

A Report to Our Employers, Employees and Beneficiaries

Fiscal Year 2010



Ventura County Employees' Retirement Association

Highlights:

- **VCERA** continues to meet its main function to provide service, retirement, disability, death and survivor benefits in an as efficient and effective manner as possible.
- Net Assets grew in FY2010 to nearly \$2.6 billion.
- **VCERA's** funded ratio stands at 80.4% as of June 30, 2010.

About Ventura County Employees' Retirement Association and its Functions



VCERA provides a foundation for over 15,300 active employees, terminated but vested employees, retirees and beneficiaries.

The Ventura County Employees' Retirement Association (**VCERA**)

was founded in 1947 to serve as a cost sharing defined benefit pension plan for Ventura County Employees, the Ventura County Courts and the Ventura Regional Sanitation District. Today, **VCERA** serves over 8,000 active vested and non-vested members, over 2,000 deferred members and over 5,300 retirees and beneficiaries. We continue to grow our net asset base available for retirement benefits in these challenging economic times.

VCERA's mission is to administer the retirement benefits to members and beneficiaries in a prudent, accurate, cost-effective and timely manner and to administer the investment funds in a similar fashion. **VCERA** has a management team that continuously monitors the market while making conservative decisions that balance risk and return.

Our track record of meeting these objectives has returned to our beneficiaries a rate of return that has bested the Dow Jones Industrial Average over the last ten years, despite economic ups and downs.

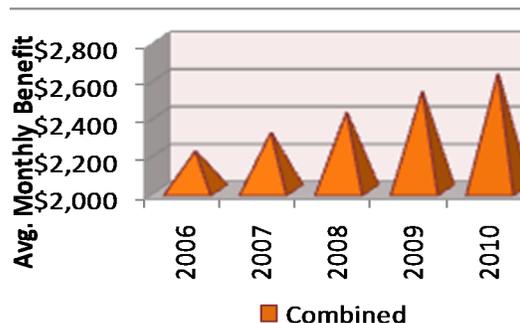
During 2010, we have selected a vendor for our new pension system, we have reevaluated and changed investment portfolio managers where needed and we have completed a reorganization to streamline our administration.

We look forward to a stronger 2011.

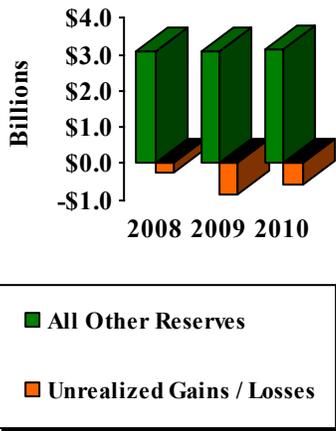
Inside this issue:

About VCERA , Vision, Mission and Goals	1
VCERA's Demographics	1
Progress Towards Meeting our Goals	2
Additions and Deductions to Assets Held	3
Funded Ratio	3
Future Outlook—New Systems	4

VCERA's Demographics



VCERA's average monthly benefit in 2010 was approximately \$2,627. This amount has been slowly rising due to changes in retirees and in the cost of living. Safety members generally achieve a higher average monthly benefit than general members. Also there are fewer safety retirees than general retirees. Overall, the average annual payment in 2010 was \$31,522.



Progress Toward Meeting Our Goals

Keeping with its mission and objectives, **VCERA**'s net assets returned to a positive change in plan net assets for 2010. Net assets grew by nearly \$322 million for the year as compared to a reduction of nearly \$469 million in fiscal year 2009 and over \$56 million in fiscal year 2008. The reductions in 2009 and 2008 were directly the result of investment losses, while 2010 saw investment gains of over \$347 million. **VCERA**'s employers have contributed

100% of **VCERA**'s annual required contribution in accordance with statute.

The valuation reserves of **VCERA** continued to grow this year. Reserves increased to nearly \$2.6 billion. The largest components of **VCERA**'s reserves continue to be for retired members and employer advances.

Allocations of those investments are generally within parameters set by the Board,

taking into account continuous market value adjustments. Domestic and international equity as well as fixed income investments exceeded plan as of June 30th, while global equity, private equity, real estate and currency were below planned allocations. Overall, net assets held to pay plan benefits stood at nearly \$2.6 billion as of June 30, 2010. **VCERA**'s exposure to the higher risk private equity sector was almost nil as of June 30, 2010.

VCERA's general contribution rates ranged from 7.7% of pay (Tier 2) to 46.89% (Tier 1). Safety members are at 31.06%. The rates have grown during the last decade and are not reflective of unrealized losses to be taken in future years. Member contributions range from 5.57% to 12.1%.

Board Member Matheney Retiring— Judge Steven Hintz Joining

One of our long serving Trustees, Lawrence Matheney, retired from public service on July 12, 2010. Mr. Matheney served the **VCERA** for 24 years, first as legal advisor, then as Board Trustee when elected Treasurer-Tax Collector for the County of Ventura. His expertise, dedication, and

commitment as a fiduciary to **VCERA** will be missed. We wish him a happy and long retirement.

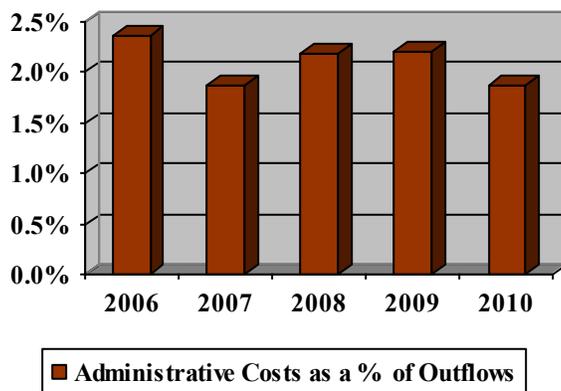
Replacing Mr. Matheney is Judge Steven Hintz (pictured at the right) who was recently elected Treasurer-Tax Collector for the County of Ventura.

VCERA looks forward to his expertise and contributions.



Retiring Board Member Lawrence Matheney

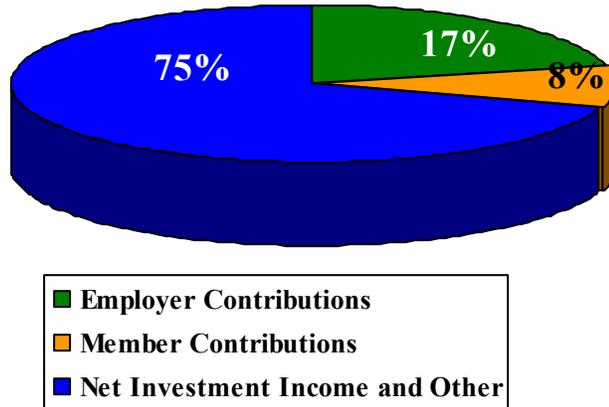
Administrative Costs Lowered Substantially This Year



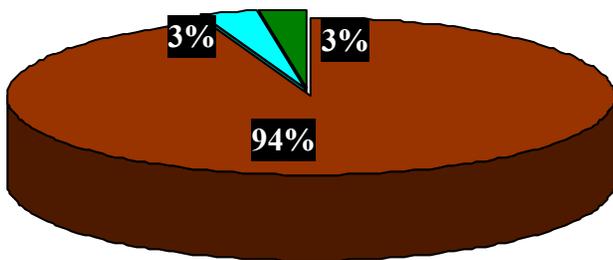
One of the objectives of any organization is to constantly improve the effectiveness of services and the efficiency of its operations. Simply put—the lower the overhead, the higher the amount of net assets available to pay plan benefits. Administrative expenses as a percentage of total outflows this year were approximately 2% and are well within statutory limits.

Additions to Plan Net Assets (Inflows)

Net investment income turned positive in 2010 after 2 years of declines. Excluding net investment income, contributions from employers and member contributions remained flat in 2010. Employers contribute statutory amounts necessary to fund estimated benefits beyond those paid by employees. The change in inflows was largely influenced by demographics. But as can be plainly seen, investment income is the largest component of additions.



Deductions to Plan Net Assets (Outflows)

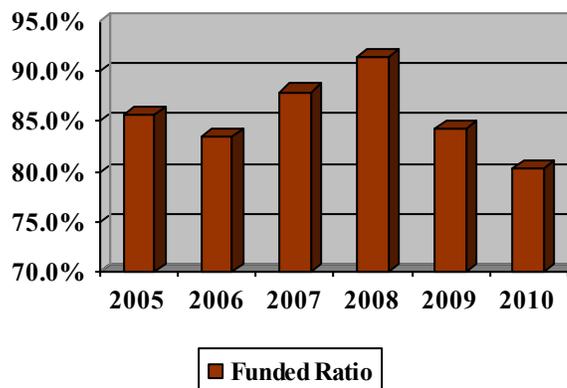


Benefits grew in 2010 to over \$166 million, outpacing administrative expense changes and refunds of contributions. Overall, because of investment income, the net increase in assets held to pay benefits was nearly \$322 million. Benefits will continue to grow with salaries and demographic changes.

Benefits will continue to grow as more employees are added to the rolls and are living longer and retiring later. Approximately 81% of all benefits are for service retirement benefits while 19% is for disability.

Funded Ratio Stands at Nearly 80.4%

As of the latest actuarial valuation, the Funded Ratio of **VCERA** stood at nearly 80.4%. The funded ratio is defined as the actuarially determined value of assets divided by the actuarially determined value of **VCERA's** accrued liability to our members. We must strive to maintain at least an 80% funded ratio.





We want to hear from you!

Our offices are at
1190 South Victoria
Avenue, Suite 200
Ventura, California 93003
Phone: 805-339-4250
Fax: 805-339-4269
Retirement Info Email
form is on our website.

We're on the Web! -
<http://www.ventura.org/VCERA>

Future Outlook

VCERA will continuously strive to improve the effectiveness of services and the efficiency of operations while prudently managing your assets to pay benefits and minimize costs. We are in constant contact with our advisors about changes in California law including the recently enacted AB 1584 that “sunshines” placement agent disclosure.

We look in 2011 to improving our investment return, with the market recovery, thereby potentially lowering costs in the future. We must look to improve our investment return if our inflows from contributions remain steady and our outflows for benefits continue to rise. Absent an adjustment in contributions, this is the only way to improve our funded ratio. As the economy improves, we need to be vigilant about prudently managing our portfolio and contributions to increase our funded ratio.

New Pension Administration System Coming Soon

During the last year, *VCERA* awarded a contract to CPAS Systems Inc., to provide a new pension administration system for our plan. CPAS has experience in other systems in California just like *VCERA*.

CPAS is highly regarded as a leader in the defined benefit and defined contribution pension administration software field. In signing the contract, the Chairman and CEO of CPAS Systems Inc., remarked: “We are dedicated to providing the best products and services in the pension systems marketplace and are delighted to welcome *VCERA* as a new client. It has been a pleasure over the last few years to work with so many of the California 1937 Act Counties and we are extremely fortunate to add *VCERA* to that list and look forward to partnering with them on their implementation of CPAS v5.”

Our plan has the migration over the

next few years. The new system will improve access to member information and will integrate with our data management system.

It is vitally important to keep our technology up to date. The longer a system is in place, the more expensive it is to replace or upgrade the system. It is also expensive to keep an older system working as patches need to be reconfigured for systems that may no longer be supported as a whole.

We are excited about the new system and look forward to its enhancements serving our members more effectively and efficiently than ever before.



Our astounding coast line and sunsets are only part of the reason why retirees love Ventura County

We want to hear from you! Tell us what you like about this report and if it should include any additional information. Let us know by emailing us at our comment form on our website with “Member Report” in the subject line.