MERCED CERA

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

2023

Annual Comprehensive Financial Report

For the fiscal years ended June 30, 2023 and 2022

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Annual Comprehensive Financial Report

For the Fiscal Years Ended June 30, 2023 and 2022

Issued by:

Kristen Santos
Plan Administrator

Mark A. Harman, MBA
Fiscal Manager

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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Merced, California 95348
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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.

Investment Section (continued)

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Introductory Section

December 15, 2023

Board of Retirement
Merced County Employees' Retirement Association
3199 M Street
Merced, CA 95326

Dear Board Members:

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, 2023 and 2022. 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 73rd 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 the 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 employee retirement system established by the County of Merced on July 1, 1950. MercedCERA is administered by the MercedCERA 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, Merced Cemetery District, and the Merced County Law Library 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. 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 years fiscal years ended June 30, 2023 and 2022 is presented in 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. 98 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, 2023, MercedCERA's fiduciary net position restricted for pension benefits totaled approximately $1.135 billion reflecting an increase of approximately $70.6 million or 6.6% 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. As part of the valuation, economic assumptions are reviewed and, in addition, every three years a triennial 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, 2022, reported the Association's actuarial funding status (the ratio of assets to actuarial liabilities) is 69.6%. This decrease in funding ratio (69.6% from 78.0% as of June 30, 2021) was primarily due to a combination of MercedCERA's fair value of assets decreasing at a rate faster than the increase of the actuarial liabilities, which were both driven by the changes in the assumptions and performance of MercedCERA's investments.

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 listing of the investment service providers and investment fees is located on pages 79 and 78, respectively.

For the fiscal year ended June 30, 2023, MercedCERA's investment return, gross of fees, as reported by Meketa Investment Group, was a positive 7.9% and the annualized rates of return, gross of fees, over the last three and five years were a positive 8.5% and 7.5%, respectively.

Service Efforts and Accomplishments

- Adopted and implemented a cost-of-living adjustment (COLA) of 3.0% effective April 1, 2023 for Tier 1 retired members.
- For the nineteenth consecutive year, MercedCERA was awarded the GFOA Certificate of Achievement for Excellence in Financial Reporting for MercedCERA's 2022-2021 Annual Comprehensive Financial Report.
- Approved commitments for each of the following private investments (regardless of funding progress at June 30, 2023):
    - Silver Point Specialty Credit Fund III — $20M
    - BlackRock Global Infrastructure Fund IV — $20M
    - GTCR Fund XIV — $8M
    - Accel KKR Capital Partners Fund VII — $8M
    - EnCap Flatrock Midstream Fund V — $8M

  - Summit Partners Europe Growth Equity IV — €8M
  - Khosla Ventures VIII — $6M
  - Khosla Ventures Seed F — $2M
  - Ares Capital Europe VI — $20M
  - Cortec Group VIII — $10M
  - Genstar Capital XI — $8M
  - EnCap Energy Capital Fund XII — $8M
  - Ares Senior Direct Lending III — $20M
  - Taconic Credit Dislocation IV — $8M
- Approved commitments for each of the following hedge funds (regardless of funding progress at June 30, 2023):
  - Hudson Bay Capital — $15M
  - One William Street Credit Opportunity Fund — $20M
- Adopted the 2022 actuarial valuation report and 2022 actuarial experience study as presented by Cheiron, Inc.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to MercedCERA for its Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2022. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Annual Comprehensive Financial Report, whose contents conform to program standards. The Annual Comprehensive Financial Report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. This is MercedCERA's eighteenth Certificate of Achievement for excellence in Financial Reporting. We believe our current report continues to conform to the Certificate of Achievement program requirements.

Acknowledgements

The compilation of this report reflects the dedicated efforts of MercedCERA's Fiscal Manager, Mark Harman, and Accountants, Jennifer Figueroa and Kristy Barajas. I would also like to thank MercedCERA's professional consultants: our actuary, our investment consultants, and our auditor for their assistance.

Sincerely,

Kristen Santos
Plan Administrator

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Merced County Employees' Retirement Association
California

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

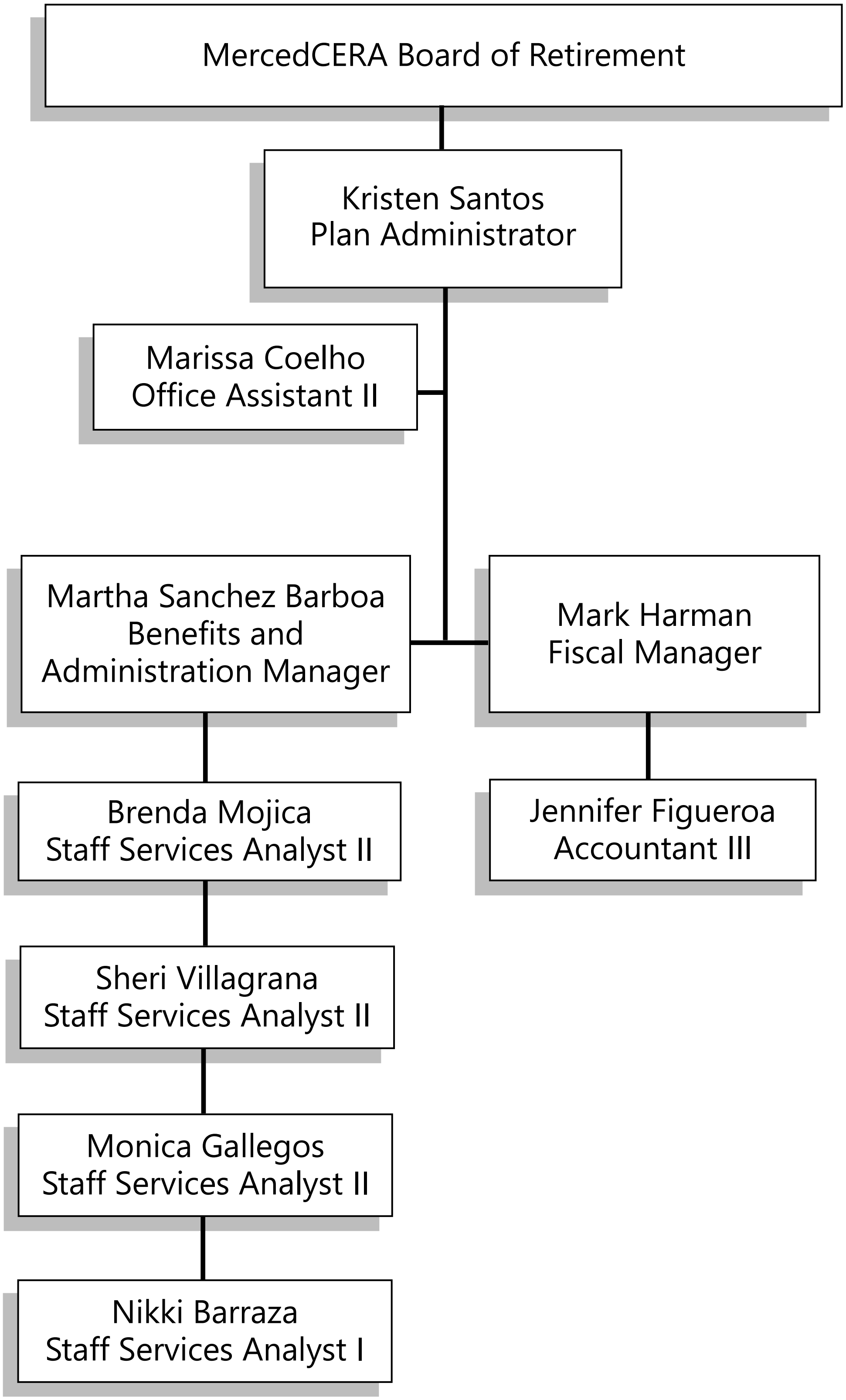
June 30, 2022

Christopher P. Morrill
Executive Director/CEO

Merced County Employees' Retirement Association
Members of the Board of Retirement
As of June 30, 2023

Trustees	**Term Expiration**	**Appointed/Elected by**
Ryan Paskin, Chair	December 31, 2025	Board of Supervisors
Scott Johnston, Vice Chair	December 31, 2023	Retired Members
Alfonse Peterson, Secretary	December 31, 2023	Board of Supervisors
Karen Adams, County Treasurer	Permanent by office	Ex-officio Member
Janey Cabral	December 31, 2023	General Members
David Ness	December 31, 2025	Board of Supervisors
Scott Silveira	December 31, 2024	Board of Supervisors
Corrina Brown	December 31, 2025	General Members
Aaron Rosenberg	December 31, 2025	Safety Members
Vacant, Alternate	December 31, 2023	Safety Members
Michael Harris, Alternate	December 31, 2023	Retired Members

Merced County Employees' Retirement Association
Administrative Organization Chart
As of June 30, 2023



Since June 30th, MercedCERA added the following staff members: Kristy Barajas, Accountant I; Khue Xiong, Support Services Analyst II; and Patrick Armendarez, Support Services Analyst I. Additionally, Martha Sanchez Barboa was promoted to Assistant Plan Administrator in November 2023.

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.
Commission Recapture Brokers
ConvergEx Group
Capital Institutional Services, Inc.

Please refer to the Investment Section of this report for a List of Investment Services Providers located on pages 79 and 80 and the Schedules of Investment Fees located on page 78.

Additionally, please refer to Other Supplementary Information in this report for a Schedule of Payments to Consultants on page 57.

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Financial Section

UHY LLP
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

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

Opinion

We have audited the accompanying financial statements of the Merced County Employees' Retirement Association (MercedCERA), a component unit of the County of Merced, which comprise the statement of fiduciary net position and statement of changes in fiduciary net position, as of and for the year ended June 30, 2023, and the 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 fiduciary net position of MercedCERA, as of June 30, 2023, and the respective changes in its fiduciary net position for the year 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, 2023, 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, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements and the Schedules 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 opinion.

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Report on Prior Year Financial Statements

The financial statements of MercedCERA as of June 30, 2022 were audited by other auditors whose report dated December 16, 2022 expressed an unmodified opinion on those statements. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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 the 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, 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.

- 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 the 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises of the introductory, investment, actuarial and statistical sections, but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does 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, 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 15, 2023, on our consideration of the 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 the 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 15, 2023

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, 2023 and 2022. 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, 2023, MercedCERA's fiduciary net position restricted for pensions totaled $1.135 billion. All of the fiduciary net position is available to meet MercedCERA's ongoing obligations to plan participants and their beneficiaries.
- During fiscal year 2023, MercedCERA's fiduciary net position restricted for pensions increased by $70.6 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, 2022, the date of MercedCERA's last actuarial funding valuation, MercedCERA's funded ratio was 69.6%. In general, this indicates that for every one dollar of benefits due, MercedCERA has approximately $0.696 of assets available for payment.
- Additions, as reflected in the Statements of Changes in Fiduciary Net Position, were $165.5 million in the fiscal year ended June 30, 2023. These additions include employer and employee contributions of $82.1 million, investment income of $13.2 million, other income of $503, a net appreciation in the fair value of investments of $73.3 million, and investment expenses of $3.1 million.
- Deductions, as reflected in the Statements of Changes in Fiduciary Net Position, increased from $89.5 million to $94.9 million in the current fiscal year (an increase of approximately 6.1%). 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 in the United States of America (GAAP) 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 using 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 Net Pension Liability on their balance sheets and changes in Net Pension Liability on their operating statements as pension expenses, deferred inflows of resources, and deferred outflows of resources.

Financial Analysis

As previously noted, the Net Position may serve over time as a useful indication of MercedCERA's financial position. At the close of the fiscal year June 30, 2023, MercedCERA's assets exceeded its liabilities by $1.135 billion. All of the Net Position is available to meet MercedCERA's ongoing obligations to plan participants and their beneficiaries. As of June 30, 2023, the Net Position totaled $1.135 billion, which is $70.6 million more than the prior year. This result essentially reflects the increase in net investment income at fair value, regardless of the increase in benefits and administrative expenses.

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, 2023 and 2022:

	2023	2022	Increase/ (Decrease) Amount	% Change
Current and Other Assets	$11,144,819	$11,400,528	($255,709)	-2.2%
Investments at Fair Value	1,123,545,198	1,052,415,019	$71,130,179	6.8%
Capital Assets/Prepaid Expenses	1,150,192	1,401,286	($251,094)	-17.9%
Total Assets	1,135,840,209	1,065,216,833	$70,623,376	6.6%
Total Liabilities	758,824	776,088	($17,264)	-2.2%
Fiduciary Net Position Restricted for Pensions	$1,135,081,385	$1,064,440,745	$70,640,640	6.6%

For Fiscal Years Ended June 30, 2022 and 2021:

	2022	2021	Increase/ (Decrease) Amount	% Change
Current and Other Assets	$11,400,528	$10,593,765	$806,763	7.6%
Investments at Fair Value	1,052,415,019	1,151,767,257	($99,352,238)	-8.6%
Capital Assets/Prepaid Expenses	1,401,286	1,607,293	($206,007)	-12.8%
Total Assets	1,065,216,833	1,163,968,315	($98,751,482)	-8.5%
Total Liabilities	776,088	714,471	$61,617	8.6%
Fiduciary Net Position Restricted for Pensions	$1,064,440,745	$1,163,253,844	($98,813,099)	-8.5%

The decrease in current and other assets during the 2022-2023 fiscal year is mostly attributable to a modest decrease in cash year-over-year. The increase in total assets during the 2022-2023 fiscal year was due primarily to the increase in the fair value of investments. The modest decrease in total liabilities during the June 30, 2023 fiscal year is mostly due to having a smaller 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 $28.0 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, 2023, 2022, and 2021:

	2023	2022	2021
Active Members' Reserve	$122,623,667	$117,153,891	$114,579,642
Employer Advance Reserve	395,462,355	336,057,437	291,069,692
Retired Members' Reserve	230,542,149	259,831,255	275,755,873
Interest Fluctuation Reserve	141,012,587	133,988,380	141,008,117
Fair Value Fluctuation Reserve	245,440,627	217,409,782	340,840,520
Total Reserves at Fair Value	$1,135,081,385	$1,064,440,745	$1,163,253,844

MercedCERA's Activities

Financial markets performed better compared to the prior fiscal year, which resulted in the June 30, 2023 fiscal year increase of $70.6 million in MercedCERA's Net Position (an increase of 6.6% 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, 2023 totaled $165.5 million. Overall, additions for the fiscal year increased $174.9 million from the fiscal year ended June 30, 2022 primarily due to appreciation in the fair value of investments year-over-year. In fiscal year 2021-2022, additions totaled $(9.4) million, which was a decrease of $339.2 million from fiscal year 2020-2021. 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, 2023 and 2022:

	2023	2022	Increase/ (Decrease) Amount	% Change
Member Contributions	$13,445,557	$12,124,583	$1,320,974	10.9%
Employer Contributions	68,648,116	65,629,994	3,018,122	4.6%
Net Investment Income	83,417,442	(87,115,891)	170,533,333	195.8%
Total Additions	$165,511,115	$(9,361,314)	$174,872,429	1,868.0%

For Fiscal Years Ended June 30, 2022 and 2021:

	2022	2021	Increase/ (Decrease) Amount	% Change
Member Contributions	$12,124,583	$11,895,243	$229,340	1.93%
Employer Contributions	65,629,994	64,512,161	1,117,833	1.73%
Net Investment Income	(87,115,891)	253,466,527	(340,582,418)	-134.37%
Total Additions	$(9,361,314)	$329,873,931	$(339,235,245)	-102.84%

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 $94.9 million while in fiscal year 2021-2022 deductions totaled $89.5 million, an increase of 6.1% from the previous year. The increase in deductions can be primarily attributed to the retiree payroll increase of 5.4%.

For Fiscal Years Ended June 30, 2023 and 2022

	2023	2022	Increase/ (Decrease) Amount	% Change
Benefits Paid	$90,585,672	$85,912,580	$ 4,673,092	5.4%
Refunds of Contributions	1,262,876	896,116	366,760	40.9%
Administrative Expense	2,789,967	2,522,797	267,170	10.6%
Actuarial Expense	232,010	120,292	111,718	92.9%
Total Deductions	$94,870,525	$89,451,785	$ 5,418,740	6.1%

For Fiscal Years Ended June 30, 2022 and 2021:

	2022	2021	Increase/ (Decrease) Amount	% Change
Benefits Paid	$85,912,580	$82,836,595	$3,075,985	3.71%
Refunds of Contributions	896,116	977,485	(81,369)	-8.32%
Administrative Expense	2,522,797	2,494,246	28,551	1.14%
Actuarial Expense	120,292	126,833	(6,541)	-5.16%
Total Deductions	$89,451,785	$86,435,159	$3,016,626	3.49%

Change in Fiduciary Net Position

As of June 30, 2023, Fiduciary Net Position increased $70.6 million, resulting in a 6.6% 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, 2022, Fiduciary Net Position decreased $98.8 million, resulting in an 8.5% decrease in Fiduciary Net Position over the previous fiscal year. This decrease was due primarily to the decrease 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
3199 M Street
Merced, CA 95348
T: 209.726.2724
F: 209.726.3637

Respectfully Submitted,

Mark A Harman

Mark A. Harman, MBA
Fiscal Manager
December 15, 2023

Statements of Fiduciary Net Position
As of June 30, 2023 and 2022

	2023	2022
Assets		
Cash and short-term investments		
Cash invested with Merced County Treasurer	$542,775	$962,632
Cash invested with Northern Trust	6,734,512	5,405,400
Other cash and cash equivalents with Northern Trust	358,464	1,606,020
Total cash and short-term investments	7,635,751	7,974,052
Receivables		
Bond interest	275,529	594,819
Contributions	3,148,475	2,748,334
Distributions	78,443	66,780
Other	6,621	16,543
Total receivables	3,509,068	3,426,476
Investments		
U.S. government and agency obligations	2,507	39,370,729
Domestic fixed income	152,015,158	163,748,458
Common stock (domestic)	28,608,415	24,197,364
Common stock (index funds)	237,131,866	211,862,277
Common stock (international)	210,796,922	184,743,517
Real estate	83,852,232	91,666,608
Alternative investments	411,138,098	336,826,066
Total investments	1,123,545,198	1,052,415,019
Prepaid expenses	111,612	119,533
Capital assets: Net of accumulated depreciation of $2,413,926 and $2,149,188	1,038,580	1,281,753
Total Assets	1,135,840,209	1,065,216,833
Liabilities		
Accounts payable	655,575	682,234
Securities purchased	17,846	8,451
Unclaimed contributions	85,403	85,403
Total Liabilities	758,824	776,088
Fiduciary Net Position Restricted for Pensions	$1,135,081,385	$1,064,440,745

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, 2023 and 2022

	2023	2022
Additions		
Contributions		
Plan members	$13,445,557	$12,124,583
Employer	68,648,166	65,629,994
Total contributions	82,093,723	77,754,577
Investment income from investment activities		
Net appreciation / (depreciation) in fair value of investments	73,272,953	(94,850,878)
Investment income	13,243,231	10,671,989
Other income	503	57,231
Less investment expenses	(3,099,245)	(2,994,233)
Total net investment income/(loss)	83,417,442	(87,115,891)
Total Additions	165,511,165	(9,361,314)
Deductions		
Benefits paid	90,585,672	85,912,580
Refunds of contributions	1,262,876	896,116
Administrative expenses	2,789,967	2,522,797
Actuarial expenses	232,010	120,292
Total Deductions	94,870,525	89,451,785
Net Increase/(Decrease)	70,640,640	(98,813,099)
Fiduciary Net Position Restricted for Pensions		
Beginning of year	1,064,440,745	1,163,253,844
End of year	$1,135,081,385	$1,064,440,745

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 adjustments (COLA).

The County Board of Supervisors adopted a new retirement tier (Tier II) for both General and Probation Safety members hired 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.

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 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, 2023 was as follows:

	General Tiers				Safety Tiers				
Active Members	**I**	**II**	**III**	**IV**	**I**	**II**	**III**	**IV**	**Total**
Vested	28	543	49	443	5	120	5	72	1,265
Non-vested	-	1	1	745	-	-	-	96	843
Inactive Members									
Deferred vested	30	246	40	92	2	45	3	7	465
Deferred non-vested	3	61	9	548	-	7	1	64	693
Reciprocity	3	72	1	18	2	18	-	3	117
Unclaimed members	2	11	-	-	-	-	-	-	13
Total active and inactive members	66	934	100	1,846	9	190	9	242	3,396
Retired Members									
Service retirements	1,169	599	7	17	186	49	-	2	2,029
Beneficiaries	194	31	-	-	52	1	-	-	278
Service connected disability	30	22	-	-	56	32	-	-	140
Non-service connected disability	25	13	1	1	1	1	-	-	42
Survivors	11	6	-	-	4	2	-	-	23
Total retired members	1,429	671	8	18	299	85	-	2	2,512

Membership Structure on June 30, 2022 was as follows:

	General Tiers				Safety Tiers				
Active Members	**I**	**II**	**III**	**IV**	**I**	**II**	**III**	**IV**	**Total**
Vested	37	616	58	400	4	141	5	65	1,326
Non-vested	-	5	1	712	1	-	-	110	829
Inactive Members									
Deferred vested	37	234	30	61	1	43	3	3	412
Deferred non-vested	2	64	9	445	-	7	1	57	585
Reciprocity	13	117	-	10	3	30	-	2	175
Unclaimed members	3	14	-	-	-	-	-	-	17
Total active and inactive members	92	1,050	98	1,628	9	221	9	237	3,344
Retired Members									
Service retirements	1185	546	7	10	189	36	-	2	1,975
Beneficiaries	198	27	-	-	49	1	-	-	275
Service connected disability	30	20	-	-	59	32	-	-	141
Non-service connected disability	27	14	1	1	2	1	-	-	46
Survivors	14	7	-	-	5	2	-	-	28
Total retired members	1,454	614	8	11	304	72	-	2	2,465

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

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

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 an eligible spouse or eligible 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. Under this option, beneficiaries may 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 a 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 any 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, outgoing reciprocal system members are not eligible for this benefit; this benefit is payable only to active members who were employed with a MercedCERA employer 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 within 6 months of terminating employment with a MercedCERA agency may wish to arrange for reciprocal benefits. Under a reciprocal arrangement, the 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 Cemetery District, Merced Superior Courts, Merced County Law Library; 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 3.86% and 18.79% for the fiscal year ended June 30, 2023 and 3.87% and 19.46% for the fiscal year ended June 30, 2022. 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 Court, Merced Cemetery District, and the Merced County Law Library 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, 2023 and 2022 were 45.93% and 46.51%, 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 probabilities 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 53 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 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 an accrual basis of accounting, which recognizes income when earned and expenses when the obligation is incurred. Employer and employee 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 Expense

MercedCERA's administrative costs for the fiscal years ended June 30, 2023 and 2022 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 $3.134 million ($1,492.79 million x .21%) of administrative costs for the fiscal year ended June 30, 2023. For the fiscal years ended June 30, 2023 and 2022, total administrative costs were $2,789,967 and $2,522,797, respectively. Included in these figures are computer technology related activities, inclusive of associated depreciation expense, of $725,699 and $648,419, 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 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. Equipment and furniture are depreciated over eight years. MercedCERA's pension administration system (an intangible asset) is amortized over ten years. Long-lived building improvements are depreciated over twenty years. Buildings are depreciated over thirty years.

MercedCERA reported $1,038,580 and $1,281,753 in capital assets as of June 30, 2023 and 2022, which includes accumulated depreciation of $2,413,926 and $2,149,188, respectively. Of these amounts, $499,098 is for land held by the Association as of June 30, 2023 and 2022, which is not subject to depreciation.

Schedule of Capital Assets
For the fiscal year ended June 30, 2023

	Historical Cost	Net Balance at June 30, 2022	Reclassifications & Additions	Reclassifications & Deletions	Less Depreciation	Net Balance at June 30, 2023
Capital Assets, non-depreciable						
Land	$499,098	$499,098	$ -	$ -	$ -	$499,098
Capital Assets, depreciable						
CPAS Software	2,408,181	581,977	-	-	240,818	341,159
Building	313,159	88,726	-	-	10,439	78,287
Office Furniture and Technology	134,696	27,956	27,304	-	9,914	45,346
Building Improvements	97,372	83,996	-	-	9,306	74,690
Totals	$3,452,506	$1,281,753	$27,304	$ -	$270,477	$1,038,580

Schedule of Capital Assets For the fiscal year ended June 30, 2022						
	Historical Cost	**Net Balance at June 30, 2021**	**Reclassifications & Additions**	**Reclassifications & Deletions**	**Less Depreciation**	**Net Balance at June 30, 2022**
Capital Assets, non-depreciable						
Land	$499,098	$499,098	$ -	$ -	$ -	$499,098
Capital Assets, depreciable						
CPAS Software	2,408,181	822,795	-	-	240,818	581,977
Building	313,159	99,165	-	-	10,439	88,726
Office Furniture and Technology	113,132	17,269	16,837	-	6,150	27,956
Building Improvements	97,372	54,750	39,409	2,499	7,664	83,996
Totals	$3,430,942	$1,493,077	$56,246	$2,499	$265,071	$1,281,753

H. Methods Used to Value Investments

Investments are reported at fair value in the accompanying Statements of Fiduciary Net Position. Cash deposited in the Merced County Treasurer's pool is stated at fair value. The value of the Association's pool shares is determined on an amortized cost basis, which is not materially different from fair value.

The fair value of fixed income and equity investments are 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 in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

The real estate investment holdings are determined by the partners using industry standard appraisal techniques and assumptions, which are updated annually, to determine the fair value of these holdings. 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 partners' most recent financial statements 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 remaining 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.

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, 2023 and 2022.

Target Allocation

Asset Class	June 30, 2023 and 2022
Domestic Equity	22%
Developed Markets Equity	11%
Emerging Markets Equity	8%
Private Equity	15%
Direct Lending	5%
Real Estate	8%
Domestic Fixed Income	11%
Opportunistic Credit	5%
Hedge Funds	10%
Real Assets	5%
	100%

(2) Rate of Return

For the fiscal years ended June 30, 2023 and June 30, 2022, the annual money-weighted rate of return on MercedCERA's investments was 7.8% and –6.9%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

B. Cash and Short-Term Investments

Cash and cash equivalents consist of 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 a short maturity. 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 approximates fair value. The fair value of the Association's cash invested with the Merced County Treasurer totaled $542,775 and $962,632 at June 30, 2023 and 2022, 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 approximate fair value. At June 30, 2023 and 2022, short-term investments totaled $7,092,976 and $7,011,420, 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 stated at fair value as of June 30, 2023 and 2022 are as follows:

Cash and Short-term Investments	Fair Value	
	2023	2022
Cash invested with Merced County Treasury	$542,775	$962,632
Cash invested with Northern Trust	6,734,512	5,405,400
Other cash and cash equivalents with Northern Trust	358,464	1,606,020
Total cash and short-term investments	$7,635,751	$7,974,052

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 in 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, 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), which 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 is contracted with Cliffwater, LLC to assist with the Association's hedge fund portfolio that has the appropriate risk and return characteristics. Specifically, MercedCERA has eleven 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 that 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 seven 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 eight 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 include nine 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 has been determined using the NAV per share (or its equivalents) of the investment as provided by the general partner.

The private equity portfolio includes forty-four 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.

The Plan has the following recurring fair value measurements as of June 30, 2023:

Investments by Fair Value Level	**June 30, 2023**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Common Stock				
Domestic	$28,608,415	$ -	$ -	$28,608,415
Domestic Index Funds	237,131,866	-	-	237,131,866
International	210,796,922	-	-	210,796,922
Domestic Fixed Income				
Asset Backed Securities	134,380	-	134,380	-
Collateralized Mortgage Obligations	126,874	-	126,874	-
US Government and Agency Obligations	2,507	-	2,507	-
Commingled Funds	91,685,391	-	-	91,685,391
Mutual Funds	36,010,239	36,010,239	-	
Limited Partnerships	24,058,274	-	-	24,058,274
Real Estate	16,502,635	16,502,635	-	-
Total Investments by Fair Value Level	$645,057,503	$52,512,874	$263,761	$592,280,868
Investments Measured at the Net Asset Value (NAV)				
Real Estate	$67,349,597			
Alternative Investments				
Direct Lending	45,967,393			
Hedge Funds	145,206,337			
Infrastructure	29,595,676			
Natural Resources	22,013,442			
Private Equity	155,163,700			
Proxy Fund	13,191,550			
Total Alternative Investments	$411,135,098			
Total Investments Measured at NAV	$478,484,695			
Total Investments Measured at Fair Value and NAV	1,123,545,198			

Investments Measured at the NAV	**June 30, 2023**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Real Estate*	$67,349,597	39,456,620	See footnote	See footnote
Alternative Investments				
Direct Lending	45,967,393	55,655,636	N/A	N/A
Hedge Funds**	145,206,337	-	Varies	Varies
Infrastructure	29,595,676	8,378,594	N/A	N/A
Natural Resources	22,013,442	24,825,266	N/A	N/A
Private Equity	155,163,700	106,055,864	N/A	N/A
Proxy Fund	13,191,550	-	Daily	T-2
Total Investments Measured at the NAV	$478,484,695	234,371,980		

*UBS Trumbull Fund redemption is given by a pro rata share of funds available for disbursement, with a 60-day notice period. Vanguard REIT, which is a Level 1 asset, has daily liquidity with notice due before 1PM Eastern Time on Date of trade (T) with a settlement date of T+1. The remaining real estate funds are closed-ended private LP funds.

**The eleven hedge funds that were funded as of June 30, 2023, have varying lockup periods and redemption notice requirements.

The Plan has the following recurring fair value measurements as of June 30, 2022:

Investments by Fair Value Level	**June 30, 2022**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Common Stock				
Domestic	$24,197,364	$ -	$ -	$24,197,364
Domestic Index Funds	211,862,277	-	-	211,862,277
International	184,743,517	-	-	184,743,517
US Government and Agency Obligations				
US Treasury and TIPS	15,935,254	-	15,935,254	-
US Government Agency Obligations	23,435,475	-	23,435,475	-
Domestic Fixed Income				
Asset Backed Securities	6,372,064	-	6,372,064	-
Collateralized Mortgage Obligations	148,419	-	148,419	-
Commercial Mortgage Backed Securities	558,007	-	558,007	-
Corporate and Other Credit	30,703,066	-	30,703,066	-
Mutual Funds	104,084,694	104,084,694	-	-
Limited Partnerships	21,882,208	-	-	21,882,208
Real Estate	22,302,394	22,302,394	-	-
Total Investments by Fair Value Level	$646,224,739	$126,387,088	$77,152,285	$442,685,366
Investments Measured at the Net Asset Value (NAV)				
Real Estate	$ 69,364,214			
Alternative Investments				
Direct Lending	14,268,299			
Hedge Funds	123,801,528			
Infrastructure	24,931,353			
Natural Resources	14,119,389			
Private Equity	139,888,048			
Proxy Fund	19,817,449			
Total Alternative Investments	$336,826,066			
Total Investments Measured at NAV	$406,190,280			
Total Investments Measured at Fair Value and NAV	$1,052,415,019			

Investments Measured at the NAV	**June 30, 2022**	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
Real Estate*	$69,364,214	$33,672,864	See footnote	See footnote
Alternative Investments				
Direct Lending	14,268,299	36,093,670	N/A	N/A
Hedge Funds**	123,801,528	-	Varies	Varies
Infrastructure	24,931,353	13,768,830	N/A	N/A
Natural Resources	14,119,389	25,184,787	N/A	N/A
Private Equity	139,888,048	83,463,122	N/A	N/A
Proxy Fund	19,817,449	-	Daily	T-2
Total Investments Measured at the NAV	$406,190,280	$192,183,273		

*UBS Trumbull Fund redemption is given by a pro rata share of funds available for disbursement, with a 60-day notice period. Vanguard REIT, which is a Level 1 asset, has daily liquidity with notice due before 1PM Eastern Time on Date of trade (T) with a settlement date of T+1. The remaining real estate funds are closed-ended private LP funds.

**The ten hedge funds that were funded as of June 30, 2022, have varying lockup periods and redemption notice requirements.

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 to MercedCERA's real estate and alternative investments as of June 30, 2023 was $234,371,980 and as of June 30, 2022 was $192,183,273. 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, 2023 and 2022, 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, 2023 and 2022, 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 Standard & Poor's. 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, 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 subsequently invested in fixed income funds managed by Wellington, Brandywine, and Payden & Rygel. The remaining balance of the portfolio is illiquid and these investments are being held to maturity by MercedCERA at its custodial bank, Northern Trust. As a result, no workout portfolio existed at June 30, 2023. The fair value of MercedCERA's workout portfolio for the fiscal year ended June 30, 2022 as reported by Barrow Hanley, was $337,979.

The table below presents the Moody's credit quality ratings of fixed income securities at June 30, 2023 and 2022:

Quality	Aaa	Aa	A	Baa	Ba	B	Caa	Ca	NR*	NA**
Percent of Fixed Income as of June 30, 2023	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.05%	0.08%	0.03%	99.84%
Percent of Fixed Income as of June 30, 2022	2.27%	0.65%	6.30%	7.47%	0.26%	0.00%	0.04%	0.07%	9.97%	72.97%

*NR represents those securities that are not rated and includes 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.

**NA represents those securities that are not applicable to the rating disclosure requirements.

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 bond portfolios are managed duration neutral to their benchmarks, the Barclays U.S. Aggregate Bond Index and the Barclays US Government 1-3 and 1-5 year Indices.

As of June 30, 2023 and 2022, the Merced County's pool has a fair value of $2,032,365,704 and $1,657,209,862, respectively, and a weighted average maturity of 552 and 586 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, 2023 and 2022, the weighted average maturity of the short-term investment pooled funds with Northern Trust was 22 days.

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, 2023:

Investment Type	Fair Value 2023	Weight of Fixed Income 2023	Modified Duration (years) 2023
U.S. Government agency obligations	$2,507	0.00%	0.02
Commercial mortgage backed securities	126,874	0.08%	1.27
Asset backed securities	134,380	0.09%	0.05
Commingled Funds	91,685,391	60.31%	6.36
Mutual funds	36,010,239	23.69%	4.25
Limited partnerships	24,058,274	15.83%	4.31
Total Fair Value	$152,017,665	100.00%	
Portfolio Effective Duration			2.05

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, 2022:

Investment Type	Fair Value 2022	Weight of Fixed Income 2022	Modified Duration (years) 2022
U.S. Government agency obligations	$23,435,475	11.54%	6.15
Commercial mortgage backed securities	558,007	0.27%	0.08
Asset backed securities	6,372,064	3.14%	1.87
U.S. Treasury and TIPS	15,935,254	7.85%	8.61
Corporate and other credit	30,703,066	15.12%	8.14
Collateralized mortgage obligations	148,419	0.07%	1.35
Mutual funds	104,084,694	51.24%	3.85
Limited partnerships	21,882,208	10.77%	3.90
Total Fair Value	$203,119,187	100.00%	
Portfolio Effective Duration			6.56

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, 2023 and 2022:

Currency	Fair Value (U.S. Dollars)	
	2023	2022
Euro	$18,302,498	$15,586,882

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, 2023 and 2022.

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, 2023 and 2022.

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, 2023 and 2022, is as follows:

Reserve	2023	2022
Active Members'	$122,623,667	$117,153,891
Employer Advance	395,462,355	336,057,437
Retired Members'	230,542,149	259,831,255
Interest Fluctuation	141,012,587	133,988,380
Fair Value Fluctuation	245,440,627	217,409,782
Total Reserves	$1,135,081,385	$1,064,440,745

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, 2022 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, 2023 and the Total Pension Liability as of the valuation date June 30, 2022, using update procedures to roll forward to MercedCERA's fiscal year end of June 30, 2023. 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, 2023	FYE June 30, 2022
Total Pension Liability	$1,565,692,094	$1,530,082,398
Less: Plan Fiduciary Net Position	1,135,081,385	1,064,440,745
Net Pension Liability	430,610,709	$465,641,653
Fiduciary Net Position as a Percentage of the Total Pension Liability	72.50%	69.57%

The Total Pension Liabilities as of June 30, 2023 and June 30, 2022 were determined based on the June 30, 2022 and June 30, 2021 actuarial valuations, rolled forward to June 30, 2023 and June 30, 2022, respectively, using the following actuarial assumptions applied to all periods included in the measurement:

ACTUARIAL VALUATION ASSUMPTIONS		
Valuation Date	June 30, 2022	June 30, 2021
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	2.75%	2.75%
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, 2022 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 projected on a generational basis for mortality improvements from a base year of 2017 using the Society of Actuaries MP-2020 projection scale.

Post-retirement mortality rates for the June 30, 2021 valuation date for Healthy General Annuitants was based on the CalPERS RP2009 tables and, for Healthy Safety Annuitants, 1.05 times the 2010 Public Safety Below Median Mortality Table for Healthy Retirees, both projected on a generational basis for mortality improvements from a base year of 2009 using the Society of Actuaries MP-2019 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, 2023 and June 30, 2022 are summarized in the table below.

Long-Term Expected Real Rate of Return		
	FYE June 30, 2023	**FYE June 30, 2022**
US Equity	6.1%	4.6%
International Equity	7.2%	5.3%
Emerging Markets Equity	7.4%	6.2%
Private Equity	8.1%	7.4%
Real Estate	5.2%	5.2%
Domestic Fixed Income	2.1%	0.2%
Opportunistic Credit	4.6%	2.0%
Direct Lending	5.7%	4.9%
Hedge Funds	3.5%	2.2%
Infrastructure	5.2%	5.1%
Natural Resources	7.2%	6.3%
Cash	0.3%	-1.1%

C. Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75% for June 30, 2023 and June 30, 2022. 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 2023 and 2022, 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%)
2023 Net Pension Liability	$621,519,643	$430,610,709	$271,587,674
	1% Decrease (5.75%)	**Current Rate (6.75%)**	**1% Increase (7.75%)**
2022 Net Pension Liability	$654,832,923	$465,641,653	$308,446,353

Note 6 – LITIGATION

MercedCERA has no existing litigation through the fiscal year ended June 30, 2023.

Note 7 – SUBSEQUENT EVENTS

MercedCERA has evaluated subsequent events through December 15, 2023, 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.

Schedules of Changes in Net Pension Liability and Related Ratios For the Years Ended June 30 (continued on next page)					
Total Pension Liability	**2023**	**2022**	**2021**	**2020**	**2019**
Service cost (MOY)	$27,810,741	$26,986,609	$25,786,520	$26,267,588	$22,794,246
Interest (includes interest on service cost)	101,154,576	98,777,169	96,764,536	93,583,425	92,452,056
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(13,472,111)	(1,660,800)	10,336,744	7,534,677	1,249,075
Changes of assumptions	11,965,038	-	32,840,818	20,714,915	-
Benefit payments, including refunds of member contributions	(91,848,548)	(86,808,696)	(83,814,080)	(79,665,662)	(74,810,675)
Net changes in total pension liability	$35,609,696	$37,294,282	$81,914,538	$68,434,943	$41,684,702
Total pension liability—beginning	1,530,082,398	1,492,788,116	1,410,873,578	1,342,438,635	1,300,753,933
Total pension liability—ending	$1,565,692,094	$1,530,082,398	$1,492,788,116	$1,410,873,578	$1,342,438,635
Fiduciary net position					
Contributions—members	$13,445,557	$12,124,583	$11,895,243	$10,796,855	$10,695,680
Contributions—employers	68,648,166	65,629,994	64,512,161	67,413,475	66,586,464
Net investment income (loss)	83,417,442	(87,115,891)	253,466,527	57,232,016	39,728,950
Benefit payments, including refunds of member contributions	(91,848,548)	(86,808,696)	(83,814,080)	(79,665,662)	(74,810,675)
Administrative expense	(3,021,977)	(2,643,089)	(2,621,079)	(2,464,896)	(2,351,105)
Net change in fiduciary net position	$70,640,640	$(98,813,099)	$243,438,772	$53,311,788	$39,849,314
Fiduciary net position—beginning	1,064,440,745	1,163,253,844	919,815,072	866,503,284	826,653,970
Fiduciary net position—ending	$1,135,081,385	$1,064,440,745	$1,163,253,844	$919,815,072	$866,503,284
Net pension liability—ending	$430,610,709	$465,641,653	$329,534,272	$491,058,506	$475,935,351
Fiduciary net position as a percentage of the total pension liability	72.50%	69.57%	77.92%	65.19%	64.55%
Covered payroll	$150,390,441	$142,704,679	$137,234,030	$135,618,404	$131,365,778
Net pension liability as a percentage of covered payroll	286.33%	326.30%	240.13%	362.09%	362.30%
Information for this table was provided by Cheiron, Inc.					

Schedules of Changes in Net Pension Liability and Related Ratios For the Years Ended June 30 (continued)					
Total Pension Liability	**2018**	**2017**	**2016**	**2015**	**2014**
Service cost (MOY)	$22,172,594	$19,512,609	$19,384,855	$19,672,490	$19,384,434
Interest (includes interest on service cost)	89,402,353	88,982,290	86,323,551	84,203,356	81,090,569
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	2,914,187	(8,886,191)	(5,488,413)	(12,380,077)	-
Changes of assumptions	15,960,129	36,908,183	-	-	-
Benefit payments, including refunds of member contributions	(70,720,210)	(66,904,315)	(65,082,403)	(62,951,924)	(58,042,021)
Net changes in total pension liability	$59,729,053	$69,612,576	$35,137,590	$28,543,845	$42,432,982
Total pension liability—beginning	1,241,024,880	1,171,412,304	1,136,274,714	1,107,730,869	1,065,298,068
Total pension liability—ending	$1,300,753,933	$1,241,024,880	$1,171,412,304	$1,136,274,714	$1,107,731,050
Fiduciary net position					
Contributions—members	$10,441,876	$9,384,621	$9,042,663	$8,945,316	$9,642,819
Contributions—employers	64,757,288	60,349,189	56,617,088	52,005,656	48,032,338
Net investment income (loss)	70,689,084	83,097,416	(388,209)	19,318,849	96,219,056
Benefit payments, including refunds of member contributions	(70,720,210)	(66,904,315)	(65,082,403)	(62,951,924)	(58,042,021)
Administrative expense	(2,283,396)	(2,173,407)	(2,492,684)	(2,323,446)	(1,547,347)
Net change in fiduciary net position	$72,884,642	$83,753,504	$(2,303,545)	$14,994,451	$94,304,845
Fiduciary net position—beginning	753,769,328	670,015,824	672,319,369	657,324,918	563,020,073
Fiduciary net position—ending	$826,653,970	$753,769,328	$670,015,824	$672,319,369	$657,324,918
Net pension liability—ending	$474,099,963	$487,255,552	$501,396,480	$463,955,345	$450,406,132
Fiduciary net position as a percentage of the total pension liability	63.55%	60.74%	57.19%	59.17%	59.34%
Covered payroll	$126,705,902	$119,621,964	$114,397,644	$110,111,994	$110,259,316
Net pension liability as a percentage of covered payroll	374.17%	407.33%	438.29%	421.35%	408.50%

Information for this table was provided by Cheiron, Inc.

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

	2023	2022	2021	2020	2019
Actuarially Determined Contribution	$68,648	$65,630	$64,512	$67,413	$66,586
Contributions in Relation to the Actuarially Determined Contribution	68,648	65,630	64,512	$67,413	66,586
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$150,390	$142,705	137,234	$135,618	$131,366
Contributions as a Percentage of Covered Payroll	45.65%	45.99%	47.01%	49.71%	50.69%
	2018	**2017**	**2016**	**2015**	**2014**
Actuarially Determined Contribution	$64,757	$60,349	$56,617	$52,006	$48,032
Contributions in Relation to the Actuarially Determined Contribution	64,757	60,349	56,617	52,006	48,032
Contribution Deficiency/(Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$126,706	$119,622	$114,398	$110,112	$110,259
Contributions as a Percentage of Covered Payroll	51.11%	50.45%	49.49%	47.23%	43.56%

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	7.8%	-6.9%	26.9%	6.6%	5.5%	10.1%	9.5%	-0.3%	1.1%	17.0%

Note 1 – CHANGES OF BENEFIT TERMS

There were no changes in benefit terms for the fiscal year ended June 30, 2023.

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

	2023	2022	2021	2020	2019
Valuation Date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
Effective Date	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
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%	7.00%	7.00%	7.25%	7.25%
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
	2018	**2017**	**2016**	**2015**	**2014**
Valuation Date	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Effective Date	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
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	Actuarial Value
Amortization Years Remaining*	24	24	24	16	17
Discount Rate	7.25%	7.75%	7.75%	7.75%	7.75%
Price Inflation	2.50%	3.00%	3.00%	3.75%	3.75%
Salary Increases**	2.75%	3.00%	3.00%	3.75%	3.75%
Cost-of-Living Adjustments	2.50%	2.60%	2.60%	2.70%	2.70%
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 2019 valuation, CalPERS 2009 with future improvements applying SOA MP-2019 projection from base year of 2019. 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, 2023 and 2022		
	2023	**2022**
Personnel Services:		
Salaries, wages and benefits	$1,453,083	$1,217,531
Office Expenses:		
Communications	7,004	6,177
Requested maintenance / utilities / cost allocation	85,967	70,464
Office supplies	16,440	17,548
Postage	18,902	18,139
Total Office Expenses	128,313	112,328
Professional Services:		
Audit fees	47,108	68,799
Attorney fees	248,816	334,033
Publications / legal notices / other	4,089	3,510
Software, technology, and information services	482,065	404,786
Total Professional Services	782,078	811,128
Miscellaneous Expenses:		
Memberships	6,210	5,435
Board election expenses	8,512	-
Fiduciary meeting	8,000	9,500
Fiduciary and staff travel / training	34,117	6,008
Insurance	99,177	95,796
Depreciation expense	270,477	265,071
Total Miscellaneous Expenses	426,493	381,810
Total Administrative Expenses	$2,789,967	$2,522,797

Schedules of Investment Expenses
For the Fiscal Years Ended June 30, 2023 and 2022

Investment managers' fees	**2023**	**2022**
Domestic equities		
Mellon Capital Management	220,104	427,769
International equities		
Acadian Asset Management	112,741	128,234
Driehaus Asset Management	105,639	127,706
Total international equities	218,380	255,940
Alternative investments		
GSO	321,140	213,321
GTCR	-	92,455
KKR	181,723	63,092
SSgA	40,179	80,480
Taconic Capital	77,486	51,650
Total alternative investments	620,528	500,998
Real estate		
UBS Global –Trumbull Property Management	241,530	277,539
Taconic Capital	169,406	127,875
Total Real Estate	410,936	405,414
Fixed income		
Barrow Hanley	65,260	226,669
Brandywine	57,603	-
Wellington	31,422	-
Total Fixed Income	154,285	226,669
Total investment managers' fees	1,624,233	1,816,790
Other investment expenses		
Custodian	139,512	112,319
Investment counsel	420,528	378,864
Investment consultant	623,344	623,000
Miscellaneous investment expense	291,628	63,260
Total other investment expenses	1,475,012	1,177,443
Total fees and other investment expenses	$3,099,245	$2,994,233

Schedules of Payments to Consultants
For the Fiscal Years Ended June 30, 2023 and 2022

	2023	2022
Investment professional service fees		
Custodial services - Northern Trust, BNY Mellon*	$139,512	$112,319
Investment counsel - Nossaman, LLP	420,528	378,864
Actuarial services - Cheiron, Inc. and Segal Consulting	232,010	120,292
Total investment professional service fees	$792,050	$611,475
Administrative professional service fees		
Audit services - Brown Armstrong Accountancy Corporation, MGO	$47,108	$68,799
Legal services	248,816	334,033
Other specialized services	4,089	3,510
Software and information systems	482,065	404,786
Total administrative professional service fees	$782,078	$811,128

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

Schedule of Cost Sharing Employer Allocations
For the Fiscal Year Ended June 30, 2023

Employer	2023-2023 Amortization Share of Pensionable Payroll	Employer Proportionate Share Percentage
County of Merced	$49,201,159	94.4481%
Merced Superior Court	2,854,720	5.4800%
Merced Cemetery District	19,996	0.0384%
Merced County Law Library	17,426	0.0335%
Total	$52,093,301	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, 2023

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan
As of and for the Fiscal Year Ended June 30, 2023 **(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	$406,703,848	$2,440,716	$13,640,848	$16,229,952	$153,662	$32,465,178
Merced Superior Court	23,597,526	141,614	791,461	941,685	913,116	2,787,876
Merced Cemetery District	165,290	992	5,544	6,596	11,872	25,004
Merced County Law Library	144,045	864	4,831	5,748	107,367	118,810
Total	$430,610,709	$2,584,186	$14,442,684	$17,183,981	$1,186,017	$35,396,868

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2023

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, 2022 (Continued)

	Deferred Inflows of Resources					Pension Expense Excluding that Attributable to Employer-Paid Member Contributions		
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 Inflows of Resources**	**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**
County of Merced	$10,327,417	$ -	$ -	$1,014,947	$11,342,364	$58,223,848	$(561,009)	$57,662,839
Merced Superior Court	599,211	-	-	161,029	760,240	3,378,229	524,103	3,902,332
Merced Cemetery District	4,197	-	-	10,041	14,238	23,663	1,117	24,780
Merced County Law Library	3,658	-	-	-	3,658	20,622	35,789	56,411
Total	$10,934,483	$ -	$ -	$1,186,017	$12,120,500	$61,646,362	$ -	$61,646,362

Note: Information compiled from GASB 67/68 Report prepared by Cheiron, Inc. dated June 30, 2023

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, 2023 measurement date for Employer Reporting as of June 30, 2024, 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, 2023 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)									
2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
4	4	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

MEKETA 45 CELEBRATING A MILESTONE YEARS

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MEMORANDUM

TO: MercedCERA Board and Staff
FROM: Paola Nealon, Mika Malone, Inwoo Hwang (Meketa Investment Group)
DATE: October 26, 2023
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, 2023.

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 2023 Year in Review

We began fiscal year 2023 with positive performance across global markets, especially in the US. Investor optimism at the time was driven by a decline in inflation measures, as the CPI ticked down from 9.1% to 8.5% and came in below expectations.[1] This led to longer-dated yields falling as investors reconsidered economic growth prospects and the possibility that yields had reached their peak for this economic cycle. Shorter dated yields rose on near-term monetary policy actions and messaging that policy officials intended to remain aggressive in fighting inflation pressures into early 2023.

It was also at the start of July 2022, when we first saw an inversion in the US yield curve. The yield spread between two-year and ten-year Treasuries, finished July at -0.23%.[1] Inversions in the yield curve have historically signaled building recessionary pressures.

The Federal Reserve raised interest rates by an additional 75 basis points[1] in July 2022, and again by the same amount in September. The European Central Bank also notably started increasing rates, moving off 0%. They increased rates by 50 basis points in July 2022, followed by a surprise 75 basis point increase in September.

Federal Reserve messaging about policy going forward, combined with outsized interest rate hikes due to the slow rate of decline in inflation and a strong labor market resulted in significant equity market declines in both August and September 2022. The September CPI release showed prices that increased 8.2% over the trailing twelve months, which was lower than the peak of 9.1%[2] but still above the pace of market expectations at the time. The US bond market (Bloomberg Aggregate) declined in the first

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fiscal quarter (-4.5%[1]) as did the US Equity Market (Russell 3000), which returned -3.2% fiscal year-to-date through September.

The second quarter of fiscal year 2023 started very strong for developed market equities, on returned signs that inflation may be peaking, monetary policy tightening may relatedly slow, and hopes for a soft-landing of major economies. However, as the quarter progressed, results were mixed by month and region as the world received differing signals on inflation. Overall, US equities finished the second fiscal quarter of 2023 up (Russell 3000: +7.2%[1]). Equities outside the US (MSCI ACWI ex. US: +14.3%) increased even more versus domestic stocks due in part to the weakening US dollar. The US bond market also finished the calendar quarter in positive territory (Bloomberg Aggregate: +1.9%).[1]

Inflation, as measured by CPI, declined to 6.5% by December of 2022. While progress had been made since the 2022 peak of 9.1%, there was still much work to be done to bring the pace of price increases down to the Federal Reserve's preferred range. Except for Japan, inflation impacted the rest of the developed world as well. Inflation in the Eurozone came in at 9.2% in December, down from a peak of 10.6%.[1] Similarly, inflation in the UK was at 9.2% in December 2022, down from a peak of 9.6%.[2]

The US labor market remained extraordinarily strong throughout the first two quarters of fiscal year 2023, with the unemployment rate declining to 3.5% by December from a starting point of 3.6%.[1] The labor force participation rate remained slightly above 62% as of December. This was an increase from the lows of the pandemic but still below the 63.4%[4] level from before the pandemic. Average hourly earnings declined in December, finishing the calendar year at 4.8%. The strength of the labor market in the US contributed to the Federal Reserve's continued hawkish stance. In Europe and Japan, increases in unemployment were less during the pandemic compared to the US but also improved.

Economic growth in the US rebounded in the first half of fiscal year 2023. The GDP release for the first fiscal quarter of 2022 came in at an annualized rate of 3.2%[2], and the second quarter growth rate was 2.6%.[2] Outside the US, Eurozone growth was positive but below levels in the US, coming in at 2.5% and 1.6%[3], respectively, over the same two quarters. UK growth was nearly flat at -0.2% and 0.0%[4], and Japan grew by -0.3% and 0.2%, respectively, over those same two quarters.

Financial markets were volatile in the third quarter of the fiscal year, driven by investors continuing to adjust their interest rate and inflation expectations and the failure of Silicon Valley Bank and a few other regional banks. Ultimately, however, the swift emergency actions taken by the Federal Reserve, the Treasury, and other government agencies, helped alleviate some of the concerns connected to the banking sector. This, and a focus on slowing inflation and potentially peaking rates, led to most asset classes experiencing positive results for the quarter with riskier assets leading the way.

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In the third fiscal quarter, the US equity market (Russell 3000) returned 7.2%[1], and international developed market equities (MSCI EAFE) returned 8.5%. Emerging market equities (MSCI Emerging Markets) were also positive for the quarter, returning 4.0%. Chinese equities (MSCI China) rose 4.7% but generally lagged developed markets as reopening optimism was balanced by increased tensions with the US.

Fixed income markets also posted gains for the quarter, but it was a volatile period for interest rates, particularly for shorter maturities. Overall, the change in monetary policy expectations and anecdotal reports of flight-to-quality flows during the height of the concerns surrounding the banking sector drove most interest rates lower. The broad US investment grade bond market (Bloomberg US Aggregate) and high yield bonds (Bloomberg High Yield) respectively rose 3.0% and 3.6% for the quarter. High yield bonds particularly benefitted from the positive risk sentiment.

Financial markets were mixed in the final quarter of fiscal year 2023 as investors continued to contend with the track of inflation, the path of monetary policy, lingering fears from the regional banking crisis, and an uncertain economic outlook. Most equity markets posted positive returns for the quarter while fixed income markets fell slightly, as rates rose, reflecting expectations for the Federal Reserve to continue tightening policy rates.

Of the major asset classes, the US equity market (Russell 3000) led the way, returning 8.4%[1] for the quarter with most of the gains (6.8%) coming just in the month of June 2023. Notably, relatively few stocks (mainly large technology companies) accounted for most of the gains in the third and fourth quarter of fiscal year 2023 driven by optimism over artificial intelligence ("AI") technology. Looking at the S&P 500, the index was up 16.9% in the final two quarters of fiscal 2023. Without the top performing 44 stocks, the index would have been negative over the same period.[5]

Developed international equities (MSCI EAFE) returned 3.0% for the final quarter of fiscal year 2023 while emerging market equities (MSCI Emerging Markets) lagged, returning just 0.9%. Continued signaling from the central banks in Europe and the UK along with an overall stronger US dollar weighed on relative results in developed markets. Chinese equities weighed on overall results in emerging markets with the MSCI China index falling 9.7% for the quarter. Chinese equities suffered due to a lackluster economic reopening, weak economic data, and heightened tensions with the US.

The broad US investment grade bond market (Bloomberg US Aggregate) fell 0.8%[2] as the Federal Reserve indicated additional rate hikes were needed to combat persistent inflation. High yield bonds (Bloomberg High Yield) benefited from the "risk-on" sentiment, returning 1.7%[2] in the quarter ending June 30th[2]. Commodities (Bloomberg Commodity Index) continued to soften on weakening global growth expectations and developments with China, declining 2.6% for the quarter. [2]

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Over the full fiscal year developed market equities posted strong returns with US stocks slightly outperforming developed markets outside the US. Emerging market equities significantly trailed develop market equities over the period. The Russell 3000 (US equities) returned 19.0%[1] for the fiscal year, compared to the MSCI EAFE at 18.8%[1] (developed market equities), and a return of 1.8%[1] for the MSCI Emerging Markets index. The MSCI Emerging Markets index was greatly influenced by returns from China, as the MSCI China index declined by 16.8% over the 12 months ending on June 30th. Within fixed income, declining inflation, and a slightly longer relative duration for the index hurt TIPS' full year relative results. The Bloomberg TIPS index decreased 1.4%[1] over the full year, while the Bloomberg Aggregate index declined by 0.9%[1] Riskier bonds held up well in the fiscal year, as the Bloomberg High Yield index increased 9.1% over the period.

Remarkably, despite a fiscal year where a recession was forecasted by many economists, GDP growth and unemployment remained unexpectedly robust, and inflation continued to decline. GDP growth in the US was 3.2%, 2.6%, 2.0% and 2.4%[1] for the first, second, third, and fourth quarter, respectively, for fiscal year 2023. Unemployment ticked up to 3.7% during the fiscal year but ultimately settled where it started at 3.6%.[2] All of this occurred while the headline inflation number decreased from 9.1% in June 2022 to 3.0%[2] in June 2023. Finally, the yield curve remained inverted for almost the entire fiscal year, eventually deepening the inversion as the year went on. The yield spread between two-year and ten-year Treasuries finished June 2023, at -1.06%.[1]

Outside the US, unemployment and inflation painted a more mixed picture. The Eurozone ended fiscal year 2023 with unemployment numbers at 6.5%, down from 6.6% at the beginning of the fiscal year.[3] Japan ended with an unemployment figure where it started at 2.6%. Inflation in the Eurozone ended the fiscal year at 6.1%, down from 8.6%[2] a year earlier. Inflation increased in Japan for the first time in many years, ending at 3.2% versus 2.5%[2] at the beginning of the fiscal year. China notably had inflation levels at the end of the fiscal year close to 0% given the weak economic reopening.

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Fiscal Year 2024 Outlook

Overall, the US economy has been much more resilient than expected given inflation that remains above the Fed's target and one of the most aggressive policy tightening campaigns in history. As we move forward, investors will be looking for clues on the track of inflation and related monetary policy, monitoring if economies hit recessions or manage "soft landings," and keeping an eye on geopolitical issues. There are several areas that could guide markets, both positively and negatively, in fiscal year 2024. These include:

→ The Federal Reserve and other Central Banks have made solid progress on the inflation fight. However, the possibility remains that the final declines of inflation to central banks' preferred range may be harder to achieve versus the progress made so far.

- While CPI in the US finished the fiscal year at 3.0% over the trailing 12 months (it recently increased slightly to 3.2% in July 2023), the path to 2.0% may be more difficult due to changes in trade, deglobalization, as well as a stronger consumer.[2]
- The Core CPI measure that strips out the more volatile energy and food categories is still far above range, finishing the fiscal year at 4.8%[2] and more recently falling to at 4.7%[2] in July. Because the Federal Reserve focuses on Core measures, and the rate remains above their 2%[2] target, they may continue to fight inflation by keeping rates higher for longer, with the risk of pushing the economy into recession.
- The labor market has remained relatively strong, but questions linger about whether this will persist as the impact of increased interest rates continue to flow through the economy. As consumption makes up most of the growth in the US the strength of the consumer is key. Higher credit balances and rates and the end of the reprieve on student loan payments could also influence spending going forward.

→ China has seen a disappointing reopening, ongoing deleveraging, restrictions from the US, and declining trade.

- China, the second largest economy in the world, waited longer than any other country to reduce or remove COVID-related restrictions on mobility. Many market participants expected above-trend growth which has not occurred.
- The old methods of stimulating growth in China, such as building and infrastructure projects, may have lesser utility as China continues to mature.
- The move toward diversifying supply chains is not only happening in the US, but around the world. This has led to less trade with China, both for imports and exports, a trend that could continue to pressure economic growth. Recent legislation, such as the CHIPS Act in the US, is encouraging semiconductor manufacturers to build production plants outside of Asia.
- Deleveraging, resulting from an overleveraged property sector, will continue to reduce economic growth as well as price increases. China will almost certainly look for ways to contain deflationary pressures to avoid a situation like Japan.

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→ Ongoing geopolitical issues, including the war in Ukraine and US-China relations, remain a factor and could always worsen, leading to adverse effects on global economic growth and inflation.

- The war in Ukraine continues with no immediate end in sight. Despite international condemnation and sanctions, Russia's economy has held up, allowing the country to continue to fund its war effort despite little progress.
- The war in Ukraine also enlightened the world to a situation where China attempts a takeover of Taiwan. This has resulted in many countries and corporations beginning the process of reducing dependence on Chinese-made goods, while diversifying their supply chains.
- Relations between the world's two largest economies, US and China, have suffered in recent years. This relationship could continue to worsen, with declining trade and increased tensions.

MercedCERA Fiscal Year 2023 Performance

The MCERA portfolio posted a 7.6% return on a net of fees basis for the fiscal year ended June 30, 2023, which outpaced the policy index by 40 basis points. Emerging Markets was the strongest performers on both absolute (12.8%) and relative to benchmark (11.1%) basis. The Developed International Equity segment of the portfolio was a key detractor from performance due to the poor relative performance over the period (-6.8%) as well as the overall size of the allocation (11% of overall portfolio).

US Equities returned 18.6%, trailing its benchmark by 40 bps. The US Fixed Income sleeve posted a -2.4% return in the trailing year, trailing its benchmark by 1.5%. Opportunistic credit returned 8.2% outperforming its benchmark return by 3.9%. The Real Estate sleeve returned -3.0%, compared to its benchmark return of -3.1%. Private Equity returned 1.5%, outperforming its benchmark by 6.1%. Direct Lending returned 6.4%, compared to the benchmark return of 12.9%. Hedge funds returned 3.7%, in line with the benchmark over the period. Real Assets returned 11.7% compared to the benchmark return of 6.4%.

From a longer-term perspective, the fund returned 8.1% for the trailing three years and 7.2% over the trailing five years. The portfolio trailed the benchmarks by 70 basis points over the three-year period and outperformed versus the benchmark by 30 basis points over the five-year period.

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Investment Results

	Annualized Returns (%)		
Periods Ended June 30, 2023	One Year	Three Years	Five Years
US Equity (net)	**18.6**	**12.9**	**10.6**
Russell 3000	19.0	13.9	11.0
International Equity (net)	**11.2**	**5.0**	**5.9**
International Equity Custom	11.8	6.6	3.4
US Fixed Income (net)	**-2.4**	**-4.4**	**0.2**
US Fixed Income Custom Benchmark	-0.8	-3.7	0.6
Opportunistic Credit (net)	**8.1**	**5.5**	**N/A**
50% Barclays US Aggregate / 25% Barclays US High Yield / 25% Credit Suisse Leveraged Loans	4.3	0.3	N/A
Real Estate (net & Private Real Estate 1-quarter lagged)	**-3.0**	**4.6**	**3.6**
Custom Blended Real Estate Benchmark	-3.1	8.4	7.1
Private Equity (net & 1-quarter lagged)	**1.5**	**25.7**	**16.9**
Custom Blended Private Equity Benchmark	-4.6	20.0	14.5
Direct Lending (net & 1-quarter lagged)	**6.4**	**9.8**	**N/A**
S&P LTSA Leverage Loan Index + 2%	12.9	8.4	N/A
Hedge Funds (net)	**3.7**	**6.8**	**3.9**
Custom Blended Hedge Fund Benchmark	3.7	5.0	3.3
Real Assets (net & certain managers 1-quarter lagged)	**11.7**	**15.4**	**11.1**
Custom Blended Real Assets Benchmark	6.4	9.9	6.1
Total Fund (net)	**7.6**	**8.1**	**7.2**
Policy Index	7.2	8.8	6.9
Rank	*58*	*59*	*21*

MM/PN/IH/mn

[1] Source: OECD.
[2] Source: Bloomberg.
[3] Source: Eurostat.
[4] Source: Bureau of Economic Analysis.
[5] Source: S&P Down Jones Indices.

Total Fund Returns (Gross of Fees) vs. Universe Period Ended June 30, 2023								
	3 mo	Fiscal YTD	3 yrs	5 yrs	7 yrs	10 yrs	Inception Return	Since
Total Fund	2.7%	7.9%	8.5%	7.5%	8.5%	8.1%	8.1%	12/31/1994
Fund Benchmark	3.4%	7.2%	8.8%	6.9%	8.2%	7.7%	6.2%	12/31/1994
IF Public Defined Benefit Gross Rank	79	66	33	10	20	21	48	12/31/1994
IF Public Defined Benefit Gross Median	3.2%	8.9%	7.8%	6.6%	7.8%	7.5%	8.0%	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 April 22, 2022, 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, 2023

Investment Class	Allocation June 30, 2023	Target	Allocation Minimum	Allocation Maximum
Domestic Equity	24.1%	22.0%	16.0%	27.0%
Developed Markets Equity	11.6%	11.0%	6.0%	16.0%
Emerging Markets Equity	7.5%	8.0%	4.0%	12.0%
Private Equity	13.6%	15.0%	5.0%	20.0%
Direct Lending	4.0%	5.0%	0.0%	10.0%
Real Estate	7.7%	8.0%	6.0%	10.0%
Domestic Fixed Income	10.5%	11.0%	6.0%	16.0%
Opportunistic Credit	3.3%	5.0%	3.0%	7.0%
Hedge Fund	11.3%	10.0%	5.0%	15.0%
Real Assets	5.8%	5.0%	3.0%	7.0%
Cash	0.6%	0.0%	0.0%	5.0%
	100.0%	100.0%		

Asset Allocation Information
For the Fiscal Year Ended June 30, 2022

Investment Class	Allocation June 30, 2022	Target	Allocation Minimum	Allocation Maximum
Domestic Equity	22.4%	22.0%	16.0%	27.0%
Developed Markets Equity	11.6%	11.0%	6.0%	16.0%
Emerging Markets Equity	5.9%	8.0%	4.0%	12.0%
Private Equity	12.6%	15.0%	5.0%	20.0%
Direct Lending	1.9%	5.0%	0.0%	10.0%
Real Estate	8.5%	8.0%	6.0%	10.0%
Domestic Fixed Income	15.7%	11.0%	6.0%	16.0%
Opportunistic Credit	5.5%	5.0%	3.0%	7.0%
Hedge Fund	9.9%	10.0%	5.0%	15.0%
Real Assets	5.4%	5.0%	3.0%	7.0%
Cash	0.6%	0.0%	0.0%	5.0%
	100.0%	100.0%		

Investment Summary
For the Fiscal Year Ended June 30, 2023

	Value	Percent of Total
Domestic Equity		
Large Cap	$182,482,143	16.2%
Large Cap Active	54,649,723	4.8%
Small Cap	28,608,415	2.5%
Total	265,740,281	23.5%
International Equity		
Large Cap	99,485,136	8.8%
Small Cap	28,405,536	2.5%
Emerging Market	82,906,250	7.3%
Total	210,796,922	18.6%
Fixed Income		
Domestic Core	91,949,152	8.1%
Mutual Fund	24,242,744	2.1%
Opportunistic Credit	35,825,769	3.2%
Total	152,017,665	13.4%
Alternative Investments		
Private Equity	206,772,819	18.3%
Direct Lending	45,967,393	4.1%
Hedge Funds	145,206,337	12.8%
Real Asset Proxy	13,191,550	1.2%
Total	410,925,566	36.4%
Real Estate		
Domestic Property Fund	41,009,830	3.6%
Domestic Private Real Estate	37,186,067	3.3%
International Private Real Estate	5,656,335	0.5%
Total	83,852,232	7.4%
Cash and Short-Term Investments	7,635,751	0.7%
Total Investments, Cash, and Short-Term Investments	$1,131,180,949	100.0%

Merced County Employees' Retirement Association
Schedule of Investment Results (Gross of Fees)
For the Fiscal Year Ended June 30, 2023

	Current Year	Annualized				
Domestic Equity		3Yrs	5Yrs	7Yrs	10Yrs	Inception
Large Cap:						
BNY Mellon Newton Dynamic	17.5	13.0	12.6	14.1	14.7	15.6
Mellon Large Cap Index	19.2	14.1	12.0	13.2	--	13.1
Small Cap:						
Champlain Small Cap*	19.4	--	--	--	--	9.0
Total Domestic Equity	**18.9**	**13.2**	**10.9**	**12.8**	**12.8**	**10.3**
Index: Russell 3000	***19.0***	***13.9***	***11.0***	***12.7***	***12.1***	***10.2***
International Equity						
Developed Markets:						
Acadian ACWI ex U.S. Small Cap Equity	10.7	12.9	--	--	--	9.4
Driehaus International Small Cap Growth	12.3	8.1	--	--	--	8.1
GQG International Equity	11.4	8.3	--	--	--	7.3
First Eagle International Value Fund	10.5	7.1	--	--	--	3.9
Emerging Markets:						
Artisan Developing World Trust	21.5	-0.8	--	--	--	6.3
RWC Global Emerging Equity Fund	0.3	4.3	--	--	--	0.9
Total International Equity	**12.1**	**5.8**	**6.6**	**8.8**	**6.6**	**5.9**
Index: International Equity Custom	***11.8***	***6.6***	***3.4***	***6.5***	***5.0***	***--***
US Fixed Income						
Vanguard Short-Term Treasury Index Fund	0.1	-1.2	0.9	--	--	0.9
Vanguard Total Bond Market Index Fund	-0.9	-4.0	--	--	--	-0.2
Payden & Rygel Low Duration Fund	--	--	--	--	--	4.4
Brandywine US Fixed Income	--	--	--	--	--	0.2
Wellington Core Bond	--	--	--	--	--	3.1
Total Fixed Income	**-2.3**	**-4.3**	**0.3**	**0.6**	**1.7**	**4.5**
Index: US Fixed Income Custom Benchmark	***-0.8***	***-3.7***	***0.6***	***0.8***	***1.6***	***4.5***
Opportunistic Credit						
PIMCO Income Fund	5.4	1.9	--	--	--	1.9
GoldenTree Multi-Sector Credit	10.7	6.4	--	--	--	4.6
Sculptor Credit Opportunities Domestic Partners, LP	10.8	12.2	--	--	--	12.2
Total Opportunistic Credit	**8.8**	**6.1**	**--**	**--**	**--**	**4.7**
Index: 50% Barclays US Aggregate / 25% Barclays US High Yield / 25% Credit Suisse Leveraged Loans	***4.3***	***0.3***	***--***	***--***	***--***	***1.6***

Real Estate	Current Year	Annualized 3Yrs	5Yrs	7Yrs	10Yrs	Inception
Vanguard REIT Index	-3.9	--	--	--	--	4.8
UBS Trumbull	-8.3	3.2	2.4	3.1	5.5	7.2
Greenfield GAP VII	0.2	22.6	18.0	16.8	--	16.8
Patron V	-8.0	-4.5	-6.0	1.4	--	1.4
Carlyle Realty VIII	1.3	38.0	19.2	--	--	10.8
Taconic CRE Dislocation Fund II	19.1	10.5	--	--	--	9.9
Carmel Partners Investment Fund VII	6.0	-6.5	--	--	--	-21.5
AG Realty Value Fund X, L.P.	6.0	16.3	--	--	--	6.5
Rockpoint Real Estate Fund VI, L.P.	-2.3	13.8	--	--	--	13.7
Cerberus Real Estate Debt Fund, L.P	4.0	10.2	--	--	--	10.2
Taconic CRE Dislocation Onshore Fund III*	7.6	--	--	--	--	6.9
Starwood Distressed Opportunity Fund XII Global*	0.4	--	--	--	--	136.0
Carlyle Realty Partners IX*	-90.2	--	--	--	--	-144.2
Carmel Partners Investment Fund VIII*	-7.5	--	--	--	--	-12.7
Rockpoint Real Estate Fund VII L.P.	--	--	--	--	--	13.6
Total Real Estate**	**-3.0**	**4.6**	**3.6**	**4.7**	**6.3**	**7.7**
Index: Custom Blended Real Estate Benchmark	***-10.4***	***6.5***	***6.0***	***6.3***	***8.0***	***7.2***
Real Assets						
SSgA (Proxy Fund)	-0.7	11.9	5.6	--	--	5.8
Private Infrastructure:						
KKR Global Infrastructure Investors II	18.6	24.1	22.8	19.2	--	17.5
North Haven Infrastructure II	12.2	9.3	10.0	10.5	--	8.4
ISQ Global Infrastructure Fund II	9.9	13.8	4.1	--	--	4.1
KKR Global Infrastructure Investors III	12.9	4.2	--	--	--	-1.9
Ardian Infrastructure Fund V	16.6	-8.3	--	--	--	-9.2
ISQ Global Infrastructure Fund III*	13.2	--	--	--	--	-639.2
KKR Global Infrastructure Investors IV*	0.3	--	--	--	--	-221.8
BlackRock Global Infrastructure Fund IV	--	--	--	--	--	-12.3
Private Natural Resources:						
GSO Energy Opportunities	61.2	49.2	18.5	19.6	--	19.2
Taurus Mining	36.9	51.8	31.7	26.0	--	26.4
Taurus Mining Annex	19.1	23.5	24.3	--	--	25.7
EnCap XI	33.4	26.3	1.9	--	--	-7.7
EnCap IV	5.7	51.0	28.9	--	--	24.8
BlackRock GEPIF III	12.9	18.3	--	--	--	14.5
Tailwater Energy Fund IV	30.2	27.3	--	--	--	6.9
Carnelian Energy Capital IV	-8.0	--	--	--	--	-6.9
EnCap Flatrock Midstream Fund V	--	--	--	--	--	0.0
Total Real Assets	***11.8***	***15.6***	***11.2***	***10.0***	***9.9***	***10.2***
Index: Custom Blended Real Assets Benchmark	***6.4***	***9.9***	***6.4***	***7.4***	***7.7***	***--***

Private Equity	Current Year	Annualized				
		3Yrs	5Yrs	7Yrs	10Yrs	Inception
Adams St	-14.0	19.1	12.2	12.9	12.8	11.1
Invesco VI	-48.0	31.1	20.0	18.7	16.3	16.3
Ocean Ave II	3.9	46.0	32.0	30.2	--	22.4
Pantheon I	-13.8	-9.7	-13.1	-7.4	-3.4	-0.7
Pantheon II	-8.7	19.2	14.0	14.3	14.0	12.9
Pantheon Secondary	-2.5	-5.2	-4.3	-2.5	-1.2	1.4
Davidson Kempner Long-Term Distressed Opportunities Fund IV	36.9	31.9	20.0	--	--	19.2
GTCR Fund XII	-4.2	30.5	15.9	--	--	15.7
Carrick Capital Partners III	-2.6	19.3	--	--	--	11.3
Cressey & Company Fund VI	-3.7	27.8	--	--	--	16.8
TCV X	-25.8	30.5	--	--	--	17.5
Accel-KKR Growth Capital Partners III	1.3	21.2	--	--	--	10.4
Genstar Capital Partners IX	30.5	37.4	--	--	--	27.3
Cortec Group Fund VII	24.9	36.0	--	--	--	27.8
Spark Capital Growth Fund III	-2.2	19.4	--	--	--	17.3
Spark Capital VI	1.2	-3.0	--	--	--	-2.7
Summit Partners Growth Equity Fund X-A	11.9	8.0	--	--	--	12.6
Taconic Market Dislocation Fund III L.P.	-2.5	14.2	--	--	--	14.2
Marlin Heritage Europe II, L.P.	11.6	--	--	--	--	-0.2
Khosla Ventures VII	6.0	--	--	--	--	5.6
Accel-KKR Capital Partners VI	0.0	--	--	--	--	-5.7
Khosla Ventures Seed E	9.9	--	--	--	--	143.1
TCV XI	-16.8	--	--	--	--	-5.1
Thoma Bravo Discover Fund III	-0.3	--	--	--	--	6.4
Summit Partners Venture Capital Fund V-A	-5.0	--	--	--	--	-6.3
GTCR Fund XIII/A & B	-3.6	--	--	--	--	104.2
Genstar Capital Partners X	3.0	--	--	--	--	6.8
Nautic Partners X	6.0	--	--	--	--	0.6
Spark Capital Growth Fund IV	36.5	--	--	--	--	20.2
Spark Capital VII	-8.9	--	--	--	--	-7.7
TCV Velocity Fund I	-19.8	--	--	--	--	-28.4
Accel-KKR Growth Capital Partners IV	-6.7	--	--	--	--	-21.8
Summit Partners Growth Equity Fund XI-A*	1.2	--	--	--	--	-53.2
GTCR Strategic Growth Fund I/A&B LP*	-50.4	--	--	--	--	-50.4
Threshold Ventures IV LP*	--	--	--	--	--	-24.2
Thoma Bravo Discover Fund IV*	--	--	--	--	--	8.9
Marlin Heritage III*	--	--	--	--	--	-83.2
Cortec Group Fund VIII, L.P.*	--	--	--	--	--	-1.1
Total Private Equity**	**1.5**	**25.7**	**16.9**	**16.0**	**14.1**	**10.5**
Index: Custom Blended Private Equity Benchmark	***-4.6***	***20.0***	***14.5***	***16.1***	***15.5***	***--***

	Current Year	Annualized				
Direct Lending		3Yrs	5Yrs	7Yrs	10Yrs	Inception
Silver Point Specialty Credit Fund II, L.P.	7.2	10.2	--	--	--	10.2
Ares Senior Direct Lending Fund II	7.4	--	--	--	--	8.7
Varagon Capital Direct Lending Fund	0.2	--	--	--	--	-0.1
AG Direct Lending Fund IV Annex	9.5	--	--	--	--	8.1
AG Direct Lending Fund V*	--	--	--	--	--	7.5
Accel-KKR Credit Partners II LP*	--	--	--	--	--	30.2
Silver Point Specialty Credit Fund III*	--	--	--	--	--	-1.7
Total Direct Lending**	**6.4**	**9.8**	**--**	**--**	**--**	**9.8**
Index: S&P LSTA Leverage Loan Index + 2%	***12.9***	***8.4***	***6.2***	***6.7***	***6.1***	***8.4***
Hedge Funds						
Sculptor (OZ) Domestic II	9.1	4.7	6.0	7.6	--	6.1
Graham Absolute Return	3.0	11.5	5.5	--	--	5.5
Wellington-Archipelago	9.9	8.3	6.2	--	--	6.4
Marshall Wace Eureka	3.5	9.8	7.0	--	--	7.4
Silver Point Capital	6.9	15.0	8.3	--	--	8.3
Laurion Capital	2.4	7.0	--	--	--	10.5
Taconic Opportunity Fund	0.3	4.5	--	--	--	2.9
Marshall Wace Global Opportunities	8.3	5.3	--	--	--	5.4
Caxton Global Investments	-4.3	--	--	--	--	3.5
Hudson Bay Fund*	--	--	--	--	--	--
Total Hedge Funds	**4.6**	**7.8**	**4.7**	**6.3**	**--**	**4.7**
Index: Hedge Fund Custom	***3.7***	***5.0***	***3.3***	***4.1***	***--***	***--***
Total Fund***	**7.9**	**8.5**	**7.5**	**8.5**	**8.1**	**8.1**
Total Fund Custom Index***	**7.2**	**8.8**	**6.9**	**8.3**	**--**	**--**

*There is no fiscal year data available; MercedCERA has been in the fund for less than a year.

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

***Using time-weighted rate of return based on market rate return and are presented gross of fees.

Top 10 Largest Holdings by Fair Value
June 30, 2023

PAR	Bonds		Fair Value
65,080	GSAMP 2006-HE6 CL A-3	DI 09/14/2006 DD 08-25-2036	$51,183
47,324	CARRINGTON MTG LN	DI 08/10/2006 DD 08-25-2036	44,485
80,886	OWNIT MTG LN	DI 09/28/2006 DD 09-25-2037	38,713
61,803	CMO BEAR STEARNS	DI 06/01/2006 DD 07-25-2036	28,005
34,835	CMO MERRILL LYNCH	DI 03/01/2006 DD 03-25-2036	21,500
20,334	CMO NOMURA AST ACCEP CORP	DI 06/29/2007 DD 06-25-2037	17,112
16,794	PVTPL CMO GS MTG SECS CORP	DI 10/25/2004 DD 06-25-2034	14,704
10,620	PVTPL CMO INDYMAC ABS INC	DI 06/14/2005 DD 06-25-2038	7,503
8,503	CMO WAMU MTG	DI 08/01/2006 DD 09-25-2036	7,252
7,170	CMO CITIGROUP MTG	DI 02/01/2006 DD 03-25-2036	6,582
			$237,039

A complete list of portfolio holdings is available upon request.

Schedules of Investment Management Fees
For the Fiscal Years Ended June 30, 2023 and 2022

Investment Managers' Fees	2023 Assets Managed	2023 Fees	2022 Assets Managed	2022 Fees
Equity Managers				
Domestic	$237,131,866	$220,104	$211,862,277	$427,769
International	28,405,536	218,380	24,488,174	354,375
Fixed Income Managers	83,907,002	154,285	77,152,285	226,669
Alternative Investment Managers	35,712,890	620,528	41,982,717	500,998
Real Estate Managers	32,997,738	410,936	37,983,455	405,414
Total Investment Manager Fees and Assets Managed	$418,155,032	$1,624,233	$393,468,908	$1,915,225

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
	Genstar Capital
Domestic Equity	GTCR LLC
Champlain Investment Partners	Invesco Private Capital
Mellon Capital Management	Khosla Ventures
	Marlin Equity Partners
International Equity	Nautic Partners
Acadian Asset Management	Ocean Avenue Capital Partners
Artisan	Pantheon Ventures, Inc.
Driehaus Capital Management	Raven Capital Management
First Eagle	Spark Capital
GQG	Summit Partners
RWC	Technology Crossover Ventures (TCV)
	Thoma Bravo, LP
Real Estate	Threshold Ventures
Angelo Gordon	
The Carlyle Group	**Hedge Fund**
Carmel Partners, Inc	Caxton Associates LP
Cerberus Capital Management	Graham Capital Management
Greenfield Partners	Hudson Bay
Patron Capital	Laurion Capital Management, LLP
Rockpoint Group	Marshall Wace, LLP
Starwood Capital Group	Sculptor Capital
Taconic Capital Advisors LP	Silver Point Capital, L.P.
UBS Global Asset Management	Taconic Capital Advisors LP
Vanguard	Wellington Alternative Investments

Continued on next page.

Investment Service Providers (Continued)	
Natural Resources	**Infrastructure**
BlackRock , Inc	Ardian
Carnelian Energy Capital	I Squared Capital
EnCap Investments L.P.	KKR & Co. L.P.
GSO Energy Select Opportunities Associates, LLC	Morgan Stanley
Tailwater	
Taurus Funds Management	**Proxy Fund**
	SSgA
Direct Lending	
Accel KKR	**Commission Recapture Brokers**
Angelo Gordon	ConvergEx Group
Ares	Capital Institutional Services, Inc.
Silver Point Capital	
Taconic Capital Advisors, LP	
Varagon Capital	

Actuarial Section

CHEIRON Classic Values, Innovative Advice

Via Electronic Mail

November 20, 2023

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, 2023. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2022 (transmitted February 16, 2023) and the GASB 67/68 Report as of June 30, 2023 (transmitted November 17, 2023).

Actuarial Valuation Report as of June 30, 2022

The purpose of the annual Actuarial Valuation Report as of June 30, 2022 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 2023-2024. The prior review of Plan member and employer rates was conducted as of June 30, 2021 and included recommended contribution rates for the Fiscal Year 2022-2023.

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.

The Board also adopted a policy to replace the smoothed Actuarial Value of Assets with the Market Value of Assets for valuation purposes. These new 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, 2022 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 2022 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, 2023

The purpose of the GASB 67/68 Report as of June 30, 2023 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, 2022 actuarial valuation updated to the measurement date of June 30, 2023. The beginning of year Total Pension Liability was based on the actuarial valuation as of June 30, 2021, updated to June 30, 2022. The Total Pension Liability measurements as of June 30, 2023 and June 30, 2022 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, 2022 and June 30, 2021, respectively, with the exception being adoption of the assumption changes recommended in the Actuarial Experience Study for the period ending June 30, 2022 for the Total Pension Liability measurement as of June 30, 2023.

Please refer to our GASB 67 report as of June 30, 2023, for additional information related to the financial reporting of the System.

We prepared the following schedules for inclusion in the Financial Section of the ACFR based on the June 30, 2023 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.

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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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, 2022):

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, 2022. 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.

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	Rates of vested termination apply to active members who terminate their employment after five years of service and leave their contribution with the plan. Vested terminated General members are assumed to begin receiving benefits at 60; terminated Safety members are assumed to begin receiving benefits at age 50. Future reciprocal transfer General members are assumed to begin receiving benefits at age 61; future reciprocal transfer Safety members are assumed to begin receiving benefits at age 55. Current reciprocal transfer members are assumed to begin receiving benefits based on the probabilities of retirement applied to the active members. Future reciprocal transfers' pay growth is assumed to be 3.75% for General members 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.
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.**

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, 2022

Valuation Date	Plan Type	Number	Annual Salary	Average Annual Salary	% Increase in Average Annual Salary
6/30/2013	General	1,604	$91,737,348	$57,193	0.63%
	Safety	295	$18,699,145	$63,387	0.98%
	Total	1,899	$110,436,493	$58,155	0.64%
6/30/2014	General	1,624	$91,704,083	$56,468	-1.27%
	Safety	300	$18,620,870	$62,070	-2.08%
	Total	1,924	$110,324,953	$57,341	-1.40%
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	$20,136,323	$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	$130,085,422	$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	$133,765,411	$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	$135,297,922	$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	$145,950,523	$67,351	1.78%

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2022. 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
2013	1,996	103	$3,029	49	$856	2,050	$56,048	5.98%	$27,340
2014	2,050	116	$3,950	31	$591	2,135	$60,297	7.58%	$28,242
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

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
2013	$73,311	$694,137	$297,850	$1,065,298	$547,264	100%	68%	0%
2014	$75,582	$739,428	$281,231	$1,096,241	$657,325	100%	79%	0%
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%

Note: Information compiled from Actuarial Report prepared by Cheiron, Inc. dated June 30, 2022.

Actuarial Analysis of Financial Experience
For Fiscal Years Ended June 30
(Dollar Amounts in Thousands)

Actuarial (Gains)/Losses				Changes in Plan Provisions	Changes in Assumptions/ Methods	Total (Gains)/Loss
Plan Year Ended	Asset Sources	Liability Sources	Total			
2013	$20,749	$4,199	$24,948	N/A	$49,294	$74,242
2014	$(22,058)	$(12,533)	$(34,591)	N/A	$(36,803)	$(71,394)
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)

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
2013	$547,264	$1,065,298	$518,034	51.4%	$115,983	446.6%
2014	$657,325*	$1,096,241	$438,916	60.0%	$115,939	378.6%
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%

*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, 2022.

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Statistical Section

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
6/30/2014	$ 9,642,819	$48,032,338	43.40%	$ 96,219,056	$153,894,213
6/30/2015	$ 8,945,316	$52,005,656	47.22%	$ 19,318,849	$ 80,269,821
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

Deductions by Type

Fiscal Year Ended	Benefits Paid	Administrative Expenses	Actuarial Expense	Refunds of Contributions	Total
6/30/2014	$57,338,930	$1,434,671	$ 112,676	$ 703,091	$59,589,368
6/30/2015	$61,780,089	$2,197,281	$ 126,165	$ 1,171,835	$65,275,370
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

Schedules of Changes in Fiduciary Net Position
(Dollars in Thousands)

	6/30/2023	6/30/2022	6/30/2021	6/30/2020	6/30/2019
Additions					
Plan members contributions	$13,446	$12,124	$11,895	$10,797	$10,696
Employer contributions	68,648	65,630	64,512	67,413	66,586
Net investment income/(loss)	83,417	(87,115)	253,467	57,232	39,729
Total additions	165,511	(9,361)	329,874	135,442	117,011
Deductions					
Benefits paid	90,586	85,913	82,837	78,755	74,239
Administrative expenses	1,263	2,523	2,494	2,253	2,272
Actuarial expenses	2,790	120	127	212	79
Refunds	232	896	977	910	572
Total deductions	94,871	89,452	86,435	82,130	77,162
Change in fiduciary net position	70,640	(98,813)	243,439	53,312	39,849
Net position restricted for pensions at beginning of the year	1,064,441	1,163,254	919,815	866,503	826,654
Net position restricted for pensions at end of the year	$1,135,081	$1,064,441	$1,163,254	$919,815	$866,503

	6/30/2018	6/30/2017	6/30/2016	6/30/2015	6/30/2014
Additions					
Plan members contributions	$10,442	$9,385	$9,043	$8,945	$9,643
Employer contributions	64,757	60,349	56,617	52,005	48,032
Net investment income/(loss)	70,689	83,097	(388)	19,319	96,219
Total additions	145,888	152,831	65,272	80,269	153,894
Deductions					
Benefits paid	69,836	66,116	63,929	61,780	57,339
Administrative expenses	2,177	1,966	2,417	2,197	1,435
Actuarial expenses	106	207	76	126	112
Refunds	884	788	1,154	1,172	703
Total deductions	73,003	69,077	67,576	65,275	59,589
Change in fiduciary net position	72,885	83,754	(2,304)	14,994	94,305
Net position restricted for pensions at beginning of the year	753,769	670,015	672,319	657,325	563,020
Net position restricted for pensions at end of the year	$826,654	$753,769	$670,015	$672,319	$657,325

Schedules of Benefit Expenses by Type
(Amount in Thousands of Dollars)

	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014
Service Retirement										
General	$65,945	$62,724	$60,682	$57,652	$54,136	$50,551	$47,522	$46,126	$44,722	$41,442
Safety	12,880	11,837	10,993	10,006	9,336	8,652	8,059	7,761	7,854	7,196
Total	$78,825	$74,561	$71,675	$67,658	$63,472	$59,203	$55,581	$53,887	$52,576	$48,638
Disability Retirement										
General	$2,136	$2,234	$2,071	$2,141	$2,139	$2,032	$2,117	$1,953	$1,842	$2,600
Safety	3,148	3,133	3,210	3,182	3,100	2,976	2,759	2,604	2,623	3,005
Total	$5,284	$5,367	$5,281	$5,323	$5,239	$5,008	$4,876	$4,557	$4,465	$5,605
Beneficiary/Survivor										
General	$4,645	$4,577	$4,210	$3,915	$3,786	$3,808	$3,767	$3,667	$3,327	$2,346
Safety	1,271	1,147	1,506	1,575	1,608	1,627	1,729	1,650	1,258	610
Total	$5,916	$5,724	$5,716	$5,490	$5,394	$5,435	$5,496	$5,317	$4,585	$2,956
Total Payroll Expense										
General	$72,726	$69,535	$66,963	$63,708	$60,061	$56,391	$53,406	$51,746	$49,891	$46,387
Safety	17,299	16,117	15,709	14,763	14,044	13,255	12,547	12,015	11,735	10,811
Total	$90,025	$85,652	$82,672	$78,471	$74,105	$69,646	$65,953	$63,761	$61,626	$57,198
Death Benefits										
General	$257	$213	$149	$128	$99	$102	$111	$129	$84	$96
Safety	9	15	15	3	24	18	12	15	18	18
Total	$266	$228	$164	$131	$123	$120	$123	$144	$102	$114
Separation Refund Expense										
General	$921	$689	$868	$680	$446	$643	$674	$978	$1,033	$582
Safety	342	207	109	230	126	241	114	176	139	121
Total	$1,263	$896	$977	$910	$572	$884	$788	$1,154	$1,172	$703
Active Death Expense										
General	$234	$32	$ -	$154	$11	$70	$40	$24	$51	$29
Safety	60	-	-	-	-	-	-	-	-	-
Total	$294	$32	$ -	$154	$11	$70	$40	$24	$51	$29

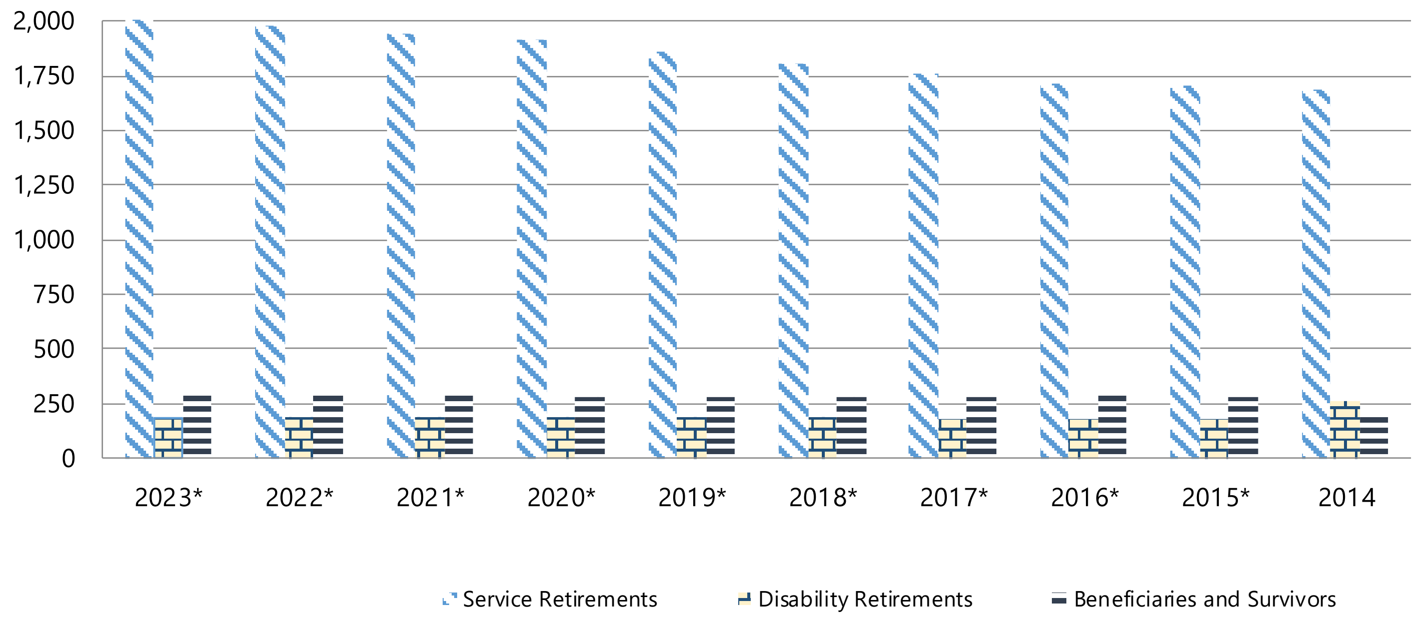
*During the 2015 fiscal year, MercedCERA converted to the CPAS System. Because of differences in handling data, beneficiaries of disability retiree decedents are now grouped with Beneficiary/Survivors.

Schedule of Retired Members by Type of Benefit
(Summary of Monthly Allowances Being Paid - As of June 30, 2023)

Type of Benefit	General Members		Safety Members		Total	
	Number	Average Monthly Allowance	Number	Average Monthly Allowance	Number	Average Monthly Allowance
Service Retirement	1,792	$3,109	237	$6,551	2,029	$3,511
Disability	92	$2,051	90	$3,121	182	$2,580
Beneficiary/Survivor	242	$1,795	59	$2,710	301	$1,975
Total Retired Members	2,126	$2,914	386	$5,164	2,512	$3,259

This schedule excludes separation refunds and death refunds.

Ten Year Structure of Retiree Membership History



	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014
Service Retirements	2,029	1,975	1,943	1,911	1,859	1,806	1,757	1,713	1,706	1,685
Disability Retirements	182	186	186	191	188	185	183	184	180	260
Beneficiaries and Survivors	301	286	286	281	284	283	285	286	276	187
Total	2,512	2,447	2,415	2,383	2,331	2,274	2,225	2,183	2,162	2,132

*During the 2014-2015 fiscal year, MercedCERA converted to the CPAS 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.

Summary of Retired Membership

For Fiscal Years Ended June 30 (Basic Annual and Total Annual Allowance Dollars in Thousands)

	2023*	2022*	2021*	2020*	2019*	2018*	2017*	2016*	2015*	2014
General										
Number	2,126	2,087	2,045	2,029	1,987	1,937	1,895	1,860	1,848	1,810
Basic annual allowance	$55,158	$53,103	$51,416	$49,178	$46,562	$43,874	$41,930	$41,265	$40,316	$37,646
Average basic monthly allowance	$2,162	$2,120	$2,095	$2,020	$1,953	$1,888	$1,844	$1,849	$1,818	$1,733
Total annual allowance**	$72,726	$69,535	$66,963	$63,708	$60,061	$56,391	$53,406	$51,746	$49,891	$46,387
Average total monthly allowance	$2,851	$2,777	$2,729	$2,617	$2,519	$2,426	$2,349	$2,318	$2,250	$2,136
Safety										
Number	386	378	370	354	344	337	330	323	314	322
Basic annual allowance	$12,215	$11,496	$11,313	$10,724	$10,302	$9,783	$9,347	$9,086	$8,996	$8,279
Average basic monthly allowance	$2,637	$2,534	$2,548	$2,524	$2,496	$2,419	$2,360	$2,344	$2,387	$2,143
Total annual allowance**	$17,299	$16,117	$15,709	$14,763	$14,044	$13,255	$12,547	$12,015	$11,735	$10,811
Average total monthly allowance	$3,735	$3,553	$3,538	$3,475	$3,402	$3,278	$3,168	$3,100	$3,114	$2,798
Total										
Number	2,526	2,467	2,415	2,383	2,331	2,274	2,225	2,183	2,162	2,132
Basic annual allowance	$67,373	$64,599	$62,728	$59,902	$56,864	$53,657	$51,277	$50,351	$49,312	$45,925
Average basic monthly allowance	$2,235	$2,184	$2,165	$2,095	$2,033	$1,966	$1,920	$1,922	$1,901	$1,795
Total annual allowance**	$90,025	$85,652	$82,672	$78,471	$74,105	$69,646	$65,953	$63,761	$61,626	$57,198
Average total monthly allowance	$2,987	$2,896	$2,853	$2,744	$2,649	$2,552	$2,470	$2,434	$2,375	$2,236

*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, 2023

		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	518	167	241	78	9	1	5	17	382	28	81	16	-	9
$1,000 - $1,999	544	176	257	56	5	14	29	7	446	9	65	17	2	5
$2,000 - $2,999	354	155	130	24	2	27	6	10	300	5	37	9	1	2
$3,000 - $3,999	224	88	117	14	1	4	-	-	193	7	17	5	1	1
$4,000 - $4,999	141	70	61	4	-	6	-	-	125	4	10	2	-	-
$5,000 - $5,999	109	48	59	2	-	-	-	-	92	4	9	3	1	-
$6,000 - $6,999	69	24	44	1	-	-	-	-	60	3	5	1	-	-
$7,000 - $7,999	53	21	25	7	-	-	-	-	43	1	7	2	-	-
$8,000 - $8,999	23	9	13	1	-	-	-	-	20	1	1	-	1	-
$9,000 - $9,999	18	10	7	1	-	-	-	-	14	1	2	-	1	-
$10,000 & over	73	34	36	3	-	-	-	-	59	3	11	-	-	-
Totals	2,126	802	990	191	17	52	40	34	1,734	66	245	55	7	17
Safety Members														
$1 - $999	39	21	1	2	2	12	-	1	23	4	9	1	-	2
$1,000 - $1,999	56	29	3	14	1	8	1	-	42	1	11	1	-	1
$2,000 - $2,999	80	42	6	6	1	20	1	4	65	1	11	2	-	1
$3,000 - $3,999	83	27	4	9	2	33	-	8	72	-	7	-	1	2
$4,000 - $4,999	44	27	4	5	-	6	-	2	37	-	5	-	2	-
$5,000 - $5,999	27	17	5	-	-	4	-	1	21	2	3	1	-	-
$6,000 - $6,999	18	15	1	-	-	1	-	1	14	-	2	1	1	-
$7,000 - $7,999	11	9	1	-	-	1	-	-	11	-	-	-	-	-
$8,000 - $8,999	7	6	-	-	-	1	-	-	6	-	-	1	-	-
$9,000 - $9,999	7	6	-	-	-	1	-	-	6	-	-	1	-	-
$10,000 & over	14	11	2	-	-	1	-	-	12	-	2	-	-	-
Totals	386	210	27	36	6	88	2	17	309	8	50	8	4	6
Grand Totals	**2,512**	**1,012**	**1,017**	**227**	**23**	**140**	**42**	**51**	**2,043**	**74**	**295**	**63**	**11**	**23**

*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

	Years of Credited Service						
Retirement Effective Dates	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**
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 average 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 average 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 average 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 average 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 average 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 average 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 average 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 average 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
Period 7/1/2014 to 6/30/2015							
Average monthly benefit	$448	$1,083	$1,650	$2,434	$2,981	$3,438	$8,150
Average final average salary	$7,700	$5,994	$5,007	$5,401	$5,303	$4,903	$8,849
Number of retired members	10	11	28	17	14	5	3
Period 7/1/2013 to 6/30/2014							
Average monthly benefit	$426	$1,121	$1,634	$2,714	$4,018	$5,013	$5,992
Average final average salary	$8,946	$4,750	$4,587	$5,441	$6,527	$6,566	$7,088
Number of retired members	7	17	22	16	15	13	13

Participating Employers and Active Members
Last Ten Fiscal Years Ended June 30

Participating employers	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
County of Merced										
General members	1,672	1,690	1,703	1,683	1,736	1,690	1,665	1,596	1,542	1,490
Safety members	298	326	318	321	318	320	320	311	300	298
Total County of Merced	1,970	2,016	2,021	2,004	2,054	2,010	1,985	1,907	1,842	1,788
Percentage of membership	93.45%	93.55%	94.00%	93.47%	93.96%	93.88%	93.68%	93.39%	93.65%	93.56%
Merced Cemetery District	1	1	1	1	-	1	1	1	1	1
Percentage of membership	0.05%	0.05%	0.05%	0.05%	-	0.05%	0.05%	0.05%	0.05%	0.05%
Merced County Law Library	-	1	-	-	-	-	-	-	-	-
Percentage of membership	0.00%	0.05%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Merced Superior Court	137	137	128	139	132	130	133	129	118	112
Percentage of membership	6.50%	6.35%	5.95%	6.48%	6.04%	6.07%	6.28%	6.32%	6.00%	5.86%
Regional Waste Management Authority	-	-	-	-	-	-	-	5	6	10
Percentage of membership	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.24%	0.31%	0.52%
Total Active Membership										
General	1,810	1,829	1,832	1,823	1,868	1,821	1,799	1,731	1,667	1,613
Safety	298	326	318	321	318	320	320	311	300	298
Total	2,108	2,155	2,150	2,144	2,186	2,141	2,119	2,042	1,967	1,911

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MERCED CERA
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