San Mateo County Employees’ Retirement Association

A Component Unit of the County of San Mateo

Comprehensive Annual Financial Report

for the year ended June 30, 2004

Sidney C. McCausland
Chief Executive Officer
SamCERA
100 Marine Parkway, Suite 125
Redwood Shores, California 94065

San Mateo County Employees' Retirement Association

COMPREHENSIVE ANNUAL FINANCIAL REPORT

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INTRODUCTORY SECTION

SamCERA's Mission

SamCERA exists
to serve as Loyal Fiduciary for
our Members, Retirees and Beneficiaries;
&
to serve as Prudent Administrator of
our County's Retirement System.

SamCERA's Goals

To provide caring, fair, accurate, timely and knowledgeable
professional service to our clients and our public.

To prudently manage the assets and appropriately fund the actuarial liabilities
of the Retirement System,
so as to minimize the costs to our County,
while assuring our ability to pay all earned benefits.

To constantly improve the effectiveness of our services
and the efficiency of our operations.

SamCERA

San Mateo County Employees' Retirement Association
702 Marshall, Suite 280, Redwood City, CA 94063-1823

October 26, 2004

Board of Retirement
San Mateo County Employees' Retirement Association

Dear Trustees:

It is my honor to present to you *The Comprehensive Annual Financial Report of the San Mateo County Employees' Retirement Association for the fiscal years ending June 30, 2004 and June 30, 2003* (the Report).

This Report is submitted for your review. *SamCERA*'s management is responsible for the accuracy of the data; the complete, full disclosure of all matters of material consequence and the fairness of the presentation. Management's discussion and analysis of the data may be reviewed on pages 15-20. This Report was prepared to conform to the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board. Transactions are reported using the accrual basis of accounting.

SamCERA's management is responsible for establishing and maintaining an internal control structure designed to ensure that *SamCERA*'s assets are protected from loss, theft, or misuse. Sufficient internal controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules. As your Chief Executive Officer, I hereby certify that *SamCERA*'s system of internal controls is adequate and that this report accurately, completely, fully and fairly discloses all matters of material consequence.

AUTHORITY, RESPONSIBILITIES & DUTIES

SamCERA was created by the Board of Supervisors in 1944, pursuant to the provisions of California's County Employees' Retirement Law of 1937 (the '37 Act) and County Ordinance 564.

SamCERA provides retirement, disability and death benefits for its eligible members, in accordance with the provisions of the Constitution of the State of California and the '37 Act as well as applicable statutes, regulations and case law.

The Board of Retirement serves as fiduciary for all of *SamCERA's* members. The Board is responsible for administering the provisions of the '37 Act that the Board of Supervisors has made applicable to San Mateo County. The Board of Retirement has adopted its *Mission & Goals; Statement of Strategic Services; Regulations of the Board of Retirement; SamCERA's Investment Plan; SamCERA's Sources, Uses and Budget Report; Conflict of Interest Code; Code of Fiduciary Conduct* and *Delegation of Authority, et al* to document the Board's policies. In addition, the Board has executed contracts for the professional services of an actuary, investment consultant, investment managers, a global custodian and real estate counsel to help the Board fulfill its duties. The Board's professional consultants are highlighted in the Organizational Chart on page 10.

SamCERA's Chief Executive Officer is responsible for the day-to-day operations of the Association. The CEO serves at the pleasure of the Board of Retirement and manages *SamCERA*'s operations in accordance with the Board's *Delegation of Authority*. *SamCERA*'s staff of eleven full-time and one extra-help employees are responsible for assuring that members', employers' and the Board's needs are met in accordance with the high standards set forth in *SamCERA's Mission & Goals'* Statement. *SamCERA*'s staff is sworn to carry out its fiduciary duties in accordance with Staff's *Code of Fiduciary Conduct* and staff's own high *Performance Standards*.

SamCERA's members include all permanent employees of the County of San Mateo and the San Mateo County Mosquito Abatement District, vested former employees who elected deferred retirement, and all current retirees and their eligible survivors and beneficiaries. More than 85% of *SamCERA*'s members are classified as General Members. General Members are covered by the applicable provisions set forth by the '37 Act and Social Security. The remainder of *SamCERA*'s members are law enforcement employees classified as Safety or Probation Safety members. These members are covered by specific Safety Member provisions of the '37 Act but are not covered by Social Security.

SamCERA's Membership as of June 30, 2004

Plan (Tier)	One	Two	Three	Four	Total
Retirees and beneficiaries currently receiving benefits:					
General	2,223	773	98	5	3,099
Safety	283	49	0	0	332
Probation	91	16	0	1	108
Subtotal	2,597	838	98	6	3,539
Terminated employees entitled to but not currently receiving benefits (Deferred):					
General	79	486	117	101	783
Safety	2	36	0	13	51
Probation	0	30	0	13	43
Subtotal	81	552	117	127	877
Current employees:					
Vested:					
General	326	1,673	90	366	2,455
Safety	48	190	0	57	295
Probation	21	101	0	43	165
Non-Vested:					
General	2	109	79	1,842	2,032
Safety	0	9	0	107	116
Probation	1	2	0	120	123
Subtotal	398	2,084	169	2,535	5.186
Total *SamCERA* Membership	3,076	3,474	384	2,668	9,602

THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Report consists of five sections, as follows.

•**The Introductory Section** includes *SamCERA*'s *Mission & Goals*, this Letter of Transmittal, a listing of the Members of the Board of Retirement and an organizational chart of *SamCERA*'s staff and the professional organizations which carry out *SamCERA*'s programs. This Letter of Transmittal also provides an overview of *SamCERA* and the significant activities and events that occurred during the fiscal year.

•**The Financial Section** presents information regarding *SamCERA*'s financial condition. This section contains the opinion of *SamCERA's* Independent Auditor, Brown Armstrong Paulden, McCown, Starbuck, & Keeter Accountancy Corporation (Brown Armstrong), management's discussion and analysis, *SamCERA*'s financial statements and supplemental financial information. Brown Armstrong concludes that its audit of *SamCERA*'s financial statements, as set forth in the Financial Section, provided a reasonable basis for the Auditor to determine that the financial statements present *SamCERA*'s financial position fairly. During the fiscal year, Retirement Fund assets increased from $1.233 billion to $1.435 billion.

The collection of employer and employee contributions and investment income provide the reserves needed to finance retirement benefits. Contributions and investment income for the fiscal year totaled $280,469,183.

Additions to SamCERA's Assets

Contributions	
Employer	$60,041,821
Member	27,094,196
Total Contributions	87,136,017
Investment Income	197,265,535
Less investment expense	(4,158,687)
Net Investment Income	193,106,848
Other Additions	226,318
TOTAL ADDITIONS	$280,469,183

The '37 Act permits the use of Retirement Fund Assets to pay earned service retirement benefits, disability benefits, death benefits, and refunds of member contributions. In addition the '37 Act permits the payment of administrative and professional expenses from the Retirement Fund. Benefits and expenses for the fiscal year totaled $78.4 million.

Deductions from SamCERA's Assets

SamCERA Benefits:	
Service retirement allowance	$62,431,040
Disability retirement allowance	9,359,004
Medical benefits	1,198,383
Death and other benefits	1,027,904
Total Association benefits	74,016,331
Refunds of members' contributions	1,734,439
Administrative expense	1,911,755
Other Expenses	718,772
TOTAL DEDUCTIONS	$78,381,297

Please refer to Management's Discussion and Analysis in the Financial Section for a narrative overview and analysis of *SamCERA's* financial activities for the fiscal year ending June 30, 2004.

Note 3 to the Financial Statements includes a discussion of *SamCERA*'s Market Stabilization Account which is used to smooth the actuarial value of assets over a five-year period. As of June 30, 2004 there was a negative balance of ($48,785,679) in the Account. This amount is the unrecognized difference between *SamCERA*'s actual market returns and the returns that would have been generated if earnings had been at the actuarial interest rate of 8.00%. These actuarial shortfalls will be transferred onto the actuarial balance sheet over the next 4.5 years. Once on the actuarial balance sheet they will then need to be amortized over the remainder of *SamCERA*'s actuarial funding period ending June 30, 2022. These increases in contribution rates will be on top of increases resulting from the addition of benefit improvements during Fiscal Year 2004.

•The Investment Section presents information regarding *SamCERA*'s investment program. All investments are made in accordance with the guidelines set forth in *SamCERA's Investment Plan* by fully discretionary institutional investment advisors retained by the Board. The section contains the investment consultant's statement produced by the Board's independent investment consultant, Strategic Investment Solutions, along with a summary of *SamCERA*'s asset allocation, investment activity and performance. Strategic Investment Solutions reports that over the past year the Retirement Fund returned 15.56%, approximately 0.29% greater than the Median Public Plan, but 0.76% less than the performance of its policy benchmark.

SamCERA's Asset Allocation

	Target	June 30. 2004
Equity	65.0%	69.1%
Fixed Income	29.0%	26.5%
Real Estate	6.0%	4.1%
Cash	0.0%	0.3%

•The Actuarial Section presents information regarding the actuarial condition of *SamCERA*. The section contains the certification letter produced by the Board's consulting actuary, Public Pension Professionals, the funding status and a summary of other key actuarial information.

As of June 30, 2004, Public Pension Professionals reported that *SamCERA*'s Actuarial Valuation Assets of $1.453 billion were equal to 75.6% of *SamCERA*'s Accrued Actuarial Liabilities of $1.921 billion, with full funding targeted for the year 2022. *SamCERA*'s Unfunded Actuarial Accrued Liability totaled $468.7 million on June 30, 2004, with an additional ($48.8) million in the Market Stabilization Account..

The following table reflects recent contribution changes:

Contribution Rates Effective in Fiscal Year:	**2004-2005**	**2003-2004**	**2002-2003**
Employer Rate (Actuary's Estimated Aggregate)	**22.84%**	**18.69%**	**11.66%**
% Increase	*22.2%*	*60.3%*	*-2.2%*
Member Rate (Actuary's Estimated Aggregate)	**8.38%**	**7.10%**	**5.86%**
% Increase	*18.0%*	*21.2%*	*-2.8%*
Employer Contributions (Actuary's latest Estimate)	$73,995,000	$60,528,000	$35,211,000
% Increase	*22.2%*	*71.9%*	*7.7%*
Member Contributions (Actuary's latest Estimate)	$27,153,000	$21,440,000	$17,684,000
% Increase	*26.6%*	*21.2%*	*7.0%*

•**The Statistical Section** presents general information regarding *SamCERA*'s membership and operations over the past decade as required by the CAFR standards.

SamCERA's Comprehensive Annual Financial Report and *Popular Annual Financial Report* for 2003 earned *SamCERA* its seventh and eighth Government Finance Officers Association of the United States and Canada *Certificate of Achievement for Excellence in Financial Reporting*. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive report, whose contents conform to program standards. The report must satisfy both generally accepted accounting principals and applicable legal requirements. The Certificate is valid for a period of one year only. Staff intends to submit this year's Report to the GFOA as well.

LOOKING BACKWARD AND FORWARD

During the 2003-2004 fiscal year: *SamCERA* implemented new benefit formulas for Active and Deferred County General, Safety & Probation Members, while maintaining the old formula for Mosquito Abatement and Plan 3 Members.

In May, the Board authorized staff to commence implementation of the Court-ordered retroactive component of the *Ventura* decision. This special *Ventura* project will continue at least through the end of 2004.

Also in May, the Board announced that the CEO would retire March 31, 2005 and that a new CEO would be selected to come on board for a transition beginning January 1, 2005. The Board authorized County Employee & Public Services to conduct a nationwide search for the new CEO. As of this writing, David Bailey has been selected by the Board to serve as its second Chief Executive Officer. Mr. Bailey will begin the transition January 3, 2005.

The Board is scheduled to implement a new Safety & Probation benefit formula in January 2005 and a new County General benefit formula in March 2005. The Assistant Executive Officer is scheduled for a tour of active duty with the U.S. Army Reserve commencing in April 2005.

In spite of many challenges, the next fiscal year holds the promise of bringing the Board and staff closer to the attainment of *SamCERA*'s Goals. Staff continues its efforts to simplify and streamline *SamCERA*'s services so that we can meet our members' needs in a caring, fair, accurate, timely and knowledgeable manner.

Consequently, member education, board and staff training, and task redesign continue to rank high on our list of priorities.

SamCERA has never been better able to serve our members and their employers.

I would like to thank

- All of *SamCERA*'s members for their support and recommendations.
- The members of the Board of Retirement for taking your fiduciary duty so seriously,
- My fellow staff members for always being there for our members,
- Our actuary, our investment consultant, our County Counsel and our investment managers for their dedicated efforts on behalf of our members.
- Gary Clifton for his efforts to produce the best report that we can, including the management's discussion and analysis section.

It has been an honor to be on *SamCERA's* team. I am proud of my more than a decade of service to our members and their employers.

Respectfully submitted,

Sid McCausland, Chief Executive Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

San Mateo County Employees' Retirement Association, California

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

Government Finance Officers Association of the United States and Canada Corporation Seal Chicago

Edward Harrington
President

Jeffrey L. Esser
Executive Director

Also awarded in

1997, 1998, 1999, 2000, 2001, and 2002

Members of the Board of Retirement

for the fiscal year ending June 30, 2004

DONNA WILLS COLSON, Chair *appointed by the Board of Supervisors, Ninth Member*

Donna Wills Colson is Client Services Officer with Tukman Capital Management. Donna joined the Board in August of 1998. Her term expires June 30, 2007.

ALMA R. SALAS, Vice Chair *elected by SamCERA's Safety Members, Seventh Member*

Alma Salas is a Deputy Probation Officer III with Adult Probation. Alma joined the Board in May of 2001. Her term expires June 30, 2006.

BETTE PERROTON STUART, Secretary *elected by SamCERA's Retired Members, Eighth Member*

Bette Perroton Stuart retired as your Retirement Officer in 1988 after nearly 20 years with the County. Bette joined the Board in December of 1990. She served as Chair from 1996 – 1998. Her term expires June 30, 2007.

TOM E. BRYAN *elected by SamCERA's General Members, Third Member*

Tom Bryan is a Principal Appraiser with San Mateo County and a Steward with SEIU Local 715. Tom joined the Board in July of 1986. He served as Chairman from 1989 – 1990 and 2002 – 2003. His term expires June 30, 2007.

LEE BUFFINGTON *Ex Officio per the '37 Act, First Member*

Lee Buffington serves as Tax Collector/Treasurer for San Mateo County. The law which created *SamCERA* designates the County Treasurer as a member of the Board of Retirement. Lee joined the Board in October of 1985. **SANDRA ARNOTT** serves as the Constitutional Alternate in Lee's absence. His term expires January 8, 2007.

JAMES HOOLEY *appointed by the Board of Supervisors, Sixth Member*

James Hooley retired as Associate Superintendent of the San Mateo County Office of Education. Jim joined the Board in September of 2003. His term expires June 30, 2006.

KENNETH A. LEWIS *appointed by the Board of Supervisors, Fifth Member*

Kenneth Lewis is the Vice President – Treasurer of Franklin Resources. Kenneth joined the Board in September of 2001. His term expires June 30, 2007.

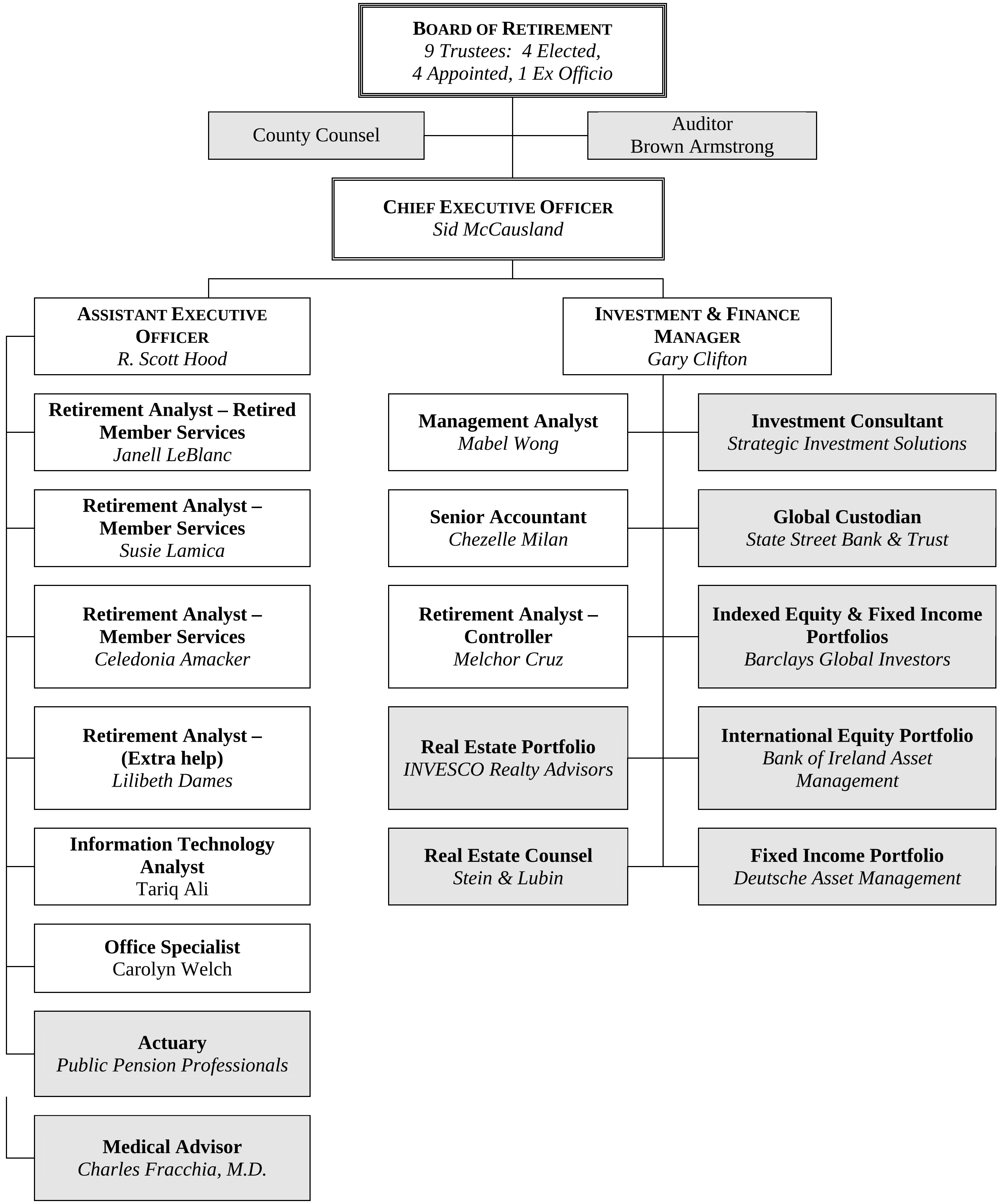
MICHAEL E. MCMAHON *elected by SamCERA's General Members, Second Member*

Michael McMahon is a Senior Auditor-Appraiser with the County. Michael joined the Board in October of 1993. His term expires June 30, 2006.

EMILY TASHMAN *appointed by the Board of Supervisors, Fourth Member*

Emily Tashman is a finance professional who has worked with DIVA Systems, Barclays Bank, Toronto Dominion Bank, Bank of California and SRI International. Emily joined the Board in January of 2004. Her term expires June 30, 2006.

SAN MATEO COUNTY
EMPLOYEES' RETIREMENT ASSOCIATION
June 30, 2004 Organizational Chart
Including Professional Consultants



Financial Section

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INDEPENDENT AUDITOR'S REPORT

To the Members of the
San Mateo County Board of Retirement

We have audited the accompanying statement of fiduciary net assets of the San Mateo County Employees' Retirement Association (SamCERA) as of June 30, 2004 and 2003 and the related statement of changes in fiduciary net assets for the years then ended. These financial statements are the responsibility of management of SamCERA. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net assets of the San Mateo County Employees' Retirement Association as of June 30, 2004 and 2003 and its changes in fiduciary net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis as listed in the Table of Contents is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Required Supplementary Information and Other Supplementary Information, and the investment, actuarial and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements of SamCERA. The Required Supplementary Information and Other Supplementary Information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We did not audit the information contained in the investment, actuarial and statistical sections and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 5, 2004, on our consideration of SamCERA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

BROWN ARMSTRONG PAULDEN
McCOWN STARBUCK & KEETER
ACCOUNTANCY CORPORATION

Bakersfield, California
August 5, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR 2003 – 2004

As fiduciaries of the San Mateo County Employees' Retirement Association, we offer readers of *SamCERA*'s financial statements this narrative overview and analysis of its financial activities for the fiscal year ending June 30, 2004.

Financial Highlights

- $1,435,359,423 in net assets are held in trust for pension benefits. All of the assets are available to meet S*amCERA's* ongoing obligation to plan participants and their beneficiaries.
- *SamCERA's* total net assets held in trust for pension benefits increased by $202,087,886 or 16.39% primarily as a result of market appreciation.
- *SamCERA's* funding objective is to meet long-term benefits obligations through contributions and investment income. As of June 30, 2004, the date of the last actuarial valuation, the funded ratio for *SamCERA* was 75.6%.
- Revenues (Additions to Fiduciary Net Assets) for the year were $280,469,183, which includes member and employer contributions of $87,136,017; investment gain of $193,106,848 (excluding investment expense of $4,158,687); and other additions of $226, 318.
- Expenses (Deductions in Fiduciary Net Assets) increased from $72,081,765 to $78,381,297 over the prior year, or approximately 8.74%. Most of this increase was due to an increase in benefits paid.

Overview of Financial Statement

This discussion and analysis is intended to serve as an introduction to *SamCERA's* financial statements, which are comprised of these components:

1. Comparative Statements of Fiduciary Net Assets
2. Comparative Statements of Changes in Fiduciary Net Assets
3. Notes to the Financial Statements
4. Required Supplementary Information
5. Other Supplementary Information

Please note, however, that this report also contains other supplementary information in addition to the basic financial statements listed above.

The Comparative Statement of Fiduciary Net Assets is a snapshot of account balances at year-end. It discloses the assets available for future payments to retirees and any current liabilities that are owed as of June 30, 2004.

The Comparative Statement of Changes in Fiduciary Net Assets provides a view of additions and deductions to the Plan. Both statements are in compliance with Governmental Accounting Standards Board (GASB) Pronouncements 25, 26, 28, 33, 34, 40, and 41. These pronouncements require certain disclosures and require State and Local Governments to move to the full accrual method of accounting. *SamCERA* complies with all requirements of these pronouncements.

The Comparative Statement of Fiduciary Net Assets and the Comparative Statement of Changes in Fiduciary Net Assets report information about *SamCERA's* activities. These statements include assets and liabilities, using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. All investment gains and losses are shown on a trade date basis, using fair values. All Property and Equipment (Capital Assets) are depreciated over their useful lives.

These two statements report *SamCERA's* net assets held in trust for pension benefits as one way to measure the Plan's financial position. Over time, increases and decreases in *SamCERA's* net assets are one indicator of whether it's financial position is improving or deteriorating. Other factors, such as market conditions, should be considered in measuring *SamCERA's* overall financial position.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information provides additional information and detail concerning SamCERA's progress in funding its obligations to provide pension benefits to members, the trend of employers' contributions, pertinent actuarial information as of the latest valuation, and notes to the schedules of trend information.

Other Supplementary Information section includes the schedules of administrative expenses, schedule of investment expenses, and schedule of payments to consultants.

Financial Analysis

Tables 1, 2, and 3 summarize and compare SamCERA's financial results for current and prior periods.

SamCERA's Fiduciary Net Assets held in trust for pension benefits as of June 30, 2004, totaled $1,435,359,423, which represents an increase of $202,087,886 or 16.39% over the period. The increase in net assets is a direct result of strict adherence to *SamCERA's Investment Plan*, which with the asset allocation and rebalancing policy as adopted by SamCERA's Board of retirement, have enabled the Association to maximize the upturn in the market. All of the net assets are available to meet *SamCERA's* ongoing obligations to plan participants and their beneficiaries. Net assets increased by 16.39% during the fiscal year due primarily to market appreciation.

SamCERA's Net Assets (Table 1)

For the Years Ended June 30, 2004 and 2003	2004	2003	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$1,428,595,232	$1,228,233,377	$200,361,855	16.31%
Other Assets	$21,472,070	$28,076,893	($6,604,823)	-23.52%
Total Assets	$1,450,067,302	$1,256,310,270	$193,757,032	15.42%
Total Liabilities	$14,707,879	$23,038,733	($8,330,854)	-36.16%
Net Assets	$1,435,359,423	$1,233,271,537	$202,087,886	16.39%

For the Years Ended June 30, 2003 and 2002	2003	2002	Amount Increase/ Decrease	Percent Increase/ Decrease
Investments at Fair Value	$1,228,233,377	$1,204,544,649	$23,688,728	1.97%
Other Assets	$28,076,893	$18,236,993	$9,839,900	53.96%
Total Assets	$1,256,310,270	$1,222,781,642	$33,528,628	2.74%
Total Liabilities	$23,038,733	$15,298,062	$7,740,671	50.60%
Net Assets	$1,233,271,537	$1,207,483,580	$25,787,957	2.14%

Despite recent market volatility and enriched retirement benefits *SamCERA* remains in a good financial position to meet its obligations to plan participants and beneficiaries.

Capital Assets

As of June 30, 2004 *SamCERA's* investment in capital assets totaled $28,012 (net of accumulated depreciation and amortization). This investment in capital assets includes electronic equipment and software.

Reserves

SamCERA's Reserves are established from contributions and the accumulation of investment earnings, after deducting investment and administrative expenses (see Table 2 below). During the past several years the following significant Board actions have impacted the reserve accounts:

- The adoption of the Governmental Accounting Standard Board Pronouncement 25, which mandates that investments be stated at fair value, effective in Fiscal Year 1996.
- The implementation of five-year actuarial smoothing of investment gains and losses effective in Fiscal Year 1996, as recommended by William M. Mercer, *SamCERA's* actuary.
- The creation of the Market Stabilization Account to reflect the five-year actuarial smoothing of investment gains and losses effective in Fiscal Year 1996.
- The creation of the Ventura Contingency Reserve to pre-fund retroactive retiree benefits that may result from the adverse decision in the matter of *Teamsters Local 856 vs. Board of Retirement, San Mateo County*, effective Fiscal Year 2000 (See Note 5).

Under GASB 25, investments are stated at fair market value instead of cost and include the recognition of unrealized gains and losses in the current period. These gains and losses are held in the Market Stabilization Account, an account established in 1996. Initially, these gains and losses were only allocated to the Market Stabilization Account until the actual gains and losses were realized by the sale of the investment asset. However, with the implementation of the five-year smoothing methodology, a portion of these unrealized gains and losses is recognized and allocated to all other reserves. With the upturn in the market over the past two years, *SamCERA's* Market Stabilization Account improved by $224,629,647. At year-end 2002 the Account was ($273,415,326) by year-end 2004 the balance had decreased to a ($48,785,679).

To prevent the smoothed value from deviating significantly from the actual market value, the Board of retirement adopted a policy in 2002 that the smoothed value cannot be less than 80% nor greater that 120% of market value. If the smoothed value is greater than 120%, then the market losses (or market gain if less than 80%) have to be recognized immediately.

***SamCERA's* Reserves (Table 2)**

As of June 30	2004	2003	2002
Member Reserves	$259,731,818	$242,075,501	$218,545,868
County Advanced Reserves	$212,410,513	$199,095,646	$199,675,386
Retiree Reserves	$449,574,515	$400,082,439	$460,449,850
Cost of Living Reserves	$539,641,932	$500,364,497	$556,529,725
Contingency Reserves	$0	$13,757,625	$13,553,077
Ventura Reserves	$31,523,929	$32,145,000	$32,145,000
Unallocated Earnings/Loss Account	($8,737,605)	$0	$0
Market Stabilization Account	($48,785,679)	($154,249,171)	($273,415,326)
Net Reserves held in Trust for Pension Benefits	$1,435,359,423	$1,233,271,537	$1,207,483,580

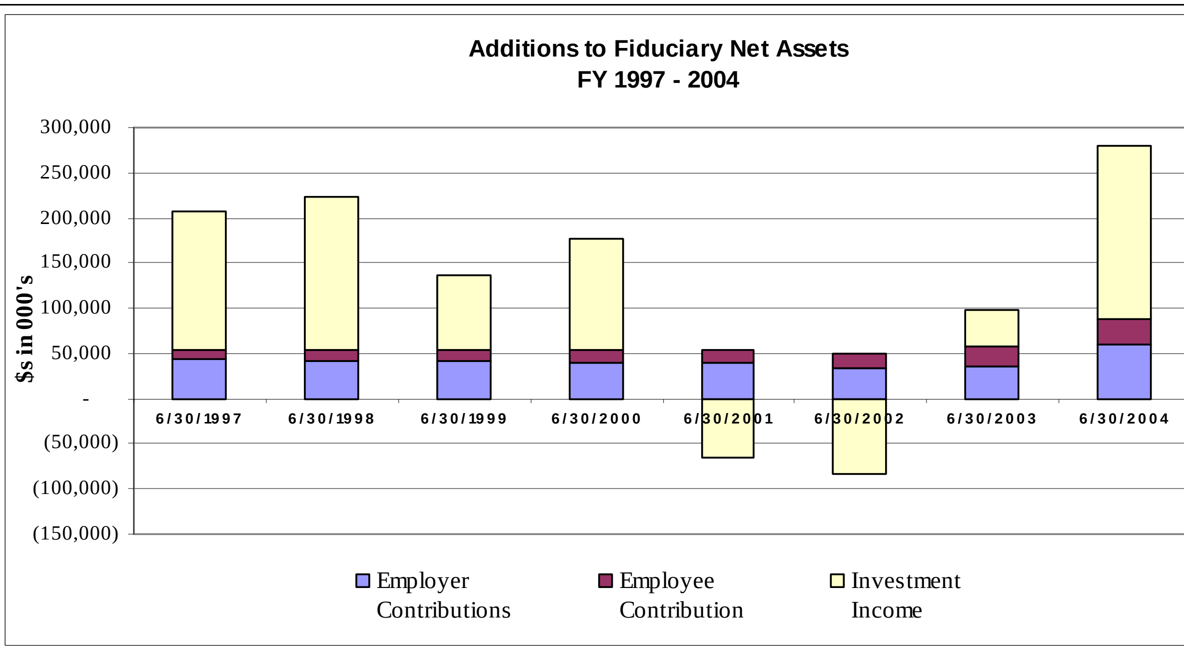
Additions to Fiduciary Net Assets

The reserves needed to finance retirement benefits are accumulated through collection of employer and employee contributions and through earnings on investments (net of investment expenses). Revenues for the fiscal year ended June 30, 2004 totaled $280,469,183 (Refer to Table 3 below).

Additions to Fiduciary Net Assets (Table 3)

For the Years Ended June 30, 2004 and 2003	2004	2003	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$60,041,821	$36,069,587	$23,972,234	66.46%
Employee Contributions	$27,094,196	$22,650,186	$4,444,010	19.62%
Investment Income/(Loss)	$197,265,535	$42,713,172	$154,552,363	361.84%
Less Investment Expenses	($4,158,687)	($3,571,263)	($587,424)	16.45%
Other Additions	$226,318	$8,040	$218,278	2,714.90%
Total	$280,469,183	$97,869,722	$182,599,461	186.57%

For the Years Ended June 30, 2003 and 2002	2003	2002	Amount Increase/ Decrease	Percent Increase/ Decrease
Employer Contributions	$36,069,587	$33,540,869	$2,528,718	7.54%
Employee Contributions	$22,650,186	$16,626,890	$6,023,296	36.23%
Investment Income/(Loss)	$42,713,172	($78,722,818)	$121,435,990	154.26%
Less Investment Expenses	($3,571,263)	($3,687,280)	$116,017	-3.15%
Other Additions	$8,040	$0	$8,040	N/A
Total	$97,869,722	($32,242,339)	$130,112,061	403.54%



Deductions from Fiduciary Net Assets

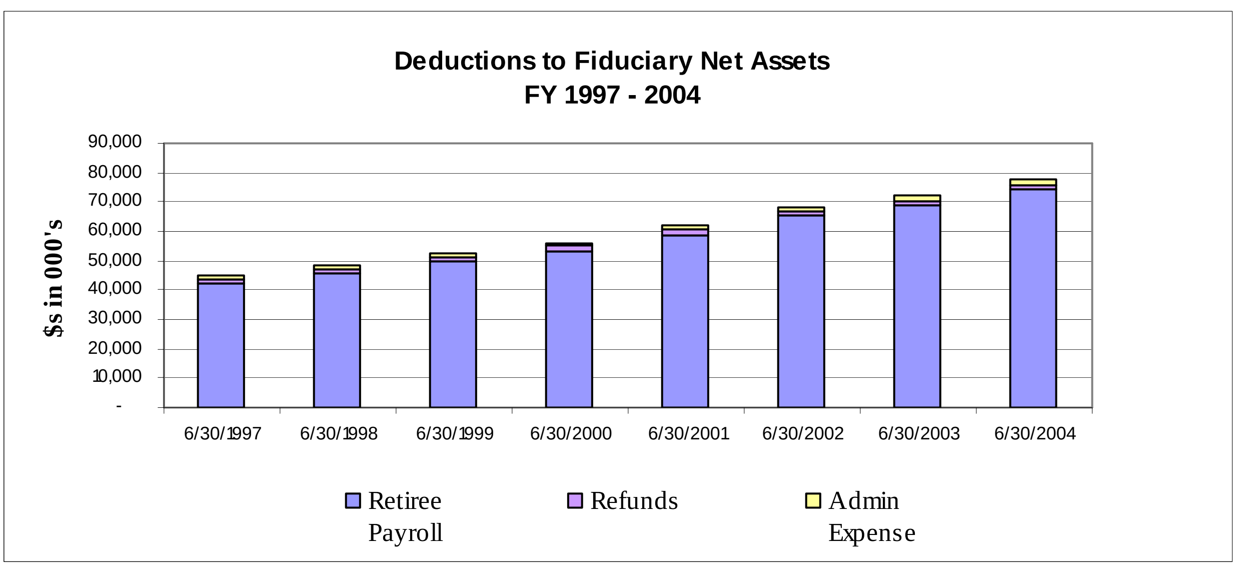
SamCERA was created to provide lifetime retirement annuities, survivor benefits, and permanent disability benefits to qualified members and their beneficiaries. The cost of such programs includes recurring benefit payments as designated by the Plan, refund of contributions to terminated employees, and the cost of administering the system. Deductions for the fiscal year ended June 30, 2004 totaled $78,381,297 an increase of 8.7% over the prior fiscal year (refer to Table 4 below).

Deductions of $78,381,297 were exceeded by additions of $280,469,183, resulting in an increase of $202,287,886 in fiduciary net assets for the fiscal year ended June 30, 2004.

Deductions in Fiduciary Net Assets (Table 4)

For the Years Ended June 30, 2004 and 2003	2004	2003	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$74,016,331	$68,989,297	$5,027,034	7.29%
Member Refunds	$1,734,439	$1,205,576	$528,863	43.87%
Administrative Expenses	$1,911,755	$1,886,892	$24,863	1.32%
Other Expense	$718,772	$0	$718,772	N/A
Total	$78,381,297	$72,081,765	$6,299,532	8.74%

For the Years Ended June 30, 2003 and 2002	2003	2002	Amount Increase/ Decrease	Percent Increase/ Decrease
Retiree Benefits	$68,989,297	$65,186,501	$3,802,796	5.83%
Member Refunds	$1,205,576	$1,550,671	($345,095)	-22.25%
Administrative Expenses	$1,886,892	$1,508,527	$378,365	25.08%
Total	$72,081,765	$68,245,699	$3,836,066	5.62%



Last fiscal year, both retiree benefits and member refunds increased. Management attributes these trends to the overall economic environment and implementation of favorable labor negotiations by active members, which resulted in enriched retirement benefits. These factors lead some active members testing the job market while others submitted their retirement applications.

The systems administrative expenses increased by $24,863, or 1.32% in fiscal year 2003-2004. The increased expenditure is primarily attributable to normal merit and longevity promotions account.

SamCERA's professional services budget appears as a part of the investment expense. For the fiscal years ended June 30, 2004 and June 30, 2003, the expenditures for actuarial services, custodian services and investment consultant services were consistent with the original appropriations. Last fiscal year, investment assets increased faster than anticipated, resulting in higher actual investment management fees than budgeted. Investment management fees are driven by contractual agreements and based on total fair market value of assets under management.

The County Employees Retirement Law of 1937 limits *SamCERA's* administrative budget to eighteen-hundredths of 1 percent of the total assets of the retirement system. *SamCERA* has consistently been within its approved administrative budget and within the 18 basis point regulation. There are no material variances between planned expenditures and actual expenditures for the fiscal year ending June 30, 2004.

SamCERA's Fiduciary Responsibilities

SamCERA's Board and staff are fiduciaries of the pension trust fund. Under California Constitution the assets can only be used for the exclusive benefit of plan participants and their beneficiaries.

Requests for Information

These Financial Statements are designed to provide SamCERA's Board, membership, taxpayers, investment managers, and interested parties with a general overview of the San Mateo County Employees' Retirement Association's financial position and to show accountability for the funds it receives.
Additional information is available on our website at www.samcera.org.

Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

San Mateo County Employees' Retirement Association
100 Marine Parkway, Suite 125
Redwood Shores, CA 94065
Telephone: (650) 599-1234
Facsimile: (650) 591-1488

Respectfully submitted,

Gary Clifton

Gary Clifton
Investment and Finance Manager
August 5, 2004

San Mateo County Employees' Retirement Association
Statement of Fiduciary Net Assets
June 30, 2004 and 2003

	2004	2003
Assets:		
Cash and Deposits (Notes 2 and 4)	$16,292,774	$16,849,000
Receivables:		
Contributions	2,652,536	1,288,978
Due from broker for investments sold	664,654	8,060,664
Investment income	1,570,776	1,692,099
Other Receivables	164,389	48,087
Total Receivables	5,052,355	11,089,828
Prepaid Expense	98,929	134,628
Investments, at fair value (Notes 2 and 4)		
Domestic fixed income securities	375,186,833	354,572,249
Domestic equities	768,511,724	628,610,339
International equities	226,683,026	181,212,145
Real Estate	58,213,649	63,838,644
Total Investments	1,428,595,232	1,228,233,377
Capital assets, at cost, net of accumulated Depreciation of $3,437 and $12,030 at 2004 and 2003, respectively. (Note 2)	28,012	3,437
Total Assets	1,450,067,302	1,256,310,270
Liabilities:		
Payables		
Investment management fees	441,977	370,957
Due to broker for investments purchased	6,420,711	14,634,147
Mortgage Note Payable (Note 6)		
Due within One Year	196,330	181,518
Due in more than one year	6,707,699	6,904,029
Other	941,162	948,082
Total Liabilities	14,707,879	23,038,733
Net Assets Held in Trust For Pension Benefits (Note 3)	$1,435,359,423	$1,233,271,537

(A Schedule of Funding Progress is presented on page 32)

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

San Mateo County Employees' Retirement Association
Statement of Changes in Fiduciary Net Assets
For The Year Ended June 30, 2004 and 2003

	2004	2003
Additions:		
CONTRIBUTIONS (Note 3)		
Employer	$ 60,041,821	$ 36,069,587
Employee	27,094,196	22,650,186
Total Contributions	87,136,017	58,719,773
INVESTMENT INCOME/(LOSS)		
Interest and dividends	12,673,292	16,512,466
Net appreciation (depreciation) in Fair value of investments	184,592,243	26,200,706
	197,265,535	42,713,172
Less investment expense	4,158,687	3,571,263
Net Investment Income (Loss)	193,106,848	39,141,909
Other Additions	226,318	8,040
Total Additions	280,469,183	97,869,722
Deductions:		
ASSOCIATION BENEFITS:		
Service retirement allowance	62,431,040	58,243,898
Disability retirement allowance	9,359,004	8,920,862
Medical benefits	1,198,383	1,085,879
Death and other benefits	1,027,904	738,658
Total Association benefits	74,016,331	68,989,297
REFUNDS OF MEMBERS' CONTRIBUTIONS	1,734,439	1,205,576
ADMINISTRATIVE EXPENSE (Note 3)	1,911,755	1,886,892
OTHER EXPENSE	718,772	0
Total Deductions	78,381,297	72,081,765
Net Increase (Decrease)	202,087,886	25,787,957
Net Assets Held in Trust for Pension Benefits:		
Beginning of year	1,233,271,537	1,207,483,580
End of year	$1,435,359,423	$1,233,271,537

The accompanying Notes are an integral part of these financial statements

Note 1 - Plan Description

The following description of the San Mateo County Employees' Retirement Association (The Association) is provided for general information purposes. The Association is governed by the County Employees Retirement Law of 1937 (the 1937 Act). Members should refer to this Law for more complete information.

General

The Association is a cost-sharing multiple-employer, defined benefit pension plan established to provide pension benefits for substantially all permanent employees of the County of San Mateo (the Primary Employer) and the San Mateo County Mosquito Abatement District. The Association is a Component Unit of the Primary Employer. Management of the Association is vested in the Board of Retirement consisting of nine members. The 1937 Act states one member shall be the County Treasurer; the second and third members shall be general members of the Association elected by their peers; the fourth, fifth, sixth and ninth members shall be qualified electors of the County and shall be appointed by the Board of Supervisors; the seventh member shall be elected by and be a member of the Association’s safety membership; the eighth member shall be a retired member elected from the retired membership. The Association has four plans, which cover members classified as general, safety or probation. Employees hired on or before July 6, 1980, became members of Plan One. Employees hired after July 6, 1980, and before July 13, 1997, became members of Plan Two. Employees hired on or after July 13, 1997 become members of Plan Four. New General Employees may also elect membership under Plan Three. New employees appointed to positions of active law enforcement become safety members under Plan Four. In 1990, probation officers were given the choice of remaining in the general plan or electing safety status for future service under a new probation plan. All new probation officers become members under Plan Four for probation officers. From January 1, 1993, general members in Plan Three with 5 years of continuous service have the option to change to the Plan they were eligible for at entry date. Former Plan 3 members are authorized to purchase service credit in their current plan. Earned Plan 3 service credit is forfeited in an amount equivalent to the purchase.

The Association’s plans are not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). As of June 30, 2004, the Association membership consisted of the following:

	Plan One	Plan Two	Plan Three	Plan Four	Total
Retirees and beneficiaries currently receiving benefits:					
General	2,223	773	98	5	3,099
Safety	283	49	0	0	332
Probation	91	16	0	1	108
Subtotal	2,597	838	98	6	3,539
Terminated employees entitled to but not currently receiving benefits (deferred):					
General	79	486	117	101	783
Safety	2	36	0	13	51
Probation	0	30	0	13	43
Subtotal	81	552	117	127	877
Totals Forwarded	2,678	1,390	215	133	4,416

Note 1 - Plan Description – General (Continued)

	Plan One	Plan Two	Plan Three	Plan Four	Total
Totals Forwarded	2,678	1,390	215	133	4,416
Current employees:					
Vested:					
General	326	1,673	90	366	2,455
Safety	48	190	0	57	295
Probation	21	101	0	43	165
Non-Vested:					
General	2	109	79	1,842	2,032
Safety	0	9	0	107	116
Probation	1	2	0	120	123
Subtotal	398	2,084	169	2,535	5,186
Total	3,076	3,474	384	2,668	9,602

Benefit Provisions

The Association provides service retirement, disability and death benefits based on defined benefit formulas, which uses final average compensation, years of service, and age factors to calculate benefits payable. In addition, the Association provides annual cost-of-living adjustments upon retirement for members of Plans One, Two and Four. The benefits of Plan Three are reduced by a portion of Social Security benefits received by the member. The 1937 Act vests the Board of Supervisors with the authority to initiate benefits, while Government Code Section 31592.2 empowers the Board of Retirement to provide certain ad hoc benefits when the Section 31592 reserve exceeds 1% of assets.

Members with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service and 10 years of membership) are eligible to retire at the following minimum ages:

Plan One	Age 50
Plan Two	Age 50
Plan Three	Age 55
Plan Four	Age 50

General members in Plans One, Two and Four may retire at any age after 30 years of service. Safety members and Probation members may retire at any age after 20 years of service.

A member who leaves County service may withdraw his or her contributions, plus any accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members with 10 years of service who terminate their employment with the County may elect a deferred retirement.

Note 2 - Significant Accounting Policies

Basis of Accounting

The Association uses the accrual basis of accounting. Investment income is recognized when it is earned, and expenses are recognized when they are incurred. Contributions are recognized when due. Benefits and refunds are recognized when due and payable under the terms of the plan.

The financial activities of the Association (a component unit of the County) are blended with the basic financial statements of the County because the Association is an integral part of the County.

Beginning with the fiscal year ending June 30, 2003, the San Mateo County Employees' Retirement Association implemented Governmental Accounting Standards Board's (GASB) Statement No. 40, Deposit and Investment Risk Disclosures and GASB Statement No. 41 *Budgetary Comparison Schedules – Perspective Differences*. GASB's Statement 40 establishes and modifies disclosure requirements related to investment risks: credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. GASB's Statement No. 41 amends Statement No. 34 *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* to require the addition of budgetary comparisons.

Cash and Investments

The Board of Retirement has exclusive control of the investments of the Association. Government Code Section 31595 of the 1937 Act authorizes the Board to invest, or delegate the authority to invest, the assets of the Association in any investment allowed by statute and deemed prudent in the informed opinion of the Board.

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

The Association records investment transactions on the trade date. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Real Estate assets are reported at fair value utilizing an income approach to valuation. By contract, an independent appraisal is obtained once every three years to determine the fair market value of the real estate assets. In the interim years, real estate assets are reported at fair value utilizing an income approach to valuation.

Capital Assets

Capital assets are valued at historical cost and are comprised of computer equipment. Depreciation is computed using the straight-line method over the estimated useful life of 3 years for computer equipment. The Association's previous capital asset balance of $3,437 was completely depreciated and written off at the end of this fiscal year. SamCERA acquired new capital assets totaling $28,012 at year-end.

Foreign Currency Transactions

Gains earned and losses incurred resulting from foreign currency transactions during the year are recorded as a component of investment income. Gains and losses from translation of international investments at fiscal year-end rates of exchange are included in investment income.

Forward currency contracts are used 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 counter parties to meet the terms of their contracts and from movements in exchange and interest rates.

Reclassifications

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

Note 3 - Contributions, Administrative Expenses and Reserves

Contributions

Both the County and the employees make contributions to the Association. Employee contributions are mandatory except for those employees under Plan Three. The employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. The rates are determined by age at entry into the Association and are based on a percentage of covered compensation. The most recent information available for average employee contribution rate is for the fiscal year ended June 30, 2004. The rate was 7.09%.

The County contribution rates for each plan are determined pursuant to Section 31453 of the 1937 Act and provide for the balance of the contributions which, when combined with projected investment earnings, will be needed to fund the benefits promised under the plan. Contribution rates are actuarially determined using the entry age normal method and consist of an amount for normal cost (the estimated amount necessary to finance benefits earned by employees during the current year) and an amount required to amortize of the unfunded actuarial accrued liability over the period ending June 30, 2022. Details of funding progress, annual required contribution and contribution made by the County, and the latest actuarial valuation are presented in the Required Supplementary Information Schedules.

The Average employer contribution rate decreased from 22.84% for the valuation ended June 30, 2003 to 21.22% in the valuation ended June 30, 2204. This is primarily due to a decrease in employer normal cost as shown in the following table.

	2004	2003	Change
Normal Cost	10.32%	13.32%	-22.52%
Amortization of UAAL	10.90%	9.52%	14.50%
Total Contribution Rate	21.22%	22.84%	-7.09%
Dollar Amount of Contribution (in Thousands)	$80,246	$73,995	$6,251

The County pays 100% of management employees', unrepresented attorneys' and sheriff's sergeants' contributions and 50% of confidential employees' contributions on a refundable basis. In addition members of certain bargaining units who are in a contributory retirement plan have a portion of their retirement deduction paid by the County based on individual years of service using schedules set forth in the Memorandums of Understanding. Effective October 12, 2003, the County pays 15% of Safety/Probation contributions on a non-refundable basis.

Administrative Expenses

Administrative costs of the Association are financed through investment earnings. Administrative expenses reported in the statement of changes in plan net assets include:

	2004	2003
Salaries and employee Benefits	$1,115,394	$962,378
Services and supplies	792,924	919,358
Depreciation	3,437	5,156
Salaries and employee Benefits	$1,911,755	$1,886,892

Reserves

Reserves required for reporting purposes by the 1937 Act:

	2004	2003
Member Deposit Reserve – Accumulated Contributions and Interest	$ 259,731,818	$ 242,075,501
County Advance Reserve – Current Service	212,410,513	199,095,646
Retiree Reserves	449,574,515	400,082,439
Cost of Living Adjustment Reserve	539,641,932	500,364,497
Subtotal (Valuation Reserves)	1,461,358,778	1,341,618,083
Reserves required by Section 31592 of the 1937 Act:		
Ventura Contingency Reserve (Note 5)	31,523,929	32,145,000
Reserve for Deficiencies in Interest Earnings and Other Contingencies	0	13,757,625
Total Allocated Reserves	1,492,882,707	1,387,520,708
Unallocated Earnings / Losses Account	(8,737,605)	(0)
Market Stabilization Account	(48,785,679)	(154,249,171)
Net Assets Held in Trust for Pension Benefits	$1,435,359,423	$1,233,271,537

Reserves are restricted to specific purposes. Member contributions are credited to members deposit reserve. County contributions are credited to county advance reserves and the cost of living adjustment reserve. At retirement, a member's accumulated contributions plus interest and the related county contributions are transferred to the retiree's reserves. The retiree reserves and the cost of living adjustment reserve represent amounts set aside for retirement benefits promised under the plan less benefits paid.

The reserves required by Section 31592 of the 1937 Act represent earnings in excess of the total interest credited to contributions and reserves. The 1937 Act requires that the excess earnings remain in the retirement fund as a reserve against any deficiencies in interest earnings in other years, losses on investments and other contingencies, however, excess earnings exceeding one percent of the total assets of the Association may be transferred into the county advance reserves for payment of benefits described under the Act.

GASB 25 mandates the recognition of unrealized gains and losses in the current period. However, on the recommendation of its actuary, SamCERA utilizes a Market Stabilization Account to account for unrealized actuarial investment gains and losses, which are calculated as the difference between the actual market return and the return that would have been generated if earnings had been at the actuarial interest rate. The Market Stabilization Account is designed to smooth the impact on employer annual contribution rates due to volatility in investment returns. Balances in the Market Stabilization Account are amortized over five-years in accordance with a schedule established by the actuary.

The June 30, 2004 balance in the Market Stabilization Account of -$48.8 million reflects the balance of the current year's and previous four years' net deferred returns.

On June 26, 2004 *SamCERA* adopted an Interest Crediting Policy that mandates Actuarial Valuation Reserves will be credited at the Actuarial Interest Rate. The Policy acknowledges that actual earnings may be greater than or less than the Actual Earnings. An Undistributed Earnings/ Loss Account was established to account for periods when Actual Earnings does not equal the Actuarial Interest Rate.

Note 4 - Cash and Investments

Cash and Cash Equivalents

Cash and cash equivalents consist of short-term investments with fiscal agents as well as deposits held in a pooled account with the County of San Mateo. All participants in the pool share earnings and losses. The short-term investments consist of cash held in money market accounts and securities readily convertible to cash. All cash and cash equivalents are carried at cost, which approximates fair value. A summary of cash and cash equivalents as of June 30, 2004 and June 30, 2003 is provided below.

Investments

The Association's investments are managed by independent investment management firms subject to the guidelines and controls in the investment plan and contracts executed with the Board. The Board utilizes third party institutions as custodians over the Plan assets.

The Board approved its first comprehensive investment plan on September 29, 1994. The plan specified an asset allocation target of 50% equities, 40% fixed income securities, and 10% real estate. The current asset allocation, which was adopted on April 21, 2000 and reaffirmed on July 22, 2003, is 65% equities, 29% fixed income securities and 6% real estate. At June 30, 2004, actual asset allocation was 69.1% equities, 26.5% fixed income securities, 4.1% real estate and cash 0.4%.

For financial reporting purposes, the Association's investments are categorized to give an indication of the risk assumed by the Association as of June 30, 2004. The Governmental Accounting Standards Board (GASB) Statement No. 3 established custodial credit risk categories. The Governmental Accounting Standards Board (GASB) Statement No. 40 updates the custodial credit risk disclosure requirements of Statement 3 and establishes and modifies disclosure requirements related to investment risks; credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. For the fiscal year ended June 30, 2003 the Association implemented Statement No. 40 in its financial statement's disclosures.

Investments in external investment pools and mutual funds cannot be categorized because the Association is not issued securities. *SamCERA* owns units in those investment.

The Association's cash and investments as of June 30 follow:

	2004	2003
Cash Equivalent Investments (Not Categorized)		
Funds Pooled with County Treasurer	$ 4,121,433	$ 1,433,724
Short-Term Investment Funds held with Fiscal Agent	12,171,341	15,415,276
Total Cash equivalents	$ 16,292,774	$ 16,849,000
Investments – Categorized (Refer to the Table Below)		
Domestic Fixed Income (1)		
Government Obligations	$ 116,703,070	$ 104,615,640
Corporate Bonds	47,911,060	55,101,336
Total Categorized	164,614,130	159,716,976
Investments- Not Categorized		
Commingled Funds:		
Domestic Fixed Income		
BGI US Debt Index Fund (1)	210,572,703	194,855,273
Domestic Equities		
BGI Russell 1000 Index Fund	600,366,122	504,456,079
BGI Russell 2000 Index Fund	168,145,602	124,154,260
International Equities		
Bank of Ireland Asset Management	226,683,026	181,212,145
Real Estate	58,213,649	63,838,644
Total Not Categorized	1,263,981,102	1,068,516,401
Total Investments	$1,428,595,232	$1,228,233,377

(1) Fixed Income is presented for comparative

As of June 30, 2004 the Association had the following investments categorized for interest rate and credit risk.

Deutsche Asset Management Bond Portfolio

Investment Type	Fair Value	Weighted Average Maturity (Years)
United States Treasuries	$ 16,728,800	12.86
Single Family Mortgage Backed Securities	64,874,705	4.60
CMBS	7,332,757	3.88
Asset Backed Securities	14,838,168	2.90
Taxable Municipal Bonds	12,928,640	5.74
Corporate Bonds	47,911,060	10.66
Total Fair Value & Portfolio Weighted Average Maturity	$164,614,130	6.99

Barclays Global Investor U.S. Debt Index Fund

Investment Type	Fair Value	Weighted Average Maturity (Years)
BGI U.S. Debt Index Fund	$210,572,703	6.79

Interest Rate Risk – *SamCERA's Investment Plan* does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Association's active and passive bond portfolios are managed duration neutral to their benchmark, the Lehman Brothers Aggregate Bond Index. Barclays Global Investors provided the weighted average maturity utilized for the BGI U.S. Debt Index Fund.

Credit Risk - *SamCERA's* Investment Plan has three requirements addressing fixed income quality. First, the minimum average rating of the total portfolio of fixed income assets under a manager's supervision must be "A" or better (Standard & Poor's or Moody equivalent), dollar weighted at market value. Second, the minimum quality rating eligible for the portfolio is "B" or better (as rated by Standard & Poor's or Moody's equivalent). The third requirement is that no more than 10% of *SamCERA's* fixed income assets under a manager's supervision shall be invested in securities with a rating below Baa3, BBB-, P-1 or A-1.

On June 30, 2004 the quality breakdown of the Association's investments in bonds were rated as indicated in the table below.

Credit Risk	Active Management	Passive Management
AAA+	0%	70.48%
AAA	68.42%	6.23%
AA	7.14%	4.76%
A	12.20%	8.86%
BBB	11.91%	8.31%
Baa	0.33%	0.00%
NR	0.00%	1.36%
	100.00%	100.00%

Securities Lending

The Association invests in indexed portfolios in which the investment manager may lend securities owned by the portfolio. However, the Association currently does not lend securities, which are managed in a separate account portfolio and held in the name of San Mateo County Employees' Retirement Association.

The Association had no securities on loan at fiscal year end and there was no security lending activities during fiscal year ended June 30, 2004. However, investment managers are lending securities held in the name of indexed portfolios in which the Association has a unit value interest.

Note 5 – Contingent Liability

California's Supreme Court ruled that compensation paid in cash, even if not earned by all employees in the same grade or class, must be included in "compensation earnable" and the "final compensation" on which an employee's retirement benefit is based. The ruling overturned longstanding precedent. This August 14, 1997 decision in the matter of *Ventura County Deputy Sheriff's Association vs. Board of Retirement of the Ventura County Employees' Retirement Association* became "final" on October 1, 1997. The Association implemented *Ventura* prospectively for current employees and new retirees on December 28, 1997.

The *Ventura* decision was silent on two fundamental issues: terminal pay and retroactivity. For *SamCERA*, these issues were resolved by *Teamsters Local 856 vs. Board of Retirement, San Mateo County.* During the 2001 fiscal year, the trial court considered and rejected claims by petitioners that *Ventura* mandated the inclusion of terminal pay, third party payments, and employer pickups of employee contributions in the calculation of final compensation. On November 30, 2001 the trial court ruled that *Ventura* should be applied retroactively and that the pensions of all retirees and their beneficiaries, regardless of when they retired, must be recalculated. The Court of Appeals sustained the trial court's decisions on July 11, 2003. On October 14, 2003 the California Supreme Court declined to review the appellate court's decision.

The Association filed its plan for the implementation of the November 30, 2001 writ of mandate with the court on April 13, 2004. The implementation plan provides for the research, calculation and payment of retroactive and prospective *Ventura*-enhanced benefits to all eligible retirees and their survivors. The plan includes provisions to complete the implementation process during the current calendar year.

The Association retained an actuary to estimate the financial impact of a range of possible decisions in the *Teamsters Local 856* litigation. Based on the provisions of the November 30, 2001 writ of mandate, the actuary estimated that the contingent liability totaled $16.2 million as of June 30, 2002, with interest on the liability compounding at 7% simple per annum. The actual present value of the liability will not be known until the calculation of *Ventura*-enhanced benefits is completed. A reserve was established for this contingent liability. The current balance of this reserve is $31,523,929.

Note 6 – Mortgage Note Payable

The Mortgage Note Payable at June 30, 2004 consists of a note payable on a real estate investment with terms, including monthly payments of principal and interest, an interest rate of 7.87%, and a maturity date of September 1, 2006. Monthly payments until maturity are $61,058 with a principal payment due at maturity of $6,458,350. The note is secured by the Association's rental property.

Principal payments under the notes payable for the next five years are as follows:

Year Ending June 30	Principal	Interest
2005	$ 196,330	$ 536,366
2006	212,350	520,345
2007	6,495,349	127,432
Total	$6,904,029	$1,184,143

Due within one year	$ 196,330
Due in more than one year	6,707,699
Total	$6,904,029

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Required Supplementary Information
(Amounts in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (b-a)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/99	1,109,417	1,205,554	96,137	92.03%	238,864	40.25%
6/30/00	1,271,565	1,291,694	20,129	98.44%	259,075	7.77%
6/30/01	1,384,586	1,404,060	19,474	98.61%	274,318	7.10%
6/30/02	1,416,821	1,660,566	243,745	85.30%	301,891	80.70%
6/30/03	1,353,941	1,781,544	427,603	76.00%	323,896	132.00%
6/30/04	1,452,621	1,921,328	468,707	75.6%	365,385	128.30%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution	Percentage Contributed
1999	41,289	100%
2000	38,695	100%
2001	39,482	100%
2002	33,541	100%
2003	36,070	100%
2004	60,042	100%

Notes to Required Supplementary Information

Actuarial valuations of the Association are normally carried out as of June 30th of each year and contribution requirements resulting from such valuations become effective from July 1st, of the next fiscal year.

The information presented in the required supplementary schedules was determined as part of the actuarial valuations as of the dates indicated. Additional information as of the latest actuarial valuation follows:

Latest Actuarial Valuation

Valuation Date	June 30, 2004	
Actuarial Cost Method	Entry Age	
Amortization Method	Level Percent – closed	
Remaining Amortization Period	18 years	
Asset Valuation Method	5-year smoothed market	
Actuarial Assumptions:		
Investment Rate of Return	8.00%	
Projected Salary Increases*	6.00%	
*Attributed to Inflation		4.00%
*Attributed to Adjustments for Merit and Longevity		2.00%

Cost of Living Adjustments: The maximum increase in retirement allowance is 5% for Plan One, 3% for Plan Two and 2% for Plan Four. The annual adjustments are based on the change in the Consumer Price Index for the Bay Area.

Schedule of Funding Progress

A schedule of funding progress presents a consolidated snapshot of a retirement system's ability to meet current and future liabilities with the assets of the plan. Of particular interest to most is the funded status ratio. This ratio quickly conveys a retirement system's level of assets to liabilities, which is important in determining the financial health of a retirement system. The closer a retirement system is to a 100% funded status, the better position it will be in to meet all of its future liabilities.

As of June 30, 2004, the date of the last actuarial valuation, the San Mateo County Employees' Retirement System had a 75.6% funded status. Overall, the financial condition of *SamCERA* continues to be sound in accordance with the actuarial principals of entry age normal cost funding.

In this schedule, six years of historical information is presented. In 1994 the system changed its asset allocation from 100% fixed income to a well-diversified investment portfolio. The funded ratio steadily improved from 65.46% as of June 30, 1994 to 98.61% as of June 30, 2001. This was an important accomplishment for *SamCERA* especially since it was accomplished without the benefit of a Pension Benefit Obligation Bond. The Plan Sponsor granted enriched benefits in the 2002 Memorandum of Understanding, which resulted in the funded ratio retreating to 76.0% as of June 30, 2003.

SamCERA currently has an unfunded actuarial accrued liability (UAAL), resulting from actuarial accrued liabilities (AAL) exceeding the actuarially determined value of assets. *SamCERA* is funding the UAAL over a 20-year amortization period, which began July 1, 2002. There are currently 18 years remaining in the funding period, which is scheduled to end on June 30, 2022.

Schedule of Employers' Contributions

The sources of revenues that fund a retirement system are employer contributions, member contributions, and investment earnings on plan assets. Each year, *SamCERA's* actuary determines the amount of employer contributions required to fund a given schedule of benefits (current and future liabilities). The calculation for the benefit schedule is based on the following factors: (i) The Association's benefit structure, (ii) statistical data about members of the system, and (iii) current and predicted future retirees and beneficiaries of *SamCERA*. Assumptions must be made to estimate how many employees terminate employment; leave on a disability retirement or service retirement; and the average ages of employees at retirement and at mortality. Finally, the preceding data is combined with an actuarially assumed investment rate of return and assumed salary increases of *SamCERA's* members. All of this information taken together is presented in an annual actuarial valuation in which the actuary recommends an employer contribution rate (percentage) to the participating employers. This contribution rate percentage is applied to the valuation payroll for each of the participating employees. The resulting dollar amounts, as depicted in this schedule, are the actuarially calculated required employer contributions necessary to fund the promised benefits to *SamCERA*'s members.

This Schedule contains six years of historical information with respect to *SamCERA's* actuarially calculated, required contributions versus the actual employer contributions made on an annual basis. Over the past six years, the employer has contributed 100% percent of the amount recommended by the actuary.

Schedule of Administrative Expenses
as of June 30, 2004 and 2003

	2004	2003
Salaries and Employee Benefits	$ 1,115,394	$ 962,378
Services and Supplies	792,924	919,358
Depreciation	3,437	5,156
Total Administration Expense	$1,911,755	$1,886,892

Administrative Budget Analysis
Budget to Actual Expenditure

	Budget Allotment (As Amended)	Fiscal Year Expenditures	Percentage Expended
Salaries	$ 817,000	$ 816,503	99.9%
Benefits	310,000	298,891	96.4%
Salaries & Benefits	$1,127,000	$1,115,394	99.0%
Board Expenses	8,000	7,700	96.3%
Insurance	77,150	75,520	97.9%
Medical Evaluation	8,000	5,117	64.0%
Member Education	25,000	11,910	47.6%
Education & Conference	28,500	28,193	98.9%
Transportation & Lodging	37,000	36,777	99.4%
Software License & Maintenance	78,000	70,140	89.9%
Property & Equipment	46,500	46,465	99.9%
General Office Supplies	15,000	12,728	84.9%
Postage, Printing & Copying	50,000	43,208	86.4%
Leased Facilities	82,500	82,080	99.5%
County Service	287,450	279,143	97.1%
Audit Services	38,400	38,400	100.0%
Other Administration	56,000	55,543	99.2%
Services & Supplies	$837,500	$ 792,924	94.7%
Capital Assets	$ 30,000	$ 0	0%
Depreciation	$ 0	$ 3,437	n/a
Grand Total	$1,994,500	$1,911,755	97.3%

Schedule of Investment Expenses
For the Year Ended June 30, 2004 and 2003

	2004	2003
Investment Manager		
Bank of Ireland Asset Management	$ 834,983	$ 680,165
Barclays Global Investors	316,910	267,255
Deutsche Asset Management Inc.	438,259	439,365
INVESCO Realty Advisors	319,642	485,374
Global Custodian		
State Street Bank	118,219	117,171
Professional Expense	2,028,013	1,989,330
Consultant Expense	249,670	325,900
Interest Paid on Prepaid Contribution	1,881,004	1,256,033
Total Investment Expense	$4,158,687	$3,571,263

Schedule of Payments to Consultants
For the Year Ended June 30, 2004 and 2003

	2004	2003
Investment Consultant Expense		
Strategic Investment Solutions	$175,000	$ 175,000
Actuarial Consultant Expense		
Mercer Human Resources Consulting	74,670	150,900
Total Consultant Expense	$249,670	$325,900

Notes to the Other Supplementary Information

SamCERA's budget consists of two components, an administrative budget authorized by Government Code §31580.2 and a professional services budget authorized by Government Code §31596.1. *SamCERA's* budgets are on a fiscal year basis starting July 1st and ending June 30th. Each Spring, through a three month hearing process, the Retirement Board develops the following fiscal year's budget document. This document is published as *SamCERA's* Sources, Uses and Budget Report. It may be viewed at www.samcera.org.

Administrative Services Budget

Government Code §31580.2 states in part, "*. . . the respective board or boards shall annually adopt a budget covering the entire expense of administration of the retirement system which expense shall be charged against the earnings of the retirement fund. The expense incurred in any year may not exceed eighteen-hundredths of 1 percent of the total assets of the retirement system.*" *SamCERA* has always been well within the eighteen basis points restriction on administrative expenditures.

Professional Services Budget

Government Code §31596.1 states that *The expenses of investing its money 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 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.

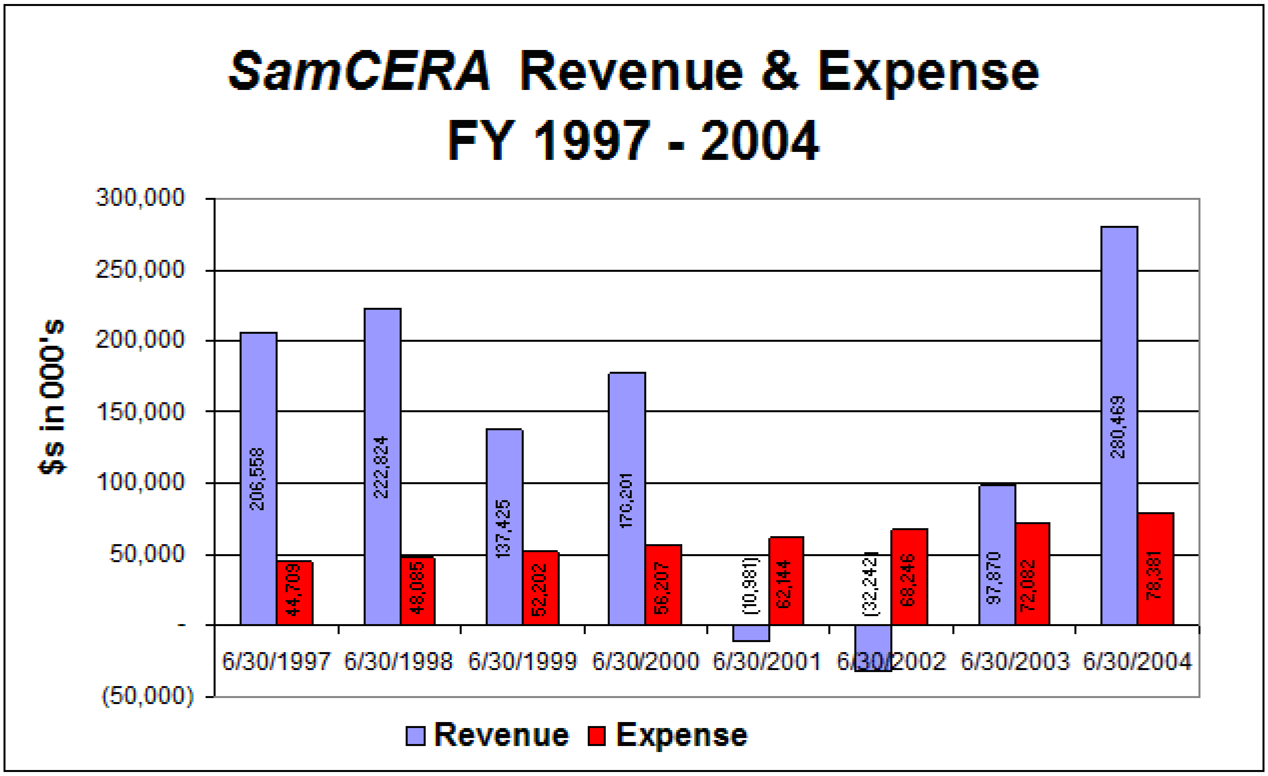
(b) The compensation of any bank or trust company performing custodial services.

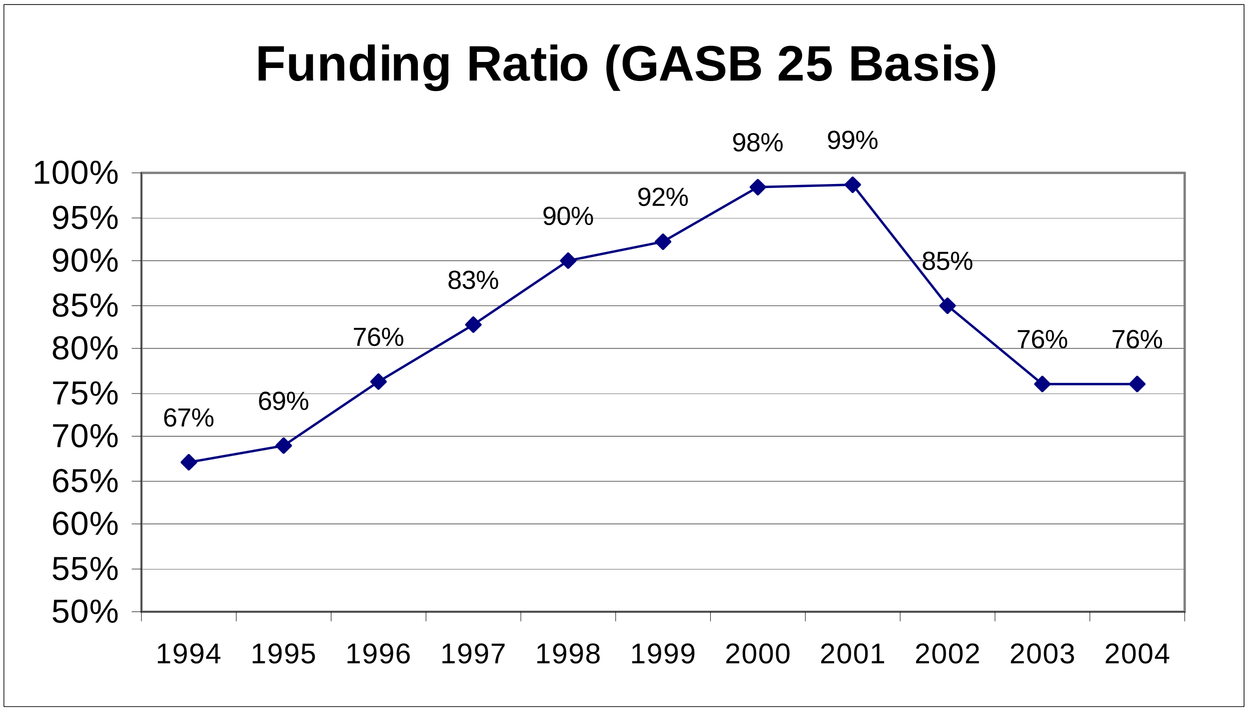
(c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.

(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.

SamCERA's professional services budget is driven by contractual agreements with the Actuary, Custodian, Investment Consultant, and Investment Managers.


SamCERA Revenue & Expense
FY 1997 - 2004
$s in 000's
300,000
250,000
200,000
150,000
100,000
50,000
-
(50,000)
206,558
44,709
222,824
48,085
137,425
52,202
176,201
56,207
(10,981)
62,144
(32,242)
68,246
97,870
72,082
280,469
78,381
6/30/1997
6/30/1998
6/30/1999
6/30/2000
6/30/2001
6/30/2002
6/30/2003
6/30/2004
Revenue
Expense


Funding Ratio (GASB 25 Basis)
100%
95%
90%
85%
80%
75%
70%
65%
60%
55%
50%
67%
69%
76%
83%
90%
92%
98%
99%
85%
76%
76%
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004

Investment Section

STRATEGIC INVESTMENT SOLUTIONS, INC.

September 15, 2004

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

Dear Board Members:

After three difficult years, fiscal 2004 capital market behavior brought dramatic, if incremental, relief for US pension funds. Stronger economic growth, more reasonable valuations, and stimulative monetary and fiscal policy all contributed to a constructive environment for stocks. The period from June 30, 2003 to June 30, 2004 thus witnessed robust positive returns for virtually all US and international equity classes. However, continued investor uncertainty over terrorism, the situation in Iraq, and the perceived fragility of the world economy all contributed to ongoing price volatility.

The Federal Reserve maintained a very accommodative policy stance throughout the year, although it finally raised the Federal Funds rate in June. Stronger economic growth, higher inflation, and the prospect of the end of easy monetary policy created a difficult backdrop for bond investors. Prices for bonds generally fell as interest rates rose, offsetting bondholders' income to produce approximately flat total returns across the investment grade sectors. In contrast, high yield bonds, responding to improving corporate balance sheets, posted a second year of strong returns. Investment real estate also performed well, posting a return of almost 11% during the year.

In this market setting, SamCERA's investment portfolio returned 15.56%, slightly behind the index policy return of 16.32%. Good performance from the plan's active bond manager along with a slight overweight to equities helped returns relative to policy, while poor performance from the international equity manager hindered returns. For the year, SamCERA's total fund performance was well above the plan's actuarial assumption of 8.00%.

After completing an asset liability study during the year, SamCERA reaffirmed its commitment to the strategic asset allocation targets as follows:

Large Cap US Equity	40%
Small Cap US Equity	10%
International Equity	15%
US Fixed Income	29%
Real Estate	6%

SamCERA's policy benchmark, comprising the asset classes and target percentages listed above, ranked in the 34th percentile of the Independent Consultant's Cooperative Large Public Funds Universe for the fiscal year ended June 30, 2004. SamCERA's portfolio return of 15.56% placed it in the 46th percentile of the universe.

There were no changes to SamCERA's roster of investment managers or to its manager structure during the fiscal year. During the year SamCERA initiated a review of its manager structure and resolved to introduce a greater commitment to active management in its US Equity and Bond asset classes. The implementation of this decision will occur in fiscal year 2005. During fiscal year 2004, all of the plan's US Equity assets and approximately half of its Fixed Income assets remained passively managed.

In fiscal year 2004, US and International equity returns were very high for substantially all broad market indexes. The S&P 500 Index posted a robust 19.10% for the fiscal year., while the broader Russell 3000 Index was up 20.46%. The international equity MSCI ACWI Free Ex-U.S., a broad proxy of non-US stocks, gained 32.50% for U.S. dollar investors.

SamCERA lagged its equity benchmark, largely due to the underperformance of the Plan's international equity manager Bank of Ireland, which finished the year 741 basis points behinds the ACWI Ex. US benchmark. Bank of Ireland's performance continues to suffer from poor stock selection, an unrewarded large cap bias, and its systematic underweight to Japanese and Emerging Markets stocks. The BGI domestic equity funds posted approximately the returns of the Russell 1000 and Russell 2000 indexes for the fiscal year, meeting their passive objectives. A modest average overweight to both the BGI Russell Funds throughout the year enhanced equity performance slightly versus SamCERA's total equity benchmark.

In contrast to the high absolute returns of the equity portfolio, the fixed income portfolio returns were only slightly above zero. For the fiscal year ended June, the BGI US Debt Fund fulfilled its mandate by matching the return of the Lehman Aggregate Index. Deutsche had another excellent year, exceeding the return of the index by an impressive 130 basis points. BGI posted a 0.33% return and Deutsche a 1.63% return during a very difficult year for bonds in which the Lehman Aggregate return only 0.32%.

For the year ended June 2004, NCREIF returned 10.83% while SamCERA's real estate manager INVESCO lagged the index with an 8.60% return. SamCERA is nearing the completion of review of the structure of its real estate portfolio focused on how best to diversify the Plan's holdings in the asset class.

Overall, the Plan experienced a mixed year of performance. Although the SamCERA portfolio's return at 15.56% lagged its policy benchmark by 76 basis points during the year, the level of absolute returns was quite high, and the Plan performed in the top half of the universe of its large Public Plan peers. We believe that SamCERA continues to take the appropriate actions to improve its portfolio and to position the plan to fulfill its benefit obligations.

Sincerely,
Strategic Investment Solutions

Margaret Jadallah

Margaret Jadallah and Patrick Thomas

SamCERA's Investment Plan sets forth the Board's investment policy, from which the following extracts have been drawn. The full plan may be viewed on SamCERA's web site at www.samcera.org.

INVESTMENT PHILOSOPHY

The Board acknowledges the historical data demonstrating that the most successful strategy for minimizing risk, while capturing market returns, is a prudently diversified portfolio. Therefore, the Retirement Fund should be invested across the spectrum of institutional grade Asset Classes. The Board acknowledges that the Asset Allocation targets reflect a long-term view of the market and that professional management of the Retirement Fund will add value to the portfolio, by capitalizing on inefficiencies in the markets.

The Board takes responsibility for allocating across asset classes and across styles within asset classes, but should not substitute its judgment for the professional judgment of those it retains.

The Board believes that interest, dividends and capital appreciation must be pursued and captured, if the Actuarial Funding Objectives of the Retirement Fund are to be achieved.

The Board will not be market-timers (shifting asset class allocations dramatically over short time spans), because it realizes this strategy is seldom successful and has the potential for dramatic losses.

The Board views Short-term Cash Equivalents as insignificant contributors to Real Returns in the long run.

INVESTMENT OBJECTIVES

It is the Investment Objective of the Board of Retirement to:

Generate Portfolio returns which, over the long-term, exceed the rate of inflation by not less than 3.25%, by generating market returns within each asset class.

Generate Portfolio returns not less than the returns of a commitment-weighted aggregate of the performance benchmarks specified for the individual investment managers.

Provide for the full funding of the Pension Benefit Obligation by the year 2022.

Stabilize the employer contribution rate, as a percentage of payroll, for the present configuration of benefits, to the extent that the Board of Retirement has control.

Structure an investment program such that the short-term volatility of returns does not induce the Board to alter its long-term asset allocation strategies, by striving for an annualized tracking error around the aggregate benchmark of ±3%.

Calculations for compliance with these objectives will be prepared using a time-weighted rate of return based on the market rate of return in accordance with Association of Investment Management and Research (AIMR) Performance Presentation Standards

INVESTMENT POLICY

It is the Investment Policy of the Board of Retirement to pursue an investment strategy, which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Board adopted an Asset Allocation to guide the structure of the Investment Portfolio.

INVESTMENT POLICY – (CONTINUED)

The Board retains the most qualified Investment Managers with demonstrated expertise in the management of institutional pension funds. Objectives have been adopted which encourage the Investment Managers to maximize their performance relative to their individual investment style benchmark. They are delegated full discretion in management of their portfolio. The Board monitors the performance of the Investment Managers, relative to their assigned custom benchmarks to assure their conformance with the provisions of the Board's Investment Policy.

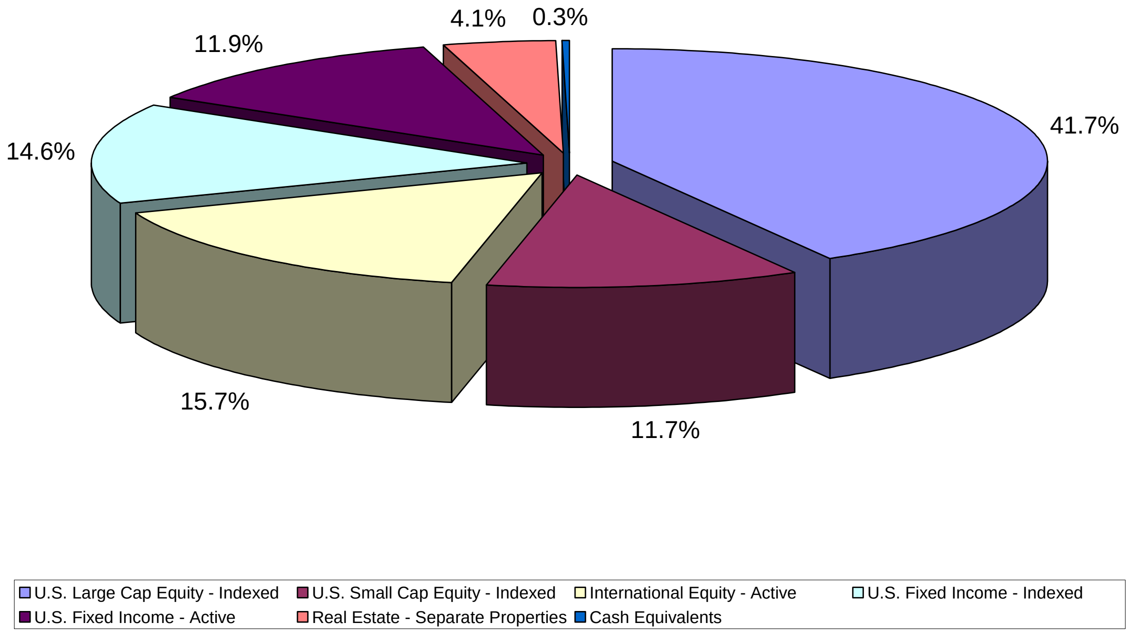
The Board discourages the use of Cash Equivalents, except for liquidity purposes and refrains from dramatically shifting asset class allocations over short time spans.

ASSET ALLOCATION

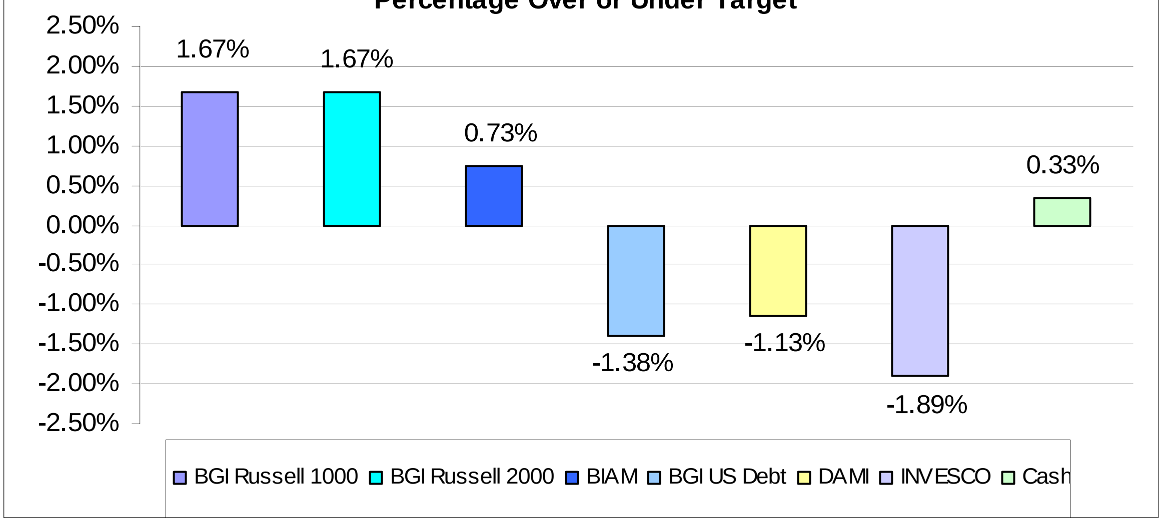
Asset Class	Allocation		June 30 Actual	
Equity	65%		69.1%	
Fixed Income	29%		26.5%	
Real Estate	6%		4.1%	
Cash	0%		0.3%	
Equity Management Style	Allocation		June 30 Actual	
Domestic Large Capitalization	40%		41.7%	
Indexed		40%		41.7%
Domestic Small Capitalization	10%		11.7%	
Indexed		10%		11.7%
International	15%		15.7%	
Active		15%		15.7%
Total Equity	65%		69.1%	
Fixed Income Management Style	Allocation		June 30 Actual	
Domestic Fixed Income	29%		26.5%	
Indexed		16%		14.6%
Active		13%		11.9%
Total Fixed Income	29%		26.5%	
Real Estate Management Style	Allocation		June 30 Actual	
Core Separate Property Portfolio		6%		4.1%
Total Real Estate	6%		4.1%	
Total Cash & Cash Equivalents	0%		0.3%	

Asset Allocation	**Market Value**	**Percentage**
Large Capitalized U.S. Equities	$ 600,366,122	41.7%
Small Capitalized U.S. Equities	168,145,602	11.7%
International Equities	226.,682,546	15.7%
U.S. Fixed Income	381,545,976	26.5%
Real Estate	59,221,834	4.1%
Cash	4,816,722	0.3%
Total	$1,440,778,803	100.0%

Asset Allocation as of June 30, 2004



Asset Allocation
Percentage Over or Under Target



SCHEDULE OF PORTFOLIO RETURNS

Performance as of June 30, 2004	Total time Weighted Rate of Return			
Asset Category	One Year	Two Years	Three Years	Five Years
Domestic Equity	22.28%	10.63%	0.94%	0.13%
Barclays Global Investors Russell 1000 Index Fund	19.50%	9.85%	<0.30%>	<1.64%>
Benchmark Russell 1000	19.48%	9.83%	<0.32%>	<1.65%>
Barclays Global Investors Russell 2000 Index Fund	33.51%	14.47%	6.24%	N/A
Benchmark Russell 2000	33.37%	14.53%	6.24%	N/A
International Equity				
Bank of Ireland Asset Management	25.09%	6.75%	1.44%	0.65%
Benchmark MSCI ACWI ex US	32.50%	12.67%	5.23%	0.82%
Total Equity	22.89%	9.70%	1.00%	0.02%
Domestic Fixed Income				
Barclays Global Investors US Debt Index Fund	0.33%	5.28%	6.46%	7.06%
Benchmark Lehman Aggregate Bond Index	0.32%	5.24%	6.36%	6.95%
Deutsche Asset Management, Inc.	1.63%	6.01%	7.16%	7.59%
Benchmark Lehman Aggregate Bond Index	0.32%	5.24%	6.36%	6.95%
Total Fixed Income	0.85%	5.57%	6.73%	7.17%
Real Estate				
INVESCO Realty Advisors	8.60%	11.78%	8.02%	9.23%
NCREIF	10.83%	9.22%	7.97%	8.35%
Total Plan	15.56%	9.55%	4.13%	3.56%
Policy Benchmark	16.32%	9.78%	4.04%	2.98%

Return calculations were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management and Research's Performance Presentation Standards.

Schedule of Investment Portfolio by Asset Class and Manager

AS OF JUNE 30, 2004

Domestic Equity			
Barclays Global Investors	Russell 1000 Index Fund	$600,366,122	
	Russell 2000 Index Fund	$168,145,602	
Total Domestic Equity			$768,511,724
International Equity			
Bank of Ireland Asset Management	International Equity	$226,682,546	
Total International Equity			$226,682,546
Total Equity			$995,194,271
Domestic Fixed Income			
Barclays Global Investors	US Debt Index Fund	$210,572,715	
Deutsche Asset Management, Inc.	Core Domestic Fixed Income	$170,973,261	
Total Domestic Fixed Income			$381,545,976
Total Fixed Income			$354,572,249
Real Estate			
INVESCO Realty Advisors	Separate Property Portfolio		59,221,834
Unequitized Cash			$16,292,774
Fixed Assets, at cost, net of accumulated depreciation			$28,012
Receivables & Prepaid Expenses			$5,151,284
<less> Current Liabilities			$14,707,879
Net Portfolio as of June 30, 2004			$1,435,359,423

Schedule of Top Ten Equity and Fixed Income Securities

As of June 30, 2004

TOP TEN EQUITY SECURITIES*

Shares	Exchange	Ticker	Security Name	Market Value
558,069	NYSE	GE	GENERAL ELECTRIC CO.	$18,081,458
346,055	NYSE	XOM	EXXON MOBIL CORPORATION	$15,368,105
485,525	NASDAQ	MSFT	MICROSOFT CORPORATION	$13,866,605
403,768	NYSE	PFE	PFIZER INC.	$13,841,193
273,659	NYSE	C	CITIGROUP INC.	$12,725,145
342,317	NASDAQ	INTC	INTEL CORPORATION	$9,447,973
107,907	NYSE	BAC	BANK OF AMERICA CORP	$9,131,133
157,124	NYSE	JNJ	JOHNSON & JOHNSON CO.	$8,751,817
121,621	NYSE	AIG	AMERICA INTERNATIONAL GROUP	$8,669,197
357,881	NASDAQ	CSCO	CISCO SYSTEMS INC	$8,481,788

*Some Domestic Equity Securities are owned in the Russell 1000 Index Fund managed by Barclays Global Investors.

TOP TEN FIXED INCOME SECURITIES*

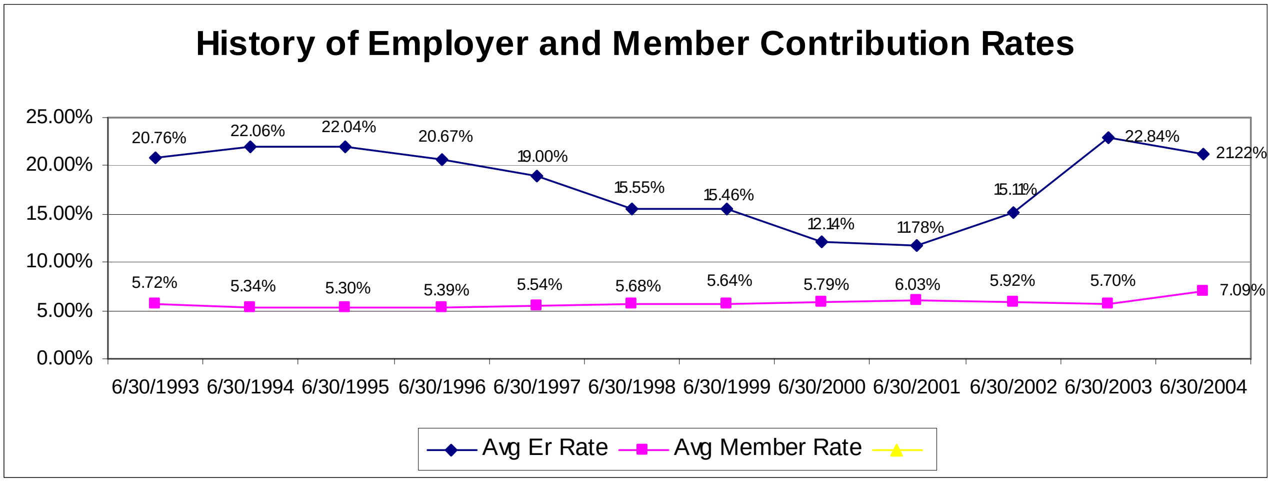
Par/Book Value	Security Name			Rating S&P/Moodys	Issue ID	Market Value
6,339,000	UNITED STATES TREAS NOTES	4.375%	08/15/2012	AAA/Aaa	9128277B2	$6,309,270
5,906,855	UNITED STATES TREASURY BDS	6.000%	02/15/2026	AAA/Aaa	912810EW4	$5,906,855
5,016,000	FNMA 30YR	5.000%	03/01/2034	AAA/Aaa	31402CVZ2	$4,871,792
4,323,788	FNMA 30YR	5.500%	04/01/2004	AAA/Aaa	31402DBK5	$4,318,422
3,085,000	ROYAL BANK OF SCOTLAND GROUP	9.118%	03/31/2040	A1/A	780097AE1	$3,717,425
3,360,000	FNCI TBA JULY	5.000%	07/25/2018	AAA/Aaa	01F050460	$3,363,158
3,050,000	WEST VALLEY CITY, UTAH	7.670%	05/01/2006	Aa2/A2	95640EDK8	$3,272,376
3,042,244	FGOLD 15YR	5.950%	11/01/2008	AAA/Aaa	3128H4E54	$3,055,470
2,425,000	PETROBRA MBIA	6.600%	12/01/2011	AAA/Aaa	69335UAC8	$2,603,213
2,055,000	AMERICAN GENERAL INSURANCE	8.125%	03/15/2046	Aa2	02637XAA2	$2,506,833

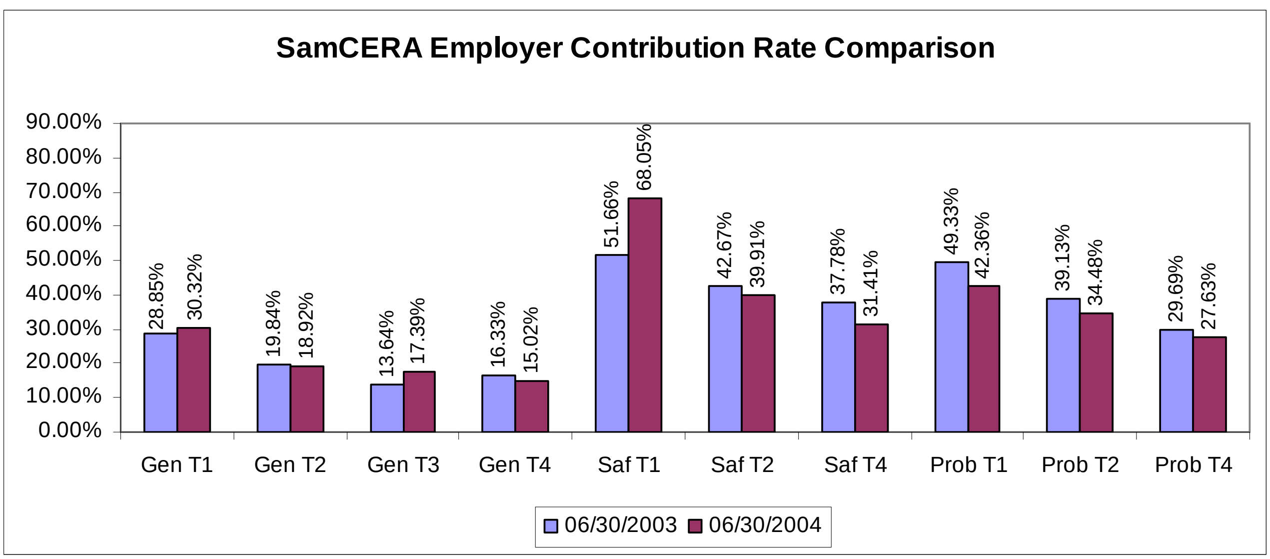
A complete list of the portfolio holdings is available through the San Mateo County Employees' Retirement Association.

Schedule of Professional Services and Fees
as of June 30, 2004 and 2003

	2004	2003
Investment Managers		
Bank of Ireland Asset Management	$ 834,983	$ 680,165
Barclays Global Investors	316,910	267,255
Deutsche Asset Management Inc.	438,259	439,365
INVESCO Realty Advisors	319,642	485,374
Investment Managers	$1,909,794	$1,872,159
Investment Consultant		
Strategic Investment Solutions	$ 175,000	$ 175,000
Actuarial Consulting		
William M. Mercer	$ 74,670	$ 150,900
Master Custodian		
State Street Bank and Trust Company	$ 118,219	$ 117,171
Total Professional Services	$2,277,683	$2,315,230

ACTUARIAL SECTION


History of Employer and Member Contribution Rates
25.00%
20.00%
15.00%
10.00%
5.00%
0.00%
20.76%
22.06%
22.04%
20.67%
19.00%
15.55%
15.46%
12.14%
11.78%
15.11%
22.84%
21.22%
5.72%
5.34%
5.30%
5.39%
5.54%
5.68%
5.64%
5.79%
6.03%
5.92%
5.70%
7.09%
6/30/1993
6/30/1994
6/30/1995
6/30/1996
6/30/1997
6/30/1998
6/30/1999
6/30/2000
6/30/2001
6/30/2002
6/30/2003
6/30/2004
Avg Er Rate
Avg Member Rate


SamCERA Employer Contribution Rate Comparison
90.00%
80.00%
70.00%
60.00%
50.00%
40.00%
30.00%
20.00%
10.00%
0.00%
28.85%
30.32%
19.84%
18.92%
13.64%
17.39%
16.33%
15.02%
51.66%
68.05%
42.67%
39.91%
37.78%
31.41%
49.33%
42.36%
39.13%
34.48%
29.69%
27.63%
Gen T1
Gen T2
Gen T3
Gen T4
Saf T1
Saf T2
Saf T4
Prob T1
Prob T2
Prob T4
06/30/2003
06/30/2004

Actuarial Certification

The annual actuarial valuation required for the San Mateo County Employees Retirement Association (SamCERA) has been prepared as of June 30, 2004 by Public Pension Professionals, Incorporated. In preparing this valuation, we have employed generally accepted actuarial assumptions and methods to determine a sound value for SamCERA's assets, liabilities and future contribution requirements. In our opinion, the combined operation of the assumptions and methods applied in this valuation fairly represent past and anticipated future experience of SamCERA and meet the parameters required by Government Accounting Standards Board Statement 25.

The financing objective of the system has been to reduce the unfunded actuarial accrued liability (UAAL) to zero over a period ending June 30, 2022 (18 years in the current valuation), while maintaining contribution rates that remain relatively level, as a percentage of payroll, from generation to generation.

We assisted in the preparation of several schedules included in the actuarial, statistical and financial sections of SamCERA's Comprehensive Annual Financial Report. These include:

1. Schedule of Assumptions and Methods;
2. Schedule of Employer and Member Contribution Rates;
3. Schedules of Pertinent Membership and Financial Information Used in the Valuation;
4. Solvency Test
5. Actuarial Analysis of Financial Experience
6. Schedule of Funding Progress

Future contribution requirements may differ from those determined in the valuation because of:

1. Differences between actual experience and anticipated experience;
2. Changes in actuarial assumptions or methods;
3. Changes in statutory provisions; and
4. Differences between the contribution rates determined by the valuation and those adopted by the Board.

We supplied the current year information for these schedules through the preparation of our annual valuation report and through additional reports prepared for SamCERA staff. Data for years prior to the June 30, 2004 actuarial valuation were prepared by the prior actuary for SamCERA.

Our calculations are based upon the member data and financial information supplied to us by SamCERA staff. This data has not been audited, but has been reviewed and found to be internally consistent and consistent with the prior year's data.

Actuarial Certification (continued)

The undersigned are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render this actuarial opinion.

Public Pension Professionals

Ira Summer, FSA, EA, MAAA

December 20, 2004
Date

Deanna Van Valer, ASA, EA, MAAA

December 20, 2004
Date

The following actuarial assumptions are based on the Actuarial Experience Study for the period of July 1, 1999 through June 30, 2002, which was adopted by the Retirement Board on January 28, 2003.

Actuarial Assumptions and Cost Method

Valuation Date	June 30, 2004
Actuarial Cost Method	Entry Age
Amortization Method	Level Percent – closed
Remaining Amortization Period	18.0 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return	8.00%
Projected Salary Increases*	6.00%
*Attributed to Inflation	4.00%
*Attributed to Adjustments for Merit and longevity	2.00%

Cost of Living Adjustments: The maximum increase in retirement allowance is 5% for General and Safety Plan 1, 3% for Probation Plan 1 and Plan 2 and 2% for Plan 4 Members. The maximums are based on the change in the Consumer Price Index for the Bay Area.

The pre-retirement demographic experiences adopted by the board include pre-retirement mortality, withdrawal rates, disability rates, service retirement rates and salary scales.

Actuarial Assumption		6/30/04	6/30/03	Change
Annual Inflation Rate		4.00%	3.00%	1.00%
Annual Investment Return		8.00%	8.00%	0.00%
Average Annual Salary Increases		6.00%	6.25%	-0.25%

Plan Provisions - The Association provides basic retirement, disability and death benefits based on a defined benefit formula which uses final average salary, years of service, and age to calculate benefit payable and, in addition, provides annual cost-of-living adjustments upon retirement for members of Plans One, Two and Four. The benefits of Plan Three are reduced by Social Security benefits received by the member. The 1937 Act vests the Board of Supervisors with the authority to initiate benefits, however, Government Code Section 31592.2 empowers the Board of Retirement to provide health benefits when the Section 31592 reserve exceeds 1% of assets.

Members with 10 years of continuous service (permanent part-time employees need equivalent of 5 years of full-time service) are eligible to retire at the following minimum ages:

Plan One	Age 50
Plan Two	Age 50
Plan Four	Age 50
Plan Three	Age 55

General members of Plans One, Two and Four may retire at any age after 30 years of service. Safety members, who participate only in Plans One, Two and Four, may retire at any age after 20 years of service.

A member who leaves County service may withdraw the contributions made by the member to the Association, plus accumulated interest.

Members with five years of service or permanent part-time employees who have the equivalent of five years of full-time service or non-contributory members with 10 years of service who terminate their employment with the County may elect to leave their accumulated contributions with the Association and choose a deferred retirement.

Summary of Recommendations

Employer Contribution Rates

	06/30/04	06/30/03	Change
Normal Cost Rate	10.32%	13.32%	-22.52%
Rate of Contribution to Unfunded Actuarial Accrued Liability	10.90%	9.52%	14.50%
Total Employer Rate	21.22%	22.84%	-7.09%
Estimated Annual Amount in Thousands *	$80,246	$73,995	$6,251

Member Contribution Rates

		07/01/05 *	03/13/05 *	07/01/04 **	Change ***
General Members (Plans 1 & Plan 2)					
	Age 25	6.72%	6.95%	5.90%	0.82%
	35	7.09%	7.24%	6.22%	0.87%
	45	7.88%	7.97%	6.89%	0.99%
General Members (Plan 4)					
	Age 25	6.42%	6.62%	5.63%	0.79%
	35	6.77%	6.90%	5.93%	0.84%
	45	7.52%	7.57%	6.57%	0.95%
Safety Members (Plans 1 & Plan 2)					
	Age 21	8.35%	-	8.43%	-0.08%
	25	8.40%	-	8.48%	-0.08%
	30	8.59%	-	8.66%	-0.07%
Safety Members (Plan 4)					
	Age 21	7.97%	-	8.02%	-0.05%
	25	7.99%	-	8.07%	-0.08%
	30	8.19%	-	8.24%	-0.05%
Probation Members (Plans 1 & Plan 2)					
	Age 21	7.10%	-	7.17%	-0.07%
	25	7.14%	-	7.21%	-0.07%
	30	7.30%	-	7.36%	-0.06%
Probation Members (Plan 4)					
	Age 21	6.77%	-	6.82%	-0.05%
	25	6.81%	-	6.86%	-0.05%
	30	6.96%	-	7.00%	-0.04%
Estimated Annual Amount In Thousands		$26,169	-	$27,153	-$984

* The Estimated Annual Amounts for Employee and Employer Contributions include cost sharing through June 30, 2005 weighted for Timing.

** The June 30, 2003 June 30, 2004 and March 16, 2005 rates above do not reflect changes in cost sharing and employer pickup arrangements effective after June 30, 2002. The details regarding cost sharing and employer pickup arrangements are discussed below

*** The change column shows the change between the rates that begin July 1, 2004 and those that begin July I, 2005

Summary of Significant Actuarial Statistics and Measures

Association Membership	6/30/04	6/30/03	Change
Active Members			
Number of Members	5,186	4,937	5.0%
Total Active Payroll in Thousands	$365,385	$323,896	12.8%
Average Monthly Salary	$5,870	$5,467	7.4%
Retired Members			
Number of Members			
Service Retirement	2,706	2,637	2.6%
Disability Retirement	339	329	3.0%
Beneficiaries	494	488	1.2%
Total Retiree Payroll in Thousands	$75,493	$69,451	7.3%
Average Monthly Pension	$1,778	$1,676	6.1%
Inactive Vested Members	877	855	2.6%
Asset Values			
Market Value in Thousands	$1,435,359	$1,233,272	16.4%
Return on Market Value	15.60%	3.07%	
Valuation Assets in Thousands	$1,452,621	$1,353,941	7.3%
Return on valuation Assets	6.20%	-3.69%	
Liability Values			
Actuarial Accrued Liability in Thousands	$1,921,238	$1,781,544	7.8%
Unfunded Actuarial Accrued Liability	$468,707	$427,603	9.6%
Deferred losses for Asset Smoothing Method	$48,785	$154,249	68.4%
Funded Ratio			
GASB Number 25*	75.6%	76.0%	0.5%

*Based on Actuarial value of Assets for June 30, 2004 and June 30, 2003, respectively

Short-Term Solvency Test

Valuation Date	Active Member Contributions	Liability For Inactive Participants	Liability for Active Members (Employer Financed Portion)	Valuation Assets	Portion of Accrued Liability Covered by Valuation Assets		
6/30/95	107,385,000	507,002,000	343,441,000	663,629,000	100%	100%	14%
6/30/96	115,910,000	537,129,000	333,863,000	752,110,000	100%	100%	30%
6/30/97	130,736,000	565,593,000	351,246,000	1,047,575,000	100%	100%	49%
6/30/98	148,753,000	601,473,000	353,844,000	992,314,000	100%	100%	68%
6/30/99	157,826,000	629,653,000	416,489,000	1,104,833,000	100%	100%	76%
6/30/00	158,314,000	689,356,000	444,024,000	1,271,565,000	100%	100%	95%
6/30/01	174,066,000	789,104,000	440,890,000	1,384,586,000	100%	100%	96%
6/30/02	190,450,000	866,985,000	785,082,000	1,416,850,000	100%	100%	46%
6/30/03	202,551,000	858,273,000	915,108,000	1,353,941,000	100%	100%	32%
6/30/04	259,731,000	942,765,000	718,832,000	1,452,621,000	100%	100%	35%

Schedule of Funding Progress (in Thousands)

Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Ratio of Assets to Actuarial Accrued Liability	Annual Active Member Compensation	UALL as a Percentage of Covered Payroll
6/30/95	651,217	945,417	294,200	68.90%	188,822	155.81%
6/30/96	728,369	963,162	234,792	75.60%	187,926	124.94%
6/30/97	856,679	1,037,431	180,752	82.60%	196,391	92.00%
6/30/98	992,314	1,104,070	111,756	89.90%	211,259	52.90%
6/30/99	1,109,417	1,205,554	96,137	92.00%	238,864	40.20%
6/30/00	1,271,565	1,291,694	20,129	98.40%	259,075	7.80%
6/30/01	1,384,586	1,404,060	19,474	98.61%	$274,318	7.10%
6/30/02	1,416,821	1,660,566	243,745	85.30%	301,891	80.7%
6/30/03	1,353,941	1,781,544	427,603	76.00%	323,896	132.0%
6/30/04	1,452,621	1,921,328	468,707	75.60%	365,385	128.3%

History of Employer Contribution Rates

	General Member			Safety Member			Probation Member		
Year	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
1997	8.20%	11.18%	19.38%	18.77%	17.95%	36.72%	20.32%	13.59%	33.91%
1998	9.52%	7.30%	16.82%	18.54%	12.04%	30.58%	21.01%	10.81%	31.82%
1999	9.28%	4.36%	13.64%	17.51%	7.85%	25.36%	19.48%	6.06%	25.54%
2000	9.85%	3.60%	13.45%	17.70%	7.24%	24.94%	19.26%	5.53%	24.79%
2001	9.95%	0.71%	10.66%	17.81%	1.51%	19.32%	17.94%	1.16%	19.10%
2002	9.71%	0.70%	10.41%	17.22%	1.50%	18.72%	16.76%	1.17%	17.93%
2003	11.00%	4.60%	15.60%	21.99%	12.74%	34.73%	23.45%	8.10%	31.55%
2004	9.76%	8.25%	18.01%	15.34%	24.82%	40.16%	16.17%	15.28%	31.45%

Active Member Valuation Data

Valuation Date		Members	Annual Salary	Average Annual Salary	% Change Average Salary
1995	General	3,765	$159,553,533	$42,378	2.07%
	Safety	407	$19,724,536	$48,463	-0.27%
	Probation	213	$9,546,040	$44,817	1.87%
	Total	4,385	$188,824,109	$43,061	1.83%
1996	General	3,665	$158,373,022	$43,212	1.97%
	Safety	400	$20,016,006	$50,040	3.25%
	Probation	206	$9,537,308	$46,298	3.30%
	Total	4,271	$187,926,336	$44,001	2.18%
1997	General	3,808	$166,043,510	$43,604	0.91%
	Safety	402	$20,860,840	$51,893	3.71%
	Probation	208	$9,487,864	$45,615	-1.48%
	Total	4,418	$196,392,214	$44,453	1.03%
1998	General	3,803	$177,079,000	$46,563	6.80%
	Safety	406	$24,404,000	$60,109	15.80%
	Probation	211	$10,046,000	$47,607	4.40%
	Total	4,420	$211,529,000	$47,857	7.70%
1999	General	3.908	$196,936,000	$50,393	8.20%
	Safety	425	$29,862,000	$70,264	16.90%
	Probation	245	$12,067,000	$49,253	3.4%
	Total	4,578	$238,865,000	$52,176	9.0%
2000	General	4,018	$214,625,000	$53,412	6.0%
	Safety	423	$31,180,000	$73,716	4.9%
	Probation	249	$13,270,000	$53,292	8.2%
	Total	4,690	$259,075,000	$55,236	5.9%
2001	General	4,040	$227,848,000	$56,400	5.6%
	Safety	416	$31,611,000	$75,984	3.1%
	Probation	261	$14,859,000	$56,928	6.8%
	Total	4,717	$274,318,000	$58,152	5.3%
2002	General	4,159	$250,344,000	$60,192	6.7%
	Safety	431	$34,405,000	$79,824	5.1%
	Probation	282	$17,142,000	$60,792	6.8%
	Total	4,872	$301.891,000	$61,968	6.6%
2003	General	4,213	$267,150,000	$63,408	5.3%
	Safety	434	$37,973,000	$87,492	9.6%
	Probation	290	$18,773,000	$64,740	6.5%
	Total	4,937	$323,896,00	$65,964	5.9%
2004	General	4,487	$303,786,879	$67,700	6.8%
	Safety	411	$40,796,852	$99,202	13.4%
	Probation	288	$20,800,813	$72,225	11.6%
	Total	5,186	$365,384,544	$70,448	6.8%

Demographic Activity of Retirees and Beneficiaries

	Retiree Membership *						
Year	At Beginning Of Year	Additions	Withdrawals	At End of Year	Total Retiree Payroll	Percent Increase In Payroll	Average Monthly Allowance
6/30/94	2,664	N/A	N/A	2,674	$36,158,000	12.94%	$1,135
6/30/95	2,674	N/A	N/A	2,723	$38,011,000	5.12%	$1,176
6/30/96	2,723	N/A	N/A	2,844	$40,498,000	6.54%	$1,209
6/30/97	2,844	163	107	2,900	$42,338,000	4.54%	$1,255
6/30/98	2,900	149	118	2,931	$46,845,000	10.65%	$1,332
6/30/99	2,931	238	210	2,959	$50,491,000	7.80%	$1,422
6/30/00	2,959	219	76	3,102	$55,192,000	9.31%	$1,483
6/30/01	3,102	233	82	3,253	$62,416,000	13.1%	$1,543
6/30/02	3,253	194	138	3,309	$66,974,000	7.3%	$1,627
6/30/03	3,309	128	115	3,322	$69,451,000	3.7%	$1,676
6/30/04	3,466	193	120	3,539	$75,492,876	8.7%	$1,778

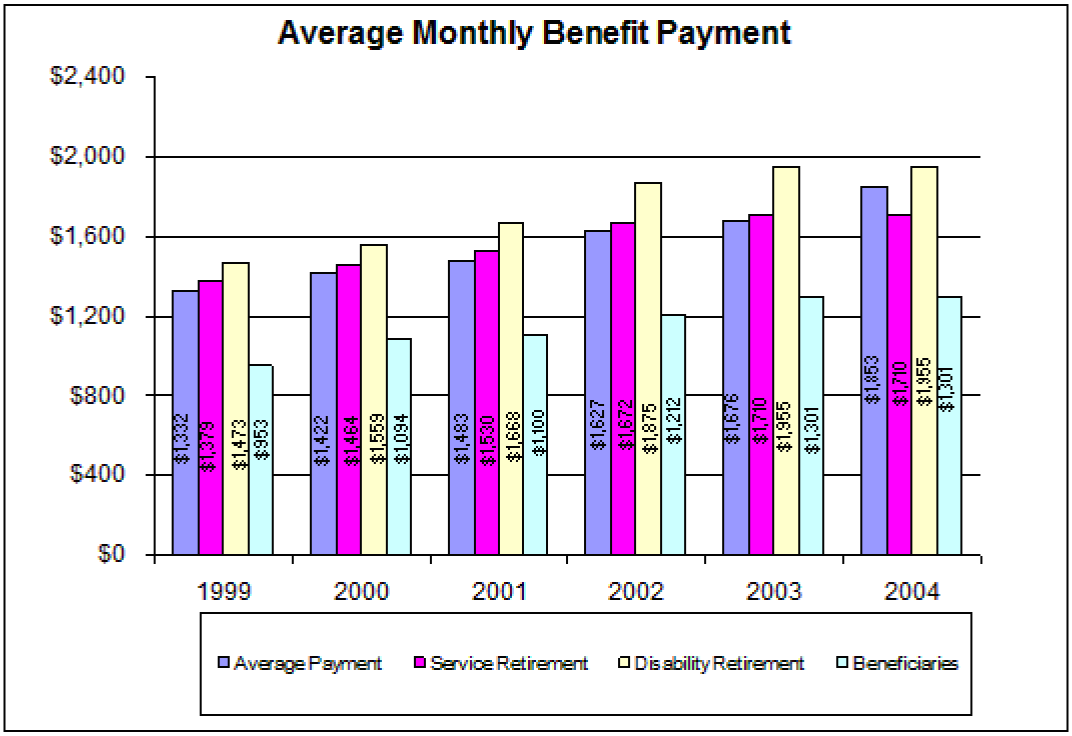
* Prior to 6/30/2004 Retirees/Beneficiaries who are entitled to multiple benefits are only counted once.

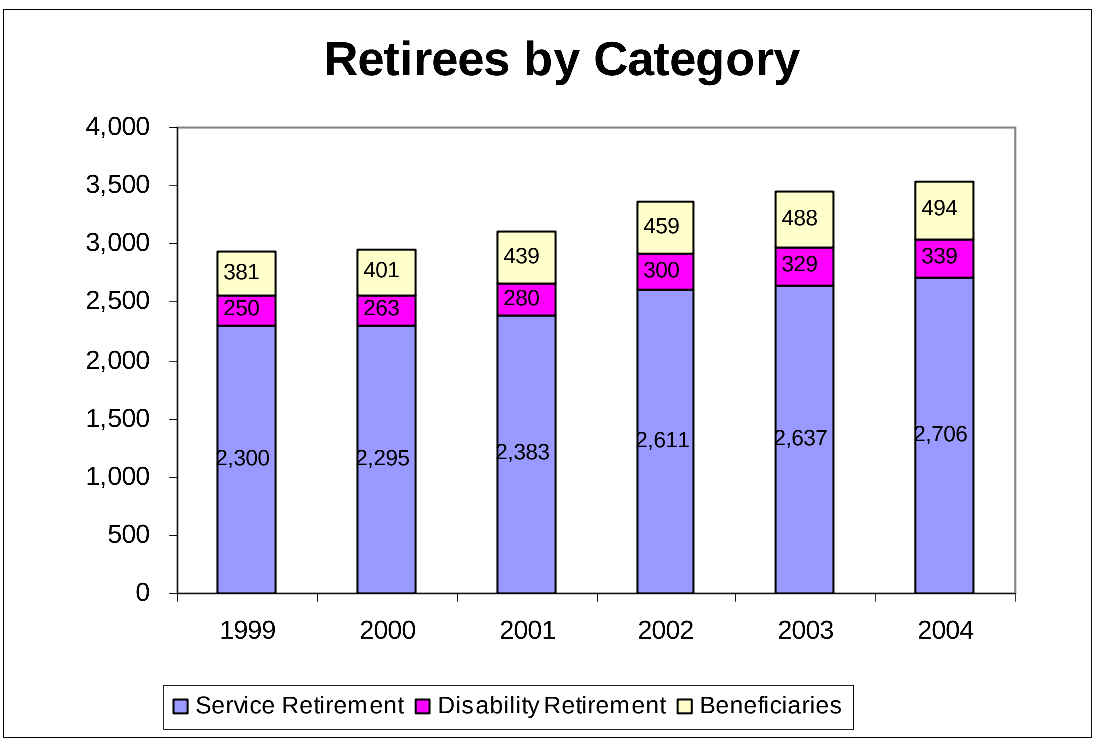
Actuarial Analysis of Financial Experience

Summary of (Gains) / Losses		Change In Liability			
	2004	2003	2002	2001	2000
Unfunded Liability as of July 1	427,603,000	243,745,000	19,474,000	20,129,000	96,137,000
Expected Change in UAAL	(419,000)	20.884,000	(2,125,000)	(700,000)	(3,535,000)
Salary (Gain) / Loss		(4,907,000)	(3,400,000)	8,134,000	7,766,000
Fewer Withdrawal than expected		1,268,000	425,000		
Liability corrections for part timers					
Retiree COLA more / (less) than expected		(13,863,000)	8,499,000	1,502,000	(1,356,000)
Assets (Gain) / Loss	25,062,000	169,944,000	34,881,000	(12,157,000)	(71,409,000)
Higher than expected contributions					
Inclusion of Ventura Non-terminal pay					
Change due to Assumption Changes	(13,989,000)	(7,797,000)	32,979,000		
Change due to Amortization Period					
Change due to Actuarial Asset Corridor			31,919,000		
Reserve to offset Contingent Ventura Liability					
Miscellaneous Experience	30,450,000	(5,138,000)	1,580,000	2,566,000	(7,474,000)
Change Due to New Formula		23,467,000	119,513,000		
Unfunded Liability as of June 30	468,707,000	427,603,000	243,745,000	19,474,000	20,129,000

Probability of Separation Prior to Retirement

Age	Withdrawal		Death		Disability		Service
	Ordinary	Vested	Ordinary	Duty	Ordinary	Duty	Retirement
General Tier 1 Male Members							
20	0.1460	0.0000	0.0002	0.0001	0.0000	0.0000	0.0000
30	0.1170	0.0098	0.0003	0.0001	0.0003	0.0002	0.0000
40	0.0176	0.0166	0.0006	0.0001	0.0010	0.0008	0.0000
50	0.0026	0.0000	0.0026	0.0002	0.0026	0.0013	0.0362
60	0.0000	0.0000	0.0042	0.0004	0.0043	0.0025	0.1570
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tier 1 Female Members							
20	0.1540	0.0000	0.0003	0.0000	0.0000	0.0000	0.0000
30	0.0847	0.0080	0.0003	0.0000	0.0002	0.0002	0.0000
40	0.0096	0.0188	0.0006	0.0000	0.0006	0.0008	0.0000
50	0.0000	0.0079	0.0009	0.0000	0.0030	0.0013	0.0400
60	0.0000	0.0032	0.0036	0.0000	0.0019	0.0065	0.1219
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tiers 2 and 4 Male Members							
20	0.0400	0.0000	0.0002	0.0001	0.0000	0.0000	0.0000
30	0.0400	0.0160	0.0003	0.0001	0.0003	0.0004	0.0000
40	0.0200	0.0380	0.0006	0.0001	0.0012	0.0016	0.0000
50	0.0000	0.0220	0.0022	0.0002	0.0038	0.0036	0.0362
60	0.0000	0.0070	0.0042	0.0004	0.0058	0.0078	0.1570
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tiers 2 and 4 Female Members							
20	0.0400	0.0000	0.0002	0.0000	0.0000	0.0000	0.0000
30	0.0349	0.0188	0.0003	0.0000	0.0003	0.0001	0.0000
40	0.0240	0.0225	0.0005	0.0000	0.0030	0.0020	0.0000
50	0.0000	0.0125	0.0013	0.0000	0.0030	0.0020	0.0000
60	0.0000	0.0000	0.0036	0.0000	0.0036	0.0056	0.1219
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tier 3 Male Members							
20	0.0000	0.0000	0.0003	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0100	0.0003	0.0001	0.0002	0.0000	0.0000
40	0.0000	0.0210	0.0006	0.0001	0.0006	0.0001	0.0000
50	0.0000	0.0245	0.0022	0.0002	0.0016	0.0002	0.0000
60	0.0000	0.0070	0.0042	0.0004	0.0038	0.0009	0.1200
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
General Tier 3 Female Members							
20	0.000	0.0000	0.0003	0.0000	0.0000	0.0000	0.0000
30	0.0000	0.0400	0.0003	0.0000	0.0001	0.0000	0.0000
40	0.0518	0.0300	0.0006	0.0000	0.0002	0.0001	0.0000
50	0.0157	0.0130	0.0013	0.0000	0.0010	0.0003	0.0000
60	0.0200	0.0050	0.0042	0.0000	0.0028	0.0008	0.0317
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
Safety and Probation Members							
20	0.0078	0.0500	0.0002	0.0005	0.0000	0.0008	0.0000
30	0.0078	0.0400	0.0003	0.0005	0.0003	0.0011	0.0000
40	0.0076	0.0150	0.0004	0.0006	0.0009	0.0047	0.0000
50	0.0000	0.0075	0.0009	0.0007	0.0012	0.0125	0.0330
60	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000
70	0.0000	0.0000	0.0000	0.0000	0.0000	0.0000	1.0000


Average Monthly Benefit Payment
$2,400
$2,000
$1,600
$1,200
$800
$400
$0
$1,332
$1,379
$1,473
$953
$1,422
$1,464
$1,559
$1,094
$1,483
$1,530
$1,668
$1,100
$1,627
$1,672
$1,875
$1,212
$1,676
$1,710
$1,955
$1,301
$1,853
$1,710
$1,955
$1,301
1999
2000
2001
2002
2003
2004
Average Payment
Service Retirement
Disability Retirement
Beneficiaries


Retirees by Category
4,000
3,500
3,000
2,500
2,000
1,500
1,000
500
0
381
250
2,300
401
263
2,295
439
280
2,383
459
300
2,611
488
329
2,637
494
339
2,706
1999
2000
2001
2002
2003
2004
Service Retirement
Disability Retirement
Beneficiaries

STATISTICAL SECTION

Schedule of Employer Contributions
(In Thousands Of Dollars)

Year End	Actuarially Required Contributions (ARC)	Contributions Made As A % of ARC
6/30/1999	$41,289	100%
6/30/2000	$38,695	100%
6/30/2001	$39,482	100%
6/30/2002	$33,541	100%
6/30/2003	$36,070	100%
6/30/2004	$60,042	100%

Schedule of Revenue by Source
(In thousands of Dollars)

Year End	Employee Contribution	Employer Contribution	Investment Income	Total Contributions
6/30/1999	$12,586	$41,289	$83,550	$137,425
6/30/2000	$14,383	$38,695	$123,203	$176,282
6/30/2001	$15,287	$39,482	<$65,750>	<$10,981>
6/30/2002	$16,627	$33,541	<$82,410>	<$32,242>
6/30/2003	$22,650	$36,070	$39,150	$97,870
6/30/2004	$27,094	$60,042	$197,266	$284,402

Schedule of Expenses by Type
(In thousands of Dollars)

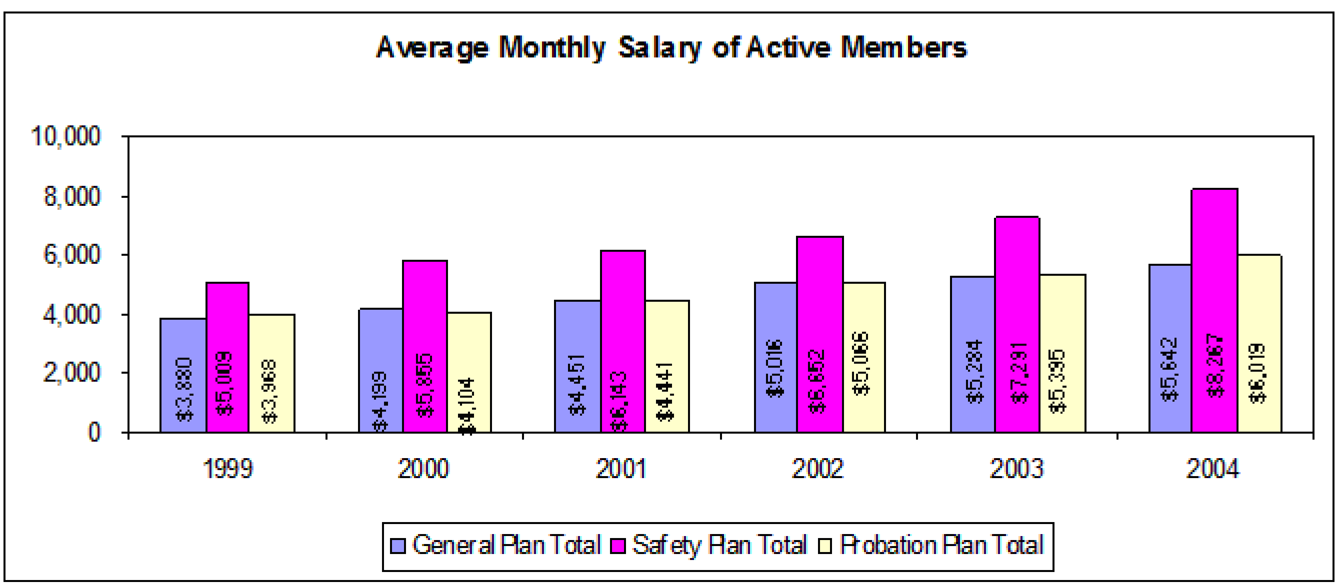
Year End	Administrative Expenses	Retirement Benefits Paid	Refunds	Total
6/30/1999	$1,070	$49,492	$1,640	$52,202
6/30/2000	$1,221	$53,090	$1,896	$56,207
6/30/2001	$1,491	$58,807	$1,846	$62,144
6/30/2002	$1,509	$65,186	$1,551	$68,246
6/30/2003	$1,887	$68,989	$1,206	$72,082
6/30/2004	$1,912	$74,016	$1,734	$77,662

Summary of Retired and Inactive Member Benefits

Retired Members	2004	2003	2002	2001	2000	1999
Service Retirement						
Number	2,706	2,637	2,638	2,383	2,295	2,300
Annual Allowance						
Basic Only	$41,723,000	$36,929,000	$36,260,000	$30,059,000	$27,966,000	$26,159,000
Cola	$17,502,000	$17,185,000	$16,668,000	$13,692,000	$12,343,000	$11,910,000
Total	$59,225,000	$54,114,000	$52,928,000	$43,751,000	$40,309,000	$38,069,000
Average Monthly Payment	$1,824	$1,710	$1,672	$1,530	$1,464	$1,379
Disability Retirement						
Number	339	329	316	280	263	250
Annual Allowance						
Basic Only	$6,164,000	$5,588,000	$5,061,000	$4,014,000	$3,517,000	$3,115,000
Cola	$2,172,000	$2,130,000	$2,049,000	$1,591,000	$1,402,000	$1,303,000
Total	$8,336,000	$7,718,000	$7,110,000	$5,605,000	$4,919,000	$4,418,000
Average Monthly Payment	$2,049	$1,955	$1,875	$1,668	$1,559	$1,473
Beneficiaries						
Number	494	488	477	439	401	381
Annual Allowance						
Basic Only	$4,250,000	$4,065,000	$3,548,000	$2,950,000	$2,819,000	$2,154,000
Cola	$3,682,000	$3,554,000	$3,388,000	$2,886,000	$2,444,000	$2,204,000
Total	$7,932,000	$7,619,000	$6,936,000	$5,836,000	$5,263,000	$4,358,000
Average Monthly Payment	$1,338	$1,301	$1,212	$1,108	$1,094	$953
Total Retired Members						
Number	3,539	3,454	3,431	3,102	2,979	N/A
Annual Allowance						
Basic Only	$52,137,000	$46,582,000	$44,869,000	$37,023,000	$34,302,000	$31,428,000
Cola	$23,356,000	$22,869,000	$22,105,000	$18,169,000	$16,189,000	$15,417,000
Total	$75,493,000	$69,451,000	$66,974,000	$55,192,000	$50,491,000	$46,845,000
Average Monthly Payment	$1,778	$1,676	$1,627	$1,483	$1,422	$1,332
Inactive Members	877	855	833	646	613	522

Schedule of Average Monthly Salary of Active Members *
(By Plan and Membership Type)

	2004	2003	2002	2001	2000	1999
General Plan 1	$6,514	$6,070	$5,806	$5,143	$4,910	$4,451
General Plan 2	$5,980	$5,573	$5,311	$4,636	$4,301	$3,894
General Plan 3	$5,101	$4,747	$4,737	$4,197	$3,820	$3,522
General Plan 4	$5,281	$4,886	$4,545	$3,831	$3,483	$3,151
General Plan Total	$5,642	$5,284	$5,016	$4,451	$4,199	$3,880
Safety Plan 1	$9,516	$8,500	$7,820	$6,955	$6,400	$5,562
Safety Plan 2	$8,530	$7,518	$6,853	$6,102	$5,883	$4,906
Safety Plan 4	$7,582	$6,465	$5,789	$5,271	$4,957	$3,900
Safety Plan Total	$8,267	$7,291	$6,652	$6,143	$5,855	$5,009
Probation Plan 1	$6,856	$6,548	$6,253	$5,460	$5,100	$4,634
Probation Plan 2	$6,291	$5,800	$5,542	$4,654	$4,240	$3,941
Probation Plan 4	$5,711	$4,924	$4,502	$3,660	$3,119	$3,010
Probation Plan Total	$6,019	$5,395	$5,066	$4,441	$4,104	$3,968
Total	$5,871	$5,467	$5,164	$4,603	$4,348	$3,988



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or the U.S. Mail at
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The Following Items Are Also Available Through
The San Mateo County Employees' Retirement Association's Web Site
www.samcera.org

To: *SamCERA* Date:

Please send me:

- ❑ *SamCERA's June 30, 2004 Comprehensive Annual Financial Report*
- ❑ *SamCERA's Sources, Uses and Budget report for Fiscal Year 2004-2005*
- ❑ *SamCERA's Dissolution of Marriage Guidelines*
- ❑ Change of Beneficiary Form
- ❑ Direct Deposit Application
- ❑ Notice of Public Meetings of *SamCERA*'s Board of Retirement
- ❑ Minutes of Public Meetings of *SamCERA*'s Board of Retirement

From:

Name:____________________________Title:__________________

Department or Other Employer:______________________________

Pony Address, if applicable:________Date of Retirement, if applicable:________

Mailing Address:____