SB cera
San Bernardino
County Employees' Retirement Association

Comprehensive Annual Financial Report

A Multiple-Employer Pension Trust Fund
San Bernardino, California

For the Years Ended June 30, 2016 and 2015

SB | strong

2016

Comprehensive Annual Financial Report

A Multiple-Employer Pension Trust Fund
San Bernardino, California

For the Years Ended June 30, 2016 and 2015

Gary A. Amelio
Chief Executive Officer

Julie Underwood, CPA
Chief Financial Officer

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San Bernardino
County Employees' Retirement Association

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Mission Statement

San Bernardino County Employees' Retirement Association

It is the mission of the San Bernardino County Employees' Retirement Association (SBCERA) 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 SBCERA 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.

Section
1.0

INTRODUCTORY

Preserving the Past for a
Stronger Future

Preserving the Past for a Stronger Future

On December 2, 2015, the world saw San Bernardino County through a lens of tragedy. The attack on County employees, resulting in the death of 14 individuals and injury of many others, threatened the morale and image of the region. Yet, what happened in the weeks and months following the attack was a unification of communities and determination to thrive in the face of adversity.

This spirit of strength, also on display to the rest of the world, was not new to the residents of San Bernardino County. For in fact, the story of San Bernardino County is one of strength and resilience. The 2016 CAFR theme threads together a rich history of achievements and symbolizes a future of opportunity and growth.

During its past, present and future, the County of San Bernardino has been, is, and will be home to local treasures and accomplishments known on a global scale. Throughout this report, past successes from the County's history will be highlighted along with current achievements paving the way for a bright future, all of which encapsulate what it means to be SB Strong.

Letter of Transmittal

San Bernardino County Employees' Retirement Association

November 17, 2016

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

Dear Board Members:

It is with great honor that I present the San Bernardino County Employees' Retirement Association (SBCERA) Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2016 and 2015. This report is created annually to provide a detailed overview of the SBCERA Plan (the Plan) and its trust fund's financial, actuarial and investment-related activities for the year.

This year's CAFR theme, "SB Strong," bows its head to honor those who lost their lives, and those who were injured, on December 2, 2015. Tragedy struck this community and many of the incredible workers for whom we provide retirement benefits, yet we remain "SB Strong." San Bernardino County is steeped in rich traditions, historic events, natural beauty and hardworking residents. Within this CAFR, we have not only embraced the "SB Strong" motto, like many others within this County, we have also tried to provide examples of the County's strengths. While we were only able to include a few examples of how strong San Bernardino County is, the strengths are many.

SBCERA is dedicated to our membership with both depth and weight. We provide lifetime retirement benefits to Plan members, and a continuance to their beneficiaries, which they have earned and which are commensurate with their years of service and compensation. SBCERA hopes this lifetime benefit will become their strength and helps make them "SB Strong." We take our role in their strength very seriously.

Established in 1945, SBCERA proudly celebrates its 71st year in operation with the fund having grown at a record pace since the economic downturn. Formed by the will of San Bernardino County voters on May 16, 1944, SBCERA now administers service retirement, disability, and death and survivor benefits for 37,304 Plan members, serves 17 participating employers, and manages $8.20 billion in assets. A listing of participating employers, as of June 30, 2016, can be found on page 150.

The information contained in this CAFR is designed to provide a complete and accurate review of the 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 beginning on page 20, which provides a narrative introduction, overview and analysis of our financial operations for the years ended June 30, 2016 and 2015.

As you read the 2016 CAFR, I trust you, as well as the members of SBCERA and our participating employers, will appreciate the fortitude and detail of staff in developing the report and find the content helpful in understanding the strength and stability of SBCERA's defined benefit Plan.

Major Initiatives

Custodian Bank Search

On June 12, 2015, pursuant to direction of the Board of Retirement (Board), SBCERA's staff, working in cooperation with its investment consultant, issued a Request for Proposals (RFP) for Master Custody, Securities Lending, and Related Services. On August 21, 2015, competing firms submitted responsive proposals, including the incumbent, State Street Bank and Trust Company (State Street).

Staff proceeded to evaluate the various proposals submitted, including on-site due diligence visits to all proposers. Staff determined that awarding these contracts to State Street would best serve SBCERA's needs and an action item was presented and approved by the SBCERA Board on April 7, 2016. Based on SBCERA's consultant's analysis of State Street's fee, best and final offer, as compared to current fees, a fee savings of approximately $63,000 annually, or 4.1%, is expected.

By-Laws and Detailed Policy Review

SBCERA's Legal Services Department shepherded the long-pending update of SBCERA's By-Laws through its final approval with the County of San Bernardino Board of Supervisors. There are four new Policies that replaced provisions deleted from the previous By-Laws, and revisions to the SBCERA Procedures for Disability Retirement.

1. Adoption of Benefits Policy No. 024 (Issue 1.0) – Benefits Administration Procedures.
2. Adoption of Benefits Policy No. 025 (Issue 1.0) – Requests for Pension Benefits and the Presentation of Supporting Information.
3. Adoption of Benefits Policy No. 026 (Issue 1.0) – Compensation Earnable and Pensionable Compensation.
4. Adoption of Benefits Policy No. 027 (Issue 1.0) – Contributions.
5. Amendments to Procedures for Disability Retirement Applications and Formal Hearings.

The Legal Services Department has also conducted an exhaustive review of SBCERA's Board and CEO policies.

December 2nd Response

In an urgent response to the events of December 2, 2015, all SBCERA departments came together to establish communications channels and expedited benefit claims for Plan members and the families directly impacted by the tragedy. Following release of a formal statement and a direct phone number for victims and families to contact, a dedicated unit within our Member Services Department was assigned to provide aid. Working in coordination with the Federal Bureau of Investigation (FBI) Office for Victim Assistance, the unit attended a resource fair to answer benefit questions and assist those directly impacted. Through efficient communication with the victims and their families, we were able to expedite the processing of all benefit claims stemming from the tragedy.

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. Macias Gini and O'Connell LLP (MGO), 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 accounting principles generally accepted in the United States (GAAP) and are free from material misstatement. Limited audit procedures on internal controls have been performed by MGO to provide reasonable assurance 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 GAAP as promulgated by the Governmental Accounting Standards Board (GASB).

Actuarial Funding Status

SBCERA contracts with an independent actuarial firm, Segal Consulting (Segal), to conduct annual actuarial valuations, which are presented to the Board each year. 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 last completed for the year ended June 30, 2014. Segal completed the annual valuation for the year ended June 30, 2016 and presented it to the Board, with subsequent approval, on December 1, 2016.

The funding objective of SBCERA 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 Plan member payroll. However, on a five-year smoothed basis, if actual fund returns are below the actuarial hurdle rate of 7.50%, the employer will make up the shortfall on a 20-year amortized basis.

The actuarial accrued liability of the SBCERA Plan on June 30, 2016 and 2015 amounts to $10.67 billion and $10.21 billion, respectively. The actuarial value of assets increased from $8.26 billion at June 30, 2015, to $8.74 billion at June 30, 2016. The funding ratio, on a fair value basis, decreased to 76.82% at June 30, 2016, from the previous fiscal year's 80.98%. This ratio compares the assets of the Plan to the liabilities of the Plan. High ratios indicate a well-funded plan with assets sufficient to pay most future benefits. 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 121).

Due to GASB Statement No. 67, *Financial Reporting for Pension Plans*, the total pension liability of participating employers is not reported in the basic financial statements, but is disclosed in Note 4 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 the actuarial accrued liabilities estimated to be payable in the future to current retirees, beneficiaries, and active Plan 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 maintains sole and exclusive control of all investments of the Plan, 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 Plan members, their beneficiaries, and the Plan.

External, professional investment management firms manage SBCERA's assets. The investment staff closely monitors the activity of these managers and assists 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 year ended June 30, 2016, SBCERA's investment portfolio provided a negative 1.07% rate of return (net of fees). The Plan's annualized rate of return (net of fees) over the three-year period ended June 30, 2016 was 4.82%. On a fair value basis, the total pension Plan net position available for benefits decreased from $8.27 billion to $8.20 billion. Details of the components of this decrease are included in the Statements of Changes in Fiduciary Net Position on page 34 of this report.

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 12 of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SBCERA for its CAFR for the year ended June 30, 2015. This was the 19th 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 CAFR 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.

In addition, the Public Pension Coordinating Council (PPCC) awarded a Public Pension Standards Award for Funding and Administration to SBCERA for the year ended June 30, 2016. This is the first year that SBCERA has applied for and received this prestigious award. In order to be awarded a Public Pension Standards Award, a public pension program must meet professional standards for plan design, administration, and funding, as set forth in the Public Pension Standards. The PPCC (a confederation of three national associations that represent public retirement systems and administrators) established the Public Pension Standards to reflect minimum expectations for public retirement system management and administration, as well as serve as a benchmark by which all defined benefit public plans should be measured. A Public Pension Standards Award is valid for a period of one year.

Acknowledgments

The successful and timely completion of SBCERA's 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 Plan members and participating employers, I would like to thank you for your ongoing support and confidence in SBCERA. We are working diligently every day 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. To serve is our strength, and we remain "SB Strong."

Very truly yours,

Gary A. Amelio
Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

San Bernardino County Employees' Retirement Association

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, 2015

Jeffrey R. Esser

Executive Director/CEO

PPCC

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2016

Presented to

San Bernardino County Employees' Retirement Association

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle
Program Administrator

Members of the Board of Retirement

As of June 30, 2016[1]

Brendan Brandt
Board Chair
Administrative Committee
Appointed by Board of Supervisors

Louis Fiorino
Board Vice Chair
Administrative Committee
Elected by General Members

Anthony J. DeCecio
Investment Committee
Elected by Safety Members

Glenn Duncan
Audit Committee
Investment Committee
Appointed by Board of Supervisors

Janice Rutherford
Appointed by Board of Supervisors

Dawn Stafford
Administrative Committee[2]
Elected by Retired Members

Oscar Valdez
Investment Committee[2]
County Treasurer/Ex-Officio Member

Neal Waner
Audit Committee[2]
Investment Committee
Appointed by Board of Supervisors

Vere Williams
Audit Committee
Elected by General Members

Harry Hatch
Administrative Committee
Alternate: Elected by Retired Members

Jared Newcomer
Audit Committee
Alternate: Elected by Safety Members

Larry Walker
Investment Committee (Alternate)
Alternate: County Treasurer/ Ex-Officio Member

(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, 2016[1]

Board of Retirement

Chief Executive Officer
Gary A. Amelio

Chief Counsel
Michael Calabrese

Executive Assistant
Christa James

Chief Investment Officer
Donald Pierce

Senior Investment Officer
Laura A. Vossman

Chief Financial Officer
Julie Underwood

Chief Information Officer
Joseph Michael

Chief Operating Officer
Christie L. Porter

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

Outside Consultants

As of June 30, 2016

ACTUARY

Segal Consulting
Consulting Actuary
San Francisco, CA

CUSTODIAL SERVICES

State Street Bank and Trust Company
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

LEGAL COUNSEL

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

Foley & Lardner, LLP
Investment Counsel
Boston, MA

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

Nossaman, LLP
General Advisory Counsel
Los Angeles, CA

TECHNICAL & DESIGN SUPPORT

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

Spencer Lewis Group
Graphic Design
Rancho Cucamonga, CA

Note: Investment professionals are listed on page 109, and a schedule of manager fees is located on page 117 of this report, in the Investment section.

Report from the Board Chair

San Bernardino County Employees' Retirement Association

November 17, 2016

Dear Members:

On behalf of the San Bernardino County Employees' Retirement Association (SBCERA or the Plan) Board of Retirement (Board), I am pleased to present the June 30, 2016 and 2015 Comprehensive Annual Financial Report (CAFR), "SB Strong." Throughout the report, you will read of achievements and important resources – past, present and future – existing or originating in San Bernardino County. As you will see, the unfolding story of our region is one of people, places and institutions whose qualities and successes serve as global contributions.

Of course, within the history of San Bernardino County is the horrific attack that occurred on December 2, 2015. It was a day that affected countless lives throughout our region, none more so than those of the victims and their families. While December 2nd devastated our community, it did not destroy us. Like all others committed to the success of San Bernardino County, our hearts were shaken but our resolve was not deterred. We are beyond grateful for the heroism and action of the first responders, and within SBCERA I am pleased with my fellow Board Trustees, management and staff for quickly responding to and efficiently processing benefit claims for those directly impacted.

As we move forward in our work with the unifying message of "SB Strong" to guide our efforts, we aim to continue providing the highest level of service and benefits to SBCERA members and their beneficiaries. In this report, we seek to honor the lives of those who were lost and injured, and we focus on the strengths and successes of our community which pave the way for a brighter future.

Now in our 71st year, the story of SBCERA is one of long-term growth. Yet, within our 71 years, there have been times when global market pressures weigh down investment performance, which we witnessed during the year ended June 30, 2016 when the Plan's trust fund returned (1.07)% (net of fees).

Like most investors, we would have preferred that the year ended June 30, 2016 yield a positive return for the portfolio. Headlines about Brexit, interest rates and oil prices led to higher volatility, and pressure on credit markets and international equity held back the SBCERA portfolio. In spite of the down year, we maintain a long-term view and remain confident in our approach of focusing on contractual, income-generating investments to continue meeting the needs of Plan members. We are pleased to report that since the close of the past fiscal year, the portfolio has rebounded, thanks to significant improvement in credit and international equity allocations.

Report from the Board Chair

(continued)

Several key initiatives occupied the Board during the year ended June 30, 2016. Working in unison, the Board approved a number of revisions to the SBCERA By-Laws, and adopted new benefits policies. Also playing an important role in the oversight of investment decisions, the Board voted to approve the 2016 Real Estate and Private Equity Pacing plans, which provide guidance for SBCERA's portfolio investment allocations. The Board also voted to approve the actuarial recommendation for employer and Plan member contribution rates. Contributions are an important source of funding benefits for generations of Plan members.

I am proud with the work accomplished by the Board during the year ended June 30, 2016, as the actions taken have created an even sturdier infrastructure for SBCERA Plan administration. Though the past year was one of great emotion and tragedy, we gained energy by remaining "SB Strong," and more than ever, our work is driven by our commitment to you, our valued members.

Sincerely,

Brendan Brandt, Board Chair
Board of Retirement

Section
2.0

FINANCIAL

Strong Roots

Strong Roots

Beginning in the 1880s, San Bernardino County's burgeoning citrus industry transformed the region into an economic and cultural powerhouse. Communities such as Redlands, Upland and Ontario blossomed into vibrant cities with tree-lined streets and picturesque homes. The navel orange – ideal for growing in the region – became an emblem of Southern California, and made San Bernardino County a destination for those seeking sunshine, open space, and financial opportunity. The growing popularity of navel oranges as a dessert fruit, along with expanding connectivity of railroads, allowed for citrus producers to increase their exports and their fortunes. While most of the citrus acreage has since been sold, the burst of wealth from the citrus industry provided for libraries, theaters and parks which not only stand as symbols of past success, but also as treasures that are still enjoyed today.

Independent Auditor's Report

MGO Certified Public Accountants

Century City
Los Angeles
Newport Beach
Oakland
Sacramento
San Diego
San Francisco
Walnut Creek
Woodland Hills

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying statements of fiduciary net position of the San Bernardino County Employees' Retirement Association (SBCERA) as of June 30, 2016 and 2015, the related statements of changes in fiduciary net position for the years then ended, the statements of assets and liabilities of Pacific Public Partners (PPP) agency fund as of June 30, 2016 and 2015, 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 opinion.

Macias Gini & O'Connell LLP
777 S. Figueroa Street, Suite 2500
Los Angeles, CA 90017

www.mgocpa.com

Independent Auditor's Report

(continued)

Opinion

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, 2016 and 2015, the assets and liabilities of the PPP agency fund as of June 30, 2016 and 2015 and the related changes in fiduciary net position of SBCERA for the years ended June 30, 2016 and 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note 2 to basic financial statements, effective July 1, 2015, SBCERA adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurements and Application.* Our opinion is not modified with respect to this matter.

As discussed in Note 4 to basic financial statements, the net pension liability of the participating employers as of June 30, 2016 and 2015 were $2.47 billion and $1.94 billion, respectively. The Plan fiduciary net position as a percentage of the total pension liability as of June 30, 2016 and 2015 were 76.86% and 80.98%, respectively. The actuarial valuations used to measure the total pension liability are very sensitive to the underlying assumptions, including a discount rate of 7.50 percent which represents the long-term expected rate of return. 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 of participating employers and related ratios, schedule of employer contributions, and schedule of investment returns, 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 supplemental 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 statements of changes in assets and liabilities of the agency fund, schedule of administrative and other expenses, schedule of investment expenses and schedule of payments to consultants are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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 statements of changes in assets and liabilities of the agency fund, schedule of administrative and other expenses, schedule of investment expenses, and schedule of payments to consultants are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 17, 2016

Management's Discussion and Analysis

(Unaudited)
June 30, 2016 and 2015

The San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost-sharing multiple-employer defined benefit pension plan (the Plan). As management of SBCERA, we offer readers of SBCERA's financial statements this narrative overview and analysis of the financial activities of SBCERA for the years ended June 30, 2016 and 2015. 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 as of June 30, 2016 and 2015 was $8.20 billion and $8.27 billion, respectively. All of the net position is available to meet SBCERA's ongoing obligations to Plan members and their beneficiaries.
- SBCERA's total net position – restricted for pensions decreased by $74.69 million or (0.90)% and increased by $276.59 million or 3.46% for the years ended June 30, 2016 and 2015, respectively. The decrease in 2016 and increase in 2015 are primarily a result of negative and positive investment returns, respectively.
- Total additions, as reflected in the Statements of Changes in Fiduciary Net Position, for the years ended June 30, 2016 and 2015 are $399.62 million and $713.98 million, respectively. This includes employer and Plan member contributions of $479.64 million, net investment loss of $80.39 million and net securities lending income of $362 thousand for the year ended June 30, 2016, along with employer and Plan member contributions of $433.14 million, net investment income of $280.50 million and net securities lending income of $344 thousand for the year ended June 30, 2015.
- Total deductions as reflected in the Statements of Changes in Fiduciary Net Position total $474.30 million for the year ended June 30, 2016, an increase of $36.91 million over the year ended June 30, 2015, or approximately 8.44%. Total deductions for the year ended June 30, 2015 were $437.39 million, an increase of $30.70 million over the year ended June 30, 2014, or approximately 7.55%.
- The net pension liability of participating employers as of June 30, 2016 and 2015 are $2.47 billion and $1.94 billion, respectively. The Plan fiduciary net position as a percentage of the total pension liability is 76.86% and 80.98% as of June 30, 2016 and 2015, respectively. The net pension liability as a percentage of covered payroll is 188.55% and 153.26% as of June 30, 2016 and 2015, respectively. Refer to Note 4 – Net Pension Liability of Participating Employers, and Required Supplementary Information sections of this report, for further information.

Overview of the Financial Statements

The following discussion and analysis are intended to serve as an introduction to SBCERA's basic 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 basic 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 Assets and Liabilities – Agency Fund
4. Notes to the Basic Financial Statements

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

The **Statements of Changes in Fiduciary Net Position** reflect all the activities that occurred during the year and show the impact of those activities as additions or deductions to the Plan. The trend of additions versus deductions to the Plan will indicate the condition of SBCERA's financial position over time.

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. Refer to SBCERA's basic financial statements following this analysis.

Management's Discussion and Analysis

(Unaudited)
June 30, 2016 and 2015
(continued)

Overview of the Financial Statements *(continued)*

The **Statements of Assets and Liabilities – 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 Supplemental Information section of this report. Refer to Note 10 – Pacific Public Partners, for further information.

Notes to the 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. Refer to the Notes to the Basic Financial Statements section of this report.

Other information to supplement SBCERA's basic financial statements is provided as follows:

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. Refer to the Required Supplementary Information section of this report.

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

Financial Analysis

Net Position

Net position may serve over time as a useful indication of SBCERA's financial position. Refer to Table 1, on page 23, for further information. As of June 30, 2016, SBCERA has $8.20 billion in net position, which means total assets of $8.40 billion exceed total liabilities of $199.09 million. As of June 30, 2015 and 2014, SBCERA had $8.27 billion and $7.99 billion in net position, respectively, as a result of total assets of $9.04 billion and $8.20 billion exceeding total liabilities of $771.52 million and $206.96 million, respectively. All of the net position is available to meet SBCERA's ongoing obligation to Plan members and their beneficiaries.

As of June 30, 2016, net position decreased by $74.69 million, accounting for a 0.90% decrease from the prior year, due primarily to losses from net investment activity. As of June 30, 2015, net position increased by $276.59 million, accounting for a 3.46% increase from the prior year due primarily to gains in the fair value of investments.

Financial Analysis | Net Position *(continued)*

Fiduciary Net Position (Table 1)

As of June 30, 2016, 2015 and 2014
(Amounts in Thousands)

	(a) 2016	(b) 2015	(c) 2014	(a-b=d) Amount Increase/ (Decrease)	(d/b) Percent Increase/ (Decrease)
ASSETS					
Cash and cash equivalents	$ 8,446	$ 9,916	$ 9,992	$ (1,470)	(14.82)%
Receivables	89,140	601,631	118,522	(512,491)	(85.18)%
Investments, at fair value	8,291,175	8,427,428	8,068,860	(136,253)	(1.62)%
Capital assets, net	7,304	4,200	4,659	3,104	73.90%
TOTAL ASSETS	**8,396,065**	**9,043,175**	**8,202,033**	**(647,110)**	**(7.16)%**
LIABILITIES					
Securities lending	95,438	123,778	46,040	(28,340)	(22.90)%
Securities options payable	41,851	70,625	21,194	(28,774)	(40.74)%
Payables for securities purchased	50,514	568,642	132,794	(518,128)	(91.12)%
Other liabilities	11,288	8,471	6,934	2,817	33.25%
TOTAL LIABILITIES	**199,091**	**771,516**	**206,962**	**(572,425)**	**(74.19)%**
NET POSITION – RESTRICTED FOR PENSIONS	**$ 8,196,974**	**$ 8,271,659**	**$ 7,995,071**	**$ (74,685)**	**(0.90)%**

In order to determine whether the $8.20 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, 2016. The result of the valuation determines what future contributions are needed by the Plan members and the participating employers 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.

Financial Analysis | Net Position *(continued)*

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, 2016, 2015 and 2014 valuations). All assumptions used by the actuary are reviewed by the Board of Retirement (Board), every three years.

Capital Assets

SBCERA's capital assets increased from $4.20 million to $7.30 million (net of accumulated depreciation and amortization) between the years ended June 30, 2015 and 2016 after decreasing from $4.66 million to $4.20 million between the years ended June 30, 2014 and 2015. This investment in capital assets includes equipment, furniture, leasehold improvements, software, and technology infrastructure. The total increase in SBCERA's investment in capital assets for the year ended June 30, 2016 was $3.10 million from 2015. The increase is primarily due to the costs incurred for SBCERA's building expansion project, which will allow SBCERA staffing to grow over the next several years while utilizing the same business location. The total decrease in SBCERA's capital assets between the years ended June 30, 2014 and 2015 of $459 thousand was primarily due to older assets being depreciated or amortized during 2015.

Reserves

SBCERA's reserves are established based upon contributions and the accumulation of investment income, after satisfying investment, administrative and other expenses. Refer to Table 2, on page 25, for further information.

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 fair value. Under this valuation method, the full value of market fluctuations are 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.

Several factors contributed to a decrease in the Net Unrecognized Gains/(Losses) reserve account of ($539.99) million at June 30, 2016 from $16.31 million at June 30, 2015 and $243.76 million at June 30, 2014, or a decrease of approximately $556.30 million to the year ended June 30, 2016 from the year ended June 30, 2015 and a decrease of $227.46 million to the year ended June 30, 2015 from the year ended June 30, 2014, respectively, as shown on the next page.

Management's Discussion and Analysis

(Unaudited)
June 30, 2016 and 2015
(continued)

Reserves *(continued)*

- The overall decrease in the fair value of investments in the year ended June 30, 2016, and overall increase in the fair value of investments in the years ended June 30, 2015 and 2014.
- Interest crediting at the actuarial assumed interest rate of 7.50%, as dictated by the Interest Crediting Procedures and Undesignated Excess Earnings Allocation Policy, in the years ended June 30, 2016, 2015 and 2014.
- The five-year smoothing of investment gains and losses.

Reserves (Table 2)

As of June 30, 2016, 2015 and 2014
(Amounts in Thousands)

Type of Reserve	2016	2015	2014
Member deposit reserve[1]	$ 1,288,669	$ 1,240,297	$ 1,200,776
Employer current service reserve[1]	2,265,676	2,105,743	1,981,393
Contra account[1]	(2,476,403)	(2,148,114)	(1,909,880)
Pension reserve[1]	4,022,989	3,766,863	3,506,564
Cost-of-living reserve[1]	1,752,232	1,601,106	1,468,124
Annuity reserve[1]	1,813,068	1,622,374	1,440,931
Supplemental disability reserve[1]	8,639	9,038	9,185
Survivor benefit reserve[1]	61,357	57,267	53,391
Burial allowance reserve[2]	732	779	825
TOTAL RESERVES (SMOOTHED MARKET ACTUARIAL VALUE)	**8,736,959**	**8,255,353**	**7,751,309**
Net unrecognized gains/(losses)	**(539,985)**	**16,306**	**243,762**
NET POSITION – RESTRICTED FOR PENSIONS INCLUDING NON-VALUATION RESERVES, AT FAIR VALUE	**$ 8,196,974**	**$ 8,271,659**	**$ 7,995,071**

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

Additions and Deductions to Fiduciary Net Position

Additions

The primary sources of financing SBCERA benefits are through the collection of participating employer and Plan member contributions and through earnings on investment income (net of investment expenses). Additions for the year ended June 30, 2016 totaled $399.62 million compared to $713.98 million for June 30, 2015 and $1.30 billion for June 30, 2014. Refer to Table 3, on page 28, for further information. Overall, additions decreased by $314.37 million or a 44.03% decrease between the years ended June 30, 2015 and 2016 due to a 128.66% decrease in net investment income compared to the prior year, which is slightly offset by an increase of 12.29% in employer contributions, an increase of 7.11% in Plan member contributions, and a 5.23% increase in securities lending income. Additions decreased by $583.23 million or a 44.96% decrease between the years ended June 30, 2014 and 2015 due to a 68.00% decrease in net investment income, a 2.25% decrease in Plan member contributions, and a 23.89% decrease in net securities lending income compared to the prior year, offset by an increase of 5.55% in employer contributions.

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. Refer to Note 3 – Contribution Requirements, for further information. However, due to the California Public Employees' Pension Reform Act of 2013 (PEPRA) eliminating the ability for Plan members to purchase additional retirement credit not earned, overall purchases of service credit decreased, which resulted in the overall decrease of Plan member contributions for the year ended June 30, 2015.

SBCERA's net position decreased due in large part to SBCERA's investment portfolio. Losses from net investment activity of $80.39 million reduced net position for the year ended June 30, 2016 compared to investment income of $280.50 million for June 30, 2015 and $876.57 million for June 30, 2014, which resulted in an overall increase in net position for 2015 and 2014. The overall decrease in net investment income over the last two years is primarily due to a weaker market resulting from a strengthening dollar, the collapse of crude oil prices, geopolitical instability continuing to drive volatility, slowing economic growth in China, the United Kingdom's planned withdrawal from the European Union, and Federal rate hike uncertainty.

Additions and Deductions to Fiduciary Net Position *(continued)*

Deductions

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

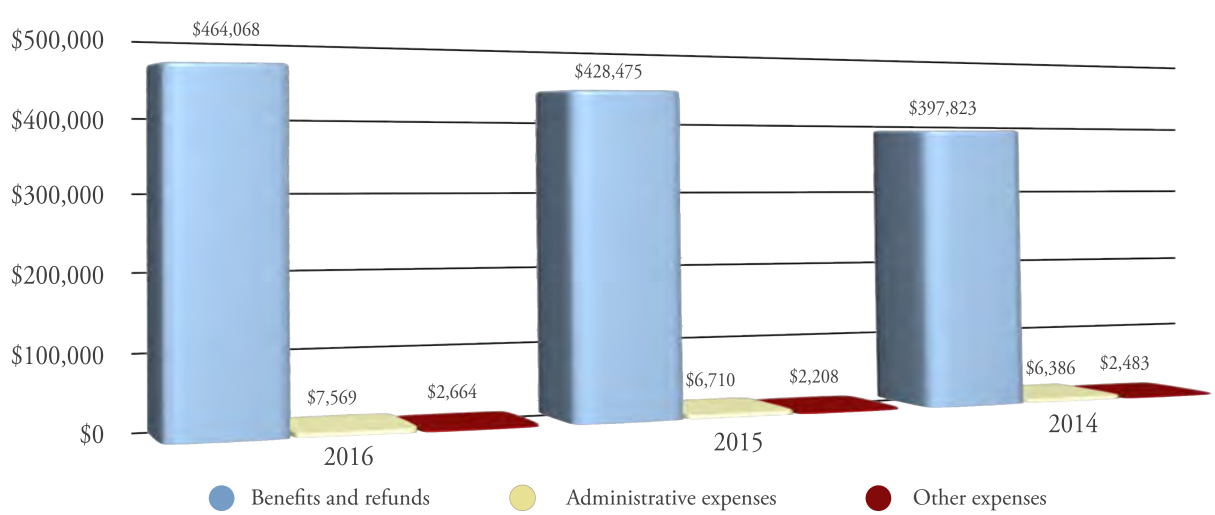
Deductions for the year ended June 30, 2016 totaled $474.30 million, an increase of $36.91 million or 8.44% over the June 30, 2015 amount of $437.39 million. The increase in deductions for the year ended June 30, 2015 was $30.70 million or 7.55% over the June 30, 2014 amount of $406.69 million. Refer to Table 3, on page 28, for further information. The increases in all years, related to benefits and refunds, are primarily due to the overall growth in the number of retirees and the average amount of benefits paid to them. Deductions for administrative expenses have increased in all years due primarily to the increase in administrative personnel costs (salary and cost-of-living adjustments, and filling vacant and new positions). In addition, deductions for Other Expenses have increased over the prior year due primarily to higher technology infrastructure costs associated with the building expansion project, increased costs for actuarial and non-investment legal services, and increased costs for legal department expenses primarily due to increases in personnel costs (salary and cost-of-living adjustments).

Additions and Deductions to Fiduciary Net Position *(continued)*

Changes in Fiduciary Net Position (Table 3)

For the Years Ended June 30, 2016, 2015 and 2014
(Amounts in Thousands)

	(a) 2016	(b) 2015	(c) 2014	(a-b=d) Amount Increase/ (Decrease)	(d/b) Percent Increase/ (Decrease)
ADDITIONS					
Employer contributions	$ 340,512	$ 303,244	$ 287,300	$ 37,268	12.29%
Plan member contributions	139,132	129,895	132,891	9,237	7.11%
Net investment income/(loss)[1]	(80,390)	280,498	876,566	(360,888)	(128.66)%
Net securities lending income	362	344	452	18	5.23%
TOTAL ADDITIONS	**399,616**	**713,981**	**1,297,209**	**(314,365)**	**(44.03)%**
DEDUCTIONS (refer to graph below)					
Benefits and refunds	464,068	428,475	397,823	35,593	8.31%
Administrative expenses	7,569	6,710	6,386	859	12.80%
Other expenses	2,664	2,208	2,483	456	20.65%
TOTAL DEDUCTIONS	**474,301**	**437,393**	**406,692**	**36,908**	**8.44%**
INCREASE/(DECREASE) IN NET POSITION – RESTRICTED FOR PENSIONS	**$ (74,685)**	**$ 276,588**	**$ 890,517**	**$ (351,273)**	**(127.00)%**



(1) Net of investment expenses of $92,084, $93,351 and $124,567 for the years ended June 30, 2016, 2015 and 2014, respectively.

Net Pension Liability of Participating Employers

SBCERA is subject to the provisions of GASB Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, and SBCERA's participating employers are subject to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. These standards require governmental employers 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 requires SBCERA to provide note disclosures and required supplementary information related to the Plan's net pension liability (NPL) of participating employers.

NPL 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 Plan assets) over fiduciary net position (valued at fair value). It's a measurement of pension liabilities using market assets that provides a consistent and standardized methodology allowing comparability of data and increased transparency of the pension liability across all governmental entities. SBCERA has complied with GASB 67 for the years ended June 30, 2016 and 2015.

Based on the June 30, 2016 and June 30, 2015 actuarial valuations, the NPL of participating employers on a fair value basis are $2.47 billion and $1.94 billion, respectively. Refer to Table 4, below, for further information. The increase is primarily a result of investment returns lower than the assumed return of 7.50%, which is offset slightly by lower than expected salary increases for active Plan members. Refer to Note 4 – Net Pension Liability of Participating Employers and the Required Supplementary Information sections of this report, for further information.

Changes in Net Pension Liability of Participating Employers (Table 4)

As of June 30, 2016, 2015 and 2014
(Amounts in Thousands)

	(a) 2016	(b) 2015	(c) 2014	(a-b=d) Amount Increase/ (Decrease)	(d/b) Percent Increase/ (Decrease)
Total pension liability	$ 10,665,212	$ 10,214,473	$ 9,694,826	$ 450,739	4.41%
Less plan fiduciary net position	8,196,974	8,271,659	7,995,071	(74,685)	(0.90)%
NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS	**$ 2,468,238**	**$ 1,942,814**	**$ 1,699,755**	**$ 525,424**	**27.04%**

Overall Analysis

For the year ended June 30, 2016, SBCERA's financial position and results from operations have experienced a decrease from the prior year as net position decreased by $74.69 million from the year ended June 30, 2015. For the year ended June 30, 2015, net position increased by $276.59 million from the year ended June 30, 2014. The overall decrease in net position for June 30, 2016 is primarily attributable to the depreciation in the fair value of the Plan's investment portfolio due to losses incurred from international markets that were impacted by stock market shortfalls, currency impacts from a strong U.S. dollar that impacted gains in the international and emerging markets, and volatile credit markets that reduced the income benefit SBCERA receives. Despite the fluctuations in the financial markets, SBCERA remains in a sound financial position to meet its obligations to Plan members and their beneficiaries. The overall financial position of SBCERA 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. Overall, this diversification minimizes the risk of loss and maximizes the rate of return for the Plan.

SBCERA's Fiduciary Responsibilities

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

Requests for Information

The Comprehensive Annual Financial Report is designed to provide the SBCERA Board, its 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, Third Floor
San Bernardino, CA 92415-0014

Section
2.1

FINANCIAL

Basic Financial Statements

Historic Strength

U.S. Highway Route 66, simply known as "Route 66," was one of the most recognized and fabled transportation projects in American history. Spanning over 2,000 miles and passing through eight different states, the highway served as the passageway to the west.[1] During the Great Depression, many families sought to escape poverty and hardship by traveling Route 66 to California for opportunity and new beginnings. Route 66 also introduced countless Americans to one of the highway's landmark cities: San Bernardino. The song, "(Get Your Kicks on) Route 66," performed by the Nat King Cole Trio, popularized the route and placed San Bernardino into pop culture. Restaurants, hotels and small businesses grew around the route, and contributed not only to the growth of the City of San Bernardino, but also the County.

(1) "Route 66 Overview." U.S. National Park Service. NPS.gov.

Statements of Fiduciary Net Position

As of June 30, 2016 and 2015
(Amounts in Thousands)

	2016	2015
ASSETS		
Cash		
Cash in bank	$ 6,979	$ 3,098
Cash pooled with County Treasurer	1,467	6,818
TOTAL CASH	**8,446**	**9,916**
Receivables		
Securities sold	46,667	564,203
Accrued interest and dividends	6,462	3,429
Employer and Plan member contributions	30,118	25,565
Due from withdrawn employers	3,790	5,426
Due from agency fund	1,007	1,007
Other	1,096	2,001
TOTAL RECEIVABLES	**89,140**	**601,631**
Investments, at fair value		
Short-term cash investment funds	915,688	951,727
Emerging market debt	593,267	540,913
United States government and agency obligations	84,294	109,701
Corporate bonds	248,436	207,342
Foreign bonds	50,562	72,275
Domestic common and preferred stock	676,276	647,105
Foreign common and preferred stock	222,523	222,305
Investments of cash collateral received on securities lending	95,460	123,777
Real estate	525,075	522,681
Domestic alternatives	3,490,829	3,710,059
Foreign alternatives	1,388,765	1,319,543
TOTAL INVESTMENTS, AT FAIR VALUE	**8,291,175**	**8,427,428**
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION AND AMORTIZATION	**7,304**	**4,200**
TOTAL ASSETS	**8,396,065**	**9,043,175**
LIABILITIES		
Securities lending	95,438	123,778
Securities options payable	41,851	70,625
Payables for securities purchased	50,514	568,642
Other liabilities	11,288	8,471
TOTAL LIABILITIES	**199,091**	**771,516**
NET POSITION – RESTRICTED FOR PENSIONS	**$ 8,196,974**	**$ 8,271,659**

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

Statements of Changes in Fiduciary Net Position

For the Years Ended June 30, 2016 and 2015
(Amounts in Thousands)

	2016	2015
ADDITIONS		
Contributions		
Employer contributions	$ 340,512	$ 303,244
Plan member contributions	139,132	129,895
TOTAL CONTRIBUTIONS	**479,644**	**433,139**
Investment Income/(Loss)		
Net appreciation/(depreciation) in fair value of investments:		
Securities and alternative investments	(111,668)	278,202
Real estate	44,949	33,535
TOTAL NET APPRECIATION/(DEPRECIATION) IN FAIR VALUE OF INVESTMENTS	**(66,719)**	**311,737**
INTEREST INCOME ON CASH AND SECURITIES	**40,313**	**23,093**
Other Investment Income		
Dividend income	6,001	7,182
Net real estate rental income	26,292	23,474
Other income	5,807	8,363
TOTAL OTHER INVESTMENT INCOME	**38,100**	**39,019**
Less Investment Expenses		
Investment advisement fees	(62,742)	(67,032)
Other investment expenses	(29,342)	(26,319)
TOTAL INVESTMENT EXPENSES	**(92,084)**	**(93,351)**
NET INVESTMENT INCOME/(LOSS)	**(80,390)**	**280,498**
Securities Lending Income		
Earnings	697	482
Less: rebates and bank charges	(335)	(138)
NET SECURITIES LENDING INCOME	**362**	**344**
TOTAL ADDITIONS	**399,616**	**713,981**
DEDUCTIONS		
Benefits and refunds paid to Plan members and beneficiaries	464,068	428,475
Administrative expenses	7,569	6,710
Other expenses	2,664	2,208
TOTAL DEDUCTIONS	**474,301**	**437,393**
NET INCREASE/(DECREASE) IN NET POSITION	**(74,685)**	**276,588**
NET POSITION – RESTRICTED FOR PENSIONS		
Beginning of Year	**8,271,659**	**7,995,071**
END OF YEAR	**$ 8,196,974**	**$ 8,271,659**

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

Statements of Assets and Liabilities – Agency Fund
Pacific Public Partners

As of June 30, 2016 and 2015
(Amounts in Thousands)

	2016	2015
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**

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

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 Plan members (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, Law Library for San Bernardino County, Local Agency Formation Commission, Mojave Desert Air Quality Management District, San Bernardino Associated Governments, SBCERA, South Coast Air Quality Management District (SCAQMD), Superior Court of California County of San Bernardino (Superior Court), Inland Valley Development Agency (withdrew June 30, 2012), San Bernardino International Airport Authority (withdrew June 30, 2012), and Rim of the World Recreation and Park District (withdrew May 4, 2013).

Fiduciary oversight of SBCERA is vested with the SBCERA Board, which consists of nine voting members and three alternate members. Four members are appointed by the County of San Bernardino's Board of Supervisors, six members (which includes 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 who has designated one alternate. Board members serve three-year terms, with the exception of the County Treasurer, who serves during their 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 California Government Code (GC) section 31521. SBCERA's Chief Executive Officer is appointed by the Board, and implements the policies and direction set by the Board.

SBCERA publishes its own Comprehensive Annual Financial Report (CAFR) and receives its own independent financial statement audit. SBCERA is a legally separate and independent 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 CAFR excludes the SBCERA pension trust fund as of June 30, 2016. An electronic copy of SBCERA's CAFR is available on SBCERA's website at www.SBCERA.org.

NOTE 1 – Significant Provisions of the Plan *(continued)*

Membership and Benefit Eligibility

All benefits established by the CERL and PEPRA, as amended from time to time, are administered by SBCERA for its participating employers. 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 became 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.

SBCERA Membership

An employee who is appointed to a regular position and whose service is greater than fifty percent of the full standard of hours required by an SBCERA participating 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.

NOTE 1 – Significant Provisions of the Plan

Membership and Benefit Eligibility | *SBCERA Membership (continued)*

SBCERA membership consists of active Plan members, inactive Plan members, and their beneficiaries as follows:

SBCERA Membership

As of June 30, 2016

	Tier 1			Tier 2			
Membership Type	**General**	**Safety**	**Sub-Total**	**General**	**Safety**	**Sub-Total**	**Total**
Active Plan members:							
Active Plan members – vested	12,057	1,704	13,761	25	-	25	13,786
Active Plan members – non-vested	1,179	135	1,314	4,904	534	5,438	6,752
TOTAL ACTIVE PLAN MEMBERS	**13,236**	**1,839**	**15,075**	**4,929**	**534**	**5,463**	**20,538**
Inactive Plan members or beneficiaries currently receiving benefits:							
Retirees currently receiving benefits	8,466	1,596	10,062	-	-	-	10,062
Beneficiaries and dependents currently receiving benefits	1,243	323	1,566	2	-	2	1,568
TOTAL INACTIVE PLAN MEMBERS OR BENEFICIARIES CURRENTLY RECEIVING BENEFITS	**9,709**	**1,919**	**11,628**	**2**	**-**	**2**	**11,630**
Inactive Plan members not receiving benefits:							
Inactive Plan members eligible for, but not yet receiving benefits	2,166	148	2,314	22	5	27	2,341
Inactive Plan members eligible for refund value of account only[1]	1,998	62	2,060	686	49	735	2,795
TOTAL INACTIVE PLAN MEMBERS NOT RECEIVING BENEFITS	**4,164**	**210**	**4,374**	**708**	**54**	**762**	**5,136**
TOTAL SBCERA MEMBERSHIP	**27,109**	**3,968**	**31,077**	**5,639**	**588**	**6,227**	**37,304**

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

NOTE 1 – Significant Provisions of the Plan

Membership and Benefit Eligibility | *SBCERA Membership (continued)*

SBCERA Membership

As of June 30, 2015

	Tier 1			Tier 2			
Membership Type	**General**	**Safety**	**Sub-Total**	**General**	**Safety**	**Sub-Total**	**Total**
Active Plan members:							
Active Plan members – vested	12,296	1,778	14,074	25	1	26	14,100
Active Plan members – non-vested	1,906	153	2,059	3,499	280	3,779	5,838
TOTAL ACTIVE PLAN MEMBERS	**14,202**	**1,931**	**16,133**	**3,524**	**281**	**3,805**	**19,938**
Inactive Plan members or beneficiaries currently receiving benefits:							
Retirees currently receiving benefits	8,087	1,531	9,618	-	-	-	9,618
Beneficiaries and dependents currently receiving benefits	1,212	298	1,510	-	-	-	1,510
TOTAL INACTIVE PLAN MEMBERS OR BENEFICIARIES CURRENTLY RECEIVING BENEFITS	**9,299**	**1,829**	**11,128**	**-**	**-**	**-**	**11,128**
Inactive Plan members not receiving benefits:							
Inactive Plan members eligible for, but not yet receiving benefits	2,066	144	2,210	5	-	5	2,215
Inactive Plan members eligible for refund value of account only[1]	2,079	69	2,148	424	17	441	2,589
TOTAL INACTIVE PLAN MEMBERS NOT RECEIVING BENEFITS	**4,145**	**213**	**4,358**	**429**	**17**	**446**	**4,804**
TOTAL SBCERA MEMBERSHIP	**27,646**	**3,973**	**31,619**	**3,953**	**298**	**4,251**	**35,870**

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

NOTE 1 – Significant Provisions of the Plan

Membership and Benefit Eligibility *(continued)*

Member Retirement Benefits

General Tier 1 members are eligible for retirement benefits upon completion of 10 years of service credit and attaining age 50, or 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 the highest 12 consecutive months of compensation earnable, as defined in GC 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 age 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 $265,000 for calendar years 2016 and 2015. Tier 1 members and participating employers are exempt from paying contributions on compensation earnable paid in excess of the annual cap (except for the Survivor Benefit contribution), and Tier 1 members are exempt from paying contributions on compensation earnable when the member reaches 30 or more years of service credit (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 the highest 36 months of pensionable compensation, as defined in GC 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 (adjusted each year thereafter based on changes in the Consumer Price Index). The cap for calendar years 2016 and 2015 is $140,424. Since pensionable compensation is capped, Tier 2 members and participating employers are exempt from paying contributions on pensionable compensation paid in excess of the annual cap (except for the Survivor Benefit contribution).

NOTE 1 – Significant Provisions of the Plan

Membership and Benefit Eligibility | *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 5 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. A member with fewer than 5 years of service credit may elect to leave accumulated contributions in the retirement fund indefinitely pursuant to GC section 31629.5. If a member terminates after 5 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.

NOTE 1 – Significant Provisions of the Plan

Death and Disability Benefits *(continued)*

Death before Retirement with Less than 5 Years of Service Credit

If a member with less than 5 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 50% of annual compensation pursuant to GC section 31781. If the member established reciprocity with another public pension plan, SBCERA will coordinate benefits with the last public employer, pursuant to GC sections 31839 and 31840.

Death before Retirement with More than 5 Years of Service Credit

A member who dies after earning at least 5 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 non-service 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 GC section 31781. If the member established reciprocity with another public pension plan, SBCERA will coordinate benefits with the last public employer, pursuant to GC 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 with 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 will 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 increases to 40% for two children, or 50% for three or more eligible children if the death qualifies pursuant to GC section 31787.5. Under GC section 31787.65, the final compensation upon which the additional death payment is calculated may be increased any time current active members, in the same classification as the deceased member, receive a compensation increase. The final compensation will be subject to these increases until the earlier of the death of the surviving spouse or eligible children, or the date that the deceased member would have attained the age of 50 years.

NOTE 1 – Significant Provisions of the Plan

Death and Disability Benefits *(continued)*

Death after Retirement

If the unmodified retirement option is chosen as part of a service retirement, the eligible spouse/registered domestic partner will 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 retired with 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 GC 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 GC 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 eligible 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 reach age 18 or marry, whichever comes first. If the child/children remain unmarried and are enrolled as full-time students in an accredited school, the benefit will continue up to the age of 22.

If one of the four modified retirement options is chosen by the member as part of a service retirement, the monthly allowance is reduced for the retiree's lifetime and the eligible beneficiary 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 SBCERA's independent actuary.

Survivor Benefits

The Plan provides a General member 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 GC section 31855.12.

NOTE 1 – Significant Provisions of the Plan

Death and Disability Benefits *(continued)*

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% 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 GC section 31727.7, the benefit is 20% of final average compensation for 5 years of service credit and 2% for each additional whole year of service credit thereafter, up to a maximum of 40% of final average compensation. For members 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 Adjustments

Pursuant to GC 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 when 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 GC section 31557. A participating employer is eligible to withdraw from SBCERA pursuant to GC 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 withdrawing employer who either have retired or will retire from the Plan. The liability is determined by SBCERA's actuary pursuant to GC section 31564.2.

Three employers have withdrawn from SBCERA and remain liable for their unfunded actuarial liability. On June 30, 2012, San Bernardino International Airport Authority (SBIAA) and the Inland Valley Development Agency (IVDA) withdrew from SBCERA and subsequently entered into a payment agreement with SBCERA in September 2013 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 was paid in full in August 2015.

NOTE 1 – Significant Provisions of the Plan

Participating Employers *(continued)*

On May 4, 2013, Rim of the World Recreation and Park District (Rim) withdrew from SBCERA and subsequently entered into a payment agreement with SBCERA in February 2014 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. See below for a summary of the amounts due from withdrawn employers as of June 30, 2016 and 2015.

Due From Withdrawn Employers

As of June 30, 2016 and 2015
(Amounts in Thousands)

Employer	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
SBIAA	$ 390	$ -	$ (390)	$ -
IVDA	4,417	-	(1,213)	3,204
Rim	619	-	(33)	586
TOTAL	**$ 5,426**	**$ -**	**$ (1,636)**	**$ 3,790**

Employer	Balance July 1, 2014	Additions	Deductions	Balance June 30, 2015
SBIAA	$ 1,992	$ -	$ (1,602)	$ 390
IVDA	4,417	-	-	4,417
Rim	652	-	(33)	619
TOTAL	**$ 7,061**	**$ -**	**$ (1,635)**	**$ 5,426**

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 (Plan member) contributions are recognized as revenues when due, pursuant to statutory requirements. Contributions are recorded in the period the related salaries are earned and become measurable pursuant to 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 currently 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 7 – Deposits and Investments (see section for Cash and Deposits), for further information.

Investments

SBCERA is authorized by GC 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 Plan 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 7 – Deposits and Investments (see section for Investments), for further information.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting I *Investments (continued)*

Plan investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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.

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, 2016 and 2015 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, 2016 and 2015.

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 on the next page provides the Board's adopted asset allocation policy as of June 30, 2016 and 2015, respectively.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting | *Investments (continued)*

Asset Allocation Policy

As of June 30, 2016 and 2015

Asset Class	Target Allocation
Domestic equity	13.00%
International equity	15.00%
Domestic fixed income	15.00%
Global fixed income	18.00%
Real estate	9.00%
Private equity	16.00%
Absolute return	7.00%
Timber	2.00%
Infrastructure	1.00%
Commodities	2.00%
Short-term cash	2.00%
TOTAL	**100.00%**

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 counter-party credit risk 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 7 – Deposits and Investments (see section for Derivatives), for further information.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting *(continued)*

Reserves

Employer and Plan member contributions are allocated to various reserve accounts based on actuarial determinations. Pursuant to the Board's 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 fair 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 5 – Reserves, for further information.

Income Taxes

SBCERA is a qualified plan under 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 Board annually adopts the operating budget for the administration of SBCERA. The administrative expenses are charged against the earnings of the Plan. Pursuant to GC 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. Actual administrative expenses did not exceed this limitation for the years ended June 30, 2016 and 2015 (see table on the next page).

Pursuant to GC 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 10 – 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 Supplemental Information section of this report. A Schedule of Administrative and Other Expenses subject to the statutory limitation described above is included in the Other Supplemental Information section of this report.

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, 2016	For the Year Ended June 30, 2015
Actuarial accrued liability (AAL)[1]	a	$ 9,694,825	$ 9,088,636
Statutory limit for administrative expenses (AAL x 0.21%)		20,359	19,086
Actual administrative expenses subject to statutory limit	b	7,569	6,710
EXCESS OF LIMITATION OVER ACTUAL ADMINISTRATIVE EXPENSES		**$ 12,790**	**$ 12,376**
ACTUAL ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF AAL	**b/a**	**0.08%**	**0.07%**

Management's Estimates

The preparation of financial statements in conformity with GAAP 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. SBCERA's capital assets are summarized on the next page as of June 30, 2016 and 2015.

(1) The AAL, as determined by the Plan's actuary each year, is used to calculate the statutory limitation for administrative expenses for the year after next. For example, the AAL as of June 30, 2014 was approved by the Board in November 2014, and was used to establish the statutory limitation for administrative expenses for the year ended June 30, 2016.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting | *Capital Assets (continued)*

Capital Assets

(Amounts in Thousands)

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Furniture, equipment & leaseholds	$ 6,345	$ 3,924	$ -	$ 10,269
Computer software	4,312	83	-	4,395
Accumulated depreciation[1]	(5,359)	(290)	-	(5,649)
Accumulated amortization[1]	(1,098)	(613)	-	(1,711)
TOTAL	**$ 4,200**	**$ 3,104**	**$ -**	**$ 7,304**

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015
Furniture, equipment & leaseholds	$ 6,054	$ 291	$ -	$ 6,345
Computer software	4,265	47	-	4,312
Accumulated depreciation[1]	(5,158)	(201)	-	(5,359)
Accumulated amortization[1]	(502)	(596)	-	(1,098)
TOTAL	**$ 4,659**	**$ (459)**	**$ -**	**$ 4,200**

(1) Depreciation and amortization expense totaled $903 thousand and $797 thousand for the years ended June 30, 2016 and 2015, respectively.

NOTE 2 – Summary of Significant Accounting Policies

Basis of Accounting *(continued)*

Effect of New Governmental Accounting Standards Board (GASB) Pronouncements

SBCERA implemented all applicable new GASB pronouncements in the years ended June 30, 2016 and 2015, as required by each statement. The most recent applicable pronouncements, effective for the years ended June 30, 2016 and 2015, which have a material impact on SBCERA's financial statements, are provided below.

GASB Statement No. 72 (GASB 72), *Fair Value Measurement and Application* establishes standards of accounting and financial reporting for fair value measurements. This Statement also provides guidance for applying fair value to certain investments and requires disclosures to all fair value measurements, the level of fair value hierarchy, and valuation techniques, and is effective for financial statements for periods beginning after June 15, 2015. SBCERA implemented GASB 72 for the year ended June 30, 2016 and the financial statements and the related disclosures reflect the changes as required by GASB 72. Refer to Note 7 – Deposits and Investments, for further information.

GASB Statement No. 82 (GASB 82), *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*, which is effective for reporting periods beginning after June 15, 2016, addresses issues regarding the presentation of payroll-related measures in required supplementary information, selection of assumptions and deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy plan member contribution requirements. SBCERA early implemented GASB 82 for the year ended June 30, 2016, and the changes mandated by the statement are reflected in SBCERA's financial statements and related disclosures.

Reclassification of Financial Statements Presentation

Certain accounts presented in the year ended June 30, 2015 financial statements may have been reclassified to be consistent with the current year's presentation. Such reclassifications have no effect on the net increase in fiduciary net position as previously reported.

NOTE 3 – Contribution Requirements

Participating employers and active Plan members are required by statute to contribute a percentage of covered payroll to the Plan. This requirement is pursuant to GC sections 31453.5 and 31454, for participating employers, and GC 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 Plan members and their beneficiaries, and also includes an evaluation of the Plan's assets and liabilities. Participating employers may pay a portion of the active Plan member contributions, and active Plan members may pay a portion of the participating employer 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 Plan benefit provisions are changed. Actuarial funding is based on the Entry Age Cost 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 Plan member's first year of membership through the year of retirement, would accumulate to the amount necessary to fully fund the Plan 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 6 years of amortization remaining at June 30, 2016. Any new UAAL after June 30, 2002 is amortized over a closed 20-year period effective with that valuation.

NOTE 3 – Contribution Requirements *(continued)*

SBCERA's actuarial valuation for funding purposes is completed as of June 30 of each year. The rates recommended in the actuarial valuation apply to the year beginning 12 months after the valuation date. For example, the actuarial valuation dated June 30, 2014 established the contribution rates for the year ended June 30, 2016. 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 its own declining 15-year period; temporary retirement incentives, including the impact of benefits resulting from additional service permitted in GC section 31641.04 (Golden Handshake) will be amortized over a declining period of up to 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.

For funding purposes, SBCERA's actuarial valuation values the Plan's assets at fair 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 fair value by recognizing the differences between the actual market return and the expected market return over a 5-year period.

Separate contribution rates are established by the Board for the General member survivor benefit 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 and above apply, except that a level dollar methodology is used instead of a level percent of payroll. Survivor Benefit contribution rates, for the years ended June 30, 2016 and 2015 are \$1.72 and \$1.85, respectively, per biweekly employer pay period. Refer to Note 1 – Significant Provisions of the Plan (see section for Survivor Benefits), for further information.

NOTE 3 – Contribution Requirements *(continued)*

The tables below provide a summary of the employer and Plan member contributions received for the years ended June 30, 2016 and 2015. Participating employers satisfied 100% of the contribution requirements for the years ended June 30, 2016 and 2015.

Employer Contributions

For the Years Ended June 30, 2016 and 2015

(Amounts in Thousands)

Contribution Type	2016	2015
Actuarially determined contributions	$ 339,240	$ 301,736
Plan member paid employer contributions	485	683
Survivor benefit contributions	787	825
TOTAL EMPLOYER CONTRIBUTIONS	**$ 340,512**	**$ 303,244**

Plan Member Contributions

For the Years Ended June 30, 2016 and 2015

(Amounts in Thousands)

Contribution Type	2016	2015
Actuarially determined contributions	$ 125,380	$ 112,862
Employer paid Plan member contributions	8,770	11,996
Survivor benefit contributions	787	823
Purchase of eligible service credit	4,195	4,214
TOTAL PLAN MEMBER CONTRIBUTIONS	**$ 139,132**	**$ 129,895**

SBCERA is also a participating employer and all SBCERA employees are eligible for membership in the Plan. The employer contributions paid by SBCERA, on behalf of these employees, are funded by earnings of the Plan, pursuant to GC section 31580.2. SBCERA paid 100% of the actuarially determined contributions, in the amount of $1 million and $814 thousand, for the years ended June 30, 2016 and 2015, respectively.

NOTE 3 – Contribution Requirements *(continued)*

The tables below and on the next page summarize the actuarially determined, Board approved, required employer and Plan member contribution rates in effect for the years ended June 30, 2016 and 2015. Contribution rates are expressed as a percentage of covered payroll.

Employer Contribution Rates

For the Year Ended June 30, 2016

	Tier 1 Members[1]			Tier 2 Members[1]		
Actuarial Cost Group	**Normal Cost**	**Unfunded Actuarial Accrued Liability (UAAL)**	**Total**	**Normal Cost**	**Unfunded Actuarial Accrued Liability (UAAL)**	**Total**
County General members	11.50%	10.99%	**22.49%**	8.40%	10.99%	**19.39%**
County Safety members	22.06%	27.03%	**49.09%**	15.22%	27.03%	**42.25%**
Superior Court members	11.50%	12.39%	**23.89%**	8.40%	12.39%	**20.79%**
SCAQMD members	11.73%	18.46%	**30.19%**	7.97%	18.46%	**26.43%**
Other General members	12.83%	20.48%	**33.31%**	9.29%	20.48%	**29.77%**
Other Safety members	23.22%	45.79%	**69.01%**	12.82%	45.79%	**58.61%**

Employer Contribution Rates

For the Year Ended June 30, 2015

	Tier 1 Members[2]			Tier 2 Members[2]		
Actuarial Cost Group	**Normal Cost**	**Unfunded Actuarial Accrued Liability (UAAL)**	**Total**	**Normal Cost**	**Unfunded Actuarial Accrued Liability (UAAL)**	**Total**
County General members	10.10%	10.14%	**20.24%**	7.88%	10.14%	**18.02%**
County Safety members	19.88%	23.27%	**43.15%**	13.75%	23.27%	**37.02%**
Superior Court members	10.10%	11.65%	**21.75%**	7.88%	11.65%	**19.53%**
SCAQMD members	10.23%	17.53%	**27.76%**	7.83%	17.53%	**25.36%**
Other General members	11.67%	18.24%	**29.91%**	7.20%	18.24%	**25.44%**
Other Safety members	20.48%	39.17%	**59.65%**	11.56%	39.17%	**50.73%**

(1) Rates are in accordance with the June 30, 2014 actuarial valuation.
(2) Rates are in accordance with the June 30, 2013 actuarial valuation.

NOTE 3 – Contribution Requirements *(continued)*

Plan Member Contribution Rates

For the Years Ended June 30, 2016 and 2015

	2016[1]		2015[2]	
Actuarial Cost Group	**Beginning[3]**	**Ending[3]**	**Beginning[3]**	**Ending[3]**
General members – Tier 1	7.81%	14.85%	7.07%	14.05%
Safety members – Tier 1	10.62%	17.57%	9.82%	16.52%
County General and Superior Court members – Tier 2	7.70%	8.40%	6.97%	7.88%
County Safety members – Tier 2	14.70%	15.22%	13.08%	13.75%
SCAQMD members – Tier 2	7.30%	7.97%	6.92%	7.83%
Other General members – Tier 2	8.50%	9.29%	6.37%	7.20%
Other Safety members – Tier 2	12.38%	12.82%	11.00%	11.56%

NOTE 4 – Net Pension Liability of Participating Employers

The components of the net pension liability of participating employers as of June 30, 2016 and 2015 are as follows:

Net Pension Liability of Participating Employers

(Amounts in Thousands)

		As of June 30, 2016	As of June 30, 2015
Total pension liability	a	$ 10,665,212	$ 10,214,473
Plan fiduciary net position	b	8,196,974	8,271,659
NET PENSION LIABILITY	**a-b**	**$ 2,468,238**	**$ 1,942,814**
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	**b/a**	**76.86%**	**80.98%**

(1) Rates are in accordance with the June 30, 2014 actuarial valuation.
(2) Rates are in accordance with the June 30, 2013 actuarial valuation.
(3) Tier 1 rates are based on age at entry: Beginning rate shown is the lowest rate for entry age 16, and the ending rate shown is the highest entry age rate. For Tier 2 rates, the beginning rate is the non-refundable rate and the ending rate is the refundable rate (50% of normal cost). For Tier 2 members, the non-refundable rate is only available if an employer Memorandum of Understanding (MOU) provided for it on January 1, 2013. Once that MOU expires, the non-refundable rate is no longer available as PEPRA does not provide for a non-refundable rate.

NOTE 4 – Net Pension Liability of Participating Employers *(continued)*

The net pension liability of participating employers was measured as of June 30, 2016 and 2015 and determined based upon the total pension liability from actuarial valuations as of June 30, 2016 and 2015, respectively.

Actuarial Assumptions

The actuarial assumptions used to determine the total pension liability as of June 30, 2016 and 2015, 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, 2016 actuarial valuation, which is used to determine future contribution rates for funding purposes. Key assumptions used in the actuarial valuations are presented below.

Key Assumptions Used in Valuation of Total Pension Liability

Valuation Date	June 30, 2016 and 2015
Actuarial Experience Study	3 Year Period Ending June 30, 2013
Actuarial Assumptions:	
Discount Rate[1]	7.50%
Inflation	3.25%
Projected Salary Increases[2]	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	0.60% of payroll

(1) Includes inflation at 3.25% and is net of pension plan investment expense.
(2) Includes inflation at 3.25%, real "across the board" salary increases of 0.50%, plus merit and promotional increases. Amounts vary by service.

NOTE 4 – 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.

Long-Term Expected Real Rate of Return

The long-term expected rate of return on Plan investments was determined in 2014 using a building block method in which expected future real rates of return (expected returns, net of 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 and subtracting expected investment expenses and a risk margin. 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 on the next page. This information will change every three years based on the triennial actuarial experience study.

NOTE 4 – Net Pension Liability of Participating Employers

Long-Term Expected Real Rate of Return *(continued)*

Long-Term Expected Real Rate of Return

As of June 30, 2016 and 2015

Asset Class	Investment Classification	Target Allocation[1]	Long-Term Expected Real Rate of Return (Arithmetic)
Large cap U.S. equity	Domestic common and preferred stock	5.00%	5.94%
Small cap U.S. equity	Domestic common and preferred stock	2.00%	6.50%
Developed international equity	Foreign common and preferred stock	6.00%	6.87%
Emerging market equity	Foreign common and preferred stock	6.00%	8.06%
U.S. core fixed income	U.S. government and agency/corporate bonds	2.00%	0.69%
High yield/credit strategies	Corporate bonds/foreign bonds	13.00%	3.10%
Global core fixed income	Foreign bonds	1.00%	0.30%
Emerging market debt	Emerging market debt	6.00%	4.16%
Real estate	Real estate	9.00%	4.96%
International credit	Foreign alternatives	10.00%	6.76%
Absolute return	Domestic alternatives/foreign alternatives	13.00%	2.88%
Real assets	Domestic alternatives/foreign alternatives	6.00%	6.85%
Long/short equity	Domestic alternatives/foreign alternatives	3.00%	4.86%
Private equity	Domestic alternatives/foreign alternatives	16.00%	9.64%
Cash and equivalents	Short-term cash investment funds	2.00%	(0.03)%
TOTAL		**100.00%**	

(1) For actuarial purposes, target allocations only change once every three years based on the triennial actuarial experience study.

NOTE 4 – Net Pension Liability of Participating Employers *(continued)*

Discount Rate

The discount rate used to measure the total pension liability was 7.50% for the years ended June 30, 2016 and 2015. The projection of cash flows used to determine the discount rates assumed that contributions from participating employers and active Plan members are made at the actuarially determined contribution rates. 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% was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2016 and 2015, respectively.

The table below presents the net pension liability of participating employers calculated using the discount rate of 7.50% as of June 30, 2016 and 2015, 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, 2016 and 2015
(Amounts in Thousands)

Net Pension Liability	1.00% Decrease 6.50%	Current Discount Rate 7.50%	1.00% Increase 8.50%
June 30, 2016	$ 3,871,170	$ 2,468,238	$ 1,305,692
June 30, 2015	3,305,297	1,942,814	815,240

NOTE 5 – Reserves

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 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 Plan.

Contra account – the 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 Plan members 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 GC section 31789.13 which provides an additional $250 burial allowance to retired SBCERA members.

Notes to the Basic Financial Statements

June 30, 2016 and 2015

(continued)

NOTE 5 – Reserves *(continued)*

For funding purposes, the various reserve accounts comprise net position – restricted for pensions under the 5-year smoothed market asset valuation method as follows:

Reserves

As of June 30, 2016 and 2015

(Amounts in Thousands)

	2016	2015
Valuation Reserves		
Member deposit reserve	$ 1,288,669	$ 1,240,297
Employer current service reserve	2,265,676	2,105,743
Contra account	(2,476,403)	(2,148,114)
Pension reserve	4,022,989	3,766,863
Cost-of-living reserve	1,752,232	1,601,106
Annuity reserve	1,813,068	1,622,374
Supplemental disability reserve	8,639	9,038
Survivor benefit reserve	61,357	57,267
TOTAL RESERVED FOR PENSIONS	**8,736,227**	**8,254,574**
Non-Valuation Reserves		
Burial allowance reserve	732	779
SUBTOTAL – NON-VALUATION RESERVES	**732**	**779**
TOTAL RESERVES (SMOOTHED MARKET ACTUARIAL VALUE)	**8,736,959**	**8,255,353**
Net unrecognized gains/(losses)	**(539,985)**	**16,306**
NET POSITION – RESTRICTED FOR PENSIONS INCLUDING NON-VALUATION RESERVES, AT FAIR VALUE	**$ 8,196,974**	**$ 8,271,659**

NOTE 6 – 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 obligations, 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 are required to deliver collateral for each loan equal to 102% for domestic loans and 105% for international loans, of the fair value of the loaned securities plus accrued income, for the years ended June 30, 2016 and 2015.

SBCERA did not impose any restrictions during the two-year period ended June 30, 2016 on the amount of loans that State Street made on its behalf. 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 same two-year period that resulted in a declaration or notice of default of the borrower.

During the years ended June 30, 2016 and 2015, 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. The pool is not rated. All securities in this pool 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, have been determined by the bank to be of comparable quality. As of June 30, 2016, the liquidity pool had an average duration of 43 days and an average weighted final maturity of 83 days. As of June 30, 2015, the liquidity pool had an average duration of 28 days and an average weighted final maturity of 109 days. 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, 2016, SBCERA had no credit risk exposure to borrowers. As of June 30, 2016, the fair value of securities on loan was $118.70 million with the fair value of cash collateral received for the securities on loan of $95.46 million and non-cash collateral of $24.88 million. As of June 30, 2015, the fair value of securities on loan was $141.57 million with the fair value of cash collateral received for the securities on loan of $123.78 million and non-cash collateral of $21.14 million.

NOTE 7 – 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 $6.98 million and $3.10 million at June 30, 2016 and 2015, 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 $1.47 million and $6.82 million at June 30, 2016 and 2015, respectively. The SBCIP is an external investment pool and is not registered with the Securities and Exchange Commission. At June 30, 2016 and 2015, the SBCIP has a weighted average maturity of 311 and 344 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 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, various types of investment manager agreements and other applicable fund documents.

NOTE 7 – Deposits and Investments

Investments *(continued)*

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
- Due Diligence – Investment Program Monitoring and Compliance Policy
- Securities Lending Program 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.

NOTE 7 – Deposits and Investments

Derivatives *(continued)*

The following table provides a summary of the derivative instruments outstanding as of June 30, 2016.

Derivative Instruments Outstanding

As of June 30, 2016
(Amounts in Thousands)

	Changes in Fair Value[4]		Fair Value at June 30, 2016		
Investment Derivatives	**Classification**	**Amount[1]**	**Classification**	**Amount[2]**	**Notional[3]**
Credit default swaps bought	Investment income[5]	$ 19,752	Domestic alternatives	$ (21,716)	$ 808,350
Equity options bought	Investment income[5]	(33,675)	Domestic alternatives	30,955	10,173
Equity options written	Investment income[5]	12,252	Securities options payable	(22,229)	(19,230)
Fixed income futures long	Investment income[5]	7,266	Domestic alternatives	-	189,200
Fixed income futures short	Investment income[5]	(43,673)	Domestic alternatives	-	(346,486)
Fixed income options bought	Investment income[5]	(37,008)	Domestic alternatives	12,816	981,634
Foreign currency futures short	Investment income[5]	159	Domestic alternatives	-	(7,375)
FX forwards	Investment income[5]	1,158	Foreign common and preferred stock	2,315	$ 372,781
Index futures long	Investment income[5]	(88,254)	Domestic alternatives	-	15,648
Index futures short	Investment income[5]	517	Domestic alternatives	-	(77)
Index options bought	Investment income[5]	5,983	Domestic alternatives	1,192	24
Index options written	Investment income[5]	(3,500)	Securities options payable	(19,622)	(5,164)
Total return swaps bond	Investment income[5]	(8,986)	Domestic alternatives	(3,872)	$ 586,355
Total return swaps equity	Investment income[5]	(7,347)	Domestic alternatives	5,507	$ (172,302)
TOTAL		**$ (175,356)**		**$ (14,654)**	

(1) Negative values refer to losses.
(2) Negative values refer to liabilities.
(3) Notional may be a dollar amount or size of underlying investments; negative values refer to short positions.
(4) Excludes futures margin payments.
(5) Investment income represents the net appreciation/(depreciation) in fair value of investments for securities and alternative investments.

NOTE 7 – Deposits and Investments

Derivatives *(continued)*

The following table provides a summary of the derivative instruments outstanding as of June 30, 2015.

Derivative Instruments Outstanding

As of June 30, 2015
(Amounts in Thousands)

	Changes in Fair Value[4]		Fair Value at June 30, 2015		
Investment Derivatives	**Classification**	**Amount[1]**	**Classification**	**Amount[2]**	**Notional[3]**
Commodity futures long	Investment income[5]	$ (1)	Short-term cash investment funds	$ -	-
Commodity futures short	Investment income[5]	1	Short-term cash investment funds	-	-
Credit default swaps bought	Investment income[5]	21,986	Domestic alternatives	(50,082)	$ 1,000,000
Equity options bought	Investment income[5]	8,248	Domestic alternatives	34,662	3,633
Equity options written	Investment income[5]	1,060	Securities options payable	(25,612)	(8,556)
Fixed income futures long	Investment income[5]	3,588	Domestic alternatives	-	214,700
Fixed income futures short	Investment income[5]	(18,957)	Domestic alternatives	-	(297,808)
Fixed income options bought	Investment income[5]	(14,007)	Domestic alternatives	28,498	969,902
Foreign currency futures short	Investment income[5]	(38)	Domestic alternatives	-	(7,750)
FX forwards	Investment income[5]	31,263	Foreign common and preferred stock	933	$ 382,777
Index futures long	Investment income[5]	96,267	Domestic alternatives	-	13,436
Index futures short	Investment income[5]	1,507	Domestic alternatives	-	(25)
Index options bought	Investment income[5]	(78,844)	Domestic alternatives	76,169	1,971
Index options written	Investment income[5]	51,264	Securities options payable	(45,013)	(3,626)
Rights	Investment income[5]	3	Foreign common and preferred stock	-	-
Total return swaps bond	Investment income[5]	(27,341)	Domestic alternatives	4,200	$ 584,875
Total return swaps equity	Investment income[5]	19,749	Domestic alternatives	(2,917)	$ (406,046)
TOTAL		**$ 95,748**		**$ 20,838**	

(1) Negative values refer to losses.
(2) Negative values refer to liabilities.
(3) Notional may be a dollar amount or size of underlying investments; negative values refer to short positions.
(4) Excludes futures margin payments.
(5) Investment income represents the net appreciation/(depreciation) in fair value of investments for securities and alternative investments.

NOTE 7 – Deposits and Investments

Derivatives *(continued)*

The counterparty credit ratings of SBCERA's non-exchange traded investment derivative instruments outstanding and subject to loss as of June 30, 2016 and 2015 are as follows:

Credit Quality Ratings (S&P) of Counterparties for Investment Derivatives

As of June 30, 2016

(Amounts in Thousands)

Counterparty Name	Total Fair Value	S&P Credit Rating
Barclays	$ 3,456	A-
Barclays Bank	4,889	A-
BNP Paribas	1,897	A
Commonwealth Bank of Australia Sydney	818	AA-
Deutsche Bank Securities	3,610	BBB+
National Australia Bank Limited	886	AA-
Royal Bank of Canada	847	AA-
State Street Bank and Trust Company	2,356	AA-
Westpac Banking Corporation	757	AA-
TOTAL	**$ 19,516**	

Credit Quality Ratings (S&P) of Counterparties for Investment Derivatives

As of June 30, 2015

(Amounts in Thousands)

Counterparty Name	Total Fair Value	S&P Credit Rating
Bank of New York	$ 526	A+
Barclays	4,606	A-
BNP Paribas	883	A+
Commonwealth Bank of Australia Sydney	537	AA-
HSBC Bank USA	558	AA-
National Australia Bank Limited	537	AA-
Standard Chartered Bank	550	A+
State Street Bank and Trust Company	844	AA-
TOTAL	**$ 9,041**	

Notes to the Basic Financial Statements

June 30, 2016 and 2015

(continued)

NOTE 7 – Deposits and Investments

Derivatives *(continued)*

The maximum exposure SBCERA would face in case of default of all counterparties is $19.52 million and $9.04 million as of June 30, 2016 and 2015, respectively. At June 30, 2016 and 2015, 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.

As of June 30, 2016 and 2015, 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, 2016

(Amounts in Thousands)

		Investment Maturities			
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**
Credit default swaps bought	$ (21,716)	$ -	$ (21,716)	$ -	$ -
Fixed income options bought	12,816	-	1,824	1,171	9,821
Total return swaps bond	(3,872)	(3,872)	-	-	-
Total return swaps equity	5,507	5,507	-	-	-
TOTAL	**$ (7,265)**	**$ 1,635**	**$ (19,892)**	**$ 1,171**	**$ 9,821**

Investment Maturities

As of June 30, 2015

(Amounts in Thousands)

		Investment Maturities			
Investment Type	**Fair Value**	**Less than 1 Year**	**1-5 Years**	**6-10 Years**	**More than 10 Years**
Credit default swaps bought	$ (50,082)	$ -	$ (50,082)	$ -	$ -
Fixed income options bought	28,498	-	4,712	5,406	18,380
Total return swaps bond	4,200	4,200	-	-	-
Total return swaps equity	(2,917)	(2,917)	-	-	-
TOTAL	**$ (20,301)**	**$ 1,283**	**$ (45,370)**	**$ 5,406**	**$ 18,380**

NOTE 7 – 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, 2016

(Amounts in Thousands)

			Forward Contracts	
Currency	**Fair Value**	**Fixed Income**	**Net Receivables**	**Net Payables**
Brazilian Real	$ (755)	$ -	$ -	$ (755)
Canadian Dollar	(17)	-	-	(17)
Euro Currency	4,449	156	4,390	(97)
Japanese Yen	26	470	-	(444)
Pound Sterling	(418)	40	1,070	(1,528)
South African Rand	(397)	-	-	(397)
Swiss Franc	93	-	200	(107)
TOTAL	**$ 2,981**	**$ 666**	**$ 5,660**	**$ (3,345)**

Net Exposure to Foreign Currency Risk for Investment Derivative Instruments

As of June 30, 2015

(Amounts in Thousands)

			Forward Contracts	
Currency	**Fair Value**	**Fixed Income**	**Net Receivables**	**Net Payables**
Brazilian Real	$ 459	$ -	$ 459	$ -
Canadian Dollar	63	-	63	-
Euro Currency	1,567	686	881	-
Japanese Yen	970	985	-	(15)
Pound Sterling	81	405	842	(1,166)
South African Rand	(201)	-	-	(201)
Swiss Franc	70	-	70	-
TOTAL	**$ 3,009**	**$ 2,076**	**$ 2,315**	**$ (1,382)**

At June 30, 2016 and 2015, SBCERA did not hold any positions in derivatives containing contingent features.

NOTE 7 – 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 debt 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 debt is shown as "Not Rated" in the tables on the next two pages. 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, they are disclosed as such in the aforementioned tables. Private placement investments considered fixed income investments are not shown in the tables on the next two pages, but amount to $56.29 million and $50.40 million as of June 30, 2016 and 2015, respectively. U.S. treasury obligations are considered obligations of the U.S. government, are explicitly guaranteed by the U.S. government, are not considered to have credit risk, and are not shown in the tables on the next two pages, but amount to $83.49 million and $109.63 million as of June 30, 2016 and 2015, respectively.

NOTE 7 – Deposits and Investments

Credit Risk *(continued)*

The credit quality ratings of investments in fixed income securities and short-term cash investments by a nationally recognized statistical rating organization (Standard and Poor's) as of June 30, 2016 and 2015 are as follows:

Credit Quality Ratings (S&P) of Fixed Income and Short-Term Cash Investments

As of June 30, 2016
(Amounts in Thousands)

		S&P Credit Rating								
Investment Type	**Total Fair Value**	**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	$ 139,432	$ -	$ 4,244	$ 3,229	$ 28,324	$ 7,074	$ 17	$ 1,562	$ 2	$ 94,980
Corporate bonds[1]	70,115	-	-	4,366	696	-	653	-	9	64,391
Collateralized mortgage obligations	6,594	109	-	-	-	-	2,585	-	138	3,762
Emerging market debt	593,267	-	-	-	-	-	-	-	-	593,267
Foreign bonds[2]	26,567	-	-	-	-	-	-	-	-	26,567
Municipals	806	79	-	-	-	-	-	79	648	-
Short-term cash investment funds	915,688	-	-	-	-	-	-	-	-	915,688
TOTAL	**$ 1,752,469**	**$ 188**	**$ 4,244**	**$ 7,595**	**$ 29,020**	**$ 7,074**	**$ 3,255**	**$ 1,641**	**$ 797**	**$ 1,698,655**

(1) Does not include private placements, which amount to $32,295.
(2) Does not include private placements, which amount to $23,995.
Note: Table above does not include U.S. treasury obligations, which amount to $83,488, as these obligations are not subject to credit risk.

NOTE 7 – Deposits and Investments

Credit Risk *(continued)*

Credit Quality Ratings (S&P) of Fixed Income and Short-Term Cash Investments

As of June 30, 2015
(Amounts in Thousands)

		S&P Credit Rating								
Investment Type	**Total Fair Value**	**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	$ 143,775	$ -	$ -	$ 2,318	$ 34,528	$ 8,993	$ 885	$ 1,922	$ 2	$ 95,127
Corporate bonds[1]	47,932	-	-	-	-	-	1,091	-	-	46,841
Collateralized mortgage obligations	8,733	135	-	-	-	-	3,094	-	183	5,321
Emerging market debt	540,913	-	-	-	-	-	-	-	-	540,913
Foreign bonds[2]	28,780	-	835	626	795	295	-	-	-	26,229
Municipals	73	73	-	-	-	-	-	-	-	-
Short-term cash investment funds	951,727	-	-	-	-	-	-	-	-	951,727
TOTAL	**$ 1,721,933**	**$ 208**	**$ 835**	**$ 2,944**	**$ 35,323**	**$ 9,288**	**$ 5,070**	**$ 1,922**	**$ 185**	**$ 1,666,158**

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, 2016 and 2015, SBCERA's deposits with a financial institution are insured up to $250 thousand by the Federal Deposit Insurance Corporation (FDIC) 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.

(1) Does not include private placements, which amount to $6,902.
(2) Does not include private placements, which amount to $43,495.
Note: Table above does not include U.S. treasury obligations, which amount to $109,628, as these obligations are not subject to credit risk.

NOTE 7 – Deposits and Investments

Custodial Credit Risk *(continued)*

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.

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, 2016 and 2015, SBCERA did not hold any investments in any one issuer that would represent 5% 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, 2016 and 2015, SBCERA did not hold investments in any one organization that represents 5% 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 that changes in interest rates will adversely affect the fair value of an investment. Generally, an investment with a longer maturity date has a greater sensitivity of its fair value to changes in market interest rates. One of the ways that SBCERA manages its exposure to interest rate risk is by purchasing a combination of shorter-term and longer-term investments, and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, as necessary, to provide the cash flow and liquidity needed for operations.

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.

NOTE 7 – Deposits and Investments

Interest Rate Risk *(continued)*

As of June 30, 2016 and 2015, SBCERA had the following Fixed Income and Short-Term Cash Investments:

Interest Rate Risk of Fixed Income and Short-Term Cash Investments

As of June 30, 2016
(Amounts in Thousands)

		Investment Maturities			
Investment Type	**Fair Value**	**Less than 6 Months**	**6 Months to 1 Year**	**1-5 Years**	**More than 5 Years**
Asset backed	$ 139,432	$ -	$ -	$ 2,601	$ 136,831
Corporate bonds[1]	102,410	3,717	2,019	54,189	42,485
Collateralized mortgage obligations	6,594	-	-	-	6,594
Emerging market debt[2]	24,280	-	16,881	5,040	2,359
Foreign bonds[3]	50,562	446	359	41,462	8,295
Municipals	806	-	-	-	806
Short-term cash investment funds	915,688	915,688	-	-	-
U.S. treasury	83,488	46,469	29,518	7,501	-
TOTAL	**$ 1,323,260**	**$ 966,320**	**$ 48,777**	**$ 110,793**	**$ 197,370**

Interest Rate Risk of Fixed Income and Short-Term Cash Investments

As of June 30, 2015
(Amounts in Thousands)

		Investment Maturities			
Investment Type	**Fair Value**	**Less than 6 Months**	**6 Months to 1 Year**	**1-5 Years**	**More than 5 Years**
Asset backed	$ 143,775	$ -	$ -	$ 1,146	$ 142,629
Corporate bonds[4]	54,834	323	6,146	34,301	14,064
Collateralized mortgage obligations	8,733	-	-	-	8,733
Emerging market debt[5]	36,659	-	-	18,008	18,651
Foreign bonds[6]	72,275	1,196	379	52,912	17,788
Municipals	73	-	-	-	73
Short-term cash investment funds	951,727	951,727	-	-	-
U.S. treasury	109,628	103,132	6,496	-	-
TOTAL	**$ 1,377,704**	**$ 1,056,378**	**$ 13,021**	**$ 106,367**	**$ 201,938**

(1) Includes private placements, which amount to $32,295.
(2) Does not include underlying investments with no maturity date, which amount to $568,987.
(3) Includes private placements, which amount to $23,995.
(4) Includes private placements, which amount to $6,902.
(5) Does not include underlying investments with no maturity date, which amount to $504,254.
(6) Includes private placements, which amount to $43,495.

NOTE 7 – 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, 2016 and 2015 is as follows:

Net Exposure to Foreign Currency Risk

As of June 30, 2016
(Amounts in Thousands)

		Type		
Currency	**Fair Value**	**Fixed Income**	**Equity**	**Cash**
Australian Dollar	$ 5,485	$ -	$ 5,485	$ -
Brazilian Real	6,255	-	6,255	-
Canadian Dollar	5,838	4,555	1,181	102
Danish Krone	112	-	112	-
Euro Currency	461,985	93,776	319,649	48,560
Hong Kong Dollar	19,691	-	19,691	-
Indonesian Rupiah	3,032	-	3,032	-
Japanese Yen	4,822	4,822	-	-
Malaysian Ringgit	6,626	-	6,626	-
Mexican Peso	4,935	-	4,935	-
New Taiwan Dollar	18,066	-	17,455	611
Polish Zloty	1	-	-	1
Pound Sterling	24,160	4,162	17,046	2,952
Qatari Rial	3,267	-	3,267	-
Singapore Dollar	725	714	-	11
South African Rand	14,526	3,129	7,701	3,696
South Korean Won	11,579	-	11,579	-
Swiss Franc	12,311	-	5,346	6,965
Thailand Baht	1,762	-	1,762	-
Turkish Lira	2,036	-	2,036	-
UAE Dirham	1,711	-	1,711	-
TOTAL	**$ 608,925**	**$ 111,158**	**$ 434,869**	**$ 62,898**

NOTE 7 – Deposits and Investments

Foreign Currency Risk *(continued)*

Net Exposure to Foreign Currency Risk

As of June 30, 2015
(Amounts in Thousands)

		Type		
Currency	**Fair Value**	**Fixed Income**	**Equity**	**Cash**
Australian Dollar	$ 80	$ -	$ -	$ 80
Brazilian Real	10,128	-	10,128	-
Canadian Dollar	11,162	5,577	5,484	101
Danish Krone	90	-	90	-
Euro Currency	454,140	20,486	395,725	37,929
Hong Kong Dollar	31,328	1,929	28,991	408
Indonesian Rupiah	7,082	-	7,082	-
Japanese Yen	14,354	8,619	-	5,735
Malaysian Ringgit	11,572	-	11,572	-
Mexican Peso	8,284	-	8,284	-
New Taiwan Dollar	24,787	-	24,676	111
Polish Zloty	1	-	-	1
Pound Sterling	25,584	3,965	21,615	4
Qatari Rial	5,251	-	5,251	-
Singapore Dollar	1,322	1,321	-	1
South African Rand	13,754	-	13,597	157
South Korean Won	12,022	559	11,463	-
Swedish Krona	270	270	-	-
Swiss Franc	7,102	342	6,707	53
Thailand Baht	3,770	-	3,770	-
Turkish Lira	6,024	-	6,024	-
UAE Dirham	2,961	-	2,961	-
TOTAL	**$ 651,068**	**$ 43,068**	**$ 563,420**	**$ 44,580**

Rate of Return

For the years ended June 30, 2016 and 2015, the annual money-weighted rate of return on the assets of the Plan, net of investment expense, was (0.97)% and 3.49%, 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.

NOTE 7 – Deposits and Investments *(continued)*

Commitments to Fund Partnerships

As of June 30, 2016 and 2015, the total capital commitments to fund partnerships were $4.08 billion and $4.78 billion, respectively. Of this amount, $638.23 million and $619.84 million, respectively, remained unfunded and is not recorded on the SBCERA Statements of Fiduciary Net Position as of June 30, 2016 and 2015. 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, 2016
(Amounts in Thousands)

Asset Class	Total Commitments	Unfunded Commitments
Real estate	$ 1,015,946	$ 43,248
Alternatives	3,060,787	594,984
TOTAL	**$ 4,076,733**	**$ 638,232**

Total Commitments and Unfunded Commitments to Fund Partnerships by Asset Class

As of June 30, 2015
(Amounts in Thousands)

Asset Class	Total Commitments	Unfunded Commitments
Real estate	$ 1,939,902	$ 43,334
Alternatives	2,842,006	576,501
TOTAL	**$ 4,781,908**	**$ 619,835**

Fair Value Measurements

SBCERA categorizes its fair value measurements of its investments based on the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets. Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable. Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable.

The tables on the next two pages depict the fair value measurements as of June 30, 2016 and 2015, respectively.

NOTE 7 – Deposits and Investments Fair Value Measurements *(continued)*

Investments and Derivative Instruments Measured at Fair Value

As of June 30, 2016 | (Amounts in Thousands)

Investment Type	June 30, 2016	Fair Value Measurements Using: Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Short-term cash investment funds	**$ 915,688**	**$ 31,046**	**$ 884,642**	**$ -**
Emerging market debt	**162,212**	**-**	**24,280**	**137,932**
United States government and agency obligations:				
U.S. treasury	83,488	-	83,488	-
Municipals	806	-	806	-
Total United States government and agency obligations	**84,294**	**-**	**84,294**	**-**
Corporate bonds:				
Asset backed	139,432	-	139,432	-
Collateralized mortgage obligations	6,594	-	6,594	-
Corporate bonds	102,410	-	76,182	26,228
Total corporate bonds	**248,436**	**-**	**222,208**	**26,228**
Foreign bonds	**50,562**	**-**	**50,562**	**-**
Domestic common and preferred stock	**645,173**	**46,756**	**594,431**	**3,986**
Foreign common and preferred stock	**220,208**	**93,521**	**64,195**	**62,492**
Investments of cash collateral received on securities lending	**95,460**	**-**	**95,460**	**-**
Domestic alternatives	**8,815**	**8,815**	**-**	**-**
Foreign alternatives	**3,337**	**-**	**3,337**	**-**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**$ 2,434,185**	**$ 180,138**	**$ 2,023,409**	**$ 230,638**
Investment derivative instruments				
Swaps	$ 44,962	$ -	$ 44,962	$ -
Options	(20,146)	-	(20,146)	-
Forward contracts	2,315	2,315	-	-
TOTAL INVESTMENT DERIVATIVE INSTRUMENTS	**$ 27,131**	**$ 2,315**	**$ 24,816**	**$ -**
Investments measured at the net asset value (NAV)				
Emerging market debt	**$ 431,055**			
Domestic common and preferred stock	**31,103**			
Real estate	**525,075**			
Domestic alternatives:				
Absolute return composite	709,469			
Long/short equity	175,396			
Non-U.S. developed credit	88,675			
Private equity - commodities	154,861			
Private equity - composite	1,066,952			
Private equity - infrastructure	62,684			
Private equity - real assets	203,680			
U.S. credit strategies	995,481			
Total domestic alternatives	**3,457,198**			
Foreign alternatives:				
Absolute return composite	5,351			
Non-U.S. developed credit	1,090,502			
Private equity - composite	289,575			
Total foreign alternatives	**1,385,428**			
TOTAL INVESTMENTS MEASURED AT THE NAV	**$ 5,829,859**			
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	**$ 8,291,175**			

NOTE 7 – Deposits and Investments Fair Value Measurements *(continued)*

Investments and Derivative Instruments Measured at Fair Value

As of June 30, 2015 | (Amounts in Thousands)

		Fair Value Measurements Using		
Investment Type	**June 30, 2015**	**Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Investments by fair value level				
Short-term cash investment funds	**$ 951,727**	**$ 63,751**	**$ 887,976**	**$ -**
Emerging market debt	**167,293**	**-**	**36,659**	**130,634**
United States government and agency obligations:				
U.S. treasury	109,628	-	109,628	-
Municipals	73	-	73	-
Total United States government and agency obligations	**109,701**	**-**	**109,701**	**-**
Corporate bonds:				
Asset backed	143,775	-	143,775	-
Collateralized mortgage obligations	8,733	-	8,733	-
Corporate bonds	54,834	-	54,388	446
Total corporate bonds	**207,342**	**-**	**206,896**	**446**
Foreign bonds	**72,275**	**-**	**70,120**	**2,155**
Domestic common and preferred stock	**647,105**	**58,988**	**584,295**	**3,822**
Foreign common and preferred stock	**221,372**	**148,084**	**62,493**	**10,795**
Investments of cash collateral received on securities lending	**123,777**	**-**	**123,777**	**-**
Domestic alternatives	**9,213**	**9,213**	**-**	**-**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**$ 2,509,805**	**$ 280,036**	**$ 2,081,917**	**$ 147,852**
Investment derivative instruments				
Swaps	$ (48,859)	$ -	$ (48,859)	$ -
Options	139,329	-	139,329	-
Forward contracts	933	933	-	-
TOTAL INVESTMENT DERIVATIVE INSTRUMENTS	**$ 91,403**	**$ 933**	**$ 90,470**	**$ -**
Investments measured at the net asset value (NAV)				
Emerging market debt	**$ 373,620**			
Real estate	**522,681**			
Domestic alternatives:				
Absolute return composite	735,371			
Long/short equity	183,177			
Non-U.S. developed credit	159,971			
Private equity - commodities	139,022			
Private equity - composite	1,052,696			
Private equity - infrastructure	110,650			
Private equity - real assets	201,828			
U.S. credit strategies	1,027,661			
Total domestic alternatives	**3,610,376**			
Foreign alternatives:				
Absolute return composite	12,876			
Non-U.S. developed credit	972,201			
Private equity - composite	334,466			
Total foreign alternatives	**1,319,543**			
TOTAL INVESTMENTS MEASURED AT THE NAV	**$ 5,826,220**			
TOTAL INVESTMENTS MEASURED AT FAIR VALUE	**$ 8,427,428**			

NOTE 7 – Deposits and Investments

Fair Value Measurements *(continued)*

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements, in their entirety, are categorized based on the lowest level input that is significant to the valuation. SBCERA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Investments are measured by type of investment as follows:

Short-term cash investments generally includes investments in cash, classified in Level 1 of the fair value hierarchy at cost, which approximates fair value, and money market-type securities, classified in Level 2 of the fair value hierarchy at cost, plus accrued interest, which approximates fair value.

Debt securities includes emerging market debt, United States government and agency obligations, corporate bonds, and foreign bonds. Debt securities classified in Level 2 of the fair value hierarchy are valued using the matrix pricing technique or the discounted cash flow method. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 of the fair value hierarchy are valued using the discounted cash flow method or proprietary pricing information.

Equity securities includes domestic and foreign common and preferred stock. Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities. Equity securities classified in Level 3 of the fair value hierarchy are valued with last trade data having limited trading volume.

Cash collateral received on securities lending consists primarily of U.S. government debt obligations, and also includes domestic equity, domestic fixed income, international equity, and international fixed income securities classified in Level 2 of the fair value hierarchy using prices quoted in active markets for similar securities.

Alternative securities includes domestic and foreign alternatives. Alternative securities classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Alternative securities classified in Level 2 of the fair value hierarchy are valued using prices quoted in active markets for similar securities.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using a market approach using prices quoted in active markets for those securities. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

NOTE 7 – Deposits and Investments

Fair Value Measurements *(continued)*

The fair value of investments in certain equity, fixed income, and marketable alternatives are based on the investment's net asset value (NAV) per share (or its equivalent) provided by the investee. The fair values of investments in certain private equity funds have been determined using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the investments. Such fair value measurements are shown in the tables below and on the next page as of June 30, 2016 and 2015.

Investments Measured at the NAV

As of June 30, 2016

(Amounts in Thousands)

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)[1]	Redemption Notice Period
Emerging market debt	**$ 431,055**	**$ -**	D, M	10-15 days
Domestic common and preferred stock	**31,103**	**-**	D	30 days
Real estate	**525,075**	**43,248**	D, Q	15-90 days
Domestic alternatives:				
Absolute return composite	709,469	-	D, Q	30 days
Long/short equity	175,396	-	D	N/A
Non U.S. developed credit	88,675	1,745	D, Q	60 days
Private equity - commodities	154,861	4,840	N/A	N/A
Private equity - composite	1,066,952	388,613	N/A	N/A
Private equity - infrastructure	62,684	826	D	3 days
Private equity - real assets	203,680	-	N/A	N/A
U.S. credit strategies	995,481	-	D, Q, A	3-65 days
Total domestic alternatives	**3,457,198**	**396,024**		
Foreign alternatives:				
Absolute return composite	5,351	8,561	N/A	N/A
Non U.S. developed credit	1,090,502	-	D	3 days
Private equity - composite	289,575	190,399	N/A	N/A
Total foreign alternatives	**1,385,428**	**198,960**		
TOTAL INVESTMENTS MEASURED AT THE NAV	**$ 5,829,859**	**$ 638,232**		

(1) D=Daily, M=Monthly, Q=Quarterly, A=Annually

NOTE 7 – Deposits and Investments

Fair Value Measurements *(continued)*

Investments Measured at the NAV

As of June 30, 2015

(Amounts in Thousands)

Investment Type	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)[1]	Redemption Notice Period
Emerging market debt	**$ 373,620**	**$ -**	D, M	10-15 days
Real estate	**522,681**	**43,334**	D, Q	15-90 days
Domestic alternatives:				
Absolute return composite	735,371	24,435	D, Q	30-60 days
Long/short equity	183,177	-	D	N/A
Non U.S. developed credit	159,971	-	D, Q	60 days
Private equity - commodities	139,022	8,135	N/A	N/A
Private equity - composite	1,052,696	332,757	N/A	N/A
Private equity - infrastructure	110,650	8,739	N/A	N/A
Private equity - real assets	201,828	-	N/A	N/A
U.S. credit strategies	1,027,661	-	D, Q, A	3-65 days
Total domestic alternatives	**3,610,376**	**374,066**		
Foreign alternatives:				
Absolute return composite	12,876	8,852	N/A	N/A
Non U.S. developed credit	972,201	-	D	3 days
Private equity - composite	334,466	193,583	N/A	N/A
Total foreign alternatives	**1,319,543**	**202,435**		
TOTAL INVESTMENTS MEASURED AT THE NAV	**$ 5,826,220**	**$ 619,835**		

The investment types listed in the tables above were measured at the NAV as follows:

Emerging market debt includes investments in alternative funds that invest primarily in debt in emerging markets to access income from a broader global pool of assets. The fair values of the investments in this type have been determined using the NAV per share of the investments. Investments representing approximately 19% and 18% of the value of the investments as of June 30, 2016 and 2015, respectively, cannot be redeemed because the investments include restrictions that do not allow for redemption.

(1) D=Daily, M=Monthly, Q=Quarterly, A=Annually

NOTE 7 – Deposits and Investments

Fair Value Measurements *(continued)*

Domestic common and preferred stock includes investments in equities that invest in assets that focus on U.S. credit strategies to provide an income-focus by utilizing credit dislocation opportunities. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the investments. Investments representing 6% of the value of the investments as of June 30, 2016 cannot be redeemed because the investments include restrictions that do not allow for redemption.

Real estate investments provide stable income and participation in broad economic growth. This type includes real estate funds that invest in global commercial real estate and commingled funds. The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments representing approximately 57% and 66% of the value of the investments as of June 30, 2016 and 2015, respectively, cannot be redeemed with the funds. It is expected that the underlying assets of the funds will be liquidated over the next 2 to 10 years.

Domestic alternatives: Absolute return composite provides income and diversification through below investment grade credit and distressed debt strategies. This type includes credit and debt securities. Investments representing approximately 18% and 32% of the value of the investments as of June 30, 2016 and 2015, respectively, cannot be redeemed.

Domestic alternatives: Long/short equity provides a positive return in both long and short positions with an absolute return focus. This type includes investments in funds that focus on equity securities in companies with large market capitalization. All investments of this type may be redeemed according to the provisions in the aforementioned tables.

Domestic alternatives: Non U.S. developed credit provides access to income from a broader pool of assets in Europe. This type includes investments in funds that focus on corporate and sovereign bonds of developed economies issued in U.S. dollars. All investments of this type may be redeemed according to the provisions in the aforementioned tables.

Domestic alternatives: Private equity – commodities provides exposure to inflation related assets and includes investments in partnerships that focus on natural resources and energy. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments of this type cannot be redeemed with the funds. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years.

Domestic alternatives: Private equity – composite provides participation in equity and debt instruments that provide for a premium on illiquid assets. This type includes investments in partnerships as a limited partner that invest in private equity and private debt. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments of this type cannot be redeemed with the funds. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years.

NOTE 7 – Deposits and Investments

Fair Value Measurements *(continued)*

Domestic alternatives: Private equity – infrastructure provides participation in equity and debt instruments that provide for a premium on illiquid assets. This type includes investments in partnerships that focus on infrastructure in highly regulated markets. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments representing approximately 61% and 56% of the value of the investments at June 30, 2016 and 2015, respectively, cannot be redeemed with the funds. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

Domestic alternatives: Private equity – real assets provides exposure to inflation related assets and includes investments in partnerships that focus on real assets including timber and wetlands. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments of this type cannot be redeemed with the funds. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

Domestic alternatives: U.S. credit strategies includes investments in assets that focus on U.S. credit strategies to provide an income-focus by utilizing credit dislocation. This type includes investments in funds that focus on credit strategies, including direct loans, securitized products, and public-traded debt products. Investments representing approximately 6% and 7% of the value of the investments as of June 30, 2016 and 2015, respectively, cannot be redeemed.

Foreign alternatives: Absolute return composite provides income and diversity through below investment grade global credit and distressed debt strategies. This type includes global credit and debt securities. Investments in this type may be redeemed within 5 years.

Foreign alternatives: Non U.S. developed credit provides access to income from a broader pool of assets in Europe. This type includes investments in funds that focus on corporate and sovereign bonds of developed economies. All investments of this type may be redeemed according to the provisions in the aforementioned tables.

Foreign alternatives: Private equity – composite provides participation in equity and debt instruments that provide for a premium on illiquid assets. This type includes investments in partnerships as a limited partner that invest in private equity and private debt. The fair values of this investment type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Investments of this type cannot be redeemed with the funds. It is expected that the underlying assets of the funds will be liquidated over the next 7 to 10 years.

NOTE 8 – Related Party Transactions

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 elections. SBCERA's payments to the County for the years ended June 30, 2016 and 2015 were $289 thousand and $271 thousand, respectively.

NOTE 9 – 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 10 – Pacific Public Partners

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 GC section 31699.1) and Section 115 of the IRC. 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.

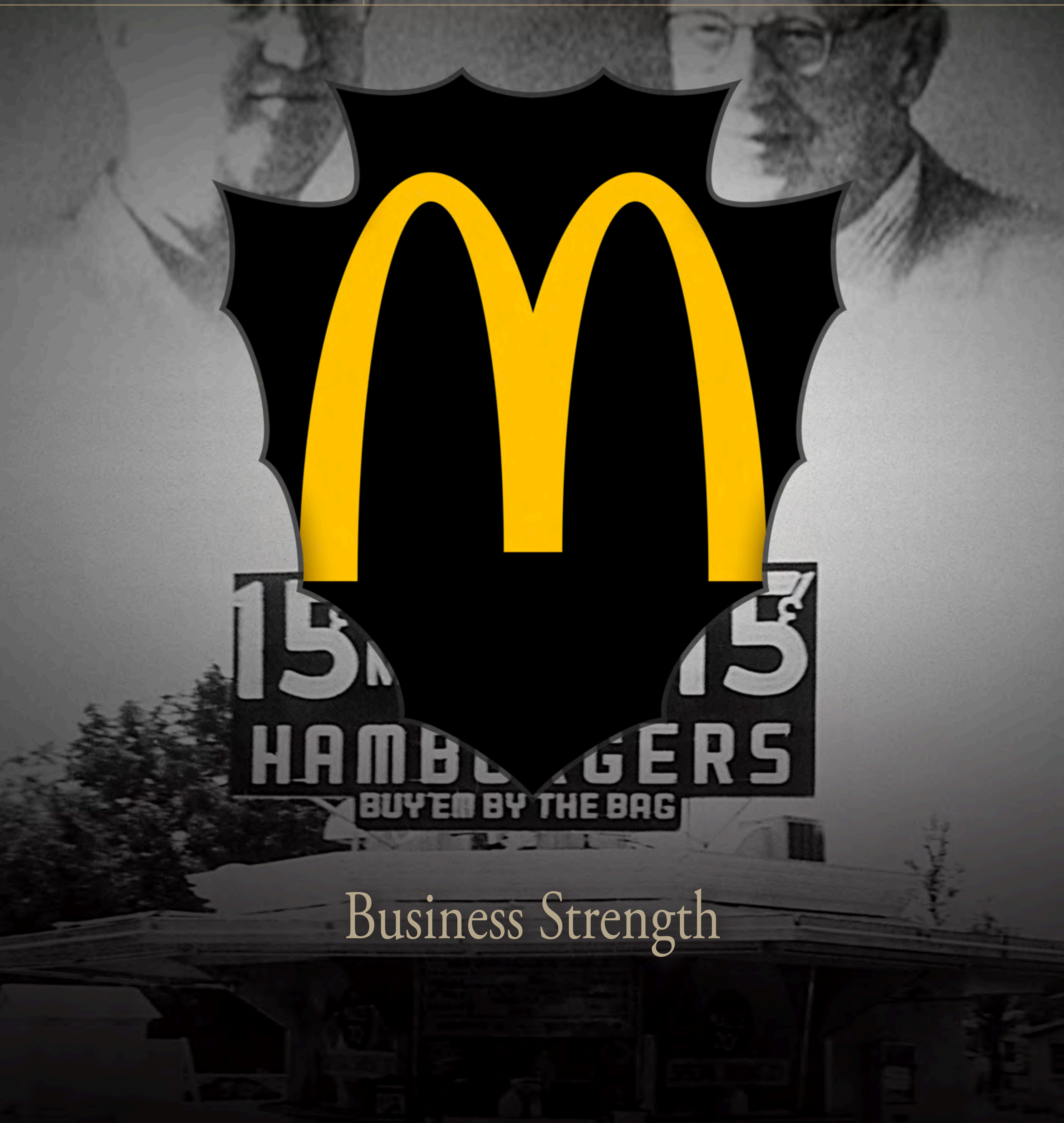
The PPP Board is composed of the same members as the SBCERA Board. However, SBCERA and PPP are separate legal entities. The PPP Board establishes the terms and conditions for public agencies and their trust funds to participate in PPP. The PPP financial statements are separately stated and can be obtained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

NOTE 10 – Pacific Public Partners *(continued)*

As of June 30, 2016 and 2015, 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 GC section 31699.8. Refer to Statements of Assets and Liabilities – Agency Fund and Other Supplemental 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.

Section
2.2 FINANCIAL
Required Supplementary Information
(Unaudited)



Business Strength

Business Strength

Long before Ronald, Grimace and the Hamburglar, San Bernardino was the home of the very first McDonald's restaurant. Initially named McDonald's Bar-B-Que by brothers Richard "Dick" and Maurice "Mac" McDonald, the restaurant opened in 1940 on Fourteenth and E Streets.[1] Later, the brothers would convert the menu to hamburgers, french fries and milkshakes, and turn the restaurant into a drive-thru. After opening several franchise locations, the brothers sold the company to Ray Croc, who had gone into business with the McDonalds' after selling them milkshake machines.[1] Today, McDonald's is recognized everywhere and is one of thirty companies listed and publicly traded on the Dow Jones Industrial Average. Yet, its success can be directly traced back to its roots in San Bernardino.

(1) Klein, Christopher. "McDonald's Surprising Start, 75 Years Ago." history.com.

Schedule of Changes in Net Pension Liability of Participating Employers and Related Ratios

(Amounts in Thousands)

		June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability					
Service cost		$ 295,458	$ 290,642	$ 271,473	$ 273,020
Interest		770,842	732,842	709,993	673,932
Differences between expected and actual experience		(151,493)	(75,362)	(306,201)	(97,497)
Changes of assumptions		-	-	328,748	-
Benefit payments, including refunds of Plan member contributions		(464,068)	(428,475)	(397,823)	(367,396)
NET CHANGE IN TOTAL PENSION LIABILITY		**450,739**	**519,647**	**606,190**	**482,059**
Total Pension Liability – Beginning		**10,214,473**	**9,694,826**	**9,088,636**	**8,606,577**
TOTAL PENSION LIABILITY – ENDING	**a**	**$ 10,665,212**	**$ 10,214,473**	**$ 9,694,826**	**$ 9,088,636**
Plan Fiduciary Net Position					
Contributions – employers[1]		$ 340,512	$ 303,244	$ 330,330	$ 303,080
Contributions – Plan members[1]		139,132	129,895	89,861	91,056
Net investment income/(loss)		(80,028)	280,842	877,018	912,310
Benefit payments, including refunds of Plan member contributions		(464,068)	(428,475)	(397,823)	(367,396)
Administrative expenses		(7,569)	(6,710)	(6,386)	(6,258)
Other expenses		(2,664)	(2,208)	(2,483)	(1,572)
NET CHANGE IN PLAN FIDUCIARY NET POSITION		**(74,685)**	**276,588**	**890,517**	**931,220**
Plan Fiduciary Net Position – Beginning		**8,271,659**	**7,995,071**	**7,104,554**	**6,173,334**
PLAN FIDUCIARY NET POSITION – ENDING	**b**	**$ 8,196,974**	**$ 8,271,659**	**$ 7,995,071**	**$ 7,104,554**
NET PENSION LIABILITY	**a-b=c**	**$ 2,468,238**	**$ 1,942,814**	**$ 1,699,755**	**$ 1,984,082**
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	**b/a**	**76.86%**	**80.98%**	**82.47%**	**78.17%**
COVERED PAYROLL[2]	**d**	**$ 1,309,095**	**$ 1,267,667**	**$ 1,262,752**	**$ 1,260,309**
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	**c/d**	**188.55%**	**153.26%**	**134.61%**	**157.43%**

(1) Commencing with the year ended June 30, 2015, member paid employer contributions are included in employer contributions, and employer paid Plan member contributions are included in Plan member contributions.
(2) Covered payroll represents the collective total of the SBCERA eligible wages of all SBCERA participating employers.
Note: Data as of June 30, 2007 through June 30, 2012 are not available in a comparable format.
See accompanying notes to the Required Supplementary Information.

Schedule of Employer Contributions

(Amounts in Thousands)

Years Ended June 30	Actuarially Determined Contributions[1] (a)	Actual Contributions[1] (b)	Contribution Deficiency/ (Excess) (a) - (b)	Covered Payroll[2] (c)	Contributions as a % of Covered Payroll (b) / (c)
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%
2015	303,244	303,244	-	1,267,667	23.92%
2016	340,512	340,512	-	1,309,095	26.01%

Schedule of Investment Returns

Years Ended June 30[3]	Annual Money Weighted Rate of Return, Net of Investment Expense
2013	14.64%
2014	12.25%
2015	3.49%
2016	(0.97)%

(1) The Board has approved all contribution rates recommended by the Plan's actuary. Actuarially determined contributions include contributions required for the survivor benefit, and excludes employer paid Plan member contributions, UAAL prepayments, golden handshake payments, funds deposited for purchase of service credit, payments made by withdrawn employers, Plan member paid employer contributions, and Plan member contributions. Commencing with the year ended June 30, 2015, Plan member paid employer contributions are included in actuarially determined contributions.

(2) Covered payroll represents the collective total of SBCERA eligible wages of all SBCERA participating employers.

(3) Data for the years ended June 30, 2007 through 2012 are not available in a comparable format.

See accompanying notes to the Required Supplementary Information.

Notes to the Required Supplementary Information

Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability

The net pension liability of participating employers was measured as of June 30, 2013 through 2016 and determined based upon the total pension liability from actuarial valuations as of June 30, 2013 through 2016, respectively.

Changes in Benefit Terms

For the year ended June 30, 2013: In September 2012, Governor Edmund G. Brown, Jr. signed the PEPRA, which 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 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 (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.

For the year ended June 30, 2014: On September 6, 2013, Governor Brown 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.

There were no changes in benefit terms for the years ended June 30, 2015 and 2016.

The addition of a new tier of benefits and the subsequent technical corrections stated above did not result in a significant change in the net pension liability of participating employers as of June 30, 2013 through 2016.

Notes to the Required Supplementary Information

(continued)

Actuarial Valuation Methods and Assumptions Used in Determining Total Pension Liability *(continued)*

Changes of Methods and Assumptions

The actuarial methods and assumptions used in actuarial valuations, for the years ended June 30, 2013 through 2016, were based on the results of Board approved triennial actuarial experience studies prepared by the Plan's independent actuary. The actuarial methods and assumptions used in determining the net pension liability are the same actuarial methods and assumptions used in determining contribution rates, except for the asset valuation method. For purposes of determining net pension liability, the fair value of assets was used for the years ended June 30, 2013 through 2016. See schedules of changes to actuarial methods and assumptions shown on pages 95 and 96 for actuarial methods and assumptions used for the years ended June 30, 2013 through 2016. Note: The discount rate of return used for the years ended June 30, 2013 through 2016 is the same rate used for the investment rate of return shown on page 95.

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 year in which contributions are reported. The following actuarial methods and assumptions were used to determine contribution rates reported in that schedule for the years ended June 30, 2007 through 2016 (adjustments were made to more closely reflect actual experience unless indicated otherwise):

Schedule of Actuarial Experience Studies

For the Years Ended June 30, 2007 through 2016

Years Ended June 30	Date of Actuarial Experience Study	Periods Covered in Actuarial Experience Study
2007	June 30, 2005	3 Year Period Ending 6/30/2005
2008 to 2010	June 30, 2008	3 Year Period Ending 6/30/2008
2011 to 2013	June 30, 2011	3 Year Period Ending 6/30/2011
2014 to 2016	June 30, 2014	3 Year Period Ending 6/30/2013

Notes to the Required Supplementary Information

(continued)

Actuarial Valuation Methods and Assumptions Used in Determining Contribution Rates *(continued)*

Schedule of Changes to Actuarial Economic Assumptions

For the Years Ended June 30, 2007 through 2016

Years Ended June 30	Investment Rate of Return	Projected Salary Increases (General)	Projected Salary Increases (Safety)	Inflation	Wage Inflation	Cost-of-Living[1]	Administrative Expenses
2007	8.00%	4.25% to 11.48%	4.25% to 11.74%	3.75%	4.25%	2.00%	Offset to investment return
2008 to 2010	8.00%	5.00% to 13.25%	5.00% to 13.25%	3.75%	4.25%	2.00%	Offset to investment return
2011 to 2013	7.75%	4.75% to 14.00%	4.75% to 14.00%	3.50%	4.00%	2.00%	Offset to investment return
2014 to 2016	7.50%	4.60% to 13.75%	4.55% to 13.75%	3.25%	3.75%	2.00%	0.60% of payroll[2]

Schedule of Amortization Methods

For the Years Ended June 30, 2007 through 2016

Years Ended June 30	Actuarial Cost Method	Amortization Method[3]	Remaining Amortization Period[4]	Asset Valuation Method
2007 to 2016	Entry age	Level percent of payroll	20-year closed period	5-year smoothed market

(1) Cost-of-living adjustments are contingent upon the consumer price index with a 2.00% maximum.
(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.
(3) See Schedule of Changes to Actuarial Economic Assumptions for the wage inflation used.
(4) Effective June 30, 2012, 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).

Notes to the Required Supplementary Information

(continued)

Actuarial Valuation Methods and Assumptions Used in Determining Contribution Rates *(continued)*

Schedule of Changes to Actuarial Non-Economic Assumptions

For the Years Ended June 30, 2007 through 2016

Years Ended June 30	Marriage Assumption	Mortality Rates (General)	Mortality Rates (Safety)	Reciprocity Assumption	Deferral Age for Vested Terminations
2007	80% male members, 60% female members assumed married at retirement or pre-retirement death.	1994 Group Annuity Mortality Table; for females, set forward 1 year; for disabled males, set forward 5 years; for disabled females, set forward 6 years.	1994 Group Annuity Mortality Table; for females, set forward 1 year; for disabled males, set forward 5 years; for disabled females, set forward 6 years.	50%	Age 57 for General members; age 53 for Safety members.
2008 to 2010	75% male members, 55% female members assumed married at retirement or pre-retirement death.	RP-2000 Combined Healthy Mortality Table set back 1 year; for disabled males, set forward 5 years; for disabled females, set forward 6 years.	RP-2000 Combined Healthy Mortality Table set back 1 year; for disabled members no set back.	40%	Age 57 for General members; age 53 for Safety members.
2011 to 2013	70% male members, 55% female members assumed married at retirement or pre-retirement death.	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 set back 3 years; for disabled members set forward 1 year.	40%	Age 58 for General members; age 52 for Safety members.
2014 to 2016	70% male members, 55% female members assumed married at retirement or pre-retirement death.	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.	RP-2000 Combined Healthy Mortality Table projected with Scale BB to 2020; for males, set back 2 years; for females, set back 1 year; for disabled members, set forward 2 years.	40% for General members; 50% 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.

Section **2.3**

FINANCIAL

Other Supplemental Information

Strong Innovators

Strong Innovators

Perhaps no one epitomizes the spirit and strength of San Bernardino County like Chester F. Carlson. As the inventor of the xerographic process used to make photo and document copies, Carlson's invention was made popular through the manufacturing of the Xerox office copier, which revolutionized communications and business operations throughout the world. Raised in San Bernardino and Crestline during the 1920s, Carlson spent his teenage years working several jobs to support his family following the death of his mother and his father's failing health.[1] In spite of his family responsibilities, Carlson was a stellar and determined student, earning entry to Riverside Community College before transferring to the California Institute of Technology to study physics and chemistry[1]. Carlson would later go on to become a patent attorney, while still pursuing his scientific inventions. Prior to his death in 1968, Carlson was listed by Fortune magazine as one of the wealthiest Americans, yet he was known for giving away his fortune to various philanthropic causes.[1]

(1) Blackstock, Joe. "Local Man's Invention Simply Can't Be Duplicated." Inland Valley Daily Bulletin. dailybulletin.com

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

For the Years Ended June 30, 2016 and 2015
(Amounts in Thousands)

Total Agency Fund	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
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, 2014	Additions	Deductions	Balance June 30, 2015
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 and Other Expenses

For the Years Ended June 30, 2016 and 2015
(Amounts in Thousands)

	2016	2015
Actuarial accrued liability (AAL)[1]	**$ 9,694,825**	**$ 9,088,636**
Statutory limit for administrative expenses (AAL x 0.21%)	**20,359**	**19,086**
Administrative expenses subject to statutory limit		
Personnel services	$ 5,320	$ 4,713
Professional services	846	890
Operational miscellaneous	1,403	1,107
TOTAL ADMINISTRATIVE EXPENSES SUBJECT TO STATUTORY LIMIT	**7,569**	**6,710**
Other expenses not subject to statutory limit		
Actuarial services	148	127
Legal services (non-investment)	975	878
Technology infrastructure	1,541	1,203
TOTAL OTHER EXPENSES NOT SUBJECT TO STATUTORY LIMIT	**2,664**	**2,208**
TOTAL ADMINISTRATIVE AND OTHER EXPENSES[2]	**$ 10,233**	**$ 8,918**

(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, 2016 and 2015
(Amounts in Thousands)

Type of Investment Expense	2016	2015
Advisement fees		
Equity		
Domestic	$ 475	$ 1,407
International	1,733	4,082
TOTAL EQUITY	**2,208**	**5,489**
Fixed income		
Domestic	984	3,387
International	3,840	730
TOTAL FIXED INCOME	**4,824**	**4,117**
Real estate	5,577	5,536
Alternative	47,291	48,984
Investment consultant fees	2,404	2,289
Custodian fees	438	617
TOTAL ADVISEMENT FEES[1]	**62,742**	**67,032**
Other investment expenses		
Other investment expenses[2]	26,876	24,207
Legal services	213	347
Investment department expense	2,253	1,765
TOTAL OTHER INVESTMENT EXPENSES	**29,342**	**26,319**
SECURITIES LENDING REBATES & BANK CHARGES	**335**	**138**
TOTAL INVESTMENT EXPENSES	**$ 92,419**	**$ 93,489**

(1) Advisement fees include amounts for investment management fees and performance fees. It does not include unrealized carried interest allocations.
(2) These costs include, but are not limited to, foreign income tax and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.

Schedule of Payments to Consultants

For the Years Ended June 30, 2016 and 2015
(Amounts in Thousands)

Type of Service[1]	2016	2015
Payments to consultants subject to the statutory limit		
Actuarial services	$ 10	$ 26
Audit services	83	125
Communications services	64	63
Human resource consulting services	-	44
Medical consulting services	457	445
TOTAL PAYMENTS TO CONSULTANTS SUBJECT TO THE STATUTORY LIMIT[2]	**614**	**703**
Payments to consultants not subject to the statutory limit		
Actuarial services	148	127
Custodian fees	438	617
Human resource consulting services	-	23
Investment consultant fees	2,404	2,289
Legal services	332	417
TOTAL PAYMENTS TO CONSULTANTS NOT SUBJECT TO THE STATUTORY LIMIT	**3,322**	**3,473**
TOTAL PAYMENTS TO CONSULTANTS	**$ 3,936**	**$ 4,176**

(1) Detail for fees paid to investment professionals is presented in the Investment section.
(2) Pursuant to GC 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. Refer to Note 2 - Summary of Significant Accounting Policies (see section for Administrative Expenses), for further information.

Section
3.0

INVESTMENT

(Unaudited)

Natural Strength

Natural Strength

San Bernardino County boasts several globally-recognized destinations for outdoor recreation, including Joshua Tree National Park and the San Bernardino National Forest. While often perceived as a hidden gem to San Bernardino County residents, in 2015 alone, Joshua Tree saw over 2 million visitors from all parts of the world.[1] The park's unique combination of two ecosystems (separated by high and low desert) features a wide variety of wildlife, flora and geologic wonders surrounding famous fault lines. In the San Bernardino National Forest, charming residential and resort communities attract both national and international travelers alike. Skiing and snowboarding, boating, hiking and much more are all easily accessible to visitors through the County's mountain communities.

(1) "Park Statistics." U.S. National Park Service. NPS.gov

NEPC, LLC

Allan Martin
Partner

November 17, 2016

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 year ended June 30, 2016 with background on the underlying market environment.

Market Review for the Year Ended June 30, 2016

Capital markets remained largely driven by global Central Bank stimulative actions, resulting in the continuation of the multi-year valuation expansion of growth assets (equities), although results for foreign equity market investments were negatively impacted by the rise in the value of the U.S. dollar. Political instability, commodity price disruption and the beginning stages of divergent Central Bank policies created a heightened amount of uncertainty and volatility in global markets. Markets experienced bouts of whipsaw-like volatility as investors digested news of increased interest rates domestically, negative interest rates abroad, rapidly falling oil prices and the rise of political populism. Domestic equities, as measured by the S&P 500 Index, posted an eighth consecutive positive year (ended June) with a +4.0% return. U.S. high quality fixed income investments produced outsized returns as Treasury yields crept toward all-time lows returning +6.0% for the year. International developed markets equities underperformed domestic equities by over 14% as European and Asian developed-nation currencies devalued as stimulative monetary policy sought to bolster those struggling economies. Emerging markets equities ended the year trailing developed international equities by approximately two percent.

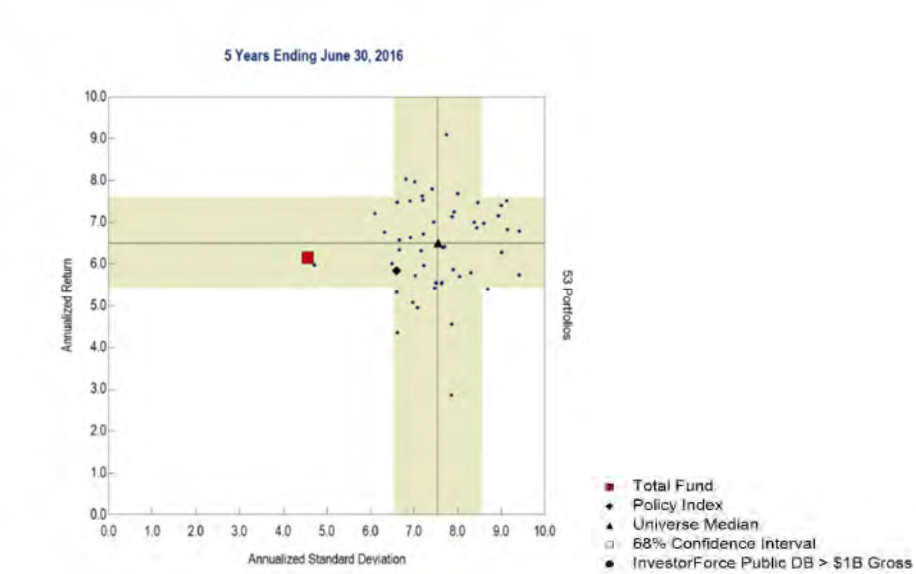
The SBCERA Investment Portfolio

The SBCERA total investment portfolio return, gross of fees, was -0.9% (-1.1% net of fees) for the year ended June 30, 2016. By comparison, the median fund in the Investor Force peer group universe of large Public Funds returned +0.2% resulting in a below median ranking for the Fund. On a risk-adjusted basis the SBCERA Fund ranked below median in the same universe for the one-year period. The Fund's five-year return for the period ended June 30, 2016 was +6.1% per annum, gross of fees (5.9% net of fees), underperforming the actuarial assumed rate of 7.5% and ranking below median in the peer group. SBCERA has chosen an asset allocation policy which reduces 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 1st percentile of its peers (least variable), resulting in a risk-adjusted return (as measured by the Sharpe Ratio) of 1.3%, which ranked in the top percentile of its peers.

900 Veterans Blvd. | Ste. 340 | Redwood City, CA 94063-1741 | TEL: 650.364.7000 | www.nepc.com
BOSTON | ATLANTA | CHARLOTTE | CHICAGO | DETROIT | LAS VEGAS | SAN FRANCISCO

NEPC, LLC

IF Public Funds Greater than $1 Billion Universe[1] Risk-Return Comparison (Gross of Fees)
5 Years Ended June 30, 2016



With the majority of the global capital markets exhibiting relatively high valuations and divergent relative economic strength, the potential for downside risk and volatility are increasingly likely. 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 C Martin

Allan Martin
Partner

[1] As of June 30, 2016, the InvestorForce Public Funds Greater than $1 Billion Universe was comprised of 53 observations. Universe rankings are based on gross of fee performance unless otherwise noted.

Outline of Investment Policies

As of June 30, 2016

General

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

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

- The County of San Bernardino Treasurer who serves in the capacity of ex-officio member (along with one alternate).
- 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 as follows:

- Solely in the interest of and for the exclusive purpose of providing benefits to, Plan members and their beneficiaries; minimizing employer contributions thereto; and defraying reasonable expenses of administering the Plan.
- 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 Plan 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 Plan members and their 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.

Summary of Investment Objectives *(continued)*

The total investment portfolio return, over the long-term, is directed toward achieving and maintaining a fully funded status for the Plan. 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 their beneficiaries.

Asset Allocation

A pension trust 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, 2016

INVESTMENT MANAGERS

Short-Term Cash Investment Funds

Ares Management, LLC
Ashmore Investment Management Limited
GoldenTree Asset Management, LP
Gramercy Funds Management, LLC
Mondrian Investment Partners, Ltd
Oaktree Capital Management, LP
Russell Investment Group
State Street Bank and Trust Company
Zais Group, LLC

Emerging Market Debt

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

U.S. Government Securities

State Street Bank and Trust Company
GoldenTree Asset Management, LP
Russell Investment Group

Corporate Bonds

Apollo Arrowhead Management, LLC
GoldenTree Asset Management, LP
State Street Bank and Trust Company
Zais Group, LLC

Foreign Bonds

GoldenTree Asset Management, LP
Oaktree Capital Management, LP

Domestic Common and Preferred Stock

GoldenTree Asset Management, LP
Mondrian Investment Partners, Ltd
State Street Bank and Trust Company
Waterfall Asset Management, LLC
Zais Group, LLC

Foreign Common and Preferred Stock

GoldenTree Asset Management, LP
Mondrian Investment Partners, Ltd
Russell Investment Group
State Street Bank and Trust Company
TOBAM

Securities Lending

State Street Bank and Trust Company

Real Estate

American Realty Advisors
Apollo Global Management, LLC
Beacon Capital Partners, LLC
Blackrock Realty
Bryanston Realty Partners, LLC
CB Richard Ellis Investors, LLC
Fillmore Capital Partners, LLC
Fortress Investment Group, LLC
Invesco (AIG) Asian Real Estate Partners II, LLC
Invesco Real Estate
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

Domestic Alternatives

Angelo, Gordon & Co., LP
Apollo Global Management, LLC
Ares Management, LLC
Aurora Capital Group
Beach Point Capital Management
Birch Grove
Blue Tip Energy Management, LLC
BNY Alcentra Group Holdings, Inc.
Catalyst Capital Group, Inc.
Clough Capital Partners, LP
Corrum Capital
Declaration Management & Research, LLC
Energy Spectrum Capital
Fortress Worldwide Transportation and Infrastructure Investors, LP
GoldenTree Asset Management, LP
Gramercy Funds Management, LLC
Hancock Timber Resource Group, Inc.
Industry Ventures, LLC
King Street Capital Management, LLC
Lexington Partners
MacKay Shields, LLC
MD Sass-Waterfall Asset Management, LLC
NB Alternative Fund Management, LLC
Oaktree Capital Management, LP
Passport Capital, LLC
Pathway Capital Management, LLC
PineBridge Investments
Pinnacle Asset Management, LP
Russell Investment Group
Siguler Guff Advisers, LLC
Starwood Energy Partners
State Street Bank and Trust Company
TCW Asset Management Company
Tennenbaum Capital Partners, LLC
Timbervest, LLC
Tricadia Capital Management, LLC
Waterfall Asset Management, LLC
Zais Group, LLC

Foreign Alternatives

Apollo Global Management, LLC
BlueBay Asset Management Plc.
BNY Alcentra Group Holdings, Inc.
Cairn Capital Limited
Halcyon Diversified Management, LLC
Marathon Asset Management, LP
Partners Group
Standard Life Investments Limited
York Capital Management

CONSULTANTS

Kreischer Miller
Maples Finance
NEPC, LLC

CUSTODIAL SERVICES

State Street Bank and Trust Company

LEGAL COUNSEL

Foley & Lardner, LLP

Investment Results

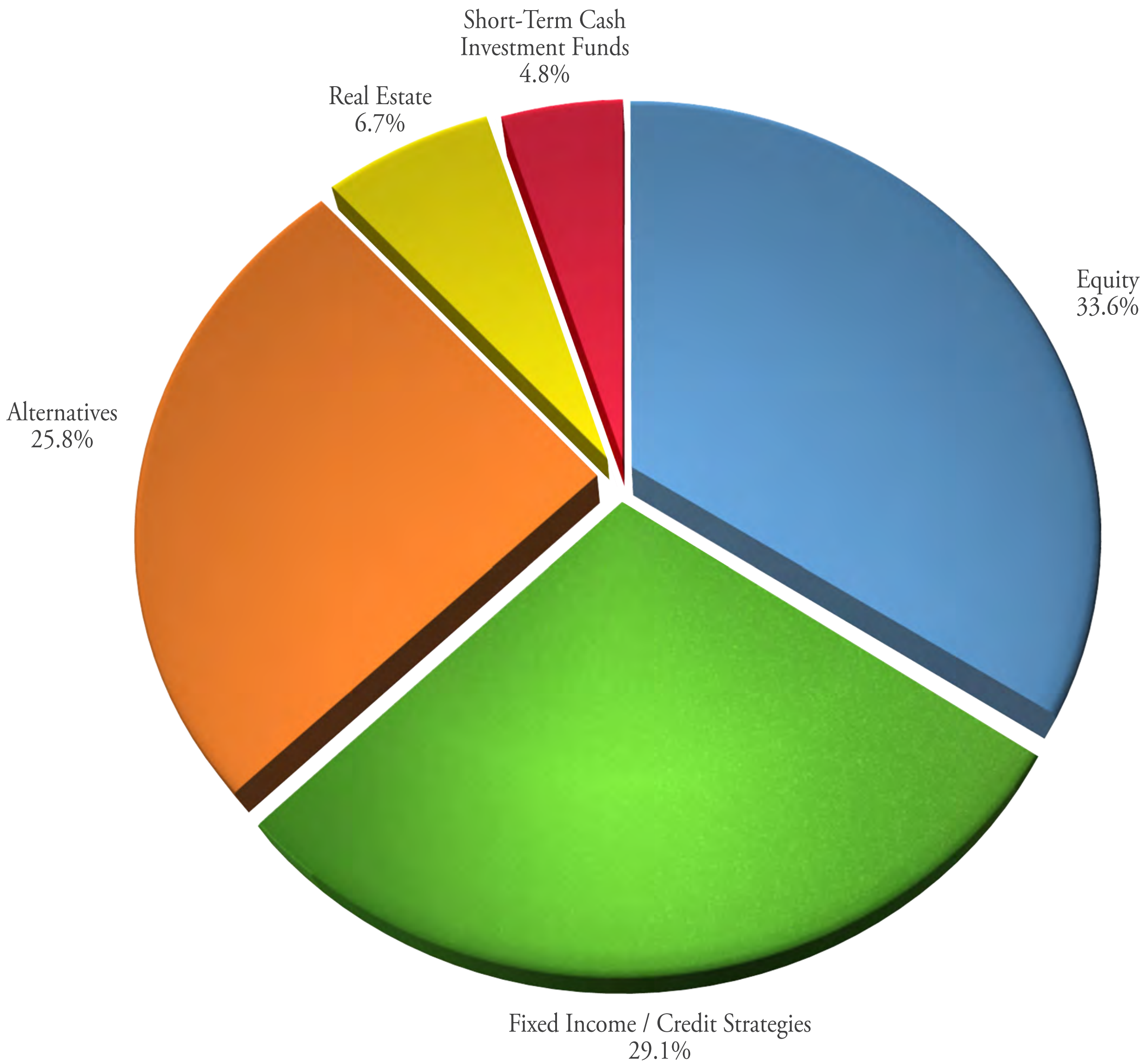
As of June 30, 2016

	Current Year 2016	Annualized 3 year	Annualized 5 year
Total Portfolio	(1.07)%	4.82%	5.89%
SB Policy Benchmark	3.47%	5.94%	5.84%
Cash Equivalents	(1.04)%	(6.49)%	(5.81)%
91 Day T-Bill Benchmark	0.19%	0.09%	0.09%
Equity Segment			
Domestic Equity	2.26%	(1.33)%	1.66%
Russell 3000 Benchmark	2.14%	11.13%	11.60%
Emerging Markets Equity	(10.00)%	(2.63)%	(3.56)%
MSCI Emerging Markets Benchmark	(12.05)%	(1.56)%	(3.78)%
International Equity	(3.85)%	6.70%	12.18%
MSCI EAFE Benchmark	(10.16)%	2.06%	1.68%
Fixed Income Segment			
Domestic Fixed Income	1.38%	6.64%	7.10%
BofAML High Yield Master II Benchmark	1.71%	4.18%	5.71%
Global and Emerging Market Fixed Income	4.27%	4.42%	3.72%
SBCERA Custom BC Global Benchmark	11.24%	1.85%	0.35%
Real Asset Segment			
Real Estate	16.25%	12.51%	10.98%
NCREIF Property Benchmark	11.84%	11.91%	11.93%
Timber	2.01%	4.19%	4.32%
NCREIF Timberland Benchmark	2.90%	7.71%	6.63%
Infrastructure	(25.66)%	(10.24)%	(4.29)%
CPI + 600BPS Benchmark	7.06%	7.12%	7.39%
Commodities	(1.39)%	0.44%	1.82%
Bloomberg Commodity Benchmark	(13.32)%	(10.55)%	(10.82)%
Other Alternative Segment			
Private Equity/Venture Capital	6.48%	12.33%	10.96%
State Street Private Equity Benchmark	4.59%	10.10%	9.29%
Alpha Pool	(4.55)%	2.03%	4.35%
HFRI Fund of Funds Composite Benchmark	(5.38)%	1.92%	1.64%

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

Asset Allocation

As of June 30, 2016

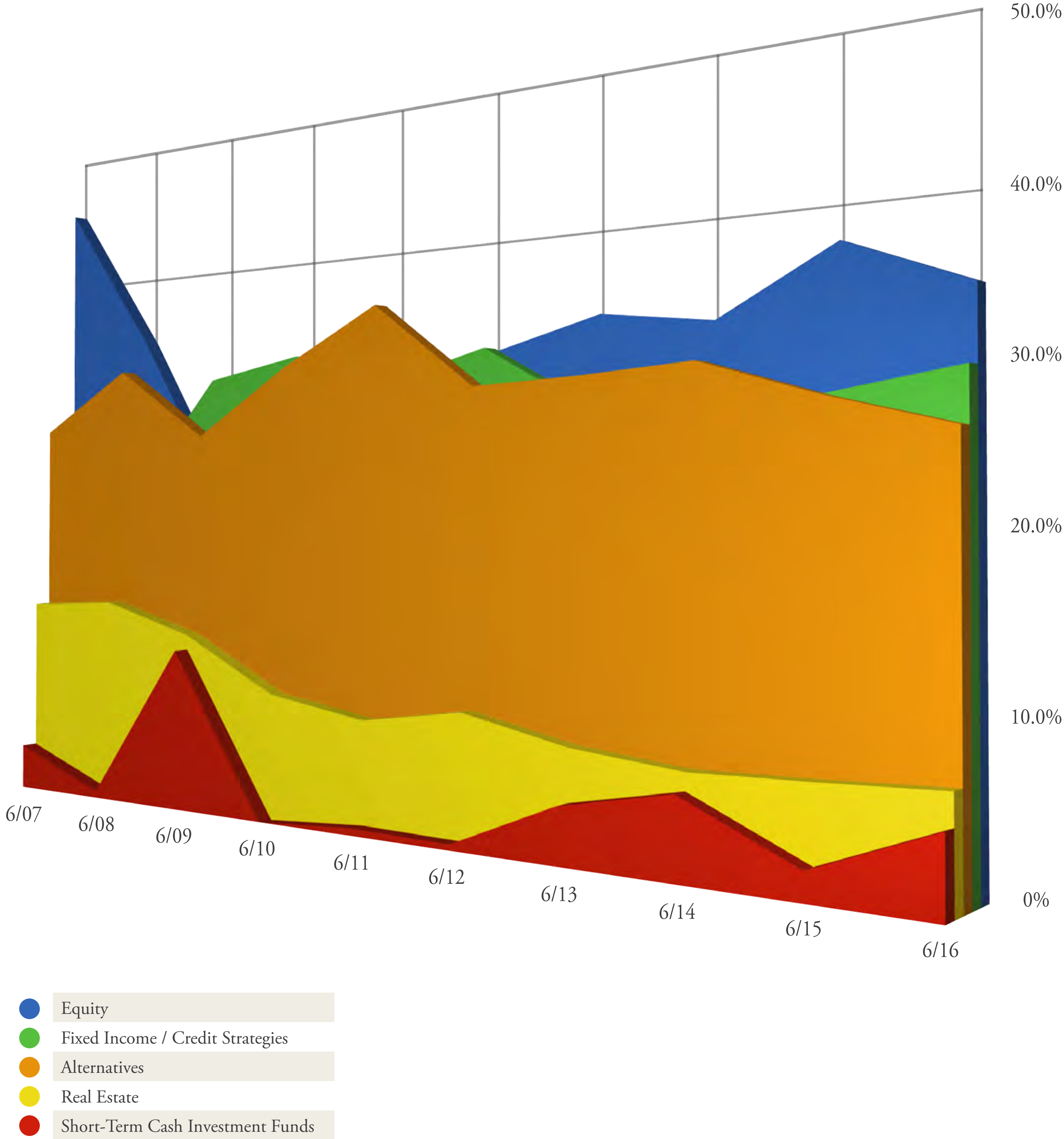


Equity	33.6%
Fixed Income / Credit Strategies	29.1%
Alternatives	25.8%
Real Estate	6.7%
Short-Term Cash Investment Funds	4.8%
TOTAL	**100.0%**

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 2007 through June 2016



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 with the year ended June 30, 2008.

Target vs. Actual Asset Allocation Percentages

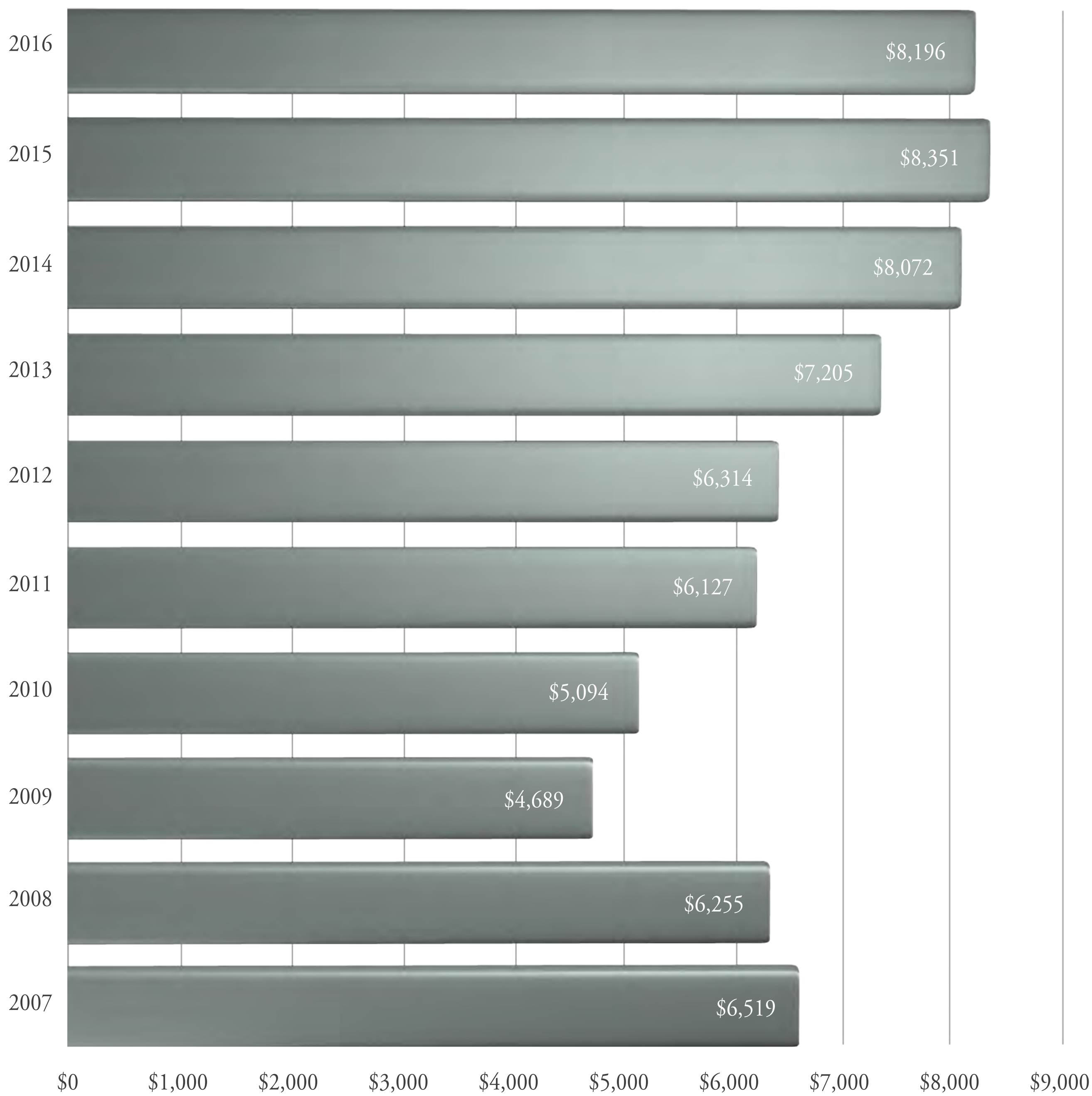
As of June 30, 2016

	Actual	Target	Target Ranges Minimum	Target Ranges Maximum
Domestic equity	14.5%	13.0%	8.0%	18.0%
International equity	19.1%	15.0%	10.0%	20.0%
Domestic fixed income	14.6%	15.0%	10.0%	20.0%
Global fixed income	14.5%	18.0%	13.0%	23.0%
Private equity	14.6%	16.0%	11.0%	21.0%
Absolute return	6.2%	7.0%	2.0%	12.0%
Timber	2.5%	2.0%	0.0%	7.0%
Infrastructure	0.8%	1.0%	0.0%	6.0%
Commodities	1.7%	2.0%	(1.0)%	7.0%
Real estate	6.7%	9.0%	4.0%	14.0%
Short-term cash investment funds	4.8%	2.0%	0.0%	10.0%

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 Held for Investments

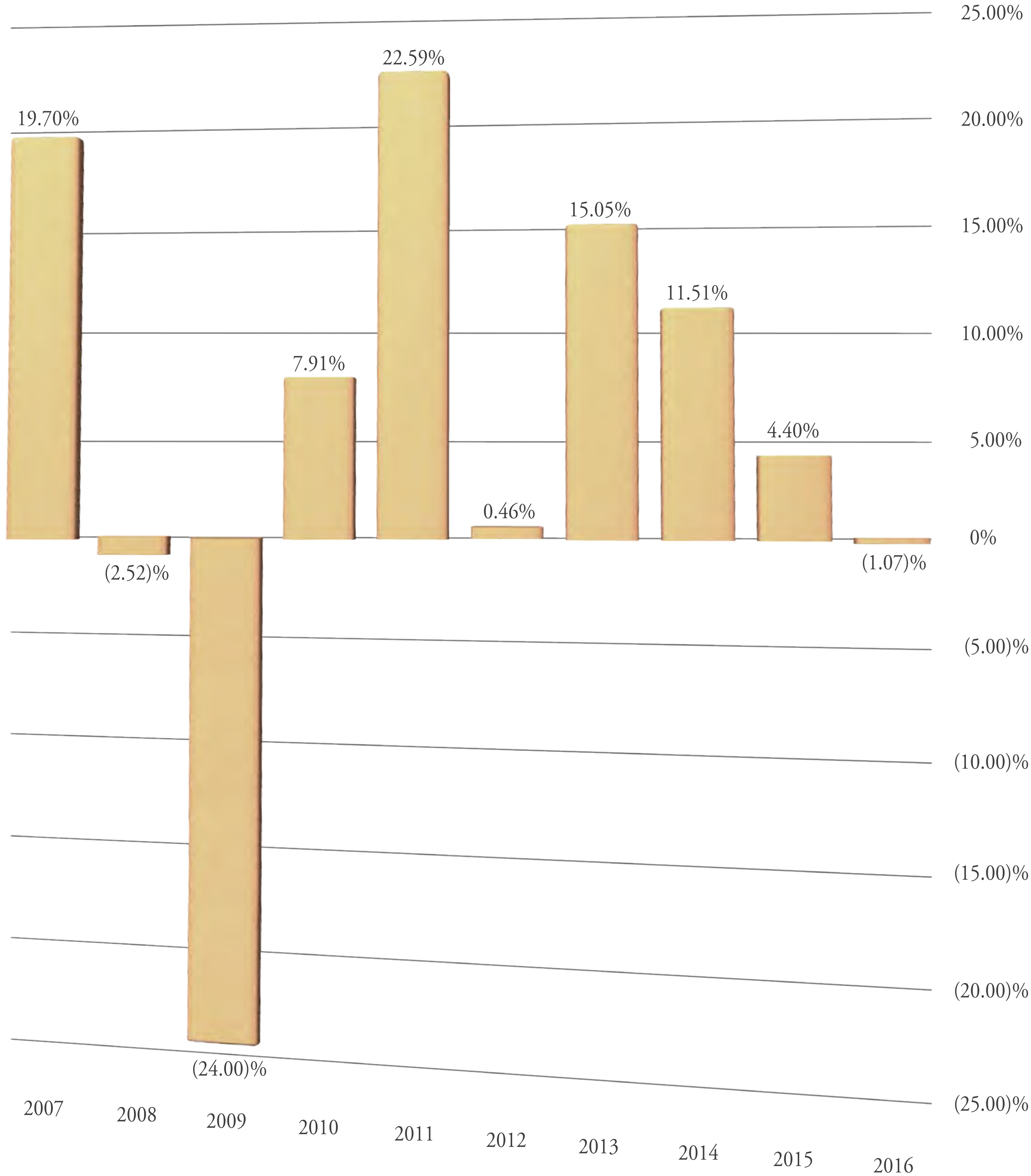
For 10 Years Ended June 30, 2016
(Amounts in Millions)



Note: This chart depicts growth of plan assets held for investment excluding investments of cash collateral received on securities lending transactions. For the year ended June 30, 2016, investments of cash collateral received on securities lending amount to $95.46 million.

History of Investment Performance

For the Years Ended June 30, 2007 through 2016
(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, 2016
(Amounts in Thousands)

Largest Equity Holdings

(By Fair Value)

Description		Shares	Fair Value
1.	Sacher Funding LTD PVE Sacher Bawag PVE	197	$ 66,426
2.	Sutherland Asset Management	1,339	18,869
3.	Grove Bidco Travelodge Prop TL	6,269	8,381
4.	Taiwan Semiconductor Manufac.	911	4,590
5.	Calpine Corp	311	4,581
6.	Samsung Electronics Co LTD	3	4,290
7.	Goldenpal LLC	4,262	4,170
8.	China Mobile LTD	333	3,804
9.	Tribune Media Co	84	3,274
10.	Infosys Ltd Sp ADR	157	2,802
TOTAL OF LARGEST EQUITY HOLDINGS			**$ 121,187**
TOTAL EQUITY HOLDINGS			**$ 898,799**

Largest Fixed Income Holdings

(By Fair Value)

Description		Par	Fair Value
1.	Apollo Craft Mid Cap Trade	$ 25,000	$ 26,227
2.	Treasury Bill 10/16	15,000	14,990
3.	Namoya GSA Holdings	14,247	14,778
4.	Banro Corporation Secured Regs	16,610	13,454
5.	Tonon Luxembourg SA	10,000	10,611
6.	Eaton Vance CDO Ltd	12,300	10,237
7.	Treasury Bill 11/16	10,100	10,089
8.	Treasury Bill 03/17	10,000	9,974
9.	Zais CLO 2 Ltd	16,725	9,049
10.	Source Interlink Companies In Term Loan B	8,424	8,545
TOTAL OF LARGEST FIXED INCOME HOLDINGS			**$ 127,954**
TOTAL FIXED INCOME HOLDINGS			**$ 976,559**

Note: The holdings schedules pertain to holdings of equity interests or individual securities; they do not reflect SBCERA's investments in commingled funds and may not be publicly traded. A complete list of portfolio holdings is available upon request.

Schedule of Fees and Commissions

For the Year Ended June 30, 2016
(Amounts in Thousands)

Schedule of Fees

Type of Fees	Assets Under Management at Fair Value	Fees[1]
Investment Managers' Fees		
Equity managers	$ 898,799	$ 2,208
Fixed income managers	976,559	4,824
Real estate managers	525,075	5,577
Alternative managers	4,879,594	47,291
Short-term cash & securities lending collateral	1,011,148	-
TOTAL INVESTMENT MANAGERS' FEES	**$ 8,291,175**	**59,900**
Other Investment Service Fees		
Custodian fees		438
Legal services		213
Investment consultant fees		2,404
TOTAL OTHER INVESTMENT SERVICE FEES		**3,055**
SECURITIES LENDING FEES		**335**
TOTAL FEES		**$ 63,290**

Schedule of Commissions

Brokerage Firm	Total Shares Traded (Actual Shares)	Commissions Per Share (Actual Dollars)	Total Commissions	% of Total Commissions[3]
Morgan Stanley (Bank of NY)	165,644	$ 3.32296	$ 551	51.82%
Morgan Stanley and Co New York	142,426	1.79648	256	24.09%
Merrill Lynch, Pierce, Fenner & Smith Inc	4,459,059	0.01219	54	5.12%
Merrill Lynch International	28,265,473	0.00164	46	4.37%
KCG Americas LLC	1,502,343	0.02576	39	3.64%
Goldman Sachs International	4,897,218	0.00457	22	2.11%
Other[2]	22,252,352	Various[2]	94	8.85%
TOTAL	**61,684,515**		**$ 1,062**	**100.00%**

(1) Fees include amounts for investment management fees and performance fees. It does not include unrealized carried interest allocations and other indirect flow-through investment expenses such as organizational expenses in limited partnership structures.
(2) Includes approximately 39 additional firms, each with less than 2.00% of total commissions. The average commission per share is .00423.
(3) Results are not adjusted for rounding.
Note: SBCERA has commission recapture arrangements with Russell Investment Group.

Investment Summary

As of June 30, 2016
(Amounts in Thousands)

Type of Investment	Fair Value	Percent of Total Fair Value
Short-term cash investment funds	$ 915,688	11.04%
Emerging market debt	593,267	7.16%
United States government and agency obligations	84,294	1.02%
Corporate bonds	248,436	3.00%
Foreign bonds	50,562	0.61%
Domestic common and preferred stock	676,276	8.16%
Foreign common and preferred stock	222,523	2.68%
Investments of cash collateral received on securities lending	95,460	1.15%
Real estate	525,075	6.33%
Domestic alternatives	3,490,829	42.10%
Foreign alternatives	1,388,765	16.75%
TOTAL INVESTMENTS, AT FAIR VALUE	**$ 8,291,175**	**100.00%**

Section
4.0

ACTUARIAL

(Unaudited)

Strong Redevelopment

Strong Redevelopment

The Auto Club Speedway is widely recognized as California's premier motorsports facility. The speedway hosts over 320 days of track activity each year, including its signature event, the NASCAR Sprint Cup Series Auto Club 400 weekend. Once the site of the Kaiser Steel plant, the transformation into a speedway began with the unanimous approval of the San Bernardino County Board of Supervisors in 1995, paving the way for removal of hazardous waste, demolition of steel mills and reconstruction.[1] In addition to hosting top races and attracting fans from all over the world, Auto Club Speedway has been used as a filming location for numerous films and TV shows, including "The Bucket List" and "Entourage."[1] Today, the sheer size of the track leaves spectators in awe with an infield larger than all 15 of California's professional sports venues combined, including the Staples Center and Dodger Stadium.

(1) "Timeline." Auto Club Speedway. autoclubspeedway.com

Actuary Certification Letter

Segal Consulting

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

November 17, 2016

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, 2016 Actuarial Valuation for Funding Purposes

Dear Members of the Board:

Segal Consulting (Segal) prepared the June 30, 2016 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, 2016 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.

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).

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

Board of Retirement
San Bernardino County Employees' Retirement Association
November 17, 2016
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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, 2016 is illustrated in the Schedule of Funding Progress.

Certain information found in the Notes to the 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, 2016 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 Related Ratios 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, 2016 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
- Probabilities 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

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, 2016 valuation produce results, which, in aggregate, reflect the future experience of the retirement plan. Actuarial

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San Bernardino County Employees' Retirement Association
November 17, 2016
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valuations are performed on an annual basis. An experience analysis is performed every three years and the next experience analysis is due to be performed as of June 30, 2017.

In the June 30, 2016 valuation, the ratio of the valuation assets to actuarial accrued liabilities (funded percentage) increased from 80.82% to 81.89%. The average employer contribution rate has increased from 27.45% of payroll to 27.55% of payroll, while the average member contribution rate has decreased from 10.87% of payroll to 10.77% of payroll.

Under the asset smoothing method, the total unrecognized investment loss is $540 million as of June 30, 2016. This investment loss will be recognized in the determination of the actuarial value of assets for funding purposes in the next few years. The deferred loss of $540 million represents about 6.6% of the market value of assets as of June 30, 2016. Unless offset by future investment gains or other favorable experience, the recognition of the $540 million market loss 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 losses were recognized immediately in the actuarial value of assets, the funded ratio would decrease from 81.89% to 76.82%.
- If the deferred losses were recognized immediately in the actuarial value of assets, the average employer contribution rate would increase from 27.55% to about 30.41% 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

EK\gxk

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Schedule of Funding Progress

For the Years Ended June 30, 2007 through 2016
(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]
6/30/2007	$ 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%
6/30/2015[4]	8,255,353	10,214,473	1,959,120	80.82%	1,309,095	149.65%
6/30/2016[4]	8,736,959	10,669,688	1,932,729	81.89%	1,346,408	143.55%

(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 subsequent transfer of $40.6 million from the General Retiree Subsidy reserve to the Current Service reserve.
(4) Does not reflect the present value of additional future contributions payable from the County of San Bernardino to SBCERA related to the Crest Forest Fire District transfer.
Note: Refer to the Required Supplementary Information section (see Schedule of Employer Contributions), and Note 3 – Contribution Requirements, for further information.

Latest Actuarial Valuation Methods and Assumptions

As of June 30, 2016

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 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). 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 Plan Member 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 135.
5.	Asset Valuation	Smoothed market (five year average). See Development of Actuarial Value of Assets on page 126 which shows the development of the assets. As of June 30, 2016, the net unrecognized deferred loss is $539.99 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 three years younger (or older) than their spouses.
8.	Rates of Termination of Employment	As shown in Table on page 137.
9.	Years of Life Expectancy After Retirement	As shown in Table on page 138.
10.	Years of Life Expectancy After Disability	As shown in Table on page 138.
11.	Mortality for Member 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 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.	Administrative Expense Assumption Load	0.60% of payroll allocated to both the employer and Plan member based on the components of the total average contribution rate (before expenses) for the employer and Plan member.
16.	Recent Changes	There have been no changes in actuarial assumptions or methods since the previous valuation.

Note: The above methods and assumptions were selected by the Plan's actuary as being appropriate for the Plan and are adopted for the year ended June 30, 2016.

Development of Actuarial Value of Assets

As of June 30, 2016
(Amounts in Thousands)

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 fair 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 fair 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.	**Fair value of assets**			**$ 8,196,974**
2.	**Calculation of unrecognized return**			
	a) Year ended June 30, 2016[1]	$ (700,602)	$ (560,482)	
	b) Year ended June 30, 2015[1]	(318,629)	(191,177)	
	c) Year ended June 30, 2014[1]	316,679	126,672	
	d) Year ended June 30, 2013[1]	425,010	85,002	
	e) TOTAL UNRECOGNIZED RETURN[2]			**(539,985)**
3.	**Actuarial value of assets (1) - (2e)**			**8,736,959**
4.	**Actuarial value as a percentage of fair value (3) / (1)**			106.6%
5.	**Non-valuation reserves**			
	a) Burial allowance reserve			732
	b) TOTAL			**732**
6.	**PRELIMINARY VALUATION VALUE OF ASSETS (3) - (5b)**			**$ 8,736,227**
7.	**VALUATION VALUE OF ASSETS[3]**			**$ 8,742,113**

(1) Recognition at 20% per year over five years.
(2) Deferred (unrecognized) return amount as of June 30, 2016 recognized in each of the next four years as follows:

(a) Amount recognized during 2016/2017	$ (55,508)
(b) Amount recognized during 2017/2018	(140,510)
(c) Amount recognized during 2018/2019	(203,846)
(d) Amount recognized during 2019/2020	(140,121)
Total	$ (539,985)

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

Schedule of Active Member Valuation Data

For the Years Ended June 30, 2007 through 2016

Valuation Date	Number of Participating Employers[1]	Number of Active Plan Members	Annual Payroll	Annual Average Payroll	% Increase/(Decrease) in Average Payroll
6/30/2007					
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%**
6/30/2008					
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%**
6/30/2009					
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%**
6/30/2010					
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)%**
6/30/2011					
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%**
6/30/2012					
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%**
6/30/2013					
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)%**
6/30/2014					
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)%**
6/30/2015					
General	16	17,726	$ 1,099,968,966	$ 62,054	0.65%
Safety	3	2,212	209,126,288	94,542	3.11%
TOTAL	**17**	**19,938**	**$ 1,309,095,254**	**$ 65,658**	**0.98%**
6/30/2016					
General	16	18,165	$ 1,120,811,245	$ 61,702	(0.57)%
Safety	3	2,373	225,596,956	95,068	0.56%
TOTAL	**17**	**20,538**	**$ 1,346,408,201**	**$ 65,557**	**(0.15)%**

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

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

Schedule of Retirants and Beneficiaries

For the Years Ended June 30, 2007 through 2016

	Number of Plan 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]
7/06 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
7/14 to 6/15	10,618	796	(286)	11,128	398,611,000	39,452,000	(7,056,000)	431,007,000	8.13%	3,228	38,732
7/15 to 6/16	11,128	803	(301)	11,630	431,007,000	42,262,000	(8,396,000)	464,873,000	7.86%	3,331	39,972

(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 the Years Ended June 30, 2007 through 2016
(Amounts in Thousands)

	Aggregate Accrued Liabilities for				Portion of Accrued Liability Covered by Valuation Assets		
Actuarial Valuation Date	(1) Active Plan Member Contributions	(2) Retirees, Beneficiaries & Vested Participants	(3) Active Plan Members (Employer Financed Portion)	Actuarial Value of Assets	(1)	(2)	(3)
6/30/2007	$ 787,699	$ 2,894,967	$ 2,544,347	$ 5,797,400	100%	100%	83.11%
6/30/2008	851,932	3,244,459	2,677,238	6,341,531	100%	100%	83.86%
6/30/2009	885,519	3,325,726	2,802,289	6,383,388	100%	100%	77.51%
6/30/2010	934,641	3,573,651	2,936,694	6,367,232	100%	100%	63.30%
6/30/2011	969,913	4,033,102	3,186,631	6,484,507	100%	100%	46.49%
6/30/2012	1,004,751	4,330,245	3,271,581	6,789,492	100%	100%	44.46%
6/30/2013	1,037,767	4,699,518	3,351,351	7,204,918	100%	100%	43.79%
6/30/2014	1,048,914	5,231,227	3,414,684	7,751,309	100%	100%	43.08%
6/30/2015	1,059,688	5,587,189	3,567,596	8,255,353	100%	100%	45.09%
6/30/2016	1,084,761	5,992,772	3,592,155	8,736,959	100%	100%	46.20%

Summary of Major Plan Provisions

As of June 30, 2016

		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** The later of: (1) age 55 for General members or (2) age 50 for Safety members or (3) the age at which the member vests in his/her benefits under the CERL, but not later than age 70.	**Normal Retirement Age** The later of: (1) age 55 for General members or (2) age 50 for Safety members or (3) the age at which the member vests in his/her benefits under the CERL, but not later than age 70.
		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.	**Early Retirement** Age 70 (regardless of service credit) or age 52 and 5 years of service credit for General members or age 50 and 5 years of service credit for Safety members.
		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** At age 67, 2.5% times final average compensation for every year of "General" service credit for benefit. At age 57, 2.7% times final average compensation for every year of "Safety" service credit for benefit.
		Benefit Adjustments Reduced for retirement before age 55 for General members (age 50 for Safety members). Increased for retirement after age 55 up to age 65 (General members only).	**Benefit Adjustments** Reduced for retirement before age 67 for General members (age 57 for Safety members).
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).	**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).	**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 CERL. Employees who have attained age 60 prior to employment may waive membership within 90 days following initial appointment to an eligible position.

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 3 – Contribution Requirements, for further information.

Summary of Major Plan Provisions

As of June 30, 2016

(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 50% of annual compensation. **5 or More Years of Service Credit** Lump sum 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 50% of annual compensation. **5 or More Years of Service Credit** Lump sum 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**[2] 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**[2] Monthly payment equal to 60% of member's allowance. **Service Disability**[2] 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 upon request from the SBCERA administrative office.

Analysis of Financial Experience

For the Years Ended June 30, 2007 through 2016
(Amounts in Thousands)

The following are the gains and losses in accrued liabilities during the years ended June 30, 2007 through 2016 resulting from the differences between assumed experience and actual experience.

	Type of Activity				
Year Ended	**Pay Increases[1]**	**Investment Income[2]**	**Death After Retirement[3]**	**Other[4]**	**Composite Gain/(Loss) During the Year**
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)
6/30/2015 Gain/(Loss)	(19,400)	(72,831)	14,950	18,580	(58,701)
6/30/2016 Gain/(Loss)	135,705	(143,031)	(10,824)	(5,849)	(23,999)

(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.

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.

Section
4.1 ACTUARIAL
Supporting Schedules
(Unaudited)

Strong Communities

Strong Communities

The City of Loma Linda is a model of healthy living. Known for world-renowned medical centers, a leading university and residents with long life spans, Loma Linda's health accolades have helped place San Bernardino County on an international stage. A number of pioneering medical advancements have been introduced to the world thanks to Loma Linda, including proton radiation treatment at the Loma Linda Cancer Center and the first successful infant-to-infant heart transplant ever performed. More recently, Loma Linda was spotlighted on NBC's The TODAY Show as one of only five "Blue Zones" in the world, classified as a place where residents have remarkable health and longevity.[1] Thanks to its active lifestyle, healthy eating and commitment to medical discovery, Loma Linda is a leader in improving global health.

(1) "How to live to 100: This town may hold the secrets of longevity." NBC Today, today.com

Ratio of Current Compensation-to-Compensation Anticipated at Retirement

As of June 30, 2016

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. Refer to Segal's letter in the Actuarial section, for further information.

Probabilities of Separation from Active Service

As of June 30, 2016

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 a disability is not employment-related. Service connected (duty) disability is when a 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, 2016

(continued)

The probabilities shown for each cause of termination represent the likelihood that a given Plan 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 Plan 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 Plan 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 member 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 member 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. Refer to Segal's letter in the Actuarial section, for further information.

Expectation of Life

As of June 30, 2016
(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

General Disabled Retirees[1]

Age	Male[4]	Female[5]
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[6]	Female[6]
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 back two years.
(3) The table is set back one year.
(4) The table is set forward seven years.
(5) The table is set forward eight years.
(6) The table is set forward two years.

History of Total Employer Contribution Rates

For Actuarial Valuation Years Ended June 30, 2007 through 2016

	Valuation Date - 6/30/2007	Valuation Date - 6/30/2008	Valuation Date - 6/30/2009	Valuation Date - 6/30/2010
County General				
Normal Cost	9.42%	9.29%	9.25%	9.27%
UAAL	2.25%	1.96%	3.07%	5.23%
Total	**11.67%**	**11.25%**	**12.32%**	**14.50%**
County Safety				
Normal Cost	19.59%	19.06%	19.21%	19.16%
UAAL	5.31%	5.40%	7.61%	11.73%
Total	**24.90%**	**24.46%**	**26.82%**	**30.89%**
SCAQMD				
Normal Cost	9.78%	9.66%	9.72%	9.72%
UAAL	4.13%	5.52%	6.36%	9.61%
Total	**13.91%**	**15.18%**	**16.08%**	**19.33%**
Superior Court				
Normal Cost	9.42%	9.29%	9.25%	9.27%
UAAL	5.97%	5.55%	6.29%	7.61%
Total	**15.39%**	**14.84%**	**15.54%**	**16.88%**
Other General				
Normal Cost	10.50%	10.61%	10.58%	10.57%
UAAL	9.47%	8.81%	9.81%	11.81%
Total	**19.97%**	**19.42%**	**20.39%**	**22.38%**
Other Safety				
Normal Cost	20.62%	19.97%	20.22%	20.24%
UAAL	21.90%	21.01%	24.48%	26.67%
Total	**42.52%**	**40.98%**	**44.70%**	**46.91%**

Note: See Note on page 141, for further information.

History of Total Employer Contribution Rates

For Actuarial Valuation Years Ended June 30, 2007 through 2016

(continued)

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	
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	
Normal Cost	19.59%
UAAL	38.23%
Total	**57.82%**

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 1	
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-Tier 1	
Normal Cost	20.48%
UAAL	39.17%
Total	**59.65%**
Other Safety-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 1	
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-Tier 1	
Normal Cost	23.22%
UAAL	45.79%
Total	**69.01%**
Other Safety-Tier 2	
Normal Cost	12.82%
UAAL	45.79%
Total	**58.61%**

Note: See Note on page 141, for further information.

History of Total Employer Contribution Rates

For Actuarial Valuation Years Ended June 30, 2007 through 2016

(continued)

Valuation Date - 6/30/2015	
County General-Tier 1	
Normal Cost	11.50%
UAAL	10.83%
Total	**22.33%**
County General-Tier 2	
Normal Cost	8.37%
UAAL	10.83%
Total	**19.20%**
County Safety-Tier 1	
Normal Cost	22.10%
UAAL	28.88%
Total	**50.98%**
County Safety-Tier 2	
Normal Cost	14.03%
UAAL	28.88%
Total	**42.91%**
SCAQMD-Tier 1	
Normal Cost	11.69%
UAAL	21.24%
Total	**32.93%**
SCAQMD-Tier 2	
Normal Cost	7.66%
UAAL	21.24%
Total	**28.90%**
Superior Court-Tier 1	
Normal Cost	11.50%
UAAL	12.40%
Total	**23.90%**
Superior Court-Tier 2	
Normal Cost	8.37%
UAAL	12.40%
Total	**20.77%**
Other General-Tier 1	
Normal Cost	12.88%
UAAL	20.17%
Total	**33.05%**
Other General-Tier 2	
Normal Cost	9.33%
UAAL	20.17%
Total	**29.50%**
Other Safety-Tier 1	
Normal Cost	22.35%
UAAL	49.96%
Total	**72.31%**
Other Safety-Tier 2	
Normal Cost	13.21%
UAAL	49.96%
Total	**63.17%**

Valuation Date - 6/30/2016	
County General-Tier 1	
Normal Cost	11.50%
UAAL	10.91%
Total	**22.41%**
County General-Tier 2	
Normal Cost	8.45%
UAAL	10.91%
Total	**19.36%**
County Safety-Tier 1	
Normal Cost	22.14%
UAAL	28.06%
Total	**50.20%**
County Safety-Tier 2	
Normal Cost	15.15%
UAAL	28.06%
Total	**43.21%**
SCAQMD-Tier 1	
Normal Cost	11.68%
UAAL	23.25%
Total	**34.93%**
SCAQMD-Tier 2	
Normal Cost	7.66%
UAAL	23.25%
Total	**30.91%**
Superior Court-Tier 1	
Normal Cost	11.50%
UAAL	13.20%
Total	**24.70%**
Superior Court-Tier 2	
Normal Cost	8.45%
UAAL	13.20%
Total	**21.65%**
Other General-Tier 1	
Normal Cost	13.18%
UAAL	21.35%
Total	**34.53%**
Other General-Tier 2	
Normal Cost	8.74%
UAAL	21.35%
Total	**30.09%**
Other Safety-Tier 1	
Normal Cost	22.52%
UAAL	60.67%
Total	**83.19%**
Other Safety-Tier 2	
Normal Cost	13.06%
UAAL	60.67%
Total	**73.73%**

Note: These are the recommended rates and include a 2 year lag, i.e., contribution rates recommended in the actuarial valuation dated June 30, 2016, go into effect for the year ending June 30, 2018. Beginning December 31, 2006, SCAQMD deposited a prepayment that impacts 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 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 the Years Ended June 30, 2007 through 2016
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)
6/30/2007										
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**
6/30/2008										
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**
6/30/2009										
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**
6/30/2010										
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**
6/30/2011										
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**
6/30/2012										
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**
6/30/2013										
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**
6/30/2014										
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**
6/30/2015										
General	632	$ 28,114	259	$ 5,744	373	$ 22,370	9,299	$ 318,117	7.56%	$ 34,210
Safety	164	11,338	27	1,312	137	10,026	1,829	112,890	9.75%	61,722
TOTAL	**796**	**$ 39,452**	**286**	**$ 7,056**	**510**	**$ 32,396**	**11,128**	**$ 431,007**	**8.13%**	**$ 38,732**
6/30/2016										
General	681	$ 31,597	269	$ 6,759	412	$ 24,838	9,711	$ 342,955	7.81%	$ 35,316
Safety	122	10,665	32	1,637	90	9,028	1,919	121,918	8.00%	63,532
TOTAL	**803**	**$ 42,262**	**301**	**$ 8,396**	**502**	**$ 33,866**	**11,630**	**$ 464,873**	**7.86%**	**$ 39,972**

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

Section
5.0

STATISTICAL

(Unaudited)

Hometown Strong

Hometown Strong

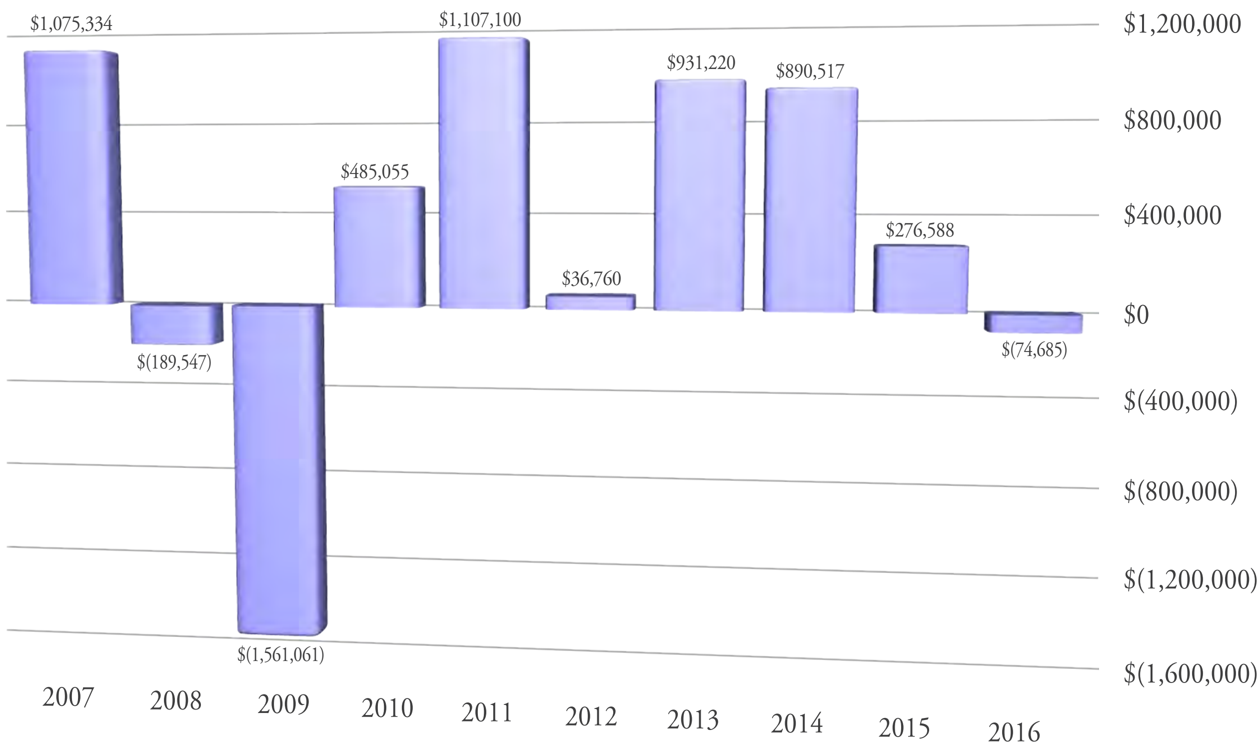
"The Low-Price Leader in the Heartland," as it was once known, is quickly becoming a powerhouse in the food and grocery industry. Founded in Yucaipa by Cleo and Leo Stater during 1936, Stater Bros. grew into a Fortune 500 company under the leadership of its late CEO, Jack H. Brown, with nearly $4 billion in annual revenue. Initially financed with a mere $600 down payment by Cleo and Leo, the company is now listed by Forbes as America's 101st largest private company.[1] Now in its 80th year of operations, Stater Bros. is one of the largest companies headquartered in San Bernardino County with roughly 18,000 employees among its 168 stores.[2] A source of ongoing economic strength, the company also gives to various food banks, children's causes and veterans' organizations through its non-profit foundation, Stater Bros. Charities.

(1) "America's Largest Private Companies." Forbes. forbes.com

(2) "A History of Success." Stater Bros. staterbros.com

Statistical Changes in Fiduciary Net Position

For the Years Ended June 30, 2007 through 2016
(Amounts in Thousands)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Additions										
Employer contributions	$ 239,857	$ 241,721	$ 246,232	$ 243,773	$ 258,128	$ 278,091	$ 303,080	$ 330,330	$ 303,244	$ 340,512
Plan member contributions	47,005	49,481	49,550	56,986	59,612	68,630	91,056	89,861	129,895	139,132
Investment income/(loss)[1]	1,023,502	(226,541)	(1,583,833)	486,433	1,117,138	39,786	912,310	877,018	280,842	(80,028)
TOTAL ADDITIONS	**1,310,364**	**64,661**	**(1,288,051)**	**787,192**	**1,434,878**	**386,507**	**1,306,446**	**1,297,209**	**713,981**	**399,616**
Deductions										
Benefits and refunds	225,483	244,406	262,779	292,677	320,514	341,728	367,396	397,823	428,475	464,068
Administrative expenses	7,254	8,861	8,939	7,226	5,599	6,205	6,258	6,386	6,710	7,569
Other expenses	2,293	941	1,292	2,234	1,665	1,814	1,572	2,483	2,208	2,664
TOTAL DEDUCTIONS	**235,030**	**254,208**	**273,010**	**302,137**	**327,778**	**349,747**	**375,226**	**406,692**	**437,393**	**474,301**
TOTAL CHANGE IN FIDUCIARY NET POSITION	**$ 1,075,334**	**$ (189,547)**	**$ (1,561,061)**	**$ 485,055**	**$ 1,107,100**	**$ 36,760**	**$ 931,220**	**$ 890,517**	**$ 276,588**	**$ (74,685)**

(1) Net of investment expenses and includes net securities lending income ($362 thousand for the year ended June 30, 2016).

Additions by Source

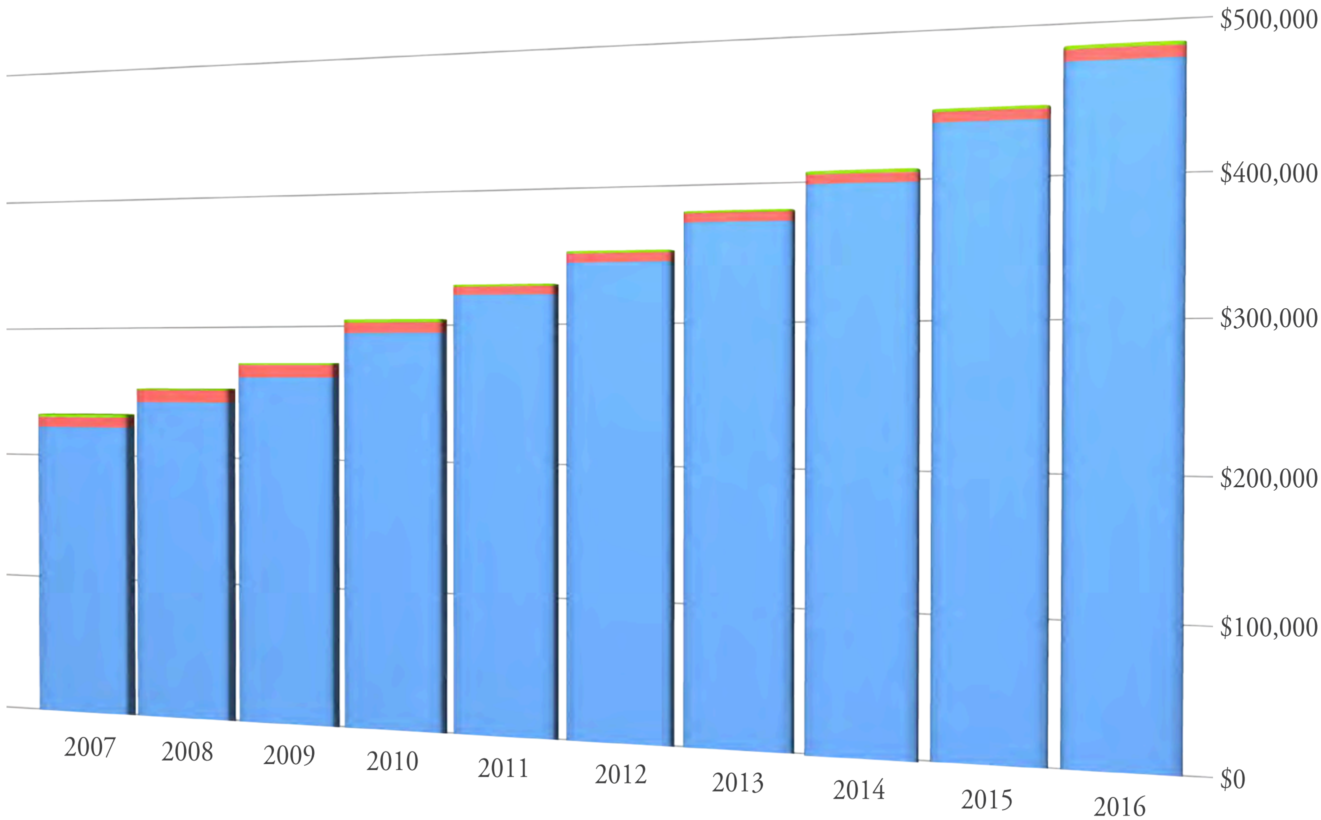
For the Years Ended June 30, 2007 through 2016
(Amounts in Thousands)

Additions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Employer contributions	$ 239,857	$ 241,721	$ 246,232	$ 243,773	$ 258,128	$ 278,091	$ 303,080	$ 330,330	$ 303,244	$ 340,512
Plan member contributions	47,005	49,481	49,550	56,986	59,612	68,630	91,056	89,861	129,895	139,132
% of annual payroll (employer)[1]	21.76%	19.82%	20.08%	19.50%	20.74%	22.07%	24.00%	26.06%	23.16%	25.29%
Investment income/(loss)[2]	1,023,502	(226,541)	(1,583,833)	486,433	1,117,138	39,786	912,310	877,018	280,842	(80,028)
TOTAL ADDITIONS	**$ 1,310,364**	**$ 64,661**	**$ (1,288,051)**	**$ 787,192**	**$ 1,434,878**	**$ 386,507**	**$ 1,306,446**	**$ 1,297,209**	**$ 713,981**	**$ 399,616**

(1) The annual payroll used for the year ended June 30, 2016 is $1.35 billion.
(2) Net of investment expenses and includes net securities lending income ($362 thousand for the year ended June 30, 2016).

Deductions by Type

For the Years Ended June 30, 2007 through 2016
(Amounts in Thousands)



Deductions	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Benefits and refunds	$ 225,483	$ 244,406	$ 262,779	$ 292,677	$ 320,514	$ 341,728	$ 367,396	$ 397,823	$ 428,475	$ 464,068
Administrative expenses	7,254	8,861	8,939	7,226	5,599	6,205	6,258	6,386	6,710	7,569
Other expenses	2,293	941	1,292	2,234	1,665	1,814	1,572	2,483	2,208	2,664
TOTAL DEDUCTIONS	**$ 235,030**	**$ 254,208**	**$ 273,010**	**$ 302,137**	**$ 327,778**	**$ 349,747**	**$ 375,226**	**$ 406,692**	**$ 437,393**	**$ 474,301**

Benefit Expenses by Type

For the Years Ended June 30, 2007 through 2016
(Amounts in Thousands)

Type of Benefit Expense	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Age & Service Benefits										
Retirees	$ 153,421	$ 170,711	$ 190,105	$ 217,241	$ 238,775	$ 256,160	$ 276,360	$ 300,482	$ 327,541	$ 354,650
Survivors	8,362	9,031	9,452	10,396	11,427	12,259	13,230	14,293	15,314	16,817
Death in service benefits	407	367	332	313	388	341	315	424	247	590
Disability Benefits										
Duty	35,237	37,188	37,473	39,858	42,230	44,080	47,137	50,325	52,722	55,037
Non-duty	7,640	8,063	8,125	8,642	9,156	9,557	10,220	10,911	11,431	11,933
Survivor	6,123	6,462	6,512	6,926	7,613	7,947	8,576	9,265	9,927	10,902
TOTAL BENEFIT PAYMENTS	**211,190**	**231,822**	**251,999**	**283,376**	**309,589**	**330,344**	**355,838**	**385,700**	**417,182**	**449,929**
Refunds										
Death	558	408	538	1,462	925	717	826	1,016	1,106	1,678
Separation	13,735	12,176	10,242	7,839	10,000	10,667	10,732	11,107	10,187	12,461
TOTAL REFUNDS	**14,293**	**12,584**	**10,780**	**9,301**	**10,925**	**11,384**	**11,558**	**12,123**	**11,293**	**14,139**
TOTAL BENEFIT AND REFUND PAYMENTS	**$225,483**	**$244,406**	**$262,779**	**$292,677**	**$320,514**	**$341,728**	**$367,396**	**$397,823**	**$428,475**	**$464,068**

Retired Members by Type of Benefit

As of June 30, 2016

Amount of Monthly Benefit[2]	Number of Retirees	Type of Retirement[1] A	B	C
General Members				
$0 - $999	1,938	1,297	103	538
$1,000 - $1,999	2,640	1,910	327	403
$2,000 - $2,999	1,768	1,359	230	179
$3,000 - $3,999	1,101	954	82	65
$4,000 - $4,999	705	644	30	31
$5,000 - $5,999	462	436	13	13
$6,000 - $6,999	326	319	1	6
$7,000 - $7,999	250	244	1	5
$8,000 - $8,999	169	165	3	1
$9,000 - $9,999	103	99	2	2
Over $10,000	249	246	1	2
TOTAL	**9,711**	**7,673**	**793**	**1,245**

Amount of Monthly Benefit[2]	Number of Retirees	Type of Retirement[1] A	B	C
Safety Members				
$0 - $999	113	31	20	62
$1,000 - $1,999	209	48	57	104
$2,000 - $2,999	255	74	129	52
$3,000 - $3,999	372	74	258	40
$4,000 - $4,999	167	80	57	30
$5,000 - $5,999	148	102	36	10
$6,000 - $6,999	135	96	30	9
$7,000 - $7,999	122	88	25	9
$8,000 - $8,999	107	79	26	2
$9,000 - $9,999	83	59	21	3
Over $10,000	208	138	68	2
TOTAL	**1,919**	**869**	**727**	**323**

	Number of Retirees	Type of Retirement[1] A	B	C
GRAND TOTAL	**11,630**	**8,542**	**1,520**	**1,568**

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

Participating Employers

For the Years Ended June 30, 2007 through 2016

	2016		2015		2014		2013	
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	18	0.09%	28	0.14%	27	0.14%	20	0.10%
California Electronic Recording Transaction Network Authority	2	0.01%	2	0.01%	1	0.01%	1	0.01%
California State Association of Counties	94	0.46%	94	0.47%	83	0.43%	94	0.47%
City of Big Bear Lake	67	0.33%	65	0.33%	66	0.34%	71	0.37%
City of Chino Hills	153	0.74%	152	0.76%	148	0.76%	161	0.83%
County of San Bernardino	18,319	89.19%	17,718	88.87%	17,341	88.93%	17,230	88.81%
Crest Forest Fire Protection District	-	0.00%	-	0.00%	-	0.00%	-	0.00%
Crestline Sanitation District	19	0.09%	20	0.10%	19	0.10%	18	0.09%
Department of Water and Power of the City of Big Bear Lake	31	0.15%	32	0.16%	32	0.16%	33	0.17%
Hesperia Recreation and Park District	40	0.19%	49	0.24%	44	0.23%	18	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%	-	0.00%
Law Library for San Bernardino County	8	0.04%	8	0.04%	8	0.04%	8	0.04%
Local Agency Formation Commission	5	0.02%	5	0.02%	5	0.03%	4	0.02%
Mojave Desert Air Quality Management District	39	0.19%	41	0.21%	41	0.21%	42	0.22%
Rim of the World Recreation & Park District	-	0.00%	-	0.00%	-	0.00%	-	0.00%
San Bernardino Associated Governments	55	0.27%	50	0.25%	45	0.23%	48	0.25%
San Bernardino County Employees' Retirement Association (SBCERA)	55	0.27%	48	0.24%	50	0.26%	47	0.24%
San Bernardino International Airport Authority	-	0.00%	-	0.00%	-	0.00%	-	0.00%
South Coast Air Quality Management District	682	3.32%	695	3.49%	697	3.57%	713	3.68%
Superior Court of California County of San Bernardino	950	4.63%	930	4.66%	889	4.55%	892	4.60%
TOTAL EMPLOYEES	**20,538**	**100.00%**	**19,938**	**100.00%**	**19,497**	**100.00%**	**19,401**	**100.00%**

Note: See Note on page 151, for further information.

Participating Employers

For the Years Ended June 30, 2007 through 2016

(continued)

2012		2011		2010		2009		2008		2007	
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
20	0.10%	21	0.11%	23	0.12%	23	0.12%	21	0.11%	24	0.13%
1	0.01%	1	0.01%	1	0.01%	1	0.01%	-	0.00%	-	0.00%
105	0.54%	108	0.56%	118	0.60%	125	0.66%	124	0.64%	108	0.57%
77	0.40%	83	0.43%	116	0.59%	119	0.63%	120	0.62%	115	0.61%
168	0.87%	168	0.87%	172	0.88%	172	0.91%	178	0.92%	164	0.87%
16,963	87.87%	16,882	87.66%	17,142	87.81%	16,563	87.38%	17,038	87.75%	16,668	87.97%
29	0.15%	26	0.13%	27	0.14%	27	0.14%	31	0.16%	30	0.16%
20	0.10%	20	0.10%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
33	0.17%	-	0.00%	-	0.00%	-	0.00%	-	0.00%	-	0.00%
18	0.09%	17	0.09%	19	0.10%	17	0.09%	16	0.08%	16	0.08%
1	0.01%	1	0.01%	2	0.01%	2	0.01%	2	0.01%	2	0.01%
-	0.00%	8	0.04%	14	0.07%	18	0.09%	18	0.09%	14	0.07%
8	0.04%	8	0.04%	8	0.04%	9	0.05%	9	0.05%	8	0.04%
4	0.02%	4	0.02%	5	0.03%	6	0.03%	6	0.03%	5	0.03%
38	0.20%	38	0.20%	37	0.19%	35	0.18%	37	0.19%	38	0.20%
1	0.01%	1	0.01%	2	0.01%	2	0.01%	3	0.02%	3	0.02%
41	0.21%	39	0.20%	38	0.19%	38	0.20%	38	0.20%	36	0.19%
48	0.25%	42	0.22%	20	0.10%	13	0.07%	12	0.06%	-	0.00%
-	0.00%	6	0.03%	15	0.08%	17	0.09%	15	0.08%	12	0.06%
740	3.83%	767	3.98%	780	4.00%	796	4.20%	766	3.94%	758	4.00%
991	5.13%	1,018	5.29%	981	5.03%	972	5.13%	980	5.05%	945	4.99%
19,306	**100.00%**	**19,258**	**100.00%**	**19,520**	**100.00%**	**18,955**	**100.00%**	**19,414**	**100.00%**	**18,946**	**100.00%**

Note: For the year ended June 30, 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 the year ended June 30, 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 the year ended June 30, 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. For the year ended June 30, 2009: 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 the year ended June 30, 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, 2006 to June 30, 2016

	Service Years Credited						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
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 Comp.[1]	$ 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 Comp.[1]	$ 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 Comp.[1]	$ 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 Comp.[1]	$ 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 Comp.[1]	$ 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 Comp.[1]	$ 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 Comp.[1]	$ 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 Comp.[1]	$ 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
Period 7/1/14 to 6/30/15							
Average Monthly Benefit	$ 1,111	$ 1,713	$ 1,983	$ 2,804	$ 4,521	$ 5,708	$ 7,713
Monthly Final Average Comp.[1]	$ 5,347	$ 5,293	$ 5,112	$ 5,527	$ 6,685	$ 6,837	$ 7,473
Number of Active Retirees	4	46	92	81	96	110	114
Period 7/1/15 to 6/30/16							
Average Monthly Benefit	$ 350	$ 1,669	$ 2,215	$ 2,913	$ 3,886	$ 5,576	$ 7,764
Monthly Final Average Comp.[1]	$ 7,685	$ 4,803	$ 5,795	$ 5,456	$ 5,657	$ 6,613	$ 8,041
Number of Active Retirees	1	54	80	97	91	104	107

(1) Comp. = Compensation

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

Section
5.1

STATISTICAL

Membership Information

(Unaudited)

Strengthening Minds

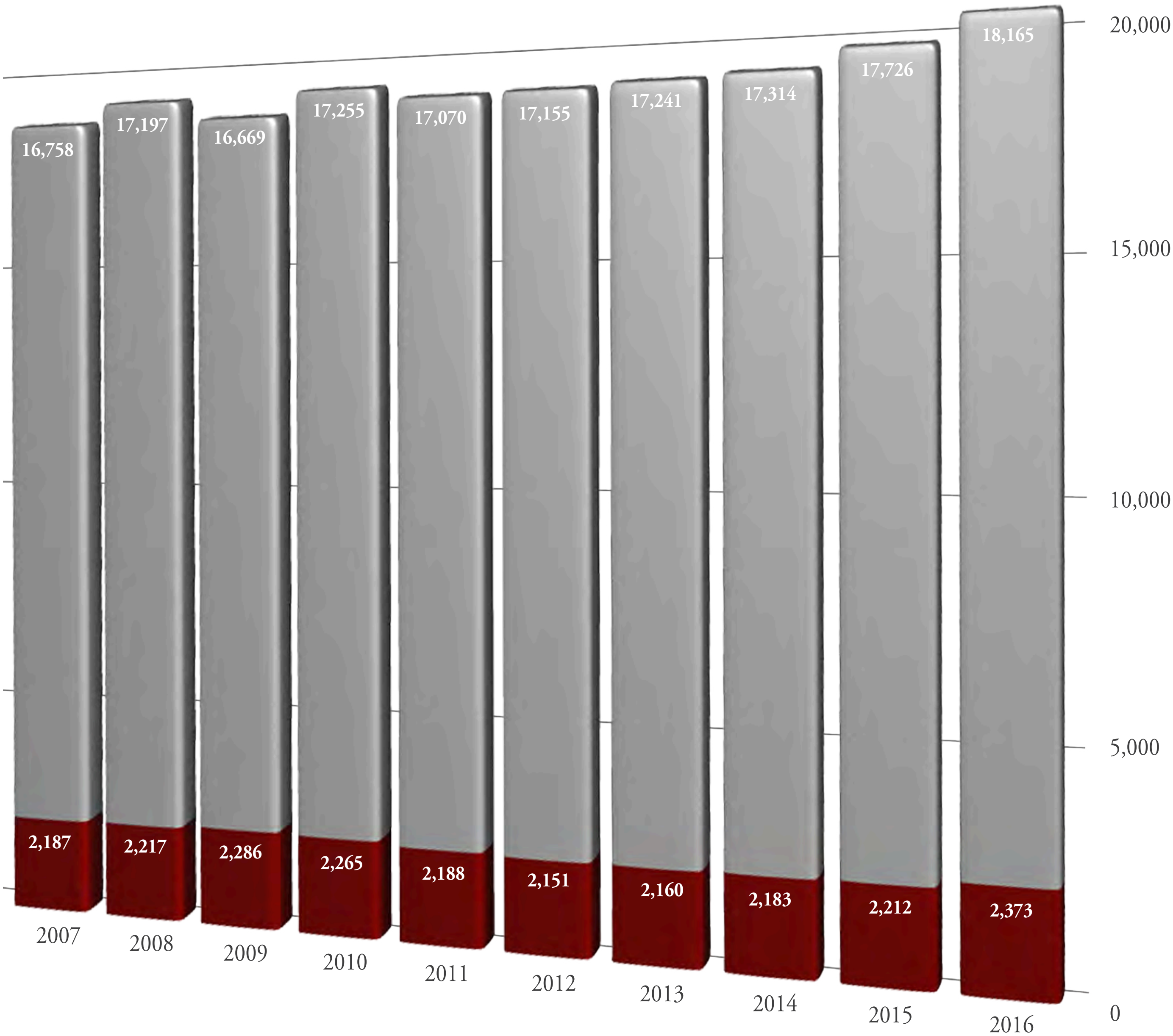
Strengthening Minds

Home to many nationally-recognized programs, San Bernardino County's universities are paving the way for a bright future in the region. California State University San Bernardino, University of Redlands and Loma Linda University offer programs that attract researchers, students and lecturers from all over the world. A global force in health sciences, Loma Linda University graduates top doctors, pharmacists, nurses and health professionals, attracting students from more than 80 countries.[1] The Jack H. Brown College of Business and Public Administration at California State University San Bernardino is a leader in entrepreneurship thanks to its Inland Empire Center for Entrepreneurship (IECE), which has been ranked by Princeton Review and Entrepreneur Magazine as the fourth best nationally, and first among public universities.[2] Long-known for its prestige and beautiful campus, the University of Redlands has been ranked in the top 15 percent of all 4,000 American colleges and universities by Forbes Magazine, and #12 on U.S. News and World Report's Regional Universities West Ranking.[3]

(1) "About Us." Loma Linda University. llu.edu
(2) "En-tre-pre-neur-ship." California State University San Bernardino. csusb.edu
(3) "Accreditation and Rankings." University of Redlands. redlands.edu

Active Membership Classification

For the Years Ended June 30, 2007 through 2016

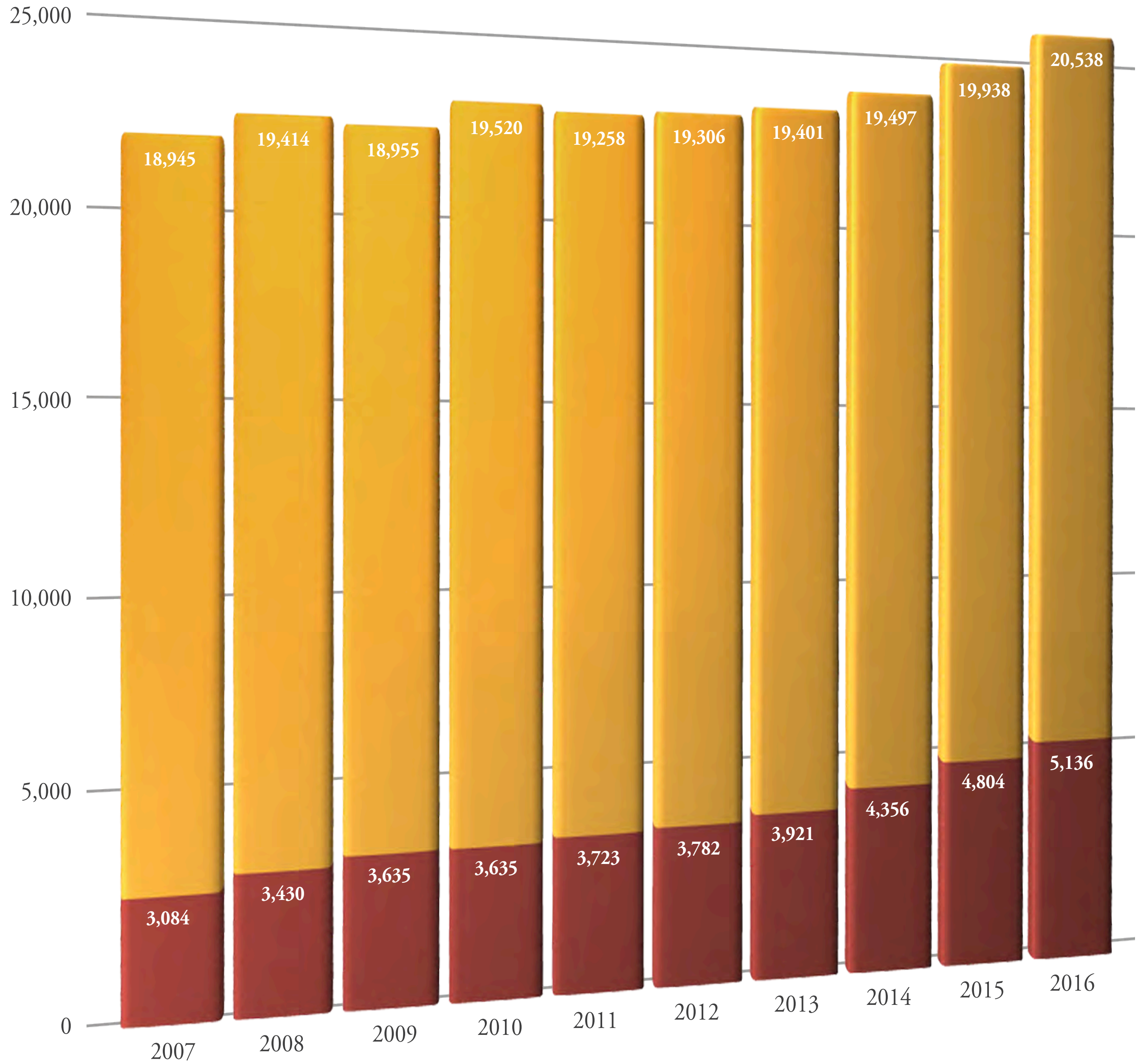


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General	16,758	17,197	16,669	17,255	17,070	17,155	17,241	17,314	17,726	18,165
Safety	2,187	2,217	2,286	2,265	2,188	2,151	2,160	2,183	2,212	2,373
TOTAL	**18,945**	**19,414**	**18,955**	**19,520**	**19,258**	**19,306**	**19,401**	**19,497**	**19,938**	**20,538**

Note: Membership is presented for active Plan members only.

Membership History

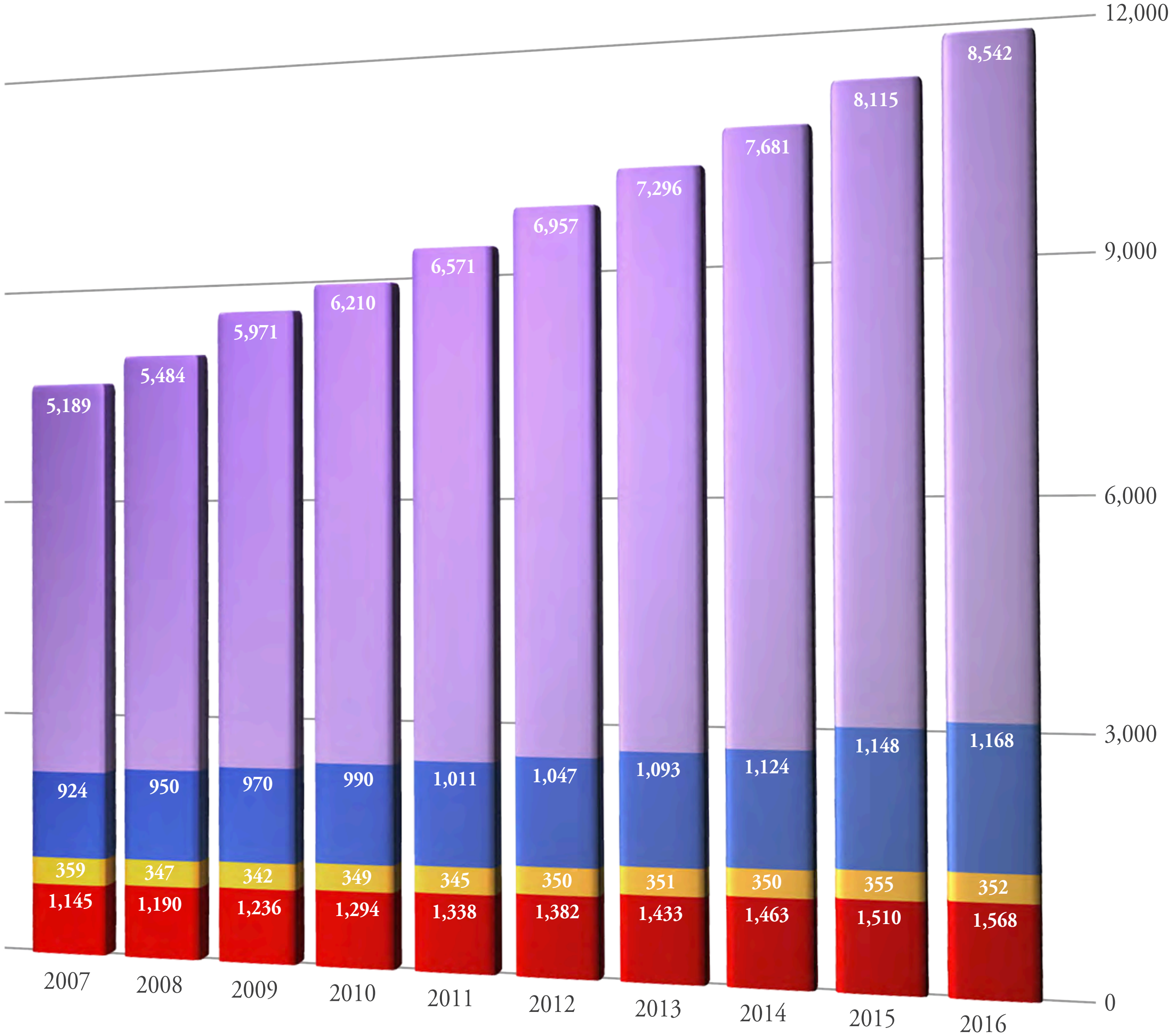
For the Years Ended June 30, 2007 through 2016
(Active and Deferred)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Active	18,945	19,414	18,955	19,520	19,258	19,306	19,401	19,497	19,938	20,538
Deferred	3,084	3,430	3,635	3,635	3,723	3,782	3,921	4,356	4,804	5,136
TOTAL	**22,029**	**22,844**	**22,590**	**23,155**	**22,981**	**23,088**	**23,322**	**23,853**	**24,742**	**25,674**

Membership History

For the Years Ended June 30, 2007 through 2016
(Retired)

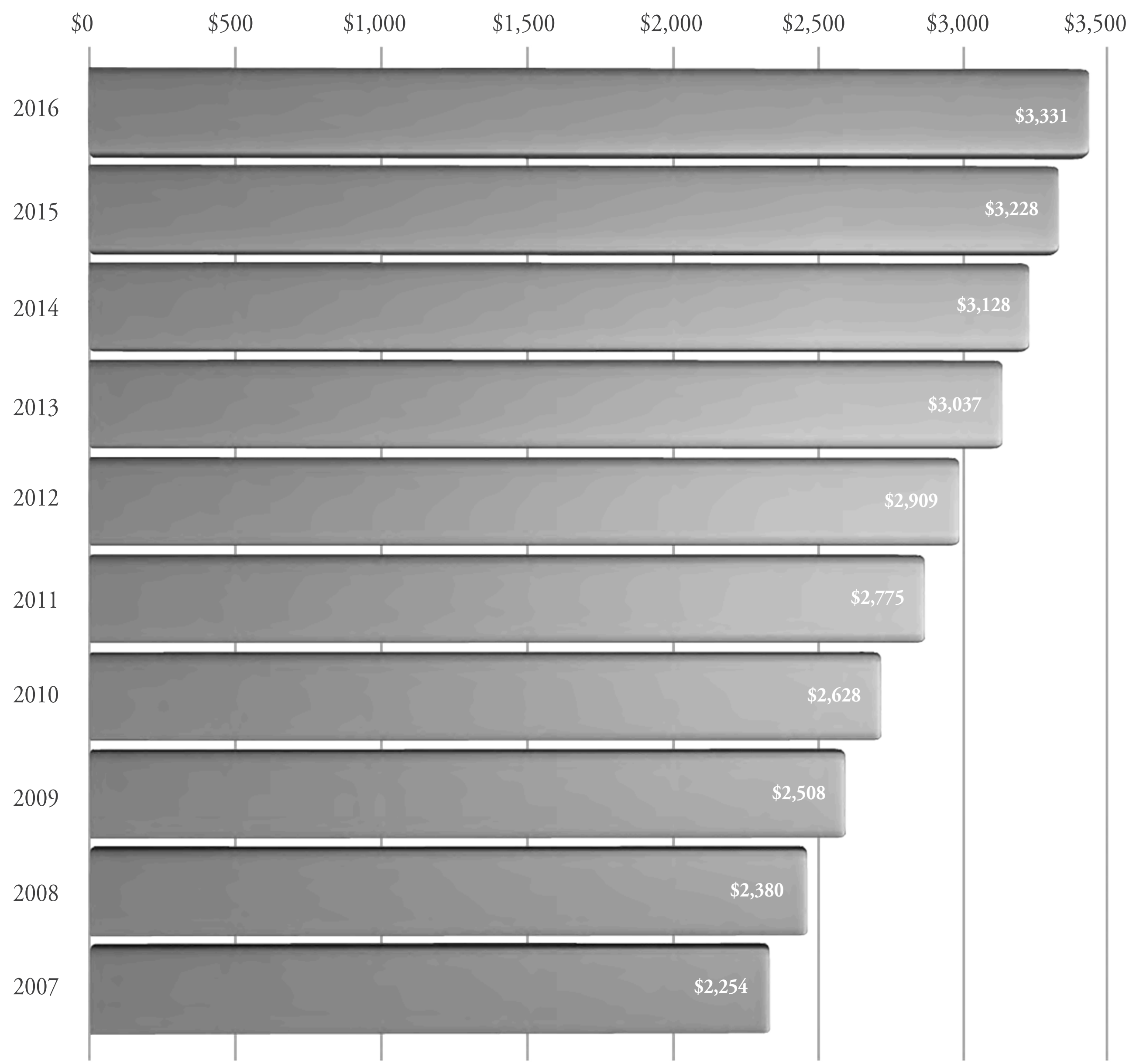


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Service retirement	5,189	5,484	5,971	6,210	6,571	6,957	7,296	7,681	8,115	8,542
Service connected disability	924	950	970	990	1,011	1,047	1,093	1,124	1,148	1,168
Non-service connected disability	359	347	342	349	345	350	351	350	355	352
Survivors	1,145	1,190	1,236	1,294	1,338	1,382	1,433	1,463	1,510	1,568
TOTAL	**7,617**	**7,971**	**8,519**	**8,843**	**9,265**	**9,736**	**10,173**	**10,618**	**11,128**	**11,630**

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

Average Monthly Retirement Benefits

For the Years Ended June 30, 2007 through 2016

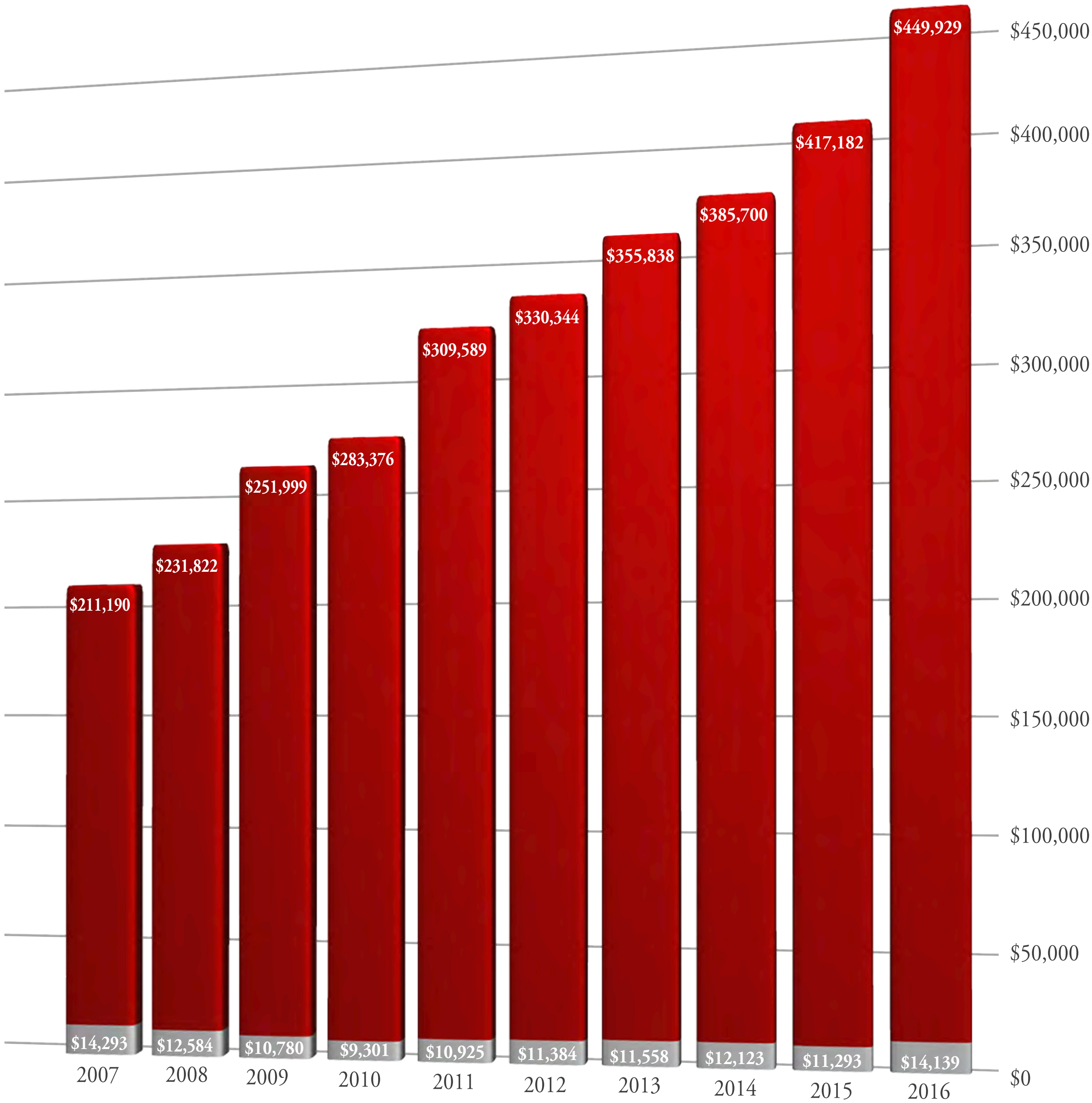


	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Monthly allowance	$2,254	$2,380	$2,508	$2,628	$2,775	$2,909	$3,037	$3,128	$3,228	$3,331

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

Benefits and Refunds Paid

For the Years Ended June 30, 2007 through 2016
(Amounts in Thousands)



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Benefits	$211,190	$231,822	$251,999	$283,376	$309,589	$330,344	$355,838	$385,700	$417,182	$449,929
Refunds	14,293	12,584	10,780	9,301	10,925	11,384	11,558	12,123	11,293	14,139
TOTAL	**$225,483**	**$244,406**	**$262,779**	**$292,677**	**$320,514**	**$341,728**	**$367,396**	**$397,823**	**$428,475**	**$464,068**

In Memoriam

Robert Adams
Bennetta Betbadal
Harry Bowman
Sierra Clayborn
Juan Espinoza
Isaac Amanios Gebreslassie
Aurora Godoy
Shannon Johnson
Larry Daniel Kaufman
Damian Meins
Tin Nguyen
Nicholas Thalasinos
Yvette Velasco
Michael Wetzel

SBCERA honors and remembers the lives of those lost on December 2, 2015. Our deepest care and sympathy goes to those injured and healing. To the brave men and women who served as first-responders, we extend our utmost appreciation for their heroism and sacrifice.

Comprehensive Annual Financial Report

For the Years Ended June 30, 2016 and 2015

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

SB | cera

San Bernardino

County Employees' Retirement Association

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