SCERS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED
JUNE 30, 2015 AND 2014

Sacramento, California

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Years Ended June 30, 2015 and 2014

Issued by:

RICHARD STENSRUD
Chief Executive Officer

KATHRYN T. REGALIA, CPA, CGMA
Chief Operations Officer

THUYET DANG
Senior Accounting Manager

SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM
980 9th Street, Suite 1900
Sacramento, CA 95814

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Executive Staff

Richard Stensrud
Chief Executive Officer

Vacant
Chief Investment Officer

Robert L. Gaumer
General Counsel

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel Sr.
Chief Benefits Officer

December 4, 2015

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
Sacramento, CA 95814

Dear Board Members:

As Chief Executive Officer of the Sacramento County Employees' Retirement System ("SCERS" or the "System"), I am pleased to present this Comprehensive Annual Financial Report ("CAFR" or the "Report") for the fiscal years ended June 30, 2015 and 2014.

The System

SCERS is a cost-sharing multiple-employer public employee retirement system, enacted and administered in accordance with the provisions of the County Employees Retirement Law of 1937 (California Government Code Section 31450, et seq.) ("1937 Act") and the California Public Employees' Pension Reform Act of 2013 ("CalPEPRA"). Since its establishment by the Sacramento County Board of Supervisors in 1941, SCERS has provided retirement, disability, and survivors' benefits to eligible participants of the System. Under Article XVI, Section 17 of the Constitution of the State of California, the SCERS Board of Retirement is vested with plenary authority and fiduciary responsibility for the investment of monies and the administration of the System. Together, the provisions of the State Constitution and the 1937 Act establish SCERS as a separate and independent governmental entity from the public employers that participate in SCERS. At June 30, 2015, the County of Sacramento; Superior Court of California, County of Sacramento; and eleven Special Districts participated in SCERS.

The Comprehensive Annual Financial Report

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation in this CAFR rests with the management of the System. 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.

I trust that readers of this Report and participants of the System will find this information helpful in understanding SCERS and its commitment to financial integrity and participant service.

SCERS Mission Statement and Core Values

We are dedicated to providing the highest level of retirement services and managing System resources in an effective and prudent manner.

In fulfilling our mission as a retirement system, we are committed to:

- ◊ The highest levels of professionalism and fiduciary responsibility
- ◊ Acting with integrity
- ◊ Competent, courteous and respectful service to all
- ◊ Open and fair processes
- ◊ Safeguarding confidential information
- ◊ Cost-effective operations
- ◊ Stable funding and minimal contribution volatility
- ◊ Effective communication and helpful education
- ◊ Maintaining a highly competent and committed staff
- ◊ Continuous improvement
- ◊ Planning strategically for the future

Accounting System and Reports

Management of SCERS is responsible for establishing and maintaining internal controls designed to ensure that the System's assets are protected from loss, theft, or misuse. Responsibility for the accuracy, completeness, and fair presentation of information, and all disclosures in this CAFR and in the System's records, rests with SCERS' management. Macias Gini & O'Connell LLP, a certified public accounting firm, has audited the financial statements and related disclosures. The financial statement audit provides reasonable assurance that SCERS' financial statements are presented in conformity with accounting principles generally accepted in the United States and are free from material misstatements. The internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) The cost of a control should not exceed the benefits likely to be derived; and (2) The assessment of costs and benefits requires estimates and judgments by management.

This report has been prepared in accordance with generally accepted accounting principles ("GAAP") as promulgated by the Governmental Accounting Standards Board ("GASB"). GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis ("MD&A"). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the independent auditor's report.

Investments – General Authority and SCERS

Article XVI, Section 17 of the Constitution of the State of California provides that "...notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system..." Article XVI, Section 17(a) further provides that "...the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets…"

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to protect the System from the possibility that a particular asset class may experience poor investment performance in a given period.

In August 2011, the SCERS Board approved an asset allocation model designed to lower the overall risk of SCERS' portfolio by increasing the allocation to asset classes that produce greater diversification and decreasing the equity risk exposure. During fiscal year 2014-2015, SCERS continued the implementation of the new asset allocation model.

For the fiscal year ended June 30, 2015, SCERS' investments provided a 2.5% rate of return (gross of fees), compared to the investment policy benchmark return of 3.2%.

More detailed information regarding SCERS' strategic asset allocation, professional investment advisors, and investment performance can be found in the Investment Section of this Report.

Actuarial Funding Status

SCERS' overall funding objective is to meet long-term benefit promises by maintaining a well-funded plan status through a combination of superior investment returns and employer and employee contributions which are both minimized and maintained as level as possible for each generation of active members. The greater the level of overall plan funding, the larger the ratio of assets accumulated to the actuarial accrued liability and the greater the investment potential. The advantage of a well-funded plan is that the benefits earned by 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, SCERS smooths the calculation of actuarial assets over a rolling seven-year period. This not only stabilizes contribution rates but also improves the ability of the employer to plan for possible future increases or decreases in the rates.

SCERS engaged an independent actuarial consulting firm, Segal Consulting, to conduct its annual actuarial valuation as of June 30, 2015. Triennially, the System requests that its actuary perform an analysis of the appropriateness of all economic and non-economic assumptions. The most recent triennial analysis was performed as of June 30, 2013, and as a result of that analysis, the Board of Retirement approved certain changes to the actuarial assumptions, which were incorporated in the actuarial valuation as of June 30, 2015.

At June 30, 2015, SCERS' funding ratio was 86.8%, with the actuarial value of assets totaling $7.839 billion and the actuarial accrued liability totaling $9.029 billion. The increase in the funding ratio (up from 85.2% as of June 30, 2014) was mainly due to investment returns on the actuarial value of assets (after "smoothing") higher than the 7.50% investment return assumption and lower-than-expected active employee salary growth. Deferred gains under the smoothing methodology exceeded deferred losses by $40.0 million as of June 30, 2015. Deferred investment gains/(losses) are amortized over a seven-year period.

Budget

The Board of Retirement approves SCERS' annual budget. The 1937 Act limits SCERS' annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting services ("IT costs"), to twenty-one hundredths of one percent (0.21%) of the System's actuarial accrued liability. SCERS' administrative expenses have historically been below the limitation. Administrative expenses were $5.2 million and $5.1 million for the years ended June 30, 2015 and June 30, 2014, respectively. SCERS administrative expenses, excluding IT costs, for both years were 0.06% of the System's actuarial accrued liability.

Significant Events

The following are significant events which occurred during the fiscal year:

- Named the 2014 Industry Innovation Award winner for pension plans with up to $15 billion in assets by the international financial publication *Chief Investment Officer.*
- Continued the implementation of the 2014-2018 Strategic Plan goals and objectives.
- Developed and implemented additional educational programs and materials for SCERS members.
- Continued to work with the Sacramento County Department of Technology ("DTech") to determine SCERS' information technology system requirements, modify and enhance SCERS' system to accommodate operational needs, and to plan strategically for future information technological needs; completed the internal system analysis; presented an overview of SCERS' technology needs assessment to the SCERS Board; issued a Request for Proposals ("RFP") for Pension Administration and Financial Systems consulting services; reviewed responses to the RFP.
- Worked with Segal Consulting and Macias Gini & O'Connell on the reporting requirements associated with the implementation of GASB 68; educated and assisted Participating Employers with GASB 68 implementation.
- Worked with Sacramento County Personnel Actions and DTech to design and implement the retirement rate redesign for the additional cost-sharing arrangements negotiated between the County and recognized employee organizations.
- Analyzed Participating Employer use of Retired Annuitants; created SCERS policy regarding post-retirement employment.
- Educated Participating Employers regarding the new restrictions imposed by PEPRA.
- Developed cooperative monitoring program with Participating Employers to ensure compliance with PEPRA restrictions.
- Conducted a US small cap growth search within SCERS' Domestic Equity asset class.
- Completed a core plus fixed income search within SCERS' Fixed Income asset class.
- Evaluated SCERS' all-cap emerging markets exposure.
- Identified, performed due diligence and made direct investments in SCERS' Absolute Return, Private Equity, Real Assets and Opportunities asset classes.
- Assessed the need for the addition of a strategic partner for segments of the Private Equity and Real Assets asset classes.
- Presented the annual reports and annual investment plans for the Private Equity and Real Assets asset classes.
- Continued to execute on plans for the long-term direction, sub-asset class structure and investment manager structure of SCERS' real estate program including: (1) Assessment of core separate account properties and open-end commingled funds; and (2) Review of opportunities in value add and opportunistic real estate.
- Researched options to address the gap between SCERS' actual and target allocation in Real Assets, including alternative proxy solutions within SCERS' overlay program.
- Monitored and assessed the direction of the securities lending program.
- Researched and assessed the need for additional risk management systems and tools.

- Continued to assess the investment manager lineup across SCERS' fund.
- Deepened expertise in alternative assets by increasing capabilities in operational due diligence, including the evaluation of third party services.
- Conducted a 'soft dollar' audit of SCERS' equity managers.
- Assessed risk in global currency exposures.

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 SCERS for its comprehensive annual financial report for the fiscal years ended June 30, 2014 and 2013. In order to be granted this national award, a governmental entity must publish an easily readable and efficiently organized CAFR that meets the highest standards of governmental financial reporting. This was the sixteenth consecutive year that the System has achieved this prestigious award.

A Certificate of Achievement is valid for a period of one year. Management believes that this current comprehensive annual financial report continues to meet the requirements for earning a Certificate of Achievement, and it will be submitted to the GFOA for consideration for the award.

SCERS also received the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting ("PAFR") for the fiscal year ended June 30, 2014.

Acknowledgements

This Report is intended to provide complete and reliable information with respect to the responsible stewardship of SCERS. The compilation of this Report is a product of the combined and dedicated effort of the System's Staff. This Report is also a reflection of the leadership of the SCERS Board in assuring the prudent fiduciary oversight of SCERS. I would like to take this opportunity to express my thanks to the SCERS Board, Staff, and advisors for their commitment to SCERS and for working so diligently to ensure the successful operation of the System.

Respectfully submitted,

Richard Stensrud

Richard Stensrud
Chief Executive Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Sacramento County
Employees' Retirement System
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

Board of Retirement

President
Richard B. Fowler II
Appointed by Board of Supervisors
Present term expires
June 30, 2016

Vice President
John B. Kelly
Appointed by Board of Supervisors
Present term expires
December 31, 2015

Vice President
Keith DeVore
Appointed by Board of Supervisors
Present term expires
June 30, 2018

Trustee
Steven L. Baird
Elected by Miscellaneous Members
Present term expires
December 31, 2015

Trustee
Michael DeBord
Elected by Retired Members
Present term expires
December 31, 2016

Trustee
James A. Diepenbrock
Appointed by Board of Supervisors
Present term expires
June 30, 2018

Trustee
Diana Gin
Elected by Miscellaneous Members
Present term expires
December 31, 2016

Trustee
Chris A. Pittman
Elected by Safety Members
Present term expires
December 31, 2015

Ex-Officio
Julie Valverde
Sacramento County
Director of Finance
Member mandated by law

Alternate Safety Trustee
John Conneally
Elected by Safety Members
Present term expires
December 31, 2015

Alternate Retiree Trustee
Martha Hoover
Elected by Retired Members
Present term expires
December 31, 2016

Organization Chart

BOARD OF RETIREMENT

Richard Stensrud
Chief Executive Officer

Vacant
Chief Investment Officer

Steve Davis
Deputy Chief Investment Officer

- Investment policy and objectives
- Investment compliance and performance reporting
- Asset allocation rebalancing
- Conduct manager searches
- Manager due diligence
- Proxy voting and corporate governance
- Board education on investment issues

Robert L. Gaumer
General Counsel

- Legal representation and counsel to SCERS Board and staff
- Coordinate and oversee the selection and work of outside legal counsel
- Evaluation of securities litigation
- Analysis of state and federal legislation
- Legislative proposals, contracts, resolutions and opinions
- Legal education programs
- Legal service planning and budgeting

John W. Gobel, Sr.
Chief Benefits Officer

Suzanne Likarich
Retirement Services Manager

- Service, disability, deferred, and reciprocal retirements
- Pension payroll administration
- Seminar presentations and member retirement counseling

- Retirement publications and communications
- Death benefits and service credit purchases
- Community property interest resolution

Kathryn T. Regalia
Chief Operations Officer

Thuyet Dang
Senior Accounting Manager

- Accounting and financial reporting
- Budgeting and cash flow analysis
- Human resources
- Facilities and safety
- Information technology and telecommunications
- Administration and records

Participating Employers

Employer	Date Entered System
County of Sacramento	July 1, 1941
County of Sacramento, Elected Officials: Board of Supervisors Sheriff Assessor District Attorney	July 1, 1941
U.C. Davis Medical Center*	July 1, 1941
Sacramento Metropolitan Fire District**	March 1, 1957
Sunrise Recreation and Park District	August 1, 1961
Fair Oaks Cemetery District	March 1, 1962
Carmichael Recreation and Park District	January 1, 1967
Florin Fire District**	July 1, 1974
Mission Oaks Recreation and Park District	February 1, 1976
Sacramento Employment and Training Agency ("S.E.T.A.")	June 1, 1979
Orangevale Recreation and Park District	March 3, 1987
Elk Grove Cosumnes Cemetery District	April 28, 1987
Galt-Arno Cemetery District	July 1, 1987
Superior Court of California, County of Sacramento***	June 25, 2006

* The final participating member from UC Davis Medical Center retired in January 2013.

** Florin Fire District terminated its membership on June 30, 1996. Members are currently part of Sacramento Metropolitan Fire District.

*** Prior to June 25, 2006, Superior Court member information was included in the totals for the County of Sacramento.

Professional Consultants

Actuary

Segal Consulting

Auditor

Macias Gini & O'Connell LLP

Custodian

State Street Bank and Trust

Investment Consultant

Cliffwater, LLC

Strategic Investment Solutions, Inc.

The Townsend Group

Legal Counsel

Nossaman, LLP

Public Pension Consultants

Sacramento County
Office of the County Counsel

Note: Investment professionals are listed on page 92, and a schedule of manager fees is located on pages 90 and 91 of this report in the Investment Section.


FINANCIAL

MGO Certified Public Accountants

Sacramento
Walnut Creek
Oakland
Los Angeles
Century City
Newport Beach
San Diego

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement of the
Sacramento County Employees' Retirement System
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the Sacramento County Employees' Retirement System (the System) as of and for the fiscal years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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. We conducted our audits 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 from 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 misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity'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.

Macias Gini & O'Connell LLP
3000 S Street, Suite 300
Sacramento, CA 95816

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Sacramento County Employees' Retirement System as of June 30, 2015 and 2014, and the changes in fiduciary net position for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the basic financial statements, the total pension liability based on actuarial valuations as of June 30, 2015 and 2014, exceeded the System's fiduciary net position by $1.1 billion and $770.9 million, respectively. Actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.50 percent, which represents the long-term expected rate of return.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Employer Contributions, and Schedule of Annual Money-Weighted Rate of Return, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplemental information, introductory, investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information in the financial section is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 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 supplemental information is fairly stated, in all material respects, in relation to the basic financial statements taken 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 December 4, 2015 on our consideration of the System'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 the System's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Sacramento, California
December 4, 2015

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This section presents management's discussion and analysis ("MD&A") of the financial activities of the Sacramento County Employees' Retirement System ("SCERS") for the years ended June 30, 2015 and 2014. Readers are encouraged to consider the narrative overview and information presented in this MD&A in conjunction with the Letter of Transmittal beginning on page 6 of this Report and the Basic Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplemental Information that follows.

FINANCIAL HIGHLIGHTS

As of June 30, 2015, SCERS' fiduciary net position restricted for pension benefits ("net position") totaled $7.879 billion. This represented an increase of $68.8 million or 0.9% from the $7.810 billion in SCERS' net position as of June 30, 2014, which, in turn, represented an increase of $1.022 billion or 15.1% over the $6.788 billion in net position as of June 30, 2013.

Additions to net position were $449.3 million and $1.375 billion for the years ended June 30, 2015 and 2014, respectively. Lower investment performance was the primary reason for the decrease in total additions for the fiscal year ended June 30, 2015. Strong investment performance in fiscal year 2013-2014 was the primary reason for the increase of $331.9 million or 31.8% over the $1.043 billion in total additions for the year ended June 30, 2013. Net appreciation in fair value of investments was $217.3 million and $1.156 billion for the years ended June 30, 2015 and 2014, respectively.

Deductions to net position were $380.5 million and $353.3 million for the years ended June 30, 2015 and 2014. The total deductions for the year ended June 30, 2015 increased by $27.2 million or 7.7% over the year ended June 30, 2014, which in turn, saw an increase in total deductions of $24.0 million or 7.3% over the year ended June 30, 2013. Increased monthly benefit payments due to an increase in the number of retirees and the annual cost-of-living adjustment were the primary reasons for the increase in total deductions for both years.

SCERS' funding objective is to meet long-term benefit obligations through contributions and investment income. In order to help achieve level and predictable contribution costs from one year to the next, SCERS bases the determination of contribution rates on an actuarial asset valuation method that gradually adjusts to the market value of assets ("asset smoothing"). Under this actuarial asset valuation methodology, any investment market returns for the year that are above or below the assumed investment return rate (7.50% for fiscal years 2014-2015 and 2013-2014) are recognized over seven years ("smoothing"). This 'smoothed' value is referred to as the 'Actuarial Value of Assets.' By using the Actuarial Value of Assets to determine the contribution rates, SCERS is able to avoid the year-to-year volatility in contribution rates that would come from using the market value of assets.

As of June 30, 2015, SCERS' total pension liability was $9.029 billion, up from $8.581 billion as of June 30, 2014. The net pension liability increased from $770.9 million as of June 30, 2014 to $1.150 billion as of June 30, 2015. This increase in net pension liability is mainly due to low investment performance in fiscal year 2015 offset to some degree by lower-than-expected active employee salary growth, lower-than-expected cost-of-living adjustment, and higher-than-expected actual contributions. The fiduciary net position as a percentage of the total pension liability decreased from 91.0% to 87.3%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A serves as an introduction to the basic financial statements and other information accompanying the basic financial statements, which are comprised of the following components:

- ◊ Statements of Fiduciary Net Position - Pension Trust Fund
- ◊ Statements of Changes in Fiduciary Net Position - Pension Trust Fund
- ◊ Statements of Fiduciary Net Position - Agency Fund
- ◊ Notes to the Basic Financial Statements

The Statements of Fiduciary Net Position - Pension Trust Fund are snapshots of account balances at fiscal year end. These statements reflect assets available for future payments to retirees and their beneficiaries, and liabilities owed as of fiscal year end.

The Statements of Changes in Fiduciary Net Position - Pension Trust Fund reflect all the financial transactions that occurred during the year and show the impact of those activities as additions or deductions to the plan. The trend of additions versus deductions to the plan will indicate whether SCERS' financial position is improving or deteriorating over time.

The fiduciary fund statements report SCERS' net position restricted for pension benefits. Over time, increases or decreases in net position serve as one indicator of whether SCERS' financial health is improving or deteriorating. Other factors, such as market conditions or the System's fiduciary net position as a percentage of the employers' total pension liability should also be considered in measuring the System's overall health.

The Statements of Fiduciary Net Position - Agency Fund reflect assets held by SCERS in a custodial capacity or as an agent on behalf of others and do not measure the results of operations.

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

In addition to the financial statements and accompanying notes, this Report presents certain Required Supplementary Information which includes the employers' net pension liability, actuarially determined contribution ("ADC"), actuarial assumptions used to calculate the net pension liability and ADC, historical trends and other required supplementary information related to SCERS' defined benefit pension plan as required by GASB Statement No. 67.

Schedules of administrative expenses, investment management expenses, payments to consultants, and statements of changes in assets and liabilities for the agency fund are presented as Other Supplemental Information following the Required Supplementary Information.

FINANCIAL ANALYSIS

Assets and Employers' Net Pension Liability

SCERS' net position restricted for pension benefits as of June 30, 2015 totaled $7.879 billion, an increase of $68.8 million or 0.9% from the $7.810 billion in net position as of June 30, 2014, which represented an increase of $1.022 billion or 15.1% over the $6.788 billion in net position as of June 30, 2013. The increase in net position for the year ended June 30, 2015 was due to both investment gains and receipt of employee and employer contributions, while the increase in net position for the year ended June 30, 2014 was mainly due to strong investment performance.

For fiscal year ended June 30, 2015, the total fund return, gross of fees, was 0.7% below the return of the policy index benchmark. At the asset class level, fiscal year 2014-2015 investments in the international equity, fixed income, and opportunistic segments of the portfolio outperformed the policy benchmarks, while investments in domestic equity, absolute return, private equity and real assets segments of the portfolio underperformed the policy benchmarks. For the fiscal year ended June 30, 2014, investments in the fixed income, absolute return and real assets segments of the portfolio outperformed the policy benchmarks, while investments in domestic equity, international equity, private equity and opportunistic segments of the portfolio under performed the policy benchmarks. For the fiscal year ended June 30, 2013, investments in all asset classes within the SCERS portfolio generated positive returns and outperformed the policy benchmarks except for the private equity and real asset segments. All of the net position is available to meet SCERS' obligations to plan participants and beneficiaries.

The increase in cash and short-term investments as of June 30, 2015 compared to the prior year was the result of the termination of an international equity manager and the available funds were placed into a passive interim solution within SCERS' overlay program. The decrease in receivables and investment trades payable as of June 30, 2015 compared to the prior year was the result of a decrease in trading activity at the end of June by the external investment managers.

NET POSITION

As of June 30

(Dollar Amounts Expressed in Millions)

Assets	2015	2014	Increase/ (Decrease)	% Change
Cash and short-term investments	$659.0	$430.8	$228.2	53.0%
Receivables	92.4	112.2	(19.8)	(17.6)
Investments, at fair value	7,404.4	7,647.3	(242.9)	(3.2)
Securities lending collateral	320.6	313.5	7.1	2.3
Other assets	1.2	2.7	(1.5)	(55.6)
Total assets	8,477.6	8,506.5	(28.9)	(0.3)
Liabilities				
Other liabilities	38.0	40.6	(2.6)	(6.4)
Mortgages payable	111.4	143.4	(32.0)	(22.3)
Investments purchased payable	128.8	199.0	(70.2)	(35.3)
Securities lending liability	320.6	313.5	7.1	2.3
Total liabilities	598.8	696.5	(97.7)	(14.0)
Net position restricted for pension benefits	$7,878.8	$7,810.0	$68.8	0.9%

NET POSITION

As of June 30

(Dollar Amounts Expressed in Millions)

Assets	2014	2013	Increase/ (Decrease)	% Change
Cash and short-term investments	$430.8	$574.1	($143.3)	(25.0)%
Receivables	112.2	207.1	(94.9)	(45.8)
Investments, at fair value	7,647.3	6,411.3	1,236.0	19.3
Securities lending collateral	313.5	255.6	57.9	22.7
Other assets	2.7	6.4	(3.7)	(57.8)
Total assets	8,506.5	7,454.5	1,052.0	14.1
Liabilities				
Other liabilities	40.6	30.5	10.1	33.1
Mortgages payable	143.4	131.6	11.8	9.0
Investments purchased payable	199.0	248.8	(49.8)	(20.0)
Securities lending liability	313.5	255.6	57.9	22.7
Total liabilities	696.5	666.5	30.0	4.5
Net position restricted for pension benefits	$7,810.0	$6,788.0	$1,022.0	15.1%

The decrease in cash and short-term investments as of June 30, 2014 compared to the prior year was the result of funding new investments and fulfilling capital commitments. The decrease in receivables and investment trade payables as of June 30, 2014 compared to the prior year was the result of an decrease in trading activity at the end of June by the external investment managers. The increase in securities lending collateral and securities lending liability reflected a higher level of activity in the securities lending industry.

GASB Statement No. 67 replaces GASB Statement No. 25 and redefines pension liability and expense for financial reporting purposes but does not apply to contribution amounts for pension funding purposes. When measuring the total pension liability, GASB uses the same actuarial cost method and the same type of discount rate as SCERS uses for funding. Therefore, the employers' total pension liability measure for financial reporting shown in this report is determined on the same basis as SCERS' actuarial accrued liability measured for funding.

SCERS retained an independent actuarial firm, Segal Consulting, to perform annual actuarial valuations to determine the employers' total pension liability and ADC. An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liability, which is the actuarial present value of all future benefits expected to be paid with respect to each member. The purpose of the actuarial valuation is to determine the total pension liability in accordance with the parameters set forth in GASB Statement No. 67 and what future contributions will be needed by the members and participating employers, in conjunction with investment earnings, to pay the expected future benefits.

As of June 30, 2015, the employers' total pension liability was $9.029 billion, and the net pension liability (the total pension liability less the fiduciary net position) was $1.150 billion. The plan fiduciary net position as a percentage of the total pension liability was 87.3%. In general terms, this ratio means that as of June 30, 2015, SCERS had approximately 87 cents available for each dollar of anticipated future liability. As of June 30, 2014, the employers' total pension liability was $8.581 billion, and the net pension liability (the total pension liability less the fiduciary net position) was $770.9 million. The plan fiduciary net position as a percentage of the total pension liability was 91.0%.

The Required Supplementary Information presents additional information regarding the net pension liability and the Actuarial Section of this Report provides additional actuarial funding information.

Reserves

SCERS' reserves are established in accordance with the requirements of the 1937 Act, utilizing contributions and the accumulation of investment income, after satisfying administrative and investment expenses. Under GASB Statement No. 67, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses. In addition, for actuarial funding purposes, SCERS utilizes a seven-year smoothing methodology under which a portion of the market gains and losses is recognized and allocated to the reserves through interest crediting. The difference between the market value of assets (equivalent to the net position restricted for pension benefits) and the smoothed actuarial value of assets is tracked in the market stabilization reserve.

Lower-than-expected investment performance reduced SCERS' market stabilization reserve from $497.0 million as of June 30, 2014 to $40.0 million as of June 30, 2015.

NET POSITION RESTRICTED FOR BENEFITS AT FAIR VALUE AS OF JUNE 30

(Dollar Amounts Expressed in Millions)

	2015	2014	2013
Employee Reserves	$727.0	$713.6	$700.0
Employer Reserves	2,621.6	2,564.8	2,433.9
Retiree Reserves	4,393.3	3,973.8	3,649.2
Retiree Death Benefit Reserves	15.8	15.2	14.7
Contingency Reserve	81.1	45.6	-
Total Allocated Reserves and Designations	7,838.8	7,313.0	6,797.8
Market Stabilization Reserve	40.0	497.0	(9.8)
Net position restricted for benefits, at fair value	$7,878.8	$7,810.0	$6,788.0

Changes in Fiduciary Net Position - Pension Trust Fund

The following tables present the changes in fiduciary net position for the fiscal years ended June 30, 2015, 2014, and 2013, respectively.

CHANGE IN FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30

(Dollar Amounts Expressed in Millions)

	2015	2014	Increase/ (Decrease)	% Change
Additions				
Employee contributions	$68.1	$57.6	$10.5	18.2%
Employer contributions	223.0	210.5	12.5	5.9
Net gain from investment activities	217.3	1,156.0	(938.7)	(81.2)
Net income from securities lending	1.0	1.3	(0.3)	(23.1)
Other income/(expense)	1.3	(0.9)	2.2	244.4
Investment fees and expenses	(61.4)	(49.2)	12.2	24.8
Total additions	449.3	1,375.3	(926.0)	(67.3)
Deductions				
Withdrawal of contributions	2.3	2.7	(0.4)	(14.8)
Administrative expenses	5.8	5.7	0.1	1.8
Benefits paid	372.4	344.9	27.5	8.0
Total deductions	380.5	353.3	27.2	7.7
Increase in net position	68.8	1,022.0	(953.2)	(93.3)
Net position restricted for pension benefits, beginning	7,810.0	6,788.0	1,022.0	15.1
Net position restricted for pension benefits, ending	$7,878.8	$7,810.0	$68.8	0.9%

CHANGE IN FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30

(Dollar Amounts Expressed in Millions)

	2014	2013	Increase/ (Decrease)	% Change
Additions				
Employee contributions	$57.6	$68.3	($10.7)	(15.7)%
Employer contributions	210.5	189.7	20.8	11.0
Net gain from investment activities	1,156.0	824.0	332.0	40.3
Net income from securities lending	1.3	2.4	(1.1)	(45.8)
Other expense	(0.9)	(3.4)	(2.5)	(73.5)
Investment fees and expenses	(49.2)	(37.6)	11.6	30.9
Total additions	1,375.3	1,043.4	331.9	31.8
Deductions				
Withdrawal of contributions	2.7	2.7	0.0	0.0
Administrative expenses	5.7	5.7	0.0	0.0
Benefits paid	344.9	320.9	24.0	7.5
Total deductions	353.3	329.3	24.0	7.3
Increase in net position	1,022.0	714.1	307.9	43.1
Net position restricted for pension benefits, beginning	6,788.0	6,073.9	714.1	11.8
Net position restricted for pension benefits, ending	$7,810.0	$6,788.0	$1,022.0	15.1%

Additions to Net Position

Financing for the benefits SCERS provides to its members comes primarily through the collection of employer and member (employee) contributions and from income on investments. For the fiscal years ended June 30, 2015, 2014, and 2013, total additions were $449.3 million, $1.375 billion, and $1.043 billion, respectively.

For the fiscal years ended June 30, 2015, 2014, and 2013, combined employer and employee contributions were $291.1 million, $268.1 million, and $258.0 million, respectively. Fiscal year 2014-2015 employee contributions increased as a result of the County and the County employees' bargaining units entering into agreements under which County employees pay more of the normal cost and increase in contribution rates for Safety members. Fiscal year 2013-2014 employee contributions decreased primarily due to the discontinuation of additional service credit purchases while the employer contributions increased due to an increase in the aggregated contribution rate.

Net investment income was $158.2 million, $1.107 billion, and $785.4 million for the fiscal years ended June 30, 2015, 2014, and 2013, respectively. The net investment gains for the fiscal years ended June 30, 2015 and June 30, 2014 were directly related to investment performance. The Investment Section of this Report provides a detailed discussion of the investment markets and investment performance.

Deductions from Net Position

SCERS' net position was primarily used for the payment of benefits to members and their beneficiaries, for the payment of contribution refunds to terminated employees, and for the cost of administering the System. For the years ended June 30, 2015, 2014, and 2013, total deductions were $380.5 million, $353.3 million, and $329.3 million, respectively.

Deductions increased $27.2 million or 7.7% in the year ended June 30, 2015 and $24.0 million or 7.3% in the year ended June 30, 2014. The primary cause of the increase in deductions in both years was due to the increase in monthly benefit payments resulting from an increase in the number of retired members and the annual cost-of-living adjustment paid to retirees and beneficiaries.

The Board of Retirement approves SCERS' annual budget. The 1937 Act limits SCERS' annual administrative expenses, excluding the costs of administration for computer software and hardware and computer technology consulting services ("IT costs"), to twenty-one hundredths of one percent (0.21%) of the System's actuarial accrued liability. Administrative expenses of $5.2 million for the fiscal year ended June 30, 2015 and $5.1 million for the fiscal year ended June 30, 2014, excluding IT costs, were 0.06% of the System's actuarial accrued liability. SCERS' administrative expenses have historically been below the limitation.

SCERS' FIDUCIARY RESPONSIBILITIES

SCERS' Board of Retirement and management staff are fiduciaries of the pension trust fund. Under the California Constitution and California state law, the net position must be used exclusively for the benefit of plan participants and their beneficiaries.

REQUESTS FOR INFORMATION

This Report is designed to provide the Board of Retirement, SCERS members, participating employers, taxpayers, and other stakeholders and interested parties with a general overview of SCERS' finances and to show accountability for the money SCERS receives.

Questions about this Report or requests for additional financial information may be addressed to:

Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
Sacramento, CA 95814

Copies of this Report are available at the above address and on the System's web site at www.scers.org.

Statements of Fiduciary Net Position

PENSION TRUST FUND

AS OF JUNE 30, 2015 AND 2014

(Dollar Amounts Expressed in Thousands)

	2015	2014
Assets		
Cash invested with Sacramento County Treasurer	$8,436	$7,844
Other cash and cash equivalents	56,627	51,713
Short-term investments with fiscal agents	593,908	371,219
Cash and short-term investments	658,971	430,776
Receivables		
Employee and employer contributions	7,892	7,923
Accrued investment income	33,230	29,410
Securities sold	51,263	74,836
Total receivables	92,385	112,169
Investments, at fair value		
Common and preferred stock - domestic	1,875,151	1,815,061
Common and preferred stock - international	1,520,609	1,972,842
US government and agency securities	454,541	584,608
Domestic corporate bonds	682,385	608,104
International bonds	333,871	292,759
Real assets	1,210,739	1,244,761
Absolute return	773,662	759,869
Private equity	419,275	292,961
Opportunities	134,137	76,290
Securities lending collateral	320,650	313,536
Total investments	7,725,020	7,960,791
Other assets	1,199	2,739
Total assets	8,477,575	8,506,475
Liabilities		
Warrants payable	846	1,197
Accounts payable and other accrued liabilities	37,112	39,347
Mortgages payable	111,350	143,432
Investments purchased payable	128,803	198,962
Securities lending liability	320,650	313,536
Total liabilities	598,761	696,474
Net position restricted for pension benefits	$7,878,814	$7,810,001

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

Statements of Changes in Fiduciary Net Position

PENSION TRUST FUND

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

(Dollar Amounts Expressed in Thousands)

	2015	2014
Additions		
Contributions		
Employee	$68,143	$57,635
Employer	222,959	210,503
Total contributions	291,102	268,138
Investment income		
From investment activities		
Net appreciation/(depreciation) in investment fair value:		
Securities	9,270	765,699
Real assets	(22,408)	97,922
Absolute return	26,925	69,442
Private equity	38,684	46,693
Opportunities	10,079	4,223
Interest	34,444	36,007
Dividends	73,437	99,771
Real assets	25,305	29,048
Private equity	18,645	1,660
Opportunities	2,960	5,495
Net gain from investment activities	217,341	1,155,960
From securities lending activities		
Securities lending income	907	904
Securities lending expense		
Borrower rebate income	463	672
Securities lending management fees	(334)	(273)
Net income from securities lending	1,036	1,303
Other income/(expense)	1,283	(945)
Investment fees and expenses	(61,438)	(49,166)
Net investment income	158,222	1,107,152
Total additions	449,324	1,375,290
Deductions		
Withdrawal of contributions	2,288	2,729
Administrative expenses	5,854	5,665
Benefits paid	372,369	344,890
Total deductions	380,511	353,284
Net increase	68,813	1,022,006
Net position restricted for pension benefits, beginning	7,810,001	6,787,995
Net position restricted for pension benefits, ending	$7,878,814	$7,810,001

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

Statements of Fiduciary Net Position

AGENCY FUND
AS OF JUNE 30, 2015 AND 2014
(Dollar Amounts Expressed in Thousands)

	2015	2014
Assets		
Accounts receivable	$31	$41
Total assets	$31	$41
Liabilities		
Accounts payable	$31	$41
Total liabilities	$31	$41

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

NOTE 1 - PLAN DESCRIPTION

The Sacramento County Employees' Retirement System ("SCERS" or the "System") is a cost-sharing multiple-employer public employee retirement system which operates under the County Employees Retirement Law of 1937 (Section 31450 et seq. of the California Government Code) and the California Public Employees' Pension Reform Act of 2013 ("CalPEPRA"). The System was created by resolution of the Sacramento County (the "County") Board of Supervisors on July 1, 1941, to provide retirement, disability, and death benefits for qualified employees of Sacramento County and participating Special Districts ("Special Districts" or "Member Districts"). SCERS is governed by a nine member Board of Retirement. Four are appointed by the County Board of Supervisors; four are elected by the members of the System (two by the Miscellaneous members, one by the Safety members and one by the Retiree members); and the County Director of Finance serves as an Ex-Officio member. An alternate Safety member and an alternate Retiree member are also elected by those respective member groups. The System is legally and fiscally independent of the County.

At June 30, 2015 and 2014, participating local government employers consisted of the County of Sacramento; Superior Court of California, County of Sacramento ("Superior Court"); and eleven Special Districts.

The System's membership consists of the following categories:

- Safety Tier 1 - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date prior to June 25, 1995.

- Safety Tier 2 - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date on or after June 25, 1995 but prior to January 1, 2012.

- Safety Tier 3 - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date on or after January 1, 2012 but prior to January 1, 2013.

- Safety Tier 4 - Includes employees whose principal duties consist of law enforcement or fire suppression work or who occupy positions designated by law as safety positions and who have a membership start-date on or after January 1, 2013.

- Miscellaneous Tier 1 - Includes all members other than Safety who have a membership start-date prior to September 27, 1981.

- Miscellaneous Tier 2 - Includes all members other than Safety who have a membership start-date on or after September 27, 1981 and prior to June 27, 1993 and who elected not to become members of Miscellaneous Tier 3.

- Miscellaneous Tier 3 - Includes all members other than Safety who have a membership start-date on or after June 27, 1993, and those Miscellaneous Tier 2 members who elected to become members of this class. The Miscellaneous Tier 3 is closed to employees of Sacramento County who have membership start-date on or after January 1, 2012.

- Miscellaneous Tier 4 - Includes members other than Safety who are employees of Sacramento County and have a membership start-date on or after January 1, 2012 but prior to January 1, 2013.

- Miscellaneous Tier 5 - Includes all members other than Safety who have a membership start-date on or after January 1, 2013.

(Dollar Amounts Expressed in Thousands)

At June 30, 2015 and 2014, the System's membership consisted of:

Current Members:	2015	2014
Vested		
Miscellaneous Tier 1	104	149
Miscellaneous Tier 2	68	74
Miscellaneous Tier 3	7,922	8,343
Miscellaneous Tier 4	8	7
Miscellaneous Tier 5	5	2
Total Miscellaneous	8,107	8,575
Safety Tier 1	254	338
Safety Tier 2	1,345	1,378
Safety Tier 3	18	4
Safety Tier 4	10	10
Total Safety	1,627	1,730
Total Vested	9,734	10,305
Non-Vested		
Miscellaneous Tier 3	316	439
Miscellaneous Tier 4	298	289
Miscellaneous Tier 5	1,372	782
Total Miscellaneous	1,986	1,510
Safety Tier 2	25	29
Safety Tier 3	79	70
Safety Tier 4	248	135
Total Safety	352	234
Total Non-Vested	2,338	1,744
Total Current Members	12,072	12,049

(Dollar Amounts Expressed in Thousands)

Retirees and beneficiaries currently receiving benefits:	2015	2014
Miscellaneous - Service	6,833	6,518
Miscellaneous - Beneficiary	1,138	1,089
Miscellaneous - Nonservice-Connected Disability	291	295
Miscellaneous - Service-Connected Disability	186	182
Total Miscellaneous	8,448	8,084
Safety - Service	1,500	1,395
Safety - Beneficiary	341	322
Safety - Nonservice-Connected Disability	19	19
Safety - Service-Connected Disability	233	229
Total Safety	2,093	1,965
Total Retirees and Beneficiaries	10,541	10,049
Terminated employees entitled to benefits but not yet receiving them:		
Miscellaneous Tier 1	63	74
Miscellaneous Tier 2	185	205
Miscellaneous Tier 3	2,357	2,343
Miscellaneous Tier 4	51	46
Miscellaneous Tier 5	129	56
Total Miscellaneous	2,785	2,724
Safety Tier 1	93	102
Safety Tier 2	368	366
Safety Tier 3	5	4
Safety Tier 4	10	5
Total Safety	476	477
Total Terminated Members	3,261	3,201
Grand Total	**25,874**	**25,299**

Pension Benefits

The System's benefits are established by the provisions of the County Employees Retirement Law of 1937 and CalPEPRA and provide for retirement, death, and disability benefits. All permanent full-time and part-time employees of the County, Superior Court and Member Districts are eligible to participate in the System. Upon reaching five years of service, participants have earned the right to receive a retirement benefit, subject to certain restrictions if retirement is prior to attaining age 50 or if less than 10 years of service has been achieved for Miscellaneous Tier 1, 2, 3 and 4 and Safety Tier 1, 2, and 3, or prior to attaining age 52 or if less than 5 years of service has been achieved for Miscellaneous Tier 5, or prior to attaining age 50 or if less than 5 years of service has been achieved for Safety Tier 4.

Effective June 29, 2003, the County Board of Supervisors adopted new benefit formulas for all SCERS members, including the employees of Member Districts, for service credit prospectively from June 29, 2003, and for County employees, retroactively to service credit which precedes that date. In accordance with applicable retirement law, each SCERS Member District's governing body determined whether or not to apply these formulas retroactively for service credit earned prior to June 29, 2003 by their employees.

Retirement benefits under Safety Tiers 1 and 2 and Miscellaneous Tiers 1, 2 and 3 are as follows:

- Members covered under Safety Tier 1 who retire at age 50, or thereafter, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.
- Members covered under Safety Tier 2 who retire at age 50, or thereafter, are entitled to a retirement benefit, payable monthly for life, equal to 3 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 1 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, which is equal to 1.48 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 4 percent annually. Final-average salary is the member's average salary for the highest twelve consecutive months of credited service.
- Members covered under Miscellaneous Tier 2 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.48 percent of their final-average salary for each year of credited service. There is no cost-of-living adjustment. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.48 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Miscellaneous Tier 1, 2, and 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.61 percent of final-average salary for each year of credited service at age 62.

Members whose employers determined not to retroactively apply the formulas to service credit earned prior to June 29, 2003 will continue to have their retirement benefits for that service calculated pursuant to the formulas in effect at the time the service was earned (i.e., Safety and Miscellaneous members who retire at age 50 earn 2 percent and 1.1 percent, respectively, of their final-average salary for each year of credited service).

Effective January 1, 2012, the County Board of Supervisors adopted new tiers for County employees hired on or after January 1, 2012, but before January 1, 2013. Retirement benefits under these new tiers are as follows:

- Members covered under Safety Tier 3 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 2.29 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.
- Members covered under Miscellaneous Tier 4 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 1.18 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Safety Tier 3 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 3 percent of final-average salary for each year of credited service at age 55. The retirement benefits of Miscellaneous Tier 4 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.43 percent of final-average salary for each year of credited service at age 65.

Effective January 1, 2013, with the implementation of CalPEPRA, the County Board of Supervisors adopted new tiers for employees of the County, Superior Court and Member Districts who are eligible to participate in the System and who were hired on or after January 1, 2013. Retirement benefits under these new tiers are as follows:

- Members covered under Safety Tier 4 who retire at age 50 are entitled to a retirement benefit, payable monthly for life, equal to 2 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

- Members covered under Miscellaneous Tier 5 who retire at age 52 are entitled to a retirement benefit, payable monthly for life, equal to 1 percent of their final-average salary for each year of credited service. This benefit includes a cost-of-living adjustment of up to 2 percent annually. Final-average salary is the member's average salary for the highest thirty-six consecutive months of credited service.

The retirement benefits of Safety Tier 4 members who retire after age 50 are increased by an age factor for each quarter year of age up to a maximum of 2.7 percent of final-average salary for each year of credited service at age 57. The retirement benefits of Miscellaneous Tier 5 members who retire after age 52 are increased by an age factor for each quarter year of age up to a maximum of 2.5 percent of final-average salary for each year of credited service at age 67.

Member Termination

Upon separation from employment with a participating employer, members' accumulated contributions are refundable with interest accrued through the prior six-month period ended June 30 or December 31. Interest on member accounts is credited semiannually on June 30 and December 31. Withdrawal of such accumulated contributions results in forfeiture of the related benefits.

Financing

Benefits payable by the System are financed through member contributions, employer contributions, and earnings from investments. Member contributions are required by law. Contribution rates, which are actuarially determined, are based on age at entry into the System (a single rate is used for members entering the System after January 1, 1975). County, Superior Court and Member Districts' contributions are actuarially determined to provide for the balance of contributions needed. All contribution rates are reviewed and revised annually. The authority for both benefit provisions and contribution obligations is derived from the County Employees Retirement Law of 1937 and CalPEPRA.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

Basis of Accounting

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. SCERS reports fiduciary funds at June 30, 2015 and 2014 which include pension trust and agency funds. The pension trust fund is used to report resources that are required to be held in trust for the members and the beneficiaries of the defined benefit pension plan, and the agency fund accounts for assets held by SCERS in a custodial capacity or as an agent on behalf of the participating employers to fund the Retiree Medical and Dental Insurance Program. See Note 8 for a detailed description of the program. The pension trust fund is accounted for on a flow of economic resources measurement focus and the accrual basis of accounting. The agency fund is custodial in nature and does not measure the results of operations. Assets and liabilities are recorded using the accrual basis of accounting.

Effective July 1, 2012, SCERS adopted the provisions of Government Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The requirements of GASB Statement No. 67 separate funding from financial reporting and require changes in presentation of the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total and net pension liability. It also includes comprehensive footnote disclosures regarding the pension liability, the sensitivity of the net pension liability to changes in the discount rate, and increased investment activity disclosures. The total pension liability, determined in accordance with GASB Statement No. 67, is presented in Note 4 and in the Required Supplementary Information on page 68.

Investments are valued at their fair value, which results in the recognition of fair value gains and losses. Employee and employer contributions are recognized when due pursuant to statutory requirements. Benefits and refunds are recognized when the benefits are currently due and payable in accordance with the terms of the plan. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Investment purchases and sales are recorded on the trade date, not the settlement date.

Valuation of Investments

The majority of the investments held at June 30, 2015 and 2014 are in the custody of, or controlled by, State Street Bank, the System's custodian. The System's investments consist of domestic and international equities, domestic and international fixed income, real assets, absolute return, private equity, and opportunities. Investments are reported at fair value. The diversity of the investment types that the

System has entered into requires a wide range of techniques to determine fair value. The overall valuation processes and information sources by major asset classifications are as follows:

Cash and Short-Term Investments
Cash deposited in the Sacramento County Treasurer's pool is stated at fair value. The value of the System's pool shares is determined on an amortized cost basis, which approximates fair value.

Short-term investments, which include highly-liquid investments expected to be utilized by the System within 30-90 days, are reported at fair value. These investments may include securities that have a maturity in excess of 90 days but are readily marketable.

Equity
The majority of the System's domestic and international equity securities are actively traded on major stock exchanges or over-the-counter. Investments listed or traded on a securities exchange are valued at fair value as of the close of trading on the valuation day. Fair value is determined based on the last reported trade price on the exchange considered to be the primary market for such security. Listed investments that are not traded on a particular day are valued at the last known price which is deemed best to reflect their fair value. Investments not traded on a securities exchange, but which are traded in any other market or over-the-counter, are valued based on prices obtained from third party service providers.

Fixed Income
Fixed income consists of investments in customized separate accounts and comimingled funds which primarily invest in negotiable obligations of the U.S. Government and U.S. Government-sponsored agencies, U.S. and non-U.S. corporations, securitized offerings backed by residential and commercial mortgages, and non-dollar denominated sovereign states. Certain securities, such as U.S. government bonds, have an active market for identical securities and can typically be valued using the close or last traded price on a specific date. Other securities that are not as actively traded are valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings and other assumptions based upon the specifics of the asset type.

Real Assets
Real assets are comprised of a mix of assets that include: (1) Core and core plus real estate; (2) Private real assets (infrastructure, energy, timber, agriculture and other natural resources); (3) Commodities; and (4) Treasury Inflation-Protected Securities ("TIPS").

Core and core plus real estate is held either directly via a real estate holding entity or as a limited partner in a commingled fund. Properties owned directly are subject to annual independent third party appraisals performed in accordance with the Uniform Standards of Professional Appraisal Practice. Real estate investments in a commingled fund are long-term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment. Limited partner interest in commingled funds is valued by using the net asset value ("NAV") of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually and periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment. Certain real estate investments are leveraged, and the corresponding liability is recorded in the statements of fiduciary net position. Refer to Note 9 for disclosures regarding mortgage obligations.

Private real assets investments are made both on a direct basis in limited partnerships, commingled funds, and separate accounts, and through externally managed fund-of-funds ("FoF"). Valuation methodologies in private real assets investments are consistent with the section described below in private equity.

Commodity interests traded on a United States or foreign exchange are valued at their last reported settlement price on the valuation date on the exchange on which such interests were purchased or sold. Commodity interests not traded on a United States or foreign exchange are valued at the mean between their last "bid" and "asked" prices on the date as of which the value is being determined, as reported by a reliable source selected in good faith by the fund manager. TIPS have an active market for identical securities and can typically be valued using the close or last traded price on a specific date.

Absolute Return

Absolute return investments are made both on a direct basis in limited partnerships, commingled funds, and separate accounts, and through externally managed customized separate accounts ("CSA"). Each CSA manager's investments consist of portfolio funds and co-investments as well as marketable securities held from time to time as a result of a distribution from a portfolio fund.

Absolute return investments are generally less liquid as compared to equities and fixed income and more liquid as compared to private equity. Direct absolute return investments consist of securities traded on national security exchanges, as well as illiquid securities. The fund's evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided to it by the portfolio funds, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any.

Typically, the fair value of investments is determined by the fund manager in good faith and in compliance with the following guidelines:

- The value of illiquid investments is determined by the fund manager in good faith and in compliance with the definition of fair value under US GAAP (Financial Accounting Standards Board ("FASB") Accounting Standards Codification, Topic 820); provided, however, in some circumstances certain illiquid investments may require reporting financial information and valuations in accordance with accounting standards other than US GAAP, such as under International Financial Reporting Standards.

- Securities that are traded on a national securities exchange are valued at their last reported sales prices on the valuation date on the national securities exchange on which such securities are principally traded or on a consolidated tape which includes such exchange, or, if there are no sales on such date on such exchange or consolidated tape, at the mean between the last "bid" and "asked" prices at the close of trading on such date on the largest national securities exchange on which such securities are traded.

- Securities not traded on a national securities exchange, but traded over the counter, are valued at the last reported sales price as reported by the Nasdaq National Market of the Nasdaq Stock Market, or if such prices are not reported by the Nasdaq Stock Market, as reported by the National Quotation Bureau, Inc.; or if such prices are not reported by the National Quotation Bureau, the valuation of options or notional principal contracts not traded on a national securities exchange may be determined in good faith by a reliable source selected by the fund manager.

- Commodity interests traded on a United States or foreign exchange are valued at their last reported settlement price on the valuation date on the exchange on which such interests were purchased or sold. Commodity interests not traded on a United States or foreign exchange are valued at the mean between their last "bid" and "asked" prices on the date as of which the value is being determined, as reported by a reliable source selected in good faith by the fund manager.

- Short-term money market instruments and bank deposits are valued at cost plus accrued interest to the date of valuation.

Private Equity

Private equity investments are made both on a direct basis in limited partnerships, commingled funds, and separate accounts, and through externally managed FoF's. Each FoF manager's investments consist of portfolio funds and co-investments as well as marketable securities held from time to time as a result of a distribution from a portfolio fund. Direct private equity fund investments consist of securities in portfolio companies as well as marketable securities. Private equity investments are long-term and illiquid in nature. As a result, limited partners are limited in their ability to exit a partnership investment prior to its dissolution, other than selling their interest in a private equity secondary market. Limited partner interest in commingled funds is valued by using the NAV of the partnership. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general partners on a continuous basis, audited annually and periodically appraised by an independent third party.

Typically, the fair value of all investments is determined by the fund manager in good faith and in compliance with the definition of fair value under U.S. generally accepted accounting principles or "GAAP" (FASB Accounting Standards Codification, Topic 820, *Fair Value Measures and Disclosures*). In some circumstances, partnership agreements require reporting financial information and valuations in accordance with accounting standards other than GAAP, such as under International Financial Reporting Standards. The measure of fair value by the fund manager is typically conducted on a quarterly basis. Marketable securities are valued according to the most recent public market price with appropriate discounts to reflect any contractual or regulatory restriction upon sale.

The fair value of each investment as reported does not necessarily represent the amount that may ultimately be realized, since such amounts depend upon future circumstances that cannot reasonably be determined until the position is actually liquidated. The fund's evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided to it by the portfolio funds, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any. The evaluation of the fair value of co-investments is based on the most recent information available at the time of valuation ascribed to such investments by the sponsor partnership. If the manager does not agree with this valuation, holds different securities than the sponsor partnership, is unable to obtain the sponsor partnership's valuation, or has information that results in a different valuation, it may use its own internal evaluation of fair value. The assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

Opportunities

Opportunities investments are tactical investments that can be made across the full scope of the allowable asset classes and investment vehicles, including securities traded on national exchanges and illiquid private securities. Once a tactical investment opportunity is made, capital is drawn from the most appropriate underlying asset class to fund the opportunities allocation (equity, fixed income, absolute return, private equity or real assets). Accordingly, opportunities investments are valued by the methodology of the underlying asset class as described above.

Securities Lending

Securities lending transactions are short-term collateralized loans of the System's securities for the purpose of generating additional investment income. For each lending transaction, the System receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on the System's statements of fiduciary net position as if the lending transactions had not occurred. Cash collateral received for the loaned securities is reported as securities lending liability on the statements of fiduciary net position. Cash collateral is reinvested in the lending agent's cash collateral investment pool and is valued at fair value and is reported as securities lending collateral on the statement of fiduciary net position. Non-cash collateral held is not reported on the statements of fiduciary net position nor is there a corresponding liability reported on these statements as the System does not have the ability to pledge or sell them without a borrower default. Note 3 - Cash and Investments discloses the amount of securities lending non-cash collateral.

(Dollar Amounts Expressed in Thousands)

Other Assets

Other assets consist of other accounts receivable, prepaid expenses, net capital assets, and security deposits.

Administrative Expenses

Administrative costs are financed through employer and employee contributions and earnings from investments.

Estimates

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

NOTE 3 - CASH AND INVESTMENTS

SECTION 1: INVESTMENT POLICIES

Article XVI, Section 17 of the Constitution of the State of California provides that "...notwithstanding any other provisions of law or this Constitution, the Retirement Board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of monies and administration of the system..." Article XVI, Section 17(a) further provides that "...the Retirement Board of a public pension or retirement system shall have sole and exclusive fiduciary responsibility over the assets…" The investment authority for the System rests primarily through the "prudent person rule," as set forth in Section 31595 of the County Employees Retirement Law of 1937, which establishes a standard for all fiduciaries, including anyone with investment authority on behalf of the System.

Asset Allocation

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to protect the System from the possibility that a particular asset class may experience poor investment performance in a given period. The System's adopted asset allocation policy as of June 30, 2015 and 2014 is as follows:

Asset Class	Target Allocation
Domestic Equities	22.5%
International Equities	22.5
Fixed Income	20.0
Real Assets	15.0
Absolute Return	10.0
Private Equity	10.0
Opportunities	0.0
Total	100.0%

SECTION 2: INVESTMENT SUMMARY

Cash Invested with Sacramento County Treasurer

The System invests cash held for benefit payments and general operations in the County Treasurer's pool. The County Treasury Oversight Committee is responsible for regulatory oversight of the pool. The System's share of the County Treasurer's pool is separately accounted for, and interest earned, net of related expenses, is apportioned quarterly based on the relationship of the System's average daily cash balance to the total of the pooled cash and investments.

The fair value of the System's cash invested with the County Treasurer totaled $8,436 and $7,844 at June 30, 2015 and 2014, respectively. The pool was not rated, and the weighted-average maturity of the pool was 263 days and 293 days at June 30, 2015 and 2014, respectively.

Interest earned but not received from the County Treasurer at year end is reported as a component of accrued investment income on the statements of fiduciary net position. Cash and investments included within the County Treasurer's pool are described in the County's Comprehensive Annual Financial Report.

Other Cash and Cash Equivalents

At June 30, 2015 and 2014, other cash and cash equivalents constituted balances in bank demand deposit accounts of $56,627 and $51,713, respectively.

Short-Term Investments with Fiscal Agents

At June 30, 2015 and 2014, the fair value of the System's short-term investments with fiscal agents were $593,908 and $371,219, respectively. These totals consisted of investments in the State Street Short-Term Investment Fund ("STIF"). The STIF is designed to provide qualified benefit plans with an investment vehicle that may be accessed on a daily basis. The STIF is limited to investing in securities that are rated A-1 by Moody's Investors Services and P-1 by Standard & Poor's Corporation at the time of issuance. The STIF is not rated by credit rating agencies. Most investments range in maturity from overnight to 90 days with up to 20% of the STIF's value eligible for investment between 90 days and 13 months. For the fiscal years ended June 30, 2015 and 2014, the weighted-average maturities were 32 days and 40 days. Investments in the STIF from all participating custodial clients of State Street were $60.9 billion and $55.4 billion on June 30, 2015 and 2014, respectively.

Real Assets

Real assets are comprised of investments in limited partnerships, commingled funds, separate accounts and direct investments in a mix of assets that include: (1) Core and core plus real estate; (2) Private real assets (infrastructure, energy, timber, agriculture and other natural resources); (3) Commodities; and (4) TIPS.

Direct investments include offices, apartments, retail and industrial properties (refer to Note 9 to the basic financial statements for mortgages payable related to directly held real estate investments). As of June 30, 2015 and 2014, the fair value of real asset investments were $1,210,739 and $1,244,761, respectively.

(Dollar Amounts Expressed in Thousands)

Absolute Return

This category of investment includes limited partnerships, commingled funds and customized separate accounts that invest in domestic and international investment strategies including: (1) Market neutral strategies such as equity or fixed income market neutral, fixed income arbitrage, and convertible bond arbitrage; (2) Event driven strategies such as risk arbitrage, merger arbitrage, distressed debt, credit and other event-driven strategies; (3) Equity and credit long/short strategies where there is combination of long and short positions primarily in exchange traded securities, with a net market exposure less than 100% of that of the overall equity or fixed income market. Strategies may be focused on U.S., non-U.S., and/or specialty mandates; (4) Global Macro strategies such as all market portfolios, opportunistic long-only, managed futures, currency, dedicated short selling strategies or other specialty strategies; and (5) Multi-strategies where absolute return managers invest using a combination of previously described strategies. As of June 30, 2015 and 2014, the fair value of absolute return investments were $773,662 and $759,869, respectively.

Private Equity

This category of investments includes limited partnerships, commingled funds and FoF's that invest in domestic and international private buyouts, venture capital, mezzanine capital, direct lending, and distressed debt. As of June 30, 2015 and 2014, the fair value of private equity investments were $419,275 and $292,961, respectively.

Opportunities

Opportunities investments are tactical investments that can be made in any allowable asset class and investment vehicle, including securities traded on national exchanges and illiquid private securities. The allocation to tactical investment opportunities is 0% to 5% of the total fund. Once an opportunities investment is made, capital to fund the opportunity is drawn from the asset class with the closest risk and return profile (equity, fixed income, absolute return, private equity or real assets). As of June 30, 2015 and 2014, the fair values of opportunistic investments were $134,137 and $76,290, respectively.

Unfunded Commitments

Based on its asset allocation model, SCERS has committed to invest in a variety of investment portfolios in the different asset classes. A summary of the unfunded capital commitments by asset class as of June 30, 2015 and 2014 is as follows:

	2015	2014
Real Assets	$463,670	$231,752
Absolute Return	6,199	16,923
Private Equity	499,588	414,333
Opportunities	144,416	117,698
Total	$1,113,873	$780,706

Annual Money-Weighted Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expenses, adjusted for the changing amounts actually invested. For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 2.01%. The annual money-weighted rate of return for the year ended June 30, 2014 was 16.18%.

SECTION 3: SECURITIES LENDING

State statutes permit the System to participate in securities lending transactions and, pursuant to a Securities Lending Authorization Agreement, the System has authorized State Street Bank and Trust Company ("State Street") to act as its agent in lending the System's securities to broker-dealers and banks pursuant to an approved loan agreement.

During the years ended June 30, 2015 and 2014, on behalf of the System, State Street loaned securities held by State Street as custodian, including U.S. government and agency obligations, domestic corporate bonds, and domestic and international equities and received, as collateral, U.S. and foreign currency, securities issued or guaranteed by the U.S. government, sovereign debt of foreign countries, and irrevocable bank letters of credit. The System does not have the ability to pledge or sell collateral securities absent a borrower default. Borrowers are required to deliver collateral for each loan equal to a minimum of 100% of the market value of the loaned security.

In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, securities lending collateral reported in the statement of fiduciary net position represents only cash collateral which is invested in the lending agent's cash collateral investment pool. During fiscal years ended June 30, 2015 and 2014, SCERS did not impose any restrictions on the amount of the loans that State Street made on its behalf. During fiscal years ended June 30, 2015 and 2014, there were no failures to return loaned securities or pay distributions thereon by any borrowers. Moreover, there were no losses resulting from a default of the borrowers or State Street.

During the fiscal years ended June 30, 2015 and 2014, SCERS and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. Since the System held collateral from borrowers greater than the amounts borrowed, on June 30, 2015 and 2014, the System had minimal credit risk exposure to the borrowers. Furthermore, the lending agreement with the custodian requires the custodian to indemnify the System if the borrower fails to return the securities. The total collateral held and the fair value of the securities on loan as of June 30, 2015 were $360,995 and $352,243, respectively. The total collateral held and the fair value of the securities on loan as of June 30, 2014 were $338,797 and $331,810, respectively.

Additional information regarding the cash collateral investment pool (collateral pool) follows:

Method for Determining Fair Value. The fair value of investments held by the collateral pool is based upon valuations provided by a recognized pricing service.

Policy for Utilizing Amortized Cost Method. Because the collateral pool does not meet the requirements of Rule 2a-7 of the Investment Company Act of 1940, State Street has valued the collateral pool investments at fair value for reporting purposes.

Regulatory Oversight. The collateral pool is not registered with the Securities and Exchange Commission. State Street, and consequently the investment vehicles it sponsors (including the collateral pool), are subject to the oversight of the Federal Reserve Board and the Massachusetts Commissioner of Banks. The fair value of the System's position in the collateral pool is the same as the value of the collateral pool shares.

(Dollar Amounts Expressed in Thousands)

Collateral and related securities on loan at June 30, 2015 and 2014 were as follows:

	2015		
Security on Loan Description	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	$117,305	$3,263	$118,158
Domestic corporate bonds	6,658	2,165	8,630
Common and preferred stock – domestic	153,505	32,081	182,337
Common and preferred stock – international	43,182	2,836	43,118
Total	$320,650	$40,345	$352,243

	2014		
Security on Loan Description	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	$134,529	$21,721	$153,353
Domestic corporate bonds	19,236	1,233	20,063
Common and preferred stock – domestic	147,457	2,251	146,639
Common and preferred stock – international	12,314	56	11,755
Total	$313,536	$25,261	$331,810

Securities Lending Collateral Credit Risk

All of the cash collateral received for securities lending is invested in the State Street Quality D Short-Term Investment Fund ("STIF"), which is not rated by credit rating agencies. At the time of purchase, all securities with maturities of 13 months or less must be rated at least A1, P1 or F1 and all securities with maturities in excess of 13 months must be rated A- or A3 by any two of the nationally-recognized statistical rating organizations or, if unrated, be of comparable quality. The fund may invest in other State Street managed vehicles provided they conform to the guidelines. As of June 30, 2015 and 2014, the STIF investments had a rating of at least A or A1/P1, and since the System held collateral from borrowers greater than the amounts borrowed, the System had minimal credit risk exposure to the borrowers.

Securities Lending Collateral Interest Rate Risk

Quality D's Investment Policy Guidelines provide that the Investment Manager shall maintain the dollar-weighted average maturity of the Quality D fund in a manner that the Investment Manager believes is appropriate to the objective of the Quality D Fund; provided that (i) in no event shall any Eligible Security be acquired with a remaining legal final maturity of greater than 18 months, (ii) the Investment Manager shall maintain a dollar-weighted average maturity of the Quality D Fund not to exceed 75 calendar days and (iii) the Investment Manager shall maintain a dollar-weighted average maturity to final of the Quality D Fund not to exceed 180 calendar days. As of June 30, 2015 and 2014, the weighted average maturity was 42 days and 37 days, respectively.

SECTION 4: DEPOSIT AND INVESTMENT RISKS

Pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, the following schedules disclose the System's investments subject to certain types of risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to a debt instrument will not fulfill its obligations. This is measured by the assignment of ratings by nationally-recognized statistical rating organizations.

SCERS utilizes external investment managers to manage its portfolios. SCERS' Investment Policy specifies that fixed income investments will include both active and enhanced index investments in U.S. Treasury and agency securities, corporate bonds, mortgage-backed and asset-backed securities and non-dollar denominated sovereign and corporate debt.

The actively-managed investments will have a minimum average credit quality rating of A2 by Moody's Investor Services or A by Standard and Poor's Corporation. Portfolio diversification is constrained by the following parameters in order to minimize overall market and credit risk:

- No more than 10% of the portfolio will be concentrated in any one issuer except U.S. Government and agency securities.
- No more than 20% of the portfolio will be invested in high yield or below investment grade straight securities.
- No more than 15% of the portfolio will be invested in convertible securities, which include bonds and preferred issues.
- No more than 20% of the portfolio will be invested in non-U.S. dollar bonds.

The System's policy is that the enhanced index investments will have a credit quality rating similar to the Barclays Capital Aggregate Index. Portfolio diversification is constrained by the following parameters in order to minimize overall market and credit risk:

- The maximum holding in a single issuer, excluding U.S. Government and government-sponsored enterprises, is 5% of the portfolio's total fair value.
- The minimum individual issue credit rating is BBB- by S&P, or an equivalent rating by Moody's, Fitch or Dominion Bond Rating Service.
- The portfolio duration will be within ± 0.25 years of the index duration as measured by the manager.
- All securities must be denominated in U.S. dollars.

(Dollar Amounts Expressed in Thousands)

The following tables depict the fixed income assets by credit rating as of June 30, 2015 and 2014:

Fixed Income
As of June 30, 2015

S&P Quality Rating	Total	Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through		
							FHLMC	FNMA	GNMA
AAA	$130,133	$103,412	$3,096	$-	$-	$23,625	$-	$-	$-
AA+	249,272	24,484	7,943	15,358	-	22,631	45,457	133,399	-
AA	24,672	18,262	6,410	-	-	-	-	-	-
AA-	11,791	1,704	10,087	-	-	-	-	-	-
A+	28,330	12,517	11,078	-	-	4,735	-	-	-
A	33,503	5,432	26,815	-	-	1,256	-	-	-
A-	43,270	3,591	38,029	-	1,650	-	-	-	-
BBB+	74,832	4,396	67,750	-	2,036	650	-	-	-
BBB	50,750	4,114	45,677	-	517	442	-	-	-
BBB-	58,176	965	56,951	-	-	260	-	-	-
BB+	24,904	7,677	11,214	-	5,210	803	-	-	-
BB	17,136	-	16,761	-	-	375	-	-	-
BB-	10,718	-	10,402	-	316	-	-	-	-
B+	12,681	-	10,340	-	247	2,094	-	-	-
B	7,427	332	7,095	-	-	-	-	-	-
B-	9,746	1,525	4,843	-	-	3,378	-	-	-
CCC+	404	-	404	-	-	-	-	-	-
CCC	673	-	-	-	-	673	-	-	-
D	3,541	1,197	-	-	-	2,344	-	-	-
NA	259,691	-	-	230,471	-	-	-	-	29,220
NR	419,147	5,211	385,359	550	3,946	23,995	-	86	-
Total	$1,470,797	$194,819	$720,254	$246,379	$13,922	$87,261	$45,457	$133,485	$29,220

(Dollar Amounts Expressed in Thousands)

Fixed Income
As of June 30, 2014

S&P Quality Rating	Total	Securitized Obligations	Credit Obligations	U.S. Government & Agency Obligations	International Government	Collateralized Mortgage Obligations	Mortgage Pass-Through		
							FHLMC	FNMA	GNMA
AAA	$62,760	$49,168	$2,334	$ -	$ -	$11,205	$ -	$53	$ -
AA+	64,588	25,475	9,794	15,113	-	14,206	-	-	-
AA	20,434	16,096	4,338	-	-	-	-	-	-
AA-	13,275	1,399	9,307	-	-	2,569	-	-	-
A+	35,302	17,368	13,300	-	-	4,634	-	-	-
A	31,889	5,629	24,401	-	-	1,859	-	-	-
A-	57,716	2,386	55,330	-	-	-	-	-	-
BBB+	59,161	3,233	54,845	-	-	1,083	-	-	-
BBB	63,468	2,772	60,149	-	-	547	-	-	-
BBB-	46,552	1,805	44,372	-	-	375	-	-	-
BB+	22,781	8,350	14,431	-	-	-	-	-	-
BB	14,954	-	13,048	-	1,375	531	-	-	-
BB-	8,364	-	8,010	-	354	-	-	-	-
B+	2,828	-	2,586	-	-	242	-	-	-
B	3,740	438	3,302	-	-	-	-	-	-
B-	7,179	2,322	1,686	-	-	3,171	-	-	-
CCC	1,067	-	-	-	-	1,067	-	-	-
CC	84	-	-	-	-	84	-	-	-
D	3,952	1,302	-	-	-	2,650	-	-	-
NA	351,818	-	-	326,525	-	-	-	-	25,293
NR	613,559	2,880	383,830	543	5,347	3,878	54,171	162,910	-
Total	$1,485,471	$140,623	$705,063	$342,181	$7,076	$48,101	$54,171	$162,963	$25,293

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. NA represents those securities that are exempt from the rating disclosure requirements, and NR represents those securities that are not rated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of June 30, 2015 and 2014, the System had no single issuer that exceeds 5% of total investments per GASB Statement No. 40 disclosure requirements or any one issuer which represents 5% or more of total fiduciary net position in accordance with GASB Statement No. 67. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are exempt from the disclosure requirements.

The System's investment policy does not allow more than 5% of the total portfolio fair value to be invested in any one issuer, and as of June 30, 2015 and 2014, the System had no issuer that exceeds 5% of total portfolio market value. As noted in the previous discussion of credit risk, manager investment guidelines place limitations on the maximum holdings in any one issuer.

(Dollar Amounts Expressed in Thousands)

Custodial Credit Risk

Custodial credit risk is the risk that in the event a financial institution or counterparty fails, the System would not be able to recover the value of its deposits, investments, or securities. As of June 30, 2015 and 2014, the bank balance of cash and cash equivalents on deposit with SCERS' custodian bank and financial institutions totaled $22,860 and $17,786, respectively, of which $18,588 and $13,253 were not insured by Federal Depository Insurance Corporation ("FDIC") and were exposed to custodial credit risk. The System believes that the risk is not significant because the cash is held with major financial institutions.

As of June 30, 2015 and 2014, deposits held in the System's name for the margin accounts of $32,218 and $31,588, respectively, were not insured or not collateralized, and these deposits were exposed to custodial credit risk.

As of June 30, 2015 and 2014, 100% of the System's investments held with the custodian were held in the System's name, and the System is not exposed to custodial credit risk related to these investments. There are no general policies relating to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investment guidelines negotiated with the actively-managed external portfolio managers give the managers the discretion to deviate within ± 20% from the effective duration of the relevant Barclays Capital Aggregate benchmark based on the portfolio total.

The following tables depict the duration in years of the long-term fixed income portfolio vs. the benchmark.

Long-Term Fixed Income Investments Duration
As of June 30, 2015

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset-Backed Securities	$153,323	1.41	2.52	(1.11)
Collateralized Mortgage-Backed Securities	41,496	4.03	3.83	0.20
Credit Obligations				
Corporate Bonds	307,602	6.57	7.08	(0.51)
Municipals	872	9.83	12.86	(3.03)
Yankee	26,421	8.05	6.15	1.90
U.S. Government & Agency Obligations				
Agency Securities	15,908	3.55	3.62	(0.07)
U.S. Treasury	230,471	6.69	5.61	1.08
International Government	13,922	6.56	12.95	(6.39)
Collateralized Mortgage Obligations	87,261	3.31	5.91	(2.60)
Mortgage Pass-Through				
FHLMC	45,457	3.94	3.69	0.25
FNMA	133,485	3.97	3.81	0.16
GNMA	29,220	5.14	4.21	0.93
No Effective Duration				
Commingled Fund	385,359	NA	NA	NA
Total Fair Value with Weighted Average	$1,470,797	5.39	5.42	(0.03)

(Dollar Amounts Expressed in Thousands)

Long-Term Fixed Income Investments Duration
As of June 30, 2014

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset-Backed Securities	$89,064	4.19	2.41	1.78
Collateralized Mortgage-Backed Securities	51,559	3.63	3.59	0.04
Credit Obligations				
Corporate Bonds	290,504	6.81	7.13	(0.32)
Municipals	959	5.34	NA *	NA *
Private Placement	888	3.53	NA *	NA *
Yankee	37,388	8.30	6.26	2.04
U.S. Government & Agency Obligations				
Agency Securities	15,656	3.68	3.72	(0.04)
U.S. Treasury	326,525	6.35	5.28	1.07
International Government	7,076	5.58	NA *	NA *
Collateralized Mortgage Obligations	48,101	3.37	NA *	NA *
Mortgage Pass-Through				
FHLMC	54,171	3.72	3.80	(0.08)
FNMA	162,963	4.12	3.98	0.14
GNMA	25,293	5.23	4.30	0.93
No Effective Duration				
Commingled Fund	375,324	NA	NA	NA
Total Fair Value with Weighted Average	$1,485,471	5.60	5.31	0.29

* Information not available

(Dollar Amounts Expressed in Thousands)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The following tables represent cash and investments held in a foreign currency as of June 30, 2015 and 2014:

As of June 30, 2015

Local Currency Name	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Opportunities	Real Assets	Total
Australian Dollar	$2,467	$60,740	$14,604	$-	$-	$-	$77,811
Brazilian Real	-	-	9,965	-	-	-	9,965
Canadian Dollar	265	59,239	-	-	-	-	59,504
Danish Krone	-	7,984	-	-	-	-	7,984
Euro Currency	2,442	221,981	22,403	33,771	-	10,047	290,644
Hong Kong Dollar	1,921	30,348	-	-	-	-	32,269
Hungarian Forint	-	-	7,907	-	-	-	7,907
Indian Rupee	-	1,719	-	-	-	-	1,719
Indonesian Rupiah	-	-	9,319	-	-	-	9,319
Japanese Yen	3,487	199,665	-	-	-	-	203,152
Malaysian Ringgit	-	-	5,688	-	-	-	5,688
Mexican Peso	120	2,746	28,240	-	-	-	31,106
New Israeli Sheqel	24	8,801	-	-	-	-	8,825
New Zealand Dollar	-	8,096	6,536	-	-	-	14,632
Norwegian Krone	-	12,532	-	-	-	-	12,532
Philippine Peso	-	187	-	-	-	-	187
Polish Zloty	-	-	4,357	-	-	-	4,357
Pound Sterling	886	187,181	316	-	28,292	-	216,675
Singapore Dollar	40	12,722	-	-	-	-	12,762
South African Rand	9	1,571	8,533	-	-	-	10,113
South Korean Won	-	1,116	8,593	-	-	-	9,709
Swedish Krona	289	34,074	-	-	-	-	34,363
Swiss Franc	23	59,255	-	-	-	-	59,278
Thailand Baht	7	2,269	-	-	-	-	2,276
Turkish Lira	-	1,095	-	-	-	-	1,095
Total	$11,980	$913,321	$126,461	$33,771	$28,292	$10,047	$1,123,872

(Dollar Amounts Expressed in Thousands)

As of June 30, 2014

Local Currency Name	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Opportunities	Total
Australian Dollar	$460	$84,731	$ -	$ -	$ -	$85,191
Brazilian Real	-	1,700	-	-	-	1,700
Canadian Dollar	831	87,065	-	-	-	87,896
Danish Krone	-	5,210	-	-	-	5,210
Euro Currency	3,538	346,262	5,347	35,317	-	390,464
Hong Kong Dollar	961	37,602	-	-	-	38,563
Indian Rupee	-	4,461	-	-	-	4,461
Indonesian Rupiah	5	845	-	-	-	850
Israeli Shekel	-	5,305	-	-	-	5,305
Japanese Yen	3,395	294,813	-	-	-	298,208
Mexican Peso	-	251	-	-	-	251
New Israeli Sheqel	22	-	-	-	-	22
New Zealand Dollar	34	9,582	-	-	-	9,616
Norwegian Krone	-	9,886	-	-	-	9,886
Philippine Peso	-	912	-	-	-	912
Pound Sterling	5,417	292,776	354	-	9,733	308,280
Singapore Dollar	216	20,685	-	-	-	20,901
South Korean Won	-	1,455	-	-	-	1,455
Swedish Krona	997	40,993	-	-	-	41,990
Swiss Franc	5	96,856	-	-	-	96,861
Total	$15,881	$1,341,390	$5,701	$35,317	$9,733	$1,408,022

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. The System does not have a foreign currency risk policy.

SECTION 5: HIGHLY SENSITIVE INVESTMENTS

As of June 30, 2015 and 2014, SCERS' investments included Collateralized Mortgage Obligations and Mortgage Pass-Through securities totaling $295,423 and $290,528 respectively. These securities are highly sensitive to interest rate fluctuations in that they are subject to early payment in a period of declining interest rates. The resulting reduction in expected total cash flows affects the fair value of these securities.

The System's investment policy allows investments in commodities and futures. SCERS' investments include an allocation of 2% of total fund assets in commodities and commodity futures as part of the Real Assets asset class. Commodities are a real asset class that produces a different pattern of returns to other asset classes. Unique supply and demand factors and the way commodities are traded are the main reasons for the low correlation between commodities and stocks and bonds. Not only is correlation low with traditional asset classes in general, but importantly, commodities tend to perform well when stocks and bond prices fall.

Spot commodity prices have historically been a poor investment and have declined in real terms. However, investment in collateralized commodity futures provides similar returns to stocks over the long term. The futures market is an efficient way for producers to hedge price risk by forward-selling commodities at lower prices relative to spot prices to investors and speculators generating a roll yield (backwardation).

(Dollar Amounts Expressed in Thousands)

In general, commodities are volatile investments that are prone to large price spikes. By investing in commodity futures, investors get exposure to short-term price movement and risk, as well as long-term price trends. This price volatility and the need for producers to hedge their production provides the fundamental rationale for why investment managers pay the risk premium to speculators and long-only investors in the commodity markets.

As of June 30, 2015 and 2014, total commodities investments were $203,987 and $203,666, respectively. The investments consist of commodity futures hedge fund-of-funds, a commodity index fund, a commodity futures strategic fund, and a customized real assets strategy.

Derivatives

The System's investment porfolios contain individual securities as well as investments in external investment pools. The System's investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include futures contracts, currency forward contracts, option contracts, swap agreements, rights and warrants. The System permits the use of derivatives to minimize the exposure of certain investments to adverse fluctuations in financial and currency markets. The System does not permit the use of derivatives for speculative use or to create leverage, however, this does not apply to investments in external pools. As of June 30, 2015 and 2014, the derivative instruments held by the System are considered investments and not hedges for accounting purposes. The gains and losses arising from this activity are recognized as incurred in the Statement of Changes in Fiduciary Net Position.

The tables below present the related net appreciation/(depreciation) in fair value, the fair value amounts and the notional amounts of derivative instruments outstanding at June 30, 2015 and 2014:

Investment Derivatives Instruments	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2015	Fair Value at June 30, 2015 Classification	Amount	Notional
Futures (Domestic and Foreign)	$25,495	Accrued Investment Income Receivables:	$-	$(16,244)
Foreign Currency Forwards	5,892		135	203,778
Options	(841)		163	67,820
Rights	62		91	268 shares
Warrants	224		410	115 shares
Swaps	34,218	Accounts Payable and Other Accrued Liabilities	(13,966)	53,734
Total Derivatives Instruments	$65,050		$(13,167)	

Investment Derivatives Instruments	Net Appreciation/(Depreciation) in Fair Value of Investments through June 30, 2014	Fair Value at June 30, 2014 Classification	Amount	Notional
Futures (Domestic and Foreign)	$70,223	Accrued Investment Income Receivables:	$ -	$24,518
Foreign Currency Forwards	(3,492)		194	229,995
Rights	531		-	-
Warrants	28		28	21,618 shares
Swaps	(595)	Account Payable and Other Accrued Liabilities	(595)	(59,530)
Total Derivative Instruments	$66,695		$(373)	

(Dollar Amounts Expressed in Thousands)

Futures contracts are financial instruments that derive their value from underlying indices or reference rates and are marked-to-market at the end of each trading day. Daily settlement of gains and losses occur on the following business day. As a result, the instruments themselves have no fair value at June 30, 2015 or 2014 or at the end of any trading day. Daily settlement of gains and losses is a risk control measure to limit counterparty credit risk. Futures variation margin amounts are settled each trading day and recognized in the financial statements under net appreciation/(depreciation) in fair value of investments as they are incurred.

Foreign currency forward contracts are obligations to buy or sell a currency at a specified exchange rate and quantity on a specific future date. The fair value of the foreign currency forwards is the unrealized gain or loss calculated based on the difference between the specified exchange rate and the closing exchange rate at June 30, 2015 and 2014.

Counterparty Credit Risk

Below is a schedule showing the counterparty credit ratings of the System's non-exchange traded investment derivative instruments outstanding and subject to loss at June 30, 2015 and 2014:

June 30, 2015

S&P Ratings	Swaps	Currency Forwards	Total
AA-	$-	$253	$253
A+	-	493	493
A	443	732	1,175
A-	1,549	232	1,781
BBB+	975	165	1,140
Subtotal Investments in Asset Position	2,967	1,875	4,842
Investments in Liability Position	(16,933)	(1,740)	(18,673)
Total Investments in Asset/(Liability) Position	$(13,966)	$135	$(13,831)

June 30, 2014

S&P Ratings	Swaps	Currency Forwards	Total
AA-	$-	$256	$256
A+	-	9	9
A	-	838	838
A-	-	317	317
Subtotal Investments in Asset Position	-	1,420	1,420
Investments in Liability Position	(595)	(1,226)	(1,821)
Total Investments in Asset/(Liability) Position	$(595)	$194	$(401)

The System could be exposed to risk if the counterparties to derivative contracts are unable to meet the terms of the contracts. The System's investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. The System anticipates that the counterparties will be able to satisfy their obligations under the contracts.

The aggregate fair value of investment derivative instruments in an asset position subject to counterparty risk at June 30, 2015 and 2014 were $4,842 and $1,420. This represents the maximum loss that would be recognized at the reporting date if all counterparties failed to perform as contracted. The System did not have any master netting agreements with its counterparties at June 30, 2015 and 2014, except that certain investment managers used netting arrangements at their discretion to minimize counterparty risks. The above schedules present exposure for similar instruments with the same counterparty on a net basis.

(Dollar Amounts Expressed in Thousands)

At June 30, 2015 and 2014, the System did not have any significant exposure to counterparty credit risk with any single party.

Interest Rate Risk

At June 30, 2015 and 2014, the System is exposed to interest rate risk on its derivative instruments as presented in the following tables:

As of June 30, 2015

Derivative Instrument Summary

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Credit Default Swaps Bought	$(1,849)	$-	$(1,849)	$-	$-
Currency Swaps	84	-	80	4	-
Fixed Income Options Bought	388	388	-	-	-
Fixed Income Options Written	(234)	(234)	-	-	-
Pay Fixed Interest Rate Swaps	1,165	(9)	(264)	1,438	-
Receive Fixed Interest Rate Swaps	(109)	4	71	(160)	(24)
Total Return Swaps Equity	(13,257)	(13,257)	-	-	-
Total	$(13,812)	$(13,108)	$(1,962)	$1,282	$(24)

Derivative Instruments Highly Sensitive to Interest Rate Changes

Investment Type	Reference Rate	Fair Value	Notional Value
Currency Swaps	EUR Receive Variable 3-month LIBOR, USD Pay Fixed .2685%	$(77)	$2,451
Currency Swaps	JPY Receive Variable 3-month LIBOR, USD Pay Fixed .23435%	(30)	776
Currency Swaps	JPY Receive Variable 3-month LIBOR, USD Pay Fixed .672313%	(109)	3,106
Currency Swaps	JPY Receive Variable 3-month LIBOR, USD Pay Variable 3-month LIBOR	(143)	3,882
Currency Swaps	USD Receive Fixed .32029%, JPY Pay Variable 3-month LIBOR	116	3,219
Currency Swaps	USD Receive Fixed 1.00%, JPY Pay Variable 3-month LIBOR	29	807
Currency Swaps	USD Receive Variable 3-month LIBOR, EUR Pay Variable 3-month EURIB	154	2,528
Currency Swaps	USD Receive Variable 3-month LIBOR, JPY Pay Variable 3-month LIBOR	144	4,025
Subtotal - Currency Swaps		$84	$20,794
Interest Rate Swaps	Receive Variable 12-month LIBOR, Pay Fixed .346%	$(24)	$2,451
Interest Rate Swaps	Receive Variable 12-month SONIA, Pay Fixed 1.325%	48	1,101
Interest Rate Swaps	Receive Variable 1-month SONIA, Pay Fixed 1.96%	(8)	849
Interest Rate Swaps	Receive Variable 1-month USOIS, Pay Fixed .2775%	(5)	45,600
Interest Rate Swaps	Receive Variable 1-month USOIS, Pay Fixed .282%	(4)	39,100
Interest Rate Swaps	Receive Variable 3-month CDOR, Pay Fixed 1.71%	(79)	3,885
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed .966%	-	11,930
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.78695%	1,332	82,900
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.8235%	(161)	27,640
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 1.85042%	1	600
Interest Rate Swaps	Receive Variable 3-month LIBOR, Pay Fixed 2.23662%	65	28,800

(Dollar Amounts Expressed in Thousands)

Derivative Instruments Highly Sensitive to Interest Rate Changes (continued)

Investment Type	Reference Rate	Fair Value	Notional Value
Interest Rate Swaps	Receive Fixed .18125%, Pay Variable 12-month LIBOR	2	37,400
Interest Rate Swaps	Receive Fixed .185%, Pay Variable 12-month LIBOR	2	32,000
Interest Rate Swaps	Receive Fixed .895%, Pay Variable 6-month EVENT	(34)	1,393
Interest Rate Swaps	Receive Fixed .966%, Pay Variable 3-month LIBOR	50	11,930
Interest Rate Swaps	Receive Fixed 1.14875%, Pay Variable 6-month LIBOR	(11)	776
Interest Rate Swaps	Receive Fixed 1.193%, Pay Variable 6-month LIBOR	(2)	327
Interest Rate Swaps	Receive Fixed 3.91%, Pay Variable 0-month CLICP	(1)	352
Interest Rate Swaps	Receive Fixed 4.00%, Pay Variable 6-month BBSW	27	576
Interest Rate Swaps	Receive Fixed 4.45%, Pay Variable 0-month MXIBT	6	1,880
Interest Rate Swaps	Receive Fixed 4.63%, Pay Variable 1-month TIIE	14	2,664
Interest Rate Swaps	Receive Fixed 5.05%, Pay Variable 0-month COOVI	-	27
Interest Rate Swaps	Receive Fixed 5.05%, Pay Variable 1-month COOIS	(1)	98
Interest Rate Swaps	Receive Fixed 5.11%, Pay Variable 0-month MXIBT	3	2,202
Interest Rate Swaps	Receive Fixed 5.795%, Pay Variable 0-month MXIBT	(37)	927
Interest Rate Swaps	Receive Fixed 6.02%, Pay Variable 1-month COOIS	(3)	196
Interest Rate Swaps	Receive Fixed 6.12%, Pay Variable 0-month MXIBT	(23)	2,161
Interest Rate Swaps	Receive Fixed 6.72%, Pay Variable 0-month MXIBT	(10)	319
Interest Rate Swaps	Receive Fixed 7.43%, Pay Variable 3-month JIBAR	(23)	420
Interest Rate Swaps	Receive Fixed 7.44%, Pay Variable 3-month JIBAR	(40)	733
Interest Rate Swaps	Receive Fixed 8.18%, Pay Variable 3-month JIBAR	(28)	853
Subtotal - Interest Rate Swaps		$1,056	$342,090
Total Return Swaps Equity	Pay Variable 3-month LIBOR, Receive MSCI World ex-US	$(14,232)	$(376,150)
Total Return Swaps Equity	Pay Variable 3-month LIBOR, Receive Russell 2000 Growth	975	(63,000)
Subtotal - Return Swaps Equity		$(13,257)	$(439,150)

As of June 30, 2014

Derivative Instrument Summary

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 - 5	6 - 10	More than 10
Total Return Swaps Equity	$(595)	$(595)	$-	$-	$-
Total	$(595)	$(595)	$-	$-	$-

Derivative Instruments Highly Sensitive to Interest Rate Changes

Investment Type	Reference Rate	Fair Value	Notional Value
Total Return Swaps Equity	Pay Variable 3-month LIBOR, Receive MSCI World ex-US	$(595)	$(59,530)
Subtotal - Total Return Swaps Equity		$(595)	$(59,530)

(Dollar Amounts Expressed in Thousands)

Foreign Currency Risk

At June 30, 2015 and 2014, the System is exposed to foreign currency risk on its investments in forward contracts denominated in foreign currencies as presented in the following tables:

As of June 30, 2015	Forward Contracts		Swaps	Total Exposure
Currency Name	Net Receivables	Net Payables		
Australian Dollar	($58)	$101	$27	$70
Brazilian Real	(1)	1	-	-
Canadian Dollar	(34)	128	(79)	15
Chilean Peso	-	-	(1)	(1)
Colombian Peso	-	-	(4)	(4)
Czech Koruna	(13)	(30)	-	(43)
Danish Krone	-	8	-	8
Euro Currency	56	(19)	(134)	(97)
Hungarian Forint	(88)	15	-	(73)
Indian Rupee	-	(10)	-	(10)
Japanese Yen	12	256	(295)	(27)
Mexican Peso	(57)	28	(47)	(76)
New Israeli Sheqel	-	(3)	-	(3)
New Zealand Dollar	(255)	282	-	27
Norwegian Krone	(87)	62	-	(25)
Philippine Peso	(7)	(2)	-	(9)
Polish Zloty	(109)	18	-	(91)
Pound Sterling	215	(258)	40	(3)
Singapore Dollar	(62)	19	-	(43)
South African Rand	-	-	(91)	(91)
Swedish Krona	43	(57)	-	(14)
Swiss Franc	(18)	65	-	47
Turkish Lira	(14)	(1)	-	(15)
Yuan Renminbi	19	(10)	-	9
Sub Total	(458)	593	(584)	(449)
US Dollar	-	-	(13,382)	(13,382)
Total	$(458)	$593	$(13,966)	$(13,831)

(Dollar Amounts Expressed in Thousands)

As of June 30, 2014	Forward Contracts		Swaps	Total Exposure
Currency Name	Net Receivables	Net Payables		
Australian Dollar	$19	$(122)	$-	$(103)
Brazilian Real	22	(5)	-	17
Canadian Dollar	39	(307)	-	(268)
Chilean Peso	(5)	-	-	(5)
Czech Koruna	-	(10)	-	(10)
Danish Krone	-	17	-	17
Euro Currency	23	595	-	618
Hong Kong Dollar	-	1	-	1
Hungarian Forint	(29)	2	-	(27)
Indian Rupee	(31)	-	-	(31)
Japanese Yen	3	(94)	-	(91)
Mexican Peso (New)	(12)	(11)	-	(23)
Malaysian Ringgit	(1)	-	-	(1)
New Israeli Sheqel	(2)	(3)	-	(5)
New Zealand Dollar	201	(119)	-	82
Norwegian Krone	(56)	36	-	(20)
Peruvian Nouveau Sol	(1)	-	-	(1)
Philippine Peso	(5)	-	-	(5)
Polish Zloty	(19)	(6)	-	(25)
Pound Sterling	75	(229)	-	(154)
Romanian Leu	7	-	-	7
New Russian Ruble	(1)	(5)	-	(6)
Swedish Krona	(17)	102	-	85
Singapore Dollar	3	-	-	3
South African Rand	(6)	(8)	-	(14)
South Korean Won	6	-	-	6
Swiss Franc	32	123	-	155
Turkish Lira	(11)	(7)	-	(18)
Yuan Renminbi	10	-	-	10
Sub Total	244	(50)	-	194
US Dollar	-	-	(595)	(595)
Total	$244	$(50)	$(595)	$(401)

The System has investments in futures contracts. As indicated on the preceding pages, futures variation margin accounts are settled each trading day and recognized as realized gains/(losses) as they are incurred. As a result, the foreign futures contracts have no fair value at June 30, 2015 and 2014.

(Dollar Amounts Expressed in Thousands)

NOTE 4 – PENSION LIABILITY AND SIGNIFICANT ASSUMPTIONS

The employers' net pension liabilities (i.e. the total pension liability determined in accordance with GASB Statement No. 67 less the System's fiduciary net position) as of June 30, 2015 and 2014, are shown below:

Year Ending June 30	(1) Total Pension Liability	(2) Fiduciary Net Position	(3) Net Pension Liability (1) - (2)	(4) Fiduciary Net Position as a % of Total Pension Liability (2)/(1)
2015	$9,028,679	$7,878,814	$1,149,865	87.3%
2014	8,580,928	7,810,001	770,927	91.0

The actuarial valuation of the System involve estimates of the amounts reported and assumptions about the probability of occurrence of events far into the future. Some examples include future salary increases and future employee mortality. The net pension liability is subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Triennially, the System requests that its actuary, Segal Consulting, perform an analysis of the appropriateness of all economic and non-economic assumptions. The most recent triennial analysis was performed as of June 30, 2013, and as a result of that analysis, the Board of Retirement approved certain changes to the actuarial assumptions, which were incorporated in the actuarial valuations as of June 30, 2015 and 2014.

Disclosure of Information about Actuarial Methods and Assumptions

The required Schedule of Changes in Net Pension Liability immediately following the Notes to the Financial Statements presents multi-year trend information about whether the plan fiduciary net position is increasing or decreasing over time relative to the total pension liability.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial Methods and Assumptions:

The following significant actuarial assumptions were used to measure the total pension liabilities as of June 30, 2015 and 2014:

Discount Rate:	7.50%	
Inflation rate:	3.25%	
Real across-the-board salary increase:	0.25%	
Miscellaneous projected salary increases*:	4.50% to 8.50%	
Safety projected salary increases*:	5.25% to 11.50%	
Assumed post-retirement benefit increase:	Miscellaneous Tier 1	3.25%
	Miscellaneous Tier 2	0.00%
	Miscellaneous Tier 3	2.00%
	Miscellaneous Tier 4	2.00%
	Miscellaneous Tier 5	2.00%
	Safety Tier 1	3.25%
	Safety Tier 2	2.00%
	Safety Tier 3	2.00%
	Safety Tier 4	2.00%

(Dollar Amounts Expressed in Thousands)

Post-Retirement Mortality:	
a) Service	For Miscellaneous Members and Beneficiaries - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022
	For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females
b) Disability	For Miscellaneous Members - RP-2000 Disabled Retiree Mortality Table projected with Scale BB to 2022 with no age adjustment for males and set forward three years for females
	For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set forward two years
c) Employee Contribution Rate	For Miscellaneous Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 weighted 40% male and 60% female
	For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females weighted 70% male and 30% female
Pre-Retirement Mortality:	Based upon the June 30, 2013 Actuarial Experience Study
Other Assumptions:	Analysis of actuarial experience study for the period July 1, 2010 through June 30, 2013

*Includes inflation at 3.25% plus real across-the-board salary increase of 0.25% plus merit and longevity increases.

Assumed Asset Allocation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, used in the derivation of the long-term expected investment rate of return assumption as of June 30, 2015 and 2014 are summarized in the table below:

Asset Class	Target Allocation	Real Rate of Return	Long Term Expected Portfolio Rate of Return
Domestic Equities	22.5%	6.83%	5.98%
International Equities	22.5	8.38	7.23
Fixed Income	20.0	1.24	1.25
Absolute Return	10.0	3.20	3.20
Private Equity	10.0	12.82	12.82
Real Assets	15.0	6.17	5.64
Opportunities	0.0	0.00	0.00
Total Portfolio	100.0%	6.19%	5.67%
Inflation			3.25
Expense adjustment			(0.40)
Risk adjustment			(1.02)
Total Long Term Expected Rate of Return			7.50%

(Dollar Amounts Expressed in Thousands)

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

The discount rate used to measure the total pension liability was 7.50% as of June 30, 2015 and 2014. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made based on the current contribution rate and that employer contributions will be made at the end of each pay period based on the actuarially determined contribution rates. For this purpose, only the employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included.

Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.

In accordance with GASB No. 67 regarding the disclosure of the sensitivity of the net pension liability to changes in the discount rate, the table below presents the employers' net pension liabilities as of June 30, 2015 and 2014, calculated using the discount rate of 7.50%, as well as what the employers' net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

	1% Decrease 6.50%	Current Discount Rate 7.50%	1% Increase 8.50%
Net pension liability as of June 30, 2015	$2,338,210	$1,149,865	$166,968
Net pension liability/(asset) as of June 30, 2014	1,920,085	770,927	(178,224)

NOTE 5 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

Contributions to the plan are made pursuant to Section 31584 of the County Employees Retirement Law of 1937. The System's funding policy provides for periodic contributions at actuarially-determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate adequate assets to pay benefits when due. Members of the System are required to contribute, and such contributions range from 2.55% to 18.17% of annual covered salary for fiscal year 2014-2015 and from 1.91% to 17.28% of annual covered salary for fiscal year 2013-2014 depending on the member's tier, employer, and bargaining unit. Each employer of the System is obligated by state law to make all required contributions to the plan and depending on the participating employer and their employees' tiers, such contribution rates range from 17.04% to 42.69% of covered payroll for fiscal year 2014-2015 and from 15.01% to 48.45% of covered payroll for fiscal year 2013-2014. The required contributions include current service cost and amortization of any unfunded prior service cost as of June 30, 2012 over a period of 20 years remaining as of June 30, 2015, amortization of any unfunded service costs resulting in actuarial gains or losses and amortization of any unfunded service costs resulting from changes in actuarial assumptions and methods over a 20-year period, amortization of any unfunded service costs resulting from plan amendments over a 15 year period and amortization of any unfunded service costs resulting from retirement incentive programs over a period of up to 5 years.

Employer contribution rates are determined using the entry age normal cost method based on a level percentage of payroll. The System also uses this actuarial method to amortize the unfunded liability, if applicable. Contributions for the years ended June 30, 2015 and 2014 totaled $291,102 and $268,138. Included in this total are employer contributions of $222,959 and $210,503 in fiscal years 2014-2015 and 2013-2014, respectively, of which $203,965 and $192,397 were made by the County of Sacramento.

(Dollar Amounts Expressed in Thousands)

Member contributions were $68,143 and $57,635 in fiscal years 2014-2015 and 2013-2014, respectively. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed as of June 30, 2013 and 2012.

NOTE 6 – RESERVES

Member and employer contributions are allocated to various legally required reserve accounts based on actuarial determinations. Descriptions of the purpose for the reserve and designated accounts are provided below.

Employee reserves represent the balance of member contributions. Additions include member contributions and interest earnings. Deductions include refunds of member contributions and transfers to retiree reserves.

Employer reserves represent the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employer and interest earnings. Deductions include transfers to retiree reserves, lump sum death benefits, and payments under California Government Code Sections 31725.5 and 31725.6 related to alternative employment for members otherwise entitled to disability retirement benefits.

Retiree reserves represent the balance of transfers from employee reserves, employer reserves, and interest earnings, less payments to retired members.

Retiree death benefit reserves represent the balance of funds for lump sum death benefits for retirees. Additions include interest earnings and, if necessary, employer contributions. Deductions include payments to beneficiaries of retired members who are deceased.

Contingency reserve was created to serve as a reserve against deficiencies in future earnings and unexpected expenses.

Investment gains and losses are recognized (smoothed) over a seven-year period. Total allocated reserves and designations represents the smoothed actuarial value of assets (the fair value of assets less the unrecognized/deferred gains and losses) and is the sum of the preceding reserves. As of June 30, 2015 and 2014, total allocated reserves were $7,838,825 and $7,312,993, respectively.

Market stabilization reserve represents the unrecognized/deferred gains and losses and is difference between the smoothed actuarial value of assets and the net position restricted for pension benefits at fair value.

A summary of the various reserve accounts, which comprise net position restricted for pension benefits at June 30, 2015 and 2014, is as follows:

NET POSITION RESTRICTED FOR PENSION BENEFITS AT FAIR VALUE
As of June 30

	2015	2014
Employee Reserves	$726,980	$713,613
Employer Reserves	2,621,588	2,564,792
Retiree Reserves	4,393,327	3,973,778
Retiree Death Benefit Reserves	15,791	15,260
Contingency Reserve	81,139	45,550
Total allocated reserves and designations	7,838,825	7,312,993
Market Stabilization Reserve	39,989	497,008
Net position restricted for pension benefits, at fair value	$7,878,814	$7,810,001

NOTE 7 - PLAN TERMINATION

SCERS is administered in accordance with the provisions of the County Employees Retirement Law (CERL) found in the California Government Code at section 31450 et seq. Once adopted by the governing body of a county, there are no provisions in the CERL which permit the governing body of the county to terminate the plan. Section 31564 permits the governing body of a district to withdraw its employees if certain perquisites are met. The governing body of a county or district can adopt optional provisions within the CERL via ordinance or resolution. Once adopted, Section 31483 permits the governing body of a county or district to terminate the applicability of the optional provisions after a future date as specified in a subsequent ordinance or resolution.

NOTE 8 - RETIREE MEDICAL AND DENTAL INSURANCE PROGRAM

Plan Description

The Sacramento County Retiree Medical and Dental Insurance Program (the "Program") is a multiple-employer medical and dental plan, which is sponsored and administered by the County of Sacramento and financed by three participating employers. SCERS' role in regard to the Program is limited to maintaining data provided by the administrator, collecting monies from the eleven participating employers and remitting premium payments. The activities of the Program are accounted for in the agency fund. SCERS does not provide any funding for the Program.

Below is the list of employers participating in the Program as of June 30, 2015:

- County of Sacramento
- Sacramento Metropolitan Fire District
- Sacramento Employment and Training Agency

The Program provides medical and/or dental subsidy/offset payments to eligible retirees. The Sacramento County Board of Supervisors, at its own discretion, sets the amount of subsidy/offset payment available to eligible County retirees on a year-to-year basis. The medical subsidy amounts for special districts' retirees are varied and are established by each of the member districts. As of June 30, 2015, there were 228 annuitants receiving medical subsidy and 219 annuitants receiving dental subsidy. As of June 30, 2014, there were 174 annuitants receiving medical subsidy and 167 annuitants receiving dental subsidy.

Eligibility

County annuitants who retired after May 31, 2007 - According to the Program's Administrative Policy, only County annuitants from bargaining units 003, who retired after May 31, 2007, may be eligible for a premium subsidy/offset depending on the annuitant's credited service hours and type of retirement. For calendar years 2015 and 2014, the monthly dental subsidy is $25, and the monthly medical subsidy amounts range from $122 to $244 depending on the annuitant's credited service hours.

Special Districts' annuitants - The medical subsidy amounts for special districts' annuitants are varied and are established by each of the member districts.

There are no vested benefits associated with the Program. The Program does not create any contractual, regulatory, or other vested entitlement to present or future retirees, their spouses, or dependents for medical and/or dental benefits, or subsidy/offset payments at any particular level, or at all. Sacramento County and other participating employers may, in their sole discretion, amend or terminate, in whole or in part, the Program by Resolution of the Board of Supervisors.

(Dollar Amounts Expressed in Thousands)

Contributions and Reserves

The System does not have any authority to establish or amend the obligations of the plan members and employers to contribute to the Program. SCERS does not determine the contribution rate or collect the required contributions from employers. SCERS' role in regards to the Program is limited to collecting monies from Sacramento County and paying the premiums when due. Monies received by the System in excess of liabilities to pay premiums are recognized as liabilities payable to the County. There are no net position or legally required reserve accounts for the Program.

In accordance with GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, each participating employer is required to disclose the Program information with regard to funding policy, the employer's annual OPEB cost and contributions made, the funded status and funding progress, and actuarial methods and assumptions used.

Request for Information

Requests for additional financial information regarding the Program may be addressed to:

County of Sacramento, Department of Finance
Auditor-Controller Division
700 H Street, Room 3650
Sacramento, CA 95814

NOTE 9 – MORTGAGES PAYABLE

The System has real estate investments secured by long-term mortgage obligations which are not recourse loans against the System's assets. Activities related to such mortgages were as follows for the years ended June 30:

	2015	2014
Beginning Balance	$143,432	$131,594
Additions	11,000	39,000
Deductions	(43,082)	(27,162)
Ending Balance	$111,350	$143,432

Future debt service requirements for outstanding mortgages are as follows:

Year Ending June 30	Interest	Principal	Total
2016	$3,599	$47,850	$51,449
2017	2,293	-	2,293
2018	2,293	-	2,293
2019	1,747	13,500	15,247
2020	1,746	-	1,746
2021 - 2025	1,276	50,000	51,276
Total	$12,954	$111,350	$124,304

(Dollar Amounts Expressed in Thousands)

NOTE 10 – LEASE OBLIGATIONS

SCERS has commitments under operating lease agreements for office facilities and equipment. Minimum future rental payments as of June 30, 2015 were as follows:

Year Ending June 30:	
2016	$568
2017	571
2018	578
2019	587
2020	597
2021	505
Total	$3,406

Rental costs during the years ended June 30, 2015 and 2014 were $553 and $525, respectively.

NOTE 11 – FUTURE ACCOUNTING PRONOUNCEMENTS

In February 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* which addresses accounting and financial reporting issues related to fair value measurements for periods beginning after June 15, 2015. This Statement requires the System to:

- Use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value of investments;
- Provide disclosures about fair value measurements, the level of fair value hierachy, and valuation techniques and organize these disclosures by type of asset or liability reported at fair value.

In June 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* This Statement supersedes Statement No. 55, *The Hierachy of Generally Accepted Accounting Principles for State and Local Governments.* The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2015, and should be applied retroactively. This Statement identifies the hierarchy of generally accepted accounting principles (GAAP), which the System will use to prepare its financial statements.

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Schedule 1: Schedule of Changes in Net Pension Liability and Related Ratios

For the Fiscal Years Ended June 30

(Dollar Amounts Expressed In Thousands)

	2015	2014	2013
Total pension liability*			
Service cost	$185,428	$192,701	$187,329
Interest	643,427	617,240	589,783
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(6,447)	(108,155)	(80,788)
Changes of assumptions	-	15,781	-
Benefit payments, including refunds of employee contributions	(374,657)	(347,619)	(323,567)
Net change in total pension liability	447,751	369,948	372,757
Total pension liability - beginning	8,580,928	8,210,980	7,838,223
Total pension liability - ending (a)	$9,028,679	$8,580,928	$8,210,980
Plan fiduciary net position			
Contributions - employee	$68,143	$57,635	$68,242
Contributions - employer	221,823	209,367	188,529
Contributions - withdrawn employer	1,136	1,136	1,135
Net investment income	158,222	1,107,152	785,449
Benefit payments	(372,369)	(344,890)	(320,828)
Refunds of contributions	(2,288)	(2,729)	(2,739)
Administrative expenses	(5,854)	(5,665)	(5,719)
Net change in plan fiduciary net position	68,813	1,022,006	714,069
Plan fiduciary net position - beginning	7,810,001	6,787,995	6,073,926
Plan fiduciary net position - ending (b)	$7,878,814	$7,810,001	$6,787,995
Net pension liability - ending (a-b)	$1,149,865	$770,927	$1,422,985
Plan fiduciary net position as a percentage of the total pension liability	87.3%	91.0%	82.7%
Covered-employee payroll	$873,328	$858,343	$858,551
Net pension liability as a percentage of covered-employee payroll	131.7%	89.8%	165.7%

* The pension liability is not available for years prior to June 30, 2013. Information will be presented in future years as it becomes available.

Schedule 2: Schedule of Employer Contributions

For the Last Ten Fiscal Years Ended June 30

(Dollar Amounts Expressed In Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution (ADC)	$221,823	$209,367	$188,529	$179,099	$182,921	$167,142	$177,011	$167,055	$156,805	$154,052
Contributions in relation to the ADC	221,823	209,367	188,529	179,099	182,921	167,142	177,011	167,055	156,805	132,708
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$21,344 *
Covered-employee payroll**	$873,328	$858,343	$858,551	$835,737	$818,804	$872,804	$923,375	$851,016	$798,800	$748,916
Contributions in relation to the ADC as a percentage of covered-employee payroll	25.4%	24.4%	22.0%	21.4%	22.3%	19.2%	19.2%	19.6%	19.6%	17.7%

* Caused by the phase-in of the employer rates adopted by the Board in the June 30, 2004 actuarial valuation.

**Payroll for the years ending 2006 through 2012 are calculated by dividing the contribution dollar amount by the aggregated contribution rate.

Schedule 3: Schedule of Annual Money-Weighted Rate of Return

For the Fiscal Year Ended June 30

	2015	2014
Annual money-weighted rate of return, net of investment expenses*	2.01%	16.18%

* Information prior to June 30, 2014 is not available.

The schedules presented in the Required Supplementary Information provide information to help promote an understanding of the employers' net pension liability over time on a market value of assets basis. The Schedule of Changes in Net Pension Liability and Related Ratios includes historical trend information about the System's total pension liability and the progress made in accumulating sufficient assets to pay benefits when due. The Schedule of Employer Contributions presents historical trend information about the actuarially determined contribution and the actual contributions made. The Schedule of Annual Money-Weighed Rate of Return presents investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested.

CHANGE OF ASSUMPTIONS

Triennially, the System requests that its actuary perform an analysis of the appropriateness of all economic and non-economic assumptions. The most recent triennial analysis was performed as of June 30, 2013. As a result of that analysis, the Board of Retirement approved the following changes to the actuarial assumptions, which were first incorporated in the June 30, 2014 valuation:

- The retirement rates were adjusted to reflect slightly later retirements.
- The mortality rates were adjusted to reflect a slight mortality improvement.
- Termination rates were adjusted to reflect lower incident of termination, with a higher proportion electing to receive a deferred vested benefit.
- Years of service instead of age was used in determining and applying the merit and promotional rates of salary increase.

METHODS AND ASSUMPTIONS USED TO ESTABLISH ACTUARIALLY DETERMINED CONTRIBUTION RATES

The following actuarial methods and assumptions were used to determine contribution rates reported in the Schedule of Employer Contributions:

Valuation date:	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method:	Entry age actuarial cost method
Amortization method:	Level percent of payroll (3.50% payroll growth assumed)
Remaining amortization period:	22 years (declining) as of June 30, 2013 for the outstanding balance of the June 30, 2012 UAAL. The UAAL established as a result of the Early Retirement Incentive Program for Law Enforcement Managers Association members is amortized over a 10-year period, beginning June 30, 2010. Effective June 30, 2013 any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with each valuation. Any change in UAAL that arises due to plan amendments will be amortized over its own declining 15-year period and any change in UAAL due to retirement incentive programs will be amortized over a declining period of up to 5 years.
Asset valuation method:	The market value of assets less unrecognized returns in each of the last six years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a seven-year period. The deferred return is further adjusted, if neccessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

Actuarial assumptions:

Investment rate of return:	7.50%, net of pension plan investment expense, including inflation	
Inflation rate:	3.25%	
Projected salary increases:	3.50% - 11.30% varying by service, including inflation	
Assumed post-retirement benefit increase:		
	Miscellaneous Tier 1	3.25%
	Miscellaneous Tier 2	0.00%
	Miscellaneous Tier 3	2.00%
	Miscellaneous Tier 4	2.00%
	Miscellaneous Tier 5	2.00%
	Safety Tier 1	3.25%
	Safety Tier 2	2.00%
	Safety Tier 3	2.00%
	Safety Tier 4	2.00%
Other assumptions:	Same as those used in June 30, 2013 funding actuarial valuation.	
Other information:	All members with membership dates on or after January 1, 2013 enter the new tiers created by the California Public Employees' Pention Reform Act of 2013 (PEPRA).	

Changes in Methods and Assumptions Used

Valuation date as of June 30:

2005 - Inflation assumption decreased from 4.00% to 3.50%.

2006 - Employee contribution crediting rate is equal to 5-year Treasury rate, assuming sufficient net earnings.

2007 - Investment return assumption increased from 7.75% to 7.875%.
- Salary increase assumption increased from 5.45% to 5.65%.

2010 - Investment return assumption decreased from 7.875% to 7.75%.

2011 - Modification in non-economic assumptions.

2012 - Investment return assumption decreased from 7.75% to 7.50%;
- Inflation assumption decreased from 3.50% to 3.25%;
- Salary increase assumption decreased from 5.65% to 5.40%;
- COLA increase assumption for Tier 1 decrease from 3.40% to 3.25%.

2013 - Actuarial cost method changed from Aggregate Entry Age Normal Cost Method to Individual Entry Age Normal Cost Method.
- Changes to the amortization periods used for various future changes in liability:
  - UAAL established as a result of Early Retirement Incentive Program for LEMA is amortized over a 10-year period beginning June 30, 2010;
  - UAAL as a result of actuarial gains or losses as of June 30 will be amortized over a 20-year period;
  - UAAL as a result of changes in actuarial assumptions or methods to be amortized over a 20-year period;
  - Change in UAAL as a result of plan amendments to be amortized over a 15-year period;
  - UAAL as a result from retirement incentive programs will be amortized over a period up to 5 years.

FOR THE FISCAL YEARS ENDED JUNE 30
(Dollar Amounts Expressed in Thousands)

Schedule I - Schedule of administrative expenses:

Type of expense:	2015	2014
Salaries and benefits	$3,445	$3,300
Professional fees	811	786
Rent and lease expense	456	460
Depreciation expense	36	36
Equipment purchases and maintenance	32	21
Other administrative expenses	1,074	1,062
Total administrative expenses	$5,854	$5,665

Schedule II - Schedule of investment fees and expenses:

Type of investment expense:	2015	2014
Domestic equity managers	$6,401	$6,060
International equity managers	7,702	8,745
Absolute return managers	10,091	10,121
Private equity managers	11,050	7,049
Fixed income managers	3,691	3,094
Real asset managers	14,711	7,176
Opportunity portfolio managers	2,602	1,874
Strategic cash overlay managers	648	568
Custodian fees	510	511
Investment consulting fees	950	960
Other investment expenses and fees	3,082	3,008
Total investment fees and expenses	$61,438	$49,166

Schedule III - Schedule of payments to consultants:

Type of service:	2015	2014
Legal services	$1,538	$1,696
Medical consulting services	356	465
Actuarial services	163	136
Audit and consulting services	71	48
Total payments to consultants	$2,128	$2,345

Statements of Changes in Assets and Liabilities

AGENCY FUND

FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

(Dollar Amounts Expressed in Thousands)

Assets	2015	2014
Beginning accounts receivable balance	$41	$327
Additions	26,251	30,475
Deductions	(26,261)	(30,761)
Ending accounts receivable balance	$31	$41

Liabilities		
Beginning accounts payable balance	$41	$327
Additions	26,251	30,475
Deductions	(26,261)	(30,761)
Ending accounts payable balance	$31	$41

INVESTMENT

Introduction

For the fiscal year ended June 30, 2015, the Sacramento County Employees' Retirement System ('SCERS') achieved a 2.5% gross return. SCERS' gross return fell short of its policy index return of 3.2% by 0.7%, as a result of underperformance within a few asset classes within the investment portfolio. Since the depths of the Global Financial Crisis ('GFC'), SCERS has experienced a strong recovery in its asset base, due to the significant increase in global asset levels and excess returns achieved by SCERS' investment program. Assets under management have climbed from a low of $4.4 billion at the beginning of the 2010-2011 fiscal year to $7.9 billion at the end of the current fiscal year, exceeding the prior peak set before the GFC of $6.0 billion.

SCERS' general investment consultant, Strategic Investment Solutions, Inc. ("SIS"), prepared the investment returns cited in this transmittal using information it receives from SCERS' custodian bank and investment managers.

Market Overview

The global market rally that began in the 2009-2010 fiscal year, and has been supported by accommodative monetary policy across most developed nations, lost some momentum in the 2014-2015 fiscal year. Valuations across many asset classes have become stretched, and the markets have experienced more episodic volatility. Financial markets experienced divergent results during the 2014-2015 fiscal year, especially within the equity markets. Domestic equity markets generated strong positive returns, while international equity markets, including emerging markets, produced negative returns.

Benchmark returns across SCERS' asset and sub asset classes were as follows: Domestic equity markets (Russell 3000 Index) returned 7.3%; International developed equity markets (MSCI EAFE Index) returned -5.3%; Emerging equity markets (MSCI Emerging Markets Index) returned -5.1%; Domestic fixed income markets (Barclays Aggregate Index) returned 1.9%; Real estate markets (NFI-ODCE Index) returned 14.4%; Absolute return markets (HFRI Fund of Funds Composite Index) returned 3.9%; and Commodities markets (Bloomberg Commodity Index) returned -23.7%. International equity returns were impacted by slower growth prospects in international economies and a strengthening US dollar. Related to the latter, positive local international equity returns turned negative once returns were converted back to the U.S. dollar.

Commodities were the worst performing segment of the global markets during the fiscal year, including the dramatic fall in oil prices. Oil prices came into fiscal year 2014-2015 above $90 per barrel, but collapsed into the $40 range during the early part of 2015, where they remain today. The catalyst for the drop in oil prices was mostly supply driven. While there was a softening of demand off of slowing global growth, there was also a surge in supply from increasing U.S. shale production. This was combined with an unexpected change in the Organization of the Petroleum Exporting Companies ("OPEC") policy, which maintained production in order to support its market share, instead of cutting supply to support oil prices.

Coordinated global monetary policy, which was a theme during previous years, diverged during the fiscal year. In the U.S., the Federal Reserve ("Fed") ended its quantitative easing ("QE") program during the fourth quarter of 2014, with a series of tapering measures. Economic data within the U.S. has been mostly positive, including moderate GDP growth, improving employment trends and rising consumer confidence levels, which has put the Fed on the path of raising interest rates in the 2015-2016 fiscal year. However, other developed countries either continued or signaled the initiation of their own stimulus programs during the fiscal year. Japan is in the midst of a significant QE program and is intent on providing support for its economy through aggressive monetary policy measures. Europe is facing a deflationary environment and the European Central Bank ("ECB") announced QE measures through an aggressive €1 trillion bond buying program early in 2015. China, which has been facing slowing growth, issued a series of small stimulus measures through a reduction in interest rates during the fiscal year. China's equity markets experienced significant volatility as a result of slowing Chinese economic growth, government policies around margin financing, and a devaluation in China's currency.

While asset prices have increased significantly since the depths of the GFC, the history of market cycles demonstrates that asset price appreciation is difficult to sustain. Within the current maturing cycle, opportunities to find cheaply valued assets are shrinking within many segments, with most asset classes becoming fairly valued and even overvalued. Relative value and capital preservation are important areas to be cognizant of at this point in the cycle, and it is important that investors remain disciplined in their investing initiatives. Looking forward, divergent global growth rates, monetary policy initiatives and currency movements could produce increased levels of volatility, and potentially lower asset returns going forward. Such an environment highlights the importance of having a diversified portfolio, and identifying investment strategies and managers that can perform well across various economic environments and produce differentiated excess returns.

Asset Allocation

SCERS' investment program is structured around a strategic asset allocation model established by the Board with the assistance of SCERS' investment staff, general investment consultant SIS, alternative assets consultant Cliffwater LLC ("Cliffwater"), and real estate consultant The Townsend Group ("Townsend"). The intent of the asset allocation model is to ensure the diversification of investments in a manner that achieves the desired rate of investment return with an acceptable level of investment risk. To achieve this, the asset allocation is broadly diversified between asset classes and within asset classes to provide consistent long term performance. The asset allocation targets are not tactical, but rather, are long term in nature, consistent with the long term nature of SCERS' benefit obligations. The asset allocation model is typically reviewed every three to five years, but the long term capital market assumptions for the various asset classes and sub-asset classes are reviewed and adjusted as appropriate each year. Research has shown that the asset allocation mix is the largest driver of investment performance.

SCERS' current asset allocation model was established pursuant to an asset allocation study, with a significant focus on reducing risk by increasing diversification for SCERS' portfolio, and in particular, creating an asset allocation structure that would perform well across different economic environments and risk factors (such as interest rates, duration, foreign exchange, the equity risk premium, and inflation). The increased diversification is intended to make SCERS' portfolio more of an 'all weather' portfolio that can perform well across a variety of market environments, particularly market downturns. While the target allocations to the major asset classes are long-term in nature, the asset allocation was designed to provide flexibility within the structure of the major asset classes to allocate capital to investment opportunities that present better relative value and the most attractive risk adjusted return characteristics. SCERS has been actively implementing the current asset allocation over the past few years; however, this is a multi-year process to fully execute, especially within the private markets asset classes, given the unique cash flow characteristics of these asset classes and the importance of maintaining vintage year diversification. Another objective in the asset allocation analysis was to establish clearly defined roles and objectives for each asset class to avoid duplication in sources of return and risk caused by the overlap between asset classes.

SCERS' current asset allocation model is presented in the table below.

Asset Class	Target Allocation
Equities	
Domestic Equities	22.5%
International Equities	22.5%
Equities Total	45.0%
Fixed Income	20.0%
Private Equity	10.0%
Real Assets	
Core Private Real Estate	7.0%
Commodities	2.0%
TIPs, ILBs	0.0%
Private Real Assets	6.0%
Real Assets Total	15.0%
Absolute Return	10.0%
Opportunities	0.0%

The process of transitioning SCERS' portfolio to the current target asset allocation began during the 2011-2012 fiscal year and has continued through the fiscal year just ended. It is anticipated that it will require a few years to reach the target allocation levels in certain of the alternative asset classes, particularly Private Equity and Real Assets.

Investment Portfolio Implementation

In addition to providing assistance to the Board in establishing the asset allocation model, SCERS' investment staff and consultants assist in developing investment policy statements; conduct searches for and recommend the selection of investment managers; monitor investment manager performance and compliance; advise on developments in the investment markets; and analyze and develop recommendations for possible tactical adjustments and new investment initiatives.

SCERS utilizes external investment managers to invest the System's assets. As of June 30, 2015, SCERS' assets were invested across: (1) Domestic Equity - nine separate account portfolios and one commingled fund; (2) International Equity - four separate account portfolios, three fund partnerships, and one closed-end mutual fund; (3) Fixed Income - three separate account portfolios and one global opportunistic fixed income fund; (4) Absolute Return - nine fund partnerships and two separate account portfolios; (5) Private Equity - four fund-of-funds partnerships and seventeen fund partnerships; (6) Real Assets – four separate account portfolios, five private real assets fund partnerships, five core real estate funds, two commodity fund partnerships, and a real assets strategy commingled fund; (7) Opportunities - two opportunistic credit fund partnerships, five value-added real estate fund partnerships and three opportunistic real estate fund partnerships; and (8) A portfolio overlay program.

Portfolio activity during the fiscal year included the following:

- In Domestic Equity, SCERS engaged an investment manager to manage a U.S. small cap growth equity mandate, which represented a replacement for a manager whose engagement was terminated in fiscal year 2014-2015. During the fiscal year, SCERS also conducted a 'soft dollars' audit of SCERS' Domestic Equity managers.

- In International Equity, an engagement with a large cap developed international equity manager was terminated. A new manager for the mandate will be selected in the 2015-2016 fiscal year. SCERS also evaluated its all-cap emerging markets exposure during the fiscal year. In addition, SCERS conducted a 'soft dollar' audit of SCERS' International Equity managers.

- In Fixed Income, SCERS engaged an investment manager to manage a core plus fixed income mandate, which represented a replacement for a manager whose engagement was terminated in fiscal year 2014-2015.

- In Absolute Return, an engagement with a direct absolute return fund was terminated. The proceeds were placed in an existing diversified separate account, until a replacement search is completed in fiscal year 2015-2016.

- In Private Equity, SCERS continued implementation of the direct private equity investment platform, making six fund commitments during the fiscal year. SCERS also presented the annual report and annual investment plan for the Private Equity asset class during the fiscal year.

- In Real Assets, within the real estate portfolio, SCERS conducted some re-balancing in the core real estate sub-asset class by disposing of several assets in the separate account portfolios and investing in one core plus open-end real estate fund, one value-added closed-end real estate fund, one opportunistic closed-ended real estate fund, one international core plus open-ended real estate fund, and two international value-added closed-end real estate funds. In the private real assets sub-asset class, SCERS continued to build its portfolio by establishing a strategic investment partnership to manage a customized separate account to invest in debt backed by real assets. SCERS also made three private real assets fund commitments during the fiscal year. In addition, SCERS presented the annual report and annual investment plan for the Real Assets asset class during the fiscal year.

- In the Opportunities asset class, SCERS made four fund commitments, which were referenced in the Real Assets discussion above, with allocations drawn from the Real Assets asset class.

As previously noted, due to the longer investment period for private market commitments, the importance of maintaining vintage year diversification, and only investing with top tier managers, it will take several years for target allocation levels to be reached in the Private Equity and Real Assets asset classes.

SCERS' custodial bank is State Street California, Inc ("State Street"). In addition to asset custody services (including performance measurement), State Street provides securities lending services to SCERS and, through State Street Global Advisors and State Street Global Markets, administers a portfolio overlay program and a brokerage commission recapture program, respectively. The portfolio overlay program assures that SCERS' portfolio remains consistent with the asset allocation model through cost-effective re-balancing, use of investment proxies to close gaps relative to target allocation levels, and to eliminate 'cash drag'. For the fiscal year ended June 30, 2015, SCERS earned a net income of $1.0 million from securities lending and received commission recapture income of $0.06 million.

SCERS' primary legal services regarding the investment program are provided by specialized outside legal counsel and fiduciary counsel.

During the fiscal year, investment educational sessions were provided to the Board by SCERS' staff, investment consultants and various investment managers to assist the Board in making decisions regarding new asset classes and possible new investment mandates. The educational sessions included presentations regarding: (1) High frequency trading; (2) Investment opportunities in debt backed by real assets; (3) Investment opportunities in the energy sector; (4) Private equity investing in software and technology enabled service companies; and (5) Private growth equity investing within the technology sector.

SCERS Investment Objectives

SCERS' investment objectives are set forth in the Board's Investment Policy and Objectives Statement ("Investment Policy") and through customized investment policy statements for each asset class.

At the highest level, SCERS' investment objectives are:

Provide for Present and Future Benefit Payments:

The overall investment objective of SCERS is to invest pension assets solely in the interest of providing benefits to the participants and their beneficiaries, while attempting to minimize employer contributions and defraying administrative costs. The investment of contributions and other fund assets in accordance with the Investment Policy is intended to accomplish this and maintain adequate funding of SCERS' liabilities over time. The goal of the Board is to design an investment portfolio that will achieve and exceed the annualized actuarial assumed rate of 7.5% over a market cycle. The Board strives to achieve this level of return with a high level of confidence and with an acceptable level of risk.

Make Prudent Investments:

In accordance with the fiduciary standards of care, skill, prudence and diligence, the Board strives to produce an investment return based on levels of liquidity and investment risk that are prudent and reasonable under present circumstances, recognizing that those circumstances may change over time.

Diversify the Assets:

The Board diversifies the investments of SCERS to maximize the investment return and maintain an acceptable investment risk.

Create Reasonable Pension Investments Relative to Other Pension Funds:

SCERS' investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets. SCERS assesses its selection of investment vehicles and strategies relative to other private and public pension funds, with special emphasis on comparisons with public funds.

Establish Policy and Objective Review Process:

Annually, SCERS conducts a formal review of its Investment Policy and undertakes an updated asset/liability study typically every three to five years.

Proxy Voting Guidelines and Procedures

As a fiduciary, the Board has an obligation to manage SCERS' assets in the best interest of the plan participants. The Board has established a Proxy Voting and Corporate Governance Policy to assist with this goal. This policy provides guidance for voting proxies and acting on corporate action issues, such as mergers and acquisitions. For the fiscal year ended June 30, 2015, a majority of proxies were voted through an electronic voting platform provided by Institutional Shareholder Services, with the assistance of research and analysis provided by Institutional Shareholder Services and Glass Lewis & Co.

Summary of Investment Results

SCERS monitors capital market investment returns through reference to recognized and easily obtainable market indices, which are used as asset class benchmarks. The benchmark index performance by asset class for one, three and five years is shown on the Investment Results schedule. The asset class benchmark returns are weighted by the asset allocation to provide a policy-weighted return based on SCERS' asset allocation model. SCERS presents its returns using a time-weighted rate of return methodology based upon market values. SCERS' general investment consultant, SIS, prepared the investment returns cited in this section using information it received from SCERS' custodian bank and investment managers.

Relative to recent years, SCERS' investment performance for the fiscal year ended June 30, 2015 was muted, with divergent returns across SCERS' major asset classes. Private Equity and Domestic Equity led performance during the year with strong positive performance, while International Equity was the only major asset class to generate negative returns, mostly due to the negative currency effect of a strong U.S. dollar and slower growth outside of the United States. Fixed Income returns were slightly positive during the fiscal year, with higher quality government bonds and corporate credits outperforming lower quality corporate credits.

For the period, SCERS' total fund return was 2.5%, gross of investment management fees, and 2.2%, net of investment management fees. The gross return for the fiscal year was 0.7% below SCERS' policy weighted benchmark return of 3.2%, and was well below the actuarial return objective of 7.5%. Over the trailing three-year period, SCERS' annualized investment return was 10.6% gross and 10.2% net. This three-year annualized return was above the actuarial return objective of 7.5% and SCERS' policy benchmark return of 9.8%. Over the trailing five-year period, SCERS' annualized investment return was 10.8% gross and 10.5% net. This five-year annualized return was above the actuarial return objective of 7.5% and in-line with SCERS' policy benchmark return of 10.8%.

SCERS also assesses its investment performance relative to a peer group of other public funds utilizing a series of universe comparisons provided by SIS. For the fiscal year, the median public fund in the InvestorForce Universe of public funds with assets of greater than one billion dollars was 3.2%. SCERS ranked in the 69th percentile.

Domestic Equity returned 7.2% for the fiscal year, gross of fees. The return was slightly below the benchmark Russell 3000 Index return of 7.3%, by 0.1%. For the three-year period, SCERS' domestic equity annualized return was 17.4%, gross of fees, compared to the Russell 3000 Index benchmark return of 17.7%. In the domestic equity segment of the InvestorForce Universe, SCERS ranked in the 59th percentile for the fiscal year and in the 69th percentile for the three year period.

The Domestic Equity sub-asset allocation divides investments by stock market capitalization and investment style. The large cap domestic equity investments had a fiscal year 7.5% return, gross of fees, which was 0.1% above the return of the Russell 1000 Index benchmark. The annualized investment return for large cap equity for three years was 17.8%, gross of fees, which was slightly above the benchmark return of 17.7%. The one-year return for small cap equity investments was 4.9%, gross of fees. This return was below the benchmark Russell 2000 Index return of 6.5%. For the three-year period, the small cap equity annualized return was 17.2%, gross of fees, which was 0.6% below the benchmark return of 17.8%.

International Equity returned -4.4% for the fiscal year, gross of fees. This was 0.4% above the benchmark MSCI ACWI ex-U.S. Index return of -4.8%. Annualized performance for the three-year period of 10.5%, gross of fees, was above the benchmark return of 9.9%. In the international equity segment of the InvestorForce Universe, SCERS ranked in the 75th percentile for the fiscal year and in the 59th percentile for the three year period.

SCERS' international equity investments are classified into two categories, developed markets and emerging markets, determined by country. For the fiscal year, SCERS' developed market investments returned -3.9%, gross of fees, which was 0.1% below the benchmark MSCI EAFE Net Dividend Index return of -3.8%. Over the trailing three-year period, the developed markets annualized return was 12.0%, gross of fees, compared to a MSCI EAFE Net Dividend Index return of 12.5%. For the fiscal year, the emerging markets gross of fees return of -6.1% was below the return of the benchmark MSCI Emerging Markets Index return of -4.8%. For the three-year period, SCERS' emerging markets annualized return of 3.7%, gross of fees, came in 0.4% below the benchmark return of 4.1%.

SCERS' Fixed Income investments had a fiscal year 0.7% return, gross of fees, which was 0.8% above the custom benchmark (comprised of 75% Barclays Aggregate Index / 12% Citigroup WGBI Index / 5% BofA Merrill Lynch US HY Master II Index / 5% Credit Suisse Leveraged Loans Index / 3% JP Morgan GBI EM Diversified Index) return of -0.1%. For the three-year period, the Fixed Income asset class annualized return was 2.7%, gross of fees, compared to the benchmark return of 1.2%. In the fixed income segment of the InvestorForce Universe, SCERS' Fixed Income return ranked in the 63rd percentile for the fiscal year and in the 52nd percentile for the three year period.

SCERS' Absolute Return investments had a fiscal year 2.2% return, gross of fees. For the three-year period, the Absolute Return asset class annualized return was 7.9%. The performance objective for the Absolute Return investments is the 90-day T-Bill plus five percent, which returned 5.0% in both the fiscal year and three-year period. Another comparison measure is the HFRI Fund of Funds Composite Index, which returned 3.9% and 6.3% for the fiscal year and three-year period, respectively. In the absolute return segment of the InvestorForce Universe, SCERS' Absolute Return return ranked in the 60th percentile for the fiscal year and in the 44th percentile for the three year period.

The Private Equity asset class had a return of 14.8%, gross of fees for the fiscal year, compared to the 15.2% return of the asset class benchmark, the Russell 1000 Index plus three percent. For the three-year period, SCERS' Private Equity asset class returned 16.7%, compared to the benchmark return of 19.3%. The underperformance for SCERS' investments reflects the J-curve effect on the private equity fund investments, which are earlier in their investment cycle, with committed capital still being called and invested. Another comparison measure is the Thomson Reuters Private Equity Index, which returned 11.9% and 14.8% for the fiscal year and three-year period, respectively. In the private equity segment of the InvestorForce Universe, SCERS' Private Equity return ranked in the 15th percentile for the fiscal year and in the 5th percentile for the three year period. Please note that the returns of the private equity asset class and benchmark are delayed one quarter.

The Real Assets asset class had a fiscal year 0.8% return, gross of fees, which was 1.6% below the benchmark CPI-U Headline Inflation Index + 5% return of 2.4%. For the three-year period, the real assets asset class annualized return was 5.4%, compared to the benchmark return of 5.8%.

The Real Assets sub-asset allocation divides investments into four categories, including: (1) Core and core plus real estate; (2) Private real assets such as infrastructure, energy, timber, agriculture or other natural resources; (3) Commodities; and (4) Treasury Inflation Protected Securities (TIPS). SCERS' core real estate separate accounts produced a 15.8% return, gross of fees, which was 1.4% above the benchmark return of 14.4%. SCERS' core open-ended real estate funds achieved a 14.8% gross return compared to the benchmark return of 14.4%. SCERS' commodities funds were down 21.7%, which was 2.0% above the benchmark return of -23.7%. The poor commodities performance was heavily influenced by the sharp sell-off in energy prices during the fiscal year. During the fiscal year, SCERS did not have any allocations to TIPS, and the performance of the private real assets segment is not yet meaningful due to SCERS being earlier in the J-curve.

The Opportunities investments are tactical investments across SCERS' investible asset classes and universe. When an opportunities investment is made, its capital is drawn from the asset class which best fits the risk and return characteristics of the underlying investments. For the fiscal year, SCERS'

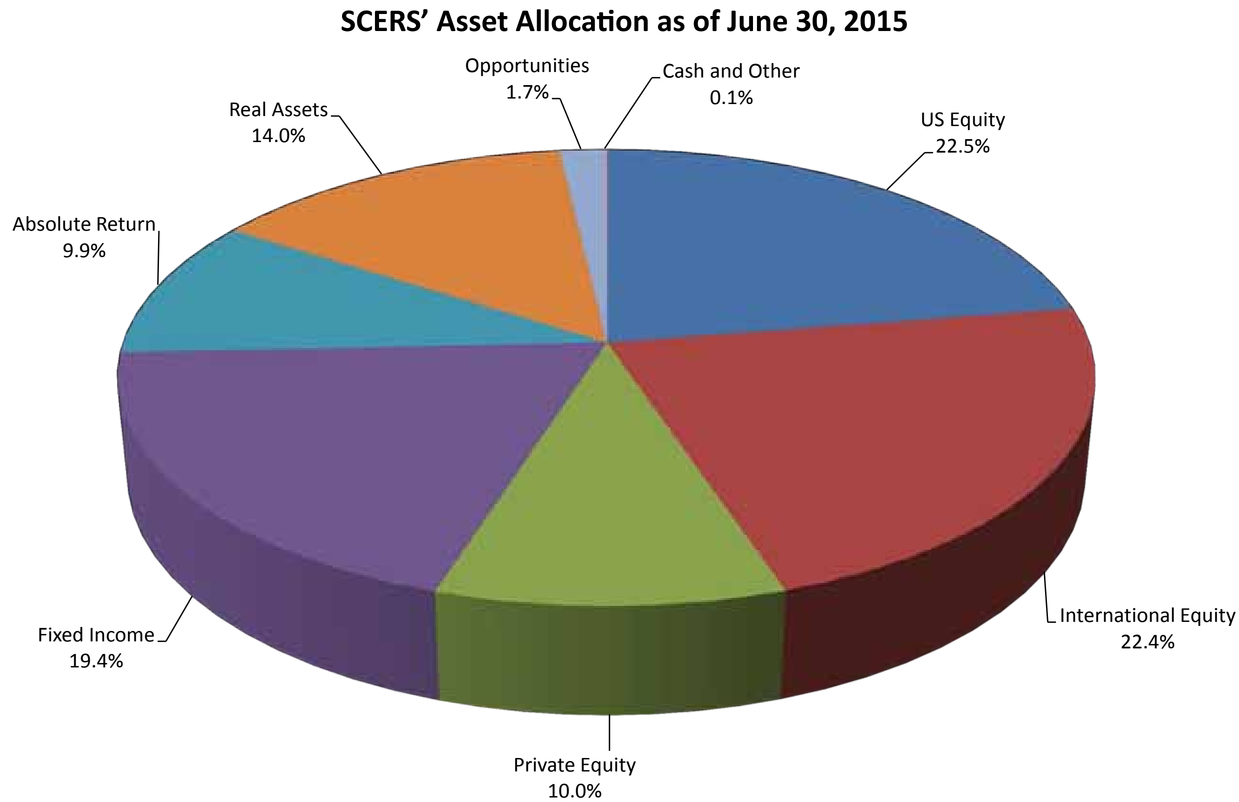
Opportunities investments collectively achieved a 23.2% gross return, which was 20.0% above SCERS' policy index 3.2% benchmark return.

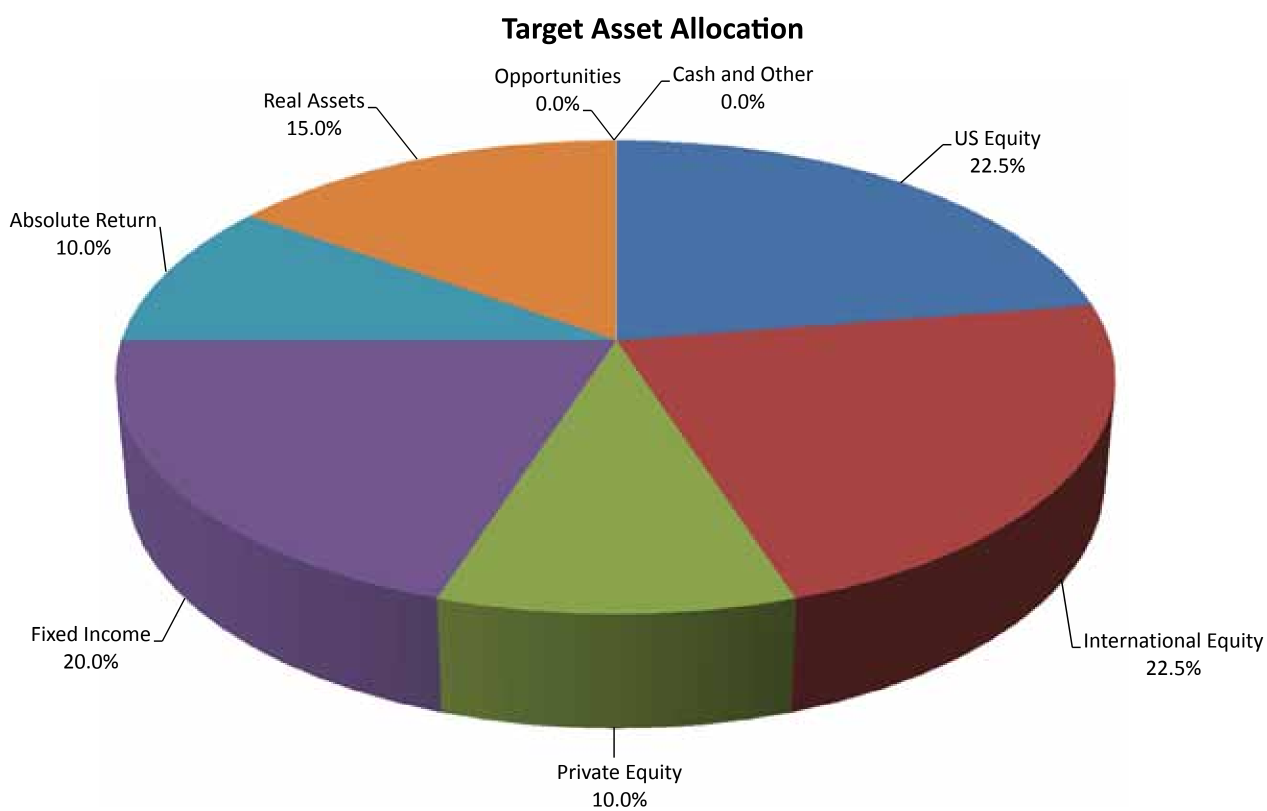
Additional information regarding SCERS' investment program can be found on the pages immediately following this Report.

Respectfully submitted,

Steve Davis
Deputy Chief Investment Officer

Asset Allocation





The 2015 Actual Asset Allocation is based upon the Investment Summary adjusted to net out $111.4 million in leverage.

Investment Results

	For the Period Ended June 30, 2015		
		Annualized	
	1 Year	3 Years	5 Years
Domestic Equity			
Total Domestic Equity	7.2 %	17.4 %	17.2 %
IF All DB US Eq Gross Median	7.3	17.8	17.5
Benchmark: Russell 3000 Index	7.3	17.7	17.5
International Equity			
Total International Equity	(4.4)	10.5	8.2
IF All DB ex-US Eq Gross Median	(3.0)	10.8	9.2
Benchmark: MSCI ACWI ex-US Index	(4.8)	9.9	8.2
Fixed Income			
Total Fixed Income	0.7	2.7	4.6
IF All DB Total Fix Inc Gross Median	1.3	2.7	4.6
Benchmark: Custom*	(0.1)	1.2	3.0
Absolute Return			
Total Absolute Return	2.2	7.9	6.4
IF All DB Hedge Funds Gross Median	2.9	7.6	5.9
Benchmark: 91 day Treasury Bill + 5%	5.0	5.0	5.1
HFRI Fund of Funds Composite Index	3.9	6.3	4.1
Private Equity			
Total Private Equity**	14.8	16.7	11.8
IFx All DB Private Equity Net Median	8.1	11.0	11.4
Benchmark: Russell 1000 + 3% 1 Quarter Lag	15.2	19.3	17.3
Thomson Reuters C/A All PE 1 Quarter Lag	11.9	14.8	14.8
Real Assets			
Total Real Assets	0.8	5.4	8.3
Benchmark: CPI-U Headline + 5%	2.4	5.8	N/A
Opportunities			
Total Opportunities	23.2	19.3	18.6
Benchmark: Policy Index	3.2	9.8	9.0
Total Fund			
SCERS Total Fund-Gross	2.5	10.6	10.8
SCERS Total Fund-Net	2.2	10.2	10.5
IFx Public DB > $1B Gross Median	3.2	10.8	10.9
Benchmark: Asset Allocation Weightings***	3.2	9.8	10.8

Notes: Unless noted, returns were prepared by SCERS' investment consultant Strategic Investment Solutions, Inc., and shown on a gross of fee basis and included the overlay effect. Return calculations were prepared using a time weighted rate of return.

* The Benchmark consists of 75% Barclays Aggregate, 12% Citi WGBI, 5% BofA Merril Lynch US HY Master II, 5% Credit Suisse Leveraged Loans and 3% JPMorgan GBI EM Diversified.

** Investment return and index return are one quarter in arrears.

***The Benchmark consists of 22.5% MSCI ACWI ex US, 22.5% Russell 3000, 15% Barclays Aggregate, 15% CPI-U +5% (RA), 10% 91-day UST Bill +5% (HF), 10% Russell 1000 +3% 1QL (PE), 2.4% Citigroup WGBI ex US Unhedged, 1% BofA ML High Yield II, 1% Credit Suisse Leveraged Loans and 0.6% JPM GBI EM Diversified. From 1/1/2012 to 12/31/2013, the Benchmark consisted of 22.5% MSCI ACWI ex US, 10% Russell 1000 +3% 1QL (PE), 22.5% Russell 3000, 20% Barclays Aggregate, 15% CPI-U +5% (RA), and 10% 91-day UST Bill +5% (HF).

Summary of Investment Assets

As of June 30, 2015

(Dollar Amounts Expressed in Thousands)

Equity	Fair Value	Percentage of Total Cash & Investments
Domestic Equity		
AllianceBernstein L.P. - Large Cap Core Index	$1,080,547	13.40%
Brown Advisory - Large Cap Growth	113,595	1.41
CenterSquare Investment Management - U.S. REITS	96,382	1.20
Dalton, Greiner, Hartman, Maher & Co. LLC - Small Cap Value	69,358	0.86
Eagle Capital - Large Cap Core	256,899	3.19
Huber Capital Management - Large Cap Value	112,762	1.40
JP Morgan Asset Management - Equity Active Extension (130/30)	123,328	1.53
Weatherbie Capital, LLC - Small Cap Growth	73,970	0.92
Wedge Capital Management - Small Cap Value	74,170	0.92
Transitions Account	177	0.00
Total Domestic Equity	2,001,188	
International Equity		
Capital International, Inc. - Emerging Markets Growth Fund	262,436	3.25
CBRE Clarion Securities - International REITS	78,553	0.97
Lazard Asset Management - ACWI ex-US	418,651	5.19
LSV Asset Management - International Developed Value	440,307	5.46
Mondrian Emerging Markets Small Cap Equity Fund, L.P.	26,009	0.32
Mondrian International Small Cap Equity Fund, L.P.	87,949	1.09
William Blair Emerging Markets Small Cap Growth	27,666	0.34
William Blair International Small Cap Growth Portfolio	99,398	1.23
Total International Equity	1,440,969	
Absolute Return		
AQR Delta Fund II, L.P.	43,994	0.55
BlueCrest Capital L.P. - Class B	29,667	0.37
Brevan Howard, L.P.	36,007	0.45
Claren Road Credit Partners, L.P.	27,672	0.34
Elliott International Limited	39,363	0.49
Grosvenor Capital Management	369	0.00
Jana Partners Qualified, L.P.	40,253	0.50
Lakewood Capital Partners, L.P.	36,655	0.45
Laurion Capital Ltd.	37,741	0.47
OZ Domestic Partners II, L.P.	42,314	0.52
SC Absolute Return Fund, LLC	255,900	3.17
SC Absolute Return Fund, LLC- Series B	142,115	1.76
Third Point Partners Qualified, L.P.	41,612	0.52
Total Absolute Return	773,662	
Private Equity		
Abbott Capital Private Equity Fund VI, L.P.	56,204	0.70
Accel-KKR Capital Partners IV, L.P.	7,555	0.09
Accel-KKR Growth Capital Partners II, L.P.	847	0.01
Athyrium Opportunities Fund II, L.P.	5,316	0.07
Dyal II US Investors, L.P.	5,774	0.07
Garrison Opportunity Fund III A LLC	19,117	0.24
H.I.G. Bayside Loan Opportunity Fund III (Europe-US$), L.P.	14,582	0.18
H.I.G. Capital Partners V, L.P.	2,231	0.03
H.I.G. Europe Capital Partners II, L.P.	121	0.00
HarbourVest International Private Equity Partners VI-Partnership Fund L.P.	27,839	0.35
HarbourVest Partners VIII, L.P.	35,413	0.44

(Dollar Amounts Expressed in Thousands)

	Fair Value	Percentage of Total Cash & Investments
Private Equity (continued)		
Khosla Ventures IV, L.P.	$11,294	0.44%
Khosla Ventures V, L.P.	5,632	0.14
Marlin Equity IV, L.P.	6,171	0.07
Marlin Heritage, L.P.	2,760	0.08
New Enterprise Associates 14, L.P.	24,485	0.03
New Enterprise Associates 15, L.P.	5,264	0.30
Private Equity Partners X, L.P.	64,220	0.07
RRJ Capital Master Fund II, L.P.	33,279	0.80
Spectrum Equity VII, L.P.	2,529	0.41
Summit Partners Credit Fund, L.P.	15,327	0.03
Summit Partners Credit Fund II, L.P.	8,163	0.19
Summit Partners Venture Capital Fund III-A, L.P.	15,005	0.10
Thoma Bravo Fund XI, L.P.	14,569	0.19
TPG Opportunities Partners III, L.P.	6,608	0.18
Trinity Ventures XI, L.P.	16,231	0.08
Waterland Private Equity Fund V C.V.	5,811	0.20
Wayzata Opportunities Fund III, L.P.	6,928	0.07
Total Private Equity	419,275	
Total Equities	**4,635,094**	
Fixed Income		
Domestic		
Metwest Asset Management	400,352	4.97
Neuberger Berman Fixed Income LLC	352,563	4.37
Prudential Investment Management	289,869	3.59
SC Credit Opportunities Mandate, LLC	150,135	1.86
Total Domestic Fixed Income	1,192,919	
International		
Brandywine Global Investment Management, LLC	201,717	2.50
Metwest Asset Management	12,592	0.16
Neuberger Berman Fixed Income LLC	16,811	0.21
Prudential Investment Management, Inc.	102,751	1.27
Total International Fixed Income	333,871	
Total Fixed Income	**1,526,790**	
Real Assets		
Atalaya SCERS SMA, LLC	7,899	0.10
BlackRock Realty Advisors - Separate Account	293,229	3.64
Blackstone Resources Select Offshore Fund	50,897	0.63
Cornerstone Patriot Fund	42,813	0.53
Cornerstone Realty - Separate Account	171,507	2.13
EnCap Energy Capital Fund IX, L.P.	15,937	0.20
EnCap Energy Capital Fund X, L.P.	1,294	0.02
EnCap Flatrock Midstrem Fund III, L.P.	659	0.01
First Reserve Energy Infrastructure Fund II, LP.	1,607	0.02
Jamestown Premier Property Fund, L.P.	18,416	0.23
Metlife Core Property Fund, L.P.	43,704	0.54
Pantheon SCERS SIRF MM, LLC	19,922	0.25
Prime Property Fund, LLC	44,011	0.55

Summary of Investment Assets (Continued)

(Dollar Amounts Expressed in Thousands)

Real Assets	Fair Value	Percentage of Total Cash & Investments
Real Assets (continued)		
Quantum Energy Partners VI, L.P.	$1,150	0.01%
State Street Global Advisors - Real Asset Strategy (overlay proxy)	479,831	5.95
Strategic Commodities Fund Ltd.	30,801	0.38
Total Real Assets	**1,223,677**	
Opportunities		
AEW Value Investors II, L.P.	4,902	0.06
Allegis Value Trust	24,394	0.30
Atalaya Special Opportunities Fund V, L.P.	25,847	0.32
CIM Fund VIII, L.P.	10,139	0.13
ECE European Prime Shopping Centre Fund II, SCS-SIF	(196)	0.00
European Real Estate Debt Fund II, L.P.	28,292	0.35
Hines US Office Value Fund II, L.P.	7,579	0.09
KKR Real Estate Partners Americas, L.P.	18,865	0.23
NREP Nordic Strategies Fund, FCP-FIS	10,242	0.13
Och-Ziff Real Estate Fund III, L.P.	4,072	0.05
Total Opportunities	**134,136**	
Overlay		
State Street Global Advisors	278,820	3.46
Total Overlay	**278,820**	
Total Investments at Fair Value	**7,798,517**	
Cash		
Other Cash & Cash Equivalents	8,436	0.10
Cash (Unallocated)	256,388	3.18
Total Cash	**264,824**	
Total Cash & Investments	**8,063,341**	**100.0%**
Other Assets		
Other Assets	1,199	
Receivables	92,385	
Securities Lending Collateral	320,650	
Total Other Assets	**414,234**	
Total Assets	8,477,575	
Liabilities		
Warrants Payable	846	
Accounts Payable	37,112	
Mortgages Payable	111,350	
Investment Trades Payable	128,803	
Securities Lending Liability	320,650	
Total Liabilities	**598,761**	
Net Position Restricted for Pension Benefits	**$7,878,814**	

Note: Investment assets at portfolio level include cash and cash equivalents and short-term investments with fiscal agents.

Ten Largest Stock Holdings (by Fair Value)

As of June 30, 2015

Rank	Shares	Security Name	Fair Value (in thousands)
1	37,154,467	Prime Property Fund LLC	$42,232
2	326,524	Apple Inc	40,954
3	772,216	Microsoft Corp	34,093
4	195,610	Berkshire Hathaway Inc Cl B	26,625
5	465,811	Citigroup Inc	25,731
6	357,058	JPMorgan Chase & Co	24,194
7	581,693	Oracle Corp	23,442
8	46,967	Amazon.Com Inc	20,388
9	201,369	Aon Plc	20,073
10	1,120,662	Bank Of America Corp	19,074
Total of Ten Largest Stock Holdings			**$276,806**

A complete list of the stock holdings is available.

Ten Largest Bond Holdings (by Fair Value)

As of June 30, 2015

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value (in thousands)
1	25,000,000	United States Treasury N/B	0.4%	3/31/2016	$25,025
2	20,855,000	United States Treasury N/B	1.6	6/30/2020	20,853
3	19,370,000	United States Treasury N/B	2.1	5/15/2025	19,019
4	14,910,000	United States Treasury N/B	3.0	5/15/2045	14,612
5	13,765,000	FNMA TBA 30YR	3.0	7/14/2045	13,714
6	11,193,000	FNMA TBA 30YR	4.0	7/14/2045	11,859
7	10,924,000	GNMA II TBA 30YR	3.5	7/20/2045	11,337
8	10,530,000	FNMA TBA 30YR	3.5	7/14/2045	10,852
9	8,636,000	FNMA TBA 15YR	2.5	7/16/2030	8,741
10	6,757,416	FNMA Pool AI1190	4.5	4/1/2041	7,370
Total of Ten Largest Bond Holdings					**$143,382**

A complete list of the bond holdings is available.

Schedule of Manager Fees

For the Year Ended June 30, 2015
(Dollar Amounts Expressed in Thousands)

Domestic Equity	
AllianceBernstein L.P.	$212
Brown Advisory	209
CenterSquare Investment Management	691
Dalton, Greiner, Hartman, Maher & Co. LLC	468
Eagle Capital Management	1,875
Huber Capital Management	809
JP Morgan Asset Management	792
Weatherbie Capital, LLC	632
Wedge Capital Management, LLP	713
Total Domestic Equity	6,401
International Equity	
Baring Asset Management	476
Capital International, Inc.	1,844
CBRE Clarion Securities	195
Lazard Asset Management	1,237
LSV Asset Management	1,851
Mondrian Emerging Markets Small Cap Equity Fund, L.P.	352
Mondrian International Small Cap Equity Fund, L.P.	590
William Blair Emerging Markets Small Cap Growth	288
William Blair International Small Cap Growth Portfolio	869
Total International Equity	7,702
Absolute Return	
AQR Delta Fund II, L.P.	524
BlueCrest Capital L.P. - Class B	600
Brevan Howard, L.P.	794
Claren Road Credit Partners, L.P.	434
Elliott International Limited	433
Jana Partners Qualified, L.P.	822
Lakewood Capital Partners, L.P.	548
Laurion Capital Ltd.	715
OZ Domestic Partners II, L.P.	1,708
SC Absolute Return Fund, LLC	1,892
SC Absolute Return Fund, LLC- Series B	848
Third Point Partners Qualified, L.P.	773
Total Absolute Return	10,091
Private Equity	
Abbott Capital Private Equity Fund VI, L.P.	663
Accel-KKR Capital Partners IV, L.P.	113
Accel-KKR Growth Capital Partners II, L.P.	208
Athyrium Opportunities Fund II, L.P.	239
Dyal II US Investors, L.P.	260
Garrison Opportunity Fund III A LLC	(238)
H.I.G. Bayside Loan Opportunity Fund III (Europe-US), L.P.	1,438
HarbourVest International Private Equity Partners VI-Partnership Fund L.P.	375
HarbourVest Partners VIII, L.P.	391
Khosla Ventures IV, L.P.	951
Khosla Ventures V, L.P.	103
Marlin Equity IV, L.P.	219
Marlin Heritage, L.P.	181
New Enterprise Associates 14, L.P.	187
New Enterprise Associates 15, L.P.	90
Private Equity Partners X, L.P.	1,189
RRJ Capital Master Fund II, L.P.	1,657

(Dollar Amounts Expressed in Thousands)

Private Equity (continued)	
Spectrum Equity VII, L.P.	$367
Summit Partners Credit Fund, L.P.	159
Summit Partners Credit Fund II, L.P.	174
Thoma Bravo Fund XI, L.P.	2
TPG Opportunities Partners III, L.P.	670
Trinity Ventures XI, L.P.	625
Waterland Private Equity Fund V C.V.	577
Wayzata Opportunities Fund III, L.P.	450
Total Private Equity	11,050
Fixed Income	
Brandywine Global Investment Management, LLC	801
Metwest Asset Management	776
Neuberger Berman Fixed Income LLC	214
Prudential Investment Management	731
SC Credit Opportunities Mandate, LLC	1,169
Total Fixed Income	3,691
Real Assets	
Atalaya SCERS SMA, LLC	4
BlackRock Realty Advisors - Separate Account	8,182
Blackstone Resources Select Offshore Fund	551
Cornerstone Patriot Fund	386
Cornerstone Realty - Separate Account	1,082
EnCap Energy Capital Fund IX, L.P.	408
EnCap Energy Capital Fund X, L.P.	182
EnCap Flatrock Midstream Fund III, L.P.	312
First Reserve Energy Infrastructure Fund II, LP.	329
Jamestown Premier Property Fund, L.P.	641
MetLife Core Property Fund, L.P.	196
Pantheon SCERS SIRF MM, LLC	332
Prime Property Fund, LLC	450
Quantum Energy Partners VI, L.P.	460
State Street Global Advisors - Real Asset Strategy	980
Strategic Commodities Fund Ltd.	216
Total Real Assets	14,711
Overlay	
State Street Global Advisors	648
Total Overlay	648
Opportunities	
AEW Value Investors II, L.P.	72
Allegis Value Trust	129
Atalaya Special Opportunities Fund V, L.P.	536
CIM Fund VIII, L.P.	219
ECE European Prime Shopping Centre Fund II, SCS-SIF	(34)
European Real Estate Debt Fund II, L.P.	520
Hines US Office Value Fund II, L.P.	184
KKR Real Estate Partners Americas, L.P.	148
NREP Nordic Strategies Fund, FCP-FIS	303
Och-Ziff Real Estate Fund III, L.P.	525
Total Opportunities	2,602
Total Manager Fees	**$56,896**

Investment Professionals

As of June 30, 2015

Equity - Domestic

AllianceBernstein L.P.
Brown Advisory
CenterSquare Investment Management
Dalton, Greiner, Hartman, Maher & Co. LLC
Eagle Capital Management
Huber Capital Management
JP Morgan Asset Management
UBS Global Asset Mgmt US Sm Cap Growth Equities
Weatherbie Capital, LLC
Wedge Capital Management, LLP

Equity - International

Capital International, Inc.
CBRE Clarion Securities
Lazard Asset Management
LSV Asset Management
Mondrian Emerging Markets Small Cap Equity Fund, L.P.
Mondrian International Small Cap Equity Fund, L.P.
William Blair Emerging Markets Small Cap Growth
William Blair International Small Cap Growth Portfolio

Fixed Income

Brandywine Global Investment Management, LLC
Metwest Asset Management
Neuberger Berman Fixed Income LLC
Prudential Investment Management
SC Credit Opportunities Mandate, LLC

Absolute Return

AQR Delta Fund II, L.P.
BlueCrest Capital L.P. - Class B
Brevan Howard, L.P.
Claren Road Credit Partners, L.P.
Elliott International Limited
Grosvenor Capital Management
Jana Partners Qualified, L.P.
Lakewood Capital Partners, L.P.
Laurion Capital Ltd.
OZ Domestic Partners II, L.P.
SC Absolute Return Fund, LLC
SC Absolute Return Fund, LLC- Series B
Third Point Partners Qualified, L.P.

Private Equity

Abbott Capital Private Equity Fund VI, L.P.
Accel-KKR Capital Partners IV, L.P.
Accel-KKR Growth Capital Partners II, L.P.
Athyrium Opportunities Fund II, L.P.
Dyal II US Investors, L.P.
Garrison Opportunity Fund III A LLC
H.I.G. Bayside Loan Opportunity Fund III (Europe-US$), L.P.
H.I.G. Capital Partners V, L.P.
H.I.G. Europe Capital Partners II, L.P.
HarbourVest International Private Equity Partners VI - Partnership Fund L.P.
HarbourVest Partners VIII, L.P.
Khosla Ventures IV, L.P.
Khosla Ventures V, L.P.
Linden Capital Partners III, L.P.
Marlin Equity IV, L.P.
Marlin Heritage, L.P.
New Enterprise Associates 14, L.P.
New Enterprise Associates 15, L.P.
Private Equity Partners X, L.P.
RRJ Capital Master Fund II, L.P.
RRJ Capital Master Fund III, L.P.
Spectrum Equity VII, L.P.
Summit Partners Credit Fund, L.P.
Summit Partners Credit Fund II, L.P.
Summit Partners Venture Capital Fund III-A, L.P.
Thoma Bravo Fund XI, L.P.
TPG Opportunities Partners III, L.P.
Trinity Ventures XI, L.P.
Waterland Private Equity Fund V C.V.
Waterland Private Equity Fund VI Overflow Fund, C.V.
Waterland Private Equity Fund VI, C.V.
Wayzata Opportunities Fund III, L.P.

Opportunities

AEW Value Investors II, L.P.
Allegis Value Trust
Atalaya Special Opportunities Fund V, L.P.
CIM Fund VIII, L.P.
ECE European Prime Shopping Centre Fund II, SCS-SIF
European Real Estate Debt Fund II, L.P.
Hines US Office Value Fund II, L.P.
KKR Real Estate Partners Americas, L.P.
NREP Nordic Strategies Fund, FCP-FIS
Och-Ziff Real Estate Fund III, L.P.

Real Assets

ArcLight Energy Partners Fund VI, L.P.
Atalaya SCERS SMA, LLC
BlackRock Realty Advisors - Separate Account
Blackstone Resources Select Offshore Fund
Cornerstone Patriot Fund
Cornerstone Realty - Separate Account
EnCap Energy Capital Fund IX, L.P.
EnCap Energy Capital Fund X, L.P.
EnCap Flatrock Midstrem Fund III, L.P.
First Reserve Energy Infrastructure Fund II, LP.
Hammes Partners II, L.P.
Jamestown Premier Property Fund, L.P.
MetLife Core Property Fund, L.P.
Pantheon SCERS SIRF MM, LLC
Prime Property Fund, LLC
Prologis Targeted Europe Logistics Fund, L.P.
Prologis Targeted US Logistics Fund, L.P.
Quantum Energy Partners VI, L.P.
State Street Global Advisors - Real Asset Strategy
Strategic Commodities Fund Ltd.

Overlay

State Street Global Advisors

Investment Consultants

Cliffwater, LLC
Strategic Investment Solutions, Inc.
The Townsend Group

Proxy Advisors

Glass Lewis & Co.
Institutional Shareholder Service

Legal Counsel

Foley & Lardner LLP
K&L Gates LLP
Nossaman LLP
Public Pension Consultants
Stroock & Stroock & Lavan LLP

Schedule of Equity Brokerage Commissions

For the Year Ended June 30, 2015

Brokerage Firm	Commission per Share	Shares/Par Value	Total Commission	Total of Commission
State Street Bank And Trust Co.	$0.0069	21,127,577	$145,636	10.51%
Morgan Stanley Co. Incorporated	0.0078	6,278,766	48,864	3.53
UBS Limited	0.0146	3,296,173	48,170	3.48
Merrill Lynch International	0.0044	10,805,932	47,526	3.43
Credit Suisse Securities (USA) LLC	0.0039	11,989,055	46,666	3.37
Capital Institutional Svcs Inc. Equities	0.0371	1,156,289	42,915	3.10
JP Morgan Securities Plc.	0.0170	2,481,408	42,295	3.05
Citigroup Global Markets Limited	0.0131	3,193,910	41,744	3.01
Liquidnet Inc.	0.0293	1,317,261	38,532	2.78
Themis Trading LLC	0.0397	853,565	33,899	2.45
JP Morgan Clearing Corp.	0.0070	4,833,431	33,714	2.43
ConvergEx Execution Solutions LLC	0.0486	641,693	31,162	2.25
Instinet U.K. Ltd.	0.0187	1,530,610	28,677	2.07
JP Morgan Securities Inc.	0.0168	1,697,125	28,540	2.06
UBS Securities Asia Ltd.	0.0020	13,734,022	27,372	1.97
Investment Technology Group Inc.	0.0306	890,132	27,247	1.97
Deutsche Bank Securities Inc.	0.0056	4,347,922	24,196	1.74
Goldman Sachs + Co.	0.0088	2,529,140	22,343	1.61
Credit Suisse Securities (Europe) Ltd.	0.0120	1,606,649	19,249	1.39
Citigroup Global Markets Inc.	0.0048	3,961,882	18,850	1.36
UBS Securities LLC	0.0199	918,685	18,250	1.32
Wells Fargo Securities, LLC	0.0374	460,011	17,216	1.24
Macquarie Bank Limited	0.0041	3,976,738	16,174	1.17
Stifel Nicolaus + Co Inc.	0.0380	406,076	15,449	1.11
HSBC Bank Plc.	0.0066	2,295,997	15,114	1.09
Goldman Sachs International	0.0107	1,371,366	14,673	1.06
Daiwa Securities America Inc.	0.0263	544,488	14,302	1.03
Clsa Singapore Pte Ltd.	0.0052	2,734,960	14,153	1.02
All Other Brokerage Firms*	0.0124	37,357,700	462,872	33.4
Total Brokerage Commissions	$0.0093	148,338,563	$1,385,800	100.00%
Brokerage Commission Recapture			(53,195)	
Net Brokerage Commissions			**$1,332,605**	

*All other brokerage firms is comprised of approximately 215 additional firms, each receiving less than 1% of total commissions. A complete listing of brokerage fees is available.

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ACTUARIAL

Segal Consulting

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T 415.263.8200 www.segalco.com

November 13, 2015

Board of Retirement
Sacramento County Employees' Retirement System
980 9th Street, Suite 1900
Sacramento, CA 95814

Re: Actuarial Valuation for the Sacramento County Employees' Retirement System

Dear Members of the Board:

Segal Consulting (Segal) prepared the June 30, 2015 annual actuarial valuation of the Sacramento County Employees' Retirement System. We certify that the valuation was perform in accordance with generally accepted actuarial principles and practices and SCERS' funding policy that was last reviewed with the Board in 2013. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2015 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. Summaries of the employee data used in performing the actuarial valuations over the past several years are provided in our valuation report. We did not audit the System's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total actual investment return at market value and the expected investment return from the prior six years. Deferred gains and losses as of June 30, 2013 have been combined and will be recognized over six-year period starting July 1, 2013. Investment gains/losses established after July 1, 2013 will be recognized over a seven-year period and the deferred return is further adjusted, if necessary, so that the actuarial value of assets will stay within 30% of the market value of assets.

One of the general goals of an actuarial valuation is to establish contribution rates which, over time, will remain level as a percentage of payroll unless Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL). The UAAL is amortized over different periods depending on the source.

Board of Retirement
Sacramento County Employees' Retirement System
November 13, 2015
Page 2

The UAAL established as a result of the Early Retirement Incentive Program for members of the Sacramento County Law Enforcement Managers Association (LEMA) is amortized as a level percentage of payroll over a 10-year period beginning June 30, 2010. The System's remaining outstanding balance of the June 30, 2012 UAAL is amortized as a level percentage of payroll over a declining 23-year period (20 years as of June 30, 2015). Effective with the June 30, 2013 valuation, the change in UAAL that arises due to actuarial gains or losses or from changes in actuarial assumptions or methods at each valuation is amortized as a level percentage of payroll over its own declining 20-year period. Any change in UAAL that arises due to plan amendments will be amortized as a level percentage of payroll over its own declining 15-year period and any change in UAAL due to retirement incentive programs will be amortized as a level percentage of payroll over its own declining period of up to 5 years. A 5-year period (3 years as of June 30, 2015) is used to amortize the increase in UAAL as a result of earlier than expected retirement for members of the Deputy Sheriffs' Association who submitted an application to retire before June 30, 2015. The progress being made towards meeting the funding objective through June 30, 2015 is illustrated in the Schedule of Funding Progress.

Notes number 1, 4 and 5 to the Basic Financial Statements and the Required Supplemental Information (RSI) included in the Financial Section were prepared by the System based on the results of the Governmental Accounting Standards Board Statement 67 (GASBS 67) actuarial valuation as of June 30, 2015 prepared by Segal. For the Financial Section of the Comprehensive Annual Financial Report, Segal provided the Schedule of Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules Segal prepared for inclusion in the Actuarial and Statistical Sections of the System's CAFR is provided below. These schedules were prepared based on the results of the actuarial valuation as of June 30, 2015 for funding purposes.

1. Retirees and beneficiaries added to and removed from retiree payroll;

2. Solvency test; and

3. Schedule of retiree members by type of benefit.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2013 Experience Analysis and the June 30, 2014 Review of Economic Assumptions. It is our opinion that the assumptions used in the June 30, 2015 valuation produce results, which, in the aggregate, anticipate the future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The next experience analysis is due to be performed as of June 30, 2016 and assumptions approved in that analysis will be applied in the June 30, 2017 valuation.

In the June 30, 2015 valuation, the ratio of the valuation assets to actuarial accrued liabilities increased from 85.2% to 86.8%. The employer's rate has decreased from 24.15% of payroll to

Board of Retirement
Sacramento County Employees' Retirement System
November 13, 2015
Page 3

22.54% of payroll, while the employee's rate has increased from 7.93% of payroll to 8.84% of payroll.

In the June 30, 2015 valuation, the actuarial value of assets included $40.0 million in deferred investment gains, which represented about 0.5% of the market value of assets. If these deferred investment gains were recognized immediately in the actuarial value of assets, the funded percentage would increase from 86.8% to 87.3% and the aggregate employer contribution rate, expressed as a percent of payroll, would decrease from 22.5% to 22.2%.

The undersigned are Members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

Paul Angelo, FSA, MAAA, FCA, EA	Andy Yeung, ASA, MAAA, FCA, EA
Senior Vice President and Actuary	Vice President and Actuary

MYM/bqb
Enclosures

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GASB Statement No. 67 rules only redefine pension liability and expense for financial reporting purposes, and do not apply to contribution amounts for pension funding purposes. Employers and plans can still develop and adopt funding policies under current practices. SCERS' Board of Retirement and management staff are responsible for establishing and maintaining the System's funding policy. When measuring the total pension liability GASB uses the same actuarial cost method (Entry Age method) and the same type of discount rate (expected return on assets) as SCERS uses for funding. This means that the Normal Cost component of the annual plan cost is determined on the same basis for funding and financial reporting.

The following assumptions and methods have been adopted by the Board for the June 30, 2015 valuation on November 9, 2015.

Assumptions:

Valuation Interest Rate and Rate of Return on Investments:	7.50% net of administration and investment expenses
Inflation Assumption:	3.25%
Cost-of-Living Adjustment:	3.25% for Miscellaneous and Safety Tier 1 Members 0.00% for Miscellaneous Tier 2 Members 2.00% for Miscellaneous Tier 3, Tier 4 and Tier 5 and Safety Tier 2, Tier 3 and Tier 4 Members
Employee Contribution Crediting Rate:	5-year Treasury rate, assuming sufficient net investment earnings
Post-Retirement Mortality:	
a) Service	For Miscellaneous Members and Beneficiaries - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females
b) Disability	For Miscellaneous Members - RP-2000 Disabled Retiree Mortality Table projected with Scale BB to 2022 with no age adjustment for males and set forward three years for females For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set forward two years
c) Employee Contribution Rate	For Miscellaneous Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 weighted 40% male and 60% female For Safety Members - RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2022 set back one year for males and set forward two years for females weighted 70% male and 30% female
Pre-Retirement Mortality:	Based upon the June 30, 2013 Actuarial Experience Study
Withdrawal Rates:	Based upon the June 30, 2013 Actuarial Experience Study
Disability Rates:	Based upon the June 30, 2013 Actuarial Experience Study
Service Retirement Rates:	Based upon the June 30, 2013 Actuarial Experience Study

Salary Increases:	Merit and longevity increases are based upon the June 30, 2013 Actuarial Experience Study plus 3.25% inflation and across the board salary increases of 0.25% per year
Actuarial Value of Assets:	The market value of assets less unrecognized returns in each of the last six years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and is recognized over a seven-year period. The deferred return is further adjusted, if necessary, so that the actuarial value will stay within 30% of the market value of assets. Deferred gains and losses as of June 30, 2013 have been combined and will be recognized in equal amounts over a six-year period starting July 1, 2013.
Valuation Value of Assets:	Actuarial value of assets reduced by the value of non-valuation reserves and designations.
Actuarial Cost Method:	Entry Age Cost Method. Entry Age is the age at the members' hire date. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are based on costs allocated as a level percentage of compensation, as if the current benefit formulas have always been in effect.
Amortization Policy:	The UAAL established as a result of the Early Retirement Incentive Program for LEMA members is amortized over a 10-year period beginning June 30, 2010. The balance of the UAAL as of June 30, 2012 shall be amortized separately from any future changes in UAAL over a period of 23 years as of June 30, 2012. Any new UAAL as a result of actuarial gains or losses identified in the annual valuation as of June 30 will be amortized over a period of 20 years. Any new UAAL as a result of changes in actuarial assumptions or methods will be amortized over a period of 20 years. The change in UAAL as a result of any plan amendments will be amortized over a period of 15 years and the change in UAAL resulting from retirement incentive programs will be amortized over a period of up to 5 years.
Percentage of Members Married at Retirement:	80% for male members and 55% for female members
Retirement Age for Deferred Vested Members:	Miscellaneous Members - 59 Safety Members - 53
Percentage Eligible for Reciprocal Benefits:	Miscellaneous Members - 40% Safety Members - 50%

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through June 30, 2015, that are applicable to the Sacramento County Employees' Retirement System.

Membership

Miscellaneous employees entering before September 27, 1981 are Tier 1 members. Miscellaneous employees entering on or after September 27, 1981 and June 27, 1993 are members of Tier 2 or Tier 3, respectively. County Miscellaneous employees entering on or after January 1, 2012 but prior to January 1, 2013 are members of Tier 4. Miscellaneous employees entering on or after January 1, 2013 are members of Tier 5. Safety members entering before June 25, 1995 are Tier 1 members. Safety members entering on or after June 25, 1995 are Tier 2 members. County Safety employees entering on or after January 1, 2012 but prior to January 1, 2013 are members of Tier 3. Safety members entering on or after January 1, 2013 are members of Tier 4.

Final Average Salary

Final average salary ("FAS") is defined as the highest 12 consecutive months of compensation earnable for Miscellaneous Tier 1 and Safety Tier 1, highest 36 consecutive months for Miscellaneous Tier 2, Tier 3, Tier 4 and Tier 5 and Safety Tier 2, Tier 3 and Tier 4.

Return of Contributions

Upon separation from service, a member may elect to leave his or her contributions on deposit. If the member has five or more years of service, he or she may elect to receive a deferred benefit when eligible for retirement. If the member has less than five years of service, he or she may request a return of contributions, plus interest, at any time.

Service Retirement Benefit

Miscellaneous Tier 1, Tier 2, Tier 3 and Tier 4 and Safety Tier 1, Tier 2 and Tier 3 members with 10 years of service who have attained the age of 50 are eligible to retire. All members with 30 years of service (20 years for Safety), regardless of age, are eligible to retire.

Miscellaneous Tier 5 and Safety Tier 4 members with 5 years of service who have attained the age of 52 (age 50 for Safety) are eligible to retire.

The benefit expressed as a percentage of monthly FAS per year of service, depending on age at retirement, is illustrated below for typical ages. For members whose benefits are integrated with Social Security, the benefit is reduced by one-third of the percentage shown below times the first $350 of monthly FAS per year of service after January 1, 1956.

Age	Miscellaneous Tier 1, 2 and 3	Miscellaneous Tier 4	Miscellaneous Tier 5	Safety Tier 1 and 2	Safety Tier 3	Safety Tier 4
50	1.48%	1.18%	N/A	3.00%	2.29%	2.00%
52	1.67%	1.30%	1.00%	3.00%	2.54%	2.20%
55	1.95%	1.49%	1.30%	3.00%	3.00%	2.50%
57	2.18%	1.64%	1.50%	3.00%	3.00%	2.70%
60	2.44%	1.92%	1.80%	3.00%	3.00%	2.70%
62	2.61%	2.09%	2.00%	3.00%	3.00%	2.70%
65	2.61%	2.43%	2.30%	3.00%	3.00%	2.70%
65	2.61%	2.43%	2.30%	3.00%	3.00%	2.70%
67 and over	2.61%	2.43%	2.50%	3.00%	3.00%	2.70%

Disability Benefit

Members with five years of service, regardless of age, are eligible for nonservice-connected disability.

For Miscellaneous Tier 1 members, the benefit is 1.5% (1.8% for Safety Tier 1 members) of FAS for each year of service. If this benefit does not equal one-third of FAS, the benefit is increased by the same percentage of FAS for the years which would have been credited to age 65 (age 55 for Safety members), but the total benefit in this case cannot be more than one-third of FAS.

For Tier 2, Tier 3, Tier 4 and Tier 5 members, the benefit is 20% of FAS for the first five years of service plus 2% for each additional year for a maximum of 40% of FAS.

If the disability is service connected, the member may retire regardless of length of service, with a benefit of 50% of FAS or 100% Service Retirement benefit, if greater.

Death Benefit (Before Retirement)

In addition to the return of contributions, a death benefit is payable to the member's beneficiary or estate equal to one month's salary for each completed year of service under the retirement system, based on the final year's average salary, but not to exceed six (6) month's salary.

If a member dies while eligible for service retirement or nonservice-connected disability, the spouse receives 60% of the allowance that the member would have received for retirement.

If a member dies in the performance of duty, the spouse receives 50% of the member's final average salary or 100% of Service Retirement benefit, if greater.

Death Benefit (After Retirement)

If a member dies after retirement, a $4,000 lump sum burial allowance is paid to the beneficiary or estate.

If the retirement was for service-connected disability, 100% of the member's allowance as it was at death is continued to the eligible spouse for life.

If the retirement was for other than service-connected disability and the member elected the unmodified option, 60% of the member's allowance is continued to an eligible spouse for life.

An eligible spouse is a surviving spouse who was married to the member at least one year prior to the date of retirement.

Maximum Benefit

The maximum benefit payable to a member or beneficiary is 100% of FAS for Miscellaneous Tier 1, Tier 2, Tier 3 and Tier 4 and Safety Tier 1, Tier 2 and Tier 3. There is no maximum benefit for Miscellaneous Tier 5 and Safety Tier 4 members.

Cost-of-Living

The maximum increase in retirement allowance is 4% per year for Miscellaneous Tier 1 and Safety Tier 1 members and 2% for Safety Tier 2, Tier 3 and Tier 4, and Miscellaneous Tier 3, Tier 4 and Tier 5 members. Miscellaneous Tier 2 members have no cost-of-living benefit. The cost-of-living increases effective in the month of April are based on the average annual change in the Consumer Price Index for the calendar year preceding April.

Contribution Rates

Basic member contribution rates are based on the age-nearest birthday at entry into the System (single rate for entrants after January 1, 1975). The rates are such as to provide an average annuity at age 55 equal to 1/240 of FAS for Miscellaneous Tier 1, 2 and 3 members, at age 60 equal to 1/120 of FAS for Miscellaneous Tier 4 members and 1/100 of FAS at age 50 for Safety Tier 1, Tier 2 and Tier 3 members. For Miscellaneous Tier 5 and Safety Tier 4 members, the rates are 50% of the Normal Cost rate. For members integrated with Social Security, the above contributions are reduced by one-third of that portion of such contribution payable with respect to the first $350 of monthly salary. Cost-of-living contribution rates are designed to pay for one-half of the future cost-of-living costs. Member contributions are refundable upon termination from the system.

The employer contribution rates are actuarially determined to provide for the balance of the contributions needed to fund the benefits promised by the System.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll (in thousands)	Annual Average Pay (in thousands)	% Increase/ (decrease) in Average Pay*
6/30/2015	Miscellaneous	10,093	$692,138	$68.6	1.84%
	Safety	1,979	205,203	103.7	1.36
	Total	12,072	$897,341	$74.3	1.78%
6/30/2014	Miscellaneous	10,085	$679,079	$67.3	(0.15)%
	Safety	1,964	200,920	102.3	(0.01)
	Total	12,049	$879,999	$73.0	0.00%
6/30/2013	Miscellaneous	10,113	$681,789	$67.4	0.30%
	Safety	1,913	195,868	102.4	4.38
	Total	12,026	$877,657	$73.0	1.39%
6/30/2012	Miscellaneous	10,256	$689,438	$67.2	0.75%
	Safety	1,899	186,234	98.1	4.70
	Total	12,155	$875,672	$72.0	1.69%
6/30/2011	Miscellaneous	10,521	$701,494	$66.7	3.73%
	Safety	1,913	179,272	93.7	2.52
	Total	12,434	$880,766	$70.8	3.51%
6/30/2010	Miscellaneous	11,312	$727,445	$64.3	4.38%
	Safety	2,028	185,283	91.4	6.65
	Total	13,340	$912,728	$68.4	4.59%
6/30/2009	Miscellaneous	12,454	$767,501	$61.6	10.58%
	Safety	2,342	200,629	85.7	8.51
	Total	14,796	$968,130	$65.4	10.00%
6/30/2008	Miscellaneous	12,725	$709,159	$55.7	4.96%
	Safety	2,455	193,812	78.9	5.96
	Total	15,180	$902,971	$59.5	5.15%
6/30/2007	Miscellaneous	12,327	$654,497	$53.1	4.16%
	Safety	2,389	177,987	74.5	4.53
	Total	14,716	$832,484	$56.6	4.18%
6/30/2006	Miscellaneous	12,052	$614,358	$51.0	2.34%
	Safety	2,360	168,214	71.3	7.88
	Total	14,412	$782,572	$54.3	3.24%

*Reflects the increase in average salary for members at the beginning of the year versus those at the end of the year. It does not reflect the average salary increases received by members who worked the full year.

Retirees and Beneficiaries Added To and Removed From Retiree Payroll

Plan Year End	At Beginning of Year	Added During Year	Removed During Year	At End of Year	Annual Retiree Payroll (in thousands)	Payroll added During Year (in thousands)	Payroll Removed During Year (in thousands)	% Increase In Annual Retiree Payroll	Average Annual Allowance
6/30/2015	10,049	776	284	10,541	$388,552	$40,636	$7,849	9.22%	$36,861
6/30/2014	9,634	674	259	10,049	355,765	31,335	6,746	7.42	35,403
6/30/2013	9,239	635	240	9,634	331,176	29,416	6,431	7.46	34,376
6/30/2012	8,821	660	242	9,239	308,191	29,693	5,511	8.51	33,358
6/30/2011	8,346	699	224	8,821	284,009	29,805	5,009	9.57	32,197
6/30/2010	7,968	599	221	8,346	259,213	19,276	4,639	5.98	31,058
6/30/2009	7,709	503	244	7,968	244,576	25,347	5,440	8.86	30,695
6/30/2008	7,464	490	245	7,709	224,669	22,527	4,745	8.60	29,144
6/30/2007	7,108	563	207	7,464	206,887	23,837	3,881	10.68	27,718
6/30/2006	6,784	509	185	7,108	186,931	18,698	3,212	9.03	26,299

Note: Participants are counted once for each benefit received.

Schedule of Funding Progress (Dollar Amounts Expressed in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued of Liability (AAL)* (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/2015	$7,838,825	$9,028,679	$1,189,854	86.8%	$897,341	132.6%
6/30/2014	7,312,993	8,580,928	1,267,935	85.2	879,999	144.1
6/30/2013	6,797,757	8,210,980	1,413,223	82.8	877,657	161.0
6/30/2012	6,529,895	7,838,223	1,308,328	83.3	875,672	149.4
6/30/2011	6,420,824	7,382,897	962,073	87.0	880,766	109.2
6/30/2010**	6,216,994	7,090,497	873,503	87.7	912,644	95.7
6/30/2009	5,730,215	6,661,993	931,778	86.0	968,130	96.2
6/30/2008	5,930,758	6,363,355	432,597	93.2	902,971	47.9
6/30/2007	5,406,461	5,788,336	381,875	93.4	832,484	45.9
6/30/2006	4,848,953	5,214,915	365,962	93.0	782,572	46.8

*Includes contingency reserve and retiree death benefit reserves.

** The June 30, 2010 results have been revised to reflect the correct actuarial accrued liability which was overstated in the June 30, 2010 valuation.

See Schedule 2: Schedule of Employer Contributions provided as Required Supplementary Information for actuarially determined and actual contributions.

Solvency Tests (Dollar Amounts Expressed in Thousands)

Valuation Date	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)	Total	Actuarial Value of Assets	Active Member Contributions	Retired/ Vested Members	Active Members (Employer Financed Portion)
6/30/2015	$645,591	$5,356,228	$3,026,860	$9,028,679	$7,838,825	100%	100%	61%
6/30/2014	632,969	4,939,239	3,008,720	8,580,928	7,321,993	100	100	58
6/30/2013	619,660	4,566,212	3,025,108	8,210,980	6,797,757	100	100	53
6/30/2012	595,979	4,284,864	2,957,380	7,838,223	6,529,895	100	100	56
6/30/2011	576,633	3,930,252	2,876,012	7,382,897	6,420,824	100	100	67
6/30/2010*	571,866	3,626,664	2,891,967	7,090,497	6,216,994	100	100	70
6/30/2009	561,461	3,399,695	2,700,837	6,661,993	5,730,215	100	100	66
6/30/2008	551,181	3,150,635	2,661,539	6,363,355	5,930,758	100	100	84
6/30/2007	520,420	2,920,508	2,347,408	5,788,336	5,406,461	100	100	84
6/30/2006	509,257	2,615,466	2,090,192	5,214,915	4,848,953	100	100	82

Events affecting year to year comparability:

6/30/06 - Employee contribution crediting rate is equal to 5-year Treasury rate, assuming sufficient net earnings.

6/30/07 - Investment return assumption increased from 7.75% to 7.875%.
- Salary increase assumption increased from 5.45% to 5.65%.

6/30/10 - Investment return assumption decreased from 7.875% to 7.75%.

6/30/11 - Modification in non-economic assumptions.

6/30/12 - Investment return assumption decreased from 7.75% to 7.50%;
- Inflation assumption decreased from 3.50% to 3.25%;
- Salary increase assumption decreased from 5.65% to 5.40%;
- COLA increase assumption for Tier 1 decrease from 3.40% to 3.25%.

6/30/13 - Actuarial cost method changed from Aggregate Entry Age Normal Cost Method to Individual Entry Age Normal Cost Method.
- Changes to the amortization periods used for various future changes in liability:
  - UAAL established as a result of Early Retirement Incentive Program for LEMA is amortized over a 10-year period beginning June 30, 2010;
  - UAAL as a result of actuarial gains or losses as of June 30 will be amortized over a 20-year period;
  - UAAL as a result of changes in actuarial assumptions or methods to be amortized over a 20-year period;
  - Change in UAAL as a result of plan amendments to be amortized over a 15-year period;
  - UAAL as a result from retirement incentive programs will be amortized over a period up to 5 years.

6/30/14 - Changes to post-retirement mortality rates and termination rates before retirement.
- Changes to retirement age and benefit for deferred vested members.
- Changes to annual rates of compensation increase.

* The June 30, 2010 results have been revised to reflect the correct actuarial accrued liability which was overstated in the June 30, 2010 valuation.

Actuarial Analysis of Financial Experience (Dollar Amounts Expressed in Millions)

	Plan Years Ended June 30									
	2015	2014	2013	2012	2011	2010*	2009	2008	2007	2006
Prior Valuation Unfunded Actuarial Liability	$1,268	$1,413	$1,308	$962	$874	$932	$433	$382	$366	$330
Salary Increase Greater (Less) than Expected	(39)	(138)	(113)	(102)	(68)	(110)	42	55	68	12
Asset Return Less (Greater) than Expected	(24)	(38)	152	257	209	3	445	9	(93)	23
Other Experience	(15)	15	66	58	(31)	(59)	12	(13)	(15)	1
Economic and Non-Economic Assumption Changes	-	16	-	133	(22)	108	-	-	56	-
Ending Unfunded Actuarial Accrued Liability	$1,190	$1,268	$1,413	$1,308	$962	$874	$932	$433	$382	$366

* The June 30, 2010 results have been revised to reflect the correct actuarial accrued liability which was overstated in the June 30, 2010 valuation.

Rate (%)

Mortality

	Miscellaneous		Safety	
Age	**Male**	**Female**	**Male**	**Female**
25	0.04%	0.02%	0.04%	0.02%
30	0.04	0.02	0.04	0.03
35	0.07	0.04	0.07	0.05
40	0.10	0.07	0.10	0.08
45	0.14	0.11	0.13	0.12
50	0.20	0.16	0.19	0.19
55	0.34	0.24	0.30	0.30
60	0.58	0.41	0.52	0.51
65	0.98	0.74	0.88	0.93

Note: All Miscellaneous pre-retirement deaths are assumed to be nonservice-connected. For Safety, 50% pre-retirement deaths are assumed to be nonservice-connected and the rest are assumed to be service-connected.

Rate (%)

Disability

Age	**Miscellaneous** (1)	**Safety** (2)
20	0.00%	0.10%
25	0.01	0.10
30	0.03	0.16
35	0.05	0.26
40	0.08	0.45
45	0.16	0.61
50	0.26	0.80
55	0.36	1.26
60	0.52	2.10

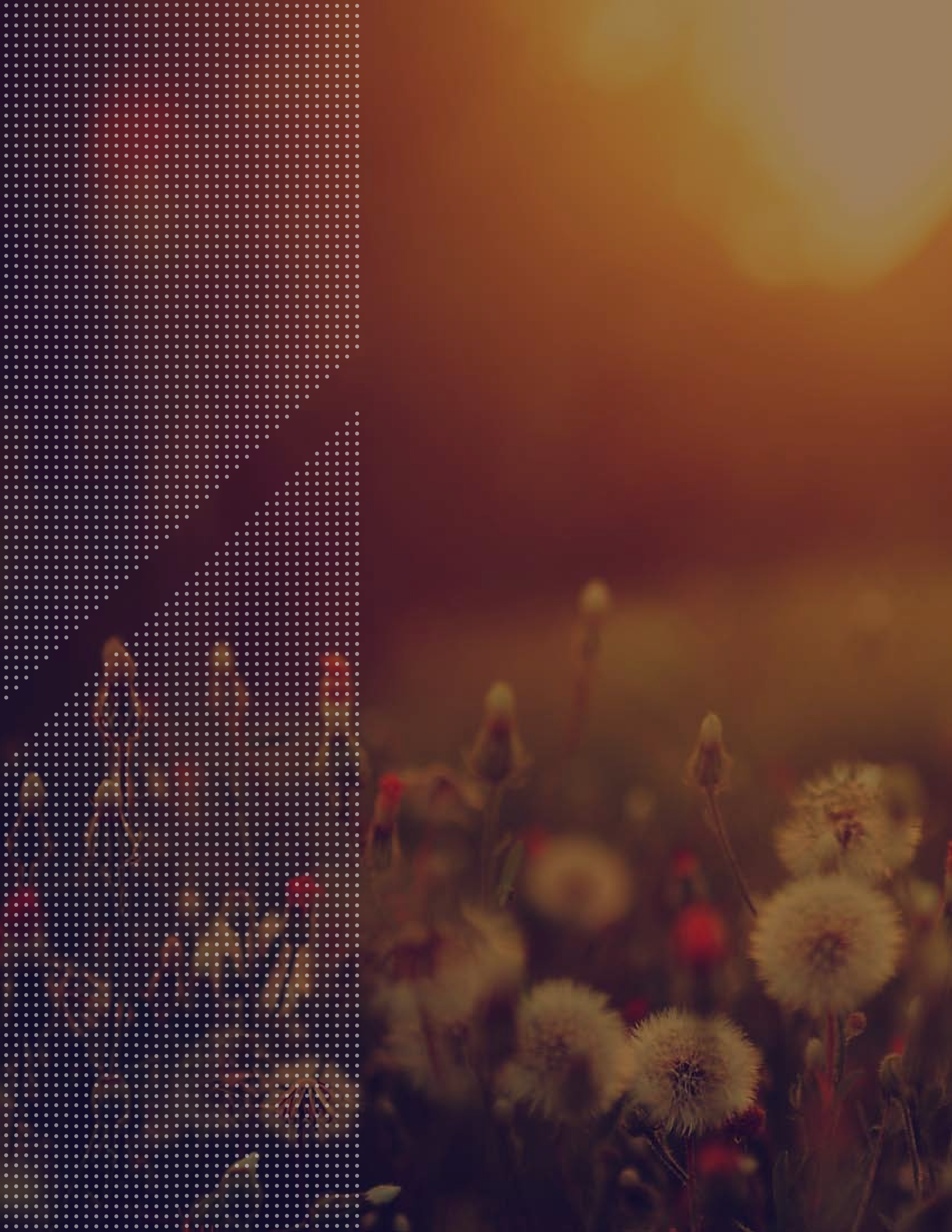
Note: For Miscellaneous, 25% of disabilities are assumed to be service-connected disabilities and the other 75% are assumed to be nonservice-connected disabilities. For Safety, 90% of disabilities are assumed to be service-connected disabilities and the other 10% are assumed to be nonservice-connected disabilities.

Withdrawal (<5 Years of Service)	Rate (%)	
Years of Service	Miscellaneous	Safety
0	13.00%	8.00%
1	8.00	6.00
2	7.00	5.00
3	6.00	4.00
4	5.50	3.00

Note: 75% of the Miscellaneous members and 50% of the Safety members are assumed to elect a withdrawal of contributions upon separation, while the remaining 25% and 50% of Miscellaneous and Safety members, respectively, are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is eligible to retire.

Withdrawal (5+ Years of Service)		
Age	Miscellaneous	Safety
20	5.00%	2.50%
25	5.00	2.50
30	4.70	2.50
35	4.20	2.20
40	3.40	1.85
45	2.70	1.60
50	2.20	1.50
55	1.85	1.50
60	1.30	1.50
65	1.00	0.00

Note: 50% of the Miscellaneous members and 20% of the Safety members are assumed to elect a withdrawal of contributions upon separation, while the remaining 50% and 80% of Miscellaneous and Safety members, respectively, are assumed to elect a deferred retirement benefit. No withdrawal is assumed after a member is eligible to retire.




STATISTICAL

Summary of Statistical Data

Issued in May 2004, pronouncement GASB Statement No. 44*, Economic Conditioning Reporting: The Statistical Section* establishes and modifies requirements related to the supplementary information presented in this section of the report.

The pension trust fund is accounted for under the accrual basis of accounting. Information is provided for the last ten years ended June 30, 2015 for the following five objectives: financial trends; revenue capacity; debt capacity; demographic and economic; and operating.

Financial trends are presented on pages 117 to 121. The schedules contain trend information to aid in understanding how the System's financial performance has changed over time.

Revenue capacity is presented on pages 117, 119, and 120. The schedules contain information regarding the contribution rate history for the last ten years.

Demographic and economic information is presented on pages 122 to 126. These schedules offer demographic and economic indicators to enhance understanding of the environment within which the System's financial activities take place. The schedules show the average monthly benefit payments followed by the System membership.

Operating information is presented on pages 127 and 128. These schedules contain pension plan data to assist in understanding how the information in the financial report relates to the pension plan the System administers. This section includes the schedules of principal participating employers and active members.

Schedule of Additions by Source

(Dollar Amounts Expressed in Thousands)

Year Ended June 30:	Employee Contributions	Employer Contributions	Net Investment Income / (Loss)	Total
2015	$68,143	$222,959	$158,222	$449,324
2014	57,635	210,503	1,107,152	1,375,290
2013	68,242	189,664	785,449	1,043,355
2012	65,690	179,098	(3,414)	241,374
2011	57,151	182,921	1,206,775	1,446,847
2010	52,413	167,142	617,481	837,036
2009	54,623	177,011	(1,318,447)	(1,086,813)
2008	52,142	167,055	(234,086)	(14,889)
2007	42,871	156,805	891,506	1,091,182
2006	41,959	132,708	527,863	702,530

Source: Audited Financial Statements from June 30, 2006 through 2015

Schedule of Deductions by Type

(Dollar Amounts Expressed in Thousands)

	Benefits Paid						
Year Ended June 30:	Service*	Survivor Benefits	Retiree Death Benefits	Health and Dental Benefits	Administrative Expenses	Withdrawals	Total
2015	$368,788	$2,404	$1,177	$ -	$5,854	$2,288	$380,511
2014	341,756	2,116	1,018	-	5,665	2,729	353,284
2013	317,308	2,225	1,295	-	5,719	2,739	329,286
2012	295,598	2,284	882	-	6,288	3,040	308,092
2011	273,510	2,032	619	-	6,571	4,433	287,165
2010	250,553	1,993	546	-	5,908	4,932	263,932
2009	230,005	1,749	622	-	5,980	3,302	241,658
2008	212,406	1,865	621	-	5,866	3,177	223,935
2007	193,823	1,681	492	1	5,818	4,434	206,249
2006	176,199	1,608	553	2	5,061	4,622	188,045

*Amounts reported here include both service retirement benefits and active death benefits.

Source: Audited Financial Statements from June 30, 2006 through 2015

Schedule of Administrative Expenses

For the Last Ten Fiscal Years Ended June 30

(Dollar Amounts Expressed in Thousands)

Type of Expenses	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Salaries and Benefits	$3,445	$3,300	$3,284	$3,530	$3,755	$3,215	$3,184	$3,130	$3,352	$2,718
Professional Fees	811	786	857	1,146	1,137	719	842	942	629	808
Rent and Lease Expense	456	460	432	458	444	576	603	571	648	612
Depreciation Expense	36	36	36	37	17	5	5	5	5	3
Equipment Purchases and Maintenance	32	21	24	44	35	29	62	41	85	70
Other Administrative Expenses	1,074	1,062	1,086	1,073	1,183	1,364	1,284	1,177	1,099	850
Total	$5,854	$5,665	$5,719	$6,288	$6,571	$5,908	$5,980	$5,866	$5,818	$5,061

Source: Audited Financial Statements from June 30, 2006 through 2015

Schedule of Changes in Fiduciary Net Position

For the Last Ten Fiscal Years Ended June 30

(Dollar Amounts Expressed In Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Employee contributions	$68,143	$57,635	$68,242	$65,690	$57,151	$52,413	$54,623	$52,142	$42,871	$41,959
Employer contributions	222,959	210,503	189,664	179,098	182,921	167,142	177,011	167,054	156,805	132,708
Net investment income/(loss)	158,222	1,107,152	785,449	(3,414)	1,206,775	617,481	(1,318,447)	(234,086)	891,506	527,863
Total additions	449,324	1,375,290	1,043,355	241,374	1,446,847	837,036	(1,086,813)	(14,890)	1,091,182	702,530
Benefits paid	372,369	344,890	320,828	298,764	276,161	253,092	232,376	214,891	195,997	178,362
Withdrawals	2,288	2,729	2,739	3,040	4,433	4,932	3,302	3,177	4,434	4,622
Administrative expenses	5,854	5,665	5,719	6,288	6,571	5,908	5,980	6,575	5,818	5,061
Total deductions	380,511	353,284	329,286	308,092	287,165	263,932	241,658	224,643	206,249	188,045
Change in net position	68,813	1,022,006	714,069	(66,718)	1,159,682	573,104	(1,328,471)	(239,533)	884,933	514,485
Net position, beginning	$7,810,001	$6,787,995	$6,073,926	$6,140,644	$4,980,962	4,407,858	5,736,329	5,975,862	5,090,929	4,576,444
Net position, ending	$7,878,814	$7,810,001	$6,787,995	$6,073,926	$6,140,644	$4,980,962	4,407,858	$5,736,329	$5,975,862	$5,090,929

Source: Audited Financial Statements from June 30, 2006 through 2015

Schedule of Employer Contribution Rates

Actuarial Valuation for Year Ended	COUNTY*									COURT				SPECIAL DISTRICTS			
	Miscellaneous					Safety				Miscellaneous				Miscellaneous			Safety
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 3	Tier 5	Tier 1	Tier 3	Tier 5	Tier 3
6/30/2015	16.26%	15.01%	17.41%	15.25%	14.13%	42.11%	39.42%	37.73%	34.40%	17.99%	16.66%	19.83%	14.09%	25.92%	27.76%	22.02%	N/A
6/30/2014	17.58	16.55	19.24	15.96	14.87	42.59	41.56	39.92	35.13	18.55	17.54	20.65	14.87	26.16	28.26	22.48	N/A
6/30/2013**	22.91	20.71	23.29	17.91	17.14	43.59	41.92	41.06	35.61	22.91	20.71	23.29	17.14	30.00	30.50	24.19	N/A
6/30/2012***	20.83	18.28	21.18	16.33	15.01	41.85	37.00	35.55	29.28	20.83	18.28	21.18	15.01	27.77	28.25	22.03	N/A
6/30/2011****	19.09	16.55	19.36	14.19	N/A	37.19	32.38	29.50	N/A	19.09	16.55	19.36	N/A	25.59	25.90	N/A	57.40
6/30/2010*****	18.11	15.63	18.49	N/A	N/A	35.03	30.60	N/A	N/A	18.11	15.63	18.49	N/A	24.45	24.94	N/A	54.42
6/30/2009	18.15	15.75	18.60	N/A	N/A	38.95	34.66	N/A	N/A	18.15	15.75	18.60	N/A	24.58	25.26	N/A	49.86
6/30/2008	15.46	13.07	15.88	N/A	N/A	33.65	29.53	N/A	N/A	15.46	13.07	15.88	N/A	22.08	22.57	N/A	39.25
6/30/2007	15.04	12.58	15.43	N/A	N/A	34.71	30.61	N/A	N/A	15.04	12.58	15.43	N/A	21.98	22.41	N/A	41.15
6/30/2006	15.89	12.95	15.73	N/A	N/A	36.01	31.67	N/A	N/A	15.89	12.95	15.73	N/A	22.26	22.13	N/A	41.94

Source: Actuarial Valuations from June 30, 2006 though 2015

Note: Actuarial Valuations are prepared subsequent to a fiscal year-end and determine rates which pertain to the following fiscal year. For example, the Actuarial Valuation as of June 30, 2015 is used to determine rates for the fiscal year 2016-2017.

* Effective for the June 30, 2012 Actuarial Valuation, County includes County elected officials (Board of Supervisors, Sheriff, District Attorney and Assessor).

** Effective July 1, 2014, subsequent to the completion of the actuarial valuation for the year ended June 30, 2013, the County and several bargaining groups entered into agreement for members to pick up an additional portion of the total normal cost in fiscal year 2014-2015. The County employer contribution rates shown have not been adjusted to reflect the members agreeing to pick up an additional portion of the total normal cost.

*** Miscellaneous Tier 5 and Safety Tier 4 plans were established effective January 1, 2013.

**** Miscellaneous Tier 4 and Safety Tier 3 plans were established effective January 1, 2012.

***** Contribution rates for Safety members were revised to adjust for the overstatement of the unfunded actuarial accrued liability (UAAL) contribution rate in the June 30, 2010 valuation.

Schedule of Benefits Paid and Withdrawals by Type

For the Last Ten Fiscal Years Ended June 30

(Dollar Amounts Expressed in Thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Type of Benefit										
Service Retirement Benefits	$368,788	$341,756	$317,308	$295,598	$273,062	$250,192	$229,659	$212,061	$193,376	$175,745
Survivor Benefits	2,404	2,116	2,225	2,284	2,032	1,993	1,749	1,865	1,681	1,608
Death Benefits-Before Retirement	411	312	542	189	448	361	346	345	447	454
Death Benefits-After Retirement	766	706	753	693	619	546	622	621	492	553
Retiree Health and Dental Insurance	-	-	-	-	-	-	-	-	1	2
Total Benefits Paid	$372,369	$344,890	$320,828	$298,764	$276,161	$253,092	$232,376	$214,892	$195,997	$178,362
Type of Withdrawal										
Death	$320	$445	$547	$365	$463	$526	$601	$111	$725	$715
Separation	1,815	2,211	2,153	2,663	3,898	4,303	2,550	2,940	3,492	3,409
Miscellaneous	153	73	39	12	72	103	151	126	217	498
Total Withdrawals	$2,288	$2,729	$2,739	$3,040	$4,433	$4,932	$3,302	$3,177	$4,434	$4,622

Source: Audited Financial Statements from June 30, 2006 through 2015

Schedule of Distribution of Retired Members and Beneficiaries by Type and by Monthly Amount

As of June 30, 2015

Amount of Monthly Benefit	Total Number of Retired Members	Type of Retirement* 1	2	3	4	5	6	7	8	9	10	11	12	13	16	17	Option Selected** Unmodified	1	2	3	4
$1 - $499	832	597	20	5	7	4	93	24	14	-	24	-	32	-	1	11	607	69	135	8	13
500 - 999	1,346	930	40	10	-	1	142	84	62	3	22	1	48	-	-	3	1,077	94	141	13	21
1,000 - 1,499	1,332	968	69	22	6	6	131	35	46	1	10	1	34	3	-	-	1,106	70	129	17	10
1,500 - 1,999	1,141	828	61	18	34	11	102	24	14	5	11	-	30	3	-	-	960	52	114	9	6
2,000 - 2,499	985	762	27	12	48	11	78	7	8	8	9	1	11	3	-	-	852	44	82	4	3
2,500 - 2,999	842	690	3	4	31	16	66	5	3	9	4	-	7	4	-	-	733	31	61	7	10
3,000 - 3,499	672	509	8	3	44	28	51	3	-	10	3	-	8	4	-	1	581	23	58	4	6
3,500 - 3,999	559	453	-	-	38	29	19	-	-	14	-	-	1	5	-	-	492	23	40	-	4
4,000 - 4,499	491	400	2	-	20	17	29	1	-	11	2	-	4	5	-	-	440	14	27	3	7
4,500 - 4,999	421	381	-	-	9	7	15	1	-	4	1	-	2	1	-	-	396	10	14	-	1
5,000 & over	1,920	1,815	3	-	39	13	28	2	1	12	3	-	1	3	-	-	1,751	33	109	15	12
Total	**10,541**	**8,333**	**233**	**74**	**276**	**143**	**754**	**186**	**148**	**77**	**89**	**3**	**178**	**31**	**1**	**15**	**8,995**	**463**	**910**	**80**	**93**

* Type of Retirement:

1 Service Retirement
2 Nonservice-Connected Disability, age 55 and older
3 Nonservice-Connected Disability, under age 55
4 Service-Connected Disability ("SCD"), age 55 and older
5 Service-Connected Disability, under age 55
6 Beneficiary of Service Retiree
7 Survivor Death Benefits ("SDB")
8 Beneficiary of Nonservice-Connected Disability Retiree
9 Beneficiary of Service-Connected Disability Retiree
10 Divorce-Receiving Benefits
11 Interim Nonservice-Connected Disability Retirement
12 Non-Member Receiving Benefits
13 Survivor Death Benefits-SCD
17 Beneficiary of Divorce-Receiving Benefits

Source: SCERS Retired Member Pension Payroll Data

** Option Selected:

Unmodified: Qualified service retirement or nonservice-connected disability retirement beneficiary receives 60 percent continuance. Qualified service-connected disability retirement beneficiary receives 100 percent continuance.

The following options reduce the retired member's monthly benefit:

Option 1 - Beneficiary receives lump sum or member's unused contributions.

Option 2 - Beneficiary having an insurable interest in member's life receives 100 percent of member's reduced monthly benefit.

Option 3 - Beneficiary having an insurable interest in member's life receives 50 percent of member's reduced monthly benefit.

Option 4 - Benefits paid to person having an insurable interest in member's life as nominated by member's written designation.

Schedule of Retiree Members by Type of Benefit

As of June 30, 2015

Miscellaneous Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	5,775	$13,129,274	$3,046,424	$16,175,698	$2,801
Option 1	348	511,332	145,017	656,349	1,886
Option 2, 3, & 4	710	1,367,875	235,790	1,603,665	2,259
Total	6,833	$15,008,481	$3,427,231	$18,435,712	$2,698
Non-Service Disability					
Unmodified	253	$265,956	$111,055	$377,011	$1,490
Option 1	22	17,866	10,186	28,052	1,275
Option 2, 3, & 4	16	15,647	3,233	18,880	1,180
Total	291	$299,469	$124,474	$423,943	$1,457
Service Disability					
Unmodified	174	$280,656	$149,504	$430,160	$2,472
Option 1	8	12,003	4,910	16,913	2,114
Option 2, 3, & 4	4	4,434	2,358	6,792	1,698
Total	186	$297,093	$156,772	$453,865	$2,440
Beneficiary	1,138	$975,179	$653,689	$1,628,868	$1,431
Total Miscellaneous	8,448	$16,580,222	$4,362,166	$20,942,388	$2,479

Safety Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	1,355	$6,937,634	$1,765,442	$8,703,076	$6,423
Option 1	36	129,888	44,372	174,260	4,841
Option 2, 3, & 4	109	481,953	87,890	569,843	5,228
Total	1,500	$7,549,475	$1,897,704	$9,447,179	$6,298
Non-Service Disability					
Unmodified	15	$20,640	$15,756	$36,396	$2,426
Option 1	1	850	117	967	967
Option 2, 3, & 4	3	6,009	549	6,558	2,186
Total	19	$27,499	$16,422	$43,921	$2,312
Service Disability					
Unmodified	214	$639,333	$285,827	$925,160	$4,323
Option 1	13	33,737	15,300	49,037	3,772
Option 2, 3, & 4	6	11,921	6,530	18,451	3,075
Total	233	$684,991	307,657	$992,648	$4,260
Beneficiary	341	$589,641	$363,589	$953,230	$2,795
Total Safety	2,093	$8,851,606	$2,585,372	$11,436,978	$5,464
Total Miscellaneous and Safety	**10,541**	**$25,431,828**	**$6,947,538**	**$32,379,366**	**$3,072**

Source: Actuarial Valuation Report as of June 30, 2015

Note: Refer to page 118 for the description of retirement options.

Schedule of Average Benefit Payments

For the Last Ten Fiscal Years

Retirement Effective Date	Years of Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30+
7/1/14 - 6/30/15							
Average monthly benefit	$569	$1,052	$1,845	$2,524	$4,305	$6,378	$6,557
Average monthly final average salary	$8,340	$6,184	$5,967	$6,047	$7,236	$8,574	$7,768
Number of retired members	33	74	109	98	89	112	89
7/1/13 - 6/30/14							
Average monthly benefit	$488	$1,216	$1,558	$2,583	$4,490	$5,190	$7,239
Average monthly final average salary	$7,757	$6,710	$5,223	$6,071	$7,727	$7,345	$8,539
Number of retired members	17	62	128	85	75	77	72
7/1/12 - 6/30/13							
Average monthly benefit	$494	$994	$1,652	$2,832	$3,936	$5,519	$6,151
Average monthly final average salary	$7,477	$5,415	$5,608	$6,613	$6,831	$7,730	$7,524
Number of retired members	28	63	128	69	77	73	55
7/1/11 - 6/30/12							
Average monthly benefit	$504	$1,093	$1,631	$2,703	$3,986	$5,740	$6,064
Average monthly final average salary	$7,652	$6,041	$5,545	$6,279	$7,059	$8,120	$7,246
Number of retired members	35	77	118	58	102	66	75
7/1/10 - 6/30/11							
Average monthly benefit	$461	$1,017	$1,500	$2,580	$3,620	$6,026	$5,920
Average monthly final average salary	$6,797	$5,576	$5,245	$6,104	$6,559	$8,466	$7,394
Number of retired members	21	82	118	69	112	94	80
7/1/09 - 6/30/10							
Average monthly benefit	$422	$992	$1,623	$2,501	$3,239	$4,789	$5,714
Average monthly final average salary	$6,582	$5,306	$5,549	$6,071	$6,022	$7,278	$6,930
Number of retired members	30	69	87	78	75	65	75
7/1/08 - 6/30/09							
Average monthly benefit	$462	$900	$1,727	$2,232	$4,074	$6,298	$7,227
Average monthly final average salary	$6,968	$5,425	$5,697	$5,397	$6,893	$8,437	$8,369
Number of retired members	14	52	68	60	58	58	66
7/1/07 - 6/30/08							
Average monthly benefit	$359	$977	$1,626	$2,202	$3,151	$5,729	$6,171
Average monthly final average salary	$5,974	$5,428	$5,467	$5,874	$5,729	$7,992	$7,685
Number of retired members	25	35	75	56	53	44	52
7/1/06 - 6/30/07							
Average monthly benefit	$512	$874	$1,536	$2,341	$3,228	$4,756	$5,652
Average monthly final average salary	$6,856	$4,747	$5,220	$5,331	$5,884	$6,508	$6,868
Number of retired members	27	55	83	71	74	69	86
7/1/05 - 6/30/06							
Average monthly benefit	$381	$917	$1,409	$2,029	$2,838	$4,561	$4,858
Average monthly final average salary	$5,824	$5,345	$4,933	$5,069	$5,415	$6,500	$6,150
Number of retired members	25	45	63	73	64	62	83

Source: SCERS Retired Member Pension Payroll Data

Schedule of Average Benefit Payments

For the Last Ten Fiscal Years

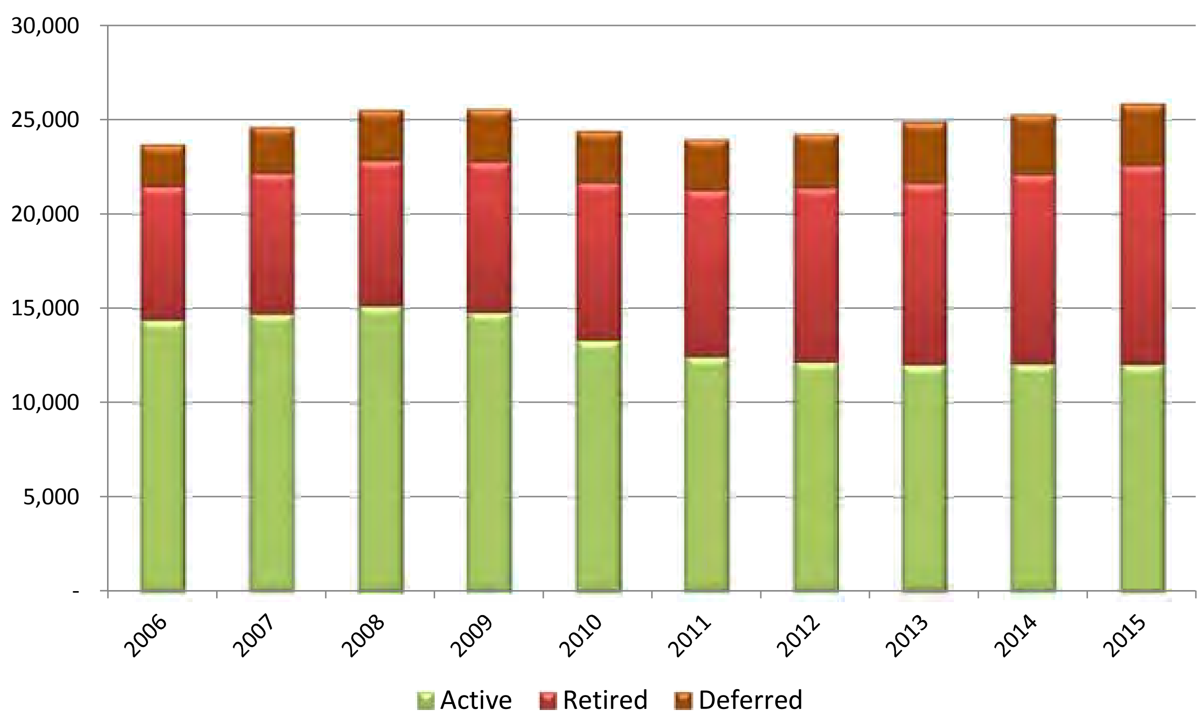
	Years Since Retirement						
As Of	0-5	5-10	10-15	15-20	20-25	25-30	30 +
6/30/15:							
Average monthly benefit	$3,409	$3,456	$3,371	$2,616	$2,532	$2,098	$1,818
Number of retired members	2,933	2,241	1,958	1,250	942	601	616
6/30/14:							
Average monthly benefit	$3,240	$3,392	$3,177	$2,503	$2,493	$2,026	$1,709
Number of retired members	2,809	2,254	1,726	1,199	901	586	574
6/30/13:							
Average monthly benefit	$3,272	$3,412	$2,603	$2,400	$2,438	$1,902	$1,676
Number of retired members	2,635	2,512	1,368	1,123	882	590	524
6/30/12:							
Average monthly benefit	$3,237	$3,355	$2,352	$2,449	$2,142	$1,805	$1,643
Number of retired members	2,468	2,467	1,314	1,140	813	562	475
6/30/11:							
Average monthly benefit	$3,209	$3,173	$2,336	$2,400	$1,936	$1,728	$1,594
Number of retired members	2,417	2,216	1,298	1,110	792	563	425
6/30/10:							
Average monthly benefit	$3,150	$3,022	$2,343	$2,318	$1,911	$1,704	$1,351
Number of retired members	2,206	2,019	1,360	1,058	744	547	412
6/30/09:							
Average monthly benefit	$3,133	$2,886	$2,309	$2,322	$1,884	$1,590	$1,276
Number of retired members	2,247	1,787	1,299	1,012	726	527	370
6/30/08:							
Average monthly benefit	$3,197	$2,199	$2,214	$2,250	$1,751	$1,501	$1,226
Number of retired members	2,582	1,373	1,207	997	730	509	311
6/30/07:							
Average monthly benefit	$3,041	$2,133	$2,237	$1,948	$1,636	$1,449	$1,120
Number of retired members	2,458	1,383	1,226	930	709	495	263
6/30/06:							
Average monthly benefit	$2,871	$2,105	$2,165	$1,749	$1,576	$1,393	$1,049
Number of retired members	2,232	1,365	1,199	921	692	468	231

Source: SCERS Retired Member Pension Payroll Data

Changes in System Membership

Year Ended June 30:	Active Members	Retired Members	Deferred Members	Total
2015	12,072	10,541	3,261	25,874
2014	12,049	10,049	3,201	25,299
2013	12,026	9,634	3,249	24,909
2012	12,155	9,239	2,851	24,245
2011	12,434	8,821	2,710	23,965
2010	13,340	8,346	2,740	24,426
2009	14,796	7,968	2,818	25,582
2008	15,180	7,709	2,661	25,550
2007	14,716	7,464	2,437	24,617
2006	14,412	7,108	2,192	23,712

System Membership at a Glance



Source: Actuarial Valuations from June 30, 2006 through 2015

Schedule of Principal Participating Employers and Active Members - Summary

Current Fiscal Year and Nine Fiscal Years Ago

	2015			2006		
Participating Employer	**Covered Employees**	**Rank**	**Percent of Total System**	**Covered Employees**	**Rank**	**Percent of Total System**
County of Sacramento**	10,814	1	89.58%	13,753	1	95.43%
Superior Court**	631	2	5.23	-	-	0.00
S.E.T.A	544	3	4.50	562	2	3.90
Sunrise Recreation and Park District	22	4	0.18	29	3	0.20
Carmichael Recreation and Park District	19	5	0.16	15	4	0.10
Orangevale Recreation and Park District	13	6	0.11	14	5	0.10
Mission Oaks Recreation and Park District	12	7	0.10	11	6	0.08
Elected Officials*	8	8	0.07	8	7	0.06
Elk Grove Cosumnes Cemetery District	4	9	0.03	5	10	0.03
Fair Oaks Cemetery District	4	10	0.03	5	9	0.03
Galt-Arno Cemetery District	1	11	0.01	3	11	0.02
Sacramento Metropolitan Fire District	-	12	0.00	6	8	0.04
U.C. Davis Medical Center	-	12	0.00	1	12	0.01
Total	**12,072**		**100.00%**	**14,412**		**100.00%**

*Elected Officials - consisted of Board of Supervisors (5), Assessor (1), District Attorney (1), and Sheriff (1).

**Prior to June 25, 2006, Superior Court member information was included in the totals for the County of Sacramento.

Source: SCERS Active Member Data

Schedule of Principal Participating Employers and Active Members - Detail

For the Last Ten Fiscal Years Ended June 30

SCERS Member Agency	Plan	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Carmichael Recreation and Park District	Misc.	19	21	21	20	22	26	29	24	27	15
Elk Grove Cosumnes Cemetery District	Misc.	4	6	5	5	2	3	4	3	4	5
Fair Oaks Cemetery District	Misc.	4	4	4	4	3	4	4	4	5	5
Galt-Arno Cemetery District	Misc.	1	1	1	1	1	1	3	3	3	3
Mission Oaks Recreation and Park District	Misc.	12	12	12	12	13	14	13	13	12	11
Orangevale Recreation and Park District	Misc.	13	13	15	15	15	16	17	12	15	14
Sacramento Metropolitan Fire District	Safety	-	-	-	-	3	3	4	6	6	6
S.E.T.A.	Misc.	544	547	565	566	568	584	604	597	598	562
Sunrise Recreation and Park District	Misc.	22	22	21	21	23	26	28	28	24	29
U.C. Davis Medical Center	Misc.	-	-	-	1	1	1	1	1	1	1
Elected Officials*	Misc.	7	7	7	7	7	7	7	7	7	7
Elected Officials*	Safety	1	1	1	1	1	1	1	1	1	1
Total Special District Members	Misc.	626	633	651	652	655	682	710	692	696	652
	Safety	1	1	1	1	4	4	5	7	7	7
Superior Court Members**	Misc.	631	625	632	698	745	765	807	843	814	-
Sacramento County Members	Misc.	8,836	8,827	8,830	8,906	9,121	9,865	10,937	11,190	10,817	11,400
	Safety	1,978	1,963	1,912	1,898	1,909	2,024	2,337	2,448	2,382	2,353
Total Members	Misc.	10,093	10,085	10,113	10,256	10,521	11,312	12,454	12,725	12,327	12,052
	Safety	1,979	1,964	1,913	1,899	1,913	2,028	2,342	2,455	2,389	2,360
	Total	12,072	12,049	12,026	12,155	12,434	13,340	14,796	15,180	14,716	14,412

*Elected Officials - consisted of Board of Supervisors (5), Assessor (1), District Attorney (1), who were miscellaneous members, and one Sheriff who was a safety member.

**Prior to June 25, 2006, Superior Court member information was included in the totals for the County of Sacramento.

Source: SCERS Active Member Data

SCERS

Sacramento County Employees' Retirement System

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