

Summary Annual Financial Report

For the Fiscal Year ended 6/30/2008

San Mateo County
Employees' Retirement Association

SamCERA



Introduction

The information in this report was taken from *SamCERA's* Comprehensive Annual Financial Report. The goal of the Summary Report is to provide an easy to read format that allows members and others to quickly assess the financial status of the retirement system.

Financial Reporting Standards Achieved

For the 11th 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, 2007.

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



The Economy, SamCERA and You

by David Bailey, Chief Executive Officer

How has SamCERA fared during the economic crisis?

The numbers in this report cover the last fiscal year ending June 30, 2008, during which *SamCERA's* assets lost about 7.64% of their value. However, during the first few months of the current fiscal year, losses have been even greater. Like the rest of the U.S. pension fund community, *SamCERA* assets, at the time of this publication, are substantially below their target funding level.

Should I be concerned for my benefits or my member account?

No. Both your *SamCERA* benefits and your *SamCERA* account balance are protected against any declines due to the economic crisis. *SamCERA* benefit amounts are not based on investment earnings.

Your benefits are guaranteed by the county of San Mateo. They do not fluctuate with the earnings or losses in the stock market or the strength or weakness of the economy. At retirement, your benefit will be calculated based on a formula that uses your **years of service** as a member of the system, your **final average compensation**, and your **age**. (Go to samcera.org to estimate your benefit at various years of service, final average compensation and ages.)

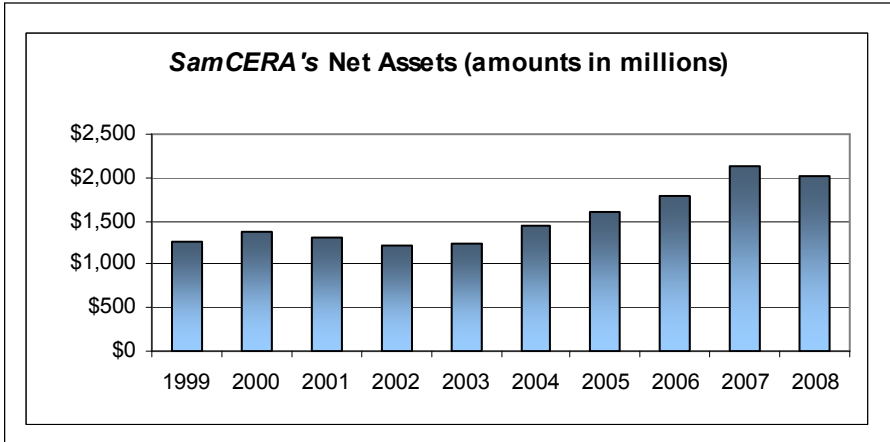
(Continued on page 4)

Condensed Statement Summary of Net Assets	6/30/2008	6/30/2007	Dollar Change	Percent Change
Investments at Fair Value	\$1,992,209,133	\$2,145,217,557	(\$153,008,424)	-7%
Other Assets	\$413,641,515	\$127,435,515	\$286,206,000	225%
Total Assets	\$2,405,850,648	\$2,272,653,072	\$133,197,576	6%
Total Liabilities	\$395,111,880	\$141,038,442	\$254,073,438	180%
Net Assets	\$2,010,738,768	\$2,131,614,630	(\$120,875,862)	-6%

Condensed Statement Change in Net Assets	6/30/2008	6/30/2007	Dollar Change	Percent Change
Employer Contribution	\$105,339,570	\$100,549,570	\$4,790,000	5%
Employee Contribution	\$60,111,183	\$42,696,034	\$17,415,149	41%
Net Investment Gain	(\$176,224,097)	\$298,259,822	(\$474,483,919)	-159%
Other Revenue	\$181,048	\$26,560	\$154,488	582%
Total Additions	(\$10,592,296)	\$441,531,986	(\$452,124,282)	-102%
Retiree Benefit	\$103,970,063	\$94,788,302	\$9,181,761	10%
Member Refund	\$3,074,453	\$2,243,677	\$830,776	37%
Admin Expense	\$3,231,136	\$2,582,026	\$649,110	25%
Other Expense	\$7,914	\$201,168	(\$193,254)	-96%
Total Disbursement	\$110,283,566	\$99,815,173	\$10,468,393	10%
Net Additions	(\$120,875,862)	\$341,716,813	(\$462,592,675)	-135%

Economic downturn, investments dropped 7.6 percent in FY 2008

The last fiscal year was difficult for the global economy and global capital markets, and resulted in negative investment returns for SamCERA. Plan assets were devalued by approximately \$153 million, lowering the net plan assets to \$2.01 billion. After June 30th, global market values continued to plummet. SamCERA's portfolio returned -20.9% for the FY 2009 through October 31st, in line with other pension plans nationwide.



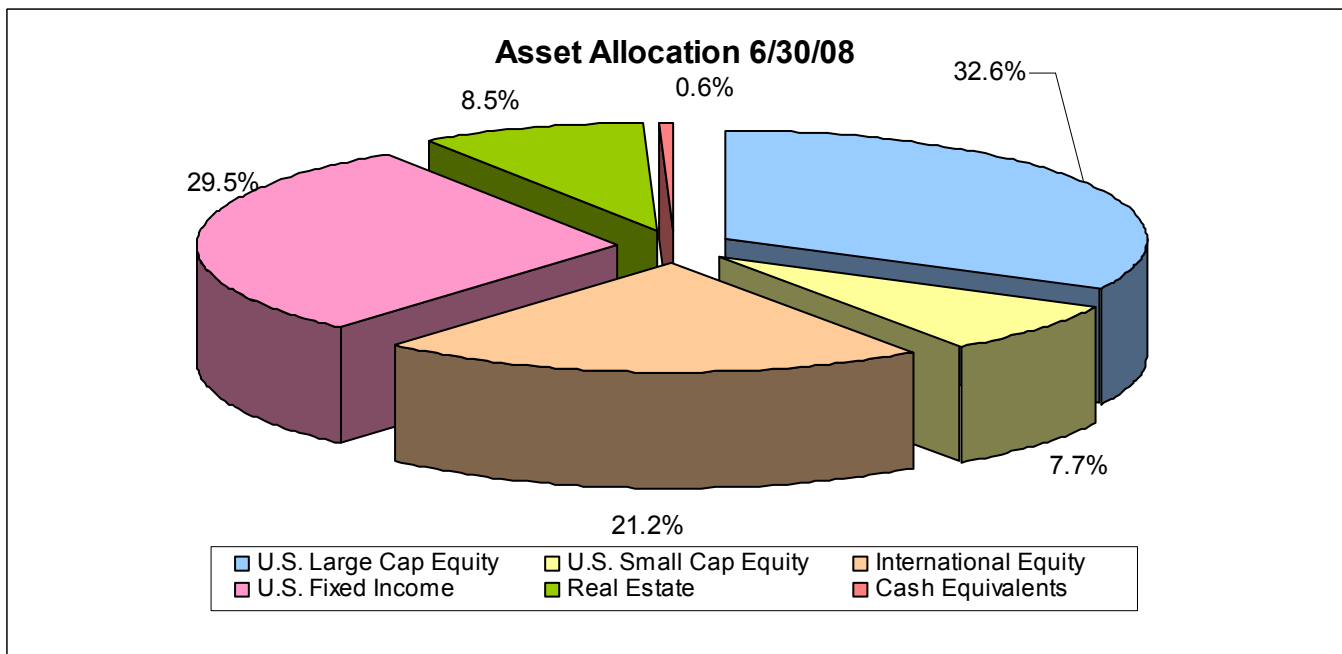
Asset Allocation

The Board of Retirement completed a full asset liability study just before the beginning of fiscal year 2008, and the next study is scheduled for 2010.

In the beginning of fiscal year 2008, due to lower than expected performance from U.S. equity managers with quantitative strategies, SamCERA decided to revisit its U.S. equity manager structure. The outcome of the study was to further diversify its large cap investment structure by adding active management in large cap growth and value mandates. Implementation of the asset class manager structure is scheduled to begin in spring of FY 2009.

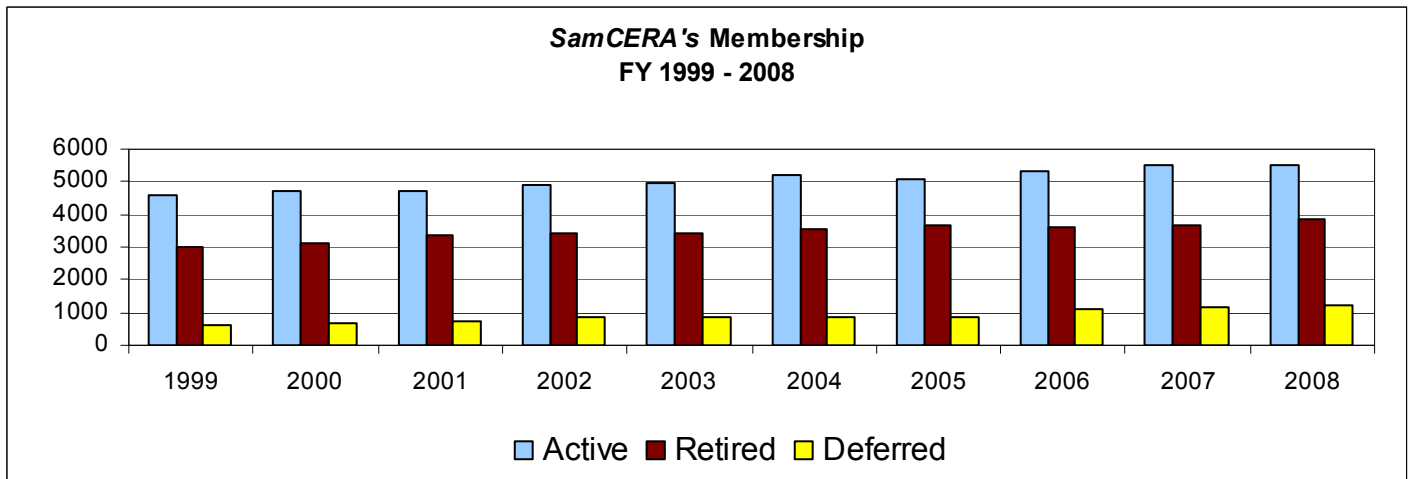
Investments at Fair Market Value (Amounts in 000s)

Investment Asset Class	Market Value 6/30/2008	1 Yr Return	3 Yr Return	5 Yr Return
Large Cap U.S. Equity	\$654,297	-13.65%	4.20%	8.15%
Small Cap U.S. Equity	\$154,613	-23.30%	-0.87%	7.38%
International Equity	\$424,728	-8.84%	15.72%	17.34%
U.S. Fixed Income	\$590,869	2.47%	2.86%	3.36%
Real Estate	\$169,975	8.65%	15.52%	15.59%
Cash	\$11,505	3.99%	4.03%	3.48%
Total	\$2,005,987	-7.65%	6.01%	8.68%



Slight Growth in Membership

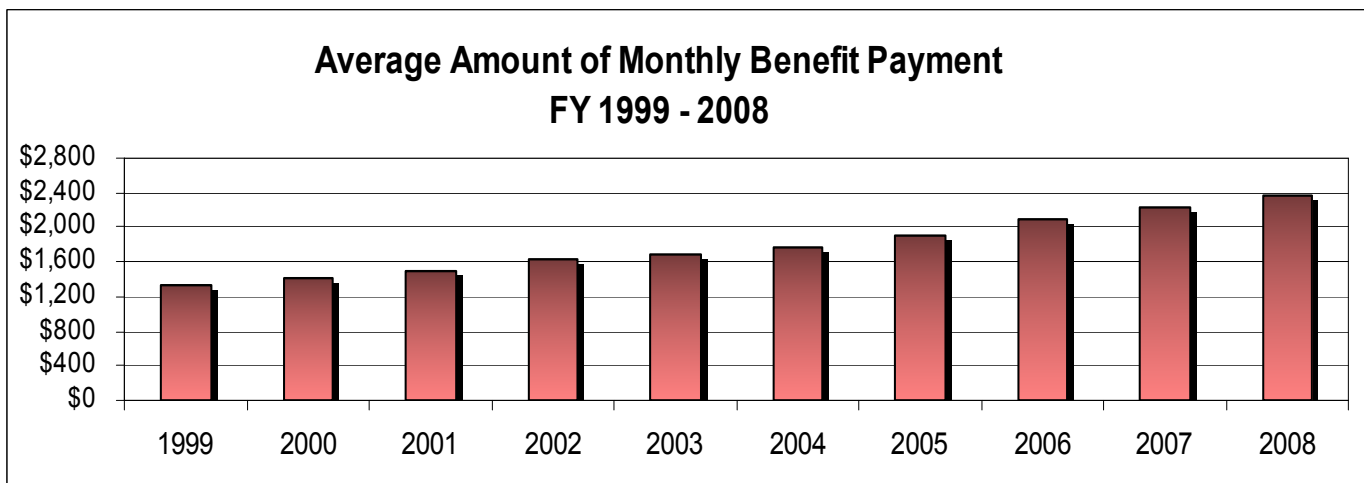
SamCERA’s members include all permanent employees and retirees of the County of San Mateo and the San Mateo County Mosquito & Vector Control District. Membership grew less than 2% last year. As of June 30, 2008, there were 10,567 total members. The total included a slight decline in active members (from 5,539 to 5,500), a 4% increase in retirees and beneficiaries (3,694 to 3,842), and a 6% increase in deferred members (1,151 to 1,225). More than 85% of members are General Members. The remainder are law enforcement employees—either Safety or Probation Safety Members. The average age of an active member remained at 44.5 years with 9.3 years of service.



Deductions to Fiduciary Net Assets Increased

Deductions from the plan included recurring monthly pension benefits, refunds of contributions to terminated members, and the cost of administering the plan. Deductions increased 10% to \$110 million in FY 2008. Retiree benefits increased 10% to \$104 million, attributed to a combination of a cost of living adjustment increase and higher average benefits for new retirees. Refunds to terminated members rose 37% to \$3.1 million. There were increases in both the number of refunds, from 169 to 194, and the average refund amount, from \$13,276 to \$15,848. Administrative expenses increased 25% or \$649 thousand to \$3.2 million. Over 65 percent of the increase was for a one-time office expansion and related lease expense. SamCERA completed the office expansion in late July and now has board room capacity to accommodate up to 65 people in financial planning and retirement education workshops.

The average monthly pension increased 6.7% to \$2,378. The average retiree age remained at 71.2 years.



SamCERA

San Mateo County Employees'
Retirement Association

www.samcera.org

100 Marine Parkway, Suite 125
Redwood Shores, CA 94065

Phone: 650-599-1234 / 800-339-0761

Fax: 650-591-1488

Visit us on the web!

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.

(Continued from page 1) **The Economy, SamCERA and You**

Your SamCERA account balance cannot be reduced. Your account earns interest based on the earnings of the fund and the fund's assumed earnings rate. No matter what happens in the financial markets, your account will never be credited with less than 0% nor more than the assumed rate (currently 7.75%) for any fiscal year. Your account will always equal your contributions plus the interest credited. The main use of account balances is for payouts to members who terminate. If you earn a lifetime retirement benefit, it will not be based on your account balance (see above).

But doesn't SamCERA need investment earnings to pay benefits?

SamCERA's goal is to earn an average of 7.75% over a long period of years. So while the fund lost value (-7.64%) in the 2007-2008 fiscal year and more during the first few months of the current fiscal year, over the three previous fiscal years the fund earned approximately 12%, 14%, and 17%.

The Retirement Board maintains a diversified portfolio of domestic and international equities along with fixed income and real estate investments. The board, investment staff and investment and actuarial consultants expect the fund to continue to earn its assumed return of 7.75% over the long term.

Board of Retirement Members

Emily Tashman, Chair
David Wozniak, Vice Chair
Lee Buffington, Secretary, County Treasurer
Al David
Ben Bowler
Bette Perroton Stuart
James Hooley
Margaret Jadallah
Natalie Kwan Lloyd

Alternate Trustees

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



Staff

Barbara Edwards, Retirement Support Specialist
Celedonia Amacker, Senior Retirement Analyst
Chezelle Milan, Retirement Senior Accountant
Christopher Hawkins, Retirement Sys Technologist
David Bailey, Chief Executive Officer
Elizabeth LeNguyen, Retirement Analyst
Gary Clifton, Chief Investment Officer
Gladys Smith, Retirement Benefits Manager
Janell LeBlanc, Senior Retirement Analyst
Lilibeth Dames, Retirement Investment Analyst
Mabel Wong, Retirement Finance Officer
Mel Cruz, Retirement Analyst—Controller
Scott Hood, Assistant Executive Officer
Sue Thompson, Retirement Analyst
Tariq Ali, Retirement Chief Technology Officer

Funding Ratio (Actuarial Value of Assets over Actuarial Accrued Liabilities)

