

# POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED 6/30/2006

San Mateo County  
Employees' Retirement Association



## How do we know this report is "Popular"?

The "Popular Annual Financial Report" is a title developed by the Government Finance Officers Association (GFOA) to describe reports that summarize **Comprehensive Annual Financial Reports (CAFRs)**. We don't know why GFOA used "Popular" in the title, but maybe it was because CAFRs are considered pretty boring by most. So for those who just want to know how financially sound their government institution is, GFOA created the PAFR.

All this is not to say that *SamCERA* is not proud of its CAFRs. For the last nine years, *SamCERA* has been awarded GFOA's Certificate of Achievement for Excellence in Financial Reporting. These awards came because *SamCERA's* CAFRs met "the highest standards in government accounting and financial reporting."

And since we are on the subject, *SamCERA's* Popular Annual Financial Reports have also been honored. Since 2003 they have received GFOA's highest award for "outstanding achievement in Popular Annual Financial Reporting."

But are the reports truly popular? Well, this report may not read like a best-selling novel, but as long as *SamCERA* strives to manage members' funds to the highest financial standards, that at least should be a popular goal.

## Report Summary:

### **Investments perform well; funding on track**

For the fiscal year ending June 30, 2006, *SamCERA's* net assets increased by \$191 million, or 12%, primarily as a result of investment returns. Revenue for the year was \$283 million, which includes member and employer contributions of \$116 million and investment gains of \$167 million. Expenses increased \$5 million to \$92 million. The increase was mostly due to increased benefits paid.

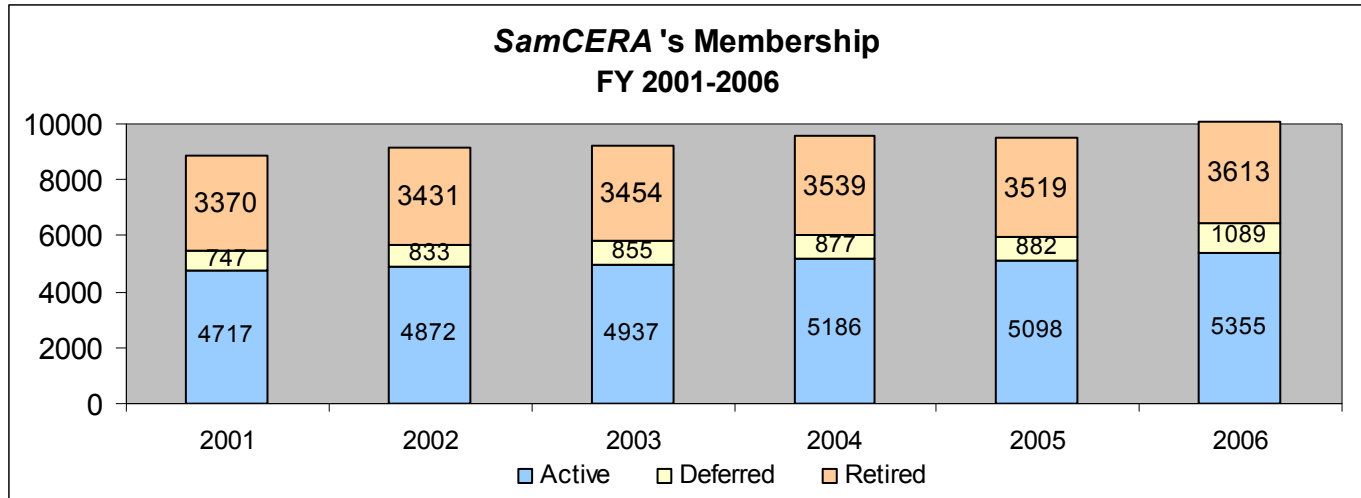
*SamCERA's* funded ratio, the value of its actuarial assets versus the present value of its actuarial liabilities, was 75.4% at the end of the fiscal year. The funded ratio is below 100% mainly due to poor U.S. stock market performance in the early part of this decade, and increases in the cost of benefits (new formulas). *SamCERA* is on track to reach a 100% funding ratio within 15 years.

Summary of Net Assets	06-30-2006	06-30-2005	Change in \$s
Investments at Fair Value	\$1,799,045,503	\$1,579,525,190	\$219,520,313
Other Assets	\$93,487,581	\$117,948,719	-\$24,461,138
<b>Total Assets</b>	<b>\$1,892,533,084</b>	<b>\$1,697,473,909</b>	<b>\$195,059,175</b>
Total Liabilities	\$102,635,267	\$98,204,208	\$4,431,059
<b>Net Assets</b>	<b>\$1,789,897,817</b>	<b>\$1,599,269,701</b>	<b>\$190,628,116</b>

Change in Net Assets	06-30-2006	06-30-2005	Change in \$s
Employer Contribution	\$76,089,599	\$76,930,928	-\$841,329
Employee Contribution	\$39,962,616	\$33,647,561	\$6,315,055
Net Investment Gain	\$166,825,865	\$140,131,203	\$26,694,662
Other Revenue	\$49,038	\$79,472	-\$30,434
<b>Total Additions</b>	<b>\$282,927,118</b>	<b>\$250,789,164</b>	<b>\$32,137,953</b>
Retiree Benefit	\$87,914,564	\$83,182,487	\$4,732,077
Member Refund	\$2,257,849	\$1,458,257	\$799,592
Admin Expense	\$2,085,970	\$2,234,610	-\$148,640
Other Expense	\$40,620	\$3,533	\$37,087
<b>Total Disbursement</b>	<b>\$92,299,003</b>	<b>\$86,878,887</b>	<b>\$5,420,115</b>
<b>Net Addition</b>	<b>\$190,628,115</b>	<b>\$163,910,278</b>	<b>\$26,717,837</b>

## Membership moves past 10,000

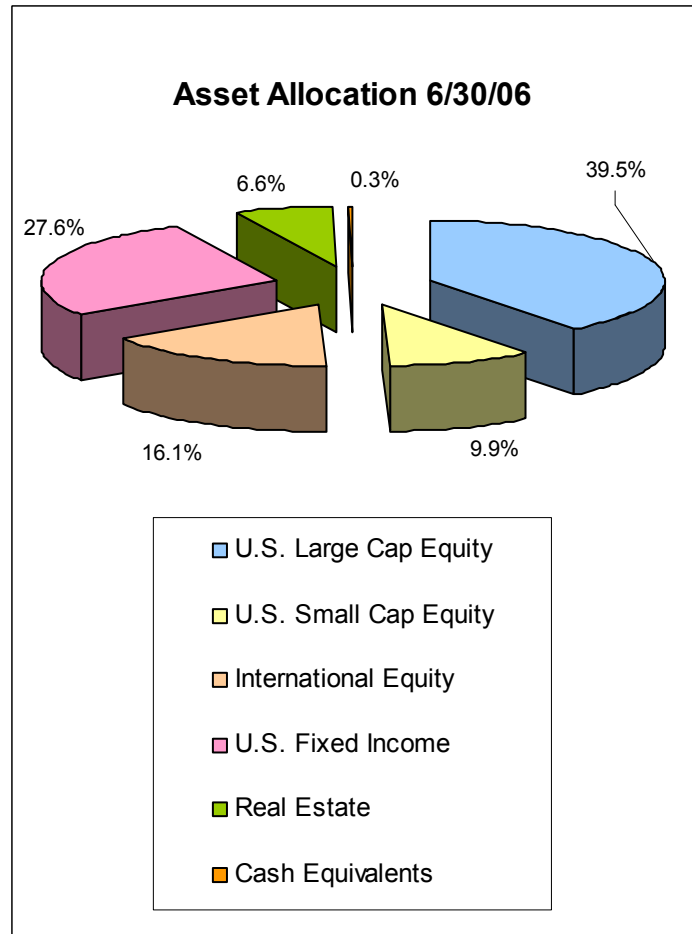
SamCERA's members include all permanent employees of the County of San Mateo and the San Mateo County Mosquito Abatement District. As of June 30, 2006, SamCERA had 10,057 members which included 5,355 active, 1,089 deferred and 3,613 retired members. The numbers reflect increases of 257 active, 207 deferred and 94 retired members. More than 85% of SamCERA's members are classified as General members. The remainder are law enforcement employees classified as either Safety or Probation Safety members.



## Asset Allocation Unchanged

In FY 2005-2006, the Board of Retirement stayed with the asset allocation it reaffirmed during the 2004-2005 fiscal year at 65% equities, 29% fixed income, and 6% real estate. For the second year in a row the allocation returned over 10%. (10.66% for FY 05-06.)

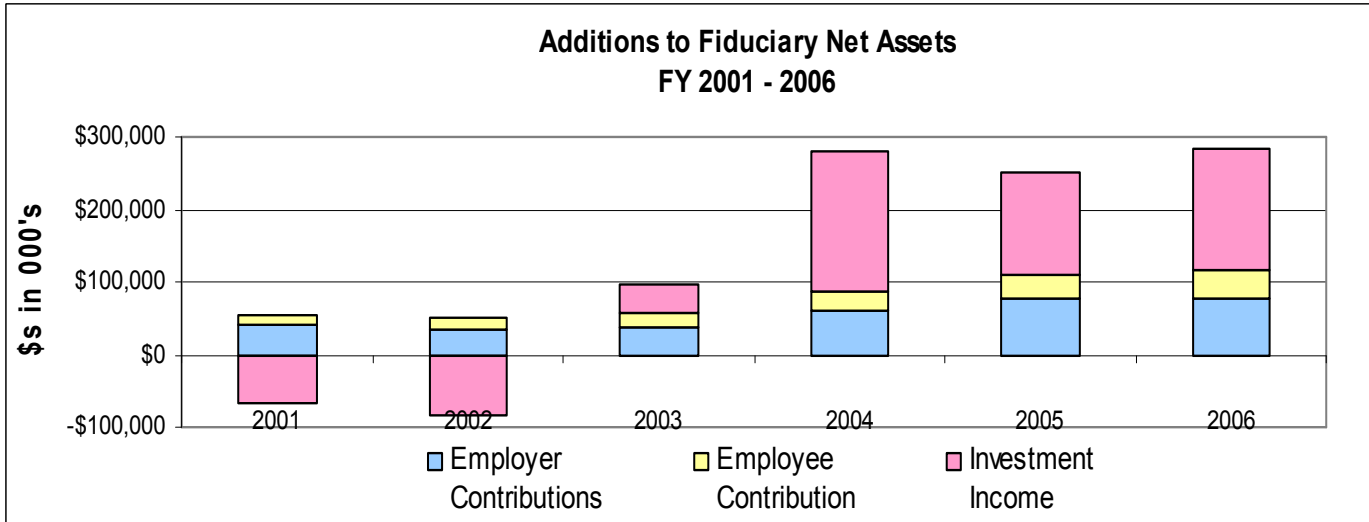
An asset/liability study is now underway which may recommend changes to the asset allocation based on updated market assumptions. Significant changes are not expected. If changes occur they could take place in the 2006-2007 fiscal year.



Investment Asset Class	Market Value 6/30/06 \$s in 000's	1 Yr Return	3 Yr Return
Large Cap US Equity	\$706,673	10.53%	13.07%
Small Cap US Equity	\$177,598	11.74%	17.87%
International Equity	\$288,563	27.76%	22.40%
U.S. Fixed Income	\$493,937	-0.10%	2.69%
Real Estate	\$117,548	24.08%	18.42%
Cash	\$5,074	3.71%	3.01%
<b>Total</b>	<b>\$1,789,393</b>	<b>10.66%</b>	<b>12.10%</b>

## Investments up more than 10 percent

SamCERA's portfolio outperformed its benchmark in FY 2005-2006 and returned 10.66%. The investment program added \$167 million to net assets. Employer contributions were \$76 million, down \$0.8 million or 1% from the prior year due to a slight reduction in average contribution rates. Member contributions were \$40 million, up \$6 million from FY 2004-2005. The largest contributor to the increase was the full implementation of negotiated increases in member cost sharing. A total of \$283 million was added to SamCERA's net assets.

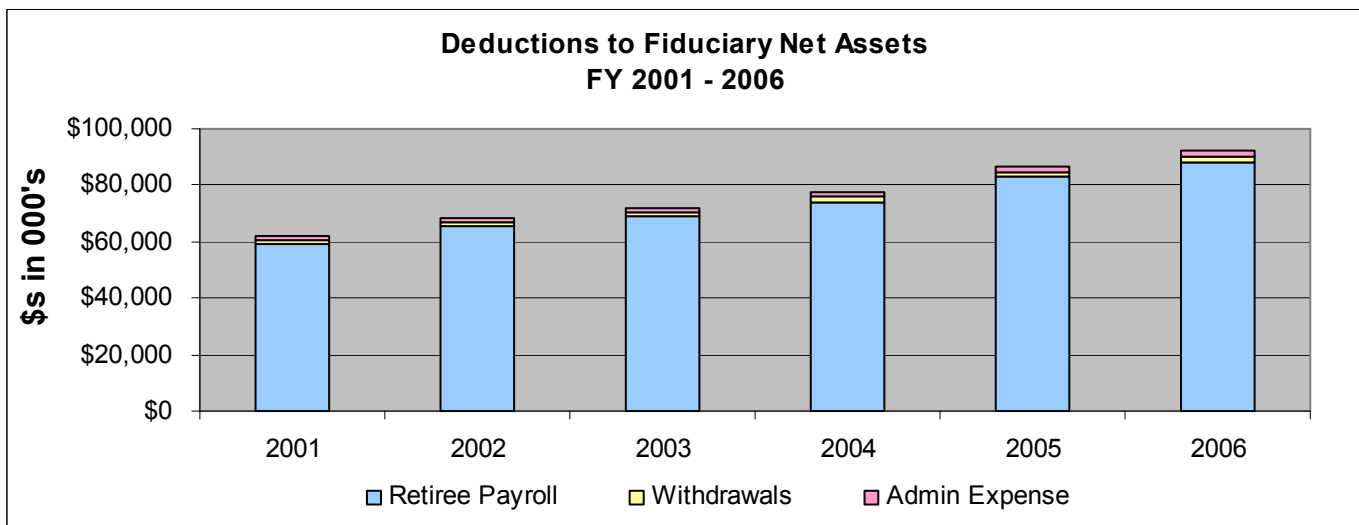


## Deductions to Fiduciary Net Assets Increase

Deductions increased \$5 million to \$93 million in FY 2005-2006. Most of this increase was due to an increase in retiree benefits paid. Member refunds increased 55% to \$2.3 million due to a higher number of vested members requesting withdrawals. Administrative expenses decreased by 7% to \$2.1 mil-

*The average monthly pension increased 10% to \$2,099. The average retiree age is 71.2 years.*

lion, mainly attributable to savings from vacant positions and the delay of planned information technology projects. Total administrative expense was at 0.12% of total assets, well below the limit of 0.18% in the County Employees Retirement Law of 1937.



## **SamCERA**

San Mateo County Employees'  
Retirement Association

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**We're on the web!**

[www.samcera.org](http://www.samcera.org)

**Copies of the Comprehensive  
Annual Financial Report and this  
report are available on the  
SamCERA website, or you may call  
650-599-1234 for a copy.**

## **SamCERA's Mission**

*SamCERA* exists to serve as loyal fiduciary for our members, retirees and beneficiaries; and 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.



## **Board of Retirement Members**

Tom E. Bryan, Chair  
Emily Tashman, Vice Chair  
Bette Perroton Stuart, Secretary  
Lee Buffington, County Treasurer  
Donna Wills Colson  
Paul Hackleman  
James Hooley  
Ken Lewis  
David Wozniak

### **Alternates**

Sandra Arnott, Deputy Treasurer  
Alma Salas, Safety Alternate  
John Murphy, Retired Member Alternate

### **Staff**

David Bailey, Chief Executive Officer  
Scott Hood, Assistant Executive Officer  
Gary Clifton, Investment & Finance Manager  
Tariq Ali, Information Technology Manager  
Mabel Wong, Management Analyst  
Gladys Smith, Retirement Benefits Manager  
Janell LeBlanc, Retirement Analyst  
Elizabeth LeNguyen, Retirement Analyst  
Celedonia Amacker, Retirement Analyst  
Lilibeth Dames, Retirement Investment Analyst  
Chezelle Milan, Senior Accountant  
Mel Cruz, Retirement Analyst—Controller  
Christine Holmlund, Office Specialist



## **Looking Ahead**

**Investments:** *SamCERA will work with consultant Strategic Investment Services to complete an asset/liability study in early 2007. The study will help SamCERA review its current mix of domestic and international stocks, bonds, and real estate and suggest where adjustments may be prudent.*

**Technology:** *SamCERA is working with a consultant to develop a Comprehensive Information Technology Plan. SamCERA relies on its information processing systems for benefits processing, financial accounting and other administrative functions. In 2007 the association will begin to implement the new plan.*

**Staffing:** *To meet the needs of the increased numbers of retiring members, SamCERA added three staff positions during the last few months. An Investment Analyst, a Retirement Analyst and an Information Technology Analyst will help the association address its increased workload due to the retirement of baby boomers.*