



Notice of Public Meeting

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, September 25, 2018, at 10:00 A.M.**

PUBLIC SESSION – The Board will meet in Public Session at 10:00 a.m.

- 1. Call to Order, Roll Call and Miscellaneous Business**
 - 1.1 Announcement of Committee Appointments
- 2. Oral Communications**
 - 2.1 Oral Communications from the Board
 - 2.2 Oral Communications from the Public
- 3. Approval of the Minutes**
 - 3.1 Approval of Board Meeting Minutes from August 28, 2018
- 4. Approval of the Consent Agenda***

4.1 Disability Retirements	4.7 Member Account Rollovers
• Carlos Garcia	4.8 Member Account Redeposits
4.2 Survivor Death Benefits	4.9 Acceptance of Trustees' Reports of Educational Activities
4.3 Service Retirements	4.10 Reaffirmation of Interest Crediting Policy
4.4 Continuances	
4.5 Deferred Retirements	
4.6 Member Account Refunds	
- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, removed from the Consent Agenda
 - 5.2 Presentation of the June 30, 2018, Actuarial Valuation Report by Milliman, Inc
 - 5.3 Approval of Resolution Accepting Recommendations to Be Made for Fiscal Year 2019-2020 Employer and Member Contribution Rates
- 6. Investment Services**
 - 6.1 Report on Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2018
 - 6.2 Report on Opportunistic Credit Manager Annual Reviews
 - 6.3 Report on Real Estate Pacing Study
 - 6.4 Approval of Resolution Amending the Investment Policy
 - 6.5 Report on Low Volatility Equity Manager Short-List
- 7. Board & Management Support**
 - 7.1 Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2018 Business Meeting
- 8. Management Reports**
 - 8.1 Chief Executive Officer's Report
 - 8.2 Assistant Executive Officer's Report
 - 8.3 Chief Investment Officer's Report
 - 8.4 Chief Legal Counsel's Report

CLOSED SESSION – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, removed from the Consent Agenda

9. Report on Actions Taken in Closed Session

Notice of Public Meeting

Page 2 of 2

10. Adjournment in Memory of the Following Deceased Members:

Robertson, Bernice	August 10, 2018	Canyon Hospital Nursing Dept
Dana, Paul	August 11, 2018	Environmental Health
Estrada, Barbara	August 14, 2018	Superior Court
Tenvold, Patricia	August 15, 2018	Library
Gossett, Helen	August 18, 2018	Probation
Needle, Amelia	August 18, 2018	Mental Health
Tarkington, William	August 25, 2018	General Services
Rogers, Beverly	August 26, 2018	Sheriff's
Huffman, Margaret	August 28, 2018	Library
Morimoto, Fred	August 28, 2018	Public Works
Greene, Nancy	September 2, 2018	Probation
Trade, Daniel	September 5, 2018	Information Systems



Scott Hood, Chief Executive Officer

Posted: September 19, 2018

(* ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE REGULAR AGENDA MAY BE TRANSFERRED TO THE CONSENT AGENDA. ANY 4.1 ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER CLOSED SESSION; ALL OTHER ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER ITEM 5.1.)

THE BOARD MEETS AT 100 MARINE PARKWAY, SUITE 160, WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD CITY. Detailed directions are available on the "Contact Us" page of the website www.samcera.org. Free Parking is available in all lots in the vicinity of the building. A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT: SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact SamCERA at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 1.1

TO: Board of Retirement
FROM: Sandie Arnott, Chair 
SUBJECT: Announcement of Appointment of Board Committees

Committee Appointments

Ms. Arnott, appoints the following committee assignments for FY 2018-19 as follows:

- Audit Committee - Mark Battey, Katherine O'Malley, Alma Salas and Kurt Hoefer, Chair
- Investment Committee - Al David, Robert Raw, Eric Tashman and Ben Bowler, Chair

Background

The Board Chair is authorized by the Regulations of the Board of Retirement to appoint all committees.

"1.1 Election Of Chair: At the first regular meeting in July, the Board of Retirement shall elect one of its members chair for a term of one year or until his or her successor is duly elected and qualified. The Chair shall preside at all meetings of the Board, shall appoint all committees (*emphasis added*) and shall perform all duties incidental to that office."

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

AUGUST 28, 2018 – REGULAR BOARD MEETING MINUTES

1808.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Ms. Sandie Arnott, Chair, called the Regular Meeting of the Board of Retirement to order at 10:01 a.m.

Roll Call:

Present: Sandie Arnott, Al David, Kurt Hoefer, Susan Lee (for Robert Raw) and Alma Salas (for Paul Hackleman).

Absent: Mark Battey, Ben Bowler, Paul Hackleman, Katherine OMalley and Robert Raw.

Alternates present: Susan Lee and Alma Salas.

Staff: Scott Hood, Gladys Smith, Michael Coultrip, Tat-Ling Chow, Brenda Carlson, Lili Dames, Doris Ng and Anne Trujillo.

Consultants and speakers: Margaret Jadallah, Joe Abdou and Faraz Shooshani (Verus).

1808.2.1 Oral Communications from the Board: None.

1808.2.2 Oral Communications from the Public: None.

1808.3.1 Approval of Board Meeting Minutes: Ms. Arnott asked if there were any changes or corrections, or objections, to the meeting minutes from the Board meeting held on July 24, 2018.

Action: Mr. Hoefer moved to approve the minutes from the Board Meeting on July 24, 2018. The motion was seconded by Ms. Salas and carried with a vote of 5-0, with trustees David, Hoefer, Lee, Salas and Tashman all in favor; Ms. Arnott abstained; none opposed. (This agenda item was taken out of order.)

1808.4.0 Approval of the Consent Agenda: Ms. Arnott asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

Action: Mr. David moved to approve the items on the Consent Agenda, and the motion was seconded by Mr. Hoefer. The motion carried with a vote of 5-0, with trustees Arnott, David, Hoefer, Lee and Salas, all in favor; none opposed.

1808.4.1 Disability Retirements: None.

1808.4.2 Survivor Death Benefits: Anthony Seto.

1808.4.3 Service Retirements:

Member Name	Effective Retirement Date	Department
Chapman, Kim	June 9, 2018	Dept. of Public Works
Clark, Ellen	June 7, 2018	Deferred from Sheriff's
Cohen, William	June 30, 2018	Behavioral Health & Recovery Services
Darby, John	June 12, 2018	Behavioral Health & Recovery Services
De Anda, Maria	June 30, 2018	Human Services Agency
Filia, Richard	June 30, 2018	Deferred from Communications
Fletcher, Sherry	June 1, 2018	Deferred from District Attorney
Healy, Scott	May 16, 2018	QDRO
Kao, Shen	June 30, 2018	Sheriff's

Lewellen, William	June 30, 2018	Sheriff's
Lindstrom, Joyce	July 1, 2018	QDRO
Mesinger, Jonathan	June 23, 2018	Health System
Parker, Melvin	June 30, 2018	Probation
Rashed, Sami	June 3, 2018	Sheriff's
Sanchez, Patricia L.	June 7, 2018	Sheriff's
Simpson, Susan	July 1, 2018	Deferred from District Attorney
Stacey, Elain Keolani	June 30, 2018	Probation
Vaillancourt, Donna	June 29, 2018	Human Resources

1808.4.4 **Continuances:**

The Board ratifies the actions as listed below for the following members regarding continues:

Survivor's Name	Beneficiary of:
Burkart-Frank, Lori	Frank, Kenneth
Carbon, Glenn	Lamis, Aurelia
Cougoule, Ruth	Cougoule, Gary
Peck, Elve	Peck, Michael
Ritchie, Robert	Ritchie, Iva

1808.4.5 **Deferred Retirements:**

The Board ratified the actions as listed below for the following members regarding deferred retirements:

Member Name	Retirement Plan Type
Alfonso, Catherine	G7, Non-vested - Reciprocity
Pham, Irving	G7, Non-vested – Reciprocity
Lloyd, Rebecca	G4, Vested - Reciprocity
Solano, Irma Vasquez	G7, Non-vested - Reciprocity
Le, Don	G7, Vested - Reciprocity
Yee, Theresa Ann	G4, Vested - Reciprocity
Gill, Sandeep Singh	G7, Non-vested - Reciprocity

1808.4.6 **Member Account Refunds:**

The Board ratified the actions as listed below for the following members regarding refunds:

Member Name	Retirement Plan Type
Jackson, Monica	G7, Non-vested
Mendoza, Zaida	G7, Non-vested
Milligan, Edwin (FBO: Alexandra Cook-Milligan)	G4, Non-vested
Milligan, Edwin (FBO: Dana Cook-Milligan)	G4, Non-vested
Morales, Jessica	G4, Non-vested
Vidrio Corro, Arely	G7, Non-vested

1808.4.7 **Member Account Rollovers:**

The Board ratified the actions as listed below for the following members regarding rollovers:

Member Name	Retirement Plan Type
Birkeland, Sarah	G7, Non-vested
Hartman, Dana	G7, Non-vested
Kuchan, Allison	S7, Non-vested
Laskowski, Michele	G7, Non-vested
Meneghetti, Cristina	G7, Non-vested
Pfaff, Elizabeth	G4, Non-vested

1808.4.8 **Member Account Redeposits:** None.

1808.4.9 **Acceptance of Trustees' Reports of Educational Activities:** The Board accepted the submitted reports for educational activities attended by Mr. Raw.

1808.4.10 **Acceptance of Semi-Annual Compliance Certification Statements for Period Ended June 30, 2018:** The Board accepted the semi-annual Compliance Certification Statements for SamCERA's non-alternative investment managers and investment consultant, as of June 30, 2018.

1808.4.11 **Reaffirmation of Board of Retirement Policy and Procedure for Correcting Inaccuracies Relating to Member Contributions, Withdrawals and the Payment of Benefits:** The Board reaffirmed its "Policy and Procedure for the Correction of Inaccuracies Relating to Member Contributions, Withdrawals and the Payment of Benefits."

1808.5.1 **Consideration of Agenda Items, if any, removed from the Consent Agenda:** None.

1808.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended July 31, 2018:** Mr. Coultrip discussed the preliminary monthly performance report with the Board. He reported that SamCERA's net preliminary return for July 2018 was 1.4%, bringing the preliminary trailing twelve-month return ending July 2018 to 6.6% net. The preliminary twelve-month net return is below both SamCERA's Plan Benchmark return of 8.0% and SamCERA's Actuarial Assumed Earnings Rate of 6.75%. He also added that July was a positive month for risk assets in both U.S. and international markets. This item was informational and for discussion only, no action was taken.

Mr. Tashman arrived at 10:06 a.m. and took his seat at the dais.

1808.6.2 **Report on Quarterly Investment Performance Report for the Period Ended June 30, 2018:** Mr. Coultrip reported the 2nd quarter net total return for SamCERA's portfolio was +0.6%, which was 20 bps lower than the +0.8% policy benchmark return. He also reported the net total return for fiscal year ending June 30, 2018 was +6.7%, which was 110 bps lower than the +7.8% policy benchmark return. This item was informational and for discussion only, no action was taken.

1808.6.3 **Report on Fixed Income Manager Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews of SamCERA's global and core bond managers. Staff met at SamCERA's offices with Franklin Templeton and core bond managers, Western Asset Management and Fidelity Institutional Asset Management on August 2, 2018. There were no significant concerns identified during the portfolio reviews. This item was informational and for discussion only, no action was taken.

1808.6.4 **Report on Private Asset Semi-Annual Performance Reports as of December 31, 2017:** Ms. Dames reported SamCERA's private equity and real assets performance as of December 31, 2017. She informed the Board that SamCERA's private equity portfolio had a total market value of \$255.7 million and private real assets portfolio had a total market value of \$58.6 million.

Mr. Shooshani further reviewed the performance reports with the Board. This item was informational and for discussion only, no action was taken.

1808.6.5 **Report on Government Code Section 7514.7 Annual Disclosure for 2017:** Under Government Code Section 7514.7, staff prepared SamCERA's first required disclosure report covering calendar year 2017. Ms. Dames went over the report in detail with the Board. This item was informational and for discussion only, no action was taken.

The meeting was adjourned for break at 11:10 a.m. and reconvened at 11:15 a.m. and went into closed session to consider item 1808.6.7 (C2). The Board reconvened once again in open session at 11:55 a.m.

1808.6.6 **Approval of Currency Hedging Recommendation:** Ms. Jadallah and Mr. Abdou presented an overview on currency risk and currency hedging, and discussed important consideration in setting up a hedging program.

Action: Mr. Hoefler moved to approve the recommendation to implement a 50% developed market currency hedge utilizing Parametric and legging in at 10% quarterly tranches to mitigate timing impacts. The motion was seconded by Ms. Salas and carried with a vote of 6-0, with trustees Arnott, David, Hoefler, Lee, Salas and Tashman. (This agenda item was taken out of order.)

1808.6.7 **Approval of Proposed Alternative Investment:** Under Confidential under Gov. Code §54956.81 and C2 §6254.26, the Board met in closed session regarding the approval of a proposed alternative investment.

Ms. Carlson reported that a motion was made to invest \$20 million in the ABRY Advanced Securities Fund IV and carried with a vote of 5-1, with trustees Arnott, David, Lee, Hoefler and Salas in favor; Tashman opposed. (This agenda item was taken out of order.)

The Board adjourned for lunch at 12:19 p.m. and reconvened at 12:50 p.m.

1808.7.1 **Approval of Board of Retirement's Response to the 2017-2018 Civil Grand Jury Report:** Mr. Hood reported the Grand Jury's findings and recommendations regarding SamCERA's funded status and assumed rate of return. He provided the Board with draft responses to each finding and the one recommendation for the Board's approval.

Action: Mr. David moved to approve the Board's response to the applicable findings and recommendations contained in the San Mateo County 2017-18 Grand Jury Report. The motion was seconded by Mr. Tashman and carried a vote of 6-0, with trustees Arnott, David, Hoefler, Lee, Salas and Tashman all in favor; none opposed.

1808.7.2 **Report on Preliminary Financial Statements for the Fiscal Year Ended June 30, 2018:** Ms. Chow reported on SamCERA's financial position which improved modestly over the fiscal year. The fund's net position increased 8%, fueled mainly by an appreciation of investments. This item was informational and for discussion only, no action was taken.

1808.7.3 **Report on Budget-to-Actual for the Fiscal Year Ended June 30, 2018:** Ms. Chow reported on SamCERA’s three different areas of budget: Administrative, Technology and Professional Services. She informed the Board the annual actual versus budget comparison indicates that SamCERA’s actual spending during fiscal year 2017-2018 matched closely with its budget. This item was informational and for discussion only, no action was taken.

1808.7.4 **Approval of Resolution Adopting Felony Forfeiture Procedures:** Mr. Hood discussed the proposed procedure for Felony Forfeitures. The procedure confirms SamCERA existing process which provides the member with notice, a right to be heard and right to appeal decisions prior to any forfeiture action.

Action: Ms. Salas motioned to adopt the resolution approving “Board of Retirement Procedure for Felony Forfeitures.” Mr. David seconded the motion and carried a vote of 6-0, with trustees Arnott, David, Hoefler, Lee, Salas and Tashman all in favor; none opposed.

1808.8.1 **Chief Executive Officer’s Report:** Mr. Hood called attention to the SACRS Legislation Timeline found in the Day of Meeting Folder. He stated that staff plans to release the Request for Proposal (RFP) for actuarial services this week to ensure adequate time to respond. Mr. Hood also mentioned next month’s meeting agenda would include approval of contribution rates and opportunity to approve the SACRS delegates.

1808.8.2 **Assistant Executive Officer’s Report:** Ms. Smith reported that Brown Armstrong is currently in-house, conducting its audit this week. She also mentioned the V3 system version upgrade will begin next month. Lastly, Ms. Smith reported staff is undergoing interviews for the Retirement Support Specialist position and will soon begin recruitment for the Retirement Analyst position.

1808.8.3 **Chief Investment Officer’s Report:** Mr. Coultrip reported annual review meetings with Angelo Gordon, White Oak and Brigade will take place on September 13, 2018. The annual meeting with TCP will take place on September 26, 2018. Mr. Coultrip also reported of the County’s prepayment received in July and explained how the funds were allocated. In addition, he reported that SamCERA has offered (and accepted) a modified fee schedule for an alternative investment which better aligns with the performance of the fund. The net result will be a lowered fee for the upcoming fiscal year. (This agenda item was taken out of order.)

1808.8.4 **Chief Legal Counsel’s Report:** Ms. Carlson discussed the specifics of Government Code Section 31522.3, which was amended to apply to any system in which the Board of Supervisors makes it applicable. Under this code section, the positions of the Chief Investment Officer and Assistant Executive Officer are not subject to County Civil Service and serve at the pleasure of the Board of Retirement who may set the salaries. However, salaries for these positions are to be included in the County’s salary ordinance which is approved by the Board of Supervisors.

C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.

1808.10 **Adjournment:** Ms. Arnott adjourned the meeting at 1:15 p.m. in memory of the deceased members listed below.

Cristina Enriquez	July 5, 2018	Human Services
Norma Antonio	July 6, 2018	Public Works
Glenn Nelson	July 11, 2018	Assessor
Darlene Wich	July 13, 2018	Superior Court
Howard Lader	July 17, 2018	Mental Health
Suzuye Shoda	July 22, 2018	Health Services

Harris Crain	July 28, 2018	Hospital
Janet Miller	July 30, 2018	Planning & Building
Aldaniel Goodspeed	August 1, 2018	Engineering & Road Dept
Helen Cannon	August 3, 2018	Outpatient Clinic
Samuel Rosa	August 4, 2018	Crystal Springs Rehab

Scott Hood
Chief Executive Officer

Anne Trujillo
Retirement Executive Secretary

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Items 4.1- 4.9

TO: Board of Retirement

FROM: Elizabeth LeNguyen, Retirement Benefits Manager



SUBJECT: Approval of Consent Agenda Items 4.1 – 4.9

4.1 Disability Retirements

- a) The Board find that **Carlos Garcia** is (1) not permanently incapacitated for the performance of his usual and customary duties as a Cook II, and (2) deny his application for a non-service-connected disability retirement.

4.2 Survivor Death Benefits

None.

4.3 Service Retirements

The Board ratifies the actions as listed below for the following members regarding service retirements:

Member Name	Effective Retirement Date	Department
Benton, Bernestine	August 1, 2018	Health System
Chenoweth, William	July 28, 2018	Sheriff's
Ellison, Laura	August 1, 2018	Deferred from Aging & Adult Services
Gibbons, Linda	July 28, 2018	Sheriff's
Gorman, Michael	July 28, 2018	Planning & Building
Kahn, Michael	July 10, 2018	Correctional Health
Kwong, Ancy	July 27, 2018	Human Services Agency
Martinelli, Mark	July 13, 2018	Dept. of Public Works
Moon, Marcelle	July 28, 2018	Aging & Adult Services
Perez, Ramiro	July 26, 2018	Deferred from Sheriff's Office
Pettit, Tony	July 10, 2018	Probation
Saschin, Nicholas	July 21, 2018	Deferred from H.S.A.
Webb, Gary	July 14, 2018	Dept. of Public Works

Wiggers, Joris	July 16, 2018	Deferred from Mental Health
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4.4 Continuances

The Board ratifies the actions as listed below for the following members regarding continuances:

Survivor's Name	Beneficiary of:
Antonio, Gregorio	Antonio, Norma
Nelson, Gayle	Nelson, Glenn
Brown-Dean, Elizabeth	Dean, William

4.5 Deferred Retirements

The Board ratifies the actions as listed below for the following members regarding deferred retirements:

Member Name	Retirement Plan Type
Sally, Michael David	G4, Vested
Guereca, Sandra	G5, Vested
David, Jaime Rafael Serranzana	G4, Vested
Wilcox, Carrie E	G4, Vested

4.6 Member Account Refunds

The Board ratifies the actions as listed below for the following members regarding refunds:

Member Name	Retirement Plan Type
Enriquez, Cristina (FBO: Pimentel, Nicholas)	G7, Non-vested
Fabiano, Joseph	G7, Non-vested
Kahkejian, Knar	G7, Non-vested
Kawakami, David	G7, Non-vested
Miranda, Carina	G4, Non-vested
Parkison, Lois	G4, Vested
Pettit, Christopher	S7, Non-vested
Sanchez De Leon, Israel	G7, Non-vested
Schneider, David	G4, Non-vested

4.7 Member Account Rollovers

The Board ratifies the actions as listed below for the following members regarding rollovers:

Member Name	Retirement Plan Type
Gohata, Laurie	G2, Non-vested
Rubenstein, Laura	G7, Non-vested
Sanini, Matthew	S7, Non-vested
Tran, Anna	G4, Non-vested

4.8 Member Account Redeposits

None.

4.9 Acceptance of Trustees' Reports of Educational Activities

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 4.9

TO: Board of Retirement

FROM: Anne Trujillo, Retirement Executive Secretary



SUBJECT: Trustee's Reports of Educational Activities

Recommendation

Accept the following reports from Board of Retirement trustees who have recently attended educational events.

Background

SamCERA's Education Policy Section 1D states "Prior to the next regularly scheduled meeting of the Board following the Board member's participation in an educational activity, the Board member shall submit for inclusion on the Consent Agenda, a summary written report on the content of educational activities. The report shall substantially reflect the information contained in the attached sample report."

Discussion

SamCERA Trustees attended the following educational events, and their reports are attached:

CALAPRS Principles of Pension Management for Trustees

Katherine OMalley

Robert Raw

2018 Public Funds Forum

Susan Lee

Attachments

Trustee's Education Proof of Participation Certificates and Summaries

SamCERA Board of Retirement Trustee Education
 Proof of Participation Certificate and Summary



Trustee Name <i>Katherine OMalley</i>		Date(s) of Event <i>8/27 - 8/30 2018</i>
Education Event Name <i>Principles of Pension Management</i>		
Event Provider <i>CALAPRS</i>		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	Eligible Credit: Total hours for sessions you participated in: <u><i>21</i></u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)	

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: (Check all that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities | <input checked="" type="checkbox"/> Disability evaluation |
| <input checked="" type="checkbox"/> Ethics | <input type="checkbox"/> Fair hearings |
| <input checked="" type="checkbox"/> Benefits administration | <input checked="" type="checkbox"/> Pension fund governance |
| <input checked="" type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input checked="" type="checkbox"/> Pension funding | <input type="checkbox"/> Other: _____ |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management | |

Summary Report

What concepts or information did you learn about?

*Fiduciary responsibilities, Board Function, Benefits
 Disability retirement, actuaries & Managing pension liabilities,
 Investment policy basics, Ethics for public officials*

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) <i>Katherine OMalley</i>	Date <i>9/5/2018</i>
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NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

California Association of Public Retirement Systems

Recognizes

KATHERINE OMALLEY

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Upon completion of the course in

PRINCIPLES OF PENSION MANAGEMENT FOR TRUSTEES

Villa Graziadio Executive Center

Pepperdine University

August 27-30, 2018

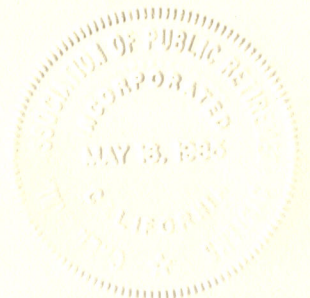


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David J. Kehler
Course Dean

A handwritten signature in black ink, appearing to read "Kerry G. Parker", written over a horizontal line.

Kerry G. Parker, CAE
Administrator



SamCERA Board of Retirement Trustee Education
Proof of Participation Certificate and Summary



Trustee Name Robert Raw		Date(s) of Event AUGUST 27-30, 2018
Education Event Name PRINCIPLES OF PENSION MANAGEMENT FOR TRUSTEES		
Event Provider CALAPRS		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	Eligible Credit: Total hours for sessions you participated in: <u>21</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)	

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: (Check all that apply)

- | | |
|--|---|
| <input checked="" type="checkbox"/> Fiduciary responsibilities | <input checked="" type="checkbox"/> Disability evaluation |
| <input checked="" type="checkbox"/> Ethics | <input checked="" type="checkbox"/> Fair hearings |
| <input checked="" type="checkbox"/> Benefits administration | <input checked="" type="checkbox"/> Pension fund governance |
| <input checked="" type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input checked="" type="checkbox"/> Pension funding | <input type="checkbox"/> Other: _____ |
| <input checked="" type="checkbox"/> Pension fund Investments and investment program management | |

Summary Report

What concepts or information did you learn about?

INVESTMENT BASICS, MANAGING THE INVESTMENT PROGRAM, STAKEHOLDERS, ETHICS, BEING A FIDUCIARY, BOARD FUNCTIONS, BENEFITS PROVIDED AND KEY ISSUES IN DISABILITY RETIREMENT.

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) 	Date 8/31/18
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NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

California Association of Public Retirement Systems

Recognizes

ROBERT RAW

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Upon completion of the course in

PRINCIPLES OF PENSION MANAGEMENT FOR TRUSTEES

Villa Graziadio Executive Center

Pepperdine University

August 27-30, 2018



A handwritten signature in black ink, appearing to read "David J. Kehler", written over a horizontal line.

David J. Kehler
Course Dean

A handwritten signature in black ink, appearing to read "Kerry G. Parker", written over a horizontal line.

Kerry G. Parker, CAE
Administrator

SamCERA Board of Retirement Trustee Education
Proof of Participation Certificate and Summary



Trustee Name Susan Lee		Date(s) of Event 9/4/18-9/6/18
Education Event Name Public Funds Forum 2018		
Event Provider Value Edge Advisors		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>13</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

This event satisfies the following requirements of the Board of Retirement's Education Policy and Government Code section 31522.8:

Topic: (Check all that apply)

- | | |
|--|--|
| <input checked="" type="checkbox"/> Fiduciary responsibilities | <input type="checkbox"/> Disability evaluation |
| <input checked="" type="checkbox"/> Ethics | <input type="checkbox"/> Fair hearings |
| <input type="checkbox"/> Benefits administration | <input checked="" type="checkbox"/> Pension fund governance |
| <input type="checkbox"/> Actuarial matters | <input type="checkbox"/> New board member orientation |
| <input type="checkbox"/> Pension funding | <input checked="" type="checkbox"/> Other: <u>leadership</u> |
| <input checked="" type="checkbox"/> Pension fund investments and investment program management | |

Summary Report

What concepts or information did you learn about?

The overarching theme at this years conference was leadership. We heard from dynamic speakers about the qualities that make a system / culture work & how leadership could go astray. The lessons & examples were invaluable which was appreciated by myself and the other trustees.

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

By signing below, I certify that I participated in the activities described above and am entitled to claim the indicated amount of education credit hour(s).

Trustee Signature (print this form and sign) 	Date 9-18-18
---	------------------------

NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 4.10

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Interest Crediting Policy

Recommendation

Reaffirm the Board's "Interest Crediting Policy."

Background

The Board has 19 policies which it has adopted at various times to govern the Board in its activities and to guide staff's administration of the system. Staff brings these policies to the Board for periodic reaffirmation or amendment on an as needed basis. The policy before the Board today is its Interest Crediting Policy.

Discussion

The County Employees Retirement Law states that regular interest shall be credited semiannually on June 30th and December 31st to all contributions in the Fund which have been on deposit for six months immediately prior to such date. It further provides that earnings of the Fund during any year in excess of the total interest credited to contributions and reserves during such year shall remain in the fund as a reserve against deficiencies in interest earnings in other years, losses on investments and other contingencies. (Govt. Code §31592.) Additionally, with respect to the rates of interest to be credited to members and to the employers, the Board may, in its sound discretion, recommend a rate which is higher or lower than the interest assumption rate established by the actuarial survey. (Govt. Code §31453.)

The Board's Interest Crediting Policy balances the interests of the active members and the retired members. In addition, this Policy is designed to:

- Comply with appropriate legal and regulatory requirements
- Assure the prompt delivery of benefits and related services
- Limit, to the extent possible, the volatility of interest crediting from period to period
- Minimize the volatility of employer contribution rates
- Limit, to the extent possible, the charging of short-term losses to reserves
- Maintain consistency between the reserve structure and the actuarial funding
- Assure that the reserve values track the market value of assets over the long term

Attachment:

Interest Crediting Policy



Interest Crediting Policy

Approved by the Board of Retirement 7/29/2014

Amended 12/16/2014

I. Overview

The San Mateo County Employees' Retirement Association (SamCERA) Board of Retirement (Board) establishes this policy to govern the crediting of interest to reserves under the County Employees' Retirement Law of 1937 (CERL) subject to the requirements specified in Article 5 of the CERL.

II. Objectives

In the development and adoption of this policy, the Board has balanced the interests of the active members and the retired members and has determined that the policy set forth below best serves the interests of the membership as a whole. In addition, this policy has been developed with the following objectives:

- To comply with appropriate legal and regulatory requirements.
- To assure the prompt delivery of benefits and related services to the participants and their beneficiaries.
- To limit, to the extent possible, the volatility of interest crediting from period to period.
- To minimize the volatility of employer contribution rates.
- To limit, to the extent possible, the charging of short-term losses to reserves.
- To maintain consistency between the reserve structure and the actuarial funding of SamCERA.
- To assure that the reserve values track the market value of assets over the long term.

III. Definition of Reserves

For the purpose of allocating earnings, all SamCERA reserves will fall into one of three categories below:

- A. Valuation Reserves.** Valuation Reserves are used to determine the employers' statutory contribution rates.

The following reserves are considered Valuation Reserves into which contributions and earnings are credited at certain limits:

- 1. Member Reserve.** This is the reserve for all member contributions.
- 2. County Advance Reserve.** This is the reserve for statutorily determined contributions from all employers.

3. Retiree Reserves. These are the reserves for retirees. Monies are transferred from the Members Reserve and the County Advance Reserve when a member retires.

- a) Retirees – Annuity Reserve,
- b) Retirees – Current Service Pension Reserve
- c) Retirees – Survivors Death Benefit Reserve

4. Cost of Living Adjustment Reserve. This is the reserve for employer Cost of Living Adjustment contributions.

5. The County Supplemental Contributions Account (CSCA) Reserve. This is a reserve for supplemental contributions from the County of San Mateo that are over and above the County's required statutory contribution rates.

B. Non-Valuation Reserves. These reserves are not used to determine employers' statutory contribution rates.

1. Contingency Reserve. This is a statutorily defined account set aside as a reserve against deficiencies in interest earnings, losses on investments or other contingencies under Sections 31592 and 31592.2 of the CERL.

2. Undistributed Earnings/Losses Reserve. This reserve is for cumulative undistributed actuarial earnings and losses.

3. Other Specified Non-Valuation Reserves. These are other reserves that may be created by the Board and have been designated by the Board for a specified purpose. Designation of these reserves does not create any vested rights for benefit payments. Other Specified Non-Valuation Reserves include:

(None until such time as this policy may be amended and reserves are added by Board action.)

C. Financial Statement Reserve. This reserve is shown in the financial statements but is not a part of the annual valuation and is not included in the interest crediting process.

D. Market Stabilization Account. This reserve is shown in the financial statements but is not a part of the annual valuation and is not included in the interest crediting process.

IV. Timing of Interest Crediting

SamCERA will credit reserves twice each year to all Valuation and Non-Valuation Reserves that have been on deposit for the prior six months, in accordance with Section 31591 of the CERL. The crediting will take effect as of June 30 and December 31 of each year. The act of crediting will occur as of the dates set forth in Section V below.

V. Definition of Available Earnings

The Board will credit interest based on the amount of earnings that are available to be allocated for that purpose (Available Earnings) for each six-month period. Available Earnings will be the difference between the actuarial value of assets at the beginning of the six-month crediting period and the actuarial value of assets at the end of the six-month crediting period, calculated using the asset smoothing method adopted by the Board in the most recent SamCERA actuarial valuation. The amount in the Undistributed Earnings/Losses Reserve will be combined with the above calculation to determine Available Earnings. The values used for these calculations will not include the value or earnings of the County Supplemental Contributions Account (CSCA) Reserve. The crediting of Available Earnings will take place in accordance with Section VI of this Statement.

VI. Crediting of Available Earnings

The Retirement Board will credit earnings to the Valuation and Non-Valuation Reserves based on the amount of Available Earnings determined under Section V of this Statement. The allocation will be done in the following order until all earnings have been allocated, or the allocation process has been suspended as described below.

A. Crediting to Valuation Reserves *(Steps in the Crediting Process)*

1. The County Supplemental Contributions Account (CSCA) Reserve. For funds on deposit in this account, crediting to this reserve will be on a market value basis, net of all proportionate fees and expenses, as determined by SamCERA from the date of deposit with SamCERA to the effective date of crediting.

- a) Interest will be credited to this reserve in accordance with the “Memorandum of Understanding Between The County Of San Mateo And The San Mateo County Employees’ Retirement Association Regarding Retirement System Funding.” The amounts in this reserve will only be recognized for contribution rate-setting purposes for the benefit of the County of San Mateo and will not be recognized for the benefit of any other employer.

- b) Crediting to this account will have no upper or lower limit.
- c) The assets of this account will be valued separately from all other reserves and will be credited separately from all other reserves. The earnings or losses of the reserves will not be used to credit any other reserves until such time, by mutual agreement, SamCERA and the County of San Mateo agree to do so.

2. Members Reserve. Members Reserve accounts will be credited in amounts that are equal to the lesser of:

- a) one-half of the assumed investment earnings rate,* or
- b) the Actuarial Earnings Rate for the prior six-month period, but the rate credited shall not be less than zero.

3. Balancing Credit to County Advance Reserve. If the actuarial earnings rate for the period is less than one-half the assumed investment earnings rate, the difference between the amount that would have been credited to the Members Reserve and the amount that was actually credited to the Members Reserve in Step 2 above, will be credited to the County Advance Reserve. The purpose of making the additional allocation is to produce a total amount credited to all Valuation Reserves that is equal to the amount that would have been credited to the Valuation Reserves, in aggregate, if all Valuation Reserves were credited with one-half of the assumed interest rate.

4. Other Valuation Reserves. The other Valuation Reserves (except the Members Reserve and the CSCA Reserve) will be credited with earnings at a rate of one-half of the assumed investment earnings rate. These reserves include:

- a) County Advance Reserve
- b) Retiree Reserves
- c) Cost of Living Reserve

* The “assumed investment earnings rate” as used throughout this policy, shall be the rate adopted by the Board for use in the actuarial valuation used to determine employer contribution rates for the Fiscal Year in which the allocation is taking place.

B. Suspension of Crediting Process and Crediting to Non-Valuation Reserve

- 1. Suspension of Crediting from Available Earnings.** If there are insufficient Available Earnings to credit the Reserves as specified in VI.A.2-4, the Contingency Reserve will be debited to the extent needed to complete VI.A.2-4 of this policy and to the extent assets are available from such reserve. Assets in the Contingency Reserve may not be debited if such action causes the reserve to equal less than 1% of the Fund's actuarial value of assets. If assets are not sufficiently available from the Contingency Reserve for the crediting requirements of VI.A.2-4, the Undistributed Earnings/Losses Reserve will be debited by the amount required to complete VI.A.2-4 with the following restrictions:

The crediting specified in VI.A.2 will not be less than zero, no matter how far the Undistributed Earnings/Losses Reserve is required to drop in order to make this occur.

- 2. Contingency Reserve.** If there are still Available Earnings to be distributed after the allocations in VI.A.2-4 above have been completed, the Contingency Reserve will be allocated earnings until the value of the Contingency Reserve is equal to 3% of the Actuarial Value of Assets, or until all Available Earnings have been exhausted, whichever is less.
 - a) If the Contingency Reserve falls below 3% of assets, earnings in future periods not needed to credit earnings to Valuation Reserves will be used to increase the Contingency Reserve to 3% of assets before amounts are credited to any other reserves.
 - b) By statute, the Contingency Reserve may not be less than 1% of the actuarial value of assets.
- 3. Undistributed Earnings/Losses Reserve.** After the allocations in all steps above have been completed, all remaining Available Earnings or losses will be credited to the Undistributed Earnings/Losses Reserve. The Undistributed Earnings/Losses Reserve may hold a positive or negative balance.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 5.2

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: June 30, 2018, Actuarial Valuation Report by Milliman, Inc.

Recommendation

This is for information only.

Background

Nick Collier, of Milliman, Inc., will present the results and recommendations of its Actuarial Valuation Report as of June 30, 2018. This year's actuarial valuation process resulted in:

- A decrease in the Employer Statutory Contribution rate from 35.31% (effective July 1, 2018) to 33.67% (effective July 1, 2019)
- A slight decrease in Plan 7 member rates, except for Mosquito and Vector Control plan 7 members, whose rate will increase slightly. Plan 7 employee rates are adjusted annually in accordance with the statutory requirement that these rates be 50% of the Gross Normal Cost Rate as set forth in the valuation.
- An increase in the funded ratio for the system from 84.3%, as of June 30, 2017, to 87.5%, as of June 30, 2018

Attachment

San Mateo County Employees' Retirement Association June 30th, 2018 Actuarial Valuation



San Mateo County Employees' Retirement Association

June 30, 2018 Actuarial Valuation

Prepared by:

Nick Collier, ASA, EA, MAAA
Consulting Actuary

Craig Glyde, ASA, EA, MAAA
Consulting Actuary

Julie D. Smith, FSA, EA, MAAA
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September 18, 2018

Board of Retirement
San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood City, CA 94065-5208

Dear Members of the Board:

As requested, we have completed an actuarial valuation for the San Mateo County Employees' Retirement Association (SamCERA). The purpose of the valuation is to recommend the employer and member contribution rates for the fiscal year beginning July 1, 2019.

Actuarial Certification – Per SamCERA Consulting Contract

This actuarial valuation has been completed in accordance with generally accepted actuarial principles and practices, including Actuarial Standards of Practice (ASOPs) Nos. 4, 27, and 35. In particular, it reflects the actuary's responsibility under Section 5.8 ("Actuary's Responsibility) of ASOP No. 4 (1993 Reformatted Edition) for assessing the implications of overall results, in terms of short- and long-range benefit security and expected cost progression. Note that this section no longer exists in the current ASOP No. 4; however, Milliman will continue to assess the results pursuant to the prior section.

To the best of our knowledge, the information supplied in this actuarial valuation is complete and accurate. Further, in our best professional judgment, the assumptions and methodologies as adopted by the Board of Retirement, individually and in combination, are reasonably related to the experience of and the expectations for SamCERA, and will not, in and of themselves, expose the retirement system to "unsound financial risk." In this regard, we consider "unsound financial risk" to mean the following:

- A substantial likelihood that future required contribution rates as a percentage of payroll will be dramatically higher than the rates shown in this report, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions; or
- A substantial likelihood that SamCERA's assets will be insufficient to pay benefit payments when due, given the uncertainties of actuarial projections and assuming the full payment of all recommended contributions.

In preparing this report, we have complied with all quality assurance procedures detailed on page 14 of our November 28, 2005 proposal titled "Response for Request for Actuarial Services."

Actuarial Certification – Milliman

The major findings of the valuation are contained in this report. This report reflects the benefit provisions as of June 30, 2018 and member contribution rates effective July 1, 2019 (including adjustments for specific bargaining units as communicated to us by SamCERA staff). In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by SamCERA staff. This information includes, but is not limited to,

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

statutory provisions, employee data, and financial information. We found this information to be reasonably consistent and comparable with information used for other purposes. The valuation results depend on the integrity of this information. If any data of this information is inaccurate or incomplete, our results may be different and our calculations may need to be revised.

All costs, liabilities, rates of interest, and other factors for SamCERA have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of SamCERA and reasonable expectations) and which, in combination, offer a reasonable estimate of anticipated experience affecting SamCERA.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the Plan's funded status); and changes in plan provisions or applicable law. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The Board of Retirement has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for SamCERA. The calculations in this report have been made on a basis consistent with our understanding of SamCERA's current funding requirements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Milliman's work is prepared solely for the internal business use of SamCERA. The System may place the final version of this report on its website. Milliman's "work" to create this report, to the extent that Milliman's work is not subject to disclosure under applicable public records laws, may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions:

- (a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.
- (b) The System may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law.

No third party recipient of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.

The signing actuaries are independent of the plan sponsors. We are not aware of any relationship that would impair the objectivity of our work.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

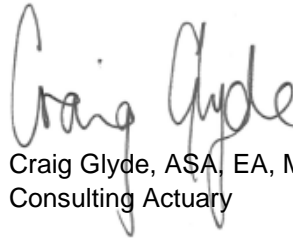
We would like to express our appreciation to Mr. Scott Hood, Chief Executive Officer of SamCERA, and to members of his staff, who gave substantial assistance in supplying the data on which this report is based.

We respectfully submit the following report, and we look forward to discussing it with you.

Sincerely,

A handwritten signature in black ink that reads "Nick Collier".

Nick Collier, ASA, EA, MAAA
Consulting Actuary

A handwritten signature in black ink that reads "Craig Glyde".

Craig Glyde, ASA, EA, MAAA
Consulting Actuary

A handwritten signature in black ink that reads "Julie D. Smith".

Julie D. Smith, FSA, EA, MAAAA
Consulting Actuary

NC/CG/JDS/nlo

Table of Contents

		Page
Section 1	Summary of the Findings	1
Exhibit 1a	Summary of Recommended Minimum Statutory Contribution Rates	3
Exhibit 1b	Summary of Recommended Member Contribution Rates	4
Exhibit 2	Summary of Significant Valuation Results	11
Section 2	Scope of the Report	13
Section 3	Assets	15
Exhibit 3	Statement of Plan Net Assets	18
Exhibit 4	Statement of Changes in Plan Net Assets	19
Exhibit 5	Allocation of Assets by Accounting Reserve Amounts	20
Exhibit 6a	Five-Year Smoothing of Gains and Losses on Market Value (Total Assets) – History	21
Exhibit 6b	Five-Year Smoothing of Gains and Losses on Market Value (excluding SCAs) – History	22
Exhibit 6c	Five-Year Smoothing of Gains and Losses on Market Value of CSCA – History	23
Exhibit 6d	Five-Year Smoothing of Gains and Losses on Market Value of DCSA – History	24
Exhibit 7a	Five-Year Smoothing – Development of Valuation Assets (Total Assets)	25
Exhibit 7b	Five-Year Smoothing – Development of Valuation Assets (excluding SCAs)	26
Exhibit 7c	Five-Year Smoothing – Development of CSCA Assets	27
Exhibit 7d	Five-Year Smoothing – Development of DCSA Assets	28
Exhibit 8	Allocation of Valuation Assets	29
Section 4	Actuarial Liabilities	31
Exhibit 9a	Actuarial Balance Sheet (Total Assets)	32
Exhibit 9b	Actuarial Balance Sheet (excluding SCAs)	33
Section 5	Member Contributions	37
Section 6	Employer Contributions	41
Exhibit 10	Employer Statutory Contribution Rates – All Plans	43
Exhibit 10a	Employer Statutory Contribution Rates – General Members	44
Exhibit 10b	Employer Statutory Contribution Rates – SMCM&VCD Members	45
Exhibit 10c	Employer Statutory Contribution Rates – Safety Members	46
Exhibit 10d	Employer Statutory Contribution Rates – Probation Members	47
Exhibit 11	Calculated Gross Normal Cost Rates	48
Exhibit 12a	UAAL Amortization Detail – General Members	49
Exhibit 12b	UAAL Amortization Detail – Safety Members	50
Exhibit 12c	UAAL Amortization Detail – Probation Members	51
Exhibit 12d	Amortization Detail – County SCA Offsets	52
Exhibit 12e	Amortization Detail – District SCA Offsets	53

Section 7	Information for Comprehensive Annual Financial Report (CAFR)	55
Exhibit 13	Schedule of Funding Progress	56
Exhibit 14	Solvency Test	57
Exhibit 15	History of Employer Statutory Contribution Rates	58
Exhibit 16	Actuarial Analysis of Financial Experience	59
Exhibit 17	Asset and Liability Volatility Ratios	60
Exhibit 18	Summary of Significant Actuarial Statistics and Measures	61
Exhibit 19	Summary of SamCERA Membership	62
Exhibit 20	Summary of Active Member Valuation Data	63
Exhibit 21	Summary of Demographic Activity of Retirees and Beneficiaries	64
Exhibit 22	Average Salary and Active Counts by Employer	65
Exhibit 23	Summary of Retired and Inactive Benefits	66
 Appendices		
Appendix A:	Actuarial Procedures and Assumptions	A-1
Appendix B:	Summary of Benefit Provisions	B-1
Appendix C:	Valuation Data and Schedules	C-1
Appendix D:	Member Contribution Rates	D-1
Appendix E:	Glossary	E-1

Section 1 Summary of the Findings



Overview

2018 Valuation Results

	June 30, 2018	June 30, 2017
Employer Statutory Contribution Rate ⁽¹⁾	33.67%	35.31%
Funded Ratio	87.5%	84.3%

1. Weighted average Statutory Contribution Rate for only the County as of June 30, 2018 is 33.85% of pay.

This report presents the results of the June 30, 2018 actuarial valuation, including the Employer Statutory Contribution Rate calculated for the fiscal year beginning July 1, 2019. Several key points are summarized as follows:

- **Funding:** The Funded Ratio increased from 84.3% to 87.5%. This increase was primarily due to employer contributions to amortize the Unfunded Actuarial Accrued Liability (UAAL) and the recognition of investment gains from prior years. (Investment returns are discussed in more detail below). On a market value basis, the Funded Ratio increased from 85.6% to 88.0% primarily due to employer contributions.

The assets used in the calculation of the Funded Ratio include the value of the County Supplementary Contribution Account (CSCA) and the District Supplementary Contribution Account (DSCA). Throughout this report we use the term SCA when referring to both of these accounts.

The County contributed \$27.6 million to the CSCA over the year ended June 30, 2018. These contributions resulted in an increase in the Funded Ratio of 0.5%. In total, the CSCA has an actuarial value of \$145.4 million and the DSCA has an actuarial value of \$1.9 million as of June 30, 2018. Without the CSCA and DSCA the Funded Ratio would be 84.6% as of June 30, 2018.

- **Employer Statutory Contribution Rate:** The Statutory Contribution Rate (SCR) is comprised of the Employer Normal Cost Rate and a component to amortize the UAAL. The SCR decreased from 35.31% of pay (calculated in the 2017 valuation) to 33.67%. The SCR is a weighted average of the statutory contribution rates for each individual SamCERA plan. The actual percent of payroll to be contributed by each employer varies by plan, as shown in Section 6 of this report. The decrease of 1.64% of pay is comprised of a decrease of 0.38% of pay in the Employer Normal Cost Rate and a decrease of 1.26% of pay in the UAAL contribution rate.

The Employer Normal Cost Rate component of SCR decreased from 10.95% of pay to 10.57% of pay. The decrease is generally due to the normal experience of SamCERA, including the continued growth in membership of Plan 7. Normal Cost Rates will vary slightly from year to year as the average entry age of the membership changes and as a greater proportion of members enter Plan 7.

The employer contribution rate to finance the UAAL decreased from 24.36% of pay to 23.10% of pay due primarily to recognition of investment gains from prior years and additional CSCA contributions.

**Overview
(continued)**

The CSCA provides an offset of 2.85% of pay (compared to 2.36% of pay in the prior valuation) to the County's Statutory Contribution Rate (SCR), resulting in a County-only SCR of 33.85%. Without the recognition of the CSCA, the County SCR would be 36.70%.

The DSCA provides an offset of 21.76% of pay (compared to 10.21% of pay in the prior valuation) for the San Mateo County Mosquito and Vector Control District (SMCM&VCD). This increase in offset is due to Addenda Number One to the Memorandum of Understanding (MOU) between the SMCM&VCD and San Mateo County regarding the period over which the DSCA is recognized. Based on the MOU as amended, effective June 30, 2018 the recognition period is five-years. (Note that this is a change from a 15-year recognition period that was used previously.) The DSCA offset is not permitted to be larger than the UAAL contribution rate for the SMCM&VCD.

- **Investment Returns:** SamCERA's investment return on the market value of assets for the fiscal year 2017-2018 of 6.7% (as provided by SamCERA) was approximately equal to the actuarial assumed rate of 6.75%. Combined with the recognition of investment gains from prior periods, the net result was a return on Valuation Assets of 7.8%, which is greater than the assumed return. This actuarial gain on Valuation Assets caused a decrease in the Statutory Contribution Rate.
- **Asset Valuation Method:** As adopted by the Board at the May 2018 meeting, a small modification to the asset valuation method has been reflected in this report. All deferred gains and losses will continue to be recognized over a five-year (10 six-month) period with the following modification. Effective June 30, 2018 all deferred gains and losses are combined into a single amount to be recognized over a five-year (10 six-month) period. Beginning with the six-month period immediately following the June 30, 2018 valuation, offsetting of current period gains or losses against prior period gains or losses will occur, as follows. First, to the extent there is a loss for the period, it shall be used to offset any unrecognized gains from prior periods in the order of oldest to most recent. Any remaining loss for the period is recognized over a five-year (10 six-month) period. Similarly, any gain for the period shall be offset against unrecognized losses from prior periods.
- **Member Contribution Rates:** Member contribution rates are unchanged for all plans except Plan 7. Plan 7 member contribution rates are adjusted to be equal to 50% of the Gross Normal Cost Rate calculated in the valuation. The recommended Plan 7 member rate is slightly less than the rate currently being paid by all classes of members except SMCM&VCD, where there is an increase of 0.20% of pay. See Exhibit 1b for a summary of recommended member contribution rates. A complete list of all member contribution rates is shown in Appendix D.

**Summary of
Contribution Rates**

The exhibits on the following pages summarize our recommendations to the Board.

Exhibit 1a Summary of Recommended Minimum Statutory Contribution Rates

Recommendation #1: Adopt new Statutory Contribution Rates for fiscal year beginning July 1, 2019

	<u>Fiscal Year Beginning</u>		<u>Increase / (Decrease)</u>
	<u>July 1, 2019</u>	<u>July 1, 2018</u>	
Gross Normal Cost	22.68%	23.35%	(0.67)%
Member Contributions	(12.11)%	(12.40)%	0.29%
Employer Normal Cost	10.57%	10.95%	(0.38)%
UAAL Amortization	23.10%	24.36%	(1.26)%
Total Employer Rate	33.67%	35.31%	(1.64)%

Notes:

1. Detailed contribution rates by plan are shown in Section 6.
2. The Total Employer Statutory Contribution Rate of 33.67% is the aggregate rate for all employers. For the fiscal year beginning July 1, 2019, rates by employer are as follows:
 - a. The County Statutory Contribution Rate is 33.85% of pay.
 - b. The Courts Statutory Contribution Rate is 31.03% of pay.
 - c. The SMCM&VCD Statutory Contribution Rate is 12.13% of pay.

Exhibit 1b Summary of Recommended Member Contribution Rates

Recommendation #2: Adopt new Plan 7 member contribution rates for fiscal year beginning July 1, 2019

	Entry Age	Recommended Rates			Total as a % of Pay	Current	Ratio (New/Curr)
		Basic	50% COLA Sharing	Cost Sharing		Total as a % of Pay	
General Members	All	7.15%	1.46%	0.00%	8.61%	8.71%	98.9%
SMCM&VCD Members	All	7.51%	1.53%	0.00%	9.04%	8.84%	102.3%
Probation Members	All	11.27%	2.84%	0.00%	14.11%	14.33%	98.5%
Safety Members	All	11.69%	2.81%	0.00%	14.50%	14.51%	99.9%

Notes:

1. Plan 7 COLA share represents one-half of the cost of the COLA. See Appendix B of this report for a full description of members COLA share. See Appendix D of this report for a full schedule of rates.

Employer Statutory Contribution Rate

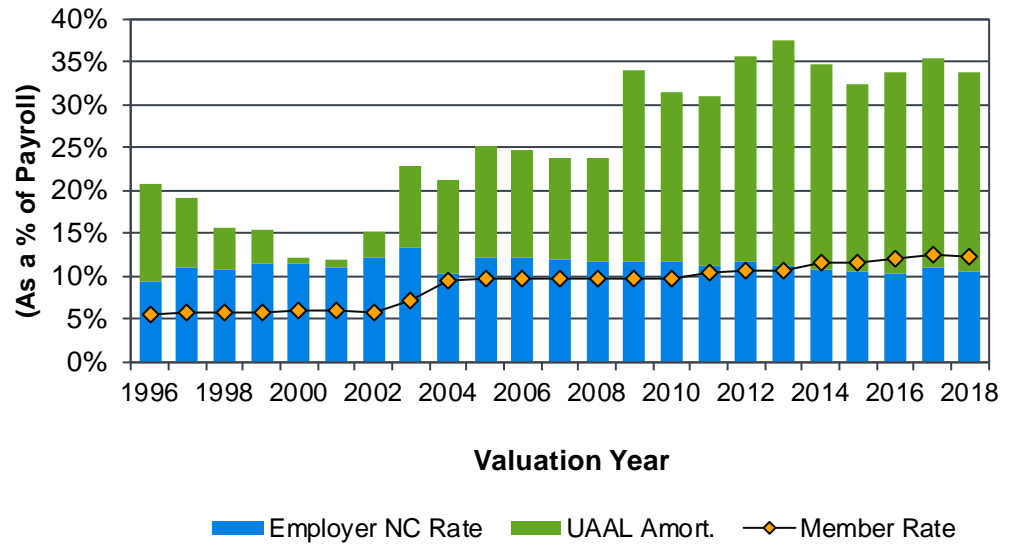
The Statutory Contribution Rate (SCR) for each plan is equal to the payment of the Employer Normal Cost rate plus a 15-year layered amortization of the UAAL (excluding the CSCA and DSCA) for each year beginning with the UAAL as of June 30, 2008. The UAAL rate for the County is reduced to reflect the CSCA, as is the SMCM&VCD to reflect the DSCA. The SCR (blended average for all employers) is 33.67% for the fiscal year beginning July 1, 2019, 33.85% for the County, 31.03% for Courts, and 12.13% for SMCM&VCD.

It should be noted that these rates are a weighted average of each individual SamCERA plan. The actual percent of payroll to be contributed by each employer varies by plan. See Exhibit 10 for the SCR by classification and Exhibits 10a through 10d for the SCR by plan.

In our opinion, the SCRs calculated are adequate to maintain the funding of the retirement system benefits based on the actuarial methods and assumptions shown in Appendix A of this report.

A historical perspective of the total SCR is shown in the following graph.

Employer Statutory Contribution Rate



Comparison with Last Year

A detailed analysis of the sources of the changes in both the Statutory Contribution Rate and the Funded Ratio was performed. There were several factors that caused the changes, with the overall impact of these factors being an increase in the Funded Ratio and a decrease in the employer rates from the last valuation.

The following chart shows how the various factors affected the overall funding of SamCERA, as compared to the last valuation.

Sources of Change	Statutory Contribution Rate	Funded Ratio
Calculated Rate for 2018 (2017 valuation)	35.31%	84.3%
Expected Year-to-Year Change	0.00%	2.3%
Assumption Changes	0.00%	0.0%
Recognized Asset Gain / Loss		
From Current Year	-0.22%	0.3%
From Prior Years	-0.54%	0.6%
Retiree COLAs > Expected	0.22%	-0.2%
Salary and Payroll Increases > Assumed	-0.08%	-0.2%
Contributions > Assumed	-0.02%	0.0%
SCA Contribution Funding	-0.52%	0.5%
Increase in Plan 7 Membership	-0.14%	0.0%
Census Data Updates ⁽¹⁾	-0.27%	0.3%
Other Experience Changes	-0.07%	-0.4%
Total Change	-1.64%	3.2%
Calculated Rate for 2019 (2018 valuation)	33.67%	87.5%

1. Census data updates primarily for inactive members.

Funding Progress

Based on the 2017 valuation, the expected UAAL as of June 30, 2018 was \$633 million. The actual UAAL for the fiscal year ended June 30, 2018 is \$619 million. This difference was primarily due to the recognition of net investment gains from the current and prior periods (\$43 million). This, and other factors contributing to the change in UAAL since the prior year are shown in detail at the end of Section 4.

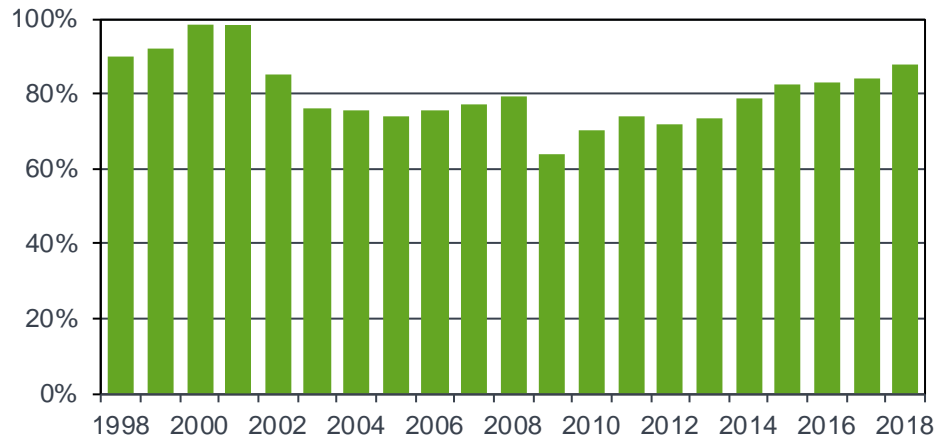
**Funding Progress
 (continued)**

One measure of the funding adequacy of the system is the Funded Ratio, which compares the value of the Actuarial Value of Assets (net of certain non-valuation reserves) to the Actuarial Accrued Liability (AAL) for all SamCERA plans combined. SamCERA's Funded Ratio increased rapidly in the last half of the 1990s, reaching almost 100% in 2001. However, due primarily to asset losses from that time through 2009, the Funded Ratio decreased significantly over those years. In recent years, the Funded Ratio has improved, due primarily to better-than-assumed investment performance and strong funding. Currently, the Funded Ratio is 87.5%; that is, the Valuation Assets of \$4,352 million are about 12% less than the AAL of \$4,971 million. Note that if the market value of assets was used, the Funded Ratio would be 88.0%.

(All dollar amounts in millions)

	Market Value of Total Assets	Actuarial Value		Actuarial Accrued Liability	Funded Ratio
		Valuation	Non-Valuation		
2009	\$1,591	\$1,910	\$0	\$2,988	63.9%
2010	1,816	2,179	0	3,098	70.3
2011	2,318	2,405	0	3,247	74.1
2012	2,360	2,480	0	3,443	72.0
2013	2,728	2,619	0	3,573	73.3
2014	3,292	2,993	30	3,797	78.8
2015	3,454	3,344	34	4,046	82.6
2016	3,541	3,625	36	4,362	83.1
2017	4,039	3,977	40	4,720	84.3
2018	4,374	4,352	44	4,971	87.5

Historical Funded Ratios



Assets

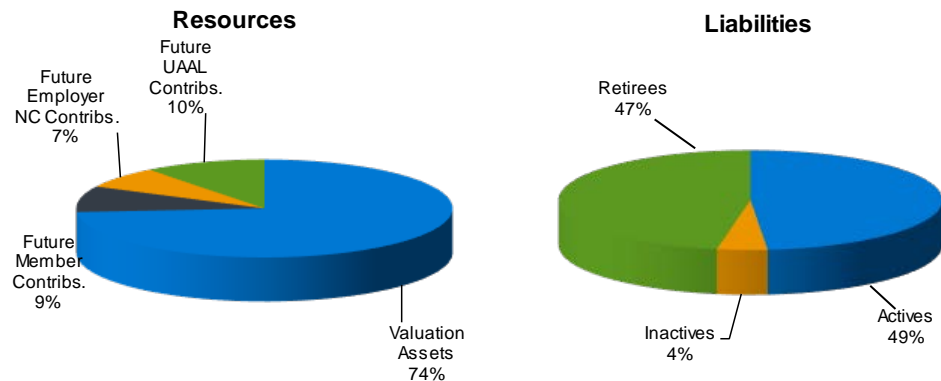
On a market value basis, for the fiscal year ended June 30, 2018, SamCERA earned 6.7% net of investment expenses. This figure was provided by SamCERA and will be shown in the 2018 CAFR.

SamCERA uses an asset-smoothing method in the calculation of the UAAL contribution. Under this method, the market value returns are smoothed over a five-year (10 six-month) period. Due to the recognition of current and deferred net asset gains, the return on Actuarial Valuation Assets, at 7.8% net of expenses, was greater than the assumed return of 6.75% for the fiscal year 2017-2018.

Actuarial Balance Sheet

The first step in the valuation process is to compare the total Valuation Assets of SamCERA with its total liabilities for all plans. In this analysis, SamCERA's resources equal the actuarial assets plus the expected future contributions by both the employers and members. Liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members. This relationship is shown in the following chart. The AAL is the total of these liabilities less expected future Normal Cost contributions.

Comparing the current and future resources to the current and future liabilities, we then determine the annual contribution amount for the coming fiscal year.

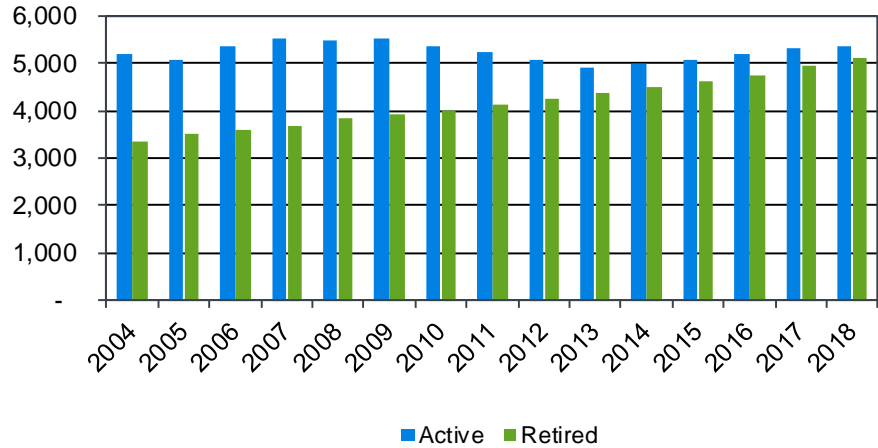


Member Information

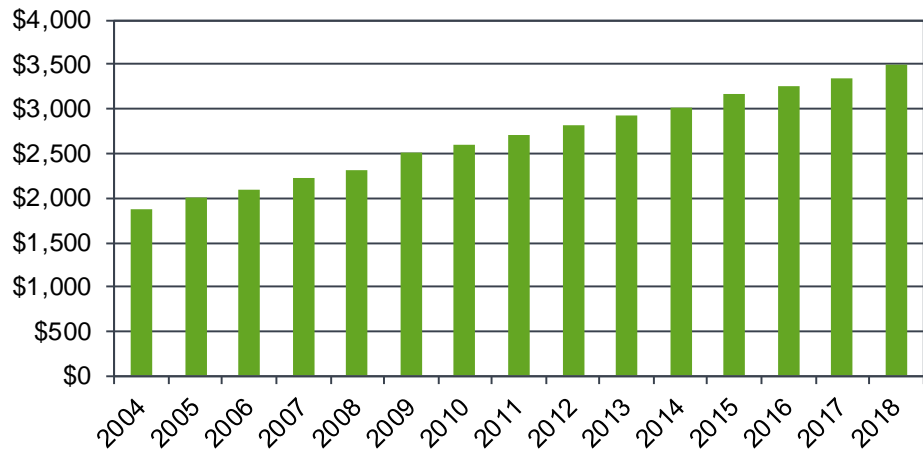
The number of active members included in the valuation increased by 0.6% from 5,337 in 2017 to 5,367 in 2018.

Retired member counts continue to increase steadily. For 2018, there were 5,109 retired members and beneficiaries with an average benefit of \$3,510 per month. This represents a 3.1% increase in count (up from 4,956 in 2017) and a 4.9% increase in the average monthly benefit (up from \$3,347 over the period).

Membership Count



Average Monthly Retirement Benefit



Analysis of Change in Member Population

The following table summarizes the year-to-year change in member population.

	Active Members	Inactive Members	Service Retired Members	Disabled Retired Members	Beneficiaries in Pay	Total
As of June 30, 2017	5,337	1,487	3,869	469	618	11,780
New Members	540	62	3	-	44	649
Status Change:						
to Active	14	(13)	(1)	-	-	-
to Inactive	(244)	244	-	-	-	-
to Service Retirement	(198)	(51)	249	-	-	-
to Disabled Retirement	(11)	(3)	(5)	19	-	-
to Beneficiary	-	(5)	-	-	5	-
Refunds	(63)	(31)	-	-	-	(94)
Terminated non-vested	(1)	(20)	-	-	-	(21)
Deaths	(7)	(4)	(113)	(16)	(32)	(172)
As of June 30, 2018	5,367	1,666	4,002	472	635	12,142

Summary Valuation Results

The following Exhibit 2 presents a comparison of the key results from the June 30, 2018 and June 30, 2017 valuations. More detail on each of these elements can be found in the following sections and exhibits of this report.

Exhibit 2 Summary of Significant Valuation Results

	June 30, 2018	June 30, 2017	Relative Change
1. Total Membership			
A. Active Members	5,367	5,337	0.6 %
B. Retired Members & Beneficiaries	5,109	4,956	3.1%
C. Inactive Members	1,666	1,487	12.0%
D. Total	<u>12,142</u>	<u>11,780</u>	3.1 %
2. Pay Rate			
A. Annual Total (\$thousands)	\$ 541,473	\$ 522,223	3.7%
B. Monthly Average	8,407	8,154	3.1%
3. Average Monthly Benefit to Current Retirees and Beneficiaries			
A. Service Retirement	3,694	3,527	4.7%
B. Disability Retirement	3,588	3,469	3.4%
C. Surviving Spouse and Dependents	2,292	2,128	7.7%
D. Total Average	3,510	3,347	4.9%
4. Actuarial Accrued Liability (\$thousands)			
A. Active Members	1,937,722	1,908,199	1.5%
B. Retired Members	2,783,683	2,582,107	7.8%
C. Inactive Members	249,130	229,544	8.5%
D. Total	<u>4,970,535</u>	<u>4,719,850</u>	5.3%
5. Assets			
A. Market Value of Fund (\$thousands)	4,373,962	4,038,702	8.3%
B. Return on Market Value	6.7%	12.6%	
C. Actuarial Value (\$thousands)	\$ 4,351,502	\$ 3,976,717	9.4%
D. Return on Actuarial Value	7.8%	7.8%	
6. Unfunded Actuarial Accrued Liability or Surplus Funding (\$thousands)	\$ 619,033	\$ 743,133	(16.7)%
7. Statutory Employer Contribution Rate for all plans combined as a percent of total payroll			
A. Gross Normal Cost	22.68%	23.35%	(2.9)%
B. Member Contributions	(12.11)%	(12.40)%	(2.3)%
C. Employer Normal Cost	10.57%	10.95%	(3.5)%
D. UAAL Amortization	23.10%	24.36%	(5.2)%
E. Total Employer Rate	<u>33.67%</u>	<u>35.31%</u>	(4.6)%
8. Funded Ratio (5C / 4D)	87.5%	84.3%	3.9%
9. Results Based on Market Value (No Asset Smoothing) -- For Informational Purposes Only			
A. Total Employer Rate	33.26%	34.15%	(2.6)%
B. Funded Ratio (5A / 4D)	88.0%	85.6%	2.8%

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Section 2 Scope of the Report



This report presents the actuarial valuation of the San Mateo County Employees' Retirement Association as of June 30, 2018. This valuation was requested by the Board. Section 31453 of the County Employees Retirement Law of 1937 (the '37 Act) requires an actuarial valuation to be performed at least every three years for the purposes of setting contribution rates.

In reading our cover letter, please pay particular attention to the guidelines employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions upon which our findings depend. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief.

A summary of the findings resulting from this valuation is presented in the previous section. Section 3 describes the assets and investment experience of SamCERA. The assets and investment income are presented in Exhibits 3-5. Exhibits 6-8 develop the Actuarial Value of Assets as of June 30, 2018.

Section 4 describes the benefit obligations of SamCERA. Exhibits 9a and 9b show the Actuarial Balance Sheet. Additional analysis on the change in UAAL is also provided in this section.

Section 5 discusses the member contribution rates.

Section 6 discusses the employer contributions needed to fund the benefits under the actuarial cost method in use.

Section 7 discloses information to be included in SamCERA's CAFR.

This report includes several appendices:

- Appendix A A summary of the actuarial procedures and assumptions used to estimate liabilities and contributions.
- Appendix B A summary of the current benefit structure, as determined by the provisions of governing law on June 30, 2018.
- Appendix C Schedules of valuation data classified by various categories of members by plan.
- Appendix D Member contribution rates by plan.
- Appendix E A glossary of actuarial terms used in this report.

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Section 3 Assets



In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date which, for this valuation, is June 30, 2018. On that date, the assets available for the payment of retirement benefits are appraised. These assets are compared with the accrued and future actuarial liabilities, which are generally well in excess of the actuarial assets. The purpose of the valuation is to determine what future contributions by the members and employers are needed to pay all expected future benefits not funded by the current assets.

This section of the report deals with the determination of assets used for funding purposes. In the next section, the actuarial liabilities will be discussed. Sections 5 and 6 deal with the process for determining required contributions based on the relationship between the actuarial assets and the actuarial liabilities.

A historical summary of SamCERA's assets is presented below:

	All dollar amounts in millions		
	Market Value of Total <u>Assets</u>	Actuarial Value	
		Non- Valuation <u>Assets</u>	Valuation <u>Assets</u>
2000	\$ 1,381	\$ 49	\$ 1,271
2001	1,308	51	1,385
2002	1,207	32	1,417
2003	1,233	34	1,354
2004	1,435	31	1,453
2005	1,599	0	1,616
2006	1,790	0	1,769
2007	2,132	0	1,977
2008	2,011	0	2,219
2009	1,591	0	1,910
2010	1,816	0	2,179
2011	2,318	0	2,405
2012	2,360	0	2,480
2013	2,728	0	2,619
2014	3,292	30	2,993
2015	3,454	34	3,344
2016	3,541	36	3,625
2017	4,039	40	3,977
2018	4,374	44	4,352

On June 30, 2018, the total market value of the fund was about \$4.37 billion. The actuarial value of the fund was determined to be \$4.40 billion, including the non-valuation reserves.

Financial Exhibits

Exhibit 3 presents a Statement of Plan Net Assets and Exhibit 4 presents a Statement of Changes in Plan Net Assets. Exhibit 5 describes the allocation of SamCERA's assets by the various reserve values determined for accounting purposes.

Exhibits 3-5 are taken from data furnished to us by SamCERA for its annual financial report. We have accepted these tables for use in this report without audit, but we have reviewed them for reasonableness and consistency with previous reports.

Actuarial Value of Assets

The actuarial value of assets is equal to the market value of assets with a five-year (10 six-month periods) recognition of the difference between expected and actual investment returns. Effective with the June 30, 2018 valuation, all deferred gains and losses are combined into a single amount that will be recognized over a five-year (10 six-month) period. Beginning with the six-month period immediately following the June 30, 2018 valuation, offsetting of current period gains or losses against prior period gains or losses will occur, as follows. First, to the extent there is a loss for the period, it shall be used to offset any unrecognized gains from prior periods in the order of oldest to most recent. Any remaining loss for the period is recognized over a five-year (10 six-month) period. Similarly, any gain for the period shall be offset against unrecognized losses from prior periods.

Beginning with the June 30, 2014 valuation, assets used to calculate the preliminary UAAL contribution rates exclude the value of the CSCA. The CSCA is used to adjust the County's Statutory Contribution Rate. Beginning with the June 30, 2016 valuation, assets used to calculate the preliminary UAAL contribution rates also exclude the value of the DSCA. The DSCA is used to adjust the SMCM&VCD's Statutory Contribution Rate. To adjust the Statutory Contribution Rate, we track CSCA and DSCA assets separately.

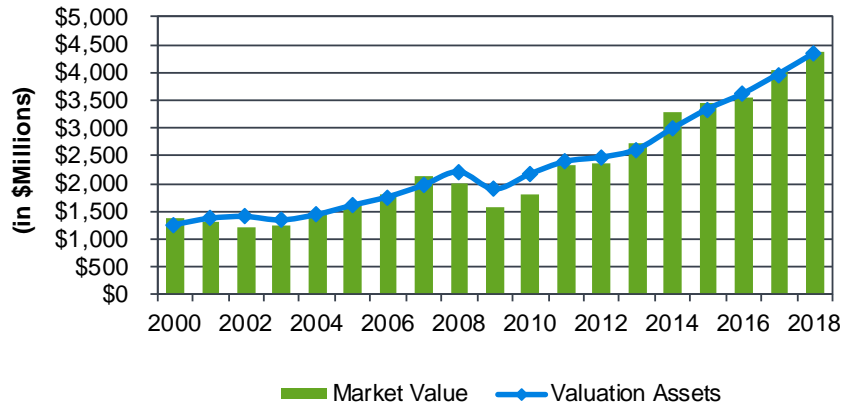
The development of the June 30, 2018 actuarial value of assets is shown in Exhibits 6 and 7. Exhibits 6a and 7a show the development of the total actuarial value of assets. Exhibits 6b and 7b show the development excluding the Supplemental Contribution Account (SCA) assets. Exhibits 6c and 7c show the development of the actuarial value of assets for the CSCA. Exhibits 6d and 7d show the development of the actuarial value of assets for the DSCA.

The County and the SMCM&VCD each made their contributions for the year ended June 30, 2018 based on the SCR. Since the SCR reflected an offset due to the respective SCA, each employer effectively used up an amount of the SCA equivalent to the offset. Therefore, we have shown this in the "Credits Used" column in Exhibits 6c and 6d.

Actuarial Value of Assets (continued)

There are still portions of investment gains or losses that have not yet been recognized by the asset smoothing method. The result is a market value of assets that is slightly higher than the actuarial value. The following graph shows a historical comparison of the total actuarial and market assets used for valuation purposes on a system-wide basis.

Applicable Valuation Assets



Valuation Assets

Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits (if any) that are to be funded outside of the actuarially determined contribution rates.

Allocation of Assets

Valuation Assets are allocated by classification (general, safety, and probation) as shown in Exhibit 8. This allocation is necessary because the UAAL contribution rates are determined separately by class and plan.

In the calculation of the Statutory Contribution Rate, the Normal Cost Rate is determined separately for each plan. The UAAL portion of the rate is allocated proportionately to each classification. To determine the UAAL amount by classification, the actual UAAL is allocated in proportion to the expected UAAL after reflecting expected contributions from the prior year to pay down the UAAL. The allocation is done without consideration of the SCAs. Valuation Assets are equal to the AAL minus the UAAL for each classification. These calculations are shown in Exhibit 8.

CSCA valuation assets are allocated to each County member classification (General, Safety or Probation) in proportion to the actual UAAL excluding SCAs. These assets directly reduce the UAAL of each classification.

DSCA assets are allocated entirely to the SMCM&VCD general member classification.

**Exhibit 3 Statement of Plan Net Assets
 as of June 30, 2018 and 2017**

	2018	2017
Assets		
Cash and Cash Equivalents	\$ 53,125,429	\$ 192,194,061
Cash Management Overlay	12,984,127	25,207,998
Securities Lending Cash Collateral	1,486,415	-
Total Cash and Short-Term Investments	67,595,971	217,402,059
Receivables		
Contributions	9,422,510	8,622,173
Due from broker for investments sold	4,152,242	8,273,972
Investment Income	5,930,254	8,406,749
Securities Lending Income	10,453	-
Other receivables	95,057	95,657
Total Receivables	19,610,516	25,398,551
Prepaid Expense	7,669	7,669
Investments at Fair Value		
Fixed Income	892,923,149	738,544,220
Equity	1,809,329,959	1,717,793,138
Alternatives	514,972,248	480,730,879
Risk Parity	311,126,425	291,757,142
Inflation Hedge	761,393,517	573,336,864
Total Investments at Fair Value	4,289,745,298	3,802,162,243
Capital Assets	8,040,088	8,041,551
Fixed Assets	(1,236,535)	(412,178)
Total Assets	4,383,763,007	4,052,599,895
Liabilities		
Payables		
Investment management fees	1,663,178	1,822,557
Due to broker for investments purchased	5,408,607	9,416,634
Securities Lending Collateral due to borrowers	1,488,689	-
Other	1,241,019	2,658,714
Total Liabilities	9,801,493	13,897,905
Net position restricted for pensions	\$ 4,373,961,514	\$ 4,038,701,990

**Exhibit 4 Statement of Changes in Plan Net Assets
 for the Fiscal Years Ended 2018 and 2017**

	2018	2017
Additions		
Contributions		
Employer	\$ 179,626,584	\$ 162,477,135
Employer Supplemental Contribution	27,630,129	36,250,000
Member	64,204,278	62,160,101
Total Contributions	<u>271,460,991</u>	<u>260,887,236</u>
Investment Income/(Loss)		
Interest and dividends	45,060,738	38,445,658
Net appreciation/(depreciation) in Fair Value	275,224,883	431,845,614
	<u>320,285,621</u>	<u>470,291,272</u>
Less investment expense	40,210,092	33,688,058
Net Investment Income/(Loss)	<u>280,075,529</u>	<u>436,603,214</u>
Securities Lending Income		
Earnings	52,886	68,090
Rebates	8,141	(10,072)
Less: Securities Lending Expenses	(17,698)	(12,747)
Net Securities Lending Income	<u>43,329</u>	<u>45,271</u>
Other Additions	27,540	27,221
Total Additions	<u>551,607,389</u>	<u>697,562,942</u>
Deductions		
Member Benefits		
Service retirement allowances	179,880,342	166,975,634
Disability retirement allowances	23,872,145	22,689,813
Survivor, death and other benefits	976,386	698,946
Total Member Benefits	<u>204,728,873</u>	<u>190,364,393</u>
Member refunds	4,325,730	2,875,887
Administrative Expense	5,849,252	5,983,356
Information Technology Expense	1,444,010	995,979
Other Expense	-	29,834
Total Deductions	<u>216,347,865</u>	<u>200,249,449</u>
Net Increase	335,259,524	497,313,493
Net position restricted for pensions		
Beginning of Year	4,038,701,990	3,541,388,497
End of Year	<u>\$ 4,373,961,514</u>	<u>\$ 4,038,701,990</u>
Estimated Return, Net of Investment Expenses	6.7%	12.6%

**Exhibit 5 Allocation of Assets by Accounting Reserve Amounts
 as of June 30, 2018 and 2017**

	2018	2017
Valuation Reserves		
1. Member Reserve	\$ 783,887,242	\$ 735,102,254
2. Employer Advance Reserve	957,022,725	855,356,336
3. Retiree Reserves	1,100,793,261	1,019,849,399
4. Cost of Living Adjustment Reserve	1,378,769,193	1,295,487,509
5. County / Courts Prepayment Accounts	-	-
6. County Supplemental Contributions Account Reserve	145,455,548	118,435,431
7. District Supplemental Contributions Account Reserve	1,929,236	1,956,796
Total Valuation Reserves	4,367,857,205	4,026,187,725
Non-Valuation Reserves		
1. Contingency Reserve	43,954,571	40,168,859
2. Undistributed Earnings / Losses Reserve	(16,288,265)	(49,355,495)
3. Other Specified Reserves	-	-
Total Non-Valuation Reserves	27,666,306	(9,186,636)
Market Stabilization Account	(21,561,997)	21,700,901
Total Reserves (Market Value of Assets)	\$ 4,373,961,514	\$ 4,038,701,990

Note: These amounts were determined by SamCERA for accounting purposes. We have made minor rounding adjustments to these numbers.

Exhibit 6a Five-Year Smoothing of Gains and Losses on Market Value (Total Assets) – History

History of Unexpected Asset Gains and Losses								
Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Benefit Payments	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
06/30/2018	\$ 4,337,368,899	\$ 146,901,128	\$ 106,950,260	\$ 4,373,961,514	3.375%	\$ 147,555,099	(3,358,253)	\$ (150,913,352)
12/31/2017	4,038,701,990	124,539,824	102,104,343	4,337,368,899	3.375%	137,926,474	276,231,428	138,304,954
06/30/2017	3,721,598,964	154,997,828	98,037,329	4,038,701,990	3.500%	131,806,865	260,142,527	128,335,662
12/31/2016	3,541,388,497	105,889,408	95,202,951	3,721,598,964	3.500%	125,157,215	169,524,010	44,366,795
06/30/2016	3,361,636,244	141,996,842	93,308,035	3,541,388,497	3.625%	123,696,090	131,063,446	7,367,356
12/31/2015	3,454,476,328	105,166,352	89,555,664	3,361,636,244	3.625%	126,551,502	(108,450,772)	(235,002,274)
06/30/2015	3,298,179,343	128,620,389	87,874,799	3,454,476,328	3.625%	121,532,366	115,551,395	(5,980,971)
12/31/2014	3,291,693,954	100,095,589	83,591,419	3,298,179,343	3.625%	120,689,532	(10,018,781)	(130,708,313)
06/30/2014	3,049,944,702	153,384,050	82,787,545	3,291,693,954	3.750%	116,347,099	171,152,747	54,805,648
12/31/2013	2,727,825,332	96,087,010	79,768,567	3,049,944,702	3.750%	103,671,361	305,800,927	202,129,566

Exhibit 6b Five-Year Smoothing of Gains and Losses on Market Value (excluding SCAs) – History

History of Unexpected Asset Gains and Losses								
Six-Month Period Ended	Market Value at Beginning of Period	Contributions and Credits from SCAs	Benefit Payments	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
06/30/2018	\$ 4,212,913,434	\$ 128,178,746	\$ 106,950,260	\$ 4,226,576,730	3.375%	\$ 143,354,727	\$ (7,565,190)	\$ (150,919,917)
12/31/2017	3,918,309,763	124,539,824	102,104,343	4,212,913,434	3.375%	133,863,236	272,168,190	138,304,954
06/30/2017	3,631,731,328	127,692,026	98,037,329	3,918,309,763	3.500%	128,661,498	256,923,738	128,262,240
12/31/2016	3,454,559,863	105,889,408	95,202,951	3,631,731,328	3.500%	122,118,213	166,485,008	44,366,795
06/30/2016	3,292,244,481	127,369,320	93,308,035	3,454,559,863	3.625%	121,003,576	128,254,097	7,250,521
12/31/2015	3,388,995,632	103,655,923	89,555,664	3,292,244,481	3.625%	124,155,013	(110,851,410)	(235,006,423)
06/30/2015	3,245,056,141	118,152,574	87,874,799	3,388,995,632	3.625%	119,348,025	113,661,716	(5,686,309)
12/31/2014	3,240,851,398	99,673,294	83,591,419	3,245,056,141	3.625%	118,831,181	(11,877,132)	(130,708,313)
06/30/2014	3,049,944,702	103,384,050	82,787,545	3,240,851,398	3.750%	115,878,349	170,310,191	54,431,842
12/31/2013	2,727,825,332	96,087,010	79,768,567	3,049,944,702	3.750%	103,671,361	305,800,927	202,129,566

Exhibit 6c Five-Year Smoothing of Gains and Losses on Market Value of CSCA – History

History of Unexpected Asset Gains and Losses								
Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Credits Used	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
06/30/2018	\$ 122,432,627	\$ 27,630,129	\$ 8,745,874	\$ 145,455,548	3.375%	\$ 4,132,101	\$ 4,138,666	\$ 6,565
12/31/2017	118,435,431	0	0	122,432,627	3.375%	3,997,196	3,997,196	0
06/30/2017	88,218,755	33,600,000	6,544,198	118,435,431	3.500%	3,087,656	3,160,874	73,218
12/31/2016	85,235,512	0	0	88,218,755	3.500%	2,983,243	2,983,243	0
06/30/2016	67,854,371	19,538,000	4,910,478	85,235,512	3.625%	2,636,784	2,753,619	116,835
12/31/2015	65,480,696	0	0	67,854,371	3.625%	2,373,675	2,373,675	0
06/30/2015	53,123,202	10,467,815	0	65,480,696	3.625%	2,184,341	1,889,679	(294,662)
12/31/2014	50,842,556	422,295	0	53,123,202	3.625%	1,858,351	1,858,351	0
06/30/2014	0	50,000,000	0	50,842,556	3.750%	468,750	842,556	373,806

Note: The CSCA was opened on May 29, 2014.

Exhibit 6d Five-Year Smoothing of Gains and Losses on Market Value of DCSA – History

History of Unexpected Asset Gains and Losses								
Six-Month Period Ended	Market Value at Beginning of Period	Contributions	Credits Used	Market Value at End of Period	Assumed Rate of Return	Expected Return	Actual Return	Unexpected Gain / (Loss)
06/30/2018	\$ 2,022,838	\$ -	\$ 161,873	\$ 1,929,236	3.375%	\$ 68,271	\$ 68,271	\$ -
12/31/2017	1,956,796	0	0	2,022,838	3.375%	66,042	66,042	0
06/30/2017	1,648,881	250,000	0	1,956,796	3.500%	57,711	57,915	204
12/31/2016	1,593,122	0	0	1,648,881	3.500%	55,759	55,759	0
06/30/2016	1,537,392	0	0	1,593,122	3.625%	55,730	55,730	0
12/31/2015	0	1,510,429	0	1,537,392	3.625%	22,814	26,963	4,149

Note: The DSCA was opened on October 29, 2015.

Exhibit 7a Five-Year Smoothing – Development of Valuation Assets (Total Assets)

Development of Market Stabilization Reserve

Six_Month Period Ended	Phase-Out of Gain / (Loss)				Phase-Out of Gain / (Loss) - New Method			
	Percent Excluded		Gain / (Loss) Excluded		Percent Excluded		Adjusted Gain / (Loss) Excluded	
06/30/2018	90%	x	\$ (150,913,352)	= \$ (135,822,017)	90%	x	\$ (23,951,209)	= \$ (21,556,088)
12/31/2017	80%	x	138,304,954	= 110,643,963	80%	x	0	= 0
06/30/2017	70%	x	128,335,662	= 89,834,963	70%	x	73,422	= 51,396
12/31/2016	60%	x	44,366,795	= 26,620,077	60%	x	0	= 0
06/30/2016	50%	x	7,367,356	= 3,683,678	50%	x	14,798	= 7,399
12/31/2015	40%	x	(235,002,274)	= (94,000,910)	40%	x	4,149	= 1,659
06/30/2015	30%	x	(5,980,971)	= (1,794,291)	30%	x	0	= 0
12/31/2014	20%	x	(130,708,313)	= (26,141,663)	20%	x	0	= 0
06/30/2014	10%	x	54,805,648	= 5,480,565	10%	x	0	= 0
12/31/2013	0%	x	202,129,566	= 0	0%	x	0	= 0
Total Gain / (Loss) Excluded = \$ (21,495,634)								\$ (21,495,634)

Development of Valuation Assets

1. Market Value of Assets as of June 30, 2018	\$ 4,373,961,514
2. Preliminary Market Stabilization Reserve	(21,495,634)
3. Preliminary Actuarial Value of Assets (1) - (2)	4,395,457,148
4. Corridor Around Market Value	
a) Minimum = 80% of Market	\$ 3,499,169,211
b) Maximum = 120% of Market	5,248,753,817
c) Corridor Adjustment	0
5. Market Stabilization Reserve	(21,495,634)
6. Gross Actuarial Valuation of Assets (3) - (4c)	\$ 4,395,457,148
7. Non-Valuation Reserves	
a) Contingency Reserve	43,954,571
b) Undistributed Earnings / Losses Reserve	0
c) Other Specified Reserves	0
d) Total	43,954,571
8. Valuation Assets (6) - (7d)	\$ 4,351,502,577

Exhibit 7b Five-Year Smoothing – Development of Valuation Assets (excluding SCAs)

Development of Market Stabilization Reserve

Six_Month Period Ended	Phase-Out of Gain / (Loss)				Phase-Out of Gain / (Loss) - New Method			
	Percent Excluded		Gain / (Loss) Excluded		Percent Excluded		Adjusted Gain / (Loss) Excluded	
06/30/2018	90%	x	\$ (150,919,917)	= \$ (135,827,925)	90%	x	\$ (23,957,774)	= \$ (21,561,997)
12/31/2017	80%	x	138,304,954	= 110,643,963	80%	x	0	= 0
06/30/2017	70%	x	128,262,240	= 89,783,568	70%	x	0	= 0
12/31/2016	60%	x	44,366,795	= 26,620,077	60%	x	0	= 0
06/30/2016	50%	x	7,250,521	= 3,625,261	50%	x	0	= 0
12/31/2015	40%	x	(235,006,423)	= (94,002,569)	40%	x	0	= 0
06/30/2015	30%	x	(5,686,309)	= (1,705,893)	30%	x	0	= 0
12/31/2014	20%	x	(130,708,313)	= (26,141,663)	20%	x	0	= 0
06/30/2014	10%	x	54,431,842	= 5,443,184	10%	x	0	= 0
12/31/2013	0%	x	202,129,566	= 0	0%	x	0	= 0
Total Gain / (Loss) Excluded = \$ (21,561,997)								\$ (21,561,997)

Development of Valuation Assets

1. Market Value of Assets as of June 30, 2018	\$ 4,226,576,730
2. Preliminary Market Stabilization Reserve	(21,561,997)
3. Preliminary Actuarial Value of Assets (1) - (2)	4,248,138,727
4. Corridor Around Market Value	
a) Minimum = 80% of Market	\$ 3,381,261,384
b) Maximum = 120% of Market	5,071,892,076
c) Corridor Adjustment	0
5. Market Stabilization Reserve	(21,561,997)
6. Gross Actuarial Valuation of Assets (3) - (4c)	\$ 4,248,138,727
7. Non-Valuation Reserves	
a) Contingency Reserve	43,954,571
b) Undistributed Earnings / Losses Reserve	0
c) Other Specified Reserves	0
d) Total	43,954,571
8. Valuation Assets (6) - (7d)	\$ 4,204,184,156

Exhibit 7c Five-Year Smoothing – Development of CSCA Assets

Development of Market Stabilization Reserve

Six_Month Period Ended	Phase-Out of Gain / (Loss)				Phase-Out of Gain / (Loss) - New Method			
	Percent Excluded		Gain / (Loss)	Gain / (Loss) Excluded	Percent Excluded		Adjusted Gain / (Loss)	Adjusted Gain / (Loss) Excluded
06/30/2018	90%	x	\$ 6,565	= \$ 5,909	90%	x	\$ 6,565	= \$ 5,909
12/31/2017	80%	x	0	= 0	80%	x	0	= 0
06/30/2017	70%	x	73,218	= 51,253	70%	x	73,218	= 51,253
12/31/2016	60%	x	0	= 0	60%	x	0	= 0
06/30/2016	50%	x	116,835	= 58,418	50%	x	14,798	= 7,399
12/31/2015	40%	x	0	= 0	40%	x	0	= 0
06/30/2015	30%	x	(294,662)	= (88,399)	30%	x	0	= 0
12/31/2014	20%	x	0	= 0	20%	x	0	= 0
06/30/2014	10%	x	373,806	= 37,381	10%	x	0	= 0
12/31/2013	0%	x	0	= 0	0%	x	0	= 0
Total Gain / (Loss) Excluded = \$				64,561	\$ 64,561			

Development of Valuation Assets

1. Market Value of Assets as of June 30, 2018	\$ 145,455,548
2. Preliminary Market Stabilization Reserve	64,561
3. Preliminary Actuarial Value of Assets (1) - (2)	145,390,987
4. Corridor Around Market Value	
a) Minimum = 80% of Market	\$ 116,364,438
b) Maximum = 120% of Market	174,546,658
c) Corridor Adjustment	0
5. Market Stabilization Reserve	64,561
6. Gross Actuarial Valuation of Assets (3) - (4c)	\$ 145,390,987
7. Non-Valuation Reserves	
a) Contingency Reserve	0
b) Undistributed Earnings / Losses Reserve	0
c) Other Specified Reserves	0
d) Total	0
8. Valuation Assets (6) - (7d)	\$ 145,390,987

Exhibit 7d Five-Year Smoothing – Development of DCSA Assets

Development of Market Stabilization Reserve

Six_Month Period Ended	Phase-Out of Gain / (Loss)				Phase-Out of Gain / (Loss) - New Method			
	Percent Excluded		Gain / (Loss)	Gain / (Loss) Excluded	Percent Excluded		Adjusted Gain / (Loss)	Adjusted Gain / (Loss) Excluded
06/30/2018	90%	x	\$ -	= \$ -	90%	x	\$ -	= \$ -
12/31/2017	80%	x	0	= 0	80%	x	0	= 0
06/30/2017	70%	x	204	= 143	70%	x	204	= 143
12/31/2016	60%	x	0	= 0	60%	x	0	= 0
06/30/2016	50%	x	0	= 0	50%	x	0	= 0
12/31/2015	40%	x	4,149	= 1,659	40%	x	4,149	= 1,659
06/30/2015	30%	x	0	= 0	30%	x	0	= 0
12/31/2014	20%	x	0	= 0	20%	x	0	= 0
06/30/2014	10%	x	0	= 0	10%	x	0	= 0
12/31/2013	0%	x	0	= 0	0%	x	0	= 0
Total Gain / (Loss) Excluded = \$				1,802	\$ 1,802			

Development of Valuation Assets

1. Market Value of Assets as of June 30, 2018	\$	1,929,236
2. Preliminary Market Stabilization Reserve		1,802
3. Preliminary Actuarial Value of Assets (1) - (2)		1,927,434
4. Corridor Around Market Value		
a) Minimum = 80% of Market	\$	1,543,389
b) Maximum = 120% of Market		2,315,083
c) Corridor Adjustment		0
5. Market Stabilization Reserve		1,802
6. Gross Actuarial Valuation of Assets (3) - (4c)	\$	1,927,434
7. Non-Valuation Reserves		
a) Contingency Reserve		0
b) Undistributed Earnings / Losses Reserve		0
c) Other Specified Reserves		0
d) Total		0
8. Valuation Assets (6) - (7d)	\$	1,927,434

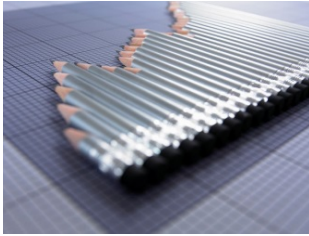
Exhibit 8 Allocation of Valuation Assets

(Dollars in Thousands)

	General	Safety	Probation	Total
1. Prior Year UAAL	\$ 606,060	\$ 195,027	\$ 62,323	\$ 863,410
2. Expected UAAL Contribution for Preceding Year	(90,789)	(30,761)	(8,913)	(130,463)
3. Expected Interest at 6.75%	37,895	12,143	3,911	53,949
4. Expected UAAL Based on Prior Year Assumptions	553,166	176,409	57,321	786,896
5. Percentage of Total Expected UAAL	70.30%	22.42%	7.28%	100.00%
6. Actual UAAL Based on Prior Year Assumptions				766,351
7. Actual AAL Based on Prior Year Assumptions	\$ 3,655,226	\$ 974,732	\$ 340,577	\$ 4,970,535
8. Allocated UAAL Based on Prior Year Assumptions	538,745	171,816	55,790	766,351
9. Valuation Assets (excluding SCA assets)	\$ 3,116,481	\$ 802,916	\$ 284,787	\$ 4,204,184
10. Actual UAAL excluding SCA Valuation Assets	\$ 538,745	\$ 171,816	\$ 55,790	\$ 766,351
11. Allocation of UAAL	70.30%	22.42%	7.28%	100.00%
12. Valuation Assets (CSCA)	\$ 102,210	\$ 32,597	\$ 10,584	\$ 145,391
13. Valuation Assets (DSCA)	\$ 1,927	\$ -	\$ -	\$ 1,927
14. Valuation Assets (Total)	\$ 3,220,618	\$ 835,513	\$ 295,371	\$ 4,351,502

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Section 4 Actuarial Liabilities



In the previous section, an actuarial valuation was compared with an inventory process, and an analysis was given of the inventory of SamCERA's assets as of the valuation date, June 30, 2018. In this section, the discussion focuses on the commitments of SamCERA for retirement benefits, which are referred to as its actuarial liabilities.

In an active system, the combined current and future actuarial liabilities will almost always exceed the actuarial assets. This is usually expected in all but a fully closed down fund, where no further contributions of any sort are anticipated. This deficiency has to be provided by future contributions. An actuarial valuation method sets out a schedule of future contributions that will deal with this deficiency in an orderly fashion. The determination of the level of future contributions needed is discussed in the next section.

Actuarial Balance Sheet – Liabilities

First, we need to determine the amount of the deficiency. We compare the Actuarial Value of the Valuation Assets to the Actuarial Liabilities. The difference is the amount that needs to be funded by the member and employer contributions in the future. Both the current and future assets (contributions) are compared to the actuarial liabilities in the Actuarial Balance Sheet.

Exhibit 9a contains an analysis of the actuarial Present Value of all Future Benefits for retired, inactive and active members and compares these with the total Valuation Assets. Exhibit 9b contains an analysis using the Valuation Assets excluding the SCA assets (sum of the CSCA and DSCA). These analyses are displayed by class of membership and by type of benefit.

The actuarial liabilities include the actuarial present value of all future benefits expected to be paid with respect to each member. For an active member, this value includes measures of both benefits already earned and future benefits to be earned. For all members, active and inactive, the value extends over the rest of their lives and for the lives of any surviving beneficiaries. All liabilities reflect the benefits effective through June 30, 2018.

The actuarial demographic assumptions used to determine the liabilities are based on the results of our Investigation of Experience study for the period ended April 30, 2017. At its meeting on May 22, 2018, the Board reaffirmed these assumptions. These assumptions are shown in Appendix A. The assumptions will next be reviewed in detail in 2020 as part of the triennial investigation of experience study.

Exhibit 9a Actuarial Balance Sheet (Total Assets)
June 30, 2018
 (Dollars in Thousands)

Resources				
	General	Safety	Probation	Total
Valuation Assets (Actuarial)	\$ 3,220,618	\$ 835,513	\$ 295,371	\$ 4,351,502
Present Value of Future Member Contributions	382,082	91,823	32,638	506,543
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	300,897	85,489	34,578	420,964
b) Unfunded Actuarial Accrued Liability	434,608	139,219	45,206	619,033
Total Resources	\$ 4,338,205	\$ 1,152,044	\$ 407,793	\$ 5,898,042
Liabilities				
	General	Safety	Probation	Total
Present Value of Future Benefits				
1. Present Retired Members	\$ 1,954,841	\$ 656,525	\$ 172,317	2,783,683
2. Current Inactive Members	212,432	23,704	12,994	249,130
3. Current Active Members				
- Service Retirement	1,926,505	416,949	201,275	2,544,729
- Termination Benefits	97,259	12,288	4,179	113,726
- Death Benefits	28,649	8,703	3,025	40,377
- Disability Benefits	118,519	33,875	14,003	166,397
- Total Active	2,170,932	471,815	222,482	2,865,229
Total Actuarial Liabilities	\$ 4,338,205	\$ 1,152,044	\$ 407,793	\$ 5,898,042

Exhibit 9b Actuarial Balance Sheet (excluding SCAs)
June 30, 2018
 (Dollars in Thousands)

Resources				
	General	Safety	Probation	Total
Valuation Assets (Actuarial)	\$ 3,116,481	\$ 802,916	\$ 284,787	\$ 4,204,184
Present Value of Future Member Contributions	382,082	91,823	32,638	506,543
Present Value of Future Employer Contributions to Fund:				
a) Normal Cost	300,897	85,489	34,578	420,964
b) Unfunded Actuarial Accrued Liability	538,745	171,816	55,790	766,351
Total Resources	\$ 4,338,205	\$ 1,152,044	\$ 407,793	\$ 5,898,042

Liabilities				
	General	Safety	Probation	Total
Present Value of Future Benefits				
1. Present Retired Members	\$ 1,954,841	\$ 656,525	\$ 172,317	\$ 2,783,683
2. Current Inactive Members	212,432	23,704	12,994	249,130
3. Current Active Members				
- Service Retirement	1,926,505	416,949	201,275	2,544,729
- Termination Benefits	97,259	12,288	4,179	113,726
- Death Benefits	28,649	8,703	3,025	40,377
- Disability Benefits	118,519	33,875	14,003	166,397
- Total Active	2,170,932	471,815	222,482	2,865,229
Total Actuarial Liabilities	\$ 4,338,205	\$ 1,152,044	\$ 407,793	\$ 5,898,042

Actuarial Balance Sheet – Resources

For the purpose of the Actuarial Balance Sheet, SamCERA's resources are equal to the sum of:

- (a) Assets currently available to pay benefits and considered for funding purposes, the Valuation Assets,
- (b) The present value of future contributions expected to be made by current active members, and
- (c) The present value of future contributions expected to be made by the employer.

Actuarial Cost Method

The Actuarial Balance sheet determines the amount of future contributions that are needed, but the method used to determine the incidence of when those future contributions are yet to be made in future years is called the "actuarial cost method." For this valuation, the entry age actuarial cost method has been used. Under this method – or essentially any actuarial cost method – the contributions required to meet the difference between current assets and current actuarial liabilities are allocated each year between two elements:

- A Normal Cost amount; and
- Whatever amount is left over, which is used to amortize what is called the UAAL.

Normal Cost

The two items described above, the Normal Cost and UAAL, are the keys to understanding the actuarial cost method.

The Normal Cost is the theoretical contribution rate that is projected to meet the ongoing costs of a group of average new employees. Suppose that a group of new employees was covered under a separate fund from which all benefits and to which all contributions and associated investment returns were paid. Under the entry age actuarial cost method, the Normal Cost contribution rate maintains the funding of benefits as a level percentage of pay. If experience follows the actuarial assumptions precisely, the fund would be completely liquidated when the last payment to the last survivor of the group was made.

By applying the Normal Cost contribution rate to the present value of salaries expected to be paid in the future, we determine the present value of future Normal Cost contributions. Future contributions are expected to be made by both the members and the employer. The basic member contribution rates are determined based upon requirements established in the '37 Act and the actuarial assumptions. Members may also make additional contributions as part of a cost sharing or COLA cost sharing arrangements. Based on these member contribution rates, we determine the present value of future member contributions. We subtract that value from the total future Normal Cost contributions expected, based on the entry age cost method. The remaining difference is the employer's portion of the future Normal Cost contributions.

Actuarial Accrued Liability

The difference between the present value of all future obligations and the present value of the future Normal Cost contributions is referred to as the "Actuarial Accrued Liability." The AAL is then compared to the value of assets available to fund benefits, and the difference is referred to as the UAAL. The results for SamCERA for all plans (and including all Valuation Assets) are summarized below:

(Dollars in millions)	2018	2017	Percent Change
A. Actuarial present value of all future benefits for contributing members, former contributing members, and their survivors	\$ 5,898	\$ 5,649	4.4%
B. Actuarial present value of total future Normal Costs for current members	<u>927</u>	<u>929</u>	(0.2)%
C. Actuarial accrued liability [A-B]	\$ 4,971	\$ 4,720	5.3%
D. Valuation Assets	<u>4,352</u>	<u>3,977</u>	9.4%
E. UAAL or Surplus Funding [C-D] *	\$ 619	\$ 743	(16.7)%
F. Funded Ratio [D/C]	87.5%	84.3%	3.2%

* Note that line E may include a rounding adjustment item.

Unfunded Actuarial Accrued Liability/ Surplus Funding

The portion allocated to service already rendered or accrued is called the Actuarial Accrued Liability. The difference between the Actuarial Accrued Liability and the Valuation Assets is called the Unfunded Actuarial Accrued Liability (UAAL). If a UAAL amount exists, it usually results from prior years' benefit or assumption changes and the net effect of accumulated gains and losses. If the employer had always contributed the current Normal Cost, if there were no prior benefit or assumption changes and if actual experience exactly matched the actuarial assumptions, the present value of all future Normal Cost contributions would be sufficient to fund all benefits and there would be no UAAL.

Exhibits 9a and 9b show how the UAAL was derived for each classification. Exhibit 9a includes all Valuation Assets, and exhibit 9b excludes the SCA. In the Actuarial Balance sheet, the total actuarial accrued liability for all future benefits must be equal to the current and future assets.

Funding Adequacy

A key consideration in determining the adequacy of the funding of SamCERA is how the UAAL is being funded. Under the current funding method, the June 30, 2008 UAAL is amortized over a fixed period ending June 30, 2023. Changes in the UAAL in years following June 30, 2008 are being amortized separately over new 15-year periods from the valuation date at which the difference is calculated, including the change in UAAL as of June 30, 2018.

**Analysis of Change
 in UAAL**

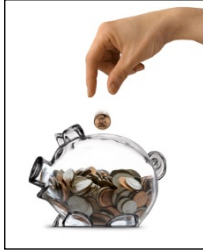
The UAAL, at any date after establishment of a system, is affected by any actuarial gains or losses arising when the actual experience of the system varies from the experience anticipated by the actuarial assumptions used in the valuations. To the extent actual experience, as it develops, differs from that expected according to the assumptions used, so also will the emerging costs differ from the estimated costs.

The 2018 actuarial valuation reflects a decrease in the system-wide UAAL of \$124.1 million for the fiscal year just ended.

Unfunded Actuarial Accrued Liability - June 30, 2017	\$ 743.1
Expected Increase / (Decrease) ⁽¹⁾	(109.7)
Expected UAAL - June 30, 2018	\$ 633.4
Asset (Gains) and Losses	(42.8)
Retiree COLA Greater / (Less) than Expected	12.2
Salary Increases Greater / (Less) than Expected	10.4
Other Liability (Gain) / Loss	<u>5.8</u>
Total Changes	<u>(14.4)</u>
Actual UAAL - June 30, 2018	\$ 619.0

1. Based on actual contributions.

Section 5 Member Contributions



For SamCERA members in Plans 1-6, contributions are of three types: Basic contributions, Cost Sharing contributions, and COLA Cost Sharing contributions. SamCERA members in Plan 7 pay contributions equal to one-half of the total Normal Cost rate for all members.

Basic contributions for Plans 1-6 are defined in the following sections of the County Employees' Retirement Law:

Basic Contributions (Plans 1-6)

Plan	Code Section	Contribution Provides Average Annuity of
General Plans 1, 2 & 4	31621.9	1/120 th of FAC at age 55
General Plan 5	31621	1/120 th of FAC at age 60
Probation & Safety	31639.25	1/100 th of FAC at age 50

FAC = Final Average Compensation

There are no member contributions under General Plan 3.

Basic member contributions are determined using the Entry Age Normal Cost Method and the following actuarial assumptions:

1. Expected rate of return on assets
2. Individual salary increase rate (wage growth + merit)
3. Mortality for members based on service retirement
4. No COLAs are assumed

The basic member contribution rates for Plans 1-6 were recalculated as of the June 30, 2017 valuation to reflect the investment return and wage growth assumptions adopted with the 2017 Investigation of Experience study. The rates are shown in Appendix D.

Cost-Sharing Contributions

In addition to the basic rate, all Plan 1, 2, and 4 employees (except SMCM&VCD), as well as Plan 5 Safety and Probation employees, make additional cost-sharing contributions as shown in Appendix B. Plan 5 General employees, and all Plan 6 and 7 employees do not participate in cost-sharing. For valuation purposes, cost-sharing contributions are assumed to be permanent. The cost-sharing contributions are fixed and not impacted by changes in assumptions.

Cost-of-Living Contributions (Plans 1-6)

Depending on which plan and bargaining unit they belong to, members may share in the cost of the COLA by making additional contributions (COLA contributions). The COLA level is described in detail in the Member Contributions section of Appendix B.

COLA member rates are determined by calculating and applying a load factor to the basic member rates. COLA load factors are determined for each class and plan of member separately, as shown in the following table:

Plan	COLA Share	COLA Load
General 1	50%	36.19%
General 2	50%	33.89%
General 4	50%	26.31%
General 5	50%	25.38%
Safety 1	50%	47.93%
Safety 2	50%	50.07%
Safety 4	50%	37.71%
Safety 5	50%	34.76%
Safety 6	50%	32.47%
Probation 1	50%	53.21%
Probation 2	50%	51.34%
Probation 4	50%	37.84%
Probation 5	50%	34.64%
Probation 6	50%	30.44%

Example:

A member who enters General Plan 5 at age 35 has a basic member contribution rate of 6.71% (Exhibit D-1). The General Plan 5 COLA load is 25.38% for a member COLA contribution of 1.70% (6.71% x 25.38%) of pay. The basic plus COLA member contribution rate is 8.41% (6.71% + 1.70%).

The COLA load for each plan is determined as follows: the present value of future normal costs with and without COLA provisions is calculated. The difference is multiplied by the COLA share percentage, and then divided by the present value of future basic only member contributions.

Member Contribution Rates – Pick-up (Plans 1-6)

Effective July 1, 2016 no employer pick-up contributions are valued.

**Member Contribution
Rates
(Plan 7)**

Contributions for Plan 7 are defined in Section 7522.30 of the Government Code.

All employees of the same class who are members of Plan 7 shall contribute the same percentage of payroll. Such percentage will be 50% of the total Normal Cost rate for that class. The rates are recalculated annually. Note that for small groups, the Normal Cost rate, and hence the member rate may change significantly from year-to-year. As the group becomes larger, this volatility should be reduced.

Effective July 1, 2019, Plan 7 member rates are as follows:

- General members: 8.61% (decreased from 8.71%)
- SMCM&VCD members: 9.04% (increased from 8.84%)
- Safety members: 14.50% (decreased from 14.51%)
- Probation members: 14.11% (decreased from 14.33%)

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Section 6 Employer Contributions



Contributions to SamCERA are determined using the Entry Age Normal Cost Method. The portion of the actuarial present value of retirement benefits allocated to a valuation year by the Actuarial Cost Method is called the Normal Cost. These amounts are usually expressed as a percentage of payroll and called the Normal Cost Contribution Rate. Exhibit 11 shows the Normal Cost Rates by type of benefit and for each plan based on this valuation.

It should be noted that when we use the term “Gross Normal Cost rate,” we are referring to the value of benefits earned by active members allocated to the valuation year. The Employer Normal Cost rate is the portion of the annual benefit that the employer is responsible for. This is simply the Gross Normal Cost rate less the contributions expected to be made by the members.

Note that in the following exhibits “SMCM&VCD” refers to the San Mateo County Mosquito and Vector Control District.

Statutory Contribution Rate

A summary of the total Statutory Contribution Rate for each classification, along with a comparison to the prior year’s rates, can be found in Exhibit 10, with additional detail for each plan in Exhibits 10a through 10d. These results are expressed as a percentage of payroll. Note that SamCERA’s UAAL is determined separately for each class. Thus, the employers fund the UAAL evenly as a percentage of pay over salaries for all members within a class.

The UAAL rate reflects a layered 15-year amortization beginning with the June 30, 2008 valuation. Gains and losses after that date are reflected over new 15-year periods starting with the valuation date. A one-year deferral in the implementation of the new rate is reflected. Therefore, the new employer contribution rate calculated in the 2018 valuation is effective July 1, 2019, and the UAAL is amortized over the remaining 14 years.

The SCA (CSCA for the County UAAL and DSCA for the SMCM&VCD) offset amounts are calculated in a similar manner to the UAAL rate described above. Effective with the June 30, 2018 valuation the DSCA balance is to be amortized within a period of five years. The total DSCA offset amount in a given year is limited to the SMCM&VCD UAAL rate, and the DSCA will be adjusted to reflect the actual offset (after reflecting the limitation, if any).

Exhibits 12a through 12c show detailed information on how the UAAL contribution rate is calculated using the layered method. The UAAL contribution rates are calculated prior to reflecting the SCAs. Exhibits 12d and 12e show detailed information on how the SCA offsets are calculated using the same layered approach as used for UAAL amortizations.

Statutory Contribution Rate
(continued)

The total Statutory Contribution Rate was 35.31% for the fiscal year beginning July 1, 2018 after reflecting all bargained COLA and cost sharing arrangements. For the fiscal year beginning in 2019, the Statutory Contribution Rate decreased to 33.67%. This is equal to the aggregate Employer Normal Cost contribution rate of 10.57% plus appropriate amounts to amortize the UAAL according to the funding policy, over layered 15-year closed periods.

Statutory Contribution Rate
(all values as a % of Payroll)

Employer Normal Cost	10.57%
Total Amortization of UAAL	<u>23.10%</u>
Total Employer Contribution	33.67%

Changes in the Normal Cost Rate

The change in the calculated gross Normal Cost rates from year-to-year is generally due to the normal experience of the System, as described below.

- 1. Experience:** Normal experience from year-to-year, reflecting differences in both the weighting between membership groups and in their characteristics, as well as on what was assumed to occur during the past fiscal year and what actually occurred, particularly with respect to salary increases and turnover experience. Based on current system benefit provisions, the aggregate Normal Cost rate is expected to decrease as a greater number of members are covered by Plan 7, instead of the more expensive older plans. However, the change will be fairly gradual.

**Exhibit 10 Employer Statutory Contribution Rates – All Plans
 For the 2019-2020 Fiscal Year**

	All Plans							Prior Year Total Contribution Rate
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate ⁽¹⁾	Total Contribution Rate	
General Members								
County	20.32%	(11.10)%	7.07%	2.15%	9.22%	19.32%	28.54%	30.13%
Courts	20.91%	(11.64)%	7.06%	2.21%	9.27%	21.76%	31.03%	32.23%
Total	20.35%	(11.12)%	7.07%	2.16%	9.23%	19.43%	28.66%	30.22%
SMCM&VCD Members	20.39%	(8.26)%	8.83%	3.30%	12.13%	0.00%	12.13%	24.69%
Safety Members	34.13%	(17.15)%	13.01%	3.97%	16.98%	44.68%	61.66%	62.85%
Probation Members	33.45%	(16.50)%	13.15%	3.80%	16.95%	32.88%	49.83%	50.29%
All Plans	22.68%	(12.11)%	8.10%	2.47%	10.57%	23.10%	33.67%	35.31%
County Only	22.75%	(12.14)%	8.13%	2.48%	10.61%	23.24%	33.85%	35.48%

1. County UAAL Contribution Rate includes an aggregate offset of 2.85% of County payroll to reflect the County Supplementary Contribution Account. Offsets vary by class of member as follows:

- General member UAAL offset is 2.44% of payroll
- Safety member UAAL offset is 5.02% of payroll
- Probation member UAAL offset is 4.10% of payroll

SMCM&VCD UAAL Contribution Rate includes an offset of 21.76% of District payroll to reflect the District Supplementary Contribution Account.

**Exhibit 10a Employer Statutory Contribution Rates – General Members
 For the 2019-2020 Fiscal Year**

General Members								
	Gross Normal Cost	Member Contributions	Employer Rates					Prior Year Total Contribution Rate
			Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate ⁽¹⁾	Total Contribution Rate	
Plan 1								
County	27.79%	(13.79)%	10.15%	3.85%	14.00%	19.32%	33.32%	31.29%
Courts	27.79%	(13.79)%	10.15%	3.85%	14.00%	21.76%	35.76%	33.32%
Total	27.79%	(13.79)%	10.15%	3.85%	14.00%	19.32%	33.32%	31.29%
Plan 2								
County	21.84%	(12.92)%	6.18%	2.74%	8.92%	19.32%	28.24%	29.79%
Courts	21.84%	(12.92)%	6.18%	2.74%	8.92%	21.76%	30.68%	31.82%
Total	21.84%	(12.92)%	6.18%	2.74%	8.92%	19.42%	28.34%	29.87%
Plan 3								
County	7.83%	0.00%	7.83%	0.00%	7.83%	19.32%	27.15%	28.66%
Courts	7.83%	0.00%	7.83%	0.00%	7.83%	21.76%	29.59%	30.69%
Total	7.83%	0.00%	7.83%	0.00%	7.83%	19.32%	27.15%	28.66%
Plan 4								
County	22.38%	(12.92)%	7.22%	2.24%	9.46%	19.32%	28.78%	30.47%
Courts	22.38%	(12.92)%	7.22%	2.24%	9.46%	21.76%	31.22%	32.50%
Total	22.38%	(12.92)%	7.22%	2.24%	9.46%	19.46%	28.92%	30.60%
Plan 5								
County	20.62%	(9.28)%	9.27%	2.07%	11.34%	19.32%	30.66%	32.16%
Courts	20.62%	(9.28)%	9.27%	2.07%	11.34%	21.76%	33.10%	34.19%
Total	20.62%	(9.28)%	9.27%	2.07%	11.34%	19.40%	30.74%	32.21%
Plan 7								
County	17.21%	(8.61)%	6.75%	1.85%	8.60%	19.32%	27.92%	29.26%
Courts	17.21%	(8.61)%	6.75%	1.85%	8.60%	21.76%	30.36%	31.29%
Total	17.21%	(8.61)%	6.75%	1.85%	8.60%	19.41%	28.01%	29.33%
All Plans								
County	20.32%	(11.10)%	7.07%	2.15%	9.22%	19.32%	28.54%	30.13%
Courts	20.91%	(11.64)%	7.06%	2.21%	9.27%	21.76%	31.03%	32.23%
Total	20.35%	(11.12)%	7.07%	2.16%	9.23%	19.43%	28.66%	30.22%

Notes:

1. UAAL Contribution Rate includes an offset of 2.44% of payroll to reflect the County Supplementary Contribution Account, except for Courts.

**Exhibit 10b Employer Statutory Contribution Rates – SMCM&VCD Members
 For the 2019-2020 Fiscal Year**

SMCM&VCD Members

	Employer Rates							Prior Year Total Contribution Rate
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate ⁽¹⁾	Total Contribution Rate	
Plan 1 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan 2 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan 4	21.69%	(7.82)%	9.82%	4.05%	13.87%	0.00%	13.87%	26.41%
Plan 7	18.08%	(9.04)%	7.06%	1.98%	9.04%	0.00%	9.04%	21.21%
All Plans	20.39%	(8.26)%	8.83%	3.30%	12.13%	0.00%	12.13%	24.69%

Notes:

1. UAAL Contribution Rate includes an offset of 21.76% of payroll to reflect the District Supplementary Contribution Account.
2. There are currently no active Plan 1 or Plan 2 SMCM&VCD members. Employer rates will be developed in the future if needed.

**Exhibit 10c Employer Statutory Contribution Rates – Safety Members
 For the 2019-2020 Fiscal Year**

	Employer Rates							Prior Year Total Contribution Rate
	Gross Normal Cost	Member Contributions	Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate ⁽¹⁾	Total Contribution Rate	
Plan 1 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	79.86%
Plan 2	36.73%	(16.94)%	13.94%	5.85%	19.79%	44.68%	64.47%	64.05%
Plan 4	35.73%	(18.36)%	13.50%	3.87%	17.37%	44.68%	62.05%	63.22%
Plan 5	36.44%	(18.28)%	14.26%	3.90%	18.16%	44.68%	62.84%	64.03%
Plan 6 ⁽²⁾	N/A	0.00%	N/A	N/A	NA	NA	NA	NA
Plan 7	29.00%	(14.50)%	11.13%	3.37%	14.50%	44.68%	59.18%	60.08%
All Plans	34.13%	(17.15)%	13.01%	3.97%	16.98%	44.68%	61.66%	62.85%

Notes:

1. UAAL Contribution Rate includes an offset of 5.02% of payroll to reflect the County Supplementary Contribution Account.
2. There are currently no active Plan 1 or Plan 6 Safety members. Employer rates will be developed in the future if needed.

**Exhibit 10d Employer Statutory Contribution Rates – Probation Members
 For the 2019-2020 Fiscal Year**

Probation Members								
	Gross Normal Cost	Member Contributions	Employer Rates				Total Contribution Rate	Prior Year Total Contribution Rate
			Basic Normal Cost	COLA Normal Cost	Total Normal Cost	UAAL Contribution Rate ⁽¹⁾		
Plan 1 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	65.51%
Plan 2	36.87%	(17.97)%	13.87%	5.03%	18.90%	32.88%	51.78%	52.17%
Plan 4	33.97%	(16.72)%	13.53%	3.72%	17.25%	32.88%	50.13%	50.33%
Plan 5	31.60%	(16.37)%	11.77%	3.46%	15.23%	32.88%	48.11%	48.03%
Plan 6 ⁽²⁾	N/A	N/A	N/A	N/A	N/A	N/A	N/A	48.04%
Plan 7	28.21%	(14.11)%	10.89%	3.21%	14.10%	32.88%	46.98%	47.19%
All Plans	33.45%	(16.50)%	13.15%	3.80%	16.95%	32.88%	49.83%	50.29%

Notes:

1. UAAL Contribution Rate includes an offset of 4.10% of payroll to reflect the County Supplementary Contribution Account.
2. There are currently no active Plan 1 or Plan 6 Probation members. Employer rates will be developed in the future if needed.

Exhibit 11 Calculated Gross Normal Cost Rates

All Plans					
Plan	Normal Cost				Total Gross Normal Cost
	Service Retirement	Disability Retirement	Death Benefits while Active	Termination Benefits	
General Plan 1	19.96%	2.24%	0.69%	4.90%	27.79%
General Plan 2	15.21%	2.00%	0.40%	4.23%	21.84%
General Plan 3	7.16%	0.00%	0.00%	0.67%	7.83%
General Plan 4	15.92%	2.11%	0.39%	3.96%	22.38%
General Plan 5	14.84%	2.32%	0.39%	3.07%	20.62%
General Plan 7	12.40%	2.10%	0.30%	2.41%	17.21%
General Total	14.51%	2.08%	0.36%	3.40%	20.35%
SMCM&VCD Plan 1	N/A	N/A	N/A	N/A	N/A
SMCM&VCD Plan 2	N/A	N/A	N/A	N/A	N/A
SMCM&VCD Plan 4	16.02%	2.15%	0.34%	3.18%	21.69%
SMCM&VCD Plan 7	13.33%	1.85%	0.42%	2.48%	18.08%
SMCM&VCD Total	15.05%	2.04%	0.37%	2.93%	20.39%
Safety Plan 1	N/A	N/A	N/A	N/A	N/A
Safety Plan 2	28.39%	3.72%	1.51%	3.11%	36.73%
Safety Plan 4	27.50%	4.10%	1.23%	2.90%	35.73%
Safety Plan 5	27.79%	5.02%	1.16%	2.47%	36.44%
Safety Plan 6	N/A	N/A	N/A	N/A	N/A
Safety Plan 7	21.71%	4.41%	1.07%	1.81%	29.00%
Safety Total	26.09%	4.25%	1.21%	2.58%	34.13%
Probation Plan 1	N/A	N/A	N/A	N/A	N/A
Probation Plan 2	28.93%	3.67%	1.25%	3.02%	36.87%
Probation Plan 4	26.52%	3.49%	1.08%	2.88%	33.97%
Probation Plan 5	24.58%	3.74%	0.97%	2.31%	31.60%
Probation Plan 6	N/A	N/A	N/A	N/A	N/A
Probation Plan 7	21.50%	3.81%	0.94%	1.96%	28.21%
Probation Total	26.06%	3.56%	1.08%	2.75%	33.45%
All Plans	16.49%	2.42%	0.50%	3.27%	22.68%

Exhibit 12a UAAL Amortization Detail – General Members
 (Dollars in Thousands)

Unfunded Actuarial Liability Amortization Detail							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2008	Initial UAAL	\$ 227,529	\$ 15,358	\$ 52,112	\$ 190,775	4 Years	\$ 51,262
June 30, 2009	(Gain) / Loss	\$ 239,187	\$ 16,145	\$ 46,448	\$ 208,884	5 Years	\$ 45,691
June 30, 2010	(Gain) / Loss	\$ (94,855)	\$ (6,403)	\$ (16,062)	\$ (85,195)	6 Years	\$ (15,800)
June 30, 2011	(Gain) / Loss	\$ (29,968)	\$ (2,023)	\$ (4,517)	\$ (27,474)	7 Years	\$ (4,443)
June 30, 2012	(Gain) / Loss	\$ 96,532	\$ 6,516	\$ 13,154	\$ 89,893	8 Years	\$ 12,940
June 30, 2013	(Gain) / Loss	\$ 18,775	\$ 1,267	\$ 2,342	\$ 17,701	9 Years	\$ 2,304
June 30, 2014	(Gain) / Loss	\$ (40,741)	\$ (2,750)	\$ (4,698)	\$ (38,794)	10 Years	\$ (4,621)
June 30, 2015	(Gain) / Loss	\$ (30,946)	\$ (2,089)	\$ (3,326)	\$ (29,709)	11 Years	\$ (3,272)
June 30, 2016	(Gain) / Loss	\$ 99,644	\$ 6,726	\$ 10,050	\$ 96,320	12 Years	\$ 9,886
June 30, 2017	(Gain) / Loss	\$ 70,988	\$ 4,792	\$ 6,759	\$ 69,020	13 Years	\$ 6,649
June 30, 2018	(Gain) / Loss	\$ (17,399)	\$ (1,174)	\$ 3,335	\$ (21,908)	14 Years	\$ (1,992)
Total Amortization Payment July 1, 2019:							\$ 98,603
Projected Payroll July 1, 2019:							\$ 453,104
UAAL as of June 30, 2018:		<u>\$ 538,745</u>		UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2019:			<u>21.76%</u>

Notes:

- Amortization Payments are based on a fixed schedule that increases by the payroll assumption each year.
- The calculation of UAAL is as of June 30, 2018; whereas, the contribution rates are effective as of July 1, 2019. The June 30, 2018 UAAL is adjusted to June 30, 2019 based on the July 1, 2018 contribution rates and June 30, 2018 valuation assumptions.
- (Gain)/Loss includes the following:
 - new assumptions adopted effective June 30, 2011 based on the Investigation of Experience report
 - new economic assumptions effective June 30, 2012
 - new assumptions adopted effective June 30, 2014 based on the Investigation of Experience report
 - new economic assumptions effective June 30, 2016
 - new assumptions adopted effective June 30, 2017 based on the Investigation of Experience report

Exhibit 12b UAAL Amortization Detail – Safety Members
 (Dollars in Thousands)

Unfunded Actuarial Liability Amortization Detail							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2008	Initial UAAL	\$ 83,032	\$ 5,605	\$ 19,017	\$ 69,619	4 Years	\$ 18,707
June 30, 2009	(Gain) / Loss	\$ 87,719	\$ 5,921	\$ 17,034	\$ 76,606	5 Years	\$ 16,757
June 30, 2010	(Gain) / Loss	\$ (35,482)	\$ (2,395)	\$ (6,008)	\$ (31,869)	6 Years	\$ (5,910)
June 30, 2011	(Gain) / Loss	\$ (13,899)	\$ (938)	\$ (2,095)	\$ (12,743)	7 Years	\$ (2,061)
June 30, 2012	(Gain) / Loss	\$ 28,700	\$ 1,937	\$ 3,911	\$ 26,726	8 Years	\$ 3,847
June 30, 2013	(Gain) / Loss	\$ 5,490	\$ 371	\$ 685	\$ 5,176	9 Years	\$ 674
June 30, 2014	(Gain) / Loss	\$ (16,393)	\$ (1,107)	\$ (1,890)	\$ (15,609)	10 Years	\$ (1,859)
June 30, 2015	(Gain) / Loss	\$ (8,618)	\$ (582)	\$ (926)	\$ (8,274)	11 Years	\$ (911)
June 30, 2016	(Gain) / Loss	\$ 26,865	\$ 1,813	\$ 2,710	\$ 25,969	12 Years	\$ 2,665
June 30, 2017	(Gain) / Loss	\$ 19,694	\$ 1,329	\$ 1,875	\$ 19,148	13 Years	\$ 1,845
June 30, 2018	(Gain) / Loss	\$ (5,292)	\$ (357)	\$ (327)	\$ (5,322)	14 Years	\$ (484)
Total Amortization Payment July 1, 2019:							\$ 33,269
Projected Payroll July 1, 2019:							\$ 66,933
UAAL as of June 30, 2018:		\$ 171,816	UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2019:				49.70%

Notes:

1. Amortization Payments are based on a fixed schedule that increases by the payroll assumption each year.
2. The calculation of UAAL is as of June 30, 2018; whereas, the contribution rates are effective as of July 1, 2019. The June 30, 2018 UAAL is adjusted to June 30, 2019 based on the July 1, 2018 contribution rates and June 30, 2018 valuation assumptions.
3. (Gain)/Loss includes the following:
 - new assumptions adopted effective June 30, 2011 based on the Investigation of Experience report
 - new economic assumptions effective June 30, 2012
 - new assumptions adopted effective June 30, 2014 based on the Investigation of Experience report
 - new economic assumptions effective June 30, 2016
 - new assumptions adopted effective June 30, 2017 based on the Investigation of Experience report

Exhibit 12c UAAL Amortization Detail – Probation Members
 (Dollars in Thousands)

Unfunded Actuarial Liability Amortization Detail							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2008	Initial UAAL	\$ 20,804	\$ 1,404	\$ 4,765	\$ 17,443	4 Years	\$ 4,687
June 30, 2009	(Gain) / Loss	\$ 22,078	\$ 1,490	\$ 4,287	\$ 19,280	5 Years	\$ 4,217
June 30, 2010	(Gain) / Loss	\$ (8,660)	\$ (585)	\$ (1,467)	\$ (7,778)	6 Years	\$ (1,443)
June 30, 2011	(Gain) / Loss	\$ (3,189)	\$ (215)	\$ (481)	\$ (2,923)	7 Years	\$ (473)
June 30, 2012	(Gain) / Loss	\$ 9,678	\$ 653	\$ 1,319	\$ 9,012	8 Years	\$ 1,297
June 30, 2013	(Gain) / Loss	\$ 1,401	\$ 95	\$ 175	\$ 1,321	9 Years	\$ 172
June 30, 2014	(Gain) / Loss	\$ (3,314)	\$ (224)	\$ (382)	\$ (3,155)	10 Years	\$ (376)
June 30, 2015	(Gain) / Loss	\$ (2,324)	\$ (157)	\$ (250)	\$ (2,231)	11 Years	\$ (246)
June 30, 2016	(Gain) / Loss	\$ 10,991	\$ 742	\$ 1,109	\$ 10,624	12 Years	\$ 1,090
June 30, 2017	(Gain) / Loss	\$ 10,271	\$ 693	\$ 978	\$ 9,986	13 Years	\$ 962
June 30, 2018	(Gain) / Loss	\$ (1,945)	\$ (131)	\$ (281)	\$ (1,795)	14 Years	\$ (163)
Total Amortization Payment July 1, 2019:							\$ 9,726
Projected Payroll July 1, 2019:							\$ 26,303
UAAL as of June 30, 2018:		\$ 55,790		UAAL Contribution Rate (as a % of Payroll) FYB July 1, 2019:			36.98%

Notes:

- Amortization Payments are based on a fixed schedule that increases by the payroll assumption each year.
- The calculation of UAAL is as of June 30, 2018; whereas, the contribution rates are effective as of July 1, 2019. The June 30, 2018 UAAL is adjusted to June 30, 2019 based on the July 1, 2018 contribution rates and June 30, 2018 valuation assumptions.
- (Gain)/Loss includes the following:
 - new assumptions adopted effective June 30, 2011 based on the Investigation of Experience report
 - new economic assumptions effective June 30, 2012
 - new assumptions adopted effective June 30, 2014 based on the Investigation of Experience report
 - new economic assumptions effective June 30, 2016
 - new assumptions adopted effective June 30, 2017 based on the Investigation of Experience report

Exhibit 12d Amortization Detail – County SCA Offsets
 (Dollars in Thousands)

General Members							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2014	Initial CSCA	\$ 34,567	\$ 2,333	\$ 3,986	\$ 32,914	10 Years	\$ 3,921
June 30, 2015	CSCA Addition	\$ 7,963	\$ 537	\$ 856	\$ 7,644	11 Years	\$ 842
June 30, 2016	CSCA Addition	\$ 14,640	\$ 988	\$ 1,477	\$ 14,152	12 Years	\$ 1,453
June 30, 2017	CSCA Addition	\$ 25,356	\$ 1,712	\$ 2,414	\$ 24,654	13 Years	\$ 2,375
June 30, 2018	CSCA Addition	\$ 19,684	\$ 1,329	\$ -	\$ 21,013	14 Years	\$ 1,911
Total CSCA County Offset Payment July 1, 2019:							\$ 10,501
Projected County Payroll July 1, 2019:							\$ 430,256
CSCA Value as of June 30, 2018:		\$ 102,210		CSCA County Offset (as a % of Payroll) FYB July 1, 2019:			2.44%

Safety Members							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2014	Initial CSCA	\$ 11,714	\$ 791	\$ 1,351	\$ 11,154	10 Years	\$ 1,329
June 30, 2015	CSCA Addition	\$ 2,701	\$ 182	\$ 290	\$ 2,593	11 Years	\$ 286
June 30, 2016	CSCA Addition	\$ 4,441	\$ 300	\$ 448	\$ 4,292	12 Years	\$ 441
June 30, 2017	CSCA Addition	\$ 7,652	\$ 516	\$ 729	\$ 7,440	13 Years	\$ 717
June 30, 2018	CSCA Addition	\$ 6,090	\$ 411	\$ -	\$ 6,501	14 Years	\$ 591
Total CSCA County Offset Payment July 1, 2019:							\$ 3,363
Projected County Payroll July 1, 2019:							\$ 66,933
CSCA Value as of June 30, 2018:		\$ 32,597		CSCA County Offset (as a % of Payroll) FYB July 1, 2019:			5.02%

Probation Members							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2014	Initial CSCA	\$ 3,186	\$ 215	\$ 367	\$ 3,033	10 Years	\$ 361
June 30, 2015	CSCA Addition	\$ 769	\$ 52	\$ 83	\$ 739	11 Years	\$ 81
June 30, 2016	CSCA Addition	\$ 1,549	\$ 105	\$ 156	\$ 1,497	12 Years	\$ 154
June 30, 2017	CSCA Addition	\$ 3,027	\$ 204	\$ 288	\$ 2,944	13 Years	\$ 284
June 30, 2018	CSCA Addition	\$ 2,053	\$ 139	\$ -	\$ 2,192	14 Years	\$ 199
Total CSCA County Offset Payment July 1, 2019:							\$ 1,079
Projected County Payroll July 1, 2019:							\$ 26,303
CSCA Value as of June 30, 2018:		\$ 10,584		CSCA County Offset (as a % of Payroll) FYB July 1, 2019:			4.10%

Notes:

1. CSCA Offsets are based on a fixed schedule that increases by the payroll assumption each year.
2. The calculation of CSCA amounts are as of June 30, 2018; whereas, the contribution rates are effective as of July 1, 2019. The June 30, 2018 CSCA is adjusted to June 30, 2019 based on the July 1, 2018 contribution rates and June 30, 2018 valuation assumptions.

Exhibit 12e Amortization Detail – District SCA Offsets
 (Dollars in Thousands)

Preliminary Offset Calculations							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2016	Initial DSCA	\$ 1,654	\$ 112	\$ 167	\$ 1,599	4 Years	\$ 430
June 30, 2017	DSCA Addition	\$ 270	\$ 18	\$ 26	\$ 263	4 Years	\$ 71
June 30, 2018	DSCA Addition	\$ 3	\$ 0	\$ -	\$ 4	4 Years	\$ 1
Total DSCA Offset Payment July 1, 2019:							\$ 501
Projected District Payroll July 1, 2019:							\$ 2,016
DSCA Value as of June 30, 2018:		\$ 1,927		DSCA District Offset (as a % of Payroll) FYB July 1, 2019:			24.85%

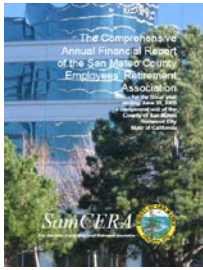
Adjusted Offset Calculations							
Date Established	Description	Balance as of June 30, 2018	Interest on Balance	Amortization Payment on June 30, 2019	Balance as of June 30, 2019	Remaining Period as of June 30, 2019	July 1, 2019 Amortization Payment
June 30, 2016	Initial DSCA	\$ 1,654	\$ 112	\$ 167	\$ 1,599	4 Years	\$ 376
June 30, 2017	DSCA Addition	\$ 270	\$ 18	\$ 26	\$ 263	4 Years	\$ 62
June 30, 2018	DSCA Addition	\$ 3	\$ 0	\$ -	\$ 4	4 Years	\$ 1
Total DSCA Offset Payment July 1, 2019:							\$ 439
Projected District Payroll July 1, 2019:							\$ 2,016
DSCA Value as of June 30, 2018:		\$ 1,927		DSCA District Offset (as a % of Payroll) FYB July 1, 2019:			21.76%

Notes:

1. DSCA Offsets are based on a fixed schedule that increases by the payroll assumption each year.
2. The calculation of DSCA amounts are as of June 30, 2018; whereas, the contribution rates are effective as of July 1, 2019. The June 30, 2018 DSCA is adjusted to June 30, 2019 based on the July 1, 2018 contribution rates and June 30, 2018 valuation assumptions.
3. The preliminary calculation of DSCA Offset results in a larger offset than the UAAL contribution rate payable by the District, and therefore must be limited to the adjusted offset to prevent a negative UAAL contribution rate.

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Section 7 Information for Comprehensive Annual Financial Report (CAFR)



The Governmental Accounting Standards Board (GASB) Statement No. 67 sets standards for defined benefit pension plan reporting and disclosures. The reporting requirements for GASB 67 include certain supplementary information that must be added to the financial statements. GASB Statement No. 68 specifies financial reporting for pension accounting by state and local governmental employers. We will provide information required for GASB 67 and GASB 68 in a separate report.

We are providing several exhibits in this report for consistency with prior reports and as supporting information for inclusion in SamCERA's CAFR.

- Exhibit 13 – Schedule of Funding Progress
- Exhibit 14 – Solvency Test
- Exhibit 15 – History of Employer Contribution Rates
- Exhibit 16 – Actuarial Analysis of Financial Experience
- Exhibit 17 – Asset and Liability Volatility Ratios
- Exhibit 18 – Summary of Significant Actuarial Statistics and Measures
- Exhibit 19 – Summary of SamCERA Membership
For more detailed information on the valuation data, see Appendix C.
- Exhibit 20 – Summary of Active Member Valuation Data
- Exhibit 21 – Summary of Demographic Activity of Retirees and Beneficiaries
- Exhibit 22 – Average Salary and Active Counts by Employer
- Exhibit 23 – Summary of Retired and Inactive Benefits

Please note that all liability calculations shown in this Section 7 are based on an investment return assumption of 6.75%. GASB 67 and 68 calculations as of June 30, 2018 will use an investment return assumption of 6.92%, as the investment return for GASB 67 and 68 is required to be gross of expected administrative expenses.

Additional CAAP Disclosure

The California Actuarial Advisory Panel (CAAP) has adopted a set of model disclosure elements for actuarial valuation reports of public retirement systems in California. Most of these elements are included in other areas of this report. The remaining CAAP-recommended disclosures are as follows:

Disclosure Element	Description	Value
Gross Normal Cost \$	Normal Cost allocated to valuation year, paid at mid-year.	\$ 122,092,221
Statutory Contribution \$	Expected Statutory Contribution paid at mid-year.	\$ 181,254,192
Asset Smoothing Ratio	Actuarial Value of Assets divided by Market Value of Assets	99.5%
Asset Volatility Ratio	Market Value of Assets divided by Payroll	8.1
Liability Volatility Ratio	Actuarial Accrued Liability divided by Payroll	9.2

A history of the Asset and Liability Volatility Ratios is included in Exhibit 17.

Exhibit 13 Schedule of Funding Progress
 (Dollars in Thousands)

<u>Actuarial Valuation Date</u>	<u>(a) Actuarial Value of Valuation Assets</u>	<u>(b) Actuarial Accrued Liabilities</u>	<u>(b-a) Unfunded Actuarial Accrued Liabilities (UAAL)</u>	<u>(a/b) Funded Ratio</u>	<u>(c) Covered Payroll</u>	<u>[(b-a)/c] UAAL as a Percentage of Covered Payroll</u>
June 30, 2009	\$ 1,909,679	\$ 2,987,712	\$ 1,078,033	63.9%	\$ 433,668	248.58%
June 30, 2010	2,179,076	3,098,453	919,377	70.3%	434,295	211.69%
June 30, 2011	2,405,140	3,246,727	841,587	74.1%	427,041	197.07%
June 30, 2012	2,480,271	3,442,553	926,282	72.0%	418,916	229.71%
June 30, 2013	2,618,639	3,572,750	954,111	73.3%	404,361	235.96%
June 30, 2014	2,993,187	3,797,042	803,855	78.8%	416,274	193.11%
June 30, 2015	3,343,550	4,045,786	702,236	82.6%	439,018	159.96%
June 30, 2016	3,624,726	4,362,296	737,570	83.1%	472,385	156.14%
June 30, 2017	3,976,717	4,719,850	743,133	84.3%	510,132	145.67%
June 30, 2018	4,351,502	4,970,535	619,033	87.5%	535,938	115.50%

Note: The Covered Payroll amounts are consistent with the GASB 67/68 Disclosure report.

Exhibit 14 Solvency Test
 (Dollars in Thousands)

Actuarial Valuation Date	Valuation Assets	Actuarial Accrued Liabilities for			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries ⁽¹⁾ (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
June 30, 2009	\$ 1,909,679	\$ 412,147	\$ 1,670,547	\$ 905,018	100%	90%	0%
June 30, 2010	2,179,076	449,355	1,745,146	903,952	100%	99%	0%
June 30, 2011	2,405,140	485,126	1,866,219	895,382	100%	100%	6%
June 30, 2012	2,480,271	498,569	2,022,791	921,193	100%	98%	0%
June 30, 2013	2,618,639	534,276	2,157,590	880,884	100%	97%	0%
June 30, 2014	2,993,187	584,080	2,285,328	927,634	100%	100%	13%
June 30, 2015	3,343,550	628,287	2,451,544	965,955	100%	100%	27%
June 30, 2016	3,624,726	679,246	2,635,409	1,047,641	100%	100%	30%
June 30, 2017	3,976,717	735,102	2,811,651	1,173,097	100%	100%	37%
June 30, 2018	4,351,502	783,887	3,032,813	1,153,835	100%	100%	46%

1. Includes inactive members.

Exhibit 15 History of Employer Statutory Contribution Rates

Statutory Contribution Rates									
Valuation Year	General Members (County & Courts)			General Members (Nurses & UAPD)			General Members (SMCM&VCD)		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2008	10.16%	9.81%	19.97%	Same as County General			8.55%	8.04%	16.59%
2009	10.11%	18.40%	28.51%	Same as County General			8.25%	15.09%	23.34%
2010	10.05%	16.35%	26.40%	Same as County General			11.70%	16.35%	28.05%
2011	9.71%	16.41%	26.12%	8.70%	16.41%	25.11%	11.97%	16.41%	28.38%
2012	9.98%	20.17%	30.15%	8.96%	20.17%	29.13%	11.68%	20.17%	31.85%
2013	9.74%	22.35%	32.09%	8.92%	22.35%	31.27%	11.70%	22.35%	34.05%
2014	10.12%	20.27%	30.39%	9.14%	20.21%	29.35%	11.72%	21.16%	32.88%

Statutory Contribution Rates									
Valuation Year	General Members (County)			General Members (Courts)			General Members (SMCM&VCD)		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2015	8.67%	18.37%	27.04%	9.04%	19.54%	28.58%	11.75%	19.54%	31.29%
2016	8.91%	19.81%	28.72%	9.09%	21.30%	30.39%	12.02%	12.50%	24.52%
2017	9.58%	20.55%	30.13%	9.65%	22.58%	32.23%	12.32%	12.37%	24.69%
2018	9.22%	19.32%	28.54%	9.27%	21.76%	31.03%	12.13%	0.00%	12.13%

Statutory Contribution Rates									
Valuation Year	Safety Member			Probation Members (excluding Managers)			Probation Members (Managers)		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2009	19.21%	51.83%	71.04%	19.92%	23.84%	43.76%	Same as Probation (ex Managers)		
2010	19.01%	44.50%	63.51%	19.85%	21.62%	41.47%	Same as Probation (ex Managers)		
2011	18.87%	41.75%	60.62%	19.50%	22.30%	41.80%	Same as Probation (ex Managers)		
2012	19.05%	48.51%	67.56%	19.99%	26.71%	46.70%	Same as Probation (ex Managers)		
2013	18.51%	50.33%	68.84%	18.33%	29.32%	47.65%	17.85%	29.32%	47.17%
2014	18.99%	46.48%	65.47%	18.92%	28.09%	47.01%	18.79%	28.09%	46.88%
2015	15.14%	43.58%	58.72%	15.31%	26.77%	42.08%	17.23%	26.77%	44.00%
2016	16.31%	44.25%	60.56%	15.94%	31.72%	47.66%	Same as Probation (ex Managers)		
2017	17.28%	45.57%	62.85%	17.42%	32.87%	50.29%	Same as Probation (ex Managers)		
2018	16.98%	44.68%	61.66%	16.95%	32.88%	49.83%	Same as Probation (ex Managers)		

Notes:

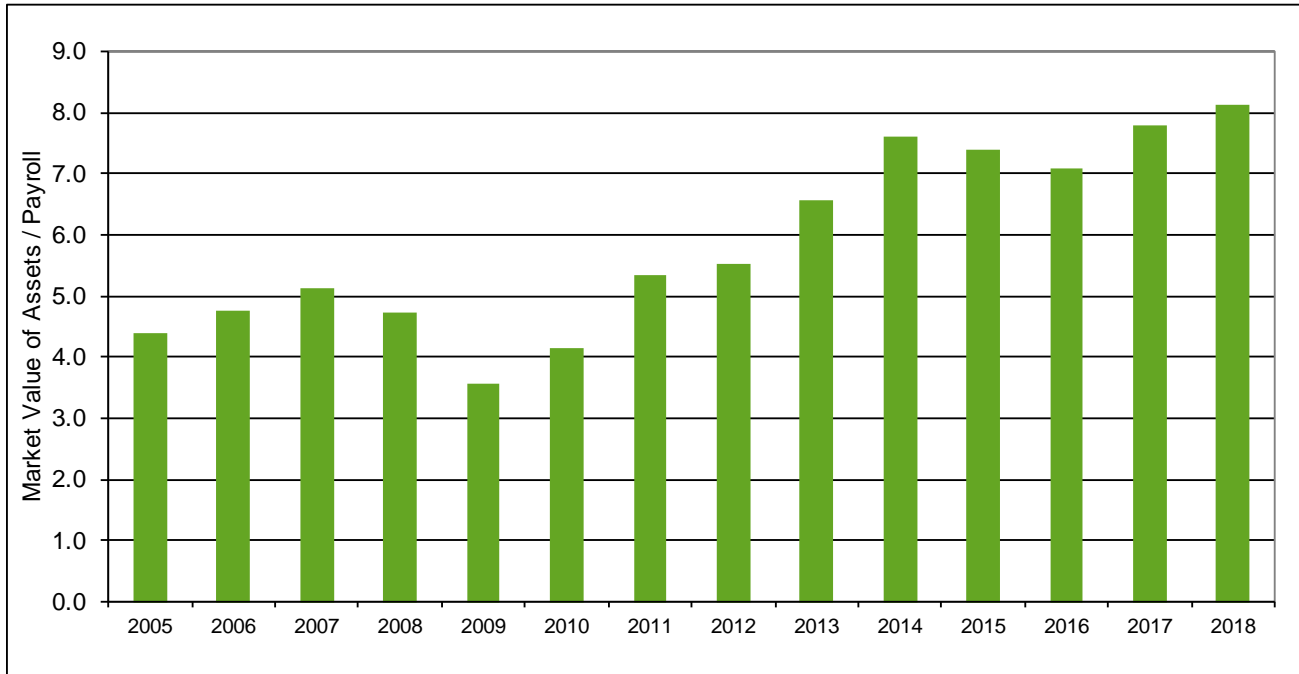
1. Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.
2. Beginning with the 2010 actuarial valuation, the Mosquito and Vector Control District adopted the same benefit formula and member contribution rates as Plan 1, 2 and 4 General County members (excluding cost sharing and COLA sharing on member rates).
3. Beginning with the 2011 actuarial valuation, Plan 1, 2, and 4 members of the CNA contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.
4. Beginning with the 2012 actuarial valuation, Plan 1, 2, and 4 Probation members (excluding Managers) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.
5. Beginning with the 2013 actuarial valuation, Plan 1, 2, and 4 members of the UAPD contribute 25% of the cost of COLA, in addition to current member rates and cost sharing. In 2011 and 2012 these members contributed the same as County General members.
6. Beginning with the 2015 actuarial valuation, Plan 1, 2, and 4 members of the UAPD and the CNA, and Probation members (Managers) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing.
7. Effective with the first pay period after June 30, 2016 all members (except those with benefits negotiated under Court Interpreters and Board of Supervisors bargaining units, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-contributions are discontinued for members with benefits negotiated under the PDA bargaining unit.
8. Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. This is reflected in 2016 values.

Exhibit 16 Actuarial Analysis of Financial Experience

Summary of (Gains) / Losses	Change In Liability				
	2018	2017	2016	2015	2014
Unfunded Liability as of July 1	\$ 743,133,000	\$ 737,570,000	\$ 702,236,000	\$ 803,855,000	\$ 954,111,000
Expected Change in UAAL	(109,756,000)	(110,404,000)	(96,454,000)	(76,018,000)	(88,525,000)
Salary (Gain) / Loss	10,401,000	27,685,000	24,707,000	39,129,000	(15,884,000)
Fewer Withdrawals than expected	0	0	0	0	0
Retiree COLA more / (less) than expected	12,203,000	7,050,000	(6,275,000)	3,648,000	(15,603,000)
Asset (Gain) / Loss	(42,796,000)	(28,286,000)	27,821,000	(74,068,000)	(88,035,000)
Change due to Assumption Changes	0	133,221,000	89,364,000	0	59,345,000
Miscellaneous Experience	5,848,000	(23,703,000)	(3,829,000)	5,690,000	(1,554,000)
Change Due to New Formula					
Unfunded Liability as of June 30	\$ 619,033,000	\$ 743,133,000	\$ 737,570,000	\$ 702,236,000	\$ 803,855,000

Exhibit 17 Asset and Liability Volatility Ratios

Asset Volatility Ratios



Liability Volatility Ratios

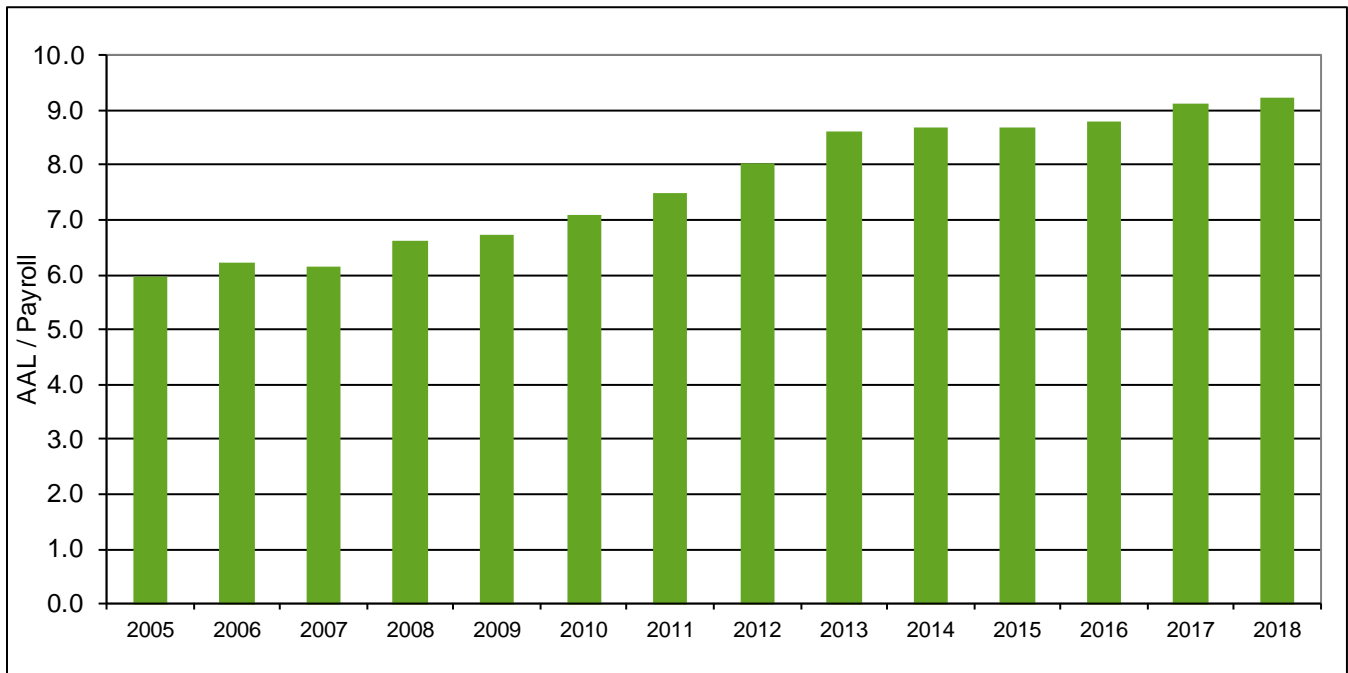


Exhibit 18 Summary of Significant Actuarial Statistics and Measures

	June 30th of		Relative
	2018	2017	Change
1. Active Members			
Number of Members	5,367	5,337	0.6 %
Average Age	45.1	44.2	2.0%
Average Credited Service	10.6	10.5	1.0%
Covered Payroll (\$thousands)	\$ 535,938	\$ 510,132	5.1 %
Average Monthly Salary	\$ 8,407	\$ 8,154	3.1 %
2. Retired Members			
Number of Members			
Service Retirement	4,002	3,869	3.4 %
Disability Retirement	472	469	0.6 %
Beneficiaries	635	618	2.8 %
Average Age	71.2	71.2	-
Actual Retiree Benefits Paid (\$thousands)	\$ 204,729	\$ 190,364	7.5 %
Average Monthly Pension	\$ 3,510	\$ 3,347	4.9 %
3. Number of Inactive Members	1,666	1,487	12.0 %
4. Assets			
Market Value of Fund (\$thousands)	\$ 4,373,962	\$ 4,038,702	8.3 %
Return on Market Value	6.7%	12.6%	
Valuation Assets (\$thousands)	\$ 4,351,502	\$ 3,976,717	9.4 %
Return on Valuation Assets	7.8%	7.8%	
5. Liability Values (\$thousands)			
Actuarial Accrued Liability	\$ 4,970,535	\$ 4,719,850	5.3 %
Unfunded Actuarial Accrued Liability	\$ 619,033	\$ 743,133	(16.7)%
Deferred Asset (Gains) / Losses	\$ 21,496	\$ (21,816)	
6. Funded Ratio (based on valuation assets)	87.5%	84.3%	3.9 %

Exhibit 19 Summary of SamCERA Membership

Plan	One	Two	Three	Four	Five	Six	Seven	Total
Retirees and beneficiaries currently receiving benefits:								
General	1,518	1,979	135	780	2	-	1	4,415
Safety	271	212	-	76	1	-	-	560
Probation	36	66	-	32	-	-	-	134
Subtotal	<u>1,825</u>	<u>2,257</u>	<u>135</u>	<u>888</u>	<u>3</u>	<u>-</u>	<u>1</u>	<u>5,109</u>
Inactive employees entitled to but not currently receiving benefits (Deferred):								
General	9	310	72	759	80	-	294	1,524
Safety	1	20	-	46	8	-	8	83
Probation	-	16	-	39	1	-	3	59
Subtotal	<u>10</u>	<u>346</u>	<u>72</u>	<u>844</u>	<u>89</u>	<u>-</u>	<u>305</u>	<u>1,666</u>
Current employees:								
Vested:								
General	8	570	57	1,952	155	-	96	2,838
Safety	-	48	-	234	36	-	17	335
Probation	-	29	-	174	6	-	2	211
Non-Vested:								
General	-	-	5	20	113	-	1,627	1,765
Safety	-	-	-	-	23	-	150	173
Probation	-	-	-	-	2	-	43	45
Subtotal	<u>8</u>	<u>647</u>	<u>62</u>	<u>2,380</u>	<u>335</u>	<u>-</u>	<u>1,935</u>	<u>5,367</u>
Total SamCERA Membership	1,843	3,250	269	4,112	427	-	2,241	12,142

Exhibit 20 Summary of Active Member Valuation Data

Valuation Date		Members	Annual Salary	Average Annual Salary	% Change Average Salary
2009	General	4,777	370,760,830	77,614	4.1%
	Safety	436	48,120,081	110,367	2.9%
	Probation	330	26,270,802	79,608	4.6%
	Total	5,543	445,151,713	80,309	4.0%
2010	General	4,609	363,305,740	78,825	1.6%
	Safety	425	48,576,912	114,299	3.6%
	Probation	313	25,247,595	80,663	1.3%
	Total	5,347	437,130,248	81,752	1.8%
2011	General	4,494	355,876,715	79,189	0.5%
	Safety	446	52,073,940	116,758	2.2%
	Probation	305	24,591,392	80,628	0.0%
	Total	5,245	432,542,046	82,468	0.9%
2012	General	4,361	351,965,689	80,708	1.9%
	Safety	435	51,129,267	117,539	0.7%
	Probation	299	24,554,583	82,122	1.9%
	Total	5,095	427,649,539	83,935	1.8%
2013	General	4,173	338,595,633	81,140	2.5%
	Safety	452	52,233,510	115,561	-1.0%
	Probation	292	23,722,165	81,240	0.8%
	Total	4,917	414,551,308	84,310	2.2%
2014	General	4,272	352,918,558	82,612	1.8%
	Safety	452	52,974,475	117,200	1.4%
	Probation	280	23,514,343	83,980	3.4%
	Total	5,004	429,407,375	85,813	1.8%
2015	General	4,334	382,303,295	88,210	6.8%
	Safety	479	55,917,864	116,739	-0.4%
	Probation	282	24,418,977	86,592	3.1%
	Total	5,095	462,640,136	90,803	5.8%
2016	General	4,421	408,191,518	92,330	4.7%
	Safety	495	61,564,028	124,372	6.5%
	Probation	271	24,034,819	88,689	2.4%
	Total	5,187	493,790,365	95,198	4.8%
2017	General	4,560	430,613,886	94,433	2.3%
	Safety	503	65,105,116	129,434	4.1%
	Probation	274	26,503,623	96,729	9.1%
	Total	5,337	522,222,625	97,849	2.8%
2018	General	4,603	448,931,595	97,530	3.3%
	Safety	508	66,799,289	131,495	1.6%
	Probation	256	25,741,800	100,554	4.0%
	Total	5,367	541,472,684	100,889	3.1%

Exhibit 21 Summary of Demographic Activity of Retirees and Beneficiaries

Year Ended	Added to Rolls ⁽¹⁾		Removed from Rolls		Rolls end of year		% Increase in Payroll	Average Monthly Allowances
	No.	Annual Allowances in Thousands	No.	Annual Allowances in Thousands	No.	Total Retiree Payroll in Thousands		
June 30, 2009	159	\$ 12,717	66	\$ 3,281	3,935	\$ 119,052	8.6	2,521
June 30, 2010	163	9,076	96	3,240	4,002	124,888	4.9	2,601
June 30, 2011 ⁽²⁾	209	12,703	64	2,916	4,147	134,675	7.8	2,706
June 30, 2012	218	14,379	90	4,209	4,275	144,845	7.6	2,823
June 30, 2013	186	13,024	63	3,095	4,398	154,774	6.9	2,933
June 30, 2014	203	12,474	83	3,479	4,518	163,769	5.8	3,021
June 30, 2015	213	16,290	93	4,179	4,638	175,880	7.4	3,160
June 30, 2016	233	15,347	123	5,030	4,748	186,197	5.9	3,268
June 30, 2017	310	16,738	102	3,867	4,956	199,068	6.9	3,347
June 30, 2018	315	21,360	162	5,242	5,109	215,186	8.1	3,510

1. Amount added to rolls includes COLAs granted in year to continuing retirees and beneficiaries.

2. Revised from June 30, 2011 valuation for corrections.

Exhibit 22 Average Salary and Active Counts by Employer

	2018	2017	2016	2015	2014
General Plan 1	\$10,121	\$11,305	\$9,945	\$9,235	\$8,617
General Plan 2	9,526	8,994	8,636	8,186	7,584
General Plan 3	7,462	7,484	7,173	6,747	6,300
General Plan 4	8,534	8,134	7,807	7,386	6,873
General Plan 5	9,672	8,980	8,485	7,735	6,912
General Plan 7	6,974	6,737	6,714	6,315	5,721
General Plan Total	8,128	7,869	7,694	7,351	6,884
Safety Plan 1	0	14,434	15,810	14,712	14,091
Safety Plan 2	13,607	13,528	12,505	11,545	11,191
Safety Plan 4	11,894	11,381	10,729	9,919	9,581
Safety Plan 5	11,349	10,544	9,940	9,145	8,958
Safety Plan 6	0	0	16,793	16,010	14,381
Safety Plan 7	8,747	8,356	7,538	6,701	7,011
Safety Plan Total	10,958	10,786	10,364	9,728	9,767
Probation Plan 1	0	7,722	7,261	7,038	6,874
Probation Plan 2	9,061	9,069	8,349	8,012	7,699
Probation Plan 4	8,714	8,270	7,454	7,267	6,922
Probation Plan 5	8,219	7,612	6,429	6,106	5,916
Probation Plan 6	0	7,347	6,259	5,739	5,216
Probation Plan 7	6,676	6,121	5,962	5,684	5,807
Probation Plan Total	8,379	8,061	7,391	7,216	6,998
Grand Total	8,407	8,154	7,933	7,567	7,151

Participating Employers and Active Members

	2018	2017	2016	2015	2014
<i>County of San Mateo</i>					
General Members	4,343	4,303	4,170	4,092	4,014
Safety Members	508	503	495	479	452
Probation Members	256	274	271	282	280
Total	5,107	5,080	4,936	4,853	4,746
<i>San Mateo County Mosquito and Vector Control District</i>					
General Members Total	21	20	20	20	19
<i>Courts</i>					
General Members Total	239	237	231	222	239
Total Active Membership	5,367	5,337	5,187	5,095	5,004

Exhibit 23 Summary of Retired and Inactive Benefits

	2018	2017	2016	2015	2014
Retired Members					
Service Retirement					
Number	4,002	3,869	3,749	3,628	3,525
Total Annual Allowance	\$ 177,401,000	\$ 156,245,000	\$ 152,161,000	\$ 143,392,000	\$ 133,583,000
Average Monthly Payment	\$ 3,694	\$ 3,527	\$ 3,382	\$ 3,294	\$ 3,158
Disability Retirement					
Number	472	469	454	442	428
Total Annual Allowance	\$ 20,322,000	\$ 19,291,000	\$ 18,630,000	\$ 17,511,000	\$ 16,308,000
Average Monthly Payment	\$ 3,588	\$ 3,469	\$ 3,420	\$ 3,301	\$ 3,175
Beneficiaries					
Number	635	618	545	568	565
Total Annual Allowance	\$ 17,463,000	\$ 14,914,000	\$ 15,406,000	\$ 14,977,000	\$ 13,878,000
Average Monthly Payment	\$ 2,292	\$ 2,128	\$ 2,356	\$ 2,197	\$ 2,047
Total Retired Members					
Number	5,109	4,956	4,748	4,638	4,518
Total Annual Allowance	\$ 215,186,000	\$ 190,450,000	\$ 186,197,000	\$ 175,880,000	\$ 163,769,000
Average Monthly Payment	\$ 3,510	\$ 3,347	\$ 3,268	\$ 3,160	\$ 3,021
Inactive Members	1,666	1,487	1,486	1,384	1,304

Appendix A Actuarial Procedures and Assumptions



The actuarial procedures and assumptions to be used in the valuation are described in this section. The assumptions were reviewed and changed effective June 30, 2017, as a result of the 2017 Investigation of Experience Study. At its meeting on May 22, 2018, the Board reaffirmed these demographic assumptions for use in the 2018 valuation.

The actuarial assumptions used in the valuations are intended to estimate the future experience of the members of SamCERA and of SamCERA itself in areas that affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from that expected from these assumptions will result in corresponding changes in the estimated costs of SamCERA's benefits.

Table A-1 summarizes the assumptions. The mortality rates are taken from the sources listed.

Tables A-2 and A-3 show how members are expected to leave retired status due to death.

Table A-4 presents the probability of refund of contributions upon termination of employment while vested.

Table A-5 presents the expected annual percentage increase in salaries.

Tables A-6 to A-11 present the probabilities a member will leave the system for various reasons.

NOTE: Assumptions for Probation members are assumed to be the same as Safety members unless otherwise noted.

Actuarial Cost Method

The actuarial valuation is prepared using the entry age actuarial cost method (CERL 31453.5). Under the principles of this method, the actuarial present value of the projected benefits of each individual included in the valuation is allocated as a level percentage of the individual's projected compensation between entry age and assumed exit (until maximum retirement age).

The portion of this actuarial present value allocated to a valuation year is called the normal cost. The portion of this actuarial present value not provided for at a valuation date by the sum of: (a) the actuarial value of the assets and (b) the actuarial present value of future normal costs is called the Unfunded Actuarial Accrued Liability (UAAL). The UAAL as of June 30, 2008 is amortized as a level percentage of the projected salaries of present and future members of SamCERA over the remaining period from the valuation date to June 30, 2023. This is commonly referred to as a "closed amortization method". Actuarial gains and losses after the June 30, 2008 valuation are amortized over new closed 15-year periods from their respective valuation dates.

The SCA (CSCA for the County UAAL and DSCA for the SMCM&VCD) offset amounts are calculated using a similar closed amortization method to the UAAL rate described above. However, effective with the June 30, 2018 valuation, the DSCA balance is amortized over five years. All layers are re-amortized as of June 30, 2018, and any future layers are amortized over new five-year periods. The total DSCA offset amount in a given year is limited to the SMCM&VCD UAAL rate, and the DSCA will be adjusted to reflect the actual offset (after reflecting the limitation, if any).

Beginning with the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District adopted the same "enhanced" benefit formula that applies to Plan 1, 2, and 4 County General members and the same member rates currently being paid by County General members from those plans. However, because the Mosquito and Vector Control District does not participate in cost sharing on the member rates, it will have a separate normal cost rate and expected member contribution rate from the County General group.

The normal cost rate is calculated separately for County General and for the Mosquito and Vector Control District. These normal cost rates will differ from each other for two reasons:

- 1) The demographics within the two groups will vary (specifically, the groups will have different average entry ages), and
- 2) The expected refund of contributions, which is a component of the normal cost, will differ between the County and the Mosquito and Vector Control District, since the District does not participate in cost sharing on the member rates.

Records and Data

The data used in this valuation consist of financial information and the age, service, and income records for active and inactive members and their survivors. All of the data were supplied by SamCERA and are accepted for valuation purposes without audit.

Replacement of Terminated Members	The ages and relative salaries at entry of future members are assumed to follow a new entrant distribution based on the pattern of current members. Under this assumption, the normal cost rates for active members will remain fairly stable in future years unless there are changes in the governing law, the actuarial assumptions, or the pattern of the new entrants.
Growth in Membership	For benefit determination purposes, no growth in the membership of SamCERA is assumed. For funding purposes, if amortization is required, the total payroll of covered members is assumed to grow due to the combined effects of future wage increases of current active members and the replacement of the current active members by new employees. No growth in the total number of active members is assumed.
Internal Revenue Code Section 415 Limit	The Internal Revenue Code Section 415 maximum benefit limitations are not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement, except for Plan 7 members, which cannot receive benefits in excess of the 415 limit. For Plan 7 members, the benefit levels, combined with the limited compensation are low enough that it is unlikely the 415 limit would apply.
Internal Revenue Code Section 401(a)(17)	The Internal Revenue Code Section 401(a)(17) maximum compensation limitation is not reflected in the valuation for funding purposes. Any limitation is reflected in a member's benefit after retirement.
Government Code Section 7522.10	The maximum compensation limit under Government Code 7522.10 is reflected in the valuation for funding purposes. Future annual increases to the limit are assumed to occur based on the CPI inflation assumption.
Employer Contributions	The statutory employer contribution rate is set by the Retirement Board based on actuarial valuations.
Member Contributions	<p>The member contribution rates vary by entry age (except for Plan 7) and are described in the law. Code references are shown in Appendix B of the valuation report. The methods and assumptions used are detailed later in this section.</p> <p>The individual member rates by entry age, plan, and class are illustrated in Appendix D of the valuation report.</p>
Valuation of Assets	The assets are valued using a modified five-year smoothed method based on the difference between the expected market value and the actual market value of the assets as of the end of each six-month period (12/31 and 6/30). The expected market value is the prior period's market value increased with the net increase in the cash flow of funds, all increased with interest during the period at the expected investment return rate assumption.

**Valuation of Assets
 (continued)**

Effective June 30, 2018 all deferred gains and losses are combined into a single amount to be recognized over a five-year (10 six-month) period. Beginning with the six-month period immediately following the June 30, 2018 valuation, offsetting of current period gains or losses against prior period gains or losses will occur, as follows. First, to the extent there is a loss for the period, it shall be used to offset any unrecognized gains from prior periods in the order of oldest to most recent. Any remaining loss for the period is recognized over a five-year (10 six-month) period. Similarly, any gain for the period shall be offset against unrecognized losses from prior periods.

The gross preliminary Actuarial Value of Assets is equal to the Market Value of Assets less any of the remaining unrecognized differences. A 20% corridor is then applied, so that the gross Actuarial Value of Assets cannot be greater than 120% of the Market Value of Assets nor less than 80% of the Market Value of Assets. The Valuation Assets used in the calculation of the SCR are equal to the gross Actuarial Value of Assets less any non-valuation reserves.

**Investment Earnings
 and Expenses**

The future investment earnings of the assets of SamCERA are assumed to accrue at an annual rate of 6.75% compounded annually, net of both investment and administrative expenses. This rate was adopted effective June 30, 2017.

**Postretirement Benefit
 Increases**

Postretirement increases are described in Appendix B. Assumed increases for valuation purposes are:

	General	Safety	Probation
Plan 1	2.50%	2.50%	2.50%
Plan 2	2.40%	2.40%	2.40%
Plan 3	0.00%	N/A	N/A
Plans 4, 5, and 7	1.90%	1.90%	1.90%
Plan 6	N/A	1.90%	1.90%

Assumed Plan 1 General and Safety COLAs are set at the inflation (CPI) assumption of 2.50% per year. Since Plan 2 does not have a COLA bank, it is expected that increases will be limited in some years. This reduces the overall expected rate and is reflected in a lower assumed increase.

**Interest on Member
 Contributions**

The annual credited interest rate on member contributions is assumed to be 6.75% compounded semi-annually (3.375% per six-month period) for an annualized rate of 6.86%. This rate was adopted effective June 30, 2017 for valuation purposes.

Future Salaries

The rates of annual salary increase assumed for the purpose of the valuation are illustrated in Table A-5. In addition to increases in salary due to promotions and longevity, this scale includes an assumed 3.00% per annum rate of increase in the general wage level of the membership.

Increases are assumed to occur mid-year. The mid-year timing reflects that salary increases occur throughout the year, or on average mid-year.

SamCERA supplied two types of compensation data:

- 1) pensionable pay from the most recent bi-weekly pay period; and
- 2) pensionable pay from the prior year. We annualized bi-weekly pay (by multiplying by 26) and then used the greater of the two amounts.

Social Security Wage Base

Plan 3 members have their benefits offset by an assumed Social Security Benefit. For valuation funding purposes, we need to project the Social Security Benefit. We assume the current Social Security provisions will continue and the annual Wage Base will increase at the rate of 3.00% per year. Note, statutory provisions describe how to compute a member's offset amount at time of termination or retirement.

Retirement

The retirement rates vary by age and are shown by plan in Tables A-6 through A-1.

All General members who attain or who have attained age 75 and all Safety members who have attained age 65 are assumed to retire immediately. Additionally, if a member's benefit is equal to or greater than the 100% of compensation limit, the member is assumed to retire immediately. For purposes of the valuation, immediate retirement is assumed at:

- Age 62 with 38 years of service (General, except Plan 3, Plan 5, and Plan 7)
- Age 65 with 41 years of service (General Plan 5)
- Age 67 with 40 years of service (General Plan 7)
- Any age with 33 years of service (Safety & Probation, except Plans 5, 6, and 7)
- Age 55 with 33 years of service (Safety & Probation Plan 5)
- Age 55 with 38 years of service (Safety & Probation Plan 6)
- Age 57 with 38 years of service (Safety & Probation Plan 7)

Inactive members are assumed to retire at the later of current age and:

- Age 58 (General Members, except Plan 3 and Plan 7)
- Age 65 (General Plan 3 Members)
- Age 62 (General Plan 7 Members)
- Age 50 (Probation and Safety members)

The retirement rates were adopted effective June 30, 2017.

Disability

The rates of disability used in the valuation are illustrated in Tables A-6 through A-11.

The disability rates were adopted effective June 30, 2017.

Mortality – Active Members

The rates of mortality used in the valuation are described in Table A-1 and illustrated in Tables A-6 through A-11.

These mortality rates were adopted effective June 30, 2017.

Other Employment Terminations

Tables A-6 to A-11 show, for all ages, the rates assumed in this valuation for future termination from active service other than for death, disability or retirement. These rates do not apply to members eligible for service retirement.

Terminating employees may withdraw their contributions immediately upon termination of employment and forfeit the right to further benefits, or they may leave their contributions with SamCERA. Former contributing members whose contributions are on deposit may later elect to receive a refund, may return to work or may remain inactive until becoming eligible to receive a retirement benefit under either SamCERA or a reciprocal retirement system. All terminating members who are not eligible for vested benefits are assumed to withdraw their contributions immediately.

The rates of termination were adopted effective June 30, 2017.

Probability of Refund

Table A-4 gives the assumed probabilities that vested members will withdraw their contributions and elect a refund immediately upon termination and the probability the remaining members will elect a deferred retirement benefit. For Plan 3, 100% of members are assumed to elect a vested benefit. All non-vested members are assumed to elect a refund and withdraw their contributions.

The probability of refund assumptions were adopted effective June 30, 2017.

Mortality – Disabled Members

The rates of mortality used in the valuation are described in Table A-1 and illustrated in Table A-3.

These mortality rates were adopted effective June 30, 2017.

Mortality – Other than Disabled Members, and Beneficiaries

The rates of mortality for service retired members and members after termination that are used in the valuation are described in Table A-1 and illustrated in Table A-2.

Beneficiaries of retired and disabled members are assumed to be of the opposite sex and have the same mortality as service retired General members.

These mortality rates were adopted effective June 30, 2017.

Probability of Eligible Survivor

For members not currently in pay status, 75% of all males and 55% of all females are assumed to have eligible survivors (spouses or qualified domestic partners). Survivors are assumed to be three years younger than male members and two years older than female members. Survivors are assumed to be of the opposite sex as the member. There is no explicit assumption for children's benefits. We believe the survivor benefits based on this assumption are sufficient to cover children's benefits as they occur.

**Valuation of Current
Inactive Members**

Current non-vested members who have terminated active employment are assumed to take a refund of their contributions at the valuation date.

Current vested members who have terminated active employment are assumed to keep their accounts with SamCERA and retire as specified in this section. An adjustment for these individuals such that the greater of the Final Average Compensation and annualized bi-weekly pay limited to two times the Final Average Compensation is used.

Reciprocal Benefits

Thirty percent of future deferred vested General members and 40% of future deferred vested Safety members are assumed to immediately join a reciprocal agency. For future reciprocal members, salaries are assumed to increase at the same rate as if they had remained in active employment with SamCERA. For current deferred vested members, eligibility is based on the data supplied by SamCERA and future salaries are assumed to increase at 3.52% annually for General members and 3.77% annually for Safety members.

This assumption was adopted effective June 30, 2017

Part-Time Employees

For valuation purposes, part-time employees are assumed to continue working the same number of hours in the future.

**Adjustment to Plan 3
Normal Cost Rate**

Plan 3 members are eligible to transfer to Plan 2 or Plan 4 (depending on entry date) after five years of service. We have adjusted the Plan 3 Normal Cost to account for this. The adjustment is equal to 50% of the difference between the unadjusted Plan 3 Normal Cost rate and the Plan 4 Normal Cost rate.

**Member Contribution
Rate Assumptions**

The following assumptions summarize the procedures used to compute member contribution rates based on entry age:

In general, the member rate is determined by the present value of the future benefit (PVFB) payable at retirement age, divided by the present value of all future salaries payable between age at entry and retirement age. For these purposes, per the CERL:

- A. The annuity factor used for General members is based on a 33% / 67% blend of the male and female annuity factors using current valuation assumptions and no COLA. For Safety members it is based on a 75% / 25% blend of the male and female annuity factors using current valuation assumptions. The valuation mortality tables use a static projection to 2039.
- B. The annuity factor used in determining the present value of future benefits (PVFB) at entry age is equal to the life only annuity factor at 6.75%.
- C. Compensation is based on the salary paid in the year prior to attaining the retirement age.

Example: For a Plan 4 Member who enters at age 54 or earlier, compensation at retirement (age 55) will be the monthly average of the annual salary for age 54.

- D. For purposes of calculating the value of the member's future contribution, interest is assumed to be credited at 6.75% semiannually (3.375% for each six-month period) for a 6.86% annual rate.

**Member Contribution
Rate Assumptions
(continued)**

- E. Member Rates are assumed to increase with entry age, except in Plan 7. There are a few exceptions at the higher entry ages where the calculated rate is less than the previous entry age. In these cases, the member contribution rate is adjusted so that it is no less than the value for the previous entry age.
- F. Member rates for all Plans 1, 2, 4, 5, and 6 members are loaded to account for a 50% COLA share. The COLA loads are applied to the otherwise applicable basic member rates prior to the addition of any cost-sharing rates. The loads were determined based on 2017 information and applied as follows:

General Plan 1:	36.19%
General Plan 2:	33.89%
General Plan 4:	26.31%
General Plan 5:	25.38%

Safety Plan 1:	47.93%
Safety Plan 2:	50.07%
Safety Plan 4:	37.71%
Safety Plan 5:	34.76%
Safety Plan 6:	32.47%

Probation Plan 1:	53.21%
Probation Plan 2:	51.34%
Probation Plan 4:	37.84%
Probation Plan 5:	34.64%
Probation Plan 6:	30.44%

Table A-1 Summary of Valuation Assumptions as of June 30, 2018

I.	Economic assumptions	
A.	General wage increases	3.00%
B.	Investment earnings	6.75%
C.	Growth in active membership	0.00%
D.	CPI inflation assumption	2.50%
II.	Demographic assumptions	
A.	Salary increases due to service	Table A-5
B.	Retirement	Tables A-6 to A-11
C.	Disability	Tables A-6 to A-11
D.	Mortality for active members prior to termination	Tables A-6 to A-11

Basis – RP-2014 Employee Mortality Table for respective genders with MP-2014 Ultimate Projection Scale:

<u>Class of Members</u>	<u>Adjustment Factor</u>
General – Males	100%
General – Females	100%
Safety – Males	100%
Safety – Females	100%

E.	Mortality for active members after termination and service retired members	Table A-2
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Basis – RP-2014 Healthy Annuitant Mortality Table for respective genders with MP-2014 Ultimate Projection Scale:

<u>Class of Members</u>	<u>Adjustment Factor</u>
General – Males	95%
General – Females	95%
Safety – Males	95%
Safety – Females	95%

**Table A-1 Summary of Valuation Assumptions as of June 30, 2018
 (continued)**

F. Mortality among disabled members

Table A-3

Basis – Average of RP-2014 Healthy Annuitant and Disabled Mortality Tables for respective genders, with MP-2014 Ultimate Projection Scale:

<u>Class of Members</u>	<u>Adjustment Factor</u>	<u>Minimum Blended Rate</u>
General – Males	95% for Healthy and 105% for Disabled	1.00%
General – Females	95% for Healthy and 105% for Disabled	0.50%

Basis – RP-2014 Healthy Annuitant Mortality Table for respective genders with MP-2014 Ultimate Projection Scale:

<u>Class of Members</u>	<u>Adjustment Factor</u>	<u>Minimum Blended Rate</u>
Safety – Males	105%	1.00%
Safety – Females	105%	0.50%

G. Mortality for beneficiaries

Table A-2

Basis – Beneficiaries are assumed to be of the opposite sex and have the same mortality as General members.

H. Other terminations of employment

Tables A-6 to A-11

I. Refund of contributions on vested termination

Table A-4

Table A-2 Mortality for Members Retired for Service⁽¹⁾

Age	General Male	General Female	Safety Male	Safety Female
20	0.093%	0.039%	0.093%	0.039%
25	0.111%	0.041%	0.111%	0.041%
30	0.103%	0.052%	0.103%	0.052%
35	0.120%	0.068%	0.120%	0.068%
40	0.144%	0.094%	0.144%	0.094%
45	0.223%	0.157%	0.223%	0.157%
50	0.386%	0.263%	0.386%	0.263%
55	0.545%	0.344%	0.545%	0.344%
60	0.738%	0.493%	0.738%	0.493%
65	1.046%	0.765%	1.046%	0.765%
70	1.593%	1.223%	1.593%	1.223%
75	2.548%	1.989%	2.548%	1.989%
80	4.249%	3.310%	4.249%	3.310%
85	7.362%	5.748%	7.362%	5.748%
90	12.911%	10.177%	12.911%	10.177%

Annual Projected Mortality Improvement

Age	All Groups
65 & Less	1.000%
70	1.000%
75	1.000%
80	1.000%
85	1.000%
90	0.930%
95	0.850%
100	0.640%
105	0.430%
110	0.210%
115	0.000%

1. Mortality rates are those applicable for the fiscal year beginning in 2014. Annual projected improvements are assumed in the following years under the schedule shown. For example, the annual mortality rate for an 85-year old General male in fiscal year beginning in 2017 is 7.143% calculated as follows:

$$\begin{aligned}
 \text{Age 85 rate in 2017} &= \text{Age 85 rate in 2014 with 3 years improvement} \\
 &= 7.362\% \times (100.0\% - 1.0\%) \times (100.0\% - 1.0\%) \times (100.0\% - 1.0\%) \\
 &= 7.143\%
 \end{aligned}$$

Table A-3 Mortality for Members Retired for Disability

Age	General Male	General Female	Safety Male	Safety Female
20	1.000%	0.500%	1.000%	0.500%
25	1.000%	0.500%	1.000%	0.500%
30	1.000%	0.500%	1.000%	0.500%
35	1.000%	0.500%	1.000%	0.500%
40	1.000%	0.500%	1.000%	0.500%
45	1.006%	0.554%	1.000%	0.500%
50	1.264%	0.757%	1.000%	0.500%
55	1.499%	0.932%	1.000%	0.500%
60	1.766%	1.139%	1.000%	0.545%
65	2.187%	1.477%	1.156%	0.845%
70	2.915%	2.092%	1.761%	1.351%
75	4.124%	3.149%	2.817%	2.198%
80	6.147%	4.860%	4.696%	3.659%
85	9.629%	7.621%	8.137%	6.353%
90	15.538%	12.053%	14.270%	11.248%

**Table A-4 Immediate Refund of Contributions upon Termination of Employment
 (Excludes Plan 3)**

Years of Service	General	Safety
0	100%	100%
1	100%	100%
2	100%	100%
3	100%	100%
4	100%	100%
5	35%	35%
6	35%	35%
7	35%	35%
8	34%	33%
9	34%	31%
10	33%	29%
11	33%	27%
12	32%	25%
13	31%	22%
14	30%	19%
15	30%	16%
16	29%	13%
17	28%	10%
18	25%	8%
19	23%	6%
20	20%	0%
21	18%	0%
22	15%	0%
23	12%	0%
24	9%	0%
25	6%	0%
26	3%	0%
27	0%	0%
28	0%	0%
29	0%	0%
30 & Up	0%	0%

Table A-5 Annual Increase in Salary

Years of Service	Due to Promotion and Longevity		Total Annual Increase ⁽¹⁾	
	General	Safety	General	Safety
<1	6.50%	6.00%	9.70%	9.18%
1	4.75%	4.00%	7.89%	7.12%
2	3.50%	3.00%	6.61%	6.09%
3	2.75%	2.50%	5.83%	5.58%
4	2.00%	2.00%	5.06%	5.06%
5	1.75%	1.75%	4.80%	4.80%
6	1.50%	1.50%	4.55%	4.55%
7	1.25%	1.25%	4.29%	4.29%
8	1.05%	1.05%	4.08%	4.08%
9	0.90%	0.90%	3.93%	3.93%
10	0.80%	0.80%	3.82%	3.82%
11	0.70%	0.75%	3.72%	3.77%
12	0.60%	0.75%	3.62%	3.77%
13	0.50%	0.75%	3.52%	3.77%
14	0.50%	0.75%	3.52%	3.77%
15	0.50%	0.75%	3.52%	3.77%
16	0.50%	0.75%	3.52%	3.77%
17	0.50%	0.75%	3.52%	3.77%
18	0.50%	0.75%	3.52%	3.77%
19	0.50%	0.75%	3.52%	3.77%
20 or More	0.50%	0.75%	3.52%	3.77%

1. The total expected increase in salary is the increase due to promotion and longevity, adjusted for assumed 3.00% per annum increases in the general wage. The total result is compounded rather than additive.

**Appendix A Rates of Separation from Active Service
Tables A-6 to A-11**

A schedule of the probabilities of termination of employment due to the following causes can be found on the following pages:

Service Retirement:	Member retires after meeting age and service requirements for reasons other than disability.
Withdrawal:	Member terminates and elects a refund of member contributions, or a deferred retirement benefit.
Service Disability:	Member receives disability retirement; disability is service related.
Ordinary Disability:	Member receives disability retirement; disability is not service related.
Service Death:	Member dies before retirement; death is service related.
Ordinary Death:	Member dies before retirement; death is not service related.

Each rate represents the probability that a member will separate from service at each age due to the particular cause. For example, a rate of 0.0300 for a member's service retirement at age 50 means we assume that 30 out of 1,000 members who are age 50 will retire at that age.

Each table represents the detailed rates needed for each SamCERA plan by sex:

Table A-6: General Plan 1, 2, 4, 5 & 7 Males	A-10: Safety and Probation Plans 1, 2, 4, 5, 6 & 7 Males
A-7: General Plan 1, 2, 4, 5 & 7 Females	
A-8: General Plan 3 Males	A-11: Safety and Probation Plans 1, 2, 4, 5, 6 & 7 Females
A-9: General Plan 3 Females	

**Table A-6 Rate of Separation from Active Service
 General Plans 1, 2, 4, 5 and 7 – Male**

Age	Plans 1, 2, 4 Service Retirement ⁽¹⁾	Plans 5 & 7 Service Retirement ⁽¹⁾	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.0000	0.0004	0.0002	N/A	0.0003	0	0.1300
19	0.0000	0.0000	0.0004	0.0002	N/A	0.0004	1	0.1100
20	0.0000	0.0000	0.0004	0.0002	N/A	0.0004	2	0.0900
21	0.0000	0.0000	0.0004	0.0002	N/A	0.0004	3	0.0800
22	0.0000	0.0000	0.0004	0.0002	N/A	0.0005	4	0.0700
23	0.0000	0.0000	0.0004	0.0002	N/A	0.0005	5	0.0633
24	0.0000	0.0000	0.0004	0.0002	N/A	0.0005	6	0.0567
25	0.0000	0.0000	0.0004	0.0002	N/A	0.0005	7	0.0500
26	0.0000	0.0000	0.0004	0.0002	N/A	0.0005	8	0.0470
27	0.0000	0.0000	0.0004	0.0002	N/A	0.0004	9	0.0440
28	0.0000	0.0000	0.0005	0.0002	N/A	0.0004	10	0.0410
29	0.0000	0.0000	0.0005	0.0003	N/A	0.0004	11	0.0380
30	0.0000	0.0000	0.0006	0.0003	N/A	0.0005	12	0.0350
31	0.0000	0.0000	0.0006	0.0003	N/A	0.0005	13	0.0330
32	0.0000	0.0000	0.0006	0.0003	N/A	0.0005	14	0.0310
33	0.0000	0.0000	0.0007	0.0004	N/A	0.0005	15	0.0290
34	0.0000	0.0000	0.0008	0.0004	N/A	0.0005	16	0.0270
35	0.0000	0.0000	0.0008	0.0004	N/A	0.0005	17	0.0250
36	0.0000	0.0000	0.0008	0.0005	N/A	0.0005	18	0.0230
37	0.0000	0.0000	0.0009	0.0005	N/A	0.0006	19	0.0210
38	0.0000	0.0000	0.0010	0.0006	N/A	0.0006	20	0.0190
39	0.0000	0.0000	0.0011	0.0006	N/A	0.0006	21	0.0170
40	0.0000	0.0000	0.0012	0.0007	N/A	0.0006	22	0.0150
41	0.0000	0.0000	0.0013	0.0007	N/A	0.0007	23	0.0140
42	0.0000	0.0000	0.0014	0.0008	N/A	0.0007	24	0.0130
43	0.0000	0.0000	0.0015	0.0008	N/A	0.0008	25	0.0120
44	0.0000	0.0000	0.0016	0.0008	N/A	0.0009	26	0.0110
45	0.0000	0.0000	0.0017	0.0009	N/A	0.0010	27	0.0100
46	0.0000	0.0000	0.0018	0.0009	N/A	0.0011	28	0.0100
47	0.0000	0.0000	0.0019	0.0010	N/A	0.0012	29	0.0100
48	0.0000	0.0000	0.0020	0.0011	N/A	0.0014	30 & Above ⁽²⁾	0.0100
49	0.0000	0.0000	0.0020	0.0011	N/A	0.0015		
50	0.0300	0.0270	0.0021	0.0011	N/A	0.0017		
51	0.0300	0.0270	0.0021	0.0012	N/A	0.0019		
52	0.0300	0.0270	0.0022	0.0012	N/A	0.0021		
53	0.0300	0.0270	0.0023	0.0012	N/A	0.0023		
54	0.0500	0.0450	0.0023	0.0013	N/A	0.0025		
55	0.0600	0.0540	0.0023	0.0013	N/A	0.0028		
56	0.0600	0.0540	0.0024	0.0013	N/A	0.0031		
57	0.0750	0.0675	0.0025	0.0013	N/A	0.0034		
58	0.1200	0.1080	0.0027	0.0014	N/A	0.0038		
59	0.1200	0.1080	0.0028	0.0015	N/A	0.0042		
60	0.1500	0.1350	0.0029	0.0016	N/A	0.0047		
61	0.1750	0.1575	0.0031	0.0017	N/A	0.0052		
62	0.2500	0.2250	0.0033	0.0018	N/A	0.0059		
63	0.2000	0.1800	0.0033	0.0018	N/A	0.0066		
64	0.2200	0.1980	0.0033	0.0018	N/A	0.0074		
65	0.3500	0.3150	0.0033	0.0018	N/A	0.0083		
66	0.3500	0.3150	0.0033	0.0018	N/A	0.0092		
67	0.3500	0.4200	0.0033	0.0018	N/A	0.0102		
68	0.3000	0.3000	0.0033	0.0018	N/A	0.0113		
69	0.3000	0.3000	0.0033	0.0018	N/A	0.0125		
70	0.4000	0.4000	0.0033	0.0018	N/A	0.0139		
71	0.4000	0.4000	0.0033	0.0018	N/A	0.0154		
72	0.4000	0.4000	0.0033	0.0018	N/A	0.0170		
73	0.4000	0.4000	0.0033	0.0018	N/A	0.0189		
74	0.4000	0.4000	0.0033	0.0018	N/A	0.0209		
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0232		

1. 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service (65/41 for Plan 5; 67/40 for Plan 7). Rates of retirement are 0.00% prior to age 52 for Plan 7.

2. 0.00% probability of termination with 30 years of service and above for Plans 1, 2, 4, & 5.

**Table A-7 Rate of Separation from Active Service
 General Plans 1, 2, 4, 5 and 7 – Female**

Age	Plans 1, 2, 4 Service Retirement ⁽¹⁾	Plans 5 & 7 Service Retirement ⁽¹⁾	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	0	0.1300
19	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	1	0.1100
20	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	2	0.0950
21	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	3	0.0800
22	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	4	0.0750
23	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	5	0.0700
24	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	6	0.0650
25	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	7	0.0600
26	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	8	0.0550
27	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	9	0.0500
28	0.0000	0.0000	0.0005	0.0003	N/A	0.0002	10	0.0450
29	0.0000	0.0000	0.0006	0.0003	N/A	0.0002	11	0.0400
30	0.0000	0.0000	0.0006	0.0003	N/A	0.0002	12	0.0350
31	0.0000	0.0000	0.0007	0.0004	N/A	0.0002	13	0.0340
32	0.0000	0.0000	0.0007	0.0004	N/A	0.0002	14	0.0330
33	0.0000	0.0000	0.0007	0.0004	N/A	0.0003	15	0.0320
34	0.0000	0.0000	0.0008	0.0004	N/A	0.0003	16	0.0310
35	0.0000	0.0000	0.0008	0.0005	N/A	0.0003	17	0.0300
36	0.0000	0.0000	0.0009	0.0005	N/A	0.0003	18	0.0270
37	0.0000	0.0000	0.0010	0.0005	N/A	0.0003	19	0.0240
38	0.0000	0.0000	0.0011	0.0006	N/A	0.0003	20	0.0210
39	0.0000	0.0000	0.0012	0.0007	N/A	0.0004	21	0.0180
40	0.0000	0.0000	0.0014	0.0007	N/A	0.0004	22	0.0150
41	0.0000	0.0000	0.0015	0.0008	N/A	0.0004	23	0.0140
42	0.0000	0.0000	0.0016	0.0009	N/A	0.0005	24	0.0130
43	0.0000	0.0000	0.0018	0.0010	N/A	0.0005	25	0.0120
44	0.0000	0.0000	0.0020	0.0011	N/A	0.0006	26	0.0110
45	0.0000	0.0000	0.0022	0.0012	N/A	0.0007	27	0.0100
46	0.0000	0.0000	0.0024	0.0013	N/A	0.0007	28	0.0100
47	0.0000	0.0000	0.0026	0.0014	N/A	0.0008	29	0.0100
48	0.0000	0.0000	0.0027	0.0015	N/A	0.0009	30 & Above ⁽²⁾	0.0100
49	0.0000	0.0000	0.0029	0.0015	N/A	0.0010		
50	0.0300	0.0270	0.0030	0.0016	N/A	0.0011		
51	0.0300	0.0270	0.0031	0.0017	N/A	0.0012		
52	0.0300	0.0270	0.0033	0.0018	N/A	0.0013		
53	0.0300	0.0270	0.0034	0.0019	N/A	0.0014		
54	0.0500	0.0450	0.0036	0.0020	N/A	0.0015		
55	0.0600	0.0540	0.0038	0.0021	N/A	0.0017		
56	0.0600	0.0540	0.0040	0.0022	N/A	0.0018		
57	0.0750	0.0675	0.0042	0.0023	N/A	0.0019		
58	0.1200	0.1080	0.0044	0.0024	N/A	0.0021		
59	0.1200	0.1080	0.0046	0.0025	N/A	0.0023		
60	0.1500	0.1350	0.0048	0.0026	N/A	0.0024		
61	0.1750	0.1575	0.0050	0.0027	N/A	0.0026		
62	0.2500	0.2250	0.0052	0.0028	N/A	0.0029		
63	0.2000	0.1800	0.0052	0.0028	N/A	0.0031		
64	0.2200	0.1980	0.0052	0.0028	N/A	0.0034		
65	0.3500	0.3150	0.0052	0.0028	N/A	0.0037		
66	0.3500	0.3150	0.0052	0.0028	N/A	0.0041		
67	0.3500	0.4200	0.0052	0.0028	N/A	0.0046		
68	0.3000	0.3000	0.0052	0.0028	N/A	0.0051		
69	0.3000	0.3000	0.0052	0.0028	N/A	0.0057		
70	0.4000	0.4000	0.0052	0.0028	N/A	0.0063		
71	0.4000	0.4000	0.0052	0.0028	N/A	0.0070		
72	0.4000	0.4000	0.0052	0.0028	N/A	0.0078		
73	0.4000	0.4000	0.0052	0.0028	N/A	0.0087		
74	0.4000	0.4000	0.0052	0.0028	N/A	0.0097		
75	1.0000	1.0000	0.0000	0.0000	N/A	0.0108		

1. 100% probability of retirement is assumed at ages 62 and above with 38 or more years of service (65/41 for Plan 5; 67/40 for Plan 7). Rates of retirement are 0.00% prior to age 52 for Plan 7.
 2. 0.00% probability of termination with 30 years of service and above for Plans 1, 2, 4, & 5.

**Table A-8 Rate of Separation from Active Service
 General Plan 3 – Male**

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	N/A	N/A	N/A	0.0003	0	0.1300
19	0.0000	N/A	N/A	N/A	0.0004	1	0.1100
20	0.0000	N/A	N/A	N/A	0.0004	2	0.0900
21	0.0000	N/A	N/A	N/A	0.0004	3	0.0800
22	0.0000	N/A	N/A	N/A	0.0005	4	0.0700
23	0.0000	N/A	N/A	N/A	0.0005	5	0.0633
24	0.0000	N/A	N/A	N/A	0.0005	6	0.0567
25	0.0000	N/A	N/A	N/A	0.0005	7	0.0500
26	0.0000	N/A	N/A	N/A	0.0005	8	0.0470
27	0.0000	N/A	N/A	N/A	0.0004	9	0.0440
28	0.0000	N/A	N/A	N/A	0.0004	10	0.0410
29	0.0000	N/A	N/A	N/A	0.0004	11	0.0380
30	0.0000	N/A	N/A	N/A	0.0005	12	0.0350
31	0.0000	N/A	N/A	N/A	0.0005	13	0.0330
32	0.0000	N/A	N/A	N/A	0.0005	14	0.0310
33	0.0000	N/A	N/A	N/A	0.0005	15	0.0290
34	0.0000	N/A	N/A	N/A	0.0005	16	0.0270
35	0.0000	N/A	N/A	N/A	0.0005	17	0.0250
36	0.0000	N/A	N/A	N/A	0.0005	18	0.0230
37	0.0000	N/A	N/A	N/A	0.0006	19	0.0210
38	0.0000	N/A	N/A	N/A	0.0006	20	0.0190
39	0.0000	N/A	N/A	N/A	0.0006	21	0.0170
40	0.0000	N/A	N/A	N/A	0.0006	22	0.0150
41	0.0000	N/A	N/A	N/A	0.0007	23	0.0140
42	0.0000	N/A	N/A	N/A	0.0007	24	0.0130
43	0.0000	N/A	N/A	N/A	0.0008	25	0.0120
44	0.0000	N/A	N/A	N/A	0.0009	26	0.0110
45	0.0000	N/A	N/A	N/A	0.0010	27	0.0100
46	0.0000	N/A	N/A	N/A	0.0011	28	0.0100
47	0.0000	N/A	N/A	N/A	0.0012	29	0.0100
48	0.0000	N/A	N/A	N/A	0.0014	30 & Above	0.0100
49	0.0000	N/A	N/A	N/A	0.0015		
50	0.0000	N/A	N/A	N/A	0.0017		
51	0.0000	N/A	N/A	N/A	0.0019		
52	0.0000	N/A	N/A	N/A	0.0021		
53	0.0000	N/A	N/A	N/A	0.0023		
54	0.0000	N/A	N/A	N/A	0.0025		
55	0.0300	N/A	N/A	N/A	0.0028		
56	0.0300	N/A	N/A	N/A	0.0031		
57	0.0300	N/A	N/A	N/A	0.0034		
58	0.0300	N/A	N/A	N/A	0.0038		
59	0.0300	N/A	N/A	N/A	0.0042		
60	0.0300	N/A	N/A	N/A	0.0047		
61	0.0600	N/A	N/A	N/A	0.0052		
62	0.1500	N/A	N/A	N/A	0.0059		
63	0.1000	N/A	N/A	N/A	0.0066		
64	0.1500	N/A	N/A	N/A	0.0074		
65	0.3000	N/A	N/A	N/A	0.0083		
66	0.3000	N/A	N/A	N/A	0.0092		
67	0.3000	N/A	N/A	N/A	0.0102		
68	0.3000	N/A	N/A	N/A	0.0113		
69	0.3000	N/A	N/A	N/A	0.0125		
70	0.4000	N/A	N/A	N/A	0.0139		
71	0.4000	N/A	N/A	N/A	0.0154		
72	0.4000	N/A	N/A	N/A	0.0170		
73	0.4000	N/A	N/A	N/A	0.0189		
74	0.4000	N/A	N/A	N/A	0.0209		
75	1.0000	N/A	N/A	N/A	0.0232		

**Table A-9 Rate of Separation from Active Service
 General Plan 3 – Female**

Age	Service Retirement	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	N/A	N/A	N/A	0.0002	0	0.1300
19	0.0000	N/A	N/A	N/A	0.0002	1	0.1100
20	0.0000	N/A	N/A	N/A	0.0002	2	0.0950
21	0.0000	N/A	N/A	N/A	0.0002	3	0.0800
22	0.0000	N/A	N/A	N/A	0.0002	4	0.0750
23	0.0000	N/A	N/A	N/A	0.0002	5	0.0700
24	0.0000	N/A	N/A	N/A	0.0002	6	0.0650
25	0.0000	N/A	N/A	N/A	0.0002	7	0.0600
26	0.0000	N/A	N/A	N/A	0.0002	8	0.0550
27	0.0000	N/A	N/A	N/A	0.0002	9	0.0500
28	0.0000	N/A	N/A	N/A	0.0002	10	0.0450
29	0.0000	N/A	N/A	N/A	0.0002	11	0.0400
30	0.0000	N/A	N/A	N/A	0.0002	12	0.0350
31	0.0000	N/A	N/A	N/A	0.0002	13	0.0340
32	0.0000	N/A	N/A	N/A	0.0002	14	0.0330
33	0.0000	N/A	N/A	N/A	0.0003	15	0.0320
34	0.0000	N/A	N/A	N/A	0.0003	16	0.0310
35	0.0000	N/A	N/A	N/A	0.0003	17	0.0300
36	0.0000	N/A	N/A	N/A	0.0003	18	0.0270
37	0.0000	N/A	N/A	N/A	0.0003	19	0.0240
38	0.0000	N/A	N/A	N/A	0.0003	20	0.0210
39	0.0000	N/A	N/A	N/A	0.0004	21	0.0180
40	0.0000	N/A	N/A	N/A	0.0004	22	0.0150
41	0.0000	N/A	N/A	N/A	0.0004	23	0.0140
42	0.0000	N/A	N/A	N/A	0.0005	24	0.0130
43	0.0000	N/A	N/A	N/A	0.0005	25	0.0120
44	0.0000	N/A	N/A	N/A	0.0006	26	0.0110
45	0.0000	N/A	N/A	N/A	0.0007	27	0.0100
46	0.0000	N/A	N/A	N/A	0.0007	28	0.0100
47	0.0000	N/A	N/A	N/A	0.0008	29	0.0100
48	0.0000	N/A	N/A	N/A	0.0009	30 & Above	0.0100
49	0.0000	N/A	N/A	N/A	0.0010		
50	0.0000	N/A	N/A	N/A	0.0011		
51	0.0000	N/A	N/A	N/A	0.0012		
52	0.0000	N/A	N/A	N/A	0.0013		
53	0.0000	N/A	N/A	N/A	0.0014		
54	0.0000	N/A	N/A	N/A	0.0015		
55	0.0400	N/A	N/A	N/A	0.0017		
56	0.0400	N/A	N/A	N/A	0.0018		
57	0.0400	N/A	N/A	N/A	0.0019		
58	0.0400	N/A	N/A	N/A	0.0021		
59	0.0400	N/A	N/A	N/A	0.0023		
60	0.0400	N/A	N/A	N/A	0.0024		
61	0.0600	N/A	N/A	N/A	0.0026		
62	0.1500	N/A	N/A	N/A	0.0029		
63	0.1000	N/A	N/A	N/A	0.0031		
64	0.1500	N/A	N/A	N/A	0.0034		
65	0.3000	N/A	N/A	N/A	0.0037		
66	0.3000	N/A	N/A	N/A	0.0041		
67	0.3000	N/A	N/A	N/A	0.0046		
68	0.3000	N/A	N/A	N/A	0.0051		
69	0.3000	N/A	N/A	N/A	0.0057		
70	0.4000	N/A	N/A	N/A	0.0063		
71	0.4000	N/A	N/A	N/A	0.0070		
72	0.4000	N/A	N/A	N/A	0.0078		
73	0.4000	N/A	N/A	N/A	0.0087		
74	0.4000	N/A	N/A	N/A	0.0097		
75	1.0000	N/A	N/A	N/A	0.0108		

**Table A-10 Rate of Separation from Active Service
 Safety & Probation Plans – Male**

Age	Plans 1, 2, 4 Service Retirement ⁽¹⁾	Plans 5, 6, 7 Service Retirement ⁽²⁾	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.0000	0.0015	0.0000	0.0010	0.0003	0	0.0700
19	0.0000	0.0000	0.0015	0.0000	0.0010	0.0004	1	0.0550
20	0.0000	0.0000	0.0015	0.0000	0.0010	0.0004	2	0.0450
21	0.0000	0.0000	0.0015	0.0000	0.0010	0.0004	3	0.0300
22	0.0000	0.0000	0.0015	0.0000	0.0010	0.0005	4	0.0250
23	0.0000	0.0000	0.0015	0.0000	0.0010	0.0005	5	0.0240
24	0.0000	0.0000	0.0015	0.0000	0.0010	0.0005	6	0.0230
25	0.0000	0.0000	0.0015	0.0000	0.0010	0.0005	7	0.0220
26	0.0000	0.0000	0.0015	0.0000	0.0010	0.0005	8	0.0201
27	0.0000	0.0000	0.0015	0.0000	0.0010	0.0004	9	0.0182
28	0.0000	0.0000	0.0016	0.0000	0.0010	0.0004	10	0.0163
29	0.0000	0.0000	0.0017	0.0000	0.0010	0.0004	11	0.0144
30	0.0000	0.0000	0.0018	0.0000	0.0010	0.0005	12	0.0125
31	0.0000	0.0000	0.0019	0.0000	0.0010	0.0005	13	0.0120
32	0.0000	0.0000	0.0020	0.0000	0.0010	0.0005	14	0.0115
33	0.0000	0.0000	0.0021	0.0000	0.0010	0.0005	15	0.0110
34	0.0000	0.0000	0.0022	0.0000	0.0010	0.0005	16	0.0105
35	0.0000	0.0000	0.0023	0.0000	0.0010	0.0005	17	0.0100
36	0.0000	0.0000	0.0024	0.0000	0.0010	0.0005	18	0.0080
37	0.0000	0.0000	0.0025	0.0000	0.0010	0.0006	19	0.0060
38	0.0000	0.0000	0.0026	0.0000	0.0010	0.0006	20 ⁽³⁾	0.0040
39	0.0000	0.0000	0.0027	0.0000	0.0010	0.0006	21 ⁽³⁾	0.0020
40	0.0000	0.0000	0.0028	0.0000	0.0010	0.0006	22 & Above ⁽³⁾	0.0000
41	0.0000	0.0000	0.0029	0.0000	0.0010	0.0007		
42	0.0000	0.0000	0.0030	0.0000	0.0010	0.0007		
43	0.0000	0.0000	0.0032	0.0000	0.0010	0.0008		
44	0.0000	0.0000	0.0035	0.0000	0.0010	0.0009		
45	0.0300	0.0000	0.0037	0.0000	0.0010	0.0010		
46	0.0300	0.0000	0.0040	0.0000	0.0010	0.0011		
47	0.0300	0.0000	0.0042	0.0000	0.0010	0.0012		
48	0.0500	0.0000	0.0048	0.0000	0.0010	0.0014		
49	0.0500	0.0000	0.0054	0.0000	0.0010	0.0015		
50	0.1500	0.0500	0.0077	0.0000	0.0010	0.0017		
51	0.1500	0.0500	0.0088	0.0000	0.0010	0.0019		
52	0.1500	0.0500	0.0100	0.0000	0.0010	0.0021		
53	0.2000	0.0500	0.0111	0.0000	0.0010	0.0023		
54	0.1300	0.1000	0.0122	0.0000	0.0010	0.0025		
55	0.2250	0.2750	0.0134	0.0000	0.0010	0.0028		
56	0.2250	0.2750	0.0145	0.0000	0.0010	0.0031		
57	0.1700	0.2750	0.0156	0.0000	0.0010	0.0034		
58	0.1700	0.2750	0.0139	0.0000	0.0010	0.0038		
59	0.2500	0.2750	0.0122	0.0000	0.0010	0.0042		
60	0.4000	0.4000	0.0106	0.0000	0.0010	0.0047		
61	0.4000	0.4000	0.0089	0.0000	0.0010	0.0052		
62	0.4000	0.4000	0.0072	0.0000	0.0010	0.0059		
63	0.4000	0.4000	0.0055	0.0000	0.0010	0.0066		
64	0.4000	0.4000	0.0038	0.0000	0.0010	0.0074		
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000		

1. 100% probability of retirement is assumed with 33 or more years of service for Safety and Probation Plans 1, 2, and 4.
2. 100% probability of retirement is assumed at ages 55 and above with 33 or more years of service for Safety and Probation Plan 5, ages 55 and above with 38 or more years of service for Safety and Probation Plan 6, and ages 57 and above with 38 or more years of service for Safety and Probation Plan 7.
3. 0.00% probability of termination with 20 years of service and above for all Safety/Probation plans except Plan 7.

**Table A-11 Rate of Separation from Active Service
 Safety & Probation Plans – Female**

Age	Plans 1, 2, 4 Service Retirement ⁽¹⁾	Plans 5, 6, 7 Service Retirement ⁽²⁾	Service Disability	Ordinary Disability	Service Death	Ordinary Death	Years of Service	Other Terminations
18	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	0	0.0700
19	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	1	0.0550
20	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	2	0.0450
21	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	3	0.0300
22	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	4	0.0250
23	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	5	0.0240
24	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	6	0.0230
25	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	7	0.0220
26	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	8	0.0201
27	0.0000	0.0000	0.0015	0.0000	0.0010	0.0002	9	0.0182
28	0.0000	0.0000	0.0016	0.0000	0.0010	0.0002	10	0.0163
29	0.0000	0.0000	0.0017	0.0000	0.0010	0.0002	11	0.0144
30	0.0000	0.0000	0.0018	0.0000	0.0010	0.0002	12	0.0125
31	0.0000	0.0000	0.0019	0.0000	0.0010	0.0002	13	0.0120
32	0.0000	0.0000	0.0020	0.0000	0.0010	0.0002	14	0.0115
33	0.0000	0.0000	0.0021	0.0000	0.0010	0.0003	15	0.0110
34	0.0000	0.0000	0.0022	0.0000	0.0010	0.0003	16	0.0105
35	0.0000	0.0000	0.0023	0.0000	0.0010	0.0003	17	0.0100
36	0.0000	0.0000	0.0024	0.0000	0.0010	0.0003	18	0.0080
37	0.0000	0.0000	0.0025	0.0000	0.0010	0.0003	19	0.0060
38	0.0000	0.0000	0.0026	0.0000	0.0010	0.0003	20 ⁽³⁾	0.0040
39	0.0000	0.0000	0.0027	0.0000	0.0010	0.0004	21 ⁽³⁾	0.0020
40	0.0000	0.0000	0.0028	0.0000	0.0010	0.0004	22 & Above ⁽³⁾	0.0000
41	0.0000	0.0000	0.0029	0.0000	0.0010	0.0004		
42	0.0000	0.0000	0.0030	0.0000	0.0010	0.0005		
43	0.0000	0.0000	0.0032	0.0000	0.0010	0.0005		
44	0.0000	0.0000	0.0035	0.0000	0.0010	0.0006		
45	0.0300	0.0000	0.0037	0.0000	0.0010	0.0007		
46	0.0300	0.0000	0.0040	0.0000	0.0010	0.0007		
47	0.0300	0.0000	0.0042	0.0000	0.0010	0.0008		
48	0.0500	0.0000	0.0048	0.0000	0.0010	0.0009		
49	0.0500	0.0000	0.0054	0.0000	0.0010	0.0010		
50	0.1500	0.0500	0.0077	0.0000	0.0010	0.0011		
51	0.1500	0.0500	0.0088	0.0000	0.0010	0.0012		
52	0.1500	0.0500	0.0100	0.0000	0.0010	0.0013		
53	0.2000	0.0500	0.0111	0.0000	0.0010	0.0014		
54	0.1300	0.1000	0.0122	0.0000	0.0010	0.0015		
55	0.2250	0.2750	0.0134	0.0000	0.0010	0.0017		
56	0.2250	0.2750	0.0145	0.0000	0.0010	0.0018		
57	0.1700	0.2750	0.0156	0.0000	0.0010	0.0019		
58	0.1700	0.2750	0.0139	0.0000	0.0010	0.0021		
59	0.2500	0.2750	0.0122	0.0000	0.0010	0.0023		
60	0.4000	0.4000	0.0106	0.0000	0.0010	0.0024		
61	0.4000	0.4000	0.0089	0.0000	0.0010	0.0026		
62	0.4000	0.4000	0.0072	0.0000	0.0010	0.0029		
63	0.4000	0.4000	0.0055	0.0000	0.0010	0.0031		
64	0.4000	0.4000	0.0038	0.0000	0.0010	0.0034		
65	1.0000	1.0000	0.0000	0.0000	0.0000	0.0000		

1. 100% probability of retirement is assumed with 33 or more years of service for Safety and Probation Plans 1, 2, and 4.
2. 100% probability of retirement is assumed at ages 55 and above with 33 or more years of service for Safety and Probation Plan 5, ages 55 and above with 38 or more years of service for Safety and Probation Plan 6, and ages 57 and above with 38 or more years of service for Safety and Probation Plan 7.
3. 0.00% probability of termination with 20 years of service and above for all Safety/Probation plans except Plan 7.

Appendix B Summary of Benefit Provisions



All actuarial calculations are based on our understanding of the statutes governing the SamCERA as contained in the County Employees Retirement Law (CERL) of 1937, with provisions adopted by the SamCERA Board, effective through June 30, 2018. The benefit and contribution provisions of this law are summarized briefly below, along with corresponding references to the Code Section. This summary does not attempt to cover all the detailed provisions of the law.

MEMBERSHIP IN RETIREMENT PLANS

The County has established 12 defined benefit plans based on a member's date of entry into SamCERA. Plans 1, 2, 4, 5, 6, and 7 are open to all members depending on their date of entry. Only General members are eligible for Plan 3.

Government Code Section

Employees of the Mosquito and Vector Control District are eligible for participation in all General retirement plans, except for Plan 3.

- Plan 1:** Employees hired on or before July 5, 1980.
- Plan 2:** Employees hired after July 5, 1980 but on or before July 12, 1997.
- Plan 3:** General members hired on or before December 22, 2012 may have elected to participate in Plan 3. After five years of service, Plan 3 members can elect membership under the open eligible contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. (31496)
- Plan 4:** Employees hired after July 12, 1997 and before August 7, 2011 (General members, except Plan 5 transfers; see below); before July 10, 2011 (Probation members); and before January 8, 2012 (Safety members).
- Plan 5:** General members hired on or after August 7, 2011, and Deputy Sheriffs hired on or after January 8, 2012. Probation members hired on or after July 10, 2011 and Safety members (except Deputy Sheriffs) hired on or after January 8, 2012 may elect this Plan. Members must be first hired before January 1, 2013 to be eligible to elect this Plan.

After 10 years of service, General Plan 5 members can elect to transfer to Plan 4 and must pay the total actuarial equivalent cost of the increase in past service benefits at the date of transfer.
- Plan 6:** Probation members hired on or after July 10, 2011 and Safety members (except Deputy Sheriffs) hired on or after January 8, 2012 may elect this Plan. Members must be first hired before January 1, 2013 to be eligible to elect this Plan.
- Plan 7:** Employees first hired on or after January 1, 2013.

MEMBER CONTRIBUTIONS

Basic:

Plans 1, 2, 4, 5, and 6: Contributions are based on the entry age and class of each member and are required of all members. See section 5 for details on this calculation. Current member rates are shown in Appendix D.

Basic contributions cease when general members are credited with 30 years of service in a contributory plan provided they were members of SamCERA or a reciprocal system on March 7, 1973, and continuously thereafter. All safety members are eligible for the 30-year cessation of contributions. (31625.2, 31664.1)

Plan 7: Members contribute 50% of the aggregate Normal Cost rate for their Plan.

Plan 3: No member contributions are required under Plan 3.

Cost-of-Living:

Plans 1, 2, and 4: All members of Plans 1, 2 and 4 contribute 50% of the cost of COLA benefits in addition to other current member rates and cost sharing, except as described in the following paragraph.

Members of SMCM&VCD do not contribute towards the COLA benefit.

Plans 5 and 6: All members of Plans 5 and 6 contribute 50% of the cost of the COLA.

Plan 7: Members contribute 50% of the aggregate Normal Cost rate for their Plan.

Cost Sharing:

General Members: All members of Plans 1, 2, and 4 (except SMCM&VCD) contribute an additional 3.0% for cost sharing. (31678.2)

All other General members do not participate in cost sharing.

MEMBER CONTRIBUTIONS (Continued)

Safety Members:	<p>Deputy Sheriffs in Plans 1, 2, 4, and 5 contribute the following additional cost sharing rates based on age and service:</p> <table border="0"> <tr> <td style="padding-left: 20px;">If age 45 or older</td> <td style="text-align: right;">4.5%</td> <td></td> </tr> <tr> <td style="padding-left: 20px;">If age is less than 45</td> <td></td> <td></td> </tr> <tr> <td style="padding-left: 40px;">▪ Service is less than 5 years:</td> <td style="text-align: right;">3.0%</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">▪ Service between 5 and 15 years:</td> <td style="text-align: right;">3.5%</td> <td></td> </tr> <tr> <td style="padding-left: 40px;">▪ Service is more than 15 years</td> <td style="text-align: right;">4.5%</td> <td></td> </tr> </table> <p>Safety members (except Deputy Sheriffs) in Plans 1, 2, and 4 contribute an additional 5.0% cost sharing.</p> <p>Safety members (except Deputy Sheriffs) in Plan 5 contribute an additional 4.0% cost sharing.</p> <p>Safety members in Plan 6 and 7 do not participate in cost sharing.</p>	If age 45 or older	4.5%		If age is less than 45			▪ Service is less than 5 years:	3.0%		▪ Service between 5 and 15 years:	3.5%		▪ Service is more than 15 years	4.5%		
If age 45 or older	4.5%																
If age is less than 45																	
▪ Service is less than 5 years:	3.0%																
▪ Service between 5 and 15 years:	3.5%																
▪ Service is more than 15 years	4.5%																
Probation Members:	<p>Members of Plans 1, 2, 4, and 5 contribute an additional 3.5% for cost sharing.</p> <p>Members of Plans 6 and 7 do not participate in cost sharing.</p>																
<u>Interest Crediting:</u>	<p>Interest is credited to contributions semiannually on June 30 and December 31 at an interest rate set by the Board of Retirement on amounts that have been on deposit for at least six months.</p>	(31591, 31700)															
<u>Employer Pick-Up:</u>	<p>Effective with the first pay period in July 2016, no employer provides for employer pick-up contributions.</p>																

EMPLOYER CONTRIBUTIONS

<p>The employer (County, Courts, or District) contributes to the retirement fund a percent of the total compensation provided for all members based on an actuarial investigation, valuation and recommendation of the actuary.</p>	<p>(31453, 31453.5, 31453.6, 31454 31581)</p>
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SERVICE RETIREMENT ALLOWANCE

<u>Eligibility:</u>		
General Members:	<p>All members of Plans 1, 2, 4, and 5 are eligible to retire after meeting one of the following age and service requirements:</p> <ul style="list-style-type: none"> • Age 50 with 10 years of service*; • Any age with 30 years of service; or • Age 70 regardless of service. <p>Plan 3 members are eligible to retire at age 65 with 10 years of service. A reduced benefit is also payable at age 55 with 10 years of service.</p> <p>Plan 7 members are eligible to retire at age 52 with 5 years of service.</p>	<p>(31672)</p> <p>(31496)</p>

SERVICE RETIREMENT ALLOWANCE (Continued)

Safety and Probation Members:	Members of all plans except Plan 7 are eligible to retire after meeting one of the following age and service requirements: <ul style="list-style-type: none"> • Age 50 with 10 years of service; • Any age with 20 years of service. 	(31663.25)
	Plan 7 members are eligible to retire at age 50 with 5 years of service.	(31672.1)
	<i>* For part-time employees, age 50 is replaced with age 55.</i>	
<u>Final Average Compensation:</u>		
Plans 1 and 2:	Monthly average of a member's highest 12 consecutive months of compensation.	(31462.1)
All other Plans:	Monthly average of a member's highest compensation during any three years. Years do not have to be consecutive, except for Plan 7.	[31462, 31496.3(d)]
<u>Compensation Limit:</u>		
All Plans, except Plan 7:	The amount of compensation that is taken into account in computing benefits payable to any person who first becomes a member on or after July 1, 1996, shall not exceed the dollar limitations in Section 401(a)(17) of Title 26 of the US Code.	(31671)
Plan 7:	The amount of compensation taken into account shall not exceed the following applicable percentage of the Social Security Taxable Wage Base: <ul style="list-style-type: none"> • 100% for a member covered by Social Security (County and Courts General members); • 120% for a member not covered by Social Security (all other members). <p>The amount of compensation taken into account shall be adjusted based on changes in the Consumer Price Index for All Urban Consumers. Adjustments shall be effective annually on January 1.</p>	
<u>Monthly Allowance:</u>		
Plans 1, 2, 4, and 5:	General members: 1/60 x Final Average Compensation x General age factor x years of service.	(31676.14) (31676.1)
	Safety & Probation members: 3% x Final Average Compensation x Safety age factor x years of service.	(31664.1) (31664.2)
Plan 6:	Safety & Probation members: 2% x Final Average Compensation x Safety age factor x years of service.	(31664)
Plan 7:	General members: 2% x Final Average Compensation x General age factor x years of service.	
	Safety and Probation members: 2% x Final Average Compensation x Safety age factor x years of service.	

SERVICE RETIREMENT ALLOWANCE (Continued)

Plan 3: General members: (a)+(b)-(c) where: (31496)

- (a) 2% x Final Average Compensation x (Years of Service, (up to 35 years), plus
- (b) 1% x Final Average Compensation x Years of Service in excess of 35 (up to 10)
- (c) Estimated Primary Insurance Amount (PIA) x Years of Covered Service (up to 35) divided by 35.

The PIA is calculated based on certain assumptions specified by statute, and an assumed Social Security retirement age of 65.

If retirement occurs prior to age 65, benefit amount is adjusted by an actuarial equivalent factor (see Sample Plan Age Factors).

Percentage of Final Average Compensation at Sample Ages:

Plan	Age 50	Age 55	Age 60	Age 65	
County General 1,2&4	1.475%	1.948%	2.440%	2.611%	(31676.14)
SMCM&VCD*	1.475%	1.948%	2.440%	2.611%	(31676.14)
General Plan 3**	N/A	0.780%	1.220%	2.000%	(31496)
General Plan 5	1.182%	1.492%	1.917%	2.432%	(31676.1)
General Plan 7	N/A	1.300%	1.800%	2.300%	(7522.20(a))
Safety/Probation 1,2,&4	3.000%	3.000%	3.000%	3.000%	(31664.1)
Safety/Probation Plan 5	2.290%	3.000%	3.000%	3.000%	(31664.2)
Safety/Probation Plan 6	2.000%	2.620%	2.620%	2.620%	(31664)
Safety/Probation Plan 7	2.000%	2.500%	2.700%	2.700%	(7522.25(d))

* As of the June 30, 2010 actuarial valuation, SMCM&VCD has adopted the same benefit structure as County General.

** Prior to reduction for PIA benefit. Actual percentage will be less.

SERVICE RETIREMENT ALLOWANCE (Continued)

Maximum Allowance:

All Plans Allowance may not exceed 100% of Final Average Compensation.

Except 3:

Plan 3: The sum of the normal retirement allowance and the estimated PIA cannot exceed 70% of Final Average Compensation for a member with 35 or less years of service, and cannot exceed 80% of Final Average Compensation if service exceeds 35 years. (31496)

Unmodified Retirement Allowance (Normal Form):

All Plans Life Annuity payable to retired member with 60% continuance to an eligible survivor (or eligible children). (31760.1)

Except 3:

Plan 3: Life Annuity payable to retired member with 50% continuance to an eligible survivor (or eligible children). (31497.71)

Eligible survivor includes certain domestic partners. (31780.2)

Optional Retirement Allowance:

A member may elect to have the actuarial equivalent of the service or disability retirement allowance applied to a lesser retirement allowance during the retired member's life in order to provide an optional survivor allowance.

Option 1: Member's allowance is reduced to pay a cash refund of any unpaid annuity payments (up to the amount of the member's contributions at retirement) to the member's estate or to a beneficiary having an insurable interest in the life of the member. (31761)

Option 2: 100% of member's reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member. (31762)

Option 3: 50% of member's reduced allowance is payable to an eligible survivor or beneficiary having an insurable interest in the life of the member. (31763)

Option 4: Other % of member's reduced allowance is payable to an eligible survivor or beneficiary(ies) having an insurable interest in the life of the member. (31764)

For Options 2, 3 or 4, the continuance will not be paid if the member revokes their election and names another beneficiary after retirement. (31782)

All Allowances: All allowances are made on a pro rata basis (based on the number of days in that month) if not in effect for the entire month of retirement. For deaths that occur mid-month, the full month's payment is made. (31600)

SERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

<u>Eligibility:</u>		
All Plans Except 3:	Any age or years of service; disability must result from occupational injury or disease, and member must be permanently incapacitated for the performance of duty.	(31720, 31720.5, 31720.6, 31720.7, 31720.9)
Plan 3:	Not available under Plan 3.	(31487)
<u>Monthly Allowance:</u>	Greater of (1) 50% of Final Average Compensation and (2) the service retirement allowance, if eligible to retire.	(31727.4)
<u>Normal Form Of Payment:</u>	Life Annuity with 100% continuance to a surviving spouse (or eligible children).	(31760, 31786)

NONSERVICE-CONNECTED DISABILITY RETIREMENT ALLOWANCE

<u>Eligibility:</u>		
All Plans Except 3:	Any age with five years of service and permanently incapacitated for the performance of duty.	(31720, 31836)
Plan 3:	Not available under Plan 3.	(31487)
<u>Monthly Allowance:</u>	The monthly allowance is equal to a service retirement allowance if the member is eligible to retire, otherwise allowance equals (a) or (b) where:	(31726, 31726.5)
General Members:	(a) 90% of 1/60th of Final Average Compensation x years of service, if member must rely on service in another retirement system in order to be eligible to retire, or allowance exceeds 1/3 of Final Average Compensation.	(31727(a))
	(b) 90% of 1/60th of Final Average Compensation x years of service projected to age 65, not to exceed 1/3 of Final Average Compensation.	(31727(b))
Safety Members:	1/60 is replaced by 1/50 and age 65 is replaced by age 55 in (a) and (b) above.	(31727.2)
<u>Normal Form Of Payment:</u>	Life Annuity with 60% continuance to a surviving spouse (or eligible children).	(31760.1)

SERVICE-CONNECTED DEATH BENEFITS

Eligibility

All Plans Except 3: Active members who die in service as a result of injury or disease arising out of and in the course of employment. (31787)

Plan 3: Not available under Plan 3. (31487)

Monthly Allowance: An annual death allowance is payable monthly to an eligible survivor (or eligible children) equal to 50% of the member's Final Average Compensation. (31787)

Optional Combined Benefit: (31781.3)

In lieu of the monthly allowance above, an eligible survivor may elect:

- (a) A lump sum equal to 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation), plus
- (b) A monthly payment equal to 50% of the member's Final Average Compensation, reduced by a monthly amount, which is the actuarial equivalent of (a) above based on the age of eligible survivor.

Death Benefit (Lump Sum): (31781)

The member's normal contributions and interest, plus 1/12 of the compensation earned in the preceding 12 months x years of service (benefit not to exceed 50% of the 12 months' compensation).

Additional Allowance for Children: (31787.5)

25% of death allowance (whether or not the monthly allowance or combined benefit is chosen) for one child, 40% for two children, and 50% for three or more children.

Additional Amount for Spouse of Safety Member: (31787.6)

An eligible survivor of a safety member is also entitled to receive a lump sum death benefit equal to 12 x monthly rate of compensation at the time of member's death in addition to all other benefits.

Note: For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to take the monthly allowance or the lump sum, whichever is more valuable.

NONSERVICE-CONNECTED DEATH BENEFITS

Eligibility:

All Plans Except 3: Active members who die while in service or while physically or mentally incapacitated for the performance of duty. (31780)

Plan 3: Not available under Plan 3.

Death Benefit (Lump Sum): (31781)

The member's normal contributions and interest, plus 1/12 of the Compensation earned in preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation).

Optional Death Benefit:

In lieu of the lump sum death benefit, several optional death benefits are available to provide flexibility to survivors, as follows.

First Optional Death Benefit: (31781.1)

If a member who would have been entitled to a nonservice-connected disability retirement allowance dies prior to retirement as a result of such disability, the eligible survivor (or eligible children) may elect to receive an optional death allowance equal to 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death.

Second Optional Death Benefit: (31781.2, 31765.2)

If a member dies prior to reaching the minimum retirement age but has 10 or more years of service, an eligible survivor (or eligible children) may elect to leave the amount of the death benefit on deposit until the earliest date the member could have retired and at that time receive the allowance provided for in 31765.2 (a 60% continuance).

Third Optional Death Benefit:

An eligible survivor of a member who dies after five years of service may elect a combined benefit equal to:

(a) A lump sum equal to 1/12 of the compensation earnable in the preceding 12 months x the number of completed years of service (benefit not to exceed 50% of the 12 months' compensation), plus (31781.3)

(b) A monthly payment equal to 60% of the monthly retirement allowance to which the member would have been entitled if the member retired or had been retired for a nonservice-connected disability as of the date of death, reduced by a monthly amount which is the actuarial equivalent of (a) above based on the age of the eligible survivor. (31781.1)

NONSERVICE-CONNECTED DEATH BENEFITS (Continued)

Fourth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary, the spouse (or eligible children) may elect to receive 60% of the monthly retirement allowance to which the member would have been entitled as of the date of death. (31765.1)

Note for Third and Fourth Optional Death Benefits: In order to leave the eligible survivor the greatest benefit, the member is assumed to have retired for nonservice-connected disability, elected the Option 2 retirement allowance, and then died the next day.

Fifth Optional Death Benefit:

If a member dies while eligible for a service retirement and the eligible survivor is designated as beneficiary and survives the member by not less than 30 days the spouse (or eligible children) may elect to receive the same retirement allowance as the spouse would have received had the member retired on the date of death and selected Option 3. (31765)

Note: For valuation purposes, an unmarried member is assumed to take the lump sum benefit. A married member is assumed to receive an annuity or a lump sum, whichever is more valuable. The annuity is equal to the Option 2-100% Continuance calculation for the larger of either (1) a non-service connected disability benefit or (2) the member's earned service retirement benefit (if eligible).

DEFERRED RETIREMENT BENEFITS

Eligibility:

All Plans, except Plans 3 and 7: Age 50 with 10 years of membership. (31700)

Member contributions must be left on deposit and the member must have terminated with five years of service or entered a reciprocal agency. Members are eligible for service retirement when they would have reached eligibility if they would have remained in an active position.

Plan 3: Age 55 with 10 years of service. (31496)

Plan 7: **General members:**
 Age 52 with 5 years of service.

Safety and Probation members:
 Age 50 with 5 years of service.

All Plans: Member contributions must be left on deposit and the member must have terminated with 5 years of service or entered a reciprocal agency. Members (except for Plan 7) are eligible for service retirement when they would have reached eligibility if they would have remained in an active position.

Monthly Allowance:

All Plans Except 3: Same as service retirement allowance; payable any time after the member would have been eligible for service retirement. (31703, 31704, 31705)

If a terminated member dies before the effective date of the deferred retirement allowance, the member's accumulated contributions are paid to the estate or to the named beneficiary. (31702)

Plan 3: Same as service retirement allowance at normal retirement age 65 or in an actuarially equivalent reduced amount at early retirement, after age 55. (31496)

No benefit is paid for death while inactive.

COST-OF-LIVING INCREASES

Cost-of-living increases (or decreases) are applied to all retirement allowances (service and disability), optional death allowances, and annual death allowances effective April 1, based on changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest ½ of 1%. (31870, 31870.1, 31870.2, 31874.4)

Plan 1: General & Safety (31870.2)
 Members (and their beneficiaries) are limited to a maximum 5% cost-of-living increase.

Probation (31870.1)
 Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.

Plan 2: All members (31870.1)
 Members (and their beneficiaries) are limited to a maximum 3% cost-of-living increase.

Plan 3: Plan 3 does not have a COLA. (31487)

Other Plans: All members (31870)
 Members (and their beneficiaries) are limited to a maximum 2% cost-of-living increase.

COLA Bank

Plan 1: When the CPI exceeds the applicable percentage (3% or 5%), the difference between the actual CPI and the maximum cost-of-living increase given in any year is credited to the COLA Accumulation (COLA Bank). It may be used in future years to provide cost-of-living increases when the CPI falls below the applicable percentage. (31870.1, 31870.2)

Other Plans: All other Plans do not have a COLA bank. (31874.4)

Appendix C Valuation Data and Schedules



Data on SamCERA membership as of June 30, 2018 was supplied to us by SamCERA staff. On the following table, Exhibit C-1, we present a summary of SamCERA membership at June 30, 2018 for active members. Similar information is shown in Exhibit C-2 for inactive members and Exhibits C-3a and C-3b for retired members.

Note that salary amounts shown are annualized amounts based on the biweekly pay for the period prior to the valuation date. If the annualized amount was less than the total prior earnings, total prior year earnings were used.

Additional statistical data on both active and retired members is shown in the following tables.

Exhibit C-4: Age, Service, Compensation Distribution of Active Members

Exhibit C-5: Age, Retirement Year, Benefit Amount and Plan Distribution of Retired Members

Exhibits C-4 and C-5 are shown for all plans combined as well as for classification separately.

Exhibit C-1 SamCERA Membership – Active Members as of June 30, 2018

	Total Number	Annual Salary	Average Age	Average Monthly Salary	Average Credited Service
General Members					
Plan 1	8	\$ 971,659	64.9	\$ 10,121	36.7
Plan 2	570	65,157,763	56.2	9,526	26.2
Plan 3	62	5,551,437	52.9	7,462	15.6
Plan 4	1,972	201,957,412	48.8	8,534	13.5
Plan 5	268	31,104,567	43.8	9,672	4.8
Plan 7	1,723	144,188,757	38.4	6,974	2.3
Total	4,603	\$ 448,931,595	45.6	\$ 8,128	10.5
Safety Members					
Plan 1	-	\$ -	-	\$ -	-
Plan 2	48	7,837,854	52.9	13,607	24.5
Plan 4	234	33,397,202	45.9	11,894	13.5
Plan 5	59	8,034,759	40.4	11,349	4.6
Plan 7	167	17,529,474	34.1	8,747	2.5
Total	508	\$ 66,799,289	42.1	\$ 10,958	9.9
Probation Members					
Plan 1	-	\$ -	-	\$ -	-
Plan 2	29	3,153,287	51.1	9,061	24.2
Plan 4	174	18,194,686	44.8	8,714	15.5
Plan 5	8	789,048	34.8	8,219	5.7
Plan 6	-	-	-	-	-
Plan 7	45	3,604,778	31.6	6,676	2.6
Total	256	\$ 25,741,800	42.9	\$ 8,379	13.9
Grand Total	5,367	\$ 541,472,684	45.1	\$ 8,407	10.6

Exhibit C-2 SamCERA Membership – Inactive Members as of June 30, 2018

	Deferred Vested Number	Deferred Vested Average Age	Contingent Vested Number	Contingent Vested Average Age
General Members				
Plan 1	9	64.8	-	-
Plan 2	254	55.4	56	54.9
Plan 3	72	57.1	-	-
Plan 4	549	45.7	210	47.7
Plan 5	17	42.5	63	42.2
Plan 7	5	34.0	289	38.7
Total	906	49.4	618	43.6
Safety Members				
Plan 1	1	67.0	-	-
Plan 2	11	51.3	9	53.0
Plan 4	29	47.0	17	48.4
Plan 5	1	58.0	7	39.3
Plan 7	-	-	8	37.1
Total	42	48.9	41	45.6
Probation Members				
Plan 1	-	-	-	-
Plan 2	7	50.7	9	49.2
Plan 4	30	42.4	9	46.7
Plan 5	-	-	1	38.0
Plan 6	-	-	-	-
Plan 7	-	-	3	36.0
Total	37	43.9	22	45.9
Grand Total	985	49.2	681	43.8

Exhibit C-3a SamCERA Membership – Retired Members as of June 30, 2018

	Number	Average Age	Monthly Allowance	Average Monthly Benefit
General Members				
Plan 1	1,518	79.4	\$ 5,266,668	\$ 3,436
Plan 2	1,979	69.2	6,116,760	3,012
Plan 3	135	71.3	157,241	457
Plan 4	780	64.8	1,588,545	2,006
Plan 5	2	60.5	951	317
Plan 7	1	64.0	1,068	1,068
Total	4,415	72.0	\$ 13,131,232	\$ 2,974
Safety Members				
Plan 1	271	74.2	\$ 1,883,923	\$ 6,728
Plan 2	212	61.4	1,606,404	7,302
Plan 4	76	57.3	309,708	3,824
Plan 5	1	60.0	1,680	1,680
Total	560	67.1	\$ 3,801,714	\$ 6,789
Probation Members				
Plan 1	36	73.9	\$ 397,881	\$ 3,754
Plan 2	66	59.3	490,186	4,581
Plan 4	32	60.2	111,146	3,087
Total	134	63.4	\$ 999,213	\$ 7,457
Grand Total	5,109	71.2	\$ 17,932,160	\$ 3,510

**Exhibit C-3b SamCERA Membership – Retired Members as of June 30, 2018
 Subtotaled by Class and Retirement Type**

<u>Plan</u>	<u>Retirement Type</u>	<u>Number</u>	<u>Monthly Benefit</u>	<u>Average Monthly Benefit</u>
General Plans:				
	Healthy	3,529	\$ 11,055,970	\$ 2,916
	Disabled	356	1,025,977	2,850
	Beneficiaries	530	1,049,285	1,901
	Total	4,415	\$ 13,131,232	\$ 2,974
Safety Plans:				
	Healthy	356	\$ 2,821,386	\$ 7,564
	Disabled	106	619,825	5,635
	Beneficiaries	98	360,503	3,641
	Total	560	\$ 3,801,714	\$ 6,789
Probation Plans:				
	Healthy	117	\$ 906,086	\$ 4,254
	Disabled	10	47,682	3,973
	Beneficiaries	7	45,446	1,894
	Total	134	\$ 999,213	\$ 7,457
Grand Totals				
	Healthy	4,002	\$ 14,783,442	\$ 3,694
	Disabled	472	1,693,484	3,588
	Beneficiaries	635	1,455,234	2,292
	Total	5,109	\$ 17,932,160	\$ 3,510

Exhibit C-4 Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2018
All Members

Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	32	15	0	0	0	0	0	0	0	47
25-29	126	223	22	0	0	0	0	0	0	371
30-34	135	396	124	48	0	0	0	0	0	703
35-39	69	269	151	180	37	0	0	0	0	706
40-44	50	183	114	232	176	15	0	0	0	770
45-49	34	131	109	202	229	98	16	1	0	820
50-54	25	112	64	150	162	108	73	22	2	718
55-59	26	85	60	121	130	84	76	48	8	638
60-64	11	43	64	98	74	38	43	32	14	417
65 & Over	2	16	32	47	29	11	22	9	9	177
Total Count	510	1,473	740	1,078	837	354	230	112	33	5,367

Age	Years of Service									Average Comp.
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	64,231	67,671	-	-	-	-	-	-	-	65,329
25-29	70,591	83,883	92,560	-	-	-	-	-	-	79,884
30-34	77,767	87,016	101,508	91,667	-	-	-	-	-	88,113
35-39	85,707	89,397	110,543	104,156	89,638	-	-	-	-	97,335
40-44	83,243	94,339	107,914	104,484	107,583	93,900	-	-	-	101,703
45-49	84,663	95,784	119,715	104,892	110,428	113,584	98,467	121,768	-	107,049
50-54	80,462	94,778	116,714	109,241	115,552	114,543	111,800	109,309	97,649	109,100
55-59	98,285	89,216	110,511	101,925	102,617	112,226	117,697	122,125	102,937	105,799
60-64	92,377	96,492	122,372	104,839	102,905	116,348	122,840	104,653	124,068	109,533
65 & Over	133,527	105,915	122,107	106,367	117,635	134,115	122,054	97,320	131,806	115,832
Avg. Annual Compensation	78,927	89,668	111,494	104,424	108,274	113,655	115,866	112,619	119,454	100,889



Exhibit C-4a Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2018
General Members

Age	Years of Service									Total Count
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	25	13	0	0	0	0	0	0	0	38
25-29	104	160	14	0	0	0	0	0	0	278
30-34	129	349	101	39	0	0	0	0	0	618
35-39	64	246	122	136	33	0	0	0	0	601
40-44	47	173	99	195	118	11	0	0	0	643
45-49	34	123	86	171	167	70	13	1	0	665
50-54	18	103	54	137	129	78	65	19	2	605
55-59	25	83	48	116	120	77	73	46	8	596
60-64	11	41	53	95	70	35	41	29	14	389
65 & Over	1	16	32	44	27	11	21	9	9	170
Total Count	458	1,307	609	933	664	282	213	104	33	4,603

Age	Years of Service									Average Comp.
	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35&Over	
Under 25	59,867	65,094	-	-	-	-	-	-	-	61,655
25-29	68,256	78,804	77,976	-	-	-	-	-	-	74,816
30-34	77,075	84,545	98,761	82,973	-	-	-	-	-	85,210
35-39	84,461	88,059	106,976	99,317	84,675	-	-	-	-	93,878
40-44	80,697	93,594	103,550	101,910	100,999	81,072	-	-	-	97,851
45-49	84,663	94,147	112,560	99,841	103,871	104,824	97,695	121,768	-	101,184
50-54	69,075	92,979	112,712	107,810	113,384	101,385	109,552	97,130	97,649	104,749
55-59	96,439	88,379	102,030	100,193	101,640	110,627	116,681	120,399	102,937	103,794
60-64	92,377	95,090	117,082	104,338	101,699	114,929	123,604	97,188	124,068	107,447
65 & Over	121,388	105,915	122,107	102,820	117,792	134,115	119,427	97,320	131,806	114,549
Avg. Annual Compensation	77,307	87,912	106,972	101,304	104,189	106,928	114,950	107,691	119,454	97,530



Exhibit C-4b Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2018
Safety Members

Count	Years of Service									Total Count	
	Age	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
	Under 25	6	1	0	0	0	0	0	0	0	7
	25-29	17	48	7	0	0	0	0	0	0	72
	30-34	4	37	17	5	0	0	0	0	0	63
	35-39	5	16	23	23	3	0	0	0	0	70
	40-44	3	8	13	15	27	2	0	0	0	68
	45-49	0	7	22	22	28	14	1	0	0	94
	50-54	7	8	10	6	18	20	2	3	0	74
	55-59	1	2	12	2	7	4	2	2	0	32
	60-64	0	2	11	2	2	2	0	3	0	22
	65 & Over	1	0	0	3	1	0	1	0	0	6
	Total Count	44	129	115	78	86	42	6	8	0	508

Compensation	Years of Service									Average Comp.	
	Age	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
	Under 25	81,301	96,664	-	-	-	-	-	-	-	83,496
	25-29	84,845	102,409	121,340	-	-	-	-	-	-	100,103
	30-34	102,484	110,796	119,438	146,199	-	-	-	-	-	115,410
	35-39	101,655	113,925	133,248	142,937	138,119	-	-	-	-	129,967
	40-44	123,139	111,503	143,033	142,241	138,113	162,329	-	-	-	136,885
	45-49	-	127,193	146,503	146,517	151,055	158,086	110,075	-	-	147,762
	50-54	109,742	120,367	138,322	152,397	133,792	168,993	180,289	186,441	-	145,091
	55-59	144,423	123,950	144,431	212,870	110,366	143,548	152,242	161,837	-	141,442
	60-64	-	125,246	147,862	138,802	136,102	145,210	-	176,814	-	147,620
	65 & Over	145,666	-	-	158,389	132,473	-	177,233	-	-	155,090
	Avg. Annual Compensation	97,184	109,909	137,130	147,031	139,052	161,484	158,729	176,680	-	131,495



Exhibit C-4c Age & Service Distribution of Active Members by Count and Average Compensation as of June 30, 2018
Probation Members

Count	Years of Service									Total Count	
	Age	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
	Under 25	1	1	0	0	0	0	0	0	0	2
	25-29	5	15	1	0	0	0	0	0	0	21
	30-34	2	10	6	4	0	0	0	0	0	22
	35-39	0	7	6	21	1	0	0	0	0	35
	40-44	0	2	2	22	31	2	0	0	0	59
	45-49	0	1	1	9	34	14	2	0	0	61
	50-54	0	1	0	7	15	10	6	0	0	39
	55-59	0	0	0	3	3	3	1	0	0	10
	60-64	0	0	0	1	2	1	2	0	0	6
	65 & Over	0	0	0	0	1	0	0	0	0	1
	Total Count	8	37	16	67	87	30	11	0	0	256

Compensation	Years of Service									Average Comp.	
	Age	0-1	1-4	5-9	10-14	15-19	20-24	25-29	30-34		35&Over
	Under 25	70,899	72,176	-	-	-	-	-	-	-	71,537
	25-29	70,705	78,786	95,264	-	-	-	-	-	-	77,646
	30-34	72,980	85,260	96,941	108,264	-	-	-	-	-	91,512
	35-39	-	80,363	96,030	93,020	107,967	-	-	-	-	91,432
	40-44	-	90,064	95,659	101,556	106,051	96,030	-	-	-	103,141
	45-49	-	77,355	145,666	99,106	109,177	112,880	97,685	-	-	108,241
	50-54	-	75,399	-	100,244	112,309	108,273	113,326	-	-	108,319
	55-59	-	-	-	94,912	123,616	111,496	122,814	-	-	111,289
	60-64	-	-	-	84,455	111,918	108,264	107,182	-	-	105,153
	65 & Over	-	-	-	-	98,548	-	-	-	-	98,548
	Avg. Annual Compensation	71,298	81,135	99,380	98,262	109,028	109,929	110,228	-	-	100,554



**Exhibit C-5 Distribution of Retired Members by Age and Retirement Year as of June 30, 2018
 All Plans Combined**

Age	Retirement Year								Total Count	Average Monthly Benefit
	Pre-1984	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	2015-19		
Under 35	-	-	1	4	2	3	2	-	12	\$ 1,049
35-39	-	-	-	1	-	-	2	5	8	2,535
40-44	-	-	-	-	1	3	8	6	18	3,448
45-49	-	1	1	-	3	7	10	15	37	3,149
50-54	-	1	1	3	11	11	20	124	171	4,372
55-59	1	-	1	9	15	25	147	180	378	3,439
60-64	-	2	5	13	35	131	219	263	668	3,945
65-69	-	7	21	37	116	250	369	218	1,018	3,738
70-74	11	11	29	109	196	324	238	92	1,010	3,935
75-79	8	23	95	157	196	196	68	14	757	3,427
80-84	20	44	102	123	90	24	9	8	420	2,933
85-89	47	50	92	79	18	10	3	10	309	2,482
90-94	74	71	49	11	-	1	1	2	209	2,160
95-99	42	32	10	1	1	-	-	-	86	2,268
100 & Over	8	-	-	-	-	-	-	-	8	2,259
Total Count	211	242	407	547	684	985	1,096	937	5,109	
Avg Monthly Benefit	\$ 1,750	\$ 2,360	\$ 2,420	\$ 2,599	\$ 3,479	\$ 4,365	\$ 3,847	\$ 3,937		\$ 3,510



**Exhibit C-5a Distribution of Retired Members by Age and Retirement Year as of June 30, 2018
 General Plans Combined**

Age	Retirement Year								Total Count	Average Monthly Benefit
	Pre-1984	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	2015-19		
Under 35	-	-	1	4	2	3	2	-	12	\$ 1,049
35-39	-	-	-	1	-	-	2	2	5	2,729
40-44	-	-	-	-	1	2	6	5	14	3,033
45-49	-	1	1	-	1	5	8	5	21	2,251
50-54	-	1	1	1	6	5	15	57	86	2,476
55-59	1	-	-	8	12	17	110	144	292	2,318
60-64	-	2	3	9	27	102	186	240	569	3,247
65-69	-	2	14	30	104	212	344	208	914	3,310
70-74	7	8	21	91	133	308	229	85	882	3,423
75-79	5	14	76	102	180	188	63	13	641	2,927
80-84	17	35	90	116	89	24	9	7	387	2,662
85-89	43	45	92	78	18	10	3	8	297	2,355
90-94	69	70	49	11	-	1	1	2	203	2,095
95-99	40	32	10	1	1	-	-	-	84	2,188
100 & Over	8	-	-	-	-	-	-	-	8	2,259
Total Count	190	210	358	452	574	877	978	776	4,415	
Avg Monthly Benefit	\$ 1,518	\$ 2,093	\$ 2,064	\$ 2,022	\$ 2,694	\$ 3,836	\$ 3,317	\$ 3,345		\$ 2,974



**Exhibit C-5b Distribution of Retired Members by Age and Retirement Year as of June 30, 2018
 Safety Plans Combined**

Age	Retirement Year								Total Count	Average Monthly Benefit
	Pre-1984	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	2015-19		
Under 35	-	-	-	-	-	-	-	-	-	\$ -
35-39	-	-	-	-	-	-	-	3	3	2,211
40-44	-	-	-	-	-	1	1	-	2	6,256
45-49	-	-	-	-	2	2	2	3	9	4,486
50-54	-	-	-	2	4	5	3	43	57	6,604
55-59	-	-	1	1	3	8	28	27	68	7,189
60-64	-	-	2	4	6	24	24	19	79	8,159
65-69	-	5	7	6	11	33	20	9	91	7,223
70-74	4	3	8	16	58	13	5	7	114	6,938
75-79	3	9	16	40	15	3	2	-	88	5,971
80-84	3	9	12	5	1	-	-	1	31	5,261
85-89	4	5	-	-	-	-	-	1	10	5,810
90-94	5	1	-	-	-	-	-	-	6	4,376
95-99	2	-	-	-	-	-	-	-	2	5,623
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	21	32	46	74	100	89	85	113	560	
Avg Monthly Benefit	\$ 3,850	\$ 4,114	\$ 4,967	\$ 5,182	\$ 6,843	\$ 8,691	\$ 8,233	\$ 7,253		\$ 6,789



**Exhibit C-5c Distribution of Retired Members by Age and Retirement Year as of June 30, 2018
 Probation Plans Combined**

Age	Retirement Year								Total Count	Average Monthly Benefit
	Pre-1984	1985-89	1990-94	1995-99	2000-04	2005-09	2010-14	2015-19		
Under 35	-	-	-	-	-	-	-	-	-	\$ -
35-39	-	-	-	-	-	-	-	-	-	-
40-44	-	-	-	-	-	-	1	1	2	3,543
45-49	-	-	-	-	-	-	-	7	7	4,122
50-54	-	-	-	-	1	1	2	24	28	5,653
55-59	-	-	-	-	-	-	9	9	18	7,455
60-64	-	-	-	-	2	5	9	4	20	7,138
65-69	-	-	-	1	1	5	5	1	13	9,464
70-74	-	-	-	2	5	3	4	-	14	11,760
75-79	-	-	3	15	1	5	3	1	28	6,862
80-84	-	-	-	2	-	-	-	-	2	19,276
85-89	-	-	-	1	-	-	-	1	2	4,844
90-94	-	-	-	-	-	-	-	-	-	-
95-99	-	-	-	-	-	-	-	-	-	-
100 & Over	-	-	-	-	-	-	-	-	-	-
Total Count	-	-	3	21	10	19	33	48	134	
Avg Monthly Benefit	\$ -	\$ -	\$ 5,864	\$ 5,911	\$ 14,885	\$ 8,493	\$ 8,278	\$ 5,710		\$ 7,457



Appendix D Member Contribution Rates



This section illustrates the member basic contribution rates and COLA sharing contribution rates by entry age for Plans 1 through 6. For different COLA sharing percentages, the COLA contribution rates may be adjusted ratably, and should be rounded to two decimal places.

Member contribution rates for Plan 7 are not defined by entry age. Plan 7 members contribute 50% of the total Normal Cost rate. For the 2019-2020 fiscal year, Plan 7 member contribution rates are:

- General Plan 7 members: 8.61%
- SMCM&VCD Plan 7 members: 9.04%
- Safety Plan 7 members: 14.50%
- Probation Plan 7 members: 14.11%

Please refer to Appendix B for a detailed description of member contribution rates.

Exhibit D-1 General Member Contribution Rates (including SMCM&VCD)

Entry Age ⁽¹⁾	Basic Member Rates				
	General & SMCM&VCD			General	SMCM&VCD
	Plans 1&2	Plan 4	Plan 5	Plan 7	Plan 7
16	5.67%	5.48%	4.72%	8.61%	9.04%
17	5.77%	5.58%	4.81%	8.61%	9.04%
18	5.88%	5.68%	4.90%	8.61%	9.04%
19	5.99%	5.79%	5.00%	8.61%	9.04%
20	6.10%	5.90%	5.09%	8.61%	9.04%
21	6.22%	6.01%	5.19%	8.61%	9.04%
22	6.33%	6.12%	5.29%	8.61%	9.04%
23	6.45%	6.24%	5.38%	8.61%	9.04%
24	6.57%	6.35%	5.49%	8.61%	9.04%
25	6.69%	6.47%	5.59%	8.61%	9.04%
26	6.82%	6.59%	5.69%	8.61%	9.04%
27	6.94%	6.71%	5.80%	8.61%	9.04%
28	7.07%	6.83%	5.91%	8.61%	9.04%
29	7.20%	6.96%	6.02%	8.61%	9.04%
30	7.33%	7.09%	6.13%	8.61%	9.04%
31	7.47%	7.22%	6.24%	8.61%	9.04%
32	7.61%	7.35%	6.36%	8.61%	9.04%
33	7.75%	7.49%	6.47%	8.61%	9.04%
34	7.89%	7.62%	6.59%	8.61%	9.04%
35	8.03%	7.76%	6.71%	8.61%	9.04%
36	8.18%	7.91%	6.84%	8.61%	9.04%
37	8.34%	8.06%	6.96%	8.61%	9.04%
38	8.49%	8.21%	7.09%	8.61%	9.04%
39	8.65%	8.36%	7.22%	8.61%	9.04%
40	8.82%	8.52%	7.36%	8.61%	9.04%
41	8.99%	8.68%	7.49%	8.61%	9.04%
42	9.17%	8.84%	7.63%	8.61%	9.04%
43	9.34%	9.00%	7.78%	8.61%	9.04%
44	9.51%	9.16%	7.92%	8.61%	9.04%
45	9.68%	9.31%	8.07%	8.61%	9.04%
46	9.85%	9.45%	8.23%	8.61%	9.04%
47	10.01%	9.59%	8.38%	8.61%	9.04%
48	10.16%	9.71%	8.53%	8.61%	9.04%
49	10.31%	9.82%	8.67%	8.61%	9.04%
50	10.44%	9.89%	8.82%	8.61%	9.04%
51	10.56%	9.92%	8.95%	8.61%	9.04%
52	10.62%	9.92%	9.08%	8.61%	9.04%
53	10.62%	10.20%	9.20%	8.61%	9.04%
54	10.62%	10.53%	9.30%	8.61%	9.04%
55	10.62%	10.53%	9.37%	8.61%	9.04%
56	10.62%	10.53%	9.40%	8.61%	9.04%
57	10.62%	10.53%	9.40%	8.61%	9.04%
58	10.62%	10.53%	9.66%	8.61%	9.04%
59	10.62%	10.53%	9.97%	8.61%	9.04%
60	10.62%	10.53%	9.97%	8.61%	9.04%

1. For General and SMCM&VCD members (except plan 5 members) entering after age 55, the rate equals the rate at age 55. For General and SMCM&VCD plan 5 members entering after age 60, the rate equals the rate at age 60.

Exhibit D-2 Safety/Probation Member Contribution Rates

Entry Age ⁽¹⁾	Basic Member Rates			
	Safety & Probation		Safety	Probation
	Plans 1&2	Plans 4&5&6	Plan 7	Plan 7
16	7.99%	7.70%	14.50%	14.11%
17	8.13%	7.83%	14.50%	14.11%
18	8.26%	7.96%	14.50%	14.11%
19	8.40%	8.10%	14.50%	14.11%
20	8.54%	8.23%	14.50%	14.11%
21	8.68%	8.37%	14.50%	14.11%
22	8.83%	8.51%	14.50%	14.11%
23	8.97%	8.65%	14.50%	14.11%
24	9.12%	8.79%	14.50%	14.11%
25	9.27%	8.94%	14.50%	14.11%
26	9.43%	9.09%	14.50%	14.11%
27	9.58%	9.24%	14.50%	14.11%
28	9.74%	9.39%	14.50%	14.11%
29	9.90%	9.54%	14.50%	14.11%
30	10.06%	9.70%	14.50%	14.11%
31	10.23%	9.86%	14.50%	14.11%
32	10.40%	10.03%	14.50%	14.11%
33	10.58%	10.20%	14.50%	14.11%
34	10.75%	10.37%	14.50%	14.11%
35	10.94%	10.54%	14.50%	14.11%
36	11.12%	10.72%	14.50%	14.11%
37	11.32%	10.91%	14.50%	14.11%
38	11.51%	11.10%	14.50%	14.11%
39	11.72%	11.28%	14.50%	14.11%
40	11.93%	11.47%	14.50%	14.11%
41	12.13%	11.64%	14.50%	14.11%
42	12.32%	11.80%	14.50%	14.11%
43	12.51%	11.95%	14.50%	14.11%
44	12.67%	12.07%	14.50%	14.11%
45	12.83%	12.17%	14.50%	14.11%
46	12.96%	12.23%	14.50%	14.11%
47	13.05%	12.23%	14.50%	14.11%
48	13.09%	12.60%	14.50%	14.11%
49	13.09%	13.01%	14.50%	14.11%
50	13.09%	13.01%	14.50%	14.11%

1. For Safety and Probation members entering after age 50, the rate equals the rate at age 50.

Exhibit D-3 General Member Contribution Rates (except SMCM&VCD)

Entry Age ⁽¹⁾	50% Member COLA Rates			
	Plan 1	Plan 2	Plan 4	Plan 5
16	2.05%	1.92%	1.44%	1.20%
17	2.09%	1.96%	1.47%	1.22%
18	2.13%	1.99%	1.49%	1.24%
19	2.17%	2.03%	1.52%	1.27%
20	2.21%	2.07%	1.55%	1.29%
21	2.25%	2.11%	1.58%	1.32%
22	2.29%	2.15%	1.61%	1.34%
23	2.33%	2.19%	1.64%	1.37%
24	2.38%	2.23%	1.67%	1.39%
25	2.42%	2.27%	1.70%	1.42%
26	2.47%	2.31%	1.73%	1.44%
27	2.51%	2.35%	1.77%	1.47%
28	2.56%	2.40%	1.80%	1.50%
29	2.61%	2.44%	1.83%	1.53%
30	2.65%	2.48%	1.87%	1.56%
31	2.70%	2.53%	1.90%	1.58%
32	2.75%	2.58%	1.93%	1.61%
33	2.80%	2.63%	1.97%	1.64%
34	2.86%	2.67%	2.00%	1.67%
35	2.91%	2.72%	2.04%	1.70%
36	2.96%	2.77%	2.08%	1.74%
37	3.02%	2.83%	2.12%	1.77%
38	3.07%	2.88%	2.16%	1.80%
39	3.13%	2.93%	2.20%	1.83%
40	3.19%	2.99%	2.24%	1.87%
41	3.25%	3.05%	2.28%	1.90%
42	3.32%	3.11%	2.33%	1.94%
43	3.38%	3.17%	2.37%	1.97%
44	3.44%	3.22%	2.41%	2.01%
45	3.50%	3.28%	2.45%	2.05%
46	3.56%	3.34%	2.49%	2.09%
47	3.62%	3.39%	2.52%	2.13%
48	3.68%	3.44%	2.55%	2.16%
49	3.73%	3.49%	2.58%	2.20%
50	3.78%	3.54%	2.60%	2.24%
51	3.82%	3.58%	2.61%	2.27%
52	3.84%	3.60%	2.61%	2.30%
53	3.84%	3.60%	2.68%	2.33%
54	3.84%	3.60%	2.77%	2.36%
55	3.84%	3.60%	2.77%	2.38%
56	3.84%	3.60%	2.77%	2.39%
57	3.84%	3.60%	2.77%	2.39%
58	3.84%	3.60%	2.77%	2.45%
59	3.84%	3.60%	2.77%	2.53%
60	3.84%	3.60%	2.77%	2.53%

1. For General members (except plan 5 members) entering after age 55, the rate equals the rate at age 55. For General plan 5 members entering after age 60, the rate equals the rate at age 60.

Exhibit D-4 Safety Member Contribution Rates

Entry Age ⁽¹⁾	50% Member COLA Rates				
	Plan 1	Plan 2	Plan 4	Plan 5	Plan 6
16	3.83%	4.00%	2.90%	2.68%	2.50%
17	3.90%	4.07%	2.95%	2.72%	2.54%
18	3.96%	4.14%	3.00%	2.77%	2.58%
19	4.03%	4.21%	3.05%	2.82%	2.63%
20	4.09%	4.28%	3.10%	2.86%	2.67%
21	4.16%	4.35%	3.16%	2.91%	2.72%
22	4.23%	4.42%	3.21%	2.96%	2.76%
23	4.30%	4.49%	3.26%	3.01%	2.81%
24	4.37%	4.57%	3.31%	3.06%	2.85%
25	4.44%	4.64%	3.37%	3.11%	2.90%
26	4.52%	4.72%	3.43%	3.16%	2.95%
27	4.59%	4.80%	3.48%	3.21%	3.00%
28	4.67%	4.88%	3.54%	3.26%	3.05%
29	4.75%	4.96%	3.60%	3.32%	3.10%
30	4.82%	5.04%	3.66%	3.37%	3.15%
31	4.90%	5.12%	3.72%	3.43%	3.20%
32	4.98%	5.21%	3.78%	3.49%	3.26%
33	5.07%	5.30%	3.85%	3.55%	3.31%
34	5.15%	5.38%	3.91%	3.60%	3.37%
35	5.24%	5.48%	3.97%	3.66%	3.42%
36	5.33%	5.57%	4.04%	3.73%	3.48%
37	5.43%	5.67%	4.11%	3.79%	3.54%
38	5.52%	5.76%	4.19%	3.86%	3.60%
39	5.62%	5.87%	4.25%	3.92%	3.66%
40	5.72%	5.97%	4.33%	3.99%	3.72%
41	5.81%	6.07%	4.39%	4.05%	3.78%
42	5.90%	6.17%	4.45%	4.10%	3.83%
43	6.00%	6.26%	4.51%	4.15%	3.88%
44	6.07%	6.34%	4.55%	4.20%	3.92%
45	6.15%	6.42%	4.59%	4.23%	3.95%
46	6.21%	6.49%	4.61%	4.25%	3.97%
47	6.25%	6.53%	4.61%	4.25%	3.97%
48	6.27%	6.55%	4.75%	4.38%	4.09%
49	6.27%	6.55%	4.91%	4.52%	4.22%
50	6.27%	6.55%	4.91%	4.52%	4.22%

1. For Safety members entering after age 50, the rate equals the rate at age 50.

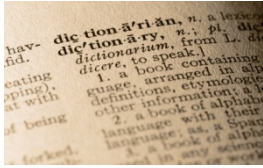
Exhibit D-5 Probation Member Contribution Rates

Entry Age ⁽¹⁾	50% Member COLA Rates				
	Plan 1	Plan 2	Plan 4	Plan 5	Plan 6
16	4.25%	4.10%	2.91%	2.67%	2.34%
17	4.33%	4.17%	2.96%	2.71%	2.38%
18	4.40%	4.24%	3.01%	2.76%	2.42%
19	4.47%	4.31%	3.07%	2.81%	2.47%
20	4.54%	4.38%	3.11%	2.85%	2.51%
21	4.62%	4.46%	3.17%	2.90%	2.55%
22	4.70%	4.53%	3.22%	2.95%	2.59%
23	4.77%	4.61%	3.27%	3.00%	2.63%
24	4.85%	4.68%	3.33%	3.04%	2.68%
25	4.93%	4.76%	3.38%	3.10%	2.72%
26	5.02%	4.84%	3.44%	3.15%	2.77%
27	5.10%	4.92%	3.50%	3.20%	2.81%
28	5.18%	5.00%	3.55%	3.25%	2.86%
29	5.27%	5.08%	3.61%	3.30%	2.90%
30	5.35%	5.16%	3.67%	3.36%	2.95%
31	5.44%	5.25%	3.73%	3.42%	3.00%
32	5.53%	5.34%	3.80%	3.47%	3.05%
33	5.63%	5.43%	3.86%	3.53%	3.10%
34	5.72%	5.52%	3.92%	3.59%	3.16%
35	5.82%	5.62%	3.99%	3.65%	3.21%
36	5.92%	5.71%	4.06%	3.71%	3.26%
37	6.02%	5.81%	4.13%	3.78%	3.32%
38	6.12%	5.91%	4.20%	3.85%	3.38%
39	6.24%	6.02%	4.27%	3.91%	3.43%
40	6.35%	6.12%	4.34%	3.97%	3.49%
41	6.45%	6.23%	4.40%	4.03%	3.54%
42	6.56%	6.33%	4.47%	4.09%	3.59%
43	6.66%	6.42%	4.52%	4.14%	3.64%
44	6.74%	6.50%	4.57%	4.18%	3.67%
45	6.83%	6.59%	4.61%	4.22%	3.70%
46	6.90%	6.65%	4.63%	4.24%	3.72%
47	6.94%	6.70%	4.63%	4.24%	3.72%
48	6.97%	6.72%	4.77%	4.36%	3.84%
49	6.97%	6.72%	4.92%	4.51%	3.96%
50	6.97%	6.72%	4.92%	4.51%	3.96%

1. For Probation members entering after age 50, the rate equals the rate at age 50.

Appendix E

Glossary



The following definitions include excerpts from a list adopted by the major actuarial organizations in the United States. In some cases, the definitions have been modified for specific applicability to SamCERA and include terms used exclusively by SamCERA. Defined terms are capitalized throughout this Appendix.

Accrued Benefit	The amount of an individual's benefit (whether or not vested) as of a specific date, determined in accordance with the terms of a pension plan and based on compensation and service to that date.
Actuarial Accrued Liability	That portion, as determined by a particular Actuarial Cost Method, of the Actuarial Present Value of pension plan benefits and expenses which is not provided for by future Normal Costs.
Actuarial Assumptions	Assumptions as to the occurrence of future events affecting pension costs, such as: mortality, withdrawal, disability, and retirement; changes in compensation; rates of investment earnings and asset appreciation or depreciation; procedures used to determine the Actuarial Value of Assets; and other relevant items.
Actuarial Gain (Loss)	A measure of the difference between actual experience and that expected based on a set of Actuarial Assumptions during the period between two Actuarial Valuation dates, as determined in accordance with a particular Actuarial Cost Method.
Actuarial Present Value	The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of Actuarial Assumptions.
Actuarial Valuation	The determination, as of a valuation date, of the Normal Cost, Actuarial Accrued Liability, Actuarial Value of Assets, and related Actuarial Present Values for a pension plan.
Actuarial Value of Assets	The value of cash, investments and other property belonging to a pension plan, as used by the actuary for the purpose of an Actuarial Valuation.
Actuarially Equivalent	Of equal Actuarial Present Value, determined as of a given date with each value based on the same set of Actuarial Assumptions.
Amortization Payment	That portion of the pension plan contribution which is designed to pay interest on and to amortize the Unfunded Actuarial Accrued Liability.
COLA	Cost of living adjustments to benefit payments are made each April 1. See full description in Appendix B.
County Supplementary Contributions Account (CSCA) Reserve	This is a reserve for supplemental contributions from the County of San Mateo that are over and above the County's required statutory contribution rates.

District Supplementary Contributions Account (DSCA) Reserve	This is a reserve for supplemental contributions from the San Mateo County Mosquito and Vector Control District ("District") that are over and above the District's required statutory contribution rates.
Employer Reserve	The accumulation of employer contributions for future retirement benefit payments. Additions include contributions from employers and related earnings. Deductions include annuity payments to retired members and survivors, lump sum death benefit payments to member survivors, and supplemental disability payments.
Entry Age Actuarial Cost Method	A method under which the Actuarial Present Value of the Projected Benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit ages. The portion of this Actuarial Present Value allocated to a valuation year is called the Normal Cost. The portion of this Actuarial Present Value not provided for at a valuation date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.
Funded Ratio	A measurement of the funded status of the system. The Funded Ratio is calculated by dividing the Valuation Assets by the Actuarial Accrued Liability. For example, a Funded Ratio of 90% indicates assets are 10% less than liabilities.
Member Reserve	The accumulation of member contributions. Additions include member contributions and related earnings. Deductions include annuity payments to retirees and refunds to members.
Non-Valuation Reserves	Reserves excluded from the calculation of contribution rates.
Normal Cost	That portion of the Actuarial Present Value of pension plan benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.
Plan Year	A 12-month period beginning July 1 and ending June 30.
Projected Benefits	Those pension plan benefit amounts which are expected to be paid at various future times under a particular set of Actuarial Assumptions, taking into account such items as the effect of advancement in age and past and anticipated future compensation and service credits.
Unfunded Actuarial Accrued Liability	The excess, if any, of the Actuarial Accrued Liability over the Actuarial Value of Assets.
Valuation Date	The date upon which the Normal Cost, Actuarial Accrued Liability, and Actuarial Value of Assets are determined. Generally, the Valuation Date will coincide with the ending of a Plan Year.
Valuation Reserves	All reserves excluding the Non-Valuation Reserves.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 5.3

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer



SUBJECT: Acceptance of the Fiscal-Year 2019-2020 Employer and Member Contribution Rates

Recommendation

Approve the "Resolution Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2019-2020 Fiscal Year."

Background

This year, the Board used the same demographic and economic assumptions used in the June 30, 2017 actuarial valuation: 6.75% investment return assumption; 2.5% price inflation; 3% general wage growth; 3% payroll growth; 2.5% COLA for Plan 1; 2.4% COLA for Plan 2; no COLA for Plan 3; and 1.9% COLA for Plans 4, 5, 6 & 7.

Discussion

The highlights of the June 30, 2018 actuarial valuation report include the following elements:

Funding: SamCERA's funded ratio increased by 3.2 percentage points from 84.3% to 87.5%. This increase was mainly due to employer contributions to amortize the Unfunded Actuarial Accrued Liability ("UAAL") and the recognition of investment gains from prior years. This last fiscal year, the County contributed \$27.6 million to its Supplementary Contribution Account (CSCA), which resulted in increasing the funded ratio by 0.5%. This fiscal year, the San Mateo County Mosquito and Vector Control District (District) did not make contributions to its Supplementary Contribution Account (DSCA). Without the CSCA and DSCA, the funded ratio would have been 84.6%.

Contribution Rates: There was a decrease in the Total Employer Statutory Contribution Rate (SCR) from the prior valuation report of 1.64% (from 35.31% to 33.67% of payroll). The Employer Normal Cost decreased from 10.95% to 10.57% of pay. This decrease is generally due to the normal experience of SamCERA, including the continued growth in membership of Plan 7. The employer's portion of the SCR that is used to finance the UAAL decreased from 24.36% to 23.10% of pay. This decrease is due primarily to recognition of investment gains from prior years and the employer contributions.

The County's contribution rate would have been 36.70% of payroll. However, when the value of the County's CSCA account is factored in the calculation, the County's contribution rate is 33.85% of payroll instead.

Investment Returns: SamCERA’s investment return on the market value of assets of 6.7% for fiscal year 2017-18, was slightly less than the actuarial assumed rate of 6.75 %. Combined with the recognition of investment gains from prior years, the net result was a return on the actuarial value of valuation assets of 7.8%, which is greater than the assumed return.

Member Rates: There will be a slight decrease in Plan 7 member rates, except for Mosquito and Vector Control plan 7 members, whose rate will increase slightly. Plan 7 employee rates are adjusted annually in accordance with the statutory requirement that these rates be 50% of the Gross Normal Cost Rate as set forth in the valuation. Other plan member rates are not adjusted on an annual basis.

Summary of Recommendations

The following tables summarize Milliman’s 2018-19 recommended Statutory Contribution Rates and Employer and Member Contribution rates for the Board. Staff provided this rate information to the County Manager’s Office, the County’s Human Resources Director, to the Court Executive Officer and to the Manager of the Mosquito Abatement and Vector Control District.

Recommendation #1: Adopt the following new Statutory Contribution Rates for fiscal year beginning July 1, 2019:

	<u>Fiscal Year Beginning</u>		<u>Increase / (Decrease)</u>
	<u>July 1, 2019</u>	<u>July 1, 2018</u>	
Gross Normal Cost	22.68%	23.35%	(0.67)%
Member Contributions	(12.11)%	(12.40)%	0.29%
Employer Normal Cost	10.57%	10.95%	(0.38)%
UAAL Amortization	23.10%	24.36%	(1.26)%
Total Employer Rate	33.67%	35.31%	(1.64)%

Note: Detailed contribution rates by plan are shown in Milliman's full report.

Recommendation #2: Adopt the new member contribution rates for fiscal year beginning July 1, 2019 as shown in the actuarial valuation.

SamCERA staff reviewed the valuation report and its recommendations and discussed them with Milliman, Inc. in order to confirm our understanding. Staff supports the results and recommendations of the valuation.

Attachment

Resolution Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2019-2020 Fiscal Year

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Board of Retirement

RESOLUTION ____

RESOLUTION ACCEPTING CONTRIBUTION RATES TO RECOMMEND TO THE BOARD OF SUPERVISORS FOR THE 2019-2020 FISCAL YEAR.

WHEREAS, Government Code §31453 mandates the periodic actuarial valuation of the Retirement Fund and requires that the Board...” *shall, at least 45 days prior to the beginning of the succeeding fiscal year, recommend to the Board of Supervisors such changes in the rates of interest, in the rates of contributions of members, and in the county and district appropriations as are necessary...;*” and

WHEREAS, the Board has received and accepted the June 30, 2018, valuation report from its actuarial firm, Milliman, Inc., and

WHEREAS, the Chief Executive Officer has recommended, in agreement with Milliman, Inc., the contribution rates necessary to assure the actuarial soundness of the Retirement Fund,
Therefore, be it

RESOLVED that the Board hereby accepts the employer and member contribution rates as recommended by Milliman, Inc. in its June 30, 2018, Actuarial Valuation of the San Mateo County Employees’ Retirement Association effective for the fiscal year 2019-2020.

Be it further

RESOLVED that the Board recommends that the Board of Supervisors adopt the recommended **employer contribution rates** for the County of San Mateo, the San Mateo Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2018, Actuarial Valuation, effective July 1, 2019.

Be it further

RESOLVED that the Board of Retirement hereby recommends that the Board of Supervisors adopt the recommended **member contribution rates** for SamCERA active members of the County of San Mateo, the San Mateo County Superior Court and the San Mateo County Mosquito & Vector Control District in accordance with the schedules provided by Milliman, Inc. in its June 30, 2018, Actuarial Valuation, effective July 1, 2019.

Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to transmit the attached rates and recommendations to the Board of Supervisors and to take all actions necessary to provide for their implementation effective July 1, 2019.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 6.1

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

Michael R. Coultrip

SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2018

Recommendation

Accept the preliminary performance report dated August 31, 2018.

Background

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. As discussed previously, preliminary performance estimates are now included for AQR Risk Parity, AQR Delta, PanAgora Risk Parity, and Beach Point Select. The quarterly performance metrics are not yet available for our private equity, private credit, private real asset, and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by Verus.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns (pages 2-3) and net manager returns (pages 4-9) also shown.

Discussion

The fund's net preliminary return for August was 0.4%, bringing the preliminary trailing twelve-month return ending August 2018 to 6.4% net. The preliminary twelve-month net return is below both SamCERA's Plan Benchmark return of 7.6% and SamCERA's Actuarial Assumed Earnings Rate of 6.75%.

August was a mixed month for risk assets. In U.S. equity markets, the broad U.S. equity market (as measured by the Russell 3000 Index) was up 3.5%. Conversely, international markets were down on the month, with developed international equity (as measured by MSCI EAFE) down 1.9% and emerging markets down 2.7%. International markets were impacted by continued trade concerns, US Dollar strength, and geopolitical tensions.

Economic activity remained mostly strong during the month. Second quarter real GDP growth was revised higher to an annual rate of 4.2%, from the initial 4.1% estimate. Manufacturing activity picked back up in August, while nonfarm payrolls and consumer confidence also increased. The

unemployment rate remained unchanged from July at 3.9% while core inflation (CPI) rose 2.2% on an annualized basis.

The general U.S. fixed income market was higher during the month as Treasury yields were lower across the board. The 10-year U.S. Treasury yield was lower during the month, with the yield decreasing 10 basis points and ending at 2.86% by month-end.

Attachments

Northern Trust Performance Report

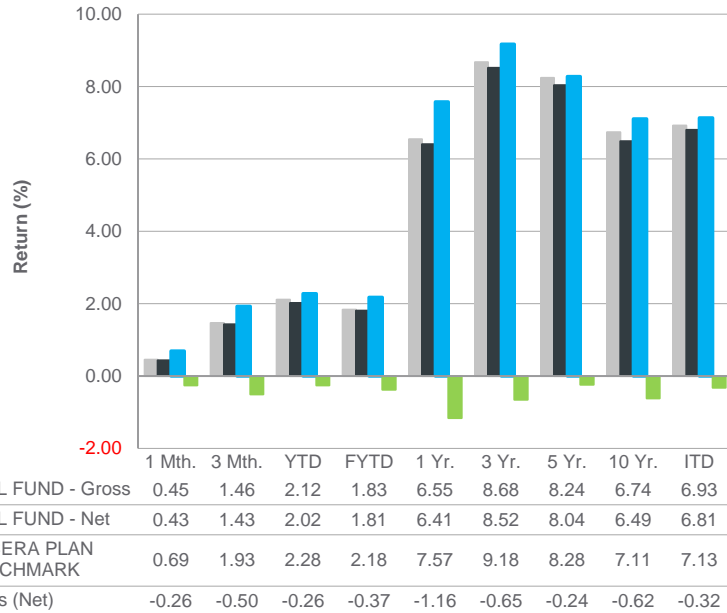
Verus Capital Markets Update

San Mateo County Composite Return Summary

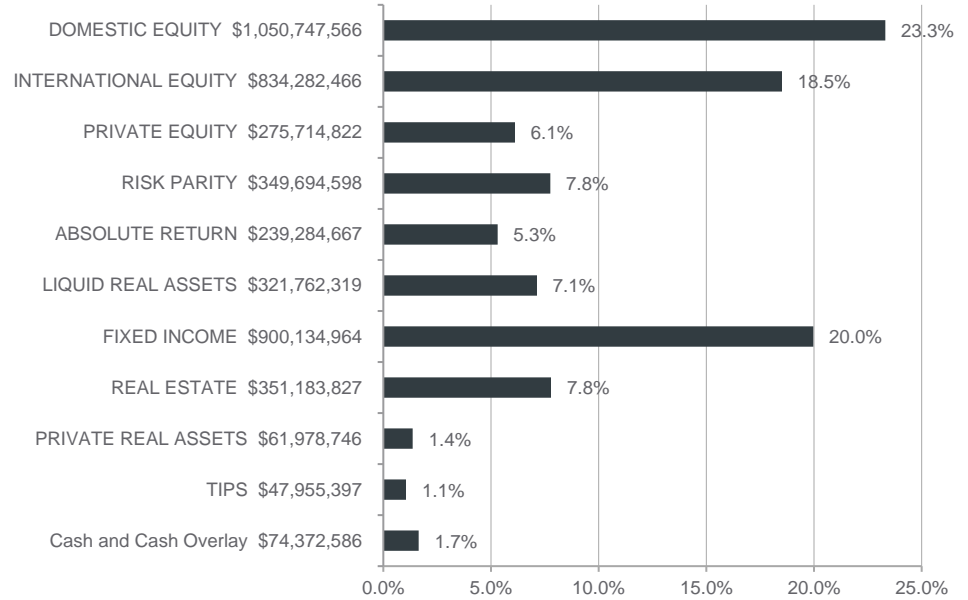
8/31/2018



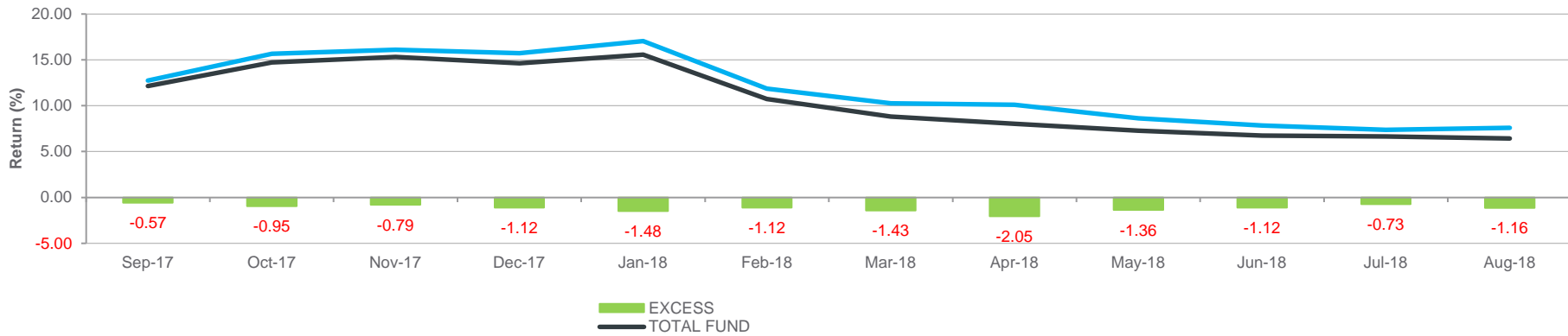
Total Fund Performance



Asset Allocation

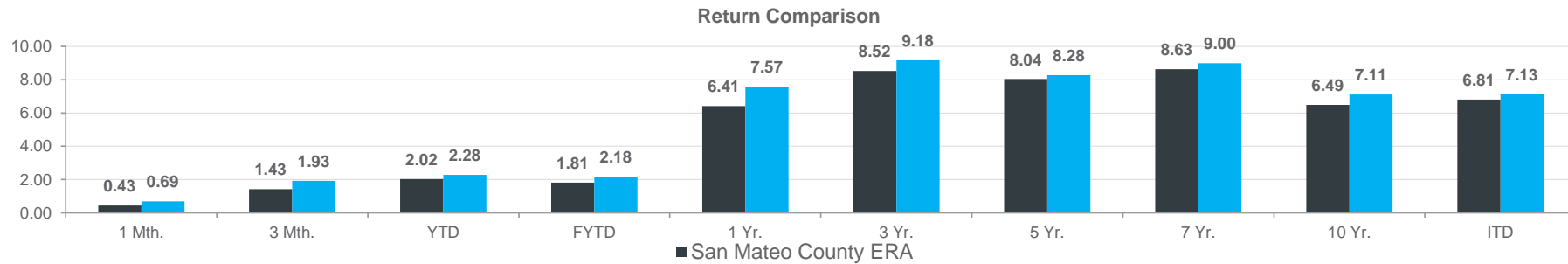


Rolling Month End Annual Returns



San Mateo County Composite Return Summary

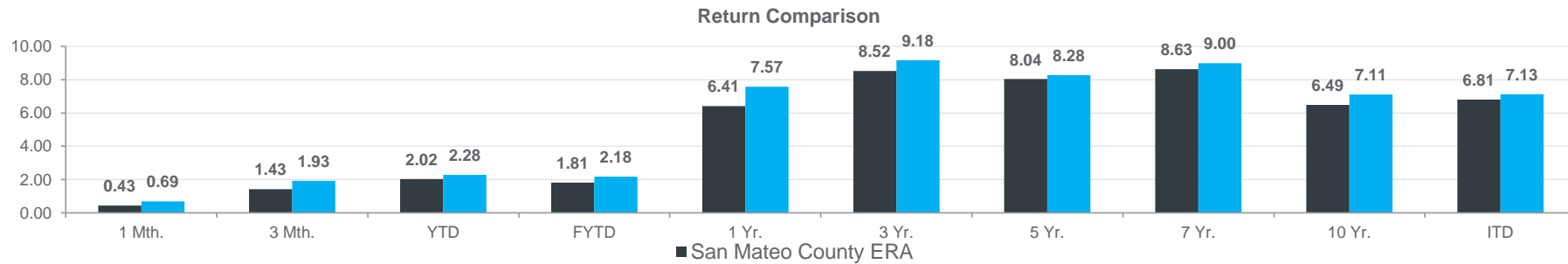
August 31, 2018



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
San Mateo County ERA	4,507,111,957	0.43	1.43	2.02	1.81	6.41	8.52	8.04	8.63	6.49	6.81
Samcera Total Plan Benchmark		0.69	1.93	2.28	2.18	7.57	9.18	8.28	9.00	7.11	7.13
Excess		-0.26	-0.50	-0.26	-0.37	-1.16	-0.65	-0.24	-0.36	-0.62	-0.32
San Mateo Ex-Clifton Overlay	4,495,586,970	0.44	1.45	2.03	1.83	6.45	8.44	7.95	8.60	6.42	6.74
Samcera Total Plan Benchmark		0.69	1.93	2.28	2.18	7.57	9.18	8.28	9.00	7.11	7.13
Excess		-0.25	-0.48	-0.25	-0.35	-1.12	-0.74	-0.32	-0.40	-0.69	-0.40
Total Equity	1,885,030,032	1.00	3.58	4.19	3.91	12.12	12.48	10.63	11.65	7.57	7.99
Samcera Total Equity Benchmark		1.05	3.30	3.97	3.87	12.45	13.71	11.94	12.62	8.84	8.60
Excess		-0.05	0.28	0.23	0.04	-0.33	-1.23	-1.31	-0.98	-1.26	-0.61
Fixed Income	900,134,964	0.08	0.57	-0.08	0.57	0.61	4.11	4.04	4.28	5.53	5.48
Samcera Fixed Income Benchmark		0.72	1.07	-0.46	1.11	-0.36	2.95	2.97	2.51	4.04	4.92
Excess		-0.64	-0.49	0.39	-0.54	0.97	1.16	1.07	1.77	1.49	0.56
Risk Parity	349,694,598	-0.44	-1.68	-2.01	-0.40	1.78	7.11	6.56	5.70	--	5.94
Samcera Risk Parity Benchmark		0.78	2.39	2.33	2.61	7.18	9.69	9.26	9.98	--	8.90
Excess		-1.22	-4.08	-4.33	-3.01	-5.40	-2.57	-2.70	-4.27	--	-2.96

San Mateo County Composite Return Summary

August 31, 2018



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Alternatives	514,999,489	1.77	0.35	1.08	2.44	4.21	5.78	6.11	5.10	-8.23	-2.29
Samcera Alternatives Benchmark		1.87	1.71	4.01	2.45	10.36	9.88	8.32	9.10	7.27	7.72
Excess		-0.09	-1.36	-2.92	-0.01	-6.16	-4.10	-2.21	-3.99	-15.50	-10.00
Inflation Hedge	782,880,288	-0.90	-0.24	1.99	-0.74	4.15	--	--	--	--	8.49
SamCERA Inflation Hedge Index		-0.75	0.31	0.90	-0.35	4.98	--	--	--	--	7.20
Excess		-0.15	-0.55	1.09	-0.39	-0.83	--	--	--	--	1.29
Cash	62,847,599	0.06	0.17	0.57	0.10	0.88	0.71	0.63	0.61	0.32	1.94
Samcera Cash Benchmark		0.18	0.51	1.15	0.34	1.52	0.79	0.49	0.37	0.36	1.83
Excess		-0.12	-0.34	-0.58	-0.24	-0.64	-0.08	0.14	0.24	-0.04	0.11

San Mateo County Composite Return Summary

August 31, 2018



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Equity	1,885,030,032	1.00	3.58	4.19	3.91	12.12	12.48	10.63	11.65	7.57	7.99
Samcera Total Equity Benchmark		1.05	3.30	3.97	3.87	12.45	13.71	11.94	12.62	8.84	8.60
Excess		-0.05	0.28	0.23	0.04	-0.33	-1.23	-1.31	-0.98	-1.26	-0.61
Domestic Equity	1,050,747,566	3.50	7.62	10.56	6.95	20.22	15.64	13.63	15.00	10.12	9.02
Samcera Dom. Equity Benchmark		3.51	7.65	10.39	6.95	20.25	15.70	14.00	15.36	10.82	9.35
Excess		-0.01	-0.02	0.17	0.00	-0.03	-0.06	-0.37	-0.36	-0.70	-0.33
Large Cap Equity	937,209,063	3.44	7.65	10.23	7.03	19.88	16.28	14.49	15.43	10.34	9.74
Russell 1000		3.45	7.71	10.07	7.02	19.82	15.84	14.36	15.55	10.93	10.03
Excess		-0.01	-0.06	0.16	0.01	0.06	0.44	0.12	-0.12	-0.58	-0.29
Blackrock Russell 1000	769,129,925	3.45	7.69	10.06	7.00	19.81	--	--	--	--	18.84
Russell 1000		3.45	7.71	10.07	7.02	19.82	--	--	--	--	18.70
Excess		0.00	-0.01	-0.00	-0.01	-0.00	--	--	--	--	0.14
DE Shaw Commingled Fund	168,079,138	3.38	7.45	11.02	7.15	20.23	17.48	--	--	--	14.06
Russell 1000		3.45	7.71	10.07	7.02	19.82	15.84	--	--	--	11.99
Excess		-0.06	-0.26	0.95	0.13	0.41	1.64	--	--	--	2.07
Small Cap Equity	113,538,503	4.03	7.12	12.84	6.31	22.65	12.50	9.84	13.18	9.09	7.14
Russell 2000		4.31	6.89	14.26	6.13	25.45	16.11	13.00	14.87	10.46	8.65
Excess		-0.28	0.23	-1.42	0.18	-2.80	-3.61	-3.17	-1.69	-1.37	-1.51
QMA US Small Cap	113,538,503	4.03	7.12	12.84	6.31	22.65	--	--	--	--	19.42
Russell 2000		4.31	6.89	14.26	6.13	25.45	--	--	--	--	19.85
Excess		-0.28	0.23	-1.42	0.18	-2.80	--	--	--	--	-0.43
International Equity	834,282,466	-1.99	-1.11	-2.88	0.32	3.21	8.29	6.11	5.79	2.88	5.56
MS AC WIdxUS IMI Nt		-1.94	-1.83	-3.48	0.17	3.49	8.43	5.78	5.63	3.83	5.15
Excess		-0.06	0.72	0.59	0.14	-0.28	-0.13	0.33	0.16	-0.95	0.41
Developed Markets Equity	746,395,209	-1.79	-0.77	-2.17	0.39	4.20	8.34	6.47	6.28	3.36	4.53
MS AC WIdxUS IMI Nt		-1.94	-1.83	-3.48	0.17	3.49	8.43	5.78	5.63	3.83	4.98
Excess		0.14	1.06	1.31	0.22	0.70	-0.08	0.69	0.65	-0.47	-0.45
Baillie Gifford	255,855,388	-1.35	-0.15	-0.19	0.21	5.84	11.07	7.92	--	--	8.68

San Mateo County Composite Return Summary

August 31, 2018



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
MSCI ACWI ex US Growth		-1.11	-0.97	-1.43	0.60	6.15	9.88	7.23	--	--	7.16
Excess		-0.24	0.82	1.24	-0.39	-0.31	1.18	0.69	--	--	1.52
Blackrock EAFE Index Fund	243,087,307	-1.93	-0.75	-1.97	0.48	4.76	7.44	--	--	--	3.64
MSCI EAFE ND		-1.93	-0.74	-2.28	0.48	4.39	7.04	--	--	--	3.31
Excess		0.01	-0.01	0.31	-0.01	0.38	0.39	--	--	--	0.34
Mondrian Investment Partners	247,452,515	-2.11	-1.43	-4.32	0.50	2.28	6.13	5.16	5.34	3.31	5.40
MSCI ACWI ex US Value		-3.06	-2.14	-4.92	-0.02	1.17	7.24	4.54	5.01	3.33	5.25
Excess		0.95	0.71	0.60	0.52	1.11	-1.10	0.61	0.32	-0.03	0.15
Emerging Markets Equity	87,887,257	-3.67	-3.89	-8.56	-0.35	-4.48	7.89	2.99	--	--	1.73
MSCI Emerging Markets ND		-2.70	-4.70	-7.18	-0.57	-0.68	11.42	5.04	--	--	2.75
Excess		-0.97	0.81	-1.38	0.21	-3.80	-3.53	-2.05	--	--	-1.02
EV Parametric EM	87,887,257	-3.67	-3.89	-8.56	-0.35	-4.48	7.93	--	--	--	5.45
MSCI Emerging Markets GD		-2.67	-4.52	-6.93	-0.45	-0.32	11.83	--	--	--	8.13
Excess		-1.00	0.63	-1.63	0.10	-4.16	-3.90	--	--	--	-2.68
Fixed Income	900,134,964	0.08	0.57	-0.08	0.57	0.61	4.11	4.04	4.28	5.53	5.48
Samcera Fixed Income Benchmark		0.72	1.07	-0.46	1.11	-0.36	2.95	2.97	2.51	4.04	4.92
Excess		-0.64	-0.49	0.39	-0.54	0.97	1.16	1.07	1.77	1.49	0.56
Core Fixed Income	610,587,090	0.15	0.21	-1.24	0.34	-1.10	2.66	3.39	3.31	4.83	5.18
BB Barclays U.S. Aggregate		0.64	0.54	-0.96	0.67	-1.05	1.76	2.49	2.22	3.70	4.77
Excess		-0.50	-0.33	-0.28	-0.33	-0.05	0.90	0.90	1.09	1.13	0.40
FIAM Core Bond	261,786,757	0.47	0.69	-0.76	0.60	-0.75	2.53	3.10	2.94	4.76	4.45
BB Barclays U.S. Aggregate		0.64	0.54	-0.96	0.67	-1.05	1.76	2.49	2.22	3.70	3.99
Excess		-0.17	0.15	0.20	-0.06	0.30	0.77	0.61	0.72	1.06	0.46
Western Total Return	128,036,906	-1.27	-1.14	-3.92	-0.35	-1.93	3.53	--	--	--	3.31
BB Barclays U.S. Aggregate		0.64	0.54	-0.96	0.67	-1.05	1.76	--	--	--	1.66
Excess		-1.92	-1.68	-2.96	-1.02	-0.88	1.77	--	--	--	1.65
Blackrock Inter Gov	220,763,427	0.61	0.43	-0.15	0.42	-1.07	--	--	--	--	0.60
BB Barclays U.S. Aggregate		0.64	0.54	-0.96	0.67	-1.05	--	--	--	--	1.57

San Mateo County Composite Return Summary

August 31, 2018



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Excess		-0.04	-0.12	0.81	-0.25	-0.03	--	--	--	--	-0.98
Opportunistic Credit	289,547,874	-0.07	1.34	2.45	1.04	3.90	7.20	6.74	9.11	--	9.26
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	5.39	5.23	6.27	--	7.16
Excess		-0.95	-0.78	1.93	-0.95	2.59	1.82	1.51	2.84	--	2.10
AG Opportunistic Whole Loan	6,849,088	10.48	10.48	32.53	10.48	31.67	16.87	--	--	--	11.13
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	5.39	--	--	--	4.24
Excess		9.61	8.37	32.01	8.49	30.36	11.48	--	--	--	6.89
Angelo Gordon	6,370,372	5.36	5.36	19.38	5.36	27.79	16.00	14.39	--	--	13.78
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	5.39	5.23	--	--	4.90
Excess		4.49	3.25	18.86	3.37	26.48	10.61	9.16	--	--	8.88
Beach Point Select Fund	50,350,876	0.80	2.82	4.10	0.80	7.31	8.66	--	--	--	8.78
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	5.39	--	--	--	4.54
Excess		-0.07	0.71	3.59	-1.19	6.01	3.27	--	--	--	4.24
Brigade Cap Mngmt	78,126,743	0.02	1.78	3.68	1.05	4.73	7.86	5.34	6.77	--	6.92
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	5.39	5.23	6.27	--	6.45
Excess		-0.85	-0.34	3.16	-0.95	3.43	2.48	0.11	0.49	--	0.47
SAMCERA - White Oak Yield Spec	13,317,805	2.53	2.53	7.82	2.53	8.07	--	--	--	--	--
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	--	--	--	--	3.47
Excess		1.66	0.41	7.31	0.54	6.76	--	--	--	--	--
SAMCERA-PIMCO Div. Income Fund	80,466,285	-0.25	0.56	-0.58	0.86	0.30	--	--	--	--	1.12
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	--	--	--	--	1.38
Excess		-1.12	-1.55	-1.09	-1.13	-1.01	--	--	--	--	-0.27
TCP Direct Lending VIII	14,439,543	0.68	2.68	-0.21	1.32	4.02	--	--	--	--	--
BB Barc BA Intermediate HY Ind		0.87	2.12	0.52	1.99	1.31	--	--	--	--	5.37
Excess		-0.19	0.56	-0.72	-0.68	2.71	--	--	--	--	--
Franklin Templeton	39,627,162	-4.55	-2.60	-3.44	-1.09	-3.05	2.70	2.22	2.86	--	3.44
BB Barclays Multiverse Index		-0.00	-0.52	-1.64	-0.06	-1.38	2.70	1.50	0.89	--	1.79
Excess		-4.55	-2.08	-1.80	-1.03	-1.67	-0.00	0.72	1.98	--	1.65



San Mateo County Composite Return Summary

August 31, 2018



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Risk Parity	349,694,598	-0.44	-1.68	-2.01	-0.40	1.78	7.11	6.56	5.70	--	5.94
Samcera Risk Parity Benchmark		0.78	2.39	2.33	2.61	7.18	9.69	9.26	9.98	--	8.90
Excess		-1.22	-4.08	-4.33	-3.01	-5.40	-2.57	-2.70	-4.27	--	-2.96
AQR Global Risk III	176,186,052	-0.86	-1.43	-1.73	-0.07	2.70	6.77	5.12	4.69	--	4.99
Samcera Risk Parity Benchmark		0.78	2.39	2.33	2.61	7.18	9.69	9.26	9.98	--	8.90
Excess		-1.64	-3.83	-4.05	-2.68	-4.48	-2.92	-4.14	-5.29	--	-3.92
Panagora	173,508,546	0.00	-1.86	-2.20	-0.65	1.02	7.44	--	--	--	5.64
Samcera Risk Parity Benchmark		0.78	2.39	2.33	2.61	7.18	9.69	--	--	--	7.55
Excess		-0.78	-4.25	-4.53	-3.25	-6.16	-2.24	--	--	--	-1.91
Alternatives	514,999,489	1.77	0.35	1.08	2.44	4.21	5.78	6.11	5.10	-8.23	-2.29
Samcera Alternatives Benchmark		1.87	1.71	4.01	2.45	10.36	9.88	8.32	9.10	7.27	7.72
Excess		-0.09	-1.36	-2.92	-0.01	-6.16	-4.10	-2.21	-3.99	-15.50	-10.00
Private Equity	275,714,822	4.37	5.51	11.52	5.90	15.32	12.77	15.39	11.22	--	-18.78
Samcera PE Benchmark		3.76	8.43	12.56	7.46	23.80	19.29	17.59	18.88	--	17.80
Excess		0.61	-2.92	-1.04	-1.55	-8.48	-6.52	-2.19	-7.66	--	-36.58
Absolute Return	239,284,667	-1.09	-5.07	-8.83	-1.32	-6.34	0.79	4.27	3.70	--	3.37
Samcera LIBOR + 4%		0.50	1.49	3.88	1.00	5.66	4.95	4.64	4.53	--	4.51
Excess		-1.58	-6.56	-12.70	-2.32	-12.00	-4.16	-0.37	-0.82	--	-1.14
AQR Delta XN	145,731,805	-1.45	-8.19	-11.88	-2.41	-8.95	0.14	3.86	3.41	--	3.10
Samcera LIBOR + 4%		0.50	1.49	3.88	1.00	5.66	4.95	4.64	4.53	--	4.51
Excess		-1.95	-9.68	-15.76	-3.41	-14.61	-4.81	-0.78	-1.11	--	-1.42
SamCERA-Aberdeen Std GARS	93,552,862	-0.51	0.24	-3.61	0.43	-2.08	--	--	--	--	-0.82
Samcera LIBOR + 4%		0.50	1.49	3.88	1.00	5.66	--	--	--	--	4.97
Excess		-1.01	-1.25	-7.49	-0.57	-7.74	--	--	--	--	-5.79
Inflation Hedge	782,880,288	-0.90	-0.24	1.99	-0.74	4.15	--	--	--	--	8.49
SamCERA Inflation Hedge Index		-0.75	0.31	0.90	-0.35	4.98	--	--	--	--	7.20
Excess		-0.15	-0.55	1.09	-0.39	-0.83	--	--	--	--	1.29

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August 31, 2018



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TIPS	47,955,397	0.56	0.70	0.79	0.33	1.69	--	--	--	--	1.94
BBG Barclays US TIPS		0.72	0.64	0.21	0.24	0.83	--	--	--	--	1.41
Excess		-0.16	0.06	0.58	0.09	0.87	--	--	--	--	0.53
Brown Brothers Harriman	47,955,397	0.56	0.70	0.79	0.33	1.69	2.30	1.28	1.15	--	2.50
BBG Barclays US TIPS		0.72	0.64	0.21	0.24	0.83	2.20	1.88	1.44	--	2.76
Excess		-0.16	0.06	0.58	0.09	0.87	0.10	-0.59	-0.29	--	-0.26
Real Estate	351,183,827	0.00	1.78	5.80	0.09	7.47	--	--	--	--	8.53
Samcera NCREIF ODCE EW (gross)		0.00	2.13	4.35	0.00	8.60	--	--	--	--	7.83
Excess		0.00	-0.35	1.46	0.09	-1.14	--	--	--	--	0.70

San Mateo County Composite Return Summary

August 31, 2018



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Invesco Core Real Estate	260,104,036	0.00	1.76	6.45	0.00	7.92	8.89	10.77	10.77	5.04	7.85
Samcera NCREIF ODCE EW (gross)		0.00	2.13	4.35	0.00	8.60	9.62	11.14	11.44	5.08	7.73
Excess		0.00	-0.37	2.11	0.00	-0.69	-0.74	-0.37	-0.67	-0.04	0.12
Invesco US Val IV	21,068,842	0.00	3.99	5.90	1.62	11.54	--	--	--	--	11.75
Samcera NCREIF ODCE EW (gross)		0.00	2.13	4.35	0.00	8.60	--	--	--	--	9.12
Excess		0.00	1.86	1.55	1.62	2.93	--	--	--	--	2.63
PGIM Real Estate US Debt Fund	70,010,949	0.00	1.25	2.92	0.00	3.03	--	--	--	--	2.59
Samcera NCREIF ODCE EW (gross)		0.00	2.13	4.35	0.00	8.60	--	--	--	--	7.33
Excess		0.00	-0.88	-1.43	0.00	-5.58	--	--	--	--	-4.74
Liquid Real Assets	321,762,319	-2.04	-2.89	-2.26	-2.02	2.50	--	--	--	--	--
SamCera Liquid Real Asset Inde		-2.49	-3.13	-2.33	-2.36	2.48	--	--	--	--	9.65
Excess		0.45	0.24	0.07	0.34	0.02	--	--	--	--	--
CUSHING MLP ALPHA TR	79,546,244	-0.51	--	--	-0.57	--	--	--	--	--	-0.57
50% BC US TIPS/50% SamCERA CRA		-0.89	--	--	-1.06	--	--	--	--	--	-1.06
Excess		0.38	--	--	0.49	--	--	--	--	--	0.49
SSGA CST REAL ASSET NL	242,216,074	-2.53	-3.36	-2.73	-2.49	2.01	--	--	--	--	--
SamCera Liquid Real Asset Inde		-2.49	-3.13	-2.33	-2.36	2.48	--	--	--	--	7.45
Excess		-0.04	-0.23	-0.41	-0.14	-0.47	--	--	--	--	--
Private Real Assets	61,978,746	-1.15	0.67	4.63	0.60	-1.52	--	--	--	--	16.67
SamCERA Private Real Asset Idx		-0.01	3.08	--	3.73	--	--	--	--	--	--
Excess		-1.14	-2.41	--	-3.12	--	--	--	--	--	--
Cash	62,847,599	0.06	0.17	0.57	0.10	0.88	0.71	0.63	0.61	0.32	1.94
Samcera Cash Benchmark		0.18	0.51	1.15	0.34	1.52	0.79	0.49	0.37	0.36	1.83
Excess		-0.12	-0.34	-0.58	-0.24	-0.64	-0.08	0.14	0.24	-0.04	0.11
SamCera General Account	12,754,868	0.18	0.53	1.25	0.36	1.68	0.99	0.67	0.52	0.53	1.98
SamCera Transition Account	99	--	--	--	--	--	--	--	--	--	--

San Mateo County Composite Return Summary

August 31, 2018

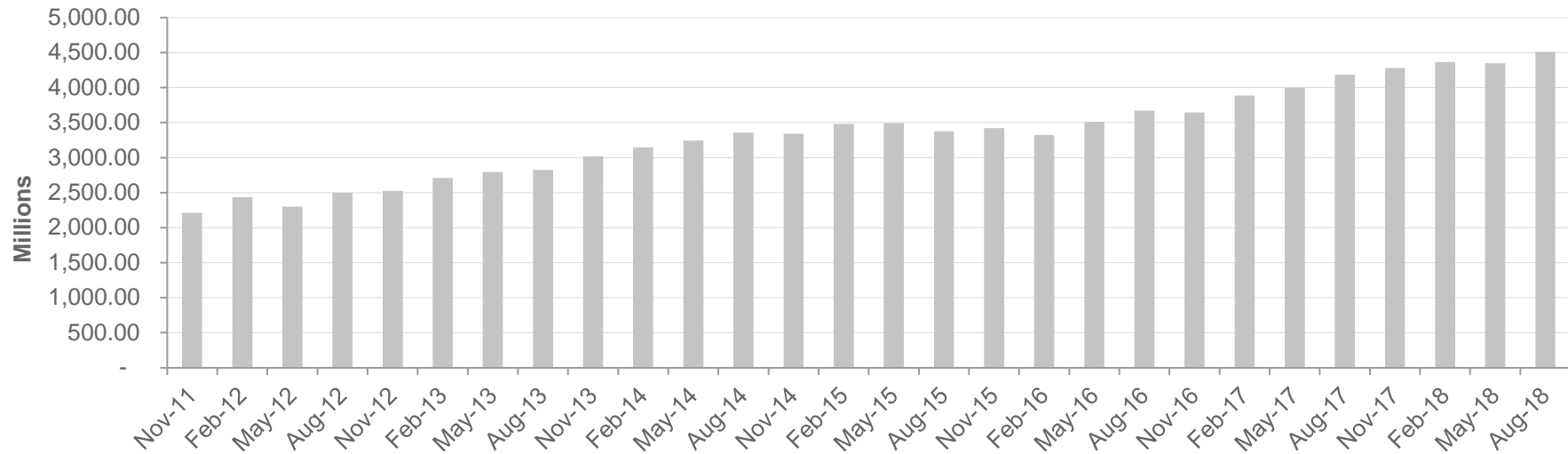


Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
County Treasury Pool	50,092,632	0.00	0.00	0.00	0.00	0.00	0.00	0.15	0.32	0.04	2.54
San Mateo County ERA	4,507,111,957	0.43	1.43	2.02	1.81	6.41	8.52	8.04	8.63	6.49	6.81
Samcera Total Plan Benchmark		0.69	1.93	2.28	2.18	7.57	9.18	8.28	9.00	7.11	7.13
Excess		-0.26	-0.50	-0.26	-0.37	-1.16	-0.65	-0.24	-0.36	-0.62	-0.32

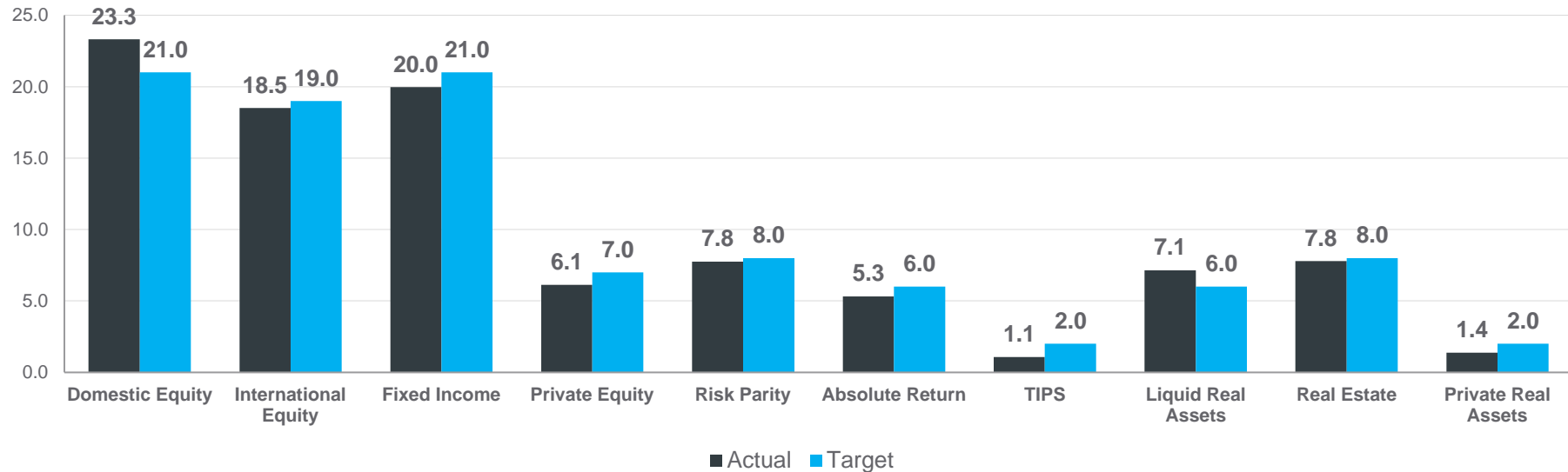
Record of Asset Growth

	Three Months	One Year
TOTAL FUND		
Beginning Market Value	4,349,527,270	4,183,146,240
Contributions	147,669,918	263,268,165
Withdrawals	-60,232,898	-220,453,678
Income Received	9,762,458	38,289,932
Gain/Loss	55,690,684	236,258,703
Ending Market Value	4,507,111,957	4,507,111,957

Net Asset Values Over Time (\$000)

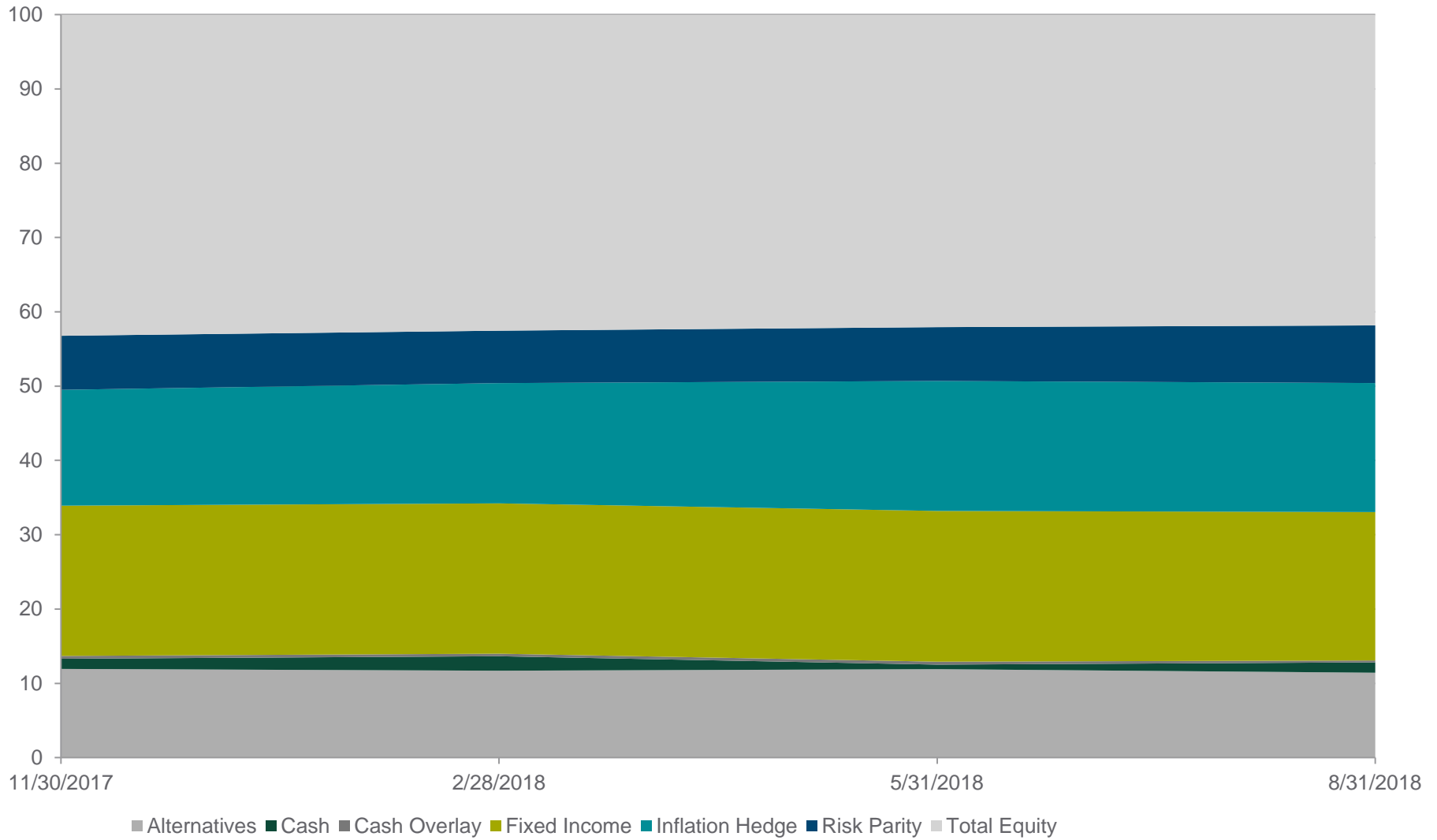


Actual vs Target Weights

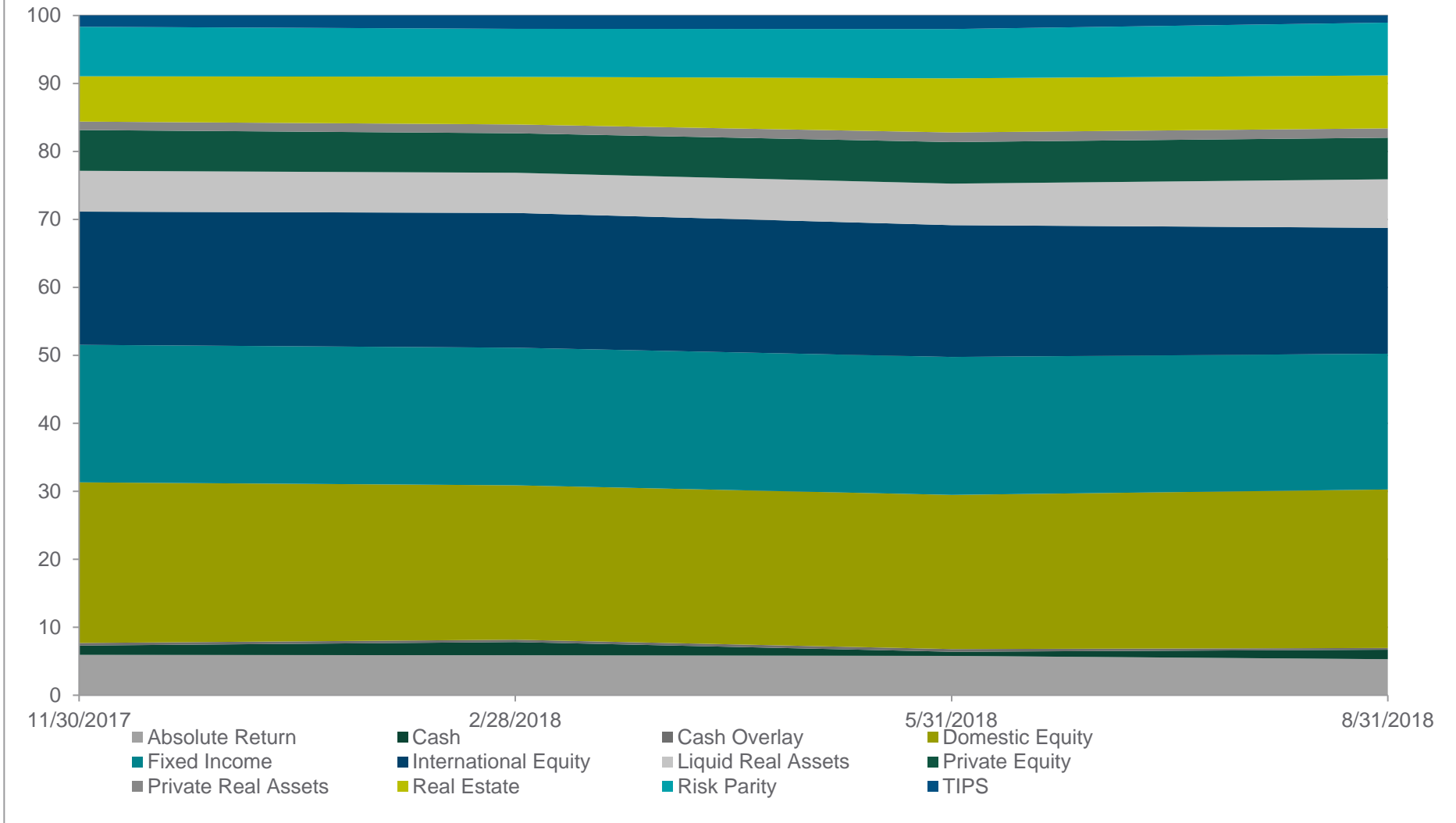


	Min	Actual	Target	Deviation	Max
Domestic Equity	19.0	23.3	21.0	2.3	23.0
International Equity	17.0	18.5	19.0	-0.5	21.0
Fixed Income	19.0	20.0	21.0	-1.0	23.0
Private Equity	5.0	6.1	7.0	-0.9	9.0
Risk Parity	6.0	7.8	8.0	-0.2	10.0
Absolute Return	4.0	5.3	6.0	-0.7	8.0
TIPS	0.0	1.1	2.0	-0.9	4.0
Liquid Real Assets	4.0	7.1	6.0	1.1	8.0
Real Estate	6.0	7.8	8.0	-0.2	10.0
Private Real Assets	0.0	1.4	2.0	-0.6	4.0

Asset Allocation over Time



Sub-Asset Class Allocation Over Time



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**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

AUGUST 2018
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Nonfarm payrolls expanded by 201,000 in August, exceeding expectations of a 191,000 increase. Average hourly wage growth also beat expectations, coming in at 2.9% for the month, the highest reading since April 2009.
- The University of Michigan's consumer sentiment index fell from 97.9 in July to 96.2 in August, the lowest since January – economists had expected a reading of 95.5. Much of the decline was attributed to less favorable assessments of buying conditions.
- Core CPI increased 2.4% year-on-year in July, the highest rate since 2008. Core PCE, which is monitored more closely than CPI by the Federal Reserve, advanced 2.0% year-on-year, meeting expectations.

U.S. EQUITIES

- The S&P 500 returned 3.3% in August, its 5th consecutive month of positive performance. The index has now fully recovered from the February correction, and is up 9.9% year-to-date.
- The technology sector led the way (+4.9%) as computer hardware and software firms outperformed.
- The CBOE VIX Index jumped to 14.8 midway through August amidst concerns relating to trade, geopolitical tension, and idiosyncratic emerging market stories. The VIX Index finished at 12.9, essentially unchanged during the month.

U.S. FIXED INCOME

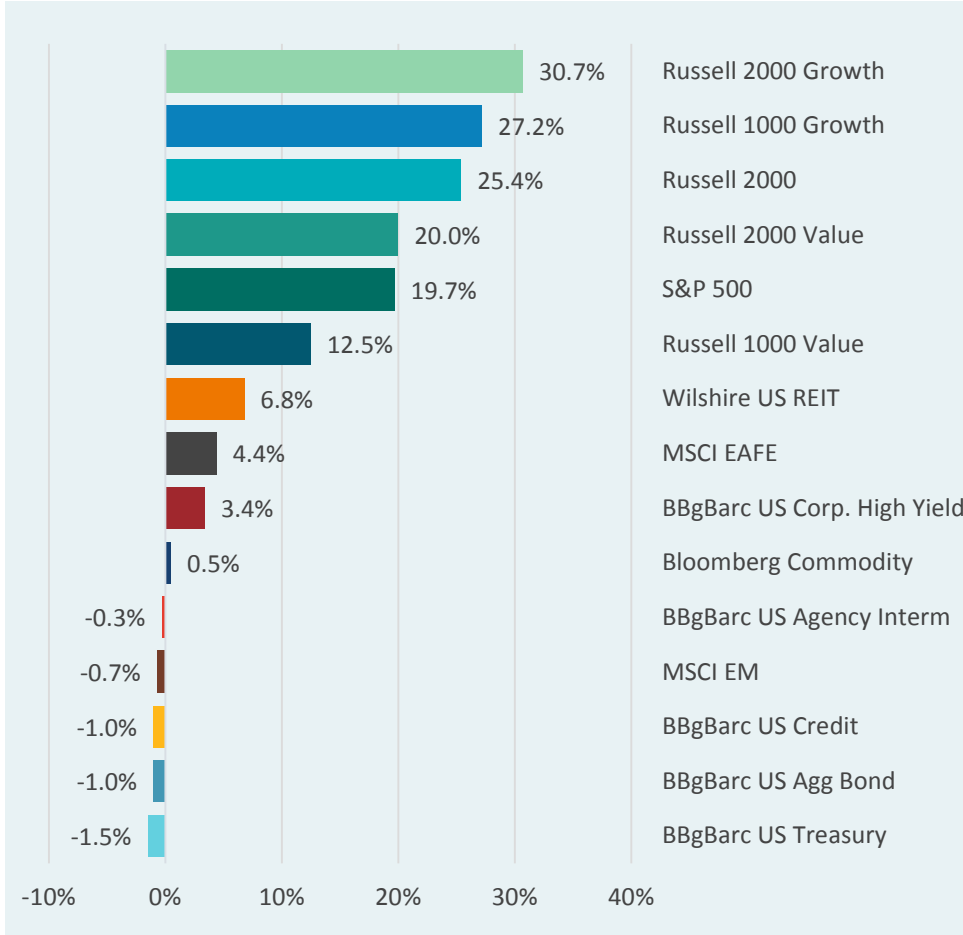
- Domestic fixed income performance was strong in August – the Bloomberg Barclays Aggregate and High Yield indices advanced 0.6% and 0.7% respectively.
- Yields on 10-year Treasuries fell 10 basis points, from 2.96% to 2.86%.
- The yield curve continued to flatten; the spread between the 10-year U.S. Treasury yield and the 2-year yield compressed from 29 bps to 23 bps.

INTERNATIONAL MARKETS

- While President Trump and President Xi remain hopeful about working towards a trade deal before year-end, tariffs of 25% on \$200 billion of Chinese imports could take effect as early as September 6th.
- Trade representatives from the United States and Mexico reached a preliminary agreement on a new trade deal which would replace NAFTA. Canada is not currently included in the new trade agreement, although Canadian Foreign Affairs Minister Chrystia Freeland is optimistic about the progression of negotiations.
- Tensions between the United States and Turkey have continued to rise, while economic conditions in Turkey have steadily fallen. The Turkish CPI rose from 15.9% year-on-year in July to 17.9% in August, while the lira depreciated 27.5% relative to the US dollar.

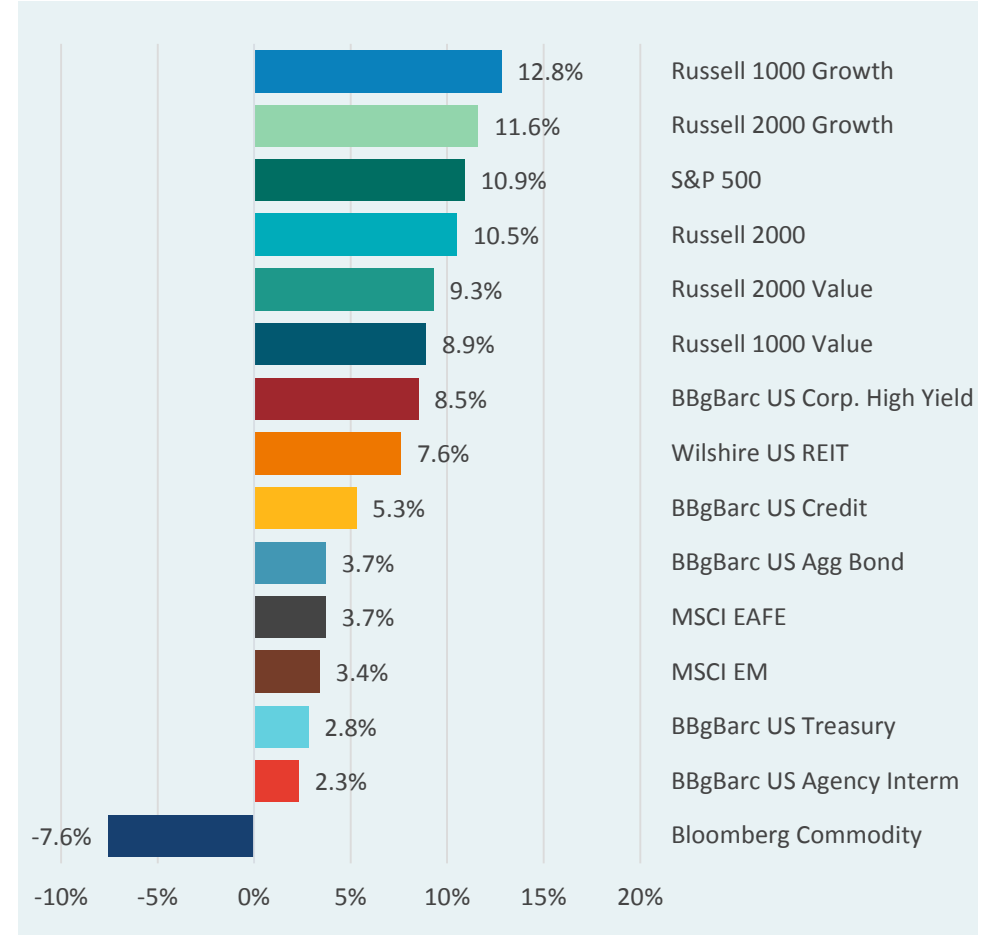
Major asset class returns

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 8/31/18

TEN YEARS ENDING AUGUST



Source: Morningstar, as of 8/31/18

U.S. large cap equities

- The S&P 500 Index advanced 3.3% in August, reaching new all-time highs and ending the month at 2902. The index has now fully recovered from the February and March drawdowns. Over the past five months, the S&P 500 has gained 10.8%.
- Within the S&P 500 Index, Information Technology (+6.9%), Consumer Discretionary, (+5.1%), and Healthcare (+4.4%) outperformed. Energy (-3.3%), and Materials (-0.5%) underperformed the overall index.
- Big tech names continued to lead the advance in August. Apple, Amazon, and Microsoft contributed 40.5% of the overall S&P 500 return for the month. The largest detractor from S&P 500 performance was Chevron (-6.4%).
- Apple alone contributed 22.5% to the S&P 500 monthly return, and became the first US company to pass \$1 trillion in market capitalization. At month-end, Amazon's market cap was \$980.2 billion.

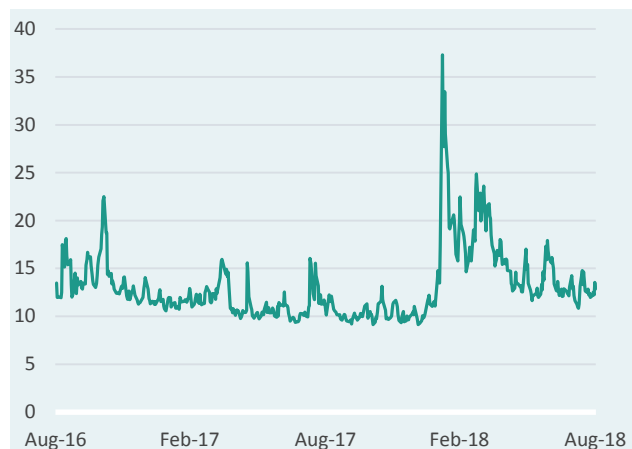
Cyclical sectors outperformed

S&P 500 PRICE INDEX



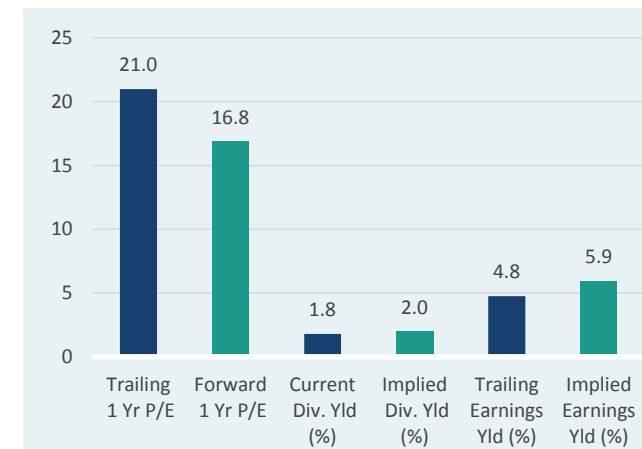
Source: Bloomberg, as of 8/31/18

IMPLIED VOLATILITY (VIX INDEX)



Source: CBOE, as of 8/31/18

S&P 500 VALUATION SNAPSHOT



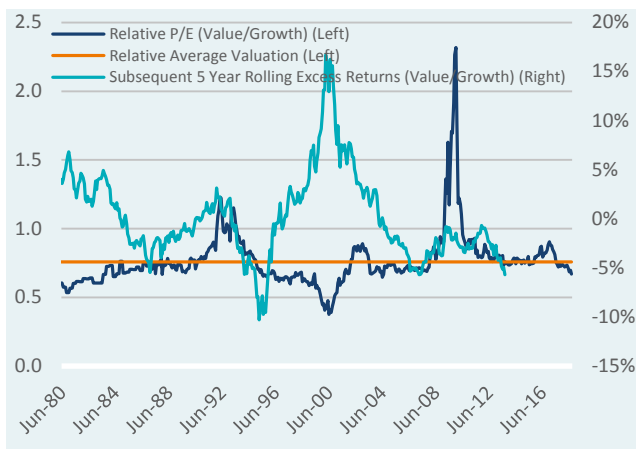
Source: Bloomberg, as of 8/31/18

Domestic equity size and style

- The Russell 2000 Index and Russell 1000 Index returned 4.3% and 3.5% in August, respectively.
- Growth equities significantly outperformed value. The Russell 1000 Growth Index and Russell 1000 Value Index returned 5.5% and 1.5%, respectively. In the small-cap space, the Russell 2000 Growth Index and Russell 2000 Value Index returned 6.2% and 2.4% respectively.
- The Russell 2000 Growth Index is now trading 11.4% above its 200-day simple moving average, indicating that the asset class has benefitted from strong momentum over the past 200 days.
- Growth equities have gotten more expensive year-to-date. The ratio of the Russell 1000 Value P/E relative to the Russell 1000 Growth P/E declined from 0.70 in July to 0.67 in August. At the beginning of the year, the ratio was 0.74.

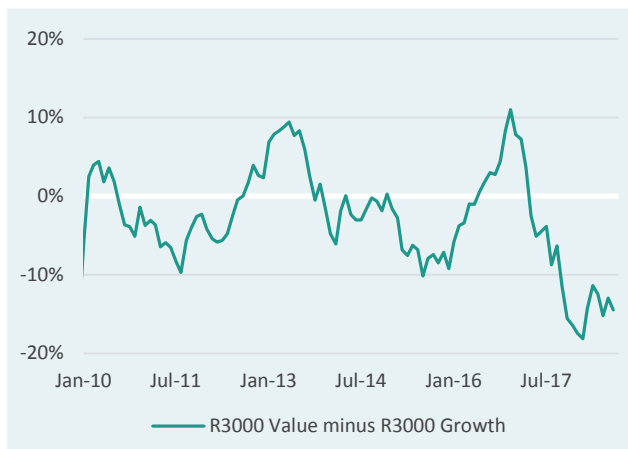
Growth and momentum led stocks higher

VALUE VS. GROWTH RELATIVE VALUATIONS



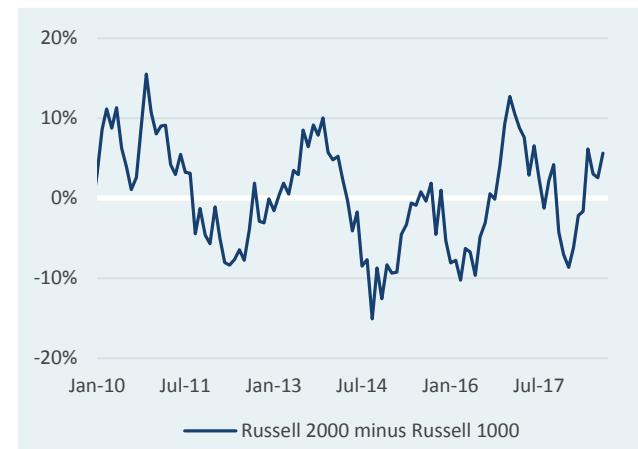
Source: Russell, Bloomberg, as of 8/31/18

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, as of 8/31/18

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



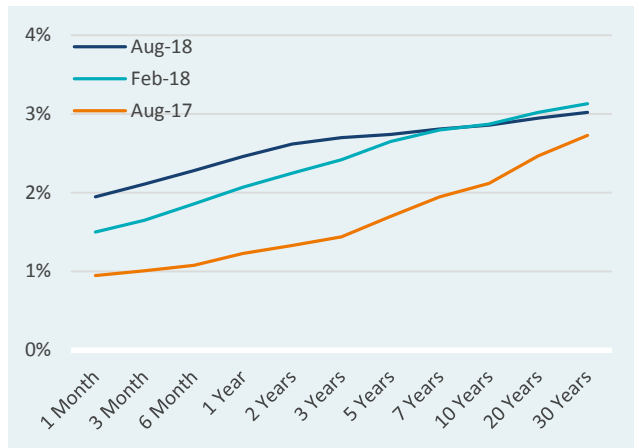
Source: FTSE, as of 8/31/18

Fixed income

- The Bloomberg Barclays Aggregate Index returned 0.6% in August, as Treasury yields moved lower across the curve.
- The spread over the sovereign curve on the Bloomberg Barclays Global High Yield Index reversed in August, expanding from 3.8% to 4.2% during the month. The index lost 0.9% on a USD-hedged and 1.0% on an unhedged basis, as dollar strength presented a slight headwind.
- The 10-year Italian bond yield spread over German bund yields of the same maturity expanded from 2.3% to 2.9%. Uncertainty regarding the Italian government’s adherence to EU fiscal spending rules likely impacted Italian yields over the period.
- The Central Bank of Argentina hiked its benchmark interest rate from 45% to 60%, hoping to support its rapidly depreciating currency. Concerns related to the speed of payments from the IMF’s bailout package exacerbated the weakness of the peso, which has lost around 50% of its value over the year.

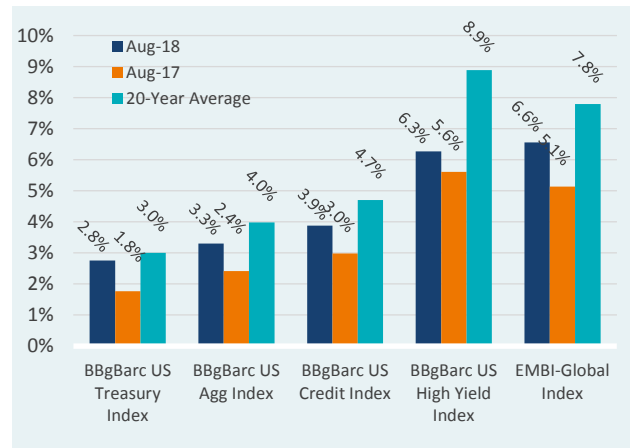
Treasury yields fell across the curve

U.S. TREASURY YIELD CURVE



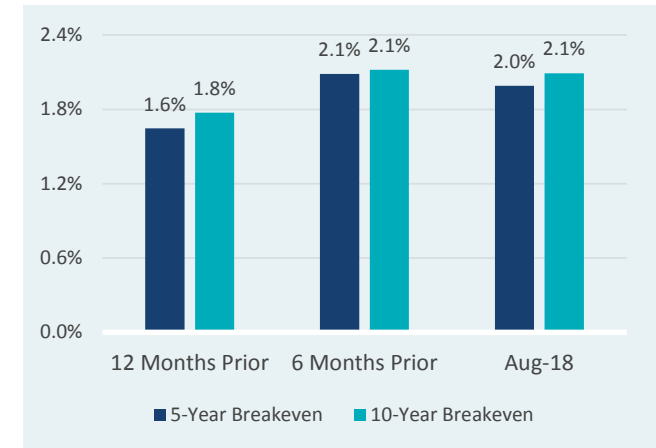
Source: Bloomberg, as of 8/31/18

NOMINAL YIELDS



Source: Morningstar, as of 8/31/18

BREAKEVEN INFLATION RATES



Source: Bloomberg, as of 8/31/18

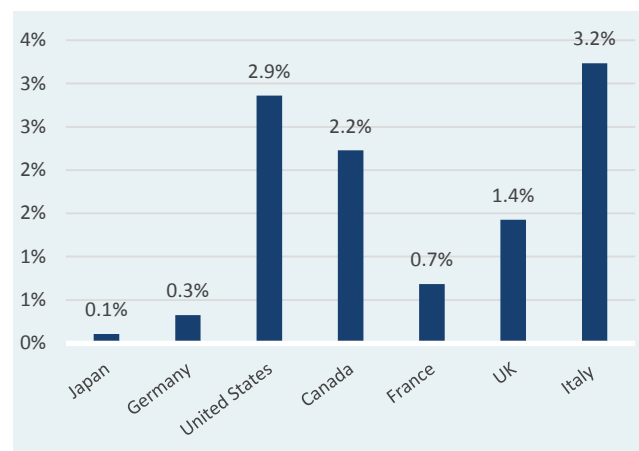
Global markets

- Emerging market assets sold off in August, possibly affected by lingering trade concerns, currency weakness, and geopolitical tensions. The JPM GBI-EM Global Diversified Index fell 1.7% and the MSCI Emerging Markets Index fell 2.7%.
- The MSCI Emerging Markets Currency Index fell another 2.0% in August, bringing the year-to-date decline to 5.0%. Weakness in the South African rand, Chinese yuan, Russian ruble, and Indian rupee have detracted from performance.

- South Africa entered a technical recession, as real GDP contracted for the second consecutive quarter. Real GDP contracted at an annualized quarterly rate of 0.7% in Q2, following a contraction of 2.6% in the Q1. Year-to-date, the MSCI South Africa index is down 20.0%.
- U.S. equity price-to-earnings multiples continued to expand relative to emerging market equity multiples. The spread in trailing P/E ratios between the MSCI USA Index over the MSCI EM Index moved from 7.3 to 8.0 in August.

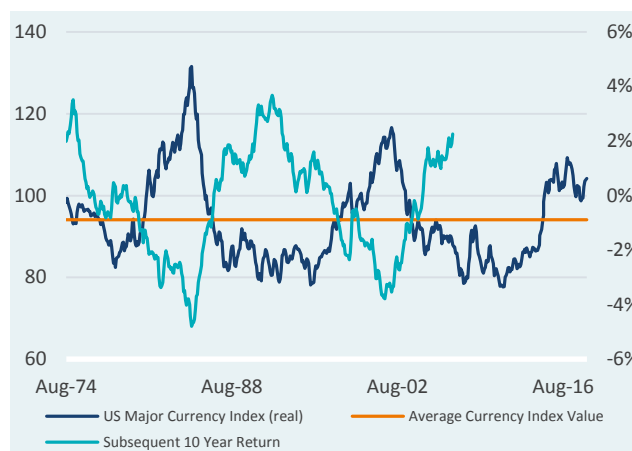
Weakness in emerging market assets continued

GLOBAL SOVEREIGN 10-YEAR YIELDS



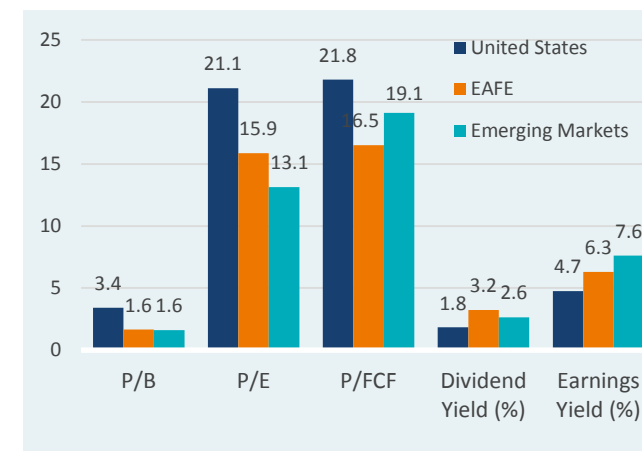
Source: Bloomberg, as of 8/31/18

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 8/31/18

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 8/31/18

Commodities

- The Bloomberg Commodity Index fell another 1.8% in August, bringing the trailing three-month loss to 7.2%. All sub-sectors except for energy and petroleum declined over the month.
- The Bloomberg Grains Index declined 6.1% in August, which was influenced by the Russian agriculture ministry stating that there was no plan to restrict wheat exports, and soybean surpluses continued to build.

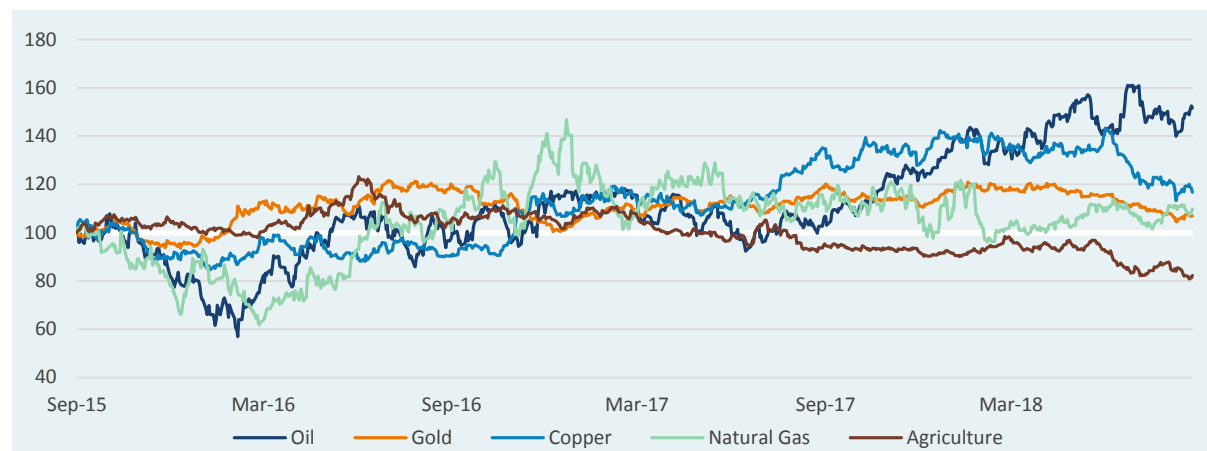
- Oil and petroleum rebounded in August (Bloomberg Petroleum 3.6%). Iranian crude exports declined at a pace exceeding expectations, which likely helped oil prices climb higher. The United States has expressed a willingness to impose sanctions on countries that continue to buy Iranian oil after November 4th.
- Towards the end of the month, concerns regarding the impact of Tropical Storm Gordon on domestic oil production helped send crude higher – WTI oil closed just below \$70 per barrel.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(1.8)	(3.9)	(3.9)	0.5	(1.9)	(8.0)	(7.6)
Bloomberg Agriculture	(6.0)	(3.4)	(9.0)	(10.9)	(6.2)	(10.0)	(6.0)
Bloomberg Energy	3.8	(0.8)	11.8	26.1	(4.7)	(14.4)	(17.5)
Bloomberg Grains	(6.1)	0.0	(3.3)	(6.8)	(8.5)	(11.7)	(7.7)
Bloomberg Industrial Metals	(4.3)	(8.8)	(13.7)	(8.0)	6.6	(1.5)	(4.3)
Bloomberg Livestock	(0.3)	(4.7)	(9.5)	(3.2)	(5.7)	(3.8)	(5.7)
Bloomberg Petroleum	3.6	(1.1)	17.0	44.2	1.2	(13.1)	(12.3)
Bloomberg Precious Metals	(3.1)	(5.7)	(10.4)	(11.6)	0.7	(5.2)	2.4
Bloomberg Softs	(5.3)	(10.7)	(21.3)	(20.0)	(4.3)	(9.8)	(5.1)

Source: Morningstar, as of 8/31/18

COMMODITY PERFORMANCE



Source: Bloomberg, as of 8/31/18

Appendix

Periodic table of returns

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	YTD	5-Year	10-Year
Small Cap Growth	38.7	66.4	31.8	14.0	25.9	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	18.5	17.5	12.8
Large Cap Growth	27.0	43.1	22.8	8.4	10.3	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	16.4	14.4	11.6
Small Cap Equity	20.3	33.2	12.2	7.3	6.7	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	14.3	14.2	10.9
Large Cap Equity	19.3	27.3	11.6	3.3	1.6	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	10.1	13.0	10.5
Small Cap Value	16.2	26.5	7.0	2.8	1.0	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	9.9	11.7	9.3
Large Cap Value	15.6	24.3	6.0	2.5	-5.9	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	3.7	11.2	8.9
Real Estate	8.7	21.3	4.1	-2.4	-6.0	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	3.5	9.8	6.2
Hedge Funds of Funds	4.9	20.9	-3.0	-5.6	-11.4	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	2.1	6.4	5.4
60/40 Global Portfolio	1.2	13.2	-7.3	-9.1	-15.5	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	1.5	5.7	3.7
Cash	-2.5	11.4	-7.8	-9.2	-15.7	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	1.2	5.0	3.7
US Bonds	-5.1	7.3	-14.0	-12.4	-20.5	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	5.1	-1.0	3.7	3.4
International Equity	-6.5	4.8	-22.4	-19.5	-21.7	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-2.3	2.5	2.0
Commodities	-25.3	-0.8	-22.4	-20.4	-27.9	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-3.9	0.5	0.3
Emerging Markets Equity	-27.0	-1.5	-30.6	-21.2	-30.3	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-7.2	-8.0	-7.6

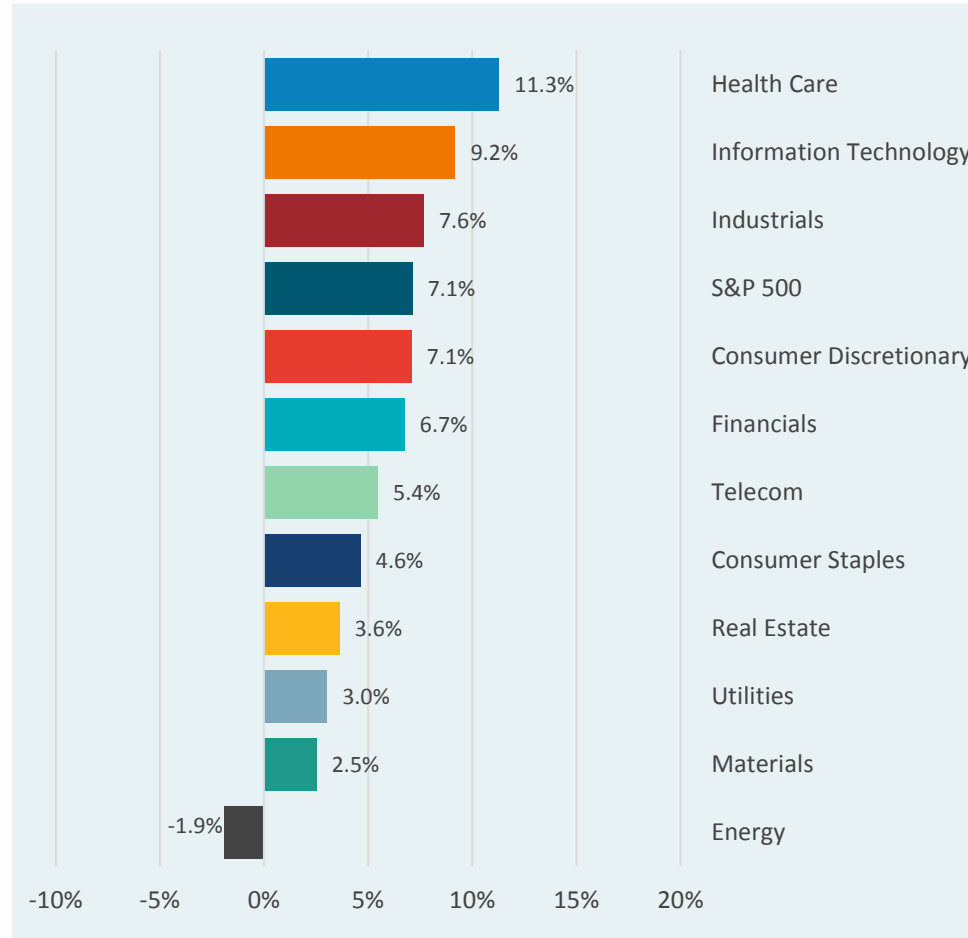
WORST



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, BBgBarc US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, BBgBarc Global Bond. NCREIF Property Index performance data as of 6/30/18.

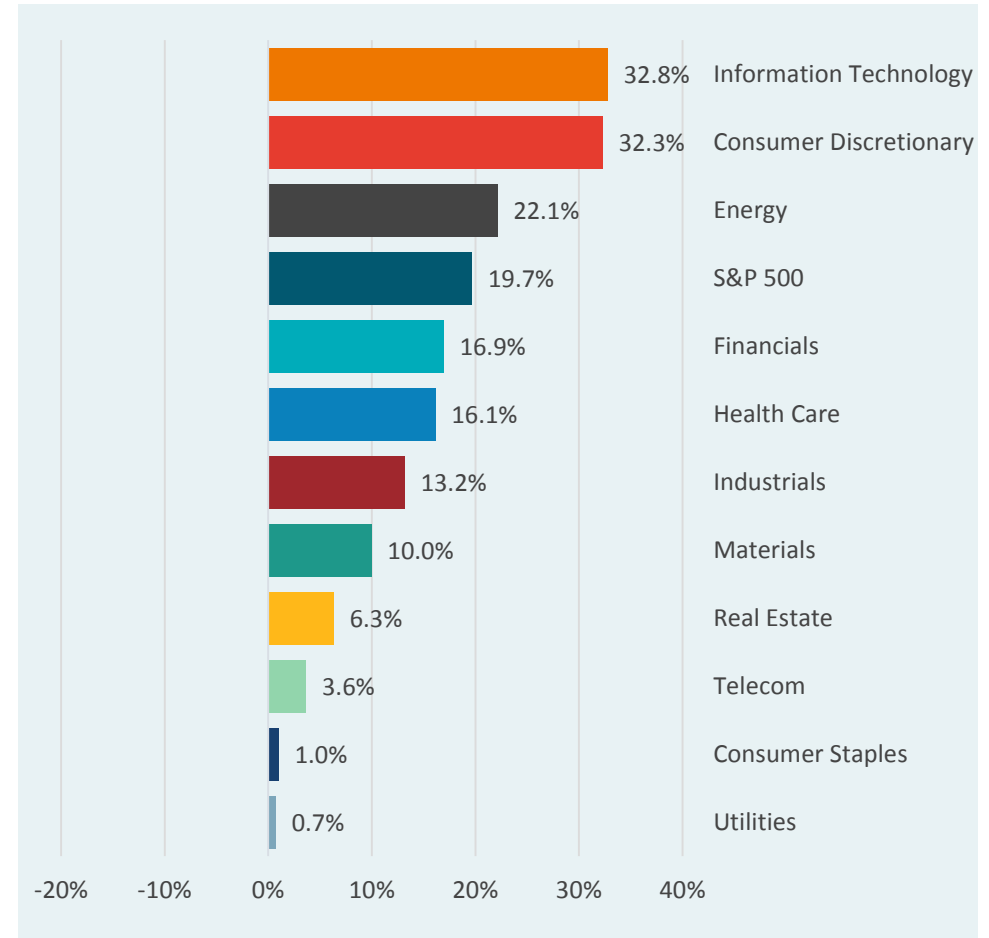
S&P 500 sector returns

QTD



Source: Morningstar, as of 8/31/18

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 8/31/18

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	3.3	7.1	9.9	19.7	16.1	14.5	10.9
S&P 500 Equal Weighted	2.0	5.3	7.1	17.1	14.1	13.3	11.9
DJ Industrial Average	2.6	7.5	6.7	21.0	19.2	14.6	11.3
Russell Top 200	3.6	7.5	10.8	20.6	16.9	15.0	10.9
Russell 1000	3.4	7.0	10.1	19.8	15.8	14.4	10.9
Russell 2000	4.3	6.1	14.3	25.4	16.1	13.0	10.5
Russell 3000	3.5	6.9	10.4	20.2	15.9	14.3	10.9
Russell Mid Cap	3.1	5.7	8.2	17.9	13.4	12.8	10.9
Style Index							
Russell 1000 Growth	5.5	8.6	16.4	27.2	19.3	17.5	12.8
Russell 1000 Value	1.5	5.5	3.7	12.5	12.3	11.2	8.9
Russell 2000 Growth	6.2	8.1	18.5	30.7	16.4	14.2	11.6
Russell 2000 Value	2.4	4.2	9.9	20.0	15.7	11.7	9.3

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	0.8	3.8	3.4	11.4	11.8	9.7	6.7
MSCI ACWI ex US	(2.1)	0.2	(3.5)	3.2	8.1	5.4	3.4
MSCI EAFE	(1.9)	0.5	(2.3)	4.4	7.0	5.7	3.7
MSCI EM	(2.7)	(0.6)	(7.2)	(0.7)	11.4	5.0	3.4
MSCI EAFE Small Cap	(0.8)	(0.2)	(1.5)	7.5	11.4	10.0	7.7
Style Index							
MSCI EAFE Growth	(0.3)	1.8	0.8	8.1	8.9	7.1	4.5
MSCI EAFE Value	(3.6)	(0.9)	(5.4)	0.6	5.1	4.3	2.7
Regional Index							
MSCI UK	(4.2)	(3.4)	(4.4)	4.5	4.0	3.0	3.1
MSCI Japan	0.2	0.6	(1.4)	9.0	8.4	7.8	4.4
MSCI Euro	(3.8)	(0.3)	(3.5)	0.7	6.6	5.8	1.7
MSCI EM Asia	(0.8)	(0.1)	(5.2)	2.7	13.6	8.2	6.5
MSCI EM Latin American	(8.4)	0.1	(11.1)	(11.8)	9.0	(1.6)	(2.0)

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
BBgBarc US TIPS	0.7	0.2	0.2	0.8	2.2	1.9	3.0
BBgBarc US Treasury Bills	0.2	0.3	1.1	1.4	0.8	0.5	0.4
BBgBarc US Agg Bond	0.6	0.7	(1.0)	(1.0)	1.8	2.5	3.7
Duration							
BBgBarc US Treasury 1-3 Yr	0.3	0.3	0.4	(0.1)	0.5	0.6	1.2
BBgBarc US Treasury Long	1.6	0.1	(2.9)	(2.8)	2.3	5.1	5.8
BBgBarc US Treasury	0.8	0.3	(0.7)	(1.5)	0.8	1.7	2.8
Issuer							
BBgBarc US MBS	0.6	0.5	(0.5)	(0.5)	1.4	2.4	3.5
BBgBarc US Corp. High Yield	0.7	1.8	2.0	3.4	7.0	5.6	8.5
BBgBarc US Agency Interm	0.5	0.4	0.2	(0.3)	0.8	1.3	2.3
BBgBarc US Credit	0.5	1.2	(1.8)	(1.0)	3.3	3.6	5.3

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(1.8)	(3.9)	(3.9)	0.5	(1.9)	(8.0)	(7.6)
Wilshire US REIT	3.0	(3.4)	5.1	6.8	9.3	10.6	7.6
CS Leveraged Loans	0.4	(0.8)	3.6	5.3	5.0	4.3	5.2
Alerian MLP	1.6	8.3	7.6	7.3	(0.7)	(2.0)	7.3
Regional Index							
JPM EMBI Global Div	(1.7)	0.8	(4.5)	(3.4)	5.1	5.6	6.6
JPM GBI-EM Global Div	(6.1)	(4.3)	(10.5)	(10.0)	3.2	(1.3)	1.9
Hedge Funds							
HFRI Composite	0.7	1.2	2.0	5.3	5.1	4.6	4.0
HFRI FOF Composite	1.1	1.4	2.1	4.7	3.0	3.7	2.0
Currency (Spot)							
Euro	(0.6)	(0.3)	(3.1)	(2.1)	1.3	(2.5)	(2.3)
Pound	(0.9)	(0.1)	(3.9)	0.9	(5.5)	(3.4)	(3.3)
Yen	1.0	(0.1)	1.6	(0.7)	3.0	(2.4)	(0.2)

Source: Morningstar, HFR, as of 8/31/18

Notices & disclosures

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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 6.2

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst



SUBJECT: Report on Opportunistic Credit Manager Annual Reviews

Recommendation

Review the report on the annual review of SamCERA's Opportunistic Credit managers (PIMCO and Beach Point Capital Management).

Background

SamCERA staff and consultant held annual review meetings in SamCERA's office with PIMCO on August 16th, and Beach Point Capital Management on August 30th. The remainder of the Opportunistic Credit manager annual reviews (Brigade Capital Management, Angelo Gordon, White Oak and Tennenbaum) will be completed in September and reviewed at a subsequent board meeting.

Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

On August 16th, PIMCO's Diversified Income Fund strategy, which is a multi-sector approach that diversifies globally across different credit sectors based on relative value, was reviewed. The strategy has the flexibility to invest across a broad spectrum, including investment grade, high yield, emerging markets, other non-core credit sectors and currencies. PIMCO discussed a recent change on their portfolio risk management team.

On August 30th, Beach Point's Select Fund strategy, which focuses on mid-market, off-the-run, complex and less-liquid securities, was reviewed. The strategy invests across the capital structure in distressed/opportunistic securities, event-driven bonds, bank debt and credit-informed equities with a North American and European focus.

No major concerns were identified during the portfolio reviews. Attached are meeting notes from Verus summarizing the findings from these annual reviews.

Attachments

- A. PIMCO Diversified Income Fund Annual Review Meeting Notes
- B. Beach Point Select Fund Annual Review Meeting Notes (Confidential)

Date of meeting: 8/16/2018

Location: SamCERA Office

Manager Representative(s)

Sonali Pier (Portfolio Manager)
Sasha Talcott (Account Management)

Verus Representative(s)

Margaret McRae, CFA (Associate Director | Public Markets)

Account Assets

\$79.8 million (6/30/18)

Client Representative(s)

Scott Hood (CEO), Mike Coultrip (CIO), Doris Ng (Analyst),
Lilibeth Dames (Analyst)

Product Description

PIMCO's Diversified Income (DI) Strategy is a multi-sector strategy that invests across a broad spectrum of global credit market sectors, including investment grade and high yield corporate debt, as well as emerging markets. The allocation among these will vary based on PIMCO's assessment of global trends and relative valuations. This active and dynamic approach allows for increased responsiveness in asset allocation to changing economic and market conditions while remaining anchored by PIMCO's investment process and longer-term orientation. The ability to invest globally helps to improve diversification and may allow investors to benefit from differences in business cycles across regions and credit quality trends across credit sectors. PIMCO's DI investment strategy seeks to provide high yield-like returns with lower volatility against a blended index (1/3 Bloomberg Barclays Global Agg Credit ex-EM; 1/3 BofA Merrill Lynch BB-B rated Developed Markets High Yield; 1/3 JPMorgan EMBI Global). The strategy can invest up to 100% in emerging markets and 100% in high yield with a duration band of 3-8 years. The team focuses its investments into these groups: credit strategies (investment grade, high yield, emerging markets and non-core credits including MBS, municipals and other govt-related sectors); duration strategies (U.S. and non-U.S. duration) and currencies (tactical non-USD exposure).

Meeting Notes

Organization

The firm's AUM is now at \$1.7 trillion, up 6% year-over-year. Manny Roman has been the CEO for 18 months and has been clear about priorities; one of which is opening an office in Austin, TX. The firm is focusing on developing quant models and integrating more quantitative analysis into the existing investment processes. The Austin office (~200 people) will be primarily focused on technology and quantitative model development but will also include global wealth management and institutional client support. In July 2018, Bill De Leon, head of portfolio risk management and managing director, resigned from the firm. Sudi Mariappa, PM on PIMCO's StocksPLUS strategy, has assumed the role. PIMCO's goal was to have a former PM to fill the head of risk role and Mr. Mariappa was an obvious choice due to his experience, tenure at PIMCO and portfolio management background.

Investment Team

There were no investment team changes specific to this strategy in the past year. The fund is jointly managed by Dan Ivascyn, Alfred Murata, Eve Tournier and Sonali Pier.

Investment Strategy

PIMCO's approach to managing the Diversified Income strategy is driven by the same key principles that are applied to all credit portfolios managed at the firm. PIMCO's global approach to investing and top-down macroeconomic research gives the team insights into managing in a multi-sector credit framework. The team's philosophy is driven by three key principles: 1) flexible and tactical allocation across global credit sectors in an effort to identify dislocations in relative value, 2) adding value through the combination of bottom-up fundamental credit research with top-down macroeconomic analysis, and 3) diversifying sources of risk and return in an attempt to avoid large drawdowns, which can result in attractive risk-adjusted returns over a long-term investment horizon.

PIMCO's process is a combination of top-down macroeconomic insights coupled with bottom-up fundamental research. The DI portfolio management team, structured in a generalist/specialist model, is responsible for coordinating a global investment process to ensure consistency across portfolios. The team works closely with the investment grade credit, emerging markets, high yield and mortgage-backed securities teams in constructing portfolios. PIMCO's portfolio risk management team enforces internal investment committee-defined targets and limits and partners with portfolio managers to provide analysis and insights on portfolio construction, stress tests, potential drawdowns and other market risks.

This is a best-ideas portfolio seeking the most attractive risk-adjusted returns globally and across asset classes while mitigating market volatility.

Performance & Positioning

As of June 30, 2018, SamCERA's Diversified Income strategy's YTD net return outperformed the Blended PIMCO DI Index by 100 bps (-1.4% versus -2.4% for the Index which is 1/3 Bloomberg Barclays Global Agg Credit ex-EM; 1/3 BofA Merrill Lynch BB-B rated Developed Markets High Yield; 1/3 JPMorgan EMBI Global). The portfolio's allocation to credit was a contributor to YTD performance while non-U.S. duration positioning and tactical non-USD exposures were detractors.

The portfolio benefited by being underweight to investment grade credit which underperformed high yield. The team has been successful in finding some opportunities in high yield and bank loans but Ms. Pier noted that it's imperative to leverage the work of the firm's 60-person global credit analyst team due to the deterioration of covenants and documentation that has occurred in certain industries (ex: California resources). Ms. Pier stressed the importance of performing bottom-up intensive credit work on both loans and high yield bonds in this credit environment. We discussed the pros and cons of investing in bank loans; although the floating-rate nature and low duration are attractive in this environment, the loans are callable at par at any moment in time, limiting upside potential. Additionally, corporations have been issuing bank loans instead of high yield bonds due to flexibility, which has increased supply. The portfolio is underweight EMD with a focus on countries that are improving that still have reasonable spreads. The goal is to have a thoughtful portfolio that takes into account liquidity, risks and governance. The portfolio is overweight Brazil, Saudi Arabia and Russia and has underweights to China, Indonesia and Turkey. The team continues to see value in non-agency mortgages, which benefit from favorable technicals, strength in the U.S. housing market, and relative insulation from broader macroeconomic headwinds.

The team has strived to build a lower risk portfolio with positive carry while being underweight duration in light of closer-to-fair valuations. The team has been doing this by moving up the quality/capital spectrum and focusing on bottom-up alpha opportunities. As of June 30, 2018, PIMCO DI yields 6.01% compared to the emerging market index (6.24%), high yield index (5.93%) and global credit index (3.85%) on a yield-to-worst basis. These three indices are components of the PIMCO DI Index.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 6.3

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer

Michael R. Coultrip

SUBJECT: Report on Real Estate Pacing Study

Recommendation

Accept report on real estate pacing study.

Background

As part of the updated asset allocation policy that the Board approved in October 2016, the long-term target to real estate was increased from 6% to 10%. The current interim target is reflected as 8%.

Discussion

Historically the real estate program consisted of a single strategy in core real estate but has recently progressed to include multiple strategies across core real estate, value-add real estate, and real estate debt. Given this, staff is proposing to establish targets and allocation ranges for the following three real estate sub-categories: 1) Core Real Estate, 2) Value-Add Real Estate, and 3) Real Estate Debt as summarized below:

Real Estate Strategy	Target Allocation	Range
Core Real Estate	60%	50 -70%
Value-Add Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

According to the proposed commitment schedule, it will take several years to reach the new real estate policy target of 10%. John Nicolini from Verus will present this item at the September Board meeting.

Attachment

Verus Real Estate Pacing Study



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**



SEPTEMBER 2018

Real Estate Pacing Model

San Mateo County Employees' Retirement Association

Assumptions used to model real estate

Assumptions:

- SamCERA's Plan Growth Rate of 6.75%
- Core Real Estate
 - *Linear Growth at 3.0%*
- Real Estate Debt
 - *Linear Growth at 1.5%*
- Value-Add
 - *Custom Cash Flow Assumptions*
 - *Assumes a 7-Year Fund Life*
 - *Net 13.2% IRR Return*
- *The 10% Real Estate allocation is split into three segments*
 - *Core Real Estate – 6%*
 - *Value-Add Real Estate – 2%*
 - *Real Estate Debt – 2%*

Commitment schedule

RA Category	2018	2019	2020	2021	2022	2023	2024	2025
	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)	Projected Commit (\$)
Real Estate VA	\$ 30,000,000	\$ 45,000,000	\$ 45,000,000	\$ 40,000,000	\$ 45,000,000	\$ 40,000,000	\$ 40,000,000	\$ 45,000,000
Real Estate Core	\$ -	\$ 15,000,000	\$ -	\$ 30,000,000	\$ -	\$ 30,000,000	\$ -	\$ 30,000,000
Real Estate Debt	\$ -	\$ -	\$ 15,000,000		\$ 15,000,000		\$ 15,000,000	\$ 15,000,000

Annual Commitment (\$)*	Total	\$ 30,000,000	\$ 60,000,000	\$ 60,000,000	\$ 70,000,000	\$ 60,000,000	\$ 70,000,000	\$ 55,000,000	\$ 90,000,000
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	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)	Projected Commit (#)
Real Estate	1	1	1	1	1	1	1	1
Real Estate Core		1		1		1		1
Real Estate Debt		1		1		1		1

Number of Commitments*	Total	1	3	1	3	1	3	1	3
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Real Estate as a % of Plan (Target ~10.0%)	8.21%	8.42%	8.74%	9.46%	9.89%	10.21%	10.00%	10.15%
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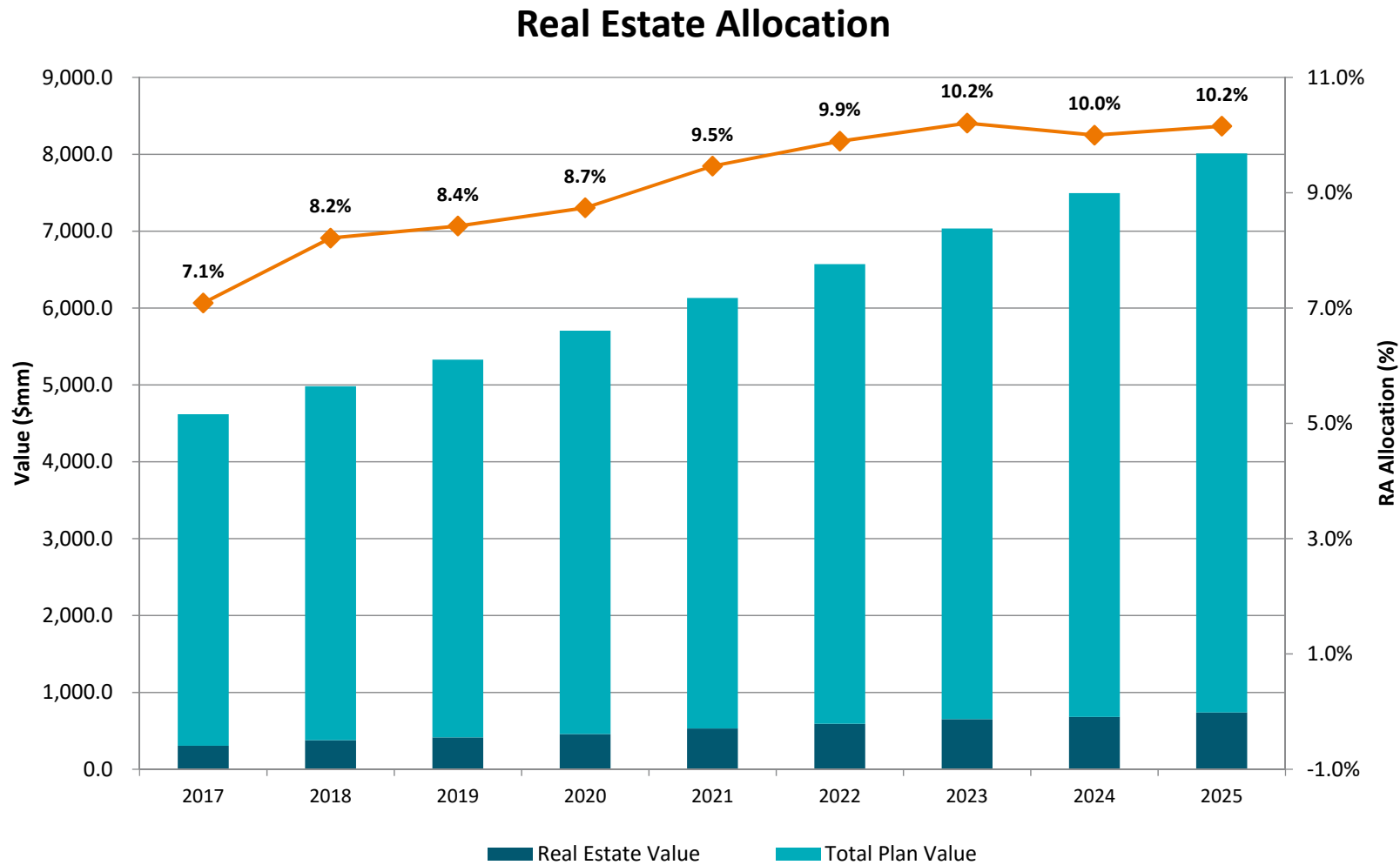
- Assumes additional commitments to both Core and Debt RE Funds in order to maintain a 60/20/20 split between Core/Value-Add/Debt
- Reaching 10% Target within Real Estate will require larger commitments in Value-Add going forward
- Expectations are that SamCERA will reach the 10% real estate target in 2022

Projected allocations

TOTAL PROJECTED ALLOCATIONS	12/31/2018	12/31/2019	12/31/2020	12/31/2021	12/31/2022	12/31/2023	12/31/2024
	Projected Allocation	Projected Allocation	Projected Allocation	Projected Allocation	Projected Allocation	Projected Allocation	Projected Allocation
Real Estate Value-Add	\$ 32,154,138	\$ 43,824,138	\$ 63,576,138	\$ 94,670,138	\$ 129,750,000	\$ 147,650,000	\$ 149,150,000
Real Estate Core	\$ 260,990,365	\$ 283,820,076	\$ 292,334,678	\$ 331,104,719	\$ 341,037,860	\$ 381,268,996	\$ 392,707,066
Real Estate Debt	\$ 85,000,000	\$ 86,275,000	\$ 102,569,125	\$ 104,107,662	\$ 120,669,277	\$ 122,479,316	\$ 139,316,506
Total Real Estate	\$ 378,144,503	\$ 413,919,214	\$ 458,479,941	\$ 529,882,519	\$ 591,457,137	\$ 651,398,312	\$ 681,173,572
Approximate Plan Value - Beginning of Year	\$ 4,312,554,447	\$ 4,603,651,872	\$ 4,914,398,374	\$ 5,246,120,264	\$ 5,600,233,382	\$ 5,978,249,135	\$ 6,381,780,952
+ Verus Growth Assumption (6.75% per year)	\$ 291,097,425	\$ 310,746,501	\$ 331,721,890	\$ 354,113,118	\$ 378,015,753	\$ 403,531,817	\$ 430,770,214
= Plan Value - End of Year	\$ 4,603,651,872	\$ 4,914,398,374	\$ 5,246,120,264	\$ 5,600,233,382	\$ 5,978,249,135	\$ 6,381,780,952	\$ 6,812,551,166
Real Estate as a % of Plan (Target ~10.0%)	8.21%	8.42%	8.74%	9.46%	9.89%	10.21%	10.00%
Real Estate % of Total Real Estate	8.50%	10.59%	13.87%	17.87%	21.94%	22.67%	21.90%
Real Estate Core % of Total Real Estate	69.02%	68.57%	63.76%	62.49%	57.66%	58.53%	57.65%
Real Estate Debt % of Total Real Estate	22.48%	20.84%	22.37%	19.65%	20.40%	18.80%	20.45%

- Annual projected value of each real estate segment based on the prior pages commitment schedule
- Initial overweight in Core Real Estate is reduced over time as commitments are made in value-add

Projected real estate allocation



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 6.4

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Approval of Resolution Amending the Investment Policy Statement

Recommendation

Adopt a resolution amending the SamCERA Investment Policy Statement.

Background

SamCERA's Investment Policy Statement is periodically updated to reflect the Board's recent actions. Staff combines these changes and typically updates the Investment Policy Statement up to two times per year, as warranted. The Investment Policy Statement was last updated in September 2017.

Discussion

In May 2018, SamCERA's Board approved a new asset allocation, which slightly modifies the allocation adopted in 2017 following the Plan's asset-liability study. As part of the revised allocation, SamCERA approved a one percent reduction to its Private Equity target and a corresponding one percent increase to its Public Equity target. In addition, a 50% currency hedge was approved, which will be legged in at 10% increments on a quarterly basis. The changes in Section 6.0 "Asset Allocation & Portfolio Structure", Section 6.0 (A) "Public Equity Assets", Section 6.0 (D) "Alternative Assets", and Section 6.0 (F) "Asset Allocation Policy Benchmark" are amended to reflect these changes.

As part of the updated asset allocation policy that the Board approved in October 2016, the long-term target to real estate was increased from 6% to 10%. The current interim target is reflected as 8%. Historically the real estate program consisted of one strategy in core real estate but has recently progressed to include multiple strategies across core real estate, value-add real estate, and real estate debt. Given this, staff is proposing to establish targets and allocation ranges for the following three real estate sub-categories: 1) Core Real Estate, 2) Value-Add Real Estate, and 3) Real Estate Debt. The changes in Section 11.0 "Inflation Hedge Investment Policies/Real Estate" reflect the proposed targets and allocation ranges below:

Real Estate Strategy	Target Allocation	Range
Core Real Estate	60%	50 -70%
Value-Add Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

Staff is also proposing to rename “Liquid Pool” to “Public Real Assets” throughout the document to better reflect the investment characteristics of this asset class. The changes in 6.0 (E) “Inflation Hedge Assets” and 11.0 “Inflation Hedge Investment Policies” are amended to reflect these changes.

Staff is also proposing the following updates to the Investment Policy Statement, as set forth below, which reflect the Board’s previously approved investment policies. The changes are summarized below:

1. Section 6.0 (A) “Public Equity Assets” is amended to correctly reflect the change in the domestic equity structure that was approved by the Board in December 2016.
2. Section 6.0 (F) “Asset Allocation Policy Benchmark”, Section 11.0 “Inflation Hedge Investment Policies” and Section 12.0 “Alternative Assets Investment Policies” are amended to reflect changes to the policy benchmarks for SamCERA’s private equity and private real asset programs that were approved by the Board in May 2018.
3. Section 11.0 “Securities Lending” is amended to reflect changes that staff incorporated in 2017 (after consulting with the Board) regarding dollar limits at the borrower and total program level, along with a correction to the types of non-cash collateral utilized.

Attachments

Proposed Amendments to the Investment Policy Statement (Redlined Version)

Proposed Amendments to the Investment Policy Statement (Clean Version)

Resolution Revising the Investment Policy Statement and Attached Investment Policy Statement



SamCERA's Investment Policy Statement

Latest Revision ~~September-August~~ 2018

1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the "Board"), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the "Fund"), hereby establishes the following Investment Policy (the "Policy") for the investment of the San Mateo County Employees' Retirement Association ("SamCERA") assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 ("the 1937 Act"), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the "Manager(s)") and investment consultants (the "Consultant(s)").

A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

The powers and duties of the Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Board.

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California's County Employees' Retirement Law of 1937.

Constitution of the State of California

Article XVI, Section 17, relates to the administration of the system and investment of the Fund assets. It reads in pertinent part:

"(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

"(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

"(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

"(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to

maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the Fund:

Government Code section 31595.

“The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) 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 and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SamCERA’s Mission and Goals

The Board has adopted a Mission and Goals statement. The Mission summarizes SamCERA’s reason to exist.

“Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.”

The Mission is further defined by three goals. One goal speaks to the management of the assets of the Fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other legal requirements, the SamCERA Board has established this Investment Policy.

2.0 MANAGEMENT OF THE FUND

A. ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored by the Board. Investment Staff (the “Staff”), Investment Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Investment Managers (the “Managers”) shall support the Board in this activity. The roles are set forth below:

1. The Board establishes and maintains the investment policy, including: investment philosophy, investment objectives, strategic asset allocation, allocation-level performance benchmarks, and risk philosophy. The Board makes investment and monitoring decisions based upon the recommendations of Staff, Consultants, and other service providers engaged by the Board. The Board reviews and monitors all investments, as well as the policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund. From time to time, the Board will utilize its Investment Committee to assist the Board in these activities and related specified tasks.
2. Staff oversees the Fund’s investment program activities, implements the Board’s decisions, makes recommendations to the Board regarding Fund management, including investment-related policies and procedures. Staff makes recommendations regarding the selection of the Consultant, Managers, Custodian as set forth below and monitors the performance and compliance of these and other investment related service providers.
3. The Consultant reviews, analyzes and evaluates the Fund’s effectiveness and efficiency and makes fund management related recommendations. Consultant assists Staff in implementing the Board’s decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.
4. The Custodian provides custody of SamCERA’s investment assets. In addition, the Custodian manages the securities lending program. The Custodian’s responsibilities are detailed in the service agreement between SamCERA and Custodian.
5. The Managers manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as specific investment guidelines. For separately managed accounts, managers’ responsibilities are detailed in the Investment Management Agreements (IMA) between SamCERA and each Manager. For commingled funds, managers’ responsibilities are detailed in the related Fund documents.

B. INVESTMENT PORTFOLIO MANAGEMENT

The Board, with the assistance of Staff and Consultant, select and monitor Managers to manage the assets of the Fund.

1. Hiring New Managers

For public markets manager searches (i.e. non private equity and private real assets), Staff will inform the Board about the search process, including scope of the mandate, and the investment style, benchmark, and the minimum qualifications for candidates. Staff will update the Board on the short list of potential managers. Consultant and Staff will perform due diligence activities deemed applicable by the Chief Investment Officer, which may include analysis of performance records, meetings, due diligence questionnaires, interviews, and on-site visits. Upon completion of such due diligence, Staff and Consultant will bring a finalist to the Board for approval. The recommendation shall provide the Board with a summary description of the conducted due diligence activities.

For private markets (private equity and private real assets), the Consultant, with Staff input, sources managers that can best fit the desired mandate consistent with the annual pacing study and applicable investment policy. Consultant and Staff will bring potential private markets opportunities to the Board for approval. An exception to this policy is when an investment decision for a private market opportunity must be made prior to the date of the next regularly scheduled Board meeting. In these instances, and for investments of \$25 million or less, the Chief Executive Officer is authorized to make the investment decision after consulting with the Board Chair, or if the Chair is not available, the Vice Chair, and one member of the Investment Committee as long as such decision is in the best interest of the fund and consistent with applicable Board policy. Any action under this authorization will be reported to the Board at a subsequent regularly scheduled meeting.

2. Monitoring Existing Managers

The Board monitors the individual investment managers on a continuous basis through information provided by Staff, the Consultant, the Managers, and other investment service providers. Monthly, the Chief Investment Officer will present a preliminary performance report to the Board that is meant to provide a high-level summary of how the fund and each monthly-valued manager is performing. In addition, for SamCERA's separate accounts, Staff receives holdings and attribution reports from each separate account Manager on a monthly basis. For commingled funds, staff receives from the Manager either monthly or quarterly portfolio performance, attribution, exposure, and commentary reports.

Quarterly, the Consultant, with assistance from the Chief Investment Officer, will present an investment performance report to the Board, as specified in Section 14.0 (Quarterly Investment

Performance Reporting) in the Investment Policy. This report provides a more detailed performance attribution for the total plan and individual Managers, and helps to identify any short-term outlier deviations from expectations.

Semi-annually (month-end June and December of each year), every public markets (i.e. not private equity or private real asset) Manager completes a compliance statement identifying any significant firm, regulatory, and portfolio issues. In addition, semi-annually as of June and December of each year, Consultant will present performance reports for both the Private Equity and Private Real Assets programs that summarize each program and shows total program performance and program diversification by strategy, geography, industry, and vintage year.

Annually, Staff and Consultant will convene an investment strategy session, as specified in Section 15.0 (Annual Investment Strategy) in the Investment Policy, to allow a longer-term assessment of the Managers and the total fund performance. Lastly, all public markets Managers are interviewed annually by Staff and Consultant, and must complete a due diligence questionnaire.

During these presentations at SamCERA, Managers will provide an update on the Manager's organization and business plan, any changes to the investment process, and a summary of investment performance. Staff and Consultant report to the Board following these meetings.

3. Terminating Existing Managers

The Board recognizes investments may need to be adjusted or removed from the Fund from time to time for a variety of reasons, including organization changes at the Manager, changes in Manager style, underperformance relative to expectations, and the Managers' strategy is no longer appropriate for the fund. The Board determines if a Manager should be terminated after receiving input and or recommendations from Staff and Consultant.

3.0 INVESTMENT OBJECTIVES

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, in order to meet the following objectives:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Move toward full actuarial funding of the Pension Benefit Obligation based on GASB 25 and the Board's policy of layered fifteen-year unfunded actuarial accrued liability (UAAL) amortization periods.
- C. Achieve a Fund return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).
- D. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

4.0 INVESTMENT BELIEFS

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

5.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in Section 4.0, it is the investment policy of the Board to:

- A. Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of this Investment Policy.
- C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement (IMA).
- G. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- H. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund's best interest to do so.
- I. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 7.0.

6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

The target asset class allocation, rebalancing ranges, and the sub-asset class portfolio structure of the Fund shall be allocated as follows:

ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	41 0 %	±3%
Fixed Income	21%	±2%
Risk Parity	8%	±2%
Alternative Assets *	12 3 %	±2%
Inflation Hedge *	18%	±2%

* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

A. Public Equity Assets shall be allocated to managers within the following sub-asset classes:

PUBLIC EQUITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	20.0%	±2%
Passive Core	17.0%	±2%
Active Core	3.0%	±2%
Small Capitalization Domestic	2.0%	±2%
Active Core	2.0%	±2%
International	19.0%	±2%
Passive Core	5.7%	±2%
Growth	5.7%	±2%
Value	5.7%	±2%
Emerging Market	2.0%	±2%
TOTAL PUBLIC EQUITY	41.0%	

B. Fixed Income Assets shall be allocated to managers within the following sub-asset classes:

FIXED INCOME ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	11.0%	±2%
Core Unconstrained	3.0%	±2%
Opportunistic Credit	7.0%	±2%
TOTAL FIXED INCOME	21.0%	

C. Risk Parity Assets shall be allocated as follows:

RISK PARITY ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Risk Parity	8.0%	±2%
TOTAL RISK PARITY	8.0%	

D. Alternative Assets shall be allocated to managers within the following sub-asset classes:

ALTERNATIVE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Private Equity	67.0%	±2%
Absolute Return	6.0%	±2%
TOTAL ALTERNATIVE ASSETS	123.0%	

E. Inflation Hedge Assets shall be allocated as follows:

INFLATION HEDGE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Real Estate	8.0%	±2%
Private Real Assets	2.0%	±2%
Liquid Public Pool Real Assets	6.0%	±2%
TIPS	2.0%	±2%
TOTAL INFLATION HEDGE ASSETS	18.0%	

F. Asset Allocation Policy Benchmark

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6.0 (A) through 6.0 (E) and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant.

Benchmark	Asset Allocation Policy Benchmark
Public Equity	41%
Russell 3000 Index	24%
MSCI ACWI x US IMI Index Hedged*	19%
Fixed Income	21%
BC Aggregate Index	14%
BC BA Intermediate High Yield Index	7%
Risk Parity	8%
60% MSCI World / 40% BC Global Aggregate	8%
Alternatives	13%
Russell 3000 +3% (One Quarter Lagged)	6%
LIBOR + 4%	6%
Inflation Hedge	18%

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NCREIF ODCE	8%
Custom <u>LiquidPublic</u> Real Asset Index**	68%
<u>Custom Private Real Asset Index***</u>	2%
BC TIPS Index	2%

*The hedge ratio will increase quarterly as follows: 10% hedge starting 10/1/18, 20% hedge starting 1/1/19, 30% hedge starting 4/1/19, 40% hedge starting 7/1/19, and 50% hedge starting 10/1/19.

**Comprised of 34% Bloomberg Roll Select Commodity Index, 33% S&P Global LargeMidCap Commodity and Resources Index, and 33% S&P Global Infrastructure Index.

***Comprised of 50% S&P Global LargeMidCap Commodity and Resources Index, 50% S&P Global Infrastructure Index + 2% (One Quarter Lagged)

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7.0 REBALANCING POLICY

- A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 6.0.
- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established rebalance ranges specified in Section 6.0.
- C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible, exchange-traded derivatives will be used to rebalance in a cost-effective manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the IMA or other applicable legal agreement(s) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as: Cumulative annualized performance (net of fees) over a three-year period below a broad market-based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return.

Performance will also be evaluated in light of the manager's stated style and discipline.

9.0 PUBLIC EQUITY INVESTMENT POLICIES

PUBLIC EQUITY OVERVIEW: Public equity is expected to produce returns higher than that provided from fixed income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of the general economic growth. There are two primary parts to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

PUBLIC EQUITY MANAGER STRUCTURE:

Domestic Equity: For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The domestic equity composite will consist of two sub-composites: 1) Large-Capitalization Equity, and 2) Small-Capitalization Equity. The large-cap composite will consist of Core. Core will consist of two strategies, one a passive and another a low-tracking error active. The Small-Capitalization strategy will consist of an actively-managed Core strategy.

International Equity: International Equity will consist of two sub-composites: 1) Developed Equity, and 2) Emerging Equity. Developed Equity will consist of a passive Core component and active Value and Growth (although both have exposure to emerging markets). Emerging Market Equity will consist of an active Core mandate.

PUBLIC EQUITY PERFORMANCE OBJECTIVE:

The performance objective of the Public Equity Category is to outperform on a net-of-fee basis a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for both the domestic and international equity parts (which results in the following weights: 545% Russell 3000, and 465% MSCI ACWI ex US IMI Index hedged), with a maximum tracking error of 3% to this benchmark.

PUBLIC EQUITY RISK EXPOSURES AND RISK MITIGATION:

The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA’s rebalancing ranges for small-cap and emerging market equities will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

ASSET CLASS	BENCHMARK INDEX
Total Public Equity	Customized Benchmark Portfolio
Domestic Equity	Russell 3000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	Russell 1000
Active Core	Russell 1000

Small Capitalization Domestic Equity	Russell 2000
Active Core	Russell 2000
International Equity	MSCI All Country World ex US IMI <u>hedged*</u>
Developed International	MSCI All Country World ex US <u>hedged*</u>
Developed International Passive Core	MSCI EAFE
Developed International Growth	MSCI ACWI Free ex US Growth
Developed International Value	MSCI ACWI Free ex US Value
Emerging Markets	MSCI Emerging Markets Free

*The hedge ratio will increase quarterly as follows: 10% hedge starting 10/1/18, 20% hedge starting 1/1/19, 30% hedge starting 4/1/19, 40% hedge starting 7/1/19, and 50% hedge starting 10/1/19.

10.0 FIXED INCOME INVESTMENT POLICIES

FIXED INCOME OVERVIEW: Fixed income is expected to provide a lower but steadier stream of returns than public equity asset classes, but is also expected to reduce the risk of the overall portfolio because bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within fixed income that exhibit very different risk/return trade-offs and hold different tasks in terms of role in the portfolio. Fixed Income is broken out into three subcategories:

- 1) Core, 2) Core Unconstrained, and 3) Opportunistic Credit

Core: Core is generally considered the lowest-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also generally consists of sectors that comprise the Barclays Aggregate Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

Core Unconstrained: Core Unconstrained is a medium-risk fixed income sub-category, and contains the sectors contained in Core plus high yield (below investment grade bonds), non-U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Unconstrained's role in the portfolio is a combination of total portfolio volatility dampening combined with some moderate return enhancement.

Opportunistic Credit: Opportunistic Credit is expected to be the highest-risk fixed income category, and will be used to enhance return by investing in non-traditional sectors of the bond market, including emerging market debt, high yield bonds, bank loans, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities.

FIXED INCOME PERFORMANCE OBJECTIVE:

The performance objective of the Fixed Income Composite is to outperform, on a net-of-fee-basis, a customized index incorporating the weighted average components for three sub-categories highlighted above (which results in the following weights: 67% Barclay's Capital

Aggregate Bond Index and 33% Barclays BA Intermediate High Yield Index., with a maximum tracking error of 2% to this benchmark.

FIXED INCOME RISK EXPOSURES AND RISK MITIGATION:

The fixed income sub-sectors have very different risk factor exposures, with Core being generally the lowest risk, highest liquidity sub-category, while Opportunistic Credit is generally the highest risk, lowest liquidity sub-category. SamCERA will take into account these unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Core Unconstrained: Typically includes the risk factors found in Core with additional exposures to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity. The allocation to these risk exposures will be dynamic over time as the portfolio is not constrained to a benchmark.

Opportunistic Credit: Typically includes the risk factors contained in Core and Core Unconstrained, but, depending on the mandate, with higher emphasis to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

ASSET CLASS	BENCHMARK INDEX
Fixed Income	Customized Benchmark Portfolio
Core/Core Unconstrained	Barclays Capital Aggregate Bond Index
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index

11.0 INFLATION HEDGE INVESTMENT POLICIES

INFLATION HEDGE OVERVIEW: The Inflation Hedge combines inflation-sensitive assets under a single asset class to simplify the asset allocation process and enable better performance monitoring of the plan’s overall, direct exposure to assets with inflation-hedging properties. The plan also has indirect exposure to inflation-sensitive assets through other asset classes, such as Public Equity, Fixed Income, Risk Parity, and Alternatives. When determining the appropriate allocation of inflation protection, both direct and indirect exposures to inflation-sensitive assets across the plan are taken into account. The Inflation Hedge is expected to provide a high degree of inflation beta, attractive risk-adjusted returns and diversification benefits to the overall plan.

Inflation Hedge is broken out into four subcategories:

- 1) Real Estate, 2) Private Real Assets, 3) ~~Public Liquid Real Assets Pool~~, and 4) TIPS

Real Estate: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. Real estate will be composed of three sub-categories: 1) Core, 2) Value-Add, and 3) Debt. The majority of exposure will be in Core real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. ~~The~~

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~~remainder will be~~ Value-Add proprieties ~~that~~ are expected to provide somewhat higher return potential along with somewhat higher risk than Core assets. Real Estate Debt strategies range from lower risk senior loans on stable properties to higher risk/return mezzanine and construction loans. SamCERA utilizes Debt strategies for risk mitigation and to enhance the portfolio's yield.

Income will be a large part of the return stream generated from the Real Estate portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Real Assets composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core, ~~and Value-Add, and Debt~~ strategies. The sub-allocation targets, allocation and target ranges around target are summarized below:

<u>Real Estate Strategy</u>	<u>Target Allocation</u>	<u>Range</u>
<u>Core Real Estate</u>	<u>60%</u>	<u>50 -70%</u>
<u>Value-Add Real Estate</u>	<u>20%</u>	<u>0 - 30%</u>
<u>Real Estate Debt</u>	<u>20%</u>	<u>0 - 30%</u>

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of two sub-categories: 1) Infrastructure (Core, Secondary, Midstream Energy, and Power), and 2) Natural Resources (Energy Exploration & Production, Mining, Farmland, Timber, and Water)-. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets allocation and target ranges around target are summarized below:

<u>Sub-Category</u>	<u>Target Allocation</u>	<u>Range</u>
<u>Infrastructure</u>	<u>50%</u>	<u>+/- 25%</u>
<u>Natural Resources</u>	<u>50%</u>	<u>+/- 25%</u>

Liquid Public Real Assets Pool: Similar to Private Real Assets, ~~the Public Liquid Real Assets Pool~~ is expected to provide positive correlation to inflation, but with potentially higher beta to public equity markets. ~~The Liquid Public Real Assets Pool~~ will be used to fund new strategies in Private Real Assets and will be composed of three sub-categories: 1) Commodities, 2) Listed Global Natural Resources, and 3) Listed Global Infrastructure. All three sub-categories are

meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets. Listed Global Natural Resources and Listed Global Infrastructure may be implemented through the use of relatively inexpensive, passive indices.

The sub-allocation target and target ranges around target are summarized below:

Sub-Category	Target Allocation	Range
Commodities	34%	0 - 50%
Listed Global Natural Resources	33%	0 – 50%
Listed Global Infrastructure	33%	0 – 50%

TIPS: Treasury Inflation-Protected Securities are expected to provide some protection against higher rates of inflation.

INFLATION HEDGE PERFORMANCE OBJECTIVE:

The performance objective of the Inflation Hedge Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for four composite sub-asset classes (which results in the following weights: 44% NCREIF ODCE, 34% Custom Public Real Asset Index, 11% Custom Private Real Asset Index, and 11% BC TIPS Index).

INFLATION HEDGE RISK EXPOSURES AND RISK MITIGATION:

Real Estate: Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate and senior debt investments. Value-add, mezzanine debt, and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA’s real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties and Debt properties strategies. Opportunistic-oriented strategies will reside in our Private Real Assets portfolio due to their higher risk profile. In addition, SamCERA’s core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund’s Advisory Committee.

Private Real Assets: By their nature, Private Real Assets are generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies.

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Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

TIPS: The primary risk factors are to changes in real interest rates, deflationary environments (although deflation floors could mitigate some of this risk), and potential illiquidity.

ASSET CLASS	BENCHMARK INDEX
INFLATION HEDGE	CUSTOMIZED BENCHMARK PORTFOLIO
REAL ESTATE	NCREIF ODCE
PRIVATE REAL ASSETS	CUSTOM PRIVATE REAL ASSET INDEX
LIQUID PUBLIC POOL REAL ASSETS	CUSTOM PUBLIC REAL ASSET INDEX
TIPS	BC TIPS INDEX

12.0 ALTERNATIVE ASSETS INVESTMENT POLICIES

ALTERNATIVES OVERVIEW: Alternatives are investments that do not neatly fit into public equities, or fixed income. SamCERA's alternatives program is broken out into the following two sub asset classes:

- 1) Private Equity, and 2) Absolute Return

Private Equity: Private Equity is expected to be the highest returning asset class over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the Fund to meet its performance objectives. The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets, allocation and target ranges around target are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	60%	+/- 20%
Venture Capital	20%	0 – 30%
Debt/Special Situations	20%	+/- 10%

The responsibility for private equity sourcing is delegated to SamCERA's investment consultant.

The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality:

(a) **Diversification:** Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

Investment Manager: No more than twenty (20) percent of the private equity portfolio's target allocation may be committed to any one investment manager (excluding fund of funds).

Geography: Through commitments to funds located and/or investing both in and outside of the United States.

Industry: It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) **Quality:** All commitments to private equity by SamCERA must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with SamCERA's private placement disclosure rules.

Absolute Return: The absolute return category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

ALTERNATIVES PERFORMANCE OBJECTIVE:

The performance objective of the Alternatives Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for two sub-asset classes highlighted above (which results in the following weights: 504% Russell 3000+3% (One Quarter Lagged), and 5046% LIBOR+4%).

ASSET CLASS	BENCHMARK INDEX
Alternatives	Customized Benchmark Portfolio
Private Equity	Russell 3000 + 3% <u>(Lagged One Quarter Lagged)</u>
Absolute Return	LIBOR + 4%

ALTERNATIVES RISK EXPOSURES AND RISK MITIGATION

Alternatives, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature Private Equity is generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

13. RISK PARITY INVESTMENT POLICIES

RISK PARITY OVERVIEW: Risk Parity is a risk-diversified balanced portfolio that is expected to provide a more diversified return and risk profile than that of a traditional 60% equity / 40% fixed income portfolio. It is generally designed to be more balanced between equity risk, interest rate risk, credit risk, and inflation risk than a traditional balanced portfolio.

RISK PARITY PERFORMANCE OBJECTIVE:

The performance objective of the Risk Parity Composite is to outperform, on a net-of-fee basis, the 60% MSCI World / 40% BC Global Aggregate over a 5 year rolling period.

RISK PARITY RISK EXPOSURES AND RISK MITIGATION:

Risk parity managers utilize leverage in order to enhance returns. Moderate leverage may be utilized and the portfolio managers should avoid strategies that might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250% to 350%. In addition, the risk parity portfolio shall consist of a portfolio of generally liquid trading instruments.

Counter-parties for Over the Counter (OTC) derivatives must either: (1) have a long-term rating from Standard & Poor's of at least A-, or from Moody's of at least A3; or (2) be approved by the manager's counter-party committee. In the event that the OTC derivative counterparty is an unrated affiliate whose performance is unconditionally guaranteed by the parent company, the parent's credit rating shall apply.

ASSET CLASS	BENCHMARK INDEX
Risk Parity	60% MSCI World / 40% BC Global Aggregate

14.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.
- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, one-, three-, and five-year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three- and five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

15.0 ANNUAL INVESTMENT STRATEGY

Annually, the Board/Staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement Fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the Fund's actual investment performance for the prior fiscal year against the investment objectives set forth in Section 3.0 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance.
- (c) Evaluate and review the total Fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- (e) Evaluate and review the portfolio rebalancing activity for the year.
- (f) Evaluate the Fund's liquidity requirements for the current and next fiscal years.
- (g) Compare each investment manager's fees to their respective peer universe.

16.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

- A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement Fund be subordinated to any other interest.
- B. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

17.0 SECURITIES LENDING

A. Pursuant to Section 2.0 (A), the Custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

C. Unless otherwise specified in the agreement(s):

(i) All loans shall be marked-to-market daily.

(ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities.

(iii) Acceptable collateral shall be in the form of cash or ~~marketable fixed income securities with maturities not greater than one year, including (1) Commercial Paper with quality ratings of P 1 and/or A 1 by Moody's Investors Services or Standard & Poor's Corporation, or their equivalents; (2) Banker's acceptances, certificates of deposits and time deposits; (3) United States Treasury and Government Agency short term obligations; and (4) Repurchase Agreements with United States Treasury Securities and Agencies of the United States Government as collateral obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities.~~

(iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating, with the lower rating having a minimum long-term credit rating of either "A-" from S&P or "A3" from Moody's.

(v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than \$3 million.

(vi) The maximum total amount of program assets on loan shall not be greater than \$10 million.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

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APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

*This Resolution, adopted by the Board of Retirement (Board)
of the San Mateo County Employees' Retirement Association (SamCERA),
sets forth the Charter for the Board's Investment Committee.*

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board ... shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the... system. &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, *The Board of Retirement*, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted SamCERA's Investment Policy and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Policy. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Policy, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation
 - 3.2 Evaluate mean variance optimization
 - 3.3 Determine low risk alternatives and high risk alternatives
 - 3.4 Scale portfolios between two extremes
 - 3.5 Evaluate optimized efficient frontier
 - 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
 - 4.1 Assess risk/reward trade-offs
 - 4.2 Assess contribution rate sensitivity & variability
 - 4.3 Assess ability to exceed actuarial interest rate
 - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
 - 5.1 Evaluate differences from current target
 - 5.2 Evaluate Board's willingness to implement new target asset mix
 - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO SAMCERA'S INVESTMENT POLICY
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks
 - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations
 - 8.3 Establish portfolio and asset allocation rebalancing procedures

- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 12.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000
 AMMENDED by unanimous vote, May 22, 2001
 AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow SamCERA's separate account managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows SamCERA's separate account Managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities).

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provisions must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of SamCERA's guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction—the counter-parties to the trade. Due to the possibility of counter-party default, SamCERA's investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings
- f) Other fundamental investment and risk characteristics

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with SamCERA's overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy and SamCERA's investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by SamCERA's Investment Policy. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of SamCERA's guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above Section 4 entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (Collateralized Mortgage Obligations)
- b. Financial futures (if Exchange Traded)
- c. Currency forward contracts and currency options (Exchange and OTC traded)
- d. Interest rate swaps

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if Exchange Traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments
- e. Credit Default Swaps (CDS)

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for SamCERA. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets managed for SamCERA. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints, and communicate the assumptions and model used to estimate VAR (Value at Risk) and/or other reasonable risk measurement procedures annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in SamCERA's separate account portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors include extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices.

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to SamCERA on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with

allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above:

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of SamCERA's investment managers to certify and demonstrate that their portfolios are in compliance with SamCERA's overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), SamCERA's investment managers will provide the following minimum monitoring information on all derivative securities:

- a. A general statement from the investment manager that its portfolio is in compliance with this Derivatives Policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk—an evaluation of potential counter-party default on obligations, market risk—percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Appendix C

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

This amended policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

I. PURPOSE

This Policy is adopted pursuant to the requirements set forth in Government Code Section 7513.85 to help ensure that the San Mateo County Employees' Retirement Association (SamCERA) investment decisions are made solely on the merits of the investment opportunity. This Policy requires broad, timely, and updated disclosure of all Placement Agents, as that term is defined by Government Code section 7513.8, their relationships, compensation and fees.

II. APPLICATION

This Policy applies broadly to every type of SamCERA investment managers including general partners, sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as public market investment managers.

This Policy as amended applies to all agreements with External Managers that are entered into after the date this Policy is adopted and all existing agreements if, after the date this amended Policy is adopted, the agreement is amended to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by SamCERA or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

III. RESPONSIBILITIES

A. The Board is responsible for:

1. Not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.
2. Not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Executing an agreement that provides the External Manager will comply with this policy.
2. Providing the following information to SamCERA Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SamCERA investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former SamCERA Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to SamCERA or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is

registered as a lobbyist with any state or national government.

h. The names of any current or former SamCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 30 calendar days of the date that the External Manager knew or should have known of the change in information.
4. Representing and warranting the accuracy of the information described in section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SamCERA:
 - a. All campaign contributions made by the Placement Agent to any publicly elected SamCERA Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
 - b. All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SamCERA Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
6. SamCERA reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

C. SamCERA Investment Staff ("Staff") are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time the execution of the investment contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between SamCERA and the External Manager to provide in the event that there was or is an intentional material omission or

inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SamCERA reserves the right to reimbursement of any management or advisory fees paid by SamCERA from the date of violation to the date of the imposition of the fees.

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SamCERA for five years after they have committed a material violation of this Policy; provided, however, that SamCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing the Board with Placement Agent information relating to each investment at the time the investment is brought to the Board for its decision.
6. Maintaining Placement Agent Information Disclosures as a public record and reporting to the Board any a material violation of this Policy.

Adopted December 14, 2010
Amended October 25, 2011
Amended March 28, 2017

DEFINITIONS:

The following definitions are excerpted from California Government Code section 7513.8 and are current as of March 28, 2017. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

"External Manager" means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

"Person" means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

"Investment Vehicle" means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

"Investment Fund" means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment

entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 8a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

“Placement Agent” means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.



SamCERA's Investment Policy Statement

Latest Revision August 2018

1.0 ESTABLISHMENT OF INVESTMENT POLICY

The Board of Retirement (the “Board”), having exclusive authority and exclusive fiduciary responsibility for the investment and administration of the Trust Fund (the “Fund”), hereby establishes the following Investment Policy (the “Policy”) for the investment of the San Mateo County Employees’ Retirement Association (“SamCERA”) assets. The Board reserves the right to amend, supplement or rescind this Policy at any time.

The purpose of this Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 (“the 1937 Act”), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers (the “Manager(s)”) and investment consultants (the “Consultant(s)”).

A. GOVERNING DOCUMENTS FOR THE INVESTMENTS OF THE FUND.

The powers and duties of the Board are set forth in the 1937 Act and in Article XVI of the State Constitution. They are further defined by the Mission and Goals adopted by the Board.

SamCERA was created by San Mateo County Ordinance No. 564 adopted by the Board of Supervisors, effective July 1, 1944. This ordinance established the retirement system in accordance with the provisions of California's County Employees' Retirement Law of 1937.

Constitution of the State of California

Article XVI, Section 17, relates to the administration of the system and investment of the Fund assets. It reads in pertinent part:

“(a)...The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.

“(b) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

“(c) The members of the retirement board of a public pension or retirement system shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

“(d) The members of the retirement board of a public pension or retirement system shall diversify the investments of the system so as to minimize the risk of loss and to

maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.”

The 1937 Act

The 1937 Act contains language similar to that in the State Constitution regarding the investments of the Fund:

Government Code section 31595.

“The board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the board.

The board and its officers and employees shall discharge their duties with respect to the system: (a) Solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses of administering the system.

(b) 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 and with like aims.

(c) Shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly prudent not to do so.

SamCERA’s Mission and Goals

The Board has adopted a Mission and Goals statement. The Mission summarizes SamCERA’s reason to exist.

“Mission: SamCERA exists to serve as loyal fiduciary for its members and as prudent administrator of the retirement system.”

The Mission is further defined by three goals. One goal speaks to the management of the assets of the Fund. This asset management goal reads:

“Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.”

In recognition of the requirements of the California Constitution, the 1937 Act, the SamCERA Mission and Goals and other legal requirements, the SamCERA Board has established this Investment Policy.

2.0 MANAGEMENT OF THE FUND

A. ROLES AND PRINCIPAL DUTIES

The Fund investments shall be prudently planned, implemented, managed, and monitored by the Board. Investment Staff (the “Staff”), Investment Consultant (the “Consultant”), Custodian Bank (the “Custodian”), and Investment Managers (the “Managers”) shall support the Board in this activity. The roles are set forth below:

1. The Board establishes and maintains the investment policy, including: investment philosophy, investment objectives, strategic asset allocation, allocation-level performance benchmarks, and risk philosophy. The Board makes investment and monitoring decisions based upon the recommendations of Staff, Consultants, and other service providers engaged by the Board. The Board reviews and monitors all investments, as well as the policies, guidelines and procedures required to prudently administer the Fund and to effectively mitigate risk to the Fund. From time to time, the Board will utilize its Investment Committee to assist the Board in these activities and related specified tasks.
2. Staff oversees the Fund’s investment program activities, implements the Board’s decisions, makes recommendations to the Board regarding Fund management, including investment-related policies and procedures. Staff makes recommendations regarding the selection of the Consultant, Managers, Custodian as set forth below and monitors the performance and compliance of these and other investment related service providers.
3. The Consultant reviews, analyzes and evaluates the Fund’s effectiveness and efficiency and makes fund management related recommendations. Consultant assists Staff in implementing the Board’s decisions and developing all investment-related policies. Consultant’s responsibilities are detailed in the service agreement between SamCERA and Consultant.
4. The Custodian provides custody of SamCERA’s investment assets. In addition, the Custodian manages the securities lending program. The Custodian’s responsibilities are detailed in the service agreement between SamCERA and Custodian.
5. The Managers manage their mandated allocations in accordance with all applicable laws, Board-established policies, guidelines and procedures, as well as specific investment guidelines. For separately managed accounts, managers’ responsibilities are detailed in the Investment Management Agreements (IMA) between SamCERA and each Manager. For commingled funds, managers’ responsibilities are detailed in the related Fund documents.

B. INVESTMENT PORTFOLIO MANAGEMENT

The Board, with the assistance of Staff and Consultant, select and monitor Managers to manage the assets of the Fund.

1. Hiring New Managers

For public markets manager searches (i.e. non private equity and private real assets), Staff will inform the Board about the search process, including scope of the mandate, and the investment style, benchmark, and the minimum qualifications for candidates. Staff will update the Board on the short list of potential managers. Consultant and Staff will perform due diligence activities deemed applicable by the Chief Investment Officer, which may include analysis of performance records, meetings, due diligence questionnaires, interviews, and on-site visits. Upon completion of such due diligence, Staff and Consultant will bring a finalist to the Board for approval. The recommendation shall provide the Board with a summary description of the conducted due diligence activities.

For private markets (private equity and private real assets), the Consultant, with Staff input, sources managers that can best fit the desired mandate consistent with the annual pacing study and applicable investment policy. Consultant and Staff will bring potential private markets opportunities to the Board for approval. An exception to this policy is when an investment decision for a private market opportunity must be made prior to the date of the next regularly scheduled Board meeting. In these instances, and for investments of \$25 million or less, the Chief Executive Officer is authorized to make the investment decision after consulting with the Board Chair, or if the Chair is not available, the Vice Chair, and one member of the Investment Committee as long as such decision is in the best interest of the fund and consistent with applicable Board policy. Any action under this authorization will be reported to the Board at a subsequent regularly scheduled meeting.

2. Monitoring Existing Managers

The Board monitors the individual investment managers on a continuous basis through information provided by Staff, the Consultant, the Managers, and other investment service providers. Monthly, the Chief Investment Officer will present a preliminary performance report to the Board that is meant to provide a high-level summary of how the fund and each monthly-valued manager is performing. In addition, for SamCERA's separate accounts, Staff receives holdings and attribution reports from each separate account Manager on a monthly basis. For commingled funds, staff receives from the Manager either monthly or quarterly portfolio performance, attribution, exposure, and commentary reports.

Quarterly, the Consultant, with assistance from the Chief Investment Officer, will present an investment performance report to the Board, as specified in Section 14.0 (Quarterly Investment

Performance Reporting) in the Investment Policy. This report provides a more detailed performance attribution for the total plan and individual Managers, and helps to identify any short-term outlier deviations from expectations.

Semi-annually (month-end June and December of each year), every public markets (i.e. not private equity or private real asset) Manager completes a compliance statement identifying any significant firm, regulatory, and portfolio issues. In addition, semi-annually as of June and December of each year, Consultant will present performance reports for both the Private Equity and Private Real Assets programs that summarize each program and shows total program performance and program diversification by strategy, geography, industry, and vintage year.

Annually, Staff and Consultant will convene an investment strategy session, as specified in Section 15.0 (Annual Investment Strategy) in the Investment Policy, to allow a longer-term assessment of the Managers and the total fund performance. Lastly, all public markets Managers are interviewed annually by Staff and Consultant, and must complete a due diligence questionnaire.

During these presentations at SamCERA, Managers will provide an update on the Manager's organization and business plan, any changes to the investment process, and a summary of investment performance. Staff and Consultant report to the Board following these meetings.

3. Terminating Existing Managers

The Board recognizes investments may need to be adjusted or removed from the Fund from time to time for a variety of reasons, including organization changes at the Manager, changes in Manager style, underperformance relative to expectations, and the Managers' strategy is no longer appropriate for the fund. The Board determines if a Manager should be terminated after receiving input and or recommendations from Staff and Consultant.

3.0 INVESTMENT OBJECTIVES

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies as stipulated in Sections 4.0 and 5.0, respectively, in order to meet the following objectives:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0) on a net-of-fee basis over five-year rolling periods.
- B. Move toward full actuarial funding of the Pension Benefit Obligation based on GASB 25 and the Board's policy of layered fifteen-year unfunded actuarial accrued liability (UAAL) amortization periods.
- C. Achieve a Fund return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g. 15-20 years).
- D. Provide a more consistent return stream than a traditional 60% Equity / 40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

4.0 INVESTMENT BELIEFS

The following section summarizes the Board's investment beliefs that have guided it in the development of this Policy document and will guide it in the oversight of the Plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions/timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

5.0 GENERAL INVESTMENT POLICIES

Consistent with the investment beliefs contained in Section 4.0, it is the investment policy of the Board to:

- A. Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of this Investment Policy.
- C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement (IMA).
- G. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- H. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the Fund's best interest to do so.
- I. Rebalance the portfolio in accordance to the Rebalancing Policy set forth in Section 7.0.

6.0 ASSET ALLOCATION & PORTFOLIO STRUCTURE

The target asset class allocation, rebalancing ranges, and the sub-asset class portfolio structure of the Fund shall be allocated as follows:

ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Public Equity	41%	±3%
Fixed Income	21%	±2%
Risk Parity	8%	±2%
Alternative Assets *	12%	±2%
Inflation Hedge *	18%	±2%

* Recognizing the illiquidity of the asset class, rebalancing will be considered over six- to twelve-month periods.

A. Public Equity Assets shall be allocated to managers within the following sub-asset classes:

PUBLIC EQUITY ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Large Capitalization Domestic	20.0%	±2%
Passive Core	17.0%	±2%
Active Core	3.0%	±2%
Small Capitalization Domestic	2.0%	±2%
Active Core	2.0%	±2%
International	19.0%	±2%
Passive Core	5.7%	±2%
Growth	5.7%	±2%
Value	5.7%	±2%
Emerging Market	2.0%	±2%
TOTAL PUBLIC EQUITY	41.0%	

B. Fixed Income Assets shall be allocated to managers within the following sub-asset classes:

FIXED INCOME ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Core	11.0%	±2%
Core Unconstrained	3.0%	±2%
Opportunistic Credit	7.0%	±2%
TOTAL FIXED INCOME	21.0%	

C. Risk Parity Assets shall be allocated as follows:

RISK PARITY ASSET CLASS	TARGET ALLOCATION	REBALANCE RANGE
Risk Parity	8.0%	±2%
TOTAL RISK PARITY	8.0%	

D. Alternative Assets shall be allocated to managers within the following sub-asset classes:

ALTERNATIVE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Private Equity	6.0%	±2%
Absolute Return	6.0%	±2%
TOTAL ALTERNATIVE ASSETS	12.0%	

E. Inflation Hedge Assets shall be allocated as follows:

INFLATION HEDGE ASSET CLASSES	TARGET ALLOCATION	REBALANCE RANGE
Real Estate	8.0%	±2%
Private Real Assets	2.0%	±2%
Public Real Assets	6.0%	±2%
TIPS	2.0%	±2%
TOTAL INFLATION HEDGE ASSETS	18.0%	

F. Asset Allocation Policy Benchmark

The Asset Allocation Policy Benchmark defined below is derived by assigning a passive benchmark to each of the sub-asset classes referenced in Sections 6.0 (A) through 6.0 (E) and weighting each by the Target Allocation. The performance of the Asset Allocation Policy Benchmark is computed by the Plan's investment consultant.

Benchmark	Asset Allocation Policy Benchmark
Public Equity	41%
Russell 3000 Index	22%
MSCI ACWI x US IMI Index Hedged*	19%
Fixed Income	21%
BC Aggregate Index	14%
BC BA Intermediate High Yield Index	7%
Risk Parity	8%
60% MSCI World / 40% BC Global Aggregate	8%
Alternatives	12%
Russell 3000 +3% (One Quarter Lagged)	6%
LIBOR + 4%	6%
Inflation Hedge	18%

NCREIF ODCE	8%
Custom Public Real Asset Index**	6%
Custom Private Real Asset Index***	2%
BC TIPS Index	2%

*The hedge ratio will increase quarterly as follows: 10% hedge starting 10/1/18, 20% hedge starting 1/1/19, 30% hedge starting 4/1/19, 40% hedge starting 7/1/19, and 50% hedge starting 10/1/19.

**Comprised of 34% Bloomberg Roll Select Commodity Index, 33% S&P Global LargeMidCap Commodity and Resources Index, and 33% S&P Global Infrastructure Index.

***Comprised of 50% S&P Global LargeMidCap Commodity and Resources Index, 50% S&P Global Infrastructure Index + 2% (One Quarter Lagged)

7.0 REBALANCING POLICY

- A. The Chief Investment Officer (CIO) shall rebalance the portfolio as needed in conformance with the asset allocation tactical ranges set forth in Section 6.0.
- B. The potential need to rebalance will be continuously monitored, and will be subject to deviations within the established rebalance ranges specified in Section 6.0.
- C. The CIO will have discretion to rebalance to Target or to some other allocation, as long as it is within policy ranges.
- D. Cash flows will be used first to rebalance, and to the extent possible, exchange-traded derivatives will be used to rebalance in a cost-effective manner.
- E. All rebalancing activity shall be reported to the Board at the next scheduled meeting.

8.0 GENERAL MANAGER INVESTMENT PERFORMANCE POLICIES

The responsibility for securities selection, purchase and sale decisions, and proxy voting (where appropriate) is delegated to the external investment managers. The individual investment guideline parameters (including diversification constraints, concentration limits, asset type exclusions, etc.) and performance objectives for each investment manager will be established within the IMA or other applicable legal agreement(s) with each firm.

The Board expects to measure investment performance quarterly and will generally follow prudent time horizons when evaluating short term, intermediate term, and long term performance of its investment managers. Generally, the Board defines underperformance as: Cumulative annualized performance (net of fees) over a three-year period below a broad market-based benchmark return times 0.9, or five year return (net of fees) below the broad market based benchmark return.

Performance will also be evaluated in light of the manager's stated style and discipline.

9.0 PUBLIC EQUITY INVESTMENT POLICIES

PUBLIC EQUITY OVERVIEW: Public equity is expected to produce returns higher than that provided from fixed income but at potentially higher levels of volatility. Exposure to this asset class will provide return streams generally correlated to that of the general economic growth. There are two primary parts to the Public Equity category: 1) Domestic Equity, and 2) International Equity.

PUBLIC EQUITY MANAGER STRUCTURE:

Domestic Equity: For the domestic equity program, the majority of the tracking error will come from stock selection via active management as the overall manager structure for domestic equities will not possess any significant biases in terms of investment style. The domestic equity composite will consist of two sub-composites: 1) Large-Capitalization Equity, and 2) Small-Capitalization Equity. The large-cap composite will consist of Core. Core will consist of two strategies, one a passive and another a low-tracking error active. The Small-Capitalization strategy will consist of an actively-managed Core strategy.

International Equity: International Equity will consist of two sub-composites: 1) Developed Equity, and 2) Emerging Equity. Developed Equity will consist of a passive Core component and active Value and Growth (although both have exposure to emerging markets). Emerging Market Equity will consist of an active Core mandate.

PUBLIC EQUITY PERFORMANCE OBJECTIVE:

The performance objective of the Public Equity Category is to outperform on a net-of-fee basis a customized index (Customized Benchmark Portfolio) incorporating the weighted average components for both the domestic and international equity parts (which results in the following weights: 54% Russell 3000, and 46% MSCI ACWI ex US IMI Index hedged), with a maximum tracking error of 3% to this benchmark.

PUBLIC EQUITY RISK EXPOSURES AND RISK MITIGATION:

The primary risk factors for Public Equity are correlation to general economic growth, high volatility in returns, and potential illiquidity in smaller-capitalization and certain emerging market stocks. SamCERA will control for these risk factors by diversifying the plan across assets that exhibit limited correlation to economic growth. In addition, SamCERA’s rebalancing ranges for small-cap and emerging market equities will help ensure adequate diversification within the equity portion of the SamCERA portfolio.

ASSET CLASS	BENCHMARK INDEX
Total Public Equity	Customized Benchmark Portfolio
Domestic Equity	Russell 3000
Large Capitalization Domestic Equity	Russell 1000
Passive Core	Russell 1000
Active Core	Russell 1000
Small Capitalization Domestic Equity	Russell 2000
Active Core	Russell 2000

International Equity	MSCI All Country World ex US IMI hedged*
Developed International	MSCI All Country World ex US hedged*
Developed International Passive Core	MSCI EAFE
Developed International Growth	MSCI ACWI Free ex US Growth
Developed International Value	MSCI ACWI Free ex US Value
Emerging Markets	MSCI Emerging Markets Free

*The hedge ratio will increase quarterly as follows: 10% hedge starting 10/1/18, 20% hedge starting 1/1/19, 30% hedge starting 4/1/19, 40% hedge starting 7/1/19, and 50% hedge starting 10/1/19.

10.0 FIXED INCOME INVESTMENT POLICIES

FIXED INCOME OVERVIEW: Fixed income is expected to provide a lower but steadier stream of returns than public equity asset classes, but is also expected to reduce the risk of the overall portfolio because bonds have lower risk than most other major asset classes. That said, there are a number of sub-categories within fixed income that exhibit very different risk/return trade-offs and hold different tasks in terms of role in the portfolio. Fixed Income is broken out into three subcategories:

- 1) Core, 2) Core Unconstrained, and 3) Opportunistic Credit

Core: Core is generally considered the lowest-risk fixed income category, and one that invests in primarily liquid, investment grade U.S. Dollar denominated bonds. It also generally consists of sectors that comprise the Barclays Aggregate Index. Core's role in the portfolio is to dampen portfolio volatility and protect the portfolio in times of economic duress.

Core Unconstrained: Core Unconstrained is a medium-risk fixed income sub-category, and contains the sectors contained in Core plus high yield (below investment grade bonds), non-U.S. Dollar denominated bonds, and emerging market fixed income securities. Core Unconstrained's role in the portfolio is a combination of total portfolio volatility dampening combined with some moderate return enhancement.

Opportunistic Credit: Opportunistic Credit is expected to be the highest-risk fixed income category, and will be used to enhance return by investing in non-traditional sectors of the bond market, including emerging market debt, high yield bonds, bank loans, convertible bonds, and CMBS/ABS securities. This sub-category will be exposed to general economic risk factors, similar to public equities.

FIXED INCOME PERFORMANCE OBJECTIVE:

The performance objective of the Fixed Income Composite is to outperform, on a net-of-fee-basis, a customized index incorporating the weighted average components for three sub-categories highlighted above (which results in the following weights: 67% Barclay's Capital Aggregate Bond Index and 33% Barclays BA Intermediate High Yield Index., with a maximum tracking error of 2% to this benchmark.

FIXED INCOME RISK EXPOSURES AND RISK MITIGATION:

The fixed income sub-sectors have very different risk factor exposures, with Core being generally the lowest risk, highest liquidity sub-category, while Opportunistic Credit is generally the highest risk, lowest liquidity sub-category. SamCERA will take into account these unique risk factors when constructing the fixed income portfolio to help ensure that the overall risk profile of the total portfolio is consistent with expectations.

Core: The primary risk factors are sensitivity to changes in interest rates, changes in mortgage prepayment speeds, and investment-grade corporate and sovereign credit risk.

Core Unconstrained: Typically includes the risk factors found in Core with additional exposures to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity. The allocation to these risk exposures will be dynamic over time as the portfolio is not constrained to a benchmark.

Opportunistic Credit: Typically includes the risk factors contained in Core and Core Unconstrained, but, depending on the mandate, with higher emphasis to high-yield default risks, emerging markets sovereign/corporate default risk, and potential illiquidity.

ASSET CLASS	BENCHMARK INDEX
Fixed Income	Customized Benchmark Portfolio
Core/Core Unconstrained	Barclays Capital Aggregate Bond Index
Opportunistic Credit	Barclays Capital BA Intermediate High Yield Index

11.0 INFLATION HEDGE INVESTMENT POLICIES

INFLATION HEDGE OVERVIEW: The Inflation Hedge combines inflation-sensitive assets under a single asset class to simplify the asset allocation process and enable better performance monitoring of the plan’s overall, direct exposure to assets with inflation-hedging properties. The plan also has indirect exposure to inflation-sensitive assets through other asset classes, such as Public Equity, Fixed Income, Risk Parity, and Alternatives. When determining the appropriate allocation of inflation protection, both direct and indirect exposures to inflation-sensitive assets across the plan are taken into account. The Inflation Hedge is expected to provide a high degree of inflation beta, attractive risk-adjusted returns and diversification benefits to the overall plan.

Inflation Hedge is broken out into four subcategories:

- 1) Real Estate, 2) Private Real Assets, 3) Public Real Assets, and 4) TIPS

Real Estate: Real Estate is expected to provide a return and risk profile between that provided by fixed income and equities. Real estate will be composed of three sub-categories: 1) Core, 2) Value-Add, and 3) Debt. The majority of exposure will be in Core real estate assets of the highest quality located in the best locations in North America, Europe, and Asia. Value-Add properties are expected to provide somewhat higher return potential along with somewhat higher risk than Core assets. Real Estate Debt strategies range from lower risk

senior loans on stable properties to higher risk/return mezzanine and construction loans. SamCERA utilizes Debt strategies for risk mitigation and to enhance the portfolio's yield.

Income will be a large part of the return stream generated from the Real Estate portfolio. The role of this portfolio is to provide diversification benefits, some protection against unanticipated inflation, and a steady income stream. Higher risk Opportunistic/Development real estate strategies will reside in the Private Real Assets composite due to their higher-risk, longer time horizon, and the less liquid nature of the investment set compared to Core, Value-Add, and Debt strategies. The sub-allocation targets and target ranges are summarized below:

Real Estate Strategy	Target Allocation	Range
Core Real Estate	60%	50 -70%
Value-Add Real Estate	20%	0 - 30%
Real Estate Debt	20%	0 - 30%

Private Real Assets: Private Real Assets are expected to provide attractive total and risk-adjusted returns that exhibit low correlations with traditional asset classes but positive correlation with inflation. Private Real Assets will be composed of two sub-categories: 1) Infrastructure (Core, Secondary, Midstream Energy, and Power), and 2) Natural Resources (Energy Exploration & Production, Mining, Farmland, Timber, and Water). These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Infrastructure	50%	+/- 25%
Natural Resources	50%	+/- 25%

Public Real Assets: Similar to Private Real Assets, Public Real Assets is expected to provide positive correlation to inflation, but with potentially higher beta to public equity markets. Public Real Assets will be used to fund new strategies in Private Real Assets and will be composed of three sub-categories: 1) Commodities, 2) Listed Global Natural Resources, and 3) Listed Global Infrastructure. All three sub-categories are meant to provide some protection from higher levels of unanticipated inflation while providing a diversifying return stream from that of public markets. Listed Global Natural Resources and Listed Global Infrastructure may be implemented through the use of relatively inexpensive, passive indices.

The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Commodities	34%	0 - 50%
Listed Global Natural Resources	33%	0 – 50%
Listed Global Infrastructure	33%	0 – 50%

TIPS: Treasury Inflation-Protected Securities are expected to provide some protection against higher rates of inflation.

INFLATION HEDGE PERFORMANCE OBJECTIVE:

The performance objective of the Inflation Hedge Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for four composite sub-asset classes (which results in the following weights: 44% NCREIF ODCE, 34% Custom Public Real Asset Index, 11% Custom Private Real Asset Index, and 11% BC TIPS Index).

INFLATION HEDGE RISK EXPOSURES AND RISK MITIGATION:

Real Estate: Many real estate funds utilize leverage to enhance returns. Lack of liquidity is also a concern, but less so for core real estate and senior debt investments. Value-add, mezzanine debt, and opportunistic strategies also tend to have more exposure to general economic conditions than core properties.

These risks will be mitigated in a number of ways. First, the primary emphasis of SamCERA’s real estate program will be focused on Core properties, with a secondary emphasis to Value-Add properties and Debt strategies. Opportunistic-oriented strategies will reside in our Private Real Assets portfolio due to their higher risk profile. In addition, SamCERA’s core real estate fund has a leverage limit of 35%, and SamCERA also sits on the Fund’s Advisory Committee.

Private Real Assets: By their nature, Private Real Assets are generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

TIPS: The primary risk factors are to changes in real interest rates, deflationary environments (although deflation floors could mitigate some of this risk), and potential illiquidity.

ASSET CLASS	BENCHMARK INDEX
INFLATION HEDGE	CUSTOMIZED BENCHMARK PORTFOLIO
REAL ESTATE	NCREIF ODCE
PRIVATE REAL ASSETS	CUSTOM PRIVATE REAL ASSET INDEX
PUBLIC REAL ASSETS	CUSTOM PUBLIC REAL ASSET INDEX
TIPS	BC TIPS INDEX

12.0 ALTERNATIVE ASSETS INVESTMENT POLICIES

ALTERNATIVES OVERVIEW: Alternatives are investments that do not neatly fit into public equities, or fixed income. SamCERA's alternatives program is broken out into the following two sub asset classes:

- 1) Private Equity, and 2) Absolute Return

Private Equity: Private Equity is expected to be the highest returning asset class over the long-term. Its role in the portfolio is to provide high return potential in order to maximize the ability of the Fund to meet its performance objectives. The Private Equity program will contain manager allocations to three primary sub-categories: 1) Buyouts, 2) Venture Capital, and 3) Debt/Special Situations. These allocations will be implemented via allocation to primary and secondary fund investments and co-investment opportunities. The sub-allocation targets and target ranges are summarized below:

Sub-Category	Target Allocation	Range
Buyouts	60%	+/- 20%
Venture Capital	20%	0 – 30%
Debt/Special Situations	20%	+/- 10%

The responsibility for private equity sourcing is delegated to SamCERA's investment consultant.

The private equity portfolio shall adhere to the following investment guidelines covering diversification and quality:

- (a) Diversification: Subject to availability of sufficient attractive opportunities, the portfolio is to be diversified over multiple years by the following:

Vintage Year: It is expected that roughly equal amounts of new funding will be committed in each calendar year, with deviations permitted to accommodate market opportunities and to facilitate initial entry into the asset class.

Investment Manager: No more than twenty (20) percent of the private equity portfolio's target allocation may be committed to any one investment manager (excluding fund of funds).

Geography: Through commitments to funds located and/or investing both in and outside of the United States.

Industry: It is expected that the private equity portfolio will be generally diversified by sector/industry.

(b) Quality: All commitments to private equity by SamCERA must be of institutional quality as evidenced by other tax-exempt institutional investors' commitments to the investment manager's prior or current funds.

Fund managers are expected to comply with SamCERA's private placement disclosure rules.

Absolute Return: The absolute return category will focus on funds that have an absolute return orientation and are not expected to contain significant levels of public market beta over the long term. This category is expected to provide a diversifying return stream to the total plan that is not correlated to the public markets. Suitable investment strategies include multi-strategy funds, GTAA or global macro funds, and CTA/Managed Futures trend following funds. It is expected that this category will be implemented via commingled funds and not in separate accounts so that SamCERA's investment in any single fund would be 'ring-fenced' (i.e. any potential losses would be limited to the investment in the single fund, and not extend to the total plan assets).

ALTERNATIVES PERFORMANCE OBJECTIVE:

The performance objective of the Alternatives Composite is to outperform, on a net-of-fee basis, a customized index incorporating the weighted average components for two sub-asset classes highlighted above (which results in the following weights: 50% Russell 3000+3% (One Quarter Lagged), and 50% LIBOR+4%).

ASSET CLASS	BENCHMARK INDEX
Alternatives	Customized Benchmark Portfolio
Private Equity	Russell 3000 + 3% (One Quarter Lagged)
Absolute Return	LIBOR + 4%

ALTERNATIVES RISK EXPOSURES AND RISK MITIGATION

Alternatives, while expected to provide attractive returns that are less correlated to the returns provided by public asset classes, also have a number of risks. Chief among these are illiquidity risk and leverage. By their nature Private Equity is generally illiquid in that the life of these fund investments can be as long as ten to twelve years. SamCERA recognizes that this illiquidity is a necessary characteristic (and source of return premium) for these asset

classes and as such will endeavor to take this illiquidity into account at the total plan level when addressing total plan liquidity needs during strategic planning asset liability studies. Leverage can be employed by alternative managers to enhance the overall risk-adjusted returns. SamCERA will control leverage exposure through partnership selection and portfolio construction and diversification.

13. RISK PARITY INVESTMENT POLICIES

RISK PARITY OVERVIEW: Risk Parity is a risk-diversified balanced portfolio that is expected to provide a more diversified return and risk profile than that of a traditional 60% equity / 40% fixed income portfolio. It is generally designed to be more balanced between equity risk, interest rate risk, credit risk, and inflation risk than a traditional balanced portfolio.

RISK PARITY PERFORMANCE OBJECTIVE:

The performance objective of the Risk Parity Composite is to outperform, on a net-of-fee basis, the 60% MSCI World / 40% BC Global Aggregate over a 5 year rolling period.

RISK PARITY RISK EXPOSURES AND RISK MITIGATION:

Risk parity managers utilize leverage in order to enhance returns. Moderate leverage may be utilized and the portfolio managers should avoid strategies that might place the portfolio outside the expected ranges outlined. Gross exposures are expected to range from 250% to 350%. In addition, the risk parity portfolio shall consist of a portfolio of generally liquid trading instruments.

Counter-parties for Over the Counter (OTC) derivatives must either: (1) have a long-term rating from Standard & Poor’s of at least A-, or from Moody’s of at least A3; or (2) be approved by the manager’s counter-party committee. In the event that the OTC derivative counterparty is an unrated affiliate whose performance is unconditionally guaranteed by the parent company, the parent’s credit rating shall apply.

ASSET CLASS	BENCHMARK INDEX
Risk Parity	60% MSCI World / 40% BC Global Aggregate

14.0 QUARTERLY INVESTMENT PERFORMANCE REPORTING

The quarterly investment performance reports will be designed as a risk management tool and will afford the Board the opportunity to timely identify potential risk issues within the portfolio and to assess the relative performance of the investment managers.

The report will provide sufficient information to assess the following:

- A. Total and active risk assessment at total fund, composite and individual manager level.
- B. Performance attribution at total fund, composite and individual manager level.

- C. Adherence to the investment style for which the manager is retained, as measured by the quarterly risk adjusted active return (deviation of the manager's performance from the specified performance benchmark) over the last quarter, six months, one-, three-, and five-year periods, including updates from previous quarterly reports regarding adherence to the style for which the firm was retained;
- D. Ability of the active manager to demonstrate consistently positive information ratios, including updates from previous quarterly reports regarding the firm's information ratios;
- E. Quarterly, annual, three- and five-year total time-weighted returns relative to the specified performance benchmark and manager style peer group.

15.0 ANNUAL INVESTMENT STRATEGY

Annually, the Board/Staff shall convene an investment strategy session (typically as part of the annual retreat) with the objective of addressing strategic investment policy issues and to deliberate any policies that could benefit the performance of the retirement Fund. The agenda for these sessions should include (but is not limited to) the following information:

- (a) Compare the Fund's actual investment performance for the prior fiscal year against the investment objectives set forth in Section 3.0 and evaluate the relative success or failure of the prior year's performance; specific commentary to this objective shall be an integral part of the performance measurement process.
- (b) Compare each investment manager's investment performance for the prior fiscal year against the relevant benchmarks and peer groups and evaluate the relative success or failure of their prior year's performance.
- (c) Evaluate and review the total Fund performance attribution and contribution to return at the composite level to isolate performance drivers.
- (d) Evaluate and review the various risk exposures of the plan versus appropriate policy limits and on-going trends through time.
- (e) Evaluate and review the portfolio rebalancing activity for the year.
- (f) Evaluate the Fund's liquidity requirements for the current and next fiscal years.
- (g) Compare each investment manager's fees to their respective peer universe.

16.0 PROXY VOTING

The Investment Managers are delegated authority for the voting of proxies, subject to the following guidelines:

- A. All proxies shall be voted in the best interest of the shareholders, but in no instance shall the economic interests of the retirement Fund be subordinated to any other interest.
- B. Investment managers shall provide staff with quarterly reports on all proxies cast, in a mutually acceptable format.

17.0 SECURITIES LENDING

A. Pursuant to Section 2.0 (A), the Custodian shall manage a securities lending program to enhance income in accordance with the terms and conditions set forth in a mutually acceptable securities lending agreement and guaranty.

B. The Board reserves exclusive authority to approve the securities lending agreement prior to the commencement of securities lending activity.

C. Unless otherwise specified in the agreement(s):

(i) All loans shall be marked-to-market daily.

(ii) Collateral on each loan shall be maintained daily at 102% of loan value for domestic securities and 105% of loan value for international securities.

(iii) Acceptable collateral shall be in the form of cash or obligations issued or guaranteed by the U.S. Government, or its agencies or instrumentalities.

(iv) Borrower must have a long-term credit rating of either "A" from S&P or "A2" from Moody's. For split rated borrowers, the higher rating shall prevail if not the same rating, with the lower rating having a minimum long-term credit rating of either "A-" from S&P or "A3" from Moody's.

(v) The maximum allowable amount of assets on loan to any single borrower shall not be greater than \$3 million.

(vi) The maximum total amount of program assets on loan shall not be greater than \$10 million.

D. The Chief Investment Officer shall be responsible for monitoring the securities lending program and recommending changes as appropriate.

APPENDIX A

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Investment Committee Charter as Amended
RESOLUTION 99-00-09

This Resolution, adopted by the Board of Retirement (Board) of the San Mateo County Employees' Retirement Association (SamCERA), sets forth the Charter for the Board's Investment Committee.

WHEREAS, Article XVI, §17 of the Constitution of the State of California as amended in 1992 to read, in pertinent part, as follows:

Notwithstanding any other provisions of law or this Constitution to the contrary, the retirement board of a public pension or retirement system shall have plenary authority and fiduciary responsibility for investment of moneys and administration of the system, subject to all of the following:

(a) The retirement board ... shall have the sole and exclusive fiduciary responsibility over the assets of the ... system. The retirement board shall also have sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and related services to the participants and their beneficiaries. The assets ... are trust funds and shall be held for the exclusive purposes of providing benefits to participants ... and their beneficiaries and defraying reasonable expenses of administering the system.

(b) The members of the retirement board ... shall discharge their duties with respect to the system solely in the interest of, and for the exclusive purposes of providing benefits to, participants and their beneficiaries, minimizing employer contributions thereto, and defraying reasonable expenses

of administering the system. A retirement board's duty to its participants and their beneficiaries shall take precedence over any other duty.

(c) The members of the retirement board ... shall discharge their duties with respect to the system with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

(d) The members of the retirement board...shall diversify the investments of the system so as to minimize the risk of loss and to maximize the rate of return, unless under the circumstances it is clearly not prudent to do so.

(e) The retirement board..., consistent with the exclusive fiduciary responsibilities vested in it, shall have the sole and exclusive power to provide for actuarial services in order to assure the competency of the assets of the... system. &

WHEREAS, California Government Code §31595 states, as follows:

The Board has exclusive control of the investment of the employees retirement fund. The assets of a public pension or retirement system are trust funds and shall be held for the exclusive purposes of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system. Except as otherwise expressly restricted by the California Constitution and by law, the Board may, in its discretion, invest, or delegate the authority to invest, the assets of the fund through the purchase, holding, or sale of any form or type of investment, financial instrument, or financial transaction when prudent in the informed opinion of the Board...; &

WHEREAS, *The Board of Retirement*, wishes to exercise these powers as follows:

EXERCISE OF POWERS: *The Board shall exercise its investment, management and administrative authority and responsibility through the approval of motions recorded in public meeting &*

WHEREAS, the Board has adopted SamCERA's Investment Policy and amendments thereto to direct the investments of the Retirement Fund and now wishes to establish an Investment Committee to guide the future evolution of SamCERA's Investment Policy. Therefore, be it

RESOLVED that the Board hereby establishes a standing Investment Committee to direct the Board in its ongoing evaluation of SamCERA's Investment Policy, including but not limited to

- 1.0 CONDUCT ASSET ALLOCATION STUDIES
 - 1.1 Determine the characteristics of the Policy's liabilities in regards to the nature of Fund's cash flows
- 2.0 DEVELOP ASSET MIX ALTERNATIVES TO MEET LIABILITY REQUIREMENTS
 - 2.1 Establish allowable asset classes
 - 2.2 Determine asset class benchmarks
 - 2.3 Develop risk, return & correlation projections
- 3.0 EVALUATE EFFICIENT FRONTIER ALTERNATIVES
 - 3.1 Define risk, return and correlation

- 3.2 Evaluate mean variance optimization
- 3.3 Determine low risk alternatives and high risk alternatives
- 3.4 Scale portfolios between two extremes
- 3.5 Evaluate optimized efficient frontier
- 3.6 Integrate optimized efficient frontier with asset-liability relationships
- 4.0 ANALYZE BOARD RISK TOLERANCE
 - 4.1 Assess risk/reward trade-offs
 - 4.2 Assess contribution rate sensitivity & variability
 - 4.3 Assess ability to exceed actuarial interest rate
 - 4.4 Assess comfort level with characteristics of specific asset mixes
- 5.0 RECOMMEND PREFERRED ASSET MIX
 - 5.1 Evaluate differences from current target
 - 5.2 Evaluate Board's willingness to implement new target asset mix
 - 5.3 Evaluate appropriateness of variance from peer public fund norms
- 6.0 RECOMMEND AMENDMENTS TO SAMCERA'S INVESTMENT POLICY
 - 6.1 Adjust target asset mix
 - 6.2 Introduce new benchmarks
 - 6.3 Include required asset class/portfolio modifications
- 7.0 RECOMMEND REVISIONS TO MANAGER STRUCTURE
 - 7.1 Adjust manager/style line-up as necessary
 - 7.2 Introduce new managers/asset classes
 - 7.3 Terminate managers/asset classes as necessary
 - 7.4 Establish active & passive allocation targets as appropriate
- 8.0 IMPLEMENT CHANGES TO MANAGER STRUCTURE
 - 8.1 Recommend time-line & approach to revise structure
 - 8.2 Conduct manager evaluations
 - 8.3 Establish portfolio and asset allocation rebalancing procedures
- 9.0 EVALUATE MANAGER PERFORMANCE
 - 9.1 Monitor results of managers both gross and net of investment management fees
 - 9.2 Assess consistency of portfolio decision making
 - 9.3 Evaluate organizational, ownership, personnel & other firm developments
- 10.0 RECOMMEND AND EVALUATE INVESTMENT CONSULTANT STRUCTURE & PERFORMANCE
 - 10.1 Recommend for Board determination the retention and termination of Investment Consultant(s) as necessary
 - 10.2 Define and assign special projects as warranted
 - 10.3 Monitor performance of Investment Consultant(s)
 - 10.4 Conduct evaluations of Investment Consultant(s)
 - 10.5 Evaluate organizational, ownership, personnel and other firm developments
- 11.0 INITIATE & EVALUATE SPECIAL INVESTMENT STUDIES
- 12.0 UNDERTAKE OTHER WORK ASSIGNED TO IT BY THE BOARD Be it further

RESOLVED that the Chair may appoint the members of the Investment Committee per Regulation 2.5.1. Be it further

RESOLVED that the Chief Executive Officer is hereby instructed to provide the Committee with access to all appropriate and available resources and records, so long as such access is consistent with sound fiduciary practices. Be it further

RESOLVED that the Chief Executive Officer is hereby authorized to provide compensation of \$100 per meeting for not more than two meetings per month to the members of the Committee eligible for such compensation, per GC§31521. Be it further

RESOLVED that the Board hereby reserves to itself sole authority to accept, modify, or reject the recommendations, which the Investment Committee may present from time to time pursuant to the provisions of this Resolution, per Regulation 2.3.

ADOPTED by unanimous vote, January 25, 2000

AMMENDED by unanimous vote, May 22, 2001

AMMENDED by unanimous vote, October 25, 2004

APPENDIX B

Derivatives Investment Policy

1) Introduction

There is a genuine need to allow SamCERA's separate account managers to evaluate new securities and introduce them into their portfolios, given that the investment process followed by the investment managers complies with the subsequent provisions of this policy statement. This policy statement allows SamCERA's separate account Managers to exercise reasonable investment freedom, while minimizing the possibility of adverse implications for the Board.

2) Derivative Definition

A 'derivative' commonly is defined as a financial instrument whose performance is derived, at least in part, from the performance of an underlying asset (such as a security or an index of securities).

3) Types of Securities Included or Excluded

Since the derivative sector of the market is likely to experience considerable change, provisions must be made for the general characteristics of a derivative security, its evaluation and monitoring. Therefore, it is most appropriate to not attempt to definitively list all of the derivative securities that are covered by this policy. Instead, what will be explicitly stated is the investment process that governs derivative investments and the evaluation and monitoring requirements of this policy.

4) Approach to Policy

An approach has been developed which states allowable derivative investments, limited allocation derivative investments and restricted derivative investments.

Derivative securities not specified in the above three groups of securities must be evaluated in accordance with the following section entitled Derivative Investment Process. If the security meets these provisions and the spirit of these policies, the manager may establish a prudent position in the instrument. However, the manager must be able to demonstrate the appropriateness of such an investment in light of SamCERA's guidelines.

5) Counter-Party Evaluation

When entering into a non-exchange traded derivative investment, the investment manager must fully evaluate the other side of the derivative transaction—the counter-parties to the trade. Due to the possibility of counter-party default, SamCERA's investment managers must evaluate the risks associated with the counter-party as if an investment were being made in the traditional securities issued by the counter-party.

At a minimum, the investment manager must evaluate the counter-party's following criteria:

- a) Corporate earnings stream
- b) Corporate asset quality
- c) Capitalization
- d) Corporate liquidity
- e) Moody's and Standard & Poor's debt ratings
- f) Other fundamental investment and risk characteristics

For those counter-parties that are broker/dealers, they must:

- a) Have investment grade (Moody's and S&P rated) debt
- b) Be registered with the SEC
- c) Have significant net capital to protect against potential adverse market circumstances

For those counter-parties that are financial institutions (banks), they must have:

- a) Investment grade (Moody's and S&P rated) debt
- b) Total assets in excess of \$1 billion
- c) Significant net capital to protect against potential adverse market circumstances

The investment manager must monitor individual investment and total portfolio exposure to counter-parties. Individual counter-party exposure must be well diversified and not concentrated in a small number of organizations.

6) Purposes for Derivatives

The acceptable investment purposes for the use of derivatives are as follows:

- a. Appropriate to use futures, options and forward currency contracts to assist investment managers in mitigating portfolio risk.
- b. Useful substitute for an existing, traditional investment. In certain circumstances it may be cheaper, quicker or easier to invest in a derivative instrument or security rather than transacting in the cash or traditional security market.
- c. Provides investment value to the portfolio, while being consistent with SamCERA's overall and specific investment policies.
- d. Obtains investment exposure that is appropriate with the manager's investment strategy and SamCERA's investment guidelines, but could not be made through traditional investment securities.

Given that one or more of these investment purposes are clearly met, it is the responsibility of the investment manager to explain and demonstrate how derivative investments impact portfolio risk and the context of the investment within the overall portfolio.

Any other derivative investment purpose is not allowed. Derivatives may not be introduced into the portfolio to create economic leverage or to create investment exposures that are otherwise excluded by SamCERA's Investment Policy. However, if a manager develops an investment purpose other than those listed above which he/she feels is legitimate and consistent with the spirit of SamCERA's guidelines, this purpose should be proposed in writing to the Board.

7) Investment Restrictions and Derivatives Policy

For the purpose of these guidelines, convertible debt, traditional zero coupon bonds, mortgage pass-through securities and asset-backed securities are not viewed as derivatives. Based upon the factors enumerated in the above Section 4 entitled Approach to Policy, the following guidelines have been established:

Allowable derivative investments

- a. Stable and well-structured mortgage CMO's (Collateralized Mortgage Obligations)
- b. Financial futures (if Exchange Traded)
- c. Currency forward contracts and currency options (Exchange and OTC traded)
- d. Interest rate swaps

Derivative investments with allocation limits

- a. Interest only mortgage CMO's
- b. Principal only mortgage CMO's
- c. Options (if Exchange Traded)
- d. Caps and floors as they apply to the above stated allowable derivative investments
- e. Credit Default Swaps (CDS)

Derivative investments with allocation limits, as listed above, may not represent more than 5% of the individual portfolio manager's assets (based on market value) managed for SamCERA. At the same time, derivative investments with allocation limits in aggregate may not expose the individual manager's portfolio to losses in excess of 5% of the manager's total assets managed for SamCERA. In addition, the use of options, caps and floors, and CDS may be used only for defensive investment purposes.

Managers investing in the above-defined limited allocation derivative instruments should ensure that portfolio exposure is maintained within the stated constraints, and communicate the assumptions and model used to estimate VAR (Value at Risk) and/or other reasonable risk measurement procedures annually to the Boards.

Restricted derivative investments

- a. Inverse floating rate notes and bonds
- b. Structured notes

Restricted derivatives cannot be held in SamCERA's separate account portfolios at any time.

8) Risk Analysis and Monitoring of Derivatives

For those securities that are classified as derivative investments with allocation limits, the investment managers are required to test and measure derivative investment sensitivities to changes in key risk factors. These risk factors include extreme changes in interest rates, volatility, liquidity, credit quality, and cash market prices.

These risk factors will be assessed prior to initial investment and on a quarterly basis. Results of such risk testing on derivative investments with allocation limits will be supplied to SamCERA on an annual basis (December 31). If the investment manager identifies additional risks that should be evaluated, these other risk factors should be added to the list and handled in a manner consistent with the previously stated approach.

9) Derivative Investment Process

Investment managers are expected to cover the following issues before purchasing a derivative instrument or security, whether specifically stated as an allowable derivative investment, a derivative investment with

allocation limits, or a derivative not specifically discussed in the Investment Restrictions and Derivatives Policy section above:

- a. Determine if the purpose for investing in a derivative security is consistent with one or more of the purposes in the previous section entitled Purposes for Derivatives.
- b. Determine where the security fits into the classification system, if at all, stated in the Investment Restrictions and Derivatives Policy.
- c. Evaluate, at a minimum, the counter-party risk and the risks stated in the Risk Analysis and Monitoring section of the derivatives policy.
- d. Evaluate the derivative in a comparably thorough manner as the firm would any other traditional investment opportunity.

10) Reporting Requirements

It is the responsibility of SamCERA's investment managers to certify and demonstrate that their portfolios are in compliance with SamCERA's overall guidelines as well as those that apply to derivative investments. On an annual basis (December 31), SamCERA's investment managers will provide the following minimum monitoring information on all derivative securities:

- a. A general statement from the investment manager that its portfolio is in compliance with this Derivatives Policy.
- b. When stating the market value of the derivative exposure, the manager will specify the security pricing sources. The pricing source must be exchange-listed.
- c. A statement of the risks (credit risk—an evaluation of potential counter-party default on obligations, market risk—percent of portfolio invested in derivatives, and any other relevant risks) associated with the derivative investments.
- d. Potential adverse impact on market values if extreme adverse market movements occur.
- e. A statement regarding the liquidity of the derivative investments.
- f. Summary comments and the firm's list of approved counter-parties, ratings, and a statement regarding any changes to this list.
- g. An overall statement discussing the legal and regulatory risks associated with the portfolio manager's investments in derivatives.

Appendix C

DISCLOSURE OF PLACEMENT AGENT FEES, GIFTS, AND CAMPAIGN CONTRIBUTIONS

This amended policy is effective immediately upon adoption. This policy is intended to supplement any applicable provisions of state or federal law, which shall govern in the event of any inconsistency.

I. PURPOSE

This Policy is adopted pursuant to the requirements set forth in Government Code Section 7513.85 to help ensure that the San Mateo County Employees' Retirement Association (SamCERA) investment decisions are made solely on the merits of the investment opportunity. This Policy requires broad, timely, and updated disclosure of all Placement Agents, as that term is defined by Government Code section 7513.8, their relationships, compensation and fees.

II. APPLICATION

This Policy applies broadly to every type of SamCERA investment managers including general partners, sponsors of hedge funds, private equity funds, real estate funds and infrastructure funds, as well as public market investment managers.

This Policy as amended applies to all agreements with External Managers that are entered into after the date this Policy is adopted and all existing agreements if, after the date this amended Policy is adopted, the agreement is amended to continue, terminate, or extend the term of the agreement or the investment period, increase the commitment of funds by SamCERA or increase or accelerate the fees or compensation payable to the External Manager (Referred to hereafter as "Amendment".) In the case of an Amendment, the disclosure provisions of this Policy shall apply to the Amendment and not to the original agreement.

III. RESPONSIBILITIES

A. The Board is responsible for:

1. Not entering into any agreement with an External Manager that does not agree in writing to comply with this policy.

2. Not entering into any agreement with an External Manager who has violated this policy within the previous five years. However, this prohibition may be reduced by a majority vote of the Board at a public session upon a showing of good cause.

B. Each External Manager is responsible for:

1. Executing an agreement that provides the External Manager will comply with this policy.
2. Providing the following information to SamCERA Investment Staff within 45 days of the time investment discussions are initiated by the External Manager, but in any event, prior to the completion of due diligence. In the case of Amendments, the Placement Agent Information Disclosure is required prior to execution of the Amendment.
 - a. Disclosure of payments or compensation by the External Manager or any of its principals, employees, agents or affiliates, directly or indirectly, to any person or entity to act as a Placement Agent in connection with SamCERA investments.
 - b. A resume for each officer, partner, principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses and investment and work experience. If any such person is a current or former SamCERA Board Member, employee or Consultant or a member of the immediate family of any such person, this fact shall be specifically noted.
 - c. A description of any and all compensation of any kind provided or agreed to be provided to a Placement Agent, including the nature, timing and value thereof. Compensation to Placement Agents shall include, but not be limited to, compensation to third parties as well as employees of the External Manager who solicit or market investments to SamCERA or who are paid based upon investment commitments secured by such employees.
 - d. A description of the services to be performed by the Placement Agent and a statement as to whether the Placement Agent is utilized by the External Manager with all prospective clients or only with a subset of the External Manager's prospective clients.
 - e. A written copy of any and all agreements between the External Manager and the Placement Agent.
 - f. A statement whether the placement agent, or any of its affiliates, are registered with the Securities and Exchange Commission or the Financial Industry Regulatory Association, or any similar regulatory agent in a country other than the United States, and the details of that registration or explanation as to why no registration is required.
 - g. A statement whether the placement agent, or any of its affiliates, is

registered as a lobbyist with any state or national government.

h. The names of any current or former SamCERA Board Members, employees, or Consultants who suggested the retention of the Placement Agent.

3. Providing an update of any changes to any of the information provided pursuant to section B.2 above within 30 calendar days of the date that the External Manager knew or should have known of the change in information.
4. Representing and warranting the accuracy of the information described in section B.2 above.
5. Causing its engaged Placement Agent to disclose, prior to acting as a Placement Agent to SamCERA:
 - a. All campaign contributions made by the Placement Agent to any publicly elected SamCERA Board Member during the prior 24-month period. Additionally, any subsequent campaign contribution made by the Placement Agent to any publicly elected SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
 - b. All gifts, as defined in Government Code Section 82028, given by the Placement Agent to any SamCERA Board Member during the prior 24-month period. Additionally, any subsequent gift made by the Placement Agent to any SamCERA Board Member during the time the Placement Agent is receiving compensation in connection with a SamCERA investment shall also be disclosed.
6. SamCERA reserves the right to deem the failure to disclose the information required by 5(a) and 5(b) as a material breach of the agreement with the External Manager.

C. SamCERA Investment Staff (“Staff”) are responsible for:

1. Providing External Managers with a copy of this Policy at the time that discussions are initiated with respect to a prospective investment or engagement.
2. Confirming that the information in section B above has been received within 45 days of the time the execution of the investment contract or Amendment.
3. For new contracts and amendments to contracts existing as of the date of the initial adoption of this Policy, securing the agreement of the External Manager in the final written agreement between SamCERA and the External Manager to provide in the event that there was or is an intentional material omission or

inaccuracy in the Placement Agent Information Disclosure or any other violation of this Policy, SamCERA reserves the right to reimbursement of any management or advisory fees paid by SamCERA from the date of violation to the date of the imposition of the fees.

4. Prohibiting any External Manager or Placement Agent from soliciting new investments from SamCERA for five years after they have committed a material violation of this Policy; provided, however, that SamCERA's Board, by majority vote at a noticed, public meeting, may reduce this prohibition upon a showing of good cause.
5. Providing the Board with Placement Agent information relating to each investment at the time the investment is brought to the Board for its decision.
6. Maintaining Placement Agent Information Disclosures as a public record and reporting to the Board any a material violation of this Policy.

Adopted December 14, 2010

Amended October 25, 2011

Amended March 28, 2017

DEFINITIONS:

The following definitions are excerpted from California Government Code section 7513.8 and are current as of March 28, 2017. Should the legislature subsequently amend the definitions below, the definition of these terms as amended shall supersede the definitions contained in this policy.

“External Manager” means either of the following: (1) a Person who is seeking to be, or is, retained by a board or an Investment Vehicle to manage a portfolio of securities or other assets for compensation; (2) a Person who manages an Investment Fund and who offers or sells, or has offered or sold, an ownership interest in the Investment Fund to a board or an Investment Vehicle. (All code section references are to the Government Code, unless otherwise noted.)

“Person” means an individual, corporation, partnership, limited partnership, limited liability company, or association, either domestic or foreign.

“Investment Vehicle” means a corporation, partnership, limited partnership, limited liability company, association, or other entity, either domestic or foreign, managed by an External Manager in which a board is the majority investor and that is organized in order to invest with, or retain the investment management services of, other External Managers.

“Investment Fund” means a private equity fund, public equity fund, venture capital fund, hedge fund, fixed income fund, real estate fund, infrastructure fund, or similar pooled investment

entity that is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, owning, holding, or trading securities or other assets. Notwithstanding the preceding sentence, an investment company that is registered with the Securities and Exchange Commission pursuant to the Investment Company Act of 1940 (15 U.S.C. Sec. 8a-1 et seq.) and that makes a public offering of its securities is not an Investment Fund.

“Placement Agent” means any Person directly or indirectly hired, engaged, or retained by, or serving for the benefit of or on behalf of, an External Manager or an Investment Fund managed by an External Manager, and who acts or has acted for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to a board or an Investment Vehicle either of the following: in the case of an External Manager as defined in subpart (1) of the definition of an External Manager, the investment management services of the External Manager; in the case of an External Manager as defined in subpart (2) of the definition of an External Manager, an ownership interest in an Investment Fund managed by the External Manager. Notwithstanding the preceding sentence, an individual who is an employee, officer, director, equityholder, partner, member, or trustee of an External Manager and who spends one-third or more of his or her time, during a calendar year, managing the securities or assets owned, controlled, invested, or held by the External Manager is not a Placement Agent.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

RESOLUTION 2018-___

**RESOLUTION AMENDING SAMCERA'S
INVESTMENT POLICY STATEMENT**

WHEREAS, pursuant to Article XVI, Section 17, of the California Constitution, the Board of Retirement (the "Board"), has the exclusive authority and exclusive fiduciary responsibility for the investment and administration of the assets of the retirement system (the "Fund"), and on June 3, 2014, established an Investment Policy Statement (the "Policy") for the investment of the Fund assets; and

WHEREAS, the purpose of the Policy is to assist SamCERA in effectively supervising its investments in order to meet the requirements of the California Constitution, the County Employees Retirement Law of 1937 ("the 1937 Act"), the Mission and Goals of SamCERA and other requirements, and to encourage effective communication between SamCERA and its investment managers and investment consultants; and

WHEREAS, the Board periodically reviews its Policy and amends it as necessary to remain up to date to reflect recent actions of the Board; and

WHEREAS, in May 2018, the Board approved an asset allocation that reduces the Private Equity target by one percent, increases to the Public Equity target by one percent, and includes a 50% currency hedge which will be legged in at 10% increments on a quarterly basis. The changes in Section 6.0 "Asset Allocation & Portfolio Structure", Section 6.0 (A) "Public Equity Assets", Section 6.0 (D) "Alternative Assets", and Section 6.0 (F) "Asset Allocation Policy Benchmark" are amended to reflect these changes; and

WHEREAS, in October 2016, the Board approved an asset allocation that increased the long-term target to real estate from 6% to 10%, and which has a current interim target of 8%. Additionally, the Board desires to establish targets and allocation ranges for the following three real estate sub-categories: 1) Core Real Estate, 2) Value-Add Real Estate, and 3) Real Estate Debt. The changes in Section 11.0 "Inflation Hedge Investment Policies/Real Estate" reflect the proposed targets and allocation ranges; and

WHEREAS, the Board desires to rename "Liquid Pool" to "Public Real Assets" throughout the document to better reflect the investment characteristics of this asset class. The changes in 6.0 (E) "Inflation Hedge Assets" and 11.0 "Inflation Hedge Investment Policies" are amended to reflect these changes; and

WHEREAS, the Board also now desires to memorialize the Board's actions regarding the domestic equity manager structure, the policy benchmarks for SamCERA's private equity and private real asset programs, and changes to the securities lending program. These previously approved changes are summarized below:

1. Section 6.0 (A) "Public Equity Assets" is amended to correctly reflect the change in the domestic equity structure that was approved by the Board in December 2016.
2. Section 6.0 (F) "Asset Allocation Policy Benchmark", Section 11.0 "Inflation Hedge Investment Policies" and Section 12.0 "Alternative Assets Investment Policies" are amended to reflect changes to the policy benchmarks for SamCERA's private equity and private real asset programs that were approved by the Board in May 2018.
3. Section 11.0 "Securities Lending" is amended to reflect changes in 2017 regarding dollar limits at the borrower and total program level, along with a correction to the types of non-cash collateral utilized.

WHEREAS, the Board and desires to make all of the above described amendments; Now, therefore, be it

RESOLVED, that the SamCERA "Investment Policy Statement" be revised to read as set forth in the attached document.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 6.5

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst



SUBJECT: Report on Low Volatility Equity Manager Short-List

Recommendation

Review the report on the short list of Low Volatility Equity managers.

Background

In the May 2018 board meeting, the Board approved an updated asset allocation policy, which included a 6% allocation (approximately \$250 million) to a domestic large cap low volatility equity strategy to dampen expected portfolio volatility. In the July board meeting, Verus provided an educational presentation on low volatility equity, and planned to follow-up with a shortlist of strategies.

Discussion

SamCERA staff and consultant conducted the US large cap low volatility equity search independently, but jointly identified the initial subset of managers to send due diligence questionnaires. Both staff and consultant then agreed on the short list of managers to conduct onsite due diligence visits.

The process Verus utilized for the search is detailed in the attached memorandum. Internally, SamCERA staff screened the eVestment Alliance universe of U.S. low volatility equity strategies and focused on strategies that exhibited consistently lower risk characteristics (lower beta, standard deviation, downside capture, drawdown), and more attractive risk-adjusted metrics (Sharpe and Sortino ratios, upside to downside capture ratios) as compared to the broader market index (Russell 1000), among other criteria.

In summary, ten firms covering twelve potential strategies were sent detailed due diligence questionnaires, and after further review, three potential strategies were selected as the shortlist of managers to conduct onsite due diligence visits.

The three strategies are compared in the attached memorandum from Verus. Margaret Jadallah from Verus will review the report with the Board.

Attachment

Verus Memorandum U.S. Large Cap Low Volatility Manager Search

Memorandum

To: SamCERA
From: Verus
Date: September 25, 2018
RE: U.S. Large Cap Low Volatility manager search

Executive Summary

In May, SamCERA's Board approved a new asset allocation, which slightly modifies the allocation adopted in 2017 following the Plan's asset-liability study. As part of the revised allocation, SamCERA approved a 6% allocation to Low Volatility within U.S. large cap equity (approximately \$250 million). The 6% allocation will be taken from passive domestic equity. An education presentation on Low Volatility strategies was given to the Board at the July meeting. Pursuant to the education on Low Volatility, Verus and Staff identified 10 low volatility managers to review for the mandate. An RFI was issued to these 10 managers with 12 strategies in total in order to conduct further due diligence into their organizations and low volatility investment strategies. Following review of the RFIs, Verus and Staff jointly identified 3 short list candidates and will conduct onsite visits with each of them.

Screening of eVestment Alliance database

SamCERA's consulting team in San Francisco and Verus' manager research group independently screened the entire universe of Large Cap managers in the eVestment Alliance universe to identify Low Volatility strategies from this heterogeneous universe. Verus' manager research team screened U.S. large cap approaches that incorporated low volatility as part of their approach while culling the list for strategies that were not appropriate for the mandate (i.e. 130/30). SamCERA's consulting team in San Francisco used screens that identified U.S. large cap strategies that had lower beta versus the broad index, lower standard deviations and good downside capture and constructed a low volatility manager list using this methodology. Verus-SF and the manager research team discussed which approaches were most compelling and appropriate for the SamCERA mandate and presented this list to SamCERA. SamCERA Staff screened for Low Volatility managers independently. Verus and SamCERA Staff discussed the managers identified and finalized the low volatility RFI list of managers.

Finally, 10 managers were issued a U.S. Large Cap Low Volatility RFI.

Additional analysis and considerations

Qualitative due diligence

SamCERA's consulting team discussed the RFI responses and derived a short list candidates based on a variety of qualitative and quantitative factors. SamCERA Staff also reviewed the RFIs and determined their list of preferred candidates. Verus and Staff then had a conference call to discuss the RFI respondents and came to a mutual decision on three finalists. Our analysis and conclusions were consistent.

Remaining candidates

The remaining low volatility managers in the search are:

- PanAgora Asset Management - Defensive U.S. Equity Low Volatility
- Acadian Asset Management - U.S. Managed Volatility Equity
- Martingale Asset Management - Low Volatility LargeCap+

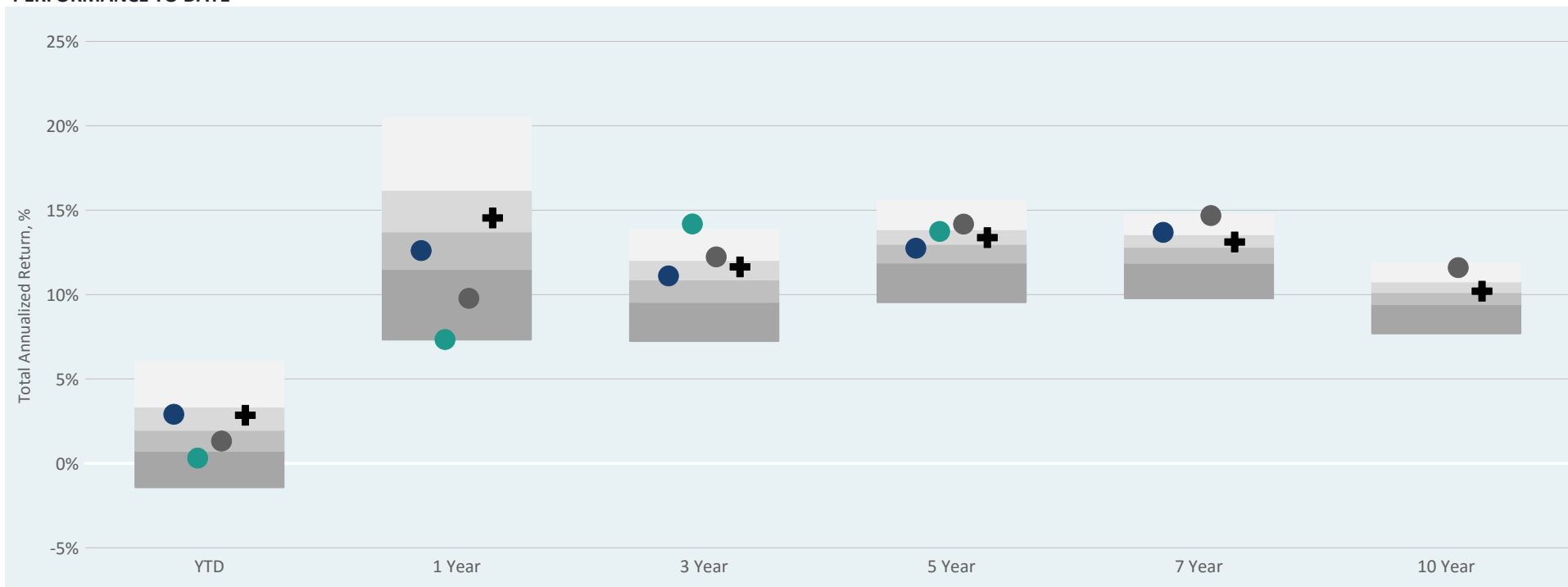
Next Steps

Verus and staff will conduct onsite visits with the investment teams of each of the remaining managers. Following the onsite visits, Verus and staff will present our findings and recommend a finalist for the Board's consideration.

Performance comparison - as of June 2018

● Acadian ● PanAgora ● Martingale + Russell 1000

PERFORMANCE TO DATE

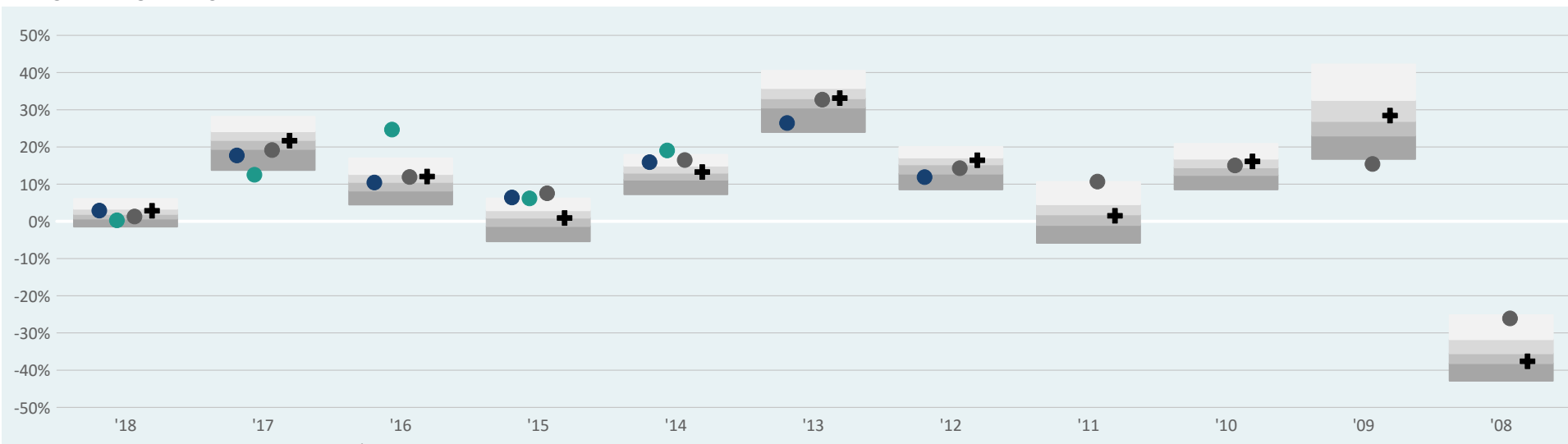


EXCESS ANNUALIZED RETURN TO DATE, %	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
Acadian	0.1	-1.9	-0.5	-0.6	0.6	---
PanAgora	-2.5	-7.2	2.5	0.4	---	---
Martingale	-1.5	-4.8	0.6	0.8	1.6	1.4

Calendar year performance

● Acadian ● PanAgora ● Martingale + Russell 1000

ANNUAL PERFORMANCE



	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Acadian	2.9	17.7	10.5	6.4	16.0	26.5	11.9				
Acadian	32	86	52	4	14	92	82				
PanAgora	0.3	12.5	24.7	6.2	19.1						
PanAgora	81	98	1	5	3						
Martingale	1.3	19.2	12.0	7.6	16.5	32.7	14.3	10.7	15.0	15.5	-26.1
Martingale	64	77	34	2	12	55	63	5	42	97	7
Russell 1000	2.9	21.7	12.1	0.9	13.2	33.1	16.4	1.5	16.1	28.4	-37.6
Russell 1000	33	52	34	51	47	50	35	55	30	43	69

Performance summary - as of June 2018

	Acadian	PanAgora	Martingale	Russell 1000
PERFORMANCE ANALYSIS - (5 Years)				
Alpha %	2.3	4.7	3.5	0.0
Beta	0.8	0.6	0.8	1.0
R-squared %	79.5	57.5	80.4	100.0
Sharpe Ratio	1.5	1.6	1.6	1.3
Treynor Ratio	0.2	0.2	0.2	0.1
Tracking Error %	4.5	6.5	4.4	0.0
Annualized Std Dev %	8.5	8.4	8.4	9.8
Information Ratio	-0.1	0.1	0.2	---
Max Drawdown %	-5.6	-5.1	-5.1	-8.6
Calmar Ratio	2.3	2.7	2.8	1.6
Excess Ann. Return %	-0.6	0.4	0.8	0.0
Up Mkt Capture Ratio, %	82.1	80.5	87.0	100.0
Down Mkt Capture Ratio, %	65.5	50.7	61.4	100.0
PERFORMANCE TO DATE				
1 Year	12.6	7.3	9.8	14.5
3 Year	11.1	14.2	12.2	11.6
5 Year	12.8	13.7	14.2	13.4
7 Year	13.7	---	14.7	13.1
10 Year	---	---	11.6	10.2
Common Inception (Mar-13)	13.1	14.3	14.7	13.8
CALENDAR YEAR RETURNS				
2017	17.7	12.5	19.2	21.7
2016	10.5	24.7	12.0	12.1
2015	6.4	6.2	7.6	0.9
2014	16.0	19.1	16.5	13.2
2013	26.5	---	32.7	33.1
2012	11.9	---	14.3	16.4
2011	---	---	10.7	1.5
2010	---	---	15.0	16.1
2009	---	---	15.5	28.4
2008	---	---	-26.1	-37.6

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

September 25, 2018

Agenda Item 7.1

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer



SUBJECT: Approval of SACRS Voting Delegate and Alternates for the SACRS Fall 2018 Business Meeting

Recommendation

Staff recommends the Board designate Susan Lee as the Voting Delegate and Scott Hood, CEO, as the First Delegate Alternate to cast SamCERA's votes at the SACRS Fall 2018 Conference.

Background

Prior to each SACRS conference the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegate and alternate voting delegates at the conference business meeting.

Discussion

SamCERA normally selects the highest-ranking board officer who will attend the conference as the voting delegate. Delegates can be either trustees or staff. We typically recommend the CEO be the final alternate.

At the October meeting, the Board will have the opportunity to discuss the business meeting topics.

The business meeting will occur on the last morning of the conference, at 10:00 a.m., Friday, November 16, 2018.