

A nighttime photograph of the San Diego County Administration Center building, illuminated with warm yellow lights. In the foreground, a large fountain with multiple jets of water is lit with blue and white lights, reflecting on the water. The background shows other city buildings and palm trees.

POPULAR ANNUAL FINANCIAL REPORT

For the Fiscal Year ended June 30, 2016

San Diego County Employees Retirement Association
SAN DIEGO COUNTY, CA

TO THE TRUSTEES, MEMBERS AND BENEFICIARIES OF THE
SAN DIEGO COUNTY EMPLOYEES RETIREMENT ASSOCIATION:

I am pleased to present the San Diego County Employees Retirement Association's (SDCERA) Popular Annual Financial Report (PAFR) for the fiscal year ended June 30, 2016 (FY 2016). This PAFR was prepared to provide an easy-to-understand summary of SDCERA's financial activities. The financial data was taken from SDCERA's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2016. Unlike the the financial data in the CAFR, this data is unaudited and does not provide all of the necessary financial statements and note disclosures required by Generally Accepted Accounting Principles. Both the CAFR and PAFR are available online at www.sdcera.org.

SDCERA's FY 2016 net investment return was 0.45 percent. Over the longer term, as of June 30, 2016, SDCERA's three-year net return was 5.38 percent, the five-year net return was 5.94 percent and the 10-year net return was 4.68 percent. Trust Fund assets totaled \$10.3 billion as of June 30, 2016.

Segal Consulting, an independent actuary, prepared SDCERA's FY 2016 Actuarial Valuation and Review that summarizes the actuarial data used in the valuation and establishes the funding requirements for fiscal year 2017. SDCERA's Plan Sponsor and four Participating Employers paid their actuarially determined contribution. Based on Segal's FY 2016 Actuarial Valuation and Review, SDCERA's funded ratio as of June 30, 2016 was 76.9 percent. The American Academy of Actuaries published an Issue Brief in July 2012 that notes, "While the funded ratio may be a useful measure, understanding a pension plan's funding progress should not be reduced to a single measure or benchmark at a single point in time." The funded ratio "is most meaningful when viewed together with other relevant information" including a plan sponsor's revenue, assets or payroll, level of debt and cash flow. SDCERA's Plan Sponsor, the County of San Diego, is one of the most financially strong and economically vibrant counties in the country, as evidenced by its triple-A ratings from Moody's, Standard & Poor's and Fitch Ratings.

In July 2015, SDCERA's senior management team agreed on an ambitious and comprehensive FY 2016 Action Plan. All of the Action Plan's goals were completed, and SDCERA is a stronger, more effective organization as a result. A more detailed description of these accomplishments is contained in my Transmittal Letter in the CAFR, and I encourage you to read it.

In July 2016, the Board, pursuant to its policy, elected three new officers: Dianne Jacob replaced Skip Murphy as Chair, Mark Oemcke replaced David Myers as Vice Chair and Samantha Begovich replaced Dick Vortmann as Secretary. I want to express my personal appreciation to these and all Trustees for their leadership, advice and support; SDCERA's FY 2016 successes would not have been possible without them. I also want to thank SDCERA staff for their hard work and dedication to our Members. Working together, the Board and staff are administering a sound retirement plan.

Sincerely,



David B. Wescoe
Chief Executive Officer
December 15, 2016

Fiscal year data is a snapshot in time, used to measure the strength of the fund.

PLAN NET POSITION

TABLE 1: NET POSITION

As of June 30, 2016 and 2015
(dollars in thousands)

	2016	2015	Increase/ (Decrease)	% Change
Cash, cash equivalents and collateral cash	\$512,589	\$4,743,035	\$(4,230,446)	(89.2%)
Securities lending cash collateral	54,236	84,964	(30,728)	(36.2%)
Receivables	519,973	33,799	486,174	1,438.4%
Investments	9,806,634	5,586,541	4,220,093	75.5%
Property, plant & equipment	11,029	12,479	(1,450)	(11.6%)
Total assets	\$10,904,461	\$10,460,818	\$443,643	4.2%
Collateral payable for Securities lending	54,297	85,129	(30,832)	(36.2%)
Investments purchased	558,257	12,224	546,033	4,466.9%
Other	22,849	26,565	(3,716)	(14.0%)
Total liabilities	\$635,403	\$123,918	\$511,485	412.8%
Plan Net Position at June 30	\$10,269,058	\$10,336,900	\$(67,842)	(0.7%)

CHANGES IN PLAN NET POSITION

For the years ended June 30, 2016 and 2015
(dollars in thousands)

	2016	2015	Increase/ (Decrease)	% Change
Additions				
Employer pension contributions	\$ 405,586	\$ 414,771	\$ (9,185)	(2.2%)
Employer OPEB contributions	19,719	21,111	(1,392)	(6.6%)
Member pension contributions	104,636	98,590	6,046	6.1%
Net investment income	62,999	242,100	(179,101)	(74.0%)
Net securities lending income	631	538	93	17.2%
Total additions	\$ 593,571	\$ 777,110	\$ (183,539)	(23.6%)
Deductions				
Retirement benefits	625,470	589,684	35,786	6.1%
Health benefits	18,443	19,346	(903)	(4.7%)
Refund of contributions	3,625	2,575	1,050	40.7%
Administrative expenses	13,875	14,043	(168)	(1.2%)
Total deductions	\$ 661,413	\$ 625,648	\$ 35,765	5.7%
Net increase (decrease) in net position	\$ (67,842)	\$ 151,462	\$(219,304)	(144.8%)
Plan Net Position at beginning of year	10,336,900	10,185,438		
Plan Net Position at end of year	\$10,269,058	\$10,336,900		

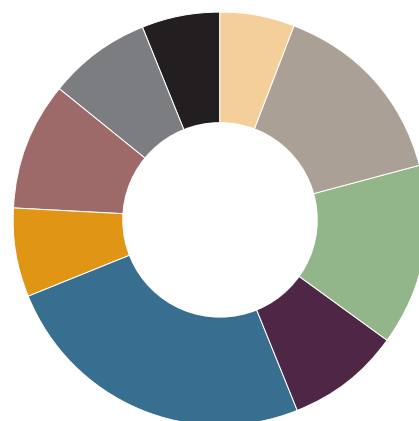
SDCERA MEMBERSHIP

As of June 30, 2016 and 2015

Category	2016	2015	Change
Active Members	17,768	17,656	112
Retired Members	17,734	17,186	548
Terminated Vested (Deferred)	5,413	5,274	139
Total Membership	40,915	40,116	799

ASSET ALLOCATION

As of June 30, 2016



- Global Equity - 6%
- U.S. Equity - 15%
- Non-U.S. Equity: Developed - 14%
- Non-U.S. Equity: Emerging - 9%
- Fixed Income and Cash - 25%
- Alternate/Opportunities/Other - 7%
- Real Estate - 10%
- Private Equity - 8%
- Private Real Assets - 6%



Strength. Service. Commitment.

San Diego County Employees
Retirement Association
San Diego County, CA

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Member Service Center:
619.515.6800 or 888.4.SDCERA