



2023
POPULAR ANNUAL
FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2023



FOCUSING BEYOND THE HORIZON

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This Popular Annual Financial Report (PAFR) is a condensed version of the San Mateo County Employees' Retirement Association's (SamCERA) Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with generally accepted accounting principles in the United States of America. The ACFR provides in-depth information about the financial, investment, actuarial, statistical, and compliance aspects of SamCERA and is available online at www.samcera.org.

The PAFR can be viewed online at www.samcera.org, and a hard copy is available upon request via e-mail at samcera@samcera.org or via writing to: 100 Marine Parkway, Suite 125, Redwood City, CA 94065.

“We have always held to the hope, the belief, the conviction that there is a better life, a better world, beyond the horizon.”

- Franklin D. Roosevelt -

ABOUT SAMCERA

“Just beyond the horizon of the so-called impossible is INFINITE POSSIBILITY.”

- Bryant McGill -

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 the County, and the County Mosquito and Vector Control District. As of June 30, 2023, SamCERA had a total of 13,690 members, with 5,334 in active, 2,424 in inactive, and 5,932 in retired status.

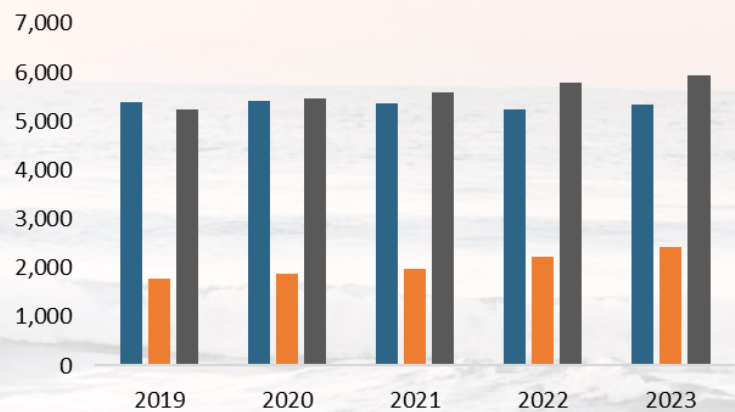
MISSION

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.

Memberships



Active Members	5,377	5,400	5,356	5,249	5,334
Inactive Members	1,767	1,882	1,986	2,224	2,424
Retired Members	5,225	5,454	5,592	5,779	5,932



BOARD OF RETIREMENT



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

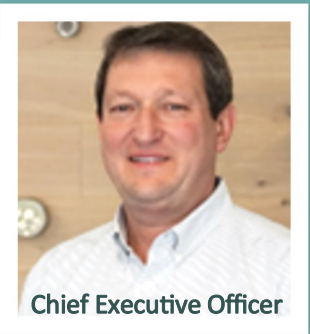


April DeCarsky
Board Member

Elected by the
Safety Members

Safety Alternate

A Message from the CEO



Chief Executive Officer

“Focusing Beyond the Horizon” was evident throughout the year as SamCERA continued planning for the future. The Board of Retirement approved the Strategic Plan for 2023-2028 with updates to SamCERA’s Mission, Vision, Goals, and Focus Priorities. A sixth focus priority – which had always been at the heart of SamCERA’s culture but had not been memorialized in the plan – was also added: “Enhance the member experience.”

Looking forward to new opportunities with risk aversion in mind allows 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.

Over the year, SamCERA implemented significant system improvements, such as introducing a new member portal and adding DocuSign to both the portal and mobile app, so that members can easily and instantly change or add a beneficiary in a secure environment. We also performed network penetration testing on our existing and new interfaces to ensure that up-to-date measures are in place to safeguard our members’ data. Furthermore, we returned to in-person educational events, while continuing to provide online learning opportunities, allowing members to choose the learning environment that works best for them.

SamCERA’s portfolio returned 5.1% net of investment management fees for the fiscal year ended June 30, 2023, which was less than our policy benchmark of 6.5% and our assumed rate of return of 6.25%. Nevertheless, the past year saw

SamCERA’s portfolio market value increase to \$6 billion as of June 30, 2023, as the net combination of portfolio appreciation and contributions, less total deductions, added approximately \$355 million to the fund.

SamCERA maintains 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 is better positioned to opportunistically take advantage of return-seeking opportunities across the portfolio during times of market volatility.

SamCERA continues to be a statewide leader in funding assumptions, ranking as the 2nd most actuarially conservative among California retirement systems in a May 2023 survey by Roeder Financial. This high ranking is due mainly to SamCERA’s relatively low assumed rate of return of 6.25% and our funding method, where the June 30, 2008 Unfunded Actuarial Accrued Liability (UAAL) was amortized over a 15-year fixed period through June 30, 2023. Subsequent changes in the UAAL in years following June 30, 2008, are being amortized separately over new 15-year periods.

As we move forward, we will continue to focus beyond the horizon to ensure long-term security of the fund for our membership.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott Hood". The signature is fluid and cursive, written over a white background.

Scott Hood

FINANCIAL HIGHLIGHTS

- SAMCERA's PRIME OBJECTIVE**

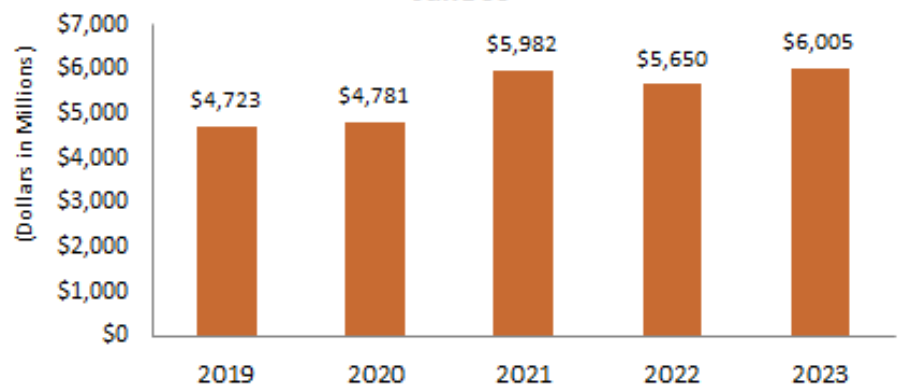
is to meet long-term benefit obligations through investment income and contributions. The fiscal strength of the Retirement Fund improved modestly over the year, as the investment portfolio returned to positive territory.

- As of June 30, 2023, SamCERA's net position held in trust for pension benefits (total assets minus total liabilities) reached \$6 billion, an increase of \$355 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.

**Fiduciary Net Position
June 30**



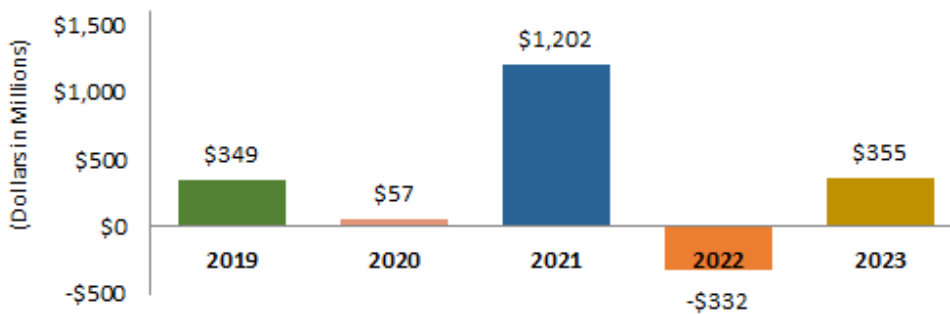
Statement of Fiduciary Net Position

June 30
Dollars in Millions

	2023	2022	2021	2020	2019
Assets					
Cash and cash equivalents	\$ 210	\$ 238	\$ 153	\$ 108	\$ 33
Cash management overlay	20	74	64	54	48
Securities lending cash collateral	4	4	5	2	-
Receivables	150	83	71	96	23
Investments at fair value	5,828	5,345	5,760	4,599	4,625
Capital assets, net	5	7	5	5	6
Total assets	6,217	5,751	6,058	4,864	4,735
Liabilities					
Investment management fees payable	2	2	3	2	2
Due to broker for investments purchased	202	90	66	78	9
Securities lending collateral due to borrowers	4	4	5	2	-
Lease liability	2	3	-	-	1
Other	2	2	2	1	-
Total liabilities	212	101	76	83	12
Net position restricted for pensions	\$ 6,005	\$ 5,650	\$ 5,982	\$ 4,781	\$ 4,723



**Changes in Fiduciary Net Position
For the Fiscal Years Ended June 30**



Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended June 30
Dollars in Millions

	2023	2022	2021	2020	2019
Additions					
Employer Contributions	\$239	\$235	\$225	\$199	\$195
Employer Supplementary Contributions	10	15	40	-	50
Member Contributions	78	74	74	71	68
Total Contributions	327	324	339	270	313
Investment Income (Loss), net of Expenses	341	(367)	1,133	42	272
Total Additions	668	(43)	1,472	312	585
Deductions					
Retiree Benefits	299	277	259	242	224
Member Refunds	4	4	3	4	4
Administrative Expenses	8	7	7	7	6
Information Technology Expenses	2	1	1	2	2
Total Deductions	313	289	270	255	236
Changes in Pension Plan Net Position	\$355	(\$332)	\$1,202	\$57	\$349

- **TOTAL ADDITIONS** to the Retirement Fund were \$668 million compared to -\$43 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.
- Supplementary contributions from the County amounted to \$10 million this fiscal year versus \$15 million last fiscal year.
- **TOTAL DEDUCTIONS** from the Retirement Fund amounted to \$313 million, a moderate increase of \$24 million or 8% from the prior fiscal year. The increase was anticipated, due primarily to the annual cost-of-living adjustment and the continued growth in the number of members receiving benefits.

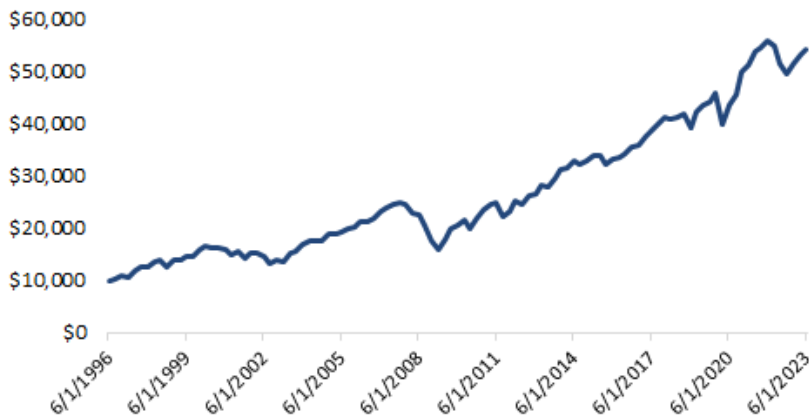
INVESTMENTS

PORTFOLIO PERFORMANCE

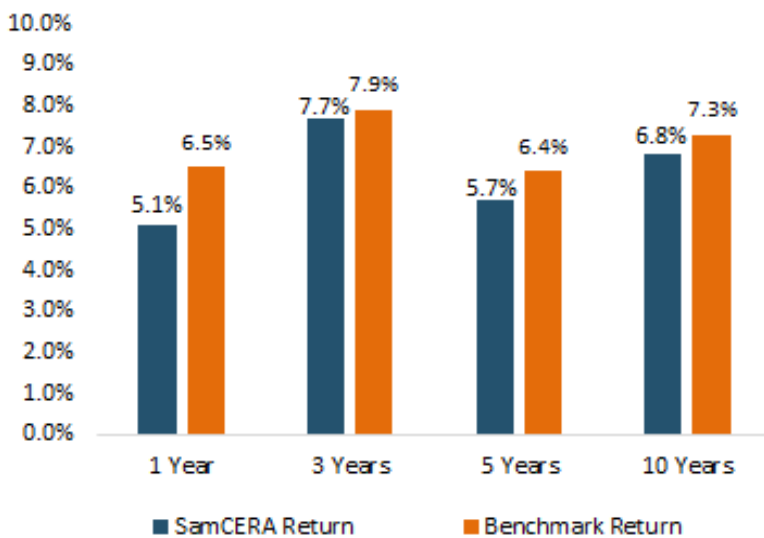
SamCERA's portfolio market value increased to \$6 billion as of June 30, 2023, as the net combination of portfolio appreciation and contributions, less total deductions (i.e., benefits paid, administrative expense, etc.), added approximately \$355 million to the fund.

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%.

Growth of \$10,000 in Investment since 1996

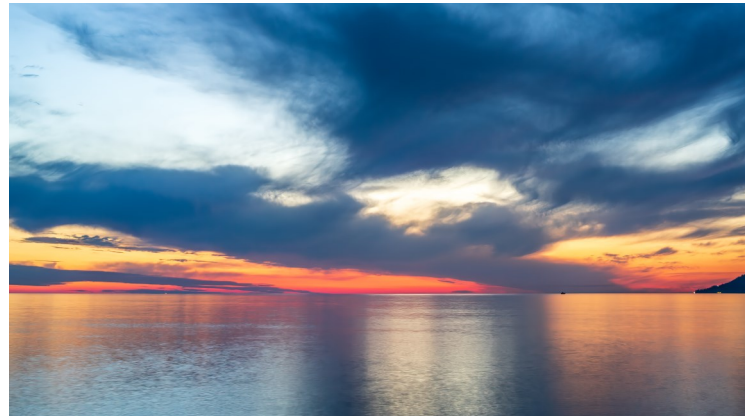


Portfolio Performance

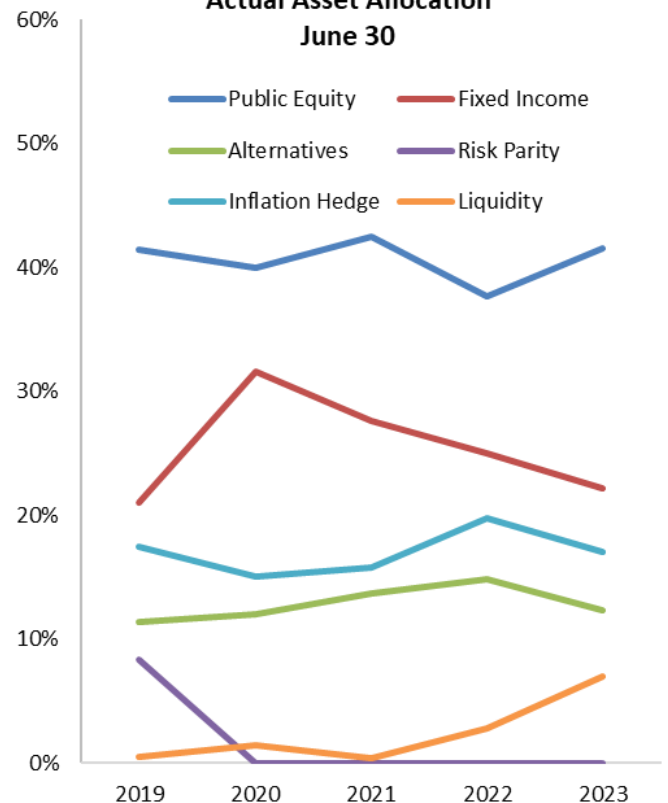


ASSET ALLOCATION

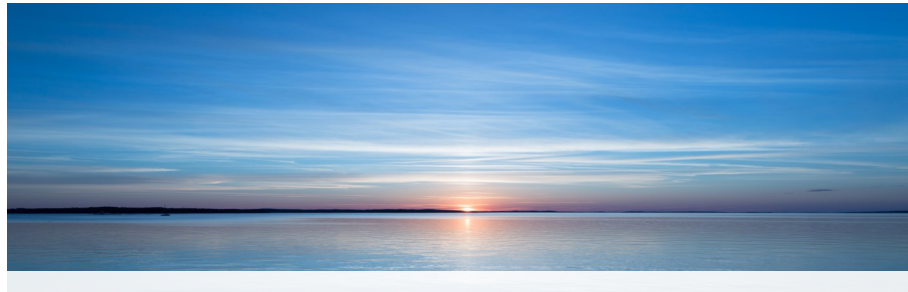
As of June 30, 2023, SamCERA's target asset allocation consists of 57.0% in Growth assets, 19.5% in Diversifying assets, 18.0% in Inflation Hedge assets, and 5.5% in Liquidity. The actual asset allocation at fiscal year-end consisted of 58.1% in Growth assets, 17.9% in Diversifying assets, 17.0% in Inflation Hedge assets, and 7.0% in Liquidity.



Actual Asset Allocation June 30



Note: Risk Parity asset class was eliminated after fiscal year 2018-2019.



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 (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.

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 is 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.

LOOKING FORWARD

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.



PORTFOLIO CHANGES

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:

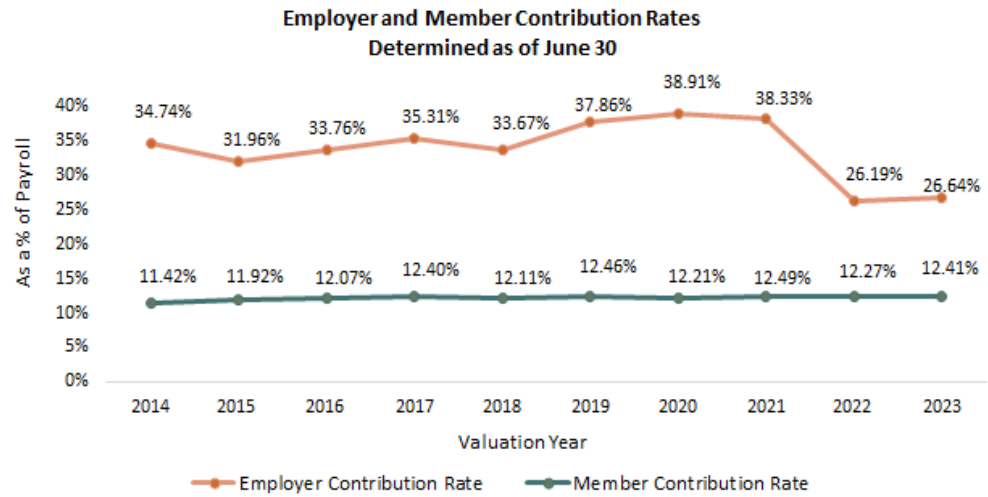
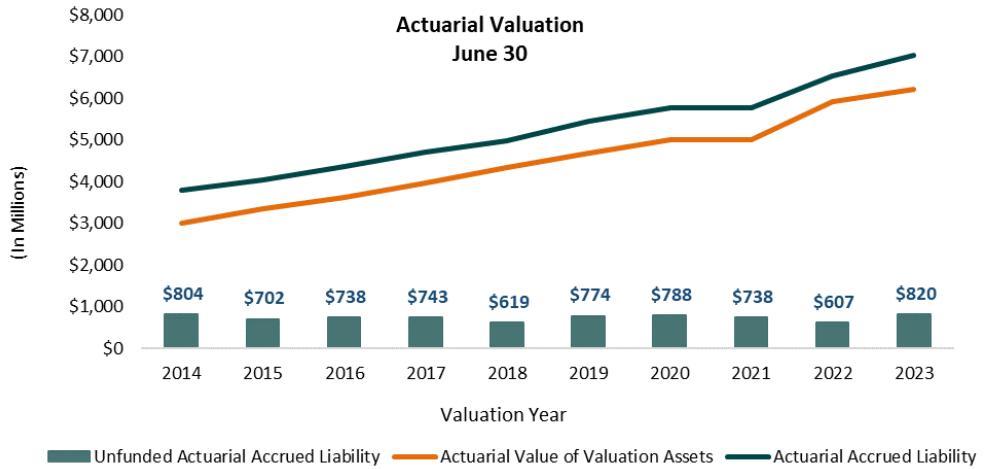
1. Within domestic equity, the low volatility allocation was reduced in half from 8% to 4% within the Growth composite.
2. Within defensive fixed income, a new 3% exposure of long-term treasuries was added to the Diversifying composite with a corresponding decrease in core fixed income.

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.

FUNDING STATUS

ACTUARIAL VALUATION

SamCERA engages an independent actuarial firm to conduct an annual actuarial valuation. 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 the upcoming fiscal year.

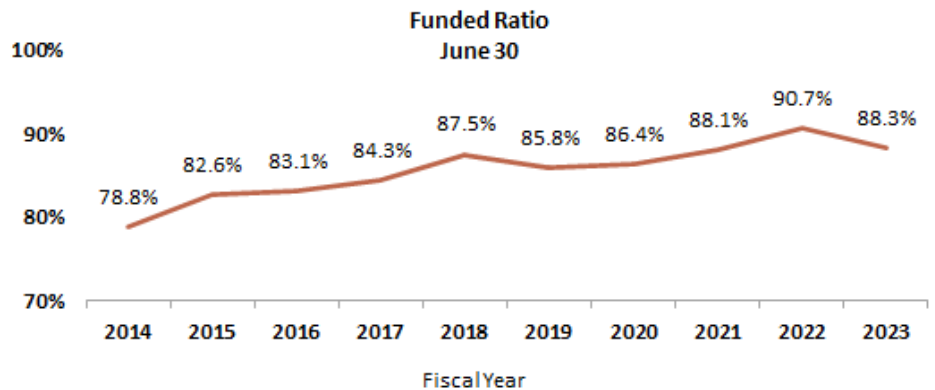


Note: Contribution rates determined as of the valuation date will become effective a year later. For example, contribution rates determined as of June 30, 2023, will become effective on July 1, 2024.

FUNDING STATUS

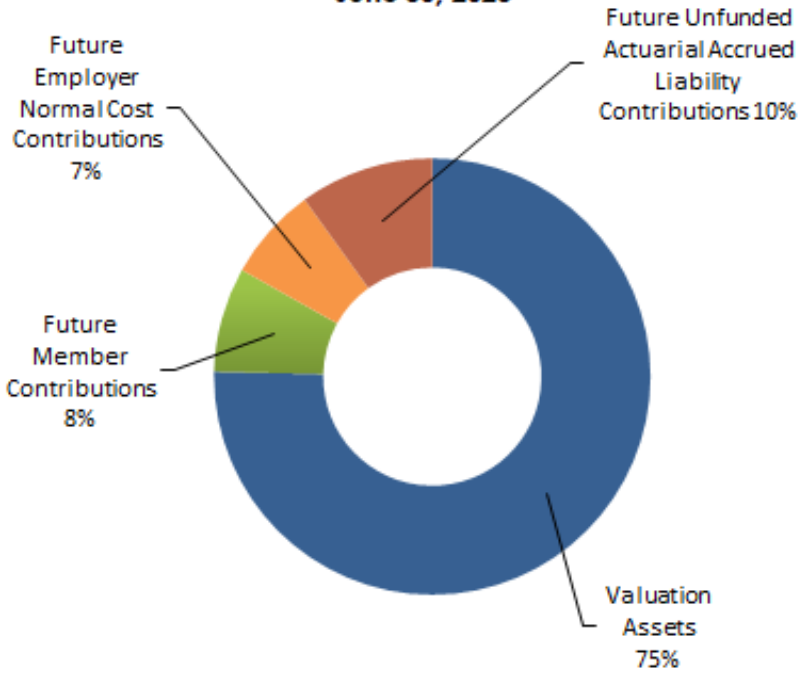
The Retirement Plan was 88.3% funded as of June 30, 2023, reflecting a modest decrease of 2.4% from 90.7% a year ago. The decline in funded ratio was due mostly to the changes in assumptions and the recognition of investment returns being less than expected by the assumptions.

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 unfunded actuarial accrued liability, which amounted to \$820.4 million.

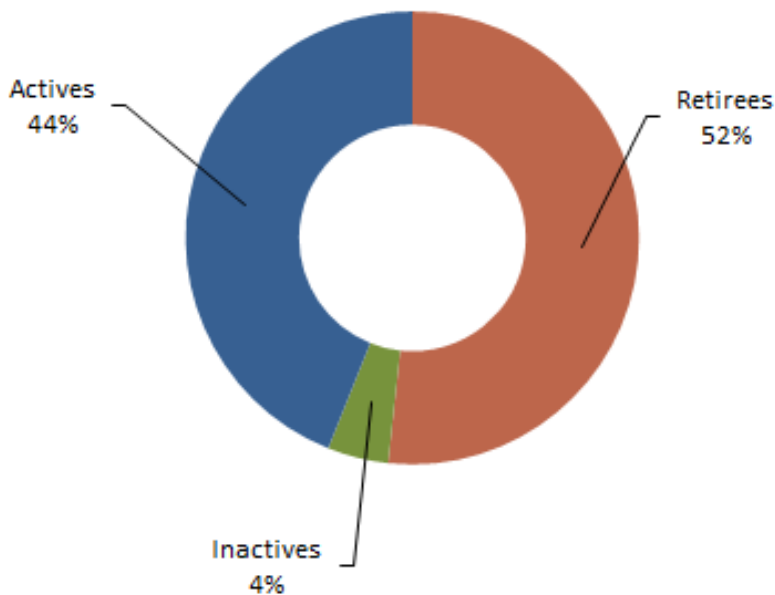


FUNDING STATUS (Continued)

**Actuarial Valuation - SamCERA' Resources
June 30, 2023**

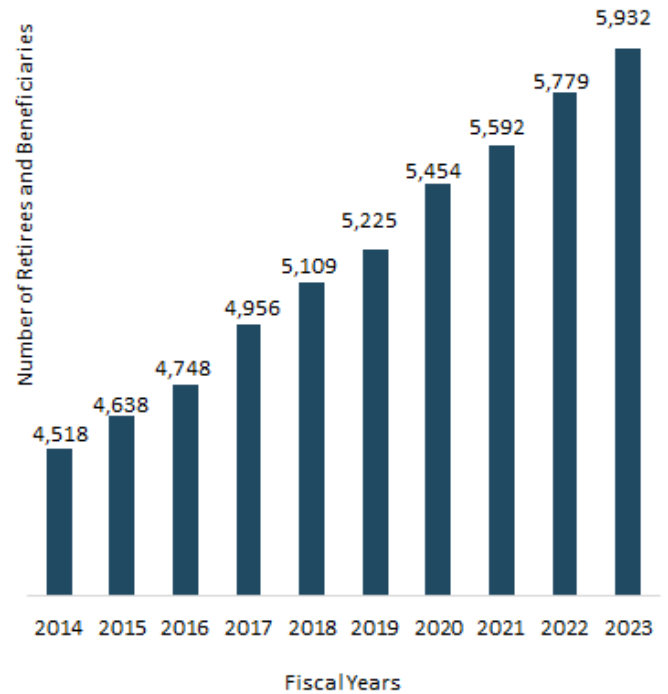


**Actuarial Valuation - SamCERA's Liabilities
June 30, 2023**

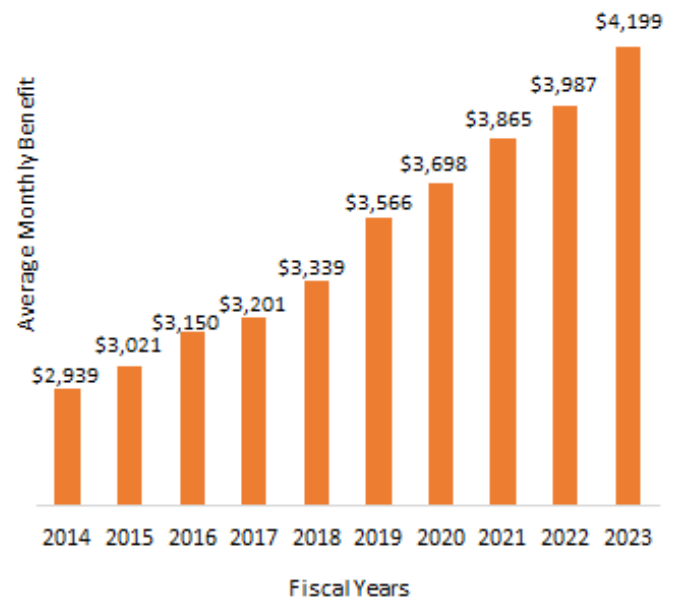


STATISTICS

**Number of Retirees and Beneficiaries
Receiving Benefits
June 30**



**Average Monthly Benefit to Retirees
and Beneficiaries
For the Fiscal Years Ended June 30**





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. Morrell

Executive Director/CEO

For the 20th consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada presented an award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to SamCERA in recognition of its PAFR for the fiscal year ended June 30, 2022.



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