

San Joaquin County
Employees' Retirement
Association



Popular Annual
Financial Report

For the Year Ended December 31, 2016

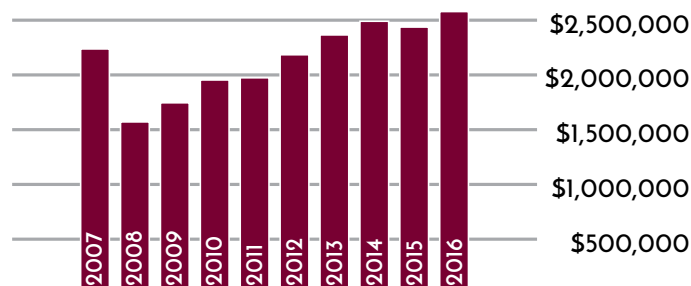
2016

Financial Review

HISTORY OF FIDUCIARY NET POSITION

For the Last Ten Fiscal Years Ended December 31

(Dollars in Thousands)



FIDUCIARY NET POSITION

The statement of Fiduciary Net Position is a snapshot of the pension fund balance at year end. The difference between assets and liabilities is the “net position”, which represents the money available to pay pension benefits. At December 31, 2016, SJCERA’s net position was approximately \$2.55 billion. The increase was mainly from investment earnings.

STATEMENT OF FIDUCIARY NET POSITION

	2016	2015
Cash and Receivables	\$ 235,867,811	\$ 235,841,691
Investment Portfolio	2,463,815,871	2,328,264,996
Other Assets	242,630	304,655
Total Assets	2,699,926,312	2,564,411,342
Total Liabilities	145,124,188	151,168,795
TOTAL PLAN NET POSITION	\$2,554,802,124	\$2,413,242,547

CHANGES IN FIDUCIARY NET POSITION

The statement of Changes in Fiduciary Net Position provides information about SJCERA’s financial activities during fiscal year 2016. Revenues for the year were \$340 million, an increase of \$208.2 million from the prior year. The increase was mainly caused by the increase in net investment gain. Expenses for the year were \$199 million, an increase of \$13.5 million from the prior year. The increase is attributed to the growth in the number and average amount of benefits paid to retirees.

	2016	2015
ADDITIONS:		
Employer Contributions	\$159,122,523	\$150,371,556
Member Contributions	30,117,408	29,026,901
Net Investment and Miscellaneous Income	151,114,788	(47,339,750)
Transfer Between Plans	293,779	378,969
TOTAL ADDITIONS	\$340,648,498	\$132,437,676
DEDUCTIONS:		
Retirement Benefits	\$192,113,542	\$179,023,165
Death Benefits	618,769	561,971
Refunds	1,986,866	1,883,777
Administrative and Miscellaneous	4,369,744	4,075,745
TOTAL DEDUCTIONS	\$199,088,921	\$185,544,658
CHANGES IN FIDUCIARY NET POSITION	\$141,559,577	\$(53,106,982)
FIDUCIARY NET POSITION:		
BEGINNING OF YEAR	\$2,413,242,547	\$2,466,349,529
END OF YEAR	\$2,554,802,124	\$2,413,242,547

FUNDING PROGRESS

The January 1, 2016 actuarial valuation reports the funded status decreased from 66.2 percent to 65 percent. The decrease is primarily attributable to lower-than-expected investment earnings and changes made to two actuarial assumptions in order to reflect lower future investment expectations and improved mortality. The extraordinary actuarial loss of 2008 adversely affected the funded ratio from 2009 to 2013.

HISTORY OF FUNDING PROGRESS

For the Last Five Fiscal Years Ended December 31

VALUATION DATE	FUNDED RATIO
January 1, 2016	65.0%
January 1, 2015	66.2%
January 1, 2014	64.2%
January 1, 2013	63.4%
January 1, 2012	69.9%

Investments

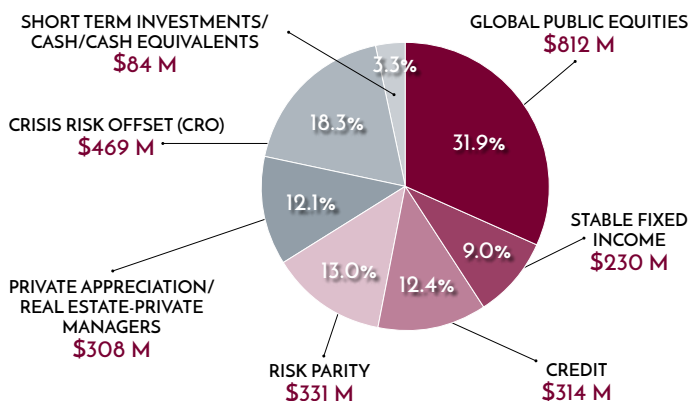
For calendar year 2016, SJCERA's investment portfolio's net investment return was 6.10 percent. This is 1.3 percent less than the actuarial assumption of 7.40 percent.

A new asset allocation policy was implemented in 2016. The portfolio was reorganized into risk-aligned strategic asset classes with a 20 percent target allocation to a new Crisis Risk Offset (CRO) strategic class.

The purpose of the CRO class is to add diversification and portfolio protection during periods of significant market downturns.

ACTUAL ASSET ALLOCATION

As of December 31, 2016



INVESTMENT PORTFOLIO PERFORMANCE

As of December 31, 2016

	ANNUALIZED			
	CURRENT YEAR	3 - YEAR	5 - YEAR	10 - YEAR
Global Public Equities	12.0%	3.1%	10.0%	3.3%
Stable Fixed Income	5.0	5.0	5.5	6.3
Credit	6.7	4.8	7.5	4.4
Risk Parity	10.6	1.0	-0.9	NA
Private Appreciation/Real Estate-Private Managers	6.0	12.0	13.6	2.2
Crisis Risk Offset (CRO)	-3.8	11.6	9.2	17.6
Short Term Investments/Cash/Cash Equivalents	0.6	0.2	0.2	0.9
TOTAL FUND (GROSS OF FEES)	7.0%	3.4%	6.6%	3.9%
TOTAL FUND (NET OF FEES)	6.1%	2.6%	5.8%	3.2%

**TOTAL ASSETS UNDER MANAGEMENT:
\$2.55 BILLION**

Dear Members:

This Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2016. 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 online at www.sjcera.org.

SJCERA's investment returns have fallen short of the system's actuarially assumed 7.4 percent return (our target). Our new asset allocation is designed to attain 7.4 percent over the long term, while reducing global public equity risk and providing downside protection. The allocation became effective January 1, 2016 and was fully implemented in November 2016. The 2016 returns are, in part, a reflection of transitioning to the new allocation.

An actuarial valuation reports on the progress made in accumulating assets to pay future benefits. SJCERA's January 1, 2016 actuarial valuation reflects the Board of Retirement's decision to reduce the investment return assumption

from 7.5 percent to 7.4 percent. As of January 1, 2016, the pension plan's funding status (ratio of plan assets to plan liabilities) decreased from 66.2 percent to 65 percent. The 65 percent funded ratio means that for every \$1 in promised benefits, SJCERA has accumulated 65 cents.

The County Board of Supervisors continues to demonstrate its commitment to securely funding the retirement benefit by approving an additional contribution of up to five percent of payroll for the next 10 years, beginning January 1, 2017. The additional contribution will decrease the County's share of the unfunded actuarial liability.

SJCERA is committed to operating with integrity and in compliance with required regulations. Our efforts were rewarded on January 5, 2017, when the IRS issued SJCERA a favorable Tax Determination Letter, confirming our compliance with federal tax law.

Sincerely,

Johanna Shick, Chief Executive Officer

Member Statistics

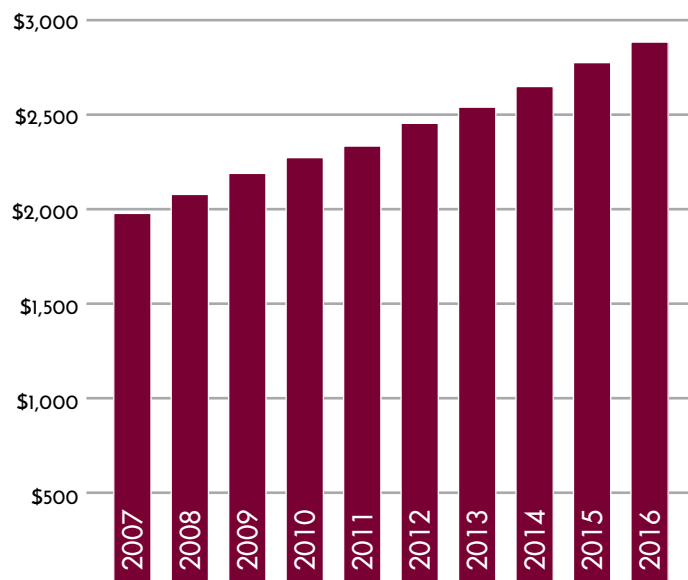
HISTORY OF MEMBERSHIP

2012 - 2016

	2012	2013	2014	2015	2016
Active Members	5,295	5,553	6,448	5,924	6,102
Deferred Members	1,400	1,411	1,435	1,456	1,509
Retired Members	4,897	5,041	4,507	5,434	5,628
TOTAL MEMBERS	11,592	12,005	12,390	12,814	13,239

AVERAGE MONTHLY BENEFIT

For 2016, the average monthly benefit was **\$2,879**



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, 2016 are:

MICHAEL RESTUCCIA	CHAIR	APPOINTED BY BOARD OF SUPERVISORS
CINDY GARMAN	VICE CHAIR	ELECTED BY GENERAL MEMBERS
RAYMOND MCCRAY	SECRETARY	APPOINTED BY BOARD OF SUPERVISORS
CHANDA BASSETT		ELECTED BY SAFETY MEMBERS
MICHAEL DUFFY		APPOINTED BY BOARD OF SUPERVISORS
SHABBIR KHAN		EX-OFFICIO MEMBER
KATHERINE MILLER		APPOINTED BY AND MEMBER OF BOARD OF SUPERVISORS
MARGO PRAUS		ALTERNATE, ELECTED BY RETIRED MEMBERS
ADRIAN VAN HOUTEN		ELECTED BY RETIRED MEMBERS
J. C. WEYDERT		ELECTED BY GENERAL MEMBERS

SJCERA's Mission

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