



2021 Popular Annual Financial Report

For the Fiscal Year Ended June 30, 2021



San Mateo County Employees' Retirement Association

Redwood City, State of California

A Pension Trust Fund of the County of San Mateo and Participating Employers

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the path forward

The past year has been extraordinary and not one that anyone could have predicted. Unfortunately, for many it has been a time of hardship and loss. Sadly, the COVID-19 pandemic is not over, and we are all working through its impact and unknown long-term effects.

Even in the most challenging of circumstances, SamCERA has achieved strong performance for the fund. Our resilience during the pandemic is due to the strength and diversity of our portfolio and our commitment to stay focused on our strategy.

The ability to achieve growth, even during a crisis, reflects the strength of our organization, diversity of our portfolio, and the ongoing commitment we have to our membership.

With this strong foundation, we look ahead on the path forward with the confidence and knowledge of what we are able to achieve, even during the most challenging of times.

This Popular Annual Financial Report is a condensed version of the San Mateo County Employees' Retirement Association's (SamCERA) Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with generally accepted accounting principles in the United States of America. The ACFR provides in-depth information about the financial, investment, actuarial, statistical, and compliance aspects of SamCERA and is available online at www.samcera.org. For the 18th consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada presented an award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to SamCERA in recognition of its PAFR for the fiscal year ended June 30, 2020.



ABOUT SAMCERA

SamCERA is a cost-sharing multiple-employer, defined benefit pension plan established to provide pension benefits for all permanent employees of the County of San Mateo (the County), the Superior Court of the County of San Mateo, and the San Mateo County Mosquito and Vector Control District. As of June 30, 2021, SamCERA had a total of 12,934 active, inactive, and retired members.



“As in all successful ventures, the foundation of a good retirement is planning.” - Earl Nightingale

MISSION & GOALS

SamCERA exists to serve as a loyal fiduciary for its members and as a prudent administrator of the retirement system with three primary goals:

- Provide caring, fair, accurate, timely and knowledgeable professional services and information to members and other stakeholders.
- Prudently manage the assets in order to appropriately fund the actuarial liabilities of the retirement system, to ensure the ability to pay all earned benefits while minimizing the costs to employers.
- Constantly improve the effectiveness of SamCERA’s services and the efficiency of its operations.

Membership

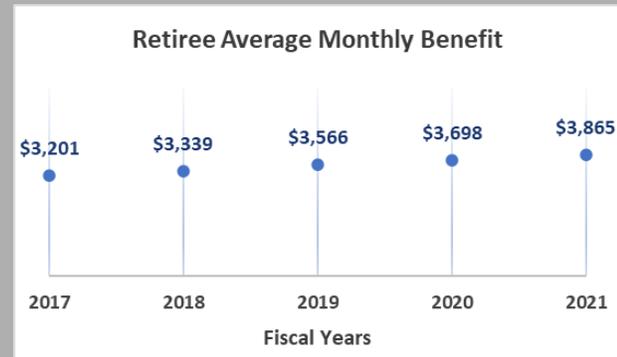
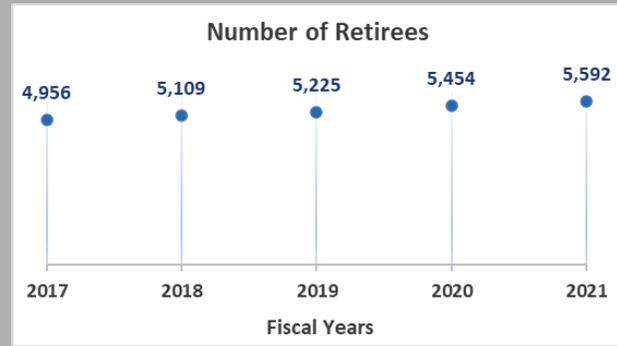
Membership
As of June 30



"Retirement isn't the end of the road, but just a turn in the road." – Unknown

Participating Employers and Active Members

	2021	2020	2019	2018	2017
COUNTY OF SAN MATEO					
General Members	4,375	4,379	4,350	4,343	4,303
Safety Members	520	522	530	508	503
Probation Members	193	223	237	256	274
Subtotal	5,088	5,124	5,117	5,107	5,080
SAN MATEO COUNTY SUPERIOR COURT					
General Members	249	256	240	239	237
SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT					
General Members	19	20	20	21	20
Total Active Membership	5,356	5,400	5,377	5,367	5,337
Percentage of Membership by Employer					
County of San Mateo	95.00%	94.89%	95.16%	95.16%	95.18%
San Mateo County Superior Court	4.65%	4.74%	4.46%	4.45%	4.44%
San Mateo County Mosquito and Vector Control District	0.35%	0.37%	0.37%	0.39%	0.37%
Total Percentage of Membership	100.00%	100.00%	100.00%	100.00%	100.00%



BOARD OF RETIREMENT



AL DAVID

Chair

Elected by the General Members
Third Member



ROBERT RAW

Vice Chair

Elected by the Safety Members
Seventh Member



KATHERINE O'MALLEY

Secretary

Elected by the General Members
Second Member



SANDIE ARNOTT

Board Member

Ex Officio per the 1937 Act
First Member



ERIC TASHMAN

Board Member

Appointed by the Board of Supervisors
Fourth Member



BENEDICT J. BOWLER

Board Member

Appointed by the Board of Supervisors
Fifth Member



MARK BATTEY

Board Member

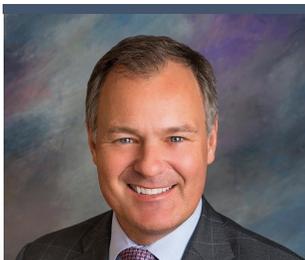
Appointed by the Board of Supervisors
Sixth Member



PAUL HACKLEMAN

Board Member

Elected by the Retired Members
Eighth Member



KURT HOEFER

Board Member

Appointed by the Board of Supervisors
Ninth Member



ALMA SALAS

Board Member

Elected by the Retired Members
Retiree Alternate



SUSAN LEE

Board Member

Elected by the Safety Members
Safety Alternate





A MESSAGE FROM THE CEO



In many ways, this past year was one like no other. SamCERA achieved its highest-ever market return at 24.3%, outperforming our policy benchmark return by 0.8%. Correspondingly, the Fund's portfolio market value added approximately \$1.202 billion to the fund as the net combination of portfolio appreciation and contributions, less total deductions (i.e. benefits paid, administrative expense, etc.) brought the fund up to its highest-ever value of \$5.982 billion at year end. SamCERA was able to achieve this strong performance in the face of the worst pandemic in over 100 years.

From the initial shock to the world in early 2020, markets generally made a very strong broad-based recovery. The recovery led to superior performance in most pension funds which seems to belie the actual disruption felt by so many people during the pandemic. I am proud to say that SamCERA has responded to the challenges of the pandemic and just like the fund performance, SamCERA showed its resilience in fulfilling its mission as a loyal fiduciary and prudent administrator of the retirement system. Our confidence to thrive through adversity continues to strengthen our foundation and reaffirm our mission and commitment to our membership, which is to provide caring, fair, accurate, timely and knowledgeable professional services and information to our diverse membership and other stakeholders.

SamCERA continues to be a statewide leader in funding assumptions and was pleased to be ranked the 3rd most actuarially conservative among California retirement systems in a May 2021 survey from Roeder Financial. This is evidenced by the Board's action in its May 2021 board meeting to lower the actuarial assumed rate of return from 6.5% to 6.25% for the June 30, 2021 valuation. The valuation results revealed that SamCERA improved its funded status to its highest level in 20 years at 88.1%, which is attributable to strong investment returns and the San Mateo County Board of Supervisors' commitment to pay down its unfunded liability by making supplemental contributions above the required statutory contributions.

During the past year, we modified business operations to keep the safety and health of our members and staff a priority while ensuring the vital services to our members remained accessible without disruptions. Whether we work remotely, from the office or in a hybrid fashion, we will continue to modify and adapt as needed, ensuring that our members are best served.

With our strong foundation, we look ahead with the confidence and knowledge that our accomplishments are indicative of what we can achieve as we continue on the path forward, even during the most challenging of times.

Sincerely,



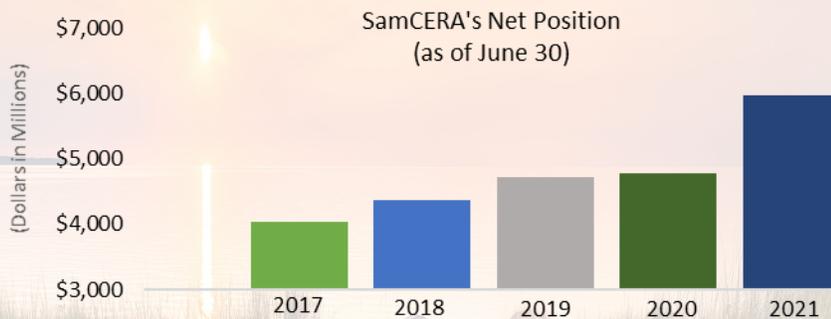
Scott Hood
Chief Executive Officer



FINANCIAL HIGHLIGHTS

SamCERA's prime objective is to meet long-term benefit obligations through investment income and contributions. The fiscal strength of the Retirement Fund continues to improve with remarkable positive returns on investments in the reporting period.

As of June 30, 2021, SamCERA's net position held in trust for pension benefits (total assets minus total liabilities) hit a record high of \$5.98 billion, an increase of \$1.2 billion, or 25%, compared to a year ago. This amount is exclusively restricted for the ongoing benefits to plan participants and their beneficiaries.



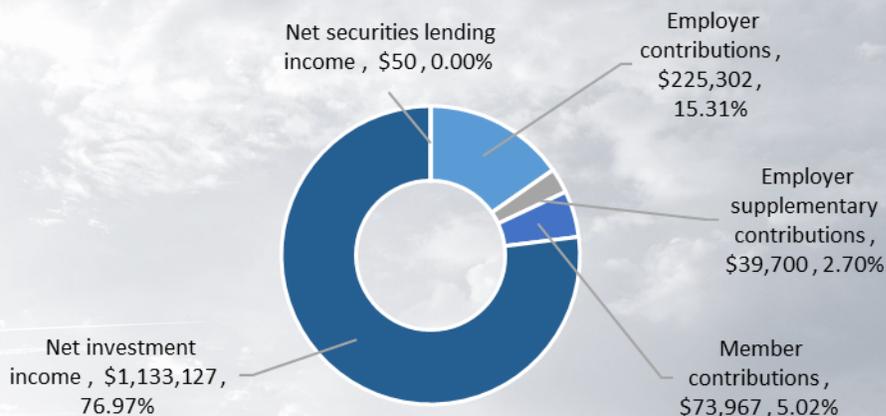
Total additions to the Retirement Fund were about \$1.5 billion, an increase of 372% from a year ago. The increase was driven predominantly by the robust growth in investment income due to market appreciation, increases in annual required contributions, and supplementary contributions from the primary plan sponsor, the County of San Mateo.

Total deductions from the Retirement Fund were \$270.6 million, a moderate increase of \$16.3 million, or 6%, from the prior fiscal year. The increase was expected, due mainly to the annual cost of living adjustment and the continued growth in the number of retired members receiving benefits.



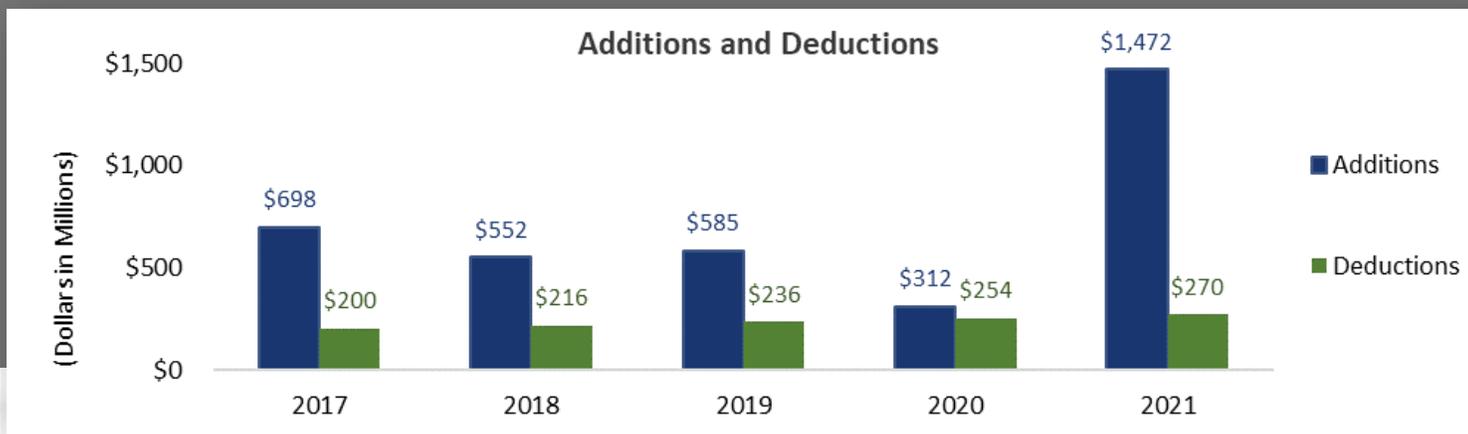
\$\$ Inflows

for the Fiscal Year Ended
June 30, 2021
(Dollars in Millions)



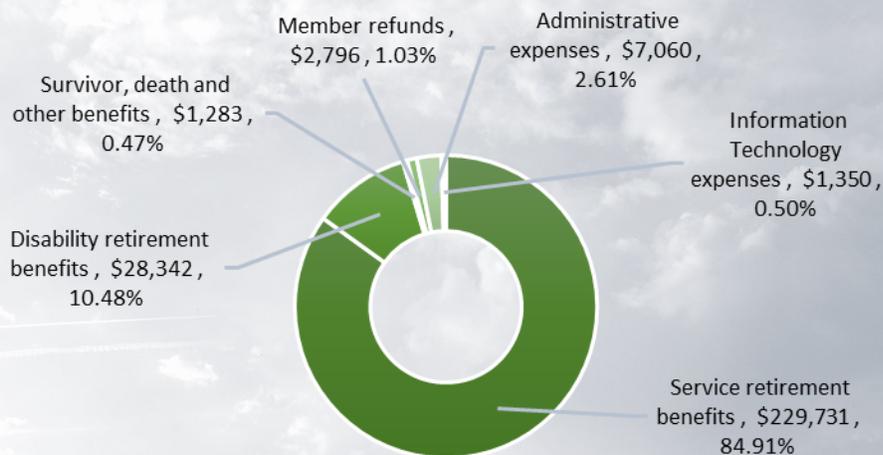
Additions to the retirement fund consist mainly of member contributions, employer contributions, and investment income.

Deductions from the retirement fund mainly include benefit payments to retired members and eligible beneficiaries, refunds of contributions to terminated employees, and operating costs.



\$\$ Outflows

for the Fiscal Year Ended
June 30, 2021
(Dollars in Millions)



INVESTMENTS

Portfolio Performance

SamCERA's portfolio fair value increased significantly to \$5.982 billion as of June 30, 2021, as the net combination of portfolio appreciation and contributions, less total deductions such as benefit payments, added approximately \$1.202 billion to the fund.

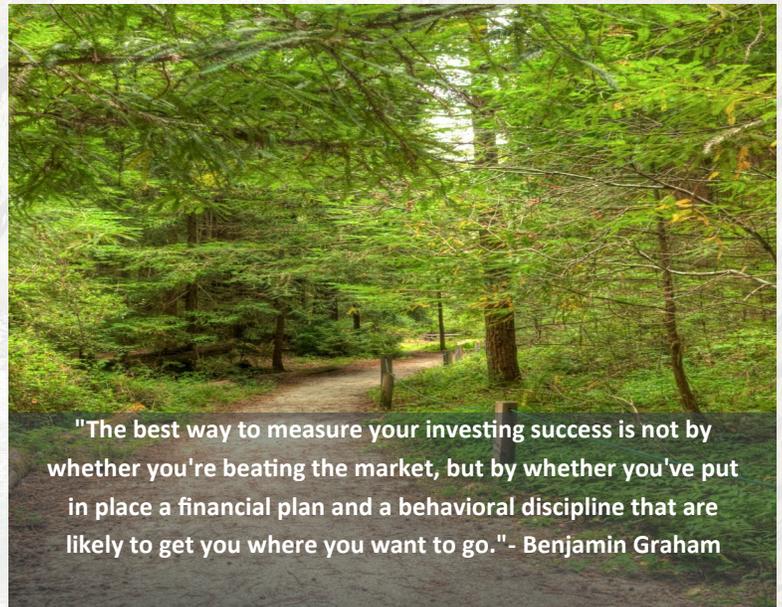
SamCERA's portfolio returned 24.3% net of investment management fees for the fiscal year ended June 30, 2021, outperforming SamCERA's policy benchmark return by 0.8%. This fiscal-year performance resulted in below median performance relative to SamCERA's peers, as defined by large (greater than \$1 billion in assets) public plans.

The portfolio had a higher return and lower risk (defined as standard deviation of returns) than the policy benchmark during the past fiscal year, resulting in a higher risk-adjusted return.

Underperformance in the two prior fiscal years, along with elevated risk over this period, resulted in the portfolio having a lower risk-adjusted return relative to the benchmark over longer-term time periods. The portfolio exhibited lower risk levels than the peer median plan, resulting in similar or higher risk-adjusted returns across all periods.

Total Fund Net Performance Characteristics Ended June 30, 2021

	1 Year	3 Years	5 Years	10 Years
SamCERA Return	24.3%	9.4%	9.5%	8.1%
Benchmark Return	23.5%	10.3%	10.2%	8.6%
Excess Return	0.8%	-0.9%	-0.7%	-0.5%
Peer Rank Return (Percentile)	86th	84th	86th	51st
SamCERA Risk (Standard Deviation)	6.1	9.4	7.7	8.0
Benchmark Risk (Standard Deviation)	6.8	9.3	7.6	8.2
Peer Median Risk (Standard Deviation)	7.8	10.7	8.7	8.3
SamCERA Sharpe Ratio	3.9	0.9	1.1	0.9
Benchmark Sharpe Ratio	3.4	1.0	1.2	1.0
Peer Median Sharpe Ratio	3.4	0.9	1.1	0.9



"The best way to measure your investing success is not by whether you're beating the market, but by whether you've put in place a financial plan and a behavioral discipline that are likely to get you where you want to go." - Benjamin Graham

Composite Net Performance for Trailing Year Ended June 30, 2021

Composite	Allocation (%)*	Composite Return	Benchmark Return	Excess Return
Public Equity	42.5	37.8%	39.7%	-1.9%
Fixed Income	27.6	5.7%	3.5%	2.2%
Alternatives	13.7	47.8%	30.9%	16.9%
Inflation Hedge	15.8	16.5%	20.8%	-4.3%

* Liquidity balance was 0.4% as of June 30, 2021.

The Road Forward

A scenic landscape at sunset. The sky is filled with warm, golden light from the setting sun, with scattered clouds catching the light. In the foreground, a dirt road or path winds through a field of tall grasses and wildflowers. The background shows a line of trees and distant hills under the twilight sky.

High current valuations across most markets (following the tremendous investment returns of the past year), combined with low interest rates globally, produce an environment in which go forward return prospects appear to be muted and more nuanced. In addition, given the plethora of potential risks, from higher inflation pressures, Fed tapering uncertainty, large fiscal deficits/debt, asset price bubbles, and geopolitical risks, “balance” will continue to be key to successfully navigating the future. SamCERA continues to keep a balanced risk posture without relying too much on any single asset, strategy, or return stream.

We will also strive to balance our long-term investment time horizon with thoughtful assessment of more shorter-term opportunities. We will balance seeking return (offense) with lowering risk/capital preservation (defense). We will balance portfolio income and portfolio capital appreciation. And as always, we will use our long-term investment policy to guide us through these dynamic times.

In summary, SamCERA continues to follow an investment strategy focused on balance and the importance of risk-adjusted returns. By design, the portfolio has return-seeking and capital preservation elements to ensure Plan sustainability and meet its future obligations. The Plan is preparing for its maturing demographics and, for that reason, is increasingly cognizant about volatility reduction and cash flow improvement. We remain confident in the direction of the portfolio given SamCERA’s unique objectives, fiscal strength and well-designed investment strategy.

FUNDING STATUS

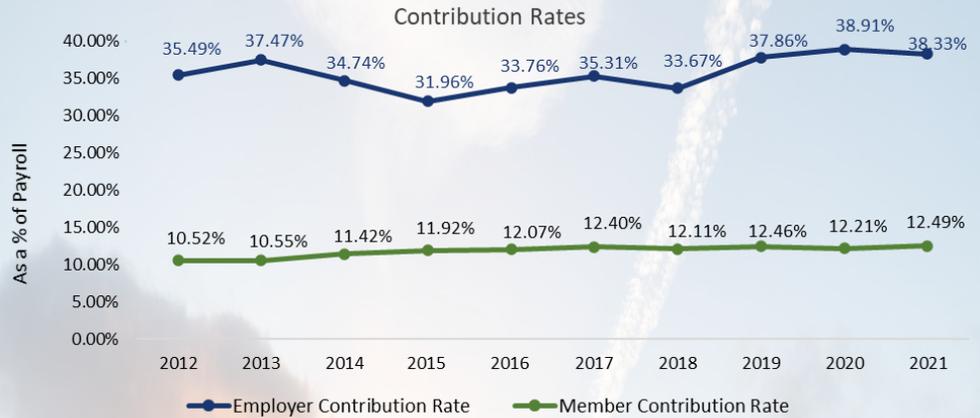
The **Funded Ratio** measures the funding adequacy of a retirement system.

The participating employers and members are responsible for contributing to the cost of benefits each year (commonly known as normal cost). The portion of the normal cost not funded by member contributions is the responsibility of the employers.

According to the latest actuarial valuation as of June 30, 2021, the plan's funded ratio (actuarial value of assets to actuarial accrued liabilities) increased to 88.1% as of June 30, 2021, from 86.4% a year ago.

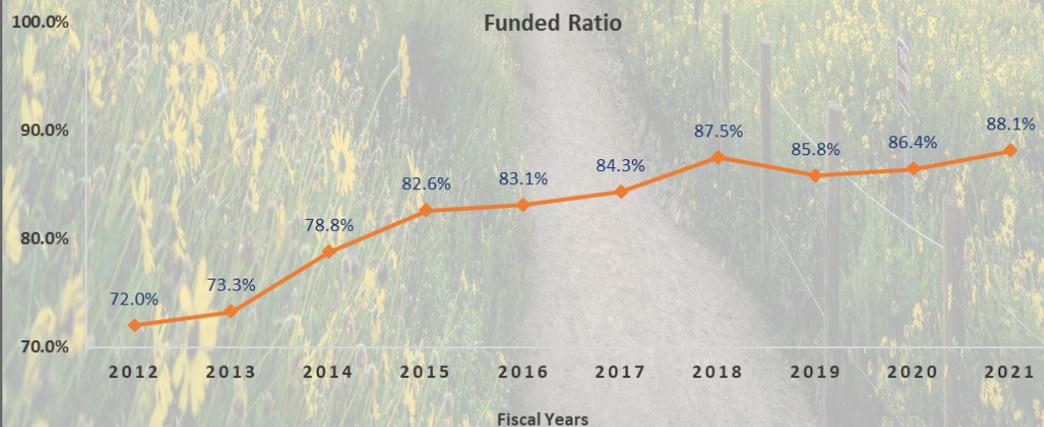
The increase was due primarily to strong positive investment returns and employer supplementary contributions to amortize the unfunded actuarial accrued liability (UAAL).

As of June 30, 2021, the actuarial value of plan assets was \$5.5 billion, and the actuarial accrued liability was \$6.2 billion. The difference between these two amounts represents the unfunded actuarial accrued liability (the gap between promised benefits and the funding available to meet those obligations), which amounted to \$738 million.



"Retirement may be an ending, a closing, but it is also a new beginning."

- Catherine Pulsifer





THE FUTURE DEPENDS
ON WHAT YOU DO TODAY.

-Mahatma Gandhi



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