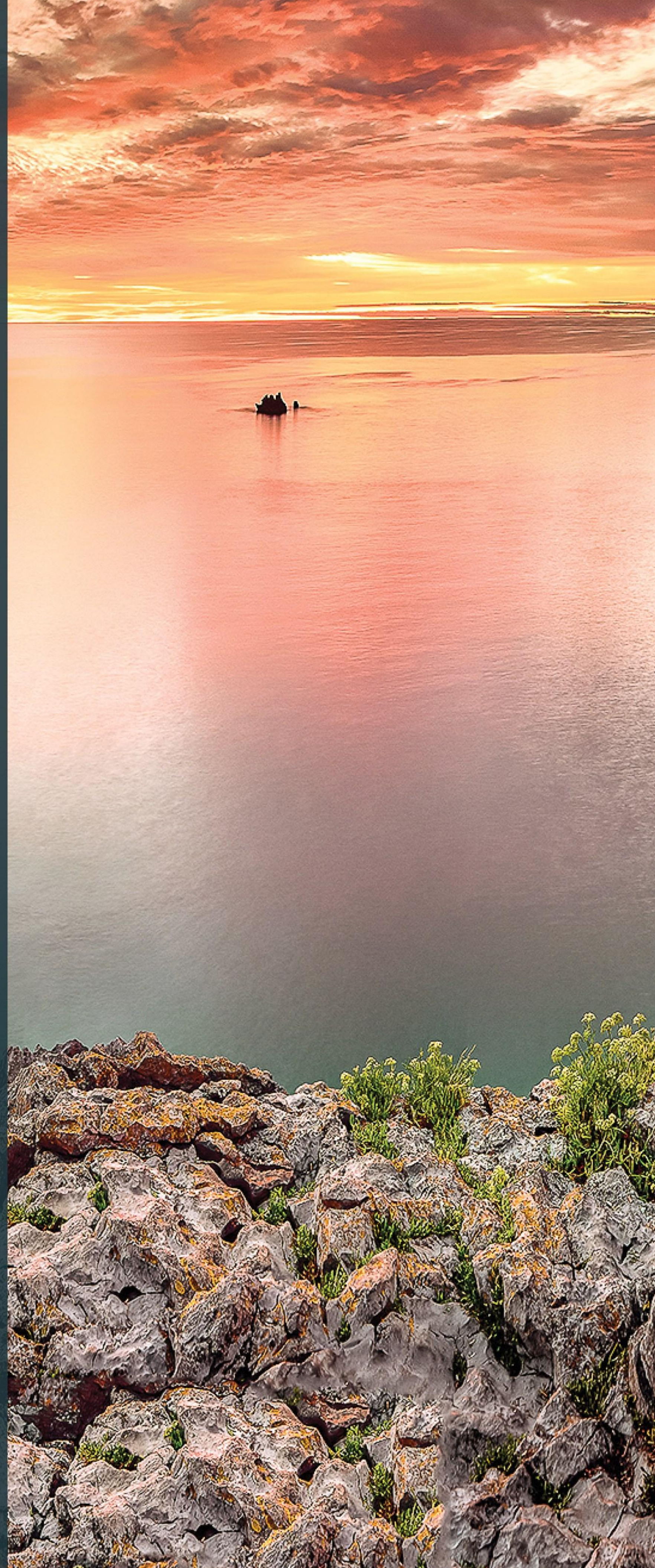
SamCERA
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

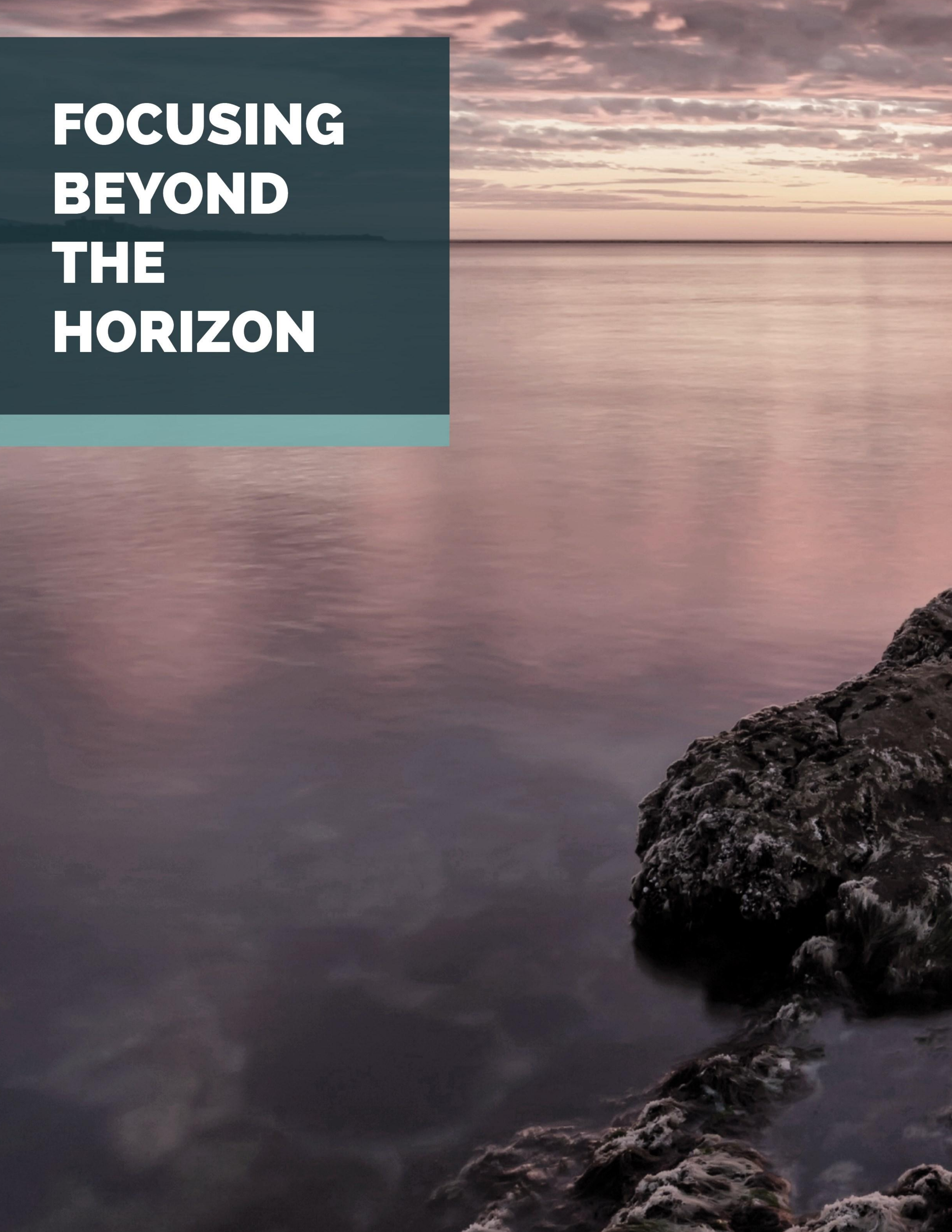
2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023



San Mateo County Employees' Retirement Association
Redwood City, State of California
A Pension Trust Fund of the County of San Mateo and Participating Employers

FOCUSING BEYOND THE HORIZON



San Mateo County Employees' Retirement Association (SamCERA)

A Pension Trust Fund of the County of San Mateo and Participating Employers

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2023

Issued by: Scott Hood, Chief Executive Officer

Prepared by: SamCERA's Finance and Investment Divisions

SamCERA

100 Marine Parkway, Suite 125

Redwood City, California 94065

This page is intentionally left blank.

Table of Contents

INTRODUCTORY SECTION

FINANCIAL SECTION

FINANCIAL SECTION (CONTINUED)

INVESTMENT SECTION

ACTUARIAL SECTION

STATISTICAL SECTION

COMPLIANCE SECTION

SECTION 1

INTRODUCTORY

This page is intentionally left blank.

SamCERA
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Address: 100 Marine Parkway, Suite 125, Redwood City, CA 94065
Phone: (650) 599-1234
Web: www.samcera.org
Email: samcera@samcera.org

Scott Hood
Chief Executive Officer

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the San Mateo County Employees' Retirement Association (SamCERA) for the fiscal year ended June 30, 2023. This report is intended to provide an overview of SamCERA's financial, investment, and actuarial status as of that date.

Under Government Code 31593, SamCERA is required to conduct an audit every 12 months and report upon its financial condition. The financial audit performed by Brown Armstrong Accountancy Corporation states that SamCERA's financial statements are presented fairly in all material respects and in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America. The auditor's report is located on pages 29-31.

Management acknowledges its responsibility for the entire contents of the ACFR, in addition to its responsibility for maintaining an adequate internal control framework to provide reasonable, rather than absolute, assurance that the financial statements are free of material errors. Management's Discussion and Analysis (MD&A) is presented on pages 32-41, providing a narrative analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

Authority, Responsibilities & Duties

The San Mateo County (the County) Board of Supervisors established retirement benefits for County employees effective July 1, 1944, as prescribed by the provisions of Government Code Section 31450 et seq., also known as the California's County Employees Retirement Law of 1937 (CERL). SamCERA is responsible for providing retirement, disability, and death benefits to its eligible members and beneficiaries in accordance with CERL, the California Public Employees' Pension Reform Act of 2013 (PEPRA - Government Code Section 7522 et seq.), and other applicable statutes, regulations, and case law.

The SamCERA Board of Retirement (the Board), serving as a fiduciary for all SamCERA members and their beneficiaries under the California Constitution, Article XVI, Section 17 and the CERL, is responsible for administering the system. The duties of the Board, its officers, and its employees are to prudently manage plan assets and to ensure the ability to pay all earned benefits while minimizing employer contributions and defraying reasonable expenses of administrating the system.

The Board consists of nine Trustees and two alternates. Four positions are appointed by the County Board of Supervisors. Four Trustees are elected from their respective membership: two from the General Members, one from the Safety Members, and one from the Retired Members. The County Treasurer is a member of the Board by virtue of the publicly elected office. All Trustees serve for a term of three years except the County Treasurer. In addition, there are two alternates: one elected Safety Member Alternate and one elected Retired Member Alternate. The officers for the Board for fiscal year 2022-23 were Katherine O'Malley, Chair; Mark Battey, Vice Chair; and Alma Salas, Secretary. Other members of the Board were: Sandie Arnott, Al David, Kurt Hoefer, Kimathi Marangu, Elaine Orr and Robert Raw. Alternate Trustees were April DeCarsky and Nicole McKay.

The Board has adopted the Regulations of the Board of Retirement, and among other policies, its Mission & Goals, Investment Policy Statement, Conflict of Interest Code, and Code of Conduct; all of which reflect the Board's guiding policies. The Board annually adopts an operating budget for the administration of SamCERA, which is discussed in the Financial Section beginning on page 29. A breakdown of the budget allotment versus actual expenses is presented on pages 72-76. In addition, the Board has authorized the execution of contracts for the professional services of an actuary, an investment consultant, investment managers, a global custodian, a financial auditor, and a medical advisor to help the Board fulfill its duties. The Board's primary professional consultants are highlighted in the organizational chart on page 25.

SamCERA's Chief Executive Officer (CEO) serves at the pleasure of the Board and is responsible for managing the day-to-day operations of the retirement system. SamCERA's staff of 23 full-time employees is responsible for meeting the needs of its members and beneficiaries, participating employers, and the Board in accordance with the high standards set forth in SamCERA's Mission & Goals statements. SamCERA's staff is sworn to carry out their fiduciary duties in accordance with the governing law and SamCERA's regulations and policies.

Employers participating in the retirement system include the County, the Superior Court of the County of San Mateo (the Court), and the San Mateo County Mosquito and Vector Control District (the District). SamCERA's members include all active, permanent employees of the participating employers, inactive members, retirees, and beneficiaries. About 89% of SamCERA's active members are classified as General Members while the remaining are public safety employees classified as Safety or Probation Members.

Financial

The certified public accounting firm of Brown Armstrong Accountancy Corporation provides financial audit services to SamCERA. The objective of this financial audit is to ensure that SamCERA’s financial statements are presented in conformity with GAAP and are free of material misstatements. Internal controls are reviewed to ensure that SamCERA has adequate controls in place to ensure reliable financial reporting and to safeguard its assets. SamCERA received a clean opinion from our auditor, reflecting that our financial statements are fairly presented in all material aspects in accordance with GAAP. The auditor’s report is presented on pages 29-31. SamCERA’s financial statements in the Financial Section are prepared on the accrual basis of accounting. Member and employer contributions are recognized in the period contributions are due. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investments are reported at fair value.

Investments

SamCERA’s portfolio market value was $6.0 billion as of June 30, 2023, with an increase of $355.4 million, largely due to portfolio appreciation and contributions, less total deductions.

The portfolio returned 5.1% net of investment management fees for the fiscal year ended June 30, 2023, and underperformed SamCERA’s policy benchmark return of 6.5% by 1.4%. This fiscal-year performance resulted in below median performance relative to SamCERA’s peers, as defined by large (greater than $1 billion in assets) public plans.

Actuarial

SamCERA continues to be a statewide leader in funding assumptions and is pleased to be ranked the 2nd most actuarially conservative among California retirement systems in a May 2023 survey from Roeder Financial. The survey ranks the funding assumptions used by California’s public pension systems from “most conservative” to “most optimistic.” SamCERA’s continued high ranking is due mainly to its relatively low assumed rate of return of 6.25% and its current funding method, where the June 30, 2008 Unfunded Actuarial Accrued Liability (UAAL) was amortized over a 15-year fixed period that ended on June 30, 2023. Subsequent changes in the UAAL in years following June 30, 2008, are being amortized separately over new 15-year periods.

SamCERA engages an independent actuarial consulting firm, Milliman, Inc. (Milliman), to conduct the annual actuarial valuation of its pension plan. The purpose of this valuation is to assess the magnitude of the benefit commitments, compare that with the assets expected to be available to support those commitments, determine the funding ratio, and establish employer and employee contribution rates for the upcoming fiscal year.

Triennially, the plan’s actuary conducts an actuarial experience study so that appropriate assumptions can be adopted for valuing the plan’s assets and liabilities. The most recent triennial experience study was completed for the period ended April 30, 2023.

SamCERA also triennially engages an independent actuarial consulting firm to conduct an audit of the triennial experience study and the annual actuarial valuation of its pension plan. The purpose of the actuarial audit is to provide confirmation that the results reported by Milliman can be relied upon and that their actuarial methods comply with the Actuarial Standards of Practice.

Plan Funding Status

SamCERA strives to fully fund the system's liabilities while maintaining employer contributions, as a percentage of pay, as level as possible. The funding ratio serves as a good indicator of whether the plan is financially sound and able to fulfill its liabilities on an ongoing basis.

Milliman's 2023 valuation determined that the plan's funding ratio decreased to 88.3% as of June 30, 2023, from 90.7% a year ago. The decrease was primarily due to assumption changes approved by the Board and the recognition of investment returns being less than expected by the assumptions. The Board also adopted changes in the UAAL amortization funding method. Under this method, all outstanding UAAL layers are combined into a single layer and reamortized over a 15-year period (fresh-start method) beginning July 1, 2024. New layers will be established in future years to amortize newly emerging gains and losses over their own 15-year closed period. This method also incorporates a minimum contribution rate for employers (the "Minimum Rate"), requiring all employers to pay the greater of the Minimum Rate or the Statutory Required Rate. The Minimum Rate was established by the rate calculations done at the 2022 valuation for rates beginning July 1, 2023, before the UAAL amortization funding method was changed.

The employer statutory contribution rate increases slightly by 0.45% to 26.64% of pay for fiscal year beginning July 1, 2024, a combined result mainly from changes in assumptions and funding methods, along with the full amortization of the 15-year amortization layer established on June 30, 2008. The employer normal cost rate for all plans combined increased slightly to 11.75% of pay for fiscal year 2024-25, from 11.37% for fiscal year 2023-24 , and the employer contribution portion of the rate that funds the UAAL decreased to 14.89% of pay for fiscal year 2024-25 from 16.04% for fiscal year 2023-24.

Supplementary Contributions

In 2013, a Memorandum of Understanding (MOU) was established between the County and SamCERA in which the County committed to accelerate the pay down of its UAAL by making supplementary contributions. The contributions paid above the statutorily required contribution rate, along with the earnings in the County's Supplementary Contribution Account (CSCA), overall have grown to $213.0 million as of June 30, 2023. In September of 2015, the District also entered into a MOU with SamCERA to make supplementary contributions to pay down its UAAL. The overall contributions and earnings in the District's Supplementary Contribution Account (DSCA) amounted to $71,587 as of June 30, 2023.

Cost-of-Living Adjustment

The Board of Retirement approved a Cost-of-Living Adjustment (COLA) effective April 1, 2023, for SamCERA retirees and beneficiaries between 2.0% and 5.0%, dependent on the COLA limit of each plan.

- The COLA for General and Safety Plan 1 members was 5.0% with a 0.5% COLA bank. Plan 1 Probation members received 3.0% COLA with a 2.5% COLA bank.
- The COLA for Plan 2 members was 3.0%.
- The COLA for Plans 4, 5, 6 and 7 members was 2.0%.
- Plan 3 does not provide a COLA.

Strategic Planning

In 2018, the Board approved a strategic plan that set the Board’s strategy for the proceeding five years. With the five years reaching its end date, the Board along with staff, updated its strategic plan with what the Board envisioned should be the direction, goals, and focus priorities of the organization.

The strategic plan will continue to evolve as our organizational needs change so that a deliberate, thoughtful approach can be developed to achieve the newly adopted goals and objectives. SamCERA continues to pursue its major goals and focus priorities described below; all of which are derived from and consistent with SamCERA’s mission and vision statements.

- **Mission Statement**

  SamCERA exists to serve as a loyal fiduciary for its members and as a prudent administrator of the retirement system.

- **Vision Statement**

  To be a well-governed and financially sound public retirement system through effective management, prudent investment, and efficient administration of benefits.

- **Goals**
  - Provide high quality services and information to members and other stakeholders.
  - Manage assets prudently and cost-effectively to assure the retirement system is adequately funded and all earned benefits are paid timely.
  - Improve operating efficiency and effectiveness to minimize cost.

- **Focus Priorities**
  - Manage the complexities of the investment program by balancing liabilities against expected returns and inherent market risks.
  - Prepare for and effectively navigate periods when cash outflows exceed contributions.

- Enhance risk management measures regarding cybersecurity and data recovery capabilities, the investment program, and financial accounting.
- Align SamCERA's resources and organizational capabilities with its operational, administrative, and logistical needs through workforce planning and office space management.
- Strengthen and improve the Board governance model to ensure continued positive development towards a strategic focus.
- Enhance the member experience.

Notable accomplishments in fiscal year 2022-23

Over the past year, SamCERA implemented notable enhancements to our technology and services that allow us to better serve our membership.

- Conducted regular network penetration testing to ensure the safety and security of our members' information, including testing on the MySamCERA mobile app and new member portal. The penetration testing will continue as appropriate, allowing us to identify any potential vulnerabilities and address any issues identified right away, ensuring that our members' data is secure.
- Developed a new member portal that follows the Americans with Disabilities Act, providing members with easy, equitable access to their account with SamCERA. The member portal allows members to stay connected to their pension account anytime. Members can take charge of their retirement account with features such as a Docusign option when changing beneficiaries, exchanging messages with SamCERA staff, and using a new retirement estimate tool that makes planning for retirement easier than ever before.
- Implemented a Docusign option on the mobile app and new member portal so that members can seamlessly and securely complete a beneficiary change within the app. Docusign serves as a reliable and secure alternative to printing and mailing paper copies.
- Returned to onsite, in-person financial planning classes in 2023, allowing members to choose a learning environment (online vs. in-person) that works best for them.

Certificate of Achievement and Acknowledgments

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SamCERA for its annual comprehensive financial report for the fiscal year ended June 30, 2022. This was the twenty-sixth consecutive year that SamCERA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is reproduced on page 18. A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program’s requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

SamCERA is also the recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the fiscal year ended June 30, 2022, and has received this honor for the twentieth year running. The certificate is reproduced on page 19.

Additionally, the Public Pension Coordinating Council (the Council) presented SamCERA with its Public Pension Standards Award for 2022. This award recognizes that SamCERA has met professional standards for plan funding and administration as set forth in the Public Pension Standards of the Council. The standards judge retirement systems on their Funding Adequacy, Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, Investments, and Communications. The award is reproduced on page 20.

These three awards recognize SamCERA’s contributions to the practice of government finance, exemplifying outstanding financial management and reporting; in doing so, the awards stress practical, documented work that offers leadership to the profession. The compilation of the Annual Comprehensive Financial Report, in a timely manner, reflects the combined efforts of SamCERA’s management and staff under the leadership, dedication, and support of the Board.

Acknowledgments

This year’s ACFR theme “Focusing Beyond the Horizon” denotes the importance of planning for the future. Looking forward to new opportunities and assessing potential risks allow us to plan appropriately now, ensuring that we can execute our vision “To be a well-governed and financially sound public retirement system through effective management, prudent investment, and efficient administration of benefits” for all our members at SamCERA.

This report is the result of the combined teamwork of SamCERA staff and executive management. We would like to extend our sincere appreciation to the Board of Retirement and consultants, Brown Armstrong and Milliman, Inc. for their support, professionalism, and efficiency that have contributed to the development of this report.

Respectfully submitted,

Scott Hood
Chief Executive Officer
October 18, 2023

GFOA Certificate of Achievement (ACFR)

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Mateo County Employees' Retirement Association California

For its Annual Comprehensive Financial Report For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

GFOA Certificate of Achievement (PAFR)

Government Finance Officers Association

Award for Outstanding Achievement in Popular Annual Financial Reporting

Presented to

San Mateo County Employees' Retirement Association California

For its Annual Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO

PPCC Public Pension Standards Award

Public Pension Coordinating Council

Public Pension Standards Award
For Funding and Administration
2022

Presented to

San Mateo County Employees' Retirement Association

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

Alan H. Winkle

Alan H. Winkle
Program Administrator

MISSION

SamCERA exists to serve as a loyal fiduciary for its members and as a prudent administrator of the retirement system.

GOALS

Provide high quality services and information to members and other stakeholders.

Manage assets prudently and cost-effectively to assure the retirement system is adequately funded and all earned benefits are paid timely.

Improve operating efficiency and effectiveness to minimize cost.

This page is intentionally left blank.

BOARD OF RETIREMENT

SamCERA's Board of Retirement has nine members and two alternates. The Board includes the San Mateo County Treasurer, appointees of the Board of Supervisors, and elected members chosen by the active and retiree SamCERA membership groups. As the governing body of SamCERA, the Board of Retirement has a variety of responsibilities including management, administration, and investments of the retirement fund.

Katherine O'Malley
Chair
Elected by the
General Members
Second Member

Mark Battey
Vice Chair
Appointed by the
Board of Supervisors
Sixth Member

Alma Salas
Board Secretary
Elected by the
Retired Members
Eighth Member

Sandie Arnott
Board Member
Ex, Officio per
the 1937 Act
First Member

Al David
Board Member
Elected by the
General Members
Third Member

Elaine Orr
Board Member
Appointed by the
Board of Supervisors
Fourth Member

Kimathi Marangu
Board Member
Appointed by the
Board of Supervisors
Fifth Member

Robert Raw
Board Member
Elected by the
Safety Members
Seventh Member

Kurt Hoefer
Board Member
Appointed by the
Board of Supervisors
Ninth Member

Nicole McKay
Board Member
Elected by the
Retired Members
Retiree Alternate

April DeCarsky
Board Member
Elected by the
Safety Members
Safety Alternate

BOARD OF RETIREMENT

Katherine O'Malley, Chair; Mark Battey, Vice Chair; Alma Salas, Secretary; Sandie Arnott, Al David, Elaine Orr, Kimathi Marangu, Robert Raw, and Kurt Hoefer

ALTERNATE TRUSTEES

April DeCarsky and Nicole McKay

Medical Advisor
Vacant

Investment Consultant
Verus Advisory, Inc.
John Nicolini

Actuarial Services
Milliman, Inc.
Nick Collier

Financial Audit
Brown Armstrong Accountancy Corporation
Ashley Green

CHIEF EXECUTIVE OFFICER
Scott Hood

CHIEF LEGAL COUNSEL
Paul Okada

CHIEF INVESTMENT OFFICER
Michael Coultrip

INVESTMENT ANALYST
Lilibeth Dames

INVESTMENT ANALYST
Doris Ng

ASSISTANT EXECUTIVE OFFICER
Gladys Smith

CHIEF TECHNOLOGY OFFICER
Tariq Ali

INFORMATION TECH. ANALYST
Darius Nagal

INFORMATION TECH. ANALYST
Edward Ick

EXECUTIVE SECRETARY
Jenny Lukan

COMMUNICATIONS SPECIALIST
Natasha Jeong

RETIREMENT BENEFITS MANAGER
Elizabeth LeNguyen

SENIOR RETIREMENT ANALYST
Celedonia Amacker

SENIOR RETIREMENT ANALYST
JulieAnne Nagal

RETIREMENT ANALYST
Janet Nishimura

RETIREMENT ANALYST
Esther Barnett

RETIREMENT SUPPORT SPEC.
Ruby Ann Boyette

RETIREMENT SUPPORT SPEC.
Lizbeth Valdez

FINANCE OFFICER
Tat-Ling Chow

SENIOR ACCOUNTANT
Chezelle Milan

SENIOR ACCOUNTANT
Charlyn He

ACCOUNTANT
Susan Fong

ACCOUNTANT
Hollie Song-Duell

KEY

Consultant

Staff

See page 112 for the Schedule of Professional Services and Fees as well as the top 10 brokerage firms providing services to SamCERA.

LIST OF PROFESSIONAL CONSULTANTS (OTHER THAN INVESTMENT MANAGERS)

Professional Service	Consultant
Auditor	Brown Armstrong Accountancy Corporation
Consulting Actuary	Milliman, Inc.
Commercial Banking	U.S. Bank
Custodian	Northern Trust Corporation
Disability Counsel	Byers/Richardson
India Tax Agent	BSR & Co. LLP
Investment Consultant	Verus Advisory, Inc.
Investment Software	eVestment Alliance, LLC
Portfolio Analytics	Venn by Two Sigma
Litigation Securities Class Action Services	ISS Governance
Pension Administration System Software	Vitech
Security Monitoring Counsel	Berman Tabacco Bernstein Litowitz Berger and Grossman Grant and Elsenhofer LLP
Stock Distribution Broker	Merrill Lynch, Pierce, Fenner & Smith Inc.
Tax Counsel	Buchalter, P.C. Wellington Gregory LLP
Trade Cost Analysis Consultant	Zeno AN Solutions

SECTION 2

FINANCIAL

This page is intentionally left blank.

Independent auditor's report

Brown Armstrong
Certified Public Accountants

www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and Audit Committee of
San Mateo County Employees' Retirement Association
Redwood City, California

Report on the Audit of the Basic Financial Statements and Other Information

Opinions

We have audited the accompanying Statement of Fiduciary Net Position of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of June 30, 2023; the Statement of Changes in Fiduciary Net Position for the fiscal year then ended; and the related notes to the basic financial statements, which collectively comprise SamCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) as of and for the fiscal year ended June 30, 2023, listed as other information in the table of contents.

In our opinion, the basic financial statements and other information referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2023; its changes in fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) as of and for the fiscal year ended June 30, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements and Other Information section of our report. We are required to be independent of SamCERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Basic Financial Statements and Other Information

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

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

In preparing the basic financial statements and other information, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SamCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Management is also responsible for maintaining a current plan instrument, including all SamCERA plan amendments; administering SamCERA; and determining that SamCERA's transactions that are presented and disclosed in the basic financial statements and other information are in conformity with SamCERA's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Basic Financial Statements and Other Information

Our objectives are to obtain reasonable assurance about whether the basic financial statements and other information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements and other information.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements and other information, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements and other information.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements and other information.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SamCERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements and other information that collectively comprise SamCERA's basic financial statements and other information. The other supplemental information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements and other information. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and other information. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other information and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements and other information or to the basic financial statements and other information themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements and other information as a whole.

Additional Information

Management is responsible for the additional information included in the Annual Comprehensive Financial Report. The additional information comprises the introductory, investment, actuarial, statistical, and compliance sections but does not include the basic financial statements and other information and our auditor's report thereon. Our opinions on the basic financial statements and other information do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements and other information, our responsibility is to read the additional information and consider whether a material inconsistency exists between the additional information and the basic financial statements and other information, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited SamCERA's June 30, 2022, basic financial statements and other information, and our report dated October 17, 2022, expressed an unmodified opinion on those audited basic financial statements and other information. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2023, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023, on our consideration of SamCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SamCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control over financial reporting and compliance.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
October 18, 2023

Management's discussion and analysis for fiscal year 2022-23

This section of the San Mateo County Employees' Retirement Association's (SamCERA) Annual Comprehensive Financial Report (ACFR) provides a narrative overview and analysis of SamCERA's financial activities for the fiscal year ended June 30, 2023. We encourage readers to read the information presented here, in conjunction with the Notes to the Basic Financial Statements beginning on page 44.

Financial Highlights

- SamCERA's prime objective is to meet long-term benefit obligations through investment income and contributions. The fiscal strength of the Retirement Fund improved modestly over the year, as the investment portfolio returned to positive territory.
- As of June 30, 2023, SamCERA's net position held in trust for pension benefits (total assets minus total liabilities) reached $6.0 billion, an increase of $355.4 million or 6%, compared to a year ago. This amount is exclusively restricted for the ongoing benefits to plan participants and their beneficiaries.
- During the fiscal year, SamCERA added a new asset class "Liquidity" to its portfolio in anticipation of business needs. As of June 30, 2023, the fair value of Liquidity assets was $270.1 million, which can easily be converted into cash as appropriate.
- Total additions to the Retirement Fund were $667.9 million compared to -$42.7 million last fiscal year. The yield from investments reversed to an upward trajectory as the market conditions flourished.
- The net return on investments from the entire portfolio was 5.1% versus -4.4% a year ago. Global equities and domestic stocks delivered strong performance as the inflation picture improved. In contrast, last year the market suffered losses due to inflation concerns and the Ukraine conflict.
- The County of San Mateo (the County) contributed $10.0 million in supplementary contributions this year versus $15.2 million last year. To accelerate the payoff of its unfunded actuarial accrued liability, the County agreed to make annual discretionary contributions through fiscal year 2023.
- Total deductions from the Retirement Fund were $312.5 million, a moderate increase of $22.8 million or 8% from the prior fiscal year. The increase was anticipated, due primarily to the annual cost-of-living adjustment (COLA) and the continued growth in the number of members receiving benefits.
- The Retirement Plan was 88.3% funded as of June 30, 2023, reflecting a modest decrease of 2.4% from 90.7% a year ago. The decline in funded ratio was due mostly to the changes in assumptions and the recognition of investment returns being less than expected by the assumptions. The unfunded actuarial accrued liability (UAAL) amounted to $820.4 million as of June 30, 2023.

Overview of Financial Statements

The following discussion and analysis serve as an introduction and overview of SamCERA's basic financial statements. The basic financial statements and required disclosures are prepared in accordance with the accounting principles and reporting standards prescribed by the Governmental Accounting Standards Board (GASB).

Basic Financial Statements

The basic financial statements are prepared using the accrual basis of accounting that is like most private-sector entities.

The *Statement of Fiduciary Net Position* is a snapshot of account balances at fiscal year-end. This statement discloses the assets available for future pension benefits to retirees and their eligible beneficiaries as well as outstanding liabilities as of June 30, 2023. The difference between assets and liabilities is reported as "Net Position Restricted for Pensions," which represents funds available to pay pension benefits. Over time, increases and decreases in Net Position Restricted for Pensions may serve as an indicator of whether SamCERA's financial position is improving or declining. This statement can be found on page 42 of this report.

The *Statement of Changes in Fiduciary Net Position* provides information about the financial activities during the reporting period that have increased or decreased the Net Position Restricted for Pensions. Member and employer contributions are recognized in the period in which contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investment earnings are recognized when earned, and expenses are recognized when incurred. The net appreciation (or depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. This statement can be found on page 43 of this report.

Notes to the Basic Financial Statements

Notes to the Basic Financial Statements are an integral part of the basic financial statements, supplying additional information that is essential to better understand the data presented on the basic financial statements. Notes also include detailed information about key policies and activities occurred during the reporting period. The Notes to the Basic Financial Statements can be found on pages 44-77 of this report.

Required Supplementary Information

Required Supplementary Information presents information that GASB requires to accompany the basic financial statements. Such information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Required Supplementary Information consists of three distinct schedules and note disclosures listed on the following page and can be found on pages 79-84.

- *Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers* reports changes in net pension liability of all participating employers.
- *Schedule of Employer Contributions* helps readers determine if plan sponsors are meeting actuarially determined contributions over a period of time.
- *Schedule of Investment Returns* shows the "money-weighted" rates of return of the investment portfolio over a period of time.
- *Notes to the Required Supplementary Information* disclose additional details in relation to the required supplementary information.

Supplemental Information

Supplemental Information includes several schedules reflecting administrative, information technology, and investment expenses in conjunction with payments to consultants (for fees paid to outside professionals other than investment advisors). Supplemental Information and the accompanying notes can be found on pages 85-87 of this report.

Other Information

Other Information consists of two schedules pertaining to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. These two schedules are the *Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan* and the *Schedule of Cost Sharing Employer Allocations*.

Under GASB Statement No. 68, plan sponsors are required to report the Net Pension Liability on the balance sheets and changes in Net Pension Liability on the operating statements as pension expenses, deferred inflows of resources, and deferred outflows of resources. Other Information can be found on pages 88-90 of this report.

Financial Analysis

Increases and decreases in the fiduciary net position over time may serve as a useful indicator of whether the financial health of SamCERA is improving or declining. Other factors, such as market conditions, should be considered simultaneously in measuring SamCERA's overall financial strength.

Analysis of Fiduciary Net Position

The following table compares SamCERA's net position as of June 30 for the current and prior fiscal years. SamCERA's net position as of June 30, 2023, was approximately $6.0 billion, an increase of $355.4 million or 6% over the reporting period.

Statement of Fiduciary Net Position

June 30

Dollars in Thousands

			Increase (Decrease)	
	2023	**2022**	**Amount**	**Percentage**
Assets				
Cash and cash equivalents	$ 210,121	$ 237,496	$ (27,375)	-12%
Cash management overlay	19,989	73,569	(53,580)	-73%
Securities lending cash collateral	3,737	4,121	(384)	-9%
Receivables	150,102	83,088	67,014	81%
Prepaid expenses	215	352	(137)	-39%
Investments at fair value	5,827,906	5,345,206	482,700	9%
Capital assets, net	5,473	6,689	(1,216)	-18%
Total assets	**6,217,543**	**5,750,521**	**467,022**	**8%**
Liabilities				
Investment management fees payable	2,038	2,126	(88)	-4%
Due to broker for investments purchased	202,435	90,090	112,345	125%
Securities lending collateral due to borrowers	3,737	4,121	(384)	-9%
Lease liability	2,444	2,890	(446)	-15%
Other	1,846	1,620	226	14%
Total liabilities	**212,500**	**100,847**	**111,653**	**111%**
Net position restricted for pensions	**$ 6,005,043**	**$ 5,649,674**	**$ 355,369**	**6%**

Assets. SamCERA's total assets increased by $467.0 million or 8% from a year ago. Significant changes include the following:

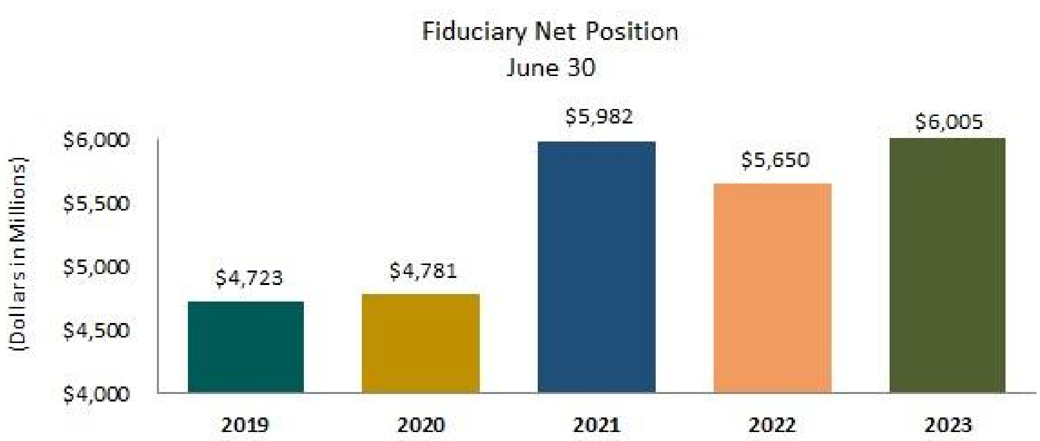
- *Cash and cash equivalents* decreased by $27.4 million. The cash holdings of two investment managers collectively decreased by approximately $26.0 million to capitalize on investment opportunities. At any given time, the manager's cash position depends on the investment strategy and available opportunities.

- *Cash management overlay* decreased by $53.6 million. As part of Board of Retirement (Board) approved asset allocation changes, SamCERA replaced its currency overlay manager with a cash holding of $56.6 million as of June 30, 2022, with a dynamic currency overlay manager who invests in various types of securities that did not require any cash holding.

- *Securities lending cash collateral* decreased by $0.4 million. Although the total value of collateral held at year-end was higher than last year's, the non-cash collateral from securities lending transactions outweighed the cash collateral.

- *Receivables* overall increased by $67.0 million. The increase largely came from multiple trades that had been executed but not settled; part of the increase was offset by the decrease in accrued contributions from both employer and employee.

- *Investment at fair value* increased by $482.7 million, primarily due to the following factors:
  - *Public Equity* increased by $369.0 million. Of this increase, $147.0 million was due to portfolio rebalancing, and $222.0 million was from market appreciation as the domestic and international markets strengthened.
  - *Fixed Income* decreased by $7.7 million. About $181.0 million was liquidated from fixed income assets to fund a newly added cashflow match mandate under liquidity. The decrease was substantially diluted by a $161.0 million addition to the fixed income assets due to portfolio balancing and $12.0 million in unrealized gain.
  - *Alternatives* decreased by $65.7 million. Proceeds of $49.0 million from the liquidation of an absolute return fund were rebalanced to fixed income and public equity. In addition, some rebalancing was made from private equity to public equity.
  - *Inflation Hedge* decreased by $83.1 million. Throughout the fiscal year, SamCERA gradually redeemed $135.0 million from its public real assets manager and invested the proceeds in other asset classes. As part of the private real asset funding road map, $61.0 million was put into the Inflation Hedge asset class as initial capital for two new private real asset funds. The remaining decrease of $9.0 million is due to market depreciation in real estate and private real assets.
  - *Liquidity* is an asset class with which an asset or a security can easily be converted into cash. In anticipation of business needs, SamCERA hired a new cashflow-match manager. As of June 30, 2023, the fair value of Liquidity assets was $270.1 million, with $220.0 million redirected from fixed income assets and the rest from other asset classes.
- *Capital assets, net of accumulated depreciation/amortization* were $5.5 million as of June 30, 2023, with $2.3 million from an office lease asset and $3.2 million from other capital assets. The lease asset will gradually be depleted in accordance with the lease payments over the lease term, and other capital assets will be depreciated over the estimated useful life of each individual capital asset.



Liabilities. SamCERA's total liabilities increased by $111.7 million or 111% from a year ago. Significant changes are discussed below:

- *Due to broker for investments purchased* increased by $112.3 million due to the timing difference between trade date and settlement date. The increase was predominantly linked to fixed income investments purchased at fiscal year-end.
- *Securities lending cash collateral due to borrowers* decreased by $0.4 million. The decrease in liability was triggered by and in parallel with the decrease in securities lending cash collateral discussed earlier under the Assets section.
- *Lease liability* was $2.4 million as of June 30, 2023, which originated from the office space rental agreement discussed earlier. The lease liability will gradually be depleted in accordance with the lease payments over the lease term.

The changes in fiduciary net position are determined by total additions less total deductions. The net position increased by $355.4 million during the reporting period, due primarily to improved market conditions explained earlier. The table below shows condensed information about the changes in fiduciary net position for the fiscal year ended June 30, with explanations for significant variances noted.

Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended June 30

Dollars in Thousands

			Increase (Decrease)	
	2023	**2022**	**Amount**	**Percentage**
Additions				
Employer contributions	$ 238,938	$ 234,746	$ 4,192	2%
Employer supplementary contributions	10,000	15,200	(5,200)	-34%
Member contributions	77,666	73,968	3,698	5%
Net investment income (loss)	341,058	(366,699)	707,757	193%
Net securities lending income	188	73	115	158%
Total additions	**667,850**	**(42,712)**	**710,562**	**1664%**
Deductions				
Service retirement benefits	266,317	246,251	20,066	8%
Disability retirement benefits	30,196	28,675	1,521	5%
Survivor, death, and other benefits	2,420	1,577	843	53%
Member refunds	3,895	4,407	(512)	-12%
Administrative expenses	7,836	7,197	639	9%
Information technology expenses	1,817	1,593	224	14%
Total deductions	**312,481**	**289,700**	**22,781**	**8%**
Net increase (decrease) in net position	**355,369**	**(332,412)**	**687,781**	**207%**
Net position restricted for pensions				
Beginning of year	5,649,674	5,982,086	(332,412)	-6%
End of year	**$ 6,005,043**	**$ 5,649,674**	**$ 355,369**	**6%**

Additions. Total additions to the Retirement Fund for the fiscal year were $667.9 million, which was approximately $710.6 million or 1664% higher than the prior fiscal year. Significant changes are discussed below.

- *Employer and employee contributions* increased by $4.2 million and $3.7 million, respectively. The 3% scheduled increase in salaries triggered a proportional increase in total pensionable income of $19.1 million, a primary factor for the increases seen this year.

- *Employer supplementary contributions* from the County decreased by $5.2 million. In the prior fiscal year, the County paid $15.2 million towards supplementary contributions. This amount included two components: $10.0 million in annual contribution and an additional $5.2 million to bring the overall employer contribution up to 38% of payroll. This year, SamCERA received only the annual contribution of $10.0 million.

- *Net investment income* increased by $707.8 million, which included two income streams.

  - *Interest and dividends* increased by $21.9 million, mainly fueled by managers' performance.

  - *Net appreciation in fair value of investments* was $680.5 million higher than last fiscal year. The appreciation was mainly driven by the absolute strong performance of the public equity asset class, with $398.0 million from international equity and $295.0 million from domestic equity, as Global equities and U.S. stocks delivered strong outperformance, and the U.S. inflation picture improved. This fiscal year SamCERA realized an investment return of 5.1% as the market conditions flourished. Last fiscal year the market suffered losses in a volatile market environment with an investment return of -4.4% due to inflation concerns and the Ukraine conflict.

  - *Investment expenses* decreased by $5.3 million, predominantly seen in performance fees in the private market portfolios due to underperformance.

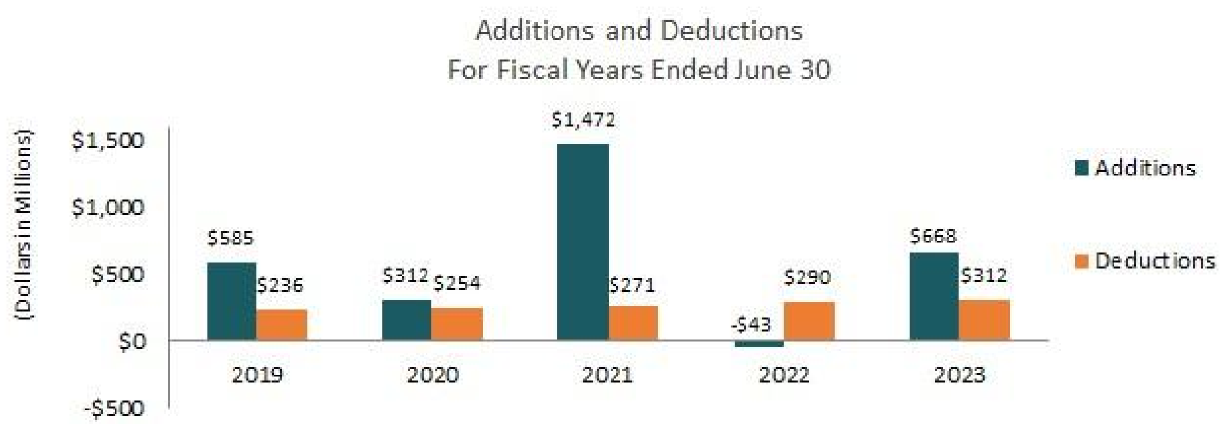
Deductions. Total deductions from the Retirement Fund were $312.5 million or 8% higher than last fiscal year. Changes are explained below:

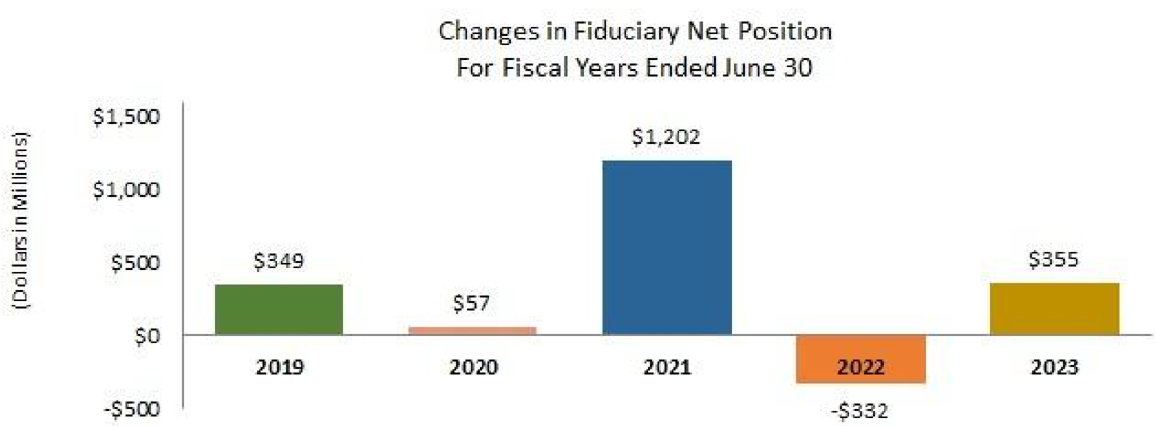
- *Service retirement benefits* increased by $20.1 million or 8%, mostly due to the annual cost -of-living adjustment (COLA) to the pension benefits. Additionally, 153 new retirees were added to the payroll during the year.

- *Disability retirement benefits* rose by $1.5 million or 5%. A new medical reviewer was hired to help improve the backlog in disability retirement determinations, which consequently led to a larger payroll in disability retirement.

- *Survivor, death, and other benefits* went up by $0.8 million or 53%. The number of deceased retirees with residual contributions and accrued interest to their beneficiaries was nearly doubled, from five in fiscal year 2022 to eleven in fiscal year 2023.

- *Refund of member contributions* declined by $0.5 million or 12% since the number of refunds processed this fiscal year was 40% lower than last fiscal year.
- *Administrative expenses* increased moderately by $0.6 million or 9%, mainly due to increases in salaries, medical review service charges for disability retirement determinations, and staff education and related traveling expenses.
- *Information technology expenses* went up by $0.2 million or 14%, primarily stemming from a substantial increase in system support from Vitech, the pension administration system software vendor.





Actuarial Valuation

SamCERA engages an independent actuarial firm, Milliman, Inc., to conduct an annual actuarial valuation that serves as an instrument to monitor its funding status and integrity. The valuation reassesses the magnitude of SamCERA's benefit commitments, in comparison with the assets expected to be available to support those commitments. Valuation results will be used to determine employer and member contribution rates for funding purposes.

In the actuarial valuation, the actuary uses various economic assumptions and demographic assumptions with regards to SamCERA's members (such as their life expectancy, projected salary increases, and the age at which members may retire) to determine the values of plan assets and liabilities. The assumptions selected are also used to project, as closely as possible, the actuarial cost of the plan. The projection permits an orderly method for setting aside contributions today to provide benefits in the future and to maintain equity among generations of members.

In June 2020, the Board of Retirement (the Board) adopted the actuary's recommendation to retain the economic assumptions employed in the 2019 valuation, with investment return at 6.50%, inflation at 2.50%, wage growth at 3.00%, and payroll growth at 3.00%. The Board also set the COLA assumption for Plans 1 and 2 in accordance with the inflation assumption. In July 2020, the Board also accepted the actuary's recommendations to modify several demographic assumptions based on the Triennial Experience Study.

In May 2021, the Board accepted the actuary's recommendations to lower the assumed investment return from 6.50% to 6.25% and to reaffirm all the other assumptions previously used in the 2020 valuation. Additionally, to minimize the short-term impact on the employer contribution expense, the Board agreed to phase-in the statutory employer rate increase of 3.64% of payroll due to the assumption change in three equal installments over a 3-year period beginning July 1, 2022.

In May 2022, the Board re-adopted the 2021 assumptions for the June 30, 2022 valuation. The approved economic assumptions were as follows: investment return at 6.25%, inflation at 2.50%, wage growth at 3.00%, and payroll growth at 3.00%, the COLA assumption for Plans 1 and 2 set in accordance with the inflation assumption, and the employer contribution rate increase was slated to phase in for the second year of the 3-year period.

In May 2023, the Board approved some changes to the economic assumptions, most notably a 0.25% increase to the price inflation to 2.75%, wage growth to 3.25%, and payroll growth to 3.25% while retaining the assumed investment return at 6.25%.

In July 2023, the Board approved several changes to the demographic assumptions based on the results from the Triennial Investigation of Experience Study, which will be discussed in further detail later. These changes, along with the economic assumptions approved in May, will cause a moderate increase in the Employer Statutory Required Rates and a slight increase in member contribution rates effective July 1, 2024. As the original unfunded liability layers were retired in June 2023, the Board adopted a new funding method to reset the current accrued unfunded liability to a new 15-year amortization period and layer subsequent unfunded liability over the succeeding fifteen years. This method also incorporates a minimum contribution rate for employers (the "Minimum Rate"), requiring all employers to pay the greater of the Minimum Rate or the Statutory Required Rate.

Triennial Experience Study

The purpose of the Triennial Experience Study is to review assumptions and methods used in the actuarial valuation and also recommend appropriate changes to reflect new information and knowledge such as changing patterns of retirements, terminations, mortality and so forth. In July 2023, the Board adopted several changes to the demographic assumptions developed from the 2023 Experience Study. The new assumptions triggered a modest decline in the Funded Ratio as determined by the 2023 valuation. The next Triennial Experience Study will take place in 2026.

Plan Assets, Liabilities, and Funded Ratio

The Funded Ratio measures the funding adequacy of a retirement system. According to the latest actuarial valuation as of June 30, 2023, the plan's funded ratio (actuarial value of assets to actuarial accrued liabilities) decreased to 88.3% as of June 30, 2023, from 90.7% a year ago. The decrease was primarily due to changes in assumptions and the recognition of investment returns being less than expected by the assumptions. If future experience is exactly as assumed, SamCERA is projected to be 100% funded as of June 2036.

As of June 30, 2023, the actuarial value of plan assets was $6.2 billion, and the actuarial accrued liability was $7.0 billion. The difference between these two amounts represents the UAAL to meet those obligations, which amounted to $820.4 million (or 130.0% of the collective covered payroll of participating employers, totaling $631.1 million for the fiscal year). The assets used in the calculation of the funded ratio include the values in the supplementary contribution accounts for the County and the San Mateo County Mosquito and Vector Control District.

Requests for Information

This financial report is designed to provide SamCERA's Board of Retirement, employers, members, investment managers, and any interested parties with a general overview of SamCERA's financial position and to show accountability for the funds received. Additional information is available on SamCERA's website at www.samcera.org.

Questions concerning any information provided in this report or requests for additional financial information should be addressed via email at samcera@samcera.org or to:

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

Statement of Fiduciary Net Position
June 30, 2023
(with comparative amounts as of June 30, 2022)

	2023	2022
ASSETS		
Cash and short-term investments:		
Cash and cash equivalents	$ 210,121,124	$ 237,495,568
Cash management overlay	19,989,496	73,569,285
Securities lending cash collateral	3,737,378	4,120,692
Total cash and short-term investments	233,847,998	315,185,545
Receivables:		
Contributions	3,105,913	14,690,743
Due from broker for investments sold	131,151,929	60,199,734
Investment income	12,789,009	8,049,214
Securities lending income	35,260	16,435
Other	3,019,886	131,903
Total receivables	150,101,997	83,088,029
Prepaid expenses	214,663	352,332
Investments at fair value:		
Public equity	2,435,036,194	2,065,993,116
Fixed income	1,358,012,682	1,365,666,389
Alternatives	742,188,710	807,907,593
Inflation hedge	1,022,566,835	1,105,638,764
Liquidity	270,101,574	-
Total investments at fair value	5,827,905,995	5,345,205,862
Capital assets		
Lease asset, net of accumulated amortization of $1,023,284 and $511,692, respectively	2,302,578	2,814,270
Software, net of depreciation of $5,115,260 and $4,316,452, respectively	2,872,814	3,671,622
Equipment, net of depreciation of $313,156 and $270,447, respectively	102,403	145,112
Work-in-progress	194,938	58,669
Capital assets, net	5,472,733	6,689,673
Total assets	**6,217,543,386**	**5,750,521,441**
LIABILITIES		
Investment management fees payable	2,037,842	2,125,820
Due to broker for investments purchased	202,435,351	90,090,580
Securities lending collateral due to borrowers	3,737,379	4,120,692
Lease liability	2,443,817	2,890,295
Other	1,846,497	1,619,608
Total liabilities	**212,500,886**	**100,846,995**
NET POSITION RESTRICTED FOR PENSIONS	**$ 6,005,042,500**	**$ 5,649,674,446**

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

Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30, 2023

(with comparative amounts for the fiscal year ended June 30, 2022)

	2023	2022
ADDITIONS		
Contributions:		
Employer	$ 238,938,203	$ 234,746,179
Employer supplementary	10,000,000	15,200,000
Member	77,666,128	73,967,823
Total contributions	326,604,331	323,914,002
Investment income:		
Interest and dividends	133,336,480	111,425,057
Net increase (decrease) in the fair value of investments	253,087,820	(427,447,926)
Total investment income (loss)	386,424,300	(316,022,869)
Less: investment expenses	(45,366,003)	(50,676,576)
Net investment income (loss)	341,058,297	(366,699,445)
Securities lending activities:		
Securities lending income	267,081	32,658
Borrower rebates	10,568	61,277
Management fees	(90,114)	(20,645)
Net income from securities lending activities	187,535	73,290
Total additions	**667,850,163**	**(42,712,153)**
DEDUCTIONS		
Benefits:		
Service retirement benefits	266,316,948	246,250,375
Disability retirement benefits	30,196,733	28,674,627
Survivor, death, and other benefits	2,420,489	1,577,229
Total benefits	298,934,170	276,502,231
Member refunds	3,895,438	4,407,296
Administrative expenses	7,835,470	7,196,431
Information technology expenses	1,817,031	1,593,393
Total deductions	**312,482,109**	**289,699,351**
Net increase (decrease) in net position	355,368,054	(332,411,504)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of year	5,649,674,446	5,982,085,950
End of year	**$ 6,005,042,500**	**$ 5,649,674,446**

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

Notes to the Basic financial statements

Note 1: Plan Description

The San Mateo County Employees' Retirement Association (SamCERA) is an independent public employee retirement system with its own governing board. Therefore, it is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

SamCERA is governed by the California Constitution; the County Employees Retirement Law of 1937 (CERL - a component of the California Government Code); the California Public Employees’ Pension Reform Act of 2013 (PEPRA); and the regulations, procedures, and policies adopted by the Board of Retirement (the Board). The Board is responsible for governing the retirement system; SamCERA’s management is responsible for overseeing daily operations and other crucial functions, such as administering investments, maintaining adequate internal controls, and preparing financial reports.

General

SamCERA is a cost sharing multiple employer, defined benefit pension plan established to provide pension benefits for all permanent employees of the County of San Mateo (the County); the Superior Court of California, County of San Mateo (the Court); and the San Mateo County Mosquito and Vector Control District (the District). Because of its close financial relationship with the County (the primary plan sponsor), SamCERA is a blended component unit of the County and reported as a pension trust fund in the County’s financial statements.

Under CERL, the governing of SamCERA is vested in the Board consisting of nine members: the first member is the County Treasurer; the second and third members are General Members of SamCERA elected by their peers; the fourth, fifth, sixth and ninth members are qualified electors of the County and appointed by the County Board of Supervisors; the seventh member is elected by and a member of SamCERA’s Safety membership; and the eighth member is a Retired Member elected from the retired membership. In addition, there are one elected Safety Member Alternate and one elected Retired Member Alternate. Subject to the following fiduciary responsibilities, the Board oversees and guides the pension plans:

(1) solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.

(2) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.

(3) diversify the investments of the plan 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.

Pension Plans

SamCERA has 12 defined benefit pension plans based on a member's date of entry into SamCERA. These plans cover members classified as general, safety, and probation; including six plans for General members: 1, 2, 3, 4, 5, and 7 and six plans for Safety and Probation members: 1, 2, 4, 5, 6, and 7.

BENEFIT PLANS		General Member	Probation Member	Safety Member
Plan 1	Hire Date	On or before 7/5/80	On or before 7/5/80	On or before 7/5/80
	Benefit Factor	2%@55.5	3%@50	3%@50
	Maximum COLA	5%	3%	5%
	FAC Period	Highest 1 year	Highest 1 year	Highest 1 year
	Eligibility for Service Retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
Plan 2	Hire Date	7/6/80 - 7/12/97	7/6/80 - 7/12/97	7/6/80 - 7/12/97
	Benefit Factor	2%@55.5	3%@50	3%@50
	Maximum COLA	3%	3%	3%
	FAC Period	Highest 1 year	Highest 1 year	Highest 1 year
	Eligibility for Service Retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
Plan 3	Hire Date	On or before 12/22/12, a non-contributory plan. (After five years of service, Plan 3 members can elect membership under the open contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. Plan 3 closed effective December 23, 2012.) (If retirement occurs prior to age 65, benefit amount will be adjusted by an actuarial equivalent factor.)	Not applicable	Not applicable
	Maximum COLA	No COLA	Not applicable	Not applicable
	FAC Period	Highest 3 years (non-consecutive)	Not applicable	Not applicable
	Eligibility for Service Retirement	Age 65 with 10 years of service; reduced benefit at age 55 with 10 years of service.	Not applicable	Not applicable

Note 1: Plans 1, 2, 3, and 4 are closed to new entrants. However, eligible general members of the San Mateo County Mosquito and Vector Control District with reciprocity may participate in General Plan 4.

Note 2: FAC stands for "Final Average Compensation."

BENEFIT PLANS		General Member	Probation Member	Safety Member
Plan 4	Hire Date	7/13/97 - 8/6/11 (except Plan 5 transfers discussed under Plan 5 below)	7/13/97 - 7/9/11	7/13/97 - 1/7/12
		(Note: Plan 4 closed simultaneously with the implementation of Plan 5 and Plan 6.)		
	Benefit Factor	2%@55.5	3%@50	3%@50
	Maximum COLA	2%	2%	2%
	FAC Period	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
	Eligibility for Service Retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
Plan 5	Hire Date	8/7/11 - 12/31/12	7/10/11 - 12/31/12 [1]	1/8/12 - 12/31/12 [1]
		(Note: General Plan 5 members after 10 years of service can elect to transfer to General Plan 4 and must pay the total actuarial equivalent cost of the increase in past service benefits at the date of transfer.)		
	Benefit Factor	2% @61.25	3%@55	3%@55
	Maximum COLA	2%	2%	2%
	FAC Period	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
	Eligibility for Service Retirement	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
Plan 6	Hire Date	Not applicable	7/10/11 - 12/31/12 [2]	7/10/11 - 12/31/12 [2]
	Benefit Factor	Not applicable	2%@50	2%@50
	Maximum COLA	Not applicable	2%	2%
	FAC Period	Not applicable	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
	Eligibility for Service Retirement	Not applicable	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
Plan 7	Hire Date	On or after 1/1/13	On or after 1/1/13	On or after 1/1/13
	Benefit Factor	2%@62	2.7%@57	2.7%@57
	Maximum COLA	2%	2%	2%
	FAC Period	Highest 36 consecutive months	Highest 36 consecutive months	Highest 36 consecutive months
	Eligibility for Service Retirement	Age 52 with 5 years of service.	Age 50 with 5 years of service.	Age 50 with 5 years of service.

Note 1: Plan 5 is available for all Safety and Probation members.

Note 2: Plan 6 is available for Safety Management and Probation members.

Pension Plan Membership

Plan membership as of June 30, 2023, is displayed in the table below.

SamCERA Membership

June 30, 2023

Plan	One	Two	Three	Four	Five	Six	Seven	Total
Retirees and beneficiaries currently receiving benefits								
General	1,110	2,292	124	1,272	41	-	55	4,894
Safety	250	269	-	181	9	-	9	718
Probation	86	123	-	110	-	-	1	320
Subtotal	1,446	2,684	124	1,563	50	-	65	5,932
Inactive employees entitled to but not currently receiving benefits (Deferred)								
General	4	174	67	779	134	-	1,079	2,237
Safety	-	6	-	36	10	-	65	117
Probation	-	10	-	41	1	-	18	70
Subtotal	4	190	67	856	145	-	1,162	2,424
Current employees, vested								
General	2	223	35	1,394	189	-	1,134	2,977
Safety	-	9	-	142	54	-	124	329
Probation	-	2	-	95	8	-	30	135
Current employees, non-vested								
General	-	-	2	2	58	-	1,688	1,750
Safety	-	1	-	-	16	-	115	132
Probation	-	-	-	-	-	-	11	11
Subtotal	2	235	37	1,633	325	-	3,102	5,334
Total Members	**1,452**	**3,109**	**228**	**4,052**	**520**	**-**	**4,329**	**13,690**

Note 1: Plans 1, 2, 3, and 4 are closed to new entrants. However, eligible general members of the San Mateo County Mosquito and Vector Control District with reciprocity may participate in General Plan 4.

Note 2: As of June 30, 2023, there were no members in Plan 6.

Benefit Provisions

SamCERA provides basic service retirement, disability, survivor, and death benefits based on defined benefit formulas that use final average compensation (FAC), years of service, and age factors to calculate benefits payable. In addition, SamCERA provides an annual Cost-of-Living Adjustment (COLA) upon retirement for members of Plans 1, 2, 4, 5, 6, and 7. The benefits of Plan 3 are reduced by a portion of the Social Security benefits received by the member. The CERL vests the County Board of Supervisors with the authority to initiate benefits, and each participating employer can make limited adjustments to their member benefits.

Service Retirement Benefits. Members are entitled to receive lifetime benefits based on their plan membership and benefit option selected.

Disability Benefits. Disability retirement may be non-service connected or service connected. Members who apply for non-service connected disability must have at least five years of eligible service credits. Service credit requirements do not apply to members who apply for service-connected disability benefits. If members are permanently incapacitated from substantially performing the usual duties of their job because of injury or disease arising out of employment, the members are eligible for disability retirement benefits.

Active Member Survivor Benefits. Lifetime survivor benefits are for eligible beneficiaries of active members if (1) the member's death is service connected or (2) the member has at least five years of service credits. The beneficiary may instead opt for a one-time death benefit. All other active member death benefits are limited to a lump sum payment.

Post-Retirement Survivor Benefits. Lifetime survivor benefits are available for certain eligible beneficiaries of a deceased retiree. The amount of benefits received is determined by the benefit option selected by the retiree.

Deferred Member Benefits. A member may withdraw member contributions plus accumulated interest upon termination of employment and forfeit the right to future benefits. If the member enters a reciprocal retirement system within 180 days, the member can elect to leave the accumulated contributions with SamCERA and receive a deferred retirement benefit when eligible. Eligible contributory plan members with five years of service (either permanent or part-time employees with the equivalent of five years of full-time service), or non-contributory plan members in Plan 3 with ten years of service, may elect a deferred retirement.

Cost-of-Living Adjustments (COLA). COLA increases are applied to all eligible retirement and death benefits, effective April 1. As of April 1 of each year, the Board will adjust the retirement benefits in accordance with changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest one-half of one percent. The COLA is based on information from the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the San Francisco, Oakland, and San Jose Bay Area. The increase is capped at 5% for General and Safety members in Plan 1; 3% for Probation members in Plan 1 and all members in Plan 2; and 2% for members in Plans 4, 5, 6, and 7. Plan 3 has no COLA.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

Cash and cash equivalents. Cash is pooled with other funds of the County or custodians, as appropriate, to earn a higher rate of return than what could be earned by investing the funds individually. In addition to the pooled cash with the County and custodians, all highly liquid investments with maturities of three months or less when purchased are considered cash equivalents.

Investment. The Board has exclusive control of SamCERA's investments. Government Code Section 31595 of CERL authorizes the Board to invest, or delegate the authority to invest, SamCERA's assets in any investment allowed by statutes and deemed prudent in the informed opinion of the Board. The Investment Policy of SamCERA seeks to optimize long-term returns within acceptable risk parameters. The Board periodically reviews the asset allocation in response to changing market conditions that may affect forward-looking expected returns of asset classes.

SamCERA records investment transactions on the trade date. Investments are reported at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Governmental Accounting Standards Board (GASB) establishes a fair value hierarchy based on three distinct types of input to develop the fair value measurements.

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

The valuation technique for each type of investment is as follows:

Short-term investments. Short-term investments are reported at cost, which approximates fair value. Short-term investments include cash held in money market funds and securities that are readily convertible to cash.

Public equity and fixed income securities. Valuations for publicly traded securities, such as stocks and bonds, are provided by SamCERA's custodian, the Northern Trust Corporation, based on end-of-day prices from external pricing vendors. The fair values of public market equity and fixed income investments held in Institutional Commingled Funds or Partnerships are typically provided by a third-party fund administrator who performs this service for the fund manager.

Real estate. Real estate assets are reported at fair value, utilizing an income approach to valuation. An independent appraisal is conducted every quarter to determine the fair value of the real estate assets.

Private equity, private credit, and private real assets. Private equity, private credit, and private real asset partnerships are reported based on the fair value provided by the General Partner on a quarterly basis. The General Partner considers the financial conditions and operating results of the portfolio companies, the nature of the investments, marketability, and other relevant factors.

Hedge funds and public real assets pool. Investments are reported based on the fair value provided by a third-party administrator who performs this service for the fund manager.

Foreign Currency Transactions

Gains and losses from foreign currency transactions during the year (including translation of international investments at fiscal year-end rates of exchange) are recorded as investment income. Forward currency contracts are used by SamCERA's investment managers to control currency exposure and facilitate the settlement of international security purchase and sale transactions. These contracts are agreements to exchange different currencies at specified rates and settlement dates. Differences between the contract and market exchange rates at settlement result in gains or losses, which are included in net investment income. Risks may arise from the possible inability of counterparties to meet the terms of their contracts as well as from movements in exchange and interest rates.

Securities Lending Activities

Securities lending transactions are short-term collateralized loans of SamCERA's securities for the purpose of generating additional investment income. For each securities lending transaction, SamCERA receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on SamCERA's Statement of Fiduciary Net Position as if the lending transaction had not occurred. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, cash collateral held (or any security that can be sold or pledged without a borrower default) is separately reported on the Statement of Fiduciary Net Position among the current assets. A corresponding liability of an equal amount (the obligation to return the cash collateral) is reported simultaneously. Non-cash collateral held that cannot be sold or pledged without a borrower default is not reported on the Statement of Fiduciary Net Position nor is there a corresponding liability reported on this statement.

Receivables

Receivables consist primarily of interest, dividends, investments in transition (traded but not yet settled), and contributions owed by participating employers and members.

Capital Assets

Capital assets, including intangible assets, are items with an initial unit cost greater than $5,000 and an estimated useful life more than three years. Capital assets are reported at acquisition value, net of accumulated depreciation/amortization. Acquisition value is the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years. Most capital assets are information technology related. The estimated useful life is determined to be five years for hardware and ten years for software. The routine maintenance and upgrade of applicable information technology systems are deemed appropriate as expenses for the current fiscal year. SamCERA's total capital assets including capital leases, net of accumulated depreciation/amortization, approximated to $5.5 million as of June 30, 2023.

Additionally, the liability from an office space lease is determined based on prevailing standards and amortized over the lease term. Future lease payments are as follows:

Lease Liability			
Fiscal Year (June 30)	Principal	Interest	Total
2024	$478,754	$155,902	$634,656
2025	513,364	121,292	634,656
2026	550,476	84,180	634,656
2027	590,269	44,387	634,656
2028	310,954	6,380	317,334
Total	$2,443,817	$412,141	$2,855,958

Recognition of Contributions, Benefits, and Refunds

Employer and member contributions are recognized in the period in which contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with plan terms.

Investment Income and Expenses

Interest income is recognized when earned. Dividend income is recognized when declared. Realized and unrealized gains and losses on investments are combined and reported as the appreciation (or depreciation) in the fair value of investments. Investment expenses are recognized when incurred.

Estimates

The preparation of financial statements in accordance with GAAP in the United States of America may require management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

Note 3: Funding Policy

The funding objective of the pension plan is to establish employer and member contribution rates that, over time, will be sufficient to pay all expected future benefits not funded by the current assets. Participating employers are required by statutes to contribute amounts necessary to fund the estimated benefits accruing to members not otherwise funded by expected investment earnings or member contributions.

The CERL establishes the basic contribution obligations for employers and members to the pension plan. The contribution rates adopted by the Board are independently determined by the actuary in accordance with the membership type (General, Safety, and Probation) and the plan in which a member belongs. Assumptions are made about future events that may affect the amount and timing of benefits to be paid and assets to be accumulated. Methods and assumptions used to determine contribution rates are separately discussed in the Required Supplementary Information and the Actuarial Section.

In July 2023, the Board adopted a new funding policy under which all participating employers are required to contribute at least 26.2% of the level payroll each year. This requirement not only increases the funding progress but also reduces the contribution rate volatility. The Board also accepted the actuary's recommendation effective with the June 30, 2023 valuation to consolidate all outstanding UAAL layers into a single layer, which will be amortized over a 15-year period beginning July 1, 2024 (fresh-start method). In future years, new layers will be established to amortize emerging gains and losses over their own 15-year closed period. The Unfunded Actuarial Accrued Liability (UAAL) rate for each member class will be the greater of (1) the UAAL rate for a specific class under the 15-year layered amortization with fresh start in 2023 and (2) the UAAL contribution rate in effect for that class for the fiscal year beginning July 1, 2023, before reflecting any Supplementary Contribution Accounts. SamCERA will review the minimum rate once the funded ratio hits 100%.

The actuarial valuation of plan assets and liabilities is always performed after fiscal year-end. The contribution rates determined as of June 30, 2023, are subject to a "one year" deferral. Thus, the new contribution rates from the June 2023 valuation will become effective on July 1, 2024. The Retirement Fund was 88.3% funded as of June 30, 2023, reflecting a modest decrease from 90.7% a year ago. The decrease was mainly due to changes in assumptions and the recognition of investment returns being less than expected by the assumptions. The valuation revealed that the UAAL is $820.4 million as of June 30, 2023.

Note 4: Member Contributions

In general, the member contribution rate is determined by the present value of the future benefits payable at retirement age, divided by the present value of all future salaries payable between entry age and retirement age. Active members in all plans (except Plan 3) are required to make contributions as described below. Plan 3 is non-contributory, which was open only for General members but closed to new members after December 22, 2012. For members who transferred from Plan 3 to another General Plan, the entry age is based on the transfer date. Member contributions consist of the following three categories:

- **Basic contributions** are required for all members (except Plan 3 members) based on the entry age and the class of each member (except Plan 7 members). Plan 3 is non-contributory, and Plan 7 is governed by Section 7522.30 of the Government Code under which Plan 7 members are required to contribute 50% of the total normal cost rate. For General members who have joined SamCERA or a reciprocal system on or before March 7, 1973, the basic contributions cease after 30 years of consecutive service in a contributory plan. For both Safety and Probation members (except Safety Plan 7 members), basic contributions cease after 30 years of consecutive service.

- **Cost sharing contributions** apply to General members in Plans 1, 2, and 4 (except the District) and Safety and Probation members in Plans 1, 2, 4, and 5. The cost sharing rates are not impacted by changes in assumptions and fixed at 3% for General Plans 1, 2, and 4 members and 3% to 5% for Safety and Probation Plans 1, 2, 4, and 5 members, varying among bargaining units. General Plan 5 members and all Plans 6 and 7 members do not participate in cost sharing.

- **COLA cost sharing contributions** apply to all Plans 1, 2, 4, 5, and 6 members (except the District). All members in these plans are required to contribute 50% of the cost of COLA.

Member contribution rates effective July 1, 2022, are based on new investment return assumption of 6.25% (decreased from 6.5%) adopted by the Board. Consequently, the member contribution rate for all plans combined increased modestly to 12.49% for fiscal year 2023 from 12.21% for fiscal year 2022. Member contribution rates for all plans (except Plan 3 and Plan 7) vary based on a member's entry age and the underlying actuarial assumptions. Plan 3 is non-contributory. Plan 7 member contribution rates are required to be equal to 50% of the Gross Normal Cost Rate of the respective plans.

Note 5: Employer Contributions

Employer contribution rates for each plan are determined pursuant to Government Code Section 31453 of CERL, using the entry age normal cost method based upon a level percentage of projected payroll. The Employer Statutory Contribution Rate (SCR) decreased slightly by 0.58% of pay to 38.33% of pay for fiscal year 2023 (which is a weighted average for all plans), from 38.91% of pay for fiscal year 2022. Effective with the fiscal year beginning July 1, 2023, a large decrease is projected as the June 30, 2008 amortization layer is fully amortized. The table below shows the changes in SCR and its components.

Employer Contribution Rates

	Fiscal Year Beginning		Increase
	July 1, 2022	July 1, 2021	(Decrease)
Gross Normal Cost	24.04%	23.11%	0.93%
Member Contributions	(12.49%)	(12.21%)	(0.28%)
Employer Normal Cost	11.55%	10.90%	0.65%
UAAL Amortization	29.21%	28.01%	1.20%
Calculated Employer Rate	40.76%	38.91%	1.85%
Deferred Recognition of 2021 Assumptions	(2.43%)	-	(2.43%)
Total Employer Rate [1]	**38.33%**	**38.91%**	(0.58%)
County Contribution Rate	38.51%	39.14%	(0.63%)
Courts Contribution Rate	35.73%	35.85%	(0.12%)
District Contribution Rate	12.10%	12.76%	(0.66%)

[1] The total Employer Statutory Contribution Rate of 38.33% is the aggregate rate for all employers.

The SCR consists of two main components: (1) the normal cost that covers the value of benefits earned by active members during the year less member contributions and (2) the UAAL that denotes the excess of actuarial accrued liability over the actuarial value of the plan assets. The employer normal cost increased to 11.55% of pay for fiscal year 2023, from 10.90% for fiscal year 2022, and the employer UAAL increased by 1.2% to 29.21% of pay for fiscal year 2023, from 28.01% for fiscal year 2022. The new assumptions adopted for the 2021 valuation triggered a 3.64% increase in the employer contribution rate. To smooth out the impact of this increase, the Board decided to defer the recognition of the increase in three equal installments, with 1.21% effective July 1, 2022; 1.21% effective July 1, 2023; and the final 1.22% effective July 1, 2024. Below is the schedule showing the employer contributions, including supplementary contributions, for the past ten fiscal years.

Schedule of Employer Contributions

Dollars in Thousands

Fiscal Year Ended June 30	(a) Actual Employer Contributions	(b) Actuarially Determined Contributions	(a) - (b) Supplementary Contributions		Percentage of Actuarially Determined Contributions Received
2014	$202,877	$152,877	$50,000	(1)	100%
2015	180,704	169,814	10,890	(2)	100%
2016	191,094	170,046	21,048	(3)	100%
2017	198,727	164,877	33,850	(4)	100%
2018	207,257	179,627	27,630	(5)	100%
2019	245,498	194,830	50,668	(5)	100%
2020	198,583	198,583	-		100%
2021	265,002	225,302	39,700	(5)	100%
2022	249,946	234,746	15,200	(5)	100%
2023	248,938	238,938	10,000	(5)	100%

(1) The County made a supplementary contribution of $50.0 million to accelerate the pay down of its UAAL.

(2) The County made a supplementary contribution of $10.9 million to accelerate the pay down of its UAAL.

(3) The County and the District contributed additional funding of $19.5 million and $1.5 million, respectively, to accelerate the pay down of their UAAL.

(4) The County and the District contributed additional funding of $33.6 million and $0.25 million, respectively, to accelerate the pay down of their UAAL.

(5) This amount was made by the County to accelerate the pay down of its UAAL.

Supplementary Contributions from San Mateo County

In November 2013, the County reached an agreement with SamCERA to accelerate the pay down of the County's UAAL. Under this agreement, the County provided a supplementary contribution of $50.0 million in fiscal year 2014 with annual contributions of $10.0 million for the next nine years through 2023. A new account, the County Supplementary Contribution Account (CSCA), was set up to separately account for the supplementary contributions.

Deposits that have been in the CSCA less than six months prior to the interest crediting date receive interest at the actual market investment return rate, net of fees and costs. Deposits for more than six months prior to the interest crediting date will receive interest at the actuarially calculated return on the actuarial value of the CSCA's asset. In fiscal year 2023, total supplementary contributions to the CSCA amounted to $10.0 million. The CSCA had an aggregate reserve account balance of $213.0 million as of June 30, 2023. The resources in the CSCA are systematically recognized to provide an offset to the County's Statutory Contribution Rate. Without the recognition of the CSCA, the County's statutory contribution rate would be higher.

The County paid its annual required contributions for fiscal year 2023 via two semi-annual prepayments (in July 2022 and in January 2023). The prepayments were based on the adopted actuarially determined contribution rate and the projected covered payroll by plan, discounted by the assumed investment rate of return. Throughout the year, the prepayments were periodically reduced by actual contributions as determined by the adopted contribution rate and the actual covered payroll by plan. Near fiscal year-end, SamCERA performed a "true-up" calculation to ensure that the County's annual statutory contribution to SamCERA was fully settled. Any excess balance in the prepayment account will be applied towards the County's contribution for the upcoming fiscal year.

Supplementary Contributions from San Mateo County Mosquito and Vector Control District

In September 2015, the District entered into an agreement with SamCERA to pay down the District's UAAL with a single payment of $1.5 million in addition to its statutory contribution for fiscal year 2016. This amount was remitted to SamCERA on October 29, 2015. SamCERA established a new account, the District Supplementary Contribution Account (DSCA), to separately account for the District's supplementary contributions. In 2017, the District made its second supplementary contribution of $0.25 million.

Deposits that have been in the DSCA less than six months prior to the interest crediting date receive interest at the actual market investment return rate, net of fees and costs. Deposits for more than six months prior to the interest crediting date will receive interest at the actuarially calculated return on the actuarial value of the DSCA's asset. As of June 30, 2023, the DSCA had an aggregate reserve account balance of $71,587. Based on the latest amendment to the Memorandum of Understanding between SamCERA and the District, the resources in the DSCA will be recognized in five years starting from June 30, 2019, to provide an offset to the District's statutory contribution rate. Without the recognition of the DSCA, the District's statutory contribution rate would be higher.

Note 6: Deposits and Investments

The Board established an Investment Policy in accordance with applicable local, state, and federal laws. The CERL vests the Board with exclusive control over SamCERA's investment portfolio. Except as otherwise expressly restricted by the California Constitution and by regulation, the Board at its discretion may invest, or delegate the authority to invest, SamCERA's assets in any investments allowed by statutes and deemed prudent in the informed opinion of the Board.

Deposits

SamCERA has deposits with the Northern Trust Corporation and the County investment pool, which is custodied at the Bank of New York Mellon. Deposits with the Northern Trust Corporation are swept into a pooled short-term investment fund (which invests in securities such as repurchase agreements, commercial paper, U.S. Treasury bills and notes) and reported at cost (which approximates fair value). Deposits with the County investment pool are considered short-term investments, which share earnings and losses among pool participants, and reported at fair value.

Custodial Credit Risk – Deposits. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SamCERA will not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party. SamCERA has no general policy on custodial credit risk for deposits.

SamCERA maintains cash deposits to support its investment activities and operational needs. As of June 30, 2023, $130.3 million of cash was held in a pooled short-term investment fund with the Northern Trust Corporation and $11.8 million in the investment pool with the County Treasurer. Cash held by investment managers at year-end amounted to $68.0 million, which is swept daily into a pooled short-term investment fund managed by the Northern Trust Corporation.

Cash held with the Northern Trust Corporation in the amount of $767,128 is uninsured and uncollateralized. Thus, this amount is subject to custodial credit risk. SamCERA does not have a general policy addressing custodial credit risk. The fair value of SamCERA’s position in the pool is the same as the value of the pool shares.

The participation in the County investment pool is voluntary. The County investment pool is not registered with the Securities and Exchange Commission as an investment company. In accordance with Article 6 Section 27131 of the California Government Code, the County Board of Supervisors established an eight-member County Treasury Oversight Committee to oversee the management of public funds in the County investment pool. Pool participants can withdraw no more than 12.5% of their deposits per month, based on the month-end balance of the prior month. All requests for withdrawal must be made in writing to the County Treasurer at least three business days in advance.

Investments

SamCERA’s investments are managed by independent investment management firms in accordance with the guidelines and controls specified in the Investment Policy and contracts executed with the Chief Executive Officer on the Board’s behalf. A third-party institution, the Northern Trust Corporation, is used as an independent custodian.

Investment Policy. The Investment Policy is strategized to reduce risk through a prudent diversification of the investment portfolio across a broad selection of distinct asset classes.

During the fiscal year, the Board approved a new policy portfolio as part of its annual asset allocation review. The new policy portfolio tweaks the old portfolio by increasing Growth assets by 2% with a corresponding 1% decrease to both Diversifying and Inflation Hedge assets. This new interim policy will be effective on July 1, 2023. The long-term strategic asset allocation policy will include a 1% increase to Private Equity (funded from public equity), which will take multiple quarters to reach the target.

Target Asset Allocation. As of June 30, 2023, SamCERA's target asset allocation consists of 57.0% in Growth assets, 19.5% in Diversifying assets, 18.0% in Inflation Hedge assets, 5.5% in Liquidity. The actual asset allocation at fiscal year-end consisted of 58.1% in Growth assets, 17.9% in Diversifying assets, 17.0% in Inflation Hedge assets, and 7.0% in Liquidity. See the Investment Section for further details.

Money-Weighted Rate of Return. The money-weighted rate of return expresses investment performance, net of pension plan investment expenses, adjusted for the timing of cash flows and the changing amounts invested. The annual money-weighted rate of return for the reporting period was 5.12% on SamCERA's investments, net of investment manager fees.

Time-Weighted Rate of Return. SamCERA uses the time-weighted rate of return to measure its investment performance, which was 5.12% net of investment expenses for the reporting period. The time-weighted rate of return is a measure of the compound rate of growth in the portfolio and is often used to measure investment performance since it eliminates the distorting effects on growth rates created by inflows and outflows of money.

Long-Term Expected Real Rates of Return. The long-term expected real rates of return on pension plan investments were determined using a building-block method. Under this method, expected future real rate of returns (expected returns, net of inflation) are developed for each major asset class.

The table on the right shows the target allocation approved by the Board and projected geometric real rates of return for each major asset class (after deducting inflation, but before deducting investment expenses) that were used to determine the long-term expected investment rate of return assumption.

Long-Term Expected Real Rates of Return

June 30, 2023

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Growth		
Public Equity	40.0%	4.0%
Private Equity	7.0%	7.7%
Opportunistic Credit	10.0%	3.9%
Diversifying		
Core Fixed Income	12.5%	1.8%
Absolute Return	7.0%	2.3%
Inflation Hedge		
Real Estate	9.0%	3.3%
Private Real Assets	4.0%	4.5%
Public Real Assets	5.0%	4.5%
Liquidity		
Cash Flow Match	4.5%	1.4%
Cash & Cash Overlay	1.0%	0.8%
Total	**100.0%**	

Investment Risk

SamCERA manages investment risks under GASB Statements No. 40 and No. 53 by contractually requiring each investment manager to follow specific investment guidelines that are customarily tailored to the investment manager. For separately managed accounts, managers' responsibilities are detailed in the investment management agreements between SamCERA and each investment manager. For commingled fund investments, managers' responsibilities are detailed and dictated by the related fund documents. The investment guidelines in most cases stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

Each investment manager, with whom SamCERA holds a separately managed account, is required to follow the "manager standard of care" to act prudently and solely in the best interest of SamCERA. Each investment manager, with whom SamCERA holds a commingled fund investment, is required to follow its fiduciary duties with respect to the fund. The guidelines require the investment return performance of each manager be compared with the performance of a relative passive market index over specific periods. SamCERA's investment consultant and staff constantly monitor the performance of all investment managers for compliance with respective guidelines.

Interest Rate Risk. The interest rate risk is the risk associated with changes in interest rates that will adversely affect the fair value of an investment. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates and calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates. SamCERA has investments in twelve external investment pools and four fixed income portfolios containing debt securities.

SamCERA does not have a formal policy that limits investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk for the fixed income portfolios is displayed in the table below.

Interest Rate Risk Analysis

June 30, 2023

Commingled Fixed Income Portfolio	Fair Value	Weighted Average Maturity (Years)	Effective Duration (Years)
Opportunistic Credit Funds [1]	$ 607,709,574	5.34	2.86

[1] This category consists of twelve opportunistic Credit Funds managed by Angelo Gordon (three funds), Beach Point, Brigade Capital Management, Franklin Templeton, Blackrock (two funds), PIMCO (two funds) and White Oak (two funds).

Interest Rate Risk Analysis (Continued)

June 30, 2023

Investment Portfolio [1]	Fair Value	Weighted Average Maturity (Years)	Effective Duration (Years)
Asset Backed Securities	$ 46,574,678	14.5	2.0
Commercial Mortgage-Backed	34,776,991	22.4	2.8
Corporate Bonds	129,297,894	9.0	5.0
Government Agencies	5,472,283	9.3	5.3
Government Bonds	303,934,180	12.5	8.9
Government Mortgage-Backed Securities	211,873,329	25.6	9.4
Government Commercial Mortgage-Backed	8,968,955	19.8	4.9
Municipal/Provincial Bonds	5,146,837	10.6	6.4
Non-government Backed CMOs	4,257,961	36.7	5.3
Total	**$ 750,303,108**		

[1] This category consists of four fixed income separate account managers: FIAM, NISA (two funds), and DoubleLine.

Credit Risk. The credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SamCERA's Investment Policy seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within the asset class. The quality of SamCERA's investments in bonds as of June 30, 2023, is summarized in the table on the right.

S&P Quality Breakdown for Investment in Bonds

June 30, 2023

Credit Risk	Separately Managed Accounts	Commingled Management
AAA	2.5%	1.5%
AA	1.2%	1.0%
A	6.4%	0.5%
BBB	10.8%	2.7%
B	0.3%	26.6%
Not Rated	78.8%	67.7%
Total	**100.0%**	**100.0%**

Custodial Credit Risk – Investment. The custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, SamCERA will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. Under the investment guidelines for each investment manager, managed investments must be held in the name of SamCERA. The master custodian may rely on sub-custodians. As of June 30, 2023, SamCERA had no investments that were exposed to custodial credit risk.

Concentration of Credit Risk. The concentration of credit risk is the possibility of loss attributed to the magnitude of SamCERA's investment in a single issuer of securities. Investments issued or explicitly guaranteed by the U.S. Government and commingled investments are excluded from the concentration of credit risk analysis. As of June 30, 2023, SamCERA does not have investments in a single issuer with five percent or more of SamCERA's fiduciary net position.

Foreign Currency Risk. The foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. In its Investment Policy, SamCERA allows forward currency contracts and currency futures as defensive currency hedging to mitigate foreign currency risk on the portfolio. International equity and global bond managers are permitted to invest in authorized countries. The table below indicates the magnitude of risk for each foreign currency denominated in U.S. dollars. Foreign investments held within commingled fund vehicles are excluded from analysis below.

Foreign Currency Risk

June 30, 2023

Foreign Currency	Common Stock	Preferred Stock	Partnerships	Foreign Currency	Variation Margin	Pending FX Transactions	Total
Australian Dollar	$ 10,594,696	$ -	$ -	$ 79	-	$ (9,878,907)	$ 715,868
Brazilian Real	4,203,249	-	-	-	-	-	4,203,249
Canadian Dollar	8,878,363	-	-	41	703,486	(4,750,657)	4,831,233
Swiss Franc	15,266,291	-	-	-	-	(7,839,865)	7,426,426
HK Offshore Chinese Yuan Renminbi	3,870,903	-	-	-	-	-	3,870,903
Danish Krone	2,881,391	-	-	-	-	-	2,881,391
Euro	114,099,125	4,660,029	18,774,300	431,010	-	(42,884,444)	95,080,020
British Pound Sterling	76,195,295	-	-	64,506	-	(23,219,365)	53,040,436
Hong Kong Dollar	28,979,617	-	-	21,551	-	-	29,001,168
Indian Rupee	12,144,509	-	-	-	-	-	12,144,509
Japanese Yen	107,236,129	-	-	243,484	-	(125,097,254)	(17,617,641)
Mexican Peso	2,422,517	-	-	-	-	-	2,422,517
Swedish Krona	17,487,872	-	-	6,456	-	(20,097,856)	(2,603,528)
Singapore Dollar	11,353,619	-	-	-	-	-	11,353,619
Total	**$ 415,613,576**	**$ 4,660,029**	**$ 18,774,300**	**$ 767,127**	**$ 703,486**	**$ (233,768,348)**	**$206,750,170**

Derivatives

Derivatives are financial instruments that are connected to a specific financial instrument, indicator, or commodity through which specific financial risks can be traded in financial markets in their own right. The value of a derivative derives from the price of an underlying item, such as an asset or index. Derivatives are used for a number of purposes (such as risk management, hedging, and arbitrage between markets) and are usually settled by net payments of cash. SamCERA currently employs external investment managers to manage its assets as permitted by the California Government Code and SamCERA's Investment Policy. Specific managers hold investments in swaps, options, futures, forward settlement contracts, and warrants and enter into forward foreign currency exchange security contracts within fixed income financial instruments.

- The fair value of options, futures, and warrants is determined based upon quoted market prices. The fair value of derivative investments that are not exchange traded, such as swaps and TBAs (To Be Announced), is determined by an external pricing service using various proprietary methods based upon the type of derivative instrument.
- Futures contracts are marked to market at the end of each trading day; the settlement of gains or losses occur on the following business day through variation margins.
- The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated as the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The derivative instruments held by SamCERA are considered investments and not hedges for accounting purposes. As of June 30, 2023, the derivatives held an aggregate notional amount of -$4.1 million. The fair value of derivatives totaling $1.1 million is reported in the Statement of Fiduciary Net Position as part of the cash management overlay. Additionally, a fair value of derivatives totaling $8.1 million is reported in the Statement of Fiduciary Net Position in liquidity. Changes in fair value during fiscal year 2023 are reported in the Statement of Changes in Fiduciary Net Position as a component of investment income. The derivatives that SamCERA held at year-end under cash management overlay are shown below. Compared to SamCERA's total investments at fair value, the fair value of SamCERA's derivatives as of June 30, 2023, is not material.

Investment Derivatives

June 30, 2023

Type of Derivatives	Notional Value	Fair Value
Interest Rate Contract - Short	$ (47,025,281)	$ 366,374
Interest Rate Contract - Long	(17,460,438)	86,523
Foreign Exchange Contracts - Short	26,622,014	-
Foreign Exchange Contracts - Long	1,739,490	545
Equity Contracts - Long	31,994,150	662,888
Total	**$ (4,130,065)**	**$ 1,116,330**

Interest Rate Risk – Derivatives. SamCERA's investments in interest rate derivatives are highly sensitive to changes in interest rates. The investment maturity for $41.4 million of investments in derivatives is less than 3 months, -$55 million is 3 to 6 months, and $9.5 million is 6 to 12 months.

Foreign Currency Risk – Derivatives. Foreign currency contracts are subject to foreign currency risk as the value of deposits or investments denominated in foreign currency may be adversely affected by changes in foreign exchange rates. Foreign currency contracts include forward contracts and spot contracts. *Currency forward contracts* are derivatives and generally serve to hedge or offset the impact of foreign currency exchange rate fluctuations. *Spot contracts* are agreements to buy or sell a certain amount of foreign currency at the current market rate for settlement in two business days. Spot contracts are generally used when SamCERA is required to make or receive payments in a foreign currency. SamCERA does not have a formal policy on foreign currency risk.

Custodial Credit Risk – Derivatives. As of June 30, 2023, SamCERA's derivatives were not subject to custodial credit risk. However, such derivatives are subject to other risks.

Credit Risk – Derivatives. SamCERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include credit default and interest rate swaps, currency forward contracts, rights, warrants, and TBA transactions. To minimize credit risk exposure, SamCERA's investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, SamCERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. SamCERA does not have a general policy with respect to netting arrangements or collateral requirements. In the event of bankruptcy or default by the counterparty, netting arrangements legally provide SamCERA with a right of offset.

Securities Lending Activity

SamCERA is authorized by its Investment Policy and state law to participate in a securities lending program. Securities lending transactions are short-term collateralized loans of SamCERA's securities for the purpose of generating additional investment income. SamCERA has a securities lending agreement in place that authorizes its securities lending agent to lend SamCERA's securities to broker-dealers and banks pursuant to a loan agreement. For each type of security loaned, SamCERA receives cash or non-cash collateral. SamCERA invests the cash and receives earnings on it in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower pays SamCERA a loan premium.

For the fiscal year ended June 30, 2023, on behalf of SamCERA, the securities lending agent lent SamCERA's securities to borrowers under the securities lending agreement. In return, SamCERA received cash and obligations issued or guaranteed by the U.S. government, or its agencies or instrumentalities. Borrowers were required to deliver collateral for each loan equal to (1) loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the fair value of the loaned securities; and (2) loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the fair value of the loaned securities. In addition, borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

SamCERA imposes the following restrictions on the loans that the securities lending agent makes on SamCERA's behalf:

- Borrowers must have a long-term credit rating of either "A" from Standard and Poor's (S&P) or "A2" from Moody's Investors Service (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.
- The maximum allowable amount of assets on loan to any single borrower shall not be greater than $3 million.
- The maximum total amount of program assets on loan shall not be greater than $10 million.

The securities lending agent indemnified SamCERA by agreeing to purchase replacement securities or to supplement the amount of cash collateral provided to SamCERA. Such indemnification will become effective in the event the borrower fails to return the loaned securities and the collateral is inadequate to replace the securities lent, or the borrower fails to pay SamCERA for any income distributions on loaned securities. SamCERA did not experience any loss from a default of the borrowers or the securities lending agent during the reporting period. SamCERA and the borrowers maintained the right to terminate all securities lending transactions on demand.

As of June 30, 2023, the fair value of securities on loan reported and the total collateral held amounted to $9.7 million and $9.9 million (with $3.7 million in cash collateral and $6.2 million in non-cash collateral), respectively. The amount of collateral exceeded the amount of securities on loan by $213,202. The securities on loan include U.S. equities and international equities. The cash collateral received on each loan was invested in a short-term investment pool, the Northern Institutional Liquid Assets Portfolio (NILAP), managed by the securities lending agent. The average maturity of securities on loan was approximately 116 days as of June 30, 2023.

SamCERA does not have the ability to pledge or sell non-cash collateral delivered absent a borrower default. Therefore, such non-cash collateral is not reported on the Statement of Fiduciary Net Position. There were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

Securities Lending Collateral Credit Risk. All the cash collateral received for securities lending is invested in the NILAP Cash Collateral Fund (the Fund) that is not rated by credit rating agencies. All investments qualify as "eligible securities" within the meaning of Rule 2(a)-7 of the Investment Company Act of 1940. The Fund seeks to maintain a stable net position value per share of $1 by valuing its Fund using an amortized cost method and complying with the requirements of Rule 2(a)-7.

Securities Lending Collateral Interest Rate Risk. Cash collateral from loans of securities are invested in the Fund. The Fund's average effective duration is restricted to 60 days or less. As of June 30, 2023, the Fund had an interest rate sensitivity of 24 days.

Fair Value Measurement

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy based on the following three types of input to develop the fair value measurements for investment.

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the fair value hierarchy (see pages 65-66) is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk. As of June 30, 2023, SamCERA did not hold any investments classified in Level 3. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: use quoted prices for identical securities in markets that are not active.
- Corporate and Municipal Bonds: use quoted prices for similar securities in active markets.
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: use matrix pricing based on the securities' relationship to benchmark quoted prices.
- Money Market, Bond, and Equity Mutual Funds: use published fair value per share (unit) for each fund.
- Commingled and high-yield equity investments: use matrix pricing techniques or quoted prices for similar securities in active markets.

Fair Value Measurement

June 30, 2023

Investments by Fair Value Level	June 30, 2023	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)
DEBT SECURITIES			
Asset Backed Securities	$ 68,820,751		$ 68,820,751
Collateralized Mortgage Obligations	4,257,961		4,257,961
Commercial Mortgage-Backed	34,776,992		34,776,992
Corporate Bonds	306,117,443		306,117,443
Foreign Government Securities	249,571		249,571
Government Agencies	13,992,716		13,992,716
Government Commercial Mortgage-Backed	8,968,955		8,968,955
Government Mortgage-Backed Securities	211,873,329		211,873,329
Municipal Bonds	5,146,837		5,146,837
US Government Securities	358,064,790		358,064,790
Total Debt Securities	1,012,269,345		1,012,269,345
EQUITY SECURITIES [1]			
Foreign Stocks	420,273,604	$ 420,273,604	
US Common & Preferred Stock	380,956,152	380,956,152	
Total Equity Securities	801,229,756	801,229,756	
COMMINGLED FUNDS			
Domestic Equity Funds	793,228,100		793,228,100
International Equity Funds	547,880,982		547,880,982
Liquid Pool Funds	173,738,904		173,738,904
Total Commingled Funds	1,514,847,986		1,514,847,986
DERIVATIVES [2]			
Foreign Exchange Contracts	8,135,337		8,135,337
COLLATERAL FROM SECURITIES LENDING	3,737,378	3,737,378	
Total Investments by Fair Value Level	**3,340,219,802**	**$ 804,967,134**	**$ 2,535,252,668**
Investments Measured at the Net Asset Value (NAV)			
Domestic Bond Funds	553,160,431		
Global Bond Funds	54,549,143		
Domestic Equity Funds	216,525,262		
International Equity Funds	76,172,093		
Real Estate Funds	524,546,040		
Hedge Funds/Absolute Return	348,359,797		
Private Equity Funds	393,828,912		
Private Real Asset Funds	324,281,893		
Total Investments Measured at NAV	**2,491,423,571**		
Total Investments	**$ 5,831,643,373**		
Derivatives [3]			
Interest Rate Contracts - Short	$ 366,374		$ 366,374
Interest Rate Contracts - Long	86,523		86,523
Foreign Exchange Contracts - Long	545		545
Equity Contracts - Long	662,888	$ 662,888	-
Total Derivatives	**$ 1,116,330**	**$ 662,888**	**$ 453,442**

[1] The values of foreign stocks and securities reported above are denominated by both foreign and U.S. currency whereas those are denominated by foreign currency only.

[2] These derivatives are reported under Liquidity on the Statement of Fiduciary Net Position.

[3] Derivatives are reported under cash management overlay on the Statement of Fiduciary Net Position.

Investments Measured at NAV	6/30/2023	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
Opportunistic Credit Funds [1]	$ 553,160,431	$ 112,727,595	Not Eligible	Not applicable
Global Bond Funds [1]	54,549,143	-	Monthly	15 days
Domestic Equity Funds [1]	216,525,262	-	Monthly	10 days
International Equity Funds [1]	76,172,093	-	Monthly	10 days
Real Estate Funds [2]	524,546,040	75,013,513	Quarterly, Not Eligible	45 days, Not applicable
Hedge Funds/Absolute Return [3]	348,359,797	-	Monthly	30 days
Private Equity Funds [4]	393,828,912	281,693,282	Not Eligible	Not applicable
Private Real Asset Funds [4]	324,281,893	112,792,152	Not Eligible	Not applicable
Total	**$ 2,491,423,571**	**$ 582,226,542**		

(1) **Bond and Equity Funds.** This type includes eleven opportunistic credit funds, one global bond fund, one domestic equity fund, and one international equity fund that is considered commingled in nature. Each is valued at the NAV of units held at the end of the period based upon the fair value of the underlying investments.

(2) **Real Estate Funds.** This type includes five real estate funds that invest primarily in a diversified portfolio of institutional quality multi-family, industrial, retail, and office assets in the U.S. This type also includes one real estate debt fund that originates loans primarily across a diversified portfolio of institutional quality multi-family, industrial, retail, office, and specialty assets. The fair values of the investments in these types have been determined using the NAV (or its equivalent) of the plan's ownership interest in partners' capital. One investment has quarterly liquidity, and one is subject to an initial three-year lock-up with quarterly liquidity thereafter while the other four are ineligible for redemption.

(3) **Hedge Funds/Absolute Return.** This strategy consists of five multi-strategy hedge funds/absolute return funds. One fund delivers efficient exposure to a well-diversified portfolio of hedge fund strategies. The second fund is an alternative risk premia strategy based on supply and demand constraints, behavioral biases, and asymmetric risk. The third fund is a directional, long, and short strategy that utilizes fundamental and price-based indicators to establish return forecasts across global interest rates, foreign exchange, stock indices, and commodities. The fourth fund uses a diverse set of trading strategies that are based on factors (momentum, value, carry, macro, and sentiment) across asset classes. And, finally, the last fund is a multi-factor strategy that aims to exploit behavioral inefficiencies within and across global markets and is designed to be diversifying, dynamic, and defensive.

(4) **Private Equity and Real Asset Funds.** This type includes thirty-six private equity funds, investing primarily in Buyout Funds, Venture Capital, and Debt/Special Situations. This type also includes fifteen Private Real Asset funds, investing in infrastructure, mining finance, solar, energy, and farmland. The fair values of these funds have been determined using net asset values one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments when the funds are liquidated, which on average can occur over the span of five to ten years.

Note 7: Pension Disclosures

Employer Net Pension Liability

GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, requires public pension plans to disclose the employer net pension liability information. The net pension liability of all participating employers was determined based upon plan assets as of the measurement date on June 30, 2023.

For financial reporting purposes, the net pension liability is measured as the total pension liability less the amount of the plan fiduciary net position. The total pension liability represents the present value of projected benefit payments (using the discount rate of 6.42% discussed later) to be provided through the pension plan to active, inactive, and retired members (or their beneficiaries) based on those members' past periods of services.

Actuarial Methods and Assumptions

Each year SamCERA engages an independent actuarial consulting firm to perform an annual actuarial valuation in accordance with requirements under GASB Statement No. 67. In the valuation, the actuary employs generally accepted actuarial methods and assumptions to determine the total pension liability, the plan fiduciary net position, and the employers' net pension liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations, which reflect a long-term perspective, are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of cost sharing between the employers and plan members to that point.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2023, was 6.42%. The projection of cash flows used to determine the discount rate assumed both employer and member contributions will be made at rates equal to the actuarially determined contribution rates. SamCERA's fiduciary net position is projected to be available to make all projected future benefit payments of current active employees, inactive members, retirees, and beneficiaries. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

Schedule of Employer Net Pension Liability

This schedule displays the total pension liability, the plan fiduciary net position, and the net pension liability of all participating employers, which were determined in conformity with the requirements prescribed by GASB Statement No. 67.

Net Pension Liability	**June 30, 2023**
Total pension liability	$ 6,881,892,780
Less: Plan fiduciary net position	(6,005,042,500)
Employers' net pension liability	**$ 876,850,280**
Plan fiduciary net position as a % of total pension liability	87.26%
Covered payroll [1]	$631,144,281
Employers' net pension liability as a % of covered payroll	138.93%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions and methods shown below.

Discount rate 6.42% [2]

Long-term expected rate of return, net of expenses 6.25%

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active employees, inactive members, retirees, and beneficiaries. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return used for funding, gross of administrative expenses.

Valuation date	June 30, 2023
Measurement date	June 30, 2023
Key assumptions	
Investment rate of return	6.42% [2]
Local CPI inflation	2.75%
National CPI-U inflation	2.50%
Mortality	Various rates based on mortality tables described in the June 30, 2023, actuarial valuation.
Actuarial experience study	July 1, 2020 to April 30, 2023
Actuarial cost method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	80% to 120% of fair value
Amortization of Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is amortized as a level percentage of the projected salaries of present and future members of SamCERA over a 15-year period beginning July 1, 2024. This is commonly referred to as a "closed amortization method." Actuarial gains and losses for periods after the June 30, 2023 valuation are amortized over their own closed 15-year periods from the respective dates the new contribution layers are effective.

[1] In accordance with GASB Statement No. 82, covered payroll is the payroll on which contributions are based.

[2] Differs from actuarial valuation due to addition of administrative expense load of 0.17%.

Sensitivity Analysis

The employers' net pension liability changes with adjustments to the discount rate. The following table presents the net pension liability of all participating employers at fiscal year-end, using the current discount rate of 6.42% and what the net pension liability would be using a discount rate that is one percent lower or one percent higher than the current discount rate.

Schedule of Sensitivity Analysis

June 30, 2023

	1% Decrease	Current Discount Rate	1% Increase
	5.42%	**6.42%**	**7.42%**
Total pension liability	$7,870,587,794	$ 6,881,892,780	$ 6,077,432,724
Less: Fiduciary net position	(6,005,042,500)	(6,005,042,500)	(6,005,042,500)
Net pension liability	**$1,865,545,294**	**$ 876,850,280**	**$ 72,390,224**

Note 8: Plan Reserves

Plan reserves (components of net position) are established to account for resources accumulated from employer contributions, member contributions, and investment income after satisfying all expenses. The plan reserves do not represent the present value of assets needed, as determined by the actuarial valuation, to satisfy retirement and other benefits when they become due. SamCERA uses three different types of accounts to record the plan reserves: the valuation reserves, the contingency reserve, and the market stabilization account. The plan reserves as of June 30, 2023, are presented in the table below.

Reserves Required for Reporting Purposes by the 1937 Act

June 30, 2023

Valuation Reserves	**June 30, 2023**
Member Reserve	$ 973,281,721
Employer Advance Reserve	1,729,066,194
Retiree Reserve	1,564,182,230
Cost-of-Living Adjustment Reserve	1,827,829,723
County Supplementary Contribution Account Reserve	213,031,763
District Supplementary Contribution Account Reserve	71,587
Undistributed Earnings/Losses Reserve	(103,839,146)
Total Valuation Reserves	6,203,624,072
Contingency Reserve	62,780,628
Market Stabilization Account	(261,362,200)
Total Reserves (Fair Value of Assets)	**$ 6,005,042,500**

Valuation Reserves

Member Reserve represents funding provided by active and inactive (deferred) members. Additions include member contributions and interest credited; deductions include refunds to members and transfers to the Retiree Reserve after a member retires.

Employer Advance Reserve represents funding provided by employers for future retirement payments to active and inactive members. Additions include employer contributions and interest credited; deductions include lump-sum death benefit payments to members' survivors, supplementary disability payments, and transfers to the Retiree Reserve after a member retires. If a member elects to receive a refund of member contributions plus interest credited upon termination, the balance in this reserve account will not be affected since the employers' contribution rates are based on an actuarial assumption that considers the expected termination rate for members.

Retiree Reserve represents funding set aside for retirement benefits. Additions include transfers from the Member Reserve and the Employer Advance Reserve (both made shortly after a member retires) and interest credited. Deductions include benefit payments to retired members and their beneficiaries.

Cost-of-Living Adjustment (COLA) Reserve represents employer contributions for future cost-of-living adjustments under provisions of CERL. Additions include COLA contributions from employers and interest credited; deductions include payments to retired members and their beneficiaries.

County Supplementary Contribution Account (CSCA) Reserve captures all "unused" supplementary contributions from the County in excess of the statutory contributions plus interest credited since fiscal year 2014.

District Supplementary Contribution Account (DSCA) Reserve captures all "unused" supplementary contributions from the District in excess of the statutory contributions plus interest credited since fiscal year 2016.

Undistributed Earnings/Losses Reserve is established to account for cumulative undistributed actuarial earnings or losses.

Contingency Reserve

The Contingency Reserve is established to meet the reserve requirement under Section 31592 of CERL that at least one percent of the fund's actuarial value of assets be kept as reserves against future earning deficiencies, investment losses, and other contingencies.

Market Stabilization Account

The Market Stabilization Account is designed to minimize the impact of short-term volatility in the fair value of the retirement fund on employer and member contribution rates by smoothing market returns over a five-year period. The Board adopted a Market Stabilization Account policy to limit the actuarial value of assets so as not to exceed ±20% of the fair value. The balance in this account, arising from a *Five-year Actuarial Smoothing Policy*, represents the difference between (1) the aggregate amount initially deferred (or smoothed) from the ten most recent semi-annual periods and (2) the aggregate amount subsequently recognized for semi-annual interest crediting from the same ten periods. Deferred investment earnings/ losses are amortized over five years in accordance with a schedule established by the actuary. The balance in the Market Stabilization Account was -$261.4 million as of June 30, 2023.

Interest Crediting

SamCERA semi-annually updates its reserve balances on December 31 and on June 30 to incorporate interest credits as specified in Article 5 of CERL (Semi-Annual Interest Crediting). The Board adopted an *Interest Crediting Policy* stipulating how earnings should be allocated among valuation reserves. The Board also adopted a *Five-year Actuarial Smoothing Policy* that will be used to calculate the actuarial value of assets as well as the net available earnings for interest crediting purposes. The calculation incorporates the “smoothing” strategy to spread the difference between actual and expected market return over five years.

The CSCA and the DSCA Reserves are credited semi-annually in accordance with provisions of the “Memorandum of Understanding” between SamCERA and the respective employers.

The Member Reserve is credited semi-annually in an amount equal to the lesser of (1) one half of the assumed investment earnings rate or (2) the actuarial earnings rate for the prior six-month period immediately preceding the period in which interest is being credited. The “assumed investment earnings rate” is the rate used to determine employer rates for the fiscal year in which the allocation is taking place. The rate credited to the Member Reserve shall not be less than zero.

To the extent of the net available earnings, interest is credited to all components of valuation reserves (except the Member Reserve, the CSCA Reserve, the DSCA Reserve, and the Undistributed Earnings/Losses Reserve) at a rate of one-half of the assumed investment earnings rate. When allocable earnings are insufficient to cover interest credits to the reserves specified as discussed earlier, the funding in the Contingency Reserve may be used to cover the shortage. However, in no event may the Contingency Reserve be allowed to drop below one percent of the actuarial value of assets. Under CERL, excess earnings over one percent of SamCERA’s total assets may be transferred from the Contingency Reserve into the Employer Advance Reserve for payment of benefits. Whenever possible, SamCERA strives to keep the Contingency Reserve at 3% of the actuarial value of assets as described in its Interest Crediting Policy.

Note 9: Administrative Expenses

The Board annually adopts an operating budget for the administration of SamCERA. Administrative expenses are charged against earnings of the retirement fund and cannot exceed twenty-one hundredths of one percent (0.21%) of the accrued actuarial liabilities as set forth under Government Code Section 31580.2 of CERL. Information technology expenses are excluded from this limit. SamCERA has a policy in place to monitor compliance with the Government Code.

The tables below show allowable administrative expenses and budget-to-actual analysis of administrative expenses prepared using the budgetary basis of accounting for the fiscal year ended June 30, 2023. SamCERA's actual administrative expenses for the reporting period amounted to 0.12% of the accrued actuarial liability as of June 30, 2021, based on the latest information available when preparing the administrative budget for fiscal year 2023.

Administrative Expenses for the Fiscal Year Ended June 30, 2023
Compared to Actuarial Accrued Liability as of June 30, 2021

Dollars In Thousands

Actuarial accrued liability (AAL) as of June 30, 2021	$	6,227,066	(a)
Maximum allowed for administrative expenses (AAL*0.21%)	$	13,077	(b)
Operating budget for administrative expenses	$	7,831	(c)
Actual administrative expenses	$	7,770	(d)
Excess of allowed over actual administrative expenses	$	5,307	=(b) - (d)
Excess of budgeted over actual administrative expenses	$	61	=(c) - (d)
Actual administrative expenses as a percentage of actuarial accrued liability as of June 30, 2021		**0.12%**	**= (d)/(a)**

Administrative Expenses (Budget vs. Actual)

For the Fiscal Year Ended June 30, 2023

Administrative Expenses	Budget	Actual	Under (Over) Budget	% of Budget Remaining
Salaries and benefits	$5,949,295	$5,975,915	$ (26,620)	0%
Services and supplies	1,881,477	1,794,341 [1]	87,136	5%
Total expenses	**$7,830,772**	**$7,770,256**	**$ 60,516**	**1%**

[1] GASB Statement No. 87 - *Leases* requires leases to be reported as lease asset and lease liability, wherever applicable, and both of which are amortized over the lease term. These accounting and financial reporting standards resulted in a difference of $65,214 between the above schedule and the Statement of Changes in Fiduciary Net Position.

Administrative Expenses (Budget vs. Actual)
For the fiscal year ended June 30, 2023

	Budget	Actual	Under (Over) Budget	% of Budget Used
Salaries and Benefits				
Salaries	$ 3,983,577	$ 3,914,094	$ 69,483	98%
Benefits	1,965,718	2,061,821	(96,103)	105%
Total Salaries and Benefits	5,949,295	5,975,915	(26,620)	100%
Services and Supplies				
Board Expenses	8,000	7,200	800	90%
Insurance	105,000	102,049	2,951	97%
Medical Record and Hearing Services	95,000	206,999	(111,999)	218%
Member Education	63,750	56,238	7,512	88%
Education and Conference	123,948	115,935	8,013	94%
Transportation and Lodging	100,115	69,020	31,095	69%
Property and Equipment	28,000	22,241	5,759	79%
General Office Supplies	42,000	34,916	7,084	83%
Postage and Printing	20,000	22,484	(2,484)	112%
Leased Facilities	685,000	669,015	15,985	98%
County Services	439,664	384,403	55,261	87%
Audit Services	60,000	56,777	3,223	95%
Other Administration	111,000	47,064	63,936	42%
Total Services and Supplies	1,881,477	1,794,341	87,136	95%
Total	**$ 7,830,772**	**$ 7,770,256**	**$ 60,516**	**99%**

Reconciliation of Administrative expenses between budgetary basis and accrual basis

Total Administrative expenses (Budgetary Basis)	$ 7,770,256	
Amortized lease expense	65,214	(1)
Total expenses (Accrual Basis)	$ 7,835,470	

(1) GASB Statement No. 87 - *Leases* requires leases to be reported as lease asset and lease liability, wherever applicable, and both of which are amortized over the lease term. The required accounting and financial reporting standards resulted in a difference of $65,214 between the above schedule and the Statement of Changes in Fiduciary Net Position.

Salaries and benefits. Total expenses were $6.0 million, closely in parallel with projections.

- *Salaries* were slightly below the budget by 2%. During the fiscal year, the Executive Secretary position was vacant for a few months. Additionally, in September 2022, the County modified its management cash-out policy to align with guidance from the Internal Revenue Service. Management could only cash out a maximum of 30 hours in April 2023 (versus 130 hours in the past) and the remaining 100 hours in December 2023.

- *Benefits* were modestly above the budget by 5%, primarily due to underestimation of retirement and medical benefits.

Services and Supplies. Total expenses were $1.8 million, closely aligned with the budget. Areas where actual expenses were modestly or significantly lower than anticipated are as follows:

- Member Education. The total number of classes delivered by Financial Knowledge Network (an entity hired to provide members' financial planning education) was less than anticipated. Additionally, payments from "no show" registrants slightly offset the expenses.

- "Education and Conference" and "Transportation and Lodging". Staff and trustees did not attend all seminars and conferences that were budgeted for, and that had a domino effect on associated transportation and lodging.

- Property and Equipment. Lease payments toward the new copier were overall cheaper than the one replaced. Additionally, requests to acquire office furniture were less than anticipated.

- General Office Supplies. The need to replenish office essentials fell short of expectations as the hybrid work schedules continued.

- County Services. The level of automation services from the County Information Services Department was moderately below anticipated as needs dwindled. To support its operation, SamCERA employs services from various County departments, such as Elections, Human Resources, Procurement, and Information Services.

- Audit Services. Under the audit service agreement, SamCERA agreed to reimburse its auditor for traveling and lodging expenses incurred during the fieldwork. The budget for this arrangement remained intact since the auditor opted to conduct the interim audit remotely.

- Other Administration. A majority of this budget covered external professional services concerning disability retirement, taxation, and data security. The need for such services was below expectations.

Areas where actual expenses were modestly higher than anticipated are as follows:

- Medical Record and Hearing Services. A new medical reviewer was acquired to address the backlog in disability retirement determinations. This effort triggered a significant spike in independent medical examinations that were crucial to the final determinations.

- Postage and Printing. Staff mailed a multitude of letters to members between August and September, with the attempt to verify that retirees were "alive and well" and that deferred members were aware of their eligibility to retire. Such communication was discussed and transpired after the budget was adopted.

Note 10: Information Technology Expenses

Pursuant to Government Code Section 31580.2 of CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products are not subject to the limit of 0.21% discussed earlier. The following table shows the budget-to-actual analysis of technology expenses, prepared using the budgetary basis of accounting.

Information Technology Expenses (Budget vs. Actual)

For the Fiscal Year Ended June 30, 2023

	Budget	Actual		Under (Over) Budget	% of Budget Remaining
Computer equipment and software	$ 25,000	$ 14,031		$ 10,969	44%
IT infrastructure - software license maintenance	496,700	768,651	(1), (2)	(271,951)	-55%
IT infrastructure - tools and equipment	150,000	9,939		140,061	93%
IT infrastructure - contract IT services	533,000	177,567	(3)	355,433	67%
IT infrastructure - imaging	25,000	-		25,000	100%
Technology research and development	5,000	-		5,000	100%
IT subscription	4,000	3,925		75	2%
Total expenses	**$ 1,238,700**	**$ 974,113**		**$ 264,587**	**21%**

Reconciliation of IT expenses between budgetary basis and accrual basis

Total expenses (Budgetary Basis)	$ 974,113	
Expenses reclassified to prepaid expenses	(91,035)	(1)
Expenses reclassified to prepaid expenses	(123,628)	(1)
Expenses reclassified from prepaid expenses	352,333	(2)
Expenses reclassified to capital assets	(136,268)	(3)
Depreciation	841,516	(4)
Total expenses (Accrual Basis)	$ 1,817,031	

(1) Staff purchased 1,050 service hours at $220,500 to support enhancements of the pension administration system software. At year-end, service hours of $91,035 remained intact and were reported as prepaid expenses on the Statement of Fiduciary Net Position as of June 30, 2023. In addition, Staff prepaid $154,926 for three years of Elastic Compute Cloud and Relational Database Service from Amazon Web Services. Of this amount, $123,628 was also reported as prepaid expenses.

(2) In fiscal year 2023, $352,333 of prepaid service hours for the pension administration system software purchased in previous years were expended.

(3) A total of $136,268 was expended to support two capital projects, with $85,000 for the new web portal and $51,268 for the audio and video upgrades. These two amounts were capitalized and reported as capital assets on the Statement of Fiduciary Net Position as of June 30, 2023.

(4) Depreciation of $841,516 was a non-cash expense and therefore not included in the adopted budget. This amount was reported on the Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2023.

Areas where actual expenses were significantly under budget are as follows:

- Computer Equipment and Software. The need to replace or upgrade equipment and software was considerably lower than anticipated.
- IT Infrastructure –Tools & Equipment. To create a robust business environment in the face of emerging needs, funds were set aside to replace existing servers, laptops, and equipment. Only a handful of computer-related items were acquired during the year.
- IT Infrastructure – Contract IT Services. Certain projects, which required outside professional help, were not fully completed due to time constraints. These projects included implementing a new portal on website and enhancing the audio and video technologies in the boardroom.
- IT Infrastructure – Imaging. Staff planned to convert paper documents using the County SharePoint software. This plan was suspended as other projects took precedence.
- Technology Research and Development (R&D). The R&D budget was setup to explore new technologies that may help improve operations and member services. Staff did not expend the resources allocated for R&D as priorities were given to time-sensitive projects.

Of all the IT budget items, IT infrastructure—Software License Maintenance experienced a budget overrun. To take advantage of bulk purchase discount, staff prepaid (1) the hosting services for three years to Amazon Web Services and (2) 1,050 service hours from Vitech for the ongoing support to the pension administration system software. These two arrangements happened after the budget was adopted.

Note 11: Risk Management

SamCERA is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Such risks are managed by SamCERA through its participation with the County's self-insurance program and commercial insurance policies. SamCERA is covered by the County's self-insurance program for general liability and workers' compensation. Additional coverage for various types of risks is provided through the County's commercial insurance carriers in accordance with the terms set forth in individual insurance policies.

Pursuant to a Memorandum of Understanding between SamCERA and the County, SamCERA pays a pro-rata share of total insurance cost incurred by the County based on employee count. Additionally, SamCERA purchased a separate general and an automobile liability of $2 million per occurrence. The Retirement Board members and senior staff purchase separate fiduciary liability insurance for the actual or alleged breach of fiduciary duties through a policy provided by RLI Insurance Company of Peoria, Illinois. The coverage is limited to $10 million in the aggregate for all losses combined, including defense costs.

Note 12: Related Party Transactions

SamCERA has ongoing business transactions with various County offices: Treasurer, Controller, Procurement, Human Resources, Information Services, Public Works, Sheriff, and Elections. Payments for the services provided are on a cost-reimbursement basis.

Note 13: Commitments

As of June 30, 2023, SamCERA had a total “uncalled capital” of $582.2 million with $281.7 million in private equity investments, $112.8 million in private real asset investments, $75.0 million in real estate investments, and $112.7 million in opportunistic credit investments. Due to the nature of these investments, some of these commitments will gradually be funded over the next 1-5 years, depending on the partnership’s vintage year.

Note 14: Contingent Liability

SamCERA is subject to legal proceedings and claims arising from the normal course of its business. Currently, no pending or threatened litigation are adjudicated or reported. As for unasserted claims, future writs of mandates could be filed to reverse the Board’s decisions on disability matters.

This page is intentionally left blank.

Required supplementary information

The schedule below displays the components of the total pension liability, the fiduciary net position, and the net pension liability of all participating employers that were determined in conformity with the requirements prescribed by the Governmental Accounting Standards Board (GASB) Statement No. 67.

Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers

For the Fiscal Years Ended June 30	2023	2022	2021	2020	2019
Total Pension Liability					
Service cost	$ 127,087,071	$ 127,053,592	$ 120,103,792	$ 119,882,786	$ 108,644,383
Interest on total pension liability	408,627,062	390,243,837	376,951,077	356,056,094	336,260,838
Effect of assumption changes or inputs	158,032,502	-	190,798,284	12,726,983	167,870,889
Effect of economic/demographic gains (losses)	104,095,708	60,711,252	3,782,768	78,235,977	91,316,336
Benefit payments and refund of contributions	(302,829,608)	(280,909,528)	(262,151,934)	(245,821,142)	(227,185,123)
Net change in total pension liability	495,012,735	297,099,153	429,483,987	321,080,698	476,907,323
Total pension liability, beginning	6,386,880,045	6,089,780,892	5,660,296,905	5,339,216,207	4,862,308,884
Total pension liability, ending (a)	**$ 6,881,892,780**	**$ 6,386,880,045**	**$6,089,780,892**	**$5,660,296,905**	**$5,339,216,207**
Fiduciary Net Position					
Employer contributions	$ 248,938,203	$ 249,946,179	$ 265,002,472	$ 198,582,998	$ 245,498,411
Member contributions	77,666,128	73,967,823	73,966,484	70,630,765	67,695,627
Investment income (loss) net of investment expe	341,245,832	(366,626,155)	1,133,176,546	42,392,222	271,691,483
Benefit payments and refund of contributions	(302,829,608)	(280,909,528)	(262,151,934)	(245,821,142)	(227,185,123)
Administrative and technology expenses	(9,652,501)	(8,789,823)	(8,409,931)	(8,392,465)	(8,551,977)
Net change in fiduciary net position	355,368,054	(332,411,504)	1,201,583,637	57,392,378	349,148,421
Fiduciary net position, beginning	5,649,674,446	5,982,085,950	4,780,502,313	4,723,109,935	4,373,961,514
Fiduciary net position, ending (b)	**$ 6,005,042,500**	**$ 5,649,674,446**	**$5,982,085,950**	**$4,780,502,313**	**$4,723,109,935**
Net pension liability, ending = (a) - (b)	$ 876,850,280	$ 737,205,599	$ 107,694,942	$ 879,794,592	$ 616,106,272
Fiduciary net position as a % of total pension liability	87.26%	88.46%	98.23%	84.46%	88.46%
Covered payroll [1]	$ 631,144,281	$ 611,956,610	$ 600,368,542	$ 593,295,084	$ 554,734,196
Net pension liability as a % of covered payroll	138.93%	120.47%	17.94%	148.29%	111.06%

[1] In accordance with GASB Statement No. 82, covered payroll is the payroll on which contributions are based.

Note: *Changes of assumptions.*

In 2019, assumed investment return, price inflation, and general wage increase were adjusted downward to reflect changes recommended by the actuary.

In 2020, changes in demographic assumptions were implemented to align with the results from the Triennial Experience Study.

In 2021, assumed investment return was lowered to 6.25% from 6.50% the previous year.

In 2023, based on the results from the Triennial Experience Study, the Board adopted new demographic and economic assumptions for the valuation as of June 30, 2023.

Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers (Continued)

For the Fiscal Years Ended June 30	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	$ 107,738,142	$ 96,411,681	$ 96,308,679	$ 90,955,831	$ 87,512,515
Interest on total pension liability	319,776,913	306,404,154	290,843,506	272,953,777	265,430,896
Effect of assumption changes or inputs	-	147,541,839	85,538,873	-	37,853,852
Effect of economic/demographic gains (losses)	27,753,956	4,834,605	17,875,272	50,655,233	(31,415,241)
Benefit payments and refund of contributions	(209,054,603)	(193,240,280)	(182,863,698)	(171,466,218)	(162,556,107)
Net change in total pension liability	246,214,408	361,951,999	307,702,632	243,098,623	196,825,915
Total pension liability, beginning	4,616,094,476	4,254,142,477	3,946,439,845	3,703,341,222	3,506,515,307
Total pension liability, ending (a)	**$4,862,308,884**	**$4,616,094,476**	**$4,254,142,477**	**$3,946,439,845**	**$3,703,341,222**
Fiduciary Net Position					
Employer contributions	$ 207,256,713	$ 198,727,135	$ 191,094,488	$ 180,704,280	$ 202,877,362
Member contributions	64,204,278	62,160,101	56,068,706	48,011,698	46,593,698
Investment income (loss) net of investment expe	280,146,398	436,675,706	29,299,764	111,630,036	482,663,965
Benefit payments and refund of contributions	(209,054,603)	(193,240,280)	(182,863,698)	(171,466,218)	(162,556,107)
Administrative and technology expenses	(7,293,262)	(7,009,169)	(6,687,091)	(6,097,422)	(5,710,296)
Net change in fiduciary net position	335,259,524	497,313,493	86,912,169	162,782,374	563,868,622
Fiduciary net position, beginning	4,038,701,990	3,541,388,497	3,454,476,328	3,291,693,954	2,727,825,332
Fiduciary net position, ending (b)	**$4,373,961,514**	**$4,038,701,990**	**$3,541,388,497**	**$3,454,476,328**	**$3,291,693,954**
Net pension liability, ending = (a) - (b)	$ 488,347,370	$ 577,392,486	$ 712,753,980	$ 491,963,517	$ 411,647,268
Fiduciary net position as a % of total pension liability	89.96%	87.49%	83.25%	87.53%	88.88%
Covered payroll (1)	$ 535,937,622	$ 510,132,014	$ 472,384,955	$ 439,017,764	$ 416,273,731
Net pension liability as a % of covered payroll	91.12%	113.18%	150.88%	112.06%	98.89%

(1) In accordance with GASB Statement No. 82, covered payroll is the payroll on which contributions are based.

Note: *Changes of assumptions.*

In 2014, amounts reported as changes of assumptions resulted primarily from downward adjustments to the assumed investment return, price inflation, general wage increase, and several changes in demographic assumptions.

In 2016, amounts reported as changes of assumptions resulted mainly from downward adjustments to the assumed investment return, price inflation, and general wage increase with intent to strengthen the financial position and the stability of the Retirement Fund by mitigating impacts if future returns were lower than current expectations.

In 2017, amounts reported resulted primarily from adjusting the assumed investment return, price inflation, and general wage increase downward, modifying the mortality assumption, and adding a projection scale to reflect gradual year-to-year increase in mortality that is expected to occur in the future.

The schedule below provides information about the statutory and actual contributions of all participating employers.

Schedule of Employer Contributions

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll [1]	As a % of Covered Payroll: Actuarially Determined Contribution	As a % of Covered Payroll: Actual Employer Contribution	
2014	$ 152,877,362	$ 202,877,362	$ (50,000,000)	$ 416,273,731	36.73%	48.74%	2
2015	169,814,170	180,704,280	(10,890,110)	439,017,764	38.68%	41.16%	2
2016	170,046,059	191,094,488	(21,048,429)	472,384,955	36.00%	40.45%	2, 3
2017	164,877,135	198,727,135	(33,850,000)	510,132,014	32.32%	38.96%	2, 3
2018	179,626,584	207,256,713	(27,630,129)	535,937,622	33.52%	38.67%	2
2019	194,830,054	245,498,411	(50,668,357)	554,734,196	35.12%	44.26%	2
2020	198,582,998	198,582,998	-	593,295,084	33.47%	33.47%	
2021	225,302,472	265,002,472	(39,700,000)	600,368,542	37.53%	44.14%	2
2022	234,746,179	249,946,179	(15,200,000)	611,956,610	38.36%	40.84%	2
2023	238,938,203	248,938,203	(10,000,000)	631,144,281	37.86%	39.44%	2

1 In accordance with GASB Statement No. 82, covered payroll is the payroll on which contributions are based.

2 In 2014, the County Board of Supervisors implemented a policy to accelerate the elimination of the County unfunded actuarial accrued liability. Contributions in excess of the actuarially determined contributions are related to that policy unless noted otherwise.

3 In fiscal years 2015-16 and 2016-17, the San Mateo County Mosquito & Vector Control District contributed $1.5 million and $0.25 million more than its actuarially determined contribution, respectively.

The money-weighted rate of return measures investment performance, net of investment manager expenses, adjusted for the changing amounts invested.

Schedule of Investment Returns

For the Fiscal Years Ended June 30

	2023	2022 [3]	2021 [2]	2020	2019
Annual money-weighted rate of return, net of investment manager expenses [1]	5.12%	-4.51%	24.29%	-0.26%	5.26%
	2018	**2017**	**2016**	**2015**	**2014**
Annual money-weighted rate of return, net of investment manager expenses [1]	6.53%	12.48%	0.49%	3.37%	17.22%

Note : The time-weighted rate of return for fiscal year 2023 is 5.12%, which calculates performance over the time period and ignores cash flows. See further discussion in the Investment Section.

[1] The money-weighted rates of return were independently determined by SamCERA's investment consultant, Verus Advisory, Inc.

[2] The money-weighted investment return increased to 24.29% for fiscal year 2021 from -0.26% for fiscal year 2020, driven mainly by the fiscal year performance from Private Equity, Domestic Equity, and International Equity.

[3] The money-weighted investment return decreased to -4.51% for fiscal year 2022 from 24.29% for fiscal year 2021, triggered mainly by the extreme volatile market conditions.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Methods and Assumptions

The employer statutory contribution rates for the fiscal year ended June 30, 2023, are determined by the actuarial valuation as of June 30, 2021. Details of actuarial methods and assumptions selected for the 2021 valuation are summarized on page 84.

Changes in Assumptions

In June 2014, the Board of Retirement (the Board) approved its actuary’s recommendations changing certain key economic assumptions for the 2014 valuation. These changes included lowering the assumed investment return from 7.50% to 7.25%, the price inflation from 3.25% to 3.00%, and the general wage increase from 3.75% to 3.50%. In July 2014, the Board also approved several changes in demographic assumptions based on the 2014 Triennial Experience Study. The key changes included a slight reduction in retirement rate, an update to the probability of eligible survivors, and an adjustment of the expected age difference between member and survivor for female numbers. These changes increased the expected contribution rates and decreased the funded ratio of the Retirement Fund.

In June 2016, the Board reduced the assumed investment return from 7.25% to 7.00%, the price inflation from 3.00% to 2.75%, and the general wage increase from 3.50% to 3.25% for the 2016 valuation. These changes were specifically tailored to strengthen the financial position and the stability of the Retirement Fund by mitigating any impacts if future returns were lower than current expectations.

In July 2017, the Board adopted several recommendations from the 2017 Triennial Experience Study, which included lowering the assumed investment return, modifying the mortality assumption, and adding a projection scale to reflect the gradual year-to-year decrease in mortality that is expected to occur in the future. The assumed investment return was changed from 7.00% to 6.75%, the price inflation from 2.75% to 2.50%, and the general wage increase from 3.25% to 3.00% for the 2017 valuation. The new mortality assumption resulted in an increase in assumed life expectancy compared to the prior assumption.

In July 2019, the Board adjusted the assumed investment return from 6.75% to 6.50% while reaffirming the price inflation at 2.50% and the general wage increase at 3.00% for the 2019 valuation. These changes increased the contribution rates effective July 1, 2020, and decreased the funded ratio of the Retirement Fund by 1.70% to 85.80% as of June 30, 2019.

In June 2020, the Board adopted the actuary's recommendation to keep the economic assumptions for 2019's valuation: investment return at 6.50%, inflation at 2.50%, and general wage increase at 3.00%. The Board also set the Cost-of-Living Adjustment (COLA) assumption for Plans 1 and 2 in accordance with the inflation assumption.

In July 2020, the Board adopted several changes to the demographic assumptions developed from the 2020 Triennial Experience Study. These changes included: increasing the rates of assumed merit salary increases for Safety and Probation members, updating mortality tables to the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plans Experience Committee, and adjusting the assumed rates at which active members decrement from active employment. These changes caused a slight increase in the employer contribution rate, small decreases in member contribution rates for Plan 7, and small increases for all other plans.

In May 2021, the Board accepted the actuary's recommendation to lower the assumed investment return from 6.50% to 6.25% and retain all the other assumptions used during the June 30, 2020 valuation in the June 30, 2021 valuation. Additionally, to minimize the short-term impact on the employer contribution expense, the Board agreed to phase-in the statutory employer rate increases due to the assumption change over a 3-year period.

In May 2022, the Board re-adopted the assumptions from last year for the June 30, 2022 valuation. The approved economic assumptions were as follows: investment return at 6.25%, inflation at 2.50%, wage growth at 3.00%, and payroll growth at 3.00%; the COLA assumption for Plans 1 and 2 to be set in accordance with the inflation assumption and the employer contribution rate increase to be phased in for the second year of the 3-year period.

In May 2023, the Board approved some changes to economic assumptions, most notably a 0.25% increase to the inflation, wage growth, and payroll growth assumptions. In July 2023, as a result of the Triennial Experience Study, the Board adopted certain changes to the demographic assumptions. The new assumptions resulted in a slight decrease in the funded status and a modest increase in the employer and employee contribution rates effective July 1, 2024.

Below is a summary of methodologies and assumptions employed for the 2021 valuation. The results from this valuation were used to determine contribution rates for participating employers and members effective from July 1, 2022.

Actuarial Valuation as of June 30, 2021 (For Funding Purposes)	
Valuation Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Amortization Period	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL are amortized over separate closed 15-year layers which are determined annually.
Asset Valuation Method	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
Actuarial Assumptions	
General wage increases	3.00%
Investment earnings	6.25%, net of plan investment and administrative expenses
Growth in active membership	0.00%
Consumer Price Index (CPI)- Urban inflation	2.25%
Consumer Price Index (CPI) inflation	2.50%
Demographic Assumptions	
Salary increases due to service	See June 30, 2021 actuarial valuation report for details.
Retirement	See June 30, 2021 actuarial valuation report for details.
Disablement	See June 30, 2021 actuarial valuation report for details.
Mortality	See June 30, 2021 actuarial valuation report for details.

Supplemental information

The schedule below depicts the administrative expenses incurred by San Mateo County Employees' Retirement Association (SamCERA) in the normal course of business.

Schedule of Administrative Expenses

For the Fiscal Year Ended June 30, 2023

Salaries & Benefits	
Salaries	$ 3,914,094
Benefits	2,061,821
Total Salaries & Benefits	**5,975,915**
Services & Supplies	
Board Expenses	7,200
Insurance	102,049
Medical Record & Hearing Services	206,999
Member Education	56,238
Education & Conference	115,935
Transportation & Lodging	69,020
Property & Equipment	22,241
General Office Supplies	34,916
Postage & Printing	22,484
Leased Facilities	734,229
County Services	384,403
Audit Services	56,777
Other Administration	47,064
Total Services & Supplies	**1,859,555**
Total Administrative Expenses	**$ 7,835,470**

The schedule below depicts the information technology expenses incurred by SamCERA in the normal course of business.

Schedule of Information Technology Expenses

For the Fiscal Year Ended June 30, 2023

Computer equipment and software	$ 14,031
IT infrastructure - software license maintenance	906,321
IT infrastructure - tools and equipment	9,939
IT infrastructure - contract IT services	41,299
IT Subscription	3,925
Depreciation	841,516
Total Information Technology Expenses	**$ 1,817,031**

The schedule below summarizes investment expenses incurred by SamCERA during the reporting period.

Schedule of Investment Expenses	
For the Year Ended June 30, 2023	
Investment Management Fees (by Asset Class)	
Public Equity	$ 4,671,527
Fixed Income	7,974,236
Alternatives	10,360,885
Inflation Hedge	5,712,292
Cash	635,794
Total Investment Management Fees	29,354,734
Other Investment Expenses	
Investment Consultant	570,023
Actuarial Consulting	193,150
Master Custodian	348,700
Other Professional Services	369,213
Total Other Investment Expenses	1,481,086
Other Investment Related Expense	10,426,650
Interest Paid on Prepaid Contributions	4,103,533
Total Investment Expenses	**$ 45,366,003**

The schedule of payments to consultants provides information on fees paid to outside professionals other than investment advisors. Fees paid to investment professionals can be found in the Investment Section of this report.

Schedule of Payments to Consultants (Other Than Investment Advisors)	
For the Fiscal Year Ended June 30, 2023	
Custodian Services	
Northern Trust Corporation	$ 348,700
Actuarial Consulting Services	
Milliman, Inc.	193,150
Audit Services [1]	
Brown Armstrong Accountancy Corporation	56,777
Other Professional Services	369,213
Total Payments to Consultants	**$ 967,840**

(1) Audit fees were included in administrative expenses whereas remaining items were reported under investment expenses.

NOTES TO THE SUPPLEMENTAL INFORMATION

Administrative Services Budget

The passage of Assembly Bill 609 in October 2010 changed the County Employees’ Retirement Law of 1937’s (CERL) system administration expense limit from 23 basis points of total assets to 21 basis points of Accrued Actuarial Liabilities.

Information Technology Budget

Pursuant to CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system. Thus, SamCERA’s information technology expenses have been separately accounted for since fiscal year 2011-12.

Professional Services Budget

SamCERA’s professional services budget is funded by investment earnings or SamCERA’s assets as prescribed by Government Code §31596.1 below.

Government Code §31596.1 states the following:

“The expenses of investing its moneys shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but they shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:

(a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.

(b) The compensation of any bank or trust company performing custodial services.

(c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.

(d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board’s investment program, including the system’s participation in any form of investment pools managed by a third party or parties.

(e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1.”

SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (GASB STATEMENT NO. 68)

As of June 30, 2023

		Deferred Outflows of Resources					Deferred Inflows of Resources		Pension Expense Excluding That Attributable to Employer-Paid Member Contributions		
Employer	Net Pension Liability	Differences Between Expected and Actual Economic Experience	Net Differences Between Projected and Actual Investment Earnings	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Allocable Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions
County of San Mateo	$ 841,896,872	$ 120,036,679	$ 190,471,398	$162,041,781	$ 489,660	$ 473,039,518	$ 44,272	$ 44,272	$ 343,345,003	$ 828,670	$ 344,173,673
San Mateo County Superior Court	33,786,007	4,817,170	7,643,772	6,502,869	107,732	19,071,543	467,378	467,378	13,778,714	(700,089)	13,078,625
San Mateo County Mosquito & Vector Control District	1,167,401	166,447	264,114	224,692	15,284	670,537	101,026	101,026	476,093	(128,581)	347,512
Total	$876,850,280	$125,020,296	$198,379,284	$168,769,342	$ 612,676	$492,781,598	$ 612,676	$ 612,676	$357,599,810	$ -	$357,599,810

Schedule of Cost Sharing Employer Allocations (GASB Statement No. 68)

Fiscal Year Ended June 30, 2023

Employer	Actual Employer Contributions	Actuarially Determined Contributions	Employer Proportionate Share [1]	Net Pension Liability
County of San Mateo	$239,413,539	$229,413,539	96.0138%	$ 841,896,872
San Mateo County Superior Court	9,206,552	9,206,552	3.8531%	33,786,007
San Mateo County Mosquito & Vector Control District	318,112	318,112	0.1331%	1,167,401
Total	**$248,938,203**	**$238,938,203**	**100.0000%**	**$ 876,850,280**

[1] Employer Proportionate Share (or Allocation Percentage) is based on Actuarially Determined Contributions.

NOTES TO THE OTHER INFORMATION

Basis of Presentation and Basis of Accounting

Employers participating in SamCERA are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*.

SamCERA's actuary prepared the following documents: (1) Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, (2) Schedule of Cost Sharing Employer Allocations, (3) GASB Statement No. 67 Actuarial Valuation as of June 30, 2023, and (4) GASB Statement No. 68 Actuarial Valuation based on a June 30, 2023, Measurement Date for Employer Reporting as of June 30, 2023, in accordance with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental organizations based on information provided by SamCERA. These documents provide the required information for financial reporting related to SamCERA that employers may use in their financial statements.

Use of Estimates in the Preparation of the Documents

The preparation of the above documents in conformity with GAAP requires management to make estimates and assumptions that affect certain amounts and disclosures. However, actual results could differ from those estimates.

Amortization of Deferred Outflows and Deferred Inflows of Resources

The difference between projected and actual investment earnings on pension plan investments is amortized over five years on a straight-line basis. One-fifth was recognized in pension expense during the measurement period. The remaining difference between projected and actual investment earnings on pension plan investments as of June 30, 2023, is to be amortized over the remaining periods.

Changes of assumptions or other inputs and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees, both active and deferred, that are provided with pensions through SamCERA as of June 30, 2022 (the beginning of the measurement period ended June 30, 2023).

Prior period changes of assumptions and differences between expected and actual experience continue to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

The net effect of the change in the employer's proportionate share of the collective net pension liability and collective deferred outflows/inflows of resources is recognized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan determined as of the beginning of the measurement period.

The difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended on June 30, 2023, is recognized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan determined as of the beginning of the measurement period.

The Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan does not reflect contributions made to SamCERA subsequent to the measurement date as defined in GASB Statement No. 68 Paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

SECTION 3

INVESTMENT

This page is intentionally left blank.

SamCERA
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

Address: 100 Marine Parkway | Suite 125
Redwood City, CA 94065
Phone: (650) 599-1234
Web: www.samcera.org
Email: samcera@samcera.org

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

On behalf of SamCERA's investment team, I am pleased to report on the pension fund's investments and portfolio performance for the period ended June 30, 2023. This data was compiled by SamCERA's investment staff, its investment consultant, Verus Advisory, and its custodian bank, Northern Trust. All return figures are presented net of investment manager fees, are time-weighted, and are calculated by SamCERA's investment consultant, Verus Advisory.


Michael Coultrip, Chief Investment Officer

Portfolio Performance

SamCERA's portfolio market value increased to $6 billion as of June 30, 2023, as the net combination of portfolio appreciation and contributions, less total deductions (i.e., benefits paid, administrative expense, etc.), added approximately $355 million to the fund.

SamCERA's portfolio returned 5.1% net of investment management fees for the fiscal year ended June 30, 2023, underperforming SamCERA's policy benchmark return of 6.5% by 1.4%. This fiscal-year performance resulted in below median performance relative to SamCERA's peers, as defined by large (greater than $1 billion in assets) public plans. Table One below shows net performance characteristics for the total fund over 1, 3, 5, and 10- year trailing periods ended June 30, 2023.

Table One: SamCERA Total Fund Net Performance Characteristics Ended June 30, 2023

	1 Year	3 Years	5 Years	10 Years
SamCERA Return	5.1%	7.7%	5.7%	6.8%
Benchmark Return	6.5%	7.9%	6.4%	7.3%
Excess Return	-1.4%	-0.2%	-0.7%	-0.5%
Peer Rank Return (Percentile)	**94th**	**68th**	**69th**	**53rd**
SamCERA Risk (Standard Deviation)	8.5	7.7	8.8	7.5
Benchmark Risk (Standard Deviation)	10.5	8.8	9.2	7.9
Peer Median Risk (Standard Deviation)	10.4	9.7	10.5	8.5
SamCERA Sharpe Ratio	0.2	0.8	0.5	0.8
Benchmark Sharpe Ratio	0.3	0.8	0.6	0.8
Peer Median Sharpe Ratio	0.4	0.7	0.5	0.7

SamCERA's portfolio has lower returns than its policy benchmark over all historical periods. However, consistent with its risk-based approach, SamCERA's portfolio also exhibited lower risk levels to its policy benchmark (and the median plan) over all historical periods. Taken together, the more significant underperformance over the past one and five-year periods resulted in lower risk-adjusted returns, while the less significant underperformance over the three and ten-year periods result in similar risk-adjusted returns. Relative to the median plan, the portfolio had a lower risk-adjusted return over the past year, similar risk-adjusted returns over the past five years, and higher risk-adjusted returns over the past three and ten-year periods.

Return/Risk Measure

As described in the Investment Objectives section of SamCERA's Investment Policy Statement, SamCERA focuses on "risk-adjusted" returns to compare how much return was generated given the risk (measured by standard deviation of returns) taken to achieve that return. This is typically measured as the Sharpe Ratio. The higher the ratio, the better, as it measures the return provided per unit of risk taken. For example, if a fund has a lower return than the benchmark but also a much lower risk level (as measured by standard deviation of returns), it may result in a higher risk-adjusted outcome. Conversely, if a fund has a higher return but also takes higher risk than is commensurate with the benchmark, then its risk-adjusted return may be lower than that of the benchmark.

Table Two below shows the current allocation and the primary composite relative returns for the year ended June 30, 2023.

Table Two: SamCERA Composite Net Performance for Trailing Year Ended June 30, 2023

Composite	Allocation (%)	Composite Return	Benchmark Return	Excess Return
Growth	58.1	10.2%	12.5%	-2.3%
Diversifying	17.9	-1.4%	2.1%	-3.5%
Inflation Hedge	17.0	-2.4%	-5.5%	3.1%
Liquidity	7.0	3.1%	1.5%	1.6%

Two of the four composites had positive returns for the fiscal year. Growth was the best performing composite and returned 10.2%, while Inflation Hedge returned -2.4% and was the lowest returning composite. Liquidity returned 3.1%, while Diversifying returned -1.4%.

Two of the composites had positive relative returns compared to their respective benchmark, with Inflation Hedge outperforming by 3.1% (even though it was our lowest returning composite on an absolute basis). Liquidity outperformed by 1.6%, while Diversifying underperformed by 3.5% and Growth underperformed by 2.3%.

Market Review

Market consensus was that a mild recession was imminent sometime during the year due to the Federal Reserve's efforts to slow inflation by raising short-term interest rates. Although certain segments of the economy did see recession-like impacts (think office real estate and regional banks), a general economic slowdown did not materialize (as of yet). In fact, the U.S. economy has shown impressive resiliency, especially the job market. This resulted in equity markets rallying aggressively through the fiscal year. The breadth of the rally narrowed substantially during the first six months of 2023. Driven in part by generative AI hype, the S&P 500 was up an impressive 16.9% for the first half of 2023. However, this rally was driven mostly by seven large technology stocks, led by Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla. For comparison, the equal-weighted S&P 500 index was up only 7.0%, or less than half as much as the market-weighted index (which has a much larger weighting to the big technology companies).

The U.S. Federal Reserve continued its campaign of interest rate hikes that began last fiscal year, resulting in one of its most aggressive rate hike regimes since the Paul Volker led Fed of the early 1980’s. The Fed raised short-term rates seven times during the fiscal year, increasing the Fed Funds upper range target from 1.75% at the beginning of the fiscal year to 5.25% at the end, which is an increase of 3.5%.

The interest rate hikes seem to be having an impact on dampening inflation, as the level of inflation has come down materially during the year. For example, the year-over year percent change in the U.S. Consumer Price Index for All Urban Consumers (CPI-U) was 9.1% as of the end of last fiscal year, compared to 3.0% as of the end of this fiscal year. However much of this decrease is due to lower energy and goods prices, while services inflation is proving to be stickier. In addition, this is still higher than the Fed’s stated 2% inflation target.

The U.S. equity market (as measured by the Russell 3000 Index, a broad basket of U.S. stocks) returned 19%. Large-capitalization stocks in the U.S. (as measured by the Russell 1000 Index) were higher by 19.4%, while smaller-capitalization stocks (as measured by the Russell 2000 Index) were higher by 12.3%.

International equity markets also increased during the fiscal year. The developed international equity market, as measured by the MSCI EAFE, was up 18.8%, while emerging market equity, as measured by the MSCI Emerging Markets Index, returned 1.7%.

During the year, interest rates increased across the yield curve (although short-term rates increased more than longer-term rates) as higher inflation expectations and increased Fed hawkishness resulted in higher interest rates. This resulted in what’s called an inverted yield curve during most of the year, which is when short-term rates are higher than longer-term rates, which has been a very good predictor of future recessions. The 10-year U.S. Treasury yield increased 0.92% during the fiscal year, ending at 3.81%, up from 2.89% at the beginning of the fiscal year. These higher interest rates resulted in high quality fixed income having negative fiscal year returns as higher interest payments were more than offset by capital depreciation due to these higher rates.

The broad U.S. bond market (as measured by the Bloomberg Barclays U.S. Aggregate Index) returned -0.9% on the year, while long-duration Treasuries returned -6.8%. In contrast, high yield bond returns were higher on the year, returning 9.1%.

Portfolio Activities / Changes

During the year SamCERA replenished its dedicated cash-flow matched liquidity pool, pre-funding the next three years' worth of expected net benefit payments. After the initial $90 million investment (or 1.5% of plan assets) was contributed last fiscal year to cover the expected net cash outflows for fiscal years 2022, 2023, and 2024, SamCERA contributed an additional $170 million to cover fiscal year 2025's expected net cash outflows.

The $170 million replenishment to the cash-flow matching program within the liquidity composite was funded from the defensive fixed sub-asset class within the diversifying composite to minimize the expected return drag on the portfolio. The cash-flow matched program now comprises 4.5% of total plan assets.

SamCERA will evaluate potential cash flow match replenishment on an annual basis after its actuarial valuation is completed for the most recent fiscal year end. This annual evaluation is expected to take place during the 4th quarter.

During the period SamCERA also completed an asset liability study. As part of this project, the Board approved a new asset allocation policy portfolio. The new policy increases Growth assets by 2%, with a corresponding 1% decrease to both Diversifying and Inflation Hedge assets. In addition, at the sub-asset class level there are two additional changes to the policy:

1. Within domestic equity, the low volatility allocation was reduced in half from 8% to 4% within the Growth composite.
2. Within defensive fixed income, a new 3% exposure of long-term treasuries was added to the Diversifying composite with a corresponding decrease in core fixed income.

The interim policy is effective July 1, 2023. The long-term strategic asset allocation policy will include a 1% increase to Private Equity (funded from public equity), which will take multiple quarters to reach the target.

SamCERA Interim Asset Allocation Policy

Within the Growth category, SamCERA made commitments worth $105 million to five new private equity partnerships. SamCERA has $736.5 million in total commitments in its private equity program across venture capital, buyouts, and special situations. In addition, SamCERA committed $75 million to two credit managers within its opportunistic credit program. Within its international equity program, SamCERA also implemented a new, dynamic currency hedge program, replacing its static, currency hedge program.

SamCERA Interim Asset Allocation Policy	Current Policy	New Interim Policy
Growth	**57.0%**	**59.0%**
Domestic Equity	21.0%	23.0%
International Equity	19.0%	18.0%
Private Equity	7.0%	7.0%
Opportunistic Credit	10.0%	11.0%
Diversifying	**19.5%**	**18.5%**
Core Fixed Income	12.5%	12.5%
Absolute Return	7.0%	6.0%
Inflation Hedge	**18.0%**	**17.0%**
Public Real Assets	5.0%	3.0%
Real Estate	9.0%	9.0%
Private Real Assets	4.0%	5.0%
Liquidity	**5.5%**	**5.5%**
Cash Flow Match	4.5%	4.5%
Cash & Cash Overlay	1.0%	1.0%

In the Inflation Hedge category, SamCERA made commitments worth $45 million to two new infrastructure partnerships in its private real assets program, bringing the total commitments to $419.8 million within private real assets. In addition, SamCERA re-upped with one current real estate manager, committing $30 million to Stockbridge Value Fund V LP.

Conclusion

SamCERA continues to maintain a primary emphasis on risk control and ensuring that it has sufficient liquidity available to meet its benefit payments. With the establishment of the dedicated cash-flow match strategy, SamCERA will be better able to opportunistically take advantage of return-seeking opportunities across the portfolio during market volatility. Finally, as always, we will use our long-term investment policy to guide us through these dynamic times.

Respectfully Submitted,

Michael R Coultrip

Michael Coultrip
Chief Investment Officer
September 11, 2023

INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES

Verus

September 13, 2023

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

Dear Board Members:

Market Environment

Risks assets delivered a strong start to 2023, building off the positive momentum seen towards the end of 2022. Year-to-date performance was positive across all major asset classes outside of commodities, as was performance on a one-year basis. Despite the challenging outlook presented in our last letter, economic growth proved to be resilient, despite an ending to the large amount of stimulus introduced in response to the pandemic, and quickly rising interest rates. While earlier in the year many economists had forecast a U.S. recession in mid to late summer (especially after a series of regional bank failures, notably Silicon Valley Bank and First Republic), sentiment eased considerably as the prospect of a "soft-landing" was revived. Falling headline inflation, resilient labor market data, and the first rate pause from the Federal Reserve all contributed to a more positive macroeconomic outlook.

Despite the strong first half of 2023, challenges remain going forward. Within the U.S., inflation is still a concern. The Federal Reserve continues to face difficult policy decisions as inflation, while lower, sits above the two-percent target and economic and labor market strength persists. The FOMC paused rate hikes in June, but markets are pricing in as many as two additional hikes before the end of the current tightening cycle. Overseas, growth in advanced economies remains stunted as many central banks continue their battle against inflation. Within emerging markets, the loudest narrative has centered on China. Reopening after the pandemic provided a material boost to activity, though positive momentum has been overshadowed by mounting geopolitical tension with the United States, a lack of broader accommodative stimulus from Beijing, and a hobbling real estate market.

U.S. Equity

Shares in the U.S. outperformed relative to international developed and emerging market counterparts across both the year-to-date and one-year timeframe. The S&P 500 index rose by an outstanding 19.6% over the trailing one-year period, driven by strength seen in 2023 (16.9% gain year-to-date). Many expected a higher rate environment and slowing domestic consumer to be a ceiling on domestic equity prices, especially following a series of regional bank failures, most notably Silicon Valley Bank and First Republic Bank in March. This ceiling was quickly shattered as the prospect and development of artificial intelligence (AI) technology boosted the already technology-heavy S&P 500 index.

Following concerns over the stability of the broader U.S. financial system, a wave of AI developments fueled a rally in many U.S. technology shares. Some of the largest technology names, which have committed significant investments in research and development over past years, saw the biggest jumps. Notable year-to-date movers include Nvidia (+189.5%), Meta (+138.5%), Apple (+49.3%), and Microsoft (+42.0%).

The significant movements of heavyweight technology names is apparent when looking at size and style factors. Large-cap equities significantly outperformed over the one-year, with the Russell 1000 index gaining 19.4% relative to a 12.3% increase in the Russell 2000 index. Growth handily outperformed value,

SEATTLE | LOS ANGELES | SAN FRANCISCO | PITTSBURGH | CHICAGO | VERUSINVESTMENTS.COM with the Russell 1000 Growth index rising 27.1% from last year compared to an 11.5% gain from the Russell 1000 Value index.

While U.S. shares have outperformed, the earnings story remains uncertain. Per FactSet, S&P 500 companies are on track for their third straight quarter of year-over-year earnings decline. The expected decline of -7.0% in Q2 2023 reflects a volatile business environment. While earnings expectations are rosier going forward, recent gains seen from U.S. equities are by no means an indicator that the Federal Reserve has successful achieved a "soft-landing" for the economy.

International Equity

International share performance lagged the U.S. Technology-related gains were primarily captured by large U.S. firms. Despite underperformance, both international developed and emerging market shares saw gains on a one-year horizon. While directionality was the same, performance divergence was significant between the two. The MSCI EAFE index increased 18.8% year-over-year, but the MSCI EM index posted a meager 1.7% gain.

International developed shares rebounded in Q4 of 2022, and this momentum carried into 2023, driven by strength from both European and Japanese shares. The STOXX 50, which represents the 50 largest companies in Europe, rose 36.3% from the prior year. While Europe continues to face tighter central bank policies due to high inflation (June 2023 CPI came in at 5.5% year-over-year), resilience was much better than expected, especially in comparison to the negative sentiment following Russia's invasion of Ukraine. Japanese equities also saw strong performance due to a combination of positive economic growth, inflation (Japan has sought higher inflation for many years), and a potential shift in regard to foreign shareholder prioritization. Gains in Japanese equities were mostly achieved in 2023. The TOPIX index increased 25.9% over the year-to-date, making up most of the 31.2% one-year gain.

China dominated the narrative in emerging markets, as emerging market shares initially outperformed on enthusiasm around the country's reopening. This reopening momentum turned out to be short-lived, as negative sentiment quickly overshadowed the move away from an almost three-year "zero-covid" policy. It appears that two primary factors contributed to losses for Chinese shares. The first was a smaller-than-expected reopening wave of economic activity, with no substantial monetary or fiscal stimulus used to accelerate the reopening. This contrasted sharply to the large amounts of stimulus used in the U.S. and Europe. This smaller-than-expected reopening wave provided no reprieve to the already struggling real estate market. The second factor was growing geopolitical tension with the United States. A series of events, including a spy balloon being shot down over U.S. airspace, continued to bolster negative relations between the two global leaders, which likely hurt foreign investor sentiment. The MSCI China index fell -5.5% over the year-to-date, further adding to the -16.8% loss seen over the one-year period.

Fixed Income

Inflation and Federal Reserve action continued to be the dominant driver of fixed income performance over the past year. With the bulk of Federal Reserve rate hikes occurring in the second half of 2022, bonds received the brunt of the pain over the 2022 calendar year (Bloomberg U.S. Aggregate down -13.0%). The Federal Reserve continued to increase rates in response to inflation in 2023, but at a considerably slower pace. The upper bound of the Fed's target rate moved from 4.50% to 5.25% over the 2023 year-to-date period. Smaller hikes were likely in response to strong signs of falling inflation, as headline CPI fell to 3.0% in June of 2023. While the FOMC decided to pause their rate hikes at the June meeting, commentary from Federal Reserve Chairman Powell was very explicit that pausing was not a signal of the end of the tightening cycle. Fed funds futures (an indicator of investor expectations) are pricing in another 25-basis point rate hike at the FOMC's July meeting, as the Federal Reserve will continue to watch the path of inflation, especially when looking at the core basket (4.8% year-over-year rise in June).

Positive performance in 2023 has helped to improve one-year performance for the fixed income complex. Core fixed income (Bloomberg U.S. Aggregate) saw a 2.1% gain over the year-to-date period, bringing the one-year loss to -0.9%. In terms of duration, short maturity U.S. treasuries outperformed, with the Bloomberg U.S. Treasury 1-3 Year index gaining 0.1% over the one-year, compared to -2.1% and -6.8% losses from the U.S. Treasury index and U.S. Treasury Long index, respectively.

Expectations for worsening credit conditions may have reached a peak earlier in the year following the failure of several regional banks, as many investors expected a material pull back in credit availability. While high-yield bond and leveraged loan default rates have reached a two-year high per J.P. Morgan, the broader credit spectrum has performed strongly over the one-year period. Emerging market debt in local currency (+11.4%) was the best performer, followed by leveraged loans (+10.1%), high-yield bonds (+9.1%), and hard currency emerging market debt (+7.4%). Credit spreads compressed over the year-to-date, with the average option-adjusted spread for high-yield and investment grade bonds sitting at 390 basis points and 123 basis points, respectively. It has been surprising to see credit spread remain at low levels, despite recent rises in bond default activity, and expectations that defaults will continue to rise into 2024.

Commodities

In 2022, there was two major stories in the commodities space. First, the rapid increase in energy and grain prices—much of this due to Russia's invasion of Ukraine—was an igniting factor for global inflation issues. The second story was commodity performance. Commodities were one of the few asset classes to post a positive return during the 2022 calendar year, and the asset dominated the narrative in 2022 with some market participants calling for a new booming commodity cycle. However, commodities ended up playing a much smaller role in 2023, as a combination of easing supply pressures and lower demand hurt price performance. The Bloomberg Commodity index fell -7.8% over the year-to-date, driving the -9.6% one-year loss.

Currency

The strong dollar theme which prevailed in the first three quarters of 2022 quickly reversed course in the fourth quarter of 2022. The dollar has broadly weakened in 2023, but movements have been relatively small. Interest rates have played a material role. As inflation in the U.S. seems to be under control, this has led to lower rate expectations relative to other major currencies such as the Euro and the British Pound. During this period, the Japanese Yen saw a small surge on speculation of changing rate policy under new Bank of Japan Governor Kazuo Ueda. However, this speculation proved to be only speculation, as the Yen weakened 8.7% against the dollar over the year-to-date. The Bloomberg Dollar index, a gauge of the U.S. dollar relative to major pairs, saw moderate losses, down -2.2% in comparison to one year ago.

Outlook

The first half of 2023 has been a strong period for most risk assets, especially across the equity and credit spectrum. Despite this strength, investor views of the future have diverged regarding whether the economy has achieved a new equilibrium ("soft landing"), or whether a material recession is in imminent. Domestic investor sentiment remains positive as inflation has shown signs of easing, real earnings growth has moved back into positive territory, and the labor market remains resilient despite the quick rise in interest rates. While strong asset performance has further boosted sentiment, risks including regional banks, commercial office real estate, and sticker inflation remain. It is important to remember that rising interest rates tend to impact the economy *with a lag*. We believe many effects of interest rate rises have yet to be felt, and that the economy and markets may feel some pain by early 2024. Across international developed markets, we believe growth will continue to face headwinds until inflation is under control, but for the moment, these markets have shown greater resilience than expected. Lastly, emerging markets are set to grow faster than advanced economy counterparts, but China may continue to overshadow the narrative, especially as the U.S. China relationship remains tenuous.

Plan Investment Results

The San Mateo County Employees' Retirement Association Total Plan returned 5.1% net of fees for the fiscal year ended 6/30/23. The Total Plan matched its policy index for this time-period. For the fiscal year, the Total Plan ranked in the 94th percentile for Public Fund Defined Benefit Plans greater than $1 billion. SamCERA has positioned itself as a more conservative Plan than most of the peer group, most notably by having lower equity exposure in the portfolio, which detracted from relative rankings versus peers. Equities both domestic and international provided strong absolute returns for the time-period, while alternatives provided negative absolute returns, most notably in Private Equity and Real Estate.

The U.S. Equity portfolio lagged its U.S. equity policy benchmark on a net of fee basis during the fiscal year (15.7% versus 19.0% for the composite benchmark) which placed it in the bottom quartile of the peer universe. Within U.S. Equity, the low volatility managers which have a lower beta underperformed the broad U.S. Markets. Small Cap equity outperformed significantly for the 1-year ending 6/30/2023 gaining 18.0% vs 12.3% for the Russell 2000. The small cap manager benefited from a factor-based approach, with all factors benefiting the strategy.

During the fiscal year, the International Equity Composite outperformed its composite benchmark, returning 14.2% net of fees compared to 13.8% for the MSCI ACWI ex-US IMI Index (50% hedged). SamCERA's international growth manager outperformed during the fiscal year while the international value manager lagged their relative benchmark, which was a reversal of the prior fiscal year.

For the fiscal year, the Plan's Total Fixed Income Composite net return of 1.4% underperformed the Blended Fixed Income benchmark return of 2.7%, while ranking in the upper half of the peer group. In aggregate, SamCERA's managers in the core fixed income composite beat the Bloomberg U.S. Aggregate Index (-0.6% vs -0.9%). Higher yielding opportunistic credit strategies fared worse on a relative basis (4.4% vs 8.1% for the BB BA Intermediate High Yield Index). Within opportunistic credit some direct lending funds took write-downs during the fiscal year.

SamCERA's Alternatives portfolio, comprised of Private Equity and Absolute Return strategies, provided a headwind to the portfolio. The Private Equity portfolio lost -6.4% for the fiscal year, trailing the index Russell 3000 + 3% 1 quarter lagged index which lost-5.6%. Private Equity's lagged valuations hurt for the year (taking losses from prior quarters.) The Absolute Return composite returned -2.5%, lagging the 7.9% gain for the SOFR +4% benchmark, giving back some of the gains from the prior fiscal year.

Over the fiscal year, SamCERA's Inflation Hedge portfolio, comprised of real estate, private real assets, and public real assets (publicly listed infrastructure, commodities, natural resources, and TIPS) returned -2.4% compared to -5.5% for the blended Inflation Hedge index. The Real Estate component, beat the NCFEIF ODCE losing -4.8% vs -10.0% for the benchmark. SamCERA's real estate structure diversified away from the typical four core real estate sectors (office, multifamily, retail and industrial) which was a benefit in the past couple years as office has struggled, in particular. Private Real Assets gained 0.8% for the fiscal year, outperforming its benchmark for the period (-2.7%). The public real asset pool, a liquid proxy used as a funding vehicle for private real assets, returned -0.4% for the period, essentially matching the return for the passive blended benchmark.

Asset Allocation and Manager Structure

Over the fiscal year ended 6/30/23, the Plan concluded both the Enterprise Risk Tolerance Study, Asset Liability Study and created an implementation plan following the conclusion of those reviews. SamCERA's Board increased growth assets, slightly increasing the risk of the portfolio. The Cash Flow Matching portfolio provides 3-years of benefit payments allowing the Plan to take slightly more risk in Opportunistic Credit and Private Equity while maintaining liquidity. SamCERA also decreased its low volatility allocation from 8% to 4% of the Total Plan.

SamCERA, which had a passive currency hedge to reduce the volatility of the portfolio, replaced the passive hedge with a dynamic currency manager. The trend-based manager provided positive returns through the end of the fiscal year.

In summary, SamCERA continues to follow an investment strategy focused on balance and the importance of risk-adjusted returns. By design, the portfolio has return-seeking and capital preservation elements to ensure Plan sustainability and meet its future obligations. The Plan has been preparing for its maturing demographics and, for that reason, has become increasingly cognizant about volatility reduction and optimal cash flow management. We remain confident in the direction of the portfolio given SamCERA's unique objectives, fiscal strength and purposefully designed investment strategy.

Sincerely,

Joseph Abdou, Consultant

Verus

5

Investment beliefs, objectives, and policy

The San Mateo County Employees' Retirement Association's (SamCERA) Investment Policy sets forth the Board of Retirement's (the Board) investment beliefs, from which the following extracts have been drawn. The full policy may be viewed on SamCERA's website at www.samcera.org.

Investment Beliefs

The following summarizes the Board's investment beliefs that were thoroughly weighed in the development of the Investment Policy and will guide the Board 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 or timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

Investment Objectives

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies to meet the following objectives:

A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0 of the Investment Policy) on a net-of-fee basis over five-year rolling periods.

B. 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).

C. 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.

Investment Policy

The Investment Policy of the Board pursues an investment strategy which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Consistent with the Investment Beliefs, the Board's investment policy is 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 investment portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of the 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 of the Investment Policy 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.

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 with the Rebalancing Policy set forth in Section 7.0 of the Investment Policy.

The investment summary reports the fair value and the percentage of the portfolio's total fair value for each major type of investment.

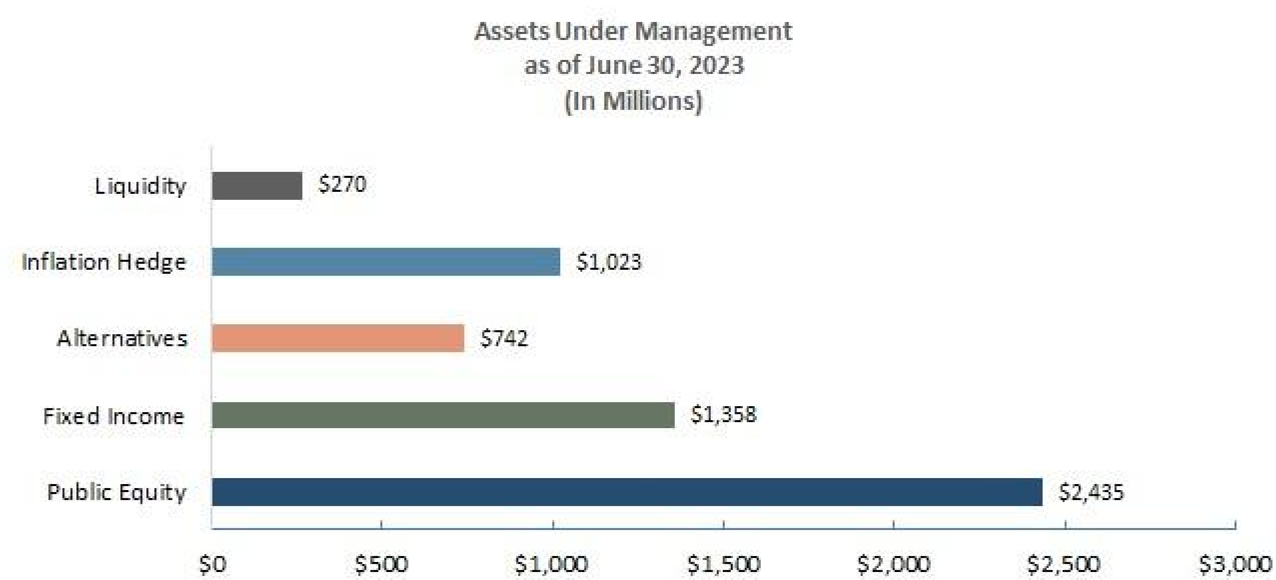
Investment Summary

June 30, 2023

ASSET CLASS	Assets Under Management	Percentage of Assets Under Management [1]
Public Equity	$ 2,435,036,194	41.8%
Fixed Income	1,358,012,682	23.3%
Alternatives	742,188,710	12.7%
Inflation Hedge	1,022,566,835	17.6%
Liquidity	270,101,574	4.6%
Total Net Portfolio Value	**$ 5,827,905,995**	**100.0%**

[1] The percentage is based on the total investment assets under management as reported on the Statement of Fiduciary Net Position.

RECONCILIATION TO STATEMENT OF FIDUCIARY NET POSITION	
Total Net Portfolio Value	$ 5,827,905,995
Cash Equivalents	233,847,998
Receivables	150,101,997
Prepaid Expenses	214,663
Capital Assets, Net of Accumulated Depreciation/Amortization	5,472,733
Liabilities	(212,500,886)
Fiduciary Net Position as of June 30, 2023	**$ 6,005,042,500**



Asset allocation as a percentage of fair value

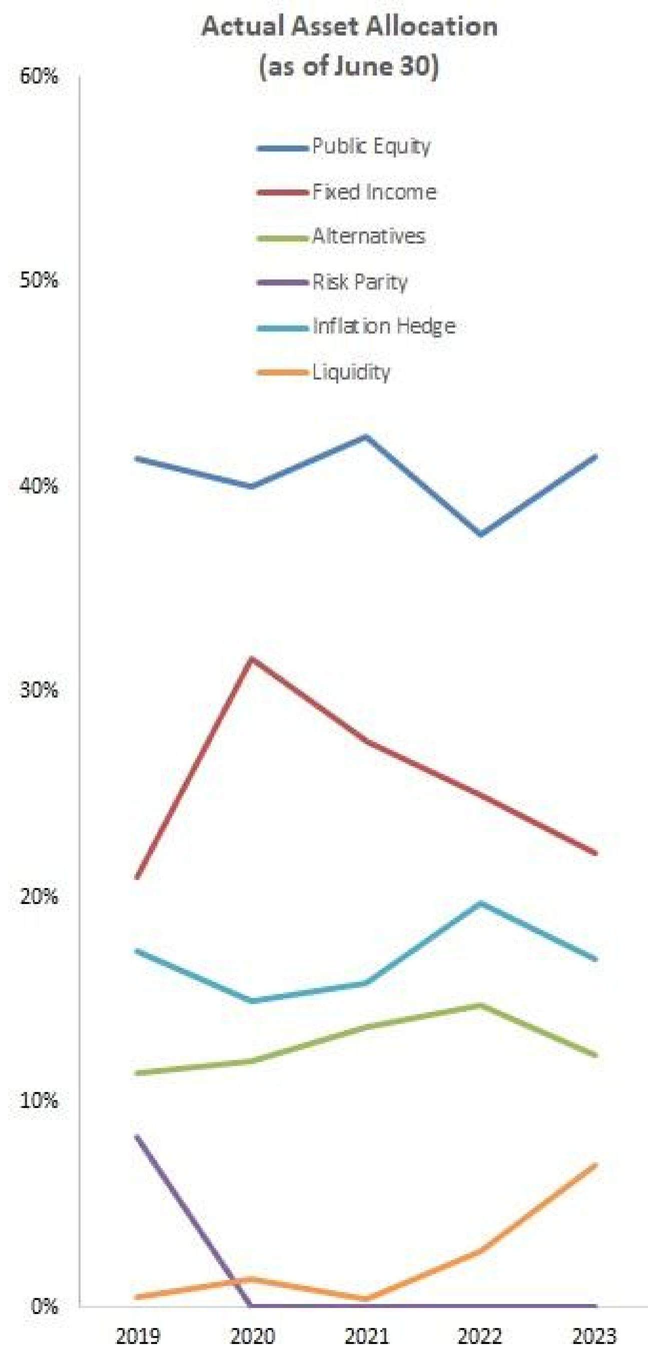
Asset Allocation As a Percentage of Fair Value

June 30, 2023

Asset Class	Target Policy as of June 30, 2023	Actual as of June 30, 2023
Public Equity	40.0%	41.5%
Fixed Income	22.5%	22.2%
Alternatives	14.0%	12.3%
Inflation Hedge	18.0%	17.0%
Liquidity	5.5%	7.0%
Total	**100%**	**100%**

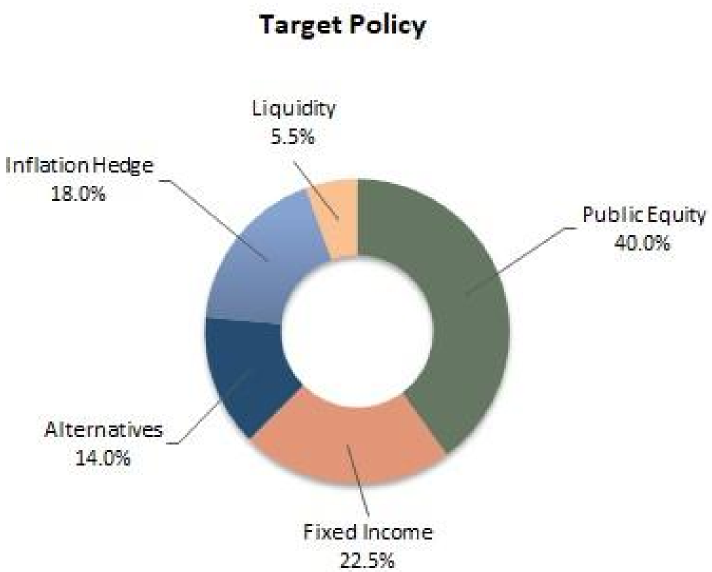
Investment	Target Policy as of June 30, 2023	Actual as of June 30, 2023
Growth	**57.0%**	**58.1%**
Public Equity	40.0%	41.5%
Private Equity	7.0%	6.5%
Opportunistic Credit	10.0%	10.1%
Diversifying	**19.5%**	**17.9%**
Core Fixed Income	12.5%	12.1%
Absolute Return	7.0%	5.8%
Inflation Hedge	**18.0%**	**17.0%**
Real Estate	9.0%	8.8%
Private Real Assets	4.0%	5.3%
Public Real Assets	5.0%	2.9%
Liquidity	**5.5%**	**7.0%**
Cash Flow Match	4.5%	4.9%
Cash & Cash Overlay	1.0%	2.1%
Total	**100%**	**100%**

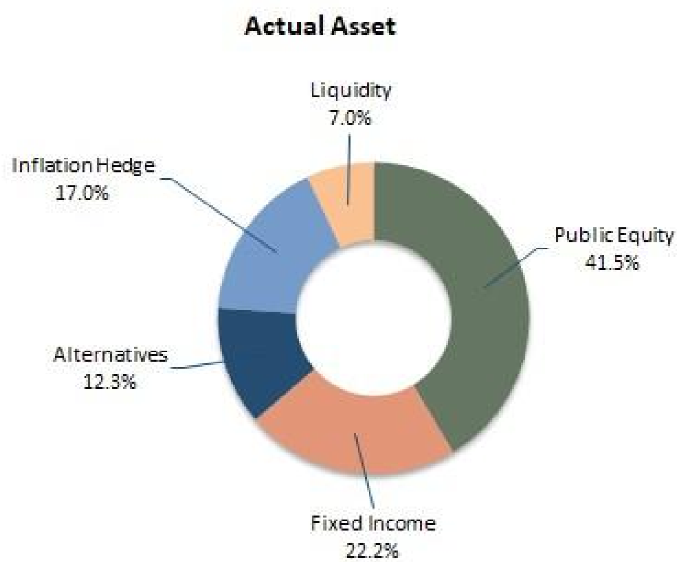
Note:
The actual asset class allocation as of June 30, 2023, was based on the total investment assets under management with overlay as reported on SamCERA's investment consultant's performance report.



Note: Risk Parity asset class was eliminated after fiscal year 2018-19.

Asset Allocation (Target Policy vs. Actual)
June 30, 2023

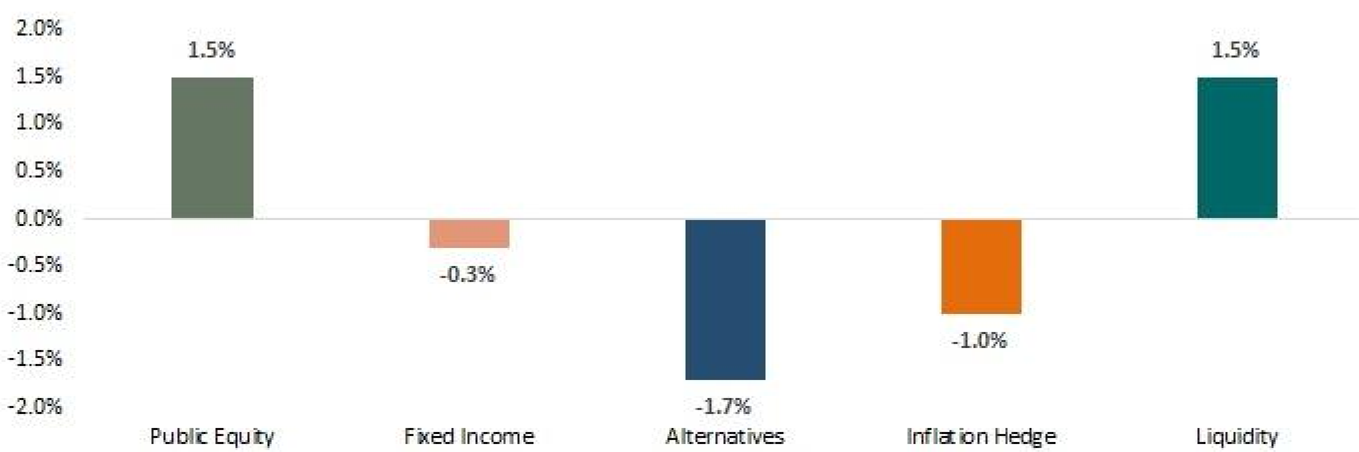




Note:

The actual asset class allocation as of June 30, 2023, was based on the total investment assets under management with overlay as reported on SamCERA's investment consultant's performance report.

Percent of Deviation from Asset Allocation
June 30, 2023



Asset Class	Policy Benchmark
	June 30, 2023
Public Equity	
Domestic Equity	52.50% Russell 3000
International Equity	23.75% Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI)
	23.75% Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI) 100% Hedged
Fixed Income	
Domestic Fixed Income	55.6% Bloomberg Barclays Aggregate (BBgBarc)
Opportunistic Credit	44.4% BBgBarc Intermediate High Yield (HY)
Alternatives	
Private Equity	50% Russell 3000 + 3% (1-quarter lag)
Hedge Funds/Absolute	50% Secured Overnight Financing Rate (SOFR) + 4%
Inflation Hedge	
Real Estate	50% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity (NCREIF ODCE)
Private Real Asset	27.78% Blend: 25% Standard & Poor (S&P) Global Large-MidCap Commodity and Resource + 75% S&P Global Infrastructure + 2% (1-quarter lag)
Public Real Asset	5.555% Bloomberg Roll Select Commodity
	5.555% Standard & Poor (S&P) Global Large-MidCap Commodity and Resource
	5.555% S&P Global Infrastructure
	5.555% Barclays Treasury Inflation Protected Securities (TIPS)
Liquidity	81.8% Bloomberg US Government/Credit 1-3 Year TR
	18.2% 91-day Treasury-Bills

Schedule of Portfolio Returns (Net of Fees)

Performance as of June 30, 2023

	Total Time-Weighted Rate of Return [1]		
Risk Bucket	**One Year**	**Three Years**	**Five Years**
Growth Portfolio	**10.2%**	**N/A**	**N/A**
Growth Benchmark	12.5%	N/A	N/A
Public Equity	15.0%	10.8%	7.4%
Public Equity Benchmark	16.6%	11.7%	8.4%
Domestic Equity	15.7%	13.3%	9.9%
Domestic Equity Benchmark	19.0%	13.9%	11.4%
International Equity	14.2%	8.0%	4.7%
International Equity Benchmark	13.8%	9.0%	4.7%
Private Equity	-6.4%	23.7%	20.6%
Private Equity Benchmark	-5.6%	21.6%	13.5%
Opportunistic Credit	4.4%	4.4%	3.7%
Opportunistic Credit Benchmark	8.1%	2.2%	3.8%
Private Credit	4.3%	6.4%	6.3%
Private Credit Benchmark	8.2%	10.3%	8.2%
Diversifying Portfolio	**-1.4%**	**N/A**	**N/A**
Diversifying Benchmark	2.1%	N/A	N/A
Core Fixed Income	-0.6%	-3.4%	0.7%
Core Fixed Income Benchmark	-0.9%	-4.0%	0.8%
Hedge Funds/Absolute Return	-2.5%	4.6%	-1.2%
Hedge Funds/Absolute Return Benchmark	7.9%	5.4%	5.6%
Inflation Hedge Portfolio	**-2.4%**	**10.0%**	**4.1%**
Inflation Hedge Benchmark	-5.5%	12.1%	6.6%
Real Estate	-4.8%	7.3%	6.3%
Real Estate Benchmark	-10.0%	8.0%	6.5%
Private Real Asset	0.8%	17.0%	6.7%
Private Real Asset Benchmark	-2.7%	21.0%	7.9%
Public Real Assets	-0.4%	11.8%	0.7%
Public Real Assets Benchmark	-0.6%	11.7%	3.6%
Liquidity Portfolio	**3.1%**	**N/A**	**N/A**
Liquidity Benchmark	1.5%	N/A	N/A
Cash Flow-Matched Liquidity	2.2%	N/A	N/A
Cash Flow-Matched Liquidity Benchmark	0.5%	N/A	N/A
Cash & Cash Overlay	4.3%	1.7%	1.5%
Cash & Cash Overlay Benchmark	3.6%	1.3%	1.6%
Total	**5.1%**	**7.7%**	**5.7%**
Policy Benchmark	6.5%	7.9%	6.4%

(1) Return calculations were prepared using a time-weighted rate of return, net of fees, in accordance with the Global Investment Performance Standards.

Top Ten Equity Securities [1]

June 30, 2023

Shares	Company Name	Fair Value
379,150	Apple Inc	$ 55,578,048
191,883	Microsoft Corp	49,614,614
228,895	Amazon Com Inc	22,549,554
60,368	Nvidia Corp Com	19,298,587
158,164	Alphabet Inc Capital Stock Class A	14,517,521
70,098	Tesla Inc Com	13,867,111
49,555	Berkshire Hathaway Inc Class B	13,022,759
130,839	Alphabet Inc Capital Stock Class C	11,961,174
106,798	ADR Taiwan Semiconductor Manufacturing	10,778,054
25,426	United Health Group Inc Com	9,447,826
	Total Top Ten Equity Securities	**$ 220,635,248**

[1] A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

Top Ten Fixed Income Securities [1]

June 30, 2023

Security	Coupon	Maturity	Fair Value
US Treasury	3.875	3/31/2025	$ 39,214,062
US Treasury	4.500	11/30/2024	27,702,500
FNMA Single Family Mortgage	3.000	8/31/2023	18,758,238
US Treasury	3.625	5/15/2053	15,858,047
FNMA Single Family Mortgage	2.500	8/31/2023	15,000,069
FNMA Single Family Mortgage	2.000	8/31/2023	12,921,087
US Treasury	3.750	5/31/2030	8,973,453
US Treasury	3.500	2/15/2033	8,182,125
WI Treasury SEC	3.750	5/15/2043	7,806,250
WI Treasury SEC	3.375	5/15/2033	7,522,125
Total Top Ten Fixed Income Securities			**$161,937,956**

[1] A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

List of Investment Managers

June 30, 2023

GROWTH

Domestic Equity
BlackRock
DE Shaw
PGIM Quant Solutions
PanAgora Asset Management

International Equity
Baillie Gifford
BlackRock
Mondrian Investment Partners

Private Equity
ABRY Partners
Altas Partners
Bernhard Capital Partners
Canvas Ventures
CapVest Equity Partners
Catalyst Fund
Cevian Capital
Clayton, Dubilier & Rice
Davidson Kempner
Eclipse Ventures
Emergence Capital Partners
Endeavour Capital Fund
General Catalyst Partners
Genstar Capital
Great Hill Partners
MGG Investment Group
Oak Hill Advisors
Sixth Street
Strategic Value Partners
Summit Partners
Sycamore Partners
TCW
Third Rock Ventures
Warburg Pincus

GROWTH (Continued)

Opportunistic Credit
Angelo Gordon
Beach Point Capital Management
BlackRock
Brigade Capital Management
Franklin Templeton
PIMCO
White Oak
One William Street

DIVERSIFYING

Fixed Income
DoubleLine Capital
Fidelity Institutional Asset Management
NISA Investment Advisors

Absolute Return
Acadian Asset Management
Capital Fund Management
Graham Capital Management
PIMCO

INFLATION HEDGE

Public Real Assets
State Street Global Advisors

Real Estate
Harrison Street
Invesco
PGIM
Stockbridge

Private Real Assets
Blue Road Capital
Brookfield
CIM Group
EnCap Investments
EQT Fund Management
EverStream Energy Capital Management
KKR
KSL Capital Partners
LS Power
Quantum Energy Partners
Taurus Funds Management
Tiger Infrastructure Partners
Vision Ridge

LIQUIDITY

Cash Flow Matched
Insight Investment

Cash & Currency Overlay
Parametric Portfolio Associates
Record Currency Management

Schedule of Professional Services and Fees

For the Fiscal Year Ended June 30, 2023

	Management Fees	Fair Value
ASSETS UNDER MANAGEMENT		
Public Equity	$ 4,671,527	$ 2,435,036,194
Fixed Income	7,974,236	1,358,012,682
Alternatives	10,360,885	742,188,710
Inflation Hedge	5,712,292	1,022,566,835
Liquidity	635,794	270,101,574
Total	**$ 29,354,734**	**$ 5,827,905,995**
OTHER INVESTMENT EXPENSES		
Investment Consultant	$ 570,023	
Actuarial Consulting	193,150	
Master Custodian	348,700	
Other Professional Services	369,213	
Total	**$ 1,481,086**	

Top Ten Broker Commissions

For the Fiscal Year Ended June 30, 2023

Brokerage Firm	Amount of Commission	Number of Shares Traded	Commission per share
Bank of America Corporation	$ 15,263	5,952,636	$ 0.00
Morgan Stanley & Co LLC	14,328	16,181,451	0.00
JP Morgan Securities PLC	13,281	1,966,108	0.01
Goldman Sachs and Co	13,203	717,014,423	0.00
Merrill Lynch International Ltd	10,656	2,111,674	0.01
Instinet Europe Limited	6,366	528,561	0.01
Drexel Hamilton LLC	5,940	2,376,160	0.00
Pershing LLC	5,441	21,572,731	0.00
Guzman and Company	4,671	1,953,702	0.00
JP Morgan Securities LLC	3,514	422,364,901	0.00
All Other Brokerage Firms	89,896	10,727,449,348	0.00
Total	**$ 182,559**	**11,919,471,695**	**0.00**

SECTION 4

ACTUARIAL

This page is intentionally left blank.

ACTUARY'S CERTIFICATION

Milliman

1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940

milliman.com

October 6, 2023

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

Dear Members of the Board:

SamCERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain relatively level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

SamCERA measures its funded status as the ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funded status based on the past three actuarial funding valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2021	88.1%
June 30, 2022	90.7%
June 30, 2023	88.3%

The funded ratio decreased in the last year due primarily due to assumption changes and the recognition of investment returns less than expected by the assumptions. This decrease was partially offset by employer contributions made to amortize the Unfunded Actuarial Accrued Liability (UAAL).

It is our opinion that SamCERA continues in sound financial condition as of June 30, 2023 and will continue to remain in sound financial condition provided that employer contributions are made based on the current funding policy and the valuation is based on reasonable assumptions. Under SamCERA's funding policy, the statutory employer contributions are set equal to the employer normal cost rate plus the amortization payment of any UAAL. The amortization of the UAAL as of June 30, 2023 is funded over a closed 15-year period beginning July 1, 2024. The amortization of subsequent changes in the UAAL will be funded over separate closed 15-year layers that are determined annually. The UAAL contribution rate is subject to certain minimum rates and adjusted for employer-specific supplemental contribution accounts. This funding policy is projected to result in the funded ratio continuing to increase towards 100%.

In preparing the June 30, 2023 funding valuation report, we relied, without audit, on information (some oral and some in writing) supplied by SamCERA. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The valuation is based on our understanding of SamCERA's current benefit provisions and the actuarial assumptions that were reviewed and adopted by the Board. Demographic and economic assumptions were most recently updated for the June 30, 2023 actuarial valuation, based on the triennial investigation of experience study as of April 30, 2023. The assumptions and methods used for financial reporting under Governmental Accounting Standards Board (GASB) Statement No. 67 are the same as the funding assumptions and methods with the following exceptions:

1. The discount rate and investment return assumption of 6.42% differs from the funding valuation due to the addition of an administrative expense load of 0.17%.
2. The asset valuation method is fair market value.

Actuarial computations presented in the valuation report are for the purpose of determining the recommended funding amounts for SamCERA consistent with our understanding of its funding requirements and goals. The liabilities are determined using the entry age normal funding method. The actuarial value of assets used in the funding valuation 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. The five-year recognition occurs after current period gains or losses are offset against prior period gains or losses. The actuarial value of assets is restricted to be no more than 20% above or below the market value. In our opinion, the actuarial assumptions and methods are internally consistent, individually reasonable and, in combination, represent a reasonable estimate of the anticipated experience of SamCERA. We further believe they meet the parameters of GASB Statement No. 67 and No. 68 for fulfilling financial accounting requirements.

Future actuarial measurements may differ significantly from the current measurements as presented in the funding valuation report and the GASB 67 and 68 disclosure report due to factors such as: experience differing from that anticipated by the 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); and changes in the program 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 valuation results were developed using models employing standard actuarial techniques. We have reviewed the models, including their inputs, calculations, and outputs for consistency, reasonableness, and appropriateness to the intended purpose and in compliance with generally accepted actuarial practice and relevant actuarial standards of practice. Reliance on other experts is reflected in Milliman's capital market assumptions and in Milliman's expected return model maintained by Milliman investment consultants.

The funding valuation report, GASB 67 and 68 disclosure report, and this letter have been prepared exclusively for SamCERA for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning SamCERA operations. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. No third-party recipient of Milliman's work product who desires professional guidance should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their specific needs.

Milliman provided the following schedules and exhibits for use in the notes to the financial statements, required supplementary information, other information, actuarial, and statistical sections.

1. Rates of separation from service
2. Employer contribution rates as a percentage of covered payroll
3. Summary of significant actuarial statistics and measures
4. Funding liabilities by type
5. Schedule of funding progress
6. History of employer Statutory Contribution Rates

Milliman

Board of Retirement
October 6, 2023
Page 3

7. Demographic activity of retirees and beneficiaries
8. Actuarial analysis of financial experience
9. Summary of active member valuation data
10. Schedule of average monthly salary of active members
11. Participating employers and active members
12. Schedule of employer net pension liability
13. Schedule of changes in net pension liability and related ratios of participating employers
14. Schedule of employer pension amounts allocated by cost sharing plan
15. Schedule of cost sharing employer allocations

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

The signing actuaries are independent of the plan sponsor. 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 which are consistent with the principles prescribed by the Actuarial Standards Board and the *Code of Professional Conduct* and *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States*, published by the American Academy of Actuaries. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Sincerely,

Nick J. Collier, ASA, EA, MAAA
Consulting Actuary

Craig J. Glyde, ASA, EA, MAAA
Consulting Actuary

Actuarial Valuation

Introduction
San Mateo County Employees' Retirement Association (SamCERA) is a cost sharing multiple employer, defined benefit plan providing basic service retirement, disability, and survivor benefits to participating members. Details of the pension plan provisions are provided in the Financial Section under the Notes to the Basic Financial Statements (Note 1). Pension benefits are basically determined by a defined formula using final average compensation, years of service, and an age factor at retirement.

Funding Policy
The County Employees' Retirement Law of 1937 establishes the basic obligations for employers and members to the pension plan. The Board of Retirement (the Board) is responsible for establishing and maintaining the funding policy by adopting contribution rates recommended by its actuary through the annual valuation of SamCERA's assets and liabilities. The contribution rates adopted by the Board are subsequently recommended to the San Mateo County Board of Supervisors for adoption.

Participating employers and members are responsible for making contributions to the cost of benefits each year (commonly known as normal cost). The portion of the normal cost not funded by member contributions is the employer responsibility (commonly known as the employer normal cost).

Employers are responsible for funding any shortfalls in accrued liability for the past services arising from changes in the economic and demographic assumptions. The employers' contribution towards the funding shortfalls is commonly known as the Unfunded Actuarial Accrued Liability (UAAL) contribution.

Beginning with the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District (the District) adopted the same "enhanced" benefit formula that applies to Plans 1, 2, and 4 of the County of San Mateo (the County) General members and the same member rates currently being paid by County members from those plans. Because the District does not participate in cost sharing on the member rates, the District has a separate normal cost rate and member contribution rates.

Valuation Objective
The purpose of the annual valuation is to determine employer and member contribution rates (as a level percentage of payroll) that will provide sufficient resources to pay all expected future benefits not funded by current assets. Details for the actuarially determined and actual contributions of the past fiscal years can be found in the Financial Section under the Required Supplementary Information.

Valuation Policy

SamCERA engages an independent actuarial consulting firm to perform an annual valuation of the retirement fund as of June 30. The actuarial valuation calculates the value of future benefits, assesses the funded status, and establishes contribution rates for participating employers and members. The actuary applies specific actuarial methods and assumptions to project as closely as possible present contributions to meet future benefit obligations in accordance with prevailing Actuarial Standard of Practice. The recommended contribution rates, after adoption, will be subject to a “one year” deferral. Thus, the new contribution rates determined in the June 30, 2023 valuation will become effective on July 1, 2024.

In addition to the annual valuation, SamCERA’s actuary reviews the reasonableness of the demographic and economic actuarial assumptions every three years (commonly known as Triennial Experience Study). This study compares the actual experience during the preceding three years to the assumed actuarial assumptions. Based on this study, the actuary recommends appropriate changes to the methods and assumptions that will better project benefits and resulting liabilities.

Actuarial Cost Method

The actuary uses the entry age normal cost method for the annual actuarial valuation. Under this method, the actuarial present value of the projected benefits of each individual in the valuation is allocated as a level percentage of the individual projected compensation between entry age and assumed retirement age. The portion of this actuarial present value allocated to the valuation year is commonly known as the normal cost (the actuarial value of benefits accruing for the present year); the portion not provided for at the valuation date represents the UAAL.

The entry age normal cost method is used for both funding and financial reporting purposes. For funding purposes, this method was selected because it provides a relatively level normal cost rate as a percentage of pay (assuming no changes in assumptions or benefits) from year to year. For financial reporting purposes, Governmental Accounting Standards Board (GASB) Statement No. 67 requires that this method be used.

Between the funding and financial reporting valuations, the only difference in assumption is the investment return assumption. The assumed investment return for funding is 6.25%, net of both investment and administrative expenses, whereas the assumed investment return for financial reporting is 6.42%, net of investment expenses only. For financial reporting purposes, GASB Statements No. 67 and No. 68 require that the investment return assumption be gross of administrative expenses.

Amortization Method

Contributions are initially applied toward the normal cost. Excess contributions are applied toward the UAAL if the retirement fund is not fully funded. The UAAL represents the difference between the actuarial accrued liability (AAL) and the actuarial value of assets (AVA).

The UAAL is amortized using the "Level Percent of Payroll" amortization method. The UAAL as of June 30, 2008, is amortized over a closed 15-year period through June 30, 2023, as a level percentage of the projected salaries of present and future members over the remaining period from the valuation date. This method 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.

Effective with the June 30, 2023 valuation, all outstanding Unfunded Actuarial Accrued Liability (UAAL) layers are combined into a single layer, which will be amortized over a 15-year period beginning July 1, 2024. In future years, new layers will be established to amortize emerging gains and losses over their own 15-year closed period.

Actuarial Asset Valuation Method

The actuarial asset valuation method used is a 5-year smoothed recognition method with a 20% corridor. This method incorporates appreciation (or depreciation) in investments to smooth asset values by averaging the excess of the actual over the expected income over a five-year period. The smoothed asset value is subject to a 20% corridor or within 20% of the actual asset value.

All deferred gains and losses are combined into a single amount to be recognized over a 5-year (10 six-month) period. Gains or losses of the current period will be used to offset any unrecognized gains or losses from prior periods, to the extent possible, in the order of oldest to most recent. Any remaining gain or loss for the period is recognized over a 5-year (10 six-month) period.

Assets used to calculate the preliminary UAAL contribution rates exclude the values of the County Supplementary Contribution Account (CSCA) and the District Supplementary Contribution Account (DSCA). Balances in these two accounts are separately tracked and systematically recognized to reduce the statutory contribution rates. The balance in the CSCA is amortized using a similar closed amortization method described above to determine the offset amount towards the County's UAAL rate. The balance in the DSCA is amortized over five years effective June 30, 2018, with the offset amount towards the District's UAAL rate. Any future UAAL layers are amortized over a new five-year period. The total DSCA offset amount in each year is limited to the District's UAAL rate.

Actuarial Assumptions

The annual valuation uses two sets of assumptions: economic and demographic. The assumptions selected are used to estimate the actuarial cost of the pension plan and to determine the present contributions necessary to meet the pension benefits in the future.

- Economic assumptions are generally evaluated and revised annually based on the latest information available.

- Demographic assumptions are thoroughly reviewed during the "Triennial Experience Study" that is simultaneously conducted every three years by two actuaries: the consulting actuary and the independent auditing actuary. This study examines the actual experience of the membership for the past three years to determine if changes to the underlying assumptions are necessary.

The consulting actuary uses these assumptions to project the future experience of SamCERA members and earnings that may affect the projected benefit flows and anticipated investment earnings. Any variations from these assumptions in future experience will affect the estimated costs of SamCERA benefits.

In July 2019, the Board approved to reduce the assumed investment return to 6.50% for the June 30, 2019 valuation, compared to the 6.75% in the June 30, 2018 valuation.

In June 2020, the Board adopted the actuary's recommendation using the same economic assumptions previously adopted in July 2019 for the June 30, 2020 valuation. The assumptions include general wage increase, investment return, and price inflation.

In May 2021, the Board decided to lower the assumed investment return from 6.50% to 6.25% and to reaffirm all the other assumptions in the June 30, 2020 valuation to be used for the June 30, 2021 valuation. In addition, the Board agreed to phase-in the statutory employer rate increase due to the assumption change over three years, a strategy to minimize the short-term impact on the employer contribution expense.

In May 2022, the Board re-adopted the 2021 assumptions for the June 30, 2022 valuation: investment return at 6.25%, inflation at 2.50%, wage growth at 3.00%, and payroll growth at 3.00%. The cost-of-living adjustment (COLA) assumption for Plans 1 and 2 was set in accordance with the inflation assumption, and the employer contribution rate increase was phased in for the second year of the 3-year period.

In May 2023, the Board approved some changes to the economic assumptions, most notably a 0.25% increase to the inflation, wage growth, and payroll growth assumptions. In July 2023, as a result of the Triennial Experience Study, the Board adopted certain changes to the demographic assumptions. The new assumptions resulted in a slight decrease in the funded status and a modest increase in the employer and employee contribution rates effective July 1, 2024.

Key Economic Assumptions for the 2023 Valuation

General Wage Growth. The assumed rate of annual wage increase is 3.25%.

Investment Return. The future investment earnings of SamCERA's assets are accrued at an annual rate of 6.25% compounded annually (3.125% per six-month period), net of both investment and administrative expenses.

Consumer Price Index (CPI) - Urban Inflation. The assumed rate of inflation is 2.50%.

CPI Inflation. The assumed rate of inflation is 2.75%.

General Payroll Increase. The projected payroll increase is 3.25%.

Key Demographic Assumptions for the 2023 Valuation

Salary Increases due to Service. The projected annual increase in the salary assumption is due to promotion and longevity, which varies depending on a member's years of service, adjusted for the assumed 3.25% annual increase in the general wage.

Retirement. The retirement rates vary by age. All General members at age 75 and all Safety members at 65 are assumed to retire immediately. Additionally, when a member's benefit is equal to or greater than 100% of the compensation limit, the member is also assumed to retire immediately.

Mortality for Active, Service Retired, Disabled Retired, and Deferred Members. All mortality rates used are quoted from the PubG-2010 table and projected with the MP-2021 Mortality Improvement Scale.

Separation from Active Status. The probabilities of termination of employment due to the causes stated below are presented on pages 123-124. Each rate shown on these pages represents the probability that a member will separate from service at each age due to a particular reason. For example, a rate of 0.03 for a member's service retirement at age 50 assumes that 30 out of 1,000 members who are age 50 will retire at that age.

Separation from active status can be due to one of the following reasons:

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

Rate of Separation From Active Service - All Plans

Years of Service	Other Terminations: Ordinary [1]	Other Terminations: Vested	Age	All Plans: Disability: Ordinary	All Plans: Disability: Service	All Plans: Death while Active: Ordinary	All Plans: Death while Active: Service	Service Retirement [2]
General Plans 1, 2, & 4 Male Members								
0	0.12000	0.03000	20	0.00015	0.00025	0.00033	0.00000	0.00000
5	0.01541	0.05159	30	0.00015	0.00025	0.00032	0.00000	0.00000
10	0.00943	0.03157	40	0.00020	0.00035	0.00059	0.00000	0.00000
15	0.00435	0.02465	50	0.00110	0.00120	0.00134	0.00000	0.03600
20	0.00285	0.01615	60	0.00120	0.00245	0.00287	0.00000	0.18000
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
General Plans 1, 2, & 4 Female Members								
0	0.12000	0.03000	20	0.00015	0.00025	0.00012	0.00000	0.00000
5	0.01541	0.05159	30	0.00015	0.00025	0.00014	0.00000	0.00000
10	0.00943	0.03157	40	0.00020	0.00035	0.00032	0.00000	0.00000
15	0.00435	0.02465	50	0.00110	0.00120	0.00075	0.00000	0.03600
20	0.00285	0.01615	60	0.00120	0.00245	0.00167	0.00000	0.18000
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
General Plan 3 Male Members								
0	0.15000	0.00000	20	0.00000	0.00000	0.00033	0.00000	0.00000
5	0.06700	0.00000	30	0.00000	0.00000	0.00032	0.00000	0.00000
10	0.00000	0.04100	40	0.00000	0.00000	0.00059	0.00000	0.00000
15	0.00000	0.02900	50	0.00000	0.00000	0.00134	0.00000	0.00000
20	0.00000	0.01900	60	0.00000	0.00000	0.00287	0.00000	0.03000
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000
General Plan 3 Female Members								
0	0.15000	0.00000	20	0.00000	0.00000	0.00012	0.00000	0.00000
5	0.06700	0.00000	30	0.00000	0.00000	0.00014	0.00000	0.00000
10	0.00000	0.04100	40	0.00000	0.00000	0.00032	0.00000	0.00000
15	0.00000	0.02900	50	0.00000	0.00000	0.00075	0.00000	0.00000
20	0.00000	0.01900	60	0.00000	0.00000	0.00167	0.00000	0.03000
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000
General Plan 5 Male Members								
0	0.12000	0.03000	20	0.00015	0.00025	0.00033	0.00000	0.00000
5	0.01541	0.05159	30	0.00015	0.00025	0.00032	0.00000	0.00000
10	0.00943	0.03157	40	0.00020	0.00035	0.00059	0.00000	0.00000
15	0.00435	0.02465	50	0.00110	0.00120	0.00134	0.00000	0.02880
20	0.00285	0.01615	60	0.00120	0.00245	0.00287	0.00000	0.14400
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
General Plan 5 Female Members								
0	0.12000	0.03000	20	0.00015	0.00025	0.00012	0.00000	0.00000
5	0.01541	0.05159	30	0.00015	0.00025	0.00014	0.00000	0.00000
10	0.00943	0.03157	40	0.00020	0.00035	0.00032	0.00000	0.00000
15	0.00435	0.02465	50	0.00110	0.00120	0.00075	0.00000	0.02880
20	0.00285	0.01615	60	0.00120	0.00245	0.00167	0.00000	0.14400
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
General Plan 7 Male Members								
0	0.12000	0.03000	20	0.00015	0.00025	0.00033	0.00000	0.00000
5	0.01541	0.05159	30	0.00015	0.00025	0.00032	0.00000	0.00000
10	0.00943	0.03157	40	0.00020	0.00035	0.00059	0.00000	0.00000
15	0.00435	0.02465	50	0.00110	0.00120	0.00134	0.00000	0.02880
20	0.00285	0.01615	60	0.00120	0.00245	0.00287	0.00000	0.14400
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000

1. Non-vested and/or refund of contributions.

2. Service retirement rates shown are for members with 20 to 29 years of service (General Plans) and 20 to 24 years of service (Safety Plans).

Rate of Separation From Active Service - All Plans									
				All Plans					
Years of	Other Terminations			Disability		Death while Active		Service	
Service	Ordinary [1]	Vested	Age	Ordinary	Service	Ordinary	Service	Retirement [2]
General Plan 7 Female Members								
0	0.12000	0.03000	20	0.00015	0.00025	0.00012	0.00000	0.00000
5	0.01541	0.05159	30	0.00015	0.00025	0.00014	0.00000	0.00000
10	0.00943	0.03157	40	0.00020	0.00035	0.00032	0.00000	0.00000
15	0.00435	0.02465	50	0.00110	0.00120	0.00075	0.00000	0.02880
20	0.00285	0.01615	60	0.00120	0.00245	0.00167	0.00000	0.14400
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000
Safety and Probation Plans 1, 2 & 4 Male Members								
0	0.06000	0.04000	20	0.00000	0.00100	0.00037	0.00010	0.00000
5	0.00750	0.02250	30	0.00000	0.00165	0.00037	0.00010	0.00000
10	0.00425	0.01275	40	0.00000	0.00315	0.00053	0.00010	0.00000
15	0.00120	0.00880	50	0.00000	0.01000	0.00108	0.00010	0.26000
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
Safety and Probation Plans 1, 2 & 4 Female Members								
0	0.06000	0.04000	20	0.00000	0.00100	0.00014	0.00010	0.00000
5	0.00750	0.02250	30	0.00000	0.00165	0.00024	0.00010	0.00000
10	0.00425	0.01275	40	0.00000	0.00315	0.00044	0.00010	0.00000
15	0.00120	0.00880	50	0.00000	0.01000	0.00082	0.00010	0.26000
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
Safety and Probation Plans 5 & 6 Male Members								
0	0.06000	0.04000	20	0.00000	0.00100	0.00037	0.00010	0.00000
5	0.00750	0.02250	30	0.00000	0.00165	0.00037	0.00010	0.00000
10	0.00425	0.01275	40	0.00000	0.00315	0.00053	0.00010	0.00000
15	0.00120	0.00880	50	0.00000	0.01000	0.00108	0.00010	0.20800
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
Safety and Probation Plans 5 & 6 Female Members								
0	0.06000	0.04000	20	0.00000	0.00100	0.00014	0.00010	0.00000
5	0.00750	0.02250	30	0.00000	0.00165	0.00024	0.00010	0.00000
10	0.00425	0.01275	40	0.00000	0.00315	0.00044	0.00010	0.00000
15	0.00120	0.00880	50	0.00000	0.01000	0.00082	0.00010	0.20800
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
Safety and Probation Plan 7 Male Members								
0	0.06000	0.04000	20	0.00000	0.00100	0.00037	0.00010	0.00000
5	0.00750	0.02250	30	0.00000	0.00165	0.00037	0.00010	0.00000
10	0.00425	0.01275	40	0.00000	0.00315	0.00053	0.00010	0.00000
15	0.00120	0.00880	50	0.00000	0.01000	0.00108	0.00010	0.20800
20 & Above	0.00000	0.00500	65	N/A	N/A	N/A	N/A	1.00000
Safety and Probation Plan 7 Female Members								
0	0.06000	0.04000	20	0.00000	0.00100	0.00014	0.00010	0.00000
5	0.00750	0.02250	30	0.00000	0.00165	0.00024	0.00010	0.00000
10	0.00425	0.01275	40	0.00000	0.00315	0.00044	0.00010	0.00000
15	0.00120	0.00880	50	0.00000	0.01000	0.00082	0.00010	0.20800
20 & Above	0.00000	0.00500	65	N/A	N/A	N/A	N/A	1.00000

1. Non-vested and/or refund of contributions.

2. Service retirement rates shown are for members with 20 to 29 years of service (General Plans) and 20 to 24 years of service (Safety Plans).

Actuarial Methods and Assumptions (For Funding Purposes)

VALUATION DATE	June 30, 2023
ACTUARIAL COST METHOD	Entry Age Normal Cost
ACTUARIAL EXPERIENCE STUDY	July 1, 2020 to April 30, 2023
AMORTIZATION METHOD	Level percentage of projected payroll
AMORTIZATION PERIOD	Effective with the June 30, 2023 valuation, all outstanding Unfunded Actuarial Accrued Liability layers are combined into a single layer, which will be amortized over a 15-year period beginning July 1, 2024. In future years, new layers will be established to amortize emerging gains and losses over their own 15-year closed period.
ASSET VALUATION METHOD	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
ACTUARIAL ASSUMPTIONS	
Economic assumptions:	
A. General wage increases	3.25%
B. Investment earnings	6.25%
C. Growth in active membership	0.00%
D. CPI-U inflation	2.50%
E. CPI inflation	2.75%
Demographic assumptions:	
A. Salary increases due to service	See 2023 actuarial valuation report for details
B. Service retirement from active service	See 2023 actuarial valuation report for details
C. Separation from active service (other than service retirement)	See 2023 actuarial valuation report for details
D. Probability of refund of contributions upon vested termination	See 2023 actuarial valuation report for details
E. Mortality for active members after termination and service retired members	See 2023 actuarial valuation report for details
F. Mortality for members retired for disability	See 2023 actuarial valuation report for details
G. Mortality for beneficiaries	See 2023 actuarial valuation report for details

Note: Actuarial methods and assumptions were selected by the Retirement Board per the actuary's recommendation.

Schedule of Active Members and Participating Employers

June 30

	2023	2022	2021	2020	2019
County of San Mateo					
General Members	4,424	4,294	4,375	4,379	4,350
Safety Members	461	476	520	522	530
Probation Members	146	170	193	223	237
Subtotal	5,031	4,940	5,088	5,124	5,117
San Mateo County Superior Court					
General Members	281	287	249	256	240
San Mateo County Mosquito & Vector Control District					
General Members	22	22	19	20	20
Total Active Membership	**5,334**	**5,249**	**5,356**	**5,400**	**5,377**
Percentage of Membership by Employer					
County of San Mateo	94.32%	94.11%	95.00%	94.89%	95.16%
San Mateo County Superior Court	5.27%	5.47%	4.65%	4.74%	4.46%
San Mateo County Mosquito and Vector Control District	0.41%	0.42%	0.35%	0.37%	0.38%
Total Percentage of Membership	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Schedule of Retirees and Beneficiaries Added To and Removed From Rolls

	Added to Rolls[1]		Removed from Rolls		Rolls at Year-End			
Fiscal Year Ended June 30,	Number	Annual Benefits (in Thousands)	Number	Annual Benefits (in Thousands)	Number	Total Retiree Payroll (in Thousands)	% Increase in Payroll	Average Monthly Benefits
2014	203	$12,474	83	$3,479	4,518	$163,769	5.8%	$3,021
2015	213	16,290	93	4,179	4,638	175,880	7.4%	3,160
2016	233	15,347	123	5,030	4,748	186,197	5.9%	3,268
2017	310	16,738	102	3,867	4,956	199,068	6.9%	3,347
2018	315	21,360	162	5,242	5,109	215,186	8.1%	3,510
2019	306	24,547	190	5,769	5,225	233,964	8.7%	3,731
2020	362	23,862	133	4,862	5,454	252,963	8.1%	3,865
2021	270	19,466	132	4,327	5,592	268,102	6.0%	3,995
2022	363	27,963	176	6,607	5,779	289,458	8.0%	4,174
2023	330	27,113	177	6,815	5,932	309,756	7.0%	4,351

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

Schedule of Active Member Valuation Data

Valuation Date as of June 30,	Number of Active Members		Annual Salary	Annual Average Salary	Percentage Change in Annual Average Salary
2023	General	4,727	$554,563,518	$117,318	3.3%
	Safety	461	76,973,479	166,971	13.8%
	Probation	146	19,161,180	131,241	5.5%
	Total	**5,334**	**$650,698,177**	**$121,991**	**4.3%**
2022	General	4,603	$522,675,192	$113,551	3.2%
	Safety	476	69,870,562	146,787	4.8%
	Probation	170	21,156,904	124,452	5.5%
	Total	**5,249**	**$613,702,658**	**$116,918**	**3.2%**
2021	General	4,643	$511,069,950	$110,073	3.1%
	Safety	520	72,829,550	140,057	0.5%
	Probation	193	22,777,092	118,016	5.9%
	Total	**5,356**	**$606,676,592**	**$113,270**	**2.9%**
2020	General	4,655	$496,992,584	$106,765	3.2%
	Safety	522	72,724,015	139,318	4.2%
	Probation	223	24,856,263	111,463	7.0%
	Total	**5,400**	**$594,572,862**	**$110,106**	**3.4%**
2019	General	4,610	$476,944,186	$103,459	6.1%
	Safety	530	70,890,519	133,756	1.7%
	Probation	237	24,680,991	104,139	3.6%
	Total	**5,377**	**$572,515,696**	**$106,475**	**5.5%**
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%**
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%**
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%**
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%**
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**	**$429,407,376**	**$85,813**	**1.8%**

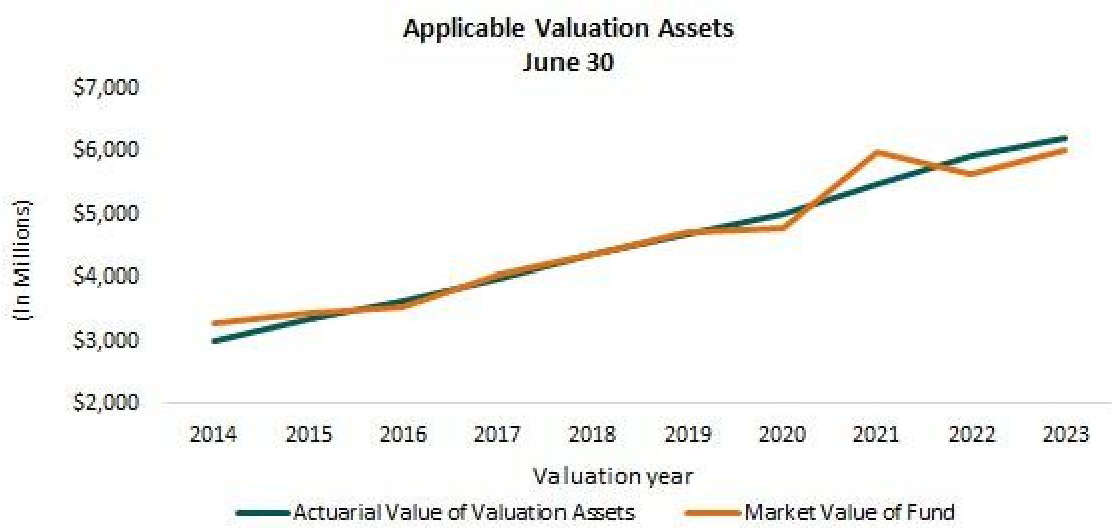
Note: See further details for participating employers and active members in the Statistical Section.

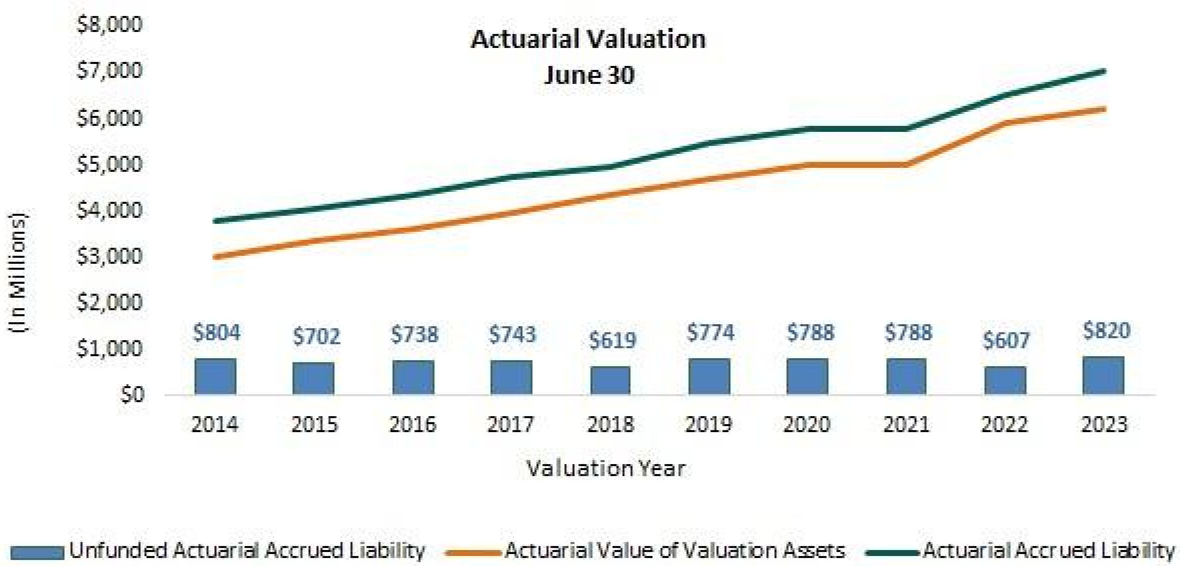
Summary of Significant Actuarial Statistics and Measures

	June 30, 2023	June 30, 2022	Relative Change
Active Members			
Number of Members	5,334	5,249	1.6%
Average Age	44.8	44.9	(0.2)%
Average Credited Service	10.1	10.3	(1.9)%
Covered Payroll ($ in Thousands)	$631,144	$611,957	3.1%
Average Monthly Salary	$10,166	$9,743	4.3%
Retired Members			
Number of Members			
Service Retirement	4,700	4,608	2.0%
Disability Retirement	508	493	3.0%
Beneficiaries	724	678	6.8%
Average Age	71.5	71.4	0.1%
Actual Retiree Benefits Paid ($ in Thousands)	$298,934	$276,502	8.1%
Average Monthly Pension	$4,351	$4,174	4.2%
Number of Inactive Members	2,424	2,224	9.0%
Assets			
Market Value of Fund ($ in Thousands)	$6,005,043	$5,649,674	6.3%
Return on Market Value	6.0%	(6.1)%	
Valuation Assets ($ in Thousands)	$6,215,283	$5,922,894	4.9%
Return on Valuation Assets	4.5%	7.1%	
Liability Values ($ in Thousands)			
Actuarial Accrued Liability	$7,035,641	$6,530,039	7.7%
Unfunded Actuarial Accrued Liability	$820,358	$607,145	35.1%
Deferred Asset (Gains) Losses	$273,020	$333,047	
Funded Ratio			
Based on Valuation Assets	88.3%	90.7%	(2.6)%

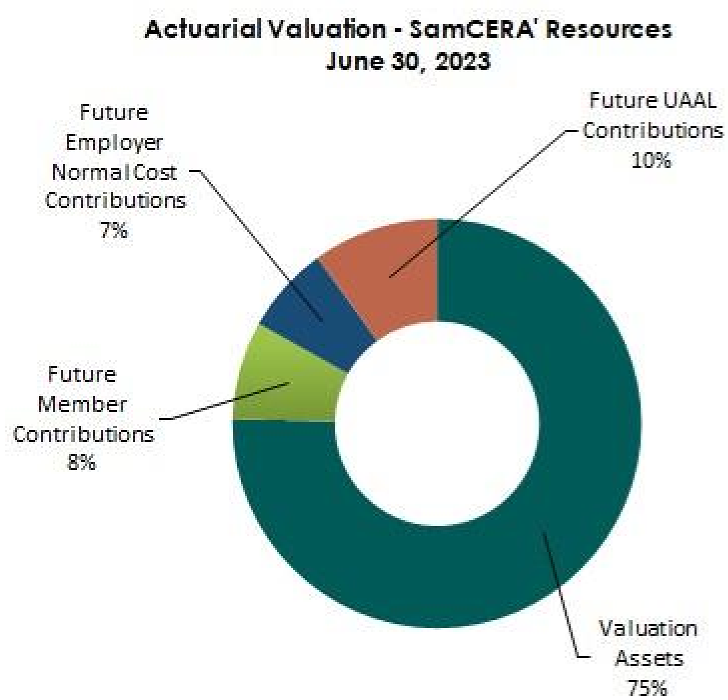
VALUATION ASSETS

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) to be funded outside of the actuarially determined contribution rates.

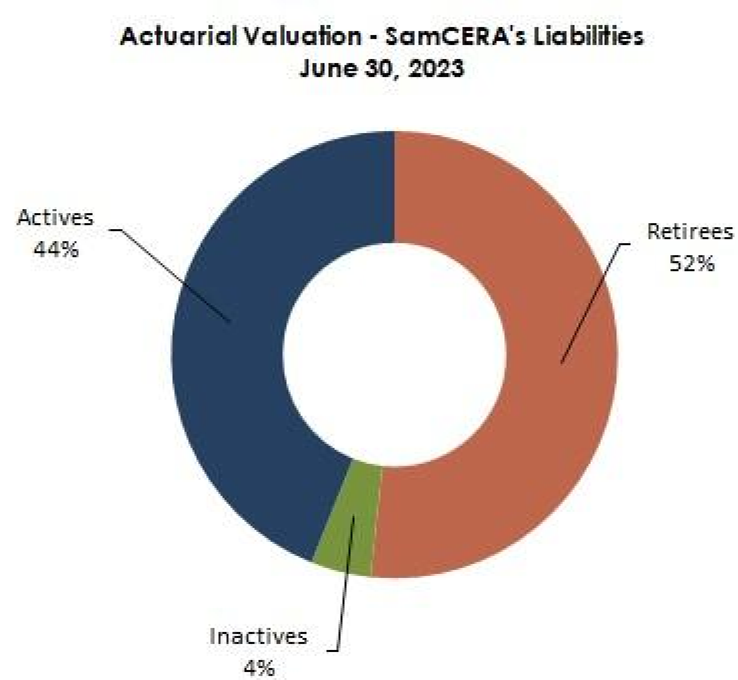




SamCERA's resources equal actuarial assets plus expected future contributions from both employers and members.



SamCERA's liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members.



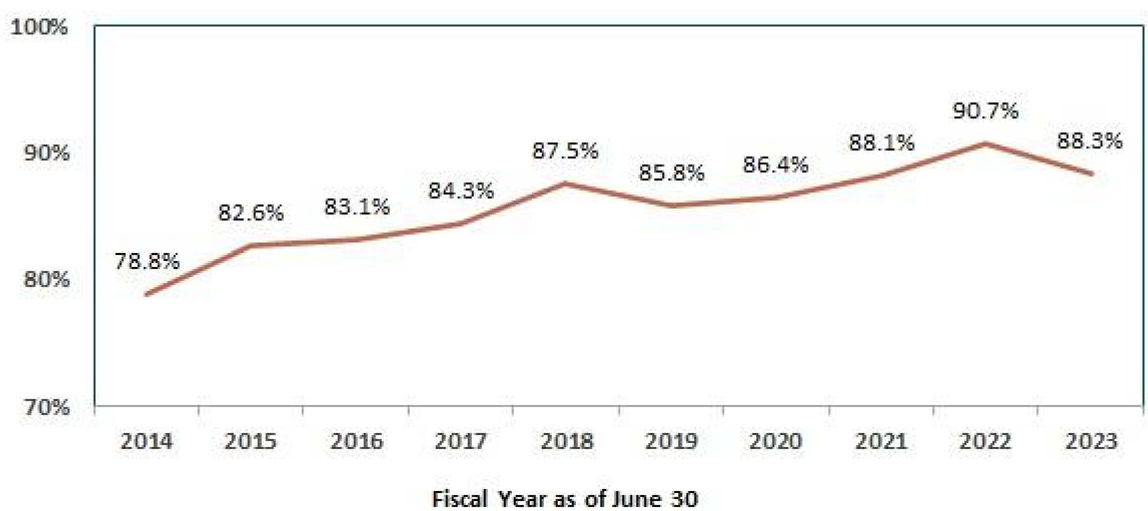
Schedule of Funding Progress

Dollars in Thousands

Actuarial Valuation Date as of June 30,	(a) Actuarial Value of Valuation Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
2014	$2,993,187	$3,797,042	$803,855	78.8%	$416,274	193.11%
2015	3,343,550	4,045,786	702,236	82.6%	439,018	159.96%
2016	3,624,726	4,362,296	737,570	83.1%	472,385	156.14%
2017	3,976,717	4,719,850	743,133	84.3%	510,132	145.67%
2018	4,351,502	4,970,535	619,033	87.5%	535,938	115.50%
2019	4,685,502	5,459,978	774,476	85.8%	554,734	139.61%
2020	4,998,316	5,786,054	787,738	86.4%	593,295	132.77%
2021	5,488,958	6,227,066	738,108	88.1%	600,369	122.94%
2022	5,922,894	6,530,039	607,145	90.7%	611,957	99.21%
2023	6,215,283	7,035,641	820,358	88.3%	631,144	129.98%

Note: The ten-year schedule of actuarially determined and actual contributions can be found in the Financial Section under Required Supplementary Information.

Schedule of Funded Ratio



Actuarial Analysis of Financial Experience

Dollars in Thousands

	Change in Liability				
Summary of (Gains) Losses	**2023**	**2022**	**2021**	**2020**	**2019**
Unfunded Liability as of July 1	**$ 607,145**	**$ 738,108**	**$ 787,737**	**$ 774,476**	**$ 619,033**
Expected Change in Unfunded Actuarial Accrued Liability	(134,643)	(138,405)	(157,668)	(85,527)	(153,261)
Salary (Gain) Loss	31,440	34,541	12,064	25,190	50,472
Retiree COLA more (less) than Expected	33,389	16,379	(25,973)	18,992	21,749
Asset (Gain) Loss	101,991	(47,017)	(87,748)	15,884	46,909
Change Due to Assumption Changes	161,882	-	197,720	11,593	173,944
Miscellaneous Experience	19,154	3,539	11,976	27,129	15,630
Unfunded Actuarial Accrued Liability as of June 30	**$ 820,358**	**$ 607,145**	**$ 738,108**	**$ 787,737**	**$ 774,476**

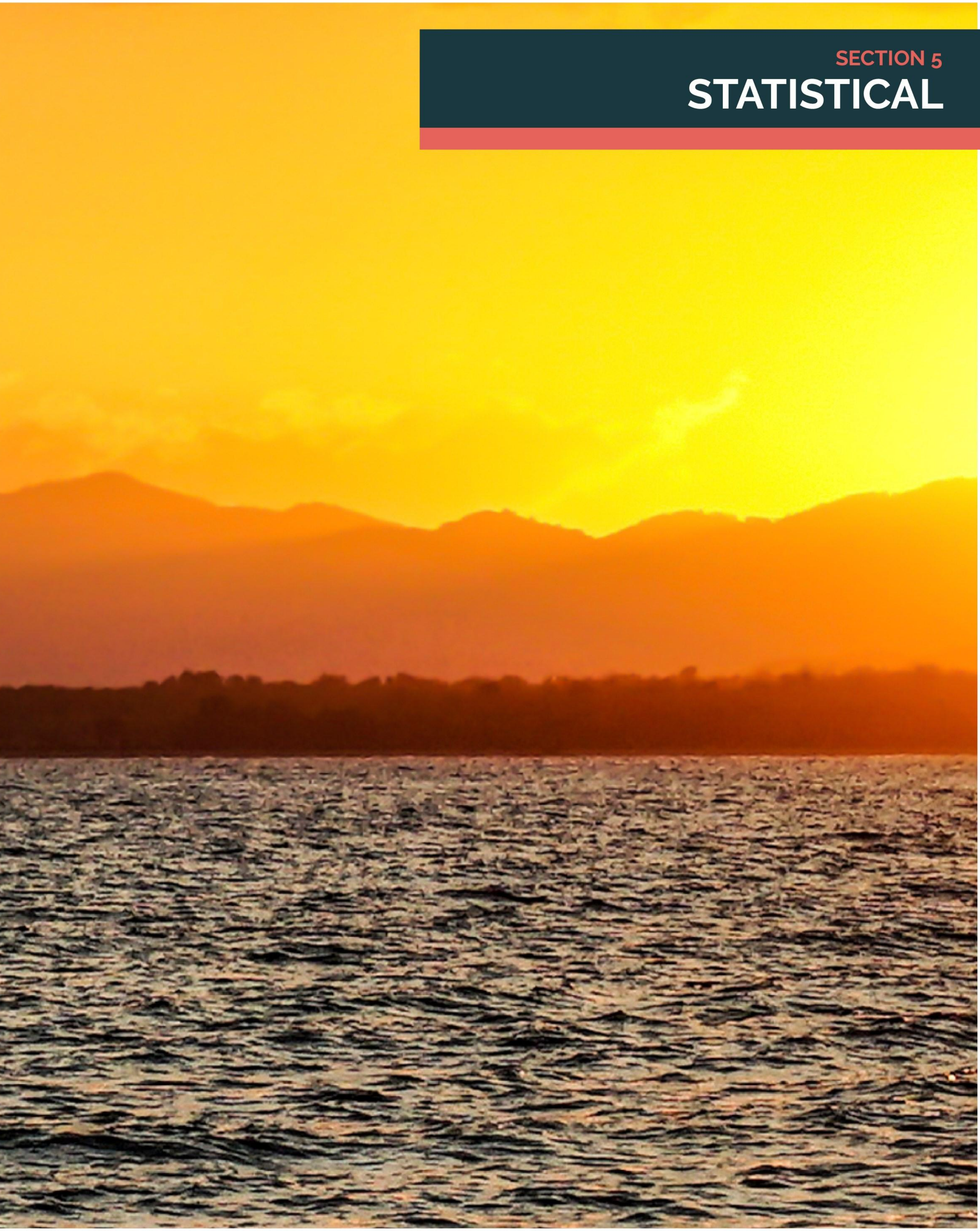
Solvency Test

Dollars in Thousands

		Actuarial Accrued Liabilities					
Actuarial Valuation Date as of June 30,	**Valuation Assets**	**Active Member Contributions (A)**	**Retirees and Beneficiaries[1] (B)**	**Active Members (Employer Financed Portion) (C)**	**Portion of Actuarial Accrued Liabilities Covered by Assets (A)**	**(B)**	**(C)**
2014	$2,993,187	$584,080	$2,285,328	$927,634	100%	100%	13%
2015	3,343,550	628,287	2,451,544	965,955	100%	100%	27%
2016	3,624,726	679,246	2,635,409	1,047,641	100%	100%	30%
2017	3,976,717	735,102	2,811,651	1,173,097	100%	100%	37%
2018	4,351,502	783,887	3,032,813	1,153,835	100%	100%	46%
2019	4,685,502	769,137	3,369,094	1,321,747	100%	100%	41%
2020	4,998,316	858,906	3,609,214	1,317,934	100%	100%	40%
2021	5,488,958	895,745	3,908,520	1,422,801	100%	100%	48%
2022	5,922,894	937,791	4,240,655	1,351,593	100%	100%	55%
2023	6,215,283	973,282	4,623,434	1,438,925	100%	100%	43%

[1] Includes inactive members.

SECTION 5
STATISTICAL



This page is intentionally left blank.

STATISTICS

The Statistical Section presents historical information for the past ten fiscal years about SamCERA's finances and operations. Some of the information in this section is compiled by SamCERA's actuary based on the information provided by SamCERA.

FINANCIAL INFORMATION

- Changes in Fiduciary Net Position reports changes in net position.

- Additions to Fiduciary Net Position by Source reflects income sources to SamCERA.

- Deductions from Fiduciary Net Position by Type displays benefits and refunds to members, administrative expenses, and information technology expenses.

OPERATIONAL INFORMATION

Retiree and Benefit Information details benefits paid to retirees, terminated members, and inactive members via the following schedules.

- Retired Benefits, Refunds, and Inactive Members
- Number of Retirees and Beneficiaries Receiving Benefits
- Average Monthly Benefit to Retirees and Beneficiaries
- Average Pension Benefit Payments
- Retired Members by Age and Retirement Year - All Plans Combined

Active Members by Employer depicts the number of active members by employer and the average monthly salary of active members via the following schedules.

- Active Members and Participating Employers
- Average Monthly Salary of Active Members

Employer and Member Contribution Rates enumerate the contribution rates by plan via the following schedules.

- Employer and Member Contribution Rates
- Employer Contribution Rates for All Plans Combined as a Percentage of Covered Payroll
- History of Employer Statutory Contribution Rates

This section presents historical information for the past ten fiscal years about SamCERA's finances and operations.

Changes in Fiduciary Net Position

For the Fiscal Year Ended June 30

Dollars in Thousands

	2023	2022	2021	2020	2019
Additions					
Employer Contributions	$238,938	$234,746	$225,302	$198,583	$194,830
Employer Supplementary Contributions	10,000	15,200	39,700	-	50,668
Member Contributions	77,666	73,968	73,967	70,631	67,696
Total Contributions	326,604	323,914	338,969	269,214	313,194
Investment Income (Loss), net of Expenses	341,058	(366,699)	1,133,127	42,355	271,625
Securities Lending Income	188	73	50	37	66
Miscellaneous Additions	-	-	-	-	-
Total Additions	**667,850**	**(42,712)**	**1,472,146**	**311,606**	**584,885**
Deductions					
Retiree Benefits	298,933	276,503	259,356	242,025	223,614
Member Refunds	3,895	4,407	2,796	3,796	3,571
Administrative Expenses	7,836	7,197	7,060	6,372	6,057
Information Technology Expenses	1,817	1,593	1,350	2,021	2,495
Total Deductions	**312,481**	**289,700**	**270,562**	**254,214**	**235,737**
Changes in Pension Plan Net Position	**$355,369**	**($332,412)**	**$1,201,584**	**$57,392**	**$349,148**

	2018	2017	2016	2015	2014
Additions					
Employer Contributions	$179,627	$164,877	$170,046	$169,814	$152,877
Employer Supplementary Contributions	27,630	33,850	21,048	10,890	50,000
Member Contributions	64,204	62,160	56,069	48,012	46,594
Total Contributions	271,461	260,887	247,163	228,716	249,471
Investment Income (Loss), net of Expenses	280,076	436,603	24,112	111,320	482,050
Securities Lending Income	43	46	278	310	435
Miscellaneous Additions	27	27	4,910	-	179
Total Additions	**551,607**	**697,563**	**276,463**	**340,346**	**732,135**
Deductions					
Retiree Benefits	204,728	190,364	179,498	168,109	159,342
Member Refunds	4,326	2,876	3,366	3,357	3,214
Administrative Expenses	5,849	5,983	5,962	5,350	4,914
Information Technology Expenses	1,444	996	714	629	731
Other Expenses	-	30	11	119	65
Total Deductions	**216,347**	**200,249**	**189,551**	**177,564**	**168,266**
Changes in Pension Plan Net Position	**$335,260**	**$497,314**	**$86,912**	**$162,782**	**$563,869**

Schedule of Additions to Fiduciary Net Position by Source

Dollars in Thousands

Fiscal Year Ended June 30	Member Contributions	Employer Contributions	Investment Income (Loss)	Other	Total Additions
2014	$46,594	$202,877	$482,050	$614	$732,135
2015	48,012	180,704	111,320	310	340,346
2016	56,069	191,094	24,112	5,188	276,463
2017	62,160	198,727	436,603	73	697,563
2018	64,204	207,257	280,076	70	551,607
2019	67,696	245,498	271,625	66	584,885
2020	70,631	198,583	42,355	37	311,606
2021	73,967	265,002	1,133,127 [1]	50	1,472,146
2022	73,968	249,946	(366,699) [2]	73	(42,712)
2023	77,666	248,938	341,058	188	667,850

[1] The robust growth in investment income was predominantly driven by market appreciation.

[2] Investment performance was overshadowed by investors' concerns over the war between Russia and Ukraine, inflation, and fear of recession.

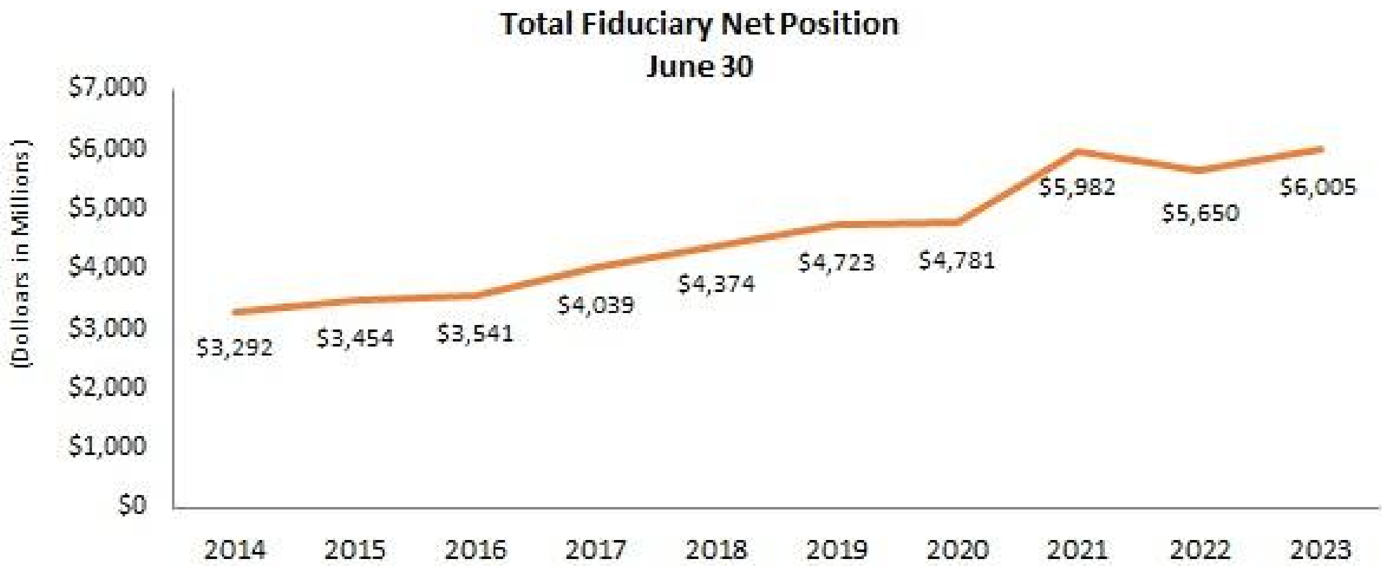
Schedule of Deductions from Fiduciary Net Position by Type

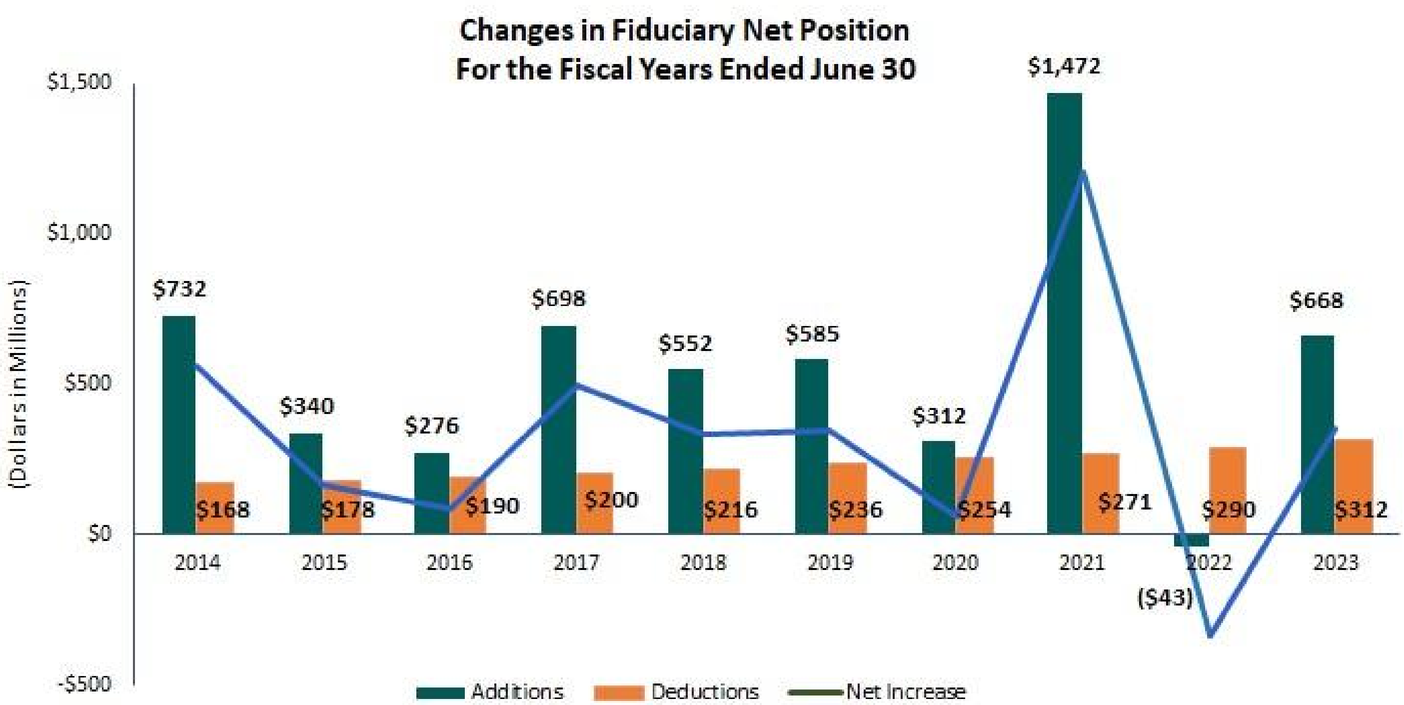
Dollars in Thousands

Fiscal Year Ended June 30	Service Retirement Benefits	Disability Retirement Benefits	Survivor Benefits	Death Benefits	Other Benefits	Member Refunds	Administrative Expenses	Information Technology Expenses	Other Expenses	Total Deductions
2014	$139,036	$19,267	$655	$14	$370	$3,214	$4,914	$731	$65	$168,266
2015	147,267	20,038	661	91	52	3,357	5,350	629	119	177,564
2016	157,513	21,091	653	82	159	3,366	5,962	714	11	189,551
2017	166,975	22,690	661	27	11	2,876	5,983	996	30	200,249
2018	179,880	23,872	781	195	-	4,326	5,849	1,444	-	216,347
2019	196,874	25,212	983	250	295	3,571	6,057	2,495	-	235,737
2020	212,633	27,602	958	296	536	3,796	6,372	2,021	-	254,214
2021	229,731	28,342	1,071	57	155	2,796	7,060	1,350	-	270,562
2022	246,251	28,675	1,109	257	211	4,407 [1]	7,197	1,593	-	289,700
2023	266,317	30,196	1,088	283	1,049	3,895	7,836	1,817	-	312,481

[1] The number of refunds went up to 140 in fiscal year 2022 from 84 in fiscal year 2021.

Total Fiduciary Net Position





Summary of Retired Benefits, Refunds, and Inactive Members

RETIRED MEMBERS	2023	2022	2021 [2]	2020	2019
Service Retirement [1], [2]					
Number	5,250	5,128	4,934	4,791	4,579
Annual Benefit	$266,316,948	$246,250,375	$229,730,556	$212,632,929	$196,874,097
Average Monthly Payment	$4,212	$4,008	$3,880	$3,698	$3,583
Active Death Survivor					
Number	33	33	34	34	30
Annual Benefit	$1,088,491	$1,108,651	$1,071,039	$958,068	$982,715
Average Monthly Payment	$2,835	$2,717	$2,625	$2,348	$2,730
Active Death					
Number	8	7	2	4	7
Annual Benefit	$283,388	$257,318	$57,226	$295,630	$249,751
Average Monthly Payment	$2,952	$3,063	$2,384	$6,159	$2,973
Refund of Deceased Retiree Contribution					
Number	11	5	7	4	4
Annual Benefit	$1,048,610	$211,260	$154,484	$536,331	$295,600
Average Monthly Payment	$7,944	$3,521	$1,839	$11,174	$6,158
Disability Retirement [1], [2]					
Number	630	606	615	621	605
Annual Benefit	$30,196,733	$28,674,627	$28,342,469	$27,601,908	$25,211,881
Average Monthly Payment	$4,112	$3,898	$3,840	$3,704	$3,473
Total Retired Members					
Number	5,932	5,779	5,592	5,454	5,225
Annual Benefit	$298,934,170	$276,502,231	$259,355,774	$242,024,866	$223,614,044
Average Monthly Payment	$4,199	$3,987	$3,865	$3,698	$3,566
REFUND					
General	$3,273,542	$4,006,328	$2,274,481	$3,177,699	$3,478,748
Safety	$621,896	$400,968	$521,679	$618,577	$92,331
Total Refund	$3,895,438	$4,407,296	$2,796,160	$3,796,276	$3,571,079
INACTIVE MEMBERS	**2,424**	**2,224**	**1,986**	**1,882**	**1,767**

[1] Includes beneficiaries.

[2] The headcounts for Service Retirement and Disability Retirement are revised based on updated information.

Note - This schedule is prepared by SamCERA based on the actual benefits disbursed.

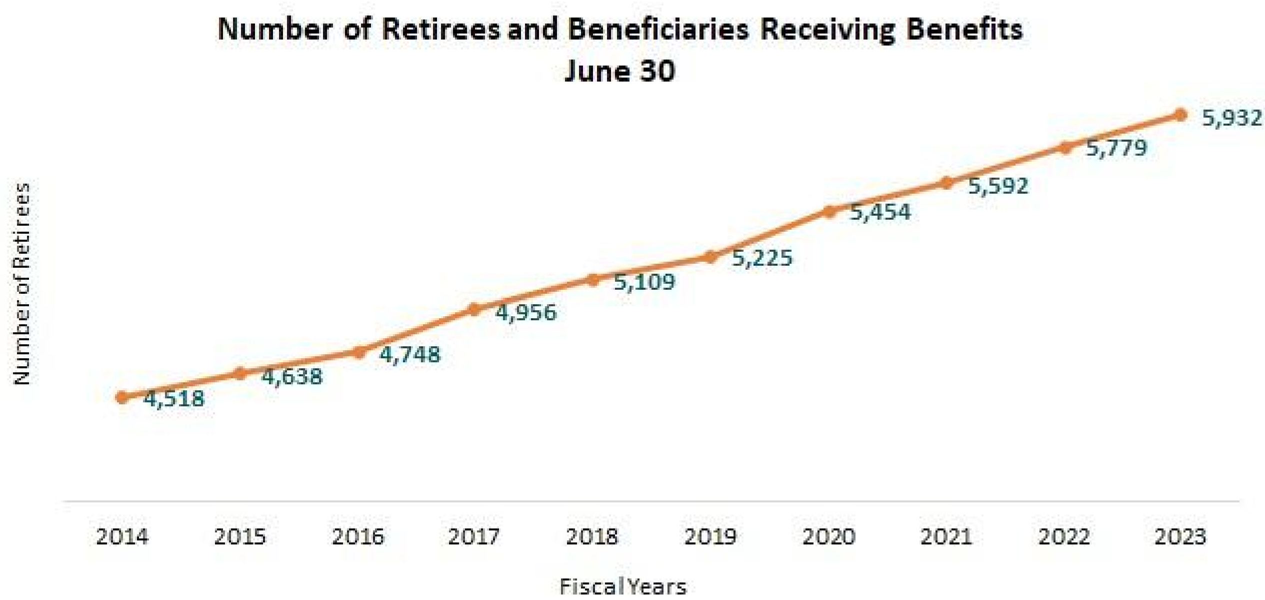
Summary of Retired Benefits, Refunds, and Inactive Members

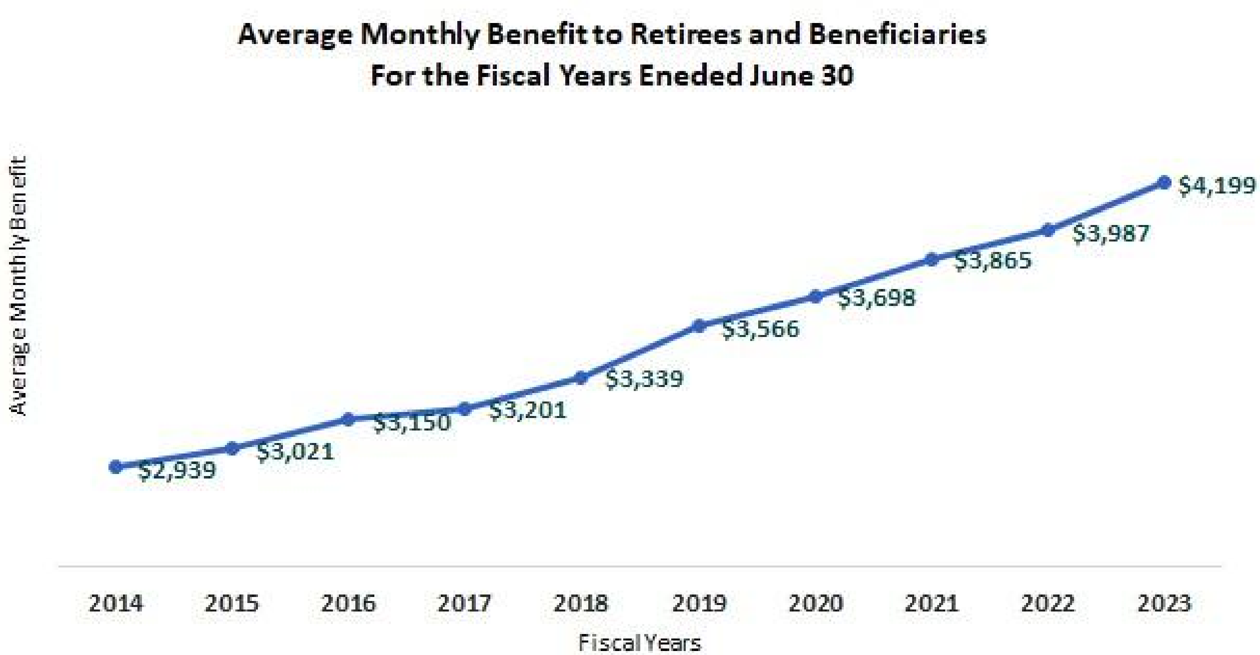
RETIRED MEMBERS	2018	2017	2016	2015	2014
Service Retirement [(1), (2)]					
Number	4,483	4,344	4,154	4,063	3,959
Annual Benefit	$179,880,342	$166,975,634	$157,513,099	$147,266,945	$139,036,410
Average Monthly Payment	$3,344	$3,203	$3,160	$3,020	$2,927
Active Death Survivor					
Number	29	27	27	29	30
Annual Benefit	$781,459	$661,162	$652,711	$661,222	$654,972
Average Monthly Payment	$2,246	$2,041	$2,015	$1,900	$1,819
Active Death					
Number	4	1	5	3	1
Annual Benefit	$194,927	$26,646	$82,444	$90,635	$13,633
Average Monthly Payment	$4,061	$2,221	$1,374	$2,518	$1,136
Refund of Deceased Retiree Contribution					
Number	-	1	5	4	7
Annual Benefit	-	$11,138	$158,478	$51,734	$370,340
Average Monthly Payment	-	$928	$2,641	$1,078	$4,409
Disability Retirement [(1), (2)]					
Number	593	583	557	539	521
Annual Benefit	$23,872,145	$22,689,813	$21,090,529	$20,038,671	$19,266,623
Average Monthly Payment	$3,355	$3,243	$3,155	$3,098	$3,082
Total Retired Members					
Number	5,109	4,956	4,748	4,638	4,518
Annual Benefit	$204,728,873	$190,364,393	$179,497,261	$168,109,207	$159,341,978
Average Monthly Payment	$3,339	$3,201	$3,150	$3,021	$2,939
REFUND					
General	$3,252,941	$2,511,145	$2,991,126	$3,011,758	$3,058,864
Safety	$1,072,789	$364,742	$375,311	$345,253	$155,265
Total Refund	$4,325,730	$2,875,887	$3,366,437	$3,357,011	$3,214,129
INACTIVE MEMBERS	**1,666**	**1,487**	**1,486**	**1,384**	**1,304**

(1) Includes beneficiaries.

(2) The headcounts for Service Retirement and Disability Retirement are revised based on updated information.

Note - This schedule is prepared by SamCERA based on the actual benefits disbursed.


Number of Retirees and Beneficiaries Receiving Benefits
June 30
Number of Retirees
4,518
4,638
4,748
4,956
5,109
5,225
5,454
5,592
5,779
5,932
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Fiscal Years


Average Monthly Benefit to Retirees and Beneficiaries
For the Fiscal Years Eneded June 30
Average Monthly Benefit
$2,939
$3,021
$3,150
$3,201
$3,339
$3,566
$3,698
$3,865
$3,987
$4,199
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023
Fiscal Years

Schedule of Average Pension Benefit Payments

	Years of Service Credit						
7/1/2022 - 6/30/2023	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$665	$1,782	$2,697	$4,644	$5,535	$7,123	$9,743
Average Final Compensation	$9,410	$9,607	$9,168	$10,633	$10,050	$10,619	$12,448
Number of Retirees	19	49	36	42	49	23	35
Beneficiaries							
Average Monthly Gross Benefit	$1,842	$1,922	$2,017	$2,316	$3,150	$4,952	$5,475
Average Final Compensation	$3,365	$8,714	$5,830	$6,450	$6,189	$5,865	$5,760
Number of Beneficiaries	3	4	11	6	12	4	8
7/1/2021 - 6/30/2022	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$631	$1,691	$3,536	$4,002	$6,607	$9,526	$8,441
Average Final Compensation	$11,414	$10,012	$11,776	$9,750	$11,121	$13,436	$10,405
Number of Retirees	24	40	44	41	68	30	50
Beneficiaries							
Average Monthly Gross Benefit	$1,101	$1,025	$1,290	$2,334	$2,895	$4,245	$4,933
Average Final Compensation	$2,313	$5,995	$5,548	$7,271	$6,785	$5,042	$7,388
Number of Beneficiaries	9	7	6	6	6	4	3
7/1/2020 - 6/30/2021	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$513	$2,075	$3,128	$4,652	$5,889	$8,463	$10,049
Average Final Compensation	$10,484	$11,773	$10,171	$10,552	$10,496	$12,023	$12,498
Number of Retirees	21	24	33	39	42	27	36
Beneficiaries							
Average Monthly Gross Benefit	$639	$1,126	$943	$1,720	$1,772	$5,752	$4,864
Average Final Compensation	$2,447	$7,875	$3,971	$3,664	$4,764	$6,840	$6,610
Number of Beneficiaries	11	6	3	6	2	5	5
7/1/2019 - 6/30/2020	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$394	$1,450	$2,633	$3,875	$5,190	$7,485	$8,072
Average Final Compensation	$9,677	$9,801	$8,672	$9,005	$9,905	$11,042	$10,001
Number of Retirees	12	33	45	40	37	35	56
Beneficiaries							
Average Monthly Gross Benefit	$1,244	$1,954	$1,796	$3,080	$3,058	$5,083	$7,308
Average Final Compensation	$2,624	$5,459	$6,047	$9,860	$5,807	$7,574	$9,557
Number of Beneficiaries	6	3	6	9	5	5	5
7/1/2018 - 6/30/2019	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$425	$1,564	$2,484	$4,013	$5,002	$7,792	$8,675
Average Final Compensation	$10,219	$9,667	$8,886	$8,901	$8,823	$11,094	$10,494
Number of Retirees	11	37	49	44	45	42	32
Beneficiaries							
Average Monthly Gross Benefit	$1,218	$1,828	$1,174	$134	$2,052	$3,757	$6,841
Average Final Compensation	$2,906	$9,453	$5,924	$6,644	$3,854	$4,246	$8,249
Number of Beneficiaries	11	4	5	1	2	5	5

Schedule of Average Pension Benefit Payments

	Years of Service Credit						
7/1/2017 - 6/30/2018	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$613	$1,327	$2,192	$3,541	$5,616	$6,728	$8,213
Average Final Compensation	$9,353	$8,032	$7,419	$8,210	$9,470	$9,686	$9,792
Number of Retirees	12	33	57	41	35	38	41
Beneficiaries							
Average Monthly Gross Benefit	$1,962	$1,460	$1,455	$1,861	$2,640	$6,712	$4,033
Average Final Compensation	$4,880	$8,022	$5,806	$6,311	$6,057	$6,777	$5,995
Number of Beneficiaries	13	10	9	5	6	8	7
7/1/2016 - 6/30/2017	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$388	$1,429	$2,264	$3,155	$5,501	$6,533	$6,902
Average Final Compensation	$6,313	$6,428	$7,311	$7,237	$9,197	$9,440	$8,334
Number of Retirees	13	35	47	37	37	32	33
Beneficiaries							
Average Monthly Gross Benefit	$1,197	$574	$1,665	$2,916	$1,299	$ -	$ -
Average Final Compensation	$2,152	$3,564	$2,251	$3,852	$3,474	$ -	$ -
Number of Beneficiaries	8	6	5	1	1	-	-
7/1/2015 - 6/30/2016	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$350	$1,536	$2,112	$3,210	$4,563	$5,841	$7,990
Average Final Compensation	$4,081	$6,646	$6,410	$9,032	$7,964	$8,548	$9,322
Number of Retirees	16	47	56	54	26	28	21
Beneficiaries							
Average Monthly Gross Benefit	$1,732	$1,038	$1,368	$1,361	$3,304	$3,036	$3,554
Average Final Compensation	*	$3,434	$4,173	$3,756	$5,429	$4,972	$5,372
Number of Beneficiaries	14	9	5	2	4	7	7
7/1/2014 - 6/30/2015	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$564	$1,479	$2,538	$3,755	$4,264	$7,245	$6,140
Average Final Compensation	$4,191	$6,262	$7,158	$8,074	$7,548	$9,423	$7,752
Number of Retirees	21	35	52	35	20	38	31
Beneficiaries							
Average Monthly Gross Benefit	$1,753	$1,193	$1,120	$2,380	$2,147	$4,633	$6,036
Average Final Compensation	*	$3,587	$3,867	$6,994	$4,521	$8,971	$8,071
Number of Beneficiaries	11	3	3	6	5	5	6
7/1/2013 - 6/30/2014	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Retirees - Service and Disabilities							
Average Monthly Gross Benefit	$1,608	$1,758	$2,384	$3,351	$4,613	$6,349	$6,713
Average Final Compensation	$6,920	$6,729	$6,570	$7,614	$7,740	$9,292	$7,528
Number of Retirees	16	61	49	40	32	13	18
Beneficiaries							
Average Monthly Gross Benefit	$891	$660	$1,898	$946	$4,457	$3,550	$6,239
Average Final Compensation	*	$6,305	$5,433	$2,906	$7,872	$5,504	$6,611
Number of Beneficiaries	10	3	6	5	3	2	2

* - Information not available.

Distribution of Retired Members by Age and Retirement Year - All Plans Combined

June 30

Age	Retirement Year								Total
	Pre-1990	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014	2015-2019	2020-2023	Count
Under 35	-	-	-	-	-	4	2	2	8
35-39	-	-	1	-	1	-	-	-	2
40-44	-	-	-	1	-	2	10	3	16
45-49	-	-	-	-	4	8	15	25	52
50-54	-	-	-	2	9	12	39	145	207
55-59	-	-	4	9	11	18	195	210	447
60-64	-	-	6	10	26	148	285	292	767
65-69	-	2	13	31	121	216	387	258	1028
70-74	2	10	28	114	230	365	288	92	1129
75-79	3	15	106	169	300	231	116	41	981
80-84	10	61	118	174	174	75	35	26	673
85-89	24	63	90	75	22	22	18	15	329
90-94	39	40	53	13	14	13	14	5	191
95-99	34	16	11	2	5	3	6	5	82
100 & Over	9	5	3	0	-	1	1	1	20
Total Count	**121**	**212**	**433**	**600**	**917**	**1118**	**1411**	**1120**	**5932**

Schedule of Active Members and Participating Employers

June 30

	2023	2022	2021	2020	2019
COUNTY OF SAN MATEO					
General Members	4,424	4,294	4,375	4,379	4,350
Safety Members	461	476	520	522	530
Probation Members	146	170	193	223	237
Subtotal	5,031	4,940	5,088	5,124	5,117
SAN MATEO COUNTY SUPERIOR COURT					
General Members	281	287	249	256	240
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members	22	22	19	20	20
Total Active Membership	**5,334**	**5,249**	**5,356**	**5,400**	**5,377**
Percentage of Membership by Employer					
County of San Mateo	94.32%	94.11%	95.00%	94.89%	95.16%
San Mateo County Superior Court	5.27%	5.47%	4.65%	4.74%	4.46%
San Mateo County Mosquito and Vector Control District	0.41%	0.42%	0.35%	0.37%	0.38%
Total Percentage of Membership	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

	2018	2017	2016	2015	2014
COUNTY OF SAN MATEO					
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
Subtotal	5,107	5,080	4,936	4,853	4,746
SAN MATEO COUNTY SUPERIOR COURT					
General Members	239	237	231	222	239
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members	21	20	20	20	19
Total Active Membership	**5,367**	**5,337**	**5,187**	**5,095**	**5,004**
Percentage of Membership by Employer					
County of San Mateo	95.16%	95.18%	95.16%	95.25%	94.84%
San Mateo County Superior Court	4.45%	4.44%	4.45%	4.36%	4.78%
San Mateo County Mosquito and Vector Control District	0.39%	0.38%	0.39%	0.39%	0.38%
Total Percentage of Membership	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Schedule of Average Monthly Salary of Active Members

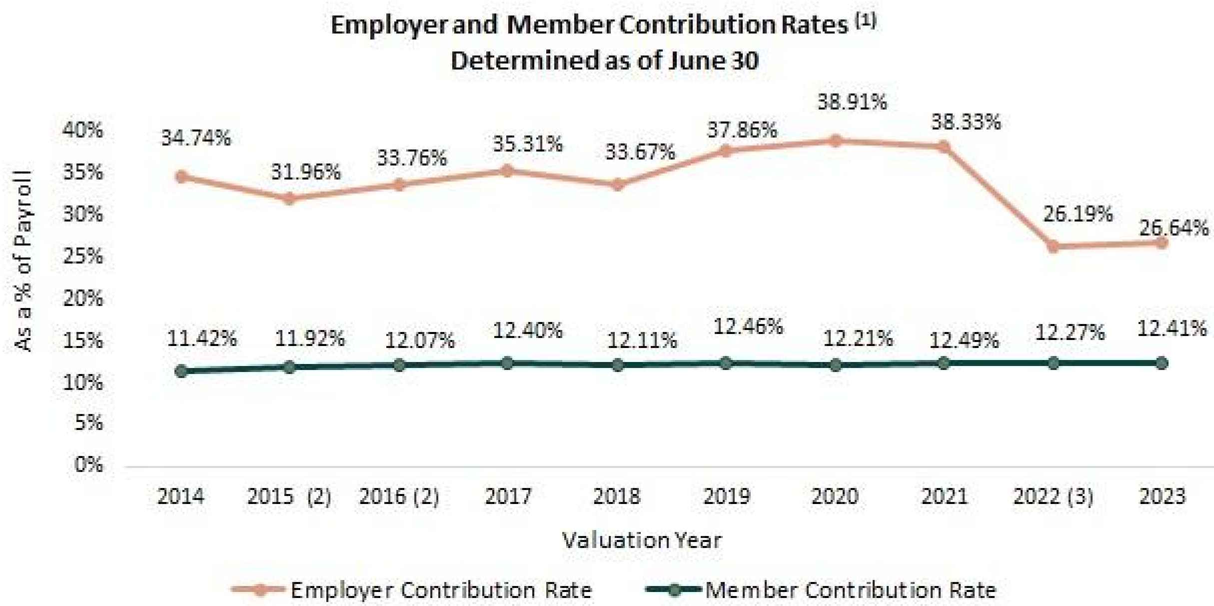
For the Fiscal Years Ended June 30 (by Plan and Membership Type)

Plan	2023	2022	2021	2020	2019
General Plan 1	$19,119	$18,575	$18,022	$11,102	$9,793
General Plan 2	11,908	11,516	10,957	10,665	10,088
General Plan 3	9,283	8,850	8,623	8,221	7,872
General Plan 4	11,163	10,680	10,087	9,671	9,302
General Plan 5	11,974	11,659	11,092	10,635	10,180
General Plan 7	8,730	8,291	8,014	7,726	7,395
Average Monthly Salary for General Plan	**$9,777**	**$9,463**	**$9,173**	**$8,897**	**$8,622**
Safety Plan 1	$ -	$ -	$ -	$ -	$ -
Safety Plan 2	17,112	16,177	15,162	15,125	14,197
Safety Plan 4	15,851	14,157	13,494	13,204	12,391
Safety Plan 5	15,378	13,127	12,619	12,367	11,708
Safety Plan 6	-	-	-	-	-
Safety Plan 7	12,201	10,507	9,765	9,581	9,030
Average Monthly Salary for Safety Plan	**$13,914**	**$12,232**	**$11,671**	**$11,610**	**$11,146**
Probation Plan 1	$ -	$ -	$ -	$ -	$ -
Probation Plan 2	11,699	11,203	10,641	10,174	9,908
Probation Plan 4	11,406	10,927	10,359	9,827	9,103
Probation Plan 5	11,024	10,219	9,911	9,343	8,587
Probation Plan 6	-	-	-	-	-
Probation Plan 7	9,794	8,983	8,378	7,598	6,973
Average Monthly Salary for Probation Plan	**$10,937**	**$10,371**	**$9,835**	**$9,289**	**$8,678**
Average Monthly Salary for All Plans	**$10,166**	**$9,743**	**$9,439**	**$9,176**	**$8,873**

Schedule of Average Monthly Salary of Active Members

For the Fiscal Years Ended June 30 (by Plan and Membership Type)

Plan	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
Average Monthly Salary for General Plan	**$8,128**	**$7,869**	**$7,694**	**$7,351**	**$6,884**
Safety Plan 1	$ -	$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	-	-	16,793	16,010	14,381
Safety Plan 7	8,747	8,356	7,538	6,701	7,011
Average Monthly Salary for Safety Plan	**$10,958**	**$10,786**	**$10,364**	**$9,728**	**$9,767**
Probation Plan 1	$ -	$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	-	7,347	6,259	5,739	5,216
Probation Plan 7	6,676	6,121	5,962	5,684	5,807
Average Monthly Salary for Probation Plan	**$8,379**	**$8,061**	**$7,391**	**$7,216**	**$6,998**
Average Monthly Salary for All Plans	**$8,407**	**$8,154**	**$7,933**	**$7,567**	**$7,151**



[(1)] Contribution rates determined as of the valuation date will become effective a year later. For example, contribution rates determined as of June 30, 2023, will become effective on July 1, 2024.

[(2)] Statutory Contribution Rates reflect changes in member rates negotiated subsequent to the 2015 and the 2016 valuations.

[(3)] The decrease in employer contribution rate is primarily due to the full amortization of the unfunded actuarial accrued liability layer established as of June 30, 2008.

Employer Contribution Rates for All Plans Combined As a Percentage of Covered Payroll

	Fiscal Year Beginning		
Employer Statutory Contribution Rate [(1)]	**July 1, 2024**	**July 1, 2023**	**Change**
Gross Normal Cost	24.16%	23.64%	0.52%
Less: Member Contributions	(12.41)%	(12.27)%	(0.14)%
Employer Normal Cost	11.75%	11.37%	0.38%
UAAL Amortization [(3)]	14.89%	16.04%	(1.15)%
Calculated Employer Contribution Rate	26.64%	27.41%	(0.77)%
Deferred Recognition of 2021 Assumptions	-	(1.22)%	1.22%
Total Employer Statutory Contribution Rate [(2)]	**26.64%**	**26.19%**	**0.45%**
Statutory Contribution Rate by Employer			
County of San Mateo	26.62%	26.19%	0.43%
San Mateo County Superior Court	26.35%	26.02%	0.33%
San Mateo County Mosquito & Vector Control District	28.03%	25.06%	2.97%

(1) Detailed contribution rates by plan are reported on the 2023 valuation report.

(2) The Total Employer Statutory Contribution Rate of 26.64% is the aggregate rate for all employers.

(3) The UAAL amortization rate (before SCA offset) for each member class is the greater of the fiscal year beginning 2023 UAAL amortization rate (with phase-in and before SCA offset) for the respective class and those calculated in the 2023 valuation.

History of Employer Statutory Contribution Rates

Valuation Date	General Members (County & Court)			General Members (Nurses & UAPD)			General Members (District)		
June 30	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
2014	10.12%	20.27%	30.39%	9.14%	20.21%	29.35%	11.72%	21.16%	32.88%

Valuation Date	General Members (County)			General Members (Court)			General Members (District)		
June 30	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%
2019	9.93%	22.18%	32.11%	10.01%	25.21%	35.22%	12.58%	0.00%	12.58%
2020	9.57%	23.22%	32.79%	9.63%	26.22%	35.85%	12.37%	0.39%	12.76%
2021	10.18%	21.84%	32.02%	10.28%	25.45%	35.73%	12.10%	0.00%	12.10%
2022	10.08%	12.01%	22.09%	10.16%	15.86%	26.02%	11.92%	13.14%	25.06%
2023	10.41%	12.07%	22.48%	10.49%	15.86%	26.35%	12.27%	15.76%	28.03%

Notes:

1. Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.

2. 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.

3. 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 District members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions were discontinued for members with benefits negotiated under the Probation and Detention Association (PDA) bargaining unit.

4. Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and District members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. This was reflected in 2016 values.

5. Effective July 1, 2018, the Board of Supervisors contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions were eliminated.

History of Employer Statutory Contribution Rates

Valuation Date	Safety Member			Probation Members (excluding Managers)			Probation Members (Managers)		
June 30	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
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 (exclude Managers)		
2017	17.28%	45.57%	62.85%	17.42%	32.87%	50.29%	Same as Probation (exclude Managers)		
2018	16.98%	44.68%	61.66%	16.95%	32.88%	49.83%	Same as Probation (exclude Managers)		
2019	18.02%	50.87%	68.89%	17.97%	42.55%	60.52%	Same as Probation (exclude Managers)		
2020	17.57%	54.42%	71.99%	18.30%	47.68%	65.98%	Same as Probation (exclude Managers)		
2021	18.84%	55.10%	73.94%	19.40%	50.12%	69.52%	Same as Probation (exclude Managers)		
2022	18.56%	28.79%	47.35%	19.27%	34.48%	53.75%	Same as Probation (exclude Managers)		
2023	19.23%	29.49%	48.72%	20.20%	33.33%	53.53%	Same as Probation (exclude 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 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.

3. 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 District members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions were discontinued for members with benefits negotiated under the Probation and Detention Association (PDA) bargaining unit.

4. Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and District members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. This was reflected in 2016 values.

5. Effective July 1, 2018, the Board of Supervisors contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions were eliminated.

SECTION 6

COMPLIANCE

This page is intentionally left blank.

Compliance

BROWN ARMSTRONG
CERTIFIED PUBLIC ACCOUNTANTS
www.ba.cpa
661-324-4971

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Retirement and Audit Committee of
San Mateo County Employees' Retirement Association
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements and other information (financial statements) of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of and for the fiscal year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SamCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SamCERA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

BAKERSFIELD
4200 Truxtun Avenue, Suite 300
Bakersfield, CA 93309
661-324-4971

FRESNO
10 River Park Place East, Suite 208
Fresno, CA 93720
559-476-3592

STOCKTON
2423 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SamCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
October 18, 2023

PHOTO CREDIT

Cover: KatesalinPagkaihang/shutterstock.com

Inside Cover: AnitaBen/shutterstock.com

Board of Retirement Image: KatesalinPagkaihang/shutterstock.com

Mission and Goals: AnitaBen/shutterstock.com

Introductory: EvgrafovaSvetlana/shutterstock.com

Financial: Apolinariy/shutterstock.com

Investment: Rylandwest/shutterstock.com

Actuarial: MarinaPoushkina/shutterstock.com

Statistical: AkinOzcan/shutterstock.com

Compliance: irin-k/shutterstock.com

Back Cover: KatesalinPagkaihang/shutterstock.com

SamCERA

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION

100 Marine Parkway, Suite 125
Redwood City, CA 94065
www.samcera.org