2014

Comprehensive Annual Financial Report

FOR THE YEAR ENDED DECEMBER 31, 2014

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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

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FOR THE YEAR ENDED DECEMBER 31, 2014

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

(209) 468 - 2163
Fax (209) 468 - 0480
www.sjcera.org

Navigating Your Retirement Voyage

Sailing into retirement takes careful planning and preparation before casting off from employment.

Whether you seek gentle cruising on nearby waterways or high seas adventure around the globe, your SJCERA benefits help assure your vessel maintains an even keel throughout the voyage. Consider your personal savings and investments when rigging and provisioning your boat. As captain of your own retirement ship, avoiding known hazards and preparing for the unexpected will assure you stay afloat.

Your passengers and crew depend on you. And you can depend on SJCERA to help you sail smoothly through your retirement years.

SAN JOAQUIN
C ▲ E ▲ R ▲ A

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INTRODUCTION

Twenty years from now you will be more disappointed by the things that you didn't do than by the ones you did do.
So throw off the bowlines.
Sail away from the safe harbor.
Catch the trade winds in your sails.
Explore. Dream. Discover.

— Mark Twain

Explore

CONSIDER ALL THE VARIABLES WHEN CHOOSING YOUR RETIREMENT DESTINATION; DREAMS, INTERESTS, RELATIONSHIPS, AND RESOURCES INFLUENCE THE VOYAGE.

LODI, CALIFORNIA *PHOTO USED WITH PERMISSION FROM RYAN LYAU*

In the 50-odd miles between Stockton and San Francisco, five major, nutrient-rich rivers flow together to form a huge, shallow delta. This in turn has been diked and dammed and channeled into more than 1,000 miles of navigable, fishable, man-made waterways, tule-lined canals, rock riprap, laydowns, tidal fluctuations and rivers that all empty into the San Francisco Bay.

SAN JOAQUIN CERA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

INTRODUCTION

LETTER FROM CHAIR OF THE BOARD

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; the dedicated public employees who provide services, assistance, and support to the people of San Joaquin County. 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 understands that the true meaning of leadership is service. We are 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.

In the spirit of good service, we especially appreciate the dedicated effort of SJCERA staff and the partnership of our professional consultants and advisors who contribute to the continued successful operation of SJCERA.

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 4, 2015

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, 2014 and 2013.

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

J.C. Weydert continues to serve as the Second (General) Member of the Board, having run unopposed in the June 2014 election for the three-year term ending June 30, 2017. Incumbent appointed members Raymond McCray, Board Secretary, and Michael Restuccia were reappointed by the Board of Supervisors to new three-year terms ending June 30, 2017.

The objectives of the Board's trustee education policy are to: 1) Enable trustees to gain the knowledge they need to carry out their fiduciary responsibilities and engage in effective group discussion, debate and decision making; 2) Provide new trustees with the general introductory knowledge they need to effectively participate in Board and Committee deliberations; and 3) Provide trustees opportunities to learn through networking with trustees and staff of other public retirement systems and learn of alternative approaches to common issues and problems.

Since January 1, 2013, state law requires all county retirement board members receive a minimum of 24 hours of board member education within the first two years of assuming office and for every subsequent two-year period the board member continues to serve on the board. SJCERA maintains a record of trustee education and posts an annual report on compliance with this requirement to its website.

HIGHLIGHTS OF YEAR 2014

On January 29, 2014, SJCERA received a favorable plan determination letter from the IRS on the tax qualified status of the plan. In April of 2014 the Board of Retirement elected Cycle E as the plan's second remedial amendment cycle, extending the favorable determination letter to January 31, 2016.

SJCERA, and many other California county retirement systems operating under the County Employees' Retirement Law of 1937 that filed an application with the IRS for a determination letter, also filed under the Voluntary Corrections Program (VCP) process to address issues the retirement systems identified about the tax rules as applied to the systems. The VCP filings proposed amendments to plan documents and corrections to plan operations to ensure compliance with tax law requirements.

During the 2013-2014 legislative session, the California Legislature amended state law governing county retirement systems as proposed in the VCP filings. SJCERA incorporated the IRS-approved model regulations for tax law compliance into SJCERA's Bylaws as "Part II–Internal Revenue Code Compliance." The revised SJCERA Bylaws were approved by the Board of Supervisors in December 2014, effective January 1, 2015. The State Association of County Retirement Systems (SACRS) of which SJCERA is a member, has a standing committee responsible for monitoring federal tax law requirements on an ongoing basis and making recommended changes to the model regulations to facilitate continued compliance.

Also in compliance with SJCERA's VCP filing as approved by the IRS, $19.9 million was transferred from the Post-Employment Healthcare Agency Fund to the Defined Benefit Pension Plan in 2014. The Post-Employment Healthcare Agency Fund is used for cash flows in from employers to fund Sick Leave Bank Benefits for their eligible retired employees on a pay-as-you-go basis, and for cash flows out for payment of Sick Leave Bank Benefits. For additional information, see pages 36-37 and 60.

New accounting and reporting standards from the Governmental Accounting Standards Board (GASB), Statements 67 & 68, impact plan administrators and participating employers of multi-employer governmental pension plans. Since January 2014, SJCERA has coordinated a GASB 67/68 Implementation Task Force comprised of key stakeholders from the County, special districts, and external professional service providers to discuss and implement the new accounting standards.

GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Plans, and also replaces the requirements of GASB Statement No. 50, Pension Disclosures. GASB 67 is effective for financial statements for fiscal years beginning after June 15, 2013.

GASB Statement No. 68, Accounting and Financial Reporting for Pensions, replaces GASB Statement No. 27, Accounting for Pensions by State and Local Governmental Employers. GASB 68 is effective for fiscal years beginning after June 15, 2014.

SJCERA has adopted the provisions of GASB Statement No. 67, Financial Reporting for Pension Plans, for its December 31, 2014, financial statements. The objective of this statement is to improve financial reporting by state and local governmental pension plans. This new financial reporting standard also enhances accountability and transparency through revised and new note disclosures and required supplementary information. For additional information see pages 60-69.

For the County and special districts, the new financial reporting provisions of GASB Statement No. 68 are effective for the fiscal year ending June 30, 2015. The new standards require the County and special districts to recognize their proportionate share of the long-term obligation for pension benefits as a liability for the first time in their financial statements and to more comprehensively and comparably measure the annual costs of pension benefits. This proportionate share is based on the plan sponsors' long-term contribution effort. In order to assist participating employers in preparing their financial statements to reflect their proportionate share of the net pension liability, SJCERA's actuary prepared two new schedules: *Schedule of Cost Sharing Employer Allocations of Net Pension Liability for 2013 and 2014*, and *Schedule of Employer Pension Amounts Allocated by Cost Sharing Plans as of December 31, 2014*. For additional information see pages 73-74.

The pension benefit provided by participating employers through SJCERA is an important component of total compensation, and impacts recruitment and retention of a knowledgeable, skilled, and experienced public work force to provide essential services, assistance, and support to the people of San Joaquin County.

The County and other participating employers continue efforts to negotiate increased member cost sharing as existing collective bargaining agreements come up for renewal. As the entity responsible for the administration and proper funding of earned pension benefits for our members and their beneficiaries, SJCERA will continue 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 continue to contribute the full amount of the annual contribution required to appropriately fund accrued benefits for SJCERA members and their beneficiaries. Plan assets are growing steadily. 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 internal controls that ensure 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 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 a professional pension actuary 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 by Cheiron as of January 1, 2014.

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 performed by Cheiron as of December 31, 2012.

Recent actuarial studies recommended changes in plan assumptions that recognize our retirees are living longer and reduce the expected long-term rate of inflation by a quarter of one percent, which also reduced the expected return on plan assets from 7.75% to 7.50%. The changes in plan assumptions adopted by the Board in 2013 resulted in significant employer contribution increases. The County requested, and the Board agreed, to phase-in the impact of the plan assumption changes on employer contribution rates over three years, including interest on any contribution shortfall from the full employer rates without the phase in. This approach is consistent with model practice specified by the California Actuarial Advisory Panel (CAAP).

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, 2014, the pension plan's actuarial accrued liability was $3.6 billion, the actuarial value of assets was $2.3 billion, and the unfunded actuarial liability (UAL) was $1.3 billion. The funding status (ratio of plan assets to plan liabilities) was 64.2%. 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 UAL using a 20-year open period until January 1, 2014. For 2014, the Board adopted a 19-year closed amortization period, which is decreased by one year in each valuation report until a 12-year closed amortization period is reached. Previously, the plan's entire UAL was amortized as a level percentage of pay over an open 10-year period.

The actual return on investments for calendar year 2014 was 5.5%. As of January 1, 2014, deferred gains under the five-year smoothing method exceeded losses by $41.8 million, enabling interest to be credited to all eligible accounts at 7.50% for 2014. For the annual actuarial valuation as of January 1, 2015, deferred losses exceed deferred gains by $25 million.

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. (SIS), 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. The Board has a standing Real Estate Committee with delegated authority to make new or additional commitments of up to $25 million to any single real estate investment opportunity with the recommendation of the real estate investment consultant and in accordance with the annual real estate investment implementation plan adopted by the Board.

During 2014, SJCERA invested $50 million in an actively managed bank loan strategy as part of the fixed income allocation, and increased its commitments to new and existing funds/strategies in the Global Opportunistic allocation to fully invest this allocation of 15% of the total portfolio. The Real Estate Committee made commitments totaling $40 million to two new core and core plus real estate investment funds as authorized by the annual plan adopted by the Board, and transitioned its non-U.S. public real estate securities mandate from an actively managed account to a passive index fund. The Board held education sessions during the year on the Cyclically Adjusted Price Earnings (CAPE) U.S. index, infrastructure, and venture and growth private equity. The Board conducted individual due diligence meetings with each investment manager, and held its ninth annual investment manager roundtable in August, 2014.

In September 2014, the Board issued a request for proposal for general investment consulting services. SIS served as SJCERA's general investment consultant since 1988. In December 2012, the Board approved a two-year extension to the contract with SIS through March 31, 2015, with the understanding that SJCERA would solicit proposals before awarding a new contract for general investment consulting services beyond the term of the contract extension. The selection process concluded in January 2015, and Pension Consulting Alliance, Inc. (PCA), headquartered in Portland, Oregon, was awarded the contract. PCA's first project for SJCERA is to conduct an asset/liability study in collaboration with Cheiron, the plan actuary. Typically conducted every three to five years, an asset/liability study seeks to address the full financial condition of the plan and how it might be impacted by investment results. The study sets the foundation for the long-term strategic asset allocation of the investment portfolio.

For the year ended December 31, 2014, the portfolio gained 5.5% before fees. The Board's economic assumptions anticipate a 7.50% annualized rate of return. SJCERA's annualized rate of return before fees was 9.1% over the last three years, 8.3% over the last five-years, and 4.5% over the last ten years.

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 of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SJCERA for its Comprehensive Annual Financial Report for the Year Ended December 31, 2013. 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 Accounting Technician II Stephanie Connor.

I appreciate the Board of Retirement for its leadership and dedication, which provide the basis for a strong retirement system. I value the SJCERA staff and their commitment and consistent effort to provide excellent service to our 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

Government Finance Officers Association

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, 2013

Executive Director/CEO

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
_2014_

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, 2014

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

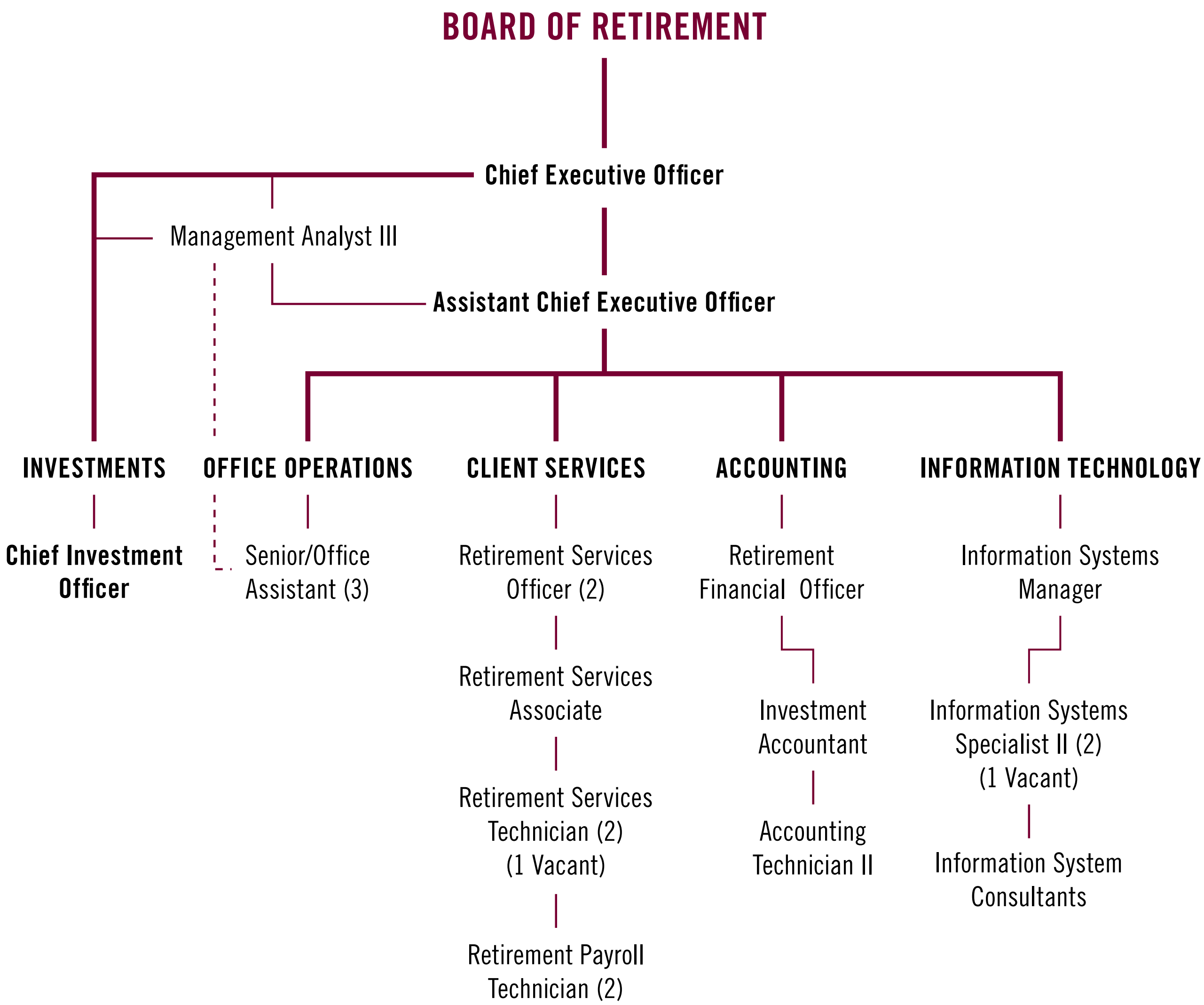
DAVID SOUZA
ELECTED BY
SAFETY MEMBERS

RICHARD CALLISTRO
ELECTED BY RETIRED
MEMBERS - ALTERNATE

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION STAFF

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

San Joaquin County Employees' Retirement Association



CONSULTING SERVICES

Actuary
Cheiron 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
AMI Asset Management
Bernzott Capital Advisors
BlackRock Institutional Trust Co.
Capital Prospects
Castleark Management
Channing Capital Management
EAM Investors
InView Investment Management
Keeley Asset Management
Lee Munder Capital Group
Legato Capital Management
Pacific Ridge Capital Partners
Rice Hall James & Associates
Walthausen & Co.

Non-U.S. Equity
BlackRock Institutional Trust Co.
Research Affiliates

Global Equity
Kleinwort Benson Investors

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

Real Estate
Almanac Realty Investors
BlackRock Institutional Trust Co.
Colony Realty Partners
Deutsche Asset & Wealth Management (RREEF)
Greenfield Acquistion Partners
Invesco Advisers, Inc.
Legacy Partners
Miller Global Properties
Prologis
Sarofim Realty Advisors
Walton Street Capital

Real Assets
Bridgewater Associates

Global Opportunistic Strategy
Bridgewater Associates
Crestline Associates
Marinus Capital Advisors
Medley Capital
Morgan Creek Capital Management
Mount Lucas Management
Ocean Avenue Capital Partners
Raven Capital Management

Risk Parity
Bridgewater Associates
Parametric Engineered Portfolio Solutions
PIMCO

Short Term Investment/Currency Overlay
Parametric Engineered Portfolio Solutions
STIF - Northern Trust

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

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FINANCIAL

It is not the ship so much as the skillful sailing that assures the prosperous voyage.

— George William Curtis

Plan

CHART A COURSE FOR A SAFE, SURE AND EFFICIENT VOYAGE.

LATHROP, CALIFORNIA PHOTO USED WITH PERMISSION FROM PATRICIA MEYER

The Sacramento-San Joaquin River Delta of California once was a great tidal freshwater marsh blanketed by peat and peaty alluvium. Beginning in the late 1800s, levees were built along the stream channels, and the land thus protected from flooding was drained, cleared, and planted. Approximately 425,700 acres are used for irrigated agriculture.

SAN JOAQUIN
C E R A

COMPREHENSIVE ANNUAL FINANCIAL REPORT

BROWN ARMSTRONG
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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 Fiduciary Net Position of the San Joaquin County Employees' Retirement Association (SJCERA) as of December 31, 2014, and the related Defined Benefit Pension Plan Statement of Changes in Fiduciary Net Position for the year then ended and the related notes to the financial statements, which collectively comprise SJCERA's basic financial statements as listed in the table of contents. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, and total pension expense ($1,317,495,335, $53,593,965, and $150,752,132, respectively), included in the Governmental Accounting Standards Board (GASB) Statement No. 67 schedules listed as other information 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, 2013, comparative information has been derived from the 2013 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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

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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.

Opinion

In our opinion, the financial statements and other information referred to above present fairly, in all material respects, the Fiduciary Net Position of the Defined Benefit Pension Plan and Post-Employment Healthcare Agency Fund of SJCERA as of December 31, 2014, and the changes in its Fiduciary Net Position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended December 31, 2014, SJCERA implemented Government Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans,* which modified the current financial reporting of those elements. Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, 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 Supplementary Information and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SJCERA's basic financial statements. The other supplementary information, as listed in the table of contents, and the introductory, investment, actuarial, statistical, and compliance sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic 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 an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2015, 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 4, 2015

3

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, 2014. 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 5.3%.
- SJCERA's plan net position of $2,466.3 million at December 31, 2014, increased by $124.8 million, or 5.3%, 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, 2014, the date of the last actuarial valuation, the funded ratio for the actuarial accrued liability was approximately 64.2%. In general, this indicates that for every dollar of benefits liability, SJCERA has $0.64 of plan net position to cover it. (Note 1c provides a more detailed explanation of recent changes in funded ratio.)
- Revenues for the year were $294.8 million, a decrease of $45.9 million, or 13.5%, from the prior year's $340.6 million. The decrease was mainly caused by the decrease in unrealized gains in comparison to the prior year.
- Expenses for the year were $169.9 million, an increase of $10.4 million, or 6.5%, from the prior year's $159.5 million. This increase was primarily due to the $10.1 million increase in pension benefit payments to retirees.

Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position

This annual financial report consists of two financial statements:

1. The Statement of Fiduciary 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 Fiduciary Plan Net Position gives the reader a view of current year additions and deductions to SJCERA.

	2014	2013	INCREASE (DECREASE) AMOUNT	PERCENT CHANGE
Cash and Receivables	$ 262,580,689	$ 198,192,037	$ 64,388,652	32.49%
Investments	2,371,380,283	2,256,908,301	114,471,982	5.07%
Other Assets	400,962	508,820	(107,858)	-21.20%
Total Assets	**2,634,361,934**	**2,455,609,158**	**178,752,776**	**7.28%**
Total Liabilities	**168,012,405**	**114,096,795**	**53,915,610**	**47.25%**
Total Plan Net Position	**$ 2,466,349,529**	**$ 2,341,512,363**	**$ 124,837,166**	**5.33%**

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, 2014 valuation, is 64.2% and this means that SJCERA has $0.64 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 Fiduciary 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, 2014, totaled $274.8 million. Of the total $110.7 million in net investment income, $94.8 million is attributable to net appreciation in the fair market value of investments.

The overall year 2014 revenues decreased by $45.9 million from that of the prior year, primarily due to much less appreciation in the fair market value of investments when compared to the prior year.

The employers' contributions increased by $17.1 million, or 14.39%, over the prior year, while employees' contributions increased by $4.7 million, or 20.6%, over the prior year. The County of San Joaquin (the County) and the majority of its 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. Beginning in 2013, some employees also began paying an additional percentage of the basic member contribution rate, which reduced the employers' Normal Cost portion of the required contribution. Employers pay all of the required unfunded actuarial liability (UAL) amortization payment.

Below is the summary of the changes from year 2013 to year 2014.

	2014	2013	INCREASE (DECREASE) AMOUNT	PERCENT CHANGE
Employers' Contributions	$ 136,686,133	$ 119,494,319	$ 17,191,814	14.39%
Members' Contributions	27,367,908	22,689,882	4,678,026	20.62%
Net Investment and Miscellaneous Income	110,728,303	198,244,863	(87,516,560)	-44.15%
Transfer between Plans	19,968,779	204,375	19,764,404	9,670.66%
Total	**$ 294,751,123**	**$ 340,633,439**	**$(45,882,316)**	**-13.47%**

* Please see the Note 2 for the details of $19.9 million transfer between plans.

Expenses – Deductions from Fiduciary 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 2014 totaled $169.9 million, an increase of 6.5% over 2013. 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.

	2014	2013	INCREASE (DECREASE) AMOUNT	PERCENT CHANGE
Benefit Payments	$ 163,711,716	$ 153,620,152	$ 10,091,564	6.57%
Members Death Benefits	623,557	612,733	10,824	1.77%
Refunds	1,535,698	1,168,934	366,764	31.38%
Administrative and Miscellaneous	4,042,986	4,134,716	(91,730)	-2.22%
Total	**$ 169,913,957**	**$ 159,536,535**	**$ 10,377,422**	**6.50%**

Reporting SJCERA's Fiduciary Responsibilities

SJCERA's Board of Retirement and staff are fiduciaries for the pension plan of the County 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 and certain special districts.

The Retirement Fund as a Whole

The fund increased by 5.3% for 2014 from 2013; the net increase in the fair market value of investments was $94.8 million versus the prior year's increase of $178.2 million. The investment section of Note 3d of this report reviews the result of investment activity for the year ended December 31, 2014.

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 H. St. Urbain

Chief Executive Officer

STATEMENTS OF FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS

AS OF DECEMBER 31, 2014 AND 2013

SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
STATEMENTS OF FIDUCIARY NET POSITION
AS OF DECEMBER 31, 2014 AND 2013

	2014		2013	
	Defined Benefit Pension Plan	Post-Employment Healthcare Agency Fund	Defined Benefit Pension Plan	Post-Employment Healthcare Agency Fund
Assets				
Cash and Cash Equivalents	$ 86,304,586	$ 76	$ 62,574,166	$ 530,442
Cash Collateral - Securities Lending	164,195,271	144	107,126,504	908,111
Total Cash and Cash Equivalents	250,499,857	220	169,700,670	1,438,553
Receivables				
Investment Income Receivables	2,664,983	3	2,774,881	23,524
Contributions Receivable	8,960,303	-	7,537,892	-
Securities Sold, Not Received - Domestic	420,303	-	18,162,236	153,961
Other Investment Income Receivable	637	-	536	-
Miscellaneous Receivables	34,606	-	15,822	-
Total Receivables	12,080,832	3	28,491,367	177,485
Investments, at Fair Market Value				
Fixed Income	527,386,250	464	484,341,760	4,105,764
U.S. and Non U.S. Equities	891,844,719	785	891,888,949	7,560,540
Global Equity	57,668,488	50	59,253,441	502,291
Real Estate	253,709,478	223	258,866,921	2,194,414
Real Asset	108,824,107	96	155,406,359	1,317,379
Global Opportunistic Strategy	278,197,288	245	178,452,433	1,512,741
Risk Parity	253,749,953	223	228,698,438	1,938,676
Total Investments, at Fair Market Value	2,371,380,283	2,086	2,256,908,301	19,131,805
Other Assets				
Prepaid Expenses	86,318	-	81,357	-
Equipment and Fixtures, Net	314,644	-	427,463	-
Total Assets	2,634,361,934	2,309	2,455,609,158	20,747,843
Liabilities				
Securities Lending - Cash Collateral	164,195,271	144	107,126,504	908,110
Securities Purchased, Not Paid	1,671,227	1	5,432,718	46,053
Accrued Expenses and Other Payables	2,137,604	2	1,537,573	13,034
Securities Lending Interest and Other Expense	8,303	-	-	-
Retiree Sick Leave Bank Benefits Payable	-	2,162	-	19,780,646
Total Liabilities	168,012,405	2,309	114,096,795	20,747,843
Plan Net Position Restricted for Pension Benefits	$2,466,349,529	$ -	$2,341,512,363	$ -

Please see the Note 2 for the details of $19.9 million transfer between plans.

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 FIDUCIARY NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2014	2013
Additions		
Contributions		
Employers' Contributions	$ 136,686,133	$ 119,494,319
Members' Contributions	27,367,908	22,689,882
Total Contributions	164,054,041	142,184,201
Net Investment Income		
Investment Income		
Net Appreciation in Fair Market Value of Investments	94,797,841	178,161,110
Interest	20,784,139	24,829,363
Dividends	2,680,448	4,796,804
Real Estate Income, Net	10,112,793	7,105,263
Investment Expenses	(18,209,091)	(17,141,459)
Miscellaneous Investment Income	7,293	7,804
Net Investment Income, Before Securities Lending Income (Loss)	110,173,423	197,758,885
Securities Lending Income (Loss)		
Earnings	450,412	374,904
Rebates	184,507	176,043
Fees	(157,231)	(137,436)
Net Securities Lending Income (Loss)	477,688	413,511
Net Investment Income (Loss)	110,651,111	198,172,396
Miscellaneous Income	77,192	72,467
Transfer Between Plans	19,968,779	204,375
Total Additions	294,751,123	340,633,439
Deductions		
Benefit Payments	163,711,716	153,620,152
Death Benefits	623,557	612,733
Refunds of Members' Contributions	1,535,698	1,168,934
Administrative and Other Expenses		
General Administrative Expenses	3,636,863	3,672,857
Actuary Fees	161,342	217,819
Fund Legal Fees	244,781	244,040
Total Administrative and Other Expenses	4,042,986	4,134,716
Total Deductions	169,913,957	159,536,535
Changes in Pension Plan Net Position	124,837,166	181,096,904
Net Position Restricted for Pension Benefits		
Beginning of Year	2,341,512,363	2,160,415,459
End of Year	$ 2,466,349,529	$ 2,341,512,363

Please see the Note 2 for the details of $19.9 million transfer between plans.

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). Pursuant to Government Code Section 31520.1 and 31520.5, the Board consists of nine regular members, one alternate retired member, and under certain circumstances an alternate safety member. Four members and the alternate member(s) are elected by SJCERA's members, four are appointed by the County Board of Supervisors, and the County Treasurer is an ex-officio member. Board members serve for a term of three years, except for the County Treasurer who is a permanent member.

The Board members as of December 31, 2014, were as follows:

Steve Bestolarides, Chair	Michael Duffy
Lawrence 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. Persons who commence covered employment at age 60 or older may irrevocably elect to waive membership in 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.

The Public Employees' Pension Reform Act of 2013 (PEPRA) (Article 4, Chapter 21, Division 7 of Title I of the California Government Code) became operative on January 1, 2013. PEPRA is applicable to most public pension systems in California, and mandates new, lower benefit formulas and later retirement ages for employees entering public employment for the first time on or after January 1, 2013.

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."

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, 2014 and 2013, is presented below:

	RETIREES		BENEFICIARIES		ACTIVE		DEFERRED		TOTAL	
	TIER I	TIER II	TIER I	TIER II	TIER I	TIER II	TIER I	TIER II	TIER I	TIER II
Year 2014										
General	3,778	-	580	-	3,955	924	1,222	53	9,535	977
Safety	729	-	162	-	758	69	157	3	1,806	72
Total	**4,507**	**-**	**742**	**-**	**4,713**	**993**	**1,379**	**56**	**11,341**	**1,049**

	RETIREES		BENEFICIARIES		ACTIVE		DEFERRED		TOTAL	
	TIER I	TIER II	TIER I	TIER II	TIER I	TIER II	TIER I	TIER II	TIER I	TIER II
Year 2013										
General	3,615	-	557	-	4,232	516	1,238	21	9,642	537
Safety	715	-	154	-	786	19	151	1	1,806	20
Total	**4,330**	**-**	**711**	**-**	**5,018**	**535**	**1,389**	**22**	**11,448**	**557**

b. Plan Benefits

ELIGIBILITY FOR RETIREMENT

TIER I:

A Tier I member may retire for service at age 50 or older with five years of service credit, and at least ten years has elapsed since the date of membership. A General Member may retire at any age with 30 or more years of service. A Safety Member may retire at any age with 20 or more years of service.

TIER II:

A Tier II member may retire for service with five years of service credit upon attaining the minimum retirement age: Age 52 for General Members, and Age 50 for Safety Members.

Any member of SJCERA, regardless of benefit tier, may retire at age 70 with no minimum service credit requirement.

RETIREE BENEFITS

The amount of a monthly allowance at retirement depends upon the type of membership, years of retirement service credit, final compensation, age at retirement, and the optional settlement, if any, elected by the member.

TIER I:

For Tier I members, 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 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% of final compensation for each year of service credit at age 55 ½ benefit formula for General Members of Tier I, and a 3.0% of final compensation for each year of service credit at age 50 benefit formula for Safety Members of Tier I, 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 commencing when the retiree attains age 65. It also provides a supplemental monthly benefit of $10 per year of service up to 30 years to retirees who retired on or after April 1, 1982, but before January 1, 2001. This "Post 1982" supplemental benefit is payable if sufficient funds exist.

Federal law limits the annual compensation that may be used to calculate retirement benefits (applicable to persons who became SJCERA members January 1, 1996 or later), and the maximum annual benefit payable by SJCERA to any retired member.

For 2014, the annual compensation limit under Internal Revenue Code Section 401(a)(17) is $260,000, and the annual benefit limit under Internal Revenue Code Section 415(b) is $210,000. Tier I retirees whose statutory benefits from SJCERA would exceed the annual benefit limitation are eligible for the County's Replacement Benefits Plan.

TIER II:

For Tier II members, final compensation for purposes of computing a retirement allowance is the average monthly salary for the highest thirty-six consecutive months of employment. In addition to base salary, final compensation may include other items defined as pensionable compensation.

Tier II provides a 2% of final compensation for each year of service credit at age 62 benefit formula for General Members, and a 2.7% of final compensation for each year of service credit at age 57 benefit formula for Safety Members. PEPRA specifies the maximum annual compensation that may be used to calculate retirement benefits. A lower limit applies to members whose service under SJCERA is also covered by Social Security, and a higher limit applies to members whose service under SJCERA is not covered by Social Security. These limits are adjusted annually based on changes in the Consumer Price Index. For 2014, these annual compensation limits are $115,064 and $138,077.

Active members receive a personalized Annual Member Statement that provides the member's accumulated member contributions and interest, years of service credit, and estimated projected retirement benefits based on various assumptions. Members may also use the benefit calculator on SJCERA's web site (www.sjcera.org) to estimate their projected retirement benefits under the various available retirement options.

COST-OF-LIVING ADJUSTMENT (COLA)

For both Tier I and Tier II members, monthly allowances are eligible for an annual cost-of-living adjustment (COLA) 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 2013 and 2012 was 2.50% and 2.65%, 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 2.50% in 2014, and at least 2.50% in 2013, based on the change in the CPI. However, based on the accumulated carry-over balance as of April 2013, some retirees received an increase of up to 3.0% in 2014. The remaining carry-over balance was reduced by 0.5%.

The Board implemented "Purchasing Power Protection" (PPP) benefits at the 75% level in 2000, and the 80% level in 2001 for allowances with an "initial retirement date" of April 1, 1982, or earlier, pursuant to Government Code Section 31874.3. A one-time permanent increase was added to the monthly allowance amount to restore purchasing power to 80% of the purchasing power of the original allowance, determined as of April 1, 2001. The monthly allowances, including the PPP benefit, are adjusted each year by the annual COLA.

TERMINATED MEMBER'S DEFERRED ALLOWANCE AND WITHDRAWAL BENEFITS

A member with less than five years of credited service who terminates all employment with participating employers may elect to withdraw his or her accumulated member contributions, including credited interest. A member electing such withdrawal terminates membership in, and forfeits all related rights and benefits from, SJCERA. A terminated member does not have a right to withdraw or otherwise receive employer contributions prior to the member's retirement.

Alternatively, terminated members with less than five years of service may leave their member contributions on account with SJCERA and continue participating in interest accumulation thereon.

A Member with five or more years of credited service who terminates all employment with participating employers is eligible for a deferred retirement. A deferred vested member may retire on or after the date the member meets the retirement eligibility requirements for the tier of benefits to which the member is subject.

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

The plan's funded status is determined from a long-term, ongoing perspective. The annual actuarial valuation determines the progress made in accumulating sufficient assets to pay benefits when due. As of January 1, 2014, the pension plan's actuarial accrued liability was $3,561.8 million, the actuarial value of assets was $2,285.2 million, resulting in an unfunded actuarial liability (UAL) of $1,276.7 million. The covered payroll (annual payroll of active employees covered by the plan) was $388.7 million, and the ratio of the UAL to the covered payroll was 328.5%.

As of the annual actuarial valuation January 1, 2014, the funded status increased to 64.2% from 63.4% as of the annual actuarial valuation January 1, 2013. The extraordinary asset loss of 2008 adversely affected the funded ratio from 2009 to 2013. In addition, for the January 1, 2013 actuarial valuation, assumption changes were made that reflect lower expected future returns on assets and improved mortality, lessening the impact of recent asset gains on the funded ratio.

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 is presented to provide 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.

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SCHEDULE OF FUNDING PROGRESS – DEFINED BENEFIT PENSION PLAN

FOR THE LAST TEN FISCAL YEARS ENDED DECEMBER 31

(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)
1/1/2014	$ 2,285,166	$ 3,561,859	$ 1,276,693	64.2%	$ 388,691	328.5%
1/1/2013	2,125,700	3,353,294	1,227,594	63.4%	365,892	335.5%
1/1/2012	2,130,053	3,048,321	918,268	69.9%	356,419	257.6%
1/1/2011	2,120,384	2,917,688	797,304	72.7%	367,344	217.0%
1/1/2010	1,949,011	2,769,612	820,601	70.4%	385,442	212.9%
1/1/2009	1,821,357	2,510,925	689,568	72.5%	377,559	182.6%
1/1/2008	2,029,949	2,334,521	304,572	87.0%	367,361	82.9%
1/1/2007	1,869,717	2,149,938	280,221	87.0%	340,828	82.2%
1/1/2006	1,727,033	1,935,818	208,785	89.2%	309,692	67.4%
1/1/2005	1,614,979	1,769,507	154,528	91.3%	296,473	52.1%

[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.

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, 2014 actuarial valuation, the Entry Age Normal Funding Method (Cost Method) was used. The actuarial assumptions include a 7.50% investment rate of return, annual inflation rate of 3.00% per year, and projected salary increases at 3.25% 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 and is separately amortized as a level percentage of pay over a closed 30-year period. Currently, 25 years remain in this closed period. The plan's remaining UAL is being amortized on a 19-year open period amortization (21 year single equivalent period) decreasing by one year in each valuation report until a 12-year amortization period is reached.

Valuation Date	January 1, 2014
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	25 Years for 2008 Extraordinary Loss, 19 Years for Remaining UAL (21 Year Single Equivalent Period)
Asset Valuation Method	Smoothed Actuarial Value (5 years) 80%-120% Asset Corridor
ACTUARIAL ASSUMPTIONS:	
Nominal Rate of Return	7.50%
Projected Salary Increases	3.25%, plus service-based rates
General Inflation Rate	3.00%
Cost of Living Adjustments	2.60% per year assumed

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 uncashed 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.

SJCERA received a favorable plan determination letter from the IRS dated January 29, 2014, that by its own terms expired on January 31, 2014, at the end of the second remedial amendment Cycle C filing period. IRS Revenue Procedure 2012-50 provides that if Cycle E is elected as the plan’s second remedial amendment cycle, the plan determination letter expiration date is extended to January 31, 2016, the end of the second Cycle E filing period. In 2014, the Board formally elected Cycle E as the second remedial amendment cycle for SJCERA. In compliance with SJCERA’s VCP filing as approved by the IRS, $19.9 million was transferred from the Post-Employment Healthcare Agency Fund to the Defined Benefit Pension Plan in 2014. The Post-Employment Healthcare Agency Fund is used for cash flows in from employers to fund Sick Leave Bank Benefits for their eligible retired employees on a pay-as-you-go basis, and for cash flows out for payment of Sick Leave Bank Benefits.

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 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 TREASURER

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, 2014 and 2013.
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.
Investment Consultant	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, 2014 and 2013; 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 Fiduciary 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 Fiduciary 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 market value of investments in the Statement of Changes in Fiduciary 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 No. 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 2014 and the carrying cost of the securities at December 31, 2014, or the original cost of the securities acquired during 2014. The calculation of realized gains/(losses) is independent of the calculation of net appreciation/(depreciation) in the fair market 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, 2014 and 2013, 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, 2014 and 2013. A prorated share of the actual earnings/loss is allocated to the Post-Employment Healthcare Agency Fund consistent with the other reserves.

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. Depreciation expenses of the capital assets are included in general administrative expenses.

The change in capital assets owned for years 2014 and 2013 is presented below:

2014

	BALANCE 12/31/2013	ADDITIONS	DELETIONS	BALANCE 12/31/2014
Original Cost	$ 1,531,952	$ 8,412	$ (28,704)	$ 1,511,660
Accumulated Amortization and Depreciation	(1,104,489)	(121,231)	28,704	(1,197,016)
Net Book Value	**$ 427,463**	**$ (112,819)**	**$ -**	**$ 314,644**

2013

	BALANCE 12/31/2012	ADDITIONS	DELETIONS	BALANCE 12/31/2013
Original Cost	$ 1,482,152	$ 60,527	$ (10,727)	$ 1,531,952
Accumulated Amortization and Depreciation	(994,703)	(120,513)	10,727	(1,104,489)
Net Book Value	**$ 487,449**	**$ (59,986)**	**$ -**	**$ 427,463**

Depreciation expense for the years ended December 31, 2014 and 2013, was $121,231 and $120,513, 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 new lease specifies the actual rate for each year of term. Total rent expense under this agreement for the current year was $225,059. 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 $1,298,336.

YEAR ENDED DECEMBER 31,	TOTAL
2015	251,599
2016	257,969
2017	264,338
2018	270,708
2019	253,722
	$ 1,298,336

k. Unpaid Compensated Absences for Administration Employees

SJCERA accrues as a liability the vacation and other leave benefits earned by its employees. Accrued vacation hours 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, 2014 and 2013, on debt securities, short-term investment funds, and securities lending.

Dividends receivable are those dividends declared, but not received, as of December 31, 2014 and 2013, 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, 2014 and 2013, 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 Fiduciary Net Position and Changes in Fiduciary 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.

q. Implementation of Accounting Standards

On June 25, 2012, GASB approved new accounting and reporting standards for pensions. GASB Statement No. 67, Financial Reporting for Pension Plans, replaces the requirements of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Plans, and also replaces the requirements of GASB Statement No. 50, Pension Disclosures. SJCERA has adopted the provisions of GASB Statement No. 67, Financial Reporting for Pension Plans, for its December 31, 2014, financial statements. The objective of this statement is to improve financial reporting by state and local governmental pension plans.

The new standards require the County and special districts to recognize their proportionate share of the long-term obligation for pension benefits as a liability for the first time in their financial statements and to more comprehensively and comparably measure the annual costs of pension benefits. This proportionate share is based on the plan sponsors' long-term contribution effort. This new financial reporting standard also enhances accountability and transparency through revised and new note disclosures and required supplementary information. For the County and special districts, the new financial reporting provisions are effective for the fiscal year ending June 30, 2015.

Since January 2014, SJCERA has sponsored a GASB 67/68 Implementation Task Force comprised of key stakeholders from the County, special districts, and external professional service providers to discuss and implement the new accounting standards.

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, 2014 and 2013, SJCERA had the following securities out-on-loan:

DECEMBER 31, 2014	FAIR MARKET VALUE OF SECURITIES LENT	CASH COLLATERAL VALUE	NON-CASH COLLATERAL VALUE
U.S. Equities	$ 105,572,197	$ 108,256,343	$ 266,395
U.S. Debt Securities	54,843,320	55,939,072	148,845
Total U.S. Securities	**160,415,517**	**164,195,415**	**415,240**
Non-U.S. Equities	18,457,990	-	19,890,011
Non-U.S. Debt Equities	-	-	-
Total Non-U.S. Securities	**18,457,990**	**-**	**19,890,011**
Total	**$ 178,873,507**	**$ 164,195,415**	**$ 20,305,251**

DECEMBER 31, 2013	FAIR MARKET VALUE OF SECURITIES LENT	CASH COLLATERAL VALUE	NON-CASH COLLATERAL VALUE
U.S. Equities	$ 85,342,447	$ 86,451,315	$ 767,325
U.S. Debt Securities	21,835,009	20,320,841	1,993,099
Total U.S. Securities	**107,177,456**	**106,772,156**	**2,760,424**
Non-U.S. Equities	18,109,685	1,258,106	17,903,625
Non-U.S. Debt Equities	4,096	4,353	-
Total Non-U.S. Securities	**18,113,781**	**1,262,459**	**17,903,625**
Total	**$ 125,291,237**	**$ 108,034,615**	**$ 20,664,049**

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 2014 and 2013 was $475,801 and $416,750, respectively.

b. Cash and Short-Term Investments

The carrying value of cash and short-term investments at December 31, 2014 and 2013, consists of the following:

	2014 AMOUNT	2013 AMOUNT
Cash and Cash Equivalents - Custodian	$ 85,584,832	$ 62,067,254
Cash and Cash Equivalents - County Treasury	719,830	1,037,354
Total Cash and Cash Equivalents	**86,304,662**	**63,104,608**
Cash and Cash Equivalents - Custodian-Security Lending	**164,195,415**	**108,034,615**
Total	**$ 250,500,077**	**$ 171,139,223**

c. Long-Term Investments

SJCERA owned the following long-term investments at December 31, 2014 and 2013, contained in both the pension trust and healthcare agency fund:

	2014 FAIR MARKET VALUE	2013 FAIR MARKET VALUE
INVESTMENTS - CATEGORIZED		
Fixed Income	$ 527,386,714	$ 488,447,524
U.S. Equities	474,869,483	462,717,654
Non-U.S. Equities	416,976,021	436,731,835
Global Equity	57,668,538	59,755,732
Real Estate	253,709,701	261,061,335
Real Asset	108,824,203	156,723,738
Global Opportunistic Strategy	278,197,533	179,965,174
Risk Parity	253,750,176	230,637,114
Total Investments - Categorized	**$ 2,371,382,369**	**$ 2,276,040,107**

	2014 FAIR MARKET VALUE	2013 FAIR MARKET VALUE
INVESTMENTS - NOT CATEGORIZED		
INVESTMENTS HELD BY BROKER-DEALERS UNDER SECURITIES LOANS		
U.S. Equities	$ 108,256,343	$ 86,451,315
Non-U.S. Equities	-	1,262,459
U.S. Debt Securities	55,939,072	20,320,841
Total Investments Held by Broker-Dealers Under Securities Loans	**164,195,415**	**108,034,615**
Total Investments	**$ 2,535,577,784**	**$ 2,384,074,722**

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

CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SJCERA Investment Policy seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within the asset class. To control credit risk, credit quality guidelines have been established for our separately managed accounts. The list of investments exposed to those risks and the corresponding credit ratings from Standard & Poor's (S&P) at December 31, 2014 and 2013, is as follows:

QUALITY RATINGS	2014 FAIR MARKET VALUE	2013 FAIR MARKET VALUE
AAA	$ 10,764,754	$ 5,341,747
AA	7,431,235	8,633,911
A	26,063,271	31,814,347
BBB	39,659,648	39,276,855
BB	22,871,774	17,964,599
B	14,589,032	13,013,755
CCC	8,287,738	11,154,982
CC	1,614,774	1,922,863
D	16,218,860	14,184,559
Not Rated	231,673,030	220,329,798
	379,174,116	**363,637,416**
U.S. Government Agencies - Implied AAA (FNMA, FHLB, FHLMC, FFCB, SLMA, Other)	**148,212,598**	**124,810,108**
Total Investments in Fixed Income Securities	**$ 527,386,714**	**$ 488,447,524**

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 investments in a single issuer. As of December 31, 2014 and 2013, for separately managed investment accounts, SJCERA did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments.

INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates will adversely affect the fair market 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.

As of December 31, 2014 and 2013, SJCERA had the following investments:

2014 INVESTMENT TYPE	2014 FAIR MARKET VALUE	WEIGHTED AVERAGE MATURITY – YEARS
U.S. GOVERNMENT AND AGENCY INSTRUMENTS		
U.S. Government Mortgages	$ 89,983,208	23.28
U.S. Government Bonds	16,639,006	1.48
U.S. Government-Issued Commercial Mortgage-Backed	276,835	2.91
Index Linked Government Bonds	60,000,476	8.90
Municipal/Revenue Bonds	3,948,983	12.58
Agency	469,221	3.69
Short-Term Bills and Notes	9,339,159	0.23
	180,656,888	
CORPORATE SECURITIES		
Asset Backed Securities	17,639,630	12.75
Bank Loans	20,803,376	5.06
Commercial Mortgage-Backed	4,644,625	19.39
Corporate and Other Credit	81,757,738	10.90
Non-Government Backed Collateralized Mortgage Obligations (CMOs)	51,572,544	21.87
	176,417,913	
REAL ESTATE FINANCING	**170,311,913**	-
Total Fixed Income Securities	**$ 527,386,714**	

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2013 INVESTMENT TYPE	2013 FAIR MARKET VALUE	WEIGHTED AVERAGE MATURITY – YEARS
U.S. GOVERNMENT AND AGENCY INSTRUMENTS		
U.S. Government Mortgages	$ 82,624,518	23.21
U.S. Government Bonds	8,951,769	0.57
Index Linked Government Bonds	47,448,655	12.38
Municipal/Revenue Bonds	7,111,154	16.13
Agency	1,397,942	3.98
	147,534,038	
CORPORATE SECURITIES		
Asset Backed Securities	18,372,739	15.43
Bank Loans	25,425,360	5.74
Commercial Mortgage-Backed	5,058,639	22.73
Corporate and Other Credit	73,653,395	10.40
Non-Government Backed Collateralized Mortgage Obligations (CMOs)	51,750,918	22.68
	174,261,051	
REAL ESTATE FINANCING	**166,652,435**	-
Total Fixed Income Securities	**$ 488,447,524**	

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 in accordance with their 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 in accordance with their investment guidelines. 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.

SJCERA's exposure to foreign currency risk in U.S. dollars as of December 31, 2014 and 2013, is as follows:

CURRENCY	2014 FAIR MARKET VALUE	2013 FAIR MARKET VALUE
Australian Dollar	$ 433,048	$ 1,980,925
Brazilian Real	2,122,913	2,113,851
British Pound Sterling	16,405,575	22,468,850
Canadian Dollar	874,948	273,064
Euro Currency	15,773,726	17,605,915
Hong Kong Dollar	-	5,177,627
Israel Skekel	397,502	646,920
Japanese Yen	-	6,649,831
Malaysian Ringgit	-	296,474
Norwegian Krone	1,608,167	1,187,629
Singapore Dollar	1,757,105	3,778,778
South Africa Rand	361,358	415,114
Swedish Krona	-	623,424
Swiss Franc	1,869,517	2,225,166
Thailand Baht	-	367,079
Total	**$ 41,603,859**	**$ 65,810,647**

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. Exchange traded derivatives are generally considered to be of lower credit risk than over-the-counter derivatives due to the exchange's margin requirements. The derivative investments are exchange traded, and credit risk is limited to the clearing corporation. As of December 31, 2014 and 2013, collateral for derivatives was $45.1 million and $17.2 million, respectively. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted.

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The following Credit Risk Analysis schedule discloses the counterparty credit ratings of SJCERA's derivative investments at December 31, 2014 and 2013.

2014 CREDIT RISK ANALYSIS (AS OF DECEMBER 31, 2014)

	S & P Credit Rating	
DERIVATIVE TYPE	**A+**	**TOTAL FAIR VALUE**
Swap Agreements	(19,339)	(19,339)
Total	**$ (19,339)**	**$ (19,339)**

2013 CREDIT RISK ANALYSIS (AS OF DECEMBER 31, 2013)

	S & P Credit Rating	
DERIVATIVE TYPE	**A+**	**TOTAL FAIR VALUE**
Option Contracts	$ 289	$ 289
Swap Agreements	(54,759)	(54,759)
Total	**$ (54,470)**	**$ (54,470)**

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

2014 INTEREST RATE RISK (AS OF DECEMBER 31, 2014)

GLOBAL BONDS	FUTURES CONTRACTS	OPTION CONTRACTS
Canadian Government Bond	$ 19,305,923	$ -
Long Gilt	19,750,277	-
Japanese Government Bond	19,726,704	-
Euro Bond	19,239,860	-
U.S. Ten Year Notes	19,526,719	251,219
Total	**$ 97,549,483**	**$ 251,219**

2013 INTEREST RATE RISK (AS OF DECEMBER 31, 2013)

GLOBAL BONDS	FUTURES CONTRACTS	OPTION CONTRACTS
Canadian Government Bond	$ (12,638,231)	$ -
Long Gilt	(16,411,588)	-
Japanese Government Bond	12,247,828	-
Euro Bond	(5,548,799)	-
U.S. Ten Year Notes	(8,982,422)	219,391
Total	**$ (31,333,212)**	**$ 219,391**

SJCERA measures derivative interest rate risk using duration with varying maturities of less than three months to five years. At December 31, 2014 and 2013, SJCERA had the following investment derivative interest rate risks:

2014 INTEREST RATE RISK (AS OF DECEMBER 31, 2014)
(DOLLARS IN THOUSANDS)

DERIVATIVE TYPE	NOTIONAL VALUE	FAIR MARKET VALUE	< 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	10+ YEARS
Futures Contracts	$ 38,579	$ -	$(29,114)	$ 66,457	$ 1,236	$ -	$ -	$ -
Swap Agreements	-	218	-	-	-	237	-	(19)
Total	**$ 38,579**	**$ 218**	**$(29,114)**	**$ 66,457**	**$ 1,236**	**$ 237**	**$ -**	**$ (19)**

2013 INTEREST RATE RISK (AS OF DECEMBER 31, 2013)
(DOLLARS IN THOUSANDS)

DERIVATIVE TYPE	NOTIONAL VALUE	FAIR MARKET VALUE	< 3 MONTHS	3 TO 6 MONTHS	6 TO 12 MONTHS	1 TO 5 YEARS	5 TO 10 YEARS	10+ YEARS
Futures Contracts	$ 8,846	$ -	$(26,397)	$ 34,464	$ 779	$ -	$ -	$ -
Option Contracts	(284)	(568)	(139)	-	-	-	-	(145)
Swap Agreements	(357)	(715)	-	-	-	(303)	-	(55)
Total	**$ 8,205**	**$ (1,283)**	**$(26,536)**	**$ 34,464**	**$ 779**	**$ (303)**	**$ -**	**$ (200)**

Foreign Currency Risk: Foreign currency risk is the risk that changes in currency exchange rates will adversely affect the fair market 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, 2014 and 2013, SJCERA had the derivative foreign currency exposures listed in the table below.

2014 FOREIGN CURRENCY RISK ANALYSIS (AS OF DECEMBER 31, 2014)

CURRENCY	FUTURES CONTRACTS	EQUITY CONTRACTS OPTION CONTRACTS
Australian Dollar	$ (8,188,759)	$ 492,350
Canadian Dollar	(8,481,971)	(4,705,582)
Euro Currency	(8,304,254)	590,450
British Pound Sterling	(8,551,990)	-
Japanese Yen	(8,656,165)	905,000
Total	**$ (42,183,139)**	**$ (2,717,782)**

2013 FOREIGN CURRENCY RISK ANALYSIS (AS OF DECEMBER 31, 2013)

CURRENCY	FUTURES CONTRACTS	EQUITY CONTRACTS OPTION CONTRACTS
Australian Dollar	$ (5,474,457)	$ 115,380
Canadian Dollar	(14,036,565)	3,086,852
Euro Currency	14,215,560	27,288
British Pound Sterling	14,170,560	-
Japanese Yen	(13,712,554)	430,413
Total	**$ (4,837,791)**	**$ 3,659,933**

Derivatives are carried as assets when the fair market 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 SJCERA 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 non-standardized 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 market value represents the gains or losses as of the prior marking-to-market.

The Investment Derivatives schedule listed below reports the fair market value balances, changes in fair market value, and notional amounts of derivatives outstanding as of and for the years ended December 31, 2014 and 2013, classified by type.

INVESTMENT DERIVATIVES (AS OF DECEMBER 31, 2014 AND 2013)

	2014		2013	2014/2013
DERIVATIVE TYPE	NOTIONAL AMOUNT	FAIR MARKET VALUE	FAIR MARKET VALUE	CHANGE IN FAIR MARKET VALUE
Futures Contracts	$ 31,868,280	$ 7,308,921	$ 2,293,189	$ 5,015,732
Forward Contracts	-	-	-	-
Option Contracts	4,293,282	4,412,704	475,660	3,937,044
Swap Agreements	-	217,318	(357,392)	574,710
Total	**$ 36,161,562**	**$ 11,938,943**	**$ 2,411,457**	**$ 9,527,486**

All investment derivative positions are included as part of investments at fair market value on the Statement of Fiduciary Net Position. All changes in fair market value are reported as part of net appreciation/(depreciation) in fair market value of investments in the Statement of Changes in Fiduciary Net Position.

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

NOTE 6 – CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Defined Benefit Pension Plan

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.

Beginning in 2011, the County and a few special district employers have established employment resolutions and collective bargaining agreements that increase the employees' share of the cost of funding their retirement benefits. As of the close of 2014, most General Members and some Safety Members pay one-half of the cost of pre-funding post-retirement COLAs. Prior to 2012, the employer paid 100% of the cost to fund this benefit. Beginning in 2013, some of these members also began paying an additional percentage of the basic member contribution rate, which reduced the employers' Normal Cost portion of the required contribution. Employers pay all of the required UAL amortization payment.

Contribution rates are calculated by the actuary using the Entry Age Normal Funding Method (Cost Method) and the Actuarial Asset Valuation Method, consistent with the Board's Funding and Reserve Policies. The required contribution rates are expressed as a percentage of covered payroll. The 2014 and 2013 contribution rates were determined using the actuarial valuations performed as of January 1, 2013 and 2012, respectively.

The Actuarial Experience Study as of December 31, 2012, recommended significant contribution increases due to improving mortality rates and reducing the expected long-term rate of inflation, which also reduces the expected return on plan assets. The County requested, and the Board agreed, that employer contribution rates will increase by at least 2.97% per year (plus interest on any contribution shortfall from the full employer rates) in 2015 and 2016 to phase in the impact of the assumption changes adopted by the Board. This phase in of rate increases is consistent with model practice specified by the California Actuarial Advisory Panel (CAAP).

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Employer Contributions

The required employer contribution rates include Normal Cost and amortization of the Unfunded Actuarial Liability (UAL). The UAL is being amortized on a 19-year closed period as of January 1, 2014, when it will be decreased by one year with each annual valuation until a 12-year amortization period is reached.

EMPLOYER RETIREMENT CONTRIBUTION RATES Expressed as a Percentage of Active Member Payroll	2014 (Per 1/1/2013 Valuation)			2013 (Per 1/1/2012 Valuation)		
	Normal Cost	UAL Amortization	Total	Normal Cost	UAL Amortization	Total
TIER I						
FOR GENERAL MEMBERS						
Paying Basic Rate Only (G.C. 31621.3)	16.98%	16.92%	33.90%	15.70%	14.99%	30.69%
Paying Basic Rate with COLA Cost Share	14.89%	16.92%	31.81%	13.54%	14.99%	28.54%
Paying 114% of Basic Rate with COLA Cost Share	14.42%	16.92%	31.34%	13.07%	14.99%	28.06%
FOR SAFETY MEMBERS						
Paying Basic Rate Only (G.C. 31639.5)	30.01%	32.32%	62.33%	28.05%	27.56%	55.61%
Paying Basic Rate with COLA Cost Share	26.25%	32.32%	58.57%	23.97%	27.56%	51.53%
Paying 133% of Basic Rate with COLA Cost Share	24.84%	32.32%	57.16%	22.44%	27.56%	50.00%
COMPOSITE TOTAL FOR GENERAL AND SAFETY COMBINED						
Paying Basic Rate Only (G.C. 31621.3)	19.30%	19.63%	38.93%	17.88%	17.25%	35.12%
Paying Basic Rate with COLA Cost Share	16.92%	19.67%	36.59%	15.41%	17.25%	32.66%
Paying 114%/133% of Basic Rate with COLA Cost Share	16.28%	19.67%	35.95%	14.74%	17.25%	31.99%
TIER II						
For General Members	8.82%	16.92%	25.74%	8.47%	14.99%	23.46%
For Safety Members	14.49%	32.32%	46.81%	13.72%	27.56%	41.28%
Composite Total for General and Safety Combined	9.80%	19.63%	29.43%	9.40%	17.25%	26.65%

The composite employer contribution rates (for general and safety members combined) expressed as a percentage, or range of percentages, of covered payroll for the past six years are as follows:

CONTRIBUTION YEAR	TIER I	TIER II
2014	36.59% - 38.93%	29.43%
2013	32.66% - 35.12%	26.65%
2012	29.30% - 32.04%	-
2011	31.92%	-
2010	28.91%	-
2009	27.07%	-

Member Contributions

Employee contributions are deducted from the employees' salary on a biweekly basis.

Tier I members pay contributions based upon their membership category, General or Safety, and age at entry into membership. All Safety members of Tier I, and General members of Tier I employed prior to March 7, 1973, stop paying member contributions when they have 30 years of service, but continue to accrue retirement service credit for subsequent active employment subject to membership.

Tier II members pay contributions based upon their membership category equal to one-half of the normal cost of the applicable benefits.

In 2014, member contributions totaled $27,367,908, and employer contributions totaled $136,686,133. For 2013, members contributed $22,689,882, and employers contributed $119,494,319. Employee contributions increased by $4.7 million, or 20.62%, over the prior year, and employer contributions increased by $17.2 million, or 14.39%, over the prior year.

The member contribution rates adopted by the Board in 2013 (applicable for calendar year 2014) incorporate without phase-in the impact of the actuarial assumption changes recommended by the Actuarial Experience Study as of December 31, 2012, and adopted by the Board.

NOTE 7 – TEN-YEAR HISTORICAL TREND INFORMATION

The ten-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 POSITION RESTRICTED FOR PENSION BENEFITS

As required by the County Employees Retirement Law and the Board's policy, the following reserves from Net Position Restricted for Pension Benefits must be established and used to account for the members', employers', and retirees' contributions. For 2014, the Unappropriated Earnings Reserves were sufficient to fully credit interest earnings at the 7.5% assumption rates for all of the reserves. In addition, there were excess earnings to fund the Contingency Reserve at 0.55% of fair market value of the total assets at December 31, 2014. During 2013, there were excess earnings to fund the Contingency Reserve at 0.25% of fair market value of the total assets at December 31, 2013.

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 2014 and 2013, the assumption rates were 7.5% 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' Pension 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 the assumed nominal rate of return adopted by the Board, if sufficient Unappropriated Earnings Reserve funds exist.

The reserve at December 31, 2014, includes the authorized "Purchasing Power" benefit reserve of $5.4 million and 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

Earnings of the retirement fund during any year in excess of the total interest credited to contributions and reserves during the year remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments, and other contingencies. The County Employees Retirement Law provides that when the contingency reserve exceeds one percent of total assets, the retirement board may transfer all or any part of the surplus as specified in Government Code Section 31592.2. By policy, the SJCERA Board has set the Contingency Reserve target at three percent of total assets. The Contingency Reserve is 0.55%, and 0.25%, of the fair market value of total assets at December 31, 2014, and 2013, respectively.

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 market 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 position at December 31, 2014, and December 31, 2013, is as follows:

	2014	2013
RESERVES		
Active and Deferred Members	$ 280,034,697	$ 260,673,974
Employer Advance	921,181,034	808,003,483
Retired Members	1,270,275,484	1,216,224,499
Class Action Settlement - Post–4/1/82	6,338,007	8,765,004
Contingency	13,458,427	6,012,981
Market Stabilization Designation	(24,938,120)	41,832,422
Total Reserves	**$ 2,466,349,529**	**$ 2,341,512,363**

h. Post-Employment Healthcare Agency Fund

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 a determination letter and Voluntary Compliance Program (VCP) with the IRS. As a result of the IRS filing, the Board decided to “freeze” the Post-Employment Healthcare Agency Fund pending the response from the IRS. SJCERA received a favorable plan determination letter from the IRS dated January 29, 2014. In compliance with SJCERA’s VCP filing as approved by the IRS, $19.9 million was transferred from the Post-Employment Healthcare Agency Fund to the Defined Benefit Pension Plan in 2014. The Post-Employment Healthcare Agency Fund is used for cash flows in from employers to fund Sick Leave Bank Benefits for their eligible retired employees on a pay-as-you-go basis, and for cash flows out for payment of Sick Leave Bank Benefits. This is explained in Note 2.

NOTE 9 – NET PENSION LIABILITY

a. Net Pension Liability of Employers

SJCERA is a cost-sharing multiple-employer pension plan with a reporting date of December 31, 2014. Measurements as of the reporting date are based on the fair market value of assets as of December 31, 2014, and the Total Pension Liability as of valuation date, January 1, 2014, updated to December 31, 2014. There were no significant events between the valuation date and the measurement date so the updated procedures only include the addition of service cost and interest cost offset by benefit payments. Beginning of the year measurements are also based on the actuarial valuation as of January 1, 2014. Because the beginning and ending value are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year.

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The net pension liability (i.e., the pension plan's liability determined in accordance with GASB Statement No. 67 less the plan net position) is shown below:

CHANGE IN COLLECTIVE NET PENSION LIABILITY

	INCREASE (DECREASE)		
PLAN	TOTAL PENSION LIABILITY (A)	PENSION PLAN FIDUCIARY NET POSITION (B)	NET PENSION LIABILITY (A-B)
Balance at December 31, 2013	**$ 3,592,617,984**	**$ 2,341,512,363**	**$ 1,251,105,621**
CHANGES FOR THE YEAR			
Service Cost	90,429,416	-	90,429,416
Interest	266,668,435	-	266,668,435
Changes of Benefits	-	-	-
Changes of Assumptions	-	-	-
Differences Between Expected and Actual Experience	-	-	-
Contributions - Employer	-	136,686,133	(136,686,133)
Contributions - Employee	-	27,367,908	(27,367,908)
Net Investment Income	-	110,651,111	(110,651,111)
Miscellaneous Income	-	77,192	(77,192)
Transfer Between Plans	-	19,968,779	(19,968,779)
Benefit Payments, Including Refunds of Employee Contributions	(165,870,971)	(165,870,971)	-
Administrative Expenses	-	(4,042,986)	4,042,986
Net Changes	**191,226,880**	**124,837,166**	**66,389,714**
Balance at December 31, 2014	**$ 3,783,844,864**	**$ 2,466,349,529**	**$ 1,317,495,335**

The Net Pension Liability was measured as of December 31, 2014 and 2013, and determined based upon rolling forward the Total Pension Liability from actuarial valuations as of January 1, 2014 and 2013, respectively.

b. Actuarial Assumptions

SJCERA retains an independent actuarial firm to conduct actuarial valuations of the pension plan to monitor SJCERA's funding status and to establish the contribution rate requirements for the pension plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB Statement No. 67.

Key methods and assumptions used in the latest actuarial valuations are presented below:

Inflation	3.00%
Projected Salary Increases	3.25%, plus service-based rates, which includes 3.00% inflation
Nominal Rate of Return	7.50%, net of pension plan invesment expense, including inflation

c. Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The allocation of investment assets within SJCERA's portfolio is approved by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The long-term expected rate of return on defined benefit pension plan investment assets was determined using a building-block method in which best estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation. The following table displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

ASSET CLASS	TARGET ALLOCATION	LONG-TERM EXPECTED REAL RATE OF RETURN
Fixed Income	24.00%	1.20%
U.S. Equities	16.25%	5.80%
Non-U.S. Equities	16.25%	6.20%
Global Equity	1.50%	6.20%
Real Estate	10.00%	4.40%
Real Assets	7.00%	1.80%
Global Opportunistic Strategy	15.00%	7.50%
Risk Parity	10.00%	4.50%
Total	**100.00%**	

d. Discount Rate

The discount rates used to measure the total pension liability was 7.50% as of December 31, 2014 and 2013, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the pension plan's plan net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of both December 31, 2014 and 2013.

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

The following presents the net pension liability of SJCERA as of December 31, 2014, calculated using the discount rate of 7.50%, as well as what SJCERA's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	1% DECREASE (6.50%)	CURRENT DISCOUNT RATE (7.50%)	1% INCREASE (8.50%)
Total Pension Liability	$ 4,293,367,737	$ 3,783,844,864	$ 3,364,450,722
Pension Plan Fiduciary Net Position	2,466,349,529	2,466,349,529	2,466,349,529
Collective Net Pension Liability	**$ 1,827,018,208**	**$ 1,317,495,335**	**$ 898,101,193**
Plan Net Position as a Percentage of the Total Pension Liability	**57.45%**	**65.18%**	**73.31%**

f. 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	01/01/2014	$ 2,285,166	$ 3,561,859	$ 1,276,693	64.2%	$ 388,691	328.5%

g. Rate of Return

For the year ended December 31, 2014, the annual money-weighted rate of return on investments, net of investment expense, was 4.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NOTE 10 – 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 11 – 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 2014 and 2013 was 0.11% and 0.12% of the actuarial accrued liability, respectively. SJCERA was in compliance with this requirement during 2014 and 2013.

NOTE 12 – PENDING LITIGATION

There is no pending litigation impacting SJCERA as of December 31, 2014.

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 $198.1 million and $219.4 million at December 31, 2014 and 2013, respectively.

NOTE 14 – SUBSEQUENT EVENTS

SJCERA has evaluated subsequent events through June 4, 2015, the date on which the financial statements were available to be issued. There are no pending subsequent events.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED DECEMBER 31, 2014

	DECEMBER 31, 2014*
TOTAL PENSION LIABILITY	
Service Cost	$ 90,429,416
Interest (Includes Interest on Service Cost)	266,668,435
Change of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Benefit Payments, Including Refunds of Employee Contributions	(165,870,971)
Net Change in Total Pension Liability	**191,226,880**
Total Pension Liability - Beginning	**3,592,617,984**
Total Pension Liability - Ending (a)	**$ 3,783,844,864**
PLAN NET POSITION	
Contributions - Employer	$ 136,686,133
Contributions - Employee	27,367,908
Net Investment Income	110,651,111
Miscellaneous Income	77,192
Transfer Between Plans	19,968,779
Benefit Payments, Including Refunds of Employee Contributions	(165,870,971)
Administrative Expenses	(4,042,986)
Net Change in Plan Net Position	**124,837,166**
Plan Net Position - Beginning	**2,341,512,363**
Plan Net Position - Ending (b)	**$ 2,466,349,529**
Net Pension Liability - Ending (a)-(b)	**$ 1,317,495,335**
Plan Net Position as a Percentage of the Total Pension Liability	**65.18%**
Covered Employee Payroll**	**$ 376,030,944**
Plan Net Position Liability as a Percentage of Covered Employee Payroll	**350.37%**

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

** Covered Employee Payroll reported by plan sponsors for 2014.

REQUIRED SUPPLEMENTARY INFORMATION

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

FOR THE TEN YEARS ENDING DECEMBER 31, 2014

2014–2010

	2014	2013	2012	2011	2010
Actuarially Determined Contributions	$136,686,133	$119,494,319	$108,062,510	$112,891,701	$104,451,673
Contributions in Relation to the Actuarially Determined Contribution	136,686,133	119,494,319	108,062,510	112,891,701	104,451,673
Contribution Deficiency / (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll*	$376,030,944	$362,650,568	$356,419,000	$367,344,000	$385,442,000
Contributions as a Percentage of Covered Employee Payroll	36.35%	32.95%	30.32%	30.73%	27.10%

2009–2005

	2009	2008	2007	2006	2005
Actuarially Determined Contributions	$ 97,805,585	$ 94,162,866	$ 85,686,698	$ 73,611,841	$ 62,508,615
Contributions in Relation to the Actuarially Determined Contribution	97,805,585	94,162,866	85,686,698	73,611,841	62,508,615
Contribution Deficiency / (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Employee Payroll*	$377,559,000	$367,561,000	$340,828,000	$309,692,000	$296,473,000
Contributions as a Percentage of Covered Employee Payroll	25.90%	25.62%	25.14%	23.77%	21.08%

* Covered Employee Payroll reported by plan sponsors for 2013 and 2014. Previous years' amounts are based on projected payroll from the actuarial valuation reports.

SCHEDULE OF INVESTMENT RETURNS

FOR THE YEAR ENDED DECEMBER 31, 2014

	DECEMBER 31, 2014*
Annual Money-Weighted Rate of Return, Net of Investment Expense	4.29%

* Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. It is calculated by finding the rate of return that will set the present values of all cash flows and terminal values equal to the value of the initial investment. The money-weighted rate of return is equivalent to the internal rate of return (IRR).

Time-weighted rate of return is assumed that all cash distributions are reinvested in the portfolio and the exact same periods are used for comparisons. When calculating the time-weighted rate of return, the effect of varying cash inflows is eliminated by assuming a single investment at the beginning of a period and measuring the growth or loss of market value to the end of that period.

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NOTE 1 - KEY METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

The following actuarial methods and assumptions were used to determine contribution rates in the Schedule of Employer Contributions, for the year ended December 31, 2014:

Valuation Date	January 1, 2013
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the plan year.
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	26 Years for 2008 Extraordinary Loss, 20 Years for Remaining UAL (22 Year Single Equivalent Period)
Asset Valuation Method	Smoothed Actuarial Value (5 years) 80%-120% Asset Corridor
ACTUARIAL ASSUMPTIONS:	
Nominal Rate of Return	7.50%
Projected Salary Increases	3.25%, plus service-based rates
General Inflation Rate	3.00%
Cost of Living Adjustments	2.60% per year assumed
Healthy Mortality	Sex distinct Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, with Generational Projection using Projection Scale BB.
Disabled Mortality	Sex distinct Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, with Generational Projection using Projection Scale BB, set-forward eight years for males and females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending December 31, 2014, can be found in the January 1, 2013, actuarial valuation report.

NOTE 2 - CHANGES OF ASSUMPTIONS

In 2013, Cheiron Actuaries recommended minor changes in demographic assumptions for rates of retirement, disability, and termination and a more significant change in mortality rates by using mortality projection Scale BB that incorporates an automatic expectation of future improvements in mortality. In addition, the actuary recommended changes in economic assumptions to reduce the long-term inflation rate from 3.25% to 3.00%, and maintain the Real Rate of Return at 4.5%, resulting in a decrease in the Nominal Rate of Return from 7.75% to 7.50%. The Board approved the recommended changes in demographic and economic assumptions as presented by Cheiron and discussed in the Actuarial Experience Study report for January 1, 2010, through December 31, 2012. New Governmental Accounting Standards Board standards require that administrative expenses are no longer used to reduce the discount rate, but are instead included in the plan cost as a separate item. The Board approved the employer's request to defer for 2014 and phase-in for 2015 and 2016 the impact of the actuarial assumption changes on employer contribution rates.

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SCHEDULE OF ADMINISTRATIVE EXPENSES
FOR THE YEARS ENDING DECEMBER 31, 2014 AND 2013

	2014	2013
PERSONNEL SERVICES		
Staff Salaries	$ 1,400,357	$ 1,442,034
Cafeteria Benefits	152,021	147,428
Insurance	238,662	242,697
Social Security	96,221	96,003
Retirement	482,792	436,788
Total Personnel Services	**2,370,053**	**2,364,950**
PROFESSIONAL SERVICES		
Professional and Specialized Services	583,950	603,283
Allocated Department Costs	23,550	47,853
Total Professional Services	**607,500**	**651,136**
COMMUNICATIONS		
Postage	25,170	21,128
Telephone	17,860	14,446
Travel	65,196	66,096
Total Communications	**108,226**	**101,670**
RENTALS/EQUIPMENT		
Office Space and Equipment	201,876	259,561
Equipment	10,545	5,035
Depreciation-Equipment	121,231	120,513
Equipment Leasing	17,047	13,365
Total Rentals/Equipment	**350,699**	**398,474**
MISCELLANEOUS		
Office Supplies/Expense	75,441	44,124
Subscriptions and Periodicals	12,193	9,625
Memberships	9,226	7,812
Maintenance	8,996	3,180
License and Permits	-	748
Insurance	94,529	91,138
Total Miscellaneous	**200,385**	**156,627**
Total Administrative Expense	**$ 3,636,863**	**$ 3,672,857**

SCHEDULE OF INVESTMENT EXPENSES

FOR THE YEARS ENDING DECEMBER 31, 2014 AND 2013

	2014	2013
INVESTMENT MANAGEMENT FEES		
U.S. Equity	$ 1,296,248	$ 1,110,249
Non-U.S. Equity	852,669	462,967
Global Equity	255,848	196,551
Fixed Income	2,433,468	2,668,268
Real Estate - Private Managers	3,813,646	3,909,080
Real Estate - Investment Trust	289,865	349,741
Real Assets	730,137	1,057,512
Global Opportunistic	5,147,253	4,729,983
Risk Parity	1,248,087	960,265
Short Term Investments/Cash and Equivalents	208,781	158,216
Total Investment Management Fees	**16,276,002**	**15,602,832**
OTHER INVESTMENT FEES AND EXPENSES		
Custodian Fees	271,385	265,797
Investment Consultant Fees	472,780	438,350
Miscellaneous Investment Expense	282,184	90,530
Notional Interest Expense	906,740	743,950
Total Investment Fees and Interest Expenses	**1,933,089**	**1,538,627**
Total Investment Expenses	**$ 18,209,091**	**$ 17,141,459**

SCHEDULE OF PAYMENTS TO CONSULTANTS

FOR THE YEARS ENDING DECEMBER 31, 2014 AND 2013

	2014	2013
NATURE OF SERVICE		
Actuarial-Retainer and Valuation*	$ 161,342	$ 217,819
Audit	60,705	60,705
Legal Counsel-Processing of Disabilities	244,781	244,040
Business Technology Services	120,400	108,850
Total Payments to Consultants	**$ 587,228**	**$ 631,414**

* For 2013, includes triennial experience study.

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

FOR THE YEAR ENDED DECEMBER 31, 2014

	BALANCE JANUARY 1, 2014	ADDITIONS	DELETIONS	BALANCE DECEMBER 31, 2014
ASSETS				
Cash and Cash Equivalents	$ 530,442	$ 129,746	$ (660,112)	$ 76
Cash Collateral - Securities Lending	908,111	245,834	(1,153,801)	144
Receivables	177,485	5,122	(182,604)	3
Investments	19,131,805	3,561,175	(22,690,894)	2,086
Total Assets	**$ 20,747,843**	**$ 3,941,877**	**$(24,687,411)**	**$ 2,309**
LIABILITIES				
Securities Lending - Cash Collateral	$ 908,110	$ 245,834	$ (1,153,800)	$ 144
Securities Purchased, Not Paid	46,053	1,707	(47,759)	1
Accrued Expense and Other Payables	13,034	3,414	(16,446)	2
Securities Lending Interest and Other Expense	-	-	-	-
Retiree Sick Leave Bank Benefits Payable	19,780,646	3,690,921	(23,469,405)	2,162
Total Liabilities	**$ 20,747,843**	**$ 3,941,876**	**$(24,687,410)**	**$ 2,309**

Note: Please see Note 2 for the details of the $19.9 million transfer between plans.

SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS

FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	DECEMBER 31, 2014		DECEMBER 31, 2013	
EMPLOYER	PROPORTIONATE SHARE [1]	NET PENSION LIABILITY [2]	PROPORTIONATE SHARE [1]	NET PENSION LIABILITY [2]
County of San Joaquin	94.2002%	$ 1,241,083,242	94.2535%	$1,179,210,835
Superior Courts	3.4414%	45,340,284	3.3841%	42,338,665
Manteca-Lathrop Rural Fire Protection District	1.0103%	13,310,655	1.0054%	12,578,616
Waterloo-Morada Rural Fire Protection District	0.4405%	5,803,567	0.4261%	5,330,961
Tracy Public Cemetery District	0.0435%	573,110	0.0384%	480,425
SJC Mosquito and Vector Control District	0.5218%	6,874,691	0.5186%	6,488,234
SJC Historical Society and Museum	0.0281%	370,216	0.0282%	352,812
Mountain House Community Services Dist	0.2931%	3,861,579	0.3113%	3,894,692
Local Agency Formation Commission	0.0075%	98,812	0.0261%	326,539
San Joaquin County Law Library	0.0136%	179,179	0.0083%	103,842
Total	**100.0000%**	**$1,317,495,335**	**100.0000%**	**$1,251,105,621**

[1] As SJCERA is a cost-sharing multiple-employer pension plan, each employer participating in SJCERA must reflect a portion the collective net pension liability and pension expense in their financial statement. The calculation for the proportionate share for each employer allocates net pension liability and pension expense based on each employer's share of the unfunded liability amortization payment.

[2] Proportionate share of net pension liability is based on the actuarial valuation.

SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN

AS OF DECEMBER 31, 2014

		DEFERRED OUTFLOWS OF RESOURCES					DEFERRED INFLOWS OF RESOURCES					PENSION EXPENSE		
EMPLOYER	NET PENSION LIABILITY	DIFFERENCES BETWEEN EXPECTED AND ACTUAL ECONOMIC EXPERIENCE	DIFFERENCES BETWEEN PROJECTED AND ACTUAL INVESTMENT EARNINGS	CHANGES OF ASSUMPTIONS	CHANGES IN PROPORTION AND DIFFERENCES BETWEEN CONTRIBUTIONS AND PROPORTIONATE SHARE OF PENSION EXPENSE	TOTAL DEFERRED OUTFLOWS OF RESOURCES	DIFFERENCES BETWEEN EXPECTED AND ACTUAL ECONOMIC EXPERIENCE	DIFFERENCES BETWEEN PROJECTED AND ACTUAL INVESTMENT EARNINGS	CHANGES OF ASSUMPTIONS	CHANGES IN PROPORTION AND DIFFERENCES BETWEEN CONTRIBUTIONS AND PROPORTIONATE SHARE OF PENSION EXPENSE	TOTAL DEFERRED INFLOWS OF RESOURCES	PROPORTIONAL SHARE OF PLAN PENSION EXPENSE	NET AMORTIZATION OF DEFERRED AMOUNTS FROM CHANGES IN PROPORTION AND PROPORTIONATE SHARE OF PENSION EXPENSE	TOTAL PENSION EXPENSE
County of San Joaquin	**$1,241,083,242**	$ -	$ 49,289,044	$ -	$ -	**$49,289,044**	$ -	$ -	$ -	$ 791,660	**$ 791,660**	$ 142,008,812	$ (205,094)	**$141,803,718**
Superior Courts	**45,340,284**	-	1,800,668	-	842,620	**2,643,288**	-	-	-	-	-	5,187,984	218,295	**5,406,279**
Manteca-Lathrop Rural Fire Protection District	**13,310,655**	-	528,626	-	48,690	**577,316**	-	-	-	26,793	**26,793**	1,523,049	5,673	**1,528,722**
Waterloo-Morada Rural Fire Protection District	**5,803,567**	-	230,486	-	143,089	**373,575**	-	-	-	41,888	**41,888**	664,063	26,218	**690,281**
Tracy Public Cemetery District	**573,110**	-	22,761	-	50,677	**73,438**	-	-	-	7,908	**7,908**	65,576	11,080	**76,656**
SJC Mosquito and Vector Control District	**6,874,691**	-	273,025	-	31,797	**304,822**	-	-	-	8,866	**8,866**	786,625	5,941	**792,566**
SJC Historical Society and Museum	**370,216**	-	14,703	-	278	**14,981**	-	-	-	994	**994**	42,361	(185)	**42,176**
Mountain House Community Services District	**3,861,579**	-	153,361	-	-	**153,361**	-	-	-	207,319	**207,319**	441,854	(53,709)	**388,145**
Local Agency Formation Commission	**98,812**	-	3,924	-	91,920	**95,844**	-	-	-	184,824	**184,824**	11,306	(24,068)	**(12,762)**
San Joaquin County Law Library	**179,179**	-	7,116	-	61,180	**68,296**	-	-	-	-	-	20,501	15,850	**36,351**
Totals	**$1,317,495,335**	**$ -**	**$52,323,714**	**$ -**	**$ 1,270,251**	**$53,593,965**	**$ -**	**$ -**	**$ -**	**$ 1,270,252**	**$1,270,252**	**$150,752,131**	**$ 1**	**$150,752,132**

INVESTMENT

We are like islands in the sea,
separate on the surface,
but connected in the deep.
—William James

Communicate

SHARE YOUR PLANS AND PROGRESS WITH YOUR SHIPMATES AND THOSE WHO REMAIN ASHORE; THEY ALL HAVE A STAKE IN THE SUCCESS OF YOUR VOYAGE.

STOCKTON, CALIFORNIA PHOTO USED WITH PERMISSION FROM THOMAS VANDER WAL

Although the Delta is now an exceptionally rich agricultural area (over a $500 million crop value in 1993), its unique value is as a source of freshwater for the rest of the State. It is the heart of a massive north-to-south water delivery system. Much of this water is pumped southward for use in the San Joaquin Valley and elsewhere in central and southern California.

SAN JOAQUIN C▲E▲R▲A

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STRATEGIC INVESTMENT SOLUTIONS, INC.

333 BUSH STREET, SUITE. 2000
SAN FRANCISCO, CALIFORNIA 94104
TEL 415/362-3484 + FAX 415/362-2752

SAN JOAQUIN COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION

Summary

The stock market posted a positive return in 2014, extending its streak of annual gains to six consecutive years. The bull market that began in March of 2009 is now the fourth longest on record. There was a notable shift in market internals for the year: Small cap equities, which had led the market higher in the prior two calendar years, lagged large cap stocks by a wide margin in 2014.

SJCERA at the total plan level experienced a +5.5% return for the year. The +5.5% result was above SJCERA's policy benchmark of +5.4% by +10 basis points; primarily as a result of above-average performance by Real Estate and Real Assets active management.

Two broad themes dominated the investment landscape in 2014. First, the continuing improvement in the United States economy, especially relative to the nation's other major trading partners. The dramatic drop in the price of crude oil in the latter half of 2014 was the second theme.

While investors continue to lament the historically low yields in U.S. bonds, the reality is that even the 2.2% yield for the 10-year U.S. Treasury note at year-end was still superior to the anemic yields on some European sovereign debt, as well as Japanese government bonds. The higher payout available on U.S. debt has not only created strong global demand for U.S. bonds, but also contributed to a rise in the relative value of the U.S. dollar. A trade-weighted index of the U.S. dollar relative to major currencies gained more than 10% in 2014. The strong U.S. dollar may also provide a reason for the Federal Reserve to continue to delay a rate increase, as any rate increase would further strengthen the dollar.

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 November 2013, the Board of Retirement lowered its annual earnings assumption from 7.75% to 7.50%. 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 (16.25% US Equities, 16.25% Non-US Equities, 1.5% Global Equities, 24% U.S. Fixed Income, 10% Real Estate, 7% Real Assets, 15% Global Opportunistic, and 10% Risk Parity). 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.

Investment Objectives

Investment returns achieved through December 31, 2014 have been calculated using a time-weighted rate of return methodology based upon market values. In 2014, SJCERA met its management goals of ensuring sufficient funds available to pay vested benefits and maintain supplemental benefits, complying with applicable fiduciary standards.

Investment Results

PERIODS ENDED 12/31/2014	ONE YEAR	THREE YEARS	FIVE YEARS
Domestic Equity *Russell 3000*	+9.8% +12.6%	+21.0% +20.5%	+14.4% +15.8%
Non-US Equity *MSCI ACWI ex-US Free*	-4.4% -3.4%	+10.4% +9.5%	+5.3% +4.9%
Global Equity *MSCI World*	-3.1% +5.5%		
Fixed Income *Barclays US Aggregate*	+5.4% +6.0%	+6.6% +2.7%	+7.3% +4.4%
Real Assets *Real Assets Benchmark*	+5.2% -7.8%	+0.1% -3.9%	+3.3% +0.4%
Global Opportunistic *9.0% Annual Benchmark*	+7.4% +9.0%		
Risk Parity *Risk Parity Benchmark*	+2.7% +5.0%		
Real Estate *Real Estate Benchmark*	+14.8% +14.2%	+15.5% +13.3%	+17.7% +13.7%
Total Fund *Policy Benchmark** *Public Fund Median*	+5.5% +5.4% +5.6%	+9.1% +7.9% +11.4%	+4.5% +7.3% +9.7%

Investment returns achieved through December 31, 2014 have been calculated using a time-weighted rate of return methodology based upon market values.

* Policy Benchmark is 16.25% Russell 3000/ 14.6% Barclays US Aggregate/ 1.5% MSCI World/ 4% 3-Month US Libor/ 2.4% S&P/LSTA Leveraged Loan/ 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.

Nathan Pratt

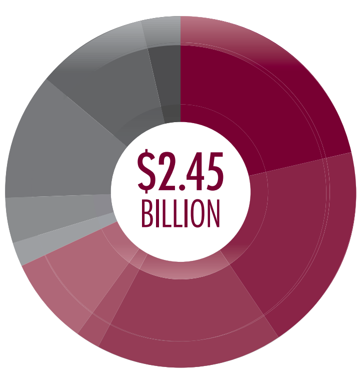
Nathan A. Pratt, CFA
Vice President
Strategic Investment Solutions, Inc.

INVESTMENT

ASSET ALLOCATION AS OF DECEMBER 31, 2014

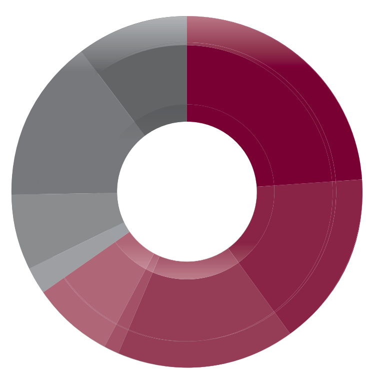
	INVESTMENT	ACTUAL ALLOCATION	TARGET ALLOCATION
Fixed Income	$ 527,386,714	21.43%	24.00%
U.S. Equity	474,869,483	19.31%	16.25%
Non U.S. Equity	416,976,021	16.96%	16.25%
Global Equity	57,668,538	2.35%	1.50%
Real Estate (Private)	199,743,290	8.13%	7.50%
Real Estate Investment Trust	53,966,411	2.20%	2.50%
Real Assets	108,824,203	4.33%	7.00%
Global Opportunistic	278,197,533	11.51%	15.00%
Risk Parity	253,750,176	10.32%	10.00%
Short Term Investment/Cash/ Cash Equivalents	86,304,662	3.46%	0.00%
Total	**$ 2,457,687,031**	**100.00%**	**100.00%**

ACTUAL ALLOCATION



21.43%	FIXED INCOME	24.00%
19.31%	U.S. EQUITY	16.25%
16.96%	NON U.S. EQUITY	16.25%
2.35%	GLOBAL EQUITY	1.50%
8.13%	REAL ESTATE (PRIVATE)	7.50%
2.20%	REAL ESTATE INVESTMENT TRUST	2.50%
4.33%	REAL ASSETS	7.00%
11.51%	GLOBAL OPPORTUNISTIC	15.00%
10.32%	RISK PARITY	10.00%
3.46%	SHORT TERM INVESTMENT/ CASH/CASH EQUIVALENTS	0.00%

TARGET ALLOCATION



LIST OF LARGEST ASSETS HELD

LARGEST STOCK HOLDINGS (BY MARKET VALUE)
DECEMBER 31, 2014

	SHARES	STOCKS	MARKET VALUE
1	45,373.00	CONSTANT CONTACT INC COM STK	$ 1,665,189
2	38,763.00	SYNCHRONOSS TECHNOLOGIES INC COM STK	1,622,619
3	78,357.00	LIFELOCK INC COM	1,450,388
4	32,364.00	GEA GROUP AG NPV	1,433,331
5	25,789.00	AMSURG CORP COM	1,411,432
6	31,999.00	HEXCEL CORP NEW COM	1,327,639
7	14,114.00	BUNGE LTD	1,283,104
8	37,186.00	HILLENBRAND INC COM STK	1,282,917
9	31,724.00	CARDTRONICS INC COM STK	1,223,912
10	40,568.00	ECHO GLOBAL LOGISTICS INC COM	1,184,586

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

LARGEST BOND HOLDINGS (BY MARKET VALUE)
DECEMBER 31, 2014

	PAR	BONDS	MARKET VALUE
1	10,472,204.76	MFO STONE HBR INVT FDS EMERGING MKTS DEBT FD INSTL CL	$ 9,662,975
2	7,417,191.13	US TREAS NTS NTS DTD 01/15/2013 TIPS	7,367,920
3	6,384,841.78	US TREAS BDS INDEX LINKED NOTES 2.375 DUE 01/15/2017 REG	6,447,001
4	6,390,319.40	UK (GOVT OF) 1.875% I/L STK 22/11/22 GBP	6,193,292
5	6,246,322.03	US TREAS NTS INFLATION LINKED 2.50 DUE 07/15/2016 REG	6,040,099
6	6,153,178.71	UK (GOVT OF) 2.5% I/L GIL T 17/07/24 GBP	5,988,362
7	4,811,077.98	US TREAS NTS INDEX LINKED 2.125 01/15/2019 REG	4,634,756
8	4,512,128.90	US TREAS NTS 0.375 DUE 04/15/2015 REG	4,503,515
9	4,373,301.28	US TREAS NTS 1.125% TIPS 15/1/21 USD 1000 01/15/2021	4,213,942
10	4,424,590.10	FRANCE (GOVT OF) 1.1% OATEI 25/07/2022 EUR1	4,012,940

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

SCHEDULE OF INVESTMENT FEES

	2014	2013
INVESTMENT MANAGEMENT FEES		
Fixed Income	$ 2,433,468	$ 2,668,268
U.S. Equity	1,296,248	1,110,249
Non-U.S. Equity	852,669	462,967
Global Equity	255,848	196,551
Real Estate - Private Managers	3,813,646	3,909,080
Real Estate - Investment Trust	289,865	349,741
Real Assets	730,137	1,057,512
Global Opportunistic	5,147,253	4,729,983
Risk Parity	1,248,087	960,265
Short Term Investments/Cash and Equivalents	208,781	158,216
	$ 16,276,002	**$ 15,602,832**
OTHER INVESTMENT FEES		
Custodian Fees	271,385	265,797
Investment Consultant Fees	472,780	438,350
Miscellaneous Investment Expense	282,184	90,530
Notional Interest Expense	906,740	743,950
	$ 1,933,089	**$ 1,538,627**
Total Investment Expenses	**$ 18,209,091**	**$ 17,141,459**
SECURITY LENDING FEES		
Security Lending Fees and Interest Expense	157,231	137,437
Total Investment Fees and Expenses	**$ 18,366,322**	**$ 17,278,896**

SCHEDULE OF FEES AND COMMISSIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

	BROKER	COMMISSION PAID	COMMISSIONS PER SHARE
1	NORTHERN TRUST CO	44,337	13.17%
2	TOURMALINE PARTNERS LLC	23,862	7.09%
3	RBC DAIN RAUSCHER	20,978	6.23%
4	ROBERT W. BAIRD & COMPANY INC MILWAUKEE USA	13,079	3.89%
5	GOLDMAN SACHS & COMPANY	9,104	2.71%
6	JONESTRADING INST SERV	8,168	2.43%
7	LIQUIDNET INC	8,114	2.41%
8	INSTINET	8,070	2.40%
9	INVESTMENT TECHNOLOGY GROUP INC	7,263	2.16%
10	BLAIR, WILLIAM & CO	7,239	2.15%
11	OTHERS*	186,344	55.36%
	Grand Total	**$ 336,558**	**100.00%**

* Includes approximately 146 additional firms, each with less than 2% of total commissions.

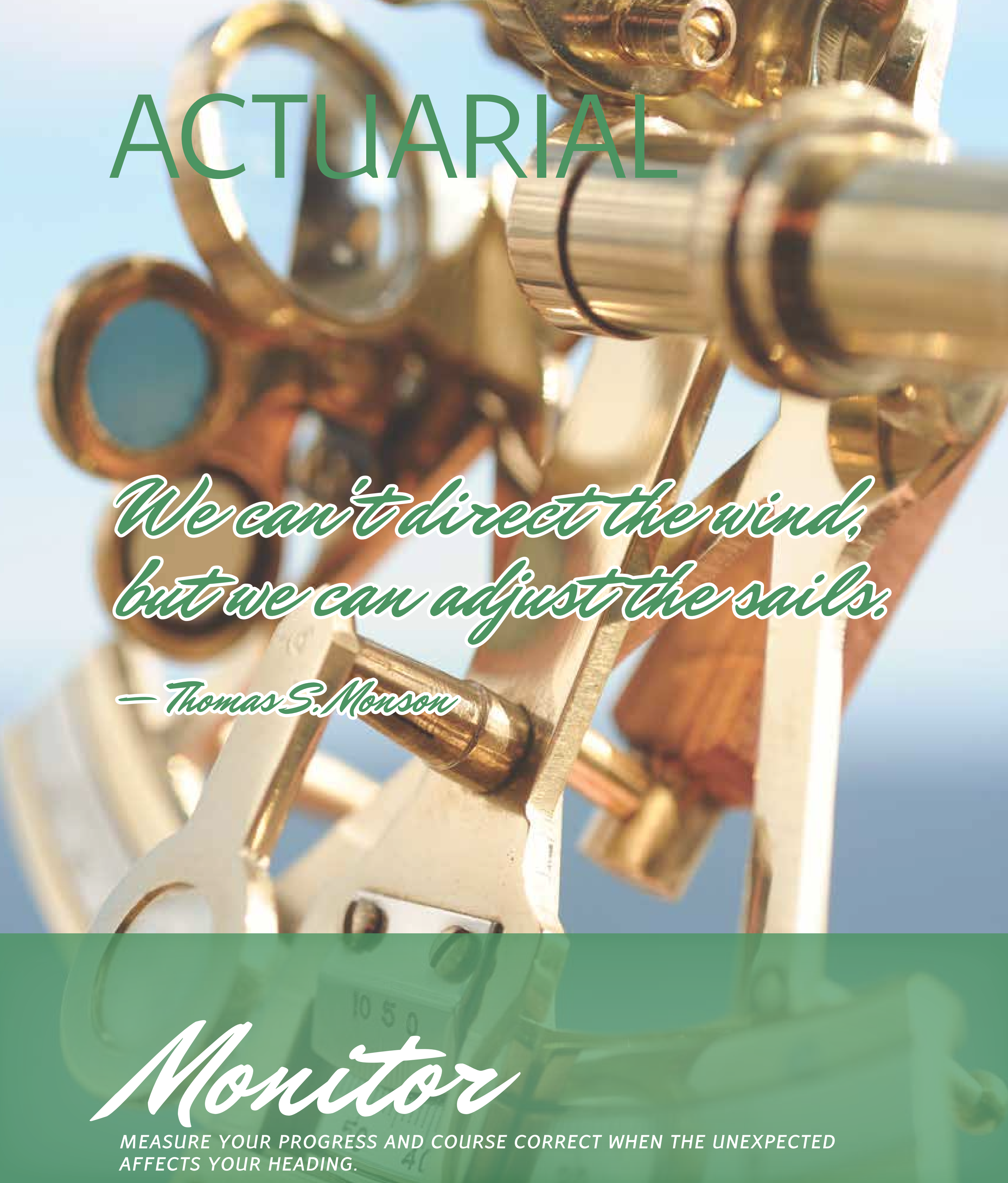
INVESTMENT SUMMARY

	FAIR VALUE DECEMBER 31, 2014	PERCENTAGE OF FAIR VALUE
FIXED INCOME		
Double Line Capital	106,161,572	4.4%
Dodge & Cox	109,363,128	4.4%
Mesa West Real Estate Income II	14,082,010	0.6%
Mesa West Real Estate Income III	20,148,925	0.8%
Prima Capital Advisors	134,118,027	5.5%
Stone Harbor Emerging Market Debt	83,460,128	3.4%
Stone Harbor Leveraged Loan Fund	60,052,924	2.4%
Total Fixed Income	**$ 527,386,714**	**21.5%**
U.S. EQUITY		
BlackRock R1000 Index	307,112,060	12.5%
Capital Prospects	83,362,348	3.4%
Legato Capital Management	84,395,075	3.4%
Total U.S. Equity	**$ 474,869,483**	**19.3%**
NON-U.S. EQUITY		
BlackRock MSCI World Ex-US	162,382,842	6.6%
Research Affiliates International	168,987,178	6.9%
Research Affiliates Emerging Markets	85,606,001	3.5%
Total Non-U.S. Equity	**$ 416,976,021**	**17.0%**
GLOBAL EQUITY		
Kleinwort Benson	57,668,538	2.3%
Total Global Equity	**$ 57,668,538**	**2.3%**
REAL ESTATE - PRIVATE MANAGERS		
Almanac Realty Securities VI	8,300,000	0.3%
Colony Realty Parners III	20,058,600	0.8%
Colony Realty Parners IV	13,087,700	0.5%
Greenfield Acquisition Partners V	8,130,264	0.3%
Greenfield Acquisition Partners VI	22,732,492	1.0%
Greenfield Acquisition Partners VII	9,600,263	0.4%
Legacy Partners Realty Fund II	1,000	0.0%
Legacy Partners Realty Fund III	10,383,523	0.4%
Miller Global Fund V	6,450,245	0.3%
Miller Global Fund VI	18,424,350	0.7%
Miller Global Fund VII	9,988,286	0.4%
Prologis Targeted US Logistics Fund	33,171,799	1.4%
Deutsche Asset & Wealth Mgt (RREEF America REIT III)	8,356,870	0.3%
Sarofim Multifamily Partners II	4,263,994	0.2%
Walton Street Fund V	13,227,951	0.5%
Walton Street Fund VI	13,565,953	0.6%
Total Real Estate - Private Managers	**$ 199,743,290**	**8.1%**

(Continued on page 84)

INVESTMENT SUMMARY

		FAIR VALUE DECEMBER 31, 2014	PERCENTAGE OF FAIR VALUE
REAL ESTATE - INVESTMENT TRUST			
Blackrock Developed Ex-U.S. RE Index Fund		23,987,319	1.0%
Invesco U.S. RE Securities		29,979,092	1.2%
Total Real Estate-Investment Trust	**$**	**53,966,411**	**2.2%**
REAL ASSETS			
Bridgewater Real Asset		108,824,203	4.3%
Total Real Assets	**$**	**108,824,203**	**4.3%**
GLOBAL OPPORTUNISTIC			
Bridgewater Pure Alpha Fund II		82,264,641	3.4%
Crestline Opportunity Fund II		25,615,000	1.1%
Marinus Opportunities Domestic Fund		46,068,733	1.9%
Medley Opportunity Fund II		51,948,469	2.1%
Morgan Creek Partners V		7,290,815	0.3%
Mount Lucas Managed Futures		45,051,309	1.9%
Ocean Avenue Fund II		13,832,817	0.6%
Raven Asset-Based Opportunity Fund II		6,125,749	0.2%
Total Global Opportunistic	**$**	**278,197,533**	**11.5%**
RISK PARITY			
Bridgewater All-Weather		76,994,110	3.1%
Parametric Global Balanced Risk Contraction Portfolio		89,132,288	3.6%
PIMCO All Asset All Authority		87,623,778	3.6%
Total Risk Parity	**$**	**253,750,176**	**10.3%**
SHORT TERM INVESTMENTS/CASH/CASH EQUIVALENTS			
Parametric Policy Implementation Overlay Service		13,595,921	0.5%
STIF - Northern Trust		72,708,741	3.0%
Total Short Term Investments	**$**	**86,304,662**	**3.5%**
Total	**$**	**2,457,687,031**	**100%**



ACTUARIAL

We can't direct the wind, but we can adjust the sails.

— Thomas S. Monson

Monitor

MEASURE YOUR PROGRESS AND COURSE CORRECT WHEN THE UNEXPECTED AFFECTS YOUR HEADING.

LODI, CALIFORNIA PHOTO USED WITH PERMISSION FROM RYAN LYAU

About 83 percent of the San Joaquin Delta's water is used for agriculture and the remainder for various urban uses in central and southern California. Two-thirds of California's population (more than 20 million people) gets at least part of its drinking water from the Delta (Delta Protection Commission, 1995).

SAN JOAQUIN
C E R A

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CHEIRON *Classic Values, Innovative Advice*

May 19, 2015

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

Actuarial Certification

Dear Members of the Board:

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the San Joaquin County Employees' Retirement Association (the Plan) as of December 31, 2014. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of January 1, 2014 (transmitted August 13, 2014) and the GASB 67/68 Report as of December 31, 2014 (transmitted in draft form May 8, 2015).

Actuarial Valuation Report as of January 1, 2014

The purpose of the annual Actuarial Valuation Report as of January 1, 2014 is to determine the actuarial funding status of the Plan on that date and to calculate recommended contribution rates for the participating employers and Plan members for the year 2015. The prior review was conducted as of January 1, 2013, and included recommended contribution rates for the year 2014.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost and expected administrative expenses) plus a level percentage of payroll to amortize the unfunded actuarial liability (UAL). As of the valuation date (January 1, 2014), the amortization period is 25 years for half of the 2008 investment loss and 19 years for the remaining UAL.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. 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, limited by a corridor that restrains the Actuarial Value to within 20% of the market value of assets.

The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan.

www.cheiron.us 1.877.CHEIRON (243.4766)

Board Members
May 19, 2015
Page 2

We prepared the following schedules, which we understand will be included in the Actuarial Section of the CAFR, based on the January 1, 2014 actuarial valuation. All historical information prior to the January 1, 2013 actuarial valuation shown in these schedules is based on information reported by EFI Actuaries, which was acquired by Cheiron in January 2013.

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Valuation Data
- Retirants and Beneficiaries Added to and Removed from Retiree Payroll
- Solvency Test
- Schedule of Funding Progress
- Actuarial Value of Assets and Reserves
- Summary of Plan Provisions

We reviewed the actuarial assumptions shown in the schedules and found them to be reasonably appropriate for use under the Plan. The assumptions used in this report reflect the results of an Experience Study performed by Cheiron covering the period from January 1, 2010 through December 31, 2012, and approved by the Board. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2015.

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

GASB 67/68 Report as of December 31, 2014

The purpose of GASB 67/68 Report as of December 31, 2014, is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the County of San Joaquin and other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

For financial reporting purposes, the Total Pension Liability is based on the January 1, 2014, actuarial valuation updated to the measurement date of December 31, 2014. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

Beginning of year measurements are also based on the actuarial valuation as of January 1, 2014. The December 31, 2013, Total Pension Liability presented in the GASB 67/68 Report was based upon the same data, plan provisions, actuarial methods, and assumptions as were used in the Actuarial Valuation Report as of January 1, 2014.

CHEIRON

Board Members
May 19, 2015
Page 3

Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. In future years, liability gains and losses will be reported reflecting the liability gains and losses between actuarial valuation dates as well as any significant events during the update period.

Please refer to our GASB 67 report as of December 31, 2014, for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the December 31, 2014, GASB 67/68 report:

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

We certify that the report was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

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

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

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

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

We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. These reports do not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

CHEIRON

Board Members
May 19, 2015
Page 4

Respectfully Submitted,
Cheiron

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CHEIRON

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial assumptions and methods are both recommended by our actuaries, Cheiron, and adopted by the Board of Retirement on an annual basis. The most current Actuarial Valuation was conducted on January 1, 2014 for the period ending December 31, 2013.

An Experience Analysis is completed once every three years. The most recent Experience Analysis was conducted on November 1, 2013 for the years 2010 through 2012.

Actuarial Cost Method	Entry Age Normal Cost Method
Unfunded Liability	The excess of the Actuarial Accrued Liability over Plan assets is the Unfunded Actuarial Liability (UAL). 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, with 25 years remaining as of January 1, 2014. The remainder of the Plan's unfunded actuarial liability is being amortized over a 19-year closed amortization period. The single equivalent period for the entire UAL is 21 years.
Valuation Interest Rate	The annual rate of return on all Plan assets is assumed to be 7.50%, net of investment expenses.
Inflation Assumption	3.00% 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	Mortality rates for active members, retirees, beneficiaries, terminated vested and reciprocal members are based on the sex distinct Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, with Generational Projection using Projection Scale BB.

Disabled Member Mortality	Mortality rates for disabled members are based on the sex distinct Retired Pensioner (RP) 2000 Combined Healthy Tables, published by the Society of Actuaries, with Generational Projection using Projection Scale BB, set-forward eight years for males and females.
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 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. 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 58; terminated Safety Members are assumed to begin receiving benefits at age 53.
Employment Status	No future transfers among member groups are assumed.

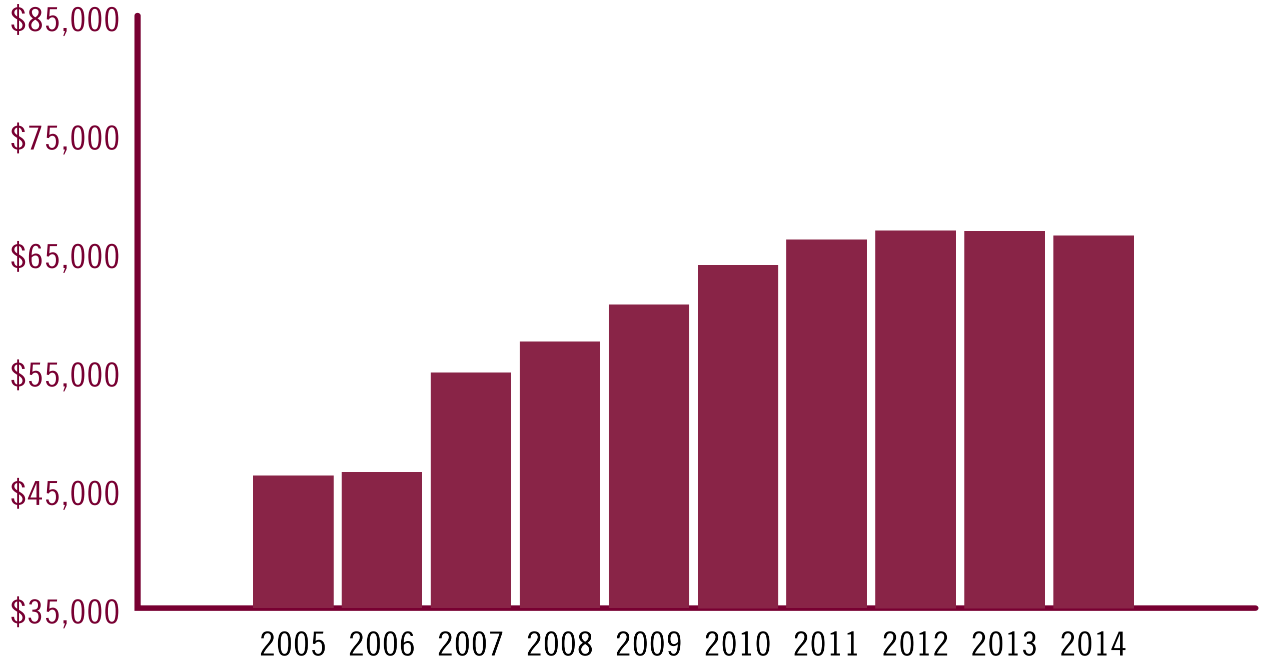
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

ACTUARIAL VALUATION DATE	PLAN TYPE	MEMBERS	ANNUAL PAYROLL	AVERAGE ANNUAL SALARY	AVERAGE SALARY INCREASE
	General	5,176	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**	**17.68%**
	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%**
	General	4,492	301,505,122	67,120	-0.08%
	Safety	803	64,386,900	80,183	1.79%
01/01/2013	**Total**	**5,295**	**$ 365,892,022**	**$ 69,101**	**0.19%**
	General	4,748	316,885,044	66,741	-0.57%
	Safety	805	65,640,055	81,540	1.69%
01/01/2014	**Total**	**5,553**	**$ 382,525,099**	**$ 68,886**	**-0.31%**

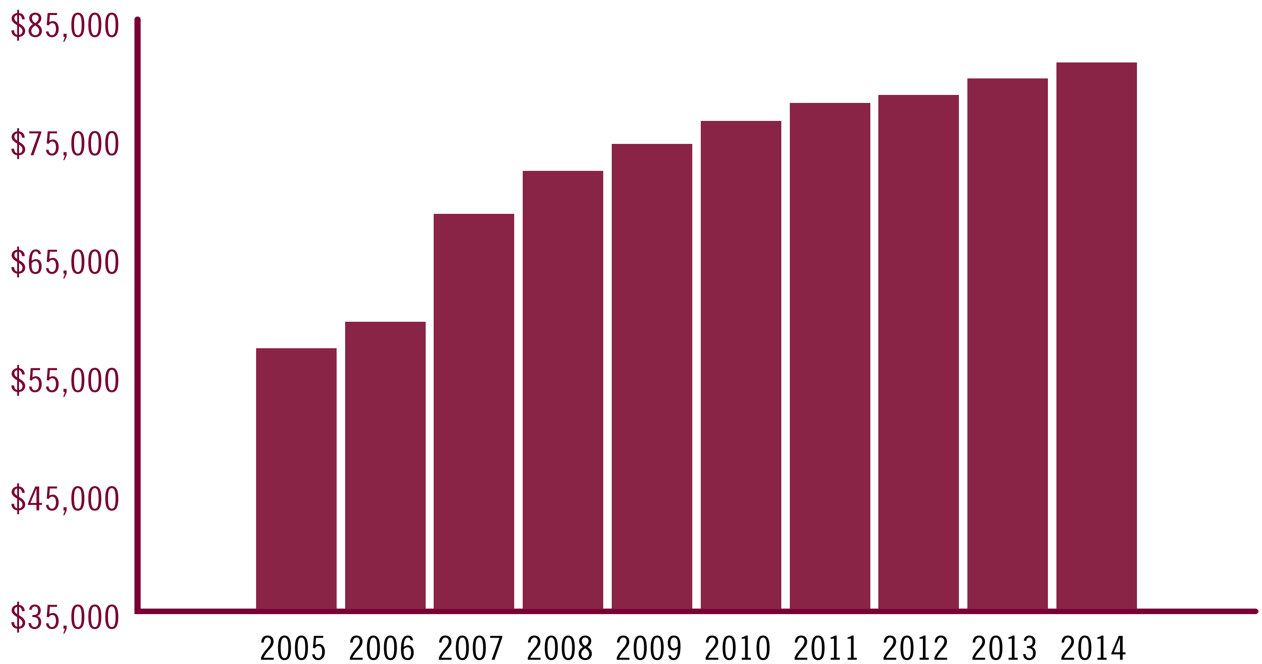
Payroll figures represent the annualization of active member's pay rates on December 31.
The most current Actuarial Valuation was conducted on January 1, 2014 for the period ending December 31, 2013.
The information in subsequent years is currently not available.

CHART OF ACTIVE MEMBER AVERAGE ANNUAL SALARY

GENERAL MEMBERS



SAFETY MEMBERS



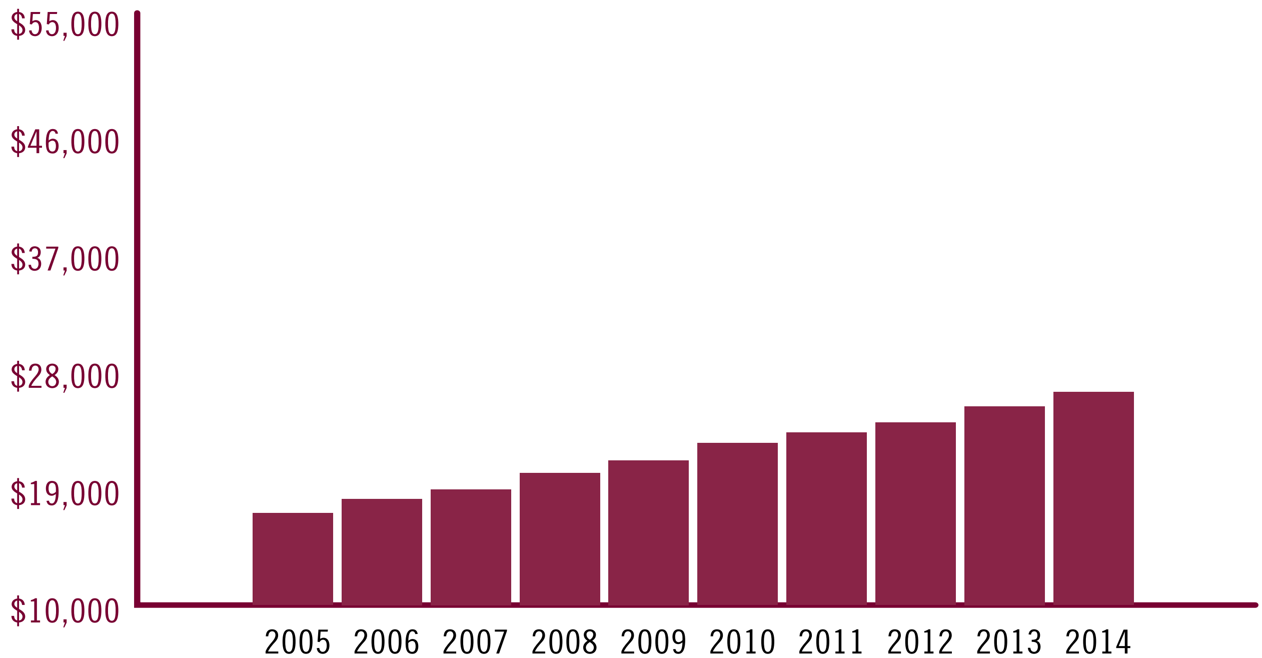
SCHEDULE OF RETIREES AND BENEFICIARIES VALUATION DATA

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	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%**
	General	278	27	135	4,041	102,025,575	25,248	5.2%
	Safety	52	12	20	856	42,008,598	49,075	4.9%
01/01/2013	**Total**	**330**	**39**	**155**	**4,897**	**$144,034,172**	**$ 29,413**	**5.2%**
	General	213	52	134	4,172	109,864,971	26,334	4.3%
	Safety	22	11	20	869	43,546,661	50,111	2.1%
01/01/2014	**Total**	**235**	**63**	**154**	**5,041**	**$153,411,632**	**$ 30,433**	**3.5%**

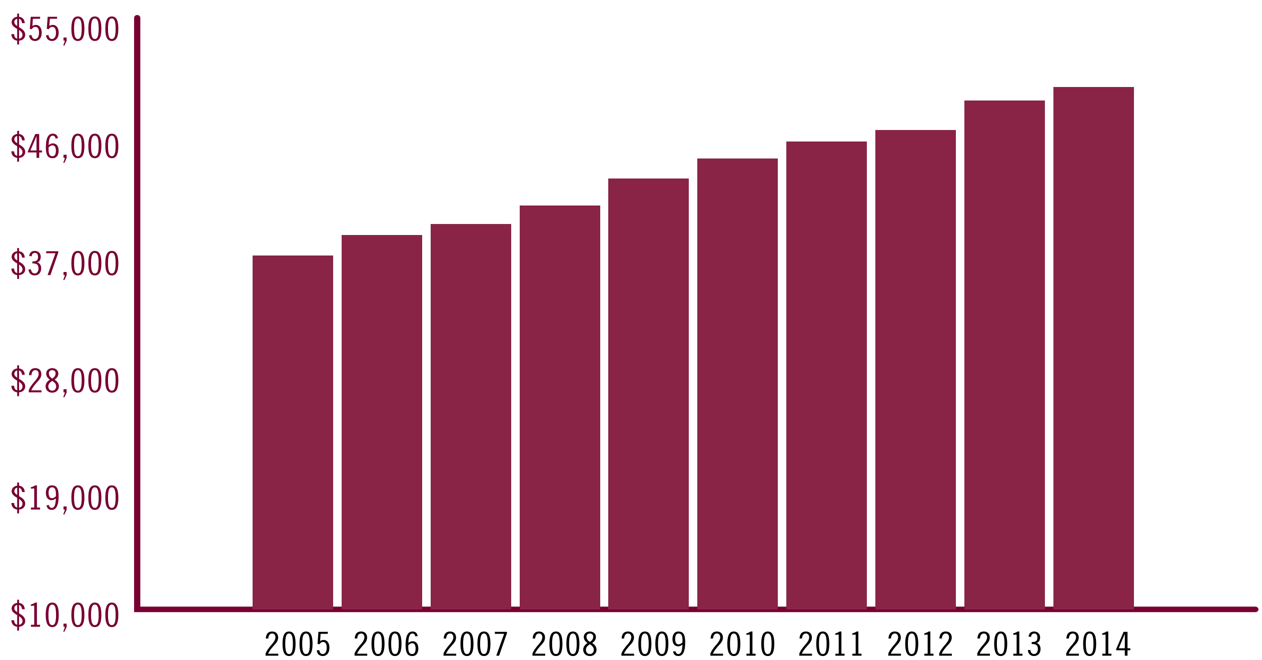
Payroll figures represent year end monthly retirement benefits annualized and exclude Post-Employment.
Healthcare benefit and benefits under the Class Action Settlement.
The most current Actuarial Valuation was conducted on January 1, 2014 for the period ending December 31, 2013.
The information in subsequent years is currently not available.

CHART OF RETIREES AND BENEFICIARIES AVERAGE ANNUAL ALLOWANCE

GENERAL MEMBERS



SAFETY MEMBERS



RETIREES 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	2.67%	27,969
2012	361	16,400	(149)	(3,403)	4,897	144,034	5.16%	29,413
2013	297	12,908	(153)	(3,530)	5,041	153,412	3.47%	30,433
2014	340	16,223	(132)	(3,029)	5,249	166,606	4.30%	31,741

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

SOLVENCY TEST

(DOLLARS IN THOUSANDS)								
	ACTUARIAL ACCRUED LIABILITY					PORTION OF ACCRUED LIABILITIES COVERED BY ACTUARIAL VALUE OF ASSETS		
ACTUARIAL VALUATION DATE	(1) ACTIVE MEMBER CONTRIBUTIONS	(2) RETIREES AND BENEFICIARIES	(3) ACTIVE MEMBERS (EMPLOYER FINANCED PORTION)	TOTAL ACTUARIAL ACCRUED LIABILITY	ACTUARIAL VALUE OF ASSETS	(1)	(2)	(3)
1/1/2005	140,800	805,878	822,829	1,769,507	1,614,979	100%	100%	81.2%
1/1/2006	147,953	904,208	883,657	1,935,818	1,727,033	100%	100%	76.4%
1/1/2007	159,100	1,023,296	967,542	2,149,938	1,869,717	100%	100%	71.0%
1/1/2008	166,804	1,119,690	1,048,027	2,334,521	2,029,949	100%	100%	71.0%
1/1/2009	176,236	1,231,648	1,103,042	2,510,925	1,821,357	100%	100%	37.0%
1/1/2010	187,987	1,373,257	1,208,368	2,769,612	1,949,011	100%	100%	32.0%
1/1/2011	193,613	1,495,665	1,228,410	2,917,688	2,120,384	100%	100%	35.0%
1/1/2012	202,925	1,627,338	1,218,058	3,048,321	2,130,053	100%	100%	25.0%
1/1/2013	209,987	1,810,776	1,332,531	3,353,294	2,125,700	100%	100%	8.0%
1/1/2014	258,198	1,956,931	1,346,730	3,561,859	2,285,166	100%	100%	5.0%

This schedule excludes Post 4/1/82 Retiree Class Action Settlement Reserve and Unapportioned Earnings Reserve. The most current Actuarial Valuation was conducted on January 1, 2014 for the period ending December 31, 2013. The information in subsequent years is currently not available.

SCHEDULE OF FUNDING PROGRESS DEFINED BENEFIT PENSION PLAN

FOR THE LAST TEN FISCAL YEARS ENDED DECEMBER 31

(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)
1/1/2014	$ 2,285,166	$ 3,561,859	$ 1,276,693	64.2%	$ 388,691	328.5%
1/1/2013	2,125,700	3,353,294	1,227,594	63.4%	365,892	335.5%
1/1/2012	2,130,053	3,048,321	918,268	69.9%	356,419	257.6%
1/1/2011	2,120,384	2,917,688	797,304	72.7%	367,344	217.0%
1/1/2010	1,949,011	2,769,612	820,601	70.4%	385,442	212.9%
1/1/2009	1,821,357	2,510,925	689,568	72.5%	377,559	182.6%
1/1/2008	2,029,949	2,334,521	304,572	87.0%	367,361	82.9%
1/1/2007	1,869,717	2,149,938	280,221	87.0%	340,828	82.2%
1/1/2006	1,727,033	1,935,818	208,785	89.2%	309,692	67.4%
1/1/2005	1,614,979	1,769,507	154,528	91.3%	296,473	52.1%

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.

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	0.0014	0.002	0.000	0.000	0.004
50	0.0019	0.002	0.050	0.000	0.002
55	0.0033	0.003	0.050	0.000	0.002
60	0.0052	0.003	0.150	0.000	0.002
65	0.0082	0.004	0.300	0.000	0.002
General Members - Female					
20	0.0002	0.000	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	0.000
35	0.0004	0.001	0.000	0.000	0.001
40	0.0006	0.001	0.000	0.000	0.001
45	0.0010	0.002	0.000	0.000	0.001
50	0.0015	0.002	0.020	0.000	0.001
55	0.0023	0.003	0.040	0.000	0.002
60	0.0035	0.004	0.100	0.000	0.002
65	0.0063	0.005	0.250	0.000	0.003

[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 at age 50 is 0.050, that indicates that 5.0% of active general members are expected to separate from service 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	0.0002	0.000	0.000	0.002	0.000
25	0.0002	0.000	0.000	0.002	0.001
30	0.0002	0.000	0.000	0.002	0.001
35	0.0004	0.000	0.000	0.002	0.002
40	0.0006	0.000	0.000	0.003	0.004
45	0.0009	0.001	0.050	0.004	0.008
50	0.0014	0.001	0.150	0.005	0.014
55	0.0026	0.002	0.300	0.007	0.023
Safety Members - Female					
20	0.0001	0.000	0.000	0.001	0.000
25	0.0001	0.000	0.000	0.001	0.001
30	0.0001	0.000	0.000	0.001	0.001
35	0.0002	0.000	0.000	0.002	0.002
40	0.0003	0.000	0.000	0.003	0.004
45	0.0006	0.001	0.050	0.004	0.008
50	0.0010	0.003	0.150	0.005	0.014
55	0.0017	0.005	0.300	0.006	0.023

[1] Lower rates assumed for members with less than 20 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 at age 50 is 0.150, that indicates that 1.5% of active general members are expected to separate from service during the year.

SALARY INCREASE, TERMINATION, AND WITHDRAWAL ASSUMPTIONS

YEARS OF SERVICE	Salary Increase		Termination		Withdrawal	
	GENERAL	SAFETY	GENERAL	SAFETY	GENERAL	SAFETY
0	0.0724	0.0824	0.064	0.018	0.064	0.070
1	0.0724	0.0824	0.050	0.016	0.050	0.062
2	0.0724	0.0824	0.050	0.012	0.050	0.046
3	0.0724	0.0824	0.039	0.006	0.039	0.022
4	0.0724	0.0824	0.024	0.006	0.024	0.022
5	0.0424	0.0524	0.016	0.002	0.029	0.018
6	0.0424	0.0524	0.016	0.002	0.029	0.018
7	0.0424	0.0524	0.016	0.002	0.029	0.018
8	0.0424	0.0524	0.013	0.002	0.024	0.018
9	0.0424	0.0524	0.011	0.002	0.020	0.018
10	0.0424	0.0524	0.007	0.001	0.013	0.009
11	0.0424	0.0524	0.007	0.001	0.013	0.009
12	0.0424	0.0524	0.007	0.001	0.013	0.009
13	0.0424	0.0524	0.007	0.001	0.013	0.009
14	0.0424	0.0524	0.007	0.001	0.013	0.009
15	0.0424	0.0524	0.000	0.000	0.020	0.010
16	0.0424	0.0524	0.000	0.000	0.020	0.010
17	0.0424	0.0524	0.000	0.000	0.020	0.010
18	0.0424	0.0524	0.000	0.000	0.020	0.010
19	0.0424	0.0524	0.000	0.000	0.020	0.010
20	0.0424	0.0524	0.000	0.000	0.010	0.000
21	0.0424	0.0524	0.000	0.000	0.010	0.000
22	0.0424	0.0524	0.000	0.000	0.010	0.000
23	0.0424	0.0524	0.000	0.000	0.010	0.000
24	0.0424	0.0524	0.000	0.000	0.010	0.000
25	0.0424	0.0524	0.000	0.000	0.010	0.000
26	0.0424	0.0524	0.000	0.000	0.010	0.000
27	0.0424	0.0524	0.000	0.000	0.010	0.000
28	0.0424	0.0524	0.000	0.000	0.010	0.000
29	0.0424	0.0524	0.000	0.000	0.010	0.000
30+	0.0325	0.0524	0.000	0.000	0.000	0.000

ACTUARIAL VALUE OF ASSETS AND RESERVES

The actuarial value of assets represents a "smoothed" value developed by the actuary to reduce the volatile results which could develop due to short-term fluctuations in the market value of assets. For this System, the actuarial value of assets is calculated by recognizing the deviation of actual investment returns compared to the expected return over a five-year period. The dollar amount of the expected return on the market value of assets is determined using the actual contributions, administrative expense (beginning in 2013) and benefit payments during the year. Any difference between this amount and the actual investment earnings is considered a gain or loss. However, in no event will the actuarial value of assets be less than 80% or more than 120% of market value on the valuation date. The following table shows the development of the actuarial asset value.

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS AS OF JANUARY 1, 2014

	(a)	(b)	(c)	(d)	(e)	(f)=(e)–(d)	(g)	(h)=(f)x(g)
YEAR	CONTRIBUTIONS	BENEFITS	ADMINISTRATIVE EXPENSE	EXPECTED RETURN	ACTUAL RETURN	ADDITIONAL EARNINGS	NOT RECOGNIZED	UNRECOGNIZED EARNINGS
2010	121,911,631	126,364,628		134,414,379	214,747,485	80,333,105	20%	16,066,621
2011	126,932,474	132,709,273		150,952,879	25,735,622	(125,217,257)	40%	(50,086,903)
2012	127,962,598	144,978,040		150,473,721	227,485,527	77,011,806	60%	46,207,083
2013	142,184,201	155,401,189	4,134,716	161,392,211	198,449,237	37,057,026	80%	29,645,621

(1)	**Total Unrecognized Dollars**		41,832,422
(2)	**Market Value of Assets as of December 31, 2013**		2,341,512,363
(3)	**Actuarial Value of Assets as of December 31, 2013** [(2) - (1)]		2,299,679,941
(4)	**Corridor Limits**		
	a. 80% of Net Market Value		1,873,209,890
	b. 120% of Net Market Value		2,809,814,835
(5)	**Actuarial Value of Assets after Corridor**		2,299,679,941
(6)	**Ratio of Actuarial Value to Market Value** [(5) ÷ (2)]		98.21%
(7)	**Market Stabilization Designation** [(2) – (5)]		41,832,422
(8)	**Special (Non Valuation) Reserves:**		
	Class Action Settlement – Post 4/1/1982	8,765,004	
	Contingency	6,012,981	
	Undistributed Earnings Reserve	0	
	Total Special Reserves		**14,777,985**
(9)	**Pension Reserves at Actuarial Value (Valuation Assets)** [(5) - (8)*(6)]		**$ 2,285,165,972**

Membership

Membership is mandatory upon appointment to a full-time, permanent position with the County or other participating employer. Persons who commence covered employment at age 60 or older may irrevocably elect to waive membership in SJCERA.

Tier 1 - Employees who established and maintain membership in SJCERA prior to January 1, 2013, and other eligible employees as defined by law, participate in the defined benefit formula that was in place before January 1, 2013, termed "SJCERA Tier I."

Tier II - Employees who establish membership in SJCERA on or after January 1, 2013, who are subject to the provisions of the Public Employees' Pension Reform Act of 2013 (Article 4 (commencing with Section 7522, et seq.) of Chapter 21 of Division 7 of Title 1 of the Government Code), also known as "PEPRA," participate in the defined benefit formula prescribed by PEPRA for these employees, termed "SJCERA Tier II."

Final Average Salary

For Tier I members, 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 as compensation earnable for retirement purposes. Overtime pay is excluded.

For Tier II members, final compensation for purposes of computing a retirement allowance is the average monthly salary for the highest thirty-six consecutive months of employment. In addition to base salary, final compensation may include other items defined as pensionable compensation. Allowances, incentives, employer contributions to deferred compensation, annual leave cash outs and overtime pay are excluded.

Contributions

Member contributions are based upon membership category, General or Safety, are expressed as a percentage of covered payroll, and are deducted from employees' earnings on a biweekly basis. Collective bargaining agreements and employment resolutions may also specify terms that affect members' retirement contributions.

Tier I members pay contributions also based upon the age at which the employee entered SJCERA membership. Members of Tier I employed prior to March 7, 1973, and all Safety members of Tier I stop paying member contributions when they have 30 years of service credit, but continue to accrue retirement service credit for subsequent active employment subject to membership.

Tier II members pay contributions equal to one-half of the normal cost of their applicable benefits.

Member contributions are credited with interest semi-annually. Upon termination of employment prior to retirement, a member may elect to withdraw his or her accumulated member contributions and interest, terminating SJCERA membership and forfeiting all related rights and benefits.

Vesting

A member with 5 years of retirement service credit is vested in the plan as long as accumulated member contributions remain on deposit with SJCERA.

Service Retirement

Tier I Members:

For retirements effective January 1, 2001 and later, retirement benefits are as provided under Sections 31676.14 and 31664.1 of the County Employees' Retirement Law.

A Tier I member may retire for service at age 50 or older with five years of service credit, and at least ten years has elapsed since the date of membership. A General Member may retire at any age with 30 or more years of service. A Safety Member may retire at any age with 20 or more years of service.

Tier I provides a 2.0% of final compensation for each year of service credit at age 55 ½ benefit formula for General Members, and a 3.0% of final compensation for each year of service credit at age 50 benefit formula for safety members of Tier I. Social Security integration reduces benefits by one-third on the first $350 of monthly final average salary. The maximum benefit payable is the lesser of 100% of final average salary or the federal annual compensation limit under Internal Revenue Code Section 401(a)(17), if applicable.

Tier II Members:

Tier II Members – Retirement benefits are as provided under Sections 7522.20 and 7522.25(d) of PEPRA.

A Tier II member may retire for service with five years of service credit upon attaining the minimum retirement age: Age 52 for General Members, and Age 50 for Safety Members.

Tier II provides a 2% of final compensation for each year of service credit at age 62 benefit formula for General Members, and a 2.7% of final compensation for each year of service credit at age 57 benefit formula for Safety Members. PEPRA specifies the maximum annual compensation that may be used to calculate retirement benefits. A lower limit applies to members whose service under SJCERA is also covered by Social Security, and a higher limit applies to members whose service under SJCERA is not covered by Social Security. These limits are adjusted annually based on changes in the Consumer Price Index. The maximum benefit payable is 100% of final average salary.

Any member of SJCERA, regardless of benefit tier, may retire at age 70 with no minimum service credit requirement.

Disability Retirement

Members with 5 years of service credit, regardless of age, are eligible to apply for a non-service connected disability retirement.

If granted, the benefit is the greater of:
1) 1.5% of final average salary for General Members, or 1.8% for final average salary for Safety Members, for each year of service, not to exceed 33 ⅓% of final average salary, or
2) the amount of the member's service retirement benefit, if the member is eligible to retire for service.

Any active member, regardless of years of service credit, is eligible to apply for a service-connected disability retirement.

If granted, the benefit is the greater of:
1) 50% of the member's final average salary, or
2) the amount of the member's service retirement benefit, if the member is eligible to retire for service.

Death Benefits

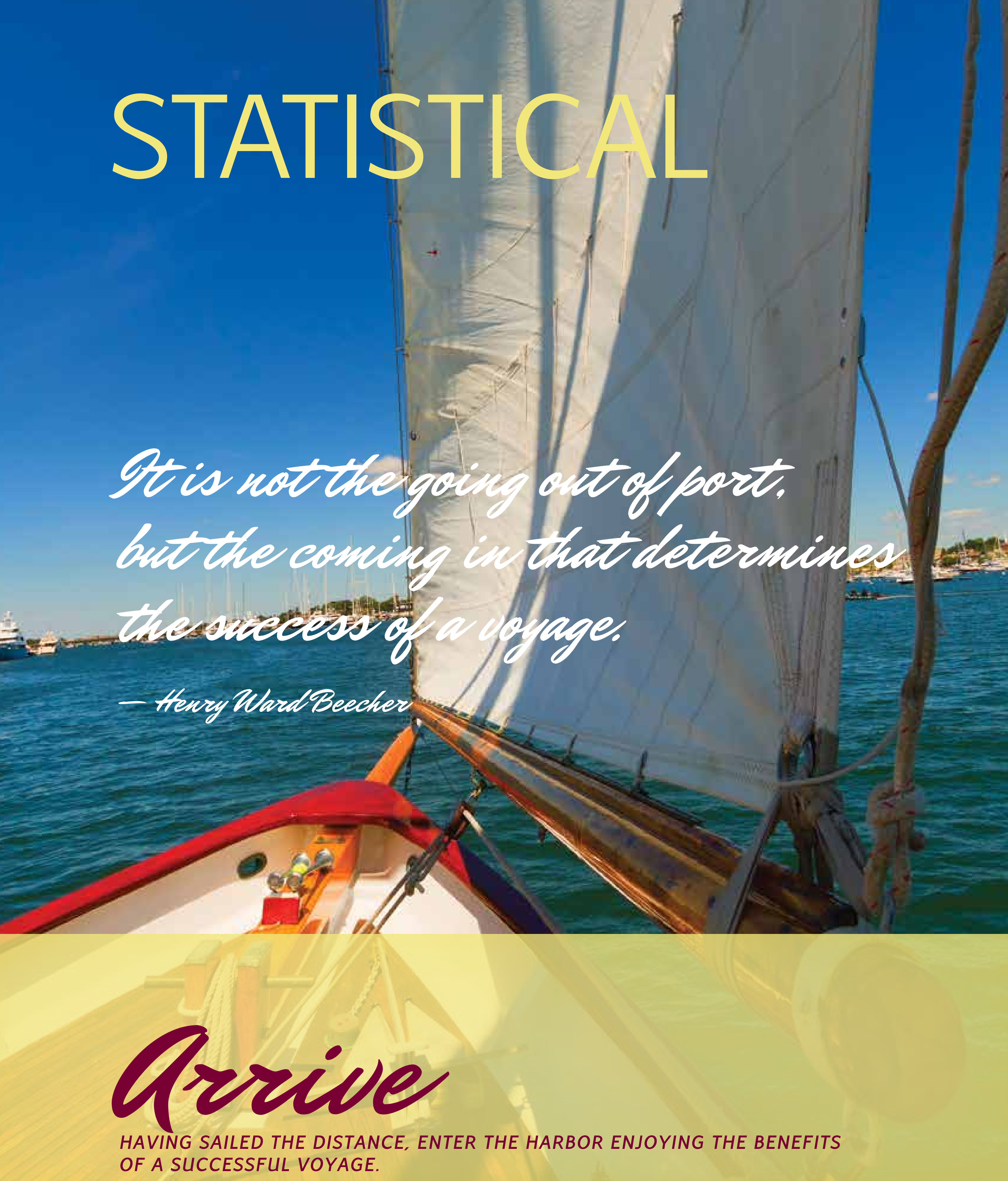
Basic Death Benefit - The beneficiary of a member who dies prior to attaining five years of credited service receives a refund of the member's accumulated contributions and interest plus one month's salary for each full year of service, up to a maximum of six months' salary.

If the death occurs after the member attained 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 Basic Death Benefit, either 60% of the retirement allowance to which the deceased member would have been entitled had the member retired for service or non-service-connected disability on the date of death, or a lump sum payment of six months' salary and a reduced monthly retirement benefit. The monthly allowance payable to a minor child is discontinued when the child marries or attains age 18, or age 22 if a full-time student.

Upon the death of a retiree, the beneficiary may receive a continuance of 100%, 60%, or 50% of the deceased member's retirement benefit as determined by the type of retirement and optional settlement elected by the member. The beneficiary also receives a $5,000 lump-sum death benefit.

Cost-of-Living Benefits

All monthly allowances are eligible for an annual cost-of-living adjustment (COLA) 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%.



STATISTICAL

*It is not the going out of port,
but the coming in that determines
the success of a voyage.*

— Henry Ward Beecher

Arrive

HAVING SAILED THE DISTANCE, ENTER THE HARBOR ENJOYING THE BENEFITS OF A SUCCESSFUL VOYAGE.

ORWOOD, CALIFORNIA PHOTO USED WITH PERMISSION FROM FRED ROESSLER

Today the Delta includes about 57 islands or tracts that are imperfectly protected from flooding by more than 1,100 miles of levees. The leveed tracts and islands help to protect water-export facilities in the southern Delta from saltwater intrusion by displacing water and maintaining favorable freshwater gradients.

SAN JOAQUIN C▲E▲R▲A

COMPREHENSIVE ANNUAL FINANCIAL REPORT

STATISTICAL

SUMMARY OF STATISTICAL DATA

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. The Statistical Information is presented to include two main categories required by pension plans: Financial Trends Information and Operating Information.

FINANCIAL TRENDS

Ten-year Trend Information is presented to assist users in understanding how the Plan's financial position has changed over time and provides historical information as to total plan net position and total changes in plan net position, the Plan's additions by source, deductions by type, benefits and refunds by type (service retirement, disability retirement, survivors/ beneficiaries benefits, refunds and death benefits).

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 following schedules present the average monthly benefit, average final salary, organized in five-year increments of credit service and since retirement, as well as the participating employers and their corresponding covered employees.

SCHEDULE OF PLAN NET POSITION

FOR THE LAST TEN FISCAL YEARS ENDED DECEMBER 31

	(DOLLARS IN THOUSANDS)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
ASSETS										
Cash and Cash Equivalents	$ 250,500	$ 169,701	$ 208,032	$ 195,648	$ 183,531	$ 233,929	$ 242,165	$ 318,666	$ 293,923	$ 343,980
Receivables	12,081	28,491	11,152	9,587	34,581	14,516	22,770	19,977	90,603	877,425
Investments	2,371,380	2,256,908	2,054,715	1,851,212	1,842,483	1,588,186	1,374,011	2,077,174	1,970,624	1,767,502
Prepaid Expenses	86	82	101	91	75	70	76	73	66	77
Equipment and Fixtures, Net	315	427	487	572	635	729	83	130	223	285
Total Assets	**$2,634,362**	**$2,455,610**	**$2,274,487**	**$2,057,110**	**$2,061,305**	**$1,837,430**	**$1,639,105**	**$2,416,020**	**$2,355,438**	**$2,989,269**
LIABILITY										
Securitites Lending - Cash Collateral	$ 164,195	$ 107,127	$ 108,958	$ 104,691	$ 113,171	$ 108,791	$ 78,631	$ 189,426	$ 211,454	$ 292,146
Securities Purchased, Not Paid	1,671	5,433	3,783	1,455	16,858	5,878	11,640	10,489	76,179	861,197
Accrued Expenses and Other Payables	2,138	1,538	1,329	1,019	1,278	1,080	1,785	1,981	2,250	2,198
Securities Lending Interest and Other Expense	8		2		12	7		736	962	1,060
Total Liabilities	**$ 168,012**	**$ 114,097**	**$ 114,072**	**$ 107,165**	**$ 131,319**	**$ 115,756**	**$ 92,056**	**$ 202,632**	**$ 290,846**	**$1,156,601**
Plan Net Position Restricted for Pension Benefits	**$2,466,350**	**$2,341,513**	**$2,160,415**	**$1,949,945**	**$1,929,986**	**$1,721,674**	**$ 1,547,049**	**$2,213,388**	**$2,064,592**	**$1,832,668**

STATISTICAL

SCHEDULE OF CHANGES IN PLAN NET POSITION

FOR THE LAST TEN FISCAL YEARS ENDED DECEMBER 31

	(DOLLARS IN THOUSANDS)									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Contributions										
Member	$ 27,368	$ 22,690	$ 19,900	$ 14,041	$ 13,098	$ 13,013	$ 13,051	$ 12,312	$ 11,366	$ 10,855
Employer										
Retirement Plan	136,686	119,494	108,063	112,892	104,452	97,806	94,163	85,869	73,612	62,509
Post-Employment Health Plan	0	0	0	0	0	4,202	4,083	2,781	650	0
Investment Income	110,651	198,173	230,954	29,262	217,123	182,006	(666,774)	147,346	237,072	121,732
Miscellaneous	77	72	62	68	46	12	14	9	26	5
Transfers Between Plan	19,969	204	339	154	166	84	106	124	112	102
Total Additions	**$294,751**	**$340,633**	**$359,317**	**$156,417**	**$334,885**	**$297,123**	**$(555,357)**	**$248,441**	**$322,838**	**$195,203**
Benefits	$164,335	$154,233	$143,669	$131,642	$121,641	$112,647	$104,068	$ 91,115	$ 84,863	$ 81,166
Post-Employment Health Benefits	0	0	0	0	0	3,431	3,679	3,765	3,811	3,800
Administrative Expenses	4,043	4,135	3,869	3,749	3,682	3,527	3,458	3,556	3,066	2,408
Refunds	1,536	1,169	1,309	1,068	1,251	1,038	1,254	1,042	1,036	1,114
Miscellaneous	0	0	0	0	0	0	0	0	1	0
Transfers Between Plan	0	0	0	0	0	84	106	124	112	102
Total Deductions	**$169,914**	**$159,537**	**$148,847**	**$136,459**	**$126,574**	**$120,727**	**$112,565**	**$ 99,602**	**$ 92,889**	**$ 88,590**
Change in Plan Net Position	**$124,837**	**$181,096**	**$210,470**	**$ 19,958**	**$208,311**	**$176,396**	**$(667,922)**	**$148,839**	**$229,949**	**$106,613**

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
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
2013	22,689,882	119,494,319	0	198,172,396	72,467	204,375	340,633,439
2014	27,367,908	136,686,133	0	110,651,111	77,192	19,968,779	294,751,123

SCHEDULE OF EXPENSES BY TYPE

YEAR ENDED	BENEFITS	POST-EMPLOYMENT HEALTH BENEFITS	ADMINISTRATIVE EXPENSES	REFUNDS	MISC	TRANSFER BETWEEN PLANS	TOTAL
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
2013	154,232,885	0	4,134,716	1,168,934	0	0	159,536,535
2014	164,335,273	0	4,042,986	1,535,698	0	0	169,913,957

SCHEDULE OF BENEFIT EXPENSES BY TYPE

YEAR END	PLAN TYPE	SERVICE RETIREMENT PAYROLL	DISABILITY RETIREMENT PAYROLL	SURVIVORS AND BENEFICIARIES	REFUNDS OF MEMBERS' CONTRIBUTIONS	DEATH BENEFITS	TOTAL
	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**
	General	82,676,254	9,694,257	8,823,169	1,150,943	503,221	102,847,844
	Safety	27,151,058	10,311,212	4,405,737	157,957	104,232	42,130,196
2012	**Total**	**$109,827,312**	**$20,005,469**	**$13,228,906**	**$ 1,308,900**	**$ 607,453**	**$144,978,040**
	General	95,109,549	5,667,332	8,876,109	900,756	572,733	111,126,479
	Safety	31,116,346	8,938,667	3,912,149	268,178	40,000	44,275,339
2013	**Total**	**$126,225,895**	**$14,605,999**	**$12,788,257**	**$ 1,168,934**	**$ 612,733**	**$155,401,817**
	General	100,668,155	8,493,931	9,401,576	1,427,885	548,606	120,540,152
	Safety	31,407,516	9,555,857	4,184,681	107,813	74,951	45,330,819
2014	**Total**	**$132,075,671**	**$18,049,788**	**$13,586,257**	**$ 1,535,698**	**$ 623,557**	**$165,870,971**

SCHEDULE OF RETIRED MEMBERS BY TYPE

ACTUARIAL VALUATION DATE	PLAN TYPE	MEMBERS WITH SERVICE RETIREMENTS	MEMBERS WITH DISABILITY RETIREMENTS	SURVIVORS AND BENEFICIARIES	TOTAL
	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**
	General	3,113	387	541	4,041
	Safety	514	195	147	856
01/01/2013	**Total**	**3,627**	**582**	**688**	**4,897**
	General	3,227	388	557	4,172
	Safety	516	199	154	869
01/01/2014	**Total**	**3,743**	**587**	**711**	**5,041**

Figures are extracted from actuarial reports which include individuals receiving divorce settlement payments.
The most current Actuarial Valuation was conducted as of January 1, 2014 for the period ending December 31, 2013.
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 County Service Credit						
RETIREMENT EFFECTIVE DATE	0-4	5-9	10-14	15-19	20-24	25-29	30 & OVER
2011							
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
2012							
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

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

	Number of Years of County Service Credit						
RETIREMENT EFFECTIVE DATE	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30 & OVER**
2013							
RETIREES							
General Members							
Average Benefit	$ 433	$ 1,410	$ 1,589	$ 2,556	$ 3,149	$ 4,241	$ 5,837
Average Final Compensation	$ 7,695	$ 7,279	$ 5,787	$ 6,125	$ 6,132	$ 6,467	$ 6,718
Count	10	25	40	35	35	26	29
Safety Members							
Average Benefit	$ 1,165	$ 1,435	$ 2,621	$ 3,501	$ 4,260	$ 11,134	$ 9,279
Average Final Compensation	$ 9,478	$ 7,434	$ 6,316	$ 7,044	$ 5,599	$ 13,945	$ 9,670
Count	3	2	7	4	1	2	2
SURVIVORS/QDROS							
General Members							
Average Benefit	$ 687	$ 1,000	$ 883	$ 1,182	$ 2,063	$ 1,572	$ 2,985
Average Final Compensation	$ 3,804	$ 4,531	$ 3,953	$ 3,163	$ 3,722	$ 1,821	$ 3,681
Count	6	9	15	7	5	2	5
Safety Members							
Average Benefit	$ 650	$ 3,101	$ 1,385	$ 2,012	$ 1,918	$ 3,745	$ 4,936
Average Final Compensation	$ 4,955	$10,868	$ 2,506	$ 3,966	$ 2,525	$ 6,184	$ 5,381
Count	3	1	2	1	2	1	1
2014							
RETIREES							
General Members							
Average Benefit	$ 461	$ 1,237	$ 1,775	$ 2,567	$ 4,363	$ 4,570	$ 6,392
Average Final Compensation	$ 8,494	$ 6,593	$ 5,772	$ 6,380	$ 7,652	$ 6,782	$ 7,760
Count	13	28	50	46	26	43	39
Safety Members							
Average Benefit	$ 1,715	$ 2,429	$ 3,207	$ 4,546	$ 3,993	$ 7,239	$11,302
Average Final Compensation	$ 7,439	$ 6,281	$ 6,826	$ 8,863	$ 6,031	$ 8,897	$11,762
Count	2	3	5	5	4	7	1
SURVIVORS/QDROS							
General Members							
Average Benefit	$ 478	$ 1,016	$ 1,007	$ 935	$ 2,002	$ 1,153	$ 2,941
Average Final Compensation	$ 5,752	$ 4,218	$ 2,698	$ 2,835	$ 4,914	$ 2,966	$ 8,069
Count	12	6	13	4	6	1	5
Safety Members							
Average Benefit	$ 2,030	$ 2,464	$ 2,890	$ 3,326	$ 3,002	$ 3,282	$ 0
Average Final Compensation	$ 9,251	$ 8,582	$ 5,516	$ 4,818	$ 2,992	$ 4,429	$ 0
Count	2	3	4	1	2	2	0

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
2005	Average Benefit	$ 2,281	$ 1,759	$ 1,621	$ 1,506	$ 1,424	$ 985	$ 807
	Number of Retirees	1,203	876	576	402	254	179	92
2006	Average Benefit	$ 2,256	$ 1,922	$ 1,754	$ 1,564	$ 1,487	$ 1,043	$ 903
	Number of Retirees	1,255	912	593	427	262	185	105
2007	Average Benefit	$ 2,321	$ 2,168	$ 1,826	$ 1,578	$ 1,639	$ 1,191	$ 930
	Number of Retirees	1,253	1,017	626	423	282	181	124
2008	Average Benefit	$ 2,458	$ 2,294	$ 1,802	$ 1,785	$ 1,653	$ 1,294	$ 952
	Number of Retirees	1,285	1,073	659	479	303	168	131
2009	Average Benefit	$ 2,549	$ 2,408	$ 1,959	$ 1,846	$ 1,723	$ 1,527	$ 1,339
	Number of Retirees	1,312	1,083	729	506	307	170	145
2010	Average Benefit	$ 2,569	$ 2,565	$ 2,052	$ 1,972	$ 1,764	$ 1,602	$ 1,329
	Number of Retirees	1,384	1,153	790	502	319	185	156
2011	Average Benefit	$ 2,639	$ 2,564	$ 2,199	$ 2,006	$ 1,870	$ 1,743	$ 1,364
	Number of Retirees	1,430	1,190	838	522	333	196	176
2012	Average Benefit	$ 2,798	$ 2,591	$ 2,473	$ 2,075	$ 1,839	$ 1,874	$ 1,376
	Number of Retirees	1,515	1,185	947	545	334	194	177
2013	Average Benefit	$ 2,840	$ 2,755	$ 2,609	$ 2,049	$ 2,029	$ 1,881	$ 1,348
	Number of Retirees	1,520	1,211	990	577	372	208	163
2014	Average Benefit	$ 2,961	$ 2,873	$ 2,706	$ 2,223	$ 2,106	$ 1,899	$ 1,477
	Number of Retirees	1,609	1,224	987	642	404	209	174

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	$ 1,885	$ 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
	Average Benefit	$ 2,456	$ 2,285	$ 1,893	$ 1,868	$ 1,614	$ 1,617	$ 1,108
2012	Number of Retirees	1,267	992	721	467	283	166	145
	Average Benefit	$ 2,572	$ 2,370	$ 2,062	$ 1,787	$ 1,855	$ 1,623	$ 1,003
2013	Number of Retirees	1,297	1,000	762	485	319	177	132
	Average Benefit	$ 2,689	$ 2,566	$ 2,133	$ 1,847	$ 1,950	$ 1,628	$ 1,158
2014	Number of Retirees	1,371	1,030	767	524	342	180	144

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

SAFETY MEMBERS

YEAR END		Number of Years Since Retirement 0-4	5-9	10-14	15-19	20-24	25-29	30 & OVER
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
2012	Average Benefit	$ 4,543	$ 4,164	$ 4,322	$ 3,312	$ 3,086	$ 3,397	$ 2,589
	Number of Retirees	248	193	226	78	51	28	32
2013	Average Benefit	$ 4,398	$ 4,581	$ 4,437	$ 3,431	$ 3,076	$ 3,354	$ 2,813
	Number of Retirees	223	211	228	92	53	31	31
2014	Average Benefit	$ 4,526	$ 4,505	$ 4,705	$ 3,896	$ 2,968	$ 3,582	$ 3,013
	Number of Retirees	238	194	220	118	62	29	30

	2014		2013		2012	2011	2010	2009	2008	2007	2006	2005
	TIER I	TIER II	TIER I	TIER II								
COUNTY OF SAN JOAQUIN												
General Members	4,864	918	5,138	507	5,379	5,308	5,476	5,712	5,970	5,964	5,797	5,652
Safety Members	861	59	881	12	901	920	945	1,026	1,005	960	902	795
Total	**5,725**	**977**	**6,019**	**519**	**6,280**	**6,228**	**6,421**	**6,738**	**6,975**	**6,924**	**6,699**	**6,447**
SUPERIOR COURT												
General Members	263	38	269	20	289	326	357	375	369	334	301	289
Safety Members	0	0	0	0	0	0	0	0	0	0	1	0
Total	**263**	**38**	**269**	**20**	**289**	**326**	**357**	**375**	**369**	**334**	**302**	**289**
MANTECA-LATHROP RURAL FIRE PROTECTION DISTRICT												
General Members	1	1	1	0	1	0	0	1	2	2	1	1
Safety Members	42	7	43	3	45	39	41	43	44	48	50	41
Total	**43**	**8**	**44**	**3**	**46**	**39**	**41**	**44**	**46**	**50**	**51**	**42**
WATERLOO-MORADA RURAL FIRE PROTECTION DISTRICT												
General Members	0	0	0	0	0	0	1	1	1	1	1	2
Safety Members	12	6	13	5	15	15	17	17	17	19	20	32
Total	**12**	**6**	**13**	**5**	**15**	**15**	**18**	**18**	**18**	**20**	**21**	**34**
OTHER SPECIAL DISTRICTS (GENERAL MEMBERS)												
Tracy Public Cemetery District	5	4	6	3	6	8	7	8	7	6	4	5
SJC Mosquito & Vector Control District	32	7	38	2	38	38	37	39	36	36	36	35
SJC Historical Society & Museum	2	0	2	0	2	2	2	2	2	6	6	7
Mountain House Community Services Dist	9	9	13	5	16	14	14	16	23	17	14	12
Local Agency Formation Commission	0	0	1	0	1	1	2	2	3	2	3	4
San Joaquin County Law Library	1	0	2	0	2	1	1	1	1	1	1	1
Total	**49**	**20**	**62**	**10**	**65**	**64**	**63**	**68**	**72**	**68**	**64**	**64**
Grand Total	**6,092**	**1,049**	**6,407**	**557**	**6,695**	**6,672**	**6,900**	**7,243**	**7,480**	**7,396**	**7,137**	**6,876**

ACKNOWLEDGMENTS

A ship is safe in harbor, but that's not what ships are for.

~ WILLIAM G.T. SHEDD ~

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2014

Comprehensive Annual Financial Report

Looking back at my life's voyage, I can only say that it has been a golden trip.

—Ginger Rogers

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SAN JOAQUIN COUNTY EMPLOYEES' RETIREMENT ASSOCIATION