Sonoma County Employees' Retirement Association 2024

A Pension Trust Fund & Component Unit of the
County of Sonoma, California and Participating Employers
Annual Comprehensive Financial Report for the Year Ended December 31, 2024

2024 Annual Comprehensive Financial Report

For the year ended December 31, 2024

Sonoma County Employees' Retirement Association

A Pension Trust Fund and Component Unit of the
County of Sonoma, California and Participating Employers

ISSUED BY:

Julie Wyne
Chief Executive Officer

Cheryl Enold
Finance & Retiree Services Manager

Jim Failor
Chief Investment Officer

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SCERA

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Cover: Designed by Valdemar Galvan

SCERA

Introductory Section

Sonoma County Employees' Retirement Association
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Julie Wyne
Chief Executive Officer

June 2, 2025

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

Dear System and Board Members:

As the Chief Executive Officer (CEO) of the Sonoma County Employees' Retirement Association (the System or SCERA), I am pleased to present this Annual Comprehensive Financial Report (ACFR) for the year ended December 31, 2024.

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

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

Introductory Section

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

The Sonoma County Board of Supervisors and governing bodies of participating districts adopt the benefit formulas and plan provisions that apply to SCERA members. The SCERA Board is responsible for establishing policies governing the administration of the retirement plan, setting actuarial funding policies, making benefit determinations, and managing the investment of the System's assets. The day-to-day management of SCERA is delegated to a CEO appointed by the Board and employed directly by the System.

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

Financial Information

Brown Armstrong Accountancy Corporation provides financial statement independent audit services to SCERA. The independent audit, for the plan year ending December 31, 2024, states that SCERA's financial statements are presented in conformity with accounting principles generally accepted in the United States of America (GAAP), are free of material misstatement and sufficient internal accounting controls exist to provide safekeeping of assets and fair presentation of the financial statements and supporting schedules. SCERA recognizes that even sound internal controls have inherent limitations. We believe that SCERA's internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. Because the cost of a control should not exceed the benefits to be derived, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements.

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

Actuarial Funding Status

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

Pursuant to provisions in the County Employees Retirement Law of 1937, SCERA engages Segal, an independent actuarial firm, to perform actuarial valuations of the System annually. As of December 31, 2024, the funding status (the ratio of Valuation Value of Assets to Actuarial Accrued Liabilities) is 93.7%.

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

The most recent triennial experience study was completed by Segal in 2024 and performed on data for the period of January 1, 2021 through December 31, 2023. The resulting assumption changes, which were largely related to merit and promotion salary assumptions, disability assumptions and beneficiary mortality assumptions, were implemented with the December 31, 2024 valuation for calculating future projected liability and contribution rates.

Investments

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

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

Investments (continued)

For the year ended December 31, 2024, the SCERA investment portfolio experienced a fair value investment rate-of-return of 10.94% compared to a return of 13.63% for the year ended December 31, 2023. The SCERA fund annualized rates of return over the last 3, 5, 10 and 20-year periods, were 5.50%, 8.33%, 8.19%, and 7.47%, respectively.

Service Efforts and Accomplishments

Operations

SCERA welcomed a new Accountant in our Finance and Retiree Services Division, bringing the division, and the entire organization, up to full staffing.

SCERA added a customer service survey link to the signature lines of its staff emails that direct our members and others to a new website survey to elicit feedback on how we are doing. This is part of a larger customer service effort to be undertaken in 2025 aimed at outreach to all our members, beneficiaries, and other stakeholders.

The Ad hoc Cost of Living Adjustment (COLA) Committee met throughout the year to identify the information that would be beneficial to the collaboration discussions between SCERA and the County to determine whether and how a retiree COLA could be recommended to the Sonoma County Board of Supervisors. The last COLA granted was a Purchasing Power COLA in 2008 that was payable to retirees and beneficiaries that had lost more than 20% of their purchasing power. SCERA compiled information that included a listing of retirees that had retired before the benefit formula enhancements and their loss of purchasing power. This group of retirees and their beneficiaries are the most impacted by the lack of a COLA.

SCERA amended its Interest Crediting and Reserve Policy to credit the non-member reserves at the lower of actual earnings or the plan's actuarially assumed investment rate of return, which allowed for a change in the way the reserves function. SCERA's policy, before this amendment, called for a tracking reserve, called the Negative Contingency Reserve, to track the shortalls in interest crediting due to our policy requiring interest to be credited at the plan's actuarially assumed investment rate of return regardless of what the plan actually earned. This reserve was created because SCERA was recommending Purchasing Power COLAs to the Board of Supervisors funded by excess earnings of the plan, which are earnings in excess of what is credited to reserves after an Interest Fluctuation Reserve, or a rainy day reserve, was credited with 3% of the plan's market value of assets.

SCERA needed a way to track interest crediting when we did not actually earn enough to credit at the level required by the policy. When we amended our policy to limit interest crediting to what we actually earn, up to our assumed earnings rate, we no longer needed to track interest crediting shortfalls. As such, SCERA made a one-time allocation of the Negative Contingency Reserve to the Employer Reserve, set the Interest Crediting Fluctuation Reserve requirement back to the statutory level of 1%, from 3%, and limited interest crediting as described above.

Next SCERA amended its COLA Policy to remove the requirement that we solely focus on the Purchasing Power COLA funded by excess earnings and returned the policy back to its original intent of collaboration between SCERA and the County of Sonoma in determining whether and how a COLA can be granted and funded.

In November SCERA's Assistant CEO, Cristina Hess, and I met with the County Executive and other County staff and discussed how best to bring the retiree COLA issue to the Board of Supervisors for consideration. It was decided to secure several COLA cost studies from Segal, SCERA's actuary, modeling various types of COLAs, presenting the cost in both a lump sum and spread over twenty years, which is in line with SCERA's actuarial funding policy. The goal is to bring the COLA issue to the Board of Supervisors in 2025.

Budget

The Board approves SCERA's annual budget. The CERL limits SCERA's annual administrative expenses, excluding the costs of administration for computer software and hardware, computer technology consulting service ("IT costs")

Budget (continued)

and actuarial and investment related expenses, to twenty-one hundredths of one percent (0.21%) of the System's actuarial accrued liability. SCERA has chosen to include IT costs in its administrative budget subject to the 0.21% limit and we updated our treatment of investment staff salaries and legal expenses this year. SCERA's administrative expenses have historically been far below this limitation and this year was no exception. In 2024, SCERA's administrative expense, including IT costs, totaled $4.7 million and was 0.13% of SCERA's actuarial accrued liability.

Governance

SCERA amended its Strategic Plan this year to add compliance and coaching to our overall strategic vision. Compliance is an area that is ever evolving and includes not only periodically testing internal controls and external threats but ensuring that policies and procedures are adhered to, and internal compliance efforts are ongoing. Personnel management and growth is another area that SCERA will be more focused on in the coming year, with staffing changes on the horizon. Culture is important when building teams and expanding services, so organization-wide coaching was added as a specific strategic goal. The amended Strategic Plan covers a five-year period from 2024 through 2029, and our 2025 Business Plan will encompass initiatives that support our updated strategic goals.

Board Education is also an important part of plan governance and along those lines SCERA hosted its annual Educational Forum (formerly Planning Session) in October. In addition to the informative investment manager panels focusing on Equities, Fixed Income, Real Estate, Infrastructure and Farmland, we heard about legislation impacting pension funds and the economy, the state of global energy markets and the economic implications of demographics.

Retirement Board

Safety Member Jared Gonce was elected to the seventh member position to replace Brian Williams who retired at the end of 2024. The Board of Supervisors reappointed Sonoma County Board of Supervisors member Chris Coursey to the sixth member appointed position. We were very pleased with the election and appointment of these Trustees and greatly appreciate the continuity of our Board. The Board officers were Brian Williams, Chair, and Robert Williamson, Vice Chair, and our Investment Committee officers were Greg Jahn, Chair, and Erick Roeser, Vice Chair.

Certificates of Achievement

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

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SCERA for its Annual Comprehensive Financial Report for the fiscal year ended December 31, 2023. To be awarded a Certificate of Achievement, a government agency must publish an easily readable and efficiently organized Annual Comprehensive Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is the twenty fifth consecutive year that a Certificate of Achievement has been received for the SCERA Annual Comprehensive Financial Report.

SCERA received from the GFOA an Award for Outstanding Achievement in Popular Annual Financial Reporting for its Popular Annual Financial Report (PAFR) for the fiscal year ended December 31, 2023. The PAFR is sent to all SCERA members and includes highlights of the Annual Comprehensive Financial Report. This was the twentieth year the PAFR was submitted to the GFOA, and we are very pleased the PAFR again received the Certificate of Achievement.

The Public Pension Coordinating Council (PPCC) presented its Public Pension Standards Award to SCERA in recognition of compliance with professional standards for plan funding and administration for 2023. This is the ninth year SCERA participated in and received an award from the PPCC program which judges a retirement system's Comprehensive Benefit Program, Funding Adequacy, Actuarial Valuation, Independent Audit, Investments and Communications.

Certificates of Achievement (continued)

The National Conference on Public Employee Retirement Systems (NCPERS) conducts an annual Public Retirement Systems Study and participants are recognized with the Certificate of Excellence for Public Pension Reporting and Transparency. The study promotes the open disclosure of plan data, investment allocations, and returns, actuarial assumptions, and plan governance practices of public retirement plans across North America. SCERA has received this Certificate of Transparency for 2024.

Acknowledgements

The compilation of this report reflects the combined and dedicated effort of SCERA's staff under the leadership of the Board of Retirement. SCERA staff and the Board do an excellent job keeping SCERA operations running smoothly. I am very proud of the dedication shown by each member of the SCERA team, and our advisors, and the continued service to our members through the investment of plan assets, participation in public meetings and performance of all the necessary tasks to successfully administer the plan. I am honored to be part of this organization.

Respectfully submitted,

Julie Wyne

Chief Executive Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sonoma County Employees' Retirement Association California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

December 31, 2023

Christopher P. Morrill

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2023

Presented to

Sonoma County Employees' Retirement Association

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

Presented by the Public Pension Coordinating Council, a confederation of

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

Alan H. Winkle
Program Administrator

NCPERS 1941

Certificate of TRANSPARENCY

This Certificate of Transparency is awarded to

Sonoma County Employees' Retirement Association

for its participation in the *2024 NCPERS Public Retirement Systems Study*, which seeks to further open disclosure, data collection, and encourage the public's understanding of public retirement systems.

Hank Kim, Esq.
Executive Director & Counsel

Members of the Board of Retirement

As of December 31, 2024

Chair
Brian Williams

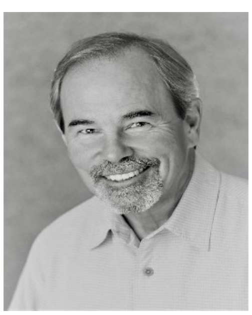
Elected by Safety Members.
Present term expires
December 31, 2024

Vice Chair
Robert Williamson

Appointed by Board of Supervisors.
Present term expires
December 31, 2025

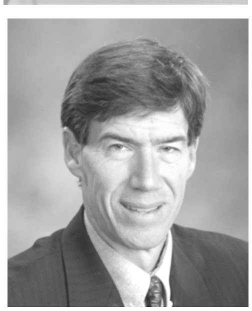
Trustee
Amos Eaton

Elected by General Members.
Present term expires
December 31, 2026



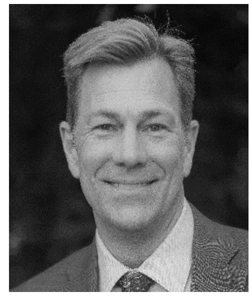
Trustee
Chris Coursey

Appointed by Board of Supervisors.
Present term expires
December 31, 2024



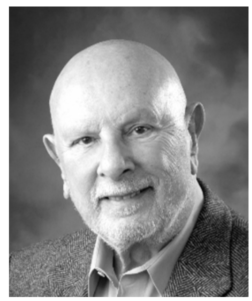
Trustee
Greg Jahn

Appointed by Board of Supervisors.
Present term expires
December 31, 2026



Trustee
Erick Roeser

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



Trustee
Joe Tambe

Appointed by Board of Supervisors.
Present term expires
December 31, 2026

Trustee
Mark Walsh

Elected by Retiree Members.
Present term expires
December 31, 2026

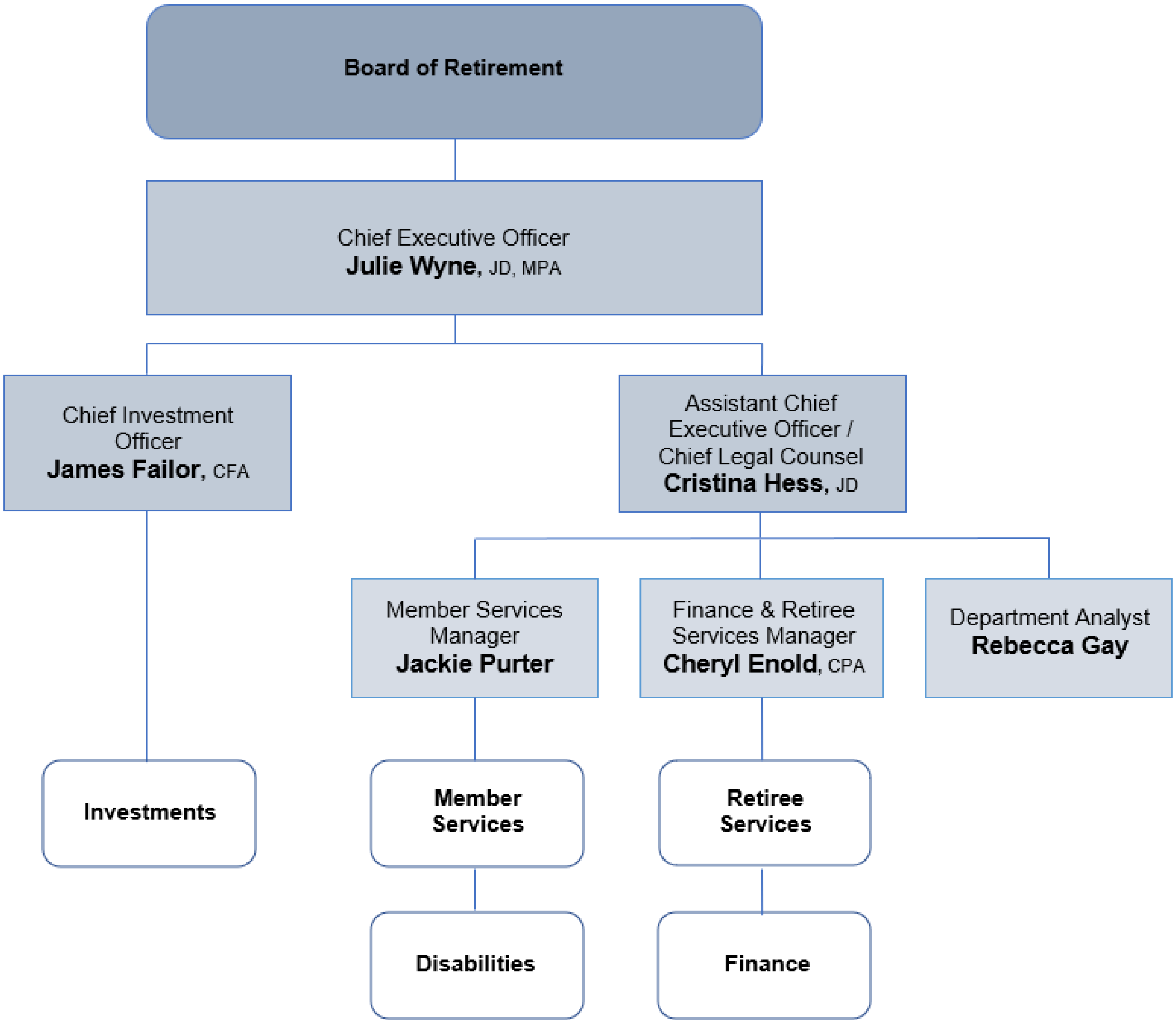
Trustee
Travis Balzarini

Elected by General Members.
Present term expires
December 31, 2025

Alternate Trustee
Neil Baker

Elected by Retiree Members.
Present term expires
December 31, 2026

Administrative Organization Chart



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

Professional Consultants

as of December 31, 2024

Consulting Services

Actuary
Segal

Auditors
Brown Armstrong Accountancy Corporation

Investment Custodians
State Street, Inc.

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

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

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

Investment Managers

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

Broad Mandate US Equity
Jacobs Levy

Large Cap US Equity
State Street Global Advisors Index Strategy

Small Cap US Equity
Systematic Financial Management

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

Global Equity
Dodge and Cox
State Street Global Advisors Index Strategy

Real Assets
Axium Infrastructure North America Fund II
Fiera Comox Global Agriculture Open-End Fund
IFM Global Infrastructure Fund
J.P. Morgan Strategic Property Fund
KKR Diversified Core Infrastructure Fund LP
UBS AgriVest Farmland Fund
UBS Trumbull Property Fund

Opportunistic
Davidson Kempner Special Opportunity Funds III & IV

Overlays
Parametric – Cash Overlay

Financial Section

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying Statement of Fiduciary Net Position of the Sonoma County Employees' Retirement Association (SCERA), a pension trust fund and component unit of the County of Sonoma, as of December 31, 2024, and the related Statement of Changes in Fiduciary Net Position for the year then ended and the related notes to the financial statements, which collectively comprise SCERA's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of SCERA as of December 31, 2024, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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 SCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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Bakersfield, CA 93309
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FRESNO
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Fresno, CA 93720
559-476-3592

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and required supplementary information (RSI), as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the MD&A and RSI in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

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

Other Information

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

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

Report on Summarized Comparative Information

We have previously audited SCERA's December 31, 2023, financial statements, and our report dated June 3, 2024, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2023, is consistent in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2025, on our consideration of SCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
June 2, 2025

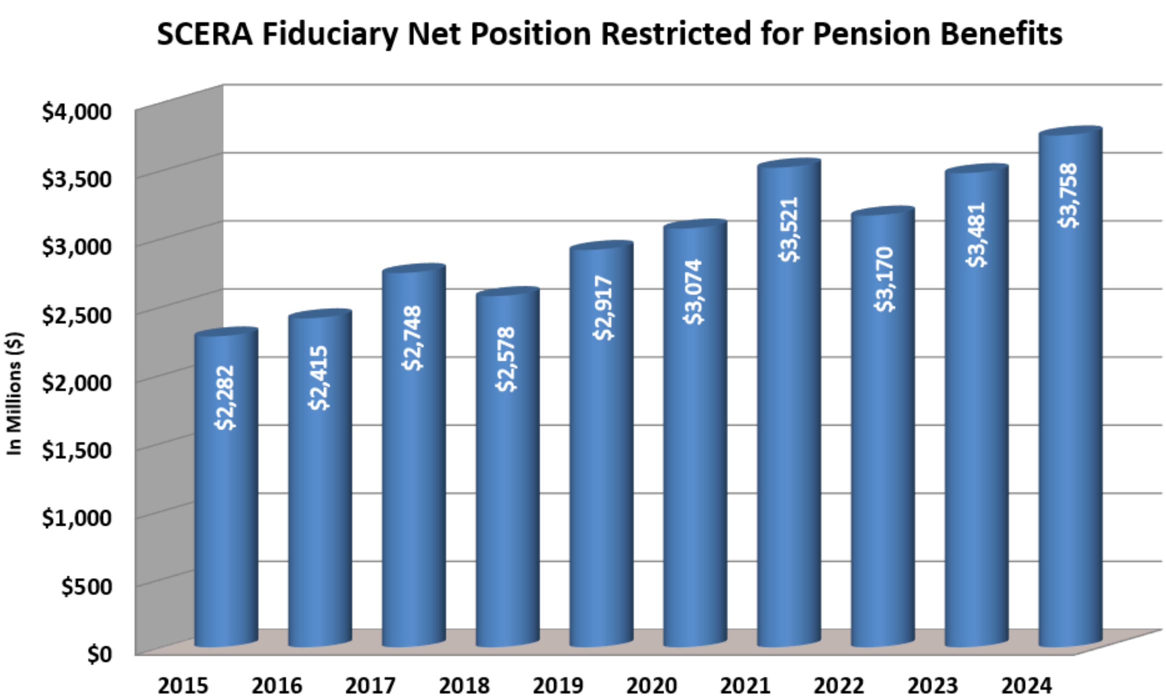
SCERA
Sonoma County Employees' Retirement Association
433 Aviation Boulevard, Suite 100, Santa Rosa, CA 95403
Tel: (707) 565-8100 / Fax: (707) 565-8102 / www.scretire.org

Introduction

Management is pleased to provide this discussion and analysis (MD&A) of the financial activities of the Sonoma County Employees' Retirement Association (the System, the Plan, or SCERA) for the year ended December 31, 2024. Readers are encouraged to consider the information presented here in conjunction with the information included in the Letter of Transmittal found in the Introductory Section on page 2 of this Annual Comprehensive Financial Report (ACFR).

Financial Highlights

- SCERA's fiduciary net position as of December 31, 2024, is $3,758 million. This amount reflects an increase of 8% in fiduciary net position during 2024, primarily as a result of a net investment gain of $358 million.
- SCERA's funding objective is to meet the long-term benefit obligations through contributions and investment income. As of December 31, 2024, the date of our last actuarial valuation, the actuarial funding ratio on the valuation value of assets basis for SCERA was 93.7%. The funding ratio is computed by the actuary and uses the valuation value of assets that incorporate smoothing of investment returns over a five-year period. If the fair value of Fiduciary Net Position were used as of December 31, 2024, the funded ratio for SCERA would be approximately 95.7%.
- Revenues (additions to net position) for the year were $506 million. This was comprised of $94 million of employer contributions, $54 million of member contributions, and investment gains of $358 million.
- Expenses (deductions in net position) for the year were $229 million, an increase of $9 million (4%) over the prior year. The majority of the increase in expenses came from a $9 million (4%) increase in pension benefit payments.



Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Summary of Fiduciary Net Position

As of December 31,

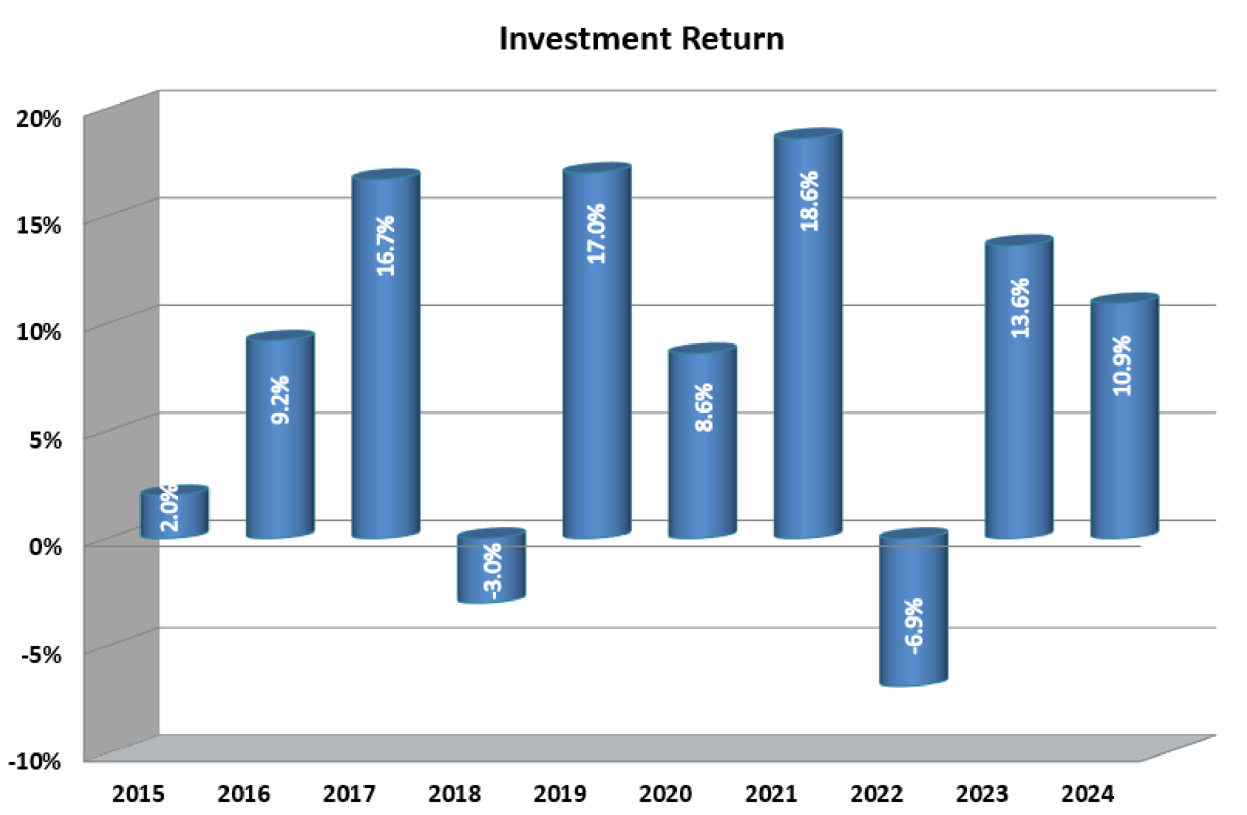
(Dollars in Thousands)	2024	2023	Increase (Decrease) Amount	% Change
Cash and Short-Term Investments	$ 196,200	$ 92,342	$ 103,858	112%
Receivables	150,904	95,825	55,079	57%
Investments	3,725,821	3,502,891	222,930	6%
Securities Lending Collateral	135,226	93,200	42,026	45%
Prepaid Expense	164	98	66	67%
Capital Assets, net	1,781	1,733	48	3%
Total Assets	4,210,096	3,786,089	424,007	11%
Accounts Payable	2,853	3,176	(323)	(10)%
Security Purchases Payable	268,605	173,273	95,332	55%
Collateral Held for Securities Lent	135,226	93,200	42,026	45%
Unearned Revenue	45,245	35,294	9,951	28%
Total Liabilities	451,929	304,943	146,986	48%
Fiduciary Net Position Restricted for Pension Benefits	$ 3,758,167	$ 3,481,146	$ 277,021	8%

The Retirement Fund as a Whole

SCERA's fiduciary net position increased 8% in 2024 reflecting fair value investment returns of 10.94%, combined with pension benefit and refund payment increases of 4%. However, as you can see from the ten-year investment return graph below, investment returns can vary significantly from year to year. SCERA maintains a diversified investment portfolio and asset allocation that is structured to meet the long-term funding requirements of the System. Reflective of variations in the investment markets, the five, ten, and twenty-year returns are 8.33%, 8.19%, and 7.47%, respectively. This illustrates the importance of a long-term investment strategy incorporating structured diversification and a balanced investment portfolio as well as an asset smoothing policy. SCERA Management and Actuary concur that SCERA remains in a financial position that will enable the System to meet its obligations to participants and beneficiaries. The current financial position results from a strong and successful investment program, risk management and strategic planning.

Investment Analysis

Investment returns, gross of fees, were strong in 2024 with a return of 10.94%. The returns were favorable in 2023 with a 13.63% at the total portfolio level. SCERA's target asset allocation includes 21.5% domestic equities, 21.5% Non-US equities, 16% global equities, 15% fixed income, 26% real assets and up to 6% in cash and overlay investments. SCERA's asset allocation is set based on a comprehensive investment policy. SCERA's domestic equity returns were 22.06%, 11.73%, and 15.78% for the one, three and five-year periods ended December 31, 2024, respectively. SCERA's non-US equity returns for the same periods were 10.10%, 5.03%, and 8.40%, respectively. SCERA's returns for fixed income over these same periods were 4.07%, 0.04%, and 1.89%, respectively. Real assets produced returns of 6.21%, 5.03%, and 7.45%, respectively, for the same one, three, and five-year periods. For additional information on SCERA investments see the Investment Section (pages 50 through 62).



Summary of Reserves
As of December 31,

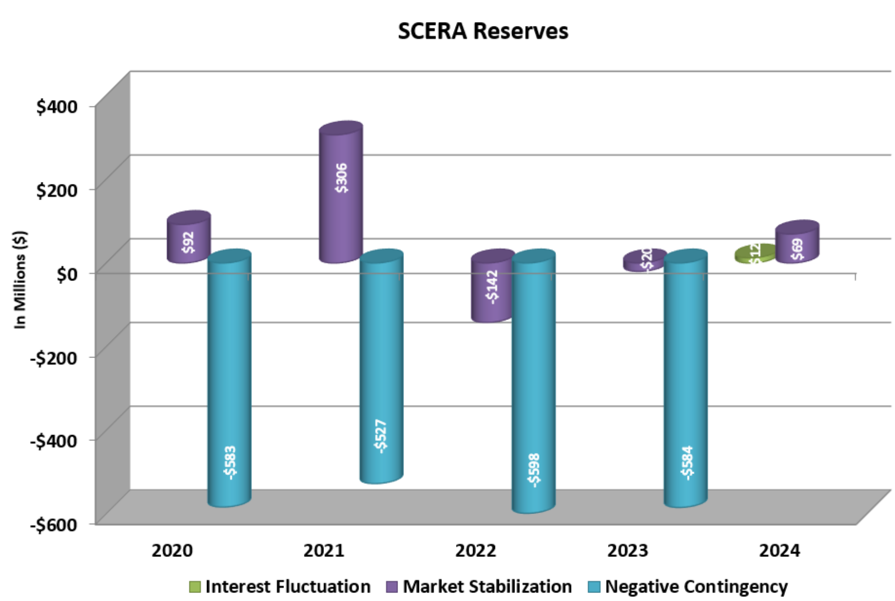
(Dollars in Thousands)	2024	2023	2022
Member Reserve	$ 645,978	$ 629,503	$ 610,594
Employer Reserve	580,948	1,136,849	1,057,966
Annuitant Reserve	2,428,869	2,295,149	2,215,297
Cost of Living Reserve-Current	21,814	23,312	25,354
Interest Fluctuation Reserve	11,733	-	-
Market Stabilization Reserve	68,825	(19,541)	(141,542)
Negative Contingency Reserve	-	(584,126)	(598,037)
Total	$ 3,758,167	$ 3,481,146	$ 3,169,632

Reserves

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

Investment returns were 10.94% in 2024, which is higher than the assumed rate of 6.75%. The 2024 results were included in 5-year smoothing bringing the Market Stabilization Reserve to a positive $68.8 million as of December 31, 2024. The Market Stabilization Reserve can vary widely from year to year as noted in this summary of reserves over the past three years. The fluctuation from year to year is due to investment performance versus the actuarial assumed rate-of-return and the five-year recognition of prior investment experience.

In 2024, SCERA adopted changes to the Interest Crediting and Reserve Policy to cap the interest credited to non-member reserves at the lesser of the Actuarial Value Investment Rate of Return or Actuarially Assumed Investment Rate of Return along with eliminating the use of the Negative Contingency Reserve (NCR) which tracked interest crediting shortfalls and investment losses. The NCR balance was combined with the Employer Reserve. 2024 ended with a positive balance in the Interest Fluctuation Reserve which will be used to offset future deficiencies in interest crediting.



Summary of Changes in Fiduciary Net Position

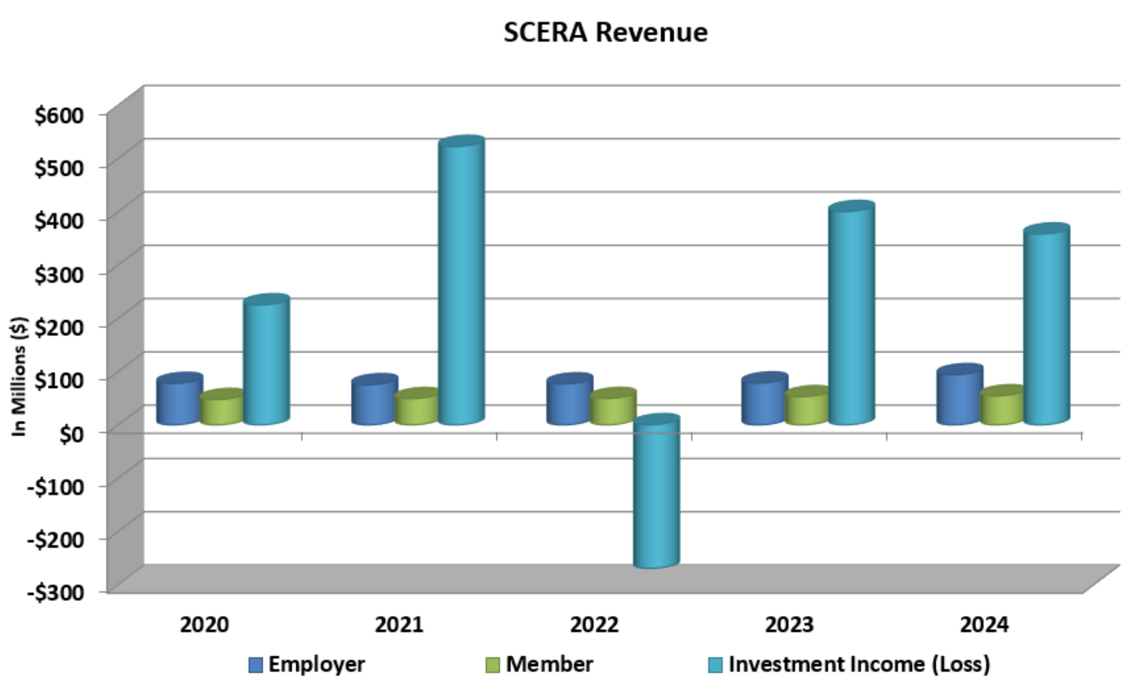
For the Year Ended December 31,

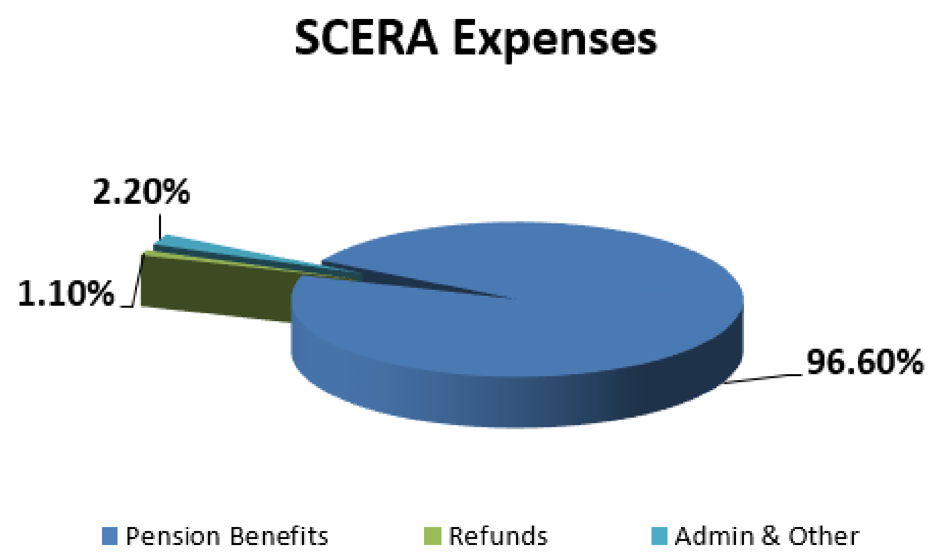
(Dollars in Thousands)	2024	2023	Increase (Decrease) Amount	% Change
Additions				
Employer Contributions	$ 93,869	$ 78,412	$ 15,457	20%
Member Contributions	54,205	52,595	1,610	3%
Net Investment Income (Loss)	357,787	399,895	(42,108)	(11)%
Net Securities Lending Income	213	198	15	8%
Total Additions	506,074	531,100	(25,026)	5%
Deductions				
Pension Benefits	221,361	212,793	8,568	4%
Refunds of Contributions	2,587	2,623	(36)	(1)%
Administrative and Other Expenses	5,105	4,170	935	22%
Total Deductions	229,053	219,586	9,467	4%
Change in Fiduciary Net Position	277,021	311,514	(34,493)	(11)%
Fiduciary Net Position, Beginning of Year	3,481,146	3,169,632	311,514	10%
Fiduciary Net Position, End of Year	$ 3,758,167	$ 3,481,146	$ 277,021	8%

Revenues (Additions to Net Position)

The assets to finance the benefits SCERA provides to its members are accumulated through income on investments and through the collection of member and employer contributions. These income sources for the fiscal year ended December 31, 2024, totaled $506 million. Revenues in 2024 can be attributed primarily to positive investment earnings as well as both employer and member contributions.

The increase in the fair value of investments in 2024 was the result of favorable investment gains. The 2024 return on investments was 10.94%, which followed the favorable returns of 13.63% in 2023. The total balance of investment assets (less collateral held for securities on loan) increased from approximately $3,503 million in 2023 to $3,726 million in 2024.





Expenses (Deductions in Net Position)

The exclusive uses of SCERA assets are the payment of benefits to retirees and their beneficiaries, refunds of contributions to terminated members, and the cost of administering the System. These expenses for the fiscal year ended December 31, 2024, were $229 million, an increase of $9 million, or 4%, compared to expenses of $220 million for the year ended December 31, 2023. Pension benefits and refunds increased 4% due to an increasing number of retirees and withdrawals in 2024. Administrative and other expenses increased by 22% in 2024, made up in large part due to moving investment staff salary and benefit costs to Administrative expenses from investment expense, along with medical hearing fees, and travel expenses.

Fiduciary Responsibility

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

Requests for Information

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

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

Respectfully submitted,

Cheryl A. Enold, CPA

Finance and Retiree Services Manager

SCERA

Statement of Fiduciary Net Position

As of December 31, 2024 (with Comparative Totals)

(Dollars in Thousands)	2024	2023
Assets		
Cash and Short-Term Investments (Note D)	$ 196,200	$ 92,342
Receivables		
Employer Contributions	1,493	3,377
Interest and Dividends	5,663	8,142
Securities Sold	143,748	84,306
Total Receivables	150,904	95,825
Investments at Fair Value (Note E)		
Fixed Income	587,538	550,855
Equities	2,199,089	2,027,716
Real Assets	924,515	899,250
Opportunistic	14,679	25,070
Collateral Held for Securities Lent (Note F)	135,226	93,200
Total Investments	3,861,047	3,596,091
Prepaid Expense	164	98
Capital Assets Net of Depreciation/Amortization (Note I)	1,781	1,733
Total Assets	**4,210,096**	**3,786,089**
Liabilities		
Accounts Payable (Note J)	2,853	3,176
Security Purchases Payable	268,605	173,273
Collateral Held for Securities Lent (Note F)	135,226	93,200
Unearned Revenue (Note K)	45,245	35,294
Total Liabilities	**451,929**	**304,943**
Fiduciary Net Position Restricted for Pension Benefits	**$ 3,758,167**	**$ 3,481,146**

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

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2024 (with Comparative Totals)

(Dollars in Thousands)	2024	2023
Additions		
Contributions (Note M)		
Employer	$ 93,869	$ 78,412
Member	54,205	52,595
Total Contributions	148,074	131,007
Investment Income		
From Investing Activities		
Net Appreciation in Fair Value of Investments	309,216	348,793
Investment Income	73,875	70,604
	383,091	419,397
Less Expenses from Investing Activities	22,416	16,700
Less Allowance for Earnings on Unearned Revenue (Note K)	2,888	2,802
Net Investing Activity Income	357,787	399,895
From Securities Lending Activities		
Gross Securities Lending Income	2,618	1,137
Plus: Borrower Rebates	(2,334)	(892)
Less: Agent Fees	71	47
Net Securities Lending Income	213	198
Total Net Investment Income	358,000	400,093
Total Additions	**506,074**	**531,100**
Deductions		
Pension Benefits	221,361	212,793
Refunds of Contributions	2,587	2,623
Actuarial Study Fees	304	302
Attorney Fees	76	78
Administrative Expenses	4,725	3,790
Total Deductions	**229,053**	**219,586**
Change in Fiduciary Net Position	277,021	311,514
Fiduciary Net Position, Beginning of Year	3,481,146	3,169,632
Fiduciary Net Position, End of Year	**$ 3,758,167**	**$ 3,481,146**

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

NOTES TO THE FINANCIAL STATEMENTS

(Dollars in Thousands except where indicated)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Basis of Accounting

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

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

Valuation of Investments

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

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

Investment Concentrations

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

Use of Estimates in the Preparation of Financial Statements

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

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets

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

Administrative Expenses

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

B. PENSION PLAN DESCRIPTION

General Information

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

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

At December 31, 2024, the total annual employees' payroll covered by the Plan was $487 million.

At December 31, 2024, Plan membership consisted of the following:

Membership Type	2024
Retired Members and Beneficiaries	
General Members	4,713
Safety Members	1,198
Subtotal	**5,911**
Current Members	
General Members	3,743
Safety Members	739
Subtotal	**4,482**
Deferred Members	
General Members	1,524
Safety Members	266
Subtotal	**1,790**
Total General Membership	9,980
Total Safety Membership	2,203
Total Membership	**12,183**

Benefit Provisions

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

B. PENSION PLAN DESCRIPTION (continued)

Benefit Provisions (continued)

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

Cost of Living Benefits. SCERA has recommended to the Sonoma County Board of Supervisors many different types of COLA benefits over the years, funded in numerous ways like contributions from the County of Sonoma, amortization of unfunded liabilities created by the COLA benefit being considered, or use of SCERA reserves as allowed under the CERL. Since the early 2000's the COLA has been on an ad hoc basis, consisting of several one-time, post-retirement cost of living adjustments (COLAs), the last of which was adopted in 2008. These COLAs have been fully funded by transfers from the Interest Fluctuation Reserve into the Cost of Living Reserve account. Since 2008, the Board has been unable to recommend a COLA due to the previous Negative Contingency Reserve balances, which were incorporated into the Employer Reserve balance in 2024. The COLA Policy was updated in August 2024 to focus on the collaborative process between SCERA and the County.

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

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

All members, regardless of years of service, are eligible for service connected disability if they prove that they are permanently incapacitated from their regular job duties, and it arose out of their employment. A service connected disability benefit is the greater of 50% of highest average compensation or a service retirement benefit.

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

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

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

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

C. POST-EMPLOYMENT HEALTHCARE PLAN DESCRIPTION

General Information

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

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

D. CASH AND SHORT-TERM INVESTMENTS

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

The following chart is a summary of cash and short-term investments, as of December 31, 2024.

Cash and Short-Term Investment Funds (held by) (Dollars in Thousands)	**2024**
County Treasury	$ 3,954
Custodian Bank	192,246
Total	$ 196,200

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

E. DEPOSITS AND INVESTMENTS

State Street Bank serves as custodian of SCERA's investments. SCERA's asset classes include US Equity, Non-US Equity, Global Equity, Fixed Income, Real Assets, and Opportunistic. Any class may be held in direct form, pooled form, or both. SCERA ended 2024 with 17 investment managers, managing 21 individual portfolios.

Investments on December 31, 2024, consist of the following (excluding collateral held for securities lending as described in Note F):

Investments at Fair Value (Dollars in Thousands)	**2024**
Fixed Income	$ 587,538
Equities	2,199,089
Real Assets	924,515
Opportunistic	14,679
Total Investments	$ 3,725,821

E. DEPOSITS AND INVESTMENTS (continued)

The Board has established a policy for investing, specifying the following target asset strategy allocations with a minimum and maximum range for each of these asset classes. Asset targets are applied at the investment manager level, not individual Plan holdings reported in Note H.

Asset Class	Min	Target	Max
Core Plus Fixed Income	10.0%	12.0%	14.0%
Alternative Fixed Income	2.0%	3.0%	4.0%
Real Assets	21.0%	26.0%	31.0%
Domestic Equities	19.5%	21.5%	23.5%
Non-US Equities	19.5%	21.5%	23.5%
Global Equities	14.0%	16.0%	18.0%
Opportunistic	0.0%	0.0%	6.0%
Total		100%	

The asset strategy allocation is incorporated into SCERA's Investment Policy Statement, which helps guide the manner in which SCERA invests. The Board has adopted a long-term investment horizon such that the likelihood and durations of investment losses are carefully weighed against the long-term potential for appreciation of assets. The assets of SCERA will be invested in a manner that provides the safeguards and diversity to which a prudent investor would adhere. No more than 5%, or the benchmark weight plus 2.5%, whichever is higher, of any one manager's portfolio shall be invested in the securities of any one issuing corporation at cost. Investments in any corporation should not exceed 10% of the outstanding shares of the corporation. Actual asset strategy allocation results are reported in the Investment Section (page 61).

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

Custodial Credit Risk

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

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

That portion of the System's cash held by the County of Sonoma as part of the County's treasury pool totaled $4 million as of December 31, 2024. SCERA's investments in the treasury pool are held in the name of the County and are not specifically identifiable.

Disclosure of the legal and contractual provisions of the County's Investment Policy and carrying amounts by type of investments may be found in the notes to the County's separate Annual Comprehensive Financial Report for the fiscal year ended June 30, 2024.

E. DEPOSITS AND INVESTMENTS (continued)

Credit and Interest Rate Risk

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

The average duration and S&P credit rating of SCERA's fixed income portfolio as of December 31, 2024 were:

Investment Type		Fair Value (Dollars in Thousands)	S&P Rating	Duration (Years)
Agency Backed Mortgages	$	166,575	AA+	4.86
Bank Loans		106,625	B-	7.04
Non-Agency Backed Mortgages		77,212	AA+	11.99
Corporate		68,910	A-	5.75
Other Asset Backed		59,725	AAA	5.36
Government Issues		58,876	AA+	4.70
Mutual Funds		45,677	N/R	N/A
Other		3,938	N/R	N/A
Total	$	587,538		

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

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

Foreign Currency Risk

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

E. DEPOSITS AND INVESTMENTS (continued)

Foreign Currency Risk (continued)

The following positions represent SCERA's exposure to foreign currency risk as of December 31, 2024:

Securities Base Currency		Fair Value in USD (Dollars in Thousands)
Canada – CAD	$	890
Great Britian – GBP		73
Euro – EUR		70
Australia – AUD		49
South Africa – ZAR		7
Brazil – BRL		3
Singapore – SGD		1
Total Non-USD Securities	$	1,093

Derivatives

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

The acceptable investment purposes for the use of derivatives include:

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

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

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

Futures Contracts

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

Forward Contracts

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

E. DEPOSITS AND INVESTMENTS (continued)

Option Contracts

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

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

Swap Agreements

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

The following positions represent SCERA's exposure to derivatives as of December 31, 2024:

Investment Derivatives Summary
(Dollars in Thousands)

Derivative Type	Change in Fair Value	Fair Value	Notional
Futures	$ 303	$ -	$ 166,002
Forwards	621	(35)	8,267
Swaps – Credit Default	173	211	7,765
Swaps – Interest Rate	456	667	33,890
Total	$ 1,553	$ 843	$ 215,924

Investment Derivative Credit Risk

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

The following represents SCERA's exposure to derivative credit risk as of December 31, 2024:

Derivative Credit Risk Ratings Summary
(Dollars in Thousands)

S&P Credit Rating	Fair Value
AA-	$ 67
A+	34
A-	905
BBB+	137
Total subject to credit risk	$ 1,143

E. DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments subject to interest rate risk as of December 31, 2024 are:

Interest Rate Risk Analysis (Dollars in Thousands)	
Derivative Type	Interest Rate Derivatives
Fair Value	$878
Notional	$41,655
Reference Rate	SOFR – 3-12 months

F. SECURITIES LENDING

SCERA, pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust (States Street) to act as the Client's agent in lending Client's securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

During 2024, State Street lent, on behalf of SCERA, certain securities of SCERA held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities.

Pursuant to the Securities Lending Authorization Agreement, State Street had an obligation to indemnify SCERA in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during 2024 that resulted in a declaration or notice of default of the Borrower.

During 2024, SCERA and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment fund comprised of the Compass Fund (formerly known as "the liquidity pool").

As of December 31, 2024, the Compass Fund had an average duration of 9.18 days and an average weighted final maturity of 99.21 days for USD. Because the loans were terminable at will their duration did not generally match the duration of the investments made with cash collateral. On December 31, 2024, SCERA had no credit risk exposure to borrowers.

The fair value of collateral held and the market value (USD) of securities on loan for SCERA as of December 31, 2024, was $177.7 million ($135.2 million of cash collateral and $42.5 million of non-cash collateral) and $172.2 million, respectively.

G. SUMMARY OF INVESTMENT POLICIES

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

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

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

H. FAIR VALUE MEASUREMENTS

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

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

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

H. FAIR VALUE MEASUREMENTS (continued)

Investments and Derivatives Measured at Fair Value
For the Year Ended December 31, 2024

		Fair Value Measurements Using		
INVESTMENT TYPE (Dollars in Thousands)	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by Fair Value Level				
Fixed Income Securities				
US Government Securities	$ 58,876	$ -	$ 58,876	$ -
Agency Backed Mortgages	166,575	-	166,575	-
Bank Loans	106,625	77	105,058	1,490
Corporate	68,910	-	68,910	-
Non-Agency Backed Mortgages	77,212	-	77,212	-
Other	3,938	-	3,689	249
Other Asset Backed	59,725	-	59,725	-
Mutual Funds	45,677	38,079	7,598	-
Total Fixed Income Securities	587,538	38,156	547,643	1,739
Equity Securities				
Domestic Equity	1,191,895	1,190,209	1,504	182
Non-US Equity	1,007,194	1,006,467	727	-
Total Equity Securities	2,199,089	2,196,676	2,231	182
Real Assets				
Real Estate	256,897	-	-	256,897
Infrastructure	389,173	-	-	389,173
Farmland	278,445	-	-	278,445
Total Real Assets	924,515	-	-	924,515
Collateral from Securities Lending	135,226	-	135,226	-
Limited Partnership (Opportunistic)	14,679	-	-	14,679
Total Investments	$ 3,861,047	$ 2,234,832	$ 685,100	$ 941,115
Derivatives				
Swaps	$ 878	$ -	$ 878	$ -
Forwards	(35)	(35)	-	-
Total Derivatives	$ 843	$ (35)	$ 878	$ -

I. CAPITAL ASSETS

Depreciation and amortization expense for the year ending December 31, 2024, totaled $77,000. Capital asset activity for the year ended December 31, 2024 is as follows:

(Dollars in Thousands)	Balance 12/31/2023	Additions	Retirements	Balance 12/31/2024
Capital Assets, not being depreciated/amortized				
Land	$ 1,025	$ -	$ -	$ 1,025
Total Capital Assets, not being depreciated/amortized	1,025	-	-	1,025
Capital Assets, being depreciated/amortized				
Building	1,869	-	-	1,869
Building Remodel	1,087	-	-	1,087
Furniture & Equipment	107	26	(63)	70
Computer Software/Hardware	2,897	99	(13)	2,983
Total Capital Assets, being depreciated/amortized	5,960	125	(76)	6,009
Less accumulated depreciation/amortization for:				
Building	(1,161)	(64)	-	(1,226)
Building Remodel	(1,087)	-	-	(1,087)
Furniture & Equipment	(107)	(3)	63	(47)
Computer Software/Hardware	(2,897)	(10)	13	(2,894)
Total Accumulated Depreciation/Amortization	(5,252)	(77)	76	(5,253)
Total Capital Assets being depreciated/amortized, net	708	48	-	756
Total Capital Assets, net	$ 1,733	$ 48	$ -	$ 1,781

J. ACCOUNTS PAYABLE

Accounts payable as of December 31, 2024 consist of:

(Dollars in Thousands)	2024
Administrative Expenses	$ 160
Accrued Sick & Vacation Leave	351
Consulting & Management Fees	2,342
Total	$ 2,853

K. UNEARNED REVENUE

The County of Sonoma may prepay the current year and up to one additional year of employer "normal costs" and Unfunded Actuarial Accrued Liability (UAAL) contributions. These prepaid contributions are accounted for as unearned revenue. On each regular County payday, the actual earned contributions are recognized as revenue. The unearned revenue balance was $45.2 million as of December 31, 2024.

For the year ended December 31, 2024, and going forward, these prepaid contributions held on account have received, and will continue to receive, a discount for early payment. The discount for the year ended December 31, 2024, was calculated at the Actuarially Assumed Investment Rate of Return of 6.75%. Contribution revenues have been increased and investment income decreased to reflect this discount. For the year ended December 31, 2024, the discount earned was $2.9 million.

L. INTEREST CREDITING OF RESERVES

Interest is apportioned to Member Reserve accounts semi-annually at June 30th and December 31st for all contributions on deposit for a full six months, and are credited at one-half of the yield on the 10-year Treasury Note at June 30th and December 31st.

L. INTEREST CREDITING OF RESERVES (continued)

The Interest Crediting and Reserve Policy was amended in March 2024, changing the Non-Member Reserve Interest Crediting Rate to the lesser of the Actuarial Value Investment Rate of Return as of December 31st of the year in which the interest is credited and the full Actuarially Assumed Investment Rate of Return, with a floor of zero. This crediting will be calculated as if it occurred semiannually on June 30 to all funds that were on deposit as of December 31 of the prior year and on December 31 to all funds that were on deposit as of June 30 of the current year. There is no change to the Member Interest Crediting Rate.

The Employer Reserve is also credited with the dollar difference between the Non-Member Reserve Interest Crediting Rate and the Member Reserve Interest Crediting Rates. This crediting will be credited like the Non-Member Reserve Interest Crediting mentioned above. Interest apportioned for the year ended December 31, 2024 was at the Actuarially Assumed Investment Rate of Return of 6.75%, totaling $252.8 million.

In August of 2024, SCERA updated its Cost of Living Adjustment (COLA) Policy to restore collaboration between SCERA and the County of Sonoma annually to analyze each entity's fiscal health and determine whether and how a COLA can be recommended, granted, and funded for SCERA retirees and beneficiaries. In November, the SCERA Chief Executive Officer and the County's Executive Officer conducted the first of these collaborative discussions and determined that actuarial cost studies of various COLA scenarios should be requested of SCERA's actuary, Segal, and that further discussions would occur in the following year.

M. CONTRIBUTIONS

Contribution Rates

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

SCERA maintains an actuarial funding policy that is used to calculate an actuarially determined employer contribution rate that is required to accumulate sufficient assets to pay benefits when due. The employer contribution rate is comprised of two components: a payment of the Normal Cost and a payment towards the Unfunded Actuarial Accrued Liability. As defined in the actuarial funding policy, SCERA uses the Entry Age Actuarial Cost Method to determine both the Normal Cost and the Actuarial Accrued Liability, the latter of which is then used to calculate the Unfunded Actuarial Accrued Liability.

The Entry Age Actuarial Cost Method takes the expected cost of each member's projected benefits and allocates it across the member's years of service, both past and future, as a level percentage of pay. The portion of this expected cost allocated to each year is called the Normal Cost for that year, and the portion allocated to past years is called the Actuarial Accrued Liability. For inactive and retired members there is no Normal Cost and the Actuarial Accrued Liability is the entire expected cost of the member's benefit.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS
For the three years ending December 31, 2024
(Dollars in Thousands)

Year Ended	Actuarially Determined Contribution (ADC)	Contributions as a % of ADC
12/31/22	$ 70,966	107.9%
12/31/23	$ 73,994	106.0%
12/31/24	$ 90,719	103.5%

Funding Status and Method

The actuarial funding ratio as of December 31, 2024, was 93.7%. SCERA's actuary uses five-year smoothing of market gains and losses to derive the valuation value of assets. The valuation value of assets as of December 31, 2024, was $3.7 billion.

M. CONTRIBUTIONS (continued)

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

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

N. NET PENSION LIABILITY

GASB Statement No. 67 requires public pension plans to provide a net pension liability. The net pension liability is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement report purposes. The components of net pension liability of participating employers as of December 31, 2024, are as follows:

(Dollars in Thousands)		**2024**
Total Pension Liability	$	3,925,728
Less: Fiduciary Net Position		3,758,167
Net Pension Liability	$	167,561
Fiduciary Net Position as a Percentage of Total Pension Liability		95.73%

The net pension liability of participating employers was measured as of December 31, 2024, and determined based upon the total pension liability from actuarial valuations as of December 31, 2024.

Actuarial Assumptions

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

The actuarial assumptions used to determine the total pension liability as of December 31, 2024, were based on the results of the most recent Actuarial Experience Study which covered the period from January 1, 2021 through December 31, 2023. These same assumptions were used in the December 31, 2024, actuarial valuation to project future liabilities while the assumptions in place as of December 31, 2023 were used to measure the Plan's actual performance against what was expected. Key methods and assumptions used in the latest actuarial valuation and the total pension liability to project future liabilities are presented below.

N. NET PENSION LIABILITY (continued)

Sensitivity Analysis

In accordance with GASB Statement No. 67, changes to the total pension liability and net pension liability must be reported as of December 31, 2024. The net pension liability changes when there are changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 6.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.75) or 1 percentage point higher (7.75) than the current 6.75 percent.

SCHEDULE OF SENSITIVITY ANALYSIS
As of December 31, 2024
(Dollars in Thousands)

	1% Decrease (5.75%)	Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability/(Asset)	$632,146	$167,561	$(216,980)

Key Assumptions Used in Annual Actuarial Valuation and Total Pension Liability

Valuation Date	December 31, 2024
Actuarial Experience Study	3 Year Period Ending December 31, 2023
Actuarial Cost Method	Entry Age Normal Cost Method
Discount Rate	6.75%
Inflation Rate	2.50%
Across the Board Salary Increase	0.50%
Projected Salary Increases	General Members 3.75% - 8.00% and Safety Members 4.00% - 10.50%, varying by service, including inflation
Cost of Living Adjustments	0.00% of retirement income
Mortality Rates	General Healthy Members: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table, decreased by 5% for males and increased by 5% for females. Safety Healthy Members: Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table. General Disabled Members: Pub-2010 Non-Safety Disabled Retiree Table decreased by 5% for males and 10% for females. Safety Disabled Members: Pub-2010 Safety Disabled Retiree Table decreased by 5% for females. Beneficiaries Not in Pay Status: Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Table decreased by 5% for males and increased by 5% for females. Beneficiaries in Pay Status: Pub-2010 Contingent Survivor Amount-Weighted Table increased by 5% for males and females. All mortality tables are projected generationally with the 2-dimensional mortality improvement scale MP-2021.
Other Assumptions	Same as those used in the December 31, 2024 funding actuarial valuation.

Long-Term Expected Real Rate of Return

The long-term expected real rate-of-return on assets was determined using a building block method in which the expected future real rates-of-return (expected returns, net of inflation and any applicable investment manager fees) are developed for each major asset class. These returns are combined to produce the long-term expected rate-of-return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. This portfolio return is further adjusted to an expected geometric real rate of return for the portfolio. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, and investment manager fees, used in the derivation of the long-term expected investment rate-of-return assumption for each major asset class from the 2023 experience study are summarized in the table on the following page:

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

Asset Class	Target	Expected Real Rate of Return (without inflation)	Expected Nominal* Rate of Return (with assumed inflation)
Large Cap Equity	16.87%	5.75%	8.25%
Small Cap Equity	4.63%	6.57%	9.07%
Non-U.S. Developed Equity	15.39%	6.44%	8.94%
Emerging Market Equity	6.11%	8.30%	10.80%
Global Equity	16.00%	6.57%	9.07%
Core Fixed Income	12.00%	2.37%	4.87%
Bank Loans	3.00%	4.50%	7.00%
Real Estate	10.00%	4.56%	7.06%
Infrastructure	8.00%	6.13%	8.63%
Farmland	8.00%	4.39%	6.89%
Total	100%		

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

Money-Weighted Rate of Return

For the year ended December 31, 2024, the annual money-weighted rate-of-return on pension plan investments, net of pension plan investment expense, was 8.74%. The money-weighted rate-of-return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The investment rate-of-return assumption used for projecting future liabilities was 6.75% for the year ended December 31, 2024.

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

O. RESERVES

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

- **Member Reserves** represent member contributions and earnings allocations less amounts transferred to Annuitant Reserves for service and disability retirements or refunds.
- **Employer Reserves** represent employer contributions and earnings allocations less amounts transferred to Annuitant Reserves for service and disability retirements or paid out as death benefits.
- **Annuitant Reserves** represent transfers of accumulated contributions of members who have retired, employer contributions needed to fund retired member benefits as determined by the actuary and earnings allocations less amounts paid out as annuitant (retiree) benefits.
- **COLA Reserves** represent amounts set aside to fund the cost of COLAs that have already been granted to retirees as determined by the actuary, recommended by the SCERA Board of Retirement, and authorized by the Sonoma County Board of Supervisors.
- **Market Stabilization Reserve** is the difference between the current fair value of assets and the smoothed actuarial value of assets (AVA) that is used in developing the Unfunded Actuarial Accrued Liability (UAAL). The value in this reserve will be recognized in developing the AVA over the next 4 years.
- **Interest Fluctuation Reserve** is a reserve set by statute at 1% of the fair value of assets to provide funds to offset future deficiencies in interest earnings, losses on investment or other contingencies.
- **Negative Contingency Reserve** was used to track interest crediting shortfalls as a result of investment returns below the assumed investment rate of return. Use of this reserve ended January 1, 2024.

A breakdown of the reserve accounts, which comprise the total fiduciary net position restricted for pension benefits at December 31, 2024, 2023, and 2022 are as follows:

SCHEDULE OF RESERVES

(Dollars in Thousands)	2024	2023	2022
Member Reserves	$ 645,978	$ 629,503	$ 610,594
Employer Reserves	580,948	1,136,849	1,057,966
Annuitant Reserves	2,428,869	2,295,149	2,215,297
Cost of Living Reserves-Current	21,814	23,312	25,354
Interest Fluctuation Reserve	11,733	-	-
Market Stabilization Reserve	68,825	(19,541)	(141,542)
Negative Contingency Reserve	-	(584,126)	(598,037)
Total Reserved for Pension Benefits	3,758,167	3,481,146	3,169,632
Total Fiduciary Net Position Restricted for Pension Benefits	**$ 3,758,167**	**$ 3,481,146**	**$ 3,169,632**

P. RISK MANAGEMENT

SCERA is covered by the County of Sonoma's self-insurance program for general liability and workers' compensation coverage. The below policies and coverages are as of December 31, 2024.

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

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

SCERA participates in a joint-purchase property insurance program through PRISM. Coverage is "All Risk" for physical loss and damage including flood. Shared limits of property coverage are $300 million in aggregate per occurrence for all risk, and $200 million in aggregate per occurrence for flood. There is a $25 thousand deductible per "All Risk" occurrence and other exceptions to basic deductibles are covered in the Memorandum of Property Coverage.

SCERA is covered for cyber liability under a PRISM Cyber Liability Program through Lloyd's of London-Beazley Syndicate and several excess carriers in the amount of $115 million aggregate limit for all program members and $18 million per member aggregate (with various sub-limits), with a $50 thousand self-insured retention. Coverage includes cyber-crime liability, information security and privacy liability, privacy notification, regulatory defense, website media content liability, and data protection.

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

Q. COMMITMENTS AND CONTINGENCIES

As of December 31, 2024, SCERA has invested in two different Davidson Kempner private credit strategies that are a part of SCERA's Opportunistic investments. The funds have ended their investment periods, but remain open and could technically call additional funds for "follow-on" investments. Given that the two open funds are well past their formal investment period, they are very unlikely to call from the remaining $67.6 million commitment (a combination of never called and recallable commitments).

As of December 31, 2024, SCERA committed to invest $155 million with CC&L Q Global Equity CIT to increase Global Equity investments. CC&L called the $155 million commitment and it was funded on March 31, 2025.

R. DATE OF MANAGEMENT'S REVIEW

The date to which events occurring after December 31, 2024, have been evaluated for possible adjustments to the financial statements or disclosures is June 2, 2025, which is the date that the financial statements were available to be issued. SCERA Management only identified the CC&L commitment as a subsequent financial event.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS
For the years ended December 31, 2024, 2023, 2022, 2021, and 2020

(Dollars in Thousands)	2024	2023	2022	2021	2020
Total Pension Liability					
Service cost	$ 91,048	$ 86,210	$ 83,637	$ 79,490	$ 76,153
Interest	250,378	240,386	232,291	227,230	218,710
Change of benefit terms	-	-	-	-	-
Difference between expected and actual experience	65,876	36,281	11,462	(12,334)	16,309
Change of assumptions	12,147	-	-	96,768	-
Benefit payments, including refunds of member contributions	(223,948)	(215,416)	(204,675)	(195,506)	(190,092)
Net Change in Total Pension Liability	195,501	147,461	122,715	195,648	121,080
Total Pension Liability – Beginning	3,730,227	3,582,766	3,460,051	3,264,403	3,143,323
Total Pension Liability – Ending (a)	$ 3,925,728	$ 3,730,227	$ 3,582,766	$ 3,460,051	$ 3,264,403
Plan Fiduciary Net Position					
Contributions – employer	$ 93,869	$ 78,412	$ 76,562	$ 74,953	$ 77,506
Contributions – member	54,205	52,595	49,224	49,056	47,364
Net investment income/(loss)	358,000	400,093	(269,319)	522,238	225,040
Benefit payments, including refunds of member contributions	(223,948)	(215,416)	(204,675)	(195,506)	(190,092)
Administrative and other expense	(5,105)	(4,170)	(3,521)	(3,055)	(3,033)
Net Change in Plan Fiduciary Net Position	277,021	311,514	(351,729)	447,686	156,785
Plan Fiduciary Net Position – Beginning	3,481,146	3,169,632	3,521,361	3,073,675	2,916,890
Plan Fiduciary Net Position – Ending (b)	3,758,167	3,481,146	3,169,632	3,521,361	3,073,675
Net Pension Liability/(Asset) – Ending (a) – (b)	$ 167,561	$ 249,081	$ 413,134	$ (61,310)	$ 190,728
Plan fiduciary net position as a percentage of the total pension liability	95.73%	93.32%	88.47%	101.77%	94.16%
Covered payroll	$ 486,986	$ 419,411	$ 393,355	$ 383,134	$ 373,107
Net Pension Liability/(Asset) as a percentage of covered payroll	34.41%	59.39%	105.03%	(16.00)%	51.12%

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

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

For the years ended December 31, 2019, 2018, 2017, 2016, and 2015

(Dollars in Thousands)	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 77,185	$ 73,316	$ 71,798	$ 69,834	$ 67,839
Interest	214,052	210,532	202,726	194,741	187,756
Change of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(37,245)	12,137	883	5,296	(15,191)
Change of assumptions	-	31,798	-	-	93,686
Benefit payments, including refunds of member contributions	(182,746)	(172,562)	(165,949)	(157,452)	(149,364)
Net Change in Total Pension Liability	71,246	155,221	109,458	112,419	184,726
Total Pension Liability – Beginning	3,072,077	2,916,856	2,807,398	2,694,979	2,510,253
Total Pension Liability – Ending (a)	$ 3,143,323	$ 3,072,077	$ 2,916,856	$ 2,807,398	$ 2,694,979
Plan Fiduciary Net Position					
Contributions – employer	$ 65,155	$ 67,425	$ 63,822	$ 63,639	$ 68,240
Contributions – member	44,659	45,567	44,161	40,783	38,714
Net investment income/(loss)	415,559	(107,078)	394,909	189,949	34,589
Benefit payments, including refunds of member contributions	(182,746)	(172,562)	(165,948)	(157,452)	(149,364)
Administrative and other expense	(3,546)	(3,583)	(3,732)	(4,219)	(3,526)
Net Change in Plan Fiduciary Net Position	339,081	(170,231)	333,212	132,700	(11,347)
Plan Fiduciary Net Position – Beginning	2,577,809	2,748,040	2,414,828	2,282,128	2,293,475
Plan Fiduciary Net Position – Ending (b)	2,916,890	2,577,809	2,748,040	2,414,828	2,282,128
Net Pension Liability/(Asset) – Ending (a) – (b)	$ 226,433	$ 494,268	$ 168,816	$ 392,570	$ 412,851
Plan fiduciary net position as a percentage of the total pension liability	92.80%	83.91%	94.21%	86.02%	84.68%
Covered payroll	$ 350,995	$ 355,558	$ 345,631	$ 329,078	$ 311,404
Net Pension Liability/(Asset) as a percentage of covered payroll	64.51%	139.01%	48.84%	119.29%	132.58%

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

SCHEDULE OF INVESTMENT RETURNS

For years 2015 through 2024

Year Ended December 31	Annual Money-Weighted Rate of Return, Net of Investment Expense
2015	1.50%
2016	8.55%
2017	16.11%
2018	-3.39%
2019	16.35%
2020	9.05%
2021	16.91%
2022	-3.99%
2023	16.26%
2024	8.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

(Dollars in Thousands)

Year Ended December 31	Actuarially Determined Employer Contributions	Actual Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2015	$ 64,687	$ 68,240	$ (3,553)	$ 311,404	21.91%
2016	63,640	63,640	-	329,078	19.34%
2017	63,822	63,822	-	345,631	18.47%
2018	67,425	67,425	-	355,558	18.96%
2019	65,155	65,155	-	350,995	18.56%
2020	70,784	77,506	(6,722)	373,107	20.77%
2021	73,142	74,953	(1,811)	383,134	19.56%
2022	70,966	76,562	(5,596)	393,355	19.46%
2023	73,994	78,412	(4,418)	419,411	18.70%
2024	90,719	93,869	(3,150)	486,968	19.28%

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

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

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

Note B – Schedule of Investment Returns

Investment returns over longer periods of time are created by linking the returns for each sub-period included, which are often monthly or quarterly periods. Time-weighted returns give equal weight to the returns of each sub-period. Dollar-weighted returns, by contrast, weight the return of each sub-period by the relative size of assets invested at the time.

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

The employer statutory contribution rates for the first six months of 2024 are calculated based on the December 31, 2021 actuarial valuation; the rates for the last six months of 2024 are calculated based on the December 31, 2022 valuation. Details of the actuarial methods and assumptions used for these valuations are as follows:

Valuation Date	December 31, 2022	December 31, 2021
Actuarial cost method	Entry Age Normal Cost Method	Entry Age Normal Cost Method
Amortization method	Level percent, open	Level percent, open
Remaining amortization period	20 years layered, declining	20 years layered, declining
Asset valuation	5-year, smoothed, market	5-year, smoothed, market
Investment rate of return	6.75%	7.00%
Includes inflation at	2.50%	2.50%
Across the Board salary increase	0.50%	0.50%
Projected salary increases	2.50%, plus service-based rates	2.50%, plus service-based rates
Cost of living adjustments	None	None
Mortality rates	Various rates based on Pub-2010 Amount-Weighted Above Median Healthy or Disabled Mortality Tables, Projected generationally with 2-dimensional mortality improvement scale MP-2020, adjusted based on Respective Population.	Various rates based on Pub-2010 Amount-Weighted Above Median Healthy or Disabled Mortality Tables, Projected generationally with 2-dimensional mortality improvement scale MP-2020, adjusted based on Respective Population.

Change of Actuarial Assumptions

Triennially, the System requests that the actuary perform an analysis of all economic and non-economic assumptions in the form of an Experience Study. The most recent triennial analysis was performed as of December 31, 2023 for the period of January 1, 2021 through December 31, 2023. Based on the results of this study, the Board adopted new economic and non-economic assumptions effective with the December 31, 2024 valuation for calculating future projected liability and contribution rates. The significant changes included the following:

	2023 Experience Study	**2020 Experience Study**
Merit and Promotion Rates	Increase overall merit and promotion rates for General members and establish separate rates of merit and promotion salary increases for Plan A and Plan B members.	Rates of merit and promotion salary increases for General members and Safety members.
Mortality Rates	Various rates based on Pub-2010 Amount-Weighted Above Median Healthy or Disabled Mortality Tables, Projected generationally with 2-dimensional mortality improvement scale MP-2021, adjusted based on Respective Population. Establish separate rates for beneficiaries in pay status and those not in pay status as of the valuation.	Various rates based on Pub-2010 Amount-Weighted Above Median Healthy or Disabled Mortality Tables, Projected generationally with 2-dimensional mortality improvement scale MP-2020, adjusted based on Respective Population.

These new assumptions will be used to determine the Actuarially Determined Contributions effective in fiscal year 2026-2027.

ADMINISTRATIVE EXPENSES

For the years ended December 31,

(Dollars in Thousands)	2024	2023
Personnel Services		
Salaries, Wages, and Benefits	$ 3,514	$ 2,335
Office Expenses		
Equipment & Software Maintenance	132	155
Postage	69	64
Office Supplies	44	56
Printing and Stationary	38	45
Telephone Charges	17	17
Total Office Expenses	300	337
Other Services and Charges		
Disability Medical Fees	372	533
Fiduciary Insurance	102	96
Data Processing Charges	96	89
Professional Services	1	83
Transportation, Travel and Training	100	82
Audit Fees	55	63
County Services	25	22
Memberships	19	18
Actuarial Retainer Fees	-	12
Disability Hearing Officer Fees	71	6
Total Other Services and Charges	841	1,004
Building Expenses		
Depreciation	36	38
All Other Building Expenses	37	72
Utilities	12	20
Total Building Expenses	85	130
Depreciation/Amortization – Capital Assets	10	9
Less: Retiree Medical Billing Revenues	(25)	(25)
Total Administrative Expenses	$ 4,725	$ 3,790

FEES AND OTHER INVESTMENT EXPENSES

For the years ended December 31,

(Dollars in Thousands)	2024	2023
Investment Manager Fees		
Equity Managers	$ 12,370	$ 6,897
Real Assets Managers	6,892	6,123
Fixed Income Managers	1,579	1,540
Opportunistic Managers	28	56
Total Investment Manager Fees	20,869	14,616
Other Investment Expense		
Investment Custodian	1,027	934
Investment Travel & Staff Salary	-	652
Cash Overlay Manager	127	122
Investment Consultant	355	355
Investment Legal Counsel	23	6
Other Investment Services	15	15
Total Other Investment Expense	1,547	2,084
Total Fees and Other Investment Expenses[(A)]	**$ 22,416**	**$ 16,700**

(A) This schedule depicts direct expenses relating to the generation of investment income. Not reported on this schedule is the allowance for earnings on unearned revenue totaling $2.9 million and $2.7 million for the years ending December 31, 2024 and 2023, respectively (Please see Note K to the financial statements).

SCHEDULE OF PAYMENTS TO CONSULTANTS

For the years ended December 31,

(Dollars in Thousands)	2024	2023
Audit		
Brown Armstrong Accountancy Corporation	$ 55	$ 63
Total	55	63
Legal Counsel (External)		
Mayer Brown, LLP	23	-
County of Sonoma, County Counsel	73	61
Nossaman, LLP	-	1
Ice Miller, LLP	3	9
Reed Smith, LLP	-	7
Total	99	78
Actuarial		
Segal Consulting	304	302
Total	304	302
Total Payments to Consultants	**$ 458**	**$ 443**

Investment Section

May 9, 2025

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

Dear Members of the Board:

As your investment consultant, Aon Investments USA Inc. (Aon Investments) is pleased to provide you with our report on the Sonoma County Employees' Retirement Association (SCERA) for the year ending December 31, 2024.

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

Investment Policy

The Fund's Investment Policy started and ended the year with a target allocation of 59% to Equities, 15% to Fixed Income, and 26% to Real Assets:

Asset Class:	Asset Allocation Targets 12/31/2024
U.S. Equities	*21.5%*
Non-U.S. Equities	*21.5*
Global Equities	*16.0*
Equities	**59.0%**
Core Fixed Income	*12.0%*
Alternative Fixed Income	*3.0*
Fixed Income	**15.0%**
Real Assets	**26.0%**
Opportunistic Allocation	**n/a**
Total Fund	***100.0%***

Investment Managers

There were no changes to the SCERA Fund's roster of investment management accounts during 2024.

Capital Markets

The major global capital markets enjoyed a positive 2024 calendar year. The U.S. stock market, as measured by the Russell 3000 Index, returned +23.8% in 2024. The non-U.S. stock market, as measured by the MSCI All Country World IMI ex-U.S. returned +5.2% over the same period. In the US stock market, growth stocks outperformed value stocks within both the large cap and small cap sub-universe. Across the capitalization spectrum, large-cap stocks outperformed small-cap stocks. The fixed income market, as

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

Ms. Julie Wyne
Sonoma County Employees' Retirement Association
May 9, 2025
Page 2

measured by the Bloomberg U.S. Aggregate Bond Index, returned +1.3% in 2024. Meanwhile, the real estate market returned -1.4%[1], as measured by the NCREIF ODCE Index.

Fund Performance

Based on fair market value, the SCERA Fund (net-of-fees[2]) finished 2024 with a +9.6% return for the year, outperforming the policy portfolio return of +9.2%. The Fund's annualized returns over the past three- and five-year periods were +4.9% and +7.7%, respectively. The Fund produced an annualized return of +7.7% over the ten-year period ending December 2024. For the 30-year period, the Fund returned +7.9%, annualized. The Plan and benchmark returns are time-weighted and reflect that the market values for Real Asset and Opportunistic investments are booked with a lag[1]. We continue to believe the Fund is positioned to generate strong investment results over the long-term.

Sincerely,

Chris Behrns
Associate Partner

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[1] *Performance information for the managers within Real Assets is not available until one to three months after quarter-end time periods; therefore, due to the lagged reporting of the Real Assets managers, this return may not reconcile with other SCERA Fund performance shown in the ACFR.*

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

SUMMARY OF INVESTMENT OBJECTIVES

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

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

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

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

SUMMARY OF PROXY VOTING GUIDELINES

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

INVESTMENT OPERATIONS

Program Developments

2024 involved both regular investment oversight activity as well as project work. A major ongoing responsibility of SCERA's investment staff includes oversight of its investment managers, which includes on-site due diligence meetings. SCERA's standard is to meet once every three years with each of its managers and in 2024 five such meetings were conducted across three trips. Due diligence meetings typically take a half-day and cover everything from research, portfolio management, trading, compliance, and business continuity plans.

Every three years the Plan's investment consultant performs an Asset-Liability (A-L) study for SCERA to reassess the policy asset allocation and to potentially recommend adjustments. The last such study was in 2023, and it concluded that the policy asset allocation continued to be appropriate, but that we did have more liquidity than required and we could consider expanding our Real Assets portfolio. Additional Real Assets exposure could potentially provide an illiquidity premium and further diversification benefits. For SCERA, Real Assets currently includes Real Estate, Farmland, and Infrastructure. The structure of the Plan's Real Assets and Equity portfolios were reviewed in 2024, and no changes were made. During the year we evaluated the prospect of investing in Timberland, which would be part of the Real Assets allocation. The consideration was tabled, pending the establishment of more open-end Timberland funds, our preferred investment vehicle. It may be considered again after such funds have been launched and evaluated by our consultant.

Program Developments (continued)

While no policy asset allocation changes were made in 2024, there was a search conducted for a new Non-US and/or Global Equity manager in late 2024. In the end, the Investment Committee approved a new Global Equity mandate in January 2025 with a 4% allocation to a quantitative (model driven) global equity strategy managed by Connor, Clark & Lunn Investment Management (CC&L). This new account was funded from investments in the State Street Global Advisors (SSGA) Global Equity Rule-of-Law (ROL) Index strategy in the first quarter of 2025. The Plan's equity portfolio continues to possess an indexed core structure surrounded by high-confidence active managers. As a result of this reallocation, the indexed portion of Total Equities dropped from approximately 46% to 39%.

In Non-US Equities, there was an announced change to the fund managed by Arrowstreet. SCERA has been investing with Arrowstreet since 2011, and this manager has added significant value over that time. Since 2023, we have been an investor in the firm's 130/30/20 fund. The 130/30 strategy allows the manager to borrow up to 30% of the value of the account to hold 130% in long positions while shorting up to 30%. These weights net to a 100% market exposure while enabling the manager to express a material negative view on "overvalued" stocks with small weights in the benchmark. The extra "20" in the fund title indicates the firm can manage to a maximum net dollar exposure of 120%. Arrowstreet does this because their quantitative stock selection process favors stocks with lower market-risk and the extra 20% allows them to bring the portfolio's overall market-risk back up to 100%. After experience with this extra 20% adjustment to the strategy, Arrowstreet determined that the optimal strategy required a higher maximum futures guideline to bring the portfolio toward a neutral market-risk level. The strategy planned to transition to a 130/30/40 format in early 2025. SCERA considered this transition in late 2024 and elected to continue with the investment rather than moving to another lower risk/lower returning Arrowstreet strategy. The updated strategy will typically possess a net dollar exposure around 130% and a market-risk of approximately 100%.

SCERA's Opportunistic Allocation is primarily intended for outsized opportunities resulting from momentous market dislocations. It could also be used as an incubator to allow us to become more familiar with a new strategy before its promotion to a long-term strategic allocation. The policy range for the Opportunistic Allocation is 0% to 6%. There were no new Opportunistic investments identified in 2024, but we did continue to hold two such investments, the Davidson Kempner (DK) Special Opportunity Funds (SOF) III and IV. Both DK Funds are nearing the end of their life and have begun their harvesting period, returning capital to investors. As of the end of 2024, approximately $14.7 million, or 0.4% of Plan assets, were invested in these two funds.

SCERA had no managers on "Watch" during 2024, though the Board did elect in late 2023 to fully redeem from the UBS Trumbull Property Fund, one of the Plan's two private core Real Estate funds. That redemption request was submitted in January 2024 after the expiration of the four-year loyalty lock-up/management fee discount period. The return of capital is expected to be prolonged, given the size of the Fund's redemption queue. SCERA investigated alternative structures to their Real Estate portfolio and, after consideration, adopted a structure with two Core Real Estate Managers and one Core Plus manager. We anticipate initiating searches for these two new mandates in late 2025.

The Board received several educational presentations in 2024, including a review of the principles of diversification, the growing concentration in public equity markets, and the previously mentioned review of Timberland investing. The Board also heard from the Plan's consultant on social investing, frequently referred to as ESG (Environmental, Social, and Governance) investing, and the various forms that can take. As fiduciaries, the Board believes their only duty is to the members and beneficiaries of the Plan. The Plan's investment consultant provided a review of the various approaches institutional investors may take in considering ESG issues. After two surveys of the trustees and due deliberation, the Board determined it was most appropriate to continue with the existing policy. The Plan's consultant refers to this method as the "integrated" approach. In this strategy, no special allocations are made to ESG mandates. Instead, consideration of the impact of ESG issues on risk and returns is delegated to the Plan's investment managers. SCERA's staff and consultant support the Board by assessing the managers ability to evaluate the impact of these issues on their holdings.

Program Developments (continued)

In early 2021, the Board adopted a Rule-Of-Law (ROL) investment guideline which prohibits, where possible, investments in countries with poor ROL scores as provided by the World Justice Project (WJP). The Board considers this guideline a long-term risk mitigation effort as they believe it's prudent to avoid investing in countries where the legal system may not provide adequate protection for stakeholders. The WJP updated their ROL country scores in late 2024, and SCERA's impacted managers were provided an updated list of excluded countries. Generally, SCERA does not have the ability to impose its own guidelines on commingled investment vehicles so we continue to have some small exposures to these markets through such vehicles. The ROL guideline has, however, significantly reduced our exposure to low ROL countries, such as China and Russia, through the implementation in separately managed accounts and the Plan's Global and Non-US Equity index strategies which are built from commingled country funds.

Every three years the staff and consultant perform a full review of the guiding document for the Plan's investment program, the Investment Policy Statement (IPS). The last full review was in 2023, and no changes were made to the IPS in 2024. Last, SCERA established a new contract with the Plan's investment consultant, Aon Investments USA, which became effective at the beginning of 2024. This is a three-year contract followed by two one-year extensions, at SCERA's discretion.

Investment Results

For calendar year 2024, the Plan's investment portfolio returned 10.9% gross-of-fees. With annual investment management fees of approximately 0.5%, this equates to a return of 10.4% net-of-fees, a return considerably above the current Actuarial Assumed Rate-of-Return (ROR) of 6.75%. Trailing 3- and 5-year Plan returns were 5.5% and 8.3% gross-of-fees, respectively. Since individual calendar year returns can be volatile as witnessed over these past few years, interim progress is often monitored by using "smoothed" five-year returns. Using this timeframe, the Plan's net-of-fees performance exceeded the Actuarial Assumed ROR of 6.75% over this past 5-year period. SCERA's performance over twenty years is 7.5% gross-of-fees, which, after-fees, modestly trails the Actuarial Assumed ROR for the period of 7.4%. Given the perpetual nature of the Plan's liabilities, this long-term return is arguably the most relevant when evaluating the Plan's financial performance.

Market Commentary

The investment landscape in 2024 was marked by a strong recovery and remarkable resilience across global equity markets, fueled by easing inflation pressures and optimism around artificial intelligence (AI) and green energy sectors. U.S. equities delivered robust gains, buoyed by strong corporate earnings and renewed investor confidence. Tech-heavy indices benefited from continued innovation and capital inflows into AI-driven companies. However, market breadth improved compared to 2023, with small and mid-cap stocks staging a modest recovery after years of underperformance relative to large caps. This broadening rally suggested investors were gaining confidence in the economic outlook beyond just the mega-cap tech names.

Global markets presented a mixed picture, with European equities delivering modest returns amid persistent inflation concerns and tightening monetary policy. Emerging markets experienced significant volatility, with Chinese stocks recovering from previous years' decline although challenges persist. Indian markets demonstrated strength, attracting increased foreign investment as investors sought diversification beyond China in their emerging market allocations. Japan's Nikkei index also performed remarkably well, benefiting from corporate governance reforms and the Bank of Japan's gradual normalization of monetary policy.

Beyond equities, 2024 saw significant shifts across other asset classes. Fixed income markets stabilized as central banks began their rate-cutting cycles, with the Federal Reserve implementing its first rate cuts after maintaining elevated rates through early 2024. This transition benefited both government and corporate bonds after several challenging years. Commodities displayed divergent performance, with precious metals—particularly gold—reaching new record highs amid geopolitical uncertainties and inflation concerns. Energy markets remained volatile, influenced by OPEC+

Market Commentary (continued)

production decisions and evolving global demand patterns. Real estate showed signs of recovery as interest rate expectations moderated, though commercial real estate continued facing headwinds from changing work patterns and higher financing costs.

The 2024 U.S. presidential election also played a pivotal role in shaping investment trends. Investors closely monitored policy positions on taxation, regulation, and international trade, contributing to periodic volatility, especially in the second half of the year. The Federal Reserve, under Chair Jerome Powell, maintained a cautious stance, balancing the need to support economic growth with inflation control. The Fed's transparency and gradual policy pivot reassured markets and provided a more stable backdrop for asset allocation decisions. Overall, 2024 was a year of cautious optimism, driven by macroeconomic resilience, evolving political dynamics, and investor adaptation to a post-tightening financial environment.

The Plan's US Equity managers, in aggregate, returned 22.1%, modestly lagging the Russell 3000 benchmark return of 23.8%. Both the active US equity managers, Jacobs Levy and Systematic, delivered an annual performance that was below their benchmarks by a narrow margin, net-of-fees. Given that these managers tilt toward "Value" stocks, the relative performance is noteworthy since a substantial portion of US equity returns in 2024 derived from the steady price appreciation of "Growth" stocks.

The Plan's Non-US Equity managers delivered an aggregate return of 10.1% for the year exceeding the benchmark return of 5.2%. The 130/30/20 (partial short extension) strategy managed by Arrowstreet delivered an impressive return of 17.5%, handily outperforming the benchmark by over 1200 basis points. The Plan's Rule-Of-Law (ROL) guideline, which minimizes the exposure to countries with a poor ROL record, resulted in the passive Non-US Equity ROL Index strategy underperforming its benchmark by 82 basis points, in part due to China's equity markets as measured by the CSI 300 Index gaining 14.7% and the Hang Seng Index rising 17.7%, the first positive annual performance since 2020.

The Plan's Global Equity portfolio managers invest in both US and non-US stocks and the asset class benchmark delivered a return of 16.7%. SCERA's Global Equity managers in aggregate produced a return of 12.9%, coming in below the benchmark return. The Global Equity ROL Index strategy performed in-line with the benchmark, due to the minimal weighting and therefore marginal impact of low ROL countries in the MSCI ACWI IMI Index. Continuing the trend from the previous year, the main contributor to the relative underperformance of the Global Equity portfolio was the performance of Dodge & Cox whose "Value" stock selection tilt detracted from overall results in a year again dominated by the IT sector, which was underweighted, and the overweight positioning in the Healthcare sector.

In Fixed Income, the Plan's managers produced a return of 4.1% compared to the Bloomberg US Aggregate benchmark return of 1.25%. The majority of assets within the Fixed Income portfolio are dedicated to three "Core Plus" mandates managed by Reams, DoubleLine, and PIMCO. All three investment managers exceeded the benchmark return, with DoubleLine delivering the greatest outperformance at over 200 basis points. Supplementing the Core Plus Fixed Income assets is the bank loan mandate managed by Guggenheim. This manager's performance kept pace with its S&P UBS Leveraged Loan benchmark, returning 9.48% versus 9.05%, respectively. Bank loans benefited from their floating rate structure in a high interest rate environment and a default rate that ticked slightly higher but remained manageable.

The Plan's Real Assets portfolio is composed of Real Estate, Farmland, and Infrastructure. Combined, the Real Assets portfolio delivered a 6.2% return for the year. SCERA's two core real estate investment funds, the JPMorgan Strategic Property Fund (SPF) and the UBS Trumbull Property Fund (TPF), are both large privately managed real estate equity funds that invest in commercial properties across the US. Each fund fell modestly short of the 2024 core real estate benchmark return, posting -1.72% and -1.58%, respectively, resulting in the Real Estate asset class trailing the NCREIF ODCE benchmark return of -1.43%. Performance rebounded from last year's steep decline as private real estate valuations were reset from 2022 peak levels and fund redemption requests moderated, partly due to loyalty investment fee incentives. As mentioned under Investment Program Developments, the Board voted to fully redeem from UBS TPF.

Market Commentary (continued)

Farmland is included in the Real Assets portfolio to provide an uncorrelated source of stable returns with a strong income component. The Plan's Farmland investments include the recently incepted Fiera Comox Global Agriculture Open-End Fund, in which SCERA was fully invested by October 2023, and the UBS AgriVest Farmland Fund (AFF). The returns for the full calendar year were 6.25% for Fiera Comox and 4.45% for UBS AgriVest, compared to the NCREIF Farmland Index (NFI) of -1.03%. The performance gap between AFF and the NFI can often be attributed to the higher weighting of permanent crops in the NFI benchmark, whereas AFF manages their portfolio against a Core Farmland Index (CFI) with 80% in annual cropland and only 20% in permanent cropland. For 2024, AFF benefited from both lower exposure to the underperforming Corn Belt region and delivering superior returns in the permanent crop space.

The Plan targets an 8% policy weight to Infrastructure through investments in the IFM Global Infrastructure Fund, the Axium North America II Fund, and the KKR Diversified Core Infrastructure Fund which was fully funded as of March 2023. All funds delivered a positive return in 2024, demonstrating the durability of this asset class through inflationary and economic volatile environments. IFM, Axium and KKR posted returns of 5.86%, 27.46%, and 10.27%, respectively, while the benchmark (Consumer Price Index plus 5% per year) returned 8.02%.

The Plan's Opportunistic Allocation currently includes two distressed credit funds managed by Davidson Kempner. Both funds are now in the "harvesting" stage, where fund investments are realized, and capital is returned to investors. Appraisal based valuation estimates indicate a combined 5 year annualized Internal Rate of Return (which adjusts for the timing of cash flows) estimated at 5.73%. This has recently slipped below the Plan's current Actuarial Assumed Rate of Return and the Plan's Target Policy return, its official benchmark, as the return of capital has been prolonged.

The Total Plan's strong performance in 2024 continues to demonstrate the advantages of proper diversification across asset classes and complementary investment managers. Additionally, returns have consistently surpassed the Total Plan Policy benchmark, as well as exceeded expected rates of return over 5- and 10-year time horizons. SCERA's core mission remains focused on safeguarding the retirement benefits of its members with prudent management of Plan assets and keeping a steadfast long-term outlook.

INVESTMENT RESULTS BASED ON FAIR VALUE

For the year ended December 31, 2024*

Account	Current Year	3 Year	5 Year
Fixed Income			
Guggenheim Bank Loan Fund	9.48%	7.34%	6.10%
Benchmark: S&P UBS Leveraged Loan Index	9.05%	6.84%	5.73%
DoubleLine – Core Plus	3.64%	-1.43%	0.18%
PIMCO – Core Plus	2.39%	-2.00%	0.23%
Reams Asset Management – Core Plus	2.15%	-1.25%	2.30%
Benchmark: BB US Aggregate Bond Index	1.25%	-2.41%	-3.30%
Total Fixed Income	4.07%	0.04%	1.89%
Real Assets			
JP Morgan Strategic Property Fund	-1.72%	-4.13%	1.57%
UBS Trumbull Property Fund	-1.58%	-3.95%	-0.23%
Benchmark: NCREIF ODCE	-1.43%	-2.32%	2.87%
UBS AgriVest	4.45%	6.46%	6.69%
Benchmark: Core Farmland Index (custom)	3.32%	8.34%	7.88%
Fiera Comox Global Agricultural Fund	6.25%	N/A	N/A
Benchmark: NCREIF Farmland Index	-1.03%	4.43%	4.83%
AXINFRA NA LP	27.46%	29.04%	25.49%
IFM Global Infrastructure Fund	5.86%	7.49%	8.49%
KKR Diversified Core Infrastructure	10.27%	N/A	N/A
Benchmark: CPI + 5% Year	8.02%	9.09%	9.19%
Total Real Assets	6.21%	5.03%	7.45%
Domestic Equity			
Jacobs Levy: Broad Mandate Equity	23.35%	17.11%	21.39%
Benchmark: Russell 3000	23.81%	8.01%	13.86%
SSGA: Russell 1000 Index Fund	24.46%	8.39%	14.27%
Benchmark: Russell 1000	24.51%	8.41%	14.28%
Systematic Financial Mgmt: Small Cap Value	11.92%	5.85%	10.62%
Benchmark: Russell 2000	11.54%	1.24%	7.40%
Total Domestic Equity	22.06%	11.73%	15.78%
Non-US Equity			
Arrowstreet Capital	17.50%	9.44%	13.90%
SSGA: MSCI ACWI Ex US IMI Rule-of-Law Index Fund	4.41%	1.74%	5.79%
Benchmark: MSCI ACWI Ex US IMI (net)	5.23%	0.50%	4.12%
Total Non-US Equity	10.10%	5.03%	8.40%
Global Equity			
SSGA MSCI ACWI IMI Rule-of-Law Index Fund	16.72%	6.93%	N/A
Dodge & Cox	9.97%	6.53%	9.02%
Benchmark: MSCI ACWI IMI (net) w/USA Gross	16.67%	5.20%	9.97%
Total Global Equity	12.87%	6.50%	8.63%
Opportunistic			
Davidson Kempner Funds	-3.14%	2.65%	5.73%
Benchmark: Total Plan Policy	8.93%	3.30%	6.96%
Total Fund	**10.94%**	**5.50%**	**8.33%**

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

SCHEDULE OF MANAGEMENT FEES

For the years ended December 31,

(Dollars in Thousands)	2024	2023
Fixed Income		
PIMCO	$ 393	$ 403
Guggenheim	527	485
DoubleLine	386	391
Reams Asset Management	273	261
Total Fixed Income	**1,579**	**1,540**
Real Assets		
UBS AgriVest	1,399	1,320
JP Morgan	1,262	1,458
IFM Global	959	914
UBS Realty	662	681
Axium	537	608
KKR	665	609
Fiera Comox	1408	533
Total Real Assets	**6,892**	**6,123**
Domestic Equity		
Jacobs Levy	2,252	2,063
Systematic Financial Management	781	691
State Street Global Advisors (Russell 1000)	61	54
Total Domestic Equity	**3,094**	**2,808**
Non-U.S. Equity		
Arrowstreet Capital	7,591	2,523
State Street Global Advisors (SSGA Ex-US ROL)	273	229
Total Non-U.S. Equity	**7,864**	**2,752**
Global Equity		
Dodge & Cox	1,251	1,113
State Street Global Advisors (SSGA ROL & Interim)	161	224
Total Global Equity	**1,412**	**1,337**
Opportunistic		
Davidson Kempner	28	56
Total Opportunistic	**28**	**56**
Total Investment Manager Fees	**20,869**	**14,616**
Other Investment Expenses		
Investment Custodians	1,027	934
Investment Travel and Staff Salary	-	652
Cash Overlay Manager	127	122
Investment Consultant	355	355
Investment Legal Counsel	23	6
Other Investment Services	15	15
Total Other Investment Expenses	**1,547**	**2,084**
Total Fees/Other Investment Expenses	**$ 22,416**	**$ 16,700**

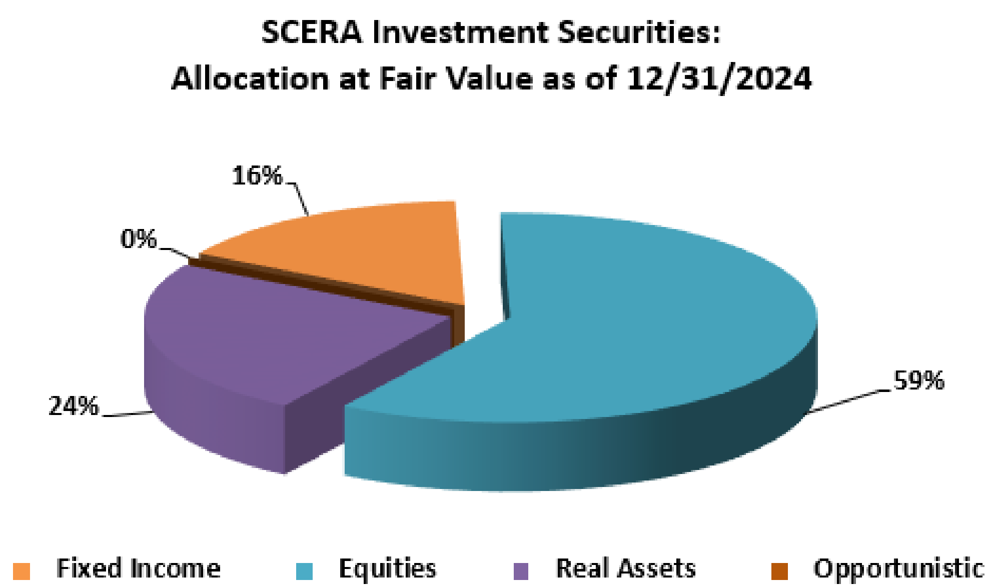
SCHEDULE OF BROKER COMMISSIONS

For the year ended December 31, 2024
(dollars not in Thousands)

Brokerage Firm	Number of Shares Traded	Total Commissions	Commission Per Share
Virtu Americas, LLC	12,447,843	$ 31,101	0.0025
Liquidnet Inc.	786,899	9,159	0.0116
Cantor Fitzgerald + Co.	177,525	4,607	0.0259
B of A Securities, Inc.	334,235	2,593	0.0078
Morgan Stanley Co Incorporated	251,371	2,252	0.0090
Instinet	199,694	2,219	0.0111
Piper Jaffray & Co.	65,545	1,949	0.0297
Robert W. Baird Co. Incorporated	60,300	1,741	0.0289
Goldman Sachs + Co, LLC	316,522	1,634	0.0052
SunTrust Capital Markets, Inc.	48,895	1,467	0.0300
Evercore ISI	48,800	1,464	0.0300
Raymond James And Associates, Inc.	48,000	1,440	0.0300
UBS Securities, LLC	255,610	1,364	0.0053
J.P. Morgan Securities, LLC	295,878	1,291	0.0044
Cowen And Company, LLC	85,565	1,191	0.0139
Stifel Nicolaus + Co Inc.	38,700	1,161	0.0300
Jones Trading Institutional Services, LLC	40,983	976	0.0238
Bernstein Institutional Services, LLC	102,058	827	0.0081
Barclays Capital LE	131,782	739	0.0056
BTIG, LLC	179,321	690	0.0038
CL King	16,550	497	0.0300
Jefferies, LLC	54,996	472	0.0086
Citigroup Global Markets Inc.	38,420	381	0.0099
BMO Capital Markets	17,160	367	0.0214
RBC Capital Markets, LLC	11,850	316	0.0266
Sanford C Bernstein Co, LLC	60,100	301	0.0050
State Street Global Markets, LLC	15,600	300	0.0192
KeyBanc Capital Markets Inc.	7,470	224	0.0300
HSBC Brokerage (Usa) Inc.	6,000	180	0.0300
Needham And Company LLC	8,300	176	0.0212
All Others	57,379	834	0.0145
TOTAL	16,209,351	$ 73,913	0.0046

INVESTMENTS AT FAIR VALUE
For the year ended December 31, 2024

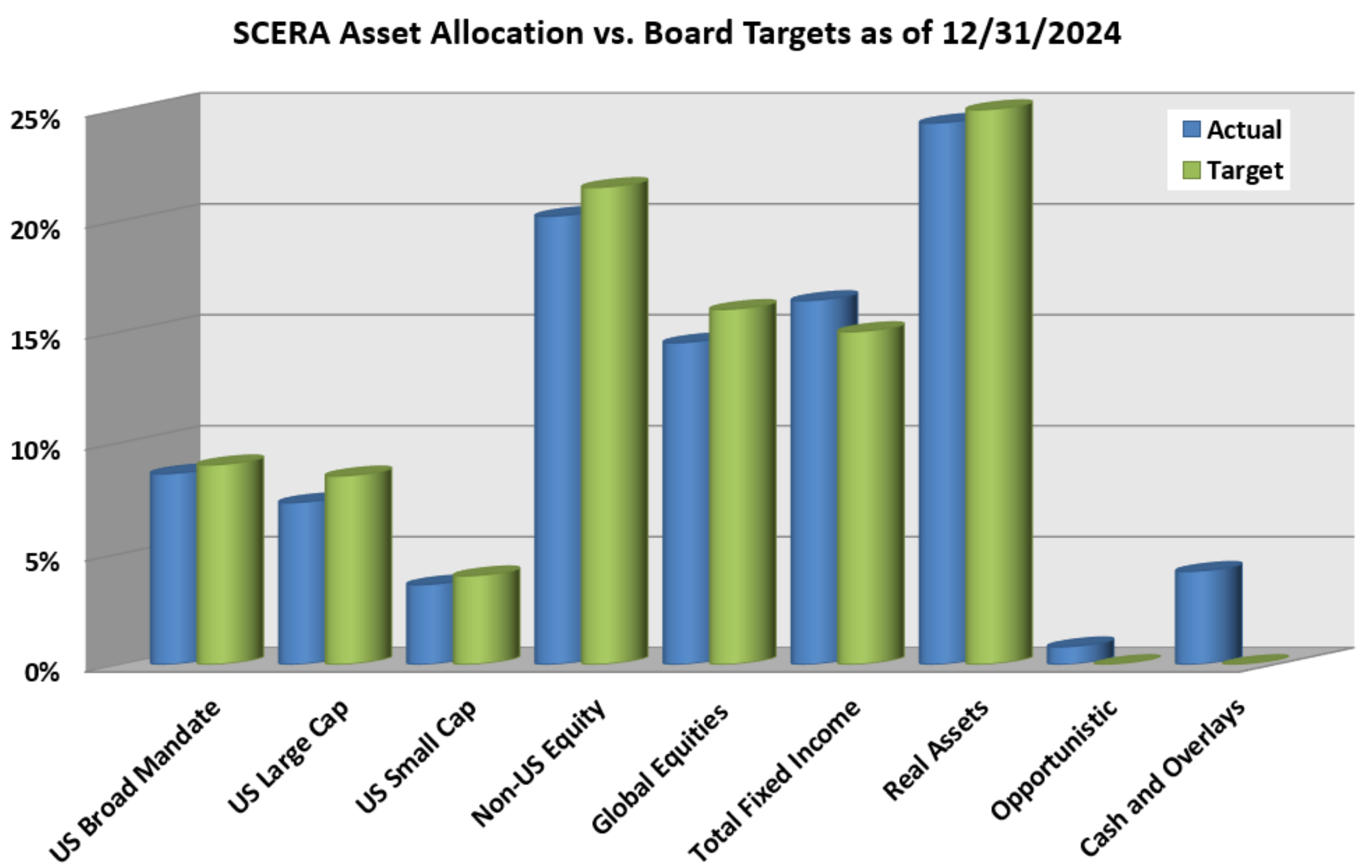
Investments at Fair Value (Dollars in Thousands)		
	Amount	Percentage
Fixed Income	$ 587,538	16%
Equities	2,199,089	59%
Real Assets	924,515	25%
Opportunistic	14,679	-%
Total Investments	$ 3,725,821	100%



ASSET STRATEGY ALLOCATION

For the year ended December 31, 2024

Asset Class	% of Actual	Target %
US Broad Mandate	8.30%	9.00%
US Large Cap	8.30%	8.50%
US Small Cap	3.70%	4.00%
Non-US Equity	20.30%	21.50%
Global Equities	15.30%	16.00%
Total Fixed Income	15.10%	15.00%
Real Assets	23.60%	26.00%
Opportunistic	0.40%	0-6.00%
Cash and Overlays	5.00%	0.00%
Total Asset Allocation	100%	100%



LARGEST EQUITY HOLDINGS

At December 31, 2024
(Dollars in Thousands)

	Shares	Stock		Fair Value
1)	100,886	Apple Inc.	$	25,264
2)	173,229	NVIDIA Corp.		23,263
3)	38,035	Microsoft Corp.		16,032
4)	1,937	Booking Holding Inc.		9,624
5)	42,721	Amazon.com Inc.		9,373
6)	42,110	Alphabet Inc.		8,019
7)	36,000	FISERV Inc.		7,395
8)	98,100	Schwab Corp.		7,260
9)	19,381	GE Verona Inc.		6,375
10)	24,652	Humana Inc.		6,254
		Total Largest Equity Holdings	$	118,859

LARGEST FIXED INCOME HOLDINGS

At December 31, 2024
(Dollars in Thousands)

	Par	Bonds		Fair Value
1)	2,581,428	PIMCO FDS Short Term FLTG Nav Mutual Fund	$	25,858
2)	35,635,000	FNMA TBA 30 year 5.50% Single Family Mortgage		35,140
3)	21,220,000	FNMA TBA 30 year 4.50% Single Family Mortgage		19,939
4)	17,640,000	FNMA TBA 30 year 4.00% Single Family Mortgage		16,121
5)	14,915,000	FNMA TBA 30 year 6.00% Single Family Mortgage		14,977
6)	15,565,000	U.S. Treasury 4.25% due 8/15/2054		14,240
7)	1,053,508	PIMCO FDS PAC Asset Backed Portfolio		12,221
8)	9,543,000	U.S. Treasury 3.875% due 8/15/2034		9,026
9)	19,701	Columbus Unconstrained Bond Fund		7,598
10)	7,300,000	FNMA TBA 30 year 5.00% Single Family Mortgage		7,043
		Total Largest Fixed Income Holdings	$	162,163

A complete list of portfolio holdings is available upon request.

Actuarial Section

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

May 14, 2025

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

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

Dear Members of the Board:

Segal prepared the annual actuarial valuation as of December 31, 2024 for the Sonoma County Employees' Retirement Association (SCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and SCERA's funding policy that was last reviewed and updated by the Board in 2023. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by the Actuarial Standards of Practice (ASOPs).

As part of the December 31, 2024 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. However, the scope of this examination does not qualify as an audit. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at actuarial value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return on valuation value over a five-year period. The full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable.

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

The outstanding balance of the December 31, 2007 restart UAAL is amortized over a 21-year declining period with four years remaining as of December 31, 2024. The impact of the Cash Allowance and new UAAL established on each subsequent actuarial valuation is amortized over separate 20-year declining periods. All of the annual amortization payments are calculated on a level percentage of payroll basis.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board in conjunction with the December 31, 2024 actuarial valuation. It is our opinion that the assumptions used in the December 31, 2024 valuation produce results, which, in the aggregate,

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Board of Retirement
Sonoma County Employees' Retirement Association
May 14, 2025
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reflect the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of December 31, 2026 and the assumptions approved in that analysis will be applied in the December 31, 2027 valuation.

In the December 31, 2024 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities slightly decreased from 93.8% to 93.7%. The reduction in the funded status was primarily due to individual salary increases greater than expected, changes in actuarial assumptions and other experience losses, partially offset by the investment return on the valuation value (after asset smoothing) greater than the 6.75% return assumption used in the December 31, 2023 valuation. The calculated employer's rate, resulting from this valuation, along with the calculated employee's rate at the average entry age are as follows, expressed as a percent of payroll:

Plan and Employer	Employer Rate	Employee Rate
General		
General Plan A-County Without Member UAAL Rate Sunset	18.11%	12.79%
General Plan A-County With Member UAAL Rate Sunset	21.13%	9.76%
General Plan A-Court	36.65%	10.17%
General Plan A-Sonoma Valley Fire District	18.42%	11.74%
General Plan B-County	15.88%	7.70%
General Plan B-Court	30.28%	7.70%
General Plan B-Sonoma Valley Fire District	11.81%	7.70%
Safety		
Safety Plan A-County	34.47%	13.15%
Safety Plan A-Sonoma Valley Fire District	40.11%	10.41%
Safety Plan B-County	26.86%	14.78%
Safety Plan B-Sonoma Valley Fire District	21.61%	15.06%
All Categories Combined	**20.25%**	**9.94%**

Note: Some members have agreed to pay additional employee normal cost contributions and those amounts have not been reflected in the above values.

As of December 31, 2024, there was a net deferred investment gain of $69 million, which represented 1.8% of the market value of assets. If the net deferred investment gain was recognized immediately in the valuation value of assets, along with the $12 million currently available in the Interest Fluctuation Reserve, the funded percentage would increase from 93.68% to 95.73% and the average employer contribution rate, expressed as a percent of payroll, would decrease from 20.25% to 19.13% of payroll.

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Segal

Board of Retirement
Sonoma County Employees' Retirement Association
May 14, 2025
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Supporting schedules

Note N to the Basic Financial Statements and the Required Supplementary Information (RSI) included in the Financial Section were prepared by the Association based on the results of the Governmental Accounting Standards Board Statement No. 67 (GASB 67) actuarial valuation as of December 31, 2024 prepared by Segal. For the Financial Section of the Annual Comprehensive Financial Report, Segal provided the Schedule of the Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the Association's Annual Comprehensive Financial Report is provided below. These schedules were prepared based on the results of the actuarial valuation as of December 31, 2024 for funding purposes.

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

Disclosure

This document has been prepared for the exclusive use and benefit of the Board of Retirement of the Sonoma County Employees' Retirement Association, based upon information provided by SCERA or otherwise made available to Segal at the time this document was created. Segal makes no representation or warranty as to the accuracy of any forward-looking statements and does not guarantee any particular outcome or result. This document should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan. This document does not constitute legal, tax or investment advice or create or imply a fiduciary relationship. You are encouraged to discuss any issues raised with your legal, tax and other advisors before taking, or refraining from taking, any action.

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

Sincerely,

Todd Tauzer

Todd Tauzer, FSA, MAAA, FCA, CERA
Senior Vice President and Actuary

Andy Yeung

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

Emily Klare

Emily Klare, ASA, MAAA, EA
Senior Actuary

JT/bbf
Attachments

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Segal

SUMMARY OF ASSUMPTIONS AND FUNDING METHOD

The Entry Age Normal Cost Method was used in conjunction with the following actuarial assumptions. The funding policy adopted by the Board of Retirement (the Board) is used to amortize the outstanding balance of the December 31, 2007, unfunded actuarial accrued liability (UAAL) as well as any new UAAL established on each subsequent actuarial valuation after the December 31, 2007, valuation over separate 20-year declining periods. This approach is often referred to as a "layered amortization method." The Board as of December 31, 2024, has adopted the following interest rate, inflation, and salary increase assumptions:

ASSUMPTIONS

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

The following demographic assumptions were used with the actuarial valuation as of December 31, 2024. These assumptions were updated based on Sonoma County Employees' Retirement Association (the System or SCERA), actual experience through December 31, 2023. The assumptions were recommended by the actuary and approved by the Board.

Post-Retirement Mortality

(a) Service

General and Safety Members, Beneficiaries Not in Pay Status	Pub-2010 General and Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) for both General and Beneficiaries not in pay status decreased by 5% for males and increased by 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.
Beneficiaries in Pay Status	Pub-2010 Contingent Survivor Amount-Weighted Above-Median Table (separate tables for males and females) increased by 5% for males and females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

(b) Disability

General and Safety Members	Non-Safety Pub-2010 Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) for General decreased 5% for males and decreased 10% for females, for Safety Pub-2010 Safety Disabled Retiree Amount-Weighted Mortality Table (separate tables for males and females) decreased 5% for females, projected generationally with the two-dimensional mortality improvement scale MP-2021.

(c) For Employee Contribution Rate Purposes

General Members	Pub-2010 General Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females) decreased by 5% for males and increased 5% for females, projected 32 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 33.33% male and 66.67% female.
Safety Members	Pub-2010 Safety Healthy Retiree Amount-Weighted Above-Median Mortality Table (separate tables for males and females), projected 32 years (from 2010) with the two-dimensional mortality improvement scale MP-2021, weighted 75% male and 25% female.

Pre-Retirement Mortality

General and Safety Members	Pub-2010 General and Safety Employee Amount-Weighted Above-Median Mortality Table (separate tables for males and females), for General and Safety decreased 5% for males, projected generationally with the two-dimensional mortality improvement scale MP-2021.

Withdrawal Rates	Based upon the Experience Analysis as of 12/31/23 (Table on Page 68)
Disability Rates	Based upon the Experience Analysis as of 12/31/23 (Table on Page 68)
Service Retirement Rates	Based upon the Experience Analysis as of 12/31/23 (Table on Page 68)
Reciprocity Assumption	25% of General members and 30% of Safety members who terminate are assumed to enter a reciprocal system
Salary Scales	As shown in Table on Page 69
Leave Conversion Compensation Increase	2.50% for General Plan A Superior Court; 1.00% for Safety Plan A Sonoma Valley Fire members
Spouses and Dependents	65% of male employees and 55% of female employees assumed to be married at retirement. Female spouses are assumed to be 3 years younger than their male member spouses. Male spouses are assumed to be 2 years older than their female member spouses.
Deferral Vested Retirement Age	Without reciprocity - 58 for General members; 51 for Safety members With reciprocity - 60 for General members; 55 for Safety members

PROBABILITIES OF SEPARATION FROM ACTIVE SERVICE

General Members						
Age Nearest	**Withdrawal**[5]	**Mortality Male**[1]	**Mortality Female**[1]	**Disability**[2]	**Service**[4]	**Terminated Vested**[5]
20	0.0125	0.0003	0.0001	0.0001	0.0000	0.0600
30	0.0104	0.0003	0.0001	0.0001	0.0000	0.0525
40	0.0043	0.0005	0.0003	0.0012	0.0000	0.0395
50	0.0024	0.0012	0.0008	0.0023	0.0600	0.0300
60	0.0002	0.0026	0.0017	0.0028	0.2200	0.0275

Safety Members						
Age Nearest	**Withdrawal**[5]	**Mortality Male**[1]	**Mortality Female**[1]	**Disability**[3]	**Service**[4]	**Terminated Vested**[5]
20	0.0100	0.0004	0.0001	0.0010	0.0000	0.0450
30	0.0085	0.0003	0.0002	0.0110	0.0000	0.0360
40	0.0025	0.0005	0.0004	0.0215	0.0000	0.0200
50	0.0002	0.0010	0.0008	0.0345	0.1800	0.0075
60	0.0000	0.0022	0.0014	0.0360	0.3000	0.0000

(1) All pre-retirement deaths are assumed to be non-service connected deaths and are shown before generational projection from 2010.
(2) 60% of General disabilities are assumed to be service connected disabilities. The other 40% are assumed to be non-service disabilities.
(3) 100% of Safety disabilities are assumed to be service connected disabilities.
(4) Retirement rates shown above are for non-PEPRA members with less than 30 years of service.
(5) Withdrawal and vested termination rates shown above are for members with at least five years of service.

The probabilities shown for each cause of termination represent the likelihood that a given member will terminate at a particular age for the indicated reason. For example, if the probability of withdrawal of a General member at age 30 is 0.0104, then we are assuming that 1.04% of the active General members at age 30 will terminate without vested rights during the next year.

ACTUARIAL ASSUMPTIONS FOR MERIT AND LONGEVITY SALARY INCREASE RATES

As of December 31, 2024

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

Years of Service	General Plan A Members	General Plan B Members	Safety Plan A Members	Safety Plan B Members
Less than 1	5.00%	4.25%	7.50%	7.00%
1-2	5.50%	5.75%	7.50%	7.50%
2-3	4.50%	4.75%	5.00%	4.75%
3-4	3.50%	4.00%	4.50%	4.25%
4-5	2.50%	3.00%	3.50%	3.25%
5-6	2.00%	2.00%	1.75%	2.00%
6-7	1.50%	2.00%	1.50%	1.75%
7-8	1.75%	1.75%	1.75%	1.75%
8-9	1.70%	1.70%	1.75%	1.75%
9-10	1.60%	1.60%	1.75%	1.75%
10-11	1.40%	1.40%	1.55%	1.55%
11-12	1.35%	1.35%	1.25%	1.25%
12-13	1.30%	1.30%	1.25%	1.25%
13-14	1.25%	1.25%	1.00%	1.00%
14-15	1.25%	1.15%	1.00%	1.00%
15 & Over	0.75%	0.75%	1.00%	1.00%

SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

Actuarial Valuation Date	Valuation Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Projected Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
12/31/15	$ 2,289,057	$ 2,694,979	$ 405,922	84.9%	$ 339,516	119.6%
12/31/16	2,399,171	2,807,398	408,227	85.5%	356,130	114.6%
12/31/17	2,557,299	2,916,856	359,557	87.7%	369,751	97.2%
12/31/18	2,667,345	3,072,077	404,732	86.8%	378,160	107.0%
12/31/19	2,811,292	3,143,323	332,031	89.4%	378,159	87.8%
12/31/20	2,981,688	3,264,403	282,715	91.3%	400,562	70.6%
12/31/21	3,215,505	3,460,051	244,546	92.9%	408,279	59.9%
12/31/22	3,311,174	3,582,766	271,592	92.4%	423,272	64.2%
12/31/23	3,500,687	3,730,227	229,540	93.8%	457,288	50.2%
12/31/24	3,677,610	3,925,728	248,118	93.7%	511,319	48.5%

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Items Impacting Unfunded Actuarial Accrued Liability (UAAL)

(Dollars in Thousands)

Plan Years	2024	2023	2022	2021	2020
Beginning of the Year UAAL Liability	$ 229,540	$ 271,592	$ 244,546	$ 282,715	$ 332,031
Source of Actuarial (Gain) Loss:					
Compensation Increase/(Decrease)	49,925	24,788	12,509	(5,243)	17,286
Expected Contributions	(8,454)	5,206	4,298	(1,976)	(255)
Investment Experience Recognized	(19,061)	(53,266)	39,826	(99,099)	(41,110)
Other Experience	15,761	11,300	(1,211)	(7,266)	(983)
Subtotal: Actuarial (Gain) Loss	$ 38,171	$ (11,972)	$ 55,422	$ (113,584)	$ (25,062)
Other Items Impacting UAAL:					
Assumption Change (Triennial Experience Study)	12,147	-	-	96,768	-
Interest Accrual on UAAL Balance	14,191	17,038	15,353	18,586	22,003
Additional UAAL Contributions from County	(3,232)	(4,450)	(5,795)	(1,873)	(7,128)
Expected employer/member contributions less normal cost	(42,699)	(42,606)	(37,934)	(38,066)	(39,129)
SVFD Over-Collected Contributions	-	(62)	-	-	-
End of the Year UAAL Liability (Surplus)	$ 248,118	$ 229,540	$ 271,592	$ 244,546	$ 282,715

SCHEDULE OF PROJECTED ACTIVE MEMBER VALUATION DATA

(Dollars in Thousands)

Actuarial Valuation Date	Plan Type	Number of Active Members	Projected Covered Payroll $	Annual Average Pay $ (not in thousands)	Percentage of Increase (Decrease) in Average Pay*
12/31/15					
	General	3,366	$ 270,904	$ 80,483	1.1%
	Safety	705	68,612	97,323	0.5%
	Total	4,071	339,516	83,399	0.8%
12/31/16					
	General	3,411	285,234	83,622	3.9%
	Safety	701	70,896	101,135	3.9%
	Total	4,112	356,130	86,607	3.9%
12/31/17					
	General	3,385	294,379	86,966	4.0%
	Safety	725	75,372	103,961	2.8%
	Total	4,110	369,751	89,964	3.9%
12/31/18					
	General	3,309	300,960	90,952	4.6%
	Safety	712	77,200	108,427	4.3%
	Total	4,021	378,160	94,046	4.5%
12/31/19					
	General	3,334	302,388	90,698	-0.3%
	Safety	706	75,771	107,324	-1.0%
	Total	4,040	378,159	93,604	-0.5%
12/31/20					
	General	3,368	318,143	94,461	4.2%
	Safety	722	82,419	114,154	6.4%
	Total	4,090	400,562	97,937	4.6%
12/31/21					
	General	3,385	326,981	96,597	2.3%
	Safety	681	81,298	119,380	4.6%
	Total	4,066	408,279	100,413	2.5%
12/31/22					
	General	3,433	340,502	99,185	2.7%
	Safety	670	82,770	123,537	3.5%
	Total	4,103	423,272	103,161	2.7%
12/31/23					
	General	3,580	372,179	103,961	4.8%
	Safety	662	85,109	128,563	4.1%
	Total	4,242	457,288	107,799	4.5%
12/31/24					
	General	3,743	412,303	110,153	6.0%
	Safety	739	99,016	133,986	4.2%
	Total	4,482	511,319	114,082	5.8%

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

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

	Added to Rolls		Removed from Rolls		Rolls- End of Year		Increase in	Average
Plan Year	No.	Annual Allowances	No.	Annual Allowances	No.	Annual Allowances	Annual Allowances	Annual Allowances
2015	250	$ 9,770,420	103	$ 2,557,112	4,653	$ 150,228,504	5.0%	$ 32,286
2016	275	10,781,541	116	2,399,349	4,812	158,610,696	5.6%	32,961
2017	247	10,357,620	123	3,161,640	4,936	165,806,676	4.5%	33,591
2018	282	11,112,780	122	2,346,684	5,096	174,572,772	5.3%	34,257
2019	271	10,852,601	117	2,825,537	5,250	182,599,836	4.6%	34,781
2020	221	9,145,755	124	2,928,699	5,347	188,816,892	3.4%	35,313
2021	252	10,627,821	121	2,826,693	5,478	196,618,020	4.1%	35,892
2022	270	12,737,960	121	2,973,128	5,627	206,382,852	5.0%	36,677
2023	267	11,490,658	134	3,193,042	5,760	214,680,468	4.0%	37,271
2024	266	14,080,218	115	2,776,686	5,911	225,984,000	5.3%	38,231

SCHEDULE OF FUNDED LIABILITIES BY TYPE

(Dollars in Thousands)

		Aggregate Accrued Liabilities for				Portion of Accrued Liabilities Covered by Valuation Assets %		
	(1)	(2)	(3)					
Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Valuation Value of Assets	(1)	(2)	(3)
12/31/15	$513,444	$1,633,647	$547,888	$2,694,979	$2,289,057	100	100	26
12/31/16	534,785	1,717,405	555,208	2,807,398	2,399,171	100	100	26
12/31/17	569,375	1,785,450	562,031	2,916,856	2,557,299	100	100	36
12/31/18	600,487	1,882,466	589,124	3,072,077	2,667,345	100	100	31
12/31/19	593,655	1,963,064	586,604	3,143,323	2,811,292	100	100	43
12/31/20	603,510	2,016,270	644,623	3,264,403	2,981,688	100	100	56
12/31/21	600,996	2,144,203	714,852	3,460,051	3,215,505	100	100	66
12/31/22	610,594	2,240,651	731,521	3,582,766	3,311,174	100	100	63
12/31/23	629,503	2,318,461	782,263	3,730,227	3,500,687	100	100	71
12/31/24	645,978	2,450,683	829,067	3,925,728	3,677,610	100	100	70

This exhibit includes actuarially funded liabilities and assets.

SUMMARY OF PLAN PROVISIONS

Briefly summarized below are the major provisions of the County Employees Retirement Law of 1937, and the California Public Employees' Pension Reform Act of 2013, as amended through December 31, 2024.

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

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

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

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

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

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

Cost of Living Benefit
SCERA has approved, on an ad hoc basis, multiple one-time post-retirement cost of living increases. These cost of living increases have been funded in a number of ways, including Undistributed Investment Earnings, Interest Fluctuation Reserve transfers in amounts above statutory limits or employer contributions paid by lump sum tracked in the Cost of Living Reserve account or amortized over a twenty year period and added to the Plan's unfunded actuarial accrued liability.

Disability Benefit
Members with 5 years of service who become permanently incapacitated from their regular job duties, regardless of age, are eligible to apply for a non-service connected disability retirement. Service connected disability retirement benefits may be granted to members who become permanently incapacitated from their regular job duties and such incapacity arose out of their employment, regardless of length of service.

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

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

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

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

SCERA

Statistical Section

STATISTICAL SECTION OVERVIEW

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

CHANGES IN FIDUCIARY NET POSITION

Last Ten Years

(Dollars in Thousands)	2024	2023	2022	2021	2020
Additions					
Employer Contributions	$ 93,869	$ 78,412	$ 76,562	$ 74,953	$ 77,506
Member Contributions	54,205	52,595	49,224	49,056	47,364
Net Investment Income/(Loss)	358,000	400,093	(269,319)	522,238	225,040
Total Additions	506,074	531,100	(143,533)	646,247	349,910
Deductions					
Retirement Benefits	221,361	212,793	201,711	193,130	185,982
Refunds	2,587	2,623	2,964	2,376	4,111
Administrative Expenses	4,725	3,790	3,366	2,827	2,846
Other Expenses	380	380	155	228	186
Total Deductions	229,053	219,586	208,196	198,561	193,125
Change in Fiduciary Net Position	$ 277,021	$ 311,514	$ (351,729)	$ 447,686	$ 156,785

(Dollars in Thousands)	2019	2018	2017	2016	2015
Additions					
Employer Contributions	$ 65,155	$ 67,425	$ 63,822	$ 63,639	$ 68,240
Member Contributions	44,659	45,567	44,161	40,783	38,714
Net Investment Income/(Loss)	415,559	(107,078)	394,909	189,949	34,589
Total Additions	525,373	5,914	502,892	294,371	141,543
Deductions					
Retirement Benefits	179,424	170,370	162,973	155,220	147,277
Refunds	3,322	2,192	2,975	2,232	2,087
Administrative Expenses	3,152	3,072	3,156	3,665	3,268
Other Expenses	394	511	576	554	258
Total Deductions	186,292	176,145	169,680	161,671	152,890
Change in Fiduciary Net Position	$ 339,081	$ (170,231)	$ 333,212	$ 132,700	$ (11,347)

REVENUES BY SOURCE

(Dollars in Thousands)

Fiscal Year Ended 12/31	Member Contributions	Employer Contributions	Investment Net Income/(Loss)	Total
2015	$ 38,714	$ 68,240	$ 34,589	$ 141,543
2016	40,783	63,639	189,949	294,371
2017	44,161	63,822	394,909	502,892
2018	45,567	67,425	(107,078)	5,914
2019	44,659	65,155	415,559	525,373
2020	47,364	77,506	225,040	349,910
2021	49,056	74,953	522,238	646,247
2022	49,224	76,562	(269,319)	(143,533)
2023	52,595	78,412	400,093	531,100
2024	54,205	93,869	358,000	506,074

EXPENSES BY TYPE

(Dollars in Thousands)

Fiscal Year Ended 12/31	Pension Benefits	Administrative & Other Expenses	Contribution Refunds	Total
2015	$ 147,277	$ 3,526	$ 2,087	$ 152,890
2016	155,220	4,219	2,232	161,671
2017	162,973	3,732	2,975	169,680
2018	170,370	3,583	2,192	176,145
2019	179,424	3,546	3,322	186,292
2020	185,982	3,032	4,111	193,125
2021	193,130	3,055	2,376	198,561
2022	201,711	3,521	2,964	208,196
2023	212,793	4,170	2,623	219,586
2024	221,361	5,105	2,587	229,053

SCHEDULE OF BENEFIT EXPENSES BY TYPE

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

	2024	2023	2022	2021	2020
Service Retirement Payroll:					
General	$ 148,315	$ 141,379	$ 136,920	$ 129,892	$ 125,424
Safety	38,128	36,112	35,103	33,782	31,511
Total	$ 186,443	$ 177,491	$ 172,023	$ 163,674	$ 156,935
Disability Retiree Payroll:					
General	7,398	7,215	7,192	7,336	7,240
Safety	18,576	17,177	14,752	13,709	13,187
Total	$ 25,974	$ 24,392	$ 21,944	$ 21,045	$ 20,427
Beneficiary Payroll:					
General	9,723	9,245	9,013	8,633	8,411
Safety	3,843	3,551	3,402	3,265	3,044
Total	$ 13,566	$ 12,796	$ 12,415	$ 11,898	$ 11,455
Total Benefit Expense:					
General	165,436	157,839	153,125	145,861	141,075
Safety	60,547	56,840	53,257	50,756	47,742
Total	$ 225,983	$ 214,679	$ 206,382	$ 196,617	$ 188,817

	2019	2018	2017	2016	2015
Service Retirement Payroll:					
General	$ 121,503	$ 117,058	$ 111,380	$ 107,281	$ 101,918
Safety	30,507	28,353	26,318	24,488	23,137
Total	$ 152,010	$ 145,411	$ 137,698	$ 131,769	$ 125,055
Disability Retiree Payroll:					
General	7,321	7,391	7,450	7,298	7,141
Safety	12,836	11,856	11,232	10,818	9,732
Total	$ 20,157	$ 19,247	$ 18,682	$ 18,116	$ 16,873
Beneficiary Payroll:					
General	7,756	7,393	7,083	6,534	6,252
Safety	2,677	2,521	2,345	2,190	2,048
Total	$ 10,433	$ 9,914	$ 9,428	$ 8,724	$ 8,300
Total Benefit Expense:					
General	136,580	131,842	125,913	121,113	115,311
Safety	46,020	42,730	39,895	37,496	34,917
Total	$ 182,600	$ 174,572	$ 165,808	$ 158,609	$ 150,228

Source of data: December 31, 2024 Actuarial Valuation Report Supporting Schedules
SCERA systems do not provide the level of detail necessary to fully populate this table. Therefore, SCERA actuaries provide an estimate using December 31 data which is then annualized.

SCHEDULE OF RETIRED MEMBERS BY TYPE OF BENEFIT

Summary of Monthly Allowances Being Paid – As of December 31, 2024
(Dollars in Thousands)

	General Members		Safety Members		Total	
	Number	Monthly Allowance	Number	Monthly Allowance	Number	Monthly Allowance
Retired Members						
Service Retirement	3,852	$ 12,360	646	$ 3,177	4,498	$ 15,537
Ordinary Disability	89	123	11	18	100	141
Duty Disability	219	494	384	1,530	603	2,024
Beneficiaries	553	810	157	320	710	1,130
Total Retired Members	4,713	$ 13,787	1,198	$ 5,045	5,911	$ 18,832

Source of data: December 31, 2024 Actuarial Valuation Report Supporting Schedules

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS

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

	Number of Years of Service							
(Dollars in Thousands)	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	Unknown
Valuation date 12/31/15								
Final Average Retiree Salary [1]	$4,414	$5,007	$5,567	$6,005	$6,563	$6,923	$7,583	[2]
Average Monthly Benefit of Retirees	$849	$1,329	$1,833	$2,625	$3,703	$4,827	$6,316	$1,527
Number Retirees	296	519	1,017	687	595	445	419	145
Average Monthly Benefit of Beneficiaries	$742	$791	$960	$1,322	$1,617	$1,991	$2,317	$1,097
Number Beneficiaries	29	69	103	75	56	56	49	93
Valuation date 12/31/16								
Final Average Retiree Salary [1]	$5,487	$5,225	$5,587	$5,931	$6,533	$6,712	$7,242	$3,259
Average Monthly Benefit of Retirees	$857	$1,367	$1,884	$2,711	$3,826	$4,893	$6,368	$1,508
Number Retirees	310	532	1,045	734	615	455	433	134
Average Monthly Benefit of Beneficiaries	$661	$791	$975	$1,317	$1,617	$1,998	$2,301	$1,106
Number Beneficiaries	31	69	109	76	60	58	55	96
Valuation date 12/31/17								
Final Average Retiree Salary [1]	$5,699	$5,381	$5,715	$6,027	$6,594	$6,872	$7,411	$3,298
Average Monthly Benefit of Retirees	$883	$1,380	$1,928	$2,768	$3,858	$5,004	$6,527	$1,535
Number Retirees	323	550	1,067	767	631	464	438	125
Average Monthly Benefit of Beneficiaries	$744	$805	$961	$1,280	$1,930	$2,000	$2,487	$1,138
Number Beneficiaries	32	73	110	77	67	58	58	96
Valuation date 12/31/18								
Final Average Retiree Salary [1]	$6,003	$5,576	$5,857	$6,159	$6,743	$7,026	$7,475	$3,343
Average Monthly Benefit of Retirees	$884	$1,405	$1,973	$2,844	$3,963	$5,130	$6,604	$1,592
Number Retirees	333	566	1,097	793	662	482	444	116
Average Monthly Benefit of Beneficiaries	$784	$791	$1,002	$1,348	$1,907	$1,994	$2,470	$1,047
Number Beneficiaries	35	77	115	80	68	63	61	104
Valuation date 12/31/19								
Final Average Retiree Salary [1]	$6,328	$5,742	$5,997	$6,271	$6,830	$7,053	$7,630	$3,414
Average Monthly Benefit of Retirees	$861	$1,415	$2,019	$2,903	$4,010	$5,180	$6,743	$1,566
Number Retirees	351	590	1,126	816	690	495	456	103
Average Monthly Benefit of Beneficiaries	$779	$805	$1,054	$1,337	$1,929	$1,990	$2,465	$1,056
Number Beneficiaries	36	81	115	83	74	64	67	103

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

SCHEDULE OF AVERAGE BENEFIT PAYMENT AMOUNTS (continued)

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

	Number of Years of Service							
(Dollars in Thousands)	0-4	5-9	10-14	15-19	20-24	25-29	30 & Over	Unknown
Valuation date 12/31/20								
Final Average Retiree Salary [1]	$6,482	$5,843	$6,079	$6,320	$6,940	$7,147	$7,720	$3,445
Average Monthly Benefit of Retirees	$853	$1,435	$2,054	$2,926	$4,085	$5,241	$6,837	$1,528
Number Retirees	361	600	1,135	832	716	500	462	93
Average Monthly Benefit of Beneficiaries	$800	$907	$1,147	$1,393	$2,022	$2,051	$2,561	$1,084
Number Beneficiaries	43	82	121	86	77	70	71	98
Valuation date 12/31/21								
Final Average Retiree Salary [1]	$6,690	$6,027	$6,158	$6,424	$7,081	$7,239	$7,851	$3,468
Average Monthly Benefit of Retirees	$860	$1,449	$2,091	$2,978	$4,196	$5,313	$6,968	$1,531
Number Retirees	372	643	1,145	866	741	500	470	84
Average Monthly Benefit of Beneficiaries	$791	$917	$1,201	$1,439	$2,043	$2,085	$2,588	$1,078
Number Beneficiaries	48	84	120	83	81	71	77	93
Valuation date 12/31/22								
Final Average Retiree Salary [1]	$6,894	$6,266	$6,292	$6,569	$7,169	$7,433	$7,851	$3,528
Average Monthly Benefit of Retirees	$876	$1,479	$2,132	$3,058	$4,251	$5,481	$7,057	$1,556
Number Retirees	382	685	1,159	891	763	515	486	80
Average Monthly Benefit of Beneficiaries	$781	$900	$1,207	$1,447	$2,133	$2,165	$2,673	$1,104
Number Beneficiaries	49	84	123	87	88	74	77	84
Valuation date 12/31/23								
Final Average Retiree Salary [1]	$7,039	$6,483	$6,419	$6,667	$7,308	$7,596	$8,005	$3,569
Average Monthly Benefit of Retirees	$877	$1,544	$2,174	$3,106	$4,352	$5,597	$7,125	$1,562
Number Retirees	394	721	1,175	911	778	523	499	72
Average Monthly Benefit of Beneficiaries	$779	$889	$1,227	$1,436	$2,136	$2,278	$2,641	$1,008
Number Beneficiaries	53	86	123	91	91	79	78	86
Valuation date 12/31/24								
Final Average Retiree Salary [1]	$7,267	$6,651	$6,513	$6,820	$7,472	$7,837	$8,205	$3,781
Average Monthly Benefit of Retirees	$896	$1,576	$2,204	$3,176	$4,466	$5,797	$7,313	$1,668
Number Retirees	413	749	1,193	930	798	539	516	63
Average Monthly Benefit of Beneficiaries	$816	$1,013	$1,231	$1,513	$2,107	$2,354	$2,590	$1,026
Number Beneficiaries	53	94	125	94	101	82	80	81

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

Source of data: December 31, 2024 Actuarial Valuation Report Supporting Schedules

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

As of December 31,

	Total-All Employers	County of Sonoma	Sonoma Valley Fire District	Superior Court
2015				
Number of Covered Members	4,071	3,842	41	188
Percentage to Total System	100%	94.38%	1.00%	4.62%
2016				
Number of Covered Members	4,112	3,884	40	188
Percentage to Total System	100%	94.46%	0.97%	4.57%
2017				
Number of Covered Members	4,110	3,880	46	184
Percentage to Total System	100%	94.40%	1.12%	4.48%
2018				
Number of Covered Members	4,021	3,796	47	178
Percentage to Total System	100%	94.40%	1.17%	4.43%
2019				
Number of Covered Members	4,040	3,811	50	179
Percentage to Total System	100%	94.33%	1.24%	4.43%
2020				
Number of Covered Members	4,090	3,862	59	169
Percentage to Total System	100%	94.43%	1.44%	4.13%
2021				
Number of Covered Members	4,066	3,848	60	158
Percentage to Total System	100%	94.64%	1.48%	3.89%
2022				
Number of Covered Members	4,103	3,884	61	158
Percentage to Total System	100%	94.66%	1.49%	3.85%
2023				
Number of Covered Members	4,242	4,011	65	166
Percentage to Total System	100%	94.55%	1.53%	3.91%
2024				
Number of Covered Members	4,482	4,239	76	167
Percentage to Total System	100%	94.57%	1.70%	3.73%

Source of data: SCERA systems

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