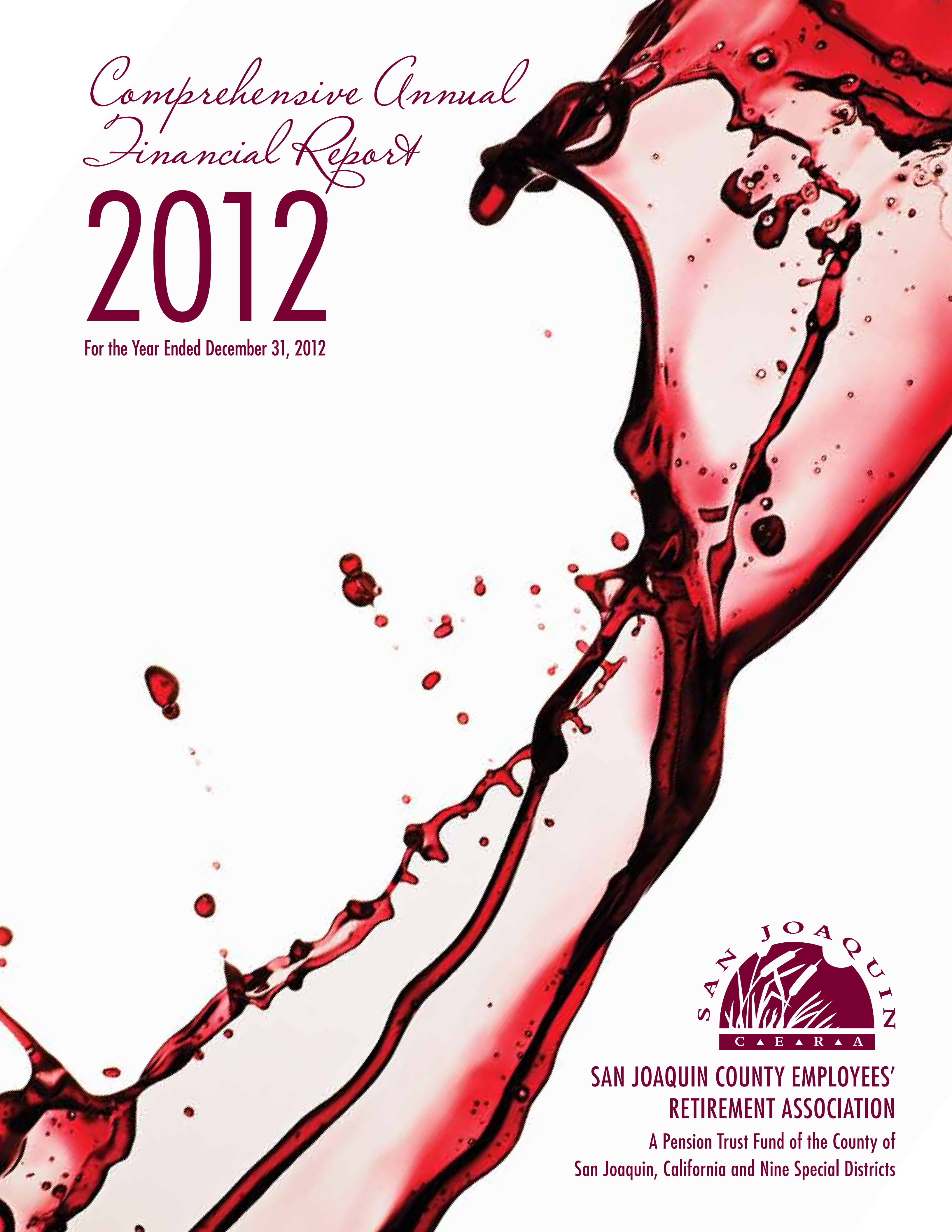

Comprehensive Annual Financial Report 2012

For the Year Ended December 31, 2012

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

A Pension Trust Fund of the County of San Joaquin, California and Nine Special Districts

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

A Pension Trust Fund of the County of
San Joaquin, California and Nine Special Districts

Comprehensive Annual Financial Report

2012

For the year ended December 31, 2012

ISSUED BY:

Annette St. Urbain
Chief Executive Officer

Lily Cherng, CPA
Retirement Financial Officer

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

6 So. El Dorado Street,
Suite 400
Stockton, California 95202

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www.sjcera.org

San Joaquin County's delta is one of the world's most highly productive agricultural regions. This year's CAFR highlights some of the area's "liquid assets."

When an object is in a fluid state, it moves, adjusts and reacts to whatever interacts with it.

Ebb and flow

Constant motion

Adaptability

Resilience

"With the interconnectedness of it all, the world is more fluid than ever."
—Jarod Kintz

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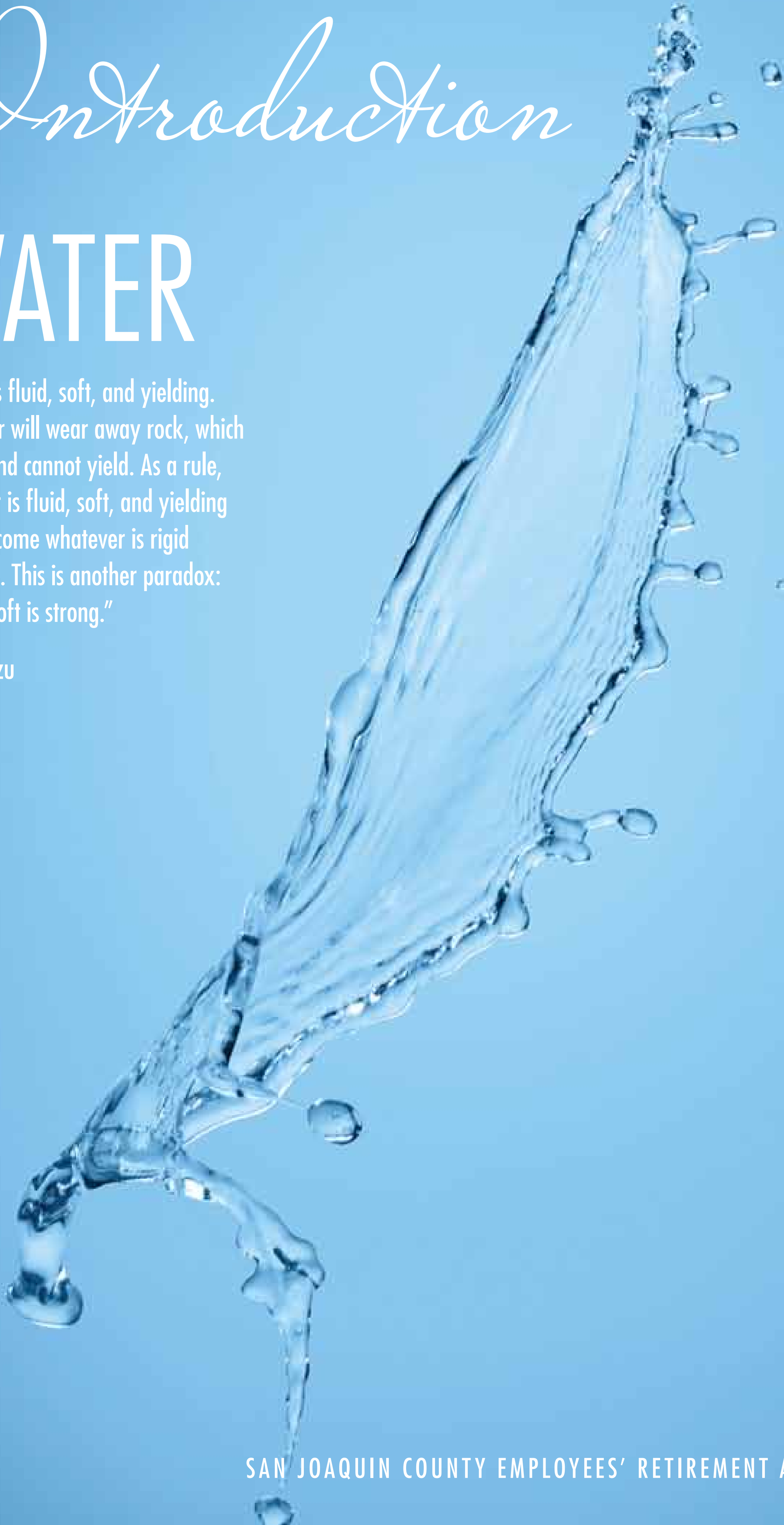
Introduction

WATER

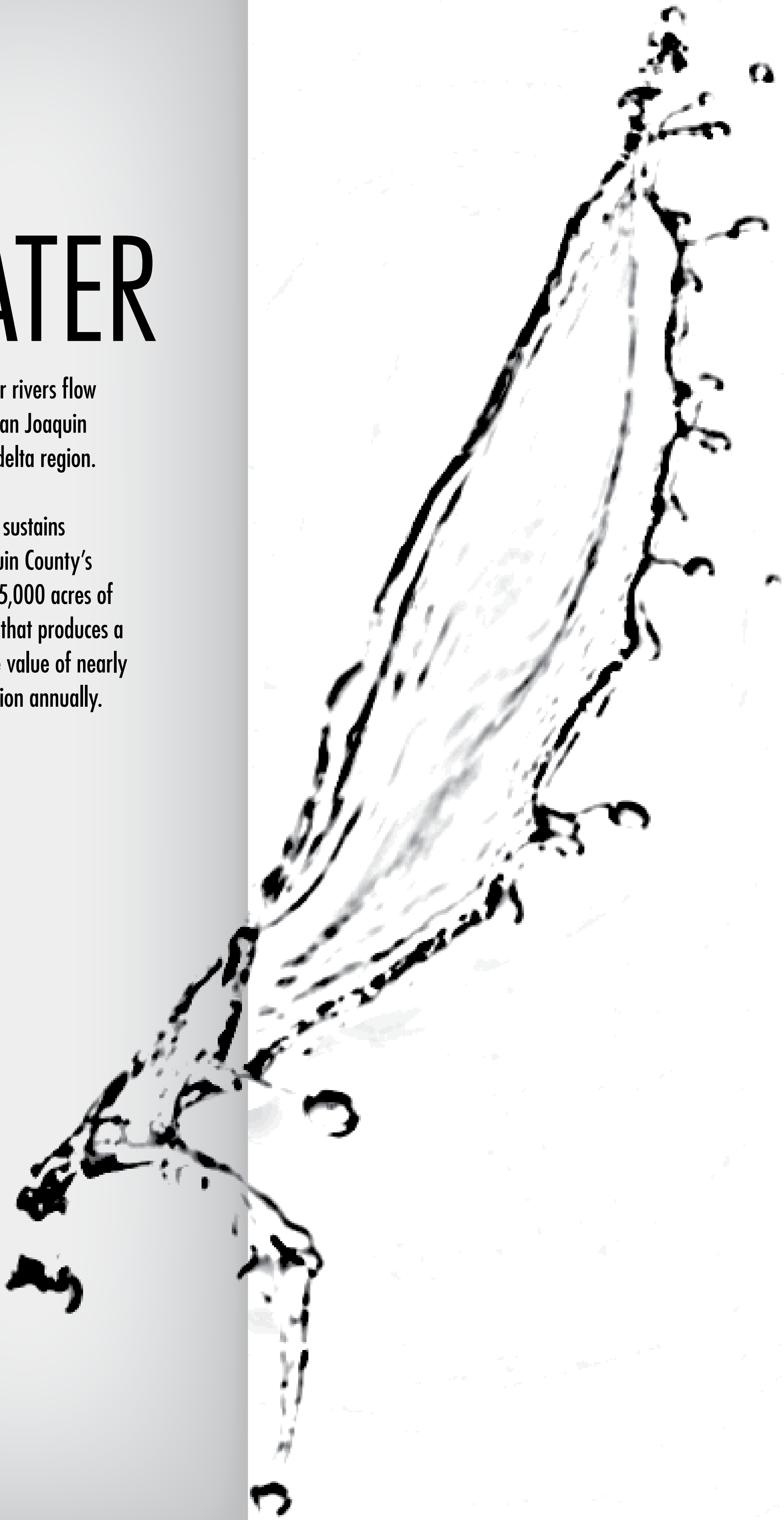
"Water is fluid, soft, and yielding. But water will wear away rock, which is rigid and cannot yield. As a rule, whatever is fluid, soft, and yielding will overcome whatever is rigid and hard. This is another paradox: what is soft is strong."

—Lao Tzu



WATER

- Five major rivers flow through San Joaquin County's delta region.
- The Delta sustains San Joaquin County's nearly 215,000 acres of farmland that produces a farm gate value of nearly $560 million annually.



On behalf of the Board of Retirement, I am pleased to present this Comprehensive Annual Financial Report for the San Joaquin County Employees' Retirement Association.

This CAFR is provided to all participating employers, and to the employee and retiree organizations that represent the members of SJCERA. While the focus of this report is on information related to the financial status of the retirement system, it also highlights other changes that occurred during the year.

The Board is responsible for the administration of the retirement system in a manner that assures the prompt delivery of benefits and related services. As fiduciaries, the Board is responsible for prudently investing and managing pension trust assets to ensure proper funding of earned benefits and minimizing risk. We take seriously the trust you have placed in us to successfully discharge these duties on behalf of our members and their beneficiaries.

We thank the Audit Committee of the Board for its independent oversight of SJCERA's accounting and financial reporting as reflected in this CAFR.

We appreciate the dedicated effort of SJCERA staff and the partnership of our professional consultants and advisors who contribute to the continued success of SJCERA.

Steve J. Bestolarides

Steve Bestolarides
Chairperson, Board of Retirement

San Joaquin County Employees' Retirement Association
6 S. El Dorado Street, Suite 400 • Stockton, CA 95202 • (209) 468-2163 • (209) 468-0480 • www.sjcera.org

June 3, 2013

Board of Retirement
6 S. El Dorado Street, Suite 400
Stockton, CA 95202

Dear Board Members:

As the Chief Executive Officer of the San Joaquin County Employees' Retirement Association (SJCERA), I am pleased to present the Comprehensive Annual Financial Report (CAFR) for the years ended December 31, 2012 and 2011.

This CAFR is intended to provide users with extensive and reliable information for making management decisions and determining compliance with legal provisions, and demonstrates the responsible management and stewardship of SJCERA. The management of SJCERA is responsible for both the accuracy of the data and the completeness and fairness of the presentation in this CAFR. To the best of management's knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System. This *Letter of Transmittal* is presented as a narrative introduction, overview and analysis and should be read in conjunction with the *Management's Discussion and Analysis* included in the Financial Section of this CAFR.

SJCERA AND ITS SERVICES

SJCERA Mission Statement

We are trusted financial stewards committed to provide excellent service and lifetime retirement benefits to our members.

SJCERA was established by the San Joaquin County Board of Supervisors by Ordinance No. 485, dated June 28, 1946, and is governed by the California State Constitution and the County Employees Retirement Law of 1937 (CERL), California Government Code, Section 31450 et. seq. SJCERA is a multi-employer public employee retirement system that provides retirement, disability, and survivors' benefits to eligible general and safety members employed by the County of San Joaquin and nine other public agencies:

- Lathrop-Manteca Rural Fire Protection District
- Mountain House Community Services District
- San Joaquin Local Agency Formation Commission
- San Joaquin County Historical Society and Museum
- San Joaquin County Law Library

- San Joaquin County Mosquito and Vector Control District
- San Joaquin County Superior Court
- Tracy Public Cemetery District
- Waterloo-Morada Rural Fire Protection District

The SJCERA Board of Retirement is responsible for establishing policies governing the administration of the retirement plan, determining benefit allowances, and managing the investment of plan assets. The Board oversees the Chief Executive Officer and staff in the performance of their duties in accordance with the CERL and the bylaws, policies, and procedures adopted by the Board. The San Joaquin County Board of Supervisors, as the sponsor of the plan, may also adopt resolutions as authorized by the CERL that affect benefits of SJCERA members.

The SJCERA Board of Retirement is a nine-member board, with one alternate member. The County Treasurer serves as an ex-officio member. Four members are appointed by the San Joaquin County Board of Supervisors, one of which is a County Supervisor. Five members are participants in the plan and are elected by SJCERA members: Two are elected by active General members; one is elected by active Safety members; and two are elected by retired members, one of which is the alternate retired member and only votes in the absence of the retired member. With the exception of the County Treasurer and the County Supervisor, board members serve three-year terms with no term limits.

General Member Margo Praus who was first elected in 2000, did not seek re-election, and recently retired from County employment. Cindy Garman, Appraiser III with the County Assessor-Recorder's Office, was the successful candidate in the General Member election for the seat previously held by Ms. Praus. Edward O'Neill III served as an appointed member of the Board since 1985. Michael Duffy, President and CEO of Financial Center Credit Union succeeded Mr. O'Neill as an appointed member of the Board. Ms. Garman and Mr. Duffy began their terms of office as new trustees on July 1, 2012. We value and appreciate Ms. Praus' and Mr. O'Neill's significant contribution to the success of SJCERA during their years as members of the Board of Retirement. SJCERA is fortunate to have significant continuity in the dedicated and experienced trustees who work diligently and cooperatively to fulfill their responsibilities.

HIGHLIGHTS OF YEAR 2012

In the fall of 2012, Assembly Bill 340 (Furutani) was signed into law, enacting the California Public Employees' Pension Reform Act of 2013. This Act, also known as "PEPRA," was the culmination of nearly a year of public hearings and deliberations by the Assembly Bill 340 Conference Committee convened to "*craft responsible, comprehensive legislation to reform state and local pension systems in a manner that reflects both the legitimate needs of public employees and the fiscal circumstances of state and local governments.*" The AB 340 Conference Committee Report contained the Legislature's response to Governor Brown's proposals for reforming pubic pensions in California.

During the year the Legislature was working on statewide public pension reform, many local governments had already taken steps to modify features of their pension plans to manage costs. San Joaquin County was no exception. Several bargaining units representing mostly General Members of SJCERA had agreed to pension benefit changes for newly hired employees that included a lower benefit formula, three-year final compensation calculation, and an older early retirement age. These plan design changes would have become operative once adopted by all bargaining units in a member category (General or Safety) with the same employer. PEPRA was enacted before these negotiated benefit changes became operative for SJCERA members.

PEPRA mandates a lower benefit structure for new employees entering public retirement system membership on or after January 1, 2013, that is uniform across all public employers subject to this law. PEPRA also supersedes any modified benefits agreed to in collective bargaining for new members, unless the modified benefits conform to the requirements of PEPRA or are certified by the retirement system's board and actuary to have no greater risk and no greater cost than the benefits required by PEPRA.

While the impact of PEPRA on current members and retirees of SJCERA is minimal, it establishes a new tier of benefits for new members. For SJCERA, the benefit structure in place prior to PEPRA is designated as "Tier I", and the benefits mandated by PEPRA are designated as "Tier II." Members of Tier II will pay higher member contributions, receive less generous retirement benefits, and work longer to receive them. Full benefits for General Members (2.5% of final compensation for each year of service) are payable at age 67, and for Safety Members (2.7% of final compensation for each year of service) at age 57. The amount of compensation that qualifies for pension benefits is capped at $110,000 annually for workers who are covered by Social Security and $132,000 annually for those who are not. (PEPRA indexes these limitations in future years based on changes in CPI). Final compensation for Tier II members is determined using the highest consecutive three years of pensionable compensation, rather than the highest one year of compensation earnable for Tier I members.

PEPRA also established equal sharing of the normal cost of benefits between all public employers and public employees as the standard, and prohibits employers from paying any of the required employee contributions. Prior to the enactment of PEPRA, San Joaquin County and other participating employers had successfully negotiated equal sharing of the normal cost of pre-funding post-retirement cost-of-living adjustments.

It is clear the changes enacted by PEPRA are intended to reduce the long-term cost and assure the sustainability of public employee pensions, and provide an adequate and secure retirement income to employees who dedicate their careers to serving the public. It will take a number of years for significant cost savings from the plan design changes enacted by PEPRA to be realized and the adequacy of retirement income under PEPRA to be assessed.

Since AB 340's enactment, SJCERA has dedicated substantial resources to understanding, interpreting, implementing, and communicating pension reform as enacted by PEPRA, which has impacted progress on other strategic initiatives for the year. We have also participated in efforts of statewide associations of public pension systems to discuss and address implementation challenges and pursue technical statutory amendments to coordinate the County Employees' Retirement Law with PEPRA.

As the entity responsible for the administration and proper funding of earned pension benefits for our members and their beneficiaries, SJCERA continues to serve as a trusted and impartial provider of information and expertise to plan sponsors and collective bargaining representatives.

The County and all SJCERA participating employers have continued to contribute the full amount of the annual contribution required to appropriately fund accrued benefits for SJCERA members and their beneficiaries. SJCERA has made steady progress in increasing plan assets. We know you rely on SJCERA for your retirement, and we are honored to safeguard both your assets and your trust.

FINANCIAL INFORMATION

SJCERA management acknowledges it is responsible for the entire contents of this CAFR, as well as for establishing and maintaining an internal control structure that ensures SJCERA's financial reporting is accurate and reliable and that SJCERA's assets are protected from loss, theft, or misuse.

Brown Armstrong Accountancy Corporation, a certified public accounting firm, has audited SJCERA's financial statements and related disclosures, which are prepared by management, and attests they are presented in conformity with generally accepted accounting principles (GAAP) in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB) and are free from material misstatement. Internal controls are sufficient to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. The accompanying basic financial statements and transactions of the organization are prepared on the accrual basis of accounting.

Maintaining appropriate internal controls is the responsibility of management; however, management recognizes that no control or combination of controls can entirely free an organization from all error or misstatement. At their best, controls provide reasonable assurance such failings do not occur. The concept of reasonable assurance recognizes the cost of a control should not exceed benefits likely derived; the valuation of costs and benefits requires estimates and judgments by management. SJCERA management is confident to the best of its knowledge the established internal controls and the interactions of those controls detect all significant occurrences and prevent noteworthy inaccuracies. SJCERA recognizes that even sound internal controls have inherent limitations. We believe that SJCERA's internal controls are designed to provide reasonable, but not absolute assurance.

ACTUARIAL FUNDING STATUS

SJCERA's funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, obtaining superior investment returns consistent with established risk controls, and minimizing employer contributions to the retirement fund. The advantage of a well-funded plan is that the benefits earned by plan participants are funded during their working careers and not by future generations of taxpayers. To help reduce year-to-year volatility in employer contribution rates due to fluctuations in investment performance, SJCERA smoothes the calculation of actuarial assets over a rolling five-year period. This not only stabilizes contribution rates but also improves the ability of employers to plan for possible future adjustments to the retirement contribution rates.

SJCERA engages an independent professional actuarial firm to perform an annual actuarial valuation of the pension plan. The purpose of the annual valuation is to reassess the value of the benefit commitments and compare this to the assets expected to be available to support those commitments so employer and employee contribution rates can be adjusted accordingly. Economic assumptions are reviewed annually. The most recent annual actuarial valuation was performed as of January 1, 2012, by EFI Actuaries.

Additionally, every three years, a triennial experience study is performed and the non-economic assumptions are reviewed. The experience study compares the assumed rate at which SJCERA's members terminate employment, retire, become disabled, or die to the actual experience of the plan for the previous three years. If actual experience differs significantly from what was expected, the assumptions are adjusted as appropriate. The most recent triennial experience study was completed for the three years ended December 31, 2009, by EFI Actuaries.

The actuarial funding status is determined from a long-term, ongoing perspective. The valuation determines the progress made in accumulating sufficient assets to pay benefits when due. As of January 1, 2012, the pension plan's actuarial accrued liability was $3.04 billion, the actuarial value of assets was $2.1 billion, and the unfunded actuarial accrued liability was $918 million. The funding status (the ratio of plan assets to plan liabilities) was 69.9%. A more detailed discussion of funding is provided in the Actuarial Section of this report.

In 2009, the Board of Retirement deemed one-half of the unprecedented decline in market value of assets experienced in 2008 as an Extraordinary Actuarial Loss to be separately amortized as a level percentage of pay over a closed 30-year period. The Board also modified the funding policy for the plan to amortize the remaining Unfunded Actuarial Accrued Liability (UAAL) using a 20-year open period until January 1, 2014. Thereafter, the amortization period will be decreased by one year in each valuation report until a 12-year amortization period is reached. Previously, the plan's entire UAAL was amortized as a level percentage of pay over an open 10-year period.

For 2012, the Board did not change its assumed annual rate of return on investments of 7.75%. The actual return on investments for calendar year 2012 was 11.8%. As of January 1, 2012, deferred losses under the five-year smoothing method exceeded deferred gains by $211 million. For the annual actuarial valuation as of January 1, 2013, the portion of deferred losses to be recognized are expected to exceed deferred gains to be recognized. As a result, required contributions are expected to increase for the next year. Required contributions would also be affected if changes in plan assumptions are adopted based on the results of the triennial experience study (currently in progress) for the three years ending December 31, 2012.

INVESTMENTS

The California Constitution and the CERL confer exclusive control and fiduciary responsibility for investing SJCERA's funds on the Board of Retirement. Board members are legally required to carry out their duties under a standard of care in California commonly known as the "prudent expert rule." The prudent expert rule requires fiduciaries to discharge their duties solely in the interest of the fund participants and beneficiaries with the degree of diligence, care and skill that a prudent person familiar with such retirement and investment matters would ordinarily exercise under similar circumstances in a like capacity.

The Board has adopted investment policies that establish the investment program goals, asset allocation, performance objectives, investment management policies, and risk controls on investments. These provide the framework for the management of SJCERA's investments and define the principal duties of the Board, custodian bank, and investment managers. The asset allocation is an integral part of the Board's investment policy and is designed to provide an optimal diversified mix of assets with return expectations that correspond to expected liabilities, while reducing overall risk. A summary of SJCERA's asset allocation can be found in the Investment Section of this report.

Under the CERL, the Board is authorized to invest in any form or type of investment deemed prudent in the informed opinion of the Board. The Board delegates much discretion to professional investment managers subject to investment policy and guidelines approved by the Board. SJCERA's assets are managed exclusively by external professional investment managers. The statement of investment policy outlines the responsibility for the investment of the fund and the degree of risk that is deemed appropriate for the fund. Investment advisors are to execute the investment policy in accordance with the statutory authority, the Board policy and their respective guidelines, but are to use full discretion within the policy and guidelines.

The Board uses the services of a general investment consultant, Strategic Investment Solutions, Inc., and a real estate investment consultant, Courtland Partners, who, together with SJCERA staff, assist the Board in formulating investment policies and objectives, setting asset allocation, developing investment manager guidelines, and monitoring investment manager performance and compliance.

Investing plan assets with the liabilities in mind has been a key component of the Board's work in recent years on funding policy, investment policy, asset allocation, and investment manager structure. Rather than simply looking to maximize the return from individual asset classes, there is an improved awareness of risk in terms of growth, liquidity, volatility and inflation. The Board's current asset allocation is intended to make the portfolio more efficient and balanced to varying economic environments, and allocates active risk to a variety of uncorrelated investment strategies that have the potential to generate greater positive returns than the broad market. In general, the Board uses active management for asset classes and strategies for investments in less efficient markets where active decision-making has greater return potential, and passive or low tracking error management in more efficient markets where it is more difficult for active managers to achieve sustained returns in excess of the broad market indices over long periods of time. SJCERA will continue efforts to identify opportunistic investment strategies and managers with a correlation and risk profile that will enhance overall portfolio returns while reducing volatilty.

For the year ended December 31, 2012, the portfolio gained 11.8% before fees, ranking in the 82nd percentile of public defined benefit retirement plans with assets over $100 million. The Board's economic assumptions anticipate a 7.75% annualized rate of return. SJCERA's annualized rate of return before fees was 8.6% over the last three years, 0.3% over the last five-years, and 6.6% over the last ten years. For the year ended December 31, 2011, the SJCERA investment portfolio experienced a positive return of 1.0% before fees, ranking in the 45th percentile of the same comparison universe.

The Investment Section of this report presents a summary of SJCERA's investment results, asset allocation, investment holdings, and other investment-related information.

PROFESSIONAL SERVICES

Professional consultants and investment managers are retained by the Board of Retirement to provide professional services that are essential to the effective and efficient operations of SJCERA. The consultants and investment managers retained by the Board are listed on page 17 of this report.

This report includes an opinion from SJCERA's independent auditors, a letter from its general investment consultant, and a letter of certification from SJCERA's retained actuary.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to SJCERA for its Comprehensive Annual Financial Report for the Year Ended December 31, 2011. The Certificate of Achievement, reproduced on page 12, is a national award recognizing excellence in the preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we will again submit it to GFOA for appraisal.

PUBLIC PENSION COORDINATING COUNCIL

SJCERA received the Public Pension Coordinating Council (PPCC), Public Pension Standards Award, in recognition of meeting the professional standards for plan design and administration as set forth in the Public Pension Standards. This award is presented by the PPCC, a confederation of the National Association of State Retirement Administrators (NASRA), the National Conference on Public Employee Retirement Systems (NCPERS) and the National Council on Teacher Retirement (NCTR).

ACKNOWLEDGEMENT

This report is intended to provide complete and reliable information as the basis for making management decisions, determining compliance with legal provisions, and demonstrating the Board's responsible stewardship of SJCERA. The compilation of this report reflects the combined and dedicated effort of the SJCERA staff, in particular Retirement Financial Officer Lily Cherng, Retirement Investment Accountant Felipa Maliwat, and Management Analyst Greg Frank.

I appreciate the Board of Retirement for its leadership and dedication, which provide the basis for a strong retirement system. I value the staff of SJCERA and their commitment and consistent effort to provide excellent service to our active and retired members. We are proud to count ourselves among the many public employees who diligently serve the people of San Joaquin County. We are grateful for the partnership of our consultants and advisors, and the many people whose dedicated efforts assure the successful operation of SJCERA.

Respectfully submitted,

Annette St. Urbain

Annette St. Urbain
Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Joaquin County Employees' Retirement Association California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

Christopher P Morrill

President

Jeffrey R. Esser

Executive Director

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
_2012_

Presented to

San Joaquin County Employees' Retirement Association

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

MEMBERS OF THE BOARD OF RETIREMENT AS OF DECEMBER 31, 2012

STEVE BESTOLARIDES
CHAIR
APPOINTED BY
BOARD OF SUPERVISORS

LAWRENCE MILLS
VICE-CHAIR
ELECTED BY
RETIRED MEMBERS

RAYMOND MCCRAY
SECRETARY
APPOINTED BY
BOARD OF SUPERVISORS

SHABBIR KHAN
TREASURER
TAX COLLECTOR
EX-OFFICIO MEMBER

MICHAEL RESTUCCIA
APPOINTED BY
BOARD OF SUPERVISORS

MICHAEL DUFFY
APPOINTED BY
BOARD OF SUPERVISORS

CINDY GARMAN
ELECTED BY
GENERAL MEMBERS

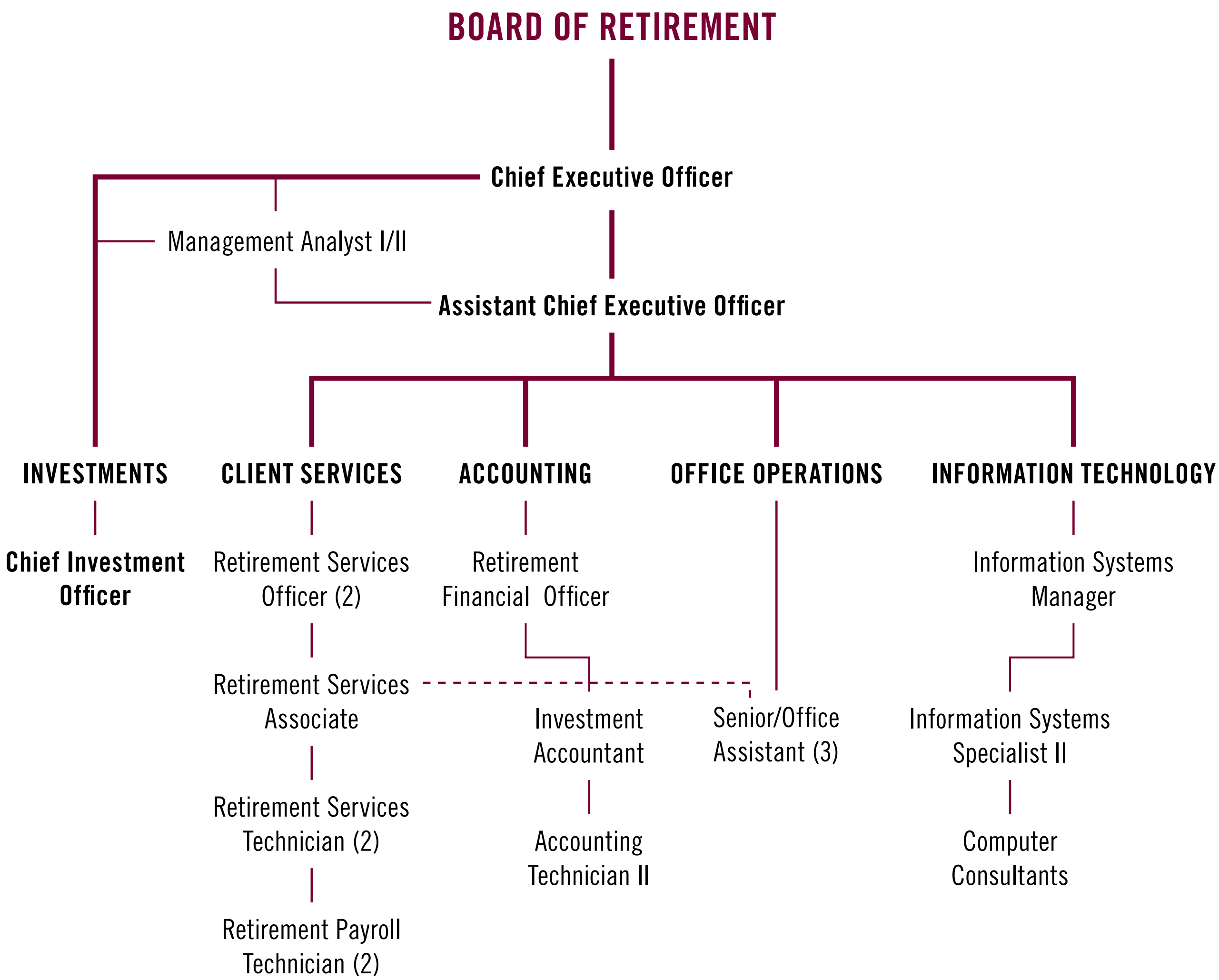
J.C. WEYDERT
ELECTED BY
GENERAL MEMBERS

DAVID SOUZA
ELECTED BY
SAFETY MEMBERS

RICHARD CALLISTRO
ELECTED BY RETIRED
MEMBERS - ALTERNATE

SEATED ROW: (left to right)	Lily Cherng, Nancy Calkins, Annette St. Urbain, Patricia Pabst, Tallie Claypool
MIDDLE ROW:	Melinda DeOliveira, Nieves Atterberry, Mary Chris Johnson, Mercy Tayabas, Beatriz Garcia, Felipa Maliwat, Ester Lanuza, Debra Khan
BACK ROW:	Jordan Regevig, Marissa Smith, Stephanie Conner, Justin Scott, Tim Ankcorn, Greg Frank, Dana Duley

San Joaquin County Employees' Retirement Association



CONSULTING SERVICES

Actuary

EFI Actuaries

Auditors

Brown Armstrong Accountancy Corporation

Custodian

Northern Trust Company

Information Systems

IG, Incorporated

Investment Consultants

Courtland Partners
Strategic Investment Solutions

Legal Counsel

Hanson, Bridgett, Marcus, Vlahos & Rudy
Haydel and Ornellas
Morrison & Foerster
San Joaquin County Counsel

Securities Lending

Northern Trust Company

INVESTMENT MANAGERS

U.S. Equity

Bernzott Capital Advisors
BlackRock
Capital Prospects
Castleark Management
Channing Capital Management
Eudaimonia Asset Management
InView Investment Management
Keeley Asset Management
Lee Munder Capital Group
Legato Capital Management
Riverbridge Partners
Stephens Investment Group
Ten Asset Management
Walthausen & Co

Non-U.S. Equity

BlackRock
Kleinwort Benson Investors
Research Affiliates

Fixed Income

Dodge & Cox Investment Managers
DoubleLine Capital
Mesa West Capital
Prima Capital Advisors
Stone Harbor Investment Partners

Real Estate

Almanac Realty
Colony Realty Partners
EII Capital Management
Greenfield Partners
Invesco Advisors, Inc.
Legacy Partners
Miller Global Properties
Prologis
RREEF
Sarofim Realty Advisors
Walton Street Capital

Alternative Assets/Currency Overlay

Bridgewater Associates
Clifton Group Investment Management Company
Marinus Capital Advisors
Medley Capital
Mount Lucas Management
Schroders Investment Management

Note: For fees paid to investment professionals, refer to *Schedule of Investment Expenses* in the Financial section.

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Financial

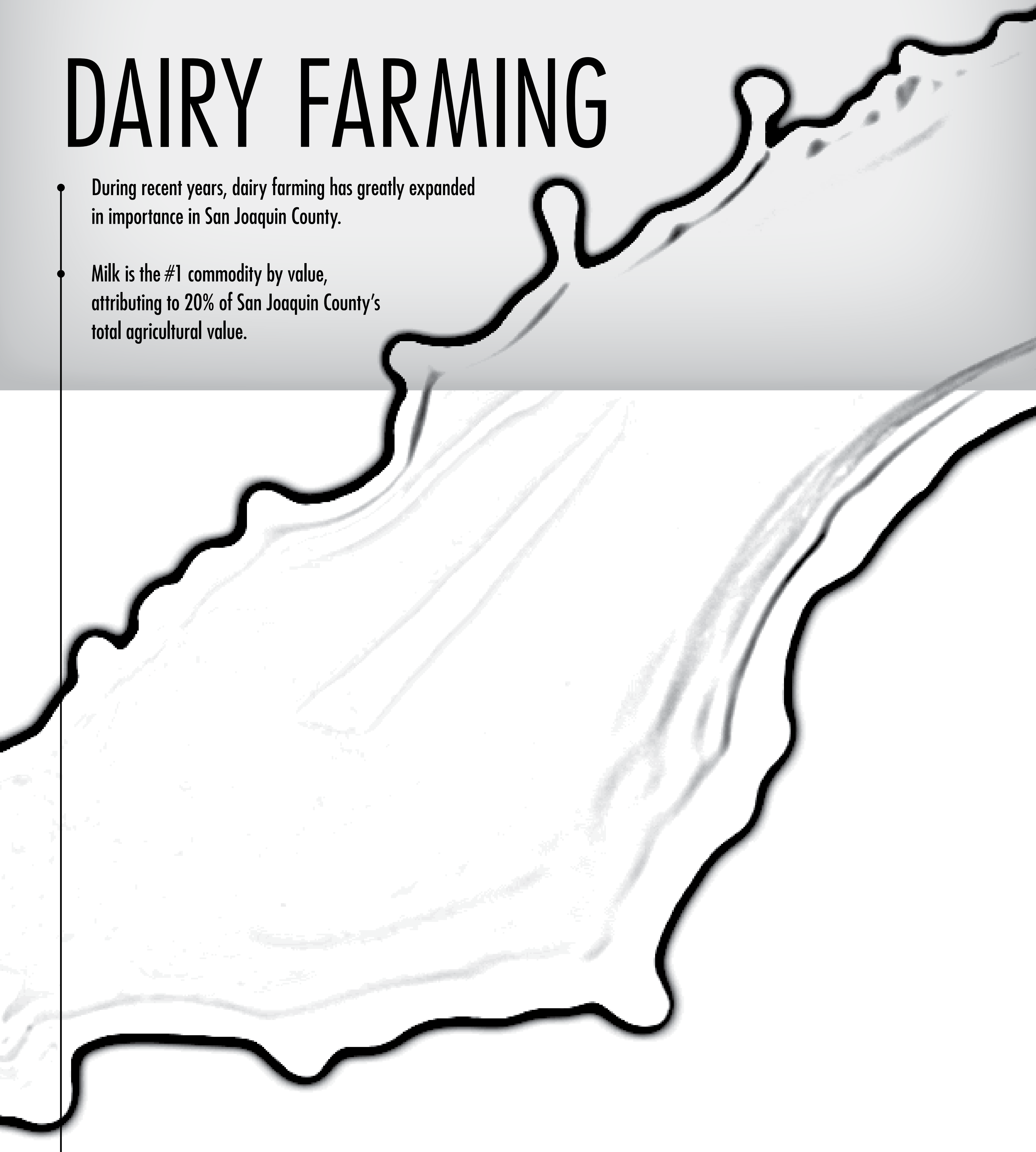
MILK

"The cognitive life of things
is about things in motion;
it is about hybridity, fluidity
and genuinely interactive
relationships between brains,
bodies and things."

—Malafouris & Renfrew

DAIRY FARMING

- During recent years, dairy farming has greatly expanded in importance in San Joaquin County.
- Milk is the #1 commodity by value, attributing to 20% of San Joaquin County's total agricultural value.



BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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FAX 626.240.0922

5250 CLAREMENT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

PKF

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Retirement of the
San Joaquin County Employees' Retirement Association

Report on the Financial Statements

We have audited the accompanying Defined Benefit Pension Plan and Post-Employment Healthcare Agency Fund Statement of Plan Net Position of the San Joaquin County Employees' Retirement Association (SJCERA) as of December 31, 2012, and the related Defined Benefit Pension Plan Statement of Changes in Pension Plan Net Position for the year then ended, which collectively comprise SJCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The December 31, 2011, comparative information has been derived from the 2011 financial statements and is included for additional analysis only. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SJCERA's preparation and fair presentation of the financial statements 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 SJCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the Plan Net Position of the Defined Benefit Pension Plan and Post-Employment Healthcare Agency Fund of the San Joaquin County Employees' Retirement Association as of December 31, 2012, and the changes in its Plan Net Position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

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 funding progress and employer contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SJCERA's basic financial statements as a whole. The introductory section; other supplementary information; and investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplementary 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express and opinion or provide any assurances on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2013, on our consideration of SJCERA'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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 SJCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
June 3, 2013

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The discussion and analysis of the San Joaquin County Employees' Retirement Association's (SJCERA) financial performance provides an overview of the financial activities for the year ended December 31, 2012. This discussion and analysis needs to be read in conjunction with SJCERA's financial statements, which follow this discussion.

Financial Highlights

- Overall, SJCERA fund's return on plan net position is 10.8%.
- SJCERA's plan net position of $2,160.4 million at December 31, 2012, increased by $210.5 million, or 10.8%, as a result of this year's operation.
- SJCERA's funding objective is to meet long-term benefit obligations through contributions and investment income. As of January 1, 2012, the date of the last actuarial valuation, the funded ratio for the actuarial accrued liability was approximately 69.9%. In general, this indicates that for every dollar of benefits liability, SJCERA has $0.70 of net assets to cover it.
- Revenues for the year were $359.3 million, an increase of $202.9 million, or 129.7% from the prior year's $156.4 million. The increase was mainly caused by the increase in unrealized gains in comparison to the prior year.
- Expenses for the year were $148.8 million, an increase of $12.4 million, or 9.1%, from the prior year's $136.5 million. This increase was primarily due to the $12.0 million increase in pension benefit payments to retirees.

Statement of Plan Net Position and Statement of Changes in Pension Plan Net Position

This annual financial report consists of two financial statements:

1. The Statement of Plan Net Position provides a snapshot of account balances at year-end and indicates the assets available for future payments to retirees and any current liabilities that are owed at this time. The assets, less liabilities, give the reader a clear picture of what funds are available for future payments.
2. The Statement of Changes in Pension Plan Net Position gives the reader a view of current year additions and deductions to SJCERA.

	2012	2011	INCREASE (DECREASE) AMOUNT	PERCENT CHANGE
Cash and Receivables	$ 219,183,974	$ 205,235,270	$ 13,948,704	6.80%
Investments	2,054,715,133	1,851,211,665	203,503,468	10.99%
Other Assets	587,978	662,957	(74,979)	-11.31%
Total Assets	**2,274,487,085**	**2,057,109,892**	**217,377,193**	**10.57%**
Total Liabilities	**114,071,626**	**107,164,518**	**6,907,108**	**6.45%**
Total Plan Net Assets	**$ 2,160,415,459**	**$ 1,949,945,374**	**$ 210,470,085**	**10.79%**

Together these two statements report SJCERA's plan net position—the difference between assets and liabilities—as one way to measure SJCERA's financial position. Over time, increases and decreases in plan net position is one indicator of whether SJCERA's financial situation is improving or deteriorating. Additional factors, such as market conditions, also need to be considered in assessing SJCERA's overall financial situation.

An important question asked about SJCERA's financial condition is, "Does SJCERA have sufficient assets to pay the pension benefits that have been promised to the membership?" The two financial statements provide information about SJCERA's activities in a way that helps answer this question. In summary, our current funding ratio, based on the January 1, 2012 valuation, is 69.9% and this means that SJCERA has $0.70 for each $1.00 of pension liability. It should be noted for pensions that are permanent and ongoing (such as SJCERA), funding ratios of better than 70.0% are considered adequately funded.

Revenue – Additions to Pension Plan Net Position

The reserves needed to finance the retiree benefits are accumulated through the collection of employer and employee contributions and through earnings on investments. The contributions and investment income for the year ended December 31, 2012, totaled $359.3 million. Of the total $230.6 million in net investment income, $213.1 million is attributable to net appreciation in the fair market value of investments.

The overall year 2012 revenues increased by $202.9 million from that of the prior year, primarily due to much higher appreciation in the fair market value of investments when compared to the prior year.

The employers' contributions decreased by $4.8 million, or 4.3%, over the prior year, while employees' contributions increased by $5.8 million, or 41.73%, over the prior year. The County and the majority of its General Member employees agreed to equally share the normal cost of pre-funding post-retirement cost-of-living adjustments. Prior to 2012, the employer paid 100% of the cost to fund this benefit.

Below is the summary of the changes from year 2011 to year 2012.

	2012	2011	INCREASE (DECREASE) AMOUNT	PERCENT CHANGE
Employers' Contributions	$ 108,062,510	$ 112,891,701	$ (4,829,191)	-4.28%
Members' Contributions	19,900,088	14,040,773	5,859,315	41.73%
Net Investment and Miscellaneous Income	231,015,504	29,330,338	201,685,166	687.63%
Transfer between Plans	339,344	154,232	185,112	120.02%
Total	**$ 359,317,446**	**$ 156,417,044**	**$ 202,900,402**	**129.72%**

Expenses – Deductions from Pension Plan Net Position

The primary expenses of SJCERA include the payment of benefits to retirees and beneficiaries, the refund of contributions to former members, and the cost of administering the defined benefit pension plan. Expenses for the year 2012 totaled $148.8 million, an increase of 9.1% over 2011. The increase is attributed to the additional benefit payments for retirees, as well as the growth in the number and average amount of benefits paid to retirees.

	2012	2011	INCREASE (DECREASE) AMOUNT	PERCENT CHANGE
Benefit Payments	$ 143,061,687	$ 131,069,532	$ 11,992,15	9.15%
Members Death Benefits	607,453	572,007	35,446	6.20%
Refunds	1,308,900	1,067,734	241,166	22.59%
Administrative and Miscellaneous	3,869,321	3,748,948	120,373	3.21%
Total	**$ 148,847,361**	**$ 136,458,221**	**$ 12,389,140**	**9.08%**

Reporting SJCERA's Fiduciary Responsibilities

SJCERA's Board of Retirement and staff are fiduciaries for the pension plan of the County of San Joaquin and certain special districts. Accordingly, SJCERA is responsible for ensuring that the assets reported in the statements are used for the intended purpose of paying retirement benefits to the employees of the County of San Joaquin and certain special districts.

The Retirement Fund as a Whole

The fund increased 10.8% for 2012 from 2011; the net increase in the fair market value of investments was $213.1 million versus the prior year's increase of $4.6 million. The investment section of Note 3d of this report reviews the result of investment activity for the year ended December 31, 2012.

Contacting SJCERA's Management

This financial report is designed to provide the Board of Retirement, the membership, taxpayers, and investment managers with a general overview of SJCERA's finances and to show SJCERA's accountability for the money it receives. Any questions about this report, or need for additional financial information, can be addressed to Annette H. St. Urbain, Chief Executive Officer, 6 South El Dorado Street, Suite 400, Stockton, California 95202.

Respectfully Submitted,

Annette St. Urbain

Annette H. St. Urbain
Chief Executive Officer

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF PLAN NET POSITION
AS OF DECEMBER 31, 2012 AND 2011

	2012		2011	
	Defined Benefit Pension Plan	Post-Employment Healthcare Agency Fund	Defined Benefit Pension Plan	Post-Employment Healthcare Agency Fund
Assets				
Cash and Cash Equivalents	$ 99,074,454	$ 854,090	$ 90,956,861	$ 783,008
Cash Collateral - Securities Lending	108,957,685	939,291	104,691,368	901,242
Total Cash and Cash Equivalents	208,032,139	1,793,381	195,648,229	1,684,250
Receivables				
Investment Income Receivables	2,395,677	20,652	3,985,464	34,309
Contributions Receivable	6,661,993	-	4,986,684	-
Securities Sold, Not Received - Domestic	2,078,343	17,917	595,652	5,128
Other Investment Income Receivable	53	-	324	3
Miscellaneous Receivables	15,769	-	18,917	-
Total Receivables	11,151,835	38,569	9,587,041	39,440
Investments, at Fair Market Value				
Bonds	528,651,982	4,557,347	556,764,518	4,792,942
Stocks	765,091,617	6,595,620	639,572,888	5,505,802
Real Estate	243,187,074	2,096,441	176,797,250	1,521,970
Alternative Investments	517,784,460	4,463,661	478,077,009	4,115,555
Total Investments, at Fair Market Value	2,054,715,133	17,713,069	1,851,211,665	15,936,269
Other Assets				
Prepaid Expenses	100,529	-	90,900	-
Equipment and Fixtures, Net	487,449	-	572,057	-
Total Assets	2,274,487,085	19,545,019	2,057,109,892	17,659,959
Liabilities				
Securities Lending - Cash Collateral	108,957,685	939,291	104,691,368	901,242
Securities Purchased, Not Paid	3,783,034	32,612	1,454,516	12,521
Accrued Expenses and Other Payables	1,328,671	11,454	1,018,634	8,769
Securities Lending Interest and Other Expense	2,236	19	-	-
Retiree Sick Leave Bank Benefits Payable	-	18,561,643	-	16,737,427
Total Liabilities	114,071,626	19,545,019	107,164,518	17,659,959
Plan Net Position Restricted for Pension Benefits	$2,160,415,459	$ -	$1,949,945,374	$ -

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

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
DEFINED BENEFIT PENSION PLAN
STATEMENTS OF CHANGES IN PENSION PLAN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Additions		
Contributions		
Employers' Contributions	$ 108,062,510	$ 112,891,701
Members' Contributions	19,900,088	14,040,773
Total Contributions	127,962,598	126,932,474
Net Investment Income		
Investment Income		
Net Appreciation/(Depreciation) in Fair Market Value of Investments	213,075,672	4,552,554
Interest	27,314,271	29,172,659
Dividends	3,040,855	4,014,690
Real Estate Income, Net	2,209,435	5,265,951
Investment Expenses	(15,087,444)	(14,090,669)
Miscellaneous Investment Income	14,004	8,348
Net Investment Income (Loss), Before Securities Lending Income (Loss)	230,566,793	28,923,533
Securities Lending Income (Loss)		
Earnings	412,154	365,553
Rebates	103,546	81,589
Fees	(128,646)	(108,444)
Net Securities Lending Income (Loss)	387,054	338,698
Net Investment Income (Loss)	230,953,847	29,262,231
Miscellaneous Income	61,657	68,107
Transfer Between Plans	339,344	154,232
Total Additions	359,317,446	156,417,044
Deductions		
Benefit Payments	143,061,687	131,069,532
Death Benefits	607,453	572,007
Refunds of Members' Contributions	1,308,900	1,067,734
Administrative and Other Expenses		
General Administrative Expenses	3,403,139	3,292,734
Actuary Fees	188,235	134,553
Fund Legal Fees	277,947	321,661
Total Administrative and Other Expenses	3,869,321	3,748,948
Total Deductions	148,847,361	136,458,221
Changes in Pension Plan Net Position	210,470,085	19,958,823
Net Position Restricted for Pension Benefits		
Beginning of Year	1,949,945,374	1,929,986,551
End of Year	$ 2,160,415,459	$ 1,949,945,374

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

The San Joaquin County Employees' Retirement Association (SJCERA) is the public employee retirement system established by the County of San Joaquin (County) and is administered by the Board of Retirement of SJCERA to provide retirement, disability, death, and survivor benefits under the County Employees Retirement Law for the employees of the County and certain special districts within the County. SJCERA also administers the Post-Employment Healthcare Agency Fund. The Post-Employment Healthcare Agency Fund is an agency fund of SJCERA. Although the assets of the plans (defined benefit pension and post-employment healthcare) are commingled for investment purposes, each plan's assets may be used only for the payment of benefits to eligible members and beneficiaries of that plan, in accordance with the terms of the plan. A description of the Post-Employment Healthcare Agency Fund is located in Note 2. All notes to the financial statements apply to both plans unless indicated otherwise.

NOTE 1 – DEFINED BENEFIT PENSION PLAN DESCRIPTION

a. General Description

SJCERA is a contributory defined benefit pension plan initially organized on April 29, 1946, under the provisions of the County Employees Retirement Law. SJCERA is administered by the Board of Retirement (Board). The Board consists of nine regular members and one alternate retired member, under certain circumstances by law. Five are elected by SJCERA's members, four are appointed by the County Board of Supervisors, and one is the County Treasurer. Board members serve for a term of three years, except for the County Treasurer who is a permanent member in accordance with Government Code Section 31520, and the Board Supervisor, who serves his term of office in accordance with Government Code Section 31520.1. The Board members as of December 31, 2012, were as follows:

Steve Bestolarides, Chair	Michael Duffy
Larry Mills, Vice Chair	Cindy Garman
Raymond McCray, Secretary	Michael Restuccia
Shabbir Khan, County Treasurer	David Souza
Richard Callistro (Retired Alternate)	J.C. Weydert

SJCERA is a multiple-employer retirement system covering the County and certain special districts including the Historical Society, Local Agency Formation Commission (LAFCO), Lathrop-Manteca Fire District, Law Library, Mosquito and Vector Control District, Mountain House Community Services District, Superior Court, Tracy Public Cemetery District, and Waterloo-Morada Fire District. All employees of these special districts and employees of the County are required, automatically upon appointment to a full-time, permanent position, to become members of SJCERA. Public Health, a division of the County's Healthcare Services Department, became a participant of SJCERA effective June 27, 1993. Prior to that date, they were members of the California Public Employees' Retirement System (CalPERS). The elected officials of the County may become members of SJCERA by applying to the Board of Retirement. All benefits vest after five years of service.

There are two types of memberships:

1. **Safety Member** — Permanent employees engaged in the performance of active law enforcement, including probation officers and fire suppression employees, are considered safety members and are not generally covered by Social Security.
2. **General Member** — All other eligible employees not classified as safety members are considered general members and are covered by Social Security.

MEMBERSHIP SUMMARY

SJCERA's membership as of December 31, 2012 and 2011, is presented below:

	RETIREES	BENEFICIARIES	ACTIVE	DEFERRED	TOTAL
Year 2012					
General	3,500	541	4,492	1,242	**9,775**
Safety	709	147	803	158	**1,817**
Total	**4,209**	**688**	**5,295**	**1,400**	**11,592**
Year 2011					
General	3,327	544	4,441	1,257	**9,569**
Safety	675	139	813	161	**1,788**
Total	**4,002**	**683**	**5,254**	**1,418**	**11,357**

b. Plan Benefits

AGE TO RETIRE

A member may retire for service after: (1) completing five years of qualified service, (2) at least 10 years have elapsed between membership date and retirement date, and (3) attaining the minimum service retirement age of 50. A general member may retire at any age with 30 years or more of qualified service. A safety member may retire at any age with 20 years or more of qualified service. Any member may retire at age 70 regardless of years of service.

RETIREE BENEFITS

The amount of the monthly allowance at retirement depends upon the member's retirement status, the number of years of retirement service credit, final compensation, age at retirement, and the retirement option selected. Final compensation for purposes of computing a retirement allowance is the average monthly salary for the highest twelve consecutive months of employment. In addition to base salary, final compensation may include other items defined by the Board as compensation earnable for retirement purposes.

In accordance with a settlement agreement issued on August 22, 2001, SJCERA implemented Government Code Sections 31676.14 and 31664.1 to provide a 2.0% at age 55½ formula for active general members and a 3.0% at age 50 formula for active safety members, effective January 1, 2001. The settlement also provides an additional $50 monthly supplemental pay to retirees who retired prior to April 1, 1982, with 15 years or more of County service and having reached the age of 65. It also provides a supplemental monthly benefit of $10 per year of service up to 30 years to retirees who retired after April 1, 1982, but before January 1, 2001. The supplemental retirement benefits for post April 1, 1982, retirees are available if sufficient funds exist. During 2006, the supplemental retirement benefits had been suspended due to insufficient funds; however, in October 2007, the Board approved the transfer of almost $2.5 million in contingency reserves for continued funding of this benefit. During 2008, the Board approved additional transfers of $22.9 million from the Unappropriated Earnings Reserve to the Post 1982 Supplemental Benefit Reserve to continue payment of the Post 1982 Supplemental Benefit to eligible payees for the next several years.

Active members receive a personalized *Annual Member Statement of Benefits* that discloses the member's projected retirement benefits at future dates based on various assumptions. Members may also access a benefit calculator through SJCERA's website (www.sjcera.org) that will assist them in calculating their projected retiree benefits under the various available retirement options.

COST-OF-LIVING ADJUSTMENT (COLA)

Monthly retiree benefits are eligible for an annual cost-of-living adjustment based on the change in the Consumer Price Index (CPI) for the San Francisco-Oakland-San Jose area for the previous calendar year, up to a maximum of 3.0%. When the CPI exceeds 3.0% in any year, the difference between the actual change in CPI (rounded to the nearest one-half percent) and the 3.0% ceiling is "accumulated" for future years when the change is less than 3.0%.

The change in CPI for calendar years 2011 and 2010 was 2.68% and 1.34%, respectively. Under the statutory requirements of the County Employees Retirement Law, this change must be rounded to the nearest half percent. Therefore, members received an increase in benefits of at least 2.5% in 2012, and at least 1.5% in 2011, based on the change in the CPI. However, based on the accumulated carry-over balance as of April 2011, some retirees received an increase of up to 3.0% in 2012 depending on their accumulated carry-over balance. The remaining carry-over balance was reduced by the amount of the increase above 2.5%.

In 1999, pursuant to Government Code Section 31874.3(b), the Board approved the "Purchasing Power Program," a permanent benefit for eligible retirees effective April 1, 2000. This program reduces the impact of the accumulated rate of inflation since retirement to a fixed level for each eligible retiree. Under the program, retirees who have experienced an erosion of their purchasing power receive either the Purchasing Power Benefit or continue to receive their supplemental cost-of-living benefit, whichever is greater. Effective with the May 1, 2001, payment to eligible retirees, the fixed level of purchasing power to be maintained at that time was increased from 75% to 80%.

TERMINATED MEMBER'S DEFERRED ALLOWANCE AND WITHDRAWAL BENEFITS

A member leaving covered employment after completing five years of credited service is eligible for a deferred allowance, which becomes payable after ten years have elapsed from date of membership, the member has attained the minimum service retirement age of 50, and does not withdraw his/her accumulated contributions.

Terminated members with less than five years of credited service may have their accumulated employee contributions, including credited interest, returned to them. Alternatively, effective January 2003, terminated members with less than five years of service may now elect to leave their contributions with SJCERA and continue participating in interest accumulation for their contributions only.

Terminated members do not have a right to employer-paid contributions prior to any type of retirement in accordance with Government Code Section 31630.

DEATH BENEFITS

The beneficiary of a member who dies prior to attaining five years of credited service is refunded the member's accumulated contributions, with interest, and receives one month's salary for each full year of service, up to a maximum of six months' salary.

If the death occurs after five years of credited service and is not the result of a service-related injury or disease, the surviving spouse or minor children may elect to receive, in lieu of the lump sum benefit of the retirement contributions to date including interest and one month's salary for each full year of service up to six months' salary, either 60% of the retirement allowance to which the deceased member would have been entitled had the member retired on either a service retirement or non-service-connected disability retirement on the date of death, or a lump sum payment of six months' salary and a reduced monthly retirement benefit. The monthly allowance to minor children is discontinued once they marry or reach age 18 (age 22 if a full-time student).

Upon the death of a retiree, the beneficiary receives a retirement benefit as determined by the optional settlement elected by the member at the time of retirement. In addition, the beneficiary also receives a $5,000 death benefit, which is paid from retirement reserves.

c. Funded Status and Funding Progress

As of January 1, 2012, the most recent actuarial valuation date, the pension plan was 69.9% funded. The actuarial accrued liability for benefits was $3,048.3 million, and the actuarial value of assets was $2,130.1 million, resulting in an Unfunded Actuarial Accrued Liability (UAAL) of $918.2 million. The covered payroll (annual payroll of active employees covered by the plan) was $356.4 million, and the ratio of the UAAL to the covered payroll was 257.6%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and inflation. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SJCERA's funding policy provides for regular employer and employee contributions at actuarially determined rates, expressed as percentages of annual covered payroll. Contributions required and contributions made are explained in Note 6.

d. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2012 actuarial valuation, the Entry Age Normal Funding Method (Cost Method) was used. The actuarial assumptions include a 7.75% investment rate of return, annual inflation rate of 3.25% per year, and projected salary increases at 3.50% per year. The actuarial value of the plan's assets was based on a 5-year smoothing of actual versus expected returns. Half the actuarial loss experienced in 2008 was deemed to be an Extraordinary Actuarial Loss. Thus, 50% of the loss is separately amortized as a level percentage of pay over a closed 30-year period. Currently, 27 years remain in this closed period. The plan's remaining UAAL is being amortized on a 20-year open period amortization (23 year single equivalent period) until January 1, 2014, when it will be decreased by one year in each valuation report until a 12-year amortization period is reached.

NOTE 2 – POST-EMPLOYMENT HEALTHCARE AGENCY FUND

a. Description

The purpose of the Post-Employment Healthcare Agency Fund is to provide Sick Leave Bank Benefits to eligible retirees. The Sick Leave Bank Benefit provides that accumulated unused and un-cashed sick leave upon retirement can be converted to a Sick Leave Bank at a rate of $27.65 per hour. Retired or deferred members who were employed prior to August 27, 2001, are eligible for Sick Leave Bank Benefits. In 2007, the San Joaquin Superior Court (Court) extended eligibility for Sick Leave Bank Benefits to Court employees hired on or after August 27, 2001. Employers fund the Sick Leave Bank Benefits and employees are not required to contribute to the plan.

Eligible retired and deferred members may use their Sick Leave Bank Benefits to pay for employer-sponsored group health, dental, and vision care insurance premiums and/or reimbursement of Medicare Part B premiums for the members, their spouses, and dependents. When a retiree's Sick Leave Bank is depleted, the retiree assumes responsibility for payment of health, dental, and vision care insurance premiums.

b. Summary of Significant Accounting Policies

The Post-Employment Healthcare Agency Fund was established to account for the sick leave bank contribution for eligible members. In 2011, SJCERA filed a request for the determination letter and Voluntary Compliance Program (VCP) with the IRS. As the result of the IRS filing, the Board decided to "freeze" the Post-Employment Healthcare Agency Fund pending the response from the IRS. Participating employers are now funding Sick Leave Bank Benefits on a pay-as-you-go basis. Prior to 2011, participating employers were pre-funding these benefits. SJCERA continues its role as a third-party administrator of these benefits. SJCERA has determined that the proper presentation of this fund is as an agency fund, and not a trust fund.

NOTE 3 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Accounting

SJCERA's financial statements are presented on the accrual basis of accounting. Employer and employee contributions that should have been made in the calendar year based on the actuarial determined contribution rates or amounts are recognized as revenues of that calendar year. Contributions receivable pursuant to an installment contract are also recognized in full in the year in which the contract is made. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

b. Reporting Entity

SJCERA, governed by the Board of Retirement and considered as an independent entity, is a blended component unit of the County in accordance with Statement No. 14, as amended by Statement No. 39 and amended further by Statement No. 61, of the Governmental Accounting Standards Board (GASB). SJCERA's annual financial statements are included in the County's financial reports as a pension trust fund.

c. Cash Equivalents

SJCERA's cash and short-term investments are managed by The Northern Trust Company (NT) and the County Treasurer.

THE NORTHERN TRUST COMPANY (NT)

Cash not required for daily operations is deposited with NT, SJCERA's master custodian for investment securities. NT pools from its clients all cash pending permanent investment in its Short-Term Investment Fund (STIF). The cash in the STIF account is invested in high-grade money market instruments with very short maturities, such as bonds, notes, and other evidence of indebtedness, in accordance with SJCERA's investment policy.

The cash collateral received under the security-lending program is invested by NT through its security lending collateral fund, which is created solely for the investment of cash collateral.

COUNTY TREASURY

Cash necessary for SJCERA's daily operations is pooled with other County funds for short-term investment by the County Treasurer. The County is responsible for the control and safekeeping of all instruments of title and for all investment of the pooled funds.

d. Method Used to Value Investments

Investments are carried at fair market value. Fair values for investments are derived by various methods as indicated in the following table:

INVESTMENTS	SOURCE
Publicly traded stocks and bonds, and issues of the U.S. Government and its agencies	Most recent sales price as of the fiscal year-end. International securities reflect currency exchange rates in effect at December 31, 2012 and 2011.
Mortgages	Equivalent pricing to comparable Government National Mortgage Association (GNMA).
Real estate equity funds	Fair market value as provided by real estate fund manager unless an alternative value has been determined by the Board per SJCERA's Real Estate Investment Policy.
Real estate title holding corporations and limited liability companies	Fair market value of the investment as provided by fund managers.
Private equity	Fair market value as provided by the investment manager and reviewed by SJCERA's private equity consultant.
Private placement bonds	Face value of the security subject to designated conditions such as sales restrictions or limited marketability.

e. Foreign Currency Transactions

Foreign currency transactions are translated into U.S. dollars on the following basis:

1. Fair market value of investment securities at the daily rates of exchange on December 31, 2012 and 2011; and
2. Purchases and sales of investment securities, dividend and interest income, and certain expenses at the rates of exchange prevailing on the respective dates when such transactions were incurred.

Gains and losses on investments that are due to changes in foreign exchange rates and market prices of the investments are accounted for in the net appreciation/(depreciation) in fair market value of investments in the statement of changes in pension plan net position.

Realized and unrealized gain/(loss) from foreign currency related transactions, such as gains and losses between trade and settlement dates on securities transactions, gains and losses arising from the sales of foreign currency, and gains and losses between the ex-date and the payment date on dividends and foreign withholding taxes, are also accounted for in net appreciation/(depreciation) in fair market value of investments in the statement of changes in pension plan net position.

f. Forward Foreign Currency Exchange Contracts

A forward foreign currency exchange contract is a commitment to purchase or sell a foreign currency at the settlement date at a negotiated rate. During the year, the investment managers utilize forward contracts as a hedge in connection with portfolio purchases and sales of securities denominated in foreign currencies. Forward contracts are valued at the prevailing forward exchange rate of the underlying currencies. Gain/(loss) is recorded on the trade date. Realized and unrealized gains and losses due to the difference between the value of the forward contract to buy and the forward contract to sell are included in net appreciation/(depreciation) in fair value of investments in the statement of changes in pension plan net position.

g. Securities Transactions and Related Investment Income

Security 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.

Pursuant to GASB Statements No. 25 and 26, realized gains and losses on investments sold during the year are not displayed separately in the financial statements. Instead, the realized gains and losses, along with unrealized gains and losses on investments, are reported as “net appreciation/(depreciation) in fair value of investments.”

The realized gain/(loss) on the sale of securities was computed as the difference between the proceeds of sale in 2012 and the carrying cost of the securities at December 31, 2011, or the original cost of the securities acquired during 2012. The calculation of realized gains/(losses) is independent of the calculation of net appreciation/(depreciation) in the fair value of plan investments. Unrealized gain/(loss) on investments sold in the current year that had been held for more than one year were included in the net appreciation/(depreciation) reported in prior years and the current year.

h. Method Used in Allocating Investments and Related Income between the Defined Benefit Pension Plan and the Post-Employment Healthcare Agency Fund

SJCERA allocates the investments held at December 31, 2012, between the Defined Benefit Pension Plan and the Post-Employment Healthcare Agency Fund based on the internal records of the respective reserve level at December 31, 2012 and 2011. The actual earnings/loss is allocated to the Post-Employment Healthcare Agency Fund based on current year net market rate of return. A pro-rated share of remaining earnings/loss is allocated to the other reserves consistent with SJCERA Reserve Policy.

i. Capital Assets

Capital assets, mainly leasehold improvements, furniture, and equipment, acquired by SJCERA are capitalized at cost. Depreciable capital assets are depreciated using the straight-line method over estimated useful lives of 4 to 7 years for computer equipment, furniture, and other equipment. Leasehold improvements are amortized over the life of the lease. Amortization and depreciation expenses of the capital assets are included in general administration expenses.

The change in capital assets owned for years 2012 and 2011 is presented below:

2012

	BALANCE 12/31/2011	ADDITIONS	DELETIONS	BALANCE 12/31/2012
Original Cost	$ 1,457,630	$ 32,215	$ (7,693)	$ 1,482,152
Accumulated Amortization and Depreciation	(885,573)	(116,823)	7,693	(994,703)
Net Book Value	**$ 572,057**	**$ (84,608)**	**$ -**	**$ 487,449**

2011

	BALANCE 12/31/2010	ADDITIONS	DELETIONS	BALANCE 12/31/2011
Original Cost	$ 1,412,554	$ 51,359	$ (6,283)	$ 1,457,630
Accumulated Amortization and Depreciation	(777,139)	(114,028)	5,594	(885,573)
Net Book Value	**$ 635,415**	**$ (62,669)**	**$ (689)**	**$ 572,057**

Amortization and depreciation expense for the years ended December 31, 2012 and 2011, was $116,823 and $114,028, respectively.

j. Operating Lease

SJCERA leases office space for the administration of the plans. SJCERA administration relocated in June 2009 from the 7th floor of 6 S. El Dorado Street in Stockton to the 4th floor. The old lease payments were adjusted each year based on the changes in the Consumer Price Index not to exceed 4.0% per year. The new lease specifies the actual rate for each year of term. Total rent expense under this agreement for the current year was $233,021. The terms of the lease expire at the end of November 2019.

The estimated total minimum rent expense projected based on the remaining term of the lease agreement is $1,782,426.

YEAR ENDED DECEMBER 31,	TOTAL
2013	$ 238,860
2014	245,230
2015	251,599
2016	257,969
2017	264,338
2018-2019	524,430
	$1,782,426

k. Unpaid Compensated Absences for Administration Employees

SJCERA accrues the vacation and other leave benefits earned by its employees as a liability. Sick leave that will be paid in cash to employees upon retirement is also accrued as a liability by SJCERA.

l. Investment Income Receivable

Interest receivable consists of interest earned, but not received, as of December 31, 2012 and 2011, on debt securities, short-term investment funds, and securities lending.

Dividends receivable are those dividends declared, but not received, as of December 31, 2012, on stocks owned by SJCERA on the ex-dividend date

m. Contribution Receivable

County, district, and member contributions made in the following year for the current year were accrued in accordance with accounting principles generally accepted in the United States of America. Contributions receivable pursuant to an installment contract between the employee and SJCERA for purchases of certain service credits are recognized in full in the year in which the contract is made even though the service credits are not granted until the full payment is received.

n. Securities/Foreign Exchange – Sold, Not Received and Purchased, Not Paid

The accrual basis of accounting requires that securities and foreign exchange purchase and sale transactions be recorded on a trade-date basis. Unsettled securities and foreign exchange transactions were accrued at year-end as either receivables or payables.

o. Miscellaneous Receivables

Other receivables at December 31, 2012 and 2011, consist mainly of overpaid benefit payments to be recovered from retirees or their beneficiaries.

p. Reclassifications

Comparative data for the prior year have been presented in the selected sections of the accompanying Statements of Plan Net Position and Changes in Pension Plan Net Position. Also, certain accounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

NOTE 4 – CASH AND INVESTMENTS

a. Investment Securities Lending

Under provisions of State statutes, SJCERA, along with other NT clients, participate in NT's pooled security lending program. Under the agreement, NT is authorized to lend securities of SJCERA that it holds to certain SJCERA approved security borrowers. NT does not have the ability to pledge or sell collateral securities absent a borrower default.

All loans are fully collateralized with either cash, securities issued or fully guaranteed by the U.S. government, or irrevocable bank letters of credit. All collateral is held or invested by NT. The term or maturity of the securities loaned is generally matched with the term or maturity of the investment of the cash collateral. U.S. securities are loaned versus collateral valued at 102% of the market value of the securities plus any accrued interest. Non-U.S. securities are loaned versus collateral valued at 105% of the market value of the securities plus any accrued interest.

At December 31, 2012 and 2011, SJCERA had the following securities out-on-loan:

2012

	FAIR MARKET VALUE OF SECURITIES LENT	CASH COLLATERAL VALUE	NON-CASH COLLATERAL VALUE
U.S. Equities	$ 80,817,786	$ 81,331,920	$ 470,272
U.S. Debt Securities	27,672,694	28,168,176	-
Total U.S. Securities	**108,490,480**	**109,500,096**	**470,272**
Non-U.S. Equities	16,120,062	396,880	16,750,516
Total Non-U.S. Securities	**16,120,062**	**396,880**	**16,750,516**
Total	**$ 124,610,542**	**$ 109,896,976**	**$ 17,220,788**

2011

	FAIR MARKET VALUE OF SECURITIES LENT	CASH COLLATERAL VALUE	NON-CASH COLLATERAL VALUE
U.S. Equities	$ 77,859,346	$ 79,527,765	$ 345,736
U.S. Debt Securities	24,582,242	25,174,284	982
Total U.S. Securities	**102,441,588**	**104,702,049**	**346,718**
Non-U.S. Equities	11,392,729	890,561	11,002,643
Total Non-U.S. Securities	**11,392,729**	**890,561**	**11,002,643**
Total	**$ 113,834,317**	**$ 105,592,610**	**$ 11,349,361**

The cash collateral is reported on the financial statements as an asset and as a liability of SJCERA while the non-cash collateral is reported neither as an asset nor a liability in accordance with GASB Statement No. 28. The potential risks involved in the securities lending program include borrower bankruptcy, collateral deficiencies, settlement problems, corporate actions, dividends, and interest. In November 2009, NT made the first partial reversal of collateral deficiency; then in March 2010, NT made another reversal for remaining collateral deficiency payable. These two reversals basically eliminated the original security lending deficiency which occurred in 2008. SJCERA's pro-rata share of net income derived from NT's pooled security lending transactions in 2012 and 2011 was $390,081 and $337,181, respectively.

b. Cash and Short-Term Investments

The carrying value of cash and short-term investments at December 31, 2012 and 2011, consists of the following:

	2012 AMOUNT	2011 AMOUNT
Cash and Investments - Custodian	$ 99,074,468	$ 90,524,712
Cash and Investments - County Treasury	854,076	1,215,157
Total Cash and Cash Equivalents	**99,928,544**	**91,739,869**
Cash and Investments - Custodian-Security Lending	**109,896,976**	**105,592,610**
Total	**209,825,520**	**197,332,479**

c. Long-Term Investments

SJCERA owned the following long-term investments at December 31, 2012 and 2011, contained in both the pension trust and healthcare agency fund:

	2012 FAIR MARKET VALUE	2011 FAIR MARKET VALUE
Investments - Categorized		
U.S. Equities	$ 520,852,173	$ 326,110,130
Non-U.S. Equities	250,835,064	318,968,560
Debt Securities	533,209,329	561,557,459
Real Estate	245,283,515	178,319,219
Alternative Investments	522,248,121	482,192,564
Total Investments - Categorized	**2,072,428,202**	**1,867,147,932**
Investments - Not Categorized		
INVESTMENTS HELD BY BROKER-DEALERS UNDER SECURITIES LOANS		
U.S. Equities	81,331,920	79,527,765
Non-U.S. Equities	396,880	890,561
U.S. Debt Securities	28,168,176	25,174,284
Total Investments Held by Broker-Dealers Under Securities Loans	**109,896,976**	**105,592,610**
Total Investments	**$2,182,325,178**	**$1,972,740,542**

GASB Statement No. 40 (*Deposits and Investments Risk Disclosures*) establishes and modifies disclosure requirements related to the following:

- Credit risk
- Custodial credit risk
- Concentration of credit risk
- Interest rate risk
- Foreign currency risk

The list of investments exposed to those risks and the corresponding credit ratings from Standard & Poor's (S&P) at December 31, 2012 and 2011, is as follows:

QUALITY RATINGS	2012 FAIR MARKET VALUE	2011 FAIR MARKET VALUE
AAA	$ 4,706,619	$ 6,343,034
AA	11,885,170	11,973,509
A	36,614,113	64,851,915
BBB	39,952,995	58,851,215
BB	18,049,304	23,470,483
B	12,710,230	24,953,512
CCC	13,460,583	4,387,468
CC	9,040,709	295,325
C	510,325	-
D	23,791,698	462,938
Not Rated	**259,113,554**	**241,560,114**
	429,835,300	**437,149,513**
U.S. Government Agencies (FNMA, FHLB, FHLMC, FFCB, SLMA, Other)	**103,374,029**	**124,407,946**
Total Investments in Fixed Income Securities	**$ 533,209,329**	**$ 561,557,459**

CREDIT RISK

Per SJCERA's Investment Policy, at least 75.0% of the market value shall have a minimum quality rating of A or better, as determined by the middle rating of the three major rating agencies' opinions: Fitch Ratings (Fitch), Moody's Investors Service (Moody's), or Standard & Poor's (S&P), unless the investment manager received prior approval from the Board. Total portfolio quality shall maintain an A (S&P) minimum rating. No more than 10.0% of the manager's assets shall be invested in the securities of any single issuer, with the exception of the U.S. Government and its agencies. Firms that manage fixed income portfolios continually monitor the risk associated with their fixed income investments. They are expected to report as a component of their report a risk/reward analysis of the management decisions relative to their benchmark.

CUSTODIAL CREDIT RISK

The custodial credit risk represents the risk that, in the event of the failure of the counterparty of a transaction, SJCERA will not be able to recover the value of deposits and investments or collateral securities that are in the possession of an outside party.

DEPOSITS:

The deposits with the County Treasurer are uninsured, but secured by public funds of the pledging banks. The pool's investments are short-term and include U.S. Treasury Bills, certain Federal agencies' instruments, bankers' acceptances, "prime" commercial paper, certificates of deposit, repurchase agreements, and the State Treasurer's Local Agency Investment Fund are all held in the County's name.

The cash deposits with NT are uninsured and uncollateralized. All investments underlying the STIF account are not registered in SJCERA's name.

INVESTMENTS:

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SJCERA would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in SJCERA's name, and held by the counterparty. SJCERA's investment securities are not exposed to custodial credit risk because all securities are held by SJCERA's custodial bank in SJCERA's name, or by other qualified third party administrator trust accounts.

CONCENTRATION OF CREDIT RISK

This risk represents the potential loss attributable to the magnitude of SJCERA's investment in a single issuer. SJCERA restricts investment holdings to a maximum of 5.0% of any single issuer within SJCERA's investment portfolio. As of December 31, 2012 and 2011, the investment portfolio contained no concentration of investments in any one entity that represented 5.0% or more of plan net position.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To manage interest rate risk, the effective duration of the total fixed income portfolio is restricted to 0.5 to 1.5 times of the Barclays Aggregate Bond Index.

As of December 31, 2012 and 2011, SJCERA had the following investments:

2012 INVESTMENT TYPE	2012 FAIR MARKET VALUE	WEIGHTED AVERAGE MATURITY – YEARS
U.S. Government and Agency Instruments		
U.S. Government Mortgages	$ 83,326,146	24.56
U.S. Government Bonds	20,466,800	0.59
Municipal/Revenue Bonds	8,498,464	17.66
Agency	1,755,263	5.09
	114,046,673	
Corporate Securities		
Asset Backed Securities	21,209,046	16.59
Bank Loans	25,711,610	5.11
Commercial Mortgage-Backed	4,341,819	28.57
Corporate and Other Credit	78,119,062	7.99
Non-Government Backed Collateralized	1,028,800	35.53
Mortgage Obligations (CMOs)	59,803,378	24.09
	190,213,715	
Real Estate Financing	**228,948,941**	
Total Fixed Income Securities	**$ 533,209,329**	

2011 INVESTMENT TYPE	2011 FAIR MARKET VALUE	WEIGHTED AVERAGE MATURITY – YEARS
U.S. Government and Agency Instruments		
U.S. Government Mortgages	$ 111,025,942	21.76
U.S. Government Bonds	12,718,367	0.58
Municipal/Revenue Bonds	19,016,656	19.34
Agency	1,747,846	5.99
	144,508,811	
Corporate Securities		
Asset Backed Securities	11,442,986	11.92
Bank Loans	35,171,062	5.04
Commercial Mortgage-Backed	3,918,227	31.84
Corporate and Other Credit	154,374,208	10.07
Mortgage Obligations (CMOs)	8,931,101	27.11
	213,837,584	
Real Estate Financing	**203,211,064**	
Total Fixed Income Securities	**$ 561,557,459**	

FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates may adversely affect the fair value of an investment. SJCERA's external non-U.S. equity investment managers may invest in international securities and must follow SJCERA's Investment Guidelines pertaining to these types of investments.

Currency hedging on an un-leveraged basis is permitted by non-U.S. equity managers as a strategy to protect against losses due to currency translations (defensive hedging). However, it is expected that the primary sources of value-added for non-U.S. equity investment managers will be issue and country selection, with currency management focused on limiting losses due to fluctuations in currency values. Managers may purchase or sell currency on a spot basis to accommodate securities settlements.

Managers may invest in developed market currencies and emerging market currencies. Cross hedging is allowed. Permitted instruments are the use of currency spots, currency forward contracts (deliverable or non-deliverable), currency futures, options on currency forwards or futures, and currency swaps. Other investments, contracts, or positions that, in the Managers' judgment, are of similar purpose and character and equal credit quality and marketability to any of the investments above, are also permissible. In September 30, 2011, SJCERA terminated its Currency Overlay Program which was managed by FX Concepts, but SJCERA continues to have currency exposure through other investments.

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SJCERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2012 and 2011, is as follows:

CURRENCY	2012 FAIR MARKET VALUE	2011 FAIR MARKET VALUE
Australian Dollar	2,009,521	170,201
Brazilian Real	1,001,714	5,787,771
British Pound Sterling	3,936,786	1,953,030
Canadian Dollar	167,829	(276,114)
Danish Krone	350,043	-
Euro Currency	5,481,670	1,068,368
Hong Kong Dollar	5,953,939	851,879
Indonesian Rupiah	-	419,455
Japanese Yen	4,358,076	124,810
Malaysian Ringgit	290,386	84,141
Mexican Peso	-	93,232
Norwegian Krone	922,102	154,133
Phillippine Peso	-	166,442
Polish Zloty	-	38,316
Singapore Dollar	3,007,069	532,948
Swedish Krona	567,524	278,771
Swiss Franc	830,684	-
Thailand Baht	587,937	489,587
Turkish Lira	-	350,092
Total	**$ 29,465,280**	**$ 12,287,062**

d. Summary of Investment Policy

The County Employees Retirement Law vests the Board with exclusive control over SJCERA's investment portfolio. The Board established Investment Policies in accordance with applicable local, State, and Federal laws. The Board members exercise authority and control over the management of SJCERA's assets (the Plans) by setting policy which the Investment Staff executes either internally, or through the use of external prudent experts. The Board oversees and guides the Plans subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- With the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.

- Diversify the investments of the Plans so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances, it is clearly prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

NOTE 5 – DERIVATIVE FINANCIAL INSTRUMENTS

The Board has authorized certain investment managers to invest in, or otherwise enter into transactions involving derivative financial instruments when, in the judgment of management, such transactions are consistent with the investment objectives established for a specific investment manager's assignment. A professional investment consultant is employed to monitor and review each investment manager's securities and derivative position as well as the manager's performance relative to established benchmark rates of return and risk measures. In management's opinion, derivative activities must be evaluated within the context of the overall portfolio performance and cannot be evaluated in isolation.

Investment derivatives involve the following types of risks:

Market Risk: Market risk is the risk of change in value of an instrument in response to changes in a market price or index. While all investments are subject to market risk, derivatives often have a higher degree of market risk than other types of investment instruments. Values of cash securities containing derivative features are often more susceptible to market risk than other types of fixed income securities because the amounts and/or timing of their scheduled cash flows may fluctuate under changing market conditions, according to their contractual terms. For other types of derivatives, amounts of contractual cash flows may be either positive or negative depending upon prevailing market conditions relative to the reference prices or rates, and thus the values of such instruments may be positive or negative, despite the fact that little or no cash is initially exchanged to enter into such contacts.

Credit Risk: Credit risk of cash securities containing derivative features is based upon the credit worthiness of the issuers of such securities. It includes the risk that counterparties to contracts will not perform and/or the public exchange will not meet its obligation to assume this counterparty risk. SJCERA establishes minimum credit requirements for such securities. Exchange traded derivatives are generally considered to be of lower credit risk than over-the-counter derivatives due to the exchange's margin requirements. SJCERA's investments include collateral associated with derivatives activity. The derivative investments are exchange traded, and credit risk is limited to the clearing corporation. As of December 31, 2012 and 2011, collateral for derivatives was $17.7 million and $20.4 million. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

The following Credit Risk Analysis schedule discloses the counterparty credit ratings of SJCERA's derivative investments at December 31, 2012 and 2011.

2012 CREDIT RISK ANALYSIS (AS OF DECEMBER 31, 2012)

	S & P Credit Rating	
DERIVATIVE TYPE	A+	TOTAL FAIR VALUE
Option Contracts	$ 10,017	$ 10,017
Swap Agreements	(746,590)	(746,590)
Total	**$ (736,573)**	**$ (736,573)**

2011 CREDIT RISK ANALYSIS (AS OF DECEMBER 31, 2011)

	S & P Credit Rating	
DERIVATIVE TYPE	A+	TOTAL FAIR VALUE
Option Contracts	$ 16,552	$ 16,552
Swap Agreements	(734,104)	(734,104)
Total	**$ (717,552)**	**$ (717,552)**

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest rate swaps are an example of an investment that has a fair value that is highly sensitive to interest rate changes. SJCERA is exposed to interest rate risk in the form of futures contracts in the following global government bond markets:

2012 INTEREST RATE RISK (AS OF DECEMBER 31, 2012)

GLOBAL BONDS	FUTURE CONTRACTS
Canadian Government Bond	$ 7,662,920
Long Gilt	7,721,098
Japanese Government Bond	6,667,128
Euro Bond	7,795,837
U.S. Ten Year Notes	4,383,141
Total	**$ 34,230,124**

2011 INTEREST RATE RISK (AS OF DECEMBER 31, 2011)

GLOBAL BONDS	FUTURE CONTRACTS
Canadian Government Bond	$ 7,801,807
Long Gilt	7,746,811
Japanese Government Bond	7,359,792
Euro Bond	7,513,654
U.S. Ten Year Notes	7,834,219
Total	**$ 38,256,283**

SJCERA measures derivative interest rate risk using duration with varying maturities of less than three months to five years. At December 31, 2012 and 2011, SJCERA had the following investment derivative interest rate risks:

2012 INTEREST RATE RISK (AS OF DECEMBER 31, 2012)
(DOLLARS IN THOUSANDS)

DERIVATIVE TYPE	NOTIONAL VALUE	FAIR VALUE	< 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	10+ YEARS
Future Contracts	$ 133,892	$ -	$ 75,102	$ 56,514	$ 2,366	$ -	$ -	$ -
Forward Contracts	-	-	-	-	-	-	-	-
Option Contracts	-	(213)	(223)	-	-	10	-	-
Swap Agreements	-	(747)	-	-	-	(222)	(393)	(132)
Total	**$ 138,892**	**$ (960)**	**$ 74,789**	**$ 56,514**	**$ 2,366**	**$ (212)**	**$ (393)**	**$ (132)**

2011 INTEREST RATE RISK (AS OF DECEMBER 31, 2011)
(DOLLARS IN THOUSANDS)

DERIVATIVE TYPE	NOTIONAL VALUE	FAIR VALUE	< 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	10+ YEARS
Future Contracts	$(128,577)	$ -	$(128,577)	$ -	$ -	$ -	$ -	$ -
Forward Contracts	-	-	-	-	-	-	-	-
Option Contracts	-	16	-	-	-	16	-	-
Swap Agreements	-	(734)	-	-	-	-	(661)	(73)
Rights/Warrants	-	368	-	-	-	367	1	-
Total	**$(128,577)**	**$ (350)**	**$(128,577)**	**$ -**	**$ -**	**$ 383**	**$ (660)**	**$ (73)**

Foreign Currency Risk: Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair value of an investment. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. At December 31, 2012 and 2011, SJCERA had the derivative foreign currency exposures listed in the table below.

2012 FOREIGN CURRENCY RISK ANALYSIS (AS OF DECEMBER 31, 2012)

CURRENCY	FUTURE CONTRACTS	RIGHTS/WARRANTS EQUITY CONTRACTS
Australian Dollar	$ 15,427,988	$ -
Canadian Dollar	(3,646,169)	1,714,733
Euro Currency	16,098,417	-
British Pound Sterling	(3,725,154)	-
Japanese Yen	2,392,479	-
Total	**$ 26,547,561**	**$ 1,714,733**

2011 FOREIGN CURRENCY RISK ANALYSIS (AS OF DECEMBER 31, 2011)

CURRENCY	FUTURE CONTRACTS	FORWARD CONTRACTS	RIGHTS/WARRANTS EQUITY CONTRACTS
Australian Dollar	$ 708,810	$ -	$ -
Canadian Dollar	(4,891,410)	-	-
Euro Currency	(4,733,344)	461	-
British Pound Sterling	(4,932,825)	-	-
Japanese Yen	4,980,925	(384)	-
Malaysian Ringgit	-	-	82,810
Swiss Franc	(4,771,350)	-	-
Thailand Baht	-	-	3,235
Total	**$ (13,639,194)**	**$ 77**	**$ 86,045**

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from derivatives are included in net investment income. For financial reporting purposes, all SJCERA derivatives are classified as investment derivatives. Derivative financial instruments held by the Plans from time to time consist of the following:

Futures Contracts: A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date, which is referred to as the settlement or expiration date. Futures contracts are standardized contracts traded on organized exchanges.

Forward Contracts: A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. A forward contract is a nonstandardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Option Contracts: An option contract is a type of derivative security in which a buyer (purchaser) has the right, but not the obligation, to buy or sell a specified amount of an underlying security at a fixed price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

Swap Agreements: A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. No principal is exchanged at the beginning of the swap. The cash flows the counterparties exchange are tied to a "notional" amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The fair value represents the gains or losses as of the prior marking-to-market.

The Investment Derivatives schedule listed below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the years ended December 31, 2012 and 2011, classified by type.

INVESTMENT DERIVATIVES (AS OF DECEMBER 31, 2012 AND 2011)

	2012		2011	2012/2011
DERIVATIVE TYPE	NOTIONAL AMOUNT	FAIR VALUE	FAIR VALUE	CHANGE IN FAIR VALUE
Futures Contracts	$ 190,494,904	$ (230,205)	$ 470,911	$ (701,116)
Forward Contracts	-	(9)	76	(85)
Option Contracts	320,337	(197,556)	48,695	(246,251)
Swap Agreements	-	(746,590)	(734,104)	(12,486)
Total	**$ 190,815,241**	**$ (1,174,360)**	**$ (214,422)**	**$ (959,938)**

All investment derivative positions are included as part of investments at fair value on the statement of plan net assets. All changes in fair value are reported as part of net appreciation/(depreciation) in fair value of investments in the statement of changes in plan net assets.

Investment information was provided either by investment managers or SJCERA's investment custodian.

NOTE 6 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Defined Benefit Pension Plan

The 2012 and 2011 contribution rates for employers and employees were established in accordance with actuarially determined contribution requirements by an actuarial valuation performed at January 1, 2011 and 2010, respectively. The actuarial value of assets reflects the smoothing method that adjusts market value differences between the assumed and the actual investment return over a 5-year period.

The required contributions include current service cost and amortization of prior service cost.

	AS A % OF COVERED PAYROLL	
	2012	2011
General Members		
Current Service Cost	15.70%	15.69%
Amortization of Prior Service Cost	14.99%	12.45%
Total	**30.69%**	**28.14%**
Safety Members		
Current Service Cost	28.05%	28.01%
Amortization of Prior Service Cost	27.56%	22.48%
Total	**55.61%**	**50.49%**

A level percentage of employer payroll contribution rates were determined using the Entry Age Normal Funding Method (Cost Method) and the Actuarial Asset Valuation Method. Employers' contributions are payable over each employee's future working lifetime. The employer rates reflect the Entry Age Normal Funding Method. Under this method, part of the normal cost is being paid over the future working lifetime of the members. The remaining unfunded past service liability is being amortized on a 20-year open period amortization until January 1, 2014, when it will be decreased by one year in each valuation report until a 12-year amortization period is reached.

The funding objective of the plan is to establish contribution rates that, over time, are likely to remain as a level percentage of payroll unless plan benefit provisions are changed. Actuarial valuations involve estimates and make assumptions about the probability of events far into the future, therefore actuarially determined rates are subject to continual revision as results are compared to past expectations and new estimates are made about the future.

The year 2012 contributions from employees were $19,900,088 and the employers' contributions were $108,062,510. The year 2011 contributions from employees were $14,040,773 and the employers' contributions were $112,891,701. The employers' contributions decreased by $4.8 million, or 4.3%, over the prior year, while employees' contributions increased by 5.8 million, or 41.73 %, over the prior year. The County and the majority of its General Member employees agreed to equally share the normal cost of pre-funding post-retirement cost-of-living adjustments. Prior to 2012, the employer paid 100% of the cost to fund this benefit.

Employee contributions are deducted from the employees' salary on a bi-weekly basis.
The employee reserve account is established for employee contributions and earnings allocations, less amounts transferred to reserves for retirement and refunds to terminated employees.

The adopted employer contribution rates, based on the actuarially determined requirements applicable to covered payroll, for the past six years are as follows:

YEAR	SAFETY MEMBERS	GENERAL MEMBERS
2012	55.61%	30.69%
2011	50.49%	28.14%
2010	49.92%	27.79%
2009	47.54%	24.87%
2008	44.51%	23.04%
2007	41.37%	22.74%

NOTE 7 – SIX-YEAR HISTORICAL TREND INFORMATION

The six-year historical trend information, designed to provide information about SJCERA's progress made in accumulating sufficient assets to pay pension benefits when due, is presented as required in the Required Supplementary Information following the notes to the financial statements.

NOTE 8 – NET ASSETS HELD IN TRUST FOR PENSION

As required by the County Employees Retirement Law and the Board's policy, the following reserves from Net Assets in Trust for Pension Benefits must be established and used to account for the members', employers', and retirees' contributions. For 2012, the Unappropriated Earnings Reserves were not sufficient to fully credit interest earnings at the 7.75% assumption rates for reserves except for Active and Deferred Members' Reserves. Therefore, it resulted in a 1.26% deduction for the other reserves. In addition, there were no funds in the Contingency Reserve to transfer to Unappropriated Earnings Reserve in 2012 in order to fully credit interest earnings at the 7.75% assumption rate, compared to $28.5 million that was transferred from the Contingency Reserve to Unappropriated Earnings Reserve in 2011.

a. Active and Deferred Members' Reserve

This reserve represents the cumulative contributions made by active members, net of refunds to the members, plus the investment earnings credited to the reserve at assumption rates determined by the actuary. For 2012 and 2011, the assumption rates were 7.75% compounded semi-annually, for each year. Earnings are credited to all appropriate active and deferred member accounts semi-annually. Upon retirement, a member's accumulated contributions are transferred from this reserve to the Retired Members' Annuity Reserve.

b. Employer Advance Reserves

This reserve represents the cumulative contributions made by the County and certain special districts for the active members. Interest earnings are credited semi-annually to the reserves at assumption rates determined by the actuary if sufficient unappropriated earnings reserve funds exist. Upon a member's retirement, an actuarially determined amount of the member's vested interest is transferred from the Employer Advance Reserves to the Retired Members' Pension Reserve.

c. Retired Members' Reserves

These reserves are established to account for the unpaid retirees' pension benefits. Upon a member's retirement, the member's accumulated contributions are transferred from the Active Members' Reserve account to the Retired Members' Annuity Reserve account. In addition, the actuarially determined amount of the member's vested interest is transferred from the Employer Advance Reserves to the Retired Members' Reserve account.

From these reserves, SJCERA pays benefits in amounts computed in accordance with the County Employees Retirement Law. Interest earnings are also credited to the reserves semi-annually at assumption rates determined by the actuary, if sufficient Unappropriated Earnings Reserve funds exist.

The reserve at December 31, 2012, includes the authorized "Purchasing Power" benefit reserve of $5.8 million and $38,241 for additional pension benefits specified in the pre-April 1, 1982 class-action lawsuit settlement agreement. These benefits are explained in Note 1b. In November 2012, the Board adopted a revised Statement of Reserve Policy to classify the post-April 1, 1982 Settlement Reserve as a Special Reserve, which is not included in valuation assets.

d. Contingency Reserve

The Contingency Reserve is established as required by the County Employees Retirement Law to absorb possible future losses on investments. The reserve balance, per the County Employees Retirement Law, is one percent (1.0%) of the total fair market value of assets if excess earnings exist. SJCERA's policy sets the targeted rate at 3%. The Contingency Reserve is 0.00% of the fair market value of total assets at December 31, 2012 and 2011. During 2012 and 2011, SJCERA did not have excess funds in order to fund the Contingency Reserve.

e. Market Stabilization Designation Reserve

This "designation" account is used to further minimize the impact of the fluctuations in the market value of the investments owned by SJCERA. It represents the difference between the actuarial value of assets and the fair value of assets at year-end.

f. Unappropriated Earnings Reserve

The Unappropriated Earnings Reserve (UER) is used to accumulate investment income earned by SJCERA, net of the investment expenses and SJCERA's administration cost. From this unappropriated earnings account, interest is credited to various reserve accounts at an actuarially determined assumption rate. In addition, at the Board's discretion and subject to the settlement agreement in 2001, this account may also be used, from time to time, to stabilize the County's and the special districts' Annual Required Contribution (ARC), and to fund the market stabilization and contingency reserves accounts.

g. A summary of reserved and designated net assets at December 31, 2012, and December 31, 2011, is as follows:

	2012	2011
Reserves		
Active and Deferred Members	$ 240,777,763	$ 229,945,370
Employer Advance	712,477,297	716,299,406
Retired Members	1,172,323,421	1,200,502,055
Class Action Settlement - Post–4/1/82	11,063,855	14,556,866
Market Stabilization Designation	23,773,123	(211,358,323)
Total Reserves	**$ 2,160,415,459**	**$ 1,949,945,374**

h. Post-Employment Healthcare Agency Fund

The Post-Employment Healthcare Agency Fund was established to account for a sick leave bank contribution for eligible members. In 2011, SJCERA filed a request for a determination letter and Voluntary Compliance Program (VCP) with the IRS. As the result of the IRS filing, the Board decided to "freeze" the Post-Employment Healthcare Agency Fund pending the response from the IRS. This is explained in Notes 2 and 13.

NOTE 9 – INVESTMENT EXPENSES

Investment expenses include fees paid for investment management services, investment consulting services, fund evaluation services, securities custodian services, and interest expense and other fees incurred in security lending transactions.

NOTE 10 – GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses, including the depreciation and amortization of capital assets, are funded by investment income earnings and are limited, pursuant to Government Code Section 31580.2, to twenty-one-hundredths of one percent (0.21%) of SJCERA's actuarial accrued liability. The actual administration expense for years 2012 and 2011 was 0.13% and 0.13% of the actuarial accrued liability, respectively. SJCERA was in compliance with this requirement during 2012 and 2011.

NOTE 11 – FUNDING STATUS

(DOLLARS IN THOUSANDS)							
PLAN	ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL (C)	UAAL AS A PERCENTAGE OF ANNUAL COVERED PAYROLL ((B-A)/C)
Pension Benefits	01/01/2012	$ 2,130,053	$ 3,048,321	$ 918,268	69.9%	$ 356,419	257.6%

A Schedule of Funding Progress for the plan is included in the required supplementary information which presents multi-year trend information.

NOTE 12 – PENDING LITIGATION

There is no pending litigation impacting SJCERA as of December 31, 2012.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

SJCERA participates in certain investments that require commitments of a specified amount of capital upfront that is then drawn down at a later time as the investment vehicle requires. The total unfunded capital commitment represents the amount of funds that SJCERA could potentially be required to contribute at a future date. SJCERA had unfunded capital commitments totaling $81.8 million and $63.7 million at December 31, 2012 and 2011, respectively.

The IRS has strongly encouraged all public sector retirement systems to file an application for an IRS determination letter on the tax qualified status of the system. As part of such a filing, if the retirement system determines that there are issues about the tax rules as applied to that system, the IRS also encourages the system to file an application under its Voluntary Compliance Program (VCP) procedure. SJCERA, as many other public sector systems across the country and many other California county systems operating under the County Employees Retirement Law of 1937, has filed an application with the IRS for a determination letter and also filed under the VCP process. The IRS will review these applications and under its normal process will respond to SJCERA regarding its filings. Because this increased emphasis on detailed reviews of public retirement systems is new for the IRS, we cannot predict at this time what the response of the IRS will be to these filings.

NOTE 14 – SUBSEQUENT EVENTS

SJCERA has evaluated subsequent events through June 3, 2013, 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.

SCHEDULE OF FUNDING PROGRESS
DEFINED BENEFIT PENSION PLAN

FOR THE SIX YEARS ENDING DECEMBER 31, 2012

(DOLLARS IN THOUSANDS)						
ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS[1] (A)	ACTUARIAL ACCRUED LIABILITY (AAL) (B)	UNFUNDED AAL (UAAL) (B-A)	FUNDED RATIO (A/B)	COVERED PAYROLL[2] (C)	UAAL AS A PERCENTAGE OF ANNUAL COVERED PAYROLL ((B-A)/C)
01/01/2007	$1,869,717	$2,149,938	$ 280,221	87.0%	$ 340,828	82.2%
01/01/2008	2,029,949	2,334,521	304,572	87.0%	367,361	82.9%
01/01/2009	1,821,357	2,510,925	689,568	72.5%	377,559	182.6%
01/01/2010	1,949,011	2,769,612	820,601	70.4%	385,442	212.9%
01/01/2011	2,120,384	2,917,688	797,304	72.7%	367,344	217.0%
01/01/2012	2,130,053	3,048,321	918,268	69.9%	356,419	257.6%

NOTE:

[1] The actuarial value of assets reflects the smoothing method that adjusts market value differences between the assumed and the actual investment return over a 5-year period.

[2] Represents the annualization of active members' pay rates on December 31 as determined by the actuarial study.

SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYERS AND OTHER CONTRIBUTING SOURCES DEFINED BENEFIT PENSION PLAN

FOR THE SIX YEARS ENDING DECEMBER 31, 2012

YEAR ENDED DECEMBER 31,	ACTUAL ANNUAL CONTRIBUTION	REQUIRED ANNUAL CONTRIBUTION	PERCENTAGE CONTRIBUTION
2007	$ 85,868,698	$ 85,868,698	100%
2008	94,162,866	94,162,866	100%
2009	97,805,585	97,805,585	100%
2010	104,451,673	104,451,673	100%
2011	112,891,701	112,891,701	100%
2012	108,062,510	108,062,510	100%

ACTUARIAL ASSUMPTIONS AND METHODS
DEFINED BENEFIT PENSION PLAN

DECEMBER 31, 2012

Valuation Date	January 1, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll with separate amortization periods for Extraordinary Actuarial Gains or Losses
Remaining Amortization Period	27 Years for 2008 Extraordinary Loss, 20 Years for Remaining UAAL (23 Year Single Equivalent Period)
Asset Valuation Method	Smoothed Actuarial Value (5 years) 80%-120% Asset Corridor
Actuarial Assumptions:	
Investment Rate of Return	7.75%
Projected Salary Increases	3.50%, plus service-based rates
General Inflation Rate	3.25%

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDING DECEMBER 31, 2012 AND 2011

	2012	2011
Personnel Services		
Staff Salaries	1,338,785	1,267,549
Cafeteria Benefits	151,373	151,478
Insurance	230,805	220,176
Social Security	90,839	86,377
Retirement	379,141	383,937
Total Personnel Services	**2,190,943**	**2,109,517**
Professional Services		
Professional & Specialized Services	503,389	443,446
Allocated Department Costs	24,717	35,968
Total Professional Services	**528,106**	**479,414**
Communications		
Postage	16,425	16,214
Telephone	12,239	12,857
Travel	77,626	76,610
Total Communications	**106,290**	**105,681**
Rentals/Equipment		
Office Space & Equipment	233,388	225,279
Equipment	20,229	0
Depreciation-Equipment (G/L)	116,823	114,028
Equipment Leasing	15,770	17,175
Total Rentals	**386,210**	**356,482**
Miscellaneous		
Office Supplies/Expense	92,135	122,543
Subscriptions & Periodicals	7,618	6,584
Memberships	6,779	8,060
Maintenance	1,124	0
License & Permits	0	2,207
Fees & Applications	0	26,000
Insurance	83,933	76,246
Total Miscellaneous	**191,590**	**241,640**
Other Expenses*		
Actuarial Retainer & Valuation Study	188,235	134,553
Fund Legal Fees	277,947	321,661
Total Other Expenses	**466,182**	**456,214**
Total Administrative Expense	**3,869,321**	**3,748,948**

* Actuarial and Fund Legal Expenses are excluded from the 21/100th percent limitation.

SCHEDULE OF INVESTMENT EXPENSES
FOR THE YEARS ENDING DECEMBER 31, 2012 AND 2011

	2012	2011
Investment Management Fees		
U.S. Equity	890,447	1,046,969
Non-U.S. Equity	402,609	827,862
Fixed Income	2,420,821	2,010,419
Real Estate	3,200,893	2,994,293
Alternatives	5,750,489	6,392,834
Currency Overlay	132,003	156,281
Total Investment Management Fees	**12,797,262**	**13,428,658**
Other Investment Fees and Expenses		
Custodian Fees	191,212	231,212
Investment Consultant Fees	420,521	359,608
Miscellaneous Investment Expense	77,365	71,191
Notional Interest Expense	1,601,084	0
Total Other Investment Expenses	**2,290,182**	**662,011**
Total Investment Expenses before Security Lending Expenses	**15,087,444**	**14,090,669**
Securities Lending Fees and Interest Expenses	**128,646**	**108,444**
Total Investment Expenses	**15,216,090**	**14,199,113**

SCHEDULE OF PAYMENTS TO CONSULTANTS
FOR THE YEARS ENDING DECEMBER 31, 2012 AND 2011

	2012	2011
Nature of Service		
Actuarial-Retainer & Valuation	188,235	134,553
Audit	60,705	60,705
Legal Counsel-Processing of Disabilities	277,947	321,662
Business Technology Services	80,188	92,332
Total Payments to Consultants	**607,075**	**609,252**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
POST-EMPLOYMENT HEALTHCARE AGENCY FUND

FOR THE YEAR ENDED DECEMBER 31, 2012

	BALANCE JANUARY 1, 2012	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2012
Assets				
Cash and Cash Equivalents	$ 783,008	$ 270,609	$ (199,527)	$ 854,090
Cash Collateral - Securities Lending	901,242	297,604	(259,555)	939,291
Receivables	39,440	12,220	(13,091)	38,569
Investments	15,936,269	5,612,199	(3,835,399)	17,713,069
Total Assets	**$17,659,959**	**$6,192,632**	**$(4,307,572)**	**$19,545,019**
Liabilities				
Securities Lending - Cash Collateral	$ 901,242	$ 297,604	$ (259,555)	$ 939,291
Securities Purchased, Not Paid	12,521	10,333	9,758	32,612
Accrued Expense and Other Payables	8,769	3,629	(944)	11,454
Securities Lending Interest and Other Expense	-	6	13	19
Retiree Sick Leave Bank Benefits Payable	16,737,427	5,881,061	(4,056,845)	18,561,643
Total Liabilities	**$17,659,959**	**$6,192,633**	**$(4,307,573)**	**$19,545,019**

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Investment

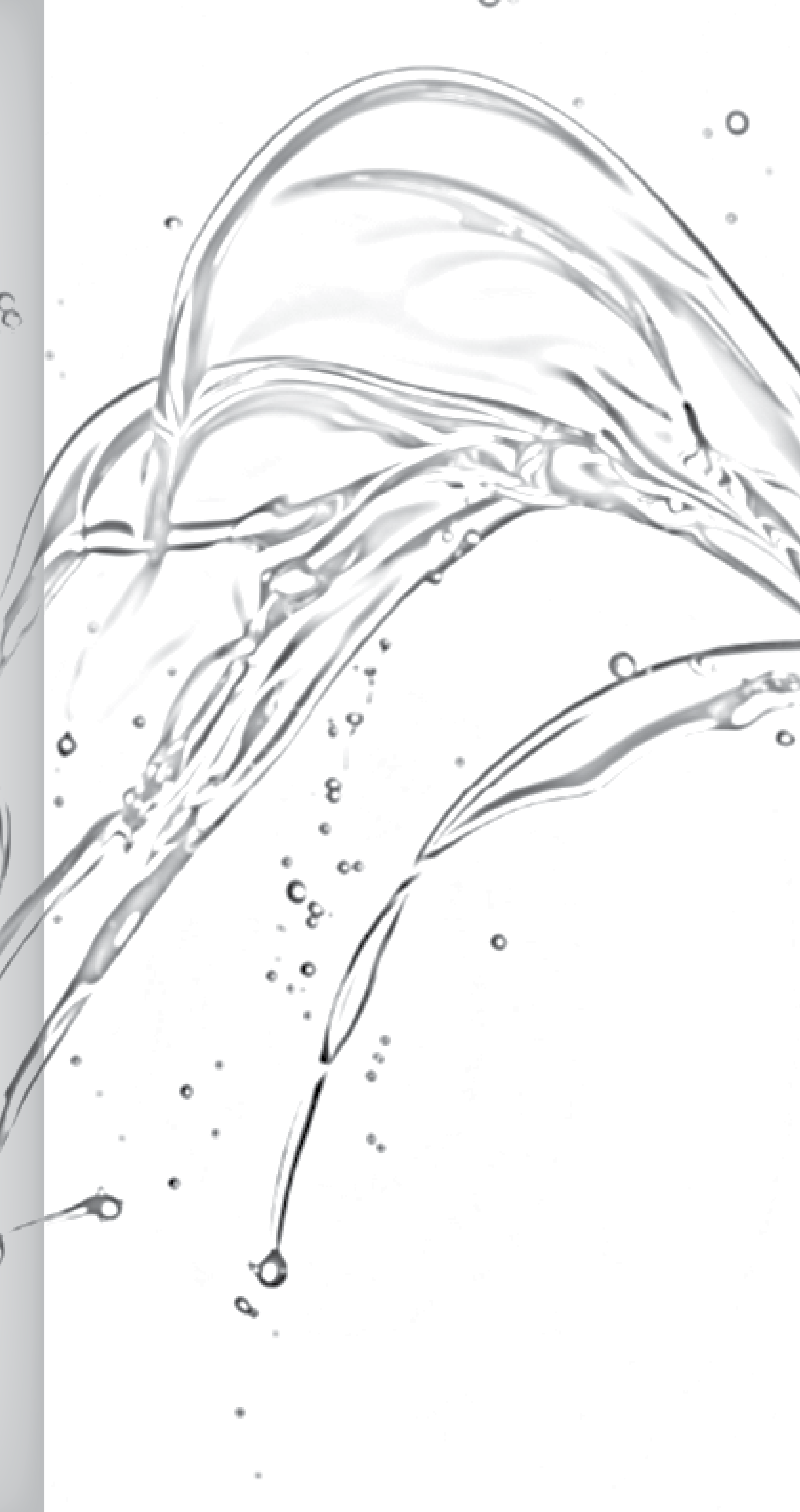
OLIVE OIL

"Action and reaction, ebb and flow, trial and error, change - this is the rhythm of living. Out of our over-confidence, fear; out of our fear, clearer vision, fresh hope. And out of hope, progress."

—Bruce Barton

OLIVES

- Over 4,100 acres of olive crops are harvested annually, with each acre yielding approximately 4-7 tons of olives.
- Most California-grown olives are of the table variety, with around 15% used for the production of olive oil.



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SAN JOAQUIN COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION

Summary

Calendar year 2012 was a strong year for global equities as almost all indices were up 16-18%. A proverbial "wall of worry" led to consistent and substantial returns throughout the year. Fixed income markets saw gains in 2012 particularly in the Corporate sector; as yields in U.S. Treasuries were relatively flat from the beginning of the year to the end. Public U.S. real estate markets also continued to advance in 2012 and the private real estate markets exhibited a good positive return for the year.

SJCERA at the total plan level experienced a +11.8% return for the year. The +11.8% result was above SJCERA's policy benchmark of +10.0% by +180 basis points for the year; primarily as a result of above-average performance by the U.S. Equity, International Equity, Fixed Income, Real Estate, and Risk Parity active managers.

2012 was a positive year for the U.S. and foreign equity markets. For the year, the Russell 3000 US Stock Index gained +16.4% and the MSCI ACW (All Country World) ex-US Index of foreign stocks gained +17.4%. Within the Real Estate markets, the NAREIT Equity Index advanced by +18.1% while the NCREIF ODCE Index net +1% also advanced by +10.3%. The Federal Reserve Bank continued to hold short-term interest rates in 2012 at low levels and continued to provide liquidity to the financial system which helped the US fixed income market return +4.2% for the year, as measured by the Barclays Capital Aggregate Bond Index.

Investment Policy, Asset Deployment Policy and Performance Measurement Standards

SJCERA periodically reviews and updates its asset allocation and investment policies. The primary financial objective is to earn a long-term return sufficient to avoid deterioration in funded status. In August 2010, the Board of Retirement lowered its annual earnings assumption from 8.16% to 7.75%. The SJCERA Board in May 2009 made significant changes to their asset allocation policy with the goals of creating a more balanced and better diversified portfolio that reduced the overall risk of the plan.

Secondary goals are to outperform the asset allocation-weighted benchmark (17.0% US Equities, 17.0% Non-US Equities, 24% Fixed Income, 4.5% Global Inflation-Linked Bonds, 2.5% Commodities, 15% Global Opportunistic Strategy, 10% Risk Parity and 10.0% Real Estate) and to rank in the top forty percent of a universe of public pension funds over full market cycles. At quarterly intervals, the System reviews performance at the total fund, asset class and individual manager levels. At each level, returns are evaluated versus appropriate indices and peers.

Investment Objectives

Investment returns achieved through December 31, 2012 have been calculated using a time-weighted rate of return methodology based upon market values. In 2012, SJCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards.

SJCERA Investment Results

PERIODS ENDED 12/31/12	ONE YEAR	THREE YEARS	FIVE YEARS
U.S. Equity	+18.5%	+9.5%	+0.0%
Russell 3000	+16.4%	+11.2%	+2.0%
Rank	8	90	94
Non-U.S. Equity	+18.0%	+4.3%	-2.0%
MSCI ACWI ex-US Free	+17.4%	+4.3%	-2.4%
Rank	62	61	34
Fixed Income	+10.7%	+9.1%	+6.6%
Barclays US Aggregate	+4.2%	+6.2%	+5.9%
Rank	22	33	64
Inflation Protection	+5.1%	+7.2%	
Inflation Protection Benchmark	+4.5%	+6.3%	
Global Opportunistic	-3.8%	+0.8%	+2.9%
9.0% Annual Benchmark	+9.0%	+9.0%	+9.0%
Real Estate	+19.0%	+20.3%	-8.2%
Real Estate Benchmark	+14.2%	+14.2%	+4.0%
Rank	11	1	99
Total Fund	+11.8%	+8.6%	+0.3%
*Policy Benchmark****	+10.0%	+7.6%	+1.8%
Public Fund Median	+13.0%	+9.0%	+3.1%
Rank**	82	69	99

Investment returns achieved through December 31, 2012 have been calculated using a time-weighted rate of return methodology based upon market values.

* Ranking 1 is best, 100 is worst.

** Rankings source - InvestorForce Universe

*** Policy Benchmark is 16.25% Russell 3000/ 17% Barclays US Aggregate/ 1.5% MSCI World/ 4% 3-Month US Libor/ 18% of 9% Annual/ 16.25% MS ACWI ex-US/ 1.5% NAREIT/1% EPRA NAREIT ex US / 7.5%NCREIF ODCE (net +1%)/ 4.5% Bridgewater Real Asset Benchmark/2.5% Customized Commodities Index / 10% Customized Risk Parity Index

Returns for periods greater than one year are annualized.

Paul S. Harte

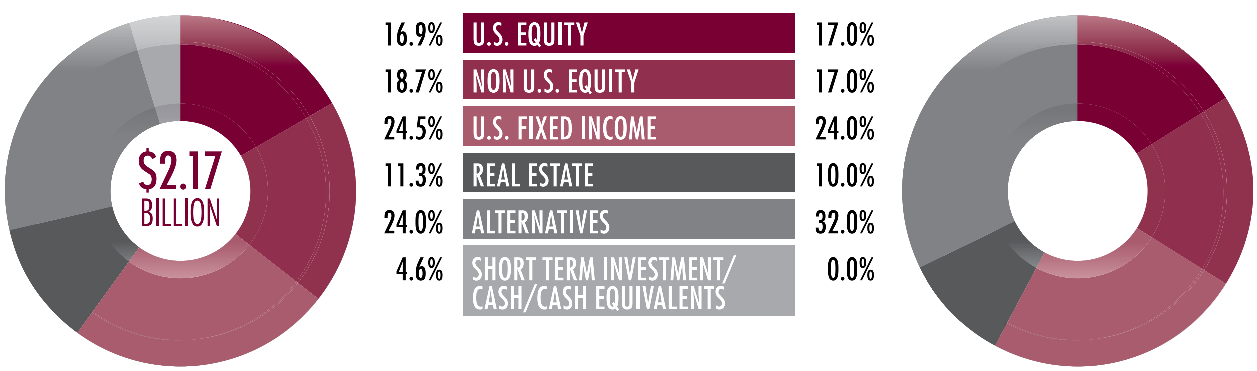
Paul S. Harte
Senior Vice President
Strategic Investment Solutions, Inc.

ASSET ALLOCATION AS OF DECEMBER 31, 2012

	INVESTMENT	ACTUAL ALLOCATION	TARGET ALLOCATION
U.S. Equity	364,217,832	16.9%	17.0%
Non-U.S. Equity	407,469,405	18.7%	17.0%
U.S. Fixed Income	533,209,329	24.5%	24.0%
Real Estate	245,283,515	11.3%	10.0%
Alternatives	522,248,121	24.0%	32.0%
Short Term Investment/Cash/ Cash Equivalents	99,928,544	4.6%	0.0%
Total	**2,172,356,746**	**100.0%**	**100.0%**

ACTUAL ALLOCATION

TARGET ALLOCATION



LIST OF LARGEST ASSETS HELD

Largest Stock Holdings (By Market Value)
DECEMBER 31, 2012

	SHARES	STOCKS	MARKET VALUE
1	29,606.00	GULFPORT ENERGY CORP COM NEW	1,131,541
2	45,000.00	MITSUBISHI ESTATE CO LTD	1,066,385
3	210,000.00	HYSAN DEVELOPMENT HKD5	1,009,244
4	41,000.00	MITSUI FUDOSAN CO LTD NPV	991,037
5	35,500.00	CITIGROUP CAP XIII 7.875% TR PFD SECS FIXED/FLTG	990,450
6	320,000.00	CHINA OVERSEAS LAND & INVESTMENT HKD0.10	953,702
7	29,382.00	ENCORE CAP GROUP INC COM	899,677
8	172,000.00	KERRY PROPERTIES HKD1	893,192
9	12,624.00	REGAL BELOIT CORP COM	889,613
10	38,964.00	HILLENBRAND INC COM STK	880,976

A complete list of the stock holdings is available upon request.

Largest Bond Holdings (By Market Value)
DECEMBER 31, 2012

	PAR	BONDS	MARKET VALUE
1	11,218,996.03	MFC SPDR TR DB INTL GOVT INFLATION-PROTECTED	11,729,484
2	9,992,518.13	MFC ISHARES TR BARCLAYS TIPS BD FD	10,192,370
3	7,033,085.94	US TREAS NTS .625 DUE 01-31-2013	7,002,737
4	4,529,805.11	FNMA POOL #AD0163 6% 11-01-2034 BEO	4,787,495
5	4,450,808.43	UNITED STATES TREAS NTS DTD 01/31/2012 .25% DUE 01-31-2014 REG	4,452,781
6	4,381,862.57	FNMA REMIC TR 2012-133 CL-PB 6.5 04-25-2042	4,367,888
7	3,618,187.96	MFO STONE HBR INVT FDS EMERGING MKTS DEBT FD INLTL CL	3,961,055
8	3,422,616.78	FEDERAL HOME LN MTG CORP CMO SER CLAZ 4 02-15-2042	3,712,325
9	2,637,876.08	CALIFORNIA ST 7.5% 04-01-2034 BEO TAXABLE	3,495,492
10	3,360,458.99	US TREAS NTS .625 DUE 04-30-2013	3,355,889

A complete list of the bond holdings is available upon request.

	2012	2011
Investment Management Fees		
U.S. Equity	$ 890,447	$ 1,046,969
Non-U.S. Equity	402,609	827,862
Fixed Income	2,420,821	2,010,419
Real Estate	3,200,893	2,994,293
Alternatives	5,750,489	6,392,834
Short Term Investments/ Cash & Equivalents	132,003	156,281
	12,797,262	**13,428,658**
Other Investment Fees		
Custodian Fees	191,212	231,212
Investment Consultant Fees	420,521	359,608
Miscellaneous Investment Expense	77,365	71,191
Notional Interest Expense	1,601,084	0
	2,290,182	**662,011**
Total Investment Expenses	**15,087,444**	**14,090,669**
Security Lending Fees		
Security Lending Fees and Interest Expense	128,646	108,444
Total Investment Fees and Expenses	**$ 15,216,090**	**$ 14,199,113**

SCHEDULE OF FEES AND COMMISSIONS

FOR THE YEAR ENDED DECEMBER 31, 2012

	BROKER	COMMISSION PAID	COMMISSIONS PER SHARE
1	GOLDMAN, SACHS AND CO	40,971	10.91%
2	NORTHERN TRUST CO	20,053	5.34%
3	NORTHERN TRUST COMPANY	15,000	3.99%
4	INVESTMENT TECHNOLOGY GROUP INC	14,022	3.73%
5	RBC DAIN RAUSCHER	13,351	3.56%
6	CREDIT SUISSE FIRST BOSTON CORPORATION	13,018	3.47%
7	ROBERT W. BAIRD & COMPANY INC MILWAUKEE USA	12,066	3.21%
8	KNIGHT EQUITY MARKETS LP	10,748	2.86%
9	LIQUIDNET INC	9,499	2.53%
10	OTHER*	226,772	60.39%
	Grand Total	**$ 375,500**	**100.00%**

* Includes approximately 170 additional firms, each with less than 2.5% of total commissions.

	FAIR VALUE DECEMBER 31, 2012	PERCENTAGE OF FAIR VALUE
U.S. Equity		
BlackRock - Russell 1000 Index	252,647,266	11.7%
Capital Prospects - Small Cap Value	56,695,226	2.6%
Legato Capital Mgmt. - Small Cap Growth	54,875,340	2.6%
Total U.S. Equity	**364,217,832**	**16.9%**
Non-U.S. Equity		
BlackRock - MSCI World Ex-US	146,296,375	6.7%
Kleinwort Benson - Water/Agriculture	31,333,489	1.4%
Research Affiliates International	155,915,646	7.2%
Research Affiliates Emerging Markets	73,923,895	3.4%
Total Non-U.S. Equity	**407,469,405**	**18.7%**
Fixed Income		
Dodge & Cox - Core	123,172,420	5.7%
DoubleLine - Mortgage-Backed Securities	105,358,042	4.8%
Mesa West Real Estate Income Fund I	9,136,646	0.4%
Mesa West Real Estate Income Fund II	49,577,324	2.3%
Prima - Mortgage Investment Trust	162,704,336	7.5%
Stone Harbor - Absolute Return	83,260,561	3.8%
Total Fixed Income	**533,209,329**	**24.5%**
Real Estate		
Almanac Realty Securities VI	6,880,903	0.3%
Colony Realty Partners III	19,706,535	0.9%
Colony Realty Partners IV	3,558,398	0.2%
EII Capital Management	23,104,292	1.1%
Greenfield Acquisition Partners V	30,165,094	1.4%
Greenfield Acquisition Partners VI	10,260,019	0.5%
Invesco Equity REIT	28,333,766	1.3%
Legacy Partners Realty Fund II	1,000	0.0%
Legacy Partners Realty Fund III	8,726,742	0.4%
Miller Global Fund V	10,742,494	0.5%
Miller Global Fund VI	22,751,335	1.0%
Prologis U.S. Targeted Logistics Fund	24,501,988	1.1%
RREEF America REIT III	14,060,473	0.6%
Sarofim Multi-Family Partners II	13,353,903	0.6%
Walton Street Real Estate Fund V	17,135,274	0.8%
Walton Street Real Estate Fund VI	12,001,299	0.6%
Total Real Estate Managers	**245,283,515**	**11.3%**

(Continued on page 72)

	FAIR VALUE DECEMBER 31, 2012	PERCENTAGE OF FAIR VALUE
Alternatives		
Bridgewater - All-Weather Portfolio	110,695,000	5.1%
Bridgewater - Pure Alpha	73,987,993	3.4%
Bridgewater - Real Asset Fund	115,288,834	5.2%
Clifton Group - Global Balanced Risk	77,762,406	3.6%
Marinus Opportunities Domestic Fund	27,830,674	1.3%
Medley Opportunity Fund II	40,838,668	1.9%
Mount Lucas Managed Futures Overlay	17,717,830	0.8%
Schroder - Commodity Portfolio	58,126,716	2.7%
Total Alternatives	**522,248,121**	**24.0%**
Short Term Investments/Cash/Cash Equivalents		
Clifton Group Policy Implementation Overlay Service	20,155,054	0.9%
Northern Trust - STIF	79,773,490	3.7%
Total Short Term Investments	**99,928,544**	**4.6%**
Total	**2,172,356,746**	**100%**

Actuarial

TOMATO JUICE

"The goal in life is to be solid, whereas the way that life works is totally fluid, so you can never actually achieve that goal."

—Damien Hirst

TOMATOES

- San Joaquin County is one of the largest processing and fresh-market tomato producing counties in California.
- Tomatoes are the 4th largest crop by acreage in San Joaquin County and the 5th leading crop overall.

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ROBERT T. MCCRORY | *Executive Vice President*

March 14, 2013

Board of Retirement
San Joaquin County Employees' Retirement Association
6 South El Dorado Street, Suite 400
Stockton, California 95202

Re: Actuarial Certification of January 1, 2012 Valuation

EFI Actuaries, under contract with the San Joaquin County Employees' Retirement Association (SJCERA), performed the annual actuarial valuation of Plan benefits as of January 1, 2012. In this study, we relied on participant and financial data supplied by SJCERA staff, and conducted an examination of such data for reasonableness and consistency.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). As of the valuation date, the amortization period is 27 years for half of the 2008 investment loss and 20 years for the remaining UAAL. The funding objective of the Plan is to establish contribution rates that will adequately fund member benefits. For actuarial valuation purposes, Plan assets are valued at Actuarial Value with adjustments for certain Special Reserves. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of five years; the Actuarial Value so determined is constrained to remain within 20% of Market Value.

We selected the actuarial assumptions shown in the schedules to be appropriate for use under the Plan. We performed an analysis of the Plan's noneconomic experience for the years 2007 through 2009 to establish the validity of these assumptions. The assumptions used in the most recent valuation produce results that, individually and in aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis will take place during 2013 and is expected to cover the years 2010 through 2012.

Our firm has prepared the following schedules for the actuarial report: All demographic rate tables, salary increase rates, and Actuarial Value of Assets and Reserves. Additionally, we have prepared the following schedules based on historical information and our calculations as of January 1, 2012: Solvency Test, Schedule of Funding Progress, and Schedule of Contributions. 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 parameters of the Governmental Accounting Standards Board Statement No. 25. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully Submitted,

Robert T. McCrory, FSA, MAAA
(206) 328-8628

Graham A. Schmidt, ASA, MAAA
(415) 829-7122

EFI ACTUARIES | EFI/LIABILITY MANAGEMENT SERVICES, INC.
The nation's leader in plan-specific, interactive asset allocation optimization counseling
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SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are both recommended by our actuaries, EFI Actuaries, and adopted by the Board of Retirement on an annual basis. The most current Actuarial Valuation was conducted on January 1, 2012 for the period ending December 31, 2011.

An Experience Analysis is completed once every three years. The most recent Experience Analysis was conducted on August 16, 2010 for the years 2007 through 2009.

Actuarial Cost Method	Entry Age Normal Cost Method
Unfunded Liability	The excess of the Actuarial Accrued Liability over Plan assets is the Unfunded Actuarial Accrued Liability (UAAL). Half the actuarial loss experienced in 2008 was deemed to be an Extraordinary Actuarial Loss. Thus, 50% of the loss is separately amortized as a level percentage of pay over a closed 30-year period. The remainder of the Plan's unfunded actuarial accrued liability is being amortized over a 20-year open period amortization until January 1, 2014, when it will be decreased by one year in each annual valuation report until a 12-year amortization period is reached.
Valuation Interest Rate	The annual rate of return on all Plan assets is assumed to be 7.75%, net of investment and administrative expenses.
Inflation Assumption	3.25% per annum
Increases in Pay	Assumed pay increases for active members consist of increases due to base salary adjustments plus service-based increases due to longevity and promotion. Rates vary by age and classification (See *Salary Scale Schedule*).
Asset Valuation Method	The Plan uses a modified market-related value method called the Actuarial Value of Plan Assets. The market value of assets is adjusted to recognize, over a five-year period, differences between actual investment earnings and the assumed investment return. Accordingly, only 20% of this difference is being recognized in any one year (See *Actuarial Value of Assets Schedule*). The actuarial value of assets is limited to no less than 80% and no more than 120% of the market value.
Healthy Member Mortality	Rates of mortality for active and retired members and their beneficiaries are given by the Retired Pensioners 2000 tables projected with Scale AA to 2010, with a one year setback for female members.

Disabled Member Mortality	Rates of mortality for disabled members are specified by the Retired Pensioners (RP) tables published by the Society of Actuaries (projected from 2000 to 2010 using Scale AA), with a five year age set-forward for male members and a six year set-forward for female members.
Mortality Improvement	No mortality improvement is explicitly assumed; however a margin is included in the mortality assumptions between the actual and expected number of deaths in order to assume some future mortality improvements. The experience study report for the period covering January 1, 2007 to December 31, 2009 contains a full description of these margins.
Vested Termination Rates	Rates vary by service and classification (See *Probabilities of Separation Schedule*).
Withdrawal Rates	Rates vary by service and classification (See *Probabilities of Separation Schedule*).
Disability Rates	Rates vary by age, gender and classification (See *Probabilities of Separation Schedule*).
Duty Disability Rates	Rates (for Safety Members only) vary by age, gender and classification (See *Probabilities of Separation Schedule*).
Service Retirement Rates	Rates vary by age, service, gender and classification (See *Probabilities of Separation Schedule*).
Family Composition	50% of female members and 70% of male members are assumed to be married. Male spouses are assumed to be three years older than their wives.
Vested Terminations	No terminations are assumed for participants who are eligible for retirement or among Safety Members age 50 or older. For General Members who terminate with at least five years of service, 25% are assumed to go to work with a reciprocal employer. This rate is 50% for Safety Members.
Deferral Age for Vested Terminators	Vested terminated General Members are assumed to begin receiving benefits at age 56; terminated Safety Members are assumed to begin receiving benefits at age 55.
Employment Status	No future transfers among member groups are assumed.

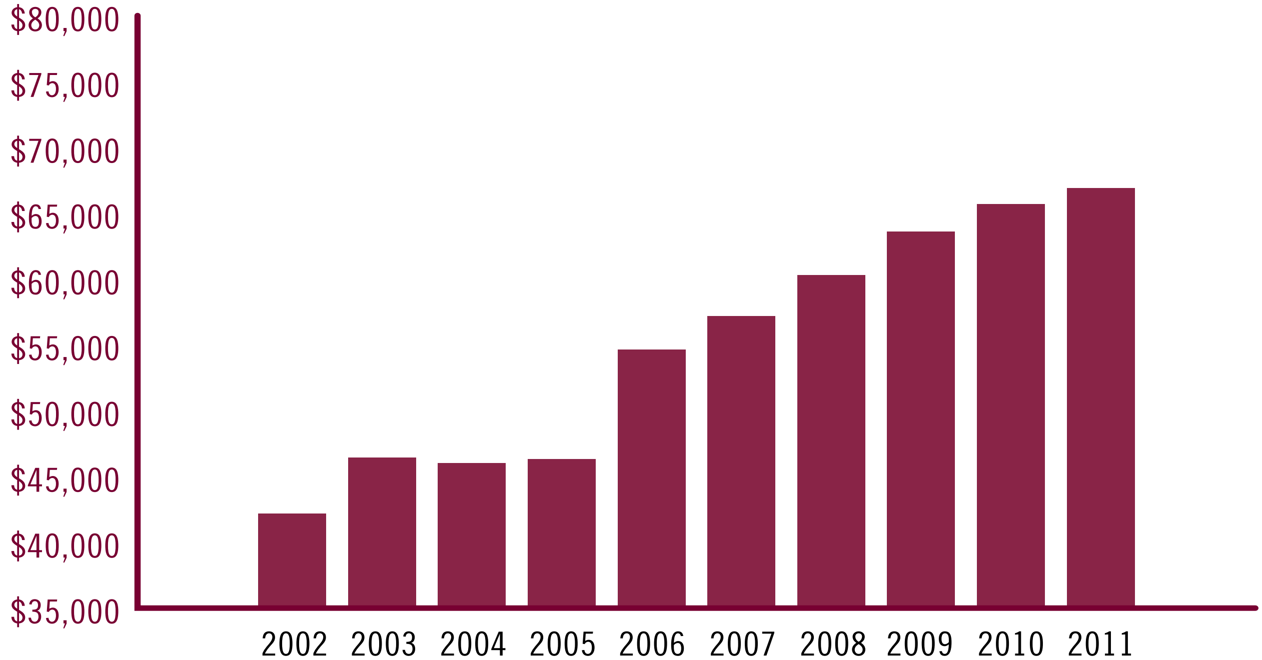
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

ACTUARIAL VALUATION DATE	PLAN TYPE	MEMBERS	ANNUAL PAYROLL	AVERAGE ANNUAL SALARY	AVERAGE SALARY INCREASE
	General	5,121	$ 216,750,000	$ 42,326	2.5%
	Safety	796	43,062,000	54,098	2.0%
01/01/2003	**Total**	**5,917**	**259,812,000**	**43,909**	**2.4%**
	General	5,116	238,914,000	46,699	10.3%
	Safety	812	47,515,000	58,516	8.2%
01/01/2004	**Total**	**5,928**	**286,429,000**	**48,318**	**10.0%**
	General	5,176	239,505,000	46,272	-0.9%
	Safety	832	47,567,000	57,168	-2.3%
01/01/2005	**Total**	**6,008**	**287,072,000**	**47,784**	**-1.1%**
	General	5,210	242,654,000	46,575	6.5%
	Safety	835	49,623,000	59,429	3.95%
01/01/2006	**Total**	**6,045**	**292,277,000**	**48,350**	**1.18%**
	General	5,234	288,178,806	55,059	18.22%
	Safety	820	56,293,820	68,651	15.52%
01/01/2007	**Total**	**6,054**	**344,472,626**	**56,900**	**3.75%**
	General	5,353	308,773,122	57,682	4.76%
	Safety	871	62,988,014	72,317	5.34%
01/01/2008	**Total**	**6,224**	**371,761,136**	**59,730**	**4.97%**
	General	5,180	315,202,954	60,850	5.49%
	Safety	900	67,127,759	74,586	3.14%
01/01/2009	**Total**	**6,080**	**382,330,713**	**62,883**	**5.28%**
	General	4,990	320,526,792	64,234	5.56%
	Safety	925	70,801,157	76,542	2.62%
01/01/2010	**Total**	**5,915**	**391,327,949**	**66,159**	**5.21%**
	General	4,643	308,183,424	66,376	3.33%
	Safety	830	64,817,396	78,093	2.03%
01/01/2011	**Total**	**5,473**	**373,000,820**	**68,153**	**3.01%**
	General	4,441	298,308,687	67,172	1.20%
	Safety	813	64,041,814	78,772	0.87%
01/01/2012	**Total**	**5,254**	**362,350,501**	**68,967**	**1.19%**

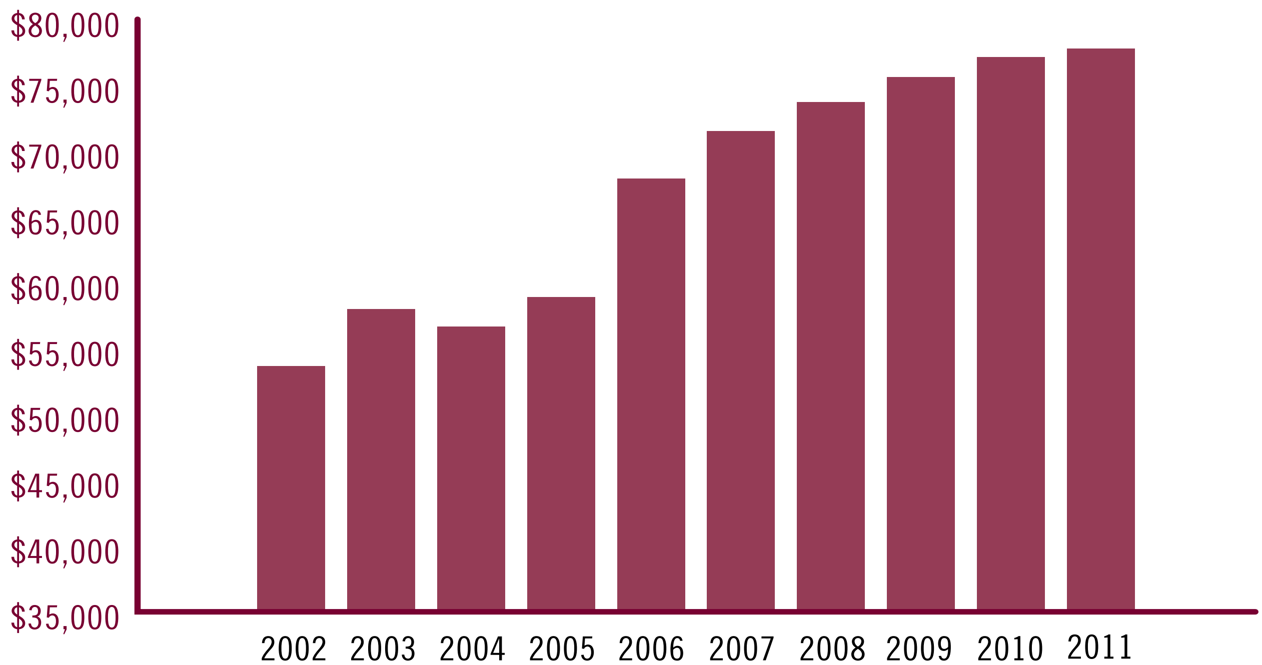
Payroll figures represent the annualization of active member’s pay rates on December 31st.
The most current Actuarial Valuation was conducted as of January 1, 2012 for the period ending December 31, 2011.
The information in subsequent years is currently not available.

CHART OF ACTIVE MEMBER AVERAGE ANNUAL SALARY

GENERAL MEMBERS



SAFETY MEMBERS



SCHEDULE OF RETIREES AND BENEFICIARIES VALUATION DATA

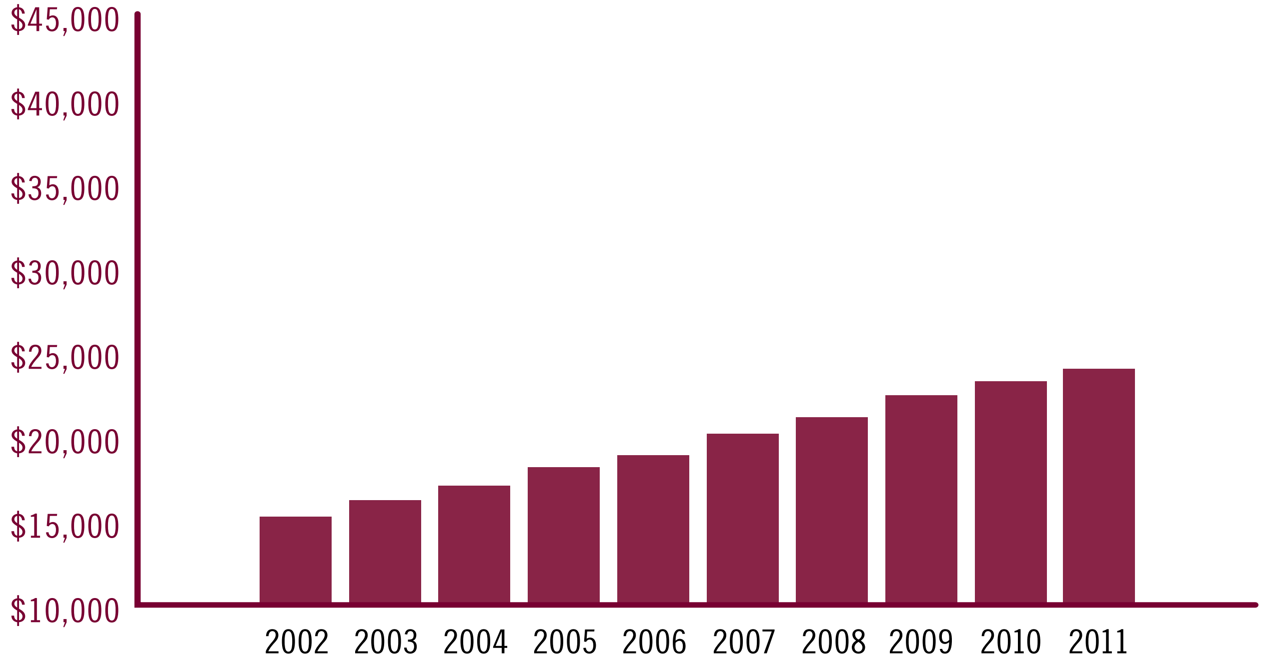
ACTUARIAL VALUATION DATE	PLAN TYPE	MEMBER RETIREMENTS	BENEFICIARY CONTINUANCE	MEMBERS AND BENEFICIARIES REMOVED	TOTAL RETIREES ON PAYROLL	ANNUAL RETIREMENT PAYROLL	AVERAGE ANNUAL ALLOWANCE	AVERAGE ALLOWANCE % INCREASE
	General	158	24	86	2,621	$ 39,891,228	$ 15,220	6.5%
	Safety	60	8	8	516	17,673,572	34,251	10.2%
01/01/2003	**Total**	**218**	**32**	**94**	**3,137**	**57,564,800**	**18,350**	**8.9%**
	General	176	42	98	2,741	44,424,864	16,208	6.5%
	Safety	36	4	8	548	19,348,974	35,308	3.1%
01/01/2004	**Total**	**212**	**46**	**106**	**3,289**	**63,773,838**	**19,390**	**5.7%**
	General	196	23	83	2,856	48,699,000	17,052	5.2%
	Safety	46	6	14	577	21,444,000	37,164	10.8%
01/01/2005	**Total**	**242**	**29**	**97**	**3,433**	**70,143,000**	**20,436**	**5.4%**
	General	204	29	111	2,978	54,058,708	18,153	6.5%
	Safety	35	4	12	604	23,396,038	38,735	4.2%
01/01/2006	**Total**	**239**	**33**	**123**	**3,582**	**77,454,746**	**21,623**	**5.9%**
	General	190	41	102	3,107	58,634,478	18,872	4.0%
	Safety	31	8	11	632	25,003,422	39,562	2.1%
01/01/2007	**Total**	**221**	**49**	**113**	**3,739**	**83,637,900**	**22,369**	**3.5%**
	General	199	31	99	3,238	65,213,731	20,140	6.7%
	Safety	38	6	8	668	27,396,329	41,012	3.7%
01/01/2008	**Total**	**237**	**37**	**107**	**3,906**	**92,610,060**	**23,710**	**6.0%**
	General	203	30	83	3,388	71,488,335	21,100	4.8%
	Safety	50	10	18	710	30,575,540	43,064	5.0%
01/01/2009	**Total**	**253**	**40**	**101**	**4,098**	**102,063,875**	**24,906**	**5.0%**
	General	207	31	104	3,522	78,988,070	22,427	6.3%
	Safety	24	7	11	730	32,575,964	44,625	3.6%
01/01/2010	**Total**	**231**	**38**	**115**	**4,252**	**111,564,034**	**26,238**	**5.3%**
	General	242	35	102	3,697	85,931,078	23,243	3.6%
	Safety	65	5	8	792	36,354,738	45,902	2.9%
01/01/2011	**Total**	**307**	**40**	**110**	**4,489**	**122,285,816**	**27,241**	**3.8%**
	General	240	42	108	3,871	92,938,361	24,009	3.3%
	Safety	32	4	14	814	38,098,866	46,805	2.0%
01/01/2012	**Total**	**272**	**46**	**122**	**4,685**	**131,037,227**	**27,970**	**2.7%**

Payroll figures represent year end monthly retirement benefits annualized and exclude Post-Employment. Healthcare benefit and benefits under the Class Action Settlement.

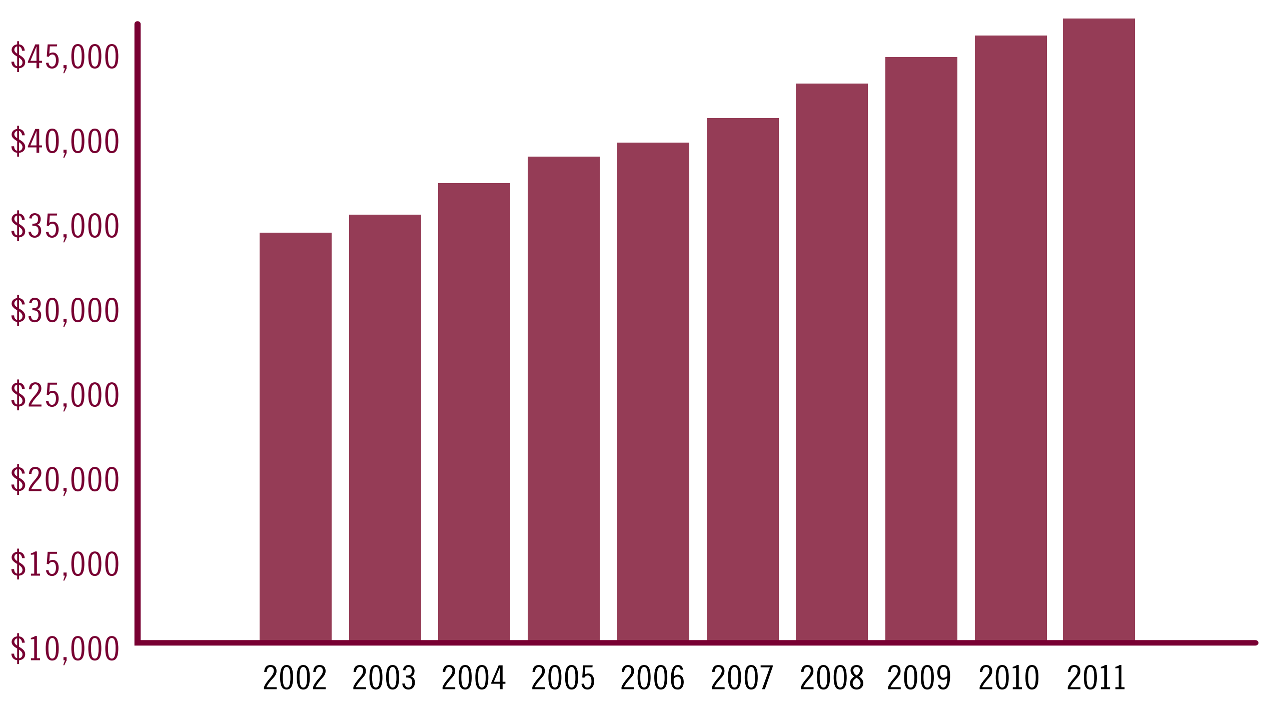
The most current Actuarial Valuation was conducted as of January 1, 2012 for the period ending December 31, 2011. The information in subsequent years is currently not available.

CHART OF RETIREES AND BENEFICIARIES AVERAGE ANNUAL ALLOWANCE

GENERAL MEMBERS



SAFETY MEMBERS



RETIRANTS AND BENEFICIARIES ADDED TO AND REMOVED FROM RETIREE PAYROLL

	ADDED TO ROLLS		REMOVED FROM ROLLS		ROLLS AT YEAR END			
FISCAL YEAR	MEMBER COUNT	ANNUAL ALLOWANCE (IN 000'S)[1]	MEMBER COUNT	ANNUAL ALLOWANCE (IN 000'S)	MEMBER COUNT	ANNUAL ALLOWANCE (IN 000'S)	% INCREASE IN RETIREE ALLOWANCE	AVERAGE ANNUAL ALLOWANCE
2010	353	$ 12,918	(116)	$ (2,196)	4,489	$122,286	3.82%	$ 27,241
2011	318	11,544	(122)	(2,793)	4,685	131,037	7.16%	27,969
2012	361	16,400	(149)	(3,403)	4,897	144,034	9.92%	29,413

[1]Includes COLA amounts not included in previous year's Annual Allowance totals.

(DOLLARS IN THOUSANDS)

ACTUARIAL VALUATION DATE	ACTUARIAL ACCRUED LIABILITY (1) ACTIVE MEMBER CONTRIBUTIONS	(2) RETIREES AND BENEFICIARIES	(3) ACTIVE MEMBERS (EMPLOYER FINANCED PORTION)	TOTAL ACTUARIAL ACCRUED LIABILITY	ACTUARIAL VALUE OF ASSETS	PORTION OF ACCRUED LIABILITIES COVERED BY REPORTED ASSET (1)	(2)	(3)
01/01/2003	137,209	643,984	637,016	1,418,209	1,448,905	100%	100%	100%
01/01/2004	129,606	726,382	739,749	1,595,737	1,531,288	100%	100%	91.3%
01/01/2005	140,800	805,878	822,829	1,769,507	1,614,979	100%	100%	81.2%
01/01/2006	147,953	904,208	883,657	1,935,818	1,727,033	100%	100%	76.4%
01/01/2007	159,100	1,023,296	967,542	2,149,938	1,869,717	100%	100%	71.0%
01/01/2008	166,804	1,119,690	1,048,027	2,334,521	2,029,949	100%	100%	71.0%
01/01/2009	176,236	1,231,648	1,103,042	2,510,925	1,821,357	100%	100%	37.0%
01/01/2010	187,987	1,373,257	1,208,368	2,769,612	1,949,011	100%	100%	32.0%
01/01/2011	193,613	1,495,665	1,228,410	2,917,688	2,120,384	100%	100%	35.0%
01/01/2012	202,925	1,627,338	1,218,058	3,048,321	2,130,053	100%	100%	25.0%

This schedule excludes the Health Insurance Reserve, Supplemental Cost-of Living Reserve, Retiree Class Action Settlement Reserve, $5,000 Death Benefit Reserve, Purchasing Power COL Reserve, Unappoortioned Earnings Reserve, and Restricted Unapportioned Earnings Reserve.

The most current Actuarial Valuation was conducted as of January 1, 2012 for the period ending December 31, 2011. The information in subsequent years is currently not available.

ASSUMED PROBABILITIES OF SEPARATION FROM ACTIVE MEMBERSHIP (GENERAL)

AGE	NON-DUTY DEATH	ORDINARY DISABILITY	SERVICE RETIREMENT[1]	DUTY DEATH	DUTY DISABILITY
General Members - Male					
20	0.0003	0.000	0.000	0.000	0.001
25	0.0003	0.001	0.000	0.000	0.001
30	0.0004	0.001	0.000	0.000	0.001
35	0.0007	0.001	0.000	0.000	0.001
40	0.0010	0.001	0.000	0.000	0.004
45	0.0013	0.002	0.000	0.000	0.004
50	0.0018	0.002	0.020	0.000	0.002
55	0.0030	0.003	0.050	0.000	0.002
60	0.0057	0.003	0.075	0.000	0.002
65	0.0111	0.004	0.500	0.000	0.002
General Members - Female					
20	0.0002	0.001	0.000	0.000	0.000
25	0.0002	0.001	0.000	0.000	0.000
30	0.0002	0.001	0.000	0.000	0.001
35	0.0004	0.001	0.000	0.000	0.001
40	0.0006	0.002	0.000	0.000	0.001
45	0.0009	0.002	0.000	0.000	0.002
50	0.0013	0.003	0.020	0.000	0.002
55	0.0022	0.004	0.040	0.000	0.003
60	0.0042	0.005	0.100	0.000	0.003
65	0.0082	0.006	0.500	0.000	0.004

[1] Lower rates assumed for members with less than 10 years of service, and higher rates assumed for members with at least 30 years of service.

The probabilities for each cause of separation represent the likelihood that a given member will separate at a particular age for the indicated reason. As an example, if the probability of a male general member retiring for service at age 50 is 0.02, that indicates that 2.0% of active general members are expected to separate for service retirement during the year.

ASSUMED PROBABILITIES OF SEPARATION FROM ACTIVE MEMBERSHIP (SAFETY)

AGE	NON-DUTY DEATH	ORDINARY DISABILITY	SERVICE RETIREMENT[1]	DUTY DEATH	DUTY DISABILITY
Safety Members - Male					
20	0.0003	0.000	0.000	0.003	0.003
25	0.0003	0.000	0.000	0.003	0.003
30	0.0004	0.000	0.000	0.003	0.004
35	0.0007	0.000	0.000	0.004	0.007
40	0.0010	0.000	0.000	0.005	0.010
45	0.0013	0.001	0.010	0.006	0.013
50	0.0018	0.002	0.100	0.007	0.018
55	0.0030	0.003	0.200	0.008	0.030
Safety Members - Female					
20	0.0002	0.000	0.000	0.003	0.002
25	0.0002	0.000	0.000	0.003	0.002
30	0.0002	0.000	0.000	0.003	0.002
35	0.0004	0.000	0.000	0.004	0.004
40	0.0006	0.000	0.000	0.005	0.006
45	0.0009	0.002	0.010	0.006	0.009
50	0.0013	0.004	0.100	0.007	0.013
55	0.0023	0.006	0.200	0.008	0.023

[1] Lower rates assumed for members with less than 10 years of service, and higher rates assumed for members with at least 30 years of service.

The probabilities for each cause of separation represent the likelihood that a given member will separate at a particular age for the indicated reason. As an example, if the probability of a male safety member retiring for service at age 50 is 0.100, that indicates that 10% of active safety members are expected to separate for service retirement during the year.

SALARY INCREASE, TERMINATION, AND WITHDRAWAL ASSUMPTIONS

YEARS OF SERVICE	Salary Increase		Termination		Withdrawal	
	GENERAL	SAFETY	GENERAL	SAFETY	GENERAL	SAFETY
0	0.0749	0.0850	0.008	0.008	0.120	0.080
1	0.0749	0.0850	0.008	0.008	0.070	0.070
2	0.0749	0.0850	0.008	0.008	0.040	0.050
3	0.0749	0.0850	0.008	0.008	0.040	0.020
4	0.0749	0.0850	0.008	0.008	0.040	0.020
5	0.0450	0.0550	0.030	0.025	0.015	0.010
6	0.0450	0.0550	0.030	0.025	0.015	0.010
7	0.0450	0.0550	0.030	0.025	0.015	0.010
8	0.0450	0.0550	0.030	0.025	0.015	0.010
9	0.0450	0.0550	0.030	0.025	0.015	0.010
10	0.0450	0.0550	0.030	0.010	0.008	0.000
11	0.0450	0.0550	0.030	0.010	0.008	0.000
12	0.0450	0.0550	0.030	0.010	0.008	0.000
13	0.0450	0.0550	0.030	0.010	0.008	0.000
14	0.0450	0.0550	0.030	0.010	0.008	0.000
15	0.0450	0.0550	0.030	0.010	0.008	0.000
16	0.0450	0.0550	0.030	0.010	0.008	0.000
17	0.0450	0.0550	0.030	0.010	0.008	0.000
18	0.0450	0.0550	0.030	0.010	0.008	0.000
19	0.0450	0.0550	0.030	0.010	0.008	0.000
20	0.0450	0.0550	0.015	0.000	0.000	0.000
21	0.0450	0.0550	0.015	0.000	0.000	0.000
22	0.0450	0.0550	0.015	0.000	0.000	0.000
23	0.0450	0.0550	0.015	0.000	0.000	0.000
24	0.0450	0.0550	0.015	0.000	0.000	0.000
25	0.0450	0.0550	0.015	0.000	0.000	0.000
26	0.0450	0.0550	0.015	0.000	0.000	0.000
27	0.0450	0.0550	0.015	0.000	0.000	0.000
28	0.0450	0.0550	0.015	0.000	0.000	0.000
29	0.0450	0.0550	0.015	0.000	0.000	0.000
30+	0.0350	0.0550	0.000	0.000	0.000	0.000

COMPUTATION OF ACTUARIAL VALUE OF ASSETS

	(a)	(b)	(c)	(d)	(e) = (d) – (c)	(f)	(g) = (e) x (f)
YEAR END	CONTRIBUTIONS	BENEFITS	EXPECTED RETURN	ACTUAL RETURN	ADDITIONAL EARNINGS	PERCENTAGE NOT RECOGNIZED	UNRECOGNIZED DOLLARS
2008	111,297,006	109,001,147	178,311,579	(670,218,219)	(848,529,798)	20%	(169,705,960)
2009	115,020,830	117,115,895	152,687,874	178,491,823	25,803,949	40%	10,321,579
2010	121,911,631	126,364,628	134,414,380	214,747,485	80,333,105	60%	48,199,863
2011	126,932,474	132,709,273	150,952,879	25,735,622	(125,217,257)	80%	(100,173,806)

(1)	**Total Unrecognized Dollars**		(211,358,323)
(2)	**Market Value of Assets as of December 31, 2011**		1,949,945,374
(3)	**Actuarial Value of Assets as of December 31, 2011** [(2) - (1)]		2,161,303,697
(4)	**Corridor Limits**		
	a. 80% of Net Market Value		1,555,956,299
	b. 120% of Net Market Value		2,339,934,449
(5)	**Actuarial Value of Assets after Corridor**		2,161,303,697
(6)	**Ratio of Actuarial Value to Market Value** [(5) ÷ (2)]		110.8%
(7)	**Market Stabilization Designation** [(2) – (5)]		(211,358,323)
(8)	**Special (Non Valuation) Reserves:**		
	$5,000 Death Benefits	6,789,058	
	Purchasing Power COL Reserve	6,716,507	
	Class Action Settlement – Pre 4/1/1982	132,513	
	Class Action Settlement – Post 4/1/1982	14,556,866	
	Contingency	0	
	Unappropriated Earnings Reserve	0	
	Total Special Reserves		**28,194,944**
(9)	**Pension Reserves at Actuarial Value (Valuation Assets)** [(5) - (8)*(6)]		**$ 2,130,052,649**

Prior to 2011, the actuarial value of assets included the post-employment healthcare agency fund.

Membership

Membership is mandatory upon appointment to a full-time, permanent position with the County or participating agency. Membership begins on the first day of the biweekly payroll after employment.

Final Average Salary

Final compensation is the highest 12 consecutive months of compensation earnable. Compensation includes most pay supplements as determined by the Board of Retirement. Overtime pay is excluded.

Contributions

Employee contributions are based upon age at entry into membership and is a percentage of salary. Contributions earn interest which will be refunded with a member's contributions should employment termination occur before becoming eligible for retirement benefits.

Vesting

Members with 5 years of County retirement service are vested, assuming they leave their contributions on deposit.

Service Retirement

Service retirement benefits are as provided under Sections 31676.14 and 31664.1 of the 1937 County Act and became effective January 1, 2001 for all member service.

Members are eligible to retire at age 50 with qualified retirement credit of 5 years and assuming 10 years have elapsed from date of membership. General Members with 30 years of qualified service or Safety Members with 20 years are eligible to retire, regardless of age. All members age 70 are eligible to retire, regardless of years of service.

The benefit for a General Member at age 55½ is 2% times final average salary per year of service. The benefit for Safety Members at age 50 and older is 3% times final average salary per year of service. Social Security integration reduces benefits by ⅓ on the first $350 of monthly final average salary. The maximum benefit payable is 100% of final average salary.

Disability Retirement

Members with 5 years of qualified service, regardless of age, are eligible to apply for a non-service connected disability retirement. The benefit is the greater of 1.5% (1.8% for Safety) of final average salary per year of service, with a general maximum of 33 ⅓%, or 90% of the accrued service retirement benefit or a regular service retirement benefit, if eligible. Regardless of service, a member is eligible to apply for a service-connected disability retirement which, if granted, would provide the greater of 50% of final average salary or the accrued service retirement benefit, if eligible.

Death Benefit - Prior to Retirement

The Basic Death Benefit, available to any named beneficiary, consists of a refund of contributions plus 1/12 of last years' salary per year of service, but not to exceed 6 months. If the deceased member has at least 5 years of qualified service, a surviving spouse (if none, member's minor children) may elect, in lieu of the Basic Death Benefit, a monthly allowance equal to 60% of the monthly retirement allowance the deceased member would have been entitled to had the member retired for non-service connected disability or service retirement on the date of death. If a member's death is service-connected, the spouse may elect, in lieu of the Basic Death Benefit, a monthly allowance equal to 50% of the member's highest one-year average salary.

Death Benefit - After Retirement

Survivor benefits vary based upon the option selected by a member at the time of retirement. Options available include a 50% and 100% lifetime survivor continuance, lump-sum payment of contributions remaining and a 60% lifetime continuance to an eligible surviving spouse. A service-connected disability provides for a 100% continuance to an eligible surviving spouse.

Cost-of-Living Benefits

Retirement allowances are adjusted effective April 1 of each year in accordance with the annual change in the All Urban Consumer Price Index for the San Francisco-Oakland-San Jose Area. The cost-of-living adjustment cannot exceed 3% per year.

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Statistical

ORANGE JUICE

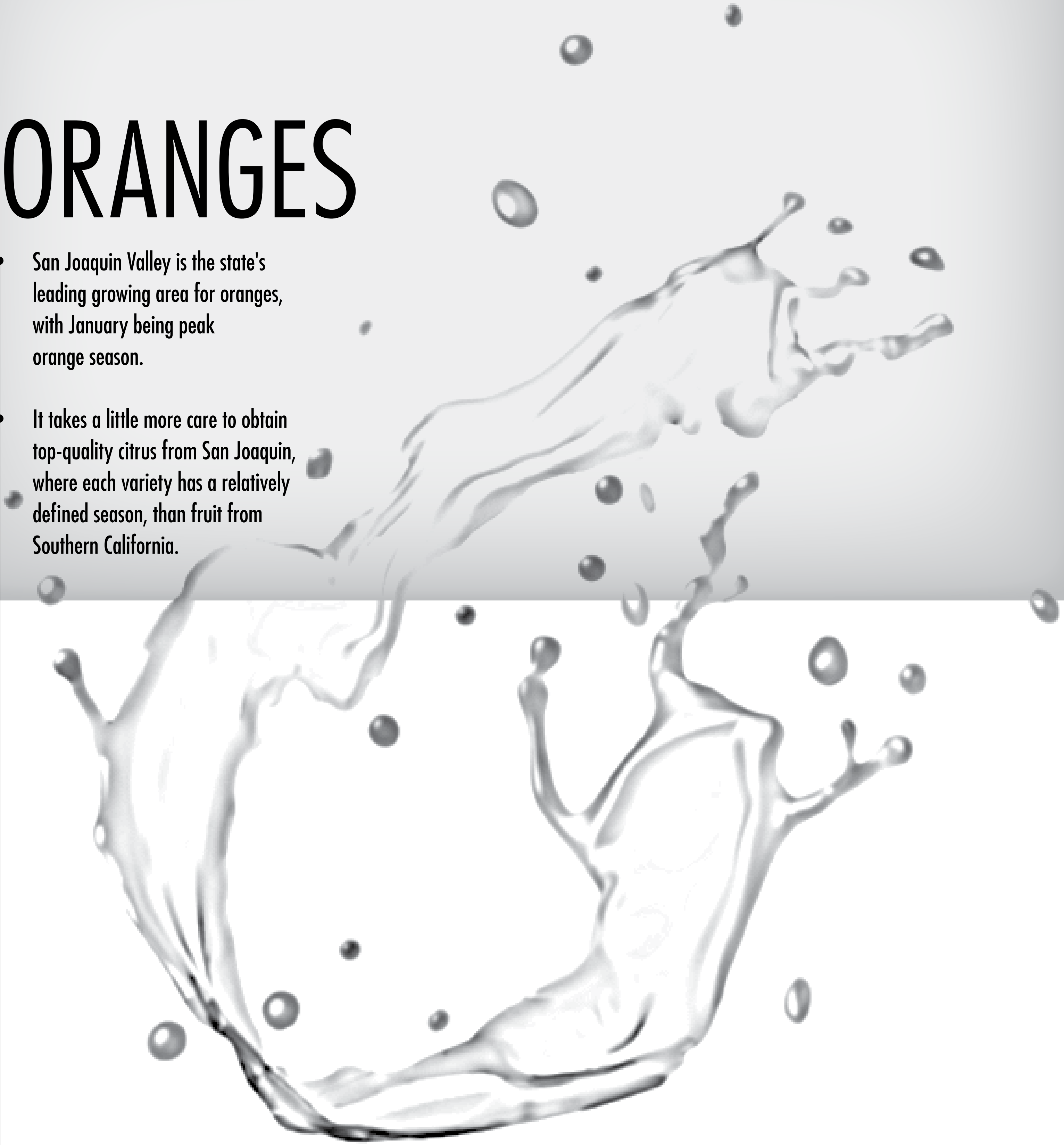
"There are no fixtures in nature.
The universe is fluid and volatile.
Permanence is but a word of degrees."

—Ralph Waldo Emerson

ORANGES

- San Joaquin Valley is the state's leading growing area for oranges, with January being peak orange season.

- It takes a little more care to obtain top-quality citrus from San Joaquin, where each variety has a relatively defined season, than fruit from Southern California.



This section of the Comprehensive Annual Financial Report provides additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information.

This section provides supplementary information according to Governmental Accounting Standards Board (GASB) Statement No. 44, which establishes and modifies required data by providing multi-year trend information to provide an understanding of how the organization's financial activities and positions have changed over time. GASB Statement No. 44 specifically addresses five objectives: Financial Trends; Revenue Capacity; Debt Capacity; Demographic and Economic Information; and Operating Information.

FINANCIAL TRENDS

Trend information is intended to assist users in understanding how the Plan's financial position has changed over time.

REVENUE CAPACITY

Revenue Capacity information is intended to assist users in understanding and assessing factors affecting a government's ability to generate its own revenue. The Plan is engaged only in fiduciary activities and thus is not required to present revenue capacity schedules. However, the *Schedule of Revenues by Source* is presented in order to provide users with current and historical information regarding member and employer contributions, as well as investment income.

DEBT CAPACITY

Debt Capacity Information is intended to assist users in understanding and assessing a government's debt burden and its ability to issue additional debt; however engaged in fiduciary duties only, the Plan has no long-term debt and therefore does not have debt capacity schedules to present.

DEMOGRAPHIC AND ECONOMIC INFORMATION

Demographic and Economic Information is intended to assist users in understanding the socioeconomic environment within which it operates and provide information that facilitates comparison of financial statement information over time. The *Schedule of Benefit Expenses by Type*; *Schedule of Retired Members by Type*; and *Schedule of Average Monthly Benefit Payments* as well as membership information presented in the *Schedule by Participating Employers* offer demographic and economic information to enhance understanding of the environment within which the System's financial activities take place.

OPERATING INFORMATION

Operating Information is intended to provide information about operations and resources to assist readers in using financial statement information to understand and assess a government's economic condition. The *Schedule of Revenues by Source* and *Schedule of Expenses by Type* provide historical information as to the Plan's additions by source, deductions by type, and total changes in net assets.

SCHEDULE OF REVENUE BY SOURCE AND EXPENSES BY TYPE

SCHEDULE OF REVENUE BY SOURCE

		Employer Contributions					
YEAR ENDED	MEMBER CONTRIBUTIONS	RETIREMENT PLAN	POST-EMPLOYMENT HEALTH PLAN	INVESTMENT INCOME	MISC	TRANSFER BETWEEN PLANS	TOTAL
2002	$ 10,258,209	$24,974,842	$ 0	$(74,406,359)	$ 3,918	$ 274,686	$(38,894,704)
2003	11,038,348	34,784,065	0	326,661,970	17,848	313,640	372,815,871
2004	11,005,744	42,688,367	0	186,820,224	36,052	172,330	240,722,717
2005	10,854,798	62,508,615	0	121,731,640	5,226	102,303	195,202,582
2006	11,365,569	73,611,841	650,000	237,072,471	25,792	112,386	322,838,059
2007	12,312,247	85,868,698	2,780,505	147,346,205	8,596	123,808	248,440,059
2008	13,050,906	94,162,866	4,083,235	(666,774,282)	14,156	105,663	(555,357,456)
2009	13,012,755	97,805,585	4,202,490	182,006,435	12,091	84,032	297,123,388
2010	13,098,043	104,451,673	0	217,123,404	46,407	165,625	334,885,152
2011	14,040,773	112,891,701	0	29,262,231	68,107	154,232	156,417,044
2012	19,900,088	108,062,510	0	230,953,847	61,657	339,344	359,317,446

SCHEDULE OF EXPENSES BY TYPE

YEAR ENDED	BENEFITS	POST-EMPLOYMENT HEALTHCARE AGENCY FUND	ADMINISTRATIVE EXPENSES	REFUNDS	MISC	TRANSFER BETWEEN PLANS	TOTAL
2002	$ 62,051,744	$ 3,134,135	$ 1,836,201	$ 624,611	$ 77	$ 274,686	$ 67,921,454
2003	67,754,723	3,366,187	2,033,737	651,928	0	313,640	74,120,215
2004	73,888,771	3,592,793	2,371,853	891,734	899	172,330	80,918,380
2005	81,165,796	3,800,215	2,407,673	1,113,623	0	102,303	88,589,610
2006	84,863,279	3,811,464	3,065,859	1,035,866	671	112,386	92,889,525
2007	91,115,158	3,764,679	3,555,503	1,042,459	0	123,808	99,601,607
2008	104,068,212	3,679,325	3,458,096	1,253,610	0	105,663	112,564,906
2009	112,646,911	3,430,517	3,527,196	1,038,467	0	84,032	120,727,123
2010	121,640,992	0	3,681,545	1,250,644	0	0	126,573,181
2011	131,641,539	0	3,748,948	1,067,734	0	0	136,458,221
2012	143,669,140	0	3,869,321	1,308,900	0	0	148,847,361

YEAR END	PLAN TYPE	SERVICE RETIREMENT PAYROLL	DISABILITY RETIREMENT PAYROLL	SURVIVORS AND BENEFICIARIES	REFUNDS OF MEMBERS' CONTRIBUTIONS	DEATH BENEFITS	TOTAL
	General	$39,807,843	$ 4,462,931	$ 4,428,369	$ 771,193	$ 393,879	$ 49,864,215
	Safety	14,931,024	5,073,563	1,438,980	120,541	30,000	21,594,108
2004	**Total**	**54,738,867**	**9,536,494**	**5,867,349**	**891,734**	**423,879**	**71,458,323**
	General	44,451,907	4,781,320	4,825,481	1,030,784	492,710	55,582,202
	Safety	16,374,561	5,490,745	1,530,733	82,839	25,000	23,503,878
2005	**Total**	**60,826,468**	**10,272,065**	**6,356,214**	**1,113,623**	**517,710**	**79,086,080**
	General	47,921,167	4,979,490	5,520,792	942,933	497,855	59,862,237
	Safety	17,185,660	5,990,339	1,917,500	92,933	44,132	25,230,564
2006	**Total**	**65,106,827**	**10,969,829**	**7,438,292**	**1,035,866**	**541,987**	**85,092,801**
	General	53,749,170	5,700,707	5,763,247	915,087	441,474	66,569,685
	Safety	18,756,413	6,277,380	2,362,634	127,372	30,000	27,553,799
2007	**Total**	**72,505,583**	**11,978,087**	**8,125,881**	**1,042,459**	**471,474**	**94,123,484**
	General	58,899,375	6,149,648	6,399,648	1,091,876	398,092	72,938,639
	Safety	20,666,770	6,913,845	2,994,840	161,734	55,000	30,792,189
2008	**Total**	**79,566,145**	**13,063,493**	**9,394,488**	**1,253,610**	**453,092**	**103,730,828**
	General	65,145,084	6,712,540	7,129,980	914,476	517,085	80,419,165
	Safety	21,763,980	7,311,808	3,500,406	123,289	45,000	32,744,483
2009	**Total**	**86,909,064**	**14,024,348**	**10,630,386**	**1,037,765**	**562,085**	**113,163,648**
	General	71,097,399	7,044,294	7,789,890	1,159,876	511,293	87,602,752
	Safety	24,861,690	7,618,760	3,874,365	90,768	0	36,445,583
2010	**Total**	**95,959,089**	**14,663,054**	**11,664,255**	**1,250,644**	**511,293**	**124,048,335**
	General	77,067,730	7,136,889	8,549,504	1,016,661	537,007	94,307,791
	Safety	26,462,625	7,889,616	3,963,168	51,073	35,000	38,401,482
2011	**Total**	**103,530,355**	**15,026,505**	**12,512,672**	**1,067,734**	**572,007**	**132,709,273**

The most current Actuarial Valuation was conducted as of January 1, 2012 for the period ending December 31, 2011. The information in subsequent years is currently not available.

SCHEDULE OF RETIRED MEMBERS BY TYPE

ACTUARIAL VALUATION DATE	PLAN TYPE	MEMBERS WITH SERVICE RETIREMENTS	MEMBERS WITH DISABILITY RETIREMENTS	SURVIVORS AND BENEFICIARIES	TOTAL
	General	1,959	279	383	2,621
	Safety	305	136	75	516
01/01/2003	**Total**	**2,264**	**415**	**458**	**3,137**
	General	2,047	287	407	2,741
	Safety	320	146	82	548
01/01/2004	**Total**	**2,367**	**433**	**489**	**3,289**
	General	2,148	295	413	2,856
	Safety	341	150	86	577
01/01/2005	**Total**	**2,489**	**445**	**499**	**3,433**
	General	2,242	311	425	2,978
	Safety	359	158	87	604
01/01/2006	**Total**	**2,601**	**469**	**512**	**3,582**
	General	2,323	328	456	3,107
	Safety	365	167	100	632
01/01/2007	**Total**	**2,688**	**495**	**556**	**3,739**
	General	2,430	341	467	3,238
	Safety	389	173	106	668
01/01/2008	**Total**	**2,819**	**514**	**573**	**3,906**
	General	2,547	355	486	3,388
	Safety	409	183	118	710
01/01/2009	**Total**	**2,956**	**538**	**604**	**4,098**
	General	2,654	373	495	3,522
	Safety	420	184	126	730
01/01/2010	**Total**	**3,074**	**557**	**621**	**4,252**
	General	2,799	383	515	3,697
	Safety	469	188	135	792
01/01/2011	**Total**	**3,268**	**571**	**650**	**4,489**
	General	2,946	381	544	3,871
	Safety	485	190	139	814
01/01/2012	**Total**	**3,431**	**571**	**683**	**4,685**

Figures are extracted from actuarial reports which include individuals receiving divorce settlement payments.
The most current Actuarial Valuation was conducted as of January 1, 2012 for the period ending December 31, 2011.
The information in subsequent years is currently not available.

SCHEDULE OF AVERAGE MONTHLY BENEFIT PAYMENTS BY NUMBER OF YEARS OF CREDITED SERVICE

	Number of Years of Credited Service						
RETIREMENT EFFECTIVE DATE	0-4	5-9	10-14	15-19	20-24	25-29	30 & OVER
01/02/11 TO 01/01/12							
Retirees							
General Members							
Average Benefit	$ 470	$ 1,205	$ 1,464	$ 2,615	$ 3,302	$ 3,968	$ 4,670
Average Final Compensation	$ 5,518	$ 5,903	$ 4,928	$ 6,463	$ 6,110	$ 5,541	$ 5,570
Count	12	26	56	27	41	16	39
Safety Members							
Average Benefit	$ 922	$ 1,112	$ 2,551	$ 3,970	$ 7,499	$ 7,790	$10,586
Average Final Compensation	$ 9,746	$ 4,483	$ 5,290	$ 7,767	$10,430	$ 9,162	$10,797
Count	2	6	3	3	4	5	3
Survivors/QDROs							
General Members							
Average Benefit	$ 622	$ 890	$ 773	$ 1,367	$ 1,838	$ 2,039	$ 3,281
Average Final Compensation	$ 9,807	$ 4,816	$ 3,578	$ 4,371	$ 4,108	$ 3,364	$ 5,366
Count	5	9	11	10	5	5	5
Safety Members							
Average Benefit	$ 825	$ 859	$ 1,591	$ 3,334	$ 0	$ 0	$ 3,829
Average Final Compensation	$ 9,779	$ 4,960	$ 2,795	$ 9,010	$ 0	$ 0	$ 5,257
Count	1	1	2	1	0	0	1
01/02/12 TO 01/01/13							
Retirees							
General Members							
Average Benefit	$ 517	$ 1,077	$ 1,481	$ 2,129	$ 2,729	$ 4,198	$ 6,317
Average Final Compensation	$ 7,532	$ 5,925	$ 5,233	$ 4,900	$ 5,338	$ 6,449	$ 7,295
Count	19	31	56	36	42	30	44
Safety Members							
Average Benefit	$ 429	$ 2,194	$ 3,026	$ 4,186	$ 5,302	$ 9,183	$13,206
Average Final Compensation	$ 6,793	$ 5,812	$ 6,636	$ 8,124	$ 7,306	$13,360	$13,606
Count	4	5	7	3	14	11	5
Survivors/QDROs							
General Members							
Average Benefit	$ 331	$ 1,189	$ 1,017	$ 1,525	$ 1,274	$ 3,105	$ 2,783
Average Final Compensation	$ 4,482	$ 3,558	$ 2,664	$ 2,604	$ 3,639	$ 4,794	$ 3,940
Count	4	4	8	3	1	2	4
Safety Members							
Average Benefit	$ 0	$ 1,039	$ 2,423	$ 3,450	$ 3,573	$ 3,206	$ 4,887
Average Final Compensation	$ 0	$ 6,972	$ 7,561	$ 1,358	$ 1,776	$ 3,836	$ 6,169
Count	0	2	2	2	1	3	2

Average Final Compensation is not available on a historical basis due to system constraints.
It will be presented starting with the data for 2011 and subsequent years.

SCHEDULE OF AVERAGE MONTHLY BENEFIT PAYMENTS BY NUMBER OF YEARS SINCE RETIREMENT

GENERAL AND SAFETY MEMBERS

YEAR END		Number of Years Since Retirement 0-4	5-9	10-14	15-19	20-24	25-29	30 & OVER
	Average Benefit	$ 2,022	$ 1,539	$ 1,572	$ 1,444	$ 1,121	$ 854	$ 752
2003	Number of Retirees	1,132	737	547	381	255	170	67
	Average Benefit	$ 2,109	$ 1,674	$ 1,591	$ 1,512	$ 1,289	$ 965	$ 764
2004	Number of Retirees	1,153	813	578	389	242	178	80
	Average Benefit	$ 2,281	$ 1,759	$ 1,621	$ 1,506	$ 1,424	$ 985	$ 807
2005	Number of Retirees	1,203	876	576	402	254	179	92
	Average Benefit	$ 2,256	$ 1,922	$ 1,754	$ 1,564	$ 1,487	$ 1,043	$ 903
2006	Number of Retirees	1,255	912	593	427	262	185	105
	Average Benefit	$ 2,321	$ 2,168	$ 1,826	$ 1,578	$ 1,639	$ 1,191	$ 930
2007	Number of Retirees	1,253	1,017	626	423	282	181	124
	Average Benefit	$ 2,458	$ 2,294	$ 1,802	$ 1,785	$ 1,653	$ 1,294	$ 952
2008	Number of Retirees	1,285	1,073	659	479	303	168	131
	Average Benefit	$ 2,549	$ 2,408	$ 1,959	$ 1,846	$ 1,723	$ 1,527	$ 1,339
2009	Number of Retirees	1,312	1,083	729	506	307	170	145
	Average Benefit	$ 2,569	$ 2,565	$ 2,052	$ 1,972	$ 1,764	$ 1,602	$ 1,329
2010	Number of Retirees	1,384	1,153	790	502	319	185	156
	Average Benefit	$2,639	$2,564	$2,199	$2,006	$1,870	$1,743	$1,364
2011	Number of Retirees	1,430	1,190	838	522	333	196	176

The information about average final compensation is currently not available on a historical basis due to system constraints for these schedules.
The most current Actuarial Valuation was conducted as of January 1, 2012 for the period ending December 31, 2011. The information in subsequent years is currently not available.

SCHEDULE OF AVERAGE MONTHLY BENEFIT PAYMENTS BY NUMBER OF YEARS SINCE RETIREMENT

GENERAL MEMBERS

YEAR END		Number of Years Since Retirement 0-4	5-9	10-14	15-19	20-24	25-29	30 & OVER
	Average Benefit	$1,462	$1,355	$1,260	$1,264	$868	$659	$606
2002	Number of Retirees	835	608	425	326	251	138	38
	Average Benefit	$ 1,627	$ 1,319	$ 1,400	$ 1,271	$ 916	$ 775	$ 596
2003	Number of Retirees	885	623	476	335	215	157	50
	Average Benefit	$ 1,710	$ 1,375	$ 1,437	$ 1,345	$ 1,074	$ 825	$ 636
2004	Number of Retirees	917	668	497	345	207	160	62
	Average Benefit	$ 1,885	$ 1,446	$ 1,498	$ 1,342	$ 1,172	$ 826	$ 705
2005	Number of Retirees	962	715	493	361	216	156	75
	Average Benefit	$ 1,933	$ 1,519	$ 1,560	$ 1,376	$ 1,246	$ 874	$ 755
2006	Number of Retirees	1,036	721	505	375	226	161	83
	Average Benefit	$ 2,063	$ 1,675	$ 1,615	$ 1,389	$ 1,403	$ 974	$ 803
2007	Number of Retirees	1,055	786	535	365	243	152	102
	Average Benefit	$ 2,133	$ 1,835	$ 1,557	$ 1,586	$ 1,474	$ 1,004	$ 830
2008	Number of Retirees	1,068	839	555	414	265	135	112
	Average Benefit	$ 2,278	$ 1,923	$ 1,632	$ 1,683	$ 1,524	$ 1,250	$ 1,073
2009	Number of Retirees	1,108	850	598	433	271	143	119
	Average Benefit	$ 2,269	$ 2,093	$ 1,696	$ 1,806	$ 1,549	$ 1,379	$ 1,015
2010	Number of Retirees	1,149	912	640	428	285	157	126
	Average Benefit	$2,349	$2,168	$1,737	$1,799	$1,649	$1,506	$1,050
2011	Number of Retirees	1,198	976	654	444	289	169	141

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SCHEDULE OF AVERAGE MONTHLY BENEFIT PAYMENTS BY NUMBER OF YEARS SINCE RETIREMENT

SAFETY MEMBERS								
		Number of Years Since Retirement						
YEAR END		0-4	5-9	10-14	15-19	20-24	25-29	30 & OVER
2002	Average Benefit	$3,352	$2,697	$2,446	$2,791	$1,983	$1,702	$1,091
	Number of Retirees	244	96	64	44	36	17	15
2003	Average Benefit	$ 3,437	$ 2,741	$ 2,726	$ 2,702	$ 2,223	$ 1,807	$ 1,211
	Number of Retirees	247	114	71	46	40	13	17
2004	Average Benefit	$ 3,661	$ 3,052	$ 2,537	$ 2,816	$ 2,563	$ 2,209	$ 1,207
	Number of Retirees	236	145	81	44	35	18	18
2005	Average Benefit	$ 3,864	$ 3,149	$ 2,352	$ 2,953	$ 2,861	$ 2,066	$ 1,259
	Number of Retirees	241	161	83	41	38	23	17
2006	Average Benefit	$ 3,788	$ 3,443	$ 2,867	$ 2,914	$ 3,000	$ 2,178	$ 1,461
	Number of Retirees	219	191	88	52	36	24	22
2007	Average Benefit	$ 3,698	$ 3,848	$ 3,068	$ 2,766	$ 3,110	$ 2,333	$ 1,522
	Number of Retirees	198	231	91	58	39	29	22
2008	Average Benefit	$ 4,056	$ 3,940	$ 3,109	$ 3,055	$ 2,904	$ 2,481	$ 1,673
	Number of Retirees	217	234	104	65	38	33	19
2009	Average Benefit	$ 4,022	$ 4,178	$ 3,453	$ 2,811	$ 3,220	$ 2,997	$ 2,553
	Number of Retirees	204	233	131	73	36	27	26
2010	Average Benefit	$ 4,033	$ 4,353	$ 3,570	$ 2,931	$ 3,567	$ 2,848	$ 2,646
	Number of Retirees	235	241	150	74	34	28	30
2011	Average Benefit	$4,134	$4,371	$3,841	$3,183	$3,322	$3,223	$2,633
	Number of Retirees	232	214	184	78	44	27	35

The information about average final compensation is currently not available on a historical basis due to system constraints for these schedules.
The most current Actuarial Valuation was conducted as of January 1, 2012 for the period ending December 31, 2011. The information in subsequent years is currently not available.

SCHEDULE OF CHANGES IN NET POSITION

FOR THE LAST TEN FISCAL YEARS ENDED DECEMBER 31

(DOLLARS IN THOUSANDS)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Contributions										
Member	$ 19,900	$ 14,041	$ 13,098	$ 13,013	$ 13,051	$ 12,312	$ 11,366	$ 10,855	$ 11,006	$ 11,038
Employer:										
Retirement Plan	108, 063	112,892	104,452	97,806	94,163	85,869	73,612	62,509	42,688	34,784
Post-Employment Health Plan	0	0	0	4,202	4,083	2,781	650	0	0	0
Investment Income	230,954	29,262	217,123	182,006	(666,774)	147,346	237,072	121,732	186,820	326,662
Miscellaneous	62	68	46	12	14	9	26	5	36	18
Transfers Between Plan	339	154	166	84	106	124	112	102	172	314
Total Additions	**$359,317**	**$156,417**	**$334,885**	**$297,123**	**$(555,357)**	**$248,441**	**$322,838**	**$195,203**	**$240,722**	**$372,816**
Benefits	$143,669	$131,642	$121,641	$ 112,647	$104,068	$ 91,115	$ 84,863	$ 81,166	$ 73,889	$ 67,755
Post-Employment Health Benefits	0	0	0	3,431	3,679	3,765	3,811	3,800	3,593	3,366
Administrative Expenses	3,869	3,749	3,682	3,527	3,458	3,556	3,066	2,408	2,372	2,034
Refunds	1,309	1,068	1,251	1,038	1,254	1,042	1,036	1,114	892	652
Miscellaneous	0	0	0	0	0	0	1	0	1	0
Transfers Between Plan	0	0	0	84	106	124	112	102	172	314
Total Deductions	$148,847	$136,459	$126,574	$ 120,727	$112,565	$ 99,602	$ 92,889	$ 88,590	$ 80,919	$ 74,121
Change in Plan Net Asses	**$210,470**	**$ 19,958**	**$208,311**	**$176,396**	**$(667,922)**	**$148,839**	**$229,949**	**$106,613**	**$159,803**	**$298,695**

SCHEDULE OF PARTICIPATING EMPLOYERS
FOR THE LAST TEN FISCAL YEARS ENDED DECEMBER 31

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
COUNTY OF SAN JOAQUIN										
General Members	5,379	5,308	5,476	5,712	5,970	5,964	5,797	5,652	5,003	4,824
Safety Members	901	920	945	1,026	1,005	960	902	795	792	777
Total	**6,280**	**6,228**	**6,421**	**6,738**	**6,975**	**6,924**	**6,699**	**6,447**	**5,795**	**5,601**
SUPERIOR COURT										
General Members	289	326	357	375	369	334	301	289	275	272
Safety Members	0	0	0	0	0	0	1	0	0	0
Total	**289**	**326**	**357**	**375**	**369**	**334**	**302**	**289**	**275**	**272**
MANTECA-LATHROP RURAL FIRE PROTECTION DISTRICT										
General Members	1	0	0	1	2	2	1	1	1	1
Safety Members	45	39	41	43	44	48	50	41	30	30
Total	**46**	**39**	**41**	**44**	**46**	**50**	**51**	**42**	**31**	**31**
WATERLOO-MORADA RURAL FIRE PROTECTION DISTRICT										
General Members	0	0	1	1	1	1	1	2	1	1
Safety Members	15	15	17	17	17	19	20	32	19	17
Total	**15**	**15**	**18**	**18**	**18**	**20**	**21**	**34**	**20**	**18**
OTHER SPECIAL DISTRICTS (GENERAL MEMBERS)										
Tracy Public Cemetery District	6	8	7	8	7	6	4	5	5	3
SJC Mosquito & Vector Control District	38	38	37	39	36	36	36	35	31	31
SJC Historical Society & Museum	2	2	2	2	2	6	6	7	5	7
Mountain House Community Services Dist	16	14	14	16	23	17	14	12	8	6
Local Agency Formation Commission	1	1	2	2	3	2	3	4	3	3
San Joaquin County Law Library	2	1	1	1	1	1	1	1	1	1
Total	**65**	**64**	**63**	**68**	**72**	**68**	**64**	**64**	**53**	**51**
Grand Total	**6,695**	**6,672**	**6,900**	**7,243**	**7,480**	**7,396**	**7,137**	**6,876**	**6,174**	**5,973**

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2012

Comprehensive Annual Financial Report

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