



Merced County Employees' Retirement Association

**AGENDA  
RETIREMENT BOARD MEETING**

Thursday, March 26, 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=NGhFeGltSVhaSTIsK2JGWE83TVFydz09>

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 – February 26, 2026, and March 5, 2026.**

**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>
Garcia, Raul – NSCD*	14	Sheriff	07/15/2023
Iqbal, Zahid	19	HSA	03/07/2026
Loveall, Casondra	25	HSA	03/03/2026
Masasso, Kenneth	4	Admin Services	01/01/2026**

\*Non-Service-Connected Disability

\*\*Correction to Retirement Date

b. Monthly Budget Report submitted.

c. Meketa Monthly Performance Report submitted.

d. Approve the actuarial audit of MercedCERA's annual valuation as of June 30, 2025, and the experience study as of June 30, 2025, by Segal.

e. SACRS Legislative Update – March 2026.



Merced County Employees' Retirement Association

**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 Annual Review (Govt. Code § 54957).  
Title: Assistant Plan Administrator – Benefits and Administration

**8. Report Out of Closed Session**

**9. Open Session**

- a. Discussion on market summary and investment performance updates – Staff.
- b. Discussion on quarterly alternative performance and possible action on any funds and general partners – Cliffwater.
- c. Discussion on private credit portfolio risk review – Cliffwater.
- d. Discussion and possible action to approve the purchase of 7 additional wireless microphones to be placed at the Board dais – Staff.
- e. Discussion and possible action to approve MercedCERA Board of Retirement elections for Seats 3 (General), 8 (Retired), 7A (Safety Alternate) and 8A (Retired Alternate) by the Merced County Registrar of Voters – Staff.
- f. Discussion and possible action to approve a two-year contract amendment for Cheiron Incorporated actuarial services – Staff.
- g. Discussion regarding the option of returning to two MercedCERA Board Meetings per month – Staff.

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

**11. Adjournment**

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.



Merced County Employees' Retirement Association

Spanish and Hmong interpreters are available.

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



Merced County Employees' Retirement Association

**MINUTES  
RETIREMENT BOARD MEETING**

Thursday, February 26, 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=NGhFeGltSVhaSTIsK2JGWE83TVFydz09>

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- 8:32 A.M.**

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

**2. Roll Call**

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

**3. Teleconference Request**

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

**None**

**4. Approval of Minutes – January 22, 2026.**

**Board voted unanimously to approve January 22, 2026, meeting minutes.**

**1<sup>st</sup> – Peterson/2<sup>nd</sup> – Johnston, passes 7/0.**

**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.

**None**

**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>
Ackerman, Yorel	31	DPW	01/03/2026
Avila, Sergio	19	Sheriff	02/08/2026
Firestine, Joseph	15	Admin Services	02/07/2026
Paz, Pedro	2	First Five	12/26/2025
Ponce De Leon, Beatriz	22	HSA	01/24/2026
Sandoval, Salvador	1	Health Admin	01/27/2026
Stolle, Rochelle	20	Probation	02/21/2026



Merced County Employees' Retirement Association

Thomas Jr., Robert	6	DPW	02/07/2026
--------------------	---	-----	------------

- b. Monthly Budget Report submitted.
- c. Meketa Monthly and Quarterly Performance Report submitted.
- d. Approval of non-pensionable pay code LNG – Longevity Pay for Merced Superior Court.
- e. SACRS Legislative Update – February 2026.

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

**1<sup>st</sup> – Johnston/2<sup>nd</sup> – Silveira, passes 7/0.**

**7. Open Session**

- a. Discussion on market summary and investment performance updates – Staff.  
**No action taken.**
- b. Discussion and possible action on the proposed 2026 strategic investment reviews – Staff.  
**Board voted unanimously to approve the proposed 2026 strategic investment reviews as presented by Staff.**  
**1<sup>st</sup> – Silveira/2<sup>nd</sup> – Manilay, passes 7/0**
- c. Discussion on Meketa’s 2026 Capital Market Expectations and the portfolio’s updated risk and return profile – Meketa.  
**No action taken.**
- d. Discussion on the trustee risk survey results – Meketa.  
**No action taken.**
- e. Discussion and possible action to adopt the proposed Actuarial Valuation Report and employer and employee contribution rates as of June 30, 2025, as recommended by Cheiron – Cheiron.  
**Board voted unanimously to approve the actuarial valuation report and employer and employee contribution rates as of June 30, 2025, as recommended by Cheiron.**  
**1<sup>st</sup> – Johnston/2<sup>nd</sup> – Nelson, passes 7/0**
- f. Discussion and possible action to adopt the annual cost of living adjustment (COLA) for Tier 1 members as recommended by Cheiron – Cheiron.  
**Board voted unanimously to approve the 3% cost of living adjustment for Tier 1 members as recommended by Cheiron.**  
**1<sup>st</sup> – Silveira/2<sup>nd</sup> – Peterson, passes 7/0**
- g. Chair to appoint a policy review ad hoc subcommittee to work with staff on the possible updates to the Conflict of Interest, Trustee Education and Training and Code of Ethics – Chair.  
**Chair Brown appointed herself, Trustee Rosenberg, Trustee Peterson and Trustee Johnston to the policy review ad hoc subcommittee.**
- h. Discussion and possible action to approve the purchase of additional microphones to be placed at the Board dais – Staff.  
**Board requested Staff present at the next MercedCERA Board Meeting updated quotes for 7 wireless microphones with and without rechargeable battery options.**

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

-Martha Sanchez Barboa updated the Board on the upcoming March 5<sup>th</sup> Trustee Education Meeting. The meeting was to take place from 9:30 a.m.-1:00 p.m. Martha agreed to send a new appointment reminder. UC Merced was to present media and communications training but had an unexpected conflict. Meketa and L&G will be presenting.

-Martha also advised that SACRS 2026 Spring Conference is open for registration. Conference will be held in Olympic Valley. Hotel bookings will be made at the overflow



Merced County Employees' Retirement Association

hotel and not at the conference hotel. She asked trustees to advise her if they would like to attend.

-Martha also advised that our previous Accountant, Sarah Smith, promoted to another department and so MercedCERA is completing a recruitment to fill that vacancy.

-Trustee Silveira requested a discussion item be added to the March MercedCERA Board Meeting regarding the possibility of returning to 2 meetings per month in order for the Board to receive ongoing investment education.

**9. Adjournment at 10:33 A.M.**

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



Merced County Employees' Retirement Association

**MINUTES**  
**Retirement Board Education Meeting**

Thursday, March 5, 2026, 9:30 A.M. – 1:00 P.M.

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

**1. Call to Order- 9:31 A.M.**

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

**2. Roll Call**

**Board Members Present:** Aaron Rosenberg, Scott Silveira, Janey Cabral, Karen Adams, Michael Harris (left at 11:00 A.M.), Scott Johnston, Moses Nelson, Bayani Manilay and Corrina Brown (left at 12:20 P.M.). **Absent:** Alfonse Peterson. **Counsel:** Tom Ebersole. **Staff:** Martha Sanchez Barboa, Pete Madrid, Monica Gallegos, Alex Lovato and Maria Luisa Rodriguez.

**3. 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.

**None**

**4. Meeting**

Board Education

Discussion on the following presentations:

- a. Risk Mitigating Strategies – Meketa  
**No action taken.**
- b. Pension De-risking – Legal & General  
**No action taken.**

**5. Information Sharing**

Several trustees mentioned the education session was outstanding and there were requests for additional education. There were also comments on the need to reevaluate the risk profile of the portfolio, plan for changing liquidity needs of the Plan, and reaffirm whether the various asset classes in which MercedCERA is invested continue to be structurally aligned with their role in the portfolio and the objectives of the Plan.

**6. Adjournment at 12:30 P.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 February 28, 2026

Administrative Budget	Adopted	Current Budget	Expended 2026-02	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>127,606.48</b>	<b>1,119,946.57</b>	<b>855,053.43</b>	<b>56.71%</b>
2/13/2026 Office Payroll 2026 PP04			94,175.04			
2/13/2026 2026 PP04 Retirement Investment Staff Cost Reclass (see Account #21800)			(11,885.91)			
2/13/2026 2026 PP04 Staff Salary Allocated to Investments (see Account #21800)			(16,753.20)			
2/27/2026 Office Payroll 2026 PP05			89,554.54			
2/27/2026 2026 PP05 Retirement Investment Staff Cost Reclass (see Account #21800)			(11,885.91)			
2/27/2026 2026 PP05 Staff Salary Allocated to Investments (see Account #21800)			(15,598.08)			
Total 10110 · Salaries & Wages			<b>127,606.48</b>			
<b>20600 · Communications</b>	<b>16,000.00</b>	<b>16,000.00</b>	<b>3,770.70</b>	<b>8,550.59</b>	<b>7,449.41</b>	<b>53.44%</b>
2/4/2026 2025-12 Administrative Services - Communication Charges			1,355.70			
2/20/2026 2026-01 Administrative Services - Cellphone Charges			422.00			
2/20/2026 2026-01 Administrative Services - Desk Phone Charges			493.00			
2/20/2026 2026-01 Administrative Services - AT&T ASE Circuit Charge			1,500.00			
Total 20600 · Communications			<b>3,770.70</b>			
<b>21000 · Insurance - Other</b>	<b>118,000.00</b>	<b>118,000.00</b>	<b>889.16</b>	<b>102,399.84</b>	<b>15,600.16</b>	<b>86.78%</b>
2/19/2026 Nationwide 2025-01 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>2,891.00</b>	<b>39,040.23</b>	<b>60,959.77</b>	<b>39.04%</b>
2/11/2026 Crites, Robert 2026-01 Pest Control			40.00			
2/19/2026 Geil Enterprises 2026-02 Janitorial Svcs			1,846.00			
2/25/2026 Yard Masters 2026-02 Landscaping			400.00			
2/25/2026 Hoffman 2026-03 Alarm System			285.00			
2/25/2026 Hoffman 2026-03 CCTV Cameras			260.00			
2/25/2026 Hoffman 2026-03 Fire System			60.00			
Total 21301 · Maintenance Structure Improvement			<b>2,891.00</b>			
<b>21500 · Membership</b>	<b>7,000.00</b>	<b>7,000.00</b>	<b>-</b>	<b>7,500.00</b>	<b>(500.00)</b>	<b>107.14%</b>
Total 21500 · Membership			<b>-</b>			
<b>21700 · Office Expense - General</b>	<b>20,000.00</b>	<b>20,000.00</b>	<b>1,487.10</b>	<b>7,933.29</b>	<b>12,066.71</b>	<b>39.67%</b>
2/2/2026 First Choice 1/27/26 Water Svc			37.28			
2/17/2026 First Choice 2/10/26 Water Svc			69.59			
2/20/2026 ODP 2026-02 Office Supplies			135.26			
2/20/2026 ODP 2026-02 Office Supplies			18.81			
2/20/2026 ODP 2026-02 Office Supplies			222.89			
2/20/2026 2026-01 Administrative Services Charges - Pacific Shredding			132.00			
2/26/2026 Member Outreach Supplies			833.99			
2/27/2026 First Choice 2/24/26 Water Svc			37.28			
Total 21700 · Office Expense - General			<b>1,487.10</b>			
<b>21710 · Office Expense - Postage</b>	<b>54,000.00</b>	<b>54,000.00</b>	<b>9,387.10</b>	<b>25,172.52</b>	<b>28,827.48</b>	<b>46.62%</b>
2/3/2026 2025-12 Administrative Services Charges - Printing Charges			869.57			
2/3/2026 2025-12 Administrative Services Charges - Mailroom Charges			2,031.08			
2/20/2026 2026-01 Administrative Services Charges - Mail/Print Charges			906.70			
2/20/2026 2026-01 Administrative Services Charges - Forms Processing Charges			693.75			
2/20/2026 2026-01 Administrative Services Charges - Mail Room Charges			4,886.00			
Total 21710 · Office Expense - Postage			<b>9,387.10</b>			
<b>21805 · Audits</b>	<b>72,000.00</b>	<b>72,000.00</b>	<b>-</b>	<b>3,000.00</b>	<b>69,000.00</b>	<b>4.17%</b>

Merced County Employees' Retirement Association  
Administrative Expenditures Report (Preliminary)  
For the Month Ended February 28, 2026

Total 21805 · Audits						
<b>21808 · Board Membership</b>	<b>15,000.00</b>	<b>15,000.00</b>	<b>-</b>	<b>4,884.25</b>	<b>10,115.75</b>	<b>32.56%</b>
Total 21808 · Board Membership						
<b>21900 · Publications &amp; Legal Notices</b>	<b>5,000.00</b>	<b>5,000.00</b>	<b>-</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>-</b>	<b>5,151.00</b>	<b>4,849.00</b>	<b>51.51%</b>
Total 22300 · Spec Dept Exp - Other						
<b>22310 · Election Expense</b>	<b>30,000.00</b>	<b>30,000.00</b>	<b>-</b>	<b>-</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>23,019.60</b>	<b>11,980.40</b>	<b>65.77%</b>
2/10/2026 2026-02 Auditor-Controller Admin CAP Charge			1,785.83			
2/10/2026 2026-02 External Audit CAP Charge			61.83			
2/10/2026 2026-02 Admin Service CAP Charge			13.83			
2/10/2026 2026-02 Human Resources CAP Charge			1,005.44			
2/10/2026 2026-02 Risk Management CAP Charge			10.52			
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>-</b>	<b>-</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>830.00</b>	<b>12,696.67</b>	<b>57,303.33</b>	<b>18.14%</b>
2/20/2026 CALAPRS Virtual Roundtable (Staff)			250.00			
2/25/2026 SACRS Spring Conference Registration (Staff & Board)			580.00			
Total 22505 · Trans & Travel - Staff Development & Board Development			<b>830.00</b>			
<b>22515 · Trans &amp; Travel - In State (Staff &amp; Board)</b>	<b>45,000.00</b>	<b>45,000.00</b>	<b>(80.00)</b>	<b>14,584.14</b>	<b>30,415.86</b>	<b>32.41%</b>
2/24/2026 2026-01 Travel Charge Parking Credit			(80.00)			
Total 22515 · Trans & Travel - In State (Staff & Board)			<b>(80.00)</b>			
<b>22516 · Trans &amp; Travel - Out of State (Staff &amp; Board)</b>	<b>10,000.00</b>	<b>10,000.00</b>	<b>-</b>	<b>4,169.29</b>	<b>5,830.71</b>	<b>41.69%</b>
Total 22516 · Trans & Travel - Out of State (Staff & Board)						
<b>22600 · Utilities</b>	<b>68,000.00</b>	<b>68,000.00</b>	<b>2,843.17</b>	<b>22,098.73</b>	<b>45,901.27</b>	<b>32.50%</b>
2/4/2026 City of Merced 2026-02 Utilities			642.72			
2/19/2026 MID 2026-01 Utilities			2,200.45			
Total 22600 · Utilities			<b>2,843.17</b>			
<b>Administrative Depreciation Expense</b>	<b>364,400.00</b>	<b>364,400.00</b>	<b>30,262.33</b>	<b>242,098.64</b>	<b>122,301.36</b>	<b>66.44%</b>
<b>Total Administrative Budget</b>	<b>3,014,600.00</b>	<b>3,014,600.00</b>	<b>182,764.49</b>	<b>1,646,797.31</b>	<b>1,367,802.69</b>	<b>54.63%</b>

Merced County Employees' Retirement Association  
Non-Administrative Expenditures Report (Preliminary)  
For the Month Ended February 28, 2026

Non-Administrative Expenses		Original Projection	Current Projection	Expended 2026-02	Expended YTD	Bal Remaining	% Exp YTD
<b>21800 · Investment Expenses</b>		<b>8,998,000.00</b>	<b>8,998,000.00</b>	<b>569,808.49</b>	<b>8,930,038.35</b>	<b>67,961.65</b>	<b>99.24%</b>
2/28/2026	Investment Management Fees			347,958.02			
2/28/2026	Investment Partnership Expenses			131,660.04			
2/13/2026	2026 PP04 Retirement Investment Staff Reclass (from Account #10110)			11,885.91			
2/27/2026	2026 PP05 Retirement Investment Staff Reclass (from Account #10110)			11,885.91			
2/13/2026	2026 PP04 Staff Salary Allocated to Investments (from Account #10110)			16,753.20			
2/27/2026	2026 PP05 Staff Salary Allocated to Investments (from Account #10110)			15,598.08			
2/3/2026	Investment Consultants Cliffwater 2026-01 Consulting Svcs			33,333.33			
2/4/2026	Investment Consultants Nossaman LLP Consulting Svcs			734.00			
Total 21800 · Investment Expenses				<b>569,808.49</b>			
<b>21802 · Actuarial Services</b>		<b>220,000.00</b>	<b>220,000.00</b>	<b>-</b>	<b>114,214.19</b>	<b>105,785.81</b>	<b>51.92%</b>
Total 21802 · Actuarial Services				<b>-</b>			
<b>21812 · Data Processing</b>		<b>135,000.00</b>	<b>135,000.00</b>	<b>12,715.04</b>	<b>54,423.45</b>	<b>80,576.55</b>	<b>40.31%</b>
2/3/2026	2025-12 Administrative Service Charges - IS			4,251.00			
2/4/2026	2025-12 Administrative Service Charges - Cradlepoint Charges			800.00			
2/10/2026	2026-02 IS CAP Charge			446.46			
2/19/2026	AT&T 2026-02 Internet Services & Wi-Fi charges			1,347.05			
2/20/2026	2026-01 Administrative Service Charges - Cradlepoint Charges			800.00			
2/20/2026	2026-01 Administrative Service Charges - Application Charges			732.00			
2/20/2026	2026-01 Administrative Service Charges - Network Device Charges			3,519.00			
2/20/2026	2026-01 Administrative Service Charges - Subscription Charges			819.53			
Total 21812 · Data Processing				<b>12,715.04</b>			
<b>21834 · Legal Services</b>		<b>442,000.00</b>	<b>442,000.00</b>	<b>20,057.13</b>	<b>270,380.97</b>	<b>171,619.03</b>	<b>61.17%</b>
2/6/2026	Ted Cabral 2026-01 Legal Svcs			2,533.40			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			213.80			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			10,797.20			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			310.70			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			364.60			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			1,030.39			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			217.00			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			167.30			
2/6/2026	Ted Cabral 2026-01 Legal Svcs			574.00			
2/10/2026	2026-02 County Counsel CAP Charge			3,678.42			
2/25/2026	Mileage Reimbursement - Disability Member (Legal Svcs)			170.32			
Total 21834 · Legal Services				<b>20,057.13</b>			
<b>21840 · Custodial Banking Services</b>		<b>260,000.00</b>	<b>260,000.00</b>	<b>2,515.07</b>	<b>60,152.14</b>	<b>199,847.86</b>	<b>23.14%</b>
2/4/2026	2026-01 NT STIF Income - Custodial Fee			2,350.07			
2/6/2026	2026-01 Wire Fees			165.00			
Total 21840 · Custodial Banking Services				<b>2,515.07</b>			
<b>22350 · Software &amp; Technology</b>		<b>559,000.00</b>	<b>559,000.00</b>	<b>10,813.52</b>	<b>396,302.61</b>	<b>162,697.39</b>	<b>70.89%</b>
2/2/2026	CPAS Systems 2026-02 Hosting			9,763.52			
2/4/2026	Digital Deployment 2026-02 Web Support			900.00			
2/10/2026	Logitech Webcam			150.00			
Total 22350 · Software and Technology				<b>10,813.52</b>			
<b>Non-Administrative Depreciation Expense</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Non-Administrative Items</b>		<b>10,614,000.00</b>	<b>10,614,000.00</b>	<b>615,909.25</b>	<b>9,825,511.71</b>	<b>788,488.29</b>	<b>92.57%</b>

## Merced County Employees' Retirement Association

March 26, 2026

February Flash Report

- 1. Executive Summary as of February 28, 2026**
- 2. Performance Update as of February 28, 2026**
- 3. Disclaimer, Glossary, and Notes**

## **Executive Summary as of February 28, 2026**

### **Portfolio Preliminary Performance Highlights**

- February results for equity markets were mixed, as International Developed and broad Emerging Markets continued to outpace US equities. US Equities (Russell 3000) returned -0.5%, Developed International equities (MSCI EAFE) returned 4.6% and Emerging Markets (MSCI EM) returned 5.5% over the month. Bonds also saw muted returns over the month with the broad Bloomberg US Aggregate Index returning 1.6%.
- For February, Merced CERA reported a monthly return (w/o Alternatives) of 1.2% net of fees. US Equities returned -0.5%, mirroring the Russell 3000 Index. International Equities return of 3.6% trailed both the MSCI AC World ex USA IMI Index as well as the secondary blended asset class benchmark, which returned 5.1% and 4.8% respectively. The Emerging Markets sleeve returned -2.6%, trailing the MSCI EM index return of 5.5%. US Fixed Income returned 1.2%, trailing the benchmark return of 1.6%. Opportunistic Credit posted 0.3% for the month, outpacing the blended benchmark return of 0.1%.

## **Manager Highlights**

**Manager Highlights (Year to Date)**

- **BNY Mellon Newton Dynamic US Equity**, the portfolio's active large cap manager, returned 0.7% through February, matching the S&P 500 Index. Manager is expected to perform well under normal market conditions (fundamentals drive investment returns) and bull markets.
- **Champlain Small Cap**, through February, the portfolio's active small cap manager, returned 1.3%, trailing the Russell 2000 Index return of 6.2%.
- **First Eagle**, through February, returned 14.0% versus the MSCI EAFE Index return of 10.1% and MSCI AC World ex US Value Index return of 12.8%. 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 10.6% through February, trailing the MSCI AC World ex US return of 11.3%.
- **Acadian** returned 11.5% through February, trailing the MSCI ACWI ex US Small Cap Index return of 12.0%.
- **Driehaus**, through February, returned 10.4%, trailing the MSCI ACWI ex US Small Cap Growth Index return of 11.9%.

### Manager Highlights (Year to Date)

- **Artisan Developing World** returned -9.6% through February vs MSCI EM index return of 14.8%. 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 15.9% vs MSCI EM index return of 14.8% through February. Tracking error for the strategy has always been expected to be high (6-10% annually) and has fallen within that range.

**Manager Highlights (Year to Date)****US Fixed Income**

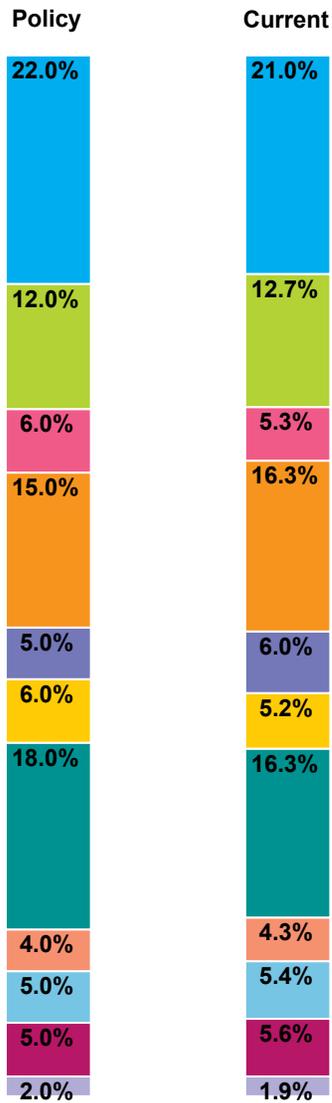
- Brandywine returned 0.8% through February, trailing the Bloomberg US Aggregate Index return of 1.7%.
- Wellington Core Bond returned 1.8%, outpacing the Bloomberg US Aggregate Index return of 1.7%.
- Payden & Rygel Low Duration returned 0.9%, outpacing the Bloomberg US Treasury 1-3 Year Index return of 0.7%.

**Opportunistic Credit**

- PIMCO Income Fund returned 1.9%, outpacing the Bloomberg US Aggregate Index return of 1.7%.
- GoldenTree Multi-Sector returned 0.5%, outpacing the blended benchmark (50% Bloomberg US High Yield/50% S&P UBS Leveraged Loans) return of -0.2%. The strategy is benchmark agnostic and tends to have lower duration positioning.

## **Performance Update as of February 28, 2026**

Total Fund | As of February 28, 2026



### Allocation vs. Targets and Policy

	Balance (\$)	Current Allocation (%)	Policy (%)	Difference (%)	Policy Range (%)	Within IPS Range?
US Equity	305,187,662	21.0	22.0	-1.0	16.0 - 27.0	Yes
Developed International Equity	184,220,701	12.7	12.0	0.7	7.0 - 17.0	Yes
Emerging Markets Equity	76,786,976	5.3	6.0	-0.7	3.0 - 9.0	Yes
Private Equity	236,875,132	16.3	15.0	1.3	5.0 - 20.0	Yes
Direct Lending	87,139,208	6.0	5.0	1.0	0.0 - 10.0	Yes
Real Estate	75,777,115	5.2	6.0	-0.8	4.0 - 8.0	Yes
US Fixed Income	236,539,765	16.3	18.0	-1.7	13.0 - 23.0	Yes
Opportunistic Credit	61,738,458	4.3	4.0	0.3	2.0 - 6.0	Yes
Hedge Funds	78,754,379	5.4	5.0	0.4	2.5 - 7.5	Yes
Real Assets	81,957,714	5.6	5.0	0.6	3.0 - 7.0	Yes
Cash	27,332,498	1.9	2.0	-0.1	0.0 - 4.0	Yes
<b>Total</b>	<b>1,452,309,609</b>	<b>100.0</b>	<b>100.0</b>	<b>0.0</b>		

## Trailing Net Performance | As of February 28, 2026

Asset Class Performance Summary										
	Market Value (\$)	% of Portfolio	1 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Fund</b>	<b>1,452,309,609</b>	<b>100.0</b>	<b>0.8</b>	<b>2.0</b>	<b>13.3</b>	<b>12.0</b>	<b>7.7</b>	<b>9.6</b>	<b>8.3</b>	<b>Jan-95</b>
<i>Policy Index</i>			<i>1.7</i>	<i>4.2</i>	<i>18.9</i>	<i>14.4</i>	<i>9.8</i>	<i>10.4</i>	<i>6.9</i>	
<b>Total Fund w/o Alternatives</b>	<b>864,473,562</b>	<b>59.5</b>	<b>1.2</b>	<b>3.0</b>	<b>16.0</b>	<b>15.4</b>	<b>7.4</b>	<b>10.2</b>	<b>--</b>	<b>Jan-08</b>
<i>Policy Index w/o AI</i>			<i>1.9</i>	<i>4.8</i>	<i>20.9</i>	<i>15.5</i>	<i>7.7</i>	<i>9.8</i>	<i>--</i>	
<b>Public Equity</b>	<b>566,195,338</b>	<b>39.0</b>	<b>1.3</b>	<b>4.0</b>	<b>20.9</b>	<b>19.3</b>	<b>9.6</b>	<b>--</b>	<b>11.5</b>	<b>Apr-18</b>
<i>MSCI AC World IMI Index (Net)</i>			<i>1.6</i>	<i>4.9</i>	<i>25.1</i>	<i>20.2</i>	<i>11.3</i>	<i>--</i>	<i>11.3</i>	
<b>US Equity</b>	<b>305,187,662</b>	<b>21.0</b>	<b>-0.5</b>	<b>0.9</b>	<b>14.9</b>	<b>19.6</b>	<b>12.1</b>	<b>14.7</b>	<b>10.8</b>	<b>Jan-95</b>
<i>Russell 3000</i>			<i>-0.5</i>	<i>1.1</i>	<i>17.0</i>	<i>20.9</i>	<i>12.8</i>	<i>15.0</i>	<i>10.9</i>	
<b>International Equity</b>	<b>261,007,677</b>	<b>18.0</b>	<b>3.6</b>	<b>7.8</b>	<b>28.5</b>	<b>18.9</b>	<b>6.6</b>	<b>11.4</b>	<b>6.8</b>	<b>Jan-99</b>
<i>Primary Blended International Equity Benchmark</i>			<i>5.1</i>	<i>11.4</i>	<i>40.1</i>	<i>20.1</i>	<i>9.2</i>	<i>10.7</i>	<i>6.4</i>	
<i>Secondary Blended International Equity Benchmark</i>			<i>4.8</i>	<i>10.5</i>	<i>36.4</i>	<i>19.1</i>	<i>8.6</i>	<i>10.4</i>	<i>6.3</i>	
<b>Emerging Markets Equity</b>	<b>76,786,976</b>	<b>5.3</b>	<b>-2.6</b>	<b>-1.3</b>	<b>10.1</b>	<b>15.3</b>	<b>-1.2</b>	<b>11.3</b>	<b>6.4</b>	<b>May-12</b>
<i>MSCI EM</i>			<i>5.5</i>	<i>14.8</i>	<i>50.0</i>	<i>21.5</i>	<i>6.3</i>	<i>10.8</i>	<i>6.1</i>	
<b>US Fixed Income</b>	<b>236,539,765</b>	<b>16.3</b>	<b>1.2</b>	<b>1.4</b>	<b>6.0</b>	<b>5.0</b>	<b>0.2</b>	<b>2.2</b>	<b>4.4</b>	<b>Jan-95</b>
<i>US Fixed Income Custom Benchmark</i>			<i>1.6</i>	<i>1.7</i>	<i>6.3</i>	<i>5.2</i>	<i>0.6</i>	<i>2.4</i>	<i>4.6</i>	
<b>Opportunistic Credit</b>	<b>61,738,458</b>	<b>4.3</b>	<b>0.3</b>	<b>0.9</b>	<b>7.0</b>	<b>9.2</b>	<b>5.8</b>	<b>--</b>	<b>6.1</b>	<b>May-19</b>
<i>Custom Blended Opportunistic Credit Benchmark</i>			<i>0.1</i>	<i>0.2</i>	<i>5.4</i>	<i>6.7</i>	<i>2.7</i>	<i>--</i>	<i>3.5</i>	
<b>Real Estate</b>	<b>75,777,115</b>	<b>5.2</b>	<b>0.0</b>	<b>0.0</b>	<b>1.5</b>	<b>0.6</b>	<b>3.7</b>	<b>4.2</b>	<b>6.0</b>	<b>Dec-10</b>
<i>Custom Blended Real Estate Benchmark</i>			<i>0.0</i>	<i>0.0</i>	<i>4.0</i>	<i>-4.8</i>	<i>2.4</i>	<i>3.9</i>	<i>6.9</i>	
<i>CPI +5% (Seasonally Adjusted)</i>			<i>0.7</i>	<i>1.3</i>	<i>7.5</i>	<i>7.9</i>	<i>9.6</i>	<i>8.4</i>	<i>7.8</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 February 28, 2026

	Market Value (\$)	% of Portfolio	1 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Private Real Estate</b>	75,777,115	5.2	0.0	0.0	1.5	-0.8	3.9	4.2	6.0	Dec-10
<i>Custom Blended Real Estate Benchmark</i>			0.0	0.0	4.0	-5.4	3.5	4.5	7.3	
<b>Private Equity</b>	239,160,159	16.5	0.0	0.0	11.0	8.2	16.3	13.4	10.2	Jul-05
<i>Custom Private Equity Benchmark</i>			0.4	2.8	20.8	22.2	20.0	17.5	--	
<b>Direct Lending</b>	84,854,181	5.8	0.0	0.0	9.2	10.6	9.7	--	10.0	Jul-20
<i>50% Bloomberg US High Yield / 50% Morningstar LSTA US Lev Loans</i>			-0.3	-0.2	5.5	8.6	5.2	--	6.5	
<b>Hedge Funds</b>	78,754,379	5.4	1.2	3.1	9.7	8.4	6.6	6.7	5.6	Jul-14
<i>Custom Blended Hedge Funds Benchmark</i>			1.1	3.0	12.8	9.1	5.3	5.7	--	
<b>Real Assets</b>	81,957,714	5.6	0.0	0.0	13.5	13.2	13.9	10.6	10.2	Dec-10
<i>Custom Blended Real Assets Benchmark</i>			8.8	17.2	42.3	16.5	14.8	11.1	--	
<i>CPI +5% (Seasonally Adjusted)</i>			0.7	1.3	7.5	7.9	9.6	8.4	7.8	
<b>Private Infrastructure</b>	49,927,779	3.4	0.0	0.0	10.5	12.6	12.5	11.7	10.3	Jan-15
<i>S&amp;P Global Infrastructure</i>			7.4	12.9	35.1	18.8	14.0	10.7	8.4	
<b>Private Natural Resources</b>	32,029,935	2.2	0.0	0.0	18.0	16.7	21.3	16.7	15.8	Oct-15
<i>S&amp;P Global Natural Resources Sector Index (TR)</i>			10.1	21.5	49.4	13.9	13.7	13.3	12.8	
<b>Cash</b>	27,332,498	1.9	0.4	0.7	5.0	4.5	2.8	--	--	Dec-10

Real Assets includes State Street Real Assets NL Fund.

Trailing Net Performance | As of February 28, 2026

Trailing Period Performance										
	Market Value (\$)	% of Portfolio	1 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Total Fund</b>	<b>1,452,309,609</b>	<b>100.0</b>	<b>0.8</b>	<b>2.0</b>	<b>13.3</b>	<b>12.0</b>	<b>7.7</b>	<b>9.6</b>	<b>8.3</b>	<b>Jan-95</b>
<i>Policy Index</i>			<i>1.7</i>	<i>4.2</i>	<i>18.9</i>	<i>14.4</i>	<i>9.8</i>	<i>10.4</i>	<i>6.9</i>	
<b>Total Fund w/o Alternatives</b>	<b>864,473,562</b>	<b>59.5</b>	<b>1.2</b>	<b>3.0</b>	<b>16.0</b>	<b>15.4</b>	<b>7.4</b>	<b>10.2</b>	<b>--</b>	<b>Jan-08</b>
<i>Policy Index w/o AI</i>			<i>1.9</i>	<i>4.8</i>	<i>20.9</i>	<i>15.5</i>	<i>7.7</i>	<i>9.8</i>	<i>--</i>	
<b>Public Equity</b>	<b>566,195,338</b>	<b>39.0</b>	<b>1.3</b>	<b>4.0</b>	<b>20.9</b>	<b>19.3</b>	<b>9.6</b>	<b>--</b>	<b>11.5</b>	<b>Apr-18</b>
<i>MSCI AC World IMI Index (Net)</i>			<i>1.6</i>	<i>4.9</i>	<i>25.1</i>	<i>20.2</i>	<i>11.3</i>	<i>--</i>	<i>11.3</i>	
<b>US Equity</b>	<b>305,187,662</b>	<b>21.0</b>	<b>-0.5</b>	<b>0.9</b>	<b>14.9</b>	<b>19.6</b>	<b>12.1</b>	<b>14.7</b>	<b>10.8</b>	<b>Jan-95</b>
<i>Russell 3000</i>			<i>-0.5</i>	<i>1.1</i>	<i>17.0</i>	<i>20.9</i>	<i>12.8</i>	<i>15.0</i>	<i>10.9</i>	
BNY Mellon Newton Dynamic US Equity	67,875,762	4.7	-0.5	0.7	16.3	20.3	12.9	15.8	15.9	Jan-13
<i>S&amp;P 500 Index</i>			<i>-0.8</i>	<i>0.7</i>	<i>17.0</i>	<i>21.8</i>	<i>14.2</i>	<i>15.5</i>	<i>14.7</i>	
BNY Mellon Large Cap	217,344,876	15.0	-0.5	0.9	16.7	21.4	13.3	--	14.7	Apr-16
<i>Russell 1000 Index</i>			<i>-0.5</i>	<i>0.8</i>	<i>16.7</i>	<i>21.4</i>	<i>13.3</i>	<i>--</i>	<i>14.7</i>	
Champlain Small Cap	19,967,024	1.4	0.3	1.3	-4.0	5.1	1.1	--	6.4	Nov-20
<i>Russell 2000 Index</i>			<i>0.8</i>	<i>6.2</i>	<i>23.3</i>	<i>13.1</i>	<i>5.0</i>	<i>--</i>	<i>12.1</i>	

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

## Trailing Net Performance | As of February 28, 2026

	Market Value (\$)	% of Portfolio	1 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>International Equity</b>	<b>261,007,677</b>	<b>18.0</b>	<b>3.6</b>	<b>7.8</b>	<b>28.5</b>	<b>18.9</b>	<b>6.6</b>	<b>11.4</b>	<b>6.8</b>	<b>Jan-99</b>
<i>Primary Blended International Equity Benchmark</i>			<i>5.1</i>	<i>11.4</i>	<i>40.1</i>	<i>20.1</i>	<i>9.2</i>	<i>10.7</i>	<i>6.4</i>	
<i>Secondary Blended International Equity Benchmark</i>			<i>4.8</i>	<i>10.5</i>	<i>36.4</i>	<i>19.1</i>	<i>8.6</i>	<i>10.4</i>	<i>5.7</i>	
Acadian ACWI ex U.S. Small Cap Equity	23,316,876	1.6	4.5	11.5	43.3	20.7	12.7	--	13.9	May-19
<i>MSCI AC World ex USA Small Cap (Net)</i>			<i>5.3</i>	<i>12.0</i>	<i>44.5</i>	<i>18.3</i>	<i>8.6</i>	<i>--</i>	<i>10.2</i>	
Driehaus International Small Cap Growth	22,336,530	1.5	5.6	10.4	41.5	17.4	6.9	--	11.6	May-19
<i>MSCI AC World ex USA Small Growth Index (Net)</i>			<i>5.1</i>	<i>11.9</i>	<i>42.3</i>	<i>16.8</i>	<i>6.0</i>	<i>--</i>	<i>9.3</i>	
GQG International Equity	68,726,389	4.7	6.6	10.6	25.0	19.1	11.0	--	11.6	Dec-19
<i>MSCI AC World ex USA (Net)</i>			<i>5.0</i>	<i>11.3</i>	<i>39.7</i>	<i>19.9</i>	<i>9.8</i>	<i>--</i>	<i>10.6</i>	
First Eagle International Value Fund	69,840,905	4.8	7.1	14.0	47.3	21.7	12.8	--	11.1	Dec-19
<i>MSCI EAFE (Net)</i>			<i>4.6</i>	<i>10.1</i>	<i>34.6</i>	<i>18.8</i>	<i>10.8</i>	<i>--</i>	<i>10.6</i>	
<i>MSCI AC World ex USA Value (Net)</i>			<i>6.0</i>	<i>12.8</i>	<i>47.6</i>	<i>23.2</i>	<i>13.7</i>	<i>--</i>	<i>12.2</i>	
<b>Emerging Markets Equity</b>	<b>76,786,976</b>	<b>5.3</b>	<b>-2.6</b>	<b>-1.3</b>	<b>10.1</b>	<b>15.3</b>	<b>-1.2</b>	<b>11.3</b>	<b>6.4</b>	<b>May-12</b>
<i>MSCI EM</i>			<i>5.5</i>	<i>14.8</i>	<i>50.0</i>	<i>21.5</i>	<i>6.3</i>	<i>10.8</i>	<i>6.1</i>	
Artisan Developing World TR	47,284,077	3.3	-6.4	-9.6	-7.6	12.5	-3.6	--	7.4	Dec-19
<i>MSCI Emerging Markets (Net)</i>			<i>5.5</i>	<i>14.8</i>	<i>50.0</i>	<i>21.5</i>	<i>6.3</i>	<i>--</i>	<i>9.8</i>	
RWC	29,502,899	2.0	4.1	15.9	56.1	19.2	3.3	--	8.6	Dec-19
<i>MSCI Emerging Markets (Net)</i>			<i>5.5</i>	<i>14.8</i>	<i>50.0</i>	<i>21.5</i>	<i>6.3</i>	<i>--</i>	<i>9.8</i>	

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 February 28, 2026

	Market Value (\$)	% of Portfolio	1 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>US Fixed Income</b>	<b>236,539,765</b>	<b>16.3</b>	<b>1.2</b>	<b>1.4</b>	<b>6.0</b>	<b>5.0</b>	<b>0.2</b>	<b>2.2</b>	<b>4.4</b>	<b>Jan-95</b>
<i>US Fixed Income Custom Benchmark</i>			<i>1.6</i>	<i>1.7</i>	<i>6.3</i>	<i>5.2</i>	<i>0.6</i>	<i>2.4</i>	<i>4.6</i>	
Vanguard Total Bond Market Index Fund	32,861,114	2.3	1.5	1.8	6.1	5.1	0.4	--	1.9	May-19
<i>Blmbg. U.S. Aggregate Index</i>			<i>1.6</i>	<i>1.7</i>	<i>6.3</i>	<i>5.1</i>	<i>0.4</i>	<i>--</i>	<i>1.9</i>	
Payden & Rygel Low Duration Fund	23,015,945	1.6	0.6	0.9	5.3	5.6	--	--	5.6	Nov-22
<i>Blmbg. U.S. Treasury: 1-3 Year</i>			<i>0.5</i>	<i>0.7</i>	<i>4.7</i>	<i>4.8</i>	<i>--</i>	<i>--</i>	<i>4.5</i>	
Brandywine US Fixed Income	68,378,010	4.7	0.7	0.8	5.7	4.3	--	--	3.5	Nov-22
<i>Blmbg. U.S. Aggregate Index</i>			<i>1.6</i>	<i>1.7</i>	<i>6.3</i>	<i>5.1</i>	<i>--</i>	<i>--</i>	<i>5.7</i>	
Wellington Core Bond	112,284,696	7.7	1.5	1.8	6.2	5.3	--	--	5.6	Nov-22
<i>Blmbg. U.S. Aggregate Index</i>			<i>1.6</i>	<i>1.7</i>	<i>6.3</i>	<i>5.1</i>	<i>--</i>	<i>--</i>	<i>5.7</i>	
<b>Opportunistic Credit</b>	<b>61,738,458</b>	<b>4.3</b>	<b>0.3</b>	<b>0.9</b>	<b>7.0</b>	<b>9.2</b>	<b>5.8</b>	<b>--</b>	<b>6.1</b>	<b>May-19</b>
<i>Custom Blended Opportunistic Credit Benchmark</i>			<i>0.1</i>	<i>0.2</i>	<i>5.4</i>	<i>6.7</i>	<i>2.7</i>	<i>--</i>	<i>3.5</i>	
PIMCO Income Fund	5,813,452	0.4	1.3	1.9	9.8	8.7	4.3	--	4.6	May-19
<i>Blmbg. U.S. Aggregate Index</i>			<i>1.6</i>	<i>1.7</i>	<i>6.3</i>	<i>5.1</i>	<i>0.4</i>	<i>--</i>	<i>1.9</i>	
GoldenTree Multi-Sector Credit	31,032,507	2.1	-0.1	0.5	6.5	9.7	6.1	--	6.4	Jun-19
<i>50% Bloomberg US High Yield / 50% Morningstar LSTA US Lev Loans</i>			<i>-0.3</i>	<i>-0.2</i>	<i>5.5</i>	<i>8.6</i>	<i>5.2</i>	<i>--</i>	<i>5.5</i>	
OWS Credit Opportunity Fund LP	24,892,499	1.7	0.5	1.3	7.1	--	--	--	8.7	Oct-23
<i>50% Bloomberg US High Yield / 50% Morningstar LSTA US Lev Loans</i>			<i>-0.3</i>	<i>-0.2</i>	<i>5.5</i>	<i>--</i>	<i>--</i>	<i>--</i>	<i>8.6</i>	

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

The market values of GoldenTree Multi-Sector Credit and OWS Credit Opportunity Fund LP are based on manager provided estimates, due to data availability.

## Trailing Net Performance | As of February 28, 2026

	Market Value (\$)	% of Portfolio	1 Mo (%)	YTD (%)	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Inception (%)	Inception Date
<b>Private Real Estate</b>	<b>75,777,115</b>	<b>5.2</b>	<b>0.0</b>	<b>0.0</b>	<b>1.5</b>	<b>-0.8</b>	<b>3.9</b>	<b>4.2</b>	<b>6.0</b>	<b>Dec-10</b>
<i>Custom Blended Real Estate Benchmark</i>			<i>0.0</i>	<i>0.0</i>	<i>4.0</i>	<i>-5.4</i>	<i>3.5</i>	<i>4.5</i>	<i>7.3</i>	
<b>Private Equity</b>	<b>239,160,159</b>	<b>16.5</b>	<b>0.0</b>	<b>0.0</b>	<b>11.0</b>	<b>8.2</b>	<b>16.3</b>	<b>13.4</b>	<b>10.2</b>	<b>Jul-05</b>
<i>Custom Private Equity Benchmark</i>			<i>0.4</i>	<i>2.8</i>	<i>20.8</i>	<i>22.2</i>	<i>20.0</i>	<i>17.5</i>	<i>--</i>	
<b>Direct Lending</b>	<b>84,854,181</b>	<b>5.8</b>	<b>0.0</b>	<b>0.0</b>	<b>9.2</b>	<b>10.6</b>	<b>9.7</b>	<b>--</b>	<b>10.0</b>	<b>Jul-20</b>
<i>Morningstar LSTA Leveraged Loans +2%</i>			<i>-0.6</i>	<i>-0.8</i>	<i>6.0</i>	<i>9.9</i>	<i>7.9</i>	<i>--</i>	<i>9.0</i>	
<b>Hedge Funds</b>	<b>78,754,379</b>	<b>5.4</b>	<b>1.2</b>	<b>3.1</b>	<b>9.7</b>	<b>8.4</b>	<b>6.6</b>	<b>6.7</b>	<b>5.6</b>	<b>Jul-14</b>
<i>Custom Blended Hedge Funds Benchmark</i>			<i>1.1</i>	<i>3.0</i>	<i>12.8</i>	<i>9.1</i>	<i>5.3</i>	<i>5.7</i>	<i>--</i>	
<b>Private Infrastructure</b>	<b>49,927,779</b>	<b>3.4</b>	<b>0.0</b>	<b>0.0</b>	<b>10.5</b>	<b>12.6</b>	<b>12.5</b>	<b>11.7</b>	<b>10.3</b>	<b>Jan-15</b>
<i>S&amp;P Global Infrastructure</i>			<i>7.4</i>	<i>12.9</i>	<i>35.1</i>	<i>18.8</i>	<i>14.0</i>	<i>10.7</i>	<i>8.4</i>	
<b>Private Natural Resources</b>	<b>32,029,935</b>	<b>2.2</b>	<b>0.0</b>	<b>0.0</b>	<b>18.0</b>	<b>16.7</b>	<b>21.3</b>	<b>16.7</b>	<b>15.8</b>	<b>Oct-15</b>
<i>S&amp;P Global Natural Resources Sector Index (TR)</i>			<i>10.1</i>	<i>21.5</i>	<i>49.4</i>	<i>13.9</i>	<i>13.7</i>	<i>13.3</i>	<i>12.8</i>	
<b>Cash</b>	<b>27,332,498</b>	<b>1.9</b>	<b>0.4</b>	<b>0.7</b>	<b>5.0</b>	<b>4.5</b>	<b>2.8</b>	<b>--</b>	<b>--</b>	<b>Dec-10</b>
Cash	26,320,038	1.8	0.4	0.7	4.3	4.7	2.9	2.0	-0.5	Dec-10
Treasury Cash	1,012,460	0.1	0.0	0.0	21.8	6.8	4.0	--	2.4	Sep-17

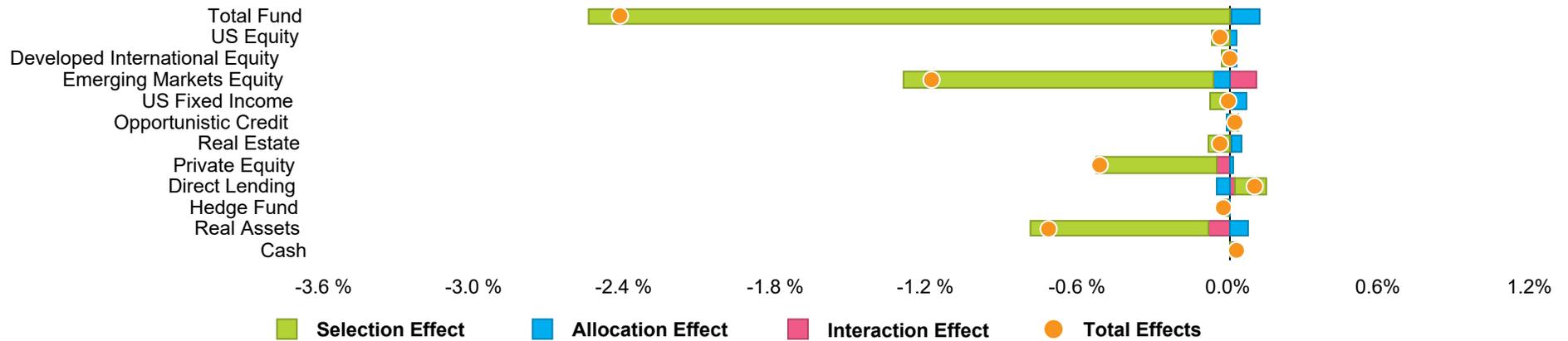
All private markets performance and market values reflect a 09/30/25 capital account balance (as of 01/31/2026) unless otherwise noted.

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 February 28, 2026

### Attribution Effects 3 Months Ending February 28, 2026

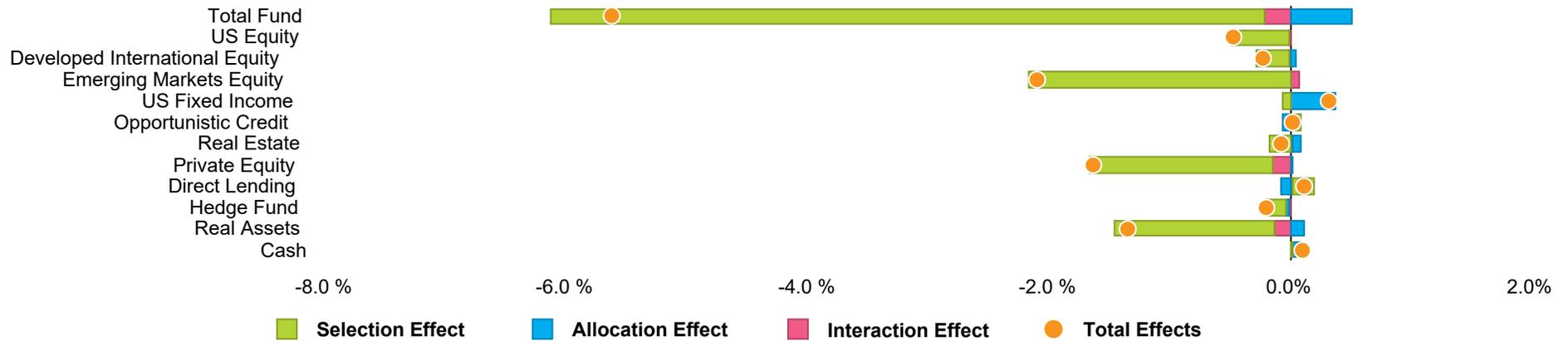


### Attribution Summary 3 Months Ending February 28, 2026

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction (%)	Total Effect (%)
US Equity	0.7	1.0	-0.3	-0.1	0.0	0.0	0.0
Developed International Equity	14.3	14.6	-0.3	0.0	0.0	0.0	0.0
Emerging Markets Equity	-2.6	18.3	-20.9	-1.2	-0.1	0.1	-1.2
US Fixed Income	1.2	1.6	-0.4	-0.1	0.1	0.0	0.0
Opportunistic Credit	1.5	0.7	0.8	0.0	0.0	0.0	0.0
Real Estate	-0.6	0.7	-1.4	-0.1	0.0	0.0	0.0
Private Equity	3.4	6.6	-3.2	-0.5	0.0	-0.1	-0.5
Direct Lending	2.5	0.0	2.5	0.1	0.0	0.0	0.1
Hedge Fund	3.8	4.2	-0.4	0.0	0.0	0.0	0.0
Real Assets	4.2	18.8	-14.7	-0.7	0.1	-0.1	-0.7
Cash	1.3	0.9	0.3	0.0	0.0	0.0	0.0
<b>Total Fund</b>	<b>3.1</b>	<b>5.5</b>	<b>-2.4</b>	<b>-2.5</b>	<b>0.1</b>	<b>0.0</b>	<b>-2.4</b>

Total Fund Attribution | As of February 28, 2026

### Attribution Effects 1 Year Ending February 28, 2026



### Attribution Summary 1 Year Ending February 28, 2026

	Wtd. Actual Return (%)	Wtd. Index Return (%)	Excess Return (%)	Selection Effect (%)	Allocation Effect (%)	Interaction (%)	Total Effect (%)
US Equity	14.9	17.0	-2.1	-0.5	0.0	0.0	-0.5
Developed International Equity	37.8	40.3	-2.6	-0.3	0.0	0.0	-0.2
Emerging Markets Equity	10.1	50.0	-39.9	-2.2	0.0	0.1	-2.1
US Fixed Income	6.0	6.3	-0.3	-0.1	0.4	0.0	0.3
Opportunistic Credit	7.0	5.4	1.7	0.1	-0.1	0.0	0.0
Real Estate	1.5	4.0	-2.6	-0.2	0.1	0.0	-0.1
Private Equity	11.0	20.8	-9.7	-1.5	0.0	-0.2	-1.6
Direct Lending	9.2	6.0	3.2	0.2	-0.1	0.0	0.1
Hedge Fund	9.7	12.8	-3.0	-0.2	0.0	0.0	-0.2
Real Assets	13.5	42.3	-28.7	-1.3	0.1	-0.1	-1.4
Cash	5.0	4.2	0.8	0.0	0.1	0.0	0.1
<b>Total Fund</b>	<b>13.3</b>	<b>18.9</b>	<b>-5.6</b>	<b>-5.9</b>	<b>0.5</b>	<b>-0.2</b>	<b>-5.6</b>

Benchmark History

From Date	To Date	Benchmark
<b>Total Fund</b>		
01/01/2026	Present	22.0% Russell 3000, 12.0% Merced - Primary Blended International Equity Benchmark, 6.0% MSCI EM, 18.0% US Fixed Income Custom Benchmark, 5.0% Custom Blended Hedge Funds Benchmark, 15.0% Custom Private Equity Benchmark, 5.0% Morningstar LSTA Leverage Loans +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
07/01/2025	12/31/2025	22.0% Russell 3000, 12.0% Merced - Primary Blended International Equity Benchmark, 6.0% MSCI EM, 18.0% US Fixed Income Custom Benchmark, 5.0% Custom Blended Hedge Funds 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 Funds 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 Funds 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 Funds 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 Funds 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 Funds 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 Funds 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

From Date	To Date	Benchmark
<b>US Equity</b>		
01/01/2020	Present	100.0% Russell 3000 Index
12/01/1994	12/31/2019	100.0% Russell 3000
<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 Funds</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>		
01/01/2026	Present	20.0% Blmbg. U.S. Aggregate Index, 40.0% Blmbg. U.S. Corp: High Yield Index, 40.0% Morningstar LSTA U.S. Leveraged Loan
07/01/2025	12/31/2025	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

Annual Investment Expense Analysis				
	Fee Schedule	Market Value (\$)	Estimated Annual Fee (%)	Estimated Expense (\$)
<b>Total Fund</b>		<b>1,452,309,609</b>		
<b>Total Fund w/o Alternatives</b>		<b>864,473,562</b>		
<b>Public Equity</b>		<b>566,195,338</b>		
<b>US Equity</b>		<b>305,187,662</b>		
BNY Mellon Newton Dynamic US Equity	0.30 % of Assets	67,875,762	0.30	203,627
BNY Mellon Large Cap	0.04 % of First \$100 M 0.02 % Thereafter	217,344,876	0.03	63,469
Champlain Small Cap	1.00 % of Assets	19,967,024	1.00	199,670
<b>International Equity</b>		<b>261,007,677</b>		
Acadian ACWI ex U.S. Small Cap Equity	0.85 % of First \$50 M 0.75 % Thereafter	23,316,876	0.85	198,193
Driehaus International Small Cap Growth	0.90 % of Assets	22,336,530	0.90	201,029
GQG International Equity	0.50 % of Assets	68,726,389	0.50	343,632
First Eagle International Value Fund	0.79 % of Assets	69,840,905	0.79	551,743
<b>Emerging Markets Equity</b>		<b>76,786,976</b>		
Artisan Developing World TR	1.05 % of Assets	47,284,077	1.05	496,483
RWC	0.87 % of Assets	29,502,899	0.87	256,675
<b>MCERA US FIXED+OPP CREDIT</b>		<b>298,278,224</b>		
<b>US Fixed Income</b>		<b>236,539,765</b>		
Vanguard Total Bond Market Index Fund	0.03 % of Assets	32,861,114	0.03	8,215
Payden & Rygel Low Duration Fund	0.43 % of Assets	23,015,945	0.43	124,286
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	68,378,010	0.27	185,432
Wellington Core Bond	0.12 % of Assets	112,284,696	0.12	134,742
<b>Opportunistic Credit</b>		<b>61,738,458</b>		
PIMCO Income Fund	0.51 % of Assets	5,813,452	0.51	31,393
GoldenTree Multi-Sector Credit	0.70 % of Assets	31,032,507	0.70	217,228
OWS Credit Opportunity Fund LP		24,892,499	-	-

Fee Schedule | As of February 28, 2026

	Fee Schedule	Market Value (\$)	Estimated Annual Fee (%)	Estimated Expense (\$)
<b>Hedge Funds</b>		<b>78,754,379</b>		
Silver Point Capital	Performance Based 1.50 % and 20.00 %	16,097,336	1.50	241,460
Marshall Wace Eureka	Performance Based 2.00 % and 20.00 %	5,541,074	2.00	110,821
Marshall Wace Global Opportunities	Performance Based 2.00 % and 20.00 %	6,957,375	2.00	139,147
Taconic Opportunity Fund	Performance Based 1.40 % and 20.00 %	746,145	1.40	10,446
Silver Point Capital	Performance Based 1.50 % and 20.00 %	16,097,336	1.50	241,460
Graham Absolute Return	Performance Based 1.75 % and 20.00 %	5,584,375	1.75	97,727
Laurion Capital	Performance Based 2.00 % and 20.00 %	8,556,666	2.00	171,133
Wellington Global Equity Long/Short Fund	Performance Based 1.00 % and 20.00 %	11,248,064	1.00	112,481
<b>Cash</b>		<b>27,332,498</b>		
Cash		26,320,038	-	-
Treasury Cash		1,012,460	-	-

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

THIS REPORT (THE “REPORT”) HAS BEEN PREPARED FOR THE SOLE BENEFIT OF THE INTENDED RECIPIENT (THE “RECIPIENT”).

SIGNIFICANT EVENTS MAY OCCUR (OR HAVE OCCURRED) AFTER THE DATE OF THIS REPORT, AND IT IS NOT OUR FUNCTION OR RESPONSIBILITY TO UPDATE THIS REPORT. THE INFORMATION CONTAINED HEREIN, INCLUDING ANY OPINIONS OR RECOMMENDATIONS, REPRESENTS OUR GOOD FAITH VIEWS AS OF THE DATE OF THIS REPORT AND IS SUBJECT TO CHANGE AT ANY TIME. ALL INVESTMENTS INVOLVE RISK, AND THERE CAN BE NO GUARANTEE THAT THE STRATEGIES, TACTICS, AND METHODS DISCUSSED HERE WILL BE SUCCESSFUL.

THE INFORMATION USED TO PREPARE THIS REPORT MAY HAVE BEEN OBTAINED FROM INVESTMENT MANAGERS, CUSTODIANS, AND OTHER EXTERNAL SOURCES. SOME OF THIS REPORT MAY HAVE BEEN PRODUCED WITH THE ASSISTANCE OF ARTIFICIAL INTELLIGENCE (“AI”) TECHNOLOGY. WHILE WE HAVE EXERCISED REASONABLE CARE IN PREPARING THIS REPORT, WE CANNOT GUARANTEE THE ACCURACY, ADEQUACY, VALIDITY, RELIABILITY, AVAILABILITY, OR COMPLETENESS OF ANY INFORMATION CONTAINED HEREIN, WHETHER OBTAINED EXTERNALLY OR PRODUCED BY THE AI.

THE RECIPIENT SHOULD BE AWARE THAT THIS REPORT MAY INCLUDE AI-GENERATED CONTENT THAT MAY NOT HAVE CONSIDERED ALL RISK FACTORS. THE RECIPIENT IS ADVISED TO CONSULT WITH THEIR MEKETA ADVISOR OR ANOTHER PROFESSIONAL ADVISOR BEFORE MAKING ANY FINANCIAL DECISIONS OR TAKING ANY ACTION BASED ON THE CONTENT OF THIS REPORT. WE BELIEVE THE INFORMATION TO BE FACTUAL AND UP TO DATE BUT DO NOT ASSUME ANY RESPONSIBILITY FOR ERRORS OR OMISSIONS IN THE CONTENT PRODUCED. UNDER NO CIRCUMSTANCES SHALL WE BE LIABLE FOR ANY SPECIAL, DIRECT, INDIRECT, CONSEQUENTIAL, OR INCIDENTAL DAMAGES OR ANY DAMAGES WHATSOEVER, WHETHER IN AN ACTION OF CONTRACT, NEGLIGENCE, OR OTHER TORT, ARISING OUT OF OR IN CONNECTION WITH THE USE OF THIS CONTENT. IT IS IMPORTANT FOR THE RECIPIENT TO CRITICALLY EVALUATE THE INFORMATION PROVIDED.

CERTAIN INFORMATION CONTAINED IN THIS REPORT MAY CONSTITUTE “FORWARD-LOOKING STATEMENTS,” WHICH CAN BE IDENTIFIED BY THE USE OF TERMINOLOGY SUCH AS “MAY,” “WILL,” “SHOULD,” “EXPECT,” “AIM,” “ANTICIPATE,” “TARGET,” “PROJECT,” “ESTIMATE,” “INTEND,” “CONTINUE,” OR “BELIEVE,” OR THE NEGATIVES THEREOF OR OTHER VARIATIONS THEREON OR COMPARABLE TERMINOLOGY. ANY FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS REPORT ARE BASED UPON CURRENT ASSUMPTIONS. CHANGES TO ANY ASSUMPTIONS MAY HAVE A MATERIAL IMPACT ON FORWARD-LOOKING STATEMENTS, FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS. ACTUAL RESULTS MAY THEREFORE BE MATERIALLY DIFFERENT FROM ANY FORECASTS, PROJECTIONS, VALUATIONS, OR RESULTS IN THIS REPORT.

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%.

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

**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.

Merced County Employees' Retirement Association

# Audit of June 30, 2025 Actuarial Valuation

This report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

© 2026 by The Segal Group, Inc.



March 19, 2026

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

**Re: Review of actuarial valuation as of June 30, 2025**

Dear Members of the Board:

We are pleased to present the results of this review of the June 30, 2025 Actuarial Valuation for the Merced County Employees' Retirement Association (MercedCERA). The purpose of this review was to verify the calculations completed by Cheiron and to offer comments on the methodology and the results of their actuarial valuation.

This review was completed under the supervision of Eva Yum, a Fellow of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA. This review was conducted in accordance with the standards of practice prescribed by the Actuarial Standards Board.

We are members of the American Academy of Actuaries, and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

The assistance of Cheiron and MercedCERA is gratefully acknowledged. We appreciate the opportunity to be of service to MercedCERA, and we look forward to reviewing this report with you and answering any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Tauzer".

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

A handwritten signature in black ink, appearing to read "Eva Yum".

Eva Yum, FSA, MAAA, EA  
Vice President and Actuary

MAM/jl

cc: Tim Hall, FSA, EA, MAAA, CERA  
Anne D. Harper, FSA, EA, MAAA  
Graham Schmidt, FSA, EA, MAAA, FCA

# Table of Contents

Executive Summary .....	4
Results.....	4
Recommendations.....	6
Purpose and Scope of the Actuarial Review.....	8
Purpose of the actuarial review .....	8
Scope of the actuarial review .....	8
Results of the Actuarial Review .....	9
Data .....	9
Liabilities.....	18
Contribution rates .....	29
Content of valuation report .....	34
Conclusions and recommendations .....	36

# Executive Summary

This report has been prepared by Segal to present a review of the June 30, 2025 actuarial valuation performed by Cheiron for MercedCERA.

We have performed this review to provide MercedCERA an independent opinion as to the reasonableness of Cheiron's methods and results of the June 30, 2025 actuarial valuation. **Our review confirms that the actuarial calculations as of June 30, 2025 are reasonable, and that the actuarial calculations were conducted according to generally accepted actuarial principles and practices.** However, we have a few recommendations for changes to the data process and liability calculations, all of which would have a minor impact. We also have a few recommendations for additional disclosures in the valuation report.

## Results

### Data

Segal compared the raw data provided by MercedCERA with the processed data Cheiron used in the June 30, 2025 valuation. **The processed data is generally consistent with the raw data.** The report below includes a detailed comparison and further discussion, including explanations of any differences between the raw data and the processed data. The following is a summary of the member counts.

### Analysis of Participant Data *Member Counts*

Group	MercedCERA (Raw)	Cheiron (Processed)	Ratio
<b>General</b>			
Active	1,940	1,939	99.9%
Deferred	1,322	1,357	102.6%
Retired	2,208	2,237	101.3%
<b>Safety</b>			
Active	352	350	99.4%
Deferred	184	202	109.8%
Retired	412	420	101.9%

# Executive Summary

## Liabilities

Segal programmed our valuation system to replicate Cheiron's liability results as of June 30, 2025. As our valuation software is different than Cheiron's and there are reasonable variations on how to calculate total liabilities, we would not expect our calculations to be a perfect match to Cheiron's. **Nevertheless, we closely match Cheiron's valuation liabilities.** The report below includes a detailed breakdown of the liabilities. The following is a summary of the key results.

### Liability Comparison (\$ in '000s)

Group	Cheiron	Segal	Ratio
<b>General</b>			
Present value of benefits	\$1,460,140	\$1,472,336	100.8%
Present value of future normal costs	168,224	169,924	101.0%
Actuarial accrued liability	1,291,917	1,302,411	100.8%
Market value of assets	1,078,626	1,079,217	100.1%
Unfunded actuarial accrued liability	213,291	223,194	104.6%
<b>Safety</b>			
Present value of benefits	\$423,552	\$426,754	100.8%
Present value of future normal costs	55,914	56,606	101.2%
Actuarial accrued liability	367,638	370,148	100.7%
Market value of assets	300,076	299,485	99.8%
Unfunded actuarial accrued liability	67,562	70,663	104.6%

In addition to the aggregate liabilities, Segal reviewed the liabilities for 56 individual test lives covering a range of demographic characteristics. Other than a few individuals as noted in the report below, **we closely match Cheiron's liabilities for the individual members.** The report below includes the results for a sample of the 56 test lives starting on page 25 under the *Liabilities* section.

# Executive Summary

## Contribution rates

Based on the liability results, Segal also independently calculated the contribution rates. **We closely match Cheiron’s calculation of the contribution rates.** The report below includes a detailed breakdown of the employer and member contribution rates. The following is a summary of the key results.

### Employer Contribution Rate Comparison

Group	Cheiron	Segal	Ratio
<b>General</b>			
Tier 1	46.21%	48.46%	104.9%
Tier 2	40.92%	41.26%	100.8%
Tier 3	40.66%	40.87%	100.5%
Tier 4	38.37%	38.53%	100.4%
<b>Safety</b>			
Tier 1	76.16%	78.47%	103.0%
Tier 2	60.32%	60.74%	100.7%
Tier 3	59.39%	59.70%	100.5%
Tier 4	55.85%	56.12%	100.5%
<b>All Total</b>	<b>42.59%</b>	<b>42.86%</b>	<b>100.6%</b>

We also closely match Cheiron’s calculation of the member contribution rates.

## Recommendations

As described throughout our report below, we have several recommendations for Cheiron to consider in future valuations. These recommendations are not expected to have a significant impact on the valuation. These recommendations are briefly summarized here.

- **Retirement age for Safety Tier 4 terminated vested members:** The assumed retirement age for Safety Tier 4 terminated vested members has increased from 50 to 55. We recommend that Cheiron update the estimated inactive benefit amount in the data to reflect the benefit multiplier at age 55, and update the valuation program to reflect retirement timing of age 55. We believe Cheiron’s Safety Tier 4 terminated vested members are still calculated based on the prior assumption (i.e., assumed retirement age of 50).
- **Benefit amount for inactive General and Safety Tier 4 members:** For calculating benefits for terminated vested members in Tier 4, Cheiron is reducing the salary by one-third of the first \$350 per month to reflect the Social Security offset. We recommend that Cheiron remove this offset in the estimated benefits for General and Safety Tier 4 terminated vested members, as this offset does not apply to the PEPRA tiers.
- **Tier 1 contribution balances:** For members in Tier 1, MercedCERA provides both Basic and COLA contribution balances in the raw data; however, Cheiron’s processed data includes

## Executive Summary

only the Basic portion. We recommend that Cheiron include the COLA contribution balance in the valuation.

- **Reciprocal benefit formula:** For a small number of reciprocal members, there appears to be a difference in the benefit formula used by Cheiron and Segal as shown in the test life comparison on page 27 under the *Liabilities* section. We understand that Cheiron is researching the appropriate treatment for these members. We recommend that they make any necessary adjustments before the next valuation and clarify the benefit provisions in the next valuation report.
- **Sick leave in member contribution rates:** Based on our comparison of the member contribution rates, it appears that the Tier 1, 2, and 3 member contribution rates currently reflect sick leave conversion. We recommend that Cheiron confirm with MercedCERA whether the County of Merced has adopted §31641.03 of the County Employees Retirement Law, which would require sick leave to not be reflected in the member contribution rates for non-PEPRA members.
- **Valuation report:** We have the following recommendations for the valuation report.
  - According to the valuation report, the salary increase assumption for current reciprocal members is the same assumption that is used for active members, which consists of salary increases that vary based on years of service. However, Cheiron carries forward current reciprocal members' salaries in the data from the prior year by applying the ultimate active salary increase assumption, even if a member's service would imply a higher assumed increase under the active salary assumptions. We recommend that Cheiron disclose this part of the assumption in the valuation report.
  - We recommend that Cheiron review the methodology for calculating entry age under the Entry Age cost method (in particular, for members with purchased service), and update the description of the methodology in the report if necessary.
  - We recommend that Cheiron expand the description of the asset valuation method in *Appendix B* to describe the process for allocating assets between membership classes.
  - If Cheiron is including sick leave conversion in the Tier 1, 2, and 3 member contribution rates, we recommend disclosing that in the valuation report.
  - We recommend that Cheiron state explicitly in the Summary of Plan Provisions which classes and/or tiers are integrated or not integrated with Social Security for purposes of the Social Security offset. We also recommend that Cheiron directly state the applicable PEPRA compensation limit for General Tier 4 and Safety Tier 4 members.
  - We recommend that Cheiron consider updating the nomenclature of the cost method from the "Entry Age Normal" cost method to the "Entry Age" cost method, consistent with the nomenclature used by the Governmental Accounting Standards Board (GASB).
  - Cheiron's report currently describes the benefit formula for General reciprocal members who terminated before March 15, 2005. We recommend that Cheiron describe the benefit formula for similar Safety reciprocal members.

# Purpose and Scope of the Actuarial Review

## **Purpose of the actuarial review**

Segal has performed an actuarial review of Cheiron's June 30, 2025 valuation to provide assurance to MercedCERA's Board of Retirement that Cheiron's results in the June 30, 2025 valuation are reasonable and were conducted according to generally accepted actuarial principles and practices.

## **Scope of the actuarial review**

The scope of the actuarial review, as described in MercedCERA's agreement for actuarial audit services with Segal, includes the following:

- Evaluation of the available data for the performance of the valuation, the degree to which such data is sufficient to support the conclusions of the valuation, and the use and appropriateness of any assumptions made regarding such data.
- Completion of a parallel valuation as of June 30, 2025 using the assumptions, methodologies, and funding methods used by MercedCERA's consulting actuary in their performance of the June 30, 2025 valuation.
- Evaluation of the results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and/or adjustments with MercedCERA's consulting actuary.

# Results of the Actuarial Review

## Data

Cheiron provided Segal with the raw data provided by MercedCERA as of June 30, 2025, as well as the processed data Cheiron used in the June 30, 2025 actuarial valuation. We compared the raw and the processed data. While Cheiron did make a few adjustments, estimations, or corrections to the data received from MercedCERA, **the processed data is generally consistent with the raw data provided by MercedCERA.**

## Observations

We have the following observations about the data process.

- We have verified that Cheiron correctly made edits to the data based on the responses they received from MercedCERA regarding the data questions.
- We understand that Cheiron uses the following process to calculate annualized salary for the valuation:
  - For continuing active members, if the current year earnings are greater than the prior year valuation salary, Cheiron uses the current year earnings. Otherwise, Cheiron uses the greater of the current year earnings or current year pay rate times 26.
  - For new active members, Cheiron uses the greater of the current year earnings or current year pay rate times 26.
  - If the current year pay rate is less than \$100, Cheiron assumes it is an hourly rate and multiplies it by 80 to obtain the biweekly pay rate.

In our audit of the June 30, 2022 valuation report, we recommended that Cheiron disclose this methodology in the report. We agree with the addition of this disclosure in *Section I* of the valuation report.

- Cheiron's processed data includes two entry age fields, one provided by MercedCERA which is used to determine the member's contribution rate, and one calculated by Cheiron to use as the entry age for liability calculation purposes under the Entry Age cost method. In our audit of the June 30, 2022 valuation report, we recommended that both of these fields be included in the processed data for clarity. We agree with the inclusion of both of these fields in the June 30, 2025 processed data.
- There are 67 members who were reported in the raw data as General members, or were provided with membership class codes of I or R, for whom Cheiron updated the membership class to Safety in the processed data.
  - We understand from Cheiron that the membership class code of I is for extra help employees, for whom Cheiron routinely confirms membership class (General or Safety) in data questions, and carries forward this membership class in each subsequent valuation.
  - We understand from Cheiron that the membership class code of R is for retirees who retired at least 10 years prior, for whom Cheiron carries forward their membership class from a known membership class in some prior valuation.

## Results of the Actuarial Review

For these 67 members, we have adjusted our counts of the MercedCERA raw data below to reflect Cheiron's ultimate classification of these members into the Safety membership class.

- For active members with service in multiple classes or tiers, we understand that Cheiron creates a secondary deferred record that contains the service attributable to the prior class or tier. Some differences in benefit service between the raw data and the processed data can be explained by the additional deferred records in Cheiron's data that contain this prior service. Additionally, most of the increase in the deferred member count between the raw data and the processed data can be explained by the additional deferred records in Cheiron's data that contain this prior service.

Similarly, for retired members with service in multiple classes or tiers, we understand that Cheiron creates a secondary retired record that contains the benefit amount attributable to the other class or tier. Most of the increase in the retired member count between the raw data and the processed data can be explained by the additional retired records in Cheiron's data that contain this other benefit amount.

## Recommendations

We have the following recommendations about the data process.

- In the processed data, Cheiron estimates the benefit amounts for terminated vested members at the assumed retirement age. The assumed retirement age for Safety Tier 4 terminated vested members increased from age 50 to age 55 in the new assumptions effective for the June 30, 2025 valuation. However, the estimated benefit in the data is still calculated using the benefit multiplier at age 50. We recommend that Cheiron update these benefit amounts in the next valuation. This change is not expected to have a significant impact on the valuation.
- When estimating the benefit amount for General and Safety Tier 4 terminated vested members, Cheiron is reducing the salary by one-third of the first \$350 per month to reflect the Social Security offset. Because the Social Security offset does not apply to members in Tier 4, we recommend that Cheiron remove this offset for General and Safety Tier 4 terminated vested members. This change is not expected to have a significant impact on the valuation.

As described below under *Content of valuation report*, we recommend that Cheiron clarify the details of the difference in Social Security integration between Tiers 1, 2, and 3, versus Tier 4.

- The raw data provided by MercedCERA contains both Basic and COLA contribution balances for Tier 1 active and inactive members. However, the contribution balance in Cheiron's processed data only reflects the Basic contribution balance. We recommend that Cheiron include the COLA contribution balance in the valuation. We made a similar observation in the June 30, 2019 and June 30, 2022 audits, and recommended that Cheiron include the COLA contribution balance in the valuation.

However, we note that including the COLA account balance is not expected to have a significant impact on the refund liability, because there are very few non-retired Tier 1 members. Furthermore, those who are remaining are close to retirement eligibility on average, and would have low probability of electing a refund. Additionally, Cheiron has confirmed that the value of these members' future COLA contributions is reflected in the actuarial accrued liability.

## Results of the Actuarial Review

- In the processed data, Cheiron carries forward current reciprocal members' salaries from the prior year by applying an assumed salary increase. The assumed salary increase in the June 30, 2025 data is based on the assumptions in effect as of June 30, 2024, the beginning of the period over which the salary increase took place. Cheiron has indicated that they will update the assumed salary increase for current reciprocal members in the next valuation.

According to the valuation report, the salary increase assumption for current reciprocal members is the same assumption that is used for active members, which consists of salary increases that vary based on years of service. Although Cheiron uses this assumption when projecting current reciprocal members' salaries after the valuation date, the salary as of the valuation date is carried forward from year to year in the data using only the ultimate active salary increase assumption, even if a member's service would imply a higher assumed increase under the active salary assumptions. We recommend that Cheiron disclose this assumption in the valuation report.

# Results of the Actuarial Review

## Results

We compared the key data elements between the raw and the processed data. These comparisons are shown below.

### Analysis of Participant Data General Active Members

Statistic	MercedCERA (Raw)	Cheiron (Processed)	Ratio
<b>General Tier 1</b>			
Number	16	16 <sup>1</sup>	100.0%
Average age	59.3	59.3	100.0%
Average benefit service	25.5	27.5	107.8% <sup>2</sup>
Average salary	\$114,395	\$114,395	100.0%
<b>General Tier 2</b>			
Number	444	444	100.0%
Average age	51.1	51.1	100.0%
Average benefit service	20.1	20.0	99.5%
Average salary	\$85,437	\$85,471	100.0%
<b>General Tier 3</b>			
Number	43	43	100.0%
Average age	47.4	47.4	100.0%
Average benefit service	8.1	8.1	100.0%
Average salary	\$107,301	\$107,049	99.8%
<b>General Tier 4</b>			
Number	1,437	1,436	99.9%
Average age	39.3	39.3	100.0%
Average benefit service	4.2	4.2	100.0%
Average salary	\$63,779	\$64,493	101.1%
<b>General Total</b>			
Number	1,940	1,939	99.9%
Average age	42.3	42.3	100.0%
Average benefit service	8.1	8.1	100.0%
Average salary	\$69,465	\$70,652	101.7%

<sup>1</sup> One General Tier 1 active member as of June 30, 2025 was a Safety Tier 1 retiree as of June 30, 2024, who has returned to work in General employment. By classifying this member as a General Tier 1 member, all of their prior service has shifted from Safety to General. Cheiron has indicated they will split this record in the next valuation in order to allocate the liability to General and Safety as appropriate.

<sup>2</sup> The average benefit service is higher in the processed data than the raw data because of adjustments Cheiron made as a result of information provided by MercedCERA in the data questions for this valuation or prior valuations. In particular, Cheiron adjusted the service for two past retirees who returned to work, whose total service was not included in the June 30, 2025 raw data.

# Results of the Actuarial Review

## Analysis of Participant Data Safety Active Members

Statistic	MercedCERA (Raw)	Cheiron (Processed)	Ratio
<b>Safety Tier 1</b>			
Number	5	5	100.0%
Average age	59.9	59.9	100.0%
Average benefit service	18.0	25.9	143.9% <sup>3</sup>
Average salary	\$183,328	\$183,328	100.0%
<b>Safety Tier 2</b>			
Number	100	99	99.0%
Average age	47.0	47.0	100.0%
Average benefit service	19.3	19.0	98.4%
Average salary	\$106,888	\$107,315	100.4%
<b>Safety Tier 3</b>			
Number	6	6	100.0%
Average age	42.8	42.8	100.0%
Average benefit service	9.7	9.5	97.9%
Average salary	\$96,596	\$96,596	100.0%
<b>Safety Tier 4</b>			
Number	241	240	99.6%
Average age	32.8	32.8	100.0%
Average benefit service	3.9	3.9	100.0%
Average salary	\$75,377	\$75,359	100.0%
<b>Safety Total</b>			
Number	352	350	99.4%
Average age	37.4	37.4	100.0%
Average benefit service	8.6	8.6	100.0%
Average salary	\$85,910	\$86,305	100.5%

<sup>3</sup> The average benefit service is higher in the processed data than the raw data because of an Cheiron made as a result of information provided by MercedCERA in the data questions for this valuation. In particular, Cheiron adjusted the service for one past retiree who returned to work, whose total service was not included in the June 30, 2025 raw data.

# Results of the Actuarial Review

## Analysis of Participant Data General Deferred Members

Statistic	MercedCERA (Raw)	Cheiron (Processed)	Ratio
<b>General Tier 1</b>			
Number	27	28	103.7%
Average age	63.0	62.7	99.5%
Average benefit service	8.7	8.2	94.3%
<b>General Tier 2</b>			
Number	417	433	103.8%
Average age	50.6	50.6	100.0%
Average benefit service	8.7	8.5	97.7%
<b>General Tier 3</b>			
Number	54	55	101.9%
Average age	46.7	46.5	99.6%
Average benefit service	4.0	3.9	97.5%
<b>General Tier 4</b>			
Number	824	841	102.1%
Average age	39.1	39.2	100.3%
Average benefit service	2.2	2.1	95.5%
<b>General Total</b>			
Number	1,322	1,357	102.6% <sup>4</sup>
Average age	43.5	43.6	100.2%
Average benefit service	4.4	4.4	100.0%

<sup>4</sup> As detailed in the *Data* section, the count difference between the raw and processed data is mainly due to the additional deferred records created in the processed data for members with service in multiple classes or tiers.

# Results of the Actuarial Review

## Analysis of Participant Data Safety Deferred Members

Statistic	MercedCERA (Raw)	Cheiron (Processed)	Ratio
<b>Safety Tier 1</b>			
Number	1	1	100.0%
Average age	56.8	56.8	100.0%
Average benefit service	4.6	4.6	100.0%
<b>Safety Tier 2</b>			
Number	76	89	117.1%
Average age	46.0	46.4	100.9%
Average benefit service	7.6	7.2	94.7%
<b>Safety Tier 3</b>			
Number	4	4	100.0%
Average age	42.6	42.6 <sup>5</sup>	100.0%
Average benefit service	2.8	2.8 <sup>6</sup>	100.0%
<b>Safety Tier 4</b>			
Number	103	108	104.9%
Average age	33.9	34.0	100.3%
Average benefit service	2.2	2.2	100.0%
<b>Safety Total</b>			
Number	184	202	109.8% <sup>7</sup>
Average age	39.2	39.8	101.5%
Average benefit service	4.4	4.5	102.3%

<sup>5</sup> This number appeared in Cheiron's valuation report as an average age of 31.6. Cheiron has confirmed that this discrepancy is only due to a typographical error in the valuation report, and has no impact on the valuation results.

<sup>6</sup> This number appeared in Cheiron's valuation report as average benefit service of 2.5. Cheiron has confirmed that this discrepancy is only due to a typographical error in the valuation report, and has no impact on the valuation results.

<sup>7</sup> As detailed in the *Data* section, the count difference between the raw and processed data is mainly due to the additional deferred records created in the processed data for members with service in multiple classes or tiers.

# Results of the Actuarial Review

## Analysis of Participant Data

### *General Members Receiving Benefits (Retiree, Disabled, Beneficiary)*

Statistic	MercedCERA (Raw)	Cheiron (Processed)	Ratio
<b>General Tier 1</b>			
Number	1,405	1,413	100.6%
Average age	75.4	75.4	100.0%
Average annual benefit	\$41,973	\$42,239	100.6%
<b>General Tier 2</b>			
Number	752	770	102.4%
Average age	68.4	68.3	99.9%
Average annual benefit	\$26,149	\$25,855	98.9%
<b>General Tier 3</b>			
Number	14	14	100.0%
Average age	61.7	61.7 <sup>8</sup>	100.0%
Average annual benefit	\$8,482	\$8,482	100.0%
<b>General Tier 4</b>			
Number	37	40	108.1%
Average age	63.6	63.4	99.7%
Average annual benefit	\$11,074	\$11,785	106.4%
<b>General Total</b>			
Number	2,208	2,237	101.3% <sup>9</sup>
Average age	72.7	72.6	99.9%
Average annual benefit	\$35,854	\$35,844	100.0%

<sup>8</sup> This number appeared in Cheiron's valuation report as an average age of 58.2. Cheiron has confirmed that this discrepancy is only due to a typographical error in the valuation report, and has no impact on the valuation results.

<sup>9</sup> As detailed in the *Data* section, the count difference between the raw and processed data is mainly due to the additional retired records created in the processed data for members with service in multiple classes or tiers.

# Results of the Actuarial Review

## Analysis of Participant Data

### *Safety Members Receiving Benefits (Retiree, Disabled, Beneficiary)*

Statistic	MercedCERA (Raw)	Cheiron (Processed)	Ratio
<b>Safety Tier 1</b>			
Number	301	305	101.3%
Average age	71.4	71.1	99.6%
Average annual benefit	\$49,353	\$50,922	103.2%
<b>Safety Tier 2</b>			
Number	108	112	103.7%
Average age	56.5	56.5	100.0%
Average annual benefit	\$33,619	\$33,695	100.2%
<b>Safety Tier 3</b>			
Number	0	0	100.0%
Average age	0.0	0.0	100.0%
Average annual benefit	\$0	\$0	100.0%
<b>Safety Tier 4</b>			
Number	3	3	100.0%
Average age	54.8	54.8 <sup>10</sup>	100.0%
Average annual benefit	\$26,449	\$26,449	100.0%
<b>Safety Total</b>			
Number	412	420	101.9% <sup>11</sup>
Average age	67.3	67.1	99.7%
Average annual benefit	\$45,061	\$46,153	102.4%

<sup>10</sup> This number appeared in Cheiron's valuation report as an average age of 42.0. Cheiron has confirmed that this discrepancy is only due to a typographical error in the valuation report, and has no impact on the valuation results.

<sup>11</sup> As detailed in the *Data* section, the count difference between the raw and processed data is mainly due to the additional retired records created in the processed data for members with service in multiple classes or tiers.

# Results of the Actuarial Review

## Liabilities

Based on the member data, plan provisions, and actuarial assumptions provided by Cheiron and described in their report. Segal programmed our valuation system to replicate the liability results as of June 30, 2025. **We closely match Cheiron's valuation liabilities.**

## Observations

We have the following observations about the calculation of liabilities.

- Different firms may use different methodology for the timing of decrements (i.e., when members are expected to terminate, retire, or die). Segal's valuation system generally assumes these decrements take place at the beginning of each plan year (July 1). Cheiron's valuation system, in contrast, assumes these decrements take place in the middle of the plan year (January 1). As part of this audit, we have changed our decrement timing to the middle of the year to match Cheiron's results. Either methodology is acceptable, with each actuarial firm establishing its own approach for the assumed timing of decrements.
- Some other differences in the results are expected due to differences between Segal and Cheiron's valuation systems. Differences could include such things as the rounding used in the calculations of ages, rounding of service, or the assumed timing for salary increases and benefit payments. For example, Segal's valuation system uses beginning-of-month timing for benefit payments, whereas we understand that Cheiron's valuation system uses end-of-month timing. Various methodologies are acceptable, with each actuarial firm establishing its own standards. Given the differences in the valuation systems, we would not expect to match Cheiron's results exactly.
- When calculating the liabilities, Segal used the new actuarial assumptions from the 2025 experience study that the Board adopted for the June 30, 2025 valuation.

## Recommendations

We have the following recommendations for the calculation of liabilities:

- The assumed retirement age for Safety Tier 4 terminated vested members increased from age 50 to age 55 in the new assumptions effective for the June 30, 2025 valuation. In addition to the note in the *Data* section above about the estimated benefit for Safety Tier 4 members, Cheiron's valuation program is still using the prior assumed retirement age of 50. We recommend that Cheiron update the valuation program to reflect the assumed retirement age of 55. This change is not expected to have a significant impact on the valuation.
- For one of the reciprocal members in General Tier 3 whose test life we reviewed, the liability that Segal calculates is 77.8% of Cheiron's. Cheiron has indicated that there is a difference between Segal's and Cheiron's application of the benefit formula for a very small number of reciprocal members with a termination date after March 15, 2005. We understand that they are researching the appropriate treatment for these members, and any change would not be expected to have a significant impact on the total liability for the General deferred members. We recommend that Cheiron make any necessary adjustments before the next valuation and clarify the benefit provisions in the next valuation report.

## Results of the Actuarial Review

### Present value of benefits

The following tables provide a comparison of the present value of benefits calculated by Cheiron and by Segal. The present value of benefits represents the current value of all members' projected benefits, recognizing the time value of money (i.e., the investment return assumption), the salary increase assumption, and the probabilities of termination, retirement, disability and death. This value is the cornerstone for the entire valuation, as it represents the amount expected to be needed to provide all future expected benefit payouts for current members, based on the valuation assumptions.

Segal's total present value of benefits is 100.8% of Cheiron's. The total present value of benefits by tier ranges from 98.6% to 101.0% of Cheiron's. We believe our results are generally within an acceptable range of Cheiron's results, which provides assurance that the plan liabilities are properly valued.

#### Present Value of Benefits (PVB) Comparison (\$ in '000s) *Total Plan (General and Safety)*

Group	Cheiron	Segal	Ratio
<b>Total Plan</b>			
Active	\$643,151	\$646,929	100.6%
Deferred	93,427	94,644	101.3%
Retired	1,147,115	1,157,517	100.9%
<b>Total PVB</b>	<b>\$1,883,692</b>	<b>\$1,899,089</b>	<b>100.8%</b>

## Results of the Actuarial Review

### Present Value of Benefits (PVB) Comparison (\$ in '000s) General

Group	Cheiron	Segal	Ratio
<b>General Tier 1</b>			
Active	\$20,237	\$20,653	102.1%
Deferred	5,600	5,658	101.0%
Retired	670,530	677,071	101.0%
<b>Total PVB</b>	<b>\$696,367</b>	<b>\$703,381</b>	<b>101.0%</b>
<b>General Tier 2</b>			
Active	\$262,659	\$264,095	100.5%
Deferred	57,640	58,529	101.5%
Retired	219,926	221,598	100.8%
<b>Total PVB</b>	<b>\$540,225</b>	<b>\$544,222</b>	<b>100.7%</b>
<b>General Tier 3</b>			
Active	\$12,008	\$12,065	100.5%
Deferred	3,056	2,758	90.2%
Retired	1,496	1,506	100.7%
<b>Total PVB</b>	<b>\$16,560</b>	<b>\$16,329</b>	<b>98.6%</b>
<b>General Tier 4</b>			
Active	\$191,534	\$192,417	100.5%
Deferred	9,952	10,439	104.9%
Retired	5,502	5,547	100.8%
<b>Total PVB</b>	<b>\$206,988</b>	<b>\$208,403</b>	<b>100.7%</b>
<b>General Total</b>			
Active	\$486,438	\$489,230	100.6%
Deferred	76,248	77,384	101.5%
Retired	897,454	905,721	100.9%
<b>Total PVB</b>	<b>\$1,460,140</b>	<b>\$1,472,336</b>	<b>100.8%</b>

## Results of the Actuarial Review

### Present Value of Benefits (PVB) Comparison (\$ in '000s) Safety

Group	Cheiron	Segal	Ratio
<b>Safety Tier 1</b>			
Active	\$11,067	\$11,253	101.7%
Deferred	158	150	94.9%
Retired	198,988	200,808	100.9%
<b>Total PVB</b>	<b>\$210,214</b>	<b>\$212,211</b>	<b>100.9%</b>
<b>Safety Tier 2</b>			
Active	\$84,067	\$84,538	100.6%
Deferred	14,708	14,809	100.7%
Retired	49,548	49,857	100.6%
<b>Total PVB</b>	<b>\$148,323</b>	<b>\$149,204</b>	<b>100.6%</b>
<b>Safety Tier 3</b>			
Active	\$2,290	\$2,310	100.9%
Deferred	187	192	102.7%
Retired	0	0	100.0%
<b>Total PVB</b>	<b>\$2,477</b>	<b>\$2,501</b>	<b>101.0%</b>
<b>Safety Tier 4</b>			
Active	\$59,288	\$59,597	100.5%
Deferred	2,126	2,109	99.2%
Retired	1,125	1,131	100.5%
<b>Total PVB</b>	<b>\$62,538</b>	<b>\$62,837</b>	<b>100.5%</b>
<b>Safety Total</b>			
Active	\$156,712	\$157,698	100.6%
Deferred	17,179	17,260	100.5%
Retired	249,661	251,796	100.9%
<b>Total PVB</b>	<b>\$423,552</b>	<b>\$426,754</b>	<b>100.8%</b>

### Actuarial accrued liability and funding policy

The funding method adopted by MercedCERA, the Entry Age cost method, separates the present value of future benefits for active members into two components, the actuarial accrued liability and the present value of future normal costs. The Entry Age cost method determines a level cost as a percentage of pay for each year of service, called the normal cost. For active members, the actuarial accrued liability is the accumulated value of past normal costs (less any expected benefits, and assuming all actuarial assumptions were exactly realized), while the present value of future normal costs represents the current value of future normal costs required to fully fund the member's projected benefits before the member is expected to retire.

## Results of the Actuarial Review

The method used to separate the present value of projected benefits into its two components can differ somewhat from valuation system to valuation system, even though the underlying funding method used in the valuation systems is the same.

However, we would note a minor difference between the approach described in Cheiron's report and the method used in their valuation program. In *Appendix B* of the valuation report, Cheiron describes this entry age as the age at the date of hire. However, we understand that Cheiron's valuation program calculates the entry age to use in the Entry Age cost method as current age minus benefit service, with rounding. For members who purchase service, the benefit service used in the entry age calculation increases with the purchased service, implying an earlier entry age than the age the member had actually attained at the date of hire.

Segal generally uses a slightly different methodology, where entry age is calculated as current age minus the lesser of benefit service and vesting service, with rounding. This approach keeps the entry age stable if benefit service sharply increases in a given year, for example due to purchase of service. We have used this approach in our calculation of the June 30, 2025 actuarial accrued liability for MercedCERA. We believe either approach is reasonable, and that the impact of our two approaches on the liability as a whole is minor. However, we recommend that Cheiron review the entry age methodology (in particular for members with purchased service) and update the description of the methodology in the report if necessary.

For the calculation of unfunded actuarial accrued liability, we would note that the total General and Safety assets are pooled, and in each valuation, Cheiron recalculates and redistributes the assets between the two membership classes based on the respective share of actuarial accrued liability. We would favor an alternative approach where the assets for each membership class are maintained separately, to avoid shifting cost between the two membership classes. However, we understand that the cost shifting that may currently take place should only have a small impact on the employer contribution rates. We recommend that Cheiron expand the description of the asset valuation method in *Appendix B* to describe the allocation of assets between membership classes. We also recommend noting this in the Association's funding policy, if necessary.

The following tables provide a comparison of the present value of future normal costs, actuarial accrued liability and unfunded actuarial accrued liability calculated by Cheiron and by Segal.

Segal's total actuarial accrued liability is 100.8% of Cheiron's. The total actuarial accrued liability by tier ranges from 97.6% to 101.3% of Cheiron's. We believe our results are generally within an acceptable range of Cheiron's results, which provides assurance that the plan liabilities are properly valued.

## Results of the Actuarial Review

### Unfunded Actuarial Accrued Liability (UAAL) Comparison (\$ in '000s) Total Plan (General and Safety)

Group	Cheiron	Segal	Ratio
<b>Total Plan</b>			
1. Present value of benefits	\$1,883,692	\$1,899,089	100.8%
2. Present value of future normal costs	224,138	226,530	101.1%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$1,659,555</b>	<b>\$1,672,559</b>	<b>100.8%</b>
4. Market value of assets	\$1,378,702	\$1,378,702	100.0%
<b>5. Unfunded actuarial accrued liability: (3) – (4)</b>	<b>\$280,853</b>	<b>\$293,857</b>	<b>104.6%</b>

### Unfunded Actuarial Accrued Liability (UAAL) Comparison (\$ in '000s) General

Group	Cheiron	Segal	Ratio
<b>General Tier 1</b>			
1. Present value of benefits	\$696,367	\$703,381	101.0%
2. Present value of future normal costs	1,562	1,688	108.1%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$694,805</b>	<b>\$701,693</b>	<b>101.0%</b>
<b>General Tier 2</b>			
1. Present value of benefits	\$540,225	\$544,222	100.7%
2. Present value of future normal costs	42,675	43,279	101.4%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$497,549</b>	<b>\$500,943</b>	<b>100.7%</b>
<b>General Tier 3</b>			
1. Present value of benefits	\$16,560	\$16,329	98.6%
2. Present value of future normal costs	5,459	5,497	100.7%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$11,102</b>	<b>\$10,832</b>	<b>97.6%</b>
<b>General Tier 4</b>			
1. Present value of benefits	\$206,988	\$208,403	100.7%
2. Present value of future normal costs	118,528	119,461	100.8%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$88,460</b>	<b>\$88,943</b>	<b>100.5%</b>
<b>General Total</b>			
1. Present value of benefits	\$1,460,140	\$1,472,336	100.8%
2. Present value of future normal costs	168,224	169,924	101.0%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$1,291,917</b>	<b>\$1,302,411</b>	<b>100.8%</b>
4. Market value of assets	\$1,078,626	\$1,079,217	100.1%
<b>5. Unfunded actuarial accrued liability: (3) – (4)</b>	<b>\$213,291</b>	<b>\$223,194</b>	<b>104.6%</b>

## Results of the Actuarial Review

### Unfunded Actuarial Accrued Liability (UAAL) Comparison (\$ in '000s) Safety

Group	Cheiron	Segal	Ratio
<b>Safety Tier 1</b>			
1. Present value of benefits	\$210,214	\$212,211	100.9%
2. Present value of future normal costs	643	689	107.2%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$209,570</b>	<b>\$211,522</b>	<b>100.9%</b>
<b>Safety Tier 2</b>			
1. Present value of benefits	\$148,323	\$149,204	100.6%
2. Present value of future normal costs	14,345	14,567	101.5%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$133,977</b>	<b>\$134,637</b>	<b>100.5%</b>
<b>Safety Tier 3</b>			
1. Present value of benefits	\$2,477	\$2,501	101.0%
2. Present value of future normal costs	920	924	100.4%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$1,557</b>	<b>\$1,577</b>	<b>101.3%</b>
<b>Safety Tier 4</b>			
1. Present value of benefits	\$62,538	\$62,837	100.5%
2. Present value of future normal costs	40,005	40,425	101.0%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$22,534</b>	<b>\$22,412</b>	<b>99.5%</b>
<b>Safety Total</b>			
1. Present value of benefits	\$423,552	\$426,754	100.8%
2. Present value of future normal costs	55,914	56,606	101.2%
<b>3. Actuarial accrued liability: (1) – (2)</b>	<b>\$367,638</b>	<b>\$370,148</b>	<b>100.7%</b>
4. Market value of assets	\$300,076	\$299,485	99.8%
<b>5. Unfunded actuarial accrued liability: (3) – (4)</b>	<b>\$67,562</b>	<b>\$70,663</b>	<b>104.6%</b>

# Results of the Actuarial Review

## Test lives

As part of our audit, Segal reviewed 56 test lives covering a range of demographic characteristics. Other than a few individuals as noted below, **we closely match Cheiron’s liabilities for the individual members.** We have included the results for a sample of the 56 test lives below.

### Test Life Comparison *General Active Members – Actuarial Accrued Liability*

Test Life	Cheiron	Segal	Ratio
<b>General Tier 1</b>			
Present value of benefits	\$2,134,540	\$2,192,426	102.7%
Present value of future normal costs	362,301	378,140	104.4%
<b>Actuarial accrued liability</b>	<b>\$1,772,239</b>	<b>\$1,814,287</b>	<b>102.4%</b>
<b>General Tier 2</b>			
Present value of benefits	\$686,364	\$682,091	99.4%
Present value of future normal costs	91,281	91,277	100.0%
<b>Actuarial accrued liability</b>	<b>\$595,083</b>	<b>\$590,815</b>	<b>99.3%</b>
<b>General Tier 3</b>			
Present value of benefits	\$191,392	\$198,124	103.5%
Present value of future normal costs	142,189	143,411	100.9%
<b>Actuarial accrued liability</b>	<b>\$49,203</b>	<b>\$54,713</b>	<b>111.2%<sup>12</sup></b>
<b>General Tier 4</b>			
Present value of benefits	\$67,639	\$68,022	100.6%
Present value of future normal costs	67,470	67,051	99.4%
<b>Actuarial accrued liability</b>	<b>\$169</b>	<b>\$972</b>	<b>575.1%<sup>13</sup></b>

<sup>12</sup> The General Tier 3 active test life only has 3.38 years of benefit service as of June 30, 2025, so the actuarial accrued liability is relatively small. We match Cheiron’s present value of benefits and present value of future normal costs closely. We do not match Cheiron closely on the actuarial accrued liability as a percentage basis. However, this is to be expected as it is a small number calculated as the difference between two larger numbers where we do have a close match. We believe this to be explainable by different methodologies in our respective valuation systems, and we believe Cheiron’s result to be reasonable.

<sup>13</sup> The General Tier 4 active test life only has 0.16 years of benefit service as of June 30, 2025, so the actuarial accrued liability is very small. We match Cheiron’s present value of benefits and present value of future normal costs closely. We do not match Cheiron closely on the actuarial accrued liability as a percentage basis. However, this is to be expected as it is a small number calculated as the difference between two larger numbers where we do have a close match. We believe this to be explainable by different methodologies in our respective valuation systems, and we believe Cheiron’s result to be reasonable.

# Results of the Actuarial Review

## Test Life Comparison Safety Active Members – Actuarial Accrued Liability

Test Life	Cheiron	Segal	Ratio
<b>Safety Tier 1</b>			
Present value of benefits	\$930,490	\$959,244	103.1%
Present value of future normal costs	260,625	302,368	116.0% <sup>14</sup>
<b>Actuarial accrued liability</b>	<b>\$669,865</b>	<b>\$656,876</b>	<b>98.1%</b>
<b>Safety Tier 2</b>			
Present value of benefits	\$458,982	\$464,849	101.3%
Present value of future normal costs	169,584	170,050	100.3%
<b>Actuarial accrued liability</b>	<b>\$289,397</b>	<b>\$294,799</b>	<b>101.9%</b>
<b>Safety Tier 3</b>			
Present value of benefits	\$371,156	\$381,443	102.8%
Present value of future normal costs	120,571	121,035	100.4%
<b>Actuarial accrued liability</b>	<b>\$250,585</b>	<b>\$260,409</b>	<b>103.9%</b>
<b>Safety Tier 4</b>			
Present value of benefits	\$167,538	\$171,059	102.1%
Present value of future normal costs	152,735	153,822	100.7%
<b>Actuarial accrued liability</b>	<b>\$14,804</b>	<b>\$17,237</b>	<b>116.4%<sup>15</sup></b>

<sup>14</sup> As described above, Cheiron and Segal use slightly different methods for calculating the entry age used in the Entry Age cost method for members where benefit service exceeds vesting service. For this test life, the current age is 54, benefit service is 12, and vesting service is 8 (after rounding). Cheiron has calculated an entry age of 42, or 54 minus 12, whereas Segal has calculated an entry age of 46, or 54 minus the lower of 12 and 8. We believe either approach is reasonable.

<sup>15</sup> The Safety Tier 4 active test life only has 1.43 years of benefit service as of June 30, 2025, so the actuarial accrued liability is relatively small. We match Cheiron's present value of benefits and present value of future normal costs closely. We do not match Cheiron closely on the actuarial accrued liability as a percentage basis. However, this is to be expected as it is a small number calculated as the difference between two larger numbers where we do have a close match. We believe this to be explainable by different methodologies in our respective valuation systems, and we believe Cheiron's result to be reasonable.

# Results of the Actuarial Review

## Test Life Comparison *Deferred Members – Actuarial Accrued Liability*

Test Life	Cheiron	Segal	Ratio <sup>16</sup>
<b>Deferred</b>			
General Tier 1, reciprocal	\$2,249,914	\$2,253,289	100.2%
General Tier 2, terminated vested	\$121,256	\$122,360	100.9%
General Tier 3, reciprocal	\$459,450	\$357,410	77.8% <sup>17</sup>
General Tier 4, terminated vested	\$67,713	\$68,549	101.2%
Safety Tier 1, reciprocal	\$158,225	\$149,989	94.8% <sup>18</sup>
Safety Tier 2, terminated vested	\$119,198	\$120,121	100.8%
Safety Tier 3, terminated vested	\$88,391	\$88,953	100.6%
Safety Tier 4, terminated vested	\$79,273	\$71,986	90.8% <sup>19</sup>

## Test Life Comparison *Members Receiving Benefits (Retiree) – Actuarial Accrued Liability*

Test Life	Cheiron	Segal	Ratio <sup>20</sup>
<b>Service Retirement</b>			
General Tier 1	\$430,990	\$434,105	100.7%
General Tier 2	\$466,105	\$469,276	100.7%
General Tier 3	\$90,540	\$91,266	100.8%
General Tier 4	\$24,982	\$25,230	101.0%
Safety Tier 1	\$1,027,718	\$1,034,157	100.6%
Safety Tier 2	\$392,093	\$394,768	100.7%
Safety Tier 4	\$209,792	\$211,068	100.6%

<sup>16</sup> In the table above, we have shown a smaller sample of the 14 total deferred test lives provided by Cheiron. The average of the ratios for all 14 deferred test lives is 100.1%.

<sup>17</sup> As noted above, Cheiron has indicated that there is a difference between Segal's and Cheiron's application of the benefit formula for a very small number of reciprocal members. We understand that they are researching the appropriate treatment for these members, and any change would not be expected to have a significant impact on the valuation.

<sup>18</sup> The same as noted above in footnote 17, there may be a difference between Segal's and Cheiron's application of the benefit formula for Safety reciprocal members.

<sup>19</sup> As noted above, the assumed retirement age for Safety Tier 4 members increased from age 50 to age 55 in the new assumptions effective for the June 30, 2025 valuation. However, Cheiron's data and valuation program still reflects a benefit amount and retirement age effective at age 50. We recommend that Cheiron update this in the valuation program. This is not expected to have a significant impact on the valuation.

<sup>20</sup> In the table above, we have shown a smaller sample of the 23 total retired test lives provided by Cheiron. The average of the ratios for all 23 retired test lives is 101.2%.

## Results of the Actuarial Review

### Test Life Comparison

#### *Members Receiving Benefits (Disabled, Beneficiary) – Actuarial Accrued Liability*

Test Life	Cheiron	Segal	Ratio <sup>21</sup>
<b>Service-Connected Disability</b>			
General Tier 1	\$992,210	\$999,348	100.7%
Safety Tier 1	\$491,585	\$495,539	100.8%
Safety Tier 2	\$98,167	\$100,007	101.9%
<b>Non Service-Connected Disability</b>			
General Tier 1	\$260,811	\$263,491	101.0%
General Tier 3	\$222,410	\$223,849	100.6%
Safety Tier 1	\$585,597	\$589,860	100.7%
<b>Beneficiary</b>			
General Tier 1	\$395,306	\$400,617	101.3%
Safety Tier 1	\$461,218	\$466,881	101.2%
<b>QDRO</b>			
General Tier 1	\$444,901	\$448,348	100.8%
Safety Tier 1	\$149,983	\$154,564	103.1%

<sup>21</sup> In the table above, we have shown a smaller sample of the four total service-connected disability test lives provided by Cheiron. The average of the ratios for all four service-connected disability test lives is 101.2%.

# Results of the Actuarial Review

## Contribution rates

Based on the above liability results, Cheiron has applied MercedCERA's funding policy to develop contribution rates as of June 30, 2025. Segal independently calculated the contribution rates. **We closely match Cheiron's calculation of the contribution rates.**

## Observations

We have the following observations about the calculation of the contribution rates.

- In determining the UAAL contribution rate, Cheiron applied the UAAL funding policy of amortization of actuarial gains and losses over a closed 24-year period with a five-year phase-in and four-year phase-out of each layer of amortization payments. Assumption changes are amortized over a closed 22-year period with a three-year phase-in and two-year phase-out of each layer of amortization payments. We were able to verify Cheiron's calculations of the UAAL amortization payments.
- In projecting the salary used to develop the UAAL rate, Cheiron has updated their methodology since the June 30, 2022 audit to project the salary with the wage inflation assumption instead of the wage inflation assumption plus half of the merit and longevity salary increases. In our audit of the June 30, 2022 valuation report, we recommended that Cheiron disclose this methodology in the report. We agree with the note in *Section I* of the report that the projected salary increases reflect increases due to wage inflation, but do not reflect merit or longevity salary increases.

## Recommendations

We have the following recommendations about the calculation of the contribution rates.

- Based on our comparison of the member contribution rates, it appears that the Tier 1, 2, and 3 member contribution rates currently reflect sick leave conversion, although the impact is very minor. Segal's methodology for our County clients is generally to not include sick leave conversion assumption in the member rates for non-PEPRA tiers, based on §31641.03 of the County Employees Retirement Law.

If Cheiron has not already confirmed with MercedCERA, we recommend that Cheiron confirm whether the County of Merced has adopted §31641.03 of the County Employees Retirement Law. If so, the entire cost of the sick leave conversion would need to be borne by the employer, and not reflected in the member contribution rates for non-PEPRA members. Additionally, if Cheiron is including sick leave conversion in the Tier 1, 2, and 3 member contribution rates, we recommend disclosing that in the valuation report.

## Results

As a percentage of projected payroll, Segal's total normal cost contribution rate (employer plus member) is 101.1% of Cheiron's total normal cost rate. Segal's net employer normal cost contribution rate is 101.7% of Cheiron's rate. Segal's UAAL amortization contribution rate is 100.3% of Cheiron's UAAL rate. Segal's total employer contribution rate is 100.6% of Cheiron's rate. We believe our employer contribution rates are generally within an acceptable range of Cheiron's results, which provides assurance that the plan liabilities are properly valued and the funding policy has been followed.

## Results of the Actuarial Review

In the following employer contribution rate comparison tables, the member contribution rate does not include the member's share of the administrative expenses.

### Employer Contribution Rate Comparison *Total Plan (General and Safety)*

Group	Cheiron	Segal	Ratio
<b>Total Plan</b>			
1. Total normal cost rate	17.04%	17.23%	101.1%
2. Member contribution rate	8.28%	8.32%	100.5%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>8.76%</b>	<b>8.91%</b>	<b>101.7%</b>
4. Employer UAAL amortization rate	32.28%	32.39%	100.3%
5. Administrative expense rate	1.55%	1.56%	100.6%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>42.59%</b>	<b>42.86%</b>	<b>100.6%</b>

# Results of the Actuarial Review

## Employer Contribution Rate Comparison

### General

Group	Cheiron	Segal	Ratio
<b>General Tier 1</b>			
1. Total normal cost rate	27.39%	29.44%	107.5%
2. Member contribution rate	12.81%	12.79%	99.8%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>14.58%</b>	<b>16.65%</b>	<b>114.2%</b>
4. Employer UAAL amortization rate	29.95%	30.05%	100.3%
5. Administrative expense rate	1.68%	1.76%	104.8%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>46.21%</b>	<b>48.46%</b>	<b>104.9%</b>
<b>General Tier 2</b>			
1. Total normal cost rate	19.07%	19.30%	101.2%
2. Member contribution rate	9.59%	9.58%	99.9%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>9.48%</b>	<b>9.72%</b>	<b>102.5%</b>
4. Employer UAAL amortization rate	29.95%	30.05%	100.3%
5. Administrative expense rate	1.49%	1.49%	100.0%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>40.92%</b>	<b>41.26%</b>	<b>100.8%</b>
<b>General Tier 3</b>			
1. Total normal cost rate	16.20%	16.30%	100.6%
2. Member contribution rate	6.97%	6.96%	99.9%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>9.23%</b>	<b>9.34%</b>	<b>101.2%</b>
4. Employer UAAL amortization rate	29.95%	30.05%	100.3%
5. Administrative expense rate	1.48%	1.48%	100.0%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>40.66%</b>	<b>40.87%</b>	<b>100.5%</b>
<b>General Tier 4</b>			
1. Total normal cost rate	14.05%	14.16%	100.8%
2. Member contribution rate	7.03%	7.08%	100.7%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>7.02%</b>	<b>7.08%</b>	<b>100.9%</b>
4. Employer UAAL amortization rate	29.95%	30.05%	100.3%
5. Administrative expense rate	1.40%	1.40%	100.0%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>38.37%</b>	<b>38.53%</b>	<b>100.4%</b>

# Results of the Actuarial Review

## Employer Contribution Rate Comparison *Safety*

Group	Cheiron	Segal	Ratio
<b>Safety Tier 1</b>			
1. Total normal cost rate	35.68%	37.69%	105.6%
2. Member contribution rate	5.11%	5.01%	98.0%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>30.57%</b>	<b>32.68%</b>	<b>106.9%</b>
4. Employer UAAL amortization rate	42.82%	42.95%	100.3%
5. Administrative expense rate	2.77%	2.84%	102.5%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>76.16%</b>	<b>78.47%</b>	<b>103.0%</b>
<b>Safety Tier 2</b>			
1. Total normal cost rate	25.13%	25.42%	101.2%
2. Member contribution rate	9.83%	9.83%	100.0%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>15.30%</b>	<b>15.59%</b>	<b>101.9%</b>
4. Employer UAAL amortization rate	42.82%	42.95%	100.3%
5. Administrative expense rate	2.20%	2.20%	100.0%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>60.32%</b>	<b>60.74%</b>	<b>100.7%</b>
<b>Safety Tier 3</b>			
1. Total normal cost rate	24.10%	24.20%	100.4%
2. Member contribution rate	9.69%	9.61%	99.2%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>14.41%</b>	<b>14.59%</b>	<b>101.2%</b>
4. Employer UAAL amortization rate	42.82%	42.95%	100.3%
5. Administrative expense rate	2.16%	2.16%	100.0%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>59.39%</b>	<b>59.70%</b>	<b>100.5%</b>
<b>Safety Tier 4</b>			
1. Total normal cost rate	22.01%	22.28%	101.2%
2. Member contribution rate	11.01%	11.14%	101.2%
<b>3. Employer normal cost rate: (1) – (2)</b>	<b>11.00%</b>	<b>11.14%</b>	<b>101.3%</b>
4. Employer UAAL amortization rate	42.82%	42.95%	100.3%
5. Administrative expense rate	2.03%	2.03%	100.0%
<b>6. Total employer contribution rate: (3) + (4) + (5)</b>	<b>55.85%</b>	<b>56.12%</b>	<b>100.5%</b>

Due to the changes in assumptions that were recommended as part of the 2025 experience study, Cheiron also calculated new entry age-based member contribution rates for Tiers 1, 2, and 3. We have verified that Cheiron's calculated member contribution rates are reasonable and consistent with the relevant provisions of the County Employees Retirement Law (CERL).

## Results of the Actuarial Review

For Tier 1, 2, and 3 members, Segal's Basic member contribution rates range from 100.0% to 100.6% of Cheiron's (as noted above, Segal's calculation does not include sick leave conversion, though the impact would be very minor).

For the COLA member contribution rates, we understand that Cheiron calculates the rates on an individual entry age basis based on 50% of the normal cost associated with the expected COLA benefits. Segal uses a different methodology for our County clients, where we apply a COLA loading factor calculated on an aggregate basis, equal to 50% of the total normal cost for the COLA benefits to the Basic employee rates for members in the same membership class and tier. For a sample of entry ages, Segal's COLA member contribution rates are within 102.5% to 103.0% of the COLA member contribution rates calculated by Cheiron.

As shown in the following table, Segal's Tier 4 member contribution rates (normal cost plus administrative expenses) range from 100.8% to 101.2% of Cheiron's.

### Tier 4 Member Contribution Rate Comparison

Group	Cheiron	Segal	Ratio
<b>Tier 4</b>			
General	7.28%	7.34%	100.8%
Safety	11.41%	11.55%	101.2%

We believe our member contribution rates are generally within an acceptable range of Cheiron's results, which provides assurance that the plan liabilities are properly valued and the funding policy has been followed.

# Results of the Actuarial Review

## Content of valuation report

**Cheiron's report complies with generally accepted actuarial principles and practices** which are consistent with the core requirements of the Actuarial Standards of Practice and the Code of Professional Conduct and Qualifications Standards for Public Statements of Actuarial Opinion of the American Academy of Actuaries.

## Observations

We have the following observations about the content of the valuation report.

- Throughout this audit, we have noted areas where we recommended in past audits that Cheiron disclose additional detail in the report, including the methodology for annualizing salary, and the methodology for projecting salary to use in calculating the UAAL contribution rates. We also recommended in the June 30, 2022 audit that Cheiron disclose the ultimate retirement rates of 100% in the valuation report. We agree with Cheiron's disclosure of these items in the June 30, 2025 valuation report.

## Recommendations

We have the following recommendations about the content of the valuation report.

- Throughout this audit, we have included some recommendations of areas related to the data, liabilities, or contribution rates where Cheiron can disclose additional detail in the valuation report, including the following:
  - Disclosure of the assumption used to carry forward salary to the valuation date for current reciprocal members
  - The detailed methodology for calculating entry age under the Entry Age cost method
  - Expanding the description of the asset valuation method in *Appendix B* to describe the process for allocating assets between membership classes
  - If the member contribution rates for Tiers 1, 2, and 3 include sick leave conversion, disclosure of that methodology
- We understand that MercedCERA's Tier 1, 2, and 3 benefits are integrated with Social Security, and the Tier 4 benefit is not integrated with Social Security. If this is the case, we recommend that Cheiron explicitly describe this in the valuation report, and disclose how the calculations may be similar or different for these groups.
  - Currently, the valuation report states that the Social Security offset (one-third of the first \$350 per month) applies to members integrated with Social Security. We recommend that Cheiron state directly which classes and/or tiers the Social Security offset applies to.
  - Currently, the valuation report describes two PEPRA compensation limits, one for members participating in Social Security, one for members not participating in Social Security. It appears the Tier 4 members with high salaries are limited by the PEPRA compensation limit applicable to members participating in Social Security. We recommend that Cheiron directly state the applicable PEPRA compensation limits for General and Safety Tier 4 members.
- As we discussed in the June 30, 2019 and June 30, 2022 audits, there are a few places in the valuation report where Cheiron is still referencing the "Entry Age Normal" cost method or

## Results of the Actuarial Review

funding method instead of the nomenclature “Entry Age” cost method used by the Governmental Accounting Standards Board (GASB) since the implementation of GASB Statements No. 67 and 68. We recommend that Cheiron consider updating this terminology.

- As we discussed in the June 30, 2022 audit, Cheiron’s report currently describes the benefit formula for General reciprocal members who terminated before March 15, 2005. We recommend that Cheiron describe the benefit formula for similar Safety reciprocal members.

## Results of the Actuarial Review

### Conclusions and recommendations

Segal has performed an actuarial review of Cheiron's June 30, 2025 valuation for MercedCERA. Our review confirms that the actuarial calculations are reasonable and were conducted according to generally accepted actuarial principles and practices.

We recommend that Cheiron consider the following items in future valuations:

- Update the benefit amount at retirement and retirement timing for Safety Tier 4 terminated vested members.
- Update the benefit amount for General and Safety Tier 4 terminated vested members to remove the Social Security offset.
- Update the contribution balance in the valuation for Tier 1 members to include past COLA contributions.
- Update the benefit formula for reciprocal members where applicable (see discussion above regarding the General Tier 3 reciprocal test life), and clarify the benefit provisions in the next valuation report.
- Confirm MercedCERA's handling of sick leave conversions for the member contribution rates for Tiers 1, 2, and 3.
- Include additional disclosure and details in the valuation report about certain plan provisions, assumptions, methods, and other wording as discussed throughout this audit report.

5980046v5/14392.502

Merced County Employees' Retirement Association

# Audit of Actuarial Experience Study

**Analysis of Actuarial Experience During the Period  
July 1, 2022 through June 30, 2025**

This report should only be copied, reproduced, or shared with other parties in its entirety as necessary for the proper administration of the Plan.

© 2026 by The Segal Group, Inc.



March 18, 2026

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

**Re: Review of actuarial experience study for July 1, 2022 through June 30, 2025**

Dear Members of the Board:

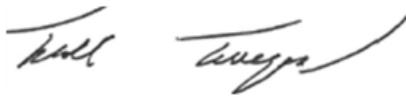
We are pleased to present the results of this review of the July 1, 2022 through June 30, 2025 Actuarial Experience Study for the Merced County Employees' Retirement Association (MercedCERA). The purpose of this review was to verify the recommendations of Cheiron and to offer comments on the methodology and the results of their experience study.

This review was completed under the supervision of Eva Yum, a Fellow of the Society of Actuaries, Member of the American Academy of Actuaries, and an Enrolled Actuary under ERISA. This review was conducted in accordance with the standards of practice prescribed by the Actuarial Standards Board.

We are members of the American Academy of Actuaries, and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein.

The assistance of Cheiron and MercedCERA is gratefully acknowledged. We appreciate the opportunity to be of service to MercedCERA, and we look forward to reviewing this report with you and answering any questions you may have.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd Tauzer".

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

A handwritten signature in black ink, appearing to read "Eva Yum".

Eva Yum, FSA, MAAA, EA  
Vice President and Actuary

MAM/jl

cc: Tim Hall, FSA, EA, MAAA, CERA  
Anne D. Harper, FSA, EA, MAAA  
Graham Schmidt, FSA, EA, MAAA, FCA

# Table of Contents

Executive Summary .....	4
Economic assumptions.....	4
Demographic assumptions .....	5
Purpose and Scope of the Actuarial Review.....	7
Purpose of the actuarial review .....	7
Scope of the actuarial review .....	7
Results of the Actuarial Review .....	8
Review of economic assumptions .....	8
Price inflation .....	8
Investment return.....	9
Administrative expenses.....	11
Salary and payroll growth .....	11
Cost-of-living adjustment (COLA) increases.....	12
Review of demographic assumptions.....	13
Service retirement.....	14
Mortality .....	14
Reciprocity .....	16
Sick leave .....	16
Other assumptions.....	16
Conclusions and recommendations .....	16

# Executive Summary

This report has been prepared by Segal to present a review of the July 1, 2022 through June 30, 2025 experience study performed by Cheiron for MercedCERA.

We have performed this review to provide MercedCERA an independent opinion as to the reasonableness of Cheiron's methods, analysis, and recommendations in developing the actuarial assumptions presented in their experience study. **Our review confirms that the economic and demographic assumptions recommended by Cheiron are reasonable for use in the June 30, 2025 valuation, and that the actuarial calculations were conducted according to generally accepted actuarial principles and practices.** However, there are a few areas where we recommend that Cheiron consider in future experience studies to improve the experience study process and results.

Our observations and recommendations are summarized below.

## Economic assumptions

We have reviewed the economic assumptions that Cheiron recommended in the 2025 experience study, and they are reasonable to use in the MercedCERA valuation. These assumptions and our observations are briefly summarized here.

- **Price inflation:** Cheiron has recommended maintaining the current 2.50% assumption. This assumption is within the range of long-term historical inflation, market expectations, and various professional forecasts.
- **Investment return:** Cheiron has recommended maintaining the current 6.75% assumption. To independently evaluate this assumption, Segal applied the model that we use for our other California public retirement systems and found that there is a 56% probability that the geometric average of MercedCERA's returns over the next 15 years will meet or exceed the assumption, indicating that future investment returns are expected to equal or exceed the assumed rate more often than not.

In Segal's audit of the 2022 experience study, we recommended that Cheiron consider reducing the expected investment returns due to investment related expenses in developing the investment return assumption. In the 2025 experience study, Cheiron has updated their approach to reduce the expected returns from the investment consultants by an assumption for the non-management investment expenses. We concur with this change to the methodology for the investment return assumption development.

- **Administrative expenses:** Cheiron has recommended an administrative expense assumption of \$3.2 million for the year ending June 30, 2026, increasing in future years with inflation. This assumption is consistent with recent historical data for MercedCERA.
- **Salary and payroll growth:** We concur with Cheiron's recommendation to increase the real wage growth component of the salary increase assumption and the payroll growth assumption from 0.25% to 0.50%. Cheiron has recommended no changes to the merit salary increases. Although the merit increases over the most recent three years have generally been higher than the assumption, Cheiron used nine years of data to evaluate this assumption, which includes some years with lower merit increases. The payroll growth assumption used to

## Executive Summary

amortize the Unfunded Actuarial Accrued Liability (UAAL) as a level percent of payroll is 3.00%.

- **Cost-of-living adjustment (COLA) increases:** Cheiron has introduced an assumption that Tier 1 members with a COLA bank will receive COLA increases of 3.00% until the bank is depleted. We concur with this approach of valuing COLA for Tier 1 members with a COLA bank. For members without a COLA bank, Cheiron has recommended an assumption of 2.40%. The actual COLA increases are based on Bay Area Consumer Price Index (CPI), and with the exception of the most recent five-year period, the Bay Area CPI has historically exceeded the national CPI over the 10-year, 15-year and 20-year average periods as shown on page 13 of this report. Therefore, we recommend that Cheiron continue to monitor the 2.40% COLA assumption and consider whether a higher assumption would be reasonable, taking into account the long-term expectation for the Bay Area CPI.

## Demographic assumptions

We have reviewed the demographic assumptions that Cheiron recommended in the 2025 experience study, and they are reasonable to use in the MercedCERA valuation. These assumptions and our observations are briefly summarized here.

- **Service retirement:** In the 2022 experience study audit, Segal recommended that Cheiron consider developing a separate set of retirement rates for the Safety PEPRA tier. In this experience study, Cheiron has developed a separate set of retirement rates for Safety PEPRA members, consistent with the approach taken for General PEPRA members in the prior study. We concur with this change to the structure for the service retirement assumption for Safety PEPRA members. As a result of this change, some of the retirement rates for Safety PEPRA members are substantially lower than under the prior assumptions. We recommend that Cheiron continue to monitor this assumption as more experience becomes available.
- **Mortality:** In general, Cheiron has updated the base mortality tables from the CalPERS 2021 tables to the equivalent CalPERS 2025 tables, with the exception of Safety healthy retirees who previously used the Pub-2010 Safety Healthy Retiree Below-Median tables and are now using the CalPERS 2025 Healthy Annuitant tables. Cheiron is continuing to apply a 105% adjustment to the base mortality tables for healthy retirees. Cheiron has also updated the generational mortality improvement scale from 80% of MP-2020 to 80% of MP-2021.

We recommend that Cheiron consider the following items in future experience studies:

- Describe or provide additional context for the decision to include the years ended June 30, 2021 and June 30, 2022 in the mortality experience, as they were excluded in the 2022 experience study due to the impact of COVID-19.
  - Continue to monitor the 80% adjustment to the MP-2021 generational mortality improvement scale.
  - Include a chart showing the fit of the mortality assumption to the combined group of General and Safety healthy retirees and all beneficiaries given that the assumptions are the same for each of these populations.
- **Reciprocity:** Cheiron is using different assumptions for reciprocal members to project their timing of retirement and compensation increases earned at a reciprocal retirement system,

## Executive Summary

depending on whether the member is a future reciprocal member (i.e., an active member expected to become a reciprocal member in the future) or a current reciprocal member. We recommend that Cheiron consider using the same assumptions for both future and current reciprocal members.

- **Sick leave:** In our audit of the 2022 experience study, we recommended that Cheiron consider introducing a sick leave conversion assumption if there are more new retirees converting their sick leave time to service credit. Cheiron has introduced a sick and vacation leave conversion assumption in this experience study. We concur with this recommendation.
- **Other assumptions:** Cheiron also reviewed and adjusted the assumptions for termination, disability retirement (service and non-service connected), probability of refund election, retirement age for inactive vested members, percent married, and spouse age difference. These other demographic assumptions recommended by Cheiron appear to be reasonable overall.

# Purpose and Scope of the Actuarial Review

## **Purpose of the actuarial review**

Segal has performed an actuarial review of Cheiron's 2025 experience study to provide assurance to MercedCERA's Board of Retirement that Cheiron's methods, analysis and recommendations in developing the actuarial assumptions are reasonable and were conducted according to generally accepted actuarial principles and practices.

## **Scope of the actuarial review**

The scope of the actuarial review, as described in MercedCERA's agreement for actuarial audit services with Segal, includes the following:

- Evaluation of the available data for the performance of the experience study, the degree to which such data is sufficient to support the conclusions of the study, and the use and appropriateness of any assumptions made regarding such data.
- Evaluation of the results and reconciliation of any discrepancies between the findings, assumptions, methodology, rates, and or adjustments with MercedCERA's consulting actuary.
- Evaluation of recommended economic and demographic assumptions as presented in MercedCERA's consulting actuary's experience study report.

# Results of the Actuarial Review

## Review of economic assumptions

The economic assumptions reviewed by Cheiron during the 2025 experience study are price inflation, investment return, investment expenses, administrative expenses, salary and payroll growth, and post-retirement cost-of-living adjustment (COLA) increases.

Actuarial Standard of Practice No. 27 (ASOP 27) provides the actuary guidance in developing these assumptions. Among these guidelines is the consistency of the economic assumptions selected by the actuary.

In order to demonstrate the interconnection and the consistency among the investment return, price inflation and wage growth assumptions, Segal utilizes the same “building block” approach used by Cheiron in developing and documenting our review of these three assumptions. Under this approach, the investment rate of return assumption is the combination of the inflation component and the real rate of return component, less an investment expense component. Similarly, the wage growth assumption is the combination of the inflation component and the real wage growth component, and the salary increase assumption is the combination of the wage growth assumption and the merit salary increase assumption. In our experience, this is generally the preferred approach for documenting and developing these assumptions.

**Our review confirms that the economic assumptions recommended by Cheiron are reasonable for use in the June 30, 2025 valuation, internally consistent, and based on generally accepted actuarial principles and practices.**

## Price inflation

In the 2025 experience study, Cheiron recommended maintaining the current 2.50% price inflation assumption. This assumption underlies all other economic assumptions, including the investment return assumption and the projection of benefit liabilities (i.e., salary increases for actives, and COLAs for retirees in Tier 1).

In their analysis, Cheiron cited the following:

- Historical inflation, measured by the Consumer Price Index for All Urban Consumers (CPI-U), U.S. City Average, has averaged 2.5% over the past 30 years.<sup>1</sup>
- The market expectations for inflation (or “break-even rate”) as of December 2025 for the next 20 years is 2.41%, calculated by comparing inflation indexed bonds with traditional fixed government bonds.<sup>2</sup>

Given the long time horizon of a public pension plan’s liabilities, we would note that the 30-year break-even rate is 2.22% as of December 2025.<sup>3</sup>

<sup>1</sup> Source: Bureau of Labor Statistics – Based on CPI for All Items in U.S. city average, all urban consumers, not seasonally adjusted (Series ID: CUUR0000SA0).

<sup>2</sup> Source: Board of Governors of the Federal Reserve System.

<sup>3</sup> Source: Board of Governors of the Federal Reserve System.

## Results of the Actuarial Review

- The median inflation assumption is 2.50% for California public plan valuations and in the Public Plans Database,<sup>4</sup> 2.38% over the next 10 years in a survey of professional forecasters,<sup>5</sup> and 2.40% over the next 20 years in the survey of investment advisors conducted by Horizon Actuarial Services.<sup>6</sup>
- The Federal Reserve's inflation target is 2.00% based on Personal Consumption Expenditures (PCE).<sup>7</sup> Cheiron has noted that CPI-U has exceeded PCE by around 0.40% on average since 2000,<sup>8</sup> implying a target CPI-U of around 2.40%.

While not cited by Cheiron, we also referred to the Social Security Administration's (SSA) 2025 report on the financial status of the Social Security program.<sup>9</sup> The projected average increase in CPI over the next 75 years under the intermediate cost assumptions used in that report was 2.40%, which the SSA has maintained for several years. The SSA report also includes alternative projections using lower and higher inflation assumptions of 1.80% and 3.00%, respectively.

Based on all of the above information, **we agree that the 2.50% inflation assumption recommended by Cheiron is reasonable.**

## Investment return

In the 2025 experience study, Cheiron recommended maintaining the current 6.75% investment return assumption.

Cheiron reviewed the current 6.75% investment return assumption by calculating the average expected nominal return based on MercedCERA's target asset allocation, and using capital market assumptions provided by Meketa (MercedCERA's investment consultant), Verus, and Horizon Actuarial Services' survey of capital market assumptions. Cheiron calculated the averages over the medium term (7-10 years) and the long term (20+ years). These averages support the use of a 6.75% investment return assumption.

In Segal's audit of the 2022 experience study, we recommended that Cheiron consider reducing the expected investment returns due to investment expenses. In the 2025 experience study, they have updated their approach to reduce the expected returns from the investment consultants by an assumption for the non-management investment expenses. We concur with this change to the methodology for the investment return assumption.

## Independent investment return model

As an independent check, Segal has applied the model that we use for our other California public retirement systems to review Cheiron's recommended 6.75% investment return assumption.

<sup>4</sup> Source: Public Plans Database, produced in partnership with the National Association of State Retirement Administrators (NASRA).

<sup>5</sup> Source: Federal Reserve Bank of Philadelphia.

<sup>6</sup> Source: Horizon Actuarial Services, "Survey of Capital Market Assumptions: 2025 Edition".

<sup>7</sup> Source: Board of Governors of the Federal Reserve System.

<sup>8</sup> Source: Federal Reserve Bank of St. Louis.

<sup>9</sup> Source: "Social Security Administration: The 2025 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds."

## Results of the Actuarial Review

As discussed above, the inflation component of the investment return assumption is assumed to be 2.50%.

The real rate of return is the portfolio's incremental investment returns over inflation. Segal has calculated the expected real rate of return based on MercedCERA's target asset allocation and the average of a sample of real rate of return assumptions by asset class provided to us by Meketa and five other investment advisory firms retained by Segal's public sector clients, as well as Segal's investment advisory division (Segal Marco Advisors) in 2025. The average assumed arithmetic net real rate of return assumption is 5.61%.

We reduced the real rate of return assumption by the investment expenses expected to be paid from investment income. As prevailing practice by investment advisory firms is to provide us with the real rates of return net of expected investment expenses, we only make adjustments for investment consulting fees, custodian fees and other miscellaneous investment expenses excluding investment manager fees. Based on historical experience, Cheiron's investment expense assumption of 0.15% is reasonable.

Our model calculates the likelihood that the geometric average of investment returns over the next 15 years will meet or exceed the investment return assumption. Based on the assumptions described above, the 6.75% investment return assumption has a confidence level of 56%, indicating that future investment returns are expected to equal or exceed the assumed rate more often than not. Based on this analysis, **we agree that the 6.75% investment return assumption recommended by Cheiron is reasonable.**

### Comparison with other public retirement systems

We note that an investment return of 6.75% or lower is becoming more common among California public sector retirement systems. Of the twenty 1937 Act CERL systems, one uses a 7.25% investment assumption, six use 7.00%, nine use 6.75% (including MercedCERA), three use 6.50%, and one uses 6.25%. Furthermore, CalSTRS currently uses a 7.00% investment return assumption, and CalPERS uses a 6.80% investment return assumption.

The following table compares MercedCERA's recommended investment return assumption against those of the 246<sup>10</sup> large public retirement funds in their 2024 fiscal year valuations based on information found in the Public Plans Database, which is produced in partnership with NASRA.

### MercedCERA's Investment Return Assumption vs. Public Plans Database Investment Return Assumptions<sup>11</sup>

Assumption	MercedCERA	Public Plan Data Low	Public Plan Data Median	Public Plan Data High
Net investment return	6.75%	4.31%	7.00%	7.50%

<sup>10</sup> Among 253 large public retirement funds, the 2024 fiscal year investment return assumption was not available for 7 of the public retirement funds in the Public Plans Database as of January 2026.

<sup>11</sup> Source: Public Plans Database, produced in partnership with the National Association of State Retirement Administrators (NASRA).

## Results of the Actuarial Review

The detailed survey results show that approximately 85% of the systems have an investment return assumption in the range of 6.75% to 7.50%. Also, over three quarters of the systems have reduced their investment return assumption from 2018 to 2024. State systems outside of California tend to change their economic assumptions less frequently and so may lag behind emerging practices in this area.

### Administrative expenses

In the 2025 experience study, Cheiron has recommended an explicit administrative expense assumption of \$3.2 million for the year ending June 30, 2026, increasing in future years with the 2.50% price inflation assumption. We believe that an explicit administrative expense load is a reasonable way to account for these expenses.

Actual administrative expenses were about \$3.3 million in the year ended June 30, 2025 and \$2.8 million in the year ended June 30, 2024. Based on the historical data, **we agree that the \$3.2 million administrative expense assumption recommended by Cheiron is reasonable.**

### Salary and payroll growth

Cheiron uses a “building block” approach in developing the recommended salary increase assumption. Under this approach, the salary increase assumption is the combination of the price inflation component, the productivity or real wage growth component, and the merit increase component. We believe this is the preferred approach for developing this assumption.

#### Price inflation

For the inflation component of this assumption, please refer to our previous discussion on the 2.50% price inflation assumption.

#### Productivity or real wage growth

Real “across the board” pay increases are typically termed productivity increases since they are considered to be derived from the ability of an organization or an economy to produce goods and services in a more efficient manner. As that occurs, at least some portion of the value of these improvements can provide a source for pay increases. These increases are typically assumed to extend to all employees “across the board.” When these increases are combined with the price inflation component, the result is the wage growth component, which reflects the average rate of increase in salaries regardless of the years of service or age of the member.

In the 2022 experience study, Cheiron recommended a 0.25% real wage growth assumption. In Segal’s audit of that experience study, we recommended that Cheiron consider a 0.50% assumption in their next experience study. In the 2025 experience study, Cheiron has proposed a 0.25% assumption as a baseline assumption, with 0.50% as an alternative that they recommended the Board consider.

In reviewing this assumption, we refer to the State and Local Government Workers Employment Cost Index produced by the Department of Labor that provides evidence that real “across the board” pay increases have averaged about 0.2% – 0.4% annually during the last ten to twenty years.

## Results of the Actuarial Review

We also referred to the annual report on the financial status of the Social Security program published in June 2025. In that report, real “across the board” pay increases are forecast to be 1.13% per year under the intermediate assumptions.

We also note that while we have a small number of California public sector clients that use a 0.25% real wage growth assumption, the majority of our California public sector clients use a 0.50% assumption.

The current assumption of 0.25% is at the lower end of the range of historical and forecasted values described above. Consistent with our recommendation in the last audit of the 2022 experience study, **we concur with Cheiron’s alternative assumption that the Board consider increasing this assumption to 0.50%.** We understand that the Board adopted the 0.50% assumption.

### Merit increase

The last step or building block needed to complete the salary increase assumption is the merit increase component, which was reviewed by Cheiron as part of the demographic assumptions. Merit increases are the salary increases above the general wage increases due to the combination of promotions, longevity increases, bonuses, and merit pay increases as applicable. We agree with Cheiron’s findings concerning the correlation of service and merit increases. The methodology used by Cheiron is reasonable and develops reasonable results overall based upon the data.

In the 2025 experience study, Cheiron recommended no changes to the merit salary increases for either General or Safety. Although the merit increases over the most recent three years have generally been higher than the assumption, Cheiron used nine years of data to evaluate this assumption, which includes some years with lower merit increases. **We agree that the merit salary increase assumptions recommended by Cheiron are reasonable.**

### Payroll growth

The payroll growth assumption used by Cheiron for the purposes of amortizing the Unfunded Actuarial Accrued Liability (UAAL) as a level percent of payroll is directly tied to the wage growth component discussed above. The payroll growth assumption has increased from 2.75% to 3.00%.

### Cost-of-living adjustment (COLA) increases

Tier 1 retired members and beneficiaries are entitled to receive annual COLA of up to 3.00%, based on the annual increase in the Consumer Price Index (CPI) and the availability of individually accumulated COLA banks.

In the 2025 experience study, Cheiron introduced a COLA assumption of 3.00% for Tier 1 retired members and beneficiaries while they have a COLA bank. **We agree with the assumption to reflect the COLA bank until it is depleted.** This is consistent with the approach Segal applies to our 1937 Act CERL clients in their valuations.

## Results of the Actuarial Review

After the bank is depleted, or for Tier 1 members without a COLA bank, Cheiron recommended an assumption of 2.40%, based on simulations of COLA that take into account the 2.50% inflation assumption and the 3.00% cap.

We note that there has historically been a difference in CPI between the San Francisco Bay Area (used by MercedCERA to set the actual COLA increases) and the U.S. City Average (used by Cheiron to set the price inflation assumption). With the exception of the most recent five-year period, the December-to-December Bay Area CPI has historically been higher than the corresponding CPI for the US City Average.

### Comparison of Average National and Bay Area CPI Increases

Time Period	Change in Dec-to-Dec CPI for U.S. City Average (up to 2025)	Change in Dec-to-Dec CPI for San Francisco-Oakland-Hayward Area (up to 2025)
5-Year Period	4.46%	3.43%
10-Year Period	3.20%	3.26%
15-Year Period	2.64%	3.07%
20-Year Period	2.52%	2.88%

Generally, Segal would recommend a COLA assumption at least equal to the price inflation assumption of 2.50% for tiers with 3.00% maximum COLA (in addition to an assumption of 3.00% for members with a COLA bank), and we believe an even higher rate of 2.75% could be justified based on the CPI measure used by MercedCERA to set annual COLA. **While we agree that the 2.40% assumption recommended by Cheiron is not unreasonable, we recommend that Cheiron continue to monitor this assumption, taking into account long-term expectations for the Bay Area CPI, and potentially consider increasing this assumption.**

## Review of demographic assumptions

The demographic assumptions reviewed by Cheiron during the 2025 experience study are service retirement, termination, disability retirement (service and non-service connected), mortality, probability of refund election, reciprocity, retirement age for inactive vested members, percent married, spouse age difference, and sick and vacation leave.

Actuarial Standard of Practice No. 27 (ASOP 27) provides the actuary guidance in developing these assumptions. Among these guidelines is the consistency of the demographic assumptions and the reasonableness of each assumption selected by the actuary.

The Standard of Practice bases the evaluation of an assumption's reasonableness on two general criteria. First, the assumption is expected to appropriately model the contingency being measured. Second, the assumption is not anticipated to produce significant cumulative actuarial gains or losses over the measurement period.

In reviewing the analysis of demographic assumptions completed by Cheiron, we reviewed for reasonableness the approach used by Cheiron to apply membership data from the last nine

## Results of the Actuarial Review

years in setting the assumptions to improve the credibility of the data for the analysis of most decrements. As there is insufficient data for setting some assumptions based on data from the last three years, we agree with Cheiron's methodology of using nine years of experience where appropriate.

**Our review confirms that the demographic assumptions recommended by Cheiron are reasonable for use in the June 30, 2025 valuation, internally consistent, and based on generally accepted actuarial principles and practices.**

### Service retirement

In the 2025 experience study, Cheiron recommended adjustments to the General and Safety non-PEPRA retirement rates based on experience over the last nine years, including increases and decreases at various age and service combinations. In addition, the Safety non-PEPRA retirement rates were extended from age 60 to age 65. **We agree that the non-PEPRA retirement rates recommended by Cheiron are reasonable.**

In Segal's audit of the 2019 experience study, we recommended that Cheiron consider developing separate sets of retirement rates for members in the PEPRA and non-PEPRA tiers. In the 2022 experience study, Cheiron developed separate sets of retirement rates for PEPRA and non-PEPRA General tiers. Segal concurred with this approach and continued to recommend the same approach for the Safety tiers. In the 2025 experience study, Cheiron has developed separate sets of retirement rates for PEPRA and non-PEPRA Safety tiers. **We agree that the PEPRA retirement rates recommended by Cheiron are reasonable, and we concur with this change to the structure for the service retirement assumption for Safety PEPRA members.**

We would note that the changes to the service retirement assumption for Safety members created a relatively high cost savings of 1.01% of pay. This is due in part to the Safety non-PEPRA retirement rates being extended from age 60 to age 65. Additionally, the Safety PEPRA rates below age 57 were then set to 50% of the non-PEPRA rates. As a result, some of the retirement rates for Safety PEPRA members are substantially lower than under the prior assumptions.

As a result, the average expected retirement age for Safety PEPRA members increased by approximately 2.5 years. For example, the expected retirement age for Safety PEPRA members with entry age 35 increased from 55.2 under the prior assumptions to 57.7 under the proposed assumptions. In comparison, the expected retirement age for Safety non-PEPRA members with entry age 35 increased from 55.2 to 55.9. Actual experience for Safety PEPRA retirement is still very limited, so we recommend that Cheiron continue to monitor this assumption as more experience becomes available.

### Mortality

In the 2025 experience study, Cheiron updated the General healthy retiree base mortality tables from the CalPERS 2021 Healthy Annuitant mortality tables with a 105% adjustment to the CalPERS 2025 Healthy Annuitant mortality tables with a 105% adjustment. The changes in the CalPERS tables were very minor, and only affected the female mortality rates.

## Results of the Actuarial Review

Cheiron also updated the Safety healthy retiree base mortality tables to the CalPERS 2025 Healthy Annuitant mortality tables with a 105% adjustment. For this group, Cheiron previously applied the Pub-2010 Safety Healthy Retiree Below-Median mortality tables with a 105% adjustment. The change to the Safety mortality assumptions decreased the number of expected deaths, and resulted in a relatively high cost increase of 1.25% of pay. Our approach for our other California public sector clients would be to use the Pub-2016 Safety Healthy Retiree mortality tables, and apply an adjustment to reflect the client's experience to the extent enough credible data for the mortality experience is available.<sup>12</sup> To confirm the reasonableness of Cheiron's recommended base mortality table, we found that the cost impact would be similar if Cheiron had instead recommended the Pub-2016 Safety Healthy Retiree mortality tables with a 105% adjustment.

In the 2022 experience study, Cheiron excluded the data from the years ended June 30, 2021 and June 30, 2022 when evaluating the mortality assumptions, due to the elevated mortality levels during the COVID-19 pandemic. In the 2025 experience study, Cheiron included these years as part of the nine-year actual experience used to evaluate the mortality assumptions. Given this change in approach, we recommend that Cheiron describe or provide context for the inclusion of these years in the actual experience.

We concur with Cheiron's update of the generational mortality improvement scale from MP-2020 to MP-2021. While we generally use 100% of the mortality improvement scale, we note that Cheiron has continued to use 80% of the mortality improvement scale, consistent with CalPERS' mortality assumptions which we understand to be based on 20 years of observed mortality improvement for CalPERS' plan members. We recommend that Cheiron continue to monitor the 80% adjustment over time, including its applicability to any future mortality improvement scales published by the Retirement Plans Experience Committee of the Society of Actuaries that may include post-COVID experience.

Under the proposed assumptions, there is no distinction between the mortality rates for all healthy retirees and all beneficiaries, regardless of membership class (General vs. Safety) as CalPERS uses one set of mortality rates for both General and Safety healthy retirees and beneficiaries. The experience study presentation shows the fit of the mortality assumption to the actual experience for General and Safety separately, and we concur with that analysis. However, because the assumption is the same for these groups, we suggest that Cheiron also consider adding a slide that shows the fit of the proposed mortality assumption to the combined group of all healthy retirees and all beneficiaries.

Cheiron also updated the mortality for disabled retirees and active members from the CalPERS 2021 tables to the equivalent CalPERS 2025 tables, without a 105% adjustment, and with a generational projection using 80% of the MP-2021 mortality improvement scale. Similar to Safety healthy retirees, the Safety employees previously used the Pub-2010 Safety Employee Below-Median mortality table, and they are now using the CalPERS 2025 Non-Industrial Safety Employees table.

**We agree that the mortality assumptions recommended by Cheiron are reasonable.**

<sup>12</sup> Although we generally use the Above-Median tables, we would note that the distribution of MercedCERA's benefit amounts for Safety healthy retirees supports the use of the total population mortality table.

# Results of the Actuarial Review

## Reciprocity

Cheiron's assumptions for reciprocal members include assumptions for the timing of their retirement from a reciprocal retirement system and the compensation increases these members will earn at a reciprocal retirement system. We note that Cheiron is using different reciprocity assumptions for current active employees at MercedCERA who have some probability of becoming reciprocal members in the future (i.e., future reciprocal members) than they are using for members who are inactive at MercedCERA and who are currently working under another retirement system (i.e., current reciprocal members).

In particular, future reciprocal members have a single assumed retirement age (by membership and tier), whereas current reciprocal members use the same retirement rates and assumed salary increases as active members. Although the single assumed retirement age for reciprocal members is determined based on the observed retirement ages for members who retired with reciprocity, it is only being applied to future reciprocal members.

In addition, future reciprocal members have a single annual compensation increase assumption for the duration of their reciprocal employment, whereas current reciprocal members use the same assumed salary increases as active members.

The difference between these assumptions results in a change in the expected amount and timing of the reciprocal benefit simply due to a member moving from active to deferred reciprocal status. **We recommend that Cheiron consider using the same assumptions for both future and current reciprocal members.**

## Sick leave

In our audit of the 2022 experience study, we recommended that Cheiron consider introducing a sick leave conversion assumption in the next experience study if there are more new retirees converting their sick leave time to service credit. In the 2025 experience study, Cheiron has added an assumption that members will convert an amount of sick and vacation leave at retirement equal to 0.4% of their total service. **We concur with Cheiron's recommendation to add this assumption.**

## Other assumptions

Cheiron also reviewed and adjusted the assumptions for termination, disability retirement (service and non-service connected), probability of refund election, retirement age for inactive vested members, percent married, and spouse age difference. We do not have any specific comments on the other demographic assumptions recommended by Cheiron. **These assumptions appear reasonable to us.**

## Conclusions and recommendations

Segal has performed an actuarial review of Cheiron's 2025 experience study for MercedCERA. Our review confirms that the economic and demographic assumptions recommended by Cheiron are reasonable for use in the June 30, 2025 valuation and that the actuarial calculations were conducted according to generally accepted actuarial principles and practices.

## Results of the Actuarial Review

We recommend that Cheiron consider the following items in future experience studies:

- **Post-retirement COLA increase assumption:** Continue to monitor the 2.40% assumption used for members without a COLA bank, taking into account the long-term expectation for the Bay Area CPI, and potentially consider increasing this assumption. Except for the most recent five-year period, the Bay Area CPI measure has been higher than the national CPI measure (used in part to set the inflation assumption) over the 10-year, 15-year and 20-year average periods, and has consistently averaged above 2.40% over similar time horizons.
- **Service retirement:** Continue to monitor the Safety PEPRA retirement rates as more actual experience becomes available. Due to the change in the structure of this assumption in the 2025 experience study, the retirement rates for these members decreased significantly at some ages.
- **Mortality:** Describe or provide additional context for the decision to include the years ended June 30, 2021 and June 30, 2022 in the mortality experience, given that they were excluded from the 2022 experience study due to the elevated mortality levels during the COVID-19 pandemic. If Cheiron continues to recommend the same mortality assumption for General and Safety healthy retirees and all beneficiaries, consider including a chart that shows the fit of the recommended mortality assumption to the combined group of all healthy retirees and all beneficiaries.
- **Mortality improvement scale:** Continue to monitor the 80% adjustment to the MP-2021 generational mortality improvement scale, including its applicability to any future mortality improvement scales that may include post-COVID experience.
- **Reciprocity:** Consider using the same reciprocal retirement age and reciprocal compensation increase assumption for both future and current reciprocal members.

5976806v5/14392.502



**TO:** State Association of County Retirement Systems  
**FROM:** Cara Martinson, Capitol Advocacy  
Laurie Johnson, LJ Consulting & Advocacy  
**DATE:** March 9, 2026  
**RE:** **Legislative Update – March**

---

While the urgency surrounding the bill introduction deadline has subsided, the Legislature is now shifting its focus to preparing the budget committees to address a projected multi-year structural deficit. The Assembly and Senate have begun its formal review of Newsom’s January budget proposal through the subcommittee process. Lawmakers are evaluating the Administration’s revenue assumptions, proposed spending reductions, and programmatic changes as part of the early stages of the annual budget process. These hearings will inform legislative priorities ahead of the Governor’s May Revision and subsequent negotiations leading to adoption of the 2026 - 27 state budget. Accurate revenue assumptions are still pending as we await April tax receipts.

On the bill front, 1,798 bills have been introduced, more than 600 of which are “spot bills.” As previously anticipated, the Legislature’s policy priorities largely mirror those of 2025, with housing and affordability continuing to dominate the agenda. Additional areas of legislative activity are expected to include an insurance and wildfire legislative package, as well as issues related to artificial intelligence.

In addition to a significant legislative workload, the 2026 election cycle will include all 100 legislative seats, the Governor, and the remaining statewide constitutional offices. Several statewide initiatives are also anticipated to appear on the November ballot. To date, only one measure has qualified: a constitutional amendment that would revise the vote requirements for initiatives imposing supermajority thresholds. However, several additional and potentially contentious proposals are expected to qualify, including measures related to voter identification requirements, a billionaire wealth tax, and artificial intelligence regulation.

The race to succeed term-limited Governor Gavin Newsom remains fluid and highly competitive, with no clear frontrunner emerging ahead of the June 2026 primary. The field is crowded, particularly among Democrats, with candidates including Eric Swalwell, Katie Porter, Xavier Becerra, Antonio Villaraigosa, Betty Yee, Tony Thurmond, Tom Steyer, and Matt Mahan competing alongside Republican candidates Chad Bianco and Steve Hilton. Recent polling suggests the race remains wide open, with Hilton currently



leading a fragmented field while several Democratic candidates remain clustered in the low-to-mid teens. The large number of Democratic contenders has raised concerns among party leaders that vote-splitting in California's top-two primary system could create an unpredictable path to the November general election.

### III. Legislative Update:

- **AB 1054 (Gipson)** - This bill would establish the Deferred Retirement Option Program (DROP) as a voluntary program within PERS for employees of State Bargaining Units 5 (Highway Patrol) and 8 (Firefighters). The bill states that the DROP becomes effective and applicable only after: 1) the applicable Bargaining Unit has entered into a MOU with the employer to implement the program; 2) The program has been certified via an actuarial analysis that it is cost neutral by the CalPERS Board of Administration; and 2) CalPERS has adopted regulations to implement and administer the program.
  - Status: This bill passed out the Assembly and is awaiting action in the Senate.
  - Position: No Position/Watch
  
- **AB 1383 (McKinnor)** – The bill was heard in the Assembly PERS Committee and advanced out of the Appropriations Committee in January after taking several amendments. The bill includes the following provisions:
  - Adjust, on and after January 1, 2027, the pensionable compensation limit to the Social Security compensation limit. The prior version of the bill would have increased the pensionable compensation limit to the higher IRC 415(b) threshold.
  - Lower the retirement age on a prospective basis from age 57 to 55 for three existing safety DB retirement formulas, and
  - Authorize a public employer to create a fourth PEPRA safety DB retirement formula of three percent (3%) at age 55, to be applied prospectively.
  - Recent amendments removed a provision that would have permitted collective bargaining over the 50-50 normal cost sharing requirement.
  - Status: This bill advanced out of the Assembly and is now awaiting action in the Senate
  - Position: Neutral (as recommended by SACRS Legislative Committee)



- **AB 1439 (Garcia)** - The bill would have required labor protection standards on pension system investments in development projections. The bill was amended coming out of the Assembly to now require CalPERS and CalSTRS to contract with the University of California Labor Centers to conduct an independent study to determine the impacts on public employee retirement funds of prohibiting the boards from investing in California development projects that do not provide labor standards protections for workers. The bill no longer applies to the CERL systems and removes SACRS' opposition.
  - Status: The bill passed out of the Assembly and is awaiting action in the Senate.
  - Position: No position/watch
- **AB 1601 (Rogers)** – This bill would permit the county Board of Supervisors for Sonoma County to authorize a cost-of-living adjustment to the retirement allowances, optional death allowances, or annual death allowances payable by the retirement system.
  - Status: This bill has been referred to the Assembly PERS Committee
  - Position: Neutral (as recommended by SACRS Legislative Committee)
- **AB 1619 (Valencia)** – This bill would allow county Boards of Supervisors to authorize an increase in the Board of Retirement trustee per diem from \$100 to \$320. The bill would then require action by the Board of Retirement to establish the increased compensation rate.
  - Status: This bill has been referred to the Assembly PERS Committee
  - Position: Neutral (as recommended by SACRS Legislative Committee)
- **AB 1762 (Gonzalez)** – This bill extends Public Employees' Medical and Hospital Care Act (PEMHCA) authorization contract for health benefits to the City of Indio for employees hired from January 1, 2025, onward. It sets conditions such as collective bargaining agreements and requires at least five years of service for any benefit eligibility. The bill applies only to retirees after the approval of the memorandum of understanding and mandates that the City of Indio provide necessary notifications and information.
  - Status: This bill has been referred to the Assembly PERS Committee
  - Position: No position/watch
- **AB 1844 (Pacheco)** – This bill modifies the Judges' Retirement System II, to give judges more flexibility in designating beneficiaries for their retirement benefits. This bill would authorize a judge who elects one of the optional retirement payment plans in lieu of receiving the maximum retirement



- allowance to designate a beneficiary other than their spouse to receive the payment or allowance after the judge's death, subject to the community property rights of the judge's spouse. Additionally, the bill extends existing survivor benefits to non-spouse beneficiaries, removing the stipulation that the judge must have served a minimum of 20 years if they die in office.
- Status: This bill has been referred to the Assembly PERS Committee
  - Position: No position/watch
- **AB 2336 (Macedo)** – This bill would, for taxable years beginning on or after January 1, 2026, and before January 1, 2031, exclude from gross income the first \$25,000 of overtime pay received by a taxpayer during the taxable year. The bill would also exclude from gross income the first \$25,000 received by a taxpayer as proceeds from a defined benefit plan.
    - Status: This bill is awaiting Committee referral
    - Position: No position/watch
  - **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.
      - Status: Not yet introduced
      - Position: Support
  - **SB 1187 (Durazo)** – This bill would define “majority” in the Brown Act to mean the number of members of the legislative body equaling more than half of the total number of seats on the legislative body. The bill would specify that if a seat on the legislative body is vacant, that seat is to still be counted as a seat on the legislative body.



- Status: This bill has been referred to the Senate Local Government Committee
- No position/watch

Contact:

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



Merced County Employees' Retirement Association

**DATE:** March 26, 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 a  
**ITEM TYPE:** Information Only

**DISCUSSION:**

**Capital Markets & Economic Summary**

The U.S. labor market experienced a downturn in February, with the Bureau of Labor Statistics (BLS) reporting a loss of 92,000 jobs, a sharp contrast to economist predictions of a 50,000 to 60,000 gain. The unemployment rate edged up slightly to 4.4% from January's 4.3%. Job losses were particularly acute in the healthcare sector, which shed 28,000 positions due to significant strike activity, and the federal government, which continued its downward trend with a loss of 10,000 jobs. Despite the overall contraction, wage growth remained steady as average hourly earnings rose 0.4% for the month, bringing the year-over-year increase to 3.8%.

In February, the Federal Reserve maintained its benchmark interest rate at a target range of 3.5% to 3.75% for the second consecutive meeting, adopting a "wait-and-see" approach amid economic uncertainty. While the Fed held steady, the broader bond market experienced significant movement as U.S. Treasury yields declined across the curve, with the 10-year yield falling approximately 30 basis points to temporarily slip below 4.0%. Despite this rally in government bonds, corporate credit investors began to show signs of caution as credit spreads widened. This widening was driven by a massive surge in new issuance and growing investor concern following the outbreak of conflict in the Middle East toward the end of the month, which spiked energy prices and clouded the outlook for future rate cuts. The Fed met in mid-March and again voted to hold their target overnight rate steady for a third consecutive meeting. Comments following the vote focused on continued pricing pressure, now impacted by the Middle East conflict, versus a relatively low unemployment rate.

U.S. inflation reports for February revealed a period of relative stability before the full impact of late-month geopolitical tensions hit energy markets. The Consumer Price Index (CPI) rose a moderate 0.3% for the month, keeping the annual inflation rate steady at



Merced County Employees' Retirement Association

2.4%, its lowest level since mid-2025. Core CPI, which excludes volatile food and energy costs, advanced a modest 0.2% monthly to remain at 2.5% year-over-year, bolstered by a slowing in housing costs which saw its smallest monthly rent gain since 2021. Meanwhile, the Federal Reserve's preferred gauge, the Personal Consumption Expenditures (PCE) price index, also showed signs of easing; headline PCE inflation slowed to 0.3% monthly, or 2.8% year-over-year. Despite these largely "in-line" results, economists cautioned that the data was essentially a "rearview mirror" snapshot, as a sharp spike in oil prices following the escalation of the Middle East conflict at the end of February was expected to push March headline figures significantly higher.

The U.S. equity market was labeled a "Great Rotation" in February as investors pivoted away from overextended mega-cap technology and toward defensive, value, and smaller-cap stocks. The S&P 500 Index returned -0.8%, dragged down by a sharp 7.3% drop in the "Magnificent Seven" tech giants amid growing skepticism over AI returns and disruption. In contrast, the small-cap Russell 2000 Index demonstrated relative resilience, finishing the month with a gain of 0.8% and at one point achieving a historic 15-session winning streak against large cap. While headline indices remained under pressure from tech volatility and late-month geopolitical escalations in the Middle East, market breadth was notably healthy, with the S&P 500 Equal Weight Index surging 3.5% as cyclical sectors like Utilities, Energy, and Materials rose during the month.

International and emerging markets equities significantly outperformed the U.S. in February, as investors favored "hard-asset" regions and hardware-centric AI plays over domestic software valuations. The MSCI ACWI ex USA Index delivered a strong return of 5.0%, reflecting a broad-based rally across non-U.S. markets. Developed international stocks, tracked by the MSCI EAFE Index, gained 4.6%, with Japan's TOPIX surging 10.5% following a landslide snap election victory for Prime Minister Sanae Takaichi. Emerging markets were the standout performers, however, as the MSCI Emerging Markets Index climbed 5.5% for the month. The strong returns were largely driven by large companies in Taiwan and South Korea, which benefited from robust global demand for semiconductor hardware, as well as raw material exporters in Latin America who saw tailwinds from rising commodity prices.

The U.S. fixed income market delivered solid gains in February, primarily driven by a significant rally in Treasuries as yields drifted lower across maturities. The Bloomberg US Aggregate Bond Index returned 1.6% for the month, supported by broad participation across its components; U.S. Treasuries gained 1.8% while Mortgage-Backed Securities and Investment-Grade Corporates returned 1.7% and 1.3%, respectively. Despite these positive returns, the credit sector faced some pressure as investment-grade spreads

690 W 19<sup>th</sup> Street • Merced, CA 95340 • (p) 209.726.2724 (f) 209.725.3637

[www.mercedcera.com](http://www.mercedcera.com) • [mercedcera@countyofmerced.com](mailto:mercedcera@countyofmerced.com)



Merced County Employees' Retirement Association

widened. Performance in the riskier segments was more muted; the Bloomberg US High Yield Index posted a modest gain of 0.2%, as a 26-basis-point widening in credit spreads, triggered by volatility in the software sector and AI-related disruption concerns, offset much of the benefit from falling underlying rates. This "up-in-quality" trend saw higher-rated issuers significantly outperform lower-quality counterparts, with BB-rated bonds outperforming CCCs by nearly a full percentage point.

### **February Portfolio Performance Update**

The Total Fund experienced another positive month. The portfolio returned 0.8% in February versus 1.7% for the Policy Index. Underperformance was primarily due to international and emerging markets equity as well as US core fixed income. The Total Fund has returned 13.3% over the trailing one-year period.

Public equity continued to rise due to gains in international and emerging markets. The public equity portfolio increased 1.3% during the month compared with 1.6% for the MSCI ACW Investable Market (IM) Index. The US equity portfolio tracked the Russell 3000 Index, falling -0.5% for the month as outperformance by Newton Dynamic was offset by Champlain. Broad international equity (developed and emerging markets) posted a positive 3.6% return but trailed the MSCI ACW ex US IM Index by 1.5%. The dedicated emerging markets portfolio trailed its benchmark by 8.1% as both managers underperformed the benchmark.

US fixed income returned 1.2% in February as Treasury yields generally fell during the month but underperformed the index return of 1.6%. Payden & Rygel and Wellington largely kept pace with their respective indices while Brandywine underperformed by 0.5%. Credit markets were muted as the opportunistic credit portfolio returned 0.3%, outperforming its custom benchmark by 0.2%. GoldenTree Multi-Sector Credit posted a slightly negative -0.1% as credit spreads widened due to growing investor concerns stemming from the Middle East conflict. One William Street gained 0.5%.



Merced County Employees' Retirement Association

Trailing Performance as of February 28, 2026	Market Value (\$M)	% of Portfolio	1 Month	1 Year	3 Years	5 Years	Since Incep.	Incep. Date
<b>Champlain Small Cap</b> <i>Russell 2000 Index</i>	<b>19,967,024</b>	<b>1.4</b>	<b>0.3</b> 0.8	<b>-4.0</b> 23.3	<b>5.1</b> 13.1	<b>1.1</b> 5.0	<b>6.4</b> 12.1	<b>Nov-20</b>
<b>GQG International Equity</b> <i>MSCI ACW Ex US Index (Net)</i>	<b>68,726,389</b>	<b>4.7</b>	<b>6.6</b> 5.0	<b>25.0</b> 39.7	<b>19.1</b> 19.9	<b>11.0</b> 9.8	<b>11.6</b> 10.6	<b>Dec-19</b>
<b>Artisan Developing World</b> <i>MSCI Emerging Markets Index</i>	<b>47,284,077</b>	<b>3.3</b>	<b>-6.4</b> 5.5	<b>-7.6</b> 50.0	<b>12.5</b> 21.5	<b>-3.6</b> 6.3	<b>7.4</b> 9.8	<b>Dec-19</b>

### **Watch List Manager Summary**

Champlain returned 0.3% versus 0.8% for the Russell 2000 Index. The strategy's technology holdings were the largest relative detractor during February primarily due to stock selection and an overweight of the software industry. The market remains uneasy about the potential for AI disruption in software business model. Performance was again hurt by the strategy's lack of energy exposure as the sector rose 10% during the month. Poor performing sector holdings were partially offset by outperformance in industrials and consumer holdings.

GQG beat its MSCI ACW ex US Index in February, 6.6% versus 5.0%. GQG has struggled due to its overweight to India's market, positioning the manager believes will create strong long-term returns based on the country's infrastructure investment and growth outlook. The team has also been skeptical of the sustainability of the tech industry's current AI-related capex spending over the long term.

Artisan again underperformed by a wide margin, returning -6.4% in February versus 5.5% for the MSCI Emerging Markets Index. The strategy has struggled to keep pace with the strong performing index as the main drivers of returns are concentrated in a few companies and regions.

Mar 26,  
2026

# Alternative Investment Performance

## Merced County Employees' Retirement Association



Strictly Confidential. Not for Distribution.

# MercedCERA Private Equity Investment Structure & Portfolio Assessment



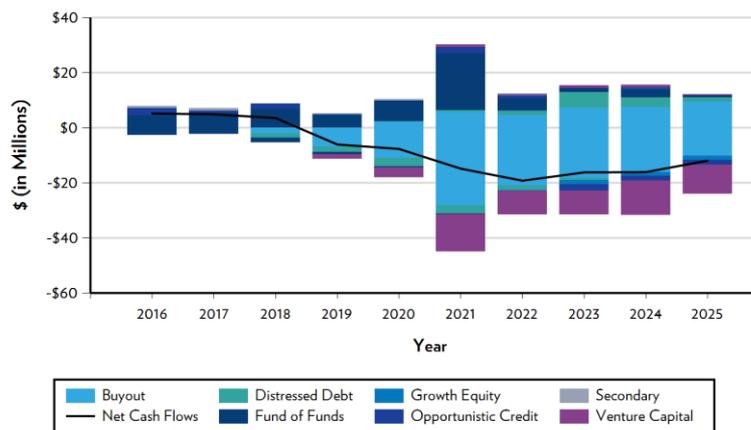
## Investment structure (15% fund target; 16.7% invested as of December 2025):

- Legacy FoFs are winding down and the direct portfolio is maturing; the direct portfolio continues to perform well despite the general slowdown seen in private equity over the last few years
  - There were annual gains of \$24 million, including an \$8 million gain in 3Q
  - Contributions exceeded distributions by \$18 million over the past 12 months as the newer portfolios are being built and the exit market has slowed; the portfolio has generally been running cash flow negative

### Annual Summary

(in thousands)	Total Partnerships	Total Commitment	(A) Contributions	(B) Distributions	(C) Fair Value	(B+C) Total Value	(B+C-A) Gain Loss	Net IRR	Benchmark
September 30, 2024	62	\$345,062	\$223,215	\$141,009	\$192,310	\$333,319	\$110,105	11.00%	11.81%
September 30, 2025	68	\$378,914	\$257,715	\$157,537	\$234,143	\$391,680	\$133,965	11.06%	11.75%
Annual Change	6	\$33,852	\$34,500	\$16,528	\$41,833	\$58,361	\$23,860		

Annual Cash Flow



Note: Net cash flow is for each respective calendar year.

# MercedCERA Private Equity Performance – as of Sept 30, 2025



Partnership Name	Strategy	(A) Commit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2004												
* Invesco Partnership Fund IV, L.P.	Fund of Funds	10,000	2,417	7,898	76%	16,233	0	16,233	8,336	11.75%	8.70%	2.06x
Vintage Year 2004 Total		10,000	2,417	7,898	76%	16,233	0	16,233	8,336	11.75%	8.15%	2.06x
Vintage Year 2005												
* Pantheon Ventures Euro Fund IV	Fund of Funds	1,175	50	1,284	96%	1,641	0	1,641	357	4.35%	5.15%	1.28x
* Pantheon Ventures USA Fund VI	Fund of Funds	3,750	206	3,544	95%	5,329	0	5,329	1,785	6.37%	7.49%	1.50x
ASP 2005 Non-US Fund	Fund of Funds	1,500	74	1,426	95%	1,919	6	1,924	499	4.48%	5.15%	1.35x
ASP 2005 US Fund	Fund of Funds	3,500	177	3,323	95%	5,269	47	5,316	1,993	7.03%	7.49%	1.60x
Vintage Year 2005 Total		9,925	507	9,576	95%	14,157	53	14,210	4,633	6.11%	7.32%	1.48x
Vintage Year 2006												
* Pantheon Global Secondary Fund III "B"	Secondary	10,000	540	9,460	95%	10,400	0	10,400	940	1.71%	NA	1.10x
Vintage Year 2006 Total		10,000	540	9,460	95%	10,400	0	10,400	940	1.71%	7.44%	1.10x
Vintage Year 2007												
ASP 2007 Direct Fund	Fund of Funds	450	12	438	97%	1,062	51	1,113	675	11.87%	11.33%	2.54x
ASP 2007 Non-US Fund	Fund of Funds	1,575	78	1,497	95%	2,425	7	2,432	935	7.60%	7.50%	1.62x
ASP 2007 US Fund	Fund of Funds	2,475	115	2,360	95%	4,717	47	4,764	2,404	12.03%	11.33%	2.02x
Vintage Year 2007 Total		4,500	205	4,295	95%	8,203	106	8,308	4,013	10.60%	8.84%	1.93x
Vintage Year 2011												
ASP 2011 Direct Fund	Fund of Funds	500	37	463	93%	766	213	979	516	13.22%	19.18%	2.12x
ASP 2011 Emerging Markets Fund	Fund of Funds	500	64	436	87%	713	300	1,013	577	11.68%	7.45%	2.32x
ASP 2011 Non-US Developed Fund	Fund of Funds	1,500	239	1,261	84%	2,002	733	2,735	1,474	13.63%	7.45%	2.17x
ASP 2011 US Fund	Fund of Funds	2,500	326	2,175	87%	4,123	1,306	5,429	3,254	15.79%	19.18%	2.50x
Pantheon Asia Fund VI	Fund of Funds	1,000	61	940	94%	1,181	410	1,591	651	8.27%	7.45%	1.69x
Pantheon Euro Fund VII	Fund of Funds	1,639	133	1,576	92%	2,351	773	3,123	1,547	11.43%	7.45%	1.98x
Pantheon Ventures USA Fund IX	Fund of Funds	2,000	170	1,830	92%	3,617	1,103	4,719	2,889	15.53%	19.18%	2.58x
Vintage Year 2011 Total		9,639	1,031	8,680	89%	14,752	4,837	19,589	10,909	13.57%	11.61%	2.26x

Note: The benchmark represents the Cambridge Associates LLC median for the respective strategy and vintage year. At the vintage year level, the Cambridge Associates LLC Global Private Equity & VC © median is used for the respective vintage year; \* indicates a liquidated partnership.

# MercedCERA Private Equity Performance – as of Sept 30, 2025



Partnership Name	Strategy	(A) Com mit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2013												
Invesco Partnership Fund VI, L.P.	Fund of Funds	5,000	1,548	3,958	69%	13,540	290	13,831	9,872	23.04%	16.10%	3.49x
Vintage Year 2013 Total		5,000	1,548	3,958	69%	13,540	290	13,831	9,872	23.04%	11.68%	3.49x
Vintage Year 2014												
Ocean Avenue Fund II	Fund of Funds	10,000	1,000	9,000	90%	16,708	4,307	21,015	12,015	17.08%	17.34%	2.34x
* Raven Asset-Based Opportunity Fund II	Opp. Credit	10,000	474	9,526	95%	9,739	0	9,739	213	0.58%	7.68%	1.02x
Vintage Year 2014 Total		20,000	1,474	18,526	93%	26,447	4,307	30,754	12,228	10.75%	13.48%	1.66x
Vintage Year 2017												
GTCR XII	Buyout	5,000	742	4,258	85%	4,959	3,882	8,841	4,583	19.13%	20.19%	2.08x
Vintage Year 2017 Total		5,000	742	4,258	85%	4,959	3,882	8,841	4,583	19.13%	14.86%	2.08x
Vintage Year 2018												
Carrick Capital Partners III, L.P.	Buyout	5,000	0	5,000	100%	2,672	4,468	7,140	2,140	9.05%	15.92%	1.43x
Cressey & Company Fund VI LP	Buyout	5,000	325	4,675	94%	1,634	5,498	7,131	2,456	12.67%	15.92%	1.53x
DK LT Distressed Opp Fund IV LP	Distressed Debt	5,000	343	4,743	93%	6,443	1,863	8,306	3,564	14.31%	12.56%	1.75x
Vintage Year 2018 Total		15,000	668	14,418	96%	10,749	11,829	22,577	8,160	12.12%	12.49%	1.57x
Vintage Year 2019												
Accel-KKR Growth Capital Partners III	Buyout	5,000	0	5,372	100%	1,687	5,603	7,290	1,918	9.01%	13.67%	1.36x
Cortec Group Fund VII, L.P.	Buyout	10,000	982	11,532	90%	7,857	9,783	17,640	6,108	17.42%	13.67%	1.53x
Genstar Capital Partners IX, L.P.	Buyout	7,000	493	7,493	93%	6,617	9,710	16,327	8,834	25.28%	13.67%	2.18x
Summit Growth Equity Fund X-A, L.P.	Buyout	8,000	3,357	7,841	58%	3,198	8,635	11,833	3,992	12.66%	13.67%	1.51x
TCV X, L.P.	Venture Capital	5,000	1,247	3,753	75%	2,096	9,088	11,184	7,431	23.70%	9.61%	2.98x
Vintage Year 2019 Total		35,000	6,079	35,991	83%	21,455	42,819	64,274	28,283	18.43%	11.03%	1.79x

Note: The benchmark represents the Cambridge Associates LLC median for the respective strategy and vintage year. At the vintage year level, the Cambridge Associates LLC Global Private Equity & VC © median is used for the respective vintage year; \* indicates a liquidated partnership.

# MercedCERA Private Equity Performance – as of Sept 30, 2025



Partnership Name	Strategy	(A) Commit. Amount	(A) Unfund. Amount	(B) Cumulat. Cont.	(B) % Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2020												
Accel-KKR Capital Partners VI, LP	Buyout	5,000	124	4,876	98%	631	5,069	5,700	824	6.00%	14.72%	1.17x
GTCR Fund XIII/A & B LP	Buyout	8,000	1,543	6,457	81%	2,322	7,378	9,699	3,242	19.07%	14.72%	1.50x
Marlin Heritage Europe II, L.P.	Buyout	8,225	202	6,769	98%	1,153	8,902	10,055	3,287	13.77%	12.14%	1.49x
Thoma Bravo Discover Fund III, L.P.	Buyout	8,000	443	8,055	94%	498	11,646	12,144	4,090	11.42%	14.72%	1.51x
Taconic Market Dislocation Fund III L.P.	Distressed Debt	8,000	1,150	7,313	86%	6,430	3,005	9,435	2,122	9.03%	10.39%	1.29x
Spark Capital Growth Fund III, L.P.	Venture Capital	6,000	0	6,000	100%	1,055	8,262	9,317	3,317	11.75%	6.48%	1.55x
Spark Capital VI, L.P.	Venture Capital	3,000	315	2,685	90%	0	3,722	3,722	1,037	8.55%	6.48%	1.39x
Summit Venture Capital Fund V-A, L.P.	Venture Capital	6,000	794	5,811	87%	605	6,027	6,632	821	5.76%	6.48%	1.14x
<b>Vintage Year 2020 Total</b>		<b>52,225</b>	<b>4,572</b>	<b>47,965</b>	<b>91%</b>	<b>12,694</b>	<b>54,011</b>	<b>66,705</b>	<b>18,739</b>	<b>11.09%</b>	<b>8.53%</b>	<b>1.39x</b>
Vintage Year 2021												
Genstar Capital Partners X, L.P.	Buyout	8,000	224	8,109	97%	334	8,641	8,974	865	3.98%	9.43%	1.11x
Nautic Partners X, L.P.	Buyout	8,000	1,802	6,457	77%	259	8,442	8,700	2,243	15.25%	9.43%	1.35x
Summit Growth Equity Fund XI-A, L.P.	Buyout	8,000	3,878	4,154	52%	33	4,498	4,531	377	5.37%	9.43%	1.09x
Khosla Ventures Seed E, L.P.	Venture Capital	2,000	200	1,800	90%	0	3,089	3,089	1,289	18.51%	3.32%	1.72x
Khosla Ventures VII, L.P.	Venture Capital	6,000	600	5,400	90%	0	6,093	6,093	693	3.97%	3.32%	1.13x
TCV Velocity Fund I, L.P.	Venture Capital	8,000	3,515	4,485	56%	0	6,378	6,378	1,893	17.67%	3.32%	1.42x
TCV XI, L.P.	Venture Capital	8,000	1,056	6,944	87%	0	8,347	8,347	1,403	6.32%	3.32%	1.20x
<b>Vintage Year 2021 Total</b>		<b>48,000</b>	<b>11,274</b>	<b>37,351</b>	<b>77%</b>	<b>625</b>	<b>45,488</b>	<b>46,113</b>	<b>8,762</b>	<b>8.64%</b>	<b>5.96%</b>	<b>1.23x</b>
Vintage Year 2022												
Accel-KKR Growth Capital Partners IV	Buyout	5,000	2,359	2,641	53%	0	2,741	2,741	100	1.66%	11.33%	1.04x
Marlin Heritage III, L.P.	Buyout	8,000	5,178	2,822	35%	0	2,954	2,954	132	2.57%	11.33%	1.05x
Thoma Bravo Discover Fund IV, L.P.	Buyout	8,000	2,276	7,182	72%	1,458	8,274	9,732	2,550	19.13%	11.33%	1.36x
GTCR Strategic Growth Fund I/A&B LP	Growth Equity	6,000	1,970	4,030	67%	87	4,515	4,603	573	8.92%	11.05%	1.14x
Spark Capital Growth Fund IV, L.P.	Venture Capital	6,000	660	5,340	89%	0	11,496	11,496	6,156	44.23%	9.59%	2.15x
Spark Capital VII, L.P.	Venture Capital	3,000	600	2,400	80%	0	3,462	3,462	1,062	17.11%	9.59%	1.44x
Threshold Ventures IV, L.P.	Venture Capital	5,000	1,540	3,460	69%	0	3,304	3,304	-156	-3.45%	9.59%	0.96x
<b>Vintage Year 2022 Total</b>		<b>41,000</b>	<b>14,583</b>	<b>27,875</b>	<b>64%</b>	<b>1,545</b>	<b>36,747</b>	<b>38,292</b>	<b>10,417</b>	<b>18.78%</b>	<b>10.90%</b>	<b>1.37x</b>

Note: The benchmark represents the Cambridge Associates LLC median for the respective strategy and vintage year. At the vintage year level, the Cambridge Associates LLC Global Private Equity & VC © median is used for the respective vintage year; \* indicates a liquidated partnership.

# MercedCERA Private Equity Performance – as of Sept 30, 2025



Partnership Name	Strategy	(A) Com mit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Draw n	(C) Cum ulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2023												
Cortec Group Fund VIII, L.P.	Buyout	10,000	6,797	4,409	32%	1,229	2,981	4,210	-199	-4.69%	N/A	0.95x
Genstar Capital Partners XI, L.P.	Buyout	8,000	7,028	1,061	12%	93	1,188	1,281	220	NM	NM	1.21x
Summit Europe Growth Equity Fund IV	Growth Equity	5,875	5,501	358	6%	0	255	255	-104	NM	NM	0.71x
Taconic Credit Dislocation Fund IV L.P.	Opp. Credit	8,000	2,400	5,817	70%	295	7,107	7,402	1,585	0.2024	N/A	1.27x
Khosla Ventures Seed F, L.P.	Venture Capital	2,000	500	1,500	75%	0	1,763	1,763	263	0.1385	N/A	1.18x
Khosla Ventures VIII	Venture Capital	6,000	1,854	4,146	69%	0	5,674	5,674	1,528	NM	NM	1.37x
<b>Vintage Year 2023 Total</b>		<b>39,875</b>	<b>24,080</b>	<b>17,291</b>	<b>40%</b>	<b>1,616</b>	<b>18,969</b>	<b>20,585</b>	<b>3,294</b>	<b>16.81%</b>	<b>11.68%</b>	<b>1.19x</b>
Vintage Year 2024												
Accel-KKR Capital Partners VII LP	Buyout	8,000	7,377	623	8%	0	261	261	-362	NM	NM	0.42x
GTCR XIV/A & B LP	Buyout	8,000	6,670	1,330	17%	163	1,853	2,016	686	NM	NM	1.52x
Nautic Partners XI, L.P.	Buyout	8,000	7,363	637	8%	0	676	676	39	NM	NM	1.06x
Thoma Bravo Discover Fund V, L.P.	Buyout	8,000	8,000	0	0%	0	0	0	0	NM	NM	N/A
Wynnchurch Capital Partners VI, L.P.	Buyout	7,750	5,790	1,960	25%	0	2,154	2,154	194	NM	NM	1.10x
Summit Growth Equity Fund XII-A	Growth Equity	8,000	8,000	0	0%	0	0	0	0	NM	NM	N/A
Spark Capital Growth Fund V, L.P.	Venture Capital	6,000	2,400	3,600	60%	0	3,890	3,890	290	NM	NM	1.08x
Spark Capital VIII, L.P.	Venture Capital	3,000	1,890	1,110	37%	0	1,071	1,071	-39	NM	NM	0.97x
<b>Vintage Year 2024 Total</b>		<b>56,750</b>	<b>47,490</b>	<b>9,260</b>	<b>16%</b>	<b>163</b>	<b>9,905</b>	<b>10,068</b>	<b>807</b>	<b>NM</b>	<b>NM</b>	<b>1.09x</b>
Vintage Year 2025												
GTCR Strategic Growth II Fund II/A&B LP	Buyout	4,000	4,000	0	0%	0	0	0	0	NM	NM	N/A
Khosla Ventures IX, L.P.	Venture Capital	6,000	5,328	672	11%	0	663	663	-9	NM	NM	0.99x
Khosla Ventures Seed G, L.P.	Venture Capital	2,000	1,760	240	12%	0	237	237	-3	NM	NM	0.99x
Threshold Ventures V, LP	Venture Capital	5,000	5,000	0	0%	0	0	0	0	NM	NM	N/A
<b>Vintage Year 2025 Total</b>		<b>17,000</b>	<b>16,088</b>	<b>912</b>	<b>5%</b>	<b>0</b>	<b>900</b>	<b>900</b>	<b>-12</b>	<b>NM</b>	<b>NM</b>	<b>0.99x</b>
<b>Portfolio Total :</b>		<b>378,914</b>	<b>133,298</b>	<b>257,715</b>	<b>65%</b>	<b>157,537</b>	<b>234,143</b>	<b>391,680</b>	<b>133,965</b>	<b>11.06%</b>	<b>11.75%</b>	<b>1.52x</b>

Note: The benchmark represents the Cambridge Associates LLC median for the respective strategy and vintage year. At the vintage year level, the Cambridge Associates LLC Global Private Equity & VC © median is used for the respective vintage year; \* indicates a liquidated partnership.

# MercedCERA Private Equity Performance – as of Sept 30, 2025



	(A)		(B)		(C)	(D)	(C+D)			IRR	
Portfolio Strategy Totals	Com mit. Amount	Unfund. Amount	Cumulat. Cont.	% Draw n	Cumulat. Dist.	Fair Value	Total Value	(C+D-B) Gain/Loss	Net IRR	Bench.	TVPI
Buyout	180,975	76,953	113,713	57%	36,795	125,236	162,031	48,318	13.73%		1.42x
Distressed Debt	13,000	1,493	12,056	89%	12,873	4,868	17,741	5,685	11.99%		1.47x
Fund of Funds	49,064	6,709	43,408	86%	83,593	9,593	93,186	49,778	11.79%		2.15x
Grow th Equity	19,875	15,471	4,388	22%	87	4,770	4,857	469	7.17%		1.11x
Opportunistic Credit	18,000	2,874	15,343	84%	10,033	7,107	17,140	1,798	3.42%		1.12x
Secondary	10,000	540	9,460	95%	10,400	0	10,400	940	1.72%		1.10x
Venture Capital	88,000	29,259	59,346	67%	3,756	82,568	86,324	26,977	15.18%		1.45x
Portfolio Total :	378,914	133,298	257,715	65%	157,537	234,143	391,680	133,965	11.06%	11.75%	1.52x

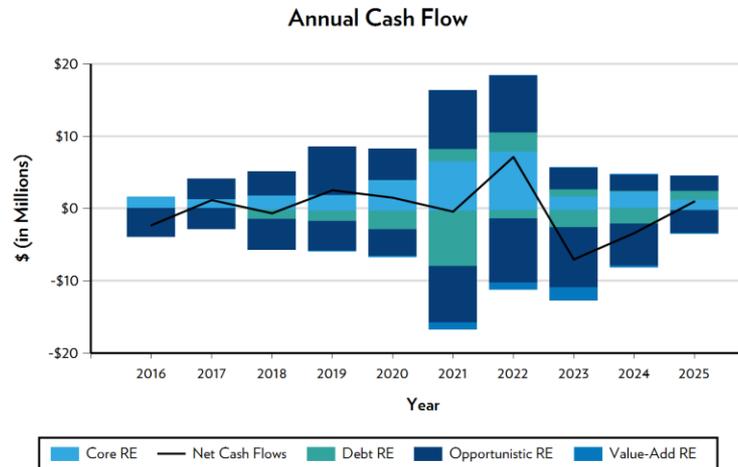
Note: The benchmark represents the Cambridge Associates LLC median for the respective strategy and vintage year. At the vintage year level, the Cambridge Associates LLC Global Private Equity & VC © median is used for the respective vintage year; \* indicates a liquidated partnership.

# MercedCERA Real Estate Investment Structure & Portfolio Assessment

## Real estate investment structure (6% target, 5.3% actual as of December 2025)

- MercedCERA invested in 1999 in a private core real estate fund; further diversified the portfolio beginning in 2014
- Contributions exceed distributions by \$0.4 million over the past year for the private real estate portfolio
- There were annual gains of \$0.4 million, despite a \$0.6 million decline in 3Q for the private real estate portfolio

Annual Summary									
(in thousands)	Total Partnerships	Total Commitment	(A) Contributions	(B) Distributions	(C) Fair Value	(B+C) Total Value	(B+C-A) Gain Loss	Net IRR	Benchmark
September 30, 2024	15	\$123,278	\$95,401	\$87,614	\$75,261	\$162,875	\$67,474	8.23%	7.77%
September 30, 2025	16	\$131,982	\$102,520	\$94,321	\$76,070	\$170,392	\$67,872	7.96%	7.65%
Annual Change	1	\$8,704	\$7,119	\$6,707	\$809	\$7,517	\$398		



Note: Net cash flow is for each respective calendar year.

# MercedCERA Real Estate Performance – as of Sept 30, 2025

## Real Estate Portfolio

- MercedCERA began investing in core real estate (UBS Trumbull) in 1999 & started adding Opportunistic funds in 2014; UBS is still working through the partial redemption of Trumbull; most of the Opportunistic funds are still in early stages.
- Overall performance has met objectives, mostly driven by the core real estate fund; performance for many of the Opportunistic funds is not yet meaningful given the relative nascency of those portfolios.

Partnership Name	Strategy	(A) Com mit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 1999												
UBS Trumbull Property Fund	Core RE	17,000	0	18,892	100%	46,515	19,246	65,762	46,870	7.93%	10.20%	3.48x
Vintage Year 1999 Total		17,000	0	18,892	100%	46,515	19,246	65,762	46,870	7.93%	12.95%	3.48x
Vintage Year 2014												
Greenfield Acquisition Partners VII, L.P.	Opportunistic RE	13,000	1,876	12,662	86%	21,255	524	21,778	9,117	13.03%	9.80%	1.72x
Vintage Year 2014 Total		13,000	1,876	12,662	86%	21,255	524	21,778	9,117	13.03%	9.38%	1.72x
Vintage Year 2016												
Patron Capital Fund V	Opportunistic RE	13,982	1,420	12,222	90%	8,982	5,214	14,196	1,974	4.40%	9.31%	1.16x
Vintage Year 2016 Total		13,982	1,420	12,222	90%	8,982	5,214	14,196	1,974	4.40%	9.63%	1.16x
Vintage Year 2017												
Carlyle Realty Partners VIII, L.P.	Opportunistic RE	5,000	3,207	4,618	36%	4,705	1,670	6,375	1,757	16.19%	8.39%	1.38x
Vintage Year 2017 Total		5,000	3,207	4,618	36%	4,705	1,670	6,375	1,757	16.19%	6.27%	1.38x
Vintage Year 2018												
Taconic CRE Dislocation Fund II	Debt RE	5,000	370	4,927	93%	3,282	2,045	5,328	401	2.40%	10.18%	1.08x
AG Realty Value Fund X, L.P.	Opportunistic RE	5,000	1,194	4,736	76%	3,145	2,693	5,838	1,102	7.36%	14.04%	1.23x
Vintage Year 2018 Total		10,000	1,564	9,663	84%	6,427	4,738	11,165	1,502	4.69%	8.86%	1.16x
Vintage Year 2019												
Rockpoint Real Estate Fund VI, L.P.	Opportunistic RE	5,000	435	4,882	91%	1,272	4,500	5,772	889	5.30%	8.35%	1.18x
Carmel Partners Investment Fund VII, L.P.	Value-Add RE	5,000	587	4,634	88%	222	5,728	5,950	1,316	8.44%	5.83%	1.28x
Vintage Year 2019 Total		10,000	1,022	9,517	90%	1,493	10,228	11,721	2,205	6.80%	5.83%	1.23x

Note: The benchmark at the total portfolio level is NCREIF NFI-ODCE . Private real estate benchmark at the fund level is the Cambridge Value Add or Opportunistic RE Indices while the Cambridge Global Real Estate Index at the vintage year level.

# MercedCERA Real Estate Performance – as of Sept 30, 2025



Partnership Name	Strategy	(A) Com mit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2020												
Cerberus Real Estate Debt Fund, L.P.	Debt RE	7,000	2,440	4,555	65%	1,368	4,509	5,877	1,322	6.61%	8.79%	1.29x
Starwood Distressed Opportunity Fund XII	Opportunistic RE	8,000	2,400	5,600	70%	525	6,139	6,664	1064	8.31%	9.80%	1.19x
Vintage Year 2020 Total		15,000	4,840	10,155	68%	1,893	10,648	12,541	2,386	7.24%	8.70%	1.23x
Vintage Year 2021												
Taconic CRE Dislocation Onshore Fund III L.P.	Debt RE	8,000	400	9,098	95%	2,041	6,705	8,746	-352	-1.64%	4.50%	0.96x
Carlyle Realty Partners IX, L.P.	Opportunistic RE	8,000	3,041	5,255	62%	296	5,085	5,382	127	1.76%	4.61%	1.02x
Carmel Partners Investment Fund VIII, L.P.	Opportunistic RE	8,000	2,050	6,197	74%	246	8,030	8,276	2,079	13.65%	4.61%	1.34x
Vintage Year 2021 Total		24,000	5,492	20,549	77%	2,583	19,821	22,404	1,854	4.16%	4.73%	1.09x
Vintage Year 2022												
Rockpoint Real Estate Fund VII, L.P.	Opportunistic RE	8,000	4,596	4,243	43%	467	4,092	4,559	316	3.18%	N/A	1.07x
Vintage Year 2022 Total		8,000	4,596	4,243	43%	467	4,092	4,559	316	3.18%	6.15%	1.07x
Vintage Year 2024												
Carlyle Realty Partners X, L.P.	Opportunistic RE	8,000	8,000	0	0%	0	-109	-109	-109	N/M	N/M	N/A
Vintage Year 2024 Total		8,000	8,000	0	0%	0	-109	-109	-109	N/M	N/M	N/A
Vintage Year 2026												
Blue Owl Real Estate Fund VII LP	Debt RE	8,000	8,000	0	0%	0	0	0	0	N/M	N/M	N/A
Vintage Year 2026 Total		8,000	8,000	0	0%	0	0	0	0	N/M	N/M	N/A
Portfolio Total :		131,982	40,016	102,520	70%	94,321	76,070	170,392	67,872	7.96%	7.65%	1.66x
<b>Portfolio Strategy Totals</b>												
Core RE		17,000	0	18,892	100%	46,515	19,246	65,762	46,870	7.93%		3.48x
Debt RE		28,000	11,210	18,579	60%	6,691	13,259	19,950	1,371	2.37%		1.07x
Opportunistic RE		81,982	28,219	60,415	66%	40,893	37,837	78,730	18,315	9.56%		1.30x
Value-Add RE		5,000	587	4,634	88%	222	5,728	5,950	1,316	8.44%		1.28x
Portfolio Total :		131,982	40,016	102,520	70%	94,321	76,070	170,392	67,872	7.96%	7.65%	1.66x

Note: The benchmark at the total portfolio level is NCREIF NFI-ODCE . Private real estate benchmark at the fund level is the Cambridge Value Add or Opportunistic RE Indices while the Cambridge Global Real Estate Index at the vintage year level.

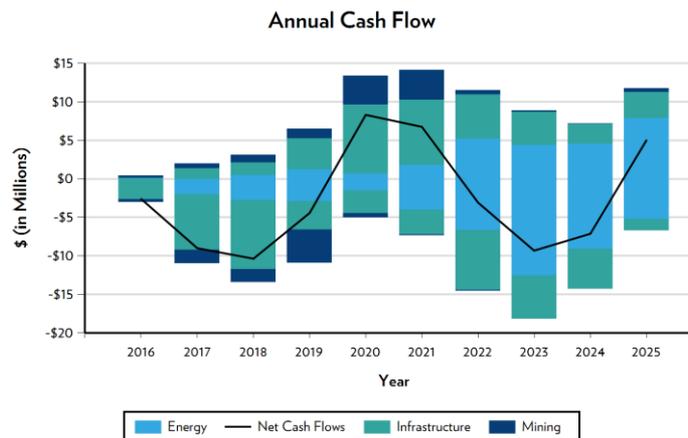
# MercedCERA Real Assets Investment Structure & Portfolio Assessment

## Real assets investment structure (5% target, 5.4% actual as of December 2025)

- Program is designed to be equally divided between private infrastructure and natural resource funds
  - Private fund commitments began in 2014 to infrastructure and 2015 to natural resources
- The majority of the portfolio is in development, but there were annual gains of \$9 million with \$3 million in 3Q
  - Distributions exceeded contributions by \$2.9 million as the portfolio's older funds continue to return capital

### Annual Summary

(in thousands)	Total Partnerships	Total Commitment	(A) Contributions	(B) Distributions	(C) Fair Value	(B+C) Total Value	(B+C-A) Gain Loss	Net IRR	Benchmark
September 30, 2024	21	\$142,399	\$96,814	\$63,394	\$70,974	\$134,368	\$37,554	13.35%	5.10%
September 30, 2025	21	\$142,658	\$109,431	\$78,876	\$76,911	\$155,787	\$46,356	13.25%	6.04%
Annual Change	0	\$259	\$12,617	\$15,482	\$5,937	\$21,419	\$8,802		



Note: Net cash flow is for each respective calendar year.

# MercedCERA Real Assets Performance – as of Sept 30, 2025

## Real Assets Portfolio

- MercedCERA began allocating to real assets in 2014 via direct fund commitments
- Portfolio continues to develop as the VY 2017-24 funds are maturing/being built out
- Since inception net IRRs of 14.45% for Energy and 12.81% for Infrastructure

Partnership Name	Strategy	(A) Comit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2014												
KKR Global Infrastructure II	Infrastructure	10,000	435	11,239	96%	18,137	3,096	21,233	9,994	16.66%	7.55%	1.89x
Vintage Year 2014 Total		10,000	435	11,239	96%	18,137	3,096	21,233	9,994	16.66%		1.89x
Vintage Year 2015												
GSO Energy Select Opportunities Fund	Energy	7,500	3,367	4,649	55%	6,375	377	6,752	2,103	10.20%	7.28%	1.45x
North Haven Infrastructure Partners II LP	Infrastructure	10,000	1,152	11,766	88%	13,408	3,117	16,525	4,759	9.91%	9.90%	1.40x
* Taurus Mining Finance Fund	Mining	5,000	522	5,355	90%	6,279	0	6,279	924	7.87%	N/A	1.17x
Vintage Year 2015 Total		22,500	5,041	21,771	78%	26,062	3,494	29,556	7,785	9.68%		1.36x
Vintage Year 2016												
* Taurus Mining Finance Annex Fund	Mining	5,000	948	4,658	81%	5,929	0	5,929	1,271	17.12%	N/A	1.27x
Vintage Year 2016 Total		5,000	948	4,658	81%	5,929	0	5,929	1,271	17.12%		1.27x
Vintage Year 2017												
EnCap Energy Capital Fund XI, L.P.	Energy	5,000	430	5,053	91%	6,666	3,322	9,988	4,934	21.49%	13.42%	1.98x
ISQ Global Infrastructure Fund II	Infrastructure	5,000	367	6,586	93%	3,717	6,057	9,774	3,188	11.58%	8.31%	1.48x
Vintage Year 2017 Total		10,000	798	11,640	92%	10,383	9,379	19,762	8,123	16.08%		1.70x
Vintage Year 2018												
EnCap Flatrock Midstream IV, L.P.	Energy	3,000	237	2,853	92%	1,575	2,270	3,845	992	9.55%	7.68%	1.35x
Ardian Infrastructure Fund V	Infrastructure	5,158	604	4,211	88%	617	5,614	6,231	2,020	12.61%	8.25%	1.48x
KKR Global Infrastructure Investors III	Infrastructure	5,000	617	4,908	88%	3,696	3,388	7,084	2,177	10.59%	8.25%	1.44x
Vintage Year 2018 Total		13,158	1,458	11,971	89%	5,889	11,272	17,160	5,189	10.99%		1.43x

Note: Benchmark is 50% S&P Natural Resources and 50% S&P Infrastructure. Benchmarks for individual funds are the respective Cambridge strategy benchmark.

# MercedCERA Real Assets Performance – as of Sept 30, 2025



Partnership Name	Strategy	(A) Com mit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2019												
Global Energy & Power Infrastructure Fund III	Energy	5,000	111	5,330	98%	3,344	4,397	7,742	2,411	13.04%	N/A	1.45x
Tailwater Energy Fund IV, LP	Energy	5,000	768	5,043	85%	2,391	5,150	7,541	2,498	15.07%	15.45%	1.50x
Vintage Year 2019 Total		10,000	878	10,373	91%	5,735	9,548	15,283	4,910	14.01%		1.47x
Vintage Year 2021												
ISQ Global Infrastructure Fund III	Infrastructure	5,000	1,345	3,842	73%	187	4,576	4,762	921	12.61%	12.69%	1.24x
KKR Global Infrastructure Investors IV	Infrastructure	8,000	1,258	7,202	84%	791	8,177	8,968	1,767	10.37%	12.69%	1.25x
Vintage Year 2021 Total		13,000	2,603	11,043	80%	978	12,753	13,731	2,687	11.04%		1.24x
Vintage Year 2022												
BlackRock Global Infrastructure Fund IV	Energy	10,000	2,875	7,143	71%	328	7,954	8,282	1,139	10.16%	N/A	1.16x
Carnelian Energy Capital IV L.P.	Energy	8,000	5,479	6,784	32%	4,272	4,214	8,486	1,701	14.88%	19.12%	1.25x
Vintage Year 2022 Total		18,000	8,353	13,927	54%	4,600	12,167	16,767	2,840	12.60%		1.20x
Vintage Year 2023												
EnCap Energy Capital Fund XII, L.P.	Energy	8,000	4,713	4,308	41%	1,163	4,255	5,418	1,110	17.81%	N/A	1.26x
EnCap Flatrock Midstream V, L.P.	Energy	8,000	4,527	3,473	43%	0	5,220	5,220	1,747	22.21%	N/A	1.50x
Ardian Infrastructure Fund VI	Infrastructure	9,000	6,838	2,150	24%	0	2,424	2,424	274	N/M	N/M	1.13x
Vintage Year 2023 Total		25,000	16,078	9,931	36%	1,163	11,899	13,062	3,131	18.38%		1.32x
Vintage Year 2024												
Carnelian Energy Capital V, L.P.	Energy	8,000	5,122	2,878	36%	0	3,340	3,340	462	N/M	N/M	1.16x
KKR Global Infrastructure Investors V	Infrastructure	8,000	8,000	0	0%	0	-37	-37	-37	N/M	N/M	N/A
Vintage Year 2024 Total		16,000	13,122	2,878	18%	0	3,303	3,303	425	N/M		1.15x
Portfolio Total :		142,658	49,714	109,431	65%	78,876	76,911	155,787	46,356	13.25%	6.04%	1.42x
<b>Portfolio Strategy Totals</b>												
Energy		67,500	27,628	47,515	59%	26,114	40,499	66,613	19,098	14.45%		1.40x
Infrastructure		65,158	20,616	51,903	68%	40,554	36,412	76,966	25,063	12.81%		1.48x
Mining		10,000	1,470	10,013	85%	12,208	0	12,208	2,195	11.33%		1.22x
Portfolio Total :		142,658	49,714	109,431	65%	78,876	76,911	155,787	46,356	13.25%	6.04%	1.42x

Note: Benchmark is 50% S&P Natural Resources and 50% S&P Infrastructure. Benchmarks for individual funds are the respective Cambridge strategy benchmark.

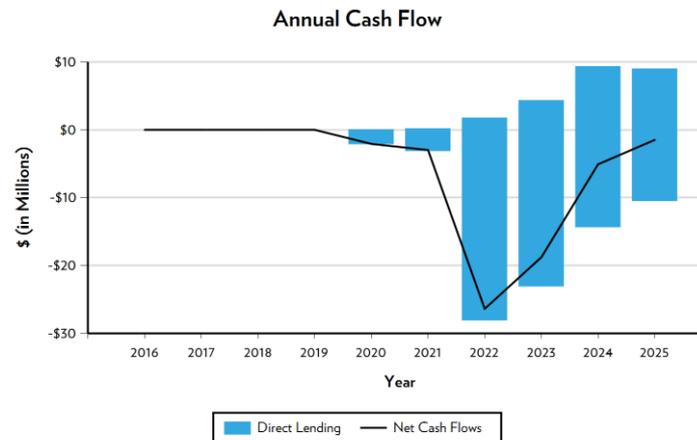
# MercedCERA Direct Lending Investment Structure & Portfolio Assessment

## Direct Lending investment structure (5% target, 6.0% actual as of December 2025)

- Program was approved with the Oct 2021 asset allocation
  - Silver Point was moved from the PE portfolio and new commitments began at year end 2021
- The overall portfolio is young with many funds still developing
  - \$8 million in gains over the past year; contributions exceed distributions by \$0.4 million

### Annual Summary

(in thousands)	Total Partnerships	Total Commitment	(A) Contributions	(B) Distributions	(C) Fair Value	(B+C) Total Value	(B+C-A) Gain Loss	Net IRR	Benchmark
September 30, 2024	9	\$138,000	\$71,065	\$14,661	\$69,978	\$84,639	\$13,574	12.10%	6.97%
September 30, 2025	9	\$138,000	\$81,564	\$24,799	\$77,946	\$102,745	\$21,181	11.71%	6.98%
Annual Change	0	\$0	\$10,499	\$10,138	\$7,968	\$18,106	\$7,607		



Note: Net cash flow is for each respective calendar year.

# MercedCERA Direct Lending Performance – as of Sept 30, 2025

## Direct Lending Portfolio

- Portfolio is developing (55% drawn) but performance exceeds benchmark (11.71% v. 6.98% since inception net IRR)

Partnership Name	Strategy	(A) Com mit. Amount	Unfund. Amount	(B) Cumulat. Cont.	% Drawn	(C) Cumulat. Dist.	(D) Fair Value	(C+D) Total Value	(C+D-B) Gain/Loss	Net IRR	IRR Bench.	TVPI
Vintage Year 2019												
Silver Point Specialty Credit Fund II, L.P.	Direct Lending	8,000	1,078	7,575	87%	4,479	6,156	10,635	3,060	11.27%	6.30%	1.40x
Vintage Year 2019 Total		8,000	1,078	7,575	87%	4,479	6,156	10,635	3,060	11.27%		1.40x
Vintage Year 2021												
Ares Senior Direct Lending Fund II L.P.	Direct Lending	20,000	8,673	16,305	57%	5,927	15,489	21,416	5,111	13.50%	6.50%	1.31x
Varagon Capital Direct Lending Fund	Direct Lending	20,000	2,500	17,500	88%	4,005	16,663	20,668	3,168	7.77%	6.50%	1.18x
Vintage Year 2021 Total		40,000	11,173	33,805	72%	9,932	32,152	42,084	8,279	10.54%		1.24x
Vintage Year 2022												
Accel-KKR Credit Partners II LP	Direct Lending	10,000	7,998	2,575	20%	581	3,088	3,669	1,094	25.82%	6.85%	1.42x
AG Direct Lending Fund IV Annex, L.P.	Direct Lending	10,000	500	9,535	95%	5,704	6,807	12,511	2,976	10.88%	6.85%	1.31x
AG Direct Lending Fund V	Direct Lending	10,000	3,250	6,750	68%	1,666	6,531	8,197	1,447	10.43%	6.85%	1.21x
Vintage Year 2022 Total		30,000	11,748	18,861	61%	7,951	16,426	24,378	5,517	12.05%		1.29x
Vintage Year 2023												
Ares Capital Europe VI (D) Levered, L.P.	Direct Lending	20,000	12,254	7,630	39%	605	8,511	9,116	1,486	N/M	N/M	1.19x
Ares Senior Direct Lending Fund III	Direct Lending	20,000	14,893	5,580	26%	499	5,942	6,440	860	N/M	N/M	1.15x
Silver Point Specialty Credit Fund III, L.P.	Direct Lending	20,000	11,547	8,114	42%	1,332	8,760	10,092	1,978	13.27%	N/A	1.24x
Vintage Year 2023 Total		60,000	38,693	21,324	36%	2,436	23,213	25,648	4,324	15.02%		1.20x
Portfolio Total :		138,000	62,693	81,564	55%	24,799	77,946	102,745	21,181	11.71%	6.98%	1.26x

Note: Benchmark is Morningstar LSTA US Leveraged Loan Index.

# MercedCERA Hedge Fund Performance – as of Dec 31, 2025

Fund	Market Value	Actual %	Dec	QTD	YTD	Returns 1 Year	3 Year	5 Year	Incep	Std Dev	Sharpe Ratio	Incep Date
<b>Market Neutral</b>												
Laurion Capital, Ltd.	8,403,649	10.9%	2.61%	4.46%	14.81%	14.81%	4.54%	4.83%	8.14%	10.59%	0.55	Jul-18
Market Neutral - HF Total	8,403,649	10.9%	2.61%	4.46%	14.81%	14.81%	4.54%	3.18%	3.63%	8.04%	0.19	Oct-17
HFRI Relative Value (Total) Index			0.46%	1.38%	7.49%	7.49%	7.70%	5.95%	4.97%	4.57%	0.61	Oct-17
<b>Credit/Distressed</b>												
Silver Point Capital Fund, L.P.	15,776,593	20.4%	0.75%	2.46%	10.72%	10.72%	9.88%	11.02%	8.86%	6.37%	0.98	Dec-17
Credit/Distressed - HF Total	15,776,593	20.4%	0.75%	2.46%	10.72%	10.72%	9.88%	11.02%	8.86%	6.37%	0.98	Dec-17
HFRI EDDistressed/Restructuring Index			0.61%	2.05%	9.04%	9.04%	9.63%	7.84%	6.57%	6.79%	0.65	Dec-17
<b>Event Driven</b>												
Taconic Opportunity Fund L.P.	1,261,441	1.6%	-1.47%	-2.98%	-45.83%	-45.83%	-16.53%	-9.36%	-5.80%	13.39%	-0.56	Dec-18
Event Driven - HF Total	1,261,441	1.6%	-1.47%	-2.98%	-45.83%	-45.83%	-16.53%	-9.36%	-5.80%	13.39%	-0.56	Dec-18
HFRI Event-Driven (Total) Index			1.49%	2.17%	11.00%	11.00%	10.39%	7.55%	7.34%	7.99%	0.66	Dec-18
<b>Equity Long/Short</b>												
Archipelago Partners, L.P.	10,791,918	13.9%	0.40%	2.42%	13.31%	13.31%	13.30%	9.70%	8.38%	6.45%	0.93	Sep-17
Marshall Wace Funds LP - MW Eureka (US) Fund	5,748,495	7.4%	1.62%	3.33%	10.89%	10.89%	9.26%	8.28%	8.38%	5.79%	1.00	Dec-17
Marshall Wace Funds LP - MW Global Opportunities (US) Fund	6,343,081	8.2%	-0.37%	3.02%	10.15%	10.15%	7.63%	4.17%	6.23%	7.85%	0.46	Apr-20
Equity Long/Short - HF Total	22,883,493	29.5%	0.49%	2.81%	11.81%	11.81%	10.77%	7.54%	7.30%	6.22%	0.80	Sep-17
HFRI Equity Hedge (Total) Index			1.82%	3.29%	17.34%	17.34%	13.49%	7.97%	8.10%	9.26%	0.66	Sep-17
<b>Global Macro-Discretionary</b>												
Caxton Global Investments (USA) LLC	7,707,573	10.0%	2.44%	4.42%	16.55%	16.55%	7.91%	-	8.63%	5.54%	0.92	May-21
Graham Absolute Return Trading Ltd.	5,504,881	7.1%	1.65%	2.76%	9.75%	9.75%	8.48%	10.01%	7.03%	7.83%	0.61	Sep-17
Global Macro-Discretionary - HF Total	13,212,454	17.1%	2.11%	3.72%	13.62%	13.62%	8.21%	9.87%	6.95%	7.44%	0.63	Sep-17
HFRI Macro (Total) Index			1.87%	3.62%	7.16%	7.16%	4.04%	5.74%	4.51%	5.06%	0.47	Sep-17
<b>Multi-Strategy</b>												
Hudson Bay Fund LP	15,902,993	20.5%	0.48%	0.44%	7.21%	7.21%	-	-	7.71%	1.76%	1.53	Jun-23
Multi-Strategy - HF Total	15,902,993	20.5%	0.48%	0.44%	7.21%	7.21%	8.94%	4.00%	6.39%	6.50%	0.73	Jul-14
HFRI Relative Value (Total) Index			0.46%	1.38%	7.49%	7.49%	7.70%	5.95%	4.47%	4.14%	0.66	Jul-14
MCERA Hedge Fund Portfolio	77,440,623	100.0%	1.01%	2.47%	9.05%	9.05%	7.92%	6.90%	5.44%	4.70%	0.79	Jul-14
<b>Benchmarks</b>												
HFRI Fund of Funds Composite Index			1.33%	3.18%	10.52%	10.52%	8.57%	5.17%	4.30%	4.79%	0.54	Jul-14
<b>Market Indices</b>												
SOFR 90 Day			0.33%	1.03%	4.32%	4.32%	4.83%	3.15%	-	-	-	Jul-14
ML 3-month T-Bills			0.35%	0.97%	4.18%	4.18%	4.81%	3.17%	1.90%	0.56%	0.40	Jul-14
Bloomberg US Aggregate Bond Index			-0.15%	1.10%	7.30%	7.30%	4.66%	-0.36%	1.97%	4.80%	0.07	Jul-14
Bloomberg US High Yield Bond Index			0.57%	1.31%	8.62%	8.62%	10.06%	4.51%	4.97%	7.19%	0.48	Jul-14
S&P 500 TR			0.06%	2.65%	17.88%	17.88%	23.01%	14.42%	13.49%	14.73%	0.82	Jul-14
MSCI AC World Index Free - Net			1.04%	3.29%	22.34%	22.34%	20.65%	11.19%	9.71%	14.19%	0.61	Jul-14
MSCI EAFE - Net			3.00%	4.86%	31.22%	31.22%	17.22%	8.92%	6.11%	14.60%	0.36	Jul-14
MSCI EMF (Emerging Markets Free) - Net			2.99%	4.73%	33.57%	33.57%	16.40%	4.20%	5.04%	16.56%	0.28	Jul-14

---

## Important Notice

This presentation was prepared exclusively for information and discussion purposes, and is not meant to be, nor shall it be construed as, an attempt to define all information that may be material to you. All information including opinions or facts expressed herein are current as of the date appearing in this presentation and is subject to change without notice. All information has been obtained from sources believed to be reliable. No representation, warranty, or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this presentation. Past performance does not guarantee future performance.

This presentation may include sample or pro forma performance. Such information is presented for illustrative purposes only and is based on various assumptions, not all of which are described herein. Such assumptions, data, or projections may have a material impact on the returns shown.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for information only. Reference to an index does not imply that a portfolio will achieve returns, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time.

Hedge Fund Research, Inc. ("HFR") is the source and owner of the HFR data contained or reflected in this report and all trademarks related thereto.

Frank Russell Company ("FRC") is the source and owner of the Russell Index data contained or reflected in this material and all trademarks and copyrights related thereto. The Russell Index data may contain confidential information and unauthorized use, disclosure, copying, dissemination or redistribution is strictly prohibited.

Thomson Financial Inc. is the owner and/or licensor of the Cambridge Associates LLC data contained or reflected in this material.

The MSCI information is the exclusive property of MSCI Inc. ("MSCI") and may not be reproduced or re-disseminated in any form or used to create any financial products or indices without MSCI's express prior written permission. This information is provided "as is" without any express or implied warranties. In no event shall MSCI or any of its affiliates or information providers have any liability of any kind to any person or entity arising from or related to this information.

The S&P/LSTA U.S. Leveraged Loan Index is a market value weighted index tracking institutional leveraged loans in the United States based upon market weightings, spreads and interest payment, including Term Loan A, Term Loan B and Second Lien tranches.

The Bloomberg Barclays U.S. Corporate High Yield Index (Bloomberg Barclays High Yield) measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition are excluded.

The Bloomberg Barclays U.S. Aggregate Index represents securities that are SEC-registered, taxable, and dollar denominated. The index covers the U.S. investment grade fixed rate bond market, with index components for government and corporate securities, mortgage pass-through securities, and asset-backed securities.

The NCREIF Property Index is a quarterly time series composite total rate of return measure of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes only. All properties in the index have been acquired, at least in part, on behalf of tax-exempt institutional investors.

Cliffwater is a service mark of Cliffwater LLC.

Mar 26,  
2026

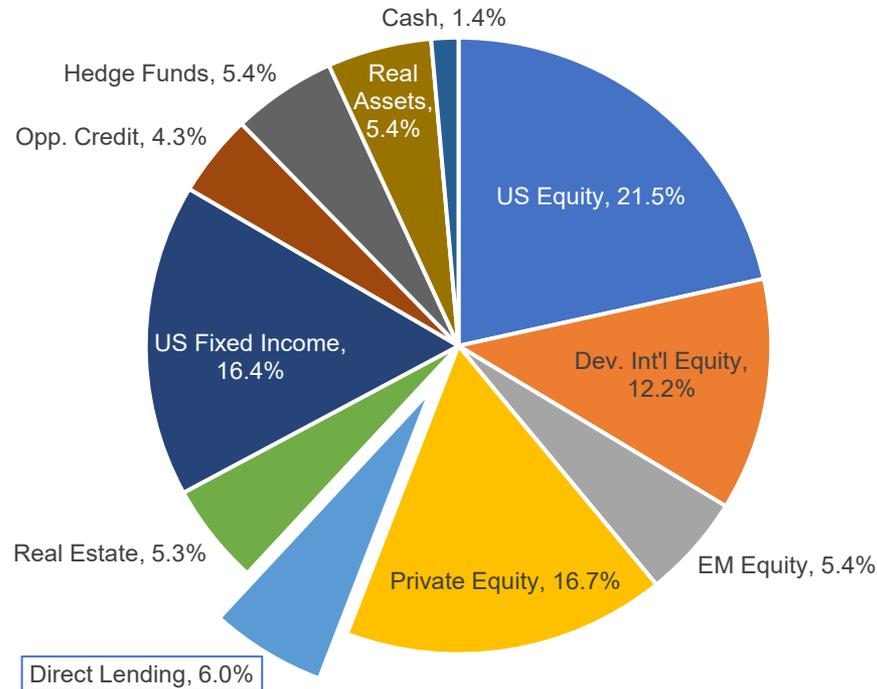
# Private Credit Portfolio Review

## Merced County Employees' Retirement Association



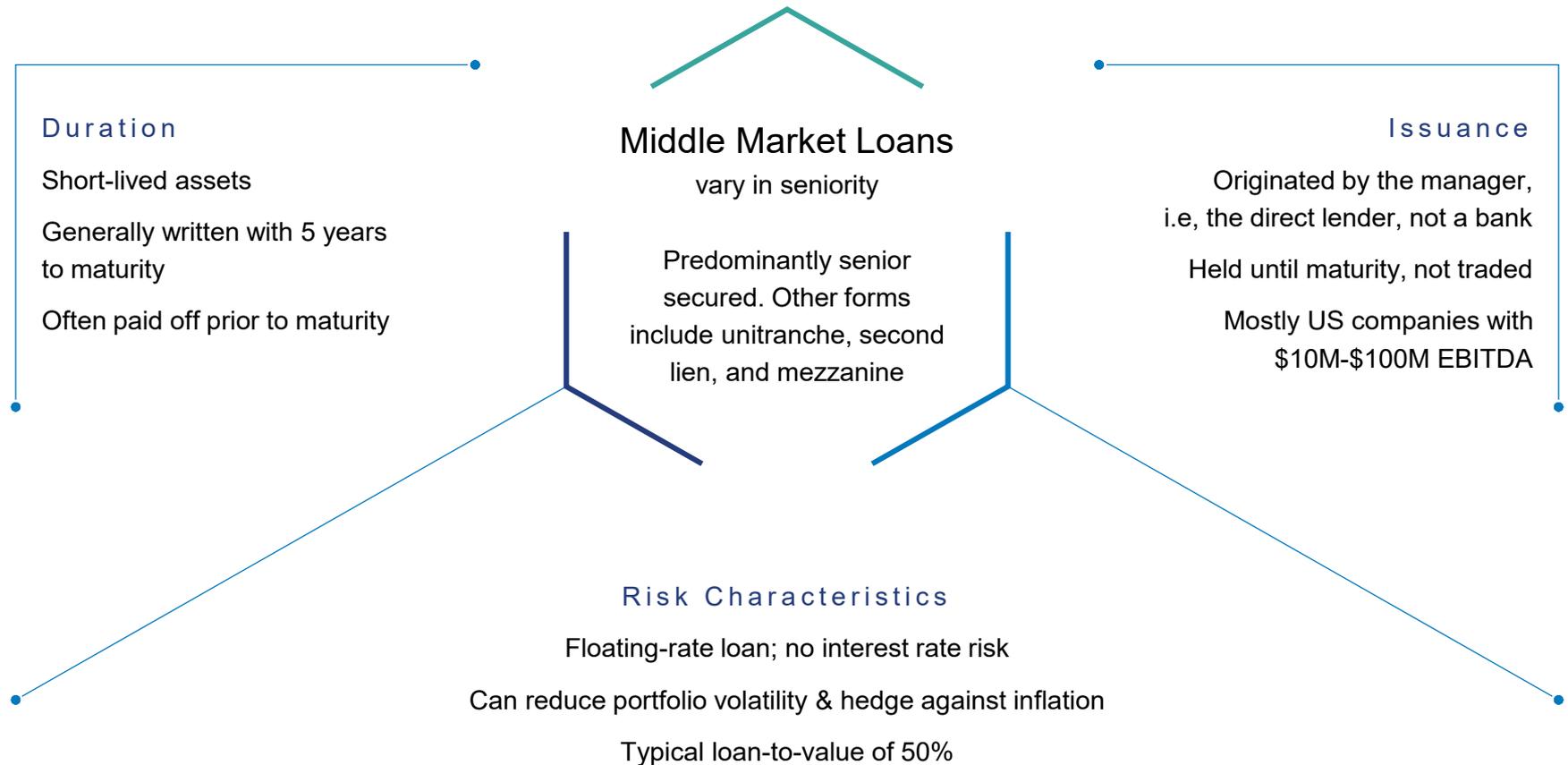
Strictly Confidential. Not for Distribution.

MercedCERA Portfolio Allocations  
as of 12/31/25



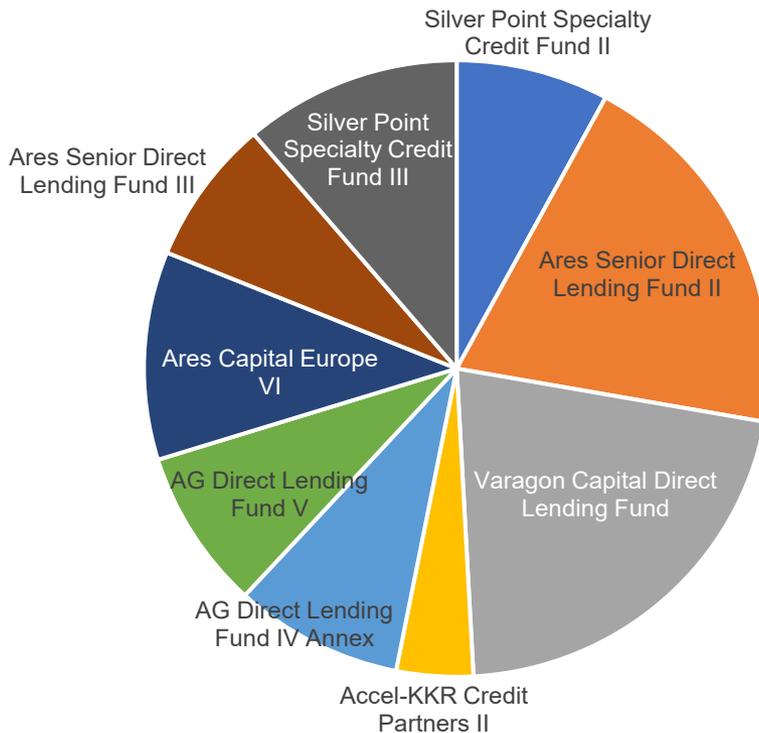
### Direct Lending (Private Credit) Investment Structure

- Program was approved with the October 2021 asset allocation study
  - 5.0% long-term target allocation; current allocation = 6.0%
  - One fund (Silver Point Specialty Credit II) was moved from the Private Equity portfolio in October 2021
  - New commitments began at year end 2021



# MercedCERA Direct Lending Portfolio as of Sept 30, 2025

Portfolio Composition  
(9/30/25 Fair Market Values)



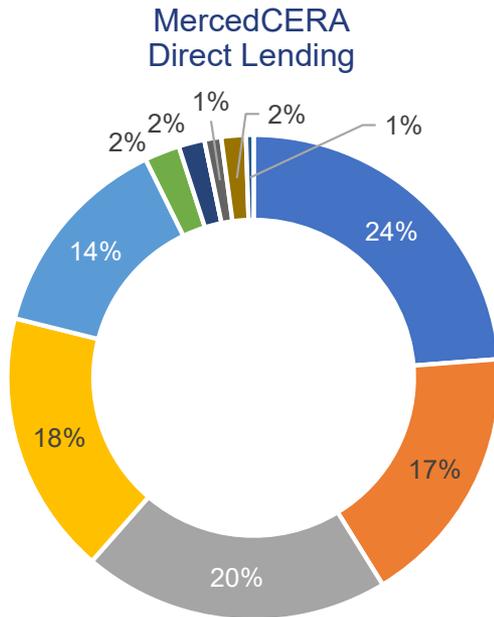
## Direct Lending Portfolio (as of 9/30/25)

- 9 partnership commitments to 5 general partners
  - All are closed-end, drawdown structures
- Primarily US focused
- \$138 million total commitments
- \$81.6 million total contributions
- \$24.8 million total distributions
- \$77.9 million total fair market value
- 11.71% since inception net IRR
  - July 20, 2020 inception date

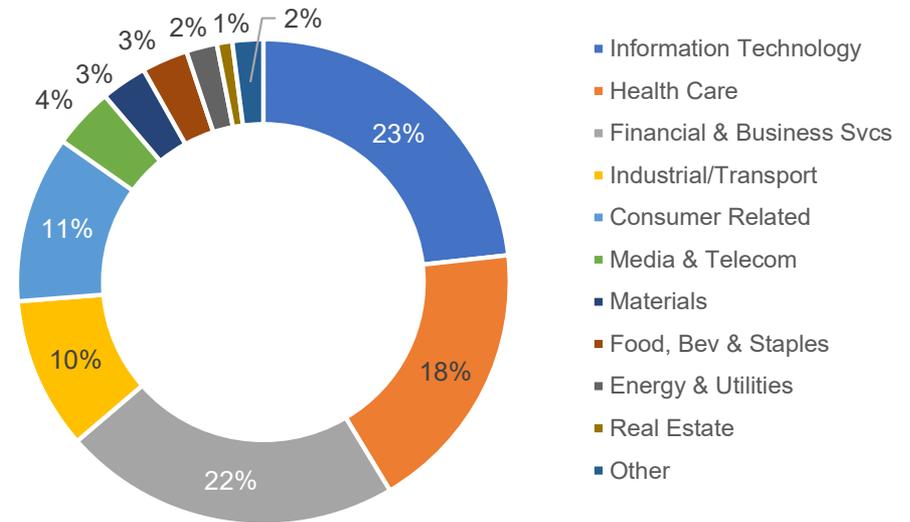
## Direct Lending Portfolio Role

- Generate good risk-adjusted returns
  - Target 7 – 9% p.a. net returns
  - Lower volatility than comparable returning asset classes
- Cash flow generation
- Equity diversification

# MercedCERA Direct Lending Portfolio Industry Exposure as of Sept 30, 2025



**Cliffwater Direct Lending Index**

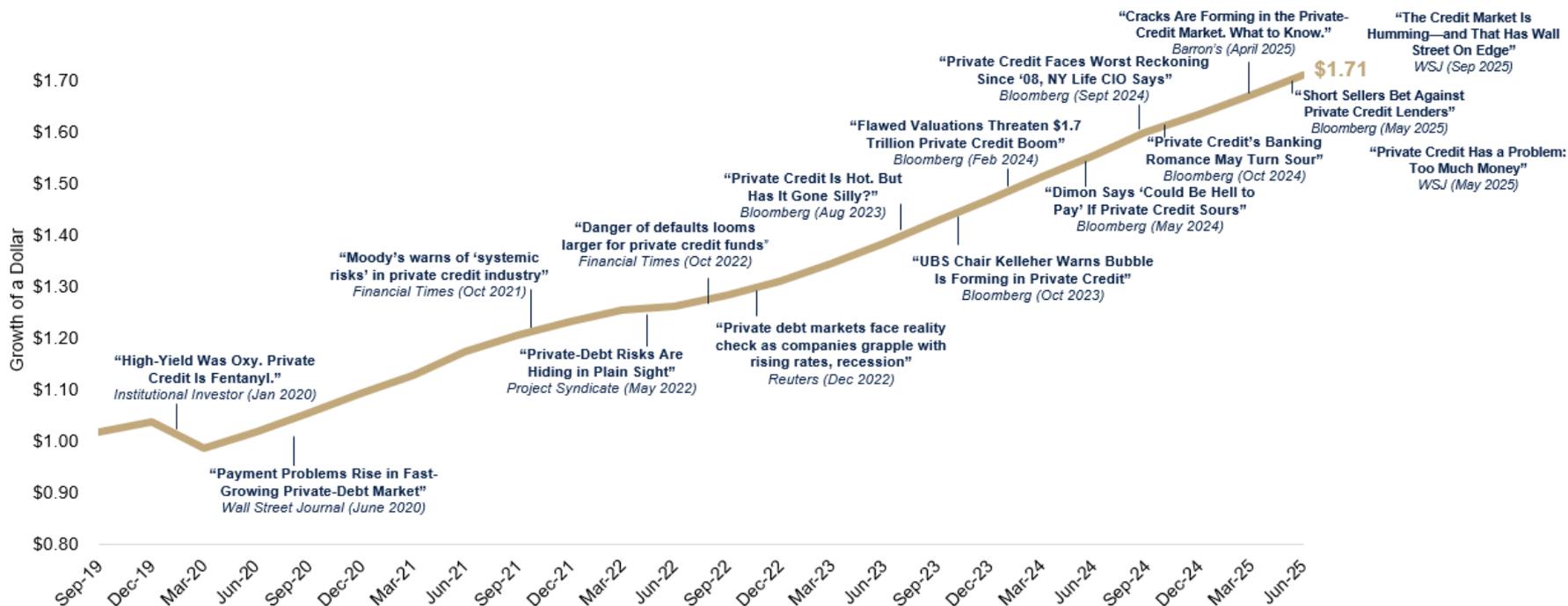


MercedCERA’s Direct Lending portfolio has similar industry exposure as the broader direct lending market (as proxied by the Cliffwater Direct Lending Index “CDLI”)

- The largest industry exposures are to Information Technology, Financial & Business Services, Industrial/Transportation, and Health Care

# “Recent” Headlines (aka Direct Lending’s Wall of Worry)

## Growth of \$1: Cliffwater Direct Lending Index



Source: Cliffwater Direct Lending Index. Past performance does not guarantee future results. Any information presented prior to the Launch Date (September 30, 2015) of the CDLI is back-tested. The CDLI performance has been prepared for informational purposes only. Please see additional CDLI disclosures at the end of this presentation.

## Headline defaults have created confusion with Direct Lending

- In many cases, the exposures at the center of the headlines were not representative of Direct Lending strategies

	First Brands	Tricolor	Carriox	Renovo	United Site Services
Default Date	September 2025	September 2025	October 2025	November 2025	December 2025
Direct Lending?	No	No	No	Yes	No
Ownership	Non-Sponsored	Non-Sponsored	Non-Sponsored	PE-Sponsored	PE-Sponsored

# Process Differences Between Broadly Syndicated Loans and Direct Lending

## Recent credit events in leveraged loans do not inherently presage problems in Direct Lending

- While both markets may finance similar corporate borrowers, the process by which loans are originated, owned, and managed differ in meaningful ways

	Broadly Syndicated Loans	Private Debt
Originator	Banks	Direct lending manager
Owners	CLOs, bank loan mutual funds, institutional investors	Funds managed by lender
Documentation	Typically covenant-lite	Typically covenant protected
Information Flow	Limited; facilitated by banks	Direct access to management/PE sponsor
Lenders	20+	1-5
Alignment with Investors	Low; syndicate for fees	High; get paid for credit risk

# Direct Lending: Historical Credit Losses

20-Year Credit Loss Rates (2005 to 2024)

Calendar Year	High Yield Bonds			Leveraged Loans			CDLI Middle Market Debt
	Default Ratio	Recovery Rate	Credit Loss	Default Ratio	Recovery Rate	Credit Loss	Credit Loss
2005	2.80%	56%	1.23%	3.00%	84%	0.48%	-0.89%
2006	0.90%	55%	0.41%	0.50%	84%	0.08%	-0.63%
2007	0.40%	55%	0.18%	0.20%	69%	0.06%	-1.74%
2008	2.30%	27%	1.68%	3.70%	58%	1.55%	0.59%
2009	10.30%	22%	7.99%	12.80%	48%	6.62%	6.91%
2010	0.80%	41%	0.47%	1.80%	71%	0.52%	2.96%
2011	1.70%	49%	0.87%	0.40%	67%	0.13%	1.78%
2012	1.30%	53%	0.61%	1.40%	55%	0.63%	0.60%
2013	0.90%	53%	0.43%	1.70%	69%	0.53%	0.19%
2014	2.90%	48%	1.51%	4.30%	73%	1.16%	-0.01%
2015	1.80%	25%	1.35%	1.70%	48%	0.88%	0.70%
2016	3.60%	31%	2.48%	1.50%	63%	0.56%	1.41%
2017	1.30%	53%	0.61%	1.80%	57%	0.79%	1.74%
2018	1.80%	40%	1.08%	1.70%	63%	0.64%	0.94%
2019	2.60%	23%	2.02%	1.60%	49%	0.84%	0.94%
2020	3.10%	29%	2.20%	4.00%	48%	2.08%	3.30%
2021	0.30%	32%	0.20%	0.50%	56%	0.22%	-0.27%
2022	0.80%	55%	0.36%	1.00%	60%	0.39%	0.10%
2023	2.10%	33%	1.41%	2.10%	38%	1.30%	0.86%
2024	0.40%	35%	0.23%	1.50%	44%	0.85%	0.69%
L10 Years	2.25%	41.00%	1.49%	2.36%	60.00%	1.02%	1.01%
L20 Years	2.09%	37.00%	1.45%	1.75%	53.00%	0.85%	1.04%

Historical credit losses in Direct Lending compare favorably to High Yield and Leveraged Loans

- Direct Lending has produced lower credit losses, despite consistently higher yields and much better total returns

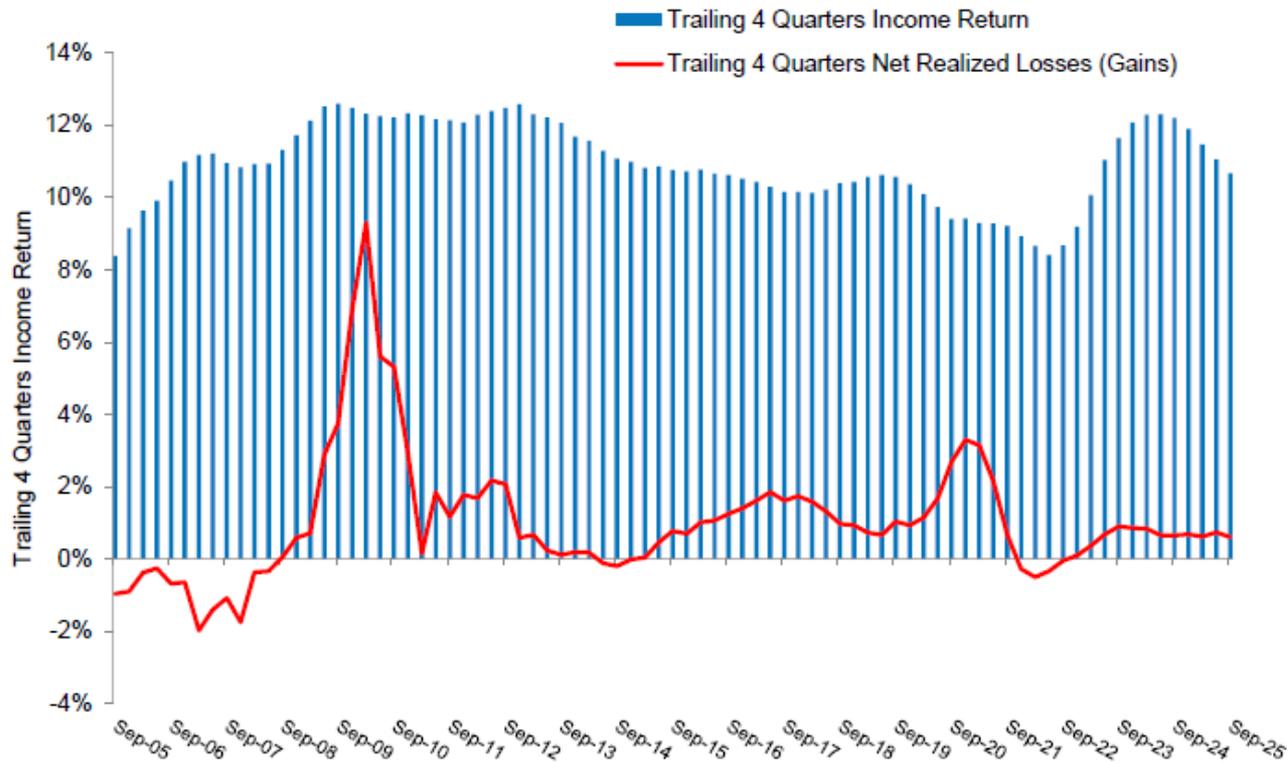
The periods with the highest credit losses were post-GFC (2009 – 2011) and COVID (2020)

Cliffwater is estimating realized losses within CDLI to be 0.70% for calendar year 2025, well below the 1.01% annual historical loss rate for private debt over the last 10 years

Source: Cliffwater Direct Lending Index, Bloomberg, JPMorgan Markets. Past performance does not guarantee future results. Any information presented prior to the Launch Date (September 30, 2015) of the CDLI is back-tested. The CDLI performance has been prepared for informational purposes only. Please see additional CDLI disclosures at the end of this presentation.

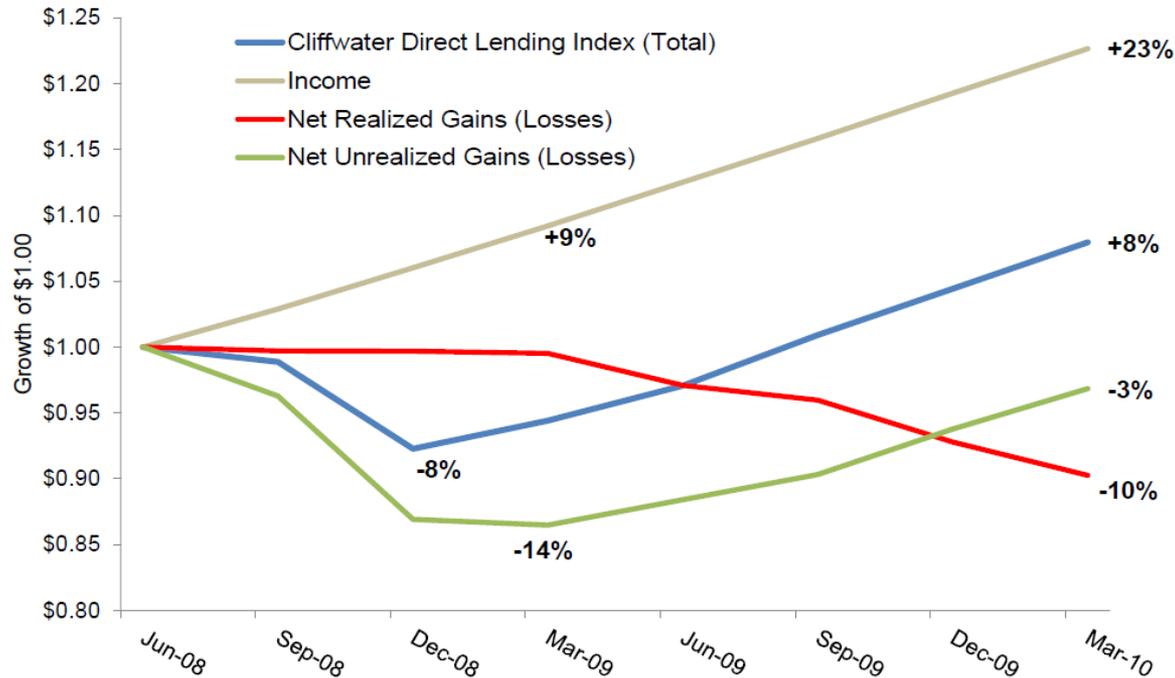
# Income Has Overcome Credit Losses in Direct Lending, Even at Extremes

## CDLI Income Return versus CDLI Realized Losses (trailing four quarters ending Sept 2025)



Source: Cliffwater Direct Lending Index. Past performance does not guarantee future results. Any information presented prior to the Launch Date (September 30, 2015) of the CDLI is back-tested. The CDLI performance has been prepared for informational purposes only. Please see additional CDLI disclosures at the end of this presentation.

## Direct Lending (CDLI) Performance Through the Financial Crisis



The maximum downside for unlevered private debt (CDLI) was -8% during the GFC

- Levered private debt accounts saw a maximum downside of -16%, net of fees, during the GFC

# Direct Lending Performance – Baseline Recession Scenario

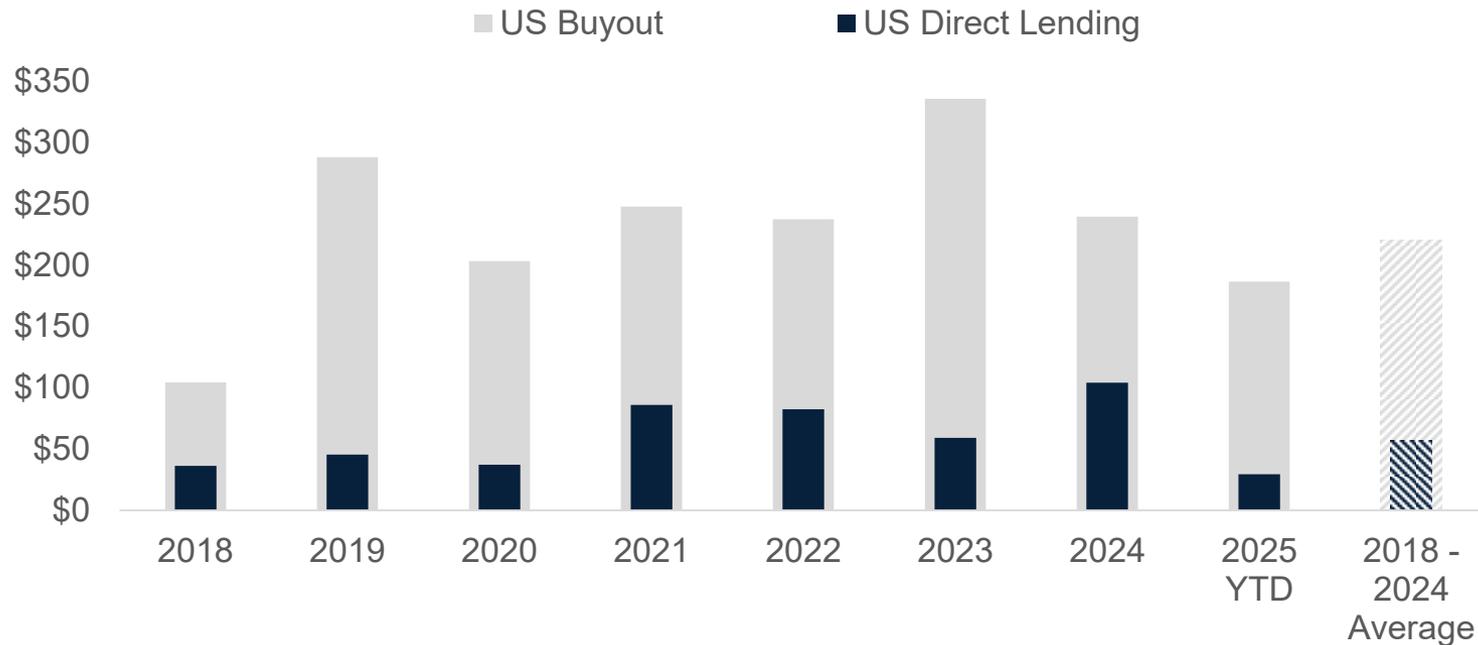
	Year 1	Year 2	Year 3	
<i>CDLI</i>				
Realized Losses	-1.0%	-3.0%	-2.0%	
Unrealized Gains (Losses)	-9.0%	+6.0%	+3.0%	
Reference Yield (SOFR)	+3.5%	+3.5%	+3.5%	
Spread (incl OID)	<u>+6.0%</u>	<u>+7.0%</u>	<u>+6.5%</u>	
<b>CDLI Return</b>	<b>-0.5%</b>	<b>+13.5%</b>	<b>+11.0%</b>	
 <i>Private BDC, Drawdown Fund</i>				
Realized Losses	-2.0%	-6.0%	-4.0%	1:1 Leverage
Unrealized Gains (Losses)	-18.0%	+12.0%	+6.0%	1:1 Leverage
Reference Yield (SOFR)	+3.5%	+3.5%	+3.5%	
Spread (incl OID)	+6.0%	+7.0%	+6.5%	
Financed Spread	+3.5%	+4.5%	+4.0%	COD=2.5%
Fees & Expenses	<u>-2.0%</u>	<u>-3.5%</u>	<u>-4.1%</u>	
<b>BDC, Drawdown Return</b>	<b>-9.0%</b>	<b>+17.5%</b>	<b>+11.9%</b>	

Providing above forecasted returns for a “typical” recession (severity approx. 50% that during GFC)

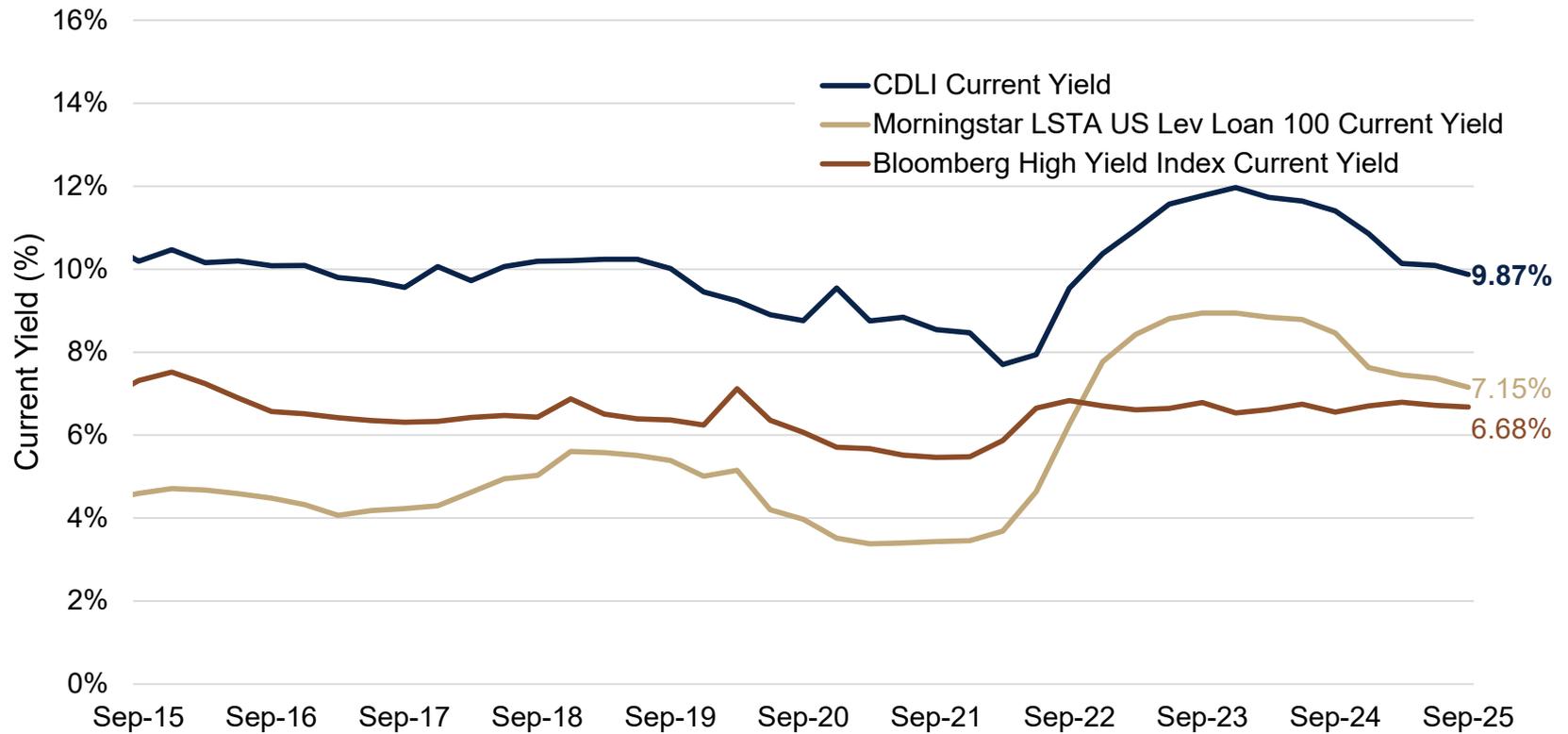
- Forecasting a short-lived and modest negative impact for unlevered Direct Lending
- Levered portfolios (1:1 leverage) could see drawdowns approach or exceed 10% in the first year

Private debt fundraising continues to track private equity fundraising, moderating further recently

### Private Debt vs Private Equity Fundraising by Calendar Year (\$B)

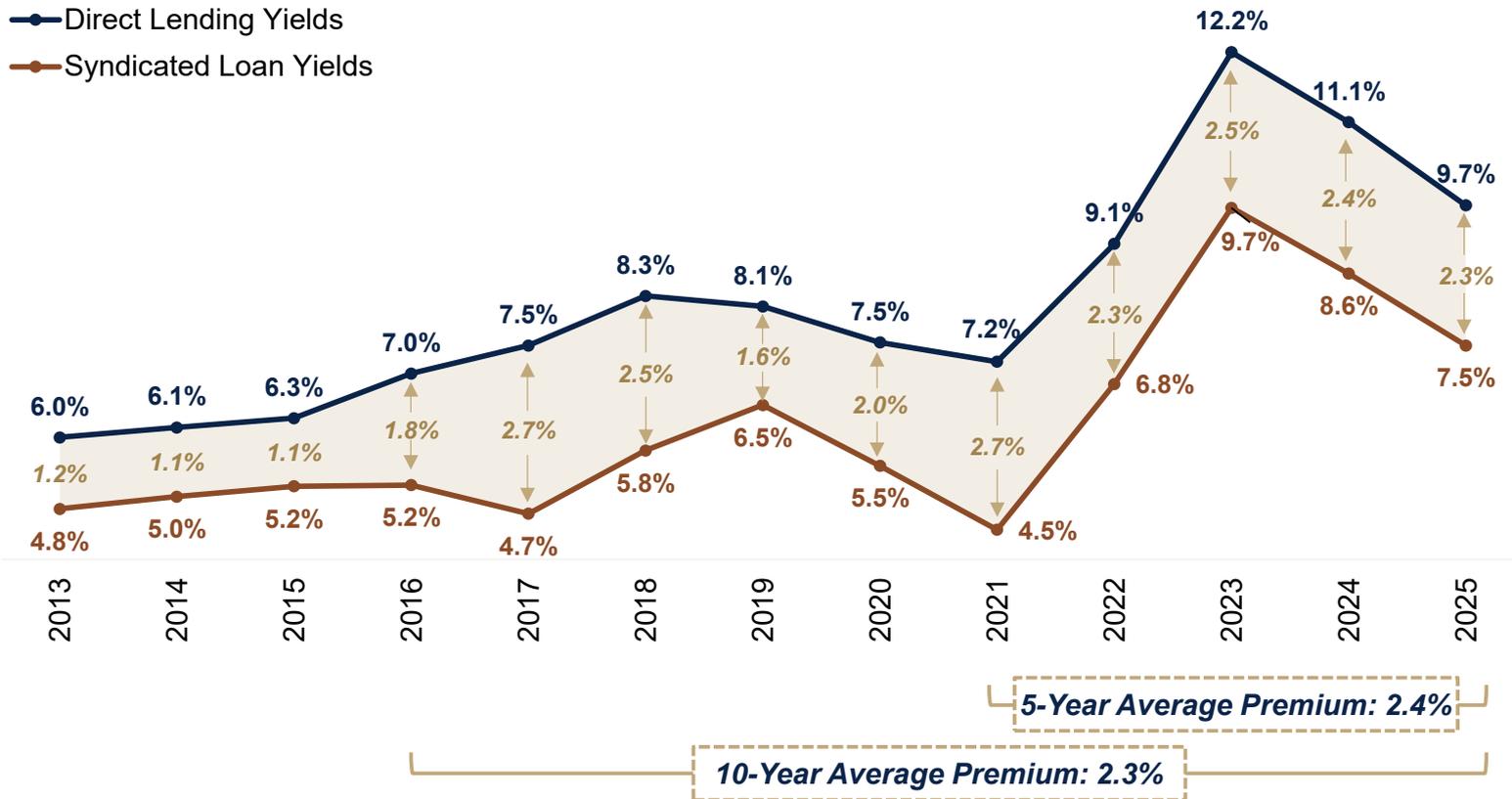


## Direct Lending Yield Premium September 2015 – September 2025



Today's yield premium in direct lending (2.3%) is in line with historical averages

## First Lien Term Loan Yields



# Potential Risk: What About Software? Factors Influencing Relative AI Risk

---

Not all software companies, and software-related investments, are created equally

## **Security Type and Vintage Year**

- Equity v Debt – differing tenor, risk target, additional structural protections
- More recent vintage investments more focused on AI risk at underwriting

## **Investment Underwriting Thesis**

- Mission-critical software companies with strong competitive moats
- Multi-year contracts, upfront payments, high integration/implementation costs, regulatory barriers
- Market leaders with highly proprietary data sets that can lead to better AI development and empowerment
- Ability to integrate AI to accelerate efficiency

## **Incumbent Benefits**

- Proprietary data, long-standing customer relationships, entrenched distribution channels
- Central to customer workflows → advantage in applying AI effectively

## **Sector Nuance**

- AI adoption varies by end market and use case

## Illustrative AI Sensitivity Framework across Software Categories



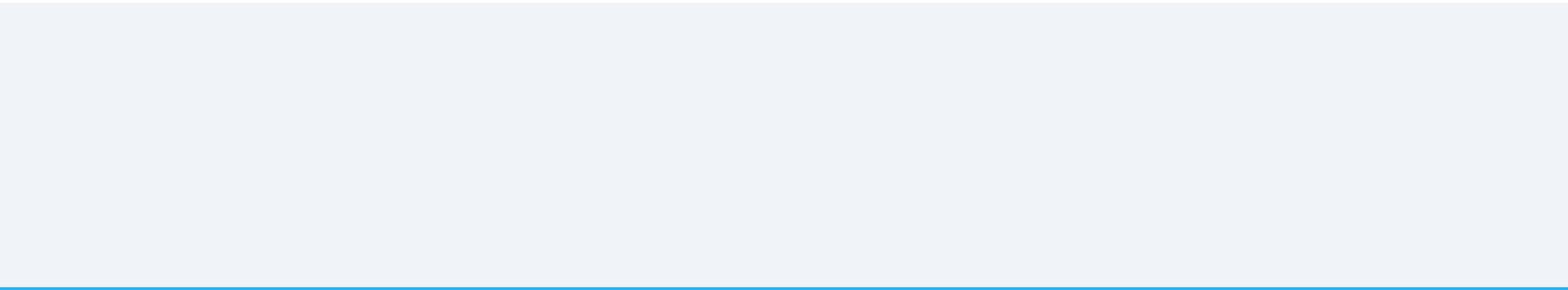
<i>AI Beneficiary</i>	Category	Definition
	<b>AI-Native Platforms &amp; Analytics</b>	Companies that focus on providing AI models or have fully integrated generative AI into their platforms
	<b>AI Infrastructure &amp; Adjacencies (Picks &amp; Shovels)</b>	Memory, storage, or data management software providers that enable advanced AI/ML workflows
	<b>Cybersecurity &amp; Identity</b>	AI-driven threat detection, Zero-Trust platforms, and Identity management
	<b>Vertical-Specific SaaS</b>	Software highly tailored to specific industries with depth of industry-specific capabilities
	<b>Payments</b>	Payment processing or bank connectivity platforms
<i>Neutral Impact</i>	<b>Generic / Horizontal SaaS</b>	Companies with broad solution suites not tailored to specific industries
<i>AI Disruption Risk</i>	<b>Legacy Enterprise SaaS and Admin Software</b>	Companies focused on legacy data analytics, manual admin, and automation of back-office functions

Though AI risk represents a profound technological shift, outcomes will be highly differentiated across companies and business models

- Many investors now categorize software exposures along a spectrum of AI sensitivity archetypes, distinguishing between probable beneficiaries, companies where impact may be incremental, and areas where disruption risk appears higher
- Not all software companies are created equally

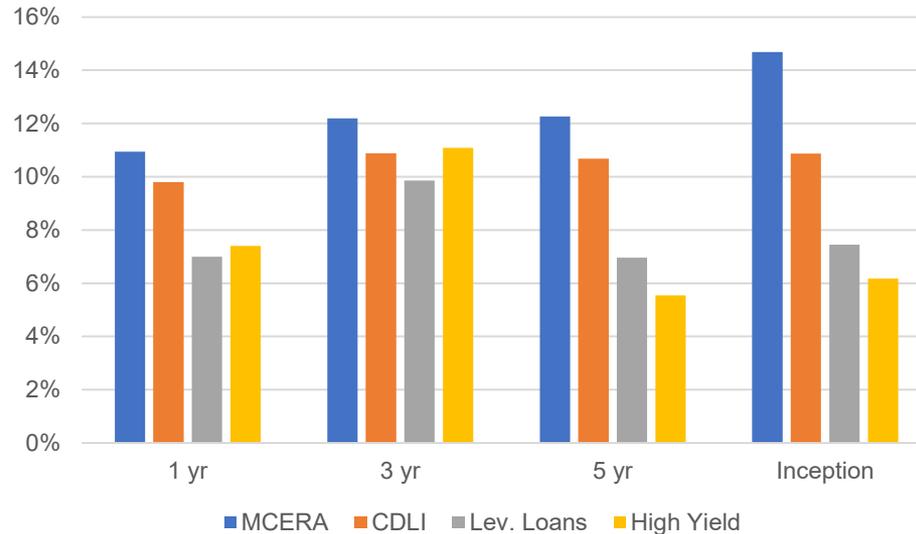


Appendix:  
MercedCERA Direct Lending  
Performance Information  
(as of September 30, 2025)



# MercedCERA Direct Lending Portfolio Performance as of Sept 30, 2025

## Annualized Time Weighted Return Performance Comparisons<sup>1</sup>



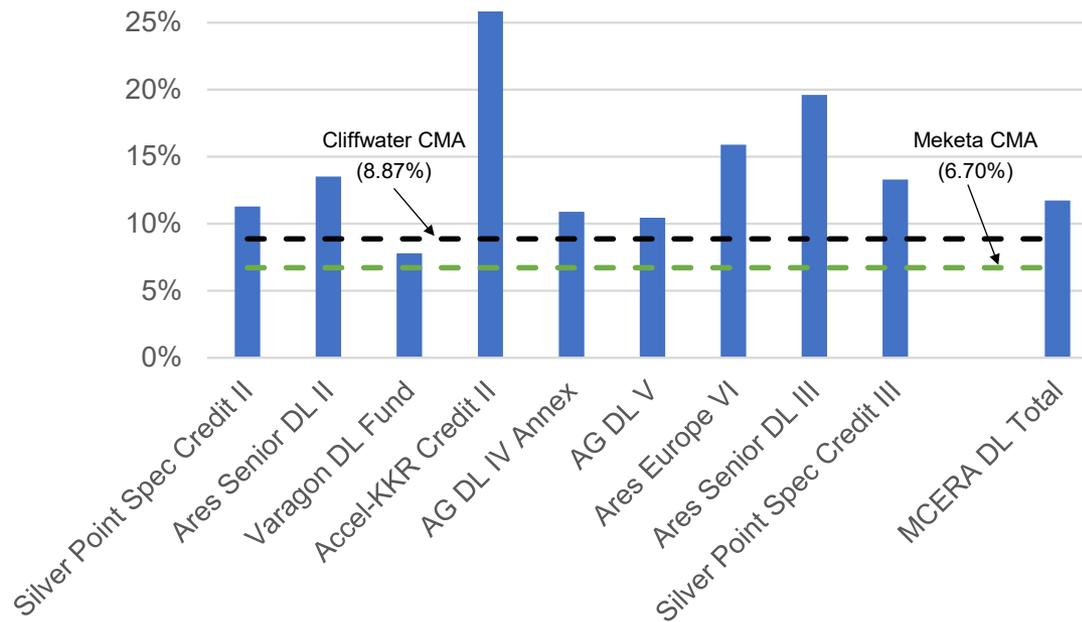
MercedCERA's Direct Lending portfolio has performed well over multi-year periods (1, 3, 5 year) and since inception, on both an absolute and relative basis

- Generating annualized net returns of 10.94% to 14.68% over these periods
- Outperforming private loans (CDLI), leveraged loans, and high yield bonds

<sup>1</sup> Time weighted returns as of 9/30/25, performance reflects the following: MercedCERA's Direct Lending portfolio (MCERA); Cliffwater Direct Lending Index (CDLI); Morningstar LSTA US Leveraged Loan Index (Lev. Loans); Bloomberg US High Yield Bond Index (High Yield). Please see additional CDLI disclosures at the end of this presentation.

# MercedCERA Direct Lending Partnership Performance as of Sept 30, 2025

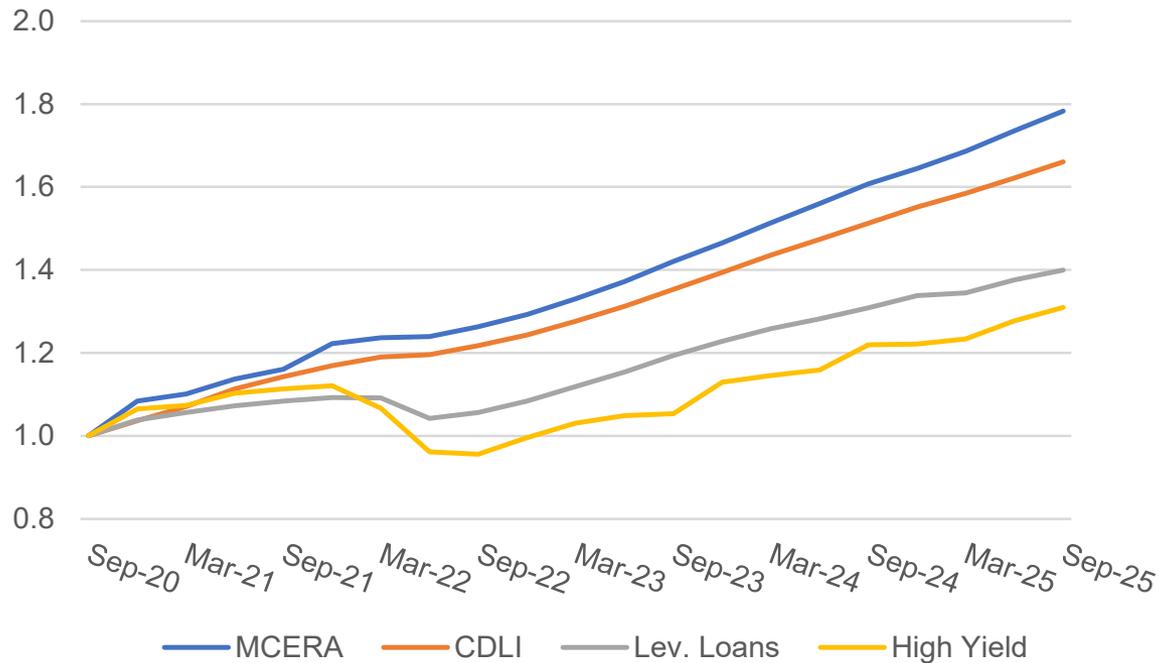
## MercedCERA Direct Lending Portfolio Net IRRs Since Inception



MercedCERA has seen good return contribution across its individual Direct Lending partnership investments thus far

- We included for reference in the graph above the long-term return assumptions from Meketa (dashed green line) and Cliffwater (dashed black line) at the time Direct Lending was adopted as a stand-alone asset class for MercedCERA

Cumulative Net Returns (Growth of \$1)  
5 Years ending 9/30/25

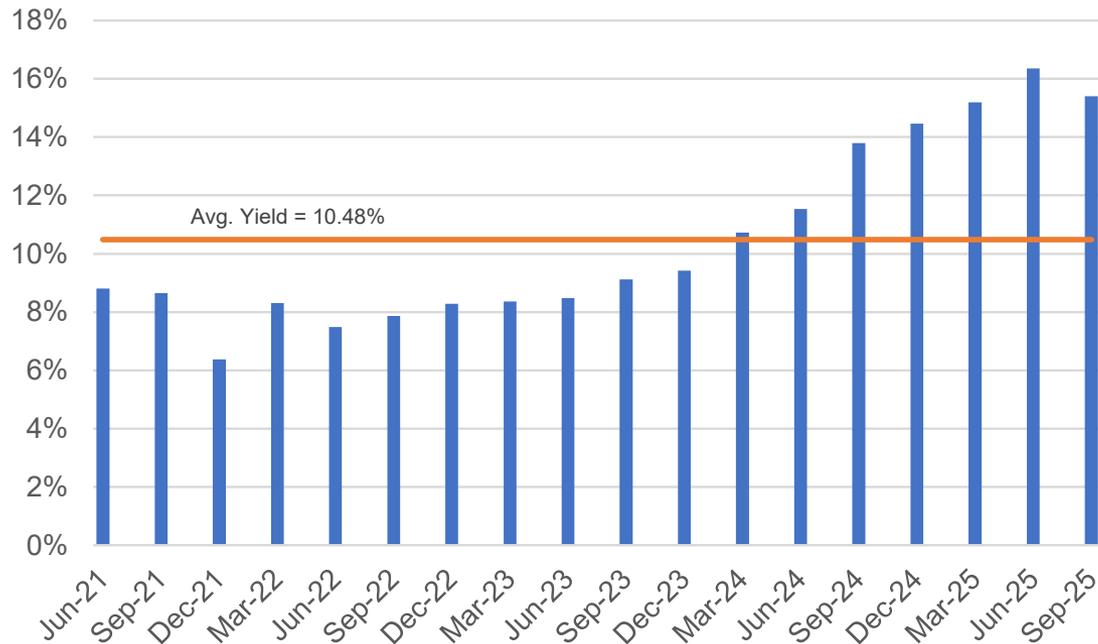


## MercedCERA’s performance has generally tracked, while outperforming, relevant asset classes

- We excluded from these results MercedCERA’s first quarter of Direct Lending performance, as MercedCERA benefitted from a later closing commitment to a partnership that provided an immediate initial gain
  - MercedCERA’s relative outperformance is larger if these results are shown since inception

<sup>1</sup> Performance reflects cumulative time weighted returns for the following: MercedCERA’s Direct Lending portfolio (MCERA); Cliffwater Direct Lending Index (CDLI); Morningstar LSTA US Leveraged Loan Index (Lev. Loans); Bloomberg US High Yield Bond Index (High Yield). Please see additional CDLI disclosures at the end of this presentation.

MercedCERA Direct Lending Portfolio Distribution Yield  
(Trailing 4 Quarters, rolling, ending Sept 2025)



MercedCERA's portfolio has consistently generated good cash flow yield

- 10.48% average annual yield (rolling 4 quarters) since inception

---

## Important Notice

This presentation was prepared exclusively for information and discussion purposes, and is not meant to be, nor shall it be construed as, an attempt to define all information that may be material to you. All information including opinions or facts expressed herein are current as of the date appearing in this presentation and is subject to change without notice. All information has been obtained from sources believed to be reliable. No representation, warranty, or undertaking, express or implied, is given as to the accuracy or completeness of the information or opinions contained in this presentation. Past performance does not guarantee future performance.

This presentation may include sample or pro forma performance. Such information is presented for illustrative purposes only and is based on various assumptions, not all of which are described herein. Such assumptions, data, or projections may have a material impact on the returns shown.

References to market or composite indices, benchmarks or other measures of relative market performance over a specified period of time (each, an "index") are provided for information only. Reference to an index does not imply that a portfolio will achieve returns, volatility or other results similar to the index. The composition of an index may not reflect the manner in which a portfolio is constructed in relation to expected or achieved returns, portfolio guidelines, restrictions, sectors, correlations, concentrations, volatility or tracking error targets, all of which are subject to change over time.

The Morningstar LSTA US Leveraged Loan Index is a market value weighted index tracking institutional leveraged loans in the United States based upon market weightings, spreads and interest payment, including Term Loan A, Term Loan B and Second Lien tranches.

The Bloomberg US High Yield Bond Index measures the USD-denominated, high yield, fixed-rate corporate bond market. Securities are classified as high yield if the middle rating of Moody's, Fitch and S&P is Ba1/BB+/BB+ or below. Bonds from issuers with an emerging markets country of risk, based on the indices' EM country definition are excluded.

Cliffwater is a service mark of Cliffwater LLC.

The Cliffwater Direct Lending Index (the “CDLI”), the Cliffwater Direct Lending Index – Senior (“CDLI-S”), and the CDLI-Perpetual (“CDLI-P”) are owned exclusively by Cliffwater LLC (“Cliffwater”), and are protected by law including, but not limited to, United States copyright, trade secret, and trademark law, as well as other state, national, and international laws and regulations. All information on the performance and characteristics of CDLI, CDLI-S, and is and shall remain the exclusive property of Cliffwater. All content is provided for informational purposes only. Cliffwater provides this information on an “as is” and “as available” basis, without any warranty of any kind, whether express or implied.

Past performance of the CDLI or CDLI-P is not an indication of future results. It is not possible to invest directly in the CDLI, CDLI-S, or CDLI-P. The CDLI, CDLI-S, and CDLI-P returns shown are not based on actual advisory client returns and do not reflect the actual trading of investible assets. The performance of the CDLI, CDLI-S, and CDLI-P have not been reviewed by an independent accounting firm and have been prepared for informational purposes only.

Exposure to the asset class represented by the CDLI, CDLI-S, and CDLI-P is available through investing in a fund, account or other financial product (each, a “Product”) referencing them. Products that reference the CDLI, CDLI-S, and CDLI-P may not be sponsored or endorsed by Cliffwater, and in such cases, Cliffwater does not make any representation regarding the advisability of investing in them. Cliffwater makes no assurance that any Product referencing the CDLI, CDLI-S, or CDLI-P will accurately track their performance or provide positive investment returns. No representation is being made that any person that invests in a Product will or is likely to achieve results similar to those presented herein. A decision to invest in a Product should not be made in reliance on any of the statements set forth on this website (the “Website”).

The data universe of the CDLI is comprised of all underlying assets held by business development companies (a “BDC”) that satisfy certain eligibility requirements. The data universe of the CDLI-S and CDLI-P is a smaller sub-set of the foregoing. Inclusion in the CDLI, CDLI-S, or CDLI-P of the assets held by a BDC does not in any way reflect an opinion of Cliffwater regarding the investment merits of such assets or the BDC, nor should it be interpreted as an offer to buy or sell such assets or the BDC. None of the assets included in the CDLI, CDLI-P, or CDLI-S or their respective BDCs has given any real or implied endorsement or support to Cliffwater or to the CDLI, CDLI-P, or CDLI-S. Cliffwater has no obligation to take the needs of a person investing in a Product or any other person into consideration in determining, composing or calculating the CDLI, CDLI-P, or CDLI-S.

Returns of the CDLI, CDLI-S, and CDLI-P do not reflect payment of any sales charges or fees a person may pay to purchase the assets underlying the CDLI, CDLI-S, CDLI-P, or a Product that is intended to track the performance of the CDLI, CDLI-S, or CDLI-P. The imposition of these fees and charges would cause the actual and back-tested performance of these assets or Products to be lower than the CDLI, CDLI-S, or CDLI-P performance shown.

When Cliffwater was unable to determine the nature of a BDC’s investments because of limited information included in historical SEC filings, Cliffwater did not apply the portfolio composition criteria (a substantial majority (approximately 75%) of reported total assets are represented by direct loans made to corporate borrowers, as categorized by each BDC and subject to Cliffwater’s discretion) to the BDC. In addition, the criteria regarding the timing of SEC filings were not applied for periods prior to the Launch Date. All other eligibility criteria were applied to determine whether to include the BDC in the historical CDLI, CDLI-S, or CDLI-P composition and return. Returns generally are published 75 days after calendar quarter-end.

D70d9f982fb8\_020426



Merced County Employees' Retirement Association

**DATE:** March 26, 2026

**TO:** MercedCERA Board of Retirement

**FROM:** Martha Sanchez Barboa, Plan Administrator

**SUBJECT:** Updated Proposal for Installation of Microphones at the Board Dais

**ITEM NUMBER:** Open Session Item d

**ITEM TYPE:** Action

**STAFF RECOMMENDATION:**

1. Approve the installation of wireless microphones at the Board dais.

**DISCUSSION:**

During the February 26, 2026, MercedCERA Board meeting, Staff presented the Board two proposals for the installation of 13 microphones at the Board dais. The Board dais seats up to 13 individuals, including the 11-member MercedCERA Board, Board Counsel and the Plan Administrator. Staff researched the installation of microphones due to several trustees noting the difficulty of hearing other trustees speak across the dais. Hi-Tech Home, the company MercedCERA contracts to provide technical equipment for the building, provided two proposals. The first proposal was for the installation of 13 wireless microphones totaling \$31,713.09. The second proposal was for the installation of 13 wired microphones totaling \$17,963.61.

Although the Board recognized the need for microphones at the dais, the Board decided 13 microphones were not necessary and would instead share a microphone. The Board also decided against the wired microphone option due to less flexibility of use, and additional costs and modifications needed to hide the wiring on the countertop. The Board asked Staff to present updated quotes for 7 wireless microphones.

Attached to this item are updated quotes from Hi-Tech Home. The first quote, for comparison, is the cost for the original 13 wireless microphones at \$31,713.09. The second quote is for 7 wireless microphones of the same microphone style as those in the first quote totaling \$17,169.45. This quote includes an optional \$956 annual support and membership fee. If waved, the cost would decrease to \$16,213.45. The third quote is for 7 rechargeable battery-operated wireless microphones totaling \$27,053.30.

**Staff Recommendation:**

Staff recommend the Board approve the installation of wireless microphones at the Board dais.

New Proposal  
March 26, 2026

# New Mics for Boardroom

A PROPOSAL FOR

## Merced County ERA

Martha Sanchez  
Martha.Sanchez@countyofmerced.com  
(209) 726-2724

690 West 19th Street  
Merced, CA 95340

PREPARED BY JACOB PIRIE • EXPIRES MARCH 31, 2026



Hi-Tech Home

# About Us

Hi-Tech Home is Central California's leading electronic systems provider, specializing in the design, sales, and installation of entertainment, security, and energy management services. We provide services to a vast number of homeowners, homebuilders, businesses, commercial developers, architects, and interior designers. We offer competitively priced systems, ranging from a couple hundred dollars to several hundred thousand dollars, based on the goals and objectives of our customers. Regardless of the size, our mission is to provide the best workmanship and experience for our customers.

## Our Process

### Planning

You're already investing much of your time and money into your project. So, why not take the step to have your project professionally designed, ensuring you not only have a good system, but you have "your" system?

### Design

There are many elements to a professionally designed system. Many of these are performed behind the scenes. Though sometimes not visible, each and every part of the system design is important to the quality and success of the final project.

### Equipment

Hi-Tech Home supplies all the material and equipment. We offer competitive prices on everything from TVs to automation equipment allowing peace of mind and convenience.

### Installation

We pre-wire for all necessary systems and take precautionary steps before walls are closed to minimize potential obstacles down the road. We return to the project to install and program the equipment as specified in the final design. Finally, we walk through the home and provide you with any necessary training.

### Project Management

Project management is a critical but often overlooked service in many projects. At Hi-Tech Home every project is assigned a project manager. Our project managers plan and coordinate each phase of the project and interface between all parties, from the builder to the supply house to the customer.

### Support

We are all about long term client relationships and providing exceptional support for our products and services. Our extended maintenance programs provide ongoing and preventative maintenance, system upgrades, and consultation on new innovations.

## Customer Feedback

*"There was only one choice to make my vision come alive. Even then, Hi-Tech Home exceeded my expectations."*

**George Brown III**

*GB3 Sports Club, Fresno, CA*

*"These guys are awesome! Wahoo's requires technology diversity that ranges from telephone to the sophisticated point of sale computer equipment and entertainment systems. We, and our contractor, are pleased with their knowledge, service, and professional work ethic."*

**Annette Benevedes**

*Wahoo's Fish Tacos Fresno, CA*

*"Please extend my appreciation to your entire team for their efforts to accommodate our needs."*

**Rick Evans, Clubhouse Manager**

*Visalia Country Club, Visalia, CA*

*"Hi-Tech Home provided great service and insight regarding our home entertainment needs."*

**Warren and Lesa Paboojian**

*Fresno, CA*

*"Thank you for being so responsive in the installation and support for our Entertainment and Security system. We now pay less for Broadcast TV and Home Security compared to what other providers have to offer."*

**Steve Magarian**

*Fresno, CA*

# Project Description

This proposal encompasses the supply and installation of 13 Shure wireless gooseneck microphone base units and microphones, 2 wireless audio access points, 2 networked charging stations, and 2 automatic audio mixers in the boardroom, along with associated wiring, programming, calibration, and client training to integrate the new system with the existing audio infrastructure for enhanced audio capture and performance.

**Note:** The new Shure microphones will operate independently from the existing round Logitech mics in the room and will not interfere with their functionality.

# Areas & Items

## Board Room (Option 1)

Items	Sell Price	Qty	Total
 <b>Shure MXW8X=-Z10</b> Wireless Gooseneck Microphone Base Unit	\$693.00	x13	\$9,009.00
 <b>Shure MX415LPDF/C</b> 15" Shock-Mounted Cardioid Gooseneck Microphone	\$299.95	x13	\$3,899.35
 <b>Shure MXWAPX8</b> 8-Channel Wireless Audio Access Point	\$4,070.00	x2	\$8,140.00
 <b>Shure MXWDX8G</b> 8-Bay Gooseneck Networked Charging Station for Transmitters	\$1,540.00	x2	\$3,080.00
 <b>AtlasIED AS2PHX-1M-XLR</b> 1m XLR to Phoenix Audio Cable	\$52.99	x13	\$688.87
 <b>Shure SCM810</b> Eight-Channel Automatic Audio Mixer <i>These will accept the outputs of the 13 new mics and integrate them with the existing audio system.</i>	\$1,873.00	x2	\$3,746.00
 <b>TRENDnet TPE-TG52</b> 5-Port Gigabit PoE+ Network Switch	\$59.95	x1	\$59.95
 Wire & materials for installation	\$43.92	x1	\$43.92

Items	Sell Price	Qty	Total
 <b>Labor Installation</b> Installation of equipment, running of wires and instructing client on proper operation of system - \$140.00 per technician, per hour <i>Estimated with 2 techs for one day</i> Tax Exempt	\$140.00	x14	\$1,960.00
 <b>Labor Travel</b> Travel & Lodge expense Tax Exempt	\$65.00	x2	\$130.00
 <b>Essentials+ Membership (Annual)</b> 24/7/365 Commercial Remote Support plan from Hi-Tech Home with 60 minute response time. 8-5 M-F Advanced Support (local), no weekends or holidays. This is a recommendation based on the size and scope of your project. The membership is a recurring service and is optional. It can also be added any time later. This is separate from the manufacturer 1-year service plan above. See additional membership info in the terms below. Tax Exempt	\$956.00	x1	\$956.00

**Board Room Total : \$31,713.09**

## Board Room (Option 2)

Items	Sell Price	Qty	Total
 <b>Shure MXW8X=-Z10</b> Wireless Gooseneck Microphone Base Unit	\$693.00	x7	\$4,851.00
 <b>Shure MX415LPDF/C</b> 15" Shock-Mounted Cardioid Gooseneck Microphone	\$299.95	x7	\$2,099.65
 <b>Shure MXWAPX8</b> 8-Channel Wireless Audio Access Point	\$4,070.00	x1	\$4,070.00
 <b>Shure MXWDX8G</b> 8-Bay Gooseneck Networked Charging Station for Transmitters	\$1,540.00	x1	\$1,540.00

Items	Sell Price	Qty	Total
 <b>AtlasIED AS2PHX-1M-XLR</b> 1m XLR to Phoenix Audio Cable	\$52.99	x7	\$370.93
 <b>Shure SCM810</b> Eight-Channel Automatic Audio Mixer <i>These will accept the outputs of the 13 new mics and integrate them with the existing audio system.</i>	\$1,873.00	x1	\$1,873.00
 <b>TRENDnet TPE-TG52</b> 5-Port Gigabit PoE+ Network Switch	\$59.95	x1	\$59.95
 Wire & materials for installation	\$23.92	x1	\$23.92
 <b>Labor Installation</b> Installation of equipment, running of wires and instructing client on proper operation of system - \$140.00 per technician, per hour <i>Estimated with 2 techs for one day</i> Tax Exempt	\$140.00	x9	\$1,260.00
 <b>Labor Travel</b> Travel & Lodge expense Tax Exempt	\$65.00	x1	\$65.00
 <b>Essentials+ Membership (Annual)</b> 24/7/365 Commercial Remote Support plan from Hi-Tech Home with 60 minute response time. 8-5 M-F Advanced Support (local), no weekends or holidays. This is a recommendation based on the size and scope of your project. The membership is a recurring service and is optional. It can also be added any time later. This is separate from the manufacturer 1-year service plan above. See additional membership info in the terms below. Tax Exempt	\$956.00	x1	\$956.00
<b>Board Room Total :</b>			<b>\$17,169.45</b>

## Board Room (Option 3)

This option would add 7 more microphones matching the existing podium mic, we would expand the current Shure ULX-D system to a total of 8 wireless gooseneck microphones. This would require 7 additional MX415/C microphones, 7 ULXD8 wireless base transmitters, rechargeable batteries and charging, expanded receiver capacity, RF antenna distribution, and replacing the current 4-channel mixer with an 8-channel automatic mixer

Items	Sell Price	Qty	Total
 <p><b>Shure MX415/C</b> 15" Shock-Mounted Gooseneck Microphone, Cardioid</p>	\$349.95	x7	<b>\$2,449.65</b>
 <p><b>Shure ULXD8-</b> ULXD Gooseneck Base Transmitter</p>	\$699.95	x7	<b>\$4,899.65</b>
 <p><b>Shure SB900B</b> Rechargeable Battery for the ULXD8 transmitter</p>	\$139.00	x7	<b>\$973.00</b>
 <p><b>Shure SB900+SBC10-K</b> SB900B Rechargeable Battery &amp; SBC10-100 USB Wall Charger <i>This will charge the battery for the podium mic when not in use.</i></p>	\$205.00	x7	<b>\$1,435.00</b>
 <p><b>Shure ULXD4Q</b> Quad-Channel Digital Wireless Audio Receiver</p>	\$6,453.00	x2	<b>\$12,906.00</b>
 <p><b>Shure SCM810</b> Eight-Channel Automatic Audio Mixer</p>	\$1,873.00	x1	<b>\$1,873.00</b>
 <p><b>Shure UA844+SWB-2UA874US</b> Antenna Splitter Bundle for Wireless Receivers</p>	\$2,192.00	x1	<b>\$2,192.00</b>
 <p><b>Labor Installation</b> Installation of equipment, running of wires and instructing client on proper operation of system - \$130.00 per technician, per hour <b>Tax Exempt</b></p>	\$130.00	x2	<b>\$260.00</b>
 <p><b>Labor Travel</b> Travel expense to Merced for one tech <b>Tax Exempt</b></p>	\$65.00	x1	<b>\$65.00</b>

**Board Room Total : \$27,053.30**

# Financial Summary

This proposal has options in the following areas:

- Board Room

Once you select options for each area, your financial summary will be shown.



Merced County Employees' Retirement Association

**DATE:** March 26, 2026

**TO:** MercedCERA Board of Retirement

**FROM:** Martha Sanchez Barboa, Plan Administrator

**SUBJECT:** Discussion and possible action to approve MercedCERA Board of Retirement elections for Seats 3 (General), 8 (Retired), 7A (Safety Alternate) and Seat 8A (Retired Alternate) by the Merced County Registrar of Voters

**ITEM NUMBER:** Open Session Item e

**ITEM TYPE:** Action

**STAFF RECOMMENDATION:**

1. Approve staff coordinate MercedCERA Board elections for Seats 3, 8, 7A and Seat 8A with the Merced County Registrar of Voters.

**DISCUSSION:**

The Merced County Employees' Retirement Association (MercedCERA) has four (4) seats, Seat 3 (General), Seat 8 (Retired), Seat 7A (Safety Alternate) and Seat 8A (Retired Alternate), up for re-election on December 31, 2026. Per MercedCERA Board Bylaws, the Board of Retirement will determine the procedure for conducting the election.

As done in prior elections, the MercedCERA Board has approved staff coordinate with the Merced County Registrar of Voters to conduct the election. Staff met with the Registrar of Voters, who proposed the following calendar of election events:

<b>Notices</b>	
June 30, 2026 – July 10, 2026	Notice of Election distributed
<b>Candidate Filing</b>	
July 10, 2026 – August 10, 2026	Candidate filing period
August 11, 2026	Random alphabet drawing at 9:00 A.M.
<b>General Information</b>	
September 4, 2026	Distribution of Election Ballots
October 6, 2026	Last day to return Election Ballots to Election's Department
<b>Canvass</b>	
October 7, 2026 – October 13, 2026	Official canvass (Counting of Ballots)
<b>Certify Election</b>	
October 20, 2026	Certify election and notify results



Merced County Employees' Retirement Association

**Staff Recommendation:**

Staff recommend the Board approve staff coordinate MercedCERA Board elections for Seats 3, 8, 7A and Seat 8A with the Merced County Registrar of Voters.



Merced County Employees' Retirement Association

**DATE:** March 26, 2026  
**TO:** MercedCERA Board of Retirement  
**FROM:** Martha Sanchez Barboa, Plan Administrator  
**SUBJECT:** Two-Year Contract Amendment for Cheiron Incorporated Actuarial Services  
**ITEM NUMBER:** **Open Session Item f**  
**ITEM TYPE:** **Action**

**STAFF RECOMMENDATION:**

1. Approve a two-year contract amendment for Cheiron Incorporated actuarial services.

**DISCUSSION:**

In 2016, MercedCERA conducted a Request for Proposal (RFP) for actuarial services and selected Cheiron Inc. The contract with Cheiron Inc. was amended in 2019 and 2024. The amended contract is due to end on May 1, 2026.

Staff would like to amend the current contract with Cheiron Inc., extending the agreement to May 1, 2028. The amendment would avoid disruptions of work between annual valuations in years 2027 and 2028. This amendment would also allow MercedCERA Staff to complete an RFP for actuarial services in 2027/2028 fiscal year.

**Staff Recommendation:**

Staff recommend the Board approve a two-year contract amendment for Cheiron Incorporated actuarial services.

**AMENDMENT  
TO  
AGREEMENT FOR ACTUARIAL SERVICES  
CHEIRON**

THIS Amendment to Agreement for Actuarial Services, Cheiron ("Amendment"), is executed by Merced and between the Merced County Employees' Retirement Association (hereinafter called "MercedCERA"), and Cheiron Incorporated, located at 8300 Greensboro Drive, Suite 800, McLean Virginia (hereinafter called "Contractor" or "Cheiron").

This Amendment is hereby annexed to and made a part of the Agreement to which it modifies. 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 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 Board Chairperson, or their designee, of MercedCERA.

**MODIFICATIONS:**

1. Section 2, "Term" is modified as follows:

The term of the Agreement shall be extended commencing May 1, 2026, and continue until May 1, 2028, unless sooner terminated in accordance with the sections entitled "TERMINATION FOR CONVENIENCE" or "TERMINATION FOR CAUSE", as set forth elsewhere in the Agreement.

2. Exhibit C, Costs for Services, shall be deleted in its entirety and replaced with the Exhibit C, Costs for Services, attached hereto.

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

**MercedCERA**

**Cheiron**

By: \_\_\_\_\_  
Signature

By: \_\_\_\_\_  
Signature

\_\_\_\_\_  
Name

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

\_\_\_\_\_  
Title

APPROVED AS TO LEGAL FORM  
MERCED COUNTY COUNSEL

BY: \_\_\_\_\_

## EXHIBIT C

### COSTS FOR SERVICES

#### Actuarial Consulting Services

- *Annual valuations to determine funding status and recommend employer and employee contribution rates. Such valuations shall consider the actual changes of economic and non-economic experience since the prior valuation.*

The fee for the annual actuarial valuation as of June 30, 2026 shall be \$64,000 which will include attendance at up to two Board meetings to present the preliminary and final results. The fee for future actuarial valuations shall be increased by the change in CPI between valuation dates, not to exceed 3% annually.

- *Provide actuarial consulting services under a basic retainer for administration consultation, unusual benefit calculations, board meetings, auditor requests, and actuarial project cost estimates.*

The basic retainer for the services described above shall be \$2,000 per calendar quarter. If the hourly charges for services provided during the quarter exceed 125% of the quarterly rate, the amount of hourly charges in excess of 125% of the quarterly fee will be billed in addition to the quarterly fee. If the hourly charges for services provided during the quarter are less than 75% of the quarterly rate, the number of hours less than 75% of the quarterly rate shall be carried forward to the next quarter, for purposes of determining the 125% threshold above.

- *Provide special actuarial calculations required by auditors in connection with GASB Statement 25, 67, and 68, including the calculation of the funding progress of the fund based on the funding method used to develop the system's contribution requirements.*

The fee for the June 30, 2026 GASB 67 / 68 valuation shall be \$15,500. The fee for future accounting reports shall be increased by the change in CPI between fiscal years, not to exceed 3% annually.

- *Provide special actuarial calculations for all new GASB Statements required to pension systems.*

The fee for providing special actuarial calculations for new GASB Statements shall be included in the \$15,500 fee indicated above, unless there are significant changes to the current standards - such as the issuance of a new GASB Statement - at which time Cheiron will provide a fee estimate for complying with the new Statement

For services - such as special projects - not included under the valuation and retainer services described above, Cheiron shall submit invoices based on our time charges and standard hourly rates. Reasonable travel expenses shall be billed for on-site meetings, except for those meetings associated with the actuarial valuation and experience studies as indicated above. Travel time will not ordinarily be compensable.

Hourly Rate:

Category/Consultant	May 2025 - April 2026 Hourly Rate*
Principal Consulting Actuaries	\$415 – \$550
Consulting Actuaries	\$330 – \$510
Associate Actuaries	\$240 – \$350
Senior Actuarial Analysts	\$210 – \$270
Actuarial Analysts	\$170 – \$225
Administrative Staff	\$134 – \$175

*\* Hourly billing rates are expected to increase with CPI-U every year on May 1<sup>st</sup>.*



Merced County Employees' Retirement Association

**DATE:** March 26, 2026  
**TO:** MercedCERA Board of Retirement  
**FROM:** Martha Sanchez Barboa, Plan Administrator  
**SUBJECT:** Option of Returning to Two MercedCERA Board Meetings Per Month  
**ITEM NUMBER:** **Open Session Item g**  
**ITEM TYPE:** **Information Only**

**DISCUSSION:**

At the February 26, 2026, MercedCERA Board Meeting, Trustee Silveira requested the Chair to agendaize the MercedCERA Board to discuss the option of returning to two MercedCERA Board Meetings per month.

The Board had previously met on the second and fourth Thursday of the month (except for the months of November and December due to the holidays). The first meeting of the month was focused on more administrative matters and the second on investments. The Board transitioned to one meeting per month in 2023.