SBCERS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Years Ended June 30, 2015 and 2014

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, 2015 and 2014

Issued by -
Gregory E. Levin, Chief Executive Officer
Ellen Hung, Assistant Chief Executive Officer
Rico Pardo, Accounting Manager

SBCERS

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

December 14, 2015

Board of Retirement
Santa Barbara County Employees' Retirement System
3916 State Street, Suite 100
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, 2015 and June 30, 2014.* 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, 2015, the SBCERS portfolio contained $2.54 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 $37.5 million during the last fiscal year. The increase in asset value reflects the moderate performance of SBCERS' investments combined with additions exceeding deductions for the current period. The retirement fund experienced a market rate of return of 0.4% (net of fees), underperforming its policy benchmark by approximately -0.6% (net of fees) for the year ending June 30, 2015.

Underperformance against the policy benchmark is largely the result of the real asset portion of the portfolio, which is measured against public market equivalent benchmarks while exceeding the expected rate of return for the asset class. SBCERS' total portfolio has underperformed its policy benchmark over the trailing 1-year and 3-year periods, while outperforming over the trailing 5-year and 10-year periods (net of fees).

The 401(h) Retiree Health Medical Trust Fund was established in September 2008, the assets of this fund are invested separately from that of the pension assets. 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.

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 of Santa Barbara (County) employees and contracting districts under the California State Government Code §31450 et seq., (County Employees' Retirement Law of 1937). SBCERS also administers an Other Post Employment Benefit Plan (healthcare) on behalf of the County. The healthcare plan is created under section 401(h) of the Internal Revenue Service Code.

Members include all permanent full and part-time employees of the County, 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 the Board, members of SBCERS elect six (including the two alternates), and the County Treasurer is an ex-officio member. SBCERS is an independent entity and not a component unit of the County. The Board continues to demonstrate its commitment to providing accurate and timely service to our 5,562 active and deferred members and 4,030 benefit recipients into the future.

*These districts do not participate in the Other Post Employment Benefit Plan.

SERVICE EFFORTS AND ACCOMPLISHMENTS

Revised Budget Process

For the fiscal year ending June 30, 2015, SBCERS implemented a new budget process to increase the level of transparency regarding its administrative budget to members and plan sponsors.

Office Space

SBCERS executed a four-year lease extension for its north county office providing for continued staff stability and continued service to our north county members. SBCERS moved its south county offices, the new offices are much improved for member services, providing a waiting room and a dedicated area for member counseling.

Investments

SBCERS implemented a new policy for conducting due diligence and monitoring of its ongoing consulting relationships. During the year, two consulting services procurements were completed, including the hiring of a consultant to assist with the management of SBCERS' private natural resources and infrastructure portfolio, and renewed a long term contract with its private equity consultant for an additional five years. During spring, the system completed an in depth review of its asset allocation and elected to leave it unchanged.

Actuarial Assumptions

SBCERS completed a review of its amortization policies and adopted a 19-year direct rate smoothing methodology, which is an approximate equivalent in duration to a 15-year closed amortization schedule with 5 year asset smoothing.

Member Services

SBCERS processed 194 retirements during the fiscal year, several hundred health insurance changes, and oversaw 22 disability determinations.

Staffing

Subsequent to the fiscal year ending June 30, 2015, but prior to the issuance of this report, SBCERS completed the hiring of two new assistant Chief Executive Officers dedicated to managing finance and member services, respectively.

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' management is responsible for establishing and maintaining an internal control structure designed to ensure that SBCERS' assets are protected from loss, theft, or misuse. Because the cost of the control should not exceed the benefits derived, the objective is to provide reasonable, rather than absolute assurance that the financial statements are free of any material misstatements. 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 and 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 investment consultants work together to closely monitor the activity of investment managers. To assist in portfolio management, SBCERS has retained three separate consultants:

- Meketa Investment Group, Inc. serves as SBCERS general investment consultant,
- Hamilton Lane LLC, serves as SBCERS investment consultant for private equity, natural resources and infrastructure,
- ORG Portfolio Management, LLC serves as SBCERS investment consultant for real estate.

Hamilton Lane, LLC and ORG Portfolio Management, LLC both have discretionary authority to acquire partnerships and other investment interests on behalf of SBCERS. All investments are made pursuant to investment policies and long-term investment strategies. The Investment Policy Statement and sub-policies for private market investments establish investment program goals, asset allocation, and discretionary authority for consultants, performance objectives, risk controls and other constraints on investing activity. Compliance with investment policies are monitored by staff and Meketa Investment Group, Inc. as well as by Hamilton Lane, LLC and ORG Portfolio Management, LLC with respect to their private market investment portfolios.

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 71 for more information.

SBCERS' annualized rate of return over the last three and five-years (net of fees) as of June 30, 2015, is 7.7% and 9.2%, 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 65).

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 layered 19-year closed amortization period using direct rate smoothing. The Board adopted this funding policy at its September 24, 2013 meeting. At June 30, 2015, SBCERS' funded ratio was 77.9% using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2014, with the actuarial value of assets totaling $2.5 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 30, 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

BOARD OF RETIREMENT

Al Rotella
SECRETARY
Appointed by Board of Supervisors
Present term expires Dec. 2017

Jennifer Christensen
CHAIR
Elected by General Members
Present term expires Dec. 2017

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

Zandra Cholmondeley
MEMBER
Elected by
Retired Members
Present term expires Dec. 2017

Jonathan Ziegler
MEMBER
Appointed by
Board of Supervisors
Present term expires Dec. 2017

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

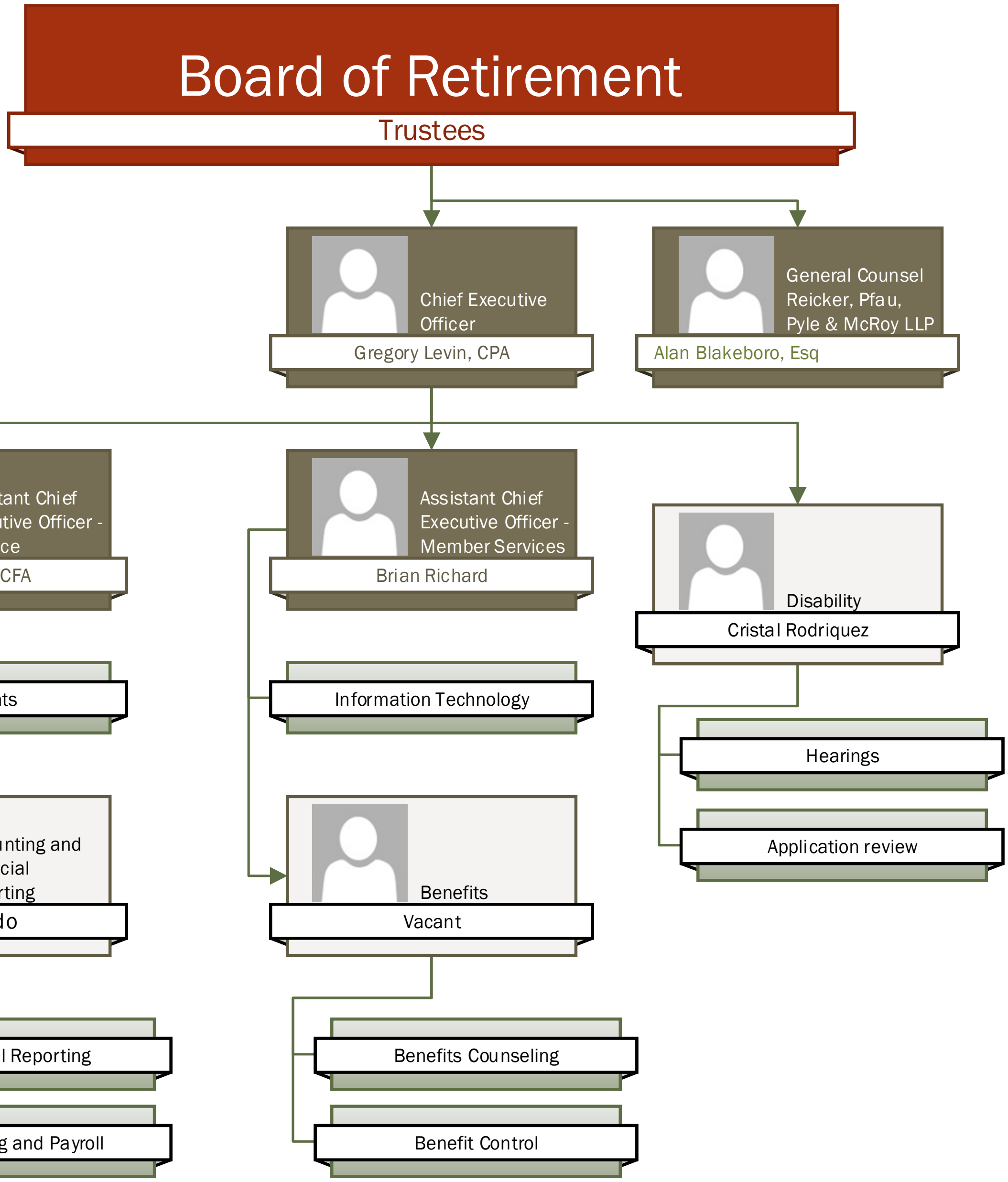
Harry Hagen
COUNTY TREASURER
Ex. Officio Member
Mandated by Law

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. 2017

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

CURRENT 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 75 in the Investment section.

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

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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 June 30, 2015 and 2014, 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. We have also audited the Schedule of Cost Sharing Employer Allocation of SBCERS for the years ended June 30, 2015 and 2014, and the Schedule of Employers' Deferred Outflow of Resources, Schedule of Employers' Deferred Inflow of Resources and Schedule of Employers' Pension Expense for the year ended June 30, 2015, listed as other supplemental information 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 and other information 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 SBCERS' 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 SBCERS' 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, 2015 and 2014, and the respective changes in fiduciary net position for the years then ended, the Schedule of Cost Sharing Employer Allocation of SBCERS for the years ended June 30, 2015 and 2014, and the Schedule of Employers' Deferred Outflow of Resources, Schedule of Employers' Deferred Inflow of Resources and Schedule of Employers' Pension Expense for the year ended June 30, 2015, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7 to the financial statements, the total pension liability of the participating employers as of June 30, 2015, was $3,260,156,781. The fiduciary net position as a percentage of the total liability as of June 30, 2015, was 77.7%. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.50%, which represents the long-term expected rate of return. Our opinion is not modified with respect to this matter.

Additionally, as discussed in Note 1 to the financial statements, the financial statements include investments that are not listed on national exchanges or for which quoted market prices are not available. Those investments include private equity and real estate. Such investments totaled $616,380,019 (23.6% of total assets) at June 30, 2015. Where a publicly listed price is not available, the management of SBCERS uses alternative sources of information including audited financial statements, unaudited interim reports, independent appraisals, and similar evidence to determine the fair value of the investments. Our opinion is not modified with respect to these matters.

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 Schedule of Administrative Expense, Schedule of Investment Expense, Schedule of Payments to Consultants, 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 Schedule of Administrative Expense, Schedule of Investment Expense, and Schedule of Payments to Consultants are the responsibility of management and were derived from and relate 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 Schedule of Administrative Expense, Schedule of Investment Expense, and Schedule of Payments to Consultants are 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 14, 2015, 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 14, 2015

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, 2015 and 2014. Please review it in conjunction with the Financial Statements.

Financial Highlights

Pension Trust

- Net Position Restricted for Benefits - Pension, as reported in the Statement of Fiduciary Net Position, total $2.53 billion, an increase of $18.9 million or 0.8% from the prior year. This is due to an increase in overall investment return.
- Net pension investment income (including securities lending) decreased by $308.1 million from $328.6 million in fiscal year 2013-2014 to $20.6 million in fiscal year 2014-2015. The decrease is due to negative market experience within SBCERS' asset allocation.
- Pension contributions (member and employer) increased by $6.5 million or 4.9% from fiscal year 2013-2014 to $140.2 million in fiscal year 2014-2015. The change is due to an increase in employer and certain employee contribution rates from the 2013 Actuarial Valuation and 2013 Experience Study, respectively.
- Pension benefit payments increased by $6.5 million or 5.0% from fiscal year 2013-2014 to $136.8 million in fiscal year 2014-2015. The number of retirees continue to increase while there has been a decline in overall membership.
- At June 30, 2015, SBCERS' funded ratio was 77.9%. The decrease funded ratio reflected an asset value of $2.5 billion as of June 30, 2015 and a rolled-forward liability totaling $3.3 billion. This decrease is primarily due to the fact that actual investment return (on the market value of assets net of investment expenses) was less than the assumed rate of return. The funded ratio as of June 30, 2014, based on the market value of assets, is 81.1%.

Other Post-Employment Benefit (OPEB) Trust

- Net Position Restricted for Benefits - OPEB, also reported in the Statement of Fiduciary Net Position totalled $4.98 million, an increase of $0.9 million or 22.4% from prior year. This is also due to an increase in investment return.
- $9.4 million of OPEB contributions were received and used to cover $9.1 million of OPEB administrative expenses and benefits paid in fiscal year 2014-2015.

At a special meeting held on September 5, 2014, the Board of Retirement (the Board) adopted a new funding policy for any subsequent unexpected change in the unfunded actuarial liability (UAL) after June 30, 2013. Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period, with a 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll. The Board also adopted a policy to replace the smoothed actuarial value of assets with the market value of assets for valuation purposes. These new amortization policy in conjunction with the new funding policy essentially yield direct rate smoothing policy. 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 (Notes), and additional 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) during the year ended June 30, 2014 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 are an integral part of the basic financial statements. They provide detailed discussion of key policies, programs, and activities that occurred during the year.

- The Schedule of Funding Progress for OPEB, 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 OPEB, 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 $2.54 billion.

Table 1 - NET POSITION RESTRICTED FOR BENEFITS

For the Years Ended June 30, 2015 and 2014	2015	2014	Increase / (Decrease)	Percent Increase / (Decrease)
Cash & Investments	$ 2,536,566,706	$ 2,501,375,828	$ 35,190,878	1.4 %
Securities Lent	37,899,441	52,419,008	(14,519,567)	(27.7)%
Receivables	32,363,125	36,400,862	(4,037,737)	(11.1)%
Total Assets	2,606,829,272	2,590,195,698	16,633,574	0.6 %
Securities Lent	37,899,441	52,419,008	(14,519,567)	(27.7)%
Other Liabilities	31,419,265	20,076,549	11,342,716	56.5 %
Total Liabilities	69,318,706	72,495,557	(3,176,851)	(4.4)%
Net Position Restricted for Benefits	$ 2,537,510,566	$ 2,517,700,141	$ 19,810,425	0.8 %

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 Lent	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 Lent	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 %

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 2014-2015 totaled $161.1 million, compared with $462.6 million in 2013-2014. The decrease in investment income is primarily due to investment performance across several asset classes.

Total pension contributions increased by 4.9% over the contributions made in 2013-2014. The remaining -0.2% of the overall 4.7% 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 of Santa Barbara (the County) and the Air Pollution Control District who have decided to prefund at different levels.

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 SBCERS. The pension deductions for fiscal year 2014-2015 were $142.2 million, an increase of $6.8 million, or 5.0%, over 2013-2014. 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, 2015 and 2014	2015	2014	Increase / (Decrease)	Percent Increase / (Decrease)
Additions				
Contributions	$ 149,655,446	$ 142,963,791	$ 6,691,655	4.7 %
Net Investment Income	20,576,467	329,011,750	(308,435,283)	(93.7)%
Net Securities Income	181,039	119,568	61,471	51.4 %
Other	689,829	220,926	468,903	212.2 %
Total Additions	171,102,781	472,316,035	(301,213,254)	(63.8)%
Deductions				
Benefits Paid	145,507,792	138,898,965	6,608,827	4.8 %
Member Withdrawals	966,902	812,467	154,435	19.0 %
Actuarial Expense	178,596	186,972	(8,376)	(4.5)%
Legal Expense	446,363	446,286	77	- %
Administrative Expense	4,192,703	3,974,220	218,483	5.5 %
Total Deductions	151,292,356	144,318,910	6,973,446	4.8 %
Net Increase	$ 19,810,425	$ 327,997,125	$ (308,186,700)	(94.0)%

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 %
Net Investment Income	329,011,750	168,010,497	161,001,253	95.8 %
Net Securities Income	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				
Benefits Paid	138,898,965	130,222,106	8,676,859	6.7 %
Member Withdrawals	812,467	591,490	220,977	37.4 %
Actuarial Expense	186,972	140,289	46,683	33.3 %
Legal Expense	446,286	454,615	(8,329)	(1.8)%
Administrative Expense	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 %

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, 2015 was $3.3 billion resulting in an increase of 4.4% from $3.1 billion as of June 30, 2014. SBCERS' Net Pension Liability as of June 30, 2015 was $727.6 million, representing an increase of 19.2% from $610.3 million as of June 30, 2014. The $117.3 million increase in the Net Pension Liability is primarily due to the increase in SBCERS' total pension liability and less than anticipated investment returns.

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, 2015 and 2014, the Fiduciary Net Position as a percentage of the Total Pension Liability is reported as 77.7% and 80.5%, respectively. The change is a 3.5% decrease and is due to the growth in Total Pension Liability of $3.3 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, 2015.

Net Pension Liability

For the Years Ended June 30, 2015 and 2014	2015	2014	Increase / (Decrease)	Percent Increase / (Decrease)
Total Pension Liability	$ 3,260,156,781	$ 3,123,968,401	$ 136,188,380	4.4 %
Less: Fiduciary Net Position	(2,532,528,974)	(2,513,629,759)	(18,899,215)	(0.8)%
Net Pension Liability	$ 727,627,807	$ 610,338,642	$ 117,289,165	19.2 %
Fiduciary Net Position as a Percentage of Total Pension Liability	77.7%	80.5%	-2.8%	

Investment Analysis

The Retirement Plan's (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' total portfolio gained 0.4% (net of fees) over the twelve month period ending June 30, 2015, and underperformed the policy benchmark by -0.6% over the same period. This represents an $18.9 million increase in value from June 30, 2014. For further information on SBCERS' investments please refer to the Investment Section.

Funded Status

The funded ratio as of June 30, 2015, was 77.9% using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2014. As of the fiscal year ended June 30, 2015, Net Position Restricted for Benefits was $2.53 billion. The next actuarial valuation will be completed in 2016.

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 $2,537,510,566. 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 three-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, 2015, the annual money-weighted rate of return on total plan investments was 0.4%.

Fair Value, Rates of Return and Funded Ratio
For the Last Three 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 %	76.9 %	
2015	2,523,697,129	0.4 %	77.9 %	*

** As of 6/30/2015 the funded ratio is based on the market value versus the actuarial value of assets in prior years.*

Implementation of New Accounting Pronouncement

SBCERS adopted GASB 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25 (GASB 25), effective at the beginning of fiscal year June 30, 2014. 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 No. 50, *Pension Disclosures*. The objective of GASB 67 is to improve financial reporting by state and local government pension plans such as SBCERS. GASB Statement No. 68 (GASB 68) the specifics of accounting for public pension plan obligations for participating employers and is required to be implemented for employer fiscal years beginning after June 15, 2014. GASB 68 requires a liability for pension obligations, known as the net pension liability, to be recognized on the balance sheet of participating employers. Changes in the net pension liability will be immediately recognized as pension expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

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 100
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, 2015 and 2014

	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2015	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2014
ASSETS						
Cash	$ 8,286,972	$ 1,263,283	$ 9,550,255	$ 11,595,180	$ 425,526	$ 12,020,706
Collateral Held for Securities Lent	37,899,441	-	37,899,441	52,419,008	-	52,419,008
Total Cash & Cash Equivalents	46,186,413	1,263,283	47,449,696	64,014,188	425,526	64,439,714
Receivables						
Contributions	8,942,235	394,461	9,336,696	8,149,072	496,752	8,645,824
Accrued Interest	1,878,128	4,525	1,882,653	1,902,881	3,018	1,905,899
Dividends	1,217,985	-	1,217,985	766,564	-	766,564
Security Sales	19,925,791	-	19,925,791	25,082,575	-	25,082,575
Total Receivables	31,964,139	398,986	32,363,125	35,901,092	499,770	36,400,862
Investments at Fair Value						
Short Term Investments	50,317,875	-	50,317,875	28,850,716	-	28,850,716
Private Equity	176,720,536	-	176,720,536	166,762,038	-	166,762,038
Domestic Equity	600,489,252	2,020,176	602,509,428	601,577,427	2,158,982	603,736,409
Domestic Bonds	439,625,455	1,299,146	440,924,601	414,730,876	986,104	415,716,980
International Equity	496,124,020	-	496,124,020	571,462,483	-	571,462,483
International Bonds	320,760,508	-	320,760,508	319,971,140	-	319,971,140
Real Estate	203,866,844	-	203,866,844	141,739,702	-	141,739,702
Real Assets	235,792,639	-	235,792,639	241,115,654	-	241,115,654
Total Investments	2,523,697,129	3,319,322	2,527,016,451	2,486,210,036	3,145,086	2,489,355,122
TOTAL ASSETS	**$ 2,601,847,681**	**$ 4,981,591**	**$ 2,606,829,272**	**$ 2,586,125,316**	**$ 4,070,382**	**$ 2,590,195,698**
LIABILITIES						
Accounts Payable	$ 9,560,067	$ -	$ 9,560,067	$ 9,006,754	$ -	$ 9,006,754
Collateral Held for Securities Lent	37,899,441	-	37,899,441	52,419,008	-	52,419,008
Investment Manager Fees	967,533	-	967,533	850,095	-	850,095
Security Purchases	20,891,665	-	20,891,665	10,219,700	-	10,219,700
TOTAL LIABILITIES	**$ 69,318,706**	**$ -**	**$ 69,318,706**	**$ 72,495,557**	**$ -**	**$ 72,495,557**
NET POSITION RESTRICTED FOR:						
Pension Benefits	**$ 2,532,528,975**	**$ -**	**$ 2,532,528,975**	**$ 2,513,629,759**	**$ -**	**$ 2,513,629,759**
401(h) Retiree Health Health Benefits	**-**	**4,981,591**	**4,981,591**	**-**	**4,070,382**	**4,070,382**
	$ 2,532,528,975	**$ 4,981,591**	**$ 2,537,510,566**	**$ 2,513,629,759**	**$ 4,070,382**	**$ 2,517,700,141**

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, 2015 and 2014

	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2015	Pension Benefits	401(h) Retiree Health Benefits	JUNE 30, 2014
ADDITIONS						
Contributions						
Employers	$ 123,612,352	$ 9,420,956	$ 133,033,308	$ 119,227,652	$ 8,899,065	$ 128,126,717
Plan Members	16,622,138	-	16,622,138	14,514,010	-	14,514,010
Total Contributions	140,234,490	9,420,956	149,655,446	133,741,662	8,899,065	142,640,727
Investment Income						
Net Increase/(Decrease) in Fair Value of Investments	6,119,783	178,235	6,298,018	314,352,939	489,493	314,842,432
Interest	8,179,491	15,494	8,194,985	8,491,884	10,363	8,502,247
Dividends	13,091,623	-	13,091,623	11,666,540	-	11,666,540
Total Investment Income	27,390,897	193,729	27,584,626	334,511,363	499,856	335,011,219
Less Investment Expense	(7,008,159)	-	(7,008,159)	(5,999,469)	-	(5,999,469)
Net Investment Income	20,382,738	193,729	20,576,467	328,511,894	499,856	329,011,750
Securities Lent Income	72,105	-	72,105	26,498	-	26,498
Securities Lent Expense						
Borrower Rebates	169,261	-	169,261	132,913	-	132,913
Management Fess	(60,327)	-	(60,327)	(39,843)	-	(39,843)
Net Securities Income	181,039	-	181,039	119,568	-	119,568
Class Action Settlements	259,573	-	259,573	12,078	-	12,078
Commission Recapture	13,150	-	13,150	205,102	-	205,102
Miscellaneous Income	3,787	413,319	417,106	3,746	323,064	326,810
Total Miscellaneous Income	276,510	413,319	689,829	220,926	323,064	543,990
TOTAL ADDITIONS	**$ 161,074,777**	**$ 10,028,004**	**$ 171,102,781**	**$ 462,594,050**	**$ 9,721,985**	**$ 472,316,035**
DEDUCTIONS						
Benefits Paid	136,804,317	8,703,475	145,507,792	130,288,118	8,610,847	138,898,965
Member Withdrawals	966,902	-	966,902	812,467	-	812,467
Actuarial Expense	178,596	-	178,596	186,972	-	186,972
Legal Expense	446,363	-	446,363	446,286	-	446,286
Administrative Expense	3,779,383	413,320	4,192,703	3,655,345	318,875	3,974,220
TOTAL DEDUCTIONS	**$ 142,175,561**	**$ 9,116,795**	**$ 151,292,356**	**$ 135,389,188**	**$ 8,929,722**	**$ 144,318,910**
Net Increase in Net Position	18,899,216	911,209	19,810,425	327,204,862	792,263	327,997,125
NET POSITION RESTRICTED FOR BENEFITS						
Beginning of Year	2,513,629,759	4,070,382	2,517,700,141	2,186,424,897	3,278,119	2,189,703,016
Net Increase in Net Position	18,899,216	911,209	19,810,425	327,204,862	792,263	327,997,125
END OF YEAR	**$ 2,532,528,975**	**$ 4,981,591**	**$ 2,537,510,566**	**$ 2,513,629,759**	**$ 4,070,382**	**$ 2,517,700,141**

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 of Santa Barbara (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

Cash and Short-Term Investments held in County Pool

All participants in the County 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 County Treasury Oversight Committee has regulatory oversight for all monies deposited into the 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, 2015 and June 30, 2014, to support the value of shares in the pool.

Cash and Short-Term Investments held with the Custodian

SBCERS' short-term investments at BNY Mellon Global Securities Services (BNY Mellon) are placed in the Employee Benefit Temporary Investment Fund. The assets of the Fund are invested primarily in instruments issued by the U.S. Government, Federal agencies, sponsored agencies, or sponsored corporations. The Plan must have 10% of its assets in "Daily Liquid Assets," defined as cash, direct obligations of the U.S. government, or securities readily convertible to cash within one business day. 30% of the fund's assets must be in "Weekly Liquid Assets," defined as cash, direct obligations of the U.S. government, including certain government agency securities with remaining maturities of 60 days or less and securities readily convertible to cash within five business days. The fund may invest up to five percent of its assets in illiquid securities. BNY Mellon maintains diversification across instruments, market sectors, industries, and specific issuers.

Investments

The Board of Retirement (the Board) adopts an investment policy statement and reviews that policy not less than every three years. The investment policy statement sets forth the asset allocation and controls for the investment portfolio. The policy was not changed during the period reported herein. The policy statement is available on the SBCERS website www.sbcers.org. 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. Refer to page 33 for Target Allocation and Long-term Expected Real Rate of Return.

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. The Board is composed of 11 members of which two are alternates. Four members are appointed by the County Board of Supervisors, two are elected by general members, two are elected by safety members, two are elected by retired members and one, the County Treasurer-Tax Collector is ex officio. One safety and one retired member serve as alternates. 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 the County, the 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 10 retirement plans of which five plans are currently available to all new full-time permanent employees, new employees with reciprocity and those part-time employees working at least half-time. General Plan 5 applies to all general employees hired prior to June 25, 2012 and legacy employees returning to active membership; while General Plan 7 applies to all those hired on or after June 25, 2012 through December 31, 2012 and employees hired after December 31, 2012 who have reciprocity rights. 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) unless they establish reciprocity and can then be placed in either Safety Plans 4 or 6 depending on bargaining unit.

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, 2015 and 2014

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	Reciprocity
General	Plan 8	2% @ 62	Contributory	Open
Safety	Plan 4	3% @ 55	Contributory	Reciprocity
Safety	Plan 6	3% @ 50	Contributory	Reciprocity
Safety	Plan 8	2.7% @ 57	Contributory	Open
APCD	Plan 1	2% @ 55	Contributory	Closed
APCD	Plan 2	2% @ 55	Contributory	Reciprocity
APCD	Plan 8	2% @ 62	Contributory	Open

SBCERS' Membership

As of June 30, 2015 and 2014	2015	2014
Members Now Receiving Benefits		
Service Retirement	3,275	3,152
Disability Retirement	244	240
Beneficiaries and Survivors	511	505
Subtotal	4,030	3,897
Active Members		
Active Vested Members	3,244	3,352
Active Nonvested Members	1,034	825
Subtotal	4,278	4,177
Deferred Members	1,284	1,197
Total Membership	**9,592**	**9,271**

SBCERS' Health Care Benefits

As of June 30, 2015 and 2014	2015	2014
Health Care Enrollees		
$15 Health Subsidy	1,807	1,830
$4 Health Reimbursement	1,931	1,792
	3,738	**3,622**

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 (COLA)

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 annual maximum 2% COLA.

Ad Hoc Cost-of-Living Adjustment

The Interest Crediting and Undesignated Earnings Policy provides for calculation of available earnings 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 employment 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. Plan sponsor contributions are adopted in accordance with §31453 and 31454 of the CERL. 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).

Contributions for the fiscal year ending June 30, 2015 were developed using the June 30, 2013 actuarial valuation. For the June 30, 2013 valuation, plan assets were 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. Effective with the June 30, 2014 actuarial valuation, any new sources of UAAL due to actuarial gains and losses, assumption changes or method changes are amortized over a closed 19-year period with a five-year ramp up and down of the amortization payment at the beginning and end of the amortization period and nine years of level payments as a percentage of a payroll between the ramping periods

ALL PLANS (EXCEPT GENERAL PLAN 2):
Contributions are made by members and employers at rates recommended by an independent actuary, approved by the Board, 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, 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, 2015. The employer rates are based on the June 30, 2013 Actuarial Valuation while the member rates are based on the June 30, 2013 Experience Study, which is performed triennially. Contribution rates are expressed as a percentage of covered payroll. The member contribution rates depicted below vary according to age at entry, benefit plan and tier level.

Member Classification	Member Rates	Employer Rates
General Members	2.22% - 11.44%	20.84% - 33.46%
Safety Members	4.93% - 18.09%	42.62% - 59.47%
APCD Members	2.22% - 12.07%	31.24% - 38.85%

Contributions made for the years ended June 30, 2015 and 2014 were in accordance with actuarially determined contributions for the year. For the years ended June 30, 2015 and 2014, covered payroll was $319,547,370 and $307,421,818, respectively, an increase of 3.9%. Contributions from all employers represented 38.7% and 38.8%, respectively, of covered payroll while contributions from all members represented 5.2% and 4.7%, respectively, of covered payroll.

SBCERS' Pension Contributions Made to Plan

As of June 30, 2015 and 2014

		2015	2014
General Plan 2	Employer contributions	$ 141,096	$ 153,953
General Plan 5, 7 & 8	Employer contributions	73,589,305	69,008,619
	Member contributions	11,557,972	10,579,665
Safety Plans 4, 6 & 8	Employer contributions	48,642,695	48,888,630
	Member contributions	4,794,968	3,728,604
APCD 1, 2 & 8	Employer contributions	1,239,256	1,176,451
	Member contributions	269,198	205,740
Total		**$ 140,234,490**	**$ 133,741,662**

SBCERS' Pension Contributor Comparison

As of June 30, 2015 and 2014

		2015		2014	
EMPLOYER	Santa Barbara County	$ 114,945,556	93.0 %	$ 110,755,988	92.9 %
	Santa Barbara Superior Courts	4,587,885	3.7 %	4,495,077	3.8 %
	Special Districts	4,078,911	3.3 %	3,976,587	3.3 %
		$ 123,612,352	100.0 %	$ 119,227,652	100.0 %
MEMBER	Santa Barbara County	$ 15,061,991	90.6 %	$ 13,155,323	90.6 %
	Santa Barbara Superior Courts	859,747	5.2 %	774,370	5.3 %
	Special Districts	700,400	4.2 %	584,317	4.0 %
		$ 16,622,138	100.0 %	$ 14,514,010	100.0 %
Total		**$ 140,234,490**		**$ 133,741,662**	

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.

Reserves and Designations

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

Member Deposit 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 Advance 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.

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 originally intended to be set aside for the funding of the 401(h) Retiree Health Medical Trust Fund. In compliance with Internal Revenue Service Regulations, these funds were retained in the 401(h) trust and the reserve is used for tracking purposes only. Additions represent interest.

Contra Tracking Account represents the difference between the Market Value of Assets and the sum of the accounting reserves (exclusive of the Contra Tracking Account).

	Total Pension Benefits	
SBCERS' Reserves	**2015**	**2014**
VALUATION RESERVES		
Member Deposit Reserve	$ 178,232,690	$ 174,957,626
County and District Advance Reserve	799,985,559	739,479,765
Retired Member Reserve	2,013,137,379	1,871,531,776
Transferred Funds Reserve	154,942,913	143,944,643
Contra Tracking Account	(613,769,566)	(416,284,051)
Total Value of Fiduciary Net Position	**$ 2,532,528,975**	**$ 2,513,629,759**

5. NEW PENSION ACCOUNTING AND FINANCIAL REPORTING STANDARDS

The Governmental Accounting Standards Board (GASB) Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25 (GASB 25), and Statement No. 68 (GASB 68), Accounting and Financial Reporting for Pensions, and amendment to GASB Statement No. 27, which establishes new accounting and financial reporting requirements for public pension plans and their participating employers (plan sponsors), respectively. 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.

GASB 67 went into effect beginning with the year ended June 30, 2014. The associated schedules and additional information for this new requirement are shown in the Financial Section. Effective beginning with the fiscal year ended June 30, 2015, the new standards also require the 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.

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, 2015, 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, 2015 and 2014. The cash amounted to $9,550,255 and $12,020,706 as of June 30, 2015 and 2014, 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, 2015.

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, 2015, the annual money-weighted rate of return on pension Plan investments, net of pension Plan investment expense was 0.4%. 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 Pension Investments

As of June 30, 2015 and 2014	2015	2014
Short Term Investments	$ 50,317,875	$ 28,850,716
Investments at Fair Value:		
Private Equity	176,720,536	166,762,038
Domestic Equity	600,489,252	601,577,427
Domestic Bonds	439,625,455	414,730,876
International Equity	496,124,020	571,462,483
International Bonds	320,760,508	319,971,140
Real Estate	203,866,844	141,739,702
Real Assets	235,792,639	241,115,654
Collateral Held for Securities Lent	37,899,441	52,419,008
Total Non-Cash Investments *	$ **2,561,596,570**	$ **2,538,629,044**

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

Target Allocation and Long-term Expected Real Rate of Return

The long-term expected rate of return on pension plan investments (7.50%) was determined using a building block method in which best-estimate ranges of expected future real rates of return (excepted returns, net of pension plan investment expense inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the excepted future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table.

SBCERS' Target Allocation and Long-term Expected Real Rate of Return

As of June 30, 2015

	Target Allocation	Long-term Expected Real Rate of Return
Domestic Equity	23%	5.40%
Investment Grade Bonds	10%	0.70%
Emerging Market non-U.S. Equity	10%	8.80%
Developing Market non-U.S. Equity	9%	6.00%
Private Equity	7%	7.20%
Tips	7%	0.40%
Private Real Estate	6%	4.00%
High Yield Bonds	4%	3.60%
Foreign Bonds	4%	-0.30%
Emerging Market Bonds	3%	3.50%
Natural Resources (Private)	3%	6.40%
Commodities	3%	2.20%
Bank Loans	2%	2.40%
Infrastructure (Private)	2%	4.50%
Infrastructure (Public)	2%	5.60%
Natural Resources (Public)	2%	6.10%
Real Estate Investment Trusts	2%	4.00%
Frontier Market Equity	1%	7.60%
Cash	0%	-0.20%
Small Cap	0%	0.00%
Total	**100%**	

Investment Risk
The Board'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 No. 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, 2015, 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, 2015

(Dollars in Thousands)

Fixed Income By Type	Total	Moody's/S&P/Fitch Investment Grade Aaa AGY UST	Aa1	Aa2	Aa3	A1	A2	A3	Baa1	Baa2	Baa3
Asset Backed Securities	$ 16,114	$ 15,829	$ -	$ -	$ -	$ -	$ -	$ -	$ 240	$ -	$ 45
CMO Government Agencies	11,077	-	11,077	-	-	-	-	-	-	-	-
Corporates & Other Credits	76,602	1,075	-	919	-	4,761	9,167	12,271	31,597	4,078	12,734
Dom. Corp. Fixed Income	281	-	-	-	-	-	-	-	-	-	281
Government	328,652	-	328,652	-	-	-	-	-	-	-	-
International Fixed Income	555	404	-	-	-	-	-	151	-	-	-
Municipal Bonds	722	-	-	-	722	-	-	-	-	-	-
Non-Govt Mortgage Backed	4,618	2,424	-	-	-	-	172	-	733	-	1,289
Treasurer Investment Pool	7,010	716	-	6,294	-	-	-	-	-	-	-
U.S. Govt Mortgages	2,224	-	2,224	-	-	-	-	-	-	-	-
U.S. Private Placements	16,494	1,473	615	-	246	-	1,482	1,883	6,760	586	3,449
Subtotal	**$ 464,349**	**21,921**	**342,568**	**7,213**	**968**	**4,761**	**10,821**	**14,305**	**39,330**	**4,664**	**17,798**

(Dollars in Thousands)

		Moody's/S&P/Fitch Speculative Grade Ba1	Ba2	Ba3	B1	B2	B3	Below B3	Not Rated	Rating With-drawn
Asset Backed Securities	$ 791	$ -	$ -	$ -	$ -	$ 65	$ -	$ 726	$ -	$ -
Corporates & Other Credits	15,574	2,361	1,061	1,203	2,387	1,953	3,265	3,344	-	-
Dom. Corp. Fixed Income	81,222	-	816	-	364	130	-	324	79,588	-
International Fixed Income	119,095	-	-	-	-	-	-	-	119,095	-
Non-Govt Mortgage Backed	314	-	-	-	-	-	-	314	-	-
Treasurer Investment Pool	2,540	-	-	-	-	-	-	-	2,540	-
US Private Placements	15,510	155	377	1,750	2,154	3,404	4,067	3,448	155	-
Subtotal	**$ 235,046**	**2,516**	**2,254**	**2,953**	**4,905**	**5,552**	**7,332**	**8,156**	**201,378**	**-**

(Dollars in Thousands)

Fixed Income By Type	Total	Moody's/S&P/Fitch Short-Term Rated P-1	P-2	P-3	NP	Not Rated
Dom. Corp. Fixed Income	$ 46,597	$ -	$ -	$ -	$ -	$ 46,597
Subtotal	**46,597**	**-**	**-**	**-**	**-**	**46,597**
Total	**$ 745,992**					

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 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, 2015, 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, 2015 and 2014.

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, 2015, the market value of securities on loan was $36.8 million and the value of collateral received for the securities on loan was $37.9 million of which $18.6 million was non-cash collateral and $19.3 million was cash collateral from equity and fixed income securities. As of June 30, 2014, the market value of securities on loan was $51.0 million and the value of collateral received for the securities on loan was $52.4 million of which $35.0 million was non-cash collateral and $17.4 million was cash collateral from equity and fixed income securities. SBCERS' income net of expenses from securities lending was $181,039 and $119,568 for the years ended June 30, 2015 and June 30, 2014, respectively.

SBCERS' Securities Lending Program

As of June 30	2015	2015	2014	2014
Securities on Loan	**Market Value of Securities on Loan**	**Collateral Received**	**Market Value of Securities on Loan**	**Collateral Received**
Domestic Equities	$ 7,437,950	$ 7,580,068	$ 6,573,897	$ 6,705,273
International Equities	6,628,582	6,950,845	3,480,125	3,498,790
Domestic Corporate Fixed Income	4,626,363	4,770,203	6,006,897	6,129,144
Real Estate	-	-	1,028,623	1,056,924
Total Securities, Cash Collateral	18,692,895	19,301,116	17,017,542	17,390,131
Total Securities, Non-Cash Collateral	18,103,109	18,598,325	33,971,065	35,028,877
Total	**$ 36,796,004**	**$ 37,899,441**	**$ 50,988,607**	**$ 52,419,088**

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, 2015

Totals By Sector	Base Market Value	Option Adjusted Duration (Years)	Weighted Average Maturity (Years)	Market Value of Securities with no Duration Available
Agency	$ 11,078,305	3.03	8.87	$ -
Asset Backed Securities	18,086,751	0.96	8.92	291,949
Commercial Mortgage-Backed Securities	4,563,548	0.82	29.90	-
Collateralized Mortgage Obligation Corporate	-	0.18	14.44	367,797
Corporates & Other Credit	73,936,801	4.65	7.16	6,184,072
Government	62,735,912	9.11	12.62	265,916,477
Mutual Funds	-	-	-	30,298,376
Other	49,328,146	0.10	24.56	12,886,471
U.S. Government Mortgages	2,223,825	5.36	12.55	-
U.S. Private Placements	15,664,211	4.45	6.97	1,197,281
Non-U.S.	31,581,436	4.57	6.60	158,841,759
Subtotal	**$ 269,198,935**			**$ 475,984,182**
Total Consolidation	**$ 745,183,117**			

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, 2015

Currency	Non U.S. Cash	Equity	Fixed Income	Total
Australian Dollar	$ 12,559	$ 6,013,619	$ -	$ 6,026,178
Canadian Dollar	1,799	1,108,311	-	1,110,110
Danish Krone	2	2,916,169	-	2,916,171
Euro Currency Unit	(281,851)	63,639,800	-	63,357,949
Hong Kong Dollar	7,785	9,373,444	-	9,381,229
Hungarian Forint	1	-	-	1
Indian Rupee	-	742,777	-	742,777
Indonesian Rupiah	1,873	63,421	-	65,294
Israeli Shekel	7,514	534,690	-	542,204
Japanese Yen	(447,989)	32,734,461	-	32,286,472
Mexican Peso	1,027,044	148,001	150,246	1,325,291
New Turkish Lira	-	112,394		112,394
New Zealand Dollar	-	237,852	-	237,852
Norwegian Krone	-	616,976	-	616,976
Pound Sterling	(209,421)	24,333,130	-	24,123,709
Singapore Dollar	15,922	1,488,163	405,679	1,909,764
South African Rand	861	254,211	-	255,072
South Korean Won	-	1,292,734	-	1,292,734
Swedish Krona	-	3,599,263	-	3,599,263
Swiss Franc	138,175	16,591,502	-	16,729,677
Thai Baht	(5,793)	380,501	-	374,708
Total Securities Held in Foreign Currency	**$ 268,481**	**$ 166,181,419**	**$ 555,925**	**$ 167,005,825**

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, 2015, 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, 2015 and 2014 classified by derivative type.

Holdings of Derivative Securities

As of June 30, 2015 and 2014

(Dollars in Thousands)

	2015		2014		Increase / (Decrease)
Derivative Type	**Notional Amount**	**Fair Value**	**Notional Amount**	**Fair Value**	**Change in Fair Value**
Options	$ (531)	$ (103)	$ (317)	$ (240)	$ 137
Swap Agreements	5,538	66	50	50	16
Futures Contracts	41,116	40,555	91,853	13,665	26,890
Forward Contracts	212,066	46,884	58,876	557	46,327
Totals	**$ 258,189**	**$ 87,402**	**$ 150,462**	**$ 14,032**	**$ 73,370**

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, 2015. 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, 2015, SBCERS' has a net exposure to derivative credit risk of $49.3 million.

Derivative Credit Risk Analysis
As of June 30, 2015

(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**
Forward Contracts	-	(15)	-	18	-	-	(3)	-	-	-	-
Futures Contracts	157	-	-	157	-	-	-	-	-	-	-
Swap Agreements	2,836	-	-	-	-	-	-	-	-	2,836	-
Subtotal	**2,993**	**(15)**	**-**	**175**	**-**	**-**	**(3)**	**-**	**-**	**2,836**	**-**

		Moody's / S&P / Speculative Grade							
Derivative Type	**Total Fair Value**	**Ba1**	**Ba2**	**Ba3**	**B1**	**B2**	**B3**	**Caa1 and below**	**Not Rated**
Forward Contracts	45,789	-	-	-	-	-	-	-	45,789
Swap Agreements	567	-	9	-	-	557	-	-	1
Subtotal	**46,356**	**-**	**9**	**-**	**-**	**557**	**-**	**-**	**45,790**
Total	**$ 49,349**								

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, 2015, SBCERS did not have any derivatives with exposure to interest rate risk.

Derivative Interest Rate Risk Analysis

As of June 30, 2015

(Dollars in Thousands)

Derivative Type	Reference Rate	Notional Amount	Fair Value
Interest Rate Swap Agreements	LIBOR	$ 1,184	$ 32
Total		**$ 1,184**	**$ 32**

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, 2015

(Dollars in Thousands)

Currency	Swaps	Futures	Forward Contracts
Brazilain Real	$ -	$ -	$ 40
British Pound Sterling	-	-	(6,911)
Canadian Dollar	-	1,381	1
Chilean Peso	-	-	23,717
Colombian Peso	584	-	(1)
Euro	-	-	58,065
Indian Rupee	-	-	(14)
Indonesian Ruphia	2,252	-	(1)
Japenese Yen	155	-	(554)
Mexican Peso	-	-	1,128
New Zealand Dollar	-	-	(13,317)
Norwegian Krone	-	-	21,364
Philippine Peso	-	-	(3)
Polish Zloty	-	-	6,086
Romanian Leu	-	-	(2)
Russian Ruble	-	-	48
South African Rand	-	-	5
Swedish Krona	-	-	22,462
Swiss Franc	-	-	(1)
Turkish Lira	-	-	(13)
U.S. Dollar	(171)	-	-
Total	**$ 2,820**	**$ 1,381**	**$ 112,099**

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 Plan was 77.9%. The funded status and the total pension liability were determined using a roll-forward calculation based on the actuarial valuation conducted as of June 30, 2014.

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 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 reduce the contribution volatility caused by any new sources of UAAL due to actuarial gains and losses, assumption changes or method changes are amortized over a closed 19-year period with a five-year ramp up and down of the amortization payment at the beginning and end of the amortization period and nine years of level payments as a percentage of payroll between ramping periods.

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, 2014
Actuarial Cost Method	Individual entry-age
Amortization Method	Level percent of pay
Amortization Period	Nineteen years (closed)
Asset Valuation Method	Direct rate smoothing

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% (all plans except APCD 8 and General Plan 7 & 8) 2.00% (APCD 8 and General Plan 7 & 8)

Funding Progress – Pension Plan

Dollars in Thousands

Actuarial Valuation Date	(a) Market 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)
6/30/2013	$ 2,150,006	$ -	$ 2,150,006	$ 2,968,134	$ 818,128	72.4%	$ 302,708	274.0%
6/30/2014	$ 2,513,630	$ -	$ 2,513,630	$ 3,098,014	$ 584,384	81.1%	$ 307,722	189.9%

Employer Contributions – Pension Plan

Year Ended	Annual Required Contributions (ARC)	Contributions Made	% of Required Contributions Made
6/30/2014	$ 119,227,652	$ 119,227,652	100 %
6/30/2015	$ 123,612,352	$ 123,612,352	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 Plan's fiduciary net position. The net pension liability is an accounting measurement for financial statement reporting purposes. The components of the Plan's net pension liability at June 30, 2015 and June 30, 2014 were, as follows:

Schedule of Net Pension Liability

As of June 30, 2015 and 2014	2015	2014
Total Pension Liability *	$ 3,260,156,781	$ 3,123,968,401
Less: Fiduciary Net Pension	(2,532,528,975)	(2,513,629,759)
Net Pension Liability	$ 727,627,806	$ 610,338,642
Fiduciary Net Position as a Percentage of Total Pension Liability	77.7%	80.5%

** The total pension liability at June 30, 2015 was determined by completing a roll-forward calculation based on an actuarial valuation conducted as of June 30, 2014.*

Sensitivity Analysis

In accordance with GASB 67, changes to the total pension liability and net pension liability must be reported as of June 30, 2015. 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, 2015

	1% Decrease 6.50%	Discount Rate 7.50%	1% Increase 8.50%
Total Pension Liability	$ 3,716,541,473	$ 3,260,156,781	$ 2,886,390,280
Less: Fiduciary Net Pension	(2,532,528,975)	(2,532,528,975)	(2,532,528,975)
Net Pension Liability	$ 1,184,012,498	$ 727,627,806	$ 353,861,305
Fiduciary Net Position as a Percentage of Total Pension Liability	68.1%	77.7%	87.7%

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 the fiscal year ended June 30, 2015 and June 30, 2014.

Benefit Provisions

SBCERS retirees are eligible to receive an explicit subsidy for medical premiums funded by the County 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 likewise approved the 401(h) regulations, administrative agreement and status quo agreement described above.

On July 2, 2008, the County Board of Supervisors submitted to the Internal Revenue Service (IRS) an application for determination and a voluntary compliance plan with respect to its plan, including the new 401(h) Medical Trust Plan. In October, 2013, the IRS acted favorably on the application.

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

Employer Disclosures

Participating employers, upon their implementation of the related GASB Statement No. 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 Cheiron, Inc. as of June 30, 2014. The valuation was performed in accordance with GASB Statements No. 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.

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 %
6/30/2014	$ 4,070	$ 193,205	$ 189,135	2.1 %	$ 282,963	66.8 %

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

SBCERS' Health Care Benefits *For the fiscal years ended June 30, 2015 and 2014*	**2015 Benefit**	**2015 Enrollees**	**2014 Benefit**	**2014 Enrollees**
Subsidy of $15 per year of service	$ 7,607,160	1,807	$ 7,608,822	1,830
Health Reimbursement of $4 per year of service	1,096,315	1,931	1,002,025	1,792
Total Health Care Benefits	**$ 8,703,475**	**3,738**	**$ 8,610,847**	**3,622**

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, 2014 is as follows:

OPEB Valuation Date June 30, 2014

Actuarial Cost Method Entry age normal

Amortization Method For the County a 15-year closed amortization period is used. As of June 30, 2014, the period remaining was 7.5 years. For other employers this period is 30 years "open/rolling."

Actuarial Assumptions:

Expected Return on Trust Assets 7.50%

Expected Return on Assets for Benefits 4.00%

Discount Rate: 4.33% Santa Barbara County
7.50% Air Pollution Control District
4.00% All others

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 was also renewed for an additional three years extending to June 30, 2018.

As part of this agreement, SBCERS acquired new space on the first floor of its existing Santa Barbara building and sub-leased the space it previously occupied. The sub-lease began January 1, 2015 and June 30, 2018. The monthly rent due under the sub-lease was $4,882 and common area expenses of $3,542 and a $5,000 deposit was provided.

The term lease agreement for the 2nd floor office space in Santa Barbara was extended for an additional three years effective July1, 2015. However, upon acquiring the 1st floor office space, SBCERS successfully entered into a sublease agreement for the 2nd floor effective January 1, 2015 through the remainder of the extended lease agreement through June 30, 2018.

The Santa Maria office lease agreement is four years effective August 15, 2014.

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 2015 and 2014 was $184,099 and $157,035, respectively. Minimum non-cancelable lease commitments net of sublease income as of June 30, 2015 are shown in the following table.

Minimum Lease Commitments
At June 30, 2015

Lease Payments		
2015 - 2016	$	170,103
2016 - 2017		186,696
2017 - 2018		192,593
2018 - 2019		5,513
Total	**$**	**554,905**

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 SBCERS.

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, 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 elections.

13. ADMINISTRATIVE EXPENSE

On September 30, 2010, the Governor signed into law Assembly Bill (AB) 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, 2015 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, 2015 and 2014 were $4,404,342 and $4,288,603 of which $3,779,383 and $3,655,345 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' Pension Administrative Expense

For the years ended June 30, 2015 and 2014	2015	2014
Expense Subject to Statutory Limitation		
Employee Salaries and Benefits	$ 2,551,188	$ 2,557,355
Operating Expenses	790,582	636,998
Professional Services	437,613	460,992
Total Expense Subject to Statutory Limitation	**3,779,383**	**3,655,345**
Expense Not Subject to Statutory Limitation		
Actuarial Costs	178,596	186,972
Legal Costs	446,363	446,286
Total Expense Not Subject to Statutory Limitation	**624,959**	**633,258**
Total Pension Administrative Expense	**$ 4,404,342**	**$ 4,288,603**

14. SUBSEQUENT EVENTS

Management has reviewed and identified, up to the date of the Independent Auditor's Report, the subsequent events described below. There are no other events subsequent to December 14, 2015 that require disclosure.

Staffing

SBCERS completed the hiring of two new assistant CEOs dedicated to managing finance and member services.

Normal Retirement Age Regulations

On November 3, 2015 the County of Santa Barbara Approved the Board's adopted regulations establishing normal retirement for the various plan tiers. The following normal retirement ages were established:

- Age 59 for General Plan 2 (Gov. Code Sec. 31486.4)
- Age 59 for General Plan 5 (Gov. Code Sec. 31676.12)
- Age 59 for General Plan 7 (Gov. Code Sec. 31676.1)
- Age 59 for General Plan 8 (Gov. Code Sec. 7522.20
- Age 59 for APCD Plan (Gov. Code Sec. 31676.15)
- Age 55 for Safety Plan 4 (Gov. Code Sec. 31664.2)
- Age 50 for Safety Plan 6 (Gov. Code Sec. 31664.1)
- Age 55 for Safety Plan 8 (Gov. Code Sec. 7522.25)

51 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	$ 187,145	1.6 %	$ 302,379	61.9 %
06/30/14	$ 4,070	$ 193,205	$ 189,135	2.1 %	$ 282,963	66.8 %

**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 %
06/30/14	$ 28,155	$ 8,899	31.6 %

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

Schedule III - Net Pension Liability

		2015		2014
Total Pension Liability	$	3,260,156,781	$	3,123,968,401
Less: Fiduciary Net Pension		(2,532,528,975)		(2,513,629,759)
Net Pension Liability	$	727,627,806	$	610,338,642
Fiduciary Net Position as a Percentage of Total Pension Liability		77.7%		80.5%
Covered Employee Payroll	$	319,547,370	$	302,421,818
Net Position Liability as a Percentage of Covered Employee Payroll		227.7%		198.5%

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	2015	2014
Discount Rate	7.50%	7.50%
Long-term Expected Rate of Return, Net of Expenses	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, 2015 were based on the results of an actuarial experience study for the three-year period July 1, 2010 to June 30, 2013.

	2015	2014
Valuation Date	June 30, 2014	June 30, 2013
Measurement Date	June 30, 2015	June 30, 2014

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

Notes:

Trend information: Preceding schedules 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, 2015 and June 30, 2014

	2015	2014
Total pension liability		
Service Cost (MOY)	$ 70,056,133	$ 66,696,324
Interest (includes interest on service cost)	231,804,221	220,238,560
Differences between expected and actual experience	(27,900,755)	-
Benefit payments, including refunds of member contributions	(137,771,219)	(131,100,585)
Net change in total pension liability	**136,188,380**	**155,834,299**
Total pension liability - beginning	**3,123,968,401**	**2,968,134,102**
Total pension liability - ending	**$ 3,260,156,781**	**$ 3,123,968,401**
Plan fiduciary net position		
Contributions - employer	$ 123,612,352	$ 119,227,652
Contributions - member	16,622,138	14,514,010
Net investment income	20,840,287	328,852,388
Benefit payments, including refunds of member contributions	(137,771,219)	(131,100,585)
Administrative expense	(4,404,342)	(4,288,603)
Net change in plan fiduciary net position	**$ 18,899,216**	**$ 327,204,862**
Plan fiduciary net position - beginning	**2,513,629,759**	**2,186,424,897**
Plan fiduciary net position - ending	**$ 2,532,528,975**	**$ 2,513,629,759**
Net pension liability - ending	**$ 727,627,806**	**$ 610,338,642**
Plan fiduciary net position as a percentage of the total pension liability	**77.7%**	**80.5%**
Covered employee payroll	**$ 319,547,370**	**$ 307,421,818**
Net pension liability as a percentage of covered payroll	**227.7%**	**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

	2015	2014	2013	2012	2011
Actuarially Determined Contributions	$ 123,612,352	$ 119,227,652	$ 110,582,703	$ 108,764,094	$ 94,436,686
Contributions in Relation to the Actuarially Determined Contribution	123,612,352	119,227,652	110,582,703	108,764,094	94,436,686
Contribution Deficiency/(Excess)	$ -	$ -	-	-	-
Covered Employee Payroll (1)	319,547,370	307,421,818	302,708,314	305,757,679	306,963,226
Contributions as a Percentage of Covered Employee Payroll	38.7%	38.8%	36.5%	35.6%	30.8%

	2010	2009	2008	2007	2006
Actuarially Determined Contributions	$ 84,647,133	$ 75,902,140	$ 69,460,616	$ 63,395,296	$ 53,976,749
Contributions in Relation to the Actuarially Determined Contribution	84,647,133	75,902,140	69,460,616	63,395,296	53,976,749
Contribution Deficiency/(Excess)	$ -	$ -	-	-	-
Covered Employee Payroll (1)	306,524,117	307,263,503	294,163,067	287,381,657	267,785,000
Contributions as a Percentage of Covered Employee Payroll	27.6%	24.7%	23.6%	22.1%	20.2%

(1) Covered-Employee Payroll for FYE 2015 was based on actual pensionable payroll provided by SBCERS. In prior years, payroll was based on payroll reported in the actuarial valuation data.

Notes to Schedule

Valuation Date	June 30, 2014
Timing	Actuarially determined contribution rates are calculated based on the actuarial valuation one year prior to the beginning of the Plan year.

Key Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry Age
Asset valuation method	5-year smoothed market, limited to within 20% of the market value
Amortization method	As of the June 30, 2013 actuarial valuation, the unfunded actuarial liability was amortized over a closed 17-year period as a level percentage of payroll, except for Safety Plan 6 liability, which was amortized over a 15-year period.
Discount rate	7.5%, net of investment expenses
Amortization growth rate	3.50%
Price inflation	3.00%
Salary increases	3.50% plus merit component based on employee classification and years of service
Mortality	Sex distinct RP-2000 Combined Mortality, with generational improvements using Scale BB

As of the June 30, 2014 valuation, several assumptions were changed, including the discount rate (from 7.75% to 7.50%), mortality assumptions, and the termination, disability and retirement rates. A complete description of the methods and assumptions used to determine contribution rates for the year ending June 30, 2015 can be found in the June 30, 2013 actuarial valuation report.

Schedule VI - Investment Returns - Pension

For the Year Ended June 30, 2015

	2015	2014
Annual Money-Weighted Rate of Return, Net of Pension Plan Investment Expense	0.4%	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 displayed as they become available prospectively.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES – Pension Plan
For Fiscal Year Ended June 30, 2015

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, 2014 is as follows:

Valuation Date	June 30, 2014
Actuarial Cost Method	Individual entry age
Amortization of Actuarial Gains & Losses	19-year closed amortization with 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period, and 10 years of level payments as a percentage of payroll
Asset Valuation Method	Direct Rate Smoothing
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	2.75% (all plans except APCD 8 and General Plan 7 & 8) 2.00% (APCD 8 and General Plan 7 & 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, 2015

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, 2014 is as follows:

OPEB Valuation Date June 30, 2014

Actuarial Cost Method Entry age normal

Amortization Method For Santa Barbara County a 15-year closed amortization period is used. As of 6/30/2014, the period remaining was 7.5 years. For other employers this period is 30 years "open/rolling."

Actuarial Assumptions:

Expected Return on Trust Assets 7.50%

Expected Return on Trust Assets 4.00%

Expected Return on Trust Assets 4.33% Air Pollution Control District
7.50 Santa Barbara County
4.00% All others

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, 2015 and 2014

	2015	2014
Personnel Services		
Salaries and Employee Benefits	$ 2,551,188	$ 2,557,355
Total Personnel Services	2,551,188	2,557,355
Professional Services		
Computer Software Services and Support	168,696	214,472
County Cost Allocation	4,445	23,104
External Audit Fees	55,078	62,312
Disability Medical Fees	53,371	72,056
Disability Transcription Fees	8,749	12,686
Disability Hearing Officer Fees	45,808	56,072
Other Professional Services	101,466	20,290
Total Professional Services	437,613	460,992
Communication		
Postage	46,271	40,080
Telecommunication	42,462	32,996
Training	89,775	34,466
Transportation and Travel	39,268	138,470
Total Communication	217,776	246,012
Rents / Leases / Structures		
Rents/Leases – Structure	292,082	203,158
Furniture & Fixtures	45,436	2,608
Building Maintenance	46,516	2,558
Equipment	250	3,280
Total Rents / Leases / Structures	384,284	211,604
Miscellaneous		
Computer Equipment and Supplies	73,271	77,730
Other Office Expenses	67,070	61,628
Insurance	48,181	40,024
Total Miscellaneous	188,522	179,382
Total Administrative Expense *	**$ 3,779,383**	**$ 3,655,345**

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

Schedule Of Investment Expense

For the Years Ended June 30, 2015 and 2014

		2015		2014
Investment Activity				
Investment Management Fees				
Stock Managers				
Domestic	$	1,520,890	$	1,132,769
International		2,236,918		1,757,798
Bond Managers				
Domestic		690,484		596,755
International		507,573		514,509
Real Assets		70,660		94,365
Real Estate		265,880		205,995
Total From Investment Activity		5,292,405		4,302,191
Other Investment Expense				
Investment Consultants		1,451,598		1,388,513
Custodian		264,156		308,765
Total Other Investment Expense		1,715,754		1,697,278
Total Fees and Other Investment Expense	**$**	**7,008,159**	**$**	**5,999,469**

Schedule of Payments to Consultants

For the Years Ended June 30, 2015 and 2014

		2015		2014
Actuarial Services	$	178,596	$	186,972
Audit Services		55,078		62,311
Legal Services		446,363		446,286
Total Payments to Consultants	**$**	**680,037**	**$**	**695,569**

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.

Schedule of Employers' Deferred Outflow of Resources (GASB 68)

For the year ended June 30, 2015

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Santa Barbara County	92.8017%	$ -	$ -	$ 32,600,926	$ 2,407,313	$ 363,671
Santa Barbara County Superior Courts	3.7121%	-	-	1,304,048	-	-
Carpinteria-Summerland Fire Protection District	1.3813%	-	-	485,246	-	32,536
Air Pollution Control District	1.1649%	-	-	409,225	106,029	-
Santa Barbara County Association of Governments	0.4982%	-	-	175,016	63,901	-
Santa Maria Cemetery District	0.0930%	-	-	32,671	-	-
Summerland Sanitary District	0.0881%	-	-	30,949	-	-
Mosquito & Vector Management District	0.1093%	-	-	38,397	159,792	-
Goleta Cemetery District	0.0709%	-	-	24,907	16,567	-
Oak Hill Cemetery District	0.0429%	-	-	15,071	15,405	-
Carpinteria Cemetery District	0.0376%	-	-	13,209	14,347	-
	100.0000%	**$ -**	**$ -**	**$ 35,129,665**	**$ 2,783,353**	**$ 396,208**

Schedule of Employers' Deferred Inflow of Resources (GASB 68)

For the year ended June 30, 2015

Employer	Proportionate Shares	Experience	Assumption Changes	Investment Return	Proportion Change	Contribution Difference
Santa Barbara County	92.8017%	$ 20,713,900	$ -	$ -	$ -	$ -
Santa Barbara County Superior Courts	3.7121%	828,563	-	-	2,207,201	62,192
Carpinteria-Summerland Fire Protection District	1.3813%	308,314	-	-	343,362	-
Air Pollution Control District	1.1649%	260,013	-	-	18,409	291,434
Santa Barbara County Association of Governments	0.4982%	111,201	-	-	46,912	9,429
Santa Maria Cemetery District	0.0930%	20,758	-	-	101,063	5,359
Summerland Sanitary District	0.0881%	19,664	-	-	60,467	11,789
Mosquito & Vector Management District	0.1093%	24,396	-	-	-	2,699
Goleta Cemetery District	0.0709%	15,825	-	-	5,938	4,945
Oak Hill Cemetery District	0.0429%	9,576	-	-	-	4,554
Carpinteria Cemetery District	0.0376%	8,393	-	-	-	3,806
	100.0000%	**$ 22,320,604**	**$ -**	**$ -**	**$ 2,783,353**	**$ 396,208**

Schedule of Employers' Pension Expense (GASB 68)

For the year ended June 30, 2015

Employer	Collective Pension Expense	Change in Proportion	Contribution Difference	Employer Pension Expense
Santa Barbara County	$ 89,226,521	$ 714,569	$ 104,453	$ 90,045,542
Santa Barbara County Superior Courts	3,569,092	(654,468)	(20,214)	2,894,410
Carpinteria-Summerland Fire Protection District	1,328,086	(107,887)	10,530	1,230,728
Air Pollution Control District	1,120,022	29,935	(82,770)	1,067,188
Santa Barbara County Association of Governments	479,007	9,087	(2,832)	485,261
Santa Maria Cemetery District	89,417	(30,356)	(1,553)	57,508
Summerland Sanitary District	84,706	(17,268)	(3,223)	64,215
Mosquito & Vector Management District	105,089	43,819	(773)	148,135
Goleta Cemetery District	68,169	3,912	(1,425)	70,655
Oak Hill Cemetery District	41,247	4,568	(1,156)	44,660
Carpinteria Cemetery District	36,151	4,089	(1,037)	39,204
Total	**$ 96,147,507**	**$ -**	**$ -**	**$ 96,147,507**

Schedule of Employers' Pension Expense (GASB 68)...continued

Employer	Net Pension Liability	Change in Employer Deferred Outflows	Change in Employer Deferred Inflows	Employer Contributions	Employer Pension Expense
Santa Barbara County	$ 109,790,532	$ 33,161,409	$ 101,529,137	$ 114,945,556	$ 90,045,542
Santa Barbara County Superior Courts	3,478,665	1,304,048	3,868,092	4,587,885	2,894,410
Carpinteria-Summerland Fire Protection District	1,566,405	475,848	1,568,418	1,708,589	1,230,728
Air Pollution Control District	1,347,381	374,688	1,144,761	1,239,256	1,067,188
Santa Barbara County Association of Governments	536,118	154,201	508,545	611,890	485,261
Santa Maria Cemetery District	74,290	32,671	95,891	111,780	57,508
Summerland Sanitary District	70,373	30,949	73,925	98,716	64,215
Mosquito & Vector Management District	239,889	130,415	94,703	133,364	148,135
Goleta Cemetery District	77,055	19,510	71,468	84,579	70,655
Oak Hill Cemetery District	56,420	17,925	41,456	47,620	44,660
Carpinteria Cemetery District	52,035	18,770	37,178	43,117	39,204
Total	**$ 117,289,164**	**$ 35,720,436**	**$ 109,033,574**	**$ 123,612,352**	**$ 96,147,506**

Schedule of Cost Sharing Employer Allocations (GASB 68)

For the year ended June 30, 2015

Employer	Actual Employer Contributions	Actuarially Determined Contributions	Employer Allocation Percentage	Proportionate Share of Net Pension Liability
Santa Barbara County	$ 114,945,556	$ 114,945,556	92.8017%	$ 675,250,974
Santa Barbara County Superior Court	4,587,885	4,587,885	3.7121%	27,010,272
Carpinteria-Summerland Fire Protection District	1,708,589	1,708,589	1.3813%	10,050,723
Air Pollution Control District	1,239,256	1,239,256	1.1649%	8,476,136
Santa Barbara County Association of Governments	611,890	611,890	0.4982%	3,625,042
Santa Maria Cemetery District	111,780	111,780	0.0930%	676,694
Summerland Sanitary District	98,716	98,716	0.0881%	641,040
Mosquito & Vector Management District	133,364	133,364	0.1093%	795,297
Goleta Cemetery District	84,579	84,579	0.0709%	515,888
Oak Hill Cemetery District	47,620	47,620	0.0429%	312,152
Carpinteria Cemetery District	43,117	43,117	0.0376%	273,588
Total	**$ 123,612,352**	**$ 123,612,352**	**100.0000%**	**$ 727,627,806**

For the year ended June 30, 2014

Employer	Actual Employer Contributions	Actuarially Determined Contributions	Employer Allocation Percentage	Proportionate Share of Net Pension Liability
Santa Barbara County	$ 110,755,988	$ 100,755,988	92.6470%	$ 565,460,443
Santa Barbara County Superior Court	4,495,077	4,495,077	3.8555%	23,531,606
Carpinteria-Summerland Fire Protection District	1,709,622	1,709,622	1.3901%	8,484,317
Air Pollution Control District	1,176,451	1,176,451	1.1680%	7,128,755
Santa Barbara County Association of Governments	593,054	593,054	0.5061%	3,088,924
Santa Maria Cemetery District	113,029	113,029	0.0987%	602,404
Summerland Sanitary District	105,467	105,467	0.0935%	570,667
Mosquito & Vector Management District	106,344	106,344	0.0910%	555,408
Goleta Cemetery District	81,603	81,603	0.0719%	438,833
Oak Hill Cemetery District	49,582	49,582	0.0419%	255,732
Carpinteria Cemetery District	41,435	41,435	0.0363%	221,553
Total	**$ 119,227,652**	**$ 109,227,652**	**100.0000%**	**$ 610,338,642**

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BOSTON MA
CHICAGO IL
MIAMI FL
PORTLAND OR
SAN DIEGO CA
LONDON UK

September 15, 2015

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, 2015. The total portfolio was valued at $2.518 billion as of June 30, 2015, very close to the asset level reported on June 30, 2014. The portfolio is well diversified across a broad range of asset classes that are generally categorized as equity, fixed income, real assets, private equity, and real estate.

The System has employed Meketa Investment Group to serve as SBCERS' independent investment consultant. BNY Mellon Global Securities Services (BNY Mellon), the System's custodian, independently calculates performance for the fund.

Fiscal Year Economic and Market Review

Over the full fiscal year, U.S. equities performed well, while investments outside the U.S. struggled due to the rising dollar and other geopolitical concerns. The Russell 3000 Index and the MSCI EAFE Index were up 7.3% and down 4.3%, respectively. The MSCI Emerging Markets Index was down 5.1%. On the fixed income side, the Barclays Aggregate Index returned 1.9%, and the Barclays High Yield Index returned -0.4%. In the real assets space, the Bloomberg Commodity Index fell 23.7% for the fiscal year, highlighting the volatility of the energy markets, with the National Council of Real Estate Investment Fiduciaries Property Index returning 13.0% for the fiscal year. Returns for private market indexes are typically 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).

At the end of the fiscal year 2015, all asset classes were within their target ranges.

Performance vs. Policy Benchmark

As of June 30, 2015, the SBCERS portfolio underperformed its policy benchmark over the trailing quarter, 1-year, and 3-year periods, while outperforming over the trailing 5-year and 10-year periods.

Underperformance (0.4% vs. 1.0%) versus the policy benchmark over the most recent year was due largely to relative underperformance, on a time weighted return basis, of the Fund's allocations to Private Real Estate and Private Equity strategies, compared to their respective public market benchmarks, as calculated by BNY Mellon.

Performance vs. Long-Term Target Return

Over the past three and five years, the Fund has returned 7.7%, and 9.2%, respectively, outperforming the Fund's long term return target of 7.5%. The underperformance relative to the long term actuarial target in fiscal year 2015 (0.4% vs. 7.5%) was the result of most asset classes returning less than 7.5%. The outperformance over the trailing three and five years resulted from very strong U.S. equity markets, as well as positive returns from fixed income categories and private market investments.

Fiscal 2016 Outlook

Meketa Investment Group believes that four issues remain of primary concern over the next year: historically low bond yields, the potential for a transition to a rising rate environment, the potential for deteriorating corporate earnings, and the possibility of much lower energy prices for a sustained period. These are coupled with continued concerns over the slowdown in China, Greece and the Eurozone, and other geopolitical issues around the world. We expect continued volatility in equity and fixed income markets throughout the fiscal year ending 2016.

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 2015, SBCERS did not achieve the return objective. It should be noted that, outside of Real Estate, none of the aggregate asset classes invested in by SBCERS produced a return above 7.5%, so the fiscal year was a difficult period for all diversified investors. 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 has recently reaffirmed its commitment to its long-term asset allocation policy through an Asset Liability Study, and 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, CAIA
Managing 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 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 liquidity 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.

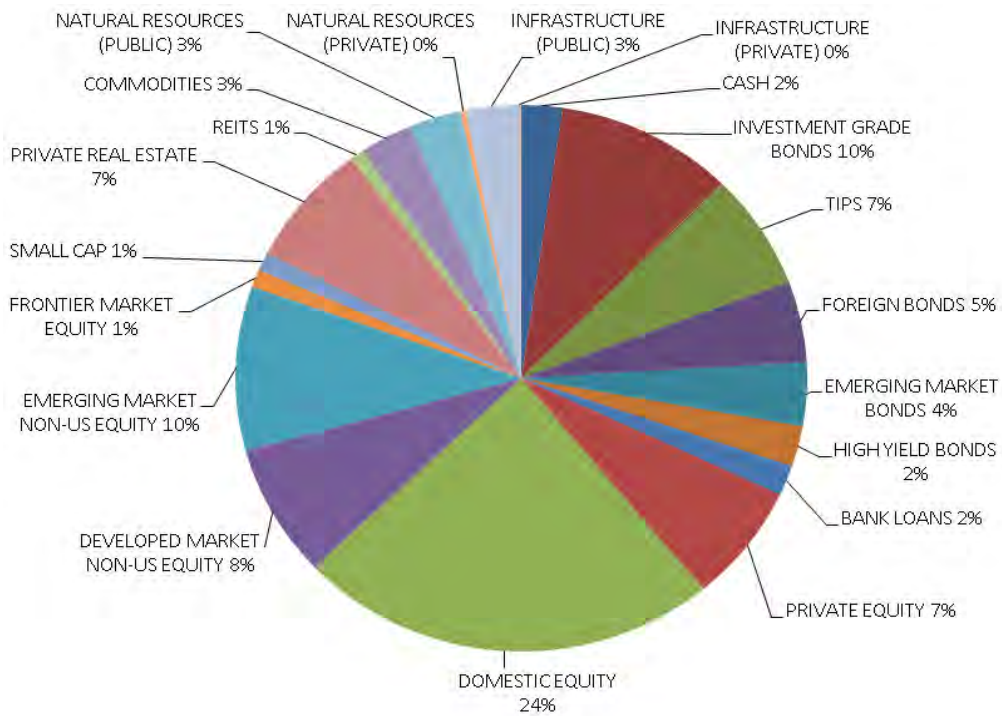
- The Board's investment policies and practice shall at all times comply with all applicable state and federal laws and regulations.

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.

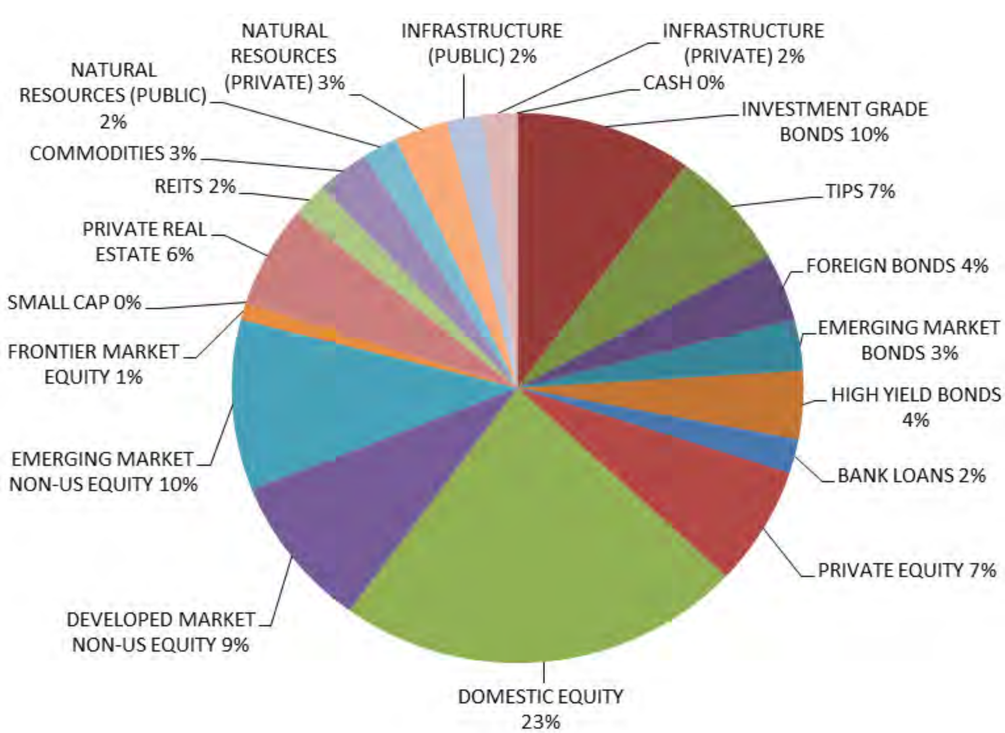
INVESTMENT SUMMARY *As of June 30, 2015*		Market Value	Percent of Total Market Value
Treasurer's Cash	$	8,286,972	0.33%
Short Term Investments		50,317,875	1.99%
Total Cash		58,604,847	2.31%
Investment Grade Bonds		265,805,863	10.50%
TIPS		173,819,592	6.86%
Total Domestic Bonds		439,625,455	17.36%
Foreign Bonds		121,094,485	4.78%
Emerging Market Bonds		94,420,633	3.73%
High Yield Bonds		60,512,404	2.39%
Bank Loans		44,732,986	1.77%
Total International Bonds		320,760,508	12.67%
Private Equity		176,720,536	6.98%
Total Private Equity		176,720,536	6.98%
U.S. Equity		600,489,252	23.72%
Total Domestic Equity		600,489,252	23.72%
Developed Market Non-U.S. Equity		197,913,311	7.82%
Emerging Markets Non-U.S. Equity		245,107,096	9.68%
Frontier Market Equity		25,956,094	1.03%
Small Cap		27,147,519	1.07%
Total International Equity		496,124,020	19.59%
Private Real Estate		184,670,033	7.29%
REITS		19,196,811	0.76%
Total Real Estate		203,866,844	8.05%
Commodities		75,325,497	2.97%
Natural Resources (Public)		74,134,203	2.93%
Natural Resources (Private)		7,789,724	0.31%
Infrastructure (Public)		74,674,179	2.95%
Infrastructure (Private)		3,869,036	0.15%
Total Real Assets		235,792,639	9.31%
Total Pension Cash & Investments		**2,531,984,101**	**100.00%**
Collateral Held for Securities Lent		37,899,441	-
Grand Total	**$**	**2,569,883,542**	**100.00%**

ASSET ALLOCATION

Actual Asset Allocation



Target Asset Allocation



INVESTMENT RESULTS BASED ON FAIR VALUE

As of June 30, 2015

Investments	Current Year	Annualized 3 - year	Annualized 5 - year
Domestic Equity	6.2 %	16.2 %	16.0 %
Russell 3000 Benchmark	7.3 %	17.7 %	17.5 %
International Equity	-3.9 %	8.0 %	7.3 %
MSCI ACWI (e.x. U.S.)	-5.3 %	9.4 %	7.8 %
Developed Market Non-U.S. Equity	-0.9 %	13.6 %	N/A %
MSCI EAFE	-4.2 %	12.0 %	9.5 %
Emerging Markets Equity	-6.0 %	3.1 %	N/A %
MSCI Emerging Markets	-5.1 %	3.7 %	3.7 %
Frontier Market Equity	-9.4 %	N/A %	N/A %
MSCI Frontier Markets	-13.9 %	13.0 %	7.3 %
Investment Grade Bonds	1.9 %	3.0 %	4.7 %
Barclays Aggregate	1.9 %	1.8 %	3.3 %
Foreign Bonds	-0.1 %	3.3 %	N/A %
JPMorgan Global Bond (ex. U.S. Index)	-13.2 %	-4.0 %	0.3 %
Emerging Market Bonds	-9.6 %	-2.0 %	N/A %
JPM GBI-EM Global Diversified	-15.4 %	-3.8 %	0.9 %
TIPS	-1.8 %	-1.2 %	N/A %
Barclays U.S. TIPS	-1.7 %	-0.8 %	3.3 %
High Yield Bonds	-1.9 %	N/A %	N/A %
Barclays High Yield	-0.4 %	6.8 %	8.6 %
Bank Loans	2.8 %	N/A %	N/A %
CSFB Leveraged Loan	2.1 %	5.3 %	5.7 %
Commodities	-14.1 %	-5.3 %	N/A %
Dow-Jones-UBS Commodity U.S. Index	-23.7 %	-8.8 %	-3.9 %
Natural Resources Public	-20.0 %	-2.8 %	N/A %
S&P Global LargeMid Cap Commodities & Resources	-19.7 %	-2.7 %	2.6 %
Natural Resources Private	3.6 %	N/A %	N/A %
CPI + 4% (1-Quarter Lagged)	3.9 %	5.0 %	5.7 %
Infrastructure Public	-2.6 %	N/A %	N/A %
DJ Brookfield Global Infrastructure Index	-3.7 %	12.3 %	15.8 %
Infrastructure Private	-40.0 %	N/A %	N/A %
CPI + 4% (1-Quarter Lagged)	3.9 %	5.0 %	5.7 %
Private Equity	11.1 %	14.5 %	14.5 %
Russell 3000 + 3% (1-Quarter Lagged)	4.5 %	15.7 %	15.6 %
Private Real Estate	11.4 %	11.5 %	N/A %
NCREIF ODCE - Blend (1-Quarter Lagged)	14.0 %	12.9 %	13.6 %
REITS	0.6 %	7.0 %	N/A %
NAREIT Equity - Blend (1-Quarter lagged)	4.1 %	9.1 %	14.4 %
Cash	0.2 %	0.2 %	0.2 %
T-Bills (90 day lagged)	N/A %	N/A %	0.1 %
Total Fund	0.4 %	7.7 %	9.2 %
SBCERS Policy Benchmark	1.0 %	8.5 %	9.1 %

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.

SCHEDULE OF TOP TEN EQUITY SECURITIES

As of June 30, 2015

Shares	Security Name	Fair Value
21,775	Bayer AG	$ 3,046,057
13,856	Baidu Inc.	2,758,452
40,600	Toyota Motor Corp.	2,721,708
409,000	AIA Group Ltd.	2,677,409
9,219	Roche Holding AG	2,584,536
34,983	Nestle SA	2,526,727
49,326	Grupo Televisa SAB	1,914,835
15,157	Anheuser-Busch Inbev SA/NV	1,815,452
16,658	ASML Holding NV	1,720,544
32,371	Liberty Global PLC	1,638,944

SCHEDULE OF TOP TEN BOND HOLDINGS

As of June 30, 2015

Par	Security Name	Fair Value
11,625,000	U.S. Treasury Note 1.375% maturity date 02/29/2020	$ 11,524,211
10,305,000	U.S. Treasury Bond 2.500% maturity date 02/15/2045	9,069,224
6,743,000	U.S. Treasury Bond 4.500% maturity date 02/15/2036	8,478,244
8,395,000	U.S. Treasury Note 2.000% maturity date 02/15/2025	8,156,246
7,726,000	U.S. Treasury Note 1.250% maturity date 10/31/2015	7,756,209
5,236,000	U.S. Treasury Note 1.250% maturity date 04/30/2019	5,224,114
5,085,000	U.S. Treasury Note 0.250% maturity date 04/15/2016	5,083,424
3,270,000	U.S. Treasury Note 1.750% maturity date 04/30/2022	3,208,687
2,430,000	HSBC Bank USA 4.875% maturity date 08/24/2020	2,689,475
2,430,000	Capital One Multi-Asset 5.750% maturity date 07/15/2020	2,663,426

A complete list of portfolio holdings is available upon request.

INVESTMENT HOLDINGS - PENSION

As of June 30, 2015

TYPE OF INVESTMENT		FAIR VALUE	% of PORTFOLIO
PRIVATE EQUITY	$	176,720,536	6.97 %
Private Equity Total		176,720,536	6.97 %
EQUITY			
Aerospace & Defense	$	10,268,738	0.41 %
Basic Industries		24,707,909	0.98 %
Business Services		34,767,952	1.37 %
Capital Goods		334,116	0.01 %
Chemicals		20,363,919	0.80 %
Commercial Services		15,215,275	0.60 %
Commingled Funds U.S./International		523,880,756	20.69 %
Consumer Durables		15,191,991	0.60 %
Consumer Non-Durables		10,173,576	0.40 %
Energy		7,988,930	0.33 %
Financial Services		44,124,897	1.74 %
Health Care		18,192,621	0.72 %
Industrial		29,674,176	1.17 %
Insurance		36,914,363	1.46 %
Media		10,704,432	0.42 %
Other		124,122,124	4.90 %
Pharmaceuticals		39,976,170	1.58 %
Real Estate		9,852,775	0.39 %
Technology		97,056,374	3.83 %
Transportation		22,685,164	0.90 %
Utilities		417,014	0.02 %
Equity Total	$	1,096,613,272	43.32 %
BONDS			
Asset Backed Securities	$	18,859,296	0.74 %
Banking & Finance		45,333,741	1.79 %
Basic Industries		214,140	0.01 %
Collateralized Mortgage Obligations		98,984,181	3.91 %
Commingled Funds U.S. Debt		412,375,522	16.29 %
Government Bonds – U.S.		61,176,284	2.42 %
Government Bonds - International		30,852,627	1.22 %
Health Care		3,134,415	0.12 %
Housing		13,901,383	0.55 %
Industrial		10,332,460	0.41 %
Insurance		3,969,575	0.16 %
Other Corporate Bonds		14,802,342	0.58 %
Private Placements		30,321,291	1.20 %
Real Estate		149,350	0.01 %
Utilities		15,979,356	0.63 %
Bonds Total	$	760,385,963	30.04 %
REAL ESTATE/REAL ASSETS			
Private Real Estate		203,866,844	8.05 %
Real Assets		235,792,639	9.31 %
Real Estate/Real Assets Total	$	439,659,483	17.36 %
CASH & CASH EQUIVALENTS	$	58,604,847	2.31 %
Grand Total	$	**2,531,984,101**	**100.00** %

LIST OF INVESTMENT MANAGERS

Domestic Equity

U.S. Equity
- Analytic Investors
- Artisan Partners
- Dimensional Fund Advisors
- Nichols Asset Management
- Rampart
- RBC Global Asset Management
- Rhumbline
- State Street Global Advisors
- The London Company

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
- 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)
- Hamilton Lane

Infrastructure (Public)
- Rare Infrastructure

Infrastructure (Private)
- Hamilton Lane

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

SCHEDULE OF PROFESSIONAL FEES AND SERVICES

As of June 30, 2015	Assets Under Management	Fees*	Basis Points
Investment Managers:			
Bond Managers	$ 761,685,109	$ 1,198,057	4.72
Equity Managers	1,098,633,448	3,757,808	14.81
Real Assets	235,792,639	70,660	0.28
Real Estate	203,866,844	265,880	1.05
Short Term Investments	50,317,875	-	-
Alternative Equity	176,720,536	-	-
Total Investment Managers	2,527,016,451	5,292,405	20.86
Other:			
Cash	9,550,255	-	-
Custodian Fees	-	264,156	1.04
Investment Consultants Fees	-	1,451,598	5.72
	9,550,255	1,715,754	6.76
Total	$ 2,536,566,706	$ 7,008,159	27.62

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

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77 Actuarial

December 4, 2015

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, 2015. This letter includes references to two documents produced by Cheiron for the Plan: the Actuarial Valuation Report as of June 30, 2014 (transmitted January 21, 2015) and the Governmental Accounting Standards Board (GASB) 67/68 Report as of June 30, 2015 (transmitted November 12, 2015).

Actuarial Valuation Report as of June 30, 2014

The purpose of the annual Actuarial Valuation Report as of June 30, 2014 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 2015-2016. The prior review was conducted as of June 30, 2013, and included recommended contribution rates for the Fiscal Year 2014-2015.

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 contribution to amortize the unfunded actuarial liability (UAL). At a special meeting held on September 5, 2014, the Board of Retirement adopted a new funding policy for any subsequent unexpected change in the unfunded actuarial liability after June 30, 2013. Effective with the June 30, 2014 valuation, any new sources of UAL due to actuarial gains and losses, assumption changes, or method changes are amortized over a closed 19-year period, with a five-year ramp up and down of the amortization payment at the beginning and end of the amortization period and nine years of level payments as a percentage of payroll between the ramping periods. The Board also adopted a policy to replace the smoothed actuarial value of assets with the market value of assets for valuation purposes. These new amortization and funding policies in conjunction are a type of policy known as direct rate smoothing.

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 beginning June 30, 2014, Plan assets are valued at market value. Prior valuations measured the assets using a smoothed Actuarial Value, wherein the assets used to determine employer contribution rates took 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 restrained the Actuarial Value to within 20% of the market value of assets. Beginning with the June 30, 2014 valuation, the smoothing on the contribution rates occurs directly through the determination of the amortization payments as described above, rather than using a smoothed asset value.

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, 2014 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, 2015

The purpose of GASB 67/68 Report as of June 30, 2015 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, 2014 actuarial valuation updated to the measurement date of June 30, 2015. There were no significant events between the valuation date and the measurement date of which we are aware, so the update procedures only include the addition of service cost and interest cost offset by actual benefit payments.

Beginning of year measurements are based on the actuarial valuation as of June 30, 2014 updated to the measurement date of June 30, 2015. The June 30, 2015 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, 2014.

Please refer to our GASB 67 report as of June 30, 2015 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, 2015, 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 Contribution

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, EA, FCA, MAAA
Consulting Actuary
703-893-1456 x1137
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Robert T. McCrory, FSA, EA, FCA, MAAA
Principal Consulting Actuary
206-328-8628
rmccrory@cheiron.us

Via Electronic Mail

February 18, 2015

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

Re: Santa Barbara County Employees' Retirement System - Other Post-Employment Benefits Valuation

Dear Members of the Board:

At your request, we have conducted an actuarial valuation for the Santa Barbara County Employees' Retirement System (SBCERS, the System, the Fund, the Plan) to complete its Other Post-Employment Benefits (OPEB) actuarial valuation as of June 30, 2014. The following report contains our findings and disclosures required by the Governmental Accounting Standards Board (GASB) standards, as well as commentary about GASB standards.

The purpose of this report is to present the actuarial valuation of the Santa Barbara County Employees' Retirement System's Other Post-Employment Benefits. This report is for the use of the County and its auditors in preparing financial reports in accordance with applicable law and accounting requirements.

Appendix A describes the member data, assumptions, and methods used in calculating the figures throughout the report. In preparing our report, we relied on information (some oral and some written) supplied by SBCERS. 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.

Appendix B contains a summary of the substantive plan provisions based on documentation provided by and discussions with the SBCERS staff.

The results of this report are based on future experience conforming to the actuarial assumptions used. The results will change to the extent that future experience differs from the assumptions. Actuarial computations are calculated based on our understanding of GASB 43 and 45 and are for purposes of fulfilling employer financial accounting requirements. Determinations for purposes other than meeting employer financial accounting requirements may be significantly different from the results in this report. This valuation report does not reflect future changes in benefits, penalties, taxes, or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations.

1970 Broadway, Suite 1220, Oakland, CA 94612 Tel: 877-CHEIRON (243-4766) Fax: 703.893.2006 www.cheiron.us

Board of Retirement
Santa Barbara County Employees' Retirement System
February 18, 2015

The results of this valuation reflect only the financial condition of the Plan as of the valuation date. We recommend reviewing forecasts of the Plan's financial condition under alternative scenarios. Such forecasts, however, are beyond the scope of this assignment.

To the best of our knowledge, this report and its contents have been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board. Furthermore, as credentialed actuaries, we meet the Qualification Standards of the American Academy of Actuaries to render the opinion contained in this report. This report does not address any contractual or legal issues. We are not attorneys and our firm does not provide any legal services or advice.

This valuation report was prepared exclusively for SBCERS for the purposes described herein and for the use by the plan auditor in completing an audit related to the matters herein. This valuation report is not intended to benefit any third party, and Cheiron assumes no duty or liability to any such party.

Sincerely,
Cheiron

Graham Schmidt

Graham Schmidt, ASA, FCA, MAAA
Consulting Actuary

Michael W. Schionning, FSA, MAAA
Principal Consulting Actuary

Andrew Gustely, ASA
Associate Actuary

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, 2015, was determined by completing a roll-forward calculation based on an actuarial valuation conducted as of June 30, 2014, 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, 2014 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 Board of Retirement adopted a layered 19 year amortization with direct rate smoothing during its June 30, 2014 valuation. The UAAL for periods prior to June 30, 2014 is being amortized as a single layer and funded over a "closed" seventeen year period effective beginning the June 30, 2013 valuation (adopted November 20, 2013). The exception is that the additional UAAL attributable to the creation of Safety Plan 6 which is being amortized over a closed period and that period was 14 years as of the June 30, 2014 valuation. 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

Effective with the June 30, 2014 valuation, the assets are valued at market value. Prior to the June 30, 2014 valuation, assets were valued using a five year smoothing method based on the difference between expected and actual fair value of assets.

Asset Corridor Limit

In prior periods, 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). Effective with the June 30, 2014 valuation any new sources of UAAL due to actuarial gains and losses, assumption changes or method changes is amortized over a closed 19-year period, with 5-year ramp up period at the beginning of the period, a 4-year ramp down at the end of the period and 10 years of level payments as a percentage of payroll. This new method is a type of direct rate smoothing.

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, 2014 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 Plans 1 and 2 (adopted November 20, 2013).
General Plan 7, General Plan 8 (PEPRA) and APCD Plan 8 (PEPRA) are limited to a maximum 2.0% 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, 2013*):

PLAN	AGE
General Plan 2	65
General Plan 5,7 & 8	58
Safety Plan 4 & 8	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%	0.01%
50	3.00%	0.09%	0.14%	0.16%
60	15.00%	0.18%	0.27%	0.45%
70	25.00%	0.18%	0.27%	1.55%
75	100.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	5.50%
10	3.90%
15	2.90%
20	2.20%
25	0.80%
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%	0.02%
40	7.00%	0.01%	0.01%	0.05%
50	7.00%	0.09%	0.14%	0.10%
60	15.00%	0.18%	0.27%	0.29%
70	25.00%	0.18%	0.27%	1.04%
75	100.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	5.50%
10	3.60%
15	2.40%
20	1.70%
25	1.20%
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%	0.09%	0.01%	0.01%	0.03%
30	2.00%	0.14%	0.02%	0.01%	0.04%
40	2.00%	0.23%	0.03%	0.01%	0.09%
50	8.00%	0.05%	0.06%	0.01%	0.16%
60	25.00%	0.72%	0.08%	0.01%	0.45%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.00%
10	2.10%
15	1.20%
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%	0.09%	0.01%	0.01%	0.02%
30	2.00%	0.14%	0.02%	0.01%	0.02%
40	2.00%	0.23%	0.03%	0.01%	0.05%
50	8.00%	0.50%	0.06%	0.01%	0.10%
60	25.00%	0.72%	0.08%	0.01%	0.29%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.00%
10	2.10%
15	1.20%
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%	0.09%	0.01%	0.01%	0.03%
30	2.00%	0.14%	0.15%	0.01%	0.04%
40	2.00%	0.23%	0.03%	0.01%	0.09%
50	2.00%	0.50%	0.06%	0.01%	0.16%
60	25.00%	0.72%	0.08%	0.01%	0.45%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.00%
10	2.10%
15	1.20%
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%	0.09%	0.01%	0.01%	0.02%
30	2.00%	0.14%	0.02%	0.01%	0.02%
40	2.00%	0.23%	0.03%	0.01%	0.05%
50	2.00%	0.50%	0.06%	0.01%	0.10%
60	25.00%	0.72%	0.08%	0.01%	0.29%
65	100.00%	0.00%	0.00%	0.00%	0.00%

Years of Service	Other Terminations
5	3.00%
10	2.10%
15	1.20%
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	0.026%	0.015%	0.026%	0.015%
25	0.032%	0.016%	0.032%	0.016%
30	0.037%	0.019%	0.037%	0.019%
35	0.060%	0.028%	0.060%	0.028%
40	0.091%	0.046%	0.091%	0.046%
45	0.116%	0.067%	0.116%	0.067%
50	0.158%	0.103%	0.158%	0.103%
55	0.238%	0.158%	0.238%	0.158%
60	0.449%	0.291%	0.449%	0.291%
65	0.870%	0.553%	0.870%	0.553%
70	1.552%	1.042%	1.552%	1.042%
75	2.612%	1.749%	2.612%	1.749%
80	4.620%	2.858%	4.620%	2.858%
85	8.279%	4.734%	8.279%	4.734%
90	14.323%	8.215%	14.323%	8.215%

Mortality for Members Retired for Disability

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

	GENERAL		SAFETY	
Age	Male	Female	Male	Female
20	0.028%	0.016%	0.028%	0.016%
25	0.034%	0.018%	0.034%	0.018%
30	0.042%	0.024%	0.042%	0.024%
35	0.074%	0.043%	0.074%	0.043%
40	0.100%	0.061%	0.100%	0.061%
45	0.132%	0.096%	0.132%	0.096%
50	0.178%	0.141%	0.178%	0.141%
55	0.299%	0.251%	0.299%	0.251%
60	0.574%	0.481%	0.574%	0.481%
65	1.106%	0.923%	1.106%	0.923%
70	1.909%	1.592%	1.909%	1.592%
75	3.286%	2.594%	3.286%	2.594%
80	5.821%	4.277%	5.821%	4.277%
85	10.324%	7.292%	10.324%	7.292%
90	17.620%	12.778%	17.620%	12.778%

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%	8.68%	16	0.50%	4.27%
1	4.00%	7.90%	17	0.48%	4.25%
2	3.25%	7.12%	18	0.46%	4.23%
3	2.50%	6.34%	19	0.44%	4.21%
4	2.00%	5.83%	20	0.42%	4.19%
5	1.50%	5.31%	21	0.40%	4.16%
6	1.25%	5.05%	22	0.38%	4.14%
7	1.00%	4.79%	23	0.36%	4.12%
8	0.90%	4.68%	24	0.34%	4.10%
9	0.80%	4.58%	25	0.32%	4.08%
10	0.78%	4.55%	26	0.30%	4.06%
11	0.75%	4.53%	27	0.28%	4.04%
12	0.70%	4.48%	28	0.26%	4.02%
13	0.65%	4.42%	29	0.25%	4.01%
14	0.60%	4.37%	30+	0.25%	4.01%
15	0.55%	4.32%			

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%	9.98%	16	0.82%	4.60%
1	5.00%	8.94%	17	0.80%	4.57%
2	4.00%	7.90%	18	0.77%	4.55%
3	3.25%	7.12%	19	0.74%	4.52%
4	2.50%	6.34%	20	0.72%	4.50%
5	2.00%	5.83%	21	0.69%	4.47%
6	1.60%	5.41%	22	0.67%	4.45%
7	1.30%	5.10%	23	0.64%	4.42%
8	1.20%	4.99%	24	0.62%	4.39%
9	1.10%	4.89%	25	0.59%	4.37%
10	1.00%	4.79%	26	0.57%	4.34%
11	0.95%	4.74%	27	0.54%	4.32%
12	0.92%	4.70%	28	0.52%	4.29%
13	0.89%	4.68%	29	0.50%	4.27%
14	0.87%	4.65%	30+	0.50%	4.27%
15	0.85%	4.63%			

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	40%	40%	25%
10	25%	25%	0%
15	10%	10%	0%
20	10%	10%	0%
25	0%	10%	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, 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) %**
June 30, 2014	General	3,226	$ 221,733,000	$ 68,733	0.1 %
	Safety	910	83,659,000	91,933	2.6 %
	APCD	41	3,335,000	81,346	4.6 %
	Total	**4,177**	$ **308,727,000**	$ **73,911**	**0.8 %**

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
2005	202	$ 6,264,388	(81)	$ (1,410,780)	2,561	$ 58,823,879	12.5 %	$ 22,969
2006	191	$ 4,784,912	(73)	$ (1,257,887)	2,679	$ 64,580,012	9.8 %	$ 24,106
2007	203	$ 7,348,140	(70)	$ (1,165,047)	2,812	$ 70,763,105	9.6 %	$ 25,165
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
2014	203	$ 6,842,058	(79)	$ 2,112,523	3,897	$ 132,766,493	4.8 %	$ 34,069

* *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 - PENSION

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)
6/30/2009	$ 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	$ 1,747,430	$ 1,049,090	$ 2,968,134	100 %	100 %	22.0 %
6/30/2014	$ 2,513,630	$ 174,958	$ 1,822,654	$ 1,100,403	$ 3,098,015	100 %	100 %	47.0 %

* Information for years prior to 2013 was provided by prior actuaries.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE - PENSION

Dollars in Millions

As of June 30	2014	2013	2012	2011	2010	2009
Prior Valuation						
Unfunded Actuarial Accrued Liability	**$ 818.10**	**$ 827.70**	**$ 742.00**	**$ 688.90**	**$ 558.10**	**$ 244.40**
Expected Change from Prior Year	(6.4)	(7.1)	(0.8)	(10.1)	30.7	(4.1)
Actuarial (Gains) or Losses During the Year						
Asset Return (Greater) or Less than Expected	(71.7)	62.7	125.8	90.3	(85.3)	336.0
New Entrants	2.5	7.8	0.6	1.0	1.1	1.1
Salary Increases Greater or (Less) than Expected	(16.4)	(45.0)	(29.9)	(18.0)	(7.6)	(32.1)
Changes in Assumptions and Methodology	(132.3)	(26.0)	-	-	170.7	-
All Other (Including Demographic Experience)	(9.4)	(2.0)	(10.0)	(10.1)	21.2	12.8
Total Changes	(233.7)	(9.6)	85.7	53.1	130.8	313.7
Values as of Valuation Date	**$ 584.40**	**$ 818.10**	**$ 827.70**	**$ 742.00**	**$ 688.90**	**$ 558.10**

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

ACTUARIAL SOLVENCY TEST - OPEB

Dollars in Thousands

Valuation Date	Active Member Contribution (A)	Retirees and Beneficiaries (B)	Remaining Members' Liabilities (C)	Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets (A)	(B)	(C)
6/30/2012	$ N/A	$ 119,488	$ 70,691	$ 3,035	N/A %	3 %	- %
6/30/2014	$ N/A	$ 121,241	$ 71,964	$ 4,070	N/A %	3 %	- %

Information for years prior to 2014 was provided by prior actuaries.

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE - OPEB

Dollars in Millions

As of June 30	2014
Prior Valuation	
Unfunded Actuarial Accrued Liability	**$ 187.1**
Expected Change from Prior Year	(25.7)
Actuarial (Gains) or Losses During the Year	
Asset Return (Greater) or Less than Expected	0.6
Shortfall in Contribution vs. ARC	34.8
Changes in Assumptions and Methodology	(10.7)
All Other (Including Demographic Experience)	3.0
Total Changes	2.0
Values as of Valuation Date	**$ 189.1**

Information for years prior to 2014 was provided by prior actuaries.

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 59 for General Plan 2 (Gov. Code Sec. 31486.4)
- Age 59 for General Plan 5 (Gov. Code Sec. 31676.12)
- Age 59 for General Plan 7 (Gov. Code Sec. 31676.1)
- Age 59 for General Plan 8 (Gov. Code Sec. 7522.20
- Age 59 for APCD Plan (Gov. Code Sec. 31676.15)
- Age 55 for Safety Plan 4 (Gov. Code Sec. 31664.2)
- Age 50 for Safety Plan 6 (Gov. Code Sec. 31664.1)
- Age 55 for Safety Plan 8 (Gov. Code Sec. 7522.25)

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 multipler 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.

99 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	Misc. Income	Total
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	14,514,010	128,126,717	335,037,717	(5,906,399)	543,990	472,316,035
2015	16,622,138	133,033,308	27,656,731	(6,899,225)	689,829	171,102,781

Schedule of Deductions to Plan By Type

Fiscal Year	Benefits Paid	Member Withdrawals	Administrative Expenses	Total
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
2015	145,507,792	966,902	4,817,662	151,292,356

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
2006	42,993,071	27,439,334	265,414	320,245	-	71,018,064
2007	46,357,692	29,787,719	418,508	282,533	-	76,846,452
2008	50,680,926	32,900,009	596,896	231,350	-	84,409,181
2009	50,499,643	37,495,522	710,087	475,527	6,079,167	95,259,946
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
2015	76,809,418	57,519,938	2,051,853	423,108	8,703,475	145,507,792

Schedule of Participating Employers

Schedule of Participating Employers	June 30, 2015	June 30, 2014
County of Santa Barbara:		
General Members	3,040	2,904
Safety Members	899	886
Total:	3,939	3,790
Santa Barbara Courts:		
General Members	264	266
Total:	264	266
Participating District Members:		
Air Pollution Control	41	43
Carpinteria Cemetery	2	2
Carpinteria-Summerland Fire Protection	33	33
Goleta Cemetery	4	4
Oak Hill Cemetery	3	3
Santa Barbara Association of Governments	19	18
Santa Barbara Vector Control	7	7
Santa Maria Cemetery	6	7
Summerland Sanitary	4	4
Total:	119	121
Total Active Membership:	4,322	4,177

Data is for Pension Plan only.

Schedule of Employer Contribution Rates

Effective July 1, 2014

		SB County Air Pollution Control District	SB County & SB Courts	Special Districts
General	APCD 1	38.85%		
	APCD 2	37.38%		
	APCD 8	31.24%		
General	Plan 2		20.84%	
	Plan 5A		31.98%	31.98%
	Plan 5B		32.40%	
	Plan 5C		33.46%	
	Plan 7		31.41%*	N/A
	Plan 8		25.83%	
Safety	Plan 4A		53.14%	53.14%
	Plan 4B		52.25%	
	Plan 4C		52.96%	
	Plan 6A		59.47%	
	Plan 6B		59.37%	
	Plan 8		42.62%	

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

Schedule of Member Contribution Rates

Effective July 1, 2014

	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	2.77 %	5.54 %	2.67 %	2.22 %	7.70 %	5.13 %	10.26 %	4.93 %	5.13 %	4.93 %	14.27 %	3.27 %	6.53 %	7.70 %
21	2.83	5.66	2.73	2.27	7.70	5.23	10.47	5.03	5.23	5.03	14.27	3.34	6.68	7.70
22	2.89	5.79	2.79	2.33	7.70	5.34	10.69	5.14	5.34	5.14	14.27	3.41	6.83	7.70
23	2.96	5.92	2.85	2.38	7.70	5.45	10.91	5.25	5.45	5.25	14.27	3.49	6.98	7.70
24	3.03	6.05	2.92	2.43	7.70	5.57	11.13	5.35	5.57	5.35	14.27	3.57	7.13	7.70
25	3.09	6.19	2.98	2.49	7.70	5.68	11.36	5.46	5.68	5.46	14.27	3.65	7.29	7.70
26	3.16	6.32	3.05	2.54	7.70	5.80	11.60	5.57	5.80	5.57	14.27	3.73	7.45	7.70
27	3.23	6.46	3.12	2.60	7.70	5.92	11.83	5.69	5.92	5.69	14.27	3.81	7.61	7.70
28	3.30	6.61	3.19	2.66	7.70	6.30	12.07	5.80	6.30	5.80	14.27	3.89	7.78	7.70
29	3.38	6.76	3.26	2.71	7.70	6.15	12.31	5.91	6.15	5.91	14.27	3.97	7.95	7.70
30	3.45	6.91	3.33	2.77	7.70	6.27	12.55	6.03	6.27	6.03	14.27	4.06	8.12	7.70
31	3.53	7.06	3.40	2.83	7.70	6.40	12.79	6.14	6.40	6.14	14.27	4.14	8.29	7.70
32	3.61	7.21	3.48	2.90	7.70	6.52	13.04	6.26	6.52	6.26	14.27	4.23	8.46	7.70
33	3.68	7.37	3.55	2.96	7.70	6.64	13.29	6.38	6.64	6.38	14.27	4.32	8.64	7.70
34	3.76	7.53	3.63	3.02	7.70	6.77	13.54	6.50	6.77	6.50	14.27	4.41	8.81	7.70
35	3.84	7.69	3.70	3.08	7.70	6.90	13.79	6.62	6.90	6.62	14.27	4.50	8.99	7.70
36	3.92	7.85	3.78	3.15	7.70	7.02	14.05	6.74	7.02	6.74	14.27	4.59	9.18	7.70
37	4.01	8.01	3.86	3.21	7.70	7.15	14.31	6.86	7.15	6.86	14.27	4.68	9.36	7.70
38	4.09	8.18	3.94	3.28	7.70	7.28	14.57	6.98	7.28	6.98	14.27	4.78	9.55	7.70
39	4.17	8.35	4.02	3.35	7.70	7.42	14.83	7.11	7.42	7.11	14.27	4.87	9.74	7.70
40	4.26	8.52	4.10	3.42	7.70	7.55	15.11	7.24	7.55	7.24	14.27	4.97	9.93	7.70
41	4.35	8.69	4.18	3.48	7.70	7.69	15.38	7.37	7.69	7.37	14.27	5.06	10.13	7.70
42	4.43	8.87	4.26	3.55	7.70	7.83	15.67	7.50	7.83	7.50	14.27	5.16	10.32	7.70
43	4.52	9.05	4.35	3.62	7.70	7.98	15.96	7.63	7.98	7.63	14.27	5.26	10.51	7.70
44	4.61	9.23	4.43	3.69	7.70	8.13	16.25	7.77	8.13	7.77	14.27	5.36	10.71	7.70
45	4.70	9.41	4.52	3.76	7.70	8.28	16.55	7.90	8.28	7.90	14.27	5.46	10.92	7.70
46	4.79	9.59	4.60	3.84	7.70	8.43	16.85	8.04	8.43	8.04	14.27	5.56	11.13	7.70
47	4.89	9.77	4.69	3.91	7.70	8.58	17.16	8.16	8.58	8.16	14.27	5.67	11.34	7.70
48	4.98	9.96	4.78	3.98	7.70	8.72	17.45	8.26	8.72	8.26	14.27	5.77	11.53	7.70
49	5.07	10.15	4.86	4.05	7.70	8.85	17.70	8.33	8.85	8.33	14.27	5.86	11.72	7.70
50	5.17	10.34	4.95	4.13	7.70	8.96	17.91	8.37	8.96	8.37	14.27	5.94	11.88	7.70
51	5.27	10.54	5.04	4.20	7.70	9.02	18.04	8.37	9.02	8.37	14.27	6.00	12.00	7.70
52	5.37	10.74	5.12	4.27	7.70	9.04	18.09	8.37	9.04	8.37	14.27	6.03	12.07	7.70
53	5.46	10.93	5.20	4.33	7.70	9.04	18.09	8.61	9.04	8.61	14.27	6.04	12.07	7.70
54	5.55	11.10	5.26	4.38	7.70	9.04	18.09	8.92	9.04	8.92	14.27	6.04	12.07	7.70
55	5.63	11.25	5.30	4.41	7.70									
56	5.68	11.37	5.31	4.43	7.70									
57	5.71	11.43	5.31	4.43	7.70									
58	5.72	11.44	5.50	4.58	7.70									
59+	5.72	11.44	5.69	4.74	7.70									

Schedule of Average Benefit Payments

	Years of Retirement					
	0-9	10-14	15-19	20-24	25-29	30+
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
June 30, 2015						
Average Monthly Benefit	$ 3,173	$ 3,040	$ 2,632	$ 2,354	$ 2,387	$ 1,779
Average Annual Benefit	38,076	36,480	31,584	28,248	28,644	21,348
Number of Active Retirees	2,128	766	473	273	172	218

Data is for Pension Plan only.

Changes in Fiduciary Net Position - OPEB

Dollars in Thousands

As of June 30		2015	2014	2013	2012
Additions					
Employer Contributions	$	9,421	8,899	8,358	8,362
Net Investment Income		194	500	257	28
Miscellaneous Income		413	323	-	-
Total Additions		10,028	9,722	8,615	8,390
Deductions					
Benefits Paid	$	8,704	8,611	8,367	8,159
Administrative Expense		413	319	4	-
Total Deductions		9,117	8,930	8,371	8,159
Net Increase in Fiduciary Net Position	$	**911**	**792**	**244**	**231**

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107 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.