



San Joaquin County Employees' Retirement Association

AGENDA

**AUDIT COMMITTEE MEETING
SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
BOARD OF RETIREMENT
FRIDAY, MAY 8, 2026
AT 8:30 AM**

SJCERA Board Room, 220 East Channel Street, Stockton, California

Persons who require disability-related accommodations should contact SJCERA at (209) 468 -9950 or ElainaP@sjcera.org at least forty-eight (48) hours prior to the scheduled meeting time.

1. ROLL CALL

2. PUBLIC COMMENT

- 2.1** The public is welcome to address the Committee during this time on matters within the Committee's jurisdiction. Members of the public are encouraged to complete a Public Comment form, which can be found near the entry to the Conference Room. Speakers are limited to three minutes, and are expected to be civil and courteous. Public comment on items listed on the agenda may be heard at this time, or when the item is called, at the discretion of the Chair.

Except as otherwise permitted by the Ralph M. Brown Act (California Government Code Sections 54950 et seq.), no deliberation, discussion or action may be taken by the Committee on items not listed on the agenda. Members of the Committee may, but are not required to: (1) briefly respond to statements made or questions posed by persons addressing the Committee; (2) ask a brief question for clarification; or (3) refer the matter to staff for further information.

3. 2025 AUDIT EXIT CONFERENCE

- 3.1** Presentation of Audit Results by Ashley Green, CPA of Brown Armstrong Accountancy Corporation
- 3.2** Draft Conclusion of Audit and Internal Control Reports
- 3.3** Draft Annual Financial Report
- 3.4** Committee to discuss and give direction to auditor or staff as appropriate

4. COMMENTS

4.1 Comments from the Committee Members

5. ADJOURNMENT



RESULTS OF SJCERA'S FINANCIAL STATEMENT AUDIT

**for the Fiscal Year Ended
December 31, 2025**



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May 8, 2026

The Audit Committee
San Joaquin County Employees' Retirement Association
220 E. Channel St., Stockton, CA 95202

We are pleased to present to you the results of our audit of the San Joaquin County Employees' Retirement Association (SJCERA) financial statements for the year ending December 31, 2025.

We look forward to presenting the results of the audit and addressing your questions.

Sincerely,

Ashley Green, CPA
Audit Engagement Partner

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION



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SCOPE OF SERVICES

Audit of SJCERA’s financial statements in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards (GAS), issued by the Comptroller General of the United States

Other **communications and reports** required by professional standards including:

- Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards
- Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements in Accordance with GAS



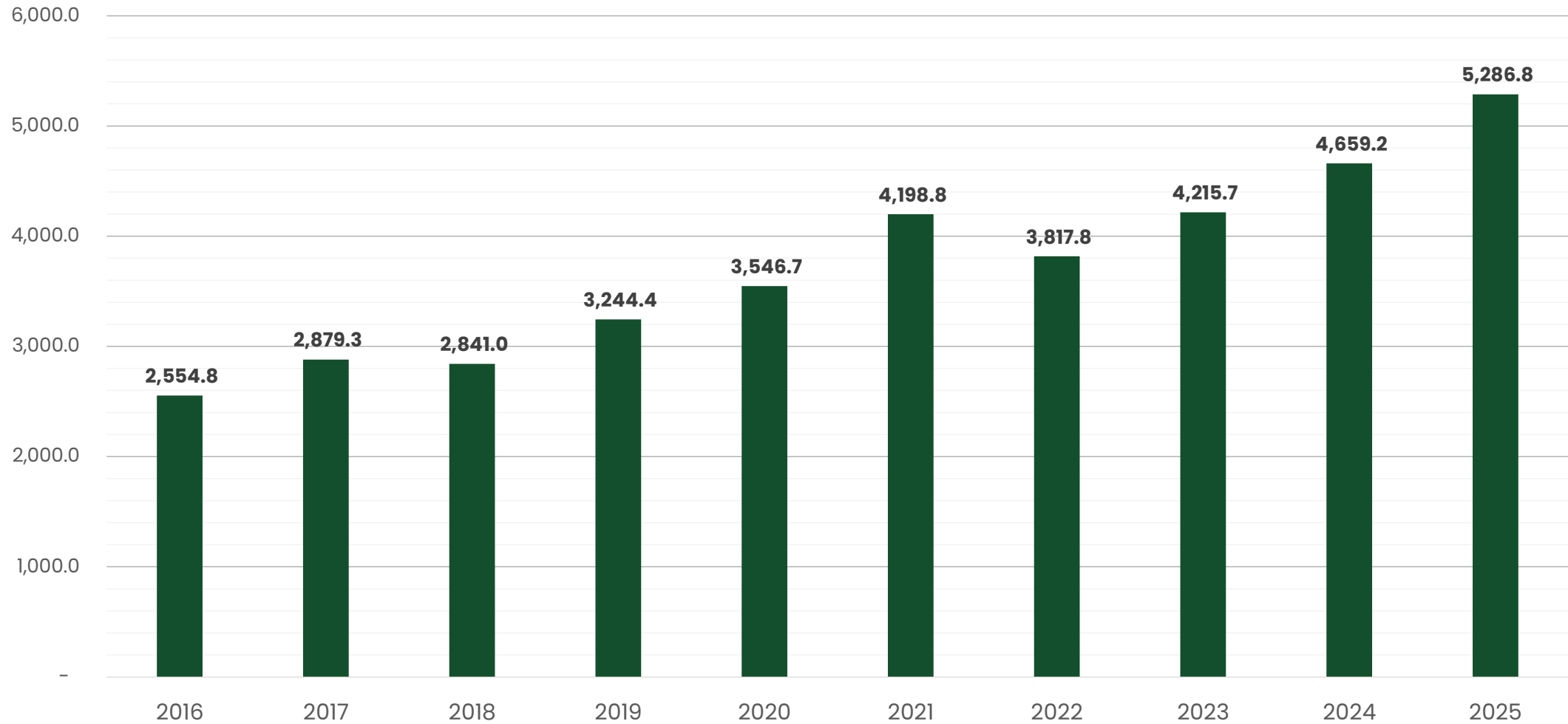
AUDIT TIMELINE & CRITICAL DATES

- Entrance Meeting with Audit Committee – March 13, 2026
- Interim Fieldwork – March 16, 2026
 - Onsite testing of internal controls
 - Walkthroughs and understanding key accounting areas
 - Updates minutes and agreements
- Final Fieldwork – April 6, 2026
 - Remote work from Brown Armstrong offices
 - Substantiate accounts and balances
 - Review confirmation responses
 - Drafting of financial statements
- ACFR Review and Audit Opinions expected to be Issued – May 27, 2026



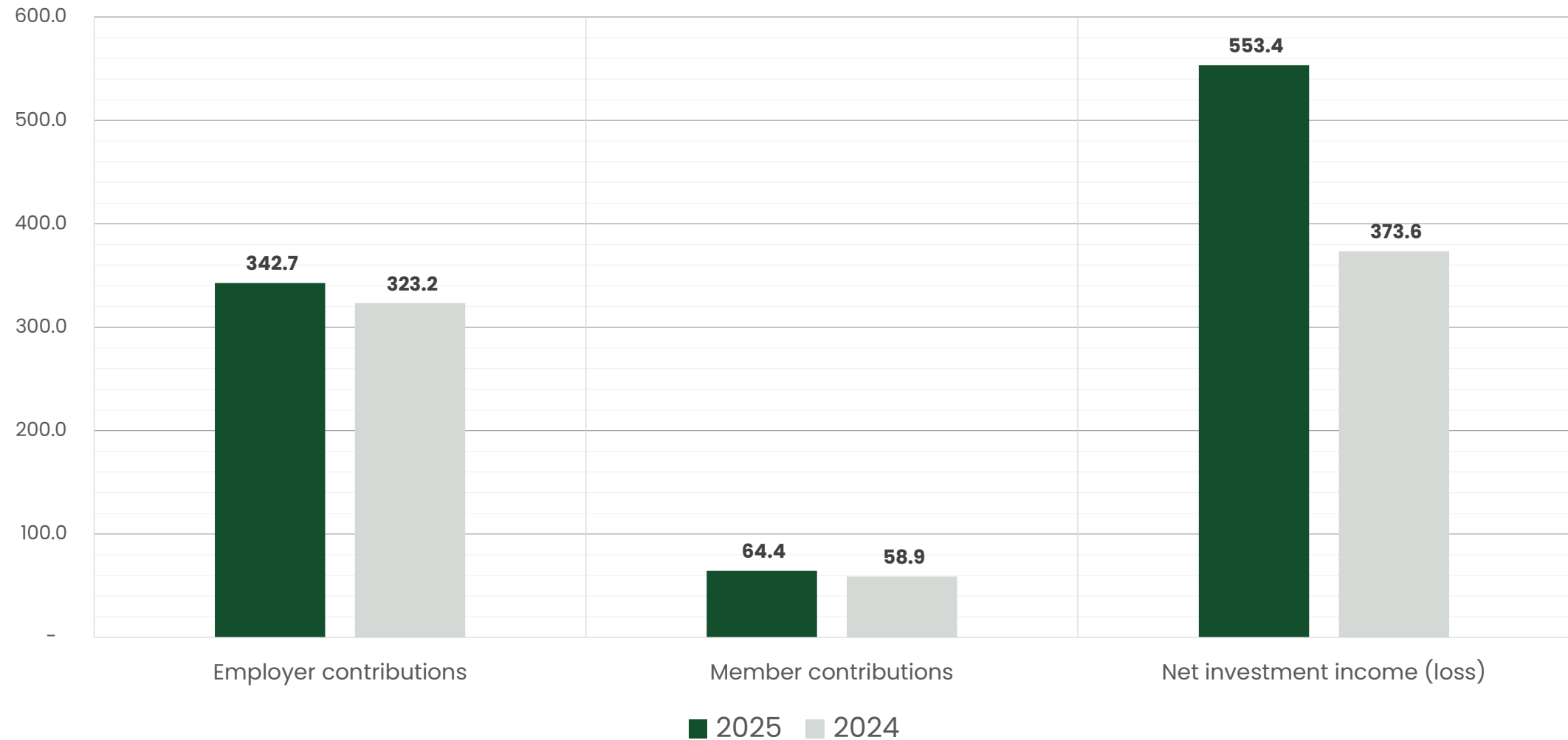
FINANCIAL HIGHLIGHTS

Net Position (in millions)



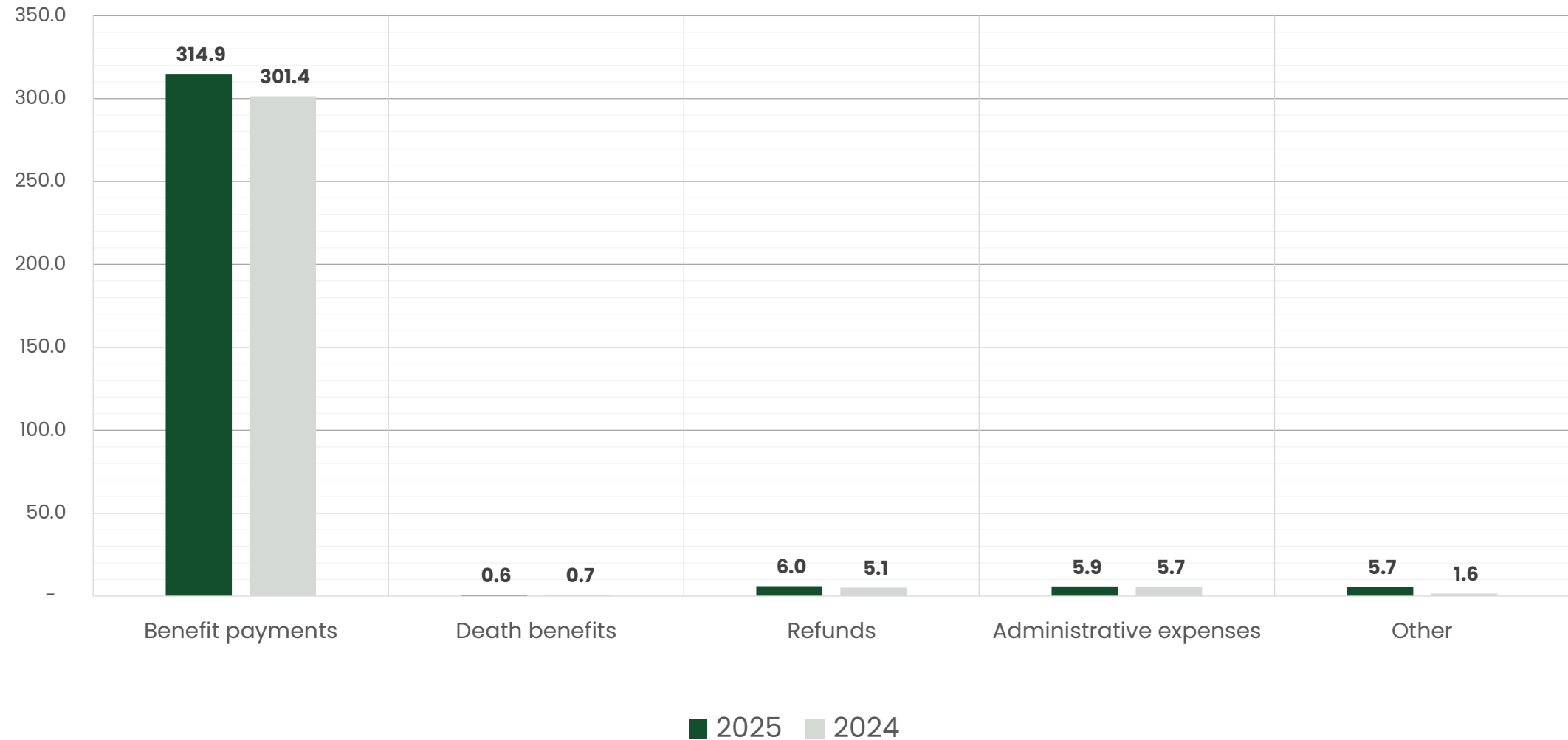
FINANCIAL HIGHLIGHTS (CONTINUED)

Additions to Fiduciary Net Position (in millions)



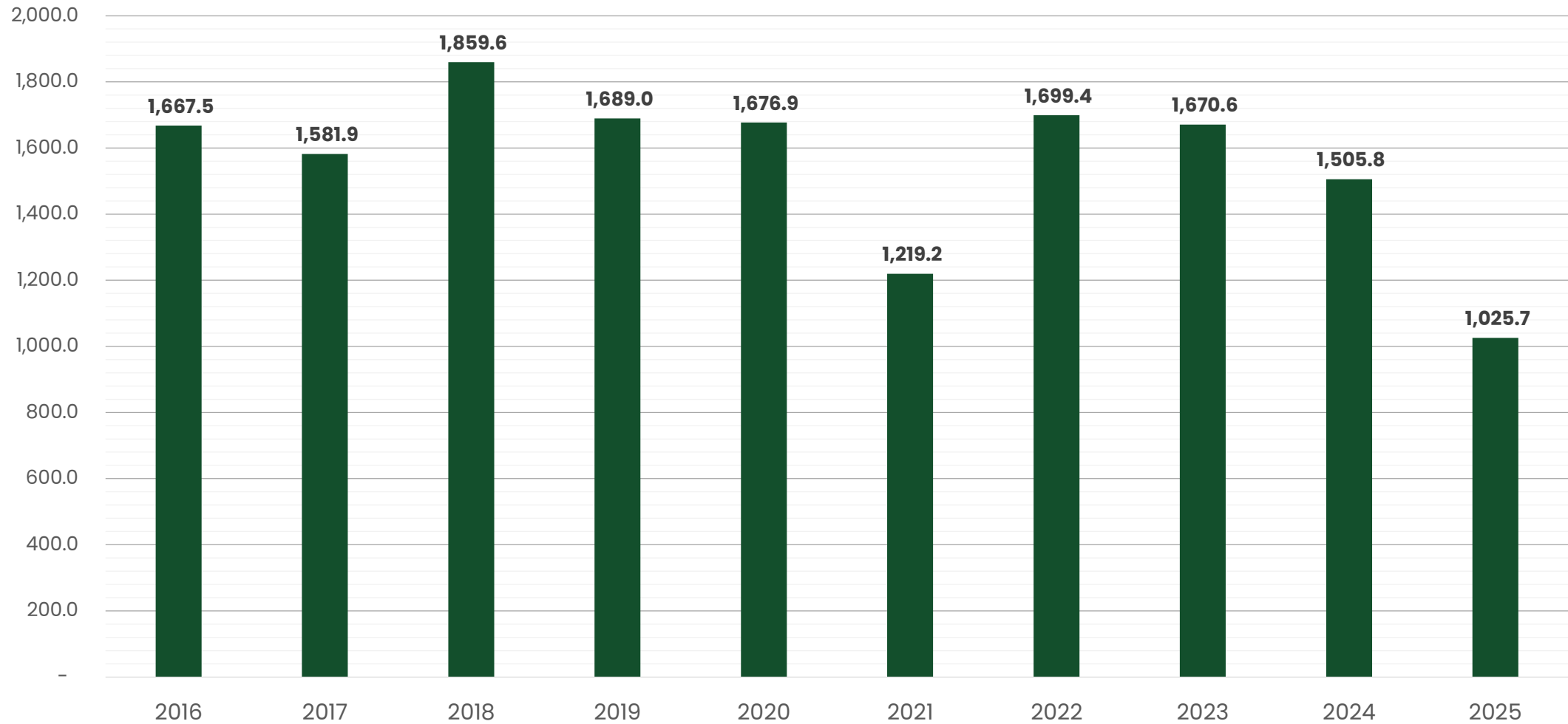
FINANCIAL HIGHLIGHTS (CONTINUED)

Deductions to Fiduciary Net Position (in millions)



FINANCIAL HIGHLIGHTS (CONTINUED)

Net Pension Liability (in millions)



REPORT

SUMMARY OF REQUIRED COMMUNICATION

Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards

- New Accounting Standards Implemented
 - GASB 103 – *Financial Reporting Model Improvements*
- Significant Estimates and Sensitive Disclosures Reviewed
 - Fair Value of Investments
 - Contributions and Net Pension Liability Estimates
 - Based on actuary assumptions
- Difficulties encountered in Performing Audit – None
- Corrected and Uncorrected Misstatements – None
- Disagreements with Management – None
- Management Representations – Letter to be provided
- Other Audit Findings or Issues – None
- Applied limited procedures to Required Supplementary Information.
- We were engaged to provide an in relation to opinion on Other Supplementary Information.
- We were not engaged to report on the Introductory, Investment, Actuarial, Statistical, and Compliance sections of the ACFR.

REQUIRED COMMUNICATION LETTER



REPORT

SUMMARY OF OPINION

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

- No noncompliance noted
- No material weaknesses or significant deficiencies identified
- Provided current year status of prior year findings
 - 2024-001 – *Reconciliation of Investment Managers*

Independent Auditor's Report on the Audit of the Basic Financial Statements and Other Information (Opinion)

- Framework
 - Financial Statements:
 - U.S. Generally Accepted Accounting Principles
 - Audit Standards:
 - U.S. Generally Accepted Auditing Standards
 - Government Auditing Standards
- Unmodified (Clean) Opinion on the Basic Financial Statements and Other Information
 - Other Information consist of:
 - Schedule of Cost Sharing Employer Allocations
 - Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan

AUDIT REPORTS ISSUED



THANK YOU! QUESTIONS?



ASHLEY GREEN, CPA

Audit Engagement Partner



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**SAN JOAQUIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

**REPORT TO THE BOARD OF RETIREMENT
AND AUDIT COMMITTEE**

**FOR THE YEAR ENDED
DECEMBER 31, 2025**

**SAN JOAQUIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2025**

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**REQUIRED COMMUNICATION TO THE BOARD OF
RETIREMENT AND AUDIT COMMITTEE IN
ACCORDANCE WITH PROFESSIONAL STANDARDS**

To the Members of the Board of Retirement and Audit Committee of
San Joaquin County Employees' Retirement Association
Stockton, California

We have audited the basic financial statements and other information (financial statements) of the San Joaquin County Employees' Retirement Association (SJCERA), a pension trust fund and component unit of the County of San Joaquin, as of and for the year ended December 31, 2025, and have issued our report thereon dated May 27, 2026. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated November 7, 2025. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SJCERA are described in Note 3, Summary of Significant Accounting Policies – Pension Plan, to the financial statements. During the year ended December 31, 2025, SJCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. The application of existing policies was not otherwise changed during the year ended December 31, 2025. We noted no transactions entered into by SJCERA during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimates of the fair value of investments and the money-weighted rate of return are derived by various methods as described in Note 3, Summary of Significant Accounting Policies – Pension Plan; Note 4, Cash and Investments; and Note 5, Derivative Financial Instruments, to the financial statements. We evaluated the key factors and assumptions used to develop the estimates of the fair value of investments and the money-weighted rate of return in determining that they are reasonable in relation to the financial statements taken as a whole.

- Management's estimates of the contribution amounts and net pension liability are based on an actuarially-presumed interest rate and assumptions recommended by an independent actuary and adopted by the Board of Retirement and involve estimates of the values of reported amounts and probabilities about the occurrence of future events, as detailed in Note 6, Contributions Required and Contributions Made, and Note 8, Net Pension Liability and Significant Assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for cash and investments and derivative financial instruments in Notes 4 and 5 to the financial statements, respectively, were derived from SJCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes.
- The disclosures related to the funding policies, funded status, funding progress, and actuarial methods and assumptions in Note 6 and Note 8 were derived from actuarial valuations, which involve estimates of the value of reported amounts and probabilities about the occurrence of the future events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were identified during our audit of the financial statements for the year ended December 31, 2025.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the purpose financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 27, 2026.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SJCERA's financial statements, or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SJCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions from the Employers and Other Contributing Sources – Defined Benefit Pension Plan, and Schedule of Investment Returns, which are required supplementary information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, Schedule of Investment Expenses, and Schedule of Payments to Consultants, which accompany the financial statements but are not RSI. With respect to this other supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the other supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introduction, investment, actuarial, and statistical sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the information and use of the Board of Retirement, Audit Committee, and management of SJCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
May 27, 2026

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Members of the Board of Retirement and Audit Committee of
San Joaquin County Employees' Retirement Association
Stockton, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the San Joaquin County Employees' Retirement Association (SJCERA), as of and for the year ended December 31, 2025, and the related notes to the basic financial statements, which collectively comprise SJCERA's basic financial statements and other information (financial statements), and have issued our report thereon dated May 27, 2026.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered SJCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SJCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SJCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SJCERA's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. We have, however, provided the current status of prior year findings in the accompanying schedule.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SJCERA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SJCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SJCERA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
May 27, 2026

Schedule of Current Year Findings

None.

Status of Prior Year Findings

2024-001 – Reconciliation of Investment Managers

During our audit procedures over investments, we noted one investment was understated by \$21.1 million as an investment class unit was omitted from being recorded. During our audit procedures over securities sold receivables we noted a difference of \$30.9 million between the securities sold receivables reported by the Custodian, this error occurred due to an error in reporting by the Custodian and SJCERA not accurately accounting for the additional purchase of an investment during the year.

Recommendation

We recommend that management review cash, investment and pending trades balances by investment managers at the end of the year to ensure that investment manager accounts are reconciled and correctly classified.

Management’s Response

Management agrees with the recommendation and has corrected the financial statements accordingly. Staff creates journal entries on a monthly basis updating cash, cost, investment income and expense. Procedures will be updated to include reconciliations of general ledger to the custodian for cash and cost on a monthly basis. At year end, staff create the market value adjustment based on custodian information and external manager statement. Procedures will be created to detail how to create journal entry along with the reconciliation of custodian and bank. Lastly, the custodian will close their book by end of February to allow time for staff to complete these procedures.

Current Year Status

On a monthly basis, staff post journal entries to update cash, cost, investment income, and investment expense, and reconcile investment cost, cash, and pending sales and purchases.

Procedures were developed to record the year-end market value adjustment, obtain estimates from investment managers at year-end, and track this information throughout the year. At year-end, all investment-related accounts are reconciled to Northern Trust (NT) and QuickBooks. The investment managers' PCAP statements and estimates are also reconciled to NT balances, and GASB 72 fair value information is reconciled to these same sources to ensure that market values are stated correctly.

In addition, staff maintain a log of investment managers from whom Q4 PCAP statements or estimates have not been received in order to evaluate the risk of missing material information.

Staff also implemented a change in procedure to accelerate the close of NT's books. For the year ended December 31, 2025, NT closed its books on February 27, 2026, which provided staff with sufficient time to post the required journal entries and reconcile the general ledger to NT balances.

**SAN JOAQUIN COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

**ANNUAL FINANCIAL REPORT
WITH
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2025**

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
FOR THE YEAR ENDED DECEMBER 31, 2025

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Retirement and Audit Committee of
San Joaquin County Employees' Retirement Association
Stockton, California

Report on the Audit of the Basic Financial Statements and Other Information

Opinions

We have audited the accompanying Statement of Fiduciary Net Position of the San Joaquin County Employees' Retirement Association (SJCERA), pension trust fund and component unit of the County of San Joaquin, as of December 31, 2025; the Statement of Changes in Fiduciary Net Position for the fiscal year then ended; and the related notes to the basic financial statements, which collectively comprise SJCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) as of and for the fiscal year ended December 31, 2025, listed as other information in the table of contents.

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of SJCERA as of December 31, 2025; its changes in fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) as of and for the fiscal year ended December 31, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Basic Financial Statements and Other Information

Management is responsible for the preparation and fair presentation of the basic financial statements and other information 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 basic financial statements and other information that are free from material misstatement, whether due to fraud or error.

In preparing the basic financial statements and other information, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SJCERA'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.

Management is also responsible for maintaining a current plan instrument, including all SJCERA plan amendments; administering SJCERA; and determining that SJCERA's transactions that are presented and disclosed in the basic financial statements and other information are in conformity with SJCERA'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 Basic Financial Statements and Other Information

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

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 basic financial statements and other information, 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 basic financial statements and other information.
- 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 SJCERA'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 basic financial statements and other information.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SJCERA's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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 and other information, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements and other information in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and required supplementary information 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 information, and other knowledge we obtained during our audit of the basic financial statements and other information. 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 opinions on the financial statements and other information that collectively comprise SJCERA's basic financial statements and other information. 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 and other information. 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 and other information. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other information 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 and other information or to the basic financial statements and other information themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements and other information as a whole.

Report on Summarized Comparative Information

We have previously audited SJCERA's December 31, 2024, basic financial statements and other information, and our report dated May 30, 2025, expressed an unmodified opinion on those audited basic financial statements and other information. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended December 31, 2024, is consistent in all material respects, with the audited basic 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 May 27, 2026, on our consideration of SJCERA'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 SJCERA'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 SJCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Stockton, California
May 27, 2026

MANAGEMENT'S DISCUSSION AND ANALYSIS

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2025
(Amounts in Thousands)**

Introduction

Management's Discussion and Analysis (MD&A) presents an overview and analysis of the financial activities of the San Joaquin County Employees' Retirement Association (SJCERA or the Plan) for the year ended December 31, 2025. This MD&A is intended to assist readers in understanding SJCERA's financial position, results of operations, key factors affecting its financial condition and should be read in conjunction with SJCERA's basic financial statements and accompanying notes.

During 2025, SJCERA implemented Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. The provisions of GASB Statement No. 103 that are applicable to SJCERA primarily affect the structure and content of this MD&A. Information presented in this MD&A is organized using the five topics required by GASB Statement No. 103: (a) an overview of the basic financial statements; (b) a financial summary; (c) detailed analyses of fiduciary net position and changes therein; (d) significant capital asset and long-term financing activity; and (e) currently known facts, decisions, or conditions.

(a) Overview of the Basic Financial Statements

SJCERA's basic financial statements consist of the Statement of Fiduciary Net Position, the Statement of Changes in Fiduciary Net Position, and the accompanying Notes to the Basic Financial Statements. These statements, together with the required supplementary information (RSI), other supplementary information, and other information, were prepared in accordance with the accounting principles and reporting standards prescribed by GASB.

The ***Statement of Fiduciary Net Position*** presents the major categories of SJCERA's assets and liabilities, and the resulting net position restricted for pension benefits. It represents the resources available for future benefit payments to retirees and beneficiaries as of December 31, 2025, with comparative totals as of December 31, 2024.

The ***Statement of Changes in Fiduciary Net Position*** presents the additions to and deductions from the Plan for the year ended December 31, 2025, with comparative totals for the year ended December 31, 2024. Additions consist of employer and member contributions and net investment income; deductions consist of benefit payments, refunds of contributions, and administrative expenses.

The ***Notes to the Basic Financial Statements*** provide additional information that is essential to a full understanding of the data presented in the basic financial statements, including a description of the Plan, significant accounting policies, investment risk disclosures, derivative instrument disclosures, the net pension liability of participating employers, and commitments and contingencies.

Required Supplementary Information follows the basic financial statements and includes the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions from the Employers and Other Contributing Sources, the Schedule of Investment Returns, and the related Note to Required Supplementary Information.

Other Supplementary Information includes the Schedule of Administrative Expenses, the Schedule of Investment Expenses, and the Schedule of Payments to Consultants.

Other Information includes the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, which are prepared pursuant to GASB Statement No. 68.

(b) Financial Summary

The following table presents condensed comparative information regarding SJCERA's fiduciary net position as of December 31, 2025 and 2024:

SJCERA Fiduciary Net Position				
(Amounts in Thousands)				
	2025	2024	Increase (Decrease) Amount	Percent Change
Cash and Receivables	\$ 296,988	\$ 292,153	\$ 4,835	1.65%
Investments	5,047,120	4,463,020	584,100	13.09%
Other Assets	2,460	5,115	(2,655)	-51.91%
Total Assets	5,346,568	4,760,288	586,280	12.32%
Total Liabilities	59,726	101,072	(41,346)	-40.91%
Fiduciary Net Position Restricted for Pension Benefits	\$ 5,286,842	\$ 4,659,216	\$ 627,626	13.47%

The following table presents condensed comparative information regarding changes in SJCERA's fiduciary net position for the years ended December 31, 2025 and 2024:

Changes in Fiduciary Net Position				
(Amounts in Thousands)				
	2025	2024	Increase (Decrease) Amount	Percent Change
Additions				
Employer Contributions	\$ 342,719	\$ 323,248	\$ 19,471	6.02%
Member Contributions	64,443	58,874	5,569	9.46%
Net Investment Income and Miscellaneous Income	553,435	375,662	177,773	47.32%
Transfer from Healthcare Custodial Fund	314	255	59	23.14%
Total Additions	960,911	758,039	202,872	26.76%
Deductions				
Retirement Benefit Payments	314,918	301,364	13,554	4.50%
Death Benefits	623	747	(124)	-16.60%
Refund of Contributions	6,029	5,139	890	17.32%
Administrative and Other Expenses	11,715	7,246	4,469	61.68%
Transfer to Healthcare Custodial Fund	-	25	(25)	-100.00%
Total Deductions	333,285	314,521	18,764	5.97%
Net Increase	627,626	443,518	184,108	41.51%
Fiduciary Net Position Restricted for Pension Benefits				
Beginning of Year	4,659,216	4,215,698	443,518	10.52%
End of Year	\$ 5,286,842	\$ 4,659,216	\$ 627,626	13.47%

(c) Detailed Analyses

Analysis of Fiduciary Net Position

Fiduciary net position represents the resources available to pay future benefits to members and beneficiaries. As of December 31, 2025, SJCERA's fiduciary net position was \$5.287 billion, compared with \$4.659 billion as of December 31, 2024, an increase of \$627.6 million, or 13.47 percent.

The increase in fiduciary net position was primarily attributable to favorable investment performance of \$553.4 million on 11.56% rate of return on investments during 2025. Employer and member contributions of \$407.2 million further supported the growth in net position, partially offset by \$333.3 million in benefit payments and administrative expenses. The increase in fiduciary net position was largely driven by investment performance, which exceeded long-term expectations and may not be indicative of future results.

Analysis of Additions

Additions to fiduciary net position totaled \$960.9 million for the year ended December 31, 2025, compared with \$758.0 million for the year ended December 31, 2024. The \$202.9 million increase is attributable to the following:

- *Net investment income and miscellaneous income* increased by \$177.8 million or 47.3 % over the prior year. The increase reflects a net money-weighted annual return of 11.56% on \$4.5 billion in beginning of the year investments compared to 8.50% on \$4.1 billion in 2024.

All asset classes had positive returns in 2025 ranging from Traditional Growth at 21.3% to Crisis Risk Offset at 2.0%. Traditional Growth had \$2.0 billion or 40% of total investment in a MSCI World Investable Market Index Fund that contributed approximately 70% of total investment income. The index fund invests in over 5000 large, mid, and small capitalization publicly traded stocks in 23 countries with 70% located in the US and is a proxy for global equity markets.

- *Employer contributions* increased by \$19.5 million, or 6.02 percent, over the prior year and member contributions increased by \$5.6 million, or 9.46 percent, over the prior year. The increases reflect an additional 302 active members (4.37%), 3% COLA adjustment and pay increases offset by lower than 2024 employer contribution rates while member contribution rates were mostly unchanged.

In 2025, the San Joaquin County (County), San Joaquin County (SJC) Mosquito and Vector Control District (MVCD), and SJC Superior Court made additional contributions to decrease their proportionate share of the unfunded actuarial liability similar to 2024. Because similar additional contributions were made in 2024, these contributions are considered part of an ongoing funding pattern and are not classified as unusual or infrequent.

Analysis of Deductions

Deductions from fiduciary net position totaled \$333.3 million for 2025, compared with \$314.5 million for 2024, an increase of \$18.8 million, or 5.97 percent. The increase was driven primarily by a \$13.5 million increase in pension benefit payments to retirees and beneficiaries, which reflects the annual cost-of-living adjustment of 3% granted to eligible retirees effective April 1, 2025 and the net growth in the number of retirees of 1.31%. This trend is expected to continue as the SJCERA's membership demographic shifts toward a higher proportion of retirees.

Administrative and other expenses also contributed to the increase, rising \$4.5 million, or 61.68 percent, from the prior year. This was primarily driven by elevated information technology costs and a one-time write-off of previously capitalized software costs, which represents an infrequent item and is not expected to recur.

SJCERA Membership As of December 31, 2025 and 2024 (Amounts not in Thousands)				
Category	2025	2024	Increase (Decrease) Amount	Percent Change
Active Members	7,215	6,913	302	4.37%
Retired Members	7,022	6,931	91	1.31%
Deferred Members	3,396	3,131	265	8.46%
Total Membership	17,633	16,975	658	3.88%

Administrative expenses for 2025 totaled \$5.9 million, which remained well below the statutory limit imposed by CERL Section 31580.2 of twenty-one hundredths of one percent (0.21 percent) of the accrued actuarial liability, indicating continued cost efficiency relative to plan size and liabilities.

Compliance with Statutory Limitation Administrative Expenses As of December 31, 2025 and 2024 (Amounts in Thousands)		
	2025	2024
Basis for Budget Calculation (Accrued Actuarial Liability):		
Actual Administrative Expenses	\$ 5,967	\$ 5,673
Accrued Actuarial Liability as Basis for Budget Calculation*	5,940,503	5,674,663
Administrative Expenses as a Percentage of:		
The Basis for Budget Calculation	0.10%	0.10%
Limit per CERL	0.21%	0.21%

* Based on valuations dated December 31, 2023 and December 31, 2022, respectively

Actuarial Valuations and Funded Status

SJCERA engages an independent actuarial firm, Cheiron, Inc., to perform an annual actuarial valuation to monitor its funding status and funding integrity. The valuation assesses the magnitude of SJCERA's benefit commitments in comparison with the assets expected to be available to support those commitments. The most recent annual actuarial valuation, as of December 31, 2024, includes a detailed discussion of funding requirements and is used to establish employer and member contribution rates. Contribution rates are structured to improve SJCERA's long-term funded status; however, they may place increasing financial pressure on participating employers.

As of December 31, 2024, the pension plan's net position, measured using the fair value of investments in accordance with GASB standards, was approximately \$4.7 billion. For actuarial funding purposes, the valuation reports a market value of assets (MVA) of \$4.7 billion. The MVA is based on the fair value of investments but includes certain contribution reserves (County, MVCD, and Superior Court) and excludes the contingency reserve (collectively, Special Reserves) and therefore differs from the fair value of assets reported in the financial statements. On this market value basis, the funded ratio (MVA divided by accrued actuarial liabilities of \$6.1 billion) was 76.5 percent, compared to 70.5 percent in the prior year, resulting in a UAL of \$1.3 billion.

The valuation also reports an actuarial value of assets (AVA) of \$4.75 billion, which reflects the smoothing of investment gains and losses over time. On this smoothed basis, the funded ratio increased to 77.9 percent from 74.0 percent in the prior year. The improvement in funded status reflects favorable investment performance in recent periods; however, the plan remains less than fully funded, and continued contributions and investment returns will be necessary to reduce the unfunded actuarial liability over time.

For the year ended December 31, 2025, a GASB Statement No. 67/68 report was prepared by Cheiron, Inc., to provide accounting and financial disclosure information. To accommodate the annual reporting requirements of our plan sponsors in a timely manner, the valuation was prepared using the December 31, 2024 valuation as the basis for calculating the total pension liability (TPL) and projected to December 31, 2025. Based on this actuarial valuation, the TPL was \$6.3 billion compared to a fiduciary net position of \$5.3 billion, resulting in the employers' net pension liability (NPL) of \$1.0 billion and a fiduciary net position as a percentage of TPL of 83.8 percent. The NPL as a percentage of covered payroll was 161.91 percent. Please see Note 8 for more details.

(d) Significant Capital Asset and Long-Term Financing Activity

Capital Assets. SJCERA's capital assets consist of leasehold improvements, furniture, and equipment used in plan administration. Depreciation and amortization expense for the year ended December 31, 2025 was \$844 thousand. During fiscal year 2025, SJCERA recognized a one-time write-off of approximately \$4.5 million related to 2025 and previously capitalized software development costs. This action followed management's recommendation and Board decision to discontinue the initiative. Accordingly, in accordance with applicable accounting standards, the remaining capitalized costs were expensed in the current period. This non-recurring charge does not impact SJCERA's core investment portfolio or benefit obligations. See Note 3(e) for additional information.

Long-Term Financing and Financial Activity. SJCERA had no material outstanding long-term debt, leases, public-private or public-public partnerships, or subscription-based information technology arrangements (SBITAs) during the year ended December 31, 2025. Accordingly, SJCERA's long-term financial activity is primarily driven by changes in pension liabilities and fiduciary net position rather than external financing arrangements. Long-term obligations and funding requirements are significantly influenced by actuarial assumptions (including investment return and discount rates), demographic experience (such as retirement patterns, mortality, and payroll growth), and benefit structure and policy decisions. Changes in these factors can have a material impact on SJCERA's long-term financial position, funding ratios, and contribution requirements.

(e) Currently Known Facts, Decisions, or Conditions

Management is not aware of any currently known facts, decisions, or conditions, as of the date the financial statements are available to be issued, that are expected to have a significant effect on SJCERA's fiduciary net position or results of operations in subsequent periods, other than the following:

- *2026 Contribution Rates.* The December 31, 2024 actuarial valuation is the basis for employer and member contribution rates applicable to the fiscal year beginning July 1, 2026 for the County and its related participating employers. The adopted rates decreased from the prior year rates, reflecting the positive impact of investment returns that exceeded our assumed rate of return in multiple consecutive years.
- *Actuarial Assumption Changes.* In 2025, the SJCERA Board of Retirement adopted assumed inflation rate changes, lowering the assumption from 2.75% to 2.5%. The Board also adopted COLA assumption change recommendations which included a decrease from 2.6% to 2.5% for active members, as well as an increase from 2.75% to 3.0% for retirees with COLA banks, to 2.5% when banks are depleted.
- *Investment Policy and Asset Allocation.* The Board approved a new strategic asset allocation effective October 15, 2025. The new asset allocation increased targets for Aggressive Growth, Traditional Growth, and Principal Protection while lowering targets for Credit and Crisis Risk Offset and eliminating investment in Risk Parity. Rebalancing the new strategic allocation will take place over time.
- *2026 Administrative Budget.* The Board adopted an administrative budget for 2026 of approximately \$7.4 million, which remains within the statutory limit established by CERL Section 31580.2 of 0.21%.

- *Legislative and Regulatory Developments.* Management is not aware of any currently known legislative or regulatory developments expected to have a significant effect on SJCERA's subsequent-period financial position or results of operations.

Conclusion

SJCERA experienced a favorable year in 2025, driven largely by strong investment performance and continued contributions. While these factors contributed to an improvement in fiduciary net position and funded status, SJCERA remains subject to long-term risks and uncertainties. Management will continue to monitor investment performance, funding progress, and emerging risks to ensure SJCERA remains positioned to meet its obligations to members and beneficiaries

Reporting SJCERA's Fiduciary Responsibilities

SJCERA's Board of Retirement and staff are fiduciaries for the pension plan. Accordingly, SJCERA is responsible for ensuring that the assets reported in the basic financial statements are used for the intended purpose of paying retirement benefits to eligible members and beneficiaries.

Requests for Information

This financial report is designed to provide the Board of Retirement, the membership, taxpayers, and other interested parties with a general overview of SJCERA's finances and to demonstrate SJCERA's accountability for the resources entrusted to it. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to SJCERA at 220 E. Channel Street, Stockton, California 95202.

Respectfully submitted,

Brian P. McKelvey
Assistant Chief Executive Officer
May 27, 2026

BASIC FINANCIAL STATEMENTS

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2025 (WITH COMPARATIVE TOTALS)
(Amounts in Thousands)

	2025		2024	
	Defined Benefit Pension Plan	Post- Employment Healthcare Custodial Fund	Defined Benefit Pension Plan	Post- Employment Healthcare Custodial Fund
Assets				
Cash and Short-Term Investments				
Cash and Cash Equivalents	\$ 214,865	\$ 223	\$ 157,430	\$ 230
Cash Collateral - Futures Margin	-	-	16,000	-
Cash Collateral - Securities Lending	52,694	-	72,278	-
Total Cash and Short-Term Investments	267,559	223	245,708	230
Receivables				
Investment Income Receivables	8,744	-	7,700	-
Contributions Receivable	20,598	-	18,318	-
Securities Sold, Not Received	54	-	20,395	-
Miscellaneous Receivables	33	-	32	-
Total Receivables	29,429	-	46,445	-
Investments, at Fair Value				
Aggressive Growth	652,986	-	528,270	-
Traditional Growth	2,229,033	-	1,838,130	-
Credit	783,209	-	694,795	-
Core Real Assets	374,280	-	279,382	-
Risk Parity	-	-	225,359	-
Crisis Risk Offset (CRO)	506,069	-	472,277	-
Principal Protection	501,543	-	424,807	-
Total Investments, at Fair Value	5,047,120	-	4,463,020	-
Other Assets				
Prepaid Expenses	174	-	147	-
Capital Assets, Net	2,286	-	4,968	-
Total Other Assets	2,460	-	5,115	-
Total Assets	5,346,568	223	4,760,288	230
Liabilities				
Securities Lending - Cash Collateral	52,694	-	72,278	-
Securities Purchased, Not Paid	5,386	-	27,386	-
Accrued Expenses and Other Payables	1,450	-	1,100	-
Securities Lending Interest and Other Payables	196	-	308	-
Total Liabilities	59,726	-	101,072	-
Fiduciary Net Position				
Restricted for:				
Pension Benefits	5,286,842	-	4,659,216	-
Custodial Healthcare Benefits	\$ -	\$ 223	\$ -	\$ 230

The accompanying notes are an integral part of these financial statements.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2025 (WITH COMPARATIVE TOTALS)
(Amounts in Thousands)**

	2025		2024	
	Defined Benefit Pension Plan	Post- Employment Healthcare Custodial Fund	Defined Benefit Pension Plan	Post- Employment Healthcare Custodial Fund
Additions				
Contributions				
Employer Contributions	\$ 342,719	\$ -	\$ 323,248	\$ -
Member Contributions	64,443	-	58,874	-
Amounts Collected for Related Governments (healthcare benefits)	-	3,088	-	3,178
Total Contributions	<u>407,162</u>	<u>3,088</u>	<u>382,122</u>	<u>3,178</u>
Net Investment Income				
Net Appreciation in				
Fair Value of Investments	496,936	-	332,091	-
Interest	43,795	-	34,538	-
Dividends	20,870	-	23,401	-
Real Estate Income, Net	17,261	-	9,287	-
Investment Expenses	<u>(25,843)</u>	<u>-</u>	<u>(26,029)</u>	<u>-</u>
Net Investment Income, Before Securities Lending Income	<u>553,019</u>	<u>-</u>	<u>373,288</u>	<u>-</u>
Securities Lending Income				
Earnings	3,534	-	3,911	-
Rebates	(3,083)	-	(3,486)	-
Fees	<u>(113)</u>	<u>-</u>	<u>(106)</u>	<u>-</u>
Net Securities Lending Income	<u>338</u>	<u>-</u>	<u>319</u>	<u>-</u>
Total Net Investment Income	<u>553,357</u>	<u>-</u>	<u>373,607</u>	<u>-</u>
Miscellaneous Income	78	-	2,055	-
Transfers in from other funds	314	-	255	25
Total Additions	<u>960,911</u>	<u>3,088</u>	<u>758,039</u>	<u>3,203</u>
Deductions				
Benefit Payments	314,918	-	301,364	-
Death Benefits	623	-	747	-
Refunds of Member Contributions	6,029	-	5,139	-
Distributions to Participants (healthcare benefits)	-	2,781	-	2,951
Administrative Expenses				
General Administrative Expenses	5,967	-	5,673	-
Other Expenses				
Information Technology Expenses	5,380	-	1,196	-
Actuary Fees	201	-	151	-
Fund Legal Fees	167	-	226	-
Total Administrative and Other Expenses	<u>11,715</u>	<u>-</u>	<u>7,246</u>	<u>-</u>
Transfers out to other funds	-	314	25	255
Total Deductions	<u>333,285</u>	<u>3,095</u>	<u>314,521</u>	<u>3,206</u>
Changes in Fiduciary Net Position	627,626	(7)	443,518	(3)
Fiduciary Net Position				
Beginning of Year	<u>4,659,216</u>	<u>230</u>	<u>4,215,698</u>	<u>233</u>
End of Year	<u>\$ 5,286,842</u>	<u>\$ 223</u>	<u>\$ 4,659,216</u>	<u>\$ 230</u>

The accompanying notes are an integral part of these financial statements.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2025
 (Amounts in Thousands)**

The San Joaquin County Employees' Retirement Association (SJCERA) is the public employee retirement system established by the County of San Joaquin (County) to operate as a pension trust fund of the County. SJCERA is administered by the Board of Retirement of SJCERA (Board) to provide retirement, disability, and survivor benefits under the County Employees Retirement Law of 1937 (CERL) for the employees of the County and nine other participating employers within the County. SJCERA is a component unit of the County of San Joaquin. SJCERA also administers the Post-Employment Healthcare Custodial Fund. Although the assets of the plans (defined benefit pension and post-employment healthcare) are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to eligible members and beneficiaries of that plan, in accordance with the terms of the plan. A description of the Post-Employment Healthcare Custodial Fund is located in Note 2. All notes to the basic financial statements apply to both plans unless indicated otherwise.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION

a. General Description

SJCERA is a public retirement system established by the San Joaquin County Board of Supervisors effective June 28, 1946, under the provisions of the CERL and the Public Employees' Pension Reform Act of 2013 (PEPRA). SJCERA is administered by the Board. Pursuant to Government Code Sections 31520.1 and 31520.5, the Board consists of nine regular members, one alternate retired member, and under certain circumstances an alternate Safety member. Four members and the alternate member(s) are elected by SJCERA's members, four are appointed by the County Board of Supervisors, and the County Treasurer is an ex-officio member. Board members serve for a term of three years, except for the County Treasurer who is a permanent member. The Board members as of December 31, 2025, were as follows:

Michael Restuccia, Chair	Sonny Dhaliwal
Sam Kaisch, Vice Chair	Emily Nicholas
Raymond McCray, Secretary	Steve Moore, Alternate
Michael Duffy	J.C. Weydert
Phonxay Keokham	Jason Whelen

SJCERA operates as a cost-sharing, multiple-employer defined benefit pension plan covering the County and the San Joaquin County (SJC) Historical Society and Museum, Local Agency Formation Commission (LAFCO), Lathrop-Manteca Rural Fire Protection District, San Joaquin County Law Library, SJC Mosquito and Vector Control District (MVCD), Mountain House Community Services District, SJC Superior Court, Tracy Public Cemetery District, and the Waterloo-Morada Rural Fire Protection District. SJCERA operates as a cost-sharing, multiple employer defined benefit pension plan. All employees appointed to full-time, permanent positions with an SJCERA participating employer become SJCERA members. Persons who commence covered employment at age 60 or older may irrevocably elect to waive membership in SJCERA. Public Health, a division of the County's Healthcare Services Department, became a participant of SJCERA effective June 27, 1993. Prior to that date, they were members of the California Public Employees' Retirement System (CalPERS). The elected officials of the County may request to become members of SJCERA. All benefits vest after attaining five years of service credit.

Due to the implementation of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, the County of San Joaquin (County) determined that SJCERA met the requirements of GASB Statement No. 84 and is a fiduciary component unit of the County. As such, it is included as a component unit in the County's financial statements as presented in its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2025.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION (Continued)

a. General Description (Continued)

SJCERA has two benefit tiers:

- Tier 1 - Hired into public service before January 1, 2013
- Tier 2 - Hired into public service for the first time on or after January 1, 2013

There are two membership types:

- *Safety Member* – Permanent employees engaged in the performance of active law enforcement, including probation officers and fire suppression employees, are considered Safety Members and are not generally covered by Social Security.
- *General Member* – All other eligible employees not classified as Safety Members are considered General Members and are covered by Social Security.

Membership Summary

SJCERA's membership as of December 31, 2025, is presented below (amounts not in thousands).

	Retirees		Beneficiaries		Active		Deferred		Total	
	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2	Tier 1	Tier 2
General	4,810	183	772	5	1,585	4,743	1,106	2,046	8,273	6,977
Safety	1,004	17	231	0	331	556	134	110	1,700	683
Total	5,814	200	1,003	5	1,916	5,299	1,240	2,156	9,973	7,660

b. Plan Benefits

Eligibility for Retirement

Tier 1: A Tier 1 member may retire for service at age 50 or older with five years of service credit, and at least ten years of membership. A General, Tier 1 member may retire at any age with 30 or more years of service credit. A Safety, Tier 1 member may retire at any age with 20 or more years of service credit.

Tier 2: A Tier 2 member may retire for service with five or more years of service credit upon attaining the minimum retirement age: Age 52 for General, Tier 2 members, and Age 50 for Safety, Tier 2 members.

Any member of SJCERA, regardless of benefit tier, may retire at age 70 with no minimum service credit requirement.

Retirement Benefit

The monthly benefit amount at retirement depends upon the type of membership, years of retirement service credit, final average compensation, age at retirement, and the benefit option elected by the member.

Tier 1: For Tier 1 members, final average compensation for purposes of computing a retirement allowance is the average monthly salary for the highest twelve consecutive months of employment. In addition to base salary, final average compensation may include other items defined as compensation earnable for retirement purposes.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION (Continued)b. Plan Benefits (Continued)*Retirement Benefit* (Continued)

The benefit formula for General, Tier 1 members is 2.6 percent of final average compensation for each year of service credit at age 62. The formula for Safety, Tier 1 members is 3.0 percent of final average compensation for each year of service credit at age 50 effective January 1, 2001. Members who retired prior to April 1, 1982, with 15 years or more of County service, receive an additional \$50 (amount not in thousands) monthly supplement commencing at age 65. Members who retired on or after April 1, 1982, but before January 1, 2001, receive a supplemental monthly benefit of \$10 (amount not in thousands) per year of service up to 30 years. This “Post 1982” supplemental benefit is payable if sufficient funds exist.

Federal law limits the annual compensation that may be used to calculate retirement benefits (applicable to persons who became SJCERA members on or after January 1, 1996), and the maximum annual benefit payable by SJCERA to any retired member. For 2025, the annual compensation limit under Internal Revenue Code Section 401(a)(17) is \$350,000 and the annual benefit limit under Internal Revenue Code Section 415(b) is \$280,000 (amounts not in thousands). Retired members whose statutory benefits from SJCERA would exceed the annual benefit limitation are eligible for the County’s Replacement Benefit Plan.

Tier 2: For Tier 2 members, final average compensation for purposes of computing a retirement allowance is the average monthly salary for the highest 36 consecutive months of employment. In addition to base salary, final average compensation may include other items defined as pensionable compensation.

The benefit formula for General, Tier 2 members is 2.5 percent of final compensation for each year of service credit at age 67. The formula for Safety, Tier 2 members is 2.7 percent of final compensation for each year of service credit at age 57. PEPRAs specifies the maximum annual compensation that may be used to calculate retirement benefits. The limits are adjusted annually based on changes in the Consumer Price Index (CPI). For 2025, the Tier 2 annual compensation limit is \$155,081 for those included in the Federal Social Security System and \$186,096 for those not included (amounts not in thousands).

Cost-of-Living Adjustment (COLA)

For both Tier 1 and Tier 2 members, monthly allowances are eligible for an annual COLA based on the change in the CPI for the San Francisco-Oakland-Hayward area for the previous calendar year, up to a maximum of 3.0 percent. The Bureau of Labor Statistics does not publish a CPI for San Joaquin County. When the CPI exceeds 3.0 percent in any year, the difference between the actual change in CPI (rounded to the nearest one-half percent) and the 3.0 percent ceiling is “accumulated” for future years when the change is less than 3.0 percent. Based on the accumulated carry-over balances as of April 1, 2024, members received a 3.0% increase on April 1, 2025. Their accumulated carry-over balances were increased by 0.0%.

Terminated Members’ Deferred Retirement Benefit and Withdrawal of Contributions

A member leaving employment with at least five years of service credit becomes eligible for a retirement benefit once they meet the minimum service retirement age and have not withdrawn their accumulated member contributions.

Members who terminate employment with fewer than five years of service credit may leave their accumulated contributions on deposit until they become eligible for a retirement benefit at age 70. Contributions left on deposit with SJCERA continue to accrue interest.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION (Continued)b. Plan Benefits (Continued)*Terminated Members' Deferred Retirement Benefit and Withdrawal of Contributions* (Continued)

Upon termination of employment, members may withdraw their member contributions plus interest. Employer-paid contributions are not refundable. Members who take a refund of contributions become ineligible for future SJCERA retirement benefits.

Death Benefits

The beneficiary of an actively employed member who dies prior to attaining five years of credited service is refunded the member's accumulated contributions, with interest, and receives one month's salary for each full year of service, up to a maximum of six months' salary.

If the death occurs after five years of credited service and is not the result of a service-related injury or disease, the surviving spouse or minor children may elect to receive a lump sum benefit of the retirement contributions including interest and one month's salary for each full year of service up to six months' salary; 60 percent of the retirement allowance the deceased member would have received if they had retired with a nonservice-connected disability retirement benefit on the date of death; or a lump sum payment of six months' salary and a reduced monthly retirement benefit. The monthly allowance to minor children is discontinued once they marry or reach age 18 (age 22 if a full-time student).

The beneficiary of a deferred member receives the member's contributions plus accumulated interest.

Upon the death of a retiree, the beneficiary receives a retirement benefit as determined by the benefit option elected by the member at the time of retirement. In addition, the beneficiary also receives a \$5,000 death benefit (amount not in thousands), which is paid from retirement reserves.

NOTE 2 – POST-EMPLOYMENT HEALTHCARE CUSTODIAL FUND

The Post-Employment Healthcare Custodial Fund accounts for assets held as an agent on behalf of others. The funds held within the Post-Employment Healthcare Custodial Fund do not meet the definition of a qualifying Other Post-Employment Benefits (OPEB) Trust under Governmental Accounting Standards Board (GASB) Statement No. 74. This fund is custodial in nature and is accounted for on the flow of economic resources measurement focus and accrual basis of accounting. GASB Statement No. 84, *Fiduciary Activities*, was implemented in 2019. The Post-Employment Healthcare Fund is classified as a Custodial Fund.

The Post-Employment Healthcare Custodial Fund is used as a clearing account for cash flows from employers to fund Sick Leave Bank Benefits for their eligible retired members on a pay-as-you-go basis, and for cash flows out for payment of Sick Leave Bank Benefits. The Sick Leave Bank Benefit allows accumulated unused and un-cashed sick leave to be converted to a Sick Leave Bank upon retirement at a rate of \$27.65 per hour (amount not in thousands). Retired or deferred members who were employed prior to August 27, 2001, are eligible for Sick Leave Bank Benefits. In 2007, the San Joaquin County Superior Court (Court) extended eligibility for Sick Leave Bank Benefits to Court employees hired on or after August 27, 2001. Employers fund the Sick Leave Bank Benefits and employees are not required to contribute to the plan.

Sick Leave Bank Benefits may be used to pay for employer-sponsored group health, dental, and vision care insurance premiums and/or reimbursement of Medicare Part B premiums for the eligible members, their spouses, and dependents. When a retiree's Sick Leave Bank is depleted, the retiree assumes responsibility for payment of health, dental, and vision care insurance premiums.

NOTE 2 – POST-EMPLOYMENT HEALTHCARE CUSTODIAL FUND (Continued)

SJCERA allocates the investments held at December 31, 2025, between the Defined Benefit Pension Plan and the Post-Employment Healthcare Custodial Fund based on the internal records of the respective accounts at December 31, 2025.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PENSION PLAN

a. Basis of Accounting

SJCERA's financial statements are presented on the accrual basis of accounting. Employer and member contributions that should have been made in the calendar year based on the actuarially determined contribution rates or amounts are recognized as revenues of that calendar year. Contributions receivable pursuant to an installment contract are also recognized in full in the year in which the contract is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

b. Reporting Entity

SJCERA, governed by the Board, is an independent government entity. SJCERA's annual financial statements are included in the County's financial reports as a pension trust fund. SJCERA is a component unit of the County.

c. Cash Equivalents

SJCERA's cash and short-term investments are managed by Northern Trust (NT) and the County Treasurer.

Northern Trust (NT) – Cash not required for daily operations is deposited with NT, SJCERA's master custodian for investment securities. NT pools cash from its clients pending permanent investment in its Short-Term Investment Fund (STIF). The cash in the STIF account is invested in high-grade money market instruments with very short maturities, such as bonds, notes, and other evidence of indebtedness, in accordance with SJCERA's investment policy.

The cash collateral received under the securities lending program is invested by NT through its securities lending collateral fund, which is created solely for the investment of cash collateral.

County Treasurer - Cash necessary for SJCERA's daily operations is pooled with other County funds for short-term investment by the County Treasurer. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PENSION PLAN (Continued)

d. Method Used to Value Investments

Investments are carried at fair value. Fair values for investments are derived by various methods as indicated in the following table.

Investments	Source
Publicly traded stocks and bonds, and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year-end. International securities reflect currency exchange rates in effect at December 31, 2025.
Mortgages	Equivalent pricing to comparable Government National Mortgage Association (GNMA).
Real estate equity funds	Fair value as provided by real estate fund manager.
Real estate title holding corporations and limited liability companies	Fair value of the investment as provided by fund managers unless an alternative value has been determined by the Board per SJCERA's Real Estate Investment Policy and reviewed by SJCERA's Investment Consultant.
Private equity	Fair value as provided by the investment manager and reviewed by SJCERA's Investment Consultant.
Private placement bonds	Face value of the security subject to designated conditions such as sales restrictions or limited marketability.

e. Capital Assets

Capital assets, mainly leasehold improvements, furniture, and equipment, acquired by SJCERA are capitalized at cost. Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of three to seven years for computer equipment, furniture, and other equipment. Leasehold improvements are amortized over the life of the lease. Depreciation/amortization expenses of the capital assets are included in general administrative expenses.

The change in capital assets owned for the year ended December 31, 2025, is presented below (amounts in thousands):

	Balance December 31, 2024	Additions	Deletions/ Transfers	Balance December 31, 2025
Capital Assets in Service				
Furniture and equipment	\$ 1,363	\$ 25	\$ (19)	\$ 1,369
Software	3,125	-	-	3,125
Leasehold improvements	1,615	4	(348)	1,271
Total Capital Assets in Service (at cost)	6,103	29	(367)	5,765
Projects in Progress	2,101	2,762	(4,610)	253
Total Capital Assets (at Cost)	8,204	2,791	(4,977)	6,018
Accumulated Depreciation and Amortization	(3,236)	(844)	348	(3,732)
Total Net Capital Assets	\$ 4,968	\$ 1,947	\$ (4,629)	\$ 2,286

Depreciation and amortization expense for the year ended December 31, 2025, was \$844 thousand.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – PENSION PLAN (Continued)f. Receivables

Receivables consist primarily of interest, dividends, investments in transition (traded but not yet settled), and contributions owed by participating employers. Contributions receivable pursuant to an installment contract between the member and SJCERA for purchase of service credit are recognized in full in the year in which the contract is made.

g. 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.

h. New Accounting Pronouncements Adopted During the Year

GASB Statement No. 103, Financial Reporting Model Improvements – Effective for the year ended December 31, 2025, SJCERA early-adopted the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, issued by the Governmental Accounting Standards Board in April 2024. GASB Statement No. 103 is effective for fiscal years beginning after June 15, 2025, with earlier application encouraged. The adoption of this statement represents a change in accounting principle in accordance with GASB Statement No. 100, *Accounting Changes and Error Corrections*. The provisions of GASB Statement No. 103 that apply to SJCERA principally relate to the presentation and content of Management's Discussion and Analysis (MD&A), which has been restructured to conform with the five required sections established by Statement No. 103: an overview of the basic financial statements, a financial summary, detailed analyses, significant capital asset and long-term financing activity, and currently known facts, decisions, or conditions. Other provisions of Statement No. 103, including those addressing unusual or infrequent items, the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units, and budgetary comparison information — do not apply to SJCERA. The adoption of GASB Statement No. 103 did not have a material effect on the amounts reported in SJCERA's basic financial statements. Accordingly, no restatement of beginning fiduciary net position was required.

NOTE 4 – CASH AND INVESTMENTSa. Investment in Securities Lending Program

SJCERA participates in NT's pooled securities lending program. Under the agreement, NT is authorized to lend the SJCERA securities it holds to certain SJCERA-approved borrowers. NT does not have the ability to pledge or sell collateral securities unless a borrower default occurs.

All loans are fully collateralized with either cash, securities issued or fully guaranteed by the U.S. government, or irrevocable bank letters of credit. All collateral is held or invested by NT. The term or maturity of the securities loaned is generally matched with the term or maturity of the investment of the cash collateral. U.S. securities are loaned with collateral valued at 102 percent of the fair value of the securities plus any accrued interest. Non-U.S. securities are loaned with collateral valued at 105 percent of the fair value of the securities plus any accrued interest.

NOTE 4 – CASH AND INVESTMENTS (Continued)

a. Investment in Securities Lending Program (Continued)

As of December 31, 2025, SJCERA had the following securities out on loan (amounts in thousands).

	<u>Fair Value of Securities Lent</u>	<u>Cash Collateral Value</u>	<u>Non-Cash Collateral Value</u>
U.S. Equities	\$ 763	\$ 736	\$ 55
U.S. Debt Securities	78,352	51,958	28,343
 Total U.S. Securities	 79,115	 52,694	 28,398
Non-U.S. Equities	10	-	10
Non-U.S. Debt Securities	110,936	-	118,797
 Total Non-U.S. Securities	 110,946	 -	 118,807
 Total	 <u>\$ 190,061</u>	 <u>\$ 52,694</u>	 <u>\$ 147,205</u>

The cash collateral is reported on the financial statements as an asset and as a liability of SJCERA. Securities lending transactions collateralized by letters of credit or by securities that SJCERA does not have the ability to pledge or sell unless the borrower defaults are not reported as assets and liabilities in accordance with GASB Statement No. 28. The potential risks involved in the securities lending program include borrower bankruptcy, collateral deficiencies, settlement problems, corporate actions, dividends, and interest. SJCERA's pro-rata share of net income derived from NT's pooled securities lending transactions in 2025 was \$338. As of December 31, 2025, there was no credit risk exposure to borrowers because the collateral exceeded the amount borrowed. The securities on loan at year-end were \$190.1 million and the collateral received for those securities on loan was \$199.9 million.

b. Cash and Short-Term Investments

The carrying value of cash and short-term investments as of December 31, 2025, consists of the following (amounts in thousands):

	<u>Amount</u>
Cash and Cash Equivalents - Custodian	214,442
Cash and Cash Equivalents - County Treasury	423
Cash and Cash Equivalents - Post-Employment Healthcare Custodian Fund	223
 Total Cash and Cash Equivalents	 215,088
 Cash Collateral - Securities Lending - Custodian	 52,694
 Total Cash and Short-Term Investments	 <u>\$ 267,782</u>

NOTE 4 – CASH AND INVESTMENTS (Continued)

c. Long-Term Investments

SJCERA owned the following long-term investments as of December 31, 2025 (amounts in thousands):

<u>Investments</u>	<u>Fair Value</u>
Aggressive Growth	\$ 652,986
Traditional Growth	2,229,033
Credit	783,209
Core Real Assets	374,280
Crisis Risk Offset (CRO)	506,069
Principal Protection	501,543
	<hr/>
Total Investments	\$ 5,047,120

GASB Statement No. 40, *Deposits and Investments Risk Disclosures*, established and modified disclosure requirements related to the following:

- Credit risk
- Custodial credit risk
- Concentration of credit risk
- Interest rate risk
- Foreign currency risk

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SJCERA's investment policy seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within the asset class. To control such risk, credit quality guidelines have been established for the separately managed accounts. The following table depicts the value of the investments exposed to those risks and the corresponding credit ratings from Standard & Poor's (S&P) as of December 31, 2025 (amounts in thousands).

<u>Quality Ratings</u>	<u>Fair Value</u>
<i>Fixed Income</i>	
AAA	\$ 3,941
AA	13,310
A	39,314
BBB	163,224
BB	30,495
B	9,804
CCC	5,243
Not Rated	383,083
U.S. Government and Agency Debt- Implied AAA	338,476
	<hr/>
<i>Total Fixed Income</i>	\$ 986,890
<i>Other Assets</i>	
US Government Short-Term Bills and Notes	96,175
Custodian Short-Term Investment Fund - Not Rated	195,085
Collateral from Securities Lending - Not Rated	52,694
	<hr/>
<i>Total Other Assets</i>	\$ 343,954

NOTE 4 – CASH AND INVESTMENTS (Continued)c. Long-Term Investments (Continued)

Custodial Credit Risk – The custodial credit risk represents the risk that, in the event of the failure of the counterparty of a transaction, SJCERA will not be able to recover the value of deposits and investments or collateral securities that are in the possession of an outside party.

Deposits – The deposits with the County Treasurer are uninsured but secured by public funds of the pledging banks. The pool's investments, all held in the County's name, are short-term and include U.S. Treasury Bills, certain Federal agencies' instruments, bankers' acceptances, "prime" commercial paper, certificates of deposit, repurchase agreements, and the State Treasurer's Local Agency Investment Fund.

The cash deposits with NT are uninsured and uncollateralized. All underlying investments in the commingled STIF account are not registered in SJCERA's name.

Investments – Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in SJCERA's name, and held by the counterparty. SJCERA's investment securities are not exposed to custodial credit risk because all securities are held by SJCERA's custodial bank in SJCERA's name, or by other qualified third party administrator trust accounts.

Concentration of Credit Risk – This risk represents the potential loss attributable to the magnitude of SJCERA's investments in a single issuer. As of December 31, 2025, for separately managed investment accounts, SJCERA did not hold any investments within any one issuer that would represent five percent (5%) or more of plan fiduciary net position.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

NOTE 4 – CASH AND INVESTMENTS (Continued)c. Long-Term Investments (Continued)

As of December 31, 2025, SJCERA had the following interest rate sensitive investments (amounts in thousands):

Investments by Fair Value Level	Fair Value	Weighted Average Maturity-Years
Fixed Income		
Asset Backed Securities	\$ 49,999	16.85
Commercial Mortgage-Backed Securities	11,953	14.51
Corporate Bonds	212,416	10.36
Corporate Convertible Bonds	2,195	28.52
Funds - Corporate Bonds	124,979	6.46
Funds - Fixed Income ETF	8,769	4.81
Government Agencies	9,659	15.78
Government Bonds	238,662	18.70
Government Mortgage-Backed Securities	139,710	26.72
Index-Linked Government Bonds	2,112	28.08
Municipal/Provincial Bonds	4,130	10.31
Non-Government Backed CMOs	1,183	25.61
Other Fixed income	181,123	8.29
	986,890	
Total Fixed Income Securities	986,890	
Other Assets		
Short-Term Bills and Notes	96,175	0.09
Custodian Short-Term Investment Fund	195,085	0.11
Collateral from Securities Lending	52,694	0.06
	343,954	
Total Other Assets	\$ 343,954	

Foreign Currency Risk – Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. SJCERA's investment managers can invest in international securities in accordance with their investment guidelines pertaining to these types of investments.

The investment managers can invest in international currencies and related derivatives. Derivative instruments may include currency spots, currency forward contracts, currency futures, options on currency forwards or futures, and currency swaps.

SJCERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2025, follows (amounts in thousands).

Currency	Fair Value
Australian Dollar	\$ 3
British Pound Sterling	423
Canadian Dollar	342
Euro Currency	385
Japanese Yen	254
	1,407
Total	\$ 1,407

NOTE 4 – CASH AND INVESTMENTS (Continued)d. Fair Value Measurement

In accordance with GASB Statement No. 72, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement establishes a fair value hierarchy based on three types of input to develop the fair value measurements for investments. The level is determined based on the lowest level of input significant to the measurement in its entirety. Assets and liabilities measured at fair value are classified into one of the following categories:

Fair Value Hierarchy

Level 1 – reflects unadjusted quoted prices in active markets for identical assets or liabilities accessible on the measurement date. Observable markets include exchange markets, dealer markets, and brokered markets.

Level 2 – reflects similar observable inputs other than quoted market prices. It includes quoted prices for similar assets in active markets or quoted prices for identical or similar assets in inactive markets.

Level 3 – reflects prices based on unobservable sources. They should be used only when relevant Level 1 and Level 2 inputs are unavailable.

NOTE 4 – CASH AND INVESTMENTS (Continued)d. Fair Value Measurement (Continued)

The following table presents fair value measurements as December 31, 2025 (amounts in thousands).

Investments by Fair Value Level	Total Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Equities				
Common Stocks	\$ 31	\$ -	\$ 31	\$ -
Preferred Stocks	767	767	-	-
Total Equities	798	767	31	-
Fixed Income				
Asset Backed Securities	49,999	-	49,999	-
Commercial Mortgage-Backed Securities	11,953	-	11,953	-
Corporate Bonds	212,416	-	212,416	-
Corporate Convertible Bonds	2,195	-	2,195	-
Funds - Corporate Bonds	124,979	-	124,979	-
Funds - Fixed Income ETF	8,769	8,769	-	-
Government Agencies	9,659	-	9,659	-
Government Bonds	238,662	-	238,662	-
Government Mortgage-Backed Securities	139,710	-	139,710	-
Index Linked Government Bonds	2,112	-	2,112	-
Municipal/Provincial Bonds	4,130	-	4,130	-
Non-Government Backed CMOs	1,183	-	1,183	-
Other Fixed income	181,123	-	181,123	-
Total Fixed Income	986,890	8,769	978,121	-
Other Assets				
Short-Term Bills and Notes	96,175	94,730	1,445	-
Option Contracts	200	200	-	-
Private Real Estate	176,891	-	-	176,891
Private Credit	48,882	-	-	48,882
Private Equity Funds	209,231	-	-	209,231
Swaps	219	-	219	-
Total Other Assets	531,598	94,930	1,664	435,004
Total Investments by Fair Value Level	1,519,286	104,466	979,816	435,004
Investments Measured at the Net Asset Value (NAV)				
Global Equities Funds	2,143,394			
Emerging Markets Global Equity	85,639			
Fixed Income Funds	112,043			
Private Credit	281,228			
Multi-Strategy Funds	256,786			
Hedge Funds - Fixed Income	2,879			
Private Equity Funds	342,883			
Private Real Estate Funds	302,982			
Total Investments Measured at NAV	3,527,834			
Total Investments	\$ 5,047,120			

NOTE 4 – CASH AND INVESTMENTS (Continued)d. Fair Value Measurement (Continued)*Investments Measured at the Net Asset Value (NAV)*

SJCERA measures certain investments that do not have a readily determinable fair value, such as hedge funds, commingled funds, and private equity funds, using NAV as a practical expedient. The SJCERA investments valued at NAV are the majority holdings for the SJCERA portfolio. The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for SJCERA investments measured at NAV.

The following table presents the investments measured at NAV as December 31, 2025 (amounts in thousands):

Investments Measured at NAV	Fair Value	Unfunded Commitment	Redemption Frequency If Currently Eligible	Redemption Notice Period
Global Equities Funds	\$ 2,143,394	\$ -	Daily, Weekly, Semi-Monthly, Monthly	1-30 days
Emerging Markets Global Equity	85,639	-	Weekly	T-4 Days
Fixed Income Funds	112,043	22,451	Daily, Not Eligible	1 day
Private Credit	281,228	124,704	Not Applicable	Not Applicable
Multi-Strategy Hedge Funds	256,786	-	Daily, Weekly, Semi-Monthly, Monthly	0-15 days
Hedge Funds - Fixed Income	2,879	13,005	Daily, Quarterly, Not Eligible	0-60 days
Private Equity Funds	342,883	93,824	Not Eligible	Not Applicable
Private Real Estate Funds	<u>302,982</u>	<u>80,652</u>	Quarterly, Not Eligible	5-90 Days, Not Applicable
Total Investments Measured at NAV	<u>\$ 3,527,834</u>	<u>\$ 334,636</u>		

Global Equities Funds – Assets within these funds represent shares of ownership in U.S. and international corporations, including publicly traded common stocks, American and Global Depository Receipts, as well as Real Estate Investment Trusts (REITS).

Emerging Markets Global Equity – Assets within this segment represent a diversified portfolio seeking to identify growing countries and the companies that complement our core Equity holdings.

Fixed Income Funds – Funds within this segment represent debt instruments of corporations, government or agencies characterized by a fixed or variable interest rate and stated maturity date, including marketable bonds.

Private Credit – Assets within this segment are defined by non-bank lending where the debt is not issued or traded on the public markets.

Risk Parity Funds – Funds within this segment represent portfolios that seek to balance the risk characteristics of assets across multiple segments. These portfolios generally invest in equities, bonds, and commodities among other assets.

NOTE 4 – CASH AND INVESTMENTS (Continued)d. Fair Value Measurement (Continued)

Multi-Strategy Hedge Funds – Funds within this segment can involve holding both long and short positions in securities instead of traditional long-only investments in publicly traded investments. Portfolios also may utilize derivatives or hedging strategies as well. Multi-Strategy managers utilized various investment segments to invest, including but not limited to, equities, bonds, currency, and commodities.

Fixed Income Hedge Funds – Funds within this segment can involve holding both long and short positions in securities instead of traditional long-only investments in publicly traded investments. Portfolios also may utilize derivatives or hedging strategies as well. These investment funds generally focus on opportunities within fixed income markets.

Private Equity Funds – These funds are illiquid allocations that invest primarily in buyout funds, venture capital, and debt/special situations. These funds are not eligible for redemption and investment periods are generally between five and 15 years.

Private Real Estate Funds – These funds are defined as those investments that are unleveraged or leveraged positions in real property. The portfolio may pursue direct privately held partnership interests, fund-of-funds interests, and direct holdings for its real estate allocation.

e. Summary of Investment Policy

The CERL vests the Board with exclusive control over SJCERA's investment portfolio. The Board established investment policies in accordance with applicable local, State, and Federal laws. The Board members exercise authority and control over the management of SJCERA's assets by setting policy, which the staff executes either internally or through the use of external prudent experts. The Board provides oversight and guidance subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- 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 with like objectives.
- Diversify the investments of the plans so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

f. Target Asset Allocation

On December 12, 2025, the Board adopted a new strategic asset allocation policy for SJCERA's investments effective October 15, 2025. The new policy was the result of education, asset allocation review, and portfolio design options presented over 2025 by its investment consultant Meketa Investment Group.

The strategic asset allocation is expected to improve the likelihood of the plan accomplishing its primary financial objective: to earn a long-term return that, coupled with projected contributions, is projected to be sufficient to attain full funding in the long-term while enhancing funded status.

NOTE 4 – CASH AND INVESTMENTS (Continued)f. Target Asset Allocation (Continued)

Asset Class	Policy Allocation Percentage		Purpose	Main Risk Exposures
	Prior to 10/15/2025	Starting 10/15/2025		
Aggressive Growth	16.00%	21.00%	Return	Growth
Traditional Growth	34.00%	38.00%	Return	Growth, Currency
Credit	15.00%	13.00%	Income, Growth	Growth
Core Real Assets	9.00%	9.00%	Income, Growth	Growth, Interest Rates
Risk Parity	6.00%	0.00%	Balanced Return	Growth, Interest Rates, Inflation
Principal Protection	7.00%	9.00%	Income, Stability	Interest Rates
Crisis Risk Offset (CRO)	13.00%	10.00%	Return and Liquidity during a Growth Crisis	Interest Rates, Variables based on Trends, Alternative Factor Risks
	<u>100.00%</u>	<u>100.00%</u>		

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

The Board has authorized certain investment managers to invest in, or otherwise enter into, transactions involving derivative financial instruments when such transactions are consistent with the investment objectives established for a specific investment manager's assignment. A professional investment consultant is employed to monitor and review each investment manager's securities and derivative position as well as the manager's performance relative to established benchmark rates of return and risk measures. Derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation.

Investment derivatives involve the following types of risks:

Market Risk – Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contacts.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Credit Risk – Credit risk of cash securities containing derivative features is based upon the credit worthiness of the issuers of such securities. It includes the risk that counterparties to contracts will not perform and/or the public exchange will not meet its obligation to assume this counterparty risk. Exchange traded derivatives are generally considered to be of lower credit risk than over-the-counter derivatives due to the exchange’s margin requirements. The derivative investments are exchange traded, and credit risk is limited to the clearing corporation. As of December 31, 2025, collateral for derivatives was \$9.6 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

The following Credit Risk Analysis schedule discloses the counterparty credit ratings of SJCERA’s derivative investments as of December 31, 2025 (amounts in thousands):

Derivative Type	S&P Credit Rating	
	Not Rated	Total Fair Value
Option Contracts	\$ 200	\$ 200
Swap Agreements	219	219
Total	<u>\$ 419</u>	<u>\$ 419</u>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. SJCERA is exposed to interest rate risk in the form of futures contracts and option contracts in the following global government bond markets.

Interest Rate Risk
As of December 31, 2025
(Amounts in Thousands)

Global Bonds	Futures Contracts	Option Contracts
Canadian Government Bond	\$ (15,417)	\$ -
Australian Bond	2,557	-
Long Gilt	37,429	-
Japanese Government Bond	(28,727)	-
Euro Bond	(28,920)	-
U.S. Notes	60,361	-
Eurodollars	58,391	-
Corra Futures	72,378	-
Sonia Future	151,278	-
SOFR	90,471	44
Total	<u>\$ 399,801</u>	<u>\$ 44</u>

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

SJCERA measures derivative interest rate risk using duration with varying maturities of less than three months to more than 10 years. At December 31, 2025, SJCERA had the following investment derivative interest rate risks:

Derivative Type	Notional Value	Fair Value	Interest Rate Risk Analysis As of December 31, 2025 (Amounts in Thousands)					
			< 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	5 to 10 Years	10+ Years
Futures Contracts	\$ 562,505	\$ -	\$ 209,755	\$ 76,353	\$ 109,143	\$ 167,254	\$ -	\$ -
Swap Contracts	-	219	-	-	-	219	-	-
Credit Contracts	-	200	-	200	-	-	-	-
Total	\$ 562,505	\$ 419	\$ 209,755	\$ 76,553	\$ 109,143	\$ 167,473	\$ -	\$ -

Foreign Currency Risk – Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. As of December 31, 2025, SJCERA had the derivative foreign currency exposures listed in the table below.

Foreign Currency Risk
As of December 31, 2025
(Amounts in Thousands)

Currency	Futures Contracts
British Pound	\$ 19,009
Canadian Dollar	11,772
Australian Dollar	19,018
Swiss Franc	18,902
Japanese Yen	(18,533)
Euro Currency	18,848
Mexican Peso	1,020
Total	\$ 70,036

Total 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 (loss). For financial reporting purposes, all SJCERA derivatives are classified as investment derivatives.

Derivative financial instruments held by SJCERA from time to time consist of the following:

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.

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.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Swap Agreements – A swap is an agreement between two or more parties to exchange a sequence of cash flows 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 a “notional” amount. 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.

All investment derivative positions are included as part of investments at fair value on the Statement of Fiduciary Net Position. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the Statement of Changes in Fiduciary Net Position. Investment information was provided either by SJCERA’s investment managers or SJCERA’s custodian bank. The Investment Derivatives schedule below is classified by type and reports the fair value balances and notional amounts of derivatives outstanding as of and for the year ended December 31, 2025.

Investment Derivatives
As of December 31, 2025
(Amounts in Thousands)

Derivative Type	Notional Amount	Fair Value
Futures Contracts	\$ 469,054	\$ 4,455
Option Contracts	190	200
Total	<u>\$ 469,244</u>	<u>\$ 4,655</u>

NOTE 6 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Defined Benefit Pension Plan

The funding objective of the plan is to establish contribution rates that, together with investment earnings, will provide sufficient assets to pay all benefits under the plan. The County and participating employers are required to contribute a percentage of their annual covered payroll at actuarially determined rates. Actuarial valuations involve estimates and make assumptions about the probability of events far into the future; therefore, actuarially determined rates are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

Employer Contributions

For 2025, the required employer contribution rates including normal cost and amortization of the unfunded actuarial liability (UAL) were determined by using the valuation report as of December 31, 2023.

In 2025, the County, Court, and MVCD made additional contributions of \$29.5 million, \$1.5 million, and \$100 thousand, respectively, to decrease their share of the UAL. These additional annual contributions decrease only that individual employer’s share of the UAL and not the liability for other entities participating in SJCERA.

The total fair value of the additional contributions, including prior year amounts and accumulated with interest at the plan’s actual rate of return, was \$354.9 million as of December 31, 2025. These assets are included in the calculation of the UAL and funded ratio. However, under the funding policy with respect to these reserves requested by the contributors and approved by the Board, these assets are not currently included in the calculation of the employer contribution rates.

NOTE 6 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (Continued)

Employer Contributions (Continued)

EMPLOYER RETIREMENT CONTRIBUTION RATES <i>Expressed as a Percentage of Active Member Payroll</i>	For the Year Ended December 31, 2025 (Per December 31, 2023 Valuation)		
	UAL		
	Normal Cost	Amortization	Total
TIER 1			
General Members:			
Paying Basic Rate Only (G.C. 31621.3)	18.98%	29.57%	48.55%
Paying Basic Rate with COLA Cost Share	16.14%	29.57%	45.71%
Paying 114% of Basic Rate with COLA Cost Share	15.57%	29.57%	45.14%
Safety Members:			
Paying Basic Rate Only (G.C. 31639.5)	33.33%	67.25%	100.58%
Paying Basic Rate with COLA Cost Share	28.05%	67.25%	95.30%
Paying 133% of Basic Rate with COLA Cost Share	26.36%	67.25%	93.61%
Composite Total for General and Safety Combined:			
Paying Basic Rate Only (G.C. 31621.3)	22.05%	37.60%	59.65%
Paying Basic Rate with COLA Cost Share	18.69%	37.60%	56.29%
Paying 114%/133% of Basic Rate with COLA Cost Share	17.88%	37.60%	55.48%
TIER 2			
General Members:	10.03%	29.57%	39.60%
Safety Members:	15.67%	67.25%	82.92%
Composite Total for General and Safety Combined:	10.72%	34.10%	44.82%

The composite employer contribution rates (for General and Safety Members combined) expressed as a percentage, or range of percentages, of covered payroll for the past seven years are as follows:

<u>Contribution Year</u>	<u>Tier 1</u>	<u>Tier 2</u>
2025	55.48% - 59.65%	44.82%
2024	56.13% - 60.33%	46.37%
2023	54.23% - 58.38%	44.54%
2022	55.24% - 59.33%	44.89%
2021	53.88% - 57.96%	43.69%
2020	50.86% - 54.72%	41.00%
2019	48.09% - 51.81%	38.60%

Member Contributions

Member contributions are deducted from the member’s salary on a biweekly basis.

Tier 1 member contribution rates are calculated by the actuary using the Entry Age Normal Funding Method (Cost Method). Most Tier 1 members pay one-half of the cost of pre-funding post-retirement COLAs, and some pay an additional percentage of the basic member contribution rate, which reduces the employers’ normal cost. Tier 2 members pay a single contribution rate adjusted annually. The required contribution rates are expressed as a percentage of covered payroll. The 2025 contribution rates were determined using the actuarial valuation performed as of December 31, 2023.

Tier 1 members pay contributions based upon their membership category, General or Safety, and age at entry into membership. General, Tier 1 members employed before March 7, 1973, and all Safety, Tier 1 members stop paying member contributions when they have 30 years of service but continue to accrue retirement service credit for subsequent active employment subject to membership.

NOTE 6 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE (Continued)Member Contributions (Continued)

Tier 2 members pay contributions, based upon their membership category, equal to one-half of the normal cost of the applicable benefits.

In 2025, member contributions totaled \$64.4 million and employer contributions totaled \$342.7 million. Member contributions increased by \$5.6 million, or 9.5 percent, over the prior year, and employer contributions increased by \$19.5 million, or 6.0 percent, over the prior year.

NOTE 7 – FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS

As required by the CERL and the Board's policy, the following reserves from Fiduciary Net Position Restricted for Pension Benefits must be established and used to account for the members', employers', and retirees' contributions. The Unappropriated Earnings Reserve was insufficient to fully credit all reserves interest earnings at the 6.75 percent assumption rate.

a. Active and Deferred Members' Reserve

This reserve represents the cumulative contributions made by active members, net of refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary.

b. Employer Advance Reserve

This reserve represents the cumulative contributions made by the County and participating employers. Interest earnings are credited semi-annually to the reserve at the assumption rate determined by the actuary, if sufficient unappropriated earnings reserve funds exist.

c. Additional 5% Contributions Reserve

This reserve represents the additional contributions in excess of actuarially determined contributions paid by the County in order to decrease its share of the UAL.

d. MVCD Additional Contributions Reserve

This reserve represents the additional contributions in excess of actuarially determined contributions paid by the MVCD in order to decrease its share of the UAL.

e. Court Additional Contribution Reserve

This reserve represents the additional contributions in excess of actuarially determined contributions paid by the Court in order to decrease its share of the UAL.

f. Retired Members' Reserve

This reserve accounts for the unpaid retirees' pension benefits. Upon a member's retirement, the member's accumulated contributions are transferred from the Active and Deferred Members' Reserve account to the Retired Members' Annuity Reserve account. In addition, the actuarially determined amount of the member's vested interest is transferred from the Employer Advance Reserve account to the Retired Members' Pension Reserve account. The Retired Members' Reserve account at December 31, 2025, includes the authorized "Purchasing Power" benefit reserve and additional pension benefits specified in the pre-April 1, 1982 class-action lawsuit settlement agreement. These benefits are explained in Note 1b. In accordance with the Statement of Reserve Policy, the post-April 1, 1982 Settlement Reserve is a Special Reserve, which is not included in valuation assets.

NOTE 7 – FIDUCIARY NET POSITION RESTRICTED FOR PENSION BENEFITS (Continued)

g. Class Action Settlement – Post 4/1/82 Reserve

The Class Action Settlement – Post 4/1/82 Reserve designates the reserve that pays the Post-82 Class Action Settlement allowances for the lifetime of the members and beneficiaries, who retired between April 1, 1982, and December 31, 2000, to the extent sufficient funds are available.

h. Contingency Reserve

Earnings of the retirement fund during any year in excess of the total interest credited to contributions and reserves during the year remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The CERL provides that when the contingency reserve exceeds one percent of total assets, the retirement board may transfer all or any part of the surplus as specified in Government Code Section 31592.2. In June 2017, the Board amended the Reserve Policy, lowering the Contingency Reserve target from three percent to one percent of total assets. The Contingency Reserve is 0.0 percent of the fair value of total assets at December 31, 2025.

i. Market Stabilization Designation Reserve

This “designation” reserve is used to further minimize the impact of the fluctuations in the fair value of the investments owned by SJCERA. It represents the difference between the actuarial value of assets and the fair value of assets at year-end. It is the balance of deferred earnings and losses created by a five-year smoothing of actual gains and losses compared to the assumed investment rate of return.

j. Unappropriated Earnings Reserve

The Unappropriated Earnings Reserve (UER) is used to accumulate investment income earned by SJCERA, net of the investment expenses and SJCERA's administration cost. From this unappropriated earnings reserve, interest is credited to various other reserves. In addition, at the Board's discretion and subject to the settlement agreement in 2001, this reserve may also be used, from time to time, to stabilize the County's and other employers' actuarially determined contributions, and to fund the market stabilization and contingency reserves.

k. Summary of Reserves

A summary of reserved and designated net position at December 31, 2025, is as follows (amounts in thousands).

Reserves	
Active and Deferred Members	\$ 659,160
Employer Advance	3,350,552
County Additional 5% Contributions	343,798
MVCD Additional Contributions	961
Court Additional Contributions	10,139
Retired Members	783,702
Class Action Settlement - Post-4/1/82	97
Contingency	-
Market Stabilization Designation	138,433
Unappropriated Earnings (Restricted)	-
	<hr/>
Total Reserves	<u>\$ 5,286,842</u>

NOTE 8 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS

a. Net Pension Liability of Employers

SJCERA is a cost sharing, multiple-employer pension plan with a reporting date of December 31, 2025. Measurements as of the reporting date are based on the fair value of assets as of December 31, 2025, and the total pension liability as of the valuation date, December 31, 2024, projected to December 31, 2025. There were no significant events between the valuation date and the measurement date, so the updated procedures consisted of updated actuarial assumptions, plus the addition of service cost and interest cost offset by benefit payments.

The net pension liability was measured as of December 31, 2025, and determined based upon rolling forward the total pension liability from the actuarial valuation as of December 31, 2024. The net pension liability (i.e., the pension plan’s liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below.

Employers' Net Pension Liability (GASB Statement No. 67)
As of December 31, 2025
(Amounts in Thousands)

Total Pension Liability	\$ 6,312,524
Plan Fiduciary Net Position	<u>5,286,842</u>
Employers' Net Pension Liability	<u>\$ 1,025,682</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.8%

b. Actuarial Methods and Significant Assumptions

SJCERA retains an independent actuarial firm to conduct actuarial valuations of the pension plan, monitor SJCERA’s funding status, and establish the contribution rate requirements for the pension plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in accrued actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The total pension liability was determined by an actuarial valuation as of December 31, 2024, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67.

In the December 31, 2024 actuarial valuation, the Entry Age Normal Funding Method (Cost Method) was used. The actuarial assumptions include a 6.75 percent investment rate of return, annual inflation rate of 2.50 percent per year, and projected salary increases at 3.00 percent per year, plus service-based rates, for the year ended 2025. The actuarial value of the plan’s assets was based on a five-year smoothing of actual versus expected returns.

In 2015, the SJCERA Board changed the funding policy to amortize any unexpected changes in the UAL over a period of 15 years as a level percent of pay, with new amortization layers each year. The 2008 Extraordinary Actuarial Loss, which is amortized over a closed 30-year period, has 14 years remaining. The remaining UAL as of December 31, 2013, which is amortized over a closed 19-year period, has 8 years remaining. The new additions to the UAL on and after December 31, 2013, are amortized over 15 years. The single equivalent amortization period for the aggregate stream of UAL payments is 10 years for General and 11 years for Safety as of December 31, 2024. The amortization period for each UAL layer will decrease each year.

NOTE 8 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

b. Actuarial Methods and Significant Assumptions (Continued)

The total pension liability for the pension plan was determined by an actuarial valuation as of December 31, 2024, and accepted actuarial procedures were applied to project the total pension liability to December 31, 2025. Key methods and assumptions used in the latest actuarial valuations as of December 31, 2024, follow.

Key methods and assumptions used in the latest actuarial valuations are presented below:

<i>Valuation Date</i>	December 31, 2024
<i>Actuarial Cost Method</i>	Entry Age Normal
<i>Amortization Method</i>	Level Percentage of Payroll with Separate Amortization Periods for Extraordinary Actuarial Gains or Losses
<i>Remaining Amortization Period</i>	2008 Extraordinary Actuarial Loss - 14 years Remaining UAL as of January 1, 2014 - 8 years Subsequent Unexpected Changes in UAL after December 31, 2013 - 15 years
<i>Asset Valuation Method</i>	Smoothed Actuarial Value (5 years) 80% - 120% Asset Corridor
<i>Actuarial Assumptions:</i>	
<i>Discount Rate</i>	6.75%, Net of Pension Plan Investment Expenses, Including Inflation
<i>Projected Salary Increases</i>	3.00%, Plus Service-Based Rates
<i>General Inflation Rate</i>	2.50%
<i>Cost-of Living Adjustments</i>	2.50% Per Year Assumed
<i>Healthy Mortality</i>	Mortality rates for General active members are based on the sex distinct 2021 CalPERS Pre-Retirement Non-Industrial Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Mortality rates for Safety active members are based on the sum of the rates from the 2021 CalPERS Industrial and Non-Industrial Mortality tables, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. 10% of Safety member active deaths are assumed to occur in the line of duty. Mortality rates for healthy General annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females. Mortality rates for Safety annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females.
<i>Disabled Mortality</i>	Mortality rates for General disabled annuitants are based on status. Rates for General disabled annuitants with a service-related disability are based on the sex distinct 2021 CalPERS Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Rates for General disabled annuitants with a non-service-related disability are based on the sex distinct 2021 CalPERS Non-Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Mortality rates for Safety disabled annuitants are based on the sex distinct 2021 CalPERS Industrially Disabled Mortality Table, with generational mortality improvements projected from 2017 using Projection 80% of Scale MP-2020.

NOTE 8 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

c. Funded Status and Funding Progress

The annual actuarial valuation determines the progress made in accumulating sufficient assets to pay benefits when due. As of December 31, 2024, the pension plan's accrued actuarial liabilities were \$6.1 billion and the market value of assets (MVA) used for actuarial funding purposes was \$4.7 billion, resulting in UAL of \$1.3 billion. The MVA is based on the fair value of investments but includes certain contribution reserves (County, MVCD, and Superior Court) and excludes the contingency reserve (collectively, Special Reserves) and therefore differs from the fair value of assets reported in the financial statements. On this basis, the funded ratio was 76.5 percent, compared to 70.5 percent in the prior year.

As of the December 31, 2024 actuarial valuation, the funded ratio on an actuarial value of assets (AVA) basis, which reflects the smoothing of investment gains and losses over time, increased to 77.9 percent from 74.0 percent. Assumption changes were adopted in connection with the triennial experience study and first reflected in the December 31, 2024 actuarial valuation. The net effect of these assumption changes decreased the Total Pension Liability (and therefore the Net Pension Liability) by approximately \$62.1 million as of the December 31, 2025 measurement date.

SJCERA's Funding Policy provides for regular employer and member contributions at actuarially determined rates, expressed as percentages of annual covered payroll. Contributions required and contributions made are explained in Note 6.

d. Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The allocation of investment assets within SJCERA's portfolio is approved by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit pension plan investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges 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, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2025 and the long-term expected real rates of return.

Asset Class	Target Allocation as of December 31, 2025	Arithmetic Long-Term Expected Real Rate of Return
Aggressive Growth	21.00%	9.1%
Traditional Growth	38.00%	6.5%
Credit	13.00%	5.5%
Core Real Assets	9.00%	2.3%
Principal Protection	9.00%	3.1%
Crisis Risk Offset (CRO)	10.00%	0.4%
	100.00%	
Total		

NOTE 8 – NET PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS (Continued)

e. Discount Rate

The discount rate used to measure the total pension liability was 6.75 percent as of December 31, 2025. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2025.

f. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below presents the net pension liability of SJCERA as of December 31, 2025, calculated using the discount rate of 6.75 percent, as well as what SJCERA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (amounts in thousands).

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Total Pension Liability	\$ 7,136,627	\$ 6,312,524	\$ 5,631,740
Pension Plan Fiduciary Net Position	5,286,842	5,286,842	5,286,842
Collective Net Pension Liability	<u>\$ 1,849,785</u>	<u>\$ 1,025,682</u>	<u>\$ 344,898</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	74.1%	83.8%	93.9%

g. Rate of Return

For the year ended December 31, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 11.56 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 9 – INVESTMENT EXPENSES

Investment expenses include fees paid for investment management services, investment consulting services, fund evaluation services, securities custodian services, and interest expense and other fees incurred in security lending transactions.

NOTE 10 – GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses, including the depreciation and amortization of capital assets, are funded by investment income earnings and are limited, pursuant to Government Code Section 31580.2, to twenty-one-hundredths of one percent (0.21 percent) of SJCERA's accrued actuarial liability. The actual administration expense for the year ended December 31, 2025, was 0.10 percent of the accrued actuarial liability. SJCERA was in compliance with this requirement during 2025.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

SJCERA participates in certain investments that require commitments of a specified amount of capital upfront that is then drawn down at a later time as the investment vehicle requires. The total unfunded capital commitment represents the amount of funds that SJCERA could potentially be required to contribute at a future date. SJCERA had unfunded capital commitments totaling \$334.6 million at December 31, 2025.

NOTE 12 – SUBSEQUENT EVENTS

SJCERA has evaluated subsequent events through May 27, 2026, the date on which the financial statements were available to be issued, noting no subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEARS ENDED DECEMBER 31
(Amounts in Thousands)

	2025	2024	2023	2022	2021
Total Pension Liability					
Service cost	\$ 134,940	\$ 136,489	\$ 124,642	\$ 118,695	\$ 116,889
Interest (includes interest on service cost)	405,754	391,656	366,900	356,416	360,521
Change of benefit terms	-	-	-	-	-
Differences between expected and	(9,569)	57,863	168,153	(37,864)	(17,018)
Changes of assumptions	(62,089)	-	-	(58,741)	-
Benefit payments, including refunds of	(321,569)	(307,250)	(290,538)	(279,364)	(265,966)
Net Change in Total Pension Liability	147,467	278,758	369,157	99,142	194,426
Total Pension Liability - Beginning	6,165,057	5,886,299	5,517,142	5,418,000	5,223,574
Total Pension Liability - Ending (a)	<u>\$ 6,312,524</u>	<u>\$ 6,165,057</u>	<u>\$ 5,886,299</u>	<u>\$ 5,517,142</u>	<u>\$ 5,418,000</u>
Fiduciary Net Position					
Contributions - employer	\$ 342,719	\$ 323,248	\$ 292,752	\$ 269,080	\$ 306,663
Contributions - member	64,443	58,874	54,934	47,405	43,456
Transfer between plans	314	230	(220)	225	271
Net investment income (loss)	553,435	375,662	347,666	(412,760)	572,292
Benefit payments, including refunds of	(321,570)	(307,250)	(290,538)	(279,364)	(265,966)
Administrative expenses	(11,715)	(7,246)	(6,650)	(5,622)	(4,639)
Net Change in Fiduciary Net Position	627,626	443,518	397,944	(381,036)	652,077
Fiduciary Net Position - Beginning	4,659,216	4,215,698	3,817,753	4,198,788	3,546,712
Fiduciary Net Position - Ending (b)	<u>\$ 5,286,842</u>	<u>\$ 4,659,216</u>	<u>\$ 4,215,697</u>	<u>\$ 3,817,752</u>	<u>\$ 4,198,789</u>
Net Pension Liability (a)-(b)	<u>\$ 1,025,682</u>	<u>\$ 1,505,841</u>	<u>\$ 1,670,602</u>	<u>\$ 1,699,390</u>	<u>\$ 1,219,211</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	83.75%	75.57%	71.62%	69.20%	77.50%
Covered Payroll *	\$ 633,475	\$ 581,811	\$ 535,510	\$ 484,056	\$ 470,179
Net Pension Liability as a Percentage of Covered Payroll	161.91%	258.82%	311.96%	351.07%	259.31%

* Covered Payroll reported by plan sponsors is the payroll on which contributions are based in accordance with GASB Statement No. 82.

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS (Continued)
FOR THE YEARS ENDED DECEMBER 31
(Amounts in Thousands)

	2020	2019	2018	2017	2016
Total Pension Liability					
Service cost	\$ 115,229	\$ 110,609	\$ 103,301	\$ 98,438	\$ 92,857
Interest (includes interest on service cost)	350,096	337,480	325,161	308,567	295,198
Change of benefit terms	-	-	-	-	-
Differences between expected and	(58,572)	4,950	(49,384)	37,220	(10,171)
Changes of assumptions	135,011	16,017	81,855	-	87,602
Benefit payments, including refunds of	(251,552)	(236,350)	(221,444)	(205,407)	(194,719)
Net Change in Total Pension Liability	290,212	232,706	239,489	238,818	270,767
Total Pension Liability - Beginning	4,933,361	4,700,655	4,461,166	4,222,349	3,951,582
Total Pension Liability - Ending (a)	<u>\$ 5,223,573</u>	<u>\$ 4,933,361</u>	<u>\$ 4,700,655</u>	<u>\$ 4,461,167</u>	<u>\$ 4,222,349</u>
Fiduciary Net Position					
Contributions - employer	\$ 240,701	\$ 225,529	\$ 208,758	\$ 200,052	\$ 159,123
Contributions - member	40,569	38,099	35,378	33,635	30,117
Transfer between plans	172	299	324	365	294
Net investment income (loss)	276,997	380,675	(56,398)	299,961	151,115
Benefit payments, including refunds of	(251,552)	(236,350)	(221,444)	(205,407)	(194,719)
Administrative expenses	(4,536)	(4,931)	(4,865)	(4,119)	(4,370)
Net Change in Fiduciary Net Position	302,351	403,321	(38,247)	324,487	141,560
Fiduciary Net Position - Beginning	3,244,362	2,841,042	2,879,289	2,554,802	2,413,243
Fiduciary Net Position - Ending (b)	<u>\$ 3,546,713</u>	<u>\$ 3,244,363</u>	<u>\$ 2,841,042</u>	<u>\$ 2,879,289</u>	<u>\$ 2,554,803</u>
Net Pension Liability (a)-(b)	<u>\$ 1,676,860</u>	<u>\$ 1,688,998</u>	<u>\$ 1,859,613</u>	<u>\$ 1,581,878</u>	<u>\$ 1,667,546</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	67.90%	65.76%	60.44%	64.54%	60.51%
Covered Payroll *	\$ 460,457	\$ 453,711	\$ 436,763	\$ 425,887	\$ 392,227
Net Pension Liability as a Percentage of Covered Payroll	364.17%	372.26%	425.77%	371.43%	425.15%

* Covered Payroll reported by plan sponsors is the payroll on which contributions are based in accordance with GASB Statement No. 82.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS
 AND OTHER CONTRIBUTING SOURCES
 DEFINED BENEFIT PENSION PLAN
 FOR THE TEN YEARS ENDED DECEMBER 31
 (Amounts in Thousands)**

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Actuarially Determined Contributions	\$ 311,571	\$ 294,396	\$ 266,112	\$ 245,967	\$ 233,148
Contributions in Relation to the Actuarially Determined Contributions	<u>342,719</u>	<u>323,248</u>	<u>292,752</u>	<u>269,080</u>	<u>306,663</u>
Contribution Deficiency / (Excess)	<u>\$ (31,148)</u>	<u>\$ (28,852)</u>	<u>\$ (26,640)</u>	<u>\$ (23,113)</u>	<u>\$ (73,515)</u>
Covered Payroll	\$ 633,475	\$ 581,811	\$ 535,510	\$ 484,056	\$ 470,179
Contributions as a Percentage of Covered Payroll	54.10%	55.56%	54.67%	55.59%	65.22%
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Actuarially Determined Contributions	\$ 218,612	\$ 203,059	\$ 188,323	\$ 179,825	\$ 159,123
Contributions in Relation to the Actuarially Determined Contributions	<u>240,701</u>	<u>225,529</u>	<u>208,758</u>	<u>200,052</u>	<u>159,123</u>
Contribution Deficiency / (Excess)	<u>\$ (22,089)</u>	<u>\$ (22,470)</u>	<u>\$ (20,435)</u>	<u>\$ (20,227)</u>	<u>\$ -</u>
Covered Payroll	\$ 460,457	\$ 453,711	\$ 436,763	\$ 425,887	\$ 392,228
Contributions as a Percentage of Covered Payroll	52.27%	49.71%	47.80%	46.97%	40.57%

The contributions in excess of Actuarially Determined Contributions are due to the County's, MVCD's, and the Court's additional contributions.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT RETURNS
FOR THE YEARS ENDED DECEMBER 31**

	2025	2024	2023	2022	2021
Annual Money-Weighted Rate of Return, Net of Investment Expense	11.56%	8.50%	9.12%	-7.24%	13.68%
	2020	2019	2018	2017	2016
Annual Money-Weighted Rate of Return, Net of Investment Expense	2.23%	13.77%	-2.11%	11.85%	6.20%

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. It is calculated by finding the rate of return that will set the present values of all cash flows and terminal values equal to the value of the initial investment. The money-weighted rate of return is equivalent to the internal rate of return (IRR).

Time-weighted rate of return assumes that all cash distributions are reinvested in the portfolio and the exact same periods are used for comparisons. When calculating the time-weighted rate of return, the effect of varying cash inflows is eliminated by assuming a single investment at the beginning of a period and measuring the growth or loss of fair value to the end of that period.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025**

NOTE 1 – KEY METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

The following actuarial methods and assumptions were used to determine contribution rates for the year ended December 31, 2025, in the Schedule of Contributions from the Employers and Other Contributing Sources:

<i>Valuation Date</i>	December 31, 2023
<i>Actuarial Cost Method</i>	Entry Age Normal
<i>Amortization Method</i>	Level Percentage of Payroll with Separate Amortization Periods for Extraordinary Actuarial Gains or Losses
<i>Remaining Amortization Period</i>	2008 Extraordinary Actuarial Loss - 15 years Remaining UAL as of January 1, 2014 - 9 years Any future actuarial gains and losses - 15 years
<i>Asset Valuation Method</i>	Smoothed Actuarial Value (5 years) 80%-120% Asset Corridor
<i>Actuarial Assumptions:</i>	
<i>Discount Rate</i>	6.75%, Net of Pension Plan Investment Expenses, Including Inflation
<i>Projected Salary Increases</i>	3.00%, Plus Service-Based Rates
<i>General Inflation Rate</i>	2.75%
<i>Cost-of-Living Adjustments (COLA)</i>	3.00% Per Year Assumed
<i>Healthy Mortality</i>	Mortality rates for General active members are based on the sex distinct 2021 CalPERS Pre-Retirement Non-Industrial Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Mortality rates for Safety active members are based on the sum of the rates from the 2021 CalPERS Industrial and Non-Industrial Mortality tables, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. 10% of Safety member active deaths are assumed to occur in the line of duty. Mortality rates for healthy General annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females. Mortality rates for Safety annuitants are based on the sex distinct 2021 CalPERS Healthy Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020, and a partial credibility adjustment of 1.05 for males and no adjustment for females.

NOTE 1 – KEY METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES
(Continued)

Disabled Mortality

Mortality rates for General disabled annuitants are based on status. Rates for General disabled annuitants with a service-related disability are based on the sex distinct 2021 CalPERS Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020. Rates for General disabled annuitants with a non-service-related disability are based on the sex distinct 2021 CalPERS Non-Industrially Disabled Annuitant Mortality Table, with generational mortality improvements projected from 2017 using 80% of Projection Scale MP-2020.

Mortality rates for Safety disabled annuitants are based on the sex distinct 2021 CalPERS Industrially Disabled Mortality Table, with generational mortality improvements projected from 2017 using Projection 80% of Scale MP-2020.

A complete description of the methods and assumptions used to determine contribution rates for the year ending December 31, 2025, can be found in the December 31, 2023 actuarial valuation report.

NOTE 2 – CHANGES IN KEY METHODS AND ASSUMPTIONS

Changes of Assumptions

The Total Pension Liability as of December 31, 2025 was measured based on the actuarial valuation as of December 31, 2024, projected to the measurement date. The actuarial assumptions used in the December 31, 2024 valuation were updated to reflect the results of the most recent experience study (for the period from January 1, 2022 to December 31, 2024) adopted by the Board of Retirement. The change in actuarial assumptions decreased the Total Pension Liability by approximately \$62.1 million during the measurement year ending December 31, 2025.

The change in assumptions is recognized as a deferred inflow of resources and amortized over the average expected remaining service life of all active and inactive members of the Plan, which is four years (rounded from 4.48 years) as of the December 31, 2025 measurement date.

Changes of Benefit Terms

There were no changes in benefit terms reflected in the Total Pension Liability during the measurement year ending December 31, 2025.

Changes of Methods

There were no changes in actuarial methods used to measure the Total Pension Liability during the measurement year ending December 31, 2025. The Plan continues to use the Entry Age Normal actuarial cost method.

Discount Rate

The discount rate used to measure the Total Pension Liability remained 6.75%, unchanged from the prior measurement date.

OTHER SUPPLEMENTARY INFORMATION

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(Amounts in Thousands)

General Administrative Expenses

(Expenses Subject to the Statutory Limit)

Personnel Services

Staff Salaries	\$ 2,208
Cafeteria Benefits	73
Insurance	331
Social Security	152
Retirement	892
	<hr/>
Total Personnel Services	3,656
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Professional Services

Professional and Specialized Services	1,256
Allocated Department Costs	67
	<hr/>
Total Professional Services	1,323
	<hr/>

Communications

Postage	20
Telephone	28
Travel	103
	<hr/>
Total Communications	151
	<hr/>

Rentals/Equipment

Office Space and Equipment	162
Depreciation & Amortization Expense	173
	<hr/>
Total Rentals/Equipment	335
	<hr/>

Miscellaneous

Office Supplies/Expense	89
Subscriptions and Periodicals	15
Memberships	9
Maintenance	8
Insurance	161
Other Expenses	220
	<hr/>
Total Miscellaneous	502
	<hr/>

Total General Administrative Expenses

5,967

Other Expenses

(Expenses Not Subject to the Statutory Limit)

Information Technology Expenses	5,380
Actuary Fees	201
Fund Legal Fees	167
	<hr/>

Total Other Expenses

5,748

Total General Administrative and Other Expenses

\$ 11,715

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2025
(Amounts in Thousands)**

Investment Management Fees	
Aggressive Growth	\$ 10,321
Traditional Growth	1,499
Credit	5,933
Core Real Assets	3,460
Crisis Risk Offset (CRO)	2,850
Principal Protection	<u>782</u>
Total Investment Management Fees	<u>24,845</u>
Other Investment Fees and Expenses	
Custodian Fees	184
Investment Consultant Fees	354
Miscellaneous Fees	366
Notional Interest Expense	<u>94</u>
Total Other Investment Fees and Expenses	<u>998</u>
Total Investment Expense	<u>25,843</u>
Securities Lending Fees	
Securities Lending Fees and Rebates	<u>3,196</u>
Total Investment Fees and Expenses	<u><u>\$ 29,039</u></u>

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
 SCHEDULE OF PAYMENTS TO CONSULTANTS
 FOR THE YEAR ENDED DECEMBER 31, 2025
 (Amounts in Thousands)**

Nature of Service	
Actuarial-Retainer and Valuation	\$ 201
Audit	65
Fund Legal Fees	167
Business Technology Services	<u>2,873</u>
Total Payments to Consultants	<u><u>\$ 3,306</u></u>

The amounts presented represent payments made during the fiscal year and may differ from expenses recognized on the accrual basis in the financial statements.

OTHER INFORMATION

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025
(Amounts in Thousands)**

Employer	Proportionate Share ⁽¹⁾	Net Pension Liability ⁽²⁾
County of San Joaquin	92.2578%	\$ 946,272
SJC Superior Court	3.2370%	33,201
Manteca-Lathrop Rural Fire Protection District	2.1893%	22,455
Waterloo-Morada Rural Fire Protection District	0.7783%	7,983
Tracy Public Cemetery District	0.0843%	864
SJC Mosquito and Vector Control District	0.5058%	5,188
SJC Historical Society and Museum	0.0779%	799
Mountain House Community Services District	0.8138%	8,347
Local Agency Formation Commission	0.0402%	413
San Joaquin County Law Library	0.0156%	160
Total	100.0000%	\$ 1,025,682

- (1) As SJCERA is a cost sharing multiple-employer pension plan, each employer participating in SJCERA must reflect a portion of the collective net pension liability and pension expense in their financial statements. The calculation for the proportionate share for each employer allocates net pension liability and pension expense based on each employer's share of the unfunded liability amortization payment. The proportionate shares are then adjusted to account for the additional contributions made by the County of San Joaquin, the SJC Mosquito and Vector Control District, and SJC Superior Court for the year ended December 31, 2025.
- (2) Proportionate share of net pension liability is based on the actuarial valuation.

**SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SCHEDULE OF EMPLOYER PENSION AMOUNTS
ALLOCATED BY COST SHARING PLAN
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2025
(Amounts in Thousands)**

Employer	Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense		
	Net Pension Liability	Differences Between Expected and Actual Experience	Changes of Assumptions	Changes in Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and
County of San Joaquin	\$ 946,272	\$ 70,813	\$ -	\$ 5,545	\$ 76,358	\$ 13,608	\$ 127,641	\$ 53,800	\$ 6,015	\$ 201,064	\$ 162,487	\$ 338	\$ 162,825
SJC Superior Court	33,201	2,485	-	1,720	4,205	477	4,478	1,888	4,248	11,091	5,701	(1,104)	4,597
Manteca-Lathrop Rural Fire Protection District	22,455	1,680	-	6,121	7,801	323	3,029	1,277	3,574	8,203	3,856	385	4,241
Waterloo-Morada Rural Fire Protection District	7,983	597	-	1,108	1,705	115	1,077	454	1,452	3,098	1,371	(63)	1,308
Tracy Public Cemetery District	864	65	-	298	363	12	117	49	196	374	148	(23)	125
SJC Mosquito and Vector Control District	5,188	388	-	-	388	75	700	295	444	1,514	891	(209)	682
SJC Historical Society and Museum	799	60	-	242	302	11	108	45	121	285	137	43	180
Mountain House Community Services District	8,347	625	-	1,999	2,624	120	1,126	475	1,065	2,786	1,433	536	1,969
Local Agency Formation Commission	413	31	-	166	197	6	56	23	59	144	71	117	188
San Joaquin County Law Library	160	12	-	9	21	2	22	9	34	67	27	(20)	7
Totals	\$ 1,025,682	\$ 76,756	\$ -	\$ 17,208	\$ 93,964	\$ 14,749	\$ 138,354	\$ 58,315	\$ 17,208	\$ 228,626	\$ 176,122	\$ -	\$ 176,122

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
NOTES TO THE OTHER INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2025
(Amounts in Thousands)

NOTE 1 – BASIS OF PRESENTATION AND BASIS OF ACCOUNTING

Because San Joaquin County Employees' Retirement Association (SJCERA) is a cost sharing multiple-employer pension plan, employers participating in SJCERA are required to report a portion of the collective Net Pension Liability, Pension Expense, and Deferred Outflows and Inflows of Resources in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB Statement No. 68 requires that the proportionate share for each employer be determined based on the employer's projected long-term contribution effort to the pension.

SJCERA's actuary prepared the following documents, (1) the Schedule of Cost Sharing Employer Allocations and (2) the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations based on information provided by SJCERA. These documents provide the required information for financial reporting related to SJCERA that employers may use in their financial statements. The measurement date for SJCERA is December 31, 2025. Measurements are based on the fair value of assets as of December 31, 2025, and the Total Pension Liability of \$6.3 billion as of December 31, 2025, was measured as of a valuation date of December 31, 2024, and projected to December 31, 2025.

NOTE 2 – AMORTIZATION OF DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

The difference between projected and actual investment earnings on pension plan investments is amortized over five years on a straight-line basis. One-fifth is recognized in Total Pension Expense for each of the five years. The changes in assumptions and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all active and inactive members of SJCERA, which is four years. The net effect of the change in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources is recognized over the average expected remaining service lives of all active and inactive members of SJCERA.