Managing Your

RETIREMENT

Resources

2014

Comprehensive Annual Financial Report

Fiscal Years Ended June 30, 2014 and 2013

SBcera
San Bernardino
County Employees' Retirement Association

Gold Mine

Managing Your RETIREMENT Resources

2014

Comprehensive Annual Financial Report

A Multiple-Employer Pension Trust Fund | San Bernardino, California

Fiscal Years Ended June 30, 2014 and 2013

Gary A. Amelio
Chief Executive Officer

Julie Underwood, CPA
Chief of Fiscal Services

SBcera
San Bernardino
County Employees' Retirement Association

348 West Hospitality Lane, 3rd Floor | San Bernardino, CA 92415-0014
909.885.7980 | f. 909.885.7446 | www.SBCERA.org

Solar Power Generation Field

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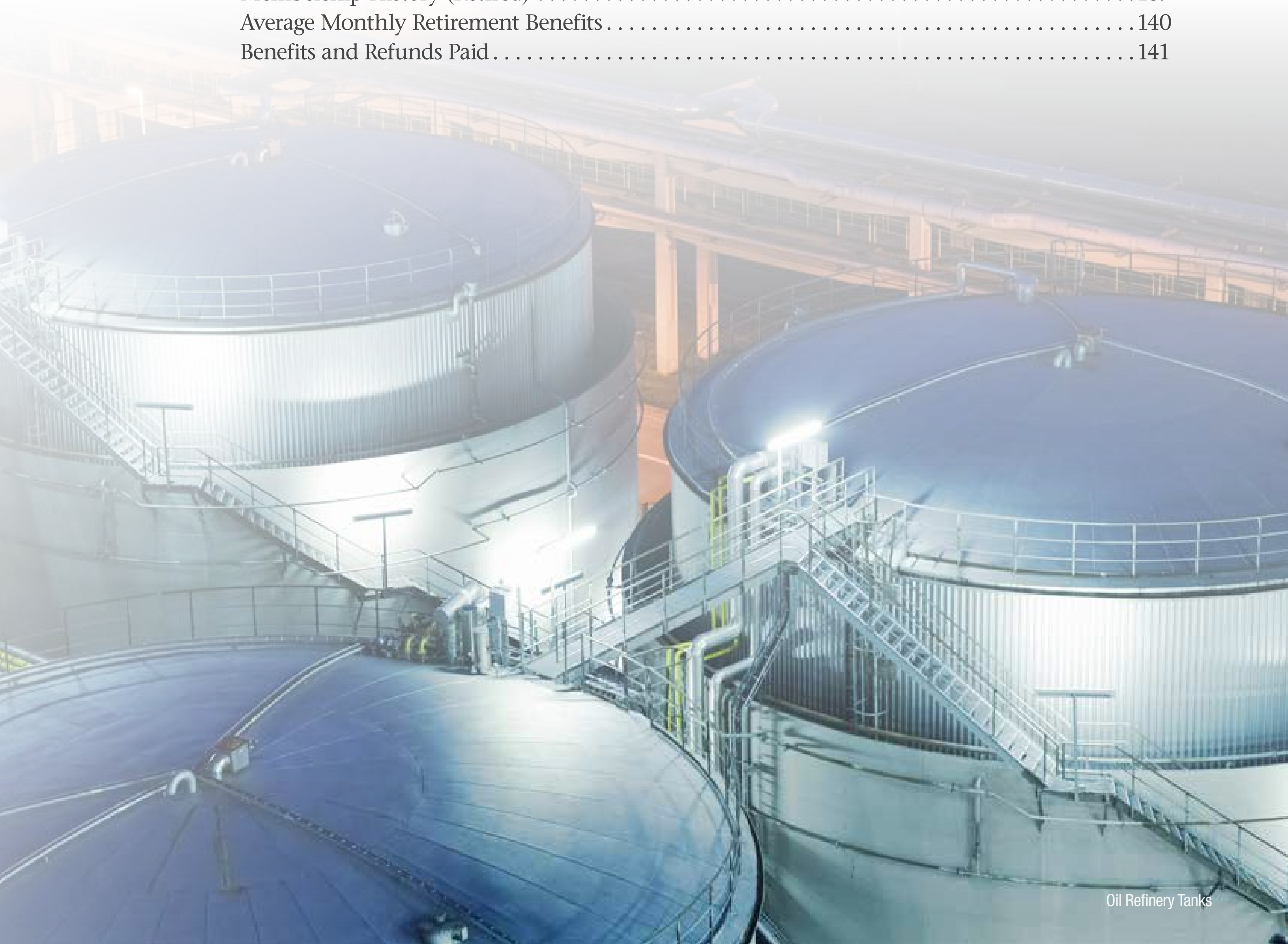


Oil Refinery Tanks

Mission Statement

San Bernardino County Employees' Retirement Association

It is the purpose of the San Bernardino County Employees' Retirement Association to provide the members and their beneficiaries with those retirement and related benefits and services which they have earned and which are commensurate with their years of service and compensation.

It is the responsibility of those charged with administration of the Association to:

a) effectively collect contributions to fund liabilities incurred;

b) diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return;

c) administer the benefits impartially, fairly and in accordance with the applicable law;

d) deliver service to the membership in an accurate, courteous, prompt, professional and cost-efficient manner;

e) minimize employer contributions; and

f) strategically plan for the future.

Petrochemical Plant

INTRODUCTORY

Section 1.0

Natural Resources

Natural Resources

Natural resources, materials and components found within the environment, are an essential part of human life. There are two types of natural resources: those that are incapable of being depleted, such as sunlight, wind and air, and those that can be depleted if not managed properly, such as fossil fuels (oil, coal or natural gas). Management of these resources affects the quality of life for current and future generations. Similarly, SBCERA strives to manage plan assets to provide members with the benefits they have earned for retirement.

Letter of Transmittal

San Bernardino County Employees' Retirement Association

November 18, 2014

Board of Retirement
San Bernardino County Employees' Retirement Association
348 West Hospitality Lane, 3rd Floor
San Bernardino, CA 92415-0014

Dear Board Members:

I am pleased to present the San Bernardino County Employees' Retirement Association (SBCERA) Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2014. This report is created annually to provide a detailed review of the SBCERA Plan and its trust fund's financial, actuarial and investment-related activities for the year.

At SBCERA, our primary purpose is to serve our members and their beneficiaries. This year's CAFR theme, "Managing Your Retirement Resources," reflects that intention as we strive to create a sustainable and secure source of retirement income for our members. As a pension provider we administer the Plan and trust fund from a long term perspective, considering all of the various forces and dynamics that have an influence as we prepare for the future.

This year marks SBCERA's 69th year in operation, with the Plan continuing to remain solid and secure. SBCERA was established in 1945, following a vote of the citizens of the County of San Bernardino on May 16, 1944. As of June 30, 2014, SBCERA manages service retirement, disability, and death and survivor benefits for 34,471 members, serves 17 participating employers and manages nearly eight billion dollars in assets. A listing of the participating employers, as of June 30, 2014, can be found on page 132.

The information contained in this CAFR is designed to provide a complete and accurate review of the fiscal year's operations. SBCERA's management is responsible for the accuracy of the data, as well as the completeness and fairness of the presentation of the financial information including all disclosures. I encourage you to review Management's Discussion and Analysis section beginning on page 18, which provides a narrative introduction, overview and analysis of our financial operations for the fiscal year ended June 30, 2014.

As you review this document, I trust you, as well as the members of SBCERA and our participating employers will find the CAFR helpful in understanding our defined benefit pension plan. Our efforts and resources are dedicated to ensure a safe and sustainable retirement benefit for our members and beneficiaries.

Letter of Transmittal
(Continued)

Major Initiatives

Five-Year Technology Plan

The five-year technology plan reached completion this fiscal year. The final phases of the PensionGold retirement administration software upgrade project were fully implemented in January 2014. A new enterprise imaging system is in place and integrated with PensionGold. A new web member portal, a new employer portal, and a completely redesigned website were also implemented in fiscal year ended June 30, 2014.

Increasing Organizational Demands

Many factors continue to substantially impact the administration of the Plan including an increased number of member retirements, pension reform legislation, participating employer withdrawals, investment performance and employer benefit changes. These factors have contributed to increased interest in our Plan from members, the public, participating employers, and the media. We continue to anticipate greater demands as even more baby boomers retire, employers continue to reach their budget limitations and make changes to their benefit structure, and additional participating employers merge or withdraw from SBCERA.

As part of an ongoing effort to address these demands, a continuing review is done of the Plan's administration and organizational needs. This includes review, update and addition of Board, Chief Executive Officer and organizational policies and procedures to assist in administering in a more consistent and efficient manner. To that end, the Board adopted the Performance Evaluation and Planning Program (PEP) process as well as the Salary Rate and Step Advancement Plan for SBCERA employees.

GASB 67 and 68

In June 2012, the Governmental Accounting Standards Board (GASB) approved Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, an amendment to GASB Statement No. 25, and Statement No. 68 (GASB 68), *Accounting and Financial Reporting for Pensions*, an amendment to GASB Statement No. 27, which establishes new accounting and financial reporting requirements for public pension plans and their participating employers (plan sponsors), respectively. According to GASB, these new statements are "designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency and comparability of pension information across governments."

These new statements significantly change current pension accounting and financial reporting requirements by:

- Separating pension accounting from the cost of funding pension benefits;
- Requiring the Plan to calculate the collective net pension liability, and the participating employers to recognize their proportionate share of that liability, and the related pension expense and deferred outflows/inflows of resources, on their basic financial statements; and
- Requiring additional note disclosures and required supplementary information based on the new standards for both the Plan and their participating employers.

For SBCERA, GASB 67 went into effect beginning with fiscal year ended June 30, 2014. For SBCERA's participating employers, GASB 68 is effective beginning with the fiscal year ended June 30, 2015. SBCERA has established an implementation plan for GASB 67 and 68 and has already conducted workshops for our participating employers related to their implementation of GASB 68. Additional resources related to GASB 67 and 68 are also available on SBCERA's website. SBCERA believes our current CAFR meets the requirements of GASB 67 and is committed to continue to work with our consultants and participating employers to provide ongoing communication and support as our participating employers begin their implementation of GASB 68 next year.

Letter of Transmittal

(Continued)

SBCERA Key Staff Additions and Departures

SBCERA welcomed me as the new Chief Executive Officer, effective May 2014. I have over 32 years of experience in the benefits industry including having served in a similar role for two other California public retirement systems. I replaced Norman Ruggles who returned to his home state.

A second key hire was Michael Calabrese as Chief Counsel, effective in December 2013. Attorney Calabrese has 15 years of legal experience and joined SBCERA from a similar post at another California public retirement system. He replaced Lance Kjeldgaard who retired after 19 years in the position.

Two senior investment positions were also recruited for during the fiscal year ended June 30, 2014. Laura Vossman joined SBCERA as a Senior Investment Officer, a replacement position, in September 2014. An Investment Officer position will also be filled in 2015.

Financial Information

Management of SBCERA is responsible for establishing and maintaining an internal control structure designed to ensure SBCERA's assets are protected from loss, theft or misuse. Responsibility for the accuracy, completeness, fair presentation of information and all disclosures rests with SBCERA's management. The accounting firm of Macias Gini and O'Connell LLP, a certified public accounting firm, provides financial statement independent audit services to SBCERA. The financial statement audit provides reasonable assurance that SBCERA's basic financial statements are presented in conformity with generally accepted accounting principles (GAAP) and are free from material misstatement. Limited procedures on internal controls have been performed to ensure SBCERA's operating policies and procedures are being adhered to and are sufficient to safeguard SBCERA's assets. SBCERA recognizes even sound internal controls have inherent limitations. SBCERA's internal controls are designed to provide reasonable, but not absolute, assurance these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management.

This report has been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the GASB.

Actuarial Funding Status

SBCERA contracts with an independent actuarial consulting firm, Segal Consulting (Segal), to conduct annual actuarial valuations, which are presented to the Board each November. On a triennial basis, the actuarial firm also conducts an experience study and makes recommendations to the Board on all economic and non-economic assumptions, which was completed in 2014. Segal completed the annual valuation for the fiscal year ended June 30, 2014 and presented it to the Board, with subsequent approval, on November 18, 2014.

The funding objective is to maintain a well-funded plan by setting a strategic allocation that has a high probability of achieving the returns necessary to meet the expected liabilities with the lowest level of expected risk, while secondarily minimizing employer contributions. Generally, employer contributions are relatively stable, on a percentage basis, based on member payroll. However, on a five-year smoothed basis, if actual fund returns are below the actuarial assumed return of 7.50%, the employer will make up the shortfall on a 20-year amortized basis.

Letter of Transmittal

(Continued)

The actuarial accrued liability of the Plan at June 30, 2014 and June 30, 2013 amounts to $9.69 billion and $9.09 billion, respectively. The actuarial value of assets increased from $7.20 billion at June 30, 2013 to $7.75 billion at June 30, 2014. The funding ratio increased to 79.95% at June 30, 2014, from the previous fiscal year's 79.27%. This ratio compares the actuarial value of assets of the Plan to the actuarial accrued liabilities of the Plan. High ratios indicate a well-funded plan with assets sufficient to cover the Plan's actuarial liabilities. Lower ratios may indicate recent changes to benefit structures, funding of a plan below actuarial requirements, poor asset performance, or a variety of other changes. For a more in-depth review of the funding of the Plan, see the Actuarial Section of this report (page 103).

Due to GASB 67, the total pension liability of participating employers is not reported in the basic financial statements, but is disclosed in Note 6 to the basic financial statements and in the required supplementary information. The total pension liability is determined by the Plan's actuary and is a measure of the present value of actuarial accrued liabilities estimated to be payable in the future to current retirees, beneficiaries, and active members for service earned to date. The net pension liability is measured as the total pension liability less the amount of the Plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement purposes.

Investments

The Board of Retirement maintains exclusive management control of all assets in the Plan's trust, and is responsible for the establishment of investment objectives, strategies and policies. The Board is authorized to invest in any form or type of investment deemed prudent in the informed opinion of the Board. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to the interests of the members and the Plan.

External, professional investment management firms manage SBCERA's assets. The SBCERA investment staff and its independent investment consulting firm closely monitor the activity of these managers and assist the Board with the implementation of investment policies and long-term investment strategies. The Investment Plan, Policy and Guidelines establish the investment program goals, asset allocation, policies, performance objectives, investment management policies and risk controls.

For the fiscal year ended June 30, 2014, investments provided a positive 11.51% rate of return (net of fees). This fiscal year return places SBCERA in the bottom decile for public funds for the one year period, however, on a risk-adjusted basis SBCERA ranks in the top 1.00%. The Plan's annualized rate of return (net of fees) over the three-year period ended June 30, 2014 was 8.83%, outperforming the policy benchmark by 30 basis points.

The SBCERA portfolio remains defensively positioned, focusing on income producing investments. Our U.S. equity portfolio dramatically underperformed the market – a consequence of strategic choices to focus on contractual returns and seeking downside protection should the market fall. However, the Board's strategic initiative to run the Plan in a risk-balanced ratio has been a success, as exemplified by our top 1.00% Sharpe Ratio ranking for the 1, 3 and 5 year periods. The Sharpe Ratio is an industry measurement of risk versus reward. For more details, refer to the Investment Section of this report (page 87).

On a fair value basis, the total plan net position available for benefits increased from $7.10 billion to $7.99 billion. Details of the components of this increase are included in the Statements of Changes in Fiduciary Net Position on page 30 of this report.

Letter of Transmittal

(Continued)

Professional Services

Professional consultants are appointed by the Board to perform professional services that are essential to the effective and efficient operation of the Plan. An opinion from SBCERA's certified public accountant, a certification from the Plan's independent actuary and a report on investment activity from the Plan's investment consultant are all included in this report. The consultants appointed by the Board are listed on page 10 of this report.

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 San Bernardino County Employees' Retirement Association (SBCERA) for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 17th consecutive year that SBCERA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The successful and timely completion of the CAFR would not be possible without the dedication and teamwork of SBCERA's staff and professional providers, along with the support and leadership of the Board. I would like to express my sincerest appreciation to all of these individuals for their commitment to our organization and its success. To our members and participating employers, I would like to thank you for your ongoing support and confidence in SBCERA. We are working hard every day at SBCERA to earn and maintain your trust and to provide the best services possible. It is your support that continues to inspire determination and progress within our organization.

Very truly yours,

Gary A. Amelio
Chief Executive Officer

Certificate of Achievement

San Bernardino County Employees' Retirement Association

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada (GFOA) to government units and public employee retirement systems whose Comprehensive Annual Financial Reports (CAFRs) achieve the highest standards in government accounting and financial reporting each year. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements. For the 17th consecutive year, SBCERA has been awarded this prestigious award for the 2013 CAFR. We believe our current CAFR continues to meet the Certificate of Achievement Program's requirements and we will submit it to the GFOA to determine its eligibility for another certificate.

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Bernardino County

Employees' Retirement Association

California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

Wind Turbine Generator

Members of the Board of Retirement

As of June 30, 2014[1]

David Williams
Board Chairman

Elected by Safety Members

Brendan Brandt
Board Vice Chairman
Administrative Committee, Benefits and Compensation Committee[2]
Appointed by Board of Supervisors

Glenn Duncan
Audit Committee, Benifits and Compensation Committee, Investment Committee
Appointed by Board of Supervisors

Louis Fiorino
Administrative Committee, Investment Committee[2]
Elected by General Members

Janice Rutherford
Audit Committee

Appointed by Board of Supervisors

Dawn Stafford
Administrative Committee[2]

Elected by Retired Members

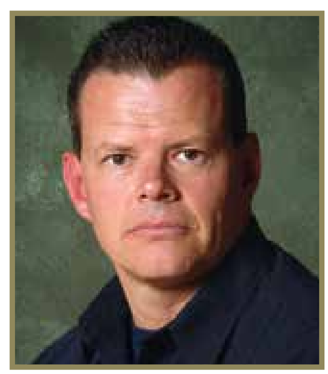
Larry Walker
Investment Committee

County Treasurer / Ex-Officio Member

Neal Waner
Investment Committee

Appointed by Board of Supervisors

Harry Hatch
Administrative Committee, Audit Committee[2]
Benefits and Compensation Committee
Alternate: Elected by Retired Members



Bret Henry
Audit Committee, Benefits and Compensation Committee
Alternate: Elected by Safety Members

(1) Members are listed as of the date this report is issued.
(2) Denotes Committee Chair.

Key Members of the Administrative Staff

As of June 30, 2014[1]

Board of Retirement

Chief Executive Officer
Gary A. Amelio

Chief Counsel
Michael Calabrese

Executive Assistant
Carol Fenn

Chief Investment Officer
Donald Pierce

Senior Investment Officer
Laura A. Vossman

Chief Fiscal Services
Julie Underwood

Chief Information Services
Joseph Michael

Chief Member Services
Christie L. Porter

Outside Consultants

As of June 30, 2014

Actuary

Segal Consulting
Consulting Actuary / San Francisco, CA

Custodial Services

State Street Bank and Trust
Sacramento, CA

Independent Auditors

Macias Gini & O'Connell LLP
Financial Statement Auditors / Los Angeles, CA

Investment Consultants

NEPC, LLC
Investment Advisor / Redwood City, CA

Kreischer Miller
Compliance Advisor / Horsham, PA

Maples Finance
LLC Administrator / Cayman Islands

Technical & Design Support

Levi, Ray and Shoup, Inc.
Pension Software / Springfield, IL

Spencer Lewis Group
Graphic Design / Rancho Cucamonga, CA

Altius Information Technologies, Inc.
IT Security / Costa Mesa, CA

Legal Counsel

Hanson, Bridgett, LLP
Tax, Investment & Trust Counsel / San Francisco, CA

Arias & Lockwood, APLC
Litigation & Disability Counsel / San Bernardino, CA

Foley & Lardner, LLP
Investment Counsel / Boston, MA

Manatt, Phelps and Phillips, LLP
Fiduciary Counsel / Los Angeles, CA

Maples & Calder
Investment Counsel / Cayman Islands

(1) Members are listed as of the date this report is issued.

Note: A listing of investment professionals can be found in the Investment Section.

Report from the Chairman of the Board

San Bernardino County Employees' Retirement Association

November 10, 2014

Dear Members:

On behalf of the San Bernardino County Employees' Retirement Association (SBCERA) Board of Retirement (Board), I am pleased to present the 2013-2014 Comprehensive Annual Financial Report (CAFR), "Managing Your Retirement Resources." In ecology, sustainability refers to how biological systems remain diverse and productive, able to survive and thrive through the millennia. At SBCERA we embrace this theme and its application to our way of doing business. With an eye toward the future we remain steadfast in the knowledge that our process stems from organizational innovation and a balanced, conservative perspective on long term revenue generation.

SBCERA is proud of our sensible and sustainable approach to growth while meeting the needs of our members. In fiscal year 2013-2014 the Plan's trust fund returned 11.51% (net of fees). The Trust Fund's annualized rate of return (net of fees) over the three-year period ended June 30, 2014 was 8.83%, outperforming the actuarially assumed return of 7.75%. (Note: On June 30, 2014 the actuarial assumed rate was changed to 7.50%.)

Increasing demands continually necessitate a comprehensive review on the allocation of SBCERA resources. SBCERA was pleased to recruit Gary A. Amelio as the new Chief Executive Officer, and Michael Calabrese as the new Chief Counsel. Together with them and the rest of the executive management team, the Board has dedicated a significant amount of time and effort in updating Board, CEO and organizational policies. One significant example of these policies is the Performance Evaluation and Planning Program for rating the performance of SBCERA employees. Ensuring that policies and procedures such as this can withstand the test of time is a primary focus as we continue to strengthen and build upon the foundation of a successful retirement plan.

Several other issues that received the Board's focus this year were the culmination of multi-year projects. In 2013-2014, the Five-Year Technology plan was finalized. A new member portal, employer portal, website and pension plan administration software will together create a more efficient operation both internally and externally for our stakeholders.

Report from the Chairman of the Board

(Continued)

In the ongoing effort to support a more transparent and sustainable future for public pension plans, the Governmental Accounting Standards Board (GASB) Statement No. 67 went into effect beginning this fiscal year. With Board support, SBCERA staff and consultants have united in cooperation to implement this new accounting and financial reporting standard. We have also put forth great effort to ensure that participating employers receive the tools and information they need to comply with the corresponding GASB Statement No. 68, which requires participating employers to recognize their share of net pension liability on their financial statements.

Lastly, the triennial Review of Economic Actuarial Assumptions and Actuarial Experience Study was approved by the Board four months earlier this year to avoid any delay in the delivery of the actuarial valuation and to accommodate the GASB reporting requirements. The study is a triennial review of SBCERA's economic and demographic assumptions and is an essential resource for data-driven decision making now and in the future.

At SBCERA, managing our fiscal resources for long term growth and expanding opportunities to exceed expectations in member service, are the key components in building the foundation for a secure, and sustainable retirement.

Sincerely,

David Williams
Chairman, Board of Retirement

FINANCIAL

Section 2.0

Minerals

Minerals

Mineral resources, natural material obtained from the earth, are used to promote health (such as calcium), to light and heat the world (such as coal), and they are ingredients in almost all the products developed for consumption. Making informed decisions about the development of mineral commodities is critical for sustainability of this depletable resource. The management of mineral resources is subject to numerous laws and regulations, just as SBCERA is required to comply with The County Employees Retirement Law of 1937, a body of laws enacted to govern retirement benefits for certain public employees.

Independent Auditor's Report

As of June 30, 2014

MGO Certified Public Accountants.

Los Angeles
777 S. Figueroa Street, Suite 2500
Los Angeles, CA 90017
213.408.8700

Sacramento

Walnut Creek

Oakland

Century City

Newport Beach

San Diego

Seattle

Independent Auditor's Report

To the Members of the
San Bernardino County Employees' Retirement Association
Board of Retirement
San Bernardino, California

We have audited the accompanying statements of fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) as of June 30, 2014 and 2013, the related statements of changes in fiduciary net position for the years then ended, the statements of fiduciary net position of Pacific Public Partners (PPP) agency fund as of June 30, 2014 and 2013, and the related notes to the financial statements, which collectively comprise SBCERA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of SBCERA as of June 30, 2014 and 2013, the fiduciary net position of the PPP agency fund as of June 30, 2014 and 2013 and the related changes in fiduciary net position of SBCERA for the years ended June 30, 2014 and 2013, in accordance with accounting principles generally accepted in the United States of America.

Independent Auditor's Report

As of June 30, 2014
(Continued)

Emphasis of Matter

As discussed in Note 2 to basic financial statements, SBCERA implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. This Statement establishes standards for financial reporting for pension plans that separately issue financial reports and specifies the required approach for measuring and disclosing a participating employer's pension liability. This Statement has a material impact on SBCERA's financial statements as the disclosures, required supplementary information and notes to the required supplementary information were significantly modified to comply with GASB Statement No. 67. Our opinion is not modified with respect to this matter.

As discussed in Note 6 to basic financial statements, the net pension liability of the participating employers as of June 30, 2014 and 2013 was $1.70 billion and $1.98 billion, respectively. The Plan fiduciary net position as a percentage of the total pension liability as of June 30, 2014 and 2013 was 82.47% and 78.17%, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability, schedule of employer contributions, schedule of investment returns and notes to the required supplementary information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SBCERA's basic financial statements. The introductory section, the other supplementary information in the financial section, and the investment, actuarial and statistical sections as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent Auditor's Report

As of June 30, 2014
(Continued)

The introductory, investment, actuarial and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or to provide any assurance on them.

Macias Gini & O'Connell LLP

Los Angeles, California
November 10, 2014

Management's Discussion and Analysis

June 30, 2014 and 2013

As management of the San Bernardino County Employees' Retirement Association (SBCERA), we offer readers of SBCERA's financial statements this narrative overview and analysis of the financial activities of SBCERA for the fiscal years ended June 30, 2014 and 2013. Readers are encouraged to consider the information presented in this analysis in conjunction with the Chief Executive Officer's Letter of Transmittal, included in the Introductory Section, as well as the basic financial statements as presented in this report.

Financial Highlights

- The net position - restricted for pensions of SBCERA at the close of the June 30, 2014 and 2013 fiscal years are $7.99 billion and $7.10 billion, respectively. All of the net position is available to meet SBCERA's ongoing obligations to plan participants and their beneficiaries.
- SBCERA's total net position - restricted for pensions increased by $890.52 million or 12.53% and $931.22 million or 15.08% as of June 30, 2014 and 2013, respectively. The increase in 2014 and 2013 are primarily a result of positive investment returns.
- Total additions, as reflected in the Statements of Changes in Fiduciary Net Position, for fiscal years ended 2014 and 2013 are $1.30 billion and $1.31 billion, respectively. This includes employer and Plan member contributions of $420.19 million, investment income of $876.57 million and net securities lending income of $452 thousand for fiscal year ended June 30, 2014, along with employer and Plan member contributions of $394.14 million, investment income of $911.80 million and net securities lending income of $510 thousand for fiscal year ended June 30, 2013.
- Total deductions as reflected in the Statements of Changes in Fiduciary Net Position total $406.69 million for fiscal year ended June 30, 2014, an increase of $31.47 million over fiscal year ended June 30, 2013, or approximately 8.39%. Total deductions for fiscal year ended June 30, 2013 were $375.23 million, an increase of $25.48 million over fiscal year ended June 30, 2012, or approximately 7.28%.
- The net pension liability of participating employers as of June 30, 2014 and 2013 are $1.70 billion and $1.98 billion, respectively. The Plan fiduciary net position as a percentage of the total pension liability is 82.47% and 78.17% as of June 30, 2014 and 2013, respectively. The net pension liability as a percentage of covered payroll is 134.61% and 157.43% as of June 30, 2014 and 2013, respectively. Refer to Note 6-Net Pension Liability of Participating Employers, and Required Supplementary Information sections of this report for more information.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to SBCERA's financial statements. The financial statements and required disclosures are prepared in accordance with pronouncements (accounting principles and reporting guidelines) as set forth by the Governmental Accounting Standards Board (GASB). These pronouncements require certain disclosures and require SBCERA to report using the full accrual method of accounting. SBCERA complies with all material requirements of these pronouncements. SBCERA's financial statements are comprised of the following components:

1. Statements of Fiduciary Net Position
2. Statements of Changes in Fiduciary Net Position
3. Statements of Fiduciary Net Position - Agency Fund
4. Notes to Basic Financial Statements
5. Required Supplementary Information and Other Supplementary Information

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

The Statements of Fiduciary Net Position are a snapshot of account balances at fiscal year-end. It indicates the assets available for future payments to retirees and their beneficiaries, and any current liabilities owed as of fiscal year-end.

The Statements of Changes in Fiduciary Net Position reflect all the activities that occurred during the fiscal 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 the condition of SBCERA's financial position over time.

The Statements of Fiduciary Net Position - Agency Fund are a snapshot of account balances at year-end for the agency fund, Pacific Public Partners (PPP), a health investment trust fund. PPP is a separate legal entity; therefore, financial information for this fund is reported separately from the financial information presented for SBCERA. It indicates the assets held in trust and any liabilities owed at year-end. The Statements of Changes in Assets and Liabilities-Agency Fund is presented in the Other Supplementary Information section of this report. Refer to Note 13 – Pacific Public Partners, for further information.

The Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position report information about SBCERA's activities. These statements include all assets and liabilities, using the full accrual method of accounting, which is similar to the accounting used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown at trade date, not settlement date, and both realized and unrealized gains and losses are shown on investments. In addition, all property and equipment are depreciated and intangible assets are amortized over their useful lives. Refer to Note 2 – Summary of Significant Accounting Policies (see section for Capital Assets) for further information.

The Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position report SBCERA's net position - restricted for pensions (net position is the difference between assets and liabilities) as one way to measure the Plan's financial position. Over time, increases and decreases in SBCERA's net position are an indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring SBCERA's overall financial health (see SBCERA's financial statements following this analysis).

Notes to Basic Financial Statements (Notes) are an integral part of the financial reports. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements including a detailed discussion of key policies, programs, investments and activities that occurred during the year (see Notes to Basic Financial Statements section of this report).

Required Supplementary Information presents historical trend information concerning the changes in net pension liability, employer contributions and investment returns, and includes notes that explain factors that significantly affect trends in the amounts reported, such as changes of benefit terms, changes in the size or composition of the population covered by the benefit terms, or the use of different assumptions over time. This information is based on actuarial valuations and contributes to the understanding of the changes in the net pension liability of participating employers over the past ten years (see Required Supplementary Information section of this report).

Other Supplementary Information includes the Statements of Changes in Assets and Liabilities-Agency Fund, and the schedules of Administrative Expenses, Investment Expenses and Payments to Consultants which are all presented immediately following the Required Supplementary Information section of this report.

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

Financial Analysis

Net Position

Net position may serve over time as a useful indication of SBCERA's financial position (see Table 1, on page 21). As of June 30, 2014, SBCERA has $7.99 billion in net position, which means total assets of $8.25 billion exceed total liabilities of $255.60 million. As of June 30, 2013 and 2012, SBCERA had $7.10 billion and $6.17 billion in net position, respectively, as a result of total assets of $7.50 billion and $6.65 billion exceeding total liabilities of $398.07 million and $473.10 million, respectively. All of the net position is available to meet SBCERA's ongoing obligation to plan participants and their beneficiaries.

As of June 30, 2014, net position increased by $890.52 million, thereby accounting for a 12.53% increase over the prior year, due primarily to gains in the fair value of investments. As of June 30, 2013, net position increased by $931.22 million, thereby accounting for a 15.08% increase from the prior year due primarily to gains in the fair market value of investments.

In order to determine whether the $7.99 billion in net position will be sufficient to meet future obligations, SBCERA's independent actuary, Segal Consulting, performed an actuarial valuation as of June 30, 2014. The result of the valuation determines what future contributions by the Plan members and the participating employers are needed to pay all expected future benefits. The valuation takes into account SBCERA's policy to smooth the impact of market volatility by spreading each year's gains or losses over five years. (Note: The Reserves section of this discussion provides additional information regarding the smoothing of the unrecognized losses from the June 30, 2011 valuation).

An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which are the actuarial present value of all future benefits expected to be paid with respect to each member. The actuary must use assumptions regarding life expectancy, projected salary increases over time, projected retirement age and expected rate of return for the investment portfolio (7.50% rate of return was used for the June 30, 2014 valuation and 7.75% rate of return was used for the June 30, 2013, and 2012 valuations). All assumptions used by the actuary are reviewed by the Board of Retirement (Board), every three years.

Capital Assets

SBCERA's investment in capital assets increased from $4.12 million to $4.66 million (net of accumulated depreciation and amortization) between fiscal years 2013 and 2014 after increasing from $2.16 million to $4.12 million between fiscal years 2012 and 2013. This investment in capital assets includes equipment, furniture, leasehold improvements, software, and technology infrastructure. The total increase in SBCERA's investment in capital and intangible assets as of June 30, 2014 and 2013 was $542 thousand and $1.96 million, respectively. The increases in both fiscal years are primarily due to the costs incurred for the development of internally generated software for a new pension administration system, which was fully implemented in January, 2014.

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

Fiduciary Net Position [Table 1]
As of June 30, 2014, 2013 and 2012
(Amounts in Thousands)

Assets	(a) 2014	(b) 2013	(c) 2012	(a-b=d) Amount Increase/ (Decrease)	(d/b) Percent Increase/ (Decrease)
Current and other assets	$128,514	$195,192	$170,060	$(66,678)	(34.16)%
Investments at fair value	8,117,498	7,303,317	6,474,223	814,181	11.15%
Capital assets	4,659	4,117	2,156	542	13.16%
TOTAL ASSETS	**8,250,671**	**7,502,626**	**6,646,439**	**748,045**	**9.97%**
Liabilities					
Current liabilities	255,600	398,072	473,105	(142,472)	(35.79)%
TOTAL LIABILITIES	**255,600**	**398,072**	**473,105**	**(142,472)**	**(35.79)%**
NET POSITION - RESTRICTED FOR PENSIONS	**$7,995,071**	**$7,104,554**	**$6,173,334**	**$890,517**	**12.53%**

SBCERA's Reserves [Table 2]
As of June 30, 2014, 2013 and 2012
(Amounts in Thousands)

	2014	2013	2012
Member deposit reserve[1]	$1,200,776	$1,157,216	$1,116,023
Employer current service reserve[1]	1,981,393	1,850,525	1,818,582
Contra account[1]	(1,909,880)	(1,730,943)	(1,469,395)
Pension reserve[1]	3,506,564	3,255,045	2,938,867
Cost of living reserve[1]	1,468,124	1,345,342	1,234,357
Annuity reserve[1]	1,440,931	1,267,683	1,094,032
Supplemental disability reserve[1]	9,185	9,128	8,738
Survivor benefit reserve[1]	53,391	50,051	47,376
Burial allowance reserve[2]	825	871	912
TOTAL RESERVES (SMOOTHED MARKET ACTUARIAL VALUE)	**7,751,309**	**7,204,918**	**6,789,492**
NET UNRECOGNIZED GAINS/(LOSSES)	**243,762**	**(100,364)**	**(616,158)**
NET POSITION - RESTRICTED FOR PENSIONS INCLUDING NON-VALUATION RESERVES, AT MARKET VALUE	**$7,995,071**	**$7,104,554**	**$6,173,334**

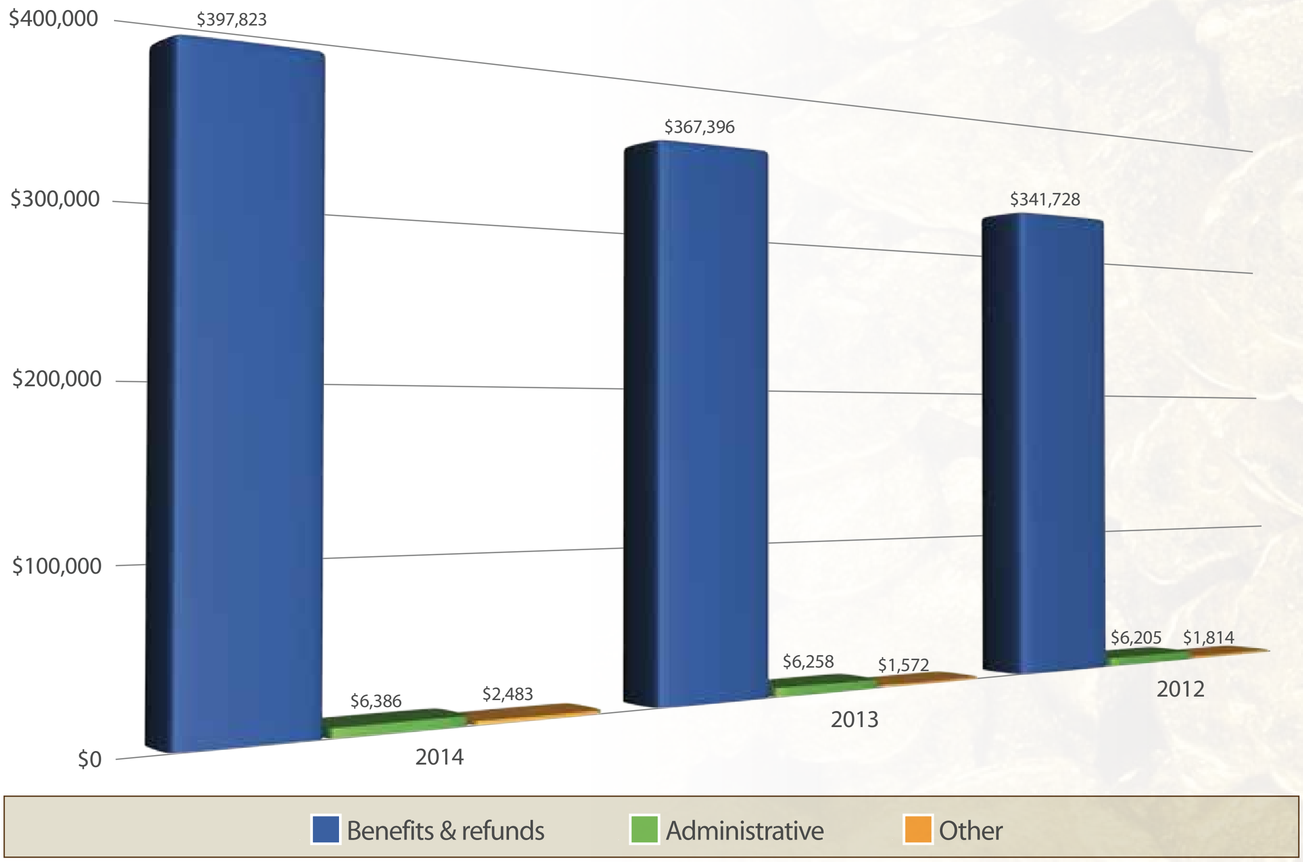
(1) Included in valuation value of assets.
(2) Not included in valuation value of assets.

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

Changes in Fiduciary Net Position [Table 3]
For the Years Ended June 30, 2014, 2013 and 2012
(Amounts in Thousands)

Additions	*(a) 2014*	*(b) 2013*	*(c) 2012*	*(a-b=d) Amount Increase/ (Decrease)*	*(d/b) Percent Increase/ (Decrease)*
Employer contributions	$330,330	$303,080	$278,091	$27,250	8.99%
Plan member contributions	89,861	91,056	68,630	(1,195)	(1.31)%
Net investment income[1]	876,566	911,800	39,179	(35,234)	(3.86)%
Net securities lending income	452	510	607	(58)	(11.37)%
TOTAL ADDITIONS	**1,297,209**	**1,306,446**	**386,507**	**(9,237)**	**(0.71)%**
***Deductions** (refer to graph below)*					
Benefits & refunds	397,823	367,396	341,728	30,427	8.28%
Administrative	6,386	6,258	6,205	128	2.05%
Other	2,483	1,572	1,814	911	57.95%
TOTAL DEDUCTIONS	**406,692**	**375,226**	**349,747**	**31,466**	**8.39%**
INCREASE IN NET POSITION - RESTRICTED FOR PENSIONS	**$890,517**	**$931,220**	**$36,760**	**$(40,703)**	**(4.37)%**



(1) Net of investment expenses of $124,567, $100,285 and $79,732 for June 30, 2014, 2013 and 2012, respectively.

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

Reserves

SBCERA's reserves are established from contributions and the accumulation of investment income, after satisfying investment, administrative and other expenses (see Table 2, on page 21). During the past several years, the following changes have been implemented and have impacted the reserve accounts and the amount of interest credited to those accounts:

- The implementation of a Interest Crediting Procedures and Undesignated Excess Earnings Allocation Policy (POLICY) in 2005, a subsequent revision to the policy in 2012, and the implementation of a new Actuarial Funding Policy in 2012, which:
    - No longer requires the Restricted Balance Reserved for Deficiencies to be maintained unless excess earnings are available pursuant to POLICY.
    - Normal costs are now calculated on an individual basis, previously calculated on an aggregate basis, to comply with the Governmental Accounting Standards Board recommendations.
    - The amortization periods were adjusted for various future changes in liability. See Notes to the Required Supplementary Information section of this report.
- On March 13, 2012, the Board approved an ad hoc adjustment to the asset smoothing method to combine the net deferred investment loss, from the June 30, 2011 actuarial valuation, into a single four-year smoothing layer.
- Previously, the $1,000 lump sum post-retirement death benefit (the Burial Allowance) was excluded from the valuation. Effective with the June 30, 2012 valuation, the liabilities associated with the vested $750 portion of the benefit have been included in the valuation (the remaining $250 is a discretionary benefit and is funded from undesignated excess earnings, subject at all times to the availability of funds in the Burial Allowance reserve).

Investments are stated at fair value instead of at cost and include the recognition of unrealized gains and losses in the current period. For actuarial purposes, it is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year, they are smoothed over a five-year period and, as a result, the asset value and the plan costs are more stable. These gains and losses are shown in the Net Unrecognized Gains/(Losses) reserve account. Commencing with the June 30, 2012 valuation, the net unrecognized loss from the June 30, 2011 valuation was smoothed into a single four-year smoothing layer (recognized in equal amounts over four years). This one-time layering adjustment was made to reduce the volatility associated with the deferred loss recognition of this amount and provide for more level employer contribution rates. Future deferred gains or losses will be smoothed pursuant to the Board approved Actuarial Funding policy (each year's gains or losses smoothed over five years).

Several factors contributed to a increase in the Net Unrecognized Gains/(Losses) reserve account of $243.76 million at June 30, 2014 from $(100.36) million at June 30, 2013 and $(616.16) million at June 30, 2012 or increase of approximately $344.12 million to fiscal year 2014 from fiscal year 2013 and a increase of $515.79 million to fiscal year 2013 from fiscal year 2012, respectively as follows:

- The overall increase in the fair value of investments in fiscal year 2014, 2013 and 2012.
- Interest crediting at the actuarial assumed interest rate (as dictated by the interest crediting policy) in fiscal years 2014, 2013 and 2012.
- The five-year smoothing of investment gains and losses.
- The adjustment to the asset smoothing method that combined the net deferred investment losses from the June 30, 2011 valuation into a single smoothing layer to be recognized in equal amounts over four years beginning with the June 30, 2012 valuation.
- The implementation of the new Actuarial Funding Policy and revised Interest Crediting Procedures and Undesignated Excess Earnings Allocation Policy which were discussed above.

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

Additions and Deductions to Fiduciary Net Position

Additions

The primary sources of financing SBCERA benefits is through the collection of employer and Plan member contributions and through earnings on investment income (net of investment expenses). Additions for the fiscal year ended June 30, 2014, totaled $1.30 billion compared to $1.31 billion for June 30, 2013 and $386.51 million for June 30, 2012 (see Table 3, on page 22). Overall, additions decreased by $9.2 million between fiscal years 2013 and 2014 due to a 3.86% decrease in net investment income, a 1.31% decrease in Plan member contributions and a 11.37% decrease in net securities lending income compared to the prior year, offset by an increase of 8.99% in employer contributions. Additions increased by $919.94 million between 2012 and 2013, due to a significant increase of 2,227.27% in net investment income, and 41.67% increase in total contributions, which was slightly offset by a decrease of 15.98% in net securities lending income.

Overall, total employer and Plan member contributions continue to rise due to the increases in the average employer and Plan member contribution rates, as recommended by the Plan's independent actuary (see Note 4-Contribution Requirements for additional information). In addition, there was a spike in Plan member contributions for the fiscal year ended June 30, 2013, due to new pension reform legislation, which resulted in a one-time increase in the purchase of Additional Retirement Credit (ARC), by SBCERA members, before the purchase was prohibited as of January 1, 2013. Refer to Note 1-Significant Provisions of the Plan (see section for California Public Employees' Pension Reform Act) for additional information.

SBCERA's net position continues to increase due in large part to SBCERA's investment portfolio, which continues to produce strong performance results. Income from net investment activity contributed $876.57 million for June 30, 2014 versus $911.80 million for June 30, 2013 and $39.18 million for June 30, 2012. While markets continued to improve during the June 30, 2014 fiscal year, investment income was slightly lower than the previous year due to SBCERA rotating out of strategies that the previous year had resulted in strong performance.

Deductions

SBCERA was created to provide lifetime retirement benefits, survivor benefits and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring Plan designated benefit payments, refunds of contributions to terminated employees and the cost of administering the Plan.

Deductions for the fiscal year ended June 30, 2014 totaled $406.69 million, an increase of $31.47 million or 8.39% over the June 30, 2013 amount of $375.23 million. The increase in deductions for the fiscal year ended June 30, 2013 were $25.48 million or 7.28% over the June 30, 2012 amount of $349.75 million (see Table 3, on page 22). The increases in all years, related to benefits & refunds, are primarily due to the overall growth in the number of retirees and in the average amount of benefits paid to them. In addition, deductions for administrative expenses have increased in all years due primarily to the increase in administrative personnel costs (salary and cost of living increases and filling vacant positions). Also, for the fiscal year ended June 30, 2014, SBCERA began depreciating the capitalized costs associated with the upgrade for a new pension administration system, which is the primary reason for the 57.95% increase in Other deductions over the prior year.

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

Net Pension Liability

SBCERA is subject to the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, beginning with the fiscal year ended June 30, 2014 and SBCERA's participating employers will be subject to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, beginning with the fiscal year ended June 30, 2015. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*, and GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, and GASB Statement No. 50 as they relate to pension plans. These new standards will require governments to recognize their long-term obligation for pension benefits as a liability on their balance sheets, to recognize their annual pension expense as a comprehensive measurement of the annual cost of pension benefits and expands note disclosures and Required Supplementary Information for pension plans and their participating employers.

Pursuant to GASB Statement No. 67, the funded status and unfunded actuarial accrued liability (UAAL) of the Plan are no longer presented in the notes or required supplementary information. UAAL was determined by subtracting the excess of the actuarial accrued liability (discounted at the Plan's assumed rate of return) from the actuarial value of assets (determined by smoothing values over a certain number of years to reduce volatility) and represented the costs allocated to date for current Plan members that are not covered by the actuarial value of assets. The UAAL has now been replaced by the net pension liability (NPL), which represents the excess of the total pension liability (using an entry age cost method, discounted at a discount rate that reflects the expected return on assets) over fiduciary net position (valued at fair value). NPL is similar to UAAL but uses market assets, not smoothed assets. This is a conceptual shift by the GASB in the measurement of pension liabilities to provide a consistent, standardized methodology that allows comparability of data and increased transparency of the pension liability across all plans. SBCERA has complied with GASB Statement No. 67 for the fiscal year ended June 30, 2014 and will continue to assist our participating employers as they implement GASB Statement No. 68 for the fiscal year ended June 30, 2015.

Based on the June 30, 2014 and June 30, 2013 actuarial valuations, the Net Pension Liability (NPL) of participating employers on a market basis are $1.70 billion and $1.98 billion, respectively. The decrease is primarily a result of increased investment returns. NPL is not available for the fiscal year ended June 30, 2012. Refer to Note 6-Net Pension Liability and the Required Supplementary Information section of this report for further information.

Changes in Net Pension Liability
As of June 30, 2014, 2013 and 2012[1]
(Amounts in Thousands)

	(a) 2014	(b) 2013	(c) 2012[1]	(a-b=d) Amount Increase/ (Decrease)	(d/b) Percent Increase/ (Decrease)
Total pension liability	$9,694,826	$9,088,636	N/A[1]	$606,190	6.67%
Less plan fiduciary net position	7,995,071	7,104,554	N/A[1]	890,517	12.53%
NET PENSION LIABILITY	**$1,699,755**	**$1,984,082**	**N/A[1]**	**$(284,327)**	**(14.33)%**

(1) Data for fiscal year ended June 30, 2012 is not available in a comparable format.

Management's Discussion and Analysis

June 30, 2014 and 2013
(Continued)

Pension Reform

Governor Jerry Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA), which became effective January 1, 2013. While it has been called one of the largest pieces of pension reform legislation on record, it had minimal impact on current and retired SBCERA members hired prior to January 1, 2013. Most changes and provisions affected new public employees hired on or after January 1, 2013. The major provisions included ending of the purchase of Additional Retirement Credit (ARC) for all members, restricts the ability of a retiree to return to work for a public employer in the same retirement system without reinstatement to active service and a suspension of the retirement benefit unless certain conditions are met, and employers cannot adopt an enhanced benefit formula and apply it to past service. In addition, for new public employees, the legislation reduces benefit formulas, limits pensionable income, expands the final compensation period from one year to three years, and requires the new employee to pay a larger share of normal costs.

Overall Analysis

For the fiscal years ended June 30, 2014 and 2013, SBCERA's financial position and results from operations have experienced an increase over the prior year. For 2014, net position increased by $890.52 million over 2013. For 2013, net position increased by $931.22 million from 2012. The overall increase in net position for June 30, 2014 is primarily attributable to the increase in investment income and appreciation in the fair value of the Plan's broadly diversified portfolio. Despite fluctuations in the financial markets, SBCERA remains in a sound financial position to meet its obligations to Plan participants and beneficiaries. The current financial position results from a very strong and successful investment program, risk management and strategic planning. As a long-term investor, SBCERA can take advantage of price volatility along with a diversified exposure to domestic and international equities, fixed income investments, natural resources, real estate, infrastructure, private equity and overlay programs. The Plan is recovering well from the general market downturn which occurred in 2009 and 2008 and SBCERA is well positioned with value focused assets to face future market fluctuations.

SBCERA's Fiduciary Responsibilities

SBCERA's Board and management are fiduciaries of the pension trust fund. Under the California Constitution, the assets can only be used for the exclusive benefit of Plan participants and their beneficiaries.

Requests for Information

The Comprehensive Annual Financial Report is designed to provide the Board, our membership, taxpayers, investment managers and creditors with a general overview of SBCERA's finances and to account for the money it received. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

San Bernardino County Employees' Retirement Association (SBCERA)
Fiscal Services Department
348 West Hospitality Lane, 3rd Floor
San Bernardino, CA 92415-0014

FINANCIAL

Section 2.1

Basic Financial Statements

Recycle

Recycle

Products once discarded have found new life as the waste hierarchy of reduce, reuse and recycle becomes a household phrase. Seatbelts have become purses, candy wrappers revived as bracelets, and plastic bottles are transformed into reusable shopping bags. The goal of the hierarchy is to reduce pollutants, save energy and conserve resources. SBCERA is also playing a role in the conservation effort by investing in waste management companies that sort out recyclables and divert waste from the nation's landfills.

Statements of Fiduciary Net Position

As of June 30, 2014 and 2013 (Amounts in Thousands)

ASSETS	***2014***	***2013***
Cash		
Cash pooled with County Treasurer	$1,590	$6,460
Cash in bank	8,402	3,583
TOTAL CASH	**9,992**	**10,043**
Receivables		
Securities sold	82,318	163,495
Accrued interest and dividends	2,836	1,582
Employer and plan member contributions	23,374	16,632
Due from withdrawn employers	7,061	-
Due from agency fund	1,007	1,007
Other	1,926	2,433
TOTAL RECEIVABLES	**118,522**	**185,149**
Investments, at fair value		
Short-term cash investment funds	878,342	994,285
Emerging market debt	482,957	300,697
United States government securities	154,972	154,917
Corporate bonds	204,174	57,249
Domestic common and preferred stock	598,077	461,501
Foreign common and preferred stock	196,646	185,797
Foreign bonds	81,367	52,486
Investments of cash collateral received on securities lending	45,784	98,196
Real estate	535,447	531,434
Domestic alternatives	3,522,848	3,333,102
Foreign alternatives	1,416,884	1,133,653
TOTAL INVESTMENTS, AT FAIR VALUE	**8,117,498**	**7,303,317**
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	**4,659**	**4,117**
TOTAL ASSETS	**8,250,671**	**7,502,626**
LIABILITIES		
Securities lending	46,040	98,689
Securities options payable	21,194	122,889
Payables for securities purchased	132,794	121,524
Mortgage notes payable	45,502	45,802
Other liabilities	10,070	9,168
TOTAL LIABILITIES	**255,600**	**398,072**
NET POSITION - RESTRICTED FOR PENSIONS	**$7,995,071**	**$7,104,554**

The accompanying notes are an integral part of these financial statements.

Statements of Changes in Fiduciary Net Position

For the Years Ended June 30, 2014 and 2013 (Amounts in Thousands)

ADDITIONS	***2014***	***2013***
Contributions		
Employer contributions	$330,330	$303,080
Plan member contributions	89,861	91,056
TOTAL CONTRIBUTIONS	**420,191**	**394,136**
Investment Income		
Net appreciation in fair value of investments:		
Securities and alternative investments	918,878	956,696
Real estate	43,939	25,969
TOTAL NET APPRECIATION IN FAIR VALUE OF INVESTMENTS	**962,817**	**982,665**
INTEREST INCOME ON CASH AND SECURITIES	**10,473**	**5,010**
Other Investment Income		
Dividend income	7,740	4,976
Net real estate rental income	18,859	19,143
Other income	1,244	291
TOTAL OTHER INVESTMENT INCOME	**27,843**	**24,410**
Less Investment Expenses		
Investment advisement fees	(96,084)	(81,896)
Other investment expense	(28,483)	(18,389)
TOTAL INVESTMENT EXPENSES	**(124,567)**	**(100,285)**
NET INVESTMENT INCOME	**876,566**	**911,800**
Securities Lending Income		
Earnings	559	686
Less: rebates and bank charges	(107)	(176)
NET SECURITIES LENDING INCOME	**452**	**510**
TOTAL ADDITIONS	**1,297,209**	**1,306,446**
DEDUCTIONS		
Benefits and refunds paid to participants and beneficiaries	397,823	367,396
Administrative expenses	6,386	6,258
Other expenses	2,483	1,572
TOTAL DEDUCTIONS	**406,692**	**375,226**
NET INCREASE IN NET POSITION	**890,517**	**931,220**
NET POSITION - RESTRICTED FOR PENSIONS		
Beginning of year	7,104,554	6,173,334
END OF YEAR	**$7,995,071**	**$7,104,554**

The accompanying notes are an integral part of these financial statements.

Statements of Fiduciary Net Position Agency Fund - Pacific Public Partners

As of June 30, 2014 and 2013 (Amounts in Thousands)

ASSETS	***2014***	***2013***
Due from participants	$1,007	$1,007
TOTAL ASSETS	**1,007**	**1,007**
LIABILITIES		
Due to SBCERA	1,007	1,007
TOTAL LIABILITIES	**1,007**	**1,007**
NET POSITION - RESTRICTED FOR AGENCY FUND	**$ -**	**$ -**

The accompanying notes are an integral part of these financial statements.

Notes to Basic Financial Statements

June 30, 2014 and 2013

NOTE 1 – Significant Provisions of the Plan

The San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan). SBCERA was established in 1945 and operates under the provisions of the California County Employees' Retirement Law of 1937 (CERL), the California Public Employees' Pension Reform Act of 2013 (PEPRA) and the regulations, procedures and policies adopted by SBCERA's Board of Retirement (Board). The Plan's provisions may be amended by the California state legislature and in some cases require approval by the County of San Bernardino Board of Supervisors and/or the SBCERA Board.

SBCERA provides retirement, disability, death and survivor benefits to its members, who are employed by 17 active plan sponsors (participating employers) and 3 withdrawn employers which include: The County of San Bernardino, Barstow Fire Protection District, California Electronic Recording Transaction Network Authority, California State Association of Counties, City of Big Bear Lake, City of Chino Hills, Crestline Sanitation District, Department of Water and Power of the City of Big Bear Lake, Hesperia Recreation and Park District, Inland Library System, Inland Valley Development Agency (withdrew June 30, 2012), Law Library for San Bernardino County, Local Agency Formation Commission, Mojave Desert Air Quality Management District, Rim of the World Recreation and Park District (withdrew May 4, 2013), San Bernardino Associated Governments, San Bernardino International Airport Authority (withdrew June 30, 2012), SBCERA, South Coast Air Quality Management District (SCAQMD), and Superior Court of California County of San Bernardino.

Fiduciary oversight of SBCERA is vested with the SBCERA Board, which consists of nine voting members and two alternate members. Four members are appointed by the County of San Bernardino's Board of Supervisors, six members (including two alternates) are elected by the members of SBCERA (General members elect two members, Safety members elect one member and one alternate, and retired members elect one member and one alternate) and the County of San Bernardino Treasurer (County Treasurer) is an ex-officio member. Board members serve three-year terms, with the exception of the County Treasurer, who serves during his tenure in office. The Board meets monthly. Appointed and retired members of the Board receive compensation (a stipend for meeting attendance), and all members are reimbursed for necessary expenses pursuant to Government Code section 31521. SBCERA's Chief Executive Officer is appointed by the Board, and implements the policy and direction set by the Board.

SBCERA publishes its own Comprehensive Annual Financial Report (CAFR) and receives its own independent audit. SBCERA is a legally separate entity from the County of San Bernardino, not a component unit, and there is no financial interdependency with the County of San Bernardino. For these reasons, the County of San Bernardino's Comprehensive Annual Financial Report excludes the SBCERA pension trust fund as of June 30, 2014. An electronic copy of SBCERA's CAFR is available on SBCERA's website at www.SBCERA.org.

Membership and Benefit Eligibility

All benefits administered by SBCERA, and any benefit increases are established by the CERL, as amended by PEPRA. SBCERA administers benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Safety membership is extended to those involved in active law enforcement and fire suppression. All other members are classified as General members. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. Employees become eligible for membership on their first day of regular employment, and members become fully vested after earning 5 years of service credit or attaining the age of 70. Additional information regarding SBCERA's benefits is included in the Summary Plan Description, also known as The Compass, which is available on SBCERA's website at www.SBCERA.org.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 1 – Significant Provisions of the Plan
Member and Benefit Eligibility (Continued)

California Public Employees' Pension Reform Act (PEPRA)

In September 2012, Governor Jerry Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA) into law. PEPRA resulted in the creation of two new benefit formulas for members entering SBCERA on or after January 1, 2013 (and who are not "reciprocal" with another pension system): 2.5% at age 67 for General members and 2.7% at age 57 for Safety members. PEPRA also caps pensionable compensation at 120% of the Federal Social Security limit for the 2013 calendar year and is adjusted each year thereafter based on changes in the consumer price index, reduces the amount of pay items eligible for pensionable compensation, increases the final average compensation used to calculate benefits from the highest one-year average to a highest three-year average and requires members to pay at least 50% of the total normal cost of the Plan. SBCERA members subject to the provisions of PEPRA are considered Tier 2 members.

On September 6, 2013, the Governor approved Assembly Bill 1380 (AB 1380), which makes various technical corrections and conforming changes that align the CERL with the provisions of the PEPRA. In particular, the bill clarifies that Tier 2 members are eligible to retire at age 70, regardless of years of service, that the Board may, but is not required to, round Tier 2 contribution rates to the nearest quarter of one percent, and those rates may be adjusted for any change in the normal cost rate. AB 1380 was effective January 1, 2014.

SBCERA Membership

An employee who is appointed to a regular position, whose service is greater than fifty percent of the full standard of hours required by a participating SBCERA employer, must become a member of SBCERA on the first day of employment. However, membership may be delayed in accordance with SBCERA regulations for the purpose of establishing reciprocity with another public retirement system as described in the CERL and employees who have attained age 60 prior to employment may waive their membership within 90 days following the initial appointment.

SBCERA membership consists of active employees and inactive Plan members as follows:

SBCERA Membership
As of June 30, 2014

	Tier 1			Tier 2			
	General	Safety	Sub-Total	General	Safety	Sub-Total	Total
Active employees - vested	12,533	1,826	14,359	14	-	14	14,373
Active employees - nonvested	2,727	206	2,933	2,040	151	2,191	5,124
Inactive plan members or beneficiaries currently receiving benefits:							
Retirees currently receiving benefits	7,745	1,410	9,155	-	-	-	9,155
Beneficiaries and dependents currently receiving benefits	1,181	282	1,463	-	-	-	1,463
Inactive plan members entitled to but not yet receiving benefits:							
Inactive members eligible for, but not yet receiving benefits	2,002	127	2,129	1	-	1	2,130
Inactive members eligible for refund value of account only[1]	1,988	62	2,050	176	-	176	2,226
TOTAL	**28,176**	**3,913**	**32,089**	**2,231**	**151**	**2,382**	**34,471**

(1) Inactive members with less than 5 years of service are entitled to withdraw their refundable employee contributions made, together with accumulated interest only.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 1 – Significant Provisions of the Plan

Membership and Benefit Eligibility | SBCERA Membership (Continued)

SBCERA Membership
As of June 30, 2013

	Tier 1			Tier 2			
	General	Safety	Sub-Total	General	Safety	Sub-Total	Total
Active employees - vested	12,880	1,880	14,760	2	-	2	14,762
Active employees - nonvested	3,717	252	3,969	642	28	670	4,639
Inactive plan members or beneficiaries currently receiving benefits:							
Retirees currently receiving benefits	7,397	1,343	8,740	-	-	-	8,740
Beneficiaries and dependents currently receiving benefits	1,195	238	1,433	-	-	-	1,433
Inactive plan members entitled to but not yet receiving benefits:							
Inactive members eligible for, but not yet receiving benefits	1,850	121	1,971	-	-	-	1,971
Inactive members eligible for refund value of account only[1]	1,881	52	1,933	17	-	17	1,950
TOTAL	**28,920**	**3,886**	**32,806**	**661**	**28**	**689**	**33,495**

Member Retirement Benefits

General Tier 1 members are eligible for retirement benefits upon completion of 10 years of service credit and attaining age 50, 30 years of service credit regardless of age or age 70 regardless of years of service credit. Safety Tier 1 members have the same eligibility requirements as General members except they are required to complete only 20 years of service credit, regardless of age. Retirement benefits are calculated at 2% for General Tier 1 members and 3% for Safety Tier 1 members of final one-year average compensation earnable, as defined in Government Code sections 31462.1, 31676.15 and 31664.1 of the CERL, for each completed year of service based on a normal retirement age of 55 for General members and 50 for Safety members. For Tier 1 members, the maximum monthly retirement allowance is 100% of final compensation, and final compensation is capped pursuant to Internal Revenue Code (IRC) section 401(a)(17), which is $260,000 and $255,000 for calendar years 2014 and 2013, respectively. Tier 1 members with 30 or more years of service credit and annual compensation in excess of the IRC 401(a)(17) cap are exempt from paying member contributions (except for the Survivor Benefit contribution).

General Tier 2 members are eligible for retirement benefits upon completion of 5 years of service credit and attaining age 52. Safety Tier 2 members are eligible for retirement benefits upon completion of 5 years of service credit and attaining age 50. Retirement benefits are calculated at 2.5% at age 67 for General Tier 2 members and 2.7% at age 57 for Safety Tier 2 members of final three-year average pensionable compensation, as defined in Government Code sections 7522.20(a) and 7522.25(d) of the PEPRA, for each completed year of service. For Tier 2 members, the monthly retirement allowance is not capped; however, pensionable compensation for all Tier 2 members is limited each year by an annual cap, which is 120% of the Federal Social Security taxable wage base for the 2013 calendar year, and is adjusted each year thereafter based on changes in the consumer price index. The cap for calendar years 2014 and 2013 is $138,077 and $136,440, respectively. Since pensionable compensation is capped, Tier 2 members are exempt from paying member contributions and participating employers are exempt from paying employer contributions on pensionable compensation paid in excess of the annual cap (except for the Survivor Benefit contribution).

(1) Inactive members with less than 5 years of service are entitled to withdraw their refundable employee contributions made, together with accumulated interest only.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 1 – Significant Provisions of the Plan

Member Retirement Benefits (Continued)

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse/registered domestic partner or eligible child. An eligible surviving spouse or registered domestic partner is one married to or registered with the member one year prior to the effective retirement date. To be considered a post-retirement eligible spouse/domestic partner, the member must have been married/legally registered at least two years prior to death, and the spouse/domestic partner must be 55 years or older upon the member's death, and no other person may be designated in a court order as a payee. There are four optional retirement allowances the member may choose; each requiring a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, registered domestic partner or named beneficiary having an insurable interest in the life of the member.

Terminated Member Benefits

If a member terminates before earning five years of service credit, the member forfeits the right to receive benefits and is entitled to withdraw refundable contributions made, together with accumulated interest. If the member enters a reciprocal retirement system within 180 days of terminating from SBCERA and elects to leave their accumulated contributions on deposit with SBCERA, then the member will receive a deferred retirement allowance when eligible. On or after January 1, 2003, a member with less than five years of service credit may elect to leave accumulated contributions in the retirement fund indefinitely pursuant to Government Code section 31629.5. If a member terminates after five years of service credit, the member may elect to withdraw the refundable contributions, including interest earned, or leave the accumulated deposits in the retirement fund and be granted a deferred retirement allowance at the time the member would have been entitled to the allowance if service had been continued. The acceptance of a refund payment cancels the individual's rights and benefits in SBCERA.

Death and Disability Benefits

The Plan provides death benefits to beneficiaries of members, and these benefits are governed by Articles 12, 15, and 15.6 of the CERL. In accordance with applicable California law, a surviving spouse/domestic partner, or minor children, even if not the named beneficiary, may have certain rights superseding the rights of the named beneficiary.

Death before Retirement with Less than Five Years Service Credit

If a member with less than five years of service credit dies as a result of a non-work related incident, the member's designated beneficiary will receive the member's refundable retirement contributions plus accumulated interest earned. In addition, the beneficiary will receive one month's compensation for each completed year the member served to a maximum of six months pursuant to Government Code section 31781. If the member established reciprocity with another public pension plan, SBCERA will coordinate benefits with the last public employer, pursuant to Government Code sections 31839 and 31840.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 1 – Significant Provisions of the Plan
Death and Disability Benefits (Continued)

Death before Retirement with More than Five Years Service Credit

A member who dies after earning at least five years of service credit, but whose death is not job-related, is entitled to leave the eligible spouse/registered domestic partner (or any eligible children) a monthly payment equal to 60% of the amount that would have been paid had the member retired with a nonservice-connected disability. If the beneficiary is other than a spouse/registered domestic partner or dependent child, the beneficiary receives a lump sum payment of the refundable retirement contributions plus accumulated interest earned. In addition, the beneficiary would receive one month's compensation for each completed year the member served to a maximum of six months pursuant to Government Code section 31781. If the member established reciprocity with another public pension plan, SBCERA will coordinate benefits with the last public employer, pursuant to Government Code sections 31839 and 31840.

Death before Retirement Caused by Employment

If a member dies due to injury or disease arising out of or in the course of employment, the surviving spouse/registered domestic partner is eligible for a monthly allowance equal to the amount that would have been paid had the employee retired for a service-connected disability at the time of death. This amount is equal to 50% of the individual's final monthly compensation. If a Safety member dies while in the performance of duty, the spouse/registered domestic partner would receive an additional lump-sum payment equal to one year's salary. Furthermore, an additional death benefit of 25% of the annual death allowance may be payable for one eligible child and would increase to 40% for two children or 50% for three or more eligible children if the death qualifies pursuant to Government Code section 31787.5. Under Government Code section 31787.65, the final compensation upon which the special death benefit is calculated for the eligible surviving spouse or eligible children of a Safety member, killed in the performance of his or her duty, is increased at any time the increase is effective for then-active members employed in the job-classification that was applicable to the deceased member at the time of injury causing death, until the member would have attained age 50.

Death after Retirement

If the unmodified retirement option was chosen as part of a service retirement, the eligible spouse/registered domestic partner would receive 60% of the retiree's monthly pay for the remainder of the spouse/registered domestic partner's life. The benefit increases to 100% if the member had been retired for a service-connected disability. The spouse/registered domestic partner's eligibility in the case of a service retirement is determined by whether the marriage/registered domestic partnership occurred at least 1 year prior to retirement. Alternatively for service retirement, under Government Code section 31786.1, the eligibility is determined based on whether the marriage/registered domestic partnership occurred at least 2 years prior to the date of death of the member and the spouse/registered domestic partner has attained the age of 55 years on or prior to the date of death of the member; however, in the case of a service-connected disability, the spouse/registered domestic partner must have been married/registered at least one day prior to retirement pursuant to Government Code section 31786. A burial allowance of $1,000 is also payable to the deceased retiree's beneficiary or estate ($250 of this amount is discretionary, subject to the availability of funds in the Burial Allowance reserve).

If unmarried minor children are designated as the eligible beneficiary and the unmodified option was selected at retirement, the total benefit received is 60% of the retiree's monthly compensation which would be divided amongst the unmarried children (if more than one). The benefit continues until the unmarried child/children reaches age 18 or marries, whichever comes first. If the child/children remain unmarried and are enrolled as a full-time student in an accredited school, the benefit will continue up to the age of 22.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 1 – Significant Provisions of the Plan

Death and Disability Benefits | Death after Retirement (Continued)

If one of the four modified retirement options are chosen by the member as part of a service retirement, the monthly allowance is reduced for the retiree's lifetime and the eligible beneficiaries will receive either a lump-sum of the unused member contributions, 100% of the reduced monthly allowance for the life of the eligible beneficiary, 50% of the reduced monthly allowance for the life of the eligible beneficiary or a percentage of the monthly allowance. The type of reduction is dependent on the election made by the member and is approved by the Board, upon the advice of its independent actuary.

Survivor Benefits

The Plan provides a survivor benefit to an eligible spouse/registered domestic partner, eligible dependent children and eligible dependent parents, if the active General member had been a member continuously for at least eighteen months immediately prior to death, pursuant to Government Code section 31855.12. Only General active members are eligible for this benefit, which replaces similar benefits once provided by Social Security.

Disability Benefits

The Plan provides disability benefits to eligible members, and these benefits are governed by Article 10 of the CERL.

An active member, who is found by the Board to be permanently incapacitated as a result of a service-connected injury or illness, arising out of or in the course of the member's employment, is paid an annual disability allowance equal to the greater of 50 percent of the employee's final average compensation or the normal service retirement benefits accumulated by the member as of the date of the disability retirement. A member, who is found by the Board to be permanently incapacitated as a result of a non service-connected injury or illness, which does not arise out of or in the course of the member's employment, is paid a monthly allowance. If the member entered the system on or after January 1, 1981, pursuant to Government Code section 31727.7, the benefit is 20% of final average compensation for five years of service and 2% for each additional whole year of service credit thereafter, up to a maximum of 40% of final average compensation. For member's who entered the system prior to January 1, 1981, the non service-connected monthly disability benefit is one-third of the member's final average compensation. For all members, regardless of when they entered the system, if the service retirement benefit is higher, the member would be paid that amount.

Cost of Living Benefits

Pursuant to Government Code section 31870, an automatic cost of living adjustment is provided based on changes in the local region Consumer Price Index (CPI) up to a maximum of 2% per year. Any increase greater than 2% is "banked" and may be used in years where the CPI is less than 2%. There is a one-time 7% increase at retirement for members hired before August 19, 1975 pursuant to Article 16.6 of the CERL.

Participating Employers

A district may become a participating employer in SBCERA pursuant to Government Code section 31557. A participating employer is eligible to withdraw from SBCERA pursuant to Government Code section 31564. The terminating employer remains liable to SBCERA for the employer's share of any unfunded actuarial liability of the Plan, which is attributable to the employees of the employer who either have retired or will retire from the Plan. The liability is determined by SBCERA's actuary pursuant to Government Code section 31564.2.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 1 – Significant Provisions of the Plan

Participating Employers (Continued)

Three employers have withdrawn from SBCERA and remain liable for their unfunded actuarial liability. In September 2013, San Bernardino International Airport Authority (SBIAA) and the Inland Valley Development Agency (IVDA) entered into a payment agreement with SBCERA to pay their unfunded actuarial liability of $3.6 million and $4.4 million, respectively, by making payments of principal only in the amount of $801,098 commencing October 2013, with the second payment due February 2014 and subsequent payments due at six month intervals thereafter, for a period of five years until the liabilities are paid in full in February 2018. SBIAA and IVDA requested the payments be first applied to SBIAA until their liability is paid in full. In February 2014, Rim of the World Recreation and Park District (Rim) entered into a payment agreement with SBCERA to pay their unfunded actuarial liability of $669 thousand by making monthly payments of principal only in the amount of $2,788.35 commencing in January 2014 for a period of twenty years until the total amount is paid in full in December 2033. All three withdrawn employers have made their agreed upon payments through June 30, 2014. See table below for the total amount received.

Due from Withdrawn Employers
As of June 30, 2014
(Amounts in Thousands)

	Beginning Balance June 30, 2013	Additions	Deductions	Ending Balance June 30, 2014
San Bernardino International Airport Authority	$-	$3,594	$(1,602)	$1,992
Inland Valley Development Agency	-	4,417	-	4,417
Rim of the World Recreation and Park District	-	669	(17)	652
TOTAL	**$-**	**$8,680**	**$(1,619)**	**$7,061**

On July 13, 2013, all active members of participating employer Crest Forest Fire Protection District (CFFPD) transferred to the County of San Bernardino (County) pursuant to an agreement between the two agencies. All unfunded actuarial liabilities associated with CFFPD were transferred to the County as of June 30, 2013 for actuarial purposes of determining contribution rates for fiscal year ended June 30, 2015. Pursuant to the agreement between the County and CFFPD, the County will pay SBCERA $410,437 plus 4% compounded annually for twenty years commencing December 2013, to offset the cost increase in contribution rates that would occur within the County Safety cost pool due to this transfer. Since these payments are considered as actuarially determined contributions, there is no separate contract between SBCERA and the County related to it. If the County does not pay the lump sum in any given year, then the contribution rates will be adjusted in the actuarial valuation to reflect the increase associated with the transfer, just as the payments received are reflected in the actuarial valuation to offset the cost increase related to the transfer. For the fiscal year ended June 30, 2014 and 2013, SBCERA received $410,437 and $0, respectively.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 2 – Summary of Significant Accounting Policies

The following are the significant accounting policies followed by SBCERA:

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting and in accordance with accounting principles generally accepted in the United States of America (GAAP), under which revenues are recognized when earned and deductions are recorded when the liability is incurred. Employer and employee contributions are recognized as revenues when due, pursuant to formal commitments and statutory requirements. Contributions are recorded in the period the related salaries are earned and become measurable pursuant to formal commitments, statutory or contractual requirements. Investment income is recognized as revenue when earned. The net appreciation (depreciation) in fair value of investments held by SBCERA is recorded as an increase (decrease) to investment income based on the valuation of investments at year end, which includes both realized and unrealized gains and losses on investments. Retirement benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Other expenses are recognized when the corresponding liabilities are incurred.

Cash

Cash includes cash on hand (petty cash), deposits with a financial institution and deposits with a pooled account managed by the San Bernardino County Treasurer. Refer to Note 9 – Deposits and Investments (see section for Cash and Deposits), for further information.

Investments

SBCERA is authorized by Government Code sections 31594 and 31595 to invest in any form or type of investment deemed prudent by the Board and does so through the Investment Plan, Policy and Guidelines established by the Board. The assets of the Plan are held for the exclusive purpose to provide benefits to members and their beneficiaries and to defray reasonable expenses of administering SBCERA. The Board is required by statute to use care, skill, prudence and diligence to diversify the investments of the Plan so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so. Refer to Note 9 – Deposits and Investments (see section for Investments), for further information.

Plan investments are reported at fair value. Fair value is the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller, that is, other than in a forced or liquidation sale. Fair value for investments of publicly traded securities is stated at fair value based upon closing sales prices reported on recognized securities exchanges on the last business day of the period or for listed securities having no sales reported and for unlisted securities, based upon last reported bid prices. All purchases and sales of securities are accounted for on a trade date basis and dividends declared but not received are accrued on the ex-dividend date. Realized gains or losses of securities are determined on the basis of average cost.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 2 – Summary of Significant Accounting Policies
Basis of Accounting | Investments (Continued)

Fair value for investments in limited partnerships and/or commingled funds of debt securities, equity securities, real estate, private equity, commodities, infrastructure and other alternatives is based on fund share price or percentage of ownership, provided by the fund manager or general partner, which is based on net asset value as determined by the fund manager or general partner. Fair value for these investments is reported by the fund manager and/or general partner on a monthly and/or quarterly basis and is supported by annual financial statements which are audited by an independent third party accountant. Where fair value information as of June 30, 2014 and 2013 was not available at the time of these financial statements due to timing issues, SBCERA has estimated fair value by using the most recent fair value information available from the fund manager/general partner and adding any contributions and/or deducting any distributions to/from the investment from the date of the most recent fair value information to June 30, 2014 and 2013.

Fair value for investments in separately owned real estate is based on independent appraisals obtained every three years along with quarterly valuations performed by SBCERA's individual real estate advisors in accordance with the Real Estate Information Standards of the National Council of Real Estate Investment Fiduciaries.

The allocation of investment assets within SBCERA's portfolio is approved by the Board as outlined in the Investment Plan, Policy and Guidelines. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan. The table below provides the Board's adopted asset allocation policy as of June 30, 2014 and 2013, respectively.

Asset Allocation Policy
As of June 30, 2014 and 2013

	As of June 30, 2014	As of June 30, 2013
Asset Class	**Target Allocation**	**Target Allocation**
Domestic Equity	13.0%	13.0%
Domestic Fixed Income	15.0%	17.0%
International Equity	15.0%	13.0%
Global Fixed Income	17.0%	16.0%
Short-Term Cash	2.0%	2.0%
Real Estate	9.0%	9.0%
Private Equity	16.0%	16.0%
Absolute Return	7.0%	7.0%
Timber	3.0%	3.0%
Infrastructure	1.0%	1.0%
Commodities	2.0%	3.0%
TOTAL	**100.0%**	**100.0%**

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 2 – Summary of Significant Accounting Policies
Basis of Accounting (Continued)

Derivatives

The Plan uses financial instruments such as derivatives and similar transactions to gain exposure to various financial markets and reduce its exposure to certain financial market risks for purposes of investments only. The financial instruments are valued at fair value and, as such, gains and losses are recognized daily based on changes in their fair value. These changes are reflected as income on the Statements of Changes in Fiduciary Net Position. The use of these financial instruments exposes the Plan to the risk of dealing with financial counter-parties and to market risk associated with a possible adverse change in interest rates, equity values, and currency movement. The Plan may have additional exposure to derivative instruments through investments in commingled funds whose strategies may include the use of derivatives to gain exposure to various financial markets and reduce its exposure to certain financial market risks. Refer to Note 9 – Deposits and Investments (see section for Derivatives), for further information.

Reserves

Employer and Plan member contributions are allocated to various reserve accounts based on actuarial determinations. Pursuant to the Interest Crediting Procedures and Undesignated Excess Earnings Allocation policy, funds in excess of reserve requirements are allocated first to prior year shortfalls (the Contra Account), then 3% of the market value of assets are set aside as a contingency reserve for future losses and any excess is then allocated to the Employer Current Service Reserve, maintained as an Additional Contingency Reserve or held as undesignated excess earnings. Refer to Note 8 – Net Position - Restricted for Pensions, for further information.

Income Taxes

SBCERA is a qualified plan under Internal Revenue Code (IRC) section 401(a) and is exempt from federal income taxes under IRC section 501(a). Accordingly, no provision for income taxes has been made in the accompanying financial statements.

Administrative Expenses

The SBCERA Board annually adopts the operating budget for the administration of SBCERA. The administrative expenses are charged against the earnings of the retirement fund. Pursuant to Government Code section 31580.2, administrative expenses incurred in any one year are not to exceed twenty-one hundredths of one percent (0.21%) of SBCERA's actuarial accrued liabilities. Administrative expenses did not exceed this limitation for the fiscal years ended June 30, 2014 and 2013 (see table on the next page).

Pursuant to Government Code sections 31522.5, 31522.7, 31580.2, 31529.9, 31596.1 and 31699.9, certain expenses are excluded from the limits described above for investment costs, actuarial service costs, legal service costs, technology costs and fiduciary trust activities allocated to Pacific Public Partners (refer to Note 13 – Pacific Public Partners, for further information); therefore, investment costs were offset against investment income, and actuarial service costs, technology costs and non-investment legal service costs are all reported on the Statements of Changes in Fiduciary Net Position as Other Expenses. Allocated costs for Pacific Public Partners are reflected on the Statements of Changes in Assets and Liabilities-Agency Fund in the Other Supplementary Information section of this report. A schedule of Administrative Expenses subject to the statutory limitation described above is included in the Other Supplementary Information section of this report.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting | Administrative Expenses (Continued)

Statutory Limitation for Administrative Expenses
(Amounts in Thousands)

	For the Year Ended June 30, 2014	For the Year Ended June 30, 2013
Actuarial accrued liability (AAL)[1] (a)	$8,606,577	$8,189,646
Statutory limit for administrative expenses (AAL x 0.21%)	18,074	17,198
Administrative expenses subject to statutory limit (b)	6,386	6,258
EXCESS OF LIMITATION OVER ACTUAL ADMINISTRATIVE EXPENSES	**$11,688**	**$10,940**
ACTUAL ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF AAL (b/a)	**0.07%**	**0.08%**

Management's Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions. These affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Capital Assets

Capital assets are recorded at cost and consist of furniture, equipment, intangible assets, including computer software and leasehold improvements. Depreciation and amortization is provided using the straight-line method over the estimated useful lives of the assets, which range from 3 to 39 years.

GASB Statement No. 51 requires SBCERA to identify and capitalize costs incurred for the development of internally generated software. There are three stages in the development and installation of internally generated software: (1) Preliminary Project Stage, (2) Application and Development Stage and (3) Post-Implementation/Operation Stage. All outlays related to the Application and Development Stage must be capitalized. SBCERA began developing a new Pension Administration System (PensionGold Public Edition-PE) in 2010 and $797 thousand and $1.97 million in expenses, related to the PE project, were capitalized for the years ended June 30, 2014 and 2013, respectively. These intangible assets are included as capital assets in the Statements of Fiduciary Net Position. The final phases of this project were fully implemented in January, 2014.

Summary of Capital Assets
As of June 30, 2014[2]
(Amounts in Thousands)

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Furniture, equipment and leaseholds	$5,898	$156	$-	$6,054
Computer software	3,379	886	-	4,265
Accumulated depreciation	(4,953)	(205)	-	(5,158)
Accumulated amortization	(207)	(295)	-	(502)
TOTAL	**$4,117**	**$542**	**$-**	**$4,659**

(1) The AAL, as determined by the Plan's actuary in November each year, is used to calculate the following fiscal year's administrative budget authorization. For example, the AAL as of June 30, 2012 was approved by the Board in November, 2012 and was used to establish the administrative expenditure budget for fiscal year ended June 30, 2014.

(2) Depreciation and amortization expense totaled $500 for the fiscal year ended June 30, 2014.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 2 – Summary of Significant Accounting Policies
Basis of Accounting | Capital Assets (Continued)

Summary of Capital Assets
As of June 30, 2013[1]
(Amounts in Thousands)

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013
Furniture, equipment and leaseholds	$5,673	$225	$-	$5,898
Computer software	1,413	1,966	-	3,379
Accumulated depreciation	(4,759)	(194)	-	(4,953)
Accumulated amortization	(171)	(36)	-	(207)
TOTAL	**$2,156**	**$1,961**	**$-**	**$4,117**

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

SBCERA implemented all applicable new GASB pronouncements in the fiscal years ended June 30, 2014 and 2013, as required by each statement. The most recent pronouncements, effective for fiscal year ended June 30, 2014, are provided below.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. Based on review and analysis of this Statement, SBCERA does not have these types of transactions. This statement has no material impact on SBCERA's financial statements.

GASB Statement No. 66, *Technical Corrections-2012* (an amendment of GASB Statements No. 10 and No. 62), amends the accounting and financial reporting standards for fund type classifications and operating lease payments. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. This statement has no material impact on SBCERA's financial statements.

GASB Statement No. 67, *Financial Reporting for Pension Plans* (replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and GASB Statement No. 50, *Pension Disclosures*) establishes standards of financial reporting for pension plans that separately issue financial reports and specifies the required approach for measuring and disclosing a participating employer's pension liability. This Statement is effective for financial statements for periods beginning after June 15, 2013. This Statement has a material impact on SBCERA's financial statements beginning with the fiscal year ended June 30, 2014, as the disclosures, required supplementary information and notes to the required supplementary information were significantly altered to comply with GASB Statement No. 67.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, establishes accounting and financial reporting standards for situations where a state or local government, as a guarantor, agrees to indemnify a third-party obligation holder under specified conditions. The issuer of the guaranteed obligation can be a legally separate entity or individual, including a blended or discretely presented component unit. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2013. This statement has no material impact on SBCERA's financial statements.

(1) Depreciation and amortization expense totaled $230 for the fiscal year ended June 30, 2013.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 3 – Securities Lending

SBCERA, pursuant to a Securities Lending Authorization Agreement, has authorized State Street Bank and Trust Company (State Street) to act as SBCERA's agent in lending the Plan's securities to approved borrowers. State Street, as agent, enters into Securities Loan Agreements with borrowers.

State Street lent, on behalf of SBCERA, certain securities of the Plan held by State Street as custodian and received cash or other collateral including securities issued or guaranteed by the United States government. The types of securities loaned are U.S. Government and Agency, Domestic Equity, Domestic Fixed Income, International Equity and International Fixed Income securities. State Street does not have the ability to pledge or sell collateral securities delivered absent a borrower default. Borrowers were required to deliver collateral for each loan equal to at least 100% of the market value of the loaned securities, for the fiscal years ended June 30, 2014 and 2013.

SBCERA did not impose any restrictions during the fiscal year on the amount of loans that State Street made on its behalf and pursuant to the Securities Lending Authorization Agreement; State Street had an obligation to indemnify SBCERA in the event of default by a borrower. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year that resulted in a declaration or notice of default of the borrower.

During the fiscal years ended June 30, 2014 and 2013, SBCERA and the borrowers maintained the right to terminate securities lending transactions upon notice. 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 fund comprised of a liquidity pool and a duration pool. The pools are not rated. All securities in these pools with maturities of 13 months or less are rated at least "A1", "P1" or "F1" and maturities in excess of 13 months are rated at least "A-" or "A3", by at least two nationally recognized statistical rating organizations or if unrated, be determined by the bank to be of comparable quality. As of June 30, 2014, such investment pools had an average duration of 37 days and 42 days, for the liquidity pool and the duration pool, respectively. Additionally, the average weighted final maturity was 104 days and 1,770 days, for the liquidity pool and the duration pool, respectively. As of June 30, 2013, such investment pools had an average duration of 29 days and 44 days, for the liquidity pool and the duration pool, respectively. Additionally, the average weighted final maturity was 85 days and 1,972 days, for the liquidity pool and the duration pool, respectively. Because the securities lending transactions were terminable at will, their duration did not generally match the duration of the investments made with the cash collateral received from the borrower.

On June 30, 2014, SBCERA had no credit risk exposure to borrowers. As of June 30, 2014, the fair value of securities on loan was $82.07 million with the fair value of cash collateral received for the securities on loan of $45.78 million and non-cash collateral of $39.23 million. As of June 30, 2013, the fair value of securities on loan was $107.68 million with the fair value of cash collateral received for the securities on loan of $98.20 million and non-cash collateral of $12.21 million.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 4 – Contribution Requirements

Contributions

Participating employers and active Plan members are required by statute to contribute a percentage of covered salary to the Plan. This requirement is pursuant to Government Code sections 31453.5 and 31454, for participating employers, and Government Code sections 31621.6, 31639.25 and 7522.30 for active Plan members. The contribution requirements are established and may be amended by the Board pursuant to Article 1 of the CERL, which is consistent with the Plan's actuarial funding policy. The contribution rates are adopted yearly, based on an annual actuarial valuation, conducted by an independent actuary, that considers the mortality, service (including age at entry into the Plan, if applicable, and tier), and compensation experience of the members and beneficiaries, and also includes an evaluation of the Plan's assets and liabilities. Participating employers may pay a portion of the active Plan members contributions through negotiations and bargaining agreements.

One of the funding objectives of the Plan is to establish contribution rates which, over time, will remain level as a percentage of payroll unless the actuarial assumptions or Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Actuarial Cost method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). Normal cost is the annual contribution rate that, if paid annually from a member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the member's retirement benefit if all underlying assumptions are met. The UAAL is the difference between the Actuarial Accrued Liability and the Actuarial Value of Assets. The amortization period for the UAAL is 20 years for all combined UAAL existing through June 30, 2002, with 8 years of amortization remaining at June 30, 2014. Any new UAAL after June 30, 2002 is amortized over a closed 20-year period effective with that valuation.

SBCERA's actuarial valuation is completed as of June 30 of each year. The rates recommended in the actuarial valuation apply to the fiscal year beginning 12 months after the valuation date. For example, the actuarial valuation dated June 30, 2012 established the contribution rates for fiscal year ended June 30, 2014. Any shortfall or excess contributions, as a result of this implementation lag, are amortized as part of SBCERA's UAAL in the following valuation. Commencing with the June 30, 2012 valuation, any increase in UAAL resulting from the Plan amendments will be amortized over a period of 15 years; temporary retirement incentives, including the impact of benefits resulting from additional service permitted in Section 31641.04 of the CERL (Golden Handshake) will be amortized over a period of 5 years. If an overfunding exists (i.e., the total of all UAAL becomes negative so that there is a surplus), such surplus and any subsequent surpluses will be amortized over an "open" amortization period of 30 years. Any prior UAAL amortization layers will be considered fully amortized, and any subsequent UAAL will be amortized over 20 years as the first of a new series of amortization layers. The amortization policy components apply separately to each of SBCERA's UAAL cost sharing groups.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 4 – Contribution Requirements

Contributions (Continued)

For actuarial valuation purposes, plan assets are valued at market value of assets less unrecognized gains and losses from each of the last 5 years. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the actual market return and the expected market return over a 5-year period. To reduce the volatility associated with the deferred loss recognition and provide for more level employer contribution rates, on March 13, 2012, the Board approved an ad hoc adjustment to the asset smoothing method to combine the net deferred investment loss, from the June 30, 2011 actuarial valuation, into a single 4-year smoothing layer. Future deferred gains or losses will be smoothed pursuant to the Board approved Actuarial Funding policy (each year's gains or losses smoothed over 5 years).

Separate contribution rates are established by the Board for the survivor benefits provided by the Plan. The costs of survivor benefits are based on an annual valuation conducted by an independent actuary and are equally shared between the participating employers and the active General members. The contribution rates are calculated to provide for the ongoing cost of this benefit, plus any amounts necessary to recognize any shortfall of reserves to the actuarial accrued liabilities associated with this benefit. For the survivor benefit valuation, the same amortization policy components as described on the previous page apply, except that a level dollar methodology is used instead of a level percent of payroll. Survivor contribution rates, for the fiscal years ended June 30, 2014 and 2013 are $1.34 and $0.77, respectively, per biweekly employer pay period. Refer to Note 1 – Significant Provisions of the Plan (see section for Survivor Benefits) for further information.

As of June 30, 2014 and 2013, the Board adopted the contribution rates that were recommended by the actuary. SBCERA received $321.65 million and $303.08 million in contributions from participating employers for the fiscal years ended June 30, 2014 and 2013, respectively, which includes $278.35 million in actuarially determined contributions (includes $592 thousand in survivor benefit contributions) and $43.30 million in employer paid member contributions for the fiscal year ended June 30, 2014, and $248.84 million in actuarially determined contributions (includes $334 thousand in survivor benefit contributions), and $54.24 million in employer paid member contributions for the fiscal year ended June 30, 2013. Participating employers satisfied 100% of the contribution requirements for fiscal years ended June 30, 2014 and 2013. Employer contribution rates are provided in the tables on page 48.

SBCERA received $1.62 million and $0 in contribution payments from employers who have withdrawn from SBCERA for the fiscal years ended June 30, 2014 and 2013, respectively. The balance due from these employers as of June 30, 2014, is $7.06 million, which represents the remaining balance due for the employers' share of their unfunded actuarial liability, attributable to their employees who either have retired or will retire from SBCERA. This balance due was recorded as a receivable at June 30, 2014. Refer to Note 1 – Significant Provisions of the Plan (see section for Participating Employers) for further information.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 4 – Contribution Requirements

Contributions (Continued)

SBCERA received $89.86 million and $91.06 million in Plan member (employee) contributions for the fiscal years ended June 30, 2014 and 2013, respectively, which includes $81.43 million in actuarially determined contributions (includes $592 thousand in survivor benefit contributions) and $8.43 million in contributions for the purchase of eligible service credit (including interest) for the fiscal year ended June 30, 2014 and $73.16 million in actuarially determined contributions (includes $334 thousand in survivor benefit contributions) and $17.9 million in contributions for the purchase of eligible service credit (including interest) for the fiscal year ended June 30, 2013. Employee contribution rates for the fiscal year ended June 30, 2014 ranged between 7.06% and 13.51% for Tier 1 General members, between 9.82% and 15.91% for Tier 1 Safety members, between 6.98% and 7.75% for Tier 2 General members and between 11.92% and 12.50% for Tier 2 Safety members. For the fiscal year ended June 30, 2013 employee contributions rates ranged between 7.06% and 13.51% for Tier 1 General members, between 9.82% and 15.93% for Tier 1 Safety members, between 6.98% and 7.75% for Tier 2 General members and between 11.92% and 12.50% for Tier 2 Safety members. The Tier 2 member rates were effective on January 1, 2013, pursuant to the effective date of PEPRA.

All employees of the Plan are eligible for membership in SBCERA. The employer contributions paid by SBCERA, on behalf of these employees, are funded by earnings of the Plan, pursuant to Government Code section 31580.2. SBCERA paid 100% of the actuarially determined contributions, in the amount of $704 thousand and $612 thousand, for the fiscal years ended June 30, 2014 and 2013, respectively.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 4 – Contribution Requirements

Contributions (Continued)

The following tables summarize the actuarially determined, Board approved, required employer contribution rates in effect for the years ended June 30, 2014 and 2013. Contribution rates are expressed as a percentage of covered salary.

Employer Contribution Rates
For the Year Ended June 30, 2014

Actuarially Determined Required Contribution Percentages	Tier 1 Members[1]			Tier 2 Members[2]		
	Normal Cost	Unfunded Actuarial Accrued Liability (UAAL)	Total	Normal Cost	Unfunded Actuarial Accrued Liability (UAAL)	Total
County General members	9.94%	9.02%	**18.96%**	7.51%	9.02%	**16.53%**
County Safety members	19.73%	20.26%	**39.99%**	12.64%	20.26%	**32.90%**
Superior Court members	9.94%	9.93%	**19.87%**	7.51%	9.93%	**17.44%**
SCAQMD members	9.87%	15.35%	**25.22%**	7.51%	15.35%	**22.86%**
Other General members	11.37%	16.32%	**27.69%**	7.51%	16.32%	**23.83%**
Other Safety members	19.59%	38.23%	**57.82%**	12.64%	38.23%	**50.87%**

Employer Contribution Rates
For the Year Ended June 30, 2013

Actuarially Determined Required Contribution Percentages	Tier 1 Members[3]			Tier 2 Members[4]		
	Normal Cost	Unfunded Actuarial Accrued Liability (UAAL)	Total	Normal Cost	Unfunded Actuarial Accrued Liability (UAAL)	Total
County General members	9.41%	7.71%	**17.12%**	7.51%	7.71%	**15.22%**
County Safety members	19.24%	17.15%	**36.39%**	12.64%	17.15%	**29.79%**
Superior Court members	9.41%	9.15%	**18.56%**	7.51%	9.15%	**16.66%**
SCAQMD members	9.98%	13.17%	**23.15%**	7.51%	13.17%	**20.68%**
Other General members	10.66%	15.11%	**25.77%**	7.51%	15.11%	**22.62%**
Other Safety members	20.35%	31.38%	**51.73%**	12.64%	31.38%	**44.02%**

(1) Rates are in accordance with the June 30, 2012 actuarial valuation.
(2) Rates are in accordance with the November 21, 2012 CalPEPRA New Tiers of Benefits for New Members actuarial study.
(3) Rates are in accordance with the June 30, 2011 actuarial valuation.
(4) Rates are effective January 1, 2013 and are in accordance with the November 21, 2012 CalPEPRA New Tiers of Benefits for New Members actuarial study.
Note: Percentages listed do not include additional contributions that may be owed for any outstanding pension obligation bonds.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 5 – Real Estate

The Plan invests in real estate projects through purchases of office buildings, retail buildings, residential buildings, industrial buildings, REITs, limited partnerships and other commingled funds. The estimated fair value of the Plan's real estate investments at June 30, 2014 and 2013 is $535.45 million and $531.43 million, respectively.

Future minimum rentals are due to the Plan under noncancelable, multiyear real estate operating leases for directly held real estate:

Future Minimum Rentals
(Amounts in Thousands)

Years Ended June 30	
2015	$9,381
2016	8,796
2017	8,147
2018	7,858
2019	2,834
2020-2024	370
TOTAL	**$37,386**

NOTE 6 – Net Pension Liability of Participating Employers

The components of the net pension liability of participating employers as of June 30, 2014 and 2013 are as follows:

Net Pension Liability
(Amounts in Thousands)

	As of June 30, 2014	As of June 30, 2013
Total pension liability (a)	$9,694,826	$9,088,636
Plan fiduciary net position (b)	7,995,071	7,104,554
NET PENSION LIABILITY (a-b)	**$1,699,755**	**$1,984,082**
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY (b/a)	**82.47%**	**78.17%**

The net pension liability of participating employers was measured as of June 30, 2014 and 2013 and determined based upon the total pension liability from actuarial valuations as of June 30, 2014 and 2013, respectively.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 6 – Net Pension Liability of Participating Employers (Continued)

Actuarial Assumptions

One of the general goals of an actuarial valuation is to establish contribution rates that fully fund the Plan's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. In preparing the actuarial valuation, the actuary employs generally accepted actuarial methods and assumptions to evaluate the Plan's assets, liabilities and future contribution requirements. The actuary incorporates member data and financial information provided by the Plan with economic and demographic assumptions made about the future, to estimate the Plan's financial condition at a specified point in time. For example, the actuary develops assumptions about future investment returns, future inflation rates, future increases in salaries, expected retirement ages, life expectancy and other relevant factors. SBCERA's actuary reviews with the Board the economic and demographic assumptions of the Plan every three years and the actuarially determined contributions every year.

A key element in determining the Plan's liability is the projection of benefits, which is defined as all benefits estimated to be payable through the Plan to current active and inactive employees as a result of their past service and their expected future service. The types of benefits provided by the Plan at the time of each valuation are taken into consideration when benefits are projected.

The actuarial assumptions used to determine the total pension liability as of June 30, 2014, were based on the results of the June 30, 2014 Review of Economic Assumptions and Actuarial Experience Study (experience study) which covered the periods from July 1, 2010 through June 30, 2013. They are the same assumptions used in the June 30, 2014 actuarial valuation, which is used to determine contribution rates for funding purposes. Key methods and assumptions used in the latest actuarial valuation are presented on the next page.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 6 – Net Pension Liability of Participating Employers (Continued)

Key Methods and Assumptions Used in Valuation of Total Pension Liability

Valuation Date	June 30, 2014[1]
Actuarial Experience Study	3 Year Period Ending June 30, 2013
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll (3.75% payroll growth assumed)
Remaining Amortization Period	20 years for all Unfunded Actuarial Accrued Liability (UAAL) prior to June 30, 2002. Any changes in UAAL after June 30, 2002 are amortized over a 20-year closed period effective with each valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).
Asset Valuation Method	Market value of assets less unrecognized returns from each of the last 5 years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a 5-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of 4 years commencing with the June 30, 2012 valuation. As of June 30, 2014, the net unrecognized deferred gain is $243.76 million.
Actuarial Assumptions:	
Investment Rate of Return[2]	7.50%
Inflation	3.25%
Projected Salary Increases[3]	General: 4.60% to 13.75%; Safety: 4.55% to 13.75%
Cost of Living Adjustments	Contingent upon consumer price index with a 2% maximum
Administrative Expenses[4]	0.60% of payroll

All members with membership dates on or after January 1, 2013 enter the Tier 2 created by PEPRA.

The June 30, 2014 actuarial valuation reflected new assumptions compared to the June 30, 2013 actuarial valuation, based on the June 30, 2014 experience study. The June 30, 2013 actuarial valuation reflected 7.75% for the investment rate of return, 3.50% for inflation, 4.75% to 14.00% for both general and safety, for projected salary increases, 4.00% for wage inflation and there was no offset to investment return for administrative expenses.

The notes to the required supplementary information present multiyear information for changes made to actuarial assumptions.

(1) Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. As such, the actuarial valuation dated June 30, 2014 will impact the contribution rates for the fiscal year ended June 30, 2016.

(2) Includes inflation at 3.25% and is net of pension plan investment expense.

(3) Includes inflation at 3.25%, real "across the board" salary increases of 0.50%, plus merit and promotional increases. Amounts vary by service.

(4) Allocated to both the employer and member based on the components of the total contribution rate (before expenses) for the employer and member.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 6 – Net Pension Liability of Participating Employers (Continued)

Long-Term Expected Real Rate of Return

The long-term expected rate of return on Plan investments was determined using a building block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation. The target allocations (approved by the Board) and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumptions, are summarized in the table below.

Long-Term Expected Real Rate of Return

	As of June 30, 2014		As of June 30, 2013	
Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
U.S. Equity	N/A[1]	N/A[1]	11.00%	6.69%
Large Cap U.S. Equity	5.00%	5.94%	N/A[1]	N/A[1]
Small Cap U.S. Equity	2.00%	6.50%	N/A[1]	N/A[1]
Developed International Equity	6.00%	6.87%	7.00%	6.96%
Emerging Market Equity	6.00%	8.06%	4.00%	9.25%
U.S. Core Fixed Income	2.00%	0.69%	6.00%	1.38%
High Yield/Credit Strategies	13.00%	3.10%	13.00%	4.08%
Global Core Fixed Income	1.00%	0.30%	10.00%	1.53%
Emerging Market Debt	6.00%	4.16%	6.00%	4.68%
Real Estate	9.00%	4.96%	9.00%	5.40%
Cash & Equivalents	2.00%	(0.03)%	2.00%	0.76%
International Credit	10.00%	6.76%	N/A[1]	N/A[1]
Absolute Return	13.00%	2.88%	7.00%	3.73%
Real Assets	6.00%	6.85%	9.00%	5.42%
Long/Short Equity	3.00%	4.86%	N/A[1]	N/A[1]
Private Equity	16.00%	9.64%	16.00%	10.84%
TOTAL	**100.00%**		**100.00%**	

(1) N/A = Asset Class not considered in the calculation.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 6 – Net Pension Liability of Participating Employers (Continued)

Mortality Rates

Mortality rates used in the latest actuarial valuation are based on the RP-2000 Combined Healthy mortality table projected 20 years using Projection Scale BB. For healthy General members, no adjustments are made. For healthy Safety members, the ages are set back two years for males and one year for females. For General members that are disabled, the ages are set forward seven years for males and set forward eight years for females. For Safety members that are disabled, the ages are set forward two years for males and females. Beneficiaries are assumed to have the same mortality as a General member of the opposite sex who is receiving a service (non-disability) retirement.

Discount Rate

The discount rates used to measure the total pension liability were 7.50% and 7.75% for the fiscal years ended June 30, 2014 and 2013, respectively. The projection of cash flows used to determine the discount rates assumed that contributions from participating employers and active members are made at the contractually required rates, as actuarially determined. For this purpose, only employee and employer contributions that are intended to fund benefits of current Plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments, of 7.50% and 7.75% were applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2014 and 2013, respectively.

The following table presents the net pension liability of participating employers calculated using the discount rate of 7.50% and 7.75% as of June 30, 2014 and 2013, respectively, as well as what the net pension liability of participating employers would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher than the current rate.

Sensitivity of Net Pension Liability to Changes in the Discount Rate
As of June 30, 2014
(Amounts in Thousands)

Net Pension Liability	1.00% Decrease (6.50%)	Current Discount Rate (7.50%)	1.00% Increase (8.50%)
June 30, 2014	$3,003,861	$1,699,755	$619,735

Sensitivity of Net Pension Liability to Changes in the Discount Rate
As of June 30, 2013
(Amounts in Thousands)

Net Pension Liability	1.00% Decrease (6.75%)	Current Discount Rate (7.75%)	1.00% Increase (8.75%)
June 30, 2013	$3,190,414	$1,984,082	$982,658

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 7 – Notes Payable

The Plan has real estate investments which are secured by mortgage obligations (Notes Payable). Activities related to such notes are as follows:

Notes Payable
(Amounts in Thousands)

	June 30, 2014	June 30, 2013
Beginning Balance	$45,802	$24,888
Additions	123	30,000
Deductions	(423)	(9,086)
ENDING BALANCE	**$45,502**	**$45,802**

Notes Payable consists of the following at June 30, 2014 and 2013:

Note Payable, secured by the Verano property, a 400-unit garden-style, suburban apartment community is payable in monthly installments of interest only at a fixed rate of 6.12%. The term of the loan is 10 years and matures on June 1, 2016. Beginning July 1, 2012, the loan required monthly installments of principal and interest with a balloon payment due at maturity. After June 1, 2010, the loan may be prepaid with a prepayment fee of the greater of 1.00% of the existing principal balance or an amount determined by a yield maintenance formula. SBCERA's ownership interest in this property is 94.82%. As of June 30, 2014 and 2013, SBCERA's share of the outstanding balance on this note was $15.97 million and $16.39 million, respectively.

Note Payable, secured by the 810 First Street, Washington D.C. property, an eleven-story office building, is payable in monthly installments of interest only at a fixed rate of 3.25% commencing August 1, 2013 and the principal is due upon maturity. The term of the loan is 5 years and matures on July 1, 2018. Prepayment of principal is permitted after the expiration of the lockout period on June 30, 2015. After June 30, 2015, the loan may be prepaid in full with a prepayment fee of the greater of 1.00% of the existing principal balance or an amount determined by a yield maintenance formula. As of June 30, 2014 and 2013, the outstanding balance on this note was $29.53 million and $29.41 million, respectively.

The annual requirements to amortize long-term debt, including interest of $6.54 million are as follows:

Amortization of Long-Term Debt
(Amounts in Thousands)

Years Ended June 30	
2015	$2,184
2016	17,822
2017	975
2018	975
2019	30,081
SUBTOTAL	**52,037**
Less interest	(6,535)
TOTAL	**$45,502**

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 8 – Net Position - Restricted for Pensions

All employer and Plan member contributions are allocated to various reserve accounts based on the recommendation of the Plan's actuary, as approved by the Board and, where applicable, as required by the CERL. SBCERA currently does not set aside a separate reserve for purposes of benefit increases or reduced employer contributions. All of the current reserves are available to pay for existing pensions or for pension plan administration. All reserves, except the burial allowance reserve, are expected to be fully funded based on actuarially determined contributions. Set forth below are descriptions of the purpose of each reserve account.

Member deposit reserve - the reserve represents the total accumulated contributions of Plan members.

Employer current service reserve - the reserve includes the total accumulated contributions of the employer held for the benefit of non-retired General and Safety members on account of service rendered as a member of the retirement system.

Contra account - represents the amount of interest credited to the reserve accounts that have not been paid for out of current or excess earnings. A balance in this account is the result of applying the full interest crediting policy of the Board and will be replenished in subsequent periods as sufficient earnings allow.

Pension reserve - the reserve represents total accumulated contributions of the employer held for the benefit of retired members on account of service rendered as a member of the retirement system less the pension payments made to retired members.

Cost of living reserve - the reserve represents the accumulated contributions of the employer to be used to pay cost of living payments.

Annuity reserve - the reserve includes the total accumulated contributions of retired members less the annuity payments made to the members.

Supplemental disability reserve - the reserve represents the accumulated contributions of the employer to pay supplemental disability payments.

Survivor benefit reserve - the reserve represents the accumulated contributions of the employer and employees to be used to pay retirees' survivor benefit allowances.

Burial allowance reserve - the reserve represents the excess earnings allocated by the Board to pay retirees' discretionary burial allowance. In 1985, the Board adopted Government Code section 31789.13 which provides an additional $250 burial allowance to retired SBCERA members.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 8 – Net Position - Restricted for Pensions (Continued)

The various reserve accounts comprise net position - restricted for pensions under the 5-year smoothed market asset valuation method for actuarial valuation purposes as follows:

Reserves
As of June 30, 2014 and 2013
(Amounts in Thousands)

	2014	2013
Valuation Reserves		
Member deposit reserve	$1,200,776	$1,157,216
Employer current service reserve	1,981,393	1,850,525
Contra account	(1,909,880)	(1,730,943)
Pension reserve	3,506,564	3,255,045
Cost of living reserve	1,468,124	1,345,342
Annuity reserve	1,440,931	1,267,683
Supplemental disability reserve	9,185	9,128
Survivor benefit reserve	53,391	50,051
TOTAL RESERVED FOR PENSION BENEFITS	**7,750,484**	**7,204,047**
Non-Valuation Reserves		
Burial allowance reserve	825	871
SUBTOTAL - NON-VALUATION RESERVES	**825**	**871**
TOTAL RESERVES (SMOOTHED MARKET ACTUARIAL VALUE)	**7,751,309**	**7,204,918**
NET UNRECOGNIZED GAINS/(LOSSES)	**243,762**	**(100,364)**
NET POSITION - RESTRICTED FOR PENSIONS INCLUDING NON-VALUATION RESERVES, AT MARKET VALUE	**$7,995,071**	**$7,104,554**

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Cash and Deposits

The Board is authorized by the CERL to deposit monies for the purpose of paying benefits and administrative costs. Operational cash accounts are held with a financial institution in the amount of $8.40 million and $3.58 million at June 30, 2014 and 2013, respectively. Except for a nominal balance, operational cash accounts held with a financial institution are swept into a pooled money market fund which invests in repurchase agreements and U.S. Treasuries. Operational cash accounts are also held with the County of San Bernardino Treasurer's Investment Pool (SBCIP) in the amount of $1.59 million and $6.46 million at June 30, 2014 and 2013, respectively. The SBCIP is an external investment pool and is not registered with the Securities and Exchange Commission (SEC). At June 30, 2014 and 2013, the SBCIP has a weighted average maturity of 428 and 381 days, respectively. The SBCIP is not rated. The deposits in the SBCIP are reported at amortized cost which approximates fair value. For further information regarding the SBCIP, refer to the County of San Bernardino Comprehensive Annual Financial Report.

Investments

The Board is authorized by the CERL to invest in any form or type of investment deemed prudent in the informed opinion of the Board. The CERL vests the Board with exclusive control over SBCERA's investment portfolio. The Board has adopted its Investment Plan, Policy and Guidelines, which provide the framework for the management of SBCERA's investments, in accordance with applicable local, State and Federal laws. The Board members exercise authority and control over the management of SBCERA's assets (the Plan) by setting policy, which the Investment Staff executes either internally or through the use of external prudent experts. SBCERA retains investment managers specializing in specific strategies and/or investments within a particular asset class. Investment managers are subject to the guidelines and controls established in SBCERA's Investment Manager Guidelines, limited partnership agreements and other applicable fund documents.

The Investment Plan, Policy and Guidelines encompass the following:

- Asset Allocation Plan and Rebalancing Policy
- Investment Structure Policy
- Investment Manager and Composite Benchmarks and Policies
- Proxy Voting Policy
- Securities Litigation Policy
- Securities Lending Program Policy
- Due Diligence – Investment Program Monitoring and Compliance Policy
- Transition Management Policy
- Investment Manager Guidelines
- Real Estate Strategic Plan
- Private Equity Strategic Plan

Derivatives

As described in Note 2 – Summary of Significant Accounting Policies (see section for Derivatives), SBCERA only invests in investment derivative instruments and did not enter into any synthetic guaranteed investment contracts or hedging derivative instruments. SBCERA does post collateral for investment derivatives for speculation purposes pursuant to clearing requirements or swap agreements.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Derivatives (Continued)

The following tables provide a summary of the derivative instruments outstanding as of June 30, 2014 and 2013.

Derivative Instruments Outstanding
As of June 30, 2014
(Amounts in Thousands)

	Changes in Fair Value[4]		Fair Value at June 30, 2014		
Investment Derivatives	**Classification**	**Amount[1]**	**Classification**	**Amount[2]**	**Notional[3]**
Commodity Futures Long	Investment Income	$1,020	Futures	$-	-
Commodity Futures Short	Investment Income	(369)	Futures	-	-
Credit Default Swaps Bought	Investment Income	(18,705)	Swaps	(27,514)	$595,800
Equity Options Bought	Investment Income	(9,340)	Options	11,576	4,812
Equity Options Written	Investment Income	18,091	Options	(4,563)	(7,219)
Fixed Income Futures Long	Investment Income	2,926	Futures	-	81,000
Fixed Income Futures Short	Investment Income	(19,089)	Futures	-	(353,799)
Fixed Income Options Bought	Investment Income	(16,153)	Options	42,505	1,226
FX Forwards	Investment Income	4,269	Long Term Instruments	1,849	$262,449
Index Futures Long	Investment Income	184,926	Futures	-	12,537
Index Futures Short	Investment Income	102	Futures	-	(1)
Index Options Bought	Investment Income	(105,997)	Options	45,034	94,037
Index Options Written	Investment Income	57,338	Options	(16,630)	(868)
Total Return Swaps Bond	Investment Income	(94,999)	Swaps	(9,376)	$655,413
Total Return Swaps Equity	Investment Income	58,580	Swaps	16,741	$(545,480)
TOTAL		**$62,600**		**$59,622**	

Derivative Instruments Outstanding
As of June 30, 2013
(Amounts in Thousands)

	Changes in Fair Value[4]		Fair Value at June 30, 2013		
Investment Derivatives	**Classification**	**Amount[1]**	**Classification**	**Amount[2]**	**Notional[3]**
Commodity Futures Long	Investment Income	$(1,543)	Futures	$-	6,994
Commodity Futures Short	Investment Income	237	Futures	-	(1)
Credit Default Swaps Bought	Investment Income	(1,573)	Swaps	(6,469)	$225,000
Equity Options Bought	Investment Income	(31,480)	Options	4,651	7,990
Equity Options Written	Investment Income	37,478	Options	(8,911)	(12,464)
Fixed Income Futures Long	Investment Income	995	Futures	-	308,000
Fixed Income Futures Short	Investment Income	3,855	Futures	-	(8,298,100)
Fixed Income Options Bought	Investment Income	483	Options	42,871	14,346,125
FX Forwards	Investment Income	2,094	Long Term Instruments	1,484	$297,785
Index Futures Long	Investment Income	184,671	Futures	-	12,549
Index Options Bought	Investment Income	29,336	Options	33,870	722
Index Options Written	Investment Income	110,691	Options	(113,978)	(4,080)
Rights	Investment Income	1	Common Stock	-	$-
Total Return Swaps Bond	Investment Income	(56,149)	Swaps	(4,544)	$495,305
Total Return Swaps Equity	Investment Income	18,880	Swaps	1,354	$(131,611)
TOTAL		**$297,976**		**$(49,672)**	

(1) Negative values (in brackets) refer to losses.

(2) Negative values refer to liabilities.

(3) Notional may be a dollar amount or size of underlying for futures and options, negative values refer to short positions.

(4) Excludes futures margin payments.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Derivatives (Continued)

The counterparty credit ratings of SBCERA's investment derivative instruments outstanding and subject to loss as of June 30, 2014 and 2013 are as follows:

Credit Quality Ratings (S&P) of Counterparties for Investment Derivatives
As of June 30, 2014
(Amounts in Thousands)

Counterparty Name	Total Fair Value	S&P Credit Rating
Bank of New York	$502	A+
Barclays	1,474	A
Barclays Bank PLC	1,679	A
BNP Paribas	14,685	A+
Commonwealth Bank of Australia Sydney	502	AA-
Credit Suisse International	498	A
Deutsche Bank Securities, Inc.	377	A
HSBC BankUSA	498	AA-
State Street Bank and Trust Company	2	AA-
Westpac Banking Corporation	498	AA-
TOTAL	**$20,715**	

Credit Quality Ratings (S&P) of Counterparties for Investment Derivatives
As of June 30, 2013
(Amounts in Thousands)

Counterparty Name	Total Fair Value	S&P Credit Rating
BNP Paribas	$1,711	A+
Commonwealth Bank of Australia Sydney	1,167	AA-
JP Morgan Chase Bank, N.A.	1,236	A+
Royal Bank of Canada	1,235	AA-
Standard Chartered Bank	1,235	AA-
State Street Bank and Trust Company	206	AA-
TOTAL	**$6,790**	

The maximum exposure SBCERA would face in case of default of all counterparties is $20.72 million and $6.79 million as of June 30, 2014 and 2013, respectively. At June 30, 2014 and 2013, SBCERA did not have any significant exposure to counterparty credit risk with any single party. SBCERA does not have any specific policies relating to the posting of collateral or master netting agreements.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Derivatives (Continued)

As of June 30, 2014 and 2013, SBCERA is exposed to interest rate risk on its investments in various swap arrangements and fixed income options based on daily interest rates for LIBOR (London Interbank Offered Rate), EURIBOR (Euro Interbank Offered Rate) and federal funds rate. The tables below describe the maturity periods of these derivative instruments.

Investment Maturities
As of June 30, 2014
(Amounts in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Credit Default Swaps Bought	$(27,514)	$-	$(27,996)	$482	$-
Fixed Income Options Bought	42,505	1	-	17,909	24,595
Total Return Swaps Bond	(9,376)	(9,376)	-	-	-
Total Return Swaps Equity	16,741	16,741	-	-	-
TOTAL	**$22,356**	**$7,366**	**$(27,996)**	**$18,391**	**$24,595**

Investment Maturities
As of June 30, 2013
(Amounts in Thousands)

		Investment Maturities (in years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
Credit Default Swaps Bought	$(6,469)	$-	$(6,469)	$-	$-
Fixed Income Options Bought	42,871	-	321	27,515	15,035
Total Return Swaps Bond	(4,544)	(3,392)	(1,152)	-	-
Total Return Swaps Equity	1,354	1,354	-	-	-
TOTAL	**$33,212**	**$(2,038)**	**$(7,300)**	**$27,515**	**$15,035**

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Derivatives (Continued)

SBCERA is exposed to foreign currency risk for its investments in derivative instruments denominated in foreign currencies that may be adversely affected by changes in the currency exchange rates as follows:

Net Exposure to Foreign Currency Risk for Investment Derivative Instruments
As of June 30, 2014
(Amounts in Thousands)

				Forward Contracts	
Currency	**Fair Value**	**Fixed Income**	**Equity**	**Net Receivables**	**Net Payables**
Brazilian Real	$(327)	$-	$-	$-	$(327)
Canadian Dollar	(40)	-	-	2	(42)
Euro Currency	(414)	1,624	(2,625)	741	(154)
Japanese Yen	(7,127)	1,881	(8,953)	-	(55)
Pound Sterling	4,748	2,990	-	1,758	-
South African Rand	(58)	-	-	-	(58)
Swiss Franc	(16)	-	-	-	(16)
TOTAL	**$(3,234)**	**$6,495**	**$(11,578)**	**$2,501**	**$(652)**

Net Exposure to Foreign Currency Risk for Investment Derivative Instruments
As of June 30, 2013
(Amounts in Thousands)

				Forward Contracts	
Currency	**Fair Value**	**Fixed Income**	**Equity**	**Net Receivables**	**Net Payables**
Brazilian Real	$206	$-	$-	$206	$-
Euro Currency	(29,572)	2,848	(36,637)	4,217	-
Japanese Yen	(51,881)	3,814	(56,316)	621	-
Pound Sterling	(3,886)	1,278	(1,570)	-	(3,594)
Swiss Franc	34	-	-	34	-
TOTAL	**$(85,099)**	**$7,940**	**$(94,523)**	**$5,078**	**$(3,594)**

At June 30, 2014 and 2013, SBCERA did not hold any positions in derivatives containing contingent features.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments (Continued)

Credit Risk

Credit Risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations. SBCERA seeks to maintain a diversified portfolio of debt investments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To mitigate credit risk, investment guidelines have been established for each manager investing on behalf of SBCERA.

Emerging market and private placement investments' credit risk is controlled through limited partnership agreements and other applicable commingled fund documents. These investments are not rated by nationally recognized statistical rating organizations although they may be partly or wholly made up of individual securities rated by nationally recognized statistical rating organizations. The emerging market investments are shown as "Not Rated" in the following table. The short term cash investment funds consist primarily of open-ended mutual funds and external investment pools. These investments are not rated by a nationally recognized statistical rating organization; therefore, are disclosed as such in the aforementioned table. Private placement investments considered fixed income investments are not shown in the following table, but amount to $68.66 million and $39.35 million as of June 30, 2014 and 2013, respectively.

The credit quality ratings of investments in fixed income securities and short term cash investments by a nationally recognized statistical rating organization (Standard and Poors) as of June 30, 2014 and 2013 are as follows:

Credit Quality Ratings (S&P) of Fixed Income and Short Term Cash Investments
As of June 30, 2014
(Amounts in Thousands)

		S&P Credit Rating									
Investment Type	Total Fair Value	AAA	AA+ to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	B+ to B-	CCC+ to CCC-	CC+ to CC-	D	Not Rated
Asset Backed	$125,377	$-	$-	$-	$4,237	$34,607	$7,442	$9,183	$2,051	$2	$67,855
Corporate Bonds[1]	34,771	-	-	-	-	-	-	-	-	-	34,771
Collateralized Mortgage Obligations	21,646	-	171	-	-	-	-	5,165	-	8,361	7,949
Commercial Mortgage Backed Securities	2,187	-	-	-	-	-	2,187	-	-	-	-
Foreign Bonds[2]	32,903	-	-	1,424	616	860	942	-	-	-	29,061
Municipals	74	-	-	74	-	-	-	-	-	-	-
Short Term Cash Investments	878,342	-	-	-	-	-	-	-	-	-	878,342
Emerging Markets	482,957	-	-	-	-	-	-	-	-	-	482,957
U.S. Agency	69,956	-	69,956	-	-	-	-	-	-	-	-
U.S. Treasury	84,942	-	84,942	-	-	-	-	-	-	-	-
TOTAL	**$1,733,155**	**$-**	**$155,069**	**$1,498**	**$4,853**	**$35,467**	**$10,571**	**$14,348**	**$2,051**	**$8,363**	**$1,500,935**

(1) Does not include private placements, which amount to $20,193.

(2) Does not include private placements, which amount to $48,464.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Credit Risk (Continued)

Credit Quality Ratings (S&P) of Fixed Income and Short Term Cash Investments
As of June 30, 2013
(Amounts in Thousands)

		S&P Credit Rating									
Investment Type	***Total Fair Value***	***AAA***	***AA+ to AA-***	***A+ to A-***	***BBB+ to BBB-***	***BB+ to BB-***	***B+ to B-***	***CCC+ to CCC-***	***CC+ to CC-***	***D***	***Not Rated***
Asset Backed	$36,428	$-	$-	$3,007	$7,879	$14,132	$2,256	$6,433	$-	$-	$2,721
Corporate Bonds[1]	10,482	-	-	-	-	-	-	-	-	-	10,482
Collateralized Mortgage Obligations	7,685	1	184	-	-	1,039	-	1,346	-	2,024	3,091
Commercial Mortgage Backed Securities	2,111	-	-	-	-	999	1,112	-	-	-	-
Foreign Bonds[2]	13,679	-	235	-	-	-	-	-	-	-	13,444
Municipals	67	-	-	67	-	-	-	-	-	-	-
Short Term Cash Investments	994,285	-	-	-	-	-	-	-	-	-	994,285
Emerging Markets	300,697	-	-	-	-	-	-	-	-	-	300,697
U.S. Agency	70,847	-	69,562	-	-	-	-	-	-	-	1,285
U.S. Treasury	84,003	-	76,400	-	-	-	-	-	-	-	7,603
TOTAL	**$1,520,284**	**$1**	**$146,381**	**$3,074**	**$7,879**	**$16,170**	**$3,368**	**$7,779**	**$-**	**$2,024**	**$1,333,608**

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a financial institution's failure, SBCERA would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. As of June 30, 2014 and 2013, SBCERA's deposits with a financial institution are insured up to $250 thousand by the Federal Deposit Insurance Corporation (FDIC) insurance with the remaining balance exposed to custodial credit risk as it is not insured; however, the financial institution does collateralize the deposit of monies in excess of the FDIC insurance amount with eligible securities held by the pledging financial institution but not in SBCERA's name. Deposits with the County of San Bernardino Treasurer's investment pool are not exposed to custodial credit risk as they are held in a trust fund in SBCERA's name.

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SBCERA would not be able to recover the value of the investment or collateral securities that are in possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in SBCERA's name, and held by the counterparty.

SBCERA's investment securities and collateral received through securities lending are not exposed to custodial credit risk because all securities are held by SBCERA's custodial bank in SBCERA's name or by other qualified third party administrator trust accounts.

(1) Does not include private placements, which amount to $543.
(2) Does not include private placements, which amount to $38,807.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments (Continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of an investment in a single issuer. As of June 30, 2014 and 2013, SBCERA did not hold any investments in any one issuer that would represent five percent (5.00%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Concentrations of Investments

As of June 30, 2014 and 2013, SBCERA did not hold investments in any one organization that represents five percent (5.00%) or more of the Plan's fiduciary net position. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

To mitigate interest rate risk, the managers investing on behalf of SBCERA have applicable investment guidelines. Interest rate risk for emerging market and private placement debt investments is managed through limited partnership agreements and applicable fund documents. The duration of emerging market and short term cash investments are shown as "N/A" in the table on the next page as the effective duration of the underlying securities is not readily available. Private placement investments considered fixed income investments are not shown in the table on the next page, but amount to $68.66 million and $39.35 million as of June 30, 2014 and 2013, respectively.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Interest Rate Risk (Continued)

As of June 30, 2014 and 2013, SBCERA had the following Fixed Income and Short Term Cash Investments:

Fixed Income and Short Term Cash Investments
As of June 30, 2014 and 2013
(Amounts in Thousands)

	2014		2013	
Investment Type	Fair Value	Effective Duration (Years)	Fair Value	Effective Duration (Years)
Asset Backed	$125,377	7.25	$36,428	1.96
Corporate Bonds[1]	34,025	3.16	10,482	0.08
Collateralized Mortgage Obligations	21,646	5.23	7,685	0.47
Commercial Mortgage Backed Securities	2,187	2.02	2,111	1.71
Foreign Bonds[2]	19,808	2.30	320	3.37
Municipals	74	13.38	67	12.94
Short Term Cash Investments[3]	878,342	N/A[3]	994,285	N/A[3]
Emerging Markets[3]	482,957	N/A[3]	300,697	N/A[3]
U.S. Agency	69,956	0.63	70,847	0.52
U.S. Treasury	84,942	0.44	84,003	0.78
TOTAL	**$1,719,314**		**$1,506,925**	

(1) Does not include convertible bonds, which amount to $746 and $0 as of June 30, 2014 and 2013, respectively, as the effective duration is not available. Private placements, which amount to $20,193 and $543 as of June 30, 2014 and 2013, respectively, are also excluded.

(2) Does not include convertible bonds, which amount to $13,095 and $13,359 as of June 30, 2014 and 2013, respectively, as the effective duration is not available. Private placements, which amount to $48,464 and $38,807 as of June 30, 2014 and 2013, respectively, are also excluded.

(3) Effective duration for the underlying investments contained in this investment type are not available.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments (Continued)

Foreign Currency Risk

SBCERA's exposure to foreign currency risk primarily derives from its positions in foreign currency denominated international equity, fixed income investments, and foreign currency overlay exposure. SBCERA's investment policy allows international managers to enter into foreign exchange contracts provided the contracts have a maturity of one year or less and are limited to hedging currency exposure existing in the portfolio. Specific managers in international equities or fixed income may engage in the active management of currencies, per individual investment agreements approved by the Board.

SBCERA's net exposure to Foreign Currency Risk in U.S. dollars as of June 30, 2014 is as follows:

Net Exposure to Foreign Currency Risk
As of June 30, 2014
(Amounts in Thousands)

		Type		
Currency	**Fair Value**	**Fixed Income**	**Equity**	**Cash**
Brazilian Real	$15,186	$-	$15,186	$-
Canadian Dollar	5,770	4,265	843	662
Danish Krone	63	-	63	-
Euro Currency	609,037	28,264	544,785	35,988
Hong Kong Dollar	34,895	3,484	31,091	320
Indonesian Rupiah	8,463	-	8,463	-
Japanese Yen	6,638	6,638	-	-
Malaysian Ringgit	8,063	-	8,063	-
Mexican Peso	9,799	-	9,792	7
New Taiwan Dollar	14,806	-	14,412	394
Polish Zloty	2	-	-	2
Pound Sterling	16,784	3,122	5,751	7,911
Singapore Dollar	1,071	1,068	-	3
South African Rand	15,401	-	15,401	-
South Korean Won	17,691	599	17,092	-
Swedish Krona	299	299	-	-
Swiss Franc	6,322	611	5,639	72
Thailand Baht	5,105	-	5,105	-
Turkish Lira	9,414	-	9,414	-
TOTAL	**$784,809**	**$48,350**	**$691,100**	**$45,359**

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments

Foreign Currency Risk (Continued)

SBCERA's net exposure to Foreign Currency Risk in U.S. dollars as of June 30, 2013 is as follows:

Net Exposure to Foreign Currency Risk
As of June 30, 2013
(Amounts in Thousands)

		Type		
Currency	**Fair Value**	**Fixed Income**	**Equity**	**Cash**
Australian Dollar	$1,391	$1,391	$-	$-
Brazilian Real	13,316	-	13,312	4
Canadian Dollar	1,561	1,508	-	53
Danish Krone	61	-	61	-
Euro Currency	576,477	19,026	532,144	25,307
Hong Kong Dollar	27,565	3,781	23,784	-
Indonesian Rupiah	12,268	-	12,268	-
Japanese Yen	36,817	5,429	28,511	2,877
Malaysian Ringgit	530	-	530	-
Mexican Peso	8,182	-	8,182	-
New Taiwan Dollar	4,923	-	4,923	-
Polish Zloty	2	-	-	2
Pound Sterling	11,191	1,224	2,316	7,651
Singapore Dollar	1,799	1,799	-	-
South African Rand	6,318	-	6,308	10
South Korean Won	10,789	189	10,600	-
Swedish Krona	18	-	-	18
Swiss Franc	1,138	1,130	-	8
Thailand Baht	5,849	-	5,849	-
Turkish Lira	9,317	-	9,317	-
TOTAL	**$729,512**	**$35,477**	**$658,105**	**$35,930**

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 9 – Deposits and Investments (Continued)

Rate of Return

For the fiscal years ended June 30, 2014 and 2013, the annual money-weighted rate of return on the assets of the Plan, net of investment expense, was 12.25% and 14.64%, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the timing of cash flows and the changing amounts actually invested.

Commitments to Fund Partnerships

As of June 30, 2014 and 2013, the total capital commitments to fund partnerships were $4.45 billion and $4.56 billion, respectively. Of this amount, $635.68 million and $969.66 million, respectively, remained unfunded and is not recorded on the SBCERA Statements of Fiduciary Net Position as of June 30, 2014 and 2013. The following tables depict the total commitments and unfunded commitments, respectively, by asset class.

Total Commitments and Unfunded Commitments to Fund Partnerships by Asset Class
As of June 30, 2014
(Amounts in Thousands)

Asset Class	Total Commitments	Unfunded Commitments
Real Estate	$1,785,091	$41,013
Alternatives	2,667,721	594,669
TOTAL	**$4,452,812**	**$635,682**

Total Commitments and Unfunded Commitments to Fund Partnerships by Asset Class
As of June 30, 2013
(Amounts in Thousands)

Asset Class	Total Commitments	Unfunded Commitments
Real Estate	$1,779,956	$30,528
Alternatives	2,783,059	939,130
TOTAL	**$4,563,015**	**$969,658**

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 10 – Leases

SBCERA leases its office space at 348 W. Hospitality Lane, San Bernardino, CA from Hospitality Office, Inc., a wholly-owned subsidiary of SBCERA (refer to Note 11 – Related Party Transactions, for further information). The agreement is a standard office lease which became effective March 18, 2002 and ends March 31, 2017, with one five-year renewal option. SBCERA occupies approximately 21,000 square feet of office space or 43% of the building. Under the terms of the lease agreement, SBCERA is required to pay the agreed-upon monthly base rent charge and applicable annual increases. SBCERA's base rental payments for the fiscal years ended June 30, 2014 and 2013 were $318 thousand and $308 thousand, respectively.

SBCERA leases four photocopy/scan/printer machines to support operations under two standard lease agreements. One agreement for three of the machines is effective June 19, 2012 through June 18, 2017. The second agreement for one of the machines is effective February 22, 2010 through February 21, 2015. Photocopier rental payments for the fiscal years ended June 30, 2014 and 2013 were $49 thousand and $48 thousand, respectively.

Future Minimum Rental Payments
As of June 30, 2014
(Amounts in Thousands)

Years Ended June 30	Office Space	Photocopy Machines	Total
2015	$326	$38	$364
2016	336	16	352
2017	258	15	273
TOTAL	**$920**	**$69**	**$989**

NOTE 11 – Related Party Transactions

As described in Note 10 – Leases, SBCERA leases office space from Hospitality Office, Inc., a wholly owned subsidiary of SBCERA. Hospitality Office, Inc. was formed as a holding company for SBCERA's investment in the building located at 348 W. Hospitality Lane, San Bernardino, CA. The lease between SBCERA and Hospitality Office, Inc. is a standard office lease agreement negotiated as an "arm's length" transaction, whereby SBCERA pays rent (including annual increases) and its proportionate share of building operating expenses. SBCERA's rental expense is recorded as an administrative expense of the organization, while the rental income of Hospitality Office, Inc. is included in net real estate rental income in the Statements of Changes in Fiduciary Net Position.

By necessity, SBCERA has entered into a Memorandum of Understanding with the County of San Bernardino (County), a participating employer, to provide administrative services in the areas of information technology, staff payroll, telecommunications (postage and mailing), motor pool services and Board of Retirement elections. SBCERA's payments to the County for the fiscal years ended June 30, 2014 and 2013 were $266 thousand and $258 thousand, respectively.

Notes to Basic Financial Statements

June 30, 2014 and 2013
(Continued)

NOTE 12 – Litigation

SBCERA is subject to legal proceedings and claims which have risen in the ordinary course of its business and have not been finally adjudicated. These actions, when finally concluded and determined, will not, in the opinion of the management of SBCERA, have a material adverse effect upon the financial position of SBCERA.

NOTE 13 – Pacific Public Partners (PPP)

On February 4, 2010, the SBCERA Board established an agency fund, Pacific Public Partners (PPP). PPP is a health investment trust fund for other post-employment health benefits (OPEB), which invests assets on behalf of any local public agency for the purpose of providing health benefits to their retirees pursuant to Article 8.10 of the CERL (commencing with Government Code section 31699.1) and Section 115 of the Internal Revenue Code. The SBCERA Board determined by means of a resolution, after due consideration, the establishment of PPP was in the long-term best interest of the members and beneficiaries of SBCERA and the participating employers in SBCERA; therefore the SBCERA Board authorized an investment of up to $2.72 million into the OPEB trust to be used for initial startup and administrative costs.

The PPP Board is composed of the same members as the SBCERA Board; however, SBCERA and PPP are separate legal entities. The PPP Board establishes the terms and conditions for public agencies and their trust funds to participate in PPP. The PPP financial statements are separately stated and can be obtained from PPP at 348 W. Hospitality Lane, 3rd Floor, San Bernardino, CA 92415.

As of June 30, 2014 and 2013, PPP has not received any assets from any local public agency. The changes in assets and liabilities of PPP do not create any obligation on the part of SBCERA pursuant to Government Code section 31699.8. Refer to Statements of Fiduciary Net Position - Agency Fund and Other Supplementary Information – Statements of Changes in Assets and Liabilities – Agency Fund, for further information.

On October 6, 2011, the PPP Board found that it would not be prudent to continue to expend any additional funds or take any additional action to attract any public agency or public agency trusts to participate in and invest assets in SBCERA's agency fund-PPP due to the economic crisis and the inability of public agencies to prefund OPEB liabilities. Therefore, the PPP Board voted to suspend indefinitely all activities of PPP. The PPP Board also ordered the return of the remaining start-up funds to SBCERA and terminated all existing PPP contracts. PPP shall not receive or accept any assets from any public agencies or trust funds until such time as the PPP Board makes a further determination regarding any subsequent change in circumstances that would make the continued operation of PPP consistent with the goals of 2009 Senate Bill 11, Article 8.10 of Chapter 3 of Part 3 of Division 4 of Title 3 of the California Government Code and the business interests of SBCERA, its members and participating employers.

FINANCIAL

Section 2.2

Required Supplementary Information

Biomass

Biomass

Biomass, biological material derived from living organisms like plants, trees, and seeds, is considered a renewable resource, as more crops and plants can always be reproduced. Besides providing a food source for human life, biomass can also be transformed into a source of energy that can reduce the nation's dependency on other fossil fuels. SBCERA actually participates in an investment fund that invests in land to create habitat mitigation credits for developers. These types of efforts assist in the sustainable balance of these resources.

Schedule of Changes in Net Pension Liability of Participating Employers

For Fiscal Years 2013 through 2014[1]
(Amounts in Thousands)

		June 30, 2014	June 30, 2013
Total Pension Liability			
Service cost		$271,473	$273,020
Interest		709,993	673,932
Differences between expected and actual experience		(306,201)	(97,497)
Changes of assumptions		328,748	-
Benefit payments, including refunds of member contributions		(397,823)	(367,396)
NET CHANGE IN TOTAL PENSION LIABILITY		**606,190**	**482,059**
TOTAL PENSION LIABILITY - BEGINNING		**9,088,636**	**8,606,577**
TOTAL PENSION LIABILITY - ENDING	**a**	**$9,694,826**	**$9,088,636**
Plan Fiduciary Net Position			
Contributions-employers		$330,330	$303,080
Contributions-plan members		89,861	91,056
Net investment income		877,018	912,310
Benefit payments, including refunds of member contributions		(397,823)	(367,396)
Administrative expense		(6,386)	(6,258)
Other		(2,483)	(1,572)
NET CHANGE IN PLAN FIDUCIARY NET POSITION		**890,517**	**931,220**
PLAN FIDUCIARY NET POSITION - BEGINNING		**7,104,554**	**6,173,334**
PLAN FIDUCIARY NET POSITION - ENDING	**b**	**$7,995,071**	**$7,104,554**
NET PENSION LIABILITY	**a-b=c**	**$1,699,755**	**$1,984,082**
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	**b/a**	**82.47%**	**78.17%**
COVERED EMPLOYEE PAYROLL[2]	**d**	**$1,262,752**	**$1,260,309**
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED EMPLOYEE PAYROLL	**c/d**	**134.61%**	**157.43%**

(1) Data as of June 30, 2005 through June 30, 2012 are not available in a comparable format.
(2) Covered employee payroll represents the collective total of the SBCERA eligible wages of all SBCERA participating employers.
See accompanying notes to the Required Supplementary Information.

Schedule of Employer Contributions

For Fiscal Years 2005 through 2014[2]
(Amounts in Thousands)

Years Ended June 30	Actuarially Determined Contributions[1] (a)	Actual Contributions[1] (b)	Contribution Deficiency/ (Excess) (b-a)	Covered Employee Payroll (c)	Contributions as a % of Covered Employee Payroll (b) / (c)
2005	$96,346	$96,346	$-	$943,546	10.21%
2006	129,078	129,078	-	968,674	13.33%
2007	164,992	164,992	-	1,028,731	16.04%
2008	162,619	162,619	-	1,102,151	14.75%
2009	166,082	166,082	-	1,219,562	13.62%
2010	163,960	163,960	-	1,226,431	13.37%
2011	180,756	180,756	-	1,250,193	14.46%
2012	210,000	210,000	-	1,244,555	16.87%
2013	248,841	248,841	-	1,260,309	19.74%
2014	278,352	278,352	-	1,262,752	22.04%

Schedule of Investment Returns

For Fiscal Years 2013 through 2014[3]

Years Ended June 30	Annual Money Weighted Rate of Return, Net of Investment Expense
2013	14.64%
2014	12.25%

(1) The Board has approved all contribution rates recommended by the actuary. Actuarially determined contributions include contributions required for the survivor benefit, and excludes employer paid member contributions, UAAL prepayments, golden handshake payments, funds deposited for purchase of service credit, payments made by withdrawn employers, member paid employer contributions and member contributions.

(2) Data for fiscal years ended June 30, 2005 through June 30, 2013 were restated from prior year to comply with the implementation of GASB Statement No. 67. Employer contributions were previously reported as Annual Required Contributions, and included employer paid member contributions, UAAL prepayments, golden handshake payments and member paid employer contributions, that are now excluded from the calculation of Actuarially Determined Contributions pursuant to GASB Statement No. 67.

(3) Data for fiscal years ended June 30, 2005 through 2012 is not available in a comparable format.

See accompanying notes to the Required Supplementary Information.

Notes to the Required Supplementary Information

June 30, 2014 and 2013

Latest Actuarial Valuation Methods and Assumptions Used in Determining Contribution Rates

Actuarially determined contributions are established and may be amended by the Board, based on an annual actuarial valuation and review, pursuant to Article 1 of the CERL. The actuarially determined contribution rates in the Schedule of Employer Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule for the fiscal year ended June 30, 2014:

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Actuarial Cost Method
Actuarial Experience Study	3 Year Period Ending June 30, 2011
Amortization Method	Level percent of payroll (4.00% payroll growth assumed)
Remaining Amortization Period	20 years for all Unfunded Actuarial Accrued Liability (UAAL) prior to June 30, 2002. Any changes in UAAL after June 30, 2002 are amortized over a 20-year closed period effective with each valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years).
Asset Valuation Method	Market value of assets less unrecognized returns from each of the last five years. Unrecognized returns are equal to the difference between the actual market return and the expected return on a market value basis and are recognized over a 5-year period. The Actuarial Value of Assets is reduced by the value of the non-valuation reserves. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of 4-years commencing with the June 30, 2012 valuation. As of June 30, 2014, the net unrecognized deferred gain is $243.76 million.
Actuarial Assumptions:	
Investment Rate of Return[1]	7.75%
Inflation	3.50%
Projected Salary Increases[2]	General: 4.75% to 14.00%; Safety: 4.75% to 14.00%
Cost of Living Adjustments	Contingent upon consumer price index with a 2.00% maximum

(1) Includes inflation at 3.50% and is net of pension plan administrative and investment expense.

(2) Includes inflation at 3.50%, real "across the board" salary increases of 0.50%, plus merit and promotional increases.

Notes to the Required Supplementary Information

June 30, 2014 and 2013
(Continued)

Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability

The net pension liability of participating employers was measured as of June 30, 2014 and 2013 and determined based upon the total pension liability from actuarial valuations as of June 30, 2014 and 2013, respectively.

Changes in Benefit Terms

In September 2012, Governor Jerry Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA). PEPRA resulted in the creation of two new benefit formulas for members entering SBCERA on or after January 1, 2013: 2.5% at age 67 for new General members and 2.7% at age 57 for new Safety members. PEPRA also caps pensionable compensation at 120% of the Federal Social Security limit for the 2013 calendar year (and is adjusted each year thereafter based on changes in the consumer price index), reduces the amount of pay items eligible for pensionable compensation, increases the final average compensation used to calculate benefits from highest one-year average to a highest three-year average and requires members to pay at least 50% of the total normal cost of the Plan. SBCERA members subject to the provisions of PEPRA are considered Tier 2 members.

On September 6, 2013, the Governor approved Assembly Bill 1380 (AB 1380), which makes various technical corrections and conforming changes that align the CERL with the provisions of the PEPRA. In particular, the bill clarifies that Tier 2 members are eligible to retire at age 70, regardless of years of service, that the Board may, but is not required to, round Tier 2 contribution rates to the nearest quarter of one percent, and those rates may be adjusted for any change in the normal cost rate. AB 1380 is effective January 1, 2014.

The addition of a new tier of benefits and the subsequent technical corrections stated above did not result in a change in the net pension liability of participating employers as of June 30, 2014 and 2013.

Changes of Assumptions

The actuarial assumptions used in actuarial valuations, for the fiscal years ended June 30, 2013 through 2014, were based on the results of Board approved triennial actuarial experience studies prepared by the Plan's independent actuary. For all experience studies listed on the next page, the Board adopted the assumption changes recommended by the actuary.

Notes to the Required Supplementary Information

June 30, 2014 and 2013
(Continued)

Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability

Changes of Assumptions (Continued)

Schedule of Actuarial Experience Studies
For Fiscal Years Ended June 30, 2013 through 2014

Years Ended June 30	Date of Actuarial Experience Study	Periods Covered in Actuarial Experience Study
2013	June 30, 2011	3 Year Period Ending 6/30/2011
2014	June 30, 2014	3 Year Period Ending 6/30/2013

Based on the actuarial experience studies, the following tables reflect the changes of assumptions that occurred for fiscal years ended June 30, 2013 through June 30, 2014 (adjustments were made to more closely reflect actual experience unless indicated otherwise):

Schedule of Changes to Actuarial Economic Assumptions
For Fiscal Years Ended June 30, 2013 through 2014

Years Ended June 30	Investment Rate of Return[1]	Projected Salary Increases (General)	Projected Salary Increases (Safety)	Inflation	Wage Inflation	Administrative Expenses[1]
2013	7.75%	4.75% to 14.00%	4.75% to 14.00%	3.50%	4.00%	Offset to Investment Return
2014	7.50%	4.60% to 13.75%	4.55% to 13.75%	3.25%	3.75%	0.60% of payroll[2]

(1) For fiscal year ended June 30, 2013, the investment rate of return was calculated net of Plan administration and investment expenses, including inflation. For fiscal year ended June 30, 2014, the investment rate of return was calculated net of Plan investment expenses, including inflation.

(2) Allocated to both the employer and Plan member based on the components of the total contribution rate (before expenses) for the employer and Plan member.

Notes to the Required Supplementary Information

June 30, 2014 and 2013
(Continued)

Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability

Changes of Assumptions (Continued)

Schedule of Changes to Actuarial Non-Economic Assumptions
For Fiscal Years Ended June 30, 2013 through 2014

	Year Ended June 30, 2013	Year Ended June 30, 2014
Marriage Assumption	70% male members, 55% female members assumed married at retirement or pre-retirement death.	70% male members, 55% female members assumed married at retirement or pre-retirement death.
Mortality Rates (General)	RP-2000 Combined Healthy Mortality Table set back 2 years; for Disabled Males set forward 4 years; for Disabled Females, set forward 5 years.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020; for Disabled Males set forward 7 years; for Disabled Females, set forward 8 years.
Mortality Rates (Safety)	RP-2000 Combined Healthy Mortality Table set back 3 years; for Disabled Members set forward 1 year.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020 set back 2 years for males, set back 1 year for females; for Disabled Members set forward 2 years.
Reciprocity Assumption	40%	40%
Deferral Age for Vested Terminations	Age 58 for General members; age 52 for Safety members.	Age 58 for General members; age 52 for Safety members.

Note: The probabilities of separation from active service and expectation of life are adjusted every three years with the actuarial experience study.

FINANCIAL

Section 2.3

Other Supplementary Information

Fire

Fire

Some may argue that fire is a renewable natural resource. It is used for cooking, for generating heat and light, for stimulating growth and maintaining various ecological systems. Power stations use fire to heat water, which creates steam that is used to spin electric generators that produce electricity. But fire can also cause damage to life, property and the environment. Climate change and population growth have contributed to the risk of wildfires to local communities. The risk of loss from fire is similar to what SBCERA faces in managing the contributions received from its members and employers. SBCERA manages this risk by investing in a diversified portfolio.

Statements of Changes in Assets and Liabilities Agency Fund - Pacific Public Partners

As of June 30, 2014 and 2013
(Amounts in Thousands)

Total Agency Fund	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014
Assets				
Due from participants	$1,007	$-	$-	$1,007
TOTAL ASSETS	**$1,007**	**$-**	**$-**	**$1,007**
Liabilities				
Due to SBCERA	$1,007	$-	$-	$1,007
TOTAL LIABILITIES	**$1,007**	**$-**	**$-**	**$1,007**

Total Agency Fund	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
Assets				
Due from participants	$1,007	$-	$-	$1,007
TOTAL ASSETS	**$1,007**	**$-**	**$-**	**$1,007**
Liabilities				
Due to SBCERA	$1,007	$-	$-	$1,007
TOTAL LIABILITIES	**$1,007**	**$-**	**$-**	**$1,007**

Schedule of Administrative Expenses

For the Years Ended June 30, 2014 and 2013
(Amounts in Thousands)

	2014	2013
Actuarial Accrued Liability (AAL)[1]	$8,606,577	$8,189,646
Statutory Limit for Administrative Expenses (AAL x 0.21%)	18,074	17,198
Administrative Expenses Subject to Statutory Limit		
Personnel Services	$4,551	$4,556
Professional Services	809	650
Communication Services	262	345
Operational Miscellaneous	278	234
Structures and Equipment	435	423
Depreciation and Amortization of Capital Assets	51	50
TOTAL ADMINISTRATIVE EXPENSES SUBJECT TO STATUTORY LIMIT	**6,386**	**6,258**
Other Expenses Not Subject to Statutory Limit		
Actuarial Services	271	165
Legal Services (Non-Investment)	669	602
Technology Infrastructure	1,543	805
TOTAL OTHER EXPENSES NOT SUBJECT TO STATUTORY LIMIT	**2,483**	**1,572**
TOTAL ADMINISTRATIVE EXPENSES[2]	**$8,869**	**$7,830**

(1) Refer to Note 2-Summary of Significant Accounting Policies, see section for Administrative Expenses for further information.
(2) Does not include Investment Expenses, see Schedule of Investment Expenses.

Schedule of Investment Expenses

For the Years Ended June 30, 2014 and 2013
(Amounts in Thousands)

	2014	2013
Advisement Fees		
Equity		
Domestic	$951	$717
International	2,780	2,005
TOTAL EQUITY	**3,731**	**2,722**
Fixed Income		
Domestic	1,661	452
Global	590	278
TOTAL FIXED INCOME	**2,251**	**730**
Alternative	81,937	70,132
Real Estate	4,969	5,415
Investment Consultant Fees	2,572	2,300
Custodian Fees	624	597
TOTAL ADVISEMENT FEES	**96,084**	**81,896**
Other Investment Expense		
Other Investment Expense	26,618	16,230
Legal Services	385	583
Investment Department Expense	1,480	1,576
TOTAL OTHER INVESTMENT EXPENSE	**28,483**	**18,389**
SECURITIES LENDING REBATES & BANK CHARGES	**107**	**176**
TOTAL INVESTMENT EXPENSES	**$124,674**	**$100,461**

Schedule of Payments to Consultants

For the Years Ended June 30, 2014 and 2013
(Amounts in Thousands)

Type of Service[1]	2014	2013
Fees Paid to Consultants Subject to the Statutory Limit		
Audit Services	$59	$59
Communications Services	62	65
Human Resource Consulting Services	90	-
Medical Consulting Services	479	347
TOTAL FEES PAID TO CONSULTANTS SUBJECT TO THE STATUTORY LIMIT	**690**	**471**
Fees Paid to Consultants Not Subject to the Statutory Limit		
Actuarial Services	271	165
Custodian Fees	624	597
Investment Consultant Fees	2,572	2,300
Legal Services	533	858
TOTAL FEES PAID TO CONSULTANTS NOT SUBJECT TO THE STATUTORY LIMIT	**4,000**	**3,920**
TOTAL PAYMENTS TO CONSULTANTS	**$4,690**	**$4,391**

(1) Detail for fees paid to investment professionals is presented in the Investment Section.

INVESTMENT

Section 3.0

Water

Water

Natural water resources include streams, lakes, groundwater and oceans. Americans get water from wells and public water systems to use for drinking, cleaning and food preparation. Water is also used to assist in generating renewable energy sources and for growing food. Water conservation programs encompass policies to manage the preservation of this resource. SBCERA also has policies in place to ensure the plan is appropriately governed and managed to fulfill its purpose on behalf of its members, beneficiaries and participating employers.

Report on Investment Activity

As of June 30, 2014

NEPC, LLC

Allan Martin
Partner

November 10, 2014

Board of Retirement
San Bernardino County Employees' Retirement Association
348 West Hospitality Lane, Third Floor
San Bernardino, CA 92415-0014

Dear Board Members:

The overall objective of the San Bernardino County Employees' Retirement Association (SBCERA) is to ensure continued access to retirement, disability and survivor benefits for current and future SBCERA participants. To ensure a solid foundation for the future of the Fund, SBCERA carefully plans and implements an investment program designed to produce superior long-term investment returns, while prudently managing the risk in the portfolio. Investment policy and asset allocation are reviewed and revised by the Board of Retirement, at least annually, to reflect the Fund's actuarial assumptions, accrued liabilities, and economic and investment outlook. The following is a report on the performance of the Fund for the fiscal year ending June 30, 2014 with background on the underlying market environment.

Fiscal Year 2014 Market Review

Global equity markets for the 2014 fiscal year continued their upward movement, despite slow growth in the US, on-going concerns over the European recovery and slowing growth in Emerging markets, particularly China. Buoyed by the continuance of low inflation and low interest rates, investors continued to add equities to their portfolios, fueling an on-going rise in equity prices globally. Despite concerns about potential Federal Reserve actions to raise interest rates, yields on government bonds actually declined over the year, producing modest gains for government bonds, and double-digit returns for high-yield bonds. Other major investment categories in which SBCERA invests also did well, aided by rising real estate prices, and a healthy private equity environment.

The broad domestic equity market as measured by the S&P 500 Index generated a 24.8% return for the fiscal year 2014. The domestic bond market, as measured by the Barclays Aggregate Bond Index returned 4.4%, while the international equity market as measured by the MSCI All-Country World Ex-US Index returned 21.8%. Other alternative markets where the Fund invests (Real Estate, Private Equity, and Opportunistic Credit) were also up between 11% and 18%, while providing more consistency to total fund returns.

The SBCERA Fund

The SBCERA Total Fund return, net of fees, for the fiscal year ending June 30, 2014 was 11.5%, surpassing the Fund's 7.75% actuarial assumed rate[1] for the fourth time in the past five fiscal years. The median fund in the Investor Force peer group universe of large Public Funds returned 16.4%, largely due to significantly higher equity allocations than SBCERA's. On a risk-adjusted basis the SBCERA Fund ranked in the top decile in the same universe. The Fund's five-year return for the period ending June 30, 2014 was 11.3% per annum net of fees (11.6% gross of fees), also above the actuarial assumed rate of 7.75%[1]. On a relative return basis, the Fund return ranked in the bottom quartile of the peer group over the five-year period due to its conservative orientation (lower equity exposure). SBCERA has chosen an asset allocation policy to reduce the Fund's volatility risk in order to more consistently meet its actuarial targets. The plan's five-year volatility, as measured by standard deviation, ranked in the 3rd percentile of its peers (least variable) resulting in a risk-adjusted return as measured by the Sharpe Ratio of 2.4%, which ranked in the top 1% of its peers.

[1] On June 30, 2014 the actuarial assumed rate was changed to 7.5%

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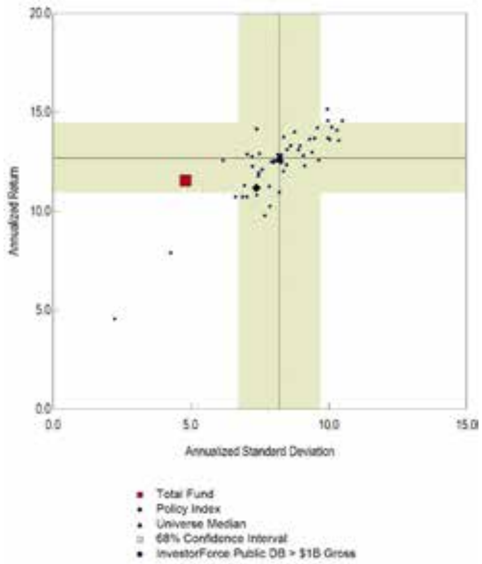
Report on Investment Activity

As of June 30, 2014
(Continued)

NEPC, LLC

ICC Public Funds Greater than $1 Billion Universe[2] Risk-Return Comparison (Gross of Fees)
5 Years Ending June 30, 2014



With the majority of the global capital markets experiencing robust valuations, increasing the potential for a market correction, lower equity exposure and diversification can help protect portfolios from significant declines. SBCERA's portfolio continues to be positioned to withstand significant declines in equity markets.

NEPC, LLC serves as SBCERA's independent investment consultant and provides SBCERA with asset allocation guidance, quarterly economic and investment market updates and performance reviews, and investment manager monitoring and selection advice. SBCERA's custodian, State Street Bank and Trust Company, independently prepared the underlying performance data used in this report. Rates of return are represented using a time-weighted rate of return methodology based upon market values.

Sincerely,

Allan Martin
Partner

[2] As of June 30, 2014, the InvestorForce Public Funds Greater than $1 Billion Universe was comprised of 52 total funds with approximately $503 billion in assets. Universe rankings are based on gross of fee performance.

2

Outline of Investment Policies

As of June 30, 2014

General

The overall goal of SBCERA's investment program is to provide Association participants with the retirement benefits as required by the CERL. This is accomplished by employer and employee contributions and the implementation of a carefully planned and executed long-term investment program.

The Board has exclusive control of all investments of the retirement system and is responsible for the establishment of investment objectives, strategies and policies. The Board is composed of nine members and two alternates as follows:

- The County of San Bernardino Treasurer who serves in the capacity of ex-officio member.
- Four members are appointed by the San Bernardino County Board of Supervisors.
- Two members are elected by active General members.
- One member is elected by active Safety members (along with one alternate).
- One member is elected by retired members (along with one alternate).

The Board is authorized to invest in any form or type of investment deemed prudent in the informed opinion of the Board. Members of the Board serve in a fiduciary capacity and must discharge their duties with respect to SBCERA and the investment portfolio:

- Solely in the interest of and for the exclusive purpose of providing benefits to, participants and their beneficiaries; minimizing employer contributions thereto; and defraying reasonable expenses of administering the system.
- With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.
- To diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under circumstances it is clearly prudent not to do so.

Summary of Investment Objectives

The Board has adopted an Investment Plan, Policy and Guidelines which provide the framework for the management of SBCERA's investments. The Investment Plan, Policy and Guidelines establish the investment program goals, asset allocation policies, performance objectives, investment management policies and risk controls. It also defines the principal duties of the Board and investment staff.

SBCERA's primary investment objective is to efficiently allocate and manage the assets on behalf of the members and beneficiaries. These assets are managed on a total return basis. While recognizing the importance of the "preservation of capital," SBCERA also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long term.

The total portfolio return, over the long term, is directed toward achieving and maintaining a fully funded status for the pension fund. Prudent risk-taking is warranted within the context of overall portfolio diversification to meet this objective. These activities are executed in a manner that serves the best interests of SBCERA's members and beneficiaries.

Outline of Investment Policies

As of June 30, 2014
(Continued)

Asset Allocation

A pension fund's strategic asset allocation policy, implemented in a consistent and timely manner, is generally recognized to be the largest determinant of investment performance. The asset allocation process determines an optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment objectives.

Effective July, 2014, the Board adopted a new asset allocation plan. The following factors were used to determine this new plan:

- Projected actuarial assets, liabilities, benefit payments and contributions.
- Historical and expected long-term capital market risk and return behavior.
- Future economic conditions, including inflation and interest rate levels.
- SBCERA's current and projected funding status.

Over time, the Board implements the asset allocation plan by hiring investment managers to invest assets on SBCERA's behalf.

Use of Proxies

SBCERA has adopted a proxy voting policy which best serves the economic interest of its beneficiaries. Investments in equity securities in particular are best viewed within the context of a long-term time horizon. The resolution of management and shareholder issues must be directed towards maximizing equity value; not to entrench the current management team or alternatively, to subject the company to excessive outside influences. SBCERA will support management if management's position appears reasonable, is not detrimental to the value of equity ownership and reflects consideration of the impact of societal values and attitudes on the long-term viability of the corporation.

SBCERA shall support requests for additional disclosure if the requested information is on a subject relevant to the corporation's business, if it is of value to a majority of shareholders in evaluating the corporation or its managers, if the costs of disclosure are reasonable and if the information to be disclosed will not disadvantage the corporation either competitively or economically.

Investment Professionals

As of June 30, 2014

INVESTMENT MANAGERS

DOMESTIC EQUITY

Clough Capital Partners, LP
Passport Capital, LLC
Select Equity Group, Inc.
State Street Global Advisors

DOMESTIC FIXED INCOME

Angelo, Gordon & Co., LP
Apollo Global Management, LLC
Beach Point Capital Management
Declaration Management & Research, LLC
GoldenTree Asset Management, LP
King Street Capital Management, LLC
Mackay Shields, LLC
Tricadia Capital Management, LLC
MD Sass-Waterfall Asset Management, LLC
Oaktree Capital Management, LP

INTERNATIONAL FIXED INCOME

BNY Alcentra Group Holdings, Inc.
BlueBay Asset Management Plc.
Cairn Capital Limited
Marathon Asset Management, LP
Oaktree Capital Management, LP
York Capital Management

EMERGING MARKET INTERNATIONAL EQUITY

Mondrian Investment Partners, Ltd

EMERGING MARKET FIXED INCOME

Ashmore Investment Management Limited
GAM USA, Inc.
Gramercy
Prudential Investment Management

PRIVATE EQUITY

Apollo Management
Aurora Capital Group
DRI Capital, Inc.
Industry Ventures, LLC
Lexington Partners
NB Alternative Fund Management, LLC
Partners Group
Pathway Capital Management, LLC
Siguler Guff Advisers, LLC
Standard Life Investments Limited
TCW Capital Group, Inc.
Tennenbaum Capital Partners, LLC
The Catalyst Capital Group, Inc.

REAL ESTATE

American Realty Advisors
Beacon Capital Partners, LLC
Blackrock Realty
Bryanston Realty Partners, LLC
CB Richard Ellis Investors, LLC
Fillmore Capital Partners, LLC
Fortress Investment Group, LLC
Guggenheim Partners
Invesco (AIG) Asian Real Estate Partners II, LLC
Invesco Real Estate
LaSalle Investment Management, Inc.
Morgan Stanley Real Estate Fund
Oaktree Capital Management, LP
Prudential Real Estate Investors
RREEF America, LLC
Square Mile Capital Management, LLC
Starwood Capital Group Global, LLC
Tricon Capital Group, Inc.
Walton Street Capital, LLC

ALTERNATIVES

Apollo Global Management, LLC
Ares Management, LLC
Birch Grove
Four Corners Capital Management, LLC
PineBridge Investments
Russell Implementation Services, Inc.
Sterling Stamos
ZAIS Group, LLC.

REAL ASSETS

Blue Tip Energy Management, LLC
Energy Spectrum Capital
Hancock Timber Resource Group, Inc.
Highstar Capital
Pinnacle Asset Management, LP
Starwood Energy Partners
Timbervest, LLC.

CONSULTANTS

Kreischer Miller
NEPC, LLC
Maples Finance

CUSTODIAN

State Street Bank and Trust

LEGAL COUNSEL

Foley & Lardner, LLP
Maples & Calder

Investment Results

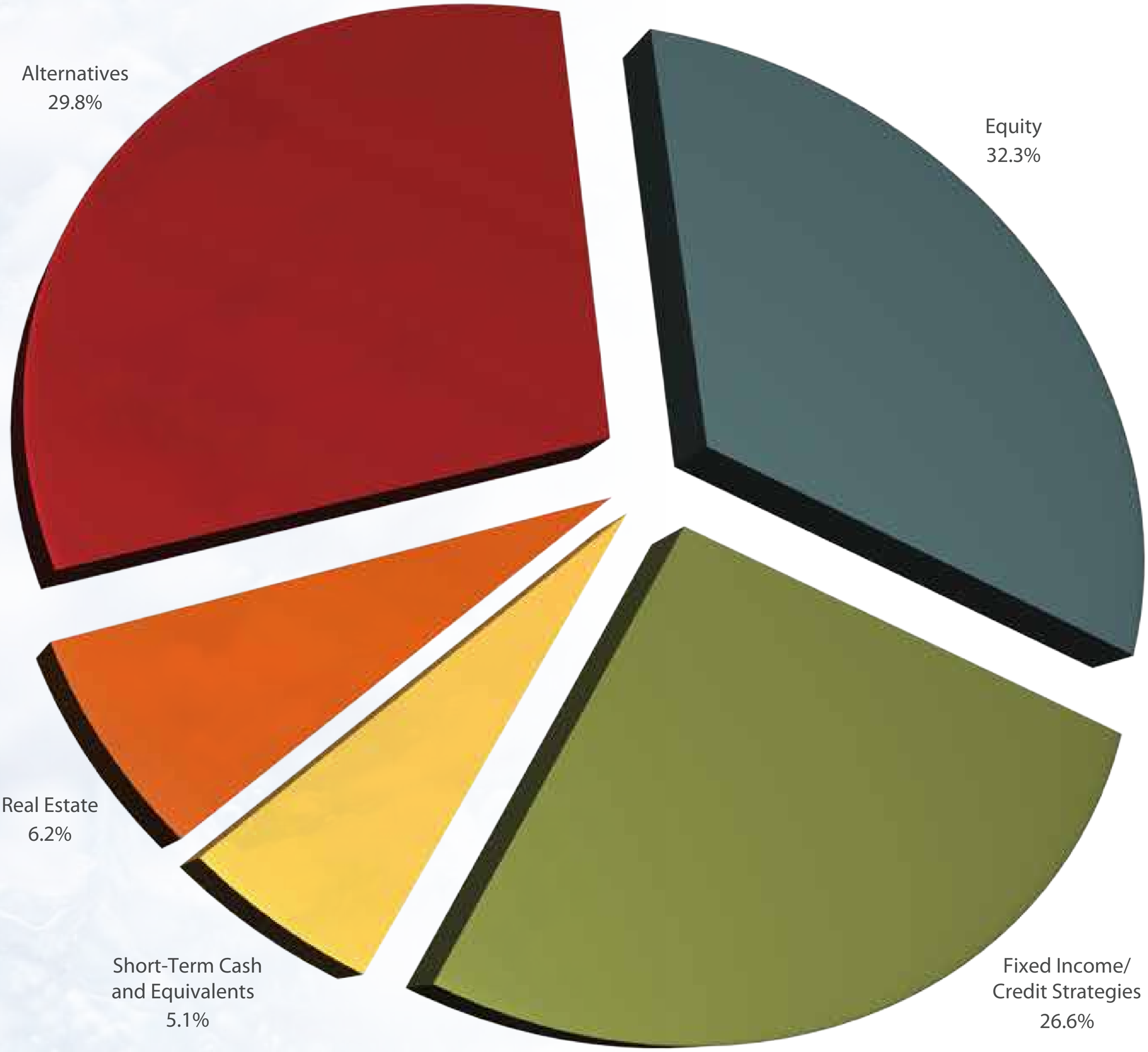
As of June 30, 2014

	Current Year 2014	Annualized 3 year	Annualized 5 year
Total Portfolio	11.51%	8.83%	11.26%
SBCERA Policy Benchmark	14.41%	8.53%	11.21%
Cash Equivalents	(4.38)%	(4.64)%	(2.76)%
91 Day T-Bill Benchmark	0.05%	0.07%	0.11%
Equity Segment			
Domestic Equity	(4.36)%	2.63%	7.32%
Russell 3000 Benchmark	25.22%	16.46%	19.33%
Emerging Markets Equity	9.66%	(0.30)%	9.02%
MSCI Emerging Markets Benchmark	14.31%	(0.39)%	9.24%
International Equity	16.92%	19.57%	19.29%
MSCI EAFE Benchmark	23.57%	8.10%	11.77%
Fixed Income Segment			
Domestic Fixed Income	9.24%	7.28%	14.84%
BofAML High Yield Master II Benchmark	11.80%	9.27%	13.94%
Global and Emerging Market Fixed Income	10.75%	5.30%	8.80%
SBCERA Custom BC Global Benchmark	9.42%	1.75%	4.37%
Real Asset Segment			
Real Estate	10.22%	9.22%	3.22%
NCREIF Benchmark	11.18%	11.69%	7.89%
Timber	6.74%	5.25%	0.34%
NCREIF Timberland Benchmark	9.78%	6.59%	2.87%
Infrastructure	(18.10)%	(3.11)%	4.94%
CPI + 600BPS	8.19%	7.93%	8.13%
Commodities	4.00%	3.96%	4.93%
Dow Commodity Benchmark	8.21%	(5.17)%	1.99%
Other Alternative Segment			
Private Equity/Venture Capital	19.79%	12.44%	12.12%
Venture ECO Benchmark	18.56%	11.48%	15.35%
Alpha Pool	8.95%	8.28%	13.20%
HFRI Fund of Funds Composite	7.69%	3.33%	4.26%

Note: Calculations were prepared using a time-weighted rate of return and are net of fees.

Asset Allocation

As of June 30, 2014

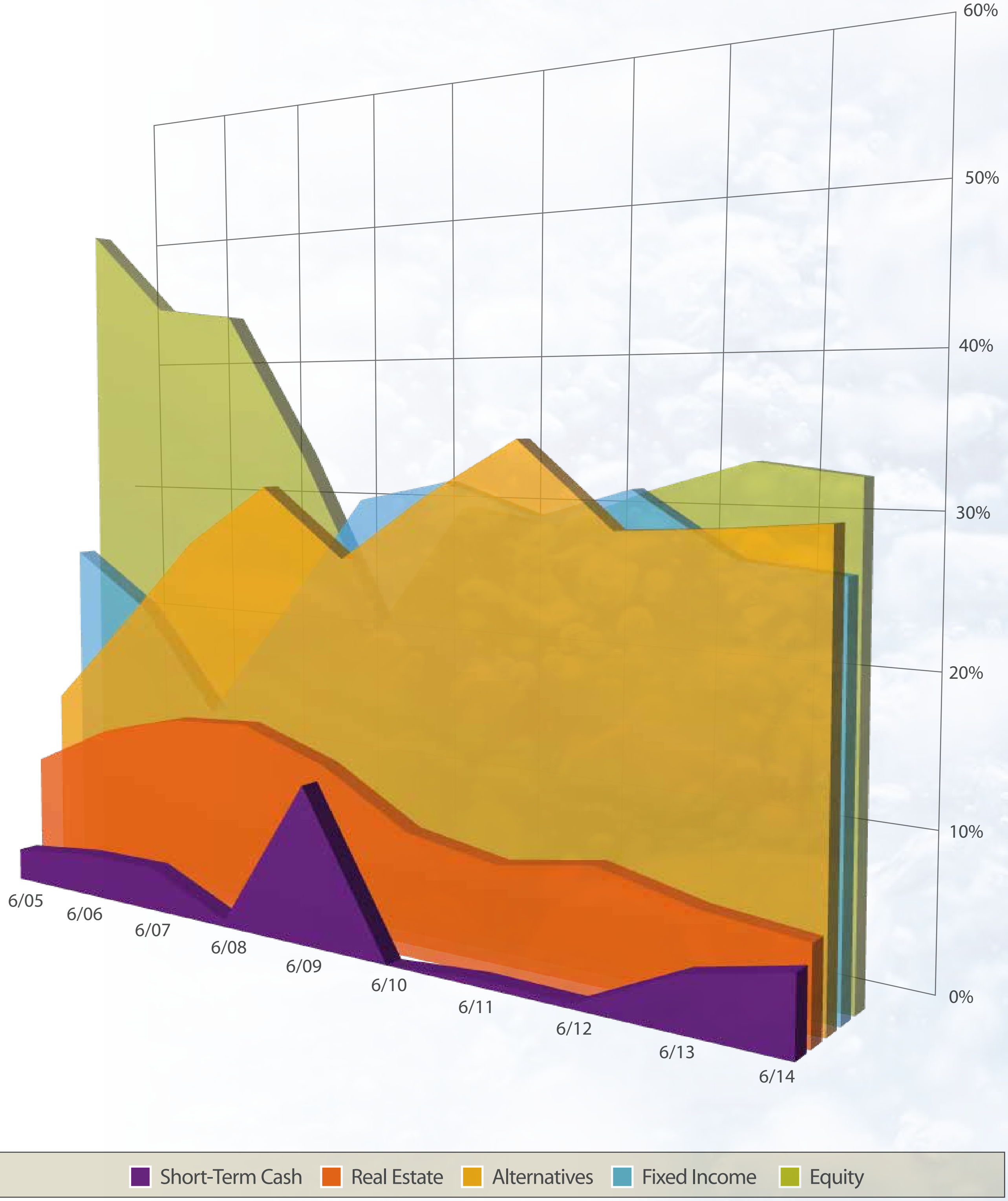


Equity	32.3%
Fixed Income/Credit Strategies	26.6%
Short-Term Cash and Equivalents	5.1%
Real Estate	6.2%
Alternatives	29.8%
TOTAL	**100.0%**

Note: This chart depicts investment asset classes as the net of physical assets combined with asset class exposure from alpha pool and overlay program exposure.

Historical Asset Allocation

June 2005 through June 2014



Note: This chart depicts investment asset classes as the net of physical assets combined with asset class exposure from alpha pool and overlay program exposure beginning Fiscal Year 2007-08.

Target vs. Actual Asset Allocation Percentages

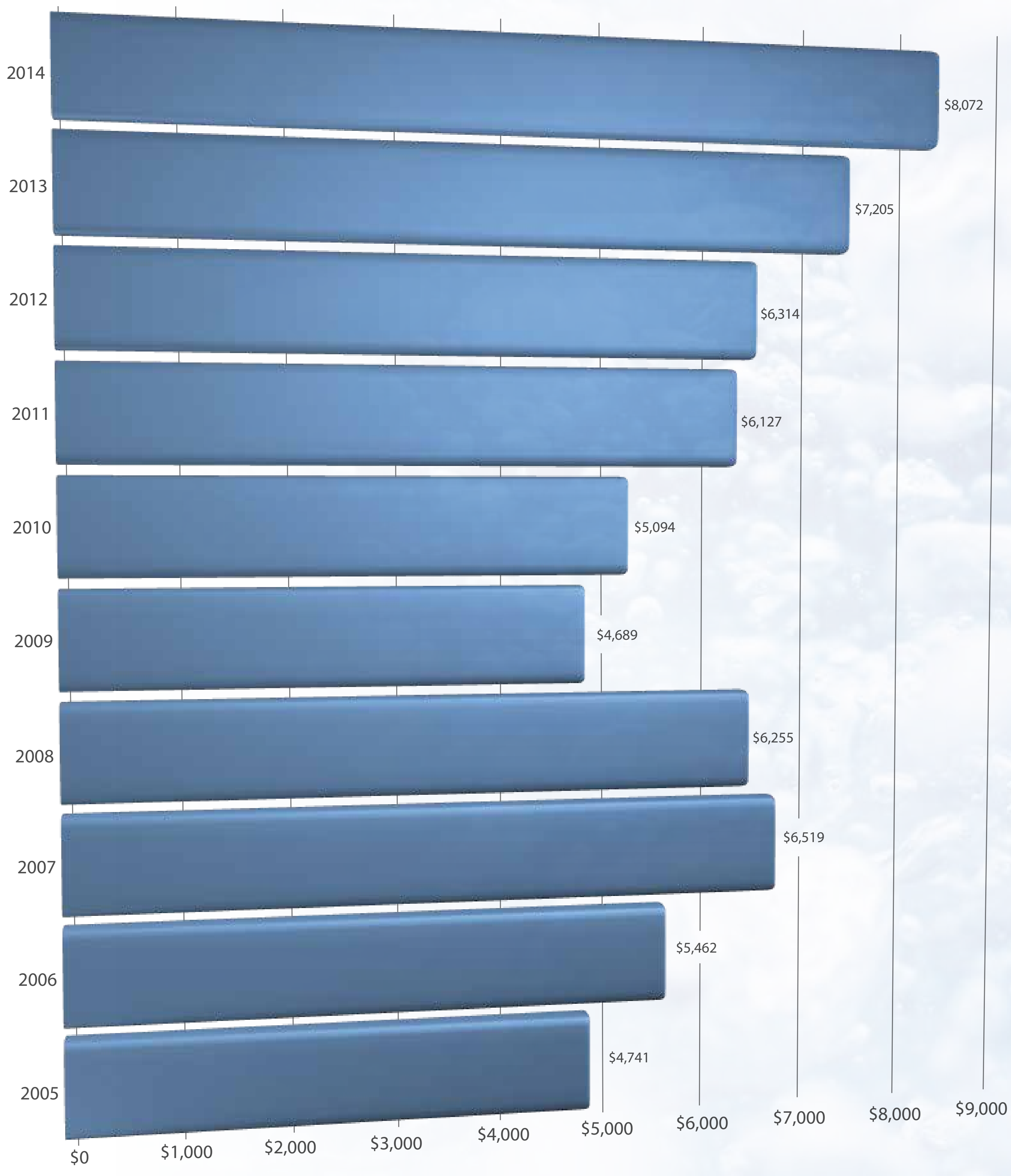
As of June 30, 2014

			Target Ranges	
	Actual	Target	Minimum	Maximum
Domestic Equity	14.8%	13.0%	8.0%	18.0%
Domestic Fixed Income	14.6%	15.0%	10.0%	20.0%
International Equity	17.5%	15.0%	10.0%	20.0%
Global Fixed Income	12.0%	17.0%	12.0%	22.0%
Short-Term Cash	5.1%	2.0%	0.0%	10.0%
Real Estate	6.2%	9.0%	4.0%	14.0%
Private Equity	15.8%	16.0%	11.0%	21.0%
Absolute Return	9.1%	7.0%	2.0%	12.0%
Timber	2.6%	3.0%	0.0%	8.0%
Infrastructure	0.7%	1.0%	0.0%	6.0%
Commodities	1.6%	2.0%	(1.0)%	7.0%

Note: This table excludes investments of cash collateral received on securities lending transactions, short-term cash held in outside investment pools and allocated commitments. In addition, this table depicts investment asset classes as the net of physical assets combined with asset class exposure from alpha pool and overlay program exposure.

Fair Value Growth of Plan Assets

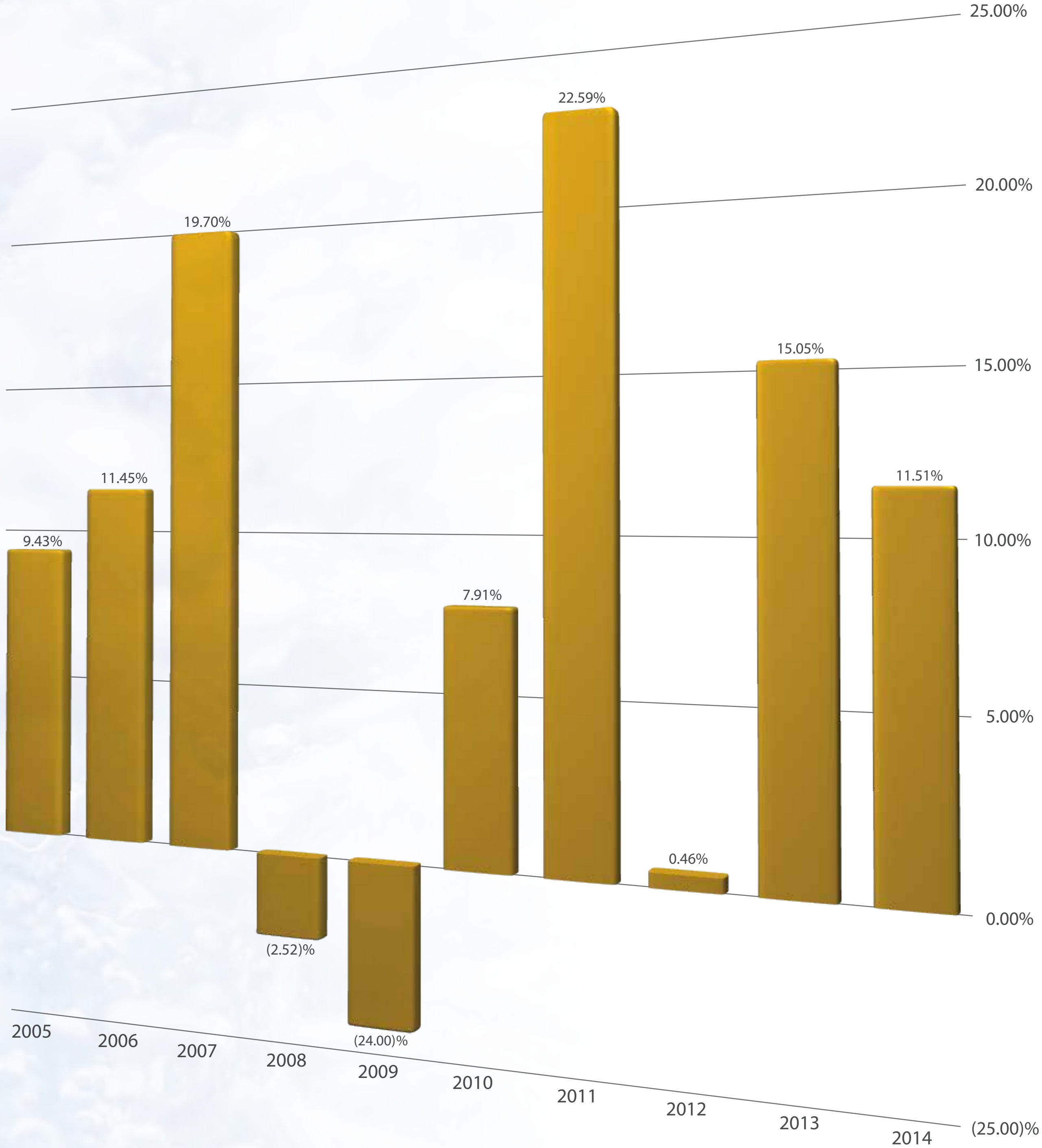
For 10 Years Ended June 30, 2014
(Amounts in Millions)



Notes: This chart depicts growth of plan assets held for investment excluding investments of cash collateral received on securities lending transactions (Fiscal Year 2014 $45.78 million).

History of Performance

For Fiscal Years 2005 through 2014
(Based on Fair Value)



Note: Calculations were prepared using a time-weighted rate of return and are net of fees.

List of Largest Assets Held

As of June 30, 2014 (Amounts in Thousands)

Largest Stock Holdings
(By Fair Value)

Description	Shares	Fair Value
1) Sacher Funding LTD	182	$45,860
2) CV Colombian Acquisition LP	15	15,695
3) Student Loan Funding	13,911	9,503
4) Euronav SA	484	5,917
5) Peermont Global	59,775	5,338
6) Eurn 6 Pref Euronav 6 Preferred	2,500	3,950
7) Hull Street Warehouse	2,940	2,940
8) Zais CLO 2, Limited	2,500	2,500
9) Brazil Quality Atilio	1,310	2,135
10) Octagon Invt Ptnrs XX Warehse	2,100	2,100
TOTAL OF LARGEST STOCK HOLDINGS		**$95,938**
TOTAL STOCK HOLDINGS		**$794,723**

Largest Bond Holdings
(By Fair Value)

Description	Par	Fair Value
1) Freddie Mac Notes 04/15 0.5	$17,000	$17,049
2) US Treasury N/B 07/14 0.125	14,900	14,900
3) WI Treasury SEC 10/14 0.25	14,000	14,007
4) WI Treasury SEC 09/14 0.25	14,000	14,007
5) US Treasury N/B 04/15 0.125	13,500	13,503
6) Federal Home Loan Bank Bonds 03/15 0.14	10,000	9,999
7) Fannie Mae Notes 03/15 0.375	9,450	9,466
8) Collegiate Campus Housing LLC	8,650	8,650
9) Federal Home Loan Bank Bonds 02/15 0.25	8,000	8,006
10) US Treasury N/B 02/15 0.25	7,500	7,508
TOTAL OF LARGEST BOND HOLDINGS		**$117,095**
TOTAL BOND HOLDINGS		**$923,470**

Note: The holdings schedules pertain to holdings of individual securities; they do not reflect SBCERA's investments in commingled funds. A complete list of portfolio holdings is available upon request.

Schedule of Fees and Commissions

For the Year Ended June 30, 2014 (Amounts in Thousands)

Schedule of Fees

	Assets Under Management at Fair Value	Fees
Investment Managers' Fees		
Equity managers	$794,723	$3,731
Fixed income managers	923,470	2,251
Real estate managers	535,447	4,969
Alternative managers	4,939,732	81,937
Short term cash & securities lending collateral	924,126	-
TOTAL INVESTMENT MANAGERS' FEES	**$8,117,498**	**92,888**
Other Investment Service Fees		
Custodian fees		624
Legal services		385
Investment consultant fees		2,572
TOTAL OTHER INVESTMENT SERVICE FEES		**3,581**
SECURITIES LENDING FEES		**107**
TOTAL FEES		**$96,576**

Schedule of Commissions

Brokerage Firm	Total Shares Traded (Actual Shares)	Commissions Per Share (Actual Dollars)	Total Commissions	% of Total Commissions
Morgan Stanley (Bank of NY)	94,438	$4.21135	$398	51.30%
Morgan Stanley and Co New York	77,014	1.93985	149	19.27%
Bikuben Girobank A S	16,142,972	0.00636	103	13.24%
Goldman Sachs International	18,979,510	0.00101	19	2.47%
Other[1]	60,688,346	Various[1]	106	13.72%
TOTAL	**95,982,280**		**$775**	**100.00%**

(1) Includes approximately 51 additional firms, each with less than 2.00% of total commissions. The average commission per share is 0.17686.

Note: SBCERA has commission recapture arrangements with Russell Investments.

Investment Summary

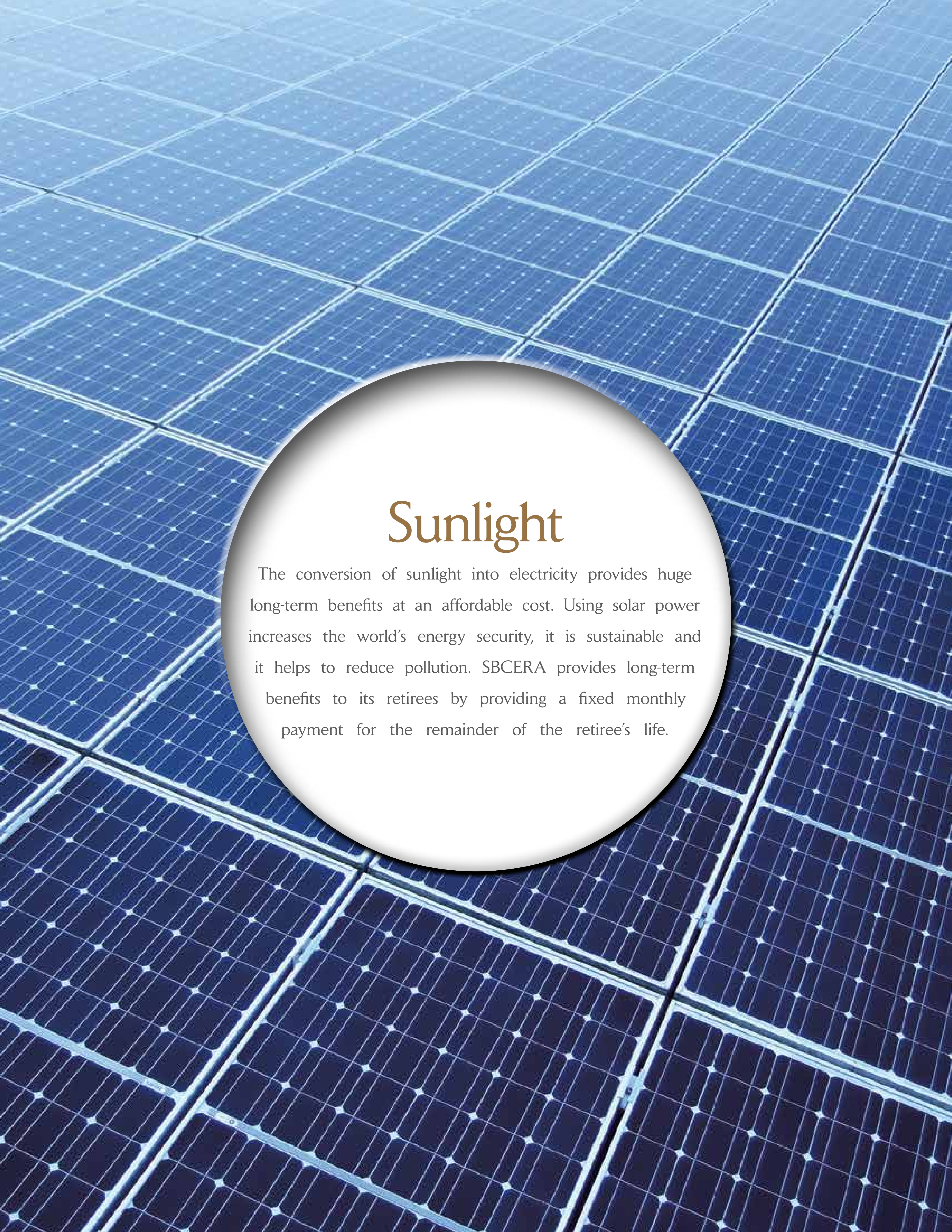
As of June 30, 2014
(Amounts in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Domestic Stocks	$598,077	7.37%
Foreign Stocks	196,646	2.42%
U.S. Government Securities	154,972	1.91%
Domestic Corporate Bonds	204,174	2.52%
Foreign Bonds	81,367	1.00%
Emerging Market Debt	482,957	5.95%
Real Estate	535,447	6.60%
Domestic Alternatives	3,522,848	43.40%
Foreign Alternatives	1,416,884	17.45%
Investments of Cash Collateral Received on Securities Lending	45,784	0.56%
Short-Term Cash Investment Funds	878,342	10.82%
TOTAL INVESTMENTS	**$8,117,498**	**100.00%**

ACTUARIAL

Section 4.0

Sunlight



Sunlight

The conversion of sunlight into electricity provides huge long-term benefits at an affordable cost. Using solar power increases the world's energy security, it is sustainable and it helps to reduce pollution. SBCERA provides long-term benefits to its retirees by providing a fixed monthly payment for the remainder of the retiree's life.

Actuary Certification Letter

As of June 30, 2014

Segal Consulting

100 Montgomery Street Suite 500 San Francisco, CA 94104-4308
T 415.263.8200 www.segalco.com

November 10, 2014

Board of Retirement
San Bernardino County Employees' Retirement Association
348 West Hospitality Lane, Third Floor
San Bernardino, CA 92415-0014

Re: San Bernardino County Employees' Retirement Association
June 30, 2014 Actuarial Valuation for Funding Purposes

Dear Members of the Board:

Segal Consulting (Segal) prepared the June 30, 2014 annual actuarial valuation of the San Bernardino County Employees' Retirement Association (SBCERA). We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices and SBCERA's funding policy that was last reviewed with the Board in 2014. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2014 actuarial valuation, Segal conducted an examination of all participant data for reasonableness. However, the scope of this examination does not qualify as an audit. 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 Association's financial statements, however, the Association's auditor attested to the Association's financial statements. For actuarial valuation purposes, retirement 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 return at market value and the expected investment return over a five-year period. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four years from that date.

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 for each generation of active members. Actuarial funding is based on the Entry Age Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

Actuary Certification Letter

As of June 30, 2014
(Continued)

In 2002, the Board of Retirement elected to amortize the Association's unfunded actuarial accrued liability as of June 30, 2002 over a declining (or closed) 20-year period. Any change in unfunded actuarial accrued liability that arises due to actuarial gains or losses or due to changes in actuarial assumptions or methods at each valuation after June 30, 2002 is amortized over its own declining (or closed) 20-year period. Effective with the June 30, 2012 valuation, any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining (or closed) 15-year period (with the exception of a change due to retirement incentives, which is amortized over its own declining (or closed) period of up to 5 years). The progress being made towards meeting the funding objective through June 30, 2014 is illustrated in the Schedule of Funding Progress.

Certain information found in the Notes to Basic Financial Statements and the Required Supplementary Information (RSI) included in the Financial Section was prepared by the Association based on the results of the Governmental Accounting Standards (GAS) 67 actuarial valuation as of June 30, 2014 prepared by Segal. For the Financial Section of the Comprehensive Annual Financial Report (CAFR), Segal provided the Schedule of Changes in Net Pension Liability of Participating Employers and Schedule of Employer Contributions as shown in the RSI. A listing of the other supporting schedules prepared by the Association based on additional information provided by Segal and the results of the actuarial valuation as of June 30, 2014 for funding purposes is listed below.

- Schedule of Funding Progress
- Development of Actuarial Value of Assets
- Schedule of Active Member Valuation Data
- Schedule of Retirants & Beneficiaries
- Solvency Test
- Analysis of Financial Experience
- Ratio of Current Compensation-to-Compensation Anticipated at Retirement
- Probability of Separation from Active Service
- Expectation of Life
- Retirees and Beneficiaries Added to and Removed from Rolls
- Retired Members by Type of Benefit
- Average Benefit Payments
- Membership History
- Average Monthly Retirement Benefits

Actuary Certification Letter

As of June 30, 2014
(Continued)

Board of Retirement
November 10, 2014
Page 3

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on the June 30, 2014 Experience Study (for both the economic and non-economic assumptions). It is our opinion that the assumptions used in the June 30, 2014 valuation produce results, which, in aggregate, reflect the future experience of the retirement plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years and was performed as of June 30, 2014 with those assumptions being implemented in the June 30, 2014 actuarial valuation.

In the June 30, 2014 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) increased from 79.27% to 79.95%. The aggregate employer's rate has increased from 24.73% of payroll to 27.27% of payroll, while the employee's rate has increased from 10.51% of payroll to 11.06% of payroll.

Under the asset smoothing method, the total unrecognized investment gains are $244 million as of June 30, 2014. These investment gains will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. The deferred gains of $244 million represent about 3% of the market value of assets as of June 30, 2014. Unless offset by future investment losses or other unfavorable experience, the recognition of the $244 million market gains is expected to have an impact on the Association's future funded percentage and contribution rate requirements. This potential impact may be illustrated as follows:

- If the deferred gains were recognized immediately in the valuation value of assets, the funded percentage would increase from 79.95% to 82.47%.
- If the deferred gains were recognized immediately in the valuation value of assets, the aggregate employer rate would decrease from 27.27% to about 25.87% of payroll.

We are members of the American Academy of Actuaries and we meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Sincerely,

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

John Monroe, ASA, MAAA, EA
Vice President and Actuary

AW/hy

5346441v11/05111.002

Schedule of Funding Progress

For Fiscal Years 2005 through 2014
(Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets[1] (a)	Actuarial Accrued Liability (AAL)[2] (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Projected Total Compensation (c)	UAAL as a Percentage of Projected Total Compensation [(b-a)/c]
6/30/2005	$4,750,229	$5,215,719	$465,490	91.08%	$968,674	48.05%
6/30/2006	5,175,767	5,624,646	448,879	92.02%	1,028,731	43.63%
6/30/2007	5,797,400	6,227,013	429,613	93.10%	1,102,151	38.98%
6/30/2008	6,341,531	6,773,629	432,098	93.62%	1,219,562	35.43%
6/30/2009	6,383,388	7,013,534	630,146	91.02%	1,226,431	51.38%
6/30/2010[3]	6,367,232	7,444,986	1,077,754	85.52%	1,250,193	86.21%
6/30/2011	6,484,507	8,189,646	1,705,139	79.18%	1,244,555	137.01%
6/30/2012	6,789,492	8,606,577	1,817,085	78.89%	1,260,309	144.18%
6/30/2013[4]	7,204,918	9,088,636	1,883,718	79.27%	1,262,752	149.18%
6/30/2014[4]	7,751,309	9,694,825	1,943,516	79.95%	1,267,667	153.31%

(1) Includes assets held for Survivor Benefits, Burial Allowance, General Retiree Subsidy (GRS), and Excess Earnings (EE) reserves. Some years may not include the GRS and EE reserves.

(2) Includes liabilities held for Survivor Benefits, Burial Allowance, General Retiree Subsidy (GRS), and Excess Earnings (EE) reserves. Some years may not include the GRS and EE reserves.

(3) Does not reflect the transfer of $40.6 million from the General Retiree Subsidy reserve to the Current Service reserve.

(4) Does not include the present value of future contributions payable from the County of San Bernardino to SBCERA related to the Crest Forest Fire Protection District transfer.

Note: Refer to the Required Supplementary Information section, Schedule of Employer Contributions, for the actuarially determined contributions, and the actual contributions received from SBCERA's participating employers.

Latest Actuarial Valuation Methods and Assumptions

As of June 30, 2014

The Entry Age Actuarial Cost Method was used in conjunction with the following actuarial assumptions. The Unfunded Actuarial Accrued Liability (UAAL) is funded over 20 years for all UAAL prior to June 30, 2002; any changes in UAAL after June 30, 2002 are amortized over a 20-year closed period effective with each valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with each valuation. Any change in unfunded actuarial accrued liability that arises due to plan amendments is amortized over its own declining 15-year period (with exception of a change due to retirement incentives, which is amortized over a declining period of up to 5 years). An analysis of the Plan's non-economic experience was last performed as of June 30, 2014 to establish the validity of these assumptions. An actuarial valuation is performed annually. The actuarial assumptions and methods listed below were recommended by the Plan's independent actuary, Segal Consulting, and were approved by the Board.

1.	*Investment Rate of Return*	7.50% net of pension plan investment expense, including inflation.
2.	*Interest Credited to Employee Accounts*	3.25% (Actual rate is based on six-month Treasury rate).
3.	*Inflation*	3.25% per annum.
4.	*Salary Scale*	As shown in Table on page 117.
5.	*Asset Valuation*	Smoothed market (five year average). See Development of Actuarial Value of Assets on page 108 which shows the development of the assets. Deferred gains and losses as of June 30, 2011 have been combined and are recognized in equal amounts over a period of four years from that date. As of June 30, 2014, the net unrecognized deferred gain is $243.76 million.
6.	*Gains and Losses*	Gains and Losses are reflected in the UAAL. They are funded over the period described above.
7.	*Spouses and Dependents*	70% of male members and 55% of female members assumed married at retirement or pre-retirement death, with female (or male) spouses assumed 3 years younger (or older) than their spouses.
8.	*Rates of Termination of Employment*	As shown in Table on page 119.
9.	*Years of Life Expectancy After Retirement*	As shown in Table on page 120.
10.	*Years of Life Expectancy After Disability*	As shown in Table on page 121.
11.	*Mortality for Employee Contribution Rate Purposes:*	
	General	RP-2000 Combined Healthy Mortality Table, projected with Scale BB to 2020; for disabled males, set forward seven years; for disabled females, set forward eight years. Weighted 30% male, 70% female.
	Safety	RP-2000 Combined Healthy Mortality Table, projected with Scale BB to 2020, set back two years for males and set back one year for females; for disabled members, set forward two years. Weighted 85% male, 15% female.
12.	*Reciprocity Assumption*	40% of General members and 50% of Safety members who terminate with a vested benefit are assumed to enter a reciprocal system. Assume 5.25% compensation increases per annum.
13.	*Deferral Age for Vested Terminations*	Age 58 for General members; age 52 for Safety members.
14.	*Cost of Living Adjustments*	Contingent upon consumer price index with a 2.00% maximum per annum.
15.	*Recent Changes*	The results of the valuation reflect economic and non-economic changes as recommended and adopted by the Board for the June 30, 2014 valuation. These changes included increases/decreases to the investment rate of return, inflation rate, retirement, mortality, termination, disability incidence, individual salary rates, and administrative expense assumption load.

Note: The above methods and assumptions were selected by the actuary as being appropriate for the Plan and are adopted effective June 30, 2014.

Development of Actuarial Value of Assets

As of June 30, 2014

It is desirable to have level and predictable plan costs from one year to the next. For this reason, the Board has approved an asset valuation method that gradually adjusts to market value. Under this valuation method, the full value of market fluctuations is not recognized in a single year and, as a result, the asset value and the plan costs are more stable. The amount of the adjustment to recognize market value is treated as income, which may be positive or negative. Realized and unrealized gains and losses are treated equally and, therefore, the sale of assets has no immediate effect on the actuarial value.

		Original Amount	Unrecognized Return	
1.	**Market value of assets**			$7,995,070,539
2.	**Calculation of unrecognized return**[1]			
	a) Year ended June 30, 2014[2]	$316,679,078	$253,343,262	
	b) Year ended June 30, 2013[2]	425,010,217	255,006,130	
	c) Year ended June 30, 2012[2]	(444,010,514)	(177,604,206)	
	d) Combined net deferred loss[3]	(347,932,968)	(86,983,242)	
	e) TOTAL UNRECOGNIZED RETURN[4]			**243,761,944**
3.	**Actuarial value of assets (1) - (2e)**			7,751,308,595
4.	**Actuarial value as a percentage of market value**			97.0%
5.	**Non-valuation reserves and designations**			
	a) Burial allowance reserve			825,407
	b) TOTAL			**825,407**
6.	**PRELIMINARY VALUATION VALUE OF ASSETS (3) - (5b)**			**$7,750,483,188**
7.	**VALUATION VALUE OF ASSETS**[5]			**$7,756,386,089**

(1) Total return minus expected return on a market value basis.
(2) Recognition at 20% per year over 5 years.
(3) Net deferred loss as of June 30, 2011 was combined and will be recognized over 4 years.
(4) Deferred return amount as of June 30, 2014 recognized in each of the next 4 years:

(a) Amount recognized during 2014/2015	$(27,447,486)
(b) Amount recognized during 2015/2016	59,535,756
(c) Amount recognized during 2016/2017	148,337,859
(d) Amount recognized during 2017/2018	63,335,815
Total	$243,761,944

(5) Includes $5.9 million that represents the present value of additional future contributions payable from the County to SBCERA related to the Crest Forest Fire district transfer.

Schedule of Active Member Valuation Data

For Fiscal Years 2005 through 2014

Valuation Date	Number of Participating Employers[1]	Number of Active Members	Annual Payroll	Annual Average Payroll	% Increase in Average Payroll
6/30/05					
General	17	15,743	$832,019,250	$52,850	1.30%
Safety	4	1,864	136,655,045	73,313	2.36%
TOTAL	**18**	**17,607**	**$968,674,295**	**$55,016**	**1.40%**
6/30/06					
General	17	16,254	$879,493,985	$54,109	2.38%
Safety	4	2,093	149,236,841	71,303	(2.74)%
TOTAL	**18**	**18,347**	**$1,028,730,826**	**$56,071**	**1.92%**
6/30/07					
General	16	16,758	$938,685,224	$56,014	3.52%
Safety	4	2,187	163,465,403	74,744	4.83%
TOTAL	**17**	**18,945**	**$1,102,150,627**	**$58,176**	**3.76%**
6/30/08					
General	17	17,197	$1,042,739,850	$60,635	8.25%
Safety	4	2,217	176,821,803	79,757	6.71%
TOTAL	**18**	**19,414**	**$1,219,561,653**	**$62,819**	**7.98%**
6/30/09					
General	18	16,669	$1,032,135,626	$61,919	2.12%
Safety	4	2,286	194,295,650	84,994	6.57%
TOTAL	**19**	**18,955**	**$1,226,431,276**	**$64,702**	**3.00%**
6/30/10					
General	18	17,255	$1,054,377,283	$61,106	(1.31)%
Safety	4	2,265	195,815,678	86,453	1.72%
TOTAL	**19**	**19,520**	**$1,250,192,961**	**$64,047**	**(1.01)%**
6/30/11					
General	19	17,070	$1,045,601,554	$61,254	0.24%
Safety	4	2,188	198,953,186	90,929	5.18%
TOTAL	**20**	**19,258**	**$1,244,554,740**	**$64,625**	**0.90%**
6/30/12					
General	18	17,155	$1,061,588,530	$61,882	1.03%
Safety	4	2,151	198,720,507	92,385	1.60%
TOTAL	**19**	**19,306**	**$1,260,309,037**	**$65,281**	**1.01%**
6/30/13					
General	16	17,241	$1,061,419,963	$61,564	(0.51)%
Safety	3	2,160	201,332,001	93,209	0.89%
TOTAL	**17**	**19,401**	**$1,262,751,964**	**$65,087**	**(0.30)%**
6/30/14					
General	16	17,314	$1,067,502,671	$61,655	0.15%
Safety	3	2,183	200,164,139	91,692	(1.63)%
TOTAL	**17**	**19,497**	**$1,267,666,810**	**$65,019**	**(0.11)%**

(1) Participating employers may have both General and Safety members.

Note: Refer to the Summary of Actuarial Assumptions and Methods, in this section, for information on recent changes to actuarial assumptions and methods. Refer to the Statistical section, Participating Employers, for details on employers who joined or withdrew from SBCERA.

Schedule of Retirants and Beneficiaries

For Fiscal Years 2005 through 2014

	Number of Members				Annual Allowances						
Year[1]	Beginning of Year	Added During Year	Removed During Year	End of Year	Beginning Annual Allowance	Added During Year	Removed During Year	Annual Allowance[2]	% Increase in Annual Allowance	Average Monthly Allowance[2]	Average Annual Allowance[2]
7/04 to 6/05	6,426	600	(122)	6,904	$148,325,000	$24,047,000	$(1,837,000)	$170,535,000	14.97%	$2,058	$24,701
7/05 to 6/06	6,904	565	(208)	7,261	170,535,000	19,608,000	(3,508,000)	186,635,000	9.44%	2,142	25,704
7/06 to 6/07	7,261	572	(216)	7,617	186,635,000	23,197,000	(3,834,000)	205,998,000	10.37%	2,254	27,045
7/07 to 6/08	7,617	592	(238)	7,971	205,998,000	25,876,000	(4,242,000)	227,632,000	10.50%	2,380	28,558
7/08 to 6/09	7,971	748	(200)	8,519	227,632,000	32,330,000	(3,581,000)	256,381,000	12.63%	2,508	30,095
7/09 to 6/10	8,519	553	(229)	8,843	256,381,000	27,380,000	(4,929,000)	278,832,000	8.76%	2,628	31,531
7/10 to 6/11	8,843	694	(272)	9,265	278,832,000	35,099,000	(5,375,000)	308,556,000	10.66%	2,775	33,303
7/11 to 6/12	9,265	690	(219)	9,736	308,556,000	35,576,000	(4,309,000)	339,823,000	10.13%	2,909	34,904
7/12 to 6/13	9,736	755	(318)	10,173	339,823,000	38,851,000	(7,910,000)	370,764,000	9.11%	3,037	36,446
7/13 to 6/14	10,173	756	(311)	10,618	370,764,000	35,254,000	(7,407,000)	398,611,000	7.51%	3,128	37,541

(1) Amounts are listed as of the actuarial valuation date.

(2) Excludes monthly benefits for Supplemental Disability, Survivor Benefits, General Retiree Subsidy and beneficiaries that are only receiving Survivor Benefit amounts.

Solvency Test

For Fiscal Years 2005 through 2014
(Amounts in Thousands)

	Aggregate Accrued Liabilities For				Portion of Accrued Liability Covered by Valuation Assets		
Actuarial Valuation Date	(1) Active Member Contributions	(2) Retirees, Beneficiaries & Vested Participants	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	(1)	(2)	(3)
6/30/05	$675,653	$2,315,978	$2,224,088	$4,750,229	100%	100%	79.07%
6/30/06	772,833	2,520,667	2,331,146	5,175,767	100%	100%	80.74%
6/30/07	787,699	2,894,967	2,544,347	5,797,400	100%	100%	83.11%
6/30/08	851,932	3,244,459	2,677,238	6,341,531	100%	100%	83.86%
6/30/09	885,519	3,325,726	2,802,289	6,383,388	100%	100%	77.51%
6/30/10	934,641	3,573,651	2,936,694	6,367,232	100%	100%	63.30%
6/30/11	969,913	4,033,102	3,186,631	6,484,507	100%	100%	46.49%
6/30/12	1,004,751	4,330,245	3,271,581	6,789,492	100%	100%	44.46%
6/30/13	1,037,767	4,699,518	3,351,351	7,204,918	100%	100%	43.79%
6/30/14	1,048,914	5,231,227	3,414,684	7,751,309	100%	100%	43.08%

Summary of Major Plan Provisions

As of June 30, 2014

	Tier 1 *(SBCERA membership date is prior to January 1, 2013)*	Tier 2 *(SBCERA membership date is on or after January 1, 2013)*
1. *Eligibility*	First day of employment[1].	First day of employment[1].
2. *Definition of Salary*	Highest twelve consecutive months of compensation earnable.	Highest thirty-six consecutive months of pensionable compensation.
3. *Service Retirement*	• **Normal retirement age[2]** 55 for General and 50 for Safety members. • **Early retirement** Age 70 (regardless of service credit) or Age 50 and 10 years of service credit or 30 years of service credit for General members and 20 years of service credit for Safety members (regardless of age). Active part-time employees at age 55 with a minimum of 10 years of membership and 5 years of service credit. • **Benefit** At normal retirement age, 2% times final average compensation for every year of "General" service credit for benefit and 3% times final average compensation for every year of "Safety" service credit for benefit. • **Benefit Adjustments** Reduced for retirement before 55 for General (50 for Safety). Increased for retirement after 55 up to age 65 (General only).	• **Normal retirement age[2]** 55 for General and 50 for Safety members. • **Early retirement** Age 70 (regardless of service credit) or Age 52 and 5 years of service credit for General members and Age 50 and 5 years of service credit for Safety members. • **Benefit** At normal retirement age, 2.5% times final average compensation for every year of "General" service credit for benefit and 2.7% times final average compensation for every year of "Safety" service credit for benefit. • **Benefit Adjustments** Reduced for retirement before 67 for General (57 for Safety).
4. *Disability Retirement*	**Non-service connected** *(must have five years of service credit to be eligible).* *Members entering on or before December 31, 1980:* Greater of 1.8% of final average compensation per year of service, with a maximum of 33-1/3% if projected service is used or service retirement benefit (if eligible). *Members entering on or after January 1, 1981:* 20% of final average compensation for the first five years plus 2% of final average compensation per year of service in excess of five, with a maximum of 40% of compensation or service retirement benefit (if eligible). **Service connected** Greater of 50% of final average compensation or service retirement benefit (if eligible).	**Non-service connected** *(must have five years of service credit to be eligible).* *Members entering on or after January 1, 2013:* 20% of final average compensation for the first five years plus 2% of final average compensation per year of service in excess of five, with a maximum of 40% of compensation or service retirement benefit (if eligible). **Service connected** Greater of 50% of final average compensation or service retirement benefit (if eligible).

(1) Membership may be delayed up to six weeks for the purpose of establishing reciprocity with another public retirement system as described in the 1937 Act. Employees who have attained age 60 prior to employment may waive membership within 90 days following initial appointment to an eligible position.

(2) Normal retirement age is 55 for General Members and 50 for Safety Members or the member's age when the member would otherwise vest, but not to exceed 70 years of age in any event.

Note: For funding and accounting purposes, SBCERA uses the same actuarial assumptions, except that there is a two-year lag in the assumptions used for funding purposes versus the current year assumptions used to calculate total pension liability. Refer to Note 4-Contribution Requirements, for Plan funding information.

Summary of Major Plan Provisions

As of June 30, 2014
(Continued)

	Tier 1 (SBCERA membership date is prior to January 1, 2013)	Tier 2 (SBCERA membership date is on or after January 1, 2013)
5. *Death Before Retirement*[1]	**Less than 5-years of service credit:** Refund of contributions plus 1/12 of compensation per year of service credit up to six months compensation. **5 or more years of service credit:** Lump Sum Payment: Refund of contributions plus 1/12 of compensation per year of service up to six months compensation. **Optional Death Allowance** (If eligible for disability or service retirement): Monthly payment equal to 60% of member's accrued allowance. **Modified Optional Death Allowance:** Lump-sum of 1/12 of compensation per year of service up to six months compensation plus a reduced monthly benefit depending on the age of beneficiary. **If service-connected:** Monthly payment equal to 50% of final monthly compensation. **If service-connected and Safety member:** Additional lump-sum payment of one-year compensation plus a monthly benefit for minor children.	**Less than 5-years of service credit:** Refund of contributions plus 1/12 of compensation per year of service credit up to six months compensation. **5 or more years of service credit:** Lump Sum Payment: Refund of contributions plus 1/12 of compensation per year of service up to six months compensation. **Optional Death Allowance** (If eligible for disability or service retirement)**:** Monthly payment equal to 60% of member's accrued allowance. **Modified Optional Death Allowance:** Lump-sum of 1/12 of compensation per year of service up to six months compensation plus a reduced monthly benefit depending on the age of beneficiary. **If service-connected:** Monthly payment equal to 50% of final monthly compensation. **If service-connected and Safety member:** Additional lump-sum payment of one-year compensation plus a monthly benefit for minor children.
6. *Death After Retirement*[1]	$1,000 lump sum burial allowance ($250 is discretionary, funded from undesignated excess earnings and is subject at all times to the availability of funds in the Burial Allowance reserve). **Service retirement or non-service disability[2]:** Monthly payment equal to 60% of member's allowance. **Service disability:** Monthly payment equal to 100% of member's allowance.	$1,000 lump sum burial allowance ($250 is discretionary, funded from undesignated excess earnings and is subject at all times to the availability of funds in the Burial Allowance reserve). **Service retirement or non-service disability:** 60% of member's allowance payable to an eligible spouse or registered domestic partner. **Service disability:** Monthly payment equal to 100% of member's allowance.
7. *Survivor Benefits*	**General members only:** Monthly survivor benefit if General member completed at least 18 months of continuous membership with SBCERA including a one-time burial allowance of $255.	**General members only:** Monthly survivor benefit if General member completed at least 18 months of continuous membership with SBCERA including a one-time burial allowance of $255.
8. *Vesting*	After five years of service. Must leave contributions on deposit.	After five years of service. Must leave contributions on deposit.
9. *Member's Contributions*	Percentage of compensation earnable based on entry age.	Fixed, flat-rate percentage of pensionable compensation.
10. *Cost-of-Living*	"Automatic" not to exceed 2% compounding COLA. A non-compounding 7% increase is payable at retirement for members hired on or before August 18, 1975.	"Automatic" not to exceed 2% compounding COLA.
11. *Current Year Changes in Plan Provisions*	None	None

(1) Payments are made payable to an eligible spouse, registered domestic partner and/or eligible dependent children.
(2) Payment may be adjusted depending on the payment option selected at time of retirement.
Note: A more detailed description of the Plan provisions is available from the SBCERA administrative office.

Analysis of Financial Experience

For Fiscal Years 2005 through 2014
(Amounts in Thousands)

Gains and losses in Accrued Liabilities during the years ended June 30, 2005 through 2014 resulting from differences between Assumed Experience and Actual Experience.

	Type of Activity				
	Pay Increases [1]	Investment Income [2]	Death After Retirement [3]	Other [4]	Composite Gain (Loss) During the Year
6/30/2005 Gain/(Loss)	$(45,793)	$(14,220)	$(52,798)	$(64,893)	$(177,704)
6/30/2006 Gain/(Loss)	18,819	2,488	5,127	(4,763)	21,671
6/30/2007 Gain/(Loss)	(15,379)	6,514	(16,190)	7,970	(17,085)
6/30/2008 Gain/(Loss)	(21,844)	7,386	(22,150)	(4,795)	(41,403)
6/30/2009 Gain/(Loss)	50,853	(323,361)	(8,506)	66,311	(214,703)
6/30/2010 Gain/(Loss)	111,010	(529,630)	(17,399)	(12,666)	(448,685)
6/30/2011 Gain/(Loss)	86,082	(394,003)	(6,413)	(6,804)	(321,138)
6/30/2012 Gain/(Loss)	119,172	(132,274)	(12,372)	(96,438)	(121,912)
6/30/2013 Gain/(Loss)	159,490	(138,466)	5,019	(105,908)	(79,865)
6/30/2014 Gain/(Loss)	227,699	(35,160)	8,550	(291,340)	(90,251)

(1) If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.

(2) If there is greater investment income than assumed, there is a gain. If less income, a loss.

(3) If retirees live longer than assumed, there is a loss. If not as long, a gain.

(4) Actual contributions less than expected, retiree subsidy reserve transfer and miscellaneous gains and losses resulting primarily from employee turnover, retirement incidence and data variances. Also includes assumption changes.

Note: The June 30, 2008 and June 30, 2013 actuarial valuations, prepared by SBCERA's independent actuary, Segal Consulting, were audited by another independent actuary, Milliman, and were found to be complete, accurate, and prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting Recommendations of the American Academy of Actuaries.

ACTUARIAL

Section 4.1

Supporting Schedules

Wind

Wind

Wind is a renewable energy source, and wind turbines have been developed to harness that energy, providing for a cost-efficient source of electricity. The operation of a wind turbine requires no water and is much less harmful to the environment than burning fossil fuels. One of SBCERA's missions is to deliver service to the membership in a cost-effective manner.

Ratio of Current Compensation-to-Compensation Anticipated at Retirement

As of June 30, 2014

Age	General Members	Safety Members
20	0.4817	0.4945
25	0.6437	0.6531
30	0.7089	0.7352
35	0.7436	0.7815
40	0.7758	0.8194
45	0.8093	0.8527
50	0.8443	0.8873
55	0.8808	0.9234
60	0.9188	0.9609
65	0.9586	1.0000
70	1.0000	

Note: Merit and Promotional only (excludes inflation). Assumes age at entry is 20.
Ratios provided by SBCERA's independent actuary, Segal Consulting (Segal). Refer to Segal's letter in the Actuarial section.

Probabilities of Separation from Active Service

As of June 30, 2014

The following page indicates the probability of separation from active service for each of the following sources of termination:

Withdrawal: Member terminates and either elects refund of member contributions or contributions are left on deposit.

Death: Member dies prior to retirement.

Disability: Member receives disability retirement. Non-service connected (ordinary) disability is when disability is not employment-related. Service connected (duty) disability is when disability is employment-related.

Service Retirement: Member retires after satisfaction of requirements of age and/or service for reasons other than disability.

Probabilities of Separation from Active Service

As of June 30, 2014
(Continued)

The probabilities shown for each cause of termination represent the likelihood that a given member will terminate at a particular age for the indicated reason. For example, if the probability of death for a male General member at age 30 is 0.0004, then the assumption is that 0.04% of the active General male members at age 30 will die during the next year.

Age	Death[1]	Disability[2]	Tier 1 Service Retirement	Tier 2 Service Retirement
General Members - Male				
20	0.0003	0.0002	0.0000	0.0000
30	0.0004	0.0004	0.0000	0.0000
40	0.0010	0.0009	0.0000	0.0000
50	0.0020	0.0031	0.0250	0.0000
60	0.0059	0.0065	0.1500	0.0900
70	0.0164	0.0126	0.3000	0.5000
General Members - Female				
20	0.0002	0.0002	0.0000	0.0000
30	0.0002	0.0004	0.0000	0.0000
40	0.0007	0.0009	0.0000	0.0000
50	0.0016	0.0031	0.0250	0.0000
60	0.0041	0.0065	0.1500	0.0900
70	0.0132	0.0126	0.3000	0.5000
Safety Members - Male				
20	0.0003	0.0016	0.0000	0.0000
30	0.0004	0.0030	0.0000	0.0000
40	0.0009	0.0072	0.0000	0.0000
50	0.0018	0.0209	0.1000	0.0400
60	0.0048	0.0660	0.2500	0.2500
70	0.0132	0.0000	1.0000	1.0000
Safety Members - Female				
20	0.0002	0.0016	0.0000	0.0000
30	0.0002	0.0030	0.0000	0.0000
40	0.0006	0.0072	0.0000	0.0000
50	0.0015	0.0209	0.1000	0.0400
60	0.0037	0.0660	0.2500	0.2500
70	0.0117	0.0000	1.0000	1.0000

The withdrawal rates below apply based on years of service. No withdrawal is assumed after a member is first assumed to retire.

Years of Service	General Members	Safety Members
Less than 1	0.1500	0.0425
1	0.1000	0.0350
5	0.0475	0.0175
10	0.0375	0.0120
15	0.0325	0.0100
20 or More	0.0250	0.0100

Below is the probability of electing a refund of member contributions upon withdrawal.

	General Members		Safety Members	
Years of Service	Elected Refundable Contributions	Elected Non-Refundable Contributions[3]	Elected Refundable Contributions	Elected Non-Refundable Contributions[3]
Less than 5	1.0000	1.0000	1.0000	1.0000
5	0.4000	0.2000	0.2500	0.1250
10	0.4000	0.2000	0.2500	0.1250
15	0.4000	0.2000	0.1500	0.0750
20 or More	0.2000	0.1000	0.0000	0.0000

(1) All pre-retirement deaths are assumed to be non-service connected.

(2) 50% of General disabilities are assumed to be service connected (duty) disabilities and the other 50% are assumed to be non-service connected (ordinary) disabilities. 100% of Safety disabilities are assumed to be service connected (duty) disabilities.

(3) Assumes member made both refundable and non-refundable contributions during the course of employment. Only the portion attributable to the refundable contributions may be withdrawn.

Note: Ratios provided by SBCERA's independent actuary, Segal Consulting (Segal). Refer to Segal's letter in the Actuarial section.

Expectation of Life for Service Retirees

As of June 30, 2014
(Amounts in Years)

General Service Retirees[1]

Age	Male	Female
50	32.99	35.59
60	23.94	26.34
70	15.83	17.93
80	9.13	10.95

Safety Service Retirees[1]

Age	Male[2]	Female[3]
50	34.87	36.53
60	25.69	27.24
70	17.36	18.72
80	10.33	11.58

(1) The expectation of life was determined by SBCERA's independent actuary, Segal Consulting, using the RP-2000 Combined Healthy Mortality Tables, projected with Scale BB to 2020.
(2) The table is set back two years.
(3) The table is set back one year.

Expectation of Life for Disabled Retirees

As of June 30, 2014
(Amounts in Years)

General Disabled Retirees[1]

Age	Male[2]	Female[3]
20	55.09	56.94
30	45.35	47.12
40	35.81	37.48
50	26.58	28.14
60	18.14	19.51
70	10.95	12.22
80	5.60	6.65

Safety Disabled Retirees[1]

Age	Male[4]	Female[4]
20	59.99	62.87
30	50.19	52.99
40	40.56	43.24
50	31.13	33.70
60	22.23	24.56
70	14.35	16.41
80	8.02	9.75

(1) The expectation of life was determined by SBCERA's independent actuary, Segal Consulting, using the RP-2000 Combined Healthy Mortality Tables, projected with Scale BB to 2020.
(2) The table is set forward seven years.
(3) The table is set forward eight years.
(4) The table is set forward two years.

History of Total Employer Contribution Rates

For Actuarial Valuation Years 2005 through 2014

Valuation Date - 6/30/2005

County General
- Normal Cost 9.50%
- UAAL 2.74%
- Total 12.24%

County Safety
- Normal Cost 19.62%
- UAAL 6.07%
- Total 25.69%

SCAQMD
- Normal Cost 9.60%
- UAAL 4.10%
- Total 13.70%

Superior Court
- Normal Cost 9.50%
- UAAL 5.82%
- Total 15.32%

Other General
- Normal Cost 10.71%
- UAAL 9.42%
- Total 20.13%

Other Safety (3% @ 50 prospective)
- Normal Cost 19.37%
- UAAL 17.46%
- Total 36.83%

Other Safety (3% @ 50 all service)
- Normal Cost 20.79%
- UAAL 26.61%
- Total 47.40%

Valuation Date - 6/30/2006

County General
- Normal Cost 9.43%
- UAAL 2.60%
- Total 12.03%

County Safety
- Normal Cost 19.54%
- UAAL 5.30%
- Total 24.84%

SCAQMD
- Normal Cost 9.67%
- UAAL 4.03%
- Total 13.70%

Superior Court
- Normal Cost 9.43%
- UAAL 5.81%
- Total 15.24%

Other General
- Normal Cost 10.61%
- UAAL 9.64%
- Total 20.25%

Other Safety (3% @ 50 prospective)
- Normal Cost 19.70%
- UAAL 15.97%
- Total 35.67%

Other Safety (3% @ 50 all service)
- Normal Cost 20.62%
- UAAL 22.10%
- Total 42.72%

Valuation Date - 6/30/2007

County General
- Normal Cost 9.42%
- UAAL 2.25%
- Total 11.67%

County Safety
- Normal Cost 19.59%
- UAAL 5.31%
- Total 24.90%

SCAQMD
- Normal Cost 9.78%
- UAAL 4.13%
- Total 13.91%

Superior Court
- Normal Cost 9.42%
- UAAL 5.97%
- Total 15.39%

Other General
- Normal Cost 10.50%
- UAAL 9.47%
- Total 19.97%

Other Safety (All Service)
- Normal Cost 20.62%
- UAAL 21.90%
- Total 42.52%

Valuation Date - 6/30/2008

County General
- Normal Cost 9.29%
- UAAL 1.96%
- Total 11.25%

County Safety
- Normal Cost 19.06%
- UAAL 5.40%
- Total 24.46%

SCAQMD
- Normal Cost 9.66%
- UAAL 5.52%
- Total 15.18%

Superior Court
- Normal Cost 9.29%
- UAAL 5.55%
- Total 14.84%

Other General
- Normal Cost 10.61%
- UAAL 8.81%
- Total 19.42%

Other Safety (All Service)
- Normal Cost 19.97%
- UAAL 21.01%
- Total 40.98%

Valuation Date - 6/30/2009

County General
- Normal Cost 9.25%
- UAAL 3.07%
- Total 12.32%

County Safety
- Normal Cost 19.21%
- UAAL 7.61%
- Total 26.82%

SCAQMD
- Normal Cost 9.72%
- UAAL 6.36%
- Total 16.08%

Superior Court
- Normal Cost 9.25%
- UAAL 6.29%
- Total 15.54%

Other General
- Normal Cost 10.58%
- UAAL 9.81%
- Total 20.39%

Other Safety (All Service)
- Normal Cost 20.22%
- UAAL 24.48%
- Total 44.70%

Valuation Date - 6/30/2010

County General
- Normal Cost 9.27%
- UAAL 5.23%
- Total 14.50%

County Safety
- Normal Cost 19.16%
- UAAL 11.73%
- Total 30.89%

SCAQMD
- Normal Cost 9.72%
- UAAL 9.61%
- Total 19.33%

Superior Court
- Normal Cost 9.27%
- UAAL 7.61%
- Total 16.88%

Other General
- Normal Cost 10.57%
- UAAL 11.81%
- Total 22.38%

Other Safety (All Service)
- Normal Cost 20.24%
- UAAL 26.67%
- Total 46.91%

Valuation Date - 6/30/2011

County General
- Normal Cost 9.41%
- UAAL 7.71%
- Total 17.12%

County Safety
- Normal Cost 19.24%
- UAAL 17.15%
- Total 36.39%

SCAQMD
- Normal Cost 9.98%
- UAAL 13.17%
- Total 23.15%

Superior Court
- Normal Cost 9.41%
- UAAL 9.15%
- Total 18.56%

Other General
- Normal Cost 10.66%
- UAAL 15.11%
- Total 25.77%

Other Safety (All Service)
- Normal Cost 20.35%
- UAAL 31.38%
- Total 51.73%

Valuation Date - 6/30/2012

County General
- Normal Cost 9.94%
- UAAL 9.02%
- Total 18.96%

County Safety
- Normal Cost 19.73%
- UAAL 20.26%
- Total 39.99%

SCAQMD
- Normal Cost 9.87%
- UAAL 15.35%
- Total 25.22%

Superior Court
- Normal Cost 9.94%
- UAAL 9.93%
- Total 19.87%

Other General
- Normal Cost 11.37%
- UAAL 16.32%
- Total 27.69%

Other Safety (All Service)
- Normal Cost 19.59%
- UAAL 38.23%
- Total 57.82%

History of Total Employer Contribution Rates

For Actuarial Valuation Years 2005 through 2014
(Continued)

Valuation Date - 6/30/2013

County General-Tier 1
- Normal Cost 10.10%
- UAAL 10.14%
- Total 20.24%

County General-Tier 2
- Normal Cost 7.88%
- UAAL 10.14%
- Total 18.02%

County Safety-Tier 1
- Normal Cost 19.88%
- UAAL 23.27%
- Total 43.15%

County Safety-Tier 2
- Normal Cost 13.75%
- UAAL 23.27%
- Total 37.02%

SCAQMD-Tier 1
- Normal Cost 10.23%
- UAAL 17.53%
- Total 27.76%

SCAQMD-Tier 2
- Normal Cost 7.83%
- UAAL 17.53%
- Total 25.36%

Superior Court-Tier I
- Normal Cost 10.10%
- UAAL 11.65%
- Total 21.75%

Superior Court-Tier 2
- Normal Cost 7.88%
- UAAL 11.65%
- Total 19.53%

Other General-Tier 1
- Normal Cost 11.67%
- UAAL 18.24%
- Total 29.91%

Other General-Tier 2
- Normal Cost 7.20%
- UAAL 18.24%
- Total 25.44%

Other Safety (All Service)-Tier 1
- Normal Cost 20.48%
- UAAL 39.17%
- Total 59.65%

Other Safety (All Service)-Tier 2
- Normal Cost 11.56%
- UAAL 39.17%
- Total 50.73%

Valuation Date - 6/30/2014

County General-Tier 1
- Normal Cost 11.50%
- UAAL 10.99%
- Total 22.49%

County General-Tier 2
- Normal Cost 8.40%
- UAAL 10.99%
- Total 19.39%

County Safety-Tier 1
- Normal Cost 22.06%
- UAAL 27.03%
- Total 49.09%

County Safety-Tier 2
- Normal Cost 15.22%
- UAAL 27.03%
- Total 42.25%

SCAQMD-Tier 1
- Normal Cost 11.73%
- UAAL 18.46%
- Total 30.19%

SCAQMD-Tier 2
- Normal Cost 7.97%
- UAAL 18.46%
- Total 26.43%

Superior Court-Tier I
- Normal Cost 11.50%
- UAAL 12.39%
- Total 23.89%

Superior Court-Tier 2
- Normal Cost 8.40%
- UAAL 12.39%
- Total 20.79%

Other General-Tier 1
- Normal Cost 12.83%
- UAAL 20.48%
- Total 33.31%

Other General-Tier 2
- Normal Cost 9.29%
- UAAL 20.48%
- Total 29.77%

Other Safety (All Service)-Tier 1
- Normal Cost 23.22%
- UAAL 45.79%
- Total 69.01%

Other Safety (All Service)-Tier 2
- Normal Cost 12.82%
- UAAL 45.79%
- Total 58.61%

Note: These are the recommended rates and include a 2 year lag, i.e. 6/30/2014 contribution rates go into effect for the fiscal year ended June 30, 2016. Beginning in November 2006, Barstow Fire Protection District extended their 3% @ 50 benefits retroactive for all years of service. Beginning December 31, 2006, SCAQMD deposited a prepayment that will impact their Unfunded Actuarial Accrued Liability. For June 30, 2010, contribution rates were revised based on a $40.6 million transfer from the General Subsidy Reserve to the Current Service Reserve on April 7, 2011. For June 30, 2011 and 2012, contribution rates reflect a three-year phase-in, which was approved by the Board on August 15, 2011. Beginning in June 30, 2013, Tier 2 rates added pursuant to the Public Employees' Pension Reform Act of 2013.

Retirees and Beneficiaries Added to and Removed from Rolls

For Fiscal Years 2005 through 2014 | For General and Safety Members
(Dollars in Thousands)

Year Ended	Added to Rolls No.	Added to Rolls Annual Allowances[1]	Removed from Rolls No.	Removed from Rolls Annual Allowances	Net Added/Removed from Rolls No.	Net Added/Removed from Rolls Annual Allowances	Rolls– End of Year No.	Rolls– End of Year Annual Allowances	% Increase in Annual Allowances	Average Annual Allowances (Actual Dollars)
6/30/05										
General	508	$17,785	116	$1,748	392	$16,037	5,824	$126,103	14.57%	$21,652
Safety	92	6,262	6	89	86	6,173	1,080	44,432	16.13%	41,141
TOTAL	**600**	**$24,047**	**122**	**$1,837**	**478**	**$22,210**	**6,904**	**$170,535**	**14.97%**	**$24,701**
6/30/06										
General	498	$16,171	188	$3,110	310	$13,061	6,134	$139,164	10.36%	$22,687
Safety	67	3,437	20	398	47	3,039	1,127	47,471	6.84%	42,122
TOTAL	**565**	**$19,608**	**208**	**$3,508**	**357**	**$16,100**	**7,261**	**$186,635**	**9.44%**	**$25,704**
6/30/07										
General	505	$18,503	200	$3,319	305	$15,184	6,439	$154,348	10.91%	$23,971
Safety	67	4,694	16	515	51	4,179	1,178	51,650	8.80%	43,846
TOTAL	**572**	**$23,197**	**216**	**$3,834**	**356**	**$19,363**	**7,617**	**$205,998**	**10.37%**	**$27,045**
6/30/08										
General	518	$19,912	218	$3,781	300	$16,131	6,739	$170,479	10.45%	$25,297
Safety	74	5,964	20	461	54	5,503	1,232	57,153	10.65%	46,390
TOTAL	**592**	**$25,876**	**238**	**$4,242**	**354**	**$21,634**	**7,971**	**$227,632**	**10.50%**	**$28,558**
6/30/09										
General	689	$27,963	181	$3,187	508	$24,776	7,247	$195,255	14.53%	$26,943
Safety	59	4,367	19	394	40	3,973	1,272	61,126	6.95%	48,055
TOTAL	**748**	**$32,330**	**200**	**$3,581**	**548**	**$28,749**	**8,519**	**$256,381**	**12.63%**	**$30,095**
6/30/10										
General	465	$19,648	205	$4,123	260	$15,525	7,507	$210,780	7.95%	$28,078
Safety	88	7,732	24	806	64	6,926	1,336	68,052	11.33%	50,937
TOTAL	**553**	**$27,380**	**229**	**$4,929**	**324**	**$22,451**	**8,843**	**$278,832**	**8.76%**	**$31,531**
6/30/11										
General	598	$25,397	250	$4,605	348	$20,792	7,855	$231,572	9.86%	$29,481
Safety	96	9,702	22	770	74	8,932	1,410	76,984	13.13%	54,599
TOTAL	**694**	**$35,099**	**272**	**$5,375**	**422**	**$29,724**	**9,265**	**$308,556**	**10.66%**	**$33,303**
6/30/12										
General	586	$26,342	204	$3,741	382	$22,601	8,237	$254,173	9.76%	$30,857
Safety	104	9,234	15	568	89	8,666	1,499	85,650	11.26%	57,138
TOTAL	**690**	**$35,576**	**219**	**$4,309**	**471**	**$31,267**	**9,736**	**$339,823**	**10.13%**	**$34,904**
6/30/13										
General	638	$28,585	283	$6,470	355	$22,115	8,592	$276,288	8.70%	$32,156
Safety	117	10,266	35	1,440	82	8,826	1,581	94,476	10.30%	59,757
TOTAL	**755**	**$38,851**	**318**	**$7,910**	**437**	**$30,941**	**10,173**	**$370,764**	**9.11%**	**$36,446**
6/30/14										
General	620	$26,034	286	$6,575	334	$19,459	8,926	$295,747	7.04%	$33,133
Safety	136	9,220	25	832	111	8,388	1,692	102,864	8.88%	60,794
TOTAL	**756**	**$35,254**	**311**	**$7,407**	**445**	**$27,847**	**10,618**	**$398,611**	**7.51%**	**$37,541**

(1) Includes cost-of-living adjustments granted annually on April 1.

STATISTICAL

Section 5.0

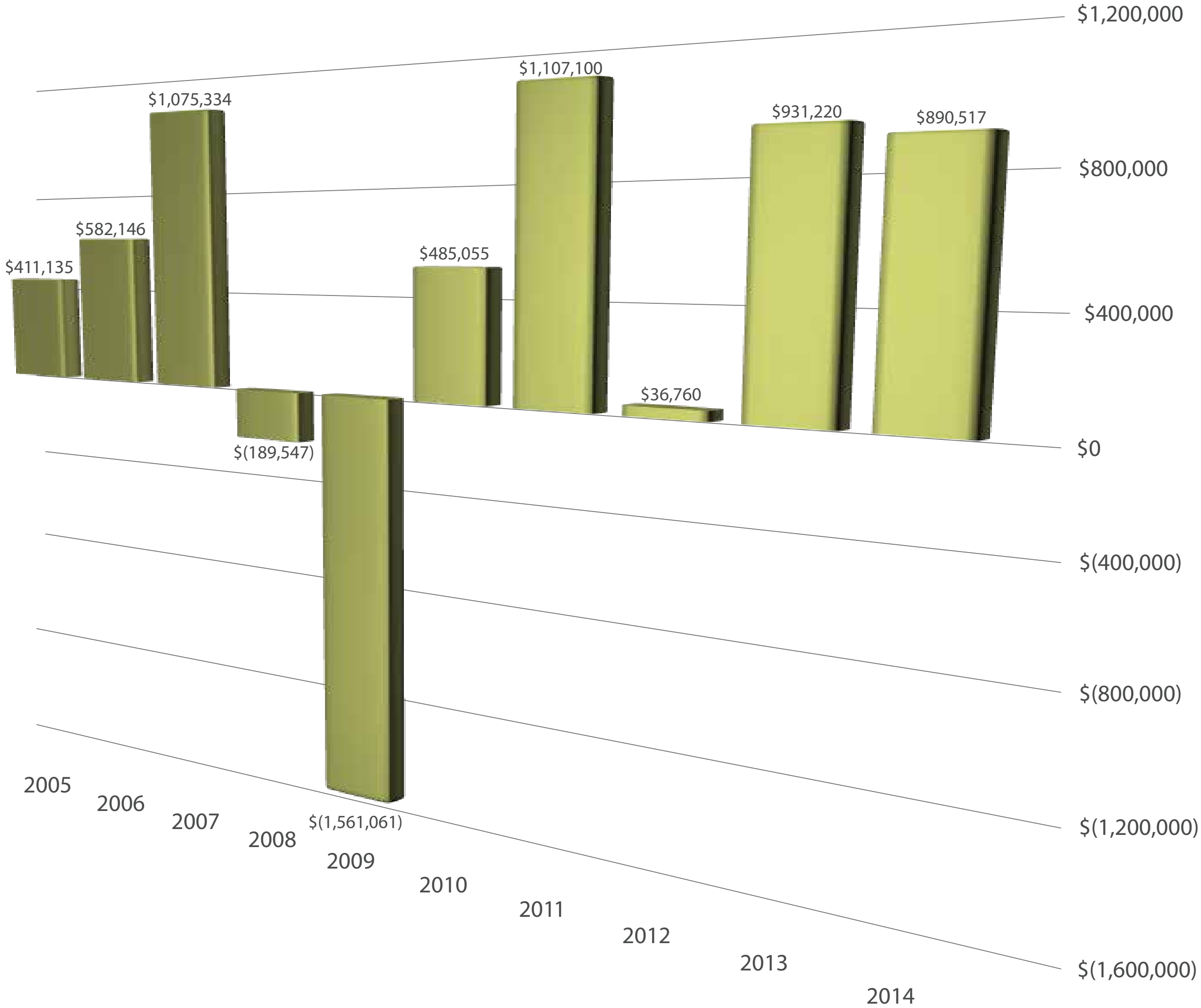
Land

Land

Land contains a vast array of natural resources in addition to being a resource unto itself. Home to minerals, plants, animals and humans, land is vital to life. Over 27 percent of the land area of the United States is protected, accounting for one-tenth of the protected land area of the world. Land rights have even been extended below our oceans. In 1945, the same year SBCERA was created, President Harry S. Truman signed U.S. Presidential Proclamation No. 2667 allowing the United States to protect and use the natural resources below the oceans surrounding our shores.

Statistical Changes in Fiduciary Net Position

For Fiscal Years 2005 through 2014
(Amounts in Thousands)

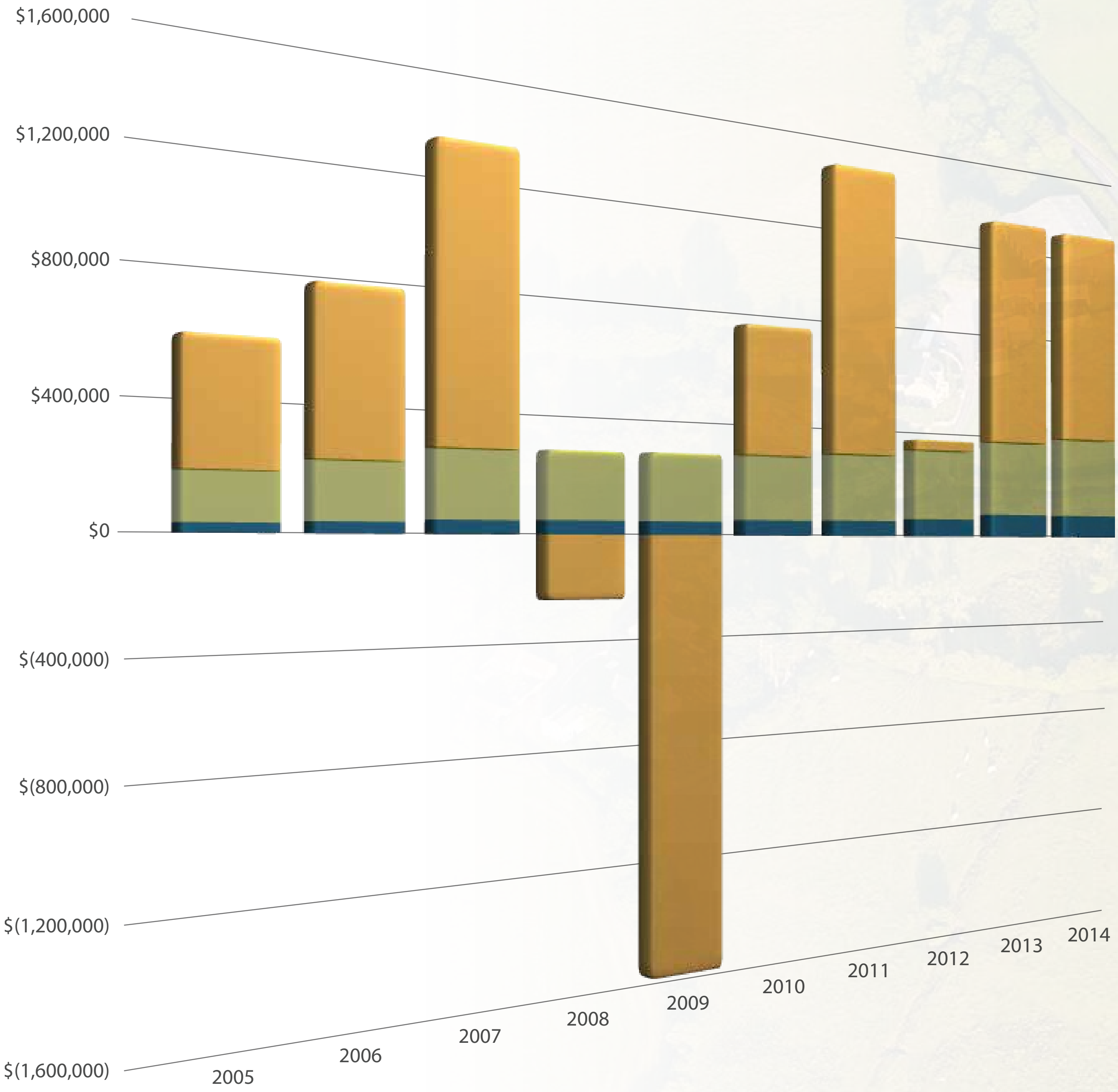


Additions	***2005***	***2006***	***2007***	***2008***	***2009***	***2010***	***2011***	***2012***	***2013***	***2014***
Employer Contributions	$161,906	$197,343	$239,857	$241,721	$246,232	$243,773	$258,128	$278,091	$303,080	$330,330
Plan Member Contributions	31,806	38,368	47,005	49,481	49,550	56,986	59,612	68,630	91,056	89,861
Investment Income/(Loss)[1]	411,983	560,495	1,023,502	(226,541)	(1,583,833)	486,433	1,117,138	39,786	912,310	877,018
TOTAL ADDITIONS	**605,695**	**796,206**	**1,310,364**	**64,661**	**(1,288,051)**	**787,192**	**1,434,878**	**386,507**	**1,306,446**	**1,297,209**
Deductions										
Benefit Payments	$174,377	$192,531	$211,190	$231,822	$251,999	$283,376	$309,589	$330,344	$355,838	$385,700
Refunds	11,591	11,357	14,293	12,584	10,780	9,301	10,925	11,384	11,558	12,123
Administrative Expenses	6,057	6,404	7,254	8,861	8,939	7,226	5,599	6,205	6,258	6,386
Other Expenses	2,535	3,768	2,293	941	1,292	2,234	1,665	1,814	1,572	2,483
TOTAL DEDUCTIONS	**194,560**	**214,060**	**235,030**	**254,208**	**273,010**	**302,137**	**327,778**	**349,747**	**375,226**	**406,692**
TOTAL CHANGE IN FIDUCIARY NET POSITION	**$411,135**	**$582,146**	**$1,075,334**	**$(189,547)**	**$(1,561,061)**	**$485,055**	**$1,107,100**	**$36,760**	**$931,220**	**$890,517**

(1) Net of investment expenses and includes net securities lending gain of $452 thousand for the fiscal year ended June 30, 2014.

Additions by Source

For Fiscal Years 2005 through 2014
(Amounts in Thousands)



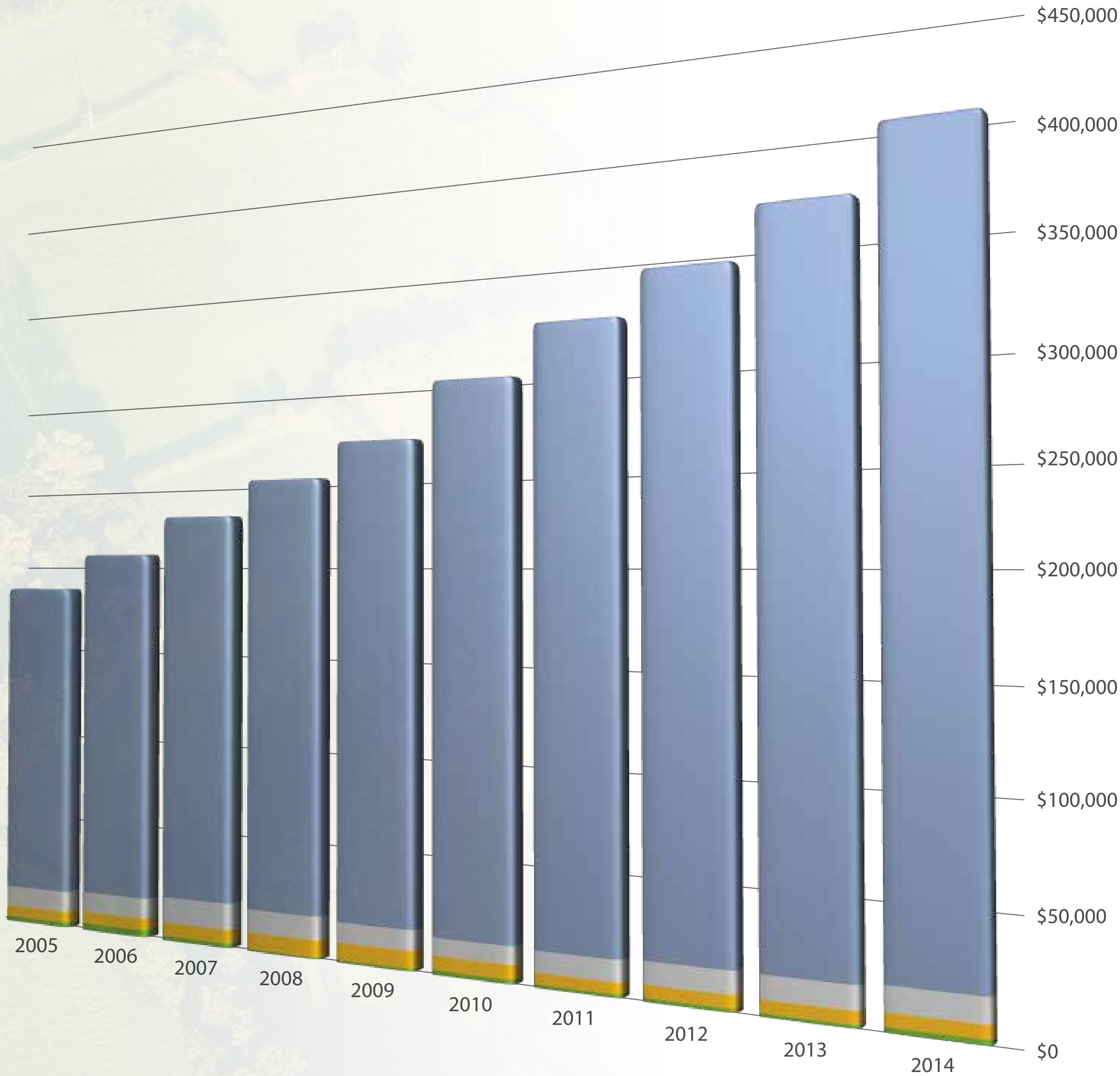
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Employer Contributions	$161,906	$197,343	$239,857	$241,721	$246,232	$243,773	$258,128	$278,091	$303,080	$330,330
Plan Member Contributions	31,806	38,368	47,005	49,481	49,550	56,986	59,612	68,630	91,056	89,861
% of Annual Payroll (employer)[1]	15.50%	16.71%	21.76%	19.82%	20.08%	19.50%	20.74%	22.07%	24.00%	26.06%
Investment Income/(Loss)[2]	411,983	560,495	1,023,502	(226,541)	(1,583,833)	486,433	1,117,138	39,786	912,310	877,018
TOTAL	**$605,695**	**$796,206**	**$1,310,364**	**$64,661**	**$(1,288,051)**	**$787,192**	**$1,434,878**	**$386,507**	**$1,306,446**	**$1,297,209**

(1) The annual payroll used for the fiscal year ended June 30, 2014 is $1.27 billion.

(2) Net of investment expenses and includes net securities lending gain of $452 thousand for the fiscal year ended June 30, 2014.

Deductions by Type

For Fiscal Years 2005 through 2014
(Amounts in Thousands)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Benefit Payments	$174,377	$192,531	$211,190	$231,822	$251,999	$283,376	$309,589	$330,344	$355,838	$385,700
Refunds	11,591	11,357	14,293	12,584	10,780	9,301	10,925	11,384	11,558	12,123
Administrative Expenses	6,057	6,404	7,254	8,861	8,939	7,226	5,599	6,205	6,258	6,386
Other Expenses	2,535	3,768	2,293	941	1,292	2,234	1,665	1,814	1,572	2,483
TOTAL	**$194,560**	**$214,060**	**$235,030**	**$254,208**	**$273,010**	**$302,137**	**$327,778**	**$349,747**	**$375,226**	**$406,692**

Benefit Expenses by Type

For Fiscal Years 2005 through 2014 (Amounts in Thousands)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Age & Service Benefits										
Retirees	$126,038	$137,327	$153,421	$170,711	$190,105	$217,241	$238,775	$256,160	$276,360	$300,482
Survivors	8,305	8,482	8,362	9,031	9,452	10,396	11,427	12,259	13,230	14,293
Death in Service Benefits	355	388	407	367	332	313	388	341	315	424
Disability Benefits										
Duty	28,484	33,442	35,237	37,188	37,473	39,858	42,230	44,080	47,137	50,325
Non-Duty	5,967	6,681	7,640	8,063	8,125	8,642	9,156	9,557	10,220	10,911
Survivor	5,228	6,211	6,123	6,462	6,512	6,926	7,613	7,947	8,576	9,265
TOTAL BENEFIT PAYMENTS	**174,377**	**192,531**	**211,190**	**231,822**	**251,999**	**283,376**	**309,589**	**330,344**	**355,838**	**385,700**
Refunds										
Death	603	469	558	408	538	1,462	925	717	826	1,016
Separation	10,988	10,888	13,735	12,176	10,242	7,839	10,000	10,667	10,732	11,107
TOTAL	**$185,968**	**$203,888**	**$225,483**	**$244,406**	**$262,779**	**$292,677**	**$320,514**	**$341,728**	**$367,396**	**$397,823**

Retired Members by Type of Benefit

As of June 30, 2014

Amount of Monthly Benefit[2]	Number of Retirees	Type of Retirement[1]		
		A	B	C
General Members				
0 - 999	1,981	1,301	123	557
1,000 - 1,999	2,532	1,806	347	379
2,000 - 2,999	1,578	1,219	212	147
3,000 - 3,999	984	844	88	52
4,000 - 4,999	585	531	30	24
5,000 - 5,999	395	372	13	10
6,000 - 6,999	259	254	-	5
7,000 - 7,999	207	201	4	2
8,000 - 8,999	123	121	1	1
9,000 - 9,999	96	92	2	2
Over 10,000	186	183	1	2
TOTALS	**8,926**	**6,924**	**821**	**1,181**

Amount of Monthly Benefit[2]	Number of Retirees	Type of Retirement[1]		
		A	B	C
Safety Members				
0 - 999	105	28	17	60
1,000 - 1,999	212	53	63	96
2,000 - 2,999	249	71	136	42
3,000 - 3,999	325	68	219	38
4,000 - 4,999	149	86	39	24
5,000 - 5,999	116	80	29	7
6,000 - 6,999	118	83	31	4
7,000 - 7,999	107	80	20	7
8,000 - 8,999	73	48	24	1
9,000 - 9,999	67	49	16	2
Over 10,000	171	111	59	1
TOTALS	**1,692**	**757**	**653**	**282**

	Number of Retirees	Type of Retirement[1]		
		A	B	C
GRAND TOTAL	**10,618**	**7,681**	**1,474**	**1,463**

(1) Type of Retirement: A = Service Retirement; B = Disability Retirement; C = Beneficiary.

(2) Excludes monthly benefits for Supplemental Disability, Survivor Benefit and Burial Allowance.

Note: Refer to the Actuarial section, Summary of Major Plan Provisions, for Plan benefit information. Detail above provided by SBCERA's independent actuary, Segal Consulting (Segal). Segal reviewed SBCERA's participant data for reasonableness. Refer to Segal's letter in the Actuarial section.

Participating Employers

For Fiscal Years 2005 through 2014

	2014		2013		2012		2011	
Participating Employer	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total
Barstow Fire Protection District	27	0.14%	20	0.10%	20	0.10%	21	0.11%
Barstow Park and Recreation	-	0.00%	-	0.00%	-	0.00%	-	0.00%
California Electronic Recording Transaction Network Authority	1	0.01%	1	0.01%	1	0.01%	1	0.01%
California State Association of Counties	83	0.43%	94	0.47%	105	0.54%	108	0.56%
City of Big Bear Lake	66	0.34%	71	0.37%	77	0.40%	83	0.43%
City of Chino Hills	148	0.76%	161	0.83%	168	0.87%	168	0.87%
County of San Bernardino	17,341	88.93%	17,230	88.81%	16,963	87.87%	16,882	87.66%
Crest Forest Fire Protection District	-	0.00%	-	0.00%	29	0.15%	26	0.13%
Crestline Sanitation District	19	0.10%	18	0.09%	20	0.10%	20	0.10%
Department of Water and Power of the City of Big Bear Lake	32	0.16%	33	0.17%	33	0.17%	-	0.00%
Hesperia Recreation and Park District	44	0.23%	18	0.09%	18	0.09%	17	0.09%
Inland Library System	1	0.01%	1	0.01%	1	0.01%	1	0.01%
Inland Valley Development Agency	-	0.00%	-	0.00%	-	0.00%	8	0.04%
Law Library for San Bernardino County	8	0.04%	8	0.04%	8	0.04%	8	0.04%
Local Agency Formation Commission	5	0.03%	4	0.02%	4	0.02%	4	0.02%
Mojave Desert Air Quality Management District	41	0.21%	42	0.22%	38	0.20%	38	0.20%
Rim of the World Recreation & Park District	-	0.00%	-	0.00%	1	0.01%	1	0.01%
San Bernardino Associated Governments	45	0.23%	48	0.25%	41	0.21%	39	0.20%
San Bernardino County Employees' Retirement Association (SBCERA)	50	0.26%	47	0.24%	48	0.25%	42	0.22%
San Bernardino International Airport Authority	-	0.00%	-	0.00%	-	0.00%	6	0.03%
South Coast Air Quality Management District	697	3.57%	713	3.68%	740	3.83%	767	3.98%
Superior Court of California County of San Bernardino	889	4.55%	892	4.60%	991	5.13%	1,018	5.29%
TOTAL EMPLOYEES	**19,497**	**100%**	**19,401**	**100%**	**19,306**	**100%**	**19,258**	**100%**

Note: For Fiscal Year (FY) 2013: On May 4, 2013 Rim of the World Recreation and Park District withdrew from SBCERA. On July 13, 2013 Crest Forest Fire Protection District transferred all members to the County of San Bernardino. For actuarial purposes the transfer of the associated accrued liabilities occurred as of June 30, 2013.
For FY 2012: The Department of Water and Power of the City of Big Bear Lake (DWP) previously reported under the City of Big Bear Lake. On July 2, 2011, DWP requested to be treated as a separate employer. In addition, the Inland Valley Development Agency and the San Bernardino International Airport Authority withdrew from SBCERA on June 30, 2012.
For FY 2011: Crestline Sanitation District (CSD) previously reported under the County of San Bernardino. On October 7, 2010 CSD requested to be treated as a separate employer.

Participating Employers

For Fiscal Years 2005 through 2014 (Continued)

2010		2009		2008		2007		2006		2005	
Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total	Number of Employees	% of Total
23	0.12%	23	0.12%	21	0.11%	24	0.13%	20	0.11%	19	0.11%
-	0.00%	-	0.00%	-	0.00%	-	0.00%	5	0.03%	1	0.01%
1	0.01%	1	0.01%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
118	0.60%	125	0.66%	124	0.64%	108	0.57%	99	0.49%	90	0.51%
116	0.59%	119	0.63%	120	0.62%	115	0.61%	110	0.60%	102	0.58%
172	0.88%	172	0.91%	178	0.92%	164	0.87%	154	0.84%	137	0.78%
17,142	87.81%	16,563	87.38%	17,038	87.75%	16,668	87.97%	16,114	87.87%	15,562	88.38%
27	0.14%	27	0.14%	31	0.16%	30	0.16%	28	0.15%	22	0.12%
-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
19	0.10%	17	0.09%	16	0.08%	16	0.08%	11	0.06%	11	0.06%
2	0.01%	2	0.01%	2	0.01%	2	0.01%	2	0.01%	4	0.02%
14	0.07%	18	0.09%	18	0.09%	14	0.07%	12	0.07%	10	0.06%
8	0.04%	9	0.05%	9	0.05%	8	0.04%	9	0.05%	10	0.06%
5	0.03%	6	0.03%	6	0.03%	5	0.03%	5	0.03%	4	0.02%
37	0.19%	35	0.18%	37	0.19%	38	0.20%	39	0.21%	40	0.23%
2	0.01%	2	0.01%	3	0.02%	3	0.02%	2	0.01%	3	0.02%
38	0.19%	38	0.20%	38	0.20%	36	0.19%	33	0.18%	31	0.18%
20	0.10%	13	0.07%	12	0.06%	-	0.00%	-	0.00%	-	0.00%
15	0.08%	17	0.09%	15	0.08%	12	0.06%	13	0.07%	11	0.06%
780	4.00%	796	4.20%	766	3.94%	758	4.00%	746	4.07%	740	4.20%
981	5.03%	972	5.13%	980	5.05%	945	4.99%	945	5.15%	810	4.60%
19,520	**100%**	**18,955**	**100%**	**19,414**	**100%**	**18,946**	**100%**	**18,347**	**100%**	**17,607**	**100%**

Note: For FY 2009: The California Electronic Recording Transaction Network Authority became a new public entity, created under a Joint Powers Agreement, and joined SBCERA on August 7, 2008.
For FY 2008: SBCERA adopted Government Code sections 31468(1)(2) and 31522.5, making SBCERA its own district. SBCERA previously reported under the County of San Bernardino.

Average Benefit Payments

Retirement Effective Dates July 1, 2004 to June 30, 2014

	Service Years Credited						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
PERIOD 7/1/04 TO 6/30/05							
Average Monthly Benefit	$1,767	$2,649	$1,716	$2,450	$3,543	$4,887	$6,520
Monthly Final Average Salary[1]	$-	$-	$-	$-	$-	$-	$-
Number of Active Retirees	11	30	82	81	70	57	70
PERIOD 7/1/05 TO 6/30/06							
Average Monthly Benefit	$1,422	$1,656	$1,612	$2,305	$3,131	$4,548	$6,270
Monthly Final Average Salary	$3,042	$3,800	$3,895	$4,505	$5,359	$5,958	$6,387
Number of Active Retirees	15	42	86	92	44	52	63
PERIOD 7/1/06 TO 6/30/07							
Average Monthly Benefit	$952	$1,407	$1,858	$2,532	$3,490	$4,784	$6,831
Monthly Final Average Salary	$4,322	$4,023	$4,386	$5,031	$5,404	$5,712	$7,001
Number of Active Retirees	9	27	65	78	68	72	69
PERIOD 7/1/07 TO 6/30/08							
Average Monthly Benefit	$1,207	$1,590	$1,682	$2,957	$3,735	$5,390	$7,139
Monthly Final Average Salary	$2,522	$4,248	$3,970	$5,582	$5,624	$6,650	$7,109
Number of Active Retirees	4	31	53	86	72	60	77
PERIOD 7/1/08 TO 6/30/09							
Average Monthly Benefit	$787	$1,453	$1,818	$2,806	$3,666	$4,767	$6,134
Monthly Final Average Salary	$3,370	$4,418	$4,861	$5,125	$5,666	$5,941	$6,558
Number of Active Retirees	4	58	85	99	119	66	127
PERIOD 7/1/09 TO 6/30/10							
Average Monthly Benefit	$1,229	$1,656	$1,929	$3,269	$4,878	$6,328	$8,936
Monthly Final Average Salary	$4,272	$3,535	$4,491	$6,114	$7,324	$7,772	$9,275
Number of Active Retirees	8	30	49	57	68	42	81
PERIOD 7/1/10 TO 6/30/11							
Average Monthly Benefit	$1,399	$1,887	$1,989	$3,694	$4,588	$6,638	$8,449
Monthly Final Average Salary	$5,979	$4,182	$4,757	$6,600	$6,759	$8,134	$8,801
Number of Active Retirees	10	27	90	67	86	64	88
PERIOD 7/1/11 TO 6/30/12							
Average Monthly Benefit	$832	$1,821	$2,085	$2,786	$4,506	$5,282	$8,395
Monthly Final Average Salary	$4,425	$5,084	$4,805	$5,092	$6,901	$6,906	$9,021
Number of Active Retirees	3	45	96	57	107	70	97
PERIOD 7/1/12 TO 6/30/13							
Average Monthly Benefit	$2,696	$1,871	$2,006	$3,405	$4,119	$6,005	$8,223
Monthly Final Average Salary	$9,857	$4,645	$5,369	$6,426	$6,479	$7,969	$8,771
Number of Active Retirees	6	45	112	72	92	92	93
PERIOD 7/1/13 TO 6/30/14							
Average Monthly Benefit	$1,568	$1,836	$2,124	$2,724	$4,137	$5,714	$6,549
Monthly Final Average Salary	$3,907	$5,148	$5,402	$5,274	$6,343	$7,216	$6,878
Number of Active Retirees	2	24	129	77	117	90	92

(1) Monthly Final Average Salary data for Fiscal Year 2005 is not available in a comparable format.

Note: Detail above provided by SBCERA's independent actuary, Segal Consulting (Segal). Segal reviewed SBCERA's participant data for reasonableness. Refer to Segal's letter in the Actuarial section.

STATISTICAL

Section 5.1

Membership Information

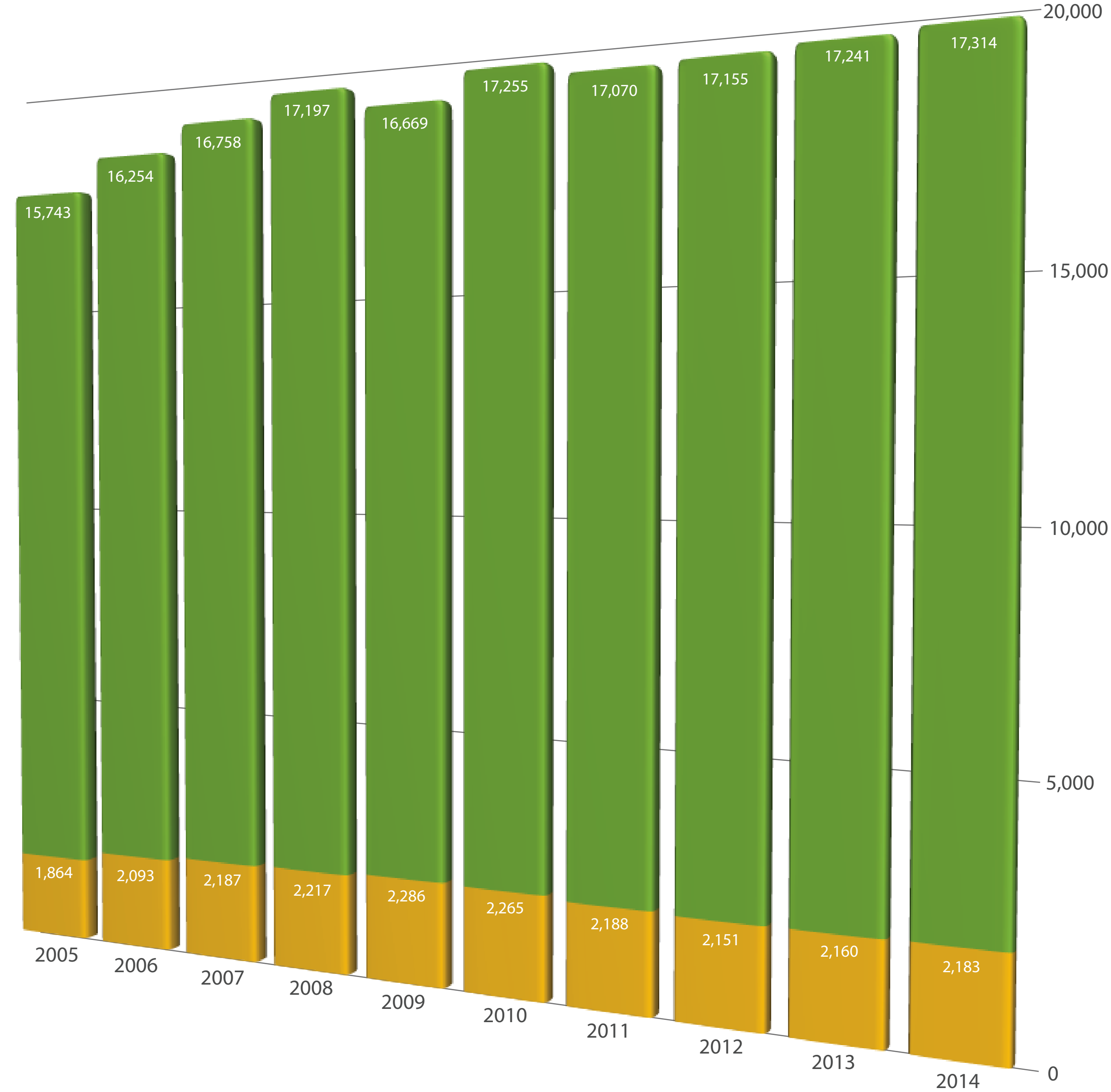
People

People

Some might say that our planet's greatest natural resource is human beings. If sunlight is a natural resource, then humans harness its power to create solar energy, thus making it a resource. The very definition of a resource indicates a use. Humans extract, deplete, protect, and manage the planet's natural resources all with the intention of creating a better life for human beings. One of the greatest resources SBCERA has is its people. The Board of Retirement and staff at SBCERA ensure that the fund is properly and carefully managed for our members.

Membership Classification

For Fiscal Years 2005 through 2014

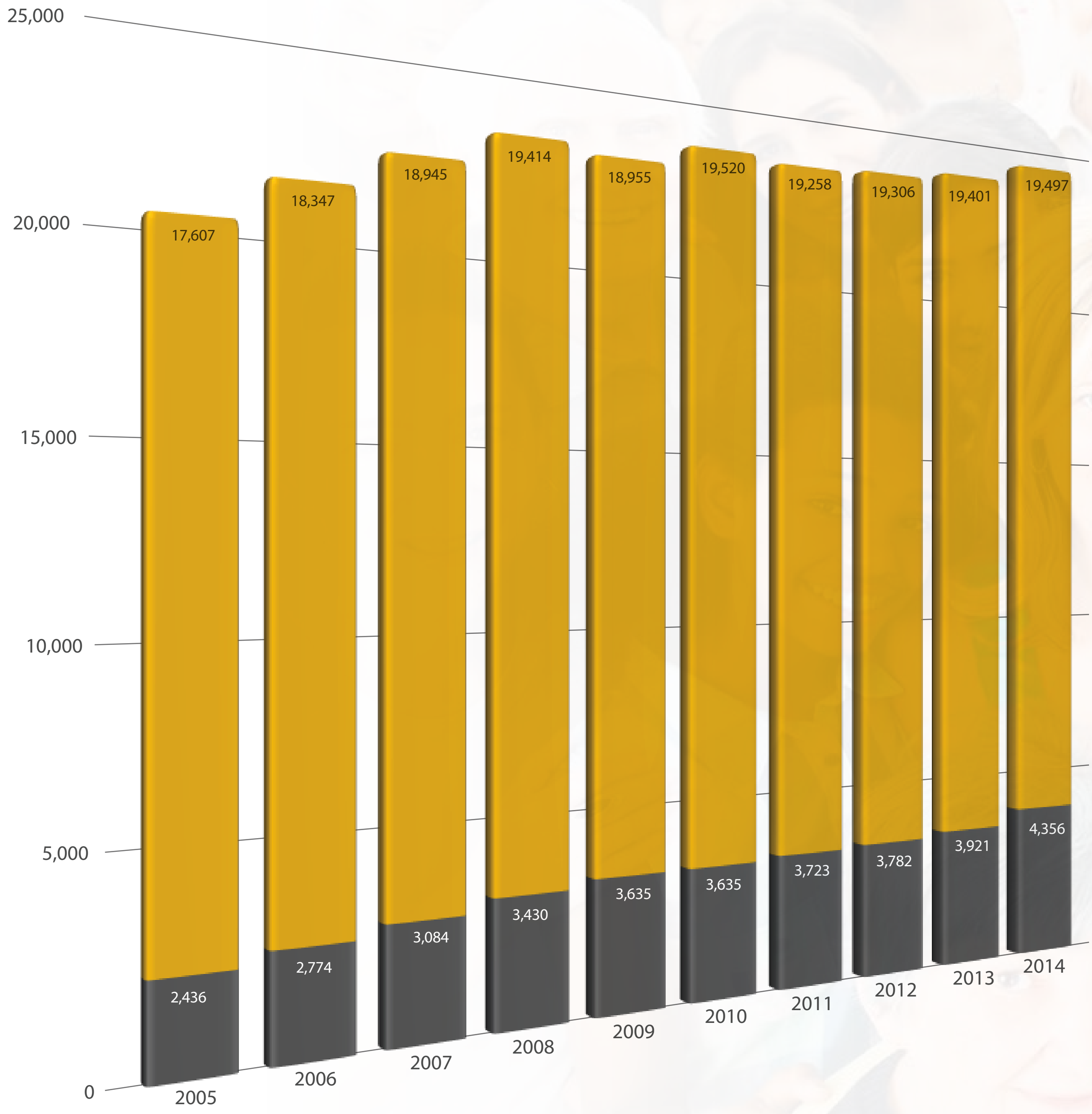


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General	15,743	16,254	16,758	17,197	16,669	17,255	17,070	17,155	17,241	17,314
Safety	1,864	2,093	2,187	2,217	2,286	2,265	2,188	2,151	2,160	2,183
TOTAL	**17,607**	**18,347**	**18,945**	**19,414**	**18,955**	**19,520**	**19,258**	**19,306**	**19,401**	**19,497**

Note: Membership is presented for Active members only.

Membership History

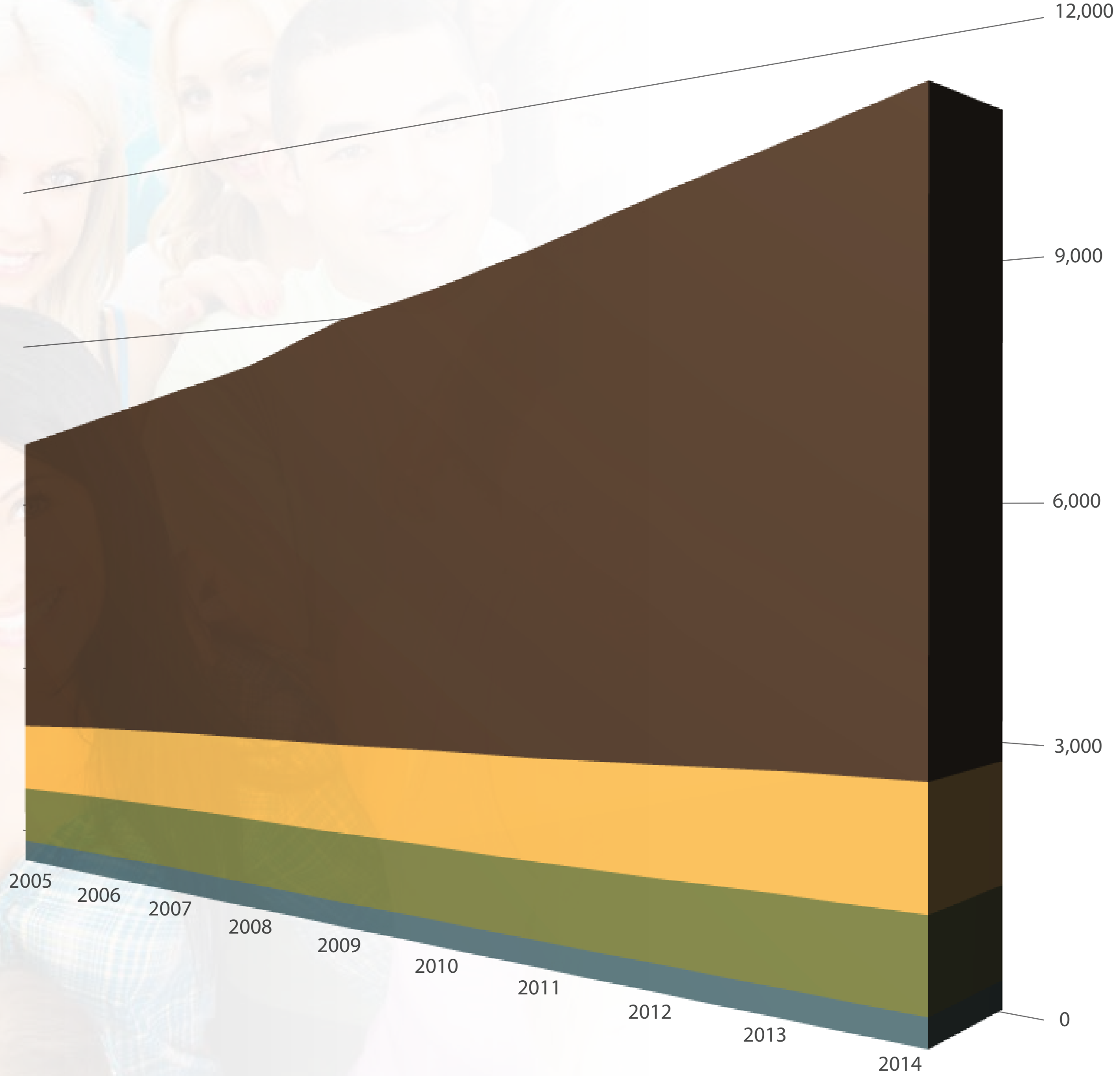
For Fiscal Years 2005 through 2014
(Active and Deferred)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Active	17,607	18,347	18,945	19,414	18,955	19,520	19,258	19,306	19,401	19,497
Deferred	2,436	2,774	3,084	3,430	3,635	3,635	3,723	3,782	3,921	4,356
TOTAL	**20,043**	**21,121**	**22,029**	**22,844**	**22,590**	**23,155**	**22,981**	**23,088**	**23,322**	**23,853**

Membership History

For Fiscal Years 2005 through 2014
(Retired)

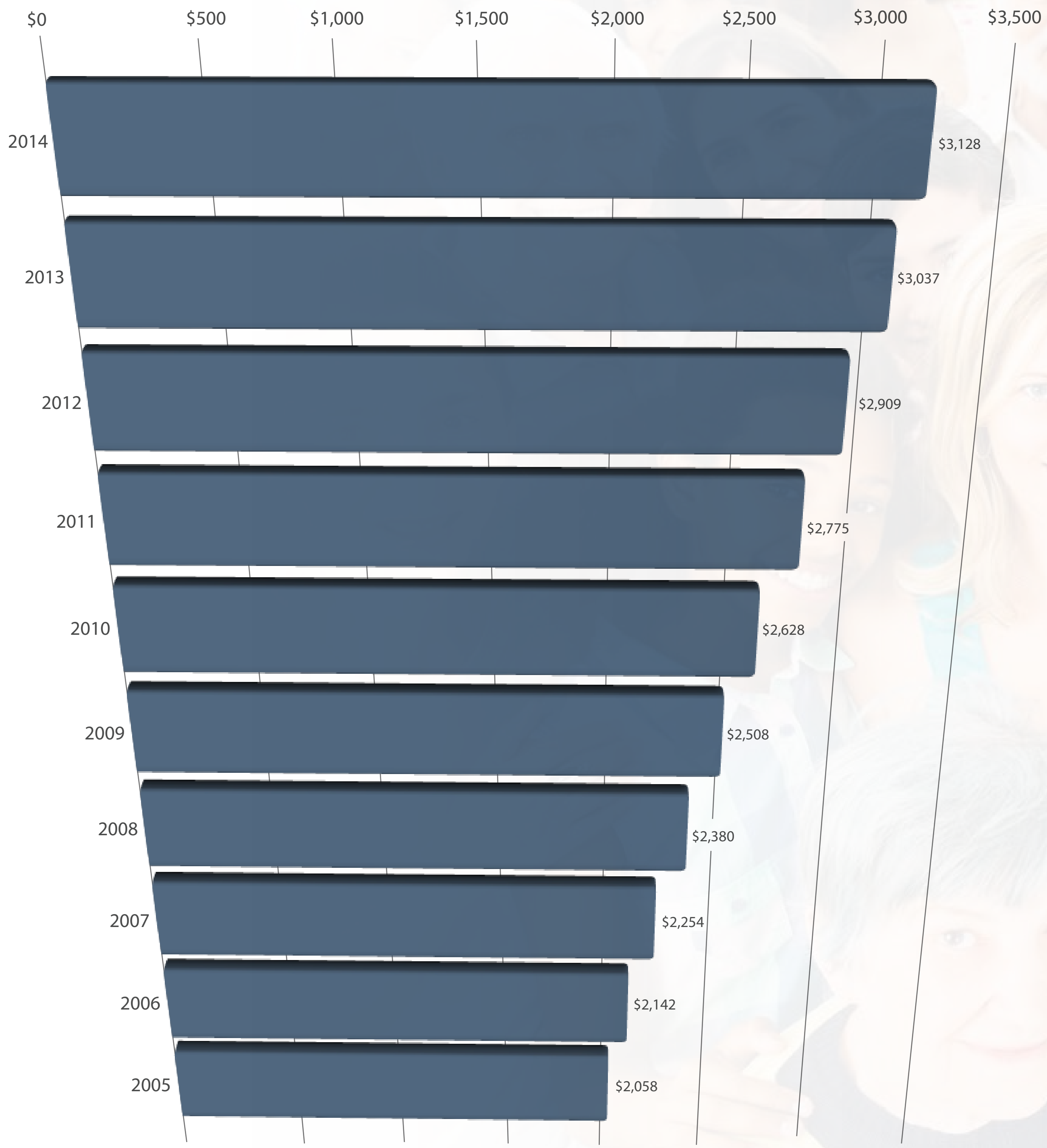


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Service Retirement	4,672	4,915	5,189	5,484	5,971	6,210	6,571	6,957	7,296	7,681
Service Connected Disability	868	902	924	950	970	990	1,011	1,047	1,093	1,124
Non Service Connected Disability	321	344	359	347	342	349	345	350	351	350
Survivors	1,043	1,100	1,145	1,190	1,236	1,294	1,338	1,382	1,433	1,463
TOTAL	**6,904**	**7,261**	**7,617**	**7,971**	**8,519**	**8,843**	**9,265**	**9,736**	**10,173**	**10,618**

Note: Detail above provided by SBCERA's independent actuary, Segal Consulting (Segal). Segal reviewed SBCERA's participant data for reasonableness. Refer to Segal's letter in the Actuarial section.

Average Monthly Retirement Benefits

For Fiscal Years 2005 through 2014

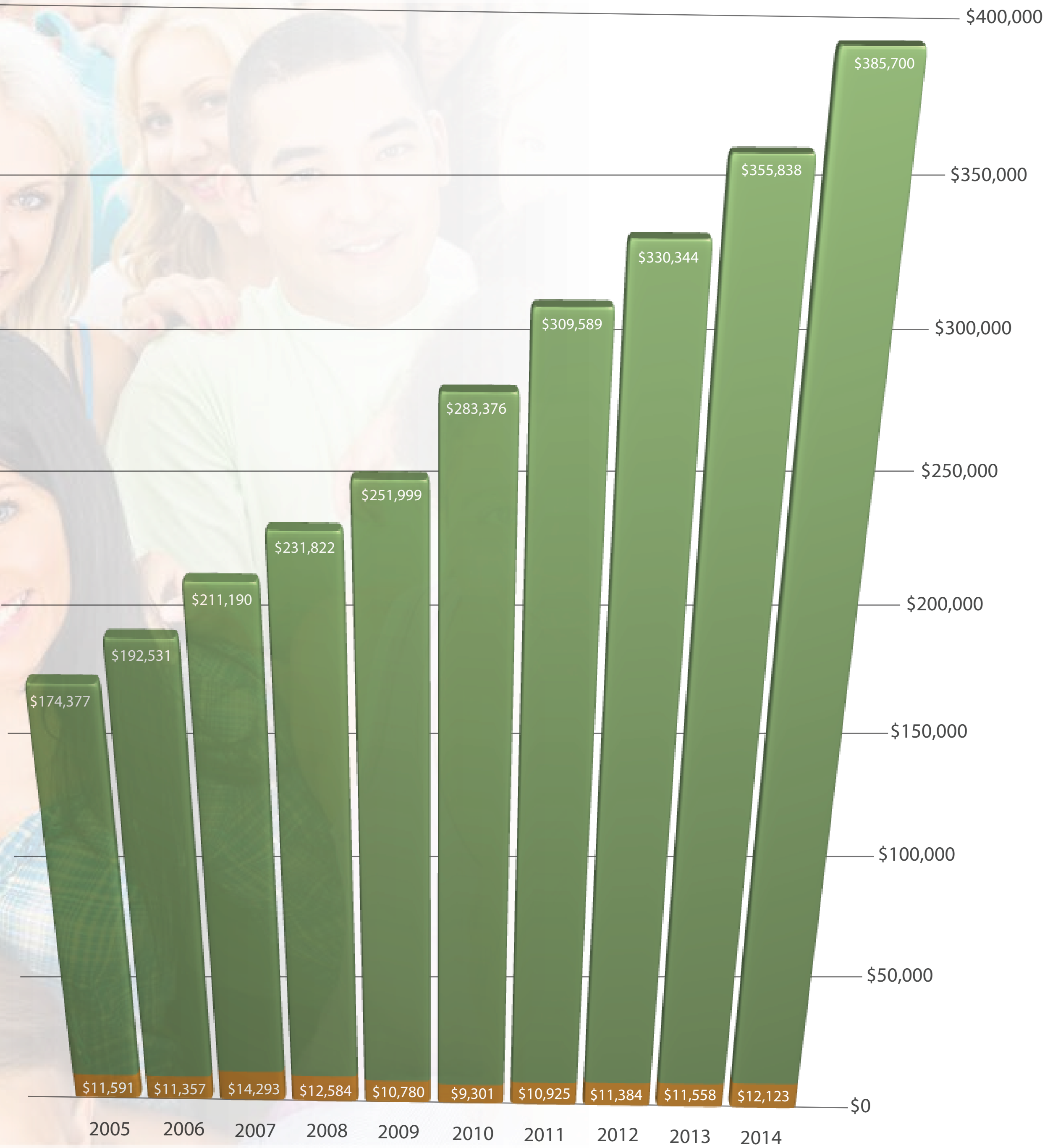


	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Monthly Allowance	$2,058	$2,142	$2,254	$2,380	$2,508	$2,628	$2,775	$2,909	$3,037	$3,128

Note: Detail above provided by SBCERA's independent actuary, Segal Consulting (Segal). Segal reviewed SBCERA's participant data for reasonableness. Refer to Segal's letter in the Actuarial section.

Benefits and Refunds Paid

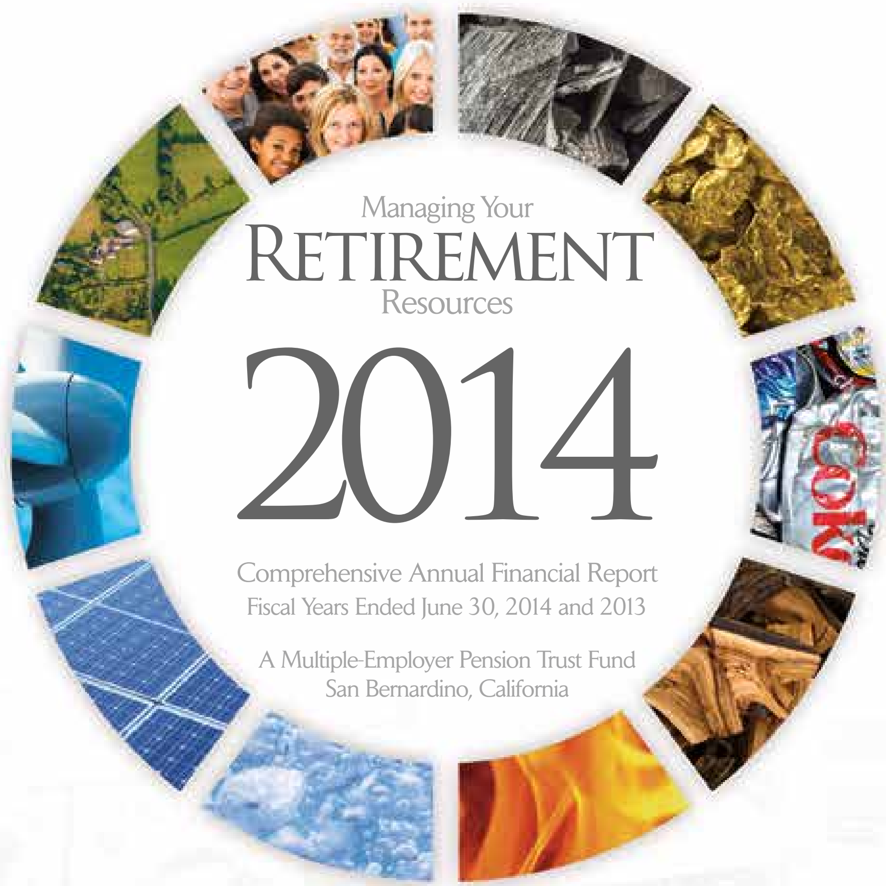
For Fiscal Years 2005 through 2014
(Amounts in Thousands)



	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Benefits	$174,377	$192,531	$211,190	$231,822	$251,999	$283,376	$309,589	$330,344	$355,838	$385,700
Refunds	11,591	11,357	14,293	12,584	10,780	9,301	10,925	11,384	11,558	12,123

2014 CAFR

Waste Incineration Plant



Managing Your

RETIREMENT

Resources

2014

Comprehensive Annual Financial Report
Fiscal Years Ended June 30, 2014 and 2013

A Multiple-Employer Pension Trust Fund
San Bernardino, California

SB cera
San Bernardino
County Employees' Retirement Association

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