

# Popular Annual Financial Report

For the Fiscal Year ended 6/30/2007

San Mateo County  
Employees' Retirement Association

**SamCERA** 

## Introduction

This Popular Annual Financial Report (PAFR) summarizes the financial position of the San Mateo County Employees' Retirement Association (*SamCERA*) for the fiscal year ending June 30, 2007. The information in the PAFR was taken from *SamCERA's* Comprehensive Annual Financial Report. The goal of the PAFR is to provide an easily readable summary that allows members and others to quickly assess the financial status of the retirement system.

## Financial Reporting Standards Achieved

For the tenth consecutive year, the Government Finance Officers Association (GFOA) has awarded *SamCERA* its Certificate of Achievement for Excellence in Financial Reporting. This award was in recognition of the *SamCERA* Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2006.



The association continues to maintain the highest financial reporting standards while providing quality services to its members.

## SamCERA is fiscally sound

*SamCERA* earned a 16.58% return on investments for the fiscal year 2006-2007 and passed the \$2 billion mark in total net assets. *SamCERA's* net assets increased by \$342 million during the year, primarily due to investment returns. Revenue for the year was \$441 million, which included member and employer contributions of \$143 million and investment gains of \$298 million. Expenses increased \$7.5 million to \$99.8 million. The increase was mostly due to increased retirement benefits paid.

*SamCERA's* funded ratio, the present value of its assets versus its liabilities, was 77.4% at the end of the fiscal year, improved from 75.4% the prior year. The funded ratio is a measure of funding progress and a ratio of 100% is considered ideal. *SamCERA's* 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 benefit formulas).

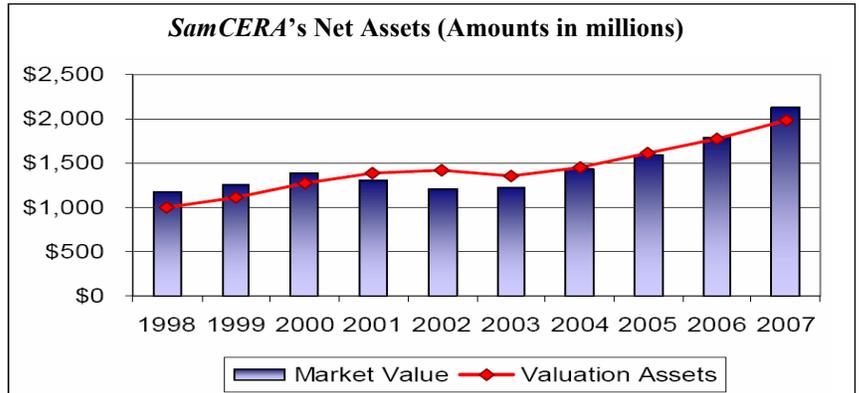
*SamCERA* is fiscally sound and contributions (the seed money for investments) are reliable. Its investments are positioned to participate in the growth of the domestic and world economies while being fully diversified to minimize the impacts of economic downturns. Funding contributions from members, the County of San Mateo and the Mosquito Abatement District are fully and consistently paid. *SamCERA* is well positioned to continue to improve its financial position and meet its benefit obligations.

Condensed Statement Summary of Net Assets			Dollar Change	Percent Change
	6/30/2007	6/30/2006		
Investments at Fair Value	\$2,145,217,557	\$1,799,045,503	\$346,172,054	19%
Other Assets	\$127,435,515	\$93,487,581	\$33,947,934	36%
<b>Total Assets</b>	<b>\$2,272,653,072</b>	<b>\$1,892,533,084</b>	<b>\$380,119,988</b>	<b>20%</b>
Total Liabilities	\$141,038,442	\$102,635,267	\$38,403,175	37%
<b>Net Assets</b>	<b>\$2,131,614,630</b>	<b>\$1,789,897,817</b>	<b>\$341,716,813</b>	<b>19%</b>

Condensed Statement Change in Net Assets			Dollar Change	Percent Change
	6/30/2007	6/30/2006		
Employer Contribution	\$100,549,570	\$76,089,599	\$24,459,971	32%
Employee Contribution	\$42,696,034	\$39,962,616	\$2,733,418	7%
Net Investment Gain	\$298,259,822	\$166,825,865	\$131,433,957	79%
Other Revenue	\$26,560	\$49,038	-\$22,478	-46%
<b>Total Additions</b>	<b>\$441,531,986</b>	<b>\$282,927,118</b>	<b>\$158,604,868</b>	<b>56%</b>
Retiree Benefit	\$94,788,302	\$87,914,564	\$6,873,738	8%
Member Refund	\$2,243,677	\$2,257,849	-\$14,172	-1%
Admin Expense	\$2,582,026	\$2,085,970	\$496,056	24%
Other Expense	\$201,168	\$40,620	\$160,548	395%
<b>Total Disbursement</b>	<b>\$99,815,173</b>	<b>\$92,299,003</b>	<b>\$7,516,170</b>	<b>8%</b>
<b>Net Additions</b>	<b>\$341,716,813</b>	<b>\$190,628,115</b>	<b>\$151,088,698</b>	<b>79%</b>

## Investment returns top 16 percent

SamCERA's portfolio enjoyed strong growth for the fiscal year and performance was comfortably higher than the actuarial assumption of 7.75%. SamCERA's portfolio returned 16.58% and added \$298 million to net assets. Employer contributions were \$100.5 million, a 32% increase from the prior year mostly due to higher contribution rates and a higher payroll base. Member contributions were \$42.7 million, up \$2.7 million or 7% from FY 2005-2006. A total of \$342 million was added to SamCERA's net assets.



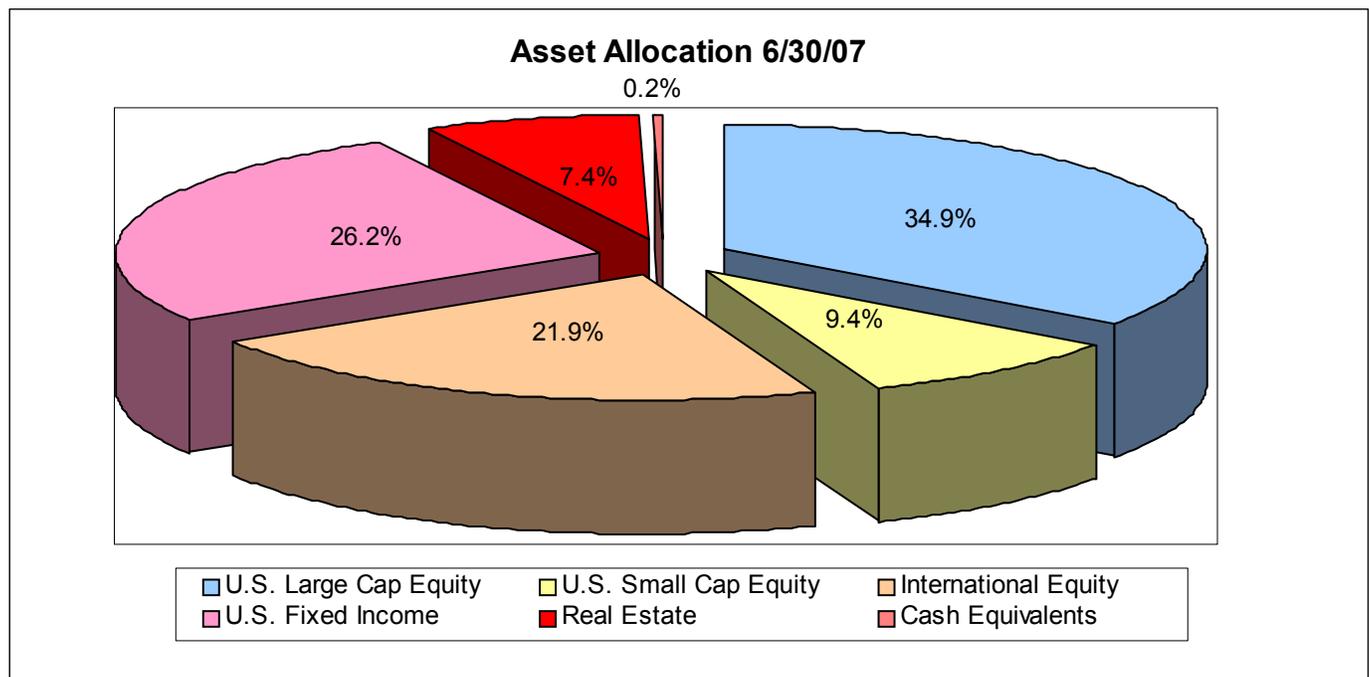
## Asset Allocation Adjusted

In 2007 the Board of Retirement completed a full asset liability study to re-examine its strategic allocation targets. As a result, the plan increased its international equity allocation from 15% to 21%, decreased its U.S. equity allocation from 50% to 46%, and decreased total fixed income from 29% to 27%. The real estate allocation was unchanged at 6%.

The board also undertook a study to re-evaluate its manager structure in domestic and international equity and fixed income. In U.S. equity, the board expanded the use of active management. The above changes strengthen SamCERA's position in the global economy.

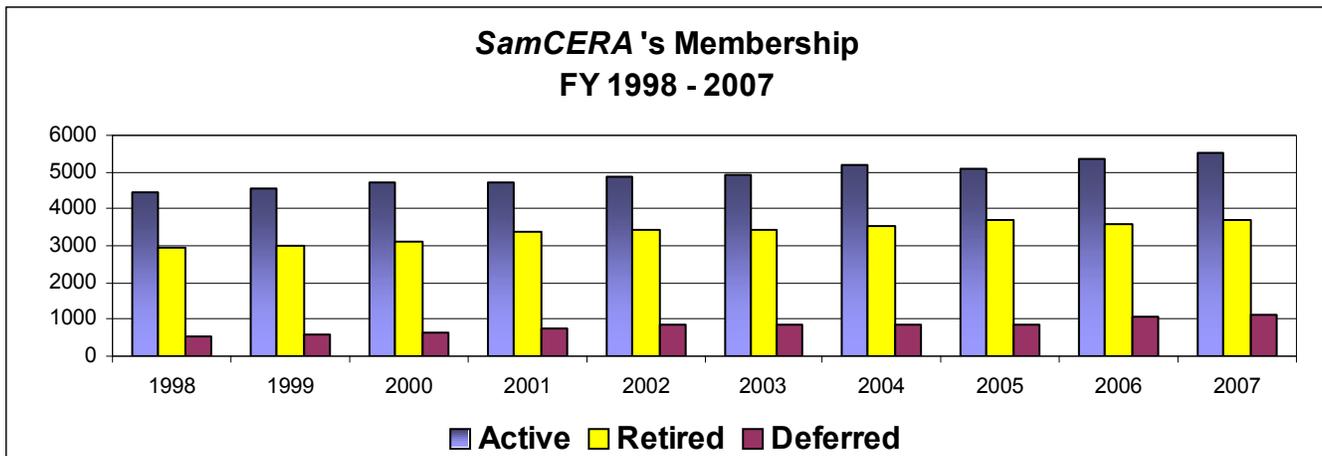
## Investment at Fair Market Value (Amounts in 000s)

Investment Asset Class	Market Value 6/30/2007	1 Yr Return	3 Yr Return	5 Yr Return
Large Cap U.S. Equity	\$742,382	18.61%	12.79%	11.61%
Small Cap U.S. Equity	\$201,827	13.64%	11.70%	12.80%
International Equity	\$465,887	32.49%	24.77%	17.22%
U.S. Fixed Income	\$556,655	6.32%	4.52%	4.94%
Real Estate	\$156,610	14.36%	20.48%	16.92%
Cash	\$4,689	4.38%	3.70%	3.15%
<b>Total</b>	<b>\$2,128,050</b>	<b>16.58%</b>	<b>12.42%</b>	<b>11.26%</b>



## Steady Growth in Membership

SamCERA's members include all permanent employees and retirees of the County of San Mateo and the San Mateo County Mosquito Abatement District. There has been continued growth of membership in the past ten years. As of June 30, 2007, there was a total of 10,384 members, which included 5,539 active, 1,151 deferred, and 3,694 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. The average age of an active member was 44.5 years with 9.3 years of service credit.

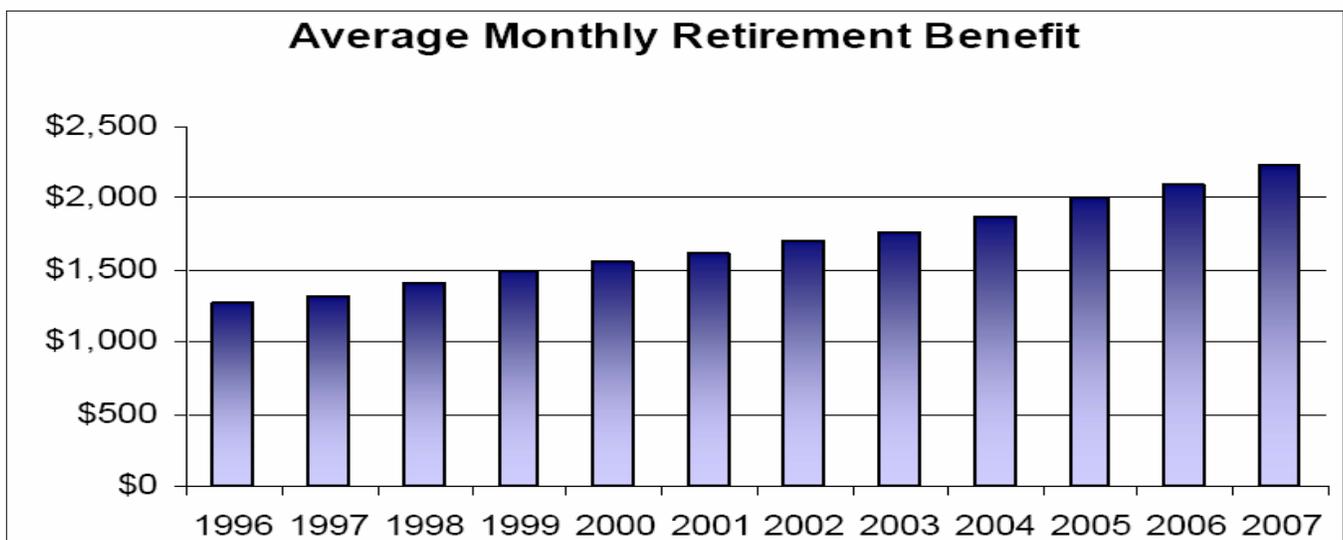


## Deductions to Fiduciary Net Assets Increased

Deductions increased \$7.5 million to almost \$100 million in FY 2006-2007. Most of this increase was due to an increase in retiree benefits paid. Member refunds stayed level at \$2.2 million. Administrative expenses increased from \$2.1 million to \$2.6 million. Other expenses, including

*The average monthly pension increased 6% to \$2,229. The average retiree age remained at 71.2 years.*

one-time charges, totaled \$202,000. Total administrative expense remained at 0.12% of total assets, well below the limit of 0.18% allowed in the County Employees Retirement Law of 1937.



## SamCERA

San Mateo County Employees'  
Retirement Association

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Visit us 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 its members, retirees and beneficiaries; and as prudent administrator of the retirement system.

## SamCERA's Goals

Provide caring, fair, accurate, timely and knowledgeable professional service to SamCERA's clients and the public.

Prudently manage the assets and appropriately fund the actuarial liabilities of the retirement system to minimize the costs to its employers, while assuring the ability to pay all earned benefits.

Constantly improve the effectiveness of SamCERA's services and the efficiency of its 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  
Scott Lee  
David Wozniak

### Alternates

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



## 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  
Sue Thompson, Retirement Analyst  
Lilibeth Dames, Retirement Investment Analyst  
Chezelle Milan, Senior Accountant  
Mel Cruz, Retirement Analyst—Controller

## Retirees by Category

