2019 ANNUAL REPORT

Ventura County Employees' Retirement Association

CITIES IN VENTURA COUNTY

Pension Trust Fund for the County of Ventura, California

Comprehensive Annual Financial Report

for the Fiscal Year Ended June 30, 2019

VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Pension Trust Fund for the County of Ventura, Ventura County Superior Court,
Ventura County Air Pollution Control District, Ventura Regional Sanitation District, and VCERA

Issued by Linda Webb, Retirement Administrator

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Nestled along California coastlines, fertile valleys and mountain ranges

are several small and mid-size towns that call Ventura County "home."

Each is distinct. Each is beautiful. Each contributes to the character of the county at large.

This report features the five most populous cities in the county and some of their key attractions.

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Population: 208,000 | **Area:** 39 square miles | **Points of Interest:** Channel Islands Harbor, Historic Heritage Square

Once populated by the Chumash Indians, the city was incorporated in 1903 around a sugar beet factory owned by Henry Oxnard. A century later, the little town has evolved into a center of outdoor entertainment, shopping, cultural festivity, energy production and military defense. But its presence in the fertile Oxnard Plain ensures its continued focus on agriculture, especially strawberries.

Boats docked in Oxnard Harbor
(image courtesy of Visit Oxnard)

Heritage Square
(image courtesy of Visit Oxnard)

LETTER OF TRANSMITTAL

VCERA
VENTURA COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
1190 S. VICTORIA AVENUE, SUITE 200 · VENTURA, CA 93003
PHONE: 805-339-4250 · FAX: 805-339-4269 · WWW.VCERA.ORG

December 20, 2019

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, 2019. 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 Superior Court, Ventura County Air Pollution Control District, Ventura Regional Sanitation District and VCERA.

VCERA AND ITS SERVICES

VCERA was established by the County of Ventura in 1947, administered by the Board of Retirement (the Board), and governed by the County Employees' Retirement Law of 1937 ("CERL," 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 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 retirement, death, and survivor benefits to General and Safety members employed by the County of Ventura and participating special districts.

FINANCIAL INFORMATION

The financial attest audit performed by Brown Armstrong Accountancy Corporation states that VCERA's financial statements are prepared by management, presented in conformity with Generally Accepted Accounting Principles (GAAP), and free of material misstatement. Management acknowledges it is responsible for the entire content of this CAFR.

Maintaining appropriate internal controls is the responsibility of management. However, management recognizes that no control or combination of controls can entirely free an organization from all error or misstatement. At their best, controls provide reasonable assurance that such failings do not occur. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived; the valuation of cost and

LETTER OF TRANSMITTAL (CONTINUED)

benefits requires estimates and judgments by management. VCERA's management believes it has sufficient controls in place to mitigate the inherent risk within its financial reporting and accounting systems.

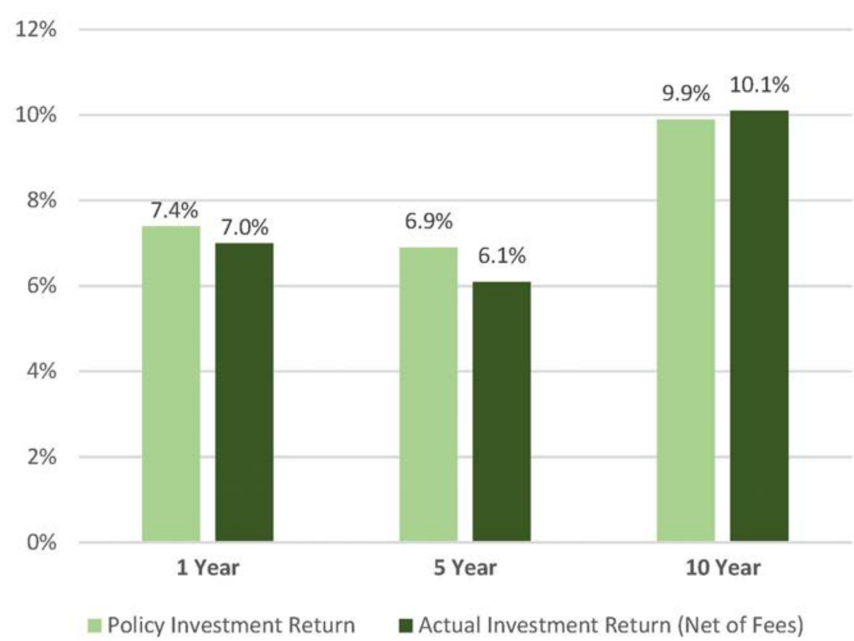
An overview of VCERA's fiscal operations is presented in the Management Discussion & Analysis (MD&A) Section preceding the financial statements. This transmittal letter, when taken into consideration with the MD&A, provides an enhanced picture of the activities of the Association.

INVESTMENT ACTIVITIES

The Board of Retirement's (the Board) Investment Policy 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, staff, custodian, investment managers, and consultants. The Board adopted a new asset allocation in May 2019.

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. The most current asset allocation plan and corresponding implementation plan was approved by the Board in May 2019.

For the one-year period ended June 30, 2019, VCERA's portfolio's asset classes' investment net-of-fees returns versus their respective benchmarks were mixed. The publicly traded U.S. equity portfolio returned 9.8%, outperforming its benchmark by 0.8%. The non-U.S. equity portfolio returned 2.0%, outperforming its benchmark by 0.7%. Global equity returned 6.2%, outperforming its benchmark by 0.5%. Private equity returned 14.3%, outperforming its public market benchmark by 2.1%. Fixed income returned 7.3%, underperforming its policy benchmark by 0.6%. Private Credit returned 6.7%, underperforming its benchmark by 1.3%. Real Estate returned 2.2%, underperforming it benchmark by 3.3%. Real Assets returned 5.0%, underperforming it benchmark by 0.7%. Performance returns for the newly adopted asset classes were not readily available as of June 30, 2019. The Total Fund returned 7.0% for the year, underperforming its policy benchmark by 0.4%. Over the five-year and ten-year periods ended June 30, 2019, the Total Fund's annualized returns were 6.1% and 10.1%, respectively, with the five-year return underperforming the policy benchmark by 0.8% and the ten-year outperforming its benchmark by 0.2%, respectively. The chart below compares the Total Fund's actual and policy investment returns for one, five and ten years.



LETTER OF TRANSMITTAL (CONTINUED)

ACTUARIAL FUNDING STATUS

Pursuant to provisions in the CERL, VCERA engages an independent actuarial firm to perform annual actuarial valuations. A system-wide actuarial valuation (i.e., Experience Study) is performed every three years, at which time VCERA's economic and non-economic assumptions are updated. Triennial Experience Studies serve as the basis for the underlying assumptions that ultimately trigger changes in member and employer contribution rates necessary to properly fund the system. The latest triennial Experience Study was conducted as of June 30, 2017.

VCERA is funded by member and employer contributions and investment earnings on those contributions. Normal member contributions are those required to fund a specific annuity at a specified age. Member contribution rates for members who entered VCERA membership prior to January 1, 2013, vary according to the member's benefit tier. The CERL also requires members to pay half the contributions required to fund the cost-of-living adjustment (COLA) benefit, which is affected by changes in both economic and non-economic assumptions.

Liabilities not funded through member contributions are the responsibility of the employer. Changes to any of the economic and non-economic assumptions impact employer contribution rates. The employer is responsible for contributing to cover the cost of benefits expected to be accrued in the future and half of the COLA benefit. These are "normal cost" contributions. The employer is also responsible for making additional contributions to eliminate any shortfalls in funding (i.e., liabilities) that have accrued in the past, which is known as the Unfunded Actuarial Accrued Liability (UAAL).

Provisions of PEPRA require equal sharing of normal costs between employers and employees. In January 2013, VCERA established new PEPRA benefit tiers for General and Safety members with membership dates on or after January 1, 2013. Contributions for these tiers are based on a single, flat-rate percentage and are structured in accordance with the required 50/50 cost sharing. A member's age at first membership is not considered.

The June 30, 2019 valuation determined the funded ratio to be 88.0% with a recognized UAAL of $775 million. The employer contribution rate will therefore be set equal to 13.6% of payroll for the amortization of the UAAL, plus the normal cost rate of 9.7%, for a total contribution rate of 23.3% of payroll for the 2020-21 fiscal year.

SIGNIFICANT EVENTS, ACCOMPLISHMENTS, AND OBJECTIVES

The 2018-19 fiscal year saw changes in the operation and administration of the retirement system by the Board and staff. Some of the more significant events and accomplishments of the past year are summarized below:

- Launched the Member Self Service (MSS) portal of the new pension system.
- Expanded member education resources and materials.
- Launched redesigned VCERA newsletter.
- Hired Chief Technology Officer.
- Hired Communications Officer.

OBJECTIVES FOR THE COMING YEAR

- Develop new and improved disability retirement process.
- Expand use of video content for member education.
- Collaborate with County on data-scrubbing efforts.
- Expand trustee onboarding and education program.

LETTER OF TRANSMITTAL (CONTINUED)

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 CAFR for the fiscal year ended June 30, 2018. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR.

A Certificate of Achievement is valid for a period of one year only. Management believes that the current CAFR continues to meet the Certificate of Achievement Program's requirements, and it will be submitted to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGEMENTS

The preparation of this CAFR in a timely manner is made possible by the dedicated teamwork of VCERA staff under the leadership, dedication, and support of the VCERA Board. I am sincerely grateful to the VCERA Board and staff, as well as our professional service providers, who perform so diligently to ensure the successful operation and financial soundness of VCERA.

Respectfully submitted,

Linda Webb
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, 2018

Christopher P. Morrill

Executive Director/CEO

MEMBERS OF THE BOARD OF RETIREMENT

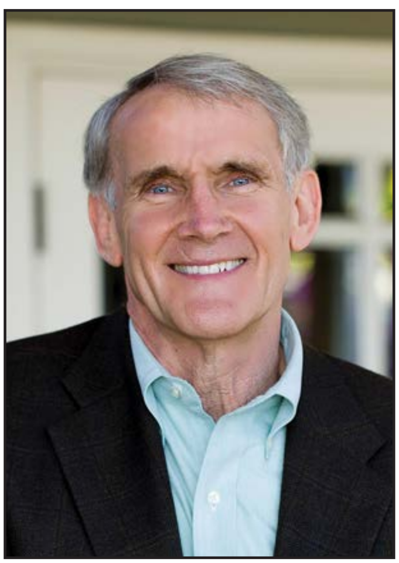
(as of June 30, 2019)

WILLIAM W. WILSON
Chair
Appointed by Ventura County
Board of Supervisors

ROBERT BIANCHI
Vice-Chair
Appointed by Ventura County
Board of Supervisors

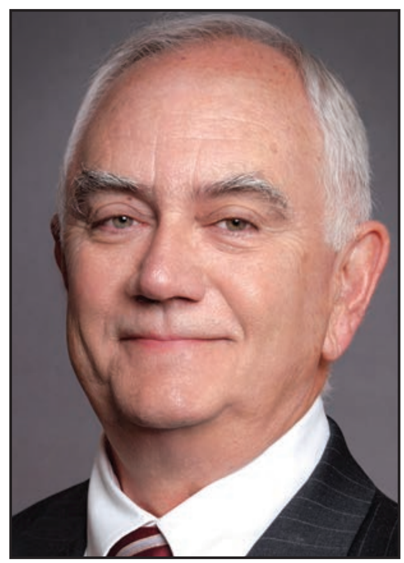
No Photo
Available

ROBERT ASHBY
Elected by Safety Members



STEVE BENNETT
Appointed by Ventura County
Board of Supervisors

ARTHUR E. GOULET
Elected by Retired Members

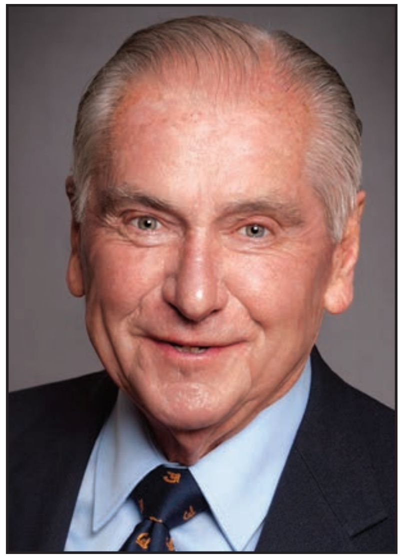


STEVEN HINTZ
Ex-Officio Member
Treasurer-Tax Collector

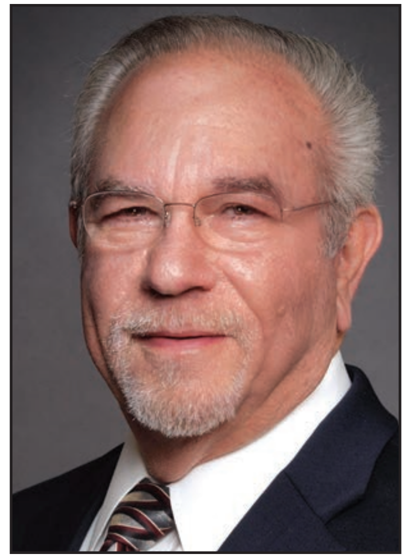
MEMBERS OF THE BOARD OF RETIREMENT (CONTINUED)

(as of June 30, 2019)

WILLIAM HOAG
Alternate Elected by
Retired Members



ED McCOMBS
Alternate Appointed by
Ventura County Board of Supervisors



MICHAEL SEDELL
Appointed by Ventura County
Board of Supervisors

No Photo
Available

VACANT
Alternate Elected by
Safety Members

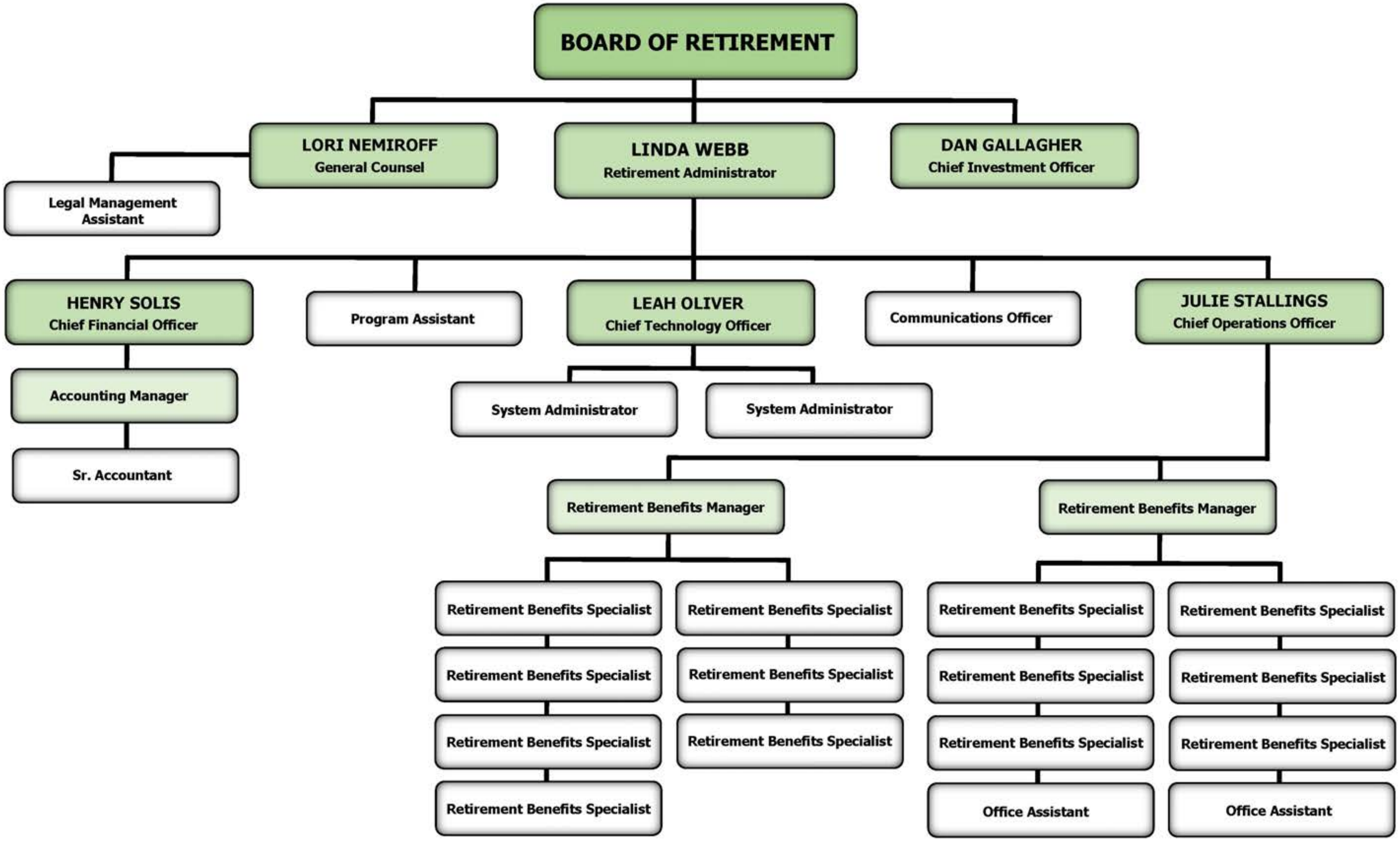
No Photo
Available

DAN SHAPIRO
Elected by General Members

CRAIG WINTER
Elected by General Members

ORGANIZATION CHART

(as of June 30, 2019)



LIST OF PROFESSIONAL CONSULTANTS

ACTUARY
Segal Consulting

CUSTODIAN
State Street Bank and Trust

INDEPENDENT AUDITOR
Brown Armstrong Accountancy Corporation

INVESTMENT CONSULTANT
NEPC, LLC
Abbott Capital Management, LLC

LEGAL COUNSEL
Nossaman, LLP
Hanson Bridgett LLP

TECHNICAL SUPPORT
Automatic Data Processing
Information Technology Services of the County of Ventura
Brentwood IT
Velosio
Vitech Systems, Inc.

Please refer to the Investment Section for the Schedule of Investment Fees and a list of Investment Managers on pages 59-60.

FINANCIAL SECTION

Population: 129,000 | **Area:** 55 square miles | **Points of Interest:** Civic Arts Plaza, Conejo Valley Botanical Garden

Aptly named for its many oak trees and 15,000 square acres of open space, the mountainous town is known for its vast natural beauty. Once inhabited by the Chumash Indians in the Conejo Valley, Thousand Oaks has become a family-oriented, cultural arts destination that is ranked among the safest cities in the nation.

Thousand Oaks open space
(image courtesy of toaks.org)

Civic Arts Plaza
(image courtesy of toaks.org)

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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

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

Report on the Basic Financial Statements and Other Information

We have audited the accompanying Statement of Fiduciary Net Position of Ventura County Employees' Retirement Association (VCERA) as of June 30, 2019, the related Statement of Changes in Fiduciary Net Position for the fiscal year then ended, and the related notes to the basic financial statements, which collectively comprise VCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations of VCERA and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense excluding that attributable to employer-paid member contributions (other information) as of and for the fiscal year ended June 30, 2019 (specified column totals), listed as other information in the table of contents.

Management's Responsibility for the Basic Financial Statements and Other Information

Management is responsible for the preparation and the fair presentation of these basic financial statements and the other information 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 basic financial statements and the other information that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements and the other information based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements and other information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements and other information, 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 basic financial statements and other information 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 and other information.

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

Opinions

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of VCERA as of June 30, 2019, and the respective changes in fiduciary net position for the fiscal year then ended, and the Schedule of Cost Sharing Employer Allocations of VCERA for the fiscal year ended June 30, 2019; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan total for all entities of the specified column totals, listed as other information in the table of contents, in accordance with accounting principles generally accepted in the United States of America.

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 (RSI), 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 Governmental Accounting Standards Board (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 RSI 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 the basic financial statements that collectively comprise VCERA's basic 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.

Report on Summarized Comparative Information

We have previously audited VCERA's June 30, 2018 financial statements, and our report dated December 31, 2018, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2018, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 20, 2019, 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 grant agreements 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 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 and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
December 20, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following review of the results of Ventura County Employees' Retirement Association's (VCERA or the Plan) operations and financial condition for the fiscal year ended June 30, 2019, 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, 2019 was $5.7 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 $338.9 million, or 6.3%. The increase for the fiscal year ended June 30, 2019 continues to be primarily driven by positive investment returns.
- Total additions, as reflected in the Statement of Changes in Fiduciary Net Position, for the fiscal year ended June 30, 2019 are $643.8 million. This total is comprised of employer and plan member contributions of $275.1 million, net investment gain of $368.5 million and net securities lending income of $179,000.
- Total deductions, as reflected in the Statement of Changes in Fiduciary Net Position, increased to $304.9 million, or 6.8%, from the prior year.
- VCERA's funded status, as measured by the actuarial value of assets divided by the actuarial value of accrued liabilities, improved from 87.8% to 88.0%.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following discussion and analysis are intended to serve as an introduction to VCERA's basic financial statements. The financial statements and required disclosures are prepared in accordance with pronouncements (accounting principles and reporting guidelines) as set forth by the Governmental Accounting Standards Board (GASB). These pronouncements require certain disclosures and require VCERA to report using the full accrual basis of accounting. VCERA complies with all material requirements of these pronouncements. VCERA's basic financial statements are comprised of the following components:

1. Statement of Fiduciary Net Position
2. Statement of Changes in Fiduciary Net Position
3. Notes to the Basic Financial Statements

The **Statement of Fiduciary Net Position** is a snapshot of account balances at year-end, indicating the assets available for future payments to retirees and their beneficiaries, and any current liabilities owed.

The **Statement of Changes in Fiduciary Net Position** reflect all the activities that occurred during the year and show the impact of those activities as additions to or deductions from the Plan. The trend of additions to versus deductions from the Plan will indicate the condition of VCERA's financial position over time.

The Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position report information about VCERA's activities. These statements include all assets and liabilities using the full accrual basis of accounting, which is similar to the accounting used by private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses, both realized and unrealized, are included in the "Investments" line item.

The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position report VCERA's net position restricted for pensions as one way to measure the Plan's financial position. ("Net position" is the difference between assets and liabilities.) Over time, increases and decreases in VCERA's net position are an indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring VCERA's overall financial health. Refer to VCERA's basic financial statements following this analysis.

Notes to the Basic Financial Statements ("Notes") are an integral part of the financial reports. The Notes provide additional information that is necessary to acquire a full understanding of the data provided in the financial statements including a detailed discussion of key policies, programs, investments, and activities that occurred during the year. Refer to the Notes to the Basic Financial Statements Section of this report. Other information to supplement VCERA's basic financial statements is provided as follows:

Required Supplementary Information presents historical trend information concerning the changes in net pension liability, employer contributions and investment returns, and method and assumptions used to determine the required "actuarially determined contributions." This information is based on actuarial valuations and contributes to the understanding of the changes in the net pension liability of participating employers.

Other Supplemental Information includes the Schedules of Administrative Expenses, Investment Expenses and Payments to Consultants. Refer to the Other Supplemental Information Section of this report.

Other Information includes schedules of Employer Pension Amounts Allocated by Cost Sharing Plan and Cost Sharing Employer Allocations of Net Pension Liability, which are presented immediately following the Other Supplemental Information Section of this report.

FINANCIAL ANALYSIS

During the fiscal year, the Plan's assets returned 7.0% (net of fees), lower than the Plan's 7.25% assumed rate of return. The private equity portfolio outperformed all other VCERA asset classes with a return of 14.3%. The U.S. equity portfolio gained 9.8%, the global equity portfolio gained 6.2%, and the non-U.S. equity portfolio gained 2.0%. The private credit portfolio returned 6.7%. The fixed income portfolio returned 7.3%. For other asset class returns, refer to the Schedule of Investment Returns on page 57.

RESERVES

Reserves are not required, nor recognized, under GAAP. These are not shown separately on the Statement of Fiduciary Net Position, but they equate to, and are accounts within, the Fiduciary Net Position restricted for pension benefits and are vital to VCERA's operations.

VCERA's reserves are established from contributions and the accumulation of investment income, after satisfying investment and administrative expenses (see Table on page that follows). Furthermore, VCERA has in place a five-year smoothing methodology for investment gains/(losses). Under GAAP, investments are stated at fair value instead of cost and include the recognition of the unrealized gains and losses in the current period. The difference between the fair value of assets inclusive of the cumulative unrealized gains and losses and the amounts reported from the five-year smoothing methodology (or actuarial value) comprises the Market Stabilization Reserve.

The Board has adopted an interest crediting and excess earning policy for the Plan to credit semiannual interest to reserves and to determine the use of excess earnings, if any. On December 31, 2018 and June 30, 2019, all reserve accounts except for Member, Non-Vested Supplemental and Contingency reserve accounts were credited interest at a rate of one-half of the actuarial assumption rate adopted by the Board, currently set at 3.625% (7.25% divided by two).

For Member reserves, the Board has established the rate for crediting interest to be set at one-half the rate of the United States 10-year Treasury Note, as quoted in the *Wall Street Journal* for December 31 and June 30, not to exceed one-half of the actuarial assumption rate adopted by the Board, currently set at 3.625%. On December 31, 2018 and June 30, 2019, member accounts were credited interest at a rate of 1.342% and 1.000%, respectively, less than the actuarial assumption rate. The crediting of interest plus employer and member contributions and the increase in the fair value of investments in the fiscal year ended June 30, 2019, resulted in an increase of $338.9 million in the total reserves as of June 30, 2019.

($ in Thousands) Reserve Account	June 30, 2019	June 30, 2018
Member	$793,804	$758,313
Employer Advance	1,744,445	1,696,067
Retired Member	2,963,427	2,768,422
Vested Fixed Supplemental	146,495	144,181
Non-Vested Supplemental	84	2,369
Death Benefits	16,355	15,794
Market Stabilization	70,750	11,317
Total Reserves	$5,735,360	$5,396,463

NET POSITION RESTRICTED FOR PENSION BENEFITS

Net Position represents assets held to pay benefits earned by plan members. The Plan's Net Position increased from $5.4 billion to $5.7 billion in fiscal year 2019. Investments increased by approximately $334.6 million in fiscal year 2019, as a result of an increase in the fair value of VCERA's investment portfolio. Current Assets increased by $63.3 million in fiscal year 2019, mostly attributable to an increase in cash collateral on loaned securities based on increased demand in VCERA securities by borrowers. Capital Assets decreased by $1.5 million, representing the amortization/depreciation of the pension administration system and equipment. Total Liabilities increased by $57.5 million in fiscal year 2019, due primarily to an increase in obligations due under the securities lending program offset by a decrease in payables for securities purchased.

($ in Thousands)	June 30, 2019	June 30, 2018	Difference	2019-2018 % Change
Current Assets	$262,552	$199,288	$63,264	31.7%
Investments, at fair value	5,618,023	5,283,436	334,587	6.3%
Capital Assets, Net	11,644	13,104	(1,460)	-11.1%
Total Assets	5,892,219	5,495,828	396,391	7.2%
Total Liabilities	156,859	99,365	57,494	57.9%
Net Position Restricted For Pensions	$5,735,360	$5,396,463	$338,897	6.3%

ADDITIONS TO AND DEDUCTIONS FROM PLAN NET POSITION

The primary sources of assets to finance VCERA-paid benefits are investment income and the collection of employer and member contributions. Fiscal year 2019 results showed a 1.1% and 1.5% increase in employer and member contributions, respectively. Net investment income was lower than the prior year but still added $368.7 million.

VCERA's assets are used primarily for the payment of pension benefits to retired members and their beneficiaries, refunds of member contributions, death benefits and plan administration costs. An increase in the number of retired members and an increase in the average pension benefit payment continued to be primary contributors to the increase in total deductions in fiscal year 2019.

Benefit payments grew by $20.5 million, or 7.5%, in 2019, as the Plan continues, as expected, to experience an increase in retirements. Member refunds and death benefit payments decreased from the prior year. Administrative/Other expenses represent costs of operating the Plan and increased by 0.6% as compared to the prior year.

($ in Thousands)	June 30, 2019	June 30, 2018	Difference	2019-2018 % Change
Employer Contributions	$199,933	$197,683	$2,250	1.1%
Member Contributions	75,157	74,044	1,113	1.5%
Net Investment Income	368,665	445,902	(77,237)	-17.3%
Total Additions (Declines)	643,755	717,629	(73,874)	-10.3%
Benefit Payments	292,775	272,288	20,487	7.5%
Member Refunds & Death Benefit Payments	4,344	5,430	(1,086)	-20.0%
Administrative/Other Expenses	7,739	7,696	43	0.6%
Total Deductions	304,858	285,414	19,444	6.8%
Net Increase (Decrease)	338,897	432,215	(93,318)	-21.6%
Fiduciary Net Position at Beginning of Year	5,396,463	4,964,248	432,215	8.7%
Fiduciary Net Position at End of Year	$5,735,360	$5,396,463	$338,897	6.3%

NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

VCERA is subject to the provisions of GASB Statement No. 67 (GASB 67), *Financial Reporting for Pension Plans*, and VCERA's participating employers are subject to the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. These standards require governmental employers to recognize their long-term obligation for pension benefits as a liability on their balance sheets and their annual pension expense as a comprehensive measurement of the annual cost of pension benefits, and requires VCERA to provide note disclosures and required supplementary information related to the Plan's net pension liability (NPL) of participating employers.

NPL represents the excess of the total pension liability (using an entry age cost method, discounted at a rate that reflects the expected return on Plan assets) over fiduciary net position (valued at fair value). It is a measurement of pension liabilities using market assets that provides a consistent and standardized methodology allowing comparability of data and increased transparency of the pension liability across all governmental entities. VCERA has complied with GASB 67 for the fiscal year ended June 30, 2019.

Based on the June 30, 2019 actuarial valuation, the NPL of participating employers on a fair value basis is $686.8 million, a decrease of approximately $38.7 million from the prior year. Refer to Note 4 – Net Pension Liability of Participating Employers and the Required Supplementary Information Sections of this report for further information.

REQUESTS FOR INFORMATION

The financial report is designed to provide the Board of Retirement, VCERA 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

FINANCIAL

STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2019 WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2018
($ IN THOUSANDS)

	June 30, 2019	June 30, 2018
ASSETS		
Cash and Cash Equivalents	$110,411	$119,099
Cash Collateral on Loaned Securities	120,907	47,615
Receivables		
Employer and Plan Member Contributions	11,563	10,505
Securities Sold	14,569	18,440
Accrued Interest and Dividends	5,058	3,593
Other	44	36
Total Receivables	31,234	32,574
Investments		
U.S. and Non-U.S. Equities	3,175,522	3,213,510
Fixed Income	1,117,654	942,574
Private Credit	35,010	3,022
Private Equity	408,944	273,304
Real Assets	880,893	851,026
Total Investments	5,618,023	5,283,436
Capital Assets, Net of Accumulated Depreciation and Amortization	11,644	13,104
Total Assets	5,892,219	5,495,828
LIABILITIES		
Payables for Securities Purchased	30,301	45,858
Payables and Other Liabilities	5,651	5,892
Securities Lending	120,907	47,615
Total Liabilities	156,859	99,365
Net Position Restricted for Pensions	$5,735,360	$5,396,463

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018
($ IN THOUSANDS)

	June 30, 2019	June 30, 2018
ADDITIONS		
Contributions		
Employer	$199,933	$197,683
Member	75,157	74,044
Total Contributions	275,090	271,727
Investment Income		
From Investing Activities:		
Net Appreciation (Depreciation) in Fair Value of Investments	342,269	416,909
Investment Income	46,649	44,410
Total Investing Activity Income (Loss)	388,918	461,319
Less Expenses from Investing Activities	(20,432)	(15,597)
Net Investing Activity Income (Loss)	368,486	445,722
From Securities Lending Activities:		
Securities Lending Income	1,784	955
Less Expenses from Securities Lending Activities:		
Borrower Rebates	(1,528)	(703)
Management Fees	(77)	(72)
Total Expenses from Securities Lending Activities	(1,605)	(775)
Net Securities Lending Income	179	180
Total Net Investment Income (Loss)	368,665	445,902
Total Additions	643,755	717,629
DEDUCTIONS		
Benefit Payments	292,775	272,288
Administrative Expenses	5,342	4,881
Other Expenses	2,397	2,815
Member Refunds & Death Benefits	4,344	5,430
Total Deductions	304,858	285,414
Net Increase/(Decrease) in Net Position	338,897	432,215
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of Year	5,396,463	4,964,248
End of Year	$5,735,360	$5,396,463

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity. Ventura County Employees' Retirement Association (VCERA, Association, Fund, or Plan), 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 full 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 investments held by VCERA at June 30, 2019, are 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 and real assets. 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, non-U.S. 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.

Private Credit. Private credit is an asset class comprised of higher yielding, illiquid investment opportunities that covers a range of risk/return profiles. This includes debt that is secured and senior in the capital structure with fixed income like characteristics and distressed debt that has very equity like risk and returns.

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-funds basis or as a direct investment. 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 accounting principles generally accepted in the United States of America (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 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 (i.e., 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 Assets. Real Assets are comprised of risk parity, Master Limited Partnerships (MLPs), commodities and real estate. Risk parity are comprised of publicly traded equities, commodities and fixed income instruments. Please refer to explanation of Fixed Income and Equities on page 19. MLPs are comprised of publicly traded master limited partnerships. 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, 2019.

Use of Estimates. The preparation of financial statements in conformity with GAAP 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 Governmental Accounting Standards Board (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, Borrower Rebates, and Management Fees amounted to $1,784,000, $1,528,000 and $77,000, respectively, for the fiscal year ended June 30, 2019, an increase due to increased demand of securities loaned. 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.

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 October 3, 2016, 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(a), and the California Revenue and Taxation Code, Section 23701, respectively.

Reclassifications

Comparative data for the prior year has been presented in the selected sections of the accompanying Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position. Also, certain amounts presented in the prior year's data may have been reclassified to be consistent with the current year's presentation.

Implementation of GASB Pronouncements

VCERA implemented all applicable new GASB pronouncements for the fiscal year ended June 30, 2019, as required by each statement. The most recent applicable pronouncement(s), effective for the year ended June 30, 2019, are:

GASB Statement No. 83 – *Certain Asset Retirement Obligations.* The requirements of this statement are effective for reporting periods beginning after June 15, 2018. There was no effect on the VCERA accounting or financial reporting as a result of implementing this standard.
GASB Statement No. 88 – *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements.* The provisions of this statement are effective for fiscal years beginning after June 15, 2018. There was no effect on the VCERA accounting or financial reporting as a result of implementing this standard.

Future Governmental Accounting Standards Board Statements include:

GASB Statement No. 84 – *Fiduciary Activities*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Plan has not fully judged the impact of implementation of GASB Statement No. 84 as of the date of the basic financial statements.
GASB Statement No. 87 – *Leases*. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The Plan has not fully judged the impact of implementation of GASB Statement No. 87 as of the date of the basic financial statements.
GASB Statement No. 89 – *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The provisions of this statement are effective for fiscal years beginning after December 15, 2019. The Plan has not fully judged the effect of the implementation of GASB Statement No. 89 as of the date of the basic financial statements.
GASB Statement No. 90 – *Majority Equity Interests - an Amendment of GASB Statements No. 14 and No. 61*. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. The Plan has not fully judged the impact of implementation of GASB Statement No. 90 as of the date of the basic financial statements.
GASB Statement No. 91 – *Conduit Debt Obligations*. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The Plan has not fully judged the impact of implementation of GASB Statement No. 91 as of the date of the basic financial statements.

2. PLAN DESCRIPTION

VCERA was established under the provisions of the California Government Code Sections 31450 et. seq., known collectively as the County Employees' Retirement Law of 1937. In September 2012, Governor Brown signed into law Assembly Bill (AB) 240, known as the California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code Section 7522 et. seq. Among other things, PEPRA provided lower benefit formulas to employees who became first-time VCERA members on or after January 1, 2013 ("PEPRA members"). VCERA operates a cost-sharing, multi-employer defined benefit pension plan (Plan) that includes eligible employees of the County of Ventura, Ventura County Superior Court, Ventura County Air Pollution Control District, Ventura Regional Sanitation District, and, since January 1, 2017, certain management employees of VCERA. (The latter four employers are not governed by the County of Ventura's Board of Supervisors.) The Plan is a pension trust fund of the County of Ventura.

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

Plan Membership. Membership is mandatory for employees with biweekly work schedules of 64 hours or more. General 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. General members employed after June 30, 1979 through December 31, 2012, are designated as Tier 2 members. Safety members (eligible Sheriff, Probation, and Fire employees) employed through December 31, 2012, are classified as Safety Tier 1 members. New members first employed on or after January 1, 2013 are designated as PEPRA members.

VCERA MEMBERSHIP	2019	2018
Retired Members and Beneficiaries	7,280	7,038
Active Members		
Vested	5,886	5,762
Non-Vested	2,810	2,849
Deferred Members		
Vested	1,592	1,506
Non-Vested	1,449	1,403
Total Membership	19,017	18,558

Benefit Provisions. State law along with resolutions and ordinances adopted by the Board of Retirement and Board of Supervisors establish the Plan's benefit provisions and contribution requirements.

Retirement Allowances. In general, all 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 members who entered VCERA 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 members who entered VCERA 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' benefit tiers, ages at retirement, final average compensation, and total years of retirement service credit. All members are eligible to retire at age 70 regardless of years of service.

Disability Benefits. A member who becomes permanently disabled from the performance of duties may be granted a disability retirement allowance by the VCERA Board of Retirement, payable for life. If the disability is the result of a job-related injury or illness, the member may be granted a service-connected disability retirement. If the disability is not the result of a job-related injury or illness, the member may receive a nonservice-connected disability retirement.

Death Benefits. For a member who dies while in active service, VCERA pays a "basic death benefit" to a surviving spouse or beneficiary, consisting of the member's accumulated contributions and interest plus an amount equal to an average month's salary for every year of completed service, up to 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 retired with a nonservice-connected disability as of the date of death. For a retired member, the benefits payable to a surviving spouse or other beneficiary depend upon the retirement option selected by the member at the time of retirement and whether the member's retirement was for service, nonservice-connected disability or service-connected disability. 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 California Government Code Section 31682. Adoption of this section permitted the Board 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 adopted a resolution providing an additional, non-vested $27.50 per month to eligible retirees receiving the vested supplemental benefit described above. The non-vested supplemental benefit is provided pursuant to California Government Code Sections 31691.1 and 31692. The non-vested supplemental benefit will terminate on July 1, 2019, due to depletion of the reserve set aside to fund this benefit.

Cost-of-Living Adjustment. Cost-of-living adjustments (COLA), based upon changes in the Consumer Price Index for the Los Angeles area, of up to 3% per annum are made for all General Tier 1 and safety retirees. On February 28, 2005, the Board adopted regulations pursuant to California Government Code Section 31627 to provide a retiree COLA to general members who were represented by Service Employees International Union (SEIU) Local 721. The "SEIU COLA" is fixed at 2% annually and funded by member contributions.

Terminations. Effective January 1, 2003, members with less than five years of service may elect to leave their accumulated member contributions on deposit until first eligible to receive benefits in accordance with California Government Code Section 31628.

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. 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, and 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 term, 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, 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 on the following page displays the Board's adopted asset allocation policy as of June 30, 2019 and 2018, respectively.

ASSET CLASS	Actual Allocation 2019	Target Allocation 2019	Actual Allocation 2018	Target Allocation 2018
U.S. Equity	27.8%	26.0%	32.4%	26.0%
Non-U.S. Equity	16.3%	17.0%	16.0%	17.0%
Global Equity	11.0%	10.0%	11.1%	10.0%
U.S. Fixed Income	19.4%	16.0%	17.4%	16.0%
Private Credit	0.6%	3.0%	0.0%	3.0%
Real Assets	15.3%	15.0%	15.8%	18.0%
Private Equity	7.1%	13.0%	5.1%	10.0%
Cash and Equivalents	2.5%	0.0%	2.2%	0.0%
Total	100.0%	100.0%	100.0%	100.0%

Note: The asset allocation from the investment consultant will differ from actuary asset allocation. The actuary groups asset classes differently but they represent the same overall grouping noted here.

Money-Weighted Rate of Return. For the fiscal year ended June 30, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 6.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Time-Weighted Rate of Return. For the fiscal year ended June 30, 2019, the annual time-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.00%. The time-weighted rate of return expresses investment performance, net of investment expense, while offsetting the effects of investment inflows and outflows.

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

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 Deposit Insurance Corporation (FDIC).

As of June 30, 2019 and 2018, VCERA had the following cash and short-term investments:

($ in Thousands)	June 30, 2019	June 30, 2018
State Street Bank and Trust	$108,537	$111,535
County of Ventura Treasurer's Investment Pool	1,850	4,459
Commercial Bank Account	24	3,105
Total	$110,411	$119,099

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

($ in Thousands) Rating Category	Assets held at June 30, 2019	Assets held at June 30, 2018
Separate Holdings:		
AAA	$212,386	$92,509
AA	34,392	30,958
A	80,120	80,597
BBB	145,762	115,804
BB	24,639	26,885
B	7,251	7,216
CCC	1,900	3,384
CC	14	148
D	-	486
No Rating/Commingled	100,821	101,014
Total Separate Holdings	$607,284	$459,001

($ in Thousands) Rating Category	Assets held at June 30, 2019	Assets held at June 30, 2018
Pooled Investments:		
AAA	$408,726	$428,183
AA	102,716	96,649
A	59,741	55,800
BBB	100,992	58,114
BB	25,984	24,112
B	11,979	9,463
CCC	870	1,412
CC	575	-
Total Pooled Investments	$711,583	$673,733
Total Portfolio	$1,318,867	$1,132,734

Overall, the Plan's fixed income holdings were rated AA at June 30, 2019, and AA at June 30, 2018.

Note: The Total Portfolio amount does not agree to the Fixed Income amount in the Investment Section of the Statement of Fiduciary Net Position due to one investment classified under "Equities" having fixed income holdings.

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 ±20% of the broad fixed income market as defined by the Bloomberg Barclays U.S. Aggregate Bond Index and Bloomberg Barclays Global Aggregate Bond Index. Duration is an investment's exposure to fair value change arising from a change in interest rates, by investment category. The amounts held at June 30, 2019 and 2018 are as follows:

($ in Thousands) Category	Assets held at June 30, 2019	Duration (Years)	Assets held at June 30, 2018	Duration (Years)
Treasury	$416,565	4.8	$375,693	3.9
Agency	19,685	1.2	14,152	0.7
Mortgage-Backed	350,024	2.5	284,622	3.4
Asset-Backed	37,221	1.2	48,627	1.2
Credit	435,489	4.2	356,200	4.4
Foreign	57,618	5.1	50,882	5.0
Other	2,266	7.1	2,558	7.6
Total	$1,318,867	3.8	$1,132,734	3.8

Notes: The duration for the Bloomberg Barclays Aggregate Bond Index as of June 30, 2019 and 2018, was 5.3 years and 5.8 years, respectively. Also, the Total Portfolio amount does not agree to the Fixed Income amount in the Investment Section of the Statement of Fiduciary Net Position due to one investment classified under "Equities" having fixed income holdings.

Foreign Currency Risk. Foreign Currency Risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. VCERA's authorized managers are permitted to invest in approved countries or regions, as stated in their respective investment guidelines.

The schedule on the following page represents VCERA's exposure to Foreign Currency Risk in U.S. dollars. VCERA is invested in several non-U.S. commingled funds. This means VCERA owns units of commingled funds, and the fund holds actual securities and/or currencies. The values shown include VCERA's pro rata portion of non-U.S. commingled fund holdings.

($ in Thousands) Currency	Fixed Income at June 30, 2019	Equities at June 30, 2019	Fixed Income at June 30, 2018	Equities at June 30, 2018
Australian Dollar	$112	$52,915	$ -	$55,803
British Pound	3,765	196,034	331	190,662
Canadian Dollar	1,715	64,644	96	57,896
Danish Krone	527	21,544	-	18,342
Euro	7,406	306,363	(522)	284,700
Hong Kong Dollar	90	48,657	-	45,162
Japanese Yen	433	203,681	23	174,558
Mexican Peso	-	5,044	-	5,079
New Zealand Dollar	-	1,658	-	1,349
Norwegian Krone	858	16,781	136	15,831
Singapore Dollar	12	23,471	-	19,823
South African Rand	1,701	18,720	273	17,777
South Korean Won	123	34,926	-	33,444
Swedish Krona	-	20,677	-	16,481
Swiss Franc	911	93,964	-	80,675
Other/Emerging Markets	15,722	228,782	9,069	204,473
Total Securities Subject to Foreign Currency Risk	$33,375	$1,337,861	$9,406	$1,222,055

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, 2019 and 2018, 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, 2019 and 2018, VCERA had securities on loan with a fair value of $118.5 million and $46.7 million, with cash collateral of $120.9 million and $47.6 million, respectively.

VCERA's net securities lending income for the fiscal years ended June 30, 2019 and 2018, is as follows:

($ in Thousands)	June 30, 2019	June 30, 2018
Gross Income	$1,784	$955
Expenses		
Borrower Rebates	1,528	703
Management Fees	77	72
Net Securities Lending Income	$179	$180

Concentration of Credit Risk. VCERA, through policies developed and implemented by the Board, 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 of VCERA's derivates are classified as investment derivatives. A further discussion on VCERA's valuation procedures are contained in Note 1, *Summary of Significant Accounting Policies*. The following types of derivatives are permitted: futures contracts, currency forward contracts, options, and swaps.

Futures Contracts. A futures contract represents an agreement to buy (long position) or sell (short position) an underlying asset at a specified future date for a specified price. Payment for the transaction 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 transaction 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.

NOTES TO THE BASIC FINANCIAL STATEMENTS (CONTINUED)

The investment derivatives schedule listed below reports the related fair value amounts as of June 30, 2019 and 2018, the notional amounts for derivatives outstanding and net appreciation (depreciation) in fair value amounts as of June 30, 2019, classified by type.

Investment Derivatives Schedule

($ in Thousands) Derivative Type	Notional Amount June 30, 2019	Fair Value June 30, 2019	Fair Value June 30, 2018	Change in Fair Value [1] 2019 - 2018
Future Contracts	$91,786	$-	$-	$21,003
Forward Contracts	8,086	(22)	157	1
Options Contracts	(1,549)	(390)	(35)	35
Credit Default Swaps	20,300	(439)	(225)	(50)
Interest Rate Swaps	211,899	(4,474)	(11)	(4,056)
Total Investment Derivatives	$330,522	$(5,325)	$(114)	$16,933

[1] Change in fair value includes realized/unrealized gains and losses, including those that were opened and closed during the current fiscal year.

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, 2019, collateral for derivatives was $24.6 million. The collateral margins are maintained in margin accounts at financial services firms that provide brokerage services. Each account is uninsured and 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, 2019, the fair value of derivative investments subject to credit risk was $(4,474,000), and at June 30, 2018, it was $(11,000). 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, 2019. 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 S&P's rating system. As of June 30, 2019, VCERA has a maximum amount of exposure to credit risk due to default of all counterparties of $22,000.

Credit Risk Derivatives Schedule

($ in Thousands) Derivative Type	Fair Value June 30, 2019	Adjusted Rating		
		AA	A	BBB
Forward Contracts	$(22)	$ -	$(3)	$(19)
Total	$(22)	$ -	$(3)	$(19)

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 a derivative investment that is highly sensitive to interest rate changes. LIBOR refers to London Interbank Offering Rate. The following tables illustrate the investment maturity period and sensitivity to interest rate changes of these investments as of June 30, 2019.

		Investment Maturities (in Years)			
($ in Thousands) Derivative Type	Fair Value June 30, 2019	Less than 1	1-5	6-10	More than 10
Credit Default Swaps Bought	$(439)	$-	$(439)	$-	$-
Pay Fixed Interest Rate Swaps	(5,329)	-	(421)	(1,596)	(3,312)
Receive Fixed Interest Rate Swaps	855	-	185	-	670
Total	$(4,913)	$-	$(675)	$(1,596)	$(2,642)

Derivative Instruments Highly Sensitive to Interest Rate Changes

($ in Thousands) Derivative Type	Receive Rates	Payable Rate	Fair Value	Notional
Credit Default Swaps	Receive variable 3-month MEVENT	Pay fixed 1.00000%	$(439)	$20,300
Pay Fixed Interest Rate Swaps	Receive variable 6-month LIBOR	Pay fixed 1.27100%	(56)	6,427
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 1.38500%	(198)	32,446
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 3.33000%	(1,506)	6,909
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 3.00000%	(639)	4,144
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 2.87500%	(441)	3,404
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 2.75000%	(727)	6,885
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 2.50000%	(1,261)	29,712
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 2.25000%	(347)	13,020

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Derivative Instruments Highly Sensitive to Interest Rate Changes (continued)

($ in Thousands) Derivative Type	Receive Rates	Payable Rate	Fair Value	Notional
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 2.30000%	(174)	30,710
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 1.85000%	(8)	3,128
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 1.73200%	7	5,860
Pay Fixed Interest Rate Swaps	Receive variable 3-month LIBOR	Pay fixed 1.55000%	21	18,724
Receive Fixed Interest Rate Swaps	Receive fixed 7.35050%	Pay variable 1-month TIIE	(28)	6,643
Receive Fixed Interest Rate Swaps	Receive fixed 3.00000%	Pay variable 3-month LIBOR	670	5,502
Receive Fixed Interest Rate Swaps	Receive fixed 2.25000%	Pay variable 3-month LIBOR	188	30,145
Receive Fixed Interest Rate Swaps	Receive fixed 1.85000%	Pay variable 3-month LIBOR	25	8,240
Total			$(4,913)	$232,199

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, 2019.

Foreign Currency Risk Schedule for Derivative Instruments

		Currency Forward Contracts			
($ in Thousands) Currency	Options	Net Receivables	Net Payables	Swap Agreement	Net Exposure
Yuan Renminbi	$ -	$ -	$1	$ -	$1
Canadian Dollar	-	-	(6)	-	(6)
Euro Currency Unit	-	8	(22)	-	(14)
British Pound Sterling	-	-	-	(254)	(254)
Mexican Peso	-	1	(10)	(28)	(37)
South African Rand	-	34	(28)	-	6
Sub Total	-	43	(65)	(282)	(304)
U.S. Dollar	(390)	-	-	(4,631)	(5,021)
Total	$(390)	$43	$(65)	$(4,913)	$(5,325)

Fair Value Measurements. VCERA categorizes its fair value measurements of its investments based on the fair value hierarchy established by generally accepted accounting principles (GAAP). The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value. Level 1 inputs are unadjusted quoted prices in active markets for identical assets. Level 2 inputs are quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs are observable. Level 3 inputs are valuations derived from valuation techniques in which significant inputs are unobservable. Below and on the following page, the table depicts the fair value measurements as of June 30, 2019.

Investments and Derivative Instruments Measured at Fair Value

		Quoted Prices in Active Markets for Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
($ in Thousands) **Investments by Fair Value Level**	**Total**	**Level 1**	**Level 2**	**Level 3**
Debt Securities				
Asset Backed Securities	$44,965	$-	$44,305	$660
Commercial Mortgage-Backed Securities	61,086	-	61,086	-
Corporate and Other Credit	255,497	-	255,497	-
U.S. Government Agency	249,941	-	249,941	-
Total Debt Securities	611,489	-	610,829	660
Equity Securities				
U.S. Equity	32,432	32,432	-	-
Limited Partnerships	85,231	85,231	-	-
Preferred Stock	526	526	-	-
Total Equity Securities	118,189	118,189	-	-
Collateral from Securities Lending	120,907	-	120,907	-
Total Investments by Fair Value Level	$850,585	$118,189	$731,736	$660

Investments and Derivative Instruments Measured at Fair Value (continued)

($ in Thousands) Investments by Fair Value Level	Total	Level 1	Level 2	Level 3
Fixed Income	$706,921			
Private Credit	35,010			
Equity:				
U.S.	1,402,468			
Non-U.S.	936,336			
Global	635,506			
Real Assets	763,160			
Private Equity	408,944			
Total Investments Measured at NAV	4,888,345			
Total Investments	$5,738,930			

($ in Thousands) Investment Derivative Instruments				
Forward Exchange Contracts	$(22)	$(22)	$-	$ -
Options Contracts	(390)	-	(390)	-
Credit Default Swaps	(439)	-	(439)	-
Interest Rate Swaps	(4,474)	-	(4,474)	-
Total Investment Derivative Instruments	$(5,325)	$(22)	$(5,303)	$ -

Note: Values provided by custodian bank and presented based on securities classification. Amounts per asset class, when aggregated, correspond to values as presented in the Statement of Fiduciary Net Position.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements, in their entirety, are categorized based on the lowest level input that is significant to the valuation. VCERA's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability. Investments are measured by type of investment as follows:

Debt securities classified in Level 2 of the fair value hierarchy are valued using the matrix pricing technique and the discounted cash flow method. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Debt securities classified in Level 3 of the fair value hierarchy are valued using the discounted cash flow method and proprietary pricing information.

Equity securities include domestic common and preferred stock and publicly traded master limited partnerships. Equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

Cash collateral received for securities lent is reinvested in investments, such as short-term government and high-quality corporate debt securities. These securities are classified in Level 2 of the fair value hierarchy using prices quoted in active markets for similar securities.

Derivative instruments classified in Level 1 of the fair value hierarchy are valued using a market approach using prices quoted in active markets for those securities. Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates and foreign exchange rates.

Fair value of investments in commingled fund vehicles of publicly traded securities are expressed as net asset value (NAV) and are provided by custodial banks using the best available pricing sources. Fair value of investments in real assets (real estate), private credit and private equity funds have been determined by their respective managers using a variety of different techniques, such as liquidity events, market bids, and property and company appraisals. Such fair value measurements are shown in the table that follows as of June 30, 2019.

Investments Measured at Net Asset Value

($ in Thousands) Investment Type	Total	Unfunded Commitments	Redemption Frequency (if Currently Eligible) [1]	Redemption Notice Period
Fixed Income	$706,836	$-	D, M	3-15 days
Private Credit	35,065	51,207	N/E	N/E
Equity:				
U.S.	1,402,468	-	D	1 day
Non-U.S.	936,336	-	D, M	2-30 days
Global	635,506	-	D	1-2 days
Real Assets	763,160	100,000	D, Q	5-90 days
Private Equity	408,974	471,003	N/E	N/E
Total Investments Measured at NAV	$4,888,345	$622,210		

[1] D = Daily, M = Monthly, Q = Quarterly, N/E = Not Eligible

The investment types listed in the table above were measured at NAV as follows:

Investments in publicly traded equity, fixed income, and the liquid alternative strategies within the Real Assets category are made through commingled fund vehicles. For each commingled fund vehicle, valuations are expressed as a NAV. VCERA's investments in these vehicles are held as undivided interests in these commingled funds, represented as shares or units of ownership. Underlying securities in these commingled funds would be valued at Level 1 or Level 2 of the Fair Value hierarchy.

Real Estate investments within the Real Assets category generate income in addition to capital appreciation. In addition, they serve as a hedge against inflation, and help to diversify the portfolio. VCERA's real estate exposure is obtained through open ended commingled fund equity investment vehicles. These commingled funds are diversified across property types which include office, residential, commercial, industrial, and raw land. Property exposures are held in these vehicles primarily on a direct basis, but they are also achieved through holdings in publicly traded Real Estate Investment Trusts (REITS). As above, for each commingled fund vehicle, valuations are expressed as a net asset value (NAV). VCERA's investments in these vehicles are held as undivided interests in these commingled funds, represented as shares or units of ownership. Underlying holdings in these commingled funds are determined by property appraisals, and as such would be valued at Level 3 of the Fair Value hierarchy.

VCERA's private credit and equity portfolios are globally diversified and consist of holdings in commingled fund of funds in a limited partnership structure. Each fund of funds invests in a diversified set of underlying private credit and equity funds, each of which invests directly in portfolio companies. Underlying strategies include investments in primary, secondary, and co-investments. These investments are diversified across buyout, growth capital, venture capital, and various debt strategies, and further diversified by vintage year. For each limited partnership, valuations are expressed as a net asset value (NAV). VCERA's partnership interests in these vehicles are in proportion to its shares of each respective partnership. Underlying holdings in these limited partnership vehicles would be valued at Level 3 of the Fair Value hierarchy.

Special Purpose Entities. The Private Equity Held for Investment – Separate Accounts is held in the form of limited liability company Buenaventure One, LLC, and Buenaventure Two, LLC, and are Delaware limited liability companies in accordance with the Delaware Limited Liability Company Act and are qualified tax-exempt under Internal Revenue Code 501(c)(25). In the State of California, Buenaventure One and Buenaventure Two are qualified as tax-exempt under California Revenue and Taxation Code 23701x.

The two limited liability companies were created to hold direct private equity investments as a Fund-of-One to be managed by Abbott Capital Management, LLC (Abbott). No specific dollar amount of investment was committed for these LLCs, as the private equity portfolio is managed in totality and Abbott determines whether the private equity is held directly or through the Fund-of-One.

As of June 30, 2019, the following is a summary of the LLC's financial positions.

Limited Liability Companies Financial Position as of June 30, 2019 ($ in Thousands)	
Assets	$21,737
Less: Liabilities	9
Net Assets	$21,728
Net Income	$382

4. NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

The components of the Net Pension Liability (NPL) of the Plan at June 30, 2019 and 2018, were as follows:

($ in Thousands) Net Pension Liability	June 30, 2019	June 30, 2018
Total Pension Liability	$6,422,186	$6,121,953
Plan Fiduciary Net Position	5,735,360	5,396,463
Net Pension Liability	$686,826	$725,490
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	89.31%	88.15%

The NPL was measured as of June 30, 2019 and 2018. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of June 2018 and 2017, respectively.

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 at 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 members 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, 2019 were based on the results of the June 30, 2017 Review of Economic Assumptions and Actuarial Experience Study (Experience Study) adopted by the Board of Retirement in June 2018. For determining the Total Pension Liability, the investment return assumption used is net of investment expenses only and is not net of administrative expenses.

The actuarial assumptions used to determine the Total Pension Liability as of June 30, 2019 were based on the results of the most recent Actuarial Experience Study which covered the period from July 1, 2014 through June 30, 2017. These same assumptions were used in the June 30, 2019 actuarial valuation, which is used to determine contribution rates for funding purposes. Key methods and assumptions used in the latest actuarial valuation and the total pension liability are presented below.

Methods and Assumptions Used in Annual Actuarial Valuation and Total Pension Liability		
Valuation Date	June 30, 2019	
Actuarial Assumptions and Methods	The TPL as of June 30, 2019 was remeasured by (1) revaluing the TPL as of June 30, 2018 (before the roll forward) to include the following actuarial assumptions that the Retirement Board has adopted for use in the pension funding valuation as of June 30, 2019 and (2) using this revalued TPL in rolling forward the results from June 30, 2018 to June 30, 2019. In particular, the following actuarial assumptions were applied to all periods included in the June 30, 2019 measurement:	
	Inflation	2.75%
	Salary increases	3.75% to 11.75%, varying by service, including inflation
	Investment rate of return	7.25%, net of pension plan administration and investment expenses, including inflation
	Other assumptions	Same as those used in June 30, 2019 funding valuation

Long-Term Real Rate of Return by Asset Class

For preparation of the actuarial valuation, the long-term expected rate of return on the Plan's investments uses 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 and subtracting expected investment expenses and a risk margin. 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
Large Cap U.S. Equity	27.04%	5.32%
Small Cap U.S. Equity	4.48%	6.07%
Developed International Equity	17.32%	6.68%
Emerging Market Equity	4.16%	8.87%
U.S. Core Fixed Income	9.00%	1.04%
Real Estate	8.00%	4.65%
Master Limited Partnerships	4.00%	6.31%
Absolute Return (Fixed Income)	7.00%	1.71%
Private Debt/Credit Strategies	3.00%	5.50%
Absolute Return (Risk Parity)	6.00%	4.63%
Private Equity	10.00%	8.97%
Total	100.00%	

Note: Long-term expected rate of return net of investment expenses: 7.25%. Also, the actuary groups asset classes differently than the investment consultant. While the asset class target allocation does not match that of the investment consultants, they are considered the same.

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.25% as of June 30, 2019 and 2018. 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 member 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, 2019 and 2018.

The following table presents the Net Pension Liability of participating employers calculated using the current discount rate of 7.25% as of June 30, 2019 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
($ in Thousands)

Net Pension Liability	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
June 30, 2019	$1,547,868	$686,826	$(21,285)

5. CONTRIBUTIONS

Employer and member contribution rates are approved by VCERA's Board. 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 accrued liability (UAAL). For the June 30, 2019 valuation, the period for amortizing the UAAL is fixed at 15 years 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 $199.9 million and $197.7 million in actuarially determined contributions for the fiscal years ending June 30, 2019 and 2018, respectively.

Depending on members' benefit tiers, their contribution rates ranged from 3.89% to 13.21% (without 50/50 cost sharing) and 4.76% to 15.22% (with 50/50 cost sharing), as reflected in the June 30, 2017 actuarial valuation. In addition to the actuarially determined contributions, certain participating employers contribute, pursuant to California Government Code Section 31581.1, a portion of the contributions normally required of General Tier 1 members. These employer-paid member contributions do not become part of the accumulated contributions of the member, but vest in the Employer Advance Reserve. These contributions are included in the employers' total.

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

Employer Advance Reserve. Represents 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. Represents 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 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; deductions include benefit payments made to eligible retirees. This supplemental benefit will terminate on July 1, 2019, due to the depletion of the reserve used to fund this benefit.

Death Benefit Reserve. Represents funds designated to pay death benefits pursuant to California 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.

Reserve balances as of June 30, 2019 and 2018, are as follows:

($ in Thousands) Reserve Account	June 30, 2019	June 30, 2018
Member	$793,804	$758,313
Employer Advance	1,744,445	1,696,067
Retired Member	2,963,427	2,768,422
Vested Fixed Supplemental	146,495	144,181
Non-Vested Supplemental	84	2,369
Death Benefits	16,355	15,794
Undistributed Earnings	-	-
Contingency	-	-
Market Stabilization	70,750	11,317
Total Reserves	$5,735,360	$5,396,463

7. ADMINISTRATIVE EXPENSES

As permitted by California Government Code Section 31580.2(a), the Board adopts an annual budget, financed from investment income, covering the entire expense of Plan administration. The California Government Code provides that administrative expenses incurred in any year are not to exceed the greater of 21/100th of one percent of the accrued actuarial liability for VCERA or $2,000,000, as adjusted annually by the amount of the annual COLA. California 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 years ended June 30, 2019 and 2018, were within the limits established by the California Government Code.

($ in Thousands)	June 30, 2019	June 30, 2018
Accrued Actuarial Liability (AAL) [1]	$5,703,396	$5,398,756
Statutory Limitation for Administrative Expense (AAL x 0.21%)	11,977	11,337
Administrative Expenses Subject to Statutory Limit	5,342	4,881
Excess of Limitation over Actual Administrative Expenses	$6,635	$6,456
Actual Administrative Expenses as Percentage of AAL	0.09%	0.09%

1 The AAL, as determined by VCERA's actuary each year, is used to calculate the subsequent fiscal year's administrative budget authorization. The AAL as of June 30, 2017 and 2016, was approved by the Board in January 2018 and 2017, respectively, and used to establish the administrative expenditure budgets for the fiscal years ended June 30, 2019 and 2018, as shown in the table.

8. LEASE AGREEMENT

Effective May 9, 2019, VCERA entered into a ten-year lease extension, effective upon successful completion of tenant improvements, of a commercial lease for office space with the option to renew for two additional five-year periods. Payments over the remaining lease term are estimated to be $3,003,100. Annual amounts due under the agreement are as follows:

Fiscal Year Ending	Amount ($)
2020	186,000
2021	255,600
2022	263,300
2023	271,200
2024	279,300
2025 - 2029	1,527,500
2030	220,200
Total	3,003,100

9. COMMITMENTS AND CONTINGENCIES

Capital Commitments. VCERA's private equity investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity and discretion is controlled by the contract, subscription agreement, limited partnership agreement and/or other contractual documents applicable to each manager. Such investments are further restricted by the amount of capital allocated or committed to each manager. VCERA has contracted with a private equity consultant to assist in managing a portion of the private equity program, which includes full discretion in manager selection. In addition, the Board retains discretionary control to approve private equity managers and commitment amounts as often as necessary to reflect VCERA's investment preferences, as well as changes in market conditions. The following table lists Outstanding Capital Commitments as of June 30, 2019.

Outstanding Capital Commitments
June 30, 2019 ($ in Thousands)

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
Blue Bay Direct Lending Fund III	Private Credit	$25,000	$21,207
CVI Credit Value Fund IV	Private Credit	30,000	15,000
Monroe Capital Private Credit Fund III	Private Credit	25,000	15,000
Abbott Secondaries Opportunities, LP.	Private Equity	25,000	9,425
ABRY Partners IX	Private Equity	10,600	10,600
Adams Street 2010 U.S. Fund	Private Equity	42,500	5,057
Adams Street 2010 Non-U.S. Developed Markets Fund	Private Equity	25,500	3,175
Adams Street 2010 Non-U.S, Emerging Markets Fund	Private Equity	8,500	867
Adams Street 2010 Direct Fund	Private Equity	8,500	434
Adams Street 2013 Global Fund	Private Equity	75,000	13,650
Adams Street 2016 Global Fund	Private Equity	60,000	28,380
Adams Street Co-Investment Fund	Private Equity	30,000	23,100
Advent International GPE IX	Private Equity	10,000	10,000
Astorg VII	Private Equity	8,753	8,315
Battery Ventures XII	Private Equity	9,050	4,920
Battery Ventures XII Side Fund	Private Equity	5,050	2,141
Buenaventure One , LLC	Private Equity	67,073	46,242
CapVest Equity Partners IV	Private Equity	12,532	12,532
Clearlake Capital Partners V	Private Equity	9,950	5,258
Drive Capital Fund II	Private Equity	15,000	6,186
Drive Capital Fund III	Private Equity	7,500	7,500
Drive Capital Overdrive Fund I	Private Equity	7,500	7,148
ECI 11	Private Equity	9,533	8,280
Genstar Capital Partners IX	Private Equity	7,500	7,500
Genstar Capital Partners IX Opportunties Program	Private Equity	2,500	2,500
GGV Capital VII	Private Equity	10,160	8,534
GGV Capital VII Plus	Private Equity	2,540	2,083
GGV Discovery II	Private Equity	2,100	1,859
Great Hill Equity Partners VII	Private Equity	8,900	8,900
GTCR Fund XII	Private Equity	30,000	22,668

Outstanding Capital Commitments (continued)
June 30, 2019 ($ in Thousands)

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
HarbourVest - Dover Street VIII	Private Equity	67,500	6,750
HarbourVest - Dover Street IX	Private Equity	60,000	22,200
HarbourVest - Dover Street X	Private Equity	40,000	40,000
HarbourVest - Co-Investment Fund IV	Private Equity	30,000	5,732
HarbourVest - Co-Investment Fund V	Private Equity	35,000	35,000
Hellman & Freidman Capital Partners IX	Private Equity	19,800	19,800
Insight Ventures Partners X	Private Equity	25,000	7,250
M/C Partners VIII	Private Equity	10,000	9,495
Pantheon Global Secondary Fund IV	Private Equity	15,000	5,040
Pantheon Global Secondary Fund V	Private Equity	50,000	16,433
The Resolute Fund IV	Private Equity	20,000	16,918
Riverside Micro-Cap Fund V	Private Equity	10,000	9,131
TA XIII	Private Equity	10,000	10,000
LaSalle Income and Growth Fund VIII	Real Assets (Real Estate)	100,000	100,000
Total Outstanding Commitments			$622,210

10. SUBSEQUENT EVENTS

A non-vested supplemental benefit of $27.50 per month provided to each member pursuant to California Government Code Sections 31691.1 and 31692 will terminate on July 1, 2019, due to depletion of the reserve set aside to fund this benefit.

Management has evaluated subsequent events through December 20, 2019, which is the date the financial statements were issued.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

($ IN THOUSANDS)

		June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Total Pension Liability						
Service Cost		$145,338	$138,877	$132,490	$129,269	$124,408
Interest		444,176	427,800	405,195	388,936	366,917
Changes of Benefit Terms		-	-	-	-	-
Differences Between Expected and Actual Experience		7,838	26,564	(51,058)	(39,598)	(101,178)
Changes of Assumptions		-	129,009	-	-	234,843
Benefit Payments, Including Refunds of Member Contributions		(297,119)	(277,718)	(260,745)	(246,403)	(233,695)
Net Change in Total Pension Liability		300,233	444,532	225,882	232,204	391,295
Total Pension Liability - Beginning		6,121,953	5,677,421	5,451,539	5,219,335	4,828,040
Total Pension Liability - Ending (A)		$6,422,186	$6,121,953	$5,677,421	$5,451,539	$5,219,335
Plan Fiduciary Net Position						
Contributions - Employer [1]		$199,891	$197,638	$190,712	$177,830	$175,099
Contributions - Members [1]		75,199	74,089	72,442	69,350	63,679
Net Investment Income		368,665	445,902	580,526	25,739	88,680
Benefit Payments, Including Refunds of Member Contributions		(297,119)	(277,718)	(260,745)	(246,403)	(233,695)
Administrative Expense		(5,342)	(4,881)	(5,524)	(4,474)	(3,854)
Other		(2,397)	(2,815)	-	-	-
Net Change in Plan Fiduciary Net Position		338,897	432,215	577,411	22,042	89,909
Plan Fiduciary Net Position - Beginning		5,396,463	4,964,248	4,386,837	4,364,795	4,274,886
Plan Fiduciary Net Position - Ending (B)		$5,735,360	$5,396,463	$4,964,248	$4,386,837	$4,364,795
Net Pension Liability - Ending	A-B=C	$686,826	$725,490	$713,174	$1,064,702	$854,540
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	B/A	89.31%	88.15%	87.44%	80.47%	83.63%
Covered Payroll (D) [2]		$754,657	$736,994	$716,033	$688,233	$665,086
Net Position Liability as a Percentage of Covered Payroll	C/D	91.01%	98.44%	99.60%	154.70%	128.49%

Note: This schedule will ultimately show data for 10 years; additional years will be presented as they become available.

[1] Actuarially determined contributions exclude employer-paid member contributions.

[2] Covered payroll represents payroll on which contributions to the pension plan are based.

REQUIRED SUPPLEMENTARY INFORMATION

FINANCIAL

SCHEDULE OF CHANGES IN NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (continued)

($ IN THOUSANDS)

		June 30, 2014	June 30, 2013
Total Pension Liability			
Service Cost		$122,896	$188,839
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 [1]		$169,703	$150,688
Contributions - Members [1]		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 Payroll (D) [2]		$642,779	$632,146
Net Position Liability as a Percentage of Covered Payroll	C/D	86.06%	157.34%

Note: This schedule will ultimately show data for 10 years; additional years will be presented as they become available.

[1] Actuarially determined contributions exclude employer-paid member contributions.

[2] Covered payroll represents payroll on which contributions to the pension plan are based.

FINANCIAL

SCHEDULE OF EMPLOYER CONTRIBUTIONS

($ IN THOUSANDS)

Fiscal Year Ended June 30	Actuarially Determined Contributions [1]	Actual Employer Contributions [2]	Contribution Deficiency/ (Excess)	Covered Payroll [3]	Contributions as % of Covered Payroll
2019	$199,891	$199,891	$-	$754,657	26.49%
2018	197,638	197,638	-	736,994	26.82%
2017	190,712	190,712	-	716,033	26.63%
2016	177,830	177,830	-	688,233	25.84%
2015	173,269	173,269	-	665,086	26.05%
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%

[1] All "Actuarially Determined Contributions" through June 30, 2014 were determined as the "Annual Required Contribution" as required by GASB Statements No. 25 and No. 27.
[2] Actuarially Determined Contributions exclude employer-paid member contributions.
[3] Covered payroll represents only compensation earnable and pensionable compensation that go into the determination of a retirement benefit.

SCHEDULE OF INVESTMENT RETURNS

Fiscal Year Ended June 30	Annual Money-Weighted Rate of Return, Net of Investment Expense
2019	6.74%
2018	8.92%
2017	12.27%
2016	-2.00%
2015	1.70%
2014	18.80%
2013	13.20%

Note: Money-Weighted Rate of Return is calculated as the internal rate of return on pension plan investments, net of investment expenses, adjusted for changing amounts actually invested. This schedule will ultimately show data for 10 years. Additional years will be presented as they become available prospectively.

LATEST ACTUARIAL VALUATION OF PLAN ASSETS AND LIABILITIES

Methods and assumptions used to establish "actuarially determined contribution" rates:	
Valuation date	Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percent of payroll
Remaining amortization period	15 years for Unfunded Actuarial Accrued Liability (UAAL) as of 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 ($27.50) Reserve and the statutory Contingency Reserve.

Actuarial Assumptions:	June 30, 2019 Valuation Date
Investment rate of return	7.25% net of pension plan administration and investment expenses, including inflation
Inflation rate	2.75%
Real across-the-board salary increase	0.50%
Projected salary increases [1]	General: 3.75% to 10.25% Safety: 3.95% to 11.75%
Cost-of-living adjustments	Increase of 2.75% per year; retiree COLA increases due to CPI are subject to 3.00% maximum change per year for both PEPRA and Non-PEPRA General Tier 1 and both PEPRA and Non-PEPRA Safety. For both PEPRA and Non-PEPRA General Tier 2, SEIU members receive a fixed 2.00% COLA, not subject to changes in CPI, that applies to future service after March 2003.
Other assumptions	Same as those used in the June 30, 2019, funding actuarial valuation.

[1] Includes inflation at 2.75% plus real across-the-board salary increases of 0.50% plus merit and longevity increases for June 30, 2019 and 3.00% plus real across-the-board salary increases of 0.50% plus merit and longevity increases for June 30, 2018.

OTHER SUPPLEMENTARY INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018
($ IN THOUSANDS)

	June 30, 2019	June 30, 2018
Personnel Services:		
Salaries & Wages	$3,039	$2,726
Employee Benefits	1,382	1,181
Total Personnel Services	4,421	3,907
Consultant & Professional Services:		
External Audit Fees	51	44
Legal Consultants	16	37
Professional Services	193	240
Total Professional Services	260	321
Operating Expenses:		
Administrative Support	57	98
General Expenses	36	57
Computer Software	-	2
Education & Travel	56	51
Transportation	11	13
Facilities Operations	220	217
Insurance	99	94
Printing	43	14
Postage	86	55
Telecommunications	53	52
Total Operating Expenses	661	653
Total Administrative Expenses	$5,342	$4,881

OTHER SUPPLEMENTARY INFORMATION (CONTINUED)

SCHEDULE OF INVESTMENT EXPENSES

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018
($ IN THOUSANDS)

	June 30, 2019	June 30, 2018
Cash and Short-Term	$216	$196
Equity		
U.S. Equity	508	505
Non-U.S Equity	2,518	2,586
Global Equity	240	237
Fixed Income	1,725	1,671
Private Credit	(58)	-
Private Equity	9,070	4,363
Real Assets	4,917	4,855
Other Investment Expenses	1,296	1,184
Total Investment Expenses	$20,432	$15,597

SCHEDULE OF PAYMENTS TO CONSULTANTS

FOR THE FISCAL YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018
($ IN THOUSANDS)

	June 30, 2019	June 30, 2018
Actuarial		
Valuation and Consulting Services	$123	$190
Audit		
External Audit Services	51	44
Legal		
Investment Legal Counsel	338	260
Other Legal Services	16	37
Total Legal	354	297
Management		
Information Technology Consulting	329	614
Total Payments to Consultants	$857	$1,145

SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN

AS OF AND FOR THE FISCAL YEAR ENDED JUNE 30, 2019

($ IN THOUSANDS)

		Deferred Outflows of Resources					Deferred Inflows of Resources					Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
Employer/ Nonemployer (special funding situation)	Net Pension Liability	Differences Between Expected and Actual Experience	Net Excess of Projected Over Actual Earnings on Pension Plan Investments (If Any)	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share Contributions	Total Deferred Outflows of Resources	Differences Between Expected and Actual Experience	Net Excess of Actual Over Projected Earnings on Pension Plan Investments (If Any)	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Allocable Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense Excluding that Attributable to Employer-Paid Member Contributions
County of Ventura	$658,662	$22,304	$-	$87,228	$734	$110,266	$36,932	$64,841	$-	$3,172	$104,945	$207,728	$(355)	$207,373
Ventura County Courts	21,311	722	-	2,822	2,383	5,927	1,195	2,098	-	586	3,879	6,721	159	6,880
Air Pollution Control District	3,018	102	-	400	234	736	169	297	-	29	495	952	65	1,017
Ventura Regional Sanitation District	3,835	130	-	508	680	1,318	215	378	-	244	837	1,210	131	1,341
Total	$686,826	$23,258	$-	$90,958	$4,031	$118,247	$38,511	$67,614	$-	$4,031	$110,156	$216,611	$-	$216,611

FINANCIAL

SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS

AS OF THE FISCAL YEAR ENDED JUNE 30, 2019 WITH COMPARATIVE AMOUNTS FOR THE FISCAL YEAR ENDED JUNE 30, 2018
($ IN THOUSANDS)

	June 30, 2019		June 30, 2018	
Participating Employer	**Allocation of Net Pension Liability (NPL)**	**Employer Allocation Percentage**	**Allocation of Net Pension Liability (NPL)**	**Employer Allocation Percentage**
County of Ventura	$658,662	95.899%	$698,072	96.221%
Ventura County Courts	21,311	3.103%	20,635	2.844%
Air Pollution Control District	3,018	0.439%	3,104	0.428%
Ventura Regional Sanitation District	3,835	0.559%	3,679	0.507%
Total	$686,826	100.000%	$725,490	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

Population: 126,000 | **Area:** 42 square miles | **Points of Interest:** Ronald Reagan Presidential Library, Bottle Village

Enclosed by mountains and hills, the city sits in a valley named Shimiji by its pre-colonial residents, the Chumash Indians. The town's picturesque views and proximity to Hollywood has made it a popular filming site for many television shows and movies, including *Gunsmoke, M*A*S*H, Little House on the Prairie, Three Amigos* and *Poltergeist*.

Simi Valley City Hall
(image courtesy of SimiValley.org)

Whiteface Mountain
(image courtesy of SimiValley.org)

NEPC, LLC

Allan Martin
Partner
November 6, 2019

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

Dear Board Members:

The overall objective of the Ventura County Employees' Retirement Association (VCERA) 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 Fund, VCERA carefully plans and implements an investment program designed to produce superior long-term investment returns, while prudently managing the risk in the portfolio. Investment policy and asset allocation are reviewed and revised by the Board of Retirement, at least annually, to reflect the Fund's actuarial assumptions, accrued liabilities, and economic and investment outlook. The following is a report on the performance of the Fund for the year ended June 30, 2019 with background on the underlying capital market environment.

Market Review for the Year Ended June 30, 2019

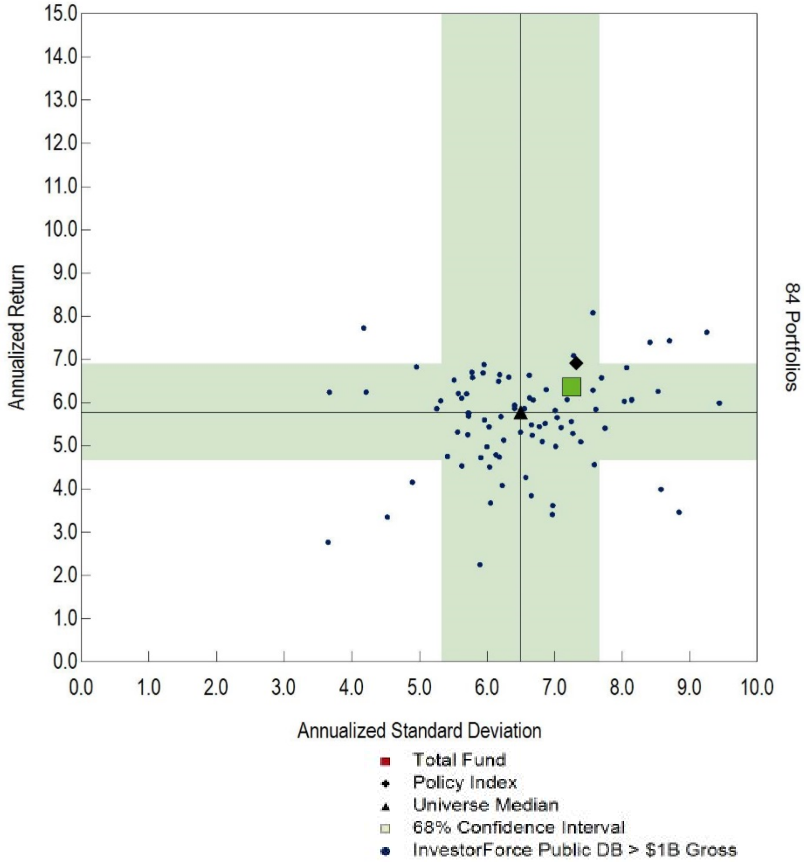
The U.S. economic expansion entered its tenth year, setting a record for duration, although total cumulative GDP growth trailed other recoveries. Initially in late 2018, the Federal Reserve maintained a path of systematically normalizing monetary policy, raising interest rates twice. As a result, US investment market volatility returned in late 2018 in response to concerns over the Fed's pace of interest rate increases, slowing U.S and global economic growth, and U.S.–China trade tensions. However, the Fed reversed course on monetary policy in early 2019 signaling potential interest rate cuts in the near future, easing many of these concerns. Volatility dissipated accordingly throughout the remainder of the 2019 fiscal year. U.S. stocks, as a result, posted their tenth consecutive year of positive returns and dramatically outperformed international equities. Global capital markets continued to be largely driven by accommodative Central Bank policy from both the European Central Bank and Bank of Japan. Despite this stimulus, volatility increased in global markets in the year ending June 30, 2019 as concerns of slowing global economic growth, historically low and broadly negative real interest rates and fears over U.S. trade policy caused uncertainty to impact investor sentiment.

U.S. equities generated a robust 10.4% return for the 2019 fiscal year, as measured by the S&P 500 Index. International developed-markets equities performed positively (1.1% for the year) but lagged domestic equities by 9.3%. Emerging markets equities underperformed U.S. equities but outperformed developed-international equities. Underperformance in international developed-markets and Emerging markets equities was driven by uncertainty stemming from slowing economic growth and U.S. trade policy and the strength of the U.S. Dollar. Driven by declining interest rates and risk aversion, U.S. high quality fixed income investments generated a positive return for the year, returning 7.9% as measured by the Bloomberg Barclays U.S. Aggregate Bond Index.

The VCERA Investment Portfolio

The VCERA total investment portfolio return, gross of fees, was 7.4% (7.0% net of fees) for the year ended June 30, 2019. The median fund in the Investor Force peer group universe of large Public Funds returned 5.2% for the period, resulting in a near-median ranking for the Fund. On a risk-adjusted basis the VCERA Fund total return ranked in the 26th percentile for the one-year period. The Fund's five-year return for the period ended June 30, 2019 was 6.4% per year, gross of fees (6.1% net of fees), underperforming the actuarial assumed rate of 7.25% and ranking in the 22nd percentile, well above the median in the peer group. The plan's five-year risk-adjusted return (as measured by the Sharpe Ratio) of 0.8, ranked in the top half of its peers.

InvMetrics Public Funds Greater than $1 Billion Universe[1] Risk-Return Comparison (Gross of Fees)
5 Years Ended June 30, 2019



With the majority of the global capital markets exhibiting relatively high valuations and divergent relative economic strength, the potential for downside risk and volatility are increasingly likely. Lower equity exposure and diversification can help protect portfolios from significant declines. VCERA's portfolio continues to be positioned to do well in up equity markets, but the Board, staff, and NEPC have been working to further diversify the portfolio to protect the Fund should equities decline.

NEPC, LLC serves as VCERA's independent investment consultant and provides VCERA with asset allocation guidance, quarterly economic and investment market updates and performance reviews, and investment manager monitoring and selection advice. In preparing our performance analysis for the Plan, we rely on the accuracy of financial data provided by the Plan's custodian bank and investment managers. Investment performance analysis and comparisons produced by NEPC have been calculated using standard performance evaluation methodologies and are consistent with industry standards. The Plan's goals are measured against stated policy objectives, appropriate benchmarks and comparative universes over multiple time periods. This review process allows the Plan to evaluate whether established goals are being achieved on an absolute, relative, and risk-adjusted basis.
Sincerely,

Allan C Martin

Allan Martin, Partner

[1] Universe rankings are based on gross of fee performance unless otherwise noted.

OUTLINE OF INVESTMENT POLICIES

INVESTMENT

GENERAL

The Board of Retirement (Board) established an investment policy in accordance with the provisions of the County Employees' Retirement Law of 1937 (California Government Code Sections 31450 et. seq.). Ventura County Employees' Retirement Association (VCERA or Plan) is considered a separate entity from the County of Ventura and is administered by a Board consisting of nine members plus three alternates. VCERA's Board, officers and employees shall discharge their duties as provided for in California 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 Plan.

- 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 Plan 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, monitor managers' activity and assist 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 that 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.

On May 20, 2019, the Board adopted a new allocation and subsequently an implementation plan that was predicated on factors that include:

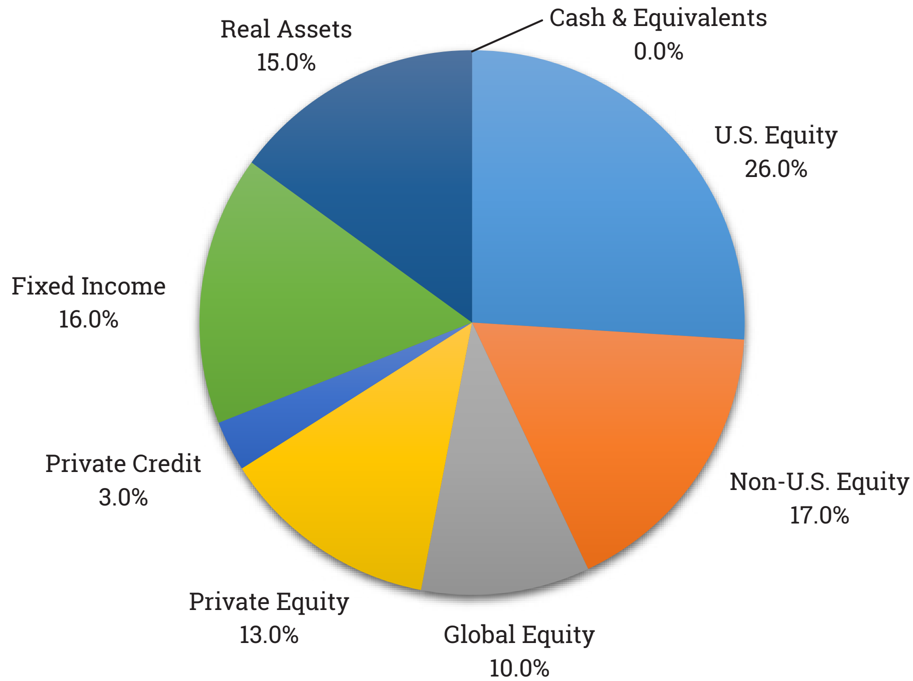
a. The actuarially projected liabilities, benefit payments, and costs to both covered members and employers.
b. Historical and long-term capital market risk and return behavior.
c. The perception of future economic conditions, including inflation and interest rate levels.
d. The relationship between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

The portfolio is rebalanced, as necessary, to maintain asset allocations within their appropriate ranges.

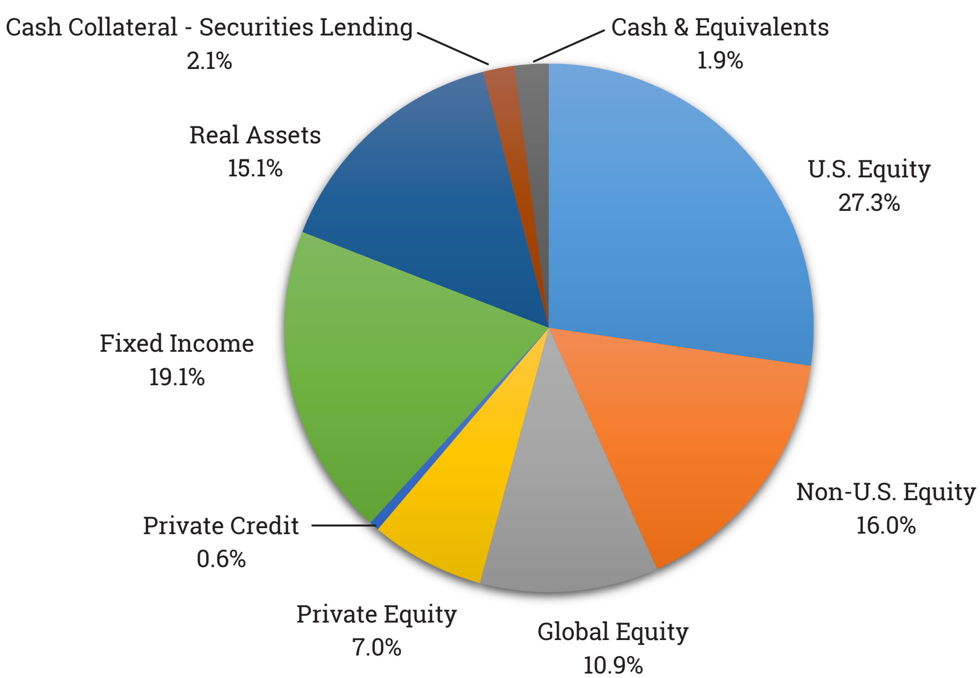
TARGET VS. ACTUAL ASSET ALLOCATION

AS OF JUNE 30, 2019

TARGET [1]



ACTUAL



[1] Represents allocation targets in place as of June 30, 2019.

INVESTMENT SUMMARY

AS OF JUNE 30, 2019 ($ IN THOUSANDS)

Type of Investment	Fair Value	Percent of Total Fair Value
Cash and Cash Equivalents	$110,411	1.9%
Cash Collateral - Securities Lending	120,907	2.1%
Fixed Income	1,117,654	19.1%
Private Credit	34,980	0.6%
Subtotal Fixed Income and Cash	1,383,952	23.7%
U.S. Equity	1,603,681	27.3%
Non-U.S. Equity	936,335	16.0%
Global Equity	635,506	10.9%
Subtotal Equities	3,175,522	54.2%
Private Equity	408,974	7.0%
Real Assets	880,893	15.1%
Total Investments	$5,849,341	100.0%

SCHEDULE OF INVESTMENT RETURNS BASED ON FAIR VALUE

AS OF JUNE 30, 2019 ($ IN THOUSANDS)

	Annualized		
	Current Year [2]	Three-Year [2]	Five Year [2]
U.S. Equity	9.8%	14.4%	10.4%
Russell 3000	9.0%	14.0%	10.1%
Fixed Income	7.3%	3.1%	3.0%
Current Benchmark: Bloomberg Barclays U.S. Aggregate Index	7.9%	2.3%	2.9%
Private Credit	6.7%	-	-
Current Benchmark: 50% Credit Suisse Leveraged/50%Credit Suisse Leveraged Loan + 150 bps	8.0%	-	-
Non-U.S. Equity	2.0%	9.9%	3.1%
Current Benchmark: MSCI ACWI ex U.S.A.	1.3%	9.4%	2.2%
Global Equity	6.2%	12.2%	5.7%
Current Benchmark: MSCI ACWI	5.7%	11.6%	6.2%
Private Equity	14.3%	16.1%	14.1%
Current Benchmark: Russell 3000 + 3%	12.2%	17.4%	13.5%
Real Assets (Real Estate)	2.2%	5.0%	7.5%
Current Benchmark: NCREIF-ODCE	5.5%	6.6%	8.8%
Real Assets (excluding Real Estate)	5.0%	4.9%	0.8%
Benchmark: CPI + 4% (Unadjusted)	5.7%	6.1%	5.5%
Total Fund	7.0%	9.5%	6.1%
VCERA Policy [1]	7.4%	9.9%	6.9%

[1] Current Benchmarks: 26% Russell 3000 Index, 19% Barclays Aggregate, 17% MSCI ACWI ex U.S., 10% MSCI ACWI, 13% Russell 3000 Index + 3%, 7% CPI + 2% Index, and 8% NCREIF ODCE Real Estate Index.
[2] Investment returns are net of fees.

Asset class returns were prepared using the time-weighted rate of return, net of fees. Total Fund performance was calculated based on the weighted average returns.

INVESTMENT

LARGEST EQUITY HOLDINGS (BY FAIR VALUE)

AS OF JUNE 30, 2019 ($ IN THOUSANDS)

	Units	Fund Name	Fair Value
1	5,870,360	Blackrock U.S.Russell 1000 Index Fund	$1,336,612
2	29,968,371	Blackrock MSCI ACWI Equity Index Fund	635,506
3	33,126,238	Blackrock ACWI IMI ex U.S. IMI Index Fund	475,336
4	3,065,231	Sprucegrove Investment Management Group Trust	231,397
5	3,611,703	Walter Scott & Partners Limited Group Trust	137,055
6	59,585	Hexavest EAFE Equity Fund	92,547
7	49,561,391	Adams Street 2013 Global Fund	75,403
8	1,316,651	Blackrock U.S. Russell 2500 Index Fund	65,856
9	11,280,903	Adams Street 2010 U.S. Fund	38,209
10	25,807,914	HarbourVest Dover Street IX	36,541

Note: All VCERA equity investments at June 30, 2019 were held in index funds and commingled investment vehicles.

LARGEST FIXED INCOME HOLDINGS (BY FAIR VALUE)

AS OF JUNE 30, 2019 ($ IN THOUSANDS)

	Par	Bonds	Fair Value
1	98,150,000	U.S. TREASURY N/B 02/29 2.625	$103,502
2	14,852,000	BWS029009 IRS GBP R V 03MLIBOR 1 CCPVANILLA	18,902
3	17,765,000	BWS030841 IRS USD R V 03MLIBOR 1 CCPVANILLA	17,765
4	17,438,000	SWS030825 IRS USD R F 2.225000 2 CCPVANILLA	17,547
5	17,463,000	BWS030403 IRS USD R V 03MLIBOR 1 CCPVANILLA	17,463
6	10,642,000	BWS029009 IRS GBP R V 03MLIBOR 1 CCPVANILLA	13,544
7	13,230,000	BWS030387 CDS USD R V 03MEVENT 1 CCPCDX	13,230
8	12,945,000	BWS030841 IRS USD R V 03MLIBOR 1 CCPVANILLA	12,945
9	12,707,000	SWS030825 IRS USD R F 2.225000 2 CCPVANILLA	12,786
10	12,249,000	BWS030403 IRS USD R V 03MLIBOR 1 CCPVANILLA	12,249

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

SCHEDULE OF INVESTMENT FEES

AS OF JUNE 30, 2019 (WITH COMPARATIVE AMOUNTS FOR JUNE 30, 2018) ($ IN THOUSANDS)

	June 30, 2019	June 30, 2018
Cash and Short-Term Managers	$216	$196
Equity Managers		
U.S. Equity	508	505
Non-U.S. Equity	2,518	2,586
Global Equity	240	237
Fixed Income Managers	1,725	1,671
Private Credit Managers	(58)	-
Private Equity Managers	9,070	4,363
Real Assets Managers	4,917	4,855
Other Investment Expenses	1,296	1,184
Total Investment Management Fees	$20,432	$15,597

SCHEDULE OF COMMISSIONS

VCERA's equity exposure is provided through one (1) separate account and seven (7) commingled trust fund pooled vehicles. Equity exposure in the separate account is provided through the use of equity index futures contracts for which commissions are not charged. VCERA buys or sells units in commingled trust fund pooled vehicles for which commissions are also not paid. Therefore, a Schedule of Commissions is not presented.

INVESTMENT MANAGERS

AS OF JUNE 30, 2019

Equities - U.S.
BlackRock
Western Asset Management

Equities - Non-U.S.
BlackRock
Hexavest
Sprucegrove Investment Management
Walter Scott & Partners

Global Equity
BlackRock

Private Equity
Abbott Capital
Abry Partners
Adams Street Partners
Advent International
Astorg
Battery Ventures
Buenaventure One
Capvest Equity Partners
Clearlake Capital Partners
Drive Capital
ECI 11 GP
GGV Capital
Great Hill Partners
Genstar Capital Partners
GTCR
HarbourVest Partners
Hellman & Freidman Capital
Insight Ventures
The Jordan Company
M/C Partners
Pantheon Ventures (US)
Riverside Partners
TA Associates

Private Credit
Blue Bay
CarVal Investors
Monroe Capital Management Advisors

Fixed Income
BlackRock
Loomis, Sayles & Company
Reams Asset Management
Western Asset Management

Real Assets
Bridgewater Associates
Lasalle
Prudential Global Investment Management
Tortoise Capital Advisors
UBS Realty Investors

Investment Consultant
NEPC
Abbott Capital Management

Cash Overlay
Parametric Portfolio Associates

Custodian
State Street Bank and Trust

Population: 110,000 | **Area:** 32 square miles | **Points of Interest:** Mission San Buenaventura, Channel Islands National Park

Set against rolling hills and miles of gorgeous beach, the city was founded in 1866 and grew up around its famous mission. Known for its beauty, Ventura draws countless tourists each year, complementing its robust government, healthcare and retail industries. As the county seat, Ventura is home to the county fairgrounds, cultural sites and many historic landmarks.

Ventura Pier
(photo by Lucas Dorward)

Kayakers approach Channel Islands
(photo by Doug Mangum)

ACTUARIAL INFORMATION OVERVIEW

ACTUARIAL

INTRODUCTION

The actuarial process at the Ventura County Employees' Retirement Association (VCERA) is governed by provisions in the County Employees Retirement Law of 1937 (CERL), California Government Code Section 31450 et seq. Section 31453 requires VCERA to obtain an actuarial valuation of the pension plan at least once every three years. It further requires the VCERA Board of Retirement (Board) to transmit its recommendations related to contribution rates to the Ventura County Board of Supervisors. The Board of Supervisors adopts and adjusts contribution rates in accordance with VCERA's recommendations.

CHANGES IN PENSION BENEFIT TERMS

The California Public Employees' Pension Reform Act of 2013 (PEPRA), California Government Code Section 7522 et seq., changed benefits for new members of VCERA who entered membership on or after January 1, 2013. These members joined either a General PEPRA benefit tier or a Safety PEPRA benefit tier. The provisions of PEPRA apply for the current actuarial valuation. Due to the limited membership in these tiers as of the June 30, 2013 valuation, demographic profiles for this group were approximated using the data profiles of current active members that had been hired in the year prior to the last valuation as of June 30, 2012 and used to determine the "normal cost" rate for this group. This methodology and contribution rates were adopted by the Board of Retirement at its December 17, 2012 meeting and incorporated into subsequent actuarial valuations.

FUNDING POLICY

In February 2018, the Board of Retirement adopted a new Actuarial Funding Policy, which requires annual adjustment of the employer contribution rates based on the annual valuation performed by VCERA's actuary. Segal Consulting, the Plan's consulting actuary, performed the most recent actuarial valuation as of June 30, 2019, and recommended changes to the employer and member contribution rates. At its January 2019 meeting, the VCERA Board adopted Segal Consulting's June 30, 2018 actuarial valuation report.

CHANGES IN PENSION PLAN ASSUMPTIONS

In addition to the annual valuations, VCERA requires its actuary to review the reasonableness of the Plan's economic and demographic actuarial assumptions every three years. This review, commonly referred to as the investigation of experience or the experience study, is accomplished by comparing actual experience during the preceding three years to what was expected to happen according to the actuarial assumptions. Based on this review, the actuary recommends changes in the assumptions or methodology that will better project benefit liabilities and asset growth. Based on the actuary's recommendations, the VCERA Board adopts methods and assumptions to be used in future valuations. At its June 2018 meeting, the VCERA Board adopted Segal Consulting's recommendations based on the 2017 Investigation of Experience for Retirement Benefit Assumptions with a modification to the mortality improvement scale recommendation. The VCERA Board also adopted a decrease in the discount rate from 7.50% to 7.25%.

MEMBER CONTRIBUTIONS

As part of the experience study, the actuary recommends adjustments to member contribution rates, if necessary, due to changes in the underlying assumptions and methodologies used in calculating member rates for age-based contributory benefit tiers. Therefore, it is expected that the age-based member rates will change no more frequently than every three years, when the actuary reviews the assumptions and methodologies.

For new members under PEPRA, and for other members whose labor contracts provide for single-rate member contribution rates on the basis of 50-50 cost sharing (i.e., County of Ventura, Ventura County Air Pollution Control District and VCERA), the actuary is asked to recommend rates that are one-half the normal cost rate. If there are changes to these total normal cost rates, the actuary recommends new member contribution rates.

EMPLOYER CONTRIBUTIONS

The members and employers are responsible for contributing to the cost of benefits to be earned each year. These contributions are known as normal cost contributions. The portion not funded by expected member contributions is the responsibility of the employers and is referred to as the employer normal cost. Employer contributions are reviewed and changes are recommended each year by the consulting actuary. The actuary recommended new employer normal cost contribution rates for all employers based on the June 30, 2019 valuation; VCERA anticipates that the County will implement these rates between July 1 and September 26, 2020.

The employers are also responsible for contributing funding shortfalls related to liabilities accrued in the past, including changes in the economic and demographic assumptions impacting past service. This portion of the employer's contribution rate is known as the Unfunded Actuarial Accrued Liability (UAAL) contribution.

The latest actuarial valuation as of June 30, 2019, decreased the employer normal cost rate from 9.77% to 9.74%. The change in the normal cost contribution rates from year to year is generally due to multiple factors. This year, the normal cost rate was impacted by new assumptions adopted for the 2019 valuation, normal actuarial experience, a reduction in the discount rate from 7.50% to 7.25%, and a change in plan proportion as new members are hired into the PEPRA benefit tiers. The employers' required contribution rate to finance the UAAL over a layered 15- to 20-year period decreased from 18.72% to 13.58%. Member contribution rates increased for all contributing members, effective with the 2018 actuarial valuation, due to new assumptions adopted with the 2017 Investigation of Experience.

ACTUARIAL COST METHOD

The entry age normal actuarial cost method is used for both funding requirements and financial reporting purposes. The entry age normal method allocates costs to each future year as a level percentage of payroll, which is ideal for employers to budget for future costs.

AUDITS

VCERA periodically conducts actuarial audits of retirement benefit valuations and experience studies. The most recent triennial valuation and experience study was completed as of June 30, 2017 and, thereafter, the Plan's audit actuary, Gabriel, Roeder, Smith & Company (GRS), performed an audit of Segal Consulting's 2014 experience study, 2016 valuation report and 2015 economic actuarial assumption review. In regard to the audit of the experience study, GRS concluded: "The retained actuary's work provides a fair and reasonable assessment of the financial position of VCERA. We are pleased to report that we have found no critical issues in the retained actuary's work."

OTHER ACTUARIAL INFORMATION

Actuarially Determined Contributions: The Schedule of Employer Contributions included in the Required Supplementary Information Section provides 10 years of actuarially determined contributions in relation to the actual contributions provided to the Plan.

Actuarial Methods and Assumptions: A description of the actuarial methods and assumptions for the Plan valuation used by VCERA's actuary are included in this Actuarial Section. In addition, the Financial Section provides a summary of the actuarial methods and significant assumptions used to prepare the valuation report, which determines the Plan's funding requirements. The Financial Section also discusses the actuarial methods and significant assumptions used for financial reporting and required Governmental Accounting Standards Board (GASB) Statement No. 67 disclosures.

ACTUARIAL INFORMATION OVERVIEW (CONTINUED)

The following additional information is included in this section:

- Actuary's Certification Letter
- Summary of Actuarial Assumptions and Methods
- Active Member Valuation Data
- Schedule of Retirees and Beneficiaries Added to and Removed from Payroll
- Actuarial Analysis of Financial Experience
- Schedule of Funded Liabilities by Type
- Schedule of Funding Progress
- Summary of Plan Provisions
- Probability of Separation from Active Service

A Summary of Major Plan Provisions for the Pension Plan is available upon request from VCERA.

Segal Consulting

180 Howard Street Suite 1100 San Francisco, CA 94105-6147
T 415.263.8200 www.segalco.com

October 29, 2019

Board of Retirement
Ventura County Employees' Retirement Association
1190 South Victoria Avenue, Suite 200
Ventura, CA 93003-6572

**Re: Ventura County Employees' Retirement Association
June 30, 2019 Actuarial Valuation for Funding Purposes**

Dear Members of the Board:

Segal Consulting (Segal) prepared the June 30, 2019 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 2018. 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, 2019 actuarial valuation, Segal received participant data from the Association's staff. This information has not been audited by us, but it has been reviewed and found to be reasonable, both internally and with prior year's information. We did not audit the Association's financial statements. For actuarial valuation purposes, Plan assets are valued at Actuarial Value. Under this method, the assets used to determine employer contribution rates take into account market value by recognizing the differences between the total return at market value and the expected investment return over ten semi-annual accounting periods.

One of the general goals of an actuarial valuation is to establish contribution rates which 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 UAAL as of June 30, 2004 over a declining (or closed) 15-year period. Any change in the 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, 2019 is illustrated in the Schedule of Funding Progress.

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, 2019 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, 2019 for funding purposes is listed below.

1. Summary of Actuarial Assumptions and Methods as of June 30, 2019
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. Schedule of Funded Liabilities by Type
6. Schedule of Funding Progress
7. Probability of Occurrence

The valuation assumptions included in the Actuarial Section were adopted by the Retirement Board based on our recommendations following the July 1, 2014 through June 30, 2017 Actuarial Experience Study report dated May 24, 2018. It is our opinion that the assumptions used in the June 30, 2019 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 and the next experience analysis is due to be performed during the first half of 2021.

In the June 30, 2019 valuation, the ratio of the valuation value of assets to actuarial accrued liabilities increased slightly from 87.8% to 88.0% and the average employer contribution rate decreased from 28.49% of payroll to 23.32% of payroll.

The valuation value of assets included $70.8 million in deferred investment gains, which represented about 1.2% 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 88.0% to 89.1% and the average employer contribution rate, expressed as a percent of payroll, would have decreased from 23.32% to about 22.52%.

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

JY/hy

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

AS OF JUNE 30, 2019

Actuarial Assumptions and Methods
Recommended by the Actuary and adopted by the Board of Retirement.

Actuarial Cost Method
Entry age normal.

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
7.25% per annum; 4.50% real rate of return and 2.75% inflation.

Projected Salary Increases
3.75% – 11.75% varying by service. Includes inflation at 2.75%, "across the board" increases of 0.50%, plus merit and longevity increases.

Terminations of Employment Rates
0.6% to 14.0%

Cost-of-Living Adjustments
0-3% COLA for General Tier 1 and Safety members tied to the change in Consumer Price Index. Flat 2% COLA for eligible General Tier 2 (Legacy) and General Tier 8 (PEPRA) members represented by SEIU.

Expectation of Life After Retirement
General Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table times 90% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2017. Safety Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table times 75% for males and 85% for females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

Expectation of Life After Disability
General Members: Headcount-Weighted RP-2014 Disabled Retiree Mortality Table times 85% for males and 100% for females, projected generationally with the two-dimensional mortality improvement scale MP-2017. Safety Members: Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table times 100% for males and 115% for females, projected generationally with the two-dimensional mortality improvement scale MP-2017.

Date of Adoption
June 4, 2018

ACTUARIAL

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, 2019	General	7,153	$599,646,399	$83,831	2.23%	45.7	10.7
	Safety	1,543	$185,755,638	$120,386	2.14%	41.1	14.2
	Total	8,696	$785,402,037	$90,318	2.22%	44.9	11.3
June 30, 2018	General	7,086	$581,080,493	$82,004	2.74%	45.8	10.7
	Safety	1,525	$179,734,722	$117,859	1.00%	41.1	14.2
	Total	8,611	$760,815,215	$88,354	2.43%	44.9	11.3
June 30, 2017	General	7,128	$568,947,112	$79,819	4.05%	45.7	10.5
	Safety	1,508	$175,970,274	$116,691	3.86%	41.3	14.6
	Total	8,636	$744,917,386	$86,257	3.96%	45.0	11.2
June 30, 2016	General	7,015	$538,141,938	$76,713	2.25%	45.7	10.5
	Safety	1,494	$167,857,742	$112,355	0.41%	41.5	14.8
	Total	8,509	$705,999,680	$82,971	1.45%	45.0	11.4
June 30, 2015	General	6,778	$508,504,947	$75,023	3.34%	46.1	10.6
	Safety	1,521	$170,200,899	$111,901	5.02%	41.5	14.3
	Total	8,299	$678,705,846	$81,782	3.57%	45.3	11.4
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	-2.57%	46.0	10.0
	Safety	1,524	$164,916,105	$108,213	-5.26%	40.7	13.6
	Total	8,040	$637,037,380	$79,234	-3.16%	45.1	10.9
June 30, 2010	General	6,505	$483,722,608	$74,362	2.86%	46.0	9.9
	Safety	1,498	$171,105,613	$114,223	7.00%	40.8	13.8
	Total	8,003	$654,828,221	$81,823	3.70%	45.0	10.6

ACTUARIAL

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM 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
2019	7,038	442	(200)	7,280	$28,243	($7,756)	$292,775	7.52%	$40,216
2018	6,766	467	(195)	7,038	$22,900	$(6,193)	$272,288	6.54%	$38,688
2017	6,539	372	(145)	6,766	$20,489	$(6,327)	$255,581	5.87%	$37,774
2016	6,338	396	(195)	6,539	$18,570	$(5,574)	$241,419	5.69%	$36,920
2015	6,121	398	(181)	6,338	$16,977	$(6,658)	$228,423	4.73%	$36,040
2014	5,888	394	(161)	6,121	$17,698	$(4,832)	$218,104	6.27%	$35,632
2013	5,658	378	(148)	5,888	$18,163	$(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

ACTUARIAL

ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

($ IN THOUSANDS)

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Prior Valuation Unfunded (Excess Funded) Accrued Liability	$746,981	$744,326	$813,043	$875,827	$820,215	$953,354	$975,867	$774,964	$761,459	$573,553
Salary Increases Greater (Less) Than Expected	(2,944)	(4,839)	35,441	(19,801)	17,095	(56,617)	(49,186)	(93,786)	(131,928)	(19,314)
Asset Return (Greater) Less Than Expected	88,043	(55,696)	(24,707)	42,251	(81,080)	(13,827)	25,512	72,404	127,192	202,739
Other Experience Factors	(57,218)	(85,320)	(79,451)	(85,234)	(98,405)	(62,695)	1,161	(5,030)	18,241	4,481
Change In Actuarial Assumptions	-	148,510	-	-	218,002	-	-	227,315	-	-
Ending Valuation Unfunded (Excess Funded) Accrued Liability	$774,862	$746,981	$744,326	$813,043	$875,827	$820,215	$953,354	$975,867	$774,964	$761,459

SCHEDULE OF FUNDED LIABILITIES BY TYPE

($ 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**
June 30, 2019	$793,803	$2,963,427	$2,682,158	$6,439,388	$5,664,526	100%	100%	71.11%
June 30, 2018	758,314	2,768,422	2,603,022	6,129,758	5,382,777	100%	100%	71.30%
June 30, 2017	725,090	2,561,943	2,416,363	5,703,396	4,959,070	100%	100%	69.20%
June 30, 2016	683,571	2,417,426	2,297,759	5,398,756	4,585,713	100%	100%	64.62%
June 30, 2015	647,597	2,269,555	2,261,005	5,178,157	4,302,330	100%	100%	61.26%
June 30, 2014	611,921	2,150,677	1,968,418	4,731,016	3,910,801	100%	100%	58.33%
June 30, 2013	584,474	2,051,529	1,939,060	4,575,063	3,621,709	100%	100%	50.83%
June 30, 2012	569,893	1,919,116	1,884,218	4,373,227	3,397,360	100%	100%	48.21%
June 30, 2011	549,207	1,810,062	1,636,083	3,995,352	3,220,388	100%	100%	52.63%
June 30, 2010	525,190	1,674,735	1,677,518	3,877,443	3,115,984	100%	100%	54.61%

SCHEDULE OF FUNDING PROGRESS

($ IN THOUSANDS)

Actuarial Valuation Date	Valuation 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)
June 30, 2019	$5,664,526	$6,439,388	$774,862	87.97%	$785,402	98.66%
June 30, 2018	5,382,777	6,129,758	746,981	87.81%	760,815	98.18%
June 30, 2017	4,959,070	5,703,396	744,326	86.95%	744,917	99.92%
June 30, 2016	4,585,713	5,398,756	813,043	84.94%	706,000	115.16%
June 30, 2015	4,302,230	5,178,157	875,927	83.08%	678,706	129.06%
June 30, 2014	3,910,801	4,731,016	820,215	82.66%	648,257	126.53%
June 30, 2013	3,621,709	4,575,063	953,354	79.16%	638,763	149.25%
June 30, 2012	3,397,360	4,373,227	975,867	77.69%	633,848	153.96%
June 30, 2011	3,220,338	3,995,352	775,014	80.60%	637,037	121.66%
June 30, 2010	3,115,984	3,877,443	761,459	80.36%	654,828	116.28%

[1] Based on the expected covered 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 or Plan).

Membership

All permanent employees of the County of Ventura or contracting district scheduled to work 64 or more hours per biweekly pay period become members of VCERA upon appointment. There are separate benefit tiers 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 hired on or after January 1, 2013, is designated as a California Public Employees' Pension Reform Act of 2013 (PEPRA) member and is subject to the provisions of the PEPRA found in California Government Code 7522 et seq. and Assembly Bill (AB) 197. All other employees are classified as general members. Those hired prior to June 30, 1979, and certain management personnel who entered service prior to October 16, 2001, are included in General Tier 1. Employees hired after that date are included in General Tier 2. Any new general member hired on or after January 1, 2013, is designated as a PEPRA member and is subject to the provisions of California Government Code 7522 et seq. and AB 197.

Vesting

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

Employer Contributions

The County of Ventura and contracting districts contribute to the 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 benefit tier in which they are included. The contribution rate applicable to the member is applied to total pensionable earnings, which includes base pay and additional pay items allowable by law. The employer, as a result of provisions contained in individual collective bargaining agreements, may pay a portion of the member's contribution.

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

Service Retirement Benefit

General members hired 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 general member with 30 years of service is eligible to retire regardless of age. General members first hired on or after January 1, 2013 (PEPRA) are eligible to retire once they have attained the age of 52 and have acquired five years of retirement service credit.

Safety members hired 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 safety member with 20 years of service is eligible to retire regardless of age. Safety members first hired on or after January 1, 2013 (PEPRA) are eligible to retire once they have attained the age of 50 and have acquired five years of retirement service credit.

The retirement benefit a member will receive is based upon age at retirement, final average compensation, years of retirement service credit and benefit tier. Safety member benefits are calculated pursuant to the provisions of California Government Code Section 31664 for those members hired prior to January 1, 2013. The monthly allowance is equal to 1/50th of final compensation times years of accrued retirement service credit multiplied by the age factor from California Government Code Section 31664. For those safety members first hired on or after January 1, 2013, benefits are calculated pursuant to the provision of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement service credit multiplied by the age factor from California Government Code Section 7522.25(d).

General member benefits are calculated pursuant to the provisions of California Government Code Sections 31676.11 and 31676.1 for members hired prior to January 1, 2013. 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 the age factor from either California Government Code Section 31676.11 (Tier 1) or 31676.1 (Tier 2). General member benefits for those first hired on or after January 1, 2013, are calculated pursuant to the provision of California Government Code Section 7522.20(a). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement service credit multiplied by the age factor from California Government Code 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 General Tier 1 member and the highest 36 consecutive months for a General Tier 2 or PEPRA member (General and Safety).

At retirement, a member may elect an unmodified retirement allowance or an optional modified retirement allowance. The Unmodified Option provides the highest monthly benefit to the retiree and a 60% continuance to an eligible surviving spouse, registered domestic partner, or minor child(ren). An eligible surviving spouse or registered domestic partner is one married or registered to the member for at least one year prior to the retirement date. There are four modified options the member may choose. Each modified option requires a reduction in the unmodified retirement allowance to allow the member the ability to provide certain benefits to a surviving spouse, registered domestic partner, minor child(ren), or named beneficiary who has an insurable interest in the life of the member.

Cost-of-Living Adjustment

VCERA provides an annual cost-of-living adjustment (COLA) to Safety and General Tier I retirees. The COLA is based on the Consumer Price Index for the Los Angeles-Riverside-Orange County area and is capped at 3.0%. General member retirees who were represented by SEIU and accrued service after March 15, 2003 receive a fixed 2% cost-of-living adjustment pursuant to bargaining agreements.

Disability Retirement Benefits

VCERA provides disability retirement benefits for a service-connected or nonservice-connected injury or disease. To qualify for a disability retirement, the member must be permanently incapacitated from 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 child(ren), shall receive a 100% continuance of the benefit.

A member must have a minimum of five years of retirement service credit to qualify for a nonservice-connected disability retirement. The General member benefit payable for a nonservice-connected disability is equal to 90% of one-sixth of final compensation for each year of service not to exceed one-third of final compensation. For Safety members, the nonservice-connected disability retirement benefit payable is 90% of one-fifth of final compensation, not to exceed one-third 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 up to six months' salary (Basic Death Benefit).

If the member has completed five years of service and has an eligible surviving spouse or minor child(ren), the beneficiary may elect (a) a refund of the member's accumulated contributions, plus one month's salary for each year of completed service up to a maximum of six months' salary, or (b) a monthly retirement allowance equal to 60% of the deceased member's earned benefit if he/she had retired with a nonservice-connected disability at the time of death, or (c) a combined benefit consisting of the Basic Death Benefit plus a monthly allowance reduced by the actuarial equivalent of the Basic Death Benefit. 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) may be eligible for a monthly benefit equal to 100% of the deceased member's earned benefit at the time of death.

Retired Member Death Benefits

If the member retired for service or with a nonservice-connected disability, the benefit payable to an eligible surviving spouse would be an amount equal to 60% or 100% (dependent upon the option the member selected at retirement) 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 or registered domestic partner, benefits may be payable to a minor child(ren).

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

PROBABILITY OF SEPARATION FROM ACTIVE SERVICE

(IN PERCENTAGES)

Age Nearest	Rates of Mortality	Rates of Disability	Rates of Retirement Non PEPRA	Rates of Retirement PEPRA
General Members - Male				
25	0.0005	0.0002	0.0000	0.0000
30	0.0005	0.0003	0.0000	0.0000
35	0.0005	0.0006	0.0000	0.0000
40	0.0006	0.0011	0.0000	0.0000
45	0.0010	0.0017	0.0000	0.0000
50	0.0017	0.0023	0.0200	0.0000
55	0.0027	0.0031	0.0475	0.0400
60	0.0045	0.0041	0.1050	0.0900
65	0.0078	0.0054	0.2800	0.2000
70	0.0127	0.0069	0.2250	0.5000
General Members - Female				
25	0.0002	0.0002	0.0000	0.0000
30	0.0002	0.0003	0.0000	0.0000
35	0.0003	0.0006	0.0000	0.0000
40	0.0004	0.0011	0.0000	0.0000
45	0.0007	0.0017	0.0000	0.0000
50	0.0011	0.0023	0.0200	0.0000
55	0.0017	0.0031	0.0475	0.0400
60	0.0024	0.0041	0.1050	0.0900
65	0.0036	0.0054	0.2800	0.2000
70	0.0059	0.0069	0.2250	0.5000

General Members Years of Service	Withdrawal [1]
Less than 1	0.1400
5	0.0500
10	0.0325
15	0.0250
20 & Over	0.0200

[1] No withdrawal is assumed after a member is first assumed to retire.

PROBABILITY OF SEPARATION FROM ACTIVE SERVICE (CONTINUED)

(IN PERCENTAGES)

Age Nearest	Rates of Mortality	Rates of Disability	Rates of Retirement Non PEPRA	Rates of Retirement PEPRA
Safety Members - Male				
25	0.0005	0.0011	0.0100	0.0000
30	0.0005	0.0024	0.0100	0.0000
35	0.0005	0.0036	0.0100	0.0000
40	0.0006	0.0052	0.0100	0.0000
45	0.0010	0.0084	0.0100	0.0000
50	0.0017	0.0130	0.0200	0.0400
55	0.0027	0.0276	0.2000	0.2000
60	0.0045	0.0564	0.2500	0.2500
65	0.0078	0.0280	1.0000	1.0000
70	0.0127	0.0000	1.0000	1.0000
Safety Members - Female				
25	0.0002	0.0011	0.0100	0.0000
30	0.0002	0.0024	0.0100	0.0000
35	0.0003	0.0036	0.0100	0.0000
40	0.0004	0.0052	0.0100	0.0000
45	0.0007	0.0084	0.0100	0.0000
50	0.0011	0.0130	0.0200	0.0400
55	0.0017	0.0276	0.2000	0.2000
60	0.0024	0.0564	0.2500	0.2500
65	0.0036	0.0280	1.0000	1.0000
70	0.0059	0.0000	1.0000	1.0000

Safety Members Years of Service	Withdrawal [1]
Less than 1	0.1100
5	0.0300
10	0.0140
15	0.0085
20 & Over	0.0060

[1] No withdrawal is assumed after a member is first assumed to retire.

STATISTICAL SECTION

Population: 67,000 | **Area:** 20 square miles | **Points of Interest:** Camarillo Ranch House, Camarillo Public Library

Named for Adolfo Camarillo, who grew lima beans and bred horses in the early 1900s, the town resides on the Oxnard Plain in the heart of Ventura County. Brimming with art galleries and theatres, Camarillo also boasts a thriving cultural heritage, high standard of living, family-friendly community and attractive business environment.

Statues of Don Adolfo in Old Town Camarillo
(images courtesy of Visit Camarillo)

STATISTICAL INFORMATION OVERVIEW

The objective of the Statistical Information Overview Section is to provide historical perspective, context, and detail to assist in utilizing the Basic Financial Statements, Notes to the Basic Financial Statements, and Supplementary Information to understand and assess the status of the pension plan administered by VCERA as of the fiscal year end. This section also includes multi-year trends of financial and operating information to facilitate comprehensive understanding of how VCERA'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.

The Statistical Information provided here is divided into two main categories: Financial Trends Information and Operating Information.

Financial Trends Information is intended to assist readers in understanding how VCERA's financial position has 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 member refunds and death benefits deductions by type of benefit and by member type.

Operating Information provides 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* presents benefit information for the current year by benefit type and dollar levels. The *Schedule of Average Monthly Benefit Payments* reflects the number of newly retired members, average monthly benefit and average final salary, shown in five-year increments. The *Participating Employers and Active Members* presents the employers and their corresponding covered employees. The *Employer Contribution Rates* is also provided as additional information.

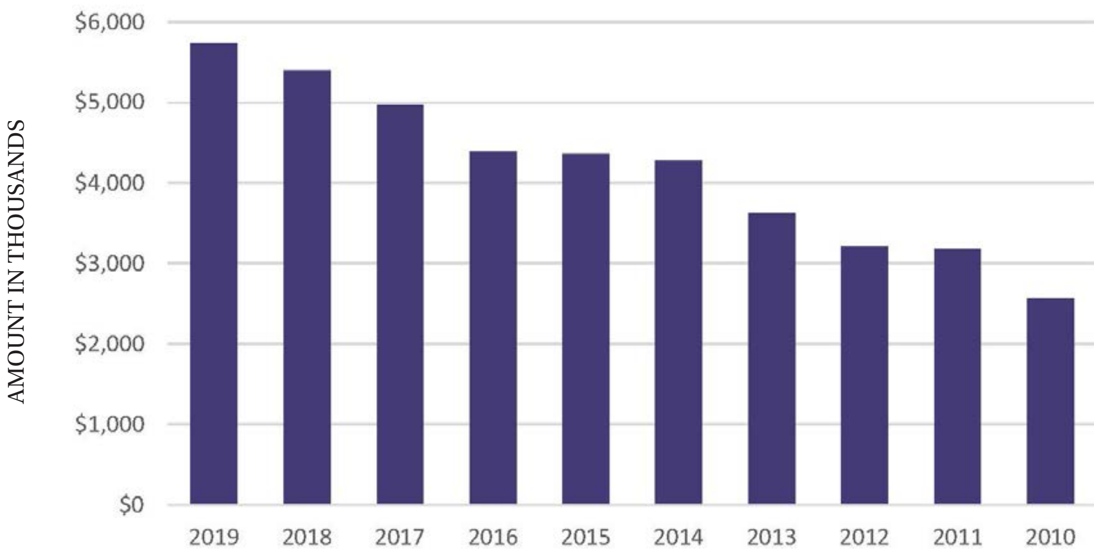
CHANGES IN PENSION PLAN FIDUCIARY NET POSITION

LAST TEN FISCAL YEARS (IN THOUSANDS)

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
ADDITIONS					
Employer Contributions	$ 199,933	$197,683	$190,759	$177,710	$175,099
Member Contributions	75,157	74,044	72,395	69,470	63,679
Net Investment Income	368,665	445,902	580,526	25,739	88,681
Total Additions	643,755	717,629	843,680	272,919	327,459
DEDUCTIONS					
Benefits	292,775	272,288	255,581	241,419	228,423
Administrative	5,342	4,881	5,524	4,474	3,854
Member Refunds & Death Payments	4,344	5,430	5,164	4,984	5,272
Other Expenses	2,397	2,815	-	-	-
Total Deductions	304,858	285,414	266,269	250,877	237,549
Change In Pension Plan Fiduciary Net Position	$338,897	$432,215	$577,411	$22,042	$89,910

	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 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	658,580	436,638	50,683	627,327	347,087
Total Additions	874,957	631,790	235,943	791,618	495,256
DEDUCTIONS					
Benefits	218,105	205,238	191,332	180,070	166,029
Administrative	4,045	3,944	3,536	4,387	3,227
Member Refunds & Death Payments	5,428	4,720	3,783	4,388	4,081
Other Expenses	-	-	-	-	-
Total Deductions	227,578	213,902	198,651	188,845	173,337
Change In Pension Plan Fiduciary Net Position	$647,379	$417,888	$37,292	$602,773	$321,919

TOTAL PLAN NET POSITION



SCHEDULE OF PENSION BENEFIT EXPENSES BY TYPE

LAST 10 FISCAL YEARS ($ IN THOUSANDS)

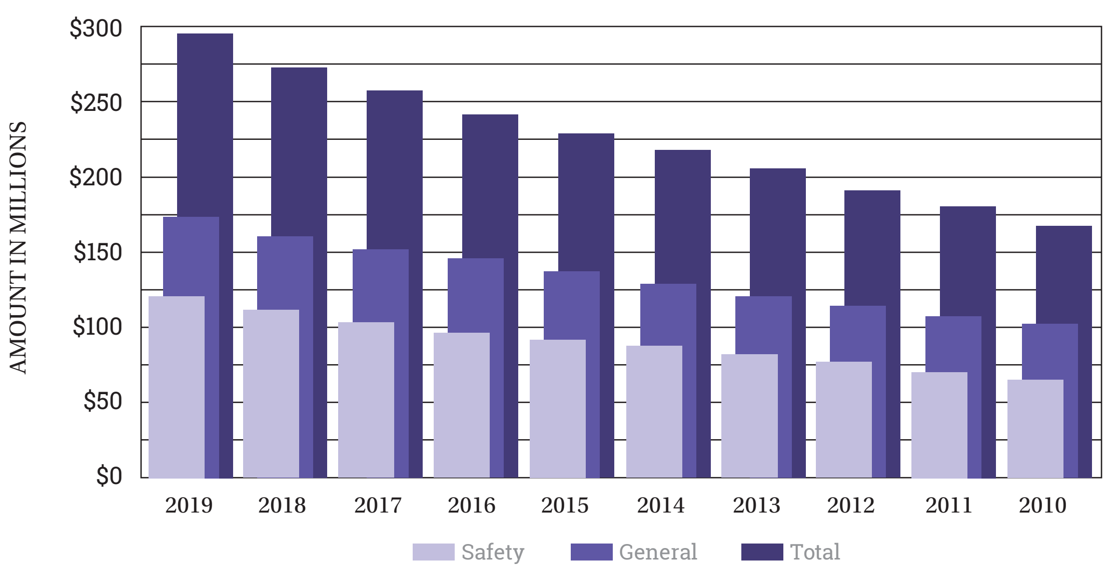
	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Service Retirement					
General	$150,543	$139,476	$131,107	$125,219	$116,593
Safety	81,736	75,110	69,332	62,618	61,918
Total	232,279	214,586	200,439	187,837	178,511
Disability Retirement					
General	9,853	10,065	9,945	9,966	9,711
Safety	30,072	28,479	26,753	26,895	24,426
Total	39,925	38,544	36,698	36,861	34,137
Survivor Continuances					
General	11,763	11,180	10,660	9,894	9,335
Safety	8,808	7,978	7,784	6,827	6,440
Total	20,571	19,158	18,444	16,721	15,775
Total Retired Members					
General	172,159	160,721	151,712	145,079	135,639
Safety	120,616	111,567	103,869	96,340	92,784
Total	292,775	272,288	255,581	241,419	228,423
Member Refunds & Death Benefits					
General	3,929	5,082	4,634	4,160	4,703
Safety	415	348	530	824	569
Total	$4,344	$5,430	$5,164	$4,984	$5,272

SCHEDULE OF PENSION BENEFIT EXPENSES BY TYPE (CONTINUED)

LAST 10 FISCAL YEARS ($ IN THOUSANDS)

	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
Service Retirement					
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 & Death Benefits					
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

PENSION BENEFIT PAYMENTS



ACTIVE AND DEFERRED MEMBERS

LAST TEN FISCAL YEARS

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Active Vested					
General	4,681	4,562	4,594	4,619	4,632
Safety	1,205	1,200	1,207	1,231	1,245
Active Nonvested					
General	2,472	2,524	2,534	2,396	2,146
Safety	338	325	301	263	276
Total Active Members					
General	7,153	7,086	7,128	7,015	6,778
Safety	1,543	1,525	1,508	1,494	1,521
Deferred Members					
General	2,695	2,570	2,484	2,332	2,140
Safety	346	339	325	307	301
Total	11,737	11,520	11,445	11,148	10,740

	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 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 Non-vested					
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

RETIRED MEMBERS BY TYPE OF PENSION BENEFIT

AS OF JUNE 30, 2019

Amount of Monthly Benefit	Number of Retirees	Type of Retirement[1]		
		A	B	C
General Members				
$1 - $999	1,599	1,195	63	341
$1,000 - $1,999	1,608	1,196	207	205
$2,000 - $2,999	934	754	82	98
$3,000 - $3,999	553	486	39	28
$4,000 - $4,999	345	313	11	21
$5,000 - $5,999	230	209	1	20
$6,000 - $6,999	148	139	2	7
$7,000 - $7,999	91	85	3	3
$8,000 - $8,999	66	64	-	2
$9,000 - $9,999	46	43	1	2
> $10,000	115	112	2	1
Totals	5,735	4,596	411	728
Safety Members				
$1 - $999	83	62	16	5
$1,000 - $1,999	119	73	7	39
$2,000 - $2,999	161	62	36	63
$3,000 - $3,999	182	65	59	58
$4,000 - $4,999	155	50	56	49
$5,000 - $5,999	150	50	73	27
$6,000 - $6,999	111	47	42	22
$7,000 - $7,999	85	48	23	14
$8,000 - $8,999	86	52	24	10
$9,000 - $9,999	80	56	17	7
> $10,000	333	266	55	12
Totals	1,545	831	408	306
Grand Total	7,280	5,427	819	1,034

[1] Type of Retirement:
- A - Service Retiree
- B - Disability Retiree
- C - Beneficiary/Continuant/Survivor

STATISTICAL

RETIRED MEMBERS RECEIVING BENEFITS

SCHEDULE OF AVERAGE MONTHLY BENEFIT PAYMENTS

2016-2019

Years of Credited Service	5-9	10-14	15-19	20-24	25-29	30+
Retirees - 2019						
General Members						
Average Monthly Benefit	$905	$1,825	$2,687	$3,726	$4,365	$5,980
Average Final Average Salary	$5,902	$7,409	$7,911	$8,863	$7,880	$8,959
Number of Active Retirees	52	85	57	28	34	54
Safety Members						
Average Monthly Benefit	$909	$2,728	$3,017	$5,322	$6,922	$10,802
Average Final Average Salary	$6,131	$9,110	$7,417	$9,607	$10,095	$12,919
Number of Active Retirees	4	3	4	15	15	37
Retirees - 2018						
General Members						
Average Monthly Benefit	$991	$1,835	$2,659	$3,599	$4,475	$5,706
Average Final Average Salary	$6,062	$7,191	$7,523	$7,879	$8,515	$9,118
Number of Active Retirees	44	70	50	55	49	55
Safety Members						
Average Monthly Benefit	$2,519	$2,788	$4,046	$5,236	$9,104	$10,750
Average Final Average Salary	$5,585	$8,754	$8,497	$9,129	$12,452	$13,089
Number of Active Retirees	2	10	4	7	22	34
Retirees - 2017						
General Members						
Average Monthly Benefit	$999	$1,757	$2,801	$3,527	$3,798	$5,141
Average Final Average Salary	$6,018	$6,627	$8,185	$7,476	$7,088	$8,344
Number of Active Retirees	33	55	37	37	30	45
Safety Members						
Average Monthly Benefit	$1,650	$2,785	$3,926	$5,354	$8,868	$9,405
Average Final Average Salary	$9,830	$9,696	$8,890	$10,097	$11,750	$12,047
Number of Active Retirees	3	4	3	5	12	24
Retirees - 2016						
General Members						
Average Monthly Benefit	$902	$1,694	$2,608	$3,433	$4,168	$5,455
Average Final Average Salary	$5,427	$6,493	$7,835	$7,326	$7,225	$8,215
Number of Active Retirees	35	54	30	31	29	46
Safety Members						
Average Monthly Benefit	$1,621	$2,329	$4,491	$5,430	$8,605	$8,504
Average Final Average Salary	$9,830	$7,789	$8,710	$9,975	$11,254	$11,425
Number of Active Retirees	3	3	6	6	17	35

SCHEDULE OF AVERAGE MONTHLY BENEFIT PAYMENTS

2012-2015

Years of Credited Service	5-9	10-14	15-19	20-24	25-29	30+
Retirees - 2015						
General Members						
Average Monthly Benefit	$1,094	$1,835	$2,535	$3,156	$4,737	$5,969
Average Final Average Salary	$6,296	$6,725	$6,716	$6,941	$8,200	$7,913
Number of Active Retirees	34	57	36	54	27	30
Safety Members						
Average Monthly Benefit	$2,288	$2,843	$6,112	$4,199	$7,827	$11,376
Average Final Average Salary	$8,230	$8,843	$11,928	$7,873	$11,778	$13,039
Number of Active Retirees	4	6	2	7	13	14
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

2010-2011

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	$2,089	$3,021	$5,528	$6,822	$7,925	$12,281
Average Final Average Salary	$9,315	$13,110	$10,450	$12,291	$10,547	$13,718
Number of Active Retirees	10	4	4	8	11	24
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

PARTICIPATING EMPLOYERS AND ACTIVE MEMBERS

LAST TEN FISCAL YEARS

	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012	June 30, 2011	June 30, 2010
County of Ventura										
General Members	6,640	6,607	6,654	6,552	6,319	6,212	6,104	6,031	6,069	6,057
Safety Members	1,544	1,525	1,508	1,494	1,521	1,538	1,505	1,490	1,524	1,498
Total	8,184	8,132	8,162	8,046	7,840	7,750	7,609	7,521	7,593	7,555
Participating Agencies (General Membership)										
Ventura Regional Sanitation District	76	68	63	66	68	69	61	60	60	61
Ventura County Courts	388	362	361	352	345	345	350	387	387	387
Ventura County Air Pollution Control District	43	44	45	45	46	46	48	51	-	-
Ventura County Employees' Retirement Association	5	5	5	-	-	-	-	-	-	-
Total	512	479	474	463	459	460	459	498	447	448
Total Active Membership										
General Members	7,153	7,086	7,128	7,015	6,778	6,672	6,563	6,529	6,516	6,505
Safety Members	1,543	1,525	1,508	1,494	1,521	1,538	1,505	1,490	1,524	1,498
Total	8,696	8,611	8,636	8,509	8,299	8,210	8,068	8,019	8,040	8,003

EMPLOYER CONTRIBUTION RATES

LAST TEN FISCAL YEARS

The contribution rates associated with the actuarial valuation years listed below take effect two fiscal years after the dates shown.

Valuation Year	Tier 1	Tier 2	PEPRA Tier 2	Safety	PEPRA Safety
County of Ventura					
June 30, 2019	24.70%	16.09%	16.12%	54.60%	52.19%
June 30, 2018	24.40%	16.54%	16.39%	55.66%	53.49%
June 30, 2017	23.85%	16.80%	16.67%	54.56%	52.77%
June 30, 2016	22.93%	18.07%	16.63%	53.87%	50.30%
June 30, 2015	47.39%	16.74%	16.41%	51.65%	52.42%
June 30, 2014	37.35%	18.42%	16.15%	54.57%	48.99%
June 30, 2013	171.83%	10.15%	14.67%	46.63%	43.16%
June 30, 2012	114.29%	10.16%	N/A	43.86%	43.86%
June 30, 2011	79.92%	8.82%	N/A	37.94%	37.94%
June 30, 2010	46.89%	7.70%	N/A	31.06%	31.06%
Other Participating Agencies					
June 30, 2019	24.70%	16.09%	16.12%	N/A	N/A
June 30, 2018	24.40%	16.54%	16.39%	N/A	N/A
June 30, 2017	23.85%	16.80%	16.67%	N/A	N/A
June 30, 2016	22.93%	18.07%	16.63%	N/A	N/A
June 30, 2015	47.78%	16.74%	16.41%	N/A	N/A
June 30, 2014	37.35%	18.42%	16.15%	N/A	N/A
June 30, 2013	171.83%	10.15%	14.67%	N/A	N/A
June 30, 2012	114.29%	10.16%	N/A	N/A	N/A
June 30, 2011	79.92%	8.82%	N/A	N/A	N/A
June 30, 2010	46.89%	7.70%	N/A	N/A	N/A