



Notice of Public Meeting

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, October 31, 2023, at 10:00 A.M.**

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

- 1. Call to Order, Roll Call and Miscellaneous Business**
- 2. Oral Communications**
 - 2.1 Oral Communications from the Board
 - 2.2 Oral Communications from the Public
- 3. Approval of the Minutes**
 - 3.1 Approval of Board Meeting Minutes from September 26, 2023
- 4. Approval of the Consent Agenda***

4.1 Disability Retirements (4) <ul style="list-style-type: none">• Adams, Tanganyika• Arguel, Michael• Baker, Catherine• Lopez, Saul	4.4 Continuances
4.2 Survivor Death Benefits	4.5 Deferred Retirements
4.3 Service Retirements	4.6 Member Account Refunds
	4.7 Member Account Rollovers
	4.8 Member Account Redeposits
	4.9 Acceptance of Trustees' Reports of Educational Activities
	4.10 Trustee Special Request to Attend an Educational Event
- 5. Benefit & Actuarial Services**
 - 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
 - 5.2 Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.
- 6. Investment Services**
 - 6.1 Report on Preliminary Monthly Portfolio Performance for the Period Ended September 30, 2023
 - 6.2 Report on Inflation Hedge Manager Annual Review
 - 6.3 Report on Opportunistic Credit Manager Annual Review
 - 6.4 Report on Absolute Return Manager Annual Review
 - 6.5 Presentation on Trade Cost Analysis for 2022
 - 6.6 Report on Emerging Market Debt Manager Search
 - 6.7 Approval of Cash Flow-Matching Replenishment Recommendation
- 7. Board & Management Support**
 - 7.1 Presentation by Brown Armstrong of 2023 Financial Audit Management Reports
 - 7.2 Approval of SamCERA's 2023 Annual Comprehensive Financial Report (ACFR)
 - 7.3 Approval of Voting Delegates and direction to delegates for Fall 2023 SACRS Business Meeting

Notice of Public Meeting

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8. Management Reports

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Reports
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

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

- C1 Consideration of Disability Items, if any, removed from the Consent Agenda
- C2 Conference with Legal Counsel – Anticipated Litigation
Significant Exposure to Litigation (Govt. Code section 54956.9(d)(2)) - One Case

9. Report on Actions Taken in Closed Session

10. Adjournment in Memory of the Following Deceased Members:

Travers, Elizabeth	September 9, 2023	Health Services
Perkins, Agnes	September 24, 2023	Social Services
Bradley, Jean	September 26, 2023	Hospital
Allen, Rosemary	September 27, 2023	Aging & Adult Services
Compton, Irma	September 30, 2023	Planning & Building
Gooden, Quillie	October 4, 2023	Public Works
Evans, Randolph	October 5, 2023	San Mateo County Health
Botti, Lou	October 6, 2023	Human Services Agency
Radojevich, Milan	October 9, 2023	Sheriff's
Niapas, Deborah	October 11, 2023	Probation

Scott Hood, Chief Executive Officer

Posted: October 25, 2023

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

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

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

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SEPTEMBER 26, 2023 – REGULAR BOARD MEETING MINUTES**

2309.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Battey, Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Sandie Arnott, Mark Battey, April DeCarsky (for Katherine O'Malley), Kurt Hoefer, Kimathi Marangu, Robert Raw, and Alma Salas.

Absent: Al David, Katherine O'Malley, Nicole McKay, and Elaine Orr.

Staff: Lili Dames, Scott Hood, Jenny Lukan, Elizabeth LeNguyen, JulieAnne Nagal, Doris Ng, Paul Okada, and Gladys Smith.

Consultants: John Nicolini (Verus); Nick Collier and Craig Glyde (Milliman, Inc.); and Anne Harper (Cheiron, Inc.).

2309.1.1 Appointment of Ad Hoc CEO Review Committee: Mr. Hood announced that Alma Salas, Nicole McKay, and Elaine Orr (Chair) have been appointed to the Ad Hoc CEO Review Committee.

2309.2.1 Oral Communications from the Board: None.

2309.2.2 Oral Communications from the Public: None.

2309.3.1 Approval of Board Meeting Minutes from August 22, 2023: Mr. Battey asked if there were any changes or corrections, or objections, to the minutes from the regular meeting held on August 22, 2023. There were no changes, corrections, or objections presented.

Action: Ms. Salas moved to approve the minutes from the August 22, 2023 regular Board meeting. The motion was seconded by Mr. Raw and carried with a vote of 6-0, with trustees Arnott, Battey, DeCarsky, Hoefer, Raw, and Salas all in favor; Marangu abstained; none opposed.

2309.4.0 Approval of the Consent Agenda: Mr. Battey asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

Action: Mr. Raw moved to approve the items on the Consent Agenda. The motion was seconded by Mr. Hoefer and carried with a vote of 7-0, with trustees Arnott, Battey, DeCarsky, Hoefer, Marangu, Raw, and Salas all in favor; none opposed.

2309.4.1 Disability Retirements:

- a) The Board found that David Huynh (1) is permanently incapacitated from the performance of his usual and customary duties as a Deputy Sheriff, (2) found that his disability was the result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.
- b) The Board found that Jason Peardon (1) is permanently incapacitated from the performance of his usual and customary duties as a Sheriff's Sergeant, (2) found that his disability was the result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.

- c) The Board found that Michael Sanders (1) is permanently incapacitated from the performance of his usual and customary duties as a Deputy Sheriff, (2) found that his disability was the result of an injury arising out of and in the course of his employment and (3) granted his application for a service-connected disability retirement.
- d) The Board found that Maria Solorzano (1) is permanently incapacitated from the performance of her usual and customary duties as a Patient Services Assistant II, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.
- e) The Board found that Leslie Talley (1) is permanently incapacitated from the performance of her usual and customary duties as a Deputy Sheriff, (2) found that her disability was the result of an injury arising out of and in the course of her employment and (3) granted her application for a service-connected disability retirement.

2309.4.2 Survivor Death Benefits:

- a) The Board granted Frank Schroeder, widower of Lowell Hylden, a non-service-connected disability death benefit pursuant to Government Code § 31781.3.

2309.4.3 Service Retirements:

Name	Effective Retirement Date	Department
Aboud, Tami	July 22, 2023	Probation
Alvarez, Joann	July 22, 2023	Plan 3 Only – retired 1/19/23 under G2
Assadurian, Tami	July 29, 2023	Probation
Azzari, Zack	July 22, 2023	Public Works
Cole, Kenneth	July 22, 2023	Human Services Agency
Conover, Mark	July 1, 2023	Deferred - Weights & Measures
Douglas, Michelle	July 28, 2023	Superior Court
Early, Jason	July 6, 2023	Sheriff's Office
Enriquez, Jose	August 1, 2023	Family Health Services
Gonzalez, Frank	July 10, 2023	Probation
Kenevan, Bridget	August 1, 2023	Deferred - Mental Health
Langtry, Sharon	July 22, 2023	Aging & Adult Services
Leong, Leon	July 15, 2023	Assessor Clerk Recorder Elections
McCarty, Craig	August 1, 2023	Sheriff's Office
Miller, Loren	July 9, 2023	Probation
Muccia, Charles	July 12, 2023	QDRO of Tamara Wright
Okada, Karen	July 13, 2023	Deferred - Information Services
Saberi, Melissa	July 25, 2023	Deferred - Probation
Sharma, Pushpa	July 29, 2023	Superior Courts
Stevens, Lisa	September 13, 2021	Building and Planning
Tillman, Joan	August 1, 2023	Deferred - District Attorney's Office
Watt, Bryan	July 31, 2023	Sheriff's Office

2309.4.4 **Continuances:**

Survivor's Name

Boyd, Corrine

Ogar, Janice

Beneficiary of:

Boyd, Jeffrey

Andrea, Rex

2309.4.5 **Deferred Retirements:**

Name

Chin-Agustin, Cassandra

Chung, Ji Yuon

Haupt, Jacquelyn

Lomotan, Francesca

Liu, Xiaoyu

Miyashiro, Rand

Nguyen, Viviann

Rosen, Nika

Villanueva, Jimenez

Wilson, Heather

Yee, Lisa

Retirement Plan Type

G7, Vested – Auto Defer – Code 31700

G7, Vested

G7, Vested

G7, Vested - Reciprocity

G7, Vested

G4, Vested - Reciprocity

S7, Vested - Reciprocity

G7, Non-Vested Reciprocity

G4, Vested – Auto Defer – Code 31700

G7, Vested - Auto Defer – Code 31700

Gr7, Vested

2309.4.6 **Member Account Refunds:**

Name

Arnold, Vettel

Garnica, Yesenia (FBO: Garnica, Maribel)

Guest-Brown, Stefaney

Hiatt, Mikaela

Maas Vargas, Ricardo Antonio

Randall, David Scott

Raymundo Abreu, Marisol

Vidal, Jonathan (FBO: Vidal, Elissa)

Retirement Plan Type

S7, Non-vested

P4, Vested

G7, Vested

G7, Non-vested

G7, Vested

G7, Non-vested

G7, Vested

G7, Vested

2309.4.7 **Member Account Rollovers:**

Name

Moore-Burdelle, Audrey

Phelan, Paul

Zherebin, Maksim

Retirement Plan Type

G7, Non-vested

P4, Vested

G7, Non-vested

2309.4.8 **Member Account Redeposits:** None.

2309.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None.

2309.4.10 **Approval of Questions for Annual Review of Brown Armstrong Accountancy:** The Board approved the evaluation questions in the "Questions for Annual Auditor Consultant Evaluation."

2309.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

2309.5.2 **Presentation of the June 30, 2023, Actuarial Valuation Report:** Mr. Collier and Mr. Glyde, of Milliman, Inc. presented the results and recommendations of SamCERA's Actuarial Valuation Report as of June 30, 2023. The results included: an increase in the Employer Statutory Contribution rate from 26.19% to 26.64% (effective July 1, 2024); an increase in the member contribution rates for all plans (effective July

1, 2024); and a decrease in the funded ratio of the system from 90.7% to 88.3% as of June 30, 2023. This item was informational and for discussion only, no action was taken.

2309.5.3 **Presentation of the June 30, 2023, Actuarial Valuation Audit:** Ms. Harper of Cheiron, Inc. presented the results of its audit of the June 30, 2023 Actuarial Valuation as produced by Milliman, Inc. She reported that Cheiron is “able to confirm that the liabilities and costs computed in the valuation as of June 30, 2023 are reasonably accurate and were computed in accordance with generally accepted actuarial principles.” This item was informational and for discussion only, no action was taken.

2309.5.4 **Approval of Resolution Accepting the 2024-2025 Employer and Employee Contribution Rates:** Mr. Battey called for a motion on the recommendations made for fiscal year 2024-2025 employer and member contribution rates.

Action: Ms. Arnott moved to approve a resolution accepting the 2024-2025 employer and employee contribution rates. The motion was seconded by Mr. Marangu and carried with a vote of 7-0, with trustees Arnott, Battey, DeCarsky, Hoefer, Marangu, Raw, and Salas all in favor; none opposed.

2309.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2023:** Mr. Coultrip reported that SamCERA’s net preliminary return for August was -1.1%, bringing the preliminary trailing twelve-month net return ending August 2023 to 5.0%, which is below both our benchmark return of 5.6% and our assumed earnings rate of 6.25%. He reported SamCERA’s estimated market value as of August was \$6.07 billion, while the actuarial funded ratio as of June 30, 2023 was 88.3%. This item was informational and for discussion only; no action was taken.

2309.6.2 **Report on Opportunistic Credit Manager Annual Reviews:** Ms. Ng reviewed the meeting notes from the annual reviews with private credit managers, White Oak Global Advisors and BlackRock (August 8th). Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. This item was informational and for discussion only; no action was taken.

2309.6.3 **Approval of Proposed Alternative Investment (Confidential Under Gov. Codes §54956.81 and §7928.710, to be heard in Closed Session, C2):** This item was heard in Closed Session at 11:25 a.m. and Open Session was reconvened at 12:15 p.m. See Closed Session report under C2.

2309.7.1 **Approval of a Resolution Setting the Board of Retirement’s Regular Meeting Schedule for Calendar Year 2024:** Ms. Smith reviewed the proposed Board meeting schedule for 2024 with the Board.

Action: Mr. Raw moved to approve a resolution setting the Board of Retirement’s regular meeting schedule for calendar year 2024. The motion was seconded by Ms. Arnott and carried with a vote of 7-0, with trustees Arnott, Battey, DeCarsky, Hoefer, Marangu, Raw, and Salas all in favor; none opposed.

2309.8.1 **Chief Executive Officer’s Report:** Mr. Hood gave the Board a relocation update and will be working on a timeline for moving once the building owners receive their final planning commission approval. Mr. Hood also informed the Board that SamCERA had their Staff Planning Retreat on August 29th. Mr. Hood informed the Board that next month’s board meeting will feature SamCERA’s audit results and the presentation of the Annual Comprehensive Financial Report (ACFR) as well as some SACRS business items. Mr. Hood also informed the Board that the Year-At-A-Glance calendar is now in DropBox and it features a look ahead at Board action items. Lastly, Mr. Hood mentioned that several Board members and SamCERA employees will be at IFE BP conference at the end of the month.

2309.8.2 **Assistant Executive Officer’s Report:** Ms. Smith informed the Board that SamCERA deployed a soft launch of the upgraded member self-service portal. Ms. Smith also reminded the Board to please

complete the survey for SamCERA's actuary that she sent out and the review will be presented at the next Board meeting. Ms. Lukan reminded the Board of a few upcoming conferences including CALPRS Trustees Virtual Roundtable and SACRS Fall Conference and will send out an email regarding these conferences.

2309.8.3 **Chief Investment Officer's Report:** Mr. Coultrip informed the Board that on October 5th, SamCERA will be having an annual review with three Absolute Return managers (CFM Systematic Global Macro, PIMCO MAARS, and Acadian MAARS). Additionally, on October 19th, SamCERA will be meeting with Insight Investments to review the Cash Flow Matching program. Mr. Coultrip also informed the Board that next month staff intends to bring the replenishment recommendation for the cash flow matching. Lastly, next month staff expects Abel Noser, SamCERA's Trade Cost Analysis Provider, to do a presentation, which they do every three years.

2309.8.4 **Chief Legal Counsel's Report:** Mr. Okada informed the Board that this year the CEO Review, which in past years has been in December, will be held in January 2024. This change is based on the timing of when the surveys go out and the survey response time for the Board.

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

C2 **Approval of Proposed Alternative Investment (to be heard in Closed Session, Confidential Under Gov. Code §54956.81 and §7928.710, see item 6.3):**

The Board met in Closed Session for the approval of proposed alternative investments:

Regarding a commitment of \$30 million to Cerberus Institutional Real Estate Partners VI, L.P., as part of SamCERA's infrastructure portfolio within Private Real Assets, there was a motion and second to approve such commitment.

Ayes: Arnott, Battey, Decarsky, Hoefler, Marangu, Raw, and Salas

Nos: None

Abstain: None

Motion carried 7-0-0

C3 **Conference with Legal Counsel – Anticipated Litigation Significant Exposure to Litigation (Govt. Code section 54956.9(d)(2)) - One Case:**

The Board met in Closed Session to confer with legal counsel regarding anticipated litigation/significant exposure to litigation (one case). No reportable action was taken.

2309.9.0 **Reports on Actions Taken in Closed Session:** Mr. Okada reported on Item C2 above. There were no additional closed session items.

2309.10 **Adjournment:** Mr. Battey adjourned the meeting at 12:17 p.m. in memory of the deceased members listed below.

Maze, Janet	August 3, 2023	District Attorney's Office
Cayago, Jose	August 6, 2023	San Mateo County Health
Melica, George	August 19, 2023	General Services
Phelps, Elaine	August 10, 2023	Hospital
Robinson, Ronald	August 28, 2023	Human Services Agency
Coleman, Jerome	August 24, 2023	District Attorney's Office

Hinshaw, Joan
Holm, Carl
Hickman, Philip
Cardoza, Ronald

August 30, 2023
September 7, 2023
September 7, 2023
September 8, 2023

Correctional Health
District Attorney's Office
Coroner's Office
Parks

Mark Battey
Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Items 4.1- 4.9

TO: Board of Retirement

FROM: Elizabeth LeNguyen, Retirement Benefits Manager



SUBJECT: Approval of Consent Agenda Items 4.1 – 4.9

4.1 Disability Retirements

- a) The Board finds that **Tanganyika Adams** (1) is permanently incapacitated from the performance of her usual and customary duties as a Group Supervisor III, (2) find that her disability was the result of an injury arising out of and in the course of her employment and (3) grant her application for a service-connected disability retirement.

- b) The Board finds that **Michael Arguel** (1) is permanently incapacitated from the performance of his usual and customary duties as a Sheriff's Sergeant, (2) find that his disability was the result of an injury arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.

- c) The Board, regarding **Catherine Baker**, (1) accepts the proposed decision of the Hearing Officer, John Shupe, and (2) confirms the Service-Connected Disability retirement date of January 22, 2016.

- d) The Board finds that **Saul Lopez** (1) is permanently incapacitated from the performance of his usual and customary duties as a Sheriff's Captain, (2) find that his disability was the result of an illness arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.

4.2 Survivor Death Benefits

None.

4.3 Service Retirements

The Board ratifies the service retirement for the individuals listed below as follows:

Name	Effective Retirement Date	Department
Baquirin, Pedro	August 3, 2023	Sheriff's Office
Caceres-Chu, Evelyn	August 5, 2023	Deferred - Behavioral Health
Davis, Rawlen	August 26, 2023	Human Resources

De Alba, Claudia	September 1, 2023	San Mateo County Health
Dominguez, Melida	August 16, 2023	San Mateo County Health
Hood, Eileen	August 5, 2023	Sheriff's Office
Lynch, Damon	August 18, 2023	Probation
Modha, Ritu	August 5, 2023	Behavioral Health
Nolte, Mark	August 12, 2023	Deferred - Child Support Services
Ruiz, Patricia	July 18, 2023	San Mateo County Health
Schiantarelli, Jennifer	August 11, 2023	Deferred - Sheriff's Office
Thompson, Laura	August 7, 2023	Deferred – Planning and Building
Velez, Luis	August 6, 2023	Sheriff's Office

4.4 Continuances

The Board ratifies the granting of a continuance to the following individuals:

Survivor's Name	Beneficiary of:
Robinson, Debra	Robinson, Ronald R.
Walker, Ruth	Walker, Burton
Youngdahl, Kathleen	Youngdahl, Raynor

4.5 Deferred Retirements

The Board ratifies the deferred retirements as listed below for the following individuals:

Name	Retirement Plan Type
Brewster, Brianna	G7, Non-Vested - Reciprocity
Cohen, Sara	G7, Vested
Constantino, Amanda	G7/S7, Vested - Auto Defer – Code 31700
Gee, Erica	G7, Vested - Reciprocity
Hart, Kristopher	S7, Vested
Laperruque, Kenneth	S7, Vested – Reciprocity
Morales, Pamela	G7, Non-Vested Reciprocity
Noble, Ederlyn	G4, Vested - Reciprocity
Pineda, Zuleyma	G4, Vested Auto Defer – Code 31700
Ramirez, Lester	G4, Vested - Reciprocity
Rodriguez, Crispin	G4, Vested Auto Defer – Code 31700
Taylor, Connor	G7, Non-Vested - Reciprocity

4.6 Member Account Refunds

The Board ratifies the refunds as listed below for the following individuals:

Name	Retirement Plan Type
Conway, Terese (FBO: Conway, James)	G4, Vested
Estrada, Mathew	G7, Non-vested
Fischer, Keith	G7, Non-vested
Hoke, Christopher	G7, Non-vested
Marasigan, Arnold	G7, Non-vested
Netane, Siupeli	G7, Non-vested
Perryman, Desmon (FBO: Perryman, Jessica)	G7, Non-vested
Phillips, Thomas (FBO: Phillips, Bruce)	G4, Vested
Robertson, Frances	G7, Non-vested
Taufoou, Priscilla	G7, Non-vested
Wilke, Tyler Jacob	G7, Non-vested

4.7 Member Account Rollovers

Name	Retirement Plan Type
Conway, Terese (FBO: Conway, James)	G4, Vested
Phillips, Thomas (FBO: Phillips, Bruce)	G4, Vested
Wilson, David I	G7, Non-vested

4.8 Member Account Redeposits

Name	Retirement Plan Type
Aenlle, Victor	G4
Pene, Garrett	G5

4.9 Acceptance of Trustees' Reports of Educational Activities

See attached.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 4.9

TO: Board of Retirement

FROM: Jenny Lukan, Retirement Executive Secretary



SUBJECT: Trustees' Reports of Educational Activities

Recommendation

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

Background

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

Discussion

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

IFEBP Annual Conference, September 30-October 4, 2023

- Al David
- Nicole McKay
- Robert Raw
- Alma Salas

Attachments

Trustees' Education Proof of Participation Certificate and Summary

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



Trustee Name Albert David		Date(s) of Event 10/1/23 - 10/4/23	
Education Event Name 69th Annual Employee Benefits Conference & TMP Advanced Leadership Summit (23D3)			
Event Provider IFEPB			
Type of Participation: Attended Event <input type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>23</u> <i>(Staff may adjust hours if the provider issues an education certificate that reflects different hours.)</i>	

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

Topic: (Check all that apply)

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

Summary Report

What concepts or information did you learn about?

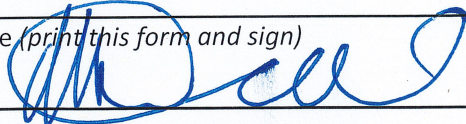
Discussed Real Estate, Inflation, investing, insight into actuarial matter, pension board dynamics, funding status & the TMP provided the opportunity to apply our knowledge and experience as we interacted with peers and expert faculty, addressing the complex issues trustees deal with daily.

Would you recommend this event to other trustees?

- X Yes No Maybe

You may provide additional comments to SamCERA's CEO.

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

Trustee Signature <i>(print this form and sign)</i> Albert David 	Date October 23, 2023
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NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

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



Trustee Name <i>Nicole McKay</i>		Date(s) of Event
Education Event Name <i>Public Plan Policy - Pensions Part I and IFEBP Annual Conference</i>		
Event Provider <i>IFEBP</i>		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>29 hours</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

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

Topic: (Check all that apply)

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

Summary Report

What concepts or information did you learn about?

*Public Plan Policy - Pensions Part I (Two days - Governance, Fiduciary Responsibility, Legal, Legislative & Regulatory Developments and Actuarial Principles - Pensions)
Can't class: Wearing the Right Hat - 2 Hat Dilemma, AI, Fiduciary Dilemmas / Town Hall Discussion, Actuarial Basics, Running an effective Trustee Meeting, New Fiduciary etc..!*

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

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

Trustee Signature (print this form and sign) <i>Nicole McKay</i>	Date <i>10/16/2023</i>
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NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

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



Trustee Name ROBERT RAW		Date(s) of Event
Education Event Name IFEBP ANNUAL EMPLOYEE BENEFITS CONFERENCE		
Event Provider IFEBP		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>		Eligible Credit: Total hours for sessions you participated in: <u>25.75</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)

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

Topic: (Check all that apply)

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

Summary Report

What concepts or information did you learn about?

ENHANCING INVESTMENT PERFORMANCE, PRIVATE EQUITY ISSUES, CONSULTANT MANAGEMENT, INTEREST ASSUMPTION / INVESTMENT POLICY ISSUES, ROLE OF GLOBAL EVENTS, DUELING ACTUARIES, BENCHMARKING.

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

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

Trustee Signature (print this form and sign) 	Date 10/12/23
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NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

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



Trustee Name Alma SALAS		Date(s) of Event 9/29 - 10-4-23
Education Event Name IFEBP		
Event Provider		
Type of Participation: Attended Event <input checked="" type="checkbox"/> Listened to Audio/Watched Video <input type="checkbox"/>	Eligible Credit: Total hours for sessions you participated in: <u>12 13</u> (Staff may adjust hours if the provider issues an education certificate that reflects different hours.)	

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

Topic: (Check all that apply)

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

Summary Report

What concepts or information did you learn about?

TM? Advance Leadership Summit, Techniques in time consuming tools, Break out sessions investment Return Assumptions. Best Practices for Evaluating Service providers importance of RFP's, quarterly annual reviews, Working w/Plan Mathematicians Actuarial investment consultant, Private Equity w/ Plans, Valuation of private equity

Would you recommend this event to other trustees?

- Yes No Maybe

You may provide additional comments to SamCERA's CEO.

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

Trustee Signature (print this form and sign) <i>Alma R. Salas</i>	Date 10-12-23
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NOTE: Please return this completed form to SamCERA's Executive Secretary prior to the mailing of the Board packet, so it can be included in that month's Consent Agenda.

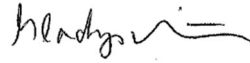
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 4.10

TO: Board of Retirement

FROM: Gladys Smith, Assistant Executive Officer



SUBJECT: Trustee's Special Request to Attend an Educational Event

Recommendation

Approve the following requests by a Board of Retirement trustee who has submitted special requests to attend two educational events.

Background

SamCERA's Education Policy has a list of educational programs and activities under Section 2(B) that are approved by the Board of Retirement. If a trustee would like to attend a training/conference not specified under Section 2(B), the trustee must submit a *Board of Retirement Trustee Special Request to Attend Education Event Form* answering the following questions listed under Section 3(D) of the policy:

1. Are the conference topics of current interest and importance and related to issues facing SamCERA?
2. Have reports from previous attendees been favorable regarding the content of the conference and the continuing value of future attendance?
3. Will the conference meet the educational needs of the attendee?
4. Can similar education be received from an already approved provider or that provider's on-line resources?
5. Does the cost of the event and overnight travel justify the benefits particularly if the conference is out of California?
6. How many overnight trips has the Board member attended and/or is planning on attending this fiscal year?

Discussion

Elaine Orr has requested to attend the Women in Private Equity Summit from March 4-6, 2024 in Phoenix, AZ and the Milken Institute Global Conference from May 5-8, 2024 at The Beverly Hilton, Beverly Hills, CA.

Attachments

Trustee's Special Request to Attend an Educational Event Form (2) – Elaine Orr

BOARD OF RETIREMENT TRUSTEE SPECIAL REQUEST TO ATTEND EDUCATION EVENT

Use this form to request to attend an education activity not authorized in Section 2B of the Education Policy.

Trustee Name: Elaine Orr

Event Title: Women in RE Summit

Date of Event: march 4-6, 2024

Event Sponsor: With Intelligence

1.) Are the conference topics of current interest and importance and related to issues facing SamCERA?
(In addition to your written response, please attach the event agenda.)

Private equity is a material driver of
returns.

Program:

2.) How will the conference meet your educational needs? (Is the program appropriate for your expertise/experience level, and are the courses addressing subject areas that you need?)

I have attended Women in RE since 2014
while an allocator at Silicon Valley Community
Foundation. I have been invited as

3.) Can similar education be received from an already approved provider from section 2B (or SACRS/ CALPRS) or that provider's online resources? (If yes, explain why attendance at this conference is necessary. If no, how did you verify this?) Yes No

Deeper and broader exposure to funders
and allocators.

4.) Why does the cost of the event and overnight travel justify the benefits, particularly if the conference is out of California?

There is no comparable premier event.

This is the first time ever being held outside CA.

5.) Is the event sponsored by marketing companies, investment managers or other potential service providers? (Check the agenda for any sponsors of events, meals, etc.) Yes No Not Sure

6.) How many non-SACRS/CALAPRS events overnight trips have you attended or are you planning to attend this fiscal year? (Please list events.)

Two: this one & Milken Institute May 2024

7.) Have reports from previous attendees been favorable regarding the content of the conference and the continuing value of future attendance? Yes No Not Sure

8.) Any other information about the event that the Board should know?

Recommend investment staff attend in future or even this one in 2024.

BOARD OF RETIREMENT TRUSTEE SPECIAL REQUEST TO ATTEND EDUCATION EVENT

Use this form to request to attend an education activity not authorized in Section 2B of the Education Policy.

Trustee Name: Elaine Orr
Event Title: Milken Institute Global Conference
Date of Event: May 5-8, 2024
Event Sponsor: Milken Institute

1.) Are the conference topics of current interest and importance and related to issues facing SamCERA?
(In addition to your written response, please attach the event agenda.)

Yes. This is an established event for
institutional allocators, leaders in business
public health and more on regional & global issues.
2023 agenda: milkeninstitute.org/events/global-conference-

2.) How will the conference meet your educational needs? (Is the program appropriate for your expertise/experience level, and are the courses addressing subject areas that you need?) 2023/program

Convenes experts in multiple sectors,
economics and investing.

3.) Can similar education be received from an already approved provider from section 2B (or SACRS/ CALPRS) or that provider's online resources? (If yes, explain why attendance at this conference is necessary. If no, how did you verify this?) Yes No

Access to ~~the~~ those thought leaders at
the top of their game addressing urgent issues
- aging, workplace, climate -

4.) Why does the cost of the event and overnight travel justify the benefits, particularly if the conference is out of California?

- Registration is complimentary.
- Event is in California. Only hotel fees requested. I can cover my own air travel.

5.) Is the event sponsored by marketing companies, investment managers or other potential service providers? (Check the agenda for any sponsors of events, meals, etc.) Yes No Not Sure

6.) How many non-SACRS/CALAPRS events overnight trips have you attended or are you planning to attend this fiscal year? (Please list events.)

2024 - possibly Fall SACRS. unless
calendar conflicts.

non SACRS events = plan to attend 2 in 2024

Milken
Wine
~ PSE

7.) Have reports from previous attendees been favorable regarding the content of the conference and the continuing value of future attendance? Yes No Not Sure

8.) Any other information about the event that the Board should know?

CIO of CalSTRS - speaker in 2023

CIO of Dallas Employees Retirement Fund - also
2023 speaker

and more

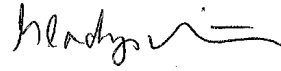
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 5.2

TO: Board of Retirement

FROM: Gladys Smith, Assistant Executive Officer



SUBJECT: Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.

Recommendation

Accept the annual performance report of Milliman, Inc.'s actuarial services.

Background

The annual evaluation of Milliman has three parts:

1. A survey completed by trustees, staff and the actuary;
2. Responses to questions submitted to the actuary;
3. A discussion at the Board meeting with Milliman, Inc. regarding its performance as reflected in the surveys and responses to the questions.

Discussion

The survey results for Milliman, Inc., continues to remain high as it has been in the past. This consistently high rating is reflective of the quality of the actuarial services provided by Milliman to SamCERA.

The survey rating structure ranged from 1 to 5 with 1 being Low (poor rating) to 5 (high rating). The survey was completed by 9 Board members whose overall average rating was 4.74% while staff's rating of Milliman was 4.97%. Both ratings demonstrate the opinion that Milliman continues to provide excellent service to SamCERA. The average self-assessment rating by Milliman was 4.53. No concerns or issues were raised by the Board or staff.

Attachment

Milliman Questionnaire



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

Tel +1 206 624 7940

milliman.com

October 12, 2023

To: Gladys Smith
From: Nick Collier, Craig Glyde
Subject: Actuarial Review – Milliman Inc.

As requested, we have completed the questionnaire form. Please note that Milliman is a large, multi-office firm with services covering a variety of types of actuarial and other consulting issues. For purposes of this review, we have responded with answers that apply to the Western Region Employee Benefits practice and have provided client information regarding only the public sector clients. If additional information on other offices or other clients is needed, please let us know.

Organizational Update

1) Has the ownership structure of your firm changed? If so, describe.

No, Milliman's ownership structure has not changed since last year. Milliman is a corporate organization owned by its approximate 500 Principals. No Principal owns 5% or more of the firm. The firm is comprised of profit centers overseen by Principals who have a considerable amount of flexibility with respect to the management of their profit centers.

2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.

Milliman is a firm of actuaries and consultants providing actuarial and risk management services, and a range of consulting and technology solutions to private and public businesses, non-profit enterprises, government, and financial organizations in approximately 40 offices around the United States, and worldwide.

(a) Other than the normal growth of the firm and the changes noted regarding our organizational chart, there have been no changes in the management structure of Milliman in the last 18 months. Normal growth includes new Principals being nominated and a few Principals leaving the firm, primarily due to retirement.

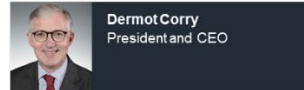
(b) The Western Region Employee Benefits has not had any significant gains or losses in clients over the past 18 months, although we have added a number of actuarial audit clients. If requested, we can provide a list of public clients added or lost over the past 18 months.

(c) Below is an organizational chart of Milliman. The only change since last year is the retirement of our Global Social Responsibility Officer.

The Principals of the firm as a whole are responsible for establishing the governing principles of Milliman. Principals are active senior professionals within Milliman who have been elected in recognition of their technical, professional and business achievements. The Board of Directors of Milliman and the officers of Milliman are delegated the authority by the Principals to assume day-to-day responsibilities for carrying out the management directives established by the Principals. The Board of Directors of Milliman consists of 11 Principals including the

President, the Chairman, four National Directors of our major practice areas, and five rotating positions.

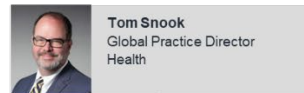
Board of directors



Practice areas



Local practices



Local practices

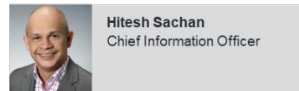
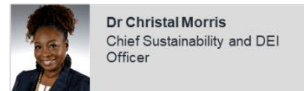
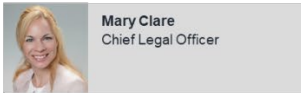


Local practices



Local practices

Administration



3) Has your firm's policy regarding adding public pension plan clients and other actuarial business changed, if so how?

No, our policy remains similar to the past. The Western Region Employee Benefits practice believes we can add new business only when we have the capacity to maintain the high level of service we promise to all clients. Within the public sector, the opportunity to attain new business is driven by the RFP process. In order to respond to any RFP situations, we are continually hiring new actuarial analysts – at the rate of about two per year within the western region, and growing from within. In addition, Milliman has access to additional staff from other offices if special projects create a need for a temporary increase in staffing support. We have on occasion, when needed, hired additional experienced staff from other firms, but our preferred method of growth is from within our own staff.

4) Update all significant personnel changes or expected changes to the “SamCERA Team.” Describe the relative strength and longevity of your staff.

There were no changes to the SamCERA team over the last year, which now consists of Nick Collier, Craig Glyde, John Talbot and Shane Gladinus. The team is supported by other public plan consultants and analysts.

Nick (30+ years with Milliman) and Craig (20+ years with Milliman plus additional experience with a prior firm) have extensive experience with public sector retirement systems, including CERL systems. John (8 years with Milliman) and Shane (2 years with Milliman plus additional experience with a prior firm) perform most of the valuation calculations and provide support to Nick and Craig. Nick, Craig and John have been together on the SamCERA team for about 8 years with Shane being added to the team at the beginning of 2022.

5) Please confirm if there were any lawsuits or legal proceedings requiring notification to SamCERA under section 16 of our agreement. If yes, please described.

There have been no legal proceedings that would require notification under the agreement.

- 6) **Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.**

No. None of our work with SamCERA is outsourced.

- 7) **Other than the actuarial audit performed by SamCERA's actuarial auditor on your SamCERA actuarial services, was an actuarial audit performed on any of your firm's actuarial products? If yes, discuss the audit and the findings. Any material findings or recommendations must be accompanied by an explanation.**

The following client(s) from our practice have had actuarial audits performed within the past 4 years (auditing firm in parentheses): California State Teachers' Retirement System (Cheiron), Los Angeles County Employees Retirement Association (Cavanaugh Macdonald), Oregon PERS (Gabriel, Roeder & Smith), State of Florida Retirement Systems (Gabriel, Roeder & Smith), Texas County & District Retirement System (Cheiron), Public Employees Retirement System of Idaho (Cavanaugh Macdonald) and Tacoma Employees' Retirement System (Gabriel, Roeder & Smith). There were no material issues found in the audits.

- 8) **Has your firm experienced any problems with its "mission critical" systems? Were any upgrades made and if not, when were they last upgraded? Do you anticipate any changes to these systems in the next twelve months?**

The only critical system we use to perform services for SamCERA at the current time is our valuation system called ProVal, which is a product of Winklevoss Technologies. We moved to this valuation system in 2017 as it is the most common system used by pension actuaries and has an extensive support network. This system is continuously being updated and improved to reflect changes in the employee benefit arena. We don't anticipate any significant changes to ProVal in the next year.

- 9) **Please describe how your firm monitored and managed cyber security risks as they relate to SamCERA's Confidential Information. Were there any problems with cyber security? If so, was your cyber security breach policy applied? If not, why not? Have your procedures for cyber security been updated? Please describe. Please confirm that there has not been any release of SamCERA Confidential Information requiring notification to SamCERA as set forth in Schedule A Section 5(E).**

The following is a description of Milliman's cyber security procedures. Note that our procedures are independently reviewed annually as part of a SOC 2 audit. Milliman's process are overseen by our Chief Information Security Officer.

Data security is important and Milliman maintains physical, electronic, and managerial safeguards to prevent unauthorized access to confidential, sensitive, and personal information. Milliman has a comprehensive information security policy based on the ISO 27001 risk management framework. Milliman has implemented a number of layered controls and safeguards, including administrative policies and procedures and automated systems. These controls are employed in a defense in depth arrangement to secure electronic information stored on our systems.

Milliman's data handling policy requires that all confidential data be transmitted using an approved, secure method. We also maintain security protocols for our servers and e-mail system, and physical records retention and destruction policies. We do not contract with a separate entity for computer services.

Milliman's data sensitivity policy requires that all confidential data be transmitted using an approved, secure method. In addition, we will comply with any written standards communicated to us by our clients. Our data transmittal method is the Cryptshare Web App (a secure digital transfer application) to use Milliman's Secured File Transfer Protocol (SFTP) server. This method only requires that the user be able to access the internet through an internet browser. No software needs to be installed on the user's computer. To receive data sent by Milliman using Cryptshare, SamCERA staff receive an email with a link to download the data from the Cryptshare Web App with a password provided separately by Milliman. To provide data to Milliman using Cryptshare, SamCERA staff signs into the Cryptshare Web App and selects the option to send data to Milliman. The selected Milliman employee(s) will receive an email with a link to download the data from the Cryptshare Web App using a password provided separately by SamCERA staff. Milliman has other alternatives available, which can also include using file encryption or a client-provided encrypted method. Depending on the nature and sensitivity of the data sent, file encryption at rest may also be appropriate. We comply with any written standards communicated to us by our clients.

Once data has been securely obtained by Milliman, we undertake extensive precautions to ensure the continuing security of sensitive information. This includes logical security, firewalls, anti-malware software, employee security protocols, and full-disk encryption of personal desktop and laptop computers used by Milliman staff. In addition, we maintain physical security measures for building and data storage facilities and maintain internal policies to ensure privacy for sensitive client and participant data.

Other security measures we have in place, include:

- **Staff.** Milliman performs employee background checks on all employees before they are allowed to start work. Every Milliman employee signs Milliman's Employee Trade Secret and Client Information Agreement. Mandatory data-handling security training is required for all staff. Security training is monthly for all employees. Milliman has written policies on data handling and acceptable computer use. Terminated users' access is removed on their last day. For involuntary terminations, all access is removed immediately, and employees are escorted off the premises.
- **Physical security.** The Seattle office of Milliman is located at 1301 Fifth Avenue, Suite 3800. Keycard access is required to enter the building after hours. The building has security guards on duty 7 days a week, 24 hours a day. The elevators are secured and only the keycards of Milliman employees and security personnel allow access to a Milliman floor. Milliman suites on each floor are also secured with the same keycards. The data center is locked 24/7. It is secured on a separate keycard/door code system with extremely limited access, controlled by the Information Technology Manager. Each door entry system tracks who opens a door. There are cameras in the elevator lobbies and in the data center. The data center uses a motion detection system to monitor access. The data center has no walls on the outside of the building, and no walls are connected to the elevator lobby.
- **PC security.** All PCs lock after 15-minutes of non-use. All PCs use full-disk hardware encryption. All Notebook PCs use personal firewalls. All PCs and servers utilize anti-malware software.

- **Data access security.** System access requires valid user IDs and passwords. Forced password changes are required every 90 days. Complex password rules are in place. (A minimum of eight characters are required. Passwords must contain three of four categories of characters: uppercase, lowercase, numeric value or symbol. No part of the user's name exceeding two characters is allowed to be part of the password. Passwords in history cannot be re-used. Twenty-five passwords retained in history.) Data access is limited by role. Only members of the SamCERA team have access to SamCERA data. This is controlled by two levels of security. Active Directory group permissions are used to control allowed access to applications. Then role-based permissions are used inside the applications themselves to allow very granular access control.
- **Firewalls, intrusion prevention, and detection, etc.** The database is housed behind an intrusion prevention system. It is updated within a day of newly published threat patterns-being identified. Milliman actively blocks tens of thousands of known malicious IP addresses. Intrusion detection monitoring and alerting is provided 24 hours a day. Operating Systems and application security patches are installed within a few days of release and pushed out from a central server to machines automatically. Anti-malware software provides anti-virus and anti-SPAM blocking before mail is routed to Milliman. All PCs and Servers run Anti-virus/Anti-Spyware/Malware software. Every file is scanned upon opening. A central server checks for pattern updates multiple times per day and pushes updates out to all machines.
- **Vulnerability scans, penetration testing, audits.** Periodic vulnerability scanning is performed monthly to find and mitigate risks. Penetration testing is performed annually by an external auditing firm. In addition, Milliman has an Information Security Policy which is reviewed internally on a periodic basis and annually by a third party to ensure it is up to date and continues to cover the appropriate scope, and to identify any existing gaps between the security policy and industry practices.

All security incidents are promptly reported to management, including the chief legal officer and information security officer.

In addition, Milliman has an Information Security Policy which is reviewed internally on a periodic basis and annually by a third party to ensure it is up to date and continues to cover the appropriate scope, and to identify any existing gaps between the security policy and industry practices. We have an annual independent assessment made of our cyber security processes including annual security penetration testing performed by a third-party.

Milliman's cyber security breach policy requires us to notify clients within 48 hours of a confirmed breach. In the event of a cyber security incident, Milliman follows the laws applicable in each state where affected participants reside to notify clients and participants of security breaches. Milliman has a documented Cyber Security Incident Response Plan and a Cyber Security Incident Response Team. Cyber security monitoring and incident response includes the following:

- **Preparation & Prevention** – includes maintaining a cyber security response team, maintaining firewalls, maintaining access control security, maintaining monitoring systems and alerts
- **Identification/Detection** – includes user reports, monitoring ingress and egress sensors, event correlation, categorization of incidents by severity (triage) which determines incident response

- Containment – includes possibly isolating hosts depending on the nature of activity associated with a given incident
- Investigation – includes analyzing logs, documenting findings, transferring evidence as needed to law enforcement
- Eradication – includes the use of cleaning utilities, manual reconfigurations, vendor or other approved patches, updated service packs, updated device images
- Post-Incident Recovery – includes verifying that the threat and enabling environment are clear, performing vulnerability scanning and device hardening as applicable, restoring data
- Follow-up – includes conducting effectiveness reviews during each incident response to identify any inadequacies within the process

We have not experienced any cyber security incidents in the past 18 months.

With regards to updates to our cyber security procedures, every year by means of internal assessments and external audits our controls are assessed and tested for accuracy, relevancy, and compliance. Any gaps that are identified are corrected by implementation of new controls, modified controls, or engagement of a new project or technology to address any identified gaps.

There has not been any release of SamCERA Confidential Information requiring notification to SamCERA.

10) Please describe any changes to Milliman’s business continuity plan.

There have been no substantive changes to Milliman’s business continuity plan that we reported to SamCERA last year.

Actuarial Process

11) Provide a description, in detail, of your actuarial process used when providing services to SamCERA and highlight any changes to the process.

The following summarizes our standard valuation procedures:

1. Data Checking and Preliminary Processing
SamCERA supplies us with information for each active, vested, and retired member, along with certain financial items. The data is checked for reasonableness and any data questions and issues are submitted to SamCERA staff for verification.
2. Choosing Assumptions
Actuarial valuations are necessarily based on assumptions as to future rates of retirement, disablement and death among active members, rates of mortality after retirement, rates of investment income, rates of salary increase, and rates of increase in the Consumer Price Index, where applicable. In valuing SamCERA’s benefits, we use the assumptions adopted by the Board, based on the most recent experience investigation.
3. Valuation Calculations
Each valuation determines the actuarial present value of all future benefits payable from SamCERA. These benefits are those provided to members under current law. We determine the actuarial present value of future benefit payments using our valuation program. The program can calculate costs under the entry age normal cost method,

which is specified in the County Employees Retirement Law (CERL). Liability calculations are checked for accuracy and reasonableness on both an individual and aggregate basis.

We then calculate each valuation group's unfunded actuarial accrued liability (UAAL) as the value of the benefits in excess of the sum of the future normal cost contributions and the current value of assets. Finally, we determine the contribution rate needed for each group to satisfy the amortization period requirements.

4. Funding Valuation Report

Our report includes our conclusions regarding the financial condition SamCERA, the unfunded actuarial accrued liability, recommendations as to future contribution rates, discussion of the calculations, descriptions of the benefit provisions of the applicable laws and summaries of assumptions and data. Our report typically shows a breakdown of liabilities by source of decrement for active members, as well as subtotals for inactive members. We are open to discuss with SamCERA staff and the Board regarding possible changes in the reporting format for their particular needs. We reflect each system's own characteristics in our report.

Our goal is to provide enough information for the Board to make reasonable financial decisions without becoming too complex to undermine the basic intent of disclosing the valuation results. However, we are always open to suggestions for improving the communications of our valuation work if a modified approach is preferred.

5. GASB Report

We develop the information required to be disclosed by Statement Nos. 67 and 68 of the Governmental Accounting Standards Board (GASB). We provide this information both for the system and the participation employers.

12) **Provide a description, in detail, of the peer review procedures you used when providing services to SamCERA and include whether and the extent it involves other actuarial firms, highlight any changes to that process.**

Our internal peer review processes provide assurances that the highest quality standards are being maintained at all times. Each valuation, study, or projections will be reviewed by at least two consultants. The first level of review will occur within the SamCERA team. Two of the three consultants on the project team will review each step of the project. The final internal SamCERA team review will be performed by Nick Collier and Craig Glyde. Additionally, another Milliman public sector consultant who did not work on the project will review the work prior to its final release. This provides the project with an independent set of eyes. This review will not only verify the calculations, but will evaluate whether or not the assumptions, methods, and results are reasonable, that all appropriate issues are considered, and review the communication of the results to verify they are understandable to the intended audience.

Outlook

13) **What current issues are your clients concerned with regarding products, services, education and governance?**

The following are some of issues concerning our public sector clients right now.

- Liability Disclosures – Recent updates to Actuarial Standard of Practice #4 were effective for the June 30, 2023 funding valuation and included a requirement to disclose a market-related liability based on a currently very low discount rate. Consequently, the Low-Default-Risk Obligation Measure referenced in the updated standard and disclosed in SamCERA's

2023 funding valuation was a much higher number than the Actuarial Accrued Liability. Essentially all public retirement systems are going through this process. As we have communicated to SamCERA, this is only a disclosure requirement and does not have a direct impact on system funding.

14) Describe your assessment of the relationship between your firm and SamCERA. How can SamCERA better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?

We believe we have a strong relationship with SamCERA. As with all relationships, communication is the key factor. We have attempted to reply promptly and effectively to all inquiries. We have attempted to alert SamCERA of any relevant issues as they become apparent to us or are reported to us. Similarly, SamCERA staff has kept us up to date on issues that affect our work. We have felt very positive about being supported by SamCERA and we hope the relationship will continue to grow.

Due primarily to SamCERA's commitment to improve the consistency and quality of data included in the census data extract files, from our perspective the actuarial data process is working relatively smoothly with SamCERA's pension administration system. Continual focus on these issues will help us to continue to provide quality service.

Probably the most significant way we can continue to assist SamCERA is in the understanding of the volatility of future investment returns and the impact on future contribution rates, as well as options to address this. We are interested to see how the "dashboard" projection model we have provided SamCERA can provide an effective preview of future valuations and allow for SamCERA to proactively address situations.

Conclusion

15) What actuarial related changes should SamCERA consider?

We do not believe there are any actuarially related changes that need to be made right now. We like SamCERA's current position after the changes recently adopted as part of the triennial process. In particular, we are looking forward to seeing if these changes can result in more stable employer contribution rates and progress toward 100% funding. As we have discussed, the future impact of the credits associated with the County Supplemental Contribution Account dropping off when they become fully amortized and any projected contribution rate volatility should be monitored, but no action should be needed for a few years.

16) Relative to your expertise, what trends are occurring in the retirement industry that SamCERA should be tracking?

We believe the key trends are as follows:

- Investment Return Assumption – Always a hot topic in the public sector, systems have in general paused in adopting lower return assumptions in 2023. Driven by a significant recent increase in interest rates, long-term expected returns are now greater than the investment return assumption for many systems. This could result in some systems raising their return assumption or moving to a more conservative investment asset allocation, although we have not seen much movement at this point.

- **CPI and Wage Growth Assumptions** – Given current high levels of inflation, interest rates and bond yields, systems may look to increase their price inflation and related assumptions, similar to what SamCERA did in 2023. For CERL systems, the impact on the COLA will need to be closely monitored.
- **Alternative Plan Formulas** – There has been an increase in the use of alternative plan formulas for corporate and Taft-Hartley (union) pension plans. In particular, variable annuity pension plans (VAPPs) have become more common, where the defined benefit amount can increase or decrease based on investment returns to maintain full funding. Milliman’s Sustainable Income Plan is a VAPP with a number of customizable features, including the ability to provide benefits that can increase, but do not decrease. Although we are not aware of any traditional VAPPs in the public sector, there are some states (notably Wisconsin and Minnesota) that allow for adjustments in benefit amounts based on investment returns. Given the requirements of PEPPRA and other applicable law, there would be significant constraints to trying to implement this type of plan in California.
- **Plan Maturity** – Plans are continuing to become more mature. For example, beginning with the 2020 valuation the number of SamCERA retirees exceeds the number of active members. This is not necessarily a problem, but it may increase volatility of contribution rates for SamCERA (and the majority of public sector retirement systems). To address this, we will continue to provide SamCERA with sensitivity analysis showing the impact of various future investment returns on contribution rates. We will also work with Verus when they do their asset allocation study to reflect this impact, as well as look at how to address negative cash flow (benefit payments exceeding contributions), which is likely to occur next year.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 6.1

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ended September 30, 2023

Recommendation

Accept the preliminary performance report dated September 30, 2023.

Background

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. The quarterly performance metrics are not yet available for our private equity, private credit, private real asset, and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by Verus.

The fund's net preliminary return for September was -1.9%, bringing the preliminary trailing twelve-month net return ending September 2023 to 8.1%, which is below our benchmark return of 10.6% but above our assumed earnings rate of 6.25%.

SamCERA's estimated market value as of September was \$5.94 billion, while the actuarial funded ratio as of June 30, 2023 was 88.3%.

Discussion

Most assets generally were lower in September as investor sentiment waned amid higher interest rates and a realization that the 'higher for longer' interest rate scenario seems to be the predominant theme going forward.

The U.S. equity market (as measured by the S&P 500 Index) was down 4.8%, while small-capitalization stocks were down 5.9%. Developed international equity (as measured by MSCI EAFE) was down 3.4% while emerging markets were down 2.6%.

U.S. economic activity was somewhat stronger in September. Manufacturing strengthened but it continues to be in contraction territory. The labor market continued to show resilience by adding 336,000 jobs in September, which was higher than 187,000 gain in August. The headline unemployment rate stayed flat at 3.8%. Inflation (as measured by the Consumer Price Index - All Urban Consumers) increased 3.7% for the 12-months ending September.

The general U.S. fixed income market was down 2.5% in September as interest rates rose. The 10-year U.S. Treasury yield was higher by 46 basis points during the month and ended at 4.57% by month-end. High Yield returns were down 1.2% and the Bloomberg Commodity Index was down 0.7%.

Attachments

Verus Capital Market Update

Northern Trust Monthly Preliminary Performance Report

A decorative geometric pattern of overlapping triangles in shades of blue and green is overlaid on the left side of the image. A large white triangle is positioned to the left of the main title text.

**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

SEPTEMBER 2023
Capital Markets Update

Market commentary

U.S. ECONOMICS

- Nonfarm payrolls surprised to the upside by almost double the consensus estimate of 170,000. The unexpected increase of 336,000 is yet another sign of a resilient U.S. economy. Gains in the leisure and hospitality segment (+96,000) and government (+73,000) led the print while most other segments saw more modest increases.
- The ISM Manufacturing PMI Index rose to 49 from the August reading of 47.6. While all other sub-indexes remain below 50, the Production and the Employment sub-indexes measured 52.5 and 51.2, respectively. Per ISM, this signals a more positive economic outlook for the manufacturing sector.
- The housing market is showing signs of weakness, with new and existing home sales falling 8.7% and 0.7% month-over-month, respectively. This comes as the median sales price increased 3.9% year-over-year, and 30-year mortgage rates ticked up to 7.31%. Home-building is also slowing down, with housing starts declining -11.3% over the same period.

U.S. EQUITIES

- Another difficult month for U.S equities brought the S&P 500 down -4.8%, a total of -3.3% for the quarter. Optimism fell as another potential government shutdown loomed and investors faced a *higher for longer* interest rate environment.
- One of the few bright spots during the month was the Energy sector. Sector performance was influenced by increases in the price of oil and natural gas driven in part by higher demand, limited refining capacity, and production cuts. U.S. rig count alone is down nearly 20% over the 1-year period. The sustained rally in oil and natural gas contributed to the sector posting +2.6% on the month, bringing performance to +12.2% for the quarter.

U.S. FIXED INCOME

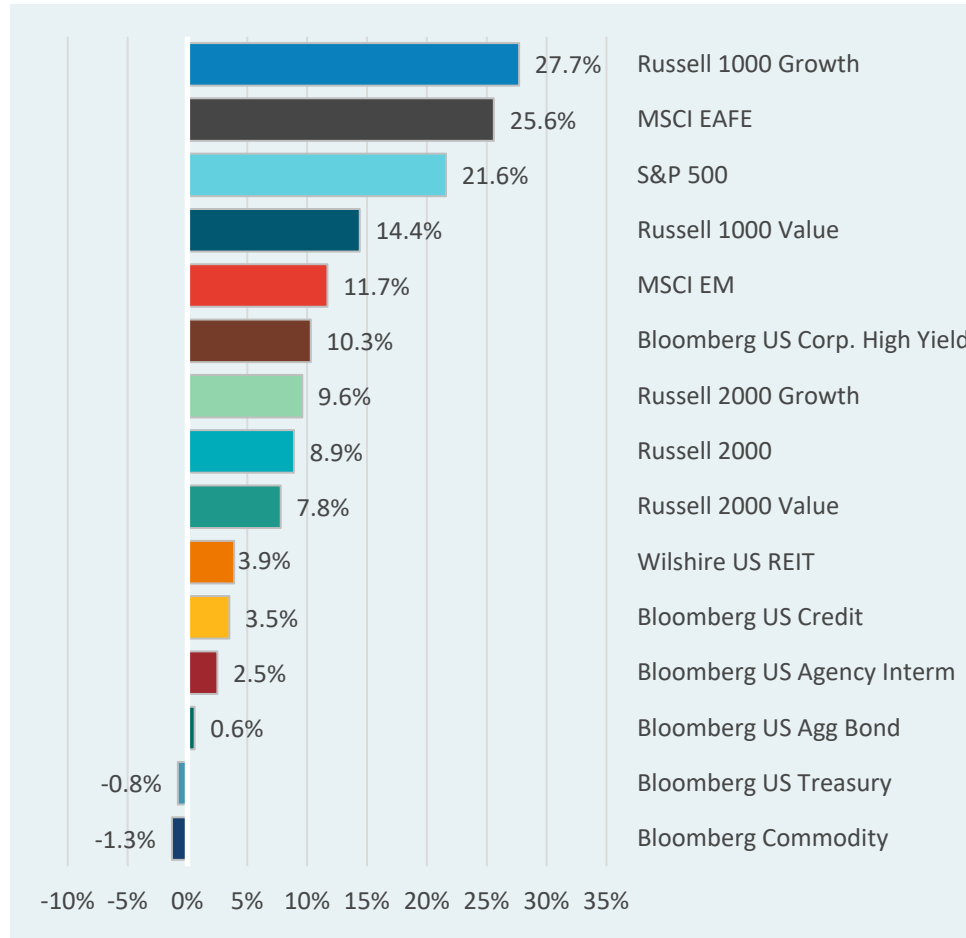
- Federal Reserve officials voted to maintain a target range of 5.25% to 5.50% - in line with expectations. Investors interpreted Chairman Powell's commentary as hawkish, and markets mostly fell on the news after Powell stated that policymakers forecast one more hike in 2023. The *higher for longer* scenario seems to now be the predominant theme, with expectations for a first interest rate cut being pushed out to late 2024.
- Driven in part by the *higher for longer* sentiment, U.S. Treasury yields moved broadly higher, with the largest moves seen in 30-year yields (+53 bps). The latest rate peak brought the 10-year to its highest (4.59%) since October 2007, and the 30-year (4.73%) to its highest since February 2011.
- Rising yields remained a headwind for the bond market. The Bloomberg U.S. Aggregate Bond Index, which broadly measures the U.S. investment grade bond market, fell -2.5%.

INTERNATIONAL MARKETS

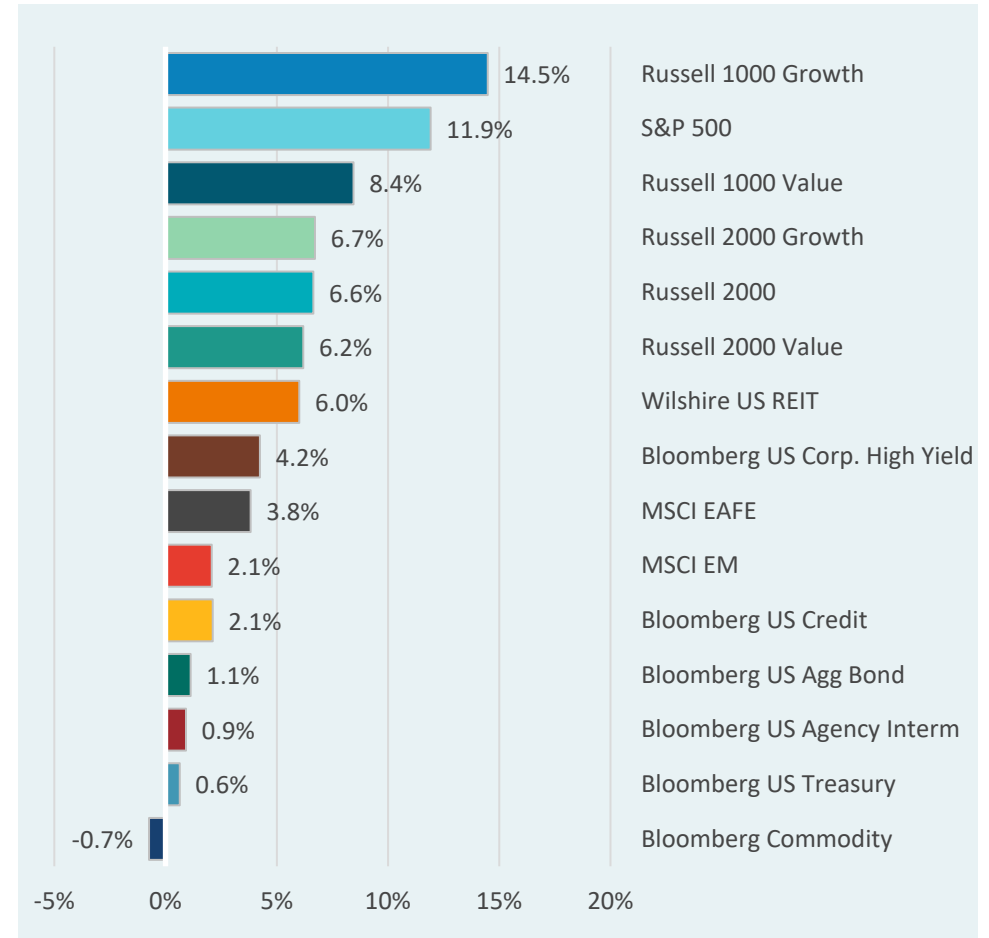
- The MSCI China Index fell -2.7% and erased the last of its July gains to finish the quarter -1.8%. A struggling property sector, which once made up a quarter of the Chinese economy, continues to have rippling effects. Per the China Beige Book survey, retail spending fell, particularly in food and luxuries. Corporate borrowing also slowed while loan rejections and average loan rates spiked.
- The Bank of Japan maintained its loose fiscal policy and left rates unchanged at -0.1%. This stance remains an outlier among central banks and has likely been a source of pressure for the yen, which fell another -2.4% against the dollar. Many investors maintain hope that the BOJ could have enough data to justify an end to its negative rate policy by mid-2024.

Major asset class returns

ONE YEAR ENDING SEPTEMBER



TEN YEARS ENDING SEPTEMBER



*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

Source: Morningstar, as of 9/30/23

Source: Morningstar, as of 9/30/23

U.S. large cap equities

- The S&P 500 Index (-4.8%) continued its slide with the worst month of the year, bringing the year-to-date return to 13.1%. An upside surprise inflation print in August, hawkish Fed comments, and persistent consumer spending have solidified expectations of higher interest rates for longer.
- 10 out of 11 S&P 500 sectors declined in September, though Energy (+2.6%) continued to rally on higher fuel prices. Rate-sensitive sectors were hit the hardest, with Real Estate (-7.2%), Technology (-6.9%), and Consumer Discretionary (-6.0%) showing the worst performance.
- The 1-Year Forward P/E ratio is down to 18, from 19.4 in the previous quarter. Per FactSet, earnings are expected to decrease -0.3% in Q3 2023, which would be the fourth consecutive quarter of earnings declines.
- U.S. equity implied volatility was higher, increasing +3.9 points to end the month at 17.5, with the VIX peaking at 19 on September 26th. The increase in volatility followed a sharp jump in bond yields, comments from the Federal Reserve, and a potential government shutdown.

S&P 500 PRICE INDEX



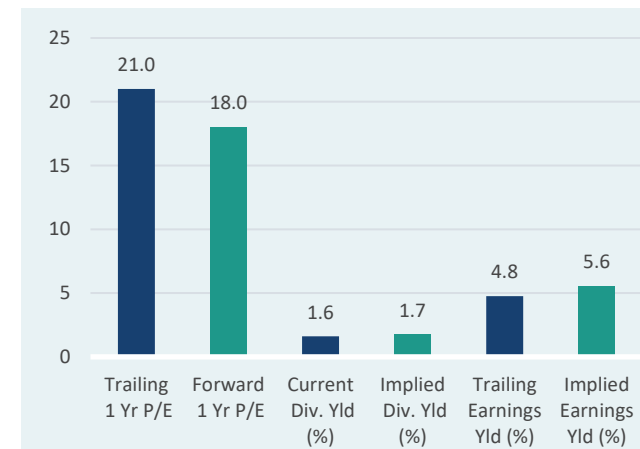
Source: Bloomberg, as of 9/30/23

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as 9/30/23

S&P 500 VALUATION SNAPSHOT

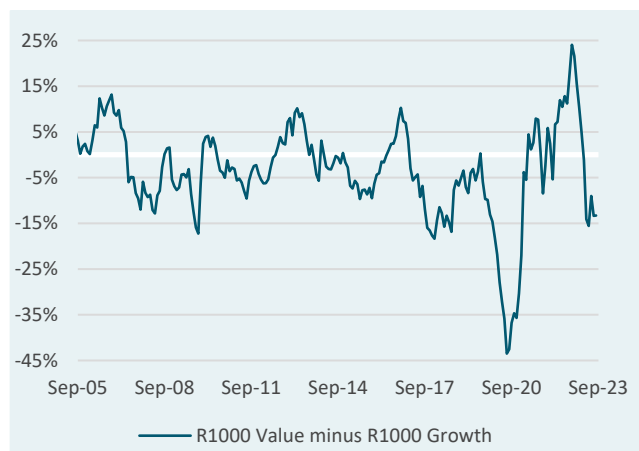


Source: Bloomberg, as of 9/30/23

Domestic equity size and style

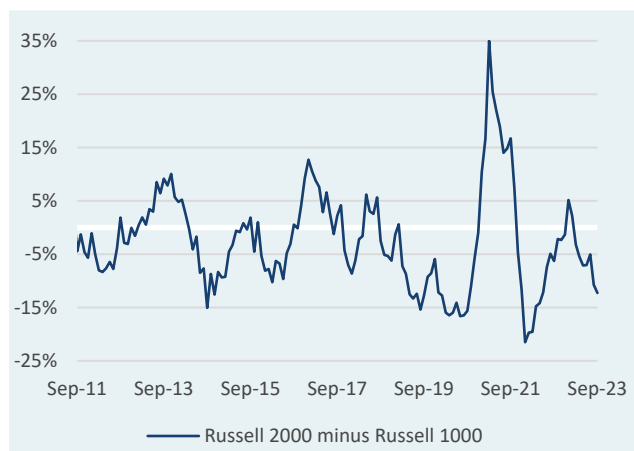
- September saw a trend reversal in which Value (Russell 1000 Value -3.9%) outperformed Growth (Russell 1000 Growth -5.4%). *Higher for longer* rate expectations likely led to a move away from growth-focused assets that are more sensitive to interest rates.
- Large-cap equities (Russell 1000 -4.7%) continued to outperform small-cap (Russell 2000 -5.9%) during the month, widening the performance gap on a year-to-date basis (+13% vs. +2.5%). This difference was most pronounced in Health Care, where small-cap declined -9%, while large-cap Health Care fell just -3.5%.
- Despite this month’s pullback from the growth stock rally seen so far this year, the Russell 1000 Growth is trading at 24.4x forward earnings, a 12% premium over the 10-year average. Value stocks are showing the opposite trend, with the Russell 1000 Value trading at 13.7x forward earnings, a -13.2% discount to the 10-year average.
- While large-cap growth underperformed in September, the outsized impact of the mega-cap tech stocks has driven large-cap growth to dominate style investing. Year-to-date, large-cap growth has outperformed large-cap value by 13.3%.

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 9/30/23

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 9/30/23

1-YEAR SIZE & STYLE PERFORMANCE

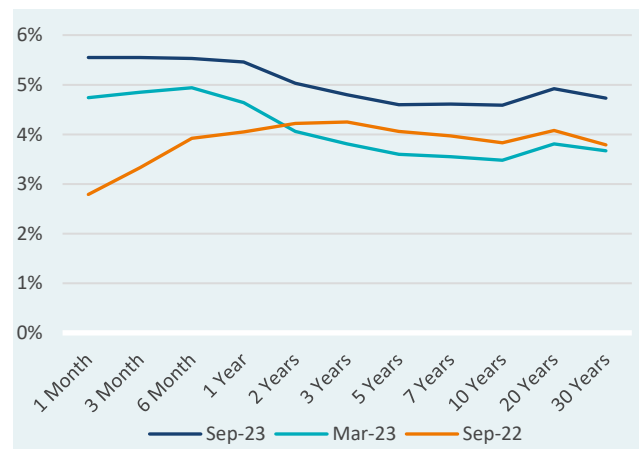
	Value	Core	Growth
Large Cap	14.4%	21.2%	27.7%
Mid Cap	11.0%	13.4%	17.5%
Small Cap	7.8%	8.9%	9.6%

Source: FTSE, Bloomberg, as of 9/30/23

Fixed income

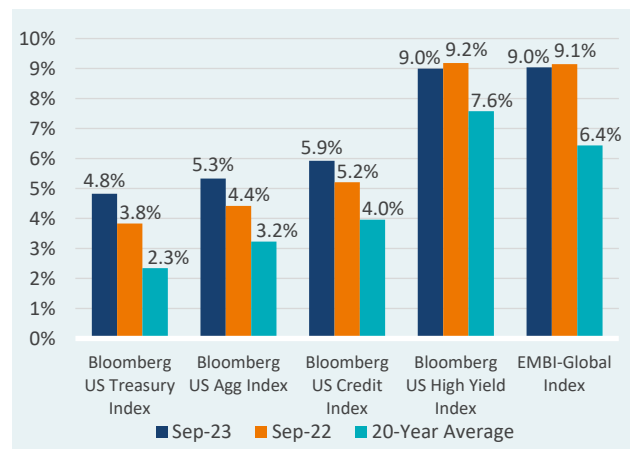
- The recent rise in yields combined with decelerating inflation has brought real 10- and 30-year Treasury yields to the highest levels in over a decade. Real yields for 10- and 30-year Treasuries finished the month at 2.24% and 2.33%, respectively. By comparison, in March of 2022, both of these rates were in the negative.
- Bank Loans (CS Leveraged Loan Index +0.9%) continued a run of strong performance, as spreads decreased -6bps to 514bps, and the annual default rate decreased -0.28% to 1.27%. High Yield (Bloomberg U.S. High Yield -1.2%) declined for the first time in 4 months, following a +18bps increase in spread to 403bps.
- Long Treasuries (-7.3%) were the worst performing index, following the +53bps increase in 30-year Treasury Yields to 4.7%. However, the 10yr/2yr yield curve inversion benefitted from these moves and flattened from -76bps on August 31st to -44bps at month end – a level not seen since May of this year.
- The U.S. dollar has continued its rally that began in mid-July when it briefly broke below 100. Since then, the DXY Index is up +5.9%, ending the month at 106.17. Dollar strength has likely been fueled by foreign inflows as international investors take advantage of higher U.S. yields.

U.S. TREASURY YIELD CURVE



Source: Bloomberg, as of 9/30/23

NOMINAL YIELDS



Source: Morningstar, as of 9/30/23

U.S. TREASURY IMPLIED VOL (“MOVE” INDEX)

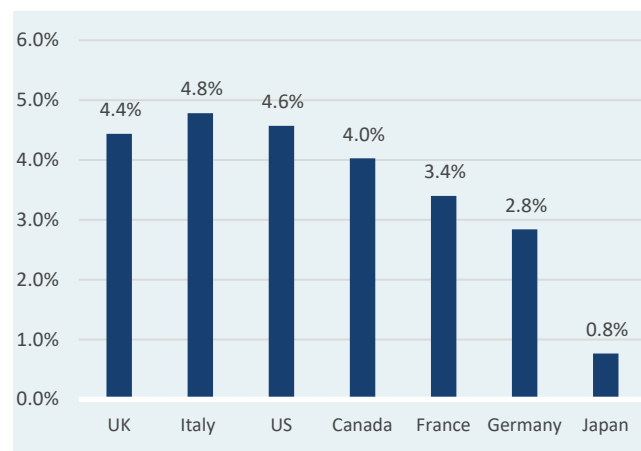


Source: Bloomberg, as of 9/30/23

Global markets

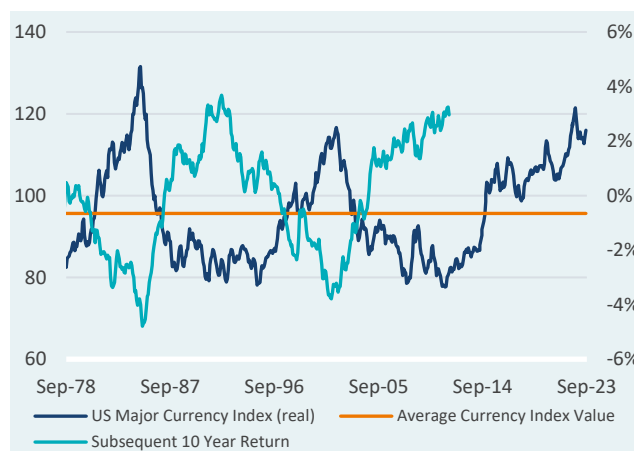
- International equities fared better than U.S. equities but still finished in the red. Buoyed by relative outperformance from Japan, the UK and China – which combined make up about 33% of the index – the MSCI ACWI ex-US declined -3.2%.
- International developed growth and value performance diverged sharply over the month. The MSCI EAFE Value Index fell -0.8% compared to MSCI EAFE Growth Index performance of -6.0%. Outperformance might be partially attributed to recent gains in the Energy sector, which makes up 9% of the value index, compared to a 0.3% weight to Energy in the growth index.
- The MSCI Euro Index (-5.4%) was hindered by an increased likelihood of German recession, which is reeling from high energy prices and increased Chinese competition in the manufacturing sector. France, which is a key trading partner, has cut growth forecasts and set expectations of increased unemployment for the next two years.
- The U.K. (+0.8%) was the top performing regional index, benefitting from a surprise decrease in inflation. This led the Bank of England to pause rate increases after 14 straight interest hikes, after markets were unsure of the direction the bank would take.

GLOBAL SOVEREIGN 10-YEAR YIELDS



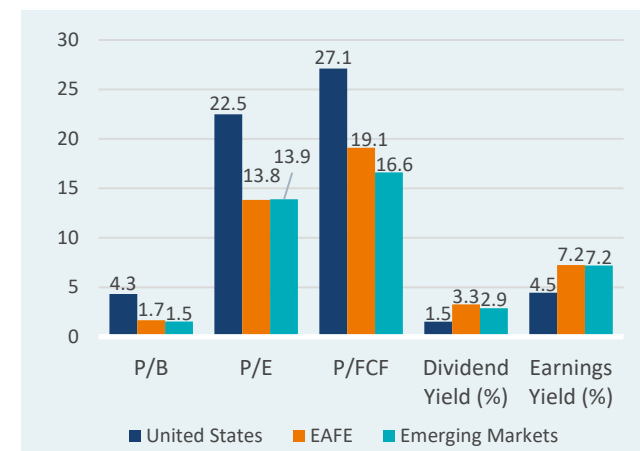
Source: Bloomberg, as of 9/30/23

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 9/30/23

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 9/30/23

Commodities

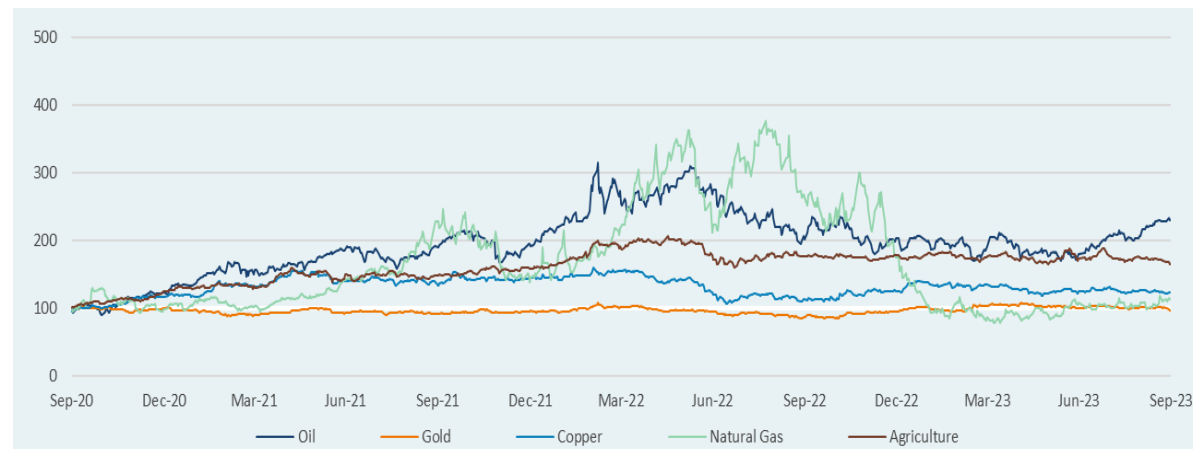
- The Bloomberg Commodity Index fell -0.7% on continued weakness in grains and precious metals, as well as mixed performance within industrial metals and softs. Energy posted another strong month of outperformance but was not enough to make up for losses in other areas.
- WTI Crude finished the month +8.6% and broke the \$90 per barrel mark for the first time this year. After peaking near \$94 per barrel, prices fell slightly to end the month at \$90.79. Saudi Arabia and Russia have restated their intent to maintain production cuts through year end, which could push crude prices higher.
- The Bloomberg Grains Sub-Index fell -5.2% following expectations of record soybean exports from Brazil. The USDA is forecasting larger than expected yields of corn, soybeans, and cotton in the U.S., after dry conditions looked to threaten this year's crop.
- The Bloomberg Precious Metals Sub-Index (-5.7%) was the worst performer, with Gold (-5.1%), and Silver (-8.3%) both falling on solidifying expectations of a *higher for longer* rate environment. Silver is now -6.6% year-to-date while gold remains in positive territory at +1.2% for the same period.

INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	(0.7)	4.7	(3.4)	(1.3)	16.2	6.1	(0.7)
Bloomberg Agriculture	(4.2)	(3.2)	(4.2)	(1.8)	19.4	10.7	(0.2)
Bloomberg Energy	4.4	19.6	(4.3)	(13.0)	26.6	(1.2)	(7.1)
Bloomberg Grains	(5.2)	(8.3)	(13.8)	(14.1)	14.5	7.9	(2.3)
Bloomberg Industrial Metals	1.6	3.5	(9.3)	5.6	9.7	5.6	2.1
Bloomberg Livestock	0.3	2.7	7.8	17.0	8.8	(1.8)	(2.3)
Bloomberg Petroleum	7.7	29.6	18.1	27.0	49.8	7.8	(2.2)
Bloomberg Precious Metals	(5.7)	(3.6)	(0.7)	12.5	(1.5)	7.9	1.7
Bloomberg Softs	0.4	6.3	18.9	15.6	23.6	12.3	0.0

Source: Morningstar, as of 9/30/23

COMMODITY PERFORMANCE



Source: Bloomberg, as of 9/30/23

Appendix

Periodic table of returns

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD	5-Year	10-Year
Large Cap Growth	56.3	26.0	34.5	32.6	39.8	5.2	79.0	29.1	14.3	18.6	43.3	13.5	13.3	31.7	37.3	6.7	36.4	38.5	28.3	16.1	25.0	12.4	14.5
Large Cap Equity	48.5	22.2	21.4	26.9	16.2	1.4	37.2	26.9	7.8	18.1	38.8	13.2	5.7	21.3	30.2	1.9	31.4	34.6	27.6	9.4	13.0	9.6	11.6
International Equity	47.3	20.7	20.1	23.5	15.8	-6.5	34.5	24.5	2.6	17.9	34.5	13.0	0.9	17.3	25.0	0.0	28.5	21.0	27.1	1.5	7.1	6.2	8.4
Small Cap Growth	46.0	18.3	14.0	22.2	11.8	-21.4	32.5	19.2	1.5	17.5	33.5	11.8	0.6	12.1	22.2	-1.5	26.5	20.0	26.5	-4.7	5.2	6.1	7.8
60/40 Global Portfolio	39.2	16.5	7.5	18.4	11.6	-25.9	28.4	16.8	0.4	16.4	33.1	6.0	0.0	11.8	21.7	-3.5	25.5	18.3	25.2	-7.5	5.1	5.9	6.7
Cash	30.0	14.5	7.1	16.6	10.9	-28.9	27.2	16.7	0.1	16.3	32.5	5.6	-0.4	11.3	17.1	-4.8	22.4	14.0	17.7	-13.0	3.6	3.5	6.6
Hedge Funds of Funds	29.9	14.3	6.3	15.5	10.3	-33.8	23.3	16.1	-2.1	15.3	23.3	4.9	-0.8	11.2	14.6	-6.0	22.0	10.3	14.8	-14.5	3.0	3.4	6.2
Small Cap Equity	29.7	12.9	5.3	15.1	7.0	-35.6	20.6	15.5	-2.9	14.6	12.1	4.2	-1.4	8.0	13.7	-8.3	18.6	7.8	11.3	-14.5	2.5	3.2	4.5
Emerging Markets Equity	25.2	11.4	4.7	13.3	7.0	-36.8	19.7	13.1	-4.2	11.5	11.0	3.4	-2.5	7.1	7.8	-9.3	18.4	7.5	8.9	-17.3	1.8	2.6	3.8
Large Cap Value	23.9	9.1	4.6	10.4	5.8	-37.6	18.9	10.2	-5.5	10.5	9.0	2.8	-3.8	5.7	7.7	-11.0	8.7	4.6	6.5	-19.1	1.8	2.4	3.3
Small Cap Value	11.6	6.9	4.6	9.1	4.4	-38.4	11.5	8.2	-5.7	4.8	0.1	0.0	-4.4	2.6	7.0	-11.2	7.8	2.8	2.8	-20.1	-0.5	1.6	2.1
US Bonds	9.0	6.3	4.2	4.8	-0.2	-38.5	5.9	6.5	-11.7	4.2	-2.0	-1.8	-7.5	1.0	3.5	-12.9	7.7	0.5	0.0	-20.4	-1.2	1.6	1.1
Commodities	4.1	4.3	3.2	4.3	-1.6	-43.1	0.2	5.7	-13.3	0.1	-2.3	-4.5	-14.9	0.5	1.7	-13.8	6.4	0.5	-1.5	-26.4	-3.4	0.6	1.1
Real Estate	1.0	1.4	2.4	2.1	-9.8	-53.2	-16.9	0.1	-18.2	-1.1	-9.5	-17.0	-24.7	0.3	0.9	-14.6	2.1	-3.1	-2.5	-29.1	-3.8	0.1	-0.7

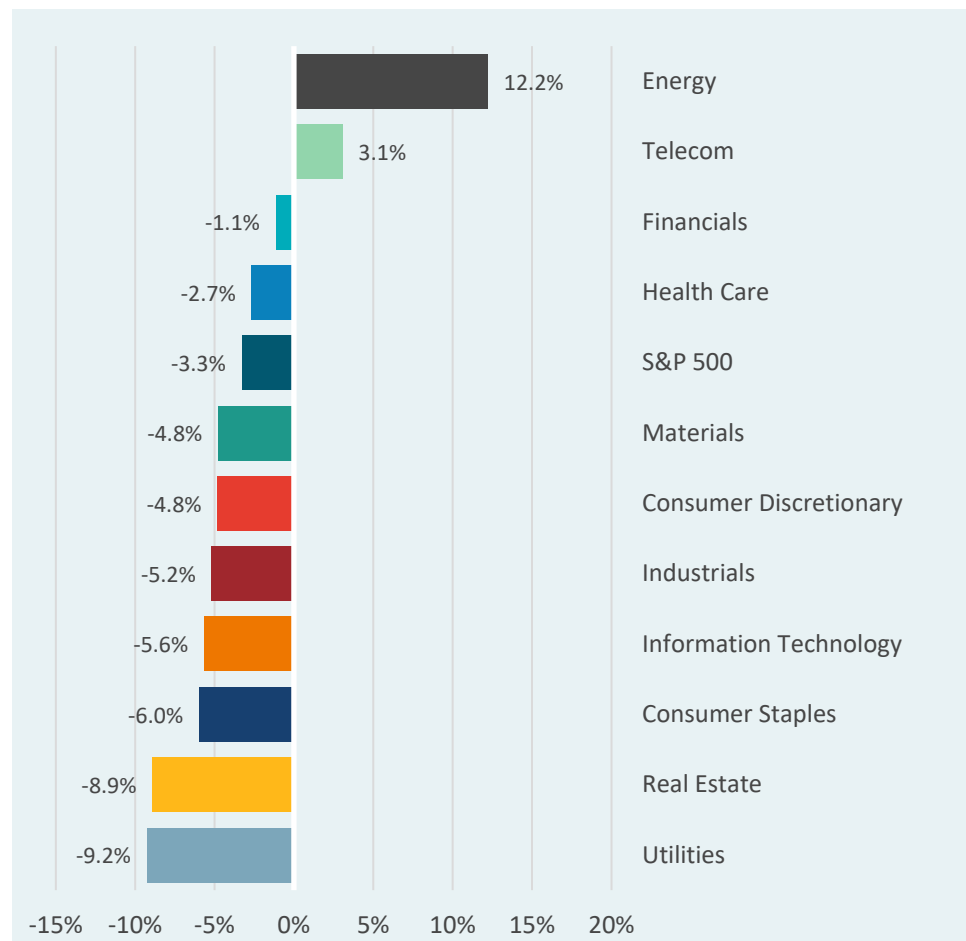
BEST
↑
↓
WORST

 Large Cap Equity	 Small Cap Growth	 Commodities
 Large Cap Value	 International Equity	 Real Estate
 Large Cap Growth	 Emerging Markets Equity	 Hedge Funds of Funds
 Small Cap Equity	 US Bonds	 60% MSCI ACWI/40% Bloomberg Global Bond
 Small Cap Value	 Cash	

Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 6/30/23.

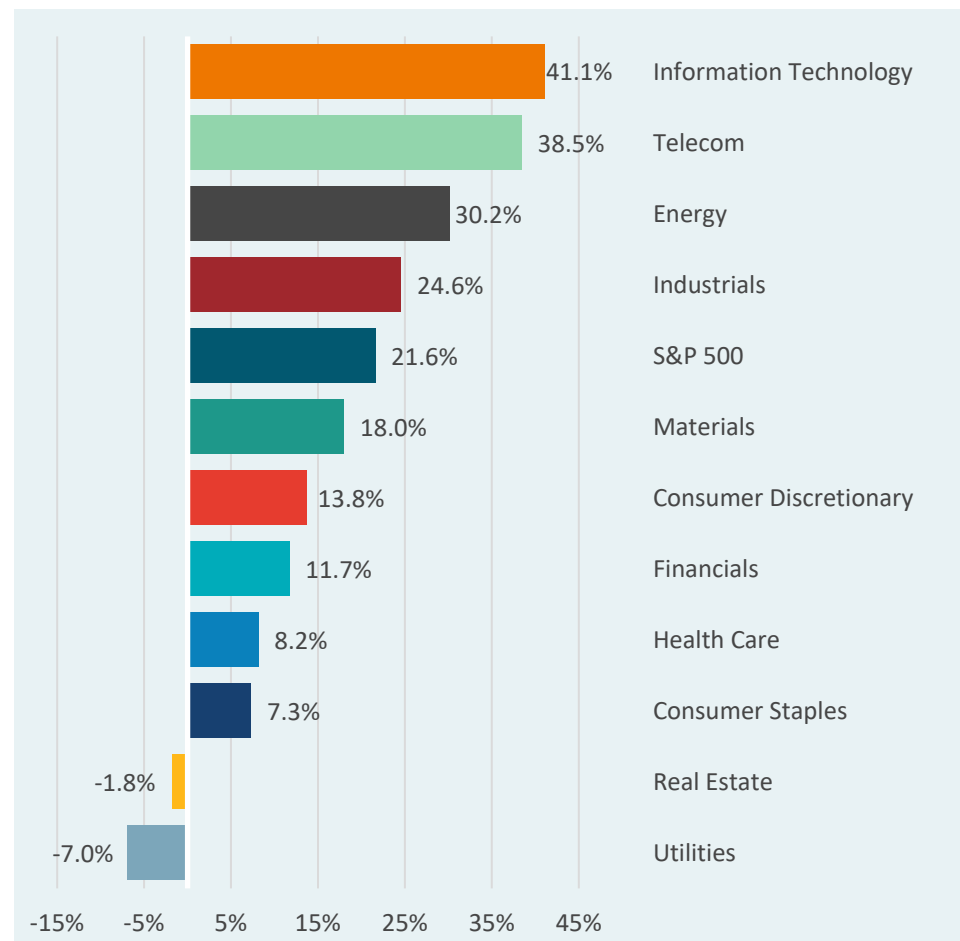
S&P 500 sector returns

QTD



Source: Morningstar, as of 9/30/23

ONE YEAR ENDING AUGUST



Source: Morningstar, as of 9/30/23

Detailed index returns

DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Core Index							
S&P 500	(4.8)	(3.3)	13.1	21.6	10.2	9.9	11.9
S&P 500 Equal Weighted	(5.1)	(4.9)	1.8	13.6	11.4	8.0	10.2
DJ Industrial Average	(3.4)	(2.1)	2.7	19.2	8.6	7.1	10.8
Russell Top 200	(4.6)	(2.7)	16.3	23.9	10.0	10.8	12.6
Russell 1000	(4.7)	(3.1)	13.0	21.2	9.5	9.6	11.6
Russell 2000	(5.9)	(5.1)	2.5	8.9	7.2	2.4	6.6
Russell 3000	(4.8)	(3.3)	12.4	20.5	9.4	9.1	11.3
Russell Mid Cap	(5.0)	(4.7)	3.9	13.4	8.1	6.4	9.0
Style Index							
Russell 1000 Growth	(5.4)	(3.1)	25.0	27.7	8.0	12.4	14.5
Russell 1000 Value	(3.9)	(3.2)	1.8	14.4	11.1	6.2	8.4
Russell 2000 Growth	(6.6)	(7.3)	5.2	9.6	1.1	1.6	6.7
Russell 2000 Value	(5.2)	(3.0)	(0.5)	7.8	13.3	2.6	6.2

INTERNATIONAL EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
MSCI ACWI	(4.1)	(3.4)	10.1	20.8	6.9	6.5	7.6
MSCI ACWI ex US	(3.2)	(3.8)	5.3	20.4	3.7	2.6	3.3
MSCI EAFE	(3.4)	(4.1)	7.1	25.6	5.8	3.2	3.8
MSCI EM	(2.6)	(2.9)	1.8	11.7	(1.7)	0.6	2.1
MSCI EAFE Small Cap	(4.4)	(3.5)	1.8	17.9	1.1	0.8	4.3
Style Index							
MSCI EAFE Growth	(6.0)	(8.6)	4.3	20.0	0.4	3.2	4.4
MSCI EAFE Value	(0.8)	0.6	9.9	31.5	11.1	2.8	3.0
Regional Index							
MSCI UK	(0.8)	(1.5)	6.8	24.9	12.1	2.9	2.5
MSCI Japan	(2.1)	(1.6)	11.2	25.9	2.8	2.1	4.4
MSCI Euro	(5.4)	(7.5)	10.9	36.4	7.3	3.7	3.8
MSCI EM Asia	(2.6)	(2.9)	1.0	11.9	(3.5)	1.0	3.8
MSCI EM Latin American	(2.3)	(4.7)	12.9	19.4	15.1	2.8	0.2

FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Broad Index							
Bloomberg US TIPS	(1.8)	(2.6)	(0.8)	1.2	(2.0)	2.1	1.7
Bloomberg US Treasury Bills	0.4	1.3	3.6	4.6	1.7	1.7	1.1
Bloomberg US Agg Bond	(2.5)	(3.2)	(1.2)	0.6	(5.2)	0.1	1.1
Bloomberg US Universal	(2.4)	(2.9)	(0.6)	1.6	(4.7)	0.3	1.4
Duration							
Bloomberg US Treasury 1-3 Yr	(0.0)	0.7	1.7	2.4	(0.9)	1.0	0.8
Bloomberg US Treasury Long	(7.3)	(11.8)	(8.6)	(9.1)	(15.7)	(2.8)	0.8
Bloomberg US Treasury	(2.2)	(3.1)	(1.5)	(0.8)	(5.8)	(0.1)	0.6
Issuer							
Bloomberg US MBS	(3.2)	(4.1)	(2.3)	(0.2)	(5.1)	(0.8)	0.6
Bloomberg US Corp. High Yield	(1.2)	0.5	5.9	10.3	1.8	3.0	4.2
Bloomberg US Agency Interim	(0.3)	0.2	1.6	2.5	(2.0)	0.7	0.9
Bloomberg US Credit	(2.6)	(3.0)	0.0	3.5	(4.8)	0.9	2.1

OTHER

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Index							
Bloomberg Commodity	(0.7)	4.7	(3.4)	(1.3)	16.2	6.1	(0.7)
Wilshire US REIT	(6.5)	(6.4)	(0.2)	3.9	5.7	2.9	6.0
CS Leveraged Loans	0.9	3.4	9.9	12.5	5.9	4.3	4.3
S&P Global Infrastructure	(4.7)	(7.3)	(3.7)	6.9	7.3	4.1	5.1
Alerian MLP	2.4	9.4	20.2	32.7	43.5	6.4	1.7
Regional Index							
JPM EMBI Global Div	(2.6)	(2.2)	1.8	10.0	(4.6)	(0.4)	2.5
JPM GBI-EM Global Div	(3.4)	(3.3)	4.3	13.1	(2.7)	(0.0)	(0.8)
Hedge Funds							
HFRI Composite	(0.2)	0.8	4.3	6.7	6.9	5.0	4.6
HFRI FOF Composite	(0.2)	0.7	3.0	4.8	3.8	3.4	3.3
Currency (Spot)							
Euro	(2.5)	(3.0)	(0.8)	8.1	(3.4)	(1.8)	(2.4)
Pound Sterling	(3.7)	(4.0)	1.5	9.3	(1.9)	(1.3)	(2.8)
Yen	(2.4)	(3.1)	(11.6)	(3.0)	(10.9)	(5.3)	(4.1)

Source: Morningstar, HFRI, as of 9/30/23.

Detailed private market returns

Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	(6.4)	22.9	16.0	13.9
<i>MSCI World Index (PME)</i>	(6.7)	17.5	8.3	9.2
Global Private Equity Direct Funds ¹	(5.6)	23.6	17.1	15.9
<i>MSCI World Index (PME)</i>	(6.1)	15.6	8.0	9.0
U.S. Private Equity Direct Funds ¹	(6.1)	25.9	19.2	17.3
<i>Russell 3000 Index (PME)</i>	(7.7)	17.9	10.4	12.0
Europe Private Equity Direct Funds ¹	(2.4)	22.7	15.7	14.7
<i>MSCI Europe Index (PME)</i>	2.7	13.8	5.0	5.9
Asia Private Equity Direct Funds ^{1,4}	(4.2)	14.1	10.1	12.7
<i>MSCI AC Asia Pacific Index (PME)</i>	(7.3)	7.4	1.2	4.0

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt ^{2,4}	4.9	20.0	12.6	11.5
<i>Morningstar LSTA U.S. Leveraged Loan 100 Index (PME)</i>	2.6	6.2	3.5	3.5

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	(0.7)	14.6	10.3	12.4
<i>FTSE NAREIT Equity REIT Index (PME)</i>	(18.4)	13.6	6.9	6.8

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ^{3,4}	8.5	21.6	4.9	3.5
<i>S&P Global Natural Resources Index (PME)</i>	(7.0)	28.9	7.1	5.7
Global Infrastructure ⁴	6.7	13.4	10.3	11.1
<i>S&P Global Infrastructure Index (PME)</i>	(2.8)	14.6	6.0	6.3

Source: Pooled IRRs are from Thompson Reuters C|A and Time-weighted Returns are from Investment Metrics, as of March 31st, 2023. All returns in U.S. dollars.

* Includes Buyout, Growth Equity and Venture Capital.

** Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

*** Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

Notices & disclosures

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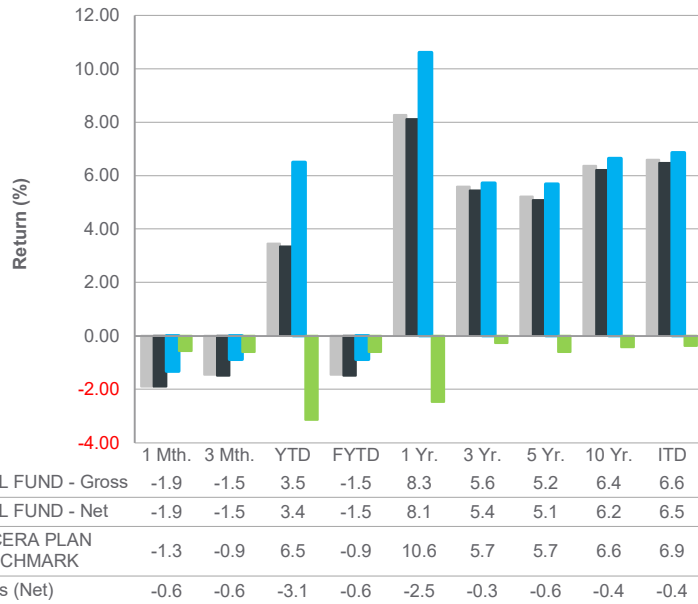
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San Mateo County Composite Return Summary

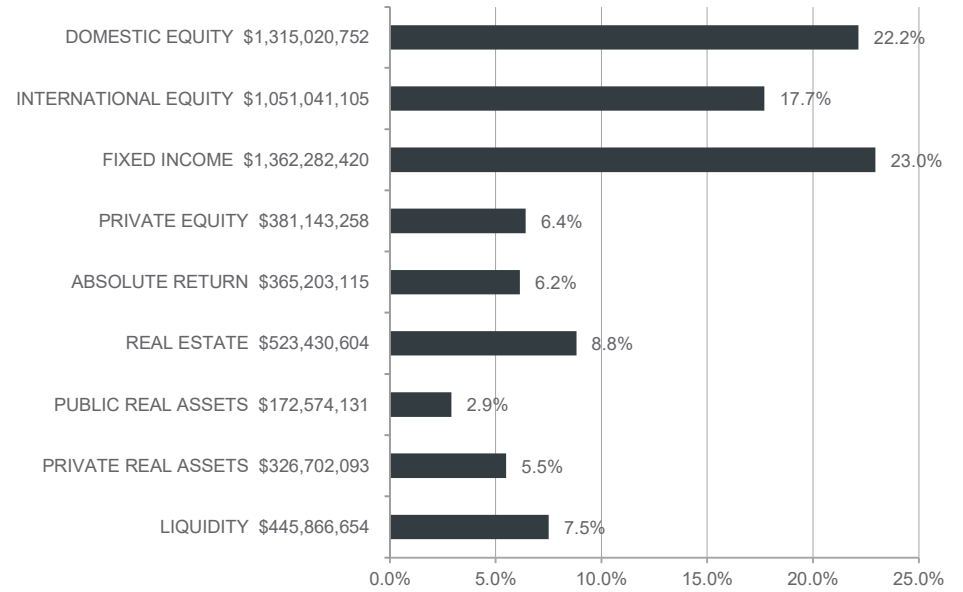
September 30, 2023



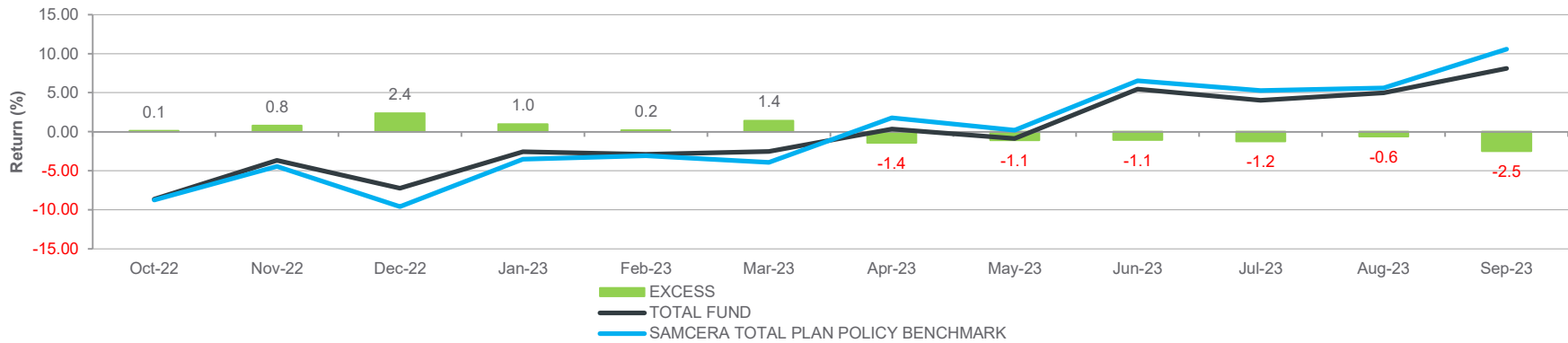
Total Fund Performance



Asset Allocation



Rolling Month End Annual Returns

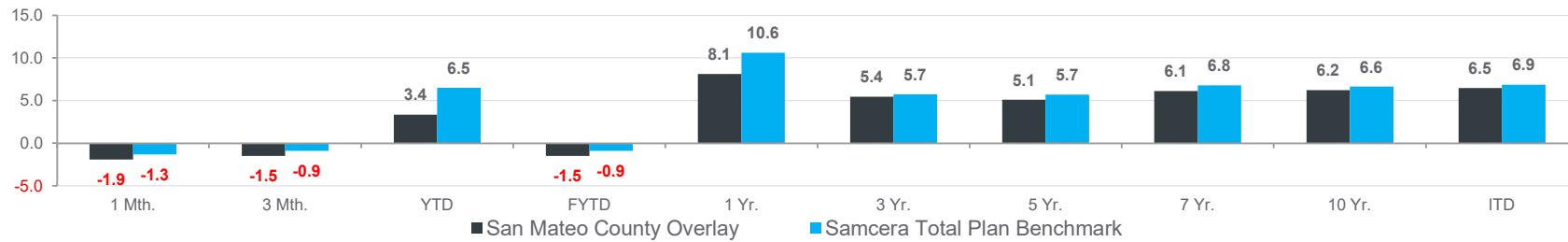


San Mateo County Composite Return Summary

September 30, 2023



Return Comparison



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
San Mateo County Overlay	5,935,795,397	-1.9	-1.5	3.4	-1.5	8.1	5.4	5.1	6.1	6.2	6.5
Samcera Total Plan Benchmark		-1.3	-0.9	6.5	-0.9	10.6	5.7	5.7	6.8	6.6	6.9
Excess		-0.6	-0.6	-3.1	-0.6	-2.5	-0.3	-0.6	-0.7	-0.4	-0.4
San Mateo Ex-Clifton Overlay	5,927,923,221	-1.9	-1.5	3.3	-1.5	7.7	5.4	5.0	6.0	6.1	6.4
Samcera Total Plan Benchmark		-1.3	-0.9	6.5	-0.9	10.6	5.7	5.7	6.8	6.6	6.9
Excess		-0.6	-0.6	-3.2	-0.6	-2.9	-0.3	-0.7	-0.8	-0.5	-0.5
Total Equity	2,366,061,857	-3.9	-3.6	7.3	-3.6	19.0	7.1	6.0	8.4	7.8	7.6
Samcera Total Equity Benchmark		-3.6	-2.7	10.2	-2.7	20.2	8.1	7.0	9.4	8.9	8.3
Excess		-0.2	-0.9	-2.9	-0.9	-1.2	-1.0	-0.9	-1.0	-1.1	-0.7
Fixed Income	1,362,282,420	-2.0	-1.7	1.3	-1.7	2.9	-2.0	1.3	1.9	2.5	4.7
Samcera Fixed Income Benchmark		-2.1	-2.3	0.7	-2.3	3.6	-3.0	1.2	1.0	1.9	4.2
Excess		0.1	0.7	0.6	0.7	-0.7	1.0	0.1	0.9	0.6	0.5
Alternatives	746,346,373	1.2	2.7	4.4	2.7	0.8	11.3	10.8	9.8	8.4	1.0
Samcera Alternatives Benchmark		4.1	5.9	16.9	5.9	16.2	11.4	10.4	10.7	9.2	8.4
Excess		-2.9	-3.2	-12.5	-3.2	-15.4	-0.1	0.5	-0.9	-0.8	-7.4
Inflation Hedge	1,022,706,828	-0.2	-0.3	-3.1	-0.3	-0.0	9.2	4.1	4.6	--	5.4
SamCERA Inflation Hedge Index		0.8	-0.3	-0.2	-0.3	-2.8	10.4	6.5	6.6	--	--
Excess		-1.1	-0.0	-2.9	-0.0	2.8	-1.2	-2.4	-1.9	--	--
Liquidity	445,866,654	0.3	1.2	3.3	1.2	4.4	--	--	--	--	3.4
Liquidity Composite Benchmark		0.0	0.8	2.2	0.8	3.1	--	--	--	--	1.9
Excess		0.3	0.4	1.1	0.4	1.4	--	--	--	--	1.5



San Mateo County
Composite Return Summary
September 30, 2023



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Equity	2,366,061,857	-3.9	-3.6	7.3	-3.6	19.0	7.1	6.0	8.4	7.8	7.6
Samcera Total Equity Benchmark		-3.6	-2.7	10.2	-2.7	20.2	8.1	7.0	9.4	8.9	8.3
Excess		-0.2	-0.9	-2.9	-0.9	-1.2	-1.0	-0.9	-1.0	-1.1	-0.7
Domestic Equity	1,315,020,752	-4.5	-3.3	7.7	-3.3	17.5	9.7	8.0	11.0	10.4	8.8
Samcera Dom. Equity Benchmark		-4.8	-3.3	12.4	-3.3	20.5	9.4	9.1	11.6	11.1	9.3
Excess		0.2	-0.0	-4.7	-0.0	-3.0	0.4	-1.1	-0.7	-0.8	-0.5
Large Cap Equity	1,199,063,640	-4.5	-3.3	7.6	-3.3	17.3	9.2	8.3	11.3	11.0	9.5
Russell 1000		-4.7	-3.1	13.0	-3.1	21.2	9.5	9.6	12.0	11.6	9.9
Excess		0.2	-0.2	-5.4	-0.2	-3.9	-0.4	-1.3	-0.7	-0.6	-0.5
Blackrock Russell 1000	797,183,836	-4.7	-3.2	13.0	-3.2	21.2	9.7	9.8	--	--	11.8
Russell 1000		-4.7	-3.1	13.0	-3.1	21.2	9.5	9.6	--	--	11.7
Excess		-0.0	-0.0	0.0	-0.0	0.0	0.2	0.1	--	--	0.1
DE Shaw Commingled Fund	183,142,211	-3.7	-2.0	10.1	-2.0	17.4	9.5	8.0	11.2	--	10.4
Russell 1000		-4.7	-3.1	13.0	-3.1	21.2	9.5	9.6	12.0	--	10.6
Excess		1.0	1.2	-2.9	1.2	-3.8	-0.0	-1.6	-0.8	--	-0.1
Acadian US MGD V-SL	0	--	--	--	--	--	--	--	--	--	--
Russell 1000		--	--	--	--	--	--	--	--	--	--
Excess		--	--	--	--	--	--	--	--	--	--
Panagora Defuseq -SL	218,737,593	-4.2	-5.1	-3.8	-5.1	7.8	7.6	--	--	--	9.9
Russell 1000		-4.7	-3.1	13.0	-3.1	21.2	9.5	--	--	--	13.8
Excess		0.5	-2.0	-16.8	-2.0	-13.4	-1.9	--	--	--	-3.9
Small Cap Equity	113,614,502	-5.2	-2.1	7.8	-2.1	18.3	14.9	3.4	7.1	5.7	6.2
Russell 2000		-5.9	-5.1	2.5	-5.1	8.9	7.2	2.4	6.6	6.6	7.2
Excess		0.7	3.0	5.3	3.0	9.3	7.7	1.0	0.5	-0.9	-1.0



San Mateo County
Composite Return Summary
September 30, 2023



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
QMA US Small Cap	113,614,502	-5.2	-2.1	7.8	-2.1	18.3	14.9	3.4	7.1	--	7.3
Russell 2000		-5.9	-5.1	2.5	-5.1	8.9	7.2	2.4	6.6	--	6.7
Excess		0.7	3.0	5.3	3.0	9.3	7.7	1.0	0.5	--	0.6
Domestic Equity Overlay	2,342,610	-11.2	-13.5	2.5	-13.5	13.7	99.8	--	--	--	93.6
ICE BofAML US 3-Month Treasury Bill		0.5	1.3	3.6	1.3	4.5	1.7	--	--	--	1.5
Excess		-11.6	-14.8	-1.1	-14.8	9.2	98.1	--	--	--	92.0
International Equity	1,051,041,105	-3.0	-4.1	6.9	-4.1	21.1	4.1	3.8	5.3	4.3	5.2
SamCERA Custom Hedge Intl		-2.3	-2.0	7.6	-2.0	19.7	6.4	4.2	5.9	4.3	5.0
Excess		-0.7	-2.0	-0.7	-2.0	1.4	-2.2	-0.4	-0.7	-0.0	0.2
Developed Markets Equity	1,051,041,105	-3.0	-3.9	7.1	-3.9	22.8	2.5	3.4	5.0	4.2	4.3
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Excess		-3.0	-3.9	7.1	-3.9	22.8	2.5	3.4	5.0	4.2	4.3
Dev Mrkts Equity Curr Hedge	15,063,142	--	--	--	--	--	--	--	--	--	--
		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Excess		--	--	--	--	--	--	--	--	--	--
Dev Mrkts Equity Ex Curr Hedge	1,035,977,963	-3.9	-4.9	5.1	-4.9	20.4	1.8	3.0	4.7	4.0	4.2
MS AC WidxUS IMI Nt		-3.2	-3.5	5.3	-3.5	20.2	3.8	2.6	4.7	3.5	4.5
Excess		-0.6	-1.4	-0.2	-1.4	0.2	-2.0	0.4	0.0	0.6	-0.3
Baillie Gifford	242,827,684	-7.1	-10.1	-1.2	-10.1	12.4	-6.1	1.4	3.7	3.7	5.2
MSCI ACWI ex USA Growth		-5.2	-7.3	2.9	-7.3	16.2	-1.6	2.9	5.0	4.3	--
Excess		-1.8	-2.8	-4.1	-2.8	-3.9	-4.5	-1.5	-1.3	-0.5	--
Blackrock MSCI ACWI ex US IMI	528,820,834	-3.2	-3.5	5.5	-3.5	20.5	4.0	--	--	--	4.6
MS AC WidxUS IMI Nt		-3.2	-3.5	5.3	-3.5	20.2	3.8	--	--	--	4.5
Excess		0.0	-0.0	0.2	-0.0	0.3	0.3	--	--	--	0.1
Mondrian Investment Partners	264,329,446	-2.0	-2.4	8.9	-2.4	26.2	6.8	2.1	3.7	3.0	4.5
MSCI ACWI xUSA Value		-0.9	0.1	8.9	0.1	26.1	10.3	3.0	5.2	3.2	4.8
Excess		-1.1	-2.5	0.1	-2.5	0.1	-3.5	-0.9	-1.5	-0.2	-0.3



San Mateo County Composite Return Summary

September 30, 2023



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Fixed Income	1,362,282,420	-2.0	-1.7	1.3	-1.7	2.9	-2.0	1.3	1.9	2.5	4.7
Samcera Fixed Income Benchmark		-2.1	-2.3	0.7	-2.3	3.6	-3.0	1.2	1.0	1.9	4.2
Excess		0.1	0.7	0.6	0.7	-0.7	1.0	0.1	0.9	0.6	0.5
Core Fixed Income	692,270,177	-3.2	-4.1	-1.7	-4.1	-0.4	-5.2	-0.1	0.1	1.5	4.0
BBG US Aggregate		-2.5	-3.2	-1.2	-3.2	0.6	-5.2	0.1	-0.1	1.1	3.7
Excess		-0.6	-0.8	-0.5	-0.8	-1.0	0.0	-0.3	0.2	0.3	0.3
FIAM B Core Bond	136,394,714	-2.5	-3.2	-1.1	-3.2	0.8	-4.6	0.8	0.6	--	1.4
BBG US Aggregate		-2.5	-3.2	-1.2	-3.2	0.6	-5.2	0.1	-0.1	--	0.5
Excess		-0.0	0.1	0.1	0.1	0.1	0.6	0.7	0.7	--	0.9
DoubleLine	223,887,031	-2.4	-3.1	0.1	-3.1	0.7	-5.2	--	--	--	-3.0
BBG US Aggregate		-2.5	-3.2	-1.2	-3.2	0.6	-5.2	--	--	--	-3.6
Excess		0.2	0.1	1.3	0.1	0.1	-0.0	--	--	--	0.6
NISA Long Treasury	110,023,152	-7.3	-11.8	--	-11.8	--	--	--	--	--	-12.0
Bloomberg US Long Tsy		-7.3	-11.8	--	-11.8	--	--	--	--	--	-11.9
Excess		-0.1	0.0	--	0.0	--	--	--	--	--	-0.1
NISA Core Bond	216,839,155	-2.5	-3.2	-1.0	-3.2	1.0	-4.9	--	--	--	-3.7
BBG US Aggregate		-2.5	-3.2	-1.2	-3.2	0.6	-5.2	--	--	--	-4.1
Excess		0.0	0.1	0.2	0.1	0.3	0.3	--	--	--	0.4
Core Fixed Income Overlay	5,126,125	-2.7	-5.3	--	-5.3	--	--	--	--	--	--
ICE BofAML US 3-Month Treasury Bill		0.5	1.3	3.6	1.3	4.5	1.7	--	--	--	1.5
Excess		-3.2	-6.6	--	-6.6	--	--	--	--	--	--
Opportunistic Credit	670,012,243	-0.7	1.0	4.7	1.0	6.9	3.4	3.5	4.8	5.1	7.1
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	3.3	3.5	4.2	5.7
Excess		0.7	1.3	0.7	1.3	-1.6	2.5	0.1	1.3	0.9	1.4
Pimco Private Income	50,305,725	0.0	1.9	3.5	1.9	3.1	8.6	--	--	--	6.9
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	--	--	--	2.8
Excess		1.3	2.2	-0.5	2.2	-5.4	7.7	--	--	--	4.2



San Mateo County
Composite Return Summary
September 30, 2023



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
AG CREDIT SOL FU LP	10,681,039	0.0	3.3	5.3	3.3	3.7	13.1	--	--	--	14.1
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	--	--	--	1.4
Excess		1.3	3.6	1.3	3.6	-4.8	12.2	--	--	--	12.7
AG CSF ADF II	7,206,589	0.0	5.4	9.2	5.4	--	--	--	--	--	--
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	--	--	--	--	1.4
Excess		1.3	5.7	5.2	5.7	--	--	--	--	--	--
AG CSF II	20,000,627	0.0	8.1	10.2	8.1	8.4	--	--	--	--	2.5
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	--	--	--	--	-1.9
Excess		1.3	8.4	6.2	8.4	-0.1	--	--	--	--	4.4
AG Opportunistic Whole Loan	33,574	-3.4	-3.4	-17.5	-3.4	-1.9	26.7	15.4	18.3	--	13.3
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	3.3	3.5	--	3.7
Excess		-2.0	-3.1	-21.5	-3.1	-10.4	25.8	12.0	14.8	--	9.5
Blackrock Direct Lending Feede	40,352,869	0.0	-0.1	5.6	-0.1	7.2	6.3	--	--	--	3.8
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	--	--	--	2.8
Excess		1.3	0.2	1.6	0.2	-1.3	5.4	--	--	--	1.0
Beach Point Select Fund	115,121,507	-0.1	2.5	8.1	2.5	10.0	8.2	6.9	7.5	--	7.7
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	3.3	3.5	--	3.8
Excess		1.2	2.8	4.2	2.8	1.5	7.3	3.6	4.0	--	3.9
Brigade Cap Mngmt	112,774,733	-0.5	2.0	8.3	2.0	6.9	6.0	3.3	4.5	4.3	5.6
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	3.3	3.5	4.2	5.2
Excess		0.8	2.3	4.3	2.3	-1.6	5.1	-0.0	1.1	0.1	0.3



San Mateo County
Composite Return Summary
September 30, 2023



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
White Oak YSF V	28,414,643	0.0	1.4	-0.5	1.4	-0.0	--	--	--	--	1.0
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	--	--	--	--	-0.3
Excess		1.3	1.7	-4.4	1.7	-8.5	--	--	--	--	1.3
White Oak Yield Spec	29,067,217	0.0	1.7	1.9	1.7	3.0	5.1	5.2	--	--	--
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	3.3	--	--	3.4
Excess		1.3	2.0	-2.1	2.0	-5.5	4.2	1.9	--	--	--
PIMCO Div. Income Fund	129,111,218	-1.9	-1.1	2.4	-1.1	7.2	-2.6	1.0	--	--	1.1
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	3.3	--	--	3.0
Excess		-0.5	-0.8	-1.6	-0.8	-1.3	-3.5	-2.4	--	--	-1.9
TCP Direct Lending VIII	13,122,229	-0.1	2.0	4.1	2.0	6.2	5.8	5.8	5.8	--	--
BBG BA Intermediate HY Ind		-1.3	-0.3	4.0	-0.3	8.5	0.9	3.3	3.5	--	3.9
Excess		1.2	2.2	0.1	2.2	-2.3	4.9	2.5	2.3	--	--
Franklin Templeton	52,348,305	-3.4	-4.0	-2.2	-4.0	7.9	-5.4	-4.3	-1.9	-1.2	0.4
Bloomberg Multiverse Index		-2.9	-3.5	-1.9	-3.5	2.7	-6.6	-1.5	-1.3	-0.3	0.4
Excess		-0.5	-0.6	-0.3	-0.6	5.2	1.3	-2.8	-0.6	-0.9	0.0
One William Street	61,471,968	0.6	2.5	--	2.5	--	--	--	--	--	--
BBG BA Intermediate HY Ind		-1.3	-0.3	--	-0.3	--	--	--	--	--	-0.1
Excess		2.0	2.8	--	2.8	--	--	--	--	--	--
Alternatives	746,346,373	1.2	2.7	4.4	2.7	0.8	11.3	10.8	9.8	8.4	1.0
Samcera Alternatives Benchmark		4.1	5.9	16.9	5.9	16.2	11.4	10.4	10.7	9.2	8.4
Excess		-1.2	-2.7	-4.4	-2.7	-0.8	-11.3	-10.8	-9.8	-8.4	-1.0



San Mateo County Composite Return Summary

September 30, 2023



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Private Equity	381,143,258	-0.3	0.7	4.5	0.7	3.9	14.9	19.8	18.6	17.4	-5.4
Samcera PE Benchmark		6.9	8.9	26.8	8.9	22.3	17.0	14.5	15.2	14.7	15.7
Excess		-7.2	-8.2	-22.3	-8.2	-18.4	-2.1	5.3	3.4	2.7	-21.2
Absolute Return	365,203,115	2.9	4.8	4.2	4.8	-2.4	5.4	-0.3	-0.5	1.9	1.8
Samcera SOFR + 4%		0.7	2.3	6.8	2.3	8.8	5.8	5.8	5.7	5.2	5.0
Excess		2.1	2.6	-2.6	2.6	-11.2	-0.4	-6.1	-6.2	-3.3	-3.2
Graham Global Investment	99,866,513	4.1	8.2	11.3	8.2	4.4	9.6	--	--	--	7.5
Samcera SOFR +4%		0.7	2.2	6.5	2.2	8.5	5.7	--	--	--	5.6
Excess		3.4	6.0	4.8	6.0	-4.1	3.8	--	--	--	2.0
PIMCO MAARS Fund L.P.	98,493,780	5.1	6.4	8.6	6.4	0.2	10.8	--	--	--	9.8
Samcera SOFR +4%		0.8	2.3	6.9	2.3	8.9	5.9	--	--	--	5.7
Excess		4.3	4.1	1.8	4.1	-8.7	4.9	--	--	--	4.1
Acadian MAAR Fund LLC	82,016,408	1.0	2.0	-0.1	2.0	-3.7	1.1	--	--	--	1.1
Samcera SOFR +4%		0.8	2.3	6.9	2.3	8.9	5.9	--	--	--	5.9
Excess		0.3	-0.3	-7.0	-0.3	-12.6	-4.8	--	--	--	-4.8
CFM SYS Global Macro Fund	84,826,413	0.7	2.1	-3.3	2.1	-10.8	7.6	--	--	--	7.6
Samcera SOFR +4%		0.8	2.3	6.9	2.3	8.9	5.9	--	--	--	5.9
Excess		-0.1	-0.2	-10.2	-0.2	-19.7	1.7	--	--	--	1.7
Inflation Hedge	1,022,706,828	-0.2	-0.3	-3.1	-0.3	-0.0	9.2	4.1	4.6	--	5.4
SamCERA Inflation Hedge Index		0.8	-0.3	-0.2	-0.3	-2.8	10.4	6.5	6.6	--	--
Excess		-1.1	-0.0	-2.9	-0.0	2.8	-1.2	-2.4	-1.9	--	--
Real Estate	523,430,604	0.1	0.2	-6.3	0.2	-4.9	7.3	6.3	6.7	--	6.9
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	7.8	6.1	6.7	--	6.8
Excess		0.1	0.2	-0.5	0.2	5.5	-0.5	0.2	0.0	--	0.1
Invesco Core Real Estate	269,357,753	0.0	-0.0	-11.4	-0.0	-10.1	7.0	5.7	6.4	8.0	7.2
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	7.8	6.1	6.7	8.4	7.5
Excess		0.0	-0.0	-5.6	-0.0	0.3	-0.8	-0.3	-0.3	-0.4	-0.3
Invesco US Val IV	600,150	0.0	-1.4	-33.2	-1.4	-58.6	-21.8	-10.6	-5.3	--	-3.2
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	7.8	6.1	6.7	--	7.2
Excess		0.0	-1.4	-27.5	-1.4	-48.2	-29.6	-16.7	-11.9	--	-10.5



San Mateo County
Composite Return Summary
September 30, 2023



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Invesco Value-Add Fund	21,355,451	0.0	-0.8	-6.0	-0.8	-2.3	--	--	--	--	-2.1
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	--	--	--	--	-9.2
Excess		0.0	-0.8	-0.2	-0.8	8.2	--	--	--	--	7.1
PGIM Real Estate US Debt Fund	74,759,336	0.8	1.9	5.7	1.9	7.4	6.4	6.2	--	--	5.4
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	7.8	6.1	--	--	6.5
Excess		0.8	1.9	11.5	1.9	17.9	-1.4	0.1	--	--	-1.1
Invesco US VAL V	32,343,598	0.0	-0.6	-5.7	-0.6	-5.6	10.3	--	--	--	7.3
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	7.8	--	--	--	--
Excess		0.0	-0.6	0.1	-0.6	4.8	2.5	--	--	--	--
Harrison Street Core Property	96,411,353	0.0	0.0	-1.7	0.0	0.5	6.8	--	--	--	5.6
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	7.8	--	--	--	6.2
Excess		0.0	0.0	4.1	0.0	11.0	-1.0	--	--	--	-0.5
Stockbridge Value IV	28,602,963	0.0	0.1	3.0	0.1	6.1	--	--	--	--	9.4
Samcera NCREIF ODCE (gross)		0.0	0.0	-5.8	0.0	-10.4	--	--	--	--	8.3
Excess		0.0	0.1	8.7	0.1	16.5	--	--	--	--	1.1
Public Real Assets	172,574,131	-1.7	-0.7	-2.8	-0.7	4.2	10.1	0.5	2.3	--	--
SamCera Liquid Real Asset Inde		-1.7	-0.8	-2.9	-0.8	4.2	10.0	3.6	4.4	--	5.5
Excess		0.1	0.1	0.1	0.1	-0.0	0.1	-3.1	-2.1	--	--
SSGA CST REAL ASSET NL	172,574,131	-1.7	-0.7	-2.8	-0.7	4.2	10.1	3.6	4.6	--	--
SamCera Liquid Real Asset Inde		-1.7	-0.8	-2.9	-0.8	4.2	10.0	3.6	4.4	--	4.7
Excess		0.1	0.1	0.1	0.1	-0.0	0.1	0.0	0.2	--	--
Private Real Assets	326,702,093	-0.0	-0.9	2.7	-0.9	4.6	14.5	6.3	5.0	--	9.4
SamCERA Private Real Asset Idx		3.8	-0.8	14.4	-0.8	6.2	14.5	6.8	8.5	--	10.3
Excess		-3.9	-0.1	-11.7	-0.1	-1.5	0.1	-0.5	-3.5	--	-0.9



San Mateo County
Composite Return Summary
September 30, 2023



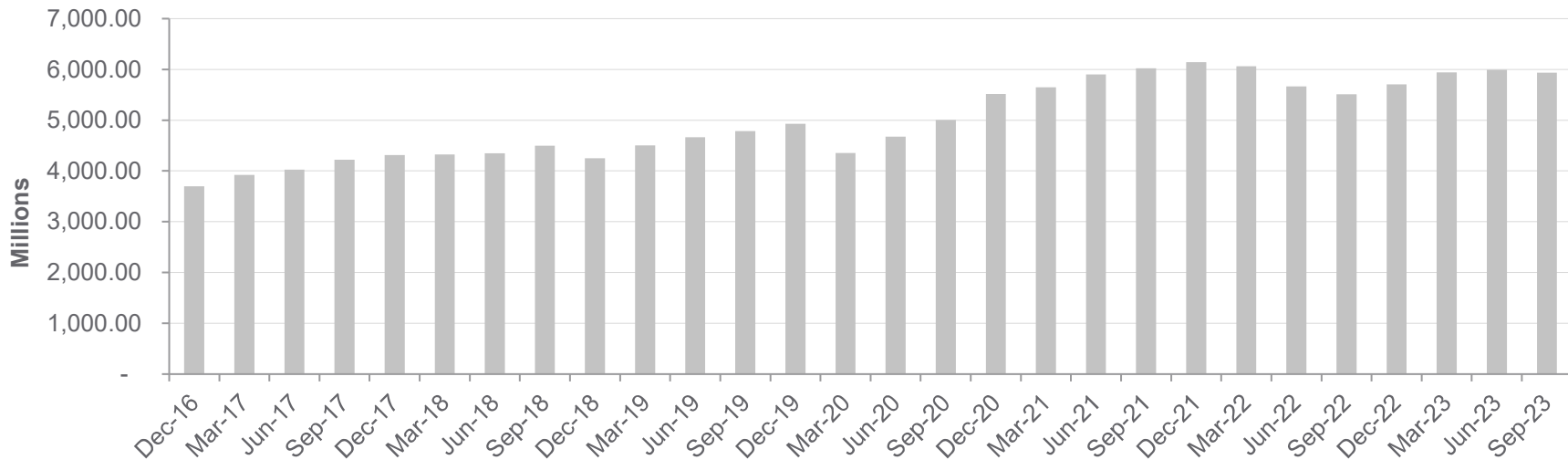
Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Liquidity	445,866,654	0.3	1.2	3.3	1.2	4.4	--	--	--	--	3.4
Liquidity Composite Benchmark		0.0	0.8	2.2	0.8	3.1	--	--	--	--	1.9
Excess		0.3	0.4	1.1	0.4	1.4	--	--	--	--	1.5
Cash Flow - Match Liquidity	313,223,854	0.2	1.1	2.7	1.1	4.0	--	--	--	--	2.7
BBG US Agg Govt Credit 1-3		-0.0	0.7	1.9	0.7	2.8	--	--	--	--	1.0
Excess		0.3	0.4	0.8	0.4	1.3	--	--	--	--	1.7
Insight Investment	297,195,840	0.2	1.2	2.9	1.2	4.3	--	--	--	--	2.1
BBG US Credit 1-3 Yrs		-0.1	0.8	2.2	0.8	3.5	--	--	--	--	1.7
Excess		0.3	0.4	0.7	0.4	0.8	--	--	--	--	0.4
County Treasury Pool	16,028,014	0.0	0.4	3.1	0.4	3.6	1.9	2.0	1.7	1.4	2.6
91 Day T-Bill		0.5	1.3	3.6	1.3	4.5	1.7	1.7	1.5	--	--
Excess		-0.5	-0.9	-0.5	-0.9	-0.9	0.2	0.2	0.2	--	--
Cash & Cash Overlay	132,642,801	0.5	1.4	3.7	1.4	4.7	--	--	--	--	--
ICE BofAML US 3-Month Treasury Bill		0.5	1.3	3.6	1.3	4.5	1.7	--	--	--	1.5
Excess		0.0	0.1	0.1	0.1	0.2	--	--	--	--	--
General Account	124,770,624	0.5	1.4	3.9	1.4	4.8	1.9	1.8	1.7	1.2	1.9
Transition Account	0	--	--	--	--	--	--	--	--	--	--
Cash Overlay	7,872,176	0.5	1.3	3.4	1.3	4.2	1.3	--	--	--	1.2
San Mateo County Overlay	5,935,795,397	-1.9	-1.5	3.4	-1.5	8.1	5.4	5.1	6.1	6.2	6.5
Samcera Total Plan Benchmark		-1.3	-0.9	6.5	-0.9	10.6	5.7	5.7	6.8	6.6	6.9
Excess		-0.6	-0.6	-3.1	-0.6	-2.5	-0.3	-0.6	-0.7	-0.4	-0.4



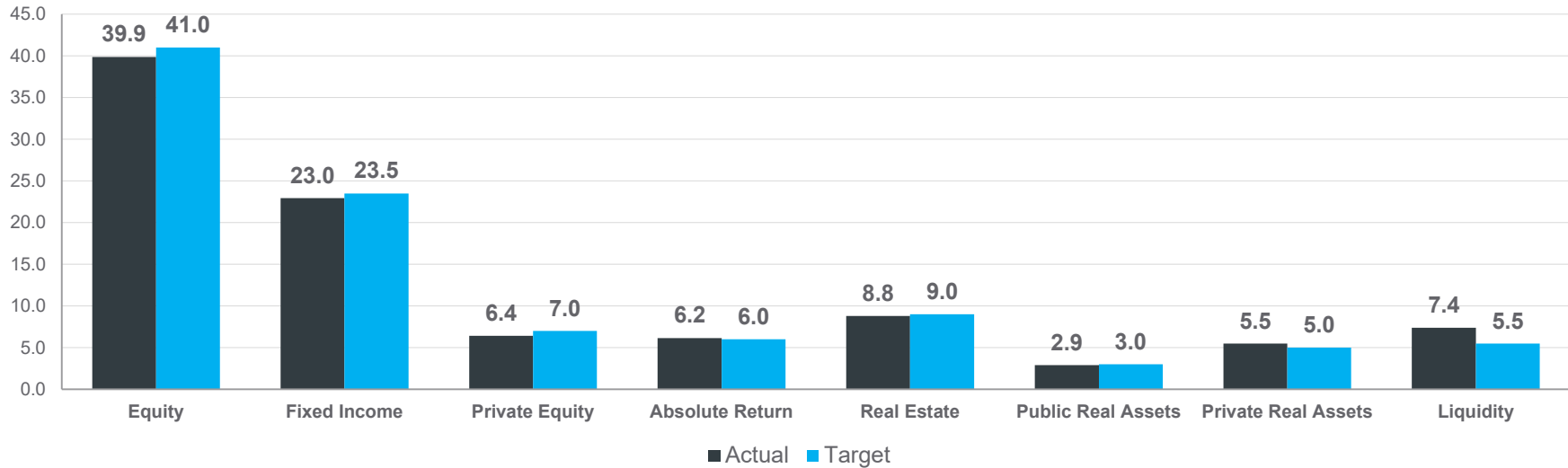
Record of Asset Growth

	Three Months	One Year
TOTAL FUND		
Beginning Market Value	5,995,500,234	5,506,874,416
Contributions	111,137,223	442,560,359
Withdrawals	-82,917,550	-467,409,667
Income Received	26,312,540	121,772,849
Gain/Loss	-114,080,243	333,896,880
Ending Market Value	5,935,795,397	5,935,795,397

Net Asset Values Over Time (\$'000)

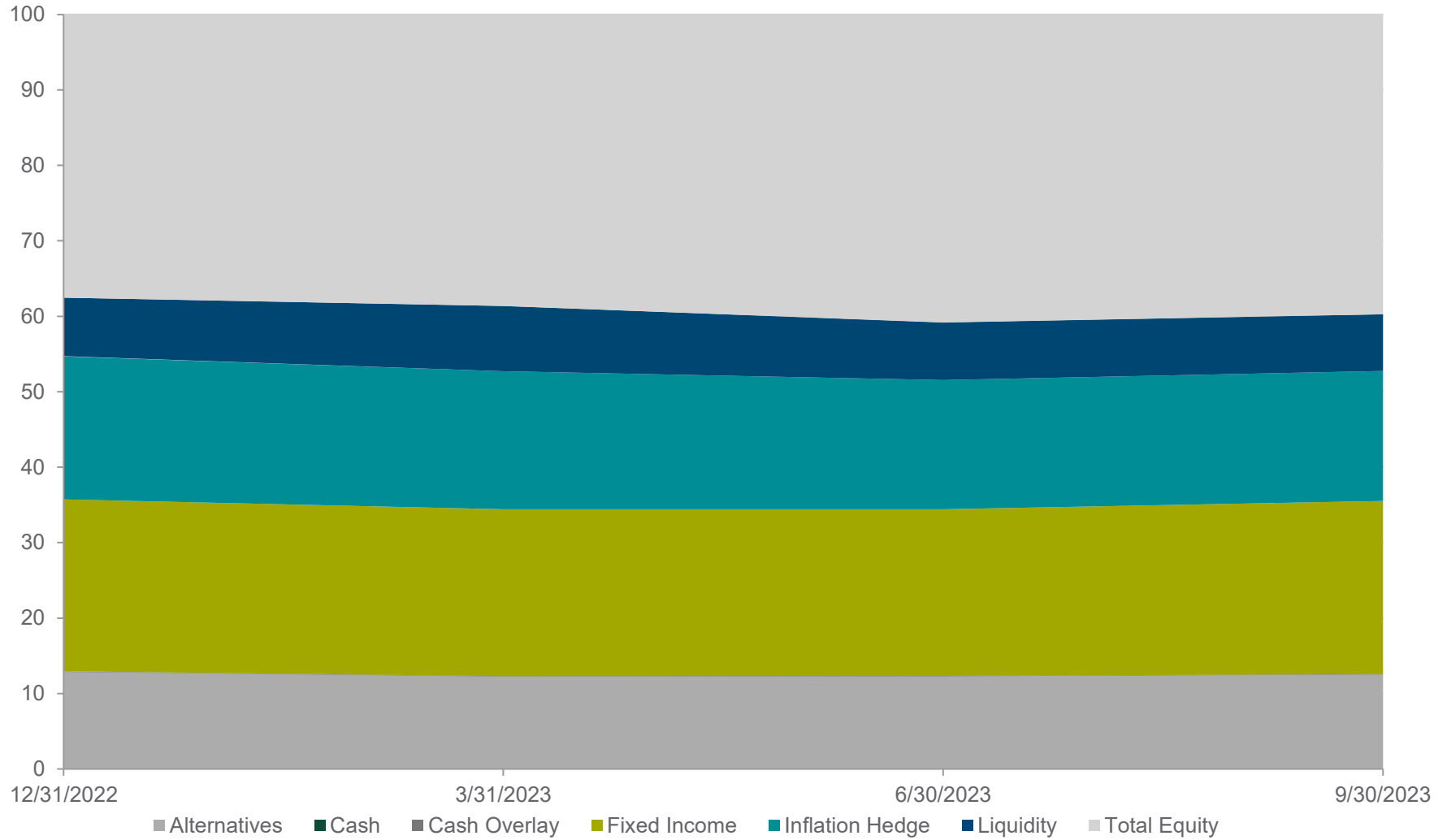


Actual vs Target Weights

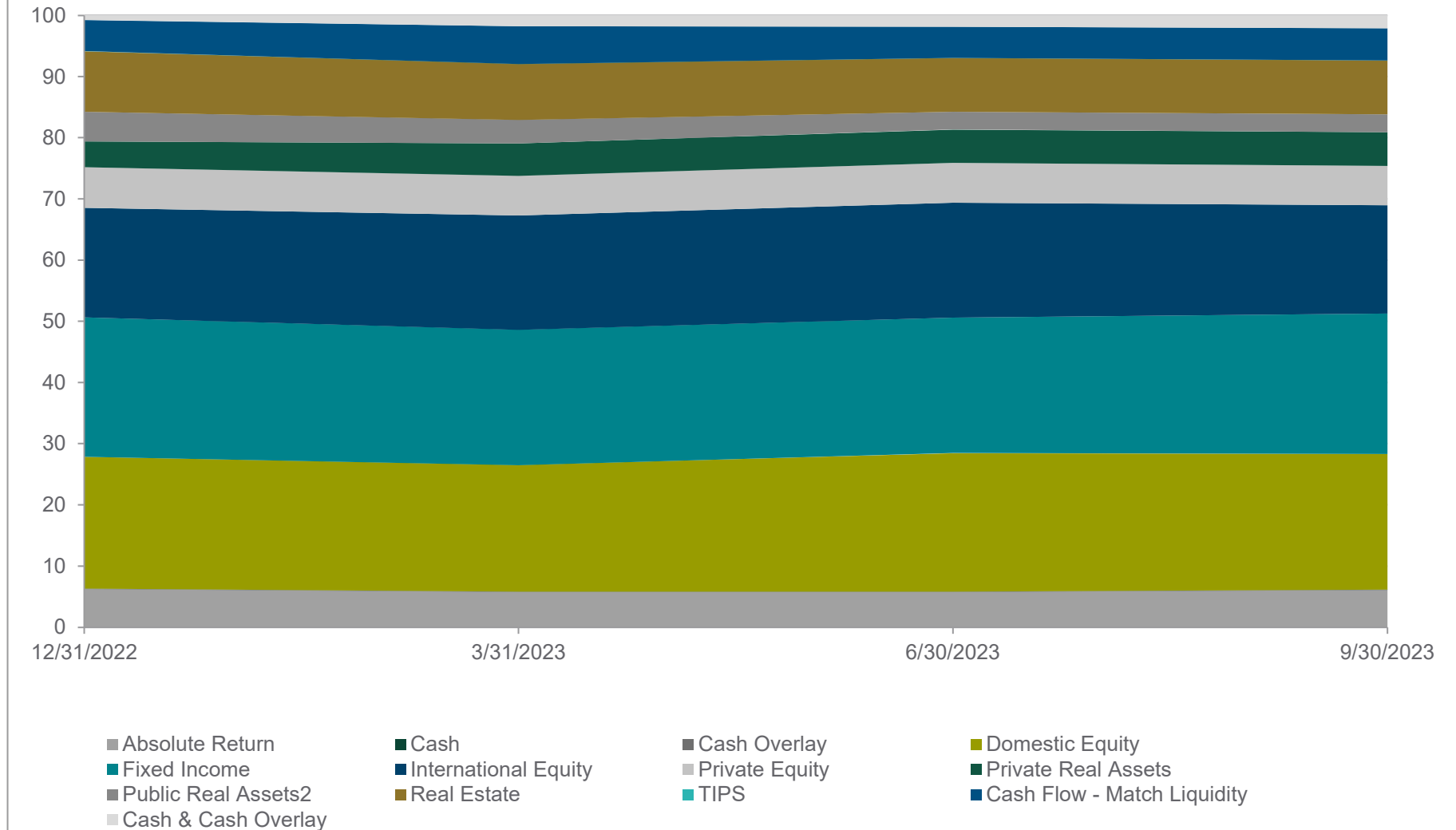


	Min	Actual	Target	Deviation	Max
Equity	38.0	39.9	41.0	-1.1	44.0
Fixed Income	21.5	23.0	23.5	-0.5	25.5
Private Equity	5.0	6.4	7.0	-0.6	9.0
Absolute Return	4.0	6.2	6.0	0.2	8.0
Real Estate	7.0	8.8	9.0	-0.2	11.0
Public Real Assets	1.0	2.9	3.0	-0.1	5.0
Private Real Assets	3.0	5.5	5.0	0.5	7.0
Liquidity		7.4	5.5	1.9	

Asset Allocation over Time



Sub-Asset Class Allocation Over Time



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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 6.2

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Inflation Hedge Manager Annual Reviews

Recommendation

Accept the reports on the annual reviews of SamCERA's real assets investment managers, State Street Global Advisors (SSgA) and Brookfield Asset Management, which are part of the inflation hedge risk bucket.

Background

SamCERA staff and consultant conducted annual review meetings with Brookfield Asset Management on September 7th, 2023 and State Street Global Advisors (SSgA) on September 14th, 2023.

Each meeting lasted approximately 1 hour and consisted of a firm/organizational update, an investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

On September 7th, the Brookfield Supercore Infrastructure Fund, which is a core infrastructure strategy that seeks to invest in highly stable, long-term contracted or regulated assets across the utilities, energy, power, social, and transportation sectors, was reviewed.

On September 14th, the SSgA custom real asset strategy, which is a passive account for SamCERA that seeks to replicate exposure to four underlying indices in approximately equal weights (1/4 S&P Global LargeMidCap Commodity and Resources Index, 1/4 S&P Global Infrastructure Index, 1/4 Bloomberg Roll Select Commodity Index and 1/4 U.S. Barclays TIPS), was reviewed.

There were no significant concerns identified during the portfolio reviews. Attached you will find meeting notes from Verus summarizing the findings from the annual reviews.

Attachments

Brookfield Annual Review Meeting Notes (Confidential)
SSgA Annual Review Meeting Notes

Research Meeting Notes

Investment Organization	State Street Global Advisors (“SSgA”)
Business Type	Publicly Traded
Firm Inception Date	1978
Firm \$AUM	\$3.8T
Investment Org Attendees	Sonya Park, Robert Guiliano
Verus Attendees	Joseph Abdou
SamCERA Attendees	Doris Ng
Interview Date(s)	9/14/23
Meeting Type	In office
Meeting Purpose	Update
Strategy Name	SSgA Liquid Real Assets
Strategy Inception Date	2016
Asset Class (Style)	Real Assets
Strategy \$AUM	\$3.2B

Firm:

SSgA is a wholly-owned subsidiary of State Street Bank and Trust Company, which is a wholly-owned subsidiary of State Street Corporation, a publicly traded company. SSgA manages over \$3.5 trillion in assets, making it the fourth largest asset manager globally. SSgA manages capital across the risk spectrum in equity, fixed income, multi-asset and alternatives.

Team/People:

The Investment Solutions Group (ISG), which oversees the SamCERA liquid real assets portfolio manages \$224 billion in AUM across a number of strategies. Dan Farley serves as CIO for the ISG team and heads all investment-related decisions. There are two portfolio managers overseeing the SamCERA portfolio, Rob Guiliano and Mike Narkiewicz. Rob was one of the lead researchers in developing the SSgA Real Asset strategy and has managed the portfolio since inception (2005). Mike has been managing the Real Asset strategy alongside Rob since 2010. The portfolio that SSgA runs for SamCERA is a custom allocation of three products that Rob and Mike also manage within their more diversified SSgA Real Asset product. There have been no recent departures of note within the ISG team.

Process/Philosophy

The SamCERA liquid real asset portfolio is a customized account managed by SSgA that includes the following allocation.

- 1/4th Bloomberg Roll Select Commodities
- 1/4th S&P Global LargeMid Commodity and Resources Index
- 1/4th S&P Global Infrastructure Index
- 1/4th U.S. TIPS

The four strategies are passive investments meant to replicate their respective indices. SSgA's Global Beta Solutions team manages the four individual products in daily-valued institutional commingled funds. The four index products have a targeted tracking error of 30bps or less. The Bloomberg Roll Select product seeks to replicate the Bloomberg Roll Select index which will optimize the futures contract trading process by maximizing backwardation impact and minimizing contango, subject to risk constraints. The Roll Select product is meant to enhance returns above the standard Bloomberg Commodity Index. The S&P Global LargeMid Commodity & Resources Index is a global stock portfolio of companies that derive revenue from natural resource commodities. The index equally allocates to three natural resource buckets, energy, materials and agriculture. The country exposures are split roughly by 1/3rd US and 2/3rd non-US domiciled. S&P Global Infrastructure is a global stock index comprised of three primary sectors, energy, transportation and utilities. On a country-weighted basis, the US comprises around 40% of the index with the remainder in non-US companies. Lastly, the US TIPS product is meant to replicate the performance of the Barclays US TIPS Index. The TIPS product was added to the SSgA mandate in 2020. The ISG team will handle allocating, rebalancing and trading the four index products with a goal of minimizing tracking error to the policy index. SSgA will rebalance the portfolio semi-annually back to target. SSgA manages the portfolio for an all-in fee of 19 bps.

Performance


SSgA seeks to provide beta exposure within the SamCERA custom account with slight active management tilts within the commodity strategy. In a normal market environment, we'd expect SSgA to closely match its benchmark, with some modest excess return coming from rebalancing and the unique roll features within the Bloomberg Commodity strategy. Since the products inception at SamCERA (October 2016), the Custom Liquid Real Assets product has returned 5.51%, net of fees while the benchmark has returned 5.36%. Most of the excess return has come from the semi-annual rebalancing feature which differs from the benchmark which adheres to a monthly rebalancing schedule. Lastly, SamCERA redeemed \$175M from this strategy as part of its new asset allocation which was implemented earlier in 2023.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 6.3

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Opportunistic Credit Manager Annual Review

Recommendation

Accept the report on the annual review of SamCERA's opportunistic credit manager, Angelo Gordon.

Background

On September 14th, SamCERA staff and consultant held an annual review meeting with one of our opportunistic credit managers, Angelo Gordon. The meeting lasted approximately one hour, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

The Angelo Gordon Credit Solutions Fund (CSF), CSF II, and CSF II Annex Dislocation Fund were all reviewed. These investment strategies seek to invest in distressed and special situation opportunities by purchasing discounted securities in the public markets and providing private credit solutions to companies' idiosyncratic challenges. TPG announced its acquisition of Angelo Gordon in May 2023 and expects to close the transaction in Q4 2023.

Attached you will find meeting notes from Verus summarizing the findings from the annual review.

Attachments


Angelo Gordon Annual Review Meeting Notes (confidential)
Verus Research Bulletin TPG Angelo Gordon (confidential)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 6.4

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Absolute Return Manager Annual Review

Recommendation

Accept the report on the annual review of SamCERA's absolute return manager, Graham Capital Management. The annual reviews for SamCERA's other three absolute return managers (CFM, PIMCO and Acadian Asset Management) were conducted on October 5th and will be reported at the next meeting.

Background

On September 14th, SamCERA staff and consultant held an annual review meeting with Graham Capital Management.

The meeting lasted approximately 1 hour, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Discussion

On September 14th, Graham Capital Management's Quantitative Macro (GQM) strategy was reviewed. GQM is a systematic, long/short, multi-strategy that targets absolute returns with low correlation to traditional markets. The firm noted a senior retirement on the team.

There were no significant concerns identified during the portfolio review. Attached you will find meeting notes from Verus summarizing the findings from the annual review.

Attachment


Graham Capital GQM Annual Review Meeting Notes (confidential)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 6.5

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Presentation for Trade Cost Analysis for 2022

Recommendation

Accept Zeno AN Solutions' Trading Cost Analysis Presentation for SamCERA.

Background

SamCERA initially hired Zeno Consulting Group to provide trade cost analysis oversight of the fund's public equity and fixed income managers in June 2012 and then in July 2013, each for a 1-year term where Zeno would monitor trade costs and provide reports on an on-going, quarterly basis. Subsequently, the Board directed Staff to reduce the frequency of the trade cost analysis review from a quarterly to triennial basis (every 3 years).

In 2018, Zeno Consulting Group merged with Abel Noser Holdings, and a new division called Zeno AN Solutions was formed under the combined entity's transaction cost analysis business, Abel Noser Solutions.

Discussion

Chris Phillips, SVP and Senior Consultant of Zeno AN Solutions, will present an analysis of SamCERA's trading costs for the 2022 calendar year. The presentation will begin with a refresher on equity, fixed income and foreign exchange transaction costs, how Zeno AN Solutions puts these costs into context and the details of their manager oversight program. They will then report on the analysis of SamCERA's trading costs and observations for the year in addition to information gathered from follow-up calls with SamCERA's investment managers.

Attachment

Zeno AN Solutions 2022 Annual Assessment

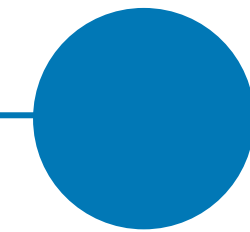


Transaction Cost Management

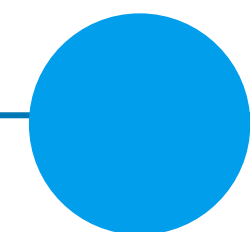
San Mateo County Employees'
Retirement Association

Board Meeting
October 31, 2023

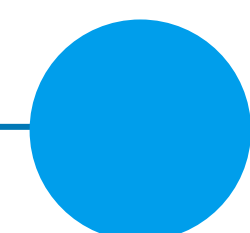
Presentation Overview



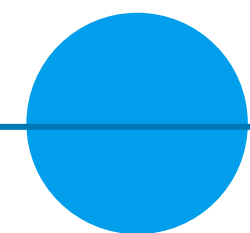
ABOUT US



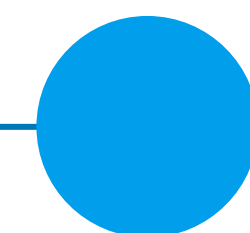
MULTI-ASSET
CLASS TCA
OVERSIGHT



2022 ANNUAL
AGGREGATE EQUITY
AND INDIVIDUAL
TRADE REVIEW



2022 ANNUAL AGGREGATE
FIXED INCOME AND
INDIVIDUAL MANAGER
TRADE REVIEW



2022 ANNUAL
AGGREGATE FX TCA
TRADE REVIEW



Our Team

Dedicated, Thorough, Experienced

Our unparalleled team will work as an extension of your staff. Along with market leading product solutions, Zeno AN Solutions continues to be the ultimate client advocate, leveraging our expertise and custom services to help you achieve measurably superior executions, compliance peace-of-mind, and game-changing analytics data. We also offer bespoke data and reporting solutions that can be tailored to your specific set-up, fiduciary make-up or business model.

Zeno AN Solutions

Over 30 Years of Industry Leading Analytics

Zeno AN Solutions offers the industry's most comprehensive TCA analytics and monitoring solutions for all asset owners including pension funds, mutual funds, insurance companies and endowments.

Our leading TCA and compliance analytics can provide you with the critical transparency, substantive due diligence, and insight into how your managers are handling fund assets. Not only do we provide you with customized metrics so you can control excessive trade costs, we give you the reporting and archiving necessary to mitigate investment and fiduciary risk.



Who is Zeno AN Solutions?

If It Can Be Measured, It Can Be Improved

2021 Best-In-Class Global TCA Provider by Aite Group

#1 in Customer Satisfaction – 2020 AI CIO Transition
Management Survey

2020 Top Global Fixed Income TCA Vendor
by Greenwich Associates

Best Global Trade Analytics Provider
2019 & 2020 Corporate Excellence Awards

The Value of Meaningful Multi-Asset TCA Oversight

- Satisfies legal obligation, as fiduciaries, to monitor your managers' (and their brokers') global equity and fixed income trading processes for best execution
- Provides critical transparency, substantive due diligence, and insight into how your managers are handling fund assets (*"What you don't know, can hurt you!"*)
- Helps control excessive trade costs (often the single largest expense of the fund) by identifying trends and cost savings opportunities
- Mitigates investment and fiduciary risk

Current Tools Utilized by our Clients

EQUITY SPONSOR/FUND MONITOR TCA

Goes beyond basic due diligence and provides asset owners greater transparency into their managers' internal trading processes, enables constructive dialogue with managers, and provides consultative follow-up to reduce excessive transaction costs.

FIXED INCOME SPONSOR MONITOR - TCA

Provides Fund fiduciaries with an accurate quantitative assessment of their managers' fixed income transactions, and consulting to help conduct follow-up on cost outliers and address potential trading abuses.

DERIVATIVES AND FX – TCA

Provides Fund fiduciaries with an accurate assessment of their managers' derivative and foreign currency transactions, and consulting to help conduct follow-up on cost outliers and address potential trading abuses.

TRADEZOOM TM – Equity, Fixed Income, FX, Futures and Options TCA (online)

Assists asset owners and general consultants in meeting legal and fiduciary obligations to ensure managers receive Best Execution and pay reasonable commission and spread rates.

Current Tools Utilized by our Clients cont.

TRANSITION MANAGEMENT & REPORTING SERVICES

Assists asset owners in navigating the complex marketplace known as Transition Management. As a Registered Investment Advisor, we offer several levels of service that range from pre-trade and post-trade analytics to strategic planning and transition manager selection. Additional services include Broker Universe Subscriptions.

SOFT-DOLLAR & RESEARCH BUDGET AUDIT

Helps asset owners appraise the soft-dollar and research budgets of their managers. The service provides the critical qualitative and quantitative tools necessary for assessing the reasonableness of those costs, in addition to the oversight necessary to address your new fiduciary responsibility. The Audit encourages managers to use a bottom-up approach (which to date has been eschewed by the industry) for determining their research needs and to ensure compliance with the new MiFID II Directives in Europe.

LIQUIDITY THRESHOLD ANALYSIS (CAPACITY & MANAGER RESEARCH SUPPLEMENT)

Supplemental tools to assist in the annual due diligence research on manager line-ups, or in the context of reviewing finalists in a manager search. This service acts as a early warning system, flagging the risks associated with a manager's ability to take on additional assets, trading process, commission levels, broker/dealer counterparties and systematic impact on overall performance.

WITHHOLDING TAX & CUSTODIAN REVIEW w/ WTAX

Offers asset owners an independent assessment and recovery of the tax deducted from their non-US investments by local governments on dividends and interest paid to a non-resident domiciled outside that country. This service is provided by Zeno ANS's partner, **WTax** and affords clients the ability to recoup withholding taxes on their non-U.S. Equity and Fixed Income SMA investments, above and beyond their custodian's recoveries.

Multi-Asset Class TCA Oversight (Applies to Equity, Fixed Income, FX and Derivatives)

DOL Release 86-1

Since 1986, plan sponsors and other asset owners have had an explicit fiduciary responsibility to monitor their managers to ensure the Fund was paying reasonable commissions and receiving “Best Execution.”

As prudent fiduciaries, more than ever before, asset owners should understand their managers’ trading process, what they pay to execute trades, whether they obtained best execution, and its impact on performance.

Zeno’s consulting service was designed to assist asset owners in achieving two goals:

1. Meet their fiduciary obligations to monitor for “Best Execution” (and reasonable commissions)
2. Provide greater transparency in how investment managers handle their assets when trading, and thereby better understand the impact trading has on fund performance.

Zeno’s TCA Oversight Program enables funds to monitor and evaluate their managers’ trading process in meaningful ways by answering the following questions:

- What were your trading costs at the: fund, manager, broker, and commission levels?
- Were those costs reasonable relative to each trades’ “difficulty,” and the managers’ Peers?
- What were the reasons behind those costs?
- What potential follow-up is required with your managers?

What are “Trading Costs?”

If there’s a reason for asset owners to monitor trading costs (other than as a regulatory requirement), its to understand the impact those costs have on the returns of their Funds.

Common Sense Definition of “Trading Costs”:

The loss of asset value, incurred by your Fund, as a result of a manager building or unwinding a position in their portfolio.

- Whether it takes 1, 3, or 10 days for a manager to sell a certain number of shares, if the shares were selling for \$X when trading began, and the manager ultimately sold all the shares at an average price of \$Y per share, then the Fund paid \$X-Y. This is called “Implementation Shortfall”.
- Defining costs as “Implementation Shortfall” on the total decision size, is consistent with how we calculate overall Fund performance, and helps Fund fiduciaries better understand the true impact trading has on their Fund.

Transaction Costs: More than just commissions

- Commission:
- The fee charged by a broker for their services
- Market Impact:
- The cost incurred by a broker executing a manager's order on any given day
- Delay Costs:
- The cost incurred when a manager "works" an order over several days
- (i.e. if a manager sells a security over five days, the shares sold on Day 5 will incur Market Impact costs based on the broker's execution efficiency. The shares sold on Day 5 will also incur Delay Costs equal to the gain/loss of asset value that occurred on Days 1-4)*

Key Point:

- A tension exists between Market Impact and Delay Costs such that trying to minimize one ends up increasing the other.
- Consequently, the challenge for each manager is to develop a sound rational trading strategy that balances both Market Impact and Delay Costs so as to minimize the aggregate amount.

Trading Costs must also be put into context

- Once you calculate the loss of asset value, you now know what the manager paid in trading costs, **but that's all you know.**
- You don't know whether you should be upset, or satisfied with the trading costs paid by your manager.
- To answer that question, you need a Benchmark to juxtapose against those costs, and help put them into context...

Zeno AN Solutions employs a three-tier Benchmarking process:

Tier 1

Utilize an "Implementation Shortfall" cost formula to calculate the fund's absolute trading costs.

Tier 2

Compare those absolute trading costs to an Implementation Shortfall benchmark, that takes into account each trades' difficulty (e.g. liquidity, capitalization, market, price movements etc.).

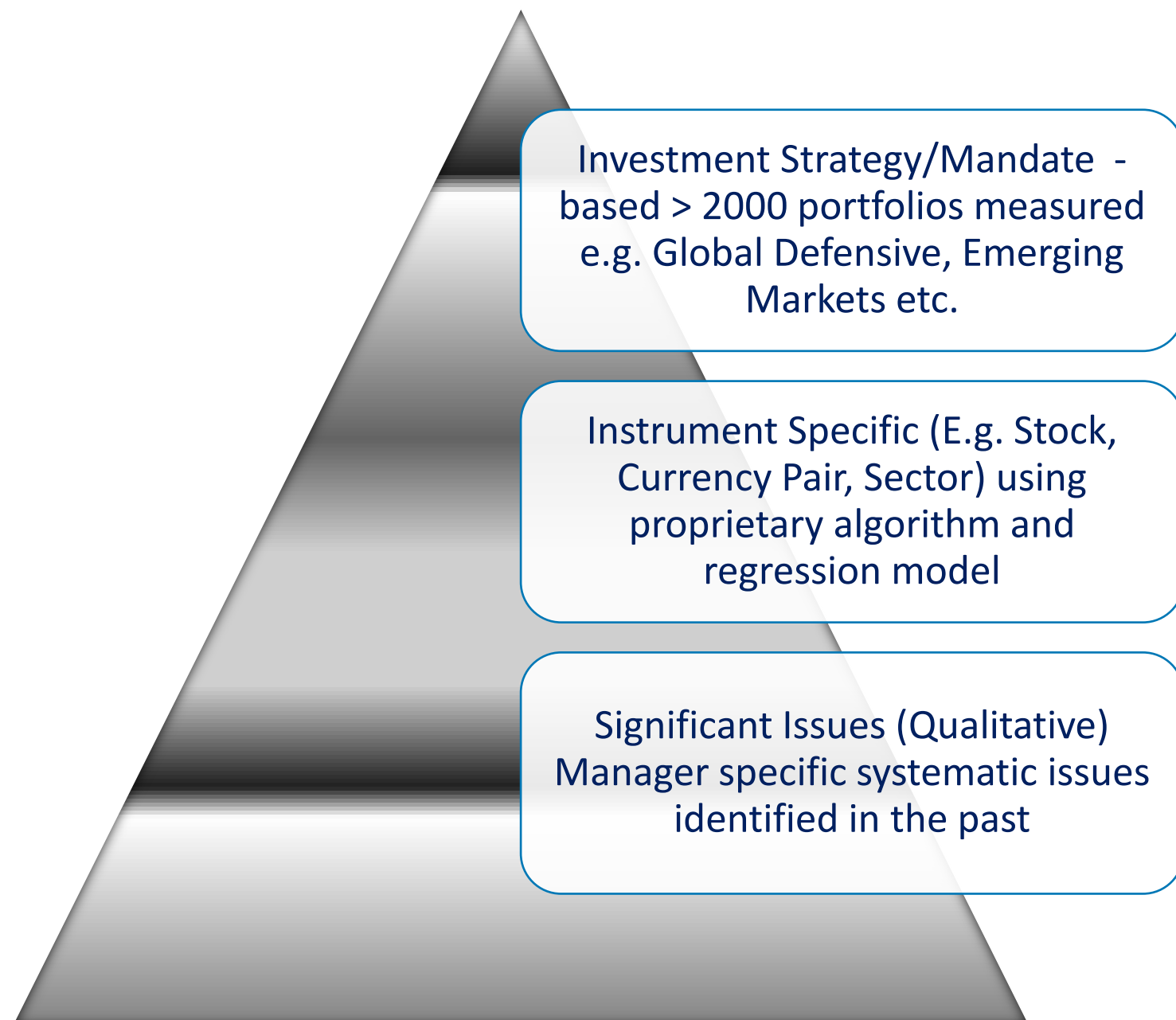
Tier 3

Rank each Manager against their Peer Group Universe for: absolute trading costs, execution efficiency (i.e. cost vs. Benchmark), market-impact costs, spreads, commissions, turnover, and impact of trading costs on investment performance.

Empirical Universes

All Universes are proprietary to Zeno ANS and based upon our measurement Clientele Universe

Relative Cost Attribution



Differentiators

- Size.** Largest Collection of Multi Asset Universe Data in the Industry (>\$ 15 Trillion), specific to Asset Owners
- Unique.** All Universes are proprietary (based upon merger of Abel Noser Solutions & Zeno Consulting Group).
- Digestibility.** % Rankings provided for ease of comparability
- Meaningfulness.** Proprietary approach using multiple universes for relative cost and performance attribution.
- Relevance.** Adjusts for difficulty including projecting both gains and losses. Equities Universe includes unbundled execution rates by market and execution channel (e.g. High Touch, Natural/Blocks, Algorithmic & Programs). Fixed Income includes sector, size, maturity, direction, volatility.
- Flexibility.** > 100+ benchmarks to suit style of investment mandate and target trading strategy selection
- Secure.** Anonymised to prevent reverse engineering.

TCA Universe and Peer Benchmarking

Zeno AN Solutions' Universe of measured trades is comprised of over \$17 trillion in annual principal traded. It is the largest Universe of its kind and facilitates dynamic comparisons utilizing multiple benchmarking methodologies across asset classes.

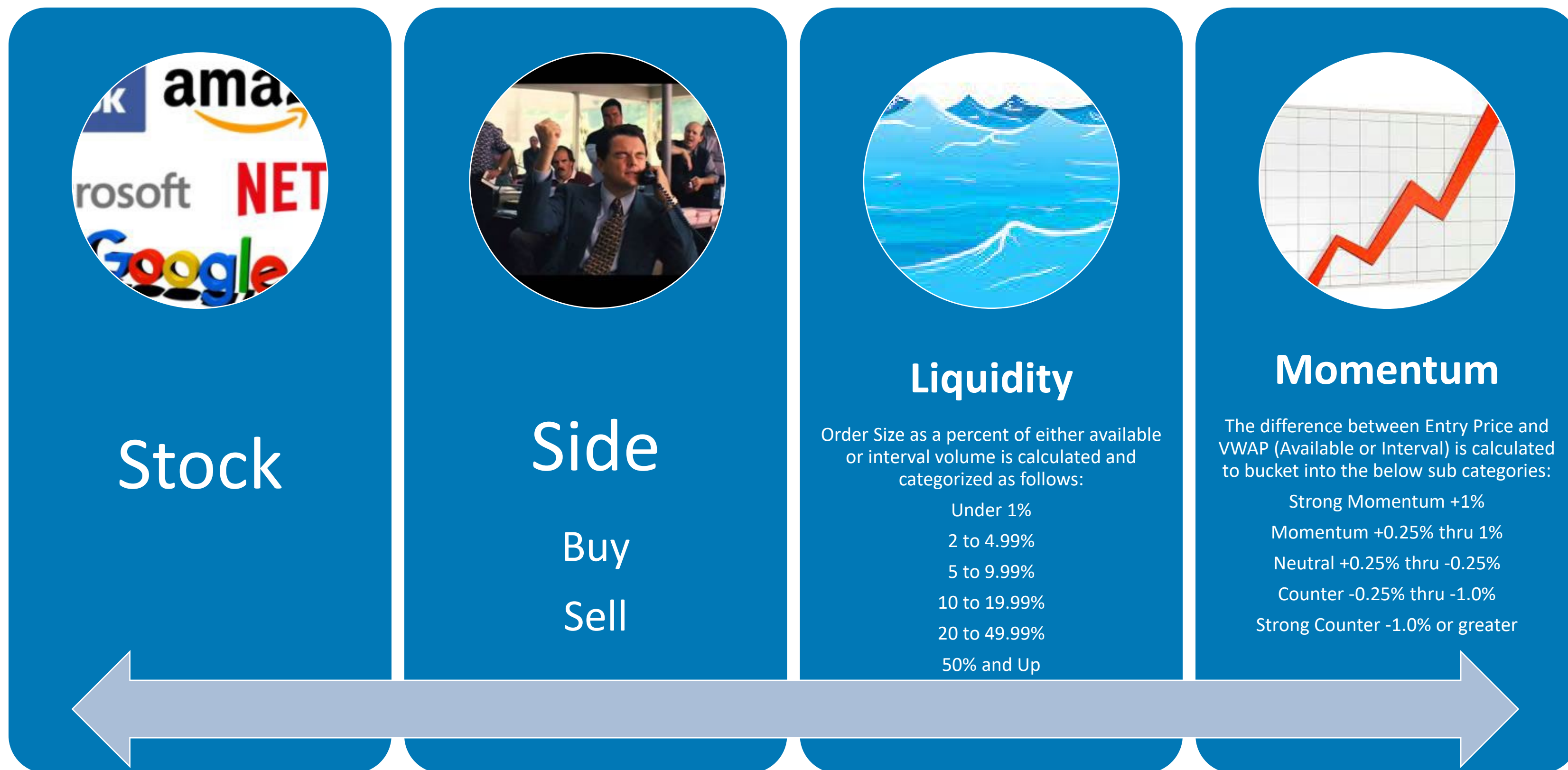
Dimensions	Prin /K	Shares	bPlcStrike /BP	ubPlcStrike50 /BP	bPlcStrike Ra...
Grand Total	67,360.59	1,450,673	-7.77	-16.77	40.6%
+ CAE	4,228.57	144,740	-75.46	-166.10	5.0%
+ CRC	917.91	37,702	68.36	-0.62	5.0%
+ EADSY	5,446.92	182,024	18.65	-1.99	5.0%
+ FHN	197.00	11,449	9.50	-0.25	5.0%
+ YELL	298.94	32,937	15.42	-1.07	5.0%
+ NVST	4,077.64	93,971	10.70	-0.30	16.4%
+ BRKS	195.25	2,009	8.96	-0.44	22.6%
+ RE	8,141.23	31,985	37.44	-1.03	23.6%
+ PRPL	1,283.57	38,859	-55.91	-106.91	25.9%
+ MRVI	2,207.29	67,444	-116.77	-180.49	29.5%
+ QTRX	2,859.46	44,394	151.98	65.55	29.5%
+ BKU	103.65	2,397	-2.54	-21.11	30.9%
+ CSTL	548.17	7,452	21.65	9.07	41.6%
+ GPRE	2,900.86	102,425	151.19	137.15	46.6%
+ MBII					
+ SIEN					
+ APAM					
+ TRHC					
+ OSUR					
+ MGLU3					
+ VSPR					
+ ROK					
+ RAYC					

Benchmarks: 2020Q4			
Region/Country	Breakdown	Daily % of Total Mkt	Price Trend
World	Combined	Combined	Combined
Percentile Rank	mEntStrike /BP	mAVWAP /BP	d20% Test /BP
5th Percentile	23.15	8.89	19.79
25th Percentile	-9.06	0.33	-1.49
Median	-21.62	-3.32	-9.56
75th Percentile	-34.23	-7.67	-20.14
95th Percentile	-66.27	-18.64	-48.44



Composite (Trade Level) Benchmarking Methodology

Composite benchmarks syncs the unique flows executed to our TCA universe based on the symbol, side, liquidity and price trend of a given trade. This provides clients with a reflection of how the costs associated with their flows compared to their institutional peers at the most granular empirical level.



Fixed Income TCA-Methodology Summary

- Zeno AN Solutions (“Zeno”) uses the generally accepted Implementation Shortfall methodology.
 - Implementation Shortfall calculates the total loss of asset value, paid from Fund assets, as a result of selling Fixed Income securities and replacing them in portfolios.
 - Costs are inclusive of fees, bid-ask spread, market-impact, and multi-day timing costs (if any).
- Loss in asset value is calculated by comparing each respective security’s execution price to its closing evaluated price on the day prior to when trading began.
 - The use of the prior day’s closing evaluated price as the starting point in calculating costs is an industry-standard practice.
 - Zeno’s platform unbundles the aggregate costs into its component parts – to facilitate deeper understanding of how/why costs accrued.
- Limitations associated with available market data and liquidity for fixed income instruments, can often constrain the ability to quantify and benchmark trading costs.
 - Unlike the equity markets, there is no comprehensive global centralized tape,
 - Unlike the FX markets, many bonds are not traded on a daily, weekly or even monthly basis.
- Zeno, therefore, uses pricing services from IHS Markit
 - Prices over 86,000 corporate (global) and sovereign bonds,
 - Prices 1.2 million Municipal bonds, and 1.3 million Securitized (global) fixed income instruments on a daily basis. (Most of these securities are actually priced multiple times throughout the day, thereby adjusting for any intra-day news and/or market volatility).

Fixed Income Coverage

Trading Cost Calculation: Trading costs are calculated as the difference between the trade price and a chosen reference market price. While there are a number of reference prices available in the product, our reports default to the most commonly used including the last mid price prior to the trade, the time-weighted average price for the day and the trade day close price.

Reference Prices: Reference prices are calculated using issuer-specific yield curves. These curves are constructed on a daily basis and are specific to the issuer based on entity, currency, and tier of debt. These curves are then calibrated continuously, hourly or daily, depending on the liquidity of the underlying instrument, using the most recent market data to determine a fair value. Analysts review relative spreads and assumptions to manage the key inputs that drive yield curve formation.

Pricing Inputs: Pricing inputs include, but are not limited to the following -

Market Quotes: Parsed real-time market quotes from Sell-side and Buy-side quotes (3.5 million daily dealer quotes).

iBoxx: Real time (EUR/GBP only), executable, composite based, multi-currency, multi-bond type price feed.

Market Contributions: Pricing from contributor banks end-of-day books from sell-side institutions.

Xtrakter: Prices supplied by multi contributors are validated and processed to provide an average bid price.

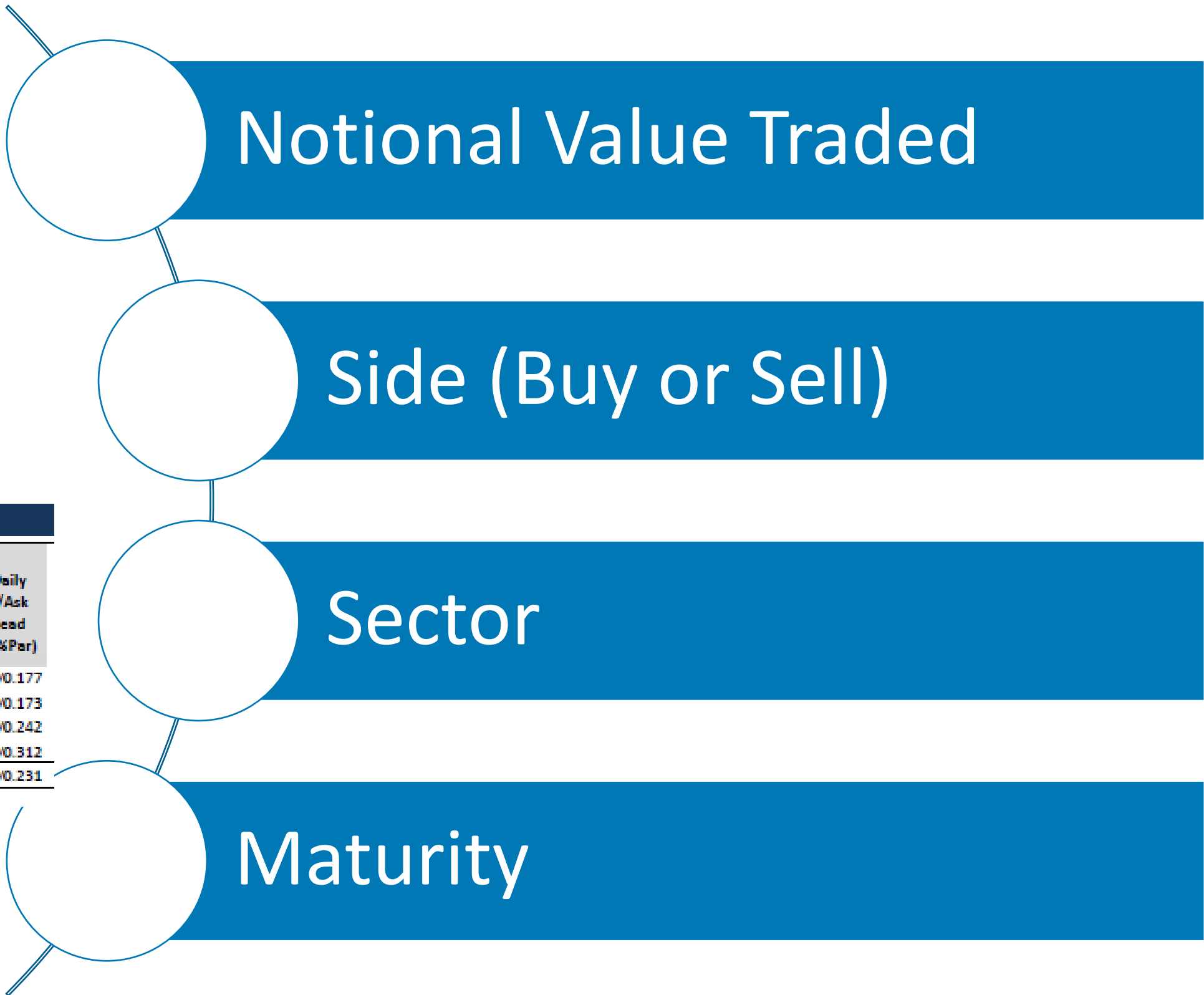
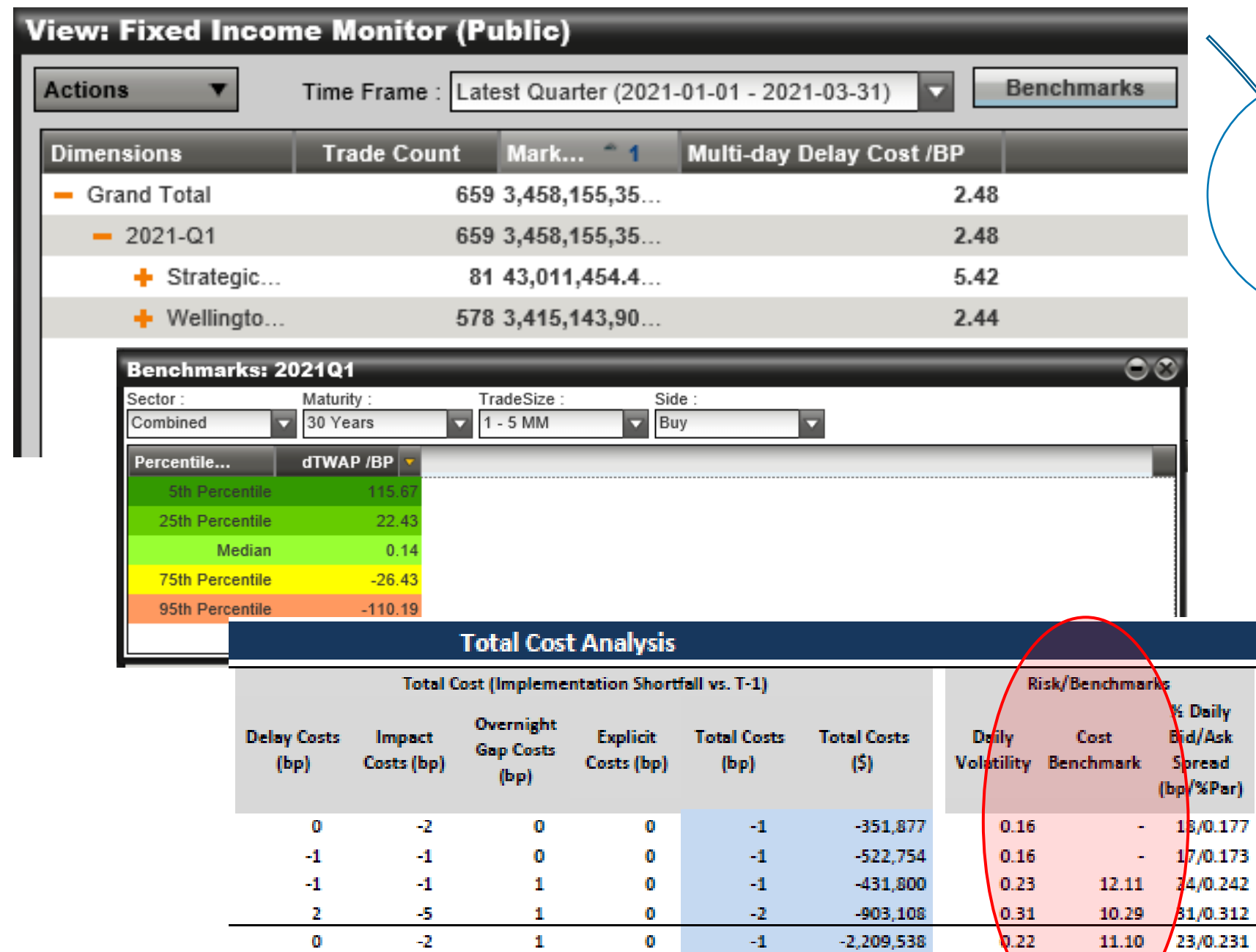
TRACE: Transaction data for corporate bonds (investment grade, high yield), convertible bonds, and agency bonds which represent 99% of corporate bond debt.

Coverage: Current product coverage includes –

- Corporate and Sovereign Bonds-110,000
- US Mortgage-backed securities (Agency)-1.2M+
- CLOs and CDOs-10,000+
- European mortgage and ABS-4,700+
- Consumer ABS-5000+
- Municipal Bonds-1.1M+
- US Treasury
- Bank Loans
- Assorted fixed income derivatives (e.g., Credit Default Swaps, TBA options, Credit Default Index Options)

Benchmarking – Strategy and Portfolio Universe

Identifying drivers of costs is imperative to accurately benchmarking a trade. There are any number of factors* that contribute to the difficulty of a trade and the costs incurred. Linking measured costs, and value-added to benchmarking and peer measurement methodology is central to Zeno AN's platform.



* Zeno AN Solutions implicit cost benchmarks are security specific empirical estimates that use more than \$21 trillion in annual trade volume and are adjusted for specific characteristics of each order and trade being evaluated.

Zeno AN Solutions Approach to FX & Derivative TCA Oversight

- Satisfies legal obligation, as fiduciaries, to monitor your managers' , counterparties, brokers and FCM's trading of foreign exchange, options and futures contracts for best execution
- Provides critical transparency, substantive due diligence, and insight into esoteric and arbitrage instruments to better understand how your managers are handling fund assets (*"What you don't know, can hurt you!"*)
- Helps control excessive trade costs (often the single largest expense of the fund) by identifying trends and cost savings opportunities and ensuring strategy is working as intended.
- Mitigates investment and fiduciary risk

FX Trading Oversight

As prudent fiduciaries, more than ever before, Asset Owners should understand their managers' FX trading process, what they pay to execute trades, whether they obtained best execution, and any excessive costs that have been incurred.

FX TCM allows Funds to:

- Achieve critical transparency, substantive due diligence, and insight into what your managers are doing with Fund assets (“*What you don’t know, can hurt you!*”)
- Measure, Monitor and Manage Negotiated and Non-negotiated FX trading costs
- Help deter and control trade cost abuses.

Attention to these matters works!

- Non-negotiated FX trades (i.e., sent to custodians pursuant to “Standing Instructions”) prior to oversight historically incurred costs ranging between 20-25 bp, with outliers exceeding 3%.
- In contrast, prudently traded FX (often competitively bid) generally incur costs that range between 3-5 bp.

***The easiest route to the top quartile of performance
is to be in the bottom quartile of expenses.
Jack Bogle***

Futures/Options TCA Approach

Zeno's Derivatives TCA Enables Fund's To

- Quantify the implementation costs of hedging and speculative strategies
- Utilize broker performance metrics, execution-quality exception checks and identify outliers
- Evaluate use of FCM's (Future Commissions Merchant)
- Assess efficacy and costs of your algorithm strategies
- Minimize reversion and implementation shortfall
- Compare your absolute trading costs to relative peer universe costs
- Track market liquidity to assess trade impact
- Monitor high-cost outliers or trades outside the quoted spread
- Identify alpha opportunities in your timing work flow
- Create transparency in overall trade process
- Build custom data reports

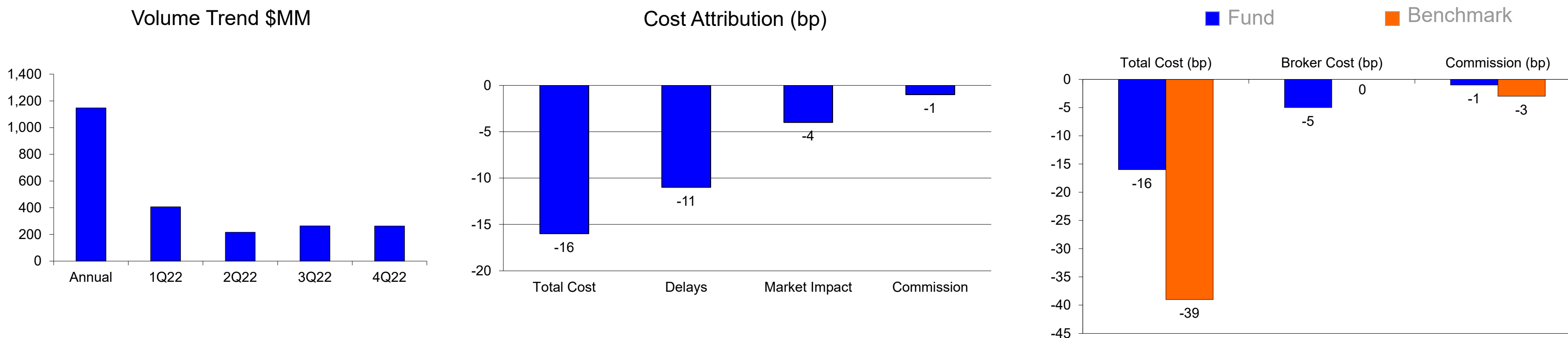
Multi-Asset Class TCM Oversight Process

- Step One : *Quantitative review of report analytics*
- Step Two : *Identify specific issues that may have driven managers' costs*
- Step Three : *Manager specific due diligence and follow-up recommendations:
Quarterly process, based on a minimum of a year's data.*
- Step Four : *Administer suggested follow-up either as delegates of, or in-concert with fund staff, to exert due diligence, effect and present results and cost-savings to staff/board.*

Zeno AN Solutions Trading Activity Oversight – SamCERA

- Zeno AN Solutions was hired by San Mateo County Employees' Retirement Association in December 2016 to evaluate and monitor the Equity, Fixed Income and Foreign Exchange trading activity of its separately managed accounts and select commingled investment accounts. An annual assessment of trading activity is conducted every 3 years commencing with calendar year 2016.
- The Zeno oversight process is designed to help plan fiduciaries assess overall execution quality and identify where, when and how portfolio managers, traders and brokers execute trades. In this respect, it is a measurement of trading efficiencies in multi-asset global markets.
- Two 2 types of issues are flagged in Zeno's reports:
 - Compliance/Fiduciary due diligence related issues
 - Issues that when addressed appropriately can result in cost savings.
- Included in the 2022 annual assessment, Zeno's reports flagged 19 issues, consisting of the following:
 - 4 Compliance/Fiduciary due diligence-related issues – Fixed Income (3) and FX (1)
 - 15 Trading Cost-related issues – Equity (5), Fixed Income (6) and FX (4)
- Follow up is conducted up with each manager regarding the flagged issues, including conference calls with managers warranting a closer review, which results in the following:
 - SamCERA will meet its Compliance/Fiduciary obligations with respect to the due-diligence issues.
 - The revelation that ongoing monitoring of those managers flagged for the cost-related issues has the potential for general overall execution efficiency improvement and cost savings. **Anticipated savings of up to \$1.6 mm are estimated on an annual basis through execution efficiency improvements.**

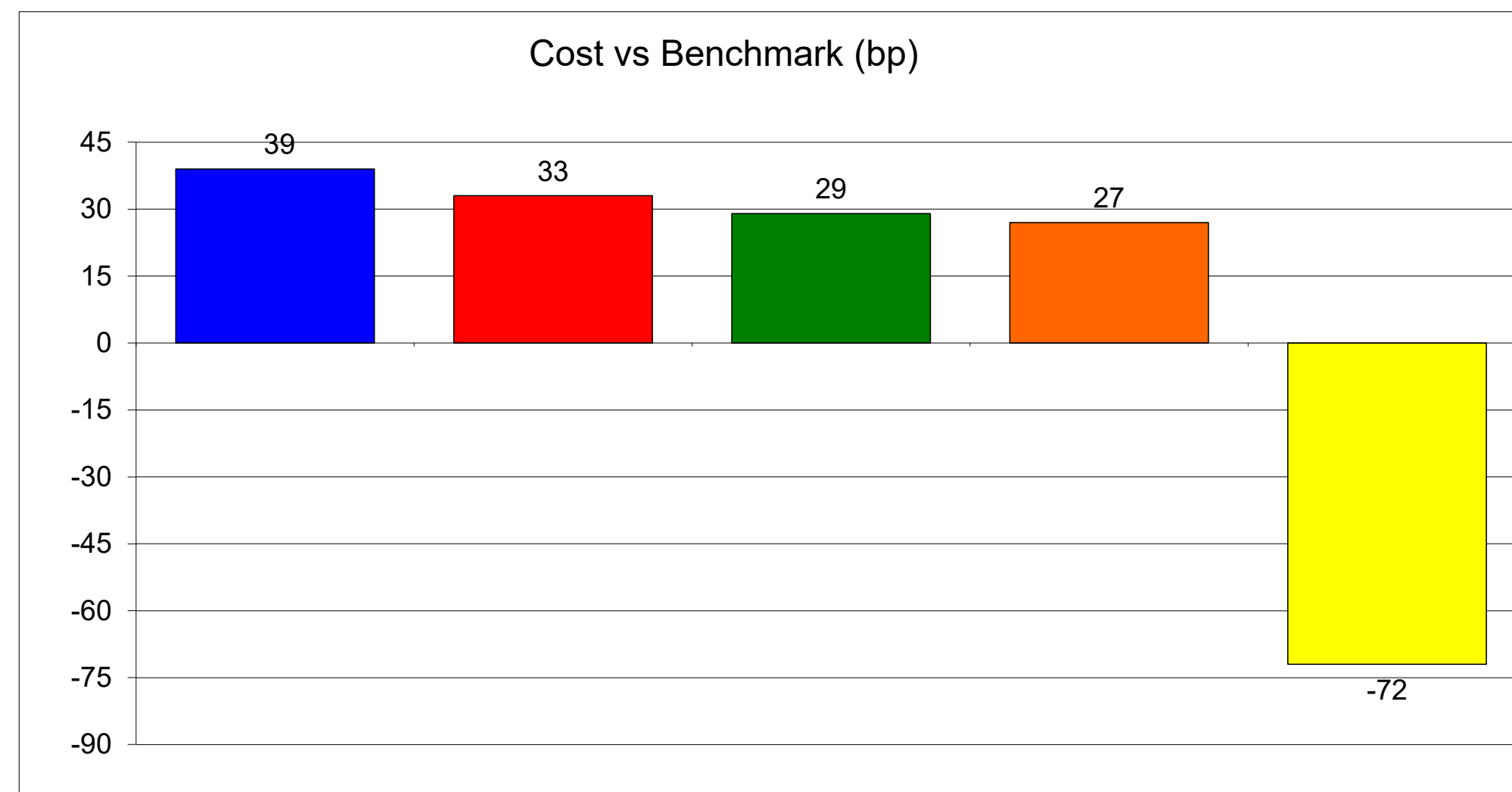
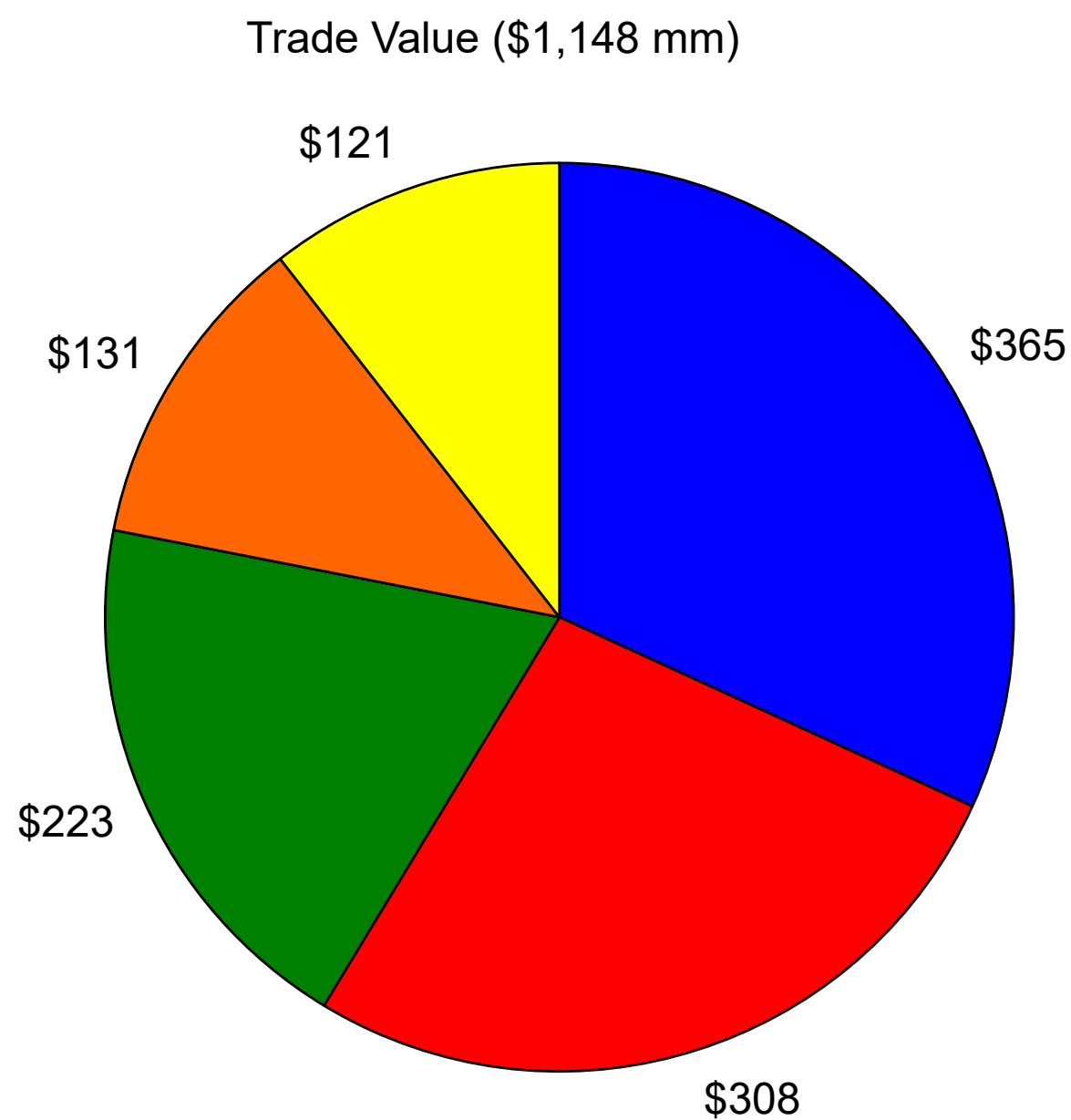
Aggregate Plan – Equity Portfolios



Observations

- Trading activity (\$1,148 mm) spiked at the beginning of the year but leveled off over the last 9 months. The 4 highest volume trade days during the review period involved rebalancings of US Large Cap strategies of \$132 mm on 3/11/22; \$110 mm on 11/14/22; \$97 mm liquidation on 7/14/22; and a \$42 mm on 1/20/22. Turnover rates of the managers were typically below 50% on an annual basis during the review period. Managers were net buyers during the review period, primarily in non US strategies.
- Total costs outperformed the benchmark due primarily to lower buy side costs and were improved during the review period. Activity in non US strategies drove overall costs during the review period, particularly in emerging markets (South America, Africa and Asia) and developed European markets.
- Brokerage costs (-5 bp) were in line with the brokerage benchmark of 0 bp and were improved during the review period. Morgan Stanley received the largest allocation of trade volume (28%). Commissions were lower than the Zeno Client Universe average (-3 bp).
- Short term traded returns were positive (+27 bp) even after accounting for costs due primarily to the timing of stocks sold during the review period as stocks delinked subsequent to removal from the portfolios.

Aggregate Plan – Most Active Equity Portfolios



■ US Large Cap Manager

■ Acadian Asset Mgmt

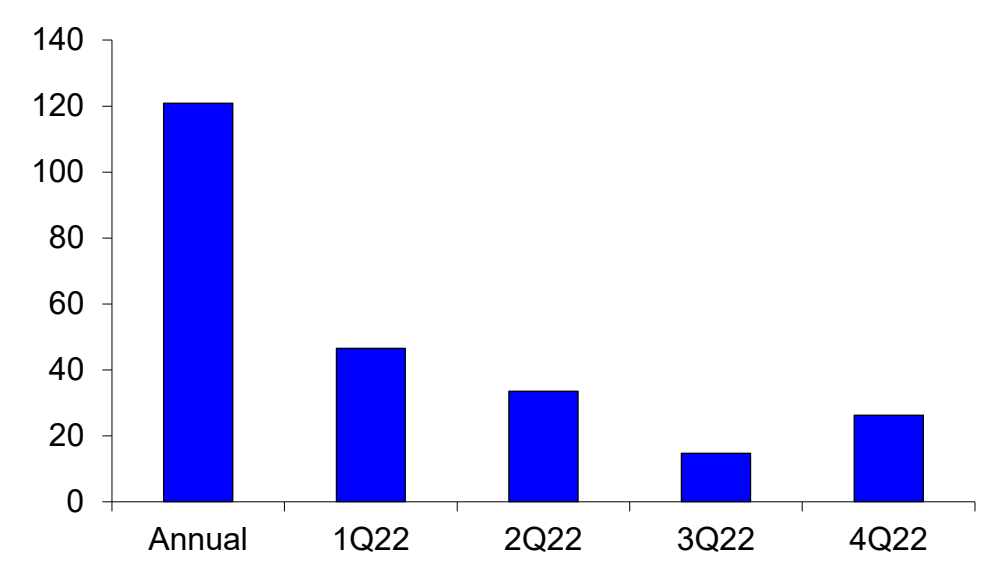
■ PGIM Quantitative Solutions

■ Mondrian Investment Partners

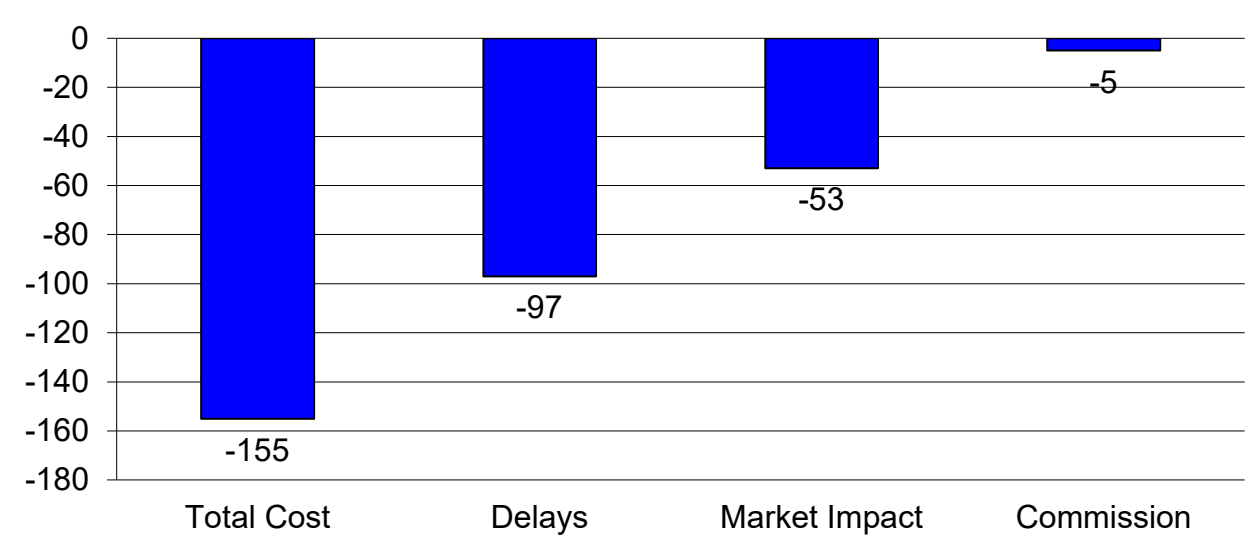
■ Baillie Gifford

Baillie Gifford

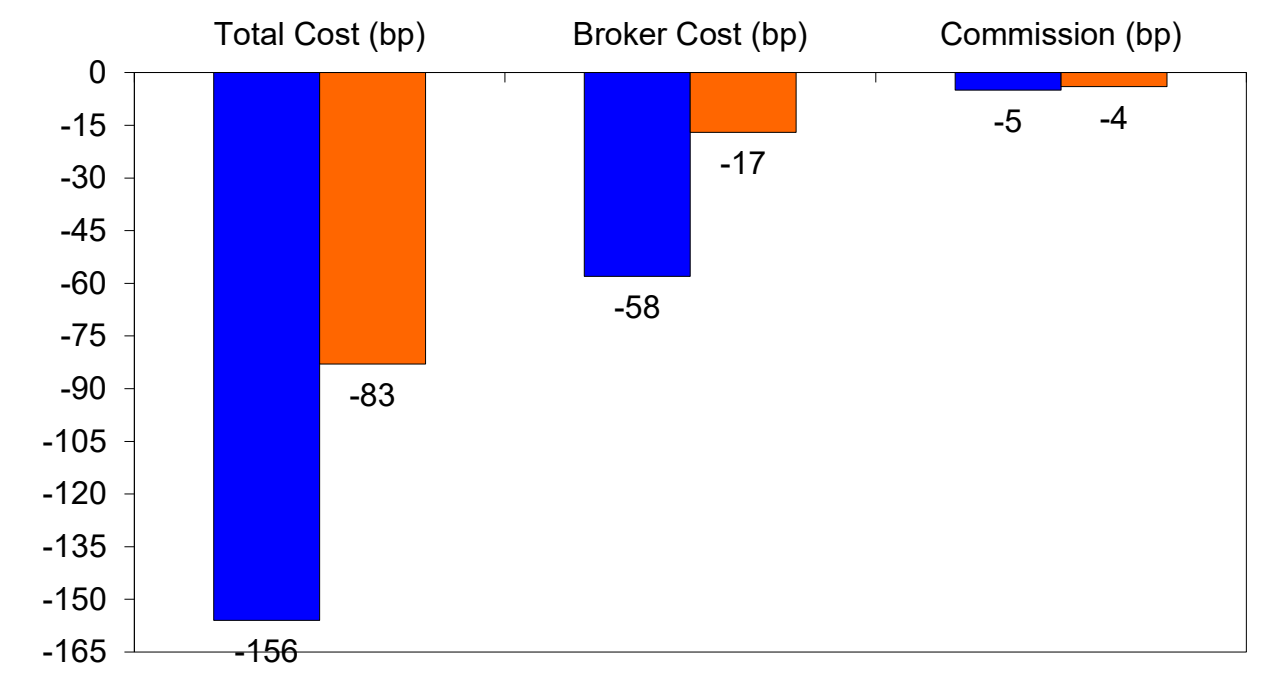
Volume Trend \$MM



Cost Attribution (bp)



Fund Benchmark



Review

- Trading activity (\$121 mm) was heavier in the first half of the review period due in large part to a significant funding on 3/9/22 of \$25 mm. Annual turnover rates are on the low end of the non US all country peer group universe. Manager was a net buyer during the review period.
- Total costs underperformed the benchmark due primarily to the timing of adding to and removing positions from the portfolio. Activity in emerging markets (South America, Africa and Asia) and developed European markets drove overall costs during the review period. Costs did improve slightly in the 2nd half of the year after spiking higher at the beginning of 2022. The manager's trading costs detracted -60 bp from overall returns in 2022.
- Brokerage costs (-58 bp) underperformed the brokerage benchmark of -17 bp but did improve during the review period. Morgan Stanley received the largest allocation of trade volume (36%) and appeared expensive. Trades allocated to Credit Suisse also appeared expensive. Manager allocated 16% of FX activity to the Fund's custodian but FX costs from that activity is in line with benchmark FX rates. Commissions were in line with the peer group median (-4 bp) and execution only rates.

Follow-up Due Diligence Evaluation/Findings

- Conducted follow-up conference call with manager in August to review issues noted in Zeno reports.
- Topics covered in response to inquiry are summarized on the following page.

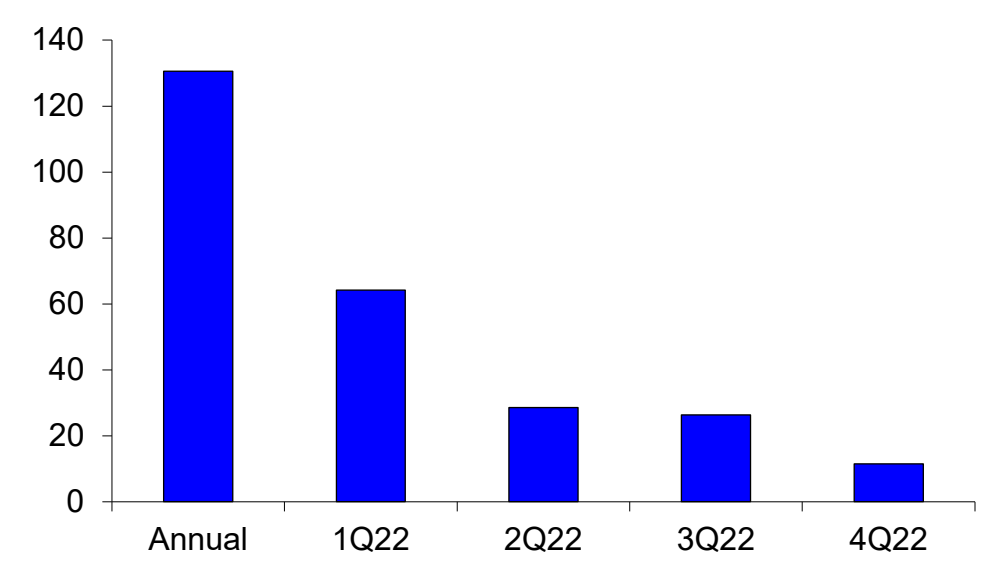
Baillie Gifford

Follow-up Due Diligence Evaluation/Findings

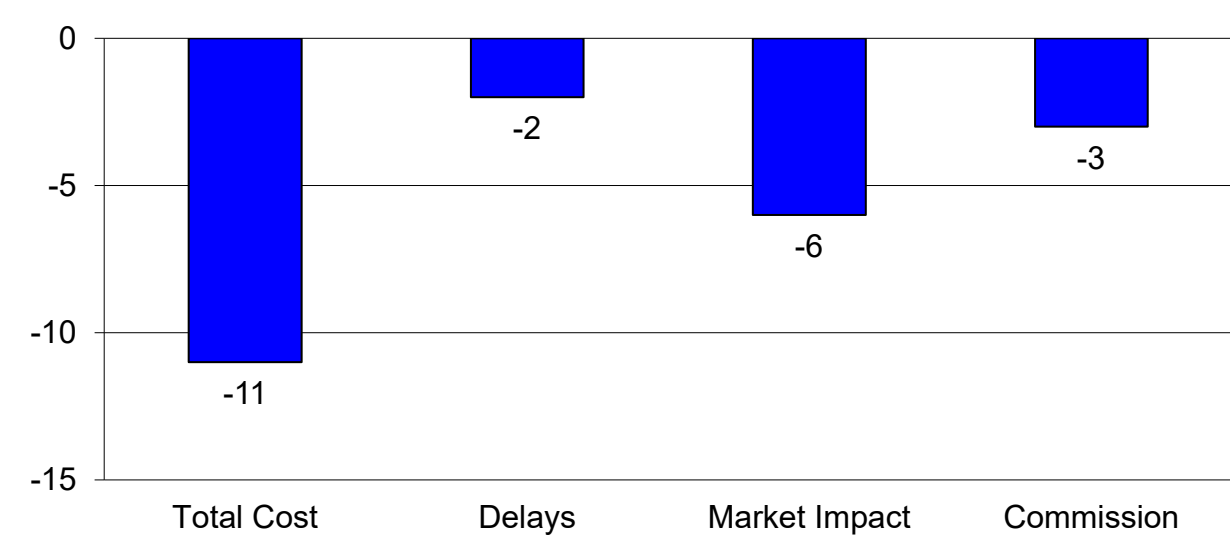
- Manager described trade process and noted any changes from prior review.
- Manager discussed growth in assets under management for the strategy and explained how it is monitoring capacity level.
- Manager evaluated specific cash flow trades from January and March 2022 and explained that “The reason why these contributions took more than one calendar day to be executed is a combination of the global nature of the holdings in the fund and the timing of instructions received by the trading desk.”
- Manager provided its own assessment of equity trading using internal time stamps through external 3rd party service providers. The report evaluated just the broker level costs associated with the trading in account. However, as part of the discussion the manager noted that the order level costs were consistent with the Zeno assessment.

Mondrian Investment Partners

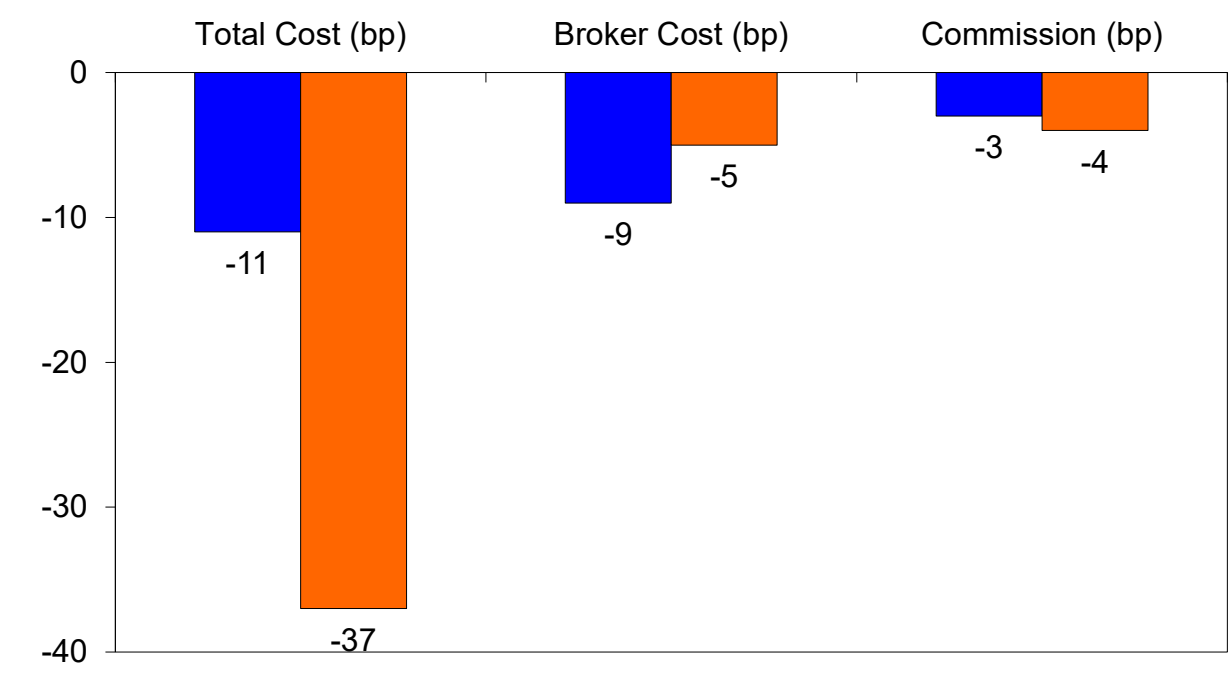
Volume Trend \$MM



Cost Attribution (bp)



Fund Benchmark



Review

- Trading activity (\$131 mm) spiked at the beginning of the year due to fundings in January but leveled off over the last 9 months. . Annual turnover rates are on the low end of the non US all country peer group universe. Manager was a net buyer during the review period.
- Total costs outperformed the benchmark due primarily to lower sell side costs. Activity in Canada and developed Asian markets drove overall costs during the review period. Costs did improve over the last 3 quarters of the review period.
- Brokerage costs (-9 bp) were in line with the brokerage benchmark of -5 bp. Sanford Bernstein received the largest allocation of trade volume (26%). Manager allocated 61% of FX activity to the Fund’s custodian but FX costs from that activity is in line with benchmark FX rates. Although FX activity through JP Morgan and Barclays Capital appeared expensive. Also note EURUSD trades that generated relatively higher costs. Commissions were in line with the peer group median (-4 bp) and execution only rates.

Follow-up Due Diligence Evaluation/Findings

- Conducted follow-up conference call with manager in August to review issues noted in Zeno reports.
- Topics covered in response to inquiry are summarized on the following page.

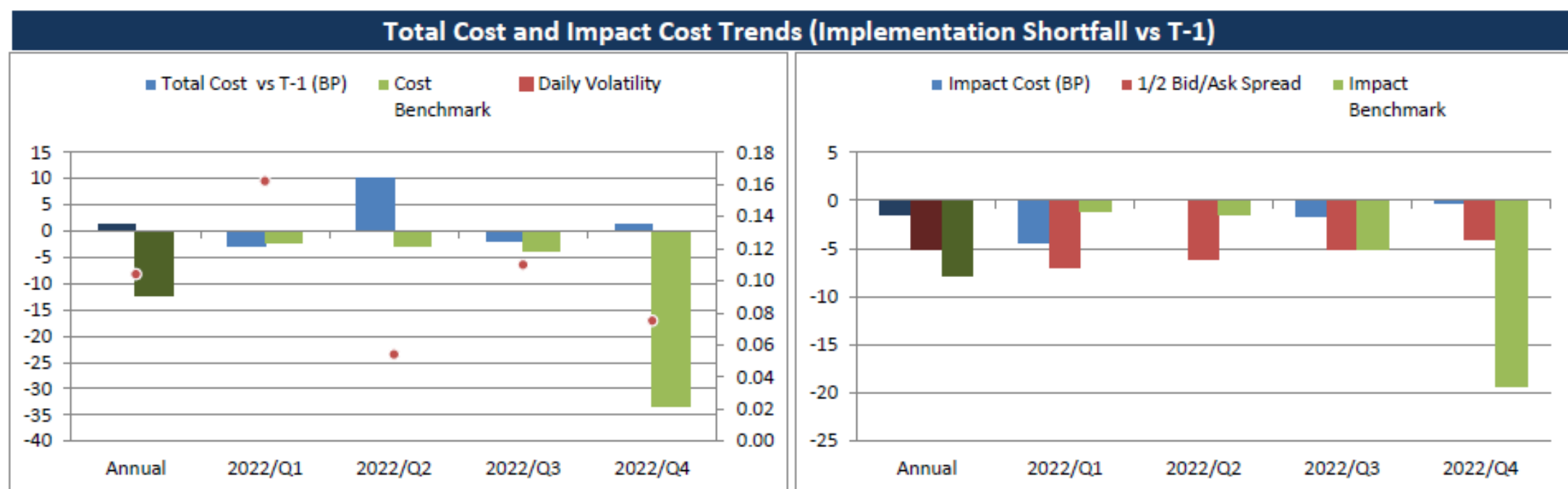
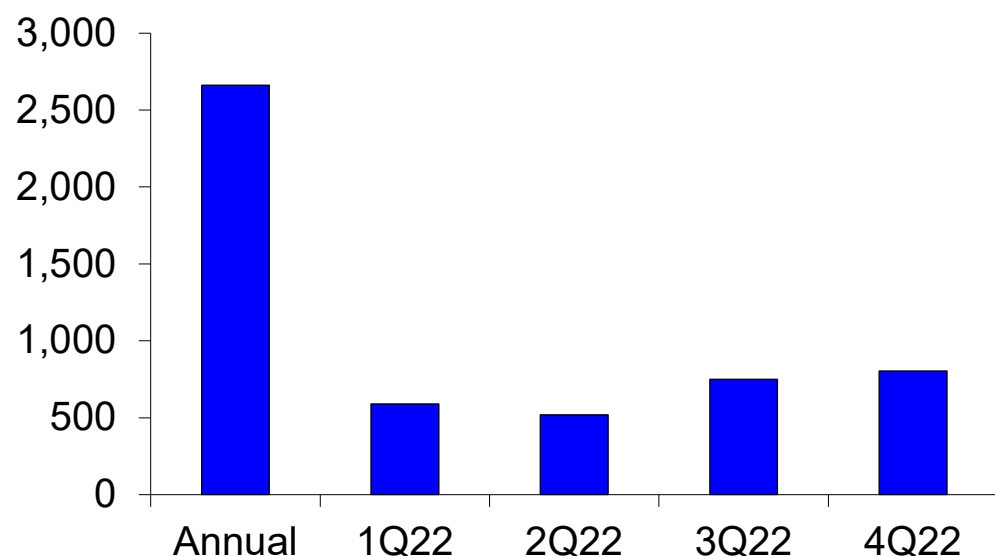
Mondrian Investment Partners

Follow-up Due Diligence Evaluation/Findings

- Manager described trade process and noted any changes from prior review. Manager stated that there is close collaboration between the portfolio managers and the trading desk.
- Manager stated that 2022 was a challenging environment for trading global equities and the liquidity profile changed in all markets.
- Manager evaluated several expensive positions noted within the Zeno analysis.
- Manager described its approach to trading FX on behalf of SamCERA and explained that it utilizes BestEx for its own internal analysis.
- Manager generates an internal TCA analysis on a firmwide basis but could not provide this assessment noting that it does not allow for strategy or account level reviews due in part to the fact that the data it sends to its TCA provider is redacted.

Aggregate Plan – Separately Managed Fixed Income Portfolios

Volume Trend \$MM



	Total Cost vs T-1 (BP)	Daily Volatility	Cost Benchmark
Annual	1	0.10	-12
2022/Q1	-3	0.16	-2
2022/Q2	10	0.05	-3
2022/Q3	-2	0.11	-4
2022/Q4	1	0.08	-33

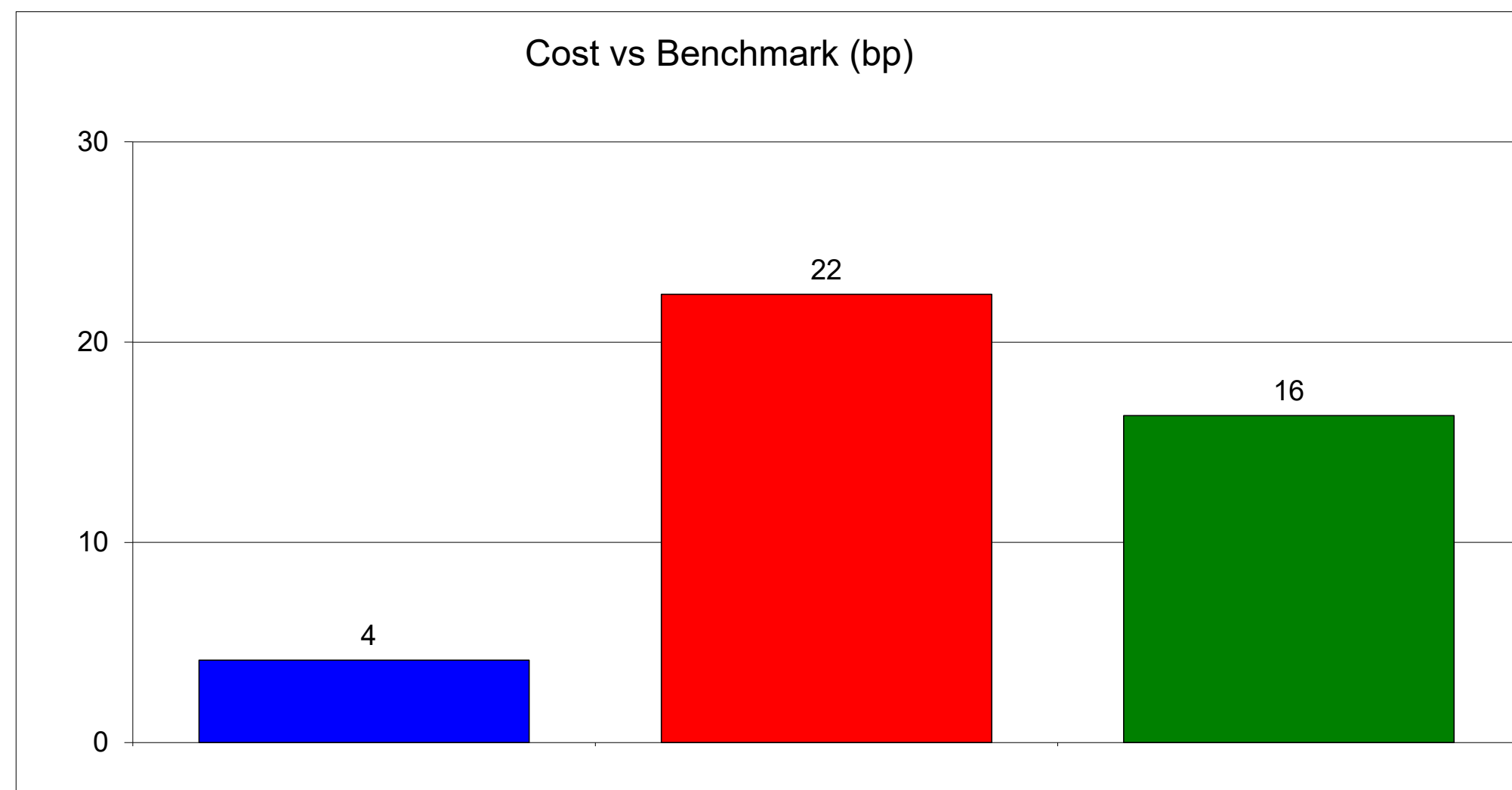
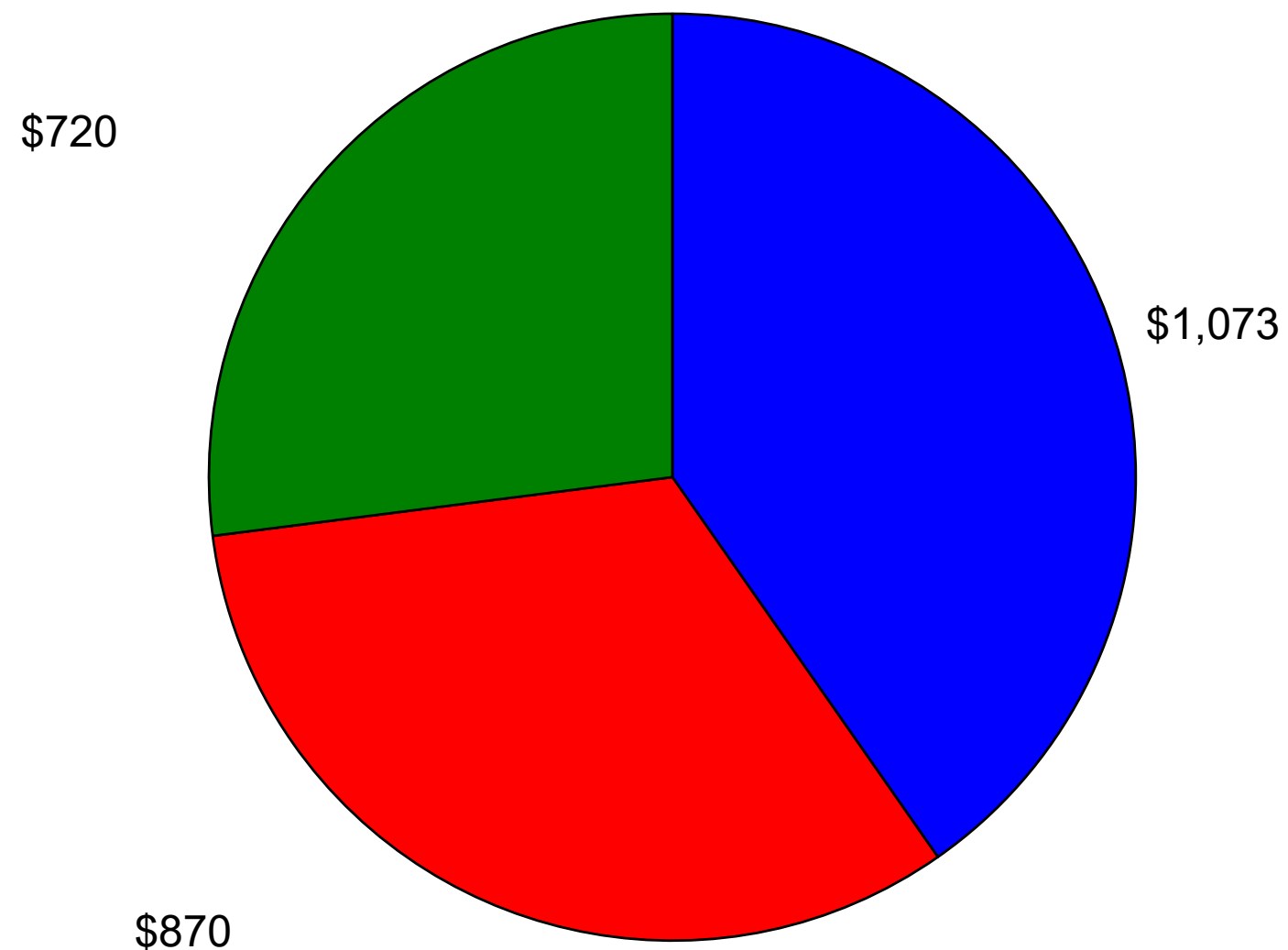
	Impact Cost (BP)	1/2 Bid/Ask Spread	Impact Benchmark
Annual	-2	-5	-8
2022/Q1	-4	-7	-1
2022/Q2	0	-6	-2
2022/Q3	-2	-5	-5
2022/Q4	0	-4	-19

Observations

- Evaluated trading activity (\$2,663 mm) trended higher over the 2nd half of the year. The Fund’s managers were net buyers during the review period. Average duration of the traded positions was shortened at the end of the year, as interest rates continued to rise, peaking in November in reaction to the Federal Reserve’s ongoing aggressive approach to curbing inflation. Longer term rates dropped slightly at year-end. Overall liquidity among securities traded improved over the 2nd half of the year.
- Fixed income securities were traded at prices that were better than the T-1 Evaluated Price Benchmark (+1 bp vs. -12 bp) and were improved after 1Q22. Overall costs from evaluated trades were driven by the sell side, particularly in Municipal, Sovereign and US Treasury debt.
- During the review period, J P Morgan (15%), Morgan Stanley (15%), Goldman Sachs (15%) and Citigroup Global Markets (10%) received the largest allocations by Broker/Dealer.
- US Treasury securities (51%), Structured Debt (41%) and High Grade (8%) were the most active sectors by volume.

Aggregate Plan – Separately Managed Fixed Income Portfolios

Trade Value (\$2,663 mm)



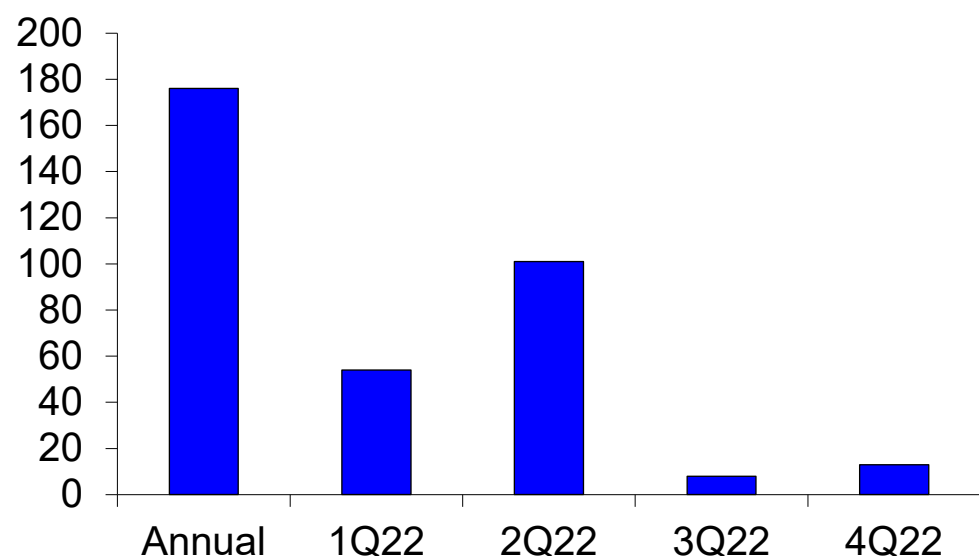
 NISA Investment Advisors

 DoubleLine

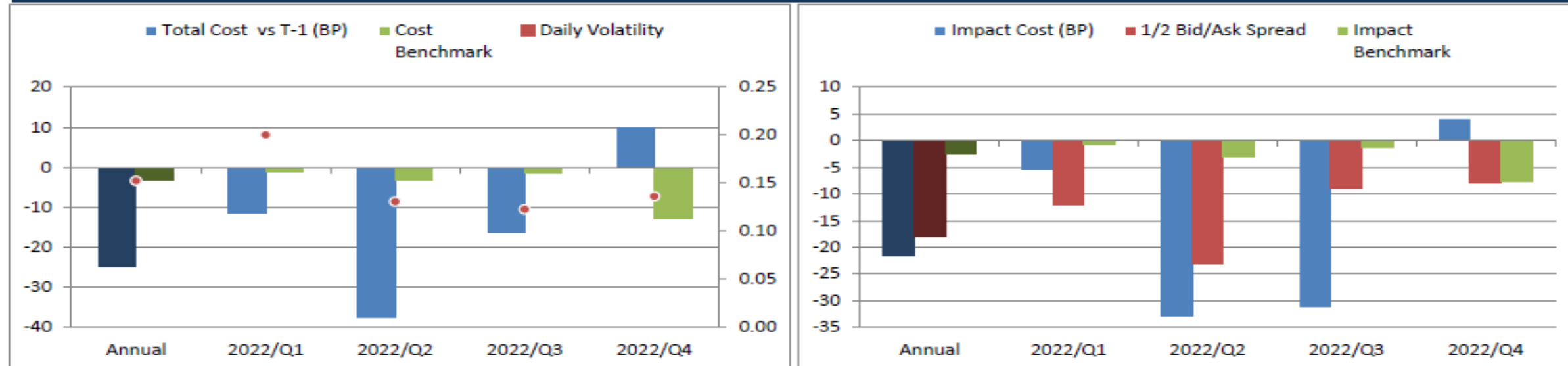
 Fidelity Inst Asset Mgmt

Franklin Templeton Institutional- Fixed Inc Commingled Fund

Volume Trend \$MM



Total Cost and Impact Cost Trends (Implementation Shortfall vs T-1)



	Total Cost vs T-1 (BP)	Daily Volatility	Cost Benchmark	Impact Cost (BP)	1/2 Bid/Ask Spread	Impact Benchmark
Annual	-25	0.15	-3	-22	-18	-3
2022/Q1	-11	0.20	-1	-5	-12	-1
2022/Q2	-37	0.13	-3	-33	-23	-3
2022/Q3	-16	0.12	-1	-31	-9	-1
2022/Q4	10	0.14	-13	4	-8	-8

Review

- Evaluated trading activity (\$176 mm) declined considerably in the 2nd half of the year. Manager was a net seller during the review period. Average duration of the traded positions was shortened in the 2nd half of the year after it was lengthened in the middle of 2022. Overall liquidity among securities traded worsened during the review period.
- Fixed income securities were traded at prices that were worse than the T-1 Evaluated Price Benchmark (-25 bp vs. -3 bp) and were higher when compared with ½ bid ask spread. Overall costs from evaluated trades were driven by selling activity in emerging market debt, notably South America, Africa and Asia. Costs did improve at year-end.
- During the review period, SC (16%), HSBC Securities (16%), Citigroup Global Markets (16%), BNP Paribas (15%) and Morgan Stanley (10%) received the largest allocations by Broker/Dealer. SC, Citigroup and BTIG generated average costs that exceeded the ½ Bid/Ask Spread for each respective market. FX activity through Deutsche Ban appeared expensive. Also note EURSEK trades that generated relatively higher costs. .

Follow-up Due Diligence Evaluation/Findings

- Conducted follow-up conference call with manager in August to review issues noted in Zeno reports.
- Topics covered in response to inquiry are summarized on the following page.

Franklin Templeton Institutional- Fixed Inc Commingled Fund

Follow-up Due Diligence Evaluation/Findings

- Manager described trade process and noted any changes from prior review. Manager explained that there was reduced liquidity in US Treasury securities.
- Manager evaluated Zeno's assessment that a significant portion of the manager's portfolio had not been traded recently and/or were difficult to price utilizing Zeno's pricing model, suggesting potential liquidity concerns for the portfolio. Manager submitted its own internally generated liquidity suggesting that virtually 100% of the portfolio could be liquidated in one day.
- The manager utilizes Deloitte to internally evaluate its fixed income trading. Based on the manager's internal assessment, total costs generated by the Fund in 2022 were -85 bp, which is considerably higher than the costs observed by Zeno. The overall assessment of relatively higher costs is consistent with Zeno's analysis. The manager explained that "Nets Assets have fallen 80% in 2022." Furthermore, the manager stated that "between the months of April and May which saw AUM fall from \$298m to \$73m [resulted] in higher than normal trading costs from selling down those positions."
- Manager described and updated its approach to trading FX in the account.

Aggregate Separately Managed Equity Portfolios - FX

Summary

Total FX Dollars Traded: US\$ 185.9 MM

Total Costs/Savings

vs. Avg Daily Mid: -3 bp

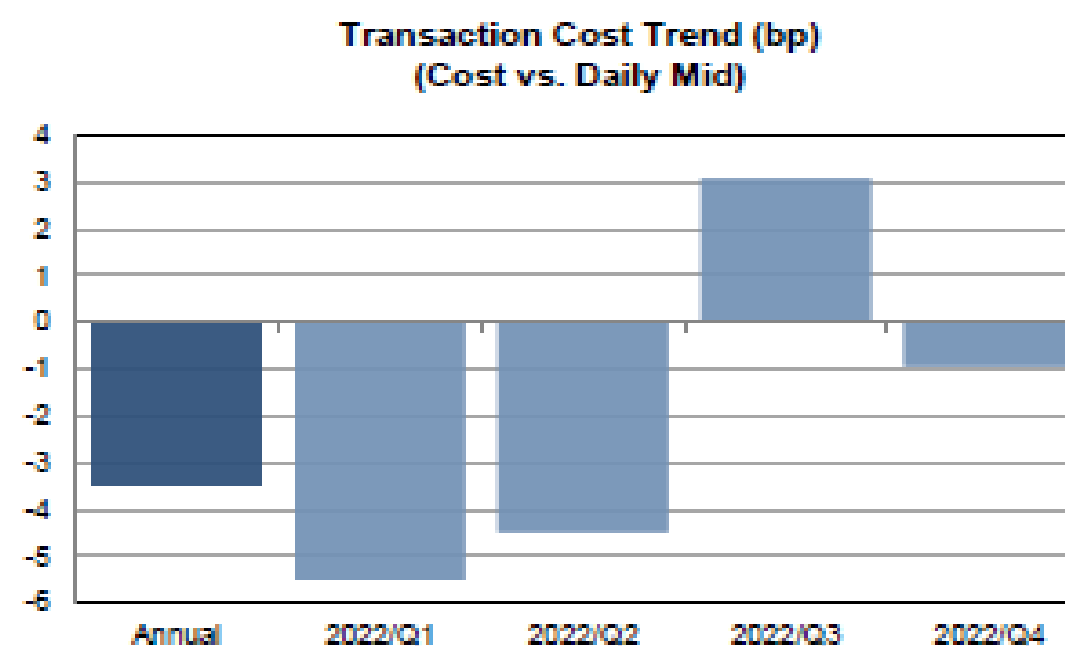
vs. London 4:00 pm Close: -2 bp

FX Dollars Traded through Custodian: US\$ 68.5 MM

Total Costs/Savings

vs. Avg Daily Mid: -2 bp

vs. London 4:00 pm Close : -1 bp



	bp	P/L(USD)
Annual	-3.5	-64,677
2022/Q1	-5.5	-49,428
2022/Q2	-4.5	-20,659
2022/Q3	3.1	7,687
2022/Q4	-0.9	-2,277

Observations

- \$186 mm of FX Trading activity occurred during the review period. The custodian share of the FX trades was 37% of overall activity. Overall the FX activity from 2 different equity portfolios was evaluated during the review period.
- FX Execution Rates were in line with industry benchmarks during the review period. Costs of trades executed by the custodian were in line when compared with those executed through other counterparties. Equity portfolios managed by Baillie Gifford (16 % to the custodian) and Mondrian Investment Partners (61% to the custodian) generated costs were in line with Benchmark rates.
- Other than trades through the custodian, JP Morgan (26%), State Street (10%), Brown Brothers Harriman (9%) and Bank of New York (8%) were allocated the largest amount of overall volume during the review period. 9% of all transactions were classified as Forwards.
- Top 5 Currency Pairs (EURUSD, USDJPY, GBPUSD, USDINR and USDSEK) represented 75% of total volume during the review period. Overall, 7% of FX activity occurred in restricted markets.

Aggregate Commingled Fund Fixed Income Portfolio - FX

Summary

Total FX Dollars Traded: US\$ 778.2 MM

Total Costs/Savings

vs. Avg Daily Mid: +6 bp

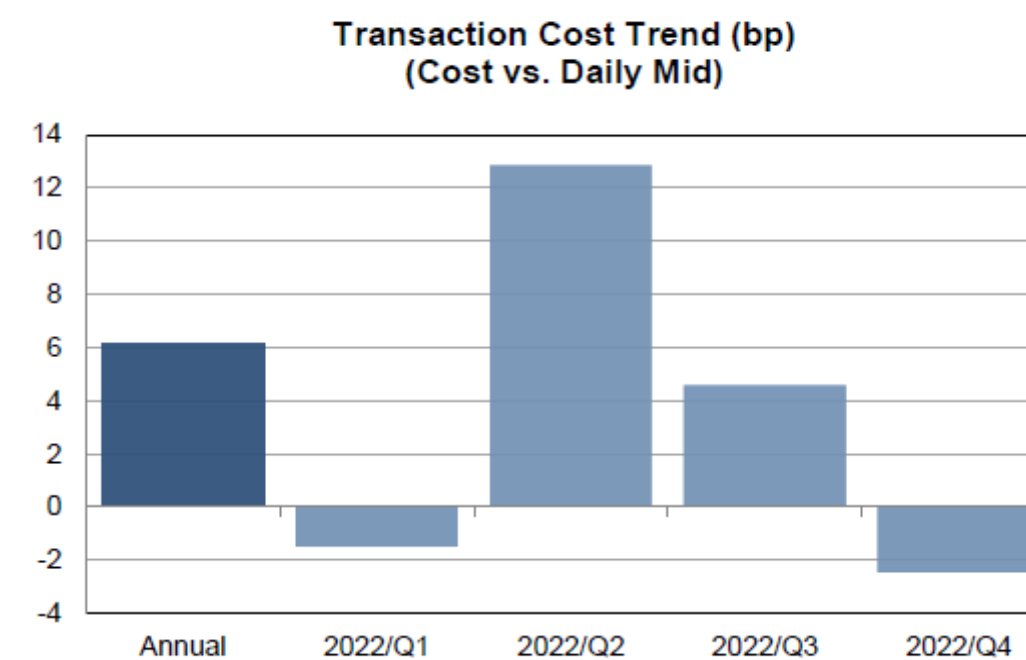
vs. London 4:00 pm Close: +4 bp

FX Dollars Traded through Custodian: US\$ NA

Total Costs/Savings

vs. Avg Daily Mid: NA

vs. London 4:00 pm Close : NA



	bp	P/L(USD)
Annual	6.2	479,333
2022/Q1	-1.5	-36,916
2022/Q2	12.8	486,804
2022/Q3	4.6	43,046
2022/Q4	-2.4	-13,601

Observations

- \$778 mm of FX Trading activity occurred during the review period. Overall the FX activity from 1 commingled fund fixed income portfolio was evaluated during the review period.
- FX Execution Rates were in line with industry benchmarks during the review period.
- Santander (27%), Deutsche Bank (19%), HSBC Securities (12%), Morgan Stanley (10%) and BNP Paribas (8%) were allocated the largest amount of overall volume during the review period. Trades allocated to Deutsche Bank appeared expensive. 52% of all transactions were classified as Forwards.
- Top 5 Currency Pairs (USDCNH, EURUSD, EURCAD, USDKRW and USDJPY) represented 53% of total volume during the review period. Overall, 28% of FX activity occurred in restricted markets.

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<https://www.abelnoser.com/zeno-an-solutions>


The Industry's Most Comprehensive TCA for Asset Owners

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 6.6

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Emerging Market Debt Manager Search

Recommendation

Provide direction to staff and consultant as appropriate regarding the emerging market debt manager search.

Background

In August, staff communicated to the Board regarding the plan to commence a search for an emerging market debt manager as part of its Opportunistic Credit Portfolio within the Growth category. The current policy allocation to Opportunistic Credit is 11%. SamCERA is looking for an emerging markets, unconstrained, best ideas mandate, which largely has discretion on allocation across credit, country, sovereign debt and currency. The expected investment size for the mandate is \$60 million.

Discussion

Staff and consultant sent a request for information (RFI) to an initial list of eight investment managers and received responses back from seven managers. After reviewing the responses and information provided, staff and consultant plan to conduct further due diligence with a short list of two investment managers.

Joe Abdou from Verus will provide an update on the emerging market debt manager search process with the Board.

Attachments

Verus Memorandum on Emerging Market Debt Search Update
Verus Emerging Market Debt Search Book

Memorandum

To: San Mateo County Employees' Retirement Association (SamCERA) Board
From: Joe Abdou, Consultant
John Nicolini, Consultant
Date: October 31, 2023
RE: Emerging Markets Debt search update

Executive Summary

The purpose of this memo is to provide an update to the Board on the status of the Emerging Markets Debt (EMD) search. Currently, SamCERA has one manager within Opportunistic Credit that has exposure to EMD, along with other global macro factors. During the annual review for this manager, the Board was made aware of potentially replacing the strategy, with one that is focused only on EMD. Verus and Staff initiated a search in September and sent an RFI to multiple managers. Verus and Staff independently reviewed the managers and identified two that would be suitable for SamCERA. Verus and Staff will conduct further due diligence with Eaton Vance and Franklin Templeton and bring our recommendation to the Board at an upcoming meeting.

The rest of this memo provides detail on our due diligence and where we are in the search process.

Search Process

- SamCERA Staff and the Verus consulting and fixed income teams conducted a series of calls with the goal of identifying a group of EMD strategies that fit SamCERA's search criteria. An important characteristic that we were looking for among EMD strategies was flexibility and broad capabilities. We wanted to avoid strategies that closely mirrored a particular EMD benchmark or were otherwise tightly constrained in their ability to generate alpha. Verus and Staff identified 8 potential managers that might be suitable for SamCERA's mandate. Verus and staff created and sent a comprehensive RFI to all 8 of the managers in September.
- The RFIs were due late September and 7 of the 8 managers responded (one manager declined to respond as their strategy was catered to European clientele). Verus and Staff reviewed the questionnaires received from the managers and all supplemental information. Two were identified as preferred candidates. Many factors went into this discussion including investment team tenure and expertise, strategic fit, fees, and performance.
- The two strategies that Verus and Staff will further review are Eaton Vance Emerging Markets Debt Opportunities Strategy and Franklin Emerging Market Debt Opportunities Strategy. Both strategies provided adequate leeway for the managers to provide alpha, are benchmark agnostic, and have capable investment teams.

Eaton Vance –

The Eaton Vance Emerging Markets Debt Opportunities Strategy is a benchmark agnostic strategy that looks to identify countries on the brink of meaningful structural change. The team looks for improvement in country fundamentals by focusing on the risk profile of each country (currency risk, interest rate risk, sovereign credit, and corporate credit). The investment team's country analysis seeks to determine a country's direction of change, as a country's existing level of fundamentals is not as important as the expected direction of those fundamentals. The team tends to take an intermediate-to-long-term view (1-5 years) when assessing a country's likelihood for improvement. Both public and private sector views are incorporated in the analysis as there can often be a disconnect between the messages being delivered by government officials and the actual effects on the private sector.

Franklin Templeton –

The Franklin Emerging Market Debt Opportunities Strategy focuses its research effort on conducting in-depth fundamental analysis on Emerging Markets countries and currencies. The country analysis is used to determine whether the yield available will adequately compensate for the fundamentals of a country and whether the credit of a country will improve or deteriorate. Each country in the universe is evaluated on 7 criteria (liquidity, solvency, maturity, currency mismatch, commodities exposure, contingent liabilities, and willingness to pay). Currency analysis is conducted to understand the trends and catalysts for each country's currency. This analysis is used to determine whether the exposure should be hard or local (denominated in USD or local currency).

This memo serves to update SamCERA's Board on Verus and Staff's Emerging Markets Debt manager search. We plan on completing our due diligence and on-site over the next 1-2 months, bringing a recommendation to the Board shortly thereafter. Attached are statistics and summary overviews on the Emerging Market Debt managers that were vetted by Verus and SamCERA Staff.

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PERSPECTIVES THAT DRIVE ENTERPRISE SUCCESS



October 2023
Emerging Market Debt Search
SamCERA

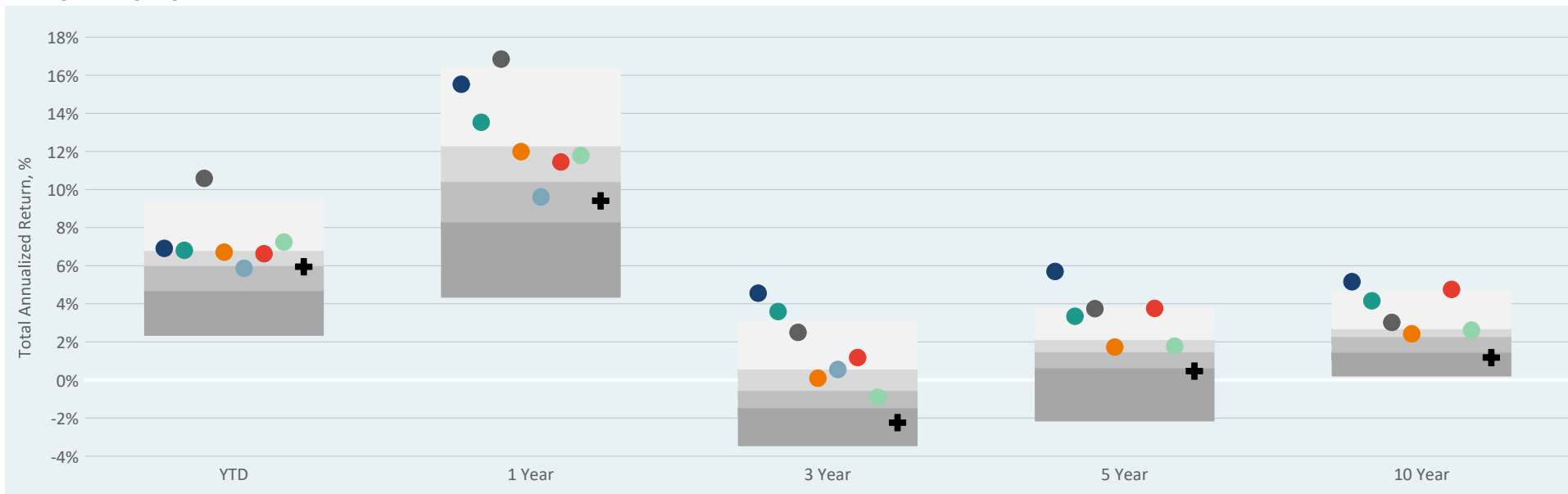
Performance Analysis

Performance comparison - as of June 2023

● Eaton Vance ● Franklin ● GSAM ● PGIM ● PIMCO ● Principal ● Wellington

✚ JPM GBI-EMBI Blend

PERFORMANCE TO DATE



EXCESS ANNUALIZED RETURN TO DATE, %

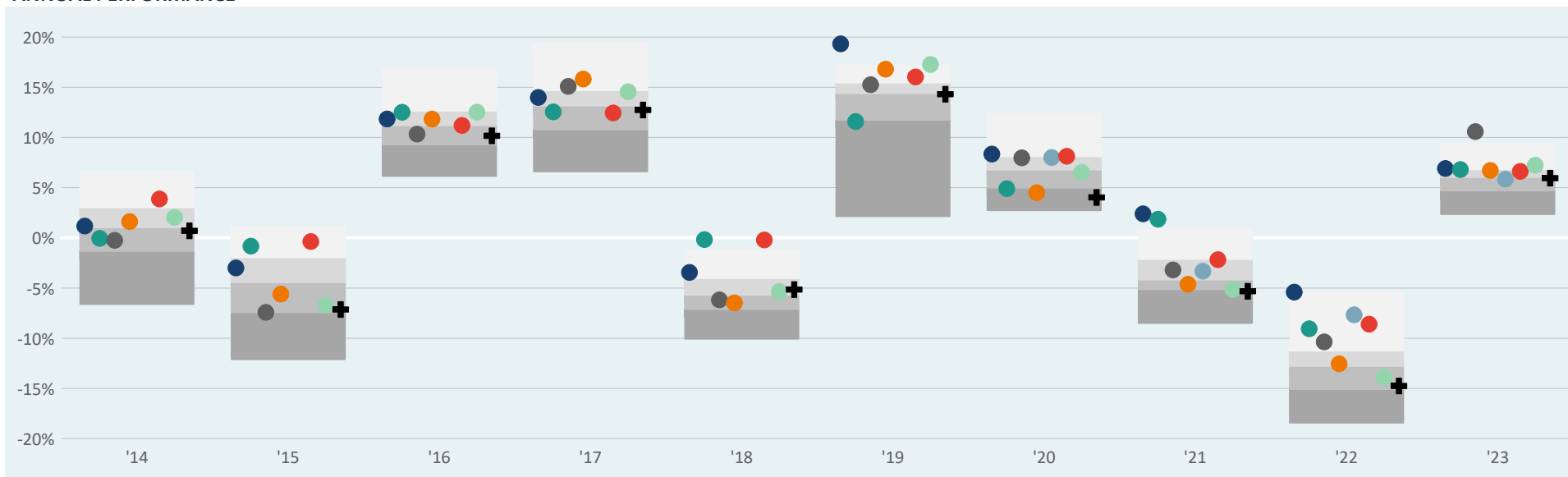
	YTD	1 Year	3 Year	5 Year	10 Year
Eaton Vance	1.0	6.1	6.8	5.2	4.0
Franklin	0.9	4.1	5.8	2.9	3.0
GSAM	4.6	7.4	4.7	3.3	1.8
PGIM	0.8	2.6	2.3	1.3	1.2
PIMCO	-0.1	0.2	2.8	---	---
Principal	0.7	2.0	3.4	3.3	3.6
Wellington	1.3	2.4	1.3	1.3	1.4

Calendar year performance

● Eaton Vance ● Franklin ● GSAM ● PGIM ● PIMCO ● Principal ● Wellington

✚ JPM GBI-EMBI Blend

ANNUAL PERFORMANCE



ANNUAL PERFORMANCE + RANKING	2015	2016	2017	2018	2019	2020	2021	2022	2023
Eaton Vance	-3.0	11.8	14.0	-3.4	19.3	8.4	2.4	-5.4	6.9
Rank	32	39	41	15	1	22	1	5	24
Franklin	-0.8	12.5	12.6	-0.2	11.6	4.9	1.9	-9.0	6.8
Rank	15	28	60	2	79	78	2	16	26
GSAM	-7.4	10.3	15.1	-6.2	15.3	8.0	-3.2	-10.4	10.6
Rank	75	60	18	54	27	30	36	21	3
PGIM	-5.6	11.8	15.8	-6.5	16.8	4.5	-4.6	-12.5	6.7
Rank	58	40	14	63	8	82	62	45	29
PIMCO						8.0	-3.3	-7.7	5.9
Rank						28	39	12	55
Principal	-0.4	11.2	12.5	-0.2	16.0	8.1	-2.2	-8.6	6.6
Rank	8	50	61	3	16	25	26	15	31
Wellington	-6.7	12.5	14.6	-5.3	17.3	6.5	-5.1	-13.9	7.2
Rank	66	27	27	46	2	55	75	65	17
JPM GBI-EMBI Blend	-7.1	10.2	12.7	-5.2	14.3	4.0	-5.3	-14.8	5.9
Rank	71	66	57	41	51	87	76	71	52

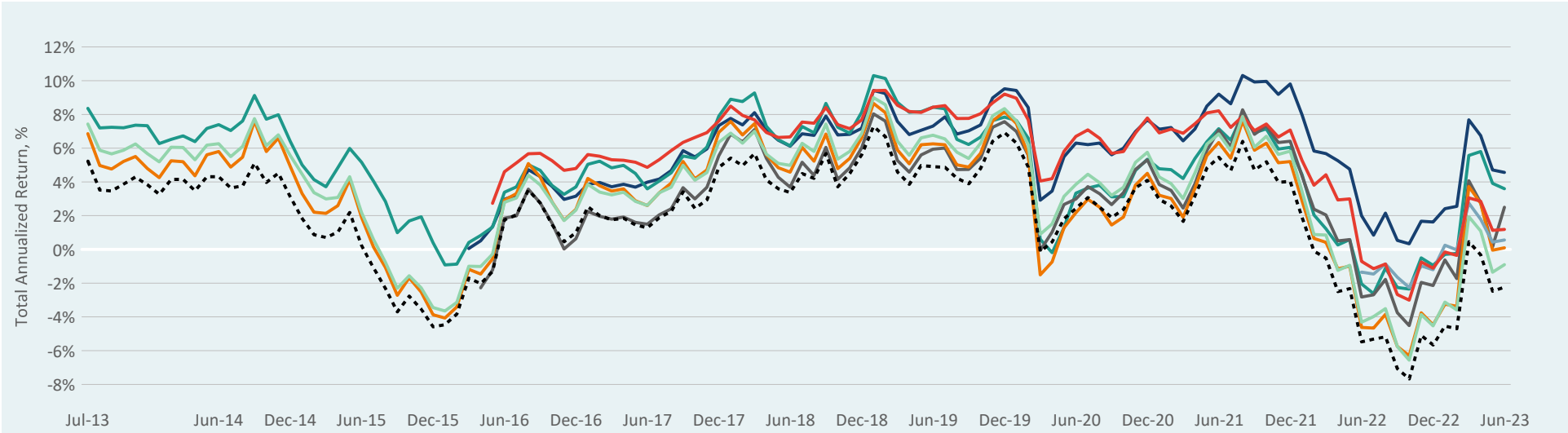
Performance summary - as of June 2023

	Eaton Vance	Franklin	GSAM	PGIM	PIMCO	Principal	Wellington	JPM GBI-EMBI Blend
PERFORMANCE ANALYSIS - (5 Years)								
Alpha %	4.9	2.8	3.4	1.6	---	2.9	1.4	0.0
Beta	0.8	0.9	1.1	1.2	---	0.8	1.1	1.0
R-squared %	78.9	82.7	92.1	96.5	---	88.0	99.0	100.0
Sharpe Ratio	0.4	0.2	0.2	0.0	---	0.2	0.0	-0.1
Treynor Ratio	0.1	0.0	0.0	0.0	---	0.0	0.0	0.0
Tracking Error %	5.1	4.6	3.5	3.2	---	4.1	1.5	0.0
Annualized Std Dev %	9.8	10.7	12.3	13.3	---	8.9	12.1	11.1
Information Ratio	1.0	0.6	0.9	0.4	---	0.8	0.9	---
Max Drawdown %	-14.5	-18.5	-20.7	-23.4	---	-18.1	-25.2	-25.7
Calmar Ratio	0.4	0.2	0.2	0.1	---	0.2	0.1	0.0
Excess Ann. Return %	5.2	2.9	3.3	1.3	---	3.3	1.3	0.0
PERFORMANCE TO DATE								
1 Year	15.5	13.5	16.8	12.0	9.6	11.4	11.8	9.4
3 Year	4.6	3.6	2.5	0.1	0.6	1.2	-0.9	-2.2
5 Year	5.7	3.4	3.7	1.7	---	3.8	1.8	0.5
7 Year	6.1	4.5	3.5	2.2	---	4.8	2.5	0.9
10 Year	5.2	4.2	3.0	2.4	---	4.8	2.6	1.2
Common Inception (Jul-19)	5.2	1.6	1.8	-0.7	1.3	2.2	-0.5	-2.0
CALENDAR YEAR RETURNS								
2022	-5.4	-9.0	-10.4	-12.5	-7.7	-8.6	-13.9	-14.8
2021	2.4	1.9	-3.2	-4.6	-3.3	-2.2	-5.1	-5.3
2020	8.4	4.9	8.0	4.5	8.0	8.1	6.5	4.0
2019	19.3	11.6	15.3	16.8	---	16.0	17.3	14.3
2018	-3.4	-0.2	-6.2	-6.5	---	-0.2	-5.3	-5.2
2017	14.0	12.6	15.1	15.8	---	12.5	14.6	12.7
2016	11.8	12.5	10.3	11.8	---	11.2	12.5	10.2
2015	-3.0	-0.8	-7.4	-5.6	---	-0.4	-6.7	-7.1
2014	1.2	-0.1	-0.2	1.6	---	3.9	2.0	0.7
2013	---	2.1	---	-7.4	---	---	-5.5	-7.1

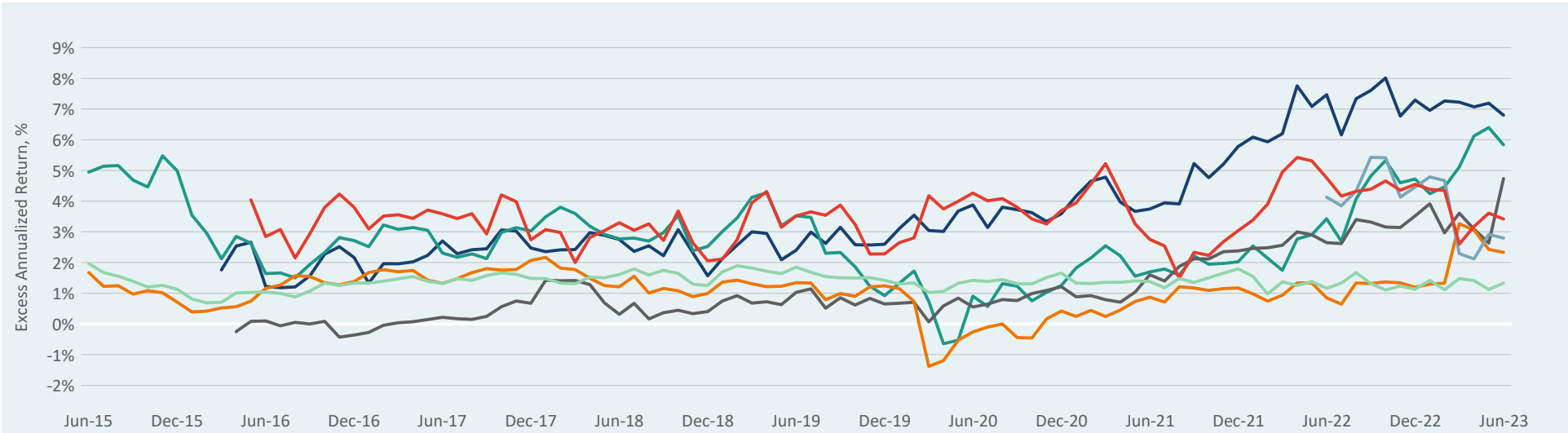
Rolling performance

● Eaton Vance
 ● Franklin
 ● GSAM
 ● PGIM
 ● PIMCO
 ● Principal
 ● Wellington
+ JPM GBI-EMBI Blend

TOTAL 36 MONTH ROLLING PERFORMANCE



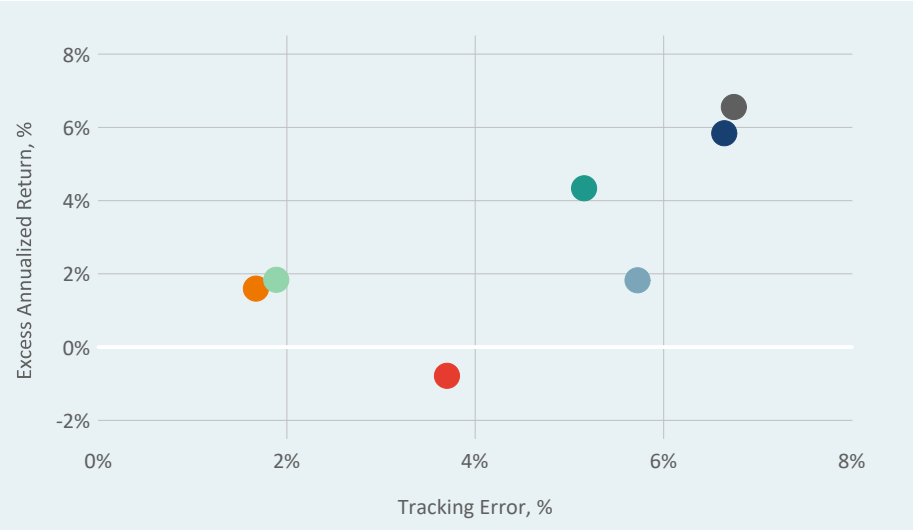
EXCESS 36 MONTH ROLLING PERFORMANCE



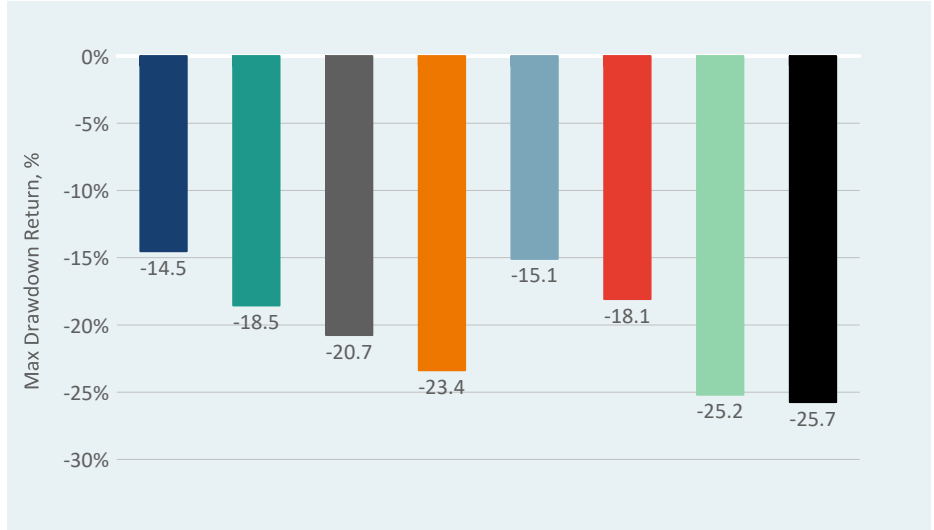
Performance statistics

● Eaton Vance
 ● Franklin
 ● GSAM
 ● PGIM
 ● PIMCO
 ● Principal
 ● Wellington
+ JPM GBI-EMBI Blend

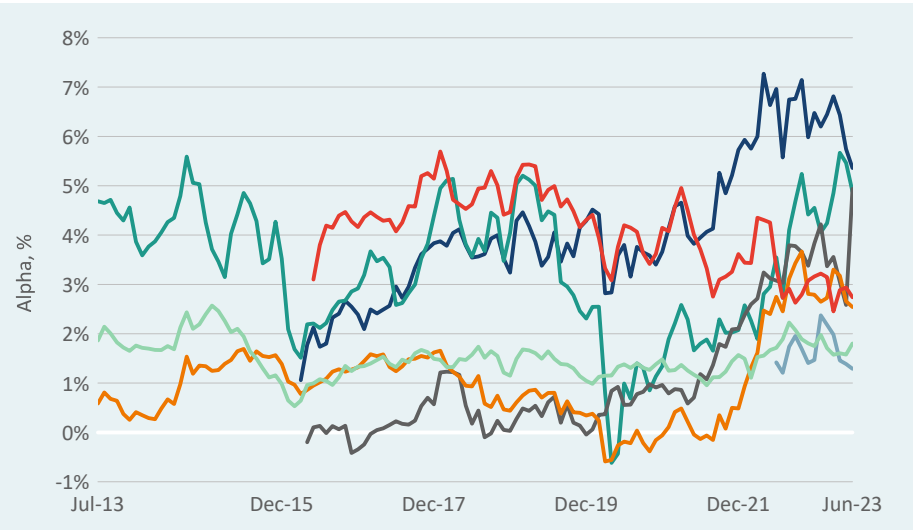
EXCESS PERFORMANCE VS. RISK, JUN-22 TO JUN-23



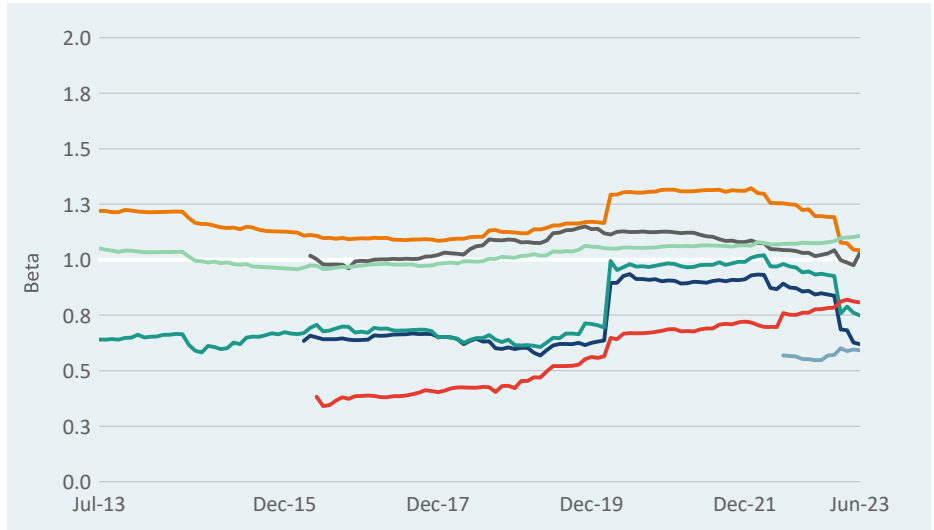
MAX DRAWDOWN RETURN, JUL-19 TO JUN-23



36 MONTH ROLLING ALPHA



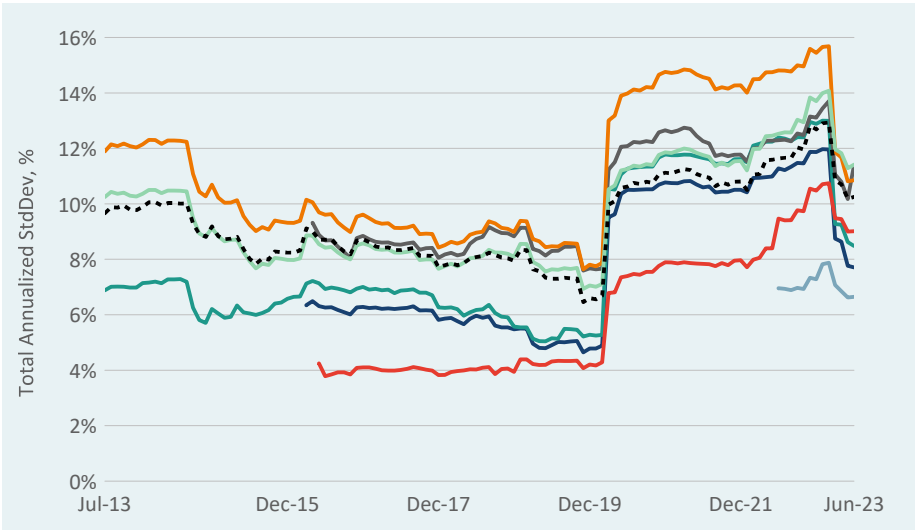
36 MONTH ROLLING BETA



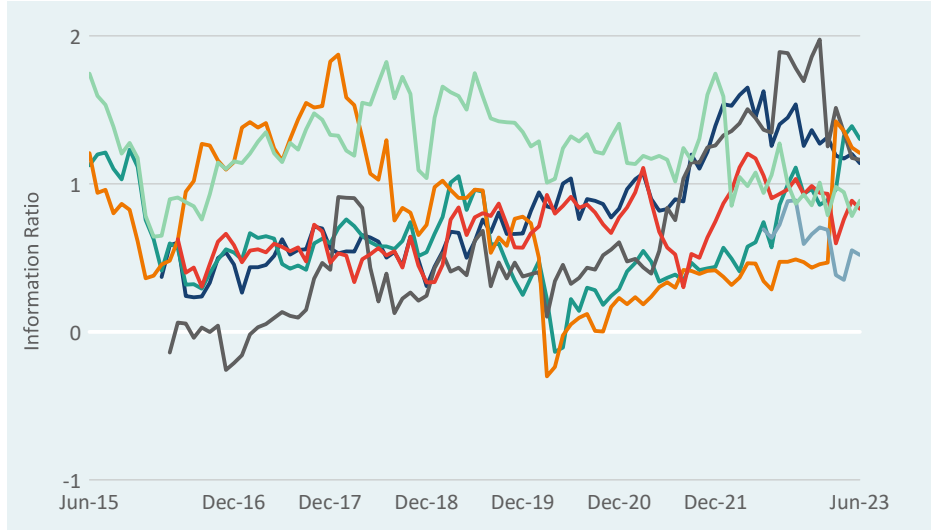
Performance statistics

● Eaton Vance
 ● Franklin
 ● GSAM
 ● PGIM
 ● PIMCO
 ● Principal
 ● Wellington
+ JPM GBI-EMBI Blend

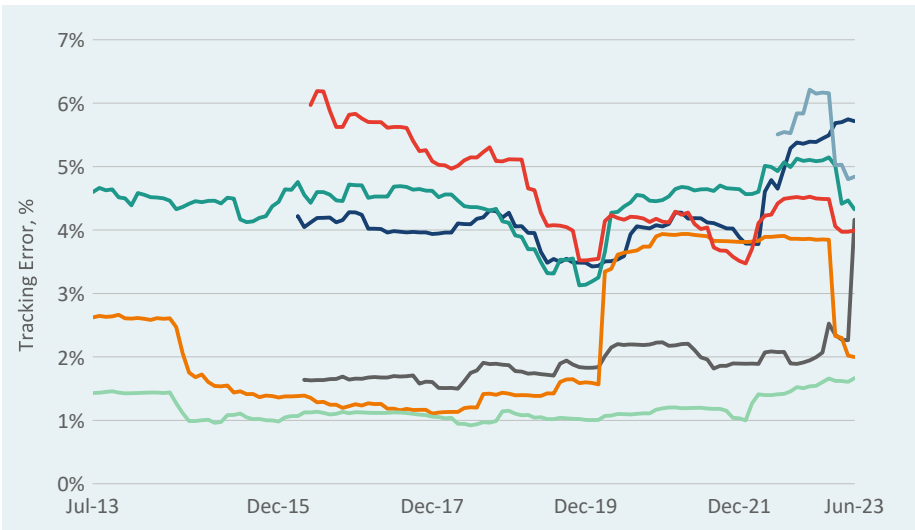
36 MONTH ROLLING RISK



36 MONTH ROLLING INFORMATION RATIO



36 MONTH ROLLING TRACKING ERROR



36 MONTH ROLLING SHARPE RATIO(G)

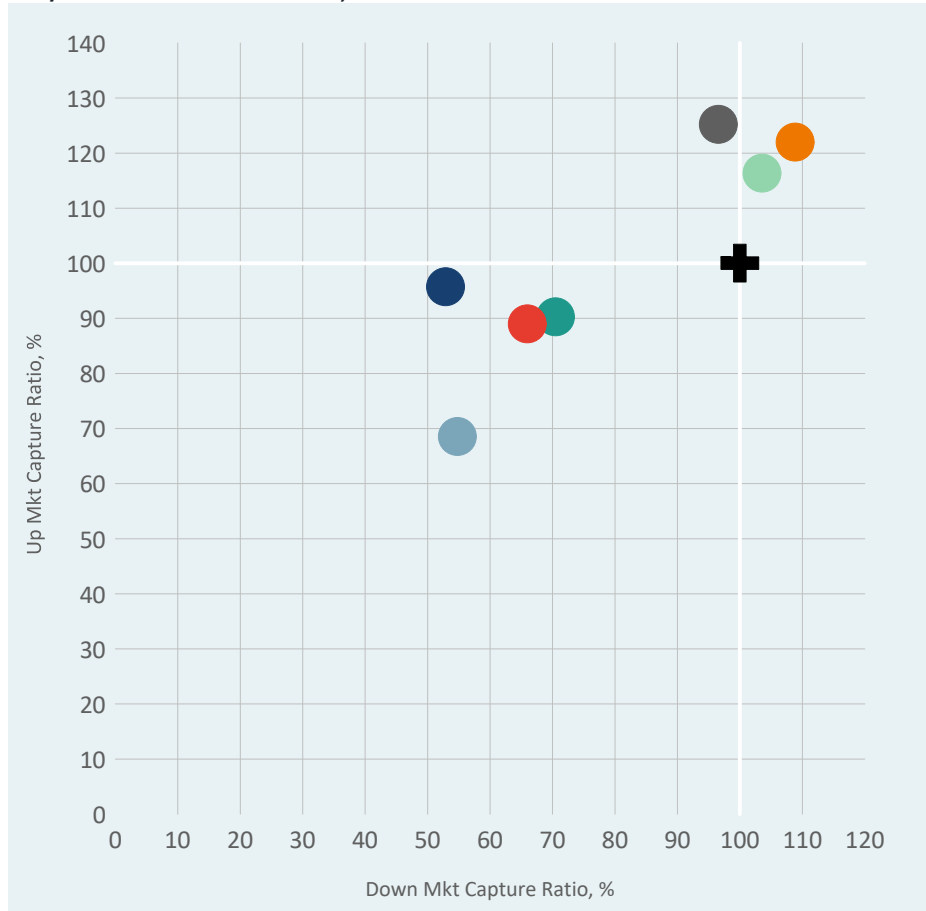


Style Analysis and Portfolio Analytics

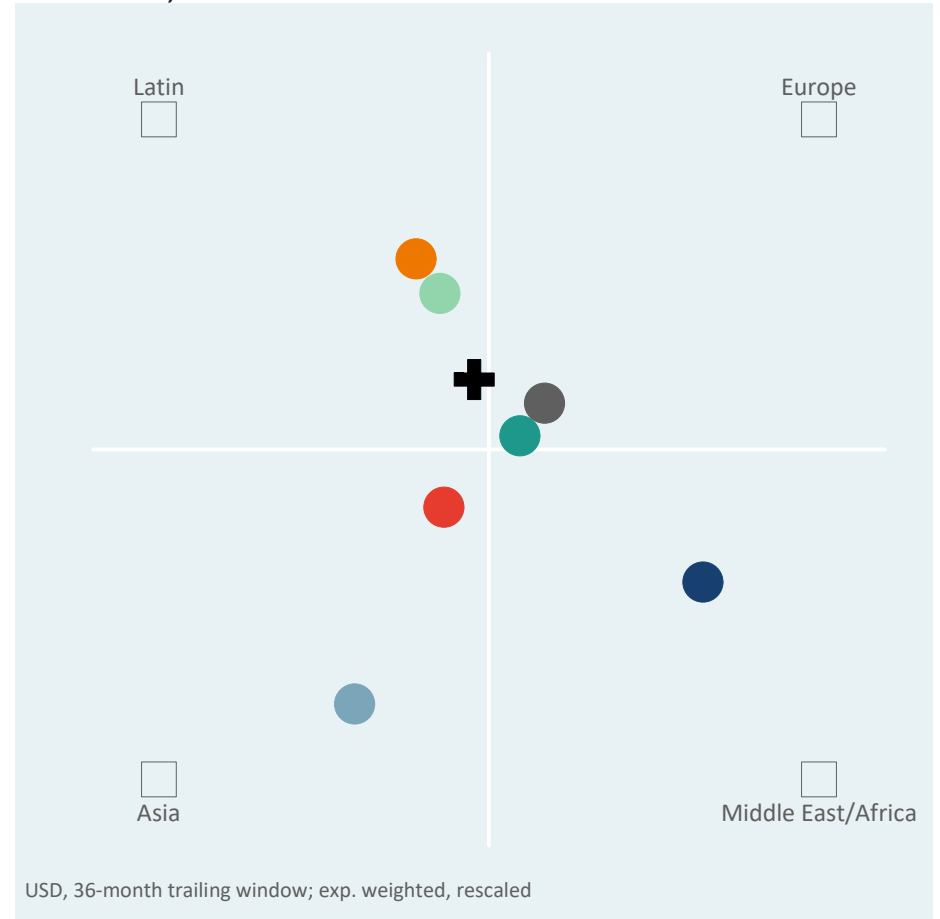
Style and portfolio comparison

● Eaton Vance
 ● Franklin
 ● GSAM
 ● PGIM
 ● PIMCO
 ● Principal
 ● Wellington
+ JPM GBI-EMBI Blend

UP/DOWN MARKET CAPTURE, JUL-19 TO JUN-23



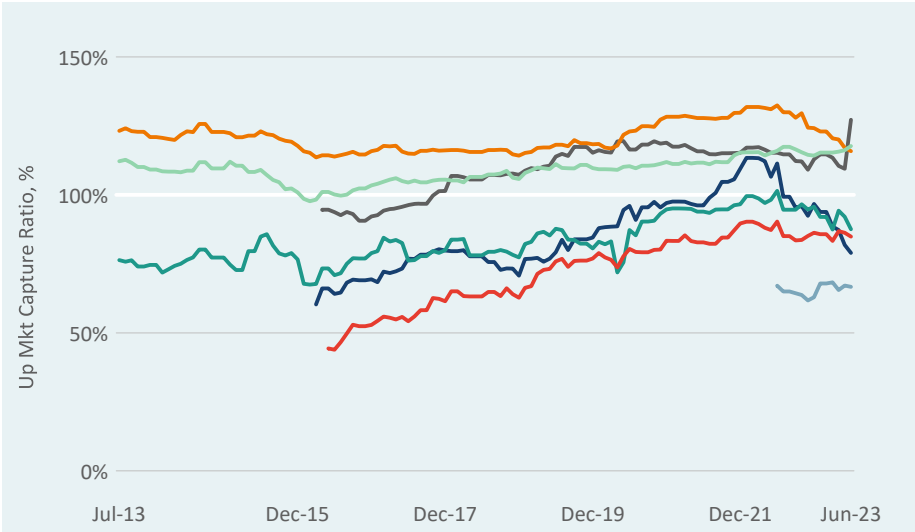
EMD REGION, JUN-22 TO JUN-23



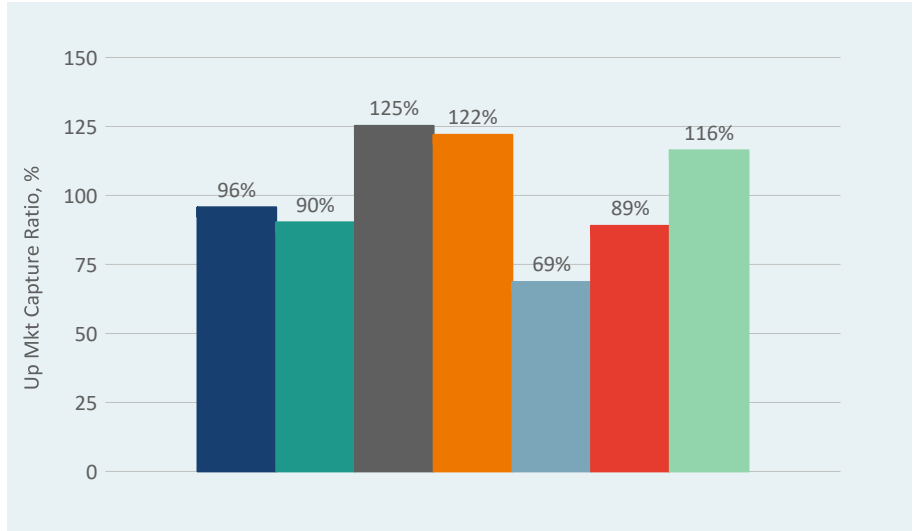
Up & down market analysis

● Eaton Vance
 ● Franklin
 ● GSAM
 ● PGIM
 ● PIMCO
 ● Principal
 ● Wellington
+ JPM GBI-EMBI Blend

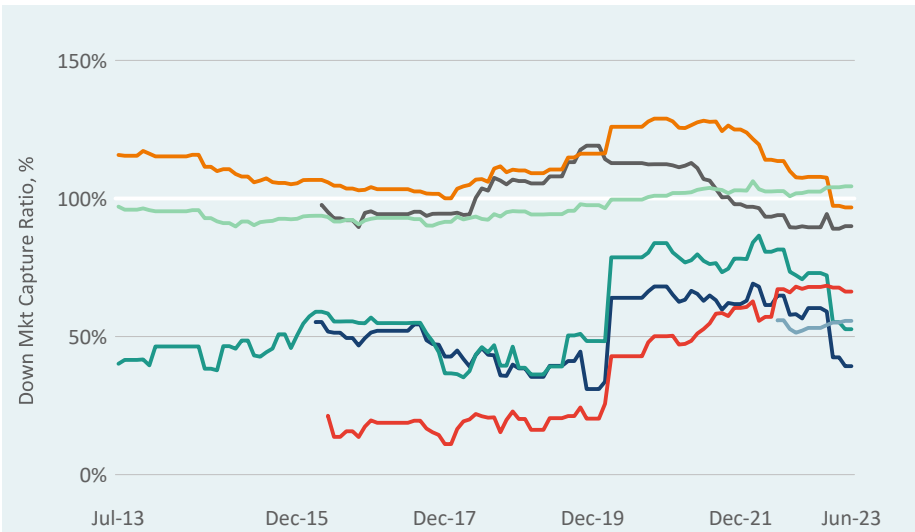
36 MONTH ROLLING UP MKT CAPTURE RATIO



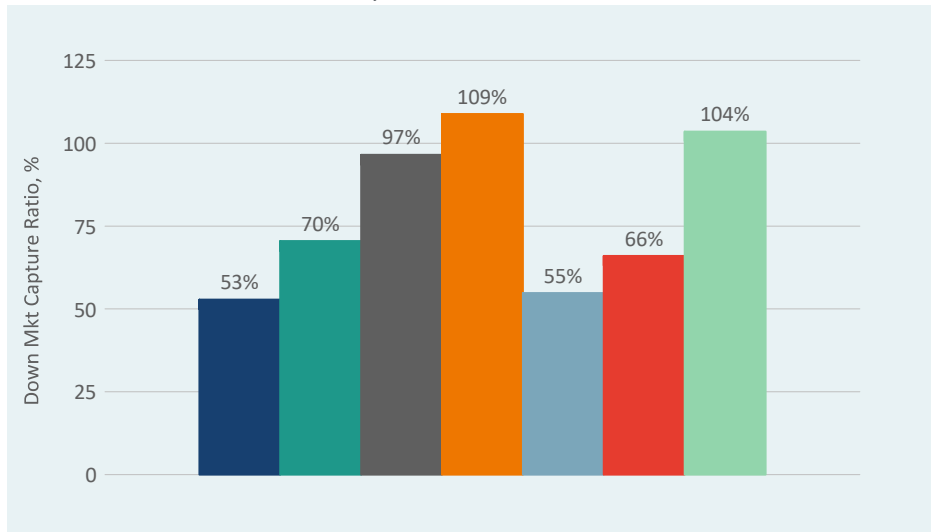
UP MARKET CAPTURE RATIO, JUL-19 TO JUN-23



36 MONTH ROLLING DOWN MKT CAPTURE RATIO

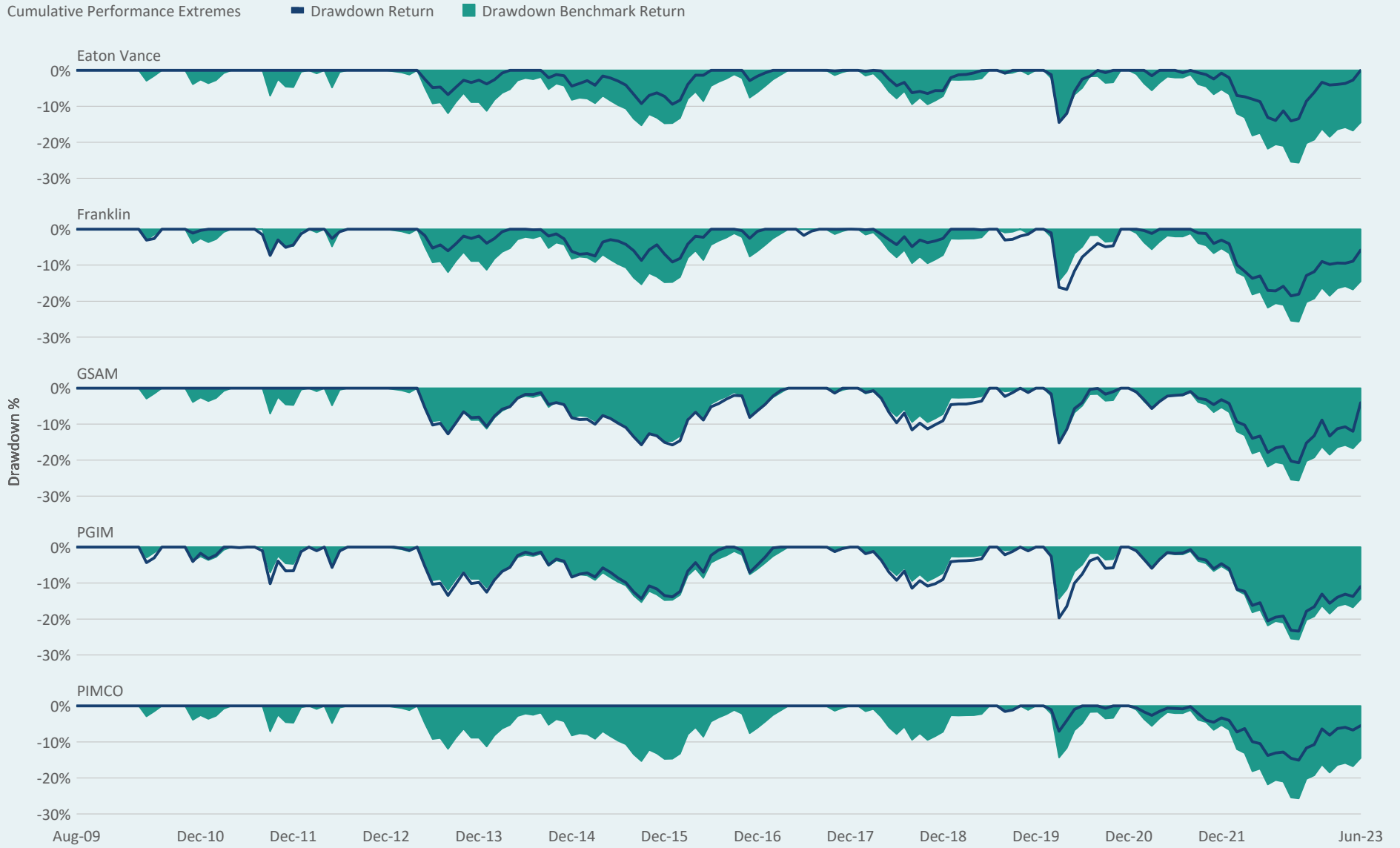


DOWN MARKET CAPTURE RATIO, JUL-19 TO JUN-23



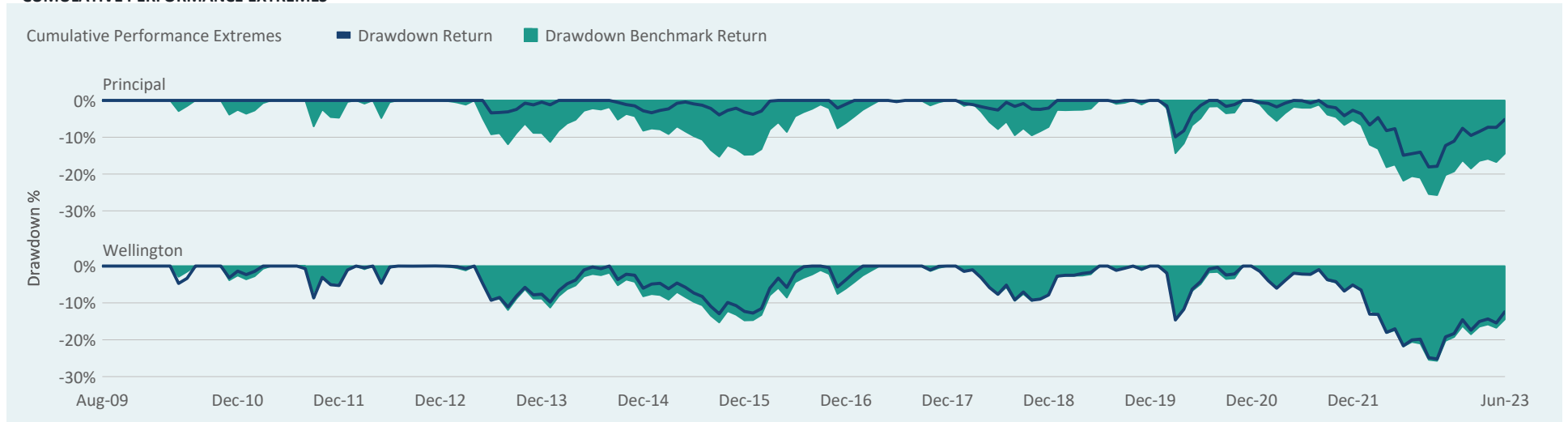
Historical drawdowns

CUMULATIVE PERFORMANCE EXTREMES



Historical drawdowns

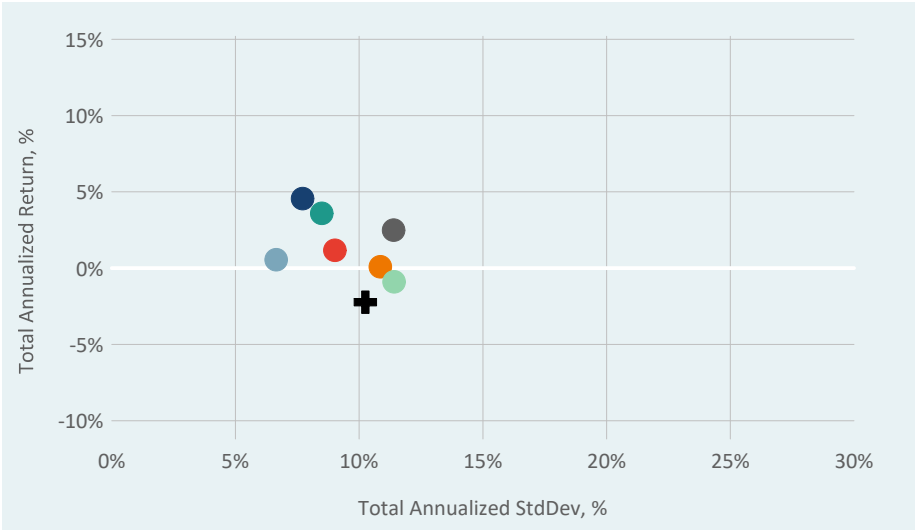
CUMULATIVE PERFORMANCE EXTREMES



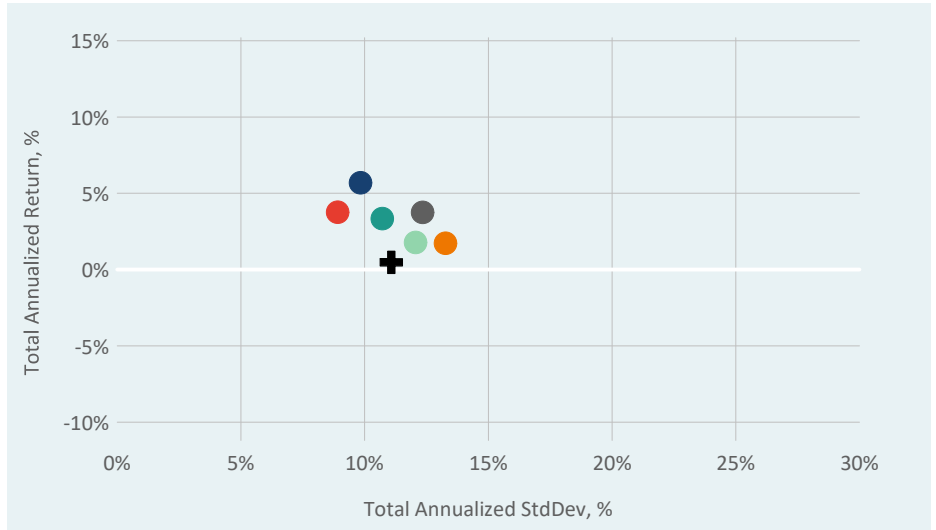
Risk vs. return

- Eaton Vance
- Franklin
- GSAM
- PGIM
- PIMCO
- Principal
- Wellington
- + JPM GBI-EMBI Blend

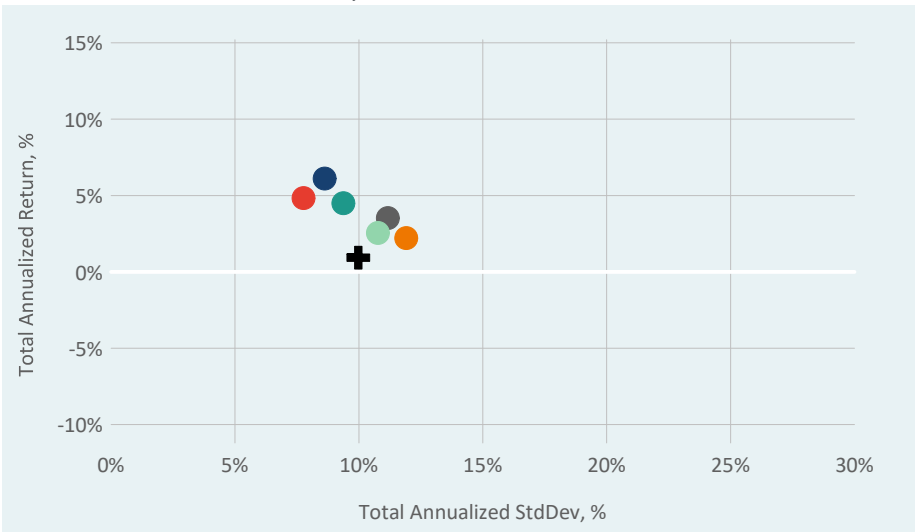
TOTAL PERFORMANCE VS. RISK, JUL-20 TO JUN-23



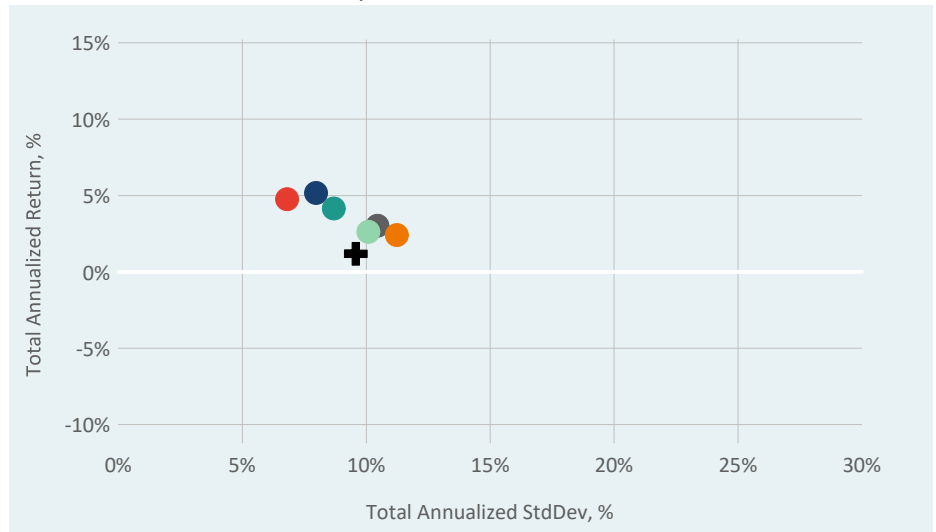
TOTAL PERFORMANCE VS. RISK, JUL-18 TO JUN-23



TOTAL PERFORMANCE VS. RISK, JUL-16 TO JUN-23



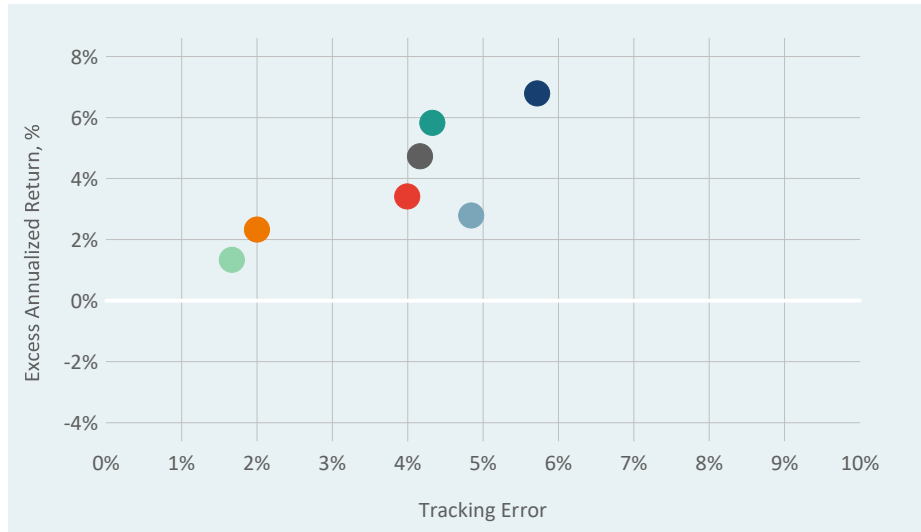
TOTAL PERFORMANCE VS. RISK, JUL-13 TO JUN-23



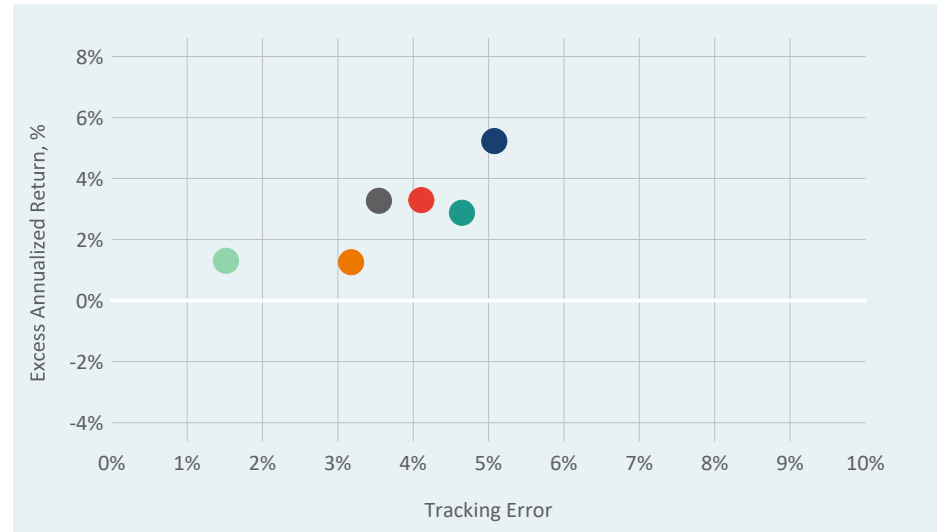
Performance efficiency

- Eaton Vance
 - Franklin
 - GSAM
 - PGIM
 - PIMCO
 - Principal
 - Wellington
- ⊕ JPM GBI-EMBI Blend

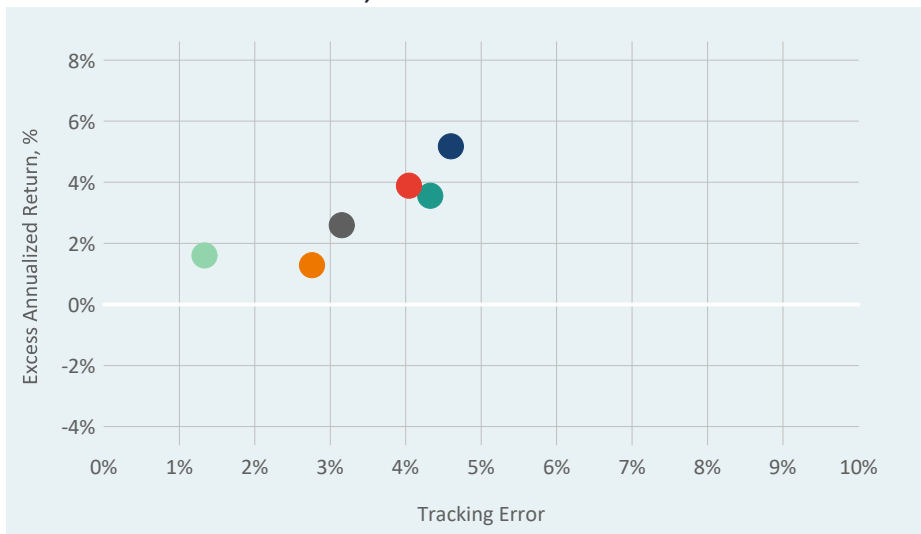
EXCESS PERFORMANCE VS. RISK, JUL-20 TO JUN-23



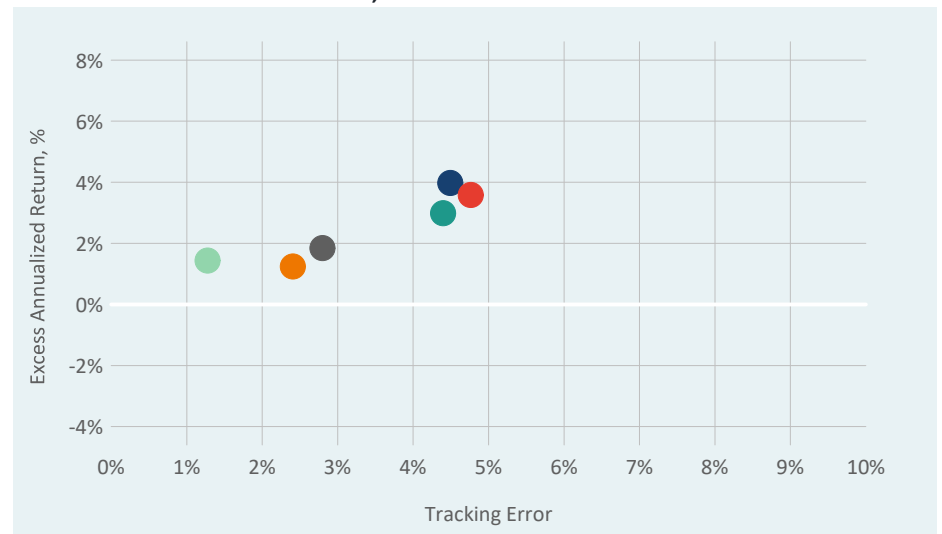
EXCESS PERFORMANCE VS. RISK, JUL-18 TO JUN-23



EXCESS PERFORMANCE VS. RISK, JUL-16 TO JUN-23



EXCESS PERFORMANCE VS. RISK, JUL-13 TO JUN-23



SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 6.7

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Approval of Annual Cash Flow Match Replenishment Recommendation

Recommendation

Approve the recommendation to replenish the cash flow match pool to include fiscal year 2026's net cash flows while also adding an additional year's worth (fiscal year 2027), resulting in pre-funding the next four years' worth of expected net benefit payments (for fiscal years 2024, 2025, 2026, and 2027). No additional new money is expected to be needed to be added to the Insight cash flow-match account.

Background

In July 2022, \$90 million was initially invested (or approximately 1.5% of plan assets) in SamCERA's cash flow-matched account with Insight Investment, to cover the next three years' worth of expected net benefit payments (for fiscal years 2022, 2023, and 2024).

SamCERA evaluates 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 takes place during the 4th quarter.

As part of this process, in October 2022, SamCERA replenished the cash flow-matched account to include fiscal year 2025's net cash flows, resulting in adding \$170 million to the cash-flow matched account, funded from defensive fixed income (to minimize the expected return drag on the portfolio). As a result, the cash-flow matched account was replenished to meet the expected net cash flows for fiscal years 2023, 2024, and 2025, resulting in a 4.5% target allocation.

Discussion

This fiscal year, SamCERA changed its funding policy to help stabilize the expected contribution rate, resulting in higher-than-expected future contributions. As a result, cash flow forecasts provided by Milliman and reviewed by our Finance team indicate lower cash needs will be required to pre-fund expected net benefit payments due to the higher contributions.

For instance, to replenish the cash flow-matched account to meet fiscal year 2026's net cash flow needs (only three years' worth), SamCERA would have an excess of approximately \$82 million to redeploy to the rest of the portfolio.

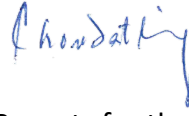
Alternatively, due to the higher expected contributions, SamCERA can replenish fiscal year 2026 and add fiscal year 2027's expected net cash flows (resulting in pre-funding four years of net benefit payments) without potentially needing to add new money. Staff recommends this option as it would effectively allow us to lock in the current attractive rate levels, while providing more flexibility around replenishment in future years. In addition, there would be no change needed to our current asset allocation.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 7.1

TO: Board of Retirement

FROM: Tat-Ling Chow, Finance Officer 

SUBJECT: Acceptance of Financial Audit Reports for the Fiscal Year Ended June 30, 2023

Recommendation

Accept the Financial Audit Reports from Brown Armstrong Accountancy Corporation (Brown Armstrong) for the fiscal year ended June 30, 2023.

Discussion

Brown Armstrong has issued three audit reports in connection with the financial audit for the fiscal year ended June 30, 2023. Mrs. Ashley Green from Brown Armstrong will discuss these three audit reports in detail:

- 1) 1st report - *Independent Auditor's Report*. This report contains a "clean" opinion from our auditor that SamCERA's basic financial statements and other information are fairly presented in all material aspects in accordance with accounting principles generally accepted in the United States of America.
- 2) 2nd report - *Required Communication to the Members of the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)*. This report explains the auditor's responsibility under the generally accepted auditing standards in the United States of America and includes required communications related to the audit.
- 3) 3rd report - *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*. This report discloses that the auditor (1) did not identify any material weaknesses in SamCERA's internal control over financial reporting and (2) did not identify any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Attachments

- Audit Report #1 - Independent Auditor's Report
- Audit Report #2 - Required Communication to the Members of the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114)
- Audit Report #3 - 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

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.

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

**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

**REPORT TO THE BOARD OF RETIREMENT
AND AUDIT COMMITTEE**

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

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**REQUIRED COMMUNICATION TO THE MEMBERS OF THE
BOARD OF RETIREMENT AND AUDIT COMMITTEE IN
ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)**

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

We have audited 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 have issued our report thereon dated October 18, 2023. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated April 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SamCERA are described in Note 2, Summary of Significant Accounting Policies, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2023. We noted no transactions entered into by SamCERA during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events as well as assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting SamCERA's financial statements were:

- Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.
- The contribution amounts and net pension liability as detailed in the notes to the financial statements are based on the actuarially-presumed interest rate and assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for deposits and investments in Notes 2 and 6 to the financial statements, Summary of Significant Accounting Policies and Deposits and Investments, respectively, were derived from SamCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the financial statements.
- Additionally, the disclosures related to the funding policies, net pension liability, and actuarial methods and assumptions in Note 3, Funding Policy; Note 4, Member Contributions; Note 5, Employer Contributions; and Note 7, Pension Disclosures, were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. We did not identify any misstatements as a result of our audit procedures.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 18, 2023.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SamCERA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SamCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information, which are Required Supplementary Information (RSI) that supplement the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, Schedule of Information Technology Expenses, Schedule of Investment Expenses, Schedule of Payments to Consultants (Other Than Investment Advisors), and Notes to the Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory, investment, actuarial, statistical, and compliance sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the Members of the Board of Retirement, Audit Committee, and management of SamCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
October 18, 2023

**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*.

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*

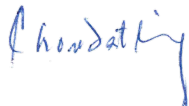
Stockton, California
October 18, 2023

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 7.2

TO: Board of Retirement

FROM: Tat-Ling Chow, Finance Officer 

SUBJECT: Approval of SamCERA's 2023 Annual Comprehensive Financial Report

Recommendation

Approve SamCERA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2023.

Discussion

The ACFR consists of six sections, which include the following:

1. Introductory Section – introduces SamCERA's organizational structure and includes a letter of transmittal from the Chief Executive Officer.
2. Financial Section – includes the independent auditor's report, management's discussion and analysis, basic financial statements, notes to the basic financial statements, and other financial information.
3. Investment Section - includes the Chief Investment Officer's Report, Investment Consultant's Report, asset allocation, portfolio returns, and other investment-related information.
4. Actuarial Section - includes the Actuary's Certification Letter, results of the most recent annual actuarial valuation, an overview of the plan funding status, and other actuarial-related information.
5. Statistical Section – covers financial and operational information for the past ten fiscal years.
6. Compliance Section – includes the auditor's report on internal controls over financial reporting and on compliance and other matters.

The discussion below is focused on three areas of the Retirement Fund: the net position at fiscal year-end, the operating results for the fiscal year then ended, and the funding status as of June 30, 2023.

Over the fiscal year, the financial position of SamCERA has increased by 6%. Below are the key indicators of SamCERA's overall performance this fiscal year as opposed to last fiscal year.

- The net position (total assets minus total liabilities) of SamCERA was about \$6.0 billion at fiscal year-end, reflecting an increase of \$355.4 million. This amount is exclusively

restricted for the ongoing benefit obligations to retirees and eligible beneficiaries.

- Total additions to the pension plan were \$667.9 million, compared to -\$42.7 million last fiscal year. The increase was mainly from investment income due to strong performance in global equities and domestic stocks.
- Total deductions from the pension plan were \$312.5 million, an increase of \$22.8 million or 8% from a year ago. The increase was anticipated, due mainly to the annual cost-of-living adjustment (COLA) and the continued growth in the number of members receiving benefits.

In May 2023, the Board approved some changes to the economic assumptions for the 2023 actuarial valuation. In July 2023, the Board adopted several changes to the demographic assumptions based on the Triennial Investigation of Experience Study. Below are the key results from the latest valuation:

- The funded ratio of the pension plan decreased modestly by 2.4% to 88.3% from 90.7% a year ago. The decrease was due primarily to two factors:
 - Assumption changes.
 - Recognition of investment returns being less than expected by the assumptions.
- As of June 30, 2023, the actuarial value of plan assets was \$6.2 billion, and the actuarial accrued liability was \$7.0 billion. As a result, the unfunded actuarial accrued liability (the difference between these two figures) amounted to \$820.4 million, which will be entirely financed through employer contributions in the years to come.

Attachment

2023 Annual Comprehensive Financial Report



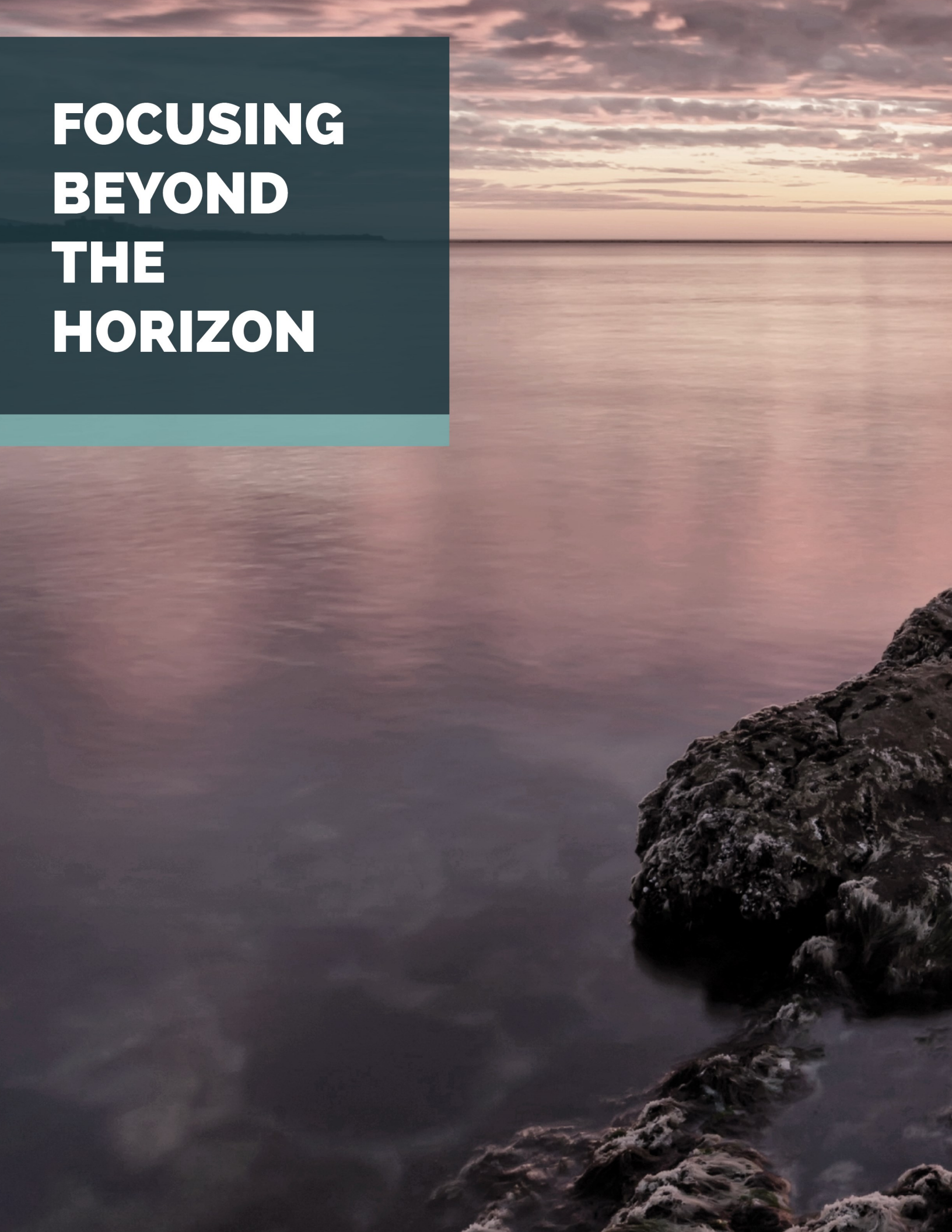
2023

**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**

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SECTION 1

INTRODUCTORY



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LETTER OF TRANSMITTAL



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 administering 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 Hoefler, 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. Morill

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. Morill

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)

A handwritten signature in cursive script that reads "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.

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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

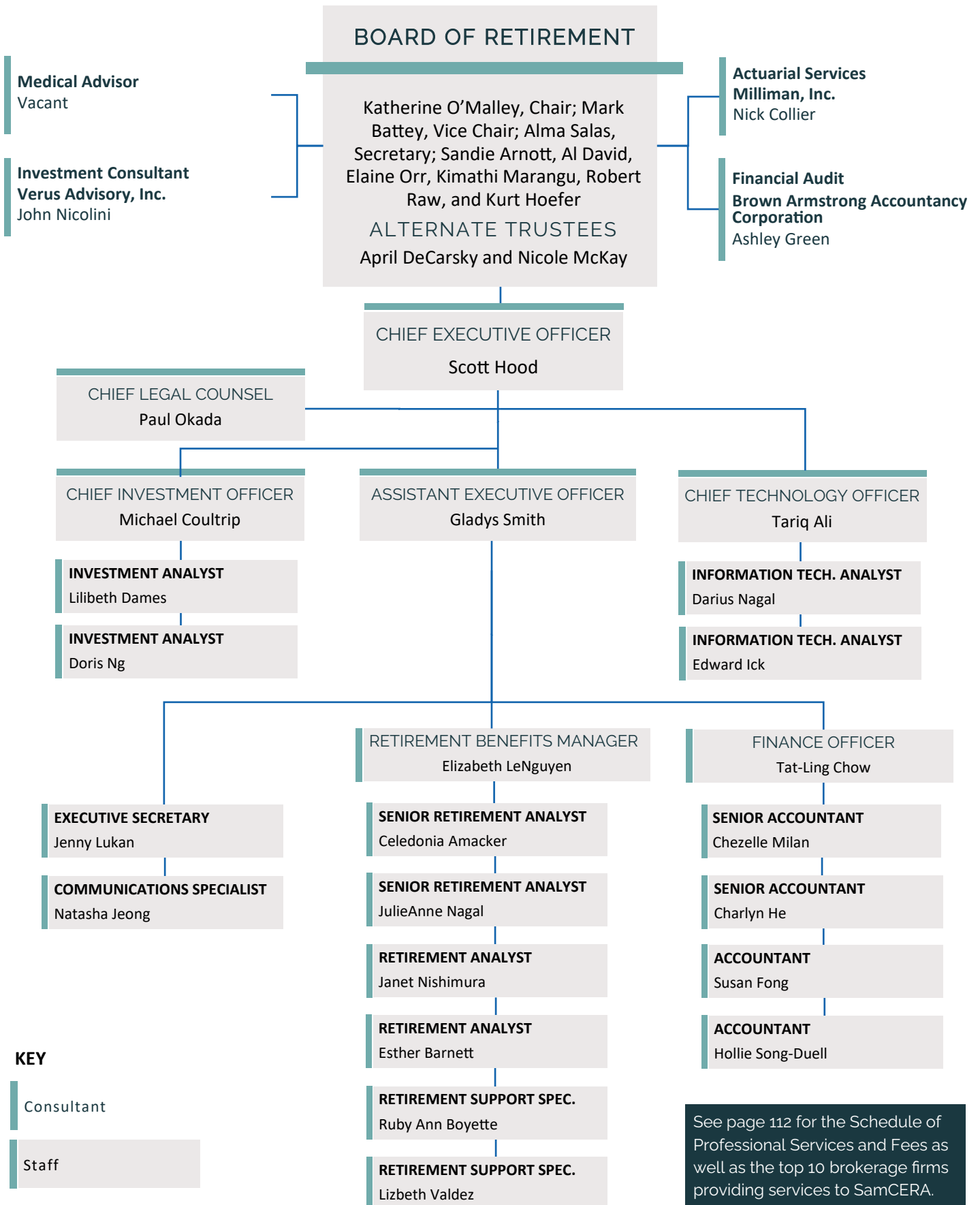


April DeCarsky

Board Member

Elected by the
Safety Members

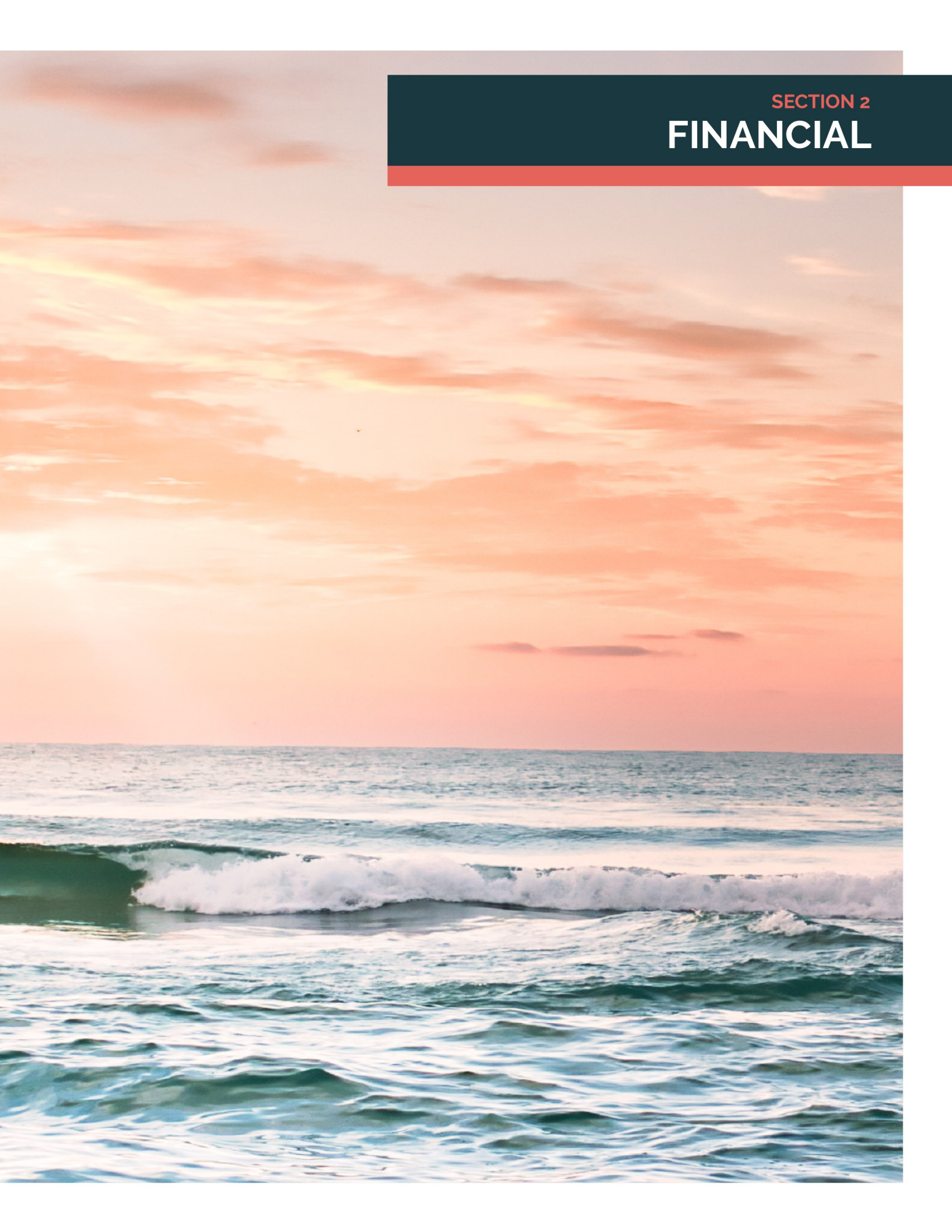
Safety Alternate



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



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INDEPENDENT AUDITOR'S REPORT



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 Truston 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

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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.

Stockton, California
October 18, 2023

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

*Brown Armstrong
Accountancy Corporation*

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

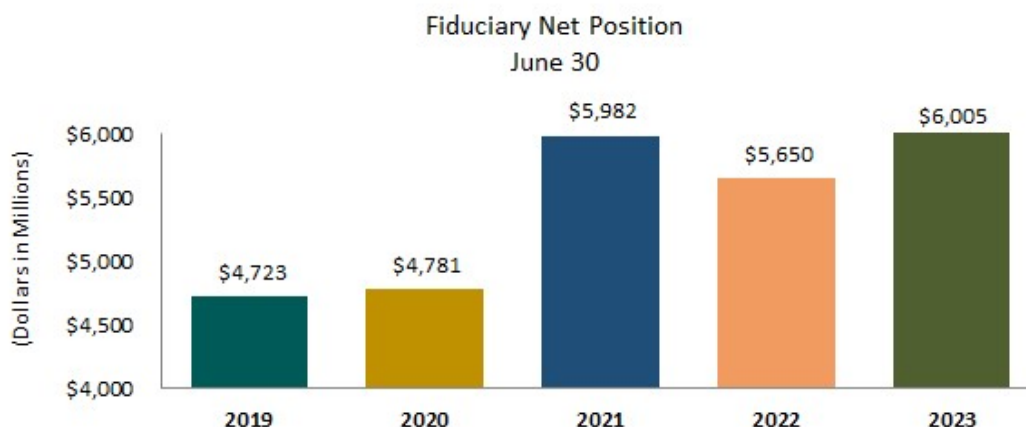
June 30
Dollars in Thousands

	2023	2022	Increase (Decrease)	
			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				
	<u>2023</u>	<u>2022</u>	<u>Increase (Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
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	<u>667,850</u>	<u>(42,712)</u>	<u>710,562</u>	<u>1664%</u>
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	<u>312,481</u>	<u>289,700</u>	<u>22,781</u>	<u>8%</u>
Net increase (decrease) in net position	<u>355,369</u>	<u>(332,412)</u>	<u>687,781</u>	<u>207%</u>
Net position restricted for pensions				
Beginning of year	<u>5,649,674</u>	<u>5,982,086</u>	<u>(332,412)</u>	-6%
End of year	<u>\$ 6,005,043</u>	<u>\$ 5,649,674</u>	<u>\$ 355,369</u>	<u>6%</u>

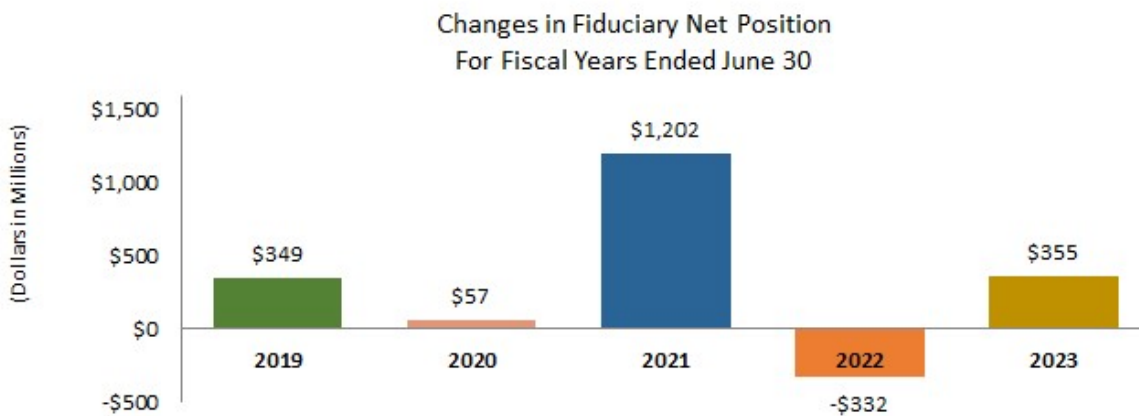
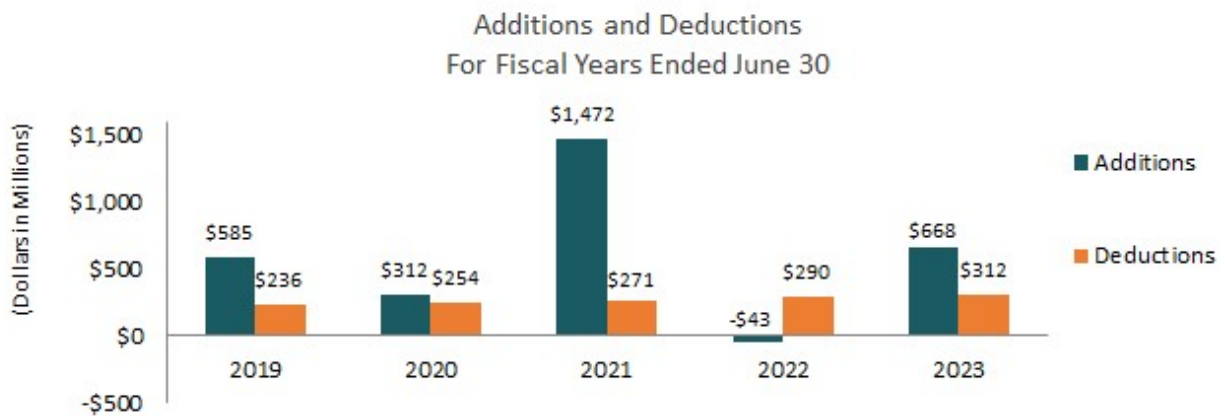
Additions. Total additions to the Retirement Fund for the fiscal year were \$667.9 million, which was approximately \$710.6 million or 1664% higher than the prior fiscal year. Significant changes are discussed below.

- *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	<u>326,604,331</u>	<u>323,914,002</u>
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)	<u>386,424,300</u>	<u>(316,022,869)</u>
Less: investment expenses	(45,366,003)	(50,676,576)
Net investment income (loss)	<u>341,058,297</u>	<u>(366,699,445)</u>
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	<u>187,535</u>	<u>73,290</u>
Total additions	<u>667,850,163</u>	<u>(42,712,153)</u>
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	<u>298,934,170</u>	<u>276,502,231</u>
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	<u>312,482,109</u>	<u>289,699,351</u>
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	<u>\$ 6,005,042,500</u>	<u>\$ 5,649,674,446</u>

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
Plan 1	Maximum COLA	5%	3%	5%
	FAC Period	Highest 1 year	Highest 1 year	Highest 1 year
Plan 1	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		7/6/80 - 7/12/97	7/6/80 - 7/12/97
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
Plan 2	Maximum COLA	3%	3%	3%
	FAC Period	Highest 1 year	Highest 1 year	Highest 1 year
Plan 2	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		On or before 12/22/12, a non-contributory plan.	Not applicable
Plan 3	Hire Date	On or before 12/22/12, a non-contributory plan.	Not applicable	Not applicable
	Plan 3		(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.)	
Plan 3	Plan 3		(If retirement occurs prior to age 65, benefit amount will be adjusted by an actuarial equivalent factor.)	
	Maximum COLA	No COLA	Not applicable	Not applicable
Plan 3	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) (Note: Plan 4 closed simultaneously with the implementation of Plan 5 and Plan 6.)	7/13/97 - 7/9/11	7/13/97 - 1/7/12
	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⁾
	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 (Decrease)
	July 1, 2022	July 1, 2021	
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		
<u>Type of Derivatives</u>	<u>Notional Value</u>	<u>Fair Value</u>
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	<u>\$ (4,130,065)</u>	<u>\$ 1,116,330</u>

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	<u>1,012,269,345</u>		<u>1,012,269,345</u>
EQUITY SECURITIES ⁽¹⁾			
Foreign Stocks	420,273,604	\$ 420,273,604	
US Common & Preferred Stock	380,956,152	380,956,152	
Total Equity Securities	<u>801,229,756</u>	<u>801,229,756</u>	
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	<u>1,514,847,986</u>		<u>1,514,847,986</u>
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	<u>3,340,219,802</u>	<u>\$ 804,967,134</u>	<u>\$ 2,535,252,668</u>
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	<u>2,491,423,571</u>		
Total Investments	<u>\$ 5,831,643,373</u>		
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	<u>\$ 1,116,330</u>	<u>\$ 662,888</u>	<u>\$ 453,442</u>

⁽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 45 days, Not applicable
Real Estate Funds ⁽²⁾	524,546,040	75,013,513	Quarterly, Not Eligible	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	<u>June 30, 2023</u>
Total pension liability	\$ 6,881,892,780
Less: Plan fiduciary net position	(6,005,042,500)
Employers' net pension liability	<u>\$ 876,850,280</u>
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	<u>\$1,865,545,294</u>	<u>\$ 876,850,280</u>	<u>\$ 72,390,224</u>

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	<u>6,203,624,072</u>
Contingency Reserve	62,780,628
Market Stabilization Account	<u>(261,362,200)</u>
Total Reserves (Fair Value of Assets)	<u>\$ 6,005,042,500</u>

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 $\pm 20\%$ 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

<u>Administrative Expenses</u>	<u>Budget</u>	<u>Actual</u>	<u>Under (Over) Budget</u>	<u>% of Budget Remaining</u>
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	<u>\$7,830,772</u>	<u>\$7,770,256</u>	<u>\$ 60,516</u>	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	<u>5,949,295</u>	<u>5,975,915</u>	<u>(26,620)</u>	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	<u>1,881,477</u>	<u>1,794,341</u>	<u>87,136</u>	95%
Total	<u>\$ 7,830,772</u>	<u>\$ 7,770,256</u>	<u>\$ 60,516</u>	99%

Reconciliation of Administrative expenses between budgetary basis and accrual basis

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

(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.

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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 expense	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 expense	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	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 expenses¹	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 expenses¹	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	<u>29,354,734</u>
Other Investment Expenses	
Investment Consultant	570,023
Actuarial Consulting	193,150
Master Custodian	348,700
Other Professional Services	369,213
Total Other Investment Expenses	<u>1,481,086</u>
Other Investment Related Expense	10,426,650
Interest Paid on Prepaid Contributions	<u>4,103,533</u>
Total Investment Expenses	<u>\$ 45,366,003</u>

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	<u>\$ 967,840</u>

⁽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."

OTHER INFORMATION

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

As of June 30, 2023

Employer	Deferred Outflows of Resources				Deferred Inflows of Resources		Pension Expense Excluding That Attributable to Employer-Paid Member Contributions				
	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	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions 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

<u>Employer</u>	<u>Actual Employer Contributions</u>	<u>Actuarially Determined Contributions</u>	<u>Employer Proportionate Share ¹</u>	<u>Net Pension Liability</u>
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	<u>\$248,938,203</u>	<u>\$238,938,203</u>	<u>100.0000%</u>	<u>\$ 876,850,280</u>

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.

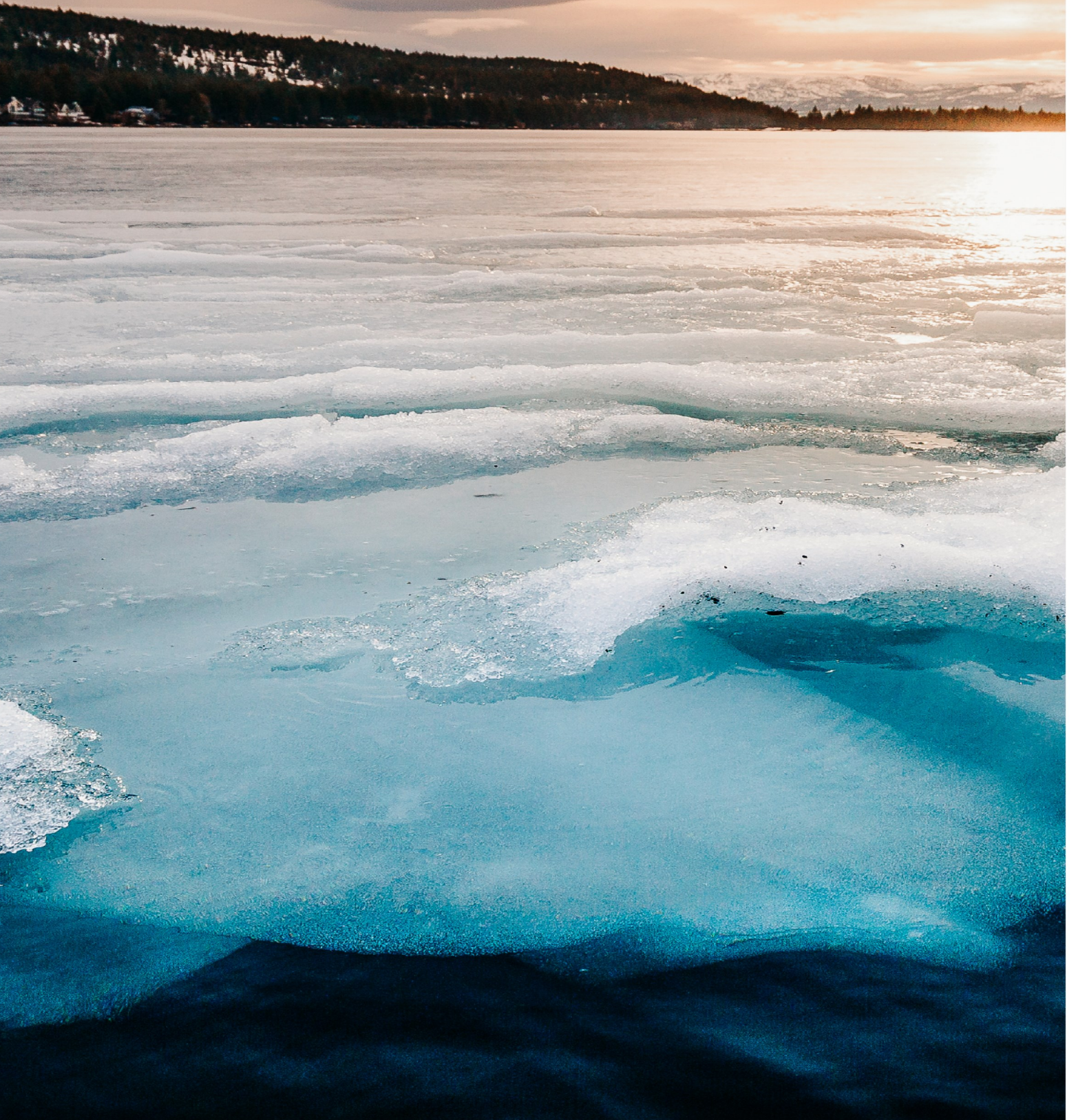
The net effect of the change in the employer's proportionate share of the collective net pension liability and collective deferred outflows/inflows of resources is recognized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan determined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



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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.

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 Coultrip
 Chief Investment Officer
 September 11, 2023

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%

INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES



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,

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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 successfully 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

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.

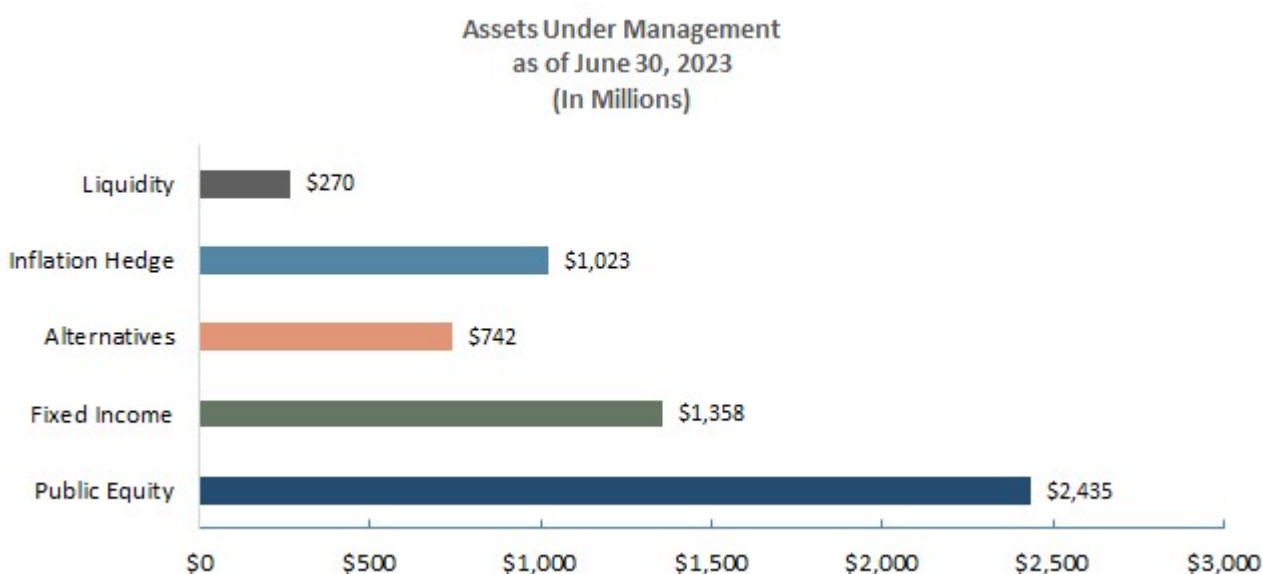
The investment summary reports the fair value and the percentage of the portfolio's total fair value for each major type of investment.

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

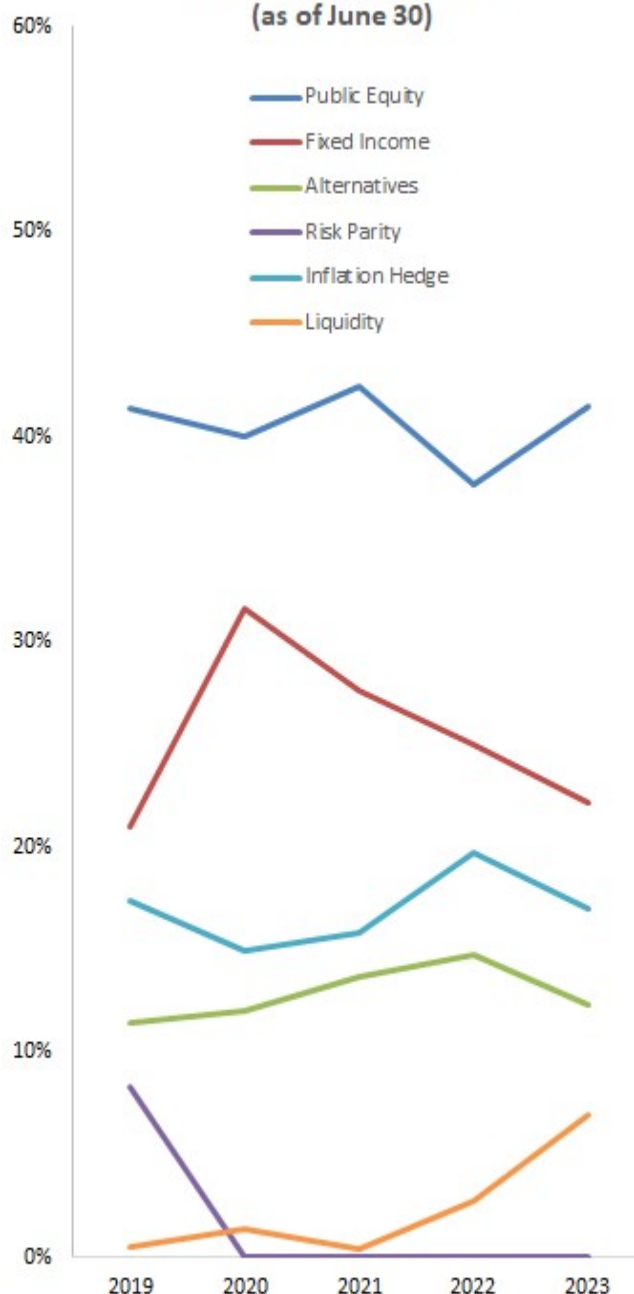
June 30, 2023

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%

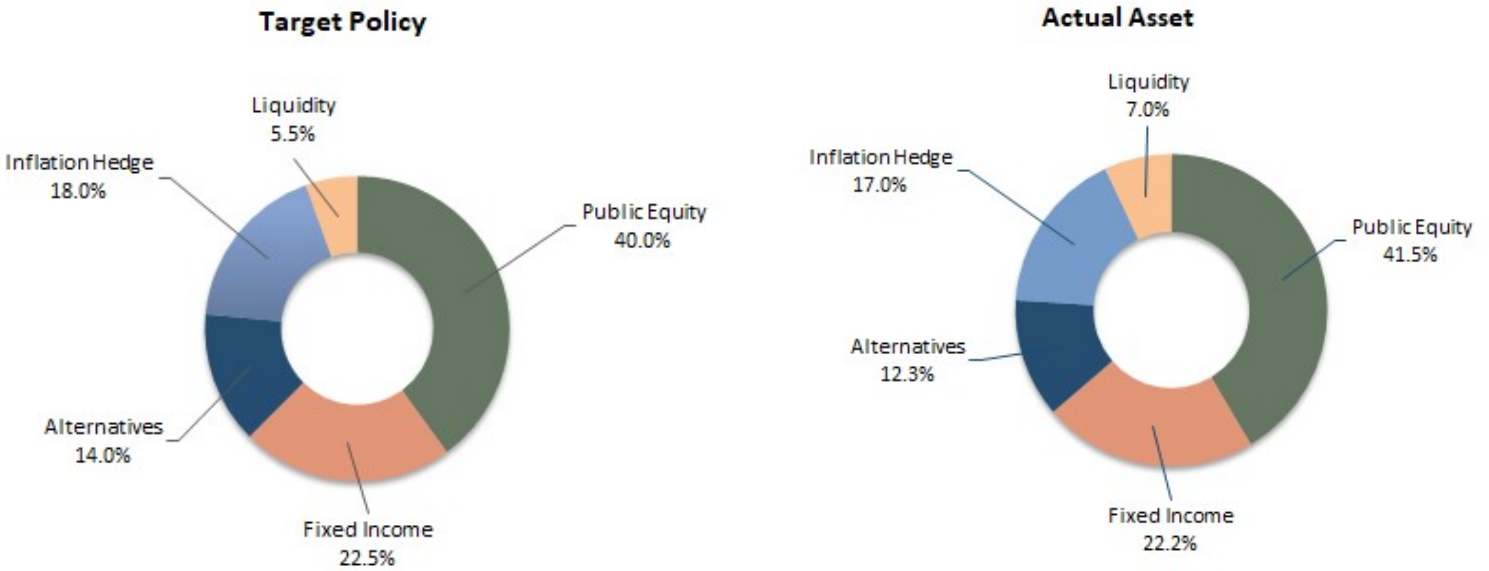
Note:
The actual asset class allocation as of June 30, 2023, was based on the total investment assets under management with overlay as reported on SamCERA's investment consultant's performance report.

**Actual Asset Allocation
(as of June 30)**



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

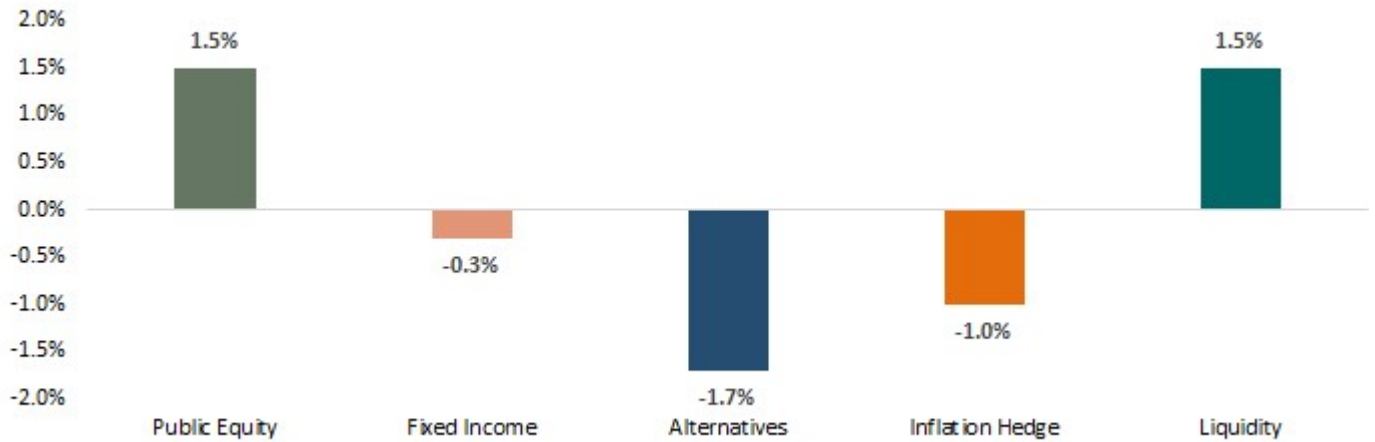
ASSET ALLOCATION (TARGET POLICY VS. ACTUAL) June 30, 2023



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

Risk Bucket	Total Time-Weighted Rate of Return ⁽¹⁾		
	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	<u>\$ 220,635,248</u>

⁽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		<u>\$ 161,937,956</u>

⁽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

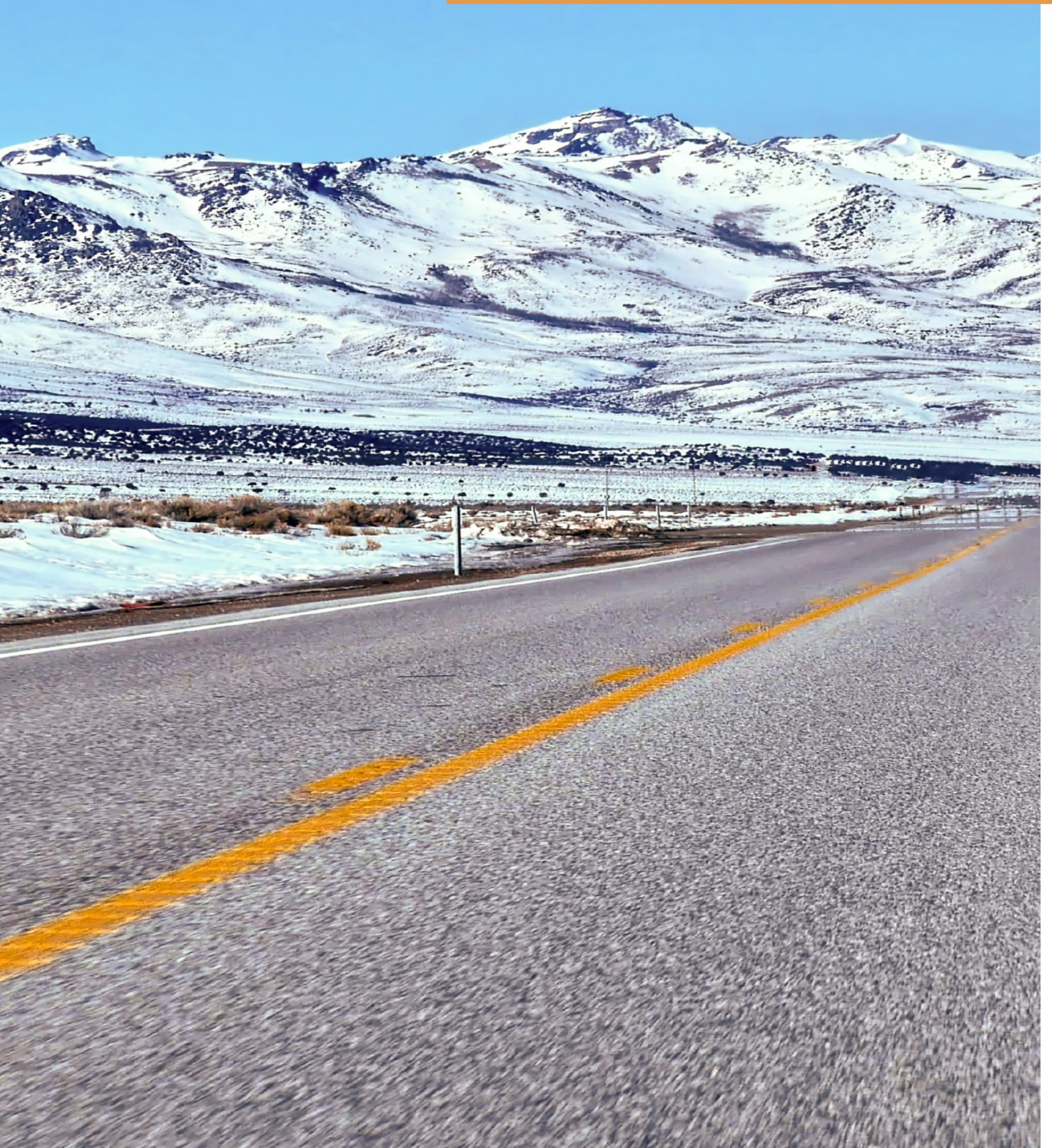
	<u>Management Fees</u>	<u>Fair Value</u>
ASSETS UNDER MANAGEMENT		
Public Equity	\$ 4,671,527	\$ 2,435,036,194
Fixed Income	7,974,236	1,358,012,682
Alternatives	10,360,885	742,188,710
Inflation Hedge	5,712,292	1,022,566,835
Liquidity	635,794	270,101,574
Total	\$ 29,354,734	\$ 5,827,905,995
OTHER INVESTMENT 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

<u>Brokerage Firm</u>	<u>Amount of Commission</u>	<u>Number of Shares Traded</u>	<u>Commission per share</u>
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



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ACTUARY'S CERTIFICATION



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

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



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

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



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

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

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		Age	All Plans				Service Retirement ²
	Ordinary ¹	Vested		Disability		Death while Active		
				Ordinary	Service	Ordinary	Service	
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

Rate of Separation From Active Service - All Plans								
Years of Service	Other Terminations		Age	All Plans				Service Retirement ²
	Ordinary ¹	Vested		Disability		Death while Active		
				Ordinary	Service	Ordinary	Service	
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	<u>5,031</u>	<u>4,940</u>	<u>5,088</u>	<u>5,124</u>	<u>5,117</u>
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	<u>5,334</u>	<u>5,249</u>	<u>5,356</u>	<u>5,400</u>	<u>5,377</u>
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	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Schedule of Retirees and Beneficiaries Added To and Removed From Rolls

Fiscal Year Ended June 30,	Added to Rolls ⁽¹⁾		Removed from Rolls		Rolls at Year-End			
	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.

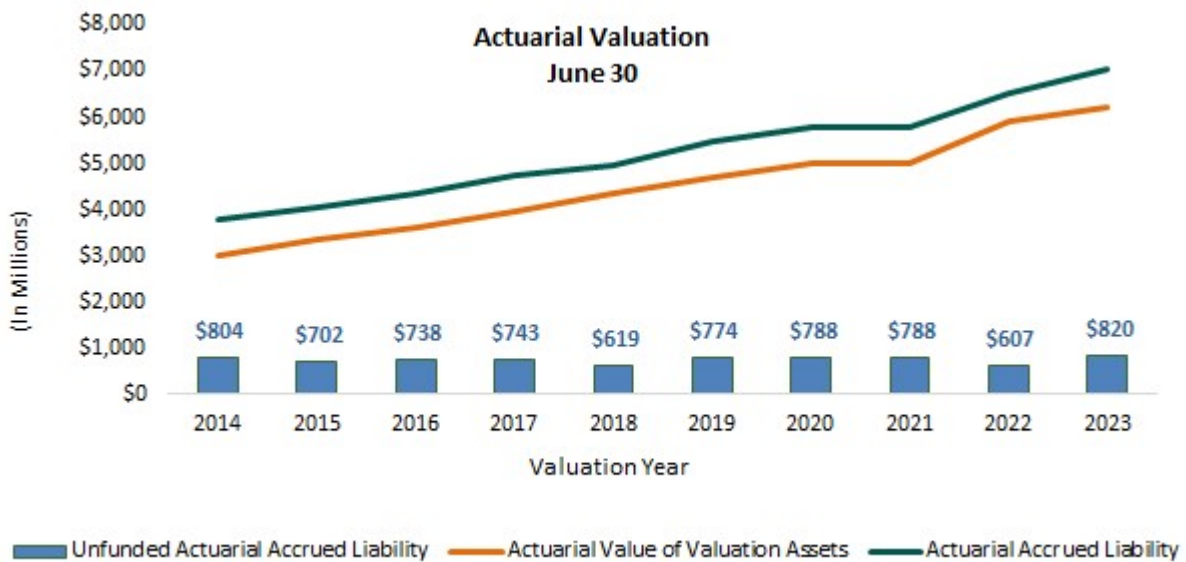
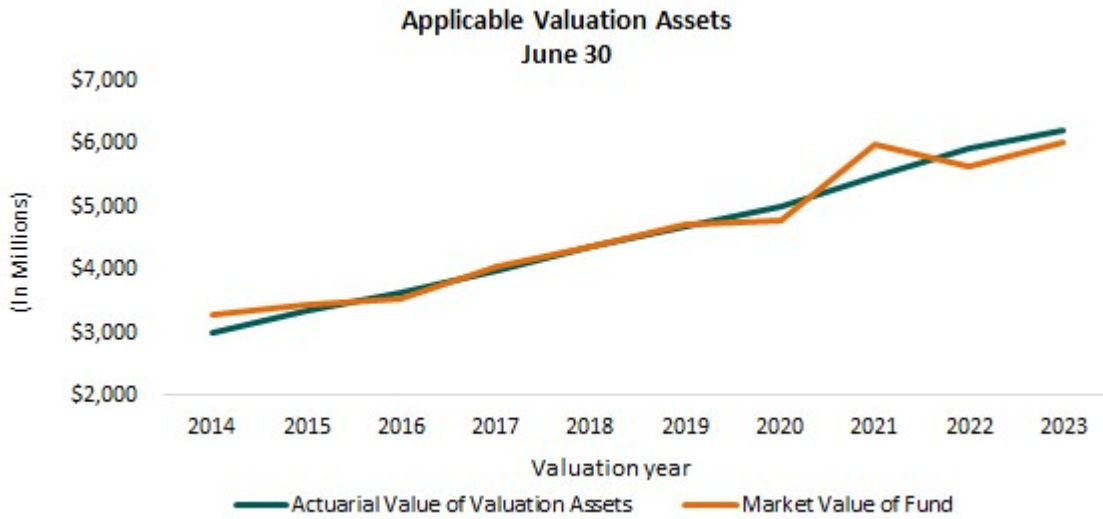
Schedule of Active Member Valuation Data					
Valuation Date as of June 30,	Number of Active Members		Annual Salary	Annual Average Salary	Percentage Change in Annual Average Salary
2023	General	4,727	\$554,563,518	\$117,318	3.3%
	Safety	461	76,973,479	166,971	13.8%
	Probation	146	19,161,180	131,241	5.5%
	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.

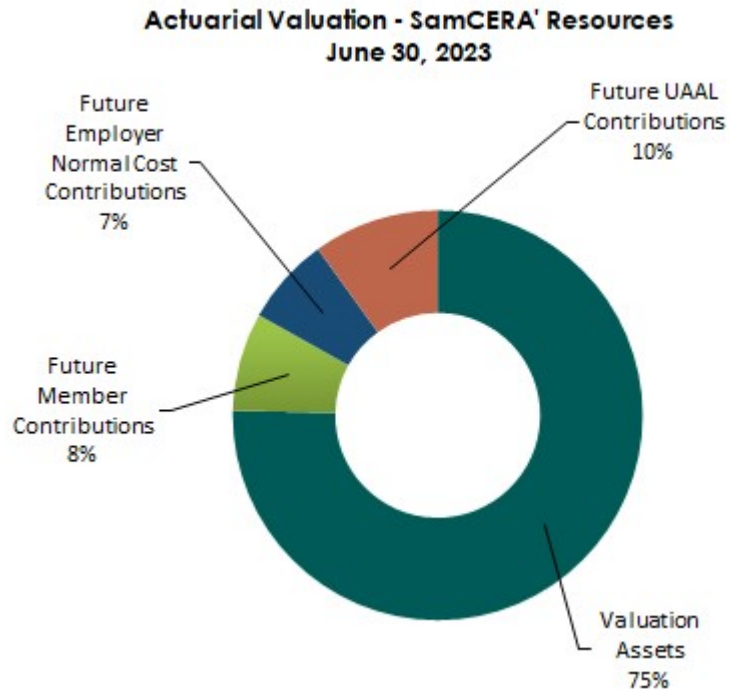
Summary of Significant Actuarial Statistics and Measures			
	June 30, 2023	June 30, 2022	Relative Change
Active Members			
Number of Members	5,334	5,249	1.6%
Average Age	44.8	44.9	(0.2)%
Average Credited Service	10.1	10.3	(1.9)%
Covered Payroll (\$ in Thousands)	\$631,144	\$611,957	3.1%
Average Monthly 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

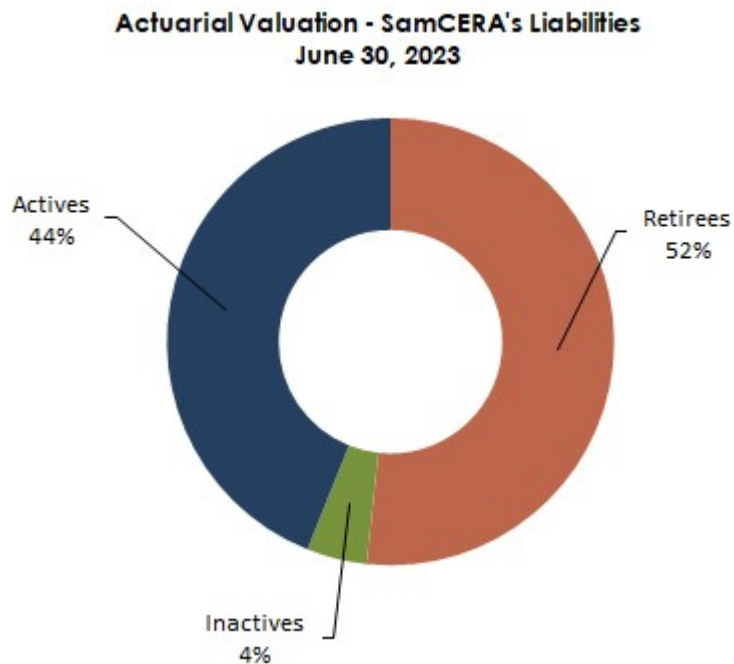
Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits (if any) to be funded outside of the actuarially determined contribution rates.



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

Summary of (Gains) Losses	Change in Liability				
	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 Valuation Date as of June 30,	Valuation Assets	Actuarial Accrued Liabilities					
		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)	(A)	(B)
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



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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

Changes in Fiduciary Net Position

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.

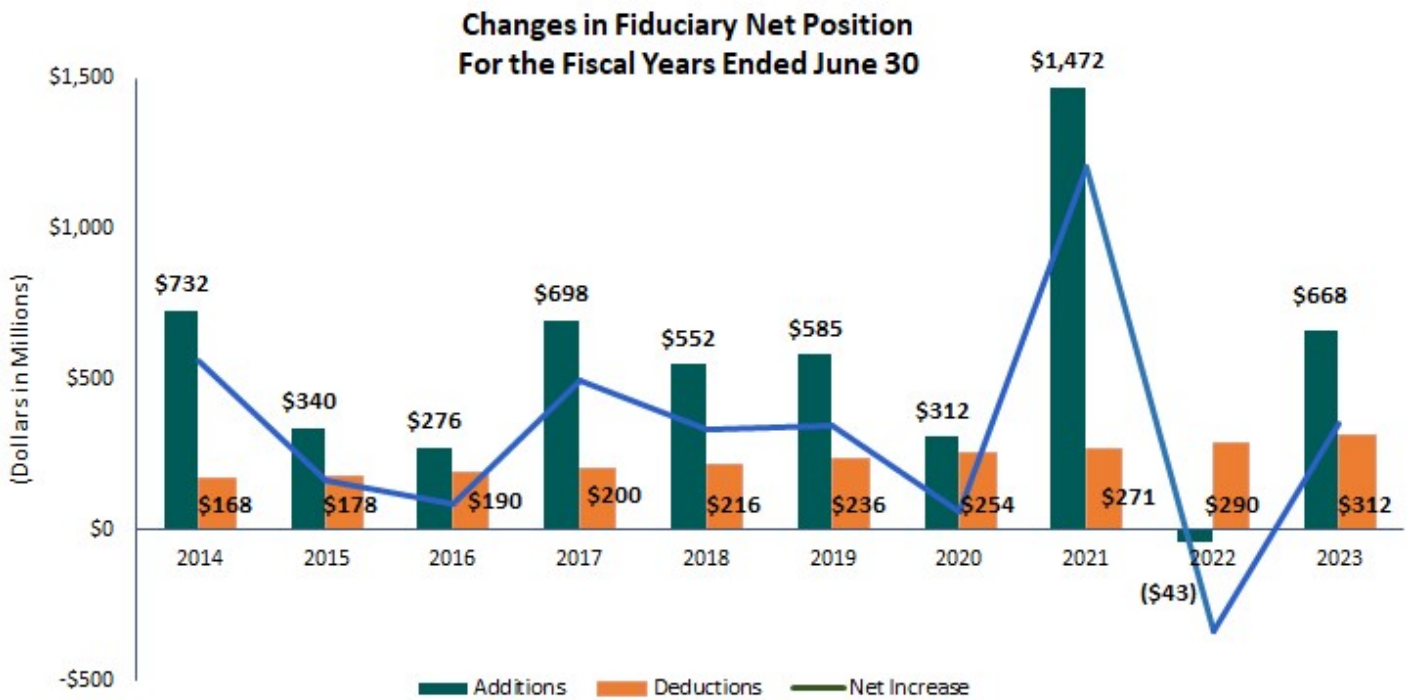
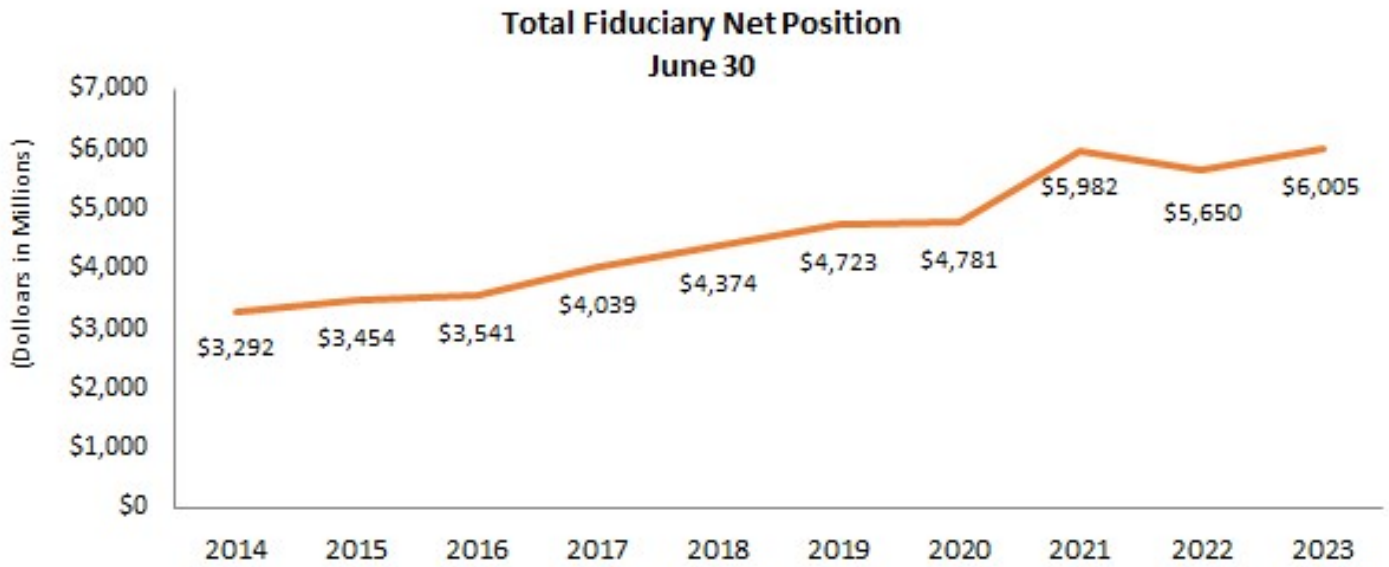
Schedule of Deductions from Fiduciary Net Position by Type

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

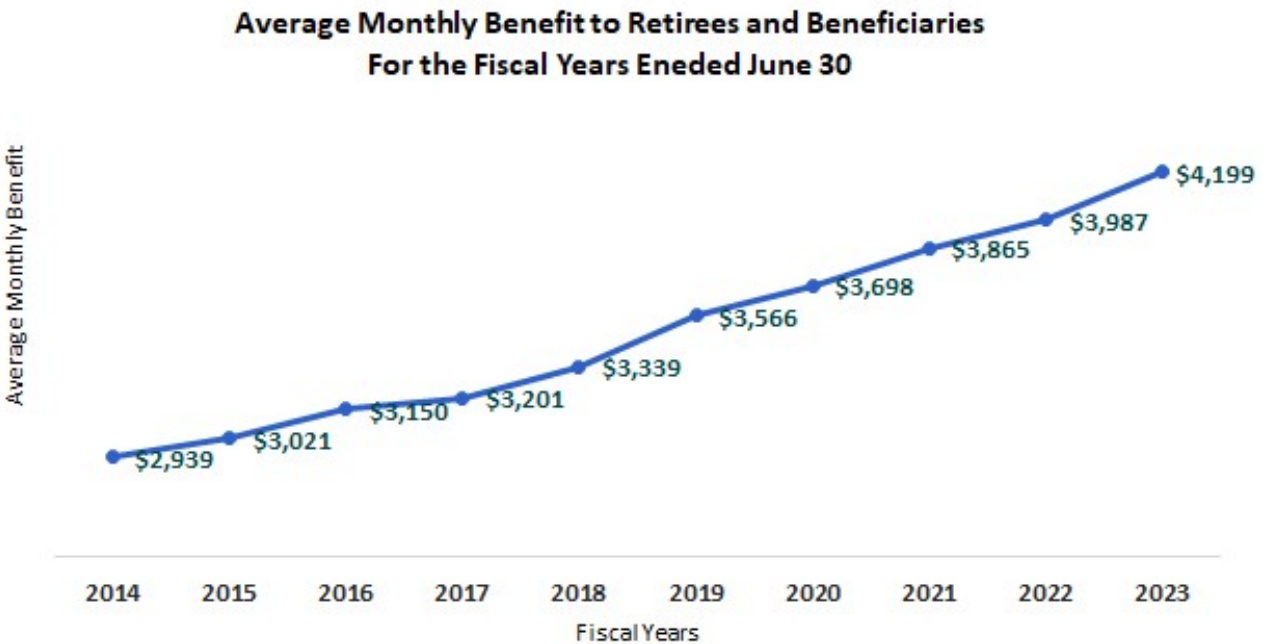
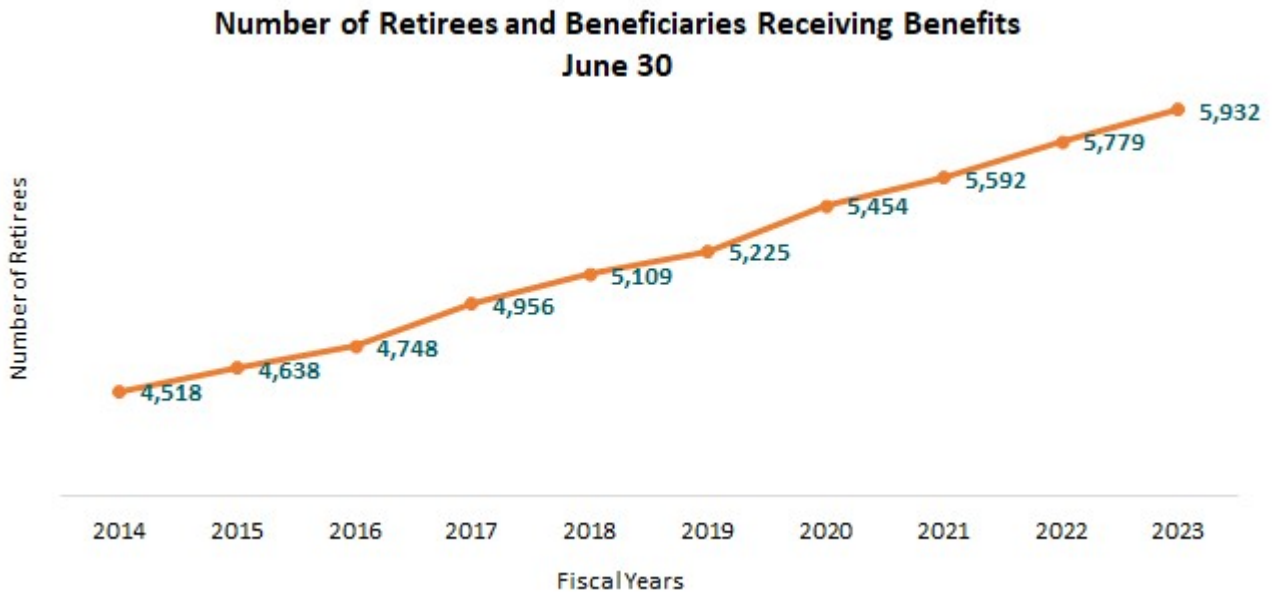
Summary of Retired Benefits, Refunds, and Inactive Members

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.



Schedule of Average Pension Benefit Payments

Schedule of Average Pension Benefit Payments							
7/1/2022 - 6/30/2023	Years of Service Credit						
	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							
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							
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							
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							
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							
7/1/2017 - 6/30/2018	Years of Service Credit						
	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							
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							
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							
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							
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 - Plans Combined

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

June 30

Age	Retirement Year								Total Count
	Pre-1990	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014	2015-2019	2020-2023	
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	<u>5,031</u>	<u>4,940</u>	<u>5,088</u>	<u>5,124</u>	<u>5,117</u>

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	<u>5,334</u>	<u>5,249</u>	<u>5,356</u>	<u>5,400</u>	<u>5,377</u>

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	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

	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	<u>5,107</u>	<u>5,080</u>	<u>4,936</u>	<u>4,853</u>	<u>4,746</u>

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	<u>5,367</u>	<u>5,337</u>	<u>5,187</u>	<u>5,095</u>	<u>5,004</u>

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	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

Schedule of Average Monthly Salary of Active Members

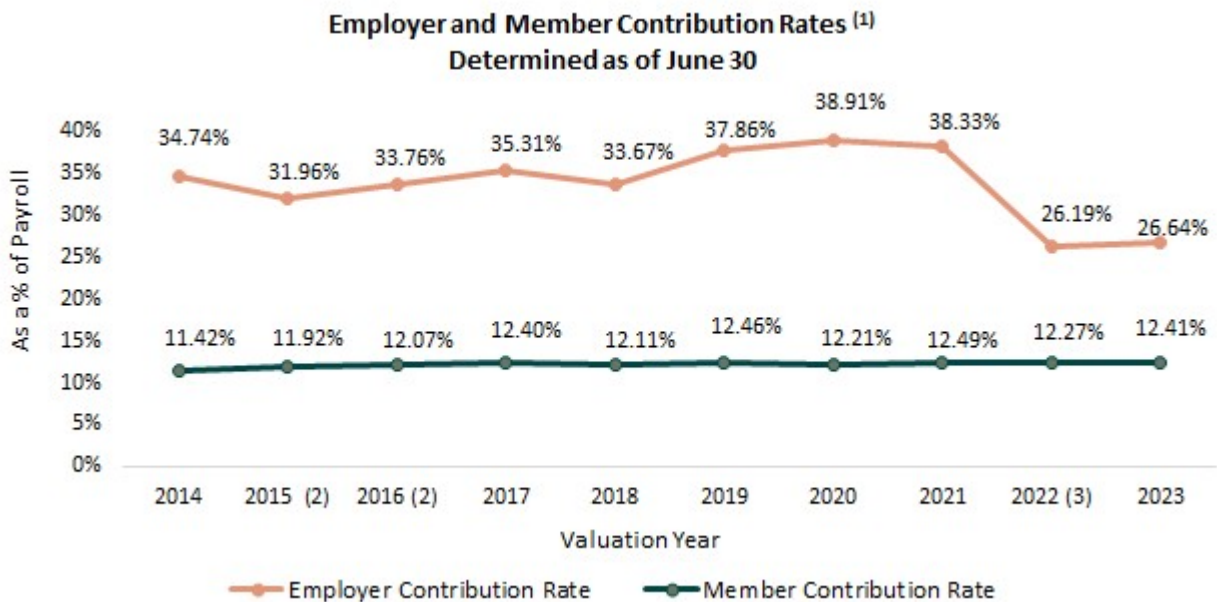
Schedule of Average Monthly Salary of Active Members					
For the Fiscal Years Ended June 30 (by Plan and Membership Type)					
Plan	2023	2022	2021	2020	2019
General Plan 1	\$19,119	\$18,575	\$18,022	\$11,102	\$9,793
General Plan 2	11,908	11,516	10,957	10,665	10,088
General Plan 3	9,283	8,850	8,623	8,221	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

Employer and Member Contribution Rates



⁽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		
	July 1, 2024	July 1, 2023	Change
Employer Statutory Contribution Rate ⁽¹⁾			
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)		
	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)		
	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
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



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COMPLIANCE



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
2425 West March Lane, Suite 202
Stockton, CA 95207
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

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

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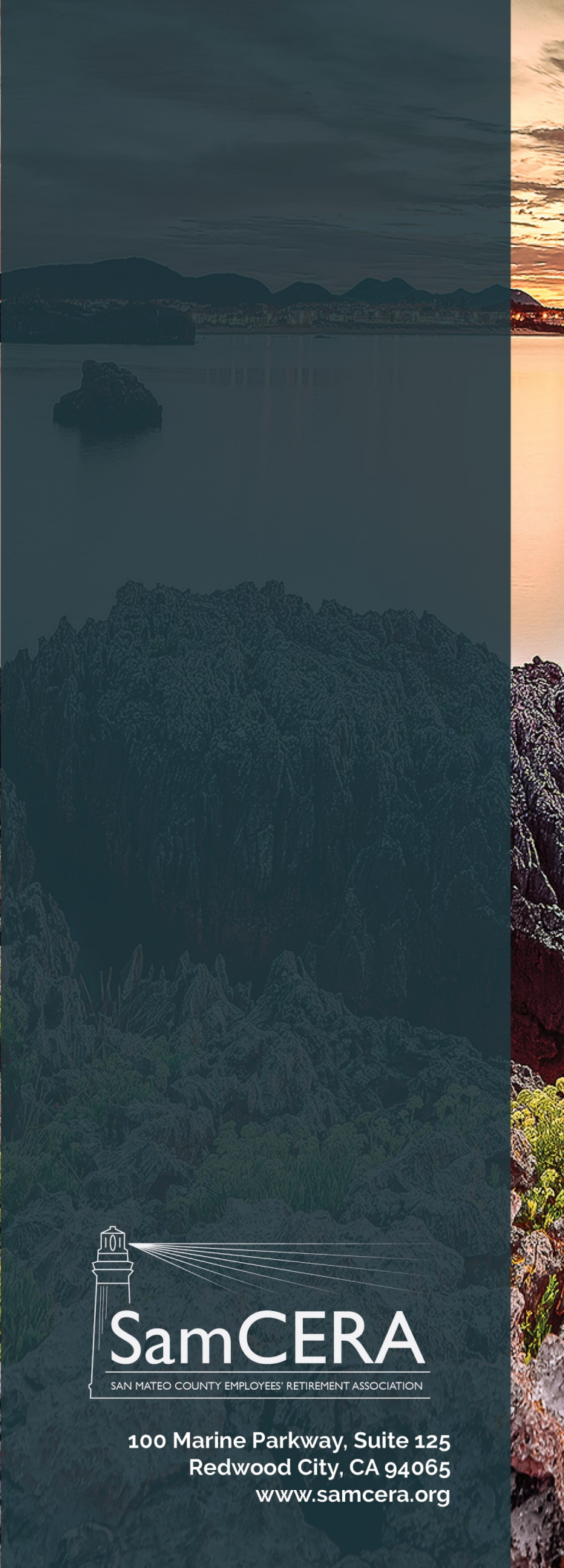
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SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

October 31, 2023

Agenda Item 7.3

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Approval of SACRS Voting Delegate for the SACRS Fall 2023 Business Meeting and Direction to Voting Delegate

Recommendation

Staff recommends the Board designate Scott Hood, CEO, as the Voting Delegate to cast SamCERA's votes at the SACRS Fall 2023 Conference.

Staff further recommends that the Board provide direction to the Voting Delegate that is in the best interest of SamCERA.

The SACRS legislative committee has put forth four recommended changes to the CERL that are intended to provide technical and administrative clarity to various sections of the County Employees Retirement Law of 1937 (CERL or '37 Act). Staff has reviewed these proposed changes and recommend supporting the recommendations of the legislative committee.

Background

Prior to each SACRS conference the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegate and alternate voting delegates at the conference business meeting.

Discussion

SamCERA normally selects from attendees who plan to attend the Friday morning business meeting. Delegates can be either trustees or staff. No trustees are scheduled to attend this conference.

The business meeting will occur on the last morning of the conference, at 10:15 a.m., Friday, November 10, 2023.

Attachment

Fall 2023 SACRS Business Meeting Packet



SACRS
Fall Conference
Annual Business Meeting 2023

Friday, November 10, 2023
10:15 am – 11:30 am

Omni Rancho Las Palmas Resort & Spa
Rancho Mirage, CA
Las Palmas Ballroom



Vision, Mission, Core Values

The members and staff of the State Association of County Retirement Systems (SACRS) share a common purpose, mission and core values.

Statement of Purpose

The specific and primary purposes of SACRS are to provide forums for disseminating knowledge of and developing expertise in the operation of 20 county retirement systems existing under the County Employees Retirement Law of 1937 (CERL) sets forth in California Government Code section 31450 et. seq., and to foster and take an active role in the legislative process as it affects county retirement systems.

Mission Statement

The mission of this organization shall be to serve the 1937 Act Retirement Systems by exchanging information, providing education and analyzing legislation.

Core Values

Teamwork

Integrity

Education

Service and Support



SACRS Business Meeting Agenda
Friday, November 10, 2023
10:15 AM – 11:30 AM
Omni Rancho Las Palmas Resort & Spa
Rancho Mirage, CA
Las Palmas Ballroom

SACRS Parliamentarian – David Lantzer, San Bernardino CERA
Sergeant at Arms – Brian Williams, Sonoma CERA

1. SACRS System Roll Call

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

2. Secretary’s Report - Receive and File

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

- A. Spring 2023 SACRS Business Meeting Minutes

3. Treasurer’s Report - Receive and File

Jordan Kaufman, Kern CERA, SACRS Treasurer

- A. July – August 2023 Financials

4. SACRS President Report - No Action

David MacDonald, Contra Costa CERA, SACRS President

- A. SACRS President Update. Verbal report, no printed materials for this item.

5. SACRS Legislative Committee Update – Action Item

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2023 Legislative Report – **No Action**
- B. 2024 Legislative Proposals – **Action Item**

6. SACRS Nomination Committee – No Action

Vivian Gray, Los Angeles CERA, SACRS Nomination Committee Chair

- A. SACRS Election Notice 2024-2025

7. SACRS Audit Report – No Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. Audit Committee report. Verbal report, no printed materials for this item.



8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. SACRS Annual Fall Conference 2023 report. Verbal update, no printed materials for this item.

9. SACRS Program Committee Report – No Action

Adele Tagaloa, Orange CERS, SACRS Program Committee Chair

- A. Program Committee report. Verbal update, no printed materials for this item.

10. SACRS Affiliate Committee Report – No Action

Joanne Svensgaard, SACRS Affiliate Committee Chair

- A. Affiliate Committee report. Verbal update, no printed materials for this item.

11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

- A. Bylaws Committee report. Verbal update, no printed materials for this item.

12. SACRS Fall Conference Breakout Reports – No Action

A representative from each breakout will give a verbal report on their meetings. No printed materials for this item.

- A. Administrators
- B. Counsel
- C. Disability/ Operations & Benefits Combo
- D. Internal Auditors
- E. Investment Officers
- F. Safety Trustees
- G. General Trustees

13. Adjournment

Next scheduled SACRS Business Meeting will be held Friday, May 10, 2023, at the Hilton Santa Barbara Beachfront Resort, Santa Barbara, CA.



1. Roll Call

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

Roll Call of the 20 SACRS Retirement Systems

Please state your system name, your name and if you are the voting delegate or alternate delegate.



1. SACRS System Roll Call

Zandra Cholmondeley, Santa Barbara CERS, SACRS
Secretary

System	Delegate Name	Alternate Delegate Name	Absent
Alameda			
Contra Costa			
Fresno			
Imperial			
Kern			
Los Angeles			
Marin			
Mendocino			
Merced			
Orange			
Sacramento			
San Bernardino			
San Diego			
San Joaquin			
San Mateo			
Santa Barbara			
Sonoma			
Stanislaus			
Tulare			
Ventura			
Total			



2. Secretary's Report - Receive and File

Zandra Cholmondeley, Santa Barbara CERS, SACRS Secretary

- A. Spring 2023 SACRS Business Meeting Minutes



SACRS Business Meeting Minutes

Friday, May 12,
2023
10:15 am – 11:30
am Paradise Point Resort & Spa
San Diego, CA
Sunset I-III Ballroom

SACRS Parliamentarian – David Lantzer, San Bernardino
CERA
Sergeant at Arms – Brian Williams, Sonoma CERA

1. SACRS System Roll Call

Adele Tagaloa, Orange CERS, SACRS Secretary

Systems Present: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin
Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa
Barbara

Sonoma, Stanislaus, Tulare, Ventura

Systems Absent: Mendocino, Merced

2. Secretary's Report - Receive and File – Action Item

Adele Tagaloa, Orange CERS, SACRS Secretary

A. November 2022 SACRS Business Meeting Minutes

Motion: A motion to approve the November 2022 SACRS Business Meeting Minutes
was made by San Diego.

2nd: Fresno

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin
Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa
Barbara

Sonoma, Stanislaus, Tulare, Ventura

No: 0

Absent: Mendocino, Merced

Motion passes 18-0-2

3. Treasurer's Report - Receive and File – Action Item

Jordan Kaufman, Kern CERA, SACRS Treasurer

A. July 2022 – February 2023 Financials

Discussion: Jordan Kaufman presented the July 2022- February 2023 financials. He
noted that the Balance sheet was not included in the packet but was emailed to
membership. The delegation discussed the finances, and status of reserves.

No motion was made, the President asked to receive and file. All presents said
Yes/Aye to approve.



4. SACRS President Report - No Action

Vivian Gray, Los Angeles CERA, SACRS President

A. SACRS President Update

Discussion: Vivian thanked the members of the Board for their time and dedication served, she appreciated all the kind sentiment she received during the week while she's been President. Was an honor to serve SACRS and encouraged the membership to get involved and let her know if they are interested in serving on a committee.

5. SACRS Legislative Committee Update – No Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

A. 2023 Legislative Report

Discussion: Eric Stern gave an overview of the written report in the packet. He also gave a brief update on legislative suggestions for the 2024 legislative calendar. See packet for full review of bills watched and status in committees.

6. SACRS Nomination Committee - 2023-2024 SACRS Board of Directors Elections – Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

A. SACRS Board of Directors Elections 2023-2024

Discussion: Dan McAllister discussed the process of the elections, noting that there would be a vacancy on the Board after the vote took place. The withdrawal of a candidate after the deadline to submit a nomination has passed. The Bylaws do not have a provision for nominations after the deadline, nor do they offer nominations from the floor. Therefore, the Board will be appointing a qualified candidate to the position of “General member” at their first meeting in June. Harry Hatch noted that Vere Williams retirement from the San Bernardino CERA Board was unfortunate and wished Vere well and thanked him for his service on the SBCERA Board and SACRS Board. Several Trustees submitted their name for consideration for the vacant position. The Nomination Committee reviewed all options, and unanimously recommended to the SACRS Board of Directors that Brian Williams, Sonoma CERA, would be the best candidate to fill the position. Marin CERA submitted a letter of recommendation that the SACRS Board consider appointing a Trustee from Northern California for a balanced representation of the North/Central/South make-up of the Board.



Motion: A motion to approve the recommended 2023-2024 SACRS Board of Directors slate was made by San Diego.

- President: David MacDonald, Contra Costa CERA
- Vice President: Adele Tagaloa, Orange CERS
- Treasurer: Jordan Kaufman, Kern CERA
- Secretary: Zandra Cholmondeley, Santa Barbara CERS
- General Member: David Gilmore, San Diego CERA
- General Member: Vacant

2nd: San Bernardino

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara

Sonoma, Stanislaus, Tulare, Ventura

No: 0

Absent: Mendocino, Merced

Motion passes 18-0-2

7. SACRS Audit Report – Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

A. SACRS 2021-2022 Annual Audit

Discussion: Steve Delaney presented the SACRS 2021-2022 Annual Audit performed by outside auditors James Marta & Co. The financial received a clean audit and no negative findings. Steve thanked the committee members for their time and participation reviewing drafts and meetings with the auditors.

Motion: A motion to approve the SACRS 2021-2022 Audit was made by Sacramento.

2nd: Contra Costa

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara

Sonoma, Stanislaus, Tulare, Ventura

No: 0

Absent: Mendocino, Merced

Motion passes 18-0-2

8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

A. SACRS Annual Spring 2023 Conference Evaluations/Feedback

No report.

9. SACRS Program Committee Report – No Action

David MacDonald, Contra Costa CERA, SACRS Program Committee Chair

A. SACRS Annual Spring 2023 Conference Report

Discussion: David MacDonald thanked everyone for attending the conference, he also showed his appreciation to the program committee members for their hard work and dedication. The agenda was well received, and the committee has started planning the Fall Conference.



10. SACRS Affiliate Committee Report – No Action

Joanne Svendsgaard, Millennium, SACRS Affiliate Committee Chair

A. Affiliate Committee Update

Discussion: Joanne Svendsgaard gave a verbal update on the Affiliate Committee breakout. The session was well attended, and they received many comments of appreciation for the topic.

The committee is working on the election process for the committee to coincide with the SACRS Board of Directors elections. More information will follow later in the year.

11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

A. Bylaws Committee Update

No report

12. SACRS Spring Conference Breakout Reports – No Action

A representative from each breakout will give a report on their breakouts from Wednesday, May 10th.

- A. Administrator Breakout – Eric Stern, Sacramento CERS will moderate the Fall breakout.
- B. Affiliate Breakout – See committee report.
- C. Attorney Breakout – Aaron Zaheen, Tulare CERA, will moderates the Fall breakout.
- D. Disability/Operations & Benefits Combo Breakout – no report.
- E. Internal Auditors Breakout - no report
- F. Investment Officer Breakout – no report
- G. Safety Trustee Breakout – Good meeting, participation by several of the Systems. Discussion of volunteers to help monitor reception and meet with the hotels prior to conferences.
- H. General Trustee Breakout – Great attendance, the session was well received. The presenter was data driven and had attendees waiting in line after the session was over to ask more questions. Many comments to have him return for a general session. Adele Tagaloa will moderate the Fall breakout.

13. Adjournment

Next scheduled SACRS Business Meeting will be held Friday, November 10, 2023, at the Omni Rancho Las Palmas Resort & Spa in Rancho Mirage, CA.

Meeting Adjourned at 10:59 am



3. Treasurer's Report - Receive and File

Jordan Kaufman, Kern CERA, SACRS Treasurer

A. July – August 2023 Financials

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Balance Sheet

As of ~~August 31, 2023~~
August 31, 2023

ASSETS

Current Assets

Checking/Savings

1000 · First Foundation Bank-Checking	207,777.31
1001 · BofA Interest Checking 4389	46,674.72
1002 · First Foundation Bank ICS Acct	57,615.05

Total Checking/Savings 312,067.08

Other Current Assets

1100 · CalTrust - Medium Term	604,348.65
1107 · CalTrust Liquidity Fund	8,635.95
1110 · CAMP-SACRS Liquidity Fund	508,885.95

Total Other Current Assets 1,121,870.55

Total Current Assets 1,433,937.63

TOTAL ASSETS 1,433,937.63

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Credit Cards

2201 · First Foundation Master Card	-371.83
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Total Credit Cards -371.83

Total Current Liabilities -371.83

Total Liabilities -371.83

Equity

32000 · Retained Earnings 1,266,654.18

Net Income 167,655.28

Total Equity 1,434,309.46

TOTAL LIABILITIES & EQUITY 1,433,937.63

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget vs. Actual
July through August 2023

Ordinary Income/Expense	Jul - Aug 23	Budget	\$ Over Budget	% of Budget
Income				
4100 · Membership Dues				
4101 · Affiliates	201,000.00	322,500.00	-121,500.00	62.33%
4102 · Non Profit - Organizations	1,200.00	3,000.00	-1,800.00	40.0%
4103 · Non Profit - Systems	5,400.00	6,500.00	-1,100.00	83.08%
4104 · Systems - Medium	48,000.00	52,000.00	-4,000.00	92.31%
4105 · Systems - Large	30,000.00	42,000.00	-12,000.00	71.43%
Total 4100 · Membership Dues	285,600.00	426,000.00	-140,400.00	67.04%
4200 · Webinar Symposium Registration				
4201 · Affiliates - Early	0.00	0.00	0.00	0.0%
4202 · Affiliates - Regular	0.00	1,250.00	-1,250.00	0.0%
4203 · Affiliates - Late/Onsite	0.00	0.00	0.00	0.0%
4204 · Non Profit	0.00	0.00	0.00	0.0%
4205 · Systems	0.00	1,250.00	-1,250.00	0.0%
4206 · Non-Members	0.00	2,000.00	-2,000.00	0.0%
Total 4200 · Webinar Symposium Registration	0.00	4,500.00	-4,500.00	0.0%
4250 · Product Income				
4251 · CERL	0.00	200.00	-200.00	0.0%
4252 · Roster	0.00	0.00	0.00	0.0%
4253 · Website Advertising	0.00	0.00	0.00	0.0%
4254 · Website Job Board	100.00	0.00	100.00	100.0%
4255 · Magazine Advertising	0.00	0.00	0.00	0.0%
4256 · On Demand Education	0.00	0.00	0.00	0.0%
4257 · Trustee Handbooks	0.00	0.00	0.00	0.0%
4269 · Product Shipping	0.00	0.00	0.00	0.0%
Total 4250 · Product Income	100.00	200.00	-100.00	50.0%
4270 · UC Berkeley Program				
4271 · Registrations	22,500.00	80,000.00	-57,500.00	28.13%
4272 · Sponsorships	25,000.00	40,000.00	-15,000.00	62.5%
4273 · Spouse	0.00	1,000.00	-1,000.00	0.0%
4270 · UC Berkeley Program - Other	0.00			
Total 4270 · UC Berkeley Program	47,500.00	121,000.00	-73,500.00	39.26%
4300 · Fall Conference Registration				
4301 · Affiliates - Early	0.00	0.00	0.00	0.0%
4302 · Affiliates - Regular	77,292.00	271,200.00	-193,908.00	28.5%
4303 · Affiliates - Late/Onsite	0.00	84,480.00	-84,480.00	0.0%
4304 · Non Profit	150.00	1,500.00	-1,350.00	10.0%
4305 · Systems	6,480.00	20,000.00	-13,520.00	32.4%
4306 · Non-Members	70,488.00	224,280.00	-153,792.00	31.43%
4307 · Fun Run	330.00	500.00	-170.00	66.0%
4308 · Yoga	195.00	100.00	95.00	195.0%
4309 · Spouse	800.00	5,000.00	-4,200.00	16.0%
Total 4300 · Fall Conference Registration	155,735.00	607,060.00	-451,325.00	25.65%

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget vs. Actual
July through August 2023

	Jul - Aug 23	Budget	\$ Over Budget	% of Budget
4350 - Spring Conference Registration				
4351 - Affiliates - Early	1,020.00	0.00	1,020.00	100.0%
4352 - Affiliates - Regular	4,520.00	271,200.00	-266,680.00	1.67%
4353 - Affiliates - Late/Onsite	1,280.00	84,480.00	-83,200.00	1.52%
4354 - Non Profit	240.00	1,500.00	-1,260.00	16.0%
4355 - Systems	1,680.00	20,000.00	-18,320.00	8.4%
4356 - Non-Members	8,010.00	224,280.00	-216,270.00	3.57%
4357 - Fun Run	180.00	500.00	-320.00	36.0%
4358 - Yoga	45.00	100.00	-55.00	45.0%
4359 - Spouse	0.00	5,000.00	-5,000.00	0.0%
Total 4350 - Spring Conference Registration	16,975.00	607,060.00	-590,085.00	2.8%
4900 - Interest Earned	9,262.98	0.00	9,262.98	100.0%
Total Income	515,172.98	1,765,820.00	-1,250,647.02	29.18%
Gross Profit	515,172.98	1,765,820.00	-1,250,647.02	29.18%
Expense				
5000 - Administrative Fee	37,500.00	225,000.00	-187,500.00	16.67%
5001 - Administrative Services	0.00	500.00	-500.00	0.0%
5002 - Awards	-902.56	500.00	-1,402.56	-180.51%
5003 - Bank Charges/Credit Card Fees	4,689.58	36,000.00	-31,310.42	13.03%
5010 - Berkeley & Symposium				
5011 - Audio/Visual	0.00	8,204.00	-8,204.00	0.0%
5012 - Delivery & Shipping	112.55	0.00	112.55	100.0%
5013 - Hotel	0.00	0.00	0.00	0.0%
5014 - Food & Beverage	0.00	12,500.00	-12,500.00	0.0%
5015 - Materials/Printing/Design	1,934.16	1,000.00	934.16	193.42%
5016 - Travel	0.00	1,000.00	-1,000.00	0.0%
5017 - UC Berkeley	240,000.00	240,000.00	0.00	100.0%
Total 5010 - Berkeley & Symposium	242,046.71	262,704.00	-20,657.29	92.14%
5020 - Webinar Symposium				
5021 - Webinar Speaker	0.00	0.00	0.00	0.0%
5022 - Webinar Technology	0.00	25,000.00	-25,000.00	0.0%
5023 - Webinar Misc	0.00	0.00	0.00	0.0%
Total 5020 - Webinar Symposium	0.00	25,000.00	-25,000.00	0.0%
5030 - CERL				
5031 - Materials/Printing/Design	0.00	16,500.00	-16,500.00	0.0%
5032 - Shipping	0.00	1,300.00	-1,300.00	0.0%
Total 5030 - CERL	0.00	17,800.00	-17,800.00	0.0%
5039 - Charitable Contributions	0.00	0.00	0.00	0.0%
5040 - Commissions & Fees	25.00	15,000.00	-14,975.00	0.17%
5041 - Consulting	4,582.00	21,192.00	-16,610.00	21.62%
5042 - Dues & Subscriptions	0.00	3,700.00	-3,700.00	0.0%
5050 - Fall Conference				
5051 - Audio/Visual	0.00	103,000.00	-103,000.00	0.0%
5052 - Delivery & Shipping	0.00	2,500.00	-2,500.00	0.0%

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget vs. Actual
July through August 2023

	Jul - Aug 23	Budget	\$ Over Budget	% of Budget
5053 - Entertainment	0.00	6,500.00	-6,500.00	0.0%
5054 - Hotel				
5054.1 - Wednesday Night Event	0.00	82,500.00	-82,500.00	0.0%
5054.2 - Conference	0.00	35,000.00	-35,000.00	0.0%
5054.3 - Food & Beverage	0.00	275,000.00	-275,000.00	0.0%
Total 5054 - Hotel	0.00	392,500.00	-392,500.00	0.0%
5055 - Program Material	0.00	25,000.00	-25,000.00	0.0%
5056 - Speakers	0.00	50,000.00	-50,000.00	0.0%
5057 - Supplies	0.00	500.00	-500.00	0.0%
5058 - Travel	0.00	15,000.00	-15,000.00	0.0%
Total 5050 - Fall Conference	0.00	595,000.00	-595,000.00	0.0%
5070 - Insurance	35.00	5,000.00	-4,965.00	0.7%
5071 - Legal & Professional Fees	0.00	25,000.00	-25,000.00	0.0%
5072 - Legislative Advocacy	10,468.00	62,808.00	-52,340.00	16.67%
5080 - Magazine				
5081 - Delivery & Shipping	0.00	600.00	-600.00	0.0%
5082 - Design/Printing/Etc.	0.00	15,000.00	-15,000.00	0.0%
5083 - Magazine - Other	0.00	8,000.00	-8,000.00	0.0%
5080 - Magazine - Other	0.00	0.00	0.00	0.0%
Total 5080 - Magazine	0.00	23,600.00	-23,600.00	0.0%
6000 - Board & Committees				
6001 - Board of Directors				
6001.1 - Food & Beverage	25,654.92	25,000.00	654.92	102.62%
6001.2 - Printing/Supplies	885.23	0.00	885.23	100.0%
6001.3 - Travel - BOD Meetings	2,451.35	10,000.00	-7,548.65	24.51%
6001.4 - Travel - Miscellaneous BOD	0.00	10,000.00	-10,000.00	0.0%
6001.5 - Board Of Directors - Other	0.00	10,000.00	-10,000.00	0.0%
6001 - Board of Directors - Other	5,000.00			
Total 6001 - Board of Directors	33,991.50	55,000.00	-21,008.50	61.8%
6002 - Legislative Committee Meetings	0.00	0.00	0.00	0.0%
6003 - Program Committee Meetings	0.00	0.00	0.00	0.0%
6004 - Nominating Committee Meetings	0.00	0.00	0.00	0.0%
6005 - Audit Committee Meetings	0.00	0.00	0.00	0.0%
6006 - Education Committee Meetings	0.00	0.00	0.00	0.0%
6007 - ByLaws Committee Meetings	0.00	0.00	0.00	0.0%
Total 6000 - Board & Committees	33,991.50	55,000.00	-21,008.50	61.8%
6010 - Office Expenses / Supplies	641.24	2,500.00	-1,858.76	25.65%
6011 - Postage & Delivery	604.37	8,500.00	-7,895.63	7.11%
6020 - Spring Conference				
6021 - Audio/Visual	0.00	103,000.00	-103,000.00	0.0%
6022 - Delivery & Shipping	0.00	2,500.00	-2,500.00	0.0%
6023 - Entertainment	0.00	6,500.00	-6,500.00	0.0%
6024 - Hotel				
6024.1 - Wednesday Night Event	0.00	82,500.00	-82,500.00	0.0%

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget vs. Actual
 July through August 2023

	Jul - Aug 23	Budget	\$ Over Budget	% of Budget
6024.2 - Conference	1,835.86	0.00	1,835.86	100.0%
6024.3 - Food & Beverage	0.00	275,000.00	-275,000.00	0.0%
Total 6024 - Hotel	1,835.86	357,500.00	-355,664.14	0.51%
6025 - Program Material	-808.07	25,000.00	-25,808.07	-3.23%
6026 - Speakers	0.00	50,000.00	-50,000.00	0.0%
6027 - Supplies	0.00	1,000.00	-1,000.00	0.0%
6028 - Travel	0.00	15,000.00	-15,000.00	0.0%
Total 6020 - Spring Conference	1,027.79	560,500.00	-559,472.21	0.18%
6050 - Strategic Facilitator	0.00	0.00	0.00	0.0%
6051 - Taxes & Licenses	0.00	600.00	-600.00	0.0%
6053 - Technology/AMS/Website	12,809.07	42,000.00	-29,190.93	30.5%
6054 - Travel	0.00	2,000.00	-2,000.00	0.0%
Total Expense	347,517.70	1,989,904.00	-1,642,386.30	17.46%
Net Ordinary Income	167,655.28	-224,084.00	391,739.28	-74.82%
Net Income	167,655.28	-224,084.00	391,739.28	-74.82%

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss by Class

July through August 2023

August GENERAL Future TOTAL

Ordinary Income/Expense

Income

4100 - Membership Dues

4101 - Affiliates	0.00	201,000.00	0.00	201,000.00
4102 - Non Profit - Organizations	0.00	1,200.00	0.00	1,200.00
4103 - Non Profit - Systems	0.00	5,400.00	0.00	5,400.00
4104 - Systems - Medium	0.00	48,000.00	0.00	48,000.00
4105 - Systems - Large	0.00	30,000.00	0.00	30,000.00

Total 4100 - Membership Dues	0.00	285,600.00	0.00	285,600.00
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4250 - Product Income

4254 - Website Job Board	0.00	100.00	0.00	100.00
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Total 4250 - Product Income	0.00	100.00	0.00	100.00
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4270 - UC Berkeley Program

4271 - Registrations	0.00	22,500.00	0.00	22,500.00
4272 - Sponsorships	0.00	25,000.00	0.00	25,000.00
4270 - UC Berkeley Program - Other	0.00	0.00	0.00	0.00

Total 4270 - UC Berkeley Program	0.00	47,500.00	0.00	47,500.00
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4300 - Fall Conference Registration

4302 - Affiliates - Regular	0.00	77,292.00	0.00	77,292.00
4304 - Non Profit	0.00	150.00	0.00	150.00
4305 - Systems	0.00	6,480.00	0.00	6,480.00
4306 - Non-Members	0.00	70,488.00	0.00	70,488.00
4307 - Fun Run	0.00	330.00	0.00	330.00
4308 - Yoga	0.00	195.00	0.00	195.00
4309 - Spouse	0.00	800.00	0.00	800.00

Total 4300 - Fall Conference Registration	0.00	155,735.00	0.00	155,735.00
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4350 - Spring Conference Registration

4351 - Affiliates - Early	1,020.00	0.00	0.00	1,020.00
4352 - Affiliates - Regular	4,520.00	0.00	0.00	4,520.00
4353 - Affiliates - Late/Onsite	1,280.00	0.00	0.00	1,280.00
4354 - Non Profit	240.00	0.00	0.00	240.00
4355 - Systems	1,680.00	0.00	0.00	1,680.00
4356 - Non-Members	8,010.00	0.00	0.00	8,010.00
4357 - Fun Run	180.00	0.00	0.00	180.00
4358 - Yoga	45.00	0.00	0.00	45.00

Total 4350 - Spring Conference Registration	16,975.00	0.00	0.00	16,975.00
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4900 - Interest Earned

0.00	9,262.98	0.00	9,262.98
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Total Income

16,975.00	498,197.98	0.00	515,172.98
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Gross Profit

16,975.00	498,197.98	0.00	515,172.98
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Expense

5000 - Administrative Fee	0.00	37,500.00	0.00	37,500.00
5002 - Awards	0.00	-902.56	0.00	-902.56
5003 - Bank Charges/Credit Card Fees	0.00	4,689.58	0.00	4,689.58
5010 - Berkeley & Symposium				
5012 - Delivery & Shipping	0.00	112.55	0.00	112.55

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss by Class

July through August 2023

	Fig	GENERAL	Future	TOTAL
5015 · Materials/Printing/Design	0.00	1,934.16	0.00	1,934.16
5017 · UC Berkeley	0.00	240,000.00	0.00	240,000.00
Total 5010 · Berkeley & Symposium	0.00	242,046.71	0.00	242,046.71
5040 · Commissions & Fees	0.00	25.00	0.00	25.00
5041 · Consulting	0.00	4,582.00	0.00	4,582.00
5070 · Insurance	0.00	35.00	0.00	35.00
5072 · Legislative Advocacy	0.00	10,468.00	0.00	10,468.00
6000 · Board & Committees				
6001 · Board of Directors				
6001.1 · Food & Beverage	0.00	25,654.92	0.00	25,654.92
6001.2 · Printing/Supplies	0.00	885.23	0.00	885.23
6001.3 · Travel - BOD Meetings	0.00	2,451.35	0.00	2,451.35
6001 · Board of Directors - Other	0.00	5,000.00	0.00	5,000.00
Total 6001 · Board of Directors	0.00	33,991.50	0.00	33,991.50
Total 6000 · Board & Committees	0.00	33,991.50	0.00	33,991.50
6010 · Office Expenses / Supplies	0.00	641.24	0.00	641.24
6011 · Postage & Delivery	0.00	604.37	0.00	604.37
6020 · Spring Conference				
6024 · Hotel				
6024.2 · Conference	0.00	1,835.86	0.00	1,835.86
Total 6024 · Hotel	0.00	1,835.86	0.00	1,835.86
6025 · Program Material	0.00	-808.07	0.00	-808.07
Total 6020 · Spring Conference	0.00	1,027.79	0.00	1,027.79
6053 · Technology/AMS/Website	0.00	12,809.07	0.00	12,809.07
6054 · Travel	0.00	0.00	0.00	0.00
Total Expense	0.00	347,517.70	0.00	347,517.70
Net Ordinary Income	16,975.00	150,680.28	0.00	167,655.28
Net Income	16,975.00	150,680.28	0.00	167,655.28



4. SACRS President Report - No Action

David MacDonald, Contra Costa CERA, SACRS President

- A. SACRS President Update. Verbal report, no printed materials for this item.



5. SACRS Legislative Committee Update – Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2023 Legislative Report – No Action
- B. 2024 Legislative Proposals – Action Item



October 5, 2023

TO: State Association of County Retirement Systems

FROM: Edelstein Gilbert Robson & Smith, LLC

RE: **Legislative Update – October 2023**

The California Legislature closed out its work for the 2023 legislative session on the evening of September 14th, sending approximately 900 bills to the Governor for consideration. The Governor has until October 14th to act on those measures.

While there were several areas of public policymaking that captured the Legislature's attention this year, labor and employment policy primarily dominated the legislative landscape. This was driven by ongoing strikes affecting the entertainment and Southern California lodging industries. Additionally, threatened strikes by healthcare workers, state and local public employee unions, UPS, pending statewide ballot measures, and a referendum to overturn a recently enacted restaurant wage law, the media deemed summer 2023 to be California's "[Hot Labor Summer](#)".

The Democrat dominated and labor-friendly Legislature responded with dozens of legislative proposals aimed at assisting its most important constituency: organized labor. With overwhelming 3/4 supermajorities in each house of the Legislature, labor-backed, Democrat-authored labor bills are almost certain to pass. Among the many labor-backed bills that the Governor has acted on are:

[SB 799 \(Portantino\) Unemployment Insurance for Striking Workers -- VETOED](#)

This bill would have made striking workers who have been on strike for more than two weeks eligible for unemployment insurance benefits.

[SB 616 \(Gonzalez\) – Paid Sick Leave -- SIGNED](#)

This bill would extend the annual amount of paid sick leave required to be given to an employee from three days to five days.

The Governor has not yet acted on [AB 1](#) which would allow legislative employees to join a union and collectively bargain for their wages and working conditions.

Legislation of Interest

SB 885 (Committee on Labor, Public Employment and Retirement). This is the annual committee omnibus bill that contains various cleanup provisions for CalSTRS, CalPERS and CERL systems. The amendments to the CERL make non-substantive, technical changes as well as conform provisions on Required Minimum Distributions to federal law under the SECURE ACT 2.0 by referencing the federal law instead of a specific age.



The Governor signed this bill into law.

AB 1020 (Grayson) – CERL Disability Presumptions. This bill would establish several new disability retirement presumptions for various injuries and illnesses in the CERL, similar to provisions that exist in the Labor Code. The bill is sponsored by the California Professional Firefighters. The author and sponsor agreed to technical clarifications proposed by SACRS that were amended into the bill in June. CSAC remains opposed to the bill.

The bill is on the Governor’s desk.

AB 1637 (Irwin) - Local Government Websites and Email Addresses. Would, no later than January 1, 2029, require a local agency, as defined, that maintains an internet website for use by the public to ensure that the internet website utilizes a “.gov” top-level domain or a “.ca.gov” second-level domain and would require a local agency that maintains an internet website that is noncompliant with that requirement to redirect that internet website to a domain name that does utilize a “.gov” or “.ca.gov” domain. This bill, no later than January 1, 2029, would also require a local agency that maintains public email addresses to ensure that each email address provided to its employees utilizes a “.gov” domain name or a “.ca.gov” domain name. By adding to the duties of local officials, the bill would impose a state-mandated local program.

The bill is on the Governor’s desk.

AB 557 (Hart) - Brown Act Emergency Teleconferencing Sunset Extension. This bill would remove the sunset in current law to allow teleconferencing during certain emergencies as well as increase the time period when the Board must renew the findings of an emergency or need for social distancing from 30 days to 45 days.

The bill is on the Governor’s desk.

SB 537 (Becker) - Teleconference Flexibilities. This bill would allow expanded teleconference flexibilities for multijurisdictional, cross county legislative bodies if certain requirements are met, along with adding to the list of circumstances where a member is permitted to participate remotely. The bill has been narrowed considerably as it advanced through various policy committees in each house.

The bill was held on the Assembly Floor and may be considered when the Legislature returns in January.

2024 Legislative Preview

The legislative committee is currently working on proposals for consideration at the fall conference.



September 15, 2023

RE: SACRS Legislative Proposals 2024

Dear SACRS Board of Directors,

The SACRS Legislative Committee has developed a legislative package for consideration in the upcoming 2024 legislative session. These proposals reflect the input of SACRS member systems and are intended to provide technical and administrative clarity to various sections of the County Employees Retirement Law of 1937 (CERL or '37 Act).

Proposed amendments to the CERL include the following:

- Clarification that a retiree's pension payment can be deposited in a trust account controlled by that member. This is not intended to change the statutory intent that an ongoing pension payment must be made to a natural person; however, the amendment provides uniformity to an issue that has been interpreted differently across the '37 Act systems. SACRS' tax counsel from the Hanson Bridgett law firm has reviewed the language for appropriateness and compliance with federal and California law.
- Authority for a Board of Retirement to make payments to retirees through a prepaid account (like a debit card). This amendment is intended to accommodate retirees who may not have a traditional checking or savings account, leaving the only option to receive regular pension payments through paper check by mail or in-person. The COVID-19 pandemic and past natural disasters have shown that the use of paper checks can be adversely affected in delivering promised benefits. This amendment only authorizes the system to utilize prepaid accounts as a payment method; it does not mandate it.
- Removal of requirement for a certified mail "return receipt" when sending notices to terminated members or beneficiaries that they have contributions or unclaimed benefits remaining with the system. Though IRS regulations require registered or certified mail for locating members and beneficiaries, the "return receipt" language found in the CERL is not an IRS requirement and reflects an outdated practice. Certified mail now allows the sender to electronically track the letter at significant cost savings.



- Direction for retirement systems to take certain actions when retired members exceed the 960-hour post-retirement employment limit. The proposed amendments would require the system to offset the member’s retirement allowance by the equivalent excess hours paid above 960 hours to ensure that the retired member is not receiving a pension and a salary outside of the prescribed limit. These amendments do not preclude retirement system from also reinstating the member into active service as the system deems necessary.

We thank the Legislative Committee for reviewing these proposals and engaging in a collaborative, deliberative process to achieve consensus on issues. Though seemingly technical, these amendments represent process improvements that will provide administrative efficiencies to retirement systems and members.

Respectfully,

/s/

David Nelsen and Eric Stern
Co-Chairs, Legislative Committee

ATTACHMENT

- SACRS Draft Language – 2024 CERL Amendments

Government Code Section 31452.6 (Amend)

31452.6. (a) The board shall comply with and give effect to a revocable written authorization signed by a retired member or beneficiary of a retired member entitled to a retirement allowance or benefit under this chapter or the California Public Employees' Pension Reform Act of 2013, authorizing the treasurer or other entity authorized by the board to deliver the monthly warrant, check, or electronic fund transfer, for the retirement allowance or benefit to any specified bank, savings and loan institution, ~~or~~ credit union, or prepaid account to be credited to the account of the retired member or survivor of a deceased retired member. That delivery is full discharge of the liability of the board to pay a monthly retirement allowance or benefit to the retired member or survivor of a deceased retired member.

(b) Any payments directly deposited by electronic fund transfer following the date of death of a person who was entitled to receive a retirement allowance or benefit under this chapter or the California Public Employees' Pension Reform Act of 2013 shall be refunded to the retirement system.

(c) In order to obtain information from a financial institution following the death of a retired member or the beneficiary of a retired member, as provided in subdivision (o) of Section 7480, the board may certify in writing to the financial institution that the retired member or the beneficiary of a retired member has died and that transfers to the account of the retired member or beneficiary of a retired member at the financial institution from the retirement system occurred after the date of death of the retired member or the beneficiary of a retired member.

(d)(1) For purposes of this section, "the account of the retired member or survivor of a deceased retired member," may include an account held in a living trust or an income only trust (Miller Trust) that is controlled by the retired member or survivor of a deceased retired member or is established for the retired member's (or survivor of a deceased retired member's) benefit in order to qualify for State Medicaid or comparable assistance.

(d)(2) For purposes of this section, the term "prepaid account" shall have the same meaning as defined in, and meet the applicable requirements of, Section 1339.1 of the Unemployment Insurance Code.

Government Code Section 31590 (Amend)

(a) All warrants, checks, and electronic fund transfers drawn on the retirement fund shall be signed or authorized by at least two board officers or employees, designated by the board or by the treasurer if designated by the board. If the treasurer is designated by the board, the board shall also designate the auditor to sign or authorize warrants, checks, and electronic fund transfers. The authorization may be by blanket authorization of all warrants, checks, or electronic fund transfers appearing on a list or register, or may be by a standing order to draw warrants, checks, or electronic fund transfers, which shall be good until revoked. If the treasurer and auditor are designated by the board, a warrant, check, or electronic fund transfer is not valid until it is signed or authorized, numbered, and recorded by the county auditor, except as provided in subdivision (c).

(b)(1) Any person entitled to the receipt of benefits may authorize the payment of the

benefits to be directly deposited by electronic fund transfer into the person's account at the financial institution of the person's choice under a program for direct deposit by electronic transfer established by the board or treasurer if authorized by the board. The direct deposit shall discharge the system's obligation in respect to that payment.

(2) Such person may also authorize the payment of their benefits to be deposited into a prepaid account under a program established by the board or treasurer if authorized by the board. The payment of the benefit into the prepaid account shall discharge the system's obligation in respect to that payment. For purposes of this paragraph, the term "prepaid account" shall have the same meaning as defined in, and meet the applicable requirements of, Section 1339.1 of the Unemployment Insurance Code.

(c) The board may, or, if authorized by the board, the treasurer shall, authorize a trust company or trust department of any state or national bank authorized to conduct the business of a trust company in this state or the Federal Reserve Bank of San Francisco or any branch thereof within this state, to process and issue payments by check or electronic fund transfer.

Government Code Section 31628 (Amend)

If the service of a member is discontinued other than by death or retirement, upon proper application submitted to the retirement board, he or she shall be paid all of his or her accumulated contributions, in accordance with this chapter, minus a withdrawal charge, if a withdrawal charge has been provided for by the regulations of the board. The board may order payment in whole or in part withheld for a period not to exceed six months after date of separation. If a member does not file the proper application, the board shall send to the member, not more than 90 days after termination of service, at his or her last known address, a registered or certified letter, ~~return receipt requested~~, stating that he or she has money to his or her credit on the books of the retirement system and that if he or she does not claim the money within 10 years after date of notice, in the case of persons first employed before January 1, 1976, or within five years in the case of persons first employed on and after January 1, 1976, the money will be deposited in and become a part of the current pension reserve fund.

Government Code Section 31680.2 (Amend)

(a) Any person who has retired may be employed in a position requiring special skills or knowledge, as determined by the county or district employing them, for a period of time not to exceed 90 working days or 720 hours, whichever is greater, in any one fiscal year or any other 12-month period designated by the board of supervisors and may be paid for that employment. That employment shall not operate to reinstate the person as a member of this system or to terminate or suspend their retirement allowance, and no deductions shall be made from their salary as contributions to this system.

(b) (1) This section shall not apply to any retired person who is otherwise eligible for employment under this section if, during the 12-month period prior to an appointment described in this section, that retired person receives unemployment insurance compensation arising out of prior employment subject to this section with the same employer.

(2) A retired person who accepts an appointment after receiving unemployment insurance compensation as described in this subdivision shall terminate that employment on the last day

of the current pay period and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.

(3) Beginning January 1, 2013, if any provision of this section conflicts with the California Public Employees' Pension Reform Act of 2013, the provisions of that act shall prevail, except that the limit on postretirement employment provided in subdivision (a) to the greater of 90 working days or 720 hours shall remain effective.

(c) Notwithstanding subdivision (a), the retired person's retirement allowance shall be considered an overpayment to the extent it is payable during any period in which the retired person is employed and paid for that employment in excess of 90 working days or 720 hours, whichever is greater, in any one fiscal year or any other 12-month period designated by the board of supervisors. Such overpayment shall be subject to collection by the retirement system. This paragraph does not preclude the retirement system from taking additional action as it deems necessary to reinstate the person as a member of the system or terminate or suspend their retirement allowance.

Government Code Section 31680.3 (Amend)

(a) Notwithstanding Section 31680.2, any member who has been covered under the provisions of Section 31751 and has retired may be reemployed in a position requiring special skills or knowledge, as determined by the county or district employing the member, for a period of time not to exceed 120 working days or 960 hours, whichever is greater, in any one fiscal year and may be paid for that employment. That employment shall not operate to reinstate the person as a member of this system or to terminate or suspend the person's retirement allowance, and no deductions shall be made from the person's salary as contributions to this system.

(b) (1) This section shall not apply to any retired member who is otherwise eligible for reemployment under this section if, during the 12-month period prior to an appointment described in this section, that retired person receives unemployment insurance compensation arising out of prior employment subject to this section with the same employer.

(2) A retired person who accepts an appointment after receiving unemployment insurance compensation as described in this subdivision shall terminate that employment on the last day of the current pay period and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.

(c) Beginning January 1, 2013, if any provision of this section conflicts with the California Public Employees' Pension Reform Act of 2013, the provisions of that act shall prevail.

(d) Notwithstanding subdivision (a), the retired member's retirement allowance shall be considered an overpayment to the extent it is payable during any period in which the retired member is employed and paid for that employment in excess of 120 working days or 960 hours, whichever is greater, in any one fiscal year. Such overpayment shall be subject to collection by the retirement system. This subdivision does not preclude the retirement system from taking additional action as it deems necessary to reinstate the person as a member of the system or terminate or suspend their retirement allowance.

Government Code Section 31680.6 (Amend)

(a) Notwithstanding Section 31680.2, any county subject to Section 31680.2 may, upon adoption of a resolution by a majority vote by the board of supervisors, extend the period of time provided for in Section 31680.2 for which a person who has retired may be employed in a position requiring special skills or knowledge, as determined by the county or district employing him or her, not to exceed 120 working days or 960 hours, whichever is greater, in any one fiscal year or any other 12-month period designated by the board of supervisors and may be paid for that employment. That employment shall not operate to reinstate the person as a member of this system or to terminate or suspend his or her retirement allowance, and no deductions shall be made from his or her salary as contributions to this system.

(b) (1) This section shall not apply to any retired person who is otherwise eligible for employment under this section if, during the 12-month period prior to an appointment described in this section, that retired person receives unemployment insurance compensation arising out of prior employment subject to this section with the same employer.

(2) A retired person who accepts an appointment after receiving unemployment insurance compensation as described in this subdivision shall terminate that employment on the last day of the current pay period and shall not be eligible for reappointment subject to this section for a period of 12 months following the last day of employment.

(c) Beginning January 1, 2013, if any provision of this section conflicts with the California Public Employees' Pension Reform Act of 2013, the provisions of that act shall prevail.

(d) Notwithstanding subdivision (a), the retired person's retirement allowance shall be considered an overpayment to the extent it is payable during any period in which the retired person is employed and paid for that employment in excess of 120 working days or 960 hours, whichever is greater, in any one fiscal year of any other 12-month period designated by the board of supervisors. Such overpayment shall be subject to collection by the retirement system. This section does not preclude the retirement system from taking additional action as it deems necessary to reinstate the person as a member of the system or terminate or suspend their retirement allowance.

Government Code Section 31680.9 (Add)

A retired member who is employed pursuant to Section 7522.56 shall have their retirement allowance be considered an overpayment to the extent it is payable during any period in which the retired member is employed and paid for that employment in excess of 960 hours or other equivalent limit in a calendar year or fiscal year. Such overpayment shall be subject to collection by the retirement system. This section does not preclude the retirement system from taking additional action as it deems necessary to reinstate the person as a member of the system or terminate or suspend their retirement allowance.

Government Code Section 31783.5 (Amend)

(a) Whenever a person or estate entitled to payment of a member's accumulated contributions or any other benefit fails to claim the payment or cannot be located, the amount owed from the retirement fund shall be administered in accordance with subdivision (c).

(b) The board shall attempt to locate the claimant through such means as the board in its sound discretion deems reasonable including, but not limited to, a registered or certified letter, ~~return receipt requested~~, mailed to the last known address of the claimant.

(c) Notwithstanding any provision of law to the contrary, the amounts described in subdivision (a) shall be held for the claimant. If the amounts are not claimed within five years after the last attempted contact with the claimant, the amounts shall be deposited in and become a part of the pension reserve fund. The board may at any time after transfer of unclaimed amounts, upon receipt of information satisfactory to it, authorize the return of amounts so held in reserve to the credit of the claimant. Those amounts shall be paid only to claimants who have not yet attained the age of mandatory distribution under the Internal Revenue Code



6. SACRS Nomination Committee - 2024-2025 SACRS Board of Directors Elections – No Action

Vivian Gray, Los Angeles CERA & SACRS Nomination Committee Chair

A. SACRS Board of Directors Elections 2024-2025



October 1, 2023

To: SACRS Trustees & SACRS Administrators/CEO's
 From: Vivian Gray, SACRS Immediate Past President, Nominating Committee Chair
 SACRS Nominating Committee
 Re: SACRS Board of Director Elections 2024-2025 - Elections Notice

SACRS BOD 2024-2025 election process will begin January 1, 2024. Please provide this election notice to your Board of Trustees and Voting Delegates.

DEADLINE	DESCRIPTION
March 1, 2024	Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.
March 25, 2024	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25
May 10, 2024	Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference
May 10, 2024	Board of Directors take office for 1 year

Per SACRS Bylaws, Article VIII, Section 1. Board of Director and Section 2. Elections of Directors:

Section 1. Board of Directors. The Board shall consist of the officers of SACRS as described in Article VI, Section 1, the immediate Past President, and two (2) regular members

A. Immediate Past President. *The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.*

B. Two (2) Regular Members. *Two (2) regular members shall also be members of the Board with full voting rights.*

Section 2. Elections of Directors. *Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.*

The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25. The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of



SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.

Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform to Article V, Sections 6 and 7 of these Bylaws.

Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.

The elections will be held at the SACRS Spring Conference May 7-10, 2024. Elections will be held during the Annual Business meeting on Friday, May 10, 2024, in Santa Barbara at the Hilton Santa Barbara Beachfront Resort.

If you have any questions, please contact Vivian Gray at vgray@lacara.com.

Thank you for your prompt attention to this timely matter.

Sincerely,

Vivian Gray

Vivian Gray, Trustee, Los Angeles CERA and SACRS Nominating Committee Chair

CC: SACRS Board of Directors
SACRS Nominating Committee Members
Sulema H. Peterson, SACRS Executive Director



**SACRS Nomination Submission Form
SACRS Board of Directors Elections 2024-2025**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2024.** Please submit to the Nominating Committee Chair at vgray@lacera.com **AND** to SACRS at sulema@sacrs.org. If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

Name of Candidate	Name:
Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)	Mailing Address: Email Address: Phone:
Name of Retirement System Candidate Currently Serves On	System Name:
List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)	<input type="radio"/> Chair <input type="radio"/> Alternate <input type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
Applying for SACRS Board of Directors Position (select only one)	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
Brief Bio in Paragraph Format	



7. SACRS Audit Report – Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

No report, Audit is currently under review.

No printed materials for this item.



8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

No report, and no printed materials for this item.



9. SACRS Program Committee Report – No Action

Adele Tagaloa, Orange CERS & SACRS Program Committee Chair

- A. SACRS Annual Fall 2023 Conference Report.
Verbal report, no printed materials for this item.



10. SACRS Affiliate Committee Report – No Action

Joanne Svendsgaard, SACRS Affiliate Committee Chair

- A. Affiliate Committee report. Verbal update no printed materials for this item.



11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

- A. Bylaws Committee report. Verbal report, no printed materials for this item.



12. SACRS Fall Conference Breakout Reports – No Action

A representative from each breakout will give a report on their breakouts on Wednesday, November 8th. Verbal reports, no printed materials for this item.

- A. Administrator Breakout
- B. Affiliate Breakout
- C. Attorney Breakout
- D. Disability/Operations & Benefits Combo Breakout
- E. Internal Auditors Breakout
- F. Investment Officer Breakout
- G. Safety Trustee Breakout
- H. General Trustee Breakout



13. Adjournment

Next scheduled SACRS Business Meeting will be held Friday, May 10, 2023, at the Hilton Santa Barbara Beachfront Resort, Santa Barbara, CA.