



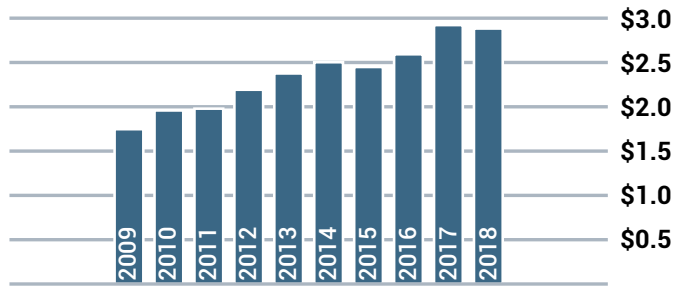
SAN JOAQUIN COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION

POPULAR ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2018

FINANCIAL REVIEW

HISTORY OF FIDUCIARY NET POSITION

For the Last Ten Fiscal Years Ended December 31
(DOLLARS IN BILLIONS)



FIDUCIARY NET POSITION

The statement of Fiduciary Net Position is a snapshot of SJCERA's fund balance at year end. The difference between assets and liabilities is the "net position", which represents the money available to pay retirement benefits. At December 31, 2018, SJCERA's net position was approximately \$2.8 billion. The decrease was mainly from investment losses.

STATEMENT OF FIDUCIARY NET POSITION

	2018	2017
Cash and Receivables	\$ 224,623,198	\$ 194,077,851
Investments	2,701,518,859	2,773,700,839
Other Assets	297,261	163,925
Total Assets	2,926,439,318	2,967,942,615
Total Liabilities	85,397,242	88,653,984
TOTAL FIDUCIARY NET POSITION	\$ 2,841,042,076	\$ 2,879,288,631

FUNDING PROGRESS

SJCERA's pension actuary performs an annual actuarial valuation and Governmental Accounting Standards Board (GASB) 67/68 Report. The GASB 67/68 Report states that during 2018, SJCERA's total pension liability was \$4.7 billion, our market value of assets was \$2.8 billion, resulting in a net pension liability of \$1.9 billion. The January 1, 2018 valuation reported a funded ratio of 64.8 percent. The January 1, 2019 actuarial valuation, which reflects the Plan's progress in 2018, will be available in August, after the publication of this report.

CHANGES IN FIDUCIARY NET POSITION

The statement of Changes in Fiduciary Net Position provides information about SJCERA's financial activities during fiscal year 2018. Revenues for the year were \$188 million, a decrease of \$346 million from the prior year. The decrease was mainly caused by the investment loss. Expenses for the year were \$226.3 million, an increase of \$16.7 million from the prior year. The increase is attributed to the growth in the number and average amount of benefits paid to retirees.

	2018	2017
ADDITIONS:		
Employer Contributions	\$208,757,572	\$200,051,742
Member Contributions	35,377,951	33,634,906
Net Investment and Miscellaneous Income (Loss)	(56,397,598)	299,960,693
Transfer from Healthcare Agency Fund	324,269	364,714
TOTAL ADDITIONS	\$188,062,194	\$534,012,055
DEDUCTIONS:		
Retirement Benefit Payments	\$218,456,053	\$202,408,260
Death Benefits	622,901	701,206
Refund of Contributions	2,364,713	2,297,504
Administrative and Other Expenses	4,865,082	4,118,578
TOTAL DEDUCTIONS	\$226,308,749	\$209,525,548
NET INCREASE/(DECREASE)	\$ (38,246,555)	\$324,486,507
FIDUCIARY NET POSITION:		
BEGINNING OF YEAR	\$2,879,288,631	\$2,554,802,124
END OF YEAR	\$2,841,042,076	\$2,879,288,631

HISTORY OF FUNDING PROGRESS

For the Last Five Fiscal Years Ended December 31

ACTUARIAL VALUATION DATE	FUNDED RATIO
January 1, 2018	64.80%
January 1, 2017	64.60%
January 1, 2016	65.00%
January 1, 2015	66.20%
January 1, 2014	64.20%

INVESTMENTS

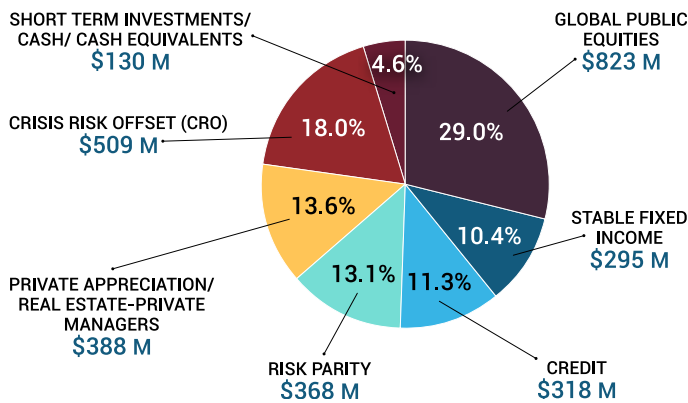
For calendar year 2018, SJCERA's investment portfolio's net investment return was -2.1 percent. This is 9.35 percent lower than the actuarial assumption of 7.25 percent.

SJCERA's strategic asset allocation is designed to ensure diversification across asset classes and achieve SJCERA's long-term objective of earning a long-term return that, coupled with projected contributions, is projected to sufficiently fund the benefits over the long term.

In 2019, SJCERA will evaluate the asset allocation with the objective of improving the likelihood the Plan will achieve its goals.

ACTUAL ASSET ALLOCATION

As of December 31, 2018



INVESTMENT PORTFOLIO PERFORMANCE

As of December 31, 2018

	ANNUALIZED			
	CURRENT YEAR	3-YEAR	5-YEAR	10-YEAR
Global Public Equities	(9.1)%	7.6%	4.0%	9.2%
Stable Fixed Income	2.3	3.8	4.2	6.5
Credit	3.0	5.4	4.8	5.7
Risk Parity	(6.0)	5.6	1.9	-
Private Appreciation	14.8	11.9	13.2	4.5
Crisis Risk Offset (CRO)	0.2	0.0	7.6	12.2
Short Term Investments/Cash/Cash Equivalents	1.1	0.9	0.5	0.3
TOTAL FUND GROSS OF FEES	(1.4)%	6.1%	4.5%	7.1%
TOTAL FUND NET OF FEES	(2.1)%	5.2%	3.6%	6.3%
POLICY BENCHMARK	0.2%	6.4%	5.1%	7.3%

TOTAL ASSETS UNDER MANAGEMENT: \$2.8 BILLION

Dear SJCERA Members:

This Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2018. Derived from the more detailed CAFR, the PAFR's financial data are consistent with generally accepted accounting principles and guidelines established by the Governmental Accounting Standards Board. Both the CAFR and the PAFR are available on www.sjcera.org.

SJCERA's strategic asset allocation is designed to ensure diversification among asset classes and achieve SJCERA's long-term goals. For the year ended December 31, 2018, the portfolio lost 2.11 percent net of fees. While this was below our assumed rate of return of 7.25 percent (our target), our gross returns represented top-quartile performance among public pension plans with more than \$1 billion in assets. As of December 31, 2018, SJCERA's 10-year annualized net return was 6.3 percent.

SJCERA's pension actuary performs an annual actuarial valuation and Governmental Accounting Standards Board (GASB) 67/68 Report. The GASB 67/68 Report states that during 2018, SJCERA's total pension liability

was \$4.7 billion, our market value of assets was \$2.8 billion, resulting in a net pension liability of \$1.9 billion. The January 1, 2018 valuation reported a funded ratio of 64.8 percent. The January 1, 2019 valuation, which will include an updated funded ratio, is expected to be available in August 2019, after the publication of this report.

Results from 2018 action plan goals included negotiating reduced investment fees; improving member communications; renegotiating a cost-effective lease; and attaining a 95 percent satisfaction rating from you, our members, whom we are honored to serve.

I want to recognize Board Chair Michael Restuccia and the Board of Retirement Trustees for their leadership, direction and support. I also want to thank the SJCERA staff, whose dedication to our members and our mission is unparalleled.

Sincerely,

Johanna Shick, Chief Executive Officer

MEMBER STATISTICS

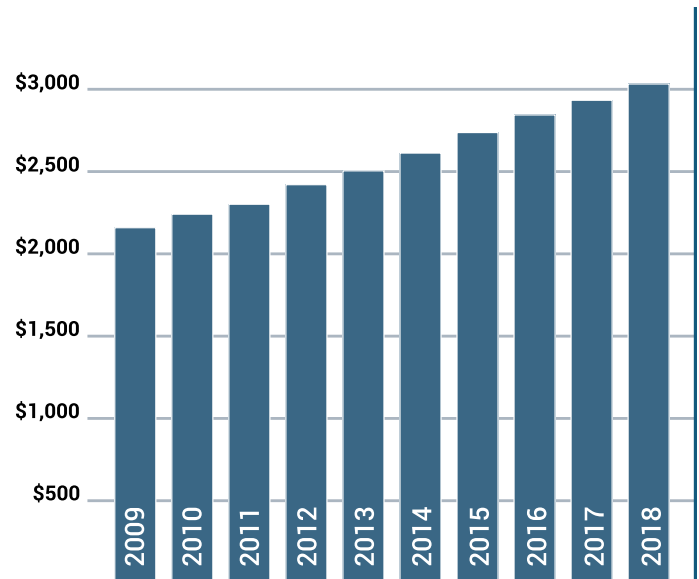
HISTORY OF MEMBERSHIP

2014 - 2018

	2018	2017	2016	2015	2014
Active Members	6,455	6,229	6,102	5,924	6,448
Deferred Members	1,636	1,615	1,509	1,456	1,435
Retired Members	6,051	5,821	5,628	5,434	4,507
TOTAL MEMBERS	14,142	13,665	13,239	12,814	12,390

AVERAGE MONTHLY BENEFIT

For 2018, the average monthly benefit was \$3,069.



BOARD OF RETIREMENT

The Board of Retirement oversees the Chief Executive Officer in the performance of her duties in accordance with the law, regulations and Board policies. Board Members as of December 31, 2018 are:

MICHAEL RESTUCCIA	CHAIR	APPOINTED BY BOARD OF SUPERVISORS
MICHAEL DUFFY	VICE CHAIR	APPOINTED BY BOARD OF SUPERVISORS
RAYMOND MCCRAY	SECRETARY	APPOINTED BY BOARD OF SUPERVISORS
KATHERINE MILLER		APPOINTED BY AND MEMBER OF BOARD OF SUPERVISORS
PHONXAY KEOKHAM		EX-OFFICIO MEMBER, TREASURER-TAX COLLECTOR
J. C. WEYDERT		ELECTED BY GENERAL MEMBERS
JENNIFER GOODMAN		ELECTED BY GENERAL MEMBERS
CHANDA BASSETT		ELECTED BY SAFETY MEMBERS
ADRIAN VAN HOUTEN		ELECTED BY RETIRED MEMBERS
MARGO PRAUS	RETIRED ALTERNATE	ALTERNATE, ELECTED BY RETIRED MEMBERS

SJCERA's Mission

We are trusted financial stewards committed to providing excellent service and lifetime retirement benefits to our Members.