IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE FISCAL YEARS ENDED JUNE 30, 2016 AND 2015

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM JUNE 30, 2016 AND 2015

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BROWN ARMSTRONG
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INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement
Imperial County Employees' Retirement System
El Centro, California

Report on the Financial Statements

We have audited the accompanying statements of plan net position of the Imperial County Employees' Retirement System (ICERS) as of June 30, 2016 and 2015, and the related statements of changes in plan net position for the years then ended, and the related notes to the financial statements, which collectively comprise ICERS' basic financial statements as listed in the table contents. We have also audited the schedule of net pension liability allocated by cost sharing plan, total of all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) listed as other supplemental information in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to ICERS' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of ICERS' internal control over financial reporting (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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the plan net position of ICERS as of June 30, 2016 and 2015, and its changes in plan net position for the years then ended and the schedule of net pension liability allocated by cost sharing plan, total of all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) listed as other supplemental information in the table of contents in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 10 to the financial statements, the net pension liability of the participating employers as of June 30, 2016, was $134,216,572. The fiduciary net position as a percentage of the total pension liability as of June 30, 2016, was 83.89%. The actuarial valuations are very sensitive to the underlying actuarial assumptions, including a discount rate of 7.5%, which represents the long-term expected rate of return.

Additionally, as discussed in Note 2 to the financial statements, in 2016, ICERS implemented Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application.*

Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2017, on our consideration of ICERS' internal control 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 and compliance and the results of that testing, and not to provide an opinion on internal control or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering ICERS' internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Bakersfield, California
February 6, 2017

This Management's Discussion and Analysis (MD&A) of the financial activities of the Imperial County Employees' Retirement System (ICERS) is an overview of its fiscal operations for the year ended June 30, 2016. Readers are encouraged to consider the information presented in conjunction with the Financial Statements and Notes to the Financial Statements.

We are pleased to provide this overview and analysis of the financial activities of ICERS for the year ended June 30, 2016. ICERS is the public employee retirement system established by Imperial County on July 1, 1951, and is administered by the Board of Retirement to provide retirement, disability, and death and survivor benefits for its employees under the County Employees Retirement Act of 1937.

Financial Highlights

- ICERS' plan net position as of June 30, 2016, was $699,069,483. The plan net position is held in trust for payment of pension benefits to participants and their beneficiaries and all of the net position is available to meet ICERS' ongoing obligations.

- Net position decreased by $1,820,447, primarily due to a slight drop in the net appreciation in the fair value of investments.

- Total additions, as reflected in the Statement of Changes in Plan Net Position, decreased $6,001,700, due to an increase in contributions offset by a decline in net investment income.

- Deductions in plan net position increased from $34,697,548 to $36,972,225 versus the prior year. The increase was primarily due to an increase in retiree pension benefits.

- ICERS' funding objective is to meet long-term benefit obligations through contributions and investment income. As of June 30, 2016, the date of the last funding actuarial valuation, the funded ratio for all ICERS agencies was 90.33%. In general, this indicates that for every dollar of benefits due, ICERS had approximately $.90 of assets available for payment as of that date. The funding ratios of the employer entities that participate in ICERS were 100%.

Overview of the Financial Statements

This MD&A serves as an introduction to the basic financial statements. ICERS has two basic financial statements, the notes to the financial statements, and required and other supplemental information of historical trend information. The basic financial statements and the required disclosures are in compliance with the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB), utilizing the accrual basis of accounting.

The Statement of Plan Net Position is the first basic financial report. This is a snapshot of account balances at fiscal year-end. This statement reflects assets available for future payments to retirees and their beneficiaries and any current liabilities that are owed as of fiscal year-end. The Net Position Held in Trust for Pension Benefits, which is the assets less the liabilities, reflects the funds available for future use.

The Statement of Changes in Plan Net Position is the second financial report. This report reflects all the activities that occurred during the fiscal year, and shows the impact of those activities as Additions or Deductions to the plan. The trend of Additions versus Deductions to the plan will indicate the condition of ICERS' financial position over time. Both statements are in compliance with all applicable GASB pronouncements. These pronouncements require certain disclosures and also require state and local governments to report using the full accrual basis of accounting. ICERS complies with all material requirements of these pronouncements.

The Statement of Plan Net Position and the Statement of Changes in Plan Net Position report information about ICERS' activities. These statements include all assets and liabilities using the full accrual basis of accounting as practiced by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and both realized and unrealized gains and losses on investments are shown.

These two statements report ICERS' net position held in trust for pension benefits (net position) – the difference between assets and liabilities – as one way to measure ICERS financial position. Over time, increases and decreases in ICERS' net position are one indicator of whether its financial health is improving or deteriorating. Other factors, such as market conditions, should also be considered in measuring ICERS' overall health.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The Notes provide detailed discussion of key policies, programs, and activities that occurred during the year. Asset allocation, the long-term expected rate of return, discount rate, key actuarial assumptions, and the Schedule of Net Pension Liability Allocated by Cost Sharing Plan based on GASB Statement No. 67 are also included in this section.

The Required Supplemental Information follows the notes and includes several new GASB Statement No. 67 schedules. The newly added Schedule of Changes in Net Pension Liability and Related Ratios provides an up-to-date financial indication of the extent to which the total pension liability is covered by the fiduciary net position of the Pension Plan. This information will improve the financial statements users' ability to compare the total pension liability for similar types of pension plans. Please note that liabilities on this schedule are calculated solely for financial reporting purposes and are not intended to provide information about the funding of ICERS' benefits.

Another new schedule, the Schedule of Employer Contributions, helps the reader determine if plan sponsors are meeting the actuarially determined contributions over a period of time. New information about rates of return on pension plan investments, taking account of monetary flows into and out of the market, is also provided. The Schedule of Investment Returns includes a money-weighted return performance calculation which is net of investment expenses.

The Other Supplemental Information section includes the Schedule of Net Pension Liability Allocated by Cost Sharing Plan and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan. These three schedules address GASB Statement No. 68 requirements. GASB Statement No. 68 governs the specifics of accounting for public pension plan obligations for plan sponsors. Plan sponsors are required to implement GASB Statement No. 68 for fiscal years beginning after June 15, 2014. GASB Statement No. 68 requires a liability for pension obligations, known as the Net Pension Liability, to be recognized on the balance sheets of participating employers. Changes in the Net Pension Liability will be immediately recognized as Pension Expense on the income statement or reported as deferred inflows/outflows of resources depending on the nature of the change.

Financial Analysis

The reserves needed to finance retirement benefits are accumulated through the collection of employer and employee contributions and through earnings on investment income (net of investment expense). Net position as of June 30, 2016, totaled $699,069,483, a decrease of $1,820,447 from the prior year. ICERS' assets exceeded its liabilities at the end of the year. The Total Plan Net Position represents funds available for future payments. However, of importance, is the fact that unlike private pension funds, public pension funds are not required to report the future liability of obligations owed to retirees. Only current liabilities are reported in the Statement of Plan Net Position.

Below is a comparison of current and prior year balances:

	2016	2015	Increase (Decrease) 2016/2015
Investments at Fair Value	$ 689,492,693	$ 693,036,996	$ (3,544,303)
Cash and Short-Term Investments	1,657,434	1,669,483	(12,049)
Capital Assets (Net of Accumulated Depreciation)	4,099,426	4,151,640	(52,214)
Collateral Held for Securities Loaned	4,742,533	30,175,665	(25,433,132)
Receivables and Other Assets	6,905,055	6,659,773	245,282
Total Assets	706,897,141	735,693,557	(28,796,416)
Total Liabilities	7,827,658	34,803,627	(26,975,969)
Plan Net Position	$ 699,069,483	$ 700,889,930	$ (1,820,447)

	2015	2014	Increase (Decrease) 2015/2014
Investments at Fair Value	$ 693,036,996	$ 684,176,471	$ 8,860,525
Cash and Short-Term Investments	1,669,483	2,755,474	(1,085,991)
Capital Assets (Net of Accumulated Depreciation)	4,151,640	4,470,625	(318,985)
Collateral Held for Securities Loaned	30,175,665	40,841,699	(10,666,034)
Receivables and Other Assets	6,659,773	8,437,701	(1,777,928)
Total Assets	735,693,557	740,681,970	(4,988,413)
Total Liabilities	34,803,627	47,693,122	(12,889,495)
Plan Net Position	$ 700,889,930	$ 692,988,848	$ 7,901,082

In order to determine whether Plan Net Position will be sufficient to meet future obligations, the actuarial funded status needs to be calculated. 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 are the actuarial present value of all future benefits expected to be paid for each member. The purpose of the valuation is to determine what future contributions by the members and employers are needed to pay all expected future benefits.

ICERS' independent actuary, The Segal Company, performed an actuarial valuation as of June 30, 2016, and determined that the funded ratio of the actuarial assets to the actuarial accrued liability is 90.33%. The actuarial valuation as of June 30, 2015, determined the funded ratio to be 90.0%.

Additions to Plan Net Position

There are three primary sources of funding for ICERS retirement benefits: earnings (losses) on investments of assets, employer contributions, and employee contributions. Income sources for the fiscal years June 30, 2016 and 2015, totaled $35,151,778 and $41,153,478, respectively.

	2016	2015	Increase (Decrease) 2016/2015
Employer Contributions	$ 20,506,786	$ 18,458,585	$ 2,048,201
Plan Member Contributions	12,918,809	11,328,165	1,590,644
Net Investment Income	1,715,583	11,305,171	(9,589,588)
Miscellaneous Income	10,600	61,557	(50,957)
Total	$ 35,151,778	$ 41,153,478	$ (6,001,700)

	2015	2014	Increase (Decrease) 2015/2014
Employer Contributions	$ 18,458,585	$ 17,045,429	$ 1,413,156
Plan Member Contributions	11,328,165	10,519,020	809,145
Net Investment Income	11,305,171	95,773,731	(84,468,560)
Miscellaneous Income	61,557	57,446	4,111
Total	$ 41,153,478	$ 123,395,626	$ (82,242,148)

Deductions from Plan Net Position

ICERS was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments, as designated by the plan, refund of contributions to terminated employees, and the cost of administration.

Below is a comparison of selected current and prior year balances:

	2016	2015	Increase (Decrease) 2016/2015
Retirement Benefits	$ 33,908,946	$ 31,652,991	$ 2,255,955
Refund of Contributions	650,225	810,930	(160,705)
Lump Sum Death Benefits	109,471	154,016	(44,545)
Administrative	1,331,396	1,396,922	(65,526)
Technology Expense	728,853	463,929	264,924
Legal Expenses	141,322	52,644	88,678
Actuarial Expenses	102,012	166,116	(64,104)
Total Expenses	$ 36,972,225	$ 34,697,548	$ 2,274,677

	2015	2014	Increase (Decrease) 2015/2014
Retirement Benefits	$ 31,652,991	$ 30,226,787	$ 1,426,204
Refund of Contributions	810,930	695,957	114,973
Lump Sum Death Benefits	154,016	145,519	8,497
Administrative	1,860,851	1,669,335	191,516
Legal Expenses	52,644	63,891	(11,247)
Actuarial Expenses	166,116	157,248	8,868
Total Expenses	$ 34,697,548	$ 32,958,737	$ 1,738,811

The Retirement Fund as a Whole

Despite variations in the stock market, management believes that ICERS is in reasonably sound financial position to meet its obligations to the retired and current employees. The current financial position results from a diversified investment program that prudently manages risk to minimize loss, an effective system of cost control and strategic planning. Management believes there will continue to be sufficient assets to meet all benefit obligations.

Requests for Information

This financial report is designed to provide the Retirement Board, our membership, taxpayers, and investment managers with a general overview of ICERS finances and to demonstrate ICERS' accountability for the funds under its stewardship.

Please address any questions about this report or requests for additional financial information to:

Imperial County Employees' Retirement System
1221 State Street
El Centro, CA 92243

Respectively submitted,

Scott W. Jarvis
Accountant/Auditor

BASIC FINANCIAL STATEMENTS

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF PLAN NET POSITION
AS OF JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Assets		
Cash and cash equivalents	$ 1,657,434	$ 1,669,483
Security lending cash collateral	4,742,533	30,175,665
Total Cash	6,399,967	31,845,148
Receivables		
Contributions receivable	2,212,660	1,743,544
Accounts receivable - sale of investments	4,141,505	2,783,694
Accrued interest and dividends	544,802	503,575
Forward currency contracts receivable	-	1,622,464
Accounts receivable - other	6,088	6,496
Total Receivables	6,905,055	6,659,773
Investments at fair value		
Fixed income	211,077,487	203,819,482
Domestic equities	227,744,809	222,430,348
International equities	155,227,849	170,951,385
Alternative investments	33,858,404	40,446,492
Real estate	61,584,144	55,389,289
Total Investments	689,492,693	693,036,996
Capital assets (net of accumulated depreciation)	4,099,426	4,151,640
Total Assets	706,897,141	735,693,557
Liabilities		
Accounts payable - purchase of investments	3,058,268	3,026,982
Collateral payable for securities lending	4,742,533	30,175,665
Forward currency contracts payable	-	1,559,929
Accounts payable - other	26,857	41,051
Total Liabilities	7,827,658	34,803,627
Net Position Held in Trust for Employees' Pension Benefits	$ 699,069,483	$ 700,889,930

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

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN PLAN NET POSITION
FOR YEARS ENDED JUNE 30, 2016 AND 2015

	June 30, 2016	June 30, 2015
Additions		
Contributions		
Employer	$ 20,506,786	$ 18,458,585
Plan member	12,918,809	11,328,165
Total Contributions	33,425,595	29,786,750
Investment income (loss)		
Net appreciation (depreciation) in fair value of investments	(5,375,306)	5,119,102
Interest and dividends	7,759,485	8,884,903
Real estate operating income, net	2,183,160	2,062,623
Alternative investment loss	(196,870)	(1,464,744)
Total investment income (loss)	4,370,469	14,601,884
Less investment expenses	(2,654,886)	(3,296,713)
Net Investment Income	1,715,583	11,305,171
Securities lending activities		
Securities lending income	63,863	56,593
Less expenses from securities	-	-
lending activities	(63,863)	(56,593)
Net Securities Lending Income	-	-
Total Net Investment Income	1,715,583	11,305,171
Miscellaneous	10,600	61,557
Total Additions	35,151,778	41,153,478
Deductions		
Retirement benefits	33,908,946	31,652,991
Refunds of contributions	650,225	810,930
Lump sum death benefits	109,471	154,016
Administrative expenses	1,331,396	1,396,922
Technology expenses	728,853	463,929
Legal expenses	141,322	52,644
Actuarial expenses	102,012	166,116
Total Deductions	36,972,225	34,697,548
Net Increase (Decrease)	(1,820,447)	6,455,930
Net Position Held in Trust for Employees' Pension Benefits, Beginning of Year	700,889,930	692,988,848
Prior Period Adjustment	-	1,445,152
Net Position Held in Trust for Employees' Pension Benefits, As Restated	700,889,930	694,434,000
Net Position Held in Trust for Employees' Pension Benefits, End of Year	$ 699,069,483	$ 700,889,930

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

NOTE 1 – PENSION PLAN DESCRIPTION

Plan Administration. The Imperial County Employees' Retirement Association (ICERS) was established by the County of Imperial in 1951. ICERS is administered by the Board of Retirement and governed by the County Employees' Retirement Law of 1937 (California Government Code Section 31450 et. seq.). ICERS is a cost-sharing multiple employer public employee retirement system whose main function is to provide service retirement, disability, death, and survivor benefits to the Safety and General members employed by the County of Imperial. ICERS also provides retirement benefits to the employee members of the Imperial County Courts, Local Agency Formation Commission (LAFCO), and the Imperial County Transit Commission (ICTC), who became participants of the system on January 1, 2006, September 20, 2006, and November 16, 2011, respectively.

The management of ICERS is vested with the Imperial County Board of Retirement. The Board of Retirement consists of nine members and two alternates. The County Treasurer is a member of the Board of Retirement by law. Four members are appointed by the Board of Supervisors, one of whom may be a County Supervisor. Two members are elected by the General membership, one member and one alternate are elected by the Safety membership, and one member and one alternate are elected by the retired members of ICERS. All members of the Board of Retirement serve terms of three years except for the County Treasurer whose term runs concurrent with her term as County Treasurer. The current Board of Retirement roster is listed below:

	Term Expires
Patricia Lizarraga, General Member Employee	6/30/2019
Suzanne Bermudez, General Member Employee	6/30/2017
Jack Terrazas, County Supervisor	12/31/2017
Norma Jauregui, Public Member	6/30/2017
Robert Williams, Public Member	12/31/2017
Thomas Garcia., Safety Member Employee	12/31/2017
Charles L. Jernigan, Retiree Member	12/31/2017
Becky Flammang, Public Member	12/31/2017
Herbert Bumgart, Alternate Safety Member	12/31/2017
Vacant, Alternate Retiree Member	-
Karen Vogel, Ex-Officio Member	Ex-Officio

Plan Membership. ICERS' membership consisted of the following as reported in the most recent actuarial valuations dated June 30, 2016 and 2015:

	June 30, 2016	June 30, 2015
Active Members (Vested and Non-Vested)	2,127	2,057
Retired Members and Beneficiaries	1,078	1,027
Terminated Vested (Deferred)	425	404
Total Membership	3,630	3,488

NOTE 1 – PENSION PLAN DESCRIPTION (Continued)

Benefits Provided. ICERS provides service retirement, disability, death, and survivor benefits to eligible employees. All regular full-time employees of the County of Imperial or contracting districts who work a minimum of 30 hours per week become members of ICERS effective on the first day of the first full pay period after employment. There are separate retirement plans for General and Safety member employees. Safety membership is extended to those involved in active law enforcement, fire suppression, and certain probation officers. Any new Safety Member who becomes a member on or after January 1, 2013, is designated California Public Employees' Pension Reform Act of 2013 (PEPRA) Safety and is subject to the provisions of PEPRA, California Government Code 7522 et seq., and Assembly Bill (AB) 197. All other employees are classified as General members. New General Members employed after January 1, 2013, are designated as PEPRA General subject to the provisions of PEPRA, California Government Code 7522 et seq. and AB 197.

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

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

The retirement benefit the member will receive is based upon age at retirement, final average compensation, years of retirement service credit, retirement plan, and tier.

General member benefits are calculated pursuant to the provisions of Sections 31676.11 and 31676.14 for Regular and Regular plus Supplemental Benefits, respectively. The monthly allowance is equal to 1/60th of final compensation for Regular and Regular plus Supplemental Benefits times years of accrued retirement service credit times age factor from either Section 31676.11 (Regular Benefit) or Section 31676.14 (Regular plus Supplemental Benefit). General member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provisions of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.20(a).

Safety member benefits are calculated pursuant to the provisions of California Government Code Sections 31664 and 31664.1 for Regular and Regular plus Supplemental Benefits, respectively. The monthly allowance is equal to 1/50th (or 2%) of final compensation times years of accrued retirement service credit times age factor from Section 31664 (Regular Benefit) or 3% of final compensation times years of accrued retirement service credit times age factor from Section 31664.1 (Regular plus Supplemental Benefit). For those Safety member benefits for those who are first hired on or after January 1, 2013, are calculated pursuant to the provisions of California Government Code Section 7522.25(d). The monthly allowance is equal to the final compensation multiplied by years of accrued retirement credit multiplied by the age factor from Section 7522.25(d).

For members with membership dates before January 1, 2013, the maximum monthly retirement allowance is 100% of final compensation.

Final average compensation consists of the highest 12 consecutive months for a General or Safety member and the highest 36 consecutive months for a PEPRA General and PEPRA Safety member.

The member may elect an unmodified retirement allowance, or choose an optional retirement allowance. The unmodified retirement allowance provides the highest monthly benefit and a 60% continuance to an eligible surviving spouse or domestic partner. An eligible surviving spouse or domestic partner is one married to or registered with the member one year prior to the effective retirement date. Certain surviving spouses or domestic partners may also be eligible if marriage or domestic partnership was at least two years prior to the date of death and the surviving spouse or domestic partner has attained age 55. There are four optional retirement allowances the member may choose. Each of the optional retirement allowances requires a reduction in the unmodified retirement allowance in order to allow the member the ability to provide certain benefits to a surviving spouse, domestic partner, or named beneficiary having an insurable interest in the life of the member.

NOTE 1 – PENSION PLAN DESCRIPTION (Continued)

ICERS provides an annual cost-of-living benefit to all retirees. The cost-of-living adjustment, based upon the Consumer Price Index for the Western Region, is capped at 2.0%.

Contributions. The County of Imperial and contracting districts contribute to the retirement plan based upon actuarially determined contribution rates adopted by the Board of Retirement. Employer contribution rates are adopted annually based upon recommendations received from ICERS' actuary after the completion of the annual actuarial valuation. The average employer contribution rate as of June 30, 2016, for 2015-2016 (based on the June 30, 2014 valuation) was 19.25% of compensation.

All members are required to make contributions to ICERS regardless of the retirement plan or tier in which they are included. The average member contribution rate as of June 30, 2016, for 2015-2016 (based on the June 30, 2014 valuation) was 12.13% of compensation.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ICERS follows the accounting principles and reporting guidelines as set forth by the Governmental Accounting Standards Board (GASB).

The financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Investments are reported at fair value, except that short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates or by various outside pricing sources. The fair value of real estate investments is based on independent appraisals.

Cash

Cash includes deposits with various financial institutions, the County of Imperial trust fund, and international currency holdings, which have original maturities of less than 90 days, translated to U.S. dollars using the exchange rates in effect at June 30, 2016 and 2015.

Capital Assets

Capital assets are valued at historical cost less accumulated depreciation. Capital assets with an initial cost of more than $7,500 and an estimated useful life in excess of one year are depreciated. Depreciation is calculated using the straight-line method over the estimated useful lives of the depreciable assets. Equipment has a useful life of five years, leasehold improvements and office space forty years, and twelve years for the Pension Administration System (PAS).

Use of Estimates

The preparation of ICERS' financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates.

Reclassifications

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reserves

The reserves represent the components of ICERS' net position. Reserves are established from member and employer contributions and the accumulation of investment income after satisfying investment and administrative expenses. The reserves do not represent the present value of assets needed, as determined by actuarial valuation, to satisfy requirements and other benefits as they become due.

The Contingency Reserve is established as required by the County Employees' Retirement Law of 1937 to absorb possible future losses on investments. The reserve balance, per the County Employees' Retirement Law of 1937 (CERL), is 1% of the total fair value of assets if excess earnings exist. ICERS' policy sets the targeted rate at 2%. The Contingency Reserve is 0% and 0% of the fair value of total assets at June 30, 2016 and 2015, respectively.

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class

The allocation of investment assets within the Defined Benefit portfolio is approved by ICERS' Board of Retirement as outlined in the annual investment plan. 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 plan. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are 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, 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:

	June 30, 2016	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash and Short Term	---	---
Large Cap U.S. Equity	23.00%	3.90%
Small Cap U.S. Equity	6.00%	3.20%
Developed International Equity	18.00%	7.20%
Emerging Markets Equity	7.00%	9.30%
U.S. Core Fixed Income	25.00%	1.20%
TIPS	5.00%	0.70%
Real Estate	6.00%	2.70%
Commodities	5.00%	6.20%
Private Equity	5.00%	2.00%
Total	**100.00%**	

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Asset Allocation Policy and Expected Long-Term Rate of Return by Asset Class (Continued)

	June 30, 2015	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Cash and Short Term	---	---
Large Cap U.S. Equity	24.00%	6.03%
Small Cap U.S. Equity	10.00%	6.66%
Developed International Equity	16.00%	6.87%
Emerging Markets Equity	5.00%	8.14%
U.S. Core Fixed Income	23.00%	0.89%
High Yield Bonds	2.00%	2.87%
TIPS	5.00%	0.19%
Real Estate	5.00%	5.08%
Commodities	5.00%	4.16%
Private Equity	5.00%	8.10%
Total	**100.00%**	

Rate of Return

For the year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.4%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 1.8%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Implementation of New Accounting Pronouncements

GASB Statement No. 72 – *Fair Value Measurement and Application.* In March 2015, GASB issued Statement No.72, *Fair Value Measurement and Application*. This statement requires state and local governments to use specific valuation techniques to measure the fair value of assets and liabilities that are appropriate to the circumstances. ICERS implemented this statement in fiscal year 2016.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB Statement No. 72 establishes a fair value hierarchy according to the three distinct types of input to develop the fair value measurements.

- Level 1 reflects measurements based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 reflects measurements based on inputs, other than quoted prices, that are observable for an asset or a liability, either directly or indirectly.
- Level 3 reflects measurements based on unobservable inputs for an asset or a liability.

GASB Statement No. 72 also expands disclosures regarding the fair value hierarchy and valuation techniques that are used for the fair value measurements. Overall, GASB Statement No. 72 has no material impact on ICERS basic financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Accounting Pronouncements

Recently released standards by GASB applicable to ICERS in future fiscal years are as follows:

GASB Statement No. 73 – *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*

GASB Statement No. 76 – *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

GASB Statement No. 79 – *Certain External Investment Pools and Pool Participants*

GASB Statement No. 82 – *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

ICERS has not fully judged the effects of the implementation of these GASB statements as of the date of these basic financial statements.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE

CERL vests the Board of Retirement with exclusive control over ICERS' investment portfolio. The Board of Retirement established an Investment Policy Statement in accordance with applicable local, State, and Federal laws. The Board of Retirement members exercise authority and control over the management of ICERS' assets (the Plan) by setting policy which the Investment Staff executes either internally, or through the use of external prudent experts. The Board of Retirement oversees and guides the Plan subject to the following basic fiduciary responsibilities:

- Solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- 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 objectives.
- 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 prudent not to do so. Diversification is applicable to the deployment of the assets as a whole.

The Investment Policy Statement encompasses the following:

- Criteria for Selecting and Terminating Investment Managers
- Investment Objective and Guidelines by Asset Class
- Duties and Responsibilities of ICERS' Board of Retirement
- Duties and Responsibilities of Staff, Investment Managers, Custodian, and Investment Consultant
- Proxy Voting
- Statement of Objectives, Guidelines, and Procedures for each Investment Manager

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

The Fixed Income Portfolio includes the following components:

- U.S. Core Income – This portion of the portfolio will provide exposure to the U.S. fixed income market (maturities greater than 1 year) including, but not limited to, Treasury and government agency bonds, corporate debt, mortgage bonds (including Collateralized Mortgage Obligations (CMOs)), Yankees, and asset-backed securities. The portfolio will be comprised predominantly of investment grade issues.

- U.S. Core Plus Fixed Income – This portfolio will provide exposure to the U.S. fixed income market (maturities greater than 1 year) including, but not limited to, Treasury and government agency bonds, corporate debt, mortgage bonds (including CMOs), Yankees, asset-backed securities, Eurodollar bonds, private placements, and emerging market bonds. The portfolio will be comprised of both investment grade and below-investment grade issues.

Credit Quality Ratings of Investments in Fixed Income Securities

The credit quality of investments in fixed income securities as rated by nationally recognized ratings organizations as of June 30, 2016 and 2015, are as follows:

Quality Ratings	Fair Value 2016	Fair Value 2015
Aaa	$ 90,422,478	$ 79,718,847
Aa	11,079,501	8,260,769
A	15,087,691	20,540,188
Baa	56,343,060	51,667,721
Ba	12,462,068	14,271,968
B	7,900,566	11,873,918
Caa and Lower	1,404,316	2,200,348
N/R	1,036,477	596,687
N/A*	15,341,330	14,689,036
Total Investments in Fixed Income Securities	$ 211,077,487	$ 203,819,482

N/R represents securities that are not rated.

N/A* represents securities that are not applicable to the rating disclosure requirements and partially consist of securities within commingled funds.

Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. ICERS seeks to maintain a diversified portfolio of fixed income instruments in order to obtain the highest total return for the fund at an acceptable level of risk within this asset class.

ICERS has adopted policies specific to each investment manager (asset class) to manage credit risk. In general, fixed income securities should be well diversified to avoid undue exposure to any single economic sector, industry, or individual security. In addition, the portfolio's average risk level, as measured by quality ratings of recognized rating services, is expected to approximate AA or its equivalent.

Custodial Credit Risk

Custodial Credit Risk for deposits is the risk that in the event of a financial institution's failure, ICERS would not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not insured or not collateralized. ICERS' deposits are not exposed to custodial credit risk as its deposits are eligible for and covered by "pass-through insurance" in accordance with applicable law and Federal Deposit Insurance Corporation (FDIC) rules and regulations. Additional insurance against loss and theft is provided through a Financial Institution Bond.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Custodial Credit Risk (Continued)

Custodial Credit Risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, ICERS would not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in ICERS' name, and held by the counterparty. ICERS' investment securities are not exposed to custodial credit risk because all securities are held by ICERS' custodial bank in ICERS' name. ICERS has investments in commingled funds that are not held by ICERS' custodial bank. However, investments in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. ICERS has no general policy on custodial credit risk for deposits.

Concentration of Credit Risk

As of June 30, 2016 and 2015, ICERS did not hold any investments in any one issuer that would represent five percent (5%) or more of total investments. Investments issued or explicitly guaranteed by the U.S. government and pooled investments are excluded from this requirement.

Interest Rate Risk

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Duration is a measure of the price sensitivity of a fixed income portfolio to changes in interest rates. It is calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of a portfolio, the greater its price sensitivity to changes in interest rates.

ICERS does not have a general policy to manage interest rate risk. To manage interest rate risk, the modified adjusted duration of the Domestic Fixed Income Core and Core Plus Portfolios are restricted to +/- 25% of the Barclays Capital Aggregate Bond Index's modified adjusted duration. Deviations from any of the stated guidelines require prior written authorization from ICERS.

As of June 30, 2016, ICERS' Core Fixed Income manager had an effective duration of 5.47 years, while ICERS' Core Plus Fixed Income manager had an effective duration of 4.9 years.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Fixed Income Securities – Duration

As of June 30, 2015 and 2014, ICERS had the following securities:

	2016		2015	
Investment Type	Fair Value	Effective Duration (in years)	Fair Value	Effective Duration (in years)
Asset Backed Securities	$ 10,800,839	5.17	$ 9,517,181	4.30
Cash and Equivalents	5,309,660	0.00	17,261,748	0.00
Commercial Mortgage Backed Securities (CMBS)	2,967,634	9.17	7,255,686	8.22
CMO Corporate	2,520,325	0.02	1,192,366	0.03
Corporates and Other Credit	41,991,702	6.55	34,263,025	5.95
Government	22,437,138	5.85	11,247,395	7.22
Mortgage Backed-Agency	18,376,235	16.69	20,720,068	15.44
Government (Non U.S.)	3,562,853	6.23	3,044,194	7.04
Sub-total	107,966,386	5.47	104,501,662	5.56
Core Plus Fixed Income Fund[1]	87,769,772	4.90	84,628,784	4.90
Treasury Inflation Protected Securities[1]	15,341,329	7.97	14,689,036	7.80
Other Securities	-		-	
Total	$ 211,077,487		$ 203,819,482	

[1] Investments in Commingled Funds

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. Although ICERS does not have a specific policy regarding foreign currency risk, ICERS seeks to mitigate this risk through its investment policy constraints. ICERS' international equity managers are permitted to invest in authorized countries. Forward currency contracts and currency futures (maturity ranging from at least 30 days and not to exceed one year for either instrument) are permitted for defensive currency hedging. Non-U.S. equity investments are targeted at 25% of the investment portfolio with a maximum investment of 35%.

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

International Investment Securities at Fair Value

ICERS' exposure to Foreign Currency Risk in U.S. dollars for equity and fixed income investments as of June 30, 2016, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Australian Dollar	$ 8,270,879	$ 1,374,201	$ -	$ 9,645,080
Brazilian Real	3,164,374	-	-	3,164,374
British Pound	24,014,320	-	-	24,014,320
Canadian Dollar	-	300,948	-	300,948
Chilean Peso	296,365	-	-	296,365
Chinese RNB	4,263,930	-	-	4,263,930
Colombian Peso	55,569	-	-	55,569
Czech Republic Koruna	55,569	-	-	55,569
Danish Krone	2,275,345	-	-	2,275,345
Euro Currency Unit	37,308,976	-	87	37,309,063
Hong Kong Dollar	4,159,765	-	-	4,159,765
Hungarian Forint	111,137	-	-	111,137
Indian Rupee	6,396,846	-	-	6,396,846
Indonesian Rupiah	1,801,378	-	-	1,801,378
Israeli Shekel	887,385	-	-	887,385
Japanese Yen	26,576,029	-	-	26,576,029
Malaysian Ringgit	986,520	-	-	986,520
Mexican Peso	2,283,145	273,971	-	2,557,116
New Zealand Dollar	227,534	1,613,733	-	1,841,267
Norwegian Krone	705,357	-	-	705,357
Pakistan Rupee	-	-	-	-
Philippine Peso	259,320	-	-	259,320
Polish Zloty	314,888	-	-	314,888
Russian Ruble	444,548	-	-	444,548
Singapore Dollar	1,558,611	-	-	1,558,611
South African Rand	2,500,782	-	-	2,500,782
South Korean Won	3,659,803	-	-	3,659,803
Swedish Krona	3,185,483	-	-	3,185,483
Swiss Franc	10,432,457	-	-	10,432,457
Taiwan Dollar	3,310,237	-	-	3,310,237
Thailand Baht	1,247,148	-	-	1,247,148
Turkish Lira	333,411	-	-	333,411
Total Securities Subject to Foreign Currency Risk	$ 151,087,111	$ 3,562,853	$ 87	$ 154,650,051
U.S. Dollar (Securities held by International Managers)	6,702,230	-	-	6,702,230
Total International Investment Securities	$ 157,789,341	$ 3,562,853	$ 87	$ 161,352,281

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

International Investment Securities at Fair Value (Continued)

ICERS' exposure to Foreign Currency Risk in U.S. dollars for equity and fixed income investments as of June 30, 2015, is as follows:

Currency Type	Equity	Fixed Income	Cash	Total
Australian Dollar	$ 4,440,163	$ 1,305,759	$ -	$ 5,745,922
Brazilian Real	4,658,408	-	-	4,658,408
British Pound	28,314,018	-	-	28,314,018
Canadian Dollar	483,977	-	-	483,977
Chilean Peso	335,814	-	-	335,814
Chinese RNB	11,134,343	-	-	11,134,343
Colombian Peso	31,483	-	-	31,483
Czech Republic Koruna	52,471	-	-	52,471
Danish Krone	1,076,208	-	-	1,076,208
Euro Currency Unit	43,922,101	-	-	43,922,101
Hong Kong Dollar	5,709,144	-	-	5,709,144
Hungarian Forint	94,448	-	-	94,448
Indian Rupee	8,140,703	-	-	8,140,703
Indonesian Rupiah	1,709,864	-	-	1,709,864
Israeli Shekel	1,472,747	-	-	1,472,747
Japanese Yen	18,916,734	-	-	18,916,734
Malaysian Ringgit	1,443,014	-	-	1,443,014
Mexican Peso	3,153,626	798,629	-	3,952,256
New Zealand Dollar	83,777	1,261,517	-	1,345,293
Norwegian Krone	1,870,814	-	-	1,870,814
Pakistan Rupee	161,950	-	-	161,950
Philippine Peso	272,849	-	-	272,849
Polish Zloty	461,745	-	-	461,745
Russian Ruble	527,464	-	-	527,464
Singapore Dollar	3,391,642	-	-	3,391,642
South African Rand	2,974,269	-	-	2,974,269
South Korean Won	7,301,197	-	-	7,301,197
Swedish Krona	2,596,266	-	-	2,596,266
Swiss Franc	10,271,234	-	-	10,271,234
Taiwan Dollar	4,618,235	-	-	4,618,235
Thailand Baht	2,011,828	-	-	2,011,828
Turkish Lira	377,791	-	-	377,791
Total Securities Subject to Foreign Currency Risk	$ 172,010,327	$ 3,365,905	$ -	$ 175,376,232
U.S. Dollar (Securities held by International Managers)	1,258,547	-	-	1,258,547
Total International Investment Securities	$ 173,268,874	$ 3,365,905	$ -	$ 176,634,779

NOTE 3 – DEPOSIT AND INVESTMENT RISK DISCLOSURE (Continued)

Derivatives

The Board of Retirement's Investment Policy Statement and Manager Guidelines allow the use of derivatives by certain investment managers. Derivatives are financial instruments that derive their value, usefulness, and marketability from an underlying instrument which represents direct ownership of an asset or an obligation of an issuer whose payments are based on or "derived" from the performance of some agreed-upon benchmark. Managers are required to mark-to-market derivative positions daily. Substitution, risk control, and arbitrage are the only derivative strategies permitted: leverage is prohibited.

Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Gains and losses from derivatives are included in net investment income. The following types of derivatives are permitted: Futures contracts, forward currency contracts, and covered call options.

1. 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.

2. Forward Currency Contracts

   A forward contract represents an agreement to buy or sell an underlying asset at a specified date in the future at 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 currency contracts are used to control currency exposure and facilitate the settlement of international security purchase and sale transactions.

3. Option Contracts

   An option contract is a type of derivative security in which a buyer (purchaser) has the right, but 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 decided to exercise the option.

Fair values of derivatives contracts are obtained through ICERS custodian bank, JP Morgan. JP Morgan uses an independent third party pricing service for these price quotes.

	2016		2015		
Derivative Type	Notional Value	Fair Value	Notional Value	Fair Value	Change in Fair Value
Bond Index Futures	$ -	$ -	$ -	$ -	$ -
Equity Index Futures	-	-	-	-	-
Forward Currency Contracts	-	-	-	62,535	(62,535)
Total	$ -	$ -	$ -	$ 62,535	$ (62,535)

NOTE 4 – SECURITIES LENDING PROGRAM

The Board of Retirement's policies authorize ICERS to participate in a securities lending program. Securities lending is an investment management activity that mirrors the fundamentals of a loan transaction. Securities are lent to brokers and dealers (borrower) and in turn, ICERS receives cash or non-cash collateral. ICERS pays the borrower interest on the collateral received and invests the collateral with the goal of earning a higher yield than the interest rate paid to the borrower. Earnings generated above and beyond the interest paid to the borrower represent the net income to ICERS from the transaction.

NOTE 4 – SECURITIES LENDING PROGRAM (Continued)

ICERS' securities lending program is managed by JP Morgan Cash Collateral Investment Fund (CCIF) and primarily invests collateral received from ICERS in short-term debt obligations, including but not limited to bonds, notes, asset-backed securities, repurchase agreements, annuity contracts, and money-market investments. JP Morgan CCIF loans are collateralized at 102 percent (102%).

The collateral under the relationship with JP Morgan is marked-to-market daily and if the market value of the securities rises, ICERS receives additional collateral. The income earned from the investments made by JP Morgan is split between ICERS and JP Morgan, based on contractual agreements.

Under the terms of the lending agreement, the lending agent provides borrower default indemnification in the event a borrower does not return securities on loan. The terms of the lending agreements entitle ICERS to terminate all loans upon the occurrence of default and purchase a like amount of "replacement securities." In the event the purchase price of replacement securities exceeds the amount of collateral, the lending agent shall be liable to ICERS for the amount of such excess, with interest. Either ICERS or the borrower of the security can terminate a loan on demand.

At year-end, ICERS had no credit risk exposure to borrowers because the amount of collateral received exceeded the value of securities on loan. As of June 30, 2016, ICERS collateral was slightly above the 102% requirement. ICERS had no losses on securities lending transactions resulting from the default of a borrower for the years ended June 30, 2016 and 2015. As of June 30, 2016, the fair value of securities on loan was $11,370,736 with the value of cash collateral received of $4,742,533 and non-cash collateral of $6,865,384.15. As of June 30, 2015, the fair value of securities on loan was $33,512,834 with the value of cash collateral received of $30,175,665 and non-cash collateral of $4,090,374. ICERS' income, net of expenses from securities lending, was $0 and $0 for the years ended June 30, 2016 and 2015, respectively. Cash collateral, and related repayment obligation, is not recorded on the books of ICERS, as there is no ability to pledge or sell the collateral absent borrower default.

Anticipated losses on long-term contracts:

Estimated $778,000 loss on security lending, however, this liability is tied to an agreement with JP Morgan, which states any security lending earnings on ICERS account will be applied to this loss first until the full amount is secured.

As of June 30, 2016 and 2015, ICERS had the following securities lending (dollars in thousands):

	2016		2015	
Securities on Loan	Fair Value of Securities on Loan	Collateral Received	Fair Value of Securities on Loan	Collateral Received
U.S. Government, Agencies, and Mortgage-Backed Securities	$ 11,370,736	$ 11,607,917	$ 3,002,852	$ 3,059,633
U.S. Equities	-	-	26,998,646	27,586,774
U.S. Corporate Fixed-Income	-	-	3,511,336	3,619,632
Total	$ 11,370,736	$ 11,607,917	$ 33,512,834	$ 34,266,039

NOTE 5 – REAL ESTATE

The following is a listing of California real estate indirectly held through ICERS shares in the respective investment companies:

Location	Appraised Value 2016	Appraised Value 2015
Separate Properties:		
ICERS El Centro Inc	$ 1,390,539	$ 1,392,291
Clarion Partners (formerly ING Clarion)	29,734,245	26,713,683
ASB-Allegiance Real Estate Fund	30,459,360	27,283,315
Total Properties	60,193,605	53,996,998
Total Real Estate	$ 61,584,144	$ 55,389,289

ICERS, like all who invest in the real estate arena, has continued to experience substantial growth in its real estate portfolio. While the trend has continued to progress, it is a slow process due to the lag period between appraisals of properties in the various portfolios.

The commercial real estate market has remained remarkably resilient considering the global volatility we are currently experiencing. Despite lackluster GDP growth, a healthy labor market, retail spending, a low-rate environment, and a housing rebound have been key drivers in the U.S.' continued recovery.

ICERS' outlook in its real estate portfolio remains cautiously optimistic and we will continue to closely monitor its movement into what is considered a mature stage of this current expansion cycle.

NOTE 6 – CAPITAL ASSETS

The changes in capital assets for the year ended June 30, 2016, are shown below.

	Balance June 30, 2015	Additions	Deductions	Balance June 30, 2016
Equipment	$ 107,193	$ -	$ -	$ 107,193
Work-in-Progress	5,422,516	460,214	-	5,882,730
Totals	5,529,709	460,214	-	5,989,923
Less: Accumulated Depreciation				
Equipment	107,194	-	-	107,194
Work-in-Progress	1,270,875	512,428	-	1,783,303
Totals	1,378,069	512,428	-	1,890,497
Capital Assets-Net	$ 4,151,640	$ (52,214)	$ -	$ 4,099,426

NOTE 6 – CAPITAL ASSETS (Continued)

The changes in capital assets for the year ended June 30, 2015, are shown below.

	Balance June 30, 2014	Additions	Deductions	Balance June 30, 2015
Equipment	$ 107,193	$ -	$ -	$ 107,193
Work-in-Progress	5,280,208	142,308	-	5,422,516
Totals	5,387,401	142,308	-	5,529,709
Less: Accumulated Depreciation				
Equipment	107,194	-	-	107,194
Work-in-Progress	809,582	461,293	-	1,270,875
Totals	916,776	461,293	-	1,378,069
Capital Assets-Net	$ 4,470,625	$ (318,985)	$ -	$ 4,151,640

NOTE 7 – CONCENTRATIONS

ICERS has entered into a custodial agreement with JP Morgan. JP Morgan custodies securities and collects income for ICERS. The value of ICERS' investments under JP Morgan's custodianship at June 30, 2016 and 2015, was approximately $688,102,153 and $691,644,706, respectively.

The following firms professionally manage ICERS' investments:

	Value of Investments 2016	2015
BlackRock	$ 361,482,350	$ 250,027,269
Bradford & Marzec	104,572,984	91,084,015
MacKay Shields, LLC	87,769,772	84,628,784
Clifton Group	1,391,756	1,391,756
Dimensional	18,522,839	20,988,405
Franklin Templeton Institutional	-	62,048,320
Vontobel	22,937,763	23,471,080
Gresham	9,991,885	11,879,493
HarbourVest Partners, LLC	12,794,169	10,306,039
KKR	4,364,880	7,295,702
PIMCO	2,078,504	5,619,387
T. Rowe Price	-	28,021,642
TimesSquare Capital	-	30,462,526
Clarion Partners	29,734,245	26,713,683
ASB Capital Management, LLC	30,459,360	27,283,315
JP Morgan	2,001,645	10,423,290
Total Investments	$ 688,102,153	$ 691,644,706

NOTE 8 – FAIR VALUE MEASUREMENT

In fiscal year 2016, ICERS adopted GASB Statement No. 72, *Fair Value Measurement and Application*. This statement establishes a fair value hierarchy based on three types of input to develop the fair value measurements for investment.

Level 1 – reflects prices quoted in active markets.

Level 2 – reflects prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.

Level 3 – reflects prices based upon unobservable sources.

The categorization of ICERS investments within the fair value hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Assets classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Assets classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. As of June 30, 2016, ICERS did not hold any investments classified in Level 3.

The following table represents the Fair Value Measurement of ICERS' investments as of June 30, 2016:

		Fair Value Measurements Using	
	June 30, 2016	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Investments by Fair Value Level			
Debt Securities			
Asset Backed Securities	$ 10,800,839	$ -	$ 10,800,839
CMBS	2,967,634	-	2,967,634
CMO Corporate	2,520,325	-	2,520,325
Corporates and Other Credit	41,991,702	-	41,991,702
Mortgage Backed-Agency	18,376,235	-	18,376,235
Government	22,437,138	-	22,437,138
Government (Non U.S.)	3,562,853	-	3,562,853
Short-Term and Equivalents	5,309,660	-	5,309,660
Total Debt Securities	107,966,386	-	107,966,386
Commingled Funds			
Domestic Bond Funds	103,111,102	-	103,111,102
Domestic Equity Funds	227,744,809	-	227,744,809
International Equity Funds	155,227,849	18,522,839	136,705,010
Commodities Funds	14,620,850	-	14,620,850
Total Commingled Funds	500,704,610	18,522,839	482,181,771
Total Investments by Fair Value Level	608,670,996	$ 18,522,839	$ 590,148,157
Investments Measured at the Net Asset Value (NAV)			
Real Estate Funds	61,584,144		
Private Equity Funds	19,237,553		
Total Investments Measured at NAV	80,821,697		
Total Investments by Fair Value Level	**$ 689,492,693**		
Securities Lending Collateral			$ 4,742,533

NOTE 8 – FAIR VALUE MEASUREMENT (Continued)

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table.

	Fair Value June 30, 2016	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Real Estate Funds [1]	$ 61,584,144	$ -	Daily, Quarterly	30-90 days
Private Equity Funds [2]	19,237,553	8,251,898	Not Eligible	N/A
Total Investments Measured at (NAV)	**$ 80,821,697**	**$ 8,251,899**		

[1] Real Estate Funds. This type includes three real estate funds that invest primarily in U.S. commercial real estate (including multi-family, industrial, and retail and office space). The fair values of the investments in this type have been determined using the NAV per share (or its equivalent) of the Plan's ownership interest in partners' capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated.

[2] Private Equity Funds. This type includes six funds that invest primarily in buyout, partnerships, venture capital, and credit opportunities/debt funds. The fair values of these funds are determined using a variety of techniques but most often using the income approach, employing an internally developed discounted cash flow model, or the market approach. These funds are not eligible for redemption. Distributions are received as underlying investments within the funds are liquidated.

NOTE 9 – ADMINISTRATIVE EXPENSES

California Government Code §31580.2 requires that the Board of Retirement may expend no more than the greater of the following:

1) Twenty-one hundredths of 1 percent (0.21%) of the accrued actuarial liability of the retirement system.

2) Two million dollars ($2,000,000), as adjusted annually by the amount of the annual cost-of-living adjustment (COLA) computed in accordance with Article 16.5 (commencing with §31870).

Due to the repeal of §31580.3, expenditures for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system for purposes of this section.

Due to ICERS' limited budget needs, ICERS has chosen to adopt Section 2 of the Government Code with a current annual limit of $2,171,774. Beginning with fiscal year 2014-2015, ICERS has reclassified its entire technology expense (with the exception of Information Technology (IT) personnel costs) to its own designated account for more uniform adherence to Government Code Section §31580.2. As such, ICERS has restated the values presented on the Statements of Changes in Plan Net Position to reflect these changes. Administrative costs of the Plan are financed through investment Plan assets.

NOTE 10 – RISK MANAGEMENT

ICERS is exposed to various risks of loss related to torts; theft or damage to, or destruction of, assets; injuries to employees; and errors and omissions. To address these risk items, ICERS is covered by the following policies and programs:

Liability Coverage
1st Layer: $300,000 - $5,000,000
2nd Layer: $5,000,000 - $50,000,000
Workers' Compensation
CSAC Excess Insurance Authority
No cap on workman's compensation

For each of the above self-insurance coverage limits, the County of Imperial maintains a separate Internal Service Fund. Funding for each fund is actuarially determined.

Fiduciary Liability Insurance
RLI Insurance Company
$10,000,000 – Aggregate Limit of Liability (Including Defense Costs)
$250,000 – Sublimit of Liability for Cap (IRS) Penalties
$1,500,000 – HIPAA Sublimit

In addition to the above, each investment manager and the fund's custodian carries a separate fidelity bond as well as errors and omissions insurance at levels consistent with their total funds under management.

NOTE 11 – NET PENSION LIABILITY

Net Pension Liability of Employers

The net pension liability (i.e., the Plan's liability determined in accordance with GASB Statement No. 67 less the fiduciary net position) is shown below:

	June 30, 2016	June 30, 2015
Total Pension Liability	$ 833,286,055	$ 789,498,226
Plan Fiduciary Net Position	(699,069,483)	(700,889,930)
Employers' Net Pension Liability	$ 134,216,572	$ 88,608,296
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.89%	88.78%

The Net Pension Liability (NPL) was measured as of June 30, 2016 and 2015. ICERS 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 30, 2015 and 2014, respectively.

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The Total Pension Liabilities as of June 30, 2016 and 2015, that were measured by actuarial valuations as of June 30, 2015 and 2014, respectively, used the same actuarial assumptions as the June 30, 2016 and 2015 funding valuations. In particular, the following actuarial assumptions were applied to all periods included in the June 30, 2016 and 2015 measurements:

NOTE 11 – NET PENSION LIABILITY (Continued)

Actuarial Assumptions (Continued)

Inflation	3.25%
Salary increases	General: 4.75% to 7.75% and Safety: 4.75% to 11.75%, vary by service, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Administrative expenses	1.20% of payroll allocated to both the employer and member based on the components of the total contribution rate (before expense) for the employer and member.
Other assumptions	See analysis of actuarial experience during the period July 1, 2010 through June 30, 2013.

Discount Rate

The discount rate used to measure the TPL was 7.50% as of both June 30, 2016 and June 30, 2015. For plan member contributions, the projection of cash flows used to determine the discount rate assumed member contributions will be made at the current contribution rate for the Regular and PEPRA benefits and that the contributions will be made at rates equal to the actuarially determined contribution rates for the Supplemental benefits. For employer contributions, the projection of cash flow used to determine the discount rate assumed employer contributions will be made at rates equal to the actuarially determined contribution rates.

For this purpose, only member and employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, the Pension Plan 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 pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both June 30, 2016 and June 30, 2015.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the NPL of ICERS as of June 30, 2016, calculated using the discount rate of 7.50%, as well as what the ICERS' NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
ICERS Net Pension Liability as of June 30, 2016	$ 247,631,659	$ 134,216,572	$ 40,969,285

NOTE 12 – ACTUARIAL VALUATIONS

Pursuant to provisions in the CERL, ICERS engages an independent actuarial firm to perform an annual funding actuarial valuation. The economic and non-economic assumptions are updated at the time each triennial valuation is performed. Triennial valuations serve as the basis for changes in member contribution rates necessary to properly fund ICERS. ICERS also hires an independent actuarial firm to audit the results of each triennial valuation.

NOTE 12 – **ACTUARIAL VALUATIONS** (Continued)

The information displayed below presents the funded status of the most recent funding actuarial valuation.

Funded Status as of the Most Recent Actuarial Valuation Date
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Annual Covered Payroll ((b-a)/c)
6/30/2016	$ 737,506	$ 816,442	$ 78,936	90.33%	$ 115,443	68.38%

Additional information as of the latest funding actuarial valuation is as follows:

Valuation date	June 30, 2016
Actuarial cost method	Entry Age Actuarial Cost Method. Entry Age equals attained age less years of service. Actuarial Accrued Liability is calculated on an individual basis and is based on costs allocated as a level percentage of compensation.
Amortization method	Level percentage of payroll for total unfunded actuarial accrued liability
Asset valuation method	The Actuarial Value of Assets is determined by phasing in any difference between actual and expected market return over 5 years or 10 six-month interest crediting periods. The Actuarial Value of Assets is further adjusted, if necessary, to be within 30% of the Market Value of Assets.
Annual inflation rate	3.25%
Investment rate of return	7.50%
Postretirement benefit increase assumptions	COLA, maximum of 2.0%
Projected salary increases	General: 4.75% to 7.75% Safety: 4.75% to 11.75%
Remaining amortization period	15 years (declining) as of June 30, 2016, for the outstanding balance of the June 30, 2012 UAAL. Effective with the June 30, 2013 valuation, any change in UAAL that arises due to actuarial gains or losses will be amortized over a 15-year closed period. Any change in UAAL as a result of a change in actuarial assumptions or methods will be amortized over a 20-year closed period. Any change in UAAL that arises due to plan amendments will be amortized over a 15-year closed period and any change in UAAL due to temporary retirement incentive programs will be amortized over a 5-year closed period. If ICERS becomes overfunded, such surplus and any subsequent surpluses will be amortized over an open amortization period of 30 years.

NOTE 13 – FEDERAL INCOME TAX STATUS

ICERS currently has a favorable tax determination letter. Dated August 11, 2016, the letter is effective and applies to the Plan's documents submitted with the application filed during the remedial amendment cycle ending January 31, 2016.

NOTE 14 – COMMITMENTS AND CONTINGENCIES

Litigation

ICERS is a plaintiff in one lawsuit and a defendant in other claims arising in the ordinary course of its operations. ICERS management and legal counsel estimate the ultimate outcome of such litigation will not have a material effect on ICERS financial statements.

Capital Commitments

ICERS' real estate and private equity investment managers identify and acquire investments on a discretionary basis. Each manager's investment activity and discretion is controlled by ICERS' Investment Policy and the guidelines and limitations set forth in 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. ICERS' Investment Policy, contractual obligations, and capital commitments are subject to approval by the Board of Retirement and may be updated as often as necessary to reflect ICERS' investment preferences, as well as changes in market conditions.

As of June 30, 2016, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
HarbourVest	Private Equity	$ 20,000,000	$ 6,924,896
KKR	Private Equity	10,000,000	1,327,002
PIMCO	Private Equity	10,000,000	-

As of June 30, 2015, outstanding capital commitments consisted of:

Investment Manager	Investment Type	Total Capital Commitment	Outstanding Capital Commitment
HarbourVest	Private Equity	$ 20,000,000	$ 9,808,253
KKR	Private Equity	10,000,000	1,606,613
PIMCO	Private Equity	10,000,000	-

NOTE 15 – SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 6, 2017, which is the date the financial statements were issued. ICERS did not identify any subsequent events that require disclosure.

REQUIRED SUPPLEMENTAL INFORMATION

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Total Pension Liability				
Service cost	$ 25,771,056	$ 24,654,181	$ 23,272,227	$ 22,802,375
Interest	59,345,608	56,219,107	53,633,171	50,488,475
Change of benefit terms	-	-	-	-
Differences between expected and actual experience	(6,660,193)	(10,469,477)	(2,989,546)	(14,764,733)
Changes of assumptions	-	-	21,572,390	-
Benefit payments, including refunds of employee contributions	(34,668,642)	(32,617,937)	(31,068,263)	(29,320,590)
Net change in total pension liability	43,787,829	37,785,874	64,419,979	29,205,527
Total pension liability – beginning	789,498,226	751,712,352	687,292,373	658,086,846
Total pension liability – ending (a)	$ 833,286,055	$ 789,498,226	$ 751,712,352	$ 687,292,373
Plan Fiduciary Net Position				
Contributions – employer	$ 20,506,786	$ 18,458,585	$ 17,045,429	$ 16,082,961
Contributions – employee	12,918,809	11,328,165	10,519,020	10,093,363
Net investment income	1,726,183	12,811,880	95,831,177	62,556,490
Benefit payments, including refunds of employee contributions	(34,668,642)	(32,617,937)	(31,068,263)	(29,320,590)
Administrative expense	(2,303,583)	(2,079,611)	(1,890,474)	(1,521,247)
Other	-	-	-	-
Net change in plan fiduciary net position	(1,820,447)	7,901,082	90,436,889	57,890,977
Plan fiduciary net position – beginning	700,889,930	692,988,848	602,551,959	544,660,982
Plan fiduciary net position – ending (b)	$ 699,069,483	$ 700,889,930	$ 692,988,848	$ 602,551,959
Plan's net pension liability – ending (a)-(b)	$ 134,216,572	$ 88,608,296	$ 58,723,504	$ 84,740,414
Plan fiduciary net position as a percentage of the total pension liability	83.89%	88.78%	92.19%	87.67%
Covered employee payroll	$ 106,520,000	$ 102,235,000	$ 96,300,000	$ 100,356,000
Plan net pension liability as percentage of covered employee payroll	126.00%	86.67%	60.98%	84.44%

Notes to Schedule:

Benefit Changes: None

Schedule is intended to show information for 10 years. Recalculations of prior years are not required. If prior years are not reported in accordance with the standards of GASB Statements No. 67/68, they should not be shown here. Therefore, we have only shown years for which the new GASB statements have been implemented.

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
(AMOUNTS IN MILLIONS)

Year Ended June 30	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Employee Payroll	Contributions as a percentage of Covered Employee Payroll
2016	$ 21	$ 21	$ -	$ 107	19.25%
2015	18	18	-	102	18.06%
2014	17	17	-	96	17.68%
2013	16	16	-	92	17.41%
2012	13	13	-	96	13.60%
2011	13	13	-	94	13.84%
2010	12	12	-	88	13.56%
2009	11	11	-	85	12.88%
2008	9	9	-	79	11.44%
2007	8	8	-	N/A	N/A

Notes to Schedule:

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.

Methods and assumptions used to establish "actuarially determined contributions" rates:

Actuarial cost method

Entry Age Actuarial Cost Method

Amortization method

Level percent of payroll for total unfunded actuarial accrued liability (UAAL)

Remaining amortization period

UAAL established as of June 30, 2012, is amortized over a declining period (with 17 years remaining as of the June 30, 2014 valuation which set the rates for the 2015/2016 fiscal year). Effective with the June 30, 2013 valuation, any change in UAAL that arises due to actuarial gains or losses will be amortized over a 15-year closed period. Any change in UAAL as a result of a change in actuarial assumptions or methods will be amortized over a 20-year closed period. Any change in UAAL that arises due to plan amendments will be amortized over a 15-year closed period and any change in UAAL due to temporary retirement incentive programs will be amortized over a 5-year closed period. If ICERS becomes overfunded, such surplus and any subsequent surpluses will be amortized over an open amortization period of 30 years.

Asset valuation method	The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over 5 years or 10 six-month interest crediting periods. The Actuarial Value of Assets is further adjusted, if necessary, to be within 30% of the Market Value of Assets. Deferred gains and losses as of June 30, 2011 have been combined and will be recognized in equal amounts over the next nine six-month interest crediting periods from that date. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves. For valuation purposes, the Valuation Value of Assets is reduced by the value of the non-valuation reserves.
Actuarial assumptions:	
June 30, 2014 valuation (for year ended 2016 Actuarially Determined Contributions)	
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Inflation rate	3.25%
Projected salary increases	General: 4.75% to 7.75% and Safety: 4.75% to 11.75%, vary by service, including inflation
Cost of living adjustments	2.00% of retirement income
Other assumptions	Same as those used in the June 30, 2014 funding actuarial valuation.

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS

	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013
Annual money-weighted rate of return, net of investment expense	0.4%	1.8%	16.2%	11.8%

Notes to Schedule:

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

OTHER SUPPLEMENTAL INFORMATION

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF NET PENSION LIABILITY (NPL)
ALLOCATED BY COST SHARING PLAN (UNAUDITED)
AS OF JUNE 30, 2016

Employer	General	Safety	Total NPL	Total %
County	$ 81,444,111	$ 45,686,618	$ 127,130,729	94.721%
Courts	6,480,475	-	6,480,475	4.828%
ICTC	491,187	-	491,187	0.366%
LAFCO	114,181	-	114,181	0.085%
Total	$ 88,529,954	$ 45,686,618	$ 134,216,572	100.000%

Notes to Schedule:

Based on July 1, 2015 through June 30, 2016 contributions as provided by ICERS.

The Net Pension Liability (NPL) for each membership class is the Total Pension Liability (TPL) minus the Plan Fiduciary Net Position. The TPL for each membership class is obtained from internal valuation results. The Plan Fiduciary Net Position for each membership class was estimated by adjusting the Valuation Value of Assets (VVA) for each membership class by the ratio of the total ICERS Plan Fiduciary Net Position to total ICERS VVA. Based on this methodology, any non-valuation reserves (such as Reserve for Capital Assets) are allocated amongst the membership classes based on the VVA for each membership class.

The Safety membership class has one employer (County), so all of the NPL for Safety is allocated to the County.

For General, the NPL is allocated based on the actual contributions within the General membership class.

- First calculate ratio of employer's and member's contributions to the total contributions for the membership class.
- This ratio is multiplied by the NPL for the membership class to determine the employer's proportionate share of the NPL for the membership class.
- If the employer is in several membership classes, the employer's total allocated NPL is the sum of its allocated NPL from each membership class.
- Proportionate share of total plan NPL is then the ratio of the employer's total allocated NPL to the total NPL of all employers.

IMPERIAL COUNTY EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (UNAUDITED)
AS OF JUNE 30, 2016

	County General	County Safety	County Total	Courts	ICTC	LAFCO	Total for All Employers
Net Pension Liability	$ 81,444,111	$ 45,686,618	$ 127,130,729	$ 6,480,475	$ 491,187	$ 114,181	$ 134,216,572
Deferred Outflows of Resources							
Differences Between Expected and Actual Plan Experience	$ -	$ 512,276	$ 512,276	$ -	$ -	$ -	$ 512,276
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	30,279,291	12,087,784	42,367,075	2,409,311	182,613	42,450	45,001,449
Changes of Assumptions	5,507,867	5,163,879	10,671,746	438,259	33,218	7,722	11,150,945
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	74,863	-	74,863	52,128	24,092	1,347	152,430
Total Deferred Outflows of Resources	$ 35,862,021	$ 17,763,939	$ 53,625,960	$ 2,899,698	$ 239,923	$ 51,519	$ 56,817,100
Deferred Inflows of Resources							
Differences Between Expected and Actual Plan Experience	$ 11,090,653	$ 2,745,330	$ 13,835,983	$ 882,479	$ 66,887	$ 15,549	$ 14,800,898
Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	-	-	-	-	-	-	-
Changes of Assumptions	-	-	-	-	-	-	-
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	44,916	-	44,916	97,110	2,089	8,315	152,430
Total Deferred Inflows of Resources	$ 11,135,569	$ 2,745,330	$ 13,880,899	$ 979,589	$ 68,976	$ 23,864	$ 14,953,328
Pension Expense							
Proportionate Share of Plan Pension Expense	$ 19,612,046	$ 9,505,037	$ 29,117,083	$ 1,559,079	$ 120,204	$ 27,386	$ 30,823,752
Net Amortization of Deferred Amounts from Changes in Proportion and Proportionate Share of Pension Expense	9,841	-	9,841	(15,003)	6,532	(1,370)	-
Total Employer Pension Expense	$ 19,621,887	$ 9,505,037	$ 29,126,924	$ 1,544,076	$ 126,736	$ 26,016	$ 30,823,752

Notes to Schedule:

Amounts shown in this exhibit were allocated by employer based on the Contributions Allocation Percentage Calculated in the Schedule of Employer Contributions Allocated by Cost Sharing Plan (above).

In determining the pension expense:

- Any differences between projected and actual investment earnings on pension plan investments are recognized over a period of five years beginning with the year in which they occur.
- Differences between expected and actual experience are recognized over the average of the expected remaining service lives of all members that are provided with pensions through ICERS determined as of June 30, 2015 (the beginning of the measurement period ending June 30, 2016) and is 6.60 years.

The average of the expected remaining service lives of all employees was determined by:

- Calculating each active employees' expected remaining service life as the present value of $1 per year of future service at zero percent interest.
- Setting the remaining service life to zero for each non-active or retired members.
- Dividing the sum of the above amounts by the total number of active employee, non-active, and retired members.