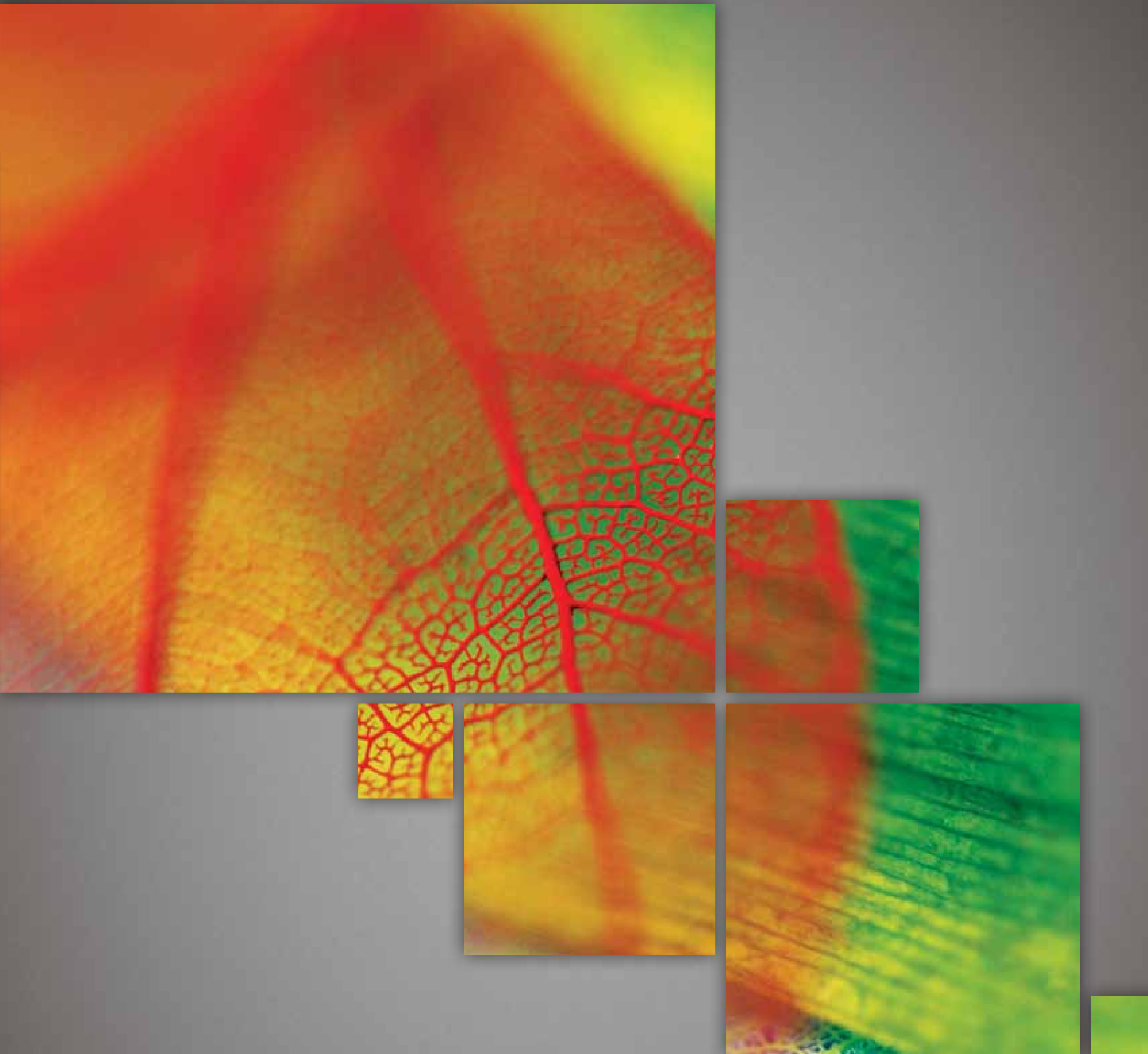
COMPREHENSIVE ANNUAL FINANCIAL REPORT



FOR THE FISCAL YEARS ENDED

JUNE 30, 2012 AND 2011

SACRAMENTO, CALIFORNIA

SCERS

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2012 AND 2011

ISSUED BY:

RICHARD STENSRUD
Chief Executive Officer

KATHRYN T. REGALIA, CPA, CGMA
Chief Operations Officer

THUYET DANG
Accounting Manager

SACRAMENTO COUNTY
EMPLOYEES' RETIREMENT SYSTEM

980 9th Street, Suite 1900
Sacramento, CA 95814

WWW.SCERS.ORG

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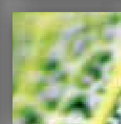



INTRODUCTORY SECTION

SCERS

Executive Staff

Richard Stensrud
Chief Executive Officer

Scott Chan
Chief Investment Officer

Kathryn T. Regalia
Chief Operations Officer

John W. Gobel Sr.
Chief Benefits Officer

November 28, 2012

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, 2012 and 2011.

The System

SCERS is a 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"). 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, 2012, 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 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 misstatement. 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.

During calendar year 2011, under the guidance of the general investment consultant, Strategic Investment Solutions ("SIS"), SCERS performed an asset/liability study. The purpose of such a study is to develop an asset allocation model for SCERS' investment program for the next five to seven years that will enable SCERS to meet its investment return objective over the period, with an acceptable level of risk, such that the investment program continues to fulfill its critical role as the primary source for funding SCERS' benefit obligations. As a result of the study, the SCERS Board approved and adopted a new asset allocation model which: (1) Reduces the Domestic Equity allocation and slightly increases the International Equity allocation; (2) Increases the allocations to Hedge Funds and Private Equity; (3) Establishes a new asset class – Real Assets – which will include core real estate, commodities, and private real assets (infrastructure, energy, timber and agriculture) and TIPS; (4) Shifts the REIT investments to the Equity asset classes; (5) Maintains the Opportunities asset class, but re-defines it as being tactical in nature, meaning that it does not have a target allocation, but rather, has an allocation range of 0% to 5% depending on whether there are suitable tactical investment opportunities; and (6) Maintains the current allocation level for Fixed Income. Following the adoption of the new asset allocation model, SCERS worked on developing the sub-asset class structures and investment plans and policies for the various asset classes; identifying current SCERS investment managers that fit well within the new structure; conducting targeted searches for investment managers that could potentially add more value to SCERS' equity asset classes; and transitioning assets related to manager asset level changes. SCERS anticipates continuing the implementation of the new asset allocation model during fiscal year 2012-2013.

For the year ended June 30, 2012, SCERS' investments provided a 0.5% rate of return (gross of fees), compared to the investment policy benchmark return of 1.5%.

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, The Segal Company, to conduct its annual actuarial valuation as of June 30, 2012. 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, 2010, 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, 2012.

In addition, as part of SCERS' program for overseeing actuarial services, on a periodic basis an independent actuarial review of the actuarial valuation ("actuarial audit") is conducted to help assure that the consulting actuary is using appropriate valuation methods and assumptions, and to confirm that they are being applied properly. In February 2012, SCERS engaged EFI Actuaries to conduct an actuarial audit of the actuarial valuation as of June 30, 2011 prepared by SCERS' consulting actuary, The Segal Company. EFI characterized the SCERS actuarial audit as a 'clean' audit and further concluded that the liabilities and costs presented in the valuation were accurate and computed in accordance with actuarial standards of practice.

Effective January 1, 2012 SCERS implemented new benefit tiers for County employees hired on or after that date. The new tiers provide a lower benefit formula than the existing tiers. Additional information can be found in the Notes to the Basic Financial Statements.

At June 30, 2012, SCERS' funding ratio was 83.3%, with the actuarial value of assets totaling $6.530 billion and the actuarial accrued liability totaling $7.838 billion. The decrease in the funding ratio (down from 87.0%) was mainly due to investment returns (after "smoothing") being lower than the 7.75% investment return assumption and changes in actuarial assumptions offset to some degree by lower than expected active employee salary growth. Deferred losses under the smoothing methodology exceeded deferred gains by $456.0 million as of June 30, 2012. Deferred investment gains/(losses) prior to July 1, 2008 will be amortized over a five-year period. Deferred investment gains/(losses) incurred after July 1, 2008 will be 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. For the years ended June 30, 2012 and 2011, administrative expenses, excluding IT costs were $5.7 million and $6.0 million, respectively, or 0.08% of the System's actuarial accrued liability.

Significant Events

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

◊ Richard B. Fowler II was appointed to the SCERS Board by the Sacramento County Board of Supervisors in April 2012. Mr. Fowler replaced Robert L. Woods, who had served since July 1998.

◊ Keith DeVore was appointed to the SCERS Board in June 2012. Mr. DeVore will replace Winston H. Hickox, who had served on the SCERS Board since April 1998.

◊ Worked with Human Resource consultants Bryce Consulting to further define and reinforce SCERS' organizational culture, improve internal working relationships and provide a higher level of customer service to SCERS members.

◊ Worked with Bryce Consulting and County Human Resources to study the SCERS Benefits staff positions, update class specifications, and re-title many of the positions. Class studies are expected to be finalized in fiscal year 2012-2013.

◊ Worked with consultant Lincoln Crow to develop and implement a comprehensive communications plan, integrating a SCERS 'brand' concept.

◊ Worked with consultants to create a new design of SCERS' website, which is expected to be operational in fiscal year 2012-2013.

◊ Commenced working on integrated wireless networking for SCERS' office space. Wireless networking is expected to be available in fiscal year 2012-2013.

◊ Created and distributed a first-ever Retired Member Statement.

◊ Began work with the Voter Registration and Elections office to conduct an online voting process for the 2012 SCERS Board member election.

◊ Implemented new Miscellaneous Tier 4 and Safety Tier 3 for County employees hired on or after January 1, 2012.

◊ Worked with consultant EFI Actuaries as they conducted an audit of SCERS' actuarial valuation performed by SCERS' consulting actuary, The Segal Company.

◊ Worked with Department of Technology to modify SCERS' system to accommodate the new employee plans and tiers structure, to provide data needed for Public Records Act requests, to determine SCERS' future systems requirements, and to plan for future information technological needs.

◊ Completed an asset/liability study led by SCERS' general consultant, SIS, resulting in a new long-term target asset allocation mix designed to lower risk.

  o Increased alternative assets to reduce risk of total portfolio.

  o Created a real assets class to hedge inflation risks, generate income and diversify the portfolio.

  o Revised approach and role for the Opportunities asset class.

- o Reduced allocation to equities and lowered equity risk exposure.
- o New target asset allocation predicted to generate higher expected returns with similar volatility compared to previous asset mix.

◊ Completed the establishment of the direct alternative assets programs (private equity, hedge funds, real assets, and opportunities) by developing for each alternative asset class: (1) A long-term asset allocation structure; (2) A twelve month investment plan; and (3) Delegation of greater authority to Staff and investment consultant in the selection of investment managers.

◊ Executed on plans developed in fiscal year 2010-2011 to refine SCERS's alternative assets portfolio to achieve goals of lowering risk, enhancing returns and lowering the cost of the alternative assets program.

- o Diversified SCERS' hedge fund program to a multi-hedge fund strategy portfolio. This change was accomplished in part by transforming SCERS' fund-of-funds relationship with Grosvenor into a strategic partnership with a broadly diversified separate account.
- o Established a direct multi-hedge fund strategy program to assist in diversifying SCERS' total fund.
- o Achieved cost savings through the elimination of one of SCERS' hedge fund-of-funds managers.
- o Continued to build the direct private equity program.

◊ Expanded the investment policy statement to include specific objectives, guidelines, and monitoring procedures for each of the alternative asset classes (private equity, hedge funds, real assets and opportunities).

◊ Created a policy to uniformly assess and monitor counterparty risk in the direct hedge fund portfolio.

◊ Developed and implemented a new sub asset class and manager structure for domestic equity:

- o Increased passive management in areas where it is difficult to achieve excess returns such as domestic large cap equities.
- o Decreased number of managers which reduces cost.
- o Revised manager roster to better match goals for the asset class.

◊ Developed and implemented a new sub asset class and manager structure for international equity:

- o Increased the allocation to reflect the global nature of equity investing and to achieve diversification benefits within the equity portfolio.
- o Revised manager roster to better match goals for the asset class.

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, 2011 and 2010. 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 thirteen 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, 2011.

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

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, 2011

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda C. Davison

President

Jeffrey R. Esser

Executive Director

Board of Retirement

President
James A. Diepenbrock
Appointed by Board of Supervisors
Present term expires
June 30, 2015

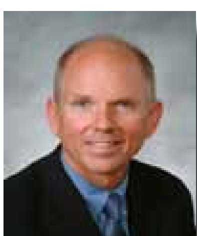
1st Vice President
John B. Kelly
Appointed by Board of Supervisors
Present term expires
December 31, 2012

2nd Vice President
William D. Johnson
Elected by Safety Members
Present term expires
December 31, 2012

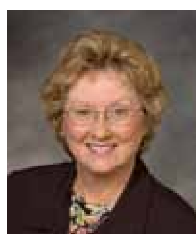
Ex-Officio
Julie Valverde
Sacramento County
Director of Finance
Member mandated by law

Trustee
Diana Gin
Elected by Miscellaneous Members
Present term expires
December 31, 2013

Trustee
Kathy O'Neil
Elected by Miscellaneous Members
Present term expires
December 31, 2012



Trustee
Keith DeVore
Appointed by Board of Supervisors
Present term expires
June 30, 2015



Trustee
Nancy Wolford-Landers
Elected by Retired Members
Present term expires
December 31, 2013

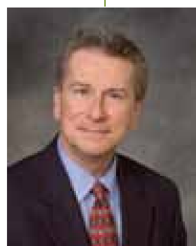
Trustee
Richard B. Fowler II
Appointed by Board of Supervisors
Present term expires
June 30, 2013

Alternate Safety Trustee
John Conneally
Elected by Safety Members
Present term expires
December 31, 2012

Alternate Retiree Trustee
Michael DeBord
Elected by Retired Members
Present term expires
December 31, 2013

ORGANIZATION CHART

BOARD OF RETIREMENT



Richard Stensrud
Chief Executive Officer

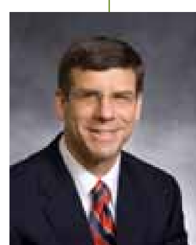
Scott Chan
Chief Investment Officer

Steve Davis
Deputy
Chief Investment Officer

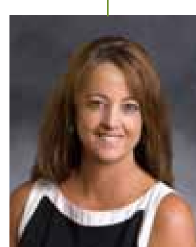
- Investment policy and objectives
- Investment compliance and performance reporting
- Asset allocation rebalancing
- Conduct manager searches
- Manager due diligence
- Proxy voting and corporate governance
- Board education on investment issues

Vacant
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

- 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

* 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
The Segal Company

Auditor
Macias Gini & O'Connell LLP

Custodian
State Street California, Inc.

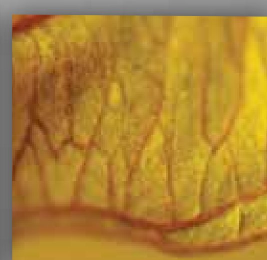
Investment Consultant
Cliffwater, LLC
Strategic Investment Solutions, Inc.

Legal Counsel
Andrew L. Kjeldgaard
County of Sacramento,
Office of the County Counsel
Hanson Bridgett
Jones Day
Nossaman, LLP

Note: Investment professionals are listed on page 82, and a schedule of manager fees is located on pages 80 and 81 of this report in the Investment Section.



FINANCIAL SECTION

MGO Certified Public Accountants.

Sacramento
3000 S Street, Suite 300
Sacramento, CA 95816
916.928.4600

Walnut Creek

Oakland

LA/Century City

Newport Beach

San Diego

Seattle

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statements of fiduciary net assets of the pension trust fund and the statements of fiduciary assets and liabilities of the agency fund of the Sacramento County Employees' Retirement System (the System), as of June 30, 2012 and 2011, and the related statements of changes in fiduciary net assets of the pension trust fund for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the fiduciary net assets of the pension trust fund and the fiduciary assets and liabilities of the agency fund of the Sacramento County Employees' Retirement System as of June 30, 2012 and 2011, and the changes in fiduciary net assets of the pension trust fund for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 6 to the basic financial statements, based on the most recent actuarial valuation as of June 30, 2012, the System's independent actuary determined that, at June 30, 2012, the value of the System's actuarial accrued liability exceeded the actuarial value of its assets by $1.308 billion. The most recent actuarial value of assets as of June 30, 2012 does not reflect the remaining deferred investment losses that will be recognized in the future.

In accordance with *Government Auditing Standards*, we have issued our report dated November 28, 2012, 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 and contracts 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* and should be considered in assessing the results of our audit.

www.mgocpa.com

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the Schedule of Funding Progress and the Schedule of Employer Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The introductory section, other supplemental information in the financial section, the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 financial statements as a whole. The introductory, investment, actuarial and statistical sections have not been subjected to 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.

Macias Gini & O'Connell LLP

Sacramento, California
November 28, 2012

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, 2012 and 2011. 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 Financial Statements, Notes to the Basic Financial Statements, Required Supplementary Information, and Other Supplemental Information that follows.

FINANCIAL HIGHLIGHTS

As of June 30, 2012, the net assets of SCERS held in trust for pension benefits ("net assets") totaled $6.074 billion. This represented a decrease of $66.7 million or 1.1% from the $6.141 billion in SCERS net assets as of June 30, 2011, which, in turn, represented an increase of $1.160 billion or 23.3% over the $4.981 billion in net assets as of June 30, 2010.

Additions to net assets were $241.4 million, $1.447 billion, and $837.0 million for the years ended June 30, 2012, 2011, and 2010, respectively. Additions to net assets for the year ended June 30, 2012 were solely due to the employee and employer contributions, since the investment activities resulted in a net loss of $3.4 million, after expenses, due to an investment downturn in the second half of the fiscal year. Strong investment returns was the primary reason for the increase in total additions for the year ended June 30, 2011, with net investment gains of $1.207 billion.

Deductions in net assets were $308.1 million and $287.2 million for the years ended June 30, 2012 and 2011. The total deductions for the year ended June 30, 2012 increased $20.9 million or 7.3% over the year ended June 30, 2011, which in turn, saw an increase in total deductions of $23.3 million or 8.8% over the year ended June 30, 2010. 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 (7.75% for fiscal year 2011-2012) 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, 2012, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 83.3%, down from 87.0% as of June 30, 2011. Per the actuarial valuation report, the total unrecognized investment loss as of June 30, 2012 totaled $456.0 million. Unless offset by future investment gains or other favorable experience, the recognition of the $456.0 million of net deferred losses over the next six years is expected to have an impact on the System's funded ratio and the aggregate employer contribution rate. It should be noted, however, that the strong investment performance in the 2010 and 2011 fiscal years has substantially reduced the future impact of the investment losses incurred in 2008 and 2009.

The System's unfunded actuarial accrued liability increased from $962.1 million as of June 30, 2011 to $1.308 billion as of June 30, 2012. This increase is mainly due to investment returns (after "smoothing") lower than the 7.75% investment return assumption and changes in actuarial assumptions, offset to some degree by lower-than-expected active employee salary increases.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

- ◊ Statements of Fiduciary Net Assets - Pension Trust Fund
- ◊ Statements of Changes in Fiduciary Net Assets - Pension Trust Fund
- ◊ Statements of Fiduciary Net Assets - Agency Fund
- ◊ Notes to the Basic Financial Statements
- ◊ Required Supplementary Information
- ◊ Other Supplemental Information

The Statements of Fiduciary Net Assets - 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 Assets - Pension Trust Fund reflect all the activities 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 assets held in trust for pension benefits. Over time, increases or decreases in net assets serve as one indicator of whether SCERS' financial health is improving or deteriorating. Other factors, such as market conditions or the System's funded status, should also be considered in measuring the System's overall health.

The Statements of Fiduciary Net Assets - 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 concerning SCERS' progress in funding its obligations to provide benefits to System members. The schedule of funding progress includes historical trend information about the actuarially funded status of the plan and the progress made in accumulating sufficient assets to pay benefits when due. The schedule of employer contributions presents historical trend information about the annual required contribution of the employers and the actual contributions made. These schedules provide information to help promote an understanding of the changes in the funded status of the plan over time.

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 Funded Ratio

SCERS' net assets held in trust for pension benefits as of June 30, 2012 totaled $6.074 billion, a decrease of $66.7 million or 1.1% from the $6.141 billion in net assets as of June 30, 2011, which, in turn, represented an increase of $1.160 billion or 23.3% over the $4.981 billion in net assets as of June 30, 2010. The decrease in net assets for the year ended June 30, 2012 was due to investment returns being flat and the benefits and expenses paid during the year exceeding the contributions received. At the asset class level, for the fiscal year ended June 30, 2012, domestic fixed income and real estate segments outperformed the policy benchmarks while underperformance occurred in the remaining segments. The increase in net assets for the year ended June 30, 2011 was due to investment gains as SCERS continued to experience a strong recovery from the negative levels of fiscal year 2008-2009. Investments in all asset classes within the SCERS portfolio generated positive returns for the fiscal year ended June 30, 2011. All net assets are available to meet SCERS' obligations to plan participants and beneficiaries.

The increase in cash and short-term investments as of June 30, 2012 compared to the prior year was due to funds being set aside to replace and fund new investment managers as SCERS began to implement its newly created long-term asset allocation plan. The decrease in receivables and investment purchased payables as of June 30, 2012 compared to the prior year was the result of a decrease in trading activity by the external investment managers.

NET ASSETS

As of June 30

(Dollar Amounts Expressed in Millions)

Assets	2012	2011	Increase/ (Decrease)	% Change
Cash and short-term investments	$779.8	$647.6	$132.2	20.4%
Receivables	89.9	98.8	(8.9)	(9.0)
Investments, at fair value	5,473.3	5,730.0	(256.7)	(4.5)
Securities lending collateral	538.4	594.8	(56.4)	(9.5)
Other assets	3.4	3.3	0.1	3.0
Total assets	6,884.8	7,074.5	(189.7)	(2.7)
Liabilities				
Other liabilities	32.3	27.6	4.7	17.0
Investment purchased payable	105.4	173.8	(68.4)	(39.4)
Mortgages payable	134.8	137.7	(2.9)	(2.1)
Securities lending liability	538.4	594.8	(56.4)	(9.5)
Total liabilities	810.9	933.9	(123.0)	(13.2)
Net assets held in trust for pension benefits	$6,073.9	$6,140.6	$(66.7)	(1.1)%

NET ASSETS
As of June 30
(Dollar Amounts Expressed in Millions)

Assets	2011	2010	Increase/ (Decrease)	% Change
Cash and short-term investments	$647.6	$342.7	$304.9	89.0%
Receivables	98.8	132.9	(34.1)	(25.7)
Investments, at fair value	5,730.0	4,851.8	878.2	18.1
Securities lending collateral	594.8	561.2	33.6	6.0
Other assets	3.3	33.8	(30.5)	(90.2)
Total assets	7,074.5	5,922.4	1,152.1	19.5
Liabilities				
Other liabilities	27.6	31.2	(3.6)	(11.5)
Investment purchased payable	173.8	233.4	(59.6)	(25.5)
Mortgages payable	137.7	115.6	22.1	19.1
Securities lending liability	594.8	561.2	33.6	6.0
Total liabilities	933.9	941.4	(7.5)	(0.8)
Net assets held in trust for pension benefits	$6,140.6	$4,981.0	$1,159.6	23.3%

SCERS retained an independent actuarial firm, The Segal Company, to perform annual actuarial valuations to determine the funded status of the System and annual required contribution rates. 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 valuation is to determine what future contributions will be needed by the members and participating employers, in conjunction with investment earnings, to pay all expected future benefits.

As of June 30, 2012, the funded ratio of SCERS (i.e., the ratio of the actuarial value of assets to actuarial accrued liability) was 83.3%, down from the funded ratio of 87.0% as of June 30, 2011. In general terms, this ratio means that as of June 30, 2012, SCERS had approximately 83 cents available for each dollar of anticipated future liability.

The Required Supplementary Information and Actuarial Section of this Report provide additional actuarial 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. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, investments are stated at fair value instead of cost and include the recognition of unrealized gains and losses. In addition, for actuarial purposes, effective July 1, 2008, SCERS began utilizing 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. Prior to June 30, 2008, SCERS had utilized a five-year smoothing period. The difference between the market value of assets (equivalent to the net assets held in trust for pension benefits) and the smoothed actuarial value of assets is tracked in the market stabilization reserve.

Lower-than-expected investment performance for the year changed SCERS' market stabilization reserve from $(280.2) million as of June 30, 2011 to $(456.0) million as of June 30, 2012.

NETS ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE AS OF JUNE 30

(Dollar Amounts Expressed in Thousands)

	2012	2011	2010
Employee Reserves	$674,006	$655,798	$648,595
Employer Reserves	2,358,852	2,339,365	2,358,614
Retiree Reserves	3,482,412	3,333,263	3,116,520
Retiree Death Benefit Reserves	14,624	14,708	14,707
Retiree Health Care Benefit Designations	-	699	1,567
Contingency Reserve	-	76,991	76,991
Total allocated reserves and designations	6,529,894	6,420,824	6,216,994
Market Stabilization Reserve	(455,968)	(280,180)	(1,236,032)
Net assets available for benefits, at fair value	$6,073,926	$6,140,644	$4,980,962

Changes in Fiduciary Net Assets - Pension Trust Fund

The following tables present the changes in net assets for the fiscal years ended June 30, 2012, 2011, and 2010, respectively.

CHANGE IN FIDUCIARY NET ASSETS

For the Fiscal Years Ended June 30

(Dollar Amounts Expressed in Millions)

	2012	2011	Increase/ (Decrease)	% Change
Additions				
Employee contributions	$65.7	$57.2	$8.5	14.9%
Employer contributions	179.1	182.9	(3.8)	(2.1)
Net gain from investment activities	27.4	1,228.4	(1,201.0)	(97.8)
Net income from securities lending	2.7	2.0	0.7	35.0
Other income/(expense)	(4.2)	4.7	(8.9)	(189.4)
Investment fees and expenses	(29.3)	(28.4)	(0.9)	3.2
Total additions	241.4	1,446.8	(1,205.4)	(83.3)
Deductions				
Withdrawal of contributions	3.0	4.4	(1.4)	(31.8)
Administrative expenses	6.3	6.6	(0.3)	(4.5)
Benefits paid	298.8	276.2	22.6	8.2
Total deductions	308.1	287.2	20.9	7.3
Increase/(decrease) in net assets	(66.7)	1,159.6	(1,226.3)	(105.8)
Net assets held in trust for pension benefits, beginning	6,140.6	4,981.0	1,159.6	23.3
Net assets held in trust for pension benefits, ending	$6,073.9	$6,140.6	$(66.7)	(1.1)%

CHANGE IN FIDUCIARY NET ASSETS

For the Fiscal Years Ended June 30

(Dollar Amounts Expressed in Millions)

	2011	2010	Increase/ (Decrease)	% Change
Additions				
Employee contributions	$57.2	$52.4	$4.8	9.2%
Employer contributions	182.9	167.1	15.8	9.5
Net gain from investment activities	1,228.4	635.1	593.3	93.4
Net income from securities lending	2.0	2.3	(0.3)	(13.0)
Other income	4.7	4.8	(0.1)	(2.1)
Investment fees and expenses	(28.4)	(24.7)	(3.7)	(15.0)
Total additions	1,446.8	837.0	609.8	72.9
Deductions				
Withdrawal of contributions	4.4	4.9	(0.5)	(10.2)
Administrative expenses	6.6	5.9	0.7	11.9
Benefits paid	276.2	253.1	23.1	9.1
Total deductions	287.2	263.9	23.3	8.8
Increase in net assets	1,159.6	573.1	586.5	102.3
Net assets held in trust for pension benefits, beginning	4,981.0	4,407.9	573.1	13.0
Net assets held in trust for pension benefits, ending	$6,140.6	$4,981.0	$1,159.6	23.3%

Additions to Net Assets

Financing for the benefits SCERS provides to its members comes primarily through the collection of employer and member (employee) retirement contributions and from income on investments. For the years ended June 30, 2012, 2011, and 2010, total additions were $241.4 million, $1.447 billion, and $837.0 million, respectively.

For the years ended June 30, 2012, 2011, and 2010, combined employer and employee contributions were $244.8 million, $240.1 million, and $219.5 million, respectively. Fiscal year 2011-2012 employee contributions increased primarily due to additional service credit purchases and a slight increase in contribution rates while the employer contributions decreased due to a slight decrease in the aggregated contribution rate and a decrease in total annual compensation as Sacramento County continued to re-structure its workforce. Fiscal year 2010-2011 employer and employee contributions increased primarily due to an increase in contribution rates.

Net investment income/(loss) were $(3.4) million, $1.207 billion, and $617.5 million for the fiscal years ended June 30, 2012, 2011, and 2010, respectively. The net investment loss for the fiscal year ended June 30, 2012 was the result of significant volatility in the global financial markets, which remained down for most of the second half of the fiscal year. The net investment gain for the fiscal year ended June 30, 2011 was due to investment gains as SCERS continued to experience a strong recovery from the negative levels of fiscal year 2008-2009. The Investment Section of this Report provides a detailed discussion of the investment markets and investment performance.

Deductions from Net Assets

SCERS' assets were 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, 2012, 2011, and 2010, total deductions were $308.1 million, $287.2 million, and $263.9 million, respectively.

Deductions increased $20.9 million or 7.3% in the year ended June 30, 2012 and $23.3 million or 8.8% in the year ended June 30, 2011. The primary cause of the increase in deductions in both years was increased monthly benefit payments due to 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. Effective fiscal year 2010-2011, 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. For the years ended June 30, 2012 and 2011, administrative expenses of $5.7 million and $6.0 million, excluding IT costs, were 0.08% 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 assets must be used exclusively for the benefit of plan participants and their beneficiaries.

CURRENTLY KNOWN FACTS AND CONDITIONS

Assembly Bill 340 California Public Employees' Pension Reformed Act of 2013 was passed in mid September 2012 and will be in effect beginning January 1, 2013. Major portions of the law impact only California Public Employees' Retirement System ("CalPERS") and California State Teachers' Retirement System ("CalSTRS"). Other provisions apply to all public employee retirement systems in the state, including systems like SCERS that operate under the County Employees Retirement Law of 1937. SCERS staff and legal counsel have continued to study the bill to fully assess all the impacts on our active and retired members as well as participating employers and will implement those applicable provisions effective January 1, 2013.

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 Assets

PENSION TRUST FUND

AS OF JUNE 30, 2012 AND 2011

(Dollar Amounts Expressed in Thousands)

	2012	2011
Assets		
Cash invested with Sacramento County Treasurer	$7,890	$7,670
Other cash and cash equivalents	45,824	31,314
Short-term investments with fiscal agents	726,120	608,571
Cash and short-term investments	779,834	647,555
Receivables		
Employee and employer contributions	6,587	5,466
Accrued investment income	34,229	30,262
Securities sold	49,096	63,111
Total receivables	89,912	98,839
Investments, at fair value		
US government and agency securities	522,883	424,797
Domestic corporate bonds	494,744	556,910
International bonds	55,454	71,992
Common and preferred stock - domestic	2,115,213	2,370,900
Common and preferred stock - international	1,326,577	1,363,530
Private equity	110,645	68,401
Opportunities	184,668	247,870
Real estate	663,128	625,632
Securities lending collateral	538,443	594,787
Total investments	6,011,755	6,324,819
Other assets	3,351	3,327
Total assets	6,884,852	7,074,540
Liabilities		
Warrants payable	979	3,593
Accounts payable and other accrued liabilities	31,355	24,020
Investment purchased payable	105,402	173,802
Mortgages payable	134,747	137,694
Securities lending liability	538,443	594,787
Total liabilities	810,926	933,896
Net assets held in trust for pension benefits	$6,073,926	$6,140,644

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

Statements of Changes in Fiduciary Net Assets

PENSION TRUST FUND

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

(Dollar Amounts Expressed in Thousands)

	2012	2011
Additions		
Contributions		
Employee	$65,690	$57,151
Employer	179,099	182,921
Total contributions	244,789	240,072
Investment income		
From investment activities		
Net appreciation/(depreciation) in investment fair value:		
Securities	(157,884)	1,007,471
Real estate	38,633	76,932
Interest	45,506	48,037
Dividends	71,121	69,116
Real estate	30,036	26,839
Net gain from investment activities	27,412	1,228,395
From securities lending activities		
Securities lending income	2,277	2,418
Securities lending expense		
Borrower rebate income	1,238	278
Securities lending management fees	(811)	(659)
Net income from securities lending	2,704	2,037
Other income/(expense)	(4,220)	4,702
Investment fees and expenses	(29,311)	(28,359)
Net investment income/(loss)	(3,415)	1,206,775
Total additions	241,374	1,446,847
Deductions		
Withdrawal of contributions	3,040	4,433
Administrative expenses	6,288	6,571
Benefits paid	298,764	276,161
Total deductions	308,092	287,165
Net increase/(decrease)	(66,718)	1,159,682
Net assets held in trust for pension benefits, beginning	6,140,644	4,980,962
Net assets held in trust for pension benefits, ending	$6,073,926	$6,140,644

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

AGENCY FUND
AS OF JUNE 30, 2012 AND 2011
(Dollar Amounts Expressed in Thousands)

	2012	2011
Assets		
Accounts receivables	$62	$30
Total assets	$62	$30
Liabilities		
Accounts payable	$62	$30
Total liabilities	$62	$30

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

NOTE 1 - PLAN DESCRIPTION

The Sacramento County Employees' Retirement System ("SCERS" or the "System") is a multiple-employer, cost-sharing public employee retirement system which operates under the County Employees Retirement Law of 1937 (Section 31450 et seq. of the California Government Code). 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, 2012, 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 One - 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 Two - 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 Three - 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.

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

- Miscellaneous Tier Two - 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 Three.

- Miscellaneous Tier Three - Includes all members other than Safety who have a membership start-date on or after June 27, 1993, and those Miscellaneous Tier Two 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 Four - Includes members other than Safety who are employees of Sacramento County and have a membership start-date on or after January 1, 2012.

(Dollar Amounts Expressed in Thousands)

At June 30, 2012 and 2011, the System's membership consisted of:

Retirees and beneficiaries currently receiving benefits:	2012	2011
Miscellaneous - Service	5,940	5,660
Miscellaneous - Beneficiary	1,014	961
Miscellaneous - Nonservice-Connected Disability	293	301
Miscellaneous - Service-Connected Disability	180	162
Safety - Service	1,271	1,216
Safety - Beneficiary	293	278
Safety - Nonservice-Connected Disability	20	19
Safety - Service-Connected Disability	228	224
Total Retirees and Beneficiaries	9,239	8,821
Terminated employees entitled to benefits but not yet receiving them:		
Miscellaneous Tier 1	101	110
Miscellaneous Tier 2	229	251
Miscellaneous Tier 3	2,067	1,930
Miscellaneous Tier 4	3	-
Safety Tier 1	129	136
Safety Tier 2	322	283
Total Terminated	2,851	2,710
Current Members:		
Vested		
Miscellaneous Tier 1	238	297
Miscellaneous Tier 2	87	90
Miscellaneous Tier 3	8,411	8,095
Miscellaneous Tier 4	1	-
Safety Tier 1	438	480
Safety Tier 2	1,315	1,311
Safety Tier 3	1	-
Total Vested	10,491	10,273
Non-Vested		
Miscellaneous Tier 3	1,398	2,039
Miscellaneous Tier 4	121	-
Safety Tier 2	109	122
Safety Tier 3	36	-
Total Non-Vested	1,664	2,161
Total Current Members	12,155	12,434

Pension Benefits

The System's benefits are established by the provisions of the County Employees Retirement Law of 1937 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.

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 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 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. 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 3.00 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.

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. This rate includes an additional amount required to partially fund the annual cost-of-living increases for retired members of the Miscellaneous Tier 1 and Tier 3 and Safety Tiers. 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.

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 has fiduciary funds at June 30, 2012 and 2011 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 trustee capacity or as an agent on behalf of the participating employers to fund the Retiree Medical and Dental Insurance Program. See Note 3 for a detailed description of the program. The pension trust fund is accounted for on the 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.

The System has adopted Governmental Accounting Standards Board ("GASB") Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, as its source of accounting and reporting principles. Investments are valued at their fair value, which results in the recognition of fair value gains and losses. Member and employer contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. Benefits and refunds are recognized when 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, 2012 are in the custody of, or controlled by, State Street Bank, the System's custodian. The System's investments consist of domestic and international fixed income, domestic and international equities, hedge funds, private equity, opportunities, and real estate. 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, which have a maturity in excess of 90 days but are readily marketable.

Fixed Income
Fixed income consists primarily of negotiable obligations of the U.S. Government and U.S. Government-sponsored agencies, corporations, and securitized offerings backed by residential and commercial mortgages. 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.

Equities
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 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.

Private Equity
Private equity investments are made both on a direct basis and through externally managed fund-of-funds ("FoF"). 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. 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). 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 made in externally-managed funds. This segment includes a mix of investment securities which may include commodities and commodity futures, Treasury Inflation Protected Securities ("TIPS"), timber or agriculture land, real return strategies, direct private equity, direct hedge funds, debt securities and other unique strategies.

The System records its investment at fair value based on its proportionate interest in the net asset value of the funds. Assets and liabilities of the funds are measured at fair value using acceptable fair valuation methods and applications which give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The fair value of opportunities is measured using one of the following methods that is appropriate in the circumstances and for which sufficient data is available and applying the approach consistently until no longer appropriate.

Market approach - uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Income approach - uses valuation techniques to convert expected future amounts to a single present amount.

Cost approach - based on the amount that currently would be required to replace the service capacity of an asset.

Real Estate
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 prior to its dissolution. 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 statement of fiduciary net assets. Refer to Note 9 for disclosures regarding mortgage obligations.

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 assets as if the lending transactions had not occurred. Cash collateral received for the loaned securities is reported as a securities lending liability on the System's statements of fiduciary net assets. Cash collateral is reinvested in the lending agent's cash collateral investment pool and is valued at amortized cost which approximates fair value. Non-cash collateral held is not reported on the statements of fiduciary net assets 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 4 - *Cash and Investments* discloses the amount of securities lending non-cash collateral.

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.

Reclassification

Certain reclassifications have been made to June 30, 2011 balances to conform to the presentation as of and for the year ended June 30, 2012.

NOTE 3 - 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 eleven 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.

Below is the list of employers participating in the Program as of June 30, 2012:

- Carmichael Recreation and Park District
- County of Sacramento
- County of Sacramento Elected Officials
- Elk Grove Consumnes Cemetery District
- Fair Oaks Cemetery District
- Galt Arno Cemetery District
- Mission Oaks Recreation and Park District
- Orangevale Recreation and Park District
- Sacramento Metropolitan Fire District
- Sacramento Employment and Training Agency
- Sunrise Recreation and Park District

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, 2012, there were 1,650 retired members and beneficiaries currently receiving medical subsidies. As of June 30, 2011, there were 3,929 retired members and beneficiaries receiving medical subsidies.

Eligibility

Annuitants who retired on or before December 31, 2004 - According to the Programs' Administrative Policy, only annuitants who retired on or before December 31, 2004 for any reason and received a SCERS monthly retirement benefit of less than $2,000 as of August 31, 2011 are eligible for the monthly medical subsidy of $40 during the 2012 calendar year.

County annuitants who retired between January 1, 2005 and May 31, 2007 – According to the Program's Administrative Policy, only annuitants who retired between January 1, 2005 and May 31, 2007, 1) under any form of disability retirement, or 2) having worked for at least 10 years in SCERS-covered employment, and received a SCERS monthly retirement benefit of less than $2,000 as of August 31, 2011 are eligible for the monthly medical subsidy of $40 during the 2012 calendar year.

County annuitants who retired after May 31, 2007 – According to the Program's Administrative Policy, only County annuitants from bargaining units 001, 003, 005, 007, 008, 010, 020, 021, and 025 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 2012 and 2011, 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.

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 assets 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 4 - CASH AND INVESTMENTS

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.

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 $7,890 and $7,670 at June 30, 2012 and 2011, respectively. The pool was not rated, and the weighted-average maturity of the pool was 259 days and 190 days at June 30, 2012 and 2011, 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 assets. 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, 2012 and 2011, other cash and cash equivalents constitute balances in bank demand deposit accounts of $45,824 and $31,314, respectively.

(Dollar Amounts Expressed in Thousands)

Short-Term Investments with Fiscal Agents

At June 30, 2012 and 2011, the fair value of the System's short-term investments with fiscal agents was $726,120 and $608,571, respectively. The total 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. The weighted-average maturities were 31 and 33 days at June 30, 2012 and 2011. Net assets invested in the STIF from all participating custodial clients of State Street were $35.3 billion and $63.2 billion on June 30, 2012 and 2011, respectively.

Real Estate

The SCERS real estate allocation allows investments in core properties through direct investment, commingled core real estate funds, value-added real estate investment funds, and publicly-traded real estate investment trust ("REIT") stock investments. Direct investments include offices, apartments, retail, and industrial properties (refer to Note 9 to the financial statements for mortgages payable related to directly held real estate investments). As of June 30, 2012 and 2011, real estate investments were $663,128 and $625,632, respectively.

Private Equity

This category of investment includes limited partnerships, funds and fund-of-funds that invest in domestic and international private venture capital, mezzanine capital, buyouts, and distressed debt.

Opportunities

This segment includes a mix of investment securities that offer good risk-adjusted investment returns and are expected to have a low correlation with SCERS' public equity and debt investments. Investments that may be included in this asset class are commodities and commodity futures, TIPS, timber or agriculture land, real return strategies, direct private equity, debt securities and other unique strategies. Investments will be assigned to this asset class based on the recommendation of the Chief Investment Officer and the Investment Consultant.

As of June 30, the securities in this asset class are as follows:

	2012	2011
Blackstone Resources Select Offshore Commodities Fund	$62,650	$71,342
GSCI Commodity Index CTF CMIZ	8,902	8,892
Metropolitan West Asset Management TALF	10,077	14,157
PIMCO Distressed Mortgage Fund I	13,806	18,654
PIMCO Distressed Mortgage Fund II	23,170	27,234
REIT Index Fund	10,736	10,648
Resource Stock Index CTF	8,912	9,067
Stone Tower Structured Credit Recovery Fund	-	35,763
Strategic Commodities Fund	39,558	45,108
Treasury Inflation Protected Fund	6,857	7,005
Total	$184,668	$247,870

(Dollar Amounts Expressed in Thousands)

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 as of June 30, 2012 and 2011 is as follows:

		2012	2011
Real Estate			
	AEW Value Investors II, L.P.	$3,187	$7,604
	Hines US Office Value Fund II, L.P.	1,148	3,262
	Blackrock Realty Advisors (Brittmore)	10,700	-
	Total	15,035	10,866
Private Equity			
	Abbott Capital Private Equity Fund VI, L.P.	56,625	64,875
	Accel-KKR Capital Partners IV, L.P.	15,000	-
	Garrison Opportunity Fund III, L.P.	19,277	-
	Goldman Sachs Private Equity Partners X, L.P.	37,698	50,661
	HarbourVest International VI, L.P.	33,814	47,002
	HarbourVest Partners VIII, L.P.	16,013	20,794
	Khosla Ventures IV, L.P.	7,700	10,000
	New Enterprise Associates 14, L.P.	22,750	-
	Summit Partners Credit Fund, L.P.	19,673	-
	Summit Partners Venture Capital Fund III, L.P.	14,900	-
	Waterland Private Equity Fund V, L.P.	15,881	23,194
	Total	259,331	216,526
Hedge Fund			
	Elliott Associates, L.P.	22,500	-
	SC Absolute Return Fund, LLC	4,500	-
	Total	27,000	-
	Grand Total	$301,366	$227,392

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, 2012 and 2011, 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.

(Dollar Amounts Expressed in Thousands)

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 assets represents only cash collateral invested in the lending agent's cash collateral investment pool. During fiscal year ended June 30, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, 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, 2012 and 2011, 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 securities on loan as of June 30, 2012 were $546,914 and $544,152, respectively. The total collateral held and the fair value of securities on loan as of June 30, 2011 were $626,949 and $614,556, 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.

Collateral and related securities on loan at June 30, 2012 and 2011 were as follows:

	2012		
Security on Loan Description	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	$87,681	$6,892	$91,896
Domestic corporate bonds	57,800	-	56,574
Common and preferred stock – domestic	369,086	379	371,155
Common and preferred stock – international	23,876	1,200	24,527
Total	$538,443	$8,471	$544,152

	2011		
Security on Loan Description	Cash Collateral Value	Other Collateral Value	Fair Value of Securities on Loan
U.S. government and agency obligations	$71,623	$30,654	$100,041
Domestic corporate bonds	44,589	-	43,690
Common and preferred stock – domestic	421,424	1,508	415,723
Common and preferred stock – international	57,151	-	55,102
Total	$594,787	$32,162	$614,556

Term Asset-Backed Securities Loan Facility (TALF)

The Federal Reserve (the "Fed") created the Term Asset-Backed Securities Loan Facility ("TALF") in November 2008 to 'make credit available to consumers and businesses on more favorable terms by facilitating the issuance of asset-backed securities ("ABS") and improving the market conditions for ABS. The TALF program was later expanded to include certain commercial mortgage backed securities ("CMBS").

Under the TALF program, the Fed lent up to $1 trillion through June 30, 2010, with loans up to 95% of the lower of cost or market value of collateral investments in qualified ABS or CMBS. Upon loan settlement, the collateral investments are pledged toward repayment of the TALF loans. Collateral investments are held by the New York Fed's custodial bank in the borrower's name, and the Fed is granted a security interest in the investments. At the end of the loan term, borrowers may repay the loan, arrange for the sale of the collateral to repay the loan, or surrender the collateral to the Fed.

The general provisions of the TALF program require borrowers to disclose the liabilities, assets, and incomes associated with the TALF loans.

In April 2009, SCERS' Board approved an investment in the Metropolitan West Asset Management ("MetWest") TALF fund as a limited partner. The initial capital contribution for MetWest was made in July 2009. MetWest has borrowed from the TALF.

However, as a limited partner in this fund, SCERS does not own the underlying TALF securities but instead possesses a percentage of ownership in the limited partnership. Therefore, as of June 30, 2012 and 2011, SCERS did not have any obligations to repay the TALF loans.

Investment Risk Schedules

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 A 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.

(Dollar Amounts Expressed in Thousands)

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 market 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.

The following tables depict the fixed income assets by credit rating as of June 30, 2012 and 2011:

Fixed Income
As of June 30, 2012

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	$92,336	$50,840	$3,218	$ -	$1,835	$31,486	$ -	$4,957	$ -
AA+	315,010	10,046	12,839	15,264	7,829	7,153	89,991	171,888	-
AA	3,083	806	753	-	-	1,524	-	-	-
AA-	11,832	5,118	6,714	-	-	-	-	-	-
A+	38,851	25,012	12,960	-	-	879	-	-	-
A	26,722	7,501	16,221	-	-	3,000	-	-	-
A-	83,860	11,025	71,908	-	-	927	-	-	-
BBB+	35,448	3,236	32,043	-	-	169	-	-	-
BBB	67,396	4,158	62,634	-	-	604	-	-	-
BBB-	46,614	603	46,011	-	-	-	-	-	-
BB+	16,448	-	13,892	-	-	2,556	-	-	-
BB	17,125	1,712	14,189	-	-	1,224	-	-	-
BB-	6,988	-	4,479	-	-	2,509	-	-	-
B+	6,316	-	6,316	-	-	-	-	-	-
B	5,976	710	3,411	-	-	1,855	-	-	-
B-	4,665	-	3,568	-	-	1,097	-	-	-
CCC+	3,927	-	-	-	-	3,927	-	-	-
CCC	10,541	1,742	-	-	-	8,799	-	-	-
CC	4,079	-	-	-	-	4,079	-	-	-
D	3,360	846	-	-	-	2,514	-	-	-
NA	203,968	-	-	185,758	-	-	-	-	18,210
NR	68,536	1,686	22,338	-	6,981	716	20,904	15,911	-
Total	$1,073,081	$125,041	$333,494	$201,022	$16,645	$75,018	$110,895	$192,756	$18,210

(Dollar Amounts Expressed in Thousands)

Fixed Income
As of June 30, 2011

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	$356,546	$42,659	$2,920	$29,993	$14,603	$47,136	$80,637	$138,598	$ -
AA+	12,086	3,153	8,776	-	-	157	-	-	-
AA	12,214	4,536	5,808	-	-	1,870	-	-	-
AA-	9,448	2,897	5,710	-	-	841	-	-	-
A+	55,434	38,763	16,671	-	-	-	-	-	-
A	64,542	16,993	45,907	-	-	1,642	-	-	-
A-	53,485	11,055	42,430	-	-	-	-	-	-
BBB+	37,952	3,349	34,603	-	-	-	-	-	-
BBB	61,131	2,376	58,755	-	-	-	-	-	-
BBB-	55,036	-	54,447	-	-	589	-	-	-
BB+	17,259	-	16,579	-	-	680	-	-	-
BB	16,546	1,103	15,397	-	-	46	-	-	-
BB-	10,577	-	10,005	-	-	572	-	-	-
B+	10,434	-	8,056	-	-	2,378	-	-	-
B	4,703	443	4,260	-	-	-	-	-	-
B-	8,348	168	3,999	-	-	4,181	-	-	-
CCC+	4,376	-	-	-	-	4,376	-	-	-
CCC	15,389	2,308	-	-	-	13,081	-	-	-
CCC-	7	7	-	-	-	-	-	-	-
CC	3,076	-	-	-	-	3,076	-	-	-
D	1,023	18	-	-	-	1,005	-	-	-
NA	140,117	712	-	110,958	-	-	-	-	28,447
NR	103,970	13,776	20,355	-	9,173	24,502	19,955	16,209	-
Total	$1,053,699	$144,316	$354,678	$140,951	$23,776	$106,132	$100,592	$154,807	$28,447

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.

Securities Lending Collateral Credit Risk

All of the cash collateral received for securities lending is invested in the Quality D Short-Term Investment Fund managed by State Street, 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, 2012, since the System held collateral from borrowers greater than the amounts borrowed, the System had minimal credit risk exposure to the borrowers.

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.

(Dollar Amounts Expressed in Thousands)

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, 2012

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset-Backed Securities	$52,449	4.83	3.25	1.58
Collateralized Mortgage-Backed Securities	72,592	3.91	3.10	0.81
Credit Obligations				
Commingled Fund	21,720	NA	NA	NA
Corporate Bonds	296,937	5.70	6.77	(1.07)
Private Placement	672	NA	NA	NA
Yankees	14,165	7.07	6.07	1.00
U.S. Government & Agency Obligations				
Agency Securities	15,264	4.24	3.26	0.98
U.S. Treasury	185,758	7.51	5.53	1.98
International Government	16,645	4.15	NA	NA
Collateralized Mortgage Obligations	75,018	3.11	NA	NA
Mortgage Pass-Through				
FHLMC	110,895	2.52	2.06	0.46
FNMA	192,756	3.08	2.14	0.94
GNMA	18,210	7.82	2.25	5.57
Total Fair Value with Weighted Average Duration	$1,073,081	7.24	4.61	2.63

Long-Term Fixed Income Investments Duration
As of June 30, 2011

Type of Securities	Fair Value	Effective Duration	Benchmark Duration	Difference
Securitized Obligations				
Asset-Backed Securities	$43,933	7.75	3.21	4.54
Collateralized Mortgage-Backed Securities	100,383	3.97	3.53	0.44
Credit Obligations				
Commingled Fund	19,159	NA	NA	NA
Corporate Bonds	325,349	5.47	6.17	(0.70)
Municipal Bonds	5,705	8.24	9.47	(1.23)
Private Placement	794	23.28	NA	NA
Yankees	3,671	6.00	5.50	0.50
U.S. Government & Agency Obligations				
Agency Securities	29,993	3.55	3.02	0.53
U.S. Treasury	110,958	7.03	5.15	1.88
International Government	23,776	5.71	NA	NA
Collateralized Mortgage Obligations	106,132	5.76	NA	NA
Mortgage Pass-Through				
FHLMC	100,592	5.08	4.00	1.08
FNMA	154,807	4.74	4.02	0.72
GNMA	28,447	5.38	4.28	1.10
Total Fair Value with Weighted Average Duration	$1,053,699	5.48	4.86	0.62

Securities Lending Collateral Interest Rate Risk

Cash collateral from loans of securities is invested in the State Street Quality D Short-Term Investment Fund. 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, 2012 and 2011, the weighted average maturity was 36 days and 32 days, respectively.

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, 2012 and 2011, 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 net assets in accordance with GASB Statement No. 25. 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 market value to be invested in any one issuer, and as of June 30, 2012 and 2011, 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.

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, 2012 and 2011, the bank balance of cash and cash equivalents on deposit with SCERS' custodian bank and financial institutions totaled $19,390 and $18,950, respectively, which were fully insured by Federal Depository Insurance Corporation ("FDIC") and were not exposed to custodial credit risk. As of June 30, 2012 and 2011, deposits held in the System's name for the overlay strategy of $24,453 and $5,104, respectively, were not insured or not collateralized, and these deposits were exposed to custodial credit risk. As of June 30, 2012 and 2011, 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.

(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, 2012 and 2011:

As of June 30, 2012

Local Currency Name	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Total
Australian Dollar	$773	$77,928	$11,141	$ -	$89,842
Brazilian Real	-	1,896	-	-	1,896
Canadian Dollar	4,679	69,083	1,334	-	75,096
Danish Krone	-	1,852	-	-	1,852
Euro Currency	4,373	225,500	-	10,046	239,919
Hong Kong Dollar	691	34,487	-	-	35,178
Indian Rupee	-	1,405	-	-	1,405
Indonesian Rupiah	-	1,114	-	-	1,114
Israeli Shekel	7	7,522	-	-	7,529
Japanese Yen	3,038	175,128	-	-	178,166
New Zealand Dollar	-	1,293	6,123	-	7,416
Norwegian Krone	50	8,281	-	-	8,331
Philippine Peso	17	571	-	-	588
Polish Zloty	-	713	-	-	713
Pound Sterling	4,055	243,680	-	-	247,735
Singapore Dollar	-	27,132	-	-	27,132
South African Rand	-	2,416	-	-	2,416
South Korean Won	8	425	-	-	433
Swedish Krona	487	21,728	-	-	22,215
Swiss Franc	73	55,499	-	-	55,572
Thailand Baht	-	463	-	-	463
Turkish Lira	-	992	-	-	992
Total	$18,251	$959,108	$18,598	$10,046	$1,006,003

(Dollar Amounts Expressed in Thousands)

As of June 30, 2011

Local Currency Name	Cash & Cash Equivalents	Equity	Fixed Income	Private Equity	Total
Australian Dollar	$348	$64,005	$9,173	$ -	$73,526
Brazilian Real	1	3,116	-	-	3,117
Canadian Dollar	101	33,819	4,589	-	38,509
Danish Krone	65	7,431	-	-	7,496
Euro Currency	4,616	255,616	-	3,409	263,641
Hong Kong Dollar	204	60,785	-	-	60,989
Indonesian Rupiah	-	2,381	-	-	2,381
Israeli Shekel	6	2,338	-	-	2,344
Japanese Yen	2,401	186,539	-	-	188,940
Malaysian Ringgit	-	393	-	-	393
Mexican Peso	-	894	-	-	894
New Zealand Dollar	-	-	6,459	-	6,459
Norwegian Krone	473	14,170	-	-	14,643
Philippine Peso	17	929	-	-	946
Polish Zloty	-	404	-	-	404
Pound Sterling	341	139,040	3,555	-	142,936
Singapore Dollar	685	20,025	-	-	20,710
South African Rand	27	2,832	-	-	2,859
South Korean Won	-	8,180	-	-	8,180
Swedish Krona	176	13,619	-	-	13,795
Swiss Franc	589	55,766	-	-	56,355
Turkish Lira	-	926	-	-	926
Total	$10,050	$873,208	$23,776	$3,409	$910,443

Foreign currency is comprised of international investment proceeds and income to be repatriated into U.S. dollars and funds available to purchase international securities. Foreign currency is not held as a form of investment. Foreign currency is held temporarily in foreign accounts until it is able to be repatriated or expended. The System does not have a foreign currency risk policy.

Highly-Sensitive Investments

As of June 30, 2012 and 2011, SCERS' investments included Collateralized Mortgage Obligations and Mortgage Pass-Through securities totaling $396,880 and $389,978, 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 Opportunities 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 the price risk by forward-selling commodities at lower prices relative to spot prices to investors and speculators generating a roll yield (backwardation). 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.

(Dollar Amounts Expressed in Thousands)

As of June 30, 2012 and 2011, total commodities investments were $111.1 million and $125.3 million, respectively. The investments consist of commodity futures hedge fund-of-funds, a commodity index fund, and a commodity futures strategic fund which are shown on page 41.

Derivatives

The System's investment policy allows investment managers to use derivative instruments for certain purposes and within certain parameters. Such instruments include currency forward contracts, currency futures, floater/inverse floater debt instruments, interest-only and principal-only notes, and exchange traded financial futures and options. 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. As of June 30, 2012 and 2011, 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 Assets.

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, 2012 and 2011:

Investment Derivatives Instruments	Net Appreciation/ (Depreciation) in Fair Value of Investments through June 30, 2012	Fair Value at June 30, 2012 Classification	Fair Value at June 30, 2012 Amount	Notional
Futures (domestic and foreign)	$38,674		$ -	$190,066
Foreign currency forwards	(6,739)	Accrued investment income receivables	(4,116)	$278,171
Rights	70	Common and preferred stock - international	1	325 shares
Warrants	(19)	Common and preferred stock - domestic	-	-
Total Derivative Instruments	$31,986		$(4,115)	

Investment Derivatives Instruments	Net Appreciation/ (Depreciation) in Fair Value of Investments through June 30, 2011	Fair Value at June 30, 2011 Classification	Fair Value at June 30, 2011 Amount	Notional
Futures (domestic and foreign)	$70,696		$ -	$837,252
Foreign currency forwards	2,029	Accrued investment income receivables	72	$52,832
Rights	1,442	Common and preferred stock - international	6	3,000 shares
Warrants	17	Common and preferred stock - domestic	111	21,000 shares
Total Derivative Instruments	$74,184		$189	

(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, 2012 or 2011 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, 2012 and 2011.

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, 2012 and 2011:

June 30, 2012

S&P Ratings	Foreign Currency Forwards
AA-	$69
A+	198
A	119
Subtotal Investments in Asset Position	386
Investments in Liability Position	(4,502)
Total Investments in Asset/(Liability) Position	$(4,116)

June 30, 2011

S&P Ratings	Foreign Currency Forwards
AA	$6
AA-	15
A+	360
Subtotal Investments in Asset Position	381
Investments in Liability Position	(309)
Total Investments in Asset/(Liability) Position	$72

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, 2012 and 2011 were $0.4 million and $0.4 million. 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, 2012 and 2011, except that certain investment managers used netting arrangements at their discretion to minimize counterparty risks. The above schedule presents exposure for similar instruments with the same counterparty on a net basis.

At June 30, 2012 and 2011, the System did not have any significant exposure to counterparty credit risk with any single party.

(Dollar Amounts Expressed in Thousands)

Interest Rate Risk
At June 30, 2012 and 2011, the System did not have any exposure to interest rate risk on its derivative investments.

Foreign Currency Risk
At June 30, 2012 and 2011, 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, 2012	Forward Contracts		
Currency Name	Net Receivables	Net Payables	Total Exposure
Australian Dollar	$197	$(1,036)	$(839)
Canadian Dollar	-	(71)	(71)
Danish Krone	(28)	(29)	(57)
Euro Currency	(676)	(734)	(1,410)
Hong Kong Dollar	1	(1)	-
Israeli Shekel	(16)	4	(12)
Japanese Yen	(14)	114	100
New Zealand Dollar	53	(146)	(93)
Norwegian Krone	(17)	(26)	(43)
Pound Sterling	(668)	(316)	(984)
Singapore Dollar	(33)	(42)	(75)
Swedish Krona	(9)	(124)	(133)
Swiss Franc	(258)	(241)	(499)
Total	$(1,468)	$(2,648)	$(4,116)

As of June 30, 2011	Forward Contracts		
Currency Name	Net Receivables	Net Payables	Total Exposure
Australian Dollar	$(6)	$(30)	$(36)
Danish Krone	5	-	5
Euro Currency	159	(26)	133
Hong Kong Dollar	(1)	-	(1)
Israeli Shekel	6	-	6
Japanese Yen	41	22	63
New Zealand Dollar	3	(64)	(61)
Norwegian Krone	5	-	5
Pound Sterling	(174)	2	(172)
Singapore Dollar	2	-	2
Swedish Krona	(4)	-	(4)
Swiss Franc	133	(1)	132
Total	$169	$(97)	$72

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, 2012 and 2011.

(Dollar Amounts Expressed in Thousands)

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 1.85% to 14.12% of annual covered salary 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 15.60% to 63.01% of covered payroll. The required contributions include current service cost and amortization of any unfunded prior service cost over a declining 25-year amortization period, with 23 years remaining as of June 30, 2012.

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, 2012 and 2011 totaled $244,789 and $240,072. Included in this total are employer contributions of $179,099 and $182,921 in fiscal years 2012 and 2011, respectively, of which $162,514 and $166,272 were made by the County of Sacramento. Member contributions were $65,690 and $57,151 in fiscal years 2012 and 2011, respectively. All contributions were made in accordance with actuarially-determined contribution requirements based on the actuarial valuations performed as of June 30, 2010 and 2009. The actuarial valuation performed as of June 30, 2010 utilized a 25-year declining amortization period and a 7.75% assumed investment rate of return while the actuarial valuation performed as of June 30, 2009 utilized a 30-year closed amortization period and a 7.875% assumed investment rate of return.

NOTE 6 – FUNDED STATUS

The System's funded status based on the most recent actuarial valuation as of June 30, 2012 is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	$6,529,895	$7,838,223	$1,308,328	83.3%	$875,672	149.4%

As of June 30, 2012, the unrecognized investment loss totaled $456.0 million and the unfunded actuarial accrued liability ("UAAL") increased to $1,308.3 million from $962.1 million as of June 30, 2011. This increase in UAAL is due to investment returns (after smoothing) lower than the 7.75% investment return assumption and changes in actuarial assumptions offset to some degree by lower than expected salary increases. Unless offset by future investment gains or other favorable experience, the recognition of the $456.0 million investment losses over the next six years is expected to have a significant impact on the System's future funded ratio and the aggregate employer contributions.

Disclosure of Information about Actuarial Methods and Assumptions

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

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

(Dollar Amounts Expressed in Thousands)

Actuarial Methods and Assumptions:

The following significant actuarial assumptions were utilized as part of the actuarial valuation dated June 30, 2012:

Actuarial cost method:	Entry age normal cost method
Amortization method:	Level percent of payroll for total unfunded liability
Remaining amortization period*:	Declining 25-year amortization period with 23 years remaining as of June 30, 2012 for all UAAL. The UAAL established as a result of the Early Retirement Incentive Program for the Sacramento County Law Enforcement Managers Association ("LEMA") members is amortized over a 10-year period, beginning June 30, 2010.
Asset valuation method**:	7-year smoothed fair value
Investment rate of return***:	7.50%
Inflation rate****:	3.25%
Real across-the-board salary increase:	0.25%
Miscellaneous projected salary increases*****:	4.89% to 11.30%
Safety projected salary increases*****:	3.50% to 9.51%

Assumed post-retirement benefit increase:

Miscellaneous Tier 1	3.40%
Miscellaneous Tier 2	0.00%
Miscellaneous Tier 3	2.00%
Miscellaneous Tier 4	2.00%
Safety Tier 1	3.40%
Safety Tier 2	2.00%
Safety Tier 3	2.00%

*Prior to June 30, 2010 valuation, the UAAL was amortized over a 30-year closed amortization period, with 24 years remaining as of June 30, 2009.

**The market value of assets plus (or minus) net unrecognized returns (or losses). Unrecognized returns (or losses) are equal to the difference between actual and expected returns on a market value basis. Unrecognized returns established prior to July 1, 2008 are recognized over a five-year period. Unrecognized returns established after July 1, 2008 are recognized over a seven-year period. The actuarial value is further adjusted, if necessary, to be within 30% of the market value.

***June 30, 2011 and 2010 valuation utilized a 7.75% investment rate of return.

****June 30, 2011 and 2010 valuation utilized a 3.50% inflation rate.

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

NOTE 7 - PLAN TERMINATION

California Government Code Section 31483 allows the governing body of the County, Superior Court or Special District, through the adoption of an ordinance or resolution, to terminate the applicability of the plan to employees of the County, Superior Court, or Special District whose services commence after a given future date.

NOTE 8 – 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.

(Dollar Amounts Expressed in Thousands)

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.

Retiree health care benefit designations include transfers made by the System from unallocated earnings in prior years to provide funding for a non-vested health and dental insurance premium offset for retirees. Funding of and payments for the retiree health care premium offsets were made in accordance with section 401(h) of the Internal Revenue Code. Effective July 1, 2004, funding for health care premium offsets for retirees has been provided solely from general revenues by those employers who have elected to continue the payments for their members.

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

Smoothed actuarial value of assets. Investment gains and losses prior to July 1, 2008 are recognized (smoothed) over a five-year period. Investment gains and losses after July 1, 2008 are recognized (smoothed) over a seven-year period. As of June 30, 2012 and 2011, total allocated reserves were $6,529,895 and $6,420,824, respectively.

Market stabilization reserve represents the difference between the smoothed actuarial value of assets and the net assets available for benefits at fair value.

A summary of the various reserve accounts, which comprise of net assets available for pension benefits at June 30, 2012 and 2011, is as follows:

NET ASSETS AVAILABLE FOR BENEFITS AT FAIR VALUE
As of June 30

	2012	2011
Employee Reserves	$674,006	$655,798
Employer Reserves	2,358,852	2,339,365
Retiree Reserves	3,482,412	3,333,263
Retiree Death Benefit Reserves	14,624	14,708
Retiree Health Care Benefit Designations	-	699
Contingency Reserve	-	76,991
Total allocated reserves and designations	6,529,894	6,420,824
Market Stabilization Reserve	(455,968)	(280,180)
Net assets available for benefits, at fair value	$6,073,926	$6,140,644

(Dollar Amounts Expressed in Thousands)

NOTE 9 – MORTGAGES PAYABLE

The System has real estate investments secured by long-term mortgage obligations which are recourse loans. Activities related to such mortgages were as follows for the years ended June 30:

	2012	2011
Beginning Balance	$137,694	$115,596
Additions	27,000	44,350
Deductions	(29,947)	(22,252)
Ending Balance	$134,747	$137,694

Future debt service requirements for outstanding mortgages are as follows:

Year Ending June 30	Interest	Principal	Total
2013	$5,238	$20,153	$25,391
2014	4,386	162	4,548
2015	4,020	37,982	42,002
2016	1,690	62,950	64,640
2017	546	-	546
2018 - 2022	591	13,500	14,091
Total	$16,471	$134,747	$151,218

NOTE 10 – LEASE OBLIGATIONS

SCERS has commitments under operating lease agreements for office facilities and equipment. Minimum future rental payments as of June 30, 2012 were as follows:

Year Ending June 30:	
2013	$536
2014	538
2015	546
2016	556
2017	567
2018-2021	2,266
Total	$5,009

Rental costs during the years ended June 30, 2012 and 2011 were $525 and $522, respectively.

NOTE 11 – SUBSEQUENT EVENTS

Accounting Pronouncements

In June 2012, GASB approved Statement No. 67, *Financial Reporting for Pension Plans – An Amendment of GASB Statement No. 25*, and Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. Statement No. 67 addresses reporting by pension plans that administer benefits for governments and is effective for financial statements for periods beginning after June 15, 2013. Statement No. 68, which primarily relates to reporting by governments that provide pensions to their employees, is effective for fiscal years beginning after June 15, 2014. These standards were subsequently published in August 2012.

Significant provisions of the standards that will either directly or indirectly impact the System are as follows:

- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the interest rate on a tax-exempt 20-year AA/Aa or higher rated municipal bond index to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six attribution methods.
- Requiring more extensive note disclosures and required supplementary information.
- Requiring the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year required supplementary information schedules.

Pension Reform

Assembly Bill 340 California Public Employees' Pension Reformed Act of 2013 was passed in mid September 2012 and will be in effect beginning January 1, 2013. Major portions of the law impact only California Public Employees' Retirement System ("CalPERS") and California State Teachers' Retirement System ("CalSTRS"). Other provisions apply to all public employee retirement systems in the state, including systems like SCERS that operate under the County Employees Retirement Law of 1937. SCERS staff and legal counsel have continued to study the bill to fully assess all the impacts on our active and retired members as well as participating employers and will implement those applicable provisions effective January 1, 2013.

Schedule I - Schedule of funding progress (Dollar amounts expressed in thousands):

A six-year schedule of the funding progress of the System is presented herewith as required supplementary information. This information is intended to help users assess the System's funding status on an ongoing basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other public employee retirement systems.

Actuarial Valuation Date June 30	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	Unfunded AAL as a Percentage of Covered Payroll ((b-a)/c)
2007	$5,406,461	$5,788,336	$381,875	93.4%	$832,484	45.9%
2008	5,930,758	6,363,355	432,597	93.2	902,971	47.9
2009	5,730,215	6,661,993	931,778	86.0	968,130	96.2
2010*	6,216,994	7,090,497	873,503	87.7	912,644	95.7
2011	6,420,824	7,382,897	962,073	87.0	880,766	109.2
2012	6,529,895	7,838,223	1,308,328	83.3	875,672	149.4

The funded ratio compares the actuarial value of assets to the actuarial accrued liabilities of the plan as calculated under GASB requirements. High ratios indicate a well-funded plan that is well positioned to pay benefits when they are due. Lower ratios may indicate recent changes to benefit structures, funding of the plan below actuarial requirements, poor asset performance, or a variety of other changes.

The UAAL increased from $962.1 million as of June 30, 2011 to $1.308 billion as of June 30, 2012. The funded ratio decreased from 87.0% to 83.3%. The increase in UAAL is mainly due to investment returns (after smoothing) lower than the 7.75% investment return assumption and changes in actuarial assumptions offset to some degree by lower than expected salary increases during 2011-2012.

Events affecting year to year comparability:

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 decreased from 3.40% to 3.25%.

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

Schedule II - Schedule of employer contributions (Dollar amounts expressed in thousands):

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2007	$156,805	100.0%
2008	167,054	100.0
2009	177,011	100.0
2010	167,142	100.0
2011	182,921	100.0
2012	179,099	100.0

To calculate the required contribution, assumptions are made about future events that effect the amount and timing of benefits to be paid and assets to be accumulated. Each year actual experience is measured against the assumptions. If overall experience is more favorable than anticipated (an actuarial gain), the contribution requirement will decrease from the previous year. On the other hand, the contribution requirement will increase if overall actuarial experience is less favorable than expected. If assumptions are changed, the contribution requirements are adjusted to take into account a change in experience anticipated for all future years.

Other Supplemental Information

FOR THE YEARS ENDED JUNE 30

(Dollar Amounts Expressed in Thousands)

Schedule I - Schedule of administrative expenses:

Type of expense:	2012	2011
Salaries and benefits	$3,530	$3,755
Professional fees	1,146	1,137
Equipment purchases and maintenance	44	35
Rent and lease expense	458	444
Depreciation expense	37	17
Other administrative expenses	1,073	1,183
Total administrative expenses	$6,288	$6,571

Schedule II - Schedule of investment fees and expenses:

Type of investment expense:	2012	2011
Domestic equity managers	$6,622	$6,763
International equity managers	4,845	5,306
Fixed income managers	1,796	1,773
Hedge fund managers	2,943	2,649
Real estate managers	4,800	4,618
Strategic cash overlay managers	473	374
Opportunity portfolio managers	1,933	1,979
Private equity managers	2,970	2,269
Custodian fees	493	494
Investment consulting fees	750	484
Other investment expenses and fees	1,686	1,650
Total investment fees and expenses	$29,311	$28,359

Schedule III - Schedule of payments to consultants:

Type of service:	2012	2011
Legal services	$1,282	$1,231
Actuarial services	102	130
Medical consulting services	345	161
Audit and consulting services	57	114
Total payments to consultants	$1,786	$1,636

Statements of Changes in Assets and Liabilities

AGENCY FUND

FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

(Dollar Amounts Expressed in Thousands)

Assets	2012	2011
Beginning accounts receivable balance	$30	$28
Additions	34,348	36,339
Deductions	(34,316)	(36,337)
Ending accounts receivable balance	$62	$30

Liabilities		
Beginning accounts payable balance	$30	$28
Additions	34,348	36,339
Deductions	(34,316)	(36,337)
Ending accounts payable balance	$62	$30

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INVESTMENT SECTION

Introduction

During the fiscal year ended June 30, 2012, performance across the global markets was mixed and volatile, ending the rise in asset values over the previous two fiscal years. Unlike the past two years, differences across countries in regards to fiscal and monetary policy began to drive performance divergences across regions and asset classes. Accordingly, the markets ebbed and flowed from quarter to quarter throughout the fiscal year, and yet U.S. stocks ended the year relatively flat.

Despite the unprecedented fiscal and monetary stimulus of the past two years, the U.S. economy continued to experience one of the slowest historic economic recoveries exiting a recession, which produced at times a confusing amalgamation of positive and negative economic data. However, as fiscal stimulus faded and economic data turned mixed, the Federal Reserve ("Fed") acted swiftly to assuage markets by continuing to implement quantitative easing measures designed to lower long-term interest rates such as implementing and expanding 'Operation Twist' and by communicating that the Fed intends to keep interest rates low until mid-2014. Subsequent to the fiscal year ended June 30, 2012, the Fed took additional actions including: (1) Initiating 'QE3' to purchase $40 billion of mortgage-backed securities each month and lower mortgage rates until the labor markets improve; (2) Communicating that the Fed intends to keep interest rates low until mid-2015; and, (3) Taking a further step in communicating that the Fed will employ additional policy tools if employment rates don't improve significantly. As a result, low mortgage rates have helped the U.S. housing market to avert a 'double dip', leading to increased demand and prices for residential housing through the year.

Interest rates, including yields on the 10-year and 30-year Treasury bonds, declined significantly and the yield curve flattened during the fiscal year in reaction to Fed policy, mixed U.S. economic data and European woes. As rates marked new lows, the appetite for yield product waned. Accordingly, with the exception of corporate investment grade bonds, spreads widened, reflecting reduced demand for spread products including a decrease in value for securities such as mortgage-backed securities, emerging market debt, and high-yield debt. Despite the liquidity provided by the Fed's actions, inflation rates remained broadly in check with core Consumer Price Index ("CPI"), which strips out volatile food and energy prices, up 2.2% (and near the informal 2% target of the Fed).

While the European Union ("EU") and European Central Bank ("ECB") were unified in taking major steps to avert a financial crisis, the countries within the EU continued to be divided on the details of fiscal and monetary policy. Ultimately, this led to limited aid and austerity measures for troubled countries such as Spain, Italy and Greece and sent the region into a recession, adding to unemployment levels. One of the most significant actions of the ECB was the creation of 'Outright Monetary Transactions', a program designed to purchase unlimited amounts of short-term sovereign debt of distressed governments from Eurozone members with the goal of stabilizing the EU and preventing a costly breakup. Europe's recession caused a spillover effect in slowing the robust growth of emerging market economies and led to poor performance in both developed international stocks and emerging market stocks.

As investors consider the future, opposing forces create an uncertain outlook for asset prices. On a positive note, the U.S. continues to slowly grow, interest rates are near lows in developed nations, inflation is in check and there continues to be a coordinated and unprecedented level of monetary stimulus globally. On the other hand, the U.S. and most developed nations need to solve fiscal imbalances and develop plans to reduce high levels of sovereign debt; Europe is still far from developing the appropriate policies to end their recession and create growth; and, emerging markets such as China are slowing in lock-step with developed countries.

During the fiscal year, SCERS completed an asset/liability management study ("ALM"), establishing a new long-term asset allocation mix. The allocation mix drives the overall direction of SCERS' portfolio, and research shows that approximately 90% of returns can be attributed to this decision. The asset allocation targets are not tactical, but rather are long-term in nature and thus this study is typically conducted once every 3-5 years (SCERS last conducted an ALM study in 2007).

A significant part of the 2011 asset/liability study focused 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). To that end, potential asset allocation mixes were compared for optimal results relative to a variety of risk measures including:

- Volatility or standard deviation
- Risk factor exposures
- Performance in different economic environments
- Stress tests
- Cash flow analysis

This analysis led to the following enhancements in the asset allocation mix:

- Increased alternative assets to reduce risk of total portfolio
- Established a real assets class to hedge inflation risks, generate income and diversify the portfolio
- Revised approach/role for opportunities asset class
- Reduced equity risk exposure
- Improved performance in other economic environments and 'stress case' scenarios
- Increased expected returns with similar volatility (standard deviation)

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. By removing areas of overlap, SCERS will benefit from an increased level of diversification in the restructuring of asset classes such as hedge funds and real assets and redefining and reclassifying some sub asset classes. As a result of this analysis, REITs were moved to the Equity asset class, Value-add Real Estate was moved to the Opportunities asset class, a Real Assets asset class was created to include core real estate, private real assets, commodities and TIPS, and Hedge Funds were diversified to include multiple investment strategies.

The process of transitioning SCERS' portfolio to the new target asset allocation began during the fiscal year, but the majority of changes will likely occur over the following fiscal years. As a result, investment sections in the current CAFR have not been changed, but will be modified in future years to mirror the changes in the asset allocation.

The asset allocation changes are summarized in the table below:

Asset Class	Old Target Allocation	New Target Allocation
Equities		
U.S. Large Cap	24.0%	18.2%
U.S. Small Cap	6.0%	3.2%
International Large Cap	13.0%	10.4%
International Small Cap	2.0%	2.3%
ACWI Manager	0.0%	4.5%
Emerging Markets	5.0%	4.3%
REITs - U.S.	2.0%	1.1%
REITs - International	1.0%	1.1%
Equities Total	**53.0%**	**45.0%**
Fixed Income		
Domestic Fixed Income	20.0%	20.0%
Fixed Income Total	**20.0%**	**20.0%**
Private Equity	**5.0%**	**10.0%**
Real Assets		
Core Private Real Estate	9.0%	7.0%
Commodities	2.0%	2.0%
TIPs, ILBs	0.0%	0.0%
Inflation linked	0.0%	6.0%
Real Assets Total	**11.0%**	**15.0%**
Hedge Fund		
Diversified Hedge Fund	NA	10.0%
Hedge Fund of Fund	5.0%	0.0%
Hedge Fund Total	**5.0%**	**10.0%**
Opportunities		
Tactical opportunities which can fall in any asset class	3.0%	0.0%
Value Add Real Estate	3.0%	0.0%
Opportunities Total	**6.0%**	**0.0%**

SCERS' investment performance for the fiscal year ended June 30, 2012 was mixed, reflecting the differences in performance outlined above between countries and by asset classes. Fixed income and real estate performed well during the fiscal year, while the most significant detractor of performance was a large decline in international equities, including emerging markets. For the period, SCERS' total fund return was 0.5%, gross of investment management fees and 0.2%, net of investment management fees. The gross return for the fiscal year was 1.0% below SCERS' policy weighted benchmark return of 1.5%, and was below the actuarial return objective of 7.75%. Over the trailing five-year period, SCERS' gross annualized investment return was 0.8%. This five-year annualized return was below the actuarial return objective of 7.75% and SCERS' policy benchmark return of 1.8%.

During the fiscal year, educational sessions were provided by SCERS' staff, investment consultant and various investment managers to assist the Board in making decisions regarding new asset classes and possible new investment strategies. The educational sessions included presentations regarding: (1) Long-term asset allocation structure and twelve month investment plans for hedge funds, private equity, real assets and opportunities; (2) Asset/liability study and asset allocation; (3) Manager structure for domestic and international equities; (4) Updates on the macroeconomic environment and the long-term implications for assets; (5) Counterparty risk; and, (6) Analysis on foreign exchange trading activities.

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.

General Information

SCERS chooses external investment managers to invest the System's assets. As of June 30, 2012, there were twenty-one separate account portfolios, one domestic equity commingled fund, one international equity closed-end mutual fund, one international equity partnership, six hedge fund partnerships, two commodity fund partnerships, five real estate funds, four private equity fund-of-funds partnerships, seven private equity fund partnerships, two opportunistic credit partnerships, a real asset strategy commingled fund and a strategic cash overlay program. The Board uses the services of SIS as a general consultant and Cliffwater, LLC as an alternative assets consultant to assist in developing the investment policy, prepare asset/liability studies, advise on the asset allocation, help conduct manager searches and assist in monitoring investment manager performance. SCERS' primary legal services regarding the investment program are provided by outside specialized legal counsel and fiduciary counsel.

During the fiscal year, the Domestic Equity allocation was restructured to: (1) Increase the passive large cap equity allocation; (2) Decrease the number of external managers to benefit from scale and reduce costs; and, (3) Identify investment managers that could enhance risk-adjusted returns in the new structure. Huber Capital Management was hired to manage a domestic large cap value strategy; Eagle Capital Management was hired to manage a domestic large cap core strategy; and, Brown Advisory was hired to manage a domestic large cap growth strategy. Engagements were terminated with LSV Asset Management (domestic large cap value), Pzena Investment Management (domestic large cap value), Intech (domestic large cap growth), Wells Capital (domestic large cap growth), BlackRock (domestic large cap enhanced index), BlackRock (130/30), and UBS Global Asset Management (130/30).

The International Equity allocation was restructured to include a global developed markets strategy and to identify managers that could enhance risk-adjusted returns in the new structure. Lazard Asset Management was hired for a global ex-U.S. large cap strategy investing in both developed and emerging markets and Baring Asset Management was hired for an international equity large cap developed strategy. Engagements were terminated with Capital Guardian (international equity large cap developed) and Invesco (international equity large cap developed).

In Hedge Funds, SCERS took steps to lower risk, enhance returns and lower the cost of the program. This was accomplished in part by transforming SCERS' fund-of-funds relationship with Grosvenor into a strategic partnership with a diversified separate account, SC Absolute Return Fund, LLC. SCERS also established a direct multi-hedge fund strategy program to assist in diversifying SCERS' total fund and lower costs compared to SCERS' prior approach of investing in hedge fund-of-funds managers. Towards this end, SCERS invested in Claren Road Credit Partners, LP; Blue Crest Capital, LP; Och-Ziff Domestic Partners II, LP; Third Point Partners Qualified Fund, LP; and, Elliott Associates, LP. The equity long/short hedge fund-of fund engagement with Blackstone was terminated.

During the fiscal year, SCERS' core real estate advisor disposed of two core properties, including a retail property located in Jacksonville, FL for $11,000,000 and an industrial property located in Duluth, GA for $9,325,000. One loan was refinanced on an apartment property located in Playa del Rey, CA in the amount of $27,000,000.

In Private Equity, SCERS continued implementation of the direct private equity program approved in May 2011. SCERS made five commitments during the fiscal year to Summit Partners Credit Fund, L.P.; Summit Partners Venture Capital Fund III, L.P.; Garrison Opportunities Fund III, L.P.; Accel-KKR Capital Partners III, L.P.; and, New Enterprise Associates 14, L.P. In addition, SCERS continues to meet the capital calls for commitments to four private equity fund-of-funds made in the years ended June 30, 2007, 2008 and 2009. Because of the long investment period for SCERS' private equity commitments, it will take a number of years before most of the current commitments will be called and invested. As a result, this asset class will continue to be well below the ten percent target for the next several years.

In Opportunities, all commitments have been called and the credit funds (Term Asset-Backed-Securities Loan Facility ('TALF') funds, distressed mortgage fund and credit recovery fund) are in the process or have already returned capital. SCERS' investment in Stone Tower Structured Credit Recovery Fund successfully completed its investments, returning both capital and profits to SCERS.

SCERS' custodial bank is State Street California, Inc ("State Street"). In addition to custodial services (including performance measurement), State Street provides securities lending services to SCERS and, through State Street Global Markets, administers an overlay program and a commission recapture program. For the fiscal year ended June 30, 2012, SCERS earned a net income of $2.7 million from securities lending and received recapture income of $0.1 million. SCERS does not use directed-brokerage or soft-dollar commissions to purchase any services.

SCERS Investment Objectives

SCERS' investment objectives are set forth in the Board's Investment Policy and Objectives ("Investment Policy"). 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 7.50% 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. Such circumstances may change over time.

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

Create Reasonable Pension Investments Relative to Other Pension Funds - SCERS' pension investment program must operate in compliance with all applicable State and Federal laws and regulations concerning the investment of pension assets. SCERS judges its selection of investment vehicles and policies against 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 at least every five years.

Summary of 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, 2012, all 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 Asset Allocation

The Board develops the strategic asset allocation primarily with the assistance of the general consultant, SIS. SCERS' alternative assets consultant, Cliffwater, collaborates with SIS and provides assistance on the strategic asset allocation for the alternative assets. The intent of the asset allocation policy is to ensure the diversification of investments in a manner that achieves the desired rate of investment return with an acceptable investment risk. The actual and policy allocation for each asset class is shown in the pie chart in the materials that follow. SCERS adjusts its long-term capital market assumptions as appropriate each year. The capital market assumptions included in the Investment Policy are estimated to give SCERS an 8.0% annualized total rate of return over the next ten years with a standard deviation of returns of 13.4%. SCERS utilizes active investment management to achieve the target earnings rate. The asset allocation is broadly diversified between asset classes as well as within each class in a manner that ensures consistent long-term performance in line with the policy objectives.

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' total investment return for the fiscal year ended June 30, 2012, gross of manager fees, was 0.5%. SCERS' policy-weighted benchmark return for the fiscal year was 1.5%.

SCERS also compares its performance against the performance of 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 State Street/ICC Universe of public funds with assets of greater than one billion dollars had a return of 0.9%. SCERS ranked at the 71st percentile.

Domestic Equity is SCERS' largest investment asset class. For the fiscal year, SCERS' total domestic equity return was 1.8%, gross of fees. The return was below the benchmark Russell 3000 Index return of 3.8%, by 2.0%. For the three-year period, SCERS' domestic equity annualized return was 16.8%, gross of fees, compared to the Russell 3000 Index benchmark return of 16.7%. In the domestic equity segment of the State Street/ICC Universe, SCERS ranked at the 42nd percentile for one year and at the 50th percentile for three years.

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 2.7% return, gross of fees, which was 0.3% below the return of the Russell 1000 Index benchmark. The annualized investment return for large cap equity for three years was 16.5%, gross of fees, which was 0.1% less than the benchmark return of 16.6%. The one-year return for small cap equity investments was (2.8)%, gross of fees. This return was 0.7% below the benchmark Russell 2000 Index return of (2.1)%. For the three-year period, the small cap equity annualized return was 18.1%, gross of fees, which was 0.3% better than the benchmark return of 17.8%.

International Equity returned (16.0)% for the fiscal year, gross of fees. This was 1.8% below the benchmark MSCI EAFE Net Dividend Index return of (14.2)%. Annualized performance for the three-year period of 6.5%, gross of fees, was 0.9% better than the benchmark return of 7.4%. In the international equity segment of the State Street/ICC Universe, SCERS ranked at the 85th percentile for one year and at the 72nd percentile for three years.

SCERS' international equity investments are classified into two categories, established markets and emerging markets, determined by country. For the fiscal year, SCERS' established market investments returned (13.9)%, gross of fees, which was 0.5% below the benchmark MSCI EAFE Net Dividend Index return of (13.4)%. Over the trailing three-year period, the established market annualized return was 6.6%, gross of fees, compared to a MSCI EAFE Net Dividend Index return of 6.5%. For the fiscal year, the emerging markets gross of fees return of (21.7)% was below the return of the benchmark MSCI Emerging Markets Free Index return of (15.7)%. For the three-year period, SCERS' annualized return of 6.1%, gross of fees, came in below the benchmark return of 10.1%, by 4.0%.

SCERS' Fixed Income investments had a fiscal year 8.1% return, gross of fees, which was 0.6% above the benchmark Barclays Capital Aggregate Index return of 7.5%. For the three-year period, the fixed income asset class annualized return was 10.8%, gross of fees, compared to the benchmark return of 6.9%. In the fixed income segment of the State Street/ICC Universe, SCERS' Fixed Income return ranked in the 41st percentile for one year and at the 8th percentile for three years.

SCERS' Hedge Fund investments had a fiscal year (2.4)% return, gross of fees. The performance objective for the hedge fund investments is the T-Bill plus five percent, which returned 5.1%. Another comparison measure is the HFRI Fund of Funds Composite Index, which returned (0.9)% for the fiscal year.

The Real Estate asset class had a fiscal year 11.1% return, gross of fees, which was 0.9% below the NCREIF Property Index return of 12.0%. Over three years, the real estate portfolio annualized return was 11.8%, gross of fees, compared to the NCREIF Property Index return of 8.8%. In the real estate segment of the State Street/ICC Universe, SCERS one-year return for the real estate asset class ranked at the 50th percentile and at the 14th percentile for three years. Please note that the returns of the value added real estate sub-asset class are delayed one quarter.

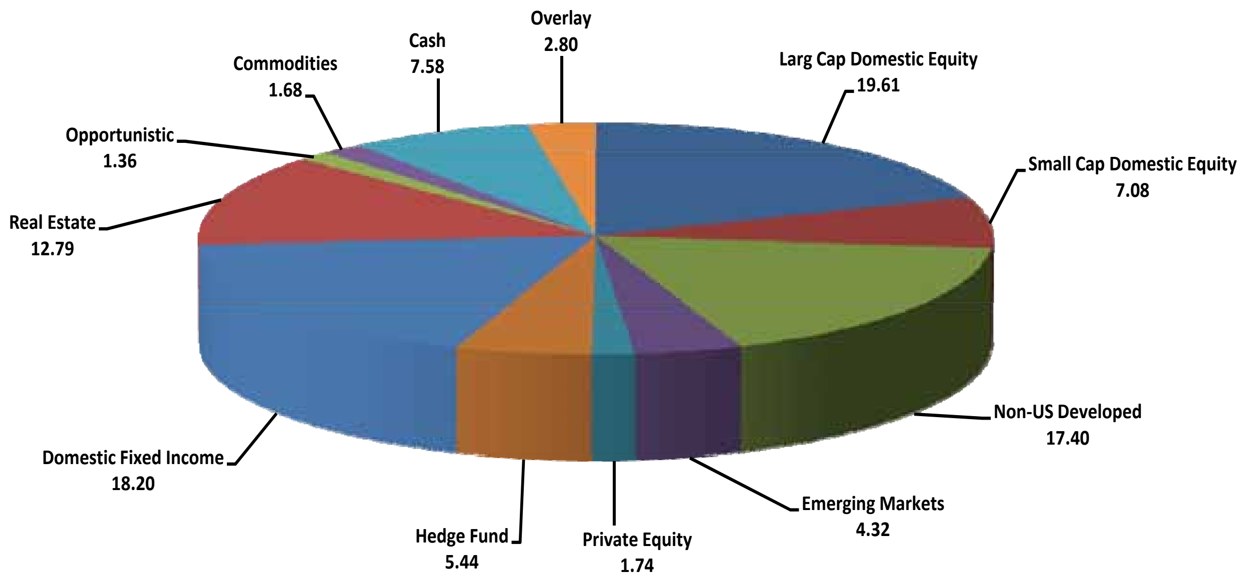
The Private Equity investments had a return of 1.2%, gross of fees, for the fiscal year compared to the 7.5% return of the asset class benchmark, the S&P 500 index plus two percent. The underperformance for SCERS' investments reflects the J-curve effect on the private equity fund-of-fund investments, which are early in their investment cycle with amounts of committed capital still being called and invested. Please note that the returns of the private equity asset class and benchmark are delayed one quarter.

The Opportunities investments are a mix of strategies which currently include investments in credit strategies, commodities investments, and investments in a real asset return strategy. For the fiscal year, the credit markets continued to experience a narrowing of spreads, which translated to strong returns for SCERS' opportunistic credit investments. The returns for individual credit investments ranged from (4.9)% to 23.3%, gross of fees and as a group returned 4.5%, gross of fees. Commodities investments, which are made up of energy, industrial metals, precious metals, agricultural and foods experienced poor returns of (12.3)%, gross of fees, but were 2.0% above the Dow Jones UBS Commodity Index return, which was down (14.3)%. The real asset strategy, which invests in inflation-protecting assets such as global equity resource stocks, commodities, Real Estate Investment Trusts ("REITS") and Treasury Inflation-Protected Securities ("TIPS") returned (0.6)%, gross of fees, for the year. Over time, the Opportunities investment portfolio is expected to diversify SCERS' investment risk by combining investments with a traditionally low correlation to equity investments and adequate returns.

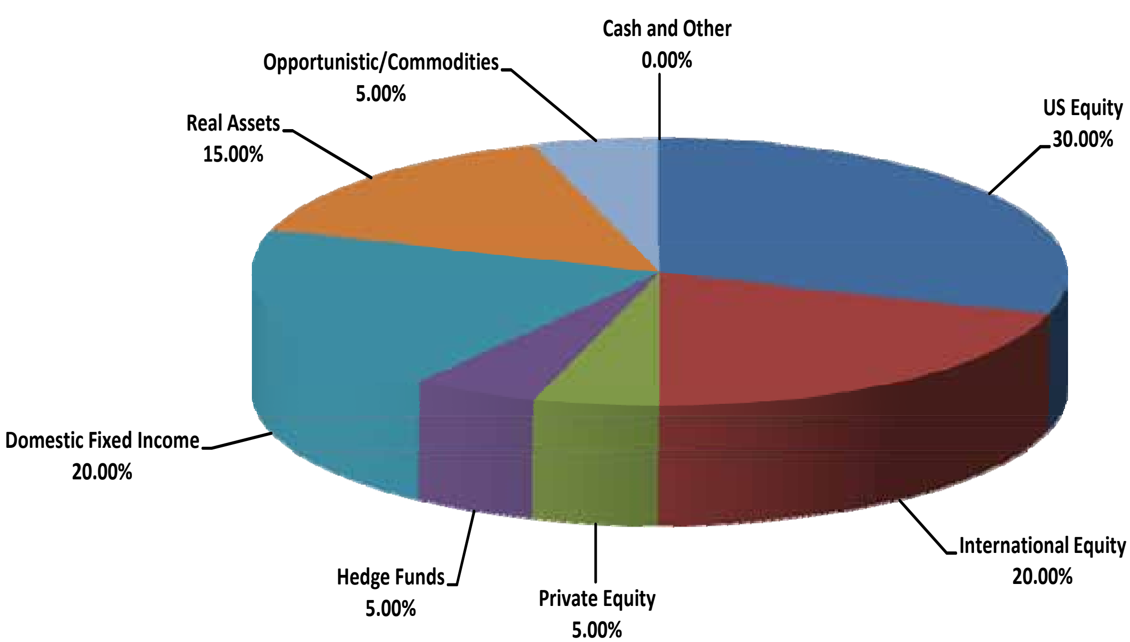
Respectfully submitted,

Scott Chan
Chief Investment Officer

SCERS' Asset Allocation as of June 30, 2012



Target Asset Allocation



The 2012 Actual Asset Allocation is based upon the Investment Summary adjusted to net out $134.7 million in leverage.

Investment Results

	For the Period Ended June 30, 2012		
		Annualized	
	1 Year	3 Years	5 Years
Domestic Equity			
Total Domestic Equity	1.8 %	16.8 %	(0.5)%
MASTU Equity Universe Median	0.8	16.8	1.1
Benchmark: Russell 3000 Index	3.8	16.7	0.4
International Equity			
Total International Equity	(16.0)	6.5	(4.4)
MASTU International Equity Universe Median	(13.0)	8.1	(4.1)
Benchmark: MSCI ACWI ex-US Index	(14.2)	7.4	(4.2)
Fixed Income			
Total Fixed Income	8.1	10.8	8.7
MASTU Fixed Income Universe Median	7.8	8.4	7.3
Benchmark: Barclays Aggregate Index	7.5	6.9	6.8
Equity Hedge Fund of Funds			
Total Hedge Funds	(2.4)	4.6	(0.9)
CS Tremont Hedge Funds Long/Short Equity Index	(0.9)	6.2	1.0
Benchmark: Treasury Bill plus five percent	5.1	5.1	6.0
Real Estate			
Total Real Estate	11.1	11.8	0.1
MASTU Real Estate Universe Median	10.7	5.5	(2.2)
Benchmark: NCREIF Classic Property Index	12.0	8.8	2.5
Opportunistic			
Total Opportunistic	4.5	19.4	N/A
Benchmark: Barclays Aggregate Index	7.5	6.9	N/A
Private Equity			
Total Private Equity*	1.2	4.3	N/A
S&P 500 + 2% 1 Quarter Lag	7.5	18.4	N/A
Commodities			
Total Commodities	(12.3)	6.1	N/A
Benchmark: Dow Jones-UBS Commodity Index TR	(14.3)	3.5	N/A
Total Fund			
Sacramento Total Fund	0.5	11.8	0.8
SIS Public Funds > Billion $ Universe Median	0.9	11.6	1.6
Benchmark: Asset Allocation Weighting**	1.5	11.5	1.8

Notes: Returns were prepared by SCERS investment consultant, and shown on a gross of fee basis and included the overlay effect. Return calculations were prepared using a time weighted rate of return.

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

** The Benchmark consists of 22.5% Russell 3000, 22.5% ACWI ex U.S., 20% Barclays Aggregate, 10% T-Bill plus 5%, 10% Russell 1000 plus 3% and 15% CPI-U Headline plus 5%. From 1/1/2008 to 12/31/11, the Benchmark consisted of 30% Russell 3000 Index, 20% ACWI ex U.S., 20% Barclays Aggregate, 12% NCREIF Property, 3% NAREIT Property, 5% T-Bill plus 5%, 5% Dow Jones UBS Commodities, and 5% S&P 500 plus 2%.

Summary of Investment Assets

As of June 30, 2012
(Dollar Amounts Expressed in Thousands)

Equities	Fair Value	Percentage of Total Cash & Investments
Domestic		
AllianceBernstein L.P. - Large Cap Core Index	$814,516	13.03%
Brown Advisory - Large Cap Growth	72,632	1.16
Dalton, Greiner, Hartman, Maher - Small Cap Value	100,627	1.61
Eagle Capital Management - Large Cap Core	154,395	2.47
Huber Capital Management - Large Cap Value	76,364	1.22
JP Morgan Asset Management - Equity Active Extension (130/30)	69,949	1.12
M.A. Weatherbie - Small Cap Growth	107,073	1.71
Thompson, Siegel & Walmsley - Small Cap Value	51,299	0.82
Turner Investment Partners - Small Cap Growth	108,645	1.74
Wedge Capital Management - Small Cap Value	60,576	0.97
Total Domestic Equity	1,616,076	
International		
Baring Asset Management - International Developed Growth	319,145	5.10
Capital International - Emerging Markets Growth Fund	262,417	4.20
Lazard Asset Management - ACWI ex-US	282,276	4.51
LSV Asset Management - International Developed Value	325,627	5.21
Mondrian Investment Partners - International Developed Small Cap Value	62,753	1.00
William Blair - International Developed Small Cap Growth	68,386	1.09
Transition	111	0.00
Total International Equity	1,320,715	
Hedge Fund of Funds		
BlueCrest Capital, L.P.	29,946	0.48
Claren Road Credit Partners, L.P.	30,260	0.48
Elliott Associates, L.P.	2,456	0.04
Grosvenor Capital Management	2,757	0.04
Och-Ziff Domestic Partners II, L.P.	31,487	0.50
SC Absolute Return Fund, LLC	201,327	3.23
Third Point Partners Qualified, L.P.	24,375	0.39
Total Hedge Fund of Funds	322,608	
Private Equity		
Abbott Capital Private Equity Fund VI, L.P.	17,586	0.28
Garrison Opportunities Fund III, L.P.	710	0.01
Goldman Sachs Private Equity Partners X, L.P.	36,102	0.58
HarbourVest Partners VIII, L.P.	35,783	0.57
HarbourVest Partners International PEP VI, L.P.	6,114	0.10
Khosla Ventures IV Fund, L.P.	2,484	0.04
New Enterprise Associates 14, L.P.	2,181	0.03
Summit Partners Credit Fund, L.P.	5,416	0.09
Summit Partners Venture Capital Fund III, L.P.	310	0.00
Waterland Private Equity Fund V, L.P.	3,959	0.06
Total Private Equity	110,645	
Total Equities	3,370,044	

(continued)

(Dollar Amounts Expressed in Thousands)

Fixed Income	Fair Value	Percentage of Total Cash & Investments
Domestic		
Bradford & Marzec - Core Plus Fixed Income	330,529	5.29
Neuberger Berman - Core Fixed Income	384,317	6.15
TCW/Metropolitan West Asset Management	377,651	6.04
Total Domestic Fixed Income	1,092,497	
International		
Bradford & Marzec - Core Plus Fixed Income	34,576	0.55
Neuberger Berman - Core Fixed Income	6,280	0.10
TCW/Metropolitan West Asset Management	19,229	0.31
Total International Fixed Income	60,085	
Total Fixed Income	1,152,582	
Real Estate		
AEW Value Investors II, L.P.	16,902	0.27
Allegis Value Trust	22,991	0.37
BlackRock Granite Property Fund	48,228	0.77
BlackRock Realty Advisors - Separate Account	318,500	5.09
CBRE Clarion Securities	103,723	1.66
Cornerstone Patriot Fund	74,282	1.19
Cornerstone Realty - Separate Account	168,700	2.70
Hines US Office Value Fund II, L.P.	13,518	0.22
Other Commingled Trusts	7	0.00
Principal Global Investors	65,744	1.05
Urdang Securities Management	72,886	1.17
Total Real Estate	905,481	
Futures Overlay		
State Street Global Advisors	161,607	2.58
Total Futures Overlay	161,607	
Opportunities		
Blackstone Resources Select Offshore Fund	62,650	1.00
Gresham Strategic Commodities Fund	10,077	0.16
Metropolitan West Asset Management TALF	39,558	0.63
PIMCO Distressed Debt Fund	36,976	0.59
State Street Global Advisors - Real Asset Strategy	35,407	0.57
Total Opportunities	184,668	
Total Investments at Fair Value	**5,774,382**	
Cash		
Cash (Unallocated)	454,294	7.27
Other Cash & Cash Equivalents	24,470	0.39
Total Cash & Investments	**6,253,146**	**100.00%**

(continued)

Summary of Investment Assets (Continued)

(Dollar Amounts Expressed in Thousands)

	Fair Value
Other Assets	
Receivables	89,912
Other Assets	3,351
Securities Lending Collateral	538,443
Total Other Assets	631,706
Total Assets	**6,884,852**
Liabilities	
Accounts Payable	31,355
Investment Purchased Payable	105,402
Mortgages Payable	134,747
Warrants Payable	979
Securities Lending Liability	538,443
Total Liabilities	810,926
Net Assets Held in Trust for Pension Benefits	**$6,073,926**

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, 2012

Rank	Shares	Security Name	Fair Value (in thousands)
1	60,449	Apple Inc.	$35,302
2	795,066	Microsoft Corp.	24,321
3	273,070	Exxon Mobile Corp.	23,367
4	246,422	Sanofi	18,682
5	29,007	Google Inc. Class A	16,826
6	207,557	The Coca Cola Co.	16,229
7	192,510	Berkshire Hathaway Inc. Class B	16,042
8	226,227	Walmart Stores Inc.	15,773
9	611,358	Pfizer Inc.	14,061
10	471,209	Oracle Corp.	13,995
Total of Ten Largest Stock Holdings			**$194,598**

A complete list of the stock holdings is available.

Ten Largest Bond Holdings (by Fair Value)

As of June 30, 2012

Rank	Par	Security Name	Interest Rate	Maturity	Fair Value (in thousands)
1	34,676,000	FNMA TBA Jul 30YR Single Fam	4.00%	12/1/2099	$36,903
2	23,542,000	FNMA TBA Jul 15 Single Fam	4.00%	12/1/2099	25,036
3	22,512,000	GNMA I TBA Jul 30 Single Fam	4.50%	12/1/2099	24,612
4	17,915,000	FNMA TBA Jul 30 Single Fam	5.00%	7/1/2041	19,387
5	17,644,000	FHLMC TBA Jul 30 Gold Single	5.50%	12/1/2099	19,174
6	13,865,000	United States Treasury N/B	1.88%	4/30/2014	14,255
7	13,470,000	United States Treasury N/B	1.75%	5/15/2022	13,580
8	10,899,605	FED HM LN PC POOL G06241	4.50%	2/1/2041	12,044
9	10,976,254	FNMA POOL AI1190	4.50%	4/1/2041	12,043
10	10,960,000	United States Treasury N/B	3.13%	2/15/2042	11,772
Total of Ten Largest Bond Holdings					**$188,806**

A complete list of the bond holdings is available.

Schedule of Manager Fees

For the Year Ended June 30, 2012
(Dollar Amounts Expressed in Thousands)

Domestic Equity	
Alliance Bernstein L.P.	$153
BlackRock Inc.	223
BlackRock Financial Management	69
Brown Advisory	71
Dalton, Greiner, Hartman, Maher	771
Eagle Capital Management	389
Huber Capital Management	186
INTECH Investment Strategies	309
JP Morgan Asset Management	496
LSV Asset Management	144
M.A. Weatherbie	853
Pzena Investment Management, LLC	815
Thompson Siegel & Walmsley	485
Turner Investment Partners	450
UBS Global Asset Management	208
Wedge Capital Management	573
Wells Capital Management	427
Total Domestic Equity	6,622
International Equity	
Baring Asset Management	42
Capital Guardian Trust Company	1,707
Capital International	499
INVESCO Institutional, Inc.	947
Lazard Asset Management	25
LSV Asset Management	498
Mondrian Investment Partners	442
William Blair	685
Total International Equity	4,845
Hedge Fund of Funds	
The Blackstone Group, L.P.	730
BlueCrest Capital, L.P.	100
Claren Road Credit Partners, L.P.	248
Elliott Associates, L.P.	9
Grosvenor Capital Management	591
Och-Ziff Domestic Partners II, L.P.	386
SC Absolute Return Fund, LLC	795
Third Point Partners Qualified, L.P.	84
Total Hedge Fund of Funds	2,943

(continued)

(Dollar Amounts Expressed in Thousands)

Private Equity	
Abbott Capital Private Equity Fund VI, L.P.	663
Garrison Opportunities Fund III, L.P.	2
Goldman Sachs Private Equity Partners X, L.P.	751
HarbourVest Partners International PEP VI, L.P.	405
HarbourVest Partners VIII, L.P.	500
Khosla Venture IV Fund, L.P.	200
New Enterprise Associates 14, L.P.	39
Summit Partners Credit Fund, L.P.	138
Waterland Private Equity Fund V, L.P.	272
Total Private Equity	2,970
Fixed Income	
Bradford & Marzec	872
Neuberger Berman	214
TCW/Metropolitan West Asset Management	710
Total Fixed Income	1,796
Real Estate	
AEW Value Investors II, L.P.	186
Allegis Value Trust	154
BlackRock Granite Property Fund	337
BlackRock Realty Advisors - Separate Account	1,201
CBRE Clarion Securities	243
Cornerstone Patriot Fund	662
Cornerstone Realty - Separate Account	909
Hines U.S. Office Value Fund II, L.P.	263
Principal Global Investors	423
Urdang Securities Management	422
Total Real Estate	4,800
Futures Overlay	
State Street Global Advisors	473
Total Futures Overlay	473
Opportunities	
Blackstone Resources Select Offshore Fund	660
Gresham Strategic Commodities Fund	291
PIMCO Distressed Debt Fund	600
State Street Global Advisors - Real Asset Strategy	64
Stone Tower Capital	318
Total Opportunities	1,933
Total Manager Fees	**$26,382**

Investment Professionals

As of June 30, 2012

Equity - Domestic
Alliance Bernstein L.P.
Brown Advisory
Dalton, Greiner, Hartman, Maher & Co. LLC
Eagle Capital Management
Huber Capital Management
JP Morgan Asset Management
M.A. Weatherbie & Co., Inc.
Thompson Siegel & Walmsley LLC
Turner Investments Partners
Wedge Capital Management, LLP

Equity - International
Baring Asset Management
Capital International, Inc.
Lazard Asset Management
LSV Asset Management
Mondrian Investment Partners
William Blair & Co.

Fixed Income
Bradford & Marzec Global Fixed Income Management
Neuberger Berman Fixed Income LLC
TCW/Metropolitan West Asset Management

Hedge Fund of Funds
BlueCrest Capital, L.P.
Claren Road Credit Partners, L.P.
Elliott Associates, L.P.
Grosvenor Capital Management
Och-Ziff Domestic Partners II, L.P.
SC Absolute Return Fund, LLC
Third Point Partners Qualified, L.P.

Private Equity
Abbott Capital Private Equity Fund VI, L.P.
Accel-KKR Capital Partners IV, L.P.
Garrison Opportunities Fund III, L.P.
Goldman Sachs Private Equity Partners X, L.P.
HarbourVest Partners VIII, L.P.
HarbourVest Partners International PEP VI, L.P.
Khosla Ventures IV Fund, L.P.
New Enterprise Associates 14, L.P.
Summit Partners Credit Fund, L.P.
Summit Partners Venture Capital Fund III, L.P.
Waterland Private Equity Fund V, L.P.

Opportunities
Blackstone Resources Select Offshore Fund
Gresham Strategic Commodities Fund
Metropolitan West Asset Management TALF
PIMCO Distressed Debt Fund
State Street Global Advisors - Real Asset Strategy

Real Estate
AEW Value Investors II, L.P.
Allegis Value Trust
BlackRock Granite Property Fund
BlackRock Realty Advisors - Separate Account
CBRE Clarion Securities
Cornerstone Patriot Fund
Cornerstone Realty - Separate Account
Hines US Office Value Fund II, L.P.
Other Commingled Trusts
Principal Global Investors
Urdang Securities Management

Strategic Cash Overlay
State Street Global Advisors

Legal Counsel
Foley & Lardner LLP
Jenner & Block LLP
Nossaman LLP
Paul Hastings LLP
Stroock & Stroock & Lanvan LLP

Investment Consultant
Cliffwater LLC
Strategic Investment Solutions, Inc.

Proxy Advisor
Glass Lewis & Co.
Institutional Shareholder Services

Schedule of Equity Brokerage Commissions

For the Year Ended June 30, 2012

Brokerage Firm	Commission Per Share	Shares/Par Value	Total Commission	Total of Commission
Morgan Stanley Co. Incorporated	$0.008	22,907,026	$185,810	8.31%
Citigroupglobal Markets Inc.	0.003	59,809,521	166,161	7.43
Citigroupglobal Markets Limited	0.003	42,973,018	118,276	5.29
Liquidnet Inc.	0.023	4,645,652	105,271	4.71
Investment Technology Group Inc.	0.031	2,639,025	81,052	3.62
Capital Institutional Svcs Inc. Equities	0.039	1,810,291	71,052	3.18
Deutsche Bank Securities Inc.	0.011	6,404,700	67,525	3.02
Ubs Securities LLC	0.025	2,552,661	63,346	2.83
Credit Suisse Securities (USA) LLC	0.005	12,071,395	60,825	2.72
Convergexexecution Solutions LLC	0.038	1,349,255	51,903	2.32
Goldman Sachs + Co.	0.005	7,775,687	40,259	1.80
Merrill Lynch Pierce Fenner + Smith Inc.	0.018	1,924,723	34,164	1.53
Themis Trading LLC	0.040	798,322	31,933	1.43
RRBC Capital Markets	0.023	1,369,909	31,094	1.39
UBS Securities Asia LTD	0.002	12,995,952	29,800	1.33
J.P. Morgan Securities Inc.	0.030	986,377	29,721	1.33
J.P. Morgan Securities PLC	0.013	2,127,539	27,705	1.24
Merrill Lynch Peirce Fenner And S.	0.003	10,389,641	26,768	1.20
Raymond James And Associates Inc.	0.038	704,651	26,534	1.18
Macquariesecurities Limited	0.001	19,909,091	22,952	1.02
All Other Brokerage Firms*	0.012	82,322,599	964,562	43.12
Total Brokerage Commissions	$0.007	298,467,035	$2,236,713	100.00%
Brokerage Commission Recapture			(81,856)	
Net Brokerage Commissions			**$2,154,857**	

*All other brokerage firms is comprised of approximately 295 additional firms, each receiving less than 1% of total commissions. A complete list of brokerage fees is available.

ACTUARIAL SECTION

SEGAL

THE SEGAL COMPANY
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 F 415.263.8290 www.segalco.com

November 9, 2012

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:

The Segal Company prepared the June 30, 2012 actuarial valuation of the Sacramento County Employees' Retirement System. We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2012 actuarial valuation, The Segal Company (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 five years. Investment gains/losses established before July 1, 2008 have been recognized over a five-year period. Investment gains/losses established after July 1, 2008 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 Normal 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). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.

The UAAL established as a result of the 2010 Early Retirement Incentive Program for the Sacramento County Law Enforcement Managers Association (LEMA) members is amortized as a level percentage of payroll over a 10-year period beginning June 30, 2010. The System's remaining UAAL as of June 30, 2012 is amortized as a level percentage of payroll over a declining 23-year period. The progress being made towards meeting the funding objective through June 30, 2012 is illustrated in the Schedule of Funding Progress.

Board of Retirement
Sacramento County Employees' Retirement System
November 9, 2012
Page 2

For the Financial Section of the Comprehensive Annual Financial Report, Segal provided the Schedule of Funding Progress and Schedule of Employer Contributions as shown in the Required Supplementary Information. A listing of the other supporting schedules Segal prepared for inclusion in the actuarial, statistical, and financial sections of the System's CAFR is provided below:

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, 2010 Experience Analysis or in conjunction with the June 30, 2012 actuarial valuation. It is our opinion that the assumptions used in the June 30, 2012 valuation produce results, which, in the aggregate, reflect 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, 2013.

In the June 30, 2012 valuation, the ratio of the valuation assets to actuarial accrued liabilities decreased from 87.0% to 83.3%. The employer's rate has increased from 22.56% of payroll to 24.99%[1] of payroll, while the employee's rate has increased from 6.17% of payroll to 6.42% of payroll.

In the June 30, 2012 valuation, the actuarial value of assets included $456.0 million in deferred investment losses, which represented about 8% of the market value of assets. If these deferred investment losses were recognized immediately in the actuarial value of assets, the funded percentage would decrease from 83.3% to 77.5% and the aggregate employer contribution rate, expressed as a percent of payroll, would increase from 24.99%[1] to 28.45%[1].

The undersigned are Members of the American Academy of Actuaries and meet the qualification standards 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 Associate Actuary

ST/bqb
Enclosures

[1] *These rates are before adding the impact of an additional 0.72% contribution rate increase anticipated in the next valuation as a result of the two-year phase-in.*

Summary of Actuarial Assumptions and Methods

The following assumptions and methods have been adopted by the Board for the June 30, 2012 valuation on November 8, 2012.

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 and Tier 4 and Safety Tier 2 and Tier 3 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 set back two years For Safety Members - RP-2000 Combined Healthy Mortality Table set back one year
b) Disability	For Miscellaneous Members - RP-2000 Disabled Retiree Mortality Table set forward one year For Safety Members - RP-2000 Combined Healthy Mortality Table set back one year
c) Employee Contribution Rate	For Miscellaneous Members - RP-2000 Combined Healthy Mortality Table set back two years weighted 40% male and 60% female For Safety Members - RP-2000 Combined Healthy Mortality Table set back one year weighted 70% male and 30% female
Pre-Retirement Mortality:	Based upon the 6/30/2010 Experience Analysis
Withdrawal Rates:	Based upon the 6/30/2010 Experience Analysis
Disability Rates:	Based upon the 6/30/2010 Experience Analysis
Service Retirement Rates:	Based upon the 6/30/2010 Experience Analysis
Salary Increases:	Merit and longevity increases are based upon the 6/30/2010 Experience Analysis 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 five years. Unrecognized return is equal to the difference between actual and expected returns on a market value basis and up to June 30, 2008 is recognized over a five-year period. Unrecognized return established after July 1, 2008 is recognized over a seven-year period. The actuarial value is further adjusted, if necessary, to be within 30% of the market value.
Valuation Value of Assets:	Actuarial value of assets reduced by the value of non-valuation reserves and designations.
Actuarial Cost Method:	Entry Age Normal Actuarial Cost Method. Entry Age is the age at the members' hire date. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation. The Normal Cost is calculated on an aggregate basis by taking the Present Value of Future Normal Costs divided by the Present Value of Future Salaries to obtain a normal cost rate. This normal cost rate is then multiplied by the total current salaries. The total Unfunded Actuarial Accrued Liability is amortized over a declining 25 year period with 23 years remaining as of June 30, 2012. The Unfunded Actuarial Accrued Liability established as a result of the Early Retirement Incentive Program for LEMA members is amortized over a 10-year period beginning June 30, 2010.
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 - 50% Safety Members - 60%

Briefly summarized below are the major provisions of the County Employees' Retirement Law of 1937, as amended through June 30, 2012, 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 are members of Tier 4. Safety members entering before June 24, 1995 are Tier 1 members. Safety members entering after June 24, 1995 are Tier 2 members. County Safety employees entering on or after January 1, 2012 are members of Tier 3.

Final Average Salary

Final average salary ("FAS") is defined as the highest 12 consecutive months of compensation earnable for Tier 1 and highest 36 consecutive months for 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

Members with 10 years of service who have attained the age of 50 are eligible to retire. Members with 30 years of service (20 years for Safety), regardless of age, 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 benefit is 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	Safety Tier 1 and 2	Safety Tier 3
50	1.48%	1.18%	3.00%	2.29%
55	1.95%	1.49%	3.00%	3.00%
60	2.44%	1.92%	3.00%	3.00%
62	2.61%	2.09%	3.00%	3.00%
65 and over	2.61%	2.43%	3.00%	3.00%

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 and Tier 4 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.

Cost-of-Living

The maximum increase in retirement allowance is 4% per year for Miscellaneous and Safety Tier I members and 2% for Safety Tier 2, Safety Tier 3, Miscellaneous Tier 3 and Miscellaneous Tier 4 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 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 members. 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 under the Retirement System.

Schedule of Active Member Valuation Data

Valuation Date	Plan Type	Number	Annual Payroll (in thousands)	Annual Average Pay (in thousands)	% Increase in Average Pay*
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%

*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
6/30/2012	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

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)
6/30/2012	$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

*Includes contingency reserve, retiree health benefit reserves, retiree death benefit reserves, and amount over reserved benefits.

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

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)
6/30/2012	$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

Events affecting year to year comparability:

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%.

* 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					
	2012	2011	2010*	2009	2008	2007
Prior Valuation Unfunded Actuarial Liability	$962	$874	$932	$433	$382	$366
Salary Increase Greater (Less) than Expected	(102)	(68)	(110)	42	55	68
Asset Return Less (Greater) than Expected	257	209	3	445	9	(93)
Other Experience	58	(31)	(59)	12	(13)	(15)
Economic and Non-Economic Assumption Changes	133	(22)	108	-	-	56
Ending Unfunded Actuarial Accrued Liability	$1,308	$962	$874	$932	$433	$382

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

New Probabilities of Separation Prior to Retirement

	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	0.02
35	0.06	0.04	0.07	0.04
40	0.10	0.06	0.10	0.06
45	0.13	0.09	0.14	0.10
50	0.19	0.14	0.20	0.16
55	0.29	0.22	0.32	0.24
60	0.53	0.39	0.59	0.44
65	1.00	0.76	1.13	0.86

Note: All Miscellaneous pre-retirement deaths are assumed to be nonservice-connected. For Safety, 25% 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	0.19
35	0.05	0.34
40	0.08	0.49
45	0.16	0.64
50	0.26	0.82
55	0.36	1.68
60	0.61	0.00

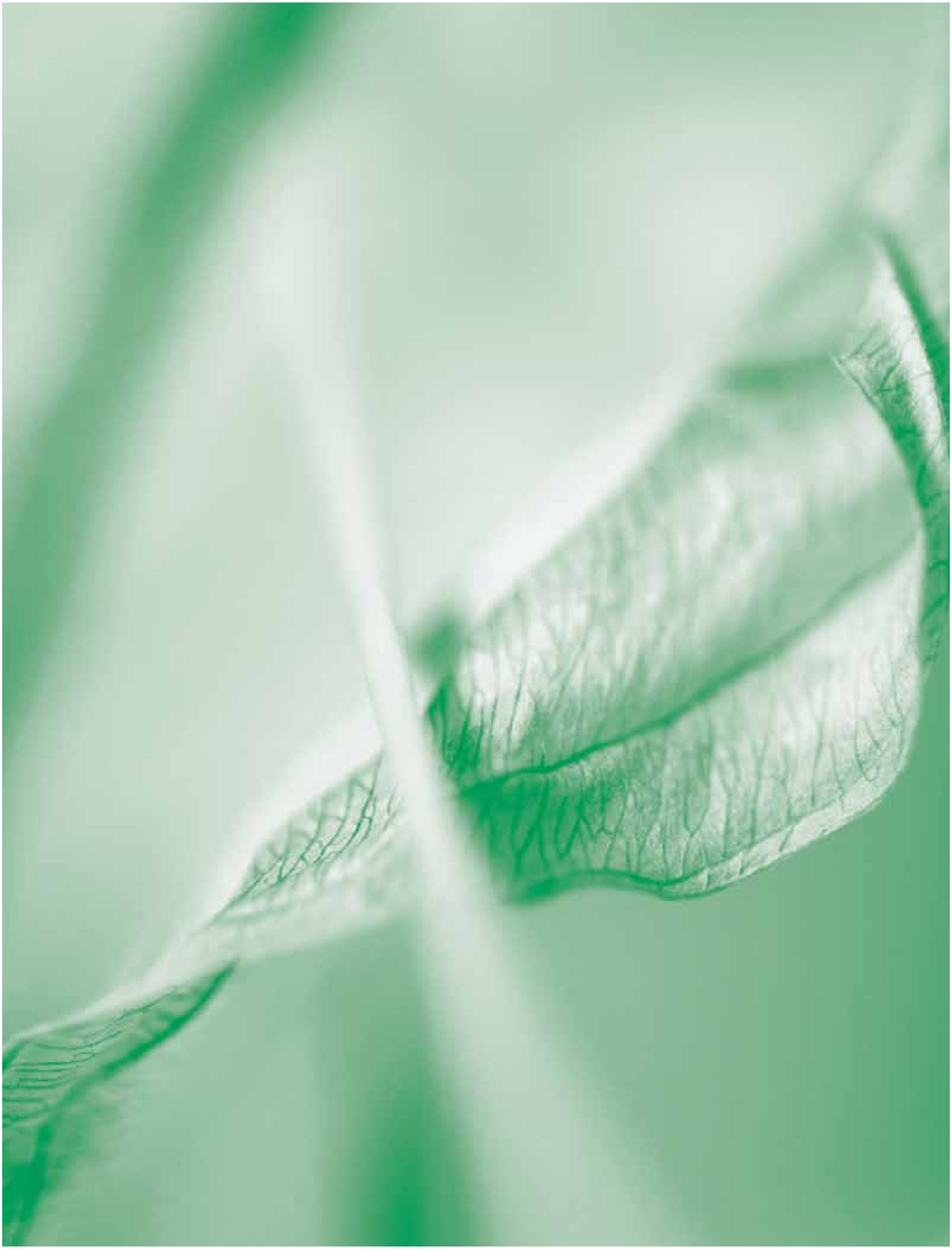
(1) 20% of Miscellaneous disabilities are assumed to be service-connected disabilities. The other 80% are assumed to be nonservice-connected disabilities.

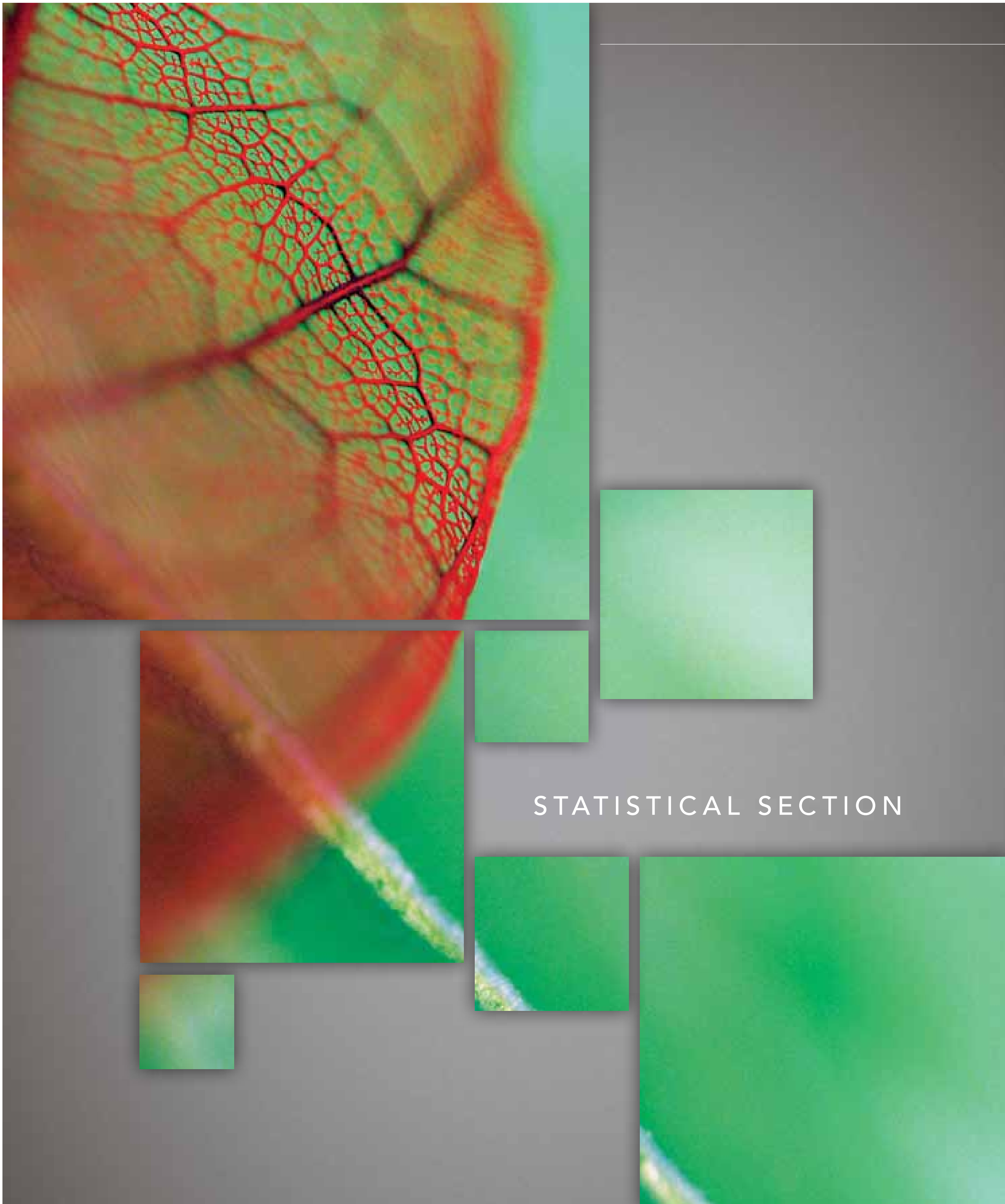
(2) 90% of Safety disabilities are assumed to be service-connected disabilities. The other 10% are assumed to be nonservice-connected disabilities.

	Rate (%)	
	Withdrawal (<5 Years of Service)	
Years of Service	Miscellaneous	Safety
0	15.00%	10.00%
1	9.00	6.00
2	8.00	5.00
3	6.00	4.00
4	5.00	3.00

	Withdrawal (5+ Years of Service)*	
Age	Miscellaneous	Safety
20	5.10%	3.00%
25	4.85	3.00
30	4.60	3.00
35	4.35	2.70
40	3.80	2.20
45	2.90	1.70
50	2.02	0.00
55	1.58	0.00
60	0.00	0.00

*50% of the Miscellaneous members and 40% of the Safety members are assumed to elect a withdrawal of contributions upon separation, while the remaining 50% and 60% 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 SECTION

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, 2012 for the following five objectives: financial trends; revenue capacity; debt capacity; demographic and economic; and operating.

Financial trends are presented on pages 101 to 105. 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 101, 103, and 104. The schedules contain information regarding the contribution rate history for the last ten years.

Demographic and economic information is presented on pages 106 to 110. 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 111 and 112. 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:	Member Contributions	Employer Contributions	Net Investment Income / (Loss)	Total
2012	$65,690	$179,099	$(3,415)	$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	(234,795)	(15,598)
2007	42,871	156,805	891,506	1,091,182
2006	41,959	132,708	527,863	702,530
2005	36,916	529,618*	419,481	986,015
2004	42,864	119,144	525,239	687,247
2003	43,700	52,841	100,839	197,380

*This total includes $420,000 and $10,535 in proceeds from pension obligation bonds ("POB") issued by the County of Sacramento and Sacramento Metropolitan Fire District, respectively.

Source: Audited Financial Statements from June 30, 2003 through 2012

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
2012	$295,787	$2,284	$693	$ -	$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
2005	160,439	1,545	525	2	5,262	3,463	171,236
2004	139,008	1,817	629	12,311	6,653	3,990	164,408
2003	110,326	1,482	441	10,866	31,767	2,906	157,788

Note: For the years ended June 30, 2004 and 2003, Administrative Expenses include retroactive benefits of $807 and $25,870, respectively, related to a litigation settlement.

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

Source: Audited Financial Statements from June 30, 2003 through 2012

Schedule of Administrative Expenses

For the Year Ended June 30

(Dollar Amounts Expressed in Thousands)

Type of Expenses	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Salaries and Benefits	$3,530	$3,755	$3,215	$3,184	$3,130	$3,352	$2,718	$2,734	$2,663	$2,416
Professional Fees	1,146	1,137	719	842	942	629	808	440	583	578
Equipment Purchases and Maintenance	44	35	29	62	41	85	70	73	89	198
Rent and Lease Expense	458	444	576	603	571	648	612	596	596	560
Depreciation Expense	37	17	5	5	5	5	3	27	14	18
Other Administrative Expenses	1,073	1,183	1,364	1,284	1,177	1,099	850	1,392	1,901	2,127
Total	$6,288	$6,571	$5,908	$5,980	$5,866	$5,818	$5,061	$5,262	$5,846	$5,897

Note: For the years ended June 30, 2004 and 2003, this schedule does not include retroactive benefits of $807 and $25,870, respectively, related to a litigation settlement.

Source: Audited Financial Statements from June 30, 2003 through 2012

Schedule of Changes in Net Assets

For the Last Ten Fiscal Years Ended June 30

(Dollar Amounts Expressed In Thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Employee contributions	$65,690	$57,151	$52,413	$54,623	$52,142	$42,871	$41,959	$36,916	$42,864	$43,700
Employer contributions	179,099	182,921	167,142	177,011	167,055	156,805	132,708	529,618	119,144	52,841
Net investment income/(loss)	(3,415)	1,206,775	617,481	(1,318,447)	(234,795)	891,506	527,863	419,481	525,239	100,839
Total additions	241,374	1,446,847	837,036	(1,086,813)	(15,598)	1,091,182	702,530	986,015	687,247	197,380
Benefits paid	298,764	276,161	253,092	232,376	214,892	195,997	178,362	162,511	153,765	123,115
Withdrawals	3,040	4,433	4,932	3,302	3,177	4,434	4,622	3,463	3,990	2,906
Administrative expenses	6,288	6,571	5,908	5,980	5,866	5,818	5,061	5,262	6,653	31,767
Total deductions	308,092	287,165	263,932	241,658	223,935	206,249	188,045	171,236	164,408	157,788
Change in net assets	(66,718)	1,159,682	573,104	(1,328,471)	(239,533)	884,933	514,485	814,779	522,839	39,592
Net assets, beginning	6,140,644	4,980,962	4,407,858	5,736,329	5,975,862	5,090,929	4,576,444	3,761,665	3,238,826	3,199,234
Net assets, ending	$6,073,926	$6,140,644	$4,980,962	$4,407,858	$5,736,329	$5,975,862	$5,090,929	$4,576,444	$3,761,665	$3,238,826

Source: Audited Financial Statements from June 30, 2003 through 2012

* For the years ended June 30, 2004 and 2003, Administrative Expenses include retroactive benefits of $807 and $25,870, respectively, related to a litigation settlement.

Schedule of Employer Contribution Rates

Actuarial Valuation for Year Ended	COUNTY and COURT*							SPECIAL DISTRICTS		
	Miscellaneous				Safety			Miscellaneous		Safety
	Tier 1	Tier 2	Tier 3	Tier 4	Tier 1	Tier 2	Tier 3	Tier 1	Tier 3	Tier 1
6/30/2012	20.83%	18.28%	21.18%	16.33%	41.85%	37.00%	35.55%	27.77%	28.25%	N/A
6/30/2011**	19.09	16.55	19.36	14.19	37.19	32.38	29.50	25.59	25.90	57.40
6/30/2010***	18.11	15.63	18.49	-	35.03	30.60	-	24.45	24.94	54.42
6/30/2009	18.15	15.75	18.60	-	38.95	34.66	-	24.58	25.26	49.86
6/30/2008	15.46	13.07	15.88	-	33.65	29.53	-	22.08	22.57	39.25
6/30/2007	15.04	12.58	15.43	-	34.71	30.61	-	21.98	22.41	41.15
6/30/2006	15.86	12.95	15.73	-	36.01	31.67	-	22.26	22.13	41.94
6/30/2005	16.10	13.14	15.88	-	35.18	30.84	-	22.78	22.56	39.71
6/30/2004****	15.29	11.49	13.94	-	33.23	28.57	-	20.87	19.56	38.19
6/30/2003****	13.49	9.16	11.32	-	24.39	20.24	-	18.84	16.73	30.72

Source: Actuarial Valuations from June 30, 2003 though 2012

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, 2012 was used to determine rates for the fiscal year 2013-2014.

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

** 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.

****Rates were adjusted to reflect the proceeds from Sacramento County's pension obligation bonds that were received on July 1, 2004.

Schedule of Benefits Paid and Withdrawals by Type

For the Last Ten Fiscal Years Ended June 30

(Dollar Amounts Expressed in Thousands)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Type of Benefit										
Service Retirement Benefits	$295,598	$273,062	$250,192	$229,659	$212,061	$193,376	$175,745	$160,154	$138,907	$110,243
Survivor Benefits	2,284	2,032	1,993	1,749	1,865	1,681	1,608	1,545	1,817	1,482
Death Benefits-Before Retirement	189	448	361	346	345	447	454	285	101	83
Death Benefits-After Retirement	693	619	546	622	621	492	553	525	629	441
Retiree Health and Dental Insurance	-	-	-	-	-	1	2	2	12,311	10,866
Total Benefits Paid	$298,764	$276,161	$253,092	$232,376	$214,892	$195,997	$178,362	$162,511	$153,765	$123,115
Type of Withdrawal										
Death	$365	$463	$526	$601	$111	$725	$715	$411	$738	$110
Separation	2,663	3,898	4,303	2,550	2,940	3,492	3,409	2,802	2,878	2,423
Miscellaneous	12	72	103	151	126	217	498	250	374	373
Total Withdrawals	$3,040	$4,433	$4,932	$3,302	$3,177	$4,434	$4,622	$3,463	$3,990	$2,906

Source: Audited Financial Statements from June 30, 2003 through 2012

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

As of June 30, 2012

Amount of Monthly Benefit	Number of Retired Members	Type of Retirement* 1	2	3	4	5	6	7	8	9	10	11	12	13	17	Option Selected** Unmodified	1	2	3	4
$1 - $499	834	610	22	2	6	2	87	25	21		27	-	28	-	4	616	64	132	7	15
500 - 999	1,323	908	43	10	1	1	150	81	66	3	22	1	33	1	3	1,077	92	125	10	19
1,000 - 1,499	1,257	892	82	27	10	5	124	31	48	1	11	-	23	3	-	1,061	58	113	15	10
1,500 - 1,999	1,053	755	57	21	49	11	93	23	7	6	9	-	17	5	-	900	54	90	6	3
2,000 - 2,499	880	693	13	12	47	9	65	6	5	10	7	-	10	3	-	758	45	63	5	9
2,500 - 2,999	704	556	9	2	35	23	52	4	1	9	2	-	5	6	-	615	28	49	4	8
3,000 - 3,499	585	442	4	1	51	36	30	-	-	13	3	-	3	2	-	522	23	34	2	4
3,500 - 3,999	491	390	1	-	27	19	27	2	-	12	2	-	3	8	-	431	19	31	2	8
4,000 - 4,499	407	359	2	-	14	9	12	1	-	6		-	1	3	-	376	11	20	-	-
4,500 - 4,999	326	299	1	-	9	2	6	-	-	4	2	-	1	2	-	295	6	18	4	3
5,000 & over	1,379	1,307	3	-	31	11	14	2	1	6	2	-	1	1	-	1,264	31	66	9	9
Total	**9,239**	**7,211**	**237**	**75**	**280**	**128**	**660**	**175**	**149**	**70**	**87**	**1**	**125**	**34**	**7**	**7,915**	**431**	**741**	**64**	**88**

* 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
14 Beneficiary of SDB
15 Beneficiary of SDB-SCD
16 Beneficiary of Non-Member
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, 2012

Miscellaneous Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	5,024	$10,404,966	$2,399,126	$12,804,092	$2,549
Option 1	330	475,556	126,544	602,100	1,825
Option 2, 3, & 4	586	1,062,792	155,089	1,217,881	2,078
Total	5,940	11,943,314	2,680,759	14,624,073	2,462
Non-Service Disability					
Unmodified	259	257,843	105,108	362,951	1,401
Option 1	21	17,272	8,116	25,388	1,209
Option 2, 3, & 4	13	12,359	3,323	15,682	1,206
Total	293	287,474	116,547	404,021	1,379
Service Disability					
Unmodified	168	252,302	137,448	389,750	2,320
Option 1	8	10,692	4,945	15,637	1,955
Option 2, 3, & 4	4	4,434	1,919	6,353	1,588
Total	180	267,428	144,312	411,740	2,287
Beneficiary	1,014	745,479	546,243	1,291,722	1,274
Total (All Groups)	7,427	$13,243,695	$3,487,861	$16,731,556	$2,253

Safety Members

	Monthly Allowances				
	Count	Basic	COL	Total	Average Benefit
Service Retirement					
Unmodified	1,157	$5,397,057	$1,295,286	$6,692,343	$5,784
Option 1	33	110,607	35,012	145,619	4,413
Option 2, 3, & 4	81	352,575	52,790	405,365	5,005
Total	1,271	5,860,239	1,383,088	7,243,327	5,699
Non-Service Disability					
Unmodified	18	28,784	17,189	45,973	2,554
Option 1	1	850	61	911	911
Option 2, 3, & 4	1	1,512	871	2,383	2,383
Total	20	31,146	18,121	49,267	2,463
Service Disability					
Unmodified	209	574,585	255,831	830,416	3,973
Option 1	13	33,737	12,007	45,744	3,519
Option 2, 3, & 4	6	11,921	5,250	17,171	2,862
Total	228	620,243	273,088	893,331	3,918
Beneficiary	293	477,955	287,150	765,105	2,611
Total (All Groups)	1,812	$6,989,583	$1,961,477	$8,951,030	$4,940

Source: Actuarial Valuation as of June 30, 2012

Note: Refer to page 106 for the description of retirement options

Schedule of Average Benefit Payments

For the Last Ten Fiscal Years

Retirement Effective Date	0-5	5-10	10-15	15-20	20-25	25-30	30+
	Years of Credited Service						
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
7/1/04 - 6/30/05							
Average monthly benefit	$349	$949	$1,220	$1,800	$2,585	$4,010	$4,871
Average monthly final average salary	$5,725	$4,960	$4,361	$4,662	$4,832	$5,732	$5,816
Number of retired members	36	43	90	83	96	84	123
7/1/03 - 6/30/04							
Average monthly benefit	$437	$993	$1,368	$1,992	$2,893	$4,136	$5,520
Average monthly final average salary	$5,089	$4,719	$4,658	$4,686	$5,211	$5,834	$6,330
Number of retired members	22	45	98	90	85	127	278
7/1/02 - 6/30/03							
Average monthly benefit	$488	$678	$1,292	$1,609	$2,033	$3,076	$4,519
Average monthly final average salary	$5,543	$4,091	$4,505	$4,252	$4,627	$5,859	$6,214
Number of retired members	23	25	52	47	33	19	51

Source: SCERS Retired Member Pension Payroll Data

Schedule of Average Benefit Payments

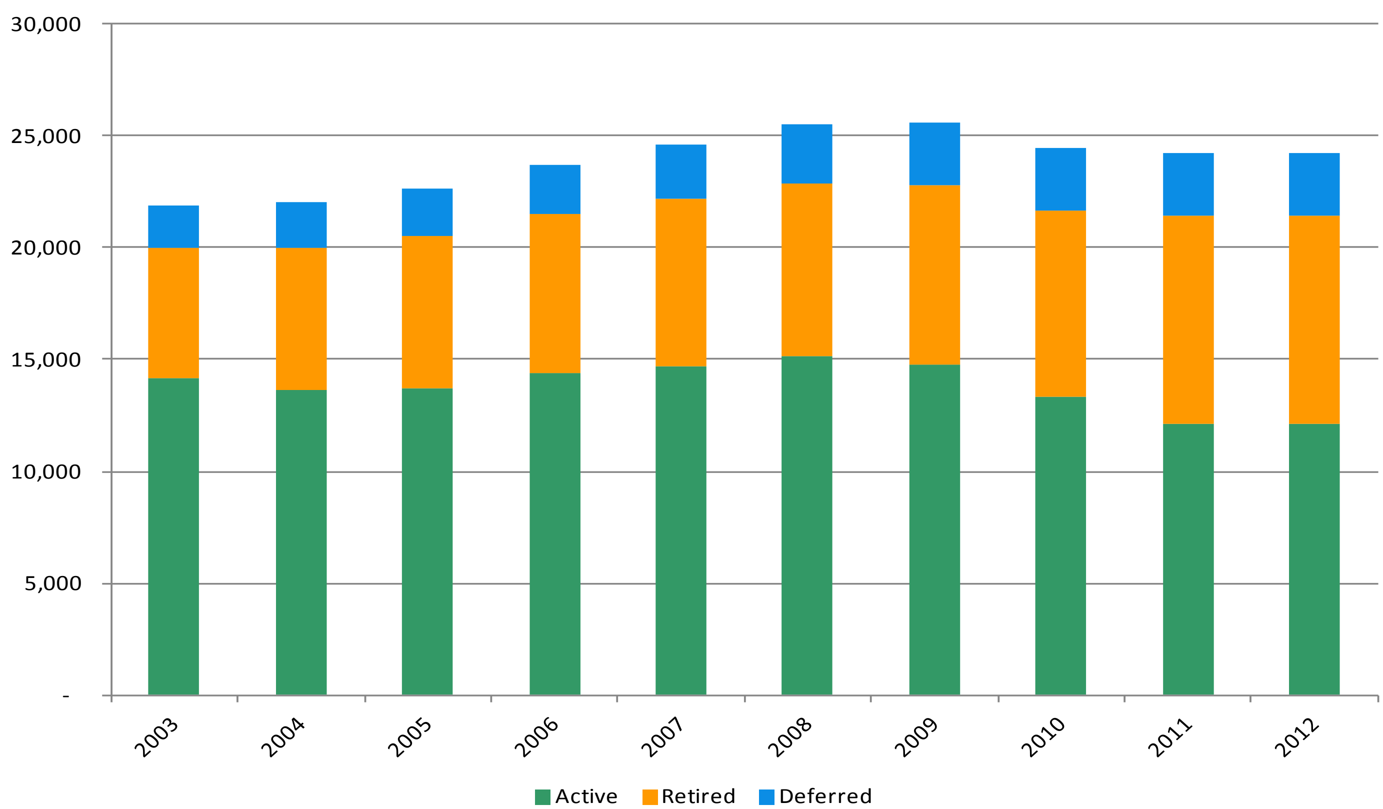
As Of	Years Since Retirement 0-5	5-10	10-15	15-20	20-25	25-30	30 +
6/30/12:							
Average monthly benefit	$3,237	$3,355	$2,352	$2,449	$2,142	$1,805	$1,643
Number of retired members	2,468	2,467	1,314	1,140	813	562	475
6/30/11:							
Average monthly benefit	$3,209	$3,173	$2,336	$2,400	$1,936	$1,728	$1,594
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
6/30/05:							
Average monthly benefit	$2,806	$2,095	$2,129	$1,736	$1,509	$1,281	$1,007
Number of retired members	1,927	1,402	1,181	913	675	453	233
6/30/04:							
Average monthly benefit	$2,574	$2,090	$2,056	$1,693	$1,392	$1,187	$918
Number of retired members	1,793	1,353	1,090	834	650	400	171
6/30/03:							
Average monthly benefit	$1,842	$1,854	$1,839	$1,463	$1,207	$972	$819
Number of retired members	1,447	1,312	1,117	849	664	348	145

Source: Actuarial Valuations from June 30, 2003 through 2012

Growth of System Membership

Year Ended June 30:	Active Members	Retired Members	Deferred Members	Total
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
2005	13,728	6,784	2,135	22,647
2004	13,672	6,291	2,110	22,073
2003	14,133	5,882	1,885	21,900

System Membership at a Glance



Source: Actuarial Valuations from June 30, 2003 through 2012

Schedule of Principal Participating Employers and Active Members

Current Fiscal Year and Nine Fiscal Years Ago

	2012			2003		
Participating Employer	**Covered Employees**	**Rank**	**Percent of Total System**	**Covered Employees**	**Rank**	**Percent of Total System**
County of Sacramento**	10,804	1	88.89%	13,521	1	95.67%
Superior Court**	698	2	5.74	-	13	0.00
S.E.T.A	566	3	4.66	513	2	3.63
Sunrise Recreation and Park District	21	4	0.17	27	3	0.19
Carmichael Recreation and Park District	20	5	0.16	20	4	0.14
Orangevale Recreation and Park District	15	6	0.12	14	5	0.10
Mission Oaks Recreation and Park District	12	7	0.10	13	6	0.09
Elected Officials*	8	8	0.07	8	7	0.05
Elk Grove Cosumnes Cemetery District	5	9	0.04	1	11	0.01
Fair Oaks Cemetery District	4	10	0.03	5	9	0.04
Galt-Arno Cemetery District	1	11	0.01	3	10	0.02
U.C. Davis Medical Center	1	11	0.01	1	11	0.01
Sacramento Metropolitan Fire District	-	13	0.00	7	8	0.05
Total	**12,155**		**100.00%**	**14,133**		**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

SCERS Member Agency	Plan	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
		For the Last Ten Fiscal Years Ended June 30									
Carmichael Recreation and Park District	Misc.	20	22	26	29	24	27	15	17	18	20
Elk Grove Cosumnes Cemetery District	Misc.	5	2	3	4	3	4	5	4	4	1
Fair Oaks Cemetery District	Misc.	4	3	4	4	4	5	5	5	5	5
Galt-Arno Cemetery District	Misc.	1	1	1	3	3	3	3	3	3	3
Mission Oaks Recreation and Park District	Misc.	12	13	14	13	13	12	11	10	12	13
Orangevale Recreation and Park District	Misc.	15	15	16	17	12	15	14	15	16	14
Sacramento Metropolitan Fire District	Safety	-	3	3	4	6	6	6	7	7	7
S.E.T.A.	Misc.	566	568	584	604	597	598	562	544	549	513
Sunrise Recreation and Park District	Misc.	21	23	26	28	28	24	29	28	26	27
U.C. Davis Medical Center	Misc.	1	1	1	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.	652	655	682	710	692	696	652	634	641	604
	Safety	1	4	4	5	7	7	7	8	8	8
Superior Court Members**	Misc.	698	745	765	807	843	814	-	-	-	-
Sacramento County Members	Misc.	8,906	9,121	9,865	10,937	11,190	10,817	11,400	10,744	10,743	11,092
	Safety	1,898	1,909	2,024	2,337	2,448	2,382	2,353	2,342	2,280	2,429
Total Members	Misc.	10,256	10,521	11,312	12,454	12,725	12,327	12,052	11,378	11,384	11,696
	Safety	1,899	1,913	2,028	2,342	2,455	2,389	2,360	2,350	2,288	2,437
	Total	12,155	12,434	13,340	14,796	15,180	14,716	14,412	13,728	13,672	14,133

*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

SACRAMENTO COUNTY EMPLOYEES' RETIREMENT SYSTEM

980 9TH STREET, SUITE 1900 • SACRAMENTO, CA 95814