



County of Sonoma/  
Sonoma County Employees' Retirement Association  
**State of the Retirement System Annual Report**

October 22, 2024

# Pension Obligation Bonds

- POB Debt = County refinanced Unfunded Pension Liability to an interest rate lower than SCERA's 8.00% - 8.25% assumed discount rate at the time of each bond issuance.
- Bond proceeds deposited in the SCERA pension fund upon issuance and invested to continually earn a return over time.
- County pays debt service to bond holders, not to SCERA, per fixed payment schedules.
- Refer to the below Summary of Pension Obligation Bonds (\$ in Millions):

Bond Description	Interest Rate	Term (Years)	Final Maturity	Total Issuance Principal	Total Issuance Interest	Total Issuance (P&I)	Remaining Principal	Remaining Interest	Total Remaining P&I (6/30/24)	% Remaining P&I (6/30/24)
Series 1993	6.72%	20	2013	\$97.4	\$96.1	\$193.5	\$0.0	\$0.0	\$0.0	0.0%
Series 2003A	4.80%	20	2023	\$210.2	\$135.9	\$346.1	\$0.0	\$0.0	\$0.0	0.0%
Series 2003B	5.18%	20	2023	\$21.0	\$20.9	\$41.9	\$0.0	\$0.0	\$0.0	0.0%
Series 2010A	5.90%	20	2030	\$289.3	\$242.9	\$532.2	\$183.9	\$35.2	\$219.0	41.2%
<b>Grand Total</b>				<b>\$617.9</b>	<b>\$495.8</b>	<b>\$1,113.7</b>	<b>\$183.9</b>	<b>\$35.2</b>	<b>\$219.0</b>	<b>19.7%</b>

# Sonoma County's Return on Pension Obligation Bonds

- To date, the County has experienced a positive return on its investment in Pension Obligation Bonds deposited in SCERA's pension fund, in comparison to the bonds' interest rates:

<b>POB Issuance</b>	<b>Bond Interest Rate</b>	<b>Inception-to-Date Returns</b>	<b>Measurement Date</b>
Series 1993	6.72%	7.42%	10/31/2013 (Final)
Series 2003A/B	4.80% – 5.18%	7.39%	05/31/2023 (Final)
Series 2010	5.90%	9.37%	07/31/2024

# County Pension Expenses – Measurement Ratios

	FY 18-19	FY 19-20	FY 20-21	FY 21-22	FY 22-23
<b>Total Employer Expense (Pension + POB)</b>	<b>\$114,208,842</b>	<b>\$120,796,879</b>	<b>\$126,001,648</b>	<b>\$132,793,006</b>	<b>\$130,003,545</b>
Total Pensionable/Covered Payroll <sup>1</sup>	\$335,746,316	\$342,301,437	\$360,713,114	\$367,671,110	\$376,658,174
Total Salaries & Benefits <sup>2</sup>	\$617,826,203	\$644,925,647	\$694,027,628	\$711,151,184	\$702,364,811
Total Operating Revenue <sup>1</sup>	\$1,245,348,027	\$1,271,321,979	\$1,607,841,159	\$1,536,739,431	\$1,578,776,975
Pension Expense as % of Covered Payroll	34.0%	35.3%	34.9%	36.1%	34.5%
Pension Expense as % of Total Salaries & Benefits	18.5%	18.7%	18.2%	18.7%	18.5%
<b>Pension Expense as % of Operating Revenue</b>					
Sonoma County (including Pension Bonds)	9.2%	9.5%	7.8%	8.6%	8.2%
Sonoma County (excluding Pension Bonds)	5.3%	5.5%	4.6%	5.1%	4.7%
Statewide Average <sup>3 &amp; 4</sup>	9.2%	9.9%	8.8%	9.2%	n/a
National Average <sup>3 &amp; 4</sup>	6.2%	6.6%	6.3%	7.5%	n/a

**Note 1:** Source data from audited annual financial reports.

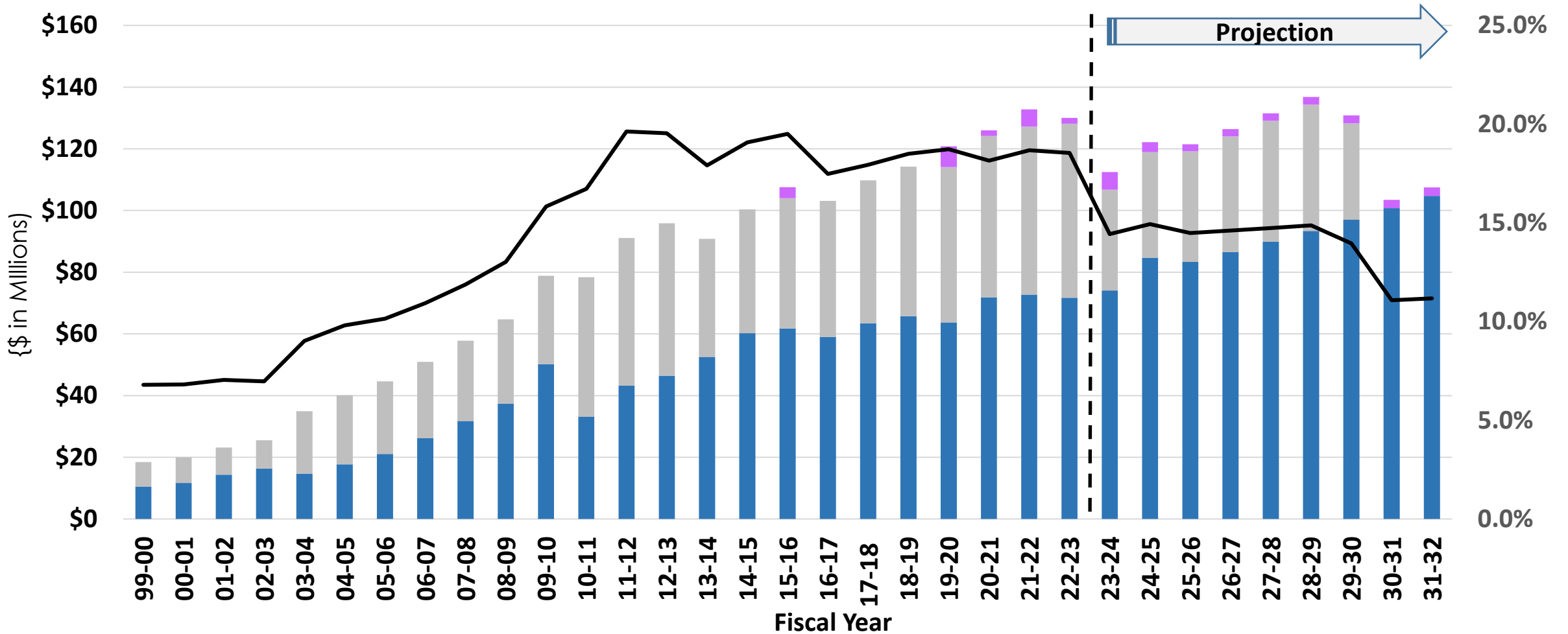
**Note 2:** Total Salaries & Benefits cost source data from the County's Enterprise Financial System.

**Note 3:** Sourced from the Public Plans Database state data for California (<https://publicplansdata.org/quick-facts/by-state/state/?state=CA>).  
Data unavailable for FY 2022-23 (as of September 2024).

**Note 4:** It is not clear if Statewide/National data includes local jurisdictions' respective Pension Obligation Bond costs.

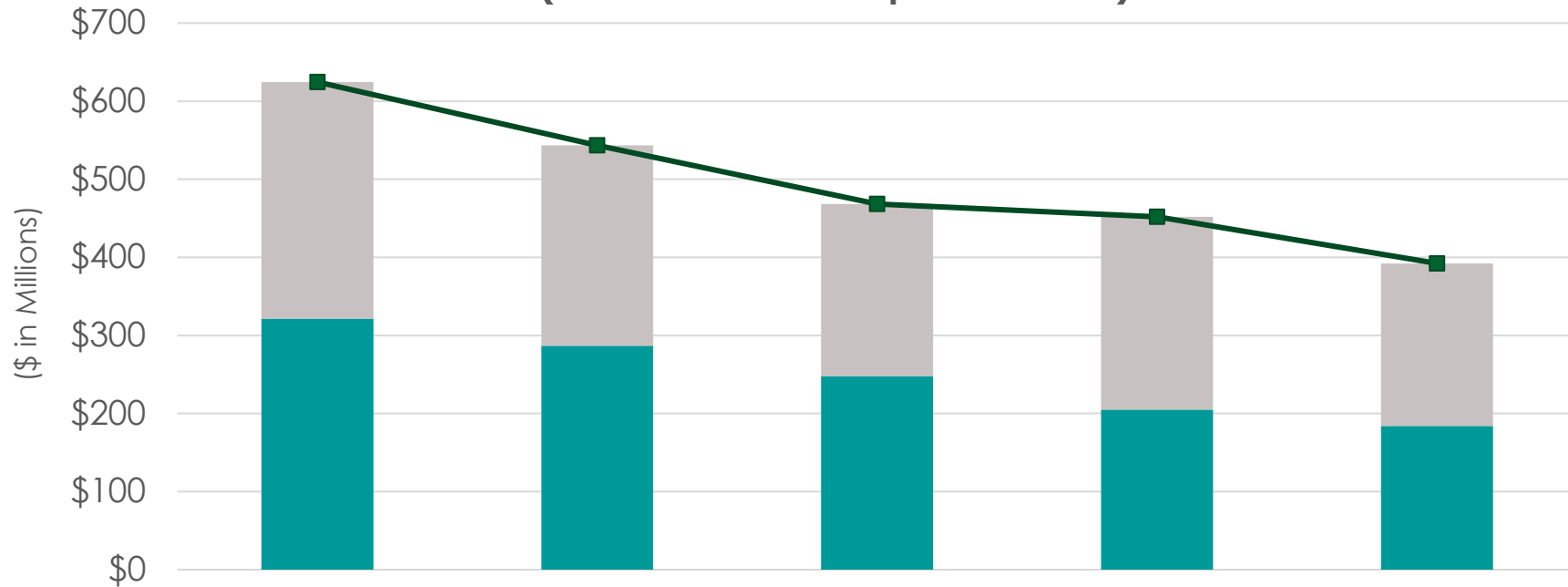
# Pension Cost Forecast

■ SCERA Pension/Normal Cost Reimb. 
 ■ POB 
 ■ Accel. UAAL Payment 
 — Pension Costs as % of Total S&B



# Total Unfunded Pension Liability Based on UAAL

Sonoma County's Unfunded Pension Liability 5-Year History  
(UAAL + POB Principal Balance)



	06/30/20	06/30/21	06/30/22	06/30/23	06/30/24
County Share of UAAL	\$303	\$257	\$221	\$247	\$208
County POB Balance	\$321	\$287	\$248	\$205	\$184
Total	\$625	\$543	\$468	\$452	\$392

# SCERA Actuarial Analysis of Plan Experience (as of Dec. 2023)

(K\$)	2023	2022	2021	2020	2019	5-Year Total
<b>Beginning of the Year UAAL Liability (Surplus)</b>	<b>271,592</b>	<b>244,546</b>	<b>282,715</b>	<b>332,031</b>	<b>404,732</b>	
Source of Actuarial (Gain) Loss:						
Compensation Increase Greater/(Less) than Expected	24,788	12,509	(5,243)	17,286	(34,651)	<b>14,689</b>
Investment Experience recognized	(53,266)	39,826	(99,099)	(41,110)	(32,718)	<b>(186,367)</b>
Other Experience	11,300	(1,211)	(7,266)	(983)	(2,786)	<b>(946)</b>
(Greater)/Less than Expected Contributions	5,206	4,298	(1,976)	(255)	12,332	<b>19,605</b>
<b>Composite (Gain) Loss for the Year - Total</b>	<b>(11,972)</b>	<b>55,422</b>	<b>(113,584)</b>	<b>(25,062)</b>	<b>(57,823)</b>	<b>(153,019)</b>
Other Items Impacting UAAL:						
Assumption Change (Economic and Demographic)			96,768			<b>96,768</b>
Interest Accrual on UAAL Balance	17,038	15,353	18,586	22,003	27,009	<b>99,989</b>
County's Additional UAAL Payment	(4,450)	(5,795)	(1,873)	(7,128)		<b>(19,246)</b>
SVFD Additional Contributions	(62)					<b>(62)</b>
Expected UAAL Contribution Payment	(42,606)	(37,934)	(38,066)	(39,129)	(41,887)	<b>(199,622)</b>
<b>Other Items Impacting UAAL - Total</b>	<b>(30,080)</b>	<b>(28,376)</b>	<b>75,415</b>	<b>(24,254)</b>	<b>(14,878)</b>	<b>(22,173)</b>
<b>End of the Year UAAL Liability (Surplus)</b>	<b>229,540</b>	<b>271,592</b>	<b>244,546</b>	<b>282,715</b>	<b>332,031</b>	

## Valuation Results (\$ in thousands)

	12/31/2023	12/31/2022	12/31/2021
Market Value of Assets (MVA)	\$3,481,146	\$3,169,632	\$3,521,361
Valuation Value of Assets (VVA)	\$3,500,687	\$3,311,174	\$3,215,505
Actuarial Accrued Liability (AAL)	\$3,730,227	\$3,582,766	\$3,460,051
Unfunded AAL (AAL less VVA)	\$229,540	\$271,592	\$244,546
Funded Percentage (VVA Basis)	93.85%	92.4%	92.9%
Funded Percentage with recognition of deferred gains/losses	93.3%	88.5%	101.8%



# SCERA Active and Deferred Membership Average Age and Service (as of Dec. 2023)

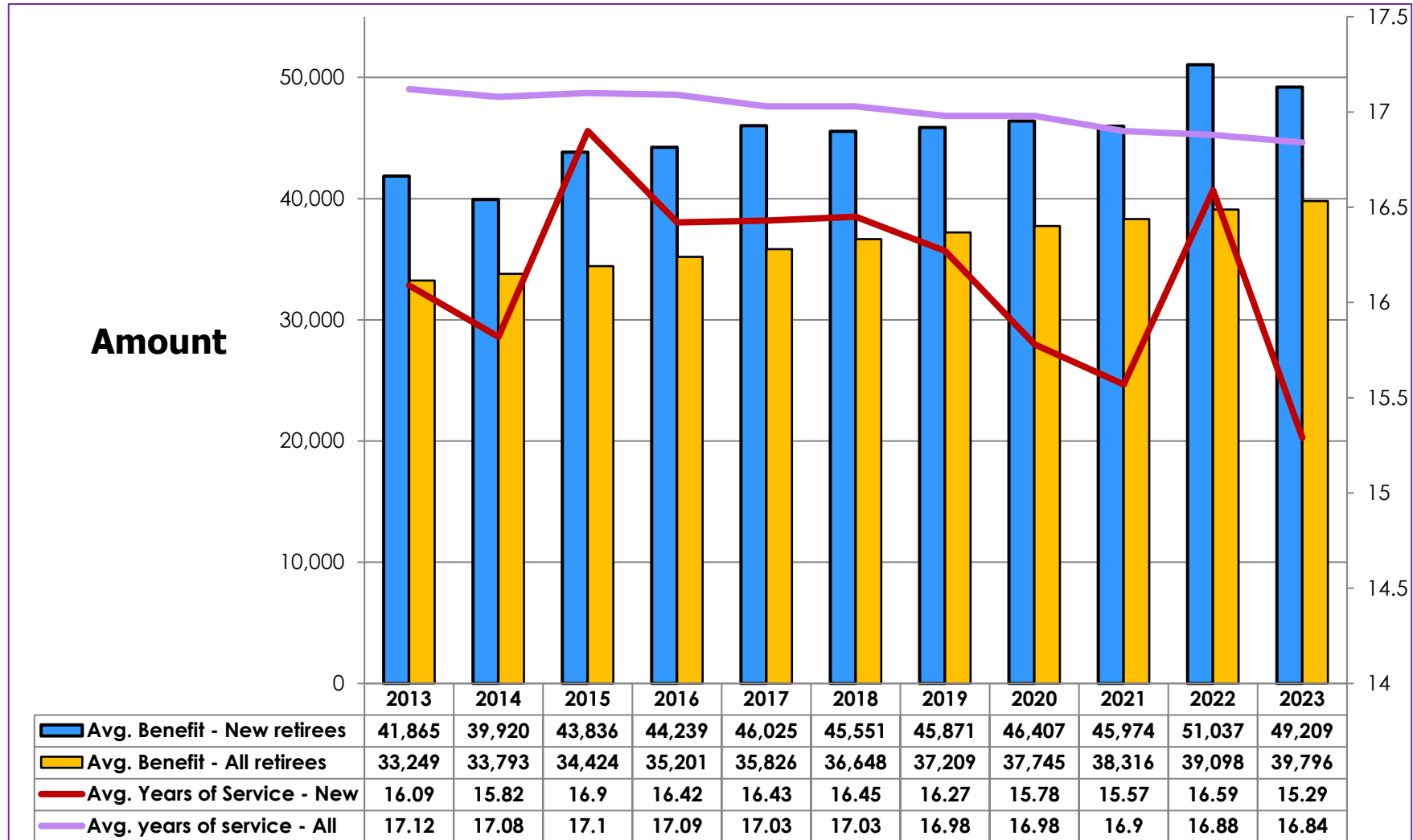
Active General	Count	Avg. Age	Avg. Service	Active Safety	Count	Avg. Age	Avg. Service
Plan A Legacy	1,283	52.3	17.3	Plan A Legacy	327	47.0	17.1
Plan B PEPRAs	2,297	41.7	4.5	Plan B PEPRAs	335	35.6	4.5
<b>Total</b>	<b>3,580</b>			<b>Total</b>	<b>662</b>		

**Total General & Safety Active Plan A**  
1,610 (38%)

**Total General & Safety Active Plan B**  
2,632 (62%)

Deferred (Inactive) Plan – General	Count	Avg. Age	Plan - Safety	Count	Avg. Age
Plan A Legacy	674	50.2	Plan A Legacy	153	47.0
Plan B PEPRAs	818	42.0	Plan B PEPRAs	120	33.9
<b>Total</b>	<b>1,492</b>			<b>273</b>	

# SCERA Average Annual Retirement Benefit (as of Dec. 2023)



# SCERA Annualized Investment Returns

	Annualized Return 12/31/23	Annualized Return 12/31/22	Annualized Return 12/31/21	Annualized Return 12/31/20	Annualized Return 12/31/19
1 Year	12.05%	-6.18%	16.42%	8.08%	16.27%
3 Year	6.97%	5.70%	13.52%	6.71%	9.35%
5 Year 2019 – 2023	9.00%	5.76%	10.47%	8.99%	7.66%
10 Year 2014 – 2023	7.26%	7.96%	10.11%	8.51%	8.95%
15 Year 2009 – 2023	9.09%	5.69%	6.75%	6.62%	6.65%
20 Year 2004 – 2023	6.97%	7.52%	7.18%	5.99%	5.54%
30 Year 1994 – 2023	7.47%	7.36%	7.90%	8.15%	8.05%

Sourced from Aon Hewitt Investment Consulting