



SDCERA

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

San Diego County, CA

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SDCERA POPULAR ANNUAL FINANCIAL REPORT as of June 30, 2020

This Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2020 (FY 2020) provides a summary of SDCERA's financial activities. The financial data was taken from SDCERA's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2020 (CAFR) and prepared in accordance with the Governmental Accounting Standards Board's reporting guidelines and Generally Accepted Accounting Principles (GAAP). Both reports are available on our website at www.sdcera.org. For detailed financial information, please refer to the CAFR.

The following information presents Membership, financial, investment and actuarial data as of June 30, 2020.

SDCERA MEMBERSHIP AND DEMOGRAPHICS

	2020	2019
Active Members	18,451	18,173
Average Age	43.7	43.9
Average Service	10.5	10.7
Average Compensation	\$77,564	\$74,798
Retired Members & Beneficiaries	20,296	19,706
Average Age	70.0	69.8
Average Annual Benefit	\$40,680	\$39,360
Deferred Members	6,410	6,151
Total Membership	45,157	44,030

FINANCIAL

The Statement of Fiduciary Net Position presents SDCERA's assets and liabilities as of June 30, 2020 and June 30, 2019.

FIDUCIARY NET POSITION					
For the fiscal years ended June 30					
(dollars in thousands)					
	2020	2019	Increase/ (Decrease)	% Change	
Cash, cash equivalents and collateral cash	\$ 2,273,747	\$ 1,691,162	\$ 582,585	34.4%	
Securities lending cash collateral	16,080	20,930	(4,850)	(23.2%)	
Receivables	521,593	466,610	54,983	11.8%	
Investments	10,853,620	11,314,307	(460,687)	(4.1%)	
Property, plant and equipment	5,720	6,603	(883)	(13.4%)	
Total assets	\$ 13,670,760	\$ 13,499,612	\$ 171,148	1.3%	
Collateral payable for securities lending	16,124	20,964	(4,840)	(23.1%)	
Investments purchased	682,843	562,946	119,897	21.3%	
Other	38,437	33,168	5,269	15.9%	
Total liabilities	\$ 737,404	\$ 617,078	\$ 120,326	19.5%	
Net Position	\$ 12,933,356	\$ 12,882,534	\$ 50,822	0.4%	

SDCERA POPULAR ANNUAL FINANCIAL REPORT as of June 30, 2020

The Statement of Changes in Fiduciary Net Position provides an income statement presentation of annual additions to and deductions from the Plan for the fiscal years ended June 30, 2020 and June 30, 2019.

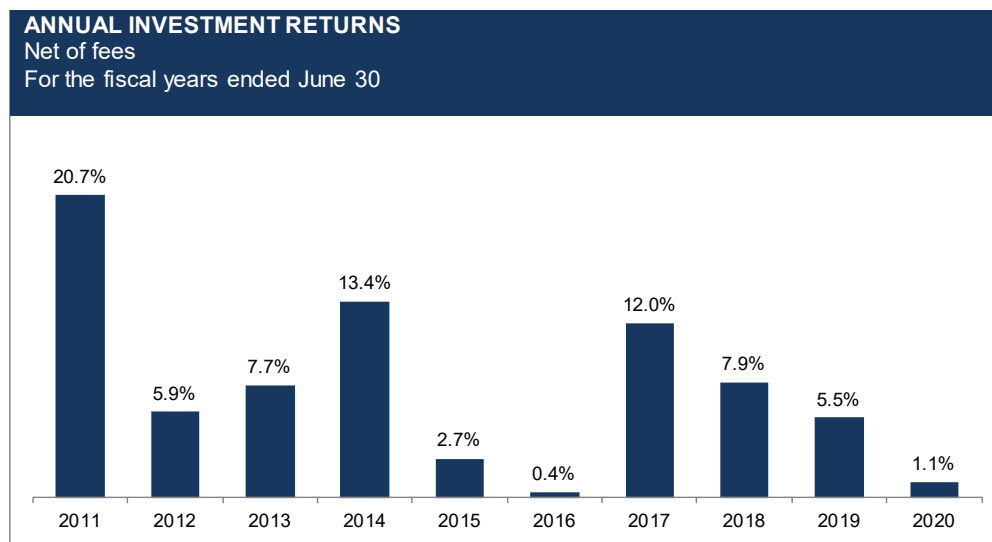
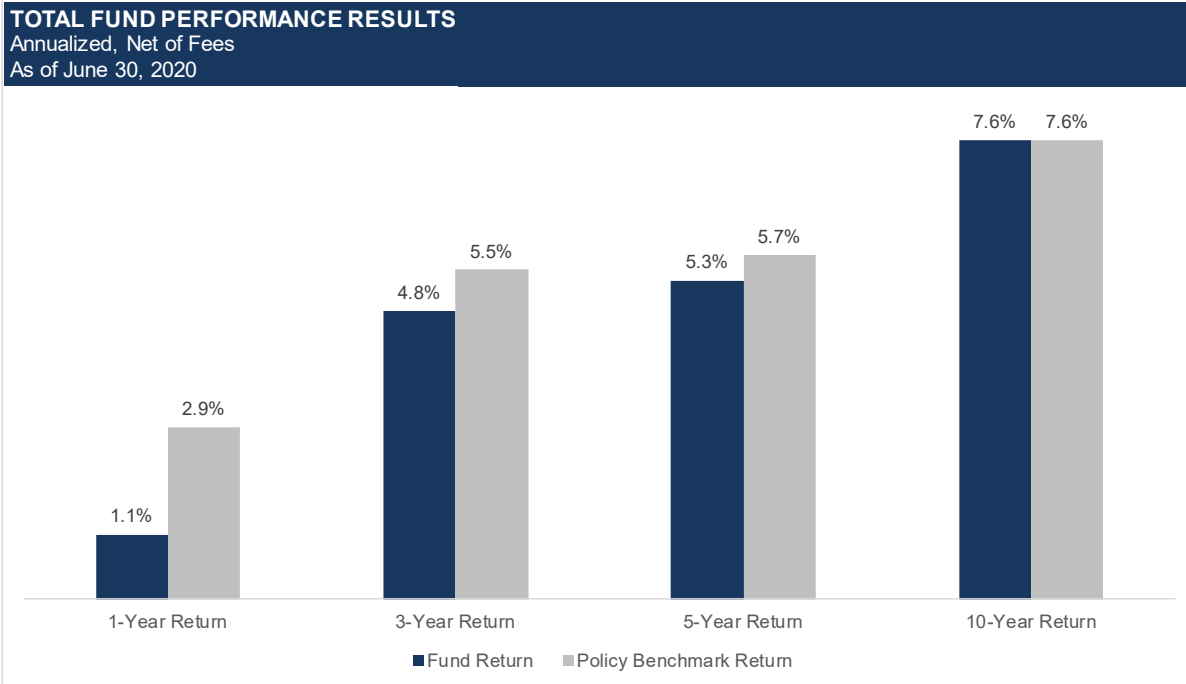
CHANGES IN FIDUCIARY NET POSITION					
For the fiscal years ended June 30					
(dollars in thousands)					
	2020		2019	Increase/ (Decrease)	% Change
Additions					
Employer pension contributions	\$ 568,947	\$	532,408	\$ 36,539	6.9%
Employer OPEB contributions	20,255		20,310	(55)	(0.3%)
Member contributions	150,683		145,746	4,937	3.4%
Net investment income	134,560		668,050	(533,490)	(79.9%)
Net securities lending income	237		554	(317)	(57.2%)
Total additions	\$ 874,682	\$	1,367,068	\$ (492,386)	(36.0%)
Deductions					
Retirement and death benefits	\$ 788,428	\$	738,566	\$ 49,862	6.8%
Health benefits	16,018		16,161	(143)	(0.9%)
Refund of contributions	5,682		5,297	385	7.3%
Administrative expenses	13,732		13,425	307	2.3%
Total deductions	\$ 823,860	\$	773,449	\$ 50,411	6.5%
Net increase/(decrease) in net position	\$ 50,822	\$	593,619	\$ (542,797)	(91.4%)
Net position at beginning of year	12,882,534		12,288,915	593,619	4.8%
Net position at end of year	\$ 12,933,356	\$	12,882,534	\$ 50,822	0.4%

The primary sources of funds that pay for Member benefits are employer and Member contributions and investment income. These income sources (Additions) totaled \$874.7 million for FY 2020, representing a decrease of \$492.4 million from FY 2019.

SDCERA's Plan assets are used to pay retirement, disability and survivor benefits; contribution refunds for terminated Members; health insurance allowance benefits; and SDCERA's administrative expense. In FY 2020, these deductions totaled \$823.9 million, an increase of 6.5 percent from \$773.4 million in FY 2019. The increase was primarily due to the increase in the number of retired Members and the application of a COLA to retired Members' monthly benefit payments.

INVESTMENTS

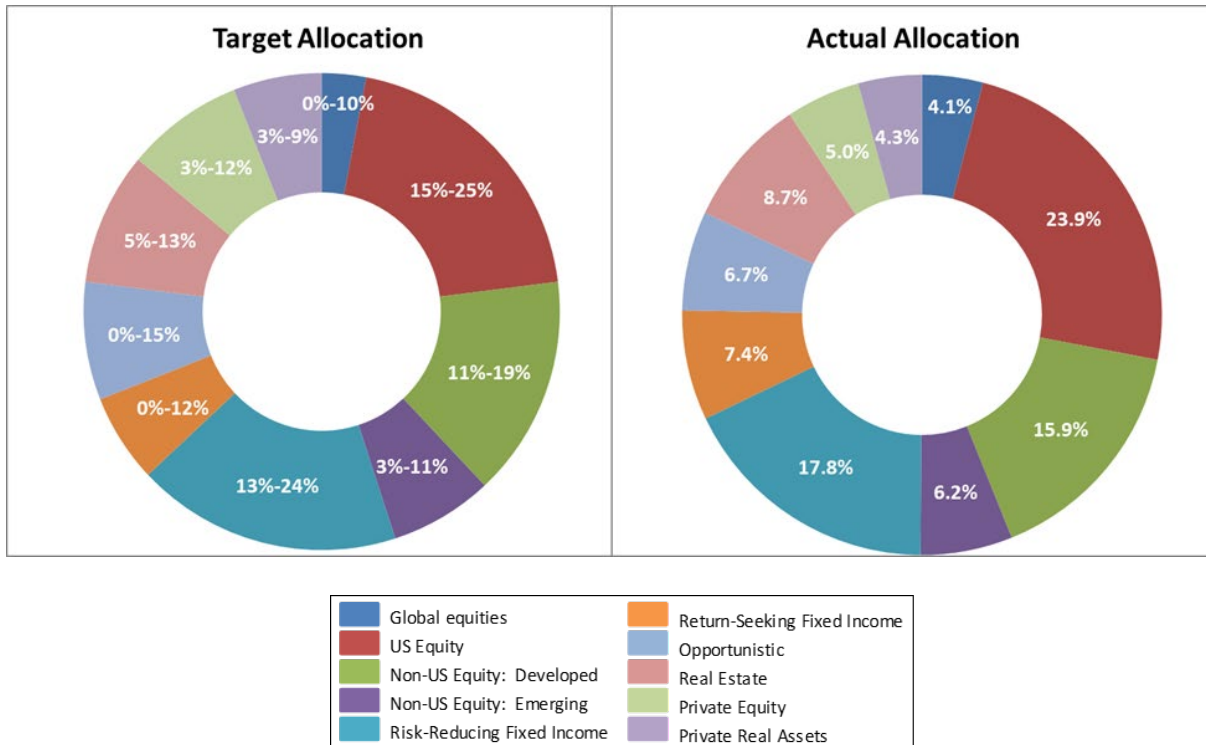
SDCERA’s FY 2020 investment return was 1.1% and Trust Fund assets totaled \$12.9 billion as of June 30, 2020. SDCERA’s three, five and ten-year returns were 4.8%, 5.3% and 7.6% respectively as of June 30, 2020. All returns are annualized net-of-fees, time-weighted rates of return.



SDCERA’s Board of Retirement (Board) has exclusive authority over and fiduciary responsibility for investment of SDCERA’s assets (Trust Fund). The Board has adopted an Investment Policy Statement (IPS) that defines the Trust Fund’s governing principles and policies concerning delegation of authority,

investment objectives, and asset allocation. The investment objectives are to generate long-term returns that, when combined with employer and Member contributions, will result in assets sufficient to pay retiree benefit obligations, and to diversify the investments of the Trust Fund so as to minimize the risk of loss and maximize returns.

The IPS and asset allocation are updated at least annually to ensure that they remain consistent with prevailing investment and economic circumstances. The Trust Fund is managed and monitored by Investment staff for compliance with the IPS on an ongoing basis, and updates are reported monthly to the Board. The Target Allocation and the Actual Asset Allocation as of June 30, 2020 are presented below.



The actual allocations were within the policy minimum and maximum ranges of the target allocation of each asset class. In accordance with the IPS, SDCERA Investment staff rebalances Trust Fund assets to maintain the Board-approved asset allocation and risk limits.

ACTUARIAL

Segal, SDCERA’s independent Actuary, prepared SDCERA’s Actuarial Valuation and Review as of June 30, 2020 (Valuation), which summarizes SDCERA’s actuarial data and establishes the funding requirements for fiscal year 2022. All FY 2020 actuarially determined contributions were paid.

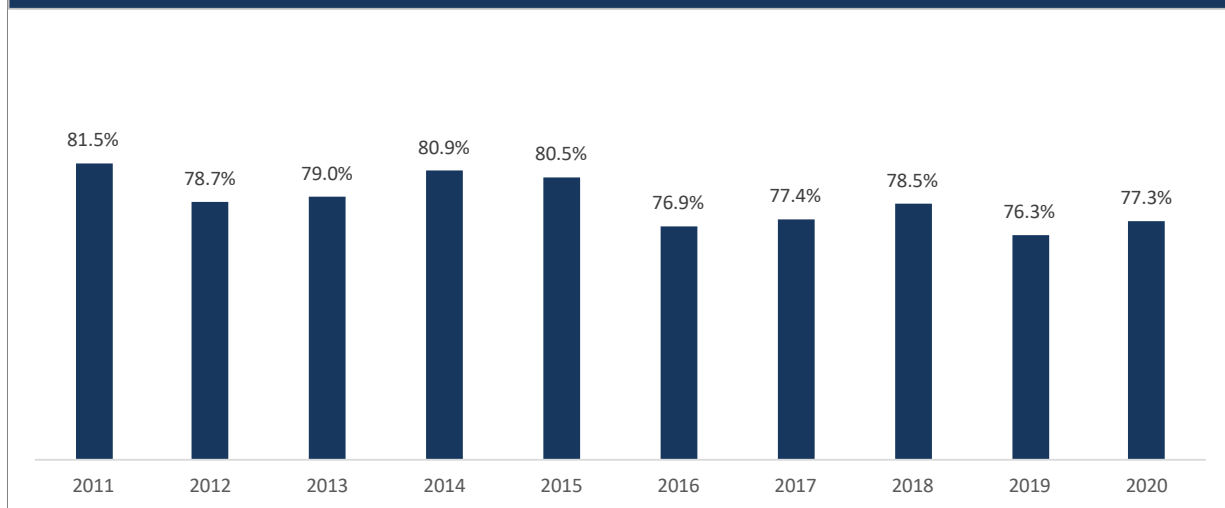
One important measure of SDCERA’s financial status is the funded ratio, which compares the Plan’s Valuation Value of Assets (VVA) to its Actuarial Accrued Liabilities (AAL). The Valuation reflects that the funded ratio of SDCERA’s Valuation Value of Assets (\$13.7 billion) to the Actuarial Accrued

Liability (\$17.7 billion) increased slightly from 76.3 percent as of June 30, 2019 to 77.3 percent as of June 30, 2020. The difference between the VVA and the AAL is the Unfunded Actuarial Accrued Liability (UAAL). SDCERA’s UAAL remained unchanged at \$4.0 billion.

When calculated on the Market Value of Assets (MVA) instead of the VVA for the same time periods, the funded ratio decreased from 75.9 percent to 72.8 percent.

When evaluating a Plan’s funding progress, the funded ratio should be viewed together with other relevant factors, including the plan sponsor’s financial health and cash flows. The financial strength of SDCERA’s plan sponsor, the County of San Diego, is evidenced by its triple-A ratings from Moody’s, Standard & Poor’s and Fitch Ratings. In addition, the County has adopted a policy to direct greater-than-expected revenues each year to SDCERA. In addition, the SDCERA Board of Retirement lowered the assumed investment rate of return four times since 2010, from 8.0 to 7.0 percent. Each reduction in the assumed investment rate of return results in a lower funded ratio.

PENSION PLAN FUNDED RATIO
Based on Valuation Value of Assets
For the fiscal years ended June 30



MANAGEMENT

The beginning of the COVID-19 pandemic in February 2020, and California Governor Newsom’s March 19 stay-at-home order initiated a cascade of events that materially and rapidly changed SDCERA’s operations. SDCERA has successfully adapted to pandemic restrictions by a strong and secure technology environment, enabling staff to work from home and successfully meet our fiduciary, operational and financial responsibilities.

LEADERSHIP CHANGES

On October 15, 2020, the Board appointed Tracy M. Sandoval to become Chief Executive Officer (CEO)

of the San Diego County Employees Retirement Association effective November 20, 2020. With more than two decades of accomplishment in leadership roles within the County of San Diego, Ms. Sandoval served as the Assistant Chief Administrative Officer.

Ms. Sandoval replaces Steve Sexauer, who served as Interim CEO from April 2020 to November 2020, and David Wescoe, who served as CEO from September 2015 to April 2020.

BOARD OF RETIREMENT

On May 6, 2004, San Diego County Supervisor Dianne Jacob began her first term as a Trustee on the Board of Retirement. After 28 years on the San Diego County Board of Supervisors and almost 16 years on the SDCERA Board, including two years as Board Chair, Supervisor Jacob is retiring. She has always put a tremendous amount of time and thought into her responsibilities on the SDCERA Board and will be greatly missed.

Trustee Samantha Begovich announced her retirement from the County of San Diego and resigned her position on the Board of Retirement on September 14, 2020. Trustee Begovich served 14 years as a Deputy District Attorney and five years on the SDCERA Board, including two years as Board Chair. She was appointed by the Department of Justice to serve as a Federal Immigration Judge.

Trustee Richard Vortmann retired from the SDCERA Board after serving three terms from 2011 to 2020 as a County Board of Supervisors appointed trustee. Trustee Vortmann served with distinction to SDCERA and its Members.

To replace Trustee Vortmann, the San Diego County Board of Supervisors appointed Tom Hebrank to the SDCERA Board on June 2, 2020 for a three-year term. Trustee Hebrank is a Certified Public Accountant and Certified Insolvency and Restructuring Advisor, and partner in the firm E3 Advisors. He is currently a member of the City of San Diego's Ethics Commission and previously served as Chairman of the San Diego City Employees Retirement System ("SDCERS").

BOARD MEMBERS

as of June 30, 2020

CHAIR

Samantha Begovich

Elected by General Members
Term expires June 30, 2023*

Tom Hebrank

Appointed by Board of Supervisors
Term expires June 30, 2023

Dianne Jacob

Appointed by Board of Supervisors
Term expires January 4, 2021

VICE CHAIR

Richard Tartre

Appointed by Board of Supervisors
Term expires June 30, 2021

Mark Hovey

Appointed by Board of Supervisors
Term expires June 30, 2022

Dan McAllister

County Treasurer-Tax Collector
Holds office during incumbency

SECRETARY

R.W. "Bob" Goodchild

Elected by General Members
Term expires June 30, 2022

David Gilmore

Elected by Safety Members
Term expires December 31, 2022

E.F. "Skip" Murphy

Elected by Retired Members
Term expires June 30, 2023

ALTERNATE TRUSTEES

Tim Hancock

Elected by Safety Members
Term expires December 31, 2022

Susan Mallett

Elected by Retired Members
Term expires June 30, 2023

* Trustee Samantha Begovich announced her retirement from the County of San Diego and resigned her position on the Board of Retirement on September 14, 2020.

COVER PHOTO: MIKE PATTISON



SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION

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www.sdcera.org