SBCERS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2014 and 2013

Santa Barbara County Employees' Retirement System

A Pension Trust Fund for the County of Santa Barbara, California

Santa Barbara County Employees' Retirement System

Comprehensive Annual Financial Report

For Fiscal Years Ended June 30, 2014 and 2013

Issued by -
Gregory E. Levin, Chief Executive Officer
Rico Pardo, Financial Accounting Analyst

SBCERS

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SECTION 1 | INTRODUCTION

SECTION 2 | FINANCIAL

Basic Financial Statements

SECTION 3 | SUPPLEMENTAL SCHEDULES

Required Supplemental Information

Other Supplemental Information

SECTION 4 | INVESTMENT

SECTION 5 | ACTUARIAL

SECTION 6 | STATISTICAL

SECTION 7 | GLOSSARY

MISSION

Santa Barbara County Employees' Retirement System
is committed to:

- *Fulfilling its fiduciary responsibility by providing the highest quality of service to all members and plan sponsors and*

- *Protecting promised benefits through prudent investing while*

- *Ensuring reasonable expenses of administration*.

1 Introduction

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SBCERS

Santa Barbara County Employees' Retirement System Gregory E. Levin, Chief Executive Officer

December 19, 2014

Board of Retirement
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

Dear Board Members:

I am pleased to submit this *Comprehensive Annual Financial Report (CAFR) of the Santa Barbara County Employees' Retirement System (SBCERS) for Fiscal Years Ended June 30, 2014 and June 30, 2013.* This report is intended to provide readers with complete and reliable information about the SBCERS' financial status, compliance with the law, and administrative consistency with policy.

As of June 30, 2014, the SBCERS portfolio contained $2.52 billion of Net Position Restricted for Benefits. The fair value of the total investment portfolio, exclusive of 401(h) assets, cash, receivables and securities purchases in transit grew by $311.1 million during the last fiscal year. The improvement in asset value reflects positive market experience within SBCERS' asset allocation. The fund experienced a market rate of return of 15.2% (net of fees), underperforming its policy benchmark by approximately -0.5% (net of fees) for the year ending June 30, 2014. SBCERS' total portfolio has underperformed its policy benchmark over the trailing 1-year period, while outperforming over the trailing 3-year, 5-year, and 10-year periods (net of fees).

The 401(h) Retiree Health Medical Trust Fund was established in September 2008. The activity in the 401(h) Retiree Health Medical Trust Fund is separate from the pension fund activity and is recorded as such in the financial statements.

I encourage you to review the narrative introduction, overview and analysis located in Management's Discussion and Analysis beginning on page 15.

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

Responsibility for both accuracy of the data and the completeness and fairness of the presentation rests with SBCERS' management. It is our intent and belief that the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of SBCERS.

SBCERS AND ITS SERVICES

SBCERS was established on January 1, 1944 and is administered by the Board of Retirement (the Board) to provide service retirement, disability, death, and survivor benefits for County employees and contracting districts under the California State Government Code §31450 et seq., (County Employees' Retirement Law of 1937). Members include all permanent full and part-time employees of the County of Santa Barbara, the Santa Barbara County Superior Court, and the following nine districts:

- Carpinteria Cemetery District
- Carpinteria-Summerland Fire Protection District
- Goleta Cemetery District
- Mosquito & Vector Management District of Santa Barbara County
- Oak Hill Cemetery District
- Santa Barbara County Air Pollution Control District
- Santa Barbara County Association of Governments
- Santa Maria Cemetery District
- Summerland Sanitary District

The Board is responsible for establishing policies governing the administration of the retirement plan and managing the investment of SBCERS' assets under authority granted by Article XVI of the Constitution of the State of California.

Article XVI, Section 17(a) provides that the Board has "the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries." Section 17(b) further provides that "members of the Retirement Board of a public retirement system shall discharge their duties…solely in the interest of, and for the exclusive purpose of providing benefits to participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A Retirement Board's duty to its participants and their beneficiaries shall take precedence over any other duty."

The Board consists of nine members and two alternates. The County Board of Supervisors appoints four, members of SBCERS elect six (including the two alternates), and the County Treasurer is an ex-officio member. SBCERS is not a component unit of the County of Santa Barbara as the County is not financially accountable for the Retirement System. The Board continues to demonstrate its commitment to providing accurate and timely service to our 5,374 active and deferred members and 3,897 benefit recipients into the future.

SERVICE EFFORTS AND ACCOMPLISHMENTS

STAFFING
SBCERS hired Gregory E. Levin as Interim Chief Executive Officer in May of 2014 and appointed him to the position permanently in October of 2014 subsequent to the date of the financial statements. Mr. Levin has served as an internal auditor for the County of Santa Barbara, comptroller of the City of San Diego and as the manager of investments of a non-profit endowment.

PEPRA PLAN 8
As of January 1, 2013, all new General and Safety members will be enrolled in Plan 8, pursuant to the Public Employees' Pension Reform Act ("PEPRA"). However, General Plans 5 and 7, Safety Plans 4 and 6 and the APCD Plan remain open to eligible new hires who establish reciprocity from other eligible retirement systems or have legacy rights based on prior plan membership. PEPRA enacts lower benefit plans for those in Plan 8. For General members (General Plan 8 and APCD Plan 8) the benefit formula provides 2% at age 62 with a three-year final compensation period, and increases the minimum retirement age to 52 with five years of service. The benefit formula for all new Safety Members (Safety Plan 8) is 2.7% at age 57 with a three-year final compensation period. The minimum retirement age for Safety Members is 50 with five years of service. PEPRA created limits on pensionable compensation tied to the Social Security taxable wage base and requires member contributions of 50% of normal cost.

FINANCIAL INFORMATION

SBCERS' management is responsible for the accuracy of the data, the completeness and fairness of the presentation of financial information, including all disclosures, and establishing and maintaining an internal control structure designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. SBCERS recognizes that even sound internal controls have their inherent limitations. Brown Armstrong Accountancy Corporation, SBCERS' independent auditors, have audited the financial statements and expressed their opinion that SBCERS' financial statements are presented in conformity with accounting principles generally accepted in the United States of America and are free of material misstatement.

INVESTMENTS

The Board has exclusive control of all investments of SBCERS and is responsible for the establishment of investment objectives, strategies, and policies. Each member of the Board serves in a fiduciary capacity. The Board is authorized to invest in any form or type of investment it collectively deems prudent.

External investment management firms manage the assets of SBCERS. Staff and SBCERS' investment consultants at Meketa Investment Group (publicly traded assets), Hamilton Lane (private equity assets and private infrastructure/natural resources assets), and ORG Portfolio Management LLC (real estate assets) closely monitor the activity of these respective managers and assist the Board with implementation of investment policies and long-term investment strategies. The Investment Policy Statement establishes investment program goals, asset allocation of the plan, policies, performance objectives, investment management policies, and risk controls, which are monitored by staff and Meketa Investment Group as well as Hamilton Lane and ORG Portfolio Management LLC.

The Board elected to adopt a new Asset Allocation plan effective April 2013 which has remained in effect as of the issue date of this report. Refer to the Asset Allocation on page 64 for more information on Asset Allocation.

SBCERS' annualized rate of return over the last three and five-years (net of fees) is 8.2% and 12.1% respectively. More detail on SBCERS' investment performance and policies can be found in the Management Discussion and Analysis Report (page 15) and in the Investment section (page 55).

PENSION ACTUARIAL FUNDED STATUS

SBCERS' funding objective is to satisfy all benefit commitments by following an actuarially prudent funding plan, obtaining investment returns consistent with established risk controls, and minimizing employer contributions to the retirement fund.

SBCERS engages Cheiron, Inc., an independent actuarial consulting firm, to conduct annual actuarial valuations. The purpose of the valuation is to evaluate the fiscal health of the plan and establish employer and member contribution rates. The funding policy for amortizing the unfunded actuarial accrued liability (UAAL) calls for a 17-year closed amortization period. The Board adopted this funding policy at its November 20, 2013 meeting. At June 30, 2014, SBCERS' funded ratio was 80.5% using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2013 with the actuarial value of assets totaling $2.2 billion and the actuarial accrued liability totaling $3.0 billion.

More detailed information on actuarial methods and funding status can be found in the Financial and Actuarial sections of the CAFR.

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. The last experience study was conducted as of June 30, 2013.

The Board elected to reduce the assumed annual rate of return on investments to 7.50% at its November 20, 2013 meeting, after its review of the June 2013 experience study.

ACKNOWLEDGMENTS

I would like to express my appreciation for the dedication and efforts of the staff members who contributed to the preparation of the CAFR. Their combined efforts have produced a report that will enable the Board, members and the plan sponsors to better evaluate and understand SBCERS. I also want to express my thanks to the Board for its dedicated effort and to the retirement staff for its commitment to SBCERS, a combination that assures SBCERS' continued successful operation.

Respectfully submitted,

Gregory E. Levin
Chief Executive Officer

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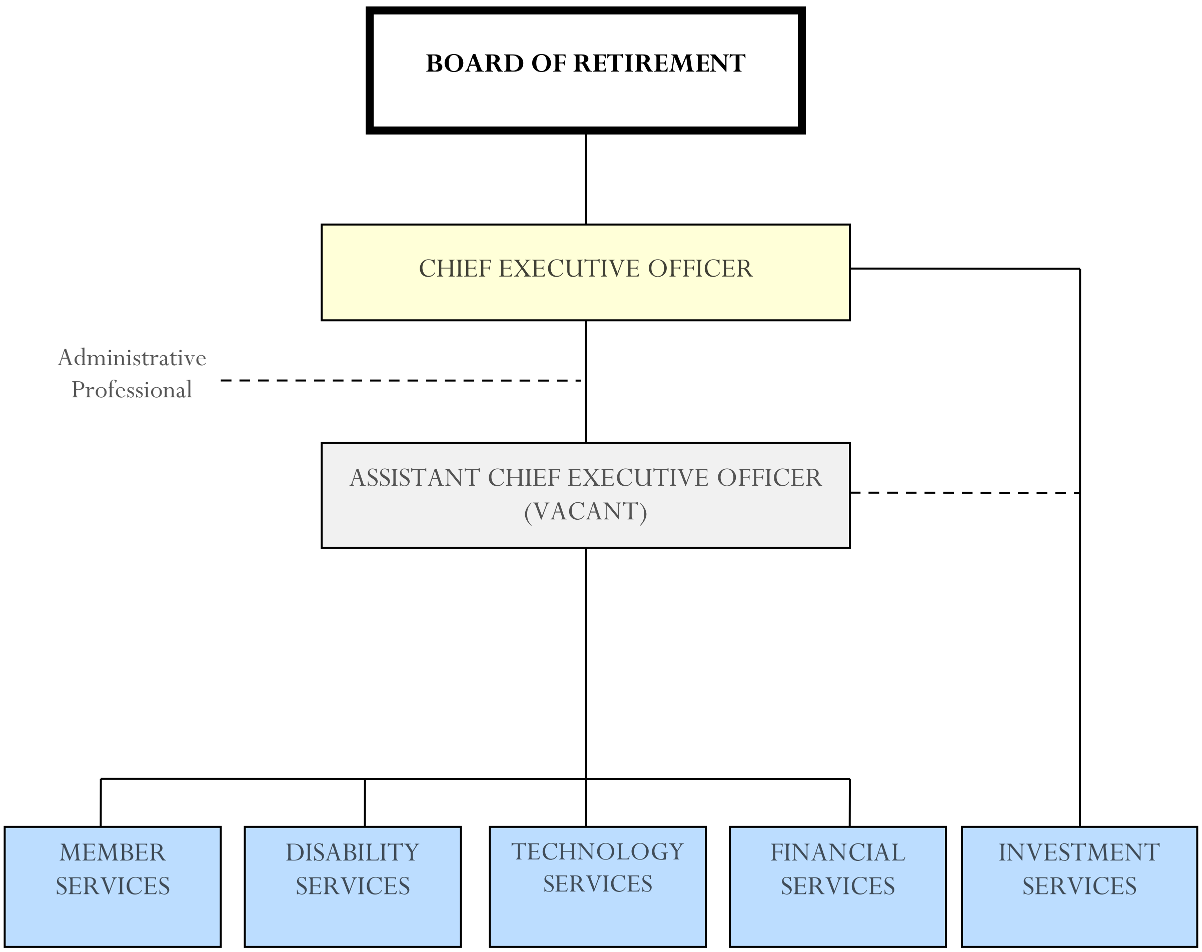
2014 ORGANIZATIONAL CHART



A listing of Professional Consultants can be located on page 10 in the Introduction section.
A listing of Investment Managers can be located on page 70 in the Investment section.

BOARD OF RETIREMENT

Fredrick Tan
SECRETARY
Elected by Safety Members
Present term expires Dec. 2016

Ward Rafferty
CHAIR
Appointed by Board of Supervisors
Present term expires Dec. 2016

Jennifer Christensen
VICE CHAIR
Elected by General Members
Present term expires Dec. 2014

Zandra Cholmondeley
MEMBER
Elected by
Retired Members
Present term expires Dec. 2014

Al Rotella
MEMBER
Appointed by
Board of Supervisors
Present term expires Dec. 2014

Mark A. Paul
MEMBER
Elected by
General Members
Present term expires Dec. 2016

Janet Wolf
MEMBER
Appointed by
Board of Supervisors
Present term expires Dec. 2016

Harry Hagen
COUNTY TREASURER
Ex. Officio Member
Mandated by Law

Steven Johnson
ALTERNATE MEMBER
Elected by
Safety Members
Present term expires Dec. 2016

John McMillin
ALTERNATE MEMBER
Elected by
Retired Members
Present term expires Dec. 2014

(VACANT)
MEMBER
Appointed by
Board of Supervisors

LIST OF PROFESSIONAL CONSULTANTS

Actuary
Cheiron, Inc.

Independent Auditor
Brown Armstrong Accountancy Corporation

Custodian
BNY Mellon Global Securities Services

Legal Advisors
Reicker, Pfau, Pyle & McRoy, LLP (General Counsel)
McCarthy & Kroes
Reed Smith, LLP
Rogers, Sheffield & Campbell, LLP
Steptoe & Johnson, LLP
Santa Barbara County Counsel

Investment Consultants
Hamilton Lane Advisors, LLC
Institutional Shareholder Services (an MSCI brand)
Klarity FX, Inc.
Meketa Investment Group, Inc.
ORG Portfolio Management, LLC
Zeno Consulting Group, LLC

Other Specialized Services
Levi, Ray & Shoup, Inc.
Novanis
Wage Works

11 Financial

BROWN
ARMSTRONG
CERTIFIED
PUBLIC
ACCOUNTANTS

MAIN OFFICE
4200 TRUXTUN AVENUE
SUITE 300
BAKERSFIELD, CA 93309
TEL 661.324.4971
FAX 661.324.4997
EMAIL info@bacpas.com

7673 N. INGRAM AVENUE
SUITE 101
FRESNO, CALIFORNIA 93711
TEL 559.476.3592
FAX 559.476.3593

221 E. WALNUT STREET
SUITE 260
PASADENA, CALIFORNIA 91101
TEL 626.204.6542
FAX 626.204.6547

5250 CLAREMONT AVENUE
SUITE 237
STOCKTON, CA 95207
TEL 209.451.4833

BROWN ARMSTRONG
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

Board of Retirement
Santa Barbara County Employees' Retirement System

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of Santa Barbara County Employees' Retirement System (SBCERS) as of and for the years ended June 30, 2014 and 2013, the Statement of Changes in Fiduciary Net Position for the years then ended, and the related notes to the financial statements, which collectively comprise SBCERS' 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 audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Opinion

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

Emphasis of Matter

As discussed in Note 5 to the financial statements, during the year ended June 30, 2014, SBCERS implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25.* Our opinion is not modified with respect to the matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplemental information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, 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 Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise SBCERS' basic financial statements. The other supplemental information and the introduction, investment, actuarial, statistical, and glossary sections, as noted in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplemental information, as noted in the table of contents, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introduction, investment, actuarial, statistical, and glossary 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 provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2014, on our consideration of SBCERS' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SBCERS' internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 19, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

This Management's Discussion and Analysis of the financial activities of Santa Barbara County Employees' Retirement System (SBCERS) is an overview of fiscal operations for the fiscal years ended June 30, 2014 and 2013. Please review it in conjunction with the Financial Statements.

Financial Highlights

- Net Position Restricted for Benefits - Pension, as reported in the Statement of Fiduciary Net Position, total $2.51 billion, an increase of $327.2 million or 15.0% from the prior year. This is due to an increase in overall investment return.

- Net Position Restricted for Benefits - Other Post Employment Benefits (OPEB), also reported in the Statement of Fiduciary Net Position total $4.07 million, an increase of $0.8 million or 24.2% from prior year. This is also due to an increase in investment return.

- Net pension investment income (including securities lending) increased by $160.7 million from $168 million in fiscal year 2012-2013 to $328.6 million in fiscal year 2013-2014. The increase is due to positive market experience within SBCERS' asset allocation.

- Pension contributions (member and employer) increased by $4.1 million or 3.2% from fiscal year 2012-2013 to $133.7 in fiscal year 2013-2014. The change is due to an increase in employer and certain employee contribution rates from the 2012 Actuarial Valuation and 2010 Experience Study, respectively.

- $9.2 million of OPEB contributions were received and used to cover $8.9 million of OPEB administrative expenses and benefits paid in fiscal year 2013-2014.

- Pension benefit payments increased by $8.4 million or 6.9% from fiscal year 2012-2013 to $130.3 million in fiscal year 2013-2014. The number of retirees continues to increase while there has been a decline in overall membership.

- At June 30, 2014, SBCERS' funded ratio was an increase using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2013, reflecting an asset value of $2.5 billion as of June 30, 2014 and a rolled-forward liability totaling $3.1 billion. This increase is primarily due to the fact that actual investment return (on the market value of assets net of investment expenses) exceeded the assumed rate of return, and because the funded ratio as of June 30, 2014 is measured using the market, rather than actuarial (smoothed), value of assets. The funded ratio as of June 30, 2013, based on the market value of assets, is 73.7%.

The funding policy for amortizing the Unfunded Actuarial Accrued Liability (UAAL) as of the June 30, 2013 valuation is a 17-year closed-amortization period with one exception. The exception is that the additional UAAL attributable to the creation of Safety Plan 6 is being amortized over a closed period as well which stands at 15 years as of June 30, 2013. Previously, under an open/rolling amortization method, the entire UAAL (less the outstanding balance for Safety Plan 6) was amortized over a constant period. The amortization factor did not change from year to year. SBCERS' funding objective is to meet long-term benefit obligations through contributions and investment income. Cheiron, Inc. served as SBCERS' independent actuary.

Overview of Financial Statements

This Management's Discussion and Analysis serves as an introduction to the basic financial statements. SBCERS has two basic financial statements, the notes to the financial statements, and four required supplementary schedules of historical trend information. The basic financial statements and the required disclosures are prepared in accordance with Governmental Accounting Standards Board's (GASB) accounting principles and utilize the accrual basis
of accounting. The implementation of GASB Statement No. 67 (GASB 67) increased the number of schedules in the Required Supplemental Information section. These new schedules provide a broad range of financial information including a pension liability measurement and changes to the liability, historical contributions, money-weighted investment return and additional actuarial related disclosures.

- The Statement of Fiduciary Net Position is the first basic financial report. This statement of account balances at fiscal year end reflects assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed at fiscal year end. Net Position Restricted for Benefits, which is the assets less the liabilities, reflect the funds available for future use.

- The Statement of Changes in Fiduciary Net Position is the second basic financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as additions or deductions to the plan.

- The Notes to the Financial Statements (Notes) are an integral part of the basic financial reports. They provide detailed discussion of key policies, programs, and activities that occurred during the year.

- The Schedule of Funding Progress for Other Post Employment Benefits, a required supplemental schedule, includes historical trend information about the funded status of the plan, and the progress made in accumulating sufficient assets to pay benefits when due.

- The Schedule of Employer Contributions for Other Post Employment Benefits, also a required supplemental schedule, presents historical trend information about the annual required contributions of the employers and the actual contributions made.

Financial Analysis

The following tables, Table 1 and Table 2, present condensed comparative summaries about SBCERS' financial results for the current and prior years' Net Position Restricted for Benefits.

The current fiscal period closed with Net Position Restricted for Benefits of $2.52 billion.

Table 1 - NET POSITION RESTRICTED FOR BENEFITS

For the Years Ended June 30, 2014 and 2013	2014	2013	Increase / (Decrease)	Percent Increase / (Decrease)
Cash & Investments	$ 2,501,375,828	$ 2,197,273,194	$ 304,102,634	13.8 %
Securities Lending	52,419,008	24,417,783	28,001,225	114.7 %
Receivables	36,400,862	48,442,524	(12,041,662)	(24.9)%
Total Assets	2,590,195,698	2,270,133,501	320,062,197	14.1 %
Securities Lending	52,419,008	24,417,783	28,001,225	114.7 %
Other Liabilities	20,076,549	56,012,702	(35,936,153)	(64.2)%
Total Liabilities	72,495,557	80,430,485	(7,934,928)	(9.9)%
Net Position Restricted for Benefits	$ 2,517,700,141	$ 2,189,703,016	$ 327,997,125	15.0 %

For the Years Ended June 30, 2013 and 2012	2013	2012	Increase / (Decrease)	Percent Increase / (Decrease)
Cash & Investments	$ 2,197,273,194	$ 2,045,310,160	$ 151,963,034	7.4 %
Securities Lending	24,417,783	196,897,719	(172,479,936)	(87.6)%
Receivables	48,442,524	65,598,388	(17,155,864)	(26.2)%
Total Assets	2,270,133,501	2,307,806,267	(37,672,766)	(1.6)%
Securities Lending	24,417,783	196,897,719	(172,479,936)	(87.6)%
Other Liabilities	56,012,702	92,723,597	(36,710,895)	(39.6)%
Total Liabilities	80,430,485	289,621,316	(209,190,831)	(72.2)%
Net Position Restricted for Benefits	$ 2,189,703,016	$ 2,018,184,951	$ 171,518,065	8.5 %

Additions to Fiduciary Net Position

The sources of assets to fund the benefits SBCERS provides are member and employer contributions, along with investment returns. These pension income sources for fiscal year 2013-2014 totaled $462.6 million, compared with $298 million in 2012-2013. This increase is primarily due to overall positive investment performance.

Total pension contributions increased by 3.2% over the contributions made in 2012-2013. The remaining 0.4% of the overall 3.6% increase in contributions is attributable to OPEB.

OPEB contributions are made by participating employers on a pay-as-you-go basis with the exception of the County and the Air Pollution Control District who have decided to prefund.

Pay-as-you-go is the minimum amount of contributions made to cover existing administrative expenses as well as benefit payments.

Deductions from Fiduciary Net Position

The primary uses of SBCERS' pension assets include the payment of benefits to retired members and their beneficiaries, refunds of contributions to terminated employees, and the costs of administering the System. The pension deductions for fiscal year 2013-2014 were $135.4 million, an increase of $8.7 million, or 6.9%, over 2012-2013. This increase can be attributed to the increasing population of new retirees as well as the salaries upon which benefits are based are increasing.

Table 2 - CHANGES IN FIDUCIARY NET POSITION

For the Years Ended June 30, 2014 and 2013	2014	2013	Increase / (Decrease)	Percent Increase / (Decrease)
Additions				
Contributions	$ 142,963,791	$ 137,963,829	$ 4,999,962	3.6 %
Investment Income (net)	329,011,750	168,010,497	161,001,253	95.8 %
Securities Lending (net)	119,568	201,752	(82,184)	(40.7)%
Other	220,926	395,294	(174,368)	(44.1)%
Total Additions	472,316,035	306,571,372	165,744,663	54.1 %
Deductions				
Pension Benefits	138,898,965	130,222,106	8,676,859	6.7 %
Member Withdrawals	812,467	591,490	220,977	37.4 %
Actuarial Expenses	186,972	140,289	46,683	33.3 %
Legal Expenses	446,286	454,615	(8,329)	(1.8)%
Administrative Expenses	3,974,220	3,644,807	329,413	9.0 %
Total Deductions	144,318,910	135,053,307	9,265,603	6.9 %
Net Increase	$ 327,997,125	$ 171,518,065	$ 156,479,060	91.2 %

For the Years Ended June 30, 2013 and 2012	2013	2012	Increase / (Decrease)	Percent Increase / (Decrease)
Additions				
Contributions	$ 137,963,829	$ 131,651,022	$ 6,312,807	4.8 %
Investment Income (net)	168,010,497	38,023,354	129,987,143	341.9 %
Securities Lending (net)	201,752	360,526	(158,774)	(44.0)%
Other	395,294	223,470	171,824	76.9 %
Total Additions	306,571,372	170,258,372	136,313,000	80.1 %
Deductions				
Pension Benefits	130,222,106	121,684,623	8,537,483	7.0 %
Member Withdrawals	591,490	1,071,850	(480,360)	(44.8)%
Actuarial Expenses	140,289	150,547	(10,258)	(6.8)%
Legal Expenses	454,615	360,534	94,081	26.1 %
Administrative Expenses	3,644,807	3,511,981	132,826	3.8 %
Total Deductions	135,053,307	126,779,535	8,273,772	6.5 %
Net Increase	$ 171,518,065	$ 43,478,837	$ 128,039,228	294.5 %

Pension Liabilities

As GASB 67 requires, SBCERS reports the Total Pension Liability and the Net Pension Liability as calculated by SBCERS' actuary. These liabilities are solely calculated for financial reporting purposes and are not intended to provide information about the funding of SBCERS' benefits.

SBCERS' Total Pension Liability as of June 30, 2014, was $3.1 billion resulting in an increase of 5.3% from $3.0 billion as of June 30, 2013. SBCERS' Net Pension Liability as of June 30, 2014, was $610.3 million, representing a decrease of 21.9% from $781.7 million as of June 30, 2013. This $171.4 million decrease in liabilities is primarily due to the increase in SBCERS' Fiduciary Net Position.

Under GASB 67, the Fiduciary Net Position as a percentage of the Total Pension Liability is required to be presented. For the fiscal years ended June 30, 2014 and 2013, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 80.5% and 73.7%, respectively. The change is a 9.2% increase and is due to the growth in Total Pension Liability of $3.1 billion compared to the greater increase in SBCERS' Fiduciary Net Position of $2.5, billion, which results in an improved financial position at June 30, 2014.

Net Pension Liability *For the Years Ended June 30, 2014 and 2013*	**2014**	**2013**	**Increase / (Decrease)**	**Percent Increase / (Decrease)**
Total Pension Liability	$ 3,123,968,401	$ 2,968,134,102	$ 155,834,299	5.3 %
Less: Fiduciary Net Position	(2,513,629,759)	(2,186,424,897)	(327,204,862)	(15.0)%
Net Pension Liability	$ 610,338,642	$ 781,709,205	$ (171,370,563)	(21.9)%
Fiduciary Net Position as a Percentage of Total Pension Liability	80.5%	73.7%		9.2 %

Investment Analysis

The Plan's investment performance is a function of the underlying financial markets for the period measured, asset allocation and individual investment manager performance. SBCERS follows a Board adopted investment policy that provides structure and guidance for the management of the investment portfolio. All of SBCERS' assets are externally managed on a discretionary basis.

SBCERS' pension plan portfolio gained 15.2% (net of fees) over the twelve month period ending June 30, 2014 and underperformed the policy benchmark by -0.5% over the same period. This represents a $327.2 million increase in value from June 30, 2013. For further information on SBCERS' investments please refer to the Investment Section.

Funded Status

The funded ratio as of June 30, 2014 was 80.5% using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2013. As of the fiscal year ended June 30, 2014, Net Position Restricted for Benefits was $2.51 billion. The next actuarial valuation will be completed in 2015.

Of primary concern to most pension plan participants is the amount of money available to pay benefits. For SBCERS, the cost-sharing multiple employers have traditionally contributed the annual required contribution (ARC) as determined by the Plan's Actuary.

Currently, overall Net Position Restricted for Benefits is $2,517,700,141. All Net Position is available to meet SBCERS' respective obligations to plan participants and their beneficiaries.

An indicator of funded status is the ratio of the actuarial value of the assets to the actuarial accrued liability (AAL). An increase in the percentage over time usually indicates a plan is becoming financially stronger. However, a decrease will not necessarily indicate a plan is in financial decline. Changes in actuarial assumptions can significantly impact the AAL. Performance in the capital markets can also have a material impact on the actuarial value of assets.

Fair Value, Rates of Return, and Funded Ratio

The table below provides a two-year history of investment and actuarial returns and the actuarial funded ratio. As required by GASB 67, the money-weighted rate of return is presented as an expression of investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments was 15.2%.

Fair Value, Rates of Return and Funded Ratio
For the Last Two Fiscal Years Ended June 30

Fiscal Year End	Total Investment Portfolio Fair Value	Total Fund Money-Weighted Return (net of fees)	Funded Ratio
2013	2,175,083,738	7.9 %	72.4 %
2014	2,486,210,036	15.2 %	80.5 %

Implementation of New Accounting Pronouncement

SBCERS adopted Governmental Accounting Standards Board (GASB) Statement Number 67 (GASB 67), *Financial Reporting for Pension Plans*, an amendment of GASB Statement Number 25 (GASB 25), effective at the beginning of the fiscal year. GASB 67 replaces the requirements of GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Plans*, and also replaces the requirement of GASB Statement Number 50, *Pension Disclosures*. The objective of GASB 67 is to improve financial reporting by state and local government pension plans, such as SBCERS.

Requests for Information

This financial report is designed to provide the Board of Retirement, our membership, plan sponsors, taxpayers, and investment managers, with a general overview of SBCERS' finances and to show accountability for the money it receives.

Questions concerning any of the information provided in this report or requests for copies or additional financial information should be addressed to:

> SBCERS
> 3916 State Street, Suite 210
> Santa Barbara, California 93105

This report is also available on SBCERS' website under "Forms and Publications" at www.sbcers.org.

Respectfully submitted,

Gregory E. Levin
Chief Executive Officer

STATEMENT OF FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30, 2014 and 2013

	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2014	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2013
ASSETS						
Cash	$ 11,595,180	$ 425,526	$ 12,020,706	$ 19,218,500	$ 302,073	$ 19,520,573
Total Cash	11,595,180	425,526	12,020,706	19,218,500	302,073	19,520,573
Receivables						
Contributions	8,154,990	498,288	8,653,278	7,071,000	319,879	7,390,879
Other	(5,918)	(1,536)	(7,454)	(77,094)	(14,826)	(91,920)
Accrued Interest	1,902,881	3,018	1,905,899	1,392,630	2,110	1,394,740
Dividends	766,564	-	766,564	838,837	-	838,837
Security Sales	25,082,575	-	25,082,575	38,909,988	-	38,909,988
Total Receivables	35,901,092	499,770	36,400,862	48,135,361	307,163	48,442,524
Investments at Fair Value						
Short Term Investments	28,850,716	-	28,850,716	24,672,507	-	24,672,507
Private Equity	166,762,038	-	166,762,038	141,632,009	-	141,632,009
Domestic Equity	601,577,427	2,158,982	603,736,409	571,290,073	1,724,300	573,014,373
Domestic Bonds	414,730,876	986,104	415,716,980	363,123,578	944,583	364,068,161
International Equity	571,462,483	-	571,462,483	448,369,907	-	448,369,907
International Bonds	319,971,140	-	319,971,140	316,208,128	-	316,208,128
Real Estate	141,739,702	-	141,739,702	106,546,667	-	106,546,667
Real Assets	241,115,654	-	241,115,654	203,240,869	-	203,240,869
Sub-Total Investments	2,486,210,036	3,145,086	2,489,355,122	2,175,083,738	2,668,883	2,177,752,621
Collateral Held for Securities Lent	52,419,008	-	52,419,008	24,417,783	-	24,417,783
Total Investments & Securities Lent	2,538,629,044	3,145,086	2,541,774,130	2,199,501,521	2,668,883	2,202,170,404
TOTAL ASSETS	**$ 2,586,125,316**	**$ 4,070,382**	**$ 2,590,195,698**	**$ 2,266,855,382**	**$ 3,278,119**	**$ 2,270,133,501**
LIABILITIES						
Accounts Payable	$ 9,006,754	$ -	$ 9,006,754	$ 8,780,726	$ -	$ 8,780,726
Collateral Held for Securities Lent	52,419,008	-	52,419,008	24,417,783	-	24,417,783
Investment Manager Fees	850,095	-	850,095	678,068	-	678,068
Security Purchases	10,219,700	-	10,219,700	46,553,908	-	46,553,908
TOTAL LIABILITIES	**$ 72,495,557**	**$ -**	**$ 72,495,557**	**$ 80,430,485**	**$ -**	**$ 80,430,485**
NET POSITION RESTRICTED FOR:						
Pension Benefits	**$ 2,513,629,759**	**$ -**	**$ 2,513,629,759**	**$ 2,186,424,897**	**$ -**	**$ 2,186,424,897**
401(h) Retiree Health Health Benefits	**-**	**4,070,382**	**4,070,382**	**-**	**3,278,119**	**3,278,119**
	$ 2,513,629,759	**$ 4,070,382**	**$ 2,517,700,141**	**$ 2,186,424,897**	**$ 3,278,119**	**$ 2,189,703,016**

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30, 2014 and 2013

	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2014	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2013
ADDITIONS						
Contributions						
Employers	$ 119,227,652	$ 8,899,065	$ 128,126,717	$ 110,582,703	$ 8,357,599	$ 118,940,302
Plan Members	14,514,010	323,064	14,837,074	19,023,527	-	19,023,527
Total Contributions	133,741,662	9,222,129	142,963,791	129,606,230	8,357,599	137,963,829
Investment Income						
Net Increase/(Decrease) in Fair Value of Investments	314,352,939	489,493	314,842,432	151,215,723	246,883	151,462,606
Interest	8,491,884	10,363	8,502,247	11,469,169	9,893	11,479,062
Dividends	11,666,540	-	11,666,540	11,357,791	-	11,357,791
Total Investment Income	334,511,363	499,856	335,011,219	174,042,683	256,776	174,299,459
Less Investment Expense	(5,999,469)	-	(5,999,469)	(6,288,962)	-	(6,288,962)
Net Investment Income	328,511,894	499,856	329,011,750	167,753,721	256,776	168,010,497
Securities Lent Income	26,498	-	26,498	88,280	-	88,280
Securities Lent Expense	93,070	-	93,070	113,472	-	113,472
Net Securities Income	119,568	-	119,568	201,752	-	201,752
Class Action Settlements	12,078	-	12,078	135,902	-	135,902
Commission Recapture	205,102	-	205,102	255,496	-	255,496
Miscellaneous Income	3,746	-	3,746	3,896	-	3,896
Total Miscellaneous Income	220,926	-	220,926	395,294	-	395,294
TOTAL ADDITIONS	**$ 462,594,050**	**$ 9,721,985**	**$ 472,316,035**	**$ 297,956,997**	**$ 8,614,375**	**$ 306,571,372**
DEDUCTIONS						
Benefits Paid	130,288,118	8,610,847	138,898,965	121,855,352	8,366,754	130,222,106
Member Withdrawals	812,467	-	812,467	591,490	-	591,490
Actuarial Expense	186,972	-	186,972	140,289	-	140,289
Legal Expense	446,286	-	446,286	454,615	-	454,615
Administrative Expense	3,655,345	318,875	3,974,220	3,640,619	4,188	3,644,807
TOTAL DEDUCTIONS	**$ 135,389,188**	**$ 8,929,722**	**$ 144,318,910**	**$ 126,682,365**	**$ 8,370,942**	**$ 135,053,307**
Net Increase in Net Position	327,204,862	792,263	327,997,125	171,274,632	243,433	171,518,065
NET POSITION RESTRICTED FOR BENEFITS						
Beginning of Year	2,186,424,897	3,278,119	2,189,703,016	2,015,150,265	3,034,686	2,018,184,951
Net Increase in Net Position	327,204,862	792,263	327,997,125	171,274,632	243,433	171,518,065
END OF YEAR	**$ 2,513,629,759**	**$ 4,070,382**	**$ 2,517,700,141**	**$ 2,186,424,897**	**$ 3,278,119**	**$ 2,189,703,016**

The accompanying Notes are an integral part of these financial statements

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Santa Barbara County Employees' Retirement System (SBCERS. The Plan. Retirement System) is an independent public employee retirement system with its own governing board, separate and distinct from the County. SBCERS' annual financial statements are referenced in the *Notes to the Basic Financial Statements* in the County's *Comprehensive Annual Financial Report*.

Basis of Accounting

SBCERS follows the accounting principles and reporting guidelines set forth by the Governmental Accounting Standards Board (GASB).

SBCERS' financial statements are prepared on the accrual basis of accounting. Member and Employer contributions are recognized as revenue in the period in which the contributions are due. Retirement benefits and member refunds are recognized as expenses when due and payable in accordance with the terms of the plan. Other expenses are recognized when the corresponding liabilities are incurred.

Cash and Short-Term Investments

Cash and short-term investments consist of short-term investments with fiscal agents as well as deposits held in a pooled account with the County All participants in the pool share earnings and losses. Short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All cash, deposits and short-term investments are carried at cost, which approximates fair value.

The Santa Barbara County Treasury Oversight Committee has regulatory oversight for all monies deposited into the Santa Barbara County investment pool. Such amounts are invested in accordance with investment policy guidelines in compliance with government code requirements and established by the County Treasurer and approved by the County Board of Supervisors. Interest earned on pooled investments is apportioned quarterly to participating funds based upon each fund's average daily deposit balance. The County has not provided nor obtained any legally binding guarantees during the fiscal years ended June 30, 2014 and June 30, 2013, to support the value of shares in the pool.

Investments

Investments are reported at fair value. Investment income is recognized as revenue when earned. Net appreciation in fair value of investments held by the Retirement System is recorded as an increase to investment income based on valuation of investments at year-end. Realized gains and losses are recognized upon the maturity or disposition of the security.

Valuation of Investments
Debt and equity securities are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Fair value of investments in commingled funds is based on the fund share price provided by the fund manager, which is based on net asset value.

Estimates
The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reports' amounts and disclosures. Accordingly, actual results may differ from those estimates.

Reclassification
Comparative data from the prior year has been presented in the selected sections and may have been reclassified. Such reclassifications had no effect on previously reported net plan assets.

2. PLAN DESCRIPTION

General Provisions
The Retirement System was established on January 1, 1944. It is governed by the California Constitution, the County Employees' Retirement Law of 1937 (CERL), and the bylaws, policies and procedures adopted by SBCERS' Board of Retirement (the Board). The County Board of Supervisors may also adopt resolutions, as permitted by the CERL, which may affect the benefits of SBCERS members.

SBCERS operates as a cost-sharing multiple-employer defined benefit plan for Santa Barbara County, Santa Barbara County Superior Court and nine special districts:

- Carpinteria Cemetery District
- Carpinteria-Summerland Fire Protection District
- Goleta Cemetery District
- Mosquito & Vector Management District of Santa Barbara County
- Oak Hill Cemetery District
- Santa Barbara County Air Pollution Control District
- Santa Barbara County Association of Governments
- Santa Maria Cemetery District
- Summerland Sanitary District

Plan Membership
SBCERS provides retirement, disability, and death benefits to members and administers the plan sponsors' retiree health benefit program. See NOTE 8 – Other Post Employment Benefits (OPEB).

The Retirement System has ten retirement plans of which three plans are currently available to all new full-time permanent employees and those part-time employees working at least half-time. General Plan 5 applies to all general employees hired prior to June 25, 2012; while General Plan 7 applies to all those hired on or after June 25, 2012 through December 31, 2012. Prior to January 1, 2013, Safety members were enrolled in the contributory Safety Plan 4 or Safety Plan 6. As of January 1, 2013, all new Safety members and General members will be enrolled in Plan 8, pursuant to the Public Employees' Pension Reform Act ("PEPRA"). However, General Plans 5 and 7, Safety Plans 4 and 6 and the APCD Plan remain open to eligible new hires who establish reciprocity from other eligible retirement systems.

Multiple contribution rates are applicable based upon negotiated bargaining unit Memorandum of Understanding (MOUs) and on date of entry into membership. The retirement benefits within the plan are based on age, years of service, final average salary and the benefit option selected.

SBCERS' Retirement Plans

As of June 30, 2014 and 2013

Plan	Rate Tier	Plan Formula	Type	New Membership
General	Plan 2	2% (SSA Integrated)	Non-Contributory	Closed
General	Plan 5	2% @ 57	Contributory	Closed
General	Plan 7	1.67% @ 57-1/2	Contributory	Closed
General	Plan 8	2% @ 62	Contributory	Open
Safety	Plan 4	3% @ 55	Contributory	Closed
Safety	Plan 6	3% @ 50	Contributory	Closed
Safety	Plan 8	2.7% @ 57	Contributory	Open
APCD	Plan 1	2% @ 55	Contributory	Closed
APCD	Plan 2	2% @ 55	Contributory	Closed
APCD	Plan 8	2% @ 62	Contributory	Open

SBCERS' Membership

As of June 30, 2014 and 2013	2014	2013
Members Now Receiving Benefits		
Service Retirement	3,152	3,047
Disability Retirement	240	245
Beneficiaries and Survivors	505	481
Subtotal	3,897	3,773
Active Members		
Active Vested Members	3,352	3,329
Active Nonvested Members	825	779
Subtotal	4,177	4,108
Deferred Members	1,197	1,151
Total Membership	**9,271**	**9,032**

SBCERS' Health Care Benefits

As of June 30, 2014 and 2013	2014	2013
Health Care Enrollees		
$15 Health Subsidy	1,830	1,826
$4 Health Reimbursement	1,792	1,690
	3,622	**3,516**

Benefit Provisions

ALL PLANS (EXCEPT GENERAL PLAN 2):

• Pension benefits are based upon a combination of plan, age, years of service, average monthly salary for the highest one or three consecutive years' covered compensation, and the benefit payment option selected by the member.

• Disability benefits are based upon whether the disability was service or non-service connected.

• Death benefits are based upon whether the death occurred before or after retirement and whether the death was service or non-service connected.

GENERAL PLAN 2: Pension benefits are based upon a combination of age, years of service, and highest average monthly salary during any three years of employment and are coordinated with social security benefits. A separate long-term disability program is available for members who become disabled, regardless of length of service, or whether the disability is job related. Death benefits are based upon whether the death occurred before or after retirement.

Cost-of-Living Adjustment

All plans, with the exception of General Plan 2, provide for retirement benefits subject to cost-of-living adjustments (COLA) for retired members. COLA's are granted to eligible retired members each April based upon the Bureau of Labor Statistics Average Consumer Price Index (CPI) for All Urban Consumers for the Los Angeles-Riverside-Orange County area as of the preceding January 1 and is subject to a 3% maximum limitation. The portion of a CPI increase that exceeds 3% is accumulated for credit in future years. General Plan 7 is limited to an anuual maximum 2% COLA.

Ad Hoc Cost-of-Living Adjustment

The Interest Crediting and Undesignated Earnings Policy provides for calculation of available earnings based on the Actuarial Value of Assets after smoothing and allows for discretionary use of available earnings for ad hoc COLA's or other permitted uses when 1) the System's Funded Ratio exceeds 100%, and 2) the Contingency Reserve is at least 5% of Actuarial Value of Assets.

Vesting

ALL PLANS (EXCEPT GENERAL PLAN 2):

Upon completing five years of creditable service, employees have irrevocable rights to receive benefits attributable to an employer's contributions, provided their contributions have not been withdrawn. Members are eligible to retire at age 50 with five years of creditable service and ten years of elapsed time since hire, or thirty years of creditable service (safety members twenty years) regardless of age, or upon attaining age 70 for General Members or age 60 for Safety Members.

If an employee terminates before rendering five years of service, the employee is entitled to withdraw the employee contributions made, together with accumulated interest, unless the member enters a reciprocal retirement system within six months and/or elects to leave their accumulated contributions on deposit with the Retirement System. A member who continues membership under this provision is granted a deferred non-vested status and has no rights to future benefits except a refund of their account balance as of the date of termination.

If an employee terminates after five years of service, the employee may elect to leave the accumulated contributions in the retirement fund and receive a deferred retirement allowance at the time the member would have been entitled to the allowance if service had continued.

GENERAL PLAN 2: Upon completing ten years of creditable service, Plan 2 members have irrevocable rights to receive benefits. Plan 2 members are eligible to retire at age fifty-five with retirement credit of ten or more years of service. Once vested, Plan 2 members have a one-time election to defer accrued Plan 2 benefits and enter the contributory retirement plan in effect at that time. Contributions are based upon age at the time of transfer.

3. CONTRIBUTIONS

FUNDING OBJECTIVE

The funding for retirement benefits comes from member contributions, employer contributions, and the earnings on investments held by the plan.

Participating members are required by statutes §31621.2, 31621.4, 31621.5, 31621.6 and 31639.25 of the CERL to contribute a percentage of covered compensation based on certain actuarial assumptions and their age at entry into the plan. The funding objective of SBCERS is to establish member and participating employer contribution rates that will remain level over time as a percentage of payroll, unless plan benefit provisions or actuarial assumptions are changed. Actuarial funding is based on the Entry Age Normal Cost Method. Under this method the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize the unfunded actuarial accrued liability (UAAL). For actuarial valuation purposes, Plan assets are valued at market value of assets less unrecognized gains and losses from each of the last five years. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the actual market return and the expected market return over a 5-year period. To prevent the smoothed value of assets from deviating too much from the market value of assets, an asset corridor limit is applied such that the smoothed value of assets stays within 20% of the market value of assets.

ALL PLANS (EXCEPT GENERAL PLAN 2):
Contributions are made by members and employers at rates recommended by an independent actuary, approved by the Board of Retirement, and adopted by the Board of Supervisors. For certain bargaining units, a portion of the member contribution is paid by the employer. Member contributions are based upon each individual member's age of entry into SBCERS. Member contributions cannot be withdrawn until separation from employment.

GENERAL PLAN 2: Employer contribution rates are recommended by the actuary, approved by the Board of Retirement, and adopted by the Board of Supervisors. There are no member contributions.

The following schedule summarizes the contribution rates in effect for the fiscal year ending June 30, 2014. The employer rates are based on the June 30, 2012 Actuarial Valuation while the member rates are based on the June 30, 2010 Experience Study which is performed triennially. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates depicted here vary according to age at entry, benefit plan and tier level.

Member Classification	Member Rates	Employer Rates
General Members	2.08% - 10.73%	21.03% - 32.25%
Safety Members	4.63% - 17.01%	44.03% - 59.78%
APCD Members	2.08% - 11.38%	29.20% - 37.43%

Contributions made for the years ended June 30, 2014 and 2013 were in accordance with actuarially determined contributions for the year. For the years ended June 30, 2014 and 2013, covered payroll was $307,421,818 and $302,708,314, respectively, an increase of 1.6%. Contributions from all employers represented 38.8% and 36.5%, respectively, of covered payroll while contributions from all members represented 4.7% and 6.3%, respectively, of covered payroll.

SBCERS' Pension Contributions Made By Plan

As of June 30, 2014 and 2013

		2014	2013
General Plan 2	Employer contributions	$ 153,953	$ 140,702
General Plan 5, 7 & 8	Employer contributions	69,008,619	65,705,456
	Member contributions	10,579,665	14,365,376
Safety Plans 4, 6 & 8	Employer contributions	48,888,630	43,547,045
	Member contributions	3,728,604	4,291,102
APCD 1, 2 & 8	Employer contributions	1,176,451	1,189,501
	Member contributions	205,740	367,048
Total		**$ 133,741,662**	**$ 129,606,230**

SBCERS' Pension Contributor Comparison

As of June 30, 2014 and 2013

		2014		2013	
EMPLOYER	Santa Barbara County	$ 110,755,988	92.9 %	$ 102,151,081	92.4 %
	Santa Barbara Courts	4,495,077	3.8 %	4,666,301	4.2 %
	Special Districts	3,976,587	3.3 %	3,765,321	3.4 %
		$ 119,227,652	100.0 %	$ 110,582,703	100.0 %
MEMBER	Santa Barbara County	$ 13,155,323	90.6 %	$ 17,414,240	91.5 %
	Santa Barbara Courts	774,370	5.3 %	887,995	4.7 %
	Special Districts	584,317	4.0 %	721,292	3.8 %
		$ 14,514,010	100.0 %	$ 19,023,527	100.0 %
Total		**$ 133,741,662**		**$ 129,606,230**	

4. RESERVES

The reserves represent the components of SBCERS' fiduciary net position. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses.

The Board of Retirement adopted a new Interest Crediting and Undesignated Earnings Policy on August 25, 2010. The new policy established a new Market Stabilization Reserve and ultimately a Contra Tracking Account. Under the new accounting structure, in order to have the total reserves equal to the Actuarial Value of Assets (AVA), a Contra Tracking Account equal to the reserves balance, less the AVA, must be established and added to the reserve balances.

Reserves and Designations

Following are brief explanations of the reserves and designations used by SBCERS:

Member Contribution Reserve represents the balance of member contributions. Additions include member contributions and interest earnings; deductions include refunds of member contributions and transfers to Retired Member Reserve when the member retires.

County and District Reserve represents the balance of employer contributions for future retirement payments to current active members. Additions include contributions from the employers and interest earnings; deductions include transfers to Retired Members Reserve when the member retires, lump sum death benefits, and supplemental disability allowance payments under §31725.5, §31725.6 and §31725.65 of the CERL of 1937. A refund of member contributions has no corresponding effect on the balance of the County and District Reserve because the employer contribution rates are based on an actuarial assumption that takes into account the expected rate of member terminations.

Retired Member Reserve represents funds accumulated to pay retirement benefits to retired members. This reserve includes the total accumulated transfers from the Member Reserve, the Employer Reserve and interest earnings, reduced by payments to retired members, beneficiaries, and survivors.

Old Market Stabilization Reserve represented the balance of deferred earnings created by a five-year smoothing (adopted in 2003) of actual gains and losses compared to gains at the expected rate of investment return (currently 7.50%). Under GASB 25, investments are stated at fair value instead of at cost and include the recognition of unrealized gains and losses in the current period. Several factors contribute to the increase/decrease of the Market Stabilization Reserve: 1) increase/decrease in the fair market value of investments, 2) interest crediting at the actuarial assumed interest rate, and 3) the five-year smoothing of investment gains and losses.

Market Stabilization Reserve represents the difference between the Market Value of Assets and the AVA.

Contra Tracking Account represents the difference between the AVA and the sum of the accounting reserves, as long as the accounting reserves exceed the AVA.

Contingency Reserve represents reserves accumulated for future earnings deficiencies. When the Actuarial Accrued Liability exceeds the AVA, as it currently does, there are no assets in the Contingency Reserve. The maximum Contingency Reserve is equal to 5% of the AVA.

Undesignated Earnings Reserve, also known as the Transferred Funds Reserve, was established as a valuation reserve effective June 30, 2007. Funds transferred from the now defunct Health Coverage Reserve represent the balance of monies set aside for the funding of the 401(h) Retiree Health Medical Trust Fund. Additions represent interest.

SBCERS' Reserves		Total Pension Benefits 2014		2013
VALUATION RESERVES				
Member Contribution Reserve	$	174,957,626	$	171,614,128
County and District Reserve		739,479,765		665,390,780
Retired Member Reserve		1,871,531,776		1,756,134,254
Undesignated Earnings Reserve		143,944,643		133,727,059
New Market Stabilization Reserve		-		36,419,272
Contra Tracking Account		(416,284,051)		(576,860,596)
Total Value of Fiduciary Net Position	**$**	**2,513,629,759**	**$**	**2,186,424,897**

5. NEW PENSION ACCOUNTING AND FINANCIAL REPORTING STANDARDS

SBCERS adopted Governmental Accounting Standards Board (GASB) Statement Number 67 (GASB 67), *Financial Reporting for Pension Plans*, an amendment of GASB Statement Number 25 (GASB 25), effective at the beginning of the fiscal year. GASB 67 replaces the requirements of GASB 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Plans*, and also replaces the requirement of GASB Statement Number 50, *Pension Disclosures*. These new standards build upon the existing framework for financial reports, enhance the note disclosures and required supplementary information, and require the presentation of new information about annual money-weighted rates of return in the notes to the financial statements.

The new standards also require Santa Barbara County and outside Districts to recognize their proportionate share of long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This proportionate share is based on the plan sponsors' long-term contribution effort. The new financial reporting standards also enhance accountability and transparency through revised and new note disclosures and required supplementary information.

Santa Barbara County Employees' Retirement System adopted Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective June 30, 2013.

6. DEPOSITS AND INVESTMENTS

SBCERS operates under the "Prudent Person Rule" which authorizes the Board of Retirement, at its discretion, to purchase, hold, or sell any form or type of investment, financial instrument, or enter into any financial transaction when prudent in the informed opinion of the Board.

Deposits

The cash balance represents operating cash held by the County Treasurer. The portion of SBCERS' cash held by the County Treasurer is a part of the County Treasurer's investment pool. Accordingly, SBCERS' investments held in the name of the County are not specifically identifiable. At June 30, 2014, cost approximated fair value of the SBCERS' share of pooled cash and investments.

The market value of deposits approximated the bank balances at June 30, 2014 and 2013. The cash amounted to $12,020,706 and $19,520,573 as of June 30, 2014 and 2013, respectively. Deposits held at SBCERS' custodian bank are uninsured over $250,000 and uncollateralized while deposits with the County Treasury are insured and/or collateralized to the extent of its monies are held in its depository institution.

Discount Rate

The investment rate of return assumption used for actuarial funding was 7.50%, for the fiscal year ended June 30, 2014.

GASB 67 requires a determination that the Plan's fiduciary net position is projected to be sufficient to make projected benefit payments. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the Pension 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 Pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Money-Weighted Rate of Return

For the fiscal year ended June 30, 2014, the annual money-weighted rate of return on Pension Plan investments, net of Pension Plan investment expense was 15.2%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Concentrations

The Plan does not hold investments in any one underlying security that represents 5% or more of the Plan's Fiduciary Net Position.

SBCERS' Summary of Investments

As of June 30, 2014 and 2013

	2014	2013
Short Term Investments	$ 28,850,716	$ 24,672,507
Private Equity	166,762,038	141,632,009
Investments at Fair Value:		
Domestic Equity	601,577,427	571,290,073
Domestic Bonds	414,730,876	363,123,578
International Equity	571,462,483	448,369,907
International Bonds	319,971,140	316,208,128
Real Estate	141,739,702	203,240,869
Real Assets	241,115,654	106,546,667
Collateral Held for Securities Lent	52,419,008	24,417,783
Total Non-Cash Investments *	**$ 2,538,629,044**	**$ 2,199,501,521**

** Total Non-Cash Investments are for Pension Plan only.*

Investment Risk

The Board of Retirement's investment policies and guidelines allocate the asset classes of the portfolio investments within ranges. The portfolio is maintained within the ranges and reported each month. The Board annually reviews the allocation model and the risk structure of the total portfolio. The investment policy does not address Credit Risk, Concentration of Credit Risk, Interest Rate Risk, or Foreign Currency Risk, as investment managers within their specific mandates are given risk parameters that would result in limiting these types of risk on a total portfolio level.

GASB Statement Number 40 requires that investments be evaluated to give an indication of the level of risk assumed at year-end, as follows:

- Credit Risk
- Custodial Credit Risk
- Concentrations of Credit Risk
- Interest Rate Risk
- Foreign Currency Risk

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SBCERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class. To control Credit Risk, credit quality guidelines have been established. The credit quality ratings of investments in fixed income securities by a nationally recognized statistical rating organization are shown in the *Credit Risk by Quality* table found under NOTE 6 – Deposits & Investments beginning on page 31.

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that, in the event of a financial institution's failure, SBCERS would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. Cash deposits are held by the County Treasurer within the Treasurers' investment pool and as cash reserves in the master custodian short-term investment funds. The risks of the pool are addressed in the County CAFR. Additional insurance against loss and theft is provided through a Financial Institution Bond. Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, SBCERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if they uninsured, are not registered in SBCERS'name, and held by a counter party. SBCERS' securities are not exposed to custodial risk as they are held by our custodial bank in our nominee name.

Credit Risk Concentration

As of June 30, 2014, SBCERS' investment portfolio contained no concentration of investments in any one entity (other than investments guaranteed by the U.S. Government, investments in mutual funds, and external investment pools) that represented 5 percent or more of the total investment portfolio.

Credit Risk By Quality

As of June 30, 2014

(Dollars in Thousands)

Fixed Income By Type	Total	Aaa AGY UST	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
		Moody's/S&P/Fitch Investment Grade									
Asset Backed Securities	$ 16,372	$ -	$ 16,113	$ -	$ -	$ -	$ -	$ -	$ 259	$ -	$ -
CMO Government Agencies	7,463	-	7,463	-	-	-	-	-	-	-	-
Corporates & Other Credits	66,828	-	-	280	529	4,829	5,124	11,446	20,144	18,214	6,262
Dom. Corp. Fixed Income	15,276	-	4,762	3,977	94	2,738	2,425	1,280	-	-	-
Government	294,737	-	294,737	-	-	-	-	-	-	-	-
International Fixed Income	133,558	49,150	-	9,939	51	1,321	7,753	19,086	-	44,001	2,257
Municipal Bonds	1,461	-	-	-	707	-	754	-	-	-	-
Mutual Funds	5,082	3,431	-	152	-	-	729	-	-	770	-
Non-Govt Mortgage Backed	6,882	4,520	-	-	-	-	196	-	814	-	1,352
Treasurer Investment Pool	14,328	1,464	-	12,864	-	-	-	-	-	-	-
US Govt Mortgages	2,350	-	2,350	-	-	-	-	-	-	-	-
US Private Placements	13,680	2,775	-	-	251	-	3,190	3,296	831	504	2,833
Subtotal	$ **578,017**	**61,340**	**325,425**	**27,212**	**1,632**	**8,888**	**20,171**	**35,108**	**22,048**	**63,489**	**12,704**

(Dollars in Thousands)

		Ba1	Ba2	Ba3	B1	B2	B3	Below B3	Not Rated	Rating With-drawn
		Moody's/S&P/Fitch Speculative Grade								
Asset Backed Securities	$ 1,470	$ 65	$ -	$ -	$ -	$ 154	$ -	$ 1,251	$ -	$ -
Corporates & Other Credits	13,706	-	636	1,321	1,797	1,293	4,666	2,914	1,079	-
Dom. Corp. Fixed Income	2,329	502	-	308	-	338	407	396	378	-
International Fixed Income	22,481	10,093	1,988	-	-	621	7,922	934	923	-
Mutual Funds	268	-	-	-	-	-	-	-	268	-
Non-Govt Mortgage Backed	886	-	-	-	-	5	-	881	-	-
Treasurer Investment Pool	5,192	-	-	-	-	-	-	-	5,192	-
US Private Placements	15,072	115	860	1,056	2,542	2,700	4,132	3,627	40	-
Subtotal	$ **61,404**	**10,775**	**3,484**	**2,685**	**4,339**	**5,111**	**17,127**	**10,003**	**7,880**	**-**

Information above is presented based on data for individual securities.

Securities Lending

SBCERS is legally authorized to engage in securities lending transactions pursuant to the CERL of 1937 code §31594. SBCERS participates in securities lending transactions through its custodian BNY Mellon Global Securities Services (Mellon) to increase income. Securities are lent to brokers and dealers (borrower) and in turn, SBCERS receives collateral. Collateral can be in the form of cash (both United States and foreign currency), securities issued or guaranteed by the U.S. Government, sovereign debt of foreign countries, or irrevocable bank letters of credit or such other forms as may be agreed upon. SBCERS pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Earnings generated above and beyond the interest paid to the borrower represent the net income to SBCERS from the transaction.

At year end, SBCERS had no credit risk exposure to borrowers, because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2014, there were no violations of legal or contractual provisions. SBCERS had no losses on securities lending transactions resulting from the default of a borrower for the years ended June 30, 2014 and 2013.

Transactions are collateralized at no less than 100% of the security's market value. Collateral is marked to market daily. The custodian invests the collateral received in short-term investment funds (maintained by the custodian), money market mutual funds, and other similar investments as the custodian may select.

The average term of all SBCERS' loans is overnight or "on demand." The custodian will ensure that, in any agreement with a borrower, it retains its absolute right to terminate the agreement without cause, upon short notice and without any penalty. SBCERS cannot pledge or sell collateral securities received unless the borrower defaults. In the event of a borrower default, Mellon indemnifies SBCERS to the extent of replacing the securities loaned.

As of June 30, 2014, the market value of securities on loan was $51 million and the value of collateral received for the securities on loan was $52.4 million of which $35 million was non-cash collateral and $17.4 million was cash collateral from equity and fixed income securities. As of June 30, 2013, the market value of securities on loan was $23.3 million and the value of collateral received for the securities on loan was $24.4 million of which $11.9 million was non-cash collateral and $12.5 million was cash collateral from equity and fixed income securities. SBCERS' income net of expenses from securities lending was $119,568 and $201,752 for the years ended June 30, 2014 and June 30, 2013, respectively.

SBCERS' Securities Lending Program

As of June 30

	2014	2014	2013	2013
Securities on Loan	**Market Value of Securities on Loan**	**Collateral Received**	**Market Value of Securities on Loan**	**Collateral Received**
Domestic Equities	$ 6,573,897	$ 6,705,273	$ 6,777,438	$ 6,981,578
International Equities	3,408,125	3,498,790	2,929,805	3,477,464
Domestic Corporate Fixed Income	6,006,897	6,129,144	1,322,065	1,348,910
Real Estate	1,028,623	1,056,924	732,000	738,000
Total Securities, Cash Collateral	17,017,542	17,390,131	11,761,308	12,545,952
Total Securities, Non-Cash Collateral	33,971,065	35,028,877	11,570,398	11,871,831
Total	**$ 50,988,607**	**$ 52,419,008**	**$ 23,331,706**	**$ 24,417,783**

Interest Rate Risk

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

Interest Rate Risk

As of June 30, 2014

Totals By Sector	Base Market Value	Option Adjusted Duration (Years)	Weighted Average Maturity (Years)	Market Value of Securities with no Duration Available
Agency	$ 15,038,903	4.02	14.27	$ 3,011,304
Asset Backed Securities	9,962,690	0.78	10.73	-
CMBS	7,363,766	1.88	30.65	-
CMO Corporate	765,963	0.19	14.58	496,184
Corporates & Other Credit	75,206,967	4.06	6.17	10,982,233
Government	22,654,667	11.41	14.91	202,557,890
Mutual Funds	-	-	-	5,278,351
Other	34,539,608	1.07	28.15	23,392,660
US Govt Mortgages	3,124,356	5.77	19.51	-
US Private Placements	7,358,266	1.59	8.39	-
Non-US	31,082,165	4.84	5.77	108,932,533
SubTotal	**$ 207,097,351**			**$ 354,651,155**
Total Consolidation	**$ 561,748,506**			

Information above is presented based on data for individual securities.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. SBCERS' international equity managers are permitted to invest in authorized countries. Forward currency contract and currency futures (maturity ranging from at least 20 days and not to exceed one year for either instrument) are permitted for defensive currency hedging.

Foreign Currency Risk

As of June 30, 2014

Currency	Non US Cash	Equity	Fixed Income	Total
Australian Dollar	$ 3,627	$ 6,335,312	$ -	$ 6,338,939
Canadian Dollar	6,232	901,011	-	907,243
Danish Krone	-	1,854,719	-	1,854,719
Euro Currency Unit	1,391,251	46,370,269	-	47,761,520
Hong Kong Dollar	5,880	1,201,880	-	1,207,760
Hungarian Forint	1	-	-	1
Israeli Shekel	2,145	222,742	-	224,887
Japanese Yen	145,252	14,904,521	-	15,049,773
Malaysian Ringgit	1,911	-	-	1,911
New Zealand Dollar	10,441	372,749	-	383,190
Norwegian Krone	18,840	659,553	-	678,393
Pound Sterling	9,541	13,009,376	-	13,018,917
Singapore Dollar	27,049	1,054,675	-	1,081,724
South African Rand	1,570	-	-	1,570
Swedish Krona	33,835	2,920,799	-	2,954,634
Swiss Franc	56,573	7,747,636	-	7,804,209
Total Securities Held in Foreign Currency	**$ 1,714,148**	**$ 97,555,242**	**$ -**	**$ 99,269,390**

Derivatives
Derivatives are investments that derive their value, usefulness, and marketability from an underlying instrument which represents direct ownership of an asset or obligation of an issuer whose payments are based on or "derived" from the performance of some agreed upon benchmark. The notional amount is the nominal or face amount that is used to calculate payments made on that instrument. As of June 30, 2014, SBCERS' derivatives investments were in Swap Agreements, Futures Contracts, Forward Contracts, and Options.

Swap Agreements
A swap is an agreement between two or more parties to exchange a sequence of cash flows over a period of time in the future. The swap agreement defines the dates when the cash flows are to be paid and the way they are calculated. The cash flows are calculated over a notional amount.

Futures Contracts
A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction is delayed until a future date. Futures contracts are standardized contracts traded on organized exchanges.

Forward Contracts
A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at a specified price. Payment for the transaction is delayed until the settlement or expiration date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Options
An option specifies a contract between two parties for a future transaction on an asset at a reference price. The seller incurs the obligation to fulfill the transaction while the buyer gains the right, but not the obligation, to engage in the transaction.

The Holdings of Derivative Securities schedule listed below reports the fair value balances, changes in fair value, and notional amounts of derivatives outstanding as of and for the years ended June 30, 2014 and 2013 classified by derivative type.

Holdings of Derivative Securities
As of June 30, 2014 and 2013
(Dollars in Thousands)

	2014		2013		Increase / (Decrease)
Derivative Type	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**	**Change in Fair Value**
Options	$ (317)	$ (240)	$ 46,845	$ 47,420	$ (47,660)
Swap Agreements	50	50	2,995	65	(15)
Futures Contracts	91,853	13,665	78,092	37,582	(23,917)
Forward Contracts	58,876	557	(16,601)	11,511	(10,954)
Totals	**$ 150,462**	**$ 14,032**	**$ 111,331**	**$ 96,578**	**$ (82,546)**

Derivative Credit Risk

SBCERS is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to derivative credit risk include collateralized mortgage obligations, swap agreements, and futures contracts.

The following Derivative Credit Risk Analysis schedule discloses the counterparty ratings of SBCERS' investment derivatives in asset positions by type, as of June 30, 2014. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to any collateral or other security, or netting arrangement. The schedule displays the fair value of investments by credit rating. As of June 30, 2014, SBCERS' has a net exposure to derivative credit risk of $(4.3) million.

Derivative Credit Risk Analysis

As of June 30, 2014

(Dollars in Thousands)

		Moody's / S&P / Fitch Investment Grade									
Derivative Type	**Total Fair Value**	**Aaa AGY UST**	**Aa1**	**Aa2**	**Aa3**	**A1**	**A2**	**A3**	**Baa1**	**Baa2**	**Baa3**
Options	$ (264)	$ (264)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Futures Contracts	2,160	-	-	2,018	-	-	142	-	-	-	-
Swap Agreements	(7,067)	(2,180)	-	(6,116)	-	-	509	-	-	720	-
Subtotal	**(5,171)**	**(2,444)**	**-**	**(4,098)**	**-**	**-**	**651**	**-**	**-**	**720**	**-**

		Moody's / S&P / Speculative Grade							
Derivative Type	**Total Fair Value**	**Ba1**	**Ba2**	**Ba3**	**B1**	**B2**	**B3**	**Caa1 and below**	**Not Rated**
Options	$ 24	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24
Forward Contracts	51	-	1	-	-	-	-	-	50
Swap Agreements	834	-	834	-	-	-	-	-	-
Subtotal	**909**	**-**	**835**	**-**	**-**	**-**	**-**	**-**	**74**
Total	**$ (4,262)**								

Derivative Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of June 30, 2014, SBCERS did not have any derivatives with exposure to interest rate risk.

Derivative Foreign Currency Risk

For those dollar-denominated securities issued by foreign countries, there is an exposure to a foreign currency risk. Currency forward contracts represent foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

Derivative Foreign Currency Risk Analysis

As of June 30, 2014

(Dollars in Thousands)

Currency	Swaps	Futures	Forward Contracts
Australian Dollar	$ -	$ -	$ (10,997,430)
Brazilain Real	-	-	(12,800)
British Pound Sterling	-	-	(473,358)
Canadian Dollar	1,329,590	391,068	(33,314)
Chilean Peso	-	-	27,224,004
Colombian Peso	-	-	6,688
Euro	-	-	(5,072,702)
Indian Rupee	-	-	45,563
Japenese Yen	-	-	(2,981,827)
Malaysian Ringgit	-	-	11,568
Mexican Peso	-	-	(57)
New Taiwan Dollar	-	-	53,044
New Zealand Dollar	-	-	(12,293,145)
Nigerian Naira	-	-	3,296
Norwegian Krone	-	-	19,224
Philippine Peso	-	-	5,216
South African Rand	-	-	6,825
Thai Baht	-	-	4,497
US Dollar	50,456	-	(1,950,768)
Total	**$ 1,380,046**	**$ 391,068**	**$ (6,435,476)**

7. ACTUARIAL VALUATION

SBCERS retains an independent actuarial firm to conduct an annual actuarial valuation to monitor SBCERS' funding status and funding integrity. The funded status of the pension plan was 80.5% using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2013.

The purpose of the valuation is to reassess the magnitude of SBCERS' benefit commitments in comparison with the assets expected to be available to support those commitments so employer and member contribution rates can be adjusted accordingly. For the pension plan, the actuarial assumptions estimate as closely as possible what the actual cost of the plan will be in order to determine rates for setting aside contributions today to provide benefits in the future.

Contribution requirements are determined under the individual entry age actuarial cost method.

This method is designed to collect contributions as a level percentage of pay. Any gains or losses that occur under this method are amortized as a level percentage of pay. To minimize any investment gains or losses, the Board of Retirement has adopted a smoothing process that involves spreading the difference between actual and expected market return over five years to determine the actuarial value of assets. To prevent the smoothed value of assets from deviating too much from the market value of assets, an asset corridor limit is applied such that the smoothed value of assets stays within 20% of the market value of assets.

The required schedule of funding progress immediately following the notes to the financial statements presents additional, multi-year, trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

SUMMARY ACTUARIAL INFORMATION

Valuation Date	June 30, 2013
Actuarial Cost Method	Individual entry-age
Amortization Method	Level percent of pay
Amortization Period	Seventeen years (closed)
Asset Valuation Method	Five-year smoothed market
Asset Corridor Limit Applied	20%

SUMMARY OF VALUATION ASSUMPTIONS

Investment Rate of Return	7.5% (3.0% for CPI and 4.5% for real increases above inflation)
Projected Salary Increase	Variable percentage based on service
Wage Inflation	3.50%
Cost-of-Living Adjustments for Retirees	2.75%

Funding Progress – Pension Plan

Dollars in Thousands

Actuarial Valuation Date	(a) Actuarial Value of Plan Assets	(b) Non-Valuation Assets (NVA)	(c) Valuation Assets (a) - (b)	(d) Valuation Actuarial Accrued Liabilities (AAL)	(e) Unfunded Actuarial Accrued Liabilities (UAAL) (d)-(c)	(f) Funded Ratio (c) ÷ (d)	(g) Covered Payroll	UAAL as a Percentage of Covered Payroll (e) ÷ (g)
6/30/2012	$ 2,046,641	$ -	$ 2,046,641	$ 2,874,383	$ 827,742	71.2%	$ 302,114	274.0%
6/30/2013	$ 2,150,006	$ -	$ 2,150,006	$ 2,968,134	$ 818,128	72.4%	$ 316,177	258.8%

Employer Contributions – Pension Plan

Year Ended	Annual Required Contributions (ARC)	Contributions Made	% of Required Contributions Made
6/30/2013	$ 110,582,703	$ 110,582,703	100 %
6/30/2014	$ 119,227,652	$ 119,227,652	100 %

Net Pension Liability

GASB 67 requires public pension plans to provide a net pension liability. The net pension liability is measured as the total pension liability less the amount of the pension plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of SBCERS' (the Plan's) net pension liability at June 30, 2014, were as follows:

Schedule of Net Pension Liability

As of June 30, 2014	2014
Total Pension Liability	$ 3,123,968,401 *
Less: Fiduciary Net Pension	(2,513,629,759)
Net Pension Liability	$ 610,338,642
Fiduciary Net Position as a Percentage of Total Pension Liability	80.5%

** The total pension liability at June 30, 2014 was determined by completing a roll-forward caculation based on an actuarial valuation conducted as of June 30, 2013.*

Sensitivity Analysis

In accordance with GASB 67, changes to the total pension liability and net pension liability must be reported as of June 30, 2014. The net pension liability changes when there are changes in the discount rate. The following presents the net pension liability, calculated using the discount rate. The following presents the net pension liability changes when there are changes in the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percent point lower (6.50%) or 1-percent point higher (8.50%) than the current rate (7.50%):

Schedule of Net Pension Liability
As of June 30, 2014

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	$ 3,566,618,810	$ 3,123,968,401	$ 2,762,619,296
Less: Fiduciary Net Pension	(2,513,629,759)	(2,513,629,759)	(2,513,629,759)
Net Pension Liability	$ 1,052,989,051	$ 610,338,642	$ 248,989,537
Fiduciary Net Position as a Percentage of Total Pension Liability	70.5%	80.5%	91.0%

8. OTHER POST EMPLOYMENT BENEFITS (OPEB)

Plan Description

SBCERS administers an agent multiple employer OPEB plan that provides health care benefits for retired members and their eligible dependents. The County negotiates the health care insurance contracts with the carriers covering both active and retired members. Retirees are offered the same health plans as active employees as well as plans for retirees on Medicare. Retiree premiums are rated separately from active employees. 100% of eligible SBCERS' retirees participated in this program during 2013-2014.

Benefit Provisions

SBCERS retirees are eligible to receive an explicit subsidy for medical premiums funded by the County of Santa Barbara and other plan sponsors. This subsidy takes the form of a monthly allowance based on $15 per year of service to help pay health premiums. If the monthly premium for the health plan selected is less than $15 times the member's years of service, the subsidy is limited to the entire premium. The health plans include coverage for eligible spouses and dependents. After the member's death, a surviving spouse is eligible to continue health plan coverage. The subsidy benefit will be equal to $15 per year of service times the survivor continuation percentage applicable for pension benefits.

If a member is eligible for a disability retirement benefit, the member can receive a monthly health plan subsidy of $187 or $15 per year of service, whichever is greater.

Retirees who choose not to participate in a County sponsored health plan receive a benefit of $4.00 per month per year of service. This benefit, known as a Healthcare Reimbursement Arrangement, reimburses qualified health care expenses.

Funding Policy
On September 16, 2008, the Board of Supervisors passed a resolution adopting regulations and an administrative agreement to establish a 401(h) Medical Trust Plan to provide for retiree medical benefits. The 401(h) Medical Trust Plan is to be funded by the County and other Plan Sponsors and administered by SBCERS, in accordance with §401(h) of the Internal Revenue Code.

On September 19, 2008, SBCERS' Board of Retirement likewise approved the 401(h) regulations, administrative agreement and status quo agreement described above.

Voluntary Compliance Plan Statement
On July 2, 2008, as part of filing an application for determination and a voluntary compliance plan, the County Board of Supervisors submitted to the Internal Revenue Service (IRS) a proposed resolution adopting the provisions of CERL §31694 and a proposed resolution providing for the contribution of funds by the County and various districts into a Post-Employment Benefits Trust Account (401(h) account).

Also submitted were proposed regulations to establish the respective roles and responsibilities of SBCERS and the County with respect to the funding, distribution, expenditure, actuarial, accounting and reporting considerations, and applicable investment provisions. Under the proposed regulations submitted to the IRS, the County would be the settlor for the 401(h) account and would provide for the funding of the account. SBCERS would be the fiduciary of the account, and the County would reserve the right to modify or terminate the plan.

SBCERS and its plan sponsors operate under the proposed Voluntary Compliance Plan Statement and the proposed regulations adopted by the Board of Retirement on December 11, 2013.

Employer Disclosures
Participating employers, upon their implementation of the related GASB Statement Number 45, are required to disclose additional information in their financial statements with regard to funding policy; the employer's annual OPEB plan costs and contributions made; the funded status and funding progress of the employer's individual plan; and actuarial assumptions and methods used to prepare the actuarial valuation.

OPEB Actuarial Valuation
SBCERS' *Other Post Employment Benefits Program's* actuarial valuation was conducted by Milliman, Inc. as of June 30, 2012. The valuation was performed in accordance with GASB Statements Number 43 and 45 requirements to satisfy financial statement reporting guidelines that apply to organizations that administer the benefits program. The valuation must be conducted at least every two years. The June 30, 2014 valuation will be presented to the Board in early 2015.

Disclosure of Information about Actuarial Assumptions and Methods
Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

The required Schedule of Funding Progress immediately following the Notes to the Financial Statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the cost sharing pattern between the employer and plan members to that point.

Actuarial calculations reflect a long-term perspective. Actuarial assumptions and methods used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Funding Progress - Other Post Employment Benefits

Dollars in Thousands

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Entry Age Actuarial Accrued Liability (AAL)	(b - a) Unfunded AAL (UAAL)	(a / b) Funded Ratio	(c) Covered Payroll	([b - a] / c) UAAL as % of Covered Payroll
* 6/30/2012	$ 3,035	$ 190,179	$ 187,144	1.6 %	$ 302,379	61.9 %

**OPEB Valuations are completed biennially; Data provided as of the last OPEB Valuation.*

SBCERS' Health Care Benefits *For the fiscal years ended June 30, 2014 and 2013*	**2014 Benefit**	**2014 Enrollees**	**2013 Benefit**	**2013 Enrollees**
Subsidy of $15 per year of service	$ 7,608,822	1,830	$ 7,442,421	1,826
Health Reimbursement of $4 per year of service	1,002,025	1,792	924,333	1,690
Total Health Care Benefits	**$ 8,610,847**	**3,622**	**$ 8,366,754**	**3,516**

OPEB Actuarial Methods and Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information of the OPEB actuarial valuation dated June 30, 2012 is as follows:

OPEB Valuation Date	June 30, 2012
Actuarial Cost Method	Entry age normal
Amortization Method	For Santa Barbara County a 15-year closed amortization period is used. As of 6/30/2012, the period remaining was 9.5 years. For other employers this period is 30 years "open/rolling."

Actuarial Assumptions:

Investment rate of return	4.00%
Projected salary increases	Future salary increases do not have an impact on OPEB benefit levels, but do have an impact on the annual required OPEB contribution (ARC), i.e. funding of the benefit.
Valuation of Subsidy	The monthly Health Insurance Subsidy will be equal to the maximum subsidy of $15 per year of service.
Valuation of Assets	The 401(h) account will be used to pay for the retiree health benefits.

Post-Retirement Benefit Increases

Assumptions of no future increases granted in any of the following:

- Monthly Health Insurance Subsidy of $15 per year of service.
- Monthly Health Reimbursement of $4 per year of service for those electing to forego the health subsidy.
- Monthly Subsidy of $187 for members receiving disability retirement benefits.

Health Plan Description

Future Retirees are assumed to receive the following:

- 65% will receive the monthly health subsidy of $15 per year of service.
- 35% will receive the monthly cash benefit of $4 per year of service.

Healthcare Cost Trend Rate

The Healthcare Cost Trend Rate is not applicable because the total cost of health benefits is not valued. Only the monthly health insurance subsidy of $15 per year of service is valued using the assumption that no future increase will be granted to the amount.

9. LEASE COMMITMENTS

SBCERS leases property under lease agreements that expire in 2018. In 2014, SBCERS renewed its Santa Maria lease agreement for an additional four years effective August 15, 2014. The Santa Barbara office lease agreement was also renewed for an additional three years extending to June 30, 2018.

SBCERS also acquired a second office space within the same building in Santa Barbara. This new lease agreement is for four years effective June 16, 2014. The initial intention was to consolidate the Santa Maria and Santa Barbara offices into the new office space. However, the plan to consolidate offices has since been withdrawn. SBCERS is currently in the process of subleasing the second Santa Barbara office space.

The Santa Barbara office lease requires that SBCERS pay a portion of the building's operating expenses based on square footage occupied.

Lease expense, exclusive of common area maintenance fees, in 2014 and 2013 was $157,035 and $129,783, respectively. Minimum non-cancelable lease commitments net of sublease income as of June 30, 2014 are shown in the table below.

Minimum Lease Commitments
At June 30, 2014

Lease Payments		
2014 - 2015	$	223,990
2015 - 2016		239,007
2016 - 2017		249,336
2017 - 2018		257,112
2018 - 2019		5,634
Total	**$**	**975,079**

10. CONTINGENCIES

In the normal course of business, denials of applications for benefits are appealed to the Superior Court. The outcome of these decisions will have no material impact on the financial status of the System.

11. PLAN TERMINATION

There are no plan termination provisions under the CERL of 1937, which governs the operation of the Retirement System.

12. RELATED PARTY TRANSACTIONS

By necessity, SBCERS is involved in various business transactions with the County of Santa Barbara, the primary plan sponsor. SBCERS funds the County for the cost of services provided by the following agencies: County Counsel, Auditor-Controller, Purchasing, Human Resources and Treasurer. In addition, SBCERS reimburses the County for cost of services in the areas of information technology, reprographics, telecommunications, motor pool services, and Board of Retirement elections.

13. ADMINISTRATIVE EXPENSE

On September 30, 2010, the Governor signed into law Assembly Bill 609 (Chapter 663, Statutes of 2010.) The bill revised Government Code Section §31580.2 limiting the cost of administering the retirement system and repealed Government Code Section §31580.3 regarding expenditures for computer software and hardware.

Prior to the passage of AB 609, the administrative expense ceiling was set at eighteen hundredths of 1 percent (18 basis points) of total Net Position Restricted for Benefits. AB 609 changed the administrative expense ceiling to the higher of (a) twenty-one hundredths of 1 percent or (21 basis points) of the accrued actuarial liability of the retirement system, or (b) two million dollars. The new law exempts the cost of obtaining computer software, hardware and related consulting services from the administrative expenses limit. The change in the law took effect on January 1, 2011 and affected Administrative Budgets beginning with 2011-2012.

As a result, the Board adopted an annual budget for the year ended June 30, 2014 that covers the expense of administration of the retirement system with the earnings of the retirement fund. The new limits were applicable for five years and were to be statutorily repealed January 1, 2013.

SBCERS has been in compliance with the rules governing administrative expense for prior years. The actuarial accrued liability was used to calculate the statutory budget amount. Total administrative expense for the years ended June 30, 2014 and 2013 were $4,288,603 and $4,235,523 of which $3,655,345 and $3,640,619 were subject to §31580.2.

Administrative expenses for OPEB are allocated back to the participating employers based on level of participation in the program. These administrative costs are billed back these employers and are therefore not paid for by the pension plan.

SBCERS' Administrative Expense

For the years ended June 30, 2014 and 2013	**2014**	**2013**
Expense Subject to Statutory Limitation		
Employee Salaries and Benefits	$ 2,557,355	$ 2,480,626
Operating Expenses	636,998	595,087
Professional Services	460,992	564,906
Total Expense Subject to Statutory Limitation	**3,655,345**	**3,640,619**
Expense Not Subject to Statutory Limitation		
Actuarial Costs	186,972	140,289
Legal Costs	446,286	454,615
Total Expense Not Subject to Statutory Limitation	**633,258**	**594,904**
Total Administrative Expense	**$ 4,288,603**	**$ 4,235,523**

14. SUBSEQUENT EVENTS

Management has reviewed and identified, up to the date of the Independent Auditor's Report, the subsequent events described below.

Chief Executive Officer
At a special meeting held on October 13, 2014, the Board of Retirement took action in closed session, to offer the position of Chief Executive Officer to Gregory E. Levin. Mr. Levin accepted the offer of employment subject to the terms of a proposed written contract. The contract was presented and approved by the Board at the October 22, 2014 open meeting.

New Actuarial Funding Policy
At a special meeting held on September 5, 2014, the Board of Retirement adopted a layered, 19-year smoothing method for amortizing changes to the unfunded liability subsequent to June 30, 2013 in concurrence with the recommendation made by its actuary, Cheiron, Inc..

49 Supplemental Schedules

REQUIRED SUPPLEMENTARY INFORMATION – Other Post Employment Benefits

Schedule I - Funding Progress – Other Post Employment Benefits

Dollars in Thousands

	(a)	(b)	(b - a)	(a / b)	(c)	([b - a] / c)
* Actuarial Valuation Date	Actuarial Value of Assets	Entry Age Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as % of Covered Payroll
06/30/09	$ 1,169	$ 174,532	$ 173,363	0.7 %	$ 306,524	56.6 %
06/30/10	$ 2,153	$ 187,220	$ 185,067	1.1 %	$ 306,357	60.4 %
06/30/12	$ 3,035	$ 190,179	$ 187,144	1.6 %	$ 302,379	61.9 %

**OPEB Valuations are completed biennially; Data provided as of the last OPEB Valuation.*

Schedule II - Employer Contributions – Other Post Employment Benefits

Dollars in Thousands

Fiscal Year Ended	Annual Required Contributions (ARC)	Actual Employer Contributions	% of ARC Contributed
06/30/09	$ 13,353	$ 7,251	54.3 %
06/30/10	$ 19,791	$ 8,782	44.4 %
06/30/11	$ 21,784	$ 8,666	39.8 %
06/30/12	$ 22,601	$ 8,362	37.0 %
06/30/13	$ 25,226	$ 8,358	33.1 %

Contribution data is derived from the Basic Financial Statements and Actuarial Data.

Schedule III - Net Pension Liability

	2014	2013 (2)
Total Pension Liability	$ 3,123,968,401	$ 2,968,134,102
Less: Fiduciary Net Pension	(2,513,629,759)	(2,186,424,897)
Net Pension Liability	$ 610,338,642	$ 781,709,205
Fiduciary Net Position as a Percentage of Total Pension Liability	80.5%	73.7%
Covered Employee Payroll	$ 307,421,818	$ 302,708,314
Net Position Liability as a Percentage of Covered Employee Payroll	198.5%	258.2%

Total Pension Liability

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumption noted below, and was then projected forward to the measurement date taking into account any significant changes between the valuation date and the fiscal year end as prescribed by GASB 67.

Rates of Return	2014	2013
Discount Rate	7.50%	7.50%
Long-term Expected Rate of Return, Net of Expenses (1)	7.50%	7.50%
Municipal Bond Rate	N/A	N/A

Information from the June 30, 2013 Valuation Report and the 2013 Investigation of Experience was used to develop the 7.50% discount rate used for the current reporting date.

The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. The discount rate and long-term expected rate of return are both net of investment expenses but not administrative expenses. Therefore, the discount rate for calculating the total pension liability (7.5%) is the same as the long-term expected rate of return used for funding purposes.

Other Key Actuarial Assumptions

The actuarial assumptions that determined the total pension liability as of June 30, 2014 were based on the results of an actuarial experience study for the three-year period July 1, 2010 to June 30, 2013.

	2014	2013
Valuation Date (1)	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2013

For other Actuarial Methods and Assumptions - See Notes to Required Supplemental Schedules.

Notes:

(1) For the intial year of GASB 67 implementation, both the beginning of year (June 30, 2013) measurement and the end of year (June 30, 2014) measurement are based on the June 30, 2013 actuarial valuation.

(2) Trend information: Schedule will ultimately show information for ten years. Additional years will be displayed as they become available prospectively.

Schedule IV - Changes in Net Pension Liability and Related Ratios

For the Year Ended June 30, 2014

		2014
Total Pension Liability		
Service Cost (MOY)	$	66,696,324
Interest (includes interest on service cost)		220,238,560
Benefit payments, including refunds of member contributions		(131,100,585)
Net change in total pension liability		**155,834,299**
Total pension liability - beginning		**2,968,134,102**
Total pension liability - ending	**$**	**3,123,968,401**
Plan fiduciary net position		
Contributions - employer	$	119,227,652
Contributions - member		14,514,010
Net investment income		328,852,388
Benefit payments, including refunds of member contributions		(131,100,585)
Administrative expense		(4,288,603)
Net change in plan fiduciary net position	**$**	**327,204,862**
Plan fiduciary net position - beginning		**2,186,424,897**
Plan fiduciary net position - ending	**$**	**2,513,629,759**
Net pension liability - ending	**$**	**610,338,642**
Plan fiduciary net position as a percentage of the total pension liability		**80.5%**
Covered employee payroll	**$**	**307,421,818**
Net pension liability as a percentage of covered payroll		**198.5%**

Notes:

Trend Information: Schedule will ultimately show information for ten years. Additional years will be displayed as they become available prospectively.

Schedule V - Contributions History - Pension

Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Actuarially Determined Contributions	$ 119,227,652	$ 110,582,703	$ 108,764,094	$ 94,436,686	$ 84,647,133
Contributions in Relation to the Actuarially Determined Contribution	119,227,652	110,582,703	108,764,094	94,436,686	84,647,133
Contribution Deficiency/(Excess)	$ -	$ -	-	-	-
Covered Employee Payroll (1)	307,421,818	302,708,314	305,757,679	306,963,226	306,524,117
Contributions as a Percentage of Covered Employee Payroll	38.8%	36.5%	35.6%	30.8%	27.6%

	2009	2008	2007	2006	2005
Actuarially Determined Contributions	$ 75,902,140	$ 69,460,616	$ 63,395,296	$ 53,976,749	$ 46,720,797
Contributions in Relation to the Actuarially Determined Contribution	75,902,140	69,460,616	63,395,296	53,976,749	46,720,797
Contribution Deficiency/(Excess)	$ -	$ -	-	-	-
Covered Employee Payroll (1)	307,263,503	294,163,067	287,381,657	267,785,000	266,960,000
Contributions as a Percentage of Covered Employee Payroll	24.7%	23.6%	22.1%	20.2%	17.5%

(1) Payroll reported by plan sponsor for FYE 2013 and FYE 2014. Previous year's amounts are based on projected payroll from the actuarial valuation reports and can be updated with actual amounts.

Notes to Schedule

Valuation Date	6/30/2012
Timing	Acturially determined contribution rates are calculated based on the actuarial valution One year prior to the beginning of the plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Acturial cost method	Entry Age
Asset valuation method	5-year smoothed market
Amortization method	The unfunded acturial accrued liability is amortized over an open 17-year period as a level percentage of payroll
Discount rate	7.75%
Amortization growth rate	3.75%
Price inflation	3.25%
Salary increases	3.75% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality projected to 2010 using Scale AA with a 2 year setback for males and a 4 year setback for females.

A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2014 can be found in the June 30, 2012 actuarial valuation report.

Schedule VI - Investment Returns - Pension

For the Year Ended June 30, 2014

	2014
Annual Money-Weighted Rate of Return, Net of Pension Plan Investment Expense	15.2%

Notes:

Money Weighted Rate of Return is calculated as the internal rate of return on pension plan investments, net of investment expenses.

Trend Information: Schedule will ultimately show information for ten years. Additional years will be diplayed as they become available prospectively.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES – Pension Plan
For Fiscal Year Ended June 30, 2014

Actuarial Methods and Assumptions– Pension Plan

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information of the Pension actuarial valuation dated June 30, 2013 is as follows:

Valuation Date	June 30, 2013
Actuarial Cost Method	Individual entry age
Amortization of Actuarial Gains & Losses	17-year closed amortization using a level percentage of projected payrolls (entire UAAL is amortized over a constant period)
Asset Valuation Method	Actuarial market value method with a smoothed fair value over a five-year period (adopted 04/09/2003)
Asset Corridor Limit Applied	20%
Actuarial Assumptions:	
Investment rate of return	7.50% APY (adopted 11/20/2013) (3.00% for CPI and 4.50% real investment return)
Projected salary increases	• Variable percentage based on service (duration) for Merit and Longevity *and* • 3.5% Inflation - comprised of 3.0% for consumer price inflation and 0.5% for real wage inflation
Cost-of-living adjustments	3% for General Plan 5, Safety Plans 4 and 6 and APCD Plan 2% for General Plan 7 and General Plan 8 General Plan 2 is not eligible to receive these adjustments

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES – Other Post Employment Benefits
For Fiscal Year Ended June 30, 2014

Actuarial Methods and Assumptions– Other Post Employment Benefits

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the dates indicated. Additional information of the Other Post Employment Benefits actuarial valuation dated June 30, 2012 is as follows:

OPEB Valuation Date June 30, 2012

Actuarial Cost Method Entry age normal

Amortization Method For Santa Barbara County a 15-year closed amortization period is used. As of 6/30/2012, the period remaining was 11.5 years. For other employers this period is 30 years "open/rolling."

Actuarial Assumptions:

Investment rate of return 4.00%

Projected salary increases Future salary increases do not have an impact on OPEB benefit levels, but do have an impact on the annual required OPEB contribution (ARC), i.e. funding of the benefit.

Valuation of Subsidy The monthly Health Insurance Subsidy will be equal to the maximum subsidy of $15 per year of service.

Valuation of Assets The 401(h) account will be used to pay for the retiree health benefits.

Post-Retirement Benefit Increases

Assumptions of no future increases granted in any of the following:

- Monthly Health Insurance Subsidy of $15 per year of service.
- Monthly Health Reimbursement of $4 per year of service for those electing to forego the health subsidy.
- Monthly Subsidy of $187 for members receiving disability retirement benefits.

Health Plan Description Future Retirees are assumed to receive the following:

- 65% will receive the monthly health subsidy of $15 per year of service.
- 35% will receive the monthly cash benefit of $4 per year of service.

Healthcare Cost Trend Rate The Healthcare Cost Trend Rate is not applicable because the total cost of health benefits is not valued. Only the monthly health insurance subsidy of $15 per year of service is valued using the assumption that no future increase will be granted to the amount.

Schedule Of Administrative Expense

For the Years Ended June 30, 2014 and 2013

	2014	2013
Personnel Services		
Salaries and Employee Benefits	$ 2,557,355	$ 2,480,626
Total Personnel Services	2,557,355	2,480,626
Professional Services		
Computer Software Services and Support	214,472	260,121
County Cost Allocation	23,104	72,590
External Audit Fees	62,312	53,178
Disability Medical Fees	72,056	116,470
Disability Transcription Fees	12,686	7,637
Disability Hearing Officer Fees	56,072	26,066
Other Professional Services	20,290	28,844
Total Professional Services	460,992	564,906
Communication		
Postage	40,080	37,575
Telecommunication	32,996	33,111
Training	34,466	45,964
Transportation and Travel	138,470	127,824
Total Communication	246,012	244,474
Rents / Leases / Structures		
Rents/Leases – Structure	203,158	178,176
Furniture & Fixtures	2,608	3,793
Building Maintenance	2,558	2,950
Equipment	3,280	12,852
Total Rents / Leases / Structures	211,604	197,771
Miscellaneous		
Computer Equipment and Supplies	77,730	49,275
Other Office Expenses	61,628	70,887
Insurance	40,024	32,680
Total Miscellaneous	179,382	152,842
Total Administrative Expense *	**$ 3,655,345**	**$ 3,640,619**

** Administrative expenses are for the Pension Plan only.*

Schedule Of Investment Expense

For the Years Ended June 30, 2014 and 2013

		2014		2013
Investment Activity				
Investment Management Fees				
Stock Managers				
Domestic	$	1,132,769	$	1,175,185
International		1,757,798		1,678,410
Bond Managers				
Domestic		596,755		1,299,971
International		514,509		362,255
Real Assets		94,365		161,684
Real Estate		205,995		131,850
Total From Investment Activity		4,302,191		4,809,355
Other Investment Expense				
Investment Consultants		1,388,513		1,320,750
Custodian		308,765		158,857
Total Other Investment Expense		1,697,278		1,479,607
Total Fees and Other Investment Expense	**$**	**5,999,469**	**$**	**6,288,962**

Schedule of Payments to Consultants

For the Years Ended June 30, 2014 and 2013

		2014		2013
Actuarial Services	$	186,972	$	140,289
Audit Services		62,311		53,177
Legal Services		446,286		454,615
Total Payments to Consultants	**$**	**695,569**	**$**	**648,081**

The expenses, above, are part of Deductions from the Basic Financial Statements. Actuarial and Legal Services are their own line item while Audit Services are part of Administrative Expenses.

59 Investment

BOSTON MA
MIAMI FL
PORTLAND OR
SAN DIEGO CA
LONDON UK

September 8, 2014

Retirement Board
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

Dear Board Members:

This letter reviews the investment performance of the Santa Barbara County Employees' Retirement System ("System") for the fiscal year ended June 30, 2014. The total portfolio was valued at $2.5 billion as of June 30, 2014, up $322.6 million compared to the end of fiscal year 2013. The portfolio is well diversified across a broad range of different asset classes that are generally categorized as equity, fixed income, real assets, private equity, and real estate.

During fiscal year 2012, the System hired Meketa Investment Group to serve as SBCERS' independent investment consultant. Meketa Investment Group has evaluated the fund's performance relative to market benchmarks and peer groups. BNY Mellon, the System's custodian, independently calculates performance for the fund.

Economic Review

As fiscal year 2014 began, investors were focused on continued slower growth in the developed world and its potential impact on global capital markets. Global real interest rates were markedly higher from a year prior, despite continued monetary stimulus. In June of 2013, the U.S. Federal Reserve chair Janet Yellen announced they were considering tapering their bond purchase program, but by September had backtracked slightly and stated that they would wait for signs of a sustainable economic recovery before reducing purchases. This stimulus in the U.S. contributed to continued flows into equities, with the Russell 3000 Index rising dramatically, by 6.3% and 10.1% in the third and fourth calendar quarter of 2013, respectively. Developed international equity, as represented by the MSCI EAFE Index, rose 11.6% and 5.7% in the last two quarters of 2013.

Also during the first half of the fiscal year, increases in real interest rates and a reduction in global liquidity stoked fears of a slowdown in emerging markets, specifically fears of slower growth in China that could reduce export demand from other emerging economies. Despite such fears, the MSCI Emerging Markets Index rallied 5.8% and 1.8% in the third and fourth calendar quarters of 2013. However, these concerns over export demand and raw materials caused commodity markets to be essentially flat, rising only 1% over the second half of 2013, as represented by the Dow Jones-UBS Commodity Index.

During the first calendar quarter of 2014, there were signs of improved growth in both developed and emerging markets, as developed areas of the world were expected to have higher growth than the previous ten years, and emerging markets expected higher growth than developed markets. Because of signs of sustained growth in the U.S., the Federal Reserve began to reduce bond purchases at the beginning of the calendar year, cutting purchases by $10 billion per month. However, Janet Yellen reiterated the central bank's commitment to keep interest rates low, citing slack in the labor market and below target inflation. Mario Draghi of the European Central Bank made similar commitments on rates, while also reiterating that the ECB stood ready to provide additional stimulus in light of the strong Euro and weak inflation. Meanwhile, Abenomics, Japan's historical stimulus composed of monetary, fiscal and structural components, continued with an increase in the consumption tax in April. In emerging markets, Russia's annexation of Crimea caused investors some concern, as did continued conflict in the Middle East.

Over the full fiscal year, developed market equities performed very well. The Russell 3000 Index and the MSCI EAFE Index were up 25.2% and 23.6%, respectively. The MSCI Emerging Markets Index was up 14.3%, which was better than the prior fiscal year, but still lagged developed markets. All major asset classes exhibited positive performance for the year, with the Barclays Aggregate Index returning 4.4%, and the Barclays High Yield Index returning 11.7%.

In the alternative assets space, the Bloomberg Commodity Index (formerly known as the Dow Jones-UBS Commodity Index) rose 8.2% for the fiscal year, reversing the returns for the prior fiscal year. Private market assets were positive as well, as the National Council of Real Estate Fiduciaries Property Index returned 11.2% and the private equity benchmark (a combination of Venture Economics and Cambridge Associates private equity benchmarks) returned 19.6% for the fiscal year. Returns for private market indexes are lagged by one quarter due to the availability of data.

Asset Allocation

There were no changes to asset allocation during the fiscal year.

Equity assets include allocations to U.S. equity, developed market equity, emerging market equity, and frontier market equity. Fixed income assets include allocations to investment grade bonds, foreign bonds, emerging market bonds, TIPS, high yield bonds, and bank loans. Real assets include allocations to natural resources (public and private), commodities, and infrastructure (public and private).

By the end of the fiscal year 2014, all assets classes were within their target ranges.

Performance vs. Policy Benchmark

As of June 30, 2014, the SBCERS portfolio has matched its policy benchmark over the trailing quarter, underperformed over 1-year, and 3-year periods, while outperforming over the trailing 5-year and 10-year periods.

For fiscal year 2014, the SBCERS portfolio returned 15.2% net of fees, underperforming the policy benchmark return of 15.7%. While the Fund's return exceeded its long-term assumption, the portfolio return ranked in the fourth quartile of the InvestMetrics universe of public funds greater than $1 billion, and underperformed the median fund, which returned 17.2% gross of fees for the fiscal year.

The underperformance in relation to other public pension funds is related to three main factors: (1) Lower Allocation to Domestic Equities – strong performing domestic equities hurt relative performance, (2) Higher Allocation to Emerging Market Equities – although emerging markets performed well on an absolute basis, the fiscal year performance was roughly half the performance of domestic equities, which hurt relative performance, and (3) Higher Allocation to Inflation-Protected Assets - weak performance in inflation protected assets, given subdued inflation expectations, hurt relative performance.

Fiscal 2015 Outlook

Meketa Investment Group believes that four issues remain of primary concern over the next year (these issues have largely remained unchanged from last year): continued economic sluggishness and financial risk in Europe, increasing real interest rates globally, the potential for a rapid slowdown in China impacting other emerging economies, and increased geopolitical tensions around the world.

The U.S. economy has shown signs of improvement during the fiscal year with GDP growth improving and unemployment declining. Continued stabilization in the world's largest economy should lead to improvements in employment and growth domestically, as well as increased demand for goods and services from abroad. However, geopolitical tensions from the continued conflicts in Ukraine, Iraq, Syria, and Israel should continue to add volatility in the world financial markets.

Summary

The SBCERS asset allocation policy is designed with the primary objective of maximizing the probability of achieving a 7.5% return over long periods of time, while minimizing a wide variety of risks. For fiscal year 2014, SBCERS achieved these objectives. Because the Fund's asset allocation policy differs from that of other public pension funds, it will naturally underperform or outperform other public pension funds over any short term period. The Retirement Board is confident that the Fund's asset allocation policy will provide the highest likelihood of achieving its long-term return assumption, given appropriate levels of risk, and that recent short term underperformance in relation to other public pension funds will be fully recovered over longer time periods.

Sincerely,

Mika Malone
Principal

Stephen P. McCourt, CFA
Managing Principal

INVESTMENT POLICIES

External investment management firms manage the System's investment assets. Professional investment consultants, along with staff, closely monitor the activity of these managers and assist the the Retirement Board (the Board) with the implementation of investment policies and long-term investment strategies.

The Board, having sole and exclusive authority and fiduciary responsibility for the investment and administration of the System, has adopted various investment policies which cover various investment types. These documents reflect the Board's policies for management of the System's investments.

The Board recognizes that a prudent, well-articulated investment policy is crucial to the long-term success of the Retirement System. As such, the Board has developed these investment policies with the following goals in mind:

- To clearly and explicitly establish the objectives and parameters that govern the investment of the Retirement System's assets.
- To establish a target asset allocation designed to satisfy the Retirement System's long-term objective of funding the benefits promised to members and beneficiaries.
- To establish the guidelines by which the Board will delegate a portion of its authority over investment of the assets of the Retirement System to consultants, managers and partners, and will monitor their performance to assure compliance with the investment policies.

The following general investment goals broadly articulate the philosophy by which the Board will manage the assets of the Retirement System in accordance with law.

- The Board seeks to achieve a return on investment relative to acceptable levels of liquidiy and investment risk that are prudent and reasonable, given capital market conditions from time to time. While the Board recognizes the importance of the preservation of capital, it also acknowledges the theory of capital market pricing which maintains that varying degrees of investment risk should be rewarded with compensating returns. Consequently, prudent risk-taking is appropriate.
- The Board's investment policies and practice shall at all times comply with all applicable state and federal laws and regulations.

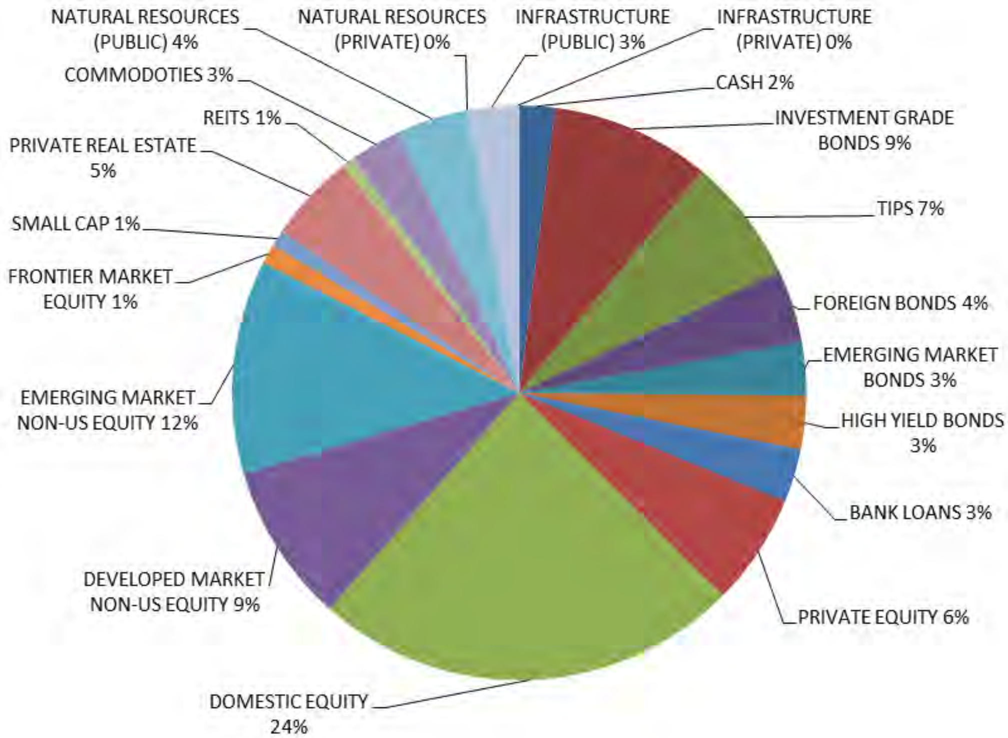
The Board's investment strategy is designed to ensure the prudent and diversified investment of assets in such a manner as to provide real growth of assets over time while protecting the value of such assets from undue risk of loss, at the minimum possible cost, and without sacrificing return.

INVESTMENT SUMMARY

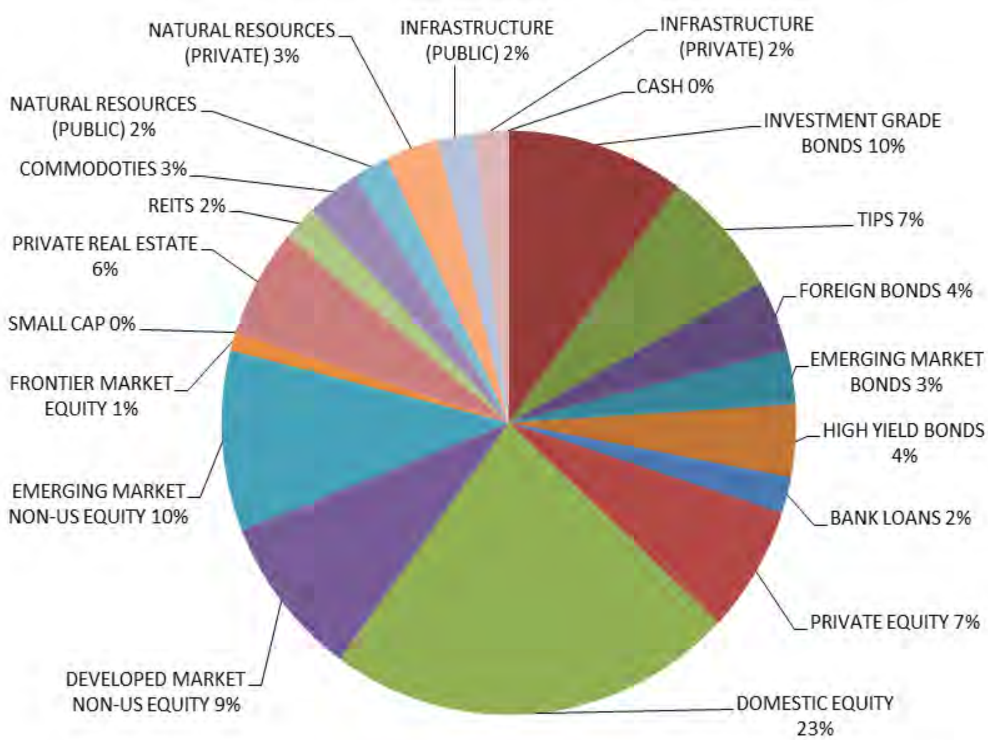
As of June 30, 2014		Market Value	Percent of Total Market Value
Treasurer's Cash	$	11,595,180	0.46%
Short Term Investments		28,850,716	1.16%
Total Cash		40,445,896	1.62%
Investment Grade Bonds		234,790,128	9.40%
TIPS		179,940,748	7.20%
Total Domestic Bonds		414,730,876	16.60%
Foreign Bonds		88,636,145	3.55%
Emerging Market Bonds		86,271,001	3.45%
High Yield Bonds		76,577,409	3.07%
Bank Loans		68,486,585	2.74%
Total International Bonds		319,971,140	12.81%
Private Equity		166,762,038	6.68%
Total Private Equity		166,762,038	6.68%
US Equity		601,577,427	24.08%
Total Domestic Equity		601,577,427	24.08%
Developed Market Non-US Equity		225,323,977	9.02%
Emerging Markets Non-US Equity		292,793,910	11.72%
Frontier Market Equity		28,199,298	1.13%
Small Cap		25,145,298	1.01%
Total International Equity		571,462,483	22.88%
Private Real Estate		122,634,710	4.91%
REITS		19,104,992	0.76%
Total Real Estate		141,739,702	5.67%
Commodities		66,619,667	2.67%
Natural Resources (Public)		92,562,820	3.71%
Natural Resources (Private)		4,800,838	0.19%
Infrastructure (Public)		76,649,733	3.07%
Infrastructure (Private)		482,596	0.02%
Total Real Assets		241,115,654	9.66%
Total Pension Cash & Investments		**2,497,805,216**	**100.00%**
Collateral Held for Securities Lent		52,419,008	-
Grand Total	**$**	**2,550,224,224**	**100.00%**

ASSET ALLOCATION

Actual Asset Allocation



Target Asset Allocation



INVESTMENT RESULTS BASED ON FAIR VALUE

As of June 30, 2014

Investments	Current Year	Annualized 3 - year	Annualized 5 - year
Domestic Equity	24.8 %	14.2 %	18.1 %
Russell 3000 Benchmark	25.2 %	16.5 %	19.3 %
International Equity	17.2 %	3.9 %	10.0 %
MSCI ACWI (e.x. U.S.)	21.8 %	5.7 %	11.1 %
Developed Market Non-U.S. Equity	23.5 %	- %	- %
MSCI EAFE	23.6 %	8.1 %	11.8 %
Emerging Markets Equity	12.1 %	- %	- %
MSCI Emerging Markets	14.3 %	-0.4 %	9.2 %
Frontier Market Equity	15.3 %	- %	- %
MSCI Frontier Markets	36.2 %	12.4 %	10.7 %
Investment Grade Bonds	4.8 %	5.2 %	7.6 %
Barclays Aggregate	4.4 %	3.7 %	4.9 %
Foreign Bonds	6.5 %	- %	- %
JPMorgan Global Bond (ex. U.S. Index)	8.9 %	0.9 %	3.8 %
Emerging Market Bonds	5.0 %	- %	- %
JPM GBI-EM Global Diversified	3.9 %	1.2 %	7.4 %
TIPS	4.5 %	- %	- %
Barclays U.S. TIPS	4.4 %	3.6 %	5.6 %
High Yield Bonds	11.8 %	- %	- %
Barclays High Yield	11.7 %	9.5 %	14.0 %
Bank Loans	6.2 %	- %	- %
CSFB Leveraged Loan	6.1 %	5.7 %	8.8 %
Commodities	4.8 %	- %	- %
Dow-Jones-UBS Commodity U.S. Index	8.2 %	-5.2 %	1.9 %
Natural Resources Public	21.1 %	- %	- %
S&P Global LargeMid Cap Commodities & Resources	21.5 %	-1.9 %	8.7 %
**Natural Resources Private	- %	- %	- %
CPI + 4% (1-Quarter Lagged)	5.7 %	5.9 %	6.2 %
Infrastructure Public	20.9 %	- %	- %
DJ Brookfield Global Infrastructure Index	28.3 %	16.7 %	20.4 %
**Infrastructure Private	- %	- %	- %
CPI + 4% (1-Quarter Lagged)	5.7 %	5.9 %	6.2 %
Private Equity	20.3 %	13.8 %	17.7 %
Russell 3000 + 3% (1-Quarter Lagged)	19.2 %	15.7 %	24.0 %
Private Real Estate	12.8 %	- %	- %
NCREIF ODCE - Blend (1-Quarter Lagged)	13.8 %	12.7 %	8.5 %
REITS	10.0 %	- %	- %
NAREIT Equity - Blend (1-Quarter lagged)	13.0 %	- %	- %
Cash	0.2 %	0.2 %	0.2 %
T-Bills (90 day lagged)	- %	0.1 %	0.1 %
Total Fund	15.2 %	8.2 %	12.1 %
SBCERS Policy Benchmark	15.7 %	8.5 %	11.5 %

Calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with Global Investment Performance Standards (GIPs). Returns shown here for SBCERS are net of fees.

***Less than one-year track record*

SCHEDULE OF TOP TEN EQUITY SECURITIES

As of June 30, 2014

Shares	Security Name	Fair Value
20,697	Bayer AG Ord Npv	$ 2,922,992
9,800	Roche Hldg Ag Genusscheine NPV	2,922,981
37,205	Nestle SA	2,882,255
13,592	Baidu Inc./China	2,539,122
38,900	Toyota Motor Corp. NPV	2,336,189
10,133	Linde AG NPV	2,154,570
367,200	AIA Group Ltd.	1,845,393
15,818	Anheuser-Busch Inbev NV	1,817,040
94,450	Rolls-Royce Hldgs Plc	1,726,385
35,086	Unilever NV CVA Euro.16	1,535,054

SCHEDULE OF TOP TEN BOND HOLDINGS

As of June 30, 2014

Par	Security Name	Fair Value
20,410,000	US Treasury Note 1.500% maturity date 02/28/2014	$ 20,376,528
10,575,000	US Treasury Note 2.125% maturity date 01/31/2021	10,627,029
9,340,000	US Treasury Note 2.750% maturity date 11/15/2023	9,572,753
3,750,000	US Treasury Note 1.750% maturity date 05/15/2022	3,609,675
3,250,000	US Treasury Note 0.750% maturity date 10/31/2017	3,218,507
3,016,000	US Treasury Note 2.500% maturity date 08/15/2023	3,033,915
2,756,000	Hewlett-Packard Co. 3.00% maturity date 09/15/2016	2,869,961
2,430,000	HSBC Bank USA NA 4.875% maturity date 08/24/2020	2,708,356
1,931,000	Barclays Bank PLC 10.179% maturity date 06/12/2021	2,670,979
2,565,000	US Treasury Note 1.500% maturity date 01/31/2019	2,563,410

A complete list of portfolio holdings is available upon request.

INVESTMENT HOLDINGS As of June 30, 2014

TYPE OF INVESTMENT		FAIR VALUE	% of PORTFOLIO
PRIVATE EQUITY	$	166,762,038	6.68 %
Private Equity Total		166,762,038	6.68 %
EQUITY			
Aerospace & Defense	$	5,227,176	0.21 %
Basic Industries		16,335,622	0.65 %
Business Services		11,478,055	0.46 %
Capital Goods		1,473,581	0.06 %
Chemicals		8,385,816	0.34 %
Commercial Services		5,727,056	0.23 %
Commingled Funds US/Intl		815,358,165	32.64 %
Consumer Durables		7,873,229	0.32 %
Consumer Non-Durables		5,294,894	0.21 %
Consumer Services		188,552	0.01 %
Energy		8,130,587	0.33 %
Financial Services		23,037,386	0.92 %
Health Care		10,174,830	0.41 %
Industrial		20,075,334	0.80 %
Insurance		15,859,404	0.63 %
Media		7,522,872	0.30 %
Other		103,634,007	4.15 %
Pharmaceuticals		19,376,004	0.78 %
Real Estate		3,946,256	0.16 %
Technology		59,499,133	2.38 %
Transportation		24,105,095	0.97 %
Utilities		336,856	0.01 %
Equity Total	$	1,173,039,910	46.97 %
BONDS			
Asset Backed Securities	$	21,376,474	0.86 %
Banking & Finance		36,712,560	1.47 %
Collateralized Mortgage Oblig		93,470,809	3.74 %
Commingled Funds US Debt		387,448,886	15.51 %
Government Bonds - US		77,434,881	3.10 %
Government Bonds - Intl		32,307,127	1.29 %
Health Care		865,223	0.03 %
Housing		13,902,937	0.56 %
Industrial		10,694,840	0.43 %
Insurance		8,410,595	0.34 %
Other Corporate Bonds		17,352,132	0.69 %
Private Placements		25,562,142	1.02 %
Utilities		9,163,410	0.37 %
Bonds Total	$	734,702,016	29.41 %
REAL ESTATE/REAL ASSETS			
Private Real Estate		141,739,702	5.67 %
Real Assets		241,115,654	9.65 %
Real Estate/Real Assets Total	$	382,855,356	15.32 %
CASH & CASH EQUIVALENTS	$	40,445,896	1.62 %
Grand Total	$	**2,497,805,216**	**100.00** %

LIST OF INVESTMENT MANAGERS

Domestic Equity
US Equity
- Artisan Partners
- Dimensional Fund Advisors
- Eagle Asset Management
- Rampart
- RBC Global Asset Management
- State Street Global Advisors

International Bonds
Foreign Bonds
- Aberdeen
- BlackRock
- Brandywine

Emerging Market Debt
- Stone Harbor

High Yield Bonds
- Aberdeen
- Hotchkis & Wiley

Bank Loans
- Beach Point

International Equity
Developed Markets
- Artisan Partners
- Eagle Asset Management
- First Eagle
- Panagora
- State Street Global Advisors

Emerging Markets
- BlackRock
- Dimensional Fund Advisors
- Vontobel

Frontier Markets
- Aberdeen

Small Cap
- Copper Rock

Natural Resources (Public)
- State Street Global Advisors

Natural Resources (Private)
- Meketa Investment Group

Infrastructure (Public)
- Rare Infrastructure

Real Estate
Private Real Estate
- ORG Real Estate

REITS
- Harrison Street

Real Assets
Commodities
- BlackRock
- Mount Lucas

Domestic Bonds
Investment Grade Bonds
- Aberdeen
- BlackRock
- Reams
- Schroders

TIPS
- BlackRock

Private Equity
- Hamilton Lane

Infrastructure (Private)
- Meketa Investment Group

SCHEDULE OF PROFESSIONAL FEES AND SERVICES

As of June 30, 2014	Assets Under Management	Fees*	Basis Points
Investment Managers:			
Bond Managers	$ 735,688,120	$ 1,111,264	7.61
Equity Managers	1,175,198,892	2,890,567	13.06
Real Assets	241,115,654	94,365	0.74
Real Estate	141,739,702	205,995	0.60
Short Term Investments	28,850,716	-	-
Alternative Equity	166,762,038	-	-
Total Investment Managers	2,489,355,122	4,302,191	22.01
Other:			
Cash	12,020,706	-	-
Custodian Fees	-	308,765	0.73
Investment Consultants Fees	-	1,388,513	6.05
	12,020,706	1,697,278	6.78
Total	$ 2,501,375,828	$ 5,999,469	28.79

** Note: Some fees are netted directly against assets under management.*

71 Actuarial

December 18, 2014

VIA ELECTRONIC MAIL

Actuarial Certification

This is the Actuary's Certification Letter for the Actuarial Section of the Comprehensive Annual Financial Report (CAFR) for the Santa Barbara County Employees' Retirement System (the Plan) as of June 30, 2014. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2013 (transmitted December 11, 2013) and the GASB 67/68 Report as of June 30, 2014 (draft copy transmitted November 6, 2014).

Actuarial Valuation Report as of June 30, 2013

The purpose of the annual Actuarial Valuation Report as of June 30, 2013 is to determine the actuarial funding status of the Plan on that date and to calculate recommended contribution rates for the participating employers and Plan members for the Fiscal Year 2014-2015. The prior review was conducted as of June 30, 2012, and included recommended contribution rates for the Fiscal Year 2013-2014.

Actuarial funding is based on the Entry Age Normal Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost and expected administrative expenses) plus a level percentage of payroll to amortize the unfunded actuarial liability (UAL). As of the valuation date (June 30, 2013), the amortization period is 17 years, with the exception that the remaining unfunded liability associated with the implementation of Safety Plan 6 is amortized over a closed period with 15 year remaining.

The funding objective of the Plan is to accumulate sufficient assets over each Member's working life to provide for Plan benefits after termination of employment or retirement. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by spreading all investment gains and losses (returns above or below expected returns) over a period of five years, limited by a corridor that restrains the Actuarial Value to within 20% of the market value of assets.

The Board of Retirement is responsible for establishing and maintaining the funding policy of the Plan.

We prepared the following schedules, which we understand will be used in the Actuarial Section of the CAFR, based on the June 30, 2013 actuarial valuation. All historical information prior to the June 30, 2013 actuarial valuation shown in these schedules is based on information reported by Milliman, who served as the Actuary prior to 2013.

- Statement of Current Actuarial Assumptions and Methods
- Schedule of Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls

- Change in Unfunded Actuarial Liability (Analysis of Financial Experience)
- Solvency Test
- Schedule of Funding Progress
- Summary of Plan Provisions

The assumptions used in this report reflect the results of an Experience Study performed by Cheiron covering the period from July 1, 2010 through June 30, 2013, and adopted by the Board on November 20, 2013. The assumptions used in the most recent valuation are intended to produce results that, in the aggregate, reasonably approximate the anticipated future experience of the Plan. The next experience analysis is expected to cover the years through 2016.

We certify that the valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for funding purposes meet the requirements of the Actuarial Standards of Practice, in particular Standards No. 4, 27, 35, and 44.

GASB 67/68 Report as of June 30, 2014

The purpose of GASB 67/68 Report as of June 30, 2014 is to provide accounting and financial reporting information under GASB 67 for the Plan and under GASB 68 for the County of Santa Barbara and other participating employers. This report is not appropriate for other purposes, including the measurement of funding requirements for the Plan.

For financial reporting purposes, the Total Pension Liability is based on the June 30, 2013 actuarial valuation updated to the measurement date of June 30, 2014. There were no significant events between the valuation date and the measurement date so the update procedures only included the addition of service cost and interest cost offset by actual benefit payments.

Beginning of year measurements are also based on the actuarial valuation as of June 30, 2013. The June 30, 2013 Total Pension Liability presented in the GASB 67/68 Report was based upon the same data, plan provisions, actuarial methods and assumptions as were used in the Actuarial Valuation Report as of June 30, 2013.

Because the beginning and ending values are based on the same actuarial valuation and there were no significant events, no liability gains or losses due to experience are reported this year. In future years, liability gains and losses will be reported reflecting the liability gains and losses between actuarial valuation dates as well as any significant events during the update period.

Please refer to our GASB 67 report as of June 30, 2014 for additional information related to the financial reporting of the System. We prepared the following schedules for inclusion in the Financial Section of the CAFR based on the June 30, 2014, GASB 67/68 Report:

- Change in Net Pension Liability
- Sensitivity of Net Pension Liability to Changes in Discount Rate
- Schedule of Changes in Net Pension Liability and Related Ratios
- Schedule of Employer Contributions
- Notes to the Schedule of Employer Contributions

We certify that the report was performed in accordance with generally accepted actuarial principles and practices. In particular, the assumptions and methods used for disclosure purposes have been prepared in accordance with our understanding of generally accepted accounting principles as promulgated by the GASB.

Disclaimers

In preparing our reports, we relied on information (some oral and some written) supplied by the Plan. This information includes, but is not limited to, the plan provisions, employee data, and financial information. We performed an informal examination of the obvious characteristics of the data for reasonableness and consistency in accordance with Actuarial Standard of Practice No. 23.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and, changes in plan provisions or applicable law.

These reports are for the use of the Plan, the participating employers, and their auditors in preparing financial reports in accordance with applicable law and accounting requirements. Any other user of these reports is not an intended user and is considered a third party.

Cheiron's reports were prepared solely for the Plan for the purposes described herein, except that the Plan and participating employers' auditors may rely on these reports solely for the purpose of completing an audit related to the matters herein. They are not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein. These reports do not address any contractual or legal issues. We are not attorneys, and our firm does not provide any legal services or advice.

Respectfully Submitted,

Graham A. Schmidt, ASA, MAAA
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February 15, 2013

Mr. Gary Amelio
Chief Executive Officer
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 210
Santa Barbara, CA 93105

Re: Actuarial Valuation of Post Employment Benefits as of June 30, 2012

In accordance with the request of Santa Barbara County Employees' Retirement System (SBCERS), we have performed an Actuarial Valuation of the Other Post Employment Benefits (OPEB) as of June 30, 2012. The major findings of the valuation are contained in this report. This report reflects the benefit provisions in effect as of June 30, 2012.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System's staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer a reasonable estimate of anticipated experience affecting the System.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as a change in the amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.

Actuarial computations presented in this report under GASB Statements No. 43 and 45 are for purposes of fulfilling financial accounting requirements. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's goals. The calculations in this report have been made on a basis consistent with our understanding of the OPEB plan provisions described in Appendix B of this report, and of GASB Statements No. 43 and 45. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of SBCERS. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

(b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

We would like to express our appreciation to members of SBCERS' staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

Daniel Wade

Nick Collier

Daniel Wade, FSA, EA, MAAA
Consulting Actuary

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

DRW/NJC/nlo

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

ACTUARIAL ASSUMPTIONS AND METHODS

Recommended by the Actuary and adopted by the Board of Retirement. The actuarial assumptions used to determine the liabilities are based on the results of the June 30, 2013 Experience Study. The Board of Retirement adopted the new assumptions on November 20, 2013. The total pension liability at June 30, 2014, was determined by completing a roll-forward calculation based on an actuarial valuation conducted as of June 30, 2013, using the actuarial assumptions from that valuation applied to all prior periods included in the measurement in accordance with the requirements of GASB 67. All actuarial methods and assumptions used for this GASB analysis were the same as those used for the June 30, 2013 funding valuation. The actuarial methods and assumptions for OPEB can be found in *Note 8 – Other Post Employment Benefits (OPEB)* of this report.

Actuarial Cost Method

SBCERS uses the entry age normal actuarial cost method, with the total normal cost based on the sum of the normal costs for each individual active member (adopted November 20, 2013). The Unfunded Actuarial Accrued Liability (UAAL), if any, is amortized as a level of percentage of the projected salaries of present and future members of SBCERS over specified fixed periods of time. The UAAL is being funded over a "closed" seventeen year period effective with the June 30, 2013 valuation (adopted November 20, 2013). Under this amortization method, the entire UAAL as of June 30, 2013 (less the outstanding balance for Safety Plan 6) is amortized over a declining period, in this case, 17 years, with one exception. The exception is that the additional UAAL attributable to the creation of Safety Plan 6 is being amortized over a closed period and that period stands at 15 years. The amortization factors will change each year as the amortization periods decline, and will also change when the discount rate or salary assumptions are changed. Because the discount rate (investment return) and salary scale did change from prior valuation due to the Investigation of Experience, the amortization factors have changed from the previous valuation.

Actuarial Asset Valuation Method

Five-year smoothed method based on the difference between expected and actual fair value of assets as of the valuation date effective June 30, 2002 (adopted April 9, 2003).

Asset Corridor Limit

To prevent the smoothed value of assets from deviating too much from the market value of assets, an asset corridor limit is applied such that the smoothed market value of assets stays within 20% of the market value of assets.

Amortization of Gains and Losses

Actuarial gains and losses reflected in the current UAAL are amortized over a closed seventeen year period effective June 30, 2013 (adopted November 20, 2013). An amortization approach for future gains and losses will be adopted prior to the completion of the next Actuarial Valuation (as of June 30, 2014).

Investment Rate of Return

Future investment earnings are assumed to accrue at an annual rate of 7.50%, compounded annually, exclusive of both investment, but not administrative, expenses effective June 30, 2013 (adopted November 20, 2013). The investment rate of return of 7.50% is comprised of 3.00% for CPI and 4.50% real investment return.

Administrative Expenses

Beginning with the June 30, 2013 actuarial valuation, the cost of expected administrative expenses are reflected directly in the employer and employee contribution rates, rather than being implicitly allocated based on a discount rate net of administrative expenses. For the June 30, 2013 actuarial valuation, a load of 3.1% has been applied to the employer and employee contribution rates, based on an assumed administrative expense of amount of $4.25 million for the current Plan year.

Projected Salary Increases

Rates of annual salary increases (adopted November 20, 2013) assumed for the purpose of the valuation are:

- Variable percentage annually for merit and longevity based on service (duration) and
- 3.50% for inflation (cost-of-living adjustments – comprised of 3.00% for consumer price inflation and 0.5% for real wage inflation)

Post-Retirement Benefit Increases

Cost-of-Living benefit increases of 2.75% per year are assumed for the valuation in accordance with the maximum benefits provided for General Plan 5, Safety Plan 4, Safety Plan 6, Safety Plan 8 (PEPRA) and APCD Plan (adopted November 20, 2013).

General Plan 7, General Plan 8 (PEPRA) and APCD Plan 8 (PEPRA) are limited to a maximum 2% cost of living adjustment.

General Plan 2 is not eligible to receive these adjustments (adopted February 21, 2001).

Expectation of Life after Retirement

RP-2000 Combined Healthy Mortality Table, Projected using generational improvements based on Scale BB, with no set back or forward for any members (adopted November 20, 2013):

Note: No set back means that the table is used as published. When the table is set forward one year, the member's life expectancy is that of someone one year older. When the table is set back one year, the member's life expectancy is that of someone one year younger.

Expectation of Life after Disability

RP-2000 Combined Healthy Mortality Table, Projected using generational improvements based on Scale BB (adopted November 20, 2013):

- For male members, set forward 5 years
- For female members, set forward 5 years

Note: No set back means that the table is used as published. When the table is set forward one year, the member's life expectancy is that of someone one year older. When the table is set back one year, the member's life expectancy is that of someone one year younger.

Mortality Tables Impact on Employee Contribution Rates

Member contribution rates will be based on the following sex distinct mortality tables adjusted by ages and used regardless of gender:

RP-2000 Combined Mortality Table Projected to 2037 Using Scale BB assumptions (adopted November 20, 2013):

- For General members, a blending of 35% of the Male table and 65% of the Female table
- For Safety members, a blending of 80% of the Male table and 20% of the Female table

Note: No set back means that the table is used as published. When the table is set forward one year, the member's life expectancy is that of someone one year older. When the table is set back one year, the member's life expectancy is that of someone one year younger.

PROBABILITY OF SEPARATION FROM ACTIVE SERVICE

The following tables indicate the probability of separation from active service for each of six separate sources of termination:

SERVICE RETIREMENT	Member retires after satisfaction of requirements of age and/or service for reasons other than disability.
DUTY DISABILITY	Member receives disability retirement; disability is employment related.
ORDINARY DISABILITY	Member receives disability retirement; disability not employment related.
ORDINARY DEATH	Member dies prior to eligibility for retirement; death not employment related.
SERVICE DEATH	Member dies in service as a result of injury or disease arising out of and in the course of employment.
OTHER TERMINATIONS	Member terminates and requests a refund of member contributions and/or terminates and leaves the contributions on deposit (vested terminations).

The probability shown for each cause of termination represents the probability that a given member will terminate at a particular age for the indicated reason. For example, if the probability of retirement age 50 is 3%, then we are assuming that 3% of eligible members at age 50 will retire during the next year.

The age at which a vested terminated member is assumed to commence the payment of retirement benefits is (*rates and assumptions adopted effective June 30, 2010*):

PLAN	AGE
General Plan 2	65
General Plan 5 & 7	58
Safety Plan 4	54
Safety Plan 6	50
APCD	58

YEARS OF LIFE EXPECTANCY

Rate of Separation From Active Service

Assumptions effective June 30, 2013

GENERAL MEMBERS – MALE

Age	Service Retirement	Duty Disability	Ordinary Disability	Ordinary Death
20	0.00%	0.00%	0.01%	0.03%
30	0.00%	0.00%	0.01%	0.04%
40	3.00%	0.01%	0.01%	0.10%
50	3.00%	0.05%	0.07%	0.21%
60	15.00%	0.09%	0.13%	0.62%
70	25.00%	0.09%	0.14%	1.82%
75	100.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	6.00%
10	4.50%
15	2.50%
20	1.00%
25	1.00%
30+	0.00%

Rate of Separation From Active Service

Assumptions effective June 30, 2013

GENERAL MEMBERS – FEMALE

Age	Service Retirement	Duty Disability	Ordinary Disability	Ordinary Death
20	0.00%	0.00%	0.01%	0.02%
30	0.00%	0.00%	0.01%	0.03%
40	4.00%	0.01%	0.01%	0.07%
50	4.00%	0.05%	0.07%	0.16%
60	13.00%	0.09%	0.13%	0.44%
70	23.00%	0.09%	0.14%	1.43%
75	100.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	6.00%
10	4.50%
15	2.50%
20	1.00%
25	1.00%
30+	0.00%

Rate of Separation From Active Service

Assumptions effective June 30, 2013

SAFETY PLAN 4 MEMBERS – MALE

Age	Service Retirement	Duty Disability	Ordinary Disability	Service Death	Ordinary Death
20	0.00%	0.05%	0.01%	0.01%	0.02%
30	1.00%	0.07%	0.01%	0.01%	0.03%
40	1.00%	0.12%	0.01%	0.01%	0.09%
50	4.00%	0.25%	0.03%	0.01%	0.19%
60	23.00%	0.63%	0.07%	0.01%	0.60%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.50%
10	2.00%
15	1.30%
20+	0.00%

YEARS OF LIFE EXPECTANCY

Rate of Separation From Active Service

Assumptions effective June 30, 2013

SAFETY PLAN 4 MEMBERS – FEMALE

Age	Service Retirement	Duty Disability	Ordinary Disability	Service Death	Ordinary Death
20	0.00%	0.05%	0.01%	0.01%	0.01%
30	1.00%	0.07%	0.01%	0.01%	0.02%
40	1.00%	0.12%	0.01%	0.01%	0.06%
50	4.00%	0.25%	0.03%	0.01%	0.15%
60	23.00%	0.63%	0.07%	0.01%	0.43%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.00%
10	2.00%
15	1.30%
20+	0.00%

Rate of Separation From Active Service

Assumptions effective June 30, 2013

SAFETY PLAN 6 MEMBERS – MALE

Age	Service Retirement	Duty Disability	Ordinary Disability	Service Death	Ordinary Death
20	0.00%	0.05%	0.01%	0.01%	0.02%
30	1.00%	0.07%	0.01%	0.01%	0.03%
40	1.00%	0.12%	0.01%	0.01%	0.09%
50	23.00%	0.25%	0.03%	0.01%	0.19%
60	20.00%	0.63%	0.07%	0.01%	0.60%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.50%
10	2.00%
15	1.30%
20+	0.00%

Rate of Separation From Active Service

Assumptions effective June 30, 2013

SAFETY PLAN 6 MEMBERS – FEMALE

Age	Service Retirement	Duty Disability	Ordinary Disability	Service Death	Ordinary Death
20	0.00%	0.05%	0.01%	0.01%	0.01%
30	1.00%	0.07%	0.01%	0.01%	0.02%
40	1.00%	0.12%	0.01%	0.01%	0.06%
50	23.00%	0.25%	0.03%	0.01%	0.15%
60	20.00%	0.63%	0.07%	0.01%	0.43%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.50%
10	2.00%
15	1.30%
20+	0.00%

YEARS OF LIFE EXPECTANCY

Mortality for Members Retired for Service

Assumptions effective June 30, 2013 (for the year 2013)

	GENERAL		SAFETY	
Age	**Male**	**Female**	**Male**	**Female**
20	0.033%	0.018%	0.033%	0.018%
25	0.036%	0.020%	0.036%	0.020%
30	0.043%	0.025%	0.043%	0.025%
35	0.074%	0.046%	0.074%	0.046%
40	0.104%	0.068%	0.104%	0.068%
45	0.145%	0.108%	0.145%	0.108%
50	0.206%	0.161%	0.206%	0.161%
55	0.349%	0.255%	0.349%	0.255%
60	0.616%	0.444%	0.616%	0.444%
65	1.089%	0.830%	1.089%	0.830%
70	1.825%	1.431%	1.825%	1.431%
75	3.109%	2.402%	3.109%	2.402%
80	5.289%	3.922%	5.289%	3.922%
85	9.100%	6.620%	9.100%	6.620%
90	15.884%	11.405%	15.884%	11.405%

Mortality for Members Retired for Disability

Assumptions effective June 30, 2013 (for the year 2013)

	GENERAL		SAFETY	
Age	**Male**	**Female**	**Male**	**Female**
20	0.036%	0.020%	0.036%	0.020%
25	0.043%	0.025%	0.043%	0.025%
30	0.074%	0.046%	0.074%	0.046%
35	0.0104%	0.068%	0.0104%	0.068%
40	0.145%	0.108%	0.145%	0.108%
45	0.206%	0.161%	0.206%	0.161%
50	0.349%	0.261%	0.349%	0.261%
55	0.649%	0.474%	0.649%	0.474%
60	1.163%	0.852%	1.163%	0.852%
65	1.898%	1.431%	1.898%	1.431%
70	3.109%	2.402%	3.109%	2.402%
75	5.289%	3.922%	5.289%	3.922%
80	9.100%	6.620%	9.100%	6.620%
85	15.069%	11.256%	15.069%	11.256%
90	23.167%	16.846%	23.167%	16.846%

SALARY INCREASE ASSUMPTIONS

Assumptions effective June 30, 2013

GENERAL MEMBERS

Years of Service	Due to Promotion & Longevity	Total Annual Increase	Years of Service	Due to Promotion & Longevity	Total Annual Increase
<1	4.75%	8.42%	16	0.50%	4.02%
1	4.00%	7.64%	17	0.48%	4.00%
2	3.25%	6.86%	18	0.46%	3.98%
3	2.50%	6.09%	19	0.44%	3.96%
4	2.00%	5.57%	20	0.42%	3.93%
5	1.50%	5.05%	21	0.40%	3.91%
6	1.25%	4.79%	22	0.38%	3.89%
7	1.00%	4.54%	23	0.36%	3.87%
8	0.90%	4.43%	24	0.34%	3.85%
9	0.80%	4.33%	25	0.32%	3.83%
10	0.78%	4.31%	26	0.30%	3.81%
11	0.75%	4.28%	27	0.28%	3.79%
12	0.70%	4.22%	28	0.26%	3.77%
13	0.65%	4.17%	29	0.25%	3.76%
14	0.60%	4.12%	30+	0.25%	3.76%
15	0.55%	4.07%			

The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.50% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.

SALARY INCREASE ASSUMPTIONS

Assumptions effective June 30, 2013

SAFETY MEMBERS

Years of Service	Due to Promotion & Longevity	Total Annual Increase	Years of Service	Due to Promotion & Longevity	Total Annual Increase
<1	6.00%	9.71%	16	0.82%	4.35%
1	5.00%	8.67%	17	0.80%	4.33%
2	4.00%	7.64%	18	0.77%	4.30%
3	3.25%	6.86%	19	0.74%	4.27%
4	2.50%	6.09%	20	0.72%	4.25%
5	2.00%	5.57%	21	0.69%	4.21%
6	1.60%	5.16%	22	0.67%	4.19%
7	1.30%	4.85%	23	0.64%	4.16%
8	1.20%	4.74%	24	0.62%	4.14%
9	1.10%	4.64%	25	0.59%	4.11%
10	1.00%	4.54%	26	0.57%	4.09%
11	0.95%	4.48%	27	0.54%	4.06%
12	0.92%	4.45%	28	0.52%	4.04%
13	0.89%	4.42%	29	0.50%	4.02%
14	0.87%	4.40%	30+	0.50%	4.02%
15	0.85%	4.38%			

The total expected increase in salary is the increase due to promotions and longevity, adjusted for an assumed 3.50% per annum increase in the general wage level of the membership. The total result is compounded rather than additive.

Immediate Refund of Contributions Upon Termination of Employment

Assumptions effective June 30, 2013

GENERAL & SAFETY MEMBERS

Years of Service	General Male	General Female	Safety
0	100%	100%	100%
5	30%	30%	30%
10	20%	20%	15%
15	15%	15%	15%
20	15%	15%	0%
25	0%	0%	0%
30	0%	0%	0%

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Plan Type	Active Members	Average Annual Salary	Average	% Increase in Average Salary
June 30, 2008	General	3,552	$ 226,426,000	$ 63,746	6.0 %
	Safety	1,006	77,230,000	76,769	2.0 %
	APCD	48	3,608,000	75,167	1.1 %
	Total	**4,606**	$ **307,264,000**	$ **66,710**	**4.9 %**
June 30, 2009	General	3,450	$ 223,831,000	$ 64,879	1.8 %
	Safety	967	79,596,000	82,312	7.2 %
	APCD	50	3,955,000	79,100	5.2 %
	Total	**4,467**	$ **307,382,000**	$ **68,812**	**3.2 %**
June 30, 2010	General	3,261	$ 223,995,000	$ 68,689	5.9 %
	Safety	921	79,795,000	86,640	5.3 %
	APCD	46	3,716,000	80,783	2.1 %
	Total	**4,228**	$ **307,506,000**	$ **72,731**	**5.7 %**
June 30, 2011	General	3,198	$ 222,046,000	$ 69,433	1.1 %
	Safety	904	81,025,000	89,630	3.5 %
	APCD	46	3,457,000	75,161	(7.0) %
	Total	**4,148**	$ **306,528,000**	$ **73,898**	**1.6 %**
June 30, 2012	General	3,141	$ 220,234,000	$ 70,116	1.0 %
	Safety	885	79,168,000	89,456	(0.2) %
	APCD	46	3,475,000	75,548	0.5 %
	Total	**4,072**	$ **302,877,000**	$ **74,380**	**0.7 %**
June 30, 2013	General	3,161	$ 216,968,000	$ 68,639	(2.1) %
	Safety	904	81,004,000	89,606	0.2 %
	APCD	43	3,344,000	77,767	2.9 %
	Total	**4,108**	$ **301,316,000**	$ **73,349**	**(1.4) %**

SCHEDULE OF RETIREES & BENEFICIARIES ADDED TO AND REMOVED FROM RETIREMENT PAYROLL

	Added to Rolls		Removed from Rolls		Rolls at End of Year			
Fiscal Year	Number	Annual Allowance*	Number	Annual Allowance	Number	Annual Allowance	% Increase in Retiree Allowance	Average Annual Allowance
2008	232	$ 8,624,426	(72)	$ (1,213,017)	2,972	$ 83,023,412	17.3 %	$ 27,935
2009	239	$ 8,842,975	(94)	$ (2,084,942)	3,117	$ 92,275,326	11.1 %	$ 29,604
2010	301	$ 13,005,361	(100)	$ 2,443,989	3,318	$ 104,978,781	13.8 %	$ 31,639
2011	192	$ 5,922,775	(123)	$ 2,942,348	3,387	$ 110,219,174	5.0 %	$ 32,542
2012	226	$ 9,082,861	(106)	$ 2,884,973	3,507	$ 118,545,000	7.6 %	$ 33,802
2013	364**	$ 8,811,248	(98)	$ 1,787,108	3,773	$ 126,691,263	6.9 %	$ 33,578

* *Annual allowance added during the year does not include COLAs granted in year to continuing retirees and beneficiaries.*
** *Includes 119 members with benefits in more than one plan.*

ACTUARIAL SOLVENCY TEST

Dollars in Thousands

Valuation Date	Valuation Assets	Actuarial Accrued Liabilities for: Active Member Contribution (A)	Retirees and Beneficiaries (B)	Active Members (Employer Financed) (C)	Total AAL	Portion of Accrued Liabilities Covered by Reported Assets: (A)	(B)	(C)
6/30/2008	$ 1,891,456	$ 177,770	$ 1,124,748	$ 833,437	$ 2,135,955	100 %	100 %	70.7 %
6/30/2009	$ 1,705,733	$ 174,951	$ 1,237,215	$ 851,696	$ 2,263,862	100 %	100 %	34.5 %
6/30/2010	$ 1,927,229	$ 162,432	$ 1,483,728	$ 969,987	$ 2,616,147	100 %	100 %	29.0 %
6/30/2011	$ 2,007,859	$ 165,774	$ 1,559,716	$ 1,024,324	$ 2,749,814	100 %	100 %	28.0 %
6/30/2012	$ 2,046,641	$ 165,623	$ 1,660,773	$ 1,047,987	$ 2,874,383	100 %	100 %	21.0 %
6/30/2013 *	$ 2,150,006	$ 171,614	$ 1,747,431	$ 1,049,089	$ 2,968,134	100 %	100 %	22.0 %

* • Information for years prior to 2013 was provided by prior actuaries.
• Beginning in 2007, non-valuation assets are not included in the AVA and are no longer added to the AAL.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

Dollars in Millions

As of June 30	2013	2012	2011	2010	2009	2008
Prior Valuation Unfunded Actuarial Accrued Liability	**$ 827.70**	**$ 742.00**	**$ 688.90**	**$ 558.10**	**$ 244.40**	**$ 252.30**
Expected Change from Prior Year	(7.1)	(0.8)	(10.1)	30.7	(4.1)	(5.6)
Actuarial (Gains) or Losses During the Year						
Asset Transfer from Non-Valuation Reserves	-	-	-	-	-	(21.6)
Asset Return (Greater) or Less than Expected	62.7	125.8	90.3	(85.3)	336.0	(20.3)
New Entrants	7.8	0.6	1.0	1.1	1.1	2.9
Salary Increases Greater or (Less) than Expected	(45.0)	(29.9)	(18.0)	(7.6)	(32.1)	10.9
Changes in Assumptions and Methodology	(26.0)	-	-	170.7	-	-
All Other (Including Demographic Experience)	(2.0)	(10.0)	(10.1)	21.2	12.8	25.8
Total Changes	(9.6)	85.7	53.1	130.8	313.7	(7.9)
Values as of Valuation Date	**$ 818.10**	**$ 827.70**	**$ 742.00**	**$ 688.90**	**$ 558.10**	**$ 244.40**

Information for years prior to 2012 was provided by prior actuaries.

*Changes in Plan Provisions are for new Safety Plan 6 and General Plan 5C.

SUMMARY OF MAJOR PENSION PLAN PROVISIONS

Eligibility

The County has established several defined benefit tiers based primarily on a members' date of entry into SBCERS. There are two types of SBCERS members:

Safety Members: employees whose principal duty is active law enforcement or active fire suppression. Membership in a particular tier depends upon date of entry to the system and bargaining unit.

General members: all non-Safety members who are otherwise eligible for System membership. A member's tier depends primarily upon date of entry into the system.

- APCD Plan 1: APCD employees hired on or before July 3, 1995*
- APCD Plan 2: APCD employees hired after July 3, 1995*
- General Plan 2: Employees hired on or before January 11, 1999 who elected to join General Plan 2*
- Safety Plan 4A & General Plan 5A: General employees hired before October 10, 1994 who did not elect to join General Plan 2, and Safety employees hired before October 10, 1994*
- Safety Plan 4B & General Plan 5B: Employees hired on or after October 10, 1994*
- General Plan 5C: Members in certain bargaining units hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 5B on March 10, 2008*
- General Plan 7: County General employees hired on or after June 25, 2012*
- General Plan 8: General (including APCD) new members hired on or after January 1, 2013 (PEPRA)
- Safety Plan 4C: Members in certain bargaining units who were hired on or after October 10, 1994. Members in those bargaining units transferred from Plan 4B on July 3, 2006.*
- Safety Plan 6A: Members in certain bargaining units hired prior to October 10, 1994. Members in those bargaining units transferred from Plan 4A on February 25, 2008*
- Safety Plan 6B: Members in certain bargaining units hired after October 10, 1994. Members in those bargaining units transferred from Plan 4D on February 25, 2008*
- Safety Plan 8: New safety members hired on or after January 1, 2013 (PEPRA)

* The plans noted with an asterisk above are closed to new members hired on or after January 1, 2013 unless such members are prior members of these plans or qualify as reciprocal members from other retirement systems.

Final Compensation

- Monthly average of highest 12 consecutive months of compensation earnable for General Plans 5A and 5B, Safety Plans 4A, 4B, 6A, and APCD Plans 1 and 2.
- Monthly average of highest 36 consecutive months of compensation earnable for General Plan 5C, 7, Safety Plans 4C, 6B and part-time members in all plans, and Plan 8 (PEPRA) members. Compensation for Plan 8 members excludes certain pay elements, such as terminal payouts, and is limited to 100% or 120% of 2013 Social Security Taxable Wage Base, indexed in future years by CPI-U, based on whether the member is covered under Social Security.
- Monthly average of highest 36 non-consecutive months of compensation for General Plan 2.

Service Retirement

NORMAL RETIREMENT AGE

- Age 65 for §31486.4 (General Plan 2)
- Age 57 for §31676.12 (General Plan 5)
- Age 57-1/2 for §31676.1 (General Plan 7)
- Age 55 for §31664.2 (Safety Plan 4)
- Age 50 for §31664.1 (Safety Plan 6)
- Age 55 for §31676.15 (APCD Plan)
- Age 62 for §7522.20 (General Plan 8)
- Age 50 for §7522.25 (Safety Plan 8)

EARLY RETIREMENT

- Age 50 and 10 years for General Plan 5, 7 and APCD Plan
- Age 55 and 10 years for General Plan 2
- Age 50 and 10 years for Safety Plan 4
- Age 52 and 5 years for General Plan 8 (PEPRA)
- Age 50 and 5 years for Safety Plan 8 (PEPRA)

OR

- 30 years for General Plan 5, 7 and APCD Plan (other than Plan 8)
- 20 years for Safety Plans 4 and 6

BENEFIT AT NORMAL RETIREMENT AGE

- 2% of final average salary per year of service times age factor (§31676.12 and §31676.15, respectively) for General Plan 5, 7 and APCD Plan.
- 1/60 of final average salary per year of service times age factor (§31676.1) for General Plan 7.
- 2% of final average salary per year of service (maximum 35 years) plus 1% of final average salary per year of service in excess of 35 (maximum 10 years) reduced by 1/35 of Social Security benefit at age 65 per year of service (maximum 35 years) for General Plan 2.

- 3% of final average salary per year of service times age factor for Safety Plans 4 (§31664.2) and 6 (§31664.1).

- 1% of final average salary per year of service at age 52, increasing by 0.1% for each year of age to 2.5% at age 67 for General Plan 8 (PEPRA). In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.

- 2% of final average salary per year of service at age 50, increasing by 0.1% for each year of age to 2.7% at age 57 for Safety Plan 8 (PEPRA). In between exact ages, the multiplier will increase by 0.025% for each quarter year increase in age.

BENEFIT ADJUSTMENTS

- Reduced for retirement before:
  - Age 65 for §31486.4 (General Plan 2)
  - Age 57 for §31676.12 (General Plan 5)
  - Age 55 for §31664.2 (Safety Plan 4)
  - Age 50 for §31664.1 (Safety Plan 6)
  - Age 55 for §31676.15 (APCD Plan)
  - Age 67 for General Plan 8 (PEPRA)
  - Age 57 for Safety Plan 8 (PEPRA)

Reductions for §31486.4 are actuarial equivalents

- Increased for retirement after:
  - Age 57 for §31676.12 (General Plan 5)
  - Age 55 for §31676.15 (APCD Plan)

Disability Retirement

- Non-service connected for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans
  - 1.8% of final average salary per year of service (1.5% for General Plan 8 / PEPRA), with maximum of 33⅓% if projected service is used (age 62 for General Plan 5, age 55 for Safety Plans 4 and 6 and age 65 for Plan 8 / PEPRA and all APCD Plans) or
  - service retirement benefit (if eligible).

- Service connected for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans
  - Greater of 50% of final average salary or service retirement benefit (if eligible).

- General Plan 2 purchases long-term insurance policy.
  - 60% of salary provided outside of the Plan.
  - Payments are reduced by other disability income benefits.
  - Service retirement at age 65 (credit given toward service retirement while disabled under the LTD Plan).

Death Before Retirement

- Non-service connected before eligible to retire for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans.
    - Refund of contributions plus 1/12 of last year's salary per year of service up to 6 years.

- Eligible for non-service connected disability or service retirement for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans.
    - 60% of member's accrued allowance.

- Service connected for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans.
    - 50% of salary or service retirement benefit (if eligible).

- Benefit for General Plan 2.
    - 1/12 of final year's salary per year of service up to 6 years.

Death After Retirement

- $5,000 lump sum death benefit for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8, and APCD Plans.

- Service retirement or non-service connected disability.
    - 60% of member's allowance payable to an eligible spouse for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans.
    - 50% of member's allowance payable to an eligible spouse for General Plan 2.

- Service connected disability
    - 100% of member's allowance payable to an eligible spouse for General Plans 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans.
    - 50% of member's allowance payable to an eligible spouse for General Plan 2.

Vesting

- Must leave contributions on deposit.
- Five years of service for General Plan 5, 7 and 8, Safety Plans 4, 6 and 8 and APCD Plans.
- Ten years of service for General Plan 2.

Member's Contributions

- Based on entry age (except Plan 8 / PEPRA).
- Half rates for General Plans 5A and 5C, 7, Safety Plans 4A, 4C, 6A and 6B and APCD Plan 1.
- Full rates for General Plan 5B, Safety Plan 4B and APCD Plan 2.
- Half of total normal cost for Plan 8 / PEPRA members, with covered compensation limited to 100% or 120% of 2013 Taxable Wage Base (indexed based on CPI-U).
- General Plan 2 is noncontributory.

Maximum Benefit

- 100% of final average salary for General Plans 5, 7, Safety Plans 4 and 6 and APCD Plans.
- No maximum for Plan 8 / PEPRA, other than limits on compensation specified in final average compensation provisions .
- Benefit and Social Security combined cannot exceed 70% of final average salary if service is less than 35 years, otherwise 80% for General Plan 2.

Cost-Of-Living

- Up to 2.75% cost-of-living adjustment for General Plans 5, Safety Plans 4, 6 and 8 (PEPRA), and APCD Plans 1 and 2.
- Limited to a maximum 2% cost-of-living adjustment for General Plan 7 and any General Plan 8 members where the employer had adopted Plan 7 for new hires.
- None for General Plan 2.

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93 Statistical

Introduction to the Statistical Section

The objective of the Statistical Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic Financial Statements, and Required Supplementary Information to understand and assess Santa Barbara County Employees' Retirement System (SBCERS) economic condition. The following schedules reflect financial trend and operating information.

The ***Schedule of Additions to Plan by Source*** reflects the various sources of income to the retirement system net of investment fees. The ***Schedule of Deductions to Plan by Type*** reflects the major expenses to the retirement system. The major expenses include Benefits Paid, Refunds and Administrative Expenses. The ***Schedule of Benefit Expenses of Plan by Type*** reflect a breakdown of the types of benefits paid. These expenses cover benefits paid by pension plan grouping type, death benefits as well as Other Post Employment Benefits (OPEB). The ***Schedule of Participating Employers*** represents the retirements system's participating employers and their active members covered by the plan. The ***Schedule of Employer Contribution Rates*** lists a schedule of retirement plans for which benefits are being paid for and the employer contribution rates associated with each of those plans by their respective employer. The ***Schedule of Member Contribution Rates*** lists member rates for all active retirement plans available through the fiscal year. The ***Schedule of Average Benefit Payments*** present the average monthly benefit, average annual benefit and number of active retirees, organized by increments of credited years of service.

Schedule of Additions to Plan By Source

Fiscal Year	Member Contributions	Employer Contributions	Gross Return on Investments	Investment Expenses	Other Income	Total
2005	$ 14,827,847	$ 46,720,797	$ 143,795,225	$ (8,473,262)	$ 49,497	$ 196,920,104
2006	15,057,589	53,976,749	170,316,018	(11,648,395)	55,990	227,757,951
2007	15,853,139	63,395,296	285,497,505	(13,887,027)	2,233,265	353,092,178
2008	15,479,629	69,460,616	(122,988,456)	(10,260,776)	629,238	(47,679,749)
2009	11,083,461	83,118,559	(328,434,883)	(5,321,065)	63,736	(239,490,192)
2010	11,648,995	93,429,332	198,920,921	(4,306,777)	228,877	299,921,348
2011	10,843,091	103,102,443	350,862,466	(5,141,373)	23,724,517	483,391,144
2012	14,524,627	117,126,395	44,319,664	(5,935,784)	223,470	170,258,372
2013	19,023,527	118,940,302	174,387,739	(6,175,490)	395,294	306,571,372
2014	14,837,074	128,126,717	335,037,717	(5,906,399)	220,926	472,316,035

Schedule of Deductions to Plan By Type

Fiscal Year	Benefits Paid	Refunds	Administrative Expenses	Total
2005	$ 64,254,302	$ 1,284,974	$ 1,842,161	$ 67,381,437
2006	71,018,064	1,474,822	2,140,186	74,633,072
2007	76,846,452	1,883,614	5,619,908	84,349,974
2008	84,409,181	1,819,710	3,604,096	89,832,987
2009	95,259,946	1,609,893	3,900,782	100,770,621
2010	105,642,308	1,319,448	4,045,903	111,007,659
2011	114,697,730	1,476,583	4,112,150	120,286,463
2012	121,684,623	1,071,850	4,023,062	126,779,535
2013	130,222,106	591,490	4,239,711	135,053,307
2014	138,898,965	812,467	4,607,478	144,318,910

Schedule of Benefit Expenses of Plan By Type

Fiscal Year	Benefits Paid General	Benefits Paid Safety	Benefits Paid APCD	Death Benefits	OPEB Benefits	Total Benefit Expense
2005	$ 38,419,896	$ 25,474,122	$ -	$ 360,284	$ -	$ 57,634,424
2006	42,993,071	27,439,334	265,414	320,245	-	64,254,302
2007	46,357,692	29,787,719	418,508	282,533	-	71,018,064
2008	50,680,926	32,900,009	596,896	231,350	-	76,846,452
2009	50,499,643	37,495,522	710,087	475,527	6,079,167	84,409,181
2010	55,347,535	41,389,618	793,023	283,040	7,829,092	105,642,308
2011	59,908,869	45,400,748	980,330	371,566	8,036,217	114,697,730
2012	66,495,891	45,227,106	1,113,117	689,875	8,158,634	121,684,623
2013	64,629,373	55,375,280	1,520,394	330,305	8,366,754	130,222,106
2014	73,086,778	55,050,002	1,738,768	412,570	8,610,847	138,898,965

Schedule of Participating Employers	June 30, 2014	June 30, 2013
County of Santa Barbara:		
General Members	2,904	2,843
Safety Members	886	867
Total:	3,790	3,710
Santa Barbara Courts:		
General Members	266	283
Total:	266	283
Participating District Members:		
Air Pollution Control	43	40
Carpinteria Cemetery	2	2
Carpinteria-Summerland Fire Protection	33	30
Goleta Cemetery	4	4
Oak Hill Cemetery	3	3
Santa Barbara Association of Governments	18	19
Santa Barbara Vector Control	7	6
Santa Maria Cemetery	7	7
Summerland Sanitary	4	4
Total:	121	115
Total Active Membership:	4,177	4,108

Data is for Pension Plan only.

Schedule of Employer Contribution Rates

Effective July 1,2013

		SB County Air Pollution Control District	SB County & SB Courts	Special Districts
General	APCD 1	37.43%		
	APCD 2	35.01%		
	APCD 8	29.20%		
General	Plan 2		21.03%	
	Plan 5A		31.32%	31.32%
	Plan 5B		31.01%	
	Plan 5C		32.25%	
	Plan 7		29.30%*	N/A
	Plan 8		24.95%	
Safety	Plan 4A		54.86%	54.86%
	Plan 4B		51.89%	
	Plan 4C		53.61%	
	Plan 6A		59.45%	
	Plan 6B		59.78%	
	Plan 8		44.03%	

** General Plan 7 was not adopted by SB Courts.*

Schedule of Member Contribution Rates

Effective July 1, 2011

	General					Safety						APCD		
	Plan 5A	Plan 5B	Plan 5C	Plan 7	Plan 8	Plan 4A	Plan 4B	Plan 4C	Plan 6A	Plan 6B	Plan 8	APCD Plan 1	APCD Plan 2	APCD Plan 8
Entry Age	FAS 1yr Half Rates	FAS 1yr Full Rates	FAS 3yr Half Rates	FAS 3yr Half Rates	FAS 3yr Single Rates	FAS 1yr Half Rates	FAS 1yr Full Rates	FAS 3yr Half Rates	FAS 1yr Half Rates	FAS 3yr Half Rates	FAS 3yr Single Rates	FAS 1yr Half Rates	FAS 1yr Full Rates	FAS 3yr Single Rates
20	2.60 %	5.19 %	2.50 %	2.08 %	7.00 %	4.83 %	9.66 %	4.63 %	4.83 %	4.63 %	13.25 %	3.07 %	6.15 %	7.00 %
21	2.66	5.31	2.55	2.13	7.00	4.93	9.86	4.73	4.93	4.73	13.25	3.14	6.28	7.00
22	2.72	5.43	2.61	2.18	7.00	5.03	10.06	4.83	5.03	4.83	13.25	3.21	6.42	7.00
23	2.78	5.55	2.67	2.22	7.00	5.13	10.26	4.92	5.13	4.92	13.25	3.28	6.56	7.00
24	2.84	5.67	2.73	2.27	7.00	5.24	10.48	5.03	5.24	5.03	13.25	3.35	6.71	7.00
25	2.90	5.80	2.79	2.32	7.00	5.35	10.69	5.13	5.35	5.13	13.25	3.43	6.86	7.00
26	2.97	5.93	2.85	2.38	7.00	5.45	10.91	5.23	5.45	5.23	13.25	3.50	7.01	7.00
27	3.03	6.06	2.91	2.43	7.00	5.56	11.13	5.34	5.56	5.34	13.25	3.58	7.16	7.00
28	3.10	6.19	2.98	2.48	7.00	5.68	11.35	5.44	5.68	5.44	13.25	3.66	7.31	7.00
29	3.17	6.33	3.04	2.54	7.00	5.79	11.58	5.55	5.79	5.55	13.25	3.74	7.47	7.00
30	3.24	6.47	3.11	2.59	7.00	5.90	11.80	5.65	5.90	5.65	13.25	3.81	7.63	7.00
31	3.31	6.61	3.18	2.65	7.00	6.01	12.03	5.76	6.01	5.76	13.25	3.89	7.79	7.00
32	3.38	6.75	3.25	2.71	7.00	6.13	12.26	5.87	6.13	5.87	13.25	3.98	7.95	7.00
33	3.45	6.90	3.32	2.76	7.00	6.25	12.49	5.98	6.25	5.98	13.25	4.06	8.11	7.00
34	3.53	7.05	3.39	2.82	7.00	6.36	12.73	6.09	6.36	6.09	13.25	4.14	8.28	7.00
35	3.60	7.20	3.46	2.88	7.00	6.48	12.96	6.20	6.48	6.20	13.25	4.22	8.45	7.00
36	3.68	7.35	3.53	2.94	7.00	6.60	13.20	6.32	6.60	6.32	13.25	4.31	8.62	7.00
37	3.75	7.50	3.60	3.00	7.00	6.72	13.44	6.43	6.72	6.43	13.25	4.40	8.79	7.00
38	3.83	7.66	3.68	3.06	7.00	6.84	13.68	6.54	6.84	6.54	13.25	4.48	8.97	7.00
39	3.91	7.81	3.75	3.13	7.00	6.97	13.93	6.66	6.97	6.66	13.25	4.57	9.15	7.00
40	3.99	7.97	3.83	3.19	7.00	7.09	14.18	6.78	7.09	6.78	13.25	4.66	9.32	7.00
41	4.07	8.13	3.90	3.25	7.00	7.22	14.44	6.90	7.22	6.90	13.25	4.75	9.50	7.00
42	4.15	8.30	3.98	3.32	7.00	7.35	14.70	7.02	7.35	7.02	13.25	4.84	9.68	7.00
43	4.23	8.46	4.06	3.38	7.00	7.48	14.96	7.14	7.48	7.14	13.25	4.93	9.86	7.00
44	4.32	8.63	4.14	3.45	7.00	7.62	15.23	7.27	7.62	7.27	13.25	5.02	10.05	7.00
45	4.40	8.80	4.22	3.51	7.00	7.75	15.51	7.39	7.75	7.39	13.25	5.12	10.23	7.00
46	4.48	8.96	4.29	3.58	7.00	7.89	15.78	7.51	7.89	7.51	13.25	5.21	10.43	7.00
47	4.57	9.13	4.37	3.64	7.00	8.03	16.06	7.63	8.03	7.63	13.25	5.31	10.62	7.00
48	4.65	9.30	4.45	3.71	7.00	8.17	16.34	7.73	8.17	7.73	13.25	5.40	10.81	7.00
49	4.74	9.48	4.53	3.78	7.00	8.29	16.58	7.81	8.29	7.81	13.25	5.49	10.98	7.00
50	4.83	9.65	4.62	3.85	7.00	8.40	16.79	7.86	8.40	7.86	13.25	5.57	11.14	7.00
51	4.92	9.84	4.70	3.91	7.00	8.47	16.94	7.87	8.47	7.87	13.25	5.63	11.27	7.00
52	5.01	10.02	4.77	3.98	7.00	8.50	17.01	7.87	8.50	7.87	13.25	5.67	11.35	7.00
53	5.10	10.20	4.85	4.04	7.00	8.50	17.01	8.13	8.50	8.13	13.25	5.69	11.38	7.00
54	5.18	10.36	4.91	4.09	7.00	8.50	17.01	8.43	8.50	8.43	13.25	5.69	11.38	7.00
55	5.26	10.51	4.95	4.13	7.00									
56	5.32	10.63	4.98	4.15	7.00									
57	5.36	10.71	4.98	4.15	7.00									
58	5.37	10.73	5.16	4.30	7.00									
59+	5.37	10.73	5.35	4.46	7.00									

Schedule of Average Benefit Payments

	Years of Retirement					
	0-9	10-14	15-19	20-24	25-29	30+
June 30, 2005						
Average Monthly Benefit	$ 2,328	$ 1,851	$ 1,635	$ 1,279	$ 885	$ 1,076
Average Annual Benefit	27,938	22,214	19,624	15,345	10,616	12,915
Number of Active Retirees	1,367	363	264	234	219	114
June 30, 2006						
Average Monthly Benefit	$ 2,390	$ 1,989	$ 1,773	$ 1,366	$ 936	$ 1,091
Average Annual Benefit	28,680	23,870	21,271	16,396	11,235	13,096
Number of Active Retirees	1,472	355	286	237	209	120
June 30, 2007						
Average Monthly Benefit	$ 2,462	$ 2,045	$ 1,906	$ 1,510	$ 1,056	$ 1,113
Average Annual Benefit	29,544	24,540	22,872	18,120	12,672	13,356
Number of Active Retirees	1,566	349	314	232	207	144
June 30, 2008						
Average Monthly Benefit	$ 2,651	$ 2,176	$ 2,106	$ 1,764	$ 1,310	$ 1,332
Average Annual Benefit	31,812	26,112	25,272	21,168	15,720	15,984
Number of Active Retirees	1,776	340	305	228	192	131
June 30, 2009						
Average Monthly Benefit	$ 2,835	$ 2,321	$ 2,232	$ 1,960	$ 1,603	$ 1,378
Average Annual Benefit	34,020	27,852	26,784	23,520	19,236	16,536
Number of Active Retirees	1,742	485	296	228	177	207
June 30, 2010						
Average Monthly Benefit	$ 3,049	$ 2,419	$ 2,213	$ 2,180	$ 1,733	$ 1,406
Average Annual Benefit	36,588	29,028	26,556	26,160	20,796	16,872
Number of Active Retirees	1,858	537	320	221	173	209
June 30, 2011						
Average Monthly Benefit	$ 3,099	$ 2,455	$ 2,350	$ 2,326	$ 1,894	$ 1,448
Average Annual Benefit	37,188	29,460	28,200	27,912	22,728	17,376
Number of Active Retirees	1,912	556	308	244	162	205
June 30, 2012						
Average Monthly Benefit	$ 3,202	$ 2,673	$ 2,374	$ 2,363	$ 1,968	$ 1,545
Average Annual Benefit	38,424	32,076	28,488	28,356	23,616	18,540
Number of Active Retirees	1,949	612	311	264	157	214
June 30, 2013						
Average Monthly Benefit	$ 3,082	$ 2,856	$ 2,282	$ 2,518	$ 2,028	$ 1,625
Average Annual Benefit	36,987	34,271	27,387	30,212	24,334	19,503
Number of Active Retirees	2,080	692	361	270	162	208
June 30, 2014						
Average Monthly Benefit	$ 3,121	$ 2,838	$ 2,552	$ 2,402	$ 2,222	$ 1,716
Average Annual Benefit	37,452	34,056	30,624	28,824	26,664	20,592
Number of Active Retirees	2,097	731	423	247	175	224

Data is for Pension Plan only.

Changes in Fiduciary Net Position - Other Post Employment Benefits

Dollars in Thousands

As of June 30		2014	2013	2012
Additions				
Employer Contributions	$	8,899	8,358	8,362
Net Investment Income		500	257	28
Total Additions		9,399	8,615	8,390
Deductions				
Benefits Paid	$	8,611	8,367	8,159
Administrative Expense		319	4	-
Total Deductions		8,930	8,371	8,159
Net Increase in Fiduciary Net Position	$	**469**	**244**	**231**

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101 Glossary

ACCUMULATED PLAN BENEFITS: Benefits attributable under the provisions of a pension plan to employees for services rendered to the benefit information date.

ACTUARIAL ASSUMPTIONS: Assumptions used in the actuarial valuation process as to the occurrence of future events affecting pension costs, such as mortality, withdrawal, disablement and retirement; changes in compensation and national pension benefits; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the actuarial value of assets; characteristics of future entrants for open group actuarial cost methods and other relevant items.

ACCRUAL BASIS: The recording of the financial effects on a government of transactions and other events and circumstances that have cash consequences for the government in the periods in which those transactions, events and circumstances occur, rather than only in the periods in which cash is received or paid by the government.

ACTUARIAL ACCRUED LIABILITY: The portion, as determined by a particular cost method, of the total present value of benefits that is attributable to past service credit.

ACTUARIAL GAIN (LOSS): A measure of the difference between actual and expected experience based upon a set of actuarial assumptions. Examples include higher than expected salary increases (loss) and a higher return on fund assets than anticipated (gain).

ACTUARIAL PRESENT VALUE: The discounted value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of actuarial assumptions.

AMORTIZATION: (1) The portion of the cost of a limited-life or intangible asset charged as an expense during a particular period. (2) The reduction of debt by regular payments of principal and interest sufficient to retire the debt by maturity.

AUDITOR'S REPORT: In the context of a financial audit, a statement by the auditor describing the scope of the audit and the auditing standards applied in the examination, and setting forth the auditor's opinion on the fairness of presentation of the financial information in conformity with Generally Accepted Accounting Principles (GAAP) or some other comprehensive basis of accounting.

COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR): The official annual report of a government. It includes (a) the five combined financial statements in the combined statements - overview and their related notes (the "liftable" General Purpose Financial Statements) and (b) combining statements by fund type and individual fund and account group financial statements prepared in conformity with GAAP and organized into a financial reporting pyramid. It also includes supporting schedules necessary to demonstrate compliance with finance-related legal and contractual provisions, required supplementary information, extensive introductory material and a detailed statistical section. Every government reporting entity should prepare a CAFR.

ENTRY AGE ACTUARIAL COST METHOD: A method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age(s). The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is called the actuarial accrued liability.

NORMAL COST: The ongoing annual cost allocated to the system by a particular actuarial cost method for providing benefits (future cost). Normal cost payments are made during the working lifetime of the member.

OTHER POST EMPLOYMENT BENEFITS: Post-employment benefits that an employee will begin to receive at the start of retirement which does not include pension benefits paid. These other post-employment benefits can include life insurance premiums, health care premiums and deferred-compensation agreements.

PENSION CONTRIBUTION: The amount paid into a pension plan by an employer (or employee), pursuant to the terms of the plan, state law, actuarial calculations or some other basis for determinations.

PENSION TRUST FUND: A trust fund used to account for a Public Employees' Retirement System. Pension trust funds, like nonexpendable trust funds, use the accrual basis of accounting and have a capital maintenance focus.

UAAL AMORTIZATION PAYMENT: The portion of the pension plan contribution, which is designed to pay off (amortize) the unfunded actuarial accrued liability in a systematic fashion. Equivalently, it is a series of periodic payments required to pay off a debt.

UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL): The excess of the actuarial accrued liability over the actuarial value of assets.