



SAN JOAQUIN COUNTY
EMPLOYEES' RETIREMENT
ASSOCIATION

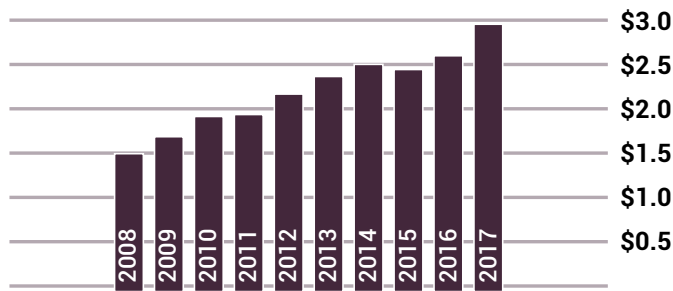
**POPULAR ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2017**

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 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, 2017, SJCERA's net position was approximately \$2.9 billion. The increase was mainly from investment earnings.

STATEMENT OF FIDUCIARY NET POSITION

	2017	2016
Cash and Receivables	\$ 194,077,851	\$ 235,867,811
Investments	2,773,700,839	2,463,815,871
Other Assets	163,925	242,630
Total Assets	2,967,942,615	2,699,926,312
Total Liabilities	88,653,984	145,124,188
TOTAL FIDUCIARY NET POSITION	\$ 2,879,288,631	\$ 2,554,802,124

CHANGES IN FIDUCIARY NET POSITION

The statement of Changes in Fiduciary Net Position provides information about SJCERA's financial activities during fiscal year 2017. Revenues for the year were \$534 million, an increase of \$193 million from the prior year. The increase was mainly caused by the increase in net investment gain. Expenses for the year were \$209.5 million, an increase of \$10.4 million from the prior year. The increase is attributed to the growth in the number and average amount of benefits paid to retirees.

	2017	2016
ADDITIONS:		
Employers' Contributions	\$200,051,742	\$159,122,523
Members' Contributions	33,634,906	30,117,408
Net Investment and Miscellaneous Income (Loss)	299,960,693	151,114,788
Transfer from Healthcare Agency Fund	364,714	293,779
TOTAL ADDITIONS	\$534,012,055	\$340,648,498
DEDUCTIONS:		
Retirement Benefit Payments	\$202,408,260	\$192,113,542
Death Benefits	701,206	618,769
Refund of Contributions	2,297,504	1,986,866
Administrative and Other Expenses	4,118,578	4,369,744
TOTAL DEDUCTIONS	\$ 209,525,548	\$ 199,088,921
CHANGES IN FIDUCIARY NET POSITION	\$ 324,486,507	\$ 141,559,577
FIDUCIARY NET POSITION:		
BEGINNING OF YEAR	\$2,554,802,124	\$2,413,242,547
END OF YEAR	\$2,879,288,631	\$2,554,802,124

FUNDING PROGRESS

The January 1, 2017 actuarial valuation reports the funded status decreased from 65 percent to 64.6 percent. The decrease is primarily attributable to lower-than-expected investment earnings in 2016 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

ACTUARIAL VALUATION DATE	FUNDED RATIO
January 1, 2017	64.60%
January 1, 2016	65.00%
January 1, 2015	66.20%
January 1, 2014	64.20%
January 1, 2013	63.40%

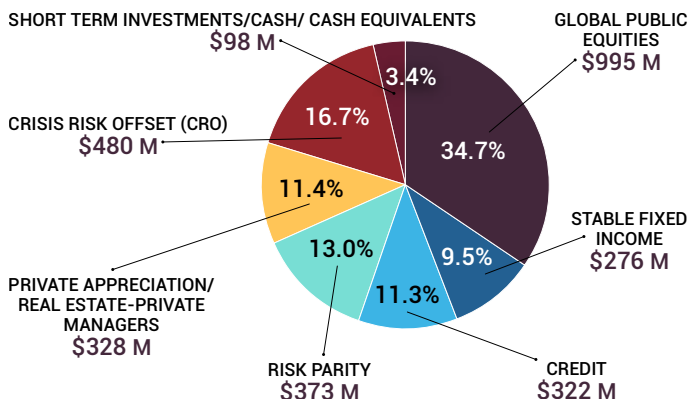
INVESTMENTS

For calendar year 2017, SJCERA's investment portfolio's net investment return was 11.85 percent. This is 4.45 percent more than the actuarial assumption of 7.40 percent.

SJCERA's strategic asset allocation is designed to ensure diversification across asset classes and achieve SJCERA's long-term objectives. The asset allocation is expected to improve the likelihood of the plan accomplishing its primary financial objective: to earn a long-term return that, coupled with projected contributions, is projected to be sufficient to attain full funding in the long term while avoiding substantial deterioration in funded status along the way.

ACTUAL ASSET ALLOCATION

As of December 31, 2017



INVESTMENT PORTFOLIO PERFORMANCE

As of December 31, 2017

	ANNUALIZED			
	CURRENT YEAR	3-YEAR	5-YEAR	10-YEAR
Global Public Equities	22.25%	9.18%	10.95%	4.68%
Stable Fixed Income	3.93	3.96	4.25	6.22
Credit	6.53	5.32	6.84	4.50
Risk Parity	13.25	4.64	0.26	N/A
Private Appreciation/Real Estate-Private Managers	15.14	11.77	13.52	1.62
Crisis Risk Offset (CRO)	3.65	5.34	9.69	16.18
Short Term Investments/Cash/Cash Equivalents	0.89	0.45	0.29	0.34
TOTAL FUND (GROSS OF FEES)	12.80%	6.18%	6.96%	3.70%
TOTAL FUND (NET OF FEES)	11.85%	5.34%	6.05%	2.93%
POLICY BENCHMARK	12.56%	6.78%	6.81%	4.26%

**TOTAL ASSETS UNDER MANAGEMENT:
\$2.9 BILLION**

Dear SJCERA Members:

This Popular Annual Financial Report (PAFR) summarizes the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2017. 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. The net investment return for the year ended December 31, 2017, was 11.85 percent, which exceeded the actuarially assumed 7.4 percent return (our target). As of December 31, 2017, SJCERA's annualized three-year net return was 5.34 percent, the five-year annualized net return was 6.05 percent, and the 10-year annualized net return was 2.93 percent. Plan assets totaled \$2.9 billion as of December 31, 2017.

An actuarial valuation determines the progress made in accumulating sufficient assets to pay future benefits. As of January 1, 2017, the pension plan's funding status (ratio of

plan assets to plan liabilities) decreased from 65.00 percent to 64.60 percent. The 64.60 percent funded ratio means that for every \$1 in promised benefits, SJCERA has accumulated 64.6 cents.

SJCERA adopted an ambitious action plan for 2017 and each goal was achieved. The major initiatives of the action plan included: reduce costs, improve efficiency, invest in human capital, optimize organizational structure, and manage emerging organizational needs. In support of goals to improve efficiency and cost effectiveness, SJCERA's 2017 administrative expenses were approximately \$1 million less than budgeted.

I want to recognize Board Chair Mike 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

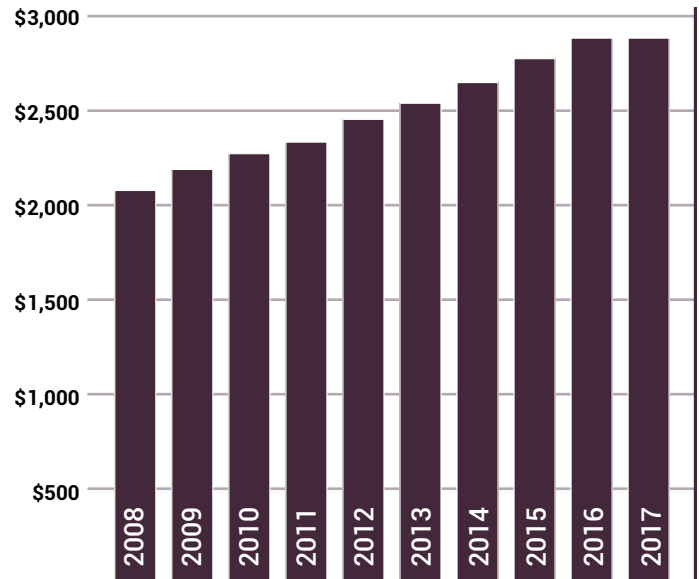
HISTORY OF MEMBERSHIP

2013 - 2017

	2017	2016	2015	2014	2013
Active Members	6,229	6,102	5,924	6,448	5,553
Deferred Members	1,615	1,509	1,456	1,435	1,411
Retired Members	5,821	5,628	5,434	4,507	5,041
TOTAL MEMBERS	13,665	13,239	12,814	12,390	12,005

AVERAGE MONTHLY BENEFIT

For 2017, the average monthly benefit was \$2,969.



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, 2017 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
VACANT		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.