

# VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

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A Pension Trust Fund for the County of Ventura,  
Ventura County Courts and Two Special Districts  
Ventura, California

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
FOR THE FISCAL YEAR ENDED JUNE 30, 2011



# Comprehensive Annual Financial Report

*For The Fiscal Year Ended June 30, 2011*

Issued By:  
Henry C. Solis, CPA  
Interim Retirement Administrator

Ventura County Employees' Retirement Association

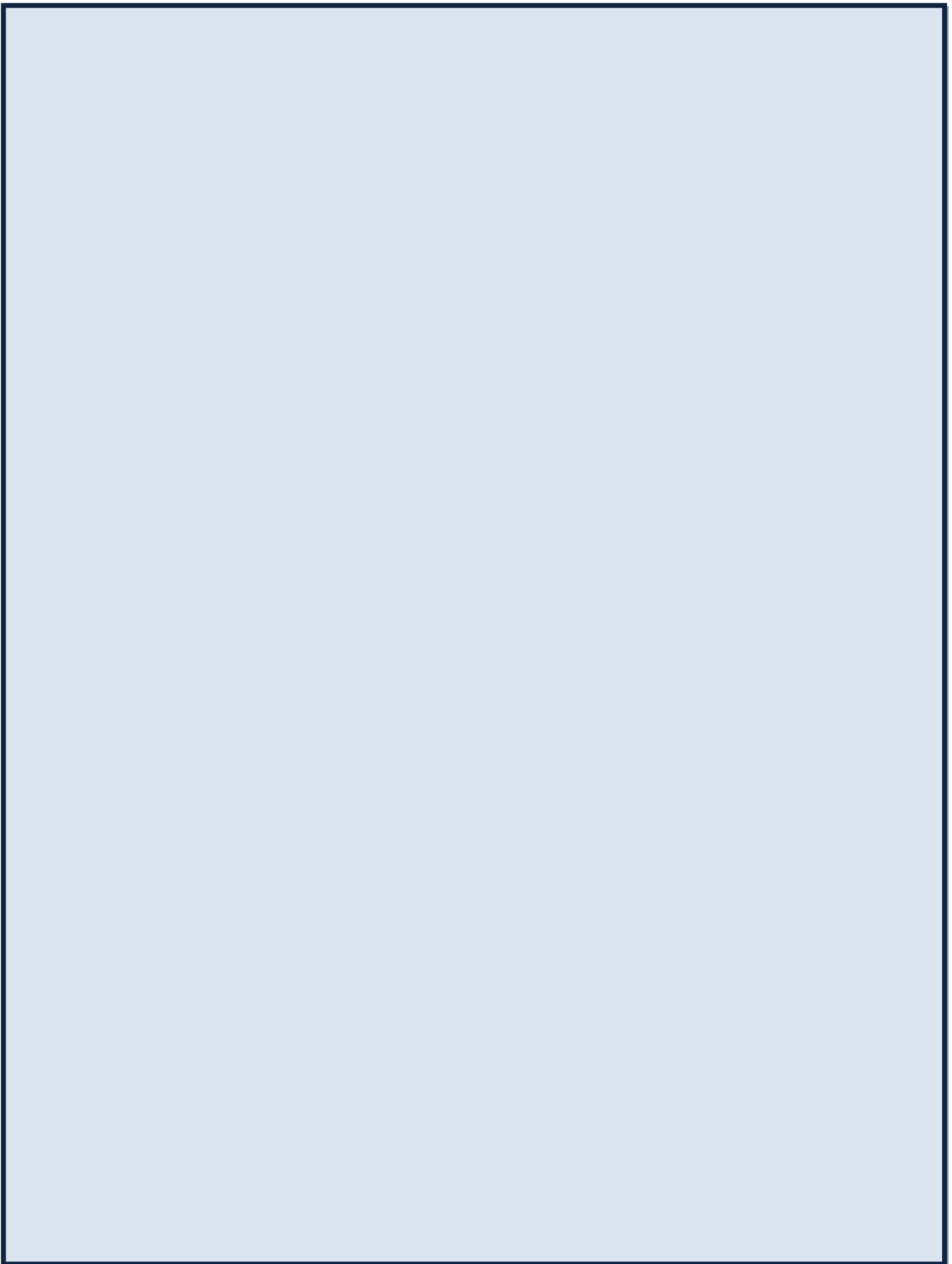
◆  
A Pension Trust Fund for the County of Ventura, Ventura County Courts and Two Special Districts

1190 South Victoria Avenue, Suite 200 • Ventura, CA 93003-6572  
805.339.4250 • fax 805.339.4269 • [www.ventura.org/vcera](http://www.ventura.org/vcera)



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# INTRODUCTORY





## *Letter of Transmittal*



1190 South Victoria Avenue, Suite 200  
Ventura, CA 93003-6572  
Phone: 805.339.4250  
Fax: 805.339.4269  
[www.ventura.org/vcera](http://www.ventura.org/vcera)

December 30, 2011

Board of Retirement  
Ventura County Employees' Retirement Association  
1190 South Victoria Avenue, Suite 200  
Ventura, CA 93003

Dear Board Members:

It is with pleasure that I submit to you the Comprehensive Annual Financial Report of the Ventura County Employees' Retirement Association (VCERA) for the fiscal year ended June 30, 2011, VCERA's 64th year of operation. The information contained in this report is intended to provide the user with a complete and accurate description of the past year's operations and other significant information regarding the retirement system, which includes employees of the County of Ventura, the Ventura County Courts, Air Pollution Control District, and the Ventura Regional Sanitation District.

VCERA management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information, including all disclosures, contained in this report. Your attention is directed to the Narrative Introduction found in the Statistical section, and the Overview and Analysis found in the Management Discussion & Analysis.

### **VCERA AND ITS SERVICES**

The Ventura County Employees' Retirement Association was established by the County of Ventura in 1947. VCERA is administered by the Board of Retirement and governed by the County Employees Retirement Law of 1937 (California Government Code Section 31450 et. seq.) VCERA is a public employee retirement system whose main function is to provide service retirement, disability, death and survivor benefits to the safety and general members employed by the County of Ventura. VCERA also provides retirement benefits to the employee members of the Ventura County Courts, Air Pollution Control District, and Ventura Regional Sanitation District.

### **MARKET CONDITIONS AND INVESTMENT RESULTS**

The recovery in the major markets continued into 2010-11 with investors being rewarded in the equity markets, while interest rates remained low providing only a modest return in fixed income.

# INTRODUCTORY

## *Letter of Transmittal (continued)*

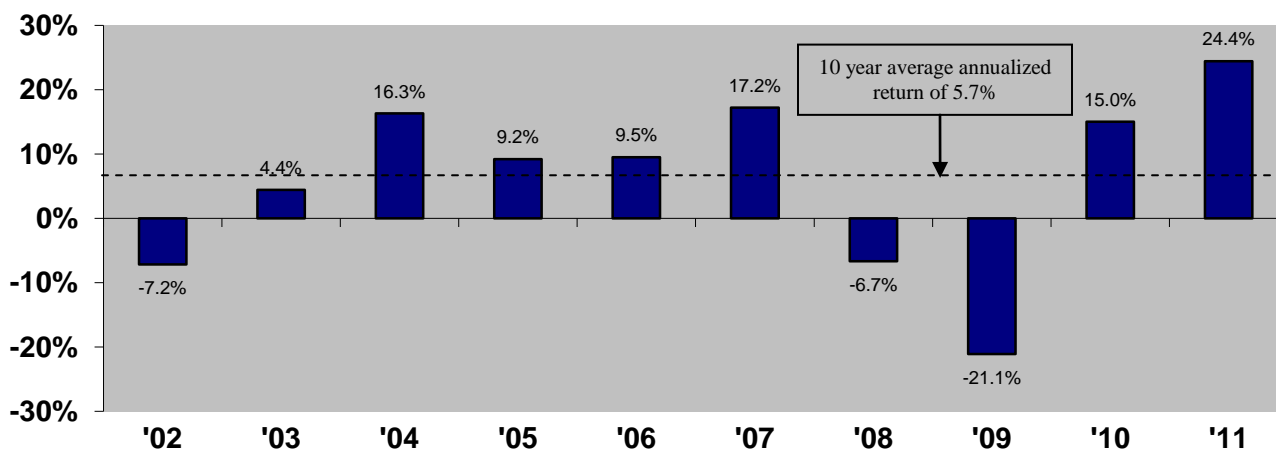
The U.S., despite high governmental debt, a slow recovery in employment, and the housing market, provided the strongest returns. However, the European crisis loomed over the economic landscape with investors concerned about the spread of Greece's insolvency.

Emerging markets provided strong returns even as the globalization of the economy continued to challenge policy makers, and investors alike.

For the fiscal year, U.S. equity markets returned 32.4%, international equity markets returned 30.3%, fixed income markets returned 3.9%, while real estate returned 18.0%.

For the years ended June 30, 2011 and 2010, VCERA investments provided a 24.4% and 15.0% return, respectively. VCERA's annualized return over the last 3 years and 5 years was 5.1% and 5.5%, respectively.

VCERA's annualized return over the past ten years was 5.7% with the annual returns by year expressed as follows:



## **SIGNIFICANT EVENTS, ACCOMPLISHMENTS AND OBJECTIVES**

The 2010-2011 fiscal year saw changes in the operation and administration of the retirement system by your board and staff. Some of the more significant events and accomplishments of the past year are summarized below:

- Retirement Administrator retired.
- Pension Administration System Project replacement vendor was sought.
- Began a facilities remodel.

## *Letter of Transmittal (continued)*

Objectives established by the Board and staff for the coming year include:

- Select Investment Manager(s) for Global Fixed Income mandate.
- Appoint a Retirement Administrator.
- Select a new Pension Administration System vendor.
- Continue with VCERA's ongoing trustee and staff training programs.

### **FINANCIAL INFORMATION**

Management is responsible for preparing retirement system financial statements, notes, supplementary disclosures and establishing and maintaining an adequate internal control structure designed to ensure retirement system assets are protected. VCERA recognizes that even sound internal controls have inherent limitations. Our internal controls are designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that cost-benefit analyses requires estimates and judgments by management.

Brown Armstrong Accountancy Corporation was retained by the Board to perform the annual audit as of June 30, 2011. The financial audit states that VCERA's financial statements are prepared in conformity with generally accepted accounting principles and are free of material misstatement.

### **ACTUARIAL FUNDING STATUS**

VCERA's funding objective is to meet long-term benefit requirements by maintaining a well-funded plan. Characteristics of a well-funded plan include a high ratio of accumulated plan assets to meet accrued actuarial liabilities. Sources of funding include employer and employee contributions and investment income. As of June 30, 2011, VCERA's value of actuarial assets was approximately \$3.2 billion resulting in a funding status of 80.6%. A six-year history of funding progress is presented on page 33.

Annually, VCERA retains an independent actuarial firm to conduct an actuarial valuation. The Segal Company performed the June 30, 2011 valuation. Triennially, VCERA will request its actuary to analyze the appropriateness of all economic and non-economic assumptions used in the annual valuations. Recommendations for assumption changes are presented to the Board for their consideration.

The latest triennial investigation was completed as of June 30, 2008, and recommended assumption changes were adopted on July 20, 2009.

# INTRODUCTORY

*Letter of Transmittal (continued)*

## INVESTMENTS

VCERA's investment policy is established in accordance with the County Employees' Retirement Law of 1937. The policy requires the Board to discharge their duties:

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

A summary of the asset allocation can be found in the investment section of this report.

## CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Ventura County Employees' Retirement Association for its comprehensive annual financial report for the fiscal year ended June 30, 2010. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## ACKNOWLEDGEMENTS

The preparation of this Comprehensive Annual Financial Report reflects the efforts of VCERA staff and consultants who made significant contributions to the preparation of this report. I would also like to thank our auditor, Brown Armstrong Accountancy Corporation, for their professional assistance.

Finally, on behalf of VCERA staff, I want to thank your Board for its continued support this past year. The leadership and support provided by your Board has contributed to the overall success of our retirement system.

Respectfully submitted,



HENRY C. SOLIS, CPA  
Interim Retirement Administrator

## Certificate of Achievement for Excellence in Financial Reporting

Presented to  
Ventura County  
Employees' Retirement Association  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2010

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# INTRODUCTORY

*Members of the Board of Retirement  
at June 30, 2011*

## **CHAIRMAN**

**Tracy Towner**, Employee Member  
Elected by Safety Members  
Present term expires July 21, 2011

## **VICE-CHAIRMAN**

**William W. Wilson**, Public Member  
Appointed by the Board of Supervisors  
Present term expires January 23, 2010

## **TREASURER**

**Steven Hintz**, Ventura County Treasurer-Tax Collector  
Ex-officio Member of the Board of Retirement  
Present term expires January 3, 2014

## **MEMBERS**

**Steve Bennett**, County Supervisor, Public Member  
Appointed by the Board of Supervisors  
Present term expires January 3, 2012

**Joseph Henderson**, Public Member  
Appointed by the Board of Supervisors  
Present term expires January 13, 2011

**Albert G. Harris**, Public Member  
Appointed by the Board of Supervisors  
Present term expires January 13, 2011

**Karen Anderson**, Employee Member  
Elected by General Members  
Present term expires September 8, 2011

**Robert Hansen**, Employee Member  
Elected by General Members  
Present term expires April 5, 2013

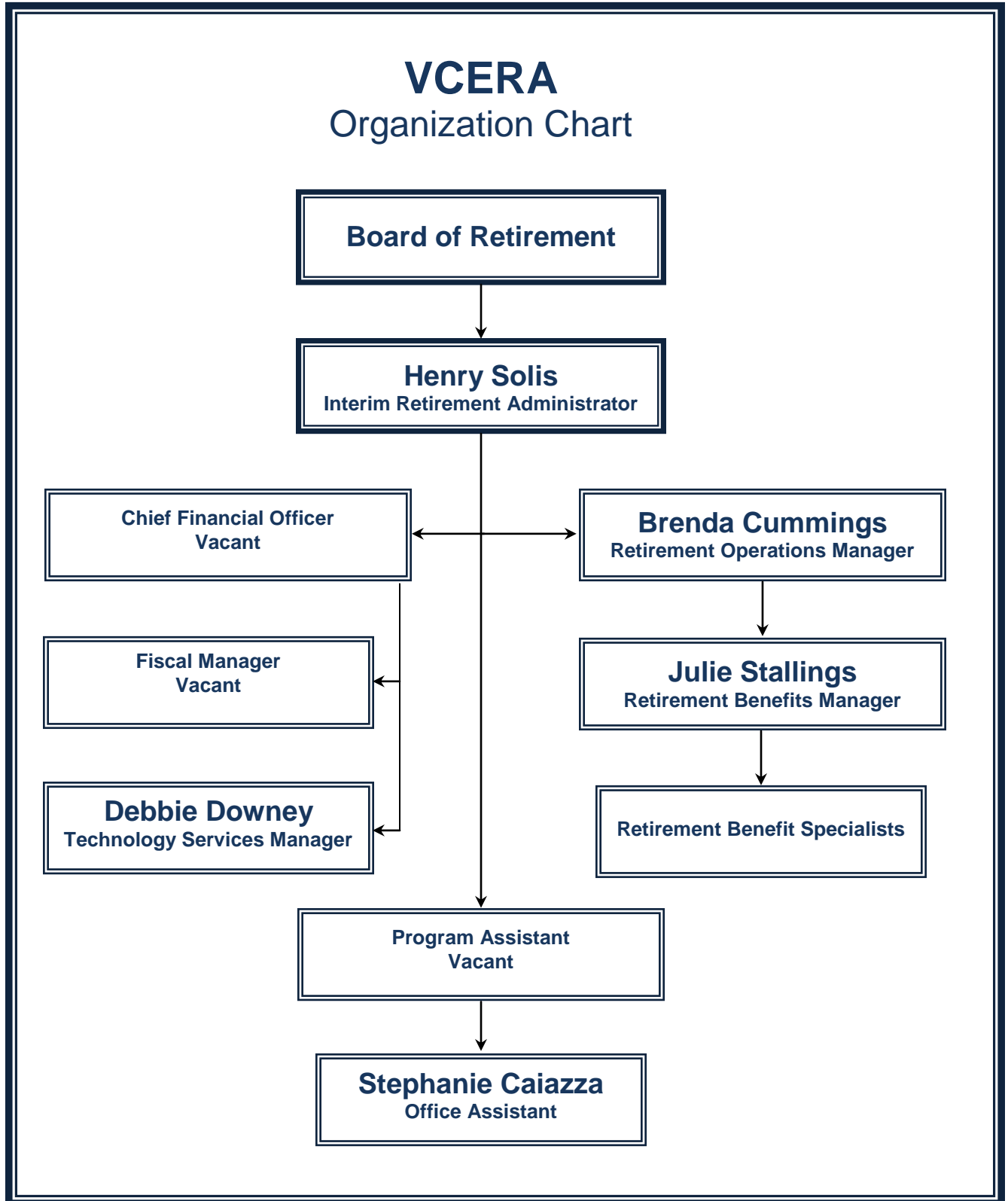
**Arthur E. Goulet**, Retired Member  
Elected by Retired Members  
Present term expires November 3, 2011

## **ALTERNATE MEMBERS**

**Chris Johnston**, Employee Member  
Elected by Safety Members  
Present term expires July 21, 2011

**Will Hoag**, Retired Member  
Elected by Retired Members  
Present term expires November 3, 2011

## Organization Chart



# INTRODUCTORY

## *List of Professional Consultants*

### **ACTUARY**

The Segal Company

### **CUSTODIAN**

State Street Bank and Trust

### **INDEPENDENT AUDITOR**

Brown Armstrong Accountancy Corporation

### **LEGAL COUNSEL**

County Counsel of Ventura County

Manatt, Phelps & Phillips

Foley & Lardner LLP

HansonBridgett

### **TECHNICAL SUPPORT**

Automatic Data Processing

Information Technology Services of Ventura County

CMP Associates

Linea Solutions

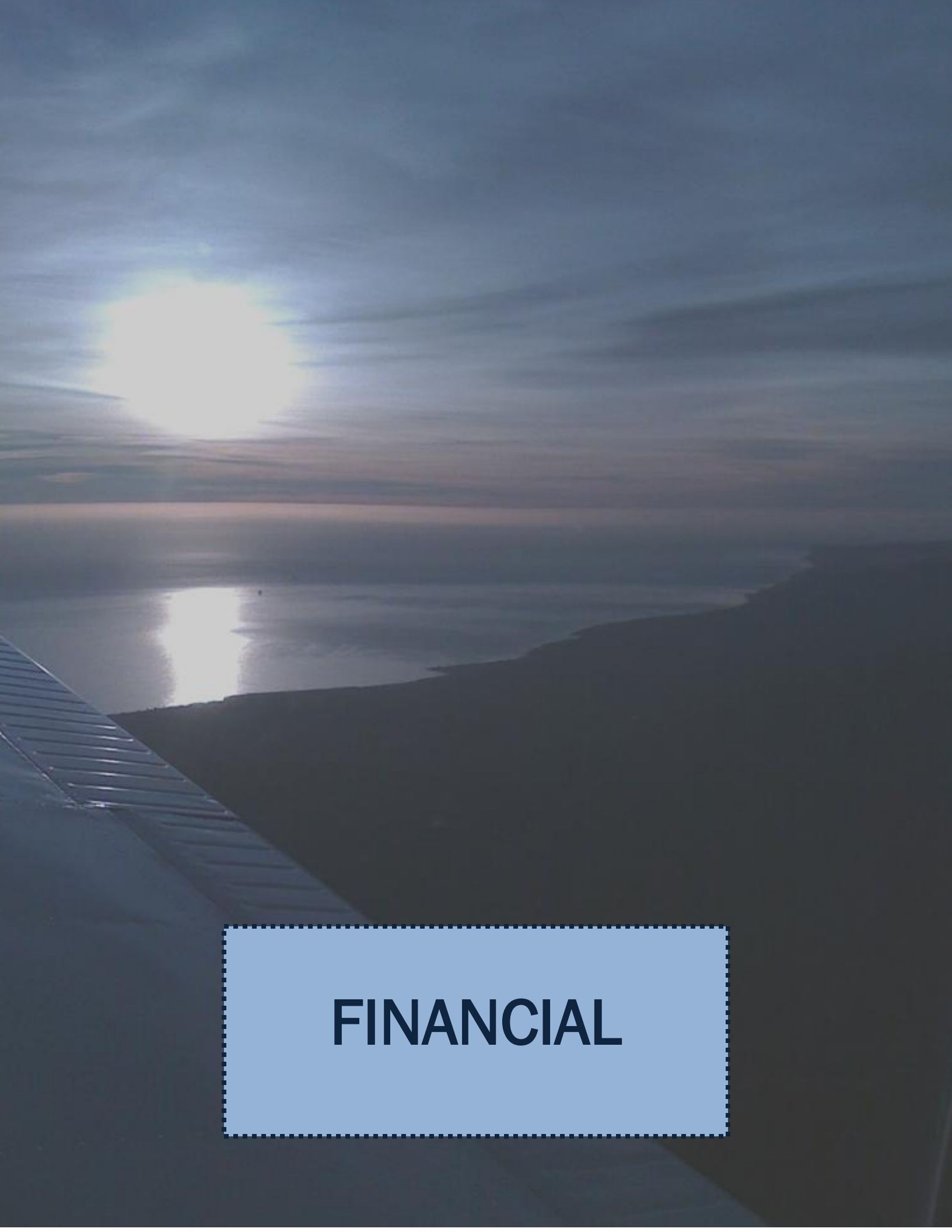
In-Balance

CPAS Systems, Inc.

Microsoft

List of Investment Professionals is located on Page 41 of the Investment Section of this report.





**FINANCIAL**





**BROWN ARMSTRONG**  
**CERTIFIED PUBLIC ACCOUNTANTS**

**MAIN OFFICE**  
**4200 TRUDGTUM AVENUE**  
 SUITE 300  
 SAK RSFIELD, CA 93309  
 TEL 861.324.4971  
 FAX 861.324.4977  
 EMAIL info@brownarmstrong.com

**440 CENTRAL AVENUE**  
 SHAWTER, CALIFORNIA 93283  
 TEL 861.746.2146  
 FAX 861.746.1218

**8800 N. PALM AVENUE**  
 SUITE 300  
 FRESNO, CALIFORNIA 93711  
 TEL 559.476.3592  
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**770 E. COLORADO BLVD.**  
 SUITE 500B  
 PASADENA, CALIFORNIA 91101  
 TEL 626.340.0930  
 FAX 626.340.0932

**REGISTERED** with the Public Company Accounting Oversight Board and  
**MEMBER** of the American Institute of Certified Public Accountants

## BROWN ARMSTRONG

*Certified Public Accountants*

### INDEPENDENT AUDITOR'S REPORT

Board of Retirement  
 Ventura County Employees' Retirement Association  
 Ventura, California

We have audited the accompanying Statement of Plan Net Assets of the Ventura County Employees' Retirement Association (VCERA) as of June 30, 2011 and 2010, and the related Statement of Changes in Plan Net Assets for the years then ended. These financial statements are the responsibility of VCERA management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VCERA's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of VCERA as of June 30, 2011 and 2010, and its changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and the schedules of funding progress and employer contributions be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of the financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The Other Supplementary Information and the Introductory, Investment, Actuarial and Statistical sections as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements. The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory, Investment, Actuarial and Statistical sections have not been subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we do not express an opinion or provide any assurance on them.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2011, on our consideration of VCERA's 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* and should be considered in assessing the results of our audit.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION



Bakersfield, California  
December 30, 2011

## *Management's Discussion and Analysis*

### MANAGEMENT'S DISCUSSION AND ANALYSIS

The following review of the results of Ventura County Employees' Retirement Association's operations and financial condition for the year ended June 30, 2011 should be read in conjunction with the Letter of Transmittal found in the Introductory Section of the report and with the required financial statements that follow this discussion and analysis.

### HIGHLIGHTS

- VCERA's net assets held in trust for pension benefits increased \$602.8 million to approximately \$3.2 billion for the fiscal year ending June 30, 2011.
- Deductions in Plan Net Assets increased 8.9% to \$188.8 million.
- VCERA's funding status, as measured by the actuarial value of assets less the actuarial value of accrued liabilities, increased to approximately 80.6%.

### THE FINANCIAL SECTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The financial section of this Comprehensive Annual Financial Report consists of two financial statements, required supplementary information, and other supplemental schedules. The *Statement of Plan Net Assets* includes information, as of the end of the fiscal year, about VCERA's assets, liabilities, and net assets on a fair value basis. The *Statement of Changes in Plan Net Assets* includes information about the additions to, deductions from, and net increase/decrease for the year in plan net assets. The required supplementary information provides historical trend information about VCERA's funding status and annual required employer contributions. The other supplemental schedules provide details of administrative expenses, investment expenses and payments to consultants.

### FINANCIAL ANALYSIS

Despite concerns over the housing market, continued high unemployment, and government debt the markets provided strong returns for the year. All VCERA asset classes experienced positive results. During the year, the domestic equity portfolio outperformed all other VCERA asset classes with a positive return of 32.7%. The international equity portfolio and the global equity portfolio gained 29.5% and 32.5%, respectively. The fixed income portfolio and the real estate portfolio gained 7.4% and 18.7%, respectively.

VCERA's funded status increased to 80.6% from 80.4% during the year as the return on the investments exceeded the growth in obligations. Management maintains, as supported by the annual actuarial valuations, that VCERA remains in a financial position to meet all obligations to participants and beneficiaries.

# FINANCIAL

## *Management's Discussion and Analysis (continued)*

### NET ASSETS HELD IN TRUST FOR PENSION BENEFITS

Net Assets Held in Trust for Pension Benefits (Net Assets) represent assets held to pay benefits earned by plan members. Net Assets increased 23.5% during the year to approximately \$3.2 billion. The increase is attributable to an approximate \$587 million increase in the fair value of VCERA's investment portfolio as appreciation in the value of equity and real estate portfolios caused by market conditions were the contributing factor to the increase in Investments. Current Assets increased during the year as cash and accrued assets were higher than in the prior year. Total Liabilities increased due to higher securities payable compared to the outstanding balance on June 30, 2010.

| (\$ IN THOUSANDS)   | 2011               | 2010               | DIFFERENCE        | % CHANGE     |
|---------------------|--------------------|--------------------|-------------------|--------------|
| CURRENT ASSETS      | \$ 342,335         | \$ 237,292         | \$ 105,043        | 44.3%        |
| INVESTMENTS         | 3,097,001          | 2,509,718          | 587,283           | 23.4%        |
| <b>TOTAL ASSETS</b> | <b>3,439,336</b>   | <b>2,747,010</b>   | <b>692,326</b>    | <b>25.2%</b> |
| TOTAL LIABILITIES   | (267,011)          | (177,459)          | (89,552)          | 50.5%        |
| <b>NET ASSETS</b>   | <b>\$3,172,325</b> | <b>\$2,569,551</b> | <b>\$ 602,774</b> | <b>23.5%</b> |

Net Assets have recovered from the 2008 Net Asset value as the global economic recovery that began in March 2009, continued through 2011.

|                     | 2010               | 2009               | DIFFERENCE        | % CHANGE     |
|---------------------|--------------------|--------------------|-------------------|--------------|
| CURRENT ASSETS      | \$ 237,292         | \$ 184,165         | \$ 53,127         | 28.8%        |
| INVESTMENTS         | 2,509,718          | 2,167,656          | 342,062           | 15.8%        |
| <b>TOTAL ASSETS</b> | <b>2,747,010</b>   | <b>2,351,821</b>   | <b>395,189</b>    | <b>16.8%</b> |
| TOTAL LIABILITIES   | (177,459)          | (104,188)          | (73,271)          | 70.3%        |
| <b>NET ASSETS</b>   | <b>\$2,569,551</b> | <b>\$2,247,633</b> | <b>\$ 321,918</b> | <b>14.3%</b> |

### ADDITIONS TO PLAN NET ASSETS

The primary sources to finance benefits VCERA provides are accumulated through investment income and the collection of employer and employee contributions. Fiscal year 2011 results showed a 13.6% increase in employer contributions while employee contributions increased 4.2%. Net investment income added an additional \$280 million from 2010 levels as the investment market continued to rally.

| (\$ IN THOUSANDS)      | 2011              | 2010              | DIFFERENCE        | % CHANGE     |
|------------------------|-------------------|-------------------|-------------------|--------------|
| EMPLOYER CONTRIBUTIONS | \$ 120,053        | \$ 105,703        | \$ 14,350         | 13.6%        |
| EMPLOYEE CONTRIBUTIONS | 44,238            | 42,466            | 1,772             | 4.2%         |
| NET INVESTMENT INCOME  | 627,327           | 347,087           | 280,240           | 80.7%        |
| <b>TOTAL ADDITIONS</b> | <b>\$ 791,618</b> | <b>\$ 495,256</b> | <b>\$ 296,362</b> | <b>59.8%</b> |

*Management's Discussion and Analysis (continued)*

| (\$ IN THOUSANDS)      | 2010              | 2009                | DIFFERENCE        | % CHANGE      |
|------------------------|-------------------|---------------------|-------------------|---------------|
| EMPLOYER CONTRIBUTIONS | \$ 105,703        | \$ 113,916          | \$ (8,213)        | (7.2%)        |
| EMPLOYEE CONTRIBUTIONS | 42,466            | 42,326              | 140               | 0.3%          |
| NET INVESTMENT INCOME  | 347,087           | (625,183)           | 972,270           | 155.5%        |
| <b>TOTAL ADDITIONS</b> | <b>\$ 495,256</b> | <b>\$ (468,941)</b> | <b>\$ 964,197</b> | <b>205.6%</b> |

## DEDUCTIONS IN PLAN NET ASSETS

VCERA's assets are used primarily in the payment of benefits to retired members and their beneficiaries, refunds of member contributions and plan administration costs. An increase in the number of retired members and an increase in the average benefit payment were the primary contributors to the increase in Benefit Payments in 2011. Administrative and Legal expenses were greater due primarily with the costs associated with the development of a new Pension Administration System.

| (\$ IN THOUSANDS)       | 2011             | 2010             | DIFFERENCE    | % CHANGE    |
|-------------------------|------------------|------------------|---------------|-------------|
| BENEFIT PAYMENTS        | \$180,070        | \$166,029        | 14,041        | 8.5%        |
| MEMBER REFUNDS          | 4,388            | 3,227            | 1,161         | 36.0%       |
| ADMINISTRATIVE          | 4,387            | 4,081            | 306           | 7.5%        |
| <b>TOTAL DEDUCTIONS</b> | <b>\$188,845</b> | <b>\$173,337</b> | <b>15,508</b> | <b>8.9%</b> |

| (\$ IN THOUSANDS)       | 2010             | 2009             | DIFFERENCE       | % CHANGE    |
|-------------------------|------------------|------------------|------------------|-------------|
| BENEFIT PAYMENTS        | \$166,029        | \$153,089        | \$ 12,940        | 8.5%        |
| MEMBER REFUNDS          | 3,227            | 3,253            | (26)             | (0.8%)      |
| ADMINISTRATIVE          | 4,081            | 3,536            | 545              | 15.4%       |
| <b>TOTAL DEDUCTIONS</b> | <b>\$173,337</b> | <b>\$159,878</b> | <b>\$ 13,459</b> | <b>8.5%</b> |

Member refunds reflect a 36% increase of over \$1.1 million dollars in 2011.

## VCERA'S FIDUCIARY RESPONSIBILITY

VCERA is a fiduciary for the County of Ventura's, Ventura County Courts', Air Pollution Control District's, and Ventura Regional Sanitation District's pension plans. As such, VCERA is responsible for ensuring the plan assets reported in these financial statements are used to pay retirement benefits to eligible plan participants.

# FINANCIAL

## *Management's Discussion and Analysis (continued)*

### **POTENTIALLY CHANGING STANDARDS**

The Government Accounting Standards Board (GASB), which sets generally accepted accounting principles (GAAP) for governments including VCERA is discussing potentially major changes to the pension accounting and reporting framework. A "preliminary views" document has been released, reflecting the views and positions of the GASB in advance of releasing an exposure draft of standards. The GASB's preliminary view is that entities like VCERA would solely be responsible for investing plan assets. The unfunded actuarially accrued liability would be apportioned to our plan sponsors, where the actuarially accrued liability would be presented in their statement of net assets. Though the Board has taken no formal position on the preliminary views of GASB, our professional organizations and management are monitoring these developments very closely and are active in commenting on the proposal.

### **CONTACTING VCERA'S MANAGEMENT**

This financial report is designed to provide VCERA's trustees, plan sponsors, and members with a general overview of VCERA's finances and to detail VCERA's accountability for the funds received. If you have questions about this report, or need additional information, please contact VCERA at 1190 South Victoria Avenue, Suite 200, Ventura, CA 93003.

Respectfully submitted,



HENRY C. SOLIS, CPA  
Interim Retirement Administrator



A scenic view of a sunset over a body of water, with a corrugated metal roof in the foreground. The sun is low on the horizon, casting a bright glow and a reflection on the water. The sky is filled with soft, wispy clouds. The overall color palette is dominated by blues and greys, with the warm tones of the sunset providing a focal point.

# FINANCIAL STATEMENTS



# FINANCIAL STATEMENTS

*Statements of Plan Net Assets*  
*June 30, 2011 and 2010*

|  | 2011                   | 2010                   |
|--|------------------------|------------------------|
| <b>ASSETS</b>  |                        |                        |
| CASH AND SHORT TERM INVESTMENTS                            | \$ 188,845,553         | \$ 57,584,598          |
| SECURITIES LENDING CASH COLLATERAL                         | 122,498,629            | 171,561,750            |
| <b>RECEIVABLES</b>   |                        |                        |
| EMPLOYER/EMPLOYEE CONTRIBUTIONS                            | 2,372,406              | 1,652,208              |
| ACCRUED INTEREST AND DIVIDENDS                             | 4,636,910              | 5,178,129              |
| SECURITY SALES   | 23,957,578             | 1,292,222              |
| MISCELLANEOUS  | 23,368                 | 23,360                 |
| <b>TOTAL RECEIVABLES</b>                                   | <b>30,990,262</b>      | <b>8,145,919</b>       |
| <b>INVESTMENTS AT FAIR VALUE</b>                           |                        |                        |
| DOMESTIC EQUITY SECURITIES                                 | 87,525,573             | 61,640,311             |
| DOMESTIC EQUITY INDEX FUNDS                                | 1,047,956,163          | 874,419,152            |
| INTERNATIONAL EQUITY SECURITIES                            | 606,358,551            | 467,427,458            |
| GLOBAL EQUITY  | 271,485,010            | 203,866,096            |
| PRIVATE EQUITY   | 13,642,798             | 3,882,499              |
| UNITED STATES GOVERNMENT DEBT SECURITIES & CORPORATE BONDS | 688,124,087            | 637,167,588            |
| DOMESTIC BOND INDEX FUND                                   | 92,814,876             | 85,299,731             |
| INTERNATIONAL BONDS  | 26,374,379             | 19,574,519             |
| REAL ESTATE  | 253,973,321            | 156,440,846            |
| ALTERNATIVE  | 8,746,510              | 0                      |
| <b>TOTAL INVESTMENTS</b>                                   | <b>3,097,001,268</b>   | <b>2,509,718,200</b>   |
| <b>TOTAL ASSETS</b>  | <b>3,439,335,712</b>   | <b>2,747,010,467</b>   |
| <b>LIABILITIES</b>   |                        |                        |
| SECURITY PURCHASES   | 142,597,140            | 4,175,431              |
| ACCOUNTS PAYABLE   | 1,914,880              | 1,721,431              |
| SECURITIES LENDING   | 122,498,629            | 171,561,750            |
| <b>TOTAL LIABILITIES</b>                                   | <b>267,010,649</b>     | <b>177,458,612</b>     |
| <b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS</b>       | <b>\$3,172,325,063</b> | <b>\$2,569,551,855</b> |

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

# FINANCIAL STATEMENTS

*Statements of Changes in Plan Net Assets  
For the Years Ended June 30, 2011 and 2010*

|   | 2011                   | 2010                   |
|---|------------------------|------------------------|
| <b>ADDITIONS</b>  |                        |                        |
| <b>CONTRIBUTIONS</b>  |                        |                        |
| EMPLOYER - ACTUARIALLY DETERMINED   | \$ 111,584,808         | \$97,332,050           |
| EMPLOYER - OTHER  | 8,468,737              | 8,370,879              |
| EMPLOYEE  | 44,237,695             | 42,466,182             |
| <b>TOTAL CONTRIBUTIONS</b>  | <b>164,291,240</b>     | <b>148,169,111</b>     |
| <b>INVESTMENT INCOME (LOSS)</b>   |                        |                        |
| NET APPRECIATION (DEPRECIATION) IN FAIR VALUE OF INVESTMENTS              | 594,636,478            | 313,545,000            |
| INTEREST INCOME   | 24,221,707             | 26,279,656             |
| DIVIDEND INCOME   | 3,707,592              | 2,390,084              |
| REAL ESTATE OPERATING INCOME (NET)  | 11,875,836             | 10,793,788             |
| INVESTMENT EXPENSE  | (7,403,928)            | (6,255,879)            |
| <b>NET INVESTMENT INCOME (LOSS),<br/>BEFORE SECURITIES LENDING INCOME</b> | <b>627,037,685</b>     | <b>346,752,649</b>     |
| <b>SECURITIES LENDING INCOME</b>  |                        |                        |
| EARNINGS  | 673,699                | 707,814                |
| REBATES   | (260,728)              | (229,870)              |
| FEES  | (123,919)              | (143,407)              |
| <b>NET SECURITIES LENDING INCOME</b>                                      | <b>289,052</b>         | <b>334,537</b>         |
| <b>NET INVESTMENT INCOME (LOSS)</b>                                       | <b>627,326,737</b>     | <b>347,087,186</b>     |
| <b>TOTAL ADDITIONS</b>  | <b>791,617,977</b>     | <b>495,256,297</b>     |
| <b>DEDUCTIONS</b>   |                        |                        |
| BENEFIT PAYMENTS  | 180,069,857            | 166,028,550            |
| MEMBER REFUNDS  | 4,388,204              | 3,227,440              |
| ADMINISTRATIVE EXPENSES   | 4,386,708              | 4,081,469              |
| <b>TOTAL DEDUCTIONS</b>   | <b>188,844,769</b>     | <b>173,337,459</b>     |
| <b>NET INCREASE (DECREASE)</b>  | <b>602,773,208</b>     | <b>321,918,838</b>     |
| <b>NET ASSETS HELD IN TRUST FOR PENSION BENEFITS:</b>                     |                        |                        |
| <b>BEGINNING OF YEAR</b>  | 2,569,551,855          | 2,247,633,017          |
| <b>END OF YEAR</b>  | <b>\$3,172,325,063</b> | <b>\$2,569,551,855</b> |

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

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010*

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**REPORTING ENTITY.** Ventura County Employees' Retirement Association, with its own governing board, is an independent governmental entity separate and distinct from the County of Ventura. Actuarially determined financial data for VCERA is included in the County of Ventura's Annual Financial Report in the "Notes to the Basic Financial Statements" section. The specific elements of the financial accountability criteria considered in defining a reporting entity are appointment of a voting majority of the Board and either the ability to impose will or possibility of providing a financial benefit or imposing a financial burden. Application of the financial accountability criteria did not identify additional entities to be included in VCERA's annual report.

**BASIS OF ACCOUNTING.** The accompanying financial statements are prepared on the accrual basis. Investment income is recognized when earned. Administrative and investment expenses are recorded when incurred. Contributions, benefit payments, and refunds are recorded when due and payable in accordance with the terms of the plan. The net appreciation (depreciation) in the fair value of investments is recorded as an increase (decrease) in investment income based upon investment valuations.

**INVESTMENT VALUATION.** VCERA investments are presented at fair value. The fair value of investments is based on published market prices and quotations from major investment brokers at current exchange rates, as available. Many factors are considered in arriving at that fair value. In general, however, corporate bonds are valued based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages are valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on competitive market prices as determined by specialists. Short-term investments are reported at fair value.

**RECEIVABLES.** Receivables consist primarily of interest, dividends, and investments in transition, i.e., traded but not settled, and contributions owed by the employing entities as of June 30, 2011.

**USE OF ESTIMATES.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**SECURITIES LENDING.** Cash collateral received in the course of securities lending transactions is recorded as a current asset of VCERA, and the obligation to repay the collateral is recorded as a current liability, in accordance with the requirements of GASB Statement Number 28. In addition, gross earnings received on invested cash collateral are reported as Earnings, and borrower rebates and agent fees are recorded as Rebates and Fees, respectively. This Earnings, Rebates, and Fees amounted to \$673,699, \$260,728, and \$123,919, respectively, for the year ended June 30, 2011, a decrease due primarily to reduced activity in securities lending

# FINANCIAL STATEMENTS

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continued)*

activity. Non-cash collateral, and the related repayment obligation, is not recorded on the books of the Association, as there is no ability to pledge or sell the collateral absent borrower default. See Note 3 for additional information on securities lending.

### **IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENT.**

- i. During December 2010, GASB issued Statement No.60, *Accounting and Financial Reporting for Service concession Arrangements*, Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*, and Statement No. 62, *Codification of Accounting and Financial Reporting guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. All of these statements will be implemented in fiscal 2013. It is unclear what impact, if any, these statements will have on VCERA.
- ii. Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position* modifies current financial reporting of those elements. The largest change will be the replacement of the current Statement of Net (Plan if retirement entity) Assets with a Statement of Net (Plan) Position and a Statement of Changes in Net Position instead of the current Statement of Changes in (Plan) Net Assets upon implementation for periods beginning after December 15, 2011. VCERA will implement this change for the fiscal year ended June 30, 2012.
- iii. Statement No. 64 - *Derivative instruments: Application of Hedge Accounting Termination Provisions* - GASB-64 amends current accounting and financial reporting related to terminations of swap agreements due to default or other termination events. In certain instances where swap counterparties or credit support providers are replaced, hedge accounting may continue, rather than cease. The provisions of GASB-64 are effective for financial statements beginning after June 15, 2011. Because VCERA does not enter into hedge agreements with swap providers for the purpose of managing risk beyond investment return, GASB-64 will not apply. As of the date of the basic financial statements, VCERA has not made an assessment of any changes that will occur upon this statement's implementation.
- iv. During 2011, GASB also released a mid-year supplement to the *Comprehensive Implementation Guide* that clarifies a number of reporting and accounting issues with regard to financial instruments and investments. The effect of these changes on VCERA include segregation of disclosure of different types of United States Treasury and Agency investments. Investments that have an explicit federal guarantee contain different disclosure than those that have an implicit guarantee. Note 3 to the basic financial statements include these updated disclosures.

# FINANCIAL STATEMENTS

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continues)*

### 2. PLAN DESCRIPTION

The Ventura County Employees' Retirement Association (VCERA) was established under the provisions of the California Government Code (Code) Sections 31450 through 31899, known collectively as the County Employees' Retirement Law of 1937. VCERA operates a cost-sharing multi-employer defined benefit pension plan (Plan) that includes employees of the County of Ventura, the Ventura County Courts, Air Pollution Control District, a special district, and the Ventura Regional Sanitation District, a special district located in the County, but not under the direction of the Ventura County Board of Supervisors (none of the three employer groups are under the Board of Supervisors). VCERA is a pension trust fund of the County of Ventura.

VCERA provides retirement, disability, cost of living, and death and survivor benefits to its members and qualified beneficiaries.

**PLAN MEMBERSHIP.** Membership is mandatory for employees with bi-weekly work schedules of 64 hours or more. Members employed up to and including June 30, 1979, and certain management personnel who entered service prior to October 16, 2011 are designated as Tier 1 members. Members employed after June 30, 1979, are designated as Tier II members. Safety members (eligible Sheriff, Probation and Fire employees) are classified as Tier I regardless of hire date. At June 30, 2011 and 2010, VCERA membership consisted of:

| MEMBERSHIP  | 2011          | 2010          |
|---|---------------|---------------|
| RETIREES AND BENEFICIARIES CURRENTLY RECEIVING BENEFITS | 5,481         | 5,267         |
| ACTIVE EMPLOYEES:                                       |               |               |
| VESTED  | 5,471         | 5,236         |
| NON-VESTED  | 2,569         | 2,767         |
| TERMINATED BUT NOT YET RECEIVING BENEFITS               | 2,097         | 2,040         |
| <b>TOTAL</b>  | <b>15,618</b> | <b>15,310</b> |

**BENEFIT PROVISIONS.** State law along with resolutions and ordinances adopted by the Board of Retirement and Board of Supervisors establishes the Plan's benefit provisions and contribution requirements.

**RETIREMENT ALLOWANCES.** Employees with 10 or more years of service are entitled to an annual retirement allowance beginning at age 50. Allowances are based upon members' ages at retirement, final compensation, and total years of service.

**DISABILITY BENEFITS.** A member who becomes permanently disabled for the performance of their duties may be granted a disability retirement allowance payable for life. If the disability is the result of a job related injury or illness, the member may be granted a service-connected disability retirement. If the disability is not the result of a job related injury or illness, the member may receive a nonservice-connected disability retirement allowance.

# FINANCIAL STATEMENTS

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continued)*

**DEATH BENEFITS.** VCERA pays a basic death benefit, which consists of the member's accumulated contributions plus an amount equal to an average month's salary to a maximum of six months' salary. If the deceased member was vested, a surviving spouse may elect, in lieu of the basic death benefit, a monthly allowance equal to 60 percent of the monthly retirement allowance to which the deceased member would have been entitled had the member been retired for nonservice-connected disability as of the date of death.

Benefits payable to a surviving spouse or other beneficiary of a member who dies after retirement depend upon the retirement option selected by the member at the time of retirement and whether the member's retirement was a regular service retirement, a nonservice-connected disability retirement or a service-connected disability retirement.

**SUPPLEMENTAL BENEFITS.** On January 15, 1991, the Ventura County Board of Supervisors adopted a resolution to make operative Government Code section 31682. Adoption of this

section permitted the Board of Retirement to adopt a resolution to provide a vested supplemental benefit of \$108.44 per month to all eligible retirees.

Effective March 17, 2003, the Board of Retirement adopted a resolution providing an additional \$27.50 per month to eligible retirees receiving the vested supplemental benefit described above. The additional non-vested supplemental benefit is provided pursuant to Government Code Sections 31691.1 and 31692, respectively.

**COST OF LIVING ADJUSTMENT.** Cost of living adjustments, based upon changes in the Consumer Price Index for the Los Angeles area, of up to 3% per annum are made for all Tier I retirees.

On February 28, 2005, the Board of Retirement adopted regulations pursuant to Government Code Section 31627 to provide a cost of living adjustment to a majority of Tier II general members represented by SEIU Local 721. The prospective cost of living adjustment will be fixed at 2% annually and be funded by employee contributions.

**SUPPLEMENTAL COST OF LIVING ADJUSTMENT.** In addition to the basic cost of living adjustment, the California Government Code provides the Board of Retirement the authority to grant supplemental cost of living increases to retirees who have lost 20% or more of their cost of living increases to inflation. Funding is provided from the Supplemental Targeted Adjustment Reserve, which derives funding from excess investment earnings. The Board of Retirement reviews the adequacy of STAR COLA funding annually and approved the payment of a supplemental cost of living increase to eligible retirees through July 31, 2011.

**TERMINATIONS.** Effective January 1, 2003, members with less than five (5) years of service may elect to leave their accumulated member contributions on deposit until first eligible to receive benefits in accordance with Government Code Section 31629.5.



# FINANCIAL STATEMENTS

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continued)*

### 3. INVESTMENTS

**INVESTMENT POLICY.** VCERA, in accordance with state statutes, invests in any form or type of investment, financial instrument, or financial transaction deemed prudent in the informed opinion of the Board of Retirement. State Street serves as the master custodian for the majority of VCERA's assets.

While VCERA recognizes the importance of capital preservation, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns. The Board of Retirement's investment policy allows investment to the entire United States fixed income market (maturities 1 to 30 years) including Treasury and government agency bonds, corporate debt, mortgages, and asset-backed securities. The fixed income portfolio is largely comprised of investment grade issues (rating of BBB {Standard & Poor's} and Baa3 {Moody's} or higher) and may include, subject to limits, opportunistic investment in non-dollar and high yield bonds. VCERA's investment policy recognizes that in the long-run equity returns will be greater than fixed income returns, but with expected greater volatility over shorter periods. Both domestic and international equity investing is permitted with exposure, subject to limits, to both the large and small capitalization ranges. Discretion is also permitted to international managers to invest, with limits, opportunistically in emerging market equities. Real Estate investing is also allowed with the goal to provide competitive risk adjusted returns as well as diversification benefits to VCERA's portfolio.

As of June 30, 2011 and 2010, VCERA had the following investments:

|                          | JUNE 30, 2011           | JUNE 30, 2010          |
|--------------------------|-------------------------|------------------------|
| DOMESTIC EQUITY          | \$ 1,135,481,736        | \$ 936,059,463         |
| DOMESTIC FIXED INCOME    | 780,938,963             | 722,467,319            |
| INTERNATIONAL EQUITY     | 606,358,551             | 467,427,458            |
| PRIVATE EQUITY           | 13,642,798              | 3,882,499              |
| REAL ESTATE              | 253,973,321             | 156,440,846            |
| GLOBAL EQUITY            | 271,485,010             | 203,866,096            |
| INTERNATIONAL BONDS      | 26,374,379              | 19,574,519             |
| ALTERNATIVE              | 8,746,510               | -                      |
| <b>TOTAL INVESTMENTS</b> | <b>\$3,097,001,268,</b> | <b>\$2,509,718,200</b> |

**CUSTODIAL CREDIT RISK.** VCERA considers investments purchased with a maturity of 12 months or less to be short-term investments. Although not having a policy that specifically addresses the limiting of custodial credit risk, VCERA, in practice, limits custodial credit risk for deposits by maintaining substantially all cash and short-term investments in external investment pools managed by the County of Ventura and State Street. All other investment securities are held by State Street in VCERA's name. VCERA maintains a commercial bank account with depository insurance coverage from the Federal Depository Insurance Corporation (FDIC).

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (continued)

Balances in VCERA's commercial bank account at June 30, 2011 and 2010 were \$177,096 and \$28,779, respectively.

As of June 30, 2011 and 2010, VCERA had the following cash and short-term investments

|   | JUNE 30, 2011         | JUNE 30, 2010        |
|---|-----------------------|----------------------|
| STATE STREET BANK                             | \$ 179,774,297        | \$ 53,448,934        |
| COUNTY OF VENTURA TREASURER'S INVESTMENT POOL | 8,894,160             | 4,106,885            |
| COMMERCIAL BANK ACCOUNT                       | 177,096               | 28,779               |
| <b>TOTAL</b>                                  | <b>\$ 188,845,553</b> | <b>\$ 57,584,598</b> |

**CREDIT RISK.** VCERA requires its total fixed income portfolio be rated AA or higher by Standard & Poor's (S&P) or Aa2 by Moody's. Aggregated amounts by rating category using S&P ratings are as follows:

| RATING CATEGORY                     | AMOUNT HELD AT<br>06/30/2011 | AMOUNT HELD AT<br>06/30/2010 |
|-------------------------------------|------------------------------|------------------------------|
| SEPARATE HOLDINGS:                  |                              |                              |
| AAA                                 | \$ 168,382,058               | \$ 252,644,879               |
| AA                                  | 33,055,760                   | 18,141,511                   |
| A                                   | 96,597,307                   | 85,779,526                   |
| BBB                                 | 74,492,247                   | 71,944,397                   |
| BB                                  | 23,705,552                   | 25,711,095                   |
| B                                   | 15,704,264                   | 19,058,360                   |
| CCC                                 | 8,111,347                    | 7,016,609                    |
| CC                                  | 1,537,808                    | 1,913,244                    |
| C                                   | -                            | 440,700                      |
| D                                   | 4,974,906                    | 3,864,373                    |
| NO RATING                           | 167,723,235                  | 50,013,426                   |
| <b>TOTAL SEPARATE HOLDINGS</b>      | <b>\$ 594,284,484</b>        | <b>\$ 536,528,120</b>        |
| POOLED INVESTMENTS:                 |                              |                              |
| AAA                                 | \$ 71,021,940                | \$ 67,002,939                |
| AA                                  | 113,551,742                  | 112,550,028                  |
| A                                   | 9,216,517                    | 7,941,405                    |
| BBB                                 | 8,804,203                    | 7,584,889                    |
| BB                                  | -                            | -                            |
| B                                   | 10,434,456                   | 10,434,456                   |
| <b>TOTAL POOLED INVESTMENTS</b>     | <b>\$ 213,028,858</b>        | <b>\$ 205,513,717</b>        |
| <b>TOTAL FIXED INCOME PORTFOLIO</b> | <b>\$ 807,313,342</b>        | <b>\$ 742,041,837</b>        |

Overall, VCERA's fixed income portfolios were rated AA at June 30, 2011 and June 30, 2010.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (continued)

**INTEREST RATE RISK.** VCERA recognizes the importance of managing its exposure to interest rate risk and has developed a policy to limit the duration of VCERA's fixed income portfolio to plus or minus 20% to that of the broad fixed income market as defined by the Barclays Capital Aggregate Bond Index. Duration, an investments exposure to fair value change arising from a change in interest rates, by investment category and amount at June 30, 2011 and 2010 is as follows:

| CATEGORY             | ASSETS HELD AT     |                  | ASSETS HELD AT       |                  |
|----------------------|--------------------|------------------|----------------------|------------------|
|                      | 06/30/2011         | DURATION (YEARS) | 06/30/2010           | DURATION (YEARS) |
| TREASURY             | \$160,152,712      | 6.4              | \$ 166,560,740       | 6.7              |
| AGENCY               | 24,750,268         | 5.4              | 18,059,872           | 3.3              |
| MORT-BACKED          | 301,535,263        | 4.8              | 174,135,995          | 2.7              |
| ASSET-BACK           | 33,173,030         | 0.7              | 32,071,052           | 1.0              |
| CREDIT               | 245,999,166        | 6.3              | 235,718,230          | 5.0              |
| FOREIGN              | 39,882,062         | 4.8              | 14,508,000           | 4.1              |
| OTHER                | 1,820,842          | 5.9              | 15,688,218           | 2.7              |
| PASSIVELY<br>MANAGED |                    |                  | 85,299,731           | 4.3              |
| <b>TOTAL</b>         | <b>807,313,342</b> | <b>5.5</b>       | <b>\$742,041,838</b> | <b>4.4</b>       |

The duration for the Barclays Capital Aggregate Bond Index as of June 30, 2011 and 2010 was 4.6 years and 4.3 years, respectively.

**FOREIGN CURRENCY RISK.** VCERA, through its investment policy, recognizes the return and diversification benefits gained by investing in markets outside the United States. The majority of VCERA's international investments are held in commingled investment pools with other institutional investors. VCERA may also hold individual foreign securities within the fixed income allocation. Investments in countries outside the United States exposes VCERA to the risk that changes in currency exchange rates may affect the fair value of these investments.

VCERA's international equity, global equity and fixed income investment managers may utilize forward exchange (FX) currency contracts, currency futures contracts and currency options to minimize currency fluctuations in non-dollar denominated securities. VCERA's investment policy does not allow forward currency contracts, futures contracts and options to be utilized speculatively. Risks surrounding the contracts and options include fluctuations in exchange rates and the inability of the counterparty to meet contract and option terms. Differences between contract exchange rates and market exchange rates at settlement result in gains and losses.

As of June 30, 2011 and 2010, VCERA's forward exchange currency contracts were valued at \$1,132,740 and \$5,859,060, currency future contracts had a notional value of \$137,338,002 and \$70,334,852 and currency options were valued at (\$32,900) and (\$102,344), respectively. All forward currency contracts, futures currency contracts and currency options have been included at fair value in the Statements of Plan Net Assets, and all realized and unrealized gains/losses associated with the securities have been included in the Statements of Change in Plan Net Assets for the years ending June 30, 2011 and 2010, respectively.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (continued)

| CURRENCY   | FIXED INCOME AT<br>JUNE 30, 2011 | EQUITIES AT<br>JUNE 30, 2011 | FIXED INCOME AT<br>JUNE 30, 2010 | EQUITIES AT<br>JUNE 30, 2010 |
|--|----------------------------------|------------------------------|----------------------------------|------------------------------|
| AUSTRALIAN DOLLAR  | \$ 1,882,634                     | 8,583,249                    | \$ 1,385,564                     | \$ 5,248,095                 |
| BRITISH POUND  |                                  | 45,210,757                   |                                  | 37,358,276                   |
| CANADIAN DOLLAR  | 6,077,073                        | 10,041,343                   | 3,805,964                        | 10,756,351                   |
| DANISH KRONE   |                                  | 3,690,807                    |                                  | 1,815,290                    |
| EURO   | 684,679                          | 51,628,621                   |                                  | 60,067,443                   |
| HONG KONG DOLLAR   |                                  | 13,306,153                   |                                  | 6,007,720                    |
| JAPANESE YEN   |                                  | 47,488,343                   |                                  | 43,436,819                   |
| NEW ZEALAND DOLLAR   | 1,906,505                        | -                            | 1,394,687                        | -                            |
| NORWEGIAN KRONE  |                                  | 248,243                      |                                  | 923,464                      |
| S. AFRICAN RAND  |                                  | 3,762,703                    |                                  | 5,181,145                    |
| SINGAPORE DOLLAR   |                                  | 8,021,083                    |                                  | 5,941,533                    |
| SOUTH KOREAN WON   | 1,695,050                        | 6,549,593                    | 1,894,260                        | 8,020,990                    |
| SWEDISH KRONA  |                                  | 2,448,443                    |                                  | 1,649,995                    |
| SWISS FRANC  |                                  | 22,330,515                   |                                  | 21,815,071                   |
| OTHER EMERGING MKT   | 8,627,018                        | 8,605,752                    | 5,507,827                        | 47,090,488                   |
| <b>TOTAL SECURITIES SUBJECT<br/>TO FOREIGN CURRENCY RISK</b> | <b>\$ 20,872,959</b>             | <b>231,915,605</b>           | <b>\$ 13,988,302</b>             | <b>\$ 255,312,680</b>        |
| US \$ INVESTMENTS IN<br>INTERNATIONAL PORTFOLIOS             | 5,501,420                        | 374,442,946                  | 5,586,217                        | 212,114,779                  |
| US \$ INVESTMENTS IN<br>GLOBAL PORTFOLIOS                    |                                  | 271,485,010                  |                                  | 203,866,096                  |
| <b>TOTAL</b>   | <b>\$ 26,374,379</b>             | <b>\$ 877,843,561</b>        | <b>\$ 19,574,519</b>             | <b>\$ 671,293,555</b>        |

**SECURITIES LENDING.** VCERA, under provisions of state statutes, and its investment policy authorizes State Street to act as agent in lending VCERA's securities to broker-dealers and other entities in the form of a loan agreement. Borrowers were required to deliver collateral in an amount equal to not less than 100% and typically 102%, of the fair value of securities borrowed.

As of June 30, 2011 and 2010, VCERA had no credit risk exposure because the amounts VCERA owes the borrowers exceeds the amounts the borrowers owe VCERA. State Street indemnified VCERA by agreeing to purchase replacement securities, or return cash collateral, in the event a borrower failed to return a lent security or pay distributions while the security was on loan. VCERA and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested with cash collateral of other qualified tax-exempt plan lenders, in a collective investment pool. Because loans were terminable at will, their maturity did not generally match the maturity of the investments made with cash collateral. VCERA cannot pledge or sell collateral securities without borrower default. As of June 30, 2011 and 2010, VCERA had securities on loan with a fair value of \$119,884,580 and \$168,307,262, with cash collateral of \$122,498,629 and \$171,561,750, respectively.

# FINANCIAL STATEMENTS

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continued)*

VCERA's net securities lending income for the years ended June 30, 2011 and 2010 is as follows:

|                                      | 2011              | 2010              |
|--------------------------------------|-------------------|-------------------|
| <b>EARNINGS</b>                      | \$ 673,699        | \$ 707,814        |
| <b>EXPENSES:</b>                     |                   |                   |
| BORROWER REBATES                     | 260,728           | 229,870           |
| MANAGEMENT FEES                      | 123,919           | 143,407           |
| <b>NET SECURITIES LENDING INCOME</b> | <b>\$ 289,052</b> | <b>\$ 334,537</b> |

**CONCENTRATION OF CREDIT RISK.** VCERA, through policies developed and implemented by the Board of Retirement, maintains the goal of having a well-diversified portfolio. As such, VCERA had no investments in any one named security that would represent no more than 5% of total investments. Pooled investments and investments issued by or explicitly guaranteed by the U.S. Government are exempt from this requirement.

**DERIVATIVE FINANCIAL INSTRUMENTS** As part of VCERA's Investment Policy, Investment managers are allowed the use of derivatives. Derivatives are financial instruments that derive their value, usefulness and marketability from an underlying instrument which represents direct ownership of an asset or of an issuer whose payments are based on or "derived" from the performance of an agreed upon benchmark. Values of derivatives change daily. VCERA's managers are required to mark-to-market derivative positions daily. Within VCERA's investment policy, specific guidelines are put forth with investment managers who invest in derivatives. Substitution, risk control and arbitrage are the only derivative strategies permitted, speculation is prohibited. No contingent features are present. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Gains and losses from derivatives are included in investment income. For financial reporting purposes, all VCERA's derivatives are classified as investment derivatives. A further discussion on VCERA's valuation procedures are contained in Note 1 to the Basic Financial Statements. The following types of derivatives are permitted: future contracts, currency forward contracts, options, and swaps.

**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 transactions is delayed until a future date, which is referred to as the settlement or expiration 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 future date for a specified price. Payment for the transactions is delayed until the settlement or expiration date. A forward contract is a non-standardized contract that is tailored to each specific transaction. Forward contracts are privately negotiated and are intended to be held until the settlement date. Currency forward contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

**OPTION CONTRACTS.** An option is a type of derivative security in which a buyer (purchaser) has the right, not the obligation to buy or sell a specified amount of an underlying security at a fixed

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (continued)

price by exercising the option before its expiration date. The seller (writer) has an obligation to buy or sell the underlying security if the buyer decides to exercise the option.

**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. No principal is exchanged at the beginning of the swap. The cash flows the counterparties exchange are tied to a “notional” or contract amount. A swap agreement specifies the time period over which the periodic payments will be exchanged. The Fair Value represents the gains or losses as of the prior marking-to-market, which are functions of generally interest rate fluctuations.

The Investment Derivatives schedule listed below reports the related net appreciation (depreciation), the fair value amounts and notional amounts for derivatives outstanding as of and for the years ended June 30, 2011, classified by type.

|   | NOTIONAL<br>AMOUNT     | FAIR VALUE       | FAIR VALUE            | CHANGE IN FAIR<br>VALUE |
|---|------------------------|------------------|-----------------------|-------------------------|
| TYPE                                    | JUNE 30, 2011          | JUNE 30, 2011    | JUNE 30, 2010         | JUNE 30, 2010           |
| FUTURES CONTRACTS                       | \$ (30,267,050)        | \$ -             | \$ (7,428,786)        | \$ 7,428,786            |
| FORWARD CONTRACTS                       | 233,424                | 1,606            | 231,181               | (229,575)               |
| OPTIONS CONTRACTS                       | (235,000)              | (32,900)         | (2,422)               | (30,478)                |
| CREDIT DEFAULT SWAPS                    | 5,480,000              | 88,782           | (328,428)             | 417,210                 |
| INTEREST RATE SWAPS                     | -                      | -                | (182,162)             | 182,162                 |
| TBA SECURITIES                          | -                      | -                | -                     | -                       |
| <b>TOTAL INVESTMENT<br/>DERIVATIVES</b> | <b>\$ (24,788,626)</b> | <b>\$ 57,488</b> | <b>\$ (7,710,617)</b> | <b>\$ 7,768,105</b>     |

All investment derivative positions are included as part of investments at fair value on the Statement of Plan Net Assets. All changes in fair value are reported as part of Net Appreciation/(Depreciation) in fair value of investments in the Statement of Changes in Plan Net Assets.

Investment information was provided from VCERA’s investment custodian.

**CUSTODIAL CREDIT RISK.** VCERA’s investments include collateral associated with derivatives activity. As of June 30, 2011, collateral for derivatives were \$10.4 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and is subject to custodial credit risk.

**CREDIT RISK.** VCERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include currency forward contracts and swap agreements. As of June, 30, 2011, the fair value of derivative investments subject to credit risk was \$1,606 and at June 30, 2010 was \$231,181. VCERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements.

VCERA requires investment managers to have Master Agreements in place to minimize credit risk. Netting arrangements legally provide VCERA with a right of setoff in the event of

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (continued)

bankruptcy or default by the counterparty. VCERA would be exposed to loss of collateral provided to the counterparty. Collateral provided by the counterparty reduces VCERA's credit risk exposure.

The following Credit Risk Derivatives schedule discloses the counterparty credit ratings of VCERA's investment derivatives in asset positions by type as of June 30, 2011. These amounts represent the maximum loss that would be recognized if all counterparties fail to perform as contracted, without respect to collateral or other security, or netting arrangement. The schedule displays the fair value of investments by credit rating in increasing magnitude to risk investments, classified by Standard & Poor's rating system. If the investment does not have a Standard & Poor's rating, but it has a Moody's credit rating, the Standard & Poor's rating that corresponds to the Moody's rating is used. As of June 30, 2011, VCERA has a net exposure to credit risk of \$90,388.

| TYPE                 | FAIR VALUE       |     | ADJUSTED RATING  |   |
|----------------------|------------------|-----|------------------|---|
|                      | JUNE 30, 2011    | AAA | AA               | A |
| FORWARD CONTRACTS    | \$ 1,606         |     | \$ 1,606         |   |
| CREDIT DEFAULT SWAPS | 88,782           |     | 88,782           |   |
| <b>TOTAL</b>         | <b>\$ 90,388</b> |     | <b>\$ 90,388</b> |   |

**INTEREST RATE RISK.** Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Interest Rate Swaps is an example of an investment that is highly sensitive to interest rate changes. LIBOR refers to the London Interbank Offering Rate. The swaps have various adjustments to that rate and they contain final maturities from FY2015 to FY2020.

| TYPE                 | FAIR VALUE       |                     | REFERENCE RATE  |
|----------------------|------------------|---------------------|-----------------|
|                      | JUNE 30, 2011    | NOTIONAL AMOUNT     |                 |
| CREDIT DEFAULT SWAPS | \$ 88,782        | \$ 5,480,000        | LIBOR – VARIOUS |
| <b>TOTAL</b>         | <b>\$ 88,782</b> | <b>\$ 5,480,000</b> |                 |

**FOREIGN CURRENCY RISK.** For those futures contracts, forward contracts and swap agreements which are dollar denominated securities issued by foreign countries, there is an exposure to credit risk. Currency forward contracts represent the foreign exchange contracts that are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions. One position is held where Australian dollars were bought and US Dollars were sold and another was held where US Dollars were bought and Australian Dollars were sold. The net fair value of the forward contracts is \$1,606 as of June 30, 2011. All other futures contracts and swap agreements are not subject to foreign currency risk.

#### 4. ACTUARIAL VALUATION

Actuarial valuations to determine VCERA's funding status and future contribution rates are performed annually. Actuarial assumptions and methods used by the actuary meet the guidelines set forth by Governmental Accounting Board Statement No. 25. The schedule of

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (continued)

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 relative to the actuarial liability of benefits over time. The information included within this report is based upon the valuation performed as of June 30, 2011.

### SCHEDULE OF FUNDING PROGRESS (\$ IN THOUSANDS)

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS (a) | ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b) | UNFUNDED (OVERFUNDED) AAL (UAAL) (b-a) | FUNDED RATIO (a/b) | COVERED PAYROLL (c) | UAAL AS AN UNFUNDED (OVERFUNDED) PERCENTAGE OF COVERED PAYROLL ((b-a)/c) |
|--------------------------|-------------------------------|---|--|--------------------|---------------------|--|
| 06/30/11                 | \$3,220,388                   | \$3,995,352                                     | \$774,964                              | 80.60%             | \$637,037           | 121.65%  |

### SCHEDULE OF EMPLOYER CONTRIBUTIONS (\$ IN THOUSANDS)

| YEAR ENDED JUNE 30 | ANNUAL REQUIRED CONTRIBUTION | PERCENTAGE CONTRIBUTED |
|--------------------|------------------------------|------------------------|
| 2011               | \$ 111,585                   | 100%                   |

### LATEST ACTUARIAL VALUATION METHODS AND ASSUMPTIONS

|                                       |  |
|---------------------------------------|--|
| <b>Valuation Date:</b>                | June 30, 2011  |
| <b>Actuarial Cost Method:</b>         | Entry Age Normal Actuarial Cost Method   |
| <b>Amortization Method:</b>           | Level Percentage of Payroll<br>(assuming a 4.25% payroll increase)   |
| <b>Remaining Amortization Period:</b> | 15 years for UAAL as of June 30, 2004. Any new UAAL after June 30, 2004 will be separately amortized over a fixed 15-year period effective with that valuation.  |
| <b>Asset Valuation Method:</b>        | Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a 5-year period. Prior to the June 30, 2007 valuation, the unrecognized return was determined on an annual basis. The Actuarial Value of Assets is reduced by the value of the STAR COLA benefit reserve, supplemental medical benefit reserve and statutory contingency reserve. |



## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continued)*

### **Actuarial Assumptions:**

|                                    |  |
|------------------------------------|--|
| Investment Return:                 | 8%   |
| Projected Salary Increases:        | 5.00% - 13.25% varying by service. Includes inflation at 3.50%, “across the board” increases of 0.75%, plus merit and longevity increases. |
| Post Retirement Benefit Increases: | Contingent upon CPI increases with a 3% maximum for Tier I members.  |

### **5. CONTRIBUTIONS**

Employer and employee contribution rates are established and amended by VCERA’s Board of Retirement. Contribution rates are actuarially determined using the “entry age normal cost” method. According to this method, the “normal cost” is the level amount that would fund the projected benefit if it were paid annually from date of employment until retirement.

The “Entry Age Normal Actuarial Cost Method” is modified so that the employer’s total normal cost is expressed as a level percentage of payroll. The level percentage of payroll method is also used to amortize the unfunded actuarial liability. For the June 30, 2011 valuation, the period for amortizing the unfunded liability is fixed at 15 years in accordance with the Board of Retirement’s policy adopted July 20, 2009, to amortize future actuarial gains and losses over fixed 15-year periods.

VCERA's employers were required to contribute \$111.6 million and \$97.3 million in actuarially determined contributions for the fiscal years ending June 30, 2011 and 2010, respectively.

Member contributions range from 5.57% to 12.10% depending upon member tier and plan status.

### **6. OTHER EMPLOYER CONTRIBUTIONS**

In addition to the actuarially determined contributions, VCERA’s employers contribute, pursuant to Government Code Section 31581.1, a portion of the contributions normally required of general Tier 1 and safety members. These employer paid member contributions do not become part of the accumulated contributions of the member, but vest in the employer advance reserves.

The value of the “Other Employer Contributions” is shown separately from Actuarially Determined Employer Contributions within the Additions Section of the Statements of Changes in Plan Net Assets on page 16.

# FINANCIAL STATEMENTS

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continued)*

### 7. RESERVES

VCERA's reserves are composed of member contributions, employer contributions, and accumulated investment income. The reserves do not represent the present value of assets needed to satisfy retirements and other benefits as they come due. VCERA's major reserves are as follows:

**MEMBER RESERVES.** Represent member's accumulated contributions. Additions include member contributions and interest credited; deductions include transfers to Retired Member Reserves and refunds.

**EMPLOYER ADVANCE RESERVES.** Represent the total employer contributions made on behalf of current active members for future retirement benefits. Additions include employer contributions and interest credited; deductions include transfers to Retired Member Reserves and death benefits.

**RETIRED MEMBER RESERVES.** Represent total accumulated transfers from Member Reserves and Employer Advanced Reserves and interest credited, less benefit payments made to retirees.

**VESTED FIXED SUPPLEMENTAL RESERVE.** Represents the funding set aside to pay the vested supplemental retirement benefit of \$108.44 monthly to all eligible retirees. Additions include investment income designated by the Board of Retirement and interest credited, less benefit payments made to eligible retirees.

**NON-VESTED SUPPLEMENTAL RESERVE.** Represents the funding set aside to pay the non-vested supplemental retirement benefit of \$27.50 monthly to all eligible retirees. Additions include investment income designated by the Board of Retirement less benefit payments made to eligible retirees.

**SUPPLEMENTAL COLA BENEFIT RESERVE.** Represents the funding designated to fund the supplemental cost of living to eligible retirees. Additions include investment income designated by the Board of Retirement and interest credited less benefit payments made to eligible retirees.

**RESERVE FOR DEATH BENEFITS.** Represents funds designated to pay death benefits pursuant to Government Code Section 31789.5. Additions include funding from investment income and interest credited; deductions include benefits paid.

**MARKET STABILIZATION RESERVE.** Represents the difference between the current market value of assets and the actuarial value of assets used to establish the above reserves.

**CONTINGENCY RESERVE.** Represents funds set aside for future earnings deficiencies. Balance is established at 1% of total assets in accordance with Government Code section 31592.2.

# FINANCIAL STATEMENTS

## Notes to the Financial Statements

For the Years Ended June 30, 2011 and 2010 (continued)

**UNRESTRICTED RESERVE.** Represents the excess of accumulated realized investment earnings after satisfying all expenses of the Plan.

Reserve balances as of June 30, 2011 and 2010, are as follows:

|                           | 2011                    | 2010                    |
|---------------------------|-------------------------|-------------------------|
| MEMBER                    | \$ 549,207,347          | \$ 525,189,736          |
| EMPLOYER ADVANCE          | 723,383,047             | 781,904,333             |
| RETIRED MEMBER            | 1,810,061,793           | 1,674,735,444           |
| VESTED FIXED SUPPLEMENTAL | 125,437,812             | 122,334,577             |
| NON-VESTED SUPPLEMENTAL   | 15,590,891              | 17,335,326              |
| SUPPLEMENTAL COLA BENEFIT | 238,479                 | 1,657,914               |
| DEATH BENEFITS            | 12,297,922              | 11,820,240              |
| MARKET STABILIZATION      | (63,892,228)            | (565,425,714)           |
| CONTINGENCY               | -                       | -                       |
| UNRESTRICTED              | -                       | -                       |
| <b>TOTAL RESERVES</b>     | <b>\$ 3,172,325,063</b> | <b>\$ 2,569,551,856</b> |

On January 26, 2008, the Board of Retirement approved a change in the Available Earnings Measure for Crediting Interest on Reserves from one based on book value to one based on actuarial value. As part of the change, the Board of Retirement redefined the Market Stabilization Reserve to be the difference between the Market Value of Assets and the Actuarial Value of Assets, rather than the previously defined difference between the Market Value of Assets and the Book Value of Assets.

## 8. ADMINISTRATIVE EXPENSES

As permitted by Section 31580.2 of the Government Code, the Board of Retirement adopts an annual budget, financed from investment income, covering the entire expenses of Plan administration. The Code provides that administrative expenses incurred in any year are not to exceed 18/100 of 1 percent of the Plan's total assets. Government code section 31580.3 provides an exception to the limitation described in section 31580.2 and allows through January 1, 2013, the maximum expense to be twenty three one hundredths of one percent of the total assets of the system in order allow for additional expenditures for software, hardware and computer technology. Administrative expenses incurred in fiscal year 2011 and 2010 were within the limits established by the Codes.

|   | 2011            | 2010            |
|---|-----------------|-----------------|
| TOTAL ASSET BASE AT FAIR VALUE<br>(DECEMBER 31, 2009 AND 2008)                                    | \$2,871,563,500 | \$2,227,531,900 |
| MAXIMUM ALLOWED FOR ADMINISTRATIVE EXPENSE<br>(\$2,871,563,500 * 0.23% & \$2,227,531,900 * 0.23%) | 6,604,596       | 5,123,323       |
| ACTUAL ADMINISTRATIVE EXPENSE   | 4,386,708       | 4,081,469       |
| EXCESS OF ALLOWED OVER ACTUAL EXPENSES  | \$ 2,217,888    | \$ 1,041,854    |
| ACTUAL ADMINISTRATIVE EXPENSES AS A PERCENTAGE OF<br>TOTAL ASSET BASE                             | 0.15%           | 0.18%           |

# FINANCIAL STATEMENTS

## *Notes to the Financial Statements*

*For the Years Ended June 30, 2011 and 2010 (continued)*

### 9. LEASE AGREEMENT

Effective April 1, 2011, VCERA entered into a 7-year extension of a commercial lease for office space with the option to renew for two additional 5-year periods. Payments over the lease term total \$1,037,950. Annual amounts due under the agreement are as follows:

| <u>FISCAL YEAR ENDING</u> | <u>AMOUNT</u> |
|---------------------------|---------------|
| 2011                      | \$ 126,993    |
| 2012                      | 157,270       |
| 2013                      | 158,671       |
| 2014                      | 158,671       |
| 2015                      | 158,671       |
| 2016                      | 158,671       |
| 2017                      | 119,003       |

# FINANCIAL STATEMENTS

## Required Supplementary Information

### SCHEDULE OF FUNDING PROGRESS (\$ IN THOUSANDS)

| ACTUARIAL VALUATION DATE | ACTUARIAL VALUE OF ASSETS (a) | ACTUARIAL ACCRUED LIABILITY (AAL) ENTRY AGE (b) | UNFUNDED (OVERFUNDED) AAL (UAAL) (b-a) | FUNDED RATIO (a/b) | COVERED PAYROLL (c) | UAAL AS AN UNFUNDED (OVERFUNDED) PERCENTAGE OF COVERED PAYROLL {(b-a)/c} |
|--------------------------|-------------------------------|---|--|--------------------|---------------------|--|
| 06/30/11                 | \$3,220,388                   | \$3,995,352                                     | \$774,964                              | 80.60%             | \$637,037           | 121.65%  |
| 06/30/10                 | 3,115,984                     | 3,877,443                                       | 761,459                                | 80.36              | 654,828             | 116.28   |
| 06/30/09                 | 3,090,148                     | 3,663,701                                       | 573,553                                | 84.34              | 634,777             | 90.36  |
| 06/30/08                 | 3,055,756                     | 3,345,804                                       | 290,048                                | 91.33              | 599,173             | 48.41  |
| 06/30/07                 | 2,736,558                     | 3,112,583                                       | 376,025                                | 87.92              | 551,968             | 68.12  |
| 06/30/06 (i)             | 2,430,048                     | 2,911,918                                       | 481,870                                | 83.45              | 519,145             | 92.82  |

(i) After change in mortality assumption

### SCHEDULE OF EMPLOYER CONTRIBUTIONS JUNE 30, 2011 (\$ IN THOUSANDS)

| YEAR ENDED JUNE 30 | ANNUAL REQUIRED CONTRIBUTION | PERCENTAGE CONTRIBUTED |
|--------------------|------------------------------|------------------------|
| 2011               | \$ 111,585                   | 100%                   |
| 2010               | 97,234                       | 100                    |
| 2009               | 105,278                      | 100                    |
| 2008               | 104,429                      | 100                    |
| 2007               | 86,455                       | 100                    |
| 2006               | 74,373                       | 100                    |

# FINANCIAL STATEMENTS

## *Notes to Required Supplementary Information*

### DESCRIPTION

The historical trend information about VCERA is presented as required supplementary information. The information is intended to help users assess the funding status of the plan on a going-concern basis and to assess progress in accumulating assets for paying benefits when due.

### ACTUARIAL INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuation as of the date indicated. Additional information as of the latest actuarial valuation is as follows:

|                                       |   |
|---------------------------------------|---|
| <b>Valuation Date:</b>                | June 30, 2011   |
| <b>Actuarial Cost Method:</b>         | Entry Age Normal Actuarial Cost Method  |
| <b>Amortization Method:</b>           | Level Percentage of Payroll<br>(assuming a 4.25% payroll increase)  |
| <b>Remaining Amortization Period:</b> | 15 years for UAAL as of June 30, 2004. Any new UAAL after June 30, 2004 will be separately amortized over a fixed 15-year period effective with that valuation.   |
| <b>Asset Valuation Method:</b>        | Market value of assets less unrecognized returns in each of the last ten semi-annual accounting periods. Unrecognized returns are equal to the difference between the actual market return and the expected return on market value and are recognized over a five-year period. Prior to the June 30, 2007 valuation, the unrecognized return was determined on an annual basis. The Actuarial Value of Assets is reduced by the value of the STAR COLA benefit reserve, supplemental medical benefit reserve and statutory contingency reserve. |
| <b>Actuarial Assumptions:</b>         |   |
| Investment Return:                    | 8%  |
| Projected Salary Increases:           | 5.00% - 13.25% varying by service. Includes inflation at 3.50%, "across the board" increases of 0.75%, plus merit and longevity increases.  |
| Post Retirement Benefit Increases:    | Contingent upon CPI increases with a 3% maximum for Tier I members.   |

# FINANCIAL STATEMENTS

## *Supplemental Schedules*

### SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

|   | 2011                | 2010                |
|---|---------------------|---------------------|
| <b>PERSONNEL SERVICES:</b>              |                     |                     |
| SALARIES                                | \$ 1,417,212        | \$ 1,249,951        |
| EMPLOYEE BENEFITS                       | 495,690             | 594,573             |
| <b>TOTAL PERSONNEL SERVICES</b>         | <b>1,912,902</b>    | <b>1,844,524</b>    |
| <b>PROFESSIONAL SERVICES:</b>           |                     |                     |
| ACTUARIAL FEES                          | 84,120              | 143,240             |
| COMPUTER SOFTWARE AND<br>SYSTEM SUPPORT | 1,140,315           | 1,003,210           |
| LEGAL SERVICES                          | 475,909             | 283,197             |
| PENSION PAYROLL FEES                    | 151                 | 234                 |
| OTHER PROFESSIONAL SERVICES             | 367,768             | 477,051             |
| <b>TOTAL PROFESSIONAL SERVICES</b>      | <b>2,068,263</b>    | <b>1,906,932</b>    |
| <b>COMMUNICATION:</b>                   |                     |                     |
| POSTAGE                                 | 56,494              | 47,298              |
| TELECOMMUNICATION                       | 50,248              | 16,717              |
| <b>TOTAL COMMUNICATION</b>              | <b>106,742</b>      | <b>64,015</b>       |
| <b>MISCELLANEOUS:</b>                   |                     |                     |
| OFFICE LEASE                            | 126,993             | 127,974             |
| EDUCATIONAL                             | 45,348              | 49,733              |
| EQUIPMENT                               | 16,790              | 5,409               |
| COUNTY DEPARTMENT CHARGES               | 31,794              | 53,914              |
| INSURANCE                               | 9,264               | 9,514               |
| OTHER MISCELLANEOUS                     | 68,612              | 19,454              |
| <b>TOTAL MISCELLANEOUS</b>              | <b>298,801</b>      | <b>265,998</b>      |
|   | <b>\$ 4,386,708</b> | <b>\$ 4,081,469</b> |

# FINANCIAL STATEMENTS

## *Supplemental Schedules (continued)*

### SCHEDULE OF INVESTMENT EXPENSES FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

|   | 2011                | 2010                |
|---|---------------------|---------------------|
| <b>INVESTMENT ACTIVITY</b>              |                     |                     |
| INVESTMENT MANAGEMENT FEES              |                     |                     |
| STOCK MANAGERS                          |                     |                     |
| DOMESTIC                                | \$ 421,894          | \$ 366,469          |
| INTERNATIONAL/GLOBAL                    | 3,056,718           | 2,574,290           |
| BOND MANAGERS                           | 1,617,323           | 1,525,043           |
| REAL ESTATE                             | 1,890,516           | 1,396,091           |
| <b>TOTAL INVESTMENT MANAGEMENT FEES</b> | <b>6,986,451</b>    | <b>5,861,893</b>    |
| <b>OTHER INVESTMENT EXPENSES</b>        |                     |                     |
| CASH OVERLAY                            | 83,974              | 67,349              |
| INVESTMENT CONSULTANT                   | 233,000             | 230,000             |
| CUSTODIAN                               | 100,503             | 96,637              |
| <b>TOTAL OTHER INVESTMENT EXPENSES</b>  | <b>417,477</b>      | <b>393,986</b>      |
| <b>TOTAL INVESTMENT EXPENSES</b>        | <b>\$ 7,403,928</b> | <b>\$ 6,255,879</b> |

### SCHEDULE OF PAYMENTS TO CONSULTANTS FOR THE YEARS ENDED JUNE 30, 2011 AND 2010

|  | 2011                | 2010                |
|--|---------------------|---------------------|
| LEGAL SERVICES                                       | \$ 475,909          | \$ 283,197          |
| ACTUARIAL CONSULTING FEES                            | 84,120              | 143,240             |
| INVESTMENT MANAGEMENT<br>CONSULTING FEES             | 233,000             | 230,000             |
| NETWORK AND OTHER INFORMATION<br>TECHNOLOGY SERVICES | 1,140,315           | 1,003,210           |
| <b>TOTAL PAYMENTS TO CONSULTANTS</b>                 | <b>\$ 1,933,344</b> | <b>\$ 1,659,647</b> |





**INVESTMENT**





*An Aon Company*

December 12, 2011

Mr. Henry Solis  
Interim Retirement Administrator  
Ventura County Employees' Retirement Association  
1190 South Victoria Avenue, Suite 200  
Ventura, CA 93003

Dear Mr. Solis,

Ventura County Employees' Retirement Association's (VCERA) overall objective is to provide Association participants with retirement, disability, death, and survivor benefits delineated in the County Employees' Retirement Law of 1937, as well as other Federal and State laws applicable to public employees' retirement systems in the State of California. To fulfill this primary objective, VCERA utilizes a carefully planned and executed investment program designed to produce a sufficient long term total portfolio real return. The investment activities of VCERA are designed and executed in a manner solely in the interest of, and for the exclusive purpose of, providing benefits to participants and their beneficiaries, minimizing contributions thereto, and defraying reasonable expenses of administering the Plan. VCERA presents its returns using a time-weighted rate of return methodology based upon market values.

VCERA's retirement fund is managed in accordance with a written Investment Policy. This Policy is periodically reviewed and revised by the Retirement Board depending on actuarial assumptions, accrued liabilities, and information provided through Asset and Liability Studies.

#### **Market Environment Update**

For fiscal year 2011, major capital markets posted positive returns, adding to gains experienced from the previous fiscal year. The fiscal year began with talk of a double dip recession as fears continued to mount about the state of the world economy, which led to calls for a second round of quantitative easing. In particular, throughout the fiscal year the Federal Open Market Committee reaffirmed their plans to continue to expand its holdings of long-term Treasury securities to promote a stronger pace of economic recovery and to help ensure that inflation levels remain consistent with its mandate. Towards the end of the fiscal year, the capital markets managed to finish strong with the help of government stimulus and improving economic data, but remained volatile with increased concern about the debt crisis in southern Europe, fluctuating oil prices, and continued political unrest in the Middle East.

The Federal Open Markets Committee ("Committee") maintained the Federal Funds target range at 0.00% - 0.25%. The Committee also finalized the purchasing of approximately \$600 billion of U.S. Treasury securities. Although Committee members indicated that the economic recovery was on a

# INVESTMENT

Mr. Henry Solis

Page 2 of 3

December 12, 2011

stronger footing and that the overall conditions in the labor market were improving, members of the Committee were reported as anticipating the recovery at a slower pace.

The commercial real estate market that VCERA invests in posted positive returns throughout the fiscal year carrying momentum from the previous period. Valuations improved as transaction volume and firmer pricing helped fuel growing appetite for risk.

The broad U.S. equity markets gained 32.4% during the fiscal year, outpacing developed non-U.S. equity markets, which posted a 30.4% gain, by 2.0 percentage points. U.S. stocks rallied with help of improving economic data, while both domestic and non-U.S. equities benefited from continued governmental economic stimulus. Emerging markets posted positive returns as liquidity continued to pour into strong performing developing market economies. However, emerging markets ended the period trailing non-U.S. developed equities, led by weak eastern European and Latin American results.

The continuing U.S. debt ceiling impasse as well as the ongoing sovereign debt challenges in Europe caused significant volatility in the bond market as the U.S. bond markets managed to gain 3.9% over the fiscal year. Riskier segments of the fixed income markets performed better. U.S. high yield bonds gained 15.6% during the fiscal year.

## **VCERA's Relative Performance Update**

During the 2011 fiscal year, VCERA's Total Fund returned 24.4%, exceeding the return of the Policy Portfolio by 1.8 percentage points. Outperformance was mainly attributable to favorable relative fixed income returns. In addition, the U.S. equity, global equity, and real estate asset classes also contributed to outperformance at the Total Fund level.

VCERA's U.S. equity asset class gained 32.7% during the fiscal year, exceeding the benchmark by 0.4 percentage points. Outperformance was entirely attributable to favorable returns in the Western Index Plus portfolio. The passive investments component of this asset class approximated the return of their respective benchmarks during the 2011 fiscal year. These passive investments represent a majority of the U.S. equity portfolio and help significantly in controlling risk and containing cost relative to the Policy Portfolio.

The collective return of the non-U.S. equity component gained 29.5% for the fiscal year, trailing the benchmark by 0.2 percentage points. Unfavorable performance for the year was mainly attributable to the underperformance of Artio. The manager's unfavorable stock selection in developed markets and emerging markets, such as Taiwan and Korea, detracted from returns throughout the year.

Mr. Henry Solis  
Page 3 of 3  
December 12, 2011

VCERA's global equity component returned 32.5% for the fiscal year, outperforming the return of the benchmark by 2.4 percentage points. Both of the component's active asset managers outperformed during the trailing one-year period. GMO Global returned 30.7%. The manager's overweight position to the U.S. and stock selection of underlying strategies helped returns for the year. Acadian fared better with a return of 35.1%, outperforming the benchmark by 5 percentage points. Acadian was aided by favorable stock selection and country allocation within emerging markets as well as developed countries.

During the fiscal year ending June 30, 2011, the Fund's fixed income component gained 7.4%, exceeding the return of the Barclays Capital Aggregate Bond Index by 3.4 percentage points. All three active managers outperformed for the fiscal year with Western and Loomis Sayles contributing the most. All active managers were aided by overweight allocations to U.S. investment grade credit and high yield.

VCERA's real estate portfolio gained 18.7% during the 2011 fiscal year, outperforming its benchmark by 0.7 percentage points. Each of the component's underlying managers finished ahead of their respective benchmarks. RREEF was the largest contributor on both absolute and relative performance, returning 64.0% vs. the index return of 18.0%, re-gaining some of the lost value from previous fiscal years.

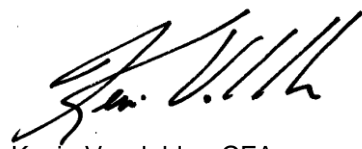
### **Enhancements Made Within the Investment Program**

During the fiscal year of 2011, the Board closed out its relationship with Capital Guardian and funded two new non-U.S. equity managers -- Walter Scott and Hexavest. In addition, the Board approved the funding of private equity as a new asset class. Funding for this new asset class will primarily come from U.S. equity and the first managers to be seeded with capital will be Adams Street and Pantheon. Finally, the Board also approved the funding of a currency mandate managed by K2.

In the next fiscal year, the VCERA Board plans to continue to fund the private equity asset class and conduct significant analysis and review of its non-U.S equity and global equity investment manager structure, along with a review of the merits and challenges of global bond mandates.

Throughout the fiscal year, Hewitt EnnisKnupp provided VCERA with quarterly performance reports, investment manager monitoring, and related investment advice. In preparing our performance reports for VCERA, we rely on the accuracy of the financial data provided to us by the fund's custodian, State Street.

Sincerely,



Kevin Vandolder, CFA  
Partner

# INVESTMENT

## *Outline of Investment Policies*

**GENERAL.** The Board establishes this investment policy in accordance with the provisions of the County Employees' Retirement Law of 1937 (Government code Sections 31450 et. seq.). VCERA is considered a separate entity and is administered by a Board consisting of nine members, plus two alternates. VCERA's Board and its officers and employees shall discharge their duties as provided for in Government Code Section 31595:

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

VCERA's assets are managed on a total return basis. While VCERA recognizes the importance of the preservation of capital, it also adheres to the principle that varying degrees of investment risk are generally rewarded with compensating returns in the long run.

External professional investment firms manage VCERA's assets. VCERA's staff, along with the investment consultants, monitors manager activity and assists the Board with the implementation of investment policies and strategies.

**ASSET ALLOCATION POLICY.** VCERA has a long-term investment horizon, and utilizes an asset allocation, which encompasses a strategic long-term perspective of capital markets. It is recognized that a strategic long-run asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of VCERA's investment performance.

Effective January 2009, the Board adopted a new asset allocation plan that was predicated on a number of factors including:

- a. The actuarially projected liabilities and benefit payments and the cost to both covered employees and employers.
- b. Historical and long-term capital market risk and return behavior.
- c. The perception of future economic conditions, including inflation and interest rate levels.
- d. The relationship between current and projected assets of the Plan and its actuarial requirements.

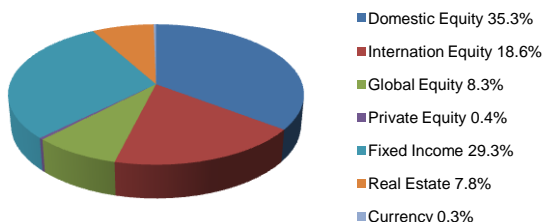
**A systematic rebalancing procedure, implemented monthly, is used to maintain asset allocations within appropriate ranges.**

**PROXIES.** Voting of proxies held by VCERA shall be done in a manner that is in the best financial and economic interests of VCERA, and its beneficiaries.

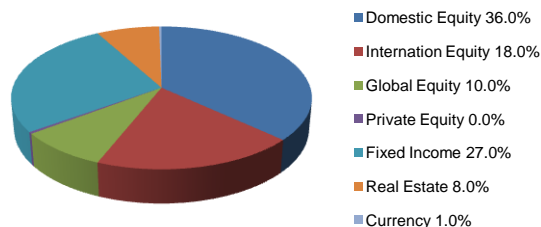
## Target Versus Actual Asset Allocation

### ASSET ALLOCATION

#### 2011 VCERA ASSET ALLOCATION



#### TARGET ASSET ALLOCATION



The 2011 Actual Asset Allocation is based upon the Investment Summary following.

### LIST OF INVESTMENT PROFESSIONALS INVESTMENT MANAGERS

#### Domestic Equity

BlackRock Global Investors  
Western Asset US Index Plus

#### Global Equity

Grantham, Mayo, Van Otterloo & Co.  
Acadian Asset Management

#### Fixed Income

BlackRock Global Investors  
Loomis Sayles & Company  
Reams Asset Management  
Western Asset Management

#### Alternative Investments

K2 Advisors

#### Investment Consultant

Hewitt ennisknupp

#### International Equity

Capital Guardian Trust Company  
Sprucegrove Investment Management  
BlackRock Global Investors  
Artio Global Investors  
Hexavest, Inc.  
Walter Scott

#### Private Equity

Adams Street Partnership  
Pantheon

#### Real Estate

Guggenheim Real Estate  
Prudential Real Estate Investors  
UBS Realty Investors  
RREEF America III

#### Cash Overlay

The Clifton Group

# INVESTMENT

## Investment Summary

### EQUITY

| DOMESTIC                                | FAIR VALUE OF EQUITY AS OF JUNE 30, 2011 | CASH AS OF JUNE 30, 2011 | TOTAL FUND VALUE AS OF JUNE 30, 2011 | PERCENTAGE OF TOTAL MARKET VALUE |
|---|--|--------------------------|--------------------------------------|----------------------------------|
| BlackRock U.S. Equity Market            | \$1,013,688,362                          | 1                        | \$1,013,688,363                      | 31.1%                            |
| Western Asset Management Index Plus     | 87,525,572                               | 16,232,204               | 103,757,776                          | 3.2%                             |
| BlackRock Extended Equity Index         | 34,267,801                               | 1                        | 34,267,802                           | 1.0%                             |
| <b>TOTAL DOMESTIC EQUITY</b>            | <b>1,135,481,735</b>                     | <b>16,232,206</b>        | <b>1,151,713,941</b>                 | <b>35.3%</b>                     |
| <b>INTERNATIONAL</b>                    |  |                          |                                      |                                  |
| Sprucegrove Investment Management       | 128,806,350                              |                          | 128,806,350                          | 3.9%                             |
| Artio Global Investors                  | 82,747,618                               |                          | 82,747,618                           | 2.6%                             |
| Hexavest                                | 31,271,868                               |                          | 31,271,868                           | 9.5%                             |
| Walter Scott                            | 53,276,988                               |                          | 53,276,988                           | 1.6%                             |
| BlackRock ACWI EX US IMI                | 310,255,728                              |                          | 310,255,728                          | 1.0%                             |
| <b>TOTAL INTERNATIONAL EQUITY</b>       | <b>606,358,552</b>                       |                          | <b>606,358,552</b>                   | <b>18.6%</b>                     |
| <b>GLOBAL</b>                           |  |                          |                                      |                                  |
| Grantham, Mayo, Van Otterloo & Company  | 143,177,495                              |                          | 143,177,495                          | 4.4%                             |
| Acadian Asset Management                | 128,307,515                              |                          | 128,307,515                          | 3.9%                             |
| <b>TOTAL GLOBAL EQUITY</b>              | <b>271,485,010</b>                       |                          | <b>271,485,010</b>                   | <b>8.3%</b>                      |
| <b>PRIVATE EQUITY</b>                   |  |                          |                                      |                                  |
| Adams Street Partners                   | 10,804,814                               |                          | 10,804,814                           | 0.3%                             |
| Pantheon                                | 2,837,984                                |                          | 2,837,984                            | 0.1%                             |
| <b>TOTAL PRIVATE EQUITY</b>             | <b>13,642,798</b>                        |                          | <b>13,642,798</b>                    | <b>0.4%</b>                      |
| <b>TOTAL EQUITY</b>                     | <b>2,026,968,095</b>                     | <b>16,232,206</b>        | <b>2,043,200,301</b>                 | <b>62.6%</b>                     |
| <b>FIXED INCOME</b>                     |  |                          |                                      |                                  |
| BlackRock Debt Index                    | 92,814,876                               |                          | 92,814,876                           | 2.8%                             |
| Loomis Sayles & Company                 | 104,680,412                              | 4,008,106                | 108,688,518                          | 3.3%                             |
| Reams Asset Management)                 | 307,618,296                              | 119,107,193              | 426,725,489                          | 13.1%                            |
| Western Asset Management                | 302,199,758                              | 28,206,833               | 330,406,591                          | 10.1%                            |
| <b>TOTAL FIXED INCOME</b>               | <b>807,313,342</b>                       | <b>151,322,132</b>       | <b>958,635,474</b>                   | <b>29.3%</b>                     |
| <b>REAL ESTATE</b>                      |  |                          |                                      |                                  |
| Guggenheim Real Estate                  | 19,476,290                               |                          | 19,476,290                           | 0.6%                             |
| Prudential Real Estate Investors        | 70,397,707                               |                          | 70,397,707                           | 2.2%                             |
| UBS Realty Investors                    | 156,093,227                              |                          | 156,093,227                          | 4.8%                             |
| RREEF America III                       | 8,006,097                                |                          | 8,006,097                            | 0.2%                             |
| <b>TOTAL REAL ESTATE</b>                | <b>253,973,322</b>                       |                          | <b>253,973,321</b>                   | <b>7.8%</b>                      |
| <b>ALTERNATIVE INVESTMENTS</b>          |  |                          |                                      |                                  |
| K2 Currency LLCI                        | 8,746,510                                |                          | 8,746,510                            | 0.3%                             |
| <b>TOTAL INVESTMENTS AT FAIR VALUE</b>  | <b>3,097,001,268</b>                     | <b>167,554,338</b>       | <b>3,264,555,606</b>                 | <b>100.0%</b>                    |
| <b>OTHER</b>                            |  |                          |                                      |                                  |
| County Treasury Investment Pool         | -  | 8,894,160                | 8,894,160                            | 0.0%                             |
| Commercial Checking Account             | -  | 177,096                  | 177,096                              | 0.0%                             |
| Overly Strategy                         | -  | 12,219,959               | 12,219,959                           | 0.0%                             |
| <b>TOTAL OTHER</b>                      | <b>-</b>                                 | <b>21,291,215</b>        | <b>21,291,215</b>                    | <b>0.0%</b>                      |
| <b>TOTAL INVESTMENT, CASH AND OTHER</b> | <b>\$ 3,097,001,268</b>                  | <b>\$ 188,845,553</b>    | <b>\$ 3,285,846,821</b>              | <b>100.0%</b>                    |



## *Schedule of Investment Results*

### INVESTMENT RETURNS

|  | ONE YEAR | THREE YEARS | FIVE YEARS |
|--|----------|-------------|------------|
| Domestic Equity                            | 32.7%    | 4.3%        | 2.8%       |
| Benchmark: Dow Jones US Total Stock Index  | 32.4%    | 4.2%        | 3.6%       |
| Domestic Fixed Income                      | 7.4%     | 10.0%       | 8.4%       |
| Benchmark: Barclays Capital Agg Bond Index | 3.9%     | 6.5%        | 6.5%       |
| International Equity                       | 29.5%    | 0.2%        | 3.2%       |
| Benchmark: MSCI ACWXUS Index               | 29.7%    | (0.3%)      | 3.7%       |
| Global Equity                              | 32.5%    | (0.3%)      | 2.0%       |
| Benchmark: MSCI ACWI                       | 30.1%    | 0.9%        | 3.2%       |
| Real Estate                                | 18.7%    | (10.7%)     | (2.4%)     |
| Benchmark: NCREIF Open End Fund Index      | 18.0%    | (2.8%)      | 2.9%       |
| <b>TOTAL FUND</b>                          | 24.4%    | 5.1%        | 5.0%       |
| VCERA Policy*                              | 22.6%    | 3.9%        | 4.1%       |

\* 37% Dow Jones US Total Stock Index, 18% MSCI ACWEXUS Index, 10% MSCI All Country World Index, 27% Barclays Capital Aggregate Bond Index, 8% NCREIF Open End Fund Index

**The Annual Returns were prepared using time-weighted rate of return based on the market rate of return.**

# INVESTMENT

## *Largest Stock Holdings*

AS OF JUNE 30, 2011

|                             | UNITS      | FUND NAME                                     | FAIR VALUE             |
|-----------------------------|------------|---|------------------------|
| 1                           | 12,033,371 | BLACKROCK U.S. EQUITY MARKET FUND             | \$ 1,013,688,362       |
| 2                           | 29,373,161 | BLACKROCK ACWI EXUS IMI INDEX FUND            | 310,255,728            |
| 3                           | 7,423,480  | GRANTHAM MAYO VAN OTTERLOO (GMO) GROUP TRUST  | 143,177,495            |
| 4                           | 2,550,641  | SPRUCEGROVE INVESTMENT MANAGEMENT GROUP TRUST | 128,806,350            |
| 5                           | 8,042,895  | WESTERN ASSET MANAGEMENT INDEX PLUS           | 128,519,953            |
| 6                           | 108,662    | ACADIAN ASSET MANAGEMENT GROUP TRUST          | 128,307,515            |
| 7                           | 557,448    | ARTIO GLOBAL MANAGEMENT                       | 82,747,618             |
| 8                           | 2,461,749  | WALTER SCOTT INTERNATIONAL                    | 53,276,988             |
| 9                           | 140,871    | BLACKROCK EXTENDED EQUITY MARKET FUND         | 34,267,801             |
| 10                          | 27,960,205 | HEXAVEST EAFE EQUITY FUND                     | 31,271,868             |
| <b>TOTAL STOCK HOLDINGS</b> |            |   | <b>\$2,054,319,678</b> |

All VCERA equity investments at June 30, 2011 were held in index funds and commingled investment vehicles.

## *Largest Bond Holdings*

AS OF JUNE 30, 2011

|                                    | PAR        | BONDS  | FAIR VALUE         |
|------------------------------------|------------|--|--------------------|
| 1                                  | 35,675,000 | FNMA POOL 4.500% Single Family Due 12/01/2099 Rating AAA | 36,795,552         |
| 2                                  | 31,410,000 | FNMA POOL 4.000% Single Family Due 12/01/2099 Rating AAA | 31,316,712         |
| 3                                  | 21,540,000 | FNMA POOL 5.000% Single Family Due 12/01/2099 Rating AAA | 22,825,723         |
| 4                                  | 22,580,000 | US Treasury Bonds 2.375% Due 5/31/2018 Rating AAA        | 22,460,100         |
| 5                                  | 19,685,000 | US Treasury Bonds 3.125% Due 5/15/2021 Rating AAA        | 19,629,685         |
| 6                                  | 14,090,000 | US Treasury Bonds 0.625% Due 12/31/2012 Rating AAA       | 14,147,769         |
| 7                                  | 13,085,000 | FNMA POOL 0.680% Multifamily Due 11/01/2020 Rating AAA   | 13,057,391         |
| 8                                  | 9,920,000  | US Treasury Bonds 4.750% Due 2/15/2041 Rating AAA        | 10,544,662         |
| 9                                  | 5,100,000  | US Treasury Bonds 4.375% Due 11/15/2039 Rating AAA       | 5,102,397          |
| 10                                 | 4,345,000  | US Treasury Bonds 1.000% Due 8/31/2011 Rating AAA        | 4,351,778          |
| <b>TOTAL LARGEST BOND HOLDINGS</b> |            |  | <b>180,231,769</b> |

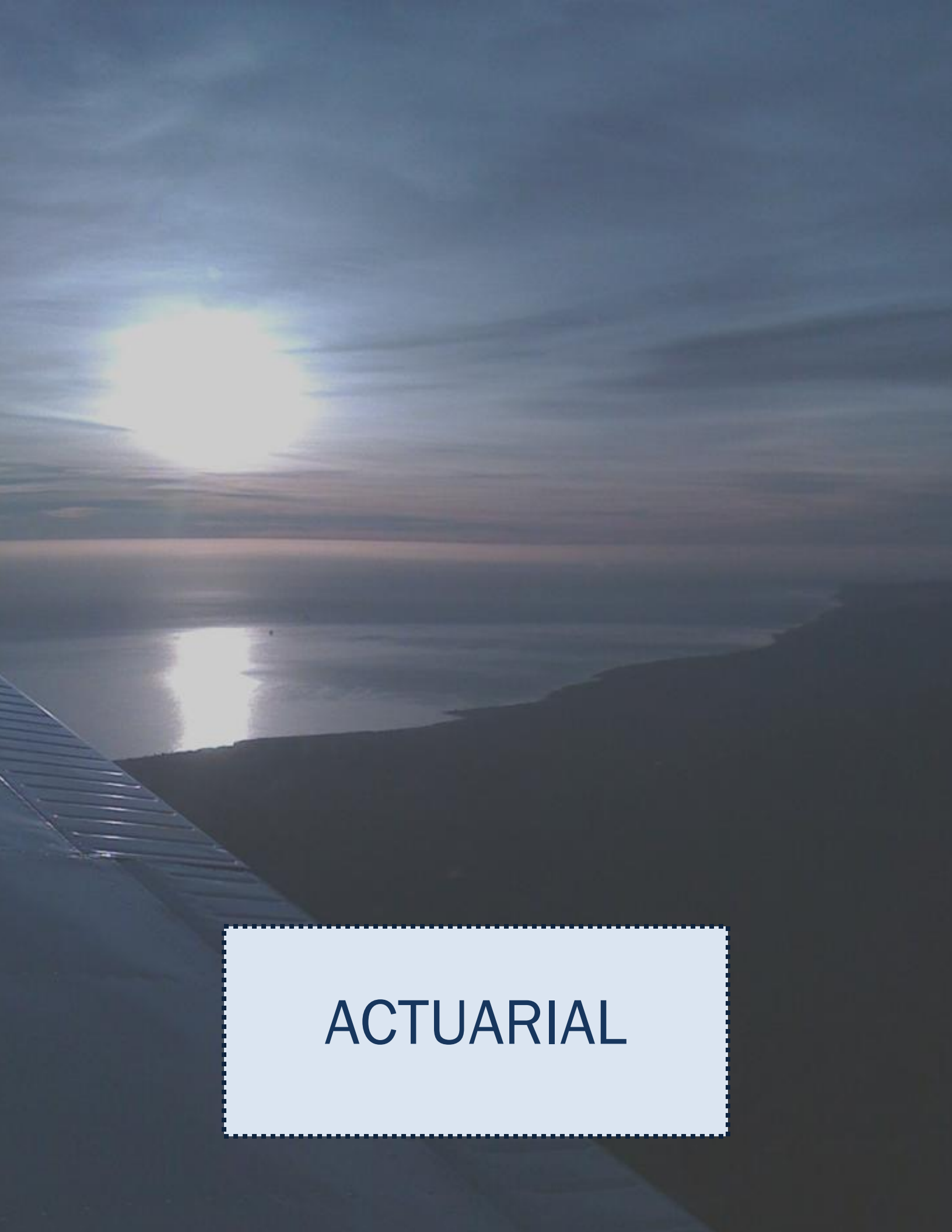
A complete list of portfolio holdings is available upon request.

# INVESTMENT

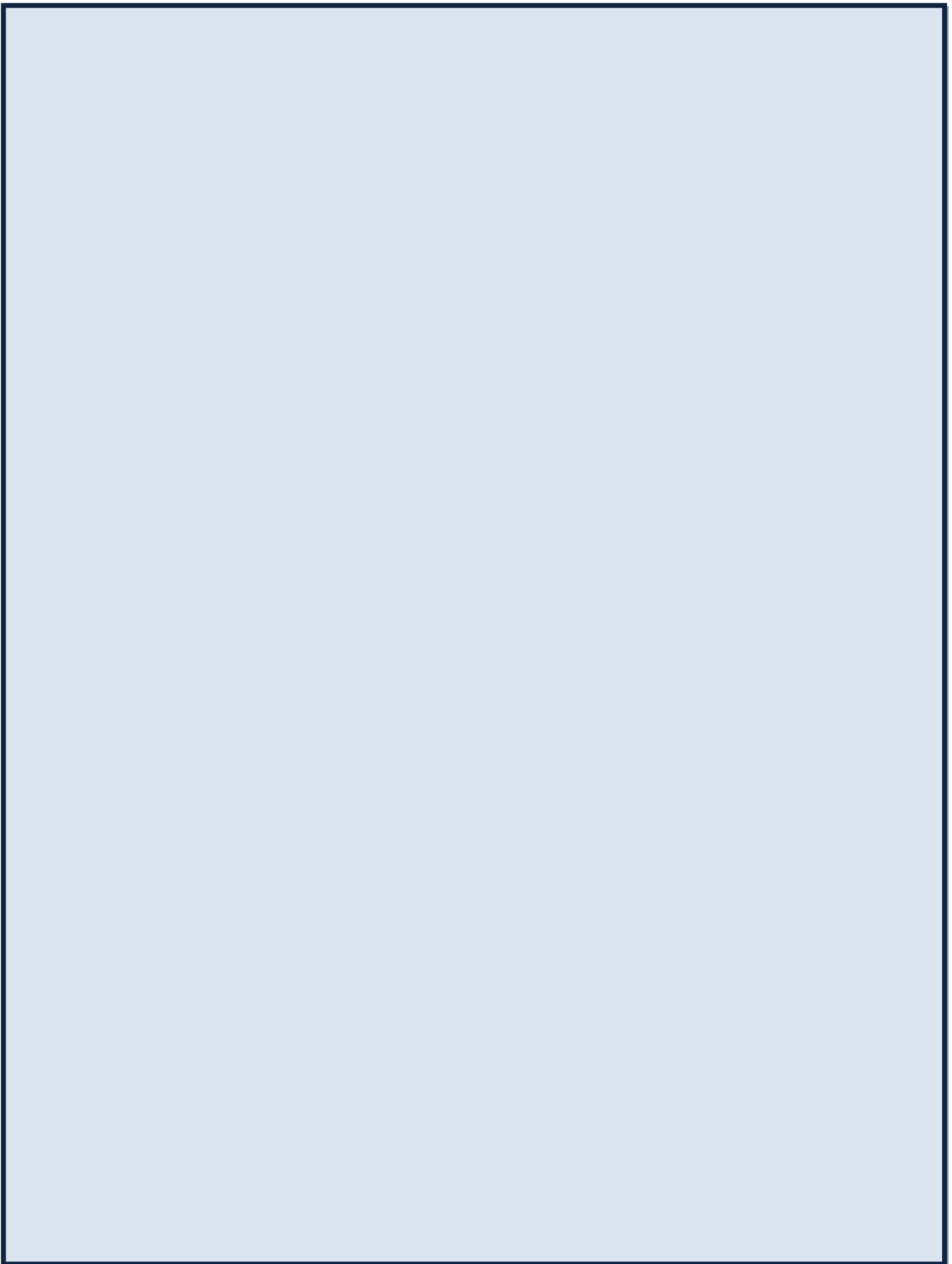
*Schedule of Investment Management Fees  
For the Years Ended June 30, 2011 and 2010*

| INVESTMENT ACTIVITY                     | 2011                | 2010                |
|---|---------------------|---------------------|
| <b>EQUITY MANAGERS</b>                  |                     |                     |
| <i>DOMESTIC</i>                         |                     |                     |
| BLACKROCK GLOBAL INVESTORS              | \$ 229,111          | \$ 217,394          |
| WESTERN ASSET INDEX PLUS                | 192,783             | 149,075             |
| <b>TOTAL</b>                            | <b>421,894</b>      | <b>366,469</b>      |
| <i>INTERNATIONAL/GLOBAL</i>             |                     |                     |
| ACADIAN ASSET MANAGEMENT                | 1,053,649           | 806,078             |
| ARTIO GLOBAL INVESTORS                  | 515,194             | 469,213             |
| BLACKROCK GLOBAL INVESTORS              | 332,111             | 259,463             |
| CAPITAL GUARDIAN TRUST COMPANY          | 245,233             | 550,144             |
| SPRUCEGROVE INVESTMENT MANAGEMENT       | 536,596             | 489,392             |
| HEXAVEST                                | 90,491              | 0                   |
| WALTER SCOTT                            | 283,444             | 0                   |
| <b>TOTAL</b>                            | <b>3,056,718</b>    | <b>2,574,290</b>    |
| <b>FIXED INCOME MANAGERS</b>            |                     |                     |
| <i>DOMESTIC</i>                         |                     |                     |
| BLACKROCK GLOBAL INVESTORS              | 78,005              | 71,009              |
| LOOMIS SAYLES & COMPANY                 | 392,966             | 352,511             |
| REAMS ASSET MANAGEMENT                  | 526,004             | 506,892             |
| WESTERN ASSET MANAGEMENT                | 620,348             | 594,631             |
| <b>TOTAL</b>                            | <b>1,617,323</b>    | <b>1,525,043</b>    |
| <b>REAL ESTATE</b>                      |                     |                     |
| GUGGENHEIM REAL ESTATE INVESTORS        | 190,592             | 91,988              |
| PRUDENTIAL REAL ESTATE INVESTORS        | 641,528             | 587,686             |
| RREEF AMERICA III                       | 76,844              | 86,100              |
| UBS REALTY INVESTORS                    | 981,552             | 630,317             |
| <b>TOTAL</b>                            | <b>1,890,516</b>    | <b>1,396,091</b>    |
| <b>OTHER INVESTMENT EXPENSES</b>        |                     |                     |
| CASH OVERLAY                            | 83,974              | 67,349              |
| INVESTMENT CONSULTANT                   | 233,000             | 230,000             |
| CUSTODIAN                               | 100,503             | 96,637              |
| <b>TOTAL</b>                            | <b>417,477</b>      | <b>393,986</b>      |
| <b>TOTAL INVESTMENT MANAGEMENT FEES</b> | <b>\$ 7,403,928</b> | <b>\$ 6,255,879</b> |





**ACTUARIAL**





THE SEGAL COMPANY  
100 Montgomery Street Suite 500 San Francisco, CA 94104-4308  
T 415.263.8200 F 415.263.8290 www.segalco.com

VIA E-MAIL and USPS

December 12, 2011

Board of Retirement  
Ventura County Employees' Retirement Association  
1190 South Victoria Avenue  
Ventura, CA 93003

Dear Members of the Board:

The Segal Company (Segal) prepared the June 30, 2011 actuarial valuation of the Ventura County Employees' Retirement Association (VCERA). We certify that the Retirement Association valuation was performed in accordance with generally accepted actuarial principles and practices. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters of the Governmental Accounting Standards Board Statement No. 25.

As part of the June 30, 2011 actuarial valuation, Segal received participant data from the Association's staff. This information has not been audited by us, but it has been reviewed and found to be reasonable, both internally and with prior year's information. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over ten semi-annual accounting periods.

One of the general goals of an actuarial valuation is to establish contribution rates which fully fund the Association's liabilities and which, as a percentage of payroll, remain as level as possible for each generation of active members. 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 any unfunded actuarial accrued liability (UAAL). Actuarial gains and losses are incorporated into the UAAL and are amortized over the same period.

**Benefits, Compensation and HR Consulting** Offices throughout the United States and Canada

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Board of Retirement  
Ventura County Employees' Retirement Association  
December 12, 2011  
Page 2

Components of the UAAL are amortized as level percentage of payrolls over a 15-year period. Future components of the UAAL will be amortized over separate 15-year periods. The progress being made towards meeting the funding objective through June 30, 2011 is illustrated in the Actuarial Solvency Test.

For the Financial Section of the Comprehensive Annual Financial Report, Segal provided the trend data shown in the Required Supplementary Information.

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the June 30, 2008 Experience Analysis. It is our opinion that the assumptions used in the June 30, 2011 valuation produce results which, in the aggregate, reasonably reflect the expected future experience of the Plan. Actuarial valuations are performed on an annual basis. An experience analysis is performed every three years. The June 30, 2011 Experience Analysis is due to be performed during the first half of 2012.

In the June 30, 2011 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 80.4% to 80.6% and the aggregate employer contribution rate increased from 22.43% of payroll to 23.82% of payroll.

The valuation value of assets included \$64 million in deferred investment losses, which represented about 2% of the market value of assets. If these deferred investment losses were recognized immediately in the valuation value of assets, the funded percentage would have decreased from 80.6% to 79.0% and the aggregate employer contribution rate, expressed as a percent of payroll, would have increased from 23.82% to about 24.70%.

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

Sincerely,



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



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

AW/bqb:hy



# ACTUARIAL

## *Summary of Actuarial Assumptions and Methods as of June 30, 2011*

**ACTUARIAL ASSUMPTIONS AND METHODS.** Recommended by the Actuary and adopted by the Board of Retirement.

**ACTUARIAL COST METHOD.** Entry age normal actuarial cost method

**ACTUARIAL ASSET VALUATION METHOD.** Five-year smoothing of fair value.

**AMORTIZATION OF GAINS AND LOSSES.** Experience gains and losses are amortized over the same period as the unfunded actuarial accrued liability (surplus).

**INVESTMENT RATE OF RETURN.** 8.00% per annum; 4.50% real rate of return and 3.50% inflation.

**PROJECTED SALARY INCREASES.** 5.00% – 13.25% varying by service. Includes inflation at 3.50%, “across the board” increases of .75% plus merit and longevity increases.

**TERMINATIONS OF EMPLOYMENT RATES.** 0% to 16.0%

**COST-OF-LIVING ADJUSTMENTS.** 0% to 3% for General Tier 1 and Safety members tied to the change in Consumer Price Index. 2% cost-of-living for eligible General Tier 2 members financed through employee contributions.

**EXPECTATION OF LIFE AFTER RETIREMENT.** RP-2000 Combined Healthy Mortality Table set back one year.

**EXPECTATION OF LIFE AFTER DISABILITY.** RP-2000 Combined Healthy Mortality Table set forward six years.

**DATE OF ADOPTION.** July 20, 2009

## Active Member Valuation Data

| FISCAL YEAR<br>ENDED JUNE 30 | NUMBER | ANNUAL SALARY | AVERAGE<br>ANNUAL<br>SALARY | % INCREASE/<br>(DECREASE) IN<br>AVERAGE<br>SALARY | AGE  | SERVICE |
|------------------------------|--------|---------------|-----------------------------|---|------|---------|
| <b>2011</b>                  |        |               |                             |   |      |         |
| General                      | 6,516  | \$472,121,275 | \$72,456                    | (2.56%)   | 46.1 | 10.3    |
| Safety                       | 1,524  | 164,916,105   | 108,213                     | (5.26%)   | 40.7 | 13.6    |
| Total                        | 8,040  | \$637,037,380 | \$79,234                    | (3.16 %)  | 45.1 | 10.9    |
| <b>2010</b>                  |        |               |                             |   |      |         |
| General                      | 6,505  | \$483,722,608 | \$74,362                    | 2.86%   | 46.0 | 9.9     |
| Safety                       | 1,498  | 171,105,613   | 114,223                     | 7.00%   | 40.8 | 13.8    |
| Total                        | 8,003  | \$654,828,221 | \$81,823                    | 3.70%   | 45.0 | 10.6    |
| <b>2009</b>                  |        |               |                             |   |      |         |
| General                      | 6,501  | \$469,960,577 | \$72,291                    | 4.81%   | 45.7 | 9.6     |
| Safety                       | 1,544  | 164,817,315   | 106,747                     | 3.90%   | 40.5 | 13.4    |
| Total                        | 8,045  | \$634,777,892 | \$78,903                    | 4.40%   | 44.7 | 10.3    |
| <b>2008</b>                  |        |               |                             |   |      |         |
| General                      | 6,378  | \$439,929,857 | \$68,976                    | 4.63%   | 45.4 | 9.4     |
| Safety                       | 1,550  | 159,243,261   | 102,738                     | 5.83%   | 40.1 | 12.9    |
| Total                        | 7,928  | \$599,173,118 | \$75,577                    | 4.79%   | 44.4 | 10.1    |
| <b>2007</b>                  |        |               |                             |   |      |         |
| General                      | 6,130  | \$404,122,312 | \$65,925                    | 2.62%   | 45.5 | 9.4     |
| Safety                       | 1,523  | 147,845,787   | 97,075                      | 4.07%   | 40.0 | 12.9    |
| Total                        | 7,653  | \$551,968,099 | \$72,124                    | 2.85%   | 44.4 | 10.1    |
| <b>2006</b>                  |        |               |                             |   |      |         |
| General                      | 5,902  | \$379,143,257 | \$64,240                    | 6.43%   | 45.5 | 9.5     |
| Safety                       | 1,501  | 140,001,403   | 93,272                      | 6.38%   | 40.0 | 12.8    |
| Total                        | 7,403  | \$519,144,660 | \$70,126                    | 6.28%   | 44.4 | 10.2    |

# ACTUARIAL

## *Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls*


| FISCAL YEAR ENDED JUNE 30 | BEG FY NUMBER ON THE ROLLS | BEG FY AMOUNT OF ANNUAL ALLOWANCE | NUMBER ADDED TO THE ROLLS | AMOUNT OF ALLOWANCE ADDED TO THE ROLLS | NUMBER REMOVED FROM THE ROLLS | AMOUNT OF ALLOWANCE REMOVED FROM ROLLS | NUMBER FISCAL YEAR END | ANNUAL RETIREE PAYROLL FOR FISCAL YEAR | PER CENT INCREASE RETIREE PAYROLL | AMOUNT OF AVERAGE ANNUAL ALLOWANCE |
|---------------------------|----------------------------|-----------------------------------|---------------------------|--|-------------------------------|--|------------------------|--|-----------------------------------|------------------------------------|
| <b>2011</b>               | 5,267                      | 166,028,550                       | 358                       | 16,502,067                             | 144                           | 2,460,760                              | 5,481                  | 180,069,857                            | 8.46%                             | 32,853                             |
| <b>2010</b>               | 5,041                      | 153,088,994                       | 350                       | 15,884,725                             | 124                           | 2,945,169                              | 5,267                  | 166,028,550                            | 8.45%                             | 31,522                             |
| <b>2009</b>               | 4,914                      | 142,669,054                       | 252                       | 13,508,359                             | 125                           | 3,088,419                              | 5,041                  | 153,088,994                            | 7.30%                             | 30,369                             |
| <b>2008</b>               | 4,770                      | 132,207,925                       | 300                       | 16,101,840                             | 156                           | 5,640,711                              | 4,914                  | 142,669,054                            | 7.91%                             | 29,033                             |
| <b>2007</b>               | 4,570                      | 121,226,816                       | 300                       | 16,471,664                             | 100                           | 5,490,555                              | 4,770                  | 132,207,925                            | 9.06%                             | 27,717                             |
| <b>2006</b>               | 4,314                      | 109,734,125                       | 366                       | 16,430,957                             | 110                           | 4,938,266                              | 4,570                  | 121,226,816                            | 10.47%                            | 26,527                             |

## *Actuarial Analysis of Financial Experience (Amounts in Thousands)*

|   | 2011      | 2010      | 2009      | 2008      | 2007      | 2006      |
|---|-----------|-----------|-----------|-----------|-----------|-----------|
| Prior Valuation Unfunded (Excess Funded) Accrued Liability  | \$761,459 | \$573,553 | \$290,048 | \$376,025 | \$481,870 | \$368,676 |
| Salary Increases Greater (Less) Than Expected               | (131,928) | (19,314)  | (9,590)   | 19,961    | (5,589)   | 28,116    |
| Asset Return (Greater) Less Than Expected                   | 127,192   | 202,739   | 213,344   | (90,891)  | (113,656) | (44,188)  |
| Other Experience Factors                                    | 7,067     | (6,044)   | (11,501)  | (15,047)  | 13,400    | 26,476    |
| Change in Actuarial Assumptions                             | 11,174    | 10,525    | 91,252    | —         | —         | 102,790   |
| Ending Valuation Unfunded (Excess Funded) Accrued Liability | \$774,964 | \$761,459 | \$573,553 | \$290,048 | \$376,025 | \$481,870 |

*Actuary Solvency Test  
(Amounts in Thousands)*

AGGREGATE ACTUARIAL ACCRUED LIABILITIES FOR:



| VALUATION DATE | ACTIVE MEMBER CONTRIBUTIONS | RETIRED MEMBER CONTRIBUTIONS | LIABILITY FOR ACTIVE MEMBERS (EMPLOYER FINANCED PORTION) | TOTAL LIABILITIES | ACTUARIAL VALUE OF ASSETS | ACTIVE MEMBER CONTRIBUTIONS | RETIREES AND BENEFICIARIES | ACTIVE MEMBER EMPLOYER FINANCED |
|----------------|-----------------------------|------------------------------|--|-------------------|---------------------------|-----------------------------|----------------------------|---------------------------------|
| 6/30/11        | 549,207                     | 1,810,062                    | 1,636,083  | 3,995,352         | 3,220,388                 | 100%                        | 100%                       | 53%                             |
| 6/30/10        | 525,190                     | 1,674,735                    | 1,677,518  | 3,877,443         | 3,115,984                 | 100%                        | 100%                       | 55%                             |
| 6/30/09        | 499,205                     | 1,545,347                    | 1,619,149  | 3,663,701         | 3,090,148                 | 100%                        | 100%                       | 65%                             |
| 6/30/08        | 466,332                     | 1,470,874                    | 1,408,598  | 3,345,804         | 3,055,756                 | 100%                        | 100%                       | 79%                             |
| 6/30/07        | 431,860                     | 1,391,914                    | 1,288,809  | 3,112,583         | 2,736,558                 | 100%                        | 100%                       | 71%                             |
| 6/30/06        | 400,315                     | 1,309,873                    | 1,201,730  | 2,911,918         | 2,430,048                 | 100%                        | 100%                       | 60%                             |

# ACTUARIAL

## *Summary of Plan Benefits*

Summarized below are some of the more significant provisions of the County Employees' Retirement Law of 1937 that are presently applicable to the Ventura County Employees' Retirement Association (VCERA).

### **MEMBERSHIP.**

All permanent employees of the County of Ventura or contracting district who work a regular schedule of 64 or more hours per bi-weekly pay period become members of VCERA upon appointment. There are separate retirement plans for safety and general member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and probation. All other employees are classified as general members. There are two tiers applicable to general members. Those hired prior to June 30, 1979, and certain management personnel who entered service prior to October 16, 2001, are included in Tier I. Those hired after that date are included in Tier II.

### **VESTING.**

A member is fully vested upon accruing five years of retirement service credit under VCERA, or combined service under VCERA and a reciprocal retirement system.

### **EMPLOYER CONTRIBUTIONS.**

The County of Ventura contributes to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from VCERA's actuary after the completion of the annual actuarial valuation.

### **MEMBER CONTRIBUTIONS.**

All members are required to make contributions to VCERA regardless of the retirement plan or tier in which they are included. The contribution rate applicable to the member is applied to total compensation earnable, which consists of base pay and other items of cash remuneration. The employer, as a result of provisions contained in individual collective bargaining agreements, may pay a portion of the member contribution.

Contributions are deducted from the member's bi-weekly payroll check and credited to the member's account. Interest is credited to the member's account semiannually on June 30 and December 31 based upon the total contributions on deposit. Upon separation from service a member may elect a refund of all accumulated contributions and interest credited.

### **SERVICE RETIREMENT BENEFIT.**

Any member with 10 or more years of retirement service credit who has attained the age of 50 is eligible to retire. A member with 30 years of service (20 years for safety) is eligible to retire regardless of age. The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit and retirement plan and tier.

*Summary of Plan Benefits (continued)*

Safety member benefits are calculated pursuant to the provisions of California Government Code Section 31664. The monthly allowance is equal to  $1/50^{\text{th}}$  of final compensation times years of accrued retirement service credit times age factor from section 31664.

General member benefits for Tier I and Tier II are calculated pursuant to the provisions of sections 31676.11 and 31676.1, respectively. The monthly allowance is equal to  $1/90^{\text{th}}$  of the first \$350 of final compensation, plus  $1/60^{\text{th}}$  of the excess final compensation times years of accrued retirement service credit times age factor from either section 31676.11 (Tier I) or 31676.1 (Tier II).

The maximum monthly retirement allowance is 100% of final compensation.

Final average compensation consists of the highest 12 consecutive months for a safety or Tier I general member and the highest 36 consecutive months for a Tier II general member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse. An eligible surviving spouse is one married to the member one year prior to the effective retirement date. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse or named beneficiary having an insurable interest in the life of the member.

**COST-OF-LIVING.**

VCERA provides an annual cost-of-living benefit to safety and Tier I general member retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Los Angeles, Riverside, Orange County area, is capped at 3.0%.

Certain Tier II general member retirees receive a fixed 2% cost-of-living adjustment pursuant to collective bargaining agreements.

**DISABILITY RETIREMENT BENEFITS.**

VCERA provides disability retirement benefits for service-connected and nonservice-connected injury or disease. To qualify for a disability retirement the member must be permanently incapacitated for the performance of duty.

A member may be retired with a service-connected disability regardless of years of retirement service credit. The monthly allowance for a service-connected disability retirement is equal to 50% of final average compensation, but not less than the member would have received for a regular service retirement, if eligible. Upon the death of a member receiving a service-connected disability allowance, the surviving spouse married to the member at the time of retirement, or eligible minor children, shall receive a 100% continuance of the benefit unless the member elected an optional retirement allowance.

## *Summary of Plan Benefits (continued)*

A member must have a minimum of five years of retirement service credit to qualify for a nonservice-connected disability retirement. The benefit payable for a nonservice-connected disability is equal to 1.8% of final compensation for each year of service not to exceed 1/3<sup>rd</sup> of final compensation.

### **ACTIVE MEMBER DEATH BENEFITS.**

If the member has less than five years of retirement service credit, the death benefit consists of the member's accumulated retirement contributions, plus one month's salary for each completed year of service, not to exceed one-half of annual compensation earnable, not to exceed one-half of annual compensation earnable.

If the member has completed five years of service, an eligible surviving spouse of minor child(ren) may elect (a) a refund of the member's accumulated contributions, plus one month's salary for each year of completed service to a maximum of six month's salary, (b) a monthly retirement allowance equal to 60% of the earned benefit to an eligible surviving spouse, or (c) a combined benefit consisting of a lump sum payment plus a reduced monthly allowance. If there is no eligible surviving spouse or minor child(ren) the benefit paid to the named beneficiary will be that described in (a) above.

If a member dies in service as the result of a job related injury or illness, an eligible surviving spouse or minor child(ren) would be eligible for a monthly benefit equal to 50% of final compensation.

### **RETIRED MEMBER DEATH BENEFITS.**

If the member retired from service, or with a nonservice-connected disability, the benefit payable to an eligible surviving spouse would be an amount equal to 60% of the member's unmodified retirement allowance. If the member retired with a service-connected disability retirement, the surviving spouse would receive a 100% continuance of the unmodified retirement allowance. If there is no eligible surviving spouse, benefits may be payable to a minor child(ren).

A lump sum death benefit of \$5,000 is also payable to the named beneficiary of a deceased retired member.

## Probability of Occurrence

| GENERAL MEMBERS - MALE |                     |        |        |        |        |        |                    |                     |                     |
|------------------------|---------------------|--------|--------|--------|--------|--------|--------------------|---------------------|---------------------|
| Age Nearest            | RATES OF WITHDRAWAL |        |        |        |        |        | Rates of Mortality | Rates of Disability | Rates of Retirement |
|                        | 0<X<1               | 1<X<2  | 2<X<3  | 3<X<4  | 4<X<5  | X>5    |                    |                     |                     |
| 25                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0800 | 0.0004             | 0.0002              | 0.0000              |
| 30                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0710 | 0.0004             | 0.0004              | 0.0000              |
| 35                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0560 | 0.0007             | 0.0008              | 0.0000              |
| 40                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0410 | 0.0010             | 0.0013              | 0.0000              |
| 45                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0305 | 0.0014             | 0.0024              | 0.0000              |
| 50                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0200 | 0.0020             | 0.0048              | 0.0400              |
| 55                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0135 | 0.0032             | 0.0069              | 0.0800              |
| 60                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0110 | 0.0059             | 0.0075              | 0.1400              |
| 65                     | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0100 | 0.0113             | 0.0075              | 0.4000              |

| GENERAL MEMBERS - FEMALE |                     |        |        |        |        |        |                    |                     |                     |
|--------------------------|---------------------|--------|--------|--------|--------|--------|--------------------|---------------------|---------------------|
| Age Nearest              | RATES OF WITHDRAWAL |        |        |        |        |        | Rates of Mortality | Rates of Disability | Rates of Retirement |
|                          | 0<X<1               | 1<X<2  | 2<X<3  | 3<X<4  | 4<X<5  | X>5    |                    |                     |                     |
| 25                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0800 | 0.0002             | 0.0002              | 0.0000              |
| 30                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0710 | 0.0002             | 0.0004              | 0.0000              |
| 35                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0560 | 0.0004             | 0.0008              | 0.0000              |
| 40                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0410 | 0.0006             | 0.0013              | 0.0000              |
| 45                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0305 | 0.0010             | 0.0024              | 0.0000              |
| 50                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0200 | 0.0016             | 0.0048              | 0.0400              |
| 55                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0135 | 0.0024             | 0.0069              | 0.0800              |
| 60                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0110 | 0.0044             | 0.0075              | 0.1400              |
| 65                       | 0.1600              | 0.1200 | 0.1000 | 0.0800 | 0.0800 | 0.0100 | 0.0086             | 0.0075              | 0.4000              |

| SAFETY MEMBERS |                     |        |        |        |        |        |                    |                     |                     |
|----------------|---------------------|--------|--------|--------|--------|--------|--------------------|---------------------|---------------------|
| Age Nearest    | RATES OF WITHDRAWAL |        |        |        |        |        | Rates of Mortality | Rates of Disability | Rates of Retirement |
|                | 0<X<1               | 1<X<2  | 2<X<3  | 3<X<4  | 4<X<5  | X>5    |                    |                     |                     |
| 25             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0470 | 0.0004             | 0.0011              | 0.0000              |
| 30             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0360 | 0.0004             | 0.0024              | 0.0000              |
| 35             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0240 | 0.0007             | 0.0057              | 0.0000              |
| 40             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0140 | 0.0010             | 0.0090              | 0.0100              |
| 45             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0070 | 0.0014             | 0.0115              | 0.0100              |
| 50             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0020 | 0.0020             | 0.0215              | 0.0200              |
| 55             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0000 | 0.0032             | 0.0410              | 0.2000              |
| 60             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0000 | 0.0059             | 0.0575              | 0.3000              |
| 65             | 0.1000              | 0.0700 | 0.0700 | 0.0600 | 0.0550 | 0.0000 | 0.0113             | 0.0000              | 100.00              |





**STATISTICAL**



# STATISTICAL

## *Narrative Summary*

The purpose of the Statistical section is to provide users with additional historical perspective, context, and detail in order to provide a more comprehensive understanding of this year's financial statements, note disclosures, and supplementary information, which cover the Pension Plan. This section also provides multi-year trend of financial and operating information to facilitate comprehensive understanding of how the organization's financial position and performance has changed over time. More specifically, the financial and operating information provides contextual data of VCERA's net assets, benefits, refunds, contribution rates and retirement benefits. The financial and operating trend information is located on the following pages.

Financial Trends Information is intended to assist readers in understanding how VCERA's financial activities and positions have changed over time. The Changes in Plan Assets for Years 2002 – 2011 presents additions by source, deductions by type, and the total change in net assets for each year. The Schedule of Benefit Expenses by Type for the last ten years presents benefit deductions by type of benefit received by members.

Operating Information is intended to provide contextual information about VCERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate VCERA's fiscal condition. This section includes the Schedule of Retired Members by Type of Benefits, which presents information for the last ten years. The Active and Deferred Members table indicates member status for the last ten years. The Schedule of Average Monthly Benefit Payment reflects the number of newly retired members with average monthly benefit and final salary. The Participating Employer and Active Members present the employers and number of their corresponding covered employees for years 2002 – 2011. The Employer Contribution Rates show the required retirement contribution rates for years 2002 – 2011.

## *Changes in Plan Net Assets*

|                                  | 2011                 | 2010                 | 2009                   | 2008                   | 2007                 |
|----------------------------------|----------------------|----------------------|------------------------|------------------------|----------------------|
| <b>Additions</b>                 |                      |                      |                        |                        |                      |
| Employer Contributions           | \$120,053,545        | \$105,702,929        | \$113,915,784          | \$112,797,726          | \$94,327,697         |
| Member Contributions             | 44,237,695           | 42,466,182           | 42,325,754             | 39,611,439             | 36,727,845           |
| Net Investment Income            | 627,326,737          | 347,087,186          | (625,182,877)          | (208,518,972)          | 461,551,467          |
| <b>Total Additions</b>           | <b>791,617,977</b>   | <b>495,256,297</b>   | <b>(468,941,339)</b>   | <b>(56,109,807)</b>    | <b>592,607,009</b>   |
| <b>Deductions</b>                |                      |                      |                        |                        |                      |
| Total Benefit Expenses           | 180,069,857          | 166,028,550          | 153,088,994            | 142,669,054            | 132,207,925          |
| Administrative Expense           | 4,386,708            | 3,227,440            | 3,535,690              | 3,267,594              | 2,588,705            |
| Member Refunds                   | 4,388,204            | 4,081,469            | 3,253,100              | 3,960,407              | 3,479,318            |
| Miscellaneous                    | -                    | -                    | -                      | 20,007                 | -                    |
| <b>Total Deductions</b>          | <b>188,844,769</b>   | <b>173,337,459</b>   | <b>159,877,784</b>     | <b>149,917,062</b>     | <b>138,275,948</b>   |
| <b>Change In Plan Net Assets</b> | <b>\$602,773,208</b> | <b>\$321,918,838</b> | <b>(\$628,819,123)</b> | <b>(\$206,026,869)</b> | <b>\$454,331,061</b> |

|                                  | 2006                 | 2005                 | 2004                 | 2003                | 2002                   |
|----------------------------------|----------------------|----------------------|----------------------|---------------------|------------------------|
| <b>Additions</b>                 |                      |                      |                      |                     |                        |
| Employer Contributions           | \$81,683,816         | \$58,436,106         | \$15,708,139         | \$5,384,203         | \$5,105,212            |
| Member Contributions             | 33,334,824           | 29,351,919           | 28,895,312           | 25,978,659          | 23,371,959             |
| Net Investment Income            | 241,240,489          | 206,019,458          | 318,222,984          | 80,300,150          | (149,932,920)          |
| <b>Total Additions</b>           | <b>356,259,129</b>   | <b>293,807,483</b>   | <b>362,826,435</b>   | <b>111,663,012</b>  | <b>(121,455,749)</b>   |
| <b>Deductions</b>                |                      |                      |                      |                     |                        |
| Total Benefit Expenses           | 121,226,816          | 109,734,125          | 101,108,287          | 95,001,364          | 80,958,477             |
| Administrative Expense           | 3,027,674            | 2,938,884            | 2,761,869            | 2,246,186           | 1,888,140              |
| Member Refunds                   | 4,228,611            | 3,536,154            | 3,080,417            | 2,894,770           | 2,725,373              |
| Miscellaneous                    | -                    | -                    | 12,722               | 37,500              | 1,519,987              |
| <b>Total Deductions</b>          | <b>128,483,101</b>   | <b>116,209,163</b>   | <b>106,963,295</b>   | <b>100,179,820</b>  | <b>87,091,977</b>      |
| <b>Change In Plan Net Assets</b> | <b>\$227,776,028</b> | <b>\$177,598,320</b> | <b>\$255,863,140</b> | <b>\$11,483,192</b> | <b>(\$208,547,726)</b> |

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## *Benefit Expenses and Refund Deductions by Type*

|                                   | 2011          | 2010          | 2009          | 2008          | 2007          |
|-----------------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Service Retiree Payroll</b>    |               |               |               |               |               |
| General                           | \$91,046,090  | \$83,372,514  | \$77,661,797  | \$72,277,754  | \$66,938,627  |
| Safety                            | 45,009,631    | 39,353,106    | 35,038,577    | 32,145,225    | 28,472,253    |
| <b>Total</b>                      | 136,055,721   | 122,725,620   | 112,700,374   | 104,422,979   | 95,410,880    |
| <b>Disability Retiree Payroll</b> |               |               |               |               |               |
| General                           | 9,484,059     | 10,050,635    | 9,638,282     | 9,113,846     | 9,448,886     |
| Safety                            | 21,330,545    | 21,162,852    | 19,264,905    | 18,147,418    | 17,115,428    |
| <b>Total</b>                      | 30,814,604    | 31,213,487    | 28,903,187    | 27,261,264    | 26,564,314    |
| <b>Survivor Continuances</b>      |               |               |               |               |               |
| General                           | 7,908,926     | 7,365,353     | 6,949,959     | 6,499,663     | 6,067,275     |
| Safety                            | 5,290,606     | 4,724,090     | 4,535,474     | 4,485,148     | 4,165,456     |
| <b>Total</b>                      | 13,199,532    | 12,089,443    | 11,485,433    | 10,984,811    | 10,232,731    |
| <b>Total Retiree Payroll</b>      |               |               |               |               |               |
| General                           | 108,439,076   | 100,788,502   | 94,250,038    | 87,891,263    | 82,454,788    |
| Safety                            | 71,630,781    | 65,240,048    | 58,838,956    | 54,777,791    | 49,753,137    |
| <b>TOTAL</b>                      | \$180,069,857 | \$166,028,550 | \$153,088,994 | \$142,669,054 | \$132,207,925 |
| <b>Member Refunds</b>             |               |               |               |               |               |
| General                           | \$3,858,642   | \$2,605,623   | \$2,678,876   | \$3,525,896   | \$3,203,238   |
| Safety                            | 529,562       | 621,817       | 574,224       | 434,511       | 276,080       |
| <b>TOTAL</b>                      | \$4,388,204   | \$3,227,440   | \$3,253,100   | \$3,960,407   | \$3,479,318   |

|                                   | 2006          | 2005          | 2004          | 2003         | 2002         |
|-----------------------------------|---------------|---------------|---------------|--------------|--------------|
| <b>Service Retiree Payroll</b>    |               |               |               |              |              |
| General                           | \$60,586,668  | \$54,330,399  | \$49,857,118  | \$45,934,646 | \$39,330,811 |
| Safety                            | 26,027,639    | 23,606,066    | 21,186,500    | 19,725,887   | 16,578,810   |
| <b>Total</b>                      | 86,614,307    | 77,936,465    | 71,043,618    | 65,660,533   | 55,909,621   |
| <b>Disability Retiree Payroll</b> |               |               |               |              |              |
| General                           | 9,334,146     | 9,213,230     | 8,930,748     | 8,549,634    | 7,385,740    |
| Safety                            | 15,941,360    | 14,070,060    | 12,713,783    | 12,577,060   | 10,806,904   |
| <b>Total</b>                      | 25,275,506    | 23,283,290    | 21,644,531    | 21,126,694   | 18,192,644   |
| <b>Survivor Continuances</b>      |               |               |               |              |              |
| General                           | 5,685,323     | 5,263,144     | 5,180,998     | 5,061,588    | 4,340,057    |
| Safety                            | 3,651,680     | 3,251,226     | 3,239,140     | 3,152,549    | 2,516,155    |
| <b>Total</b>                      | 9,337,003     | 8,514,370     | 8,420,138     | 8,214,137    | 6,856,212    |
| <b>Total Retiree Payroll</b>      |               |               |               |              |              |
| General                           | 75,606,137    | 68,806,773    | 63,968,864    | 59,545,868   | 51,056,608   |
| Safety                            | 45,620,679    | 40,927,352    | 37,139,423    | 35,455,496   | 29,901,869   |
| <b>TOTAL</b>                      | \$121,226,816 | \$109,734,125 | \$101,108,287 | \$95,001,364 | \$80,958,477 |
| <b>Member Refunds</b>             |               |               |               |              |              |
| General                           | \$3,611,208   | \$3,223,771   | \$2,691,921   | \$2,524,486  | \$2,414,680  |
| Safety                            | 617,403       | 312,383       | 388,496       | 370,284      | 310,693      |
| <b>TOTAL</b>                      | \$4,228,611   | \$3,536,154   | \$3,080,417   | \$2,894,770  | \$2,725,373  |

## *Retired Members by Type of Retirement*

|                              | 2011         | 2010         | 2009         | 2008         | 2007         |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| <b>Service</b>               |              |              |              |              |              |
| General                      | 3,339        | 3,209        | 3,066        | 2,992        | 2,918        |
| Safety                       | 590          | 552          | 512          | 489          | 477          |
| <b>Total</b>                 | <b>3,929</b> | <b>3,761</b> | <b>3,578</b> | <b>3,481</b> | <b>3,395</b> |
| <b>Disability</b>            |              |              |              |              |              |
| General                      | 460          | 462          | 468          | 457          | 464          |
| Safety                       | 377          | 372          | 363          | 360          | 351          |
| <b>Total</b>                 | <b>837</b>   | <b>834</b>   | <b>831</b>   | <b>817</b>   | <b>815</b>   |
| <b>Survivors</b>             |              |              |              |              |              |
| General                      | 540          | 512          | 492          | 479          | 442          |
| Safety                       | 175          | 160          | 140          | 137          | 118          |
| <b>Total</b>                 | <b>715</b>   | <b>672</b>   | <b>632</b>   | <b>616</b>   | <b>560</b>   |
| <b>Total Retired Members</b> |              |              |              |              |              |
| General                      | 4,339        | 4,183        | 4,026        | 3,928        | 3,824        |
| Safety                       | 1,142        | 1,084        | 1,015        | 986          | 946          |
| <b>Total</b>                 | <b>5,481</b> | <b>5,267</b> | <b>5,041</b> | <b>4,914</b> | <b>4,770</b> |
|                              |              |              |              |              |              |
|                              | <b>2006</b>  | <b>2005</b>  | <b>2004</b>  | <b>2003</b>  | <b>2002</b>  |
| <b>Service</b>               |              |              |              |              |              |
| General                      | 2,765        | 2,596        | 2,400        | 2,299        | 2,203        |
| Safety                       | 442          | 414          | 385          | 346          | 326          |
| <b>Total</b>                 | <b>3,207</b> | <b>3,010</b> | <b>2,785</b> | <b>2,645</b> | <b>2,529</b> |
| <b>Disability</b>            |              |              |              |              |              |
| General                      | 469          | 468          | 460          | 443          | 426          |
| Safety                       | 342          | 325          | 299          | 292          | 280          |
| <b>Total</b>                 | <b>811</b>   | <b>793</b>   | <b>759</b>   | <b>735</b>   | <b>706</b>   |
| <b>Survivors</b>             |              |              |              |              |              |
| General                      | 433          | 408          | 387          | 383          | 359          |
| Safety                       | 119          | 103          | 100          | 94           | 93           |
| <b>Total</b>                 | <b>552</b>   | <b>511</b>   | <b>487</b>   | <b>477</b>   | <b>452</b>   |
| <b>Total Retired Members</b> |              |              |              |              |              |
| General                      | 3,667        | 3,472        | 3,247        | 3,125        | 2,988        |
| Safety                       | 903          | 842          | 784          | 732          | 699          |
| <b>Total</b>                 | <b>4,570</b> | <b>4,314</b> | <b>4,031</b> | <b>3,857</b> | <b>3,687</b> |

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## *Active and Deferred Members*

|                             | 2011        | 2010        | 2009        | 2008        | 2007        |
|-----------------------------|-------------|-------------|-------------|-------------|-------------|
| <b>Active Vested</b>        |             |             |             |             |             |
| General                     | 4,278       | 4,078       | 4,069       | 3,970       | 3,906       |
| Safety                      | 1,193       | 1,158       | 1,187       | 1,188       | 1,177       |
| <b>Active Nonvested</b>     |             |             |             |             |             |
| General                     | 2,238       | 2,427       | 2,432       | 2,408       | 2,224       |
| Safety                      | 331         | 340         | 357         | 362         | 346         |
| <b>Total Active Members</b> |             |             |             |             |             |
| General                     | 6,516       | 6,505       | 6,501       | 6,378       | 6,130       |
| Safety                      | 1,524       | 1,498       | 1,544       | 1,550       | 1,523       |
| <b>Deferred Members</b>     |             |             |             |             |             |
| General                     | 1,838       | 1,780       | 1,795       | 1,762       | 1,646       |
| Safety                      | 259         | 260         | 260         | 245         | 218         |
| <b>TOTAL</b>                | 10,137      | 10,043      | 10,100      | 9,935       | 9,517       |
|                             |             |             |             |             |             |
|                             | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> | <b>2002</b> |
| <b>Active Vested</b>        |             |             |             |             |             |
| General                     | 3,768       | 3,650       | 3,573       | 3,509       | 3,623       |
| Safety                      | 1,192       | 1,172       | 1,158       | 1,036       | 891         |
| <b>Active Nonvested</b>     |             |             |             |             |             |
| General                     | 2,134       | 2,103       | 2,515       | 2,701       | 2,865       |
| Safety                      | 309         | 320         | 380         | 471         | 328         |
| <b>Total Active Members</b> |             |             |             |             |             |
| General                     | 5,902       | 5,753       | 6,088       | 6,210       | 6,488       |
| Safety                      | 1,501       | 1,492       | 1,538       | 1,507       | 1,219       |
| <b>Deferred Members</b>     |             |             |             |             |             |
| General                     | 1,555       | 1,538       | 1,206       | 1,036       | 830         |
| Safety                      | 201         | 175         | 145         | 119         | 91          |
| <b>TOTAL</b>                | 9,159       | 8,958       | 8,977       | 8,872       | 8,628       |

## *Schedule of Average Monthly Benefit Payments 2007-2011*

|                              | Years of Credited Service |           |           |           |           |           |
|------------------------------|---------------------------|-----------|-----------|-----------|-----------|-----------|
|                              | 5-9                       | 10-14     | 15-19     | 20-24     | 25-29     | 30+       |
| <b>Retirees – 2011</b>       |                           |           |           |           |           |           |
| General Members              |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 1,169                  | \$ 1,835  | \$ 2,497  | \$ 3,824  | \$ 5,203  | \$ 6,494  |
| Average Final Average Salary | \$ 6,376                  | \$ 6,466  | \$ 6,489  | \$ 8,145  | \$ 9,263  | \$ 8,729  |
| Number of Active Retirees    | 59                        | 76        | 34        | 46        | 24        | 28        |
| Safety Members               |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 2,089                  | \$ 3,021  | \$ 5,528  | \$ 6,822  | \$ 7,925  | \$ 12,281 |
| Average Final Average Salary | \$ 9,315                  | \$ 13,110 | \$ 10,450 | \$ 12,291 | \$ 10,547 | \$ 13,718 |
| Number of Active Retirees    | 10                        | 4         | 4         | 8         | 11        | 24        |
| <b>Retirees – 2010</b>       |                           |           |           |           |           |           |
| General Members              |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 1,146                  | \$ 1,765  | \$ 2,372  | \$ 3,694  | \$ 4,368  | \$ 5,674  |
| Average Final Average Salary | \$ 6,540                  | \$ 6,376  | \$ 6,356  | \$ 8,000  | \$ 8,063  | \$ 7,409  |
| Number of Active Retirees    | 42                        | 47        | 36        | 33        | 19        | 31        |
| Safety Members               |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 2,889                  | \$ 3,231  | \$ 2,919  | \$ 6,632  | \$ 7,520  | \$ 11,226 |
| Average Final Average Salary | \$ 13,166                 | \$ 8,312  | \$ 8,033  | \$ 12,022 | \$ 11,082 | \$ 13,032 |
| Number of Active Retirees    | 5                         | 9         | 11        | 9         | 8         | 23        |
| <b>Retirees - 2009</b>       |                           |           |           |           |           |           |
| General Members              |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 1,708                  | \$ 2,053  | \$ 3,271  | \$ 3,681  | \$ 4,226  | \$ 5,416  |
| Average Final Average Salary | \$ 4,460                  | \$ 8,125  | \$ 8,094  | \$ 7,599  | \$ 7,883  | \$ 7,190  |
| Number of Active Retirees    | 29                        | 23        | 13        | 11        | 9         | 23        |
| Safety Members               |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 2,613                  | \$ 2,754  | \$ 4,605  | \$ 5,595  | \$ 10,741 | \$ 11,951 |
| Average Final Average Salary | \$ 9,309                  | \$ 7,503  | \$ 11,038 | \$ 11,809 | \$ 13,642 | \$ 14,329 |
| Number of Active Retirees    | 11                        | 4         | 2         | 3         | 1         | 14        |
| <b>Retirees - 2008</b>       |                           |           |           |           |           |           |
| General Members              |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 968                    | \$ 1,445  | \$ 2,003  | \$ 3,886  | \$ 4,010  | \$ 5,879  |
| Average Final Average Salary | \$ 6,221                  | \$ 5,638  | \$ 5,659  | \$ 8,256  | \$ 6,745  | \$ 7,693  |
| Number of Active Retirees    | 36                        | 44        | 35        | 20        | 30        | 14        |
| Safety Members               |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 3,527                  | \$ 4,053  | \$ 4,672  | \$ 6,663  | \$ 8,934  | \$ 10,340 |
| Average Final Average Salary | \$ 9,730                  | \$ 12,444 | \$ 10,888 | \$ 11,394 | \$ 11,897 | \$ 11,398 |
| Number of Active Retirees    | 7                         | 5         | 4         | 6         | 10        | 11        |
| <b>Retirees - 2007</b>       |                           |           |           |           |           |           |
| General Members              |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 961                    | \$ 1,410  | \$ 1,877  | \$ 2,533  | \$ 3,354  | \$ 6,589  |
| Average Final Average Salary | \$ 5,423                  | \$ 5,575  | \$ 5,856  | \$ 6,045  | \$ 5,847  | \$ 8,961  |
| Number of Active Retirees    | 34                        | 50        | 43        | 35        | 26        | 22        |
| Safety Members               |                           |           |           |           |           |           |
| Average Monthly Benefit      | \$ 2,404                  | \$ 3,149  | \$ 4,050  | \$ 6,294  | \$ 7,964  | \$ 9,409  |
| Average Final Average Salary | \$ 7,670                  | \$ 10,390 | \$ 7,976  | \$ 10,438 | \$ 10,889 | \$ 10,931 |
| Number of Active Retirees    | 6                         | 11        | 2         | 6         | 9         | 7         |



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*Schedule of Average Monthly Benefit Payments (continued)*  
**2001-2006**

|                              | Years of Credited Service |           |           |          |          |           |
|------------------------------|---------------------------|-----------|-----------|----------|----------|-----------|
|                              | 5-9                       | 10-14     | 15-19     | 20-24    | 25-29    | 30+       |
| <b>Retirees - 2006</b>       |                           |           |           |          |          |           |
| General Members              |                           |           |           |          |          |           |
| Average Monthly Benefit      | \$ 909                    | \$ 1,376  | \$ 1,574  | \$ 3,033 | \$ 4,255 | \$ 6,239  |
| Average Final Average Salary | \$ 5,121                  | \$ 5,239  | \$ 5,337  | \$ 9,703 | \$ 7,186 | \$ 8,679  |
| Number of Active Retirees    | 28                        | 55        | 33        | 31       | 24       | 26        |
| Safety Members               |                           |           |           |          |          |           |
| Average Monthly Benefit      | \$ 3,417                  | \$ 2,919  | \$ 4,935  | \$ 4,044 | \$ 6,377 | \$ 9,037  |
| Average Final Average Salary | \$ 7,716                  | \$ 10,390 | \$ 10,338 | \$ 9,976 | \$ 8,910 | \$ 10,256 |
| Number of Active Retirees    | 5                         | 11        | 8         | 10       | 11       | 14        |

|                             | 2001    | 2002    | 2003    | 2004    | 2005    |
|-----------------------------|---------|---------|---------|---------|---------|
| <b>General Members</b>      |         |         |         |         |         |
| Service Retirements         | \$1,368 | \$1,488 | \$1,665 | \$1,731 | \$1,744 |
| Disability Retirements      | \$1,352 | \$1,445 | \$1,608 | \$1,618 | \$1,641 |
| Survivor Continuances       | \$938   | \$1,007 | \$1,101 | \$1,116 | \$1,075 |
| Number General Retirees     | 2,502   | 2,629   | 2,742   | 2,860   | 3,064   |
| Number General Continuances | 349     | 359     | 383     | 387     | 408     |
| <b>Safety Members</b>       |         |         |         |         |         |
| Service Retirements         | \$3,971 | \$4,238 | \$4,751 | \$4,586 | \$4,752 |
| Disability Retirements      | \$2,902 | \$3,216 | \$3,589 | \$3,543 | \$3,608 |
| Survivor Continuances       | \$1,934 | \$2,255 | \$2,795 | \$2,699 | \$2,630 |
| Number Safety Retirees      | 581     | 606     | 638     | 684     | 739     |
| Number Safety Continuances  | 88      | 93      | 94      | 100     | 103     |

## *Participating Employers/Active Members*

|  | 2011         | 2010         | 2009         | 2008         | 2007         |
|--|--------------|--------------|--------------|--------------|--------------|
| <b>County of Ventura</b>                           |              |              |              |              |              |
| General Members                                    | 6,069        | 6,057        | 6,044        | 5,932        | 6,066        |
| Safety Members                                     | 1,524        | 1,498        | 1,544        | 1,550        | 1,523        |
| <b>Total</b>                                       | <b>7,593</b> | <b>7,555</b> | <b>7,588</b> | <b>7,482</b> | <b>7,589</b> |
| <b>Participating Agencies (General Membership)</b> |              |              |              |              |              |
| Ventura Regional Sanitation District               | 60           | 61           | 69           | 65           | 64           |
| Courts   | 387          | 387          | 388          | 381          | 0            |
| <b>Total</b>                                       | <b>448</b>   | <b>448</b>   | <b>457</b>   | <b>446</b>   | <b>64</b>    |
| <b>Total Active Membership</b>                     |              |              |              |              |              |
| General Members                                    | 6,516        | 6,505        | 6,501        | 6,378        | 6,130        |
| Safety Members                                     | 1,524        | 1,498        | 1,544        | 1,550        | 1,523        |
| <b>Total</b>                                       | <b>8,040</b> | <b>8,003</b> | <b>8,045</b> | <b>7,928</b> | <b>7,653</b> |
| <b>2006 2005 2004 2003 2002</b>                    |              |              |              |              |              |
| <b>County of Ventura</b>                           |              |              |              |              |              |
| General Members                                    | 5,836        | 5,688        | 6,018        | 6,142        | 6,416        |
| Safety Members                                     | 1,501        | 1,492        | 1,538        | 1,507        | 1,219        |
| <b>Total</b>                                       | <b>7,337</b> | <b>7,180</b> | <b>7,556</b> | <b>7,649</b> | <b>7,635</b> |
| <b>Participating Agencies (General Membership)</b> |              |              |              |              |              |
| Ventura Regional Sanitation District               | 66           | 65           | 70           | 68           | 72           |
| Courts   | 0            | 0            | 0            | 0            | 0            |
| <b>Total</b>                                       | <b>66</b>    | <b>65</b>    | <b>70</b>    | <b>68</b>    | <b>72</b>    |
| <b>Total Active Membership</b>                     |              |              |              |              |              |
| General Members                                    | 5,902        | 5,753        | 6,088        | 6,210        | 6,488        |
| Safety Members                                     | 1,501        | 1,492        | 1,538        | 1,507        | 1,219        |
| <b>Total</b>                                       | <b>7,403</b> | <b>7,245</b> | <b>7,626</b> | <b>7,717</b> | <b>7,707</b> |

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## *Employer Contribution Rates*

|      | County |        |        | Districts |        |        |
|------|--------|--------|--------|-----------|--------|--------|
|      | Tier 1 | Tier 2 | Safety | Tier 1    | Tier 2 | Safety |
| 2011 | 79.92% | 8.82%  | 37.94% | 79.92%    | 8.82%  | N/A    |
| 2010 | 46.89% | 7.70%  | 31.06% | 46.89%    | 7.70%  | N/A    |
| 2009 | 49.29% | 8.47%  | 32.78% | 49.29%    | 8.47%  | N/A    |
| 2008 | 50.69% | 9.61%  | 35.25% | 50.69%    | 9.61%  | N/A    |
| 2007 | 32.75% | 9.09%  | 32.01% | 32.75%    | 9.09%  | N/A    |
| 2006 | 25.27% | 8.77%  | 30.37% | 25.27%    | 8.77%  | N/A    |
| 2005 | 14.79% | 7.73%  | 28.27% | 14.79%    | 7.73%  | N/A    |
| 2004 | 0.00%  | 1.87%  | 9.40%  | 0.00%     | 1.87%  | N/A    |
| 2003 | 0.00%  | 0.00%  | 0.00%  | 0.00%     | 0.00%  | N/A    |
| 2002 | 0.00%  | 0.00%  | 0.00%  | 0.00%     | 0.00%  | N/A    |

