**Popular Annual Financial Report**

For the Fiscal Year ended 6/30/2007

**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.

**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.

**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.

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**Condensed Statement Summary of Net Assets**

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

**Condensed Statement Change in Net Assets**

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

![Graph of SamCERA's Membership FY 1998 - 2007](image)

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 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.

![Graph of Average Monthly Retirement Benefit](image)

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

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**SamCERA**  
San Mateo County Employees’ Retirement Association  
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100 Marine Parkway, Suite 125  
Redwood Shores, CA  94065  
Phone: 650-599-1234 / 800-339-0761  
Fax: 650-591-1488

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**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.

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**Board of Retirement Members**  
Tom E. Bryan, Chair  
Emily Tashman, Vice Chair  
Bette Perrotto 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

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**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

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**Retirees by Category**

![Retirees by Category Chart](chart.png)

- **Service Retirement**
- **Disability Retirement**
- **Beneficiaries**