

# Summary Annual Financial Report

For the Fiscal Year ended 6/30/2009

San Mateo County  
Employees' Retirement Association

**SamCERA**



## Introduction

SamCERA's Comprehensive Annual Financial Report is the source of the data in this summary. 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 12th 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 SamCERA's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2008.

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



## Steering along a rough economic road

by David Bailey, Chief Executive Officer

*At this time last year we were in the midst of an unprecedented world financial crisis. Now, although the worst of the crisis appears to be over on Wall Street and investment markets have begun to recover, the effects of the investment losses of the last fiscal year are on the books and must be addressed.*

*Funding a pension system is a bit like steering a car. We try to make small corrections to keep on track and keep our passengers comfortable. But FY 2008-09 was a bad patch of road. It made our funding swerve to the shoulder, and to get back we need to turn the wheel hard. In real terms that means substantially increasing the employer's contribution rate.*

*One of the most common measures of pension system funding is called the "funded ratio." It's a comparison of a system's assets to its liabilities. At 6/30/08 SamCERA was nearly 80% funded, meaning it had four-fifths of the assets projected to be needed then to serve as seed money to invest, grow and meet projected future benefit payouts.*

*The funded ratio declined substantially during 2008-09 to 64%. Such a radical decline requires an increase in funding from the employer to begin the process of bringing the funding of the system back toward its target of 100%.*

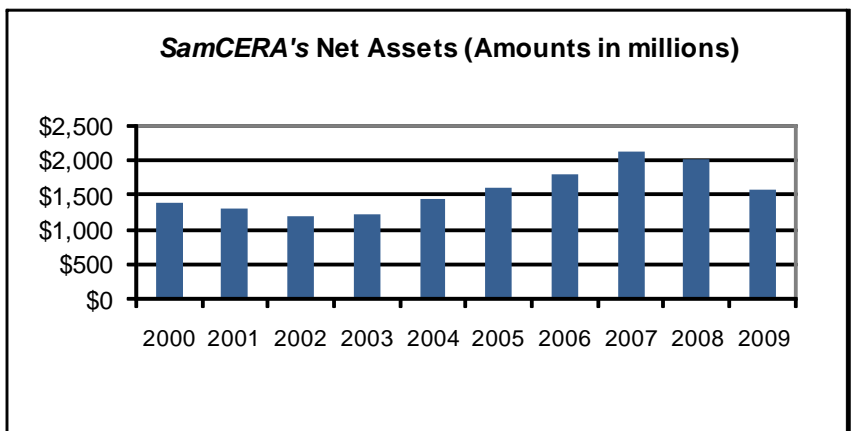
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Condensed Statement Summary of Net Assets	6/30/2009	6/30/2008	Dollar Change	Percent Change
Investments at Fair Value	\$1,565,558,673	\$1,992,209,133	-\$426,650,460	-21%
Other Assets	\$264,382,782	\$413,641,515	-\$149,258,733	-36%
<b>Total Assets</b>	<b>\$1,829,941,455</b>	<b>\$2,405,850,648</b>	<b>-\$575,909,193</b>	<b>-24%</b>
<b>Total Liabilities</b>	<b>\$238,541,897</b>	<b>\$395,111,880</b>	<b>-\$156,569,983</b>	<b>-40%</b>
<b>Net Assets</b>	<b>\$1,591,399,558</b>	<b>\$2,010,738,768</b>	<b>-\$419,339,210</b>	<b>-21%</b>

Condensed Statement Change in Net Assets	6/30/2009	6/30/2008	Dollar Change	Percent Change
Employer Contribution	\$106,123,055	\$105,339,570	\$783,485	1%
Employee Contribution	\$50,371,591	\$60,111,183	-\$9,739,592	-16%
Net Investment Gain	-\$455,678,042	-\$176,680,220	-\$278,997,822	-158%
Other Revenue	-\$15,957	\$181,048	-\$197,005	-109%
<b>Total Additions</b>	<b>-\$299,199,353</b>	<b>-\$11,048,419</b>	<b>-288,150,934</b>	<b>-2,608%</b>
Retiree Benefit	\$113,990,807	\$103,970,063	\$10,020,744	10%
Member Refund	\$2,794,916	\$3,074,453	-\$279,537	-9%
Admin Expense	\$3,286,995	\$2,775,013	\$511,982	18%
Other Expense	\$67,139	\$7,914	\$59,225	748%
<b>Total Disbursement</b>	<b>\$120,139,857</b>	<b>\$109,827,443</b>	<b>\$10,312,414</b>	<b>9%</b>
<b>Net Additions</b>	<b>-\$419,339,210</b>	<b>-\$120,875,862</b>	<b>-298,463,348</b>	<b>-247%</b>

## Unprecedented Economic Events Experienced in FY 2008-2009

The past fiscal year was unprecedented for the global economy and global capital markets. The world-wide economic decline resulted in substantial negative one-year returns for most pension plans, including SamCERA. The San Mateo County Employees' Retirement Association's investment portfolio closed the fiscal year with a fair market value of \$1.6 billion, and returned a negative 21.26% for the fiscal year.



## Asset Allocation

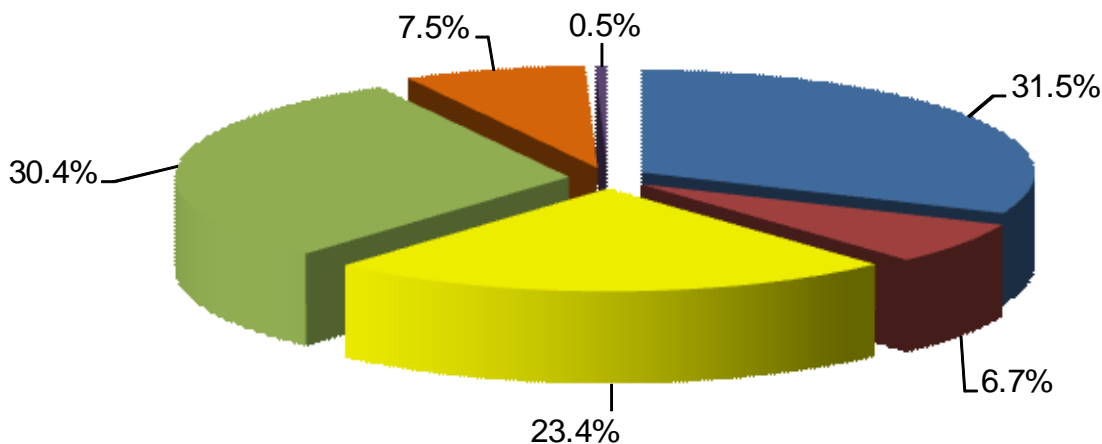
Major accomplishments for the investment program this fiscal year included the expansion of the asset classes. The Board of Retirement moved in a methodical manner to initiate a program to diversify SamCERA's large cap equity portfolio and reduce risk. The board also opined to realign its benchmark methodology so that portfolios are measured against their style benchmarks.

The fiscal year-end asset allocation stood near its targeted weights at 38% domestic equity, 23% international equity, 30% domestic fixed income, 8% real estate, and 1% cash.

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

Investment Asset Class	Market Value 6/30/2009	1 Yr Return	3 Yr Return	5 Yr Return
Large Cap U.S. Equity	\$501,363	-27.79%	-9.59%	-2.21%
Small Cap U.S. Equity	\$106,983	-30.80%	-15.51%	-5.85%
International Equity	\$373,159	-32.34%	-6.38%	3.77%
U.S. Fixed Income	\$483,592	-0.78%	2.63%	3.03%
Real Estate	\$118,895	-29.83%	-4.47%	5.92%
Cash	\$8,469	-2.58%	1.88%	2.47%
<b>Total</b>	<b>\$1,592,461</b>	<b>-21.26%</b>	<b>-5.36%</b>	<b>0.66%</b>

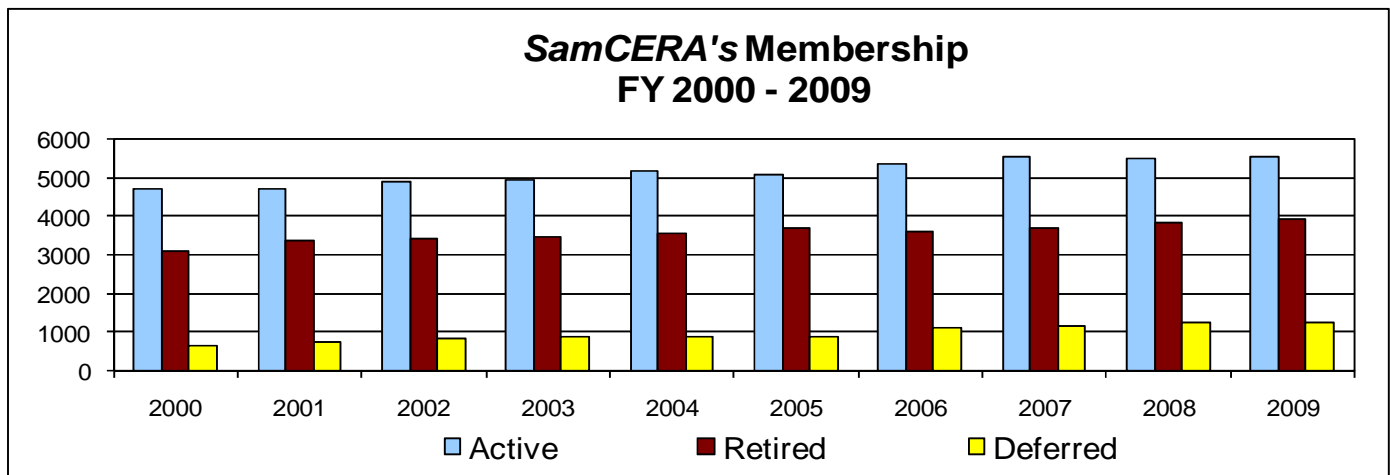
## Asset Allocation as of June 30, 2009



- U.S. Large Cap Equity - Index
- International Equity - Active
- Real Estate - Core Fund
- U.S. Small Cap Equity - Active
- U.S. Fixed Income - Active
- Cash Equivalents

## Modest Growth Trend Continues in Membership

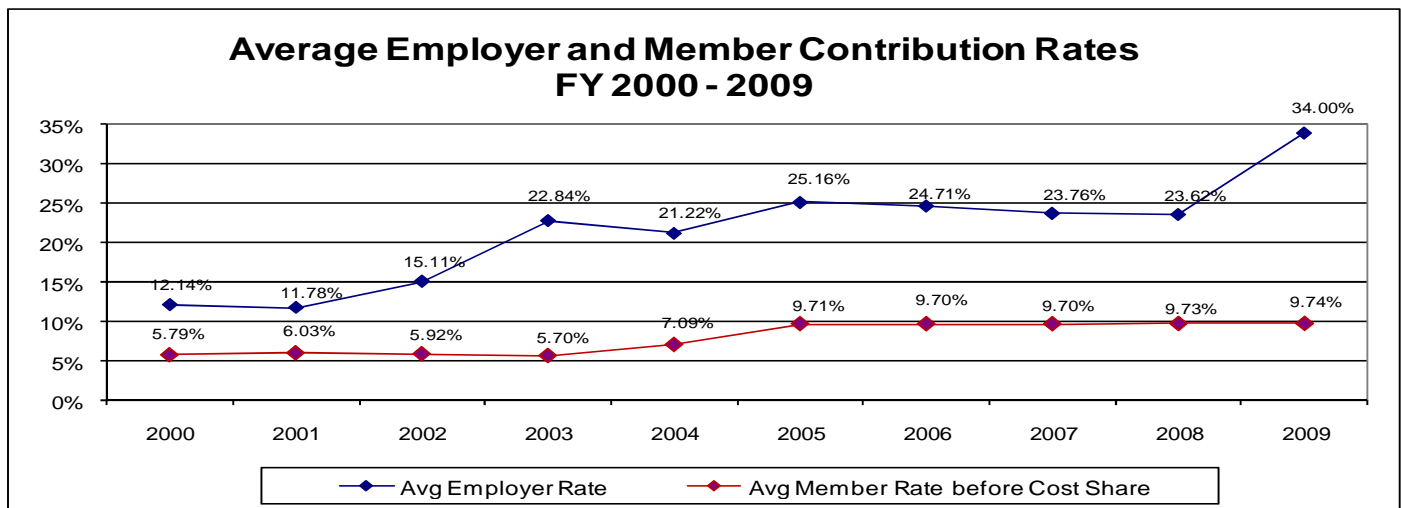
SamCERA's members include all permanent employees and retirees of the County of San Mateo and the San Mateo County Mosquito & Vector Control District. Membership grew less than 1.5% last year. As of June 30, 2009, there were a total of 10,708 members. The total included a slight increase in active members (from 5,500 to 5,543), a 2.4% increase in retirees and beneficiaries (3,842 to 3,935), and a minute increase in deferred members (1,225 to 1,230). More than 85% of members are General Members. The remainder are law enforcement employees - either Safety or Probation Safety Members. The average active member was 44.9 years old with 9.6 years of service and earned \$6,692 per month.



## Additions and Deductions to Fiduciary Net Assets

SamCERA's net assets are held in trust for pension benefits. During the fiscal year ending 6/30/2009, total net assets decreased \$419.4 million or about 21% primarily as a result of investment losses. The exceptional decline in the investment market caused the employer required contribution rate to increase over 40% from 23.62% to 34.00%. Total revenue (additions to fiduciary net assets) for the year was -\$299.2 million which included employer contributions of \$106.1 million, member contributions of \$50.4 million, and investment losses of \$455.7 million. Total expenses (deductions in fiduciary net assets) increased about 9.4% from \$109.8 million to \$120.1 million. Expenses included \$114 million in benefit payments, \$2.8 million in member refunds and \$3.3 million in administrative expenses. The average monthly pension benefit increased 6% from \$2,378 to \$2,521.

*Investment losses pushed up the average employer contribution rate from 24% to 34% of payroll.*



## 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.

## Steering along a rough economic road

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Member contribution rates are not affected by investment gains or losses and will be unchanged for the next fiscal year (2010-11). But the employer contribution rate will increase from an average of 24% of payroll for every employee today to about 34% per employee in the new fiscal year. The Retirement Board may opt to make some adjustments to mitigate this rate in the near term. Regardless, the employer rate is projected to reach the 34% level within the next one to four fiscal years.

But the markets are recovering. Won't we be able to invest our way out of this? The system funding will recover. But it is unlikely to recover as quickly as it declined. It is important that we base the system's funding on projections that are consistent with long term historical market performance and the best advice of the system's advisors. From those sources our long term expectation is that we will earn 7.75% on average over the long term. At that rate, additional contributions will be needed to improve the funded ratio.

Of course, no one knows what the future will bring. That's one reason why SamCERA resets employer contribution rates annually. If the future is smoother or rougher than predicted, we will adjust accordingly to keep the wheels of the system's funding on the paved part of the road.

## 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)

