



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%
Grand Total				\$617.9	\$495.8	\$1,113.7	\$183.9	\$35.2	\$219.0	19.7%

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:

POB Issuance	Bond Interest Rate	Inception-to-Date Returns	Measurement Date
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
Total Employer Expense (Pension + POB)	\$114,208,842	\$120,796,879	\$126,001,648	\$132,793,006	\$130,003,545
Total Pensionable/Covered Payroll ¹	\$335,746,316	\$342,301,437	\$360,713,114	\$367,671,110	\$376,658,174
Total Salaries & Benefits ²	\$617,826,203	\$644,925,647	\$694,027,628	\$711,151,184	\$702,364,811
Total Operating Revenue ¹	\$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%
Pension Expense as % of Operating Revenue					
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 ^{3 & 4}	9.2%	9.9%	8.8%	9.2%	n/a
National Average ^{3 & 4}	6.2%	6.6%	6.3%	7.5%	n/a

Note 1: Source data from audited annual financial reports.

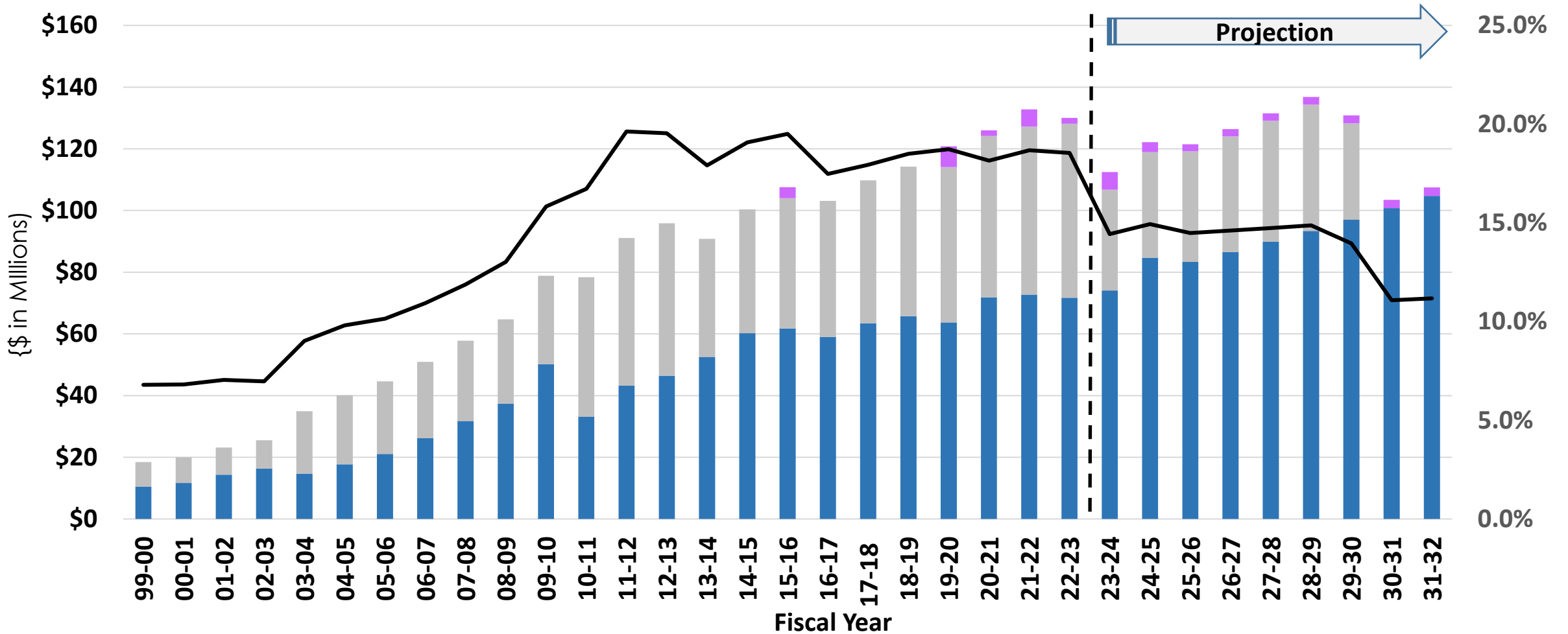
Note 2: Total Salaries & Benefits cost source data from the County's Enterprise Financial System.

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.

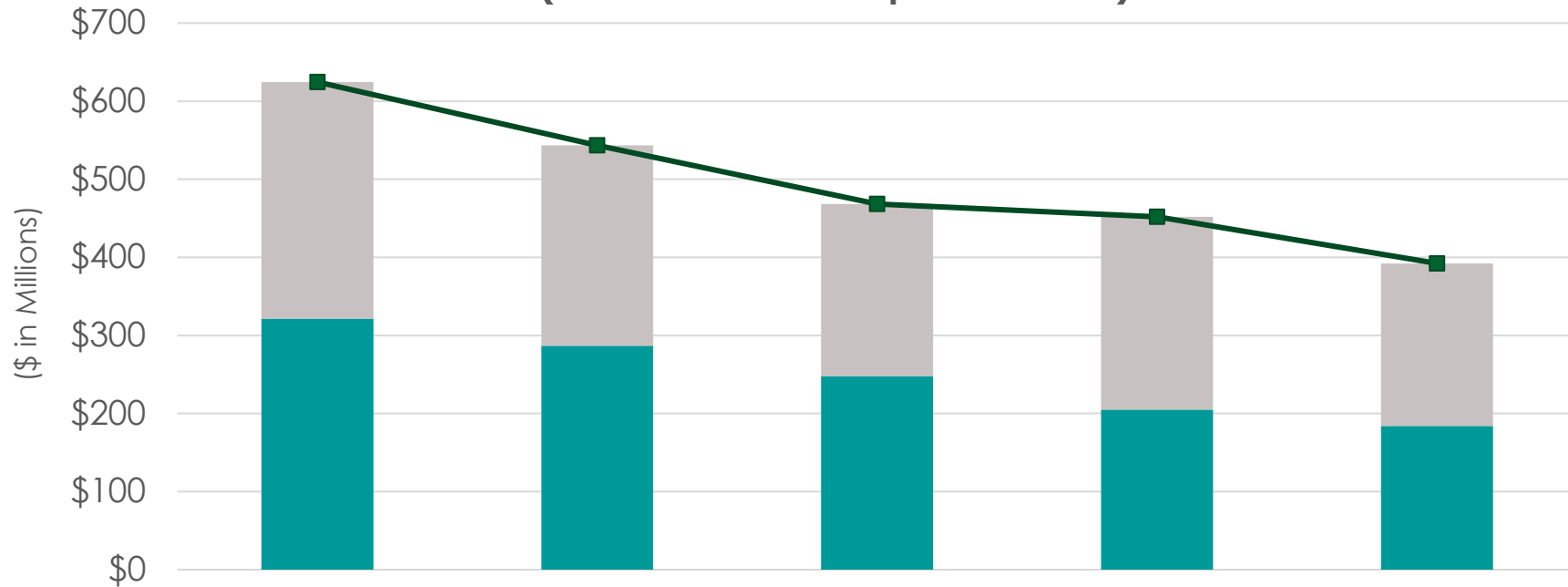
Pension Cost Forecast

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

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)

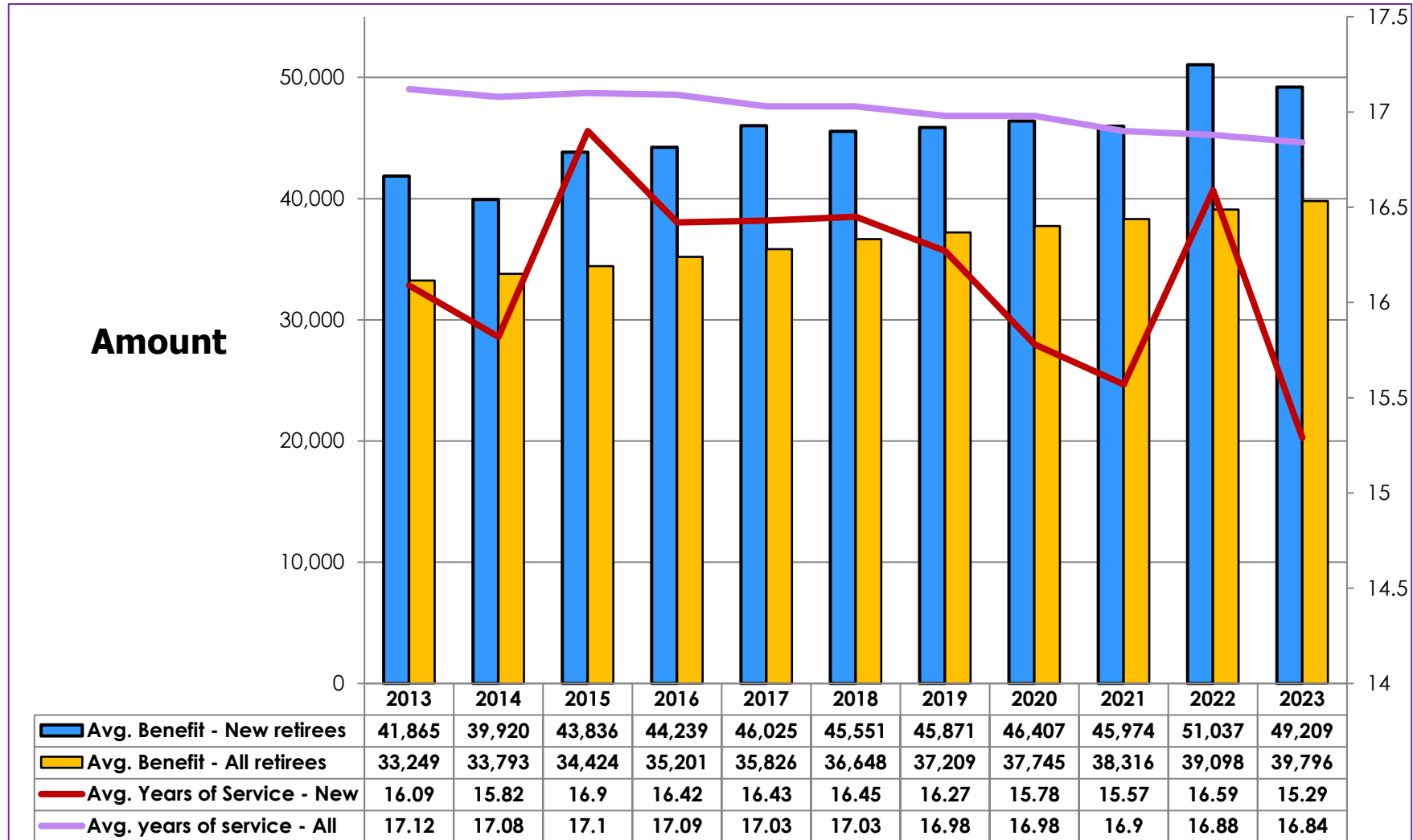
Active General	Count	Avg. Age	Avg. Service	Active Safety	Count	Avg. Age	Avg. Service
Plan A Legacy	1,283	52.3	17.3	Plan A Legacy	327	47.0	17.1
Plan B PEPR A	2,297	41.7	4.5	Plan B PEPR A	335	35.6	4.5
Total	3,580			Total	662		

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 PEPR A	818	42.0	Plan B PEPR A	120	33.9
Total	1,492			273	

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