



Merced County Employees' Retirement Association

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

2025

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



Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2025 and 2024

Issued by:

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Plan Administrator

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Fiscal Manager- Accounting/Investments

Merced County Employees' Retirement Association

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

Merced, California

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

Introductory Section

Letter of Transmittal	6
Members of the Board of Retirement	11
Administrative Organizational Chart	12
List of Professional Consultants	13

Financial Section

Independent Auditor's Report	16
Management's Discussion and Analysis	20
Basic Financial Statements	
Statements of Fiduciary Net Position	26
Statements of Changes in Fiduciary Net Position	27
Notes to Basic Financial Statements	28
Required Supplementary Information	
Schedules of Changes in Net Pension Liability and Related Ratios	52
Schedules of Employer Contributions	54
Schedules of Investment Returns	54
Notes to Required Supplementary Information	55
Other Supplemental Schedules	
Schedules of Administrative Expenses	56
Schedules of Investment Expenses	57
Schedules of Payments to Consultants	58
Other Information	
Schedule of Cost Sharing Employer Allocations	59
Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan	60
Notes to Other Information	62

Investment Section

Investment Consultant's Report	64
Total Fund Returns (Gross of Fees) vs. Peer Universe	72
Outline of Investment Policies	72
Summary of Proxy Voting Guidelines and Procedures	72
Asset Allocation Information	73

Investment Section (continued)

Investment Summary	74
Schedule of Investment Results (Gross of Fees)	75
Top 10 Largest Holdings by Fair Value	79
Schedules of Investment Management Fees	79
List of Investment Service Providers	80

Actuarial Section

Actuarial Certification Letter	83
Statement of Current Actuarial Assumptions and Methods	87
Probabilities of Separation from Active Service	89
Schedule of Active Member Valuation Data	90
Schedule of Retirements and Beneficiaries Added to and Removed from Retiree Payroll	91
Schedule of Funded Liabilities by Type	91
Actuarial Analysis of Financial Experience	92
Schedule of Funding Progress	92

Statistical Section

Additions by Source	95
Deductions by Type	95
Schedules of Changes in Fiduciary Net Position	96
Schedules of Benefit Expenses by Type	97
Schedule of Retired Members by Type of Benefit	98
Ten Year Structure of Retiree Membership History	98
Summary of Retired Membership	99
Schedule of Retired Members by Type of Retirement	100
Retired Members Average Benefit Payments	101
Participating Employers and Active Members	102

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Introductory Section

Letter of Transmittal	6
Members of the Board of Retirement	11
Administrative Organizational Chart	12
List of Professional Consultants	13

Merced County Employees' Retirement Association Letter of Transmittal

December 30th, 2025

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

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

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

MercedCERA's Mission Statement and Core Values

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

The Annual Comprehensive Financial Report (ACFR)

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

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

MercedCERA and its Services

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

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

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

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

Financial Information

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

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

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

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

Actuarial Funding Status

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

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

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

Investments

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

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

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

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

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

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

Service Efforts and Accomplishments

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

Acknowledgements

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

Sincerely,

A handwritten signature in blue ink that reads "Martha Sanchez Barboa". The signature is fluid and cursive, with the first name "Martha" being the most prominent.

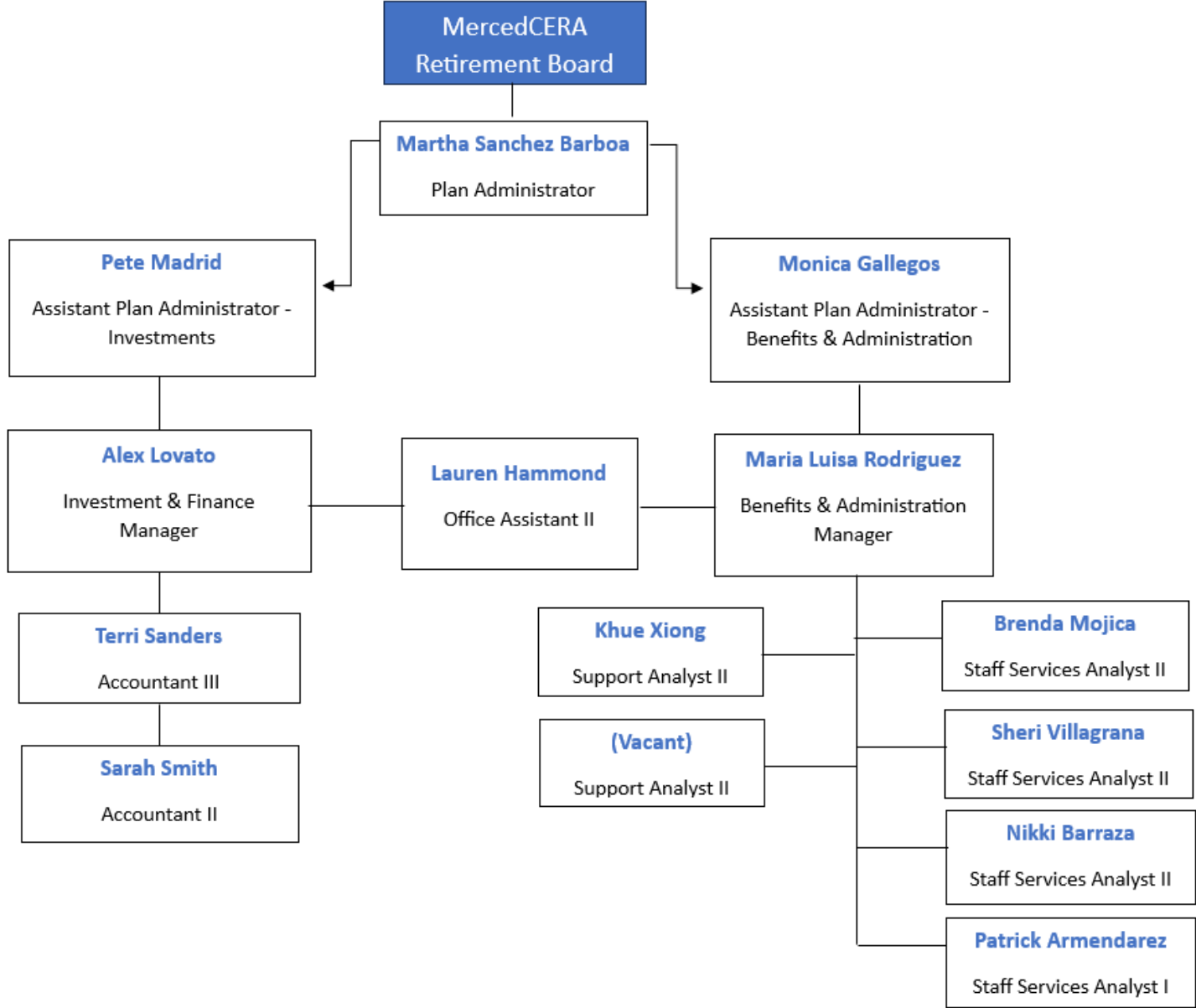
Martha Sanchez Barboa
Plan Administrator

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

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

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



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

Consulting Services	
Investment Consultant	
Meketa Investment Group, Inc.	
Cliffwater, LLC	
Actuary	
Cheiron, Inc.	
Segal Consulting	
Auditor	
UHY LLP	
Master Custodian	
Northern Trust Corporation	
Electronic Systems Services	
Merced County Information Systems	
Legal Counsel	
Hanson Bridgett LLP	
Merced County Counsel	
Nossaman LLP	
Ted Cabral	
Medical Advisor	
National Disability Evaluations, Inc.	

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

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

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Financial Section

Independent Auditor's Report	16
Management's Discussion and Analysis	20
Basic Financial Statements	
Statements of Fiduciary Net Position	26
Statements of Changes in Fiduciary Net Position	27
Notes to Basic Financial Statements	28
Required Supplementary Information	
Schedules of Changes in Net Pension Liability and Related Ratios	52
Schedules of Employer Contributions	54
Schedules of Investment Returns	54
Notes to Required Supplementary Information	55
Other Supplemental Schedules	
Schedules of Administrative Expenses	56
Schedules of Investment Expenses	57
Schedules of Payments to Consultants	58
Other Information	
Schedule of Cost Sharing Employer Allocations	59
Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan	60
Notes to Other Information	62



INDEPENDENT AUDITOR'S REPORT

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

Opinions

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

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

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

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and the totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions as of and for fiscal year ended June 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of MercedCERA, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements and the Schedules

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

In preparing the financial statements and the schedules, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about MercedCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole, the Schedule of Cost Sharing Employer Allocations and the specified column totals in the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and government auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 30, 2025, on our consideration of MercedCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing and not to provide an opinion on the effectiveness of MercedCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering MercedCERA's internal control over financial reporting and compliance.

UHY LLP

Columbia, Maryland
December 30, 2025

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

Financial Highlights

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

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

Financial Analysis

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

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

MercedCERA's Fiduciary Net Position

For Fiscal Years Ended June 30, 2025 and 2024:

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

For Fiscal Years Ended June 30, 2024 and 2023:

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

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

Reserves

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

MercedCERA's Reserves

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

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

MercedCERA's Activities

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

Additions to Fiduciary Net Position

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

For Fiscal Years Ended June 30, 2025 and 2024:

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

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

For Fiscal Years Ended June 30, 2024 and 2023:

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

Deductions from Fiduciary Net Position

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

For Fiscal Years Ended June 30, 2025 and 2024:

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

For Fiscal Years Ended June 30, 2024 and 2023:

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

Change in Fiduciary Net Position

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

MercedCERA's Fiduciary Responsibilities

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

Requests for Information

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

Merced County Employees' Retirement Association

Attn: Fiscal Operations

690 West 19th Street

Merced, CA 95340

T: 209.726.2724

F: 209.726.3637

Respectfully Submitted,



Pete Madrid

Assistant Plan Administrator – Investments

January 16th, 2026



Alex Lovato

Investment/Finance Manager

January 16th, 2026

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

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

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

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

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

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

Note 1 - PLAN DESCRIPTION

A. General Information

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

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

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

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

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

B. Membership

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

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

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

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

Merced County Employees' Retirement Association
Notes to Basic Financial Statements (continued)
June 30, 2025 and 2024

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

Membership Structure on June 30, 2025 was as follows:

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

Membership Structure on June 30, 2024 was as follows:

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

C. Benefit Provisions

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

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

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

Percentage of Final Average Salary for Each Year of Service (Rounded) Current Employees				
Tier I			Tier II	
Retirement Age	General	Safety	General	Safety
50	2.00%	3.00%	-	3.00%
55	2.50%	3.00%	2.50%	3.00%
60+	3.00%	3.00%	3.00%	3.00%
Tier III			Tier IV	
Retirement Age	General	Safety	General	Safety
50	-	2.00%	-	2.00%
55	1.49%	2.62%	1.30%	2.50%
57	1.64%	2.62%	1.50%	2.70%
65	2.43%	2.62%	2.30%	2.70%
67+	2.43%	2.62%	2.50%	2.70%
Percentage of Final Average Salary for Each Year of Service (Rounded) for Merced Cemetery District, Deferred, and Inactive Reciprocal Members Prior to Enhanced Benefit Adoption Dates				
Tier I			Tier II	
Retirement Age	General	Safety	General	Safety
50	1.24%	2.00%	-	2.00%
55	1.67%	2.62%	1.49%	2.62%
60	2.18%	2.62%	1.92%	2.62%
65+	2.61%	2.62%	2.43%	2.62%

(1) Retirement Options

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

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

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

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

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

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

(2) Cost-of-Living Adjustment

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

(3) Disability Benefits

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

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

(4) Death Benefit Before Retirement

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

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

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

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

(5) Death Benefit After Retirement

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

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

(6) Terminated Members

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

(7) Vesting

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

(8) Contribution Rates

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

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

a. Member

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

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

b. Plan Sponsors

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

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

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

Non-economic assumptions

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

Economic assumptions

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

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

Note 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Basis of Accounting

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

C. Investment Expenses

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

D. General Administrative Expenses

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

E. Required Supplementary Information

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

F. Administrative Budget and Non-Administrative Projection

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

Merced County Employees' Retirement Association
Notes to Basic Financial Statements (continued)
June 30, 2025 and 2024

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

G. Capital Assets

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

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

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

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

H. Methods Used to Value Investments

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

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

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

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

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

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

I. Securities Transactions and Related Investment Income

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

J. Management’s Estimates

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

K. Reclassifications

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

Note 3 – CASH AND INVESTMENTS

A. Investment Stewardship

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

(1) Investment Policy

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

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

(2) Rate of Return

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

B. Cash and Short-Term Investments

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

(1) Merced County Treasury

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

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

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

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

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

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

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

C. Fair Value Measurements

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

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

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

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

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

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

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

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

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

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

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

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

Merced County Employees' Retirement Association
Notes to Basic Financial Statements (continued)
June 30, 2025 and 2024

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

Investments by Fair Value Level	June 30, 2025	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Fixed Income				
Asset Backed Securities	\$107,297	\$-	\$107,297	\$-
Collateralized Mortgage Obligations	102,428	-	102,428	-
US Government and Agency Obligations	1,660	-	1,660	-
Mutual Funds	42,372,737	42,372,737	-	-
Real Estate	-	-	-	-
Total Investments by Fair Value Level	\$42,584,122	\$42,372,737	\$211,385	\$-
Investments Measured at the Net Asset Value (NAV)				
Common Stock				
Domestic Stock Funds	\$29,844,072			
Index Funds	279,658,548			
International Stock Funds	265,715,966			
Domestic Fixed Income				
Commingled Funds	148,769,282			
Limited Partnerships	29,616,000			
Real Estate	76,899,838			
Alternative Investments				
Direct Lending	80,868,702			
Hedge Funds	97,858,326			
Infrastructure	44,245,297			
Natural Resources	29,502,813			
Private Equity	214,685,805			
Proxy Fund	-			
Total Alternative Investments	\$470,294,016			
Total Investments Measured at NAV	\$1,297,664,649			
Total Investments Measured at Fair Value and NAV	\$1,344,386,478			
Investments Measured at the NAV	June 30, 2025	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Stock				
Domestic Stock Funds	\$29,844,072	\$ -	Daily	1 Day
Index Funds	279,658,548	-	Daily	1 Day
International Stock Funds	265,715,966	-	Daily	1 Day
Domestic Fixed Income				
Commingled Funds ***	148,769,282	-	Daily	Varies
Limited Partnerships	29,616,000	-	Quarterly	90 Days
Real Estate*	76,899,838	22,344,357	See footnote	See footnote
Alternative Investments				
Direct Lending	80,868,702	61,735,970	N/A	N/A
Hedge Funds**	97,858,326	-	Varies	Varies
Infrastructure	44,245,297	18,146,841	N/A	N/A
Natural Resources	29,502,813	22,177,406	N/A	N/A
Private Equity	214,685,805	133,752,722	N/A	N/A
Proxy Fund	-	-	Daily	T-2
Total Investments Measured at the NAV	\$1,297,664,649	\$258,157,296		

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

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

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

Merced County Employees' Retirement Association
Notes to Basic Financial Statements (continued)
June 30, 2025 and 2024

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

Investments by Fair Value Level	June 30, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Fixed Income				
Asset Backed Securities	\$116,833	\$ -	\$116,833	\$ -
Collateralized Mortgage Obligations	113,595	-	113,595	-
US Government and Agency Obligations	2,008	-	2,008	-
Mutual Funds	36,225,716	36,225,716	-	-
Real Estate	17,293,855	17,293,855	-	-
Total Investments by Fair Value Level	\$53,752,007	\$53,519,571	\$232,436	\$ -
Investments Measured at the Net Asset Value (NAV)				
Common Stock				
Domestic Stock Funds	\$29,765,848			
Index Funds	256,695,891			
International Stock Funds	228,678,529			
Domestic Fixed Income				
Commingled Funds	91,709,504			
Limited Partnerships	27,227,789			
Real Estate	75,039,651			
Alternative Investments				
Direct Lending	65,674,354			
Hedge Funds	144,336,792			
Infrastructure	34,706,578			
Natural Resources	32,227,016			
Private Equity	180,731,713			
Proxy Fund	4,487,099			
Total Alternative Investments	\$462,163,552			
Total Investments Measured at NAV	\$1,171,280,764			
Total Investments Measured at Fair Value and NAV	\$1,225,032,771			
Investments Measured at the NAV	June 30, 2024	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Common Stock				
Domestic Stock Funds	\$29,765,848	\$ -	Daily	1 Day
Index Funds	256,695,891	-	Daily	1 Day
International Stock Funds	228,678,529	-	Daily	1 Day
Domestic Fixed Income				
Commingled Funds ***	91,709,504	-	Daily	Varies
Limited Partnerships	27,227,789	-	Quarterly	90 Days
Real Estate*	75,039,651	23,656,938	See footnote	See footnote
Alternative Investments				
Direct Lending	65,674,354	82,001,600	N/A	N/A
Hedge Funds**	144,336,792	-	Varies	Varies
Infrastructure	34,706,578	22,848,385	N/A	N/A
Natural Resources	32,227,016	26,001,775	N/A	N/A
Private Equity	180,731,713	81,505,980	N/A	N/A
Proxy Fund	4,487,099	-	Daily	T-2
Total Investments Measured at the NAV	\$1,171,280,764	\$236,014,678		

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

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

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

D. Commission Recapture Policy

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

E. Real Estate and Alternative Investments

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

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

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

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

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

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

F. Custodial Credit Risk

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

G. Credit Risk Concentration

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

H. Credit Risk

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

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

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

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

I. Interest Rate Risk

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

Merced County Employees' Retirement Association
Notes to Basic Financial Statements (continued)
June 30, 2025 and 2024

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

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

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

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

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

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

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

J. Foreign Currency

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

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

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

K. Derivatives

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

Note 4 – RESERVES

As required by the 1937 Act and the Board’s policy, the following reserves for Net Position Restricted for Pensions have been established to account for the members’, employers’, and retirees’ contributions. MercedCERA maintains the following reserves at June 30, 2025 and 2024.

A. Active Members’ Reserves

These reserves represent the cumulative contributions made by active employees. Additions include member contributions and related earnings. Deductions include refunds of member contributions and, upon retirement, the member contributions plus interest credited to their account are transferred from this reserve to the Retired Members’ Reserves.

B. Employer Advance Reserves

These reserves represent the cumulative contributions made by the employers for future retirement payments to current active members. Additions include contributions from the employer and related earnings.

Deductions include transfers to the Retired Members' Reserve and lump sum death benefits.

C. Retired Members' Reserves

These reserves are established upon the retirement of an employee. Employee contributions plus interest earnings credited to the employee account are transferred from the Active Members' Reserves to the Retired Members' Reserves. In addition, the present value of the actuarially determined pension benefits is also transferred from the Employer Advance Reserves to the Retired Members' Reserves. From these reserves, the Association pays the retiree pension benefits in an amount computed in accordance with the 1937 Act.

D. Interest Fluctuation Reserve

This reserve is used for interest crediting purposes and for holding any funds allocated by the Retirement Board as a reserve for future interest earnings deficiencies. To the extent that net earnings are available, interest is credited to specified reserves. Interest is credited semi-annually according to MercedCERA's interest crediting policy.

E. Fair Value Fluctuation Reserve

The Board established this designation account on June 30, 1997 to track the increase (or decrease) in the fair value of the MercedCERA assets.

F. Contingency Reserve

This reserve is comprised of surplus/excess earnings, up to 1% of the fair value of assets, that are held as a reserve against deficiencies in investment earnings in other years, losses on investments, and other contingencies. As of June 30, 2012, the Contingency Reserve was not funded and all balances were transferred to the Interest Fluctuation Reserve. The Contingency Reserve will be funded and excluded from the fair value of assets only in years when the fair market value of assets exceeds the actuarial accrued liability.

A summary of the various reserve accounts, which comprise fiduciary net position restricted for pensions at June 30, 2025 and 2024, is as follows:

Reserve	2025	2024
Active Members'	\$143,658,369	\$132,722,654
Employer Advance	533,358,474	460,551,169
Retired Members'	154,139,029	194,377,277
Interest Fluctuation	96,314,981	126,669,325
Fair Value Fluctuation	451,230,960	339,432,247
Total Reserves	\$1,378,701,813	\$1,253,752,672

Note 5 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

MercedCERA engages on an annual basis, an independent actuarial consulting firm, Cheiron, Inc., to conduct its annual actuarial valuation.

A. Actuarial Assumptions

The actuarial assumptions used in the June 30, 2024 valuation were based on the results of an actuarial experience study for the period July 1, 2019 through June 30, 2022. Measurements as of the reporting date are based on the fair value of assets as of June 30, 2025 and the Total Pension Liability as of the valuation date June 30, 2024, using update procedures to roll forward to MercedCERA's fiscal year end of June 30, 2025. There were no significant events between the valuation date and the measurement date, so the roll forward procedures only included the addition of service cost and interest cost offset by actual benefit payments.

The components of the employers' Net Pension Liability were as follows:

	FYE June 30, 2025	FYE June 30, 2024
Total Pension Liability	\$1,651,356,195	\$1,610,209,714
Less: Plan Fiduciary Net Position	1,378,701,813	1,253,752,672
Net Pension Liability	272,654,382	356,457,042
Fiduciary Net Position as a Percentage of the Total Pension Liability	83.49%	77.86%

The Total Pension Liabilities as of June 30, 2025 and June 30, 2024 were determined based on the June 30, 2024 and June 30, 2023 actuarial valuations, rolled forward to June 30, 2025 and June 30, 2024, respectively, using the following actuarial assumptions applied to all periods included in the measurement:

ACTUARIAL VALUATION ASSUMPTIONS		
Valuation Date	June 30, 2024	June 30, 2023
Investment Rate of Return	6.75%	6.75%
Projected Salary Increases	2.75%, plus service-based rates	2.75%, plus service-based rates
Attributed to Inflation	2.50%	2.50%
Cost-of-Living Adjustments	For Tier I, 100% of CPI up to 2.5% annually with banking, assumed to be 2.40% annually	For Tier I, 100% of CPI up to 2.5% annually with banking, assumed to be 2.40% annually

Post-retirement mortality rates for the June 30, 2025 and 2024 valuation date for Healthy General Annuitants was based on the 1.05 times the CalPERS 2021 Healthy Annuitant Mortality Table and, for Healthy Safety Annuitants, 1.05 times the 2010 Public Safety Below Median Mortality Table for Healthy Retirees. Both are projected on a generational basis for mortality improvements from a base year of 2017 using the Society of Actuaries MP- 2020 projection scale.

B. Long-Term Expected Rate of Return

Long-term capital market expectations are derived through a process that relies on both quantitative and qualitative methodologies. The first step in the process is to build out ten-year forecasts for each asset class identified using proprietary, valuation-based fundamental models that consider those critical factors driving asset class returns. The ten-year expectations serve as the primary foundation for longer-term, twenty-year expectations. Twenty-year return expectations are formed by combining our ten-year expectations for each asset class with the observed historical returns for each asset class to then infer a forecast of the following ten-year returns (i.e., years 11-20). The final step is a review by the Investment Committee to determine if any qualitative adjustments are necessary. Return assumption at the total Plan level is derived according to the underlying asset class weightings, using nominal rates of return.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2025 and June 30, 2024 are summarized in the table below.

Long-Term Expected Real Rate of Return		
	FYE June 30, 2025	FYE June 30, 2024
US Equity	5.7%	5.7%
Broad International Equity	6.0%	6.1%
Emerging Markets Equity	6.0%	6.1%
Private Equity	8.5%	8.1%
Real Estate	5.8%	5.2%
Domestic Fixed Income	2.6%	2.0%
Opportunistic Credit	4.4%	4.0%
Direct Lending	5.5%	5.6%
Hedge Funds	3.3%	3.0%
Infrastructure	5.3%	5.2%
Natural Resources	6.5%	6.5%
Cash	0.4%	-0.3%

C. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75% for June 30, 2025 and June 30, 2024. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current contribution rate and that contributions from the employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability of MercedCERA calculated using the discount rate of 6.75% for 2025 and 2024, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower and higher.

	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
2025 Net Pension Liability	\$470,724,221	\$272,654,382	\$107,445,257
	1% Decrease (5.75%)	Current Rate (6.75%)	1% Increase (7.75%)
2024 Net Pension Liability	\$551,267,916	\$356,457,042	\$194,094,461

Note 6 – LITIGATION

MercedCERA has no existing litigation through the fiscal year ended June 30, 2025.

Note 7 – SUBSEQUENT EVENTS

MercedCERA has evaluated subsequent events through December 30th, 2025, the date on which the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

Merced County Employees' Retirement Association
Required Supplementary Information

**Schedules of Changes in Net Pension Liability and Related Ratios
For the Years Ended June 30 (continued on next page)**

Total Pension Liability	2025	2024	2023	2022	2021
Service Cost (Middle of Year)	\$27,951,921	\$27,359,583	\$27,810,741	\$26,986,609	\$25,786,520
Interest (Includes Interest on Service Cost)	106,324,514	103,412,927	101,154,576	98,777,169	96,764,536
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	6,048,443	9,519,259	(13,472,111)	(1,660,800)	10,336,744
Changes of Assumptions	-	-	11,965,038	-	32,840,818
Benefit Payments, Including Refunds of Member Contributions	(99,178,397)	(95,774,149)	(91,848,548)	(86,808,696)	(83,814,080)
Net Changes in Total Pension Liability	\$41,146,481	\$44,517,620	\$35,609,696	\$37,294,282	\$81,914,538
Total Pension Liability—Beginning	1,610,209,714	1,565,692,094	1,530,082,398	1,492,788,116	1,410,873,578
Total Pension Liability—Ending	\$1,651,356,195	\$1,610,209,714	\$1,565,692,094	\$1,530,082,398	\$1,492,788,116
Fiduciary net position					
Contributions—Members	\$13,943,864	\$13,403,198	\$13,445,557	\$12,124,583	\$11,895,243
Contributions—Employers	74,195,843	69,632,270	68,648,166	65,629,994	64,512,161
Net Investment Income (Loss)	139,250,411	134,248,001	83,417,442	(87,115,891)	253,466,527
Benefit Payments, Including Refunds of Member Contributions	(99,178,397)	(95,774,149)	(91,848,548)	(86,808,696)	(83,814,080)
Administrative Expense	(3,262,580)	(2,838,033)	(3,021,977)	(2,643,089)	(2,621,079)
Net Change in Fiduciary Net Position	\$124,949,141	\$118,671,287	\$70,640,640	\$(98,813,099)	\$243,438,772
Fiduciary Net Position—Beginning	1,253,752,672	1,135,081,385	1,064,440,745	1,163,253,844	919,815,072
Fiduciary Net Position—Ending	\$1,378,701,813	\$1,253,752,672	\$1,135,081,385	\$1,064,440,745	\$1,163,253,844
Net Pension Liability—Ending	\$272,654,382	\$356,457,042	\$430,610,709	\$465,641,653	\$329,534,272
Fiduciary Net Position as a Percentage of the Total Pension Liability	83.49%	77.86%	72.50%	69.57%	77.92%
Covered Payroll	\$160,881,341	\$153,177,954	\$150,390,441	\$142,704,679	\$137,234,030
Net Pension Liability as a Percentage of Covered Payroll	169.48%	232.71%	286.33%	326.30%	240.13%

Information for this table was provided by Cheiron, Inc.

Merced County Employees' Retirement Association
Required Supplementary Information

Schedules of Changes in Net Pension Liability and Related Ratios For the Years Ended June 30 (continued)					
Total Pension Liability	2020	2019	2018	2017	2016
Service Cost (Middle of Year)	\$26,267,588	\$22,794,246	\$22,172,594	\$19,512,609	\$19,384,855
Interest (Includes Interest on Service Cost)	93,583,425	92,452,056	89,402,353	88,982,290	86,323,551
Changes of Benefit Terms	-	-	-	-	-
Differences Between Expected and Actual Experience	7,534,677	1,249,075	2,914,187	(8,886,191)	(5,488,413)
Changes of Assumptions	20,714,915	-	15,960,129	36,908,183	-
Benefit Payments, Including Refunds of Member Contributions	(79,665,662)	(74,810,675)	(70,720,210)	(66,904,315)	(65,082,403)
Net Changes in Total Pension Liability	\$68,434,943	\$41,684,702	\$59,729,053	\$69,612,576	\$35,137,590
Total Pension Liability—Beginning	1,342,438,635	1,300,753,933	1,241,024,880	1,171,412,304	1,136,274,714
Total Pension Liability—Ending	\$1,410,873,578	\$1,342,438,635	\$1,300,753,933	\$1,241,024,880	\$1,171,412,304
Fiduciary net position					
Contributions—Members	\$10,796,855	\$10,695,680	\$10,441,876	\$9,384,621	\$9,042,663
Contributions—Employers	67,413,475	66,586,464	64,757,288	60,349,189	56,617,088
Net Investment Income (loss)	57,232,016	39,728,950	70,689,084	83,097,416	(388,209)
Benefit Payments, Including Refunds of Member Contributions	(79,665,662)	(74,810,675)	(70,720,210)	(66,904,315)	(65,082,403)
Administrative Expense	(2,464,896)	(2,351,105)	(2,283,396)	(2,173,407)	(2,492,684)
Net Change in Fiduciary Net Position	\$53,311,788	\$39,849,314	\$72,884,642	\$83,753,504	\$(2,303,545)
Fiduciary Net Position—Beginning	866,503,284	826,653,970	753,769,328	670,015,824	672,319,369
Fiduciary Net Position—Ending	\$919,815,072	\$866,503,284	\$826,653,970	\$753,769,328	\$670,015,824
Net Pension Liability—Ending	\$491,058,506	\$475,935,351	\$474,099,963	\$487,255,552	\$501,396,480
Fiduciary Net Position as a Percentage of the Total Pension Liability	65.19%	64.55%	63.55%	60.74%	57.19%
Covered Payroll	\$135,618,404	\$131,365,778	\$126,705,902	\$119,621,964	\$114,397,644
Net Pension Liability as a Percentage of Covered Payroll	362.09%	362.30%	374.17%	407.33%	438.29%
Information for this table was provided by Cheiron, Inc.					

Merced County Employees' Retirement Association

Required Supplementary Information

Schedules of Employer Contributions

The schedules of employer contributions show whether the employer has made contributions that are consistent with an actuarial method of funding the benefits to be provided consistent with the parameters established by GASB Statement No. 67.

Schedules of Employer Contributions Last 10 Fiscal Years Ended June 30 Dollar Amounts in Thousands					
	2025	2024	2023	2022	2021
Actuarially Determined Contribution	\$74,196	\$69,632	\$68,648	\$65,630	\$64,512
Contributions in Relation to the Actuarially Determined Contribution	74,196	69,632	68,648	65,630	64,512
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$160,881	\$153,178	\$150,390	\$142,705	137,234
Contributions as a Percentage of Covered Payroll	46.12%	45.46%	45.65%	45.99%	47.01%
	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$67,413	\$66,586	\$64,757	\$60,349	\$56,617
Contributions in Relation to the Actuarially Determined Contribution	\$67,413	66,586	64,757	60,349	56,617
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$135,618	\$131,366	\$126,706	\$119,622	\$114,398
Contributions as a Percentage of Covered Payroll	49.71%	50.69%	51.11%	50.45%	49.49%

Schedules of Investment Returns

The money-weighted rate of return is equivalent to the internal rate of return (IRR). Money-weighted rate of return incorporates the size and timing of cash flows.

Schedules of Investment Returns Fiscal Years ended June 30										
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Annual money-weighted rate of return, net of investment expense	10.8%	12.1%	7.8%	-6.9%	26.9%	6.6%	5.5%	10.1%	9.5%	-0.3%

Merced County Employees' Retirement Association

Notes to Required Supplementary Information

Note 1 – CHANGES OF BENEFIT TERMS

There were no changes in benefit terms for the fiscal year ended June 30, 2025 and 2024.

Note 2 – CHANGES OF ASSUMPTIONS AND METHODS

Changes to assumptions were adopted by the Board at their September 23, 2021 meeting. The actuarial assumed rate of return was updated to 6.75%.

Note 3 – METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

Actuarial Valuation Methods and Assumptions

	2025	2024	2023	2022	2021
Valuation Date	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019
Effective Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Amortization Years Remaining*	24	24	24	24	24
Discount Rate	6.75%	6.75%	6.75%	7.00%	7.00%
Price Inflation	2.50%	2.50%	2.50%	2.50%	2.50%
Salary Increases**	2.75%	2.75%	2.75%	2.75%	2.75%
Cost-of-Living Adjustments	2.50%	2.50%	2.50%	2.50%	2.50%
Mortality***	See Notes	See Notes	See Notes	See Notes	See Notes
	2020	2019	2018	2017	2016
Valuation Date	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
Effective Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value
Amortization Years Remaining*	24	24	24	24	24
Discount Rate	7.25%	7.25%	7.25%	7.75%	7.75%
Price Inflation	2.50%	2.50%	2.50%	3.00%	3.00%
Salary Increases**	2.75%	2.75%	2.75%	3.00%	3.00%
Cost-of-Living Adjustments	2.50%	2.50%	2.50%	2.60%	2.60%
Mortality***	See Notes	See Notes	See Notes	See Notes	See Notes
* Closed Period as a level percentage of payroll method used for all years shown.					
** Includes merit component based on years of service.					
*** As of 2022 valuation, CalPERS 2017 with future improvements applying SOA MP-2020 projection from base year of 2010. CalPERS 2009 with future improvements applying SOA MP-2019 projections from base year of 2010 for 2016 to 2021. Basis Gender distinct RP-2000 Combined Mortality used for all valuation years shown prior to 2016.					

Schedules of Administrative Expenses For the Fiscal Years Ended June 30, 2025 and 2024		
	2025	2024
Personnel Services:		
Salaries, Wages and Benefits	\$1,451,251	\$1,284,225
Office Expenses:		
Communications	11,787	9,066
Requested Maintenance / Utilities / Cost Allocation	148,391	87,360
Office Supplies	23,655	19,042
Postage	41,510	25,561
Total Office Expenses	225,343	141,029
Professional Services:		
Audit Fees	52,049	49,000
Attorney Fees	379,778	353,028
Publications / Legal Notices / Other	4,093	5,206
Software, Technology, and Information Services	599,166	490,107
Total Professional Services	1,035,086	897,341
Miscellaneous Expenses:		
Memberships	5,065	6,415
Board Election Expenses	-	5,541
Fiduciary Meeting	8,397	5,130
Fiduciary and Staff Travel / Training	42,312	41,143
Insurance	109,240	101,995
Depreciation Expense	304,476	270,477
Total Miscellaneous Expenses	469,490	430,701
Total Administrative Expenses	\$3,181,170	\$2,753,296

Schedules of Investment Expenses For the Fiscal Years Ended June 30, 2025 and 2024		
Investment Managers' Fees	2025	2024
Domestic Equities		
Total Domestic Equities	\$304,668	\$175,329
International Equities		
Total International Equities	336,758	116,818
Alternative Investments		
Total Alternative Investments	3,323,600	276,121
Real Estate		
Total Real Estate	1,011,525	153,976
Fixed Income		
Total Fixed Income	176,076	67,537
Total Investment Managers' Fees	\$5,152,627	\$789,781
Other Investment Expenses		
Custodian	264,873	77,116
Investment Counsel	75,782	72,780
Investment Consultant	1,075,368	495,350
Miscellaneous Investment Expense	2,110,164	963,036
Total other Investment Expenses	3,526,187	1,608,282
Total Fees and Other Investment Expenses	\$8,678,814	\$2,398,063

In Fiscal Year 2025, MercedCERA began recording management fees that are included as part of private investment capital call notices. Previously, the total net amount of the notice was booked as a call of capital without separating out the portion of the capital call representing management fees and other investment expenses.

**Schedules of Payments to Consultants
For the Fiscal Years Ended June 30, 2025 and 2024**

	2025	2024
Investment Professional Service Fees		
Custodial Services - Northern Trust, BNY Mellon*	\$264,873	\$77,116
Investment Consultant – Meketa Investment Group, Cliffwater LLC	1,075,368	495,350
Investment Counsel - Nossaman, LLP	75,782	72,780
Actuarial Services - Cheiron, Inc. and Segal Consulting	81,410	84,737
Total Investment Professional Service Fees	<u>\$1,497,433</u>	<u>\$729,983</u>
Administrative Professional Service Fees		
Audit Services – UHY LLP	\$52,049	\$49,000
Legal Services	379,778	353,028
Other Specialized Services	4,093	5,206
Software and Information Systems	599,166	490,107
Total Administrative Professional Service Fees	<u>\$1,035,086</u>	<u>\$897,341</u>

*MercedCERA continues to receive investment class action services from BNY Mellon.

**Schedule of Cost Sharing Employer Allocations
For the Fiscal Year Ended June 30, 2025**

Employer	2024-2025 Amortization Share of Pensionable Payroll	Employer Proportionate Share Percentage
County of Merced	\$52,535,802	94.4564%
Merced Superior Court	3,033,090	5.4533%
Merced Cemetery District	19,939	0.0358%
Merced County Law Library	30,286	0.0545%
Total	\$55,619,117	100.0000%

The accompanying notes are an integral part of this schedule.

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2025

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan						
As of and for the Fiscal Year Ended June 30, 2025 (continued on next page)						
Deferred Outflows of Resources						
Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Net Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
County of Merced	\$ 257,539,447	\$ 6,805,943	\$ -	\$ 2,825,434	\$ 76,521	\$ 9,707,898
Merced Superior Court	14,868,724	392,933	-	163,123	278,750	834,806
Merced Cemetery District	97,744	2,583	-	1,072	-	3,655
Merced County Law Library	148,467	3,924	-	1,629	104,079	109,632
Total	\$ 272,654,382	\$ 7,205,383	\$ -	\$ 2,991,258	\$ 459,350	\$ 10,655,991

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2025. The accompanying notes are an integral part of this schedule.

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan					
As of and for the Fiscal Year Ended June 30, 2025					
Deferred Inflows of Resources					
Employer	Differences Between Expected and Actual Experience	Net Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflow of Resources
County of Merced	\$ 3,181,316	\$ 47,901,759	\$ -	\$ 300,937	\$ 51,384,012
Merced Superior Court	183,669	2,765,549	-	140,455	\$ 3,089,673
Merced Cemetery District	1,207	18,180	-	8,783	\$ 28,170
Merced County Law Library	1,834	27,615	-	9,176	\$ 38,625
Total	\$ 3,368,026	\$ 50,713,103	\$ -	\$ 459,351	\$ 54,540,480

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan (continued)			
As of and for the Fiscal Year Ended June 30, 2025			
Pension Expense Excluding that attributable to Employer-Paid Member Contributions			
Proportionate Share of Allocable Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions	
\$ 13,182,571	\$ (412,682)	\$ 12,769,889	
761,080	357,165	\$ 1,118,245	
5,003	(5,543)	\$ (540)	
7,600	61,060	\$ 68,660	
\$ 13,956,254	\$ -	\$ 13,956,254	

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2025. The accompanying notes are an integral part of this schedule.

A. Basis of Presentation and Basis of Accounting

Employers participating in MercedCERA are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*.

MercedCERA’s actuary prepares the GASB Statement No. 67 and No. 68 Actuarial Valuation based on the June 30, 2025 measurement date for Employer Reporting as of June 30, 2026, in accordance with accounting principles generally accepted in the United States of America as applicable to governmental organizations based on information provided by MercedCERA. This document provides the required information for financial reporting related to MercedCERA that employers may use in their financial statements.

B. Use of Estimates in the Preparation of These Schedules

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

C. Amortization of Deferred Outflows and Deferred Inflows of Resources

The net difference between projected and actual investment earnings on pension plan investments is amortized over 5 years on a straight-line basis. One-fifth was recognized in pension expense/(credit) during the measurement period and the remaining net difference between projected and actual investment earnings on pension plan investments at June 30, 2025 is to be amortized over the remaining amortization periods.

The difference between expected and actual experience, changes in proportion, and the difference between employer contributions and proportionate share of contributions are amortized over the average of the expected remaining service lives of all employees that are provided with pensions through the plan determined as of the beginning of the related measurement period. Employers are required to recognize pension expense based on the balance of the closed period “layers” attributable to each measurement period. The average expected remaining service lives determined as of the beginning of each measurement period are described below:

Average Expected Remaining Service Lives, Year Ended June 30 (In years)									
2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
3	3	4	4	4	4	4	4	4	4

The Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan do not include contributions to the plan subsequent to the measurement date as defined in GASB Statement No. 68 Paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

Investment Section

Investment Consultant's Report	64
Total Fund Returns (Gross of Fees) vs. Peer Universe	72
Outline of Investment Policies	72
Summary of Proxy Voting Guidelines and Procedures	72
Asset Allocation Information	73
Investment Summary	74
Schedule of Investment Results (Gross of Fees)	75
Top 10 Largest Holdings by Fair Value	79
Schedules of Investment Management Fees	79
List of Investment Service Providers	80



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MEMORANDUM

TO: MercedCERA Board and Staff (MercedCERA)
FROM: Mika Malone, David Sancewich, Inwoo Hwang (Meketa Investment Group)
DATE: November 25, 2025
RE: Letter from Investment Consultant

This letter reviews the investment performance of the Merced County Employees' Retirement Association (MercedCERA) for the fiscal year ending June 30, 2025.

MercedCERA's stated mission is to provide benefits to its members, to manage assets prudently in accordance with plan provisions and to provide competent and efficient services to our members. Meketa Investment Group, MercedCERA's general consultant, works in concert with Cliffwater, MercedCERA's alternative investments consultant, to provide guidance to the Board (the Association's fiduciary), and assist the Board with performance evaluation, asset allocation, manager selection, and other industry best practices.

Rates of return are represented using a time-weighted rate of return methodology based upon market values.

Fiscal 2025 Year in Review

At the beginning of Fiscal Year 2025, the global economy was characterized by stubborn inflation and steady growth. Global growth was projected at 3.2%¹ for 2024, and 3.3% in 2025, roughly in line with previous forecasts. Inflation in global services-oriented sectors was elevated and keeping inflation levels above the tolerance levels for many central banks, especially in developed markets, delaying anticipated interest rate cuts.

Quarter ended September 30, 2024

As the first quarter of fiscal 2025 began, markets were guided by the continued themes of inflation trends and economic growth projections across key regions. In the Eurozone, inflation had unexpectedly increased to 2.6% in July, from 2.5%² in June, driven by rising energy costs, while Japan's inflation remained steady at 2.8%, prompting the Bank of Japan to raise the policy rate to 0.25% after decades of near-zero rates. China's central bank had implemented another round of interest rate cuts, aiming to support the economy amid a modest inflation recovery to 0.5% in July. In the US, inflation continued to decline, with year-over-year headline inflation falling to 2.9% in July, although shelter and services costs remained a significant contributor to monthly price increases.

Global economic growth was projected to remain stable, and most major economies were expected to avoid a recession. However, key economic data in the US had weakened, leading markets to anticipate multiple rate cuts by the Federal Reserve in response to improving inflation data and signs of economic weakness. This divergence in monetary policy among central banks, with some reducing rates and others raising them, was likely to influence capital flows and currency movements in the coming months.

Return, inflation and treasury rate data from Bloomberg unless otherwise indicated.
¹ Source: International Monetary Fund <https://www.imf.org/en/Publications/WEQ/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~:text=Global%20growth%20remained%20amid,and%203.3%20percent%20in%202025>.
² Source: International Monetary Fund <https://www.imf.org/en/Publications/WEQ/Issues/2024/07/16/world-economic-outlook-update-july-2024#:~:text=Global%20growth%20remained%20amid,and%203.3%20percent%20in%202025>.



November 25, 2025

In the first fiscal quarter of 2024, the US equity markets, represented by the Russell 3000 Index, rose by 6.2%. This increase was driven by a broadening rally that included strong performance in value and small cap stocks, reversing the earlier trend of narrow leadership by large cap growth stocks. The technology sector continued to perform well, contributing to the overall gains in the US equity markets.

Non-US developed equity markets, as measured by the MSCI EAFE Index, increased by 7.3% in the first quarter, with Japanese equities hitting multi-decade highs, which significantly contributed to the overall performance. In a reversal of earlier trends, the weakening US dollar in first fiscal quarter had a beneficial impact on returns for US investors, as the local currency version of the index (MSCI EAFE Local) returned just 0.8%. Emerging markets equities, represented by the MSCI Emerging Markets Index, posted a return of 8.7% in the first fiscal quarter, outperforming developed market stocks. Within emerging markets, China (MSCI China) saw a significant rally of 23.5% for the quarter, driven by a substantial policy stimulus package aimed at supporting equity prices and reducing bank reserve requirements.

The broad US bond market, represented by the Bloomberg Aggregate Index, returned 5.2% in the first quarter, benefiting from expectations of additional policy rate cuts as inflation pressures receded and the economy showed signs of possible slowing. High yield bonds, as measured by the Bloomberg High Yield Index, were up 5.3% due to strong risk appetite and attractive yields.

Quarter ended December 31, 2024

At the start of the second fiscal quarter of 2025, the global economy was characterized by mixed outcomes influenced by various geopolitical and economic factors. The US election played a significant role, with markets reacting to the incoming Trump administration's proposed policies, which included tariffs, tax cuts, and deportations, raising concerns about future inflationary pressures and economic stability. Despite these concerns, US equities experienced a post-election rally driven by optimism over potential policy benefits, such as deregulation.

Even with the market focused on economic impacts from the incoming US administration's policies, the Federal Reserve cut its policy rate by 0.25% in December, but its Summary of Economic Projections and hawkish comments provoked a repricing of future rate cuts and their timing. That said, unemployment remained low and economic growth showed resilience throughout the quarter. Internationally, non-US markets faced challenges, with economic growth slowing in Europe and China, partly due to trade tensions and a strong US dollar. Overall, the quarter highlighted significant divergence between US and international markets, driven by varying economic policies and geopolitical uncertainties.

In the second fiscal quarter, global equity and bond markets exhibited varied performance. US equity markets, represented by the Russell 3000 Index, rose by 2.6%, driven by a post-election rally and strong performance in the technology sector. Non-US developed equity markets, as measured by the MSCI EAFE, declined by 8.1%, impacted by a strong US dollar and concerns over trade wars and slowing growth in Europe. Emerging markets equities, tracked by the MSCI Emerging Markets, fell by 8.0%, with China (MSCI China) declining by 7.7% due to slowing economic growth, property sector issues, and discouragement of US investments.

In the fixed income market, the broad US bond market (Bloomberg Aggregate) returned -3.1% due to higher inflation and rising interest rates. Conversely, High Yield bonds (Bloomberg High Yield) were up 0.2%, reflecting a continued strong risk appetite and attractive yields.



November 25, 2025

Quarter ended March 31, 2025

At the start of the third fiscal quarter of 2025, the global economy was influenced by various geopolitical and economic factors. Uncertainty surrounding US administration tariffs, economic policies, and inflationary pressures shaped market sentiment. In the US, domestic equities sold off during the first quarter, with the Russell 3000 Index declining by 4.7%. Growth stocks underperformed value stocks, while small-cap stocks trailed large-cap stocks. Defensive sectors outperformed, reflecting cautious investor sentiment.

Internationally, non-US developed market stocks, as measured by the MSCI EAFE, rose by 6.9%, bolstered by rate cuts from the European Central Bank, planned increases in EU defense spending, and a weakening US dollar. Emerging market equities, tracked by the MSCI Emerging Markets Index, returned 2.9%, with notable gains in Chinese equities (+15.0%), driven by enthusiasm around DeepSeek AI and stimulus measures introduced by the Chinese government. Divergence in the returns among various asset class displayed the benefits of a diversified portfolio after a long stretch of US Large Cap Equity dominance.

In the fixed income market, most segments posted positive returns. The broad US bond market (Bloomberg Aggregate) gained 2.8%, supported by a declining rate environment. Long-term Treasuries were the best performers, with the Bloomberg Long US Treasury index returning 4.7%, while high yield bonds, as represented by the Bloomberg High Yield index, posted modest gains (+1.0%) due to prevailing economic uncertainties. Bond and equity volatility increased during the quarter amidst policy and trade uncertainties, with the US Volatility Index (VIX) finishing above its long-run average.

Quarter ended June 30, 2025

At the close of the final fiscal quarter of 2025, the global economy exhibited mixed outcomes, influenced by trade news, fiscal concerns, inflationary pressures, and improving risk sentiment across asset classes. In early April, President Trump unveiled the Liberation Day tariffs, which sent shock waves throughout global markets, before announcing a 90-day pause a week later.

In the US, equity markets posted strong returns during the quarter, with the Russell 3000 Index gaining 11.0%, driven by stabilizing tariff concerns, robust corporate earnings, and a resilient US economy. Growth stocks significantly outperformed value stocks, particularly in the large-cap segment (Russell 1000 Growth: +17.8% vs. Russell 1000 Value: +3.8%), bolstered by gains in AI-related mega-cap technology companies. Small-cap stocks (Russell 2000) also performed well, rising 8.5%, though they trailed large-cap stocks.

In the fixed income market, most segments posted positive returns, with the Bloomberg Aggregate gaining 1.2%, supported by stable or declining Treasury yields. Longer duration Treasuries underperformed (Bloomberg Long US Government: -1.5%) due to fiscal concerns driving yields higher along the 30-year curve. Inflation-related risks contributed to gains in Treasury Inflation-Protected Securities (TIPS), with the Bloomberg TIPS index gaining 0.5%.

In summary, the quarter underscored the benefits of diversification across asset classes, with varying performance driven by fiscal and inflationary dynamics alongside improving risk sentiment.



November 25, 2025

Summary

The table below highlights the full fiscal year returns for various benchmarks referenced in this review:

Index	1-Year Return As of June 30, 2025 (%)
S&P 500	15.2
Russell 3000	15.3
MSCI EAFE	17.7
MSCI EAFE (Local)	8.0
MSCI EM	15.3
MSCI China	33.8
Bloomberg Aggregate	6.1
Bloomberg TIPS	5.8
Barclays High Yield	10.3
Bloomberg Long US Government	1.6

Overall, in fiscal 2025, global economies experienced varied growth and inflation trends. The US saw an annual GDP growth of 2.0% for the full fiscal year, using the advance estimate of economic growth from the Bureau of Economic Analysis. Inflation in the US moderated to 2.7% by June, and the Fed Funds rate declined from a range of 5.25-5.50% to start the fiscal year down to 4.25-4.50% by year end. Eurozone's GDP grew by 1.4%³ in fiscal 2025, with inflation stabilizing at 2.0% for the year. Japan's economy expanded by 0.8% in fiscal 2025 (preliminary), with an annual inflation rate of 3.3%, and was the only major economy to raise rates during the year. China's official government numbers showed it grew GDP by 5.2%⁴, supported by resilient exports and government stimulus, though inflation remained low at 0.1% for the full fiscal year.

Unemployment rates also varied across these regions. In the US, the unemployment rate was 4.1%⁵ in June 2025, reflecting a slight decrease from a year ago. The Eurozone's unemployment rate remained relatively stable, ending at 6.3%.⁶ Japan's unemployment rate was low, at approximately 2.5%⁷, down from 2.7% at the start of the fiscal year, supported by steady job creation. In China, the unemployment rate hovered around 5.0%⁸, with government policies aimed at maintaining employment stability.

³ Source: Eurostat.

⁴ Source: National Bureau of Statistics of China via Bloomberg.

⁵ Source: FRED and BLS. Data is as of June 30, 2025.

⁶ Source: Eurostat.

⁷ Ministry of Internal Affairs and Communications via Bloomberg.

⁸ National Bureau of Statistics of China via Bloomberg.



November 25, 2025

Fiscal Year 2026 Outlook

Fiscal year 2026 is poised to be a pivotal one, potentially marked by significant economic, political, and social developments. There are several areas that could guide markets, both positively and negatively. These include:

→ Trump Administration Policies

- The Trump Administration, so far, has increased immigration enforcement, tariffs, and the passage of the fiscal spending and tax legislation known as the "One Big Beautiful Bill". While headlines and economists have opined on how these policies may affect the market and economy, limited impacts have flowed through to hard data so far.
- President Trump's tariff announcements, specifically on "Liberation Day" caused material market volatility. While some partial trade deals have been made, agreements with most trading partners are still up in the air, keeping uncertainty in place in the global economy. Uncertainty can delay business investment, depressing spending. While tariffs on imports from countries like China, Mexico, Canada, and the European Union aim to protect US industries and generate federal revenue, they could lead to domestic inflation by increasing the prices of imported goods, though the extent of this impact depends on the final breadth, height, and duration of the tariffs, as well as potential mitigating actions by companies and countries.⁹
- The One Big Beautiful Bill Act was signed into law by President Trump on July 4, 2025. This comprehensive legislation includes significant tax cuts, adjustments to federal spending, and an increase in the statutory debt limit. Major impacts include reductions in Medicaid and Affordable Care Act coverage, changes to student loan repayment options, and substantial funding for rural health programs.
- Stricter immigration policies could reduce the labor force, leading to wage inflation and potential negative effects on economic growth and investment, especially as the US population ages and the share of seniors increases.¹⁰

→ Federal Reserve Policy Dynamics

- The Federal Reserve faces a challenging year in fiscal 2026, dealing with inflation levels above its target and uncertainties related to the Trump administration's economic policies.¹¹
- The most recent Summary of Economic Projections (SEP) from March 2025 shows a slight downward revision in GDP growth estimates compared to the previous SEP from December 2024. The median GDP growth projection for 2025 was adjusted from 2.1% to 1.7%.¹²
- The SEP from March 2025 also indicates a slight upward revision in inflation expectations compared to the previous SEP from December 2024. The median projection for the Personal Consumption Expenditures (PCE) inflation rate for 2025 was adjusted from 2.2% to 2.4%, while the core PCE inflation rate, which excludes food and energy prices, was revised from 2.1% to 2.3% for 2025.¹²

⁹ Source: Bureau of Economic Analysis national accounts data as of December 2023.

¹⁰ Source: FRED as of November 2024. Between 2007 and November 2024 the number of employed workers rose from 137.6 million to 159.3 million.

¹¹ Source: <https://www.federalreserve.gov/monetarypolicy/fomcprojtab/20250319.htm>.



November 25, 2025

→ US Equities and Market Concentration

- In fiscal 2026, US equities are likely to be focused on concentration risk and elevated valuations, with a few select large-cap stocks, known as the "Magnificent 7," driving much of the market gain.
- As of June 30, 2025, the Magnificent 7 accounted for 32.3% of the total market capitalization of the S&P 500. This is down from 32.5% on June 30, 2024.¹²
- Overall, since President Trump's election, consumer staples, materials and utilities have performed well. The outperformance of utilities is often credited to the massive energy needs of the expanding artificial intelligence businesses. Performance of these sectors, at the expense of Information Technology and Telecommunications, show that at least in calendar 2025, positive performance is broadening out versus just the Magnificent 7 companies.
- Valuations remain elevated, with price-to-earnings ratios well above historic averages as of the end of fiscal 2025, reflecting optimism about earnings growth and economic resilience, but also increasing vulnerability to macroeconomic shocks and earnings disappointments.

→ Global Economic Growth

- According to the International Monetary Fund's (IMF) April annual report, global growth in 2025 was downgraded from 3.3% to 2.8%, 0.5% lower than 2024. For 2026, the IMF estimate of global growth declined from 3.3% to 3.0%. Concerns related to trade policy, including tariffs, and their impact on growth drove the reduction.¹³
- Growth forecast in the US saw one of the larger declines for calendar 2025 (2.7% to 1.8%). The IMF cited trade war escalation, persistent inflation, and a possible slowdown in consumption as reasons for the decline.¹⁴
- China's growth forecast was also substantially lowered for this year (4.6% to 4.0%) versus the projection from January. Key reasons behind the downgrade include weaker external demand from trade tensions, continued property sector struggles, policy uncertainty and continued demographic pressures.¹⁵
- Growth in the EU is projected to only be slightly lower (1.0% to 0.8%) in 2025.¹⁵

¹² Source: Bloomberg.

¹³ Source: <https://www.imf.org/en/Publications/WEO/Issues/2025/04/22/world-economic-outlook-april-2025>.

¹⁴ Source: Bloomberg.



November 25, 2025

MercedCERA Fiscal Year 2025 Performance

The MCERA portfolio posted an 11.3% return on a net of fees basis for the fiscal year ended June 30, 2025, which mirrored the policy index. Emerging Markets Equity equity was the strongest performer on both an absolute (23.4%), and relative to benchmark (8.1%) basis. The Private Equity segment of the portfolio was a key detractor from performance, due to the poor relative performance over the period when compared to public equities as a benchmark (-3.4%).

US Equities returned 15.0%, trailing their benchmark by 30 bps. International Equity returned 18.1%, versus the benchmark return of 17.4%. The US Fixed Income sleeve posted a 6.5% return in the trailing year, outpacing its benchmark return of 6.0%. Opportunistic credit returned 9.0% outperforming its benchmark return of 7.5%. The Real Estate sleeve returned 7.1%, compared to its benchmark return of 2.0%. Private Equity returned 6.8%, compared to its benchmark return of 10.2%. Direct Lending returned 9.7%, compared to the benchmark return of 9.4%. Hedge funds returned 6.6%, versus the benchmark return of 7.0%. Real Assets returned 14.9% compared to the benchmark return of 13.9%.

From a longer-term perspective, the fund returned 10.2% for the trailing three years and 9.5% over the trailing five years. The portfolio trailed the benchmarks by 0.3% and 1.3% over the trailing three-and five-year periods, respectively.



November 25, 2025

Investment Results

Periods Ended June 30, 2025	Annualized Returns (%)		
	One Year	Three Years	Five Years
US Equity (net)	15.0	18.3	15.0
Russell 3000	15.3	19.1	16.0
International Equity (net)	18.1	15.4	9.8
International Equity Custom	17.4	13.9	9.9
US Fixed Income (net)	6.5	2.3	-0.9
US Fixed Income Custom Benchmark	6.0	2.7	-0.5
Opportunistic Credit (net)	9.0	9.2	7.2
50% Barclays US Aggregate / 25% Barclays US High Yield / 25% Credit Suisse Leveraged Loans	7.5	6.1	3.0
Real Estate (net & Private Real Estate 1-quarter lagged)	7.1	1.1	4.0
Custom Blended Real Estate Benchmark	2.0	-4.3	2.9
Private Equity (net & 1-quarter lagged)	6.8	5.5	18.1
Custom Blended Private Equity Benchmark	10.2	10.4	19.5
Direct Lending (net & 1-quarter lagged)	9.7	9.3	10.2
S&P LTSA Leverage Loan Index + 2%	9.4	11.9	9.6
Hedge Funds (net)	6.6	6.9	7.9
Custom Blended Hedge Fund Benchmark	7.0	6.5	6.2
Real Assets (net & certain managers 1-quarter lagged)	14.9	12.8	14.5
Custom Blended Real Assets Benchmark	13.9	9.2	10.2
Total Fund (net)	11.3	10.2	9.5
Policy Index	11.3	10.5	10.2
Rank	23	25	34

MM/DS/IH/mn

Total Fund Returns (Gross of Fees) vs. Peer Universe Period Ended June 30, 2025

	Fiscal YTD	1 yr	3 yrs	5 yrs	7 yrs	10 yrs	Inception Return	Since
Total Fund	6.8%	11.6%	10.6%	9.9%	8.8%	8.4%	8.3%	12/31/1994
Fund Benchmark	6.4%	11.3%	10.5%	10.2%	8.4%	8.2%	6.6%	12/31/1994
IF Public Defined Benefit Gross Rank	34	20	22	26	8	12	31	12/31/1994
IF Public Defined Benefit Gross Median	6.4%	10.5%	9.5%	9.1%	7.7%	7.4%	8.1%	12/31/1994

Outline of Investment Policies

The Board of Retirement (Board) has exclusive control of all investments of the Merced County Employees' Retirement Association (MercedCERA or the Association) and is responsible for establishing investment objectives, strategies, and policies.

Pursuant to the California Constitution and the County Employees' Retirement Law of 1937 (the 1937 Act), the Board is authorized to invest in any form or type of investment deemed prudent in the informed judgment of the Board. In making decisions regarding the MercedCERA investment portfolio, the Board acts in a fiduciary capacity and must discharge its duties in accordance with fiduciary principles. In this regard, investment decisions are to be made in the sole interest and for the exclusive purpose of providing benefits, minimizing employer contributions, and defraying the reasonable expenses of the Association.

The Board adopted an Investment Policy Statement (IPS) on February 23, 2017 and most recently amended June 27, 2024, which provides the framework for the management of MercedCERA's investments. The IPS establishes the investment program goals, asset allocation policies, performance objectives, investment management policies and risk controls. The IPS defines the principal duties of the Board, MercedCERA's custodian bank, consultant, and MercedCERA's investment managers. The Board makes revisions to the Investment Policy as necessary.

Pursuant to the IPS, the basic goal of MercedCERA's investment program is to obtain a fully funded plan status, while assuming a risk posture consistent with the Board's risk tolerance. In pursuing this goal, the Board has adopted a long-term investment horizon in which the chances and duration of investment losses are carefully weighed against the long-term potential for appreciation of assets. The primary investment objective is to exceed the actuarial assumption for return on assets. The risk assumed in the pursuit of this investment objective must be appropriate for the return anticipated and consistent with the total diversification of the fund. The asset allocation plan, adopted by the Board, is an integral part of MercedCERA's investment program. It is designed to provide an optimum, diversified mix of asset classes with return expectations to satisfy expected liabilities, while minimizing risk exposure.

Summary of Proxy Voting Guidelines and Procedures

Voting of MercedCERA's proxy voting ballots shall be in accordance with MercedCERA's proxy voting guidelines as set forth in the Investment Policy. The basic directive of the proxy voting guidelines is that, when voting proxy ballots on behalf of MercedCERA, investment managers shall vote according to the best interests of the MercedCERA membership. On a quarterly basis, the investment managers are required to provide a report to MercedCERA detailing their proxy votes.

Asset Allocation Information For the Fiscal Year Ended June 30, 2025				
Investment Class	Allocation June 30, 2025	Target	Allocation Minimum	Allocation Maximum
Domestic Equity	22.9%	22.0%	16.0%	27.0%
Broad International Equity	12.7%	12.0%	7.0%	17.0%
Emerging Markets Equity	7.0%	6.0%	3.0%	9.0%
Private Equity	15.9%	15.0%	5.0%	20.0%
Direct Lending	5.4%	5.0%	0.0%	10.0%
Real Estate	5.7%	6.0%	4.0%	8.0%
Domestic Fixed Income	13.2%	18.0%	13.0%	23.0%
Opportunistic Credit	4.9%	4.0%	2.0%	6.0%
Hedge Fund	5.5%	5.0%	2.5%	7.5%
Real Assets	5.3%	5.0%	3.0%	7.0%
Cash	1.6%	2.0%	0.0%	4.0%
	100.0%	100.0%		

Asset Allocation Information For the Fiscal Year Ended June 30, 2024				
Investment Class	Allocation June 30, 2024	Target	Allocation Minimum	Allocation Maximum
Domestic Equity	23.1%	22.0%	16.0%	27.0%
Broad International Equity	11.9%	12.0%	7.0%	17.0%
Emerging Markets Equity	6.5%	6.0%	3.0%	9.0%
Private Equity	15.1%	15.0%	5.0%	20.0%
Direct Lending	4.9%	5.0%	0.0%	10.0%
Real Estate	7.4%	6.0%	4.0%	8.0%
Domestic Fixed Income	9.4%	18.0%	13.0%	23.0%
Opportunistic Credit	4.9%	4.0%	2.0%	6.0%
Hedge Fund	9.9%	5.0%	2.5%	7.5%
Real Assets	5.5%	5.0%	3.0%	7.0%
Cash	1.5%	2.0%	0.0%	4.0%
	100.0%	100.0%		

Private Infrastructure and Private Natural Resources are listed under Real Assets. These asset classes were previously listed under Private Equity.

Investment Summary For the Fiscal Year Ended June 30, 2025		
	Value	Percent of Total
Domestic Equity		
Large Cap	\$218,776,174	16.1%
Large Cap Active	\$60,882,375	4.5%
Small Cap	29,844,072	2.2%
Total	309,502,620	22.7%
International Equity		
Large Cap	126,654,688	9.3%
Small Cap	44,911,674	3.3%
Emerging Market	94,149,604	6.9%
Total	265,715,966	19.5%
Fixed Income		
Domestic Core	161,557,278	11.9%
Domestic Low Duration	17,924,746	1.3%
Opportunistic Credit	65,643,699	4.8%
Total	245,125,722	18.0%
Alternative Investments		
Private Equity	214,685,805	15.8%
Direct Lending	80,868,702	5.9%
Real Assets	73,748,110	5.4%
Hedge Funds	74,005,067	5.4%
Total	443,307,684	32.5%
Real Estate		
Domestic Private Real Estate	70,705,232	5.2%
International Private Real Estate	6,194,606	0.5%
Total	76,899,838	5.6%
Cash and Short-Term Investments		
Total Investments, Cash, and Short-Term Investments	\$1,362,768,138	100.0%

Real Assets include Private Infrastructure and Private Natural Resources and were previously listed under Private Equity. Real Asset Proxy and Domestic Real Estate were liquidated during fiscal year 2025. Domestic Fixed Income was recategorized for accuracy, removing Mutual Funds and adding Domestic Low Duration.

Merced County Employees' Retirement Association
Schedule of Investment Results (Gross of Fees)
For the Fiscal Year Ended June 30, 2025

	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
Total Fund*	11.6	10.6	9.9	8.8	8.4	8.3
Total Fund Custom Index*	11.3	10.5	10.2	8.4	8.2	6.6
Domestic Equity						
Large Cap:						
BNY Mellon Newton Dynamic	13.9	18.3	15.2	14.3	14.6	16.1
Mellon Large Cap Index	15.7	19.5	16.3	14.1	--	14.5
Small Cap:						
Champlain Small Cap	14.4	12.8	--	--	--	9.3
Total Domestic Equity	15.2	18.6	15.3	13.0	13.1	10.8
Index: Russell 3000	15.3	19.1	16.0	13.2	12.7	10.8
International Equity						
Broad International:						
Acadian ACWI ex U.S. Small Cap Equity	22.7	17.0	15.8	--	--	12.8
Driehaus International Small Cap Growth	21.9	15.9	11.9	--	--	11.2
GQG International Equity	5.5	15.1	11.7	--	--	10.7
First Eagle International Value Fund	23.7	13.8	10.4	--	--	7.9
Emerging Markets:						
Artisan Developing World Trust	29.5	24.5	9.2	--	--	13.0
RWC Global Emerging Equity Fund	12.6	6.5	6.4	--	--	4.0
Total International Equity	19.1	16.3	10.7	9.9	8.5	6.8
Index: Custom Blended International Equity Benchmark	17.4	13.9	9.9	6.6	6.4	5.7
US Fixed Income						
Vanguard Short-Term Treasury Index Fund	5.8	3.4	1.3	2.1	--	2.0
Vanguard Total Bond Market Index Fund	6.1	2.6	-0.7	--	--	1.3
Payden & Rygel Low Duration Fund	6.5	--	--	--	--	6.0
Brandywine US Fixed Income	7.7	--	--	--	--	3.2
Wellington Core Bond	6.3	--	--	--	--	5.2
Total US Fixed Income	6.6	2.4	-0.7	1.6	1.9	4.5
Index: Bloomberg US Aggregate Bond	6.1	2.5	-0.7	1.8	1.8	1.3
Opportunistic Credit						
PIMCO Income Fund	9.9	7.7	4.6	--	--	4.1
GoldenTree Multi-Sector Credit	9.5	11.4	8.5	--	--	6.9
Total Opportunistic Credit	9.5	9.7	7.7	--	--	6.4
Index: 20% Barclays US Aggregate / 40% Barclays US High Yield / 40% Credit Suisse Leveraged Loans	7.5	6.1	3.0	--	--	3.3

*Using time-weighted rate of return based on market rate return and are presented gross of fees.
Developed International equity was renamed Broad International equity.

Merced County Employees' Retirement Association
Schedule of Investment Results
For the Fiscal Year Ended June 30, 2025

	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
Real Estate						
UBS Trumbull	0.1	-6.3	-0.3	0.1	2.1	6.2
Greenfield GAP VII	11.7	2.8	14.8	13.9	14.6	14.2
Patron V	2.4	-6.2	-4.9	-5.8	--	-0.1
Carlyle Realty VIII	-1.4	-0.3	20.7	13.0	--	7.5
Taconic CRE Dislocation Fund II	-9.7	2.7	4.2	--	--	5.3
Carmel Partners Investment Fund VII	14.7	9.7	0.4	--	--	-12.1
AG Realty Value Fund X, L.P.	-4.5	-1.8	7.0	--	--	2.4
Rockpoint Real Estate Fund VI, L.P.	4.0	-1.0	7.9	--	--	8.0
Cerberus Real Estate Debt Fund, L.P	1.1	5.1	8.4	--	--	8.4
Taconic CRE Dislocation Onshore Fund III	7.1	8.5	--	--	--	7.9
Starwood Distressed Opportunity Fund XII Global	7.0	4.7	--	--	--	60.1
Carlyle Realty Partners IX	13.9	-52.2	--	--	--	-171.8
Carmel Partners Investment Fund VIII	20.0	9.0	--	--	--	5.3
Rockpoint Real Estate Fund VII L.P.	1.9	--	--	--	--	5.9
Total Real Estate**	4.5	0.2	4.1	3.5	5.0	7.3
Index: Custom Blended Real Estate Benchmark	2.0	-4.3	2.9	3.5	5.0	6.4
Real Assets						
Private Infrastructure:						
KKR Global Infrastructure Investors II	13.3	15.8	20.1	20.3	16.9	16.9
North Haven Infrastructure II	13.4	6.2	6.9	8.0	7.5	7.4
ISQ Global Infrastructure Fund II	13.0	10.8	12.8	6.1	--	6.1
KKR Global Infrastructure Investors III	7.3	13.9	8.2	--	--	2.8
Ardian Infrastructure Fund V	6.1	10.7	-2.2	--	--	-3.5
ISQ Global Infrastructure Fund III	13.0	13.1	--	--	--	-350.8
KKR Global Infrastructure Investors IV	13.4	9.0	--	--	--	-217.4
BlackRock Global Infrastructure Fund IV	11.1	--	--	--	--	0.2
Ardian Infrastructure Fund VI	50.2	--	--	--	--	28.0
Private Natural Resources:						
GSO Energy Opportunities	18.7	44.1	43.8	23.3	--	22.6
Taurus Mining	0.2	13.6	30.2	22.9	--	21.3
Taurus Mining Annex	-4.4	2.8	11.4	15.3	--	17.8
EnCap XI	35.4	32.2	28.4	9.6	--	1.0
EnCap IV	12.8	7.7	32.4	22.7	--	20.2
BlackRock GEPIF III	17.9	12.2	15.7	--	--	13.6
Tailwater Energy Fund IV	14.5	18.1	21.1	--	--	8.8
Carnelian Energy Capital IV	25.9	10.9	--	--	--	10.3
EnCap Flatrock Midstream Fund V	27.4	--	--	--	--	8.4
EnCap Energy Capital Fund XII	-2.1	--	--	--	--	15.2
Carnelian Energy Capital V, LP	-5.1	--	--	--	--	-4.7
Total Real Assets**	14.9	12.8	14.7	11.8	10.6	10.7
Index: Custom Blended Real Assets Benchmark	13.9	9.2	10.2	7.4	7.7	--

Merced County Employees' Retirement Association
Schedule of Investment Results
For the Fiscal Year Ended June 30, 2025

	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
Private Equity						
Adams Street	-0.4	-6.4	10.0	7.8	9.1	9.6
Invesco VI	-14.1	-32.3	6.1	5.8	7.7	8.6
Ocean Avenue II	-20.1	-11.4	15.8	15.1	15.8	13.7
Pantheon I	-1.3	-7.9	-7.8	-10.8	-6.2	-1.1
Pantheon II	1.9	-2.1	11.7	10.3	11.3	11.1
Pantheon Secondary	-5.4	-3.4	-4.7	-4.2	-2.8	0.8
Davidson Kempner Long-Term Distressed Opportunities Fund IV	-3.1	13.9	19.9	15.2	--	14.7
GTCR Fund XII	7.9	3.9	21.1	13.7	--	13.5
Carrick Capital Partners III	-6.5	-0.4	11.5	--	--	8.1
Cressey & Company Fund VI	8.1	-0.6	16.3	--	--	11.7
TCV X	11.5	0.2	24.7	--	--	17.2
Accel-KKR Growth Capital Partners III	2.7	-1.1	11.2	--	--	6.0
Genstar Capital Partners IX	14.2	18.7	27.2	--	--	22.4
Cortec Group Fund VII	3.8	11.9	23.0	--	--	19.5
Spark Capital Growth Fund III	-3.1	-3.0	9.7	--	--	9.0
Spark Capital VI	-2.7	12.2	5.0	--	--	4.7
Summit Partners Growth Equity Fund X-A	5.6	8.6	7.6	--	--	10.4
Taconic Market Dislocation Fund III L.P.	-13.7	0.1	8.9	--	--	8.9
Marlin Heritage Europe II, L.P.	11.0	8.4	--	--	--	2.7
Khosla Ventures VII	-23.4	1.0	--	--	--	2.4
Accel-KKR Capital Partners VI	16.9	5.3	--	--	--	0.3
Khosla Ventures Seed E	-3.0	5.4	--	--	--	64.9
TCV XI	12.2	1.7	--	--	--	2.5
Thoma Bravo Discover Fund III	17.8	10.5	--	--	--	11.2
Summit Partners Venture Capital Fund V-A	6.1	6.0	--	--	--	2.0
GTCR Fund XIII/A & B	20.7	10.2	--	--	--	56.0
Genstar Capital Partners X	6.0	3.0	--	--	--	4.8
Nautic Partners X	11.0	12.9	--	--	--	9.4
Spark Capital Growth Fund IV	49.1	25.5	--	--	--	20.2
Spark Capital VII	45.2	8.3	--	--	--	6.6
TCV Velocity Fund I	-8.6	13.0	--	--	--	3.4
Accel-KKR Growth Capital Partners IV	4.5	-0.4	--	--	--	-7.4
Summit Partners Growth Equity Fund XI-A	15.0	8.8	--	--	--	-19.6
GTCR Strategic Growth Fund I/A&B LP	17.0	-14.7	--	--	--	-14.7
Threshold Ventures IV LP	3.2	--	--	--	--	-11.0
Thoma Bravo Discovery Fund IV	19.0	--	--	--	--	17.0
Marlin Heritage III	4.6	--	--	--	--	-49.7
Cortec Group Fund VIII, L.P.	8.3	--	--	--	--	-8.6

Merced County Employees' Retirement Association
Schedule of Investment Results
For the Fiscal Year Ended June 30, 2025

Private Equity (Continued)	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
Khosla Ventures VIII	14.4	--	--	--	--	6.4
Genstar Capital Partners XI	19.7	--	--	--	--	33.7
Summit Partners Europe Growth Equity Fund IV	-47.7	--	--	--	--	-45.0
Spark Capital VIII	-3.8	--	--	--	--	-3.8
Taconic Credit Dislocation Fund IV L.P.	11.0	--	--	--	--	13.8
Khosla Ventures Seed F, L.P.	14.0	--	--	--	--	9.6
Wynnchurch Capital Partners VI, L.P.	--	--	--	--	--	6.6
Accel-KKR Capital Partners VII LP	--	--	--	--	--	-93.0
Total Private Equity**	6.8	5.5	18.1	14.2	12.9	10.2
Index: Custom Blended Private Equity Benchmark	10.2	10.4	19.5	15.7	15.2	--

Direct Lending						
Silver Point Specialty Credit Fund II, L.P.	13.9	10.8	11.2	--	--	11.2
Ares Senior Direct Lending Fund II	12.4	12.3	--	--	--	12.2
Varagon Capital Direct Lending Fund	7.6	5.3	--	--	--	4.4
AG Direct Lending Fund IV Annex	12.2	11.1	--	--	--	10.5
AG Direct Lending Fund V*	11.7	--	--	--	--	8.8
Accel-KKR Credit Partners II LP	25.8	--	--	--	--	29.5
Silver Point Specialty Credit Fund III	9.2	--	--	--	--	8.5
Ares Capital Europe VI (D) Levered, LP	-4.3	--	--	--	--	2.9
Ares Senior Direct Lending Fund III	12.4	--	--	--	--	11.4
Total Direct Lending**	9.7	9.3	10.2	--	--	10.2
Index: S&P LSTA Leverage Loan Index + 2%	9.4	11.9	9.6	7.7	7.2	9.6

Hedge Funds						
Graham Absolute Return	12.0	10.3	12.5	7.9	--	7.7
Wellington Global Equity Long/Short Fund	11.8	13.2	10.9	8.6	--	8.5
Marshall Wace Eureka	9.4	9.3	10.8	8.5	--	8.7
Silver Point Capital	9.2	9.4	13.2	9.0	--	8.9
Laurion Capital	5.4	3.8	6.0	8.5	--	8.7
Taconic Opportunity Fund	-26.0	-7.2	-1.9	--	--	-1.5
Marshall Wace Global Opportunities	3.0	8.4	6.5	--	--	6.6
Caxton Global Investments	18.6	8.5	--	--	--	9.1
Hudson Bay Fund	8.9	--	--	--	--	7.8
OWS Credit Opportunity Fund LP	9.2	--	--	--	--	9.6
Total Hedge Funds	8.1	8.0	8.5	6.1	5.5	5.6
Index: Hedge Fund Custom	7.0	6.5	6.2	4.6	4.1	4.1

**Performance results lag by up to a quarter due to financial reporting constraints.

Top 10 Largest Holdings by Fair Value June 30, 2025				
PAR	Bonds			Fair Value
46,931	GSAMP 2006-HE6 CL A-3	DI 09/14/2006	DD 08-25-2036	\$46,931
30,559	OWNIT MTG LN	DI 09/28/2006	DD 09-25-2037	30,559
29,807	CARRINGTON MTG LN	DI 08/10/2006	DD 08-25-2036	29,807
23,925	CMO BEAR STEARNS	DI 06/01/2006	DD 07-25-2036	23,925
14,873	CMO MERRILL LYNCH	DI 03/01/2006	DD 03-25-2036	14,873
13,484	CMO NOMURA AST ACCEP CORP	DI 06/29/2007	DD 06-25-2037	13,484
11,937	PVTPL CMO GS MTG SECS CORP	DI 10/25/2004	DD 06-25-2034	11,937
8,065	PVTPL CMO INDYMAC ABS INC	DI 06/14/2005	DD 06-25-2038	8,065
6,150	CMO WAMU MTG	DI 08/01/2006	DD 09-25-2036	6,150
5,511	PVTPL CMO 1ST HORIZON	DI 11/01/2006	DD 01-25-2037	5,511
				<u>\$191,242</u>
A complete list of portfolio holdings is available upon request.				

Schedules of Investment Management Fees For the Fiscal Years Ended June 30, 2025 and 2024		
Investment Managers' Fees	2025 Fees	2024 Fees
Equity Managers		
Domestic	\$304,668	\$175,329
International	336,758	116,818
Fixed Income Managers	176,076	67,537
Alternative Investment Managers	3,323,599	276,121
Real Estate Managers	1,011,525	153,976
Total Investment Manager Fees and Assets Managed	\$5,152,627	\$789,781

In Fiscal Year 2025, MercedCERA began recording management fees that are included as part of private investment capital call notices. Previously, the total net amount of the notice was booked as a call of capital without separating out the portion of the capital call representing management fees and other investment expenses.

Merced County Employees' Retirement Association
List of Investment Service Providers
As of June 30, 2025

Investment Service Providers	
Fixed Income	Private Equity
Brandywine	Accel-KKR
GoldenTree Asset Management LP	Adams Street Partners, LLC
Payden & Rygel	Carrick Capital Management Company
PIMCO Investment Management	Cortec Group
Vanguard	Cressey & Company LP
Wellington	Davidson Kempner Capital Management LP
	EnCap Investments LP
Domestic Equity	Genstar Capital
Champlain Investment Partners	GTCR LLC
Mellon Capital Management	Invesco Private Capital
	Khosla Ventures
International Equity	Marlin Equity Partners
Acadian Asset Management	Nautic Partners
Artisan	Ocean Avenue Capital Partners
Driehaus Capital Management	Pantheon Ventures, Inc.
First Eagle	Spark Capital
GQG	Summit Partners
RWC	Taconic Capital Advisors LP
	Technology Crossover Ventures (TCV)
Real Estate	Thoma Bravo, LP
Angelo Gordon	Threshold Ventures
The Carlyle Group	
Carmel Partners, Inc	Hedge Fund
Cerberus Capital Management	Caxton Associates LP
Greenfield Partners	Graham Capital Management
Patron Capital	Hudson Bay
Rockpoint Group	Laurion Capital Management, LLP
Starwood Capital Group	Marshall Wace, LLP
Taconic Capital Advisors LP	One William Street
UBS Global Asset Management	Silver Point Capital, L.P.
	Taconic Capital Advisors LP
	Wellington Alternative Investments
	<i>Continued on next page.</i>

Investment Service Providers (Continued)	
Natural Resources	Infrastructure
BlackRock, Inc	Ardian
Carnelian Energy Capital	BlackRock, Inc
EnCap Investments L.P.	I Squared Capital
GSO Energy Select Opportunities Associates, LLC	KKR & Co. L.P.
Tailwater	North Haven
Taurus Funds Management	
Direct Lending	
Accel KKR	
Angelo Gordon	
Ares Management	
Silver Point Capital	
Varagon Capital	

Actuarial Section

Actuarial Certification Letter	83
Statement of Current Actuarial Assumptions and Methods	87
Probabilities of Separation from Active Service	89
Schedule of Active Member Valuation Data	90
Schedule of Retirements and Beneficiaries Added to and Removed From Retiree Payroll	91
Schedule of Funded Liabilities by Type	91
Actuarial Analysis of Financial Experience	92
Schedule of Funding Progress	92



Via Electronic Mail

January 6, 2026

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Annual Comprehensive Financial Report (ACFR) for the Merced County Employees' Retirement Association (the Plan) as of June 30, 2025. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2024 (transmitted January 14, 2025) and the GASB 67/68 Report as of June 30, 2025 (transmitted December 3, 2025).

Actuarial Valuation Report as of June 30, 2024

The purpose of the annual Actuarial Valuation Report as of June 30, 2024 is to determine the actuarial funding status of the Plan on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2025-2026. The prior review of Plan member and employer rates was conducted as of June 30, 2023 and included recommended contribution rates for the Fiscal Year 2024-2025.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost and expected administrative expenses) plus a level percentage of payroll to amortize the Unfunded Actuarial Liability (UAL). Based on an action taken by the Board at their September 10, 2020 meeting, effective with the June 30, 2019 valuation, 15% of the outstanding balance as of June 30, 2019 of the June 30, 2013 UAL amortization base is carved out as a separate base and amortized over a closed 14-year period as a level percentage of payroll. The remaining 85% is amortized over a closed 14-year period, with 10 years of level payments as a percentage of payroll, and a four-year ramp down at the end of the period.

For the June 30, 2014 valuation, the Board of Retirement adopted a new funding policy for any subsequent unexpected change in the UAL after June 30, 2013. Any new sources of UAL due to actuarial gains and losses or method changes are amortized over a closed 24-year period, with a five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll between the ramping periods. Assumption changes will be amortized over a closed 22-year period, with a three-year ramp up period, two-year ramp down period, and 17 years of level payments as a percentage of payroll.

Merced 2025 ACFR Certification Letter
January 6, 2026
Page 2

The Board also adopted a policy to replace the smoothed Actuarial Value of Assets with the Market Value of Assets for valuation purposes. These amortization and funding policies in conjunction are a type of policy known as direct rate smoothing.

We prepared the following schedules, which we understand will be included in the Actuarial Section of the ACFR, based on the June 30, 2024 actuarial valuation. All historical information prior to the June 30, 2013 actuarial valuation shown in these schedules is based on information reported by EFI Actuaries, which was acquired by Cheiron in January 2013.

- Statement of Current Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Development of 2024 Experience Gain/(Loss) (Analysis of Financial Experience)
- Schedule of Funded Liabilities by Type
- Summary of Plan Provisions

The assumptions and methods used in this report reflect the results of an experience study performed by Cheiron covering the period from July 1, 2019 through June 30, 2022 and adopted by the Board at their December 8, 2022 meeting. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis will cover the years through 2025.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 27, 35, and 44.

GASB 67/68 Report as of June 30, 2025

The purpose of the GASB 67/68 Report as of June 30, 2025 is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the County of Merced and the other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2024 actuarial valuation updated to the measurement date of June 30, 2025. The beginning of year Total Pension Liability was based on the actuarial valuation as of June 30, 2023, updated to June 30, 2024. The Total Pension Liability measurements as of June 30, 2025 and June 30, 2024 presented in the GASB 67/68 Report were based upon the same data, plan provisions, actuarial methods, and assumptions as were used in the actuarial valuation reports as of June 30, 2024 and June 30, 2023, respectively.

Please refer to our GASB 67 report as of June 30, 2025 for additional information related to the financial reporting of the System.



Merced 2025 ACFR Certification Letter
January 6, 2026
Page 3

We prepared the following schedules for inclusion in the Financial Section of the ACFR based on the June 30, 2025 GASB 67/68 report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to the Schedule of Employer Contributions

We certify that the report was performed in accordance with generally accepted actuarial principles and practices and our understanding of the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board as well as applicable laws and regulations. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

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

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

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

These reports are for the use of the Plan and their auditor in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party.

Cheiron's reports were prepared solely for the Plan for the purposes described herein, except that the Plan auditor may rely on these reports solely for the purpose of completing an audit related to the matters herein. They are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

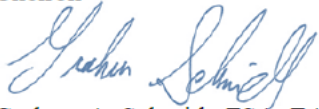
We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.



Merced 2025 ACFR Certification Letter
January 6, 2026
Page 4

These reports do not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,
Cheiron



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Merced County Employees' Retirement Association

Statement of Current Actuarial Assumptions and Methods

A. Economic Assumptions

The following economic assumptions and non-economic assumptions were recommended by the actuary and adopted by the Board of Retirement as of the most recent actuarial valuation (dated June 30, 2024):

Investment Rate of Return	6.75%, net investment and administrative expenses
Inflation	2.75% per annum
Cost-of-Living Adjustments	For Tier 1, 100% of Consumer Price Index (CPI) up to 3% annually with banking, assumed to be 2.40% annually
Asset Valuation Method	Market Value of Assets
Interest Credited to Active Members' Reserves	Pursuant to MercedCERA Interest Crediting Policy, adopted September 14, 2017, interest will fall within a range from 0% to the actuarial interest rate
Projected Annual Salary Increases	2.75%, plus service-based rates

B. Non-Economic Assumptions

The date of the last study of the Plan's actual experience was June 30, 2025. The actuary compared the expected number of terminations from active service to the number actually experienced during a 3-year period and based on this comparison and the trends observed, the probabilities of separation were adjusted.

Mortality Tables Used:

1. Active Members

General Members	CalPERS 2021 Non-Industrial Employees Mortality Table; projected generationally using SOA MP-2020 mortality improvement scale.
Safety Members	2010 Public Safety Below Median Employee Mortality Table; projected generationally using SOA MP-2020 mortality improvement scale.
Safety Members (Line of Duty)	CalPERS 2021 Industrial Employees Mortality Table; projected generationally using SOA MP-2020 mortality improvement scale.

2. Service Retirements

General Members	1.05 times the CalPERS 2021 Healthy Annuitant Mortality Table; projected generationally using MP-2020 mortality improvement scale.
Safety Members	1.05% times the 2010 Public Safety Below Median Healthy Retiree Mortality Table; projected generationally using MP-2020 mortality improvement scale.

3. Disability

Service Connected	CalPERS 2021 Industrial Disability Mortality Table; projected generationally using MP-2020 mortality improvement scale.
Non-Service Connected	CalPERS 2021 Non-Industrial Disability Mortality Table; projected generationally using MP-2020 mortality improvement scale.

4. For employee contribution rate purposes

Same as for active members, except projected using Scale MP-2020 to 2043.

Merced County Employees' Retirement Association

Statement of Current Actuarial Assumptions and Methods (Continued)

Withdrawal Rates	Based upon the Experience Analysis as of 6/30/2022 (See Appendix B of 6/30/2022 Actuarial Valuation Report — Statement of Current Actuarial Assumptions.)
Disability Rates	Based upon the Experience Analysis as of 6/30/2022 (See Appendix B of 6/30/2022 Actuarial Valuation Report — Statement of Current Actuarial Assumptions.)
Service Retirement Rates	Based upon the Experience Analysis as of 6/30/2022 (See Appendix B of 6/30/2022 Actuarial Valuation Report — Statement of Current Actuarial Assumptions.)
Vested Termination	<p>Rates of vested termination apply to active members who terminate their employment after five years of service and leave their contribution with the plan. Vested terminated General Members are assumed to begin receiving benefits at age 60; terminated Safety Members are assumed to begin receiving benefits at age 50. Future reciprocal transfer General members are assumed to begin receiving benefits at age 61; future reciprocal transfer Safety members are assumed to begin receiving benefits at age 55. Current reciprocal transfer members are assumed to begin receiving benefits based on the probabilities of retirement applied to the active members.</p> <p>Future reciprocal transfers' pay growth is assumed to be 3.75% for General Member and 4.00% for Safety Members while employed by a reciprocal employer. Current reciprocal transfers' pay growth is assumed to increase according to the assumptions applied to the active members until the assumed retirement age.</p>
Family Composition	55% of female General members, 75% of male General members and 80% of Safety members are assumed to be married at retirement. Male members are assumed to be three years older than their spouses and female members are assumed to be two years younger than their spouses.

C. Funding Method

The Entry Age Normal actuarial funding method was used for active employees, whereby the normal cost is computed as the level annual percentage of pay required to fund the retirement benefits between each Member's date of hire and assumed retirement. The Actuarial Liability is the difference between the Present Value of Future Benefits and the Present Value of Future Normal Cost. The Unfunded Actuarial Liability (UAL) is the difference between the Actuarial Liability and the Actuarial Value of Assets.

The UAL (or Surplus Funding) is amortized as a percentage of the projected salaries of present and future members of MercedCERA.

- Effective with the June 30, 2013 valuation, the UAL as of June 30, 2013 is amortized over a closed 16-year period. Effective with the June 30, 2019 valuation, 15% of the outstanding balance as of June 30, 2019 of the June 30, 2013 UAL amortization base is carved out as a separate base and amortized over a closed 14-year period as a level percentage of payroll. The remaining 85% is amortized over a closed 14-year period, with 10 years of level payments as a percentage of payroll, and a four-year ramp down at the end of the period.
- Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses or method changes is amortized over a closed 24-year period, with five-year ramp up period at the beginning of the period, a four-year ramp down at the end of the period, and 15 years of level payments as a percentage of payroll.
- Assumption changes will be amortized over a closed 22-year period, with a three-year ramp up period, two-year ramp down period, and 17 years of level payments as a percentage of payroll. This method is a type of direct rate smoothing method.

D. Plan Description

A summary of plan provisions is located in Note 1 of the **NOTES TO BASIC FINANCIAL STATEMENTS**.

Merced County Employees' Retirement Association

Probabilities of Separation from Active Service

GENERAL MEMBERS

Age	Service-Connected Disability	Non-Service-Connected Disability
20	0.0135%	0.0135%
25	0.0136%	0.0136%
30	0.0182%	0.0182%
35	0.0331%	0.0331%
40	0.0678%	0.0678%
45	0.1325%	0.1325%
50	0.1822%	0.1822%
55	0.1380%	0.1380%
60	0.1134%	0.1134%
65	0.1390%	0.1390%

Service (Yrs)	Withdrawals	Transfers	Vested Terminations
0-4	92.50%	7.50%	0.00%
5-9	30.00%	35.00%	35.00%
10-14	20.00%	40.00%	40.00%
15+	5.00%	47.50%	47.50%

Service Retirement (by Service)					
Non-PEPRA			PEPRA		
Age	<20 Yrs	20-29 Yrs	30+ Yrs	5-19 Yrs	20+ Yrs
50	10.00%	12.50%	15.00%	0.00%	0.00%
55	10.00%	12.50%	30.00%	10.00%	10.00%
60	20.00%	25.00%	30.00%	10.00%	15.00%
65	35.00%	35.00%	35.00%	10.00%	15.00%

SAFETY MEMBERS

Age	Service-Connected Disability	Non-Service-Connected Disability
20	0.0420%	0.0090%
25	0.1310%	0.0090%
30	0.2490%	0.0110%
35	0.3700%	0.0340%
40	0.5130%	0.0590%
45	0.6720%	0.1120%
50	0.9190%	0.1600%
55	1.5050%	0.0850%
60	1.7400%	0.0510%
65	2.0930%	0.0510%

Service (Yrs)	Withdrawals	Transfers	Vested Terminations
0-4	95.00%	5.00%	0.0%
5-9	30.00%	52.50%	17.50%
10+	15.00%	63.75%	21.25%

Active Member Mortality		
Age	Female	Male
20	0.0213%	0.0513%
30	0.0505%	0.0790%
40	0.0812%	0.1614%
50	0.1246%	0.1614%
60	0.2538%	0.3859%

Service Retirement (by Service)		
Age	<20 Yrs	20+ Yrs
40	0.00%	1.50%
45	0.00%	1.50%
50	15.00%	25.00%
55	25.00%	25.00%
60	25.00%	25.00%

RATES OF TERMINATION

Years of Service	General	Safety	Years of Service	General	Safety
0	22.50%	21.00%	20	4.00%	0.00%
5	9.00%	6.50%	25	4.00%	0.00%
10	5.50%	4.75%	30	0.00%	0.00%
15	4.00%	3.50%			

Note: Information compiled from Actuarial Report Prepared by Cheiron, Inc. dated June 30, 2024

Merced County Employees' Retirement Association

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Annual Salary
6/30/2015	General	1,664	\$93,938,857	\$56,454	-0.03%
	Safety	298	\$18,397,233	\$61,736	-0.54%
	Total	1,962	\$112,336,090	\$57,256	-0.15%
6/30/2016	General	1,729	\$97,337,917	\$56,297	-0.28%
	Safety	311	\$19,394,922	\$62,363	1.02%
	Total	2,040	\$116,732,839	\$57,222	-0.06%
6/30/2017	General	1,783	\$102,498,328	\$57,486	2.11%
	Safety	313	\$20,136,322	\$64,333	3.16%
	Total	2,096	\$122,634,651	\$58,509	2.25%
6/30/2018	General	1,827	\$108,067,248	\$59,150	2.89%
	Safety	322	\$22,018,174	\$68,379	6.29%
	Total	2,149	\$130,085,423	\$60,533	3.46%
6/30/2019	General	1,861	\$111,267,187	\$59,789	1.08%
	Safety	316	\$22,498,224	\$71,197	4.12%
	Total	2,177	\$133,765,412	\$61,445	1.51%
6/30/2020	General	1,828	\$112,315,867	\$61,442	2.76%
	Safety	321	\$22,982,055	\$71,595	0.56%
	Total	2,149	\$135,297,921	\$62,959	2.46%
6/30/2021	General	1,799	\$116,284,193	\$64,638	5.20%
	Safety	319	\$23,871,550	\$74,832	4.52%
	Total	2,118	\$140,155,743	\$66,174	5.11%
6/30/2022	General	1,842	\$120,774,476	\$65,567	1.44%
	Safety	325	\$25,176,047	\$77,465	3.52%
	Total	2,167	\$145,950,524	\$67,351	1.78%
6/30/2023	General	1,857	\$126,256,107	\$67,989	3.69%
	Safety	308	\$24,891,179	\$80,816	4.33%
	Total	2,165	\$151,147,286	\$69,814	3.66%
6/30/2024	General	1,932	\$135,194,222	\$69,976	2.92%
	Safety	330	\$27,952,496	\$84,705	4.81%
	Total	2,262	\$163,146,718	\$72,125	3.31%

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2024. The data differs from the membership data in the notes to the financial statements due to timing differences and actuary changes in rounding of data.

Schedule of Retirements and Beneficiaries Added to and Removed from Retiree Payroll For Fiscal Years Ended June 30

Year	Beginning of Year	Added During Year	Allowances Added (\$000)	Removed During Year	Allowances Removed (\$000)	End of Year	Retiree Payroll (\$000)	% Increase in Retiree Payroll	Average Annual Allowances
2015	2,135	100	\$2,509	35	\$720	2,200	\$63,254	4.90%	\$28,752
2016	2,200	68	\$1,716	34	\$946	2,234	\$65,506	3.56%	\$29,322
2017	2,234	85	\$2,283	56	\$1,023	2,263	\$68,476	4.53%	\$30,259
2018	2,263	120	\$3,617	73	\$1,672	2,310	\$72,003	5.15%	\$31,170
2019	2,310	141	\$4,908	78	\$1,805	2,373	\$76,949	6.87%	\$32,427
2020	2,373	126	\$4,590	66	\$1,555	2,433	\$81,827	6.34%	\$33,632
2021	2,433	117	\$3,954	84	\$2,671	2,466	\$84,975	3.85%	\$34,459
2022	2,466	144	\$4,842	87	\$2,714	2,523	\$88,407	4.04%	\$35,040
2023	2,523	135	\$4,160	74	\$1,794	2,584	\$92,661	4.81%	\$35,859
2024	2,584	121	\$3,678	82	\$2,026	2,623	\$96,370	4.00%	\$36,741

Note: The data differs from the membership data in the notes to the basic financial statements due to timing differences and rounding of data.

Schedule of Funded Liabilities by Type For Fiscal Years Ended June 30 (Dollar Amounts in Thousands)

Actuarial Accrued Liabilities (AAL) For						Portion of Accrued Liabilities Covered by Reported Assets		
1	2	3						
Valuation Date	Active Member Contributions	Retirees and Beneficiaries	Active Members Employer Portion	Total Actuarial Accrued Liabilities	Valuation Assets	1	2	3
2015	\$78,078	\$765,738	\$287,365	\$1,131,181	\$672,319	100%	78%	0%
2016	\$81,880	\$804,658	\$314,657	\$1,201,195	\$670,016	100%	73%	0%
2017	\$85,150	\$834,643	\$339,909	\$1,259,702	\$753,769	100%	80%	0%
2018	\$86,585	\$871,095	\$344,239	\$1,301,919	\$826,654	100%	85%	0%
2019	\$86,356	\$932,909	\$350,930	\$1,370,195	\$866,503	100%	84%	0%
2020	\$84,767	\$986,071	\$342,043	\$1,412,881	\$919,815	100%	85%	0%
2021	\$88,147	\$1,038,307	\$364,778	\$1,491,232	\$1,163,254	100%	100%	10%
2022	\$89,217	\$1,071,129	\$368,988	\$1,529,334	\$1,064,441	100%	91%	0%
2023	\$91,021	\$1,102,303	\$381,285	\$1,574,609	\$1,135,081	100%	95%	0%
2024	\$95,828	\$1,120,290	\$399,758	\$1,615,876	\$1,253,752	100%	100%	9%

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2024.

Actuarial Analysis of Financial Experience For Fiscal Years Ended June 30 (Dollar Amounts in Thousands)						
Actuarial Gain/(Loss)				Changes in Plan Provisions	Changes in Assumptions/ Methods	Total (Gains)/Loss
Plan Year Ended	Asset Sources	Liability Sources	Total			
2015	\$31,459	\$(5,096)	\$26,363	N/A	\$7,636	\$33,999
2016	\$52,420	\$(8,327)	\$44,093	N/A	\$41,488	\$85,581
2017	\$(34,498)	\$2,720	\$(31,778)	N/A	\$18,639	\$(13,139)
2018	\$(15,963)	\$1,158	\$(14,805)	N/A	\$576	\$(14,229)
2019	\$20,208	\$7,038	\$27,246	N/A	\$22,230	\$49,476
2020	\$3,288	\$9,654	\$12,942	N/A	\$(8,408)	\$4,534
2021	\$189,425	\$999	\$190,424	N/A	\$(43,792)	\$146,632
2022	\$(165,247)	\$12,615	\$(152,632)	N/A	\$(14,169)	\$(166,801)
2023	\$11,992	\$(8,913)	\$3,079	N/A	\$(819)	\$2,260
2024	\$58,147	\$(5,664)	\$52,483	N/A	\$(2,918)	\$49,565

Schedule of Funding Progress For Fiscal Years Ended June 30 (Dollar Amounts in Thousands)						
Actuarial Valuation Date	Valuation Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Active Member Projected Payroll	Unfunded AAL as a % of Covered Payroll
2015	\$672,319*	\$1,131,181	\$458,862	59.4%	\$117,822	389.5%
2016	\$670,016*	\$1,201,195	\$531,179	55.8%	\$123,018	431.8%
2017	\$753,769*	\$1,259,702	\$505,933	59.8%	\$129,624	390.3%
2018	\$826,654*	\$1,301,919	\$475,265	63.5%	\$137,668	345.2%
2019	\$866,503*	\$1,370,195	\$503,692	63.2%	\$142,328	353.9%
2020	\$919,815*	\$1,412,881	\$493,066	65.1%	\$143,992	342.4%
2021	\$1,163,254*	\$1,491,232	\$327,978	78.0%	\$145,531	225.4%
2022	\$1,064,441*	\$1,529,334	\$464,893	69.6%	\$151,900	306.1%
2023	\$1,135,081*	\$1,574,609	\$439,528	72.1%	\$157,252	279.5%
2024	\$1,253,753*	\$1,615,876	\$362,123	77.6%	\$163,516	221.4%

*Reflects change in asset valuation methodology from valuation value of assets to market value of assets effective for the 2014 actuarial valuation.

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2024.

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Statistical Section

Additions by Source	95
Deductions by Type	95
Schedules of Changes in Fiduciary Net Position	96
Schedules of Benefit Expenses by Type	97
Schedule of Retired Members by Type of Benefit	98
Ten Year Structure of Retiree Membership History	98
Summary of Retired Membership	99
Schedule of Retired Members by Type of Retirement	100
Retired Members Average Benefit Payments	101
Participating Employers and Active Members	102

Summary of Statistical Data

The Statistical Section presents information pertaining to MercedCERA's operations on a multi-year basis. The financial and operating information provides contextual data for MercedCERA's fiduciary net position, benefits, refunds, and different types of retirement benefits. The data presented in this section was produced and compiled by the Association.

Additions by Source					
Fiscal Year Ended	Plan Member Contributions	Employer Contributions	Employer % of Covered Payroll	Net Investment Income and Other Income (Loss)	Total
6/30/2016	\$ 9,042,663	\$56,617,088	49.50%	\$(388,209)	\$ 65,271,542
6/30/2017	\$ 9,384,621	\$60,349,189	50.45%	\$ 83,097,416	\$152,831,226
6/30/2018	\$10,441,876	\$64,757,288	51.11%	\$ 70,689,084	\$145,888,248
6/30/2019	\$10,695,680	\$66,586,464	50.69%	\$ 39,728,950	\$117,011,094
6/30/2020	\$10,796,855	\$67,413,475	49.71%	\$ 57,232,017	\$135,442,347
6/30/2021	\$11,895,243	\$64,512,161	46.90%	\$253,466,527	\$329,873,931
6/30/2022	\$12,124,583	\$65,629,994	46.37%	\$(87,115,891)	\$ (9,361,314)
6/30/2023	\$13,445,557	\$68,648,166	45.77%	\$ 83,417,442	\$165,511,165
6/30/2024	\$13,403,198	\$69,632,270	45.59%	\$134,248,001	\$217,283,469
6/30/2025	\$13,943,864	\$74,195,843	46.36%	\$ 139,250,411	\$227,390,117

Deductions by Type					
Fiscal Year Ended	Benefits Paid	Administrative Expenses	Actuarial Expense	Refunds of Contributions	Total
6/30/2016	\$63,928,672	\$2,416,563	\$ 76,121	\$ 1,153,731	\$67,575,087
6/30/2017	\$66,116,108	\$1,966,898	\$ 206,509	\$ 788,207	\$69,077,722
6/30/2018	\$69,836,223	\$2,177,186	\$ 106,210	\$ 883,987	\$73,003,606
6/30/2019	\$74,238,692	\$2,271,779	\$ 79,326	\$ 571,983	\$77,161,780
6/30/2020	\$78,755,515	\$2,253,113	\$ 211,784	\$ 910,147	\$82,130,559
6/30/2021	\$82,836,595	\$2,494,246	\$ 126,833	\$ 977,485	\$86,435,159
6/30/2022	\$85,912,580	\$2,522,797	\$ 120,292	\$ 896,116	\$89,451,785
6/30/2023	\$90,585,672	\$2,789,967	\$ 232,010	\$ 1,262,876	\$94,870,525
6/30/2024	\$94,081,287	\$2,753,296	\$ 84,737	\$ 1,692,862	\$98,612,182
6/30/2025	\$97,575,371	\$3,181,170	\$ 81,410	\$ 1,603,026	\$102,440,977

Merced County Employees' Retirement Association
Schedules of Changes in Fiduciary Net Position
(Dollars in Thousands)

	6/30/2025	6/30/2024	6/30/2023	6/30/2022	6/30/2021
Additions					
Plan Members Contributions	\$13,944	\$13,403	\$13,446	\$12,124	\$11,895
Employer Contributions	74,195	69,632	68,648	65,630	64,512
Net Investment Income/(Loss)	139,250	134,248	83,417	(87,115)	253,467
Total Additions	227,389	217,283	165,511	(9,361)	329,874
Deductions					
Benefits Paid	97,575	94,081	90,586	85,913	82,837
Administrative Expenses	3,182	2,753	2,790	2,523	2,494
Actuarial Expenses	81	85	232	120	127
Refunds	1,603	1,693	1,263	896	977
Total Deductions	102,441	98,612	94,871	89,452	86,435
Change in Fiduciary Net Position	124,949	118,671	70,640	(98,813)	243,439
Net Position Restricted for Pensions at Beginning of the Year	1,253,752	1,135,081	1,064,441	1,163,254	919,815
Net Position Restricted for Pensions at End of the Year	\$1,378,701	\$1,253,752	\$1,135,081	\$1,064,441	\$1,163,254

	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016
Additions					
Plan Members Contributions	\$10,797	\$10,696	\$10,442	\$9,385	\$9,043
Employer Contributions	67,413	66,586	64,757	60,349	56,617
Net Investment Income/(Loss)	57,232	39,729	70,689	83,097	(388)
Total Additions	135,442	117,011	145,888	152,831	65,272
Deductions					
Benefits Paid	78,755	74,239	69,836	66,116	63,929
Administrative Expenses	2,253	2,272	2,177	1,966	2,417
Actuarial Expenses	212	79	106	207	76
Refunds	910	572	884	788	1,154
Total Deductions	82,130	77,162	73,003	69,077	67,576
Change in Fiduciary Net Position	53,312	39,849	72,885	83,754	(2,304)
Net Position Restricted for Pensions at Beginning of the Year	866,503	826,654	753,769	670,015	672,319
Net Position Restricted for Pensions at End of the Year	\$919,815	\$866,503	\$826,654	\$753,769	\$670,015

Merced County Employees' Retirement Association
Schedules of Benefit Expenses by Type
(Amount in Thousands of Dollars)

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Service Retirement										
General	\$71,679	\$68,982	\$65,945	\$62,724	\$60,682	\$57,652	\$54,136	\$50,551	\$47,522	\$46,126
Safety	13,573	13,108	12,880	11,837	10,993	10,006	9,336	8,652	8,059	7,761
Total	\$85,252	\$82,090	\$78,825	\$74,561	\$71,675	\$67,658	\$63,472	\$59,203	\$55,581	\$53,887
Disability Retirement										
General	\$2,009	\$2,105	\$2,136	\$2,234	\$2,071	\$2,141	\$2,139	\$2,032	\$2,117	\$1,953
Safety	3,199	3,147	3,148	3,133	3,210	3,182	3,100	2,976	2,759	2,604
Total	\$5,208	\$5,252	\$5,284	\$5,367	\$5,281	\$5,323	\$5,239	\$5,008	\$4,876	\$4,557
Beneficiary/Survivor										
General	\$4,979	\$4,872	\$4,645	\$4,577	\$4,210	\$3,915	\$3,786	\$3,808	\$3,767	\$3,667
Safety	1,504	1,406	1,271	1,147	1,506	1,575	1,608	1,627	1,729	1,650
Total	\$6,483	\$6,278	\$5,916	\$5,724	\$5,716	\$5,490	\$5,394	\$5,435	\$5,496	\$5,317
Total Payroll Expense										
General	\$78,667	\$75,959	\$72,726	\$69,535	\$66,963	\$63,708	\$60,061	\$56,391	\$53,406	\$51,746
Safety	18,276	17,661	17,299	16,117	15,709	14,763	14,044	13,255	12,547	12,015
Total	\$96,944	\$93,620	\$90,025	\$85,652	\$82,672	\$78,471	\$74,105	\$69,646	\$65,953	\$63,761
Death Benefits										
General	\$150	\$182	\$257	\$213	\$149	\$128	\$99	\$102	\$111	\$129
Safety	18	105	9	15	15	3	24	18	12	15
Total	\$168	\$287	\$266	\$228	\$164	\$131	\$123	\$120	\$123	\$144
Separation Refund Expense										
General	\$1,246	\$1,249	\$921	\$689	\$868	\$680	\$446	\$643	\$674	\$978
Safety	357	444	342	207	109	230	126	241	114	176
Total	\$1,603	\$1,693	\$1,263	\$896	\$977	\$910	\$572	\$884	\$788	\$1,154
Active Death Expense										
General	\$462	\$174	\$ 234	\$32	-	\$154	\$11	\$70	\$40	\$24
Safety	-	-	60	-	-	-	-	-	-	-
Total	\$462	\$174	\$ 294	\$32	-	\$154	\$11	\$70	\$40	\$24

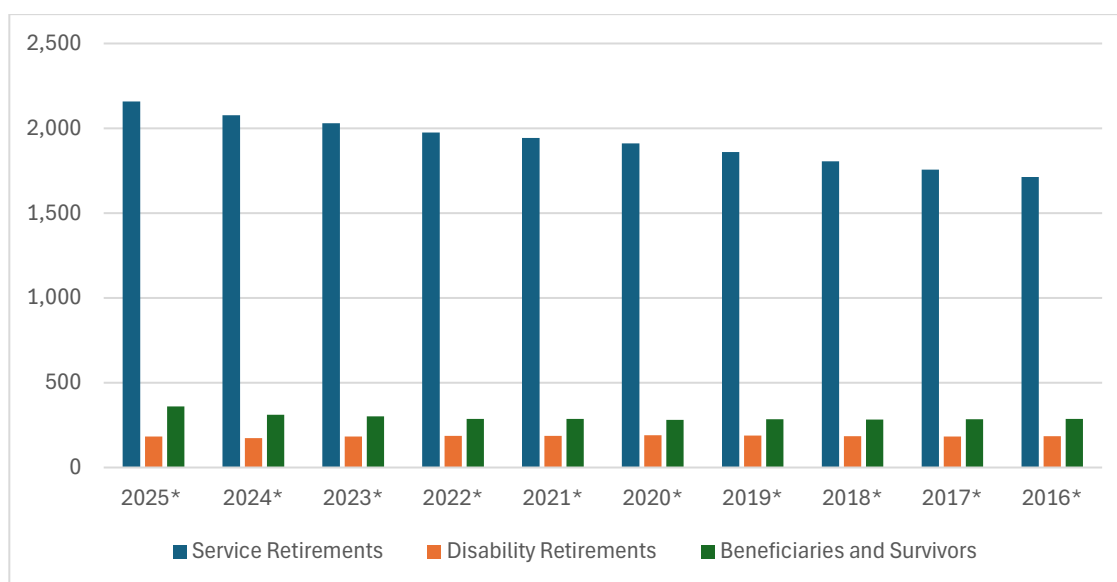
*During the 2015 fiscal year, MercedCERA converted to the CPAS System. Because of differences in handling data, beneficiaries of disability retiree decedents are now grouped with Beneficiary/Survivors.

Merced County Employees' Retirement Association
Schedule of Retired Members by Type of Benefit
(Summary of Monthly Allowances Being Paid - As of June 30, 2025)

Type of Benefit	General Members		Safety Members		Total	
	Number	Average Monthly Allowance	Number	Average Monthly Allowance	Number	Average Monthly Allowance
Service Retirement	1,856	\$3,258	245	\$4,288	2,101	\$3,384
Disability	80	\$2,076	81	\$3,434	161	\$2,750
Beneficiary/Survivor	260	\$1,797	64	\$2,728	324	\$1,945
Total Retired Members	2,196	\$3,053	390	\$3,928	2,586	\$3,184

This schedule excludes separation refunds and death refunds.

Ten Year Structure of Retiree Membership History



	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
Service Retirements	2,101	2,077	2,029	1,975	1,943	1,911	1,859	1,806	1,757	1,713
Disability Retirements	161	173	182	186	186	191	188	185	183	184
Beneficiaries and Survivors	324	310	301	286	286	281	284	283	285	286
Total	2,586	2,560	2,512	2,447	2,415	2,383	2,331	2,274	2,225	2,183

*During the 2014-2015 fiscal year, MercedCERA migrated to a new pension administration system. Beneficiaries of disability retirees are no longer classified as disability retirements for statistical purposes. This has resulted in a re-proportioning of these numbers.

Merced County Employees' Retirement Association
Summary of Retired Membership
For Fiscal Years Ended June 30 (Basic Annual and Total Annual Allowance Dollars in Thousands)

	2025*	2024*	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*
General										
Number	2,197	2,160	2,126	2,087	2,045	2,029	1,987	1,937	1,895	1,860
Average Basic Annual Allowance	\$58,809	\$57,297	\$55,158	\$53,103	\$51,416	\$49,178	\$46,562	\$43,874	\$41,930	\$41,265
Average Basic Monthly Allowance	\$2,231	\$2,185	\$2,162	\$2,120	\$2,095	\$2,020	\$1,953	\$1,888	\$1,844	\$1,849
Average Total Annual Allowance**	\$78,668	\$76,077	\$72,726	\$69,535	\$66,963	\$63,708	\$60,061	\$56,391	\$53,406	\$51,746
Average Total Monthly Allowance	\$2,948	\$2,902	\$2,851	\$2,777	\$2,729	\$2,617	\$2,519	\$2,426	\$2,349	\$2,318
Safety										
Number	389	400	386	378	370	354	344	337	330	323
Average Basic Annual Allowance	\$12,719	\$12,390	\$12,215	\$11,496	\$11,313	\$10,724	\$10,302	\$9,783	\$9,347	\$9,086
Average Basic Monthly Allowance	\$2,725	\$2,604	\$2,637	\$2,534	\$2,548	\$2,524	\$2,496	\$2,419	\$2,360	\$2,344
Average Total Annual Allowance**	\$18,277	\$17,663	\$17,299	\$16,117	\$15,709	\$14,763	\$14,044	\$13,255	\$12,547	\$12,015
Average Total Monthly Allowance	\$3,915	\$3,712	\$3,735	\$3,553	\$3,538	\$3,475	\$3,402	\$3,278	\$3,168	\$3,100
Total										
Number	2,586	2,560	2,512	2,467	2,415	2,383	2,331	2,274	2,225	2,183
Average Basic Annual Allowance	\$71,528	\$69,687	\$67,373	\$64,599	\$62,728	\$59,902	\$56,864	\$53,657	\$51,277	\$50,351
Average Basic Monthly Allowance	\$2,305	\$2,250	\$2,235	\$2,184	\$2,165	\$2,095	\$2,033	\$1,966	\$1,920	\$1,922
Average Total Annual Allowance**	\$96,945	\$93,740	\$90,025	\$85,652	\$82,672	\$78,471	\$74,105	\$69,646	\$65,953	\$63,761
Average Total Monthly Allowance	\$3,124	\$3,026	\$2,987	\$2,896	\$2,853	\$2,744	\$2,649	\$2,552	\$2,470	\$2,434

*As of 2015, divorcees will be excluded from Membership data as they are technically not members and only represent a party to a single split benefit.

**Total Annual Allowance includes COLA, and partial monthly payment/one-time catch up payment. This excludes death refunds, lump sum death benefits and separation refunds.

Merced County Employees' Retirement Association
Schedule of Retired Members by Type of Retirement
As of June 30, 2025

		Type of Retirement*							Option Selected**					
Amount of Monthly Benefit	Number of Members	1	2	3	4	5	6	7	U	1	2	3	4	SD
General Members														
\$1 - \$999	509	178	225	80	10	1	4	11	368	27	82	17	-	15
\$1,000 - \$1,999	551	184	245	66	7	12	27	10	444	11	70	16	1	9
\$2,000 - \$2,999	366	152	147	24	2	26	6	9	303	8	39	13	1	2
\$3,000 - \$3,999	227	95	110	15	1	4	1	1	197	5	18	5	1	1
\$4,000 - \$4,999	154	72	70	8	-	4	-	-	137	3	11	2	-	1
\$5,000 - \$5,999	117	47	66	3	-	1	-	-	96	7	8	4	1	1
\$6,000 - \$6,999	77	32	45	-	-	-	-	-	66	1	8	2	-	-
\$7,000 - \$7,999	64	26	32	6	-	-	-	-	55	3	4	2	-	-
\$8,000 - \$8,999	33	15	16	2	-	-	-	-	28	-	3	1	1	-
\$9,000 - \$9,999	16	6	10	-	-	-	-	-	12	1	2	-	1	-
\$10,000 & over	83	38	41	4	-	-	-	-	68	4	11	-	-	-
Totals	2,197	845	1007	208	20	48	38	31	1,774	70	256	62	6	29
Safety Members														
\$1 - \$999	39	23	1	2	2	10	-	1	22	4	10	1	-	2
\$1,000 - \$1,999	52	26	3	13	1	8	1	-	40	1	10	1	-	1
\$2,000 - \$2,999	70	34	5	6	1	19	-	5	56	-	12	-	-	1
\$3,000 - \$3,999	91	32	6	11	2	30	1	9	78	1	8	-	1	3
\$4,000 - \$4,999	46	26	3	6	-	9	-	2	39	-	5	-	2	-
\$5,000 - \$5,999	25	13	5	-	-	5	-	2	21	1	3	-	-	-
\$6,000 - \$6,999	21	17	4	-	-	-	-	-	14	1	4	1	1	-
\$7,000 - \$7,999	12	10	-	-	-	2	-	-	11	-	1	-	-	-
\$8,000 - \$8,999	9	7	1	-	-	1	-	-	8	-	-	1	-	-
\$9,000 - \$9,999	8	7	-	-	-	1	-	-	6	-	1	1	-	-
\$10,000 & over	16	11	3	-	-	2	-	-	15	-	1	-	-	-
Totals	389	206	31	38	6	87	2	19	310	8	55	5	4	7
Grand Totals	2,586	1,051	1,038	246	26	135	40	50	2,084	78	311	67	10	36

***Type of Retirement:**

- 1-Normal retirement for age and service
- 2-Early retirement
- 3-Beneficiary payment, normal or early retirement
- 4-Beneficiary payment, death in service
- 5-Service-connected disability retirement
- 6-Non-service-connected disability retirement
- 7-Beneficiary payment, disability retirement

****Option Selected:**

Unmodified Plan-Beneficiary receives 60% continuance

The following options reduce the retired member's monthly Benefit:
Option 1- Beneficiary receives lump sum or member's reduced allowance
Option 2 - Beneficiary receives 100% of member's reduced allowance
Option 3 - Beneficiary receives 50% of member's reduced allowance
Option 4 - Multiple beneficiaries receive a designated percentage of a reduced allowance

The monthly benefit for the following option varies dependent upon multiple factors:

Option SD-Pre-retirement death in service

Merced County Employees' Retirement Association

Retired Members Average Benefit Payments

Last Ten Fiscal Years

Retirement Effective Dates	Years of Credited Service						
	0-4	5-9	10-14	15-19	20-24	25-29	30+
Period 7/1/2024 to 6/30/2025							
Average Monthly Benefit	\$ 716	\$1,193	\$1,924	\$3,156	\$4,034	\$4,876	\$6,205
Average Final Monthly Salary	\$ 5,108	\$8,299	\$5,295	\$7,225	\$6,876	\$6,902	\$6,756
Number of Retired Members	9	13	12	13	16	10	7
Period 7/1/2023 to 6/30/2024							
Average Monthly Benefit	\$383	\$984	\$2,176	\$2,909	\$4,013	\$4,544	\$6,000
Average Final Monthly Salary	\$557	\$5,776	\$6,324	\$6,172	\$6,274	\$6,459	\$6,877
Number of Retired Members	2	15	11	20	22	10	5
Period 7/1/2022 to 6/30/2023							
Average Monthly Benefit	\$474	\$922	\$2,066	\$2,996	\$3,735	\$5,636	\$4,858
Average Final Monthly Salary	\$9,495	\$6,863	\$5,983	\$6,364	\$5,885	\$7,229	\$5,200
Number of Retired Members	9	9	17	22	20	13	5
Period 7/1/2021 to 6/30/2022							
Average Monthly Benefit	\$479	\$1,304	\$2,080	\$2,598	\$3,428	\$4,496	\$9,137
Average Final Monthly Salary	\$9,304	\$7,231	\$6,755	\$5,850	\$5,760	\$5,778	\$10,067
Number of Retired Members	9	12	16	12	24	14	8
Period 7/1/2020 to 6/30/2021							
Average Monthly Benefit	\$911	\$1,036	\$2,001	\$2,717	\$3,855	\$4,922	\$6,069
Average Final Monthly Salary	\$12,131	\$6,480	\$5,879	\$5,617	\$6,175	\$6,552	\$6,934
Number of Retired Members	8	15	13	17	20	6	10
Period 7/1/2019 to 6/30/2020							
Average Monthly Benefit	\$440	\$1,195	\$1,844	\$3,575	\$4,400	\$5,481	\$5,373
Average Final Monthly Salary	\$9,061	\$6,086	\$5,193	\$7,592	\$7,376	\$7,319	\$6,166
Number of Retired Members	6	7	24	15	25	13	9
Period 7/1/2018 to 6/30/2019							
Average Monthly Benefit	\$473	\$1,026	\$1,930	\$3,352	\$4,144	\$6,511	\$6,540
Average Final Monthly Salary	\$7,581	\$6,545	\$5,392	\$6,982	\$6,792	\$8,710	\$7,142
Number of Retired Members	12	9	18	22	14	12	12
Period 7/1/2017 to 6/30/2018							
Average Monthly Benefit	\$309	\$1,421	\$1,432	\$2,240	\$4,202	\$4,691	\$4,969
Average Final Monthly Salary	\$6,936	\$5,742	\$4,324	\$4,786	\$6,713	\$5,943	\$5,639
Number of Retired Members	6	19	16	21	17	11	11
Period 7/1/2016 to 6/30/2017							
Average Monthly Benefit	\$574	\$1,044	\$1,852	\$1,657	\$3,490	\$4,866	\$7,294
Average Final Monthly Salary	\$9,068	\$6,544	\$5,327	\$4,073	\$5,618	\$6,112	\$8,780
Number of Retired Members	11	15	19	18	13	6	3
Period 7/1/2015 to 6/30/2016							
Average Monthly Benefit	\$212	\$1,273	\$2,067	\$3,227	\$2,997	\$3,724	\$4,669
Average Final Monthly Salary	\$7,449	\$5,585	\$6,322	\$6,299	\$4,703	\$4,750	\$4,875
Number of Retired Members	8	15	19	11	4	4	2

Merced County Employees' Retirement Association
Participating Employers and Active Members
Last Ten Fiscal Years Ended June 30

Participating employers	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
County of Merced										
General Members	1,822	1,817	1,672	1,690	1,703	1,683	1,736	1,690	1,665	1,596
Safety Members	351	345	298	326	318	321	318	320	320	311
Total County of Merced	2,173	2,162	1,970	2,016	2,021	2,004	2,054	2,010	1,985	1,907
Percentage of Membership	93.79%	93.96%	93.45%	93.55%	94.00%	93.47%	93.96%	93.88%	93.68%	93.39%
Merced Cemetery District										
	1	1	1	1	1	1	-	1	1	1
Percentage of Membership	0.04%	0.04%	0.05%	0.05%	0.05%	0.05%	-	0.05%	0.05%	0.05%
Merced County Law Library										
	2	1	-	1	-	-	-	-	-	-
Percentage of Membership	0.09%	0.04%	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Merced Superior Court										
	141	137	137	137	128	139	132	130	133	129
Percentage of Membership	6.09%	5.96%	6.50%	6.35%	5.95%	6.48%	6.04%	6.07%	6.28%	6.32%
Regional Waste Management Authority*										
	-	-	-	-	-	-	-	-	-	5
Percentage of Membership	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.24%
Total Active Membership										
General	1,966	1,956	1,810	1,829	1,832	1,823	1,868	1,821	1,799	1,731
Safety	351	345	298	326	318	321	318	320	320	311
Total	2,317	2,301	2,108	2,155	2,150	2,144	2,186	2,141	2,119	2,042

*Regional Waste Management Authority is no longer a participating of MercedCERA.

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Merced County Employees' Retirement Association

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