



Merced County Employees' Retirement Association

**AGENDA**  
**RETIREMENT BOARD MEETING**

Thursday, January 22, 2026, 8:30 A.M.

Location: Merced County Employees' Retirement Association  
690 W 19th Street, Merced, CA  
2<sup>nd</sup> Floor, Board Room  
Zoom Conference Information:

<https://us06web.zoom.us/j/93030195748?pwd=NGhFeGlSVhaSTIsK2JGWE83TVFydz09>

Dial In Number: 669-900-6833, MEETING ID: 930 3019 5748, PASSCODE: 095484  
(For use only if Zoom Connection Malfunctions)

Telephone Number: 1-310-372-7549, Conference Code: 975839

**1. Call to Order- 8:30 A.M.**

The Retirement Board may discuss and take action on the following:

**2. Roll Call**

**3. Teleconference Request**

Trustee Teleconference Request (Govt. Code §54953(f)(2)(A)(i)).

**4. Approval of Minutes – December 11, 2025.**

**5. Public Comment**

Members of the public may comment on any item under the Board's jurisdiction including items on the Board's agenda. Matters presented under this item will not be discussed or acted upon by the Board at this time. Persons addressing the Board will be limited to a maximum of five (5) minutes in total. Please state your name for the record.

**6. Consent Calendar**

Consent matters are expected to be routine and may be acted upon, without discussion, as one unit. If an item is taken off the Consent Calendar for discussion, it will be heard as the last item(s) of the Open Session as appropriate:

- a. Retirements: Pursuant to Govt. Code § 31663.25 or § 31672.

<b>Name</b>	<b>Years of Service</b>	<b>Department</b>	<b>Effective Date</b>
Araiza, Mark	20	Probation	12/13/2025
Baltezore, Daniel	23	DPW	12/13/2025
Hogan, Jeffrey	6	Fire	12/23/2025
Masadey, Anthony	23	BHRS	12/27/2025
Masasso, Kenneth	4	Admin Services	12/31/2025
McGraw, Jan	6	Superior Court	12/14/2025
O'Rourke, Robert	1	County Counsel	01/20/2026
Rubalcava, Lupe	17	HSA	01/15/2026

- b. Monthly and Quarterly Budget Report submitted.
- c. Quarterly Membership Status Report submitted.
- d. Meketa November and December 2025 Monthly Report submitted.
- e. Approve contract modifications with the MercedCERA Board of Retirement for Martha Sanchez Barboa, Plan Administrator, keeping the salary current but adding a 400-hour maximum vacation limit; for Pete Madrid, Assistant Plan



Merced County Employees' Retirement Association

Administrator – Investments, keeping the salary current but adding a 400-hour maximum vacation limit, as well as adding he shall receive all benefit increases provided to Merced County employees classified as B level Unrepresented Management; and Monica Gallegos, Assistant Plan Administrator – Benefits & Administration, keeping the salary current but adding she shall receive all benefit increases provided to Merced County employees classified as B level Unrepresented Management.

- f. SACRS Legislative Update – January 2026.
- g. SACRS Board of Director Elections – 2026-2027 – Elections Notice

## **7. Closed Session**

As provided in the Ralph M. Brown Act, Government Code sections 54950 et seq., the Board may meet in closed session with members of its staff, county employees and its attorneys. These sessions are not open to the public and may not be attended by members of the public. The matters the Board will meet on in closed session are identified below. Any public reports of action taken in the closed session will be made in accordance with Government Code sections 54957.1:

- a. Public Employee Performance Evaluation (Govt. Code § 54957)  
Title: Plan Administrator, Assistant Plan Administrator - Investments and Assistant Plan Administrator – Benefits and Administration

## **8. Report out of Closed Session**

## **9. Open Session**

- a. Discussion on the preliminary annual actuarial valuation results  
<https://presentation.cheiron.us/presentation/view/Merced2025PrelimAVR?token=GBZC> and actuarial experience study results  
<https://presentation.cheiron.us/presentation/view/Merced2025ExperienceStudy?token=x3w6> and possible action to approve the proposed updated assumptions, as recommended by Cheiron – Graham Schmidt, Cheiron.
- b. Discussion and possible action to adopt the 2025 MercedCERA audit report and adopt the 2025 Annual Comprehensive Financial Report (ACFR) – UHY.
- c. Discussion on capital markets summary – Staff.
- d. Discussion and possible action to add GQG International Strategy, Artisan Developing World, and Champlain Small Cap to MercedCERA Watch status – Staff/Meketa.
- e. Discussion and possible action to approve a short-term contract extension for Cliffwater of up to six months to allow sufficient time for the ongoing Request for Proposal (RFP) process for Specialty Investment Consulting services – Staff.
- f. Chair to appoint an ad hoc subcommittee to evaluate the request for proposal (RFP) submissions for Specialty Investment Consulting services – Chair.
- g. Discussion regarding the updated annual MercedCERA Board Education Compliance Report and possible Board education topics for the upcoming March 5<sup>th</sup> trustee education meeting – Staff.
- h. Chair to appoint budget ad hoc subcommittee to work with staff on Fiscal Year 2026/2027 budget – Chair.

## **10. Information Sharing & Agenda Item Requests**

- a. Compliance tracking and acknowledgement forms – Staff.

## **11. Adjournment**



Merced County Employees' Retirement Association

The Agenda and supporting documentation, including any material that was submitted to the Merced County Employees' Retirement Association Board after the distribution of the Agenda, are available online at [www.mercedcera.com](http://www.mercedcera.com).

All supporting documentation for Agenda items, including any material that was submitted to the retirement board after the distribution of the Agenda, is also available for public inspection Monday through Friday from 8:00 a.m. to 5:00 p.m. at the administrative office for the Merced County Employees' Retirement Association located at 690 W 19th Street, Merced, California 95340.

Persons who require accommodation for a disability in order to review an agenda, or to participate in a meeting of the Merced County Employees' Retirement Association per the American Disabilities Act (ADA), may obtain assistance by requesting such accommodation in writing addressed to Merced County Employees' Association, 690 W 19th Street, Merced, CA 95340 or telephonically by calling (209) 726-2724. Any such request for accommodation should be made at least 48 hours prior to the scheduled meeting for which assistance is requested.

Persons who require accommodation for any audio, visual or other disability or Spanish or Hmong interpretation in order to review an agenda, or to participate in a meeting of the Merced County Employees' Retirement Association per the American Disabilities Act (ADA), may obtain assistance by requesting such accommodation. Please address your written request to Merced County Employees' Retirement Association, 690 W 19th Street, Merced, CA 95340 or telephonically by calling (209) 726-2724. Any such request for accommodation should be made at least 48 hours prior to the scheduled meeting for which assistance is requested.

Spanish and Hmong interpreters are available.

Interpretes de espanol y hmong estan disponibles.  
Peb muaj tug paab txhais lug Mev hab Hmoob.

# MERCED CERA

Merced County Employees' Retirement Association

## MINUTES RETIREMENT BOARD MEETING

Thursday, December 11, 2025, 8:30 A.M.

Location: Merced County Employees' Retirement Association  
690 W 19th Street, Merced, CA  
2<sup>nd</sup> Floor, Board Room  
Zoom Conference Information:

<https://us06web.zoom.us/j/93030195748?pwd=NGhFeGlSVhaSTIsK2JGWE83TVFydz09>

Dial In Number: 669-900-6833, MEETING ID: 930 3019 5748, PASSCODE: 095484  
(For use only if Zoom Connection Malfunctions)

Telephone Number: 1-310-372-7549, Conference Code: 975839

### 1. Call to Order- 8:30 A.M.

The Retirement Board may discuss and take action on the following:

### 2. Roll Call

**Board Members Present:** Ryan Paskin, Scott Johnston, Scott Silveira, Karen Adams, Bayani Manilay, Michael Harris, Alfonse Peterson, Janey Cabral, Aaron Rosenberg and Corrina Brown. **Absent:** Moses Nelson. **Counsel:** Tom Ebersole. **Staff:** Martha Sanchez Barboa, Pete Madrid, Monica Gallegos, Alex Lovato, Maria Luisa Rodriguez, Patrick Armendarez and Khue Xiong.

### 3. Teleconference Request

Trustee Teleconference Request (Govt. Code §54953(f)(2)(A)(i)).

None

### 4. Approval of Minutes – November 13, 2025.

Board voted unanimously to approve November 13, 2025, meeting minutes.  
1<sup>st</sup> – Peterson/2<sup>nd</sup> – Johnston, passes 9/0

### 5. Public Comment

Members of the public may comment on any item under the Board's jurisdiction including items on the Board's agenda. Matters presented under this item will not be discussed or acted upon by the Board at this time. Persons addressing the Board will be limited to a maximum of five (5) minutes in total. Please state your name for the record.

**Darlene Ingersoll acknowledged Trustee Paskin for his dedication and support to MercedCERA. She shared her appreciation for him stepping in as MercedCERA's Board Chair for many years and wished him well.**

### 6. Consent Calendar

Consent matters are expected to be routine and may be acted upon, without discussion, as one unit. If an item is taken off the Consent Calendar for discussion, it will be heard as the last item(s) of the Open Session as appropriate:

a. Retirements: Pursuant to Govt. Code § 31663.25 or § 31672.

Name	Years of Service	Department	Effective Date
Costales Jr., Florencio	3	Probation	12/01/2025
Hawkins, Robert	12	Sheriff	12/06/2025
Saldana, Gina	23	Sheriff	12/01/2025

b. Monthly Budget Report submitted.

c. Meketa's Monthly Performance Report submitted.

- d. Approve the interest crediting rate of 4.39490% compounded semi-annually for December 31<sup>st</sup> for the active and deferred reserves and 6.75% interest crediting rate for retired and employer reserves- Staff.

**Board voted unanimously to approve the consent agenda as presented.**

**1<sup>st</sup> – Silveira/ 2<sup>nd</sup> – Paskin, passes 9/0**

**7. Closed Session**

As provided in the Ralph M. Brown Act, Government Code sections 54950 et seq., the Board may meet in closed session with members of its staff, county employees and its attorneys. These sessions are not open to the public and may not be attended by members of the public. The matters the Board will meet on in closed session are identified below. Any public reports of action taken in the closed session will be made in accordance with Government Code sections 54957.1:

- a. Public Employee Performance Evaluation and Labor Negotiations (Govt. Code § 54957; Govt. Code § 54957.6)  
Title: Plan Administrator

**8. Report Out of Closed Session – 9:03 A.M.**

**Regarding closed session and the public employee performance evaluation and labor negotiations of the Plan Administrator, staff were given direction.**

**9. Open Session**

- a. Discussion on market summary and investment performance updates – Staff.  
**No action taken.**
- b. Discussion on MercedCERA's quarterly alternative performance update with possible action on any and all funds and general partners – Cliffwater.  
**No action taken.**
- c. Discussion and possible action to approve the proposed capital budget for the MercedCERA alternative portfolio as presented by Cliffwater, LLC – Cliffwater.  
**Board voted unanimously to approve the proposed capital budget for the MercedCERA alternative portfolio as presented by Cliffwater.**

**1<sup>st</sup> – Silveira/2<sup>nd</sup> – Johnston, passes 9/0**

- d. Discussion and possible action to adopt resolution 2025-04 honoring Trustee Ryan Paskin for his service on the MercedCERA Board of Retirement – Staff.  
**Board voted unanimously to approve Resolution 2025-04 honoring Trustee Ryan Paskin for his service on the MercedCERA Board of Retirement.**

**1<sup>st</sup> – Silveira/2<sup>nd</sup> – Johnston, passes 9/0**

- e. Chair to appoint a trustee to the Investment Subcommittee to immediately replace Trustee Ryan Paskin and appoint new Investment Subcommittee chair – Chair.

**Chair appointed Trustee Janey Cabral to the Investment Subcommittee.**

**Board voted unanimously to approve Trustee Bayani Manilay to serve as the Investment Subcommittee Chair.**

**1<sup>st</sup> – Adams/2<sup>nd</sup> – Silveira, passes 9/0**

**10. Information Sharing & Agenda Item Requests**

**Plan Administrator, Martha Sanchez Barboa, informed the Board:**

- the informal procurement for Board and Staff Communication Training was completed and UC Merced was awarded the contract for training services.
- the Merced County Board of Supervisors approved the MercedCERA Bylaws as presented on December 9<sup>th</sup>.
- quotes were received and will be presented to the Board for Board dais technical equipment and board management system software.



Merced County Employees' Retirement Association

**11. Adjournment at 10:44 A.M.**

Trustee Name/Position	Signature	Date
Corrina Brown/Chair		
Al Peterson/Secretary		

**Merced County Employees' Retirement Association**  
**Administrative Expenditures Report (Preliminary)**  
**For the Month Ended December 31, 2025**

Administrative Budget	Adopted	Current Budget	Expended 2025-12	Expended YTD	Bal Remaining	% Exp YTD
<b>10110 · Salaries &amp; Wages</b>	<b>1,975,000.00</b>	<b>1,975,000.00</b>	<b>169,147.40</b>	<b>795,732.30</b>	<b>1,179,267.70</b>	<b>40.29%</b>
12/5/2025 Office Payroll 2025 PP25			142,031.06			
12/5/2025 2025 PP25 Retirement Investment Staff Cost Reclass (see Account #21800)			(8,685.16)			
12/5/2025 2025 PP25 Staff Salary Allocated to Investments (see Account #21800)			(28,500.94)			
12/5/2025 Board Member Stipends (see Account #21808)			(753.55)			
12/19/2025 Office Payroll 2025 PP 26			90,162.52			
12/19/2025 2025 PP26 Retirement Investment Staff Cost Reclass (see Account #21800)			(8,685.16)			
12/19/2025 2025 PP26 Staff Salary Allocated to Investments (see Account #21800)			(16,421.37)			
Total 10110 · Salaries & Wages			<b>169,147.40</b>			
<b>20600 · Communications</b>	<b>16,000.00</b>	<b>16,000.00</b>	<b>756.00</b>	<b>4,779.89</b>	<b>11,220.11</b>	<b>29.87%</b>
12/30/2025 2025-11 Communication Charges			756.00			
Total 20600 · Communications			<b>756.00</b>			
<b>21000 · Insurance - Other</b>	<b>118,000.00</b>	<b>118,000.00</b>	<b>889.16</b>	<b>100,621.52</b>	<b>17,378.48</b>	<b>85.27%</b>
12/10/2025 Nationwide 2025-11 Building Insurance			889.16			
Total 21000 · Insurance - Other			<b>889.16</b>			
<b>21301 · Maintenance Structure Improvement &amp; Grounds</b>	<b>100,000.00</b>	<b>100,000.00</b>	<b>9,987.23</b>	<b>30,397.84</b>	<b>69,602.16</b>	<b>30.40%</b>
12/9/2025 Crites, Robert 2025-11 Pest Control			40.00			
12/15/2025 Yard Masters (yard maintenance services)			2,400.00			
12/22/2025 Geil Enterprises 2025-12 Janitorial Svcs			1,772.00			
12/30/2025 Yard Masters 2025-12 Landscaping			400.00			
12/30/2025 Hoffman 2026-01 Alarm System			285.00			
12/30/2025 Hoffman 2026-01 CCTV Cameras			260.00			
12/30/2025 Hoffman 2026-01 Fire System			60.00			
12/30/2025 2025-11 DPW Services			4,770.23			
Total 21301 · Maintenance Structure Improvement			<b>9,987.23</b>			
<b>21500 · Membership</b>	<b>7,000.00</b>	<b>7,000.00</b>	<b>750.00</b>	<b>7,100.00</b>	<b>(100.00)</b>	<b>101.43%</b>
12/22/2025 CALAPRS 2026-01 to 2026-06 Membership			750.00			
Total 21500 · Membership			<b>750.00</b>			
<b>21700 · Office Expense - General</b>	<b>20,000.00</b>	<b>20,000.00</b>	<b>1,304.53</b>	<b>5,355.65</b>	<b>14,644.35</b>	<b>26.78%</b>
12/4/2025 VistaPrint Board Service Plaque			61.16			
12/8/2025 ODP 2025-11 Office Supplies			605.71			
12/8/2025 ODP 2025-11 Office Supplies			61.41			
12/8/2025 ODP 2025-11 Office Supplies			87.43			
12/8/2025 ODP 2025-11 Office Supplies			26.86			
12/8/2025 ODP 2025-11 Office Supplies			21.64			
12/10/2025 ODP 2025-11 Office Supplies			27.05			
12/10/2025 ODP 2025-11 Office Supplies			159.84			
12/16/2025 First Choice 12/10/25 Water Svc			32.31			
12/22/2025 ODP 2025-12 Office Supplies			68.86			
12/22/2025 ODP 2025-12 Office Supplies			86.26			
12/22/2025 2025-11 Pacific Shred			66.00			
Total 21700 · Office Expense - General			<b>1,304.53</b>			
<b>21710 · Office Expense - Postage</b>	<b>54,000.00</b>	<b>54,000.00</b>	<b>2,619.84</b>	<b>15,785.42</b>	<b>38,214.58</b>	<b>29.23%</b>
12/30/2025 2025-11 Printing Charges			682.50			
12/30/2025 2025-11 Mailroom Charges			1,937.34			
Total 21710 · Office Expense - Postage			<b>2,619.84</b>			
<b>21805 · Audits</b>	<b>72,000.00</b>	<b>72,000.00</b>	<b>-</b>	<b>-</b>	<b>72,000.00</b>	<b>0.00%</b>

Merced County Employees' Retirement Association  
 Administrative Expenditures Report (Preliminary)  
 For the Month Ended December 31, 2025

Total 21805 · Audits				-			
<b>21808 · Board Membership</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>753.55</b>	<b>3,660.10</b>	<b>11,339.90</b>	<b>24.40%</b>	
12/5/2025 Board Member Stipends			753.55				
Total 21808 · Board Membership			<b>753.55</b>				
<b>21900 · Publications &amp; Legal Notices</b>	<b>5,000.00</b>	<b>5,000.00</b>	-	<b>4,551.95</b>	<b>448.05</b>	<b>91.04%</b>	
Total 21900 · Publications & Legal Notices			-				
<b>22300 · Spec Dept Exp - Other</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>1,372.72</b>	<b>5,151.00</b>	<b>4,849.00</b>	<b>51.51%</b>	
12/1/2025 MercedCERA 75th Anniversary Slideshow			1,372.72				
Total 22300 · Spec Dept Exp - Other			<b>1,372.72</b>				
<b>22310 · Election Expense</b>	<b>30,000.00</b>	<b>30,000.00</b>	-	-	<b>30,000.00</b>	<b>0.00%</b>	
Total 22310 · Election Expense			-				
<b>22327 · Spec Dept Exp - Cost Allocation Plan</b>	<b>35,000.00</b>	<b>35,000.00</b>	<b>2,877.45</b>	<b>17,264.70</b>	<b>17,735.30</b>	<b>49.33%</b>	
12/4/2025 2025-12 CAP Charges			2,877.45				
Total 22327 · Spec Dept Exp - Cost Allocation			<b>2,877.45</b>				
<b>22500 · Transportation &amp; Travel</b>	<b>200.00</b>	<b>200.00</b>	-	-	<b>200.00</b>	<b>0.00%</b>	
Total 22500 · Transportation & Travel			-				
<b>22505 · Trans &amp; Travel - Staff &amp; Board Development</b>	<b>70,000.00</b>	<b>70,000.00</b>	<b>1,280.00</b>	<b>11,866.67</b>	<b>58,133.33</b>	<b>16.95%</b>	
12/23/2025 Board Member Michael Harris Public Funds Forum Registration Account Correction*			980.00				
12/30/2025 2025-11 CALAPRS Virtual Roundtable Fee - MercedCERA Staff			400.00				
12/30/2025 2025-10 CALAPRS Investment Roundtable Fee reimbursement-MercedCERA Staff**			(100.00)				
Total 22505 · Trans & Travel - Staff Development & Board Development			<b>1,280.00</b>				
<b>22515 · Trans &amp; Travel - In State (Staff &amp; Board)</b>	<b>45,000.00</b>	<b>45,000.00</b>	<b>1,731.90</b>	<b>6,466.61</b>	<b>38,533.39</b>	<b>14.37%</b>	
12/1/2025 Staff Member Maria Rodriguez SACRS Travel Reimbursement 11/10/25-11/14/25			665.00				
12/22/2025 Staff Member Patrick Armendarez CALAPRS Travel Reimbursement 12/02/25-12/05/25			676.90				
12/22/2025 Staff Member Khue Xiong CALAPRS Travel Reimbursement 12/02/25-12/05/25			390.00				
Total 22515 · Trans & Travel - In State (Staff & Board)			<b>1,731.90</b>				
<b>22516 · Trans &amp; Travel - Out of State (Staff &amp; Board)</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>(980.00)</b>	<b>4,169.29</b>	<b>5,830.71</b>	<b>41.69%</b>	
12/23/2025 Board Member Michael Harris Public Funds Forum Registration Account Correction*			(980.00)				
Total 22516 · Trans & Travel - Out of State (Staff & Board)			<b>(980.00)</b>				
<b>22600 · Utilities</b>	<b>68,000.00</b>	<b>68,000.00</b>	<b>1,916.93</b>	<b>16,532.80</b>	<b>51,467.20</b>	<b>24.31%</b>	
12/8/2025 City of Merced 2025-12 Utilities			646.30				
12/22/2025 MID 2025-12 Utilities			1,270.63				
Total 22600 · Utilities			<b>1,916.93</b>				
<b>Administrative Depreciation Expense</b>	<b>364,400.00</b>	<b>364,400.00</b>	<b>30,262.33</b>	<b>181,573.98</b>	<b>182,826.02</b>	<b>49.83%</b>	
<b>Total Administrative Budget</b>	<b>3,014,600.00</b>	<b>3,014,600.00</b>	<b>224,669.04</b>	<b>1,211,009.72</b>	<b>1,803,590.28</b>	<b>40.17%</b>	

\* Budget Correction: Transferred from Account#22516 to Account#22505.

\*\* Paid for virtual training session but session was cancelled by CALAPRS.

**Merced County Employees' Retirement Association**  
**Non-Administrative Expenditures Report (Preliminary)**  
**For the Month Ended December 31, 2025**

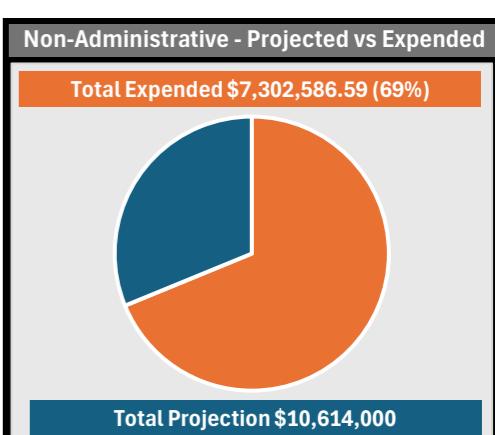
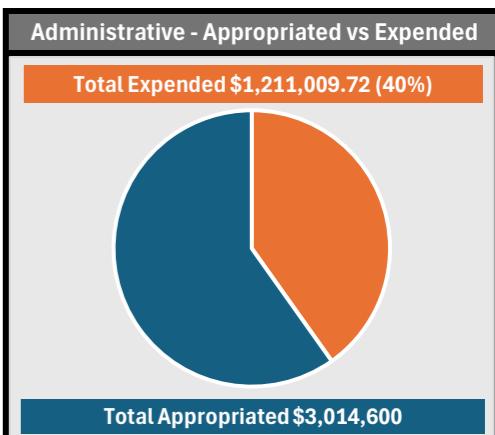
Non-Administrative Expenses	Original Projection	Current Projection	Expended 2025-12	Expended YTD	Bal Remaining	% Exp YTD
<b>21800 · Investment Expenses</b>	<b>8,998,000.00</b>	<b>8,998,000.00</b>	<b>1,199,257.74</b>	<b>6,594,134.75</b>	<b>2,403,865.25</b>	<b>73.28%</b>
12/31/2025 Investment Management Fees			705,287.37			
12/31/2025 Investment Partnership Expenses			366,600.31			
12/5/2025 2025 PP25 Retirement Investment Staff Reclass (from Account #10110)			8,685.16			
12/19/2025 2025 PP26 Retirement Investment Staff Reclass (from Account #10110)			8,685.16			
12/5/2025 2025 PP25 Staff Salary Allocated to Investments (from Account #10110)			28,500.94			
12/19/2025 2025 PP26 Staff Salary Allocated to Investments (from Account #10110)			16,421.37			
12/2/2025 Investment Consultants Cliffwater 2025-11 Consulting Svcs			33,333.33			
12/23/2025 Investment Consultants Nossaman 2025-11 Consulting Svcs			31,744.10			
Total 21800 · Investment Expenses			<b>1,199,257.74</b>			
<b>21802 · Actuarial Services</b>	<b>220,000.00</b>	<b>220,000.00</b>	<b>-</b>	<b>40,251.98</b>	<b>179,748.02</b>	<b>18.30%</b>
Total 21802 · Actuarial Services			<b>-</b>			
<b>21812 · Data Processing</b>	<b>135,000.00</b>	<b>135,000.00</b>	<b>6,788.51</b>	<b>39,914.90</b>	<b>95,085.10</b>	<b>29.57%</b>
12/4/2025 2025-12 IS CAP Charge			446.46			
12/15/2025 AT&T 2025-12 Wifi Svcs			299.74			
12/17/2025 AT&T 2025-12 Internet Svcs			1,047.31			
12/30/2025 2025-11 Cradlepoint Charges			800.00			
12/30/2025 2025-12 Administrative Services Charge			4,195.00			
Total 21812 · Data Processing			<b>6,788.51</b>			
<b>21834 · Legal Services</b>	<b>442,000.00</b>	<b>442,000.00</b>	<b>36,650.72</b>	<b>216,076.72</b>	<b>225,923.28</b>	<b>48.89%</b>
12/1/2025 Nossaman 2025-10 Gen Advice & Counsel			1,663.20			
12/4/2025 2025-12 County Counsel CAP Charge			3,678.42			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			6,360.90			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			50.00			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			3,700.00			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			838.80			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			25.00			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			37.50			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			25.00			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			3,768.90			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			4,736.10			
12/8/2025 Ted Cabral 2025-12 Legal Svcs			3,937.50			
12/23/2025 Hanson Bridgett 2025-11 Legal Svcs			3,186.30			
12/29/2025 Nossaman 2025-11 Gen Advice & Counsel			4,643.10			
Total 21834 · Legal Services			<b>36,650.72</b>			
<b>21840 · Custodial Banking Services</b>	<b>260,000.00</b>	<b>260,000.00</b>	<b>9,757.30</b>	<b>55,204.72</b>	<b>204,795.28</b>	<b>21.23%</b>
12/3/2025 2025-11 NT STIF Income - Custodial Fee			2,779.80			
12/4/2025 2025-11 Wire Fees			165.00			
12/31/2025 Northern Trust Capital Call Fees (for period ending 12/31/25)			6,812.50			
Total 21840 · Custodial Banking Services			<b>9,757.30</b>			
<b>22350 · Software &amp; Technology</b>	<b>559,000.00</b>	<b>559,000.00</b>	<b>133,508.54</b>	<b>357,003.52</b>	<b>201,996.48</b>	<b>63.86%</b>
12/1/2025 CPAS 2025-12 Hosting Svcs			9,763.52			
12/2/2025 Digital Deployment 2025-12 Web Support			900.00			
12/17/2025 FRSecure Q2 3 Year Fact Engagement Svcs (Cybersecurity)			13,380.00			
12/18/2025 Hi-Tech Home Final 20% for Podium Microphone in Board Room			648.22			
12/22/2025 Pitney Bowes Equipment Lease			210.96			
12/23/2025 LexisNexis 2025-11 Accruint & Batch Svcs			936.56			
12/29/2025 CPAS 2026-01 Hosting Svcs			9,763.52			
12/30/2025 2025-11 IS Equipment Charge			35.68			
12/30/2025 CPAS 2026-01 to 2026-06 Annual Maintenance			14,536.88			
12/30/2025 CPAS 2026-01 to 2026-06 Annual Support			81,000.00			
12/30/2025 CPAS 2025-12 to 2026-06 Annual Enterprise Maintenance			2,333.20			

**Merced County Employees' Retirement Association  
Non-Administrative Expenditures Report (Preliminary)  
For the Month Ended December 31, 2025**

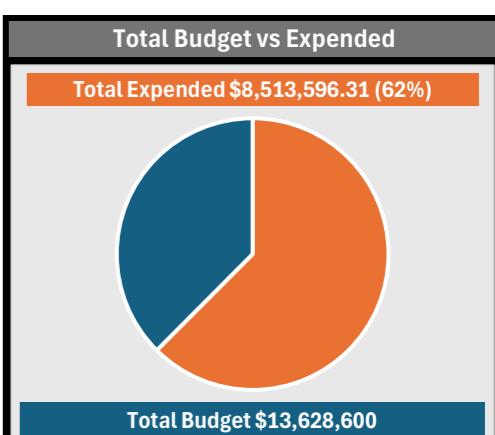
Total 22350 · Software and Technology					<b>133,508.54</b>		
<b>Non-Administrative Depreciation Expense</b>					-	-	-
<b>Total Non-Administrative Items</b>	<b>10,614,000.00</b>	<b>10,614,000.00</b>	<b>1,385,962.81</b>	<b>7,302,586.59</b>	<b>3,311,413.41</b>	<b>68.80%</b>	

**Fiscal Year 2025-2026, Quarter 2 - Expense Report**

Administrative Budget									
Account #	Account Name/Description	Fiscal Year Appropriation	Q1 Expended	Q1 %	Q2 Expended	Q2 %	Total Expended	Appropriation Remaining	% Expended
10110	SALARIES/BENEFITS	\$ 1,975,000	\$ 366,758.13	19%	\$ 428,974.17	22%	\$ 795,732.30	\$ 1,179,267.70	40%
20600	COMMUNICATIONS	\$ 16,000	\$ 2,511.89	16%	\$ 2,268.00	14%	\$ 4,779.89	\$ 11,220.11	30%
21000	INSURANCE	\$ 118,000	\$ 97,746.80	83%	\$ 2,874.72	2%	\$ 100,621.52	\$ 17,378.48	85%
21301	MAINT STRUCT IMPROVEMENT & GROUNDS	\$ 100,000	\$ 11,116.00	11%	\$ 19,281.84	19%	\$ 30,397.84	\$ 69,602.16	30%
21500	MEMBERSHIP	\$ 7,000	\$ 5,350.00	76%	\$ 1,750.00	25%	\$ 7,100.00	\$ (100.00)	101%
21700	OFFICE EXPENSE - GENERAL	\$ 20,000	\$ 2,888.04	14%	\$ 2,467.61	12%	\$ 5,355.65	\$ 14,644.35	27%
21710	OFFICE EXPENSE - POSTAGE	\$ 54,000	\$ 5,969.13	11%	\$ 9,816.29	18%	\$ 15,785.42	\$ 38,214.58	29%
21805	AUDITS	\$ 72,000	\$ -	0%	\$ -	0%	\$ -	\$ 72,000.00	0%
21808	BOARD MEMBERSHIP	\$ 15,000	\$ 1,399.45	9%	\$ 2,260.65	15%	\$ 3,660.10	\$ 11,339.90	24%
21900	PUBLICATIONS & LEGAL NOTICES	\$ 5,000	\$ 4,551.95	91%	\$ -	0%	\$ 4,551.95	\$ 448.05	91%
22300	SPEC DEPT EXPENSE - OTHER	\$ 10,000	\$ 2,692.19	27%	\$ 2,458.81	25%	\$ 5,151.00	\$ 4,849.00	52%
22310	SPEC DEPT EXPENSE - ELECTION EXPENSE	\$ 30,000	\$ -	0%	\$ -	0%	\$ -	\$ 30,000.00	0%
22327	SPEC DEPT EXP - COST ALLOCATION PLAN	\$ 35,000	\$ 8,632.35	25%	\$ 8,632.35	25%	\$ 17,264.70	\$ 17,735.30	49%
22500	TRANSPORTATION & TRAVEL	\$ 200	\$ -	0%	\$ -	0%	\$ -	\$ 200.00	0%
22505	STAFF & BOARD DEVELOPMENT	\$ 70,000	\$ 10,336.67	15%	\$ 1,530.00	2%	\$ 11,866.67	\$ 58,133.33	17%
22515	STAFF & BOARD TRANS & TRAVEL - INSTATE OVERNIGHT	\$ 45,000	\$ 4,467.20	10%	\$ 1,999.41	4%	\$ 6,466.61	\$ 38,533.39	14%
22516	STAFF & BOARD TRANS & TRAVEL - OUT OF STATE	\$ 10,000	\$ 694.97	7%	\$ 3,474.32	35%	\$ 4,169.29	\$ 5,830.71	42%
22600	UTILITIES	\$ 68,000	\$ 8,132.86	12%	\$ 8,399.94	12%	\$ 16,532.80	\$ 51,467.20	24%
N/A	ADMINISTRATIVE DEPRECIATION EXPENSE	\$ 364,400	\$ 90,786.99	25%	\$ 90,786.99	25%	\$ 181,573.98	\$ 182,826.02	50%
<b>Total MercedCERA Administrative Budget</b>		<b>\$ 3,014,600</b>	<b>\$ 624,034.62</b>	<b>21%</b>	<b>\$ 586,975.10</b>	<b>19%</b>	<b>\$ 1,211,009.72</b>	<b>\$ 1,803,590.28</b>	<b>40%</b>

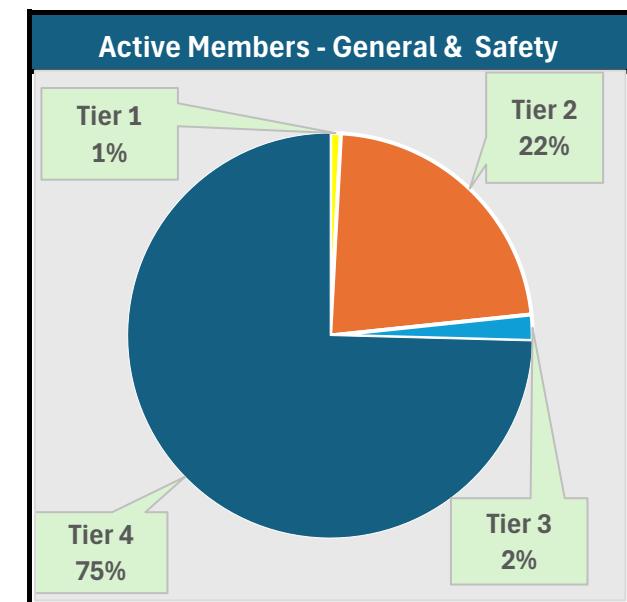


Non-Administrative Projection									
Account #	Account Name/Description	Fiscal Year Projection	Q1 Expended	Q1 %	Q2 Expended	Q2 %	Total Expended	Projection Remaining	% Expended
21800	INVESTMENT EXPENSE	\$ 8,998,000	\$ 3,172,101.56	35%	\$ 3,422,033.19	38%	\$ 6,594,134.75	\$ 2,403,865.25	73%
21802	ACTUARIAL SERVICES	\$ 220,000	\$ 789.48	0%	\$ 39,462.50	18%	\$ 40,251.98	\$ 179,748.02	18%
21812	DATA PROCESSING	\$ 135,000	\$ 19,078.81	14%	\$ 20,836.09	15%	\$ 39,914.90	\$ 95,085.10	30%
21834	LEGAL SERVICES	\$ 442,000	\$ 95,685.36	22%	\$ 120,391.36	27%	\$ 216,076.72	\$ 225,923.28	49%
21840	CUSTODIAL BANKING SERVICES	\$ 260,000	\$ 5,091.20	2%	\$ 50,113.52	19%	\$ 55,204.72	\$ 204,795.28	21%
22350	SOFTWARE & TECHNOLOGY	\$ 559,000	\$ 198,373.33	35%	\$ 158,630.19	28%	\$ 357,003.52	\$ 201,996.48	64%
N/A	NON-ADMINISTRATIVE DEPRECIATION EXPENSE	\$ -	\$ -	0%	\$ -	0%	\$ -	\$ -	0%
<b>Total MercedCERA Non-Administrative Projection</b>		<b>\$ 10,614,000</b>	<b>\$ 3,491,119.74</b>	<b>33%</b>	<b>\$ 3,811,466.85</b>	<b>36%</b>	<b>\$ 7,302,586.59</b>	<b>\$ 3,311,413.41</b>	<b>69%</b>

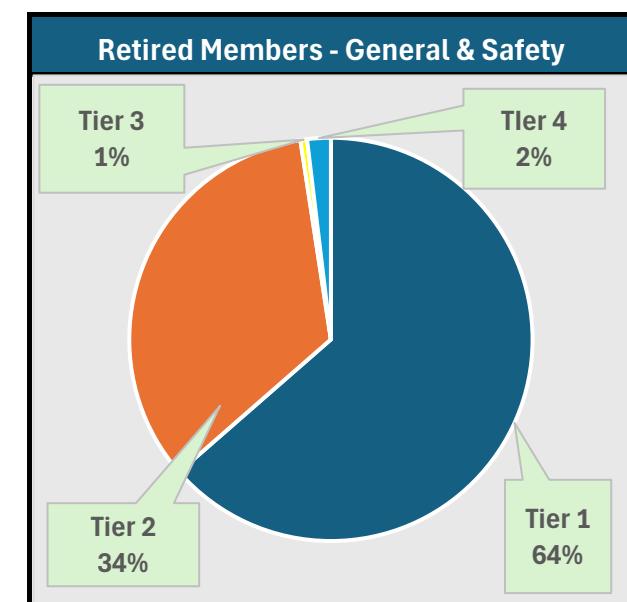


## Quarter 4 - 2025 Membership Status

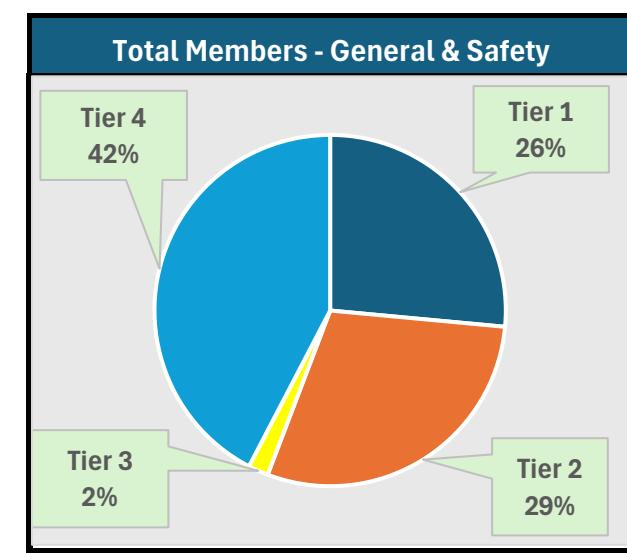
Active Members						
Tier	General	% General	Safety	% Safety	Total	% Total
Tier 1	16	1%	4	1%	20	1%
Tier 2	431	22%	97	27%	528	22%
Tier 3	43	2%	6	2%	49	2%
Tier 4	1495	75%	256	71%	1751	75%
<b>Total Active</b>	<b>1985</b>	<b>85%</b>	<b>363</b>	<b>15%</b>	<b>2348</b>	<b>100%</b>



Retired Members						
Tier	General	% General	Safety	% Safety	Total	% Total
Tier 1	1383	62%	298	73%	1681	64%
Tier 2	792	35%	107	26%	899	34%
Tier 3	14	1%	0	0%	14	1%
Tier 4	46	2%	4	1%	50	2%
<b>Total Retired</b>	<b>2235</b>	<b>85%</b>	<b>409</b>	<b>15%</b>	<b>2644</b>	<b>100%</b>



Deferred Members						
Tier	General	% General	Safety	% Safety	Total	% Total
Tier 1	24	2%	1	1%	25	2%
Tier 2	409	31%	75	39%	484	32%
Tier 3	54	4%	4	2%	58	4%
Tier 4	850	64%	110	58%	960	63%
<b>Total Deferred</b>	<b>1337</b>	<b>88%</b>	<b>190</b>	<b>12%</b>	<b>1527</b>	<b>100%</b>



Total Members						
Tier	General	% General	Safety	% Safety	Total	% Total
Tier 1	1423	26%	303	31%	1726	26%
Tier 2	1632	29%	279	29%	1911	29%
Tier 3	111	2%	10	1%	121	2%
Tier 4	2391	43%	370	38%	2761	42%
<b>Total Members</b>	<b>5557</b>	<b>85%</b>	<b>962</b>	<b>15%</b>	<b>6519</b>	<b>100%</b>



# **Merced County Employees' Retirement Association**

**December 11, 2025**

**November Flash Report**

- 1. Executive Summary as of November 30, 2025**
- 2. Performance Update as of November 30, 2025**
- 3. Disclaimer, Glossary, and Notes**

## **Executive Summary as of November 30, 2025**

### **Portfolio Preliminary Performance Highlights**

- November results for equity markets were mixed, with International Developed and US Equities posting modest gains, while Emerging Markets saw sharp declines over the period. US Equities (Russell 3000) returned 0.3%, Developed International equities (MSCI EAFE) returned 0.6% and Emerging Markets (MSCI EM) returned -2.4% over the month. Bonds also saw muted positive returns over the month with the broad Bloomberg US Aggregate Index returning 0.6%.
- For November, Merced CERA reported a monthly return (w/o Alternatives) of 0.3% net of fees. US Equities returned 0.3%, mirroring the Russell 3000 Index. International Equities return of -0.1% trailed both the MSCI AC World ex USA IMI Index as well as the secondary blended asset class benchmark, which returned 0.1% and 0.7% respectively. The Emerging Markets sleeve returned -4.5%, trailing the MSCI EM index return of -2.4%. US Fixed Income returned 0.6%, mirroring the benchmark. Opportunistic Credit posted 0.5% for the month, outpacing the blended benchmark return of 0.4%.

## **Manager Highlights**

## Manager Highlights (Year to Date)

- **BNY Mellon Newton Dynamic US Equity**, the portfolio's active large cap manager, returned 17.6% through November, trailing the S&P 500 Index return of 17.8%. Meketa last met with the manager in January 2025 to review portfolio strategy, performance and outlook. Manager is expected to perform well under normal market conditions (fundamentals drive investment returns) and bull markets.
- **Champlain Small Cap**, the portfolio's active small cap manager, returned -4.3%, trailing the Russell 2000 Index return of 13.5%. Meketa last met with manager regarding the strategy in May 2025 at Meketa's Boston office.
- **First Eagle** returned 34.4% versus the MSCI EAFE Index return of 27.4% and MSCI AC World ex US Value Index return of 34.2%. Meketa last met with the manager in October 2025 to discuss announced plans for Kimball Brooker, Portfolio Manager and co-Head of the Global Value Team, to step away from his portfolio management responsibilities. Fund exhibits high turnover relative to peers and uses gold as a hedge. The fund performs well in down cycles, as the strategy focuses on capital preservation in lieu of some upside potential.
- **GQG** returned 19.1% year to date, trailing the MSCI AC World ex US return of 28.5%. Meketa last met with the manager in May 2025 to discuss the strategy.
- **Acadian** returned 26.5%, trailing the MSCI ACWI ex US Small Cap Index return of 26.8%. Meketa last met with the manager in October 2025 to discuss the strategy.
- **Driehaus** returned 27.4%, outpacing the MSCI ACWI ex US Small Cap Growth Index return of 24.2%. Meketa last met with the manager in April 2025 regarding their ownership and governance structure.

## Manager Highlights (Year to Date)

- **Artisan Developing World** returned 11.6% vs MSCI EM index return of 29.7%. Meketa last met with the manager in November 2025 to discuss their strategy. The fund is a high conviction, concentrated strategy that is benchmark agnostic and has large deviations regionally, with meaningful weights in US equities. Note that tracking error for this strategy is expected to be high (5-10% annually) and has recently exceeded this, which has been driven by exposure to non-benchmark names, particularly in the US. Meketa continues to evaluate the performance of this strategy in the EM space, and believes it is best utilized with a complementary strategy.
- **RWC** returned 37.8% vs MSCI EM index return of 29.7% year to date. Meketa's research team last met with the manager in June 2025 to discuss the strategy. Tracking error for the strategy has always been expected to be high (6-10% annually) and has fallen within that range. Since Q4, RWC has rallied meaningfully, and as of September, was outperforming its benchmark by 8.1% year to date. The strategy maintains a large overweight to China which was a significant driver of underperformance in 2024. When proposed in 2019, Meketa recommended this strategy be used in conjunction with Artisan, to build a complementary Emerging Market portfolio, designed to outperform more frequently than either manager alone. The overall strategy has done exactly that, producing very strong results.

## **Manager Highlights (Year to Date)**

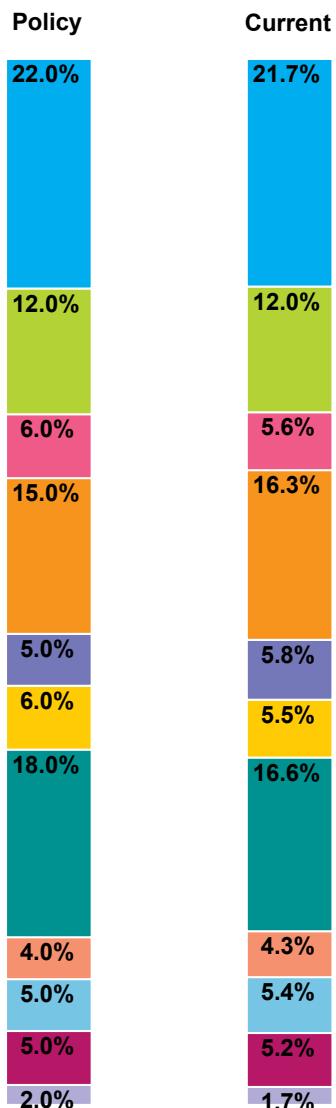
### **US Fixed Income**

- Brandywine returned 7.5% over the period, mirroring the Bloomberg US Aggregate Index. Meketa last met with the manager in August 2025 to discuss the announced restructuring of the Brandywine FI team, which is being folded into the parent (Franklin Templeton) entity.
- Wellington Core Bond returned 7.6%, marginally outpacing the Bloomberg US Aggregate Index. Meketa last reviewed the manager in June 2025 regarding the announced plans for Joe Marvan, Co-Portfolio Manager of the strategy to retire in 2026, and last met with the manager in September 2024 and will meet with the manager in Q4 2025.
- Payden & Rygel Low Duration returned 5.4%, outpacing the Bloomberg US Treasury 1-3 Year Index return of 4.8%. Meketa last met with the manager in November 2025 to discuss the strategy. The strategy remained roughly duration neutral through 2024 and continues to maintain this position (neutral to modestly longer relative to benchmark).

### **Opportunistic Credit**

- PIMCO Income Fund returned 10.6%, outpacing the Bloomberg US Aggregate Index return of 7.5%. Meketa last conducted an on-site meeting in April 2025 to discuss the strategy performance, outlook and organizational structure.
- GoldenTree Multi-Sector returned 7.3%, trailing the blended benchmark (50% Bloomberg US High Yield/50% S&P UBS Leveraged Loans) return of 6.6%. Meketa last met with the manager regarding this strategy in August 2025. The strategy is benchmark agnostic and tends to have lower duration positioning.

## **Performance Update as of November 30, 2025**



Allocation vs. Targets and Policy						
	Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)	Within IPS Range?
US Equity	307,838,755	21.7	22.0	-0.3	16.0 - 27.0	Yes
Developed International Equity	170,455,593	12.0	12.0	0.0	7.0 - 17.0	Yes
Emerging Markets Equity	78,855,817	5.6	6.0	-0.4	3.0 - 9.0	Yes
Private Equity	230,320,645	16.3	15.0	1.3	5.0 - 20.0	Yes
Direct Lending	81,872,026	5.8	5.0	0.8	0.0 - 10.0	Yes
Real Estate	77,426,528	5.5	6.0	-0.5	4.0 - 8.0	Yes
US Fixed Income	235,570,502	16.6	18.0	-1.4	13.0 - 23.0	Yes
Opportunistic Credit	60,904,581	4.3	4.0	0.3	2.0 - 6.0	Yes
Hedge Funds	76,706,671	5.4	5.0	0.4	2.5 - 7.5	Yes
Real Assets	73,727,060	5.2	5.0	0.2	3.0 - 7.0	Yes
Cash	23,456,357	1.7	2.0	-0.3	0.0 - 4.0	Yes
<b>Total</b>	<b>1,417,134,534</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>		

## Trailing Net Performance | As of November 30, 2025

	Asset Class Performance Summary											
	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date	
<b>Total Fund</b>	<b>1,417,134,534</b>	<b>100.0</b>	<b>0.2</b>	<b>0.9</b>	<b>11.9</b>	<b>11.0</b>	<b>11.1</b>	<b>8.2</b>	<b>8.7</b>	<b>8.2</b>	<b>Jan-95</b>	
<i>Policy Index</i>				<b>0.7</b>	<b>2.1</b>	<b>15.4</b>	<b>14.2</b>	<b>12.9</b>	<b>9.8</b>	<b>9.3</b>	<b>6.8</b>	
<b>Total Fund w/o Alternatives</b>	<b>853,625,247</b>	<b>60.2</b>	<b>0.3</b>	<b>1.3</b>	<b>15.5</b>	<b>12.7</b>	<b>14.4</b>	<b>7.8</b>	<b>9.3</b>	--	<b>Jan-08</b>	
<i>Policy Index w/o AI</i>				<b>0.4</b>	<b>1.9</b>	<b>17.4</b>	<b>14.8</b>	<b>13.6</b>	<b>7.7</b>	<b>8.6</b>	--	
<b>Public Equity</b>	<b>557,150,164</b>	<b>39.3</b>	<b>0.1</b>	<b>1.3</b>	<b>19.4</b>	<b>15.7</b>	<b>17.8</b>	<b>10.3</b>	--	<b>11.3</b>	<b>Apr-18</b>	
<i>MSCI AC World IMI Index (Net)</i>				<b>0.1</b>	<b>2.2</b>	<b>20.8</b>	<b>17.6</b>	<b>18.0</b>	<b>11.6</b>	<b>11.1</b>	<b>10.8</b>	
<b>US Equity</b>	<b>307,838,755</b>	<b>21.7</b>	<b>0.3</b>	<b>2.2</b>	<b>15.5</b>	<b>12.0</b>	<b>18.6</b>	<b>13.3</b>	<b>13.7</b>	<b>10.9</b>	<b>Jan-95</b>	
<i>Russell 3000</i>				<b>0.3</b>	<b>2.4</b>	<b>17.2</b>	<b>13.6</b>	<b>19.8</b>	<b>14.2</b>	<b>13.9</b>	<b>11.0</b>	
<b>International Equity</b>	<b>249,311,409</b>	<b>17.6</b>	<b>-0.1</b>	<b>0.2</b>	<b>24.4</b>	<b>20.4</b>	<b>16.7</b>	<b>6.7</b>	<b>9.4</b>	<b>6.5</b>	<b>Jan-99</b>	
<i>Primary Blended International Equity Benchmark</i>				<b>0.1</b>	<b>1.9</b>	<b>28.5</b>	<b>26.8</b>	<b>16.0</b>	<b>7.9</b>	<b>8.1</b>	<b>6.0</b>	
<i>Secondary Blended International Equity Benchmark</i>				<b>0.7</b>	<b>1.7</b>	<b>26.3</b>	<b>24.6</b>	<b>15.3</b>	<b>7.6</b>	<b>7.9</b>	<b>5.9</b>	
<b>Emerging Markets Equity</b>	<b>78,855,817</b>	<b>5.6</b>	<b>-4.5</b>	<b>-4.2</b>	<b>19.3</b>	<b>15.2</b>	<b>18.2</b>	<b>1.8</b>	<b>10.7</b>	<b>6.7</b>	<b>May-12</b>	
<i>MSCI EM</i>				<b>-2.4</b>	<b>1.7</b>	<b>29.7</b>	<b>29.5</b>	<b>14.7</b>	<b>5.1</b>	<b>8.0</b>	<b>4.9</b>	
<b>US Fixed Income</b>	<b>235,570,502</b>	<b>16.6</b>	<b>0.6</b>	<b>1.3</b>	<b>7.3</b>	<b>5.7</b>	<b>4.6</b>	<b>-0.4</b>	<b>2.1</b>	<b>4.4</b>	<b>Jan-95</b>	
<i>US Fixed Income Custom Benchmark</i>				<b>0.6</b>	<b>1.3</b>	<b>7.3</b>	<b>5.8</b>	<b>4.6</b>	<b>-0.1</b>	<b>2.2</b>	<b>4.6</b>	
<b>Opportunistic Credit</b>	<b>60,904,581</b>	<b>4.3</b>	<b>0.5</b>	<b>1.1</b>	<b>7.3</b>	<b>7.7</b>	<b>9.7</b>	<b>6.3</b>	--	<b>6.1</b>	<b>May-19</b>	
<i>Custom Blended Opportunistic Credit Benchmark</i>				<b>0.4</b>	<b>0.7</b>	<b>6.9</b>	<b>6.0</b>	<b>6.9</b>	<b>2.6</b>	--	<b>3.6</b>	
<b>Real Estate</b>	<b>77,426,528</b>	<b>5.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>3.1</b>	<b>0.5</b>	<b>4.1</b>	<b>4.4</b>	<b>6.1</b>	<b>Dec-10</b>	
<i>Custom Blended Real Estate Benchmark</i>				<b>0.0</b>	<b>0.0</b>	<b>3.3</b>	<b>3.5</b>	<b>-6.6</b>	<b>2.3</b>	<b>4.2</b>	<b>7.0</b>	
<i>CPI +5% (Seasonally Adjusted)</i>				--	--	--	--	--	--	--	--	

Data Prior to March 2018 provided by prior consultant.

The Secondary Blended International Equity Benchmark consists of 80% MSCI EAFE and 20% MSCI ACWI ex US Small Cap Index as of July 2025.

## Trailing Net Performance | As of November 30, 2025

	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Private Real Estate</b>	<b>77,426,528</b>	<b>5.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>3.1</b>	<b>-0.9</b>	<b>4.2</b>	<b>4.4</b>	<b>6.1</b>	<b>Dec-10</b>
Custom Blended Real Estate Benchmark			0.0	0.0	3.3	3.5	-5.4	3.4	4.7	7.4	
<b>Private Equity</b>	<b>230,320,645</b>	<b>16.3</b>	<b>0.0</b>	<b>0.0</b>	<b>7.4</b>	<b>9.5</b>	<b>7.0</b>	<b>17.9</b>	<b>13.0</b>	<b>10.1</b>	<b>Jul-05</b>
Custom Private Equity Benchmark			2.9	4.7	16.4	19.3	21.3	21.0	17.4	--	
<b>Direct Lending</b>	<b>81,872,026</b>	<b>5.8</b>	<b>0.0</b>	<b>0.0</b>	<b>6.5</b>	<b>9.5</b>	<b>10.2</b>	<b>10.8</b>	--	<b>9.9</b>	<b>Jul-20</b>
S&P LSTA Leveraged Loan +2%			0.5	0.9	7.2	7.9	11.4	8.7	7.8	9.5	
<b>Hedge Fund</b>	<b>76,706,671</b>	<b>5.4</b>	<b>0.3</b>	<b>1.5</b>	<b>8.1</b>	<b>7.9</b>	<b>7.7</b>	<b>7.2</b>	<b>5.8</b>	<b>5.4</b>	<b>Jul-14</b>
Custom Blended Hedge Fund Benchmark			0.7	2.0	9.3	9.4	8.3	5.7	4.9	--	
<b>Real Assets</b>	<b>73,727,060</b>	<b>5.2</b>	<b>0.0</b>	<b>0.0</b>	<b>9.0</b>	<b>12.3</b>	<b>12.2</b>	<b>13.7</b>	<b>10.3</b>	<b>10.0</b>	<b>Dec-10</b>
Custom Blended Real Assets Benchmark			3.7	3.2	24.5	17.3	9.6	11.5	9.3	--	
CPI +5% (Seasonally Adjusted)			--	--	--	--	--	--	--	--	
<b>Private Infrastructure</b>	<b>43,655,184</b>	<b>3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>8.2</b>	<b>13.9</b>	<b>12.3</b>	<b>12.4</b>	<b>11.4</b>	<b>10.3</b>	<b>Jan-15</b>
S&P Global Infrastructure			3.3	3.0	23.4	17.9	14.0	11.8	9.2	7.5	
<b>Private Natural Resources</b>	<b>30,071,876</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>10.1</b>	<b>10.6</b>	<b>16.0</b>	<b>20.1</b>	<b>15.7</b>	<b>15.4</b>	<b>Oct-15</b>
S&P Global Natural Resources Sector Index (TR)			4.0	3.3	25.3	16.5	5.1	12.1	10.1	10.6	
<b>Cash</b>	<b>23,456,357</b>	<b>1.7</b>	<b>0.3</b>	<b>0.6</b>	<b>4.2</b>	<b>4.5</b>	<b>3.8</b>	<b>2.5</b>	--	--	<b>Dec-10</b>

Real Assets includes State Street Real Assets NL Fund.

## Trailing Net Performance | As of November 30, 2025

	Trailing Period Performance											
	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date	
<b>Total Fund</b>	<b>1,417,134,534</b>	<b>100.0</b>	<b>0.2</b>	<b>0.9</b>	<b>11.9</b>	<b>11.0</b>	<b>11.1</b>	<b>8.2</b>	<b>8.7</b>	<b>8.2</b>	<b>Jan-95</b>	
<i>Policy Index</i>			0.7	2.1	15.4	14.2	12.9	9.8	9.3	6.8		
<b>Total Fund w/o Alternatives</b>	<b>853,625,247</b>	<b>60.2</b>	<b>0.3</b>	<b>1.3</b>	<b>15.5</b>	<b>12.7</b>	<b>14.4</b>	<b>7.8</b>	<b>9.3</b>	--	<b>Jan-08</b>	
<i>Policy Index w/o AI</i>			0.4	1.9	17.4	14.8	13.6	7.7	8.6	--		
<b>Public Equity</b>	<b>557,150,164</b>	<b>39.3</b>	<b>0.1</b>	<b>1.3</b>	<b>19.4</b>	<b>15.7</b>	<b>17.8</b>	<b>10.3</b>	--	<b>11.3</b>	<b>Apr-18</b>	
<i>MSCI AC World IMI Index (Net)</i>			0.1	2.2	20.8	17.6	18.0	11.6	11.1	10.8		
<b>US Equity</b>	<b>307,838,755</b>	<b>21.7</b>	<b>0.3</b>	<b>2.2</b>	<b>15.5</b>	<b>12.0</b>	<b>18.6</b>	<b>13.3</b>	<b>13.7</b>	<b>10.9</b>	<b>Jan-95</b>	
<i>Russell 3000</i>			0.3	2.4	17.2	13.6	19.8	14.2	13.9	11.0		
BNY Mellon Newton Dynamic US Equity	67,495,153	4.8	0.1	2.5	17.6	14.4	19.3	13.7	15.1	16.2	Jan-13	
<i>S&amp;P 500 Index</i>			0.2	2.6	17.8	15.0	20.6	15.3	14.6	15.0		
BNY Mellon Large Cap	220,428,494	15.6	0.2	2.4	17.3	14.0	20.2	14.5	--	15.0	Apr-16	
<i>Russell 1000 Index</i>			0.2	2.4	17.4	14.1	20.3	14.5	14.4	15.0		
Champlain Small Cap	19,915,107	1.4	1.2	-0.8	-4.3	-8.9	6.0	4.0	--	6.7	Nov-20	
<i>Russell 2000 Index</i>			1.0	2.8	13.5	4.1	11.4	8.0	9.1	11.5		

Historical returns for the US Equity Composite prior to January 2012 are gross only.

## Trailing Net Performance | As of November 30, 2025

	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>International Equity</b>	<b>249,311,409</b>	<b>17.6</b>	<b>-0.1</b>	<b>0.2</b>	<b>24.4</b>	<b>20.4</b>	<b>16.7</b>	<b>6.7</b>	<b>9.4</b>	<b>6.5</b>	<b>Jan-99</b>
<i>Primary Blended International Equity Benchmark</i>			<b>0.1</b>	<b>1.9</b>	<b>28.5</b>	<b>26.8</b>	<b>16.0</b>	<b>7.9</b>	<b>8.1</b>	<b>6.0</b>	
<i>Secondary Blended International Equity Benchmark</i>			<b>0.7</b>	<b>1.7</b>	<b>26.3</b>	<b>24.6</b>	<b>15.3</b>	<b>7.6</b>	<b>7.9</b>	<b>5.2</b>	
Acadian ACWI ex U.S. Small Cap Equity	20,369,924	1.4	1.1	0.8	26.5	25.5	16.9	12.2	--	12.1	May-19
<i>MSCI AC World ex USA Small Cap (Net)</i>			<b>0.8</b>	<b>1.0</b>	<b>26.8</b>	<b>24.1</b>	<b>14.9</b>	<b>7.9</b>	<b>7.9</b>	<b>8.4</b>	
Driehaus International Small Cap Growth	22,657,524	1.6	-0.9	-0.5	27.4	24.4	13.7	6.5	--	10.1	May-19
<i>MSCI AC World ex USA Small Growth Index (Net)</i>			<b>-0.1</b>	<b>0.0</b>	<b>24.2</b>	<b>21.8</b>	<b>13.2</b>	<b>5.2</b>	<b>7.3</b>	<b>7.6</b>	
GQG International Equity	61,432,264	4.3	3.6	3.2	19.1	14.3	14.6	9.6	--	10.1	Dec-19
<i>MSCI AC World ex USA (Net)</i>			<b>0.0</b>	<b>2.0</b>	<b>28.5</b>	<b>26.0</b>	<b>15.9</b>	<b>8.4</b>	<b>7.9</b>	<b>8.6</b>	
First Eagle International Value Fund	65,995,881	4.7	2.1	3.2	34.4	30.3	16.4	9.7	--	8.7	Dec-19
<i>MSCI EAFE (Net)</i>			<b>0.6</b>	<b>1.8</b>	<b>27.4</b>	<b>24.5</b>	<b>16.1</b>	<b>9.3</b>	<b>7.7</b>	<b>8.8</b>	
<i>MSCI AC World ex USA Value (Net)</i>			<b>1.8</b>	<b>3.5</b>	<b>34.2</b>	<b>31.8</b>	<b>18.6</b>	<b>12.2</b>	<b>8.0</b>	<b>9.7</b>	
<b>Emerging Markets Equity</b>	<b>78,855,817</b>	<b>5.6</b>	<b>-4.5</b>	<b>-4.2</b>	<b>19.3</b>	<b>15.2</b>	<b>18.2</b>	<b>1.8</b>	<b>10.7</b>	<b>6.7</b>	<b>May-12</b>
<i>MSCI EM</i>			<b>-2.4</b>	<b>1.7</b>	<b>29.7</b>	<b>29.5</b>	<b>14.7</b>	<b>5.1</b>	<b>8.0</b>	<b>4.9</b>	
Artisan Developing World TR	54,114,868	3.8	-5.6	-6.1	11.6	7.8	20.9	1.2	--	10.2	Dec-19
<i>MSCI Emerging Markets (Net)</i>			<b>-2.4</b>	<b>1.7</b>	<b>29.7</b>	<b>29.5</b>	<b>14.7</b>	<b>5.1</b>	<b>7.9</b>	<b>7.2</b>	
RWC	24,740,949	1.7	-1.9	0.1	37.8	33.1	11.7	3.3	--	5.8	Dec-19
<i>MSCI Emerging Markets (Net)</i>			<b>-2.4</b>	<b>1.7</b>	<b>29.7</b>	<b>29.5</b>	<b>14.7</b>	<b>5.1</b>	<b>7.9</b>	<b>7.2</b>	

Historical returns for the International Equity Composite prior to December 2010 are gross only.

International Equity Primary/Secondary benchmarks share the same benchmark history through June 30, 2025, as noted in the Benchmark History section. From July 1, 2025 onwards, the Primary Blended International Equity Benchmark consists of the MSCI AC World ex USA IMI, whereas the Secondary Blended International Equity Benchmark consists of 80% MSCI EAFE / 20% MSCI AC World ex USA Small Cap.

## Trailing Net Performance | As of November 30, 2025

	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>US Fixed Income</b>	<b>235,570,502</b>	<b>16.6</b>	<b>0.6</b>	<b>1.3</b>	<b>7.3</b>	<b>5.7</b>	<b>4.6</b>	<b>-0.4</b>	<b>2.1</b>	<b>4.4</b>	<b>Jan-95</b>
<i>US Fixed Income Custom Benchmark</i>			<i>0.6</i>	<i>1.3</i>	<i>7.3</i>	<i>5.8</i>	<i>4.6</i>	<i>-0.1</i>	<i>2.2</i>	<i>4.6</i>	
Vanguard Total Bond Market Index Fund	32,699,702	2.3	0.6	1.3	7.5	5.6	4.6	-0.3	--	1.7	May-19
<i>Blmbg. U.S. Aggregate Index</i>			<i>0.6</i>	<i>1.3</i>	<i>7.5</i>	<i>5.7</i>	<i>4.6</i>	<i>-0.3</i>	<i>2.0</i>	<i>1.7</i>	
Payden & Rygel Low Duration Fund	22,963,000	1.6	0.6	0.8	5.4	5.5	5.5	--	--	5.6	Nov-22
<i>Blmbg. U.S. Treasury: 1-3 Year</i>			<i>0.5</i>	<i>0.8</i>	<i>4.8</i>	<i>5.1</i>	<i>4.4</i>	<i>1.7</i>	<i>1.8</i>	<i>4.5</i>	
Brandywine US Fixed Income	68,113,303	4.8	0.7	1.4	7.5	5.4	4.3	--	--	3.7	Nov-22
<i>Blmbg. U.S. Aggregate Index</i>			<i>0.6</i>	<i>1.3</i>	<i>7.5</i>	<i>5.7</i>	<i>4.6</i>	<i>-0.3</i>	<i>2.0</i>	<i>5.7</i>	
Wellington Core Bond	111,794,497	7.9	0.6	1.3	7.6	6.0	4.6	--	--	5.6	Nov-22
<i>Blmbg. U.S. Aggregate Index</i>			<i>0.6</i>	<i>1.3</i>	<i>7.5</i>	<i>5.7</i>	<i>4.6</i>	<i>-0.3</i>	<i>2.0</i>	<i>5.7</i>	
<b>Opportunistic Credit</b>	<b>60,904,581</b>	<b>4.3</b>	<b>0.5</b>	<b>1.1</b>	<b>7.3</b>	<b>7.7</b>	<b>9.7</b>	<b>6.3</b>	--	<b>6.1</b>	<b>May-19</b>
<i>Custom Blended Opportunistic Credit Benchmark</i>			<i>0.4</i>	<i>0.7</i>	<i>6.9</i>	<i>6.0</i>	<i>6.9</i>	<i>2.6</i>	--	<i>3.6</i>	
PIMCO Income Fund	5,764,657	0.4	0.8	2.1	10.6	9.7	8.3	4.1	--	4.4	May-19
<i>Blmbg. U.S. Aggregate Index</i>			<i>0.6</i>	<i>1.3</i>	<i>7.5</i>	<i>5.7</i>	<i>4.6</i>	<i>-0.3</i>	<i>2.0</i>	<i>1.7</i>	
GoldenTree Multi-Sector Credit	30,685,157	2.2	0.5	0.8	7.3	7.8	10.4	6.7	--	6.4	Jun-19
<i>50% BBg US High Yield TR/50% S&amp;P UBS Leveraged Loans</i>			<i>0.4</i>	<i>0.6</i>	<i>6.6</i>	<i>6.7</i>	<i>9.4</i>	<i>5.7</i>	<i>5.9</i>	<i>5.6</i>	
OWS Credit Opportunity Fund LP	24,454,768	1.7	0.6	1.1	6.8	7.7	--	--	--	8.9	Oct-23
<i>50% BBg US High Yield TR/50% S&amp;P UBS Leveraged Loans</i>			<i>0.4</i>	<i>0.6</i>	<i>6.6</i>	<i>6.7</i>	<i>9.4</i>	<i>5.7</i>	<i>5.9</i>	<i>9.5</i>	

Historical returns for the US Fixed Income Composite prior to December 2010 are gross only.

Throughout the report, the fair market values of GoldenTree Multi-Sector Credit and OWS Credit Opportunity Fund are based on estimated performance as of 11/30/2025, due to investor statement availability.

## Trailing Net Performance | As of November 30, 2025

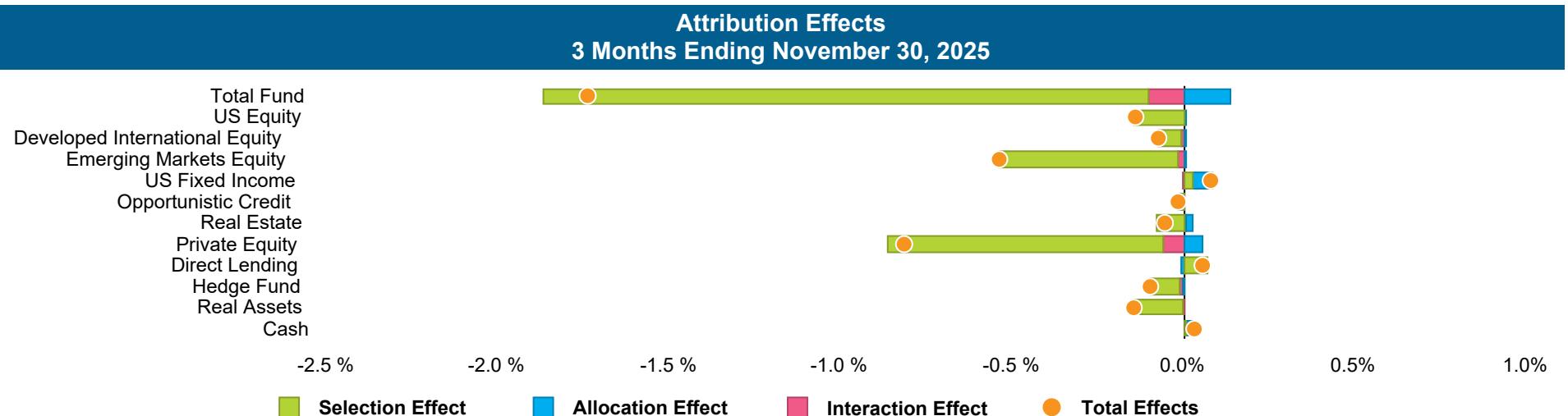
	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Private Real Estate</b>	<b>77,426,528</b>	<b>5.5</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>3.1</b>	<b>-0.9</b>	<b>4.2</b>	<b>4.4</b>	<b>6.1</b>	<b>Dec-10</b>
Custom Blended Real Estate Benchmark			0.0	0.0	3.3	3.5	-5.4	3.4	4.7	7.4	
<b>Private Equity</b>	<b>230,320,645</b>	<b>16.3</b>	<b>0.0</b>	<b>0.0</b>	<b>7.4</b>	<b>9.5</b>	<b>7.0</b>	<b>17.9</b>	<b>13.0</b>	<b>10.1</b>	<b>Jul-05</b>
Custom Private Equity Benchmark			2.9	4.7	16.4	19.3	21.3	21.0	17.4	--	
<b>Direct Lending</b>	<b>81,872,026</b>	<b>5.8</b>	<b>0.0</b>	<b>0.0</b>	<b>6.5</b>	<b>9.5</b>	<b>10.2</b>	<b>10.8</b>	--	<b>9.9</b>	<b>Jul-20</b>
S&P LSTA Leveraged Loan +2%			0.5	0.9	7.2	7.9	11.4	8.7	7.8	9.5	
<b>Hedge Fund</b>	<b>76,706,671</b>	<b>5.4</b>	<b>0.3</b>	<b>1.5</b>	<b>8.1</b>	<b>7.9</b>	<b>7.7</b>	<b>7.2</b>	<b>5.8</b>	<b>5.4</b>	<b>Jul-14</b>
Custom Blended Hedge Fund Benchmark			0.7	2.0	9.3	9.4	8.3	5.7	4.9	--	
<b>Private Infrastructure</b>	<b>43,655,184</b>	<b>3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>8.2</b>	<b>13.9</b>	<b>12.3</b>	<b>12.4</b>	<b>11.4</b>	<b>10.3</b>	<b>Jan-15</b>
S&P Global Infrastructure			3.3	3.0	23.4	17.9	14.0	11.8	9.2	7.5	
<b>Private Natural Resources</b>	<b>30,071,876</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>10.1</b>	<b>10.6</b>	<b>16.0</b>	<b>20.1</b>	<b>15.7</b>	<b>15.4</b>	<b>Oct-15</b>
S&P Global Natural Resources Sector Index (TR)			4.0	3.3	25.3	16.5	5.1	12.1	10.1	10.6	
<b>Cash</b>	<b>23,456,357</b>	<b>1.7</b>	<b>0.3</b>	<b>0.6</b>	<b>4.2</b>	<b>4.5</b>	<b>3.8</b>	<b>2.5</b>	--	--	<b>Dec-10</b>
Cash	22,467,084	1.6	0.3	0.6	4.0	4.3	4.1	2.7	1.9	-0.5	Dec-10
Treasury Cash	989,272	0.1	0.0	0.0	15.7	15.7	5.0	3.0	--	1.8	Sep-17

All private markets performance and market values reflect a 06/30/25 capital account balance (as of 10/31/2025) unless otherwise noted.

Private Real Estate results prior to 1/1/2019 were included in the Real Assets composite. All results for the Private Real Estate composite that include the period prior to 1/1/2019 will reflect only the latest lineup of managers that Meketa received information for, therefore it may not reflect the entire Private Real Estate composite at that given time.

Cash market value is subject to change pending final reconciliation of September and October private markets data.

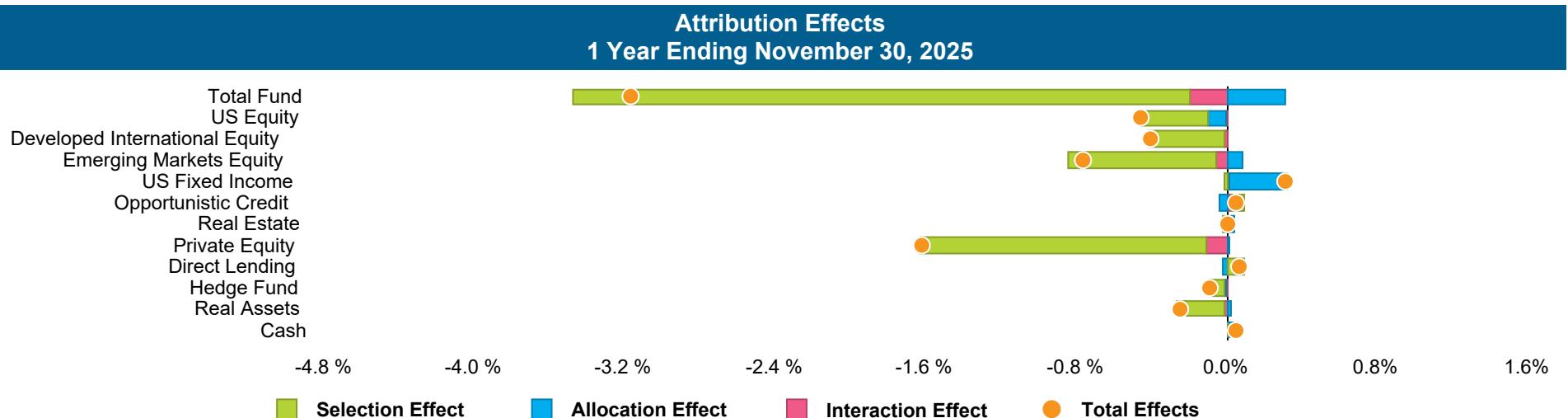
## Total Fund Attribution | As of November 30, 2025



**Attribution Summary**  
3 Months Ending November 30, 2025

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction (%)	Total Effect (%)
US Equity	5.3	6.0	-0.7	-0.1	0.0	0.0	-0.1
Developed International Equity	4.7	5.3	-0.6	-0.1	0.0	0.0	-0.1
Emerging Markets Equity	0.2	9.0	-8.8	-0.5	0.0	0.0	-0.5
US Fixed Income	2.5	2.4	0.1	0.0	0.1	0.0	0.1
Opportunistic Credit	1.3	1.5	-0.2	0.0	0.0	0.0	0.0
Real Estate	-0.3	1.0	-1.3	-0.1	0.0	0.0	-0.1
Private Equity	4.2	9.7	-5.5	-0.8	0.1	-0.1	-0.8
Direct Lending	2.8	1.5	1.3	0.1	0.0	0.0	0.1
Hedge Fund	2.1	3.9	-1.8	-0.1	0.0	0.0	-0.1
Real Assets	2.2	5.0	-2.8	-0.1	0.0	0.0	-0.2
Cash	1.1	1.0	0.1	0.0	0.0	0.0	0.0
<b>Total Fund</b>	<b>3.3</b>	<b>5.0</b>	<b>-1.7</b>	<b>-1.8</b>	<b>0.1</b>	<b>-0.1</b>	<b>-1.7</b>

## Total Fund Attribution | As of November 30, 2025



**Attribution Summary**  
1 Year Ending November 30, 2025

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction (%)	Total Effect (%)
US Equity	12.0	13.6	-1.6	-0.4	-0.1	0.0	-0.5
Developed International Equity	23.1	26.7	-3.7	-0.4	0.0	0.0	-0.4
Emerging Markets Equity	15.2	29.5	-14.3	-0.8	0.1	-0.1	-0.8
US Fixed Income	5.7	5.8	-0.1	0.0	0.3	0.0	0.3
Opportunistic Credit	7.7	6.0	1.7	0.1	0.0	0.0	0.0
Real Estate	3.1	3.5	-0.4	0.0	0.0	0.0	0.0
Private Equity	9.5	19.3	-9.8	-1.5	0.0	-0.1	-1.6
Direct Lending	9.5	7.9	1.6	0.1	0.0	0.0	0.1
Hedge Fund	7.9	9.4	-1.5	-0.1	0.0	0.0	-0.1
Real Assets	12.3	17.3	-5.0	-0.2	0.0	0.0	-0.3
Cash	4.5	4.3	0.1	0.0	0.0	0.0	0.0
<b>Total Fund</b>	<b>11.0</b>	<b>14.2</b>	<b>-3.2</b>	<b>-3.3</b>	<b>0.3</b>	<b>-0.2</b>	<b>-3.2</b>

## Benchmark History | As of November 30, 2025

		Benchmark History	Benchmark
From Date	To Date		
<b>Total Fund</b>			
07/01/2025	Present	22.0% Russell 3000, 12.0% Merced - Primary Blended International Equity Benchmark v2, 6.0% MSCI EM, 18.0% US Fixed Income Custom Benchmark, 5.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% S&P LSTA Leveraged Loan +2%, 5.0% Custom Blended Real Assets Benchmark, 6.0% Custom Blended Real Estate Benchmark, 4.0% Custom Blended Opportunistic Credit Benchmark, 2.0% Blmbg. U.S. Treasury Bills: 1-3 Months	
07/01/2024	06/30/2025	22.0% Russell 3000, 12.0% Custom Blended Developed International Equity BM, 6.0% MSCI EM, 18.0% US Fixed Income Custom Benchmark, 5.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% S&P LSTA Leveraged Loan +2%, 5.0% Custom Blended Real Assets Benchmark, 6.0% Custom Blended Real Estate Benchmark, 4.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans, 2.0% Blmbg. U.S. Treasury Bills: 1-3 Months	
01/01/2022	06/30/2024	22.0% Russell 3000, 11.0% Custom Blended Developed International Equity BM, 8.0% MSCI EM, 11.0% US Fixed Income Custom Benchmark, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% S&P LSTA Leveraged Loan +2%, 5.0% Custom Blended Real Assets Benchmark, 8.0% Custom Blended Real Estate Benchmark, 5.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans	
01/01/2020	12/31/2021	21.0% Russell 3000, 10.0% Custom Blended Developed International Equity BM, 8.0% MSCI EM, 18.0% BBgBarc US Aggregate TR, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% Custom Blended Real Assets Benchmark, 8.0% Custom Blended Real Estate Benchmark, 5.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans	
07/01/2019	12/31/2019	21.0% US Equity Custom, 18.0% Secondary Blended International Equity Benchmark, 18.0% US Fixed Custom, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Thomson Reuters Cambridge Private Equity Index, 5.0% Real Asset Custom, 8.0% NCREIF ODCE (Net), 5.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans	
01/01/2019	06/30/2019	21.0% US Equity Custom, 23.0% US Fixed Custom, 18.0% Secondary Blended International Equity Benchmark, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Thomson Reuters Cambridge Private Equity Index, 5.0% Real Asset Custom, 8.0% NCREIF ODCE (Net)	
01/01/2017	12/31/2018	27.0% US Equity Custom, 22.0% US Fixed Custom, 23.0% Secondary Blended International Equity Benchmark, 5.0% Custom Blended Hedge Fund Benchmark, 9.0% Thomson Reuters Cambridge Private Equity Index, 14.0% Real Asset Custom	
07/01/2014	12/31/2016	22.7% Russell 1000 Index, 5.7% Russell 2000 Index, 23.6% Secondary Blended International Equity Benchmark, 28.5% US Fixed Custom, 4.5% Custom Blended Hedge Fund Benchmark, 8.0% NCREIF ODCE (Net), 7.0% Thomson Reuters Cambridge Private Equity Index	
<b>US Equity</b>			
01/01/2020	Present	100.0% Russell 3000 Index	
12/01/1994	12/31/2019	100.0% Russell 3000	

## Benchmark History | As of November 30, 2025

From Date	To Date	Benchmark
<b>International Equity</b>		
07/01/2025	Present	100.0% MSCI AC World ex USA IMI (Net)
01/01/2019	06/30/2025	56.0% MSCI EAFE Index, 44.0% MSCI Emerging Markets Index
01/01/2017	12/31/2018	69.6% MSCI EAFE Index, 30.4% MSCI Emerging Markets Index
01/01/1999	12/31/2016	100.0% MSCI AC World ex USA Index
<b>US Fixed Income</b>		
07/01/2025	Present	100.0% Blmbg. U.S. Aggregate Index
12/01/1994	06/30/2025	10.0% Blmbg. U.S. Treasury: 1-3 Year, 90.0% BBgBarc US Aggregate TR
<b>Hedge Fund</b>		
07/01/2017	Present	100.0% HFRI Fund of Funds Composite Index
01/01/2015	06/30/2017	50.0% HFRI Fund of Funds Composite Index, 50.0% HFRI RV: Multi-Strategy Index
<b>Real Assets</b>		
01/01/2022	Present	50.0% S&P Global Infrastructure, 50.0% S&P Global Natural Resources Sector Index (TR)
01/01/2020	12/31/2021	50.0% Cambridge Energy Upstream & Royalties & Private Energy (1 Quarter Lagged), 50.0% Cambridge Infrastructure (1 Quarter Lagged)
03/01/1999	12/31/2019	100.0% Real Asset Custom
<b>Private Real Estate</b>		
01/01/2020	Present	100.0% NCREIF ODCE 1Q Lagged
03/01/1999	12/31/2019	100.0% NCREIF Fund Index-Open End Diversified Core Equity (VW) (Net)
<b>Private Equity</b>		
01/01/2022	Present	100.0% 70% Russell 3000/ 30% MSCI AC World ex USA + 300bps (1 Quarter Lagged)
01/01/2020	12/31/2021	100.0% Cambridge Global Private Equity & VC (1 Quarter Lagged)
12/31/1994	12/31/2019	100.0% Thomson Reuters Cambridge Private Equity Index
<b>Opportunistic Credit</b>		
07/01/2025	Present	20.0% Blmbg. U.S. Aggregate Index, 40.0% Blmbg. U.S. Corp: High Yield Index, 40.0% S&P UBS Leveraged Loan Index
05/01/2019	06/30/2025	100.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans

## Fee Schedule | As of November 30, 2025

		Annual Investment Expense Analysis	Market Value (\$)	Estimated Annual Fee (%)	Estimated Expense (\$)
Fee Schedule					
<b>Total Fund</b>			<b>1,417,134,534</b>		
<b>Total Fund w/o Alternatives</b>			<b>853,625,247</b>		
<b>Public Equity</b>			<b>557,150,164</b>		
<b>US Equity</b>			<b>307,838,755</b>		
BNY Mellon Newton Dynamic US Equity	0.30 % of Assets	67,495,153	0.30	202,485	
BNY Mellon Large Cap	0.04 % of First \$100 M 0.02 % Thereafter	220,428,494	0.03	64,086	
Champlain Small Cap	1.00 % of Assets	19,915,107	1.00	199,151	
<b>International Equity</b>			<b>249,311,409</b>		
Acadian ACWI ex U.S. Small Cap Equity	0.85 % of First \$50 M 0.75 % Thereafter	20,369,924	0.85	173,144	
Driehaus International Small Cap Growth	0.90 % of Assets	22,657,524	0.90	203,918	
GQG International Equity	0.50 % of Assets	61,432,264	0.50	307,161	
First Eagle International Value Fund	0.79 % of Assets	65,995,881	0.79	521,367	
<b>Emerging Markets Equity</b>			<b>78,855,817</b>		
Artisan Developing World TR	1.05 % of Assets	54,114,868	1.05	568,206	
RWC	0.87 % of Assets	24,740,949	0.87	215,246	
<b>MCERA US FIXED+OPP CREDIT</b>			<b>296,475,083</b>		
<b>US Fixed Income</b>			<b>235,570,502</b>		
Vanguard Total Bond Market Index Fund	0.03 % of Assets	32,699,702	0.03	8,175	
Payden & Rygel Low Duration Fund	0.43 % of Assets	22,963,000	0.43	130,889	
Brandywine US Fixed Income	0.29 % of First \$50 M 0.22 % of Next \$50 M 0.18 % of Next \$400 M 0.12 % Thereafter	68,113,303	0.27	184,849	
Wellington Core Bond	0.12 % of Assets	111,794,497	0.12	134,153	
<b>Opportunistic Credit</b>			<b>60,904,581</b>		
PIMCO Income Fund	0.51 % of Assets	5,764,657	0.51	31,129	
GoldenTree Multi-Sector Credit	0.70 % of Assets	30,685,157	0.70	214,796	
OWS Credit Opportunity Fund LP		24,454,768	-	-	

## Fee Schedule | As of November 30, 2025

	Fee Schedule	Market Value (\$)	Estimated Annual Fee (%)	Estimated Expense (\$)
<b>Hedge Fund</b>	<b>76,706,671</b>			
Silver Point Capital	Performance Based 1.50 % and 20.00 %	15,658,429	1.50	234,876
Marshall Wace Eureka	Performance Based 2.00 % and 20.00 %	5,655,558	2.00	113,111
Marshall Wace Global Opportunities	Performance Based 2.00 % and 20.00 %	6,366,606	2.00	127,332
Taconic Opportunity Fund	Performance Based 1.40 % and 20.00 %	1,290,965	1.40	18,074
Silver Point Capital	Performance Based 1.50 % and 20.00 %	15,658,429	1.50	234,876
Graham Absolute Return	Performance Based 1.75 % and 20.00 %	5,415,058	1.75	94,764
Laurion Capital	Performance Based 2.00 % and 20.00 %	8,196,828	2.00	163,937
Wellington Global Equity Long/Short Fund	Performance Based 1.00 % and 20.00 %	10,746,601	1.00	107,466
<b>Cash</b>	<b>23,456,357</b>			
Cash		22,467,084	-	-
Treasury Cash		989,272	-	-

## **Disclaimer, Glossary, and Notes**

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

**Credit Risk:** Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security).

**Duration:** Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

**Information Ratio:** This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

**Jensen's Alpha:** A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta\*(market return-Risk Free Rate)].

**Market Capitalization:** For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

**Market Weighted:** Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

**Maturity:** The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

**Prepayment Risk:** The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

**Price-Book Value (P/B) Ratio:** The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

**Price-Earnings (P/E) Ratio:** A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

**Quality Rating:** The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

**Sharpe Ratio:** A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**STIF Account:** Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

**Standard Deviation:** A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

**Style:** The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

**Tracking Error:** A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, as defined by the difference in standard deviation.

**Yield to Maturity:** The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = \frac{1\% \text{ pro rata, plus}}{5.26\% \text{ (current yield)}} = 6.26\% \text{ (yield to maturity)}$$

**Yield to Worst:** The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer.

**NCREIF Property Index (NPI):** Measures unleveraged investment performance of a very large pool of individual commercial real estate properties acquired in the private market by tax-exempt institutional investors for investment purposes only. The NPI index is capitalization-weighted for a quarterly time series composite total rate of return.

**NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE):** Measures the investment performance of 28 open-end commingled funds pursuing a core investment strategy that reflects funds' leverage and cash positions. The NFI-ODCE index is equal-weighted and is reported gross and net of fees for a quarterly time series composite total rate of return.

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.  
The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991

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Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.



# **Merced County Employees' Retirement Association**

**January 22, 2026**

**December Flash Report**

- 1. Executive Summary as of December 31, 2025**
- 2. Performance Update as of December 31, 2025**
- 3. Disclaimer, Glossary, and Notes**

## **Executive Summary as of December 31, 2025**

## **Portfolio Preliminary Performance Highlights<sup>1</sup>**

- December results for equity markets were mixed, as International Developed and broad Emerging Markets saw positive returns, US equities posted negligible gains and China saw sharp declines. US Equities (Russell 3000) returned 0.0%, Developed International equities (MSCI EAFE) returned 3.0% and Emerging Markets (MSCI EM) returned 3.0% over the month. Bonds also saw muted returns over the month with the broad Bloomberg US Aggregate Index returning -0.1%.
- For December, Merced CERA reported a monthly return (w/o Alternatives) of 0.0% net of fees. US Equities returned -0.1%, marginally trailing the Russell 3000 Index return of 0.0%. International Equities return of 0.1% trailed both the MSCI AC World ex USA IMI Index as well as the secondary blended asset class benchmark, which returned 2.9% and 2.8% respectively. The Emerging Markets sleeve returned -1.4%, trailing the MSCI EM index return of 3.0%. US Fixed Income returned -0.2%, trailing the benchmark return of -0.1%. Opportunistic Credit posted 0.4% for the month, trailing the blended benchmark return of 0.5%.

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<sup>1</sup> Merced portfolio returns reflect manager level performance in November or December depending on data availability

## **Manager Highlights**

## Manager Highlights (Year to Date)<sup>1</sup>

- **BNY Mellon Newton Dynamic US Equity**, the portfolio's active large cap manager, returned 17.3% through December, trailing the S&P 500 Index return of 17.9%. Meketa last met with the manager in January 2025 to review portfolio strategy, performance and outlook. Manager is expected to perform well under normal market conditions (fundamentals drive investment returns) and bull markets.
- **Champlain Small Cap**, through November, the portfolio's active small cap manager, returned -4.3%, trailing the Russell 2000 Index return of 13.5%. Meketa last met with manager regarding the strategy in May 2025 at Meketa's Boston office.
- **First Eagle**, through November, returned 34.4% versus the MSCI EAFE Index return of 27.4% and MSCI AC World ex US Value Index return of 34.2%. Meketa last met with the manager in October 2025 to discuss announced plans for Kimball Brooker, Portfolio Manager and co-Head of the Global Value Team, to step away from his portfolio management responsibilities. Fund exhibits high turnover relative to peers and uses gold as a hedge. The fund performs well in down cycles, as the strategy focuses on capital preservation in lieu of some upside potential.
- **GQG** returned 20.5% through December, trailing the MSCI AC World ex US return of 32.4%. Meketa last met with the manager in May 2025 to discuss the strategy.
- **Acadian** returned 29.9% through December, outpacing the MSCI ACWI ex US Small Cap Index return of 29.3%. Meketa last met with the manager in October 2025 to discuss the strategy.
- **Driehaus**, through November, returned 27.4%, outpacing the MSCI ACWI ex US Small Cap Growth Index return of 24.2%. Meketa last met with the manager in April 2025 regarding their ownership and governance structure.

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<sup>1</sup> Manager Highlights reflect returns through November or December depending on data availability

## Manager Highlights (Year to Date)

- **Artisan Developing World** returned 7.9% through December vs MSCI EM index return of 33.6%. Meketa last met with the manager in November 2025 to discuss their strategy. The fund is a high conviction, concentrated strategy that is benchmark agnostic and has large deviations regionally, with meaningful weights in US equities. Note that tracking error for this strategy is expected to be high (5-10% annually) and has recently exceeded this, which has been driven by exposure to non-benchmark names, particularly in the US. Meketa continues to evaluate the performance of this strategy in the EM space, and believes it is best utilized with a complementary strategy.
- **RWC** returned 41.8% vs MSCI EM index return of 33.6% through December. Meketa's research team last met with the manager in June 2025 to discuss the strategy. Tracking error for the strategy has always been expected to be high (6-10% annually) and has fallen within that range. Since Q4, RWC has rallied meaningfully, and as of September, was outperforming its benchmark by 8.1% year to date. The strategy maintains a large overweight to China which was a significant driver of underperformance in 2024. When proposed in 2019, Meketa recommended this strategy be used in conjunction with Artisan, to build a complementary Emerging Market portfolio, designed to outperform more frequently than either manager alone. The overall strategy has done exactly that, producing very strong results.

## **Manager Highlights (Year to Date)**

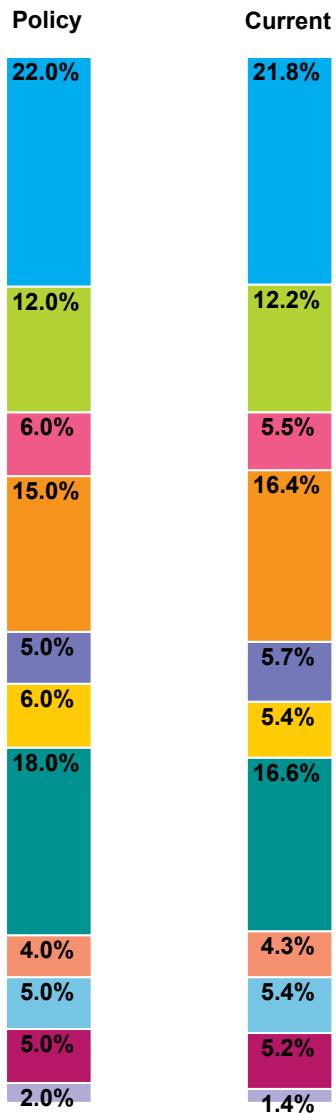
### **US Fixed Income**

- Brandywine returned 7.1% through December, trailing the Bloomberg US Aggregate Index return of 7.3%. Meketa last met with the manager in August 2025 to discuss the announced restructuring of the Brandywine FI team, which is being folded into the parent (Franklin Templeton) entity.
- Wellington Core Bond returned 7.3%, mirroring the Bloomberg US Aggregate Index. Meketa last reviewed the manager in June 2025 regarding the announced plans for Joe Marvan, Co-Portfolio Manager of the strategy to retire in 2026, and last met with the manager in September 2024 and will meet with the manager in Q4 2025.
- Payden & Rygel Low Duration returned 5.8%, outpacing the Bloomberg US Treasury 1-3 Year Index return of 5.2%. Meketa last met with the manager in November 2025 to discuss the strategy. The strategy remained roughly duration neutral through 2024 and continues to maintain this position (neutral to modestly longer relative to benchmark).

### **Opportunistic Credit**

- PIMCO Income Fund returned 11.0%, outpacing the Bloomberg US Aggregate Index return of 7.3%. Meketa last conducted an on-site meeting in April 2025 to discuss the strategy performance, outlook and organizational structure.
- GoldenTree Multi-Sector returned 8.0%, outpacing the blended benchmark (50% Bloomberg US High Yield/50% S&P UBS Leveraged Loans) return of 7.3%. Meketa last met with the manager regarding this strategy in August 2025. The strategy is benchmark agnostic and tends to have lower duration positioning.

## **Performance Update as of December 31, 2025**



Allocation vs. Targets and Policy						
	Current Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)	Within IPS Range?
US Equity	307,699,995	21.8	22.0	-0.2	16.0 - 27.0	Yes
Developed International Equity	171,713,843	12.2	12.0	0.2	7.0 - 17.0	Yes
Emerging Markets Equity	77,782,847	5.5	6.0	-0.5	3.0 - 9.0	Yes
Private Equity	231,791,872	16.4	15.0	1.4	5.0 - 20.0	Yes
Direct Lending	80,351,801	5.7	5.0	0.7	0.0 - 10.0	Yes
Real Estate	76,414,117	5.4	6.0	-0.6	4.0 - 8.0	Yes
US Fixed Income	234,436,050	16.6	18.0	-1.4	13.0 - 23.0	Yes
Opportunistic Credit	61,103,945	4.3	4.0	0.3	2.0 - 6.0	Yes
Hedge Funds	76,706,671	5.4	5.0	0.4	2.5 - 7.5	Yes
Real Assets	73,980,010	5.2	5.0	0.2	3.0 - 7.0	Yes
Cash	19,544,733	1.4	2.0	-0.6	0.0 - 4.0	Yes
<b>Total</b>	<b>1,411,525,884</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>		

## Trailing Net Performance | As of December 31, 2025

	Asset Class Performance Summary										
	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date	
<b>Total Fund</b>	<b>1,411,525,884</b>	<b>100.0</b>	<b>0.0</b>	<b>0.9</b>	<b>11.9</b>	<b>11.7</b>	<b>7.4</b>	<b>8.9</b>	<b>8.2</b>	<b>Jan-95</b>	
<i>Policy Index</i>				<b>1.3</b>	<b>3.5</b>	<b>16.9</b>	<b>14.5</b>	<b>9.1</b>	<b>9.5</b>	<b>6.8</b>	
<b>Total Fund w/o Alternatives</b>	<b>852,736,680</b>	<b>60.4</b>	<b>0.0</b>	<b>1.3</b>	<b>15.5</b>	<b>15.5</b>	<b>7.0</b>	<b>9.4</b>	--	<b>Jan-08</b>	
<i>Policy Index w/o AI</i>				<b>0.9</b>	<b>2.8</b>	<b>18.4</b>	<b>14.9</b>	<b>7.1</b>	<b>8.8</b>	--	
<b>Public Equity</b>	<b>557,196,686</b>	<b>39.5</b>	<b>0.0</b>	<b>1.3</b>	<b>19.4</b>	<b>19.4</b>	<b>9.1</b>	--	<b>11.2</b>	<b>Apr-18</b>	
<i>MSCI AC World IMI Index (Net)</i>				<b>1.0</b>	<b>3.2</b>	<b>22.1</b>	<b>20.0</b>	<b>10.7</b>	<b>11.4</b>	<b>10.8</b>	
<b>US Equity</b>	<b>307,699,995</b>	<b>21.8</b>	<b>-0.1</b>	<b>2.2</b>	<b>15.4</b>	<b>20.9</b>	<b>12.3</b>	<b>14.0</b>	<b>10.9</b>	<b>Jan-95</b>	
<i>Russell 3000</i>				<b>0.0</b>	<b>2.4</b>	<b>17.1</b>	<b>22.2</b>	<b>13.1</b>	<b>14.2</b>	<b>10.9</b>	
<b>International Equity</b>	<b>249,496,691</b>	<b>17.7</b>	<b>0.1</b>	<b>0.3</b>	<b>24.5</b>	<b>17.5</b>	<b>5.4</b>	<b>9.5</b>	<b>6.5</b>	<b>Jan-99</b>	
<i>Primary Blended International Equity Benchmark</i>				<b>2.9</b>	<b>4.8</b>	<b>32.1</b>	<b>17.3</b>	<b>7.3</b>	<b>8.6</b>	<b>6.1</b>	
<i>Secondary Blended International Equity Benchmark</i>				<b>2.8</b>	<b>4.5</b>	<b>29.8</b>	<b>16.6</b>	<b>6.9</b>	<b>8.4</b>	<b>6.0</b>	
<b>Emerging Markets Equity</b>	<b>77,782,847</b>	<b>5.5</b>	<b>-1.4</b>	<b>-5.5</b>	<b>17.6</b>	<b>19.3</b>	<b>-0.1</b>	<b>10.8</b>	<b>6.6</b>	<b>May-12</b>	
<i>MSCI EM</i>				<b>3.0</b>	<b>4.7</b>	<b>33.6</b>	<b>16.4</b>	<b>4.2</b>	<b>8.6</b>	<b>5.1</b>	
<b>US Fixed Income</b>	<b>234,436,050</b>	<b>16.6</b>	<b>-0.2</b>	<b>1.1</b>	<b>7.0</b>	<b>4.7</b>	<b>-0.5</b>	<b>2.1</b>	<b>4.4</b>	<b>Jan-95</b>	
<i>US Fixed Income Custom Benchmark</i>				<b>-0.1</b>	<b>1.1</b>	<b>7.2</b>	<b>4.7</b>	<b>-0.1</b>	<b>2.3</b>	<b>4.6</b>	
<b>Opportunistic Credit</b>	<b>61,103,945</b>	<b>4.3</b>	<b>0.4</b>	<b>1.4</b>	<b>7.7</b>	<b>9.7</b>	<b>6.0</b>	--	<b>6.1</b>	<b>May-19</b>	
<i>Custom Blended Opportunistic Credit Benchmark</i>				<b>0.5</b>	<b>1.2</b>	<b>7.4</b>	<b>7.2</b>	<b>2.6</b>	--	<b>3.6</b>	

Data Prior to March 2018 provided by prior consultant.

The Secondary Blended International Equity Benchmark consists of 80% MSCI EAFE and 20% MSCI ACWI ex US Small Cap Index as of July 2025.

## Trailing Net Performance | As of December 31, 2025

	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Real Estate</b>	<b>76,414,117</b>	<b>5.4</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>1.1</b>	<b>3.9</b>	<b>4.2</b>	<b>6.1</b>	<b>Dec-10</b>
<i>Custom Blended Real Estate Benchmark</i>			0.7	0.7	4.0	-4.8	2.4	3.9	7.0	
<i>CPI +5% (Seasonally Adjusted)</i>			0.7	1.7	7.8	8.1	9.7	8.4	7.8	
<b>Private Real Estate</b>	<b>76,414,117</b>	<b>5.4</b>	<b>0.0</b>	<b>0.0</b>	<b>2.1</b>	<b>-0.6</b>	<b>4.0</b>	<b>4.2</b>	<b>6.1</b>	<b>Dec-10</b>
<i>Custom Blended Real Estate Benchmark</i>			0.7	0.7	4.0	-5.4	3.5	4.5	7.4	
<b>Private Equity</b>	<b>231,791,872</b>	<b>16.4</b>	<b>0.0</b>	<b>0.0</b>	<b>7.4</b>	<b>7.0</b>	<b>15.5</b>	<b>13.0</b>	<b>10.1</b>	<b>Jul-05</b>
<i>Custom Private Equity Benchmark</i>			3.7	8.6	20.8	26.8	19.3	18.2	--	
<b>Direct Lending</b>	<b>80,351,801</b>	<b>5.7</b>	<b>0.0</b>	<b>0.0</b>	<b>6.5</b>	<b>9.6</b>	<b>9.2</b>	--	<b>9.8</b>	<b>Jul-20</b>
<i>S&amp;P LSTA Leveraged Loan +2%</i>			0.8	1.7	8.0	11.5	8.5	7.9	9.5	
<b>Hedge Fund</b>	<b>76,706,671</b>	<b>5.4</b>	<b>0.0</b>	<b>1.5</b>	<b>8.1</b>	<b>7.6</b>	<b>6.7</b>	<b>5.8</b>	<b>5.4</b>	<b>Jul-14</b>
<i>Custom Blended Hedge Fund Benchmark</i>			1.3	3.2	10.5	8.6	5.2	5.1	--	
<b>Real Assets</b>	<b>73,980,010</b>	<b>5.2</b>	<b>0.0</b>	<b>0.0</b>	<b>9.0</b>	<b>11.7</b>	<b>13.2</b>	<b>10.1</b>	<b>10.0</b>	<b>Dec-10</b>
<i>Custom Blended Real Assets Benchmark</i>			1.4	4.6	26.2	11.1	11.2	9.4	--	
<i>CPI +5% (Seasonally Adjusted)</i>			0.7	1.7	7.8	8.1	9.7	8.4	7.8	
<b>Private Infrastructure</b>	<b>44,077,307</b>	<b>3.1</b>	<b>0.0</b>	<b>0.0</b>	<b>8.2</b>	<b>11.8</b>	<b>12.0</b>	<b>11.3</b>	<b>10.3</b>	<b>Jan-15</b>
<i>S&amp;P Global Infrastructure</i>			-0.7	2.4	22.6	14.6	11.0	9.4	7.3	
<b>Private Natural Resources</b>	<b>29,902,703</b>	<b>2.1</b>	<b>0.0</b>	<b>0.0</b>	<b>10.1</b>	<b>14.0</b>	<b>19.7</b>	<b>15.8</b>	<b>15.3</b>	<b>Oct-15</b>
<i>S&amp;P Global Natural Resources Sector Index (TR)</i>			3.5	6.9	29.7	7.4	11.3	11.1	10.9	
<b>Cash</b>	<b>19,544,733</b>	<b>1.4</b>	<b>0.6</b>	<b>1.2</b>	<b>4.8</b>	<b>5.0</b>	<b>2.6</b>	--	--	<b>Dec-10</b>

Real Assets includes State Street Real Assets NL Fund.

## Trailing Net Performance | As of December 31, 2025

	Trailing Period Performance										
	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date	
<b>Total Fund</b>	<b>1,411,525,884</b>	<b>100.0</b>	<b>0.0</b>	<b>0.9</b>	<b>11.9</b>	<b>11.7</b>	<b>7.4</b>	<b>8.9</b>	<b>8.2</b>	<b>Jan-95</b>	
<i>Policy Index</i>				<b>1.3</b>	<b>3.5</b>	<b>16.9</b>	<b>14.5</b>	<b>9.1</b>	<b>9.5</b>	<b>6.8</b>	
<b>Total Fund w/o Alternatives</b>	<b>852,736,680</b>	<b>60.4</b>	<b>0.0</b>	<b>1.3</b>	<b>15.5</b>	<b>15.5</b>	<b>7.0</b>	<b>9.4</b>	--	<b>Jan-08</b>	
<i>Policy Index w/o AI</i>				<b>0.9</b>	<b>2.8</b>	<b>18.4</b>	<b>14.9</b>	<b>7.1</b>	<b>8.8</b>	--	
<b>Public Equity</b>	<b>557,196,686</b>	<b>39.5</b>	<b>0.0</b>	<b>1.3</b>	<b>19.4</b>	<b>19.4</b>	<b>9.1</b>	--	<b>11.2</b>	<b>Apr-18</b>	
<i>MSCI AC World IMI Index (Net)</i>				<b>1.0</b>	<b>3.2</b>	<b>22.1</b>	<b>20.0</b>	<b>10.7</b>	<b>11.4</b>	<b>10.8</b>	
<b>US Equity</b>	<b>307,699,995</b>	<b>21.8</b>	<b>-0.1</b>	<b>2.2</b>	<b>15.4</b>	<b>20.9</b>	<b>12.3</b>	<b>14.0</b>	<b>10.9</b>	<b>Jan-95</b>	
<i>Russell 3000</i>				<b>0.0</b>	<b>2.4</b>	<b>17.1</b>	<b>22.2</b>	<b>13.1</b>	<b>14.2</b>	<b>10.9</b>	
BNY Mellon Newton Dynamic US Equity	67,347,183	4.8	-0.2	2.2	17.3	21.4	12.9	15.3	16.1	Jan-13	
<i>S&amp;P 500 Index</i>				<b>0.1</b>	<b>2.7</b>	<b>17.9</b>	<b>23.0</b>	<b>14.4</b>	<b>14.8</b>	<b>14.9</b>	
BNY Mellon Large Cap	220,437,705	15.6	0.0	2.4	17.3	22.7	13.6	--	14.8	Apr-16	
<i>Russell 1000 Index</i>				<b>0.0</b>	<b>2.4</b>	<b>17.4</b>	<b>22.7</b>	<b>13.6</b>	<b>14.6</b>	<b>14.9</b>	
Champlain Small Cap	19,915,107	1.4	0.0	-0.8	-4.3	7.6	2.3	--	6.6	Nov-20	
<i>Russell 2000 Index</i>				<b>-0.6</b>	<b>2.2</b>	<b>12.8</b>	<b>13.7</b>	<b>6.1</b>	<b>9.6</b>	<b>11.2</b>	

Historical returns for the US Equity Composite prior to January 2012 are gross only.

Throughout the report, the fair market value of Champlain Small Cap is as of 11/30/2025, due to investor statement availability.

## Trailing Net Performance | As of December 31, 2025

	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>International Equity</b>	<b>249,496,691</b>	<b>17.7</b>	<b>0.1</b>	<b>0.3</b>	<b>24.5</b>	<b>17.5</b>	<b>5.4</b>	<b>9.5</b>	<b>6.5</b>	<b>Jan-99</b>
<i>Primary Blended International Equity Benchmark</i>			<b>2.9</b>	<b>4.8</b>	<b>32.1</b>	<b>17.3</b>	<b>7.3</b>	<b>8.6</b>	<b>6.1</b>	
<i>Secondary Blended International Equity Benchmark</i>			<b>2.8</b>	<b>4.5</b>	<b>29.8</b>	<b>16.6</b>	<b>6.9</b>	<b>8.4</b>	<b>5.3</b>	
Acadian ACWI ex U.S. Small Cap Equity	20,926,926	1.5	2.7	3.4	29.9	18.2	11.4	--	12.4	May-19
<i>MSCI AC World ex USA Small Cap (Net)</i>			<b>2.0</b>	<b>3.0</b>	<b>29.3</b>	<b>15.6</b>	<b>6.9</b>	<b>8.1</b>	<b>8.6</b>	
Driehaus International Small Cap Growth	22,657,524	1.6	0.0	-0.5	27.4	13.9	4.9	--	10.0	May-19
<i>MSCI AC World ex USA Small Growth Index (Net)</i>			<b>1.6</b>	<b>1.6</b>	<b>26.2</b>	<b>14.1</b>	<b>4.1</b>	<b>7.5</b>	<b>7.8</b>	
GQG International Equity	62,133,513	4.4	1.1	4.4	20.5	15.6	9.2	--	10.1	Dec-19
<i>MSCI AC World ex USA (Net)</i>			<b>3.0</b>	<b>5.1</b>	<b>32.4</b>	<b>17.3</b>	<b>7.9</b>	<b>8.4</b>	<b>9.0</b>	
First Eagle International Value Fund	65,995,881	4.7	0.0	3.2	34.4	16.4	9.0	--	8.6	Dec-19
<i>MSCI EAFE (Net)</i>			<b>3.0</b>	<b>4.9</b>	<b>31.2</b>	<b>17.2</b>	<b>8.9</b>	<b>8.2</b>	<b>9.2</b>	
<i>MSCI AC World ex USA Value (Net)</i>			<b>4.0</b>	<b>7.6</b>	<b>39.5</b>	<b>20.2</b>	<b>11.9</b>	<b>8.7</b>	<b>10.3</b>	
<b>Emerging Markets Equity</b>	<b>77,782,847</b>	<b>5.5</b>	<b>-1.4</b>	<b>-5.5</b>	<b>17.6</b>	<b>19.3</b>	<b>-0.1</b>	<b>10.8</b>	<b>6.6</b>	<b>May-12</b>
<i>MSCI EM</i>			<b>3.0</b>	<b>4.7</b>	<b>33.6</b>	<b>16.4</b>	<b>4.2</b>	<b>8.6</b>	<b>5.1</b>	
Artisan Developing World TR	52,332,922	3.7	-3.3	-9.2	7.9	21.5	-0.9	--	9.5	Dec-19
<i>MSCI Emerging Markets (Net)</i>			<b>3.0</b>	<b>4.7</b>	<b>33.6</b>	<b>16.4</b>	<b>4.2</b>	<b>8.4</b>	<b>7.6</b>	
RWC	25,449,925	1.8	2.9	3.0	41.8	13.9	1.4	--	6.2	Dec-19
<i>MSCI Emerging Markets (Net)</i>			<b>3.0</b>	<b>4.7</b>	<b>33.6</b>	<b>16.4</b>	<b>4.2</b>	<b>8.4</b>	<b>7.6</b>	

Throughout the report, the fair market values of Driehaus International Small Cap Growth and First Eagle International Value Fund are as of 11/30/2025, due to investor statement availability.

Historical returns for the International Equity Composite prior to December 2010 are gross only.

International Equity Primary/Secondary benchmarks share the same benchmark history through June 30, 2025, as noted in the Benchmark History section. From July 1, 2025 onwards, the Primary Blended International Equity Benchmark consists of the MSCI AC World ex USA IMI, whereas the Secondary Blended International Equity Benchmark consists of 80% MSCI EAFE / 20% MSCI AC World ex USA Small Cap.

## Trailing Net Performance | As of December 31, 2025

	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>US Fixed Income</b>	<b>234,436,050</b>	<b>16.6</b>	<b>-0.2</b>	<b>1.1</b>	<b>7.0</b>	<b>4.7</b>	<b>-0.5</b>	<b>2.1</b>	<b>4.4</b>	<b>Jan-95</b>
<i>US Fixed Income Custom Benchmark</i>			<b>-0.1</b>	<b>1.1</b>	<b>7.2</b>	<b>4.7</b>	<b>-0.1</b>	<b>2.3</b>	<b>4.6</b>	
Vanguard Total Bond Market Index Fund	32,504,198	2.3	-0.3	1.0	7.2	4.7	-0.4	--	1.6	May-19
<i>Blmbg. U.S. Aggregate Index</i>			<b>-0.1</b>	<b>1.1</b>	<b>7.3</b>	<b>4.7</b>	<b>-0.4</b>	<b>2.0</b>	<b>1.6</b>	
Payden & Rygel Low Duration Fund	22,977,090	1.6	0.4	1.2	5.8	5.5	--	--	5.6	Nov-22
<i>Blmbg. U.S. Treasury: 1-3 Year</i>			<b>0.3</b>	<b>1.1</b>	<b>5.2</b>	<b>4.5</b>	<b>1.8</b>	<b>1.8</b>	<b>4.5</b>	
Brandywine US Fixed Income	67,858,981	4.8	-0.4	1.0	7.1	4.7	--	--	3.5	Nov-22
<i>Blmbg. U.S. Aggregate Index</i>			<b>-0.1</b>	<b>1.1</b>	<b>7.3</b>	<b>4.7</b>	<b>-0.4</b>	<b>2.0</b>	<b>5.5</b>	
Wellington Core Bond	111,095,781	7.9	-0.3	1.0	7.3	4.8	--	--	5.3	Nov-22
<i>Blmbg. U.S. Aggregate Index</i>			<b>-0.1</b>	<b>1.1</b>	<b>7.3</b>	<b>4.7</b>	<b>-0.4</b>	<b>2.0</b>	<b>5.5</b>	
<b>Opportunistic Credit</b>	<b>61,103,945</b>	<b>4.3</b>	<b>0.4</b>	<b>1.4</b>	<b>7.7</b>	<b>9.7</b>	<b>6.0</b>	--	<b>6.1</b>	<b>May-19</b>
<i>Custom Blended Opportunistic Credit Benchmark</i>			<b>0.5</b>	<b>1.2</b>	<b>7.4</b>	<b>7.2</b>	<b>2.6</b>	--	<b>3.6</b>	
PIMCO Income Fund	5,759,416	0.4	0.4	2.5	11.0	8.6	3.9	--	4.4	May-19
<i>Blmbg. U.S. Aggregate Index</i>			<b>-0.1</b>	<b>1.1</b>	<b>7.3</b>	<b>4.7</b>	<b>-0.4</b>	<b>2.0</b>	<b>1.6</b>	
GoldenTree Multi-Sector Credit	30,889,761	2.2	0.6	1.5	8.0	10.6	6.4	--	6.5	Jun-19
<i>50% BBg US High Yield TR/50% S&amp;P UBS Leveraged Loans</i>			<b>0.6</b>	<b>1.2</b>	<b>7.3</b>	<b>9.7</b>	<b>5.5</b>	<b>6.2</b>	<b>5.6</b>	
OWS Credit Opportunity Fund LP	24,454,768	1.7	0.0	1.1	6.8	--	--	--	8.6	Oct-23
<i>50% BBg US High Yield TR/50% S&amp;P UBS Leveraged Loans</i>			<b>0.6</b>	<b>1.2</b>	<b>7.3</b>	<b>9.7</b>	<b>5.5</b>	<b>6.2</b>	<b>9.4</b>	

Historical returns for the US Fixed Income Composite prior to December 2010 are gross only.

Throughout the report, the fair market values of GoldenTree Multi-Sector Credit is based on estimated performance as of 12/31/2025 and OWS Credit Opportunity Fund is based on estimated performance as of 11/30/2025, due to investor statement availability.

## Trailing Net Performance | As of December 31, 2025

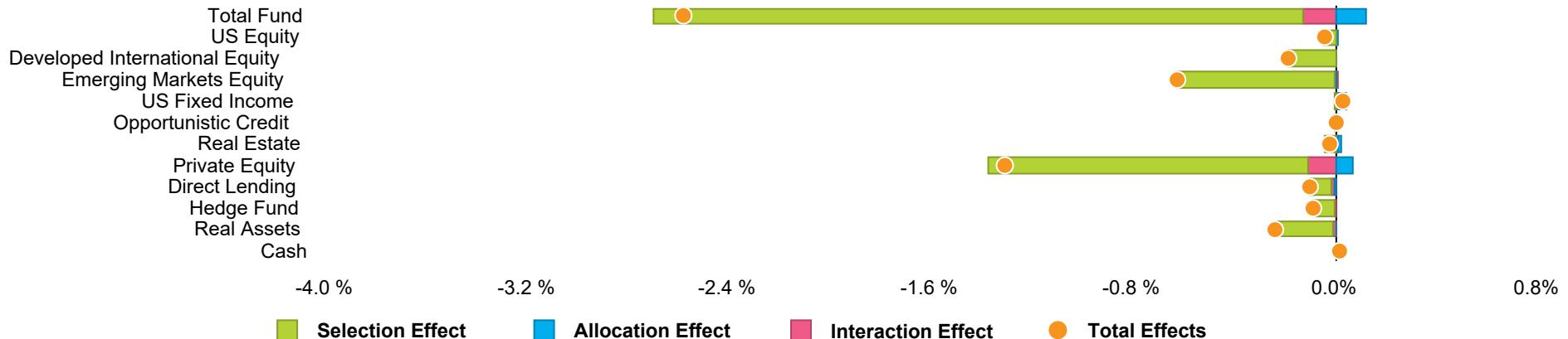
	Market Value (\$)	% of Portfolio	1 Mo (%)	QTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Private Real Estate</b>	76,414,117	5.4	0.0	0.0	2.1	-0.6	4.0	4.2	6.1	Dec-10
Custom Blended Real Estate Benchmark			0.7	0.7	4.0	-5.4	3.5	4.5	7.4	
<b>Private Equity</b>	231,791,872	16.4	0.0	0.0	7.4	7.0	15.5	13.0	10.1	Jul-05
Custom Private Equity Benchmark			3.7	8.6	20.8	26.8	19.3	18.2	--	
<b>Direct Lending</b>	80,351,801	5.7	0.0	0.0	6.5	9.6	9.2	--	9.8	Jul-20
S&P LSTA Leveraged Loan +2%			0.8	1.7	8.0	11.5	8.5	7.9	9.5	
<b>Hedge Fund</b>	76,706,671	5.4	0.0	1.5	8.1	7.6	6.7	5.8	5.4	Jul-14
Custom Blended Hedge Fund Benchmark			1.3	3.2	10.5	8.6	5.2	5.1	--	
<b>Private Infrastructure</b>	44,077,307	3.1	0.0	0.0	8.2	11.8	12.0	11.3	10.3	Jan-15
S&P Global Infrastructure			-0.7	2.4	22.6	14.6	11.0	9.4	7.3	
<b>Private Natural Resources</b>	29,902,703	2.1	0.0	0.0	10.1	14.0	19.7	15.8	15.3	Oct-15
S&P Global Natural Resources Sector Index (TR)			3.5	6.9	29.7	7.4	11.3	11.1	10.9	
<b>Cash</b>	19,544,733	1.4	0.6	1.2	4.8	5.0	2.6	--	--	Dec-10
Cash	18,661,905	1.3	0.3	1.0	4.3	5.3	2.7	1.9	-0.5	Dec-10
Treasury Cash	882,828	0.1	5.3	5.3	21.8	6.8	4.0	--	2.4	Sep-17

All private markets performance and market values reflect a 06/30/25 capital account balance (as of 11/30/2025) unless otherwise noted.

Private Real Estate results prior to 1/1/2019 were included in the Real Assets composite. All results for the Private Real Estate composite that include the period prior to 1/1/2019 will reflect only the latest lineup of managers that Meketa received information for, therefore it may not reflect the entire Private Real Estate composite at that given time.

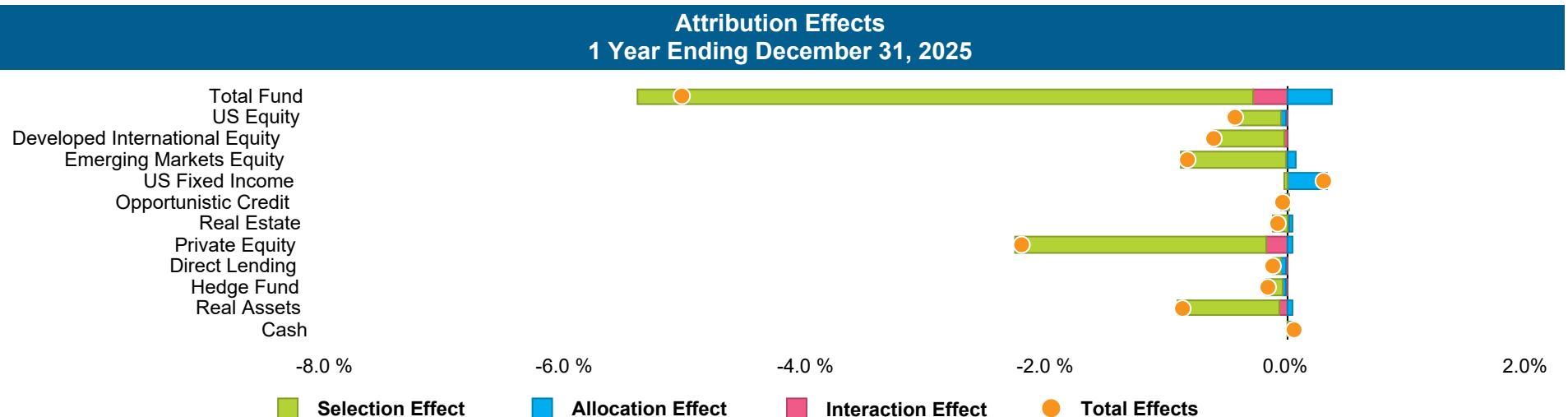
Cash market value is subject to change pending final reconciliation of private markets data.

## Total Fund Attribution | As of December 31, 2025

 Attribution Effects  
 3 Months Ending December 31, 2025

 Attribution Summary  
 3 Months Ending December 31, 2025

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction (%)	Total Effect (%)
US Equity	2.2	2.4	-0.2	-0.1	0.0	0.0	0.0
Developed International Equity	3.1	4.8	-1.6	-0.2	0.0	0.0	-0.2
Emerging Markets Equity	-5.5	4.7	-10.2	-0.6	0.0	0.0	-0.6
US Fixed Income	1.1	1.1	0.0	0.0	0.0	0.0	0.0
Opportunistic Credit	1.4	1.2	0.2	0.0	0.0	0.0	0.0
Real Estate	0.0	0.7	-0.7	0.0	0.0	0.0	0.0
Private Equity	0.0	8.6	-8.6	-1.3	0.1	-0.1	-1.3
Direct Lending	0.0	1.7	-1.7	-0.1	0.0	0.0	-0.1
Hedge Fund	1.5	3.2	-1.7	-0.1	0.0	0.0	-0.1
Real Assets	0.0	4.6	-4.6	-0.2	0.0	0.0	-0.2
Cash	1.2	1.0	0.1	0.0	0.0	0.0	0.0
<b>Total Fund</b>	<b>0.9</b>	<b>3.5</b>	<b>-2.6</b>	<b>-2.6</b>	<b>0.1</b>	<b>-0.1</b>	<b>-2.6</b>

## Total Fund Attribution | As of December 31, 2025



**Attribution Summary**  
1 Year Ending December 31, 2025

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction (%)	Total Effect (%)
US Equity	15.4	17.1	-1.7	-0.4	-0.1	0.0	-0.4
Developed International Equity	27.8	33.4	-5.5	-0.6	0.0	0.0	-0.6
Emerging Markets Equity	17.6	33.6	-15.9	-0.9	0.1	0.0	-0.8
US Fixed Income	7.0	7.2	-0.1	0.0	0.3	0.0	0.3
Opportunistic Credit	7.7	7.4	0.3	0.0	-0.1	0.0	0.0
Real Estate	2.1	4.0	-1.9	-0.1	0.0	0.0	-0.1
Private Equity	7.4	20.8	-13.4	-2.1	0.0	-0.2	-2.2
Direct Lending	6.5	8.0	-1.5	-0.1	0.0	0.0	-0.1
Hedge Fund	8.1	10.5	-2.4	-0.1	0.0	0.0	-0.2
Real Assets	9.0	26.2	-17.2	-0.8	0.0	-0.1	-0.9
Cash	4.8	4.3	0.5	0.0	0.0	0.0	0.1
<b>Total Fund</b>	<b>11.9</b>	<b>16.9</b>	<b>-5.0</b>	<b>-5.1</b>	<b>0.4</b>	<b>-0.3</b>	<b>-5.0</b>

## Benchmark History | As of December 31, 2025

		Benchmark History	Benchmark
From Date	To Date		
<b>Total Fund</b>			
07/01/2025	Present	22.0% Russell 3000, 12.0% Merced - Primary Blended International Equity Benchmark v2, 6.0% MSCI EM, 18.0% US Fixed Income Custom Benchmark, 5.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% S&P LSTA Leveraged Loan +2%, 5.0% Custom Blended Real Assets Benchmark, 6.0% Custom Blended Real Estate Benchmark, 4.0% Custom Blended Opportunistic Credit Benchmark, 2.0% Blmbg. U.S. Treasury Bills: 1-3 Months	
07/01/2024	06/30/2025	22.0% Russell 3000, 12.0% Custom Blended Developed International Equity BM, 6.0% MSCI EM, 18.0% US Fixed Income Custom Benchmark, 5.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% S&P LSTA Leveraged Loan +2%, 5.0% Custom Blended Real Assets Benchmark, 6.0% Custom Blended Real Estate Benchmark, 4.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans, 2.0% Blmbg. U.S. Treasury Bills: 1-3 Months	
01/01/2022	06/30/2024	22.0% Russell 3000, 11.0% Custom Blended Developed International Equity BM, 8.0% MSCI EM, 11.0% US Fixed Income Custom Benchmark, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% S&P LSTA Leveraged Loan +2%, 5.0% Custom Blended Real Assets Benchmark, 8.0% Custom Blended Real Estate Benchmark, 5.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans	
01/01/2020	12/31/2021	21.0% Russell 3000, 10.0% Custom Blended Developed International Equity BM, 8.0% MSCI EM, 18.0% BBgBarc US Aggregate TR, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% Custom Blended Real Assets Benchmark, 8.0% Custom Blended Real Estate Benchmark, 5.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans	
07/01/2019	12/31/2019	21.0% US Equity Custom, 18.0% Secondary Blended International Equity Benchmark, 18.0% US Fixed Custom, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Thomson Reuters Cambridge Private Equity Index, 5.0% Real Asset Custom, 8.0% NCREIF ODCE (Net), 5.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans	
01/01/2019	06/30/2019	21.0% US Equity Custom, 23.0% US Fixed Custom, 18.0% Secondary Blended International Equity Benchmark, 10.0% Custom Blended Hedge Fund Benchmark, 15.0% Thomson Reuters Cambridge Private Equity Index, 5.0% Real Asset Custom, 8.0% NCREIF ODCE (Net)	
01/01/2017	12/31/2018	27.0% US Equity Custom, 22.0% US Fixed Custom, 23.0% Secondary Blended International Equity Benchmark, 5.0% Custom Blended Hedge Fund Benchmark, 9.0% Thomson Reuters Cambridge Private Equity Index, 14.0% Real Asset Custom	
07/01/2014	12/31/2016	22.7% Russell 1000 Index, 5.7% Russell 2000 Index, 23.6% Secondary Blended International Equity Benchmark, 28.5% US Fixed Custom, 4.5% Custom Blended Hedge Fund Benchmark, 8.0% NCREIF ODCE (Net), 7.0% Thomson Reuters Cambridge Private Equity Index	
<b>US Equity</b>			
01/01/2020	Present	100.0% Russell 3000 Index	
12/01/1994	12/31/2019	100.0% Russell 3000	

## Benchmark History | As of December 31, 2025

From Date	To Date	Benchmark
<b>International Equity</b>		
07/01/2025	Present	100.0% MSCI AC World ex USA IMI (Net)
01/01/2019	06/30/2025	56.0% MSCI EAFE Index, 44.0% MSCI Emerging Markets Index
01/01/2017	12/31/2018	69.6% MSCI EAFE Index, 30.4% MSCI Emerging Markets Index
01/01/1999	12/31/2016	100.0% MSCI AC World ex USA Index
<b>US Fixed Income</b>		
07/01/2025	Present	100.0% Blmbg. U.S. Aggregate Index
12/01/1994	06/30/2025	10.0% Blmbg. U.S. Treasury: 1-3 Year, 90.0% BBgBarc US Aggregate TR
<b>Hedge Fund</b>		
07/01/2017	Present	100.0% HFRI Fund of Funds Composite Index
01/01/2015	06/30/2017	50.0% HFRI Fund of Funds Composite Index, 50.0% HFRI RV: Multi-Strategy Index
<b>Real Assets</b>		
01/01/2022	Present	50.0% S&P Global Infrastructure, 50.0% S&P Global Natural Resources Sector Index (TR)
01/01/2020	12/31/2021	50.0% Cambridge Energy Upstream & Royalties & Private Energy (1 Quarter Lagged), 50.0% Cambridge Infrastructure (1 Quarter Lagged)
03/01/1999	12/31/2019	100.0% Real Asset Custom
<b>Private Real Estate</b>		
01/01/2020	Present	100.0% NCREIF ODCE 1Q Lagged
03/01/1999	12/31/2019	100.0% NCREIF Fund Index-Open End Diversified Core Equity (VW) (Net)
<b>Private Equity</b>		
01/01/2022	Present	100.0% 70% Russell 3000/ 30% MSCI AC World ex USA + 300bps (1 Quarter Lagged)
01/01/2020	12/31/2021	100.0% Cambridge Global Private Equity & VC (1 Quarter Lagged)
12/31/1994	12/31/2019	100.0% Thomson Reuters Cambridge Private Equity Index
<b>Opportunistic Credit</b>		
07/01/2025	Present	20.0% Blmbg. U.S. Aggregate Index, 40.0% Blmbg. U.S. Corp: High Yield Index, 40.0% S&P UBS Leveraged Loan Index
05/01/2019	06/30/2025	100.0% 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% S&P UBS Lev Loans

## Fee Schedule | As of December 31, 2025

		Annual Investment Expense Analysis	Market Value (\$)	Estimated Annual Fee (%)	Estimated Expense (\$)
Fee Schedule					
<b>Total Fund</b>			<b>1,411,525,884</b>		
<b>Total Fund w/o Alternatives</b>			<b>852,736,680</b>		
<b>Public Equity</b>			<b>557,196,686</b>		
<b>US Equity</b>			<b>307,699,995</b>		
BNY Mellon Newton Dynamic US Equity	0.30 % of Assets	67,347,183	0.30	202,042	
BNY Mellon Large Cap	0.04 % of First \$100 M 0.02 % Thereafter	220,437,705	0.03	64,088	
Champlain Small Cap	1.00 % of Assets	19,915,107	1.00	199,151	
<b>International Equity</b>			<b>249,496,691</b>		
Acadian ACWI ex U.S. Small Cap Equity	0.85 % of First \$50 M 0.75 % Thereafter	20,926,926	0.85	177,879	
Driehaus International Small Cap Growth	0.90 % of Assets	22,657,524	0.90	203,918	
GQG International Equity	0.50 % of Assets	62,133,513	0.50	310,668	
First Eagle International Value Fund	0.79 % of Assets	65,995,881	0.79	521,367	
<b>Emerging Markets Equity</b>			<b>77,782,847</b>		
Artisan Developing World TR	1.05 % of Assets	52,332,922	1.05	549,496	
RWC	0.87 % of Assets	25,449,925	0.87	221,414	
<b>MCERA US FIXED+OPP CREDIT</b>			<b>295,539,995</b>		
<b>US Fixed Income</b>			<b>234,436,050</b>		
Vanguard Total Bond Market Index Fund	0.03 % of Assets	32,504,198	0.03	8,126	
Payden & Rygel Low Duration Fund	0.43 % of Assets	22,977,090	0.43	130,969	
Brandywine US Fixed Income	0.29 % of First \$50 M 0.22 % of Next \$50 M 0.18 % of Next \$400 M 0.12 % Thereafter	67,858,981	0.27	184,290	
Wellington Core Bond	0.12 % of Assets	111,095,781	0.12	133,315	
<b>Opportunistic Credit</b>			<b>61,103,945</b>		
PIMCO Income Fund	0.51 % of Assets	5,759,416	0.51	31,101	
GoldenTree Multi-Sector Credit	0.70 % of Assets	30,889,761	0.70	216,228	
OWS Credit Opportunity Fund LP		24,454,768	-	-	

**Fee Schedule | As of December 31, 2025**

	Fee Schedule	Market Value (\$)	Estimated Annual Fee (%)	Estimated Expense (\$)
<b>Hedge Fund</b>	<b>76,706,671</b>			
Silver Point Capital	Performance Based 1.50 % and 20.00 %	15,658,429	1.50	234,876
Marshall Wace Eureka	Performance Based 2.00 % and 20.00 %	5,655,558	2.00	113,111
Marshall Wace Global Opportunities	Performance Based 2.00 % and 20.00 %	6,366,606	2.00	127,332
Taconic Opportunity Fund	Performance Based 1.40 % and 20.00 %	1,290,965	1.40	18,074
Silver Point Capital	Performance Based 1.50 % and 20.00 %	15,658,429	1.50	234,876
Graham Absolute Return	Performance Based 1.75 % and 20.00 %	5,415,058	1.75	94,764
Laurion Capital	Performance Based 2.00 % and 20.00 %	8,196,828	2.00	163,937
Wellington Global Equity Long/Short Fund	Performance Based 1.00 % and 20.00 %	10,746,601	1.00	107,466
<b>Cash</b>	<b>19,544,733</b>			
Cash		18,661,905	-	-
Treasury Cash		882,828	-	-

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PERFORMANCE DATA CONTAINED HEREIN REPRESENT PAST PERFORMANCE. PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS.

**Credit Risk:** Refers to the risk that the issuer of a fixed income security may default (i.e., the issuer will be unable to make timely principal and/or interest payments on the security).

**Duration:** Measure of the sensitivity of the price of a bond to a change in its yield to maturity. Duration summarizes, in a single number, the characteristics that cause bond prices to change in response to a change in interest rates. For example, the price of a bond with a duration of three years will rise by approximately 3% for each 1% decrease in its yield to maturity. Conversely, the price will decrease 3% for each 1% increase in the bond's yield. Price changes for two different bonds can be compared using duration. A bond with a duration of six years will exhibit twice the percentage price change of a bond with a three-year duration. The actual calculation of a bond's duration is somewhat complicated, but the idea behind the calculation is straightforward. The first step is to measure the time interval until receipt for each cash flow (coupon and principal payments) from a bond. The second step is to compute a weighted average of these time intervals. Each time interval is measured by the present value of that cash flow. This weighted average is the duration of the bond measured in years.

**Information Ratio:** This statistic is a measure of the consistency of a portfolio's performance relative to a benchmark. It is calculated by subtracting the benchmark return from the portfolio return (excess return), and dividing the resulting excess return by the standard deviation (volatility) of this excess return. A positive information ratio indicates outperformance versus the benchmark, and the higher the information ratio, the more consistent the outperformance.

**Jensen's Alpha:** A measure of the average return of a portfolio or investment in excess of what is predicted by its beta or "market" risk. Portfolio Return- [Risk Free Rate+Beta\*(market return-Risk Free Rate)].

**Market Capitalization:** For a firm, market capitalization is the total market value of outstanding common stock. For a portfolio, market capitalization is the sum of the capitalization of each company weighted by the ratio of holdings in that company to total portfolio holdings; thus it is a weighted-average capitalization. Meketa Investment Group considers the largest 65% of the broad domestic equity market as large capitalization, the next 25% of the market as medium capitalization, and the smallest 10% of stocks as small capitalization.

**Market Weighted:** Stocks in many indices are weighted based on the total market capitalization of the issue. Thus, the individual returns of higher market-capitalization issues will more heavily influence an index's return than the returns of the smaller market-capitalization issues in the index.

**Maturity:** The date on which a loan, bond, mortgage, or other debt/security becomes due and is to be paid off.

**Prepayment Risk:** The risk that prepayments will increase (homeowners will prepay all or part of their mortgage) when mortgage interest rates decline; hence, investors' monies will be returned to them in a lower interest rate environment. Also, the risk that prepayments will slow down when mortgage interest rates rise; hence, investors will not have as much money as previously anticipated in a higher interest rate environment. A prepayment is any payment in excess of the scheduled mortgage payment.

**Price-Book Value (P/B) Ratio:** The current market price of a stock divided by its book value per share. Meketa Investment Group calculates P/B as the current price divided by Compustat's quarterly common equity. Common equity includes common stock, capital surplus, retained earnings, and treasury stock adjusted for both common and nonredeemable preferred stock. Similar to high P/E stocks, stocks with high P/B's tend to be riskier investments.

**Price-Earnings (P/E) Ratio:** A stock's market price divided by its current or estimated future earnings. Lower P/E ratios often characterize stocks in low growth or mature industries, stocks in groups that have fallen out of favor, or stocks of established blue chip companies with long records of stable earnings and regular dividends. Sometimes a company that has good fundamentals may be viewed unfavorably by the market if it is an industry that is temporarily out of favor. Or a business may have experienced financial problems causing investors to be skeptical about its future. Either of these situations would result in lower relative P/E ratios. Some stocks exhibit above-average sales and earnings growth or expectations for above average growth. Consequently, investors are willing to pay more for these companies' earnings, which results in elevated P/E ratios. In other words, investors will pay more for shares of companies whose profits, in their opinion, are expected to increase faster than average. Because future events are in no way assured, high P/E stocks tend to be riskier and more volatile investments. Meketa Investment Group calculates P/E as the current price divided by the I/B/E/S consensus of twelve-month forecast earnings per share.

**Quality Rating:** The rank assigned a security by such rating services as Fitch, Moody's, and Standard & Poor's. The rating may be determined by such factors as (1) the likelihood of fulfillment of dividend, income, and principal payment of obligations; (2) the nature and provisions of the issue; and (3) the security's relative position in the event of liquidation of the company. Bonds assigned the top four grades (AAA, AA, A, BBB) are considered investment grade because they are eligible bank investments as determined by the controller of the currency.

**Sharpe Ratio:** A commonly used measure of risk-adjusted return. It is calculated by subtracting the risk free return (usually three-month Treasury bill) from the portfolio return and dividing the resulting excess return by the portfolio's total risk level (standard deviation). The result is a measure of return per unit of total risk taken. The higher the Sharpe ratio, the better the fund's historical risk adjusted performance.

**STIF Account:** Short-term investment fund at a custodian bank that invests in cash-equivalent instruments. It is generally used to safely invest the excess cash held by portfolio managers.

**Standard Deviation:** A measure of the total risk of an asset or a portfolio. Standard deviation measures the dispersion of a set of numbers around a central point (e.g., the average return). If the standard deviation is small, the distribution is concentrated within a narrow range of values. For a normal distribution, about two thirds of the observations will fall within one standard deviation of the mean, and 95% of the observations will fall within two standard deviations of the mean.

**Style:** The description of the type of approach and strategy utilized by an investment manager to manage funds. For example, the style for equities is determined by portfolio characteristics such as price-to-book value, price-to-earnings ratio, and dividend yield. Equity styles include growth, value, and core.

**Tracking Error:** A divergence between the price behavior of a position or a portfolio and the price behavior of a benchmark, as defined by the difference in standard deviation.

**Yield to Maturity:** The yield, or return, provided by a bond to its maturity date; determined by a mathematical process, usually requiring the use of a "basis book." For example, a 5% bond pays \$5 a year interest on each \$100 par value. To figure its current yield, divide \$5 by \$95—the market price of the bond—and you get 5.26%. Assume that the same bond is due to mature in five years. On the maturity date, the issuer is pledged to pay \$100 for the bond that can be bought now for \$95. In other words, the bond is selling at a discount of 5% below par value. To figure yield to maturity, a simple and approximate method is to divide 5% by the five years to maturity, which equals 1% pro rata yearly. Add that 1% to the 5.26% current yield, and the yield to maturity is roughly 6.26%.

$$\frac{5\% \text{ (discount)}}{5 \text{ (yrs. to maturity)}} = \frac{1\% \text{ pro rata, plus}}{5.26\% \text{ (current yield)}} = 6.26\% \text{ (yield to maturity)}$$

**Yield to Worst:** The lowest potential yield that can be received on a bond without the issuer actually defaulting. The yield to worst is calculated by making worst-case scenario assumptions on the issue by calculating the returns that would be received if provisions, including prepayment, call, or sinking fund, are used by the issuer.

**NCREIF Property Index (NPI):** Measures unleveraged investment performance of a very large pool of individual commercial real estate properties acquired in the private market by tax-exempt institutional investors for investment purposes only. The NPI index is capitalization-weighted for a quarterly time series composite total rate of return.

**NCREIF Fund Index - Open End Diversified Core Equity (NFI-ODCE):** Measures the investment performance of 28 open-end commingled funds pursuing a core investment strategy that reflects funds' leverage and cash positions. The NFI-ODCE index is equal-weighted and is reported gross and net of fees for a quarterly time series composite total rate of return.

Sources: Investment Terminology, International Foundation of Employee Benefit Plans, 1999.

The Handbook of Fixed Income Securities, Fabozzi, Frank J., 1991

The Russell Indices®, TM, SM are trademarks/service marks of the Frank Russell Company.

Throughout this report, numbers may not sum due to rounding.

Returns for periods greater than one year are annualized throughout this report.

Values shown are in millions of dollars, unless noted otherwise.

**DATE:** January 22, 2026  
**TO:** MercedCERA Board of Retirement  
**FROM:** Martha Sanchez Barboa, Plan Administrator  
**SUBJECT:** Contract Modifications for Martha Sanchez Barboa, Pete Madrid and Monica Gallegos  
**ITEM NUMBER:** Consent Item e  
**ITEM TYPE:** Action

**STAFF RECOMMENDATION:**

1. Approve the employment contract modification for Martha Sanchez Barboa, Plan Administrator, keeping the salary current but adding a 400-hour maximum vacation limit.
2. Approve the employment contract modification for Pete Madrid, Assistant Plan Administrator – Investments, keeping the salary current but adding a 400-hour maximum vacation limit, as well as adding he shall receive all benefit increases provided to Merced County employees classified as B level Unrepresented Management.
3. Approve the employment contract modification for Monica Gallegos, Assistant Plan Administrator – Benefits & Administration, keeping the salary current but adding she shall receive all benefit increases provided to Merced County employees classified as B level Unrepresented Management.

**DISCUSSION:**

On January 23, 2025, the MercedCERA Board approved the employment contract of Martha Sanchez Barboa as MercedCERA's new Plan Administrator. On September 26, 2024, the MercedCERA Board approved the employment contract of Pete Madrid as MercedCERA's new Assistant Plan Administrator – Investments. Staff are recommending the Board approve the modification to both agreements, keeping both salaries current but adding a 400-hour maximum vacation limit to each contract.

On May 22, 2025, the MercedCERA Board approved the employment contract of Monica Gallegos as MercedCERA's new Assistant Plan Administrator – Benefits & Administration. Staff are recommending Section 4, "Salary and Compensation" of the contract be modified to include Monica will receive all "salary and benefit increases" provided to all other Merced County B level employees. Staff are also recommending this same contract modification be included in Pete Madrid's contract. These modifications would circumvent a future need to modify their contracts if Merced County changed the benefits provided to other Merced County employees classified as B level Unrepresented Management.

Attached to this agenda item is the redlined and updated version of all three contracts

showing the modifications being recommended.

**Staff Recommendation:**

Staff recommend the Board approve the employment contract modification for Martha Sanchez Barboa, Plan Administrator, keeping the salary current but adding a 400-hour maximum vacation limit; approve the employment contract modification for Pete Madrid, Assistant Plan Administrator – Investments, keeping the salary current but adding a 400-hour maximum vacation limit, as well as adding he shall receive all benefit increases provided to Merced County employees classified as B level Unrepresented Management; and approve the employment contract modification for Monica Gallegos, Assistant Plan Administrator – Benefits & Administration, keeping the salary current but adding she shall receive all benefit increases provided to Merced County employees classified as B level Unrepresented Management.

**AGREEMENT**  
**MERCED COUNTY EMPLOYEES' RETIREMENT**  
**ASSOCIATION BOARD OF RETIREMENT**  
**AND MARTHA SANCHEZ BARBOA**  
**FOR EMPLOYMENT AS PLAN ADMINISTRATOR**

This Agreement is entered into as of January 23, 2025, by and between the Merced County Employee's Retirement Association Board of Retirement ("Board of Retirement") and Martha Sanchez Barboa, an individual ("Martha Sanchez Barboa" or "Plan Administrator"). The Board of Retirement and Martha Sanchez Barboa are sometimes individually referred to as a "Party" and collectively as "Parties" in this Agreement.

**RECITALS**

WHEREAS, the Merced County Employees' Retirement Association ("MercedCERA" or "Association") is a public employee retirement association established in 1950 by the County of Merced pursuant and subject to the County Employee's Retirement Law of 1937, California State Government Code, Section 31450 et seq. ("the 1937 Act"); and

WHEREAS, the MercedCERA Bylaws and Regulations govern the operation of MercedCERA and the procedures in matters brought before the Board of Retirement under the provisions of the 1937 Act; and

WHEREAS, California Government Code Section 31522.2 allows the Board of Retirement to appoint a Plan Administrator who shall serve at the pleasure of the Board of Retirement and who shall not be subject to county civil service or merit system rules; and

WHEREAS, the Board of Retirement desires to employ Martha Sanchez Barboa to serve as the Plan Administrator of the Association; and

WHEREAS, in consideration of these Recitals and the performance by the Parties of the promises, covenants, and conditions contained in this Agreement, the Parties agree as follows:

**AGREEMENT**

1. Employment of the Plan Administrator. The Board of Retirement, consistent with the 1937 Act, the MercedCERA Bylaws and Regulations, appoints and employs, effective pay period 4 begins on January 27, 2025 ("Appointment Date"), Martha Sanchez Barboa as its Plan Administrator, and Martha Sanchez Barboa hereby accepts such employment. Martha Sanchez Barboa shall not be subject to the County of Merced civil service or merit system rules. The position of Plan Administrator shall be included in the salary ordinance or resolution adopted by the Merced County Board of Supervisors.

2. Term. The term of this Agreement shall commence as of the Appointment Date and shall continue until it is terminated by either party as provided herein.

3. Duties.

The Plan Administrator shall manage the day to day operations of Association in accordance with the provisions of the 1937 Act, the Association's Bylaws, policies and resolutions, and all other applicable law and shall represent the standards by which the Retirement Plan Administrator shall exercise the delegation of authority. (Gov. Code Secs. 31520, 31525).

- a. The Plan Administrator acknowledges and agrees that she is a fiduciary to MercedCERA under California law and shall timely file all of the required conflict of interest disclosures and forms.
- b. The specific duties of the Plan Administrator are enumerated in the MercedCERA Bylaws, resolutions, rules, job description for the position, and as otherwise directed by the Board of Retirement.
- c. The Plan Administrator may work remotely provided a minimum of 8 workdays per month are worked in person at the MercedCERA worksite. Workdays are defined as Monday through Friday. Work-related travel for conferences, due diligence visits, etc. shall be considered work performed at the MercedCERA worksite for the purpose of calculating the number of workdays worked in person. Unless the Board of Retirement allows otherwise, the Plan Administrator shall be required to attend the Board of Retirement's board meetings in person.

4. Salary and Compensation. MercedCERA shall pay Martha Sanchez Barboa according to the salary range \$225,000 - \$275,000, starting annual salary of \$225,000, serve as the Plan Administrator. Said salary shall be paid in the same manner and same time that other Association employees receive their regular paychecks. The Plan Administrator is an exempt employee and thus is not entitled to receive overtime. One year after the Appointment Date, the Board Chair as delegated by the Board of Retirement shall conduct a performance evaluation and may award a merit raise at that time, at the Chair's discretion with approval from the Board. Plan Administrator, Martha Sanchez Barboa shall also receive all salary and benefit increases provided to County employees classified as A level Unrepresented Management, Bargaining Unit 20. All other salary adjustments or bonuses, if any, will be determined by the Board of Retirement, in its sole and exclusive discretion.

5. Benefits. In addition to base salary, the Plan Administrator shall be provided the same benefits and allowances afforded County of Merced Unrepresented Management- A level employees. Presently, benefits include as follows:

- a. Car Allowance. Car allowance of \$700 per month.
- b. Expense Allowance. Expense allowance in the amount of \$300 per month.
- c. Communications Allowance. Communications allowance of \$150 per month.
- d. Management Leave. Credited in accordance with the County's rules.

- e. Annual Vacation Sell Back. Annually eligible to sell back a portion of accumulated vacation leave hours (maximum - 100 hours).
- f. Annual Sick Leave Sell Back. Annually eligible to sell back a portion of accumulated sick leave hours (maximum – 50 hours).
- g. Disability Insurance. Eligible to participate in the Management Disability Plan, a comprehensive Short/Long Term Disability plan.
- h. Vacation. Notwithstanding the accrual rate that Unrepresented Management- A level employees receive, Martha Sanchez Barboa shall receive vacation leave of 8.615 hours per pay period for a total of 28 days per year (26 pay periods)[-for a vacation accumulation account limit of 400 maximum total hours.](#)
- i. Sick Leave. Martha Sanchez Barboa shall earn .0625 hours of sick leave with pay for each paid regularly scheduled working hour and shall be the same accrual as all county management employees.
- j. Personal Holiday. Eligible for two (2) personal holiday per fiscal year.
- k. Holidays- Eligible for 12 pre-determined holidays per calendar year.
- l. Health Insurance. Eligible to participate in the County of Merced's health, dental and vision plans.
- m. Retirement. Eligible to participate in the County of Merced's defined benefit plan, MercedCERA, pursuant to County Employees Retirement Law of 1937.
- n. Life Insurance. Eligible for \$80,000.00 County-paid Management Life Insurance plus \$5,000 County-paid Life Insurance coverage. Voluntary Term Life and Universal Life Insurance are also available - premium paid by employee.
- o. Bereavement Leave. Eligible for five (5) regularly scheduled workdays.
- p. Retirement Deferred Compensation. Eligible to voluntarily participate in the County of Merced's 457 Deferred Compensation Plan. Employees choose their investment funds and can make pretax contributions to the plan up to the maximum allowable.
- q. Employee Assistance Program. MHN EAP services provides up to five face-to-face counseling sessions per incident and provides a toll free "800" hotline available 24/7 for emergencies and crisis intervention. EAP services include counseling services, legal services, financial services and Work-Life Resources services.

6. Performance Evaluation(s). The Board Chair delegated by the Board of Retirement anticipates conducting an evaluation of the Plan Administrator's performance at least once each year. The Board Chair and the Plan Administrator agree that performance evaluations, for the purpose of mid-course corrections, may occur quarterly

or several times during each calendar year. The Plan Administrator's contract will be reviewed at the same time the performance evaluation is given to insure benefits and salary are appropriate to position. At this time, terms may be renegotiated.

## 7. Separation.

At-will employment. Martha Sanchez Barboa is an at-will employee, pursuant to Government Code Section 31522.2, serving at the pleasure of the Board of Retirement. The Board of Retirement may terminate the Plan Administrator for any reason, at any time, with or without cause. Cause is defined herein as commission of a felony, whether related or unrelated to her employment with the County of Merced, acts of fraud, dishonesty, or other acts of willful misconduct, or a failure to uphold her duties under this Agreement. Martha Sanchez Barboa may resign at any time and agrees to give the Board of Retirement at least 60 days advance written notice of the effective date of her resignation, unless the Parties mutually agree to other notice, but during this time, Martha Sanchez Barboa shall continue to perform the duties of the faithfully and competently as set forth in this Agreement. Martha Sanchez Barboa agrees and acknowledges that no other document, handbook, policy or representation other than those contained in this Agreement shall be construed to grant Martha Sanchez Barboa any right to, or expectation of, continued employment as Plan Administrator.

If Martha Sanchez Barboa is terminated by the Board of Retirement without cause, she shall receive six (6) months' salary as severance.

## 8. General Provisions.

- a. Amendments. The Agreement may be amended at any time by mutual written agreement of the Board of Retirement and Martha Sanchez Barboa.
- b. Conflict of Interest. Martha Sanchez Barboa shall not engage in any business or transaction or shall have a financial or other personal interest or association, direct or indirect, which conflicts with the proper discharge of official duties or would tend to impair independence of judgment or action in the performance of official duties. Personal as distinguished from financial interest includes an interest arising from blood or marriage relationships or close business, personal, or political associations. This section shall not serve to prohibit independent acts or other forms of enterprise during those hours not covered by active MercedCERA employment, providing such acts do not constitute a conflict of interest as defined herein. Martha Sanchez Barboa shall also be subject to the conflict of interest provisions of the California Government Code, regulations of the Fair Political Practices Commission, and any conflict of interest code applicable to the Plan Administrator employment with MercedCERA.
- c. Indemnification. Except as otherwise permitted, limited, or required by law, including without limitation California Government Code sections 825 et seq. and Government Code sections 995-996.8, MercedCERA will defend and pay any costs and judgments assessed against Martha Sanchez Barboa arising out of an act or omission of Martha Sanchez Barboa occurring in the course and scope of Martha Sanchez Barboa

performance of her duties under this Agreement. MercedCERA may compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered thereon. MercedCERA's obligation to pay the judgment, compromise, or settlement shall not arise until it is established that the injury arose out of an act or omission occurring within the scope of Martha Sanchez Barboa's employment as an employee of MercedCERA.

- d. **Severability.** If any clause, sentence, part, section, or portion of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, such clause, sentence, part, section, or portion so found shall be regarded as though it were not part of this Agreement and the remaining parts of this Agreement shall be fully binding and enforceable by the Parties hereto.
- e. **Jurisdiction and Venue.** This Agreement shall be construed in accordance with the laws of the State of California, and the Parties agree that venue for legal action concerning any aspect of the Agreement in State Court shall be maintained in Merced County Superior Court and for an action in Federal Court shall be in the United States District Court for the Eastern District of California.
- f. **Entire Agreement.** This Agreement represents the entire agreement of the Parties, which has been jointly drafted by the Parties, and no representations have been made or relied upon except as set forth in this Agreement which may be amended or modified only by a written, fully executed agreement of the Parties.
- g. **Notice.** Any notice, amendments, or additions to this Agreement, including change of address of either party during the term of this Agreement, which the Plan Administrator and the Association shall be required, or may desire, to make shall be in writing and shall be sent by prepaid first-class mail or hand-delivered to the respective Parties as follows:

If to MercedCERA:

Chair, Board of Retirement  
Merced County Employees' Retirement Association  
690 W 19<sup>th</sup> Street  
Merced, CA 95340

If to Plan Administrator:

Martha Sanchez Barboa  
(address redacted)

\* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT in duplicate at Merced, California, as of the date set forth above.

Merced County Employees' Retirement  
Association

Plan Administrator

By:

| Corrina BrownRyan Paskin, Chair or Designee  
MercedCERA Board of Retirement

Martha Sanchez Barboa

**AGREEMENT**  
**MERCED COUNTY EMPLOYEES' RETIREMENT**  
**ASSOCIATION BOARD OF RETIREMENT**  
**AND MARTHA SANCHEZ BARBOA**  
**FOR EMPLOYMENT AS PLAN ADMINISTRATOR**

This Agreement is entered into as of January 23, 2025, by and between the Merced County Employee's Retirement Association Board of Retirement ("Board of Retirement") and Martha Sanchez Barboa, an individual ("Martha Sanchez Barboa" or "Plan Administrator"). The Board of Retirement and Martha Sanchez Barboa are sometimes individually referred to as a "Party" and collectively as "Parties" in this Agreement.

**RECITALS**

WHEREAS, the Merced County Employees' Retirement Association ("MercedCERA" or "Association") is a public employee retirement association established in 1950 by the County of Merced pursuant and subject to the County Employee's Retirement Law of 1937, California State Government Code, Section 31450 et seq. ("the 1937 Act"); and

WHEREAS, the MercedCERA Bylaws and Regulations govern the operation of MercedCERA and the procedures in matters brought before the Board of Retirement under the provisions of the 1937 Act; and

WHEREAS, California Government Code Section 31522.2 allows the Board of Retirement to appoint a Plan Administrator who shall serve at the pleasure of the Board of Retirement and who shall not be subject to county civil service or merit system rules; and

WHEREAS, the Board of Retirement desires to employ Martha Sanchez Barboa to serve as the Plan Administrator of the Association; and

WHEREAS, in consideration of these Recitals and the performance by the Parties of the promises, covenants, and conditions contained in this Agreement, the Parties agree as follows:

**AGREEMENT**

1. Employment of the Plan Administrator. The Board of Retirement, consistent with the 1937 Act, the MercedCERA Bylaws and Regulations, appoints and employs, effective pay period 4 begins on January 27, 2025 ("Appointment Date"), Martha Sanchez Barboa as its Plan Administrator, and Martha Sanchez Barboa hereby accepts such employment. Martha Sanchez Barboa shall not be subject to the County of Merced civil service or merit system rules. The position of Plan Administrator shall be included in the salary ordinance or resolution adopted by the Merced County Board of Supervisors.

2. Term. The term of this Agreement shall commence as of the Appointment Date and shall continue until it is terminated by either party as provided herein.

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The Plan Administrator shall manage the day to day operations of Association in accordance with the provisions of the 1937 Act, the Association's Bylaws, policies and resolutions, and all other applicable law and shall represent the standards by which the Retirement Plan Administrator shall exercise the delegation of authority. (Gov. Code Secs. 31520, 31525).

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- b. The specific duties of the Plan Administrator are enumerated in the MercedCERA Bylaws, resolutions, rules, job description for the position, and as otherwise directed by the Board of Retirement.
- c. The Plan Administrator may work remotely provided a minimum of 8 workdays per month are worked in person at the MercedCERA worksite. Workdays are defined as Monday through Friday. Work-related travel for conferences, due diligence visits, etc. shall be considered work performed at the MercedCERA worksite for the purpose of calculating the number of workdays worked in person. Unless the Board of Retirement allows otherwise, the Plan Administrator shall be required to attend the Board of Retirement's board meetings in person.

4. Salary and Compensation. MercedCERA shall pay Martha Sanchez Barboa according to the salary range \$225,000 - \$275,000, starting annual salary of \$225,000, serve as the Plan Administrator. Said salary shall be paid in the same manner and same time that other Association employees receive their regular paychecks. The Plan Administrator is an exempt employee and thus is not entitled to receive overtime. One year after the Appointment Date, the Board Chair as delegated by the Board of Retirement shall conduct a performance evaluation and may award a merit raise at that time, at the Chair's discretion with approval from the Board. Plan Administrator, Martha Sanchez Barboa shall also receive all salary and benefit increases provided to County employees classified as A level Unrepresented Management, Bargaining Unit 20. All other salary adjustments or bonuses, if any, will be determined by the Board of Retirement, in its sole and exclusive discretion.

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- l. Health Insurance. Eligible to participate in the County of Merced's health, dental and vision plans.
- m. Retirement. Eligible to participate in the County of Merced's defined benefit plan, MercedCERA, pursuant to County Employees Retirement Law of 1937.
- n. Life Insurance. Eligible for \$80,000.00 County-paid Management Life Insurance plus \$5,000 County-paid Life Insurance coverage. Voluntary Term Life and Universal Life Insurance are also available - premium paid by employee.
- o. Bereavement Leave. Eligible for five (5) regularly scheduled workdays.
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- q. Employee Assistance Program. MHN EAP services provides up to five face-to-face counseling sessions per incident and provides a toll free "800" hotline available 24/7 for emergencies and crisis intervention. EAP services include counseling services, legal services, financial services and Work-Life Resources services.

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or several times during each calendar year. The Plan Administrator's contract will be reviewed at the same time the performance evaluation is given to insure benefits and salary are appropriate to position. At this time, terms may be renegotiated.

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If Martha Sanchez Barboa is terminated by the Board of Retirement without cause, she shall receive six (6) months' salary as severance.

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- c. Indemnification. Except as otherwise permitted, limited, or required by law, including without limitation California Government Code sections 825 et seq. and Government Code sections 995-996.8, MercedCERA will defend and pay any costs and judgments assessed against Martha Sanchez Barboa arising out of an act or omission of Martha Sanchez Barboa occurring in the course and scope of Martha Sanchez Barboa

performance of her duties under this Agreement. MercedCERA may compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered thereon. MercedCERA's obligation to pay the judgment, compromise, or settlement shall not arise until it is established that the injury arose out of an act or omission occurring within the scope of Martha Sanchez Barboa's employment as an employee of MercedCERA.

- d. **Severability.** If any clause, sentence, part, section, or portion of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, such clause, sentence, part, section, or portion so found shall be regarded as though it were not part of this Agreement and the remaining parts of this Agreement shall be fully binding and enforceable by the Parties hereto.
- e. **Jurisdiction and Venue.** This Agreement shall be construed in accordance with the laws of the State of California, and the Parties agree that venue for legal action concerning any aspect of the Agreement in State Court shall be maintained in Merced County Superior Court and for an action in Federal Court shall be in the United States District Court for the Eastern District of California.
- f. **Entire Agreement.** This Agreement represents the entire agreement of the Parties, which has been jointly drafted by the Parties, and no representations have been made or relied upon except as set forth in this Agreement which may be amended or modified only by a written, fully executed agreement of the Parties.
- g. **Notice.** Any notice, amendments, or additions to this Agreement, including change of address of either party during the term of this Agreement, which the Plan Administrator and the Association shall be required, or may desire, to make shall be in writing and shall be sent by prepaid first-class mail or hand-delivered to the respective Parties as follows:

If to MercedCERA:

Chair, Board of Retirement  
Merced County Employees' Retirement Association  
690 W 19<sup>th</sup> Street  
Merced, CA 95340

If to Plan Administrator:

Martha Sanchez Barboa  
(address redacted)

\* \* \*

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT in duplicate at Merced, California, as of the date set forth above.

Merced County Employees' Retirement  
Association

Plan Administrator

By:

---

Corrina Brown, Chair or Designee  
MercedCERA Board of Retirement

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Martha Sanchez Barboa

**AMENDMENT  
TO  
AGREEMENT  
BETWEEN  
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
AND  
PETE MADRID  
FOR EMPLOYMENT AS RETIREMENT ASSISTANT PLAN  
ADMINISTRATOR**

THIS Amendment to the Agreement between the Merced County Employees' Retirement Association Board of Retirement ("Board of Retirement") and Pete Madrid that was entered into on October 7, 2024, is executed by and between the Board of Retirement, and Pete Madrid (hereinafter referred to as "Madrid").

This Amendment is hereby annexed to and made a part of the printed part of the Agreement to which it is attached or modifies the existing Agreement between the parties. In each instance in which the provisions of this Amendment shall contradict or be inconsistent with the provisions of the printed portion of the original Agreement and any previous amendments, the provision of this Amendment shall prevail and govern, and the contradicted or inconsistent provisions shall be deemed amended accordingly. Both parties agree that there is new and adequate consideration for this Amendment.

This Amendment shall be deemed to have been duly approved when executed by both parties to the original Agreement. Once duly approved, this Amendment shall become effective as of the date signed by the Chairman of the Board of Retirement or designee.

**MODIFICATIONS:**

A). Section 4, entitled "Salary and Compensation", is amended to add as follows:

Effective with the County of Merced's pay period 22, 2025, Madrid shall be granted a seven percent raise in the annual base salary Madrid receives as of the first day of that pay period, which is October 6, 2025. Madrid's compensation shall be \$188,908.37. Madrid shall receive all salary and benefit increases provided to Merced County employees classified as B level Unrepresented Management.

B). Section 5(f), entitled "Vacation", is amended to add as follows:

Notwithstanding the accrual rate that Unrepresented Management- B level employees receive, Pete Madrid shall receive vacation leave of 20 days per year. He shall receive 28 days per year at 5 years of service and so forth in accordance with the county rules for accumulating vacation time. His vacation accumulation account limit shall be 400 maximum total hours.

Except as herein modified, all terms and conditions in said Agreement as heretofore approved remain unchanged and in full force and effect.

**Merced County Employees'  
Retirement Association**

---

Board Chair

**Assistant Retirement Plan  
Administrator**

---

Pete Madrid

APPROVED AS TO LEGAL FORM

BY:

Thomas Ebersole  
MercedCERA Legal Counsel

**AMENDMENT  
TO  
AGREEMENT  
BETWEEN  
MERCED COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
AND  
PETE MADRID  
FOR EMPLOYMENT AS RETIREMENT ASSISTANT PLAN  
ADMINISTRATOR**

THIS Amendment to the Agreement between the Merced County Employees' Retirement Association Board of Retirement ("Board of Retirement") and Pete Madrid that was entered into on October 7, 2024, is executed by and between the Board of Retirement, and Pete Madrid (hereinafter referred to as "Madrid").

This Amendment is hereby annexed to and made a part of the printed part of the Agreement to which it is attached or modifies the existing Agreement between the parties. In each instance in which the provisions of this Amendment shall contradict or be inconsistent with the provisions of the printed portion of the original Agreement and any previous amendments, the provision of this Amendment shall prevail and govern, and the contradicted or inconsistent provisions shall be deemed amended accordingly. Both parties agree that there is new and adequate consideration for this Amendment.

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B). Section 5(f), entitled "Vacation", is amended to add as follows:

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Except as herein modified, all terms and conditions in said Agreement as heretofore approved remain unchanged and in full force and effect.

**Merced County Employees'  
Retirement Association**

---

Board Chair

**Assistant Retirement Plan  
Administrator**

---

Pete Madrid

APPROVED AS TO LEGAL FORM

BY:

Thomas Ebersole  
MercedCERA Legal Counsel

**AGREEMENT  
MERCED COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION BOARD OF  
RETIREMENT AND MONICA R. GALLEGOS  
FOR EMPLOYMENT AS ASSISTANT PLAN  
ADMINISTRATOR**

This Agreement is entered into as of June 02, 2025, by and between the Merced County Employee's Retirement Association Board of Retirement ("Board of Retirement") and Ms. Monica R. Gallegos, an individual ("Monica R. Gallegos" or "Assistant Plan Administrator"). The Board of Retirement and Monica R. Gallegos are sometimes individually referred to as a "Party" and collectively as "Parties" in this Agreement.

**RECITALS**

WHEREAS, the Merced County Employees' Retirement Association ("MercedCERA" or "Association") is a public employee retirement association established in 1950 by the County of Merced pursuant and subject to the County Employee's Retirement Law of 1937, California State Government Code, Section 31450 et seq. ("the 1937 Act"); and

WHEREAS, the MercedCERA Bylaws and Regulations govern the operation of MercedCERA and the procedures in matters brought before the Board of Retirement under the provisions of the 1937 Act; and

WHEREAS, California Government Code Section 31522.3 allows the Board of Retirement to appoint an Assistant Plan Administrator who shall serve at the pleasure of the Board of Retirement and who shall not be subject to county civil service or merit system rules; and

WHEREAS, the Board of Retirement desires to employ Monica R. Gallegos to serve as the Assistant Plan Administrator of the Association; and

WHEREAS, in consideration of these Recitals and the performance by the Parties of the promises, covenants, and conditions contained in this Agreement, the Parties agree as follows:

**AGREEMENT**

1. Employment of the Assistant Plan Administrator. The Board of Retirement, consistent with the 1937 Act, the MercedCERA Bylaws and Regulations, appoints and employs, effective June 02, 2025, ("Appointment Date"), Monica R. Gallegos as its Assistant Plan Administrator, and Monica R. Gallegos hereby accepts such employment. Monica R. Gallegos shall not be subject to the County of Merced civil service or merit system rules. The position of Assistant Plan Administrator shall be included in the salary ordinance or resolution adopted by the Merced County Board of Supervisors.

2. Term. The term of this Agreement shall commence as of the Appointment Date and shall continue until it is terminated by either party as provided herein.

3. Duties.

- a. The Assistant Plan Administrator shall assist in managing the Association in accordance with the provisions of the 1937 Act, the Association's Bylaws, policies and resolutions, and all other applicable law.
- b. The Assistant Plan Administrator acknowledges and agrees that they are a fiduciary to MercedCERA under California law and shall timely file all of the required conflict of interest disclosures and forms.
- c. The specific duties of the Assistant Plan Administrator are enumerated in the MercedCERA Bylaws, resolutions, rules, job description for the position, and as otherwise directed by the Board of Retirement.
- d. The Assistant Plan Administrator may work remotely provided a minimum of 12 workdays per month are worked in person at the MercedCERA worksite. Workdays are defined as Monday through Friday. Work-related travel for conferences, due diligence visits, etc. shall be considered work performed at the MercedCERA worksite for the purpose of calculating the number of workdays worked in person. Unless the Board of Retirement allows otherwise, the Assistant Plan Administrator shall be required to attend the Board of Retirement's board meetings in person.
- e. The Assistant Plan Administrator will retain/establish a residence in the State of California.

4. Salary and Compensation. MercedCERA shall pay Monica R. Gallegos according to the salary range of 88.0 (\$133,952.00 - \$163,092.80), starting annual salary of \$133,952.00, to serve as the Assistant Plan Administrator. Said salary shall be paid in the same manner and same time that other Association employees receive their regular paychecks. The Assistant Plan Administrator is an exempt employee and thus is not entitled to receive overtime. One year after the Appointment Date, the Plan Administrator as delegated by the Board of Retirement shall conduct a performance evaluation and may award a merit raise at that time, at the Plan Administrator's discretion with approval from the Board. Assistant Plan Administrator, Monica R. Gallegos shall also receive all ~~future~~ salary and benefit increases provided to County employees classified as B level Unrepresented Management. All other salary adjustments or bonuses, if any, will be determined by the Board of Retirement, in its sole and exclusive discretion.

5. Benefits. In addition to base salary, the Assistant Plan Administrator shall be provided the same benefits and allowances afforded County of Merced Unrepresented Management- B level employees. Presently, benefits include as follows:

- a. Expense Allowance. Expense allowance in the amount of \$100 per month.
- b. Management Leave. Credited in accordance with the County's rules.

- c. Annual Vacation Sell Back. Annually eligible to sell back a portion of accumulated vacation leave hours (maximum - 60 hours).
- d. Annual Sick Leave Sell Back. Annually eligible to sell back a portion of accumulated sick leave hours (maximum- 50 hours).
- e. Disability Insurance. Eligible to participate in the Management Disability Plan, a comprehensive Short/Long Term Disability plan.
- f. Vacation. Eligible for paid vacations of approximately ten (10) days per year during the first five (5) years of continuous employment, fifteen (15) days during the second five (5) years of continuous employment and twenty (20) days after ten (10) years of continuous employment. Paid vacation is subject to the full-time employee's vacation accumulation limits based upon years of service/regular hours worked.
- g. Sick Leave. Monica R. Gallegos shall earn .0625 hours of sick leave with pay for each paid regularly scheduled working hour and shall be the same accrual as all county management employees.
- h. Personal Holiday. Eligible for four (4) personal holidays per fiscal year.
  - 1. Holidays- Eligible for 12 pre-determined holidays per calendar year.
- J. Health Insurance. Eligible to participate in the County of Merced's health, dental and vision plans at the same cost as Unrepresented Management – B level employees.
- k. Retirement. Eligible to participate in the County of Merced's defined benefit plan, MercedCERA, pursuant to County Employees Retirement Law of 1937.
  - 1. Life Insurance. Eligible for \$80,000.00 County-paid Management Life Insurance plus \$5,000 County-paid Life Insurance coverage. Voluntary Term Life and Universal Life Insurance are also available - premium paid by employee.
- m. Bereavement Leave. Eligible for five (5) regularly scheduled workdays.
- n. Retirement Deferred Compensation. Eligible to voluntarily participate in the County of Merced's 457 Deferred Compensation Plan. Employees choose their investment funds and can make pretax contributions to the plan up to the maximum allowable.
- o. Employee Assistance Program. MHN EAP services provides up to five face-to-face counseling sessions per incident and provides a toll free "800" hotline available 24/7 for emergencies and crisis intervention. EAP services include counseling services, legal services, financial services and Work-Life Resources services.

6. Performance Evaluation(s). The Plan Administrator as delegated by the Board of Retirement anticipates conducting an evaluation of the Assistant Plan Administrator performance at least once each year. The Plan Administrator and the Assistant Plan Administrator agree that performance evaluations, for the purpose of mid-course corrections, may occur quarterly or several times during each calendar year.

7. Separation.

At-will employment. Monica R. Gallegos is an at-will employee, pursuant to Government Code Section 31522.3, serving at the pleasure of the Board of Retirement. The Board of Retirement may terminate the Assistant Plan Administrator for any reason, at any time, with or without cause. Cause is defined herein as commission of a felony, whether related or unrelated to her employment with the County of Merced, acts of fraud, dishonesty, or other acts of willful misconduct, or a failure to uphold their duties under this Agreement. Monica R. Gallegos may resign at any time and agrees to give the Board of Retirement at least 60 days advance written notice of the effective date of her resignation, unless the Parties mutually agree to other notice, but during this time, Monica R. Gallegos shall continue to perform the duties of the Assistant Plan Administrator faithfully and competently as set forth in this Agreement. Monica R. Gallegos agrees and acknowledges that no other document, handbook, policy or representation other than those contained in this Agreement shall be construed to grant Monica R. Gallegos any right to, or expectation of, continued employment as Assistant Plan Administrator.

If Monica R. Gallegos is terminated by the Board of Retirement without cause, she shall receive six (6) months' salary as severance.

8. General Provisions.

- a. Amendments. The Agreement may be amended at any time by mutual written agreement of the Board of Retirement and Monica R. Gallegos.
- b. Conflict of Interest. Monica R. Gallegos shall not engage in any business or transaction or shall have a financial or other personal interest or association, direct or indirect, which conflicts with the proper discharge of official duties or would tend to impair independence of judgment or action in the performance of official duties. Personal as distinguished from financial interest includes an interest arising from blood or marriage relationships or close business, personal, or political associations. This section shall not serve to prohibit independent acts or other forms of enterprise during those hours not covered by active MercedCERA employment, providing such acts do not constitute a conflict of interest as defined herein. Monica R. Gallegos shall also be subject to the conflict of interest provisions of the California Government Code, regulations of the Fair Political Practices Commission, and any conflict of interest code applicable to the Assistant Plan Administrator's employment with MercedCERA.

- c. **Indemnification.** Except as otherwise permitted, limited, or required by law, including without limitation California Government Code sections 825 et seq. and Government Code sections 995-996.8, MercedCERA will defend and pay any costs and judgments assessed against Monica R. Gallegos arising out of an act or omission of Monica R. Gallegos occurring in the course and scope of Monica R. Gallegos' performance of her duties under this Agreement. MercedCERA may compromise and settle any such claim or suit and pay the amount of any settlement or judgment rendered thereon. MercedCERA's obligation to pay the judgment, compromise, or settlement shall not arise until it is established that the injury arose out of an act or omission occurring within the scope of Monica R. Gallegos' employment as an employee of MercedCERA.
- d. **Severability.** If any clause, sentence, part, section, or portion of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, such clause, sentence, part, section, or portion so found shall be regarded as though it were not part of this Agreement and the remaining parts of this Agreement shall be fully binding and enforceable by the Parties hereto.
- e. **Jurisdiction and Venue.** This Agreement shall be construed in accordance with the laws of the State of California, and the Parties agree that venue for legal action concerning any aspect of the Agreement in State Court shall be maintained in Merced County Superior Court and for an action in Federal Court shall be in the United States District Court for the Eastern District of California.
- f. **Entire Agreement.** This Agreement represents the entire agreement of the Parties, which has been jointly drafted by the Parties, and no representations have been made or relied upon except as set forth in this Agreement which may be amended or modified only by a written, fully executed agreement of the Parties.
- g. **Notice.** Any notice, amendments, or additions to this Agreement, including change of address of either party during the term of this Agreement, which the Assistant Plan Administrator and the Association shall be required, or may desire, to make shall be in writing and shall be sent by prepaid first-class mail or hand-delivered to the respective Parties as follows:

| If to MercedCERA:

Plan Administrator, in care of  
Chair, Board of Retirement  
Merced County Employees' Retirement  
Association 690 W. 19<sup>th</sup> Street  
Merced, CA 95340

| If to Assistant Plan Administrator:

Monica R. Gallegos  
(address redacted)

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IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT in duplicate at Merced, California, as of the date set forth above.

Merced County Employees' Retirement  
Association

Assistant Plan Administrator

By:

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Corrina BrownRyan Paskin, Chair or Designee  
Martha Sanchez Barboa, Plan Administrator  
MercedCERA Board of Retirement

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Monica R. Gallegos

Approved as to Legal Form:

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Tom Ebersole  
MercedCERA Legal Counsel

**AGREEMENT  
MERCED COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION BOARD OF  
RETIREMENT AND MONICA R. GALLEGOS  
FOR EMPLOYMENT AS ASSISTANT PLAN  
ADMINISTRATOR**

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- d. **Severability.** If any clause, sentence, part, section, or portion of this Agreement is found by a court of competent jurisdiction to be illegal or unenforceable, such clause, sentence, part, section, or portion so found shall be regarded as though it were not part of this Agreement and the remaining parts of this Agreement shall be fully binding and enforceable by the Parties hereto.
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- f. **Entire Agreement.** This Agreement represents the entire agreement of the Parties, which has been jointly drafted by the Parties, and no representations have been made or relied upon except as set forth in this Agreement which may be amended or modified only by a written, fully executed agreement of the Parties.
- g. **Notice.** Any notice, amendments, or additions to this Agreement, including change of address of either party during the term of this Agreement, which the Assistant Plan Administrator and the Association shall be required, or may desire, to make shall be in writing and shall be sent by prepaid first-class mail or hand-delivered to the respective Parties as follows:

If to MercedCERA:

Plan Administrator, in care of  
Chair, Board of Retirement  
Merced County Employees' Retirement  
Association 690 W. 19<sup>th</sup> Street  
Merced, CA 95340

If to Assistant Plan Administrator:

Monica R. Gallegos  
(address redacted)

\*\*\*

IN WITNESS WHEREOF, the parties hereto have executed this AGREEMENT in duplicate at Merced, California, as of the date set forth above.

Merced County Employees' Retirement  
Association

Assistant Plan Administrator

By:

---

Corrina Brown, Chair or Designee  
Martha Sanchez Barboa, Plan Administrator  
MercedCERA Board of Retirement

---

Monica R. Gallegos

Approved as to Legal Form:

---

Tom Ebersole  
MercedCERA Legal Counsel

TO: State Association of County Retirement Systems  
FROM: Cara Martinson, Public House Consulting  
DATE: Laurie Johnson, LJ Consulting & Advocacy  
RE: January 7, 2026  
**Legislative Update – January**

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The Legislature has returned to Sacramento, reconvening on Monday, January 5, following the fall recess. As lawmakers enter the second year of the two-year legislative session, their initial focus will be on bills that remain in their House of Origin. Key deadlines include mid-January for policy committee hearings and the end of the month for fiscal and floor actions needed to advance these measures to the opposite House.

In addition, the Governor is expected to release his proposed budget on January 10, outlining how the state plans to address the projected budget deficit in 2026–27. Doing so will likely require spending adjustments, program reductions, and/or new revenue proposals. Policymakers are expected to begin addressing these issues early in 2026, with an emphasis on balancing reserves, maintaining essential public services, and supporting long-term fiscal stability.

The Legislative Analyst's Office (LAO) 2026–27 outlook indicates that California's economy continues to face challenges, including high interest rates and new tariffs, despite currently strong tax revenues. Much of the recent revenue growth has been driven by enthusiasm around artificial intelligence, which has contributed to rising stock prices and increased revenues in the technology sector. However, the LAO suggests this growth may not be sustainable, and uncertainty remains regarding future stock market performance. As a result, revenue forecasts assume only a temporary boost rather than long-term gains. Even with this cautious approach, the state is projected to face a budget shortfall of nearly \$18 billion in 2026–27, with deficits expected to increase in subsequent years. Ongoing spending requirements and rising program costs continue to outpace revenue growth, leaving the state's budget in a weaker position and less prepared for any economic downturn.

Change is also underway within the Legislature. New Senate President pro Tempore Monique Limón announced her new leadership team and policy committee chairs right before the holiday break. While many changes were made, the new leader did not replace the Senate PERS Committee Chair, and Senator Smallwood-Cuevas remains at the helm. This year also marks the final year of Governor Newsom's term, with significant attention focused on the gubernatorial election as it takes shape. In addition, advocacy and interest groups are actively organizing and collecting signatures for several ballot initiatives that will appear before voters in November. These measures have the potential to increase pressure on lawmakers, as the prospect of legislative negotiations versus campaign-driven outcomes remains a key consideration.

As we kick off the legislative year, the SACRS team would like to highlight the following measures, some of which are being implemented into law, while others remain active and may continue moving through the legislative process.

### **New Laws that take Effect January 1, 2026**

#### **SB 852 (Chapters 331, 2025)**

This new law makes several changes to the Political Reform Act, including requiring public officials who manage public investments to file statements of economic interest electronically directly to FPPC.

#### **SB 853 (Chapters 239, 2025)**

This new law includes clarifying changes to the CERL, including updated requirements for how employers should report to the retirement system the hours and wages of retirees who return to work for a participating employer.

### ***Bills to Watch in 2026***

#### **AB 1323 (Chen) – Compensation for certain Members of Orange County Board of Retirement**

OCERS has indicated they plan to move an amended vehicle forward in the New Year. The bill in print would increase the compensation rate for certain members of the Orange County Board of Retirement to not more than \$320 per meeting. This bill did not receive a policy committee hearing and has until January 16<sup>th</sup> to pass out of the Assembly PERS Committee to advance.

#### **AB 1383 (McKinnor) – Public Employee Retirement Benefits**

This bill was held in the Assembly Appropriations Committee. It has until January 23<sup>rd</sup> to pass out of the Committee to advance. The bill in print would establish new retirement formulas, for employees first hired on or after January 1, 2026, as 2.5% at age 55, 2.7% at age 55, or 3% at age 55. For new members hired on or after January 1, 2013, who are safety members, the bill would require employers to adjust the formulas for service performed on or after January 1, 2026, to offer one of the 3 formulas for safety members that is closest to the formula the employer provided pursuant to existing law. The bill would authorize a public employer and a recognized employee organization to negotiate a prospective increase to the retirement benefit formulas for members and new members, consistent with the formulas permitted under the act. This bill would authorize an employer and its employees to agree in a memorandum of understanding to be subject to a higher safety plan or a lower safety plan, subject to certain requirements, including that the memorandum of understanding is collectively bargained in accordance with applicable laws.

### **AB 1439 (Garcia) – Public Retirement Systems: Labor Standards**

This bill did not receive a policy committee hearing last year and would need to pass out of the Assembly PERS Committee before January 16<sup>th</sup> in order to advance this year. The bill in print would prohibit the board of a public pension or retirement system from making any additional or new investments of public employee pension or retirement funds in development projects in California or providing financing for those projects with public employee pension or retirement funds unless those projects include labor standards protections. The SACRS legislative committee recommended an oppose position and the SACRS Board approved this recommendation.

### **Assembly Committee on Public Employment and Retirement – Public Retirement Systems: Omnibus Bill**

This bill is expected to include the SACRS-sponsored legislative package in the Legislature's annual omnibus bill for technical changes to laws affecting CalSTRS, CalPERS, and the CERL systems. The proposed changes in the CERL include the following:

- Clarifying that deferred members cannot run for or vote in active member Miscellaneous and Safety trustee elections.
- Establishing a 10-year statute of limitations for recovery of overpayments due to fraudulent reports of overpaid death benefits.
- Formalizing the practice of the majority of CERL systems that only the last system pays a lump-sum burial allowance for reciprocal members.
- Defining "concurrent retirement" to allow reciprocal members to retire on different dates with 30 days of each retirement date, as long as there is not overlapping service.

### **Contact:**

If you have any questions, contact Cara Martinson at [cara@publichouseconsulting.net](mailto:cara@publichouseconsulting.net), or Laurie Johnson at [lauriejconsult@gmail.com](mailto:lauriejconsult@gmail.com).



October 7, 2025

To: SACRS Trustees & SACRS Administrators/CEO's  
From: David MacDonald, SACRS Immediate Past President, Nominating Committee Chair  
SACRS Nominating Committee  
Re: SACRS Board of Director Elections 2026-2027 - Elections Notice

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SACRS BOD 2026-2027 election process will begin January 1, 2026. Please provide this election notice to your Board of Trustees and Voting Delegates.

DEADLINE	DESCRIPTION
March 1, 2026	Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.
March 25, 2026	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25
May 15, 2026	Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference
May 15, 2026	Board of Directors takes office for 1 year

**Per SACRS Bylaws, Article VIII, Section 1. Board of Director and Section 2. Elections of Directors:**

***Section 1. Board of Directors. The Board shall consist of the officers of SACRS as described in Article VI, Section 1, the immediate Past President, and two (2) regular members***

***A. Immediate Past President.*** The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.

***B. Two (2) Regular Members.*** Two (2) regular members shall also be members of the Board with full voting rights.

***Section 2. Elections of Directors.*** Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.

*The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25.*

*The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of*



*SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.*

*Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform to Article V, Sections 6 and 7 of these Bylaws.*

*Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.*

The elections will be held at the SACRS Spring Conference May 12-15, 2026. Elections will be held during the Annual Business meeting on Friday, May 15, at the Everline Resort & Spa Lake Tahoe, Olympic Valley, CA.

If you have any questions, please contact David MacDonald at [dmacdcccera@gmail.com](mailto:dmacdcccera@gmail.com) or Sulema Peterson, SACRS Executive Director, at [sulema@sacrs.org](mailto:sulema@sacrs.org).

Thank you for your prompt attention to this timely matter.

Sincerely,

*David MacDonald*

David MacDonald, Trustee, Contra Costa CERA and SACRS Nominating Committee Chair

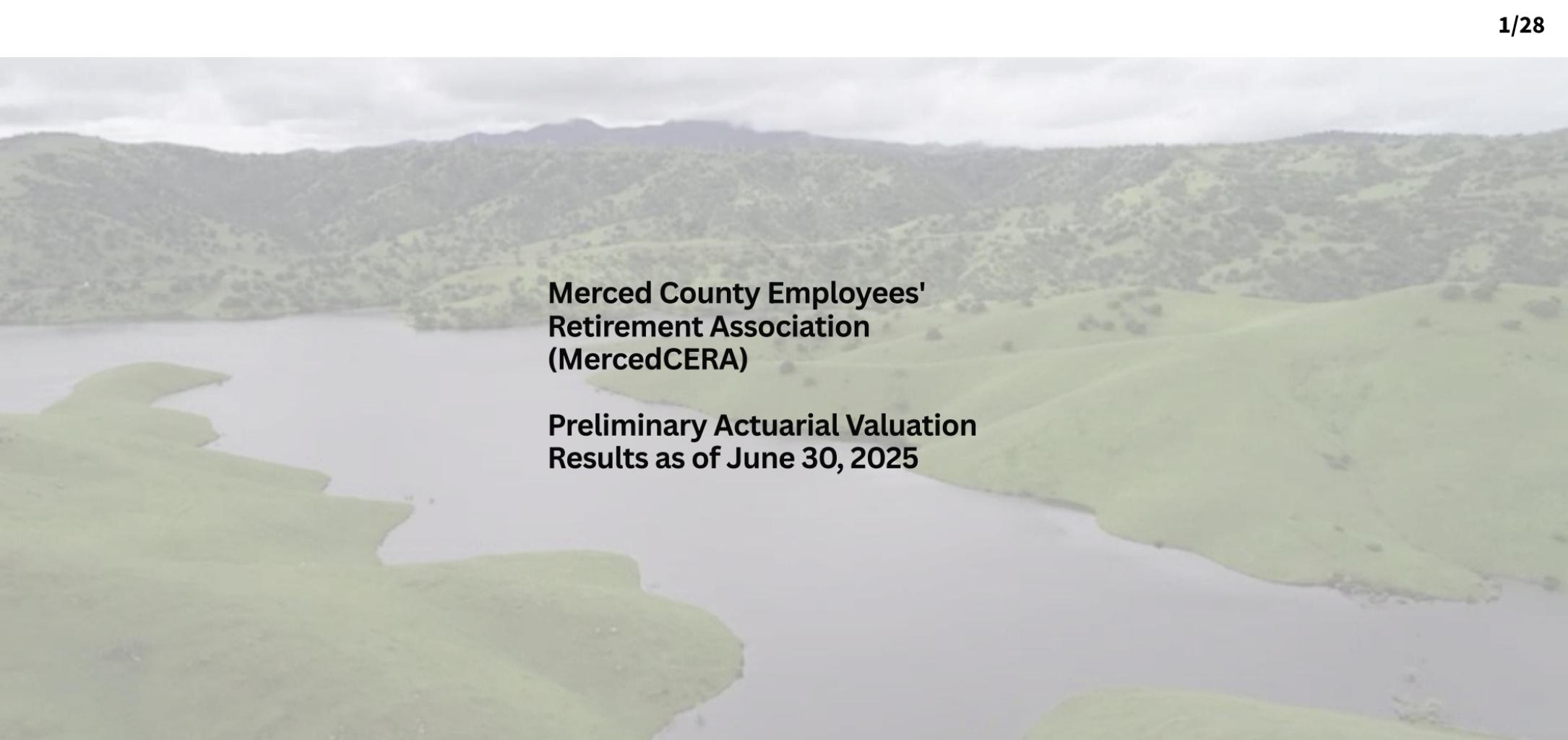
CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Executive Director



**SACRS Nomination Submission Form**  
**SACRS Board of Directors Elections 2026-2027**

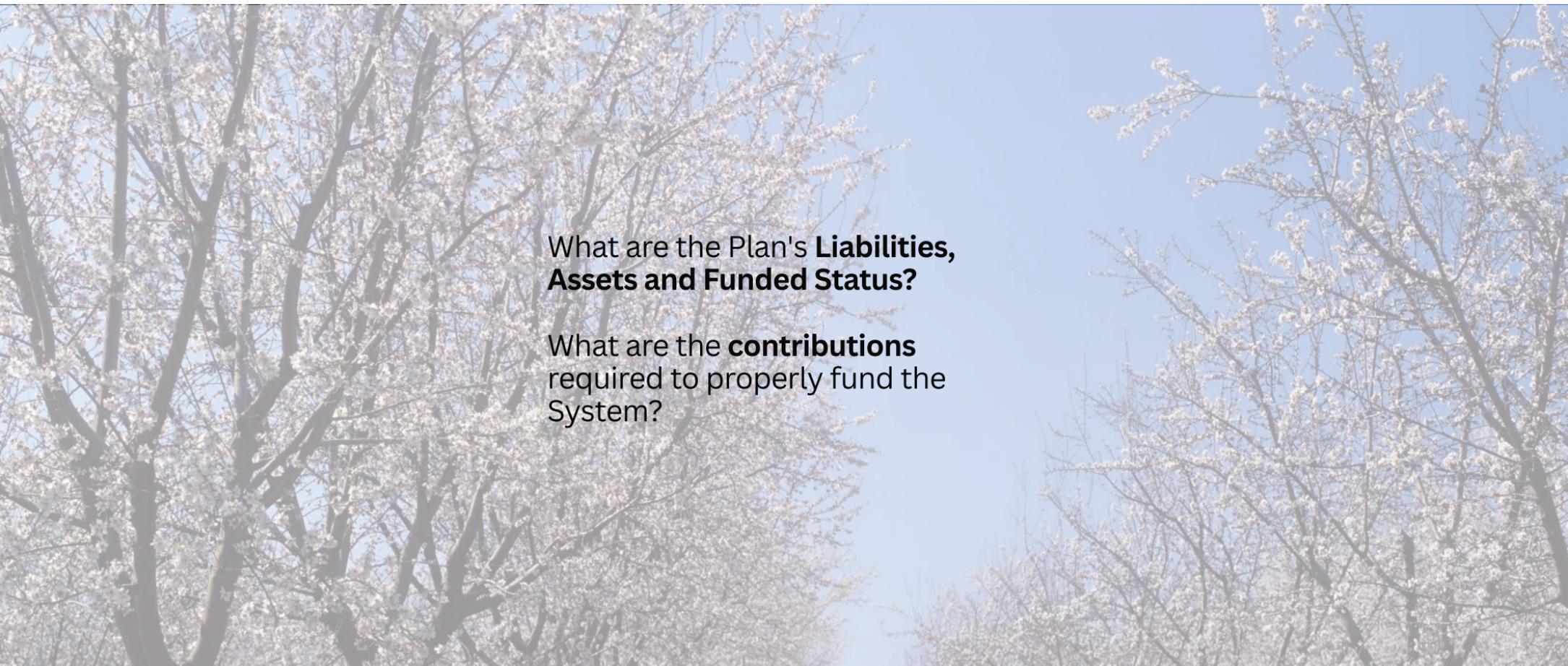
All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2026.** Please submit to the Nominating Committee Chair at [dmacdccera@gmail.com](mailto:dmacdccera@gmail.com) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name:
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address:  Email Address:  Phone:
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name:
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input type="radio"/> <b>General Elected</b> <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> <b>Vice President</b> <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio in Paragraph Format (CV format and screenshot photos will not be accepted)</b>	



**Merced County Employees'  
Retirement Association  
(MercedCERA)**

**Preliminary Actuarial Valuation  
Results as of June 30, 2025**

A photograph of several trees in full bloom, with white flowers covering their branches against a clear blue sky.

What are the Plan's **Liabilities, Assets and Funded Status?**

What are the **contributions** required to properly fund the System?

We first review the value of the benefits already earned, known as the **Actuarial Liability**, or the current funding target for the assets. The Actuarial Liability is shown divided between the Active Liability (for members still working) and the Inactive Liability (for members in pay status or eligible for a deferred benefit).

All June 2024 June 2025

■ Inactive PVB ■ Active Actuarial Liability (AL)



The Actuarial Liability has increased by about \$28M since the prior year.

4/28

All June 2024 June 2025

■ Inactive PVB ■ Active Actuarial Liability (AL)

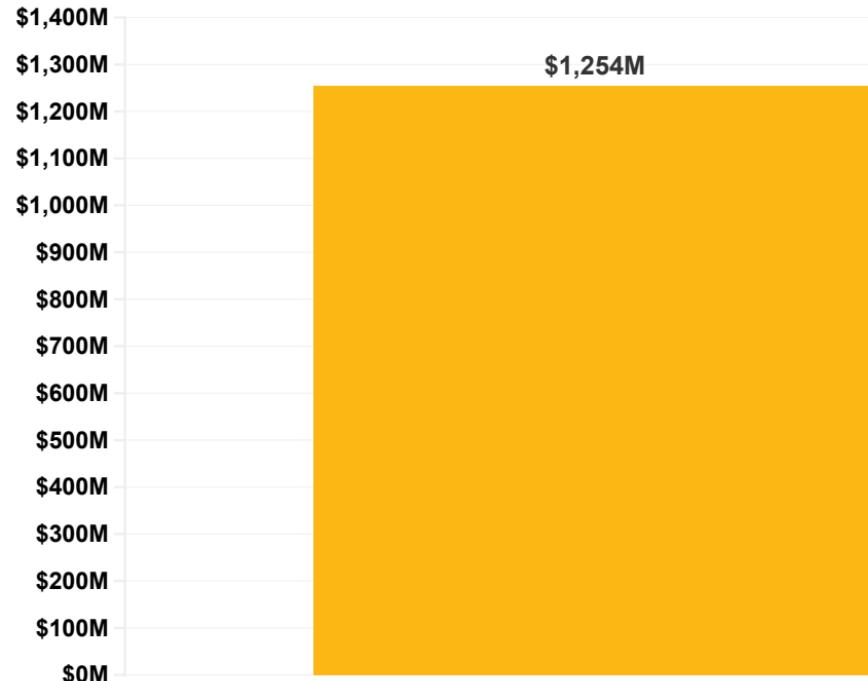


Next, we turn to the Plan's assets. The **Market Value of Assets** is the **Fair Value** as of the **Measurement Date**, June 30, 2025. The rate of return was **11.2%**, higher than the assumed rate of 6.75%.

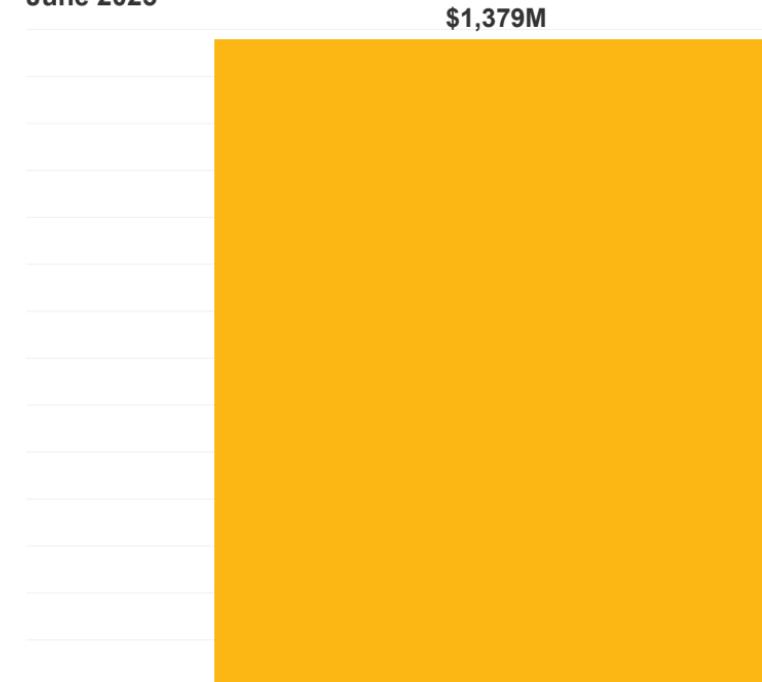
5/28

■ Market Value of Assets

June 2024

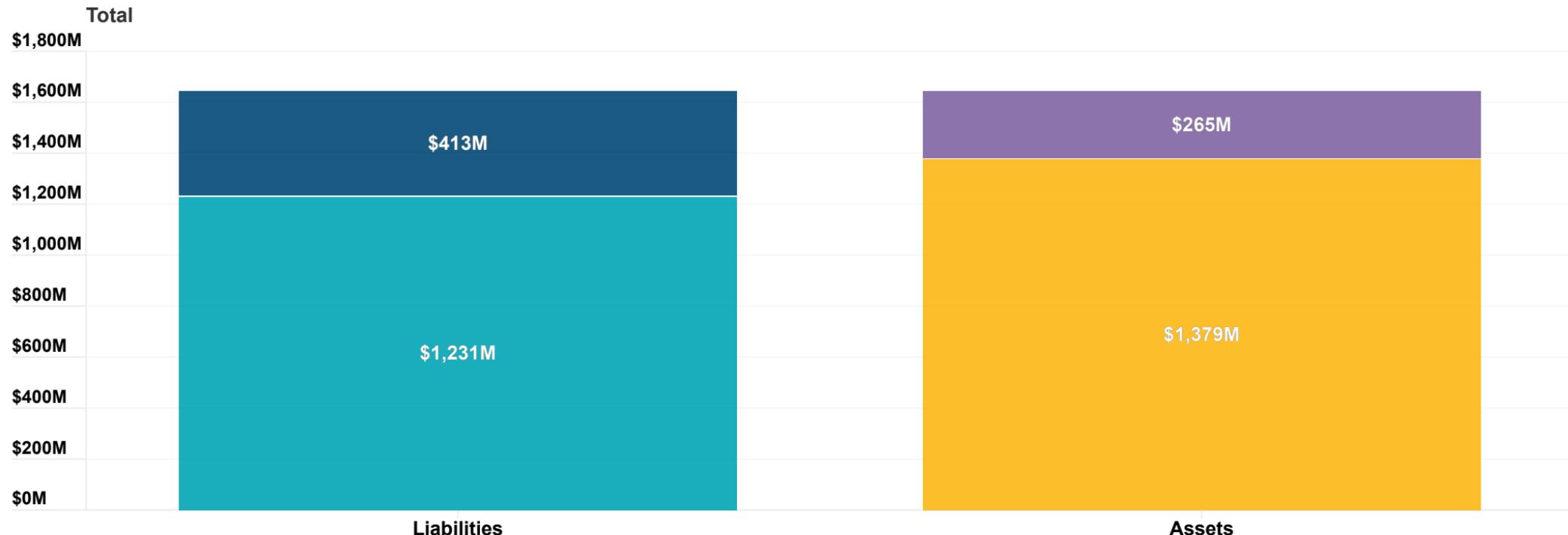


June 2025

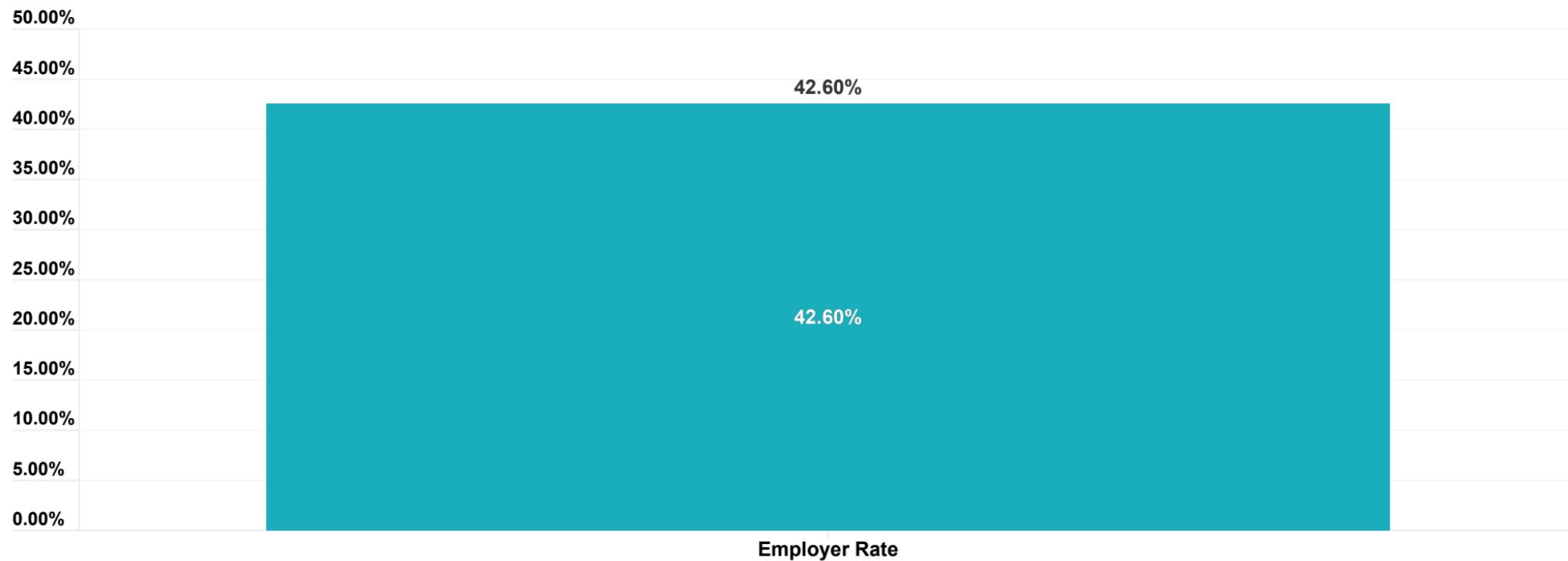


Next, we review the **Funded Status** of the Plan. The **Unfunded Actuarial Liability (UAL)** decreased from **\$362M** (2024) to **\$265M** (2025). The **Funded Ratio** is calculated by dividing the assets by the liabilities: **83.9% as of June 30, 2025**, up from 77.6% the prior year. 6/28

■ Inactive Liability ■ Active Liability ■ Assets ■ UAL

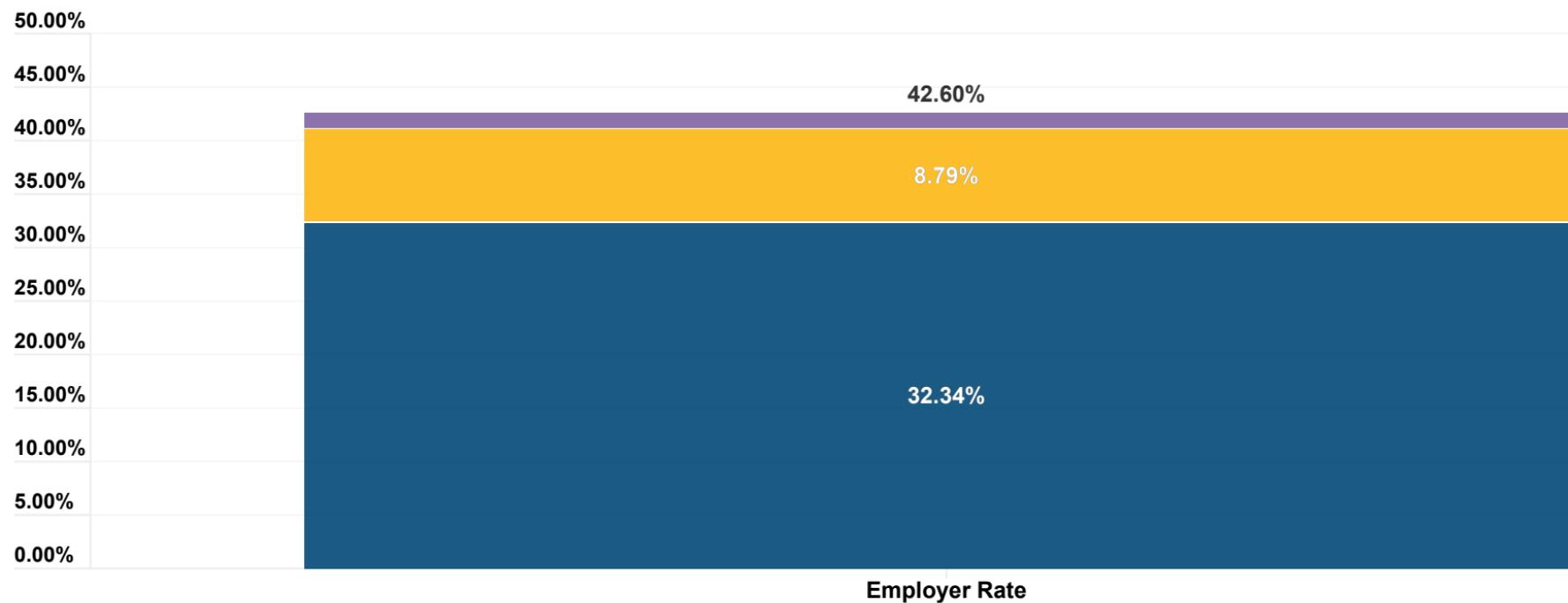


■ Total Rate ■ UAL Rate ■ Employer Normal Cost Rate ■ Admin Expense



The contributions are made up of the **Unfunded Actuarial Liability Amortization** payment (the amount needed to pay off the unfunded liability over the period of time designated in the Plan's funding policy), plus the **Normal Cost** (the cost assigned to this year's active member benefits net of member contributions) and a small payment to cover the employers' share of administrative expenses.

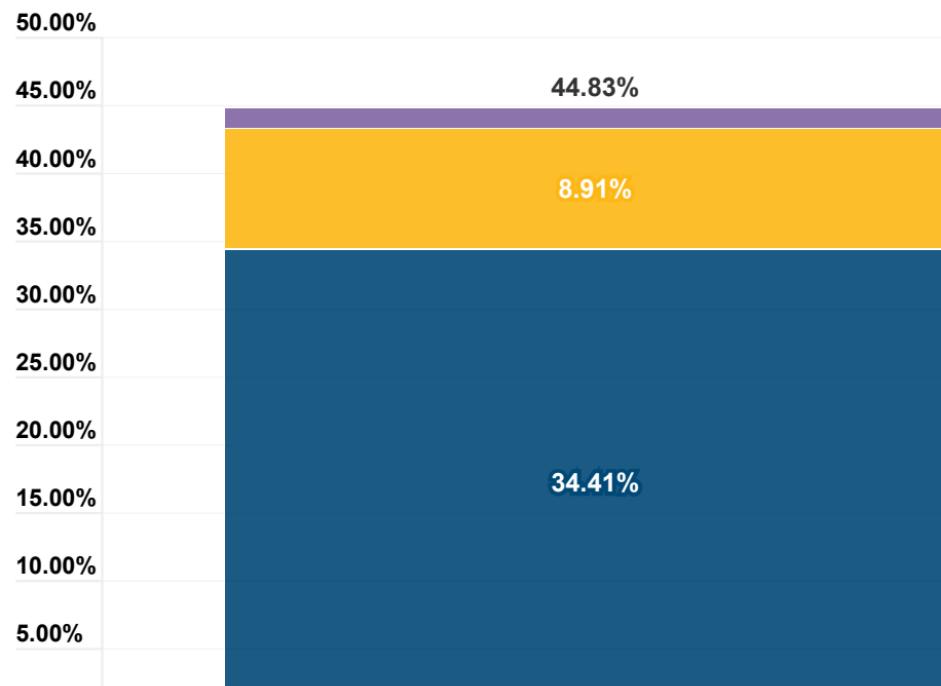
■ Total Rate ■ UAL Rate ■ Employer Normal Cost Rate ■ Admin Expense



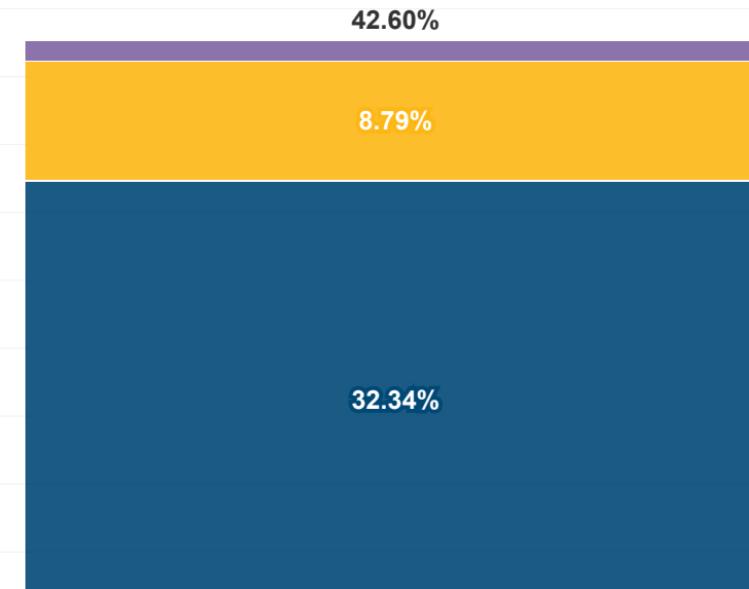
The average employer contribution rate is about 2.2% of pay lower than the rate from the prior year.

9/28

■ Total Rate ■ UAL Rate ■ Employer Normal Cost Rate ■ Admin Expense

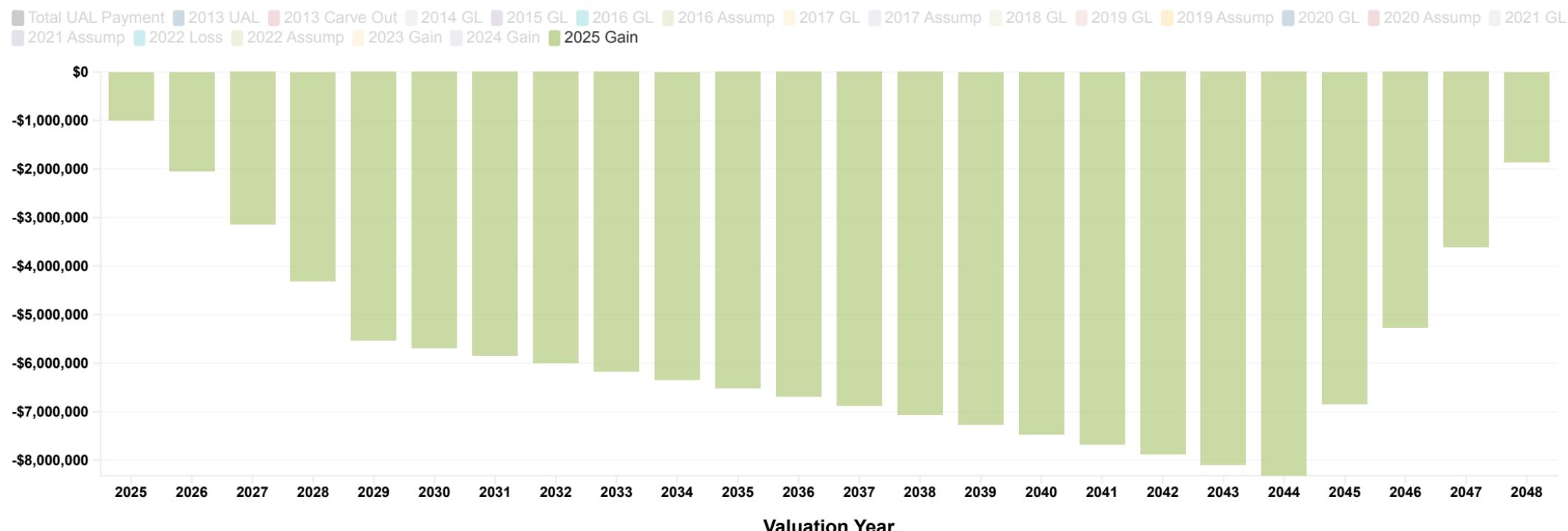


FYE 2026



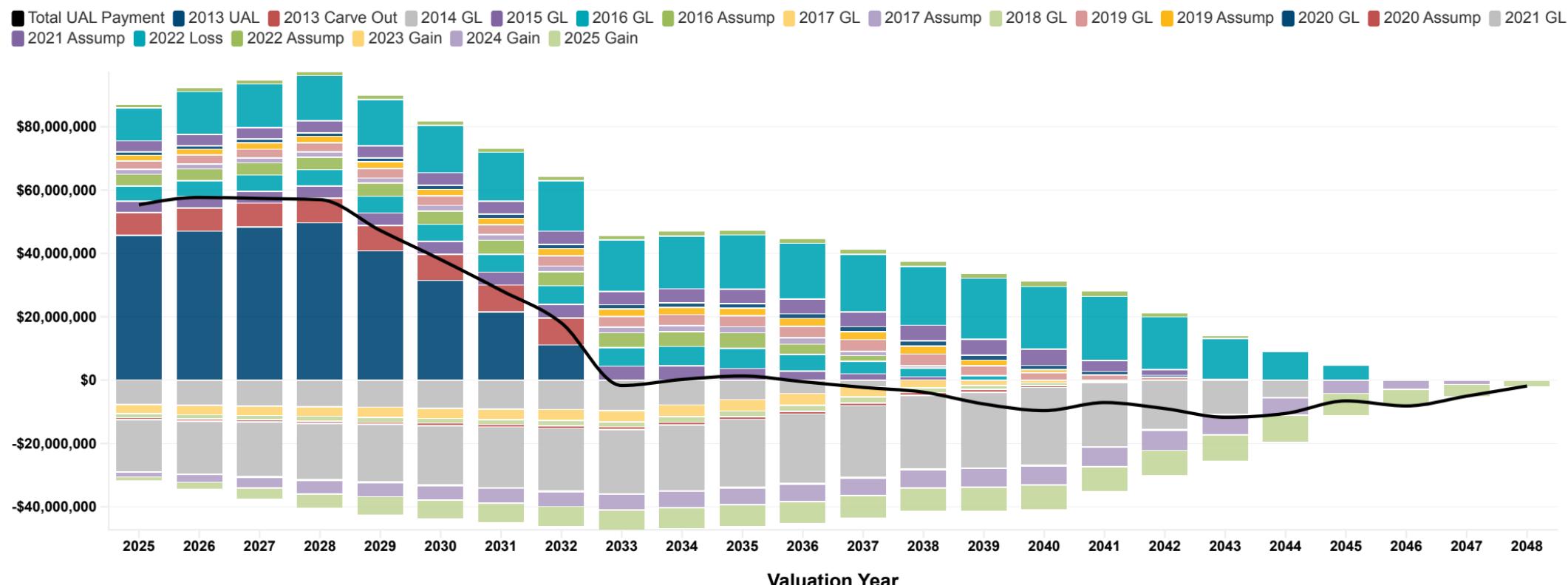
FYE 2027

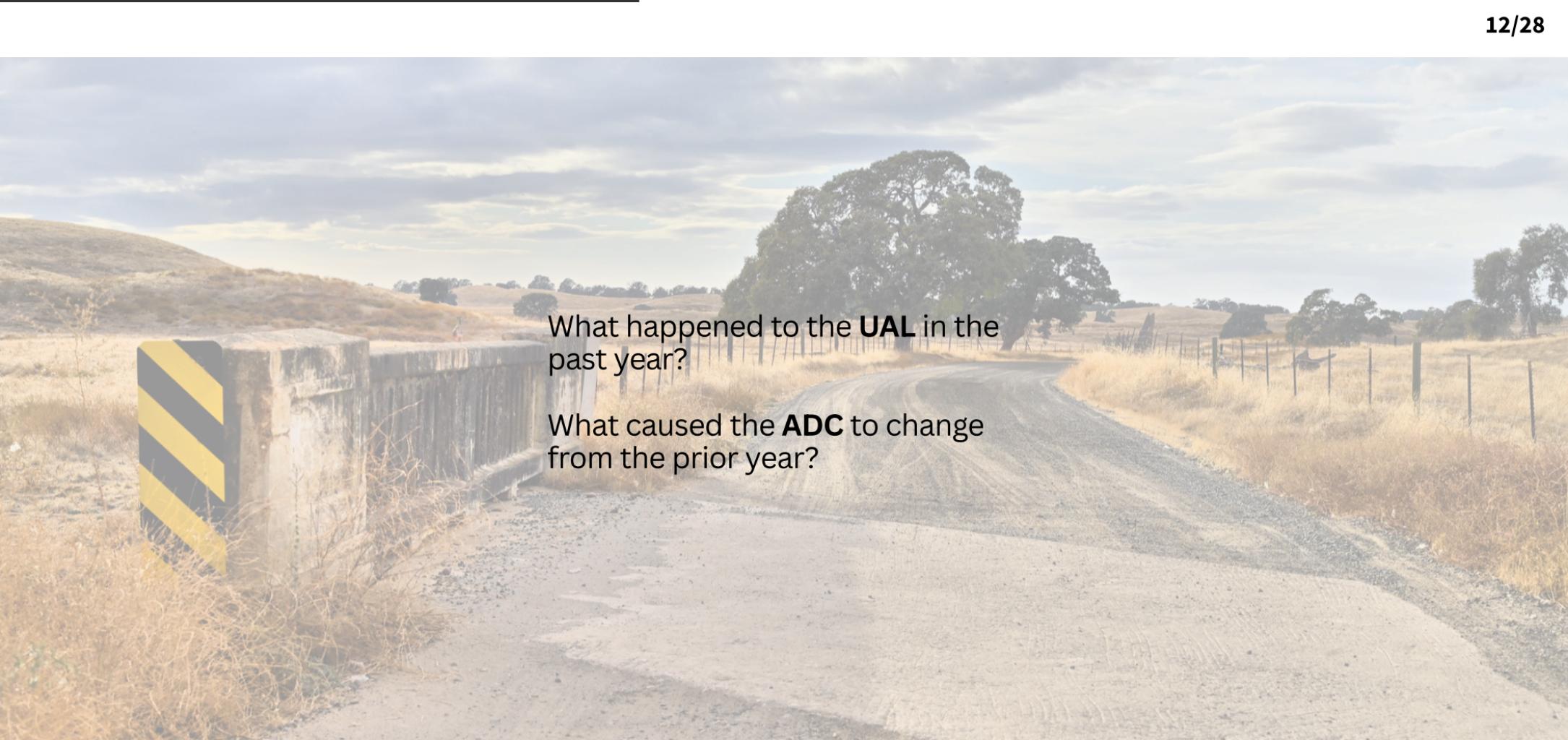
New changes in the UAL due to actuarial experience are amortized over 24 year periods. Using an approach known as **direct rate smoothing**, the new payment schedules are phased-in over 5 year periods, and then similarly phased-out at the end, with the middle payments increasing at the payroll growth rate. For 2025, there is a net gain layer of \$64M primarily due to investments.



To get the total payments, we add the layers together.

11/28





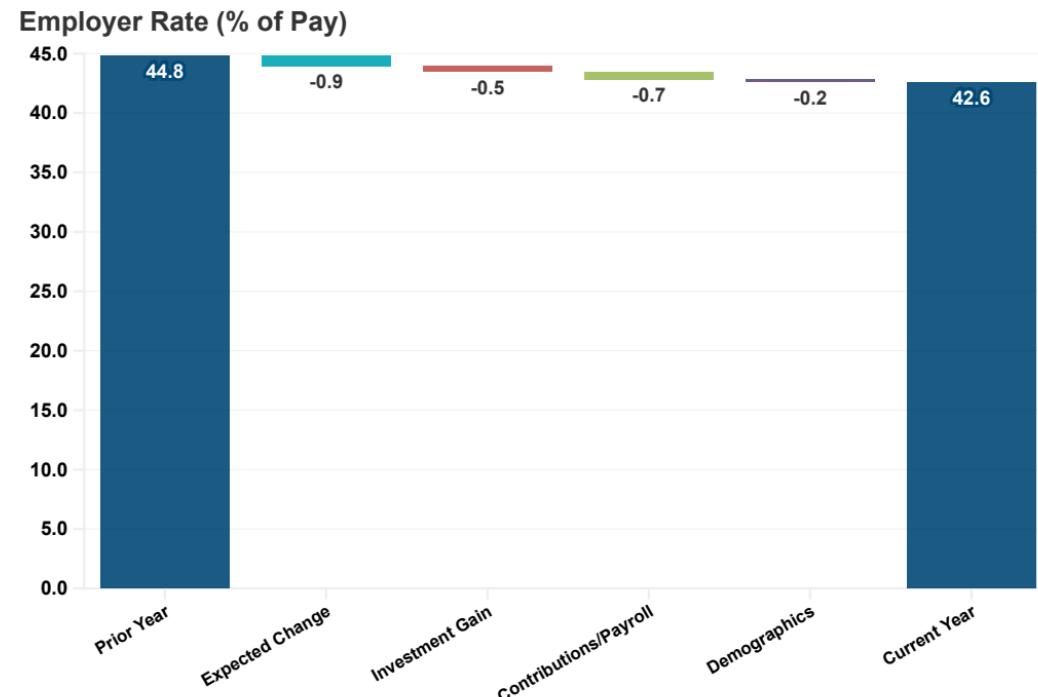
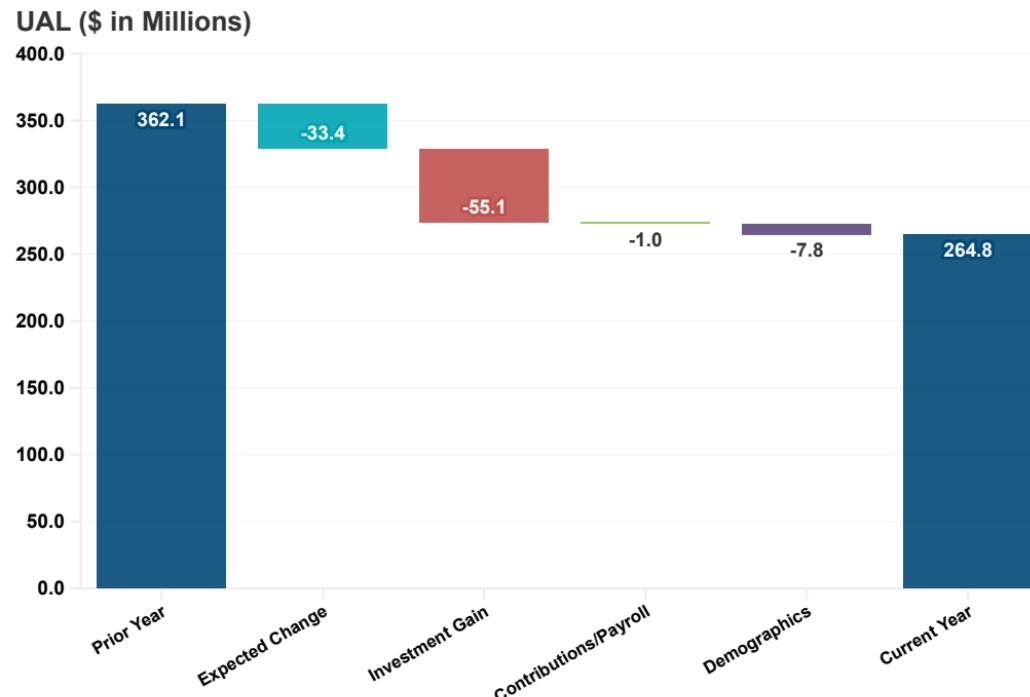
What happened to the **UAL** in the past year?

What caused the **ADC** to change from the prior year?

We review the change in UAL and employer rate over the past year. As of the prior valuation, the UAL was \$362.1M and the employer rate was 44.8% of pay.

13/28

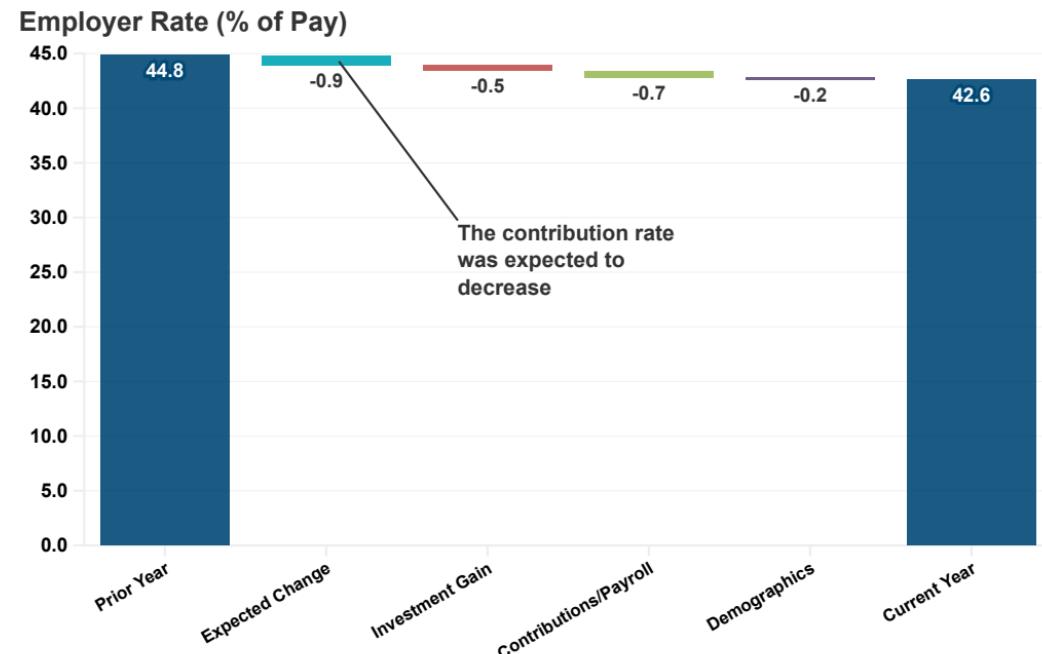
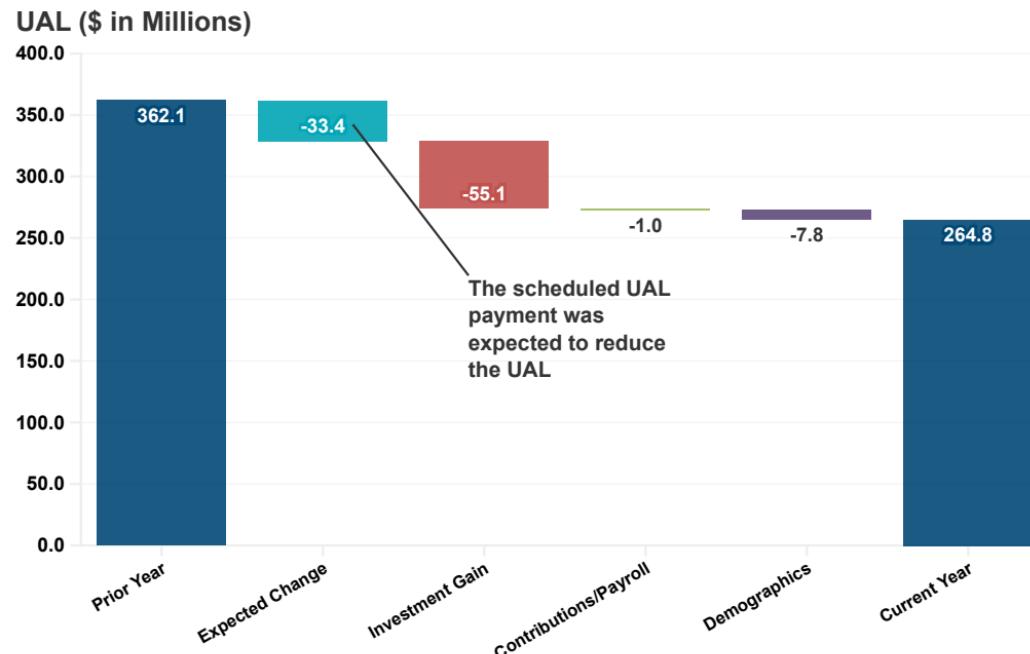
## UAL and Employer Rate Change by Source



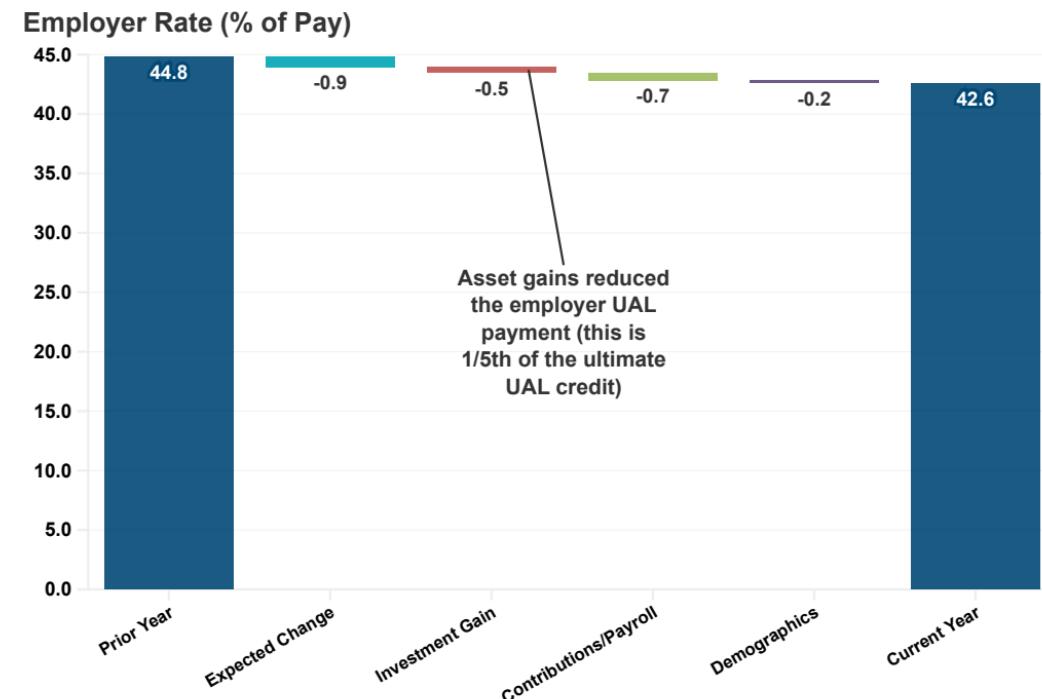
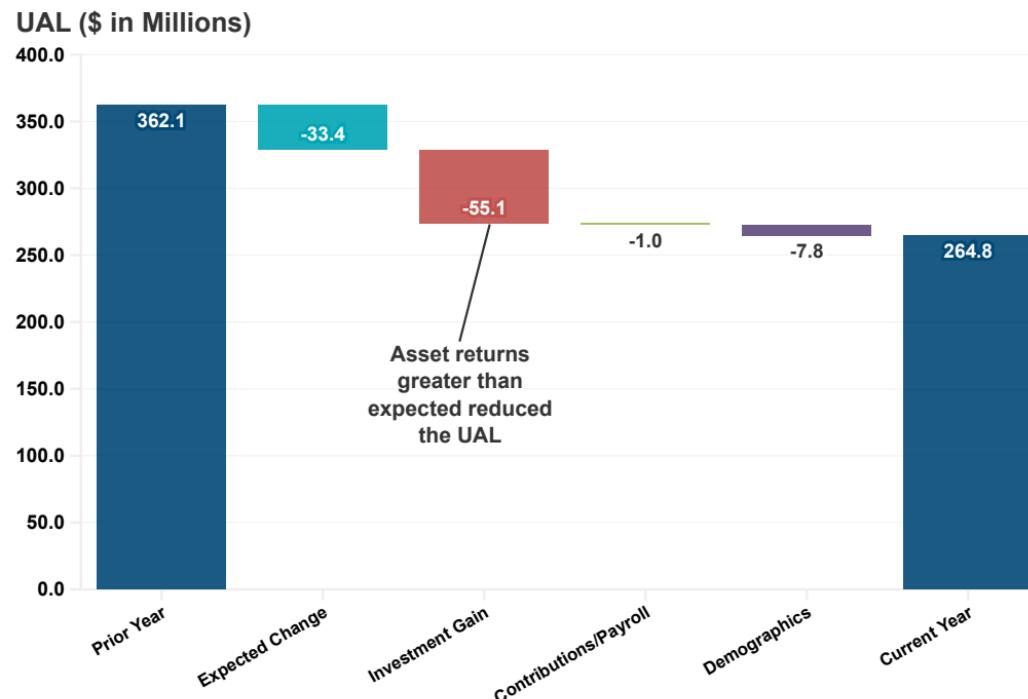
Regular contributions were expected to reduce the UAL, and the phase-in of past UAL layers (mainly the FYE 2021 investment gain, offset by the FYE 2022 investment loss) was expected to reduce the employer rate.

14/28

## UAL and Employer Rate Change by Source



## UAL and Employer Rate Change by Source

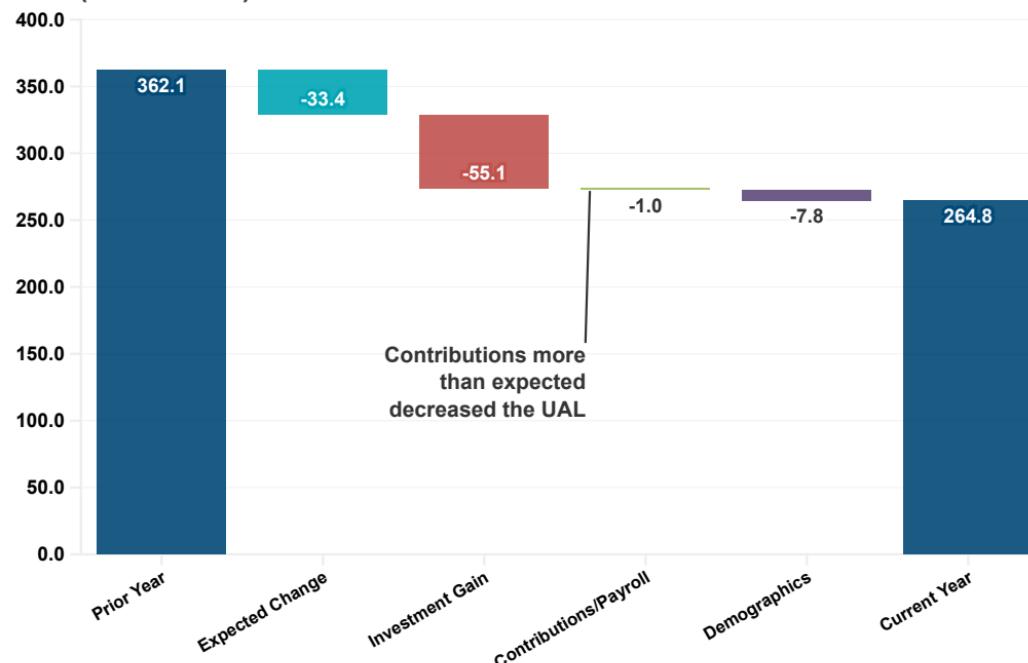


Contributions were slightly higher than expected, and the projected payroll for FY2025-2026 increased by more than the assumed salary growth rate (2.75%), which reduces the amortization payment as a percentage of payroll.

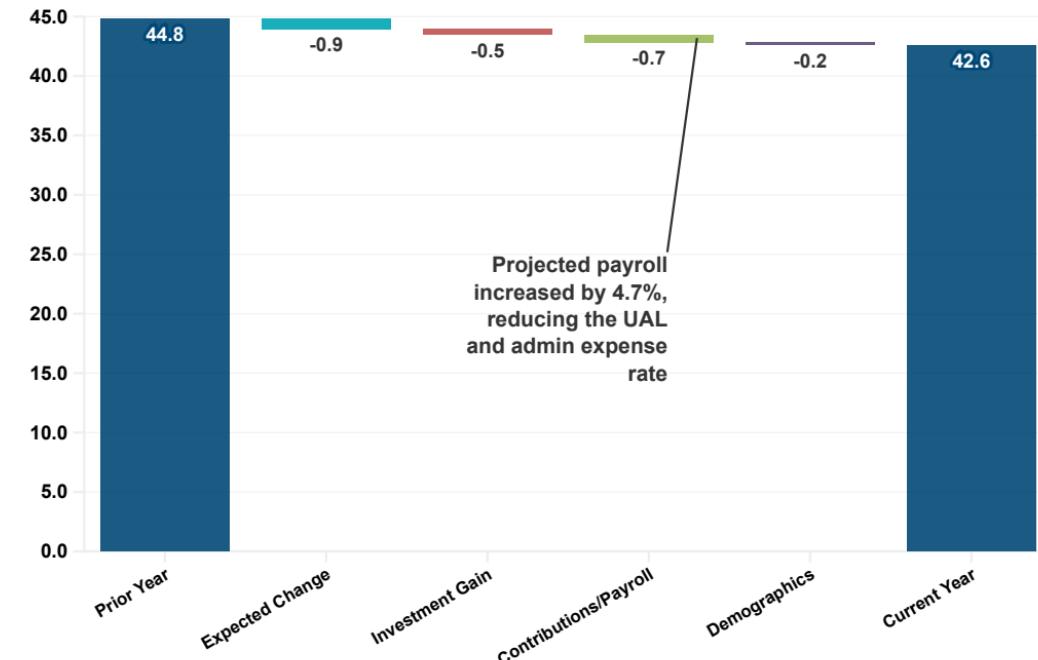
16/28

## UAL and Employer Rate Change by Source

UAL (\$ in Millions)



Employer Rate (% of Pay)

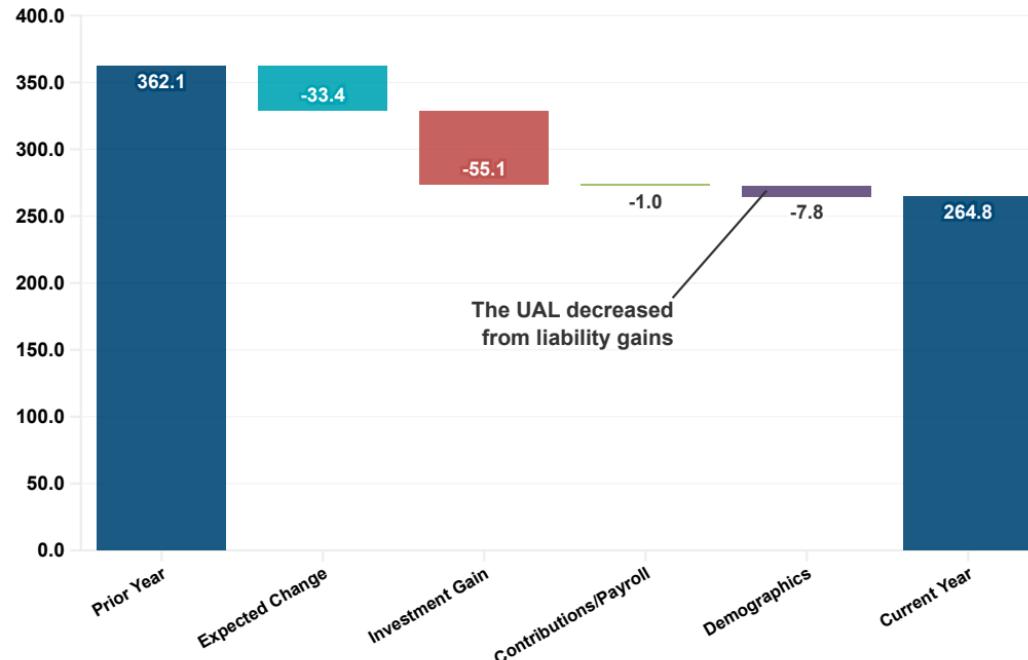


Lastly, the impact of the demographic experience decreased the UAL and the employer rate, with the continued transition to PEPRA reducing the aggregate Normal Cost rate.

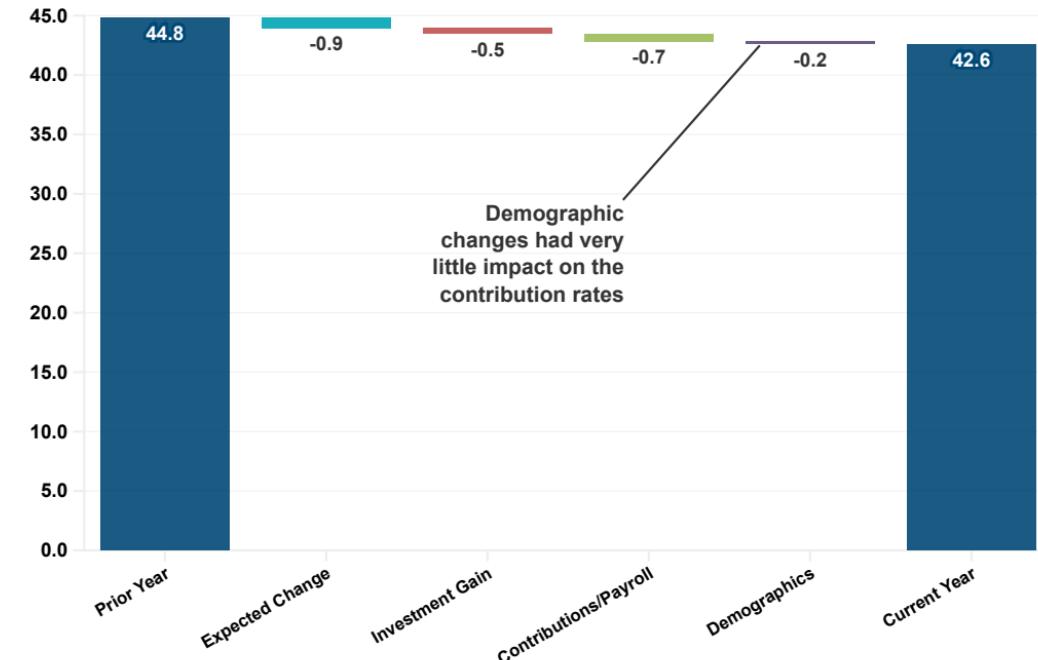
17/28

## UAL and Employer Rate Change by Source

UAL (\$ in Millions)

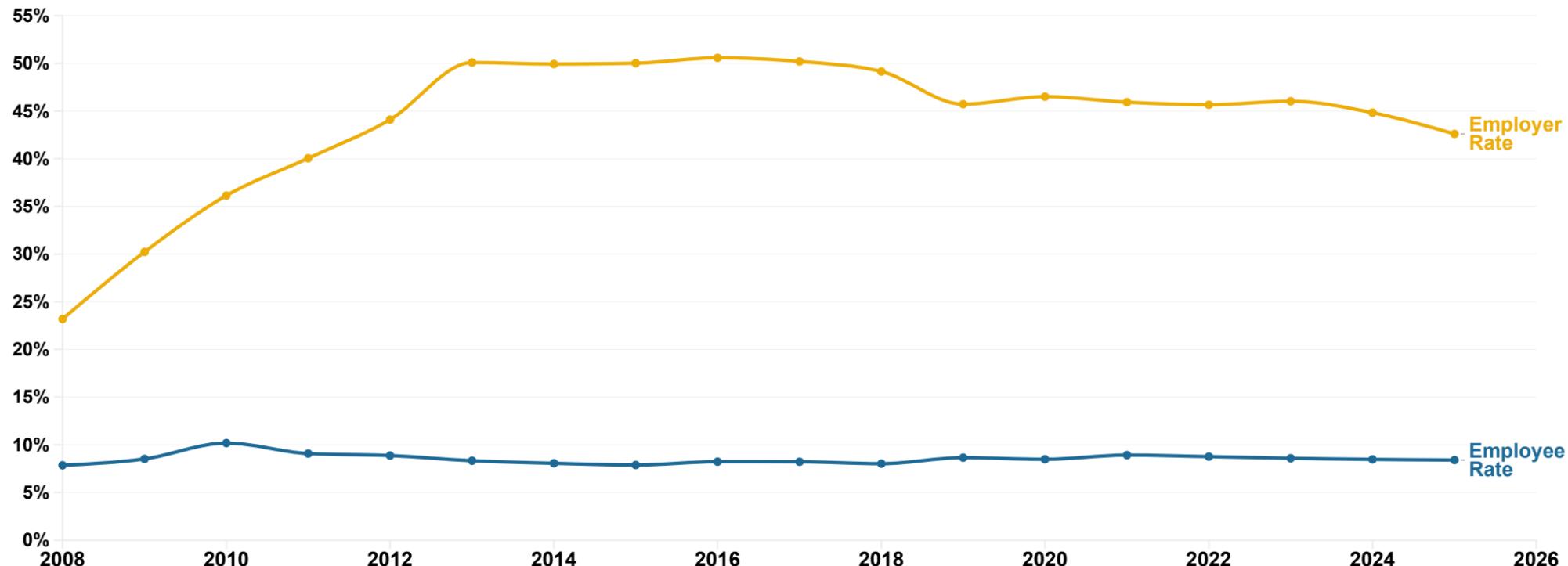


Employer Rate (% of Pay)

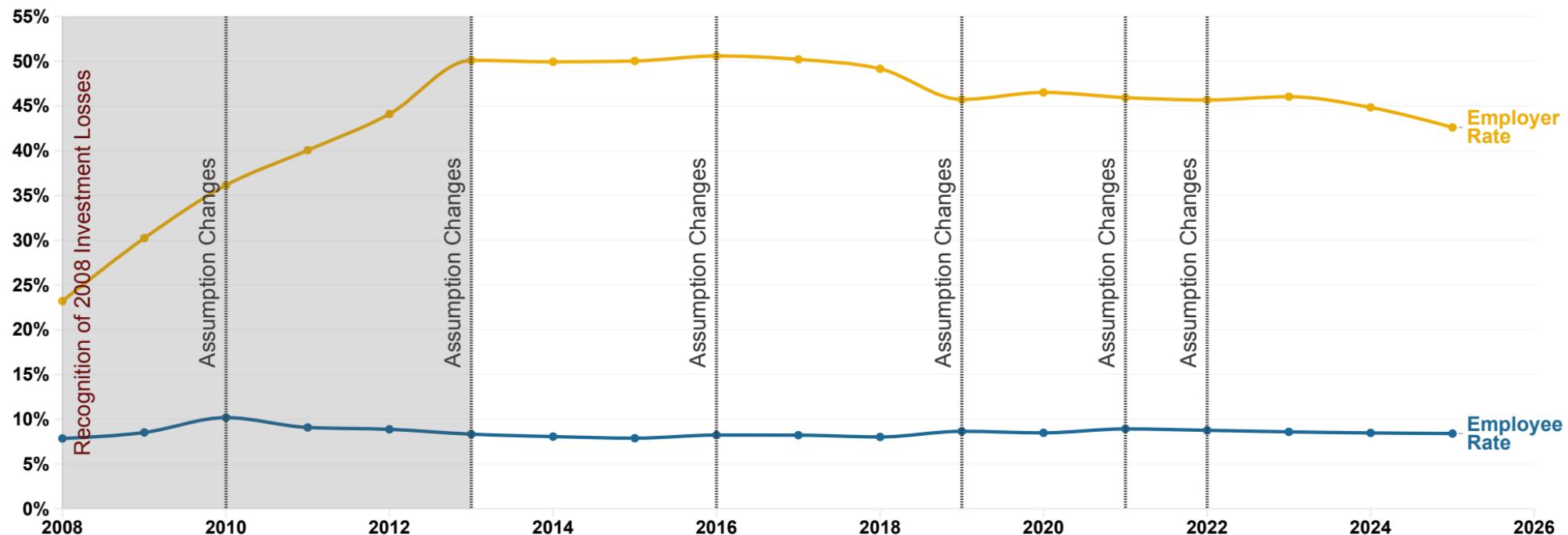


We next review the **history and trends** in the employer and employee rates as determined over the past 18 actuarial valuations, with the contribution rates applied to the fiscal year beginning 12 months after the valuation date.

18/28



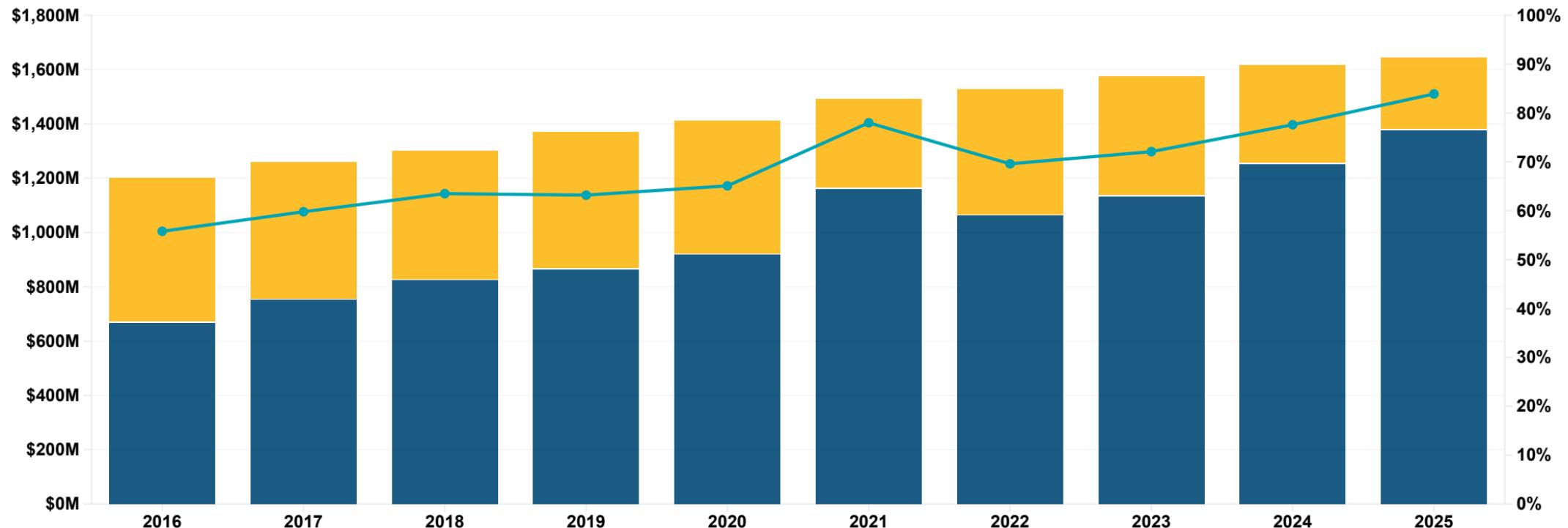
The large increase in employer rates from 2008-2013 was driven by the recognition of the 2008 investment losses. Experience studies that resulted in assumption changes, including changes in the discount rate, are shown below. Changes were also made to the amortization policy effective with the 2019 valuation, which reduced the employer rates.



Next we review the history of the funded status over the past decade. The line shows the funded ratio, with the scale shown along the right-hand axis.

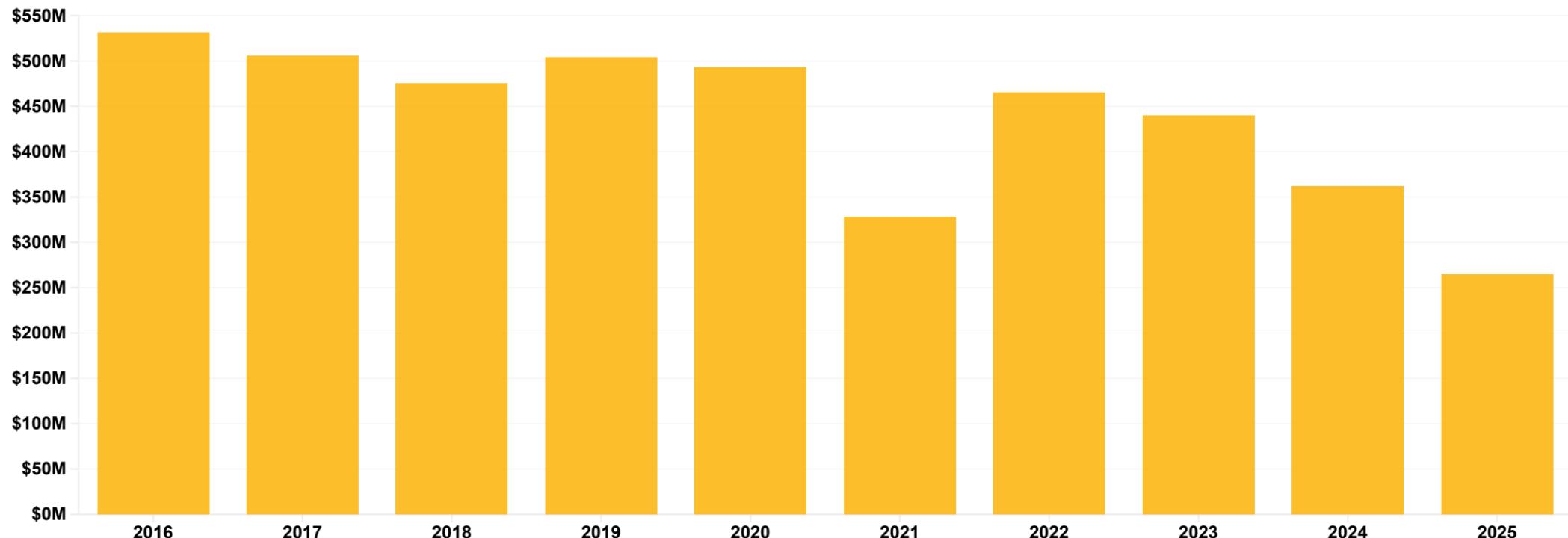
20/28

■ Funded Ratio ■ Market Value of Assets ■ Unfunded Actuarial Liability



The UAL increased in 2019 from assumption changes. It declined significantly in 2021 due to asset gains, but then rebounded following offsetting asset losses in 2022. It declined each of the last three years due to asset gains and contributions.

■ Funded Ratio ■ Market Value of Assets ■ Unfunded Actuarial Liability



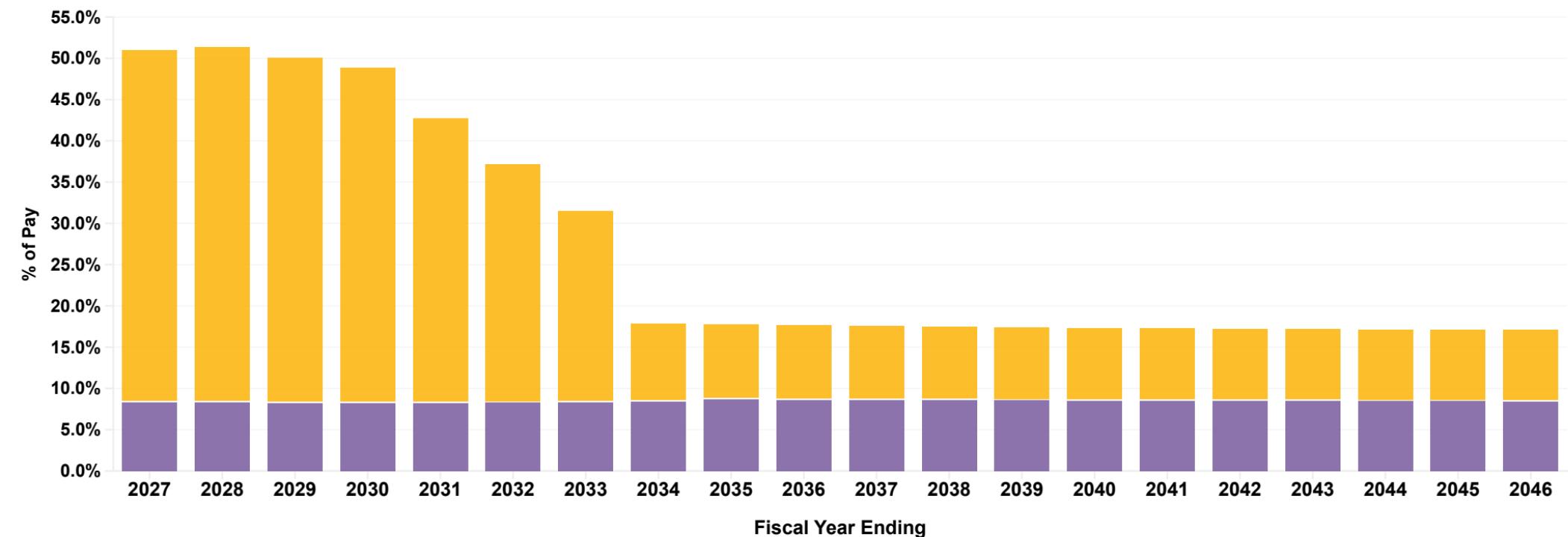


How are **contributions** expected to change?

What is expected to happen to the Plan's **funded status**?

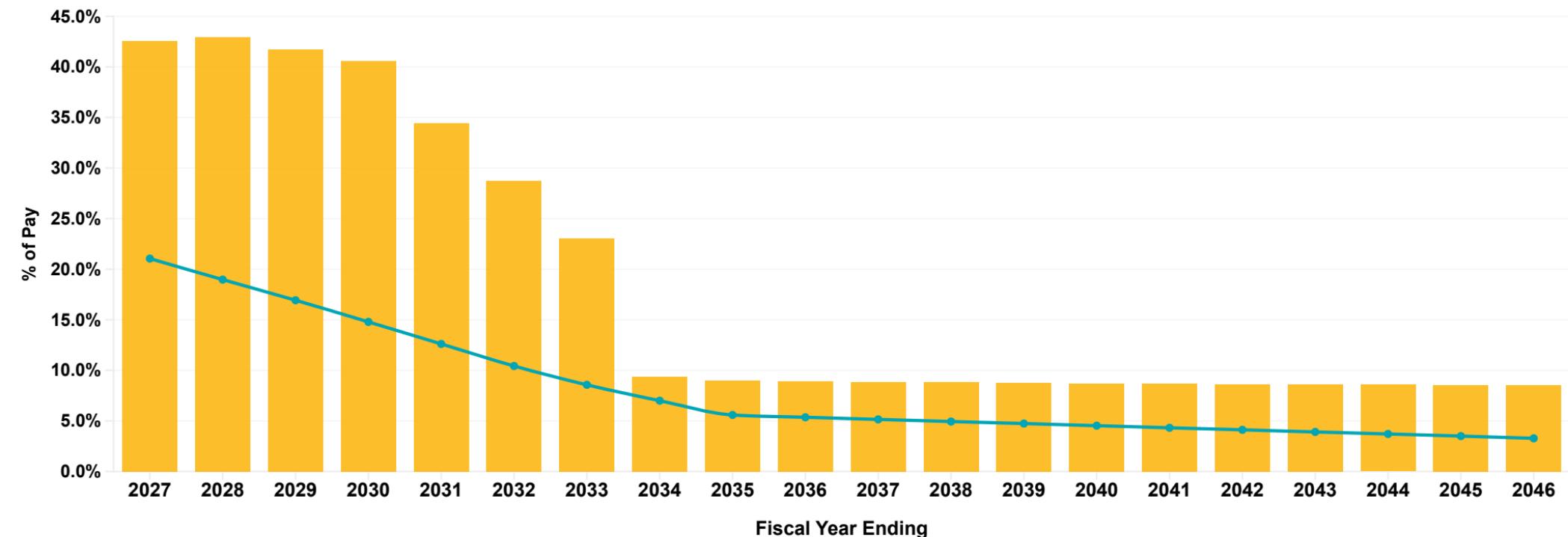
The employer contributions are expected to remain relatively stable for the next four years as the recent offsetting gains and losses are phased-in, and then drop significantly beginning in FYE 2031, when the initial 2013 UAL layer is phased out.

■ Tread Water ■ Prior Year ■ Member Contribution ■ Employer Contribution



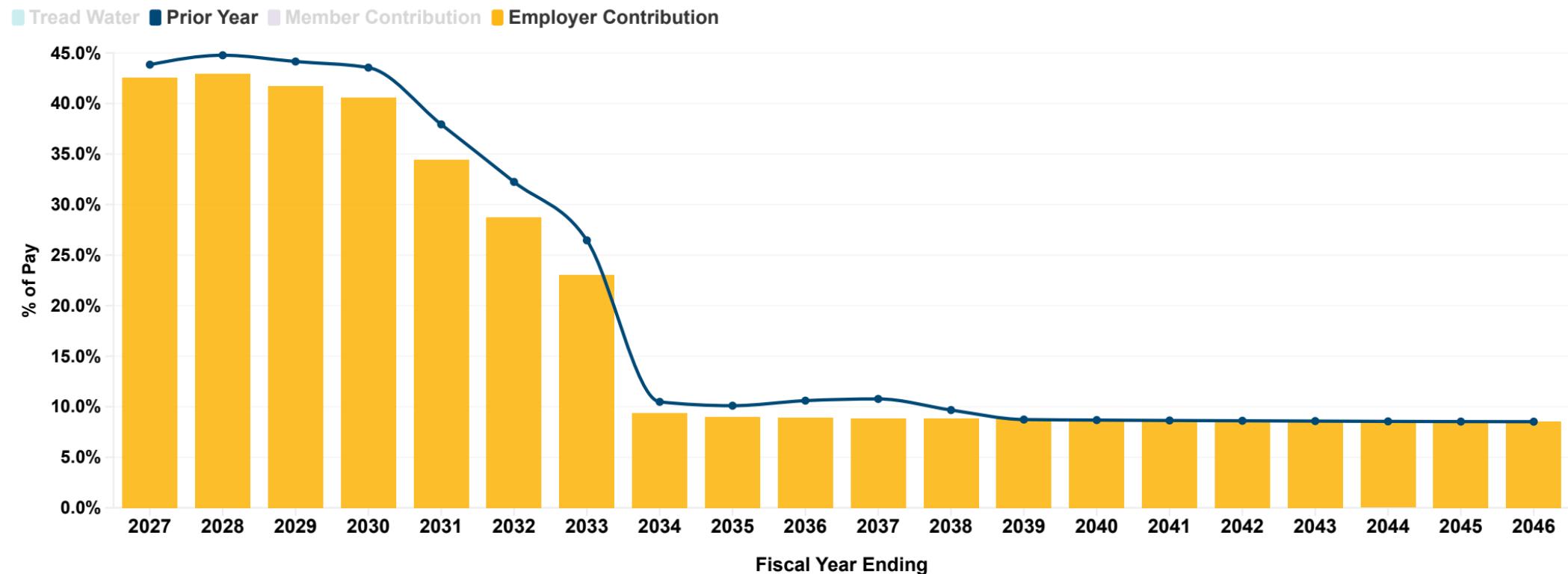
The employer rate is significantly above the amount necessary to keep the UAL stable in dollar terms, known as the "tread water" rate. Thus, the UAL is expected to decrease each year where the contribution exceeds the tread water rate.

■ Tread Water ■ Prior Year ■ Member Contribution ■ Employer Contribution

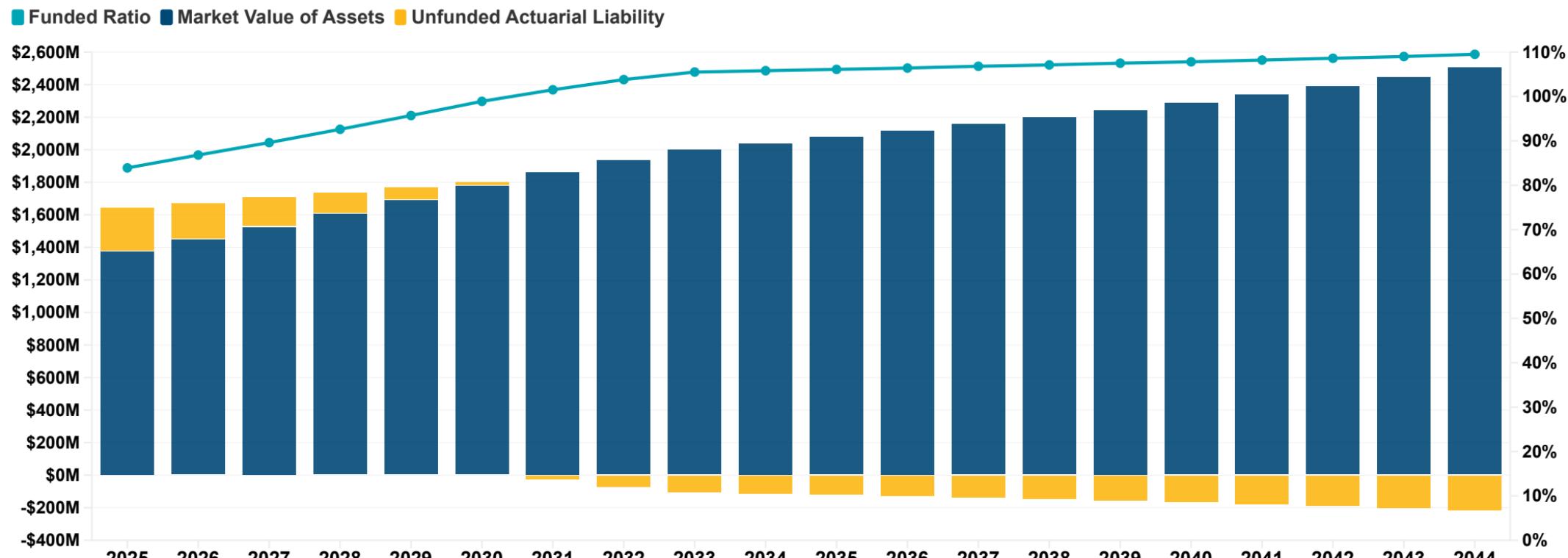


The dark blue line shows the projected contributions from last year's valuation, which are similar to the current projections, but somewhat higher due to the 2025 asset gain.

25/28



The funded status projection shows that the funded ratio (right axis) is expected to continue improving until the Plan reaches full funding in 2031. 26/28



## MercedCERA Consulting Team

Click card for bio or to contact



**Graham Schmidt**  
Principal Consulting Actuary  
Lafayette, CA



**Anne Harper**  
Principal Consulting Actuary  
San Diego, CA



**Tim Hall**  
Consulting Actuary  
San Diego, CA

## Certification

The purpose of this report is to present the preliminary results of the MercedCERA actuarial valuation as of June 30, 2025.

In preparing our presentation, we relied on information (some oral and some written) supplied by MercedCERA. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future projections may differ significantly from the projections presented in this presentation due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

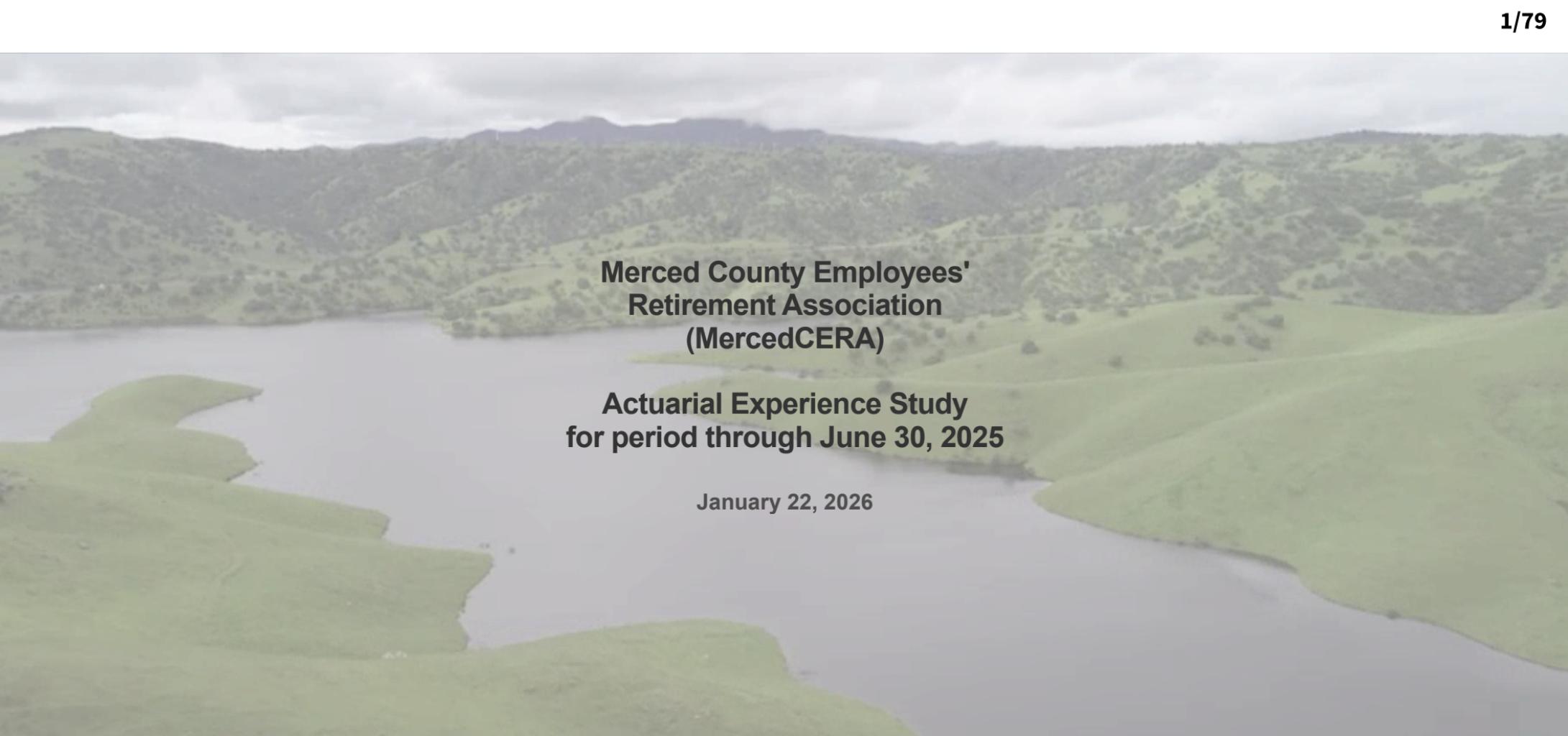
Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Projections in this presentation were developed using R-scan, a proprietary tool used to illustrate the impact of changes in assumptions, methods, plan provisions, or actual experience (particularly investment experience) on the future financial status of the Plan. We relied on Cheiron colleagues for the development of the model. R-scan uses standard roll-forward techniques that implicitly assume a stable active population. Because R-scan does not automatically capture how changes in one variable affect all other variables, some scenarios may not be consistent.

To the best of our knowledge, this presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this presentation. This presentation does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the MercedCERA Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.





**Merced County Employees'  
Retirement Association  
(MercedCERA)**

**Actuarial Experience Study  
for period through June 30, 2025**

**January 22, 2026**

## Economic Assumptions

Inflation  
Discount Rate  
Wage Inflation / Payroll Growth  
COLAs

## Demographic Assumptions

Merit Salary Increases  
Decrements  
Other Assumptions

## Cost Impact

Overall Plan  
Valuation Subgroups  
Funded Status



### **Inflation Rate**

*Current: 2.50%*

Price inflation; building block for other assumptions



### **Return on Assets**

*Current: 6.75%*

Assumed annual return on investments; net of investment expenses



### **Wage / Payroll Growth**

*Current: 2.75%*

Price inflation plus real wage growth



### **COLA Rates**

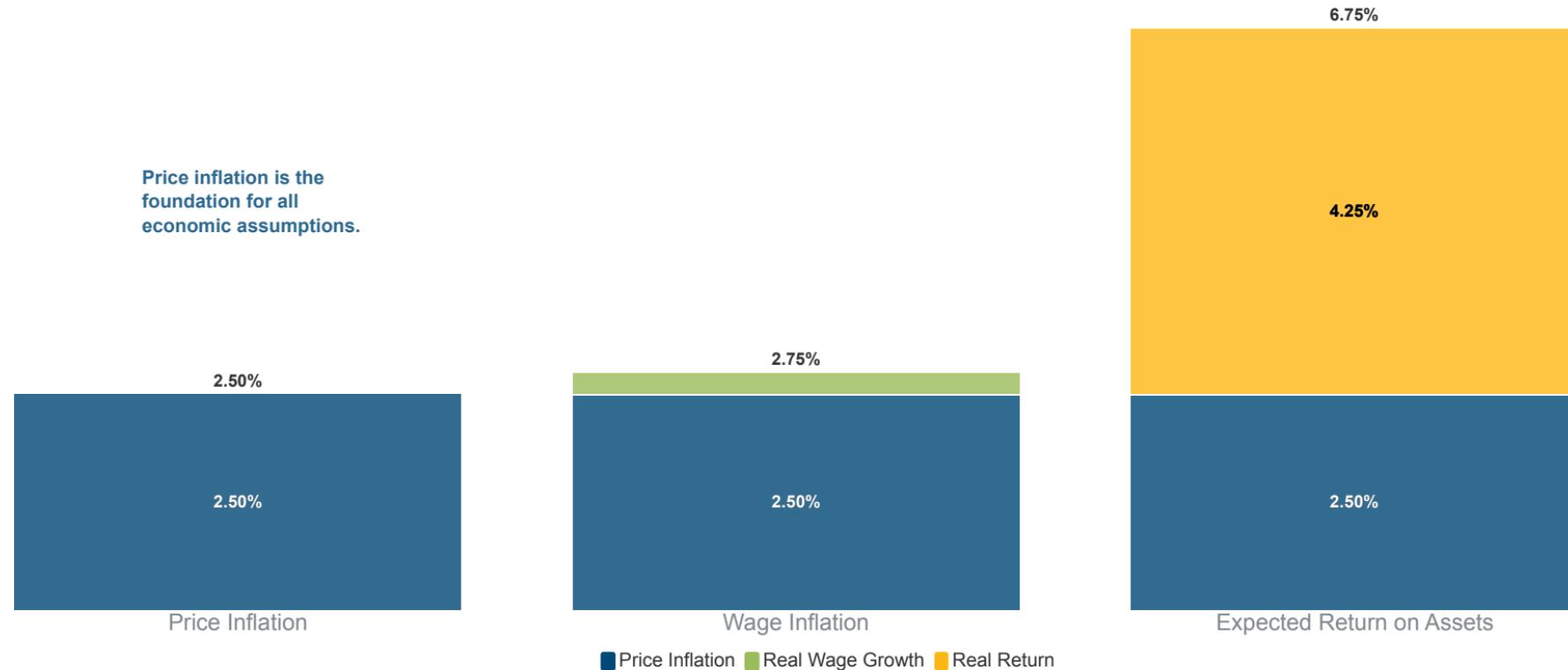
*Tier 1: 2.4% (actives), 2.65% (retirees)*

Increases in post-retirement COLAs; affected by caps and banking provisions

## Summary

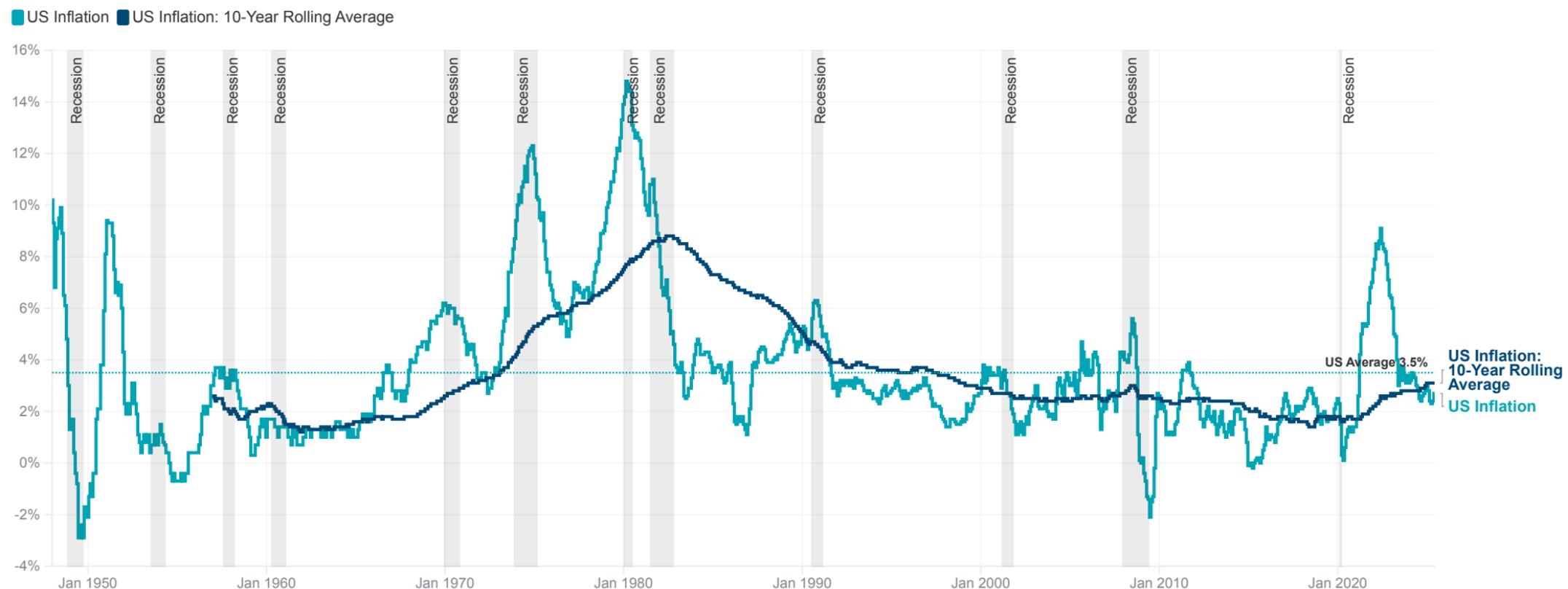
Assumption	Current	Baseline (Banking change only)	Alternative (Increase Wage / Payroll Growth)
Price Inflation	2.50%	2.50%	2.50%
Discount Rate or Nominal Return (net of investment expenses)	6.75%	6.75%	6.75%
Real Return	4.25%	4.25%	4.25%
Wage / Payroll Growth	2.75%	2.75%	3.00%
COLA Growth (No COLA Bank)	2.40%	2.40%	2.40%
COLA Growth (Existing COLA Bank)	2.65%	3.00% until bank depleted, 2.40% thereafter	3.00% until bank depleted, 2.40% thereafter

## Traditional Building Block Approach



We start by reviewing historical inflation, as measured by CPI-U. The long-term history provides perspective on recent inflation.

6/79

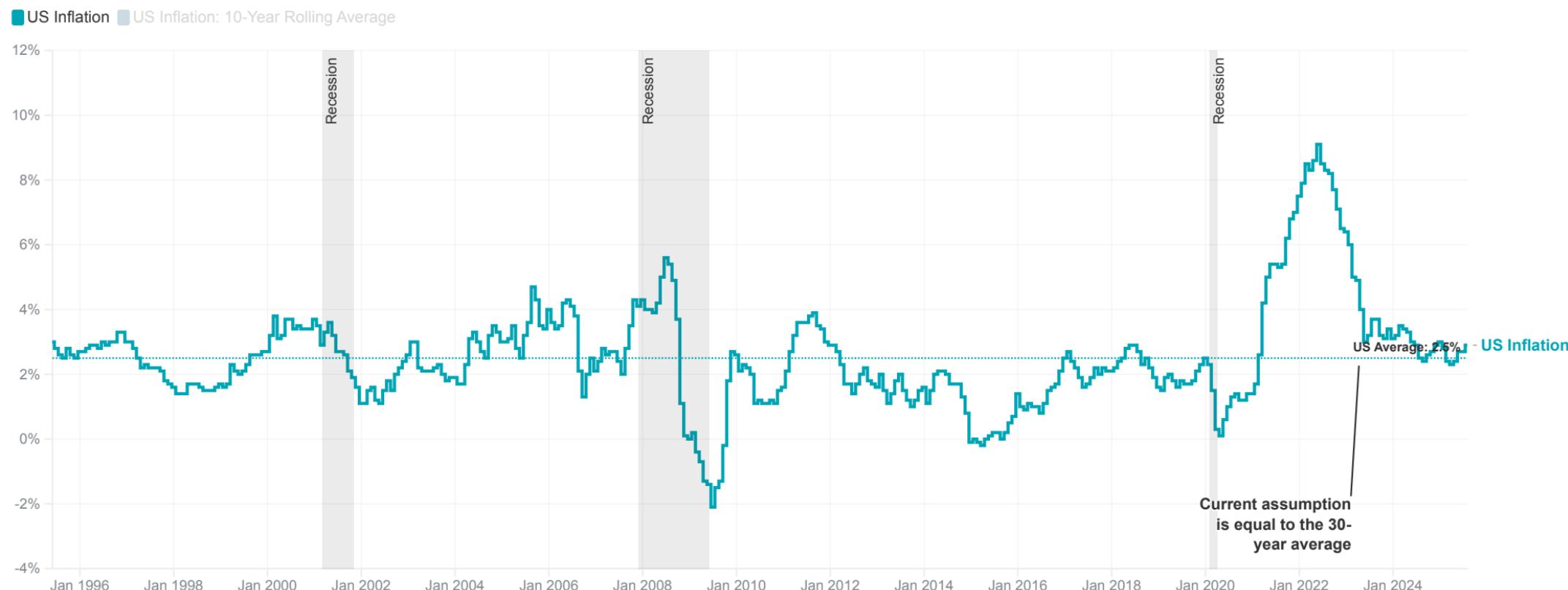


Source: [US Inflation - U.S. Bureau of Labor Statistics](#)

Inflation measured by CPI-U, All Items, not seasonally adjusted, percent change from year ago



However, we focus more on recent history when evaluating the current assumption.

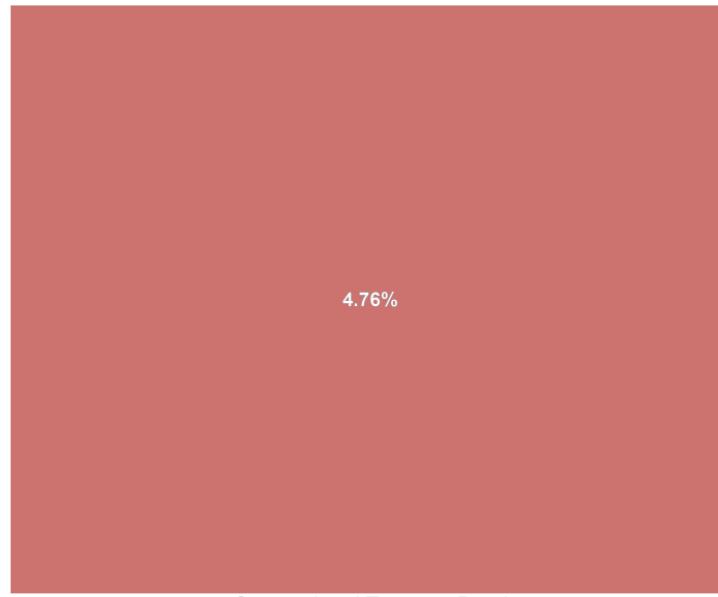


Source: [US Inflation - U.S. Bureau of Labor Statistics](#)

Inflation measured by CPI-U, All Items, not seasonally adjusted, percent change from year ago

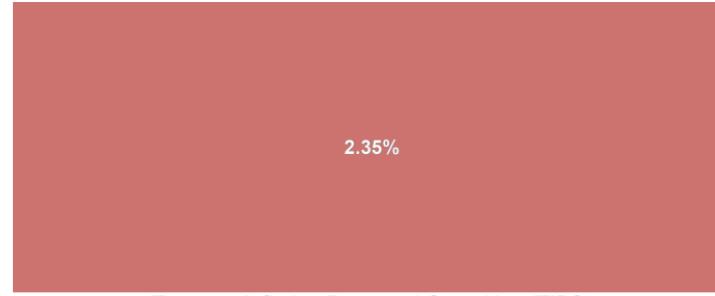
## Yields as of December 2025

### 20 Years to Maturity



Conventional Treasury Bond

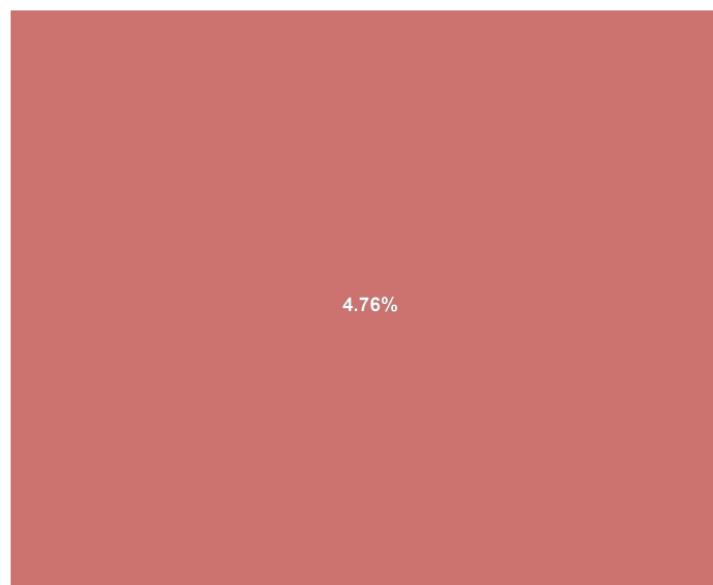
Conventional treasury bonds and TIPS  
are identical securities, except for the  
inflation protection feature of TIPS



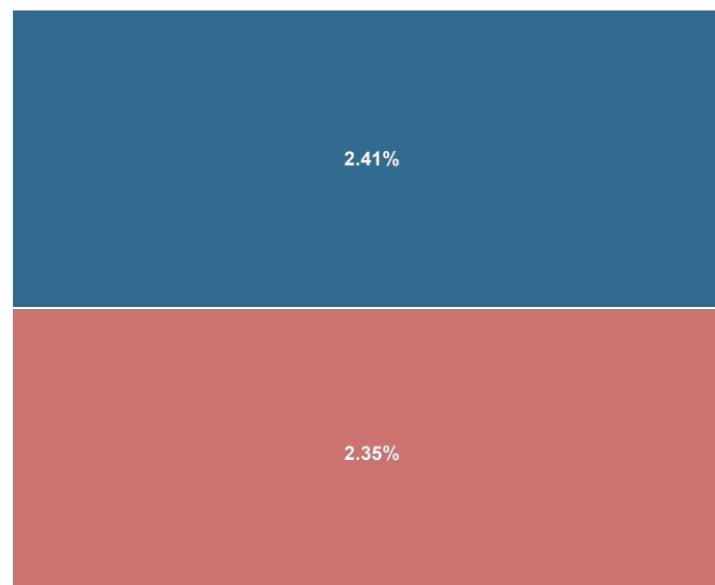
Treasury Inflation-Protected Securities (TIPS)

■ Yield ■ Break Even Inflation

**Yields as of December 2025**  
20 Years to Maturity



Conventional Treasury Bond



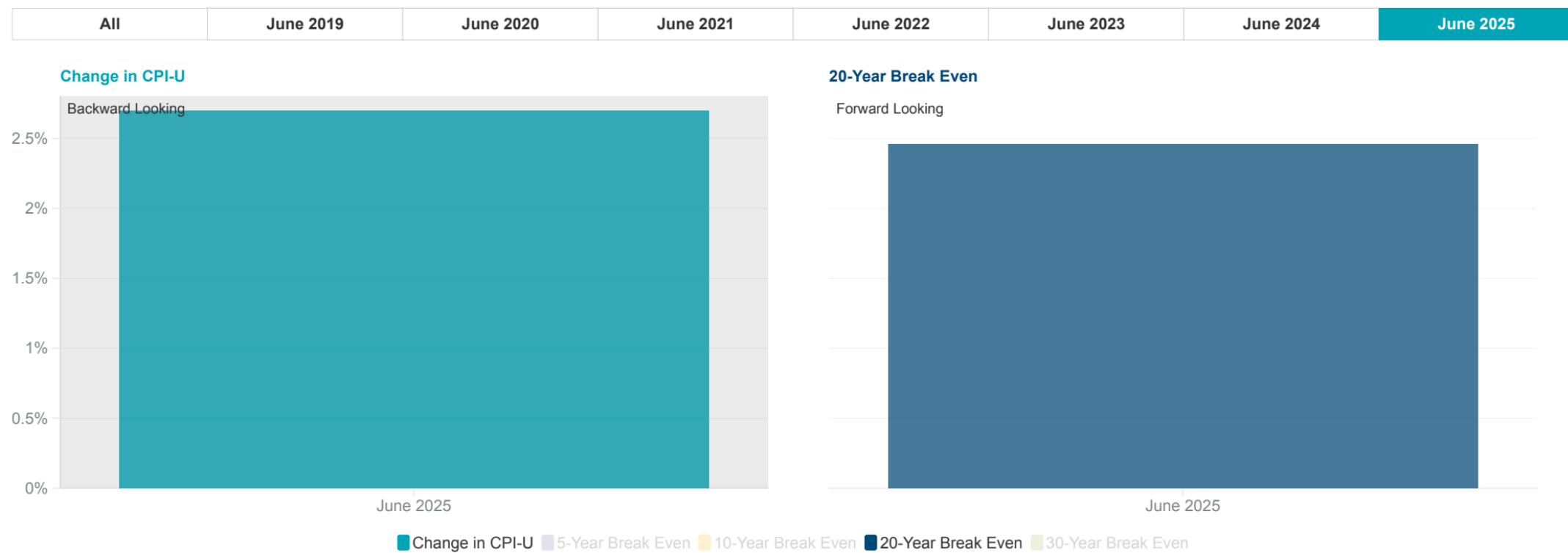
Treasury Inflation-Protected Securities (TIPS)

■ Yield ■ Break Even Inflation

It can be helpful to consider the current level of break even inflation relative to recent inflation readings.

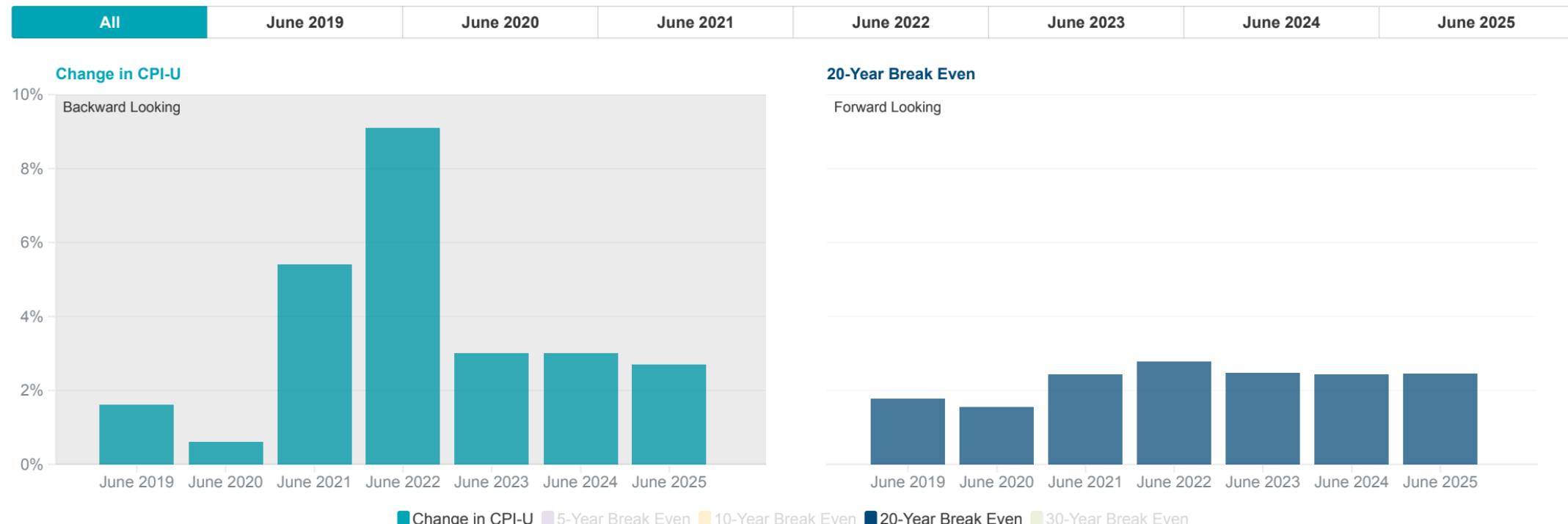
10/79

## Inflation Metrics



And to understand the changes in those metrics over time. Inflation has fluctuated significantly over the last five years but inflation expectations have remained steadier.

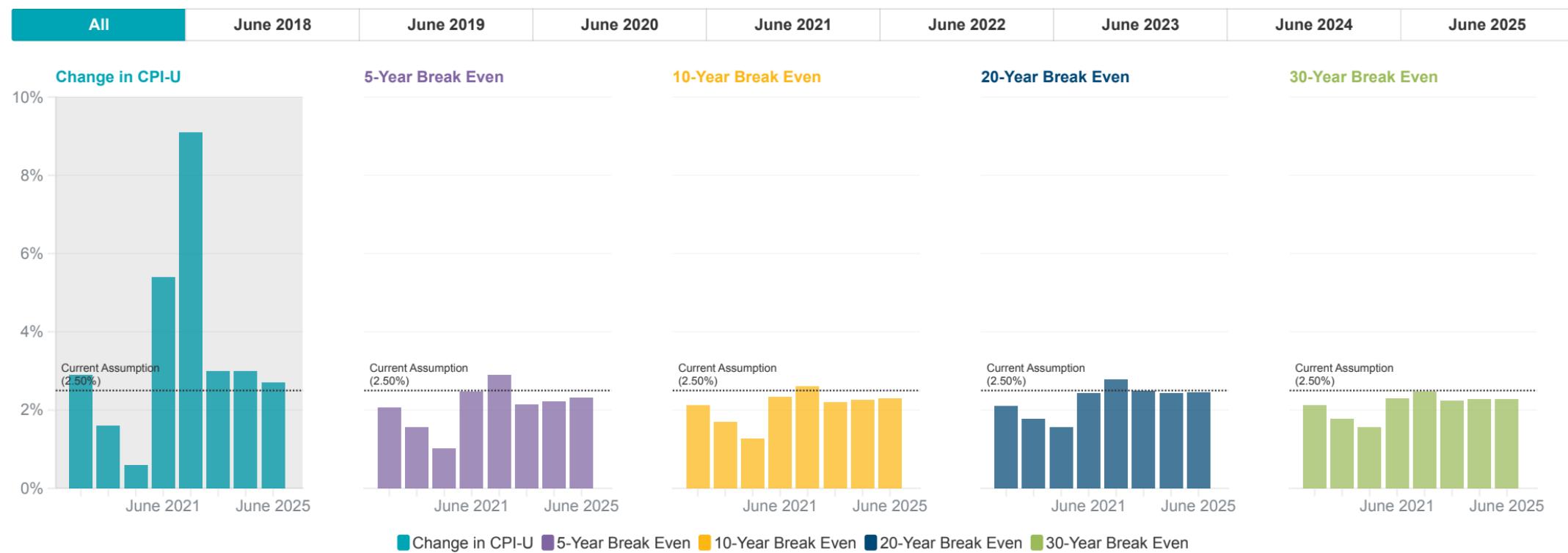
## Inflation Metrics



That remains true across different time horizons. Notably, the expectations have remained very close to the current assumption.

12/79

## Inflation Metrics



Source: [Board of Governors of the Federal Reserve System](#)



## California Public Retirement Systems - Distribution of Price Inflation Assumptions

Gold dot = Merced CERA

Percentiles of Distribution    

5.00%

4.50%

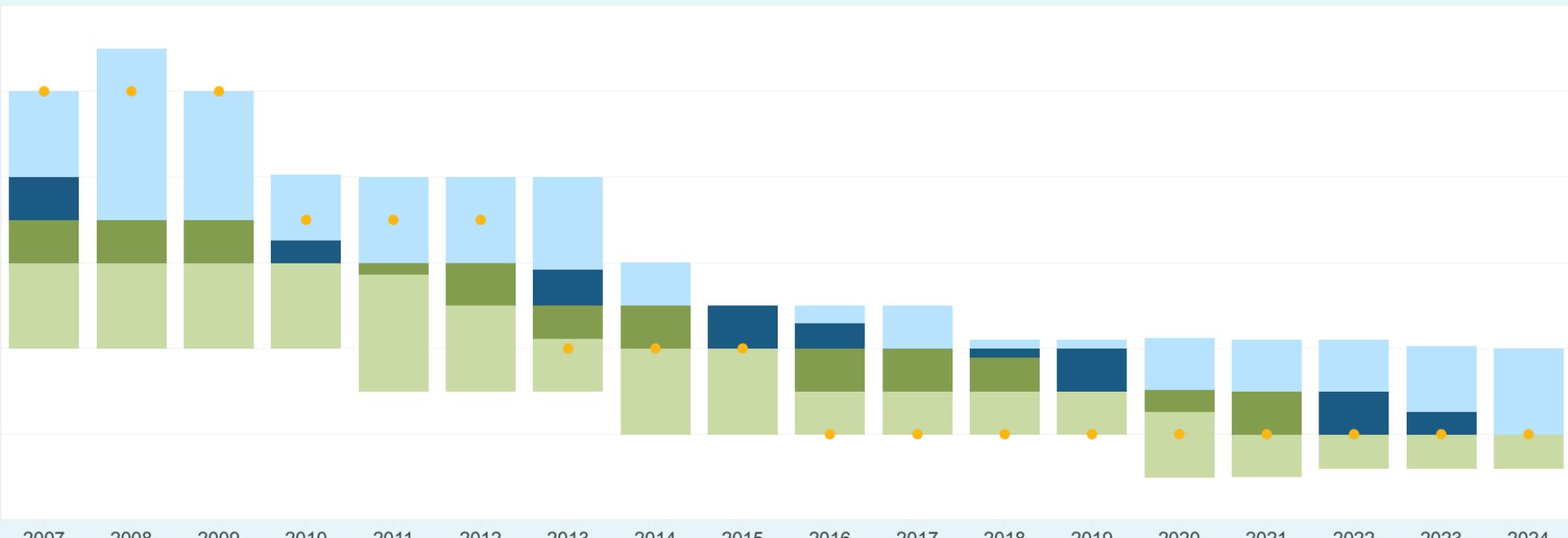
4.00%

3.50%

3.00%

2.50%

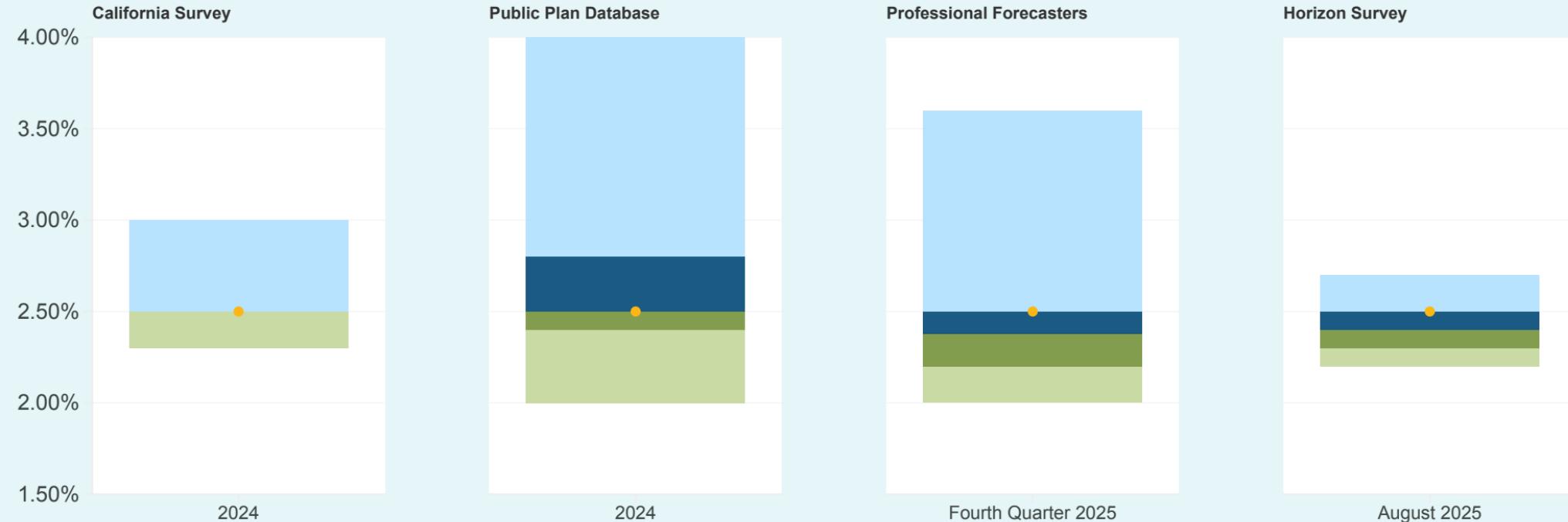
2.00%



## Distribution of Price Inflation Forecasts and Assumptions

Gold dot = **MercedCERA** ▾

Percentiles of Distribution Min to 25th 25th to 50th 50th to 75th 75th to Max



**The current price inflation assumption of 2.50% is very close to the Federal Reserve's **inflation target** of roughly 2.40%.**

The Fed's interprets its statutory mandate of stable prices as "inflation at the rate of 2 percent, as measured by the annual change in the price index for personal consumption expenditures (PCE)".

Since 2000, the annual change in CPI-U has been higher than the annual change in PCE by about 40 bps, on average.

So, over this period, the goal would have been achieved with average annual inflation of about 2.40%, based on CPI-U.

## Recommendation: Maintain current price inflation assumption of 2.50%

- Reasonable from a **historical perspective**
- In line with **financial market expectations**
- Similar to **professional forecasts**
- **Trend for public plans** toward lower assumptions
- Consistent with the Fed's **inflation target**

National average of 2.50% annually over last 30 years

## Real Return & Discount Rate

Expected Risk Premium

Capital Market Expectations

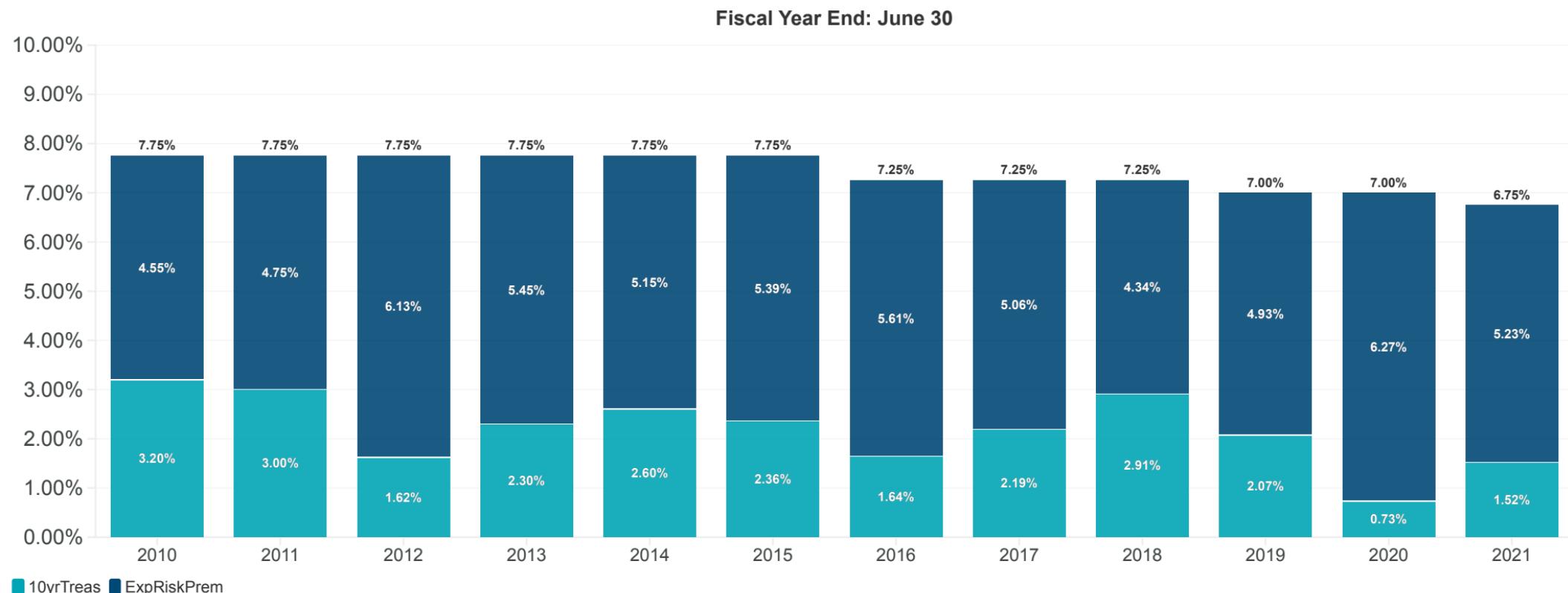
Trends among California Public Plans

From 2010 to 2021 the discount rate was lowered to maintain a relatively steady expected risk premium.

18/79

Expected Risk Premium = Discount Rate - 10-Year Treasury Yield

Pre-2022 ▾



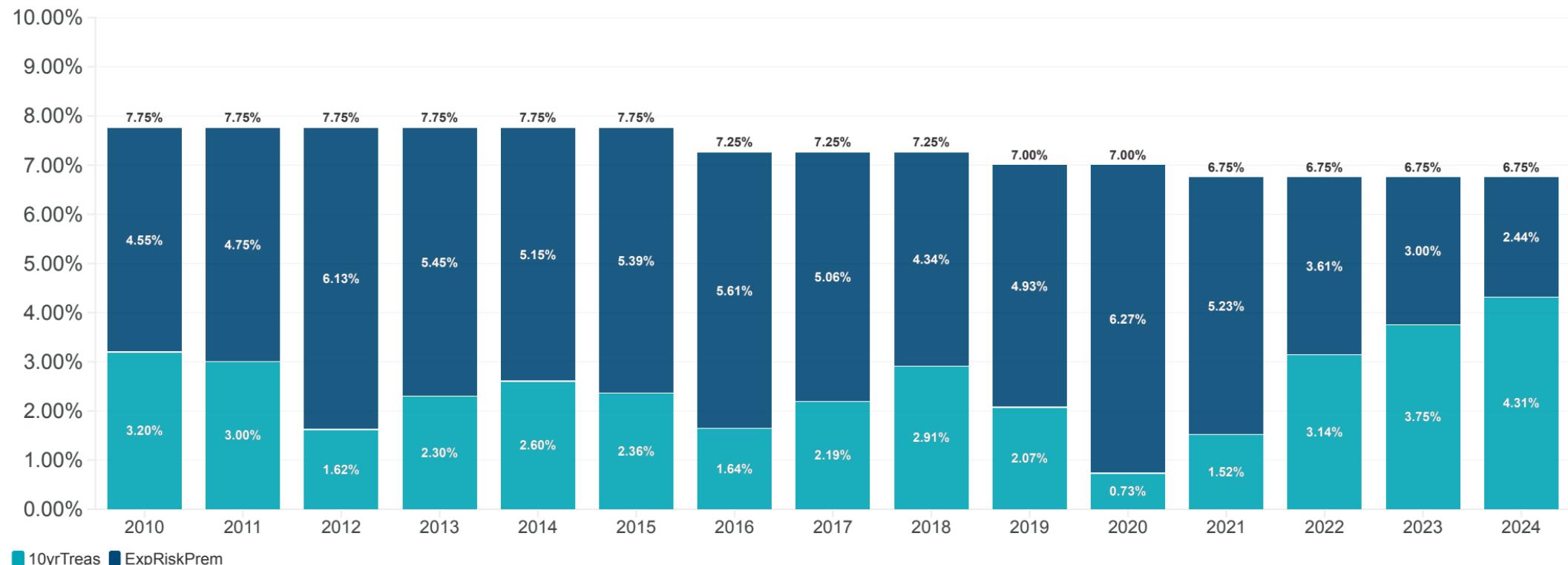
In recent years, the risk-free rate has increased and the expected risk premium is relatively low.

19/79

Expected Risk Premium = Discount Rate - 10-Year Treasury Yield

All Years ▾

Fiscal Year End: June 30



# Capital Market Expectations

- Collect assumptions of returns, risks, and correlations from **investment consultants**
- **Adjust for investment expenses** of consultant, custodian and fees for passively-managed assets
- Model MercedCERA's target portfolio using these assumptions

Meketa (the Plan's investment consultant, from 2025); Verus (2026 assumptions)

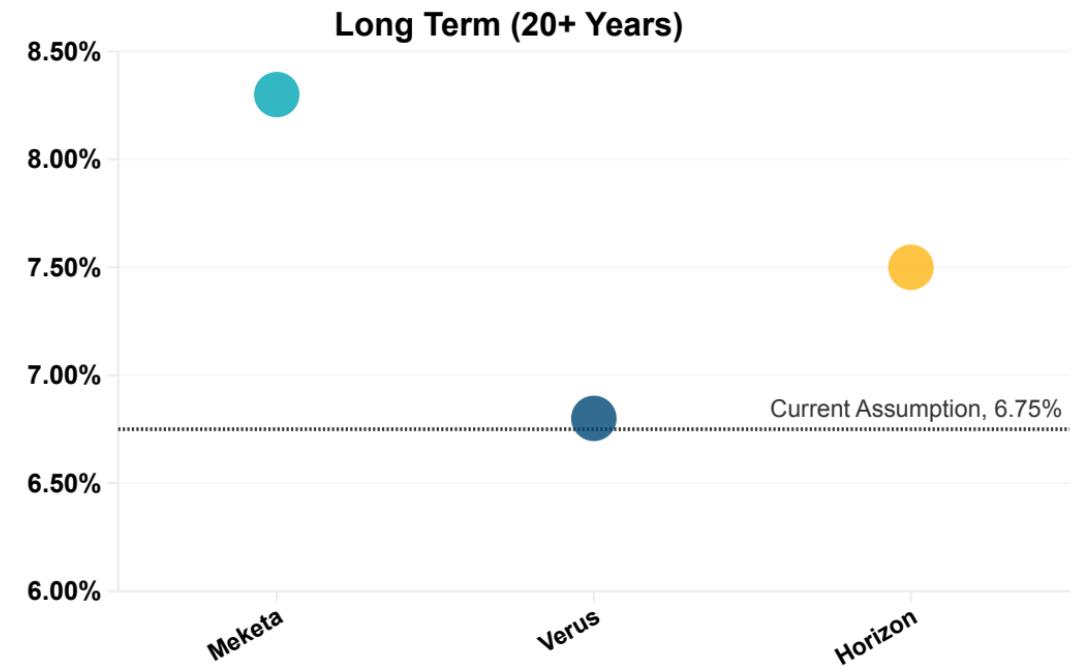
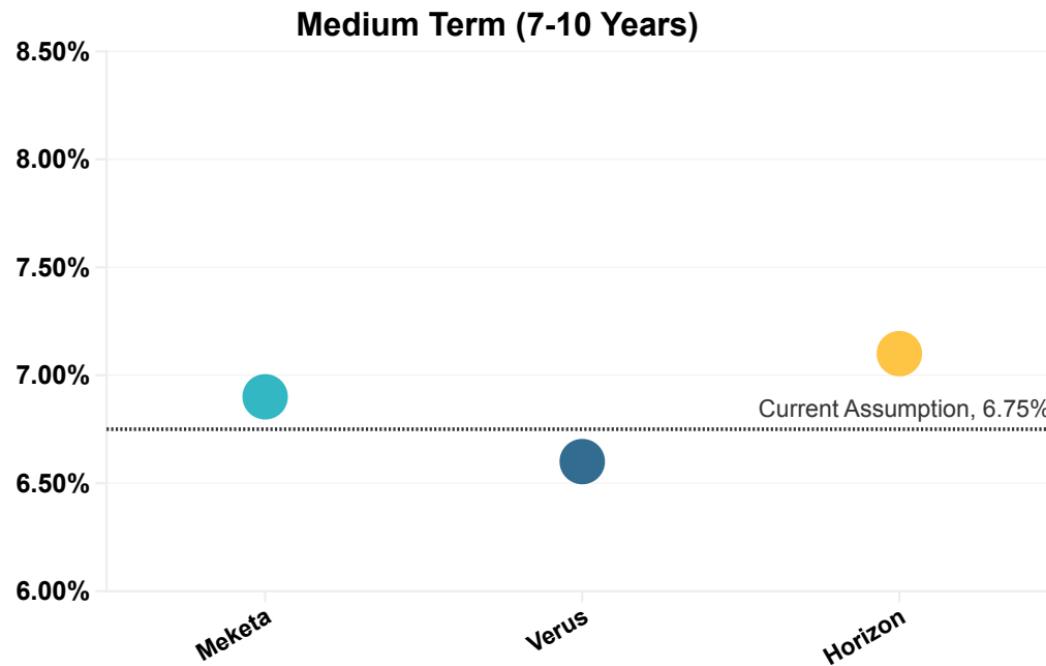
Horizon Actuarial Services Survey of 2025 Capital Market Assumptions (from about 40 firms)

We modeled the expected nominal returns for all six sets of capital market assumptions. The current nominal return assumption of 6.75% is still reasonable.

21/79

### Expected Nominal Returns (for MercedCERA Target Portfolio)

Source Meketa Verus Horizon

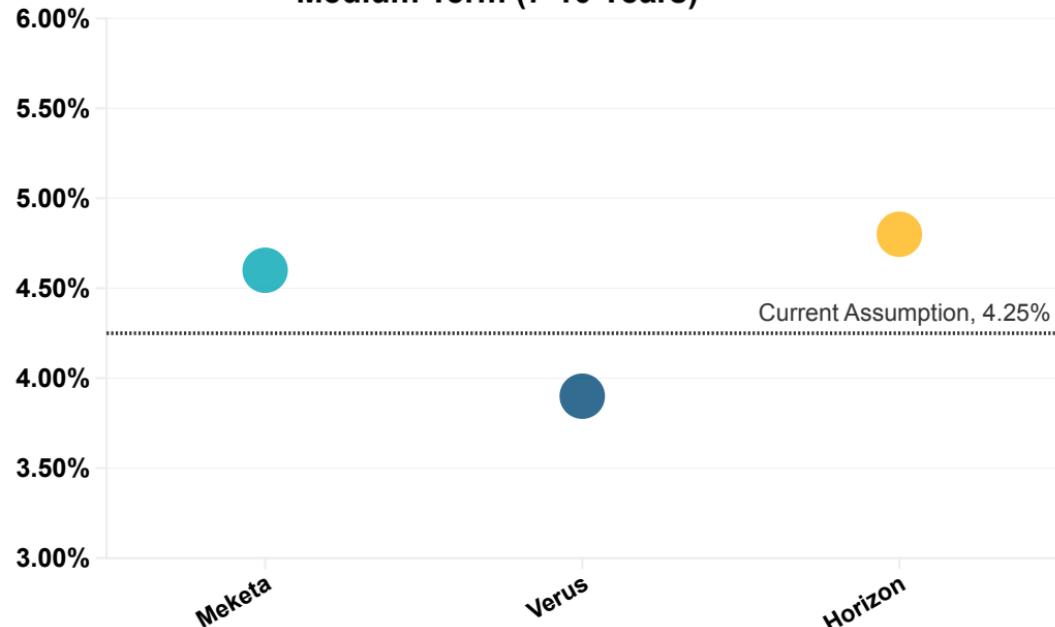


If we look at the real returns (the return above the inflation assumption underlying each set of CMAs), the current assumption of 4.25% is also still reasonable (6.75% expected nominal return less the 2.50% inflation assumption).

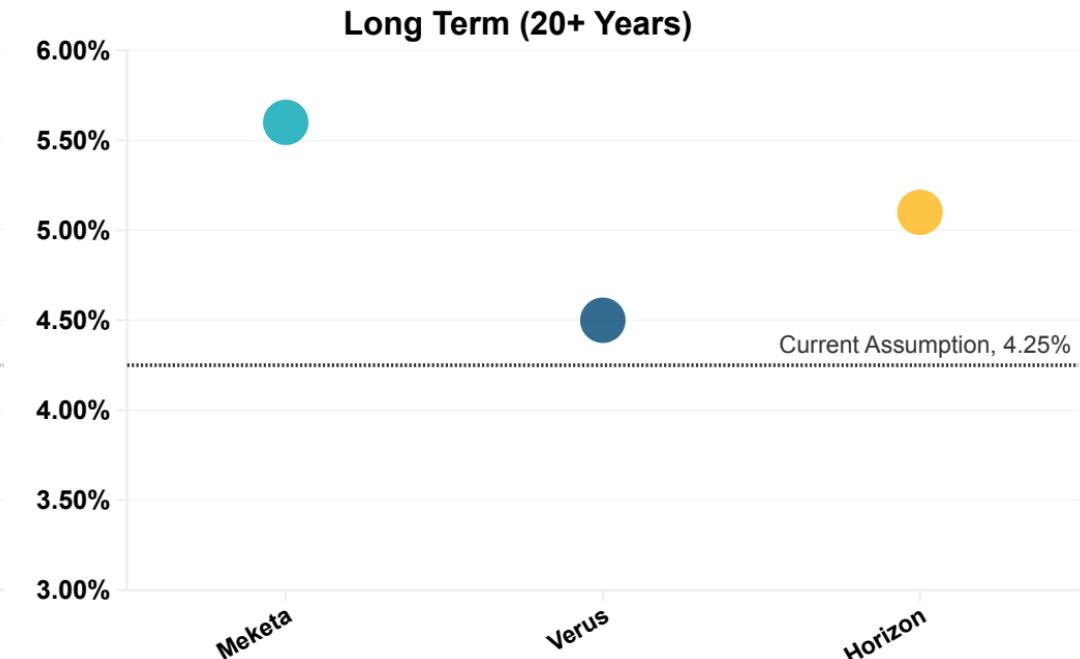
### Expected Real Returns (for MercedCERA Target Portfolio)

Source Meketa Verus Horizon

#### Medium Term (7-10 Years)



#### Long Term (20+ Years)



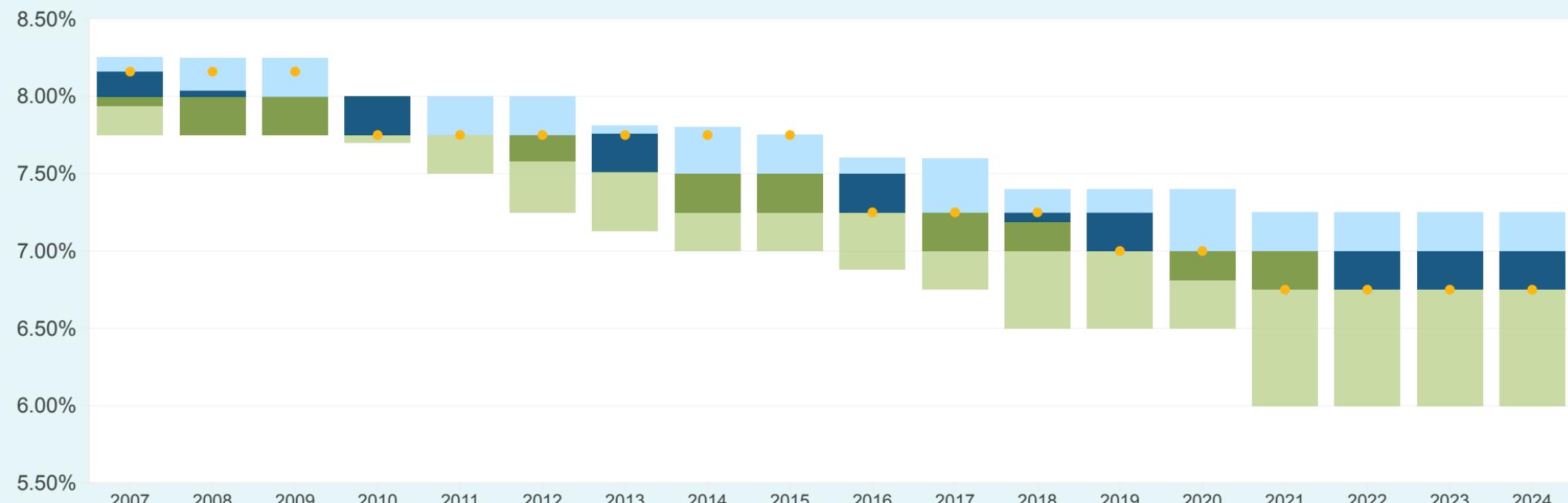
We examine the trends among similar systems. The current discount rate is equal to the median of 6.75% as California systems have continued to lower their discount rates.

23/79

## California Public Retirement Systems - Distribution of Discount Rates

Gold dot = Merced CERA

Percentiles of Distribution Min to 25th 25th to 50th 50th to 75th 75th to Max



## **Recommendation: Reasonable to leave the nominal return assumption at 6.75% and the real return assumption at 4.25%**

- Current expected risk premium is relatively low, but this measure can be very volatile
- Current discount rate is less than **Meketa's expectations**
- Current discount rate and real return at the median for California public plans.

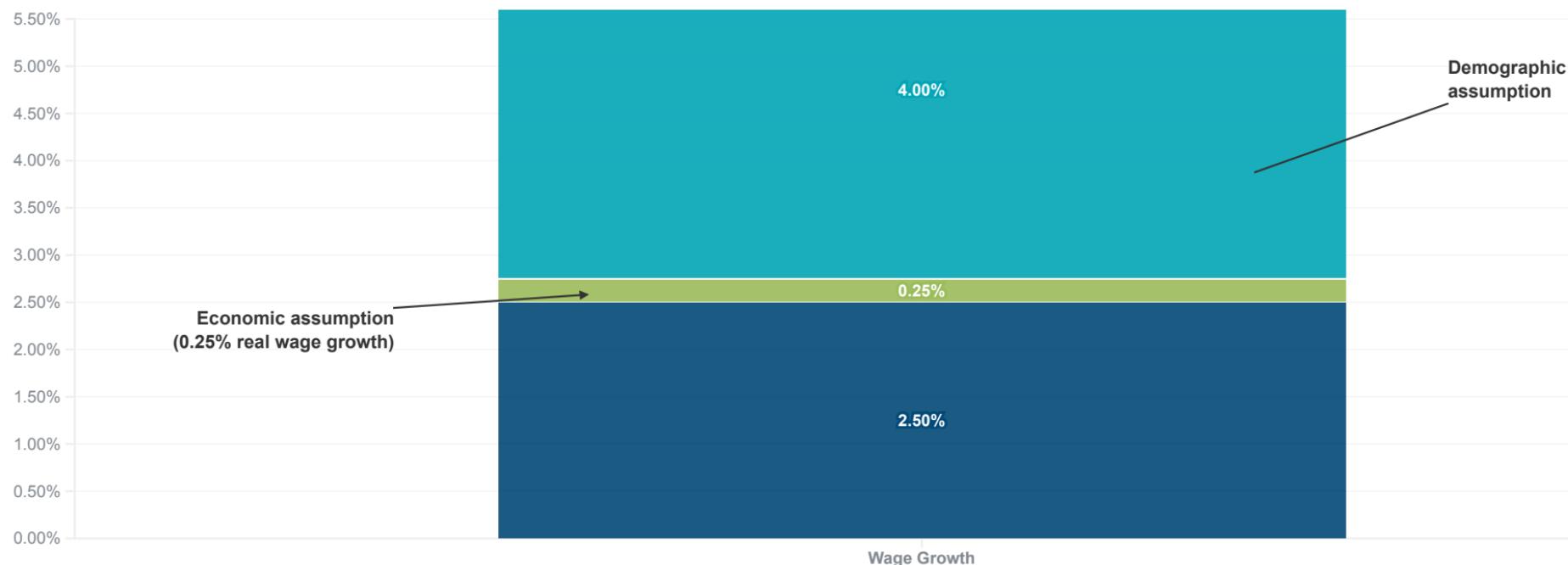
of 6.9% / 8.3%, after adjusting by 15bp for non-management investment expenses

Salary increases are made of three components: base price inflation, plus "real" wage growth (for productivity or other reasons), plus increases in individual pay due to merit, promotion, and longevity.

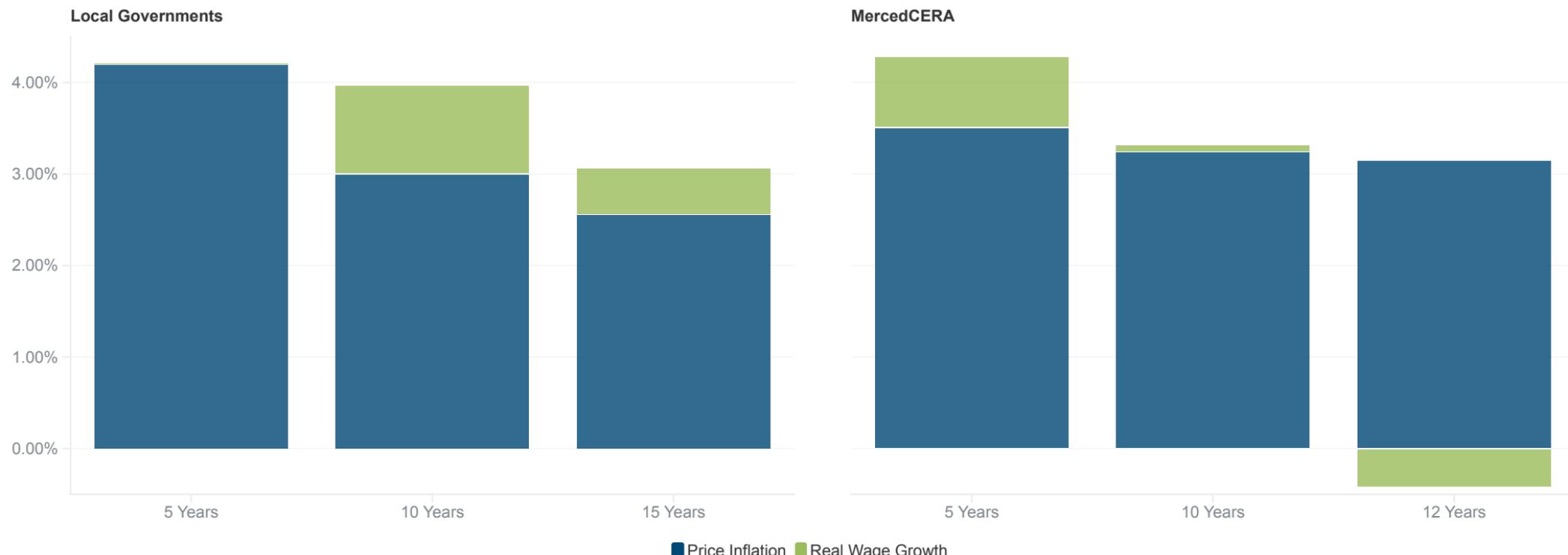
25/79

## Total Assumed Pay Increase Rate (General Member, 5 Years of Service)

■ Price Inflation ■ Real Wage Growth ■ Merit/Longevity



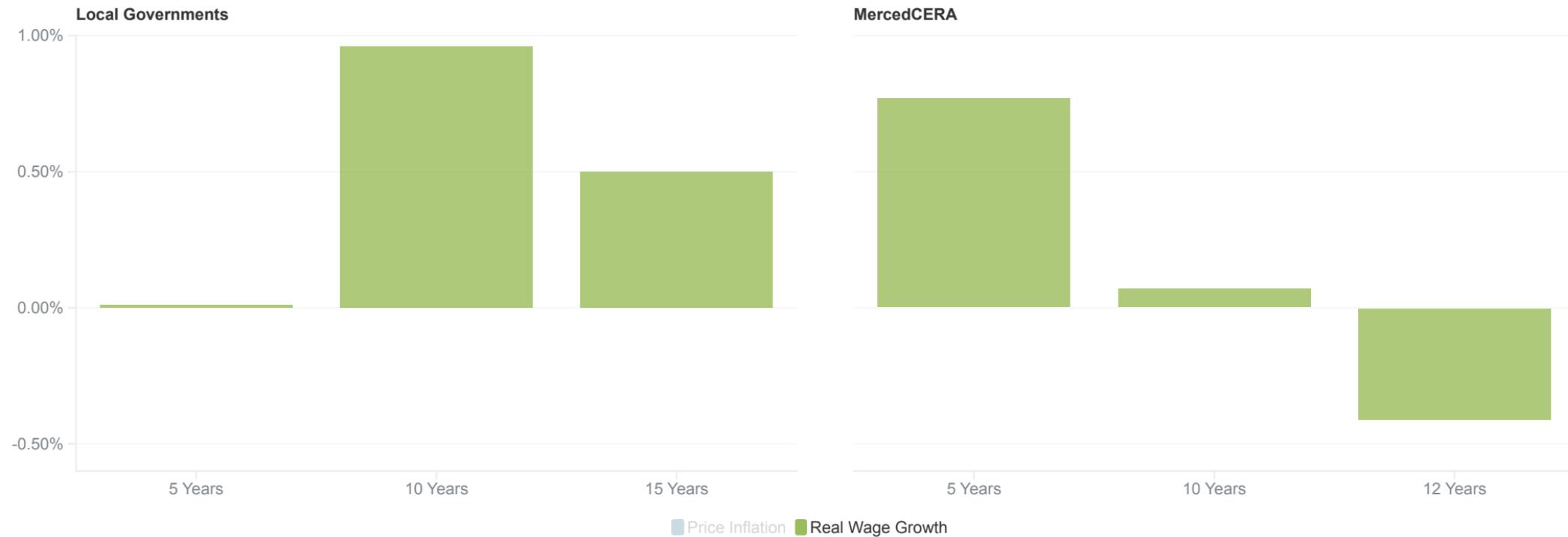
## Wage Inflation Data



Source: [Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Average Weekly Wages](#) • Local Governments data as of 2024 Q4, MercedCERA data as of 2025 Q2  
Local Government wage growth compared to national CPI-U, MercedCERA wage growth compared to Bay Area CPI-U

We calculate historical real wage growth by subtracting inflation from total wage growth. The average real wage inflation across these six data points is 0.32%, slightly higher than the current 0.25% real wage growth assumption.

## Wage Inflation Data



Source: [Bureau of Labor Statistics, Quarterly Census of Employment and Wages, Average Weekly Wages](#) • Local Governments data as of 2024 Q4, MercedCERA data as of 2025 Q2  
 Local Government wage growth compared to national CPI-U, MercedCERA wage growth compared to Bay Area CPI-U

When compared to peer systems, MercedCERA's current overall wage inflation assumption (inflation + real wage growth) is below the median.

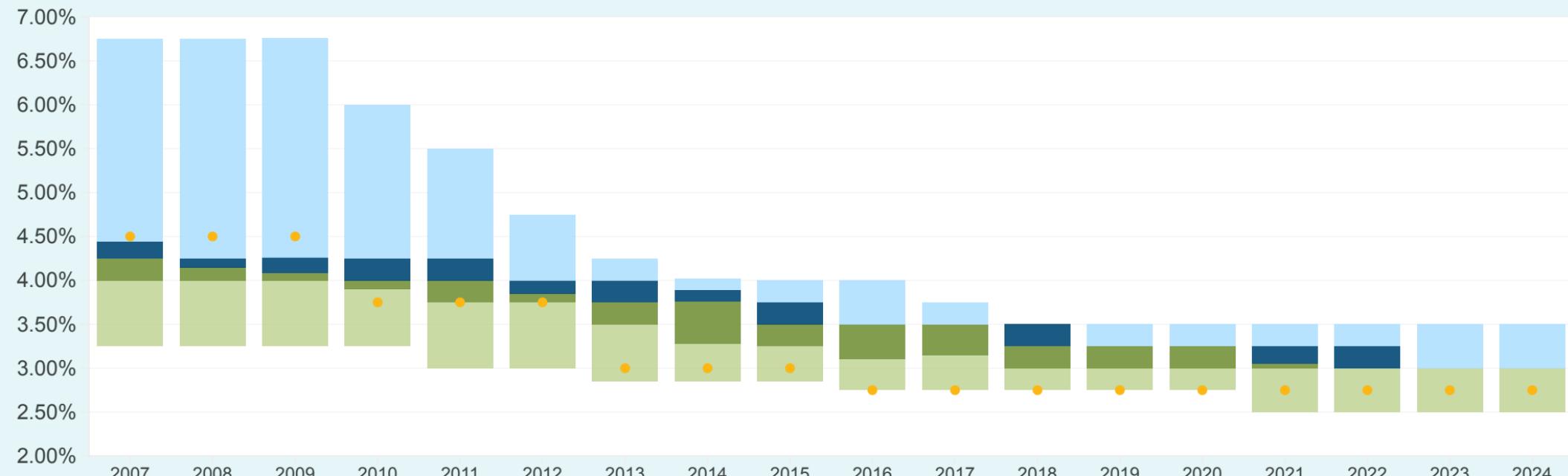
28/79

## California Public Retirement Systems - Distribution of Wage Inflation Assumptions

Wage Inflation = Price Inflation + Real Wage Growth

Gold dot = **Merced CERA**

Percentiles of Distribution Min to 25th 25th to 50th 50th to 75th 75th to Max



# Recommendation: Consider increase in real wage growth assumption from 0.25% to 0.50%

Current assumption also reasonable from a **historical perspective** but near the lower end of the range

Current assumption slightly lower than many other **California pension systems**

Lower than some **expert forecasts**

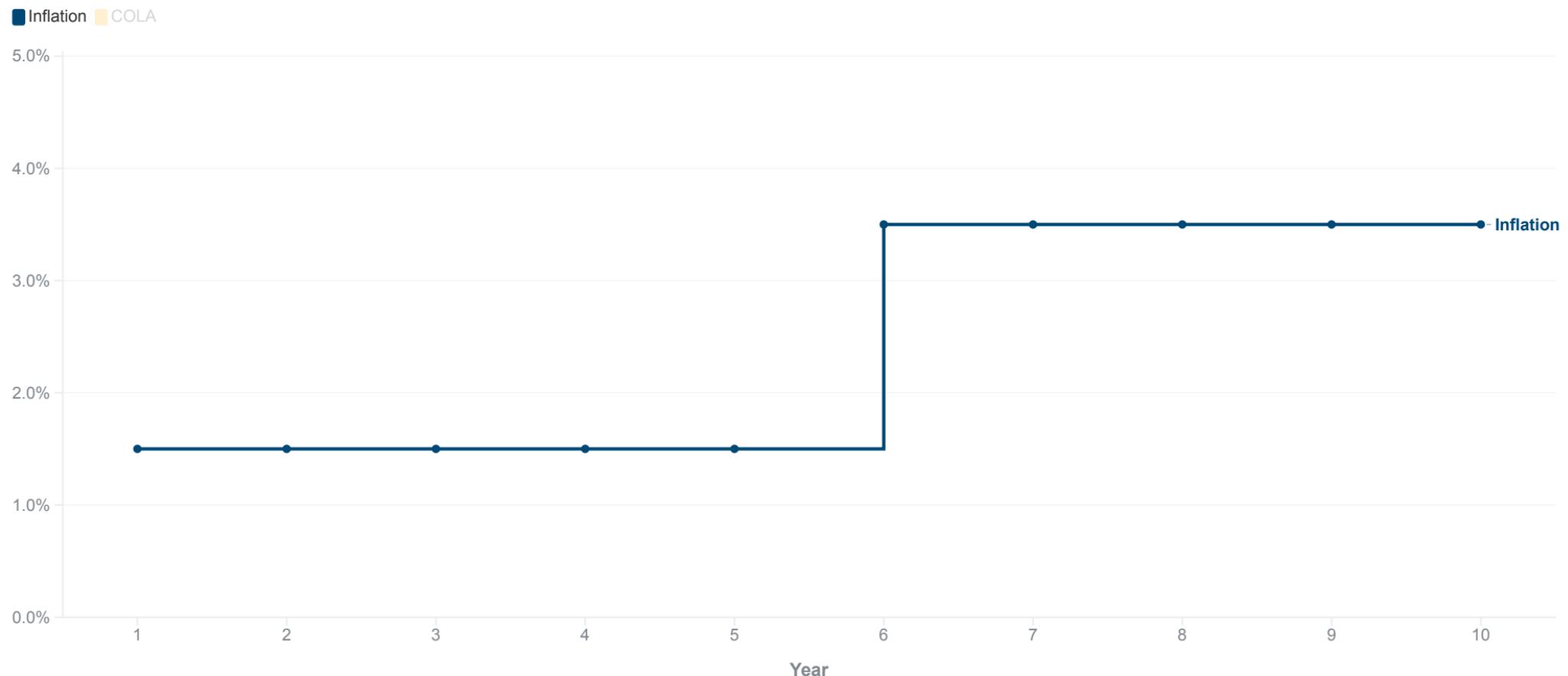
Use the same assumption for growth in **overall payroll**.

3.00% wage inflation assumption if price inflation of 2.50%

## Cost of Living Adjustments (COLAs)

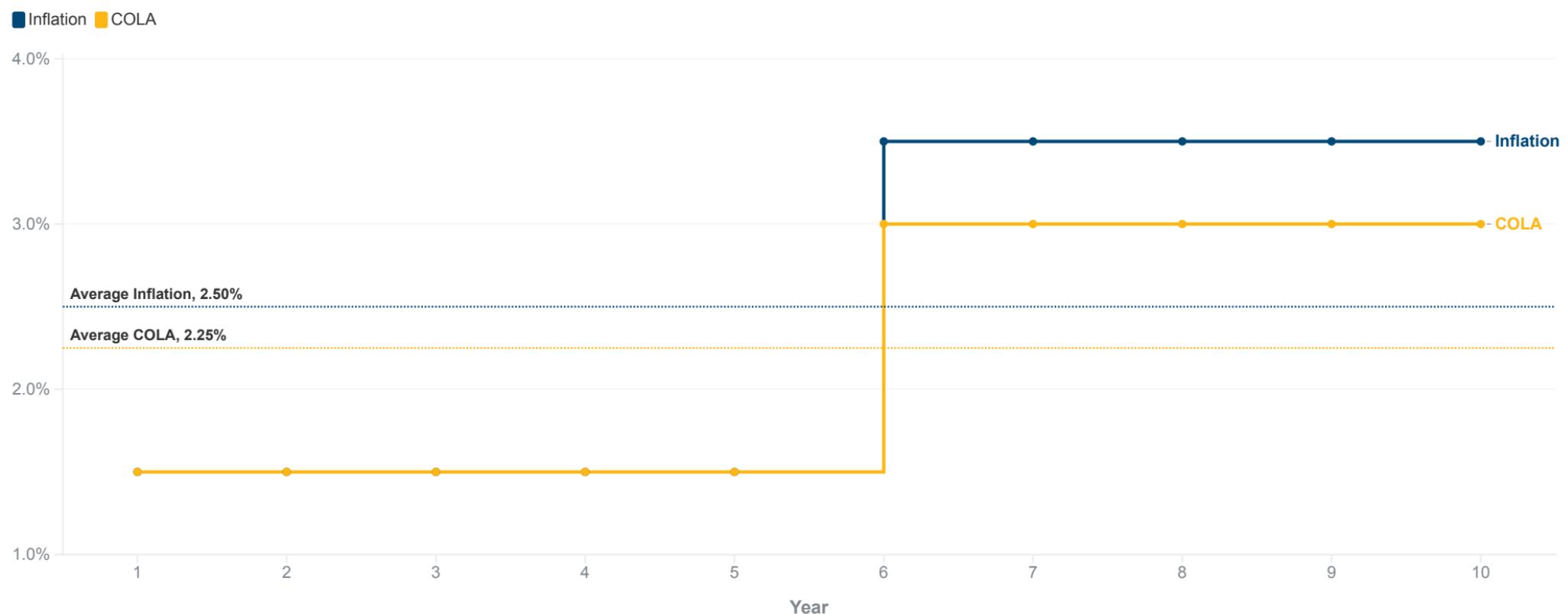
- Tier 1 members are eligible for COLAs, based on increase in the Bay Area Consumer Price Index (CPI-U)
- 3% cap on the annual COLA increase
- Increases in the CPI above the maximum can be banked for future years in which the change in the CPI is below the cap

Since the current price inflation assumption of 2.50% is less than the maximum COLA of 3.00%, it seems natural to use 2.50% as the COLA assumption. However, consider the following simple example when no COLA bank exists.



When high inflation follows low inflation, the average COLA can be less than average inflation.

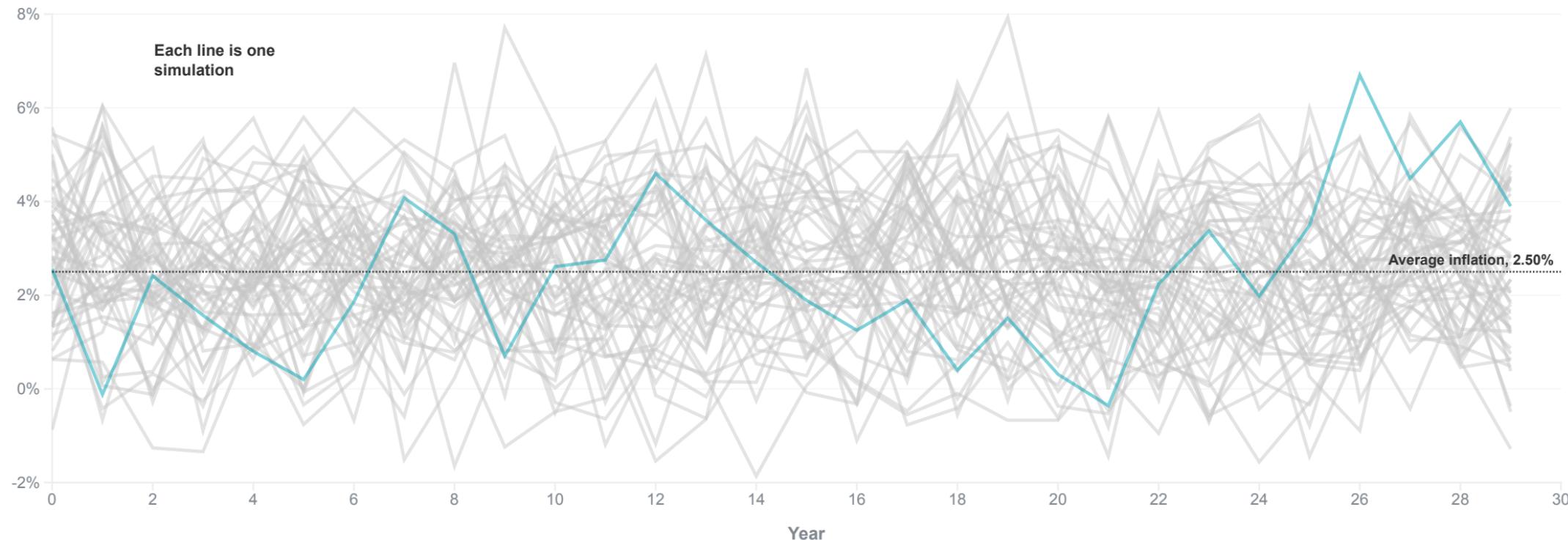
32/79



To better analyze the relationship between inflation and COLAs, we produced stochastic simulations of inflation.

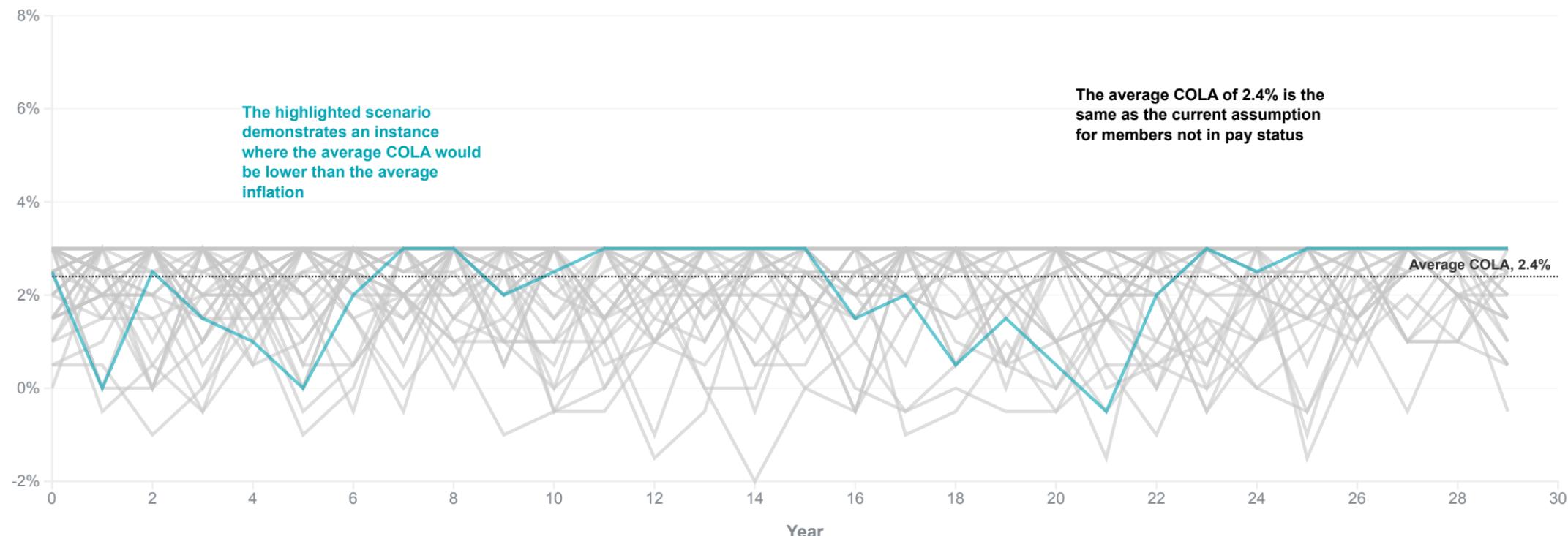
33/79

## Inflation Simulations



For a given long-term estimate of inflation, simulations based on a 30% autocorrelation factor with 1.50% annual inflation volatility (expressed as a standard normal error). This model is intended only for use in analyzing the relationship between long-term average COLAs and CPI. These assumptions may result in an unrealistically narrow distribution of annual inflation rates.

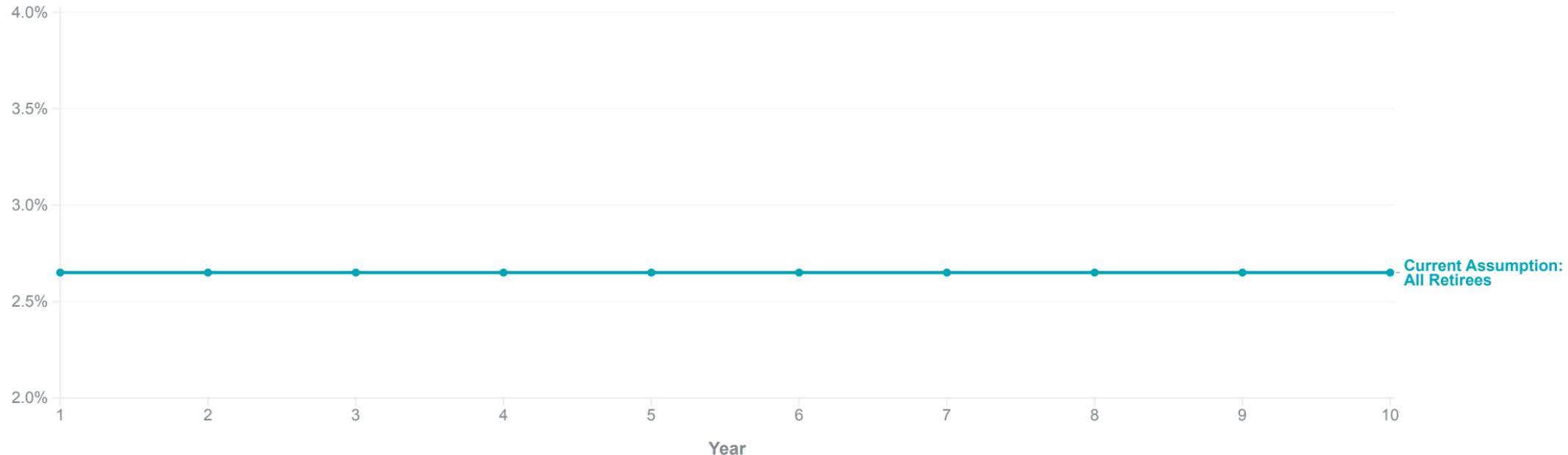
## Modeled COLAs



The current assumption for members in pay status is 2.65% COLA per year is greater than the active member assumption of 2.40% to consider the varying COLA banks for current retirees.

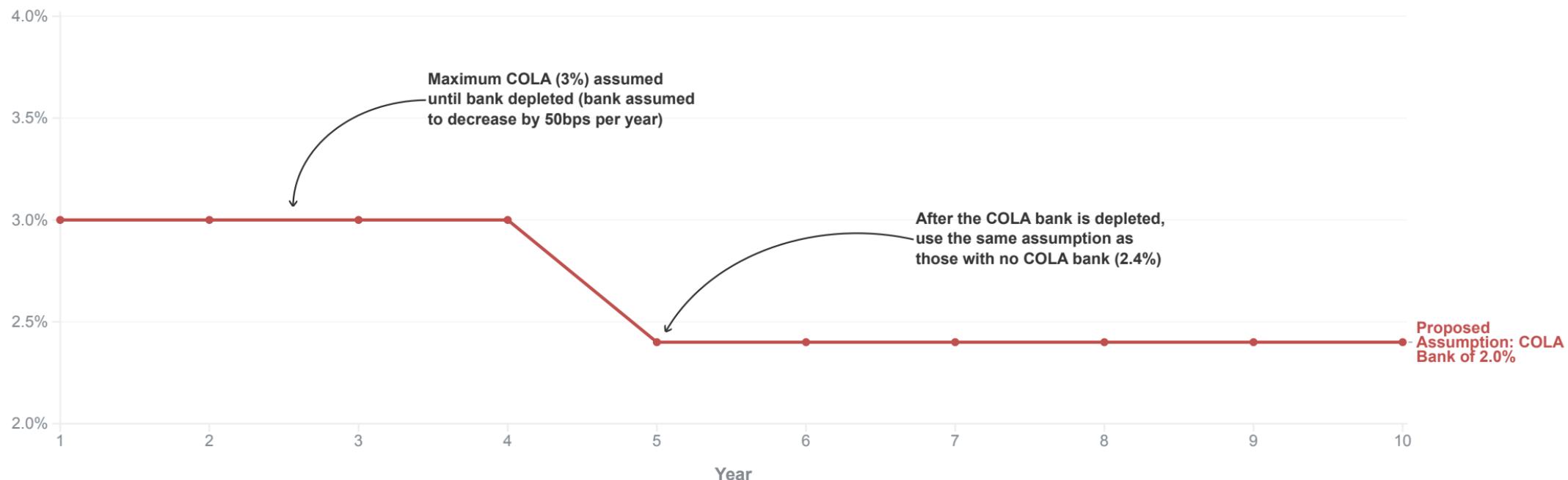
## COLA Assumptions for Members In Pay Status

Current Assumption: All Retirees



## COLA Assumptions for Members In Pay Status

Proposed Assumption: COLA Bank of 2.0%



## For members with an existing bank, set COLA assumption equal to the 3.0% max COLA until the bank is depleted then use the long term assumption.

- The bank is assumed to decrease annually by the difference between the inflation assumption and the 3.0% cap.
- The recommended assumption captures the impact of existing COLA banks more precisely.
- The recommended assumption is dynamic, incorporating future inflation experience without any additional analysis.

Simulation shows long-term average of COLA with no bank, 3% cap, and 2.50% inflation is expected to be 2.40%.

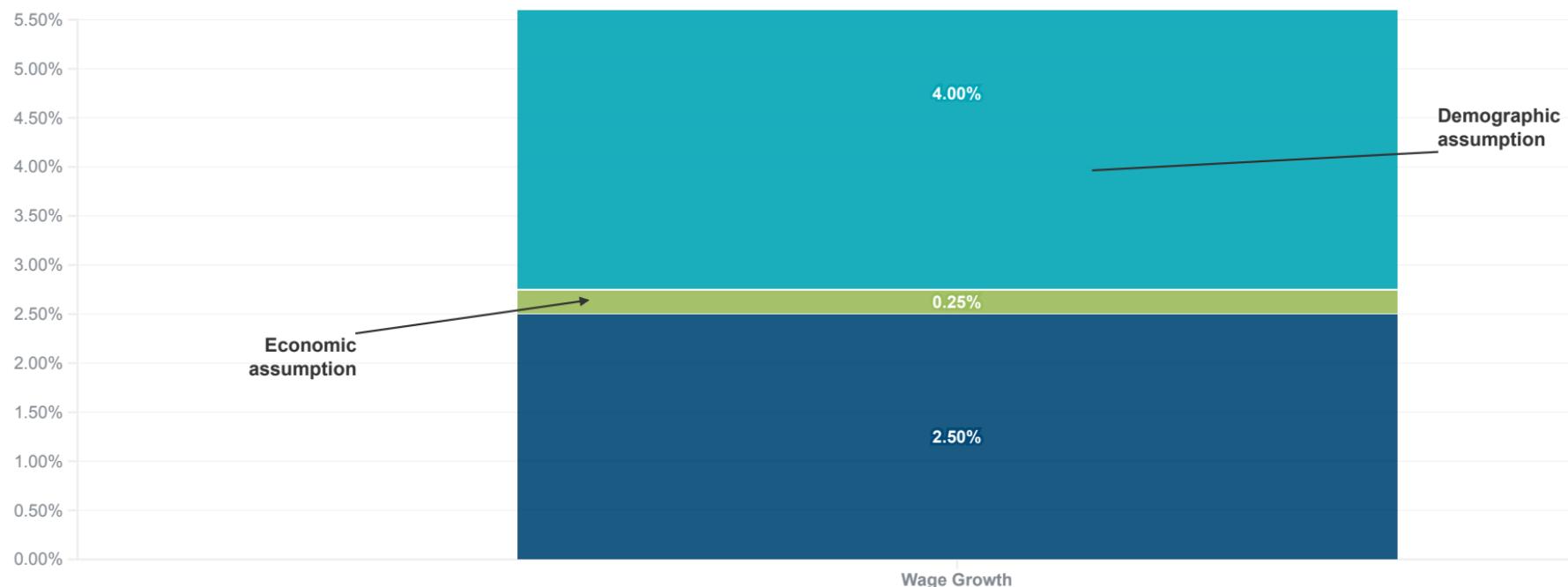
Assumption	Group	Recommendation
Merit/Longevity Pay	General	No changes proposed
Merit/Longevity Pay	Safety	No changes proposed
Retirement	General Non-PEPRA	Increase rates for 20-29 YOS at ages 59-64, reduce rates for <20 YOS at 58-59 and 62
Retirement	General PEPRA	Decrease rates with <20 YOS at 52-53 and 67-69
Retirement	Safety Non-PEPRA	Various changes, with overall reduction in expected retirements, and increase in ultimate retirement age from 60 to 65
Retirement	Safety PEPRA	Apply separate set of rates, with 50% adjustment to proposed non-PEPRA rates below age 57
Termination	General and Safety	Increase rates at most service levels
Disability	General	Use 2025 CalPERS Miscellaneous Non-Industrial rates (50/50 split of service and non-service)
Disability	Safety	Use 2025 CalPERS County Peace Officers Industrial Disability rates plus Non-Industrial Safety rates (increases to rates)
Mortality	Healthy General Retirees & Beneficiaries	Use 2025 CalPERS Healthy Annuitant rates, adjusted 1.05 (only minor changes to female base rates)
Mortality	Healthy Safety Retirees & Beneficiaries	Use 2025 CalPERS Healthy Annuitant rates, adjusted 1.05 (change from PubS-2010(B) tables)
Mortality	Disabled General and Safety Retirees	Use 2025 CalPERS Industrial and Non-Industrial rates (only minor changes to female base rates)
Mortality	Active General and Safety Employees	Use 2025 CalPERS Non-Industrial plus Industrial (Safety only) Employee rates

## Demographic Assumption Recommendations

Assumption	Group	Recommendation
Mortality Improvement Scale	All	80% of the MP-2020 scale to 80% of the MP-2021 scale
Withdrawal of Employee Contribution Account	General	Increase rates <5 YOS, reduce from 5-14 YOS
Withdrawal of Employee Contribution Account	Safety	Increase rates >5 YOS
Reciprocity	General	No changes proposed
Reciprocity	Safety	Reduce rates
Deferral Retirement Age	General	No changes proposed
Deferral Retirement Age	Safety	Split assumption between PEPRA and non-PEPRA. Reduce for non-PEPRA reciprocals.
Spouse Age Difference	All	No changes proposed
Probability of Subsidized Benefit Option (Marriage %)	All	Reduce General males, increase Safety males
Sick Leave Load	General and Safety	Apply 0.4% load to service and disability retirements from active status
Plan Administrative Expenses	All	Increase from \$3.0M to \$3.2M

## Total Assumed Pay Increase Rate (General Member, 5 Years of Service)

■ Price Inflation ■ Real Wage Growth ■ Merit/Longevity

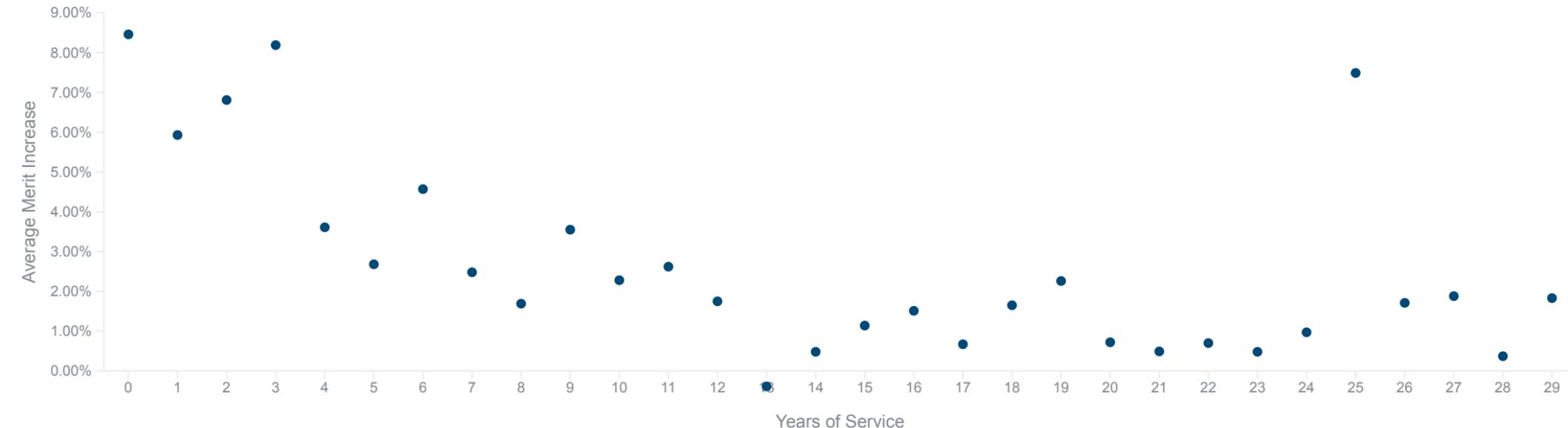


To analyze the merit salary increase assumption, we calculate the average year-over-year rate of salary growth at each service level, and then back out the base wage growth to get the average merit increase. We do this for each of the last nine years.

## Merit Pay Increase Rates

General ▾

2017 2018 2019 2020 2021 2022 2023 2024 2025 2017-2025 Avg (Rate) 2017-2025 Avg (Earnings) 2017-2025 Avg (Combined) Current Proposed



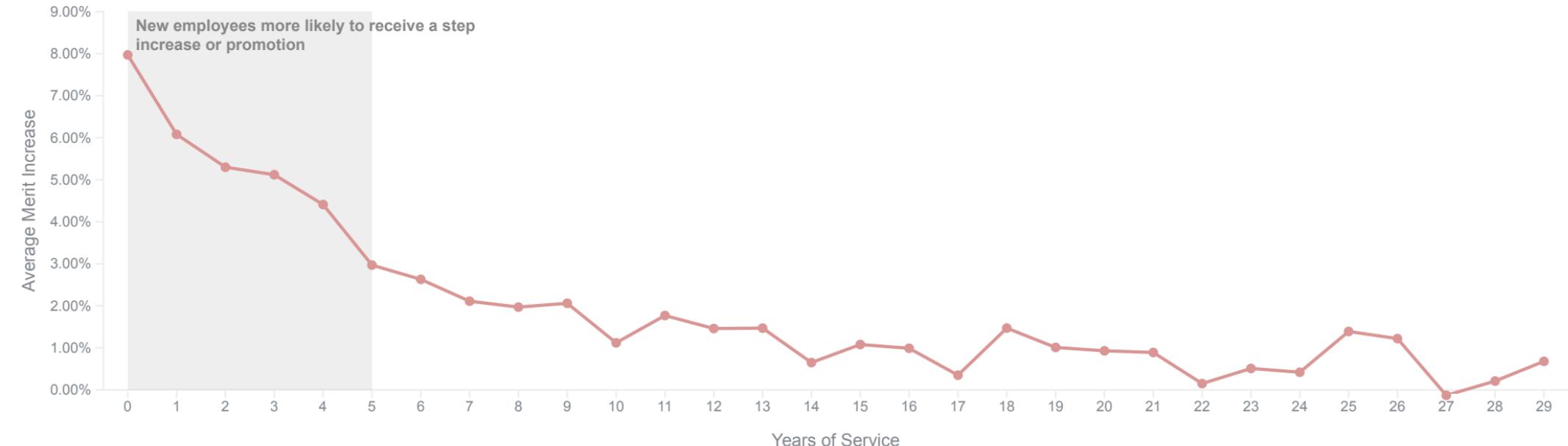
Then calculate the average merit increase over the nine-year period for General members.

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## Merit Pay Increase Rates

General ▾

2017 2018 2019 2020 2021 2022 2023 2024 2025 2017-2025 Avg (Rate) 2017-2025 Avg (Earnings) 2017-2025 Avg (Combined) Current Proposed

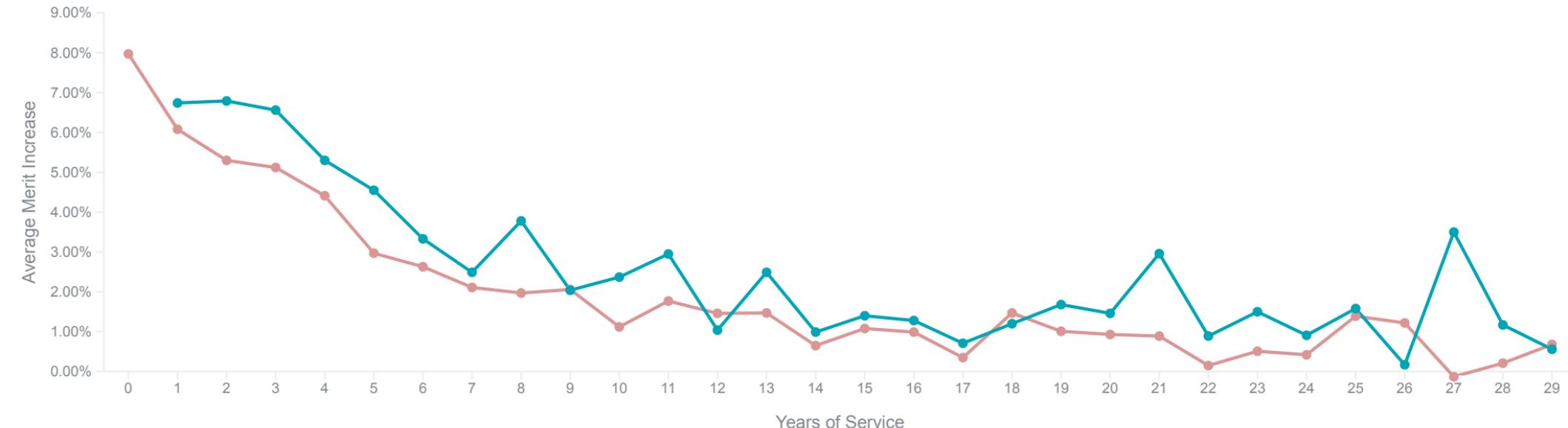


We performed this analysis using two different pay measurements: the rate of pay on the valuation date and the annual earnings (which tends to be more volatile, in particular when members have periods of absence).

## Merit Pay Increase Rates

General ▾

2017 2018 2019 2020 2021 2022 2023 2024 2025 2017-2025 Avg (Rate) 2017-2025 Avg (Earnings) 2017-2025 Avg (Combined) Current Proposed

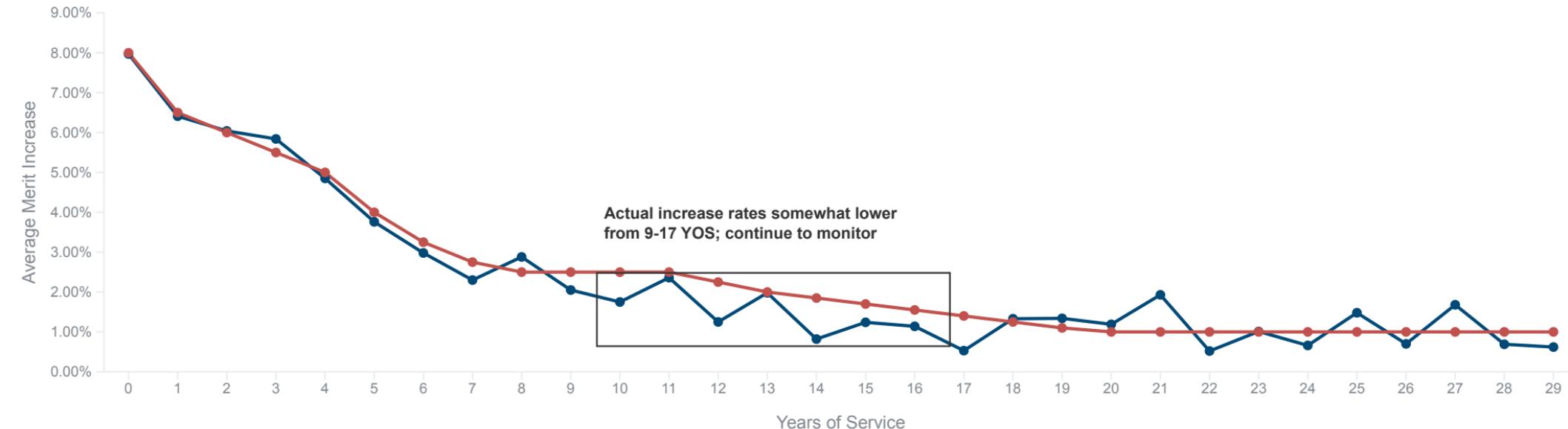


Using the average of these approaches, we compared the actual data to our current assumption. For the General members, the current assumption fits the overall pattern relatively closely, and no changes are recommended.

## Merit Pay Increase Rates

General ▾

2017 2018 2019 2020 2021 2022 2023 2024 2025 2017-2025 Avg (Rate) 2017-2025 Avg (Earnings) 2017-2025 Avg (Combined) Current Proposed



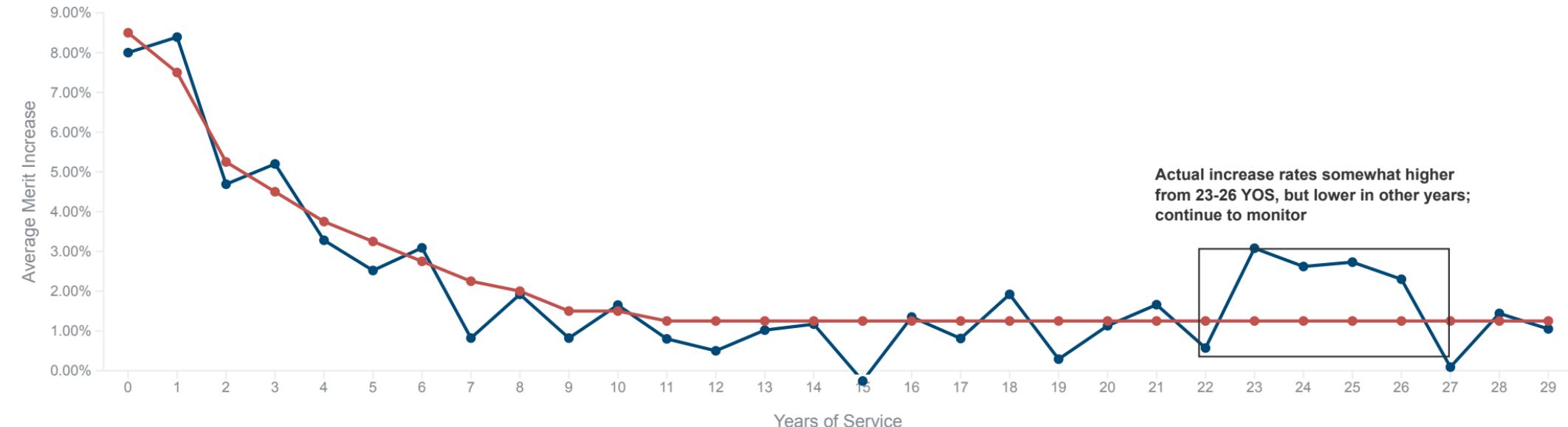
Actual increase rates somewhat lower  
from 9-17 YOS; continue to monitor

Similarly, the combined average Safety experience under the two methodologies was relatively close to the assumptions, and no changes are recommended.

## Merit Pay Increase Rates

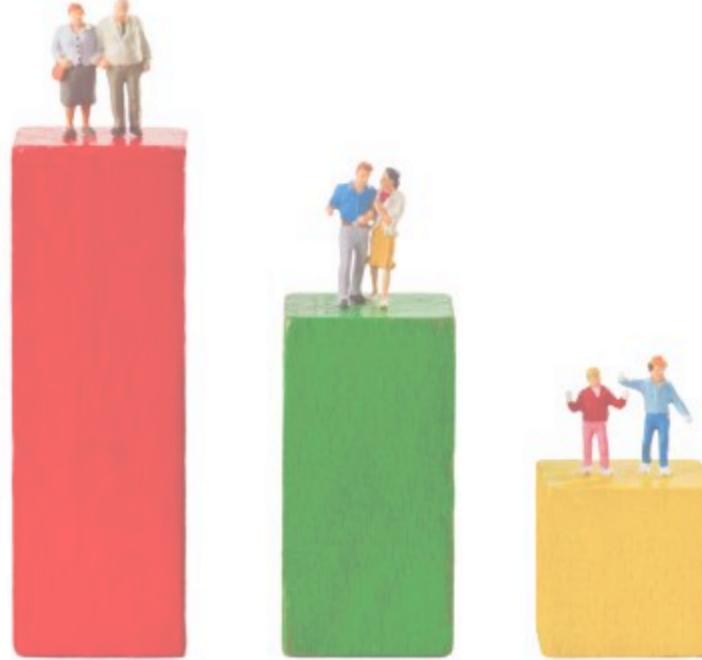
Safety

2017 2018 2019 2020 2021 2022 2023 2024 2025 2017-2025 Avg (Rate) 2017-2025 Avg (Earnings) 2017-2025 Avg (Combined) Current Proposed



Our analyses for retirement, termination, disability, and mortality experience includes data from fiscal years ending 2017 through 2025. We also reviewed the assumptions looking just at the most recent period (2023-2025), as well as other periods, as indicated in the slides that follow. Using longer periods allows us to mitigate impact of COVID-related experience on assumptions.

## Retirement / Termination / Disability / Mortality Rates

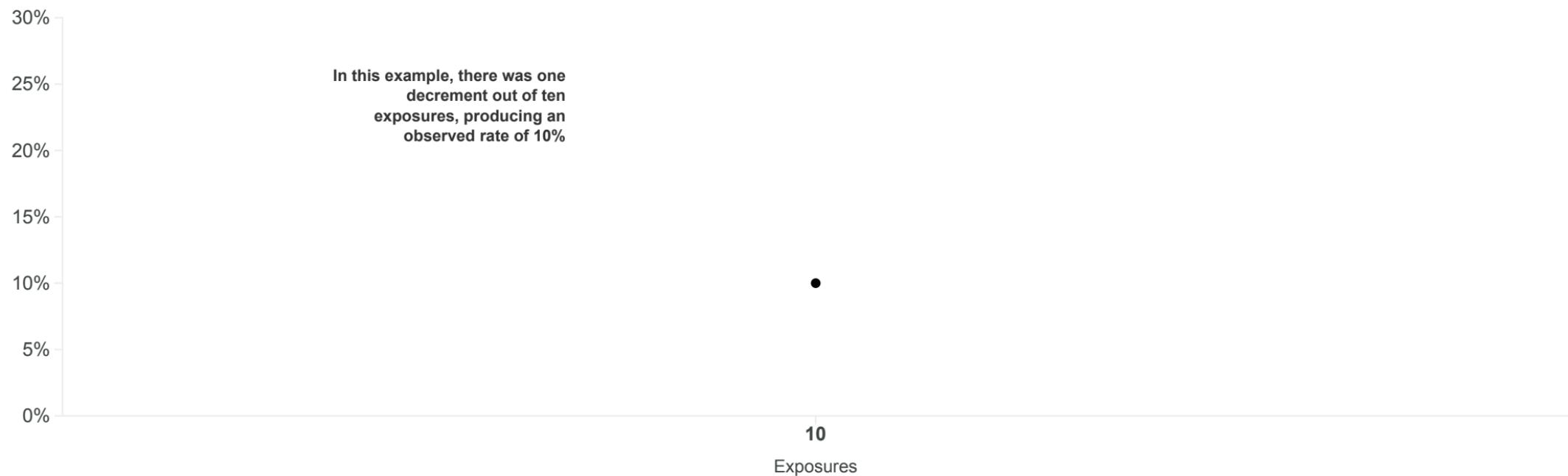


For each **decrement**- i.e., retirement, termination, disability, or death - we first calculate the observed rate of decrement, which equals the number who left active service divided by the number who could have done so (i.e., the number **exposed** to the decrement).

## Confidence Interval Illustration

All **10** 100 1000

■ Observed Rate ■ Confidence Interval



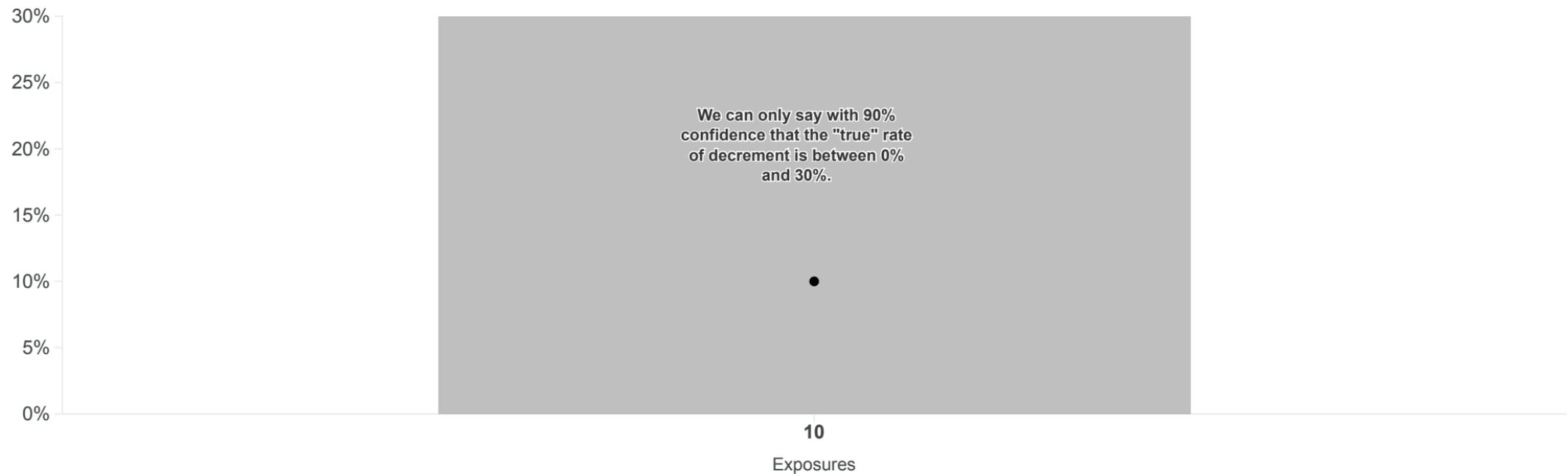
Statistically, 1 decrement out of 10 exposures doesn't tell us very much about the "true" rate of decrement because small random variations have a significant impact on the observed rate.

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## Confidence Interval Illustration

All 10 100 1000

■ Observed Rate ■ Confidence Interval

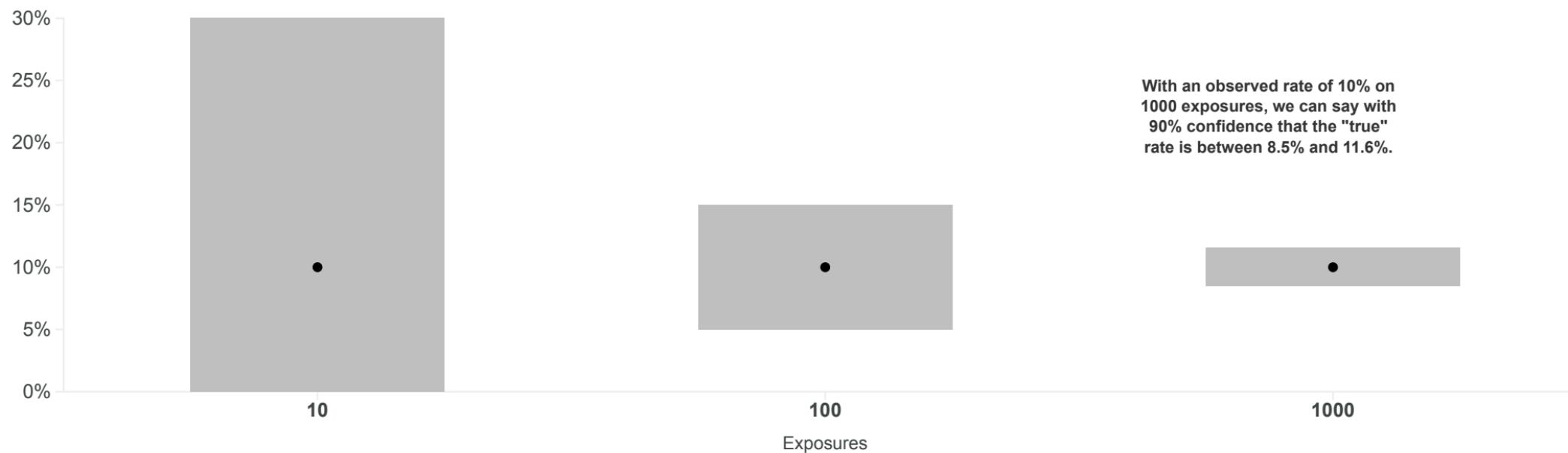


With more exposures, the confidence interval narrows. We generally propose assumption changes if the current assumption is outside the confidence interval. However, we also adjust for observations that appear to be anomalous or for future expectations that may differ from historical experience.

## Confidence Interval Illustration

All 10 100 1000

Observed Rate Confidence Interval

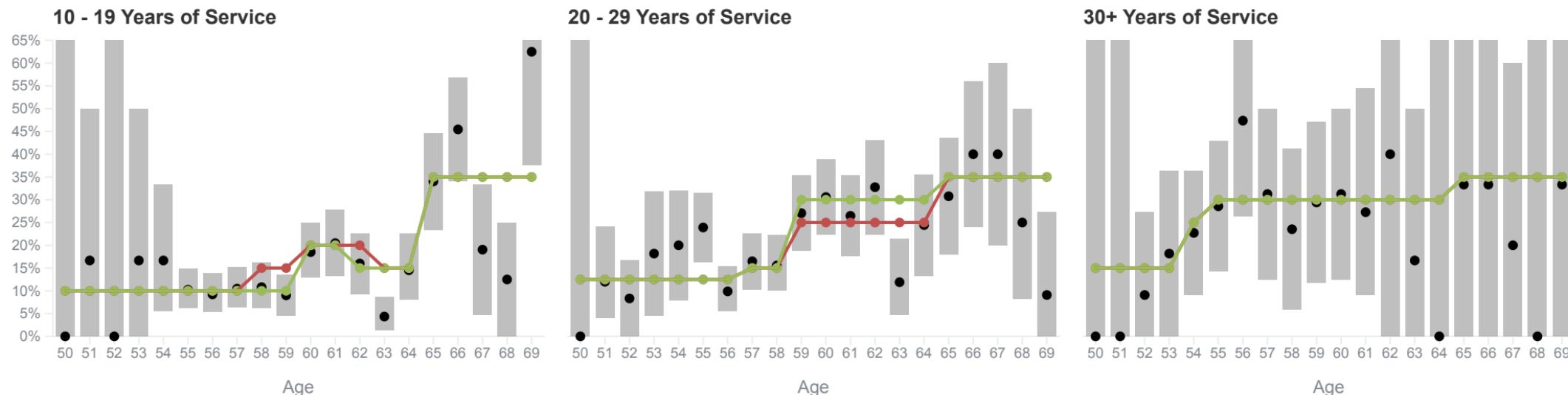


We are recommending no changes to the General retirement rates for the highest service levels, modest increases from ages 59-64 for 20-29 years of service and small decreases to ages 58, 59 and 62 for 10-19 years of service. We note that the experience below age 55 is limited to the Tier 1 retirees, as General members of Tiers 2 and 3 are not eligible to retire below age 55 with less than 30 years of service.

## General Non-PEPRA Retirement Rates (2017-2025)

All    10 - 19 Years of Service    20 - 29 Years of Service    30+ Years of Service

■ Actual Rate ■ Current Assumption ■ Proposed Assumption ■ Confidence Interval



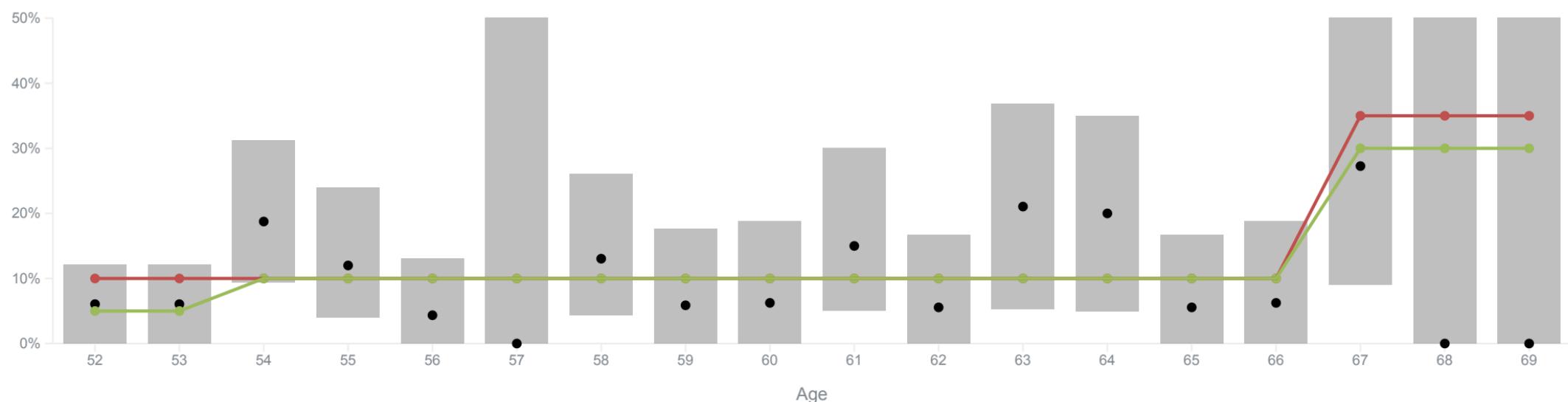
Hovering over the values will reveal additional information, including the actual and expected number of members retiring, as well as several statistical measures including the Actual/Expected ratio (for the overall group) and the R-squared (a statistical measure related to the amount of variance explained by the assumption).

PEPRA retirement experience is beginning to emerge, with 36 retirements over the past six years. The actual experience is somewhat lower than the current assumptions, so we are proposing minor reductions at ages 52-53 and 67-69. There is no experience yet at the higher service levels, and we are not proposing any changes.

## General PEPRA Retirement Rates (2020-2025)

All 5-19 Years of Service

Actual Rate Current Assumption Proposed Assumption Confidence Interval

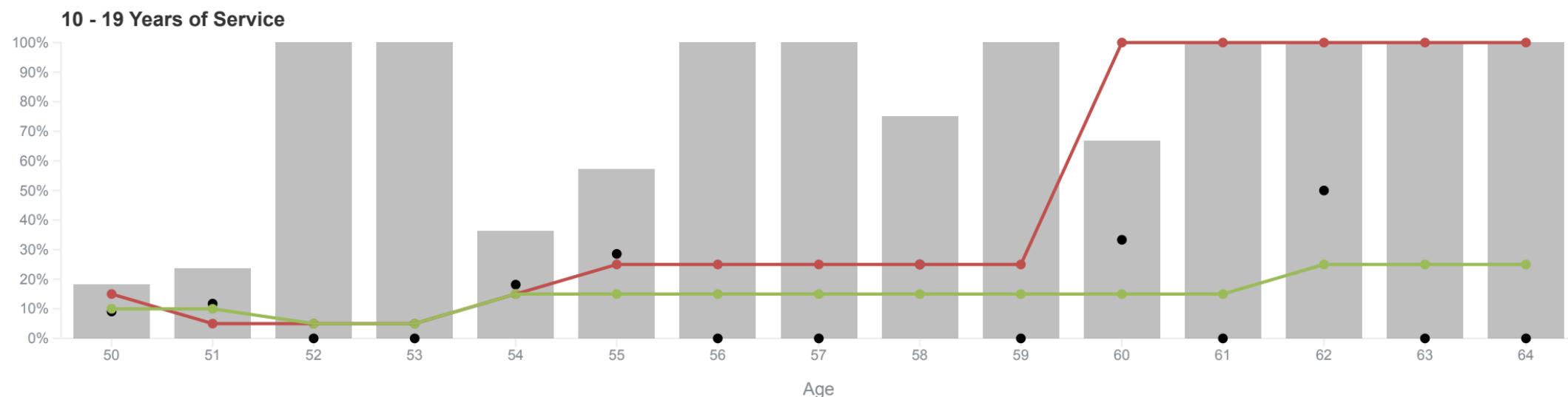


For the Safety Non-PEPRA members with 10-19 years of service, we are proposing reductions to the retirement rates after age 54 to bring the assumptions closer in line with experience. We are also proposing extending the ultimate retirement age (the age at which all members are assumed to retire) from 60 to 65 for the Safety members.

## Safety Non-PEPRA Retirement Rates (2017-2025)

All 10 - 19 Years of Service 20+ Years of Service

■ Actual Rate ■ Current Assumption ■ Proposed Assumption ■ Confidence Interval

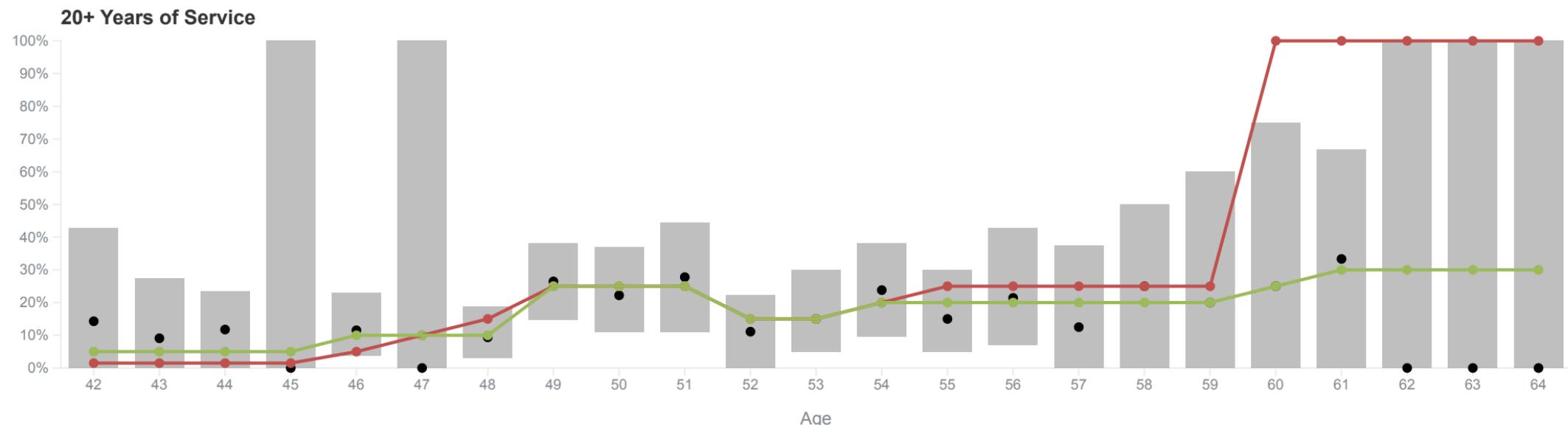


For the Safety members with 20+ years of service, we are proposing small changes to the retirement rates before age 49 and decreases to the retirement rates after age 54 to bring the assumptions closer in line with experience. 53/79

## Safety Non-PEPRA Retirement Rates (2017-2025)

All 10 - 19 Years of Service 20+ Years of Service

■ Actual Rate ■ Current Assumption ■ Proposed Assumption ■ Confidence Interval

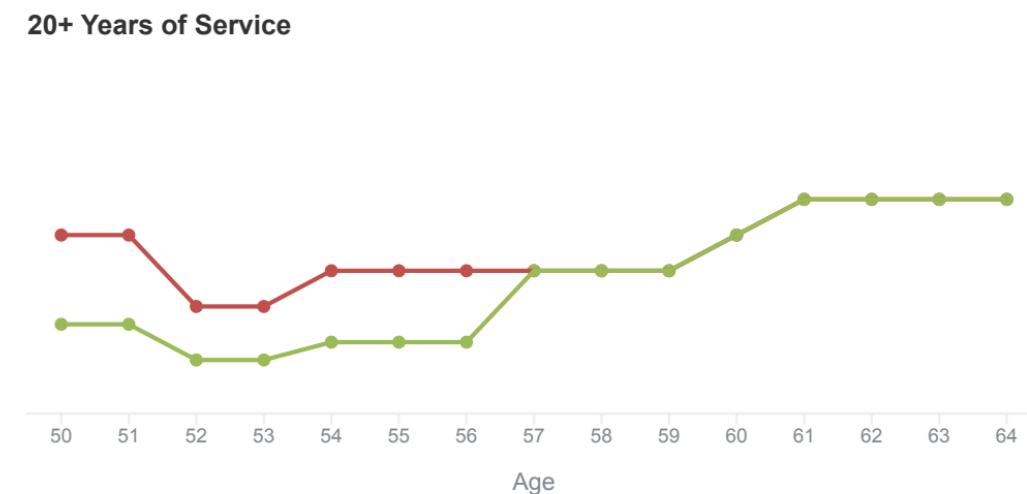
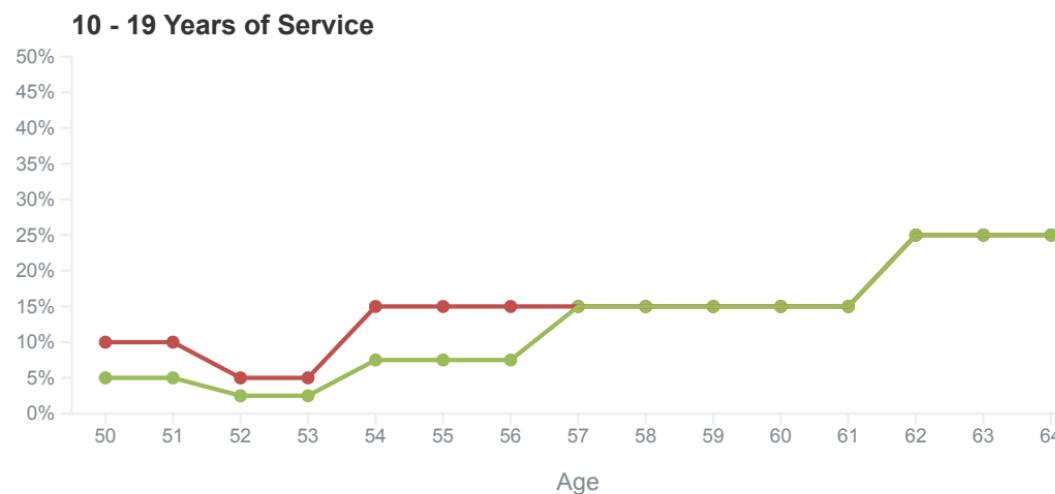


For Safety PEPRA members there is very little experience. However, using the proposed Non-PEPRA rates would result in relatively few (<20%) PEPRA members reaching the maximum benefit factor (at age 57). We are proposing the use of different retirement assumptions for the PEPRA members, applying a 50% reduction to the rates before age 57. We will continue to monitor the PEPRA retirement experience.

## Safety Retirement Rates (PEPRA)

All    10 - 19 Years of Service    20+ Years of Service

■ Proposed Assumption (Non-PEPRA) ■ Proposed Assumption (PEPRA)



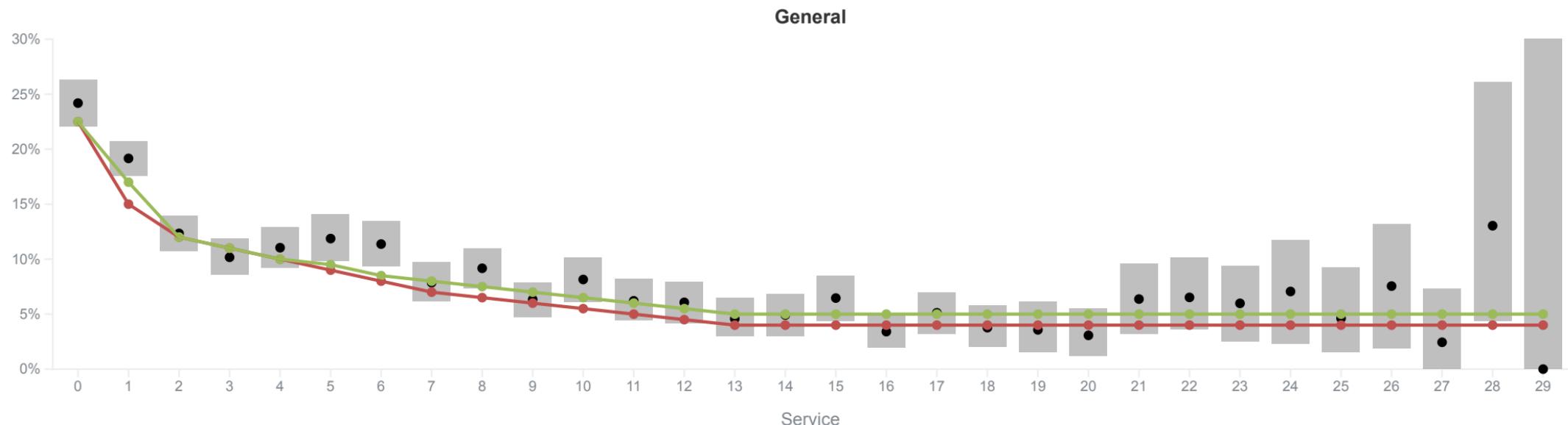
Below we show the termination rates for General members for the past nine years. We are proposing slight increases for most service levels to better align with experience.

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## Termination Rates

All General Safety

Actual Rate Current Assumption Proposed Assumption Confidence Interval



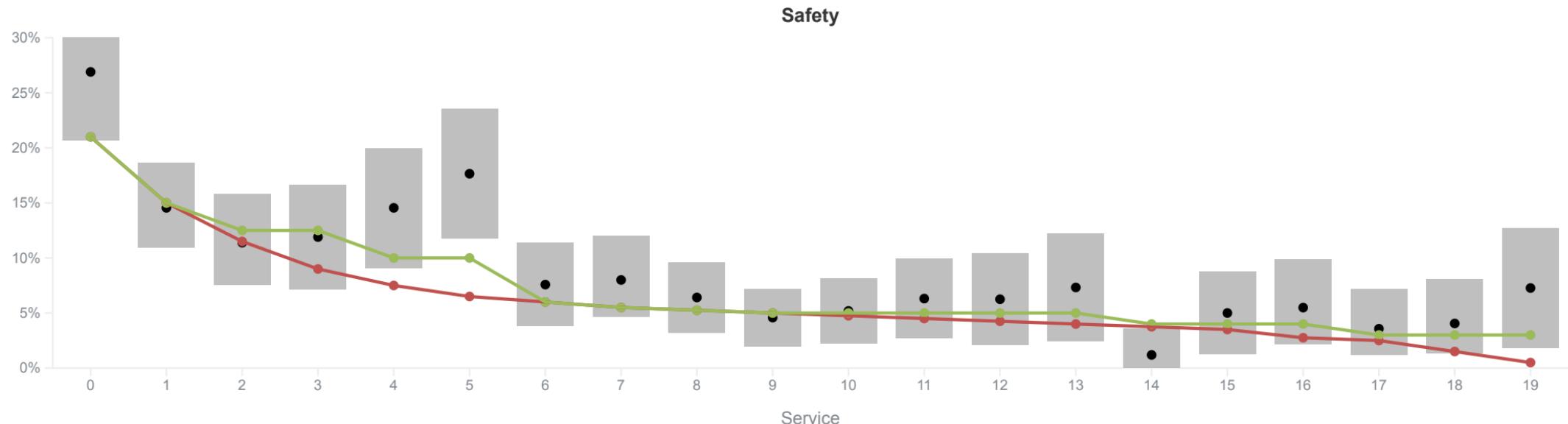
Below we show the termination rates for Safety members for the past nine years. We are proposing slight increases for most service levels to better align with experience.

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## Termination Rates

All General Safety

Actual Rate Current Assumption Proposed Assumption Confidence Interval

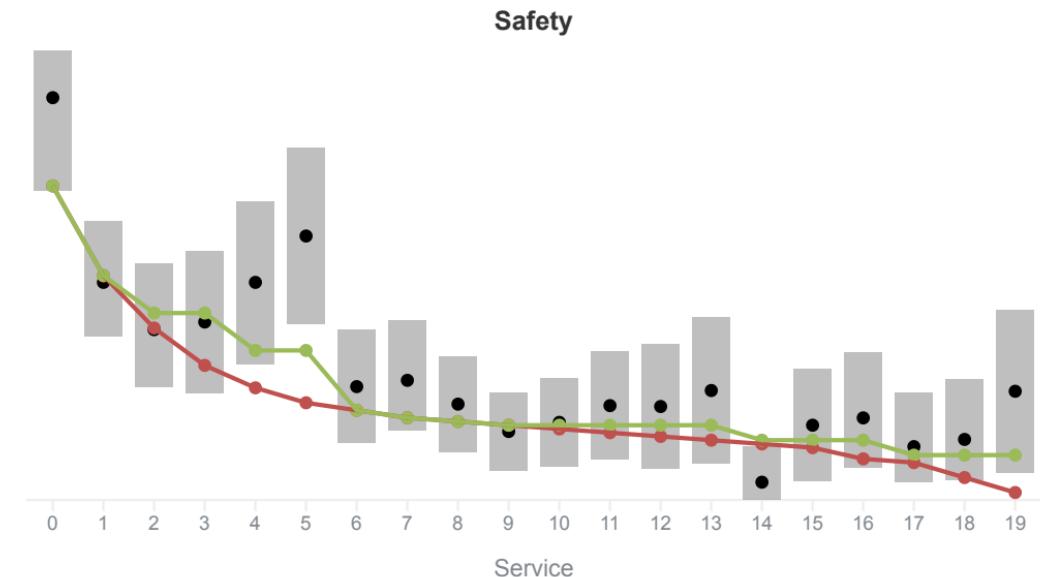
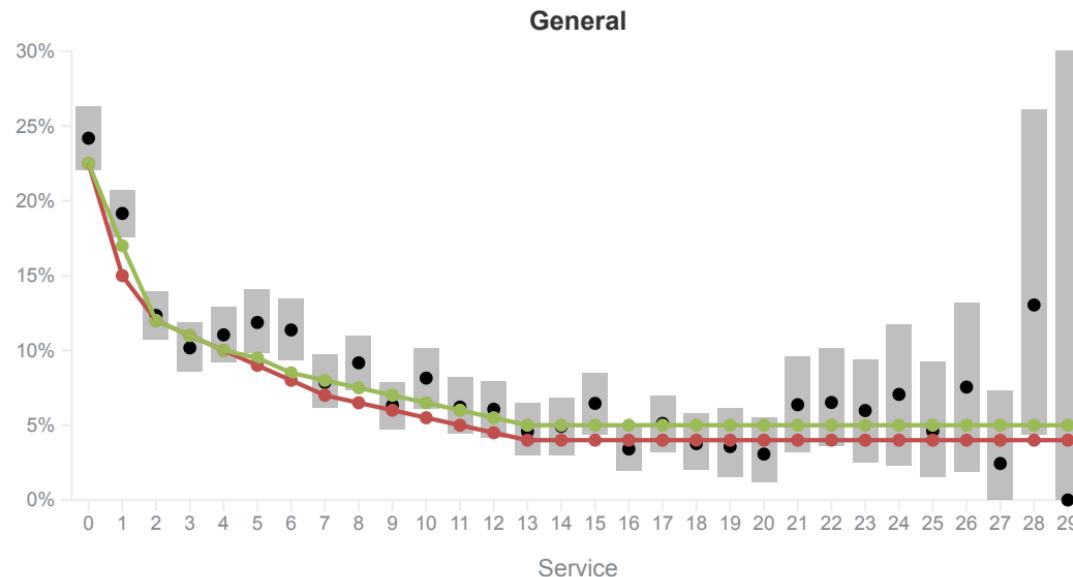


We considered proposing larger increases to the termination rates, particularly for Safety, but we note that the termination experience of the last three years has been significantly higher than in prior periods, and we recommend making only moderate changes for now. **57/79**

## Termination Rates

All General Safety

Actual Rate Current Assumption Proposed Assumption Confidence Interval

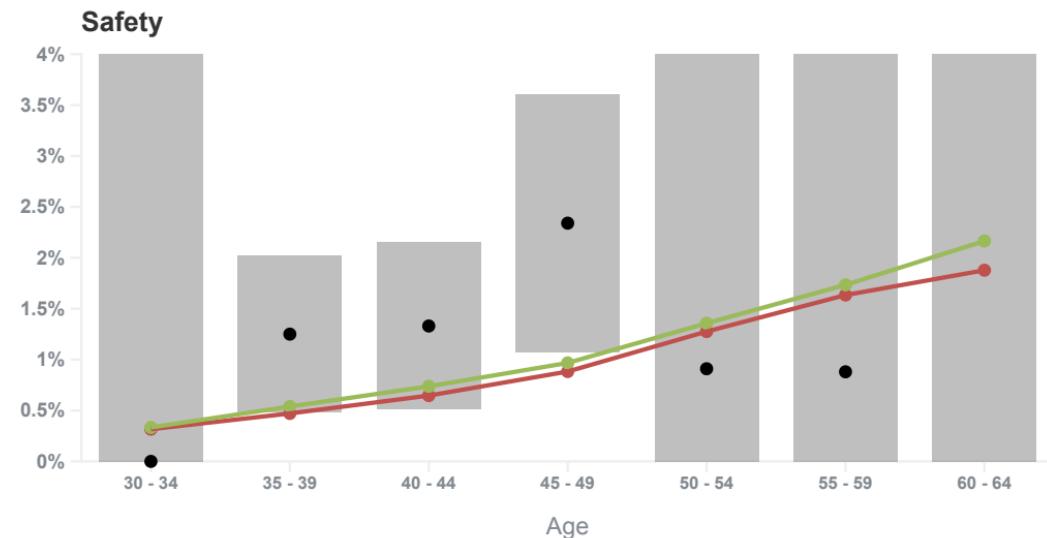
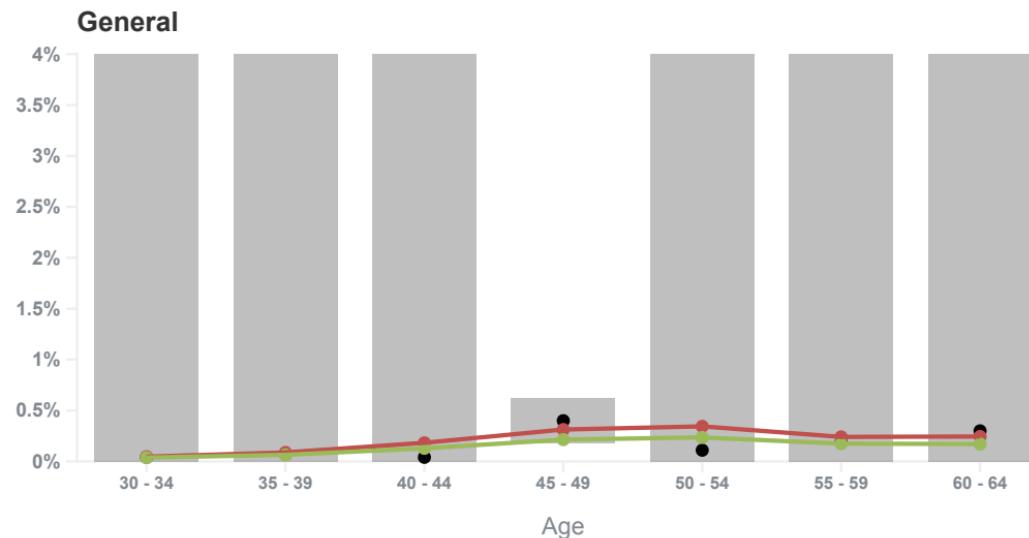


The current disability assumptions are based on CalPERS standard tables. We recommend updating the assumptions using relevant disability tables from the recent 2025 CalPERS experience study, which are more consistent with MercedCERA's disability experience. The amount of data for MercedCERA is also quite limited, even over a nine-year period, which explains the large confidence intervals.

## Total Disability Rates (2017-2025, Service and Non-Service Connected)

All General Safety

Actual Rate Current Rate Proposed Rate Confidence Interval



Proposed General disability rates based on the CalPERS 2025 Public Agency Miscellaneous Non-Industrial Disability Table, with a 50/50 split between Service and Non-Service disabilities

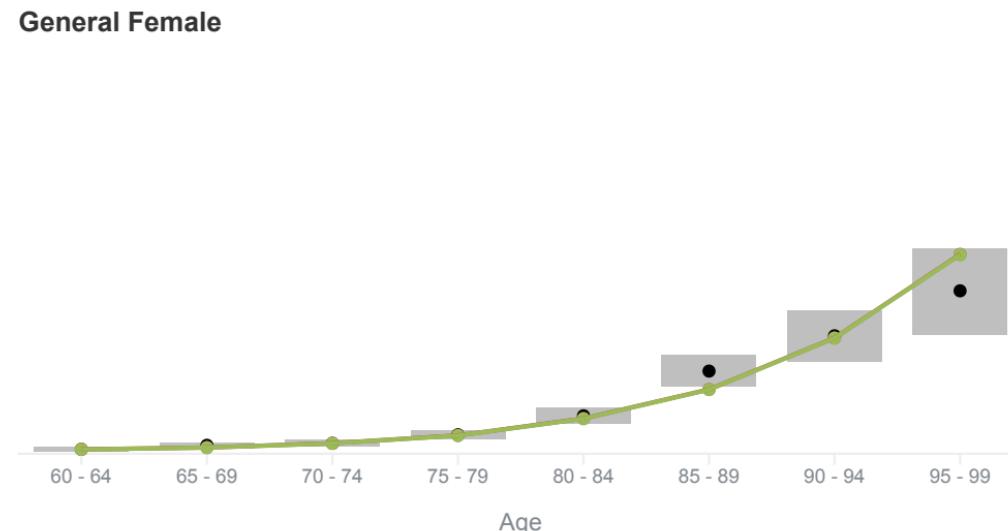
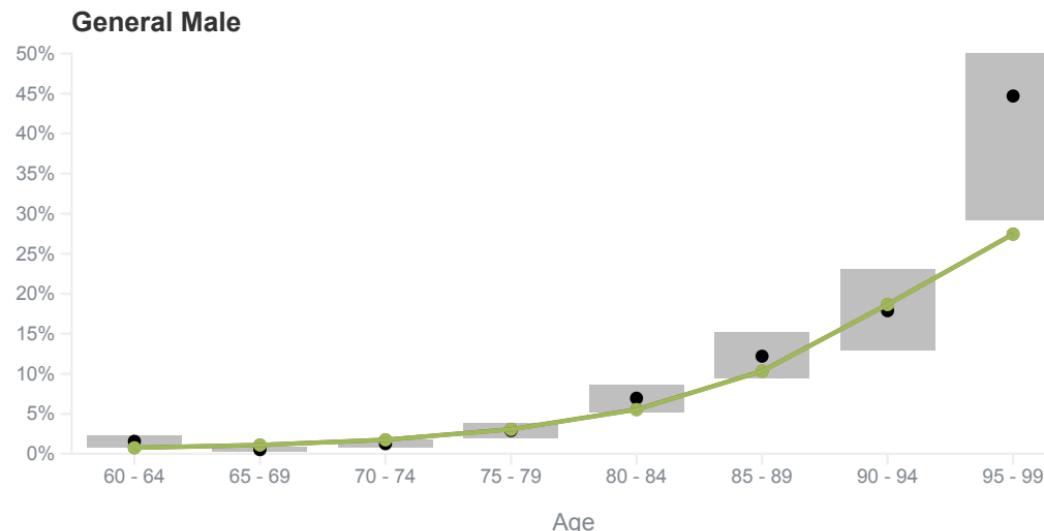
Proposed Safety disability rates based on the CalPERS 2025 Public Agency County Peace Officer Industrial (Service) and Non-Industrial (Non-Service) Tables

For mortality, we review the experience based on benefit amount, not headcount, since members with higher incomes are expected to live longer. General healthy retiree and beneficiary deaths were close to expected, so we are only recommending to update from the CalPERS 2021 table to the 2025 tables and keeping the 105% adjustment (indicating MercedCERA members have slightly higher death rates).

## General Healthy Annuitants (2017-2025)

All    General Male    General Female

■ Actual Rate ■ Current Assumption ■ Proposed Assumption ■ Confidence Interval

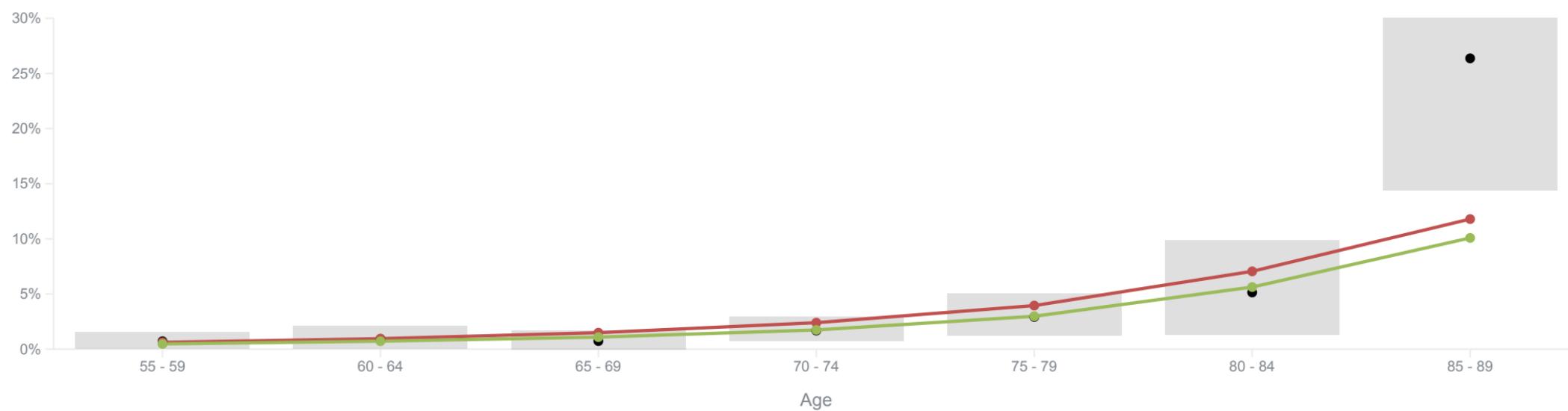


Safety male retirees had fewer deaths than expected. We propose using the same CalPERS 2025 retiree tables with 105% adjustment to better align with MercedCERA's experience, and for consistency with the General assumption (CalPERS has indicated that Safety and non-Safety experience has been similar). There is not enough credible data to show the Safety female experience.

## Healthy Retiree Mortality Rates (2017 - 2025)

Safety Male

■ Actual Rate ■ Current Rate ■ Proposed Rate ■ Confidence Interval



Mortality rates are generational projected from the base year using generational mortality from 2017 using 80% of Scale MP-2021.

Below we summarize the current and proposed base tables. We considered using a separate set of (higher) mortality assumptions for beneficiaries in pay status compared to the members, because of the "widower effect". However, we concluded the impact would not be material on the results and would introduce additional complexity, particularly when developing administrative factors.

We also recommend updating the scale used to anticipate future changes in mortality (for all groups), from 80% of the MP-2020 Scale published by the Society of Actuaries to 80% of the MP-2021 Scale (the most recent published table). This continues the practice of using the improvement scale adopted by CalPERS, as MercedCERA does not have enough experience to reliably evaluate mortality improvement.

### Summary of Base Mortality Assumptions

Group	Current Tables	Proposed Tables
General Healthy Retirees and Beneficiaries	CalPERS 2021 with a 105% adjustment	CalPERS 2025 with a 105% adjustment
Safety Healthy Retirees and Beneficiaries	Safety Pub2010 Healthy Retiree (Below Median Income), without adjustments	CalPERS 2025 with a 105% adjustment
Current Disabled (Duty related)	CalPERS 2021 Industrial Disabled Annuitant, without adjustments	CalPERS 2025 Industrial Disabled Annuitant, without adjustments
Current Disabled (Non-duty related)	CalPERS 2021 Non-Industrial Disabled Annuitant, without adjustments	CalPERS 2025 Non-Industrial Disabled Annuitant, without adjustments
Future General Disabled	CalPERS 2021 50/50 Industrial & Non-Industrial Disabled Annuitant, without adjustments	CalPERS 2025 50/50 Industrial & Non-Industrial Disabled Annuitant, without adjustments
Future Safety Disabled	CalPERS 2021 Industrial Disabled Safety Annuitant, without adjustments	CalPERS 2025 Industrial Disabled Safety Annuitant, without adjustments
General Active Employees	CalPERS 2021 Non-Industrial Miscellaneous Employees, without adjustments	CalPERS 2025 Non-Industrial Miscellaneous Employees, without adjustments

Note: For most CalPERS tables, the only difference between the 2021 and 2025 tables are a small change in the female base rates.

**Withdrawal / Refund Rates**

**Transfers / Reciprocity**

**Commencement Age for Deferred  
Members**

**Family Composition**

**Terminal Pay Loads**

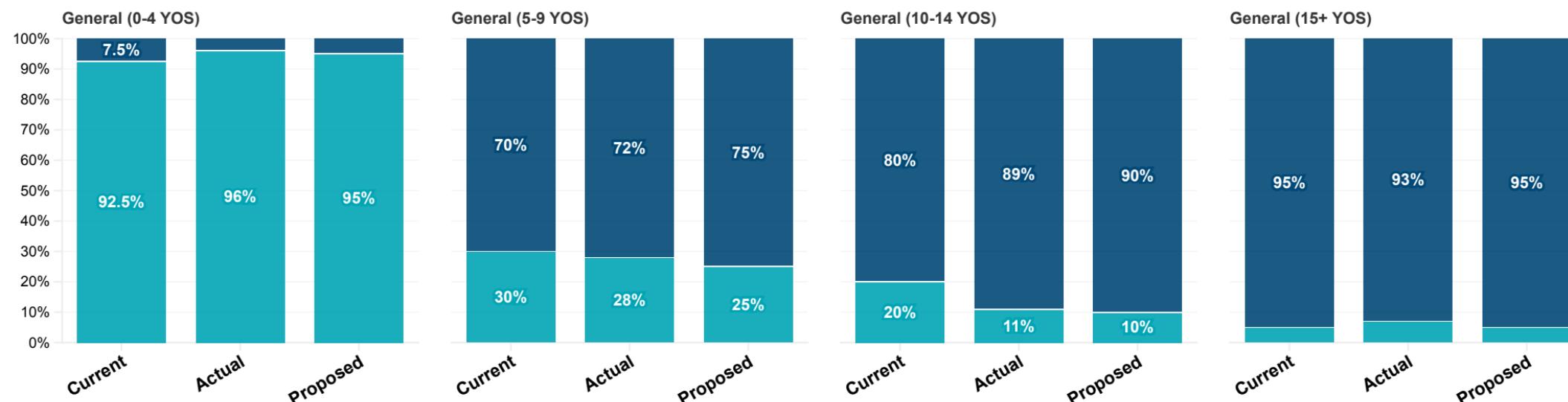
**Administrative Expenses**

For members who terminate prior to retirement, we studied the percentage of those who withdraw their contributions, versus those who leave them on deposit and receive a deferred benefit. Members with less service at termination are more likely to take a refund. **We recommend increasing the refund rate for 0 - 4 years of service and decreasing the refund rate for 5 - 9 and 10 - 14 years of service.**

## Refunds as a % of General Terminations (2017 - 2025)

All General (0-4 YOS) General (5-9 YOS) General (10-14 YOS) General (15+ YOS)

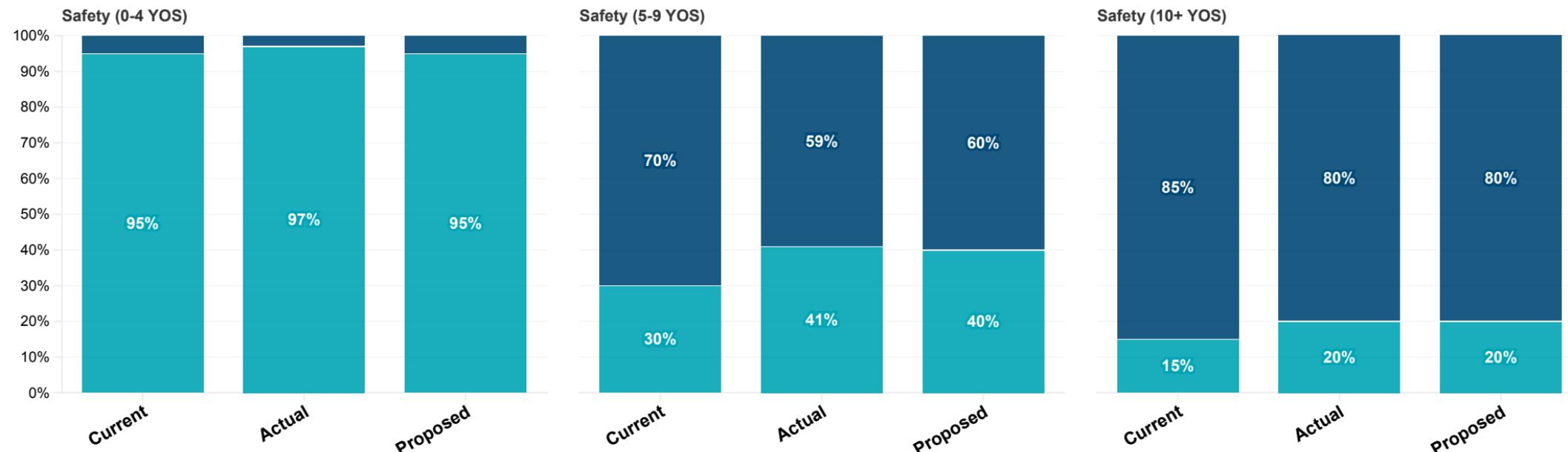
Withdrawal Deferred Benefit



## Refunds as a % of Safety Terminations (2017 - 2025)

All Safety (0-4 YOS) Safety (5-9 YOS) Safety (10+ YOS)

Withdrawal Deferred Benefit

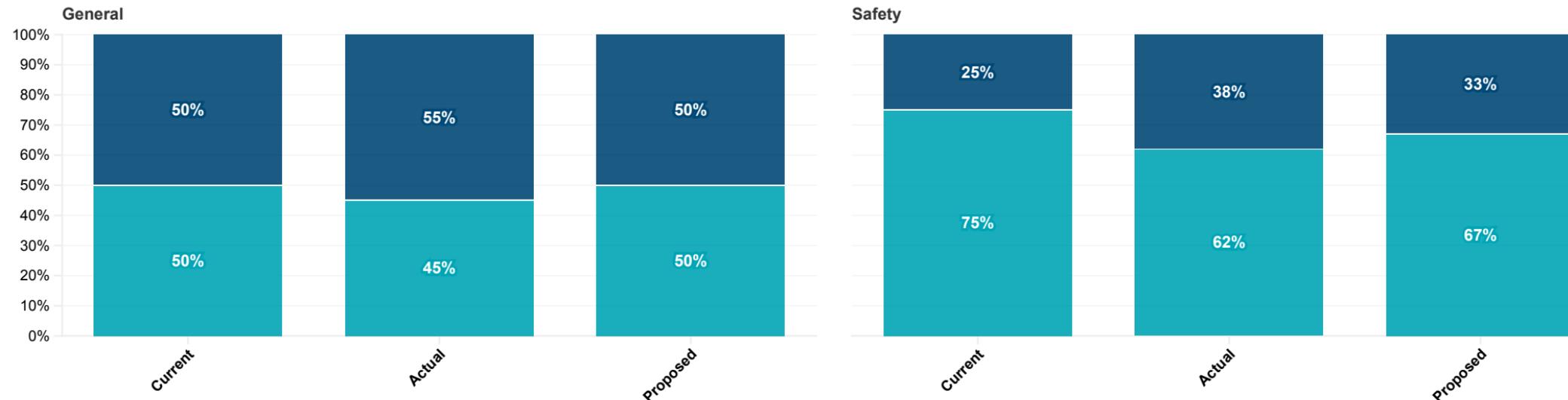


Similarly, we reviewed the likelihood that members who terminate and leave their contributions on deposit will establish reciprocity with another system. This generally results in higher liabilities, because we assume that the pay for members with reciprocity will continue to grow until their final expected retirement date. **We are proposing a reduction to this assumption for Safety.**

## Reciprocity as a % of Deferred Retirements (2017 - 2025)

All General Safety

Reciprocity No Reciprocity



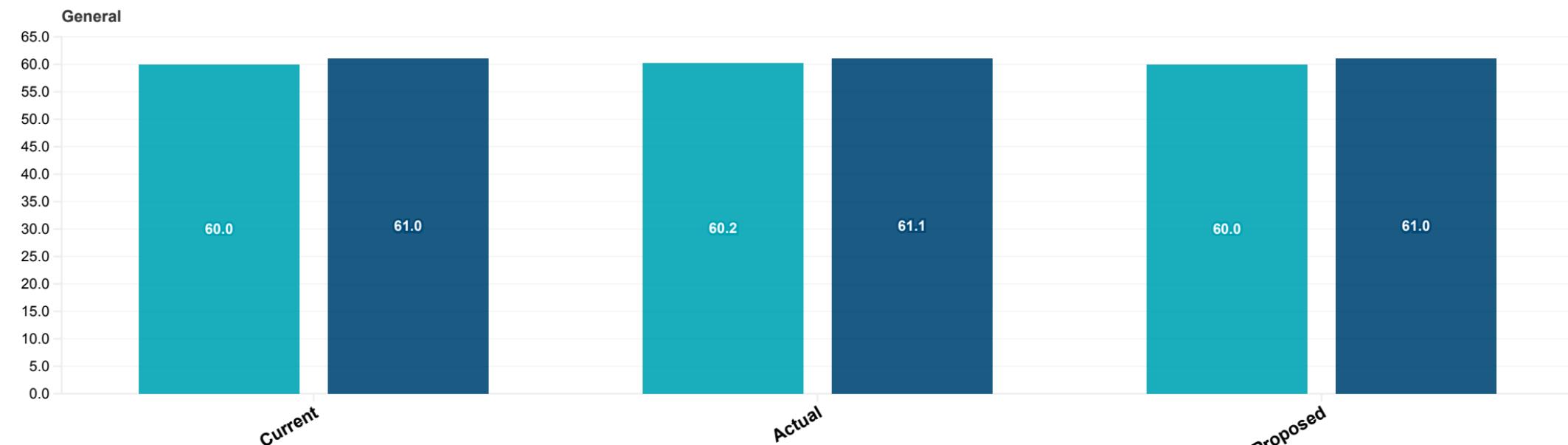
All members taking a deferred benefit with less than 5 years of service are assumed to establish reciprocity.

The pay for members establishing reciprocity in the future is assumed to grow at the ultimate salary growth rate for their class (3.75% for General, 4.00% for Safety). Current reciprocal member pay is expected to grow based on the assumptions applied to the active members.

We reviewed the commencement ages for those who retired from a deferred status, analyzing the data separately for those who had established reciprocity with another employer. For General, we propose no change to the assumed retirement ages for vested terminated or reciprocal members since experience has been close to the assumptions.

## Age at Commencement from Inactive Status (2017-2025)

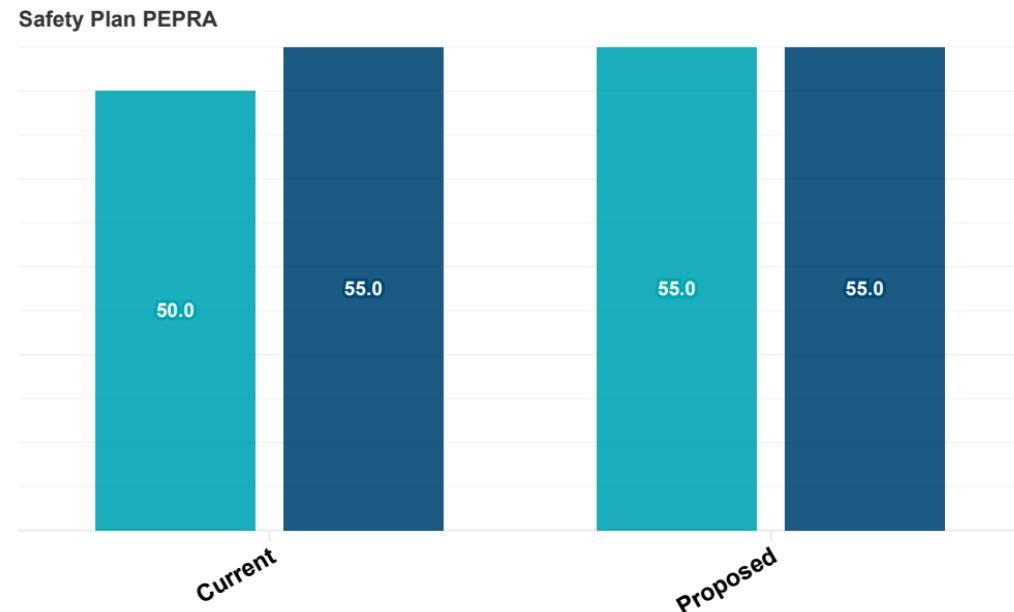
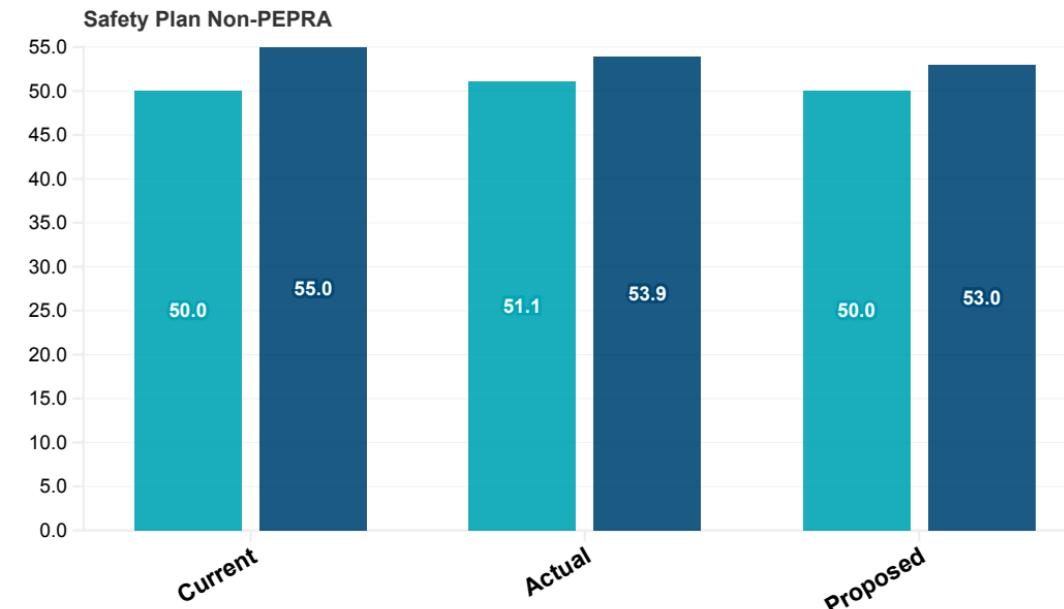
From Vested Status   From Reciprocal Status



For Safety, we propose a reduction in the assumed retirement ages for reciprocal Non-PEPRA members; over the last six years the average age (51.4) has been well below the assumption (55.0). Although there is not yet reliable experience for the PEPRA members, we propose increasing the commencement age for vested members to age 55, in line with the recommended changes in retirement rates.

## Age at Commencement from Inactive Status (2017-2025)

From Vested Status    From Reciprocal Status

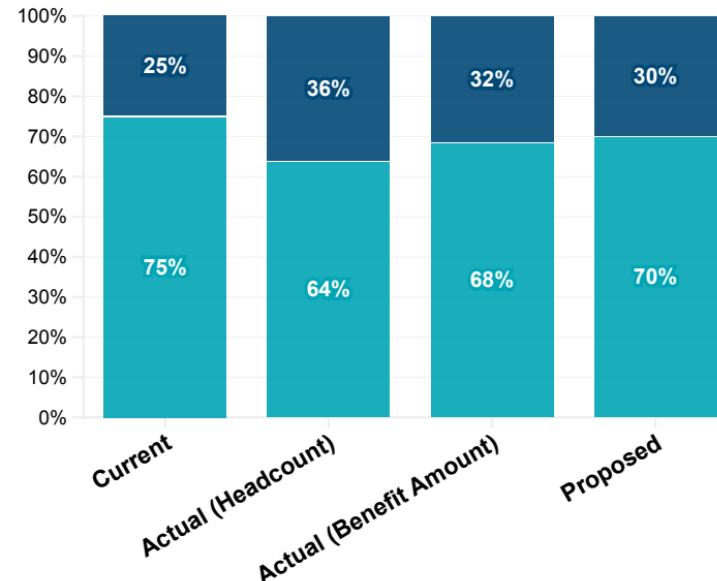


We reviewed the data over the past six years (2019-2025) on the number of new retirees reporting a spouse beneficiary AND selecting a (subsidized) unmodified form of payment, with the data weighted both by headcount and benefit amount. We are recommending changes to the percent married assumption for General males and all Safety members to more closely align with more recent experience.

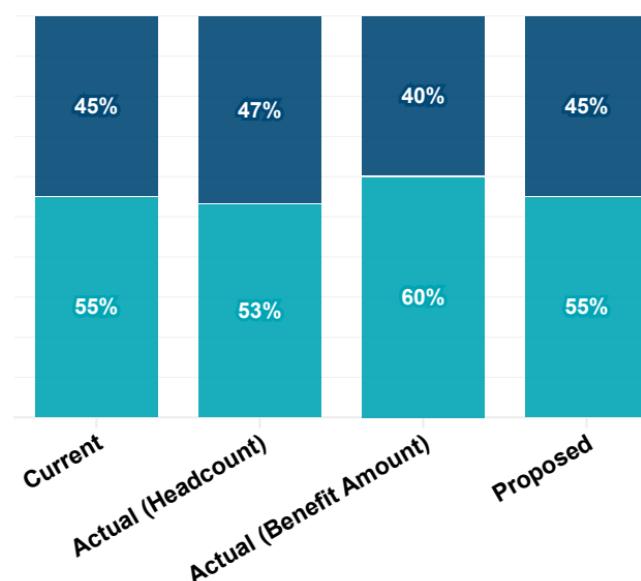
## Family Composition (% Married and Electing Unmodified Payment Form)

■ % With Spouse ■ % Without Spouse

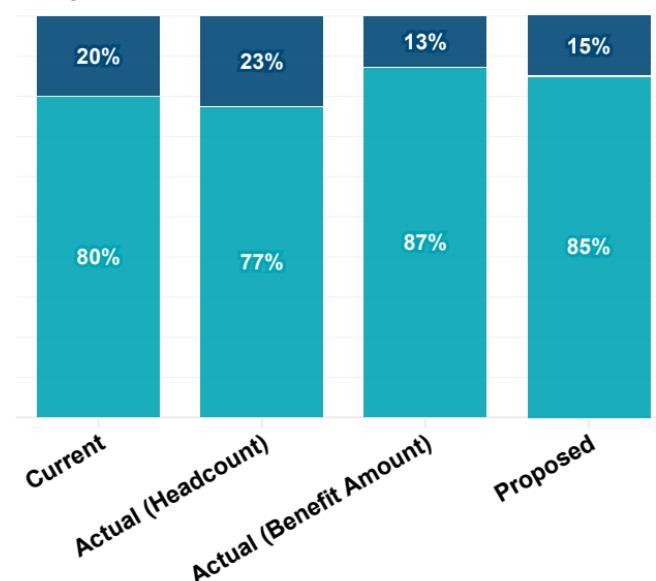
General Male



General Female

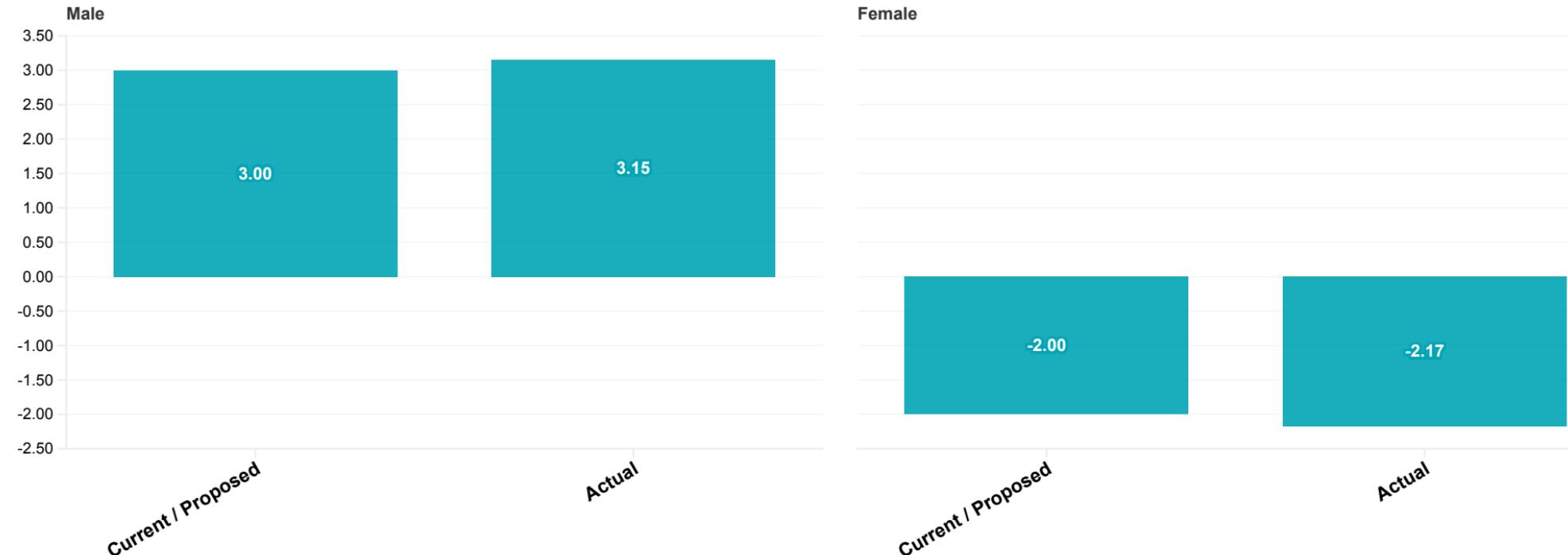


Safety



We are not recommending any changes to the assumptions regarding the age difference between future retirees and their spouses, as the experience among new retirees over the past three years has been very close to the current assumptions. **69/79**

## Family Composition (Spouse Age Difference)



## Sick and Vacation Leave

- We reviewed recent benefit calculations from the past three years and analyzed the amount of sick leave service included in the calculations.
- On average, members converted approximately 8 hours of sick time per year of benefit service at retirement to service credit, with similar results for General and Safety. We recommend applying a load of **0.4%** to the service amount used in **service and disability** retirement calculations.
- We also reviewed the amount of sick and vacation time sold back in the year prior to retirement, vs. the average amounts sold back by other active employees. We found no indication that members were selling back more sick and vacation time prior to retirement, therefore we continue to conclude no compensation load is necessary.

(8 hours / 2080 hours per year)

We are recommending a slight increase to the administrative expense assumption. The most recent 6-year average (adjusted for inflation to June 30, 2025) is \$3.1 million. Increasing this amount with the inflation assumption of 2.5%, we propose an administrative expense assumption for July 1, 2025 to June 30, 2026 of \$3.2 million. This amount is allocated to employee and employer contribution rates based on their proportion of the total contribution prior to the assumption.

## Administrative Expenses (Recommendation)





The total impact is made up of the changes on the overall **Normal Cost** plus changes in the **Unfunded Actuarial Liability (UAL)** payments and the **Administrative Expenses**.

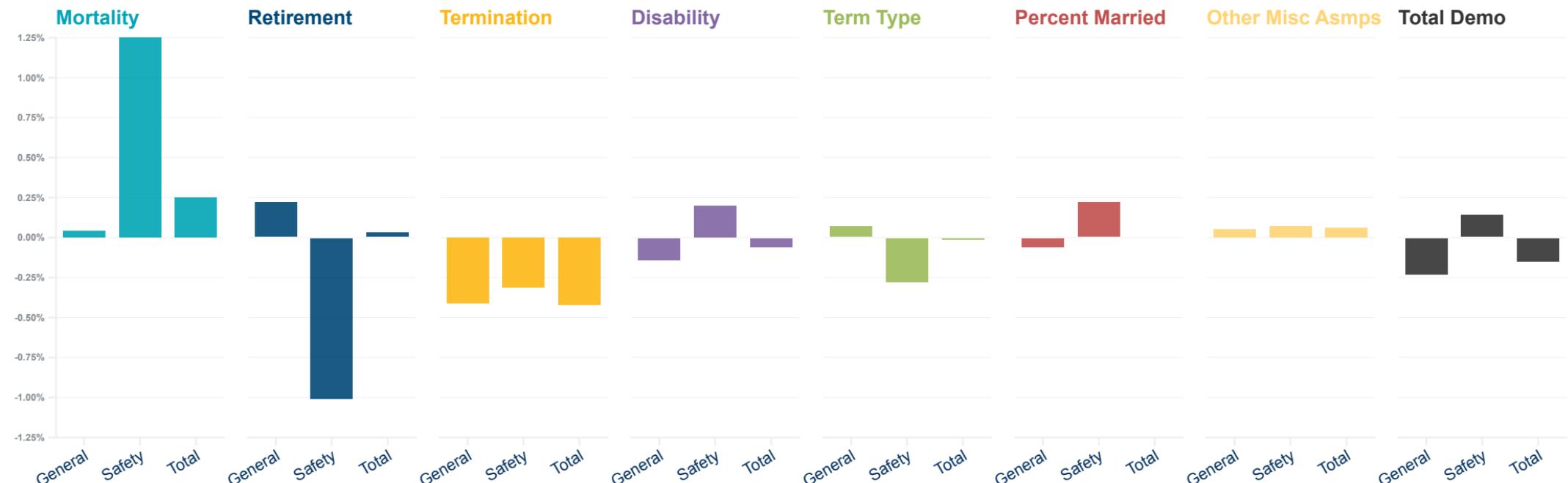
The employer is responsible for any changes in the UAL payment, but changes in the Normal Cost and Administrative Expense will affect both employer and members contributions.

The Actuarial Valuation Report will show the overall impact on member and employer rates.

The recommended changes in the demographic assumptions all have a relatively minor impact on total plan cost (employer + employee) for the 2025 Valuation. The net impact on the total contribution is a decrease of 0.15% for MercedCERA in total; General decrease of 0.23%, and Safety increase of 0.14% of pay.

73/79

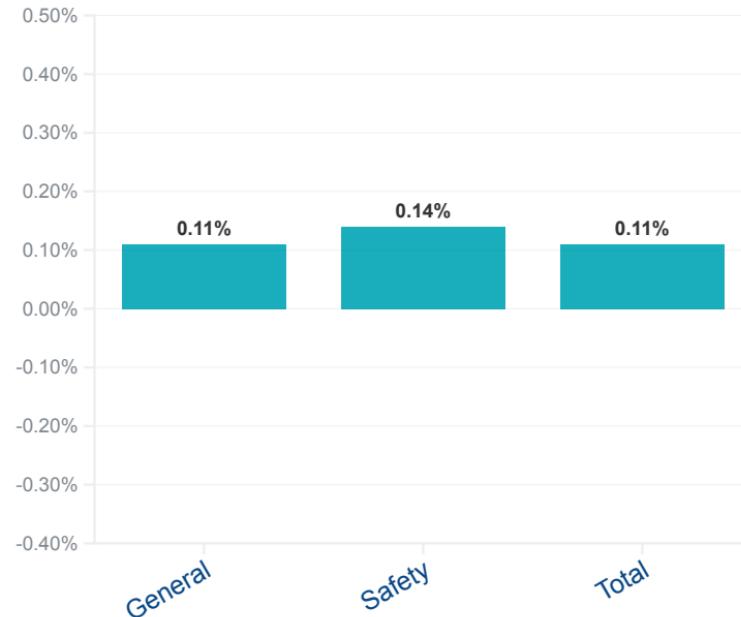
### Contribution Rate Change by Source (Demographics)



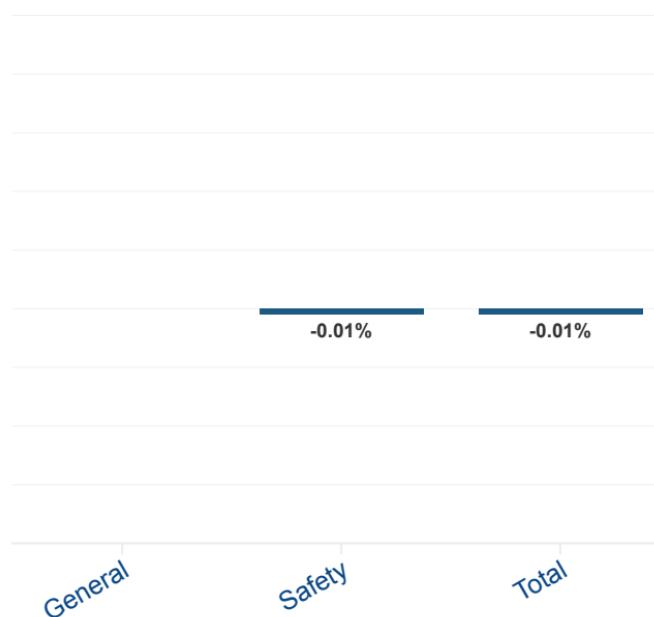
The impacts on the 2025 Valuation of the administrative expense assumption, COLA banks, and the proposed wage inflation and payroll growth assumptions are shown below. Updating the assumed administrative expenses and the wage inflation / payroll growth assumption increases the total cost. Explicitly valuing the current COLA banks results in a very small decrease in total cost.

### Contribution Rate Change by Source (Economic)

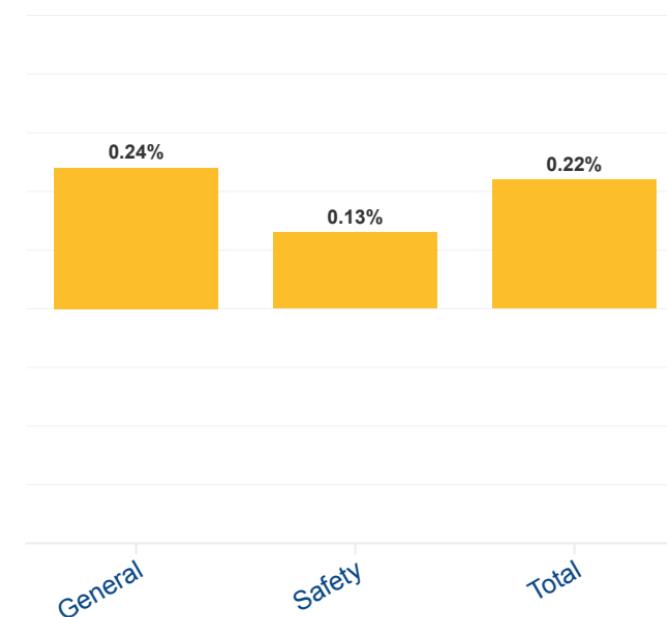
Admin Expense



COLA Banks



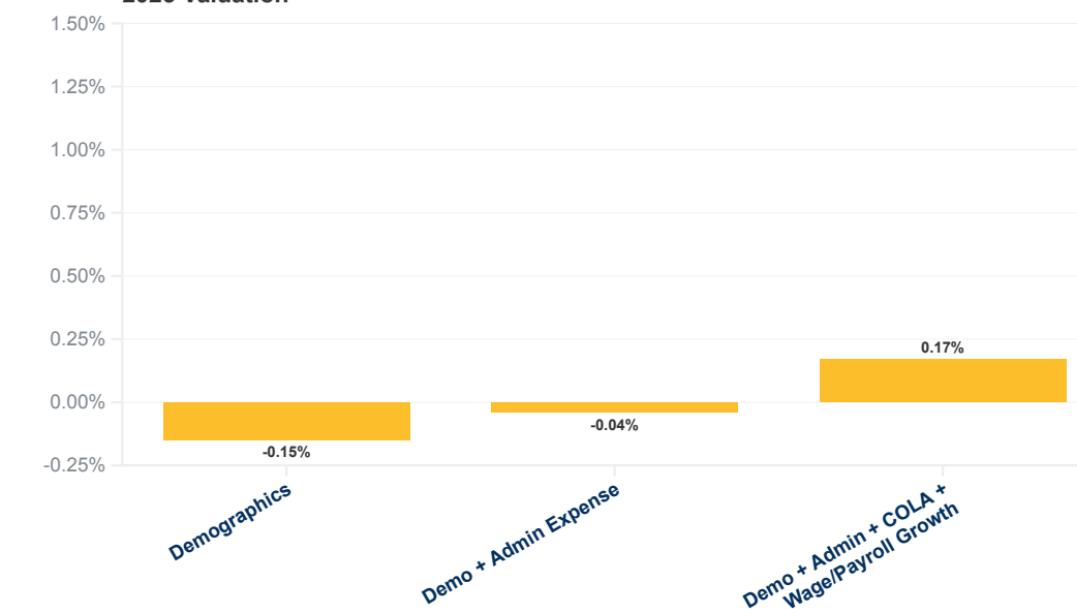
3.0% Wage Inflation and Payroll Growth



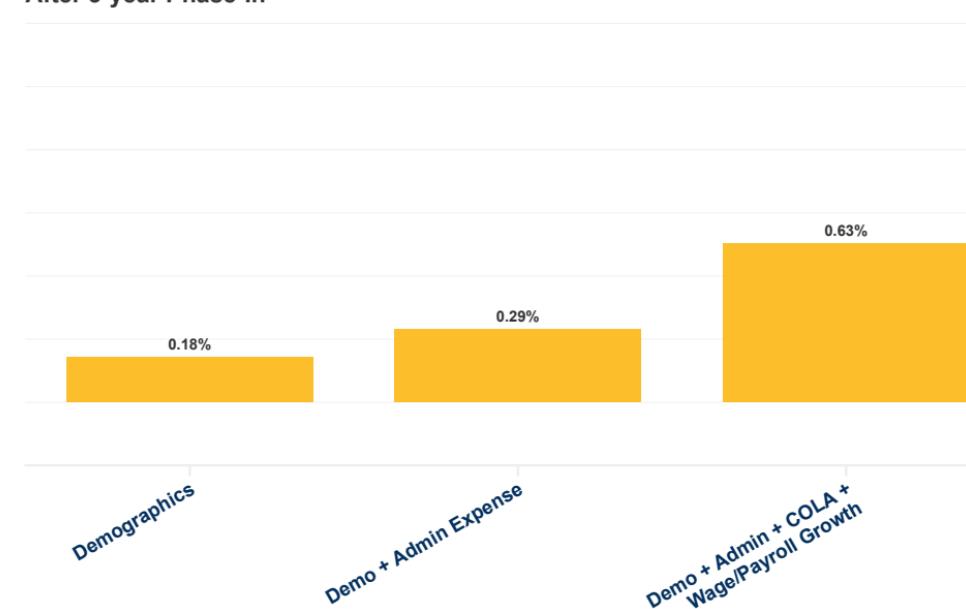
## Contribution Rate Change by Source (Including Demographic Changes)

General Safety Total

2025 Valuation



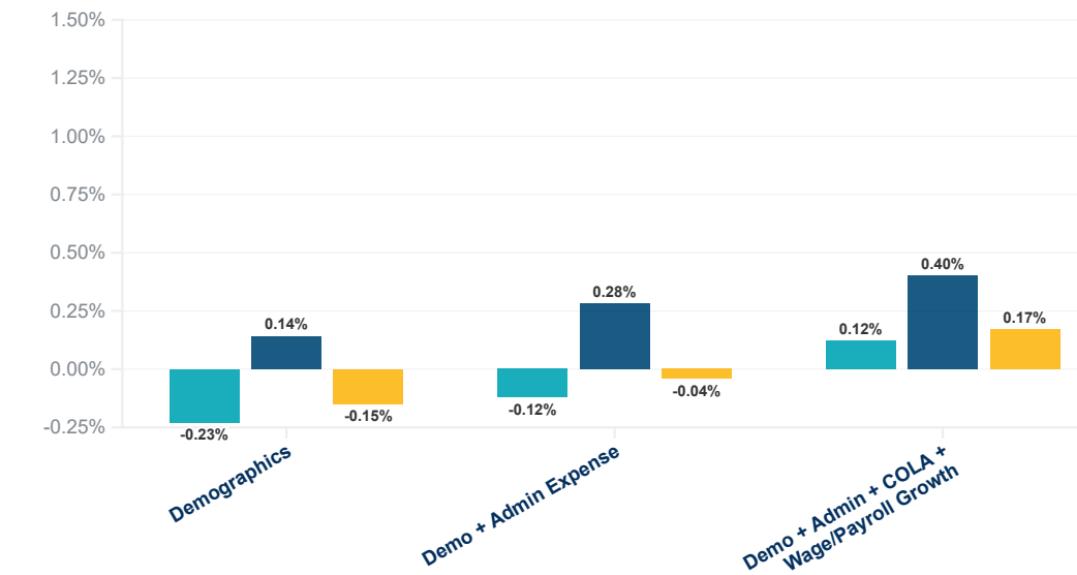
After 3-year Phase-In



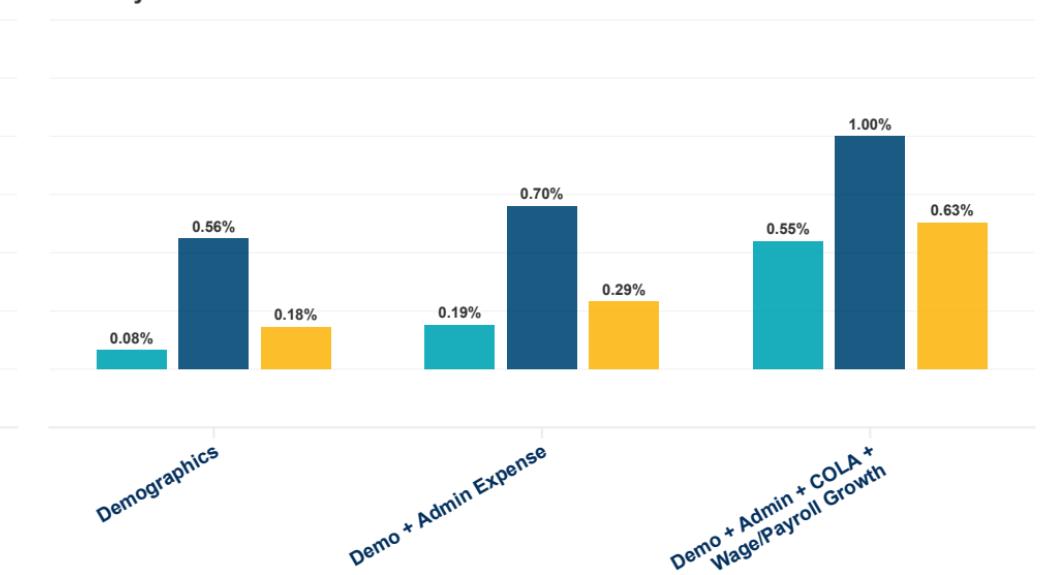
## Contribution Rate Change by Source (Including Demographic Changes)

General Safety Total

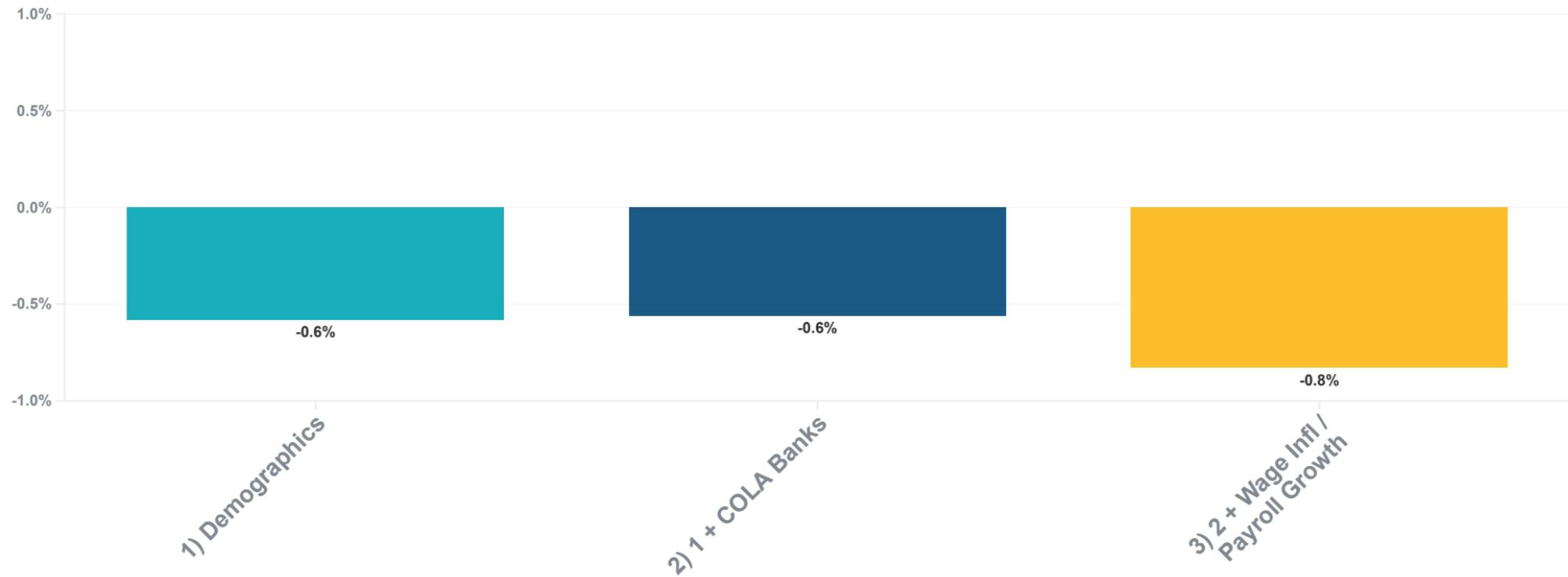
2025 Valuation



After 3-year Phase-In



## Funded Ratio Change



## MercedCERA Consulting Team



**Graham Schmidt**  
Principal Consulting Actuary  
Lafayette, CA



**Anne Harper**  
Principal Consulting Actuary  
San Diego, CA



**Tim Hall**  
Consulting Actuary  
San Diego, CA

## Certification

The purpose of this presentation is to present documentation related to the review of the demographic and economic assumptions for the Merced County Employees' Retirement Association (MercedCERA) as part of the triennial experience study. This presentation is for the use of MercedCERA in selecting assumptions to be used in actuarial valuations beginning June 30, 2025. Any other user of this report is not an intended user and is considered a third party.

In preparing our presentation, we relied on information (some oral and some written) supplied by MercedCERA. This information includes, but is not limited to, the Plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23, Data Quality. *The actuarial assumptions, data, and methods are those that will be used in the preparation of the actuarial valuation report as of June 30, 2025.*

Cheiron utilizes ProVal actuarial valuation software leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have a basic understanding of ProVal and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this valuation.

Future results may differ significantly from the projections presented in this report due to such factors as the following: plan experience different from that anticipated by the assumptions; changes in assumptions; and changes in plan provisions or applicable law.

This presentation and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

This presentation was prepared for the MercedCERA Retirement Board for the purposes described herein. Other users of this presentation are not intended users as defined in the Actuarial Standards of Practice, and Cheiron assumes no duty or liability to any other user.

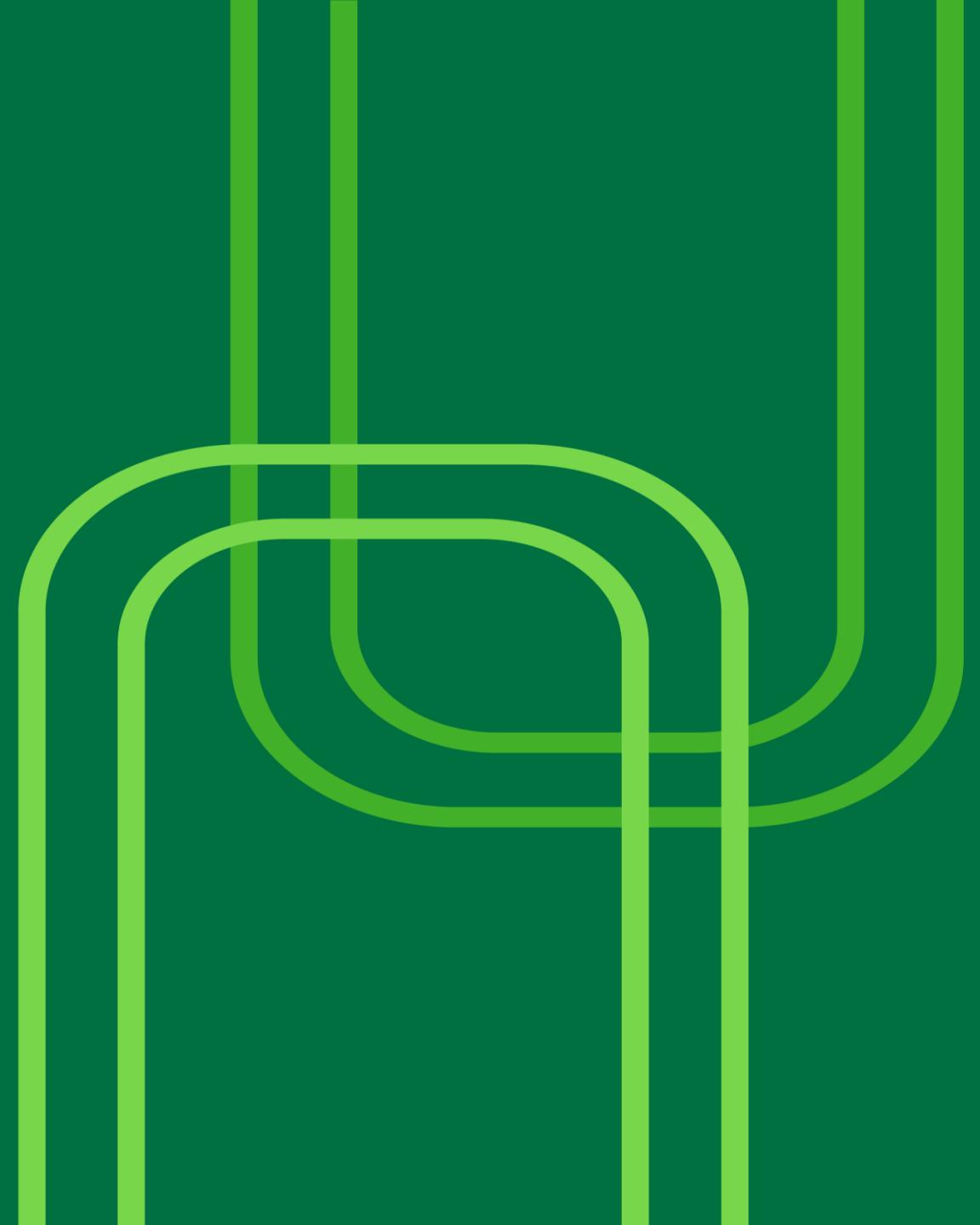




# Audit Results Presentation

Merced County Employees' Retirement Association

January 22, 2026



# 2025 Audit Results

- Independent Auditors' Report - Unmodified "clean" opinion that the financial statements are presented fairly, in all material respects, in conformity with U.S. Generally Accepted Accounting Principles (GAAP).
  - Includes schedules of employer allocations and pension amounts (i.e. GASB 68)
- Limited procedures were performed, and no opinion rendered, on management's discussion and analysis, required supplemental information, and the Introductory, Investment, Actuarial, and Statistical sections.
- Limited procedures were performed, and an "in-relation to" opinion was rendered on the supplemental schedules.
- 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 material weaknesses were identified.
- Letter to the Board providing required communications with those charged with governance.

# Required Governing Body Communications

- Auditor's responsibility under U.S. Generally Accepted Auditing Standards
- Significant accounting policies
- No new accounting standards in fiscal year 2025
- Management judgments and accounting estimates
  - Valuation of alternative investments
  - Actuarial assumptions and methods used

# Required Governing Body Communications (cont'd)

- Management was very cooperative and professional during the process
- No corrected or uncorrected misstatements
- No disagreements with management
- Management did not consult with other accountants on the application of GAAP or GAAS
- No major issues were discussed with management prior to retention
- Management Representations

# Thank you!

Jason Ostroski, CPA

Engagement Principal

[jostroski@uhy-us.com](mailto:jostroski@uhy-us.com) | 410-423-4839





[uhy-us.com](http://uhy-us.com)

**Audit | Tax | Advisory | Consulting**

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Merced County Employees' Retirement Association

A Component Unit of the County of Merced and a Pension Trust Fund of the  
County of Merced and Participating Employers.  
Merced, California

2025

Annual Comprehensive Financial Report  
For the fiscal years ended June 30, 2025 and 2024





## **Annual Comprehensive Financial Report**

For the Fiscal Years Ended June 30, 2025 and 2024

Issued by:

**Martha Sanchez Barboa**

Plan Administrator

**Pete Madrid**

Assistant Plan Administrator – Investments

**Alex Lovato**

Fiscal Manager- Accounting/Investments

## **Merced County Employees' Retirement Association**

A Component Unit of the County of Merced and a Pension Trust Fund of the County of Merced and Participating Employers.

Merced, California

690 West 19<sup>th</sup> Street  
Merced, California 95340  
(209) 726-2724

[www.mercedcera.com](http://www.mercedcera.com)

*MercedCERA's mission is to provide benefits to its members, to manage assets prudently in accordance with plan provisions, and to provide competent and efficient services to our members.*

# Merced County Employees' Retirement Association

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# Merced County Employees' Retirement Association

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# Introductory Section

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Merced County Employees' Retirement Association  
Letter of Transmittal

December 30<sup>th</sup>, 2025

Board of Retirement  
Merced County Employees' Retirement Association  
690 W 19<sup>th</sup> Street  
Merced, CA 95340

Dear Board Members, Plan Sponsors, and Members of the Association:

As the Plan Administrator of the Merced County Employees' Retirement Association (MercedCERA or the Association), I am pleased to present this Annual Comprehensive Financial Report (ACFR) for the fiscal years ended June 30, 2025 and 2024. This report is intended to provide readers with complete and reliable information about MercedCERA's financial status, compliance with the law and MercedCERA policies. This is MercedCERA's 75th year of operation.

**MercedCERA's Mission Statement and Core Values**

MercedCERA's mission is to provide benefits to its members, manage assets prudently in accordance with plan provisions, and provide competent and efficient services to our members.

**The Annual Comprehensive Financial Report (ACFR)**

MercedCERA management is responsible for both the accuracy of the data and the completeness and fairness of the financial information contained in this ACFR. The ACFR is presented in five sections:

- The **Introductory Section** describes MercedCERA's management and organizational structure, identifies the members of the MercedCERA Board of Retirement (Board), provides a listing of professional consultants utilized by MercedCERA, and presents this Letter of Transmittal.
- The **Financial Section** presents the report of MercedCERA's independent auditor, UHY, LLP, along with MercedCERA management's discussion and analysis, basic financial statements, required supplementary schedules, other supplemental schedules, and other information.
- The **Investment Section** contains a report on MercedCERA's investment performance from MercedCERA's general investment consultant, Meketa Investment Group, along with information regarding MercedCERA's investment policies, asset allocation, investment holdings, and investment management fees.
- The **Actuarial Section** contains the independent actuary's certification letter from MercedCERA's actuary, Cheiron, Inc., along with a summary of actuarial assumptions and funding methods, and actuarial statistics.
- The **Statistical Section** presents information pertaining to MercedCERA's operations on a multi-year basis. The financial and operating information provides contextual data for MercedCERA's fiduciary net position, contributions, refunds, and different types of retirement benefits.

**MercedCERA and its Services**

MercedCERA is a public employees retirement system established by the County of Merced on July 1, 1950. MercedCERA is administered by the Board of Retirement to provide retirement, disability, death, and survivor benefits for eligible employees of the County of Merced, Superior Court of California for the County of Merced, the Merced County Law Library and the Merced Cemetery District pursuant to the California

# Merced County Employees' Retirement Association

## Letter of Transmittal (continued)

Constitution, the County Employees Retirement Law of 1937, Government Code Section 31450 et. seq. (the 1937 Act), and the by-laws, policies, and procedures adopted by the MercedCERA Board of Retirement. The County of Merced Board of Supervisors may also adopt resolutions, as permitted by the 1937 Act, which may affect benefits of MercedCERA members.

The MercedCERA Board is responsible for the overview of the Association, including managing the investment of the Association's assets. The day-to-day management of MercedCERA is vested in the Plan Administrator appointed by the Board.

The Board is comprised of nine members and two alternates: two elected by the active general membership, one regular and one alternate elected by the active safety membership, one regular and one alternate elected by the retired membership, four appointed by the County of Merced Board of Supervisors, and the County of Merced Treasurer, who serves as an ex-officio member. With the exception of the County Treasurer, Board members serve three-year terms, with no term limits.

### **Financial Information**

A review of MercedCERA's fiscal affairs for the fiscal years ended June 30, 2025 and 2024 is presented in the Management's Discussion and Analysis (MD&A), which is located in the Financial Section of this ACFR. Together, the MD&A and this Letter of Transmittal provide an expanded overview of MercedCERA's financial activities for the fiscal years reported.

The audit of MercedCERA's financial statements has been performed by an independent auditor, UHY, LLP, who has determined that the financial statements are presented in conformity with Generally Accepted Accounting Principles (GAAP) and are free of material misstatement and that sufficient internal controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. This document has been prepared in compliance with the Governmental Accounting Standards Board (GASB) Statement No. 100 and all applicable prior and relevant standards.

Management is responsible for establishing and maintaining appropriate internal controls to ensure that MercedCERA's assets are protected from loss, theft, or misuse. We believe that internal controls are designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits to be derived and the assessment of control should not exceed the benefits to be derived and the assessment of costs and benefits requires estimates and judgments by management.

As of June 30, 2025, MercedCERA's fiduciary net position restricted for pension benefits totaled approximately \$1.379 billion reflecting an increase of approximately \$124.9 million or 10.0% in fiduciary net position from the end of the previous fiscal year. This was primarily attributable to an increase in fair value of investments.

### **Actuarial Funding Status**

MercedCERA's funding objective is to meet long-term benefit obligations by maintaining a well-funded plan and obtaining optimum investment returns consistent with a prudent level of risk.

Pursuant to provisions in the 1937 Act, MercedCERA engages an independent actuarial firm to perform annual actuarial valuations of the Association, during which economic assumptions are reviewed. Additionally, every three years an experience study of MercedCERA membership is conducted and demographic and economic assumptions are reviewed and modified as necessary. The most recent experience study was conducted in 2022. As a result of the study, several economic and demographic assumptions were changed. The most recent actuarial valuation as of June 30, 2024, reported the Association's actuarial funding

# Merced County Employees' Retirement Association

## Letter of Transmittal (continued)

status (the ratio of assets to actuarial liabilities) as 77.6%. This increase in funding ratio (77.6% from 72.1% as of June 30, 2023) was primarily due to a combination of MercedCERA's fair value of assets increasing at a rate faster than the increase of the actuarial liabilities.

### **Investments**

The Board has fiduciary control of all investments of MercedCERA and is responsible for establishing investment objectives, strategies, and policies. Pursuant to the California Constitution and the 1937 Act, the Board is authorized to invest in any form or type of investment to create a portfolio deemed prudent in the informed judgement of the Board. In making decisions regarding the MercedCERA investment portfolio, the Board acts in a fiduciary capacity and must discharge its duties in accordance with fiduciary principles. In carrying out its investment responsibilities, the Board receives guidance from professional investment consultants, Meketa Investment Group, Inc. and Cliffwater, LLC.

The Board has adopted Investment Policies, which provide the framework for the management of MercedCERA's investments. The Investment Policies establish the investment program goals, asset allocation policies, performance objectives, investment management policies, and risk controls.

The Investment Policy Statement also delineates the principal fiscal duties of the Board, MercedCERA's custodial bank, MercedCERA staff, and investment managers.

The asset allocation plan adopted by the Board is an integral part of MercedCERA's investment program. It is designed to provide an optimum mix of asset classes with return expectations to satisfy the expected growth of liabilities while finding a tolerable level of risk exposure. A summary of the asset allocation plan is located in the Investment Section of this ACFR.

The assets of MercedCERA are exclusively managed by external professional investment management firms. A schedule of the investment fees and a list of investment service providers are located on pages 79 and 80, respectively.

For the fiscal year ended June 30, 2025, MercedCERA's investment return, gross of fees, as reported by Meketa Investment Group, was a positive 11.6% and the annualized rates of return, gross of fees, over the last three and five years were a positive 10.6% and 9.9%, respectively.

### **Service Efforts and Accomplishments**

- Adopted and implemented a cost-of-living adjustment (COLA) of 2.5% effective April 1, 2025 for Tier 1 retired members.
- Approved commitments for each of the following Private Equity Investments (regardless of funding progress at June 30, 2025):
  - Summit Partners Growth Equity Fund XII, L.P. - \$8M
  - GTCR Strategic Growth Fund II, LP - \$6M
  - Threshold Ventures V - \$5M
  - Khosla Ventures IX, L.P - \$6M
- Adopted the 2024 actuarial valuation report as presented by Cheiron, Inc.

Merced County Employees' Retirement Association  
Letter of Transmittal (continued)

**Acknowledgements**

The compilation of this report reflects the dedicated efforts of MercedCERA's Assistant Plan Administrator-Investments, Pete Madrid, our Fiscal Manager, Alex Lovato, and Accountants, Terri Sanders and Sarah Smith. I would also like to thank MercedCERA's professional consultants: our actuary, our investment consultants, and our auditor for their assistance.

Sincerely,

A handwritten signature in blue ink that reads "Martha Sanchez Barbo".

Martha Sanchez Barbo  
Plan Administrator

# Merced County Employees' Retirement Association

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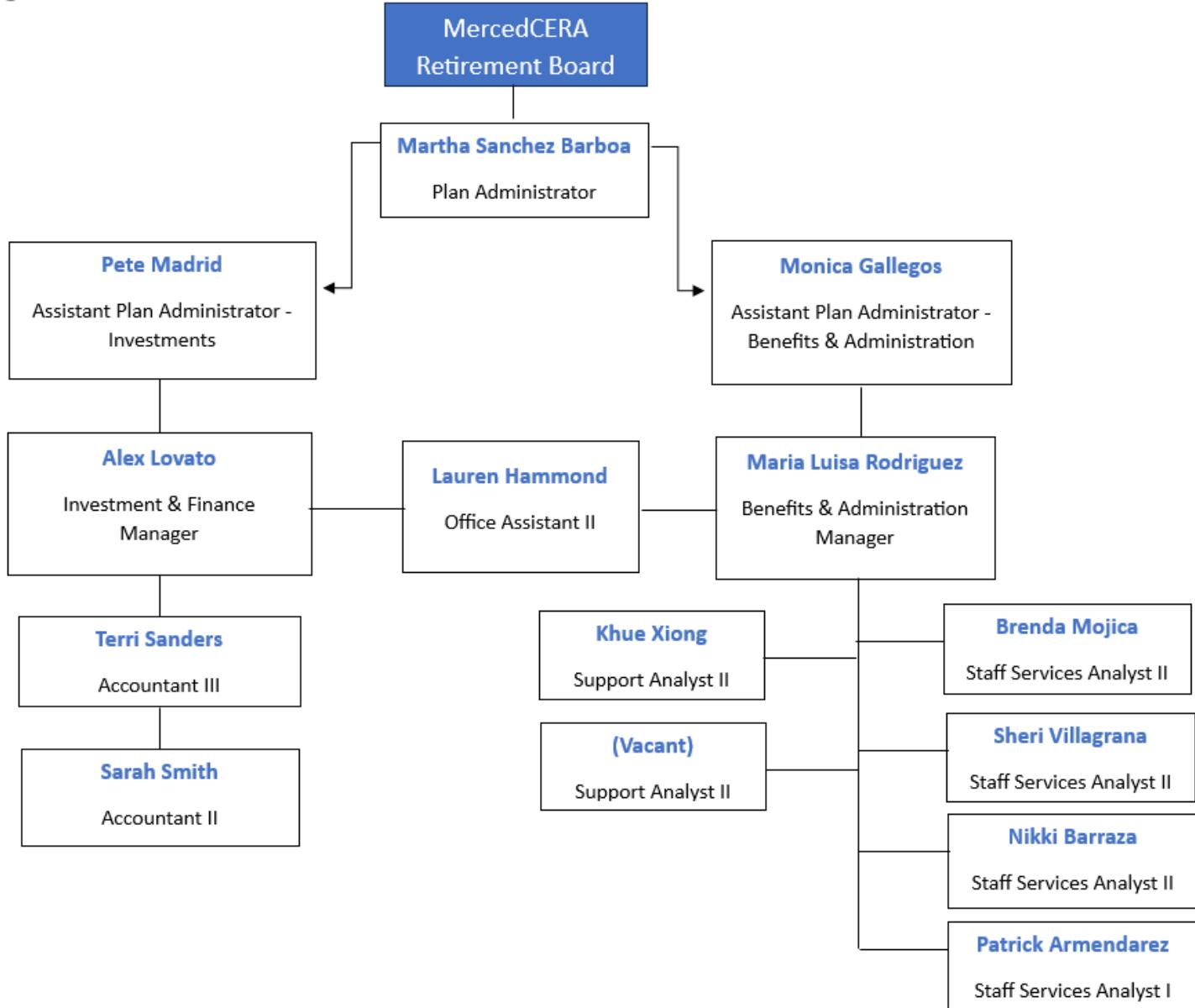
Merced County Employees' Retirement Association  
Members of the Board of Retirement  
As of June 30, 2025

<b><u>Trustees</u></b>	<b><u>Term Expiration</u></b>	<b><u>Appointed/Elected by</u></b>
Ryan Paskin, Chair	December 31, 2025	Board of Supervisors
Scott Johnston, Vice Chair	December 31, 2026	Retired Members
Alfonse Peterson, Secretary	December 31, 2027	Board of Supervisors
Karen Adams, County Treasurer	Permanent by office	Ex-officio Member
Janey Cabral	December 31, 2026	General Members
Bayani Manilay	December 31, 2025	Board of Supervisors
Scott Silveira	December 31, 2027	Board of Supervisors
Corrina Brown	December 31, 2025	General Members
Aaron Rosenberg	December 31, 2025	Safety Members
Moses Nelson, Alternate	December 31, 2026	Safety Members
Michael Harris, Alternate	December 31, 2026	Retired Members

Merced County Employees' Retirement Association  
Administrative Organizational Chart  
As of June 30, 2025



Merced County Employees' Retirement Association  
Organizational Chart



Since June 30<sup>th</sup> 2025, MercedCERA added the following staff members: Pa Yang – Support Analyst II.

Merced County Employees' Retirement Association  
List of Professional Consultants  
As of June 30, 2025

**Consulting Services**

**Investment Consultant**

Meketa Investment Group, Inc.  
Cliffwater, LLC

**Actuary**

Cheiron, Inc.  
Segal Consulting

**Auditor**

UHY LLP

**Master Custodian**

Northern Trust Corporation

**Electronic Systems Services**

Merced County Information Systems

**Legal Counsel**

Hanson Bridgett LLP  
Merced County Counsel  
Nossaman LLP  
Ted Cabral

**Medical Advisor**

National Disability Evaluations, Inc.

*Please refer to the Investment Section of this report for a List of Investment Services Providers located on pages 80 and 81 and the Schedules of Investment Fees located on page 79.*

*Additionally, please refer to Other Supplementary Information in this report for a Schedule of Payments to Consultants on page 58.*

# Merced County Employees' Retirement Association

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# Financial Section

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# Merced County Employees' Retirement Association

## Independent Auditor's Report



### INDEPENDENT AUDITOR'S REPORT

Board of Retirement  
Merced County Employees' Retirement Association  
Merced, California

#### Opinions

We have audited the accompanying financial statements of the Merced County Employees' Retirement Association (MercedCERA), a component unit of the County of Merced, as of and for the years ended June 30, 2025 and 2024, and the statements of fiduciary net position, statements of changes in fiduciary net position, and related notes to the financial statements, which collectively comprise MercedCERA's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective fiduciary net position of MercedCERA, as of June 30, 2025 and 2024, and the respective changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

We have also audited the Schedule of Cost Sharing Employer Allocations and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) included in the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, as of and for the fiscal year ended June 30, 2025, and the related notes. These schedules are listed as other information in the table of contents.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and the 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 excluding that attributable to employer-paid member contributions as of and for fiscal year ended June 30, 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MercedCERA, 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.

# Merced County Employees' Retirement Association Independent Auditor's Report (continued)

## **Responsibilities of Management for the Financial Statements and the Schedules**

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

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

## **Auditor's Responsibilities for the Audit of the Financial Statements and the Schedules**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, the Schedule of Cost Sharing Employer Allocations and the specified column totals in the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan 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 generally accepted auditing standards and government auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

# Merced County Employees' Retirement Association Independent Auditor's Report (continued)

## **Required Supplementary Information**

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

## **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise MercedCERA's basic financial statements. The schedules of administrative expenses, investment expenses and payments to consultants are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses, investment expenses and payments to consultants are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Other Information**

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

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

Merced County Employees' Retirement Association  
Independent Auditor's Report (continued)

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2025, on our consideration of MercedCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant 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 result of that testing and not to provide an opinion on the effectiveness of MercedCERA'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 MercedCERA's internal control over financial reporting and compliance.

*UHY LLP*  
Columbia, Maryland  
December 30, 2025

# Merced County Employees' Retirement Association Management's Discussion and Analysis

We are pleased to provide this overview and analysis of the financial activities of the Merced County Employees' Retirement Association (MercedCERA or the Association) for fiscal years ended June 30, 2025 and 2024. We encourage readers to consider the information presented here in conjunction with the additional information furnished in the Letter of Transmittal and the financial statements following this section.

## Financial Highlights

- At the close of the fiscal year June 30, 2025, MercedCERA's fiduciary net position restricted for pensions totaled \$1.379 billion. All of the fiduciary net position is available to meet MercedCERA's ongoing obligations to plan participants and their beneficiaries.
- During fiscal year 2025, MercedCERA's fiduciary net position restricted for pensions increased by \$124.9 million. This change mostly reflects an increase in the fair value of investments.
- MercedCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2024, the date of MercedCERA's last actuarial funding valuation, MercedCERA's funded ratio was 77.6%. In general, this indicates that for every one dollar of benefits due, MercedCERA has approximately \$0.78 of assets available for payment.
- Additions, as reflected in the Statements of Changes in Fiduciary Net Position, were \$227.1 million in the fiscal year ended June 30, 2025. These additions include employer and employee contributions of \$88.1 million, investment income of \$20.1 million, and net appreciation in the fair value of investments of \$127.1 million, less investment expenses of \$8.7 million.
- Deductions, as reflected in the Statements of Changes in Fiduciary Net Position, increased from \$98.6 million to \$102.4 million in the current fiscal year (an increase of approximately 3.8%). This increase was primarily due to benefits paid.

## Overview of the Financial Statements

The following discussion and analysis are intended to help the reader understand the purpose and meaning of the key components within the financial section. The financial statements are comprised of the **Statements of Fiduciary Net Position** and the **Statements of Changes in Fiduciary Net Position**.

The **Statements of Fiduciary Net Position** are a snapshot of account balances as of the fiscal year ends. They indicate the assets available for future payment to retirees and any current liabilities. The difference between assets and liabilities represents the fiduciary net position restricted for pensions. The statements also present prior year-end balances for comparative purposes.

The **Statements of Changes in Fiduciary Net Position** provide a view of the current year additions to and deductions from the Association that caused the change in the net position during the fiscal years.

MercedCERA's financial statements are in compliance with the generally accepted accounting principles (GAAP) in the United States of America and reporting guidelines set forth in Governmental Accounting Standards Board (GASB) Statement Nos. 28, 34, 40, 44, 51, 53, 63, 67, 72, 82, 84, and 98. These pronouncements require certain disclosures, and also require that defined benefit pension plans of state and local governments report(s) use the full accrual method of accounting. MercedCERA complies with all material requirements of these pronouncements.

These financial statements report information about MercedCERA's financial activities. As previously noted, the statements include all assets and liabilities using the full accrual basis of accounting. The current year's additions are recognized when earned and deductions are recognized when incurred regardless of when cash is received

# Merced County Employees' Retirement Association Management's Discussion and Analysis (continued)

or paid. Investment gains or losses are shown at the trade date, not the settlement date. In addition, both realized and unrealized gains and losses are reported. All capital assets are depreciated over their useful lives.

The information reported regarding MercedCERA's fiduciary net position restricted for pensions is generally considered to be a good measure of MercedCERA's financial position. Over time, increases or decreases in the Association's net position is one indicator of whether the Association's financial health is improving or deteriorating. Other factors, however, such as investment market conditions and the employers' net pension liability, should also be considered in measuring the Association's overall health.

The **Notes to Basic Financial Statements** are an integral part of the financial report and provide additional information that is essential to a full understanding of the data provided in the financial statements.

In addition to the financial statements and accompanying notes, this report presents certain required supplementary information. The **Required Supplementary Information** includes the Schedules of Changes in Net Pension Liability and Related Ratios, Schedules of Employer Contributions, and the Schedules of Investment Returns. The Schedules of Changes in Net Pension Liability and Related Ratios present the changes in the employers' net pension liability. The Schedules of Employer Contributions provide historical information about actuarial determined contributions of the employer and the actual contributions made. The Schedules of Investment Returns represent the investment returns weighted by the cash inflows and outflows from the investment funds. Together, these schedules and the supporting **Notes to Required Supplementary Information** provide information to help promote understanding of the Association's fiduciary net position in relation to the total pension liability, employers' actual contributions and investment returns over time. **Other Supplemental Schedules** represent information concerning MercedCERA's operations on a multi-year basis. Finally, **Other Information** consists of two schedules pertaining to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*. The two schedules include the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan and the Schedule of Cost Sharing Employer Allocations. Under GASB Statement No. 68, plan sponsors are required to report the Net Pension Liability and the related deferred outflows of resources and deferred inflows of resources related to pensions on their balance sheets and changes in Net Pension Liability on their operating statements as pension expenses.

## Financial Analysis

As previously noted, the Net Position may serve over time as a useful indication of MercedCERA's financial position. As of June 30, 2025, the Net Position totaled \$1.379 billion, which is \$124.9 million more than the prior year. This result essentially reflects the increase in the fair value of investments. All of the Net Position is available to meet MercedCERA's ongoing obligations to plan participants and their beneficiaries.

MercedCERA's Management believes that the Association remains in a financial position that will enable MercedCERA to meet its future obligations to participants and beneficiaries. MercedCERA remains focused on the long-term performance of the fund, dependent on a strong and successful investment program, risk management, and strategic planning.

# Merced County Employees' Retirement Association Management's Discussion and Analysis (continued)

## **MercedCERA's Fiduciary Net Position**

For Fiscal Years Ended June 30, 2025 and 2024:

	2025	2024	Increase/ (Decrease) Amount	% Change
Current and Other Assets	\$26,884,759	\$22,042,738	\$4,842,021	21.9%
Investments at Fair Value	1,344,386,478	1,225,032,771	119,353,707	9.7%
Capital Assets/Prepaid Expenses	11,459,559	8,613,370	2,846,189	33.0%
Total Assets	1,382,730,795	1,255,688,879	127,041,916	10.1%
Total Liabilities	4,028,982	1,936,207	2,092,775	108.0%
Fiduciary Net Position Restricted for Pensions	\$1,378,701,813	\$1,253,752,672	\$124,949,141	10.0%

For Fiscal Years Ended June 30, 2024 and 2023:

	2024	2023	Increase/ (Decrease) Amount	% Change
Current and Other Assets	\$22,042,738	\$11,144,819	\$10,897,919	97.8%
Investments at Fair Value	1,225,032,771	1,123,545,198	101,487,573	9.0%
Capital Assets/Prepaid Expenses	8,613,370	1,150,192	7,463,178	648.9%
Total Assets	1,255,688,879	1,135,840,209	119,848,670	10.6%
Total Liabilities	1,936,207	758,824	1,177,383	155.2%
Fiduciary Net Position Restricted for Pensions	\$1,253,752,672	\$1,135,081,385	\$118,671,287	10.5%

The increase in current and other assets during the 2024-2025 fiscal year is mostly attributable to an increase in the portfolio's cash target held with Northern Trust. The increase in total assets during the 2024-2025 fiscal year was due primarily to the increase in the fair value of investments. The increase in total liabilities during the June 30, 2025 fiscal year is mostly due to an increase in payables for capital calls. The increase in current and other assets during the 2023-2024 fiscal year is mostly attributable to a modest increase in cash year-over-year. The increase in total assets during the 2023-2024 fiscal year was due primarily to the increase in the fair value of investments. The modest increase in total liabilities during the June 30, 2024 fiscal year is mostly due to having a greater amount of accounts payable at year-end.

## **Reserves**

Reserves are not required, nor recognized, under GAAP. These are not shown separately on the Statements of Fiduciary Net Position, but they equate to, and are accounts within, the Fiduciary Net Position Restricted for Pensions and are vital to MercedCERA's operations. MercedCERA's reserves are established from contributions and accumulation of investment income after satisfying investment and administrative expenses. Under GAAP, including Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, investments are stated at fair value rather than at cost, and fair value includes the recognition of unrealized gains and losses in the current period. These unrealized gains and losses are tracked in a reserve account called the Fair Value Fluctuation Reserve. The Fair Value Fluctuation Reserve increased by \$111.8 million in the current fiscal year mostly as a result of an increase in the fair value of investments.

# Merced County Employees' Retirement Association Management's Discussion and Analysis (continued)

## **MercedCERA's Reserves**

For Fiscal Years Ended June 30, 2025, 2024, and 2023:

	2025	2024	2023
Active Members' Reserve	\$143,658,369	\$132,722,654	\$122,623,667
Employer Advance Reserve	533,358,474	460,551,169	395,462,355
Retired Members' Reserve	154,139,029	194,377,277	230,542,149
Interest Fluctuation Reserve	96,314,981	126,669,325	141,012,587
Fair Value Fluctuation Reserve	451,230,960	339,432,247	245,440,627
Total Reserves at Fair Value	\$1,378,701,813	\$1,253,752,672	\$1,135,081,385

## **MercedCERA's Activities**

Financial markets performed well which resulted in the June 30, 2025 fiscal year increase of \$124.9 million in MercedCERA's Net Position (an increase of 10% from the previous year). The key element of this increase was an increase in the fair value of investments.

## **Additions to Fiduciary Net Position**

The reserves needed to finance retirement benefits are normally accumulated through the collection of employer and employee contributions and through earnings on investment income (net of investment expenses). Additions to the fiduciary net position for the fiscal year ended June 30, 2025 totaled \$227.4 million. Overall, additions for the fiscal year increased \$10.1 million from the fiscal year ended June 30, 2024 primarily due to appreciation in the fair value of investments year-over-year. Increases in employer and member contributions year-over-year nominally contributed to the total additions. The Investment Section of this report provides a more detailed review of the investment markets and investment performance for the current fiscal year.

For Fiscal Years Ended June 30, 2025 and 2024:

	2025	2024	Increase/ (Decrease) Amount	% Change
Member Contributions	\$13,943,864	\$13,403,198	\$540,666	4.0%
Employer Contributions	74,195,843	69,632,270	4,563,573	6.5%
Net Investment Income	139,250,411	134,248,001	5,002,410	3.7%
Total Additions	\$227,390,118	\$217,283,469	\$10,106,649	4.6%

Merced County Employees' Retirement Association  
Management's Discussion and Analysis (continued)

For Fiscal Years Ended June 30, 2024 and 2023:

	2024	2023	Increase/ (Decrease) Amount	% Change
Member Contributions	\$13,403,198	\$13,445,557	(\$42,359)	-0.3%
Employer Contributions	69,632,270	68,648,166	984,104	1.4%
Net Investment Income / (Loss)	134,248,001	83,417,442	50,830,559	60.9%
Total Additions	\$217,283,469	\$165,511,165	\$51,772,304	31.3%

**Deductions from Fiduciary Net Position**

MercedCERA was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan; refunds of contributions to terminated employees; and the cost of administering the Association. Effective for the 2011 fiscal year, the County Employees Retirement Law of 1937 (1937 Act) limits administration costs to the greater of 21/100ths of 1 percent of the Association's accrued actuarial liability or \$2 million, as adjusted annually by the amount of an annual cost of living adjustment (COLA). The 1937 Act also allows for some expenses to be excluded from the calculation. These exclusions are for investment, actuarial, custodial banking, legal, and technology expenses. Deductions for the current fiscal year totaled \$102.4 million while in fiscal year 2023-2024 deductions totaled \$98.6 million, an increase of 3.8% from the previous year. The increase in deductions can be primarily attributed to the retiree payroll increase of 3.7%.

For Fiscal Years Ended June 30, 2025 and 2024:

	2025	2024	Increase/ (Decrease) Amount	% Change
Benefits Paid	\$97,575,371	\$94,081,287	\$ 3,494,084	3.7%
Refunds of Contributions	1,603,026	1,692,862	(89,836)	-5.3%
Administrative Expense	3,181,170	2,753,296	427,874	15.5%
Actuarial Expense	81,410	84,737	(3,327)	-3.9%
Total Deductions	\$102,440,977	\$98,612,182	\$3,828,795	3.8%

For Fiscal Years Ended June 30, 2024 and 2023:

	2024	2023	Increase/ (Decrease) Amount	% Change
Benefits Paid	\$94,081,287	\$90,585,672	\$ 3,495,615	3.9%
Refunds of Contributions	1,692,862	1,262,876	429,986	34.0%
Administrative Expense	2,753,296	2,789,967	(36,671)	-1.3%
Actuarial Expense	84,737	232,010	(147,273)	-63.5%
Total Deductions	\$98,612,182	\$94,870,525	\$ 3,741,657	3.9%

# Merced County Employees' Retirement Association Management's Discussion and Analysis (continued)

## **Change in Fiduciary Net Position**

As of June 30, 2025, Fiduciary Net Position increased \$124.9 million, resulting in a 10% increase in Fiduciary Net Position over the previous fiscal year. This increase was due primarily to the increase in the fair value of investments. As of June 30, 2024, Fiduciary Net Position increased \$118.7 million, resulting in a 10.5% increase in Fiduciary Net Position over the previous fiscal year. This increase was due primarily to the increase in the fair value of investments.

## **MercedCERA's Fiduciary Responsibilities**

MercedCERA's Board of Retirement and Management are fiduciaries of the pension trust fund. Under the California Constitution, the Association's assets must be used exclusively for the benefit of the plan participants and their beneficiaries.

## **Requests for Information**

This financial report is designed to provide MercedCERA's Board of Retirement, its membership, taxpayers, investment managers, creditors, and others with a general overview of MercedCERA's financial condition and to demonstrate accountability for the funds MercedCERA receives and manages. Questions concerning any of the information provided in this report, or requests for additional information should be addressed to:

### **Merced County Employees' Retirement Association**

**Attn: Fiscal Operations**

**690 West 19<sup>th</sup> Street**

**Merced, CA 95340**

**T: 209.726.2724**

**F: 209.726.3637**

Respectfully Submitted,



Pete Madrid

Assistant Plan Administrator – Investments

January 16<sup>th</sup>, 2026



Alex Lovato

Investment/Finance Manager

January 16<sup>th</sup>, 2026

Merced County Employees' Retirement Association  
 Statements of Fiduciary Net Position  
 As of June 30, 2025 and 2024

	2025	2024
<b>Assets</b>		
Cash and Short-Term Investments		
Cash Invested with Merced County Treasurer	\$576,969	\$1,726,641
Cash Invested with Northern Trust	21,311,398	16,252,482
Other Cash and Cash Equivalents with Northern Trust	327,941	359,521
Total Cash and Short-Term Investments	<u>22,216,308</u>	<u>18,338,644</u>
Receivables		
Contributions	3,896,283	3,332,616
Distributions	227,438	61,067
Dividends /Interest/Accounts Receivable	544,729	310,411
Total Receivables	<u>4,668,450</u>	<u>3,704,094</u>
Investments		
Domestic Fixed Income	221,407,117	155,395,445
Common Stock (Domestic)	29,844,072	29,765,848
Common Stock (Index Funds)	279,658,555	256,695,891
Common Stock (International)	265,716,017	228,678,529
Real Estate	77,466,701	92,333,506
Alternative Investments	<u>470,294,016</u>	<u>462,163,552</u>
Total Investments	<u>1,344,386,478</u>	<u>1,225,032,771</u>
Prepaid Expenses	112,795	96,790
Capital Assets (Net of Accumulated Depreciation)	<u>11,346,764</u>	<u>8,516,580</u>
Total Assets	<u>1,382,730,795</u>	<u>1,255,688,879</u>
<b>Liabilities</b>		
Accounts Payable & Capital Calls Payable	3,605,810	1,828,085
Securities Purchased	337,769	22,719
Unclaimed Contributions	85,403	85,403
Total Liabilities	<u>4,028,982</u>	<u>1,936,207</u>
<b>Fiduciary Net Position Restricted for Pensions</b>	<u><b>\$1,378,701,813</b></u>	<u><b>\$1,253,752,672</b></u>

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

Merced County Employees' Retirement Association  
 Statements of Changes in Fiduciary Net Position  
 For the fiscal years ended June 30, 2025 and 2024

	<b>2025</b>	<b>2024</b>
<b>Additions</b>		
Contributions		
Plan Members	\$13,943,864	\$13,403,198
Employer	74,195,843	69,632,270
Total Contributions	<u>88,139,707</u>	<u>83,035,468</u>
Investment Income from Investment Activities		
Net Appreciation in Fair Value of Investments	127,130,274	120,407,326
Dividends and Interest	20,110,745	16,238,236
Other Income	688,206	502
Less Investment Expenses	(8,678,814)	(2,398,063)
Total Net Investment Income	<u>139,250,411</u>	<u>134,248,001</u>
Total Additions	<u>227,390,118</u>	<u>217,283,469</u>
<b>Deductions</b>		
Benefits Paid	97,575,371	94,081,287
Refunds of Contributions	1,603,026	1,692,862
Administrative Expenses	3,181,170	2,753,296
Actuarial Expenses	81,410	84,737
Total Deductions	<u>102,440,977</u>	<u>98,612,182</u>
<b>Net Increase</b>	<b>124,949,141</b>	<b>118,671,287</b>
<b>Fiduciary Net Position Restricted for Pensions</b>		
Beginning of Year	1,253,752,672	1,135,081,385
End of Year	<u>\$1,378,701,813</u>	<u>\$1,253,752,672</u>

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

Merced County Employees' Retirement Association  
Notes to Basic Financial Statements  
For the fiscal years ended June 30, 2025 and 2024

## **Note 1 - PLAN DESCRIPTION**

### A. General Information

The Merced County Employees' Retirement Association (MercedCERA or the Association) was established July 1, 1950, under and subject to the legislative authority of the State of California as enacted and amended in the County Employees Retirement Act of 1937 (the "1937 Act"). The Association was voter approved by a greater than 2/3 majority of the electorate of Merced County (the County). The Association was integrated with Social Security on January 1, 1956. Members of the Association at that time had a one-time option to convert to the new Association or remain in the previous system. MercedCERA administers a cost sharing, multiple-employer defined benefit pension plan (the Plan). MercedCERA's active employers are the County, the Merced Superior Courts, Merced Cemetery District, and the Merced County Law Library. MercedCERA's annual financial statements are included in the County's financial reports as a pension trust fund.

The management of the Association is vested in a Board of Retirement (Board) that consists of nine members and two alternates:

1. County Treasurer
2. Two elected general members
3. Four members appointed by the County Board of Supervisors
4. One elected retired member and one alternate
5. One elected safety member and one alternate

Day-to-day management of MercedCERA is vested in a Plan Administrator who is appointed by, and serves at the direction, of the Board.

MercedCERA, with its own governing board, is an independent governmental entity separate and distinct from the County and derives its authority from California Government Code Section 31450 et seq., and the California Constitution.

### B. Membership

Plan members are classified as either General or Safety members. Membership becomes effective on the first day of service. Members include all permanent employees appointed to permanent positions or permanent part-time positions within Merced County, Merced Superior Courts, Merced Cemetery District, and Merced County Law Library. Newly hired persons age 60 and over and elected officials may waive membership in the Association.

All employees hired prior to June 13, 1994 are members of Tier I. Executive "A" Level management appointed prior to December 31, 2012 per Amendment to County Board of Supervisors Resolution 94-89, effective July 1, 2000 are Tier I. The Tier I retirement benefit is based on the highest one year compensation. The minimum age to retire is 50 or any age with 30 years of service credit (20 years for Safety). General and Safety Tier I members are eligible for post-retirement cost-of-living adjustment (COLA).

The County Board of Supervisors adopted a new retirement tier (Tier II) for both General and Probation Safety members hired on (or after) June 13, 1994 and all other Safety members hired after July 1, 1998. Benefits for members under Tier II are based on 3 years final average salary and are not eligible for post-retirement COLAs. The minimum age to retire is 55 for General members or any age with 30 years of service credit and 50 for Safety members or any age with 20 years of service credit.

The County Board of Supervisors adopted two more tiers in 2012 for both General and Safety members.

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Members hired between October 1, 2012 and December 31, 2012 are Tier III. Tier IV was adopted after the State of California approved Assembly Bill (AB) 340, the Public Employee Pension Reform Act of 2013 (PEPRA). New members defined by the new legislation and hired on (or after) January 1, 2013 are Tier IV. Both Tier III and Tier IV benefits are based on 3 years final average salary and are not eligible for post-retirement COLAs. For Tier III, the minimum age to retire is 55 for General members or any age with 30 years of service credit and 50 for Safety members or any age with 20 years of service credit. For Tier IV, the minimum age to retire is 52 for General members with 5 years of service credit and 50 for Safety members with 5 years of service credit.

Membership Structure on June 30, 2025 was as follows:

	General Tiers				Safety Tiers				<b>Total</b>
	I	II	III	IV	I	II	III	IV	
<b>Active Members</b>									
Vested	16	446	42	559	5	101	6	87	1,262
Non-Vested	-	3	2	899	-	-	-	153	1,057
<b>Inactive Members</b>									
Deferred Vested	18	234	41	129	-	38	2	11	473
Deferred Non-Vested	3	61	9	627	-	6	1	81	788
Reciprocity	6	122	4	51	1	31	1	10	226
Unclaimed Members	2	11	-	-	-	-	-	-	13
<b>Total Active and Inactive Members</b>	<b>45</b>	<b>877</b>	<b>98</b>	<b>2,265</b>	<b>6</b>	<b>176</b>	<b>10</b>	<b>342</b>	<b>3,819</b>
<b>Retired Members</b>									
Service Retirements	1,179	665	12	31	199	70	-	2	2,158
Beneficiaries	225	38	-	-	62	3	-	-	328
Service Connected Disability	27	21	-	-	54	35	-	1	138
Non-Service Connected Disability	25	15	1	2	1	1	-	-	45
Survivors	13	8	1	4	4	2	-	-	32
<b>Total Retired Members</b>	<b>1,469</b>	<b>747</b>	<b>14</b>	<b>37</b>	<b>320</b>	<b>111</b>	<b>-</b>	<b>3</b>	<b>2,701</b>

Membership Structure on June 30, 2024 was as follows:

	General Tiers				Safety Tiers				<b>Total</b>
	I	II	III	IV	I	II	III	IV	
<b>Active Members</b>									
Vested	20	489	45	526	4	109	7	78	1,278
Non-Vested	-	2	1	873	-	-	-	147	1,023
<b>Inactive Members</b>									
Deferred Vested	21	232	41	124	-	39	2	9	468
Deferred Non-Vested	3	62	9	601	-	7	1	76	759
Reciprocity	7	121	4	46	2	31	-	9	220
Unclaimed Members	2	11	-	-	-	-	-	-	13
<b>Total Active and Inactive Members</b>	<b>53</b>	<b>917</b>	<b>100</b>	<b>2,170</b>	<b>6</b>	<b>186</b>	<b>10</b>	<b>319</b>	<b>3,761</b>
<b>Retired Members</b>									
Service Retirements	1,164	631	9	22	187	62	-	2	2,077
Beneficiaries	194	32	-	-	53	3	-	-	282
Service Connected Disability	27	19	-	-	53	32	-	-	131
Non-Service Connected Disability	24	14	1	1	1	1	-	-	42
Survivors	11	7	1	3	4	2	-	-	28
<b>Total Retired Members</b>	<b>1,420</b>	<b>703</b>	<b>11</b>	<b>26</b>	<b>298</b>	<b>100</b>	<b>-</b>	<b>2</b>	<b>2,560</b>

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C. Benefit Provisions

- Safety members and General Tier I members with 10 years of service and who have attained the minimum age of 50 are eligible to receive a lifetime monthly retirement benefit.
- General members with 10 years of service who have attained the minimum age of 55 in Tiers II and III are eligible to receive a lifetime monthly retirement benefit.
- Safety members with 20 years of service, regardless of age, are eligible for lifetime monthly retirement benefits for Tiers I, II, and III.
- General members with 30 years of service, regardless of age, are eligible for lifetime monthly retirement benefits for Tiers I, II, and III.
- Members who are at least 70 years of age are eligible to retire, regardless of years of service, for all Tiers.
- Tier IV Safety members are eligible for retirement with 5 years of service and a minimum age of 50.
- Tier IV General members are eligible for retirement with 5 years of service and a minimum age of 52.
- The service retirement benefit is a percentage of monthly final average salary per year of service, depending on age at retirement and Tier.
- For members integrated with Social Security, the benefit is reduced by 1/3 of the percentage multiplied by the first \$350 of the monthly final average salary, per year of service credited after January 1, 1956 (not applicable to Tier 4 Members).
- The actual benefit paid will also be affected by the benefit payment option selected by the member.

The County Board of Supervisors adopted Government Code Section 31676.17 of the 1937 Act for all County General members, Tier I and Tier II, except Merced Cemetery District members and any member who was deferred or in inactive reciprocity status prior to the dates of adoption, on March 15, 2005; Government Code Section 31664.1 for all Safety members, Tier I and Tier II, on July 1, 2005; Government Code Section 31676.17 for Superior Court of California and County members on November 4, 2005; Government Code Section 31676.1 for General members, Tier III, on October 1, 2012; and Government Code Section 31664 for all Safety members, Tier III, on October 1, 2012. The County adopted PEPRA Tier IV for all General and Safety members on January 1, 2013.

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The following chart demonstrates the percentage of Final Average Salary a member of each tier would receive per year of service at different ages.

Percentage of Final Average Salary for Each Year of Service (Rounded) Current Employees				
Retirement Age	Tier I		Tier II	
	General	Safety	General	Safety
50	2.00%	3.00%	-	3.00%
55	2.50%	3.00%	2.50%	3.00%
60+	3.00%	3.00%	3.00%	3.00%
Tier III		Tier IV		
Retirement Age	General	Safety	General	Safety
	-	2.00%	-	2.00%
55	1.49%	2.62%	1.30%	2.50%
57	1.64%	2.62%	1.50%	2.70%
65	2.43%	2.62%	2.30%	2.70%
67+	2.43%	2.62%	2.50%	2.70%

Percentage of Final Average Salary for Each Year of Service (Rounded) for Merced Cemetery District, Deferred, and Inactive Reciprocal Members Prior to Enhanced Benefit Adoption Dates				
Retirement Age	Tier I		Tier II	
	General	Safety	General	Safety
50	1.24%	2.00%	-	2.00%
55	1.67%	2.62%	1.49%	2.62%
60	2.18%	2.62%	1.92%	2.62%
65+	2.61%	2.62%	2.43%	2.62%

*(1) Retirement Options*

Under the current "Fixed Formula" retirement, a member may elect the "**Unmodified**" allowance, which provides the maximum allowance to the member for life, with a continuance of 60% of the allowance to the spouse or registered domestic partner if the spouse or registered domestic partner is designated as beneficiary. No allowance, however, shall be paid to a surviving spouse or domestic partner unless he or she is married to the member or has been registered as a domestic partner at least one year prior to the date of retirement. In the event of the death of the retiree, spouse or domestic partner, any balance of the retiree's contributions, less retirement allowances received, is payable to an alternate beneficiary.

**Option 1** - The member may elect to receive a slightly reduced monthly retirement allowance, payable throughout their life, with the provision that upon death, their accumulated contributions less the actual annuity payments received by the retiree will be paid to a designated beneficiary. This is the only option that allows for beneficiaries to be changed after retirement.

**Option 2** - The member receives a considerably reduced monthly retirement allowance, with the provision that 100% of the retiree's benefit will continue to be paid after the member's death to a beneficiary named at the time of retirement. All payments stop at the death of both annuitants.

**Option 3** - The member receives a reduced monthly retirement allowance, with the provision that 50% of the retiree's benefit will continue to be paid after the member's death to a beneficiary named at the time of retirement. As in Option 2, all payments stop at the death of both annuitants.

**Option 4** - The member receives a reduced monthly retirement allowance for life. The reduction depends on the member's age and the age of the member's beneficiary(ies). This is the only option that allows for

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multiple beneficiaries. A beneficiary does not have to be a spouse or domestic partner but must have an insurable interest in the member's life. This option also allows the member to assign the percent of continuance to each beneficiary. This option and any estimates for this option are calculated by MercedCERA's actuary and the cost is paid by the member.

*(2) Cost-of-Living Adjustment*

Annual COLAs to retirement allowances may be granted by the Retirement Board in accordance with governing law. The current maximum increase in retirement allowance is 3% per year. Any increase is based on the change in the Bureau of Labor Statistics' Consumer Price Index (CPI) for All Urban Consumers for the calendar year prior to the April 1 effective date of the COLA. The amount of any actual CPI above the 3% maximum is accumulated. Accumulated COLAs may be used in future years, at the Board's discretion, when the cost-of-living change is less than the maximum 3%. Tiers II, III, and IV members are not eligible for cost-of-living increases in their monthly retirement allowances.

*(3) Disability Benefits*

Members with five years of service, regardless of age, are eligible for non-service connected disability benefits. Member benefits are 1.5% (1.8% for Safety members) of final average salary for each year of service. If this benefit does not equal 1/3 of final average salary, the benefit is increased by the above percentage of final average salary for the years that would have been credited had the member worked to age 65 (age 55 for Safety members). The total benefit cannot exceed 1/3 of the final average salary.

If the disability is service connected, the member may retire regardless of length of service, and the benefit is 50% of final average salary, unless the member is also eligible for a service retirement, in which case the member receives the greater of the two amounts.

*(4) Death Benefit Before Retirement*

In addition to the return of the member's contributions plus interest, MercedCERA provides a basic death benefit payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the Association, based on the final year's average salary, but not to exceed six months' salary. Depending on length of service, a monthly allowance could be selected by the surviving spouse to be paid for the rest of his or her life as an alternate benefit.

If a member dies while eligible for service retirement or non-service connected disability, the spouse may receive 60% of the allowance that the member would have received for retirement on the day of his or her death in lieu of the basic death benefit. If the member was below the qualifying retirement age at the time of death, the surviving spouse may elect to leave the member's accumulated contributions on deposit until such time as the member would have attained the qualifying age had he or she lived, at which time the spouse may exercise the option above. Unmarried minor children of the deceased member may continue to receive this allowance until marriage or attaining age 18 (21 if full-time student in an accredited school), upon the death of the surviving spouse or in place of the spouse if he or she does not survive the death of the member.

If a member dies as a result of service-connected injury or disease arising out of the course of his or her employment, his or her surviving spouse may elect, in lieu of the basic death benefit, to receive a monthly allowance of 1/2 of the member's final compensation.

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Unmarried minor children of the member may receive the same monthly allowance prior to their marriage or attaining age 18 (21 if a full-time student in an accredited school) if there is no surviving spouse or upon the death of the spouse.

*(5) Death Benefit After Retirement*

Once a member dies after retirement, a lump sum amount of \$3,000 (Government Code Section 31789.3 adopted May 2, 2006) is paid to the beneficiary or estate. However, if the member is a reciprocal system member, this benefit is payable only to active members of MercedCERA's participating employers at the time of retirement.

If the retirement was for service-connected disability, 100% of the amount the member was receiving at the time of death is continued to the surviving spouse for life. If the retirement was for other than a service-connected disability, there are several options available to the member.

*(6) Terminated Members*

A member leaving covered employment after completing five years of credited service becomes eligible for a deferred retirement allowance, provided the member lives to the minimum service retirement age and does not withdraw his or her accumulated contributions. A member must elect deferred status within 180 days after termination. Members leaving employment with less than five years of service are not eligible to receive a retirement benefit. Non-vested members (less than five years of service credit) may leave their contributions on deposit and continue to be credited interest or they can choose to withdraw their contributions at any time. A non-vested member that enters a reciprocal retirement system after terminating employment with a MercedCERA participating employer may wish to arrange for reciprocal benefits. Under a reciprocal arrangement, member funds are kept on deposit with MercedCERA.

*(7) Vesting*

Active members of the Association receive a 100% vested interest in the Plan after five years of service but cannot receive a service retirement benefit until they have been a member of the Association for ten years and obtained age fifty for Tier I General members; Tier I, Tier II, and Tier III Safety members; and age fifty-five for Tier II and Tier III General members. Members may receive a service retirement benefit after being a member of the Association for 30 years for General members and 20 years for Safety members regardless of age. Tier IV members can receive a service retirement benefit with five years of service credit and attaining age fifty-two for General members and age fifty for Safety members.

*(8) Contribution Rates*

The 1937 Act establishes the basic obligations for employer and member contributions to the Association. The actual employer and member contribution rates in effect each year are based on recommendations made by an independent actuary and adopted by the Board.

Benefits payable by the Association are financed through member contributions; employer contributions from: Merced County, Merced Superior Courts, Merced County Law Library, Merced Cemetery District and earnings from investments.

*a. Member*

MercedCERA members are required to contribute a percentage of their annual covered salary. The rates are set to provide a retirement amount that is equal to a fractional part of the highest one year's or three years' salary, based on membership and tier. Government Code Section 31621.8 sets forth the basis for the determination of the normal rates of contribution for General Tier I and Tier II members. Government Code Section 31639.5 sets forth the basis for the normal rates of contribution for Safety Tier I and Tier II

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members. The law further provides that the contribution rates of members will be based on the age nearest birthday at the time of entrance into the Association. Section 31453 states that no adjustment will be included in the rates of contribution for time prior to the effective date of any revisions. Member basic contribution rates are based on entry age into the Association, except for Tier IV, which are 50% of the normal cost, and range between 5.11% and 11.5% for the fiscal year ended June 30, 2025, and 3.86% and 8.79% for the fiscal year ended June 30, 2024. For members integrated with Social Security, the contributions are reduced by 1/3 of such contribution payable with respect to the first \$350 of monthly salary.

*b. Plan Sponsors*

The County of Merced, Merced Superior Courts, Merced County Law Library and the Merced Cemetery District are required by statute to contribute the amounts necessary to finance the estimated benefits accruing to MercedCERA members not otherwise funded by employee contributions or investment earnings. Pursuant to provisions of the 1937 Act, the Board recommends annual contribution rates for adoption by the County Board of Supervisors each year based upon the rates recommended by the Association's actuary.

The employers' actuarially determined contribution (ADC) is an actuarially determined amount that is required on a sustained, ongoing basis to systematically fund the normal cost and to amortize the unfunded actuarial accrued liability (UAAL) attributed to past service cost over a period not to exceed thirty years. MercedCERA's actuarially determined contribution rates for the fiscal years ended June 30, 2025 and 2024 were 46.03% and 45.66%, respectively, of annual payroll.

In order to determine the ADC, the actuary must first adopt assumptions with respect to certain factors such as the following:

***Non-economic assumptions***

- The probability of members separating from active service on account of:
  1. Non-vested and vested withdrawal
  2. Retirement for service
  3. Mortality
  4. Service and non-service connected disability
- The mortality rates to be experienced among retired persons

***Economic assumptions***

- Rate of future investment earnings
  1. Inflation rate
  2. Real rate of return
- The relative increases in a member's salary from the date of the valuation to the date of separation from active service
  1. Merit increases
  2. Longevity increases
  3. COLA

Employer contribution rates vary from year to year and depend on the level of benefits established, the rate of return on investments, and the cost of administering benefits. MercedCERA's Schedules of Employer Contributions for the pension benefit plan are presented on page 54 in the Required Supplementary Information following the notes to the basic financial statements.

## **Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Reporting Entity**

While the Association is governed by the Board and is considered an independent entity, it is a fiduciary component unit of the County in accordance with Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an Amendment of GASB Statement No. 14* and GASB Statement No. 84, *Fiduciary Activities*.

### **B. Basis of Accounting**

MercedCERA's financial statements are prepared on the accrual basis of accounting, which recognizes income when earned and expenses when the obligation is incurred, regardless of the timing of cashflows. Employer and plan member contributions are recognized when due, pursuant to statutory or legal requirements per GASB Statement 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*. Investment income is recognized as revenue when earned. Retirement benefits and refunds are recognized when currently due and payable in accordance with the benefit terms. The net appreciation (depreciation) in fair value of investments consists of realized and unrealized gains and losses on those investments.

### **C. Investment Expenses**

Investment expenses include fees paid for investment consulting services, fund due diligence services, securities custodian services, and rebate and bank fees incurred during the reporting period. Fees paid are charged against the Association's investment earnings pursuant to Section 31596.1 of the 1937 Act.

### **D. General Administrative Expenses**

MercedCERA's administrative costs for the fiscal years ended June 30, 2025 and 2024 are calculated pursuant to Government Code Section 31580.2 (a) which provides that the administrative expenses incurred in any year may not exceed the greater of either (1) twenty-one hundredths of 1 percent (.21%) of the actuarial accrued liability of the Association or (2) two million dollars (\$2,000,000), as adjusted annually by the amount of the annual COLA computed in accordance with Article 16.5. Government Code Section 31580.2 (b) provides that expenditures for computer software, hardware, and computer technology consulting services in support of the computer products shall not be considered a cost of administration of the Association. The administrative limit per this Government Code Section allowed MercedCERA \$3.3 million (\$1,574.6 million x .21%) of administrative costs for the fiscal year ended June 30, 2025. For the fiscal years ended June 30, 2025 and 2024, total administrative costs were \$3,181,170 and \$2,753,296, respectively. Included in these figures are computer technology related activities, inclusive of associated depreciation expense, of \$703,454 and \$733,740, respectively. The costs of administering the Plan are financed by the earnings of the retirement fund.

### **E. Required Supplementary Information**

The Schedules of the Changes in Net Pension Liability and Related Ratios and Schedules of Employer Contributions that provide information about the employer's annual contribution to the Plan as well as the annual investment returns are presented on pages 52 through 54.

### **F. Administrative Budget and Non-Administrative Projection**

MercedCERA prepares an administrative budget, governed by Government Code Section 31580.2, which is subjected by the same section to a budgetary cap. Additionally, MercedCERA provides a non-administrative

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projection, which expenses are governed by Government Code Sections 31580.2(b), 31596.1, and 31529.9. MercedCERA's budgets and projections are on a fiscal year basis starting July 1 and ending June 30. Non-administrative expenditures are not subject to the budgetary cap in Government Code Section 31580.2. Projections are subject to change periodically. All expenditures are reported at MercedCERA's Administrative Board Meetings on a monthly and quarterly basis.

**G. Capital Assets**

Capital assets are carried at cost, net of accumulated depreciation. Capital assets with an initial cost of more than \$5,000 and an estimated useful life in excess of one year are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Partial year depreciation is recognized based upon placed-in-service date of the asset. Office Furniture/Equipment is depreciated over a ten year life. MercedCERA's pension administration system (an intangible asset) is amortized over ten years. Long-lived building improvements are depreciated over twenty five years. Buildings are depreciated over forty years.

MercedCERA reported \$11,346,764 and \$8,516,580 in capital assets (net of depreciation) as of June 30, 2025 and 2024, which includes accumulated depreciation of \$2,608,636 and \$2,684,403, respectively. Of these amounts, \$352,585 is for land held by the Association as of June 30, 2025 and \$499,098 for 2024, and \$7,748,477 is for construction in progress as of June 30, 2024, which is not subject to depreciation.

**Schedule of Capital Assets  
 For the fiscal year ended June 30, 2025**

	Historical Cost	Net Balance at June 30, 2024	Reclassifications & Additions	Reclassifications & Deletions	Less Depreciation	Net Balance at June 30, 2025
<b>Capital Assets, Non-Depreciable</b>						
Land	\$352,585	\$499,098	\$352,585	\$499,098	\$ -	\$352,585
Construction in Progress	-	7,748,477	-	7,748,477	-	-
<b>Capital Assets, Depreciable</b>						
CPAS Software	2,408,181	100,341	-	-	100,341	-
Building	9,942,158	67,848	9,942,158	67,848	124,277	9,817,881
Office Furniture and Technology	942,504	35,432	923,622	33,462	48,562	877,030
Building Improvements	309,972	65,384	309,972	65,384	10,705	299,268
<b>Totals</b>	<b>\$13,955,400</b>	<b>\$8,516,580</b>	<b>\$11,528,337</b>	<b>\$8,414,269</b>	<b>\$283,885</b>	<b>\$11,346,764</b>

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**Schedule of Capital Assets**  
**For the fiscal year ended June 30, 2024**

	Historical Cost	Net Balance at June 30, 2023	Reclassifications & Additions	Reclassifications & Deletions	Less Depreciation	Net Balance at June 30, 2024
<b>Capital Assets, Non-Depreciable</b>						
Land	\$499,098	\$499,098	\$ -	\$ -	\$ -	\$499,098
Construction in Progress	7,748,477	-	7,748,477	-	-	7,748,477
<b>Capital Assets, Depreciable</b>						
CPAS Software	2,408,181	341,159	-	-	240,818	100,341
Building	313,159	78,287	-	-	10,439	67,848
Office Furniture and Technology	134,696	45,346	-	-	9,914	35,432
Building Improvements	97,372	74,690	-	-	9,306	65,384
<b>Totals</b>	<b>\$11,200,983</b>	<b>\$1,038,580</b>	<b>\$7,748,477</b>	<b>\$ -</b>	<b>\$270,477</b>	<b>\$8,516,580</b>

H. Methods Used to Value Investments

Investments are reported at fair value in the accompanying Statements of Fiduciary Net Position.

The fair value of fixed income and equity investments is based upon the closing sale prices reported on recognized securities exchanges on the last business day of the period. For listed securities having no reported sales and for unlisted securities, fair value is based upon the last reported sales price.

GASB Statement No. 72, *Fair Value Measurements*, became effective for financial statements for fiscal years beginning after June 15, 2015. This statement enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement also enhances fair value application guidance and related disclosures to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The fair value of real estate investment holdings is determined by the fund managers using industry standard appraisal techniques and assumptions, which are updated annually. The appraisals incorporate subjective judgments and consider assumptions including capitalization rates, discount rates, cash flows, and other factors that are not observable in the market.

The fair value of alternative investments (private equity, hedge funds, infrastructure, and natural resources) is based on the fund managers' most recent financial information available for the quarter ended June 30. The majority of MercedCERA's alternative investments are determined by the partnerships using unobservable inputs, which reflect the partnerships' own estimates about the assumptions that market participants would use in pricing the investments. The assumptions are based on the best information available in the circumstances, which might include the partnership's own data. The remainder of MercedCERA's alternative investments are determined by the partnerships based on quoted market prices in active markets.

Management, in consultation with the investment advisor, has determined the reasonableness of the procedures used to calculate fair value for real estate and alternative investments.

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**I. Securities Transactions and Related Investment Income**

Securities transactions are accounted for on a trade date basis. Interest income is recognized when earned and dividend income is recognized on the ex-dividend date. Stock dividends or stock splits are recorded as memo items and do not affect the total value of the securities. The Association presents, in the Statements of Changes in Fiduciary Net Position, either the net appreciation or depreciation in fair value of investments, which consists of realized and unrealized gains and losses on those investments.

**J. Management's Estimates**

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

**K. Reclassifications**

We have made reclassifications to certain numbers reported in the prior year to conform to the presentation of the current year.

**Note 3 – CASH AND INVESTMENTS**

**A. Investment Stewardship**

The Board has exclusive control over all investments of the Association and is responsible for establishing investment objectives, strategies and policies. Pursuant to the California Constitution and California Government Code Sections 31594 and 31595, the Board is authorized to invest in any investment the Board deems prudent.

**(1) Investment Policy**

The Board has adopted an Investment Policy, which provides the framework for the management of MercedCERA's investments. The Investment Policy establishes MercedCERA's investment objectives and defines the principal duties of the Board, the custodian bank, and the investment managers. The asset allocation plan is an integral part of the Investment Policy and is designed to provide an optimum and diversified mix of asset classes with return expectations to satisfy expected liabilities, while minimizing risk exposure. MercedCERA currently employs external investment managers to manage its assets subject to the provisions of the Investment Policy. To the right is MercedCERA's adopted asset allocation policy as of June 30, 2025 and 2024.

Asset Class	Target Allocation	
	June 30, 2025	June 30, 2024
Domestic Equity	22%	22%
Broad International Equity	12%	12%
Emerging Markets Equity	6%	6%
Private Equity	15%	15%
Direct Lending	5%	5%
Real Estate	6%	6%
Domestic Fixed Income	18%	18%
Opportunistic Credit	4%	4%
Hedge Funds	5%	5%
Real Assets	5%	5%
Cash	2%	2%
	100%	100%

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(2) Rate of Return

For the fiscal years ended June 30, 2025 and 2024, the annual money-weighted rate of return on MercedCERA's investments was 10.8% and 12.1%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested.

**B. Cash and Short-Term Investments**

Cash and cash equivalents consist of cash and short-term investments held by the Merced County Treasurer and MercedCERA's custodian bank, Northern Trust. Cash and cash equivalents are highly liquid investments with an original maturity of three months or less. Cash and cash equivalents are recorded at cost, which approximates fair value.

(1) Merced County Treasury

Cash from deposits and the cash needed for daily operational purposes is held in a pooled account with other County funds. The Merced County Treasury Oversight Committee is responsible for regulatory oversight of the pool.

Interest on funds in the Merced County investment pool is computed quarterly based on the average daily balance. A deposit in the pooled account is reported at cost which approximates fair value. The Association's cash invested with the Merced County Treasurer totaled \$576,969 and \$1,726,641 at June 30, 2025 and 2024, respectively. Cash and investments included within the County Treasurer's pool are described in Merced County's Annual Comprehensive Financial Report.

(2) Short-Term Investment Funds and Funds Pooled with Northern Trust

The short-term investment funds that are in the custody of Northern Trust are liquidity funds. The cash is invested in short-term obligations and deposits, including U.S. treasury and agency obligations, corporate bonds, commercial paper, repurchase agreements, certificates of deposit, bankers acceptances, time deposits, and floating rate notes.

All participants in the Northern Trust pool proportionately share earnings and losses. Balances in the pooled accounts are reported at amortized costs which approximate fair value. At June 30, 2025 and 2024, short-term investments totaled \$21,639,339 and \$16,612,003, respectively, which is the total of cash invested with Northern Trust and other cash and cash equivalents with Northern Trust.

MercedCERA's cash and short-term investments as of June 30, 2025 and 2024 are as follows:

<b>Cash and Short-term Investments</b>	<b>Fair Value</b>	
	<b>2025</b>	<b>2024</b>
Cash Invested with Merced County Treasury	\$576,969	\$1,726,641
Cash Invested with Northern Trust	21,311,398	16,252,482
Other Cash and Cash Equivalents with Northern Trust	327,941	359,521
<b>Total Cash and Short-Term Investments</b>	<b>\$22,216,308</b>	<b>\$18,338,644</b>

### C. Fair Value Measurements

Fair Value is defined as 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. MercedCERA holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of MercedCERA's activities, GASB Statement No. 72 establishes a hierarchy of inputs to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted process (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs.

Inputs used to measure fair value might fall in different levels of the fair value hierarchy. Categorization within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

Equity securities are generally valued based on quoted prices from an active market and are therefore categorized in Level 1. In the absence of quoted market prices, such as equity securities that trade infrequently or not at all, valuations are based on the last traded price or a price provided by the investment managers and generally categorized in Level 3.

Fixed income securities classified in Level 2 are valued using the latest bid prices or evaluated quotes from independent pricing vendors. The third-party vendors use a variety of methods when pricing these securities that incorporate relevant observable market data to arrive at an estimate of what a buyer in the marketplace would pay for a security under current market conditions. Fixed income securities held in mutual funds are based on quoted prices in an active market and are therefore categorized as Level 1. When independent price sources are not available, debt securities are priced based on the last traded price or a valuation provided by the investment manager and are categorized in Level 3. In addition, debt securities held in commingled funds, limited partnerships, and similar vehicles are categorized in Level 3.

Funds priced using a net asset value (NAV) that is published daily and validated with a sufficient level of observable activity are categorized in Level 1. If observable activity is limited yet supports that the NAV represents an exit value of the security at the measurement date, the securities are categorized in Level 2. Investments in nongovernmental entities that are measured at NAV as a practical expedient, such as alternative investments and real estate investments, are excluded from the fair value hierarchy if the NAV per share (or its equivalent) was calculated in a manner consistent with the Financial Accounting Standards Board's measurement principles for investment companies. Funds not meeting these criteria are categorized in Level 3.

Investments in real estate, other than in mutual funds (real estate investment trusts, or REITs) that are publicly traded and categorized in Level 1, have been valued based on the NAV per share (or its equivalent), as provided by the general partner. This type includes one mutual fund, one commingled fund, and thirteen funds structured as private limited partnerships. These investments can never be redeemed with the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 to 15 years.

MercedCERA has contracted with Cliffwater, LLC to assist with the Association's hedge fund portfolio that has the appropriate risk and return characteristics. Specifically, MercedCERA has nine hedge funds with low market risk (low beta), equity market downside protection and diversification with unique investment strategies such as shorting, arbitrage, currencies and commodities. Return characteristics include reasonable expected returns that outperform bonds, reasonable expected returns that will be less than the expected

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returns on stocks and generate alpha of 4% net of fees. MercedCERA is dedicated to building a diversified portfolio of the following strategies: market neutral, credit event, equity long short, global macro, and multi-strategy. The fair values of the investments in these types has been determined using the NAV per share (or its equivalent) of the investments, as provided by the general partner. Funds may be subject to redemption restrictions, including lock-up periods and/or gate provisions, which prohibit redemptions for a specific time after capital is initially invested, or subject to limitations on the amount that can be withdrawn on any single redemption date.

Direct Lending includes nine funds structured as limited partnerships that provide credit primarily to middle market companies. The fair values of the investments in these types have been determined using the NAV per share (or its equivalents) of the investment as provided by the general partner.

Infrastructure includes nine funds structured as limited partnerships that invest primarily in global infrastructure investments. The fair values of the investments in these types have been determined using the NAV per share (or its equivalents) of the investment as provided by the general partner.

Natural resources includes 11 funds structured as limited partnerships that invest primarily in debt, equity, partnership interests, direct asset investments, working interests, and royalty interests of public and private mining and metals companies and companies within the energy markets including but limited to, companies engaged in the exploration and production of oil and natural gas, coal, midstream, energy services, refining and marketing, power generation, renewable energy, and other commodity driven sectors. The fair values of the investments in these types have been determined using the NAV per share (or its equivalents) of the investment as provided by the general partner.

The private equity portfolio includes 47 funds structured as limited partnerships participating in diverse strategies including buyouts, venture capital/growth equity, and opportunistic funds which includes such categories as distressed debt (debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy), mezzanine, secondary, royalties, etc. The fair values of the investments in these types has been determined using the NAV per share (or its equivalent) of the investment as provided by the general partner. These funds have a finite term. Distributions will be received as the underlying investments are sold, which is expected to occur over a rolling 15-year period.

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The Plan has the following recurring fair value measurements as of June 30, 2025:

Investments by Fair Value Level	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Domestic Fixed Income</b>				
Asset Backed Securities	\$107,297	\$-	\$107,297	\$-
Collateralized Mortgage Obligations	102,428	-	102,428	-
US Government and Agency Obligations	1,660	-	1,660	-
Mutual Funds	42,372,737	42,372,737	-	-
Real Estate	-	-	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$42,584,122</b>	<b>\$42,372,737</b>	<b>\$211,385</b>	<b>\$-</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Common Stock				
Domestic Stock Funds	\$29,844,072			
Index Funds	279,658,548			
International Stock Funds	265,715,966			
<b>Domestic Fixed Income</b>				
Commingled Funds	148,769,282			
Limited Partnerships	29,616,000			
Real Estate	76,899,838			
<b>Alternative Investments</b>				
Direct Lending	80,868,702			
Hedge Funds	97,858,326			
Infrastructure	44,245,297			
Natural Resources	29,502,813			
Private Equity	214,685,805			
Proxy Fund	-			
<b>Total Alternative Investments</b>	<b>\$470,294,016</b>			
<b>Total Investments Measured at NAV</b>	<b>\$1,297,664,649</b>			
<b>Total Investments Measured at Fair Value and NAV</b>	<b>\$1,344,386,478</b>			

Investments Measured at the NAV	June 30, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
<b>Common Stock</b>				
Domestic Stock Funds	\$29,844,072	\$ -	Daily	1 Day
Index Funds	279,658,548	-	Daily	1 Day
International Stock Funds	265,715,966	-	Daily	1 Day
<b>Domestic Fixed Income</b>				
Commingled Funds ***	148,769,282	-	Daily	Varies
Limited Partnerships	29,616,000	-	Quarterly	90 Days
Real Estate*	76,899,838	22,344,357	See footnote	See footnote
<b>Alternative Investments</b>				
Direct Lending	80,868,702	61,735,970	N/A	N/A
Hedge Funds**	97,858,326	-	Varies	Varies
Infrastructure	44,245,297	18,146,841	N/A	N/A
Natural Resources	29,502,813	22,177,406	N/A	N/A
Private Equity	214,685,805	133,752,722	N/A	N/A
Proxy Fund	-	-	Daily	T-2
<b>Total Investments Measured at the NAV</b>	<b>\$1,297,664,649</b>	<b>\$258,157,296</b>		

\*UBS Trumbull Fund redemption is given by a pro rata share of funds available for disbursement. The remaining real estate funds are closed-ended private LP funds.

\*\*The 10 hedge funds that were funded as of June 30, 2025, have varying lockup periods and redemption notice requirements.

\*\*\*The three commingled funds have redemption notice periods from 1 day to 15 days.

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The Plan has the following recurring fair value measurements as of June 30, 2024:

Investments by Fair Value Level	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Fixed Income				
Asset Backed Securities	\$116,833	\$ -	\$116,833	\$ -
Collateralized Mortgage Obligations	113,595	-	113,595	-
US Government and Agency Obligations	2,008	-	2,008	-
Mutual Funds	36,225,716	36,225,716	-	
Real Estate	17,293,855	17,293,855	-	-
<b>Total Investments by Fair Value Level</b>	<b>\$53,752,007</b>	<b>\$53,519,571</b>	<b>\$232,436</b>	<b>\$ -</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>				
Common Stock				
Domestic Stock Funds	\$29,765,848			
Index Funds	256,695,891			
International Stock Funds	228,678,529			
Domestic Fixed Income				
Commingled Funds	91,709,504			
Limited Partnerships	27,227,789			
Real Estate	75,039,651			
Alternative Investments				
Direct Lending	65,674,354			
Hedge Funds	144,336,792			
Infrastructure	34,706,578			
Natural Resources	32,227,016			
Private Equity	180,731,713			
Proxy Fund	4,487,099			
<b>Total Alternative Investments</b>	<b>\$462,163,552</b>			
<b>Total Investments Measured at NAV</b>	<b>\$1,171,280,764</b>			
<b>Total Investments Measured at Fair Value and NAV</b>	<b>\$1,225,032,771</b>			

Investments Measured at the NAV	June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Stock				
Domestic Stock Funds	\$29,765,848	\$ -	Daily	1 Day
Index Funds	256,695,891	-	Daily	1 Day
International Stock Funds	228,678,529	-	Daily	1 Day
Domestic Fixed Income				
Commingled Funds ***	91,709,504	-	Daily	Varies
Limited Partnerships	27,227,789	-	Quarterly	90 Days
Real Estate*	75,039,651	23,656,938	See footnote	See footnote
Alternative Investments				
Direct Lending	65,674,354	82,001,600	N/A	N/A
Hedge Funds**	144,336,792	-	Varies	Varies
Infrastructure	34,706,578	22,848,385	N/A	N/A
Natural Resources	32,227,016	26,001,775	N/A	N/A
Private Equity	180,731,713	81,505,980	N/A	N/A
Proxy Fund	4,487,099	-	Daily	T-2
<b>Total Investments Measured at the NAV</b>	<b>\$1,171,280,764</b>	<b>\$236,014,678</b>		

\*UBS Trumbull Fund redemption is given by a pro rata share of funds available for disbursement. The remaining real estate funds are closed-ended private LP funds.

\*\*The 10 hedge funds that were funded as of June 30, 2025, have varying lockup periods and redemption notice requirements.

\*\*\*The three commingled funds have redemption notice periods from 1 day to 15 days.

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**D. Commission Recapture Policy**

In order to minimize the net cost of trading, MercedCERA encourages its investment managers, on a "best efforts" basis, to execute 25% to 35% of total trades annually through brokers who have a commission recapture program. MercedCERA's policies require investment managers to seek the best price and execution on all trades. This means that commission recapture trades should only be executed when such trades meet this standard. If an investment manager can execute the trade through MercedCERA's commission recapture brokerage firms, while not incurring any incremental commission or market impact costs, then MercedCERA would like the manager to do so. This program should not interfere with or reduce an investment manager's incentive to reduce trading costs.

**E. Real Estate and Alternative Investments**

The balance of the unfunded capital commitments to MercedCERA's real estate and alternative investments as of June 30, 2025 was \$258,157,296 and as of June 30, 2024 was \$236,014,678. Capital invested in private equity partnerships is subject to a relatively high degree of risk as compared to other potential investments, with the assumption that the investor will be rewarded with higher returns for that assumption of risk (i.e., the "risk/return trade-off"). Controlling risk in the private equity portfolio is equally as important as seeking higher returns. MercedCERA controls risk by diversifying the portfolio based on geographic and economic region, liquidity, vintage year, firm, and time.

***Geographic and economic region***, referring to the selection of private equity investments, the portfolio does not favor particular economic or geographic regions. Most likely, the focus is globally oriented.

***Liquidity risk*** is managed by minimizing the possibility of forced sales that may arise from exceeding the maximum exposure limits or lowering asset allocation exposure limits. Exposure through a fund of funds minimizes this risk.

***Vintage year risk*** refers to the variability of private equity commitments over time. A secondary investment that is a vehicle in the special situation subclass allows the portfolio to gain prior year vintage exposure, further minimizing vintage risk.

***Firm risk*** is the amount of exposure to a private equity general partner. The maximum commitment to private equity is 5% to 20% of the total fund. There are no limits on commitments to individual partners or funds.

***Time risk*** refers to the long duration of the investment, which makes it difficult to predict business, economic and managerial developments that may have a significant impact on the value of the investments.

**F. Custodial Credit Risk**

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. MercedCERA does not have a formal policy for custodial credit risk. At June 30, 2025 and 2024, MercedCERA had no investments that were exposed to custodial credit risk.

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G. Credit Risk Concentration

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2025 and 2024, the Association had no single issuer that exceeded 5% of total investments or fiduciary net position. Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds, external investment pools, and other pooled investments are excluded. MercedCERA's investment policy does not allow for an investment in any one issuer that is in excess of 5% of the value of a portfolio, and no single industry (based on North American Industry Classification System (NAICS) codes) can represent more than 15% of the fair value of the investment portfolio. These single security and single industry restrictions do not apply to U.S. government issued or guaranteed investments, investments in mutual funds, external investment pools, and other pooled investments.

H. Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligation as described by nationally recognized statistical rating organizations, rating agencies, as of the date of the financial statements. An investment grade security is defined as a security which has been rated investment grade (BBB or higher) by at least one (but preferably two) of the three nationally recognized rating agencies: Fitch Ratings, Moody's, and S&P Global Ratings. MercedCERA's core fixed income portfolio requires that no more than 5% of an investment manager's fixed income portfolio be invested in below investment grade rated securities (BB or B rated bonds). No security rated below single B may be purchased at any time. Securities that have at least a single B rating, but subsequently fall below single B ratings, shall be sold in an orderly manner. The majority of investments that made up this portfolio, which was managed by Barrow Hanley, were liquidated in November of 2022 and the proceeds were subsequently invested in fixed income funds managed by Wellington, Brandywine, Payden & Rygel, and Vanguard. The remaining Barrow Hanley portfolio, which represents 0.29% of total core fixed income as of June 30, 2025, is illiquid. These investments are being held to maturity by MercedCERA at its custodial bank, Northern Trust.

The table below presents the Moody's credit quality ratings of fixed income securities at June 30, 2025 and 2024:

Quality	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	NR*
Percent of Fixed Income as of June 30, 2025	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.04%	0.04%	99.92%
Percent of Fixed Income as of June 30, 2024	0.00%	0.01%	0.00%	0.00%	0.00%	0.00%	0.07%	0.13%	99.79%

\*NR represents those securities that are not rated and includes (1) FNMA and FHLMC mortgage-backed securities that are not rated by credit rating agencies but are perceived to have an implicit guarantee by the U.S. Government and (2) commingled funds, mutual funds, and limited partnerships. The average weighted credit rating of bonds held in the fixed income funds range between Aa and Baa (i.e., investment grade).

I. Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. MercedCERA's Investment Policy Statement does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, MercedCERA's fixed income funds, except Brandywine, are managed duration neutral to their benchmarks, the Barclays U.S. Aggregate Bond Index and the Barclays US Government 1-3 Year Indices. The average weighted effective duration of MercedCERA's overall fixed income portfolio is 5.51 years as of June 30, 2025.

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As of June 30, 2025 and 2024, the Merced County's pool has a fair value of \$2,247,784,210 and \$2,160,157,150 respectively, and a weighted average maturity of 663 and 612 days, respectively. MercedCERA's cash balance at the county is part of this pool and is invested by the Merced County Treasurer in fixed income assets.

As of June 30, 2025 and 2024, the weighted average maturity of the short-term investment pooled funds with Northern Trust was 36 days and 30 days, respectively.

The following table presents the fair value, weighted percentage of each sector, and the effective duration of MercedCERA's fixed income investments as of June 30, 2025:

Investment Type	Fair Value 2025	Weight of Fixed Income 2025	Modified Duration (years) 2025
U.S. Government Agency Obligations	\$1,660	0.00%	0.52
Commercial Mortgage-Backed Securities	102,428	0.05%	2.27
Asset-Backed Securities	107,297	0.05%	3.10
Commingled Funds	138,451,628	62.53%	6.51
Mutual Funds	52,704,465	23.80%	4.72
Limited Partnerships	29,616,000	13.38%	1.60
Short-Term Investments*	421,527	0.19%	-
Accrued Income*	2,112	0.00%	-
Total Fair Value	\$221,407,117	100.00%	
Portfolio Effective Duration			5.51

\*Beginning fiscal year 2025, MercedCERA fixed income investments include short-term investments and accrued income related to the legacy Barrow Hanley bond holdings.

The following table presents the fair value, weighted percentage of each sector, and the effective duration of MercedCERA's fixed income investments as of June 30, 2024:

Investment Type	Fair Value 2024	Weight of Fixed Income 2024	Modified Duration (years) 2024
U.S. Government Agency Obligations	\$2,008	0.00%	1.67
Commercial Mortgage-Backed Securities	113,595	0.07%	1.15
Asset-Backed Securities	116,833	0.08%	0.05
Commingled Funds	91,709,504	59.02%	7.65
Mutual Funds	36,225,716	23.31%	4.34
Limited Partnerships	27,227,789	17.52%	1.90
Total Fair Value	\$155,395,445	100.00%	
Portfolio Effective Duration			5.86

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J. Foreign Currency

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Assets in international equity portfolios will be primarily composed of foreign ordinary shares and American Depository Receipts (ADR) (including ADR's that are 144A securities). Short- term, high- grade fixed income securities may be purchased as previously stated, similar types of securities denominated in foreign currencies may be purchased, or the fund's custodial sweep account may be employed. International equity portfolios will invest in stocks with market capitalizations consistent with their underlying benchmarks. Emerging market equity portfolios can invest in stock with large, mid, and small market capitalizations. Firms will continually monitor the country, currency, sector, and security selection risks associated with their international and emerging market portfolios. All the risks will be included in the manager's quarterly reports and performance attribution based on these factors. Currency hedging, consistent with the stated derivative policy, is an acceptable investment activity. However, prior to initiating such hedging activities, the firms must adequately demonstrate their capability and expertise in this area to the Board.

The following table represents securities and dividends receivable held in a foreign currency as of June 30, 2025 and 2024:

Currency	Fair Value (U.S. Dollars)	
	2025	2024
Euro	\$20,890,265	\$18,517,152

K. Derivatives

MercedCERA's investment policy permits the use of derivative instruments to minimize the exposure of certain investments to adverse fluctuations in financial and currency markets and enhance yields. The Association does not use derivatives for speculative use or to create leverage. Exposure to risk by use of derivative instruments must be consistent with MercedCERA's overall investment policy as well as an individual manager's specific investment guidelines. Any other derivative investment purpose may be allowed by the explicit authorization of the Board. MercedCERA does not have any derivative instruments as defined by GASB Statement No. 53 as of June 30, 2025 and 2024.

**Note 4 – RESERVES**

As required by the 1937 Act and the Board's policy, the following reserves for Net Position Restricted for Pensions have been established to account for the members', employers', and retirees' contributions. MercedCERA maintains the following reserves at June 30, 2025 and 2024.

A. Active Members' Reserves

These reserves represent the cumulative contributions made by active employees. Additions include member contributions and related earnings. Deductions include refunds of member contributions and, upon retirement, the member contributions plus interest credited to their account are transferred from this reserve to the Retired Members' Reserves.

B. Employer Advance Reserves

These reserves represent the cumulative contributions made by the employers for future retirement payments to current active members. Additions include contributions from the employer and related earnings.

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Deductions include transfers to the Retired Members' Reserve and lump sum death benefits.

C. Retired Members' Reserves

These reserves are established upon the retirement of an employee. Employee contributions plus interest earnings credited to the employee account are transferred from the Active Members' Reserves to the Retired Members' Reserves. In addition, the present value of the actuarially determined pension benefits is also transferred from the Employer Advance Reserves to the Retired Members' Reserves. From these reserves, the Association pays the retiree pension benefits in an amount computed in accordance with the 1937 Act.

D. Interest Fluctuation Reserve

This reserve is used for interest crediting purposes and for holding any funds allocated by the Retirement Board as a reserve for future interest earnings deficiencies. To the extent that net earnings are available, interest is credited to specified reserves. Interest is credited semi-annually according to MercedCERA's interest crediting policy.

E. Fair Value Fluctuation Reserve

The Board established this designation account on June 30, 1997 to track the increase (or decrease) in the fair value of the MercedCERA assets.

F. Contingency Reserve

This reserve is comprised of surplus/excess earnings, up to 1% of the fair value of assets, that are held as a reserve against deficiencies in investment earnings in other years, losses on investments, and other contingencies. As of June 30, 2012, the Contingency Reserve was not funded and all balances were transferred to the Interest Fluctuation Reserve. The Contingency Reserve will be funded and excluded from the fair value of assets only in years when the fair market value of assets exceeds the actuarial accrued liability.

A summary of the various reserve accounts, which comprise fiduciary net position restricted for pensions at June 30, 2025 and 2024, is as follows:

Reserve	2025	2024
Active Members'	\$143,658,369	\$132,722,654
Employer Advance	533,358,474	460,551,169
Retired Members'	154,139,029	194,377,277
Interest Fluctuation	96,314,981	126,669,325
Fair Value Fluctuation	451,230,960	339,432,247
Total Reserves	\$1,378,701,813	\$1,253,752,672

## Note 5 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

MercedCERA engages on an annual basis, an independent actuarial consulting firm, Cheiron, Inc., to conduct its annual actuarial valuation.

### A. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2019 through June 30, 2022. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2025 and the Total Pension Liability as of the valuation date June 30, 2024, using update procedures to roll forward to MercedCERA's fiscal year end of June 30, 2025. There were no significant events between the valuation date and the measurement date, so the roll forward procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The components of the employers' Net Pension Liability were as follows:

	FYE June 30, 2025	FYE June 30, 2024
Total Pension Liability	\$1,651,356,195	\$1,610,209,714
Less: Plan Fiduciary Net Position	1,378,701,813	1,253,752,672
Net Pension Liability	272,654,382	356,457,042
Fiduciary Net Position as a Percentage of the Total Pension Liability	83.49%	77.86%

The Total Pension Liabilities as of June 30, 2025 and June 30, 2024 were determined based on the June 30, 2024 and June 30, 2023 actuarial valuations, rolled forward to June 30, 2025 and June 30, 2024, respectively, using the following actuarial assumptions applied to all periods included in the measurement:

ACTUARIAL VALUATION ASSUMPTIONS		
Valuation Date	June 30, 2024	June 30, 2023
Investment Rate of Return	6.75%	6.75%
Projected Salary Increases	2.75%, plus service-based rates	2.75%, plus service-based rates
Attributed to Inflation	2.50%	2.50%
Cost-of-Living Adjustments	For Tier I, 100% of CPI up to 2.5% annually with banking, assumed to be 2.40% annually	For Tier I, 100% of CPI up to 2.5% annually with banking, assumed to be 2.40% annually

Post-retirement mortality rates for the June 30, 2025 and 2024 valuation date for Healthy General Annuitants was based on the 1.05 times the CalPERS 2021 Healthy Annuitant Mortality Table and, for Healthy Safety Annuitants, 1.05 times the 2010 Public Safety Below Median Mortality Table for Healthy Retirees. Both are projected on a generational basis for mortality improvements from a base year of 2017 using the Society of Actuaries MP- 2020 projection scale.

Merced County Employees' Retirement Association  
Notes to Basic Financial Statements (continued)  
June 30, 2025 and 2024

**B. Long-Term Expected Rate of Return**

Long-term capital market expectations are derived through a process that relies on both quantitative and qualitative methodologies. The first step in the process is to build out ten-year forecasts for each asset class identified using proprietary, valuation-based fundamental models that consider those critical factors driving asset class returns. The ten-year expectations serve as the primary foundation for longer-term, twenty-year expectations. Twenty-year return expectations are formed by combining our ten-year expectations for each asset class with the observed historical returns for each asset class to then infer a forecast of the following ten-year returns (i.e., years 11-20). The final step is a review by the Investment Committee to determine if any qualitative adjustments are necessary. Return assumption at the total Plan level is derived according to the underlying asset class weightings, using nominal rates of return.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2025 and June 30, 2024 are summarized in the table below.

<b>Long-Term Expected Real Rate of Return</b>		
	<b>FYE June 30, 2025</b>	<b>FYE June 30, 2024</b>
US Equity	5.7%	5.7%
Broad International Equity	6.0%	6.1%
Emerging Markets Equity	6.0%	6.1%
Private Equity	8.5%	8.1%
Real Estate	5.8%	5.2%
Domestic Fixed Income	2.6%	2.0%
Opportunistic Credit	4.4%	4.0%
Direct Lending	5.5%	5.6%
Hedge Funds	3.3%	3.0%
Infrastructure	5.3%	5.2%
Natural Resources	6.5%	6.5%
Cash	0.4%	-0.3%

**C. Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75% for June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Merced County Employees' Retirement Association  
Notes to Basic Financial Statements (continued)  
June 30, 2025 and 2024

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

The following table presents the net pension liability of MercedCERA calculated using the discount rate of 6.75% for 2025 and 2024, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower and higher.

	<b>1% Decrease (5.75%)</b>	<b>Current Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
<b>2025 Net Pension Liability</b>	\$470,724,221	\$272,654,382	\$107,445,257
<b>2024 Net Pension Liability</b>	<b>1% Decrease (5.75%)</b>	<b>Current Rate (6.75%)</b>	<b>1% Increase (7.75%)</b>
	\$551,267,916	\$356,457,042	\$194,094,461

**Note 6 – LITIGATION**

MercedCERA has no existing litigation through the fiscal year ended June 30, 2025.

**Note 7 – SUBSEQUENT EVENTS**

MercedCERA has evaluated subsequent events through December 30<sup>th</sup>, 2025, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Merced County Employees' Retirement Association  
Required Supplementary Information

**Schedules of Changes in Net Pension Liability and Related Ratios  
For the Years Ended June 30 (continued on next page)**

<b>Total Pension Liability</b>	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Service Cost (Middle of Year)	\$27,951,921	\$27,359,583	\$27,810,741	\$26,986,609	\$25,786,520
Interest (Includes Interest on Service Cost)	106,324,514	103,412,927	101,154,576	98,777,169	96,764,536
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	6,048,443	9,519,259	(13,472,111)	(1,660,800)	10,336,744
Changes of Assumptions	-	-	11,965,038	-	32,840,818
Benefit Payments, Including Refunds of Member Contributions	(99,178,397)	(95,774,149)	(91,848,548)	(86,808,696)	(83,814,080)
Net Changes in Total Pension Liability	<u>\$41,146,481</u>	<u>\$44,517,620</u>	<u>\$35,609,696</u>	<u>\$37,294,282</u>	<u>\$81,914,538</u>
Total Pension Liability—Beginning	1,610,209,714	1,565,692,094	1,530,082,398	1,492,788,116	1,410,873,578
Total Pension Liability—Ending	<u>\$1,651,356,195</u>	<u>\$1,610,209,714</u>	<u>\$1,565,692,094</u>	<u>\$1,530,082,398</u>	<u>\$1,492,788,116</u>
<b>Fiduciary net position</b>					
Contributions—Members	\$13,943,864	\$13,403,198	\$13,445,557	\$12,124,583	\$11,895,243
Contributions—Employers	74,195,843	69,632,270	68,648,166	65,629,994	64,512,161
Net Investment Income (Loss)	139,250,411	134,248,001	83,417,442	(87,115,891)	253,466,527
Benefit Payments, Including Refunds of Member Contributions	(99,178,397)	(95,774,149)	(91,848,548)	(86,808,696)	(83,814,080)
Administrative Expense	(3,262,580)	(2,838,033)	(3,021,977)	(2,643,089)	(2,621,079)
Net Change in Fiduciary Net Position	<u>\$124,949,141</u>	<u>\$118,671,287</u>	<u>\$70,640,640</u>	<u>(\$98,813,099)</u>	<u>\$243,438,772</u>
Fiduciary Net Position—Beginning	1,253,752,672	1,135,081,385	1,064,440,745	1,163,253,844	919,815,072
Fiduciary Net Position—Ending	<u>\$1,378,701,813</u>	<u>\$1,253,752,672</u>	<u>\$1,135,081,385</u>	<u>\$1,064,440,745</u>	<u>\$1,163,253,844</u>
Net Pension Liability—Ending	<u>\$272,654,382</u>	<u>\$356,457,042</u>	<u>\$430,610,709</u>	<u>\$465,641,653</u>	<u>\$329,534,272</u>
Fiduciary Net Position as a Percentage of the Total Pension Liability	83.49%	77.86%	72.50%	69.57%	77.92%
Covered Payroll	\$160,881,341	\$153,177,954	\$150,390,441	\$142,704,679	\$137,234,030
Net Pension Liability as a Percentage of Covered Payroll	169.48%	232.71%	286.33%	326.30%	240.13%

Information for this table was provided by Cheiron, Inc.

Merced County Employees' Retirement Association  
Required Supplementary Information

<b>Schedules of Changes in Net Pension Liability and Related Ratios For the Years Ended June 30 (continued)</b>					
<b>Total Pension Liability</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Service Cost (Middle of Year)	\$26,267,588	\$22,794,246	\$22,172,594	\$19,512,609	\$19,384,855
Interest (Includes Interest on Service Cost)	93,583,425	92,452,056	89,402,353	88,982,290	86,323,551
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	7,534,677	1,249,075	2,914,187	(8,886,191)	(5,488,413)
Changes of Assumptions	20,714,915	-	15,960,129	36,908,183	-
Benefit Payments, Including Refunds of Member Contributions	(79,665,662)	(74,810,675)	(70,720,210)	(66,904,315)	(65,082,403)
Net Changes in Total Pension Liability	\$68,434,943	\$41,684,702	\$59,729,053	\$69,612,576	\$35,137,590
<b>Total Pension Liability—Beginning</b>	<b>1,342,438,635</b>	<b>1,300,753,933</b>	<b>1,241,024,880</b>	<b>1,171,412,304</b>	<b>1,136,274,714</b>
<b>Total Pension Liability—Ending</b>	<b>\$1,410,873,578</b>	<b>\$1,342,438,635</b>	<b>\$1,300,753,933</b>	<b>\$1,241,024,880</b>	<b>\$1,171,412,304</b>
<b>Fiduciary net position</b>					
Contributions—Members	\$10,796,855	\$10,695,680	\$10,441,876	\$9,384,621	\$9,042,663
Contributions—Employers	67,413,475	66,586,464	64,757,288	60,349,189	56,617,088
Net Investment Income (loss)	57,232,016	39,728,950	70,689,084	83,097,416	(388,209)
Benefit Payments, Including Refunds of Member Contributions	(79,665,662)	(74,810,675)	(70,720,210)	(66,904,315)	(65,082,403)
Administrative Expense	(2,464,896)	(2,351,105)	(2,283,396)	(2,173,407)	(2,492,684)
Net Change in Fiduciary Net Position	\$53,311,788	\$39,849,314	\$72,884,642	\$83,753,504	\$(2,303,545)
<b>Fiduciary Net Position—Beginning</b>	<b>866,503,284</b>	<b>826,653,970</b>	<b>753,769,328</b>	<b>670,015,824</b>	<b>672,319,369</b>
<b>Fiduciary Net Position—Ending</b>	<b>\$919,815,072</b>	<b>\$866,503,284</b>	<b>\$826,653,970</b>	<b>\$753,769,328</b>	<b>\$670,015,824</b>
<b>Net Pension Liability—Ending</b>	<b>\$491,058,506</b>	<b>\$475,935,351</b>	<b>\$474,099,963</b>	<b>\$487,255,552</b>	<b>\$501,396,480</b>
Fiduciary Net Position as a Percentage of the Total Pension Liability	65.19%	64.55%	63.55%	60.74%	57.19%
<b>Covered Payroll</b>	<b>\$135,618,404</b>	<b>\$131,365,778</b>	<b>\$126,705,902</b>	<b>\$119,621,964</b>	<b>\$114,397,644</b>
Net Pension Liability as a Percentage of Covered Payroll	362.09%	362.30%	374.17%	407.33%	438.29%
<i>Information for this table was provided by Cheiron, Inc.</i>					

Merced County Employees' Retirement Association  
Required Supplementary Information

Schedules of Employer Contributions

The schedules of employer contributions show whether the employer has made contributions that are consistent with an actuarial method of funding the benefits to be provided consistent with the parameters established by GASB Statement No. 67.

<b>Schedules of Employer Contributions</b> <b>Last 10 Fiscal Years Ended June 30</b> <b>Dollar Amounts in Thousands</b>					
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>
Actuarially Determined Contribution	\$74,196	\$69,632	\$68,648	\$65,630	\$64,512
Contributions in Relation to the Actuarially Determined Contribution	74,196	69,632	68,648	65,630	64,512
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$160,881	\$153,178	\$150,390	\$142,705	137,234
Contributions as a Percentage of Covered Payroll	46.12%	45.46%	45.65%	45.99%	47.01%
	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Actuarially Determined Contribution	\$67,413	\$66,586	\$64,757	\$60,349	\$56,617
Contributions in Relation to the Actuarially Determined Contribution	\$67,413	66,586	64,757	60,349	56,617
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$135,618	\$131,366	\$126,706	\$119,622	\$114,398
Contributions as a Percentage of Covered Payroll	49.71%	50.69%	51.11%	50.45%	49.49%

Schedules of Investment Returns

The money-weighted rate of return is equivalent to the internal rate of return (IRR). Money-weighted rate of return incorporates the size and timing of cash flows.

<b>Schedules of Investment Returns</b> <b>Fiscal Years ended June 30</b>										
	<b>2025</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Annual money-weighted rate of return, net of investment expense	10.8%	12.1%	7.8%	-6.9%	26.9%	6.6%	5.5%	10.1%	9.5%	-0.3%

# Merced County Employees' Retirement Association

## Notes to Required Supplementary Information

### Note 1 – CHANGES OF BENEFIT TERMS

There were no changes in benefit terms for the fiscal year ended June 30, 2025 and 2024.

### Note 2 – CHANGES OF ASSUMPTIONS AND METHODS

Changes to assumptions were adopted by the Board at their September 23, 2021 meeting. The actuarial assumed rate of return was updated to 6.75%.

### Note 3 – METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARILY DETERMINED CONTRIBUTIONS

#### Actuarial Valuation Methods and Assumptions

	2025	2024	2023	2022	2021
Valuation Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Effective Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry Age Normal				
Asset Valuation Method	Fair Value				
Amortization Years Remaining*	24	24	24	24	24
Discount Rate	6.75%	6.75%	6.75%	7.00%	7.00%
Price Inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases**	2.75%	2.75%	2.75%	2.75%	2.75%
Cost-of-Living Adjustments	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality***	See Notes				
	2020	2019	2018	2017	2016
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Effective Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial Cost Method	Entry Age Normal				
Asset Valuation Method	Fair Value				
Amortization Years Remaining*	24	24	24	24	24
Discount Rate	7.25%	7.25%	7.25%	7.75%	7.75%
Price Inflation	2.50%	2.50%	2.50%	3.00%	3.00%
Salary Increases**	2.75%	2.75%	2.75%	3.00%	3.00%
Cost-of-Living Adjustments	2.50%	2.50%	2.50%	2.60%	2.60%
Mortality***	See Notes				

\* Closed Period as a level percentage of payroll method used for all years shown.

\*\* Includes merit component based on years of service.

\*\*\* As of 2022 valuation, CalPERS 2017 with future improvements applying SOA MP-2020 projection from base year of 2010. CalPERS 2009 with future improvements applying SOA MP-2019 projections from base year of 2010 for 2016 to 2021. Basis Gender distinct RP-2000 Combined Mortality used for all valuation years shown prior to 2016.

Merced County Employees' Retirement Association  
Other Supplemental Schedules

**Schedules of Administrative Expenses**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
<b>Personnel Services:</b>		
Salaries, Wages and Benefits	\$1,451,251	\$1,284,225
<b>Office Expenses:</b>		
Communications	11,787	9,066
Requested Maintenance / Utilities / Cost Allocation	148,391	87,360
Office Supplies	23,655	19,042
Postage	41,510	25,561
Total Office Expenses	225,343	141,029
<b>Professional Services:</b>		
Audit Fees	52,049	49,000
Attorney Fees	379,778	353,028
Publications / Legal Notices / Other	4,093	5,206
Software, Technology, and Information Services	599,166	490,107
Total Professional Services	1,035,086	897,341
<b>Miscellaneous Expenses:</b>		
Memberships	5,065	6,415
Board Election Expenses	-	5,541
Fiduciary Meeting	8,397	5,130
Fiduciary and Staff Travel / Training	42,312	41,143
Insurance	109,240	101,995
Depreciation Expense	304,476	270,477
Total Miscellaneous Expenses	469,490	430,701
<b>Total Administrative Expenses</b>	<b>\$3,181,170</b>	<b>\$2,753,296</b>

Merced County Employees' Retirement Association  
Other Supplemental Schedules (continued)

**Schedules of Investment Expenses  
For the Fiscal Years Ended June 30, 2025 and 2024**

<b>Investment Managers' Fees</b>	<b>2025</b>	<b>2024</b>
Domestic Equities		
Total Domestic Equities	\$304,668	\$175,329
International Equities		
Total International Equities	336,758	116,818
Alternative Investments		
Total Alternative Investments	3,323,600	276,121
Real Estate		
Total Real Estate	1,011,525	153,976
Fixed Income		
Total Fixed Income	176,076	67,537
<b>Total Investment Managers' Fees</b>	<b>\$5,152,627</b>	<b>\$789,781</b>
<hr/>		
<b>Other Investment Expenses</b>		
Custodian	264,873	77,116
Investment Counsel	75,782	72,780
Investment Consultant	1,075,368	495,350
Miscellaneous Investment Expense	2,110,164	963,036
<b>Total other Investment Expenses</b>	<b>3,526,187</b>	<b>1,608,282</b>
<b>Total Fees and Other Investment Expenses</b>	<b>\$8,678,814</b>	<b>\$2,398,063</b>

In Fiscal Year 2025, MercedCERA began recording management fees that are included as part of private investment capital call notices. Previously, the total net amount of the notice was booked as a call of capital without separating out the portion of the capital call representing management fees and other investment expenses.

Merced County Employees' Retirement Association  
 Other Supplemental Schedules (continued)

**Schedules of Payments to Consultants  
 For the Fiscal Years Ended June 30, 2025 and 2024**

	<b>2025</b>	<b>2024</b>
Investment Professional Service Fees		
Custodial Services - Northern Trust, BNY Mellon*	\$264,873	\$77,116
Investment Consultant – Meketa Investment Group, Cliffwater LLC	1,075,368	495,350
Investment Counsel - Nossaman, LLP	75,782	72,780
Actuarial Services - Cheiron, Inc. and Segal Consulting	81,410	84,737
Total Investment Professional Service Fees	\$1,497,433	\$729,983
Administrative Professional Service Fees		
Audit Services – UHY LLP	\$52,049	\$49,000
Legal Services	379,778	353,028
Other Specialized Services	4,093	5,206
Software and Information Systems	599,166	490,107
Total Administrative Professional Service Fees	\$1,035,086	\$897,341

\*MercedCERA continues to receive investment class action services from BNY Mellon.

Merced County Employees' Retirement Association  
Other Information

**Schedule of Cost Sharing Employer Allocations  
For the Fiscal Year Ended June 30, 2025**

<b>Employer</b>	<b>2024-2025 Amortization Share of Pensionable Payroll</b>	<b>Employer Proportionate Share Percentage</b>
County of Merced	\$52,535,802	94.4564%
Merced Superior Court	3,033,090	5.4533%
Merced Cemetery District	19,939	0.0358%
Merced County Law Library	30,286	0.0545%
<b>Total</b>	<b>\$55,619,117</b>	<b>100.0000%</b>

The accompanying notes are an integral part of this schedule.

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2025

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan						
As of and for the Fiscal Year Ended June 30, 2025 (continued on next page)						
Deferred Outflows of Resources						
Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Net Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
County of Merced	\$ 257,539,447	\$ 6,805,943	\$ -	\$ 2,825,434	\$ 76,521	\$ 9,707,898
Merced Superior Court	14,868,724	392,933	-	163,123	278,750	834,806
Merced Cemetery District	97,744	2,583	-	1,072	-	3,655
Merced County Law Library	148,467	3,924	-	1,629	104,079	109,632
<b>Total</b>	<b>\$ 272,654,382</b>	<b>\$ 7,205,383</b>	<b>\$ -</b>	<b>\$ 2,991,258</b>	<b>\$ 459,350</b>	<b>\$ 10,655,991</b>

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2025. The accompanying notes are an integral part of this schedule.

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan						
As of and for the Fiscal Year Ended June 30, 2025						
Deferred Inflows of Resources						
Employer	Differences Between Expected and Actual Experience	Net Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		Total Deferred Inflow of Resources
County of Merced	\$ 3,181,316	\$ 47,901,759	\$ -	\$ 300,937	\$ 51,384,012	
Merced Superior Court	183,669	2,765,549	-	140,455	\$ 3,089,673	
Merced Cemetery District	1,207	18,180	-	8,783	\$ 28,170	
Merced County Law Library	1,834	27,615	-	9,176	\$ 38,625	
<b>Total</b>	<b>\$ 3,368,026</b>	<b>\$ 50,713,103</b>	<b>\$ -</b>	<b>\$ 459,351</b>	<b>\$ 54,540,480</b>	

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan (continued)			
As of and for the Fiscal Year Ended June 30, 2025			
Pension Expense Excluding that attributable to Employer-Paid Member Contributions			
Proportionate Share of Allocable Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions	
\$ 13,182,571	\$ (412,682)	\$ 12,769,889	
761,080	357,165	\$ 1,118,245	
5,003	(5,543)	\$ (540)	
7,600	61,060	\$ 68,660	
<b>\$ 13,956,254</b>	<b>\$ -</b>	<b>\$ 13,956,254</b>	

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2025. The accompanying notes are an integral part of this schedule.

# Merced County Employees' Retirement Association

## Notes to Other Information

### **A. Basis of Presentation and Basis of Accounting**

Employers participating in MercedCERA are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*.

MercedCERA's actuary prepares the GASB Statement No. 67 and No. 68 Actuarial Valuation based on the June 30, 2025 measurement date for Employer Reporting as of June 30, 2026, in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations based on information provided by MercedCERA. This document provides the required information for financial reporting related to MercedCERA that employers may use in their financial statements.

### **B. Use of Estimates in the Preparation of These Schedules**

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

### **C. Amortization of Deferred Outflows and Deferred Inflows of Resources**

The net difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense/(credit) during the measurement period and the remaining net difference between projected and actual investment earnings on pension plan investments at June 30, 2025 is to be amortized over the remaining amortization periods.

The difference between expected and actual experience, changes in proportion, and the difference between employer contributions and proportionate share of contributions are amortized over the average of the expected remaining service lives of all employees that are provided with pensions through the plan determined as of the beginning of the related measurement period. Employers are required to recognize pension expense based on the balance of the closed period "layers" attributable to each measurement period. The average expected remaining service lives determined as of the beginning of each measurement period are described below:

Average Expected Remaining Service Lives, Year Ended June 30 (In years)									
2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
3	3	4	4	4	4	4	4	4	4

The Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan do not include contributions to the plan subsequent to the measurement date as defined in GASB Statement No. 68 Paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

# Investment Section

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# Merced County Employees' Retirement Association Investment Consultant's Report



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## MEMORANDUM

TO: MercedCERA Board and Staff (MercedCERA)  
FROM: Mika Malone, David Sancewich, Inwoo Hwang (Meketa Investment Group)  
DATE: November 25, 2025  
RE: Letter from Investment Consultant

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This letter reviews the investment performance of the Merced County Employees' Retirement Association (MercedCERA) for the fiscal year ending June 30, 2025.

MercedCERA's stated mission is to provide benefits to its members, to manage assets prudently in accordance with plan provisions and to provide competent and efficient services to our members. Meketa Investment Group, MercedCERA's general consultant, works in concert with Cliffwater, MercedCERA's alternative investments consultant, to provide guidance to the Board (the Association's fiduciary), and assist the Board with performance evaluation, asset allocation, manager selection, and other industry best practices.

Rates of return are represented using a time-weighted rate of return methodology based upon market values.

### Fiscal 2025 Year in Review

At the beginning of Fiscal Year 2025, the global economy was characterized by stubborn inflation and steady growth. Global growth was projected at 3.2%<sup>1</sup> for 2024, and 3.3% in 2025, roughly in line with previous forecasts. Inflation in global services-oriented sectors was elevated and keeping inflation levels above the tolerance levels for many central banks, especially in developed markets, delaying anticipated interest rate cuts.

#### Quarter ended September 30, 2024

As the first quarter of fiscal 2025 began, markets were guided by the continued themes of inflation trends and economic growth projections across key regions. In the Eurozone, inflation had unexpectedly increased to 2.6% in July, from 2.5%<sup>2</sup> in June, driven by rising energy costs, while Japan's inflation remained steady at 2.8%, prompting the Bank of Japan to raise the policy rate to 0.25% after decades of near-zero rates. China's central bank had implemented another round of interest rate cuts, aiming to support the economy amid a modest inflation recovery to 0.5% in July. In the US, inflation continued to decline, with year-over-year headline inflation falling to 2.9% in July, although shelter and services costs remained a significant contributor to monthly price increases.

Global economic growth was projected to remain stable, and most major economies were expected to avoid a recession. However, key economic data in the US had weakened, leading markets to anticipate multiple rate cuts by the Federal Reserve in response to improving inflation data and signs of economic weakness. This divergence in monetary policy among central banks, with some reducing rates and others raising them, was likely to influence capital flows and currency movements in the coming months.

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Return, inflation and treasury rate data from Bloomberg unless otherwise indicated.

<sup>1</sup> Source: International Monetary Fund <https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~:text=Global%20growth%20yearly%20unchanged%20and%203.3%20percent%20in%202025>.

<sup>2</sup> Source: International Monetary Fund <https://www.imf.org/en/Publications/WEO/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~:text=Global%20growth%20yearly%20unchanged%20and%203.3%20percent%20in%202025>.

# Merced County Employees' Retirement Association Investment Consultant's Report (Continued)



November 25, 2025

In the first fiscal quarter of 2024, the US equity markets, represented by the Russell 3000 Index, rose by 6.2%. This increase was driven by a broadening rally that included strong performance in value and small cap stocks, reversing the earlier trend of narrow leadership by large cap growth stocks. The technology sector continued to perform well, contributing to the overall gains in the US equity markets.

Non-US developed equity markets, as measured by the MSCI EAFE Index, increased by 7.3% in the first quarter, with Japanese equities hitting multi-decade highs, which significantly contributed to the overall performance. In a reversal of earlier trends, the weakening US dollar in first fiscal quarter had a beneficial impact on returns for US investors, as the local currency version of the index (MSCI EAFE Local) returned just 0.8%. Emerging markets equities, represented by the MSCI Emerging Markets Index, posted a return of 8.7% in the first fiscal quarter, outperforming developed market stocks. Within emerging markets, China (MSCI China) saw a significant rally of 23.5% for the quarter, driven by a substantial policy stimulus package aimed at supporting equity prices and reducing bank reserve requirements.

The broad US bond market, represented by the Bloomberg Aggregate Index, returned 5.2% in the first quarter, benefiting from expectations of additional policy rate cuts as inflation pressures receded and the economy showed signs of possible slowing. High yield bonds, as measured by the Bloomberg High Yield Index, were up 5.3% due to strong risk appetite and attractive yields.

## Quarter ended December 31, 2024

At the start of the second fiscal quarter of 2025, the global economy was characterized by mixed outcomes influenced by various geopolitical and economic factors. The US election played a significant role, with markets reacting to the incoming Trump administration's proposed policies, which included tariffs, tax cuts, and deportations, raising concerns about future inflationary pressures and economic stability. Despite these concerns, US equities experienced a post-election rally driven by optimism over potential policy benefits, such as deregulation.

Even with the market focused on economic impacts from the incoming US administration's policies, the Federal Reserve cut its policy rate by 0.25% in December, but its Summary of Economic Projections and hawkish comments provoked a repricing of future rate cuts and their timing. That said, unemployment remained low and economic growth showed resilience throughout the quarter. Internationally, non-US markets faced challenges, with economic growth slowing in Europe and China, partly due to trade tensions and a strong US dollar. Overall, the quarter highlighted significant divergence between US and international markets, driven by varying economic policies and geopolitical uncertainties.

In the second fiscal quarter, global equity and bond markets exhibited varied performance. US equity markets, represented by the Russell 3000 Index, rose by 2.6%, driven by a post-election rally and strong performance in the technology sector. Non-US developed equity markets, as measured by the MSCI EAFE, declined by 8.1%, impacted by a strong US dollar and concerns over trade wars and slowing growth in Europe. Emerging markets equities, tracked by the MSCI Emerging Markets, fell by 8.0%, with China (MSCI China) declining by 7.7% due to slowing economic growth, property sector issues, and discouragement of US investments.

In the fixed income market, the broad US bond market (Bloomberg Aggregate) returned -3.1% due to higher inflation and rising interest rates. Conversely, High Yield bonds (Bloomberg High Yield) were up 0.2%, reflecting a continued strong risk appetite and attractive yields.



November 25, 2025

#### Quarter ended March 31, 2025

At the start of the third fiscal quarter of 2025, the global economy was influenced by various geopolitical and economic factors. Uncertainty surrounding US administration tariffs, economic policies, and inflationary pressures shaped market sentiment. In the US, domestic equities sold off during the first quarter, with the Russell 3000 Index declining by 4.7%. Growth stocks underperformed value stocks, while small-cap stocks trailed large-cap stocks. Defensive sectors outperformed, reflecting cautious investor sentiment.

Internationally, non-US developed market stocks, as measured by the MSCI EAFE, rose by 6.9%, bolstered by rate cuts from the European Central Bank, planned increases in EU defense spending, and a weakening US dollar. Emerging market equities, tracked by the MSCI Emerging Markets Index, returned 2.9%, with notable gains in Chinese equities (+15.0%), driven by enthusiasm around DeepSeek AI and stimulus measures introduced by the Chinese government. Divergence in the returns among various asset class displayed the benefits of a diversified portfolio after a long stretch of US Large Cap Equity dominance.

In the fixed income market, most segments posted positive returns. The broad US bond market (Bloomberg Aggregate) gained 2.8%, supported by a declining rate environment. Long-term Treasuries were the best performers, with the Bloomberg Long US Treasury index returning 4.7%, while high yield bonds, as represented by the Bloomberg High Yield index, posted modest gains (+1.0%) due to prevailing economic uncertainties. Bond and equity volatility increased during the quarter amidst policy and trade uncertainties, with the US Volatility Index (VIX) finishing above its long-run average.

#### Quarter ended June 30, 2025

At the close of the final fiscal quarter of 2025, the global economy exhibited mixed outcomes, influenced by trade news, fiscal concerns, inflationary pressures, and improving risk sentiment across asset classes. In early April, President Trump unveiled the Liberation Day tariffs, which sent shock waves throughout global markets, before announcing a 90-day pause a week later.

In the US, equity markets posted strong returns during the quarter, with the Russell 3000 Index gaining 11.0%, driven by stabilizing tariff concerns, robust corporate earnings, and a resilient US economy. Growth stocks significantly outperformed value stocks, particularly in the large-cap segment (Russell 1000 Growth: +17.8% vs. Russell 1000 Value: +3.8%), bolstered by gains in AI-related mega-cap technology companies. Small-cap stocks (Russell 2000) also performed well, rising 8.5%, though they trailed large-cap stocks.

In the fixed income market, most segments posted positive returns, with the Bloomberg Aggregate gaining 1.2%, supported by stable or declining Treasury yields. Longer duration Treasuries underperformed (Bloomberg Long US Government: -1.5%) due to fiscal concerns driving yields higher along the 30-year curve. Inflation-related risks contributed to gains in Treasury Inflation-Protected Securities (TIPS), with the Bloomberg TIPS index gaining 0.5%.

In summary, the quarter underscored the benefits of diversification across asset classes, with varying performance driven by fiscal and inflationary dynamics alongside improving risk sentiment.

# Merced County Employees' Retirement Association Investment Consultant's Report (Continued)



November 25, 2025

## Summary

The table below highlights the full fiscal year returns for various benchmarks referenced in this review:

Index	1-Year Return As of June 30, 2025 (%)
S&P 500	15.2
Russell 3000	15.3
MSCI EAFE	17.7
MSCI EAFE (Local)	8.0
MSCI EM	15.3
MSCI China	33.8
Bloomberg Aggregate	6.1
Bloomberg TIPS	5.8
Barclays High Yield	10.3
Bloomberg Long US Government	1.6

Overall, in fiscal 2025, global economies experienced varied growth and inflation trends. The US saw an annual GDP growth of 2.0% for the full fiscal year, using the advance estimate of economic growth from the Bureau of Economic Analysis. Inflation in the US moderated to 2.7% by June, and the Fed Funds rate declined from a range of 5.25-5.50% to start the fiscal year down to 4.25-4.50% by year end. Eurozone's GDP grew by 1.4%<sup>3</sup> in fiscal 2025, with inflation stabilizing at 2.0% for the year. Japan's economy expanded by 0.8% in fiscal 2025 (preliminary), with an annual inflation rate of 3.3%, and was the only major economy to raise rates during the year. China's official government numbers showed it grew GDP by 5.2%<sup>4</sup>, supported by resilient exports and government stimulus, though inflation remained low at 0.1% for the full fiscal year.

Unemployment rates also varied across these regions. In the US, the unemployment rate was 4.1%<sup>5</sup> in June 2025, reflecting a slight decrease from a year ago. The Eurozone's unemployment rate remained relatively stable, ending at 6.3%.<sup>6</sup> Japan's unemployment rate was low, at approximately 2.5%<sup>7</sup>, down from 2.7% at the start of the fiscal year, supported by steady job creation. In China, the unemployment rate hovered around 5.0%<sup>8</sup>, with government policies aimed at maintaining employment stability.

<sup>3</sup> Source: Eurostat.

<sup>4</sup> Source: National Bureau of Statistics of China via Bloomberg.

<sup>5</sup> Source: FRED and BLS. Data is as of June 30, 2025.

<sup>6</sup> Source: Eurostat.

<sup>7</sup> Ministry of Internal Affairs and Communications via Bloomberg.

<sup>8</sup> National Bureau of Statistics of China via Bloomberg.

# Merced County Employees' Retirement Association Investment Consultant's Report (Continued)



November 25, 2025

## Fiscal Year 2026 Outlook

Fiscal year 2026 is poised to be a pivotal one, potentially marked by significant economic, political, and social developments. There are several areas that could guide markets, both positively and negatively. These include:

→ Trump Administration Policies

- The Trump Administration, so far, has increased immigration enforcement, tariffs, and the passage of the fiscal spending and tax legislation known as the "One Big Beautiful Bill". While headlines and economists have opined on how these policies may affect the market and economy, limited impacts have flowed through to hard data so far.
- President Trump's tariff announcements, specifically on "Liberation Day" caused material market volatility. While some partial trade deals have been made, agreements with most trading partners are still up in the air, keeping uncertainty in place in the global economy. Uncertainty can delay business investment, depressing spending. While tariffs on imports from countries like China, Mexico, Canada, and the European Union aim to protect US industries and generate federal revenue, they could lead to domestic inflation by increasing the prices of imported goods, though the extent of this impact depends on the final breadth, height, and duration of the tariffs, as well as potential mitigating actions by companies and countries.<sup>9</sup>
- The One Big Beautiful Bill Act was signed into law by President Trump on July 4, 2025. This comprehensive legislation includes significant tax cuts, adjustments to federal spending, and an increase in the statutory debt limit. Major impacts include reductions in Medicaid and Affordable Care Act coverage, changes to student loan repayment options, and substantial funding for rural health programs.
- Stricter immigration policies could reduce the labor force, leading to wage inflation and potential negative effects on economic growth and investment, especially as the US population ages and the share of seniors increases.<sup>10</sup>

→ Federal Reserve Policy Dynamics

- The Federal Reserve faces a challenging year in fiscal 2026, dealing with inflation levels above its target and uncertainties related to the Trump administration's economic policies.<sup>11</sup>
- The most recent Summary of Economic Projections (SEP) from March 2025 shows a slight downward revision in GDP growth estimates compared to the previous SEP from December 2024. The median GDP growth projection for 2025 was adjusted from 2.1% to 1.7%.<sup>12</sup>
- The SEP from March 2025 also indicates a slight upward revision in inflation expectations compared to the previous SEP from December 2024. The median projection for the Personal Consumption Expenditures (PCE) inflation rate for 2025 was adjusted from 2.2% to 2.4%, while the core PCE inflation rate, which excludes food and energy prices, was revised from 2.1% to 2.3% for 2025.<sup>12</sup>

<sup>9</sup> Source: Bureau of Economic Analysis national accounts data as of December 2023.

<sup>10</sup> Source: FRED as of November 2024. Between 2007 and November 2024 the number of employed workers rose from 137.6 million to 159.3 million.

<sup>11</sup> Source: <https://www.federalreserve.gov/monetarypolicy/fomcprojtab20250319.htm>.



November 25, 2025

→ US Equities and Market Concentration

- In fiscal 2026, US equities are likely to be focused on concentration risk and elevated valuations, with a few select large-cap stocks, known as the "Magnificent 7," driving much of the market gain.
- As of June 30, 2025, the Magnificent 7 accounted for 32.3% of the total market capitalization of the S&P 500. This is down from 32.5% on June 30, 2024.<sup>12</sup>
- Overall, since President Trump's election, consumer staples, materials and utilities have performed well. The outperformance of utilities is often credited to the massive energy needs of the expanding artificial intelligence businesses. Performance of these sectors, at the expense of Information Technology and Telecommunications, show that at least in calendar 2025, positive performance is broadening out versus just the Magnificent 7 companies.
- Valuations remain elevated, with price-to-earnings ratios well above historic averages as of the end of fiscal 2025, reflecting optimism about earnings growth and economic resilience, but also increasing vulnerability to macroeconomic shocks and earnings disappointments.

→ Global Economic Growth

- According to the International Monetary Fund's (IMF) April annual report, global growth in 2025 was downgraded from 3.3% to 2.8%, 0.5% lower than 2024. For 2026, the IMF estimate of global growth declined from 3.3% to 3.0%. Concerns related to trade policy, including tariffs, and their impact on growth drove the reduction.<sup>13</sup>
- Growth forecast in the US saw one of the larger declines for calendar 2025 (2.7% to 1.8%). The IMF cited trade war escalation, persistent inflation, and a possible slowdown in consumption as reasons for the decline.<sup>14</sup>
- China's growth forecast was also substantially lowered for this year (4.6% to 4.0%) versus the projection from January. Key reasons behind the downgrade include weaker external demand from trade tensions, continued property sector struggles, policy uncertainty and continued demographic pressures.<sup>15</sup>
- Growth in the EU is projected to only be slightly lower (1.0% to 0.8%) in 2025.<sup>15</sup>

<sup>12</sup> Source: Bloomberg.

<sup>13</sup> Source: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>.

<sup>14</sup> Source: Bloomberg.

# Merced County Employees' Retirement Association Investment Consultant's Report (Continued)



November 25, 2025

## **MercedCERA Fiscal Year 2025 Performance**

The MCERA portfolio posted an 11.3% return on a net of fees basis for the fiscal year ended June 30, 2025, which mirrored the policy index. Emerging Markets Equity equity was the strongest performer on both an absolute (23.4%), and relative to benchmark (8.1%) basis. The Private Equity segment of the portfolio was a key detractor from performance, due to the poor relative performance over the period when compared to public equities as a benchmark (-3.4%).

US Equities returned 15.0%, trailing their benchmark by 30 bps. International Equity returned 18.1%, versus the benchmark return of 17.4%. The US Fixed Income sleeve posted a 6.5% return in the trailing year, outpacing its benchmark return of 6.0%. Opportunistic credit returned 9.0% outperforming its benchmark return of 7.5%. The Real Estate sleeve returned 7.1%, compared to its benchmark return of 2.0%. Private Equity returned 6.8%, compared to its benchmark return of 10.2%. Direct Lending returned 9.7%, compared to the benchmark return of 9.4%. Hedge funds returned 6.6%, versus the benchmark return of 7.0%. Real Assets returned 14.9% compared to the benchmark return of 13.9%.

From a longer-term perspective, the fund returned 10.2% for the trailing three years and 9.5% over the trailing five years. The portfolio trailed the benchmarks by 0.3% and 1.3% over the trailing three-and five-year periods, respectively.

# Merced County Employees' Retirement Association Investment Consultant's Report (Continued)



November 25, 2025

## Investment Results

Periods Ended June 30, 2025	Annualized Returns (%)		
	One Year	Three Years	Five Years
US Equity (net)	15.0	18.3	15.0
Russell 3000	15.3	19.1	16.0
International Equity (net)	18.1	15.4	9.8
International Equity Custom	17.4	13.9	9.9
US Fixed Income (net)	6.5	2.3	-0.9
US Fixed Income Custom Benchmark	6.0	2.7	-0.5
Opportunistic Credit (net)	9.0	9.2	7.2
50% Barclays US Aggregate / 25% Barclays US High Yield / 25% Credit Suisse Leveraged Loans	7.5	6.1	3.0
Real Estate (net & Private Real Estate 1-quarter lagged)	7.1	1.1	4.0
Custom Blended Real Estate Benchmark	2.0	-4.3	2.9
Private Equity (net & 1-quarter lagged)	6.8	5.5	18.1
Custom Blended Private Equity Benchmark	10.2	10.4	19.5
Direct Lending (net & 1-quarter lagged)	9.7	9.3	10.2
S&P LTSA Leverage Loan Index + 2%	9.4	11.9	9.6
Hedge Funds (net)	6.6	6.9	7.9
Custom Blended Hedge Fund Benchmark	7.0	6.5	6.2
Real Assets (net & certain managers 1-quarter lagged)	14.9	12.8	14.5
Custom Blended Real Assets Benchmark	13.9	9.2	10.2
<b>Total Fund (net)</b>	<b>11.3</b>	<b>10.2</b>	<b>9.5</b>
Policy Index	11.3	10.5	10.2
Rank	23	25	34

MM/DS/IH/mn

<b>Total Fund Returns (Gross of Fees) vs. Peer Universe</b> <b>Period Ended June 30, 2025</b>								
	<b>Fiscal YTD</b>	<b>1 yr</b>	<b>3 yrs</b>	<b>5 yrs</b>	<b>7 yrs</b>	<b>10 yrs</b>	<b>Inception Return</b>	<b>Since</b>
Total Fund	6.8%	11.6%	10.6%	9.9%	8.8%	8.4%	8.3%	12/31/1994
Fund Benchmark	6.4%	11.3%	10.5%	10.2%	8.4%	8.2%	6.6%	12/31/1994
IF Public Defined Benefit Gross Rank	34	20	22	26	8	12	31	12/31/1994
IF Public Defined Benefit Gross Median	6.4%	10.5%	9.5%	9.1%	7.7%	7.4%	8.1%	12/31/1994

### **Outline of Investment Policies**

The Board of Retirement (Board) has exclusive control of all investments of the Merced County Employees' Retirement Association (MercedCERA or the Association) and is responsible for establishing investment objectives, strategies, and policies.

Pursuant to the California Constitution and the County Employees' Retirement Law of 1937 (the 1937 Act), the Board is authorized to invest in any form or type of investment deemed prudent in the informed judgment of the Board. In making decisions regarding the MercedCERA investment portfolio, the Board acts in a fiduciary capacity and must discharge its duties in accordance with fiduciary principles. In this regard, investment decisions are to be made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer contributions, and defraying the reasonable expenses of the Association.

The Board adopted an Investment Policy Statement (IPS) on February 23, 2017 and most recently amended June 27, 2024, which provides the framework for the management of MercedCERA's investments. The IPS establishes the investment program goals, asset allocation policies, performance objectives, investment management policies and risk controls. The IPS defines the principal duties of the Board, MercedCERA's custodian bank, consultant, and MercedCERA's investment managers. The Board makes revisions to the Investment Policy as necessary.

Pursuant to the IPS, the basic goal of MercedCERA's investment program is to obtain a fully funded plan status, while assuming a risk posture consistent with the Board's risk tolerance. In pursuing this goal, the Board has adopted a long-term investment horizon in which the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The primary investment objective is to exceed the actuarial assumption for return on assets. The risk assumed in the pursuit of this investment objective must be appropriate for the return anticipated and consistent with the total diversification of the fund. The asset allocation plan, adopted by the Board, is an integral part of MercedCERA's investment program. It is designed to provide an optimum, diversified mix of asset classes with return expectations to satisfy expected liabilities, while minimizing risk exposure.

### **Summary of Proxy Voting Guidelines and Procedures**

Voting of MercedCERA's proxy voting ballots shall be in accordance with MercedCERA's proxy voting guidelines as set forth in the Investment Policy. The basic directive of the proxy voting guidelines is that, when voting proxy ballots on behalf of MercedCERA, investment managers shall vote according to the best interests of the MercedCERA membership. On a quarterly basis, the investment managers are required to provide a report to MercedCERA detailing their proxy votes.

# Merced County Employees' Retirement Association

Asset Allocation Information				
For the Fiscal Year Ended June 30, 2025				
Investment Class	Allocation June 30, 2025	Target	Allocation Minimum	Allocation Maximum
Domestic Equity	22.9%	22.0%	16.0%	27.0%
Broad International Equity	12.7%	12.0%	7.0%	17.0%
Emerging Markets Equity	7.0%	6.0%	3.0%	9.0%
Private Equity	15.9%	15.0%	5.0%	20.0%
Direct Lending	5.4%	5.0%	0.0%	10.0%
Real Estate	5.7%	6.0%	4.0%	8.0%
Domestic Fixed Income	13.2%	18.0%	13.0%	23.0%
Opportunistic Credit	4.9%	4.0%	2.0%	6.0%
Hedge Fund	5.5%	5.0%	2.5%	7.5%
Real Assets	5.3%	5.0%	3.0%	7.0%
Cash	1.6%	2.0%	0.0%	4.0%
	100.0%	100.0%		

Asset Allocation Information				
For the Fiscal Year Ended June 30, 2024				
Investment Class	Allocation June 30, 2024	Target	Allocation Minimum	Allocation Maximum
Domestic Equity	23.1%	22.0%	16.0%	27.0%
Broad International Equity	11.9%	12.0%	7.0%	17.0%
Emerging Markets Equity	6.5%	6.0%	3.0%	9.0%
Private Equity	15.1%	15.0%	5.0%	20.0%
Direct Lending	4.9%	5.0%	0.0%	10.0%
Real Estate	7.4%	6.0%	4.0%	8.0%
Domestic Fixed Income	9.4%	18.0%	13.0%	23.0%
Opportunistic Credit	4.9%	4.0%	2.0%	6.0%
Hedge Fund	9.9%	5.0%	2.5%	7.5%
Real Assets	5.5%	5.0%	3.0%	7.0%
Cash	1.5%	2.0%	0.0%	4.0%
	100.0%	100.0%		

*Private Infrastructure and Private Natural Resources are listed under Real Assets. These asset classes were previously listed under Private Equity.*

<b>Investment Summary</b>		
<b>For the Fiscal Year Ended June 30, 2025</b>		
	<b>Value</b>	<b>Percent of Total</b>
<b>Domestic Equity</b>		
Large Cap	\$218,776,174	16.1%
Large Cap Active	\$60,882,375	4.5%
Small Cap	29,844,072	2.2%
Total	309,502,620	22.7%
<b>International Equity</b>		
Large Cap	126,654,688	9.3%
Small Cap	44,911,674	3.3%
Emerging Market	94,149,604	6.9%
Total	265,715,966	19.5%
<b>Fixed Income</b>		
Domestic Core	161,557,278	11.9%
Domestic Low Duration	17,924,746	1.3%
Opportunistic Credit	65,643,699	4.8%
Total	245,125,722	18.0%
<b>Alternative Investments</b>		
Private Equity	214,685,805	15.8%
Direct Lending	80,868,702	5.9%
Real Assets	73,748,110	5.4%
Hedge Funds	74,005,067	5.4%
Total	443,307,684	32.5%
<b>Real Estate</b>		
Domestic Private Real Estate	70,705,232	5.2%
International Private Real Estate	6,194,606	0.5%
Total	76,899,838	5.6%
<b>Cash and Short-Term Investments</b>		
Total Investments, Cash, and Short-Term Investments	\$1,362,768,138	100.0%

*Real Assets include Private Infrastructure and Private Natural Resources and were previously listed under Private Equity. Real Asset Proxy and Domestic Real Estate were liquidated during fiscal year 2025. Domestic Fixed Income was recategorized for accuracy, removing Mutual Funds and adding Domestic Low Duration.*

Merced County Employees' Retirement Association  
 Schedule of Investment Results (Gross of Fees)  
 For the Fiscal Year Ended June 30, 2025

	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
<b>Total Fund*</b>	11.6	10.6	9.9	8.8	8.4	8.3
<b>Total Fund Custom Index*</b>	11.3	10.5	10.2	8.4	8.2	6.6
<b>Domestic Equity</b>						
Large Cap:						
BNY Mellon Newton Dynamic	13.9	18.3	15.2	14.3	14.6	16.1
Mellon Large Cap Index	15.7	19.5	16.3	14.1	--	14.5
Small Cap:						
Champlain Small Cap	14.4	12.8	--	--	--	9.3
<b>Total Domestic Equity</b>	<b>15.2</b>	<b>18.6</b>	<b>15.3</b>	<b>13.0</b>	<b>13.1</b>	<b>10.8</b>
<b>Index: Russell 3000</b>	<b>15.3</b>	<b>19.1</b>	<b>16.0</b>	<b>13.2</b>	<b>12.7</b>	<b>10.8</b>
<b>International Equity</b>						
Broad International:						
Acadian ACWI ex U.S. Small Cap Equity	22.7	17.0	15.8	--	--	12.8
Driehaus International Small Cap Growth	21.9	15.9	11.9	--	--	11.2
GQG International Equity	5.5	15.1	11.7	--	--	10.7
First Eagle International Value Fund	23.7	13.8	10.4	--	--	7.9
Emerging Markets:						
Artisan Developing World Trust	29.5	24.5	9.2	--	--	13.0
RWC Global Emerging Equity Fund	12.6	6.5	6.4	--	--	4.0
<b>Total International Equity</b>	<b>19.1</b>	<b>16.3</b>	<b>10.7</b>	<b>9.9</b>	<b>8.5</b>	<b>6.8</b>
<b>Index: Custom Blended International Equity</b>	<b>17.4</b>	<b>13.9</b>	<b>9.9</b>	<b>6.6</b>	<b>6.4</b>	<b>5.7</b>
<b>Benchmark</b>						
<b>US Fixed Income</b>						
Vanguard Short-Term Treasury Index Fund	5.8	3.4	1.3	2.1	--	2.0
Vanguard Total Bond Market Index Fund	6.1	2.6	-0.7	--	--	1.3
Payden & Rygel Low Duration Fund	6.5	--	--	--	--	6.0
Brandywine US Fixed Income	7.7	--	--	--	--	3.2
Wellington Core Bond	6.3	--	--	--	--	5.2
<b>Total US Fixed Income</b>	<b>6.6</b>	<b>2.4</b>	<b>-0.7</b>	<b>1.6</b>	<b>1.9</b>	<b>4.5</b>
<b>Index: Bloomberg US Aggregate Bond</b>	<b>6.1</b>	<b>2.5</b>	<b>-0.7</b>	<b>1.8</b>	<b>1.8</b>	<b>1.3</b>
<b>Opportunistic Credit</b>						
PIMCO Income Fund	9.9	7.7	4.6	--	--	4.1
GoldenTree Multi-Sector Credit	9.5	11.4	8.5	--	--	6.9
<b>Total Opportunistic Credit</b>	<b>9.5</b>	<b>9.7</b>	<b>7.7</b>	<b>--</b>	<b>--</b>	<b>6.4</b>
<b>Index: 20% Barclays US Aggregate / 40% Barclays US High Yield / 40% Credit Suisse Leveraged Loans</b>	<b>7.5</b>	<b>6.1</b>	<b>3.0</b>	<b>--</b>	<b>--</b>	<b>3.3</b>

\*Using time-weighted rate of return based on market rate return and are presented gross of fees.  
 Developed International equity was renamed Broad International equity.

Merced County Employees' Retirement Association  
 Schedule of Investment Results  
 For the Fiscal Year Ended June 30, 2025

	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
<b>Real Estate</b>						
UBS Trumbull	0.1	-6.3	-0.3	0.1	2.1	6.2
Greenfield GAP VII	11.7	2.8	14.8	13.9	14.6	14.2
Patron V	2.4	-6.2	-4.9	-5.8	--	-0.1
Carlyle Realty VIII	-1.4	-0.3	20.7	13.0	--	7.5
Taconic CRE Dislocation Fund II	-9.7	2.7	4.2	--	--	5.3
Carmel Partners Investment Fund VII	14.7	9.7	0.4	--	--	-12.1
AG Realty Value Fund X, L.P.	-4.5	-1.8	7.0	--	--	2.4
Rockpoint Real Estate Fund VI, L.P.	4.0	-1.0	7.9	--	--	8.0
Cerberus Real Estate Debt Fund, L.P.	1.1	5.1	8.4	--	--	8.4
Taconic CRE Dislocation Onshore Fund III	7.1	8.5	--	--	--	7.9
Starwood Distressed Opportunity Fund XII Global	7.0	4.7	--	--	--	60.1
Carlyle Realty Partners IX	13.9	-52.2	--	--	--	-171.8
Carmel Partners Investment Fund VIII	20.0	9.0	--	--	--	5.3
Rockpoint Real Estate Fund VII L.P.	1.9	--	--	--	--	5.9
<b>Total Real Estate**</b>	<b>4.5</b>	<b>0.2</b>	<b>4.1</b>	<b>3.5</b>	<b>5.0</b>	<b>7.3</b>
<b>Index: Custom Blended Real Estate Benchmark</b>	<b>2.0</b>	<b>-4.3</b>	<b>2.9</b>	<b>3.5</b>	<b>5.0</b>	<b>6.4</b>
<b>Real Assets</b>						
Private Infrastructure:						
KKR Global Infrastructure Investors II	13.3	15.8	20.1	20.3	16.9	16.9
North Haven Infrastructure II	13.4	6.2	6.9	8.0	7.5	7.4
ISQ Global Infrastructure Fund II	13.0	10.8	12.8	6.1	--	6.1
KKR Global Infrastructure Investors III	7.3	13.9	8.2	--	--	2.8
Ardian Infrastructure Fund V	6.1	10.7	-2.2	--	--	-3.5
ISQ Global Infrastructure Fund III	13.0	13.1	--	--	--	-350.8
KKR Global Infrastructure Investors IV	13.4	9.0	--	--	--	-217.4
BlackRock Global Infrastructure Fund IV	11.1	--	--	--	--	0.2
Ardian Infrastructure Fund VI	50.2	--	--	--	--	28.0
Private Natural Resources:						
GSO Energy Opportunities	18.7	44.1	43.8	23.3	--	22.6
Taurus Mining	0.2	13.6	30.2	22.9	--	21.3
Taurus Mining Annex	-4.4	2.8	11.4	15.3	--	17.8
EnCap XI	35.4	32.2	28.4	9.6	--	1.0
EnCap IV	12.8	7.7	32.4	22.7	--	20.2
BlackRock GEPF III	17.9	12.2	15.7	--	--	13.6
Tailwater Energy Fund IV	14.5	18.1	21.1	--	--	8.8
Carnelian Energy Capital IV	25.9	10.9	--	--	--	10.3
EnCap Flatrock Midstream Fund V	27.4	--	--	--	--	8.4
EnCap Energy Capital Fund XII	-2.1	--	--	--	--	15.2
Carnelian Energy Capital V, LP	-5.1	--	--	--	--	-4.7
<b>Total Real Assets**</b>	<b>14.9</b>	<b>12.8</b>	<b>14.7</b>	<b>11.8</b>	<b>10.6</b>	<b>10.7</b>
<b>Index: Custom Blended Real Assets Benchmark</b>	<b>13.9</b>	<b>9.2</b>	<b>10.2</b>	<b>7.4</b>	<b>7.7</b>	<b>--</b>

Merced County Employees' Retirement Association  
 Schedule of Investment Results  
 For the Fiscal Year Ended June 30, 2025

	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
<b>Private Equity</b>						
Adams Street	-0.4	-6.4	10.0	7.8	9.1	9.6
Invesco VI	-14.1	-32.3	6.1	5.8	7.7	8.6
Ocean Avenue II	-20.1	-11.4	15.8	15.1	15.8	13.7
Pantheon I	-1.3	-7.9	-7.8	-10.8	-6.2	-1.1
Pantheon II	1.9	-2.1	11.7	10.3	11.3	11.1
Pantheon Secondary	-5.4	-3.4	-4.7	-4.2	-2.8	0.8
Davidson Kempner Long-Term Distressed Opportunities Fund IV	-3.1	13.9	19.9	15.2	--	14.7
GTCR Fund XII	7.9	3.9	21.1	13.7	--	13.5
Carrick Capital Partners III	-6.5	-0.4	11.5	--	--	8.1
Cressey & Company Fund VI	8.1	-0.6	16.3	--	--	11.7
TCV X	11.5	0.2	24.7	--	--	17.2
Accel-KKR Growth Capital Partners III	2.7	-1.1	11.2	--	--	6.0
Genstar Capital Partners IX	14.2	18.7	27.2	--	--	22.4
Cortec Group Fund VII	3.8	11.9	23.0	--	--	19.5
Spark Capital Growth Fund III	-3.1	-3.0	9.7	--	--	9.0
Spark Capital VI	-2.7	12.2	5.0	--	--	4.7
Summit Partners Growth Equity Fund X-A	5.6	8.6	7.6	--	--	10.4
Taconic Market Dislocation Fund III L.P.	-13.7	0.1	8.9	--	--	8.9
Marlin Heritage Europe II, L.P.	11.0	8.4	--	--	--	2.7
Khosla Ventures VII	-23.4	1.0	--	--	--	2.4
Accel-KKR Capital Partners VI	16.9	5.3	--	--	--	0.3
Khosla Ventures Seed E	-3.0	5.4	--	--	--	64.9
TCV XI	12.2	1.7	--	--	--	2.5
Thoma Bravo Discover Fund III	17.8	10.5	--	--	--	11.2
Summit Partners Venture Capital Fund V-A	6.1	6.0	--	--	--	2.0
GTCR Fund XIII/A & B	20.7	10.2	--	--	--	56.0
Genstar Capital Partners X	6.0	3.0	--	--	--	4.8
Nautic Partners X	11.0	12.9	--	--	--	9.4
Spark Capital Growth Fund IV	49.1	25.5	--	--	--	20.2
Spark Capital VII	45.2	8.3	--	--	--	6.6
TCV Velocity Fund I	-8.6	13.0	--	--	--	3.4
Accel-KKR Growth Capital Partners IV	4.5	-0.4	--	--	--	-7.4
Summit Partners Growth Equity Fund XI-A	15.0	8.8	--	--	--	-19.6
GTCR Strategic Growth Fund I/A&B LP	17.0	-14.7	--	--	--	-14.7
Threshold Ventures IV LP	3.2	--	--	--	--	-11.0
Thoma Bravo Discovery Fund IV	19.0	--	--	--	--	17.0
Marlin Heritage III	4.6	--	--	--	--	-49.7
Cortec Group Fund VIII, L.P.	8.3	--	--	--	--	-8.6

Merced County Employees' Retirement Association  
 Schedule of Investment Results  
 For the Fiscal Year Ended June 30, 2025

<b>Private Equity (Continued)</b>	<b>Current Year</b>	<b>Annualized</b>				
		<b>3Yrs</b>	<b>5Yrs</b>	<b>7Yrs</b>	<b>10Yrs</b>	<b>Inception</b>
Khosla Ventures VII	14.4	--	--	--	--	6.4
Genstar Capital Partners XI	19.7	--	--	--	--	33.7
Summit Partners Europe Growth Equity Fund IV	-47.7	--	--	--	--	-45.0
Spark Capital VIII	-3.8	--	--	--	--	-3.8
Taconic Credit Dislocation Fund IV L.P.	11.0	--	--	--	--	13.8
Khosla Ventures Seed F, L.P.	14.0	--	--	--	--	9.6
Wynnchurch Capital Partners VI, L.P.	--	--	--	--	--	6.6
Accel-KKR Capital Partners VII LP	--	--	--	--	--	-93.0
<b>Total Private Equity**</b>	<b>6.8</b>	<b>5.5</b>	<b>18.1</b>	<b>14.2</b>	<b>12.9</b>	<b>10.2</b>
<b>Index: Custom Blended Private Equity Benchmark</b>	<b>10.2</b>	<b>10.4</b>	<b>19.5</b>	<b>15.7</b>	<b>15.2</b>	--
<b>Direct Lending</b>						
Silver Point Specialty Credit Fund II, L.P.	13.9	10.8	11.2	--	--	11.2
Ares Senior Direct Lending Fund II	12.4	12.3	--	--	--	12.2
Varagon Capital Direct Lending Fund	7.6	5.3	--	--	--	4.4
AG Direct Lending Fund IV Annex	12.2	11.1	--	--	--	10.5
AG Direct Lending Fund V*	11.7	--	--	--	--	8.8
Accel-KKR Credit Partners II LP	25.8	--	--	--	--	29.5
Silver Point Specialty Credit Fund III	9.2	--	--	--	--	8.5
Ares Capital Europe VI (D) Levered, LP	-4.3	--	--	--	--	2.9
Ares Senior Direct Lending Fund III	12.4	--	--	--	--	11.4
<b>Total Direct Lending**</b>	<b>9.7</b>	<b>9.3</b>	<b>10.2</b>	--	--	<b>10.2</b>
<b>Index: S&amp;P LSTA Leverage Loan Index + 2%</b>	<b>9.4</b>	<b>11.9</b>	<b>9.6</b>	<b>7.7</b>	<b>7.2</b>	<b>9.6</b>
<b>Hedge Funds</b>						
Graham Absolute Return	12.0	10.3	12.5	7.9	--	7.7
Wellington Global Equity Long/Short Fund	11.8	13.2	10.9	8.6	--	8.5
Marshall Wace Eureka	9.4	9.3	10.8	8.5	--	8.7
Silver Point Capital	9.2	9.4	13.2	9.0	--	8.9
Laurion Capital	5.4	3.8	6.0	8.5	--	8.7
Taconic Opportunity Fund	-26.0	-7.2	-1.9	--	--	-1.5
Marshall Wace Global Opportunities	3.0	8.4	6.5	--	--	6.6
Caxton Global Investments	18.6	8.5	--	--	--	9.1
Hudson Bay Fund	8.9	--	--	--	--	7.8
OWS Credit Opportunity Fund LP	9.2	--	--	--	--	9.6
<b>Total Hedge Funds</b>	<b>8.1</b>	<b>8.0</b>	<b>8.5</b>	<b>6.1</b>	<b>5.5</b>	<b>5.6</b>
<b>Index: Hedge Fund Custom</b>	<b>7.0</b>	<b>6.5</b>	<b>6.2</b>	<b>4.6</b>	<b>4.1</b>	<b>4.1</b>

\*\*Performance results lag by up to a quarter due to financial reporting constraints.

**Top 10 Largest Holdings by Fair Value**  
**June 30, 2025**

PAR	Bonds	Fair Value
46,931	GSAMP 2006-HE6 CL A-3	DI 09/14/2006 DD 08-25-2036 \$46,931
30,559	OWNIT MTG LN	DI 09/28/2006 DD 09-25-2037 30,559
29,807	CARRINGTON MTG LN	DI 08/10/2006 DD 08-25-2036 29,807
23,925	CMO BEAR STEARNS	DI 06/01/2006 DD 07-25-2036 23,925
14,873	CMO MERRILL LYNCH	DI 03/01/2006 DD 03-25-2036 14,873
13,484	CMO NOMURA AST ACCEP CORP	DI 06/29/2007 DD 06-25-2037 13,484
11,937	PVTPL CMO GS MTG SECS CORP	DI 10/25/2004 DD 06-25-2034 11,937
8,065	PVTPL CMO INDYMAC ABS INC	DI 06/14/2005 DD 06-25-2038 8,065
6,150	CMO WAMU MTG	DI 08/01/2006 DD 09-25-2036 6,150
5,511	PVTPL CMO 1ST HORIZON	DI 11/01/2006 DD 01-25-2037 5,511
		<b>\$191,242</b>

A complete list of portfolio holdings is available upon request.

**Schedules of Investment Management Fees**  
**For the Fiscal Years Ended June 30, 2025 and 2024**

Investment Managers' Fees	2025 Fees	2024 Fees
Equity Managers		
Domestic	\$304,668	\$175,329
International	336,758	116,818
Fixed Income Managers	176,076	67,537
Alternative Investment Managers	3,323,599	276,121
Real Estate Managers	1,011,525	153,976
Total Investment Manager Fees and Assets Managed	\$5,152,627	\$789,781

In Fiscal Year 2025, MercedCERA began recording management fees that are included as part of private investment capital call notices. Previously, the total net amount of the notice was booked as a call of capital without separating out the portion of the capital call representing management fees and other investment expenses.

Merced County Employees' Retirement Association  
 List of Investment Service Providers  
 As of June 30, 2025

<b>Investment Service Providers</b>	
<b>Fixed Income</b>	<b>Private Equity</b>
Brandywine	Accel-KKR
GoldenTree Asset Management LP	Adams Street Partners, LLC
Payden & Rygel	Carrick Capital Management Company
PIMCO Investment Management	Cortec Group
Vanguard	Cressey & Company LP
Wellington	Davidson Kempner Capital Management LP
	EnCap Investments LP
<b>Domestic Equity</b>	Genstar Capital
Champlain Investment Partners	GTCR LLC
Mellon Capital Management	Invesco Private Capital
	Khosla Ventures
<b>International Equity</b>	Marlin Equity Partners
Acadian Asset Management	Nautic Partners
Artisan	Ocean Avenue Capital Partners
Driehaus Capital Management	Pantheon Ventures, Inc.
First Eagle	Spark Capital
GQG	Summit Partners
RWC	Taconic Capital Advisors LP
	Technology Crossover Ventures (TCV)
<b>Real Estate</b>	Thoma Bravo, LP
Angelo Gordon	Threshold Ventures
The Carlyle Group	
Carmel Partners, Inc	<b>Hedge Fund</b>
Cerberus Capital Management	Caxton Associates LP
Greenfield Partners	Graham Capital Management
Patron Capital	Hudson Bay
Rockpoint Group	Laurion Capital Management, LLP
Starwood Capital Group	Marshall Wace, LLP
Taconic Capital Advisors LP	One William Street
UBS Global Asset Management	Silver Point Capital, L.P.
	Taconic Capital Advisors LP
	Wellington Alternative Investments
	<i>Continued on next page.</i>

Merced County Employees' Retirement Association  
List of Investment Service Providers  
As of June 30, 2025

### Investment Service Providers (Continued)

Natural Resources	Infrastructure
BlackRock, Inc	Ardian
Carnelian Energy Capital	BlackRock, Inc
EnCap Investments L.P.	I Squared Capital
GSO Energy Select Opportunities Associates, LLC	KKR & Co. L.P.
Tailwater	North Haven
Taurus Funds Management	
Direct Lending	
Accel KKR	
Angelo Gordon	
Ares Management	
Silver Point Capital	
Varagon Capital	

# Actuarial Section

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# Merced County Employees' Retirement Association Actuarial Certification Letter



*Via Electronic Mail*

January 6, 2026

## Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the Merced County Employees' Retirement Association (the Plan) as of June 30, 2025. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2024 (transmitted January 14, 2025) and the GASB 67/68 Report as of June 30, 2025 (transmitted December 3, 2025).

### Actuarial Valuation Report as of June 30, 2024

The purpose of the annual Actuarial Valuation Report as of June 30, 2024 is to determine the actuarial funding status of the Plan on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2025-2026. The prior review of Plan member and employer rates was conducted as of June 30, 2023 and included recommended contribution rates for the Fiscal Year 2024-2025.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost and expected administrative expenses) plus a level percentage of payroll to amortize the Unfunded Actuarial Liability (UAL). Based on an action taken by the Board at their September 10, 2020 meeting, effective with the June 30, 2019 valuation, 15% of the outstanding balance as of June 30, 2019 of the June 30, 2013 UAL amortization base is carved out as a separate base and amortized over a closed 14-year period as a level percentage of payroll. The remaining 85% is amortized over a closed 14-year period, with 10 years of level payments as a percentage of payroll, and a four-year ramp down at the end of the period.

For the June 30, 2014 valuation, the Board of Retirement adopted a new funding policy for any subsequent unexpected change in the UAL after June 30, 2013. Any new sources of UAL due to actuarial gains and losses or method changes are amortized over a closed 24-year period, with a five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll between the ramping periods. Assumption changes will be amortized over a closed 22-year period, with a three-year ramp up period, two-year ramp down period, and 17 years of level payments as a percentage of payroll.

# Merced County Employees' Retirement Association Actuarial Certification Letter (continued)

Merced 2025 ACFR Certification Letter  
January 6, 2026  
Page 2

The Board also adopted a policy to replace the smoothed Actuarial Value of Assets with the Market Value of Assets for valuation purposes. These amortization and funding policies in conjunction are a type of policy known as direct rate smoothing.

We prepared the following schedules, which we understand will be included in the Actuarial Section of the ACFR, based on the June 30, 2024 actuarial valuation. All historical information prior to the June 30, 2013 actuarial valuation shown in these schedules is based on information reported by EFI Actuaries, which was acquired by Cheiron in January 2013.

- Statement of Current Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Development of 2024 Experience Gain/(Loss) (Analysis of Financial Experience)
- Schedule of Funded Liabilities by Type
- Summary of Plan Provisions

The assumptions and methods used in this report reflect the results of an experience study performed by Cheiron covering the period from July 1, 2019 through June 30, 2022 and adopted by the Board at their December 8, 2022 meeting. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis will cover the years through 2025.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 27, 35, and 44.

## **GASB 67/68 Report as of June 30, 2025**

The purpose of the GASB 67/68 Report as of June 30, 2025 is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the County of Merced and the other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2024 actuarial valuation updated to the measurement date of June 30, 2025. The beginning of year Total Pension Liability was based on the actuarial valuation as of June 30, 2023, updated to June 30, 2024. The Total Pension Liability measurements as of June 30, 2025 and June 30, 2024 presented in the GASB 67/68 Report were based upon the same data, plan provisions, actuarial methods, and assumptions as were used in the actuarial valuation reports as of June 30, 2024 and June 30, 2023, respectively.

Please refer to our GASB 67 report as of June 30, 2025 for additional information related to the financial reporting of the System.



# Merced County Employees' Retirement Association

## Actuarial Certification Letter (continued)

Merced 2025 ACFR Certification Letter  
January 6, 2026  
Page 3

We prepared the following schedules for inclusion in the Financial Section of the ACFR based on the June 30, 2025 GASB 67/68 report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to the Schedule of Employer Contributions

We certify that the report was performed in accordance with generally accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

### Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by the Merced County Employees' Retirement Association. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

Cheiron utilizes ProVal, an actuarial valuation application leased from Winklevoss Technologies (WinTech) to calculate liabilities and project benefit payments. We have relied on WinTech as the developer of ProVal. We have reviewed ProVal and have a basic understanding of it and have used ProVal in accordance with its original intended purpose. We have not identified any material inconsistencies in assumptions or output of ProVal that would affect this report.

These reports are for the use of the Plan and their auditor in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party.

Cheiron's reports were prepared solely for the Plan for the purposes described herein, except that the Plan auditor may rely on these reports solely for the purpose of completing an audit related to the matters herein. They are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



Merced County Employees' Retirement Association  
Actuarial Certification Letter (continued)

Merced 2025 ACFR Certification Letter  
January 6, 2026  
Page 4

These reports do not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,  
Cheiron



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# Merced County Employees' Retirement Association Statement of Current Actuarial Assumptions and Methods

## **A. Economic Assumptions**

The following economic assumptions and non-economic assumptions were recommended by the actuary and adopted by the Board of Retirement as of the most recent actuarial valuation (dated June 30, 2024):

<b>Investment Rate of Return</b>	6.75%, net investment and administrative expenses
<b>Inflation</b>	2.75% per annum
<b>Cost-of-Living Adjustments</b>	For Tier 1, 100% of Consumer Price Index (CPI) up to 3% annually with banking, assumed to be 2.40% annually
<b>Asset Valuation Method</b>	Market Value of Assets
<b>Interest Credited to Active Members' Reserves</b>	Pursuant to MercedCERA Interest Crediting Policy, adopted September 14, 2017, interest will fall within a range from 0% to the actuarial interest rate
<b>Projected Annual Salary Increases</b>	2.75%, plus service-based rates

## **B. Non-Economic Assumptions**

The date of the last study of the Plan's actual experience was June 30, 2025. The actuary compared the expected number of terminations from active service to the number actually experienced during a 3-year period and based on this comparison and the trends observed, the probabilities of separation were adjusted.

### **Mortality Tables Used:**

#### **1. Active Members**

General Members	CalPERS 2021 Non-Industrial Employees Mortality Table; projected generationally using SOA MP-2020 mortality improvement scale.
Safety Members	2010 Public Safety Below Median Employee Mortality Table; projected generationally using SOA MP-2020 mortality improvement scale.
Safety Members (Line of Duty)	CalPERS 2021 Industrial Employees Mortality Table; projected generationally using SOA MP-2020 mortality improvement scale.

#### **2. Service Retirements**

General Members	1.05 times the CalPERS 2021 Healthy Annuitant Mortality Table; projected generationally using MP-2020 mortality improvement scale.
Safety Members	1.05% times the 2010 Public Safety Below Median Healthy Retiree Mortality Table; projected generationally using MP-2020 mortality improvement scale.

#### **3. Disability**

Service Connected	CalPERS 2021 Industrial Disability Mortality Table; projected generationally using MP-2020 mortality improvement scale.
Non-Service Connected	CalPERS 2021 Non-Industrial Disability Mortality Table; projected generationally using MP-2020 mortality improvement scale.

#### **4. For employee contribution rate purposes**

Same as for active members, except projected using Scale MP-2020 to 2043.

Merced County Employees' Retirement Association  
Statement of Current Actuarial Assumptions and Methods (Continued)

<b>Withdrawal Rates</b>	Based upon the Experience Analysis as of 6/30/2022 (See Appendix B of 6/30/2022 Actuarial Valuation Report — Statement of Current Actuarial Assumptions.)
<b>Disability Rates</b>	Based upon the Experience Analysis as of 6/30/2022 (See Appendix B of 6/30/2022 Actuarial Valuation Report — Statement of Current Actuarial Assumptions.)
<b>Service Retirement Rates</b>	Based upon the Experience Analysis as of 6/30/2022 (See Appendix B of 6/30/2022 Actuarial Valuation Report — Statement of Current Actuarial Assumptions.)
<b>Vested Termination</b>	<p>Rates of vested termination apply to active members who terminate their employment after five years of service and leave their contribution with the plan. Vested terminated General Members are assumed to begin receiving benefits at 60; terminated Safety Members are assumed to begin receiving benefits at age 50. Future reciprocal transfer General members are assumed to begin receiving benefits at age 61; future reciprocal transfer Safety members are assumed to begin receiving benefits at age 55. Current reciprocal transfer members are assumed to begin receiving benefits based on the probabilities of retirement applied to the active members.</p> <p>Future reciprocal transfers' pay growth is assumed to be 3.75% for General Member and 4.00% for Safety Members while employed by a reciprocal employer. Current reciprocal transfers' pay growth is assumed to increase according to the assumptions applied to the active members until the assumed retirement age.</p>
<b>Family Composition</b>	55% of female General members, 75% of male General members and 80% of Safety members are assumed to be married at retirement. Male members are assumed to be three years older than their spouses and female members are assumed to be two years younger than their spouses.

**C. Funding Method**

The Entry Age Normal actuarial funding method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each Member's date of hire and assumed retirement. The Actuarial Liability is the difference between the Present Value of Future Benefits and the Present Value of Future Normal Cost. The Unfunded Actuarial Liability (UAL) is the difference between the Actuarial Liability and the Actuarial Value of Assets.

The UAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of MercedCERA.

- Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 16-year period. Effective with the June 30, 2019 valuation, 15% of the outstanding balance as of June 30, 2019 of the June 30, 2013 UAL amortization base is carved out as a separate base and amortized over a closed 14-year period as a level percentage of payroll. The remaining 85% is amortized over a closed 14-year period, with 10 years of level payments as a percentage of payroll, and a four-year ramp down at the end of the period.
- Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses or method changes is amortized over a closed 24-year period, with five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll.
- Assumption changes will be amortized over a closed 22-year period, with a three-year ramp up period, two-year ramp down period, and 17 years of level payments as a percentage of payroll. This method is a type of direct rate smoothing method.

**D. Plan Description**

A summary of plan provisions is located in Note 1 of the **NOTES TO BASIC FINANCIAL STATEMENTS**.

# Merced County Employees' Retirement Association

## Probabilities of Separation from Active Service

### GENERAL MEMBERS

Age	Service-Connected Disability	Non-Service-Connected Disability
20	0.0135%	0.0135%
25	0.0136%	0.0136%
30	0.0182%	0.0182%
35	0.0331%	0.0331%
40	0.0678%	0.0678%
45	0.1325%	0.1325%
50	0.1822%	0.1822%
55	0.1380%	0.1380%
60	0.1134%	0.1134%
65	0.1390%	0.1390%

Service (Yrs)	Withdrawals	Transfers	Vested Terminations
0-4	92.50%	7.50%	0.00%
5-9	30.00%	35.00%	35.00%
10-14	20.00%	40.00%	40.00%
15+	5.00%	47.50%	47.50%

Service Retirement (by Service)					
Non-PEPRA			PEPRA		
Age	<20 Yrs	20-29 Yrs	30+ Yrs	5-19 Yrs	20+ Yrs
50	10.00%	12.50%	15.00%	0.00%	0.00%
55	10.00%	12.50%	30.00%	10.00%	10.00%
60	20.00%	25.00%	30.00%	10.00%	15.00%
65	35.00%	35.00%	35.00%	10.00%	15.00%

### SAFETY MEMBERS

Age	Service-Connected Disability	Non-Service-Connected Disability
20	0.0420%	0.0090%
25	0.1310%	0.0090%
30	0.2490%	0.0110%
35	0.3700%	0.0340%
40	0.5130%	0.0590%
45	0.6720%	0.1120%
50	0.9190%	0.1600%
55	1.5050%	0.0850%
60	1.7400%	0.0510%
65	2.0930%	0.0510%

Service (Yrs)	Withdrawals	Transfers	Vested Terminations
0-4	95.00%	5.00%	0.0%
5-9	30.00%	52.50%	17.50%
10+	15.00%	63.75%	21.25%

### Service Retirement (by Service)

Age	<20 Yrs	20+ Yrs
40	0.00%	1.50%
45	0.00%	1.50%
50	15.00%	25.00%
55	25.00%	25.00%
60	25.00%	25.00%

### Active Member Mortality

Age	Female	Male
20	0.0213%	0.0513%
30	0.0505%	0.0790%
40	0.0812%	0.1614%
50	0.1246%	0.1614%
60	0.2538%	0.3859%

### RATES OF TERMINATION

Years of Service	General	Safety	Years of Service	General	Safety
0	22.50%	21.00%	20	4.00%	0.00%
5	9.00%	6.50%	25	4.00%	0.00%
10	5.50%	4.75%	30	0.00%	0.00%
15	4.00%	3.50%			

Note: Information compiled from Actuarial Report Prepared by Cheiron, Inc. dated June 30, 2024

Merced County Employees' Retirement Association  
Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Annual Salary
6/30/2015	General	1,664	\$93,938,857	\$56,454	-0.03%
	Safety	298	\$18,397,233	\$61,736	-0.54%
	<b>Total</b>	<u>1,962</u>	<u>\$112,336,090</u>	<u>\$57,256</u>	<u>-0.15%</u>
6/30/2016	General	1,729	\$97,337,917	\$56,297	-0.28%
	Safety	311	\$19,394,922	\$62,363	1.02%
	<b>Total</b>	<u>2,040</u>	<u>\$116,732,839</u>	<u>\$57,222</u>	<u>-0.06%</u>
6/30/2017	General	1,783	\$102,498,328	\$57,486	2.11%
	Safety	313	\$20,136,322	\$64,333	3.16%
	<b>Total</b>	<u>2,096</u>	<u>\$122,634,651</u>	<u>\$58,509</u>	<u>2.25%</u>
6/30/2018	General	1,827	\$108,067,248	\$59,150	2.89%
	Safety	322	\$22,018,174	\$68,379	6.29%
	<b>Total</b>	<u>2,149</u>	<u>\$130,085,423</u>	<u>\$60,533</u>	<u>3.46%</u>
6/30/2019	General	1,861	\$111,267,187	\$59,789	1.08%
	Safety	316	\$22,498,224	\$71,197	4.12%
	<b>Total</b>	<u>2,177</u>	<u>\$133,765,412</u>	<u>\$61,445</u>	<u>1.51%</u>
6/30/2020	General	1,828	\$112,315,867	\$61,442	2.76%
	Safety	321	\$22,982,055	\$71,595	0.56%
	<b>Total</b>	<u>2,149</u>	<u>\$135,297,921</u>	<u>\$62,959</u>	<u>2.46%</u>
6/30/2021	General	1,799	\$116,284,193	\$64,638	5.20%
	Safety	319	\$23,871,550	\$74,832	4.52%
	<b>Total</b>	<u>2,118</u>	<u>\$140,155,743</u>	<u>\$66,174</u>	<u>5.11%</u>
6/30/2022	General	1,842	\$120,774,476	\$65,567	1.44%
	Safety	325	\$25,176,047	\$77,465	3.52%
	<b>Total</b>	<u>2,167</u>	<u>\$145,950,524</u>	<u>\$67,351</u>	<u>1.78%</u>
6/30/2023	General	1,857	\$126,256,107	\$67,989	3.69%
	Safety	308	\$24,891,179	\$80,816	4.33%
	<b>Total</b>	<u>2,165</u>	<u>\$151,147,286</u>	<u>\$69,814</u>	<u>3.66%</u>
6/30/2024	General	1,932	\$135,194,222	\$69,976	2.92%
	Safety	330	\$27,952,496	\$84,705	4.81%
	<b>Total</b>	<u>2,262</u>	<u>\$163,146,718</u>	<u>\$72,125</u>	<u>3.31%</u>

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2024. The data differs from the membership data in the notes to the financial statements due to timing differences and actuary changes in rounding of data.

Merced County Employees' Retirement Association

**Schedule of Retirements and Beneficiaries Added to and Removed from Retiree Payroll  
For Fiscal Years Ended June 30**

Year	Beginning of Year	Added During Year	Allowances Added (\$000)	Removed During Year	Allowances Removed (\$000)	End of Year	Retiree Payroll (\$000)	% Increase in Retiree Payroll	Average Annual Allowances
2015	2,135	100	\$2,509	35	\$720	2,200	\$63,254	4.90%	\$28,752
2016	2,200	68	\$1,716	34	\$946	2,234	\$65,506	3.56%	\$29,322
2017	2,234	85	\$2,283	56	\$1,023	2,263	\$68,476	4.53%	\$30,259
2018	2,263	120	\$3,617	73	\$1,672	2,310	\$72,003	5.15%	\$31,170
2019	2,310	141	\$4,908	78	\$1,805	2,373	\$76,949	6.87%	\$32,427
2020	2,373	126	\$4,590	66	\$1,555	2,433	\$81,827	6.34%	\$33,632
2021	2,433	117	\$3,954	84	\$2,671	2,466	\$84,975	3.85%	\$34,459
2022	2,466	144	\$4,842	87	\$2,714	2,523	\$88,407	4.04%	\$35,040
2023	2,523	135	\$4,160	74	\$1,794	2,584	\$92,661	4.81%	\$35,859
2024	2,584	121	\$3,678	82	\$2,026	2,623	\$96,370	4.00%	\$36,741

Note: The data differs from the membership data in the notes to the basic financial statements due to timing differences and rounding of data.

**Schedule of Funded Liabilities by Type  
For Fiscal Years Ended June 30  
(Dollar Amounts in Thousands)**

Actuarial Accrued Liabilities (AAL) For						Portion of Accrued Liabilities Covered by Reported Assets				
1	2	3	Active Member Contributions	Retirees and Beneficiaries	Active Members Employer Portion	Total Actuarial Accrued Liabilities	Valuation Assets			
Valuation Date	1	2	3				1	2	3	
2015	\$78,078	\$765,738	\$287,365	\$1,131,181	\$672,319	100%	78%	0%		
2016	\$81,880	\$804,658	\$314,657	\$1,201,195	\$670,016	100%	73%	0%		
2017	\$85,150	\$834,643	\$339,909	\$1,259,702	\$753,769	100%	80%	0%		
2018	\$86,585	\$871,095	\$344,239	\$1,301,919	\$826,654	100%	85%	0%		
2019	\$86,356	\$932,909	\$350,930	\$1,370,195	\$866,503	100%	84%	0%		
2020	\$84,767	\$986,071	\$342,043	\$1,412,881	\$919,815	100%	85%	0%		
2021	\$88,147	\$1,038,307	\$364,778	\$1,491,232	\$1,163,254	100%	100%	10%		
2022	\$89,217	\$1,071,129	\$368,988	\$1,529,334	\$1,064,441	100%	91%	0%		
2023	\$91,021	\$1,102,303	\$381,285	\$1,574,609	\$1,135,081	100%	95%	0%		
2024	\$95,828	\$1,120,290	\$399,758	\$1,615,876	\$1,253,752	100%	100%	9%		

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2024.

**Actuarial Analysis of Financial Experience  
For Fiscal Years Ended June 30**  
(Dollar Amounts in Thousands)

Actuarial Gain/(Loss)				Changes in Plan Provisions	Changes in Assumptions/Methods	Total (Gains)/Loss
Plan Year Ended	Asset Sources	Liability Sources	Total			
2015	\$31,459	\$(5,096)	\$26,363	N/A	\$7,636	\$33,999
2016	\$52,420	\$(8,327)	\$44,093	N/A	\$41,488	\$85,581
2017	\$(34,498)	\$2,720	\$(31,778)	N/A	\$18,639	\$(13,139)
2018	\$(15,963)	\$1,158	\$(14,805)	N/A	\$576	\$(14,229)
2019	\$20,208	\$7,038	\$27,246	N/A	\$22,230	\$49,476
2020	\$3,288	\$9,654	\$12,942	N/A	\$(8,408)	\$4,534
2021	\$189,425	\$999	\$190,424	N/A	\$(43,792)	\$146,632
2022	\$(165,247)	\$12,615	\$(152,632)	N/A	\$(14,169)	\$(166,801)
2023	\$11,992	\$(8,913)	\$3,079	N/A	\$(819)	\$2,260
2024	\$58,147	\$(5,664)	\$52,483	N/A	\$(2,918)	\$49,565

**Schedule of Funding Progress  
For Fiscal Years Ended June 30**  
(Dollar Amounts in Thousands)

Actuarial Valuation Date	Valuation Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Active Member Projected Payroll	Unfunded AAL as a % of Covered Payroll
2015	\$672,319*	\$1,131,181	\$458,862	59.4%	\$117,822	389.5%
2016	\$670,016*	\$1,201,195	\$531,179	55.8%	\$123,018	431.8%
2017	\$753,769*	\$1,259,702	\$505,933	59.8%	\$129,624	390.3%
2018	\$826,654*	\$1,301,919	\$475,265	63.5%	\$137,668	345.2%
2019	\$866,503*	\$1,370,195	\$503,692	63.2%	\$142,328	353.9%
2020	\$919,815*	\$1,412,881	\$493,066	65.1%	\$143,992	342.4%
2021	\$1,163,254*	\$1,491,232	\$327,978	78.0%	\$145,531	225.4%
2022	\$1,064,441*	\$1,529,334	\$464,893	69.6%	\$151,900	306.1%
2023	\$1,135,081*	\$1,574,609	\$439,528	72.1%	\$157,252	279.5%
2024	\$1,253,753*	\$1,615,876	\$362,123	77.6%	\$163,516	221.4%

\*Reflects change in asset valuation methodology from valuation value of assets to market value of assets effective for the 2014 actuarial valuation.

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2024.

# Merced County Employees' Retirement Association

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# Statistical Section

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## Summary of Statistical Data

The Statistical Section presents information pertaining to MercedCERA's operations on a multi-year basis. The financial and operating information provides contextual data for MercedCERA's fiduciary net position, benefits, refunds, and different types of retirement benefits. The data presented in this section was produced and compiled by the Association.

Additions by Source					
Fiscal Year Ended	Plan Member Contributions	Employer Contributions	Employer % of Covered Payroll	Net Investment Income and Other Income (Loss)	Total
6/30/2016	\$ 9,042,663	\$56,617,088	49.50%	\$ (388,209)	\$ 65,271,542
6/30/2017	\$ 9,384,621	\$60,349,189	50.45%	\$ 83,097,416	\$152,831,226
6/30/2018	\$10,441,876	\$64,757,288	51.11%	\$ 70,689,084	\$145,888,248
6/30/2019	\$10,695,680	\$66,586,464	50.69%	\$ 39,728,950	\$117,011,094
6/30/2020	\$10,796,855	\$67,413,475	49.71%	\$ 57,232,017	\$135,442,347
6/30/2021	\$11,895,243	\$64,512,161	46.90%	\$253,466,527	\$329,873,931
6/30/2022	\$12,124,583	\$65,629,994	46.37%	\$ (87,115,891)	\$ (9,361,314)
6/30/2023	\$13,445,557	\$68,648,166	45.77%	\$ 83,417,442	\$165,511,165
6/30/2024	\$13,403,198	\$69,632,270	45.59%	\$134,248,001	\$217,283,469
6/30/2025	\$13,943,864	\$74,195,843	46.36%	\$ 139,250,411	\$227,390,117

Deductions by Type					
Fiscal Year Ended	Benefits Paid	Administrative Expenses	Actuarial Expense	Refunds of Contributions	Total
6/30/2016	\$63,928,672	\$2,416,563	\$ 76,121	\$ 1,153,731	\$67,575,087
6/30/2017	\$66,116,108	\$1,966,898	\$ 206,509	\$ 788,207	\$69,077,722
6/30/2018	\$69,836,223	\$2,177,186	\$ 106,210	\$ 883,987	\$73,003,606
6/30/2019	\$74,238,692	\$2,271,779	\$ 79,326	\$ 571,983	\$77,161,780
6/30/2020	\$78,755,515	\$2,253,113	\$ 211,784	\$ 910,147	\$82,130,559
6/30/2021	\$82,836,595	\$2,494,246	\$ 126,833	\$ 977,485	\$86,435,159
6/30/2022	\$85,912,580	\$2,522,797	\$ 120,292	\$ 896,116	\$89,451,785
6/30/2023	\$90,585,672	\$2,789,967	\$ 232,010	\$ 1,262,876	\$94,870,525
6/30/2024	\$94,081,287	\$2,753,296	\$ 84,737	\$ 1,692,862	\$98,612,182
6/30/2025	\$97,575,371	\$3,181,170	\$ 81,410	\$ 1,603,026	\$102,440,977

Merced County Employees' Retirement Association  
 Schedules of Changes in Fiduciary Net Position  
 (Dollars in Thousands)

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
<b>Additions</b>					
Plan Members Contributions	\$13,944	\$13,403	\$13,446	\$12,124	\$11,895
Employer Contributions	74,195	69,632	68,648	65,630	64,512
Net Investment Income/(Loss)	139,250	134,248	83,417	(87,115)	253,467
<b>Total Additions</b>	<b>227,389</b>	<b>217,283</b>	<b>165,511</b>	<b>(9,361)</b>	<b>329,874</b>
<b>Deductions</b>					
Benefits Paid	97,575	94,081	90,586	85,913	82,837
Administrative Expenses	3,182	2,753	2,790	2,523	2,494
Actuarial Expenses	81	85	232	120	127
Refunds	1,603	1,693	1,263	896	977
<b>Total Deductions</b>	<b>102,441</b>	<b>98,612</b>	<b>94,871</b>	<b>89,452</b>	<b>86,435</b>
Change in Fiduciary Net Position	124,949	118,671	70,640	(98,813)	243,439
Net Position Restricted for Pensions at Beginning of the Year	1,253,752	1,135,081	1,064,441	1,163,254	919,815
Net Position Restricted for Pensions at End of the Year	\$1,378,701	\$1,253,752	\$1,135,081	\$1,064,441	\$1,163,254

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
<b>Additions</b>					
Plan Members Contributions	\$10,797	\$10,696	\$10,442	\$9,385	\$9,043
Employer Contributions	67,413	66,586	64,757	60,349	56,617
Net Investment Income/(Loss)	57,232	39,729	70,689	83,097	(388)
<b>Total Additions</b>	<b>135,442</b>	<b>117,011</b>	<b>145,888</b>	<b>152,831</b>	<b>65,272</b>
<b>Deductions</b>					
Benefits Paid	78,755	74,239	69,836	66,116	63,929
Administrative Expenses	2,253	2,272	2,177	1,966	2,417
Actuarial Expenses	212	79	106	207	76
Refunds	910	572	884	788	1,154
<b>Total Deductions</b>	<b>82,130</b>	<b>77,162</b>	<b>73,003</b>	<b>69,077</b>	<b>67,576</b>
Change in Fiduciary Net Position	53,312	39,849	72,885	83,754	(2,304)
Net Position Restricted for Pensions at Beginning of the Year	866,503	826,654	753,769	670,015	672,319
Net Position Restricted for Pensions at End of the Year	\$919,815	\$866,503	\$826,654	\$753,769	\$670,015

Merced County Employees' Retirement Association  
 Schedules of Benefit Expenses by Type  
 (Amount in Thousands of Dollars)

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
<b>Service Retirement</b>										
General	\$71,679	\$68,982	\$65,945	\$62,724	\$60,682	\$57,652	\$54,136	\$50,551	\$47,522	\$46,126
Safety	13,573	13,108	12,880	11,837	10,993	10,006	9,336	8,652	8,059	7,761
Total	\$85,252	\$82,090	\$78,825	\$74,561	\$71,675	\$67,658	\$63,472	\$59,203	\$55,581	\$53,887
<b>Disability Retirement</b>										
General	\$2,009	\$2,105	\$2,136	\$2,234	\$2,071	\$2,141	\$2,139	\$2,032	\$2,117	\$1,953
Safety	3,199	3,147	3,148	3,133	3,210	3,182	3,100	2,976	2,759	2,604
Total	\$5,208	\$5,252	\$5,284	\$5,367	\$5,281	\$5,323	\$5,239	\$5,008	\$4,876	\$4,557
<b>Beneficiary/Survivor</b>										
General	\$4,979	\$4,872	\$4,645	\$4,577	\$4,210	\$3,915	\$3,786	\$3,808	\$3,767	\$3,667
Safety	1,504	1,406	1,271	1,147	1,506	1,575	1,608	1,627	1,729	1,650
Total	\$6,483	\$6,278	\$5,916	\$5,724	\$5,716	\$5,490	\$5,394	\$5,435	\$5,496	\$5,317
<b>Total Payroll Expense</b>										
General	\$78,667	\$75,959	\$72,726	\$69,535	\$66,963	\$63,708	\$60,061	\$56,391	\$53,406	\$51,746
Safety	18,276	17,661	17,299	16,117	15,709	14,763	14,044	13,255	12,547	12,015
Total	\$96,944	\$93,620	\$90,025	\$85,652	\$82,672	\$78,471	\$74,105	\$69,646	\$65,953	\$63,761
<b>Death Benefits</b>										
General	\$150	\$182	\$257	\$213	\$149	\$128	\$99	\$102	\$111	\$129
Safety	18	105	9	15	15	3	24	18	12	15
Total	\$168	\$287	\$266	\$228	\$164	\$131	\$123	\$120	\$123	\$144
<b>Separation Refund Expense</b>										
General	\$1,246	\$1,249	\$921	\$689	\$868	\$680	\$446	\$643	\$674	\$978
Safety	357	444	342	207	109	230	126	241	114	176
Total	\$1,603	\$1,693	\$1,263	\$896	\$977	\$910	\$572	\$884	\$788	\$1,154
<b>Active Death Expense</b>										
General	\$462	\$174	\$ 234	\$32	-	\$154	\$11	\$70	\$40	\$24
Safety	-	-	60	-	-	-	-	-	-	-
Total	\$462	\$174	\$ 294	\$32	-	\$154	\$11	\$70	\$40	\$24

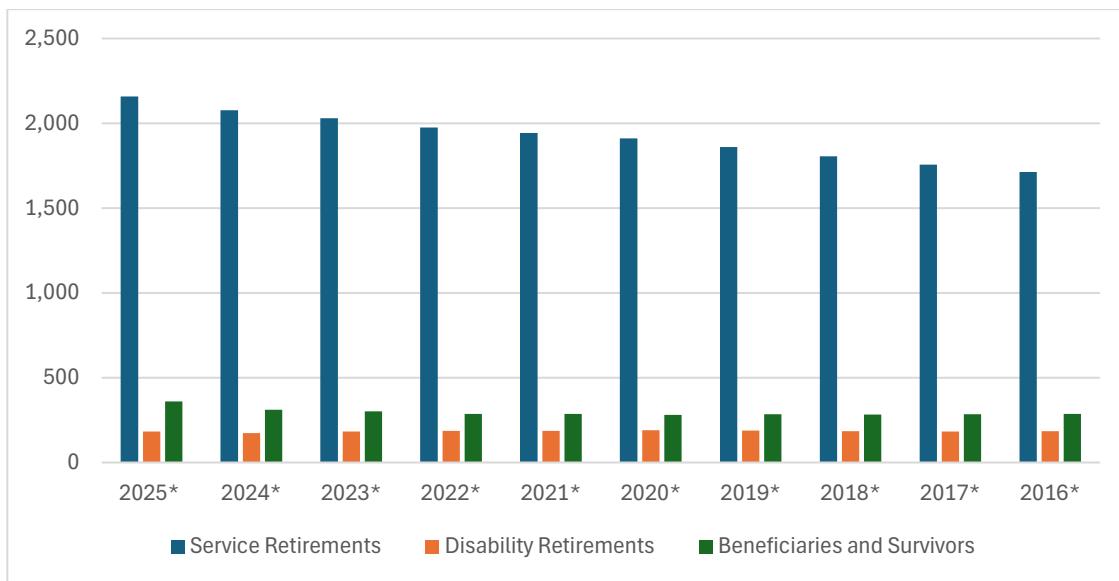
\*During the 2015 fiscal year, MercedCERA converted to the CPAS System. Because of differences in handling data, beneficiaries of disability retiree decedents are now grouped with Beneficiary/Survivors.

Merced County Employees' Retirement Association  
 Schedule of Retired Members by Type of Benefit  
 (Summary of Monthly Allowances Being Paid - As of June 30, 2025)

Type of Benefit	General Members		Safety Members		Total	
	Number	Average Monthly Allowance	Number	Average Monthly Allowance	Number	Average Monthly Allowance
<b>Service Retirement</b>	1,856	\$3,258	245	\$4,288	2,101	\$3,384
<b>Disability</b>	80	\$2,076	81	\$3,434	161	\$2,750
<b>Beneficiary/Survivor</b>	260	\$1,797	64	\$2,728	324	\$1,945
<b>Total Retired Members</b>	2,196	\$3,053	390	\$3,928	2,586	\$3,184

This schedule excludes separation refunds and death refunds.

## Ten Year Structure of Retiree Membership History



	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
<b>Service Retirements</b>	2,101	2,077	2,029	1,975	1,943	1,911	1,859	1,806	1,757	1,713
<b>Disability Retirements</b>	161	173	182	186	186	191	188	185	183	184
<b>Beneficiaries and Survivors</b>	324	310	301	286	286	281	284	283	285	286
<b>Total</b>	2,586	2,560	2,512	2,447	2,415	2,383	2,331	2,274	2,225	2,183

\*During the 2014-2015 fiscal year, MercedCERA migrated to a new pension administration system. Beneficiaries of disability retirees are no longer classified as disability retirements for statistical purposes. This has resulted in a re-proportioning of these numbers.

Merced County Employees' Retirement Association  
 Summary of Retired Membership  
 For Fiscal Years Ended June 30 (Basic Annual and Total Annual Allowance Dollars in Thousands)

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
<b>General</b>										
Number	2,197	2,160	2,126	2,087	2,045	2,029	1,987	1,937	1,895	1,860
Average Basic Annual Allowance	\$58,809	\$57,297	\$55,158	\$53,103	\$51,416	\$49,178	\$46,562	\$43,874	\$41,930	\$41,265
Average Basic Monthly Allowance	\$2,231	\$2,185	\$2,162	\$2,120	\$2,095	\$2,020	\$1,953	\$1,888	\$1,844	\$1,849
Average Total Annual Allowance**	\$78,668	\$76,077	\$72,726	\$69,535	\$66,963	\$63,708	\$60,061	\$56,391	\$53,406	\$51,746
Average Total Monthly Allowance	\$2,948	\$2,902	\$2,851	\$2,777	\$2,729	\$2,617	\$2,519	\$2,426	\$2,349	\$2,318
<b>Safety</b>										
Number	389	400	386	378	370	354	344	337	330	323
Average Basic Annual Allowance	\$12,719	\$12,390	\$12,215	\$11,496	\$11,313	\$10,724	\$10,302	\$9,783	\$9,347	\$9,086
Average Basic Monthly Allowance	\$2,725	\$2,604	\$2,637	\$2,534	\$2,548	\$2,524	\$2,496	\$2,419	\$2,360	\$2,344
Average Total Annual Allowance**	\$18,277	\$17,663	\$17,299	\$16,117	\$15,709	\$14,763	\$14,044	\$13,255	\$12,547	\$12,015
Average Total Monthly Allowance	\$3,915	\$3,712	\$3,735	\$3,553	\$3,538	\$3,475	\$3,402	\$3,278	\$3,168	\$3,100
<b>Total</b>										
Number	2,586	2,560	2,512	2,467	2,415	2,383	2,331	2,274	2,225	2,183
Average Basic Annual Allowance	\$71,528	\$69,687	\$67,373	\$64,599	\$62,728	\$59,902	\$56,864	\$53,657	\$51,277	\$50,351
Average Basic Monthly Allowance	\$2,305	\$2,250	\$2,235	\$2,184	\$2,165	\$2,095	\$2,033	\$1,966	\$1,920	\$1,922
Average Total Annual Allowance**	\$96,945	\$93,740	\$90,025	\$85,652	\$82,672	\$78,471	\$74,105	\$69,646	\$65,953	\$63,761
Average Total Monthly Allowance	\$3,124	\$3,026	\$2,987	\$2,896	\$2,853	\$2,744	\$2,649	\$2,552	\$2,470	\$2,434

\*As of 2015, divorcees will be excluded from Membership data as they are technically not members and only represent a party to a single split benefit.

\*\*Total Annual Allowance includes COLA, and partial monthly payment/one-time catch up payment. This excludes death refunds, lump sum death benefits and separation refunds.

Merced County Employees' Retirement Association  
 Schedule of Retired Members by Type of Retirement  
 As of June 30, 2025

<b>Amount of Monthly Benefit</b>	<b>Number of Members</b>	<b>Type of Retirement*</b>							<b>Option Selected**</b>						
		1	2	3	4	5	6	7	U	1	2	3	4	SD	
\$1 - \$999	509	178	225	80	10	1	4	11	368	27	82	17	-	15	
\$1,000 - \$1,999	551	184	245	66	7	12	27	10	444	11	70	16	1	9	
\$2,000 - \$2,999	366	152	147	24	2	26	6	9	303	8	39	13	1	2	
\$3,000 - \$3,999	227	95	110	15	1	4	1	1	197	5	18	5	1	1	
\$4,000 - \$4,999	154	72	70	8	-	4	-	-	137	3	11	2	-	1	
\$5,000 - \$5,999	117	47	66	3	-	1	-	-	96	7	8	4	1	1	
\$6,000 - \$6,999	77	32	45	-	-	-	-	-	66	1	8	2	-	-	
\$7,000 - \$7,999	64	26	32	6	-	-	-	-	55	3	4	2	-	-	
\$8,000 - \$8,999	33	15	16	2	-	-	-	-	28	-	3	1	1	-	
\$9,000 - \$9,999	16	6	10	-	-	-	-	-	12	1	2	-	1	-	
\$10,000 & over	83	38	41	4	-	-	-	-	68	4	11	-	-	-	
<b>Totals</b>	<b>2,197</b>	<b>845</b>	<b>1007</b>	<b>208</b>	<b>20</b>	<b>48</b>	<b>38</b>	<b>31</b>	<b>1,774</b>	<b>70</b>	<b>256</b>	<b>62</b>	<b>6</b>	<b>29</b>	
<b>Safety Members</b>															
\$1 - \$999	39	23	1	2	2	10	-	1	22	4	10	1	-	2	
\$1,000 - \$1,999	52	26	3	13	1	8	1	-	40	1	10	1	-	1	
\$2,000 - \$2,999	70	34	5	6	1	19	-	5	56	-	12	-	-	1	
\$3,000 - \$3,999	91	32	6	11	2	30	1	9	78	1	8	-	1	3	
\$4,000 - \$4,999	46	26	3	6	-	9	-	2	39	-	5	-	2	-	
\$5,000 - \$5,999	25	13	5	-	-	5	-	2	21	1	3	-	-	-	
\$6,000 - \$6,999	21	17	4	-	-	-	-	-	14	1	4	1	1	-	
\$7,000 - \$7,999	12	10	-	-	-	2	-	-	11	-	1	-	-	-	
\$8,000 - \$8,999	9	7	1	-	-	1	-	-	8	-	-	1	-	-	
\$9,000 - \$9,999	8	7	-	-	-	1	-	-	6	-	1	1	-	-	
\$10,000 & over	16	11	3	-	-	2	-	-	15	-	1	-	-	-	
<b>Totals</b>	<b>389</b>	<b>206</b>	<b>31</b>	<b>38</b>	<b>6</b>	<b>87</b>	<b>2</b>	<b>19</b>	<b>310</b>	<b>8</b>	<b>55</b>	<b>5</b>	<b>4</b>	<b>7</b>	
<b>Grand Totals</b>	<b>2,586</b>	<b>1,051</b>	<b>1,038</b>	<b>246</b>	<b>26</b>	<b>135</b>	<b>40</b>	<b>50</b>	<b>2,084</b>	<b>78</b>	<b>311</b>	<b>67</b>	<b>10</b>	<b>36</b>	

**\*Type of Retirement:**

- 1-Normal retirement for age and service
- 2-Early retirement
- 3-Beneficiary payment, normal or early retirement
- 4-Beneficiary payment, death in service
- 5-Service-connected disability retirement
- 6-Non-service-connected disability retirement
- 7-Beneficiary payment, disability retirement

**\*\*Option Selected:**

Unmodified Plan-Beneficiary receives 60% continuance

The following options reduce the retired member's monthly Benefit:  
 Option 1- Beneficiary receives lump sum or member's reduced allowance  
 Option 2 - Beneficiary receives 100% of member's reduced allowance  
 Option 3 - Beneficiary receives 50% of member's reduced allowance  
 Option 4 - Multiple beneficiaries receive a designated percentage of a reduced allowance

The monthly benefit for the following option varies dependent upon multiple factors:

Option SD-Pre-retirement death in service

Merced County Employees' Retirement Association  
 Retired Members Average Benefit Payments  
 Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service						
	0-4	5-9	10-14	15-19	20-24	25-29	30+
<b>Period 7/1/2024 to 6/30/2025</b>							
Average Monthly Benefit	\$ 716	\$1,193	\$1,924	\$3,156	\$4,034	\$4,876	\$6,205
Average Final Monthly Salary	\$ 5,108	\$8,299	\$5,295	\$7,225	\$6,876	\$6,902	\$6,756
Number of Retired Members	9	13	12	13	16	10	7
<b>Period 7/1/2023 to 6/30/2024</b>							
Average Monthly Benefit	\$383	\$984	\$2,176	\$2,909	\$4,013	\$4,544	\$6,000
Average Final Monthly Salary	\$557	\$5,776	\$6,324	\$6,172	\$6,274	\$6,459	\$6,877
Number of Retired Members	2	15	11	20	22	10	5
<b>Period 7/1/2022 to 6/30/2023</b>							
Average Monthly Benefit	\$474	\$922	\$2,066	\$2,996	\$3,735	\$5,636	\$4,858
Average Final Monthly Salary	\$9,495	\$6,863	\$5,983	\$6,364	\$5,885	\$7,229	\$5,200
Number of Retired Members	9	9	17	22	20	13	5
<b>Period 7/1/2021 to 6/30/2022</b>							
Average Monthly Benefit	\$479	\$1,304	\$2,080	\$2,598	\$3,428	\$4,496	\$9,137
Average Final Monthly Salary	\$9,304	\$7,231	\$6,755	\$5,850	\$5,760	\$5,778	\$10,067
Number of Retired Members	9	12	16	12	24	14	8
<b>Period 7/1/2020 to 6/30/2021</b>							
Average Monthly Benefit	\$911	\$1,036	\$2,001	\$2,717	\$3,855	\$4,922	\$6,069
Average Final Monthly Salary	\$12,131	\$6,480	\$5,879	\$5,617	\$6,175	\$6,552	\$6,934
Number of Retired Members	8	15	13	17	20	6	10
<b>Period 7/1/2019 to 6/30/2020</b>							
Average Monthly Benefit	\$440	\$1,195	\$1,844	\$3,575	\$4,400	\$5,481	\$5,373
Average Final Monthly Salary	\$9,061	\$6,086	\$5,193	\$7,592	\$7,376	\$7,319	\$6,166
Number of Retired Members	6	7	24	15	25	13	9
<b>Period 7/1/2018 to 6/30/2019</b>							
Average Monthly Benefit	\$473	\$1,026	\$1,930	\$3,352	\$4,144	\$6,511	\$6,540
Average Final Monthly Salary	\$7,581	\$6,545	\$5,392	\$6,982	\$6,792	\$8,710	\$7,142
Number of Retired Members	12	9	18	22	14	12	12
<b>Period 7/1/2017 to 6/30/2018</b>							
Average Monthly Benefit	\$309	\$1,421	\$1,432	\$2,240	\$4,202	\$4,691	\$4,969
Average Final Monthly Salary	\$6,936	\$5,742	\$4,324	\$4,786	\$6,713	\$5,943	\$5,639
Number of Retired Members	6	19	16	21	17	11	11
<b>Period 7/1/2016 to 6/30/2017</b>							
Average Monthly Benefit	\$574	\$1,044	\$1,852	\$1,657	\$3,490	\$4,866	\$7,294
Average Final Monthly Salary	\$9,068	\$6,544	\$5,327	\$4,073	\$5,618	\$6,112	\$8,780
Number of Retired Members	11	15	19	18	13	6	3
<b>Period 7/1/2015 to 6/30/2016</b>							
Average Monthly Benefit	\$212	\$1,273	\$2,067	\$3,227	\$2,997	\$3,724	\$4,669
Average Final Monthly Salary	\$7,449	\$5,585	\$6,322	\$6,299	\$4,703	\$4,750	\$4,875
Number of Retired Members	8	15	19	11	4	4	2

Merced County Employees' Retirement Association  
 Participating Employers and Active Members  
 Last Ten Fiscal Years Ended June 30

Participating employers	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>County of Merced</b>										
General Members	1,822	1,817	1,672	1,690	1,703	1,683	1,736	1,690	1,665	1,596
Safety Members	351	345	298	326	318	321	318	320	320	311
Total County of Merced	2,173	2,162	1,970	2,016	2,021	2,004	2,054	2,010	1,985	1,907
Percentage of Membership	93.79%	93.96%	93.45%	93.55%	94.00%	93.47%	93.96%	93.88%	93.68%	93.39%
<b>Merced Cemetery District</b>										
Percentage of Membership	0.04%	0.04%	0.05%	0.05%	0.05%	0.05%	-	0.05%	0.05%	0.05%
<b>Merced County Law Library</b>										
Percentage of Membership	0.09%	0.04%	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
<b>Merced Superior Court</b>										
Percentage of Membership	6.09%	5.96%	6.50%	6.35%	5.95%	6.48%	6.04%	6.07%	6.28%	6.32%
<b>Regional Waste Management Authority*</b>										
Percentage of Membership	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.24%
<b>Total Active Membership</b>										
General	1,966	1,956	1,810	1,829	1,832	1,823	1,868	1,821	1,799	1,731
Safety	351	345	298	326	318	321	318	320	320	311
Total	2,317	2,301	2,108	2,155	2,150	2,144	2,186	2,141	2,119	2,042

\*Regional Waste Management Authority is no longer a participating of MercedCERA.

# Merced County Employees' Retirement Association

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Merced County Employees' Retirement Association

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Merced, California 95340  
(209) 726-2724  
[www.mercedcera.com](http://www.mercedcera.com)

**DATE:** January 22, 2026  
**TO:** MercedCERA Board of Retirement  
**FROM:** Pete Madrid, Assistant Plan Administrator - Investments  
**SUBJECT:** Staff Market Summary and Investment Performance Update  
**ITEM NUMBER:** **Open Session Item c**  
**ITEM TYPE:** **Information Only**

**DISCUSSION:**

**Capital Markets & Economic Summary**

The US economy added 50,000 nonfarm jobs in December according to the Bureau of Labor Statistics (BLS), slightly lower than the downwardly revised 56,000 jobs added in November. The BLS report was in line with the December ADP report showing private sector jobs grew by 41,000. October's jobs figures were also revised downward by 68,000 to 173,000 net jobs lost during the month. The US economy added a modest 584,000 jobs in 2025 (average of 49,000 jobs per month), the second lowest since the Global Financial Crisis, after 2020. However, a vast majority of those jobs (approximately 84%) were created in the first four months of the year. The rest of the year experienced far fewer jobs being added. Despite signs of a softening labor market, 2025 ended with an unemployment rate of 4.4%.

US inflation came in relatively low in December but remains above the 2% Federal Reserve target. Headline inflation represented by the Consumer Price Index (CPI), which includes food and energy, rose by 2.7% from the prior December. Excluding volatile food and energy prices, inflation increased by 2.6%. Results were mixed across categories with gasoline and air travel prices falling materially during the month while electricity and natural gas prices rose sharply.

The Federal Open Market Committee voted in late December to reduce the target overnight rate by 0.25% for the third time since September to a target range of 3.5% - 3.75%. In a rare 9-3 vote, the Committee decided to lower rates on growing concerns of a weakening labor market. The three dissenting votes, along with comments made following the meeting, show there is uncertainty and difference of opinions among Fed members on the appropriate path forward. Market expectations for a January rate cut fell throughout December and following the release of the Committee meeting minutes. This comes at a time when the Federal Reserve, and specifically chairman Powell, is under



Merced County Employees' Retirement Association

growing pressure from the White House to lower rates. The Fed meets again on January 27<sup>th</sup> and 28<sup>th</sup>.

The US equity market was flat in December for large cap stocks and slightly down for small cap as investors consider the rationale for rich valuations of AI-related companies that have not yet produced much, if any, profit. High stock prices relative to current earnings imply strong future profit growth for these companies. This assumption of strong future profits embedded in current stock prices increases the sensitivity of investors to negative news regarding these companies and their industries.

International equity continued to rise as the MSCI All Country World ex US Index (broad international) and the MSCI EAFE Index (developed international) both returned 3% for the month. After trailing US equity for several years, the indices returned 32.4% and 31.2%, respectively, in 2025. Emerging markets equity, represented by the MSCI Emerging Markets Index, also returned 3% in December while gaining nearly 34% for the year.

The Bloomberg US Aggregate Bond Index returned -0.1% in December as rates rose by 0.14% to 0.17% across 5- to 30-year Treasuries. Despite the December decline, the index posted a 7.3% return for 2025 as interest rates generally fell during the year. Riskier fixed income securities like the high yield bonds and bank loans that make up the opportunistic credit portfolio also performed well in 2025. The Bloomberg US Corporate High Yield Index returned 8.6% for the year as credit spreads remain near record lows while the S&P UBS Leveraged Loan Index returned nearly 6%.

#### December and 2025 Portfolio Performance Summary

The Total Fund trailed its Policy Index by 5% in 2025 (3% excluding alternative investments) largely driven by underperformance in public and private equity. Public equity performance challenges can be attributed to a few strategies, including Champlain Small Cap, GQG International Equity, and Artisan Developing World. Champlain and GQG have struggled in a market environment in which high-quality growth companies have performed poorly versus a concentrated few highly priced tech and AI-related stocks. Artisan, which was the best performing strategy in the portfolio in 2024, has faced significant performance challenges in 2025. The emerging markets strategy's +30% allocation to US equity that helped generate strong relative returns in 2024 has been a headwind in 2025 as the MSCI Emerging Markets Index posted a 1-year return nearly double that of the S&P 500 Index (33.6% versus 17.9%).



Merced County Employees' Retirement Association

Reaffirming the benefits of diversification, other equity strategies have done well during this portion of the market cycle. First Eagle returned nearly 35% in 2025, more than 300 basis points ahead of its benchmark. Redwheel Capital, which was recently on Watch for poor performance, went from the worst performing strategy in 2024 to the best performing strategy in 2025, returning 41.8%. Acadian and Driehaus outperformed for the year by 0.6% and 1.2%, respectively.

The portfolio's three core fixed income managers (Brandywine, Wellington, and Vanguard) each fell in December as interest rates rose across intermediate- to long-term maturities. However, all three returned more than 7% for the year as yields remain strong despite interest rates finishing the year lower across most maturities. The portfolio's low duration strategy, intended to offset the interest rate risk of the core managers, posted a positive 0.4% return in December and nearly 6% for the year. Opportunistic credit strategies were mostly positive in December and combined for a 2025 return of 7.7%.



Merced County Employees' Retirement Association

**DATE:** January 22, 2026  
**TO:** MercedCERA Board of Retirement  
**FROM:** Pete Madrid, Assistant Plan Administrator - Investments  
**SUBJECT:** Artisan, Champlain, GQG Watch Status Recommendation  
**ITEM NUMBER:** Open Session Item d  
**ITEM TYPE:** Action

**STAFF RECOMMENDATION**

1. Approve the addition of Artisan Developing World, Champlain Small Cap, and GQG International Equity to Watch status based on underperformance.

**DISCUSSION:**

At the October 2025 meeting, the Board approved updates to MercedCERA's investment policy statement. Included in the policy updates was more explicit criteria for adding investment managers to "Watch" status, covering both qualitative and quantitative areas of review. Specifically, short-term and intermediate-term performance objectives were established that could trigger Watch status if not met.

The purpose of adding an investment manager to Watch status is to more closely monitor for signs that the investment strategy is less likely to meet its long-term performance objective. Adding an investment manager to Watch status does not mean that we have lost confidence in the investment manager. While on Watch, Staff and consultants will have more frequent communication with the investment managers and provide more frequent and in-depth updates to the Board. Once added to Watch status Staff will, in coordination with the Plan's consultants:

- Monitor for signs the portfolio management team is altering the investment philosophy and process away from the strategy's original mandate when the investment manager was hired
- Keep track of strategy and firm asset flows for signs of issues or a significant exit of investors
- Monitor the stability of the firm's management and investment personnel, specifically portfolio managers and investment analysts working directly on the strategy
- Review the drivers of performance to determine if underperformance is the result of the investment manager's philosophy and approach being temporarily out of favor in the current market, or if there are other issues driving underperformance

There is no required timeline for an investment manager on Watch. We will monitor for signs of improvement or growing challenges and make further recommendations at the appropriate time.

## Performance Challenges

	1 Mo	QTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception	Inception Date
<b>Champlain Small Cap</b>	<b>0.0</b>	<b>-0.8</b>	<b>-4.3</b>	<b>7.6</b>	<b>2.3</b>	--	<b>6.6</b>	Nov. 2020
Russell 2000 Index	-0.6	2.2	12.8	13.7	6.1	9.6	11.2	
<i>Difference</i>	0.6	-3.0	-17.1	-6.1	-3.8	--	-4.6	
<b>GQG International Equity</b>	<b>1.1</b>	<b>4.4</b>	<b>20.5</b>	<b>15.6</b>	<b>9.2</b>	--	<b>10.1</b>	Dec. 2019
MSCI ACW ex US Index	3.0	5.1	32.4	17.3	7.9	8.4	9.0	
<i>Difference</i>	-1.9	-0.7	-11.9	-1.7	1.3	--	1.1	
<b>Artisan Developing World</b>	<b>-3.3</b>	<b>-9.2</b>	<b>7.9</b>	<b>21.5</b>	<b>-0.9</b>	--	<b>9.5</b>	Dec. 2019
MSCI Emerging Markets Index	3.0	4.7	33.6	16.4	4.2	8.4	7.6	
<i>Difference</i>	-6.3	-13.9	-25.7	5.1	-5.1	--	1.9	

### Champlain

Following a year in which the strategy outperformed the Russell 2000 Index by 2.5% in 2024, Champlain underperformed in 2025 by more than 17%. The strategy outperformed the index during the first two quarters; however, the third quarter represented the worst relative returns in the strategy's history. The strategy underperformed again in the fourth quarter.

The investment approach to find high-returning growth companies that do not require significant capital expenditure has not been in favor as high-spending, low return companies have driven index returns.

*Policy Objective Not Met: The strategy is currently underperforming by more than 3.5% over the trailing one-year period.*

### GQG International Equity

GQG's quality-growth approach has hurt relative performance as the strategy is underweight to the technology sector, and specifically many of the high-priced AI-related stocks driving much of the index's performance. Additionally, the strategy has been hurt by its overweight to India and underweight to China. The investment team believes India offers the better long-term investment due to its business-friendly government, major infrastructure investment, and growing middle- and upper-class consumer bases.

*Policy Objective Not Met: The strategy is currently underperforming by more than 4.5% over the trailing one-year period.*

### Artisan Developing World

Artisan has struggled recently with underperformance in large part due to its material allocation to US equity. The strategy invests in US-based companies which have revenue growth that is highly dependent on emerging consumer markets (e.g., Netflix, VISA, etc.). While Artisan's US equity exposure kept up with the S&P 500 Index's 2025 return of approximately 17%, it was a significant detraction compared with the MSCI Emerging Markets Index 33% return over the same period.

*Policy Objective Not Met: The strategy is currently underperforming by more than 4.5% over the trailing one-year period.*

### **Staff Recommendation:**

Staff are recommending the Board approve the addition of Artisan Developing World, Champlain Small Cap, and GQG International Equity to Watch status based on underperformance.



Merced County Employees' Retirement Association

**DATE:** January 22, 2026

**TO:** MercedCERA Board of Retirement

**FROM:** Pete Madrid, Assistant Plan Administrator – Investments

**SUBJECT:** Short-term contract extension for Cliffwater

**ITEM NUMBER:** **Open Session Item e**

**ITEM TYPE:** Action

**STAFF RECOMMENDATION:**

1. Approve a short-term contract extension for Cliffwater of up to six months to allow sufficient time for the ongoing Request for Proposal (RFP) process.

**DISCUSSION:**

On October 23, 2025, the MercedCERA Board approved Staff to issue an RFP for specialty investment consultant services, with a final selection being made by the end of Cliffwater's current contract, March 31<sup>st</sup>, 2026. MercedCERA is moving forward with an RFP for the Plan's specialty investment consultant, which advises the Board on alternatives and private market investments. To accommodate challenging schedules, and ensure a comprehensive and thoughtful evaluation process, Staff recommends the Board approve a short-term contract extension for Cliffwater of up to six months to allow sufficient time for the ongoing RFP process. Approval of this recommendation would allow the process, including contract negotiations, to be completed by September 30<sup>th</sup>, 2026.

**Staff Recommendation:**

Staff recommend the Board approve a short-term contract extension for Cliffwater of up to six months to allow sufficient time for the ongoing Request for Proposal (RFP) process.



Merced County Employees' Retirement Association

**DATE:** January 22, 2026

**TO:** MercedCERA Board of Retirement

**FROM:** Martha Sanchez Barboa, Plan Administrator

**SUBJECT:** Updated Annual MercedCERA Board Education Compliance Report and Possible Board Education Topics

**ITEM NUMBER:** Open Session Item g

**ITEM TYPE:** Information Only

**DISCUSSION:**

Government Code Section 31522.8 requires trustees to receive at least 24 hours of Board member related education within their first two years, and for each subsequent two-year period. In addition, the education policy and annual board education compliance report must be posted on our website. Attached to this agenda item is the education compliance report for 2025. The report details the current seat commencement dates for each trustee, their specific 2-year compliance period, and the completed and remaining required hours. As of December 31, 2025, all trustees are in compliance with the education requirement.

On October 23, 2025, the Board voted to approve March 5<sup>th</sup>, 2026, as the first of two 2026 trustee education sessions. Staff recommends education topics focused on media communications training, pension de-risking and cash flow management strategies, and investment legal requirements. Staff will reach out to request suggestions for future trustee education via email.

**BOARD EDUCATION COMPLIANCE REPORT**  
**FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2025**

Trustee	Seat Commencement Date	2-Year Compliance Period	Education Hours Completed	Remaining Hours Required
<b>Karen Adams</b> Seat 1 Ex Officio, Treasurer - Tax Collector	January 6, 2003	1/06/2025 to 1/05/2027	13.1	10.9
<b>Corrina Brown</b> Seat 2 Elected by General Members	January 1, 2023	1/01/2025 to 12/31/2026	13.1	10.9
<b>Janey Cabral</b> Seat 3 Elected by General Members	January 1, 2018	1/01/2024 to 12/31/2025	94.5	0
<b>Bayani "Jol" Manilay</b> Seat 4 Appointed by Board of Supervisors	April 23, 2024	4/23/2024 to 4/22/2026	72.95	0
<b>Scott Silveira</b> Seat 5 Appointed by Board of Supervisors	February 5, 2019	2/05/2025 to 2/04/2027	12.25	11.75
<b>Ryan Paskin</b> Seat 6 Appointed by Board of Supervisors	March 17, 2015	3/17/2025 to 3/16/2027	6.75	Seat Term Ended 12/31/2025
<b>Aaron Rosenberg</b> Seat 7 Elected by Safety Membership	March 16, 2021	3/16/2025 to 3/15/2027	8.25	15.75
<b>Scott Johnston</b> Seat 8 Elected by Retired Membership	January 1, 2021	1/01/2025 to 12/31/2026	19.35	4.65
<b>Alfonse Peterson</b> Seat 9 Appointed by Board of Supervisors	November 18, 2008	11/18/2024 to 11/17/2026	13.35	10.65
<b>Moses Nelson</b> Seat 7(A) Elected by Safety Membership (Alternate)	January 1, 2024	1/01/2024 to 12/31/2025	32.35	0
<b>Michael Harris</b> Seat 8(A) Elected by Retired Membership (Alternate)	January 1, 2021	1/01/2025 to 12/31/2026	23.5	0.5

Government Code Section 31522.8, effective January 1, 2013, requires Trustees to receive at least 24 hours of Board member education during the first two years of becoming a trustee, and during each subsequent two-year period.