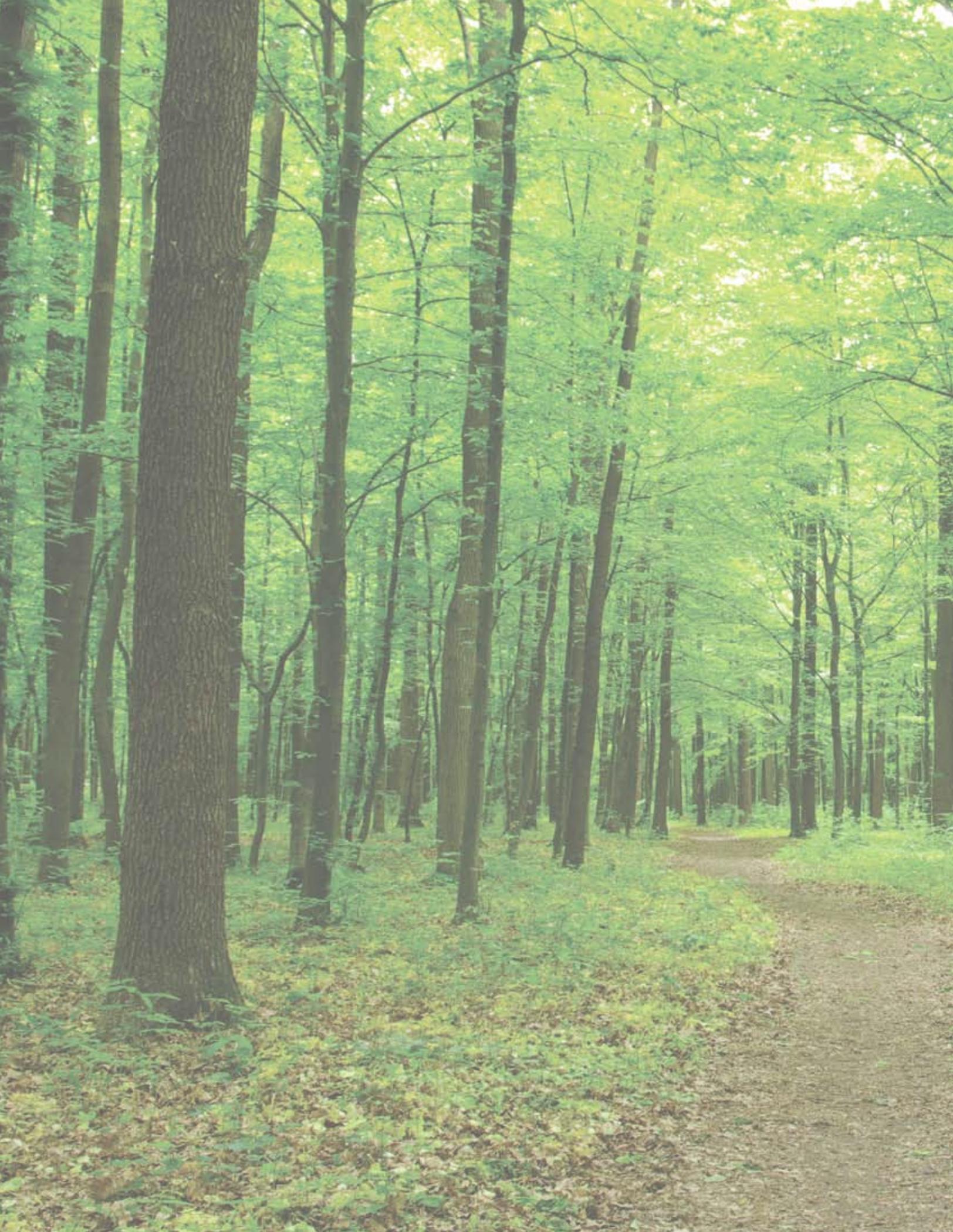




FOR THE FISCAL YEARS ENDED
JUNE 30, 2013 AND 2012
SACRAMENTO, CALIFORNIA

Annual Financial Report Summary



MESSAGE TO SCERS MEMBERS

On behalf of the Board of Retirement and Staff of the Sacramento County Employees' Retirement System ("SCERS" or "the System"), I am pleased to present the SCERS Annual Financial Report Summary ("Report") for the fiscal year ended June 30, 2013. This Report provides information on the financial status of your retirement system and is based on the Comprehensive Annual Financial Report ("CAFR") prepared by SCERS each year. The full CAFR for the fiscal years ended June 30, 2013 and 2012, and other important information about your retirement system, can be found on the SCERS website, www.scers.org.

Your SCERS benefits play an important role in your retirement security, so you should have confidence that SCERS is adhering to the highest fiduciary and professional standards in the management and expenditure of the assets of the System. Accordingly, our goal in providing this Report is to help you confirm that SCERS is responsible, accountable and transparent with respect to the management of the nearly \$7 billion SCERS pension trust, and that we are successfully meeting our long term responsibilities to our stakeholders.

As you will see in the Report, SCERS continues to be in a strong financial position, with a funded ratio of approximately 83%, one of the highest funding ratios among California public employee retirement systems. This is due to SCERS' broadly diversified investment program and prudent approach to the management of the pension trust, which has allowed SCERS to remain strong and stable notwithstanding the global financial crisis in 2008-2009. In fact, as a result of good financial management and strong investment performance over the four years since the market collapse (an average annual investment return of 12.6%), SCERS has been able to mitigate the impact of the market collapse on employer pension costs, saving the County of Sacramento and SCERS' other participating employers millions of dollars, and the impact of the market downturn has been nearly fully addressed.

In the fiscal year ended June 30, 2013, SCERS' investment performance continued to add value to the pension trust, with a return of 13.2% (gross of fees), and the pension trust is now more than \$1 billion larger than it was before the market collapse. The investment performance has also been strong over the long term, with an annual investment return of 8.4% over the last twenty-seven years, comfortably above the investment return target of 7.5%. Finally, SCERS continues to maintain a positive cash flow, with annual income from employer and employee contributions and the investment program in excess of benefit payments and System expenses. Together, this is strong evidence that your SCERS benefits remain secure and will be paid as promised.

In sum, we believe this Report will allow you to confirm the financial health and fiduciary integrity of your retirement system. We also believe it reflects the high standards and professionalism you should expect as a member of SCERS. For additional information, we encourage you to review the extensive financial, actuarial and benefits information available on the SCERS website, as well as the retirement-related news items and educational materials that can be found there.

All of us at SCERS are committed to addressing the questions and needs you may have regarding your retirement benefits, so please feel free to contact SCERS at sacretire@saccounty.net or call us at (916) 874-9119 if we can be of any assistance.

Respectfully Submitted,



Richard Stensrud
Chief Executive Officer

FINANCIAL STATEMENTS

Fiduciary Net Position

Net position represents the accumulation of assets that exceed liabilities, which are available to meet SCERS' obligations to plan participants and beneficiaries. As of June 30, 2013, the net position restricted for pension benefits ("net position") totaled \$6.788 billion which represented an increase of \$714.1 million, or 11.8%, from the \$6.074 billion in net position as of June 30, 2012. The net position as of June 30, 2012 decreased \$66.7 million, or 1.1%, over the \$6.141 billion in net position as of June 30, 2011. The increase in net position for the fiscal year ended June 30, 2013 was due to strong investment returns. An investment downturn in the second half of the year was the primary reason for the decrease in total additions for the fiscal year ended June 30, 2012.

CHANGE IN FIDUCIARY NET POSITION For the Fiscal Years Ended June 30 (Dollar Amounts Expressed in Millions)

	2013	2012	Increase/ (Decrease)	% Change
Additions				
Employee contributions	\$68.3	\$65.7	\$2.6	4.0%
Employer contributions	189.7	179.1	10.6	5.9
Net gain from investment activities	824.0	27.4	796.6	2,907.3
Net income from securities lending	2.4	2.7	(0.3)	(11.1)
Other expenses	(3.4)	(4.2)	0.8	(19.0)
Investment fees and expenses	(37.6)	(29.3)	(8.3)	28.3
Total additions	1,043.4	241.4	802.0	332.2
Deductions				
Benefits paid	320.9	298.8	22.1	7.4
Withdrawal of contributions	2.7	3.0	(0.3)	(10.0)
Administrative expenses	5.7	6.3	(0.6)	(9.5)
Total deductions	329.3	308.1	21.2	6.9
Increase/(decrease) in net position	714.1	(66.7)	780.8	1,170.6
Net position restricted for pension benefits, beginning	6,073.9	6,140.6	(66.7)	(1.1)
Net position restricted for pension benefits, ending	\$6,788.0	\$6,073.9	\$714.1	11.8%

CHANGE IN FIDUCIARY NET POSITION For the Fiscal Years Ended June 30 (Dollar Amounts Expressed in Millions)

	2012	2011	Increase/ (Decrease)	% Change
Additions				
Employee contributions	\$65.7	\$57.2	\$8.5	14.9%
Employer contributions	179.1	182.9	(3.8)	(2.1)
Net gain from investment activities	27.4	1,228.4	(1,201.0)	(97.8)
Net income from securities lending	2.7	2.0	0.7	35.0
Other income/(expenses)	(4.2)	4.7	(8.9)	(189.4)
Investment fees and expenses	(29.3)	(28.4)	(0.9)	3.2
Total additions	241.4	1,446.8	(1,205.4)	(83.3)
Deductions				
Benefits paid	298.8	276.2	22.6	8.2
Withdrawal of contributions	3.0	4.4	(1.4)	(31.8)
Administrative expenses	6.3	6.6	(0.3)	(4.5)
Total deductions	308.1	287.2	20.9	7.3
Increase/(decrease) in net position	(66.7)	1,159.6	(1,226.3)	(105.8)
Net position restricted for pension benefits, beginning	6,140.6	4,981.0	1,159.6	23.3
Net position restricted for pension benefits, ending	\$6,073.9	\$6,140.6	\$(66.7)	(1.1)%



Additions to Net Position

(Dollar Amounts Expressed in Millions)

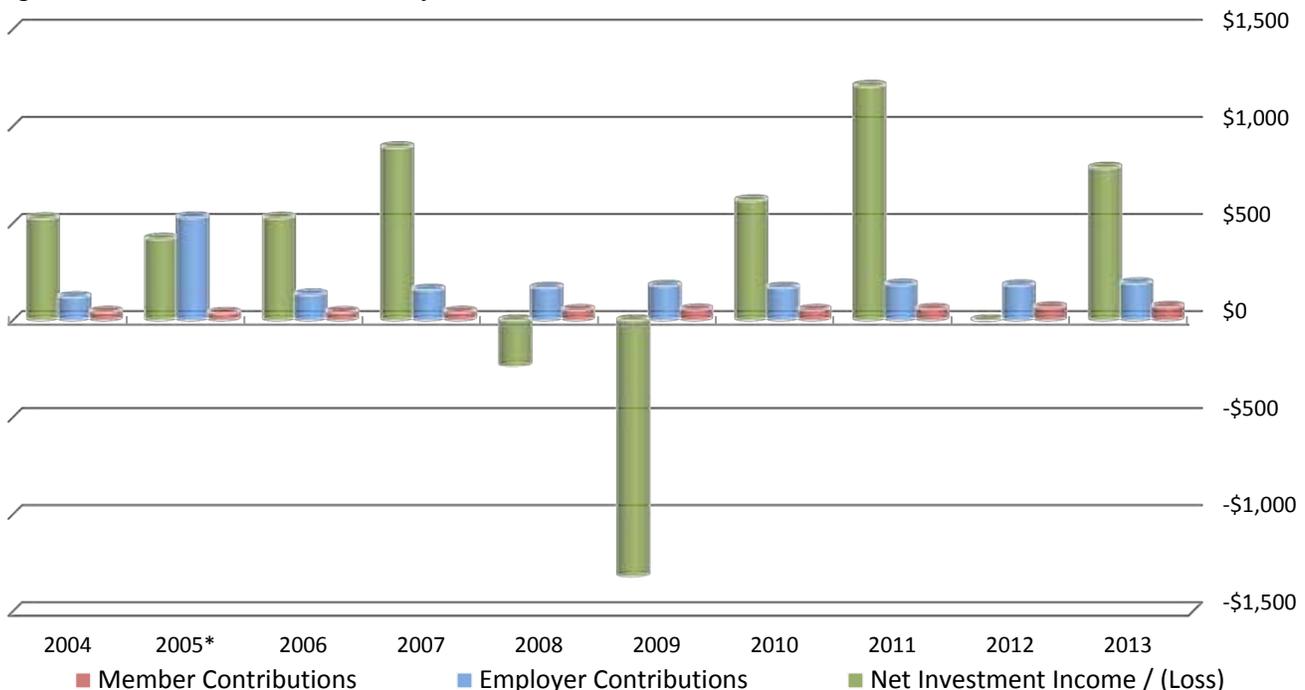
Year Ended June 30	Employee Contributions	Employer Contributions	Net Investment Income / (Loss)	Total
2013	\$68.3	\$189.7	\$785.4	\$1,043.4
2012	65.7	179.1	(3.4)	241.4
2011	57.2	182.9	1,206.7	1,446.8
2010	52.4	167.1	617.5	837.0
2009	54.6	177.0	(1,318.4)	(1,086.8)
2008	52.1	167.1	(234.8)	(15.6)
2007	42.9	156.8	891.5	1,091.2
2006	42.0	132.7	527.9	702.6
2005	36.9	529.6*	419.5	986.0
2004	42.9	119.1	525.2	687.2

Financing for the benefits SCERS provides to its participants comes primarily from income on investments and retirement contributions made by employers and employees.

As noted above, financing for the benefits SCERS provides to its participants comes primarily from income on investments and the retirement contributions made by employers and employees. For the fiscal years ended June 30, 2013, 2012 and 2011, the total additions were \$1.043 billion, \$241.4 million and \$1.447 billion, respectively.

Net investment gains/(losses) were \$785.4 million, \$(3.4) million and \$1.207 billion for the fiscal years ended June 30, 2013, 2012 and 2011, respectively.

For the years ended June 30, 2013, 2012 and 2011, the combined employer and employee contributions were \$258.0 million, \$244.8 million and \$240.1 million, respectively. Fiscal year 2012-2013 employee contributions increased primarily due to the purchase of additional retirement credit (“ARC”), while the employer contributions increased due to an increase in the aggregated contribution rate. Fiscal year 2011-2012 employee contributions increased primarily due to ARC purchases and a slight increase in contribution rates while the employer contributions decreased due to a slight decrease in the aggregated contribution rate and a decrease in total annual compensation as Sacramento County continued to restructure its workforce.



* In the fiscal year ended June 30, 2005, employer contributions included \$420.0 and \$10.5 in proceeds from pension obligation bonds issued by the County of Sacramento and Sacramento Metropolitan Fire District, respectively.

Deductions from Net Position

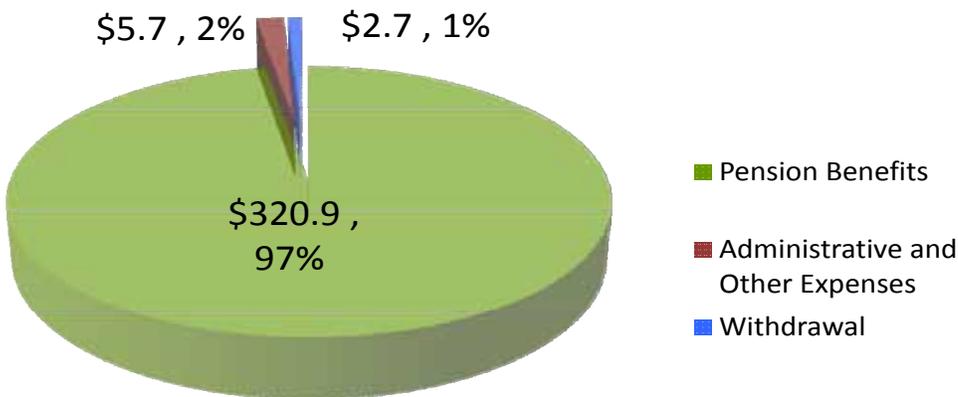
(Dollar Amounts Expressed in Millions)

SCERS' net position was used for benefit payments to members and their beneficiaries, for the payment of contribution withdrawals to terminated employees, and for the cost of administering the retirement system. For the years ended June 30, 2013 and 2012, total deductions were \$329.3 million and \$308.1 million, respectively. The primary reasons for the increase in deductions in both years were an increase in the number of retired members and the annual cost-of-living adjustment paid to retirees and beneficiaries. Administrative expenses have remained stable at less than half the level permitted by the County Employees' Retirement Law of 1937 ("1937 Act").

Year Ended June 30:	Pension Benefits	Administrative and Other Expenses	Withdrawals	Total
2013	\$320.9	\$5.7	\$2.7	\$329.3
2012	298.8	6.3	3.0	308.1
2011	276.2	6.6	4.4	287.2
2010	253.1	5.9	4.9	263.9
2009	232.3	6.0	3.3	241.6
2008	214.9	5.9	3.2	224.0
2007	196.0	5.8	4.4	206.2
2006	178.4	5.1	4.6	188.0
2005	162.5	5.3	3.5	171.2
2004	153.8	6.7	4.0	164.4

Note: For the year ended June 30, 2004, Administrative and Other Expenses include retroactive benefits of \$0.8 related to the Ventura litigation settlement.

Fiscal Year 2012-2013 Deductions



Reserves

SCERS' reserves are established in accordance with requirements of the 1937 Act, after satisfying administrative and investment expenses. For actuarial purposes, SCERS utilizes a 7-year smoothing methodology under which a portion of the market gains and losses is recognized and allocated to the reserves through interest crediting. The difference between market value of assets (equivalent to fiduciary net position) and the smoothed actuarial value of assets is tracked in the market stabilization reserve. As of June 30, 2013 and 2012, the market stabilization reserve was \$(9.8) million and \$(456.0) million, respectively. The reduction in the market stabilization reserve was due to continued strong investment performance since the collapse of the global investment markets in 2008-2009.

Net Position Restricted for Benefits, at Fair Value

(Dollar Amounts Expressed in Millions)

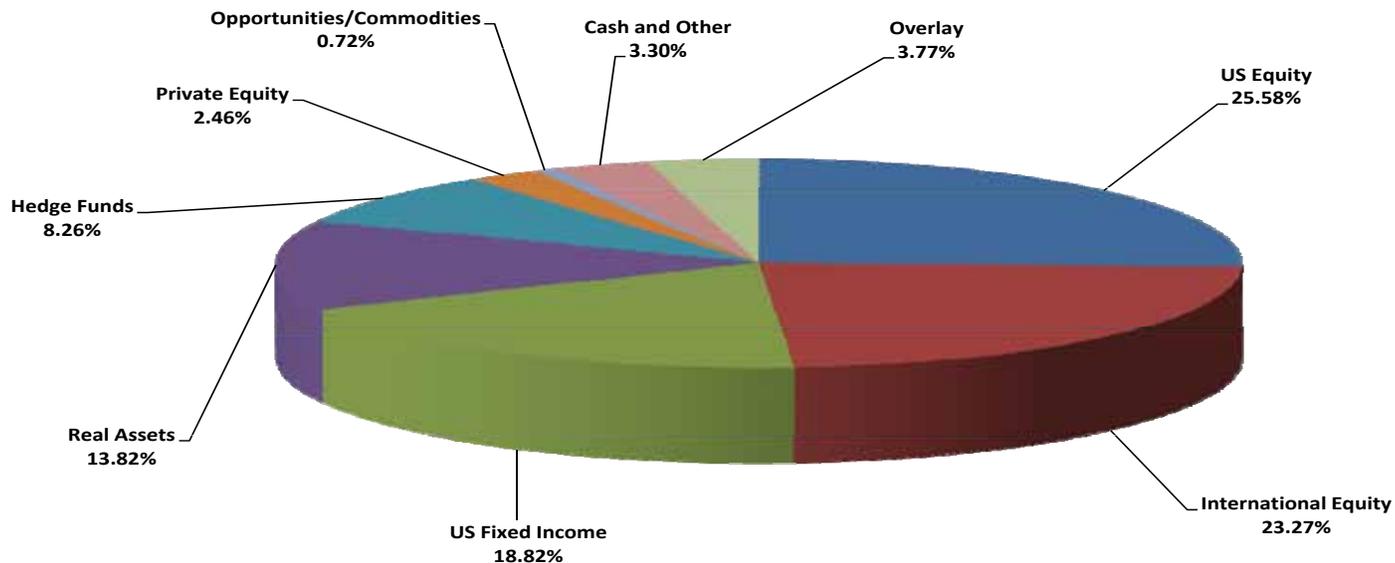
As of June 30	2013	2012
Employee Reserves	\$700.0	\$674.0
Employer Reserves	2,433.9	2,358.9
Retiree Reserves	3,649.2	3,482.4
Retiree Death Benefit Reserves	14.7	14.6
Total allocated reserves and designation	6,797.8	6,529.9
Market Stabilization Reserve	(9.8)	(456.0)
Net position restricted for benefits, at fair value	\$6,788.0	\$6,073.9



INVESTMENT PERFORMANCE

Asset Allocation as of June 30, 2013

SCERS maintains an overall investment policy designed to achieve a diversified investment portfolio that controls risk and provides stable performance across all economic environments. An integral part of the investment policy is the strategic asset allocation, which is designed to provide an optimal mix of asset classes with return expectations that correspond to expected liabilities. The strategic asset allocation also emphasizes maximum diversification of the portfolio to protect the System from the possibility that a particular asset class may experience poor investment performance in a given period.



Asset Class	Fair Value (In Millions)	Annualized Returns*					
		1 Year		3 Years		5 Years	
		Actual	Benchmark	Actual	Benchmark	Actual	Benchmark
Domestic Equity	\$1,733.5	21.7%	21.5%	18.4%	18.6%	6.9%	7.2%
International Equity	1,578.9	16.3	14.1	8.5	8.5	0.6	(0.3)
Fixed Income	1,382.7	1.1	(0.7)	5.4	3.5	7.8	5.2
Real Assets	1,062.2	4.7	6.2	N/A	N/A	N/A	N/A
Hedge Funds	561.3	13.2	5.1	7.2	5.1	1.8	5.3
Private Equity**	167.8	13.7	17.4	7.7	15.3	(9.9)	8.3
Opportunities	54.0	22.6	(0.7)	19.2	3.5	4.8	5.2
Overlay	256.3	N/A	N/A	N/A	N/A	N/A	N/A
Cash	188.7	0.0	0.1	0.2	0.1	0.0	0.2
Total Cash and Investments***	\$6,985.4	13.2%	10.9%	11.9%	11.9%	4.3%	4.6%

* Annualized returns shown on a gross of fee basis and includes the overlay, which rebalances asset classes and invests un-invested cash to replicate asset allocation policy targets.

** Although fair value reported is as of June 30, 2013, returns cited are delayed one quarter.

*** The Benchmark consists of 22.5% Russell 3000, 22.5% ACWI ex U.S., 20% Barclays Aggregate, 10% T-Bill plus 5%, 10% Russell 1000 plus 3% and 15% CPI-U Headline plus 5%. From 1/1/2008 to 12/31/11, the Benchmark consisted of 30% Russell 3000 Index, 20% ACWI ex U.S., 20% Barclays Aggregate, 12% NCREIF Property, 3% NAREIT Property, 5% T-Bill plus 5%, 5% Dow Jones UBS Commodities, and 5% S&P 500 plus 2%.

Investment Performance (continued)

(Dollar Amounts Expressed in Millions)

For the fiscal year ended June 30, 2013, SCERS' investments provided a 12.8% gain (net of fees) compared to a 0.2% gain (net of fees) for the fiscal year ended June 30, 2012.

The increased investment return for the fiscal year ended June 30, 2013 was primarily due to global coordination on monetary policy that stimulated gains in equities and certain other asset classes.

The overriding investment philosophy followed by SCERS continues to center on the principle of diversification and the search for long-term value.

For the latest information, review the SCERS website, www.scers.org.

ACTUARIAL SUMMARY

Actuarial Funding Status

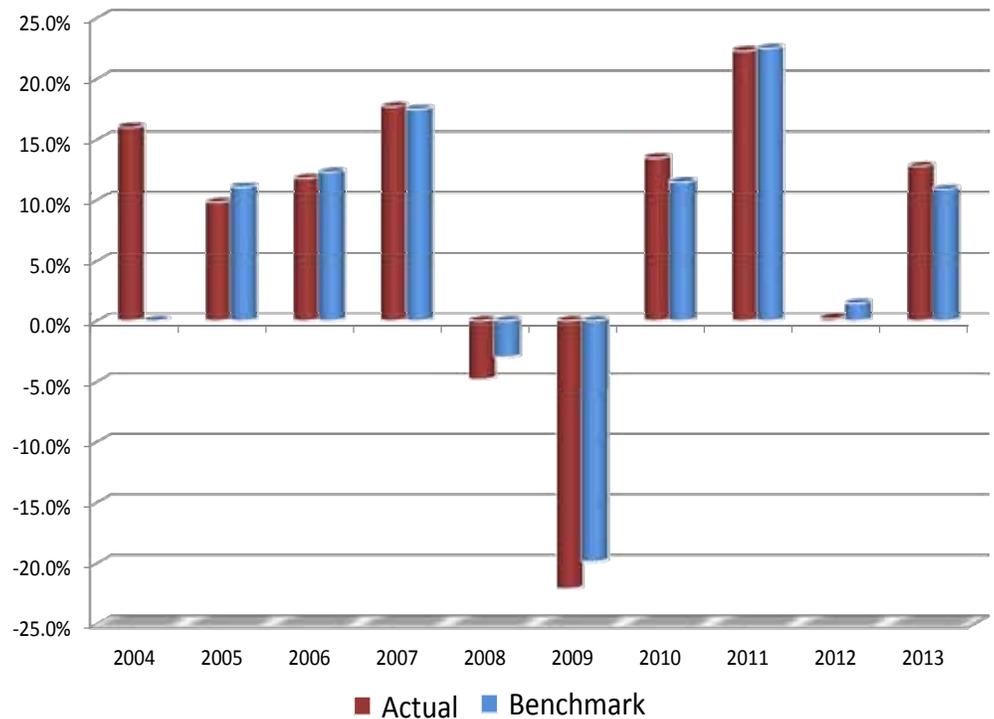
SCERS' overall funding objective is to meet long-term benefit promises by maintaining a well-funded plan through a combination of superior investment returns and employer and employee contributions which are both minimized and maintained as level as possible for each generation of active members. SCERS retains an independent actuarial firm, Segal Consulting, to perform an annual actuarial valuation to monitor the funding status of the System.

An actuarial valuation is similar to an inventory process. On the valuation date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the actuarial liabilities, which represents the actuarial present value of all future benefits expected to be paid with respect to each member. The purpose of the valuation is to determine what future contributions will be needed from the members and participating employers to pay all expected future benefits. To help reduce year-to-year volatility in employer contribution rates due to fluctuations in investment performance, SCERS smoothes the calculation of actuarial assets over a seven-year period. This not only stabilizes contribution rates, but also improves the ability of an employer to plan for possible future increases or decreases in costs.

As of June 30, 2013, deferred losses under the smoothing methodology exceeded deferred gains by \$9.8 million. The level of deferred losses has been reduced significantly since the global financial crisis in 2008-2009 due to strong investment performance over the past four years. The current level of deferred losses indicates that the impact of the market collapse has been largely addressed.

Net Investment Returns

Fiscal Year Ended June 30



Note: Benchmark returns were not available for fiscal year 2004.

Based on peer comparison, SCERS' one-year performance ranked in the 30th percentile (1st being the best percentile rank) in the IFX Public DB for public funds with assets greater than \$1 billion.

Actuarial Summary (continued)

(Dollar Amounts Expressed in Millions)

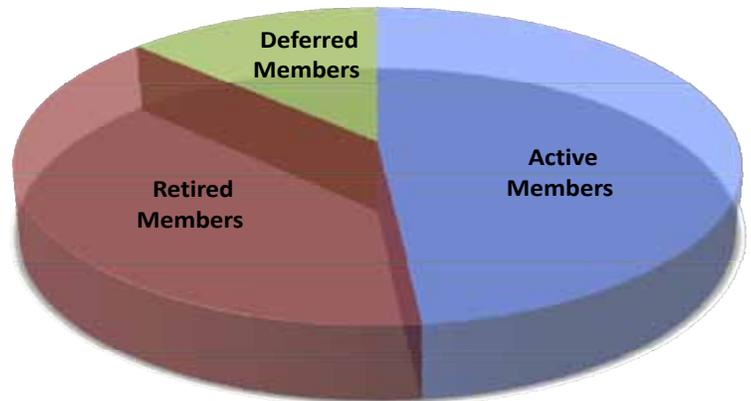
As of June 30, 2013, SCERS' funding ratio was 82.8%, with the actuarial value of assets totaling \$6.798 billion and the actuarial accrued liability totaling \$8.211 billion. In general terms, this ratio means that as of June 30, 2013, SCERS has approximately 83 cents available for each dollar of anticipated future liability.

As of June 30	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL	Funded Ratio
2013	\$6,797.8	\$8,211.0	\$1,413.2	82.8%
2012	6,529.9	7,838.2	1,308.3	83.3
2011	6,420.8	7,382.9	962.1	87.0
2010	6,217.0	7,090.5	873.5	87.7
2009	5,730.2	6,662.0	931.8	86.0

System Membership

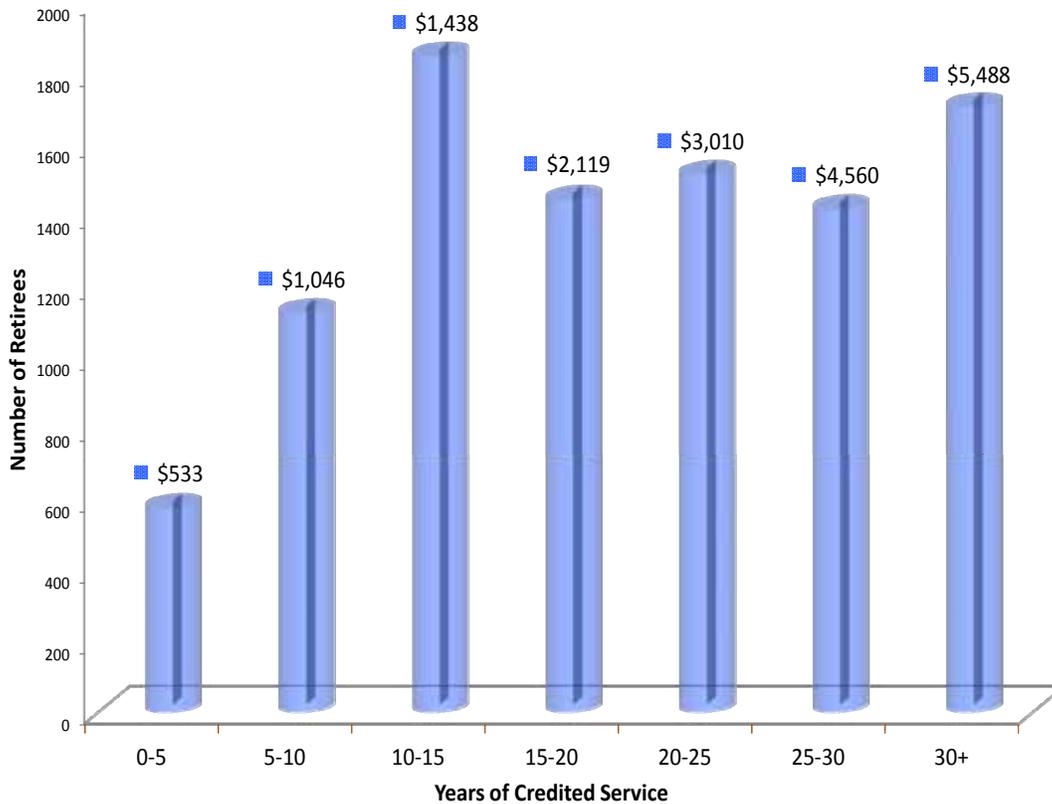
SCERS' members include permanent full-time and part-time employees of the County of Sacramento; Superior Court of California, County of Sacramento; and eleven Special Districts. As of June 30, 2013, SCERS had 12,026 active members (a decrease of 1.1%), 9,634 retired members (an increase of 4.3%), and 3,249 deferred members (a increase of 13.96%).

Fiscal Year 2012-2013



As of June 30	Active Members	Retired Members	Deferred Members	Total
2013	12,026	9,634	3,249	24,909
2012	12,155	9,239	2,851	24,245
2011	12,434	8,821	2,710	23,965
2010	13,340	8,346	2,740	24,426
2009	14,796	7,968	2,818	25,582
2008	15,180	7,709	2,661	25,550
2007	14,716	7,464	2,437	24,617
2006	14,412	7,108	2,192	23,712
2005	13,728	6,784	2,135	22,647
2004	13,672	6,291	2,110	22,073

Retired Members



The graph shows a distribution of the current retired members based on their years of credited service and the corresponding average monthly benefit payments as of June 30, 2013.

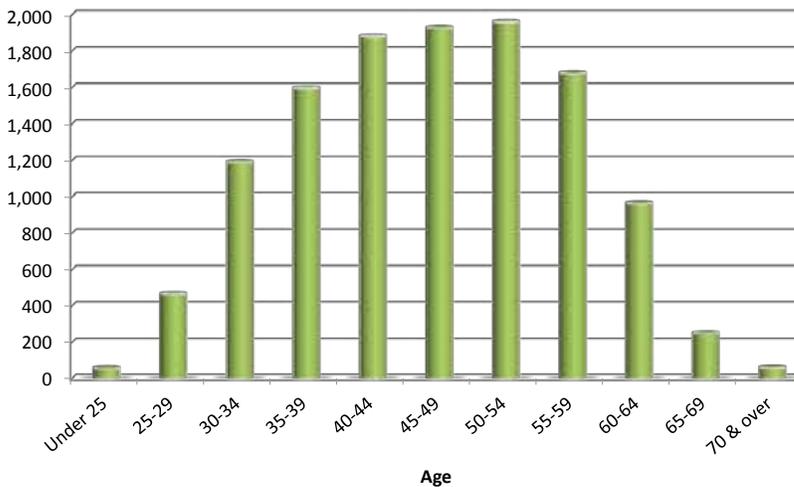
- 63.2% of retired members have more than 15 years of credited service
- Average benefit is \$2,865 per month or \$34,380 per year
- Monthly benefit is higher for longer service
- Average age of retired members is 69.0

■ Average Monthly Benefit Payments

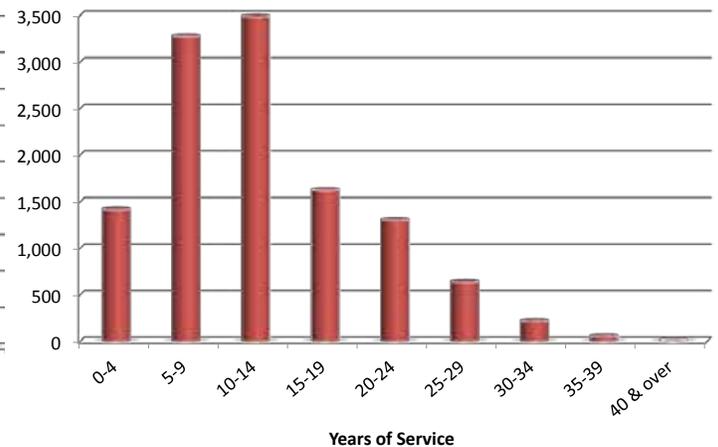
Active Members

Plan costs are affected by the age, years of service and compensation of active members. As of June 30, 2013, there were 12,026 active members with an average age of 47.0 and average years of service of 12.9 years.

Distribution of Active Members by Age



Distribution of Active Members by Years of Service



This Annual Financial Report Summary is derived from the information contained in SCERS' Comprehensive Annual Financial Report (CAFR) but does not include all information required for conformity with Generally Accepted Accounting Principles (GAAP). The CAFR, which provides more detailed information and is produced in conformity with GAAP, is available online at www.scers.org.

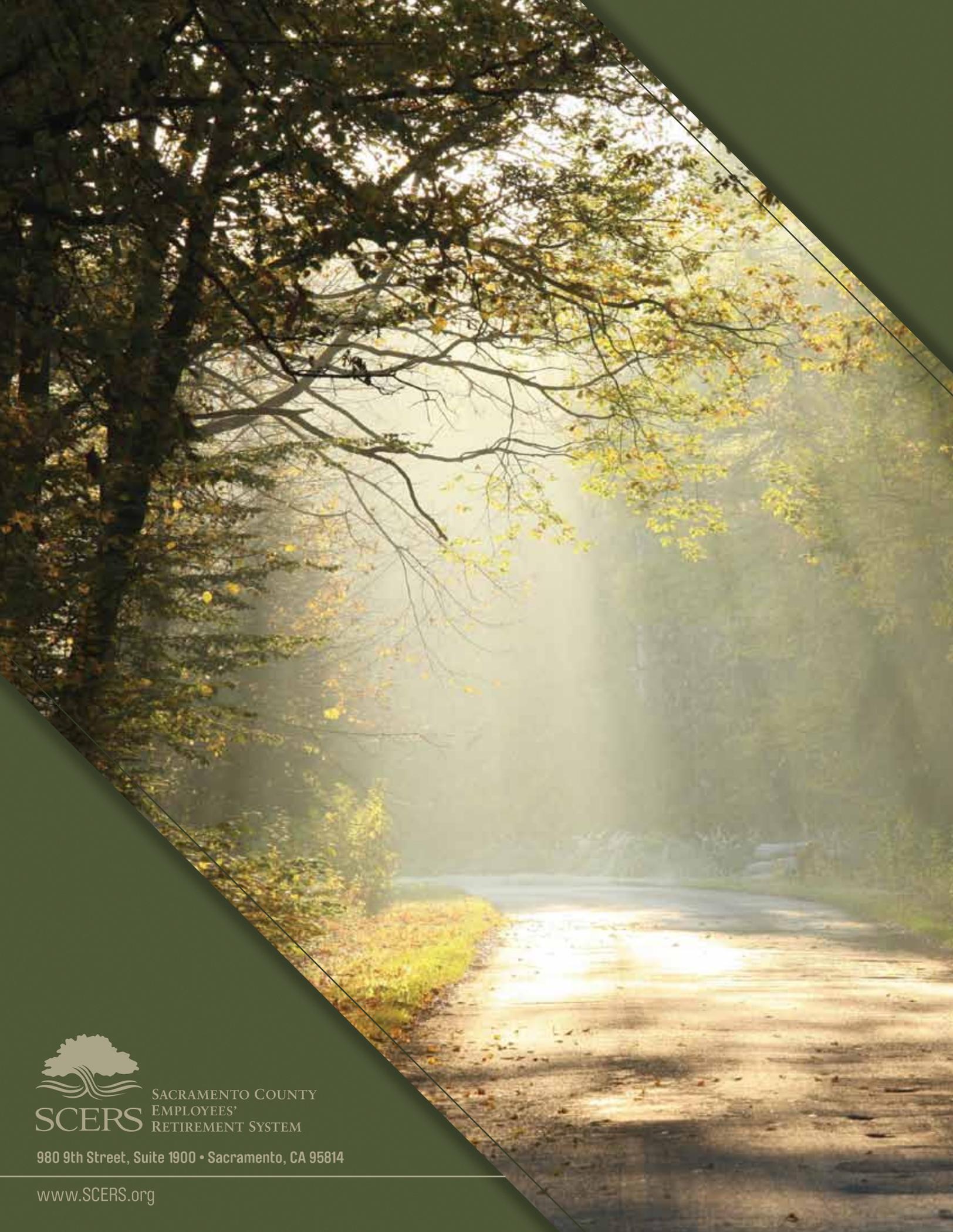


SCERS MISSION STATEMENT AND CORE VALUES

We are dedicated to providing the highest level of retirement services and managing system resources in an effective and prudent manner.

In fulfilling our mission as a retirement system, we are committed to:

-  The highest levels of professionalism and fiduciary responsibility**
-  Acting with integrity**
-  Competent, courteous and respectful service to all**
-  Open and fair processes**
-  Safeguarding confidential information**
-  Cost-effective operations**
-  Stable funding and minimal contribution volatility**
-  Effective communication and helpful education**
-  Maintaining a highly competent and committed staff**
-  Continuous improvement**
-  Planning strategically for the future**



SACRAMENTO COUNTY
EMPLOYEES'
RETIREMENT SYSTEM

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