2014
Annual
Report

VCERA

Ventura County Employees' Retirement Association

Pension Trust Fund of the County of Ventura, California
Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2014

2014 Annual Report

Comprehensive Annual Financial Report for the Fiscal Year ended June 30, 2014

Issued by:

Tim Thonis
Interim Retirement Administrator

VCERA

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

*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

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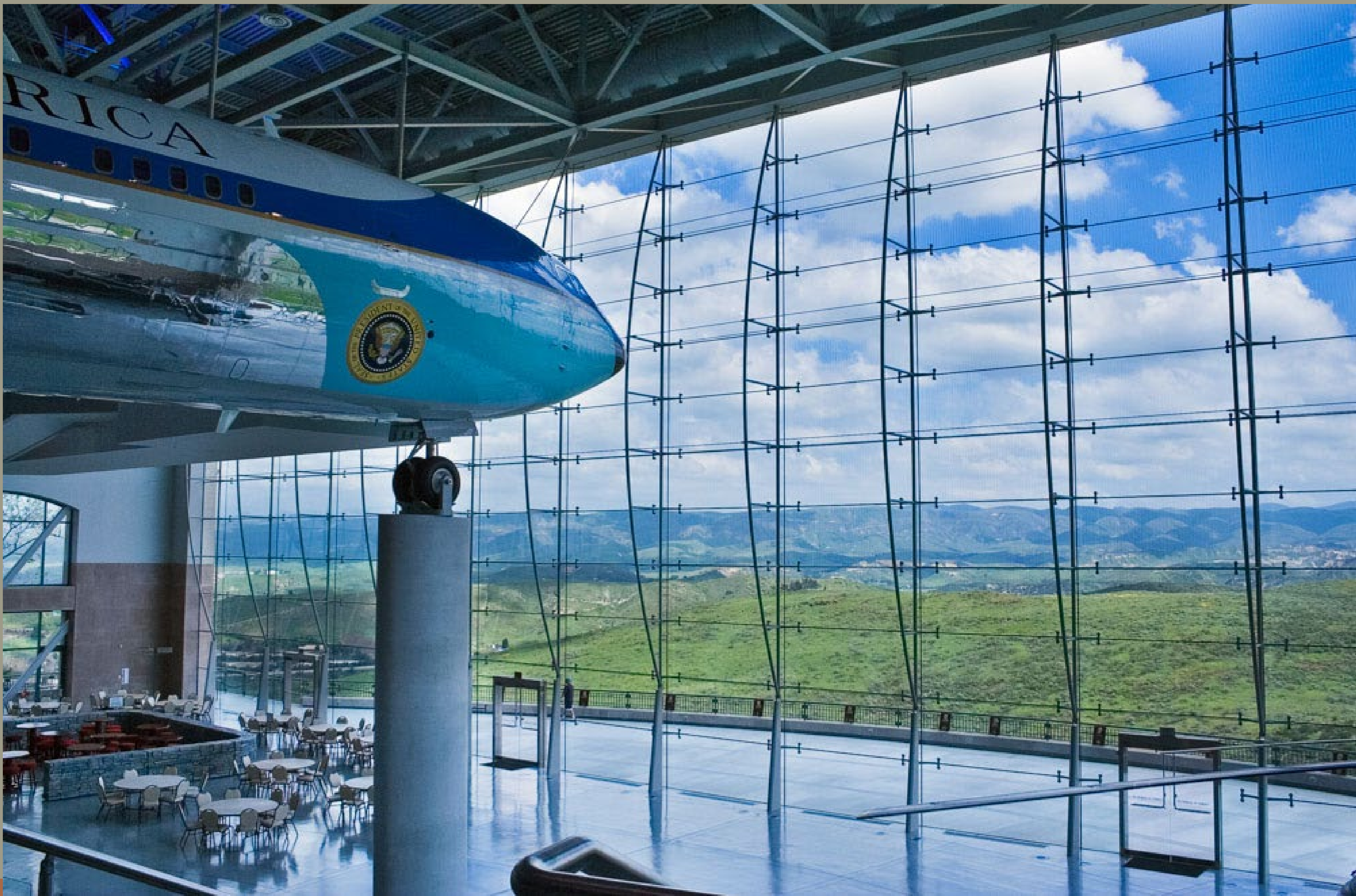


Letter of Transmittal

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572
(805) 339-4250 • Fax: (805) 339-4269
http://www.ventura.org/vcera

December 31, 2014

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

Dear Board of Retirement Trustees:

It is with pleasure that I submit to you the Comprehensive Annual Financial Report (CAFR) of the Ventura County Employees' Retirement Association (VCERA, Association, Fund or Plan) for the fiscal year ended June 30, 2014, the 67th year of operation. The report is intended to provide a detailed review of the Association's financial, actuarial, and investment status. VCERA has the duty and authority to administer plan benefits for employees of the County of Ventura, Ventura County Courts, Ventura County Air Pollution Control District, and Ventura Regional Sanitation District.

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.) and the California Public Employees' Pension Reform Act of 2013 ("PEPRA," California Government Code section 7522 et seq.)

The Board of Retirement is responsible for the general management of VCERA and for determining VCERA's investment objectives, strategies, and policies. The Board appoints a Retirement Administrator, to whom is delegated the responsibility for overseeing day-to-day management of VCERA and developing its annual budget. Adoption of the budget is subject to approval by the Board.

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.

Financial Information

Management is responsible for both the accuracy of the data and the completeness and fairness of the presentation of financial information. This includes preparing retirement system financial statements, notes to financial statements, 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 analysis require estimates and judgments by management.

Brown Armstrong Accountancy Corporation was retained by the Board to perform the annual audit as of June 30, 2014. The financial audit states that VCERA's financial statements are prepared in conformity with generally accepted accounting principles and are free of material misstatement.

Letter of Transmittal - *Continued*

An overview of VCERA's fiscal operations is presented in the Management Discussion & Analysis (MD&A) preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the organization.

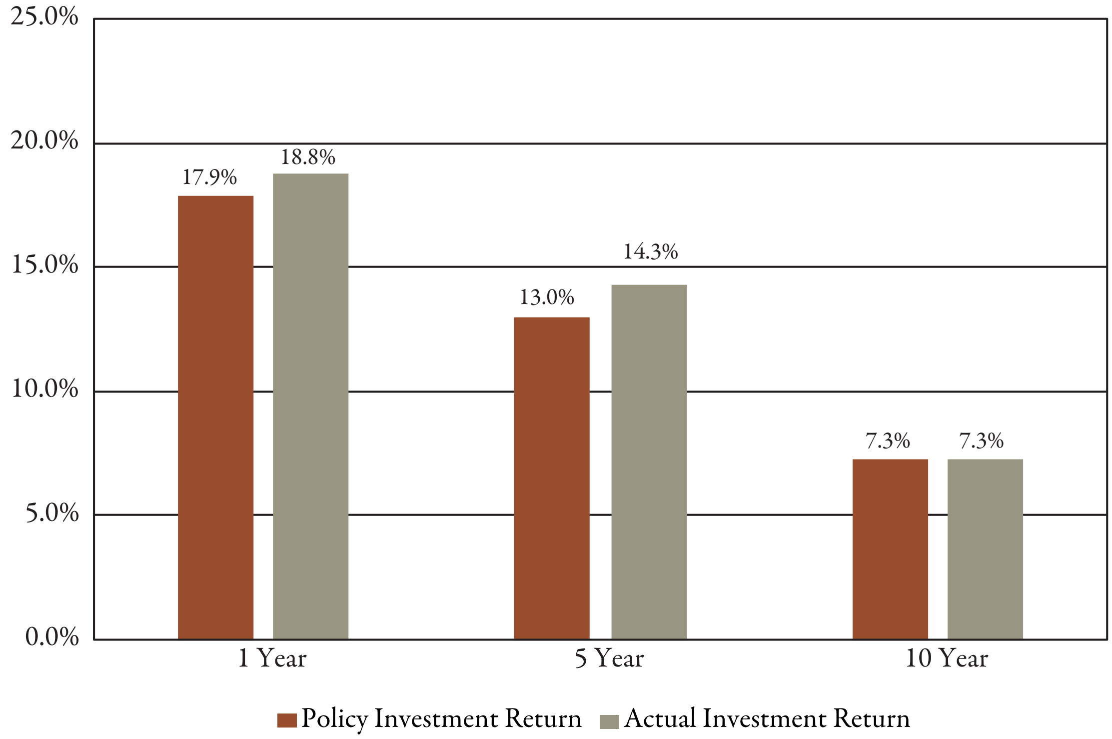
Investment Activities

The Board of Retirement adopted an Investment Policy that provides the framework for the management and oversight of VCERA's investments. The Investment Policy establishes VCERA's investment objectives and defines the principal duties of the Board, investment managers, custodian, and consultants.

A pension fund's asset allocation policy implemented in a consistent and disciplined manner, is generally recognized to have the most impact on a fund's performance. The asset allocation process determines a fund's optimal long-term asset class mix (target allocation), which is expected to achieve a specific set of investment objectives. VCERA's asset allocation targets are designed to incorporate the Fund's long-term investment horizon and the illiquidity risk of certain asset classes, such as Private Equity and Real Estate.

This year, U.S. equity markets returned 26.0%, Non-U.S. equity and global equity returned 20.7% and 22.9%, respectively. U.S. fixed income and global fixed income markets returned 5.0% and 7.5%, respectively, real estate returned 10.7%, while alternative asset classes returned 23.9%.

The total Fund returned 18.8% (net of fees) for the year, and outperformed the Policy Benchmark by 90 basis points, which returned 17.9%. Over the five-year and ten-year ended June 30, 2014, the total Fund's annualized return was 14.3% and 7.3% (net of fees, respectively). The chart below depicts policy investment returns and actual returns for one, five, and ten years.



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, 2014, VCERA's value of actuarial assets was approximately $3.9 billion resulting in a funding status of 82.7%.

Letter of Transmittal - *Continued*

Annually, VCERA retains an independent actuarial firm to conduct an actuarial valuation. Segal Consulting performed the June 30, 2014 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 April 4, 2012, and recommended assumption changes were adopted on May 21, 2012.

Significant Events, Accomplishments and Objectives

The 2013-2014 fiscal year saw changes in the operation and administration of the retirement system by the Board of Retirement (Board) and staff. Some of the more significant events and accomplishments of the past year are summarized below:

- Hired NEPC as the Investment Consultant to the Fund.
- The Fund obtained a favorable tax determination letter.
- Reached the 65% completion level for the new Pension Administration System (PAS).

Objectives for the coming year include:

- Complete an Asset Liability Study and adopt an asset allocation policy.
- Conduct search to retain Retirement Administrator for the Plan (See Page 39, 9. Subsequent Events).
- Begin User Acceptance Testing for PAS, with a goal to complete the project by August 2015.
- Perform Triennial Actuarial Experience Study.

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, 2013. 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 is made possible by the dedicated teamwork of VCERA staff under the leadership, dedication, and support of the VCERA Board. I am grateful to the VCERA staff as well as to all of our professional service providers, who perform so diligently to ensure successful operation and financial soundness of VCERA. The leadership and support provided by your Board has contributed to the overall success of our retirement system.

Tim Thonis
Interim Retirement Administrator

Government Finance Officers Association

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, 2013

Executive Director/CEO

Members of the Board of Retirement

At June 30, 2014

Tracy Towner
Chair
Elected by Safety Members

William W. Wilson
Vice-Chair
Appointed by the Board of Supervisors

Steven Hintz
Ex-Officio Member
Treasurer-Tax Collector
County of Ventura

Peter C. Foy
Appointed by the Board of Supervisors

Joseph Henderson
Appointed by the Board of Supervisors

Members of the Board of Retirement - *Continued*

At June 30, 2014

Michael Sedell
Appointed by the Board of Supervisors

Tom Johnston
Elected by General Members

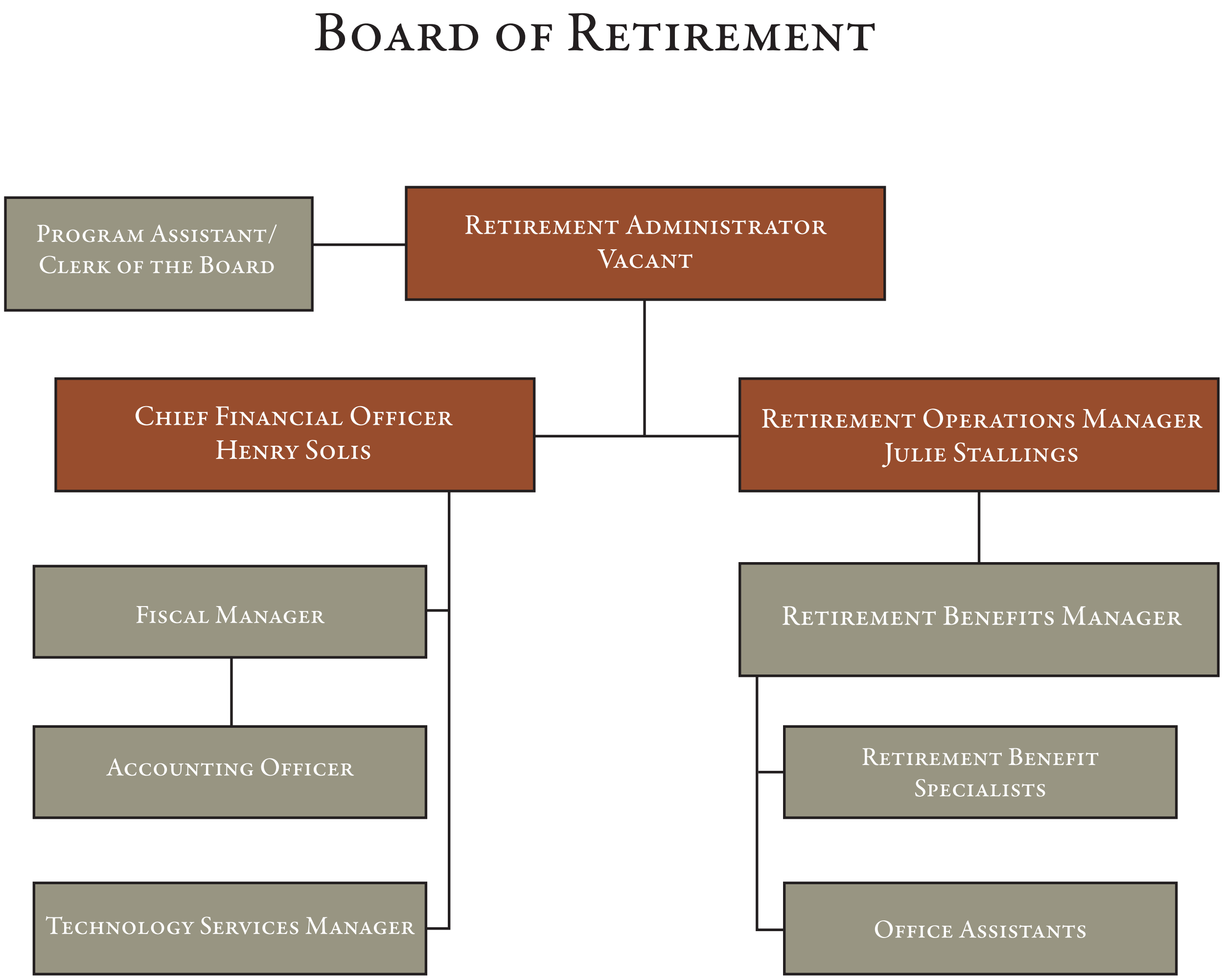
Deanna McCormick
Elected by General Members

Arthur E. Goulet
Elected by Retired Members

Edward Johnston
Alternate Elected by Safety Members

Wilbur Hoag
Alternate Elected by Retired Members

2014 Organization Chart



List of Professional Consultants

ACTUARY
Segal Consulting

CUSTODIAN
State Street Bank and Trust

INDEPENDENT AUDITOR
Brown Armstrong Accountancy Corporation

INVESTMENT CONSULTANTS
Hewitt ennisknupp
NEPC, LLC

LEGAL COUNSEL
County Counsel of the County of Ventura
Manatt, Phelps & Phillips
HansonBridgett

TECHNICAL SUPPORT
Automatic Data Processing
Information Technology Services of the County of Ventura
CMP & Associates, Inc.
Linea Solutions
Managed Business Solutions
Novanis
SBS Group
Vitech Systems Inc.

Refer to the Schedule of Investment Fees on Page 57 of the Investment section for a listing of Investment Professionals who provide services to VCERA.

Financial Section

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS

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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

Report on the Financial Statements

We have audited the accompanying Statement of Fiduciary Net Position of Ventura County Employees' Retirement Association (VCERA) as of June 30, 2014 and 2013, and the related Statement of Changes in Fiduciary Net Position for the years then ended, and the related notes to the financial statements, which collectively comprise VCERA's basic financial statements as listed in the table of contents. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows or resources, total deferred inflows of resources, and total pension expense ($ in thousands, $553,154, $597, $342,395, and $70,043, respectively) included in the Governmental Accounting Standards Board (GASB) Statement No. 67 schedules listed as other information in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and the fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to VCERA's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VCERA's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

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

Emphasis of Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2014, VCERA implemented GASB Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25,* which revises existing guidance for the financial reports of most pension plans.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplemental information, as noted in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on these financial statements. 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 a required part of the basic financial statements.

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

The introductory, investment, actuarial, and statistical sections, as noted in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 31, 2014, 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* in considering VCERA's internal control over financial reporting on compliance and should be considered in assessing the results of our audit.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 31, 2014

Management's Discussion and Analysis

The following review of the results of Ventura County Employees' Retirement Association's (VCERA) operations and financial condition for the year ended June 30, 2014, 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

- The Net Position Restricted for Pensions (Net Position) at the close of June 30, 2014 fiscal year is $4.3 billion. All of the net position is available to meet VCERA's ongoing obligations to plan participants and their beneficiaries.
- VCERA's total Net Position Restricted for Pensions increased by $647.4 million or 17.8%. The increase in 2014 is primarily a result of positive investment returns.
- Total Deductions as reflected in the Statement of Changes in Fiduciary Net Position increased to $227.5 million or 6.4% from the prior year.
- VCERA's funding status, as measured by the actuarial value of assets divided by the actuarial value of accrued liabilities, improved from 79.2% to 82.7%.

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 supplementary schedules. The *Statement of Fiduciary Net Position* includes information, as of the end of the fiscal year, about VCERA's assets, liabilities, and net position on a fair value basis. The *Statement of Changes in Fiduciary Net Position* includes information about the additions to, deductions from, and net increase/decrease for the year in plan net position. The required supplementary information provides historical trend information about the net pension liability of the plans participating employers, annual required employer contributions, and annual investment returns. The other supplementary schedules provide details of administrative expenses, investment expenses, payments to consultants, and pension amounts allocated by participating employer.

Financial Analysis

During the year, all asset classes experienced positive returns. The U.S. equities portfolio outperformed all other VCERA asset classes with a positive return of 26.0%. The Non-U.S. equity portfolio gained 20.7% and global equity gained 22.9%. The U.S. and global fixed income portfolios gained 5.0% and 7.5%, respectively. The real estate portfolio gained 10.7%, alternative portfolio gained 23.9% and private equity gained 22.1%.

Management's Discussion and Analysis
Continued

Net Position Restricted For Pension Benefits

Net Position represents assets held to pay benefits earned by plan members. The Plan's Net Position increased 17.8% to approximately $4.3 billion for 2014. Investments increased by approximately $619.6 million in fiscal year 2014, as a result of an increase in the fair value of VCERA's investment portfolio, as all investment asset classes experienced positive appreciation in value. Current Assets increased by $12.3 million in fiscal year 2014, mostly attributable to an increase in collateral on loaned securities within the security lending program. Pension Software increased by $3.0 million, representing the continued accumulation of investment toward the replacement of the existing pension administration system. Total Liabilities decreased by $12.5 million in fiscal year 2014, due to a decrease in payables for securities purchased, offset by an increase in security lending payable.

($ In Thousands)	2014	2013	Difference	2014-2013 % Change
Current Assets	$158,907	$146,598	$12,309	8.4%
Investments	4,195,820	3,576,215	619,605	17.3%
Pension Software	6,459	3,444	3,015	87.5%
Total Assets	4,361,186	3,726,257	634,929	17.0%
Total Liabilities	(86,300)	(98,752)	12,452	-12.6%
Fiduciary Net Position	$4,274,886	$3,627,505	$647,381	17.8%

Additions To Plan Net Position

The primary sources to finance Pensions provided by VCERA are accumulated through investment income and the collection of employer and member contributions. Fiscal year 2014 results showed a 12.6% and 5.0% increase in employer and member contributions, respectively. Net investment income added an additional $221.9 million.

($ In Thousands)	2014	2013	Difference	2014-2013 % Change
Employer Contributions	$169,703	$150,688	$19,015	12.6%
Member Contributions	46,674	44,464	2,210	5.0%
Net Investment Income	658,581	436,638	221,943	50.8%
Total Additions	$874,958	$631,790	$243,168	38.5%

Management's Discussion and Analysis
Continued

Deductions in Net Position

VCERA's assets are used primarily in the payment of pension 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 pension benefit payment were the primary contributors to the increase in Benefit Payments in fiscal year 2014. An increase in administrative expenses in fiscal year 2014 were primarily the result of an increase in personnel costs.

($ In Thousands)	2014	2013	Difference	2014-2013 % Change
Benefit Payments	$218,104	$205,238	$12,866	6.3%
Member Refunds	5,428	4,720	708	15.0%
Administrative	4,045	3,944	101	2.6%
Total Deductions	$ 227,577	$ 213,902	$ 13,675	6.4%

Benefit payments grew in 2014 by approximately $12.9 million dollars or 6.3%, as the retirement plan continues to mature. Member refunds experienced an increase of 15.0% or approximately $700 thousand dollars in fiscal year 2014 when compared to fiscal year 2013.

New Pension Accounting and Financial Reporting Standards

VCERA is subject to the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25, beginning with the fiscal year ended June 30, 2014 and VCERA's participating employers will be subject to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, beginning with the fiscal year ended June 30, 2015. GASB Statement No. 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and GASB Statement No. 50, *Pension Disclosures*; and GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*, and GASB Statement No. 50, as they relate to pension plans. These new standards will require governments to recognize their long-term obligation for pension benefits as a liability on their balance sheets, to recognize their annual pension expense as a comprehensive measurement of the annual cost of pension benefits, and expands note disclosures, required supplementary information and other supplementary information for pension plans and their participating employers.

GASB Statement No. 67 requires that the funded status and Unfunded Actuarial Accrued Liability (UAAL) of the plan no longer be presented in the notes or required supplementary section. UAAL was determined by subtracting the excess of the actuarial accrued liability (discounted at the Plan's assumed rate of return) from the

Management's Discussion and Analysis
Continued

actuarial value of assets (determined by smoothing the values over a certain number of years to reduce volatility). It represented the costs allocated to date for current Plan members that are not covered by the actuarial value of assets. The UAAL has now been replaced by the Net Pension Liability (NPL), which represents the excess of the Total Pension Liability (using an entry age cost method, discounted at a discount rate that reflects the expected return on assets) over the Fiduciary Net Position (valued at fair value). NPL is similar to UAAL but includes market value of assets, not smoothed value of assets. This is a conceptual shift by the GASB in the measurement of pension liabilities to provide a consistent, standardized methodology that allows comparability of data and increased transparency of the pension liability across all plans. VCERA has complied with GASB Statement No. 67 for the fiscal year ended June 30, 2014 and will continue to partner with the Plan's participating employers as they implement GASB Statement No. 68 for the fiscal year ended June 30, 2015.

Based on the June 30, 2014 actuarial valuation, the NPL of participating employers on a market basis is $553.2 million a decrease of $441.4 million from the June 30, 2013 valuation. The decrease is primarily attributable to increased investment returns. Refer to Note 4 in the Financial Section, and Required Supplementary Information, and Other Supplementary Information sections of this report for additional information.

Requests for Information

The financial report is designed to provide the Board of Retirement, our membership, and other interested third parties with a general overview of VCERA's finances and to show accountability for the funds it receives.

Address questions regarding this report and/or requests for additional information to:

Chief Financial Officer, VCERA
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003
VCERA.Info@Ventura.org

Respectfully submitted,

Henry C. Solis, CPA
Chief Financial Officer

Basic Financial Statements

Basic Financial Statements

Statement of Fiduciary Net Position

As of June 30, 2014 (with comparative amounts for June 30, 2013)
($ In Thousands)

	June 30, 2014	June 30, 2013
Assets		
Cash	$63,604	$63,941
Cash Collateral on Loaned Securities	62,403	50,543
Pension Software Development	6,459	3,443
Receivables		
Contribution Receivable	5,692	4,488
Accounts Receivable - Sale of Investments	23,833	24,075
Accrued Interest and Dividends	3,358	3,538
Accounts Receivable - Other	17	14
Total Receivables	32,900	32,115
Investments at Fair Value		
U.S. and Non-U.S. Equities	2,403,095	2,254,845
Fixed Income	970,049	884,110
Private Equity	87,763	44,410
Real Estate	306,840	283,380
Alternatives	428,073	109,470
Total Investments	4,195,820	3,576,215
Total Assets	4,361,186	3,726,257
Liabilities		
Accounts Payable - Purchase of Investments	21,181	45,686
Accrued Expenses	2,716	2,523
Obligations under Securities Lending Program	62,403	50,543
Total Liabilities	86,300	98,752
Net Position Restricted for Pensions	$4,274,886	$3,627,505

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

Basic Financial Statements - *Continued*

Statement of Changes in Fiduciary Net Position
For the Year Ended June 30, 2014 (with comparative amounts for June 30, 2013)
($ In Thousands)

	June 30, 2014	June 30, 2013
Additions		
Contributions		
Employer - Actuarially Determined	$161,247	$142,370
Employer - Other	8,456	8,318
Member	46,674	44,464
Total Contributions	216,377	195,152
Investment Income		
From Investing Activities:		
Net Appreciation/(Depreciation) in Fair Value of Investments	622,127	395,974
Investment Income	49,197	50,393
Total Investing Activity Income/(Loss)	671,324	446,367
Less Expenses from Investing Activities	(12,877)	(9,901)
Net Investing Activity Income/(Loss)	658,447	436,466
From Securities Lending Activities:		
Securities Lending Income	148	298
Less Expenses from Securities Lending Activities:		
Borrower Rebates	43	(49)
Management Fees	(57)	(77)
Total Expenses from Securities Lending Activities	(14)	(126)
Net Securities Lending Income	134	172
Total Net Investment Income/(Loss)	658,581	436,638
Total Additions	874,958	631,790
Deductions		
Benefit Payments	218,104	205,238
Administrative Expenses	4,045	3,944
Refunds	5,428	4,720
Total Deductions	227,577	213,902
Net Increase/Decrease in Net Position	647,381	417,888
Net Position Restricted for Pensions		
Beginning of Year	3,627,505	3,209,617
End of Year	$4,274,886	$3,627,505

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

Notes to the Basic Financial Statements
For the Years Ended June 30, 2014 and 2013

1. Summary of Significant Accounting Policies

Reporting Entity. Ventura County Employees' Retirement Association (VCERA), 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 Comprehensive 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 of Retirement (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 of accounting. 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 majority of the investments held by the VCERA Plan at June 30, 2014 is in the custody of, or controlled by, State Street Bank and Trust, VCERA's custodian. VCERA's investments consist of domestic and international fixed income, U.S. and Non-U.S. equities, private equity, alternatives, and real estate. The diversity of the investment types that VCERA has entered into requires a wide range of techniques to determine fair value. The overall valuation processes and information sources by major asset classifications are as follows:

Fixed Income. Fixed income consists of Global negotiable obligations, which includes U.S. Government and U.S. Government-sponsored agencies bonds, corporate debt, and securitized offerings backed by residential and commercial mortgages. Certain securities, such as U.S. government bonds, have an active market for identical securities and can typically be valued using the closing or last traded price on a specific date. Other securities that are not as actively traded are valued by pricing vendors, which use modeling techniques that include market observable inputs required to develop a fair value. Typical inputs include recent trades, yields, price quotes, cash flows, maturity, credit ratings and other assumptions based upon the specifics of the asset type.

Equities. The majority of the Association's U.S. and Non-U.S. equity securities are actively traded on major stock exchanges or over-the-counter. Investments listed or traded on a securities exchange are valued at fair value as of the close of trading on the valuation day. Fair value is determined based on the last reported trade price on the exchange considered to be the primary market for such security. Listed investments that are not traded on a particular day are valued at the last known price deemed best to reflect their fair value. Investments not traded on a securities exchange, but which are traded in any other market or over the counter, are valued based on prices obtained from third party service providers.

Private Equity. Private equity investments are made on a fund-of-fund basis. The underlying equity fund portfolio consists of securities in portfolio companies as well as marketable securities. Typically, the fair value of all investments is determined by the fund manager in good faith and in compliance with the definition of fair value under U.S. generally accepted accounting principles or "GAAP" (Financial Accounting Standards Board (FASB) Accounting Standards Codification, Topic 820). In some circumstances, partnership agreements require reporting financial information and valuations in an accounting standard other than GAAP such as under

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

International Financial Reporting Standards.

The measure of fair value by the fund manager is typically conducted on a quarterly basis. Marketable securities are valued according to the most recent public market price with appropriate discounts to reflect any contractual or regulatory restriction upon sale. The fair value of each investment as reported does not necessarily represent the amount that may ultimately be realized, since such amounts depend upon future circumstances that cannot reasonably be determined until the position is actually liquidated.

The fund's evaluation of the fair value of portfolio funds is based on the most recent available valuation information provided to it by the portfolio funds, adjusted for subsequent distributions from and capital contributions to such portfolio funds, if any. The evaluation of the fair value of co-investments is based on the most recent information available at the time of valuation ascribed to such investments by the sponsor partnership. If the manager does not agree with this valuation, holds different securities than the sponsor partnership, is unable to obtain the sponsor partnership's valuation, or has information that results in a different valuation, it may use its own internal evaluation of fair value. The assumptions are based upon the nature of the investment and the underlying business. The valuation techniques vary based upon investment type and involve a certain degree of expert judgment.

Real Estate. Real estate is held either via a real estate limited partnership or a commingled fund. Real estate investments in a limited partnership or commingled fund are long-term and illiquid in nature. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of investors to exit an investment prior to its dissolution or liquidation of the underlying holdings. Interests in limited partnerships and commingled funds are valued by using the net asset value ("NAV") of the portfolio. The most significant input into the NAV of such an entity is the value of its investment holdings. These holdings are valued by the general or managing partners on a continuous basis, audited annually and periodically appraised by an independent third party. The valuation assumptions are based upon both market and property specific inputs which are not observable and involve a certain degree of expert judgment.

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, 2014.

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 No. 28. In addition, gross earnings received on invested cash collateral are reported as Earnings, and borrower rebates and agent fees are recorded as Borrower Rebates and Management Fees, respectively. This Earnings, Rebates, and Fees amounted to $148,000, $43,000, and ($57,000), respectively, for the year ended June 30, 2014, a decrease due primarily to reduced activity in securities lending 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.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

Income Taxes. The Internal Revenue Service (IRS) has ruled that plans such as VCERA qualify under Section 401(a) of the Internal Revenue Code and are not subject to tax under present income tax laws. On January 29, 2014, the IRS issued to VCERA a favorable Tax Determination Letter. Accordingly, no provision for income taxes has been made in the accompanying basic financial statements, as the Plan is exempt from federal and state income taxes under provisions of the Internal Revenue Code, Section 401, and the California Revenue and Taxation Code, section 23701, respectively.

Implementation of new Accounting Pronouncement.

GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2012. VCERA does not have any of these types of transactions to report at June 30, 2014. This statement has no material impact on VCERA's financial statements.

GASB Statement No. 66 – *Technical Corrections – 2012 – an Amendment of GASB Statements No. 10 and No. 62* is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of the two pronouncements. The requirements of this statement are effective for financial statements for periods beginning December 15, 2012. This statement has no material impact on VCERA's financial statements.

GASB Statement No. 67 – The Plan implemented GASB Statement No. 67 (GASB 67), F*inancial Reporting for Pension Plans, an amendment of GASB Statement No. 25*, effective at the beginning of the year. GASB 67 replaces the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Benefit Plans*, and also replaces the requirements of GASB Statement No. 50, P*ension Disclosures*. The objective of GASB 67 is to improve the usefulness of pension information provided in the financial reporting by state and local government pension plans for decision making, assessment accountability and creating additional transparency.

Significant changes include an actuarial calculation of Total and Net Pension Liability. It also includes comprehensive footnote disclosures regarding the Total and Net Pension Liability, the sensitivity of the Net Pension Liability to the discount rate, and investment activity disclosures. The implementation of GASB No. 67 did not significantly impact the accounting for accounts receivable and investment balances. The Total Pension Liability, determined in accordance with GASB No. 67, is presented in Note 4 and in the Required Supplementary Information, and Other Supplementary Information Section.

GASB Statement No. 70 – *Accounting and Financial Reporting for Nonexchange Financial Guarantees* will enhance comparability of financial statements among governments by requiring consistent reporting by those governments that extend nonexchange financial guarantees and by those governments that receive nonexchange financial guarantees. This statement also will enhance the information disclosed about a government's obligation and risk exposure from extending nonexchange financial guarantees. This statement also will augment the ability of financial statement users to assess the probability that governments will repay obligation holders by requiring disclosures about obligations that are issued with this type of financial guarantee. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. This statement has no material impact on VCERA's financial statements.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

New Accounting Pronouncements.

GASB Statement No. 68 – *Accounting and Financial Reporting for Pension Plans—an Amendment of GASB Statement No. 25*, revises and establishes new financial reporting requirements for governments that provide their employees with defined benefit pensions. The new standards require Employers to recognize their proportionate share of long-term obligation for pension benefits as a liability for the first time and to more comprehensively and comparably measure the annual costs of pension benefits. For Employers, the new financial reporting provisions are effective for its fiscal year beginning after June 15, 2014.

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. In September 2012, Governor Brown signed the California Public Employees' Pension Reform Act of 2013 (PEPRA), Code Section 7522 et seq., and the provisions of AB 197. This new law applies to new employees who became first time VCERA members on or after January 1, 2013. VCERA operates a cost-sharing multi-employer defined benefit pension plan (Plan) that includes employees of the County of Ventura, Ventura County Courts, Air Pollution Control District, a special district, and Ventura Regional Sanitation District, a special district, (the latter three employers are not under the County of Ventura Board of Supervisors). VCERA is a pension trust fund of the County of Ventura.

VCERA provides retirement, disability, cost of living, 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, 2001 are designated as Tier 1 members. Members employed after June 30, 1979 through December 31, 2012, are designated as Tier II members. Safety members (eligible Sheriff, Probation, and Fire employees) employed through December 31, 2012 are classified as Safety. New Members employed after January 1, 2013 are designated as PEPRA Tier I, II or Safety.

VCERA Membership	2014	2013
Retired Members and Beneficiaries	6,121	5,888
Active Members		
Vested	5,973	5,929
Non-Vested	2,237	2,139
Deferred Members		
Vested	1,338	1,324
Non-Vested	1,001	925
Total Membership	16,670	16,205

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

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 membership prior to January 1, 2013, with ten or more years of service are entitled to an annual retirement allowance beginning at age 50. General Member employees with membership on or after January 1, 2013, with five or more years of service are entitled to an annual retirement allowance beginning at age 52. Safety Member employees with membership on or after January 1, 2013, with five or more years of service are entitled to an annual retirement allowance 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 from 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 non-service-connected disability retirement allowance.

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 non-service-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 non-service-connected disability retirement or a service-connected disability retirement. In addition, a lump sum death benefit of $5,000 is also payable to the named beneficiary of a deceased retired member.

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.

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 and Safety 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 Service Employees International Union (SEIU) Local 721. The cost of living adjustment is fixed at 2% annually and is funded by employee contributions.

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 31628.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

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 Bank and Trust 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 Global fixed income market (maturities 1 to 30 years) including Treasury and government agency bonds, corporate debt, mortgages, asset-backed securities, international and emerging markets. 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.

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class. The allocation of investment assets within the Plan portfolio is approved by the Board of Retirement as outlined in the Investment Policy. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the fund. The table that follows displays the Board's adopted asset allocation policy as of June 30, 2014 and 2013, respectively.

Asset Class	Target Allocation 2014	Target Allocation 2013
U.S. Equity	30.0%	30.0%
Non-U.S. Equity	14.0%	14.0%
Global Equity	10.0%	10.0%
U.S. Fixed Income	19.0%	19.0%
Global Fixed Income	5.0%	5.0%
Real Estate	7.0%	7.0%
Private Equity	5.0%	5.0%
Alternatives	10.0%	10.0%
Total Allocation	100.0%	100.0%

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 18.8% The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investment Concentration. VCERA does not hold investments in any one organization that represent 5% or more of the Plan's Fiduciary Net Position.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

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 Bank and Trust. All other investment securities are held by State Street Bank and Trust in VCERA's name. VCERA maintains a commercial bank account with depository insurance coverage from the Federal Depository Insurance Corporation (FDIC).

As of June 30, 2014 and 2013, VCERA had the following cash and short-term investments:

($ in Thousands)	June 30, 2014	June 30, 2013
State Street Bank and Trust	$55,233	$55,236
County of Ventura Treasurer's Investment Pool	8,352	8,558
Commercial Bank Account	19	147
Total	$63,604	$63,941

Credit Risk. VCERA requires its total fixed income holdings to be rated at a minimum AA by Standard & Poor's (S&P), Aa by Moody's, or AA by Fitch. Aggregated amounts by rating category using S&P ratings are as follows:

($ in Thousands) Rating Category	Assets held at June 30, 2014	Assets held at June 30, 2013
Separate Holdings:		
AAA	$98,474	$20,089
AA	46,186	71,066
A	72,569	51,393
BBB	91,824	82,062
BB	27,989	23,827
B	9,717	8,210
CCC	8,562	7,339
CC	463	-
C	-	-
D	1,725	1,668
No Rating/Commingled	125,189	46,789
Total Separate Holdings	$482,698	$312,443

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

Pooled Investments:		
AAA	$297,781	$227,696
AA	109,105	121,265
A	72,448	83,760
BBB	72,520	74,312
BB	12,357	969
B	24,418	63,665
CCC	1,273	-
CC	2,239	-
Total Pooled Investments	$592,141	$571,667
Total Portfolio	$1,074,839	$884,110

Overall, VCERA's fixed income holdings were rated AA at June 30, 2014 and AA- at June 30, 2013.

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% of the broad fixed income market as defined by the Barclays Capital Aggregate Bond Index and Barclays Global Aggregate Bond Index. Duration, an investment's exposure to fair value change arising from a change in interest rates, by investment category and amount at June 30, 2014 and 2013 is as follows:

($ in Thousands) Category	Assets held at June 30, 2014	Duration (Years)	Assets held at June 30, 2013	Duration (Years)
Treasury	$304,951	3.5	$130,276	5.6
Agency	34,315	3.7	14,577	6.8
Mortgage-Backed	193,195	3.7	177,475	5.5
Asset-Backed	71,397	0.9	40,862	0.1
Credit	324,178	4.4	333,936	4.7
Foreign	86,106	6.5	81,746	4.0
Other	60,697	1.2	105,238	1.9
Total	$1,074,839	3.8	$884,110	4.4

The duration for the Barclays Capital Aggregate Bond Index as of June 30, 2014 and 2013 was 5.1 years and 5.1 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 expose VCERA to the risk that changes in currency exchange rates may affect the fair value of these investments.

VCERA's Non-U.S. equity, global equity, and fixed income investment managers may utilize forward exchange currency contracts, currency futures contracts, and currency options to minimize currency fluctuations in Non-U.S. dollar denominated securities. VCERA's investment policy does not allow forward currency contracts,

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

futures contracts or 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, 2014 and 2013, VCERA's forward exchange currency contracts were valued at $131.6 and $90.4 million, currency future contracts had a notional value of $164.8 and $119.0 million and currency options were valued at ($205,164) and ($72,804), respectively. All forward currency contracts, futures currency contracts, and currency options have been included at fair value in the Statement of Fiduciary Net Position, and all realized and unrealized gains/losses associated with the securities have been included in the Statement of Changes in Fiduciary Net Position for the years ending June 30, 2014 and 2013, respectively.

VCERA had the following currency exposure in its portfolios.

($ in Thousands) Currency	Fixed Income at June 30, 2014	Equities at June 30, 2014	Fixed Income at June 30, 2013	Equities at June 30, 2013
Australian Dollar	$8,866	$17,052	$6,681	$11,357
British Pound	11,879	73,407	9,736	57,853
Canadian Dollar	6,740	9,525	6,187	6,721
Danish Krone	371	3,709	-	2,720
EURO	50,406	77,793	21,003	59,049
Hong Kong Dollar	-	19,750	-	23,465
Japanese Yen	16,227	72,530	-	67,179
New Zealand Dollar	4,706	-	5,414	15
Norwegian Krone	42	4,312	-	1,278
S. African Rand	-	5,441	-	3,613
Singapore Dollar	-	15,467	-	14,409
South Korean Won	-	6,449	-	6,113
Swedish Krona	447	4,847	-	3,663
Swiss Franc	83	43,235	-	35,425
Other/Emerging Markets	38,261	23,665	22,293	1,447
Total Securities Subject to Foreign Currency Risk	$138,028	$377,182	$71,314	$294,307
US $ Investments in International Portfolios	-	273,963	11,759	362,215
US $ Investments in Global Portfolios	123,503	450,642	119,165	320,557
Total	$261,531	$1,101,787	$202,238	$977,079

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

Securities Lending. VCERA, under provisions of state statutes, and its investment policy, authorizes State Street Bank and Trust 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, 2014 and 2013, VCERA had no credit risk exposure because the amounts VCERA owed the borrowers exceeded the amounts the borrowers owed VCERA. State Street Bank and Trust 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, 2014 and 2013, VCERA had securities on loan with a fair value of $64.2 and $48.6 million, with cash collateral of $62.4 and $50.5 million, respectively.

VCERA's net securities lending income for the years ended June 30, 2014 and 2013 is as follows:

($ in Thousands)	2014	2013
Gross Income	$148	$298
Expenses		
Borrower Rebates	(43)	49
Management Fees	57	77
Net Securites Lending Income	$134	$172

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 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 the Statement of Changes in Fiduciary Net Position. For financial reporting purposes, all VCERA's derivates are classified as investment derivatives. A further discussion on VCERA's valuation procedures are contained in Note 1, Summary if Significant Accounting Policies. The following types of derivatives are permitted: futures contracts, currency forward contracts, options, and swaps.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

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 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 counter parties 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 general interest rate fluctuations.

The investment derivatives schedule listed below reports the related net appreciation (depreciation), fair value amounts, notional amounts for derivatives outstanding as of and for the years ended June 30, 2014 and 2013, classified by type.

Investment Derivatives schedule

Derivative Type	Notional Amount June 30, 2014	Fair Value June 30, 2014	Fair Value June 30, 2013	Change in Fair Value** 2014 - 2013
Future Contracts	$76,866,835	-	-	$29,774,801
Forward Contracts	130,275,438	$(270,737)	$485,082	(2,240,779)
Options Contracts	9,746,235	(206,012)	(91,857)	695,195
Credit Default Swaps	18,847,003	120,337	(34,276)	252,871
Interest Rate Swaps	80,307,211	(217,519)	(158,811)	154,242
Total Investment Dervatives	$316,042,722	$(573,931)	$200,138	$28,636,330

** Change in fair value includes realized/unrealized gains and losses including those that were opened and closed during the year.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

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

Custodial Credit Risk. VCERA's investments include collateral associated with derivatives activity. As of June 30, 2014, collateral for derivatives was $10.7 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, 2014, the fair value of derivative investments subject to credit risk was ($270,737), and at June 30, 2013 was $485,082. 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 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, 2014. 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. As of June 30, 2014, VCERA has a maximum amount of exposure to credit risk due to default of all counterparties of $1,279,719.

Credit Risk Derivatives schedule

	Fair Value	Adjusted Rating	
Derivative Type	**June 30, 2014**	**AA**	**A**
Forward Contracts	(270,737)	(8,122)	(262,615)
Total	(270,737)	(8,122)	(262,615)

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. TIIE refers to the Equilibrium Interbank Interest Rate calculated by Banco de Mexico. BRCDI refers to the NSA Money Market Rate or CDI (% Per Month) calculated by Banco Central de Brasil. CDOR is an index that represents banker's acceptance with a term-to-maturity of 1 year or less. EURIB refers to the Euro Interbank Offered Rate. The following tables illustrate the investment maturity period and sensitivity to interest rate changes of these investments as of June 30, 2014.

Notes to the Basic Financial Statements - *Continued*

For the Years Ended June 30, 2014 and 2013

Investment Maturities for Derivative Instruments:

		Investment Maturities (In Years)			
Derivative Type	**Fair Value**	**Less than 1**	**1 - 5**	**6 - 10**	**More than 10**
Credit Default Swaps Written	$120,337	$794	$132,172	$(12,629)	-
Fixed Income Options Written	(848)	(848)	-	-	-
Pay Fixed Interest Rate Swaps	(474,306)	(4,672)	68,234	(140,158)	$(397,710)
Receive Fixed Interest Rate Swaps	256,787	-	-	144,793	111,994
Total	$(98,030)	$(4,726)	$200,406	$(7,994)	$(285,716)

Derivative Instruments Highly Sensitive to Interest Rate Changes:

Derivative Type	**Receive Rate**	**Payable Rate**	**Fair Value**	**Notional**
Pay Fixed Interest Rate Swaps	Receive variable 6-month LIBOR	Pay fixed 3.50%	$(71,270)	$1,538,864
Pay Fixed Interest Rate Swaps	Reveive variable 6-month EURIB	Pay fixed 2.75%	(34,582)	273,830
Pay Fixed Interest Rate Swaps	Reveive variable 6-month EURIB	Pay fixed 2.00%	(291,859)	6,024,261
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 2.50%	(140,159)	6,300,000
Pay Fixed Interest Rate Swaps	Reveive variable 3-month EURIB	Pay fixed 0.40%	(4,672)	3,285,961
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 1.25%	(20,826)	6,800,000
Pay Fixed Interest Rate Swaps	Receive variable 6-month LIBOR	Pay fixed 1.75%	56,957	21,544,096
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 1.25%	16,405	12,300,000
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 0.75%	15,699	5,600,000
Receive Interest Rate Swaps	Receive fixed 1.50%	Pay variable 6-month LIBOR	72,131	5,429,150
Receive Interest Rate Swaps	Receive fixed 3.00%	Pay variable 3-month LIBOR	(110,205)	5,200,000

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

Derivative Instruments Highly Sensitive to Interest Rate Changes: *continued*

Derivative Type	Receive Rate	Payable Rate	Fair Value	Notional
Receive Interest Rate Swaps	Receive fixed 5.75%	Pay variable 1-month TIIE	(442)	53,958
Receive Interest Rate Swaps	Receive fixed 5.75%	Pay variable 1-month TIIE	(189)	23,125
Receive Interest Rate Swaps	Receive fixed 5.75%	Pay variable 1-month TIIE	(126)	15,415
Receive Interest Rate Swaps	Receive fixed 0.50%	Pay variable 6-month LIBOR	4,290	493,559
Receive Interest Rate Swaps	Receive fixed 6.80%	Pay variable 1-month TIIE	6,122	100,208
Receive Interest Rate Swaps	Receive fixed 6.80%	Pay variable 1-month TIIE	40,968	670,624
Receive Interest Rate Swaps	Receive fixed 6.77%	Pay variable 1-month TIIE	2,267	38,542
Receive Interest Rate Swaps	Receive fixed 6.80%	Pay variable 1-month TIIE	16,952	277,499
Receive Interest Rate Swaps	Receive fixed 4.50%	Pay variable 3-month LIBOR	24,637	700,000
Receive Interest Rate Swaps	Receive fixed 6.80%	Pay variable 1-month TIIE	62,159	1,017,498
Receive Interest Rate Swaps	Receive fixed 6.80%	Pay variable 1-month TIIE	76,757	1,256,456
Receive Interest Rate Swaps	Receive fixed 6.80%	Pay variable 9-month MXIB	9,418	154,166
Receive Interest Rate Swaps	Receive fixed 7.38%	Pay variable 1-month TIIE	17,108	223,541
Receive Interest Rate Swaps	Receive fixed 6.80%	Pay variable 1-month TIIE	12,186	192,708
Receive Interest Rate Swaps	Receive fixed 7.38%	Pay variable 1-month TIIE	17,698	231,250
Receive Interest Rate Swaps	Receive fixed 6.98%	Pay variable 1-month TIIE	2,762	462,499
Receive Interest Rate Swaps	Receive fixed 3.50%	Pay variable 3-month LIBOR	2,295	100,000
Total Interest Rate Swaps			$(217,519)	

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

Foreign Currency Risk. VCERA was exposed to foreign currency risk on investments in futures, swaps, and forward currency contracts denominated in foreign currencies that may be adversely affected by changes in the currency exchange rates. The following table lists the derivative investments held in foreign currencies as of June 30, 2014.

Foreign Currency Risk Schedule for Derivative Instruments

		Currency Forward Contracts			
Currency	Futures Contracts	Net Receivables	Net Payables	Swap Agreement	Net Exposure
Australian Dollar	-	$7,212	$(145,945)	-	$(138,733)
Brazillian Real	-	118,267	(159,997)	-	(41,730)
Canadian Dollar	-	38,275	-	-	38,275
Swiss Franc	-	(9,136)	(14,955)	-	(24,091)
Czech Koruna	-	(890)	-	-	(890)
Danish Krone	-	(4,548)	(438)	-	(4,986)
Euro Currency Unit	$(848)	24,423	(29,718)	$(245,616)	(251,759)
British Pound Sterling	-	86,194	(8,614)	(14,313)	63,267
Israeli Shekel	-	1,716	-	-	1,716
Indian Rupee	-	(57,859)	6,945	-	(50,914)
Japanese Yen	-	64,683	(27,278)	155,573	192,978
South Korean Won	-	87,806	-	-	87,806
Mexican Peso	-	78,285	(259,128)	263,640	82,797
Malaysian Ringgit	-	6,176	-	-	6,176
Norwegian Krone	-	(5,613)	-	-	(5,613)
New Zealand Dollar	-	16,619	(94,505)	-	(77,886)
Polish Zloty	-	562	-	-	562
New Russian Ruble	-	1,819	-	-	1,819
Swedish Krona	-	-	2,951	-	2,951
Singapore Dollar	-	1,537	-	-	1,537
Thailand Baht	-	422	-	-	422
Turkish Lira	-	-	129	-	129
S. African Rand	-	3,868	-	-	3,868
Total	$(848)	$459,818	$(730,553)	$159,284	$(112,299)

Notes to the Basic Financial Statements - *Continued*

For the Years Ended June 30, 2014 and 2013

4. Net Pension Liability of Participating Employers

The components of the Net Pension Liability of the Plan at June 30, 2014, and 2013, respectively, were as follows:

($ in Thousands) **Net Pension Liability**	**June 30, 2014**	**June 30, 2013**
Total Pension Liability	$4,828,040	$4,622,117
Plan Fiduciary Net Position	4,274,886	3,627,505
Net Pension Liability	$553,154	$994,612
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	88.54%	78.48%

Actuarial Assumptions

One of the general goals of an actuarial valuation is to establish contribution rates that fully fund the Plan's liabilities, and that, as a percentage of payroll, remain as level as possible for each generation of active members. In preparing the actuarial valuation, the actuary employs generally accepted actuarial methods and assumptions to evaluate the Plan's assets, liabilities, and future contributions required. The actuary incorporates member data and financial information provided by the Plan with economic and demographic assumptions made about the future to estimate the Plan's financial condition as a specified point in time. For example, the actuary develops assumptions about future investment returns, future inflation rates, future increases in salaries, expected retirement ages, life expectancy, and other relevant factors. VCERA's actuary calculates actuarially determined contributions every year and reviews with the Board the economic and demographic assumptions of the Plan every three years.

A key element in determining the Plan's liability is the projection of Benefits, which is defined as all benefits estimated to be payable through the Plan to current active and inactive employees as a result of their past service and their expected future service. The type of benefits provided by the Plan at the time of each valuation are taken into consideration when Benefits are projected.

The actuarial assumptions used to determine the Total Pension Liability as of June 30, 2014 and 2013, were based on the results of the June 30, 2011, Review of Economic Assumptions and Actuarial Experience Study (Experience Study) which covered the periods from July 1, 2008 through June 30, 2011. They are the same assumptions used in the June 30, 2014, actuarial valuation, which is used to determine contribution rates for funding purposes. The only exception is that for determining the Total Pension Liability the investment return assumption used is net of investment expenses only and is not net of administrative expenses. Key methods and assumptions used in the latest actuarial valuation are presented in the page that follows.

Notes to the Basic Financial Statements - *Continued*

For the Years Ended June 30, 2014 and 2013

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll (4.00% payroll growth assumed)
Remaining Amortization Period	15 years for Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2004. Any changes in UAAL after June 30, 2004 are separately amortized over a 15-year closed period effective with that valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.
Asset Valuation Method	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. The Actuarial Value of Assets is reduced by the value of the Non-Vested Supplemental Reserve and the statutory Contingency Reserve. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.
Mortality Rates	Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA to 2025 set back one year.

Actuarial Assumptions:

Inflation Rate	3.25 percent
Salary Increases[1]	4.50 to 12.5 percent, including inflation
Investment rate of return[2]	7.75 percent, net of pension plan administration and investment expense, including inflation

(1) Includes inflation at 3.25%, “across the board” increases of 0.75% plus merit and longevity increases. Amounts vary by service.

(2) Includes inflation and is net of pension plan investment expense.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

Long-Term Real Rate of Return by Asset Class

The long-term expected rate of return on the Plan's investments was determined in 2012 using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. This information is combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, and by adding expected inflation. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	39.00%	6.22%
Non-U.S. Equity	21.00%	6.78%
U.S. Fixed Income	16.25%	1.06%
Global Fixed Income	5.00%	1.45%
Real Estate	10.00%	5.05%
Credit Strategies	3.75%	4.18%
Private Equity	5.00%	11.08%
Total	100.00%	

Long-term expected rate of return net of investment expenses: 7.75%

Discount rate

The discount rate used to measure the Total Pension Liability was 7.75% as of June 30, 2014 and June 30, 2013. The projection of cash flows used to determine the discount rate assumed that Plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to actuarially determined contribution rates. For this purpose, only employee and employer contributions that are intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability as of both June 30, 2014 and June 30, 2013.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

The following table presents the Net Pension Liability of participating employers calculated using the current discount rate of 7.75%, as of June 30, 2014, as well as the Net Pension Liability if the discount rate were 1.00% lower or 1.00% higher.

Sensitivity of Net Pension Liability to Changes in Discount Rate
As of June 30, 2014
($ in Thousands)

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Net Pension Liability	$1,174,916	$553,154	$34,576

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 Actuarial 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 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, 2014, valuation, the period for amortizing the unfunded liability is fixed at 15 years in accordance with the Board of Retirement's policy adopted May 21, 2012, and the period for amortizing the future actuarial gains and losses is over its own declining 15-year period.

VCERA's employers were required to contribute $161.2 million and $142.4 million in actuarially determined contributions for the fiscal years ending June 30, 2014, and 2013, respectively.

Member contributions range from 5.89% to 13.40% depending upon member tier and plan status.

Other Employer Contributions

In addition to the actuarially determined contributions, participating 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 Statement of Changes Fiduciary Net Position on page 17.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

6. 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 Reserve. Represent members accumulated contributions. Additions include member contributions and interest credited; deductions include transfers to Retired Member Reserve and refunds.

Employer Advance Reserve. 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 Reserve and death benefits.

Retired Member Reserve. Represent total accumulated transfers from Member Reserve and Employer Advance Reserve 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; deductions include 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; deductions include benefit payments made to eligible retirees.

Death Benefit Reserve. 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.

Contingency Reserve. Represents earnings of the fund in excess of the total interest credited to reserves in an amount up to 1.0% of the total market value of assets to provide for future deficiencies in interest earnings, losses on investments, and other contingencies pursuant to Government Code Section 31592.2.

Undistributed Earnings Reserve. Represents funds from current and prior year earnings not previously credited to other Valuation, Non-Valuation, and Supplemental Benefit Reserves in excess of the statutory 1.0% Contingency Reserve.

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.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

Reserve balances as of June 30, 2014 and 2013 are as follows:

($ in Thousands) Reserve Account	June 30, 2014	June 30, 2013
Member	$611,921	$584,474
Employer Advance	997,206	840,616
Retired Member	2,150,677	2,051,529
Vested Fixed Supplemental	134,434	131,681
Non-Vested Supplemental	10,402	11,917
Death Benefits	13,898	13,409
Undistributed Earnings	2,665	-
Contingency	43,612	-
Market Stabilization	310,071	(6,121)
Total Reserves	$4,274,886	$3,627,505

7. 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 were not to exceed the greater of 21/100th of one percent of the accrued actuarial liability for VCERA or two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment. Government Code Section 31580.2(b) provides that expenditures for software, hardware and computer technology are not considered a cost of administration. Administrative expenses incurred in fiscal year ended June 30, 2014 and June 30, 2013 were within the limits established by the Code.

	June 30, 2014	June 30, 2013
Accured Actuarial Liability (AAL) (1)	$4,373,227	$3,995,352
Statutory Limitation for Administrative Expense (AAL x .21%)	9,184	8,390
Administrative Expenses Subject to Statutory Limit	4,045	3,944
Excess of Limitation over Actual Administrative Expenses	$5,139	$4,446
Actual Administrative Expenses as a perecentage of AAL	0.09%	0.10%

(1) The AAL, as determined by the systems actuary each year, is used to calculate the following fiscal year's administrative budget authorization. The AAL as of June 30, 2012 and June 30, 2011, was approved by the Board in January 2013 and 2012, respectively, was used to establish the administrative expenditure budgets for the fiscal year's ended June 30, 2014 and June 30, 2013.

Notes to the Basic Financial Statements - *Continued*
For the Years Ended June 30, 2014 and 2013

8. Lease Agreement

Effective April 1, 2011, VCERA entered into a seven-year extension of a commercial lease for office space with the option to renew for two additional five-year periods. Payments over the remaining lease term total $684,026. Annual amounts due under the agreement are as follows:

Fiscal Year Ending	Amount
2015	$182,407
2016	182,407
2017	182,407
2018	136,805

9. Subsequent Events

Trustee Tom Johnston (elected General Member) submitted his resignation to the Board Chair in July 2014, stating that he would not complete his term and no longer be able to serve on the Board. Trustee Johnston's term ends December 31, 2014.

After an extensive nationwide search, the Board appointed Linda Webb as Retirement Administrator in November 2014. Ms. Webb brings over 20 years of pension experience. VCERA looks forward to her stewardship beginning January 2015.

In order to plan for future growth and to acquire contiguous space, commencing November 1, 2014, VCERA entered into a new three-year and four-month commercial lease for additional office space with an option to renew for two additional five year periods. Monthly payments over the lease term total $52,118.

Management has evaluated subsequent events through December 31, 2014, which is the date the financial statements were issued.

Required Supplementary Information

Required Supplementary Information

Schedule of Changes in Net Pension Liability of Participating Employers
($ In Thousands)

		June 30, 2014	June 30, 2013
Total Pension Liability			
Service cost		$122,896	$118,839
Interest		355,299	340,000
Changes of benefit terms		-	-
Differences between expected and actual experience		(48,740)	(94,020)
Changes of assumptions		-	-
Benefit Payments, including refunds of member contributions		(223,532)	(209,958)
Net Change in Total Pension Liability		205,923	154,861
Total Pension Liability - Beginning		4,622,117	4,467,256
Total Pension Liability - Ending	A	$4,828,040	$4,622,117
Plan Fiduciary Net Position			
Contributions- employer		$169,703	$150,688
Contributions- members		46,674	44,464
Net investment income		658,581	436,638
Benefit Payments, including refunds of member contributions		(223,532)	(209,958)
Administrative expense		(4,045)	(3,944)
Other		-	-
Net Change in Plan Fiduciary Net Position		647,381	417,888
Plan Fiduciary Net Position - Beginning		3,627,505	3,209,617
Plan Fiduciary Net Position - Ending	B	$4,274,886	$3,627,505
Net Pension Liability - Ending	A-B=C	$553,154	$994,612
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	B/A	88.54%	78.48%
Covered -employee payroll	D	$642,779	$632,146
Net Position Liability as a percentage of covered employee payroll	C/D	86.06%	157.34%

Note - Data as of June 30, 2005 through June 30, 2012 are not available in comparable format.

Required Supplementary Information - *Continued*

Schedule of Employer Contributions

($ In Thousands)

Year Ended June 30	Actuarially Determined Contributions	Actual Contributions	Contribution Deficiency/ (Excess)	Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2014	$161,247	$161,247	-	$642,779	25.09%
2013	142,370	142,370	-	632,146	22.52%
2012	132,386	132,386	-	637,037	20.78%
2011	111,585	111,585	-	654,829	17.04%
2010	97,324	97,324	-	634,777	15.33%
2009	105,278	105,278	-	599,173	17.57%
2008	104,429	104,429	-	551,968	18.92%
2007	86,455	86,455	-	519,145	16.65%
2006	74,373	74,373	-	478,053	15.56%
2005	51,792	51,792	-	475,935	10.88%

Note - Covered-employee payroll shown for the fiscal years before 2013 are based on the expected covered-employee payroll. For 2013 and 2014, the actual covered-employee payroll is shown.

Schedule of Investment Returns

Years Ended June 30	Annual Money Weighted Rate of Return, Net of Investment Expense
2014	18.80%
2013	13.20%

Note: Data for fiscal years ended June 30, 2005 through June 30, 2012, are not available in a comparable format.

Required Supplementary Information - *Continued*

Latest Actuarial Valuation of Plan Assets and Liabilities

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	Level percent of payroll (4.00% payroll growth assumed)
Remaining Amortization Period	15 years for Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2004. Any changes in UAAL after June 30, 2004 are separately amortized over a 15-year closed period effective with that valuation. Effective June 30, 2012, any changes in UAAL due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.
Asset Valuation Method	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. The Actuarial Value of Assets is reduced by the value of the Non-Vested Supplemental Reserve and the statutory Contingency Reserve. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over a period of four and a half years from that date.
Mortality Rates	Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA to 2025 set back one year.

Actuarial Assumptions:

Inflation Rate	3.25 percent
Salary Increases[1]	4.50 to 12.5 percent, including inflation
Investment rate of return[2]	7.75 percent, net of pension plan administration and investment expense, including inflation

(1) Includes inflation at 3.25%, “across the board” increases of 0.75% plus merit and longevity increases. Amounts vary by service.

(2) Includes inflation and is net of pension plan investment expense.

Other Supplemental Schedules

Other Supplemental Schedules

Schedule of Administrative Expenses

For the Year Ended June 30, 2014 (with comparative amounts for June 30, 2013)
($ in Thousands)

	June 30, 2014	June 30, 2013
Personnel Services:		
Salaries	$1,585	$1,305
Employee Benefits	583	654
Total Personnel Services	2,168	1,959
Professional Services:		
Actuarial Fees	170	191
Computer Software and System Support (Net of Capitalized costs)	378	419
Legal Services	338	371
Other Professional Services	493	464
Total Professional Services	1,379	1,445
Communication:		
Postage	48	51
Telecommunication	38	42
Total Communication	86	93
Other Services and Charges:		
Office Lease	163	177
Educational	65	60
Equipment	-	13
County Services	65	(19)
Insurance	12	8
Other Charges	107	208
Total Other Services and Charges	412	447
Total Administrative Expenses	$4,045	$3,944

Other Supplemental Schedules - *Continued*

Schedule of Investment Expenses
For the Year Ended June 30, 2014 (with comparative amounts for June 30, 2013)
($ in Thousands)

	June 30, 2014	June 30, 2013
Investment Management Fees		
Stock Managers		
U.S. Equity	$463	$463
Non-U.S Equity/Global	3,284	3,158
Private Equity	1,852	1,042
Bond Managers	2,122	1,936
Real Estate	2,715	2,754
Alternatives	1,788	134
Total Investment Management Fees	12,224	9,487
Other Investment Expenses		
Cash Overlay	150	74
Investment Consultant	290	242
Custodian	213	98
Total Other Investment Expenses	653	414
Total Investment Expenses	$12,877	$9,901

Schedule of Payments to Consultants
For the Year Ended June 30, 2014 (with comparative amounts for June 30, 2013)
($ in Thousands)

	June 30, 2014	June 30, 2013
Legal Services	$339	$371
Actuarial Consulting Fees	170	191
Investment Management Consulting Fees	290	242
Network and Other Information Technology Services (includes capitalized Costs)	3,086	2,979
Total Payments to Consultants	$3,885	$3,783

Other Supplemental Schedules - *Continued*

Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan - GASB 67

		Deferred Outflow of Resources					Deferred Inflow of Resources					Pension Expense		
Employer/ Nonemployer (special funding situation)	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Outflow of Resources	Differences Between Expected and Actual Economic Experience	Differences Between Actual and Projected Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Total Deferred Inflow of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred amounts from Changes in Proportion and Proportionate Share of Pension Expense	Total Employer Pension Expense
County of Ventura	$531,314	-	-	-	-	-	$37,932	$290,370	-	$597	$328,899	$67,278	$(140)	$67,138
Ventura County Courts	16,984	-	-	-	$432	$432	1,213	9,282	-	-	10,495	2,150	101	2,251
Air Pollution Control District	2,339	-	-	-	103	103	167	1,278	-	-	1,445	296	24	320
Ventura Regional Sanitation District	2,517	-	-	-	62	62	180	1,376	-	-	1,556	319	15	334
Total	$553,154	-	-	-	$597	$597	$39,492	$302,306	-	$597	$342,395	$70,043	-	$70,043

Other Supplemental Schedules - *Continued*

Schedule of Cost Sharing Employer Allocations of Net Pension Liability
($ in Thousands)

	June 30, 2014		June 30, 2013	
Participating Employer	Allocation of Net Pension Liability (NPL)	Employer Allocation Percentage	Allocation of Net Pension Liability (NPL)	Employer Allocation Percentage
County of Ventura	$531,314	96.052%	$955,342	96.052%
Ventura County Courts	16,984	3.070%	30,538	3.070%
Air Pollution Control District	2,339	0.423%	4,206	0.423%
Ventura Regional Sanitation District	2,517	0.455%	4,526	0.455%
Total	$553,154	100.000%	$994,612	100.000%

Note - Employer allocation percentage is weighted average allocation of General and Safety NPL as each NPL is calculated separately for each participating employer, then combined.

Investment Section

NEPC, LLC

DON STRACKE, CFA, CAIA
SENIOR CONSULTANT

October 6, 2014

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

Dear Mr. Thonis,

The overall objective of the Ventura County Employees' Retirement Association Plan (the "Plan") is to ensure continued access to retirement, disability and survivor benefits for current and future VCERA participants. To ensure a solid foundation for the future of the Plan, VCERA carefully plans and implements an investment program designed to produce superior long-term investment returns, while prudently managing the risk of the portfolio. Investment policy and asset allocation are reviewed and revised by the Board of Retirement, at least annually, to reflect the Plan's actuarial assumptions, the accrued liabilities and the investment outlook. The following is a report on the performance of the Plan for the fiscal year ending June 30, 2014 as well as the market environment.

Fiscal Year 2014 Market Review

Financial markets in fiscal year 2013 posted strong returns for investors seeking risk despite a myriad of macroeconomic concerns. Then year was largely dominated by heading risks related to Fed policy, the economic and political environment in the Eurozone, partisan politics within the U.S., and reports of slowed economic growth in emerging markets and China in particular.

Domestic equities closed out the first half of the fiscal year (July 2013-Decemver 2013) very strongly with markets participants citing improving fundamentals and an unabated continuation of quantitative easing, this resulted in strong gains despite uncertainty surrounding the U.S. government shutdown. International equity markets, buoyed by positive news flow within the Eurozone and indicators of stabilizing growth from China, kept pace with their domestic counterparts. The latter half of the calendar year also saw investment grade fixed benefitted the most as investors seeking yield sought higher returns in the low interest rate environment, further compressing credit spreads.

Following a very strong 2013, the third quarter of fiscal year 2014 began with a drop in January amid concerns of Fed tapering; rebounded in February, hitting record highs as a result of dovish Fed comments; and oscillated in March as the Fed touched on the possibility of raising interest rates, further illustrating the Fed's impact on current market conditions. Global equities posted modest gains, with domestic equities outperforming broader international markets. Bond Markets rallied in the first quarter of 2014 as investors moved to safer, higher quality assets amid concerns regarding a slowdown in China, an unseasonably cold winter in the U.S. and geopolitical tensions in Europe.

The fourth quarter of fiscal year 2014 saw the continuation of a multi-year valuation expansion in growth assets. Markets shrugged off a severe downward revision of first quarter GDP and proved resilient to geopolitical tensions in the Middle East and Europe. Domestic equities, as measured by the S&P 500 Index, posted its sixth consecutive quarterly rise, the longest streak since 1998.

The investment performance reported in this letter is in conformance with the presentation standards of the **CFA Institute's Global Investment Performance Standards (GIPS).** The Plan returned

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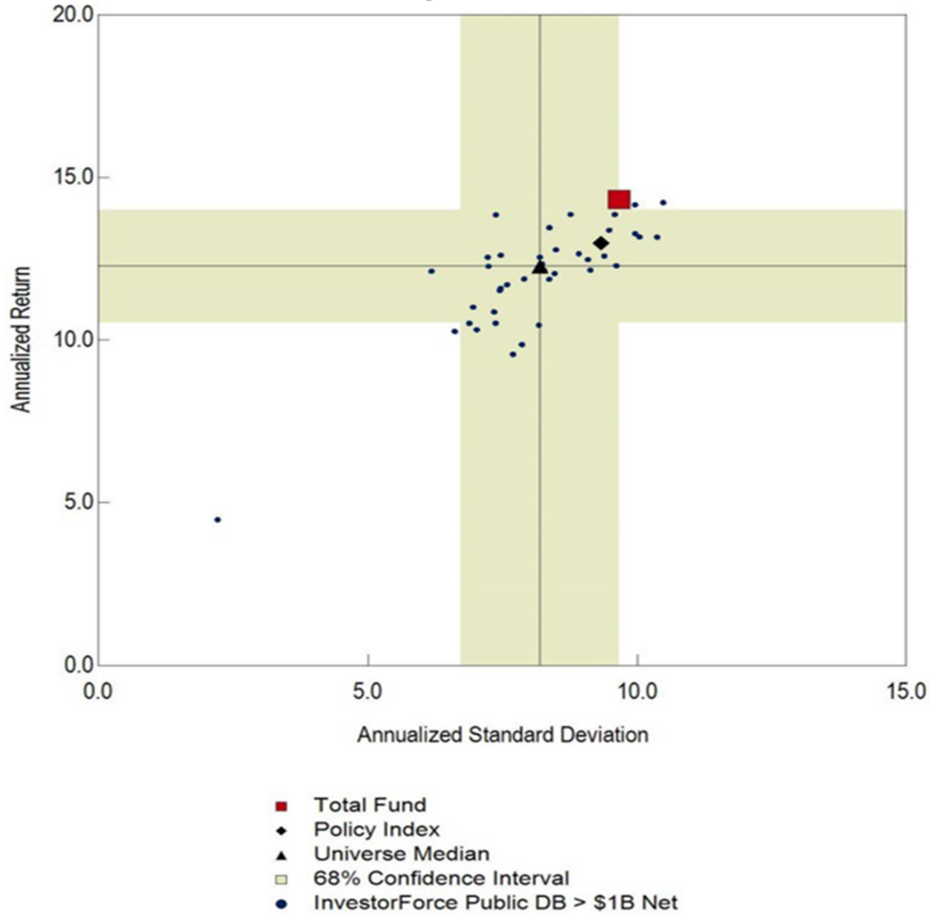
+18.8%, net of fees, for the fiscal year ending June 30, 2014, which ranked in the 2nd percentile of the InvestorForce Public Funds Greater than $1 Billion Universe. By comparison, the median fund in the universe returned 15.8% for the period[1]. Contributing to the strong relative performance for the fiscal year was the Plan's overweight to global equities relative to peers in a year when equity markets returned approximately 23%. Contributing negatively to performance during the fiscal year was the Plan's manager performance in Non-US Equity, Private Equity, and Real Estate.

For the five-year period ending June 30, 2014, the Plan returned 14.3% net of fees per annum, above the actuarial target of 7.75%. On a relative basis, the Plan ranked in the 1st percentile of the InvestorForce Public Funds Greater than $1 Billion peer group universe. The Plan's five-year volatility, as measured by standard deviation, ranked in the 88th percentile of its peers, while the risk-adjusted return of the portfolio as measured by the Sharpe Ratio, ranks in the 47th percentile of the universe.

ICC Public Funds Greater than $1 Billion Universe
Risk-Return Comparison (Gross of Fees)
5 Years Ending June 30, 2014



[1] As of June 30, 2014, the InvestorForce Public Funds Greater than $1 Billion Universe was comprised of 52 total funds with approximately $503 billion in assets. Universe rankings are based on gross of fee performance.

With the majority of the global capital markets experiencing robust valuations, increasing the potential for a market correction, diversification can help protect portfolios from experiencing significant declines. Diversification aims to reduce volatility and better equalize the contribution to overall plan risk across a variety of asset classes with uncorrelated return patterns.

Sincerely,

Don Stracke, CFA, CAIA
Senior Consultant

Outline of Investment Policies

General

The Board of Retirement (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.

External professional investment firms manage VCERA's assets. VCERA's staff, along with the investment consultants, monitors manager's 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 July 2013, 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, or when significant cash flow occurs, is used to maintain asset allocations within their appropriate ranges.

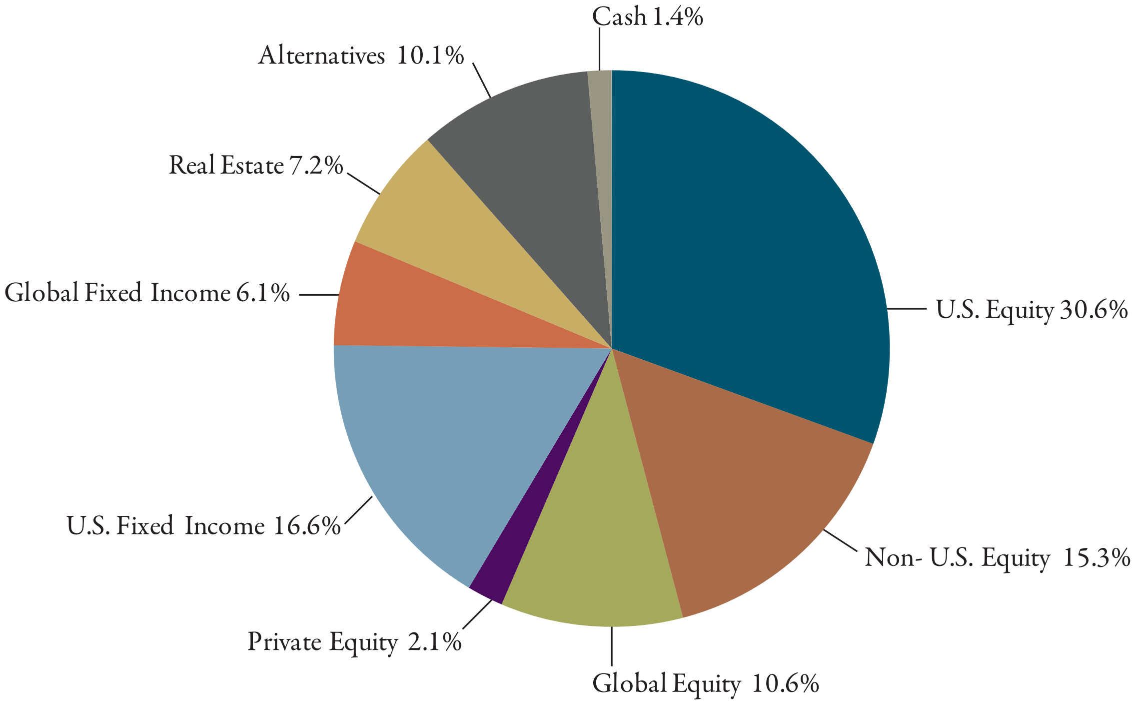
Proxies

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.

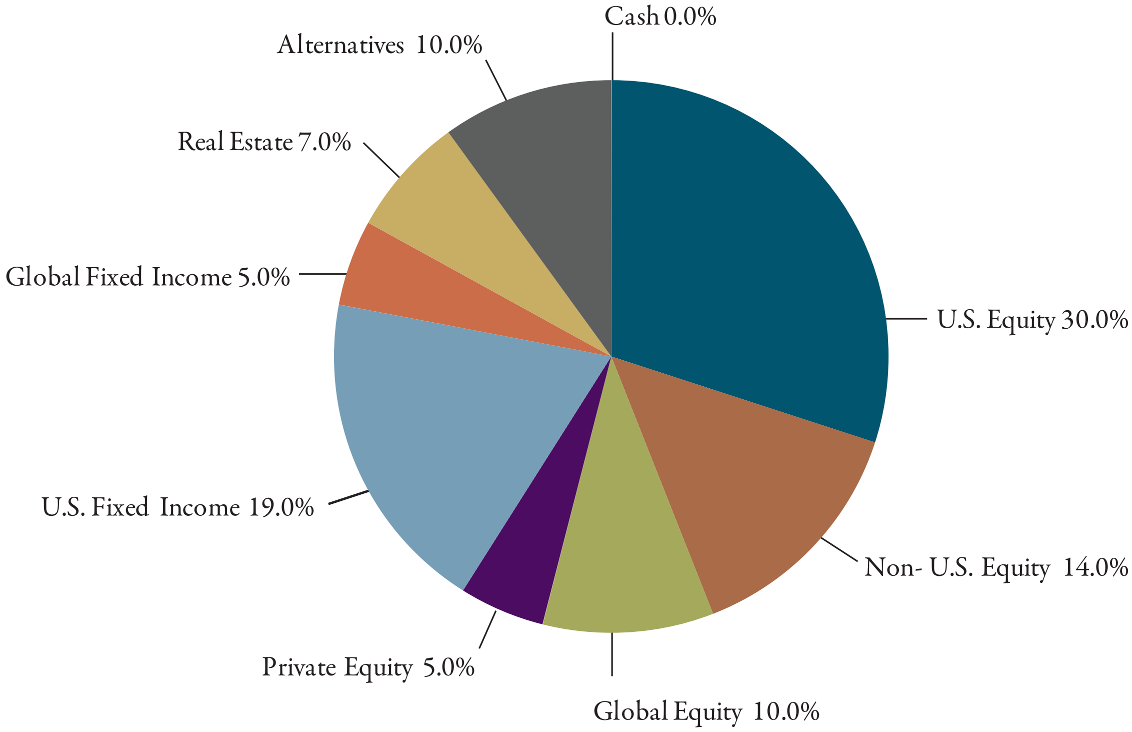
Target Versus Actual Asset Allocation

As of June 30, 2014

Actual



Target



Note- The Actual asset allocation is based upon the investment summary located on pages 52 and 53.

Investment Summary

As of June 30, 2014

($ in Thousands)

Type of investment	Fair Value	Percent of Total Fair Value
U.S. Equity		
BlackRock - Equity Index	$1,150,559	27.0%
BlackRock - Extended Equity Market	45,958	1.1%
Western Asset Management Index Plus	104,791	2.5%
Total U.S. Equity	**1,301,308**	30.6%
Non-U.S. Equity		
BlackRock ACWI ex-US IMI Index	273,964	6.4%
Hexavest	83,678	2.0%
Sprucegrove Investment Management	197,088	4.6%
Walter Scott	96,416	2.3%
Total Non-U.S. Equity	**651,146**	15.3%
Global Equity		
BlackRock - ACWI Equity Index	226,327	5.3%
Grantham, Mayo, Van Otterloo & Company	224,315	5.3%
Total Global Equity	**450,642**	10.6%
Private Equity		
Adams Street Partners	55,262	1.3%
Harbourvest	22,333	0.5%
Pantheon	10,168	0.3%
Total Private Equity	**87,763**	2.1%
Fixed Income - U.S.		
BlackRock - U.S Debt	136,435	3.2%
Loomis, Sayles & Company	68,270	1.6%
Reams Asset Management	248,814	5.8%
Western Asset Management	254,999	6.0%
Total Fixed Income - U.S.	**708,518**	16.6%
Fixed Income - Global		
Loomis, Sayles & Company	96,234	2.2%
Loomis, Sayles & Company	41,750	1.0%
PIMCO	123,547	2.9%
Total Fixed Income - Global	**$261,531**	6.1%

Investment Summary - *Continued*

As of June 30, 2014
($ in Thousands)

Type of investment	Fair Value	Percent of Total Fair Value
Real Estate		
Prudential Real Estate Investors	$100,717	2.4%
RREEF America III	9,290	0.2%
UBS Realty Investors	196,833	4.6%
Total Real Estate	**306,840**	7.2%
Alternatives		
Bridgewater	275,609	6.5%
Tortoise Capital Advisors	152,464	3.6%
Total Alternatives	**428,073**	10.1%
Short Term Investments/Cash/Cash Equivalents		
Ventura County Treasury Investment Pool	8,351	0.2%
Commercial Account	19	0.0%
Parametric Clifton	15,363	0.3%
STIF - State Street Corporation	39,871	0.9%
Total Short Term Investments	**63,604**	**1.4%**
Total Investments	$4,259,425	100.0%

Schedule of Investment Results Based on Fair Value
As of June 30, 2014

	Annualized		
	Current Year	Three-Year	Five-Year
U.S. Equity	26.0%	16.8%	20.0%
Benchmark: Dow Jones US Total Stock Index	25.0%	16.4%	19.4%
U.S. Fixed Income	5.0%	5.3%	8.2%
Benchmark: Barclays Capital Aggregate Bond Index	4.4%	3.7%	4.9%
Non-U.S. Equity	20.7%	6.4%	11.9%
Benchmark: MSCI ACWIEXUS	21.8%	5.7%	11.1%
Global Equity	22.9%	10.2%	13.8%
Benchmark: MSCI ACWI	22.9%	10.3%	14.3%
Private Equity	22.1%	-	-
Benchmark: Dow Jones Total Stock Index + 3%	28.7%	-	-
Global Fixed Income	7.5%	-	-
Benchmark: Barclays Capital Global Aggregate Bond Index	7.4%	-	-
Real Estate	10.7%	10.1%	8.7%
Benchmark: NCREIF Open End Fund Index	12.7%	12.4%	10.0%
Alternatives	23.9%	-	-
Benchmark: CPI + 4% (Unadjusted)	6.1%	-	-
Total Fund	18.8%	10.9%	14.3%
VCERA Policy*	17.9%	10.3%	13.0%

*30% Total U.S. Equity Benchmark Index, 14% MSCI ACWIEXUS Index, 10% MSCI ACWI Index, 19% Barclays Aggregate Index, 5% Barclays Global Aggregate Index, 5% Dow Jones U.S. Total Stock Index + 3%, 10% CPI + 4% Index, and 7% NCREIF ODCE Real Estate Index.

Asset Class Returns were prepared using the time-weighted rate of return based on the market rate of return. Total Fund performance is calculated based on the weighted average returns of the asset classes.

Largest Equity Holdings (by Fair Value)

As of June 30, 2014
($ in Thousands)

	Units	Fund Name	Fair Value
1	8,621,221	Blackrock U.S. Equity Market Fund	$1,150,558
2	21,679,242	Blackrock ACWI EXUS IMI Index Fund	273,963
3	14,727,585	Blackrock MSCI ACWI Equity Index Fund	226,327
4	22,431,529	Grantham Mayo Van Otterloo (GMO) Group Trust	224,315
5	3,065,231	Sprucegrove Investment Management Group Trust	197,088
6	3,611,703	Walter Scott	96,416
7	59,585	Hexavest EAFE Equity Fund	83,678
8	120,503	Blackrock Extended Equity	45,958
9	16,520,458	Harbourvest	22,252
10	15,349,705	Adams Street 2010 US Fund	22,118

Note - All VCERA Equity Investments at June 30, 2014 were held in index funds and commingled investment vehicles.

Largest Fixed Income Holdings (by Fair Value)

As of June 30, 2014
($ in Thousands)

	Par	Bonds	Fair Value
1	100,000,000	Mexican Cetes Bills 07/14 0.00000	$7,702
2	6,210,000	USTreasury N/B 11/43 3.75	6,707
3	6,000,000	FNMA TBA Jul 15 Single Family	6,359
4	5,500,000	US Treasury N/B 05/21 2	5,459
5	420,000,000	Japan (20 Year Issue) Sr Unsecured 09/32 1.7	4,433
6	4,260,000	US Treasury N/B 11/23 2.75	4,366
7	4,000,000	US Treasury N/B 08/23 2.5	4,024
8	3,860,000	US Treasury N/B 12/18 1.5	3,862
9	3,840,000	US Treausry N/B 06/21 2.125	3,839
10	3,000,000	FNMA TBA Jul 30 Single Fam	3,249

Note - A complete list of portfolio holdings is available upon request.

Schedule Of Investment Fees

For the year ending June 30, 2014 (with comparative amounts for June 30, 2013
($ in Thousands)

	June 30, 2014	June 30, 2013
Investment Management Fees		
U.S. Equity	$463	$463
Non-U.S. Equity	1,872	1,702
Global Equity	1,412	1,456
Fixed Income - U.S.	1,302	1,485
Fixed Income - Global	820	451
Real Estate	2,715	2,754
Private Equity	1,852	1,042
Alternatives	1,788	134
Total Investment Management Fees	$12,224	$9,487
Other Investment Fees		
Cash Overlay	150	74
Custodian	213	98
Investment Consultant	290	242
Total Other Investment Fees	$653	$414
Total Investment Management and Other Investment Expenses	$12,877	$9,901
Security Lending Expenses		
Security Lending Fees and Borrower Rebates	14	126
Total Investment Fees and Expenses	$12,891	$10,027

Investment Managers

Equities - U.S.
BlackRock

Western Asset Management

Equities - Non U.S.
Sprucegrove Investment Management

BlackRock

Hexavest, Inc.

Walter Scott

Global Equity
Grantham, Mayo, Van Otterloo & Co.

BlackRock

Private Equity
Adams Street Partners

HarbourVest

Pantheon

Fixed Income
BlackRock

Loomis, Sayles & Company

Reams Asset Management

Western Asset Management

Global Fixed Income
Loomis, Sayles & Company

PIMCO

Real Estate
Prudential Real Estate Investors

UBS Realty Investors

RREEF America III

Alternatives
Bridgewater

Tortoise Capital Investors

Investment Consultant
Hewitt ennisknupp

NEPC, LLC

Cash Overlay
Parametric Clifton

Actuarial Section

Segal Consulting

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

VIA E-MAIL

December 9, 2014

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

Re: Ventura County Employees' Retirement Association
June 30, 2014 Actuarial Valuation for Funding Purposes

Dear Members of the Board:

Segal Consulting (Segal) prepared the June 30, 2014 annual 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 and VCERA's funding policy that was last reviewed with the Board in 2012. In particular, it is our understanding that the assumptions and methods used for funding purposes meet the parameters set by Actuarial Standards of Practice (ASOPs).

As part of the June 30, 2014 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. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal semi-annual amounts over a period of four and a half years from that date.

One of the general goals of an actuarial valuation is to establish contribution rates which are expected to 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 Cost Method. Under this method, the employer contribution rate provides for current cost (normal cost) plus a level percentage of payroll to amortize any unfunded actuarial accrued liability (UAAL).

In 2004, the Board elected to amortize the Association's Unfunded Actuarial Accrued Liability (UAAL) as of June 30, 2004 over a declining (or closed) 15-year period. Any change in the

Board of Retirement
Ventura County Employees' Retirement Association
December 9, 2014
Page 2

UAAL after June 30, 2004 is amortized over separate 15-year declining amortization periods. Effective with the June 30, 2012 valuation, any change in the UAAL that arises due to assumption changes is amortized over separate 20-year declining amortization periods. In addition, any change in the UAAL that arises due to retirement incentives is amortized over a separate declining period of up to 5 years. The progress being made towards meeting the funding objective through June 30, 2014 is illustrated in the Actuarial Solvency Test.

Certain information found in the Notes to Basic Financial Statements and the Required Supplementary Information (RSI) included in the Financial Section was prepared by the Association based on the results of the Governmental Accounting Standards (GAS) 67 actuarial valuation as of June 30, 2014 prepared by Segal. For the Financial Section of the Comprehensive Annual Financial Report (CAFR), Segal provided the Schedule of Changes in Net Pension Liability and Schedule of Employer Contributions as shown in the RSI. A listing of the other schedules prepared by the Association based on the results of the actuarial valuation as of June 30, 2014 for funding purposes is listed below.

1. Summary of Actuarial Assumptions and Methods as of June 30, 2014
2. Active Member Valuation Data
3. Schedule of Retirees and Beneficiaries Added to and Removed from the Rolls
4. Actuarial Analysis of Financial Experience
5. Actuary Solvency Test
6. Probability of Occurrence

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the June 30, 2011 Experience Analysis. It is our opinion that the assumptions used in the June 30, 2014 valuation produce results which, in the aggregate, anticipate 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, 2014 Experience Analysis is due to be performed during the first half of 2015.

The Board approved a three-year phase-in for the change in the employer contribution rate due to changes in the economic actuarial assumptions as of June 30, 2012 and the new individual Entry Age Actuarial Cost Method. For the June 30, 2014 valuation, the phase-in has been completed.

In the June 30, 2014 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities increased from 79.2% to 82.7% and the aggregate employer contribution rate decreased from 29.03% of payroll to 28.11% of payroll.

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The valuation value of assets included $310 million in deferred investment gains, which represented about 7.3% of the market value of assets. If these deferred investment gains were recognized immediately in the valuation value of assets, the funded percentage would have increased from 82.7% to 89.2% and the aggregate employer contribution rate, expressed as a percent of payroll, would have decreased from 28.11% to about 23.90%.

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,

John Monroe

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

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

AW/bqb

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Summary of Actuarial Assumptions and Methods

As of June 30, 2014

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 15 years. Effective June 30, 2012, any changes in Unfunded Actuarial Accrued Liability (UAAL) due to actuarial gains or losses or due to plan amendments (with the exception of a change due to retirement incentives) will be amortized over a 15-year closed period effective with that valuation (up to a 5-year closed period for retirement incentives). Any change in UAAL due to changes in actuarial assumptions or methods will be amortized over a 20-year closed period effective with that valuation.

Investment Rate of Return

7.75% per annum; 4.50% real rate of return and 3.25% inflation.

Projected Salary Increases

4.50% – 12.50% varying by service. Includes inflation at 3.25%, "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.

Expectation of Life After Retirement

RP-2000 Combined Healthy Mortality Table projected with scale AA to 2025 setback one year.

Expectation of Life After Disability

General Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA 2025 set forward five years for males and seven years for females. Safety Members: RP-2000 Combined Healthy Mortality Table projected with Scale AA 2025 setback one year.

Date of Adoption

May 21, 2012

Active Member Valuation Data

Valuation Date	Plan Type	Member Count	Annual Salary	Average Annual Salary	Percent Increase/ (Decrease) In Average Salary	Average Age	Average Service
June 30, 2014	General	6,672	$484,378,825	$72,599	-0.01%	46.2	10.5
	Safety	1,538	$163,878,217	$106,553	-1.17%	41.4	14.0
	Total	**8,210**	**$648,257,042**	**$78,959**	**-0.27%**	**45.3**	**11.2**
June 30, 2013	General	6,563	$476,507,030	$72,605	-0.21%	46.4	10.6
	Safety	1,505	162,256,156	$107,811	1.16%	41.2	13.9
	Total	**8,068**	**$638,763,186**	**$79,172**	**0.16%**	**45.4**	**11.2**
June 30, 2012	General	6,529	$475,042,839	$72,759	0.42%	46.4	10.5
	Safety	1,490	158,804,521	$106,580	-1.51%	41.4	13.9
	Total	**8,019**	**$633,847,360**	**$79,043**	**-0.24%**	**45.4**	**11.1**
June 30, 2011	General	6,516	$472,121,275	$72,456	-3.01%	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**	**-81.87%**	**45.1**	**10.9**
June 30, 2010	General	6,505	$483,722,608	$74,702	3.34%	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**
June 30, 2009	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**
June 30, 2008	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**
June 30, 2007	General	6,130	$404,122,312	$65,925	2.62%	45.5	9.4
	Safety	1,523	147,845,787	97,075	4.08%	40.0	12.9
	Total	**7,653**	**$551,968,099**	**$72,124**	**2.85%**	**44.4**	**10.1**
June 30, 2006	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**
June 30, 2005	General	5,753	$347,232,675	$60,357	5.75%	45.7	9.7
	Safety	1,492	130,820,053	87,681	5.00%	40.3	12.9
	Total	**7,245**	**$478,052,728**	**$65,984**	**5.73%**	**44.6**	**10.2**

Retirees and Beneficiaries Added to and Removed Retiree Payroll

Fiscal Year Ended June 30	Retirees and Beneficiaries: At Beginning of Year	Added	Removed	At End of Year	Added to Payroll (in 000s)	Removed from Payroll (in 000s)	Total Retiree Payroll (in 000s)	Percent Increase in Payroll	Average Annual Allowance
2014	5,888	394	(161)	6,121	$17,698	$(4,832)	$218,104	6.27%	$35,632
2013	5,658	378	(148)	5,888	18,164	(4,257)	205,238	7.27%	34,857
2012	5,481	327	(150)	5,658	13,054	(1,792)	191,332	6.25%	33,816
2011	5,267	358	(144)	5,481	16,502	(2,461)	180,070	8.46%	32,853
2010	5,041	350	(124)	5,267	15,885	(2,945)	166,029	8.45%	31,522
2009	4,914	252	(125)	5,041	13,508	(3,088)	153,089	7.30%	30,369
2008	4,770	300	(156)	4,914	16,102	(5,641)	142,669	7.91%	29,033
2007	4,570	300	(100)	4,770	16,472	(5,491)	132,208	9.06%	27,717
2006	4,314	366	(110)	4,570	16,431	(4,938)	121,227	10.47%	26,527
2005	4,031	382	(99)	4,314	11,643	(3,018)	109,734	8.53%	25,437

Actuarial Analysis of Financial Experience
($ in Thousands)

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Prior Valuation Unfunded (Excess Funded) Accrued Liability	$953,354	$975,867	$774,964	$761,459	$573,553	$290,048	$376,025	$481,870	$368,676	$323,444
Salary Increases Greater (Less) Than Expected	(56,617)	(49,186)	(93,786)	(131,928)	(19,314)	(9,590)	19,961	(5,589)	28,116	5,431
Asset Return (Greater) Less Than Expected	(13,827)	25,512	72,404	127,192	202,739	213,344	(90,891)	(113,656)	(44,188)	(3,375)
Other Experience Factors	(62,695)	1,161	(5,030)	18,241	4,481	(11,501)	(15,047)	13,400	26,476	43,176
Change In Actuarial Assumptions	–	–	227,315	–	–	91,252	–	–	102,790	–
Ending Valuation Unfunded (Excess Funded) Accrued Liability	$820,215	$953,354	$975,867	$774,964	$761,459	$573,553	$290,048	$376,025	$481,870	$368,676

Actuary Solvency Test
($ in Thousands)

	Aggregate Actuarial Accrued Liabilities for:							
Valuation Date	Active Member Contrib.	Retired Member Contrib.	Active Members (Employer Financed Portion)	Total Liabilities	Actuarial Value of Assets	Active Member Contrib.	Retired Member Contrib.	Active Member Employer Financed
6/30/2014	$611,921	$2,150,677	$1,968,418	$4,731,016	$3,910,801	100%	100%	58%
6/30/2013	584,474	2,051,529	1,939,060	4,575,063	3,621,709	100%	100%	51%
6/30/2012	569,893	1,919,116	1,884,218	4,373,227	3,397,360	100%	100%	48%
6/30/2011	549,207	1,810,062	1,636,083	3,995,352	3,220,388	100%	100%	53%
6/30/2010	525,190	1,674,735	1,677,518	3,877,443	3,115,984	100%	100%	55%
6/30/2009	499,205	1,545,347	1,619,149	3,663,701	3,090,148	100%	100%	65%
6/30/2008	466,332	1,470,874	1,408,598	3,345,804	3,055,756	100%	100%	79%
6/30/2007	431,860	1,391,914	1,288,809	3,112,583	2,736,558	100%	100%	71%
6/30/2006	400,315	1,309,873	1,201,730	2,911,918	2,430,048	100%	100%	60%
6/30/2005	381,911	1,189,870	1,013,116	2,584,905	2,216,229	100%	100%	64%

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 [1] (c)	UAAL as an Unfunded (Overfunded) Percentage of Covered Payroll ((b-a)/c)
06/30/14	$3,910,801	$4,731,016	$820,215	82.66%	$648,257	126.53%
06/30/13	3,621,709	4,575,063	953,354	79.16%	638,763	149.25%
06/30/12	3,397,360	4,373,227	975,867	77.69%	633,848	153.96%
06/30/11	3,220,338	3,995,352	775,014	80.60%	637,037	121.66%
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%	589,173	49.23%
06/30/07	2,736,558	3,112,583	376,025	87.92%	551,968	68.12%
06/30/06	2,430,048	2,911,918	481,870	83.45%	519,145	92.82%
06/30/05	2,216,229	2,584,905	368,676	85.74%	478,053	77.12%

Note [1] - Based on the expected covered-employee payroll.

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. Any new Safety Member who becomes a member on or after January 1, 2013 is designated PEPRA Safety and is subject to the provisions of California's Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code 7522 et seq. and Assembly Bill (AB) 197. All other employees are classified as general members. There are four 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. New Members employed after January 1, 2013 are designated as PEPRA Tier I or II and are subject to the provisions of California Government Code 7522 et seq. and AB 197.

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 and contracting districts contribute 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. 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.

Summary of Plan Benefits - *Continued*

Service Retirement Benefit

General members prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 30 years of service is eligible to retire regardless of age. General members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 52, and have acquired five years of retirement service credit.

Safety members prior to January 1, 2013, are eligible to retire once they attain the age of 50 and have acquired 10 or more years of retirement service credit. A member with 20 years of service is eligible to retire regardless of age. Safety members who are first hired on or after January 1, 2013, are eligible to retire once they have attained the age of 50, and have acquired five years of retirement service credit.

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.

Safety member benefits are calculated pursuant to the provisions of California Government Code Section 31664. The monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit times age factor from Section 31664. For those Safety member first hired on or after January 1, 2013, benefits are calculated pursuant to the provision California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from section 7522.25(d).

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 1/90th of the first $350 of final compensation, plus 1/60th 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). General member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provision California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from section 7522.20(a).

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, PEPRA Tier I and II, General and PEPRA Safety 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.

Summary of Plan Benefits - *Continued*

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 non-service-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.

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

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 0<X<1	1<X<2	2<X<3	3<X<4	4<X<5	X>5	Rates of Mortality	Rates of Disability	Rates of Retirement Non PEPRA	Rates of Retirement PEPRA
25	0.1500	0.1000	0.0800	0.0700	0.0600	0.0600	0.0003	0.0002	0.0000	0.0000
30	0.1500	0.1000	0.0800	0.0700	0.0600	0.0570	0.0004	0.0004	0.0000	0.0000
35	0.1500	0.1000	0.0800	0.0700	0.0600	0.0490	0.0006	0.0008	0.0000	0.0000
40	0.1500	0.1000	0.0800	0.0700	0.0600	0.0390	0.0009	0.0013	0.0000	0.0000
45	0.1500	0.1000	0.0800	0.0700	0.0600	0.0290	0.0010	0.0021	0.0000	0.0000
50	0.1500	0.1000	0.0800	0.0700	0.0600	0.0220	0.0013	0.0040	0.0300	0.0000
55	0.1500	0.1000	0.0800	0.0700	0.0600	0.0170	0.0019	0.0056	0.0600	0.0500
60	0.1500	0.1000	0.0800	0.0700	0.0600	0.0120	0.0040	0.0069	0.1400	0.1000
65	0.1500	0.1000	0.0800	0.0700	0.0600	0.0100	0.0079	0.0090	0.3500	0.2500

General Members - Female

Age Nearest	Rates of Withdrawal 0<X<1	1<X<2	2<X<3	3<X<4	4<X<5	X>5	Rates of Mortality	Rates of Disability	Rates of Retirement Non PEPRA	Rates of Retirement PEPRA
25	0.1500	0.1000	0.0800	0.0700	0.0600	0.0600	0.0001	0.0002	0.0000	0.0000
30	0.1500	0.1000	0.0800	0.0700	0.0600	0.0570	0.0002	0.0004	0.0000	0.0000
35	0.1500	0.1000	0.0800	0.0700	0.0600	0.0490	0.0003	0.0008	0.0000	0.0000
40	0.1500	0.1000	0.0800	0.0700	0.0600	0.0390	0.0004	0.0013	0.0000	0.0000
45	0.1500	0.1000	0.0800	0.0700	0.0600	0.0290	0.0007	0.0021	0.0000	0.0000
50	0.1500	0.1000	0.0800	0.0700	0.0600	0.0220	0.0010	0.0040	0.0300	0.0000
55	0.1500	0.1000	0.0800	0.0700	0.0600	0.0170	0.0019	0.0056	0.0600	0.0500
60	0.1500	0.1000	0.0800	0.0700	0.0600	0.0120	0.0039	0.0069	0.1400	0.1000
65	0.1500	0.1000	0.0800	0.0700	0.0600	0.0100	0.0076	0.0090	0.3500	0.2500

Probability of Occurrence - *Continued*

Safety Members - Male

Age Nearest	Rates of Withdrawal 0<X<1	1<X<2	2<X<3	3<X<4	4<X<5	X>5	Rates of Mortality	Rates of Disability	Rates of Retirement Non PEPRA	Rates of Retirement PEPRA
25	0.1200	0.0600	0.0550	0.0500	0.0400	0.0400	0.0003	0.0014	0.0000	0.0000
30	0.1200	0.0600	0.0550	0.0500	0.0400	0.0340	0.0004	0.0026	0.0000	0.0000
35	0.1200	0.0600	0.0550	0.0500	0.0400	0.0240	0.0006	0.0048	0.0000	0.0000
40	0.1200	0.0600	0.0550	0.0500	0.0400	0.0140	0.0009	0.0090	0.0100	0.0000
45	0.1200	0.0600	0.0550	0.0500	0.0400	0.0070	0.0010	0.0116	0.0100	0.0000
50	0.1200	0.0600	0.0550	0.0500	0.0400	0.0020	0.0013	0.0198	0.0200	0.0400
55	0.1200	0.0600	0.0550	0.0500	0.0400	0.0000	0.0019	0.0340	0.2500	0.2000
60	0.1200	0.0600	0.0550	0.0500	0.0400	0.0000	0.0040	0.0460	0.2500	0.3000
65	0.1200	0.0600	0.0550	0.0500	0.0400	0.0000	0.0079	0.0000	1.0000	1.0000

Safety Members - Female

Age Nearest	Rates of Withdrawal 0<X<1	1<X<2	2<X<3	3<X<4	4<X<5	X>5	Rates of Mortality	Rates of Disability	Rates of Retirement Non PEPRA	Rates of Retirement PEPRA
25	0.1200	0.0600	0.0550	0.0500	0.0400	0.0400	0.0001	0.0014	0.0000	0.0000
30	0.1200	0.0600	0.0550	0.0500	0.0400	0.0340	0.0002	0.0026	0.0000	0.0000
35	0.1200	0.0600	0.0550	0.0500	0.0400	0.0240	0.0003	0.0048	0.0000	0.0000
40	0.1200	0.0600	0.0550	0.0500	0.0400	0.0140	0.0004	0.0090	0.0100	0.0000
45	0.1200	0.0600	0.0550	0.0500	0.0400	0.0070	0.0007	0.0116	0.0100	0.0000
50	0.1200	0.0600	0.0550	0.0500	0.0400	0.0020	0.0010	0.0198	0.0200	0.0400
55	0.1200	0.0600	0.0550	0.0500	0.0400	0.0000	0.0019	0.0340	0.2500	0.2000
60	0.1200	0.0600	0.0550	0.0500	0.0400	0.0000	0.0039	0.0460	0.2500	0.3000
65	0.1200	0.0600	0.0550	0.0500	0.0400	0.0000	0.0076	0.0000	1.0000	1.0000

Statistical Section

Statistical Information Overview

The objective of the Statistical Section is to provide historical perspective, context, and detail in order to provide a more comprehensive understanding of the Financial Statements, Notes to the Financial Statements, and supplementary information, which cover the Pension Plan. This section also includes 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 changes in fiduciary net position, 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 position have changed over time. The *Changes in Pension Plan Fiduciary Net Position* presents additions by source, deductions by type, and the total change in fiduciary net position for each year. The *Schedule of Pension Benefit Expenses by Type* presents benefit and refunds deductions by type of benefit and by member type.

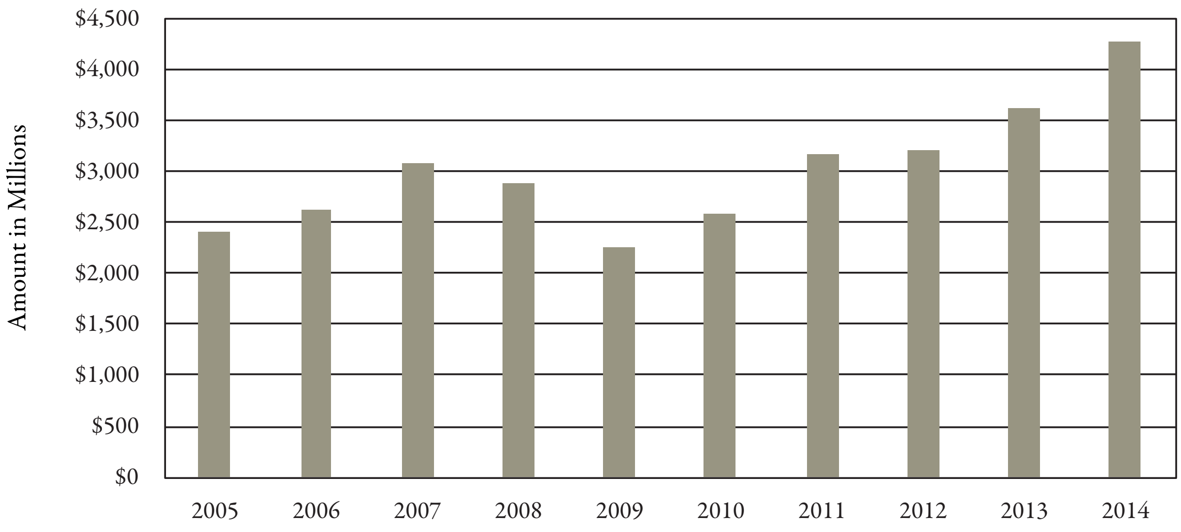
Operating Information is intended to provide contextual information about VCERA's operations and membership to assist readers in using financial statement information to comprehend and evaluate VCERA's fiscal condition. The *Active and Deferred Members* provides membership statistics for active vested and non-vested members as well as deferred members. The *Retired Members by Type of Pension Benefit* reflects the number of retired members, average monthly benefit, and type of benefit as of June 30, 2014. The *Schedule of Average Monthly Benefit Payments* reflects the number of newly retired members with average monthly benefit and average final salary, shown in five-year increments. The *Participating Employers and Active Members* and Active Members presents the employers and their corresponding covered employees. The Employer Contribution Rates are also provided as additional information.

Changes in Pension Plan Fiduciary Net Position
Last Ten Fiscal Years
($ in Thousands)

	2014	2013	2012	2011	2010
Additions					
Employer Contributions	$169,703	$150,688	$140,773	$120,053	$105,703
Member Contributions	46,674	44,464	44,487	44,238	42,466
Net Investment Income	658,581	436,638	50,683	627,327	347,087
Total Additions (Declines)	874,958	631,790	235,943	791,618	495,256
Deductions					
Benefits	218,105	205,238	191,332	180,070	166,029
Administrative	5,428	3,944	3,536	4,387	3,227
Member Refunds	4,044	4,720	3,783	4,388	4,081
Miscellaneous	–	–	–	–	–
Total Deductions	227,577	213,902	198,651	188,845	173,337
Change in Fiduciary Net Position	$647,381	$417,888	$37,292	$602,773	$321,919

	2009	2008	2007	2006	2005
Additions					
Employer Contributions	$113,916	$112,798	$94,328	$81,684	$58,436
Member Contributions	42,326	39,611	36,728	33,335	29,352
Net Investment Income	(625,183)	(208,519)	461,551	241,240	206,019
Total Additions (Declines)	(468,941)	(56,110)	592,607	356,259	293,807
Deductions					
Benefits	153,089	142,669	133,208	121,227	109,734
Administrative	3,536	3,268	2,589	3,028	2,939
Member Refunds	3,253	3,960	3,479	4,228	3,536
Miscellaneous	–	–	–	–	–
Total Deductions	159,878	149,917	139,276	128,483	116,209
Change in Fiduciary Net Position	($628,819)	($206,027)	$453,331	$227,776	$177,598

Total Plan Net Position



Schedule of Pension Benefit Expenses by Type

Last Ten Fiscal Years

($ in Thousands)

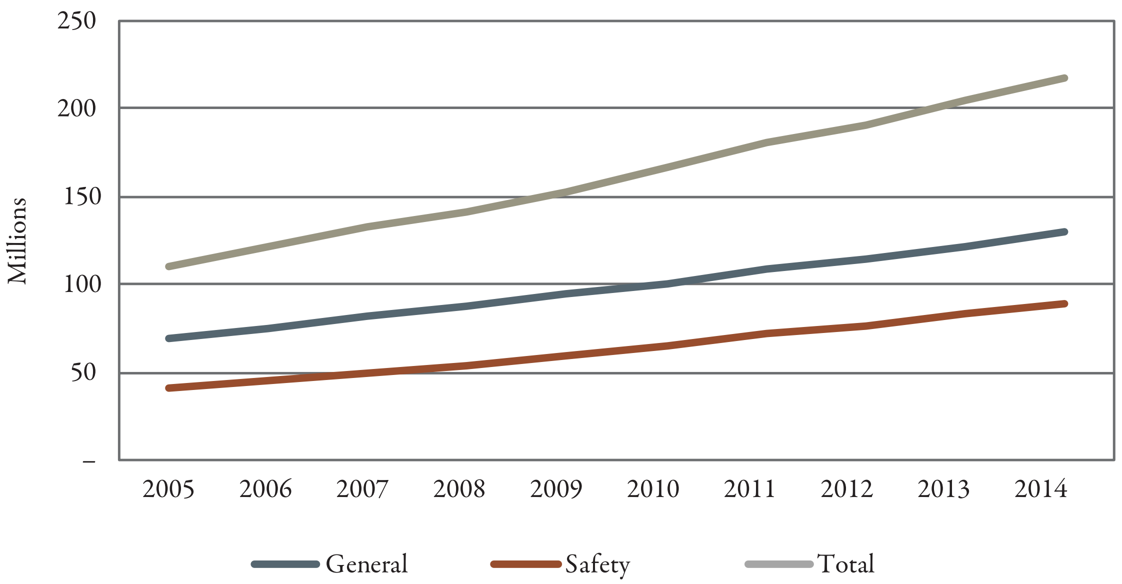
	2014	2013	2012	2011	2010
Service Retireement					
General	$110,052	$103,665	$96,889	$91,046	$83,373
Safety	58,404	54,789	49,706	45,010	39,353
Total	$168,456	$158,454	$146,595	$136,056	$122,726
Disability Retirement					
General	$10,172	$9,639	$9,585	$9,484	$10,051
Safety	24,332	22,890	21,808	21,331	21,163
Total	$34,504	$32,529	$31,393	$30,815	$31,214
Survivor Continuances					
General	$9,141	$8,513	$8,017	$7,909	$7,365
Safety	6,003	5,742	5,328	5,291	4,724
Total	$15,144	$14,255	$13,345	$13,200	$12,089
Total Retired Members					
General	$129,365	$121,817	$114,491	$108,439	$100,789
Safety	88,739	83,421	76,842	71,632	65,240
Total	$218,104	$205,238	$191,333	$180,071	$166,029
Member Refunds					
General	$5,094	$4,263	$3,379	$3,859	$2,606
Safety	334	457	404	530	622
Total	$5,428	$4,720	$3,783	$4,389	$3,228

Schedule of Pension Benefit Expenses by Type - *Continued*

Last Ten Fiscal Years
($ in Thousands)

	2009	2008	2007	2006	2005
Service Retireement					
General	$77,662	$72,278	$66,939	$60,587	$54,330
Safety	35,039	31,145	28,472	26,028	23,606
Total	$ 112,701	$103,423	$95,411	$86,615	$77,936
Disability Retirement					
General	$9,638	$9,114	$9,449	$9,334	$9,213
Safety	19,265	18,147	17,115	15,941	14,070
Total	$28,903	$27,261	$26,564	$25,275	$23,283
Survivor Continuances					
General	$6,950	$6,500	$6,067	$5,685	$5,263
Safety	4,535	4,485	4,165	3,652	3,251
Total	$11,485	$10,985	$10,232	$9,337	$8,514
Total Retired Members					
General	$94,250	$87,892	$82,455	$75,606	$68,806
Safety	58,839	53,777	49,752	45,621	40,927
Total	$153,089	$141,669	$132,207	$121,227	$109,733
Member Refunds					
General	$2,679	$3,526	$3,203	$3,611	$3,224
Safety	574	435	276	617	312
Total	$3,253	$3,961	$3,479	$4,228	$3,536

Pension Benefit Payments



Active and Deferred Members
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
Active Vested					
General	4,699	4,669	4,516	4,278	4,078
Safety	1,274	1,260	1,221	1,193	1,158
Active Nonvested					
General	1,973	1,894	2,013	2,238	2,427
Safety	264	245	269	331	340
Total Active Members					
General	6,672	6,563	6,529	6,516	6,505
Safety	1,538	1,505	1,490	1,524	1,498
Deferred Members					
General	2,052	1,978	1,891	1,838	1,780
Safety	287	271	270	259	260
Total	10,549	10,317	10,180	10,137	10,043

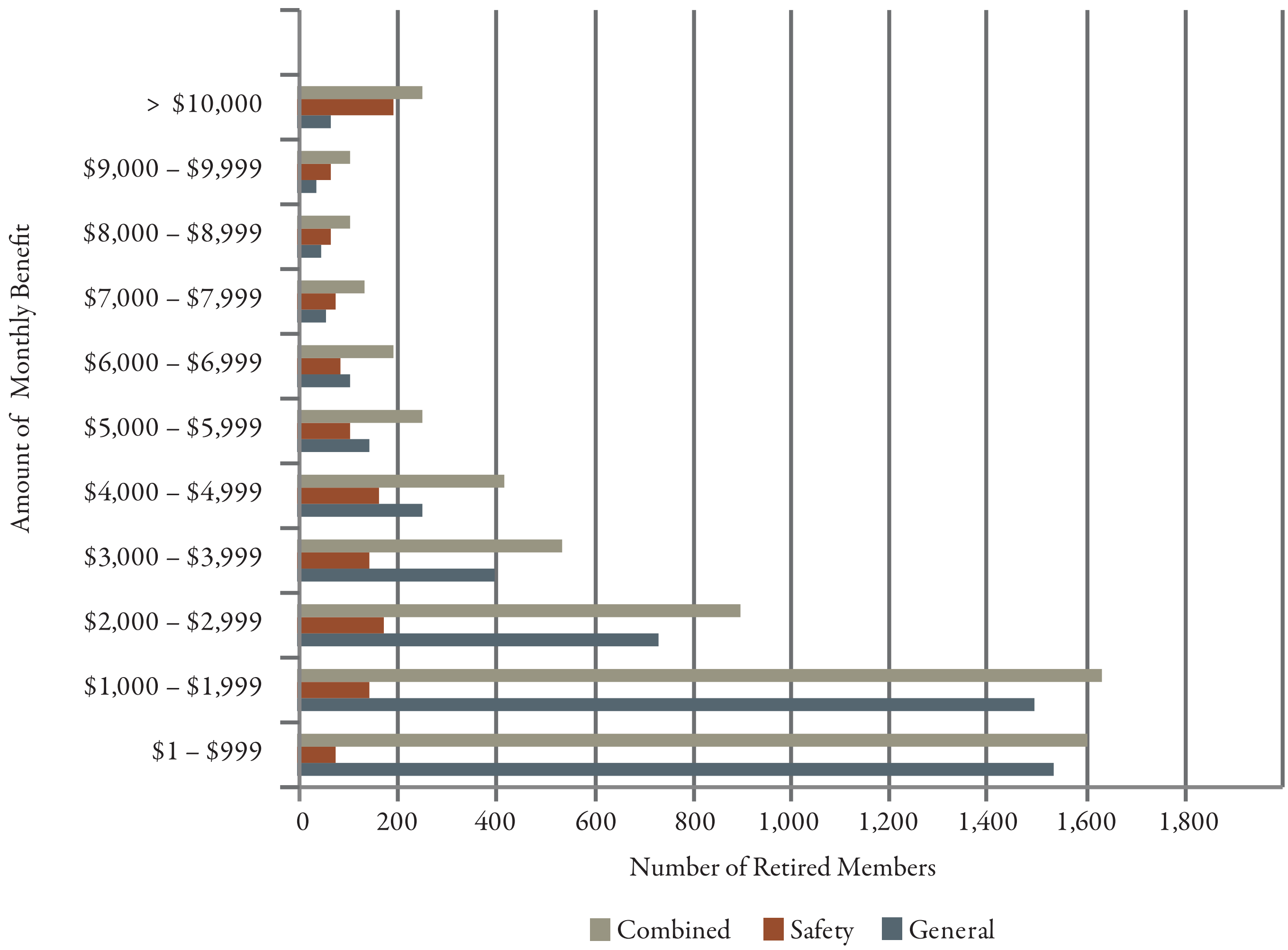
	2009	2008	2007	2006	2005
Active Vested					
General	4,069	3,970	3,906	3,768	3,650
Safety	1,187	1,188	1,177	1,192	1,172
Active Nonvested					
General	2,432	2,408	2,224	2,134	2,103
Safety	357	362	346	309	320
Total Active Members					
General	6,501	6,378	6,130	5,902	5,753
Safety	1,544	1,550	1,523	1,501	1,492
Deferred Members					
General	1,795	1,762	1,646	1,555	1,538
Safety	260	245	218	201	175
Total	10,100	9,935	9,517	9,159	8,958

Retired Members by Type of Pension Benefit
As of June 30, 2014

Amount of Monthly Benefit	Number of Retirees	Type of Retirement* A	Type of Retirement* B	Type of Retirement* C
General Members				
$1 - $999	1,530	1,122	79	329
$1,000 - $1,999	1,491	1,064	254	173
$2,000 - $2,999	729	594	77	58
$3,000 - $3,999	398	353	25	20
$4,000 - $4,999	254	230	7	17
$5,000 - $5,999	140	123	4	13
$6,000 - $6,999	105	99	4	2
$7,000 - $7,999	51	50	–	1
$8,000 - $8,999	42	41	1	–
$9,000 - $9,999	39	38	1	–
> $10,000	63	61	1	1
Totals	4,842	3,775	453	614
Safety Members				
$1 - $999	70	44	12	14
$1,000 - $1,999	138	70	20	48
$2,000 - $2,999	172	52	59	61
$3,000 - $3,999	141	54	60	27
$4,000 - $4,999	165	52	79	34
$5,000 - $5,999	108	47	49	12
$6,000 - $6,999	86	52	27	7
$7,000 - $7,999	78	52	21	5
$8,000 - $8,999	66	44	19	3
$9,000 - $9,999	64	56	7	1
> $10,000	191	155	31	5
Totals	1,279	678	384	217
Grand Total	6,121	4,453	837	831

* Type of Retirement:
A - Service Retiree
B - Disability Retiree
C - Beneficiary/Continuant/Survivor

Retired Members Receiving Benefits



Schedule of Average Monthly Benefit Payments
2006-2014

Years of Credited Service	5-9	10-14	15-19	20-24	25-29	30+
Retirees - 2014						
General Members						
Average Monthly Benefit	$1,222	$1,823	$2,194	$3,114	$4,208	$5,176
Average Final Average Salary	$6,626	$6,614	$6,219	$6,737	$7,475	$7,127
Number of Active Retirees	40	66	36	48	26	21
Safety Members						
Average Monthly Benefit	$2,599	$4,138	$4,444	$4,864	$7,305	$12,835
Average Final Average Salary	$8,760	$10,770	$10,378	$9,755	$11,132	$14,645
Number of Active Retirees	7	5	2	3	6	13
Retirees - 2013						
General Members						
Average Monthly Benefit	$1,278	$1,749	$2,514	$3,344	$4,905	$5,803
Average Final Average Salary	$6,614	$6,741	$7,147	$7,061	$7,821	$7,886
Number of Active Retirees	27	74	37	39	23	36
Safety Members						
Average Monthly Benefit	$1,387	$3,234	$4,051	$6,453	$6,426	$11,371
Average Final Average Salary	$10,367	$8,893	$8,302	$11,913	$10,856	$12,610
Number of Active Retirees	9	3	4	4	7	26
Retirees - 2012						
General Members						
Average Monthly Benefit	$950	$1,831	$2,653	$2,996	$4,065	$6,683
Average Final Average Salary	$5,888	$6,580	$6,667	$6,522	$7,144	$8,971
Number of Active Retirees	46	57	28	31	22	26
Safety Members						
Average Monthly Benefit	$1,219	$2,928	$2,915	$7,491	$9,827	$10,422
Average Final Average Salary	$7,910	$8,631	$5,263	$12,690	$13,347	$12,150
Number of Active Retirees	9	6	1	14	6	22

Schedule of Average Monthly Benefit Payments - *Continued*
2006-2014

Years of Credited Service	5-9	10-14	15-19	20-24	25-29	30+
Retirees - 2011						
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	$2,599	$4,138	$4,444	$4,864	$7,305	$12,835
Average Final Average Salary	$8,760	$10,770	$10,378	$9,755	$11,132	$14,645
Number of Active Retirees	7	5	2	3	6	13
Retirees - 2010						
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
Retirees - 2009						
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

Schedule of Average Monthly Benefit Payments - *Continued*
2006-2014

Years of Credited Service	5-9	10-14	15-19	20-24	25-29	30+
Retirees - 2008						
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
Retirees - 2007						
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
Retirees - 2006						
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

Schedule of Average Monthly Benefit Payments - *Continued*
2005

Retirees - 2005	
General Members	
Service Retirements	$1,744
Disability Retirements	$1,641
Survivor Continuances	$1,075
Number General Retirees	3,064
Number General Continuances	408
Safety Members	
Service Retirements	$4,752
Disability Retirements	$3,608
Survivor Continuances	$2,630
Number General Retirees	739
Number General Continuances	103

Participating Employers and Active Members
Last Ten Fiscal Years

	2014	2013	2012	2011	2010
County of Ventura					
General Members	6,212	6,104	6,031	6,069	6,057
Safety Members	1,538	1,505	1,490	1,524	1,498
Total	7,750	7,609	7,521	7,593	7,555
Participating Agencies (General Membership)					
Ventura Regional Sanitation District	69	61	60	60	61
Courts	345	350	387	387	387
Air Pollution Control District	46	48	51	–	–
Total	460	459	498	447	448
Total Active Membership					
General Members	6,672	6,563	6,529	6,516	6,505
Safety Members	1,538	1,505	1,490	1,524	1,498
Total	8,210	8,068	8,019	8,040	8,003

	2009	2008	2007	2006	2005
County of Ventura					
General Members	6,044	5,932	6,066	5,836	5,688
Safety Members	1,544	1,550	1,523	1,501	1,492
Total	7,588	7,482	7,589	7,337	7,180
Participating Agencies (General Membership)					
Ventura Regional Sanitation District	69	65	64	66	65
Courts	388	381	–	–	–
Air Pollution Control District	–	–	–	–	–
Total	457	446	64	66	65
Total Active Membership					
General Members	6,501	6,378	6,130	5,902	5,753
Safety Members	1,544	1,550	1,523	1,501	1,492
Total	8,045	7,928	7,653	7,403	7,245

Employer Contribution Rates
Last Ten Fiscal Years

County of Ventura

Year	Tier 1	Tier 2	PEPRA Tier 1	PEPRA Tier 2	Safety	PEPRA Safety
2014	37.35%	18.42%	28.36%	16.15%	54.57%	48.99%
2013	171.83%	10.15%	13.99%	14.67%	46.63%	43.16%
2012	114.29%	10.16%	N/A	N/A	43.86%	N/A
2011	79.92%	8.82%	N/A	N/A	37.94%	N/A
2010	46.89%	7.70%	N/A	N/A	31.06%	N/A
2009	49.29%	8.47%	N/A	N/A	32.78%	N/A
2008	50.69%	9.61%	N/A	N/A	35.25%	N/A
2007	32.75%	9.09%	N/A	N/A	32.01%	N/A
2006	25.27%	8.77%	N/A	N/A	30.37%	N/A
2005	14.79%	7.73%	N/A	N/A	28.27%	N/A

Other Participating Agencies

2014	37.35%	18.42%	28.36%	16.15%	N/A	N/A
2013	171.83%	10.15%	13.99%	14.67%	N/A	N/A
2012	114.29%	10.16%	N/A	N/A	N/A	N/A
2011	79.92%	8.82%	N/A	N/A	N/A	N/A
2010	46.89%	7.70%	N/A	N/A	N/A	N/A
2009	49.29%	8.47%	N/A	N/A	N/A	N/A
2008	50.69%	9.61%	N/A	N/A	N/A	N/A
2007	32.75%	9.09%	N/A	N/A	N/A	N/A
2006	25.27%	8.77%	N/A	N/A	N/A	N/A
2005	14.79%	7.73%	N/A	N/A	N/A	N/A