prior period changes of assumptions, differences between expected and actual experience, the differences between employer contributions and the proportionate share of the employer contributions, and the recognition of changes in proportionate share are continued to be recognized based on the expected remaining service lives of all active and inactive members calculated as of those prior measurement dates. In addition, the Schedule of Pension Amounts by Employer does not reflect contributions made to StanCERA subsequent to the measurement date as defined in Governmental Accounting Standards Board (GASB) Statement No. 68, paragraphs 54, 55, and 57 and GASB Statement No. 71. Appropriate treatment of such amounts is the responsibility of the employers.

Notes to the Schedule of Pension Amounts by Employer (continued)

Use of Estimates in the Preparation of the Schedule

The preparation of this schedule in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Actual results could differ from those estimates.

Additional Financial and Actuarial Information

The components of the schedule associated with pension expense and deferred outflows, and deferred inflows of resources have been determined based on the net increase in fiduciary net position for StanCERA as shown in the StanCERA's Statement of Changes in Fiduciary Net Position and in accordance with requirements promulgated by the GASB Statements No. 67, No. 68, and No. 82. The net pension liability at June 30, 2022, is reported in the Notes to StanCERA's Basic Financial Statements and Required Supplementary Information following the Notes. Additional financial and actuarial information required for GASB Statement No. 68 disclosures is located in StanCERA's Annual Comprehensive Financial Report for the fiscal year ended June 30, 2022, and the StanCERA GASB 67/68 Report as of June 30, 2022, produced by Cheiron, Inc., which can be found at www.stancera.org.