



# Notice of Public Meeting

## The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, October 26, 2021 at 10:00 A.M.**

In accordance with Government Code §54954, the Members of the Board will be participating via Zoom video conference and teleconference. Pursuant to Government Code §54954.3, members of the public, to the extent required by law, will have the opportunity to directly address the Board concerning matters within the jurisdiction of the Board. The public can participate and provide comment using the instructions below:

### To Join the Meeting

- To join the meeting via video conference, click here: <https://us06web.zoom.us/j/84342349068>
- To join the meeting via telephone, dial: (669) 900-9128, and enter Meeting ID: 843 4234 9068

### Public Comment During the Meeting

Persons wishing to address the Board should follow the steps below:

- If joining via video conference, please use the “raise your hand” feature in Zoom during the Oral Communications from the Public period.
- If joining via teleconference dial in, please dial \*9 to “raise your hand” during the Oral Communications from the Public period.

You will be called on at the appropriate time. At the beginning of your comment, please state your name.

### Public Comment Prior to the Meeting

Persons who wish to address the Board may submit written comments via email to [samcera@samcera.org](mailto:samcera@samcera.org) at least 30 minutes before the start of the Board meeting. Please include your name, agenda item, and your comment. The Board will have the email read into the record and attached to the minutes.

For help joining a Zoom meeting, see: <https://support.zoom.us/hc/enus/articles/201362193>

**PUBLIC SESSION** – The Board will meet in Public Session at 10:00 a.m.

- 1. Call to Order, Roll Call and Miscellaneous Business**
- 2. Oral Communications**
  - 2.1 Oral Communications from the Board
  - 2.2 Oral Communications from the Public
- 3. Approval of the Minutes**
  - 3.1 Approval of Board Meeting Minutes from September 28, 2021

# Notice of Public Meeting

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#### **4. Approval of the Consent Agenda\***

- |                                |  |
|--------------------------------|--|
| 4.1 Disability Retirements (2) | 4.5 Deferred Retirements                           |
| • Pettit Sr, Stephen           | 4.6 Member Account Refunds                         |
| • Sudano, Patrina              | 4.7 Member Account Rollovers                       |
| 4.2 Survivor Death Benefits    | 4.8 Member Account Redeposits                      |
| 4.3 Service Retirements        | 4.9 Acceptance of Trustees' Reports of Educational |
| 4.4 Continuances               | Activities   |

#### **5. Benefit & Actuarial Services**

- 5.1 Consideration of Agenda Items, if any, Removed from the Consent Agenda
- 5.2 Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc

#### **6. Investment Services**

- 6.1 Report on Preliminary Monthly Portfolio Performance Report for the Period Ended September 30, 2021
- 6.2 Report on Inflation Hedge Manager Annual Review
- 6.3 Report on Opportunistic Credit Manager Annual Reviews
- 6.4 Report on Absolute Return Manager Annual Reviews
- 6.5 Report on Establishing Portfolio Liquidity Pool – Follow Up from Retreat

#### **7. Board & Management Support**

- 7.1 Presentation by Brown Armstrong of 2021 Financial Audit Management Reports
- 7.2 Approval of SamCERA's 2021 Annual Comprehensive Financial Report (ACFR)
- 7.3 Approval of Voting Delegates and direction to delegates for Fall 2021 SACRS Business Meeting
- 7.4 Approval of Resolution Setting the Board of Retirement Meeting Schedule for 2022

#### **8. Management Reports**

- 8.1 Chief Executive Officer's Report
- 8.2 Assistant Executive Officer's Report
- 8.3 Chief Investment Officer's Report
- 8.4 Chief Legal Counsel's Report

**CLOSED SESSION** – The Board may meet in closed session prior to adjournment

- C1 Consideration of Disability Items, if any, removed from the Consent Agenda

#### **9. Report on Actions Taken in Closed Session**

# Notice of Public Meeting

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### 10. Adjournment in Memory of the Following Deceased Members:

Michel, Rosa	August 28, 2021	Probation
Mafi, Wanda	September 4, 2021	Human Resources
Fernandez, Federico	September 5, 2021	San Mateo County Health
Nakamura, George	September 10, 2021	Public Health
Burgess, Mamie	September 14, 2021	Hospital
Gibson, Carl	September 15, 2021	Probation
Simmons, Kendall	September 13, 2021	Parks
Mabardy, Bruce	September 17, 2021	Probation
Inouye, Kazui	September 23, 2021	Public Works
Duffy, James	September 25, 2021	Probation
Thorsett, Ruth	October 3, 2021	Library
Seaton, Carolyn	October 6, 2021	San Mateo County Health
Rinde, Lloyd	October 14, 2021	Human Services
Rau, Carol	October 18, 2021	Library



Scott Hood, Chief Executive Officer

Posted: October 20, 2021

(\* ALL ITEMS ON THE CONSENT AGENDA ARE APPROVED BY ONE ROLL CALL MOTION UNLESS A REQUEST IS MADE BY A BOARD MEMBER THAT AN ITEM BE WITHDRAWN OR TRANSFERRED TO THE REGULAR AGENDA. ANY ITEM ON THE CONSENT AGENDA MAY BE TRANSFERRED TO THE REGULAR AGENDA. ANY 4.1 ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER CLOSED SESSION; ALL OTHER ITEMS REMOVED FROM THE CONSENT AGENDA WILL BE TAKEN UP UNDER ITEM 5.1.)

**THE BOARD NORMALLY MEETS AT 100 MARINE PARKWAY, SUITE 160**, WHICH IS LOCATED ON THE SE CORNER OF TWIN DOLPHIN & MARINE PARKWAY IN REDWOOD CITY. Detailed directions are available on the "Contact Us" page of the website [www.samcera.org](http://www.samcera.org). Free Parking is available in all lots in the vicinity of the building. A copy of the Board of Retirement's open session agenda packet is available for review at the SamCERA offices and on our website unless the writings are privileged or otherwise exempt from disclosure under the provisions of the California Public Records Act. Office hours are Monday through Thursday 7 a.m. – 6 p.m.

IN COMPLIANCE WITH THE CALIFORNIA GOVERNMENT CODE AND THE AMERICANS WITH DISABILITIES ACT: SamCERA's facilities and board and committee meetings are accessible to individuals with disabilities. Contact SamCERA at (650) 599-1234 at least three business days prior to the meeting if (1) you need special assistance or a disability-related modification or accommodation, including auxiliary aids or services, in order to participate in this meeting; or (2) you have a disability and wish to receive the agenda, meeting notice, agenda packet or other writings that may be distributed at the meeting in an alternative format. Notification in advance of the meeting will enable SamCERA to make reasonable arrangements to ensure full accessibility to this meeting and the materials related to it.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
SEPTEMBER 28, 2021 – REGULAR BOARD MEETING MINUTES**

**2109.1 Call to Order, Roll Call and Miscellaneous Business**

**Call to Order:** Mr. Raw, Chair, called the Regular Meeting of the Board of Retirement to order at 10:05 a.m. via Zoom.

**Roll Call:**

Present: Sandie Arnott, Mark Battey, Al David, Katherine O'Malley, Elaine Orr, Robert Raw, and Alma Salas (for Paul Hackleman).

Absent: Ben Bowler, Paul Hackleman, Kurt Hoefer, and Susan Lee.

Alternates: None.

Staff: Michael Coultrip, Lili Dames, Scott Hood, Elizabeth LeNguyen, JulieAnne Nagal, Doris Ng, Paul Okada, Gladys Smith, and Anne Trujillo.

Consultants and speakers: Nick Collier and Craig Glyde (Milliman, Inc.); and Joe Abdou and Margaret Jadallah (Verus).

**2109.2.1 Oral Communications from the Board:** None.

**2109.2.2 Oral Communications from the Public:** Mr. Raw asked if there was any public comment from those individuals participating on the telephone or via Zoom. There were no public comments. Ms. Trujillo reported there were no written comments received ahead of the meeting.

**2109.3.1 Approval of Regular Board Meeting Minutes from August 24, 2021:** Mr. Raw asked if there were any changes or corrections, or objections, to the meeting minutes from the Board meeting held on August 24, 2021. There were no changes, corrections, or objections presented.

**Action:** Mr. David moved to approve the minutes from the Board meeting on August 24, 2021. The motion was seconded by Ms. Arnott and carried with a vote of 7-0, with trustees Arnott, Battey, David, O'Malley, Orr, Raw, and Salas all in favor; none opposed.

**2109.4.0 Approval of the Consent Agenda:** Mr. Raw asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

**Action:** Mr. Battey moved to approve the items on the Consent Agenda. The motion was seconded by Mr. David and carried with a vote of 7-0, with trustees Arnott, Battey, David, O'Malley, Orr, Raw, and Salas all in favor; none opposed.

**2109.4.1 Disability Retirements:**

- a) The Board found that **Yuwen Liao** (1) is permanently incapacitated from the performance of her usual and customary duties as a Nurse Practitioner, (2) found that her disability was not the result of an illness arising out of and in the course of her employment and (3) granted her application for a non-service-connected disability retirement.

**2109.4.2 Survivor Death Benefits:** None.

2109.4.3 **Service Retirements:**

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Acha, Roderick	July 20, 2021	Deferred - District Attorney's Office
Amador, Josephine	July 31, 2021	San Mateo County Health
Banuelos, Regina	July 16, 2021	Deferred - Treasurer's
Baxter, Michelle	July 17, 2021	Deferred - Sheriff's Office
Carlos, Guadalupe	July 31, 2021	San Mateo County Health
Chavez, Erika	July 24, 2021	Probation
Corpus, Rhonda	July 31, 2021	Probation
DeRocher, Frank	July 25, 2021	Sheriff's Office
Feely, Annemarie	July 15, 2021	Human Services Agency
Ferreira, Alisa	July 31, 2021	San Mateo County Health
Green, Steven	July 31, 2021	Information Services
Grindrod, Ronald	July 31, 2021	Building and Planning
Hebert, Michelle	July 15, 2021	Already retired - Plan 3 Portion
Kabasares, Kristian	June 25, 2021	Deferred - Social Services
Maharaj, Umesh	July 15, 2021	Deferred - Probation
Paz, Gloria	July 31, 2021	Mental Health
Peltz, Charles S	July 31, 2021	Behavioral Health
Porter, James	July 3, 2021	Public Works
Rodriguez, Rebecca	July 26, 2021	Deferred - Child Support Services
Tierney, Mary Jo	July 31, 2021	San Mateo County Health
Tolentino, Gerardo	July 17, 2021	Superior Court
Wegner, Grazyna	July 24, 2021	Information Services
Yang, Chin-Po	July 17, 2021	Behavioral Health

2109.4.4 **Continuances:** None.

2109.4.5 **Deferred Retirements:**

The Board ratified the actions as listed below for the following members regarding deferred retirements:

<b>Name</b>	<b>Retirement Plan Type</b>
Briscoe, Kristin	G7, Non-vested - Reciprocity
Bursten, Juliana	G5, Vested - Auto Defer - Code 31700
Dixon, Rochelle	G7, Vested - Auto Defer - Code 31700
Eggers, Brian	G7, Vested - Auto Defer - Code 31700
Fernandez, Oscar	G7, Non-vested - Reciprocity
Selvy, Vernon	G5, Vested

2109.4.6 **Member Account Refunds:**

The Board ratified the actions as listed below for the following members regarding refunds:

<b>Name</b>	<b>Retirement Plan Type</b>
Casey, Brian	S5, Non-vested
Thorpe, Kimberly	G7, Non-vested

2109.4.7 **Member Account Rollovers:**

The Board ratified the actions as listed below for the following members regarding rollovers:

<b>Name</b>	<b>Retirement Plan Type</b>
Bauzon, Jeannie	G7, Non-vested
Chow, Lucas	G4, Non-vested
Harrison, Adam	G7, Non-vested
Hollomon, Carl (FBO: Ellingberg, Frances)	G4, Vested
Pasch, Jaclyn	G7, Non-vested
Siva, Carl	G7, Non-vested

2109.4.8 **Member Account Redeposits:** None.

2109.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None.

2109.4.10 **Approval of Questions for Annual Review of Brown Armstrong:** The Board approved the evaluation questions in the "Questions for Annual Auditor Consultant Evaluation."

2109.4.11 **Approval of Resolution Amending Policy on Records Retention:** The Board approved a resolution amending the Board of Retirement's Records Retention Policy.

2109.4.12 **Approval of Resolution Authorizing CEO to Execute Contract with Buchalter for Tax Counsel Services:** The Board approved a resolution authorizing the Chief Executive Officer to execute an agreement with Buchalter, P.C. for Tax Counsel Services.

2109.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

2109.5.2 **Presentation of the June 30, 2021 Annual Actuarial Valuation by Milliman, Inc.:** Mr. Collier and Mr. Glyde presented the results and recommendations of SamCERA's Actuarial Valuation Report and answered questions from the Board. A few key points included: A decrease in the Employer Statutory Contribution rate from 38.91% to 38.33%, an increase in the member contribution rates for all plans, and an increase in the funded ratio of the system from 86.4% as of June 30, 2020 to 88.1% as of June 30, 2021. This report was accepted without objection by the Board.

2109.5.3 **Approval of Resolution Accepting the Fiscal Year 2022-2023 Employer and Member Contribution Rates and Recommendation:** Mr. Hood informed the Board that the packet was recently updated to include the attachments to the resolution and is available online. The attachments had already been included in the agenda packet as part of Milliman's Annual Actuarial Valuation, but selected pages from the valuation were reattached to the resolution for clarity. Mr. Raw then called for a motion on the resolution accepting recommendation made for fiscal year 2022-2023 employer and member contribution rates.

**Action:** Ms. Salas moved to approve the “Resolution Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2022-2023 Fiscal Year.” The motion was seconded by Mr. David and carried with a vote of 7-0, with trustees Arnott, Battey, David, O’Malley, Orr, Raw, and Salas all in favor; none opposed.

2109.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2021:** Mr. Coultrip reported that SamCERA’s net preliminary return for August was 1.6% bringing the preliminary trailing twelve month return ending August 2021 to 19.2% net, which is above SamCERA’s Plan Benchmark return of 18.3% and above SamCERA’s Actuarial Assumed Earnings Rate of 6.25%. This item was informational and for discussion only, no action was taken.

2109.6.2 **Report on Opportunistic Credit Manager Annual Review:** Ms. Ng reported that staff held an annual review meeting on September 2<sup>nd</sup> with SamCERA’s opportunistic credit manager, Brigade Capital Management. The discussion included a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook. This item was informational and for discussion only, no action was taken.

2109.6.3 **Approval of Resolution Amending SamCERA’s Investment Policy Statement:** Mr. Coultrip discussed the proposed changes to sections 6.0 and 9.0-11.0 of the Investment Policy Statement.

**Action:** Mr. Battey moved to adopt a resolution amending SamCERA’s Investment Policy Statement. The motion was seconded by Ms. Arnott and carried with a vote of 7-0, with trustees Arnott, Battey, David, O’Malley, Orr, Raw, and Salas all in favor; none opposed.

2109.7.1 **Discussion of AB 361 Brown Act Requirement for Telemeetings:** Mr. Hood and Mr. Okada provided the Board with an overview of AB 361 and discussed the requirements that must be fulfilled at future Board meetings in order to continue meeting via Zoom videoconference.

Ms. Orr left the Zoom meeting at 11:00 a.m.

2109.8.1 **Chief Executive Officer’s Report:** Mr. Hood thanked Mr. Collier and Mr. Glyde for their work on the valuation. Mr. Hood shared a few items for the October agenda including a presentation of the Annual Comprehensive Financial Reports, Board schedule for 2022, and a few SACRS related agenda items. He shared that Board Chair, Mr. Raw, has added Ms. Orr to the Investment and Ad-Hoc CEO Review Committees. He also shared that staff will be returning to the office next week on a permanent, hybrid work schedule. Mr. Hood informed the Board that due to an administrative error, the December 2019 and January 2020 minutes have been updated to correct the agenda item number sequence. Mr. Hood reported that SamCERA is in the final stages of the VoIP installation. He also shared that SACRS is offering an Ethics and Sexual Harassment Training on November 9<sup>th</sup> for those that are interested.

2109.8.2 **Assistant Executive Officer’s Report:** Ms. Smith reported that she will be sending out the survey link to the annual actuarial survey for Milliman, Inc. Ms. Trujillo reminded Board members about upcoming educational opportunities.

2109.8.3 **Chief Investment Officer’s Report:** Mr. Coultrip reported that staff will hold annual manager reviews on September 30<sup>th</sup> with opportunistic credit managers: Angelo Gordon at 9:00 a.m., and White Oak at 12:00 p.m. He also reported that staff will also hold annual reviews on October 7<sup>th</sup> with absolute return managers: CFM Global Macro at 8:00 a.m., PIMCO Mars at 9:30 a.m., and Acadian MARS at 11:00 a.m. He added that Ms. Ng will send an email out to the Board with all the information.

2109.8.4 **Chief Legal Counsel’s Report:** None.

C1 **Consideration of Disability Items, if any, removed from the Consent Agenda:** None.

2109.10 **Adjournment:** Mr. Raw adjourned the meeting at 11:21 a.m. in memory of the deceased members listed below.

Molinari, Shirley	March 16, 2021	Treasurer's
Hollimon, Dolores	August 1, 2021	Hospital
Markovitz, Judith	August 11, 2021	Crystal Springs Rehab
Bernier, Eleanor	August 11, 2021	Mental Health
Buriani Ioli	August 12, 2021	Aging & Adult Services
Patla, Robert	August 16, 2021	Behavioral Health
Mitchell, Sara	August 21, 2021	Sheriff's
Baker, Maureen	August 25, 2021	Controller's
Jones, Richard	August 27, 2021	Probation
Lopez, Victor R.	August 27, 2021	Parks
Recio, Justa	August 28, 2021	San Mateo County Health
Robinson, Mary	August 28, 2021	Vocational Services
Raabe, Anita	August 29, 2021	Probation
Fontenna, Regino	August 31, 2021	General Services
Garrison, David	August 31, 2021	Controller's
Herring, Ester	August 31, 2021	Controller's

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Robert Raw  
Board Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

October 26, 2021

Agenda Items 4.1- 4.9

**TO:** Board of Retirement

**FROM:** Elizabeth LeNguyen, Retirement Benefits Manager



**SUBJECT:** Approval of Consent Agenda Items 4.1 – 4.9

**4.1 Disability Retirements**

- a) The Board finds that **Stephen Pettit, Sr.**, (1) is permanently incapacitated from the performance of his usual and customary duties as a Sheriff's Sergeant, (2) find that his disability was the result of an injury arising out of and in the course of his employment and (3) grant his application for a service-connected disability retirement.
  
- b) The Board refers **Patrina Sudano's** application for service-connected disability retirement to a hearing officer for proposed findings and recommendations.

**4.2 Survivor Death Benefits**

None.

**4.3 Service Retirements**

The Board ratifies the service retirement for the individuals listed below as follows:

<b>Name</b>	<b>Effective Retirement Date</b>	<b>Department</b>
Aguilar, John	August 5, 2021	Deferred - Probation
Barradas, Raquel	August 18, 2021	County Manager's Office
Barrientos, Astrid	August 1, 2021	Deferred - Family Law
Bell, Gregory	September 1, 2021	Deferred - Probation
Bernales, Arnida	September 1, 2021	San Mateo County Health
Bradley, Rhea	August 3, 2021	Library
Caserza, Rosemarie	August 13, 2021	Human Services Agency
Castiglioni, Yvette	August 28, 2021	Superior Court
Elzey, Albert	August 21, 2021	Sheriff's Office
Ertola, Michael	August 7, 2021	Deferred - Probation
Escalante, Jacqueline	August 9, 2021	Deferred - Public Health
Eugenio, Angelo	August 10, 2021	Deferred – Superior Court

Johnson, Nancy	September 1, 2021	Probation
Jones, Teresa	September 1, 2021	Behavioral Health
Lopez, Julio	August 25, 2021	Information Services
Maddox, Carol	August 7, 2021	Deferred - Family Health Services
Roque, Solon	August 29, 2021	San Mateo County Health
Smith, Kelly	August 22, 2021	Sheriff's
Tang, Brandon	August 28, 2021	Public Works
Thakkar, Shailesh	August 7, 2021	Information Services
Vazquez, Benjamin	August 7, 2021	Public Works
Vogt, David	August 8, 2021	Public Safety Communications
Wilhelm, Anastasia	August 28, 2021	Family Health Services
Winters, Marsha	August 20, 2021	Assessor's County Clerk Record
Wong, Sandy S	August 1, 2021	Deferred - Public Works

#### 4.4 Continuances

The Board ratifies the granting of a continuance to the following individuals:

<b>Survivor's Name</b>	<b>Beneficiary of:</b>
Garrison, Karen	Garrison, David
Martin, Valerie	Martin, David
Nafey, Linda	Patla, Robert

#### 4.5 Deferred Retirements

The Board ratifies the deferred retirements as listed below for the following individuals:

<b>Name</b>	<b>Retirement Plan Type</b>
Baldisseri, Astrid	G4, Vested - Auto Defer - Code 31700
Benitez, Scott	G7, Vested - Auto Defer - Code 31700
Coonrod, Anne	G4, Vested - Auto Defer - Code 31700
Crismon, Alexa	G7, Non-vested - Reciprocity
Giles, Jennifer	G7, Non-vested - Reciprocity
Houle, Samantha	G7, Non-vested - Reciprocity
Kazzaz, Kevin	G7, Non-vested - Reciprocity
Madha, Deshawn	G5, Vested - Auto Defer - Code 31700

Montejano Del Rio, Ulices	G7, Vested - Reciprocity
Numera, Lealoea	G7, Non-vested - Reciprocity
Quon, Herman	S5, Vested - Auto Defer - Code 31700
Rose, Kevin	G4, Vested - Auto Defer - Code 31700
Sisco, Melissa	G5, Vested - Reciprocity
Truong, Lawrence	G7, Non-vested - Reciprocity

#### 4.6 Member Account Refunds

The Board ratifies the refunds as listed below for the following individuals:

Name	Retirement Plan Type
Duvall, Christian	G7, Non-vested
Garcia, Veronica	G7, Vested
Nave, Michael (DRO)	G2, Non-vested
Price, Wesley	G7, Vested
Rogers, Tesha	G7, Non-vested
Shaver, Blake	G7, Non-vested

#### 4.7 Member Account Rollovers

The Board ratifies the rollovers as listed below for the following individuals:

Name	Retirement Plan Type
Cook, Randall (FBO: Cook, Kenneth)	G7, Vested
Garcia, Veronica	G7, Vested
Raynsford, Jennifer	G4, Non-vested
Vu, Avery	G7, Non-vested

#### 4.8 Member Account Redeposits

Name	Retirement Plan Type
Harrison, Lee	G4, Vested
Kiryuczun, Rocio	G2, Vested

#### 4.9 Acceptance of Trustees' Reports of Educational Activities

None.

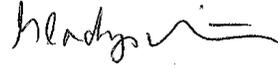
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

October 26, 2021

Agenda Item 5.2

**TO:** Board of Retirement

**FROM:** Gladys Smith, Assistant Executive Officer



**SUBJECT:** Annual Review of SamCERA's Actuarial Services Firm, Milliman, Inc.

**Recommendation**

Accept the annual performance report of Milliman, Inc.'s actuarial services.

**Background**

The annual evaluation of Milliman has three parts:

1. A survey completed by trustees, staff and the actuary;
2. Responses to questions submitted to the actuary;
3. A discussion at the Board meeting with Milliman, Inc. regarding its performance as reflected in the surveys and responses to the questions.

**Discussion**

Throughout the years, Milliman, Inc. has consistently received high marks from the Board and staff for the actuarial services it provides to SamCERA. Ratings this year were similar to those of the past.

Overall, Milliman received high marks from the Board and staff. The rating structure was from 1 to 5 with 1 being Low (poor rating) to 5 (high rating). The average self-assessment rating by Milliman was 4.6 while the Board's was 4.9 and staff's was 4.8. No concerns or issues were raised by the Board or staff.

**Attachment**

Milliman Questionnaire



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USA

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Fax +1 206 623 3485

milliman.com

October 4, 2021

**To:** Gladys Smith  
**From:** Nick Collier, Craig Glyde  
**Subject:** Actuarial Review – Milliman Inc.

As requested, we have completed the questionnaire form. Please note that Milliman is a large, multi-office firm with services covering a variety of types of actuarial and other consulting issues. For purposes of this review we have responded with answers that apply to the Western Region Employee Benefits practice and have provided client information regarding only the public sector clients. If additional information on other offices or other clients is needed, please let us know.

### Organizational Update

**1) Has the ownership structure of your firm changed? If so, describe.**

No, Milliman's ownership structure has not changed since last year. Milliman is a corporate organization owned by its approximate 450 Principals. No Principal owns 5% or more of the firm. The firm is comprised of profit centers overseen by Principals who have a considerable amount of flexibility with respect to the management of their profit centers.

**2) Provide an update on your firm's organization, with particular emphasis on (a) changes to your management structure over the past eighteen months, and (b) clients gained or lost in the past eighteen months. All significant changes should be accompanied by an explanation. An organizational chart should accompany this response.**

Milliman is a firm of actuaries and consultants providing actuarial and risk management services, and a range of consulting and technology solutions to private and public businesses, non-profit enterprises, government, and financial organizations in approximately 40 offices around the United States, and worldwide.

(a) Other than the normal growth of the firm, there have been no changes in the management structure of Milliman in the last 18 months. Normal growth includes new Principals being nominated and a few Principals leaving the firm, primarily due to retirement.

(b) The Western Region Employee Benefits has not had any significant gains or losses in clients over the past 18 months, although we have added a number of actuarial audit clients. If requested, we can provide a list of public clients added or lost over the past 18 months.

(c) Below is an organizational chart of Milliman. The only change of note from last year is that our global practice director for employee benefits completed his term and has been replaced. The Principals of the firm as a whole are responsible for establishing the governing principles of Milliman. Principals are active senior professionals within Milliman who have been elected in recognition of their technical, professional and business achievements. The Board of Directors of Milliman and the officers of Milliman are delegated the authority by the Principals to assume day-to-day responsibilities for carrying out the management directives established by the Principals. The Board of Directors of Milliman consists of 11 Principals including the

President, the Chairman, four National Directors of our major practice areas, and five rotating positions.

## Milliman Organization Chart

### Board of Directors



### Practice Areas



### Administration



### 3) Has your firm's policy regarding adding public pension plan clients and other actuarial business changed, if so how?

The Western Region Employee Benefits practice believes we can add new business only when we have the capacity to maintain the high level of service we promise to all clients. Within the public sector, the opportunity to attain new business is driven by the RFP process. In order to respond to any RFP situations, we are continually hiring new actuarial analysts – at the rate of about two per year within the western region, and growing from within. In addition, Milliman has access to additional staff from other offices if special projects create a need for a temporary increase in staffing support. We have on occasion, when needed, hired additional experienced staff from other firms, but our preferred method of growth is from within our own staff.

### 4) Update all significant personnel changes or expected changes to the "SamCERA Team." Describe the relative strength and longevity of your staff.

Most of the senior staff in our practice have been with Milliman for more than 15 years.

The SamCERA team consists of Nick Collier, Craig Glyde, and John Talbot. The team is supported by other public plan consultants and analysts.

Nick (30+ years with Milliman) and Craig (15+ years with Milliman plus additional experience with a prior firm) have extensive experience. John Talbot (6 years with Milliman) performs

most of the valuation calculations and provides support to Nick and Craig. Nick, Craig and John have been together on the SamCERA team for about 6 years.

- 5) Please confirm if there were any lawsuits or legal proceedings requiring notification to SamCERA under section 16 of our agreement. If yes, please described.**

There have been no legal proceedings that would require notification under the agreement.

- 6) Are any of your operations outsourced? If the answer is yes, provide details regarding the firm(s) with which your firm has contracted.**

No. None of our work with SamCERA is outsourced.

- 7) Other than the actuarial audit performed by SamCERA's actuarial auditor on your SamCERA actuarial services, was an actuarial audit performed on any of your firm's actuarial products? If yes, discuss the audit and the findings. Any material findings or recommendations must be accompanied by an explanation.**

The following client(s) from our practice have had actuarial audits performed within the past 24 months (auditing firm in parentheses): California State Teachers' Retirement System (Cheiron), Los Angeles County Employees Retirement Association (Cavanaugh Macdonald), Oregon PERS (Gabriel, Roeder & Smith), State of Florida Retirement Systems (Gabriel, Roeder & Smith) and Tacoma Employees' Retirement System (Gabriel, Roeder & Smith). There were no material issues found in the audits.

- 8) What are your mission critical systems? Has your firm experienced any problems with these systems in the past twelve months? When were these systems implemented and when were they last upgraded? Do you anticipate any changes to these systems in the next twelve months?**

The only critical system we use to perform services for SamCERA at the current time is our valuation system called ProVal. We moved to this valuation system in 2017 as it is the most common system used by pension actuaries and has an extensive support network. This system is continuously being updated and improved to reflect changes in the employee benefit arena.

- 9) **Please describe how your firm monitored and managed cyber security risks as they relate to SamCERA's Confidential Information. Were there any problems with cyber security? If so, was your cyber security breach policy applied? If not, why not? Have your procedures for cyber security been updated? Please describe. Please confirm that there has not been any release of SamCERA Confidential Information requiring notification to SamCERA as set forth in Schedule A Section 5(E).**

The following is a description of Milliman's cyber security procedures. Note that our procedures have been independently reviewed as part of a SOC 2 audit.

Data security is important and Milliman maintains physical, electronic, and managerial safeguards to prevent unauthorized access to confidential, sensitive, and personal information. Milliman has a comprehensive information security policy based on the ISO 27001 risk management framework. Milliman has implemented a number of layered controls and safeguards, including administrative policies and procedures and automated systems. These controls are employed in a defense in depth arrangement to secure electronic information stored on our systems.

Milliman's data handling policy requires that all confidential data be transmitted using an approved, secure method. We also maintain security protocols for our servers and e-mail system, and physical records retention and destruction policies. All hardware and software to be used for this project reside in our Seattle office. We do not contract with a separate entity for computer services.

Milliman's data sensitivity policy requires that all confidential data be transmitted using an approved, secure method. In addition, we will comply with any written standards communicated to us by our clients. Our data transmittal method is to use Milliman's Secured File Transfer Protocol (SFTP) server. This method only requires that the user be able to access the internet through an internet browser. No software needs to be installed on the user's computer. Milliman will issue the user a username, a password, and provide the Internet address for the SFTP site. Using Milliman's SFTP server ensures that usernames, passwords, and data files are encrypted while traveling through the internet. Milliman has other alternatives available, which can also include using file encryption or a client-provided encrypted method. Depending on the nature and sensitivity of the data sent, file encryption at rest may also be appropriate. We comply with any written standards communicated to us by our clients.

Once data has been securely obtained by Milliman, we undertake extensive precautions to ensure the continuing security of sensitive information. This includes logical security, firewalls, anti-malware software, employee security protocols, and full-disk encryption of personal desktop and laptop computers used by Milliman staff. In addition, we maintain physical security measures for building and data storage facilities and maintain internal policies to ensure privacy for sensitive client and participant data.

Other security measures we have in place, include:

- **Staff.** Milliman performs employee background checks on all employees before they are allowed to start work. Every Milliman employee signs Milliman's Employee Trade Secret and Client Information Agreement. Mandatory data-handling security training is required for all staff. Security training is monthly for all employees. Milliman has written policies on

data handling and acceptable computer use. Terminated users' access is removed on their last day. For involuntary terminations, all access is removed immediately and employees are escorted off the premises.

- **Physical security.** The Seattle office of Milliman is located at 1301 Fifth Avenue, Suite 3800. Keycard access is required to enter the building after hours. The building has security guards on duty 7 days a week, 24 hours a day. The elevators are secured after-hours and only the keycards of Milliman employees and security personnel are code to allow access a Milliman floor. Milliman floors are secured with keycards and door codes that are individualized to each employee. The data center is locked 24/7. It is secured on a separate keycard/door code system with extremely limited access, controlled by the Information Technology Manager. Each door entry system tracks who opens a door. There are cameras in the elevator lobbies and in the data center. The data center uses a motion detection system to monitor access. The data center has no walls on the outside of the building, and no walls are connected to the elevator lobby.
- **PC security.** All PCs lock after 15-minutes of non-use. All PCs use full-disk hardware encryption. All Notebook PCs use personal firewalls. All PCs and servers utilize anti-malware software.
- **Data access security.** System access requires valid user IDs and passwords. Forced password changes are required every 90 days. Complex password rules are in place. (A minimum of eight characters are required. Passwords must contain three of four categories of characters: uppercase, lowercase, numeric value or symbol. No part of the user's name exceeding two characters is allowed to be part of the password. Passwords in history cannot be re-used. Twenty-five passwords retained in history.) Data access is limited by role. This is controlled by two levels of security. Active Directory group permissions are used to control allowed access to applications. Then role-based permissions are used inside the applications themselves to allow very granular access control.
- **Firewalls, intrusion prevention, and detection, etc.** The database is housed behind an intrusion prevention system is in place. It is updated within a day of newly published patterns. Milliman actively blocks tens of thousands of known malicious IP addresses. Intrusion detection monitoring and alerting is provided 24 hours a day. Operating Systems and application security patches are installed within a few days of release and pushed out from a central server to machines automatically. Anti-malware provides anti-virus and anti-SPAM blocking before mail is routed to Milliman. All PCs and Servers run Anti-virus/Anti-Spyware/Malware software. Every file is scanned upon opening. A central server checks for pattern updates multiple times per day and pushes updates out to all machines.
- **Vulnerability scans, penetration testing, audits.** Periodic vulnerability scanning is performed monthly to find and mitigate risks. Penetration testing is performed annually by an external auditing firm. An annual SSAE16 audit of IT systems is performed annually by an external auditing firm. In addition, Milliman has an Information Security Policy which is reviewed internally on a periodic basis and annually by a third party to ensure it is up to date and continues to cover the appropriate scope, and to identify any existing gaps between the security policy and industry practices.

All security incidents are promptly reported to management, including the chief legal officer and information security officer.

In addition, Milliman has an Information Security Policy which is reviewed internally on a periodic basis and annually by a third party to ensure it is up to date and continues to cover the appropriate scope, and to identify any existing gaps between the security policy and industry practices.

We have an annual independent assessment made of our cyber security processes including annual security penetration testing performed by a third-party. We also have an SSAE18 audit which includes a review of our cyber security controls.

Milliman's cyber security breach policy requires us to notify clients within 48 hours of a confirmed breach. In the event of a cyber security incident, Milliman follows the laws applicable in each state where affected participants reside to notify clients and participants of security breaches. Milliman has a documented Cyber Security Incident Response Plan and a Cyber Security Incident Response Team. Cyber security monitoring and incident response includes the following:

- Preparation & Prevention – includes maintaining a cyber security response team, maintaining firewalls, maintaining access control security, maintaining monitoring systems and alerts
- Identification/Detection – includes user reports, monitoring ingress and egress sensors, event correlation, categorization of incidents by severity (triage) which determines incident response
- Containment – includes possibly isolating hosts depending on the nature of activity associated with a given incident
- Investigation – includes analyzing logs, documenting findings, transferring evidence as needed to law enforcement
- Eradication – includes the use of cleaning utilities, manual reconfigurations, vendor or other approved patches, updated service packs, updated device images
- Post-Incident Recovery – includes verifying that the threat and enabling environment are clear, performing vulnerability scanning and device hardening as applicable, restoring data
- Follow-up – includes conducting effectiveness reviews during each incident response to identify any inadequacies within the process

We have not experienced any cyber security incidents in the past 18 months.

With regards to updates to our cyber security procedures, every year by means of internal assessments and external audits our controls are assessed and tested for accuracy, relevancy, and compliance. Any gaps that are identified are corrected by implementation of new controls, modified controls, or engagement of a new project or technology to address any identified gaps.

There has not been any release of SamCERA Confidential Information requiring notification to SamCERA.

**10) Please describe any changes to Milliman's business continuity plan.**

There have been no substantive changes to Milliman's business continuity plan that we reported to SamCERA last year. Note that Milliman has been able to successfully transition to remote working during the current pandemic.

**Actuarial Process****11) Provide a description, in detail, of your actuarial process used when providing services to SamCERA and highlight any changes to the process.**

The following summarizes our standard valuation procedures (as stated in our proposal):

**1. Data Checking and Preliminary Processing**

SamCERA supplies us with information for each active, vested, and retired member, along with certain financial items. The data is checked for reasonableness and any data questions and issues are submitted to SamCERA staff for verification.

**2. Choosing Assumptions**

Actuarial valuations are necessarily based on assumptions as to future rates of retirement, disablement and death among active members, rates of mortality after retirement, rates of investment income, rates of salary increase, and rates of increase in the Consumer Price Index, where applicable. In valuing SamCERA's benefits, we use the assumptions adopted by the Board, based on the most recent experience investigation.

**3. Valuation Calculations**

Each valuation determines the actuarial present value of all future benefits payable from SamCERA. These benefits are those provided to members under current law. We determine the actuarial present value of future benefit payments using our valuation program. The program can calculate costs under the entry age normal cost method, which is specified in the County Employees Retirement Law (CERL). Liability calculations are checked for accuracy and reasonableness on both an individual and aggregate basis.

We then calculate each valuation group's unfunded actuarial accrued liability (UAAL) as the value of the benefits in excess of the sum of the future normal cost contributions and the current value of assets. Finally, we determine the contribution rate needed for each group to satisfy the amortization period requirements.

**4. Funding Valuation Report**

Our report includes our conclusions regarding the financial condition SamCERA, the unfunded actuarial accrued liability, recommendations as to future contribution rates, discussion of the calculations, descriptions of the benefit provisions of the applicable laws and summaries of assumptions and data. Our report typically shows a breakdown of liabilities by source of decrement for active members, as well as subtotals for inactive members. We are open to discuss with SamCERA staff and the Board regarding possible changes in the reporting format for their particular needs. We reflect each system's own characteristics in our report.

Our goal is to provide enough information for the Board to make reasonable financial decisions without becoming too complex to undermine the basic intent of disclosing the valuation results. However, we are always open to suggestions for improving the communications of our valuation work, if a modified approach is preferred.

**5. GASB Report**

We develop the information required to be disclosed by Statement Nos. 67 and 68 of the Governmental Accounting Standards Board (GASB). We provide this information both for the system and the participation employers.

There was one change in the process since last year. We included additional information for all active members to more accurately determine the member contribution rates being paid.

**12) Provide a description, in detail, of the peer review procedures you used when providing services to SamCERA and include whether and the extent it involves other actuarial firms, highlight any changes to that process.**

Our internal peer review processes provide assurances that the highest quality standards are being maintained at all times. Each valuation, study, or projections will be reviewed by at least two consultants. The first level of review will occur within the SamCERA team. Two of the three consultants on the project team will review each step of the project. The final internal SamCERA team review will be performed by Nick Collier and Craig Glyde. Additionally, another Milliman public sector consultant who did not work on the project will review the work prior to its final release. This provides the project with an independent set of eyes. This review will not only verify the calculations, but will evaluate whether or not the assumptions, methods, and results are reasonable, and all appropriate issues are considered.

## Outlook

**13) What current issues are other clients concerned with in regards to products, services, education and governance?**

The following are some of issues concerning our public sector clients right now.

- Liability Disclosures – Proposed Actuarial Standard of Practice #4 includes a requirement to disclose a market-related liability which would be based on a currently very low discount rate, and consequently the Low-Default-Risk Obligation Measure would be a much higher number than retirements systems are disclosing for funding purposes. This would only be a disclosure requirement and should not have a direct impact on system funding.
- Risk Assessments – Actuarial Standard of Practice (ASOP) #51 was first effective with SamCERA's 2019 valuation and requires a discussion of risk related to funded status and contributions. We have included a Risk Disclosure section in the annual valuation report that satisfies this ASOP, along with supplemental information on risk in our presentations. Although not required under the standard, some retirement systems have had a more comprehensive analysis of risk completed by their actuary. This has generally been in the form of a separate stand-alone report. The additional analysis has been fairly prevalent in California with CalPERS, CalSTRS, and several of the CERL systems preparing risk reports. We have previously provided a sample risk assessment report to SamCERA's CEO for informational purposes.
- Investment Return Assumption – Always a hot topic in the public sector, continuing declines in interest rates and expected returns will continue to put pressure on systems to reduce their return assumptions.

**14) Describe your assessment of the relationship between your firm and SamCERA. How can SamCERA better assist you in accomplishing the goals it has established for your firm? How can we better utilize your firm's capabilities?**

We believe we have a strong relationship with SamCERA. As with all relationships, communication is the key factor. We have attempted to reply promptly and effectively to all inquiries. We have attempted to alert SamCERA of any relevant issues as they become apparent to us or are reported to us. Similarly, SamCERA staff has kept us up to date on issues that affect our work. We have felt very positive about being supported by SamCERA and we hope the relationship will continue to grow.

We have the actuarial data process working fairly smoothly with SamCERA's pension administration system. By continuing to improve the consistency and quality of data included in the extract files, SamCERA will help us continue to provide quality service. On the asset side, it is always helpful for us to get the financial information as early as possible in the valuation process to provide sufficient time for inclusion in the valuation and to complete internal review prior to releasing the valuation report.

Probably the most significant way we can continue to assist SamCERA is in the understanding of the volatility of future investment returns and the impact on future contribution rates. We have provided SamCERA some fairly simple projections in the past but have the capability to do more sophisticated analysis as the need arises.

## **Conclusion**

**15) What actuarial related changes should SamCERA consider?**

We do not believe there are any actuarially related changes that need to be made at this moment. As noted in our response to question #13, some retirement systems are having their actuary prepare additional risk analysis. We do not currently see a compelling reason for SamCERA to complete this type of analysis but have provided SamCERA a sample report from another client. At this point in time, we think the focus should be on any adjustments SamCERA or the employers would like to make in preparation for the projected decrease ("the cliff") in the Statutory Contribution Rate.

**16) Relative to your expertise, what trends are occurring in the retirement industry that SamCERA should be tracking?**

We believe the key trends are as follows:

- Lower CPI / wage growth / Investment Return Assumptions – In response to economic experience and trends, changes in asset allocation, and future expectations of CPI and investment returns of asset classes, retirement systems have been adopting lower CPI, wage growth and investment return assumptions over the last 10 years. We believe there will continue to be downward pressure on economic assumptions given the continuing decline in interest rates. The recent spike in inflation, and how it may or may not affect future inflation forecasts, will need to be factored in this discussion.
- Pension Obligation Bonds – There has been an increase in the issuance of pension obligation bonds (POB) over the last few years, at least partially driven by the current low interest rate environment. In California, these issuances have been primarily among cities

participating in CalPERS. POBs in theory can reduce employer contributions, but they also increase the potential risk for the employer.

- **Alternative Plan Formulas** – There has been an increase in the use of alternative plan formulas for corporate and Taft-Hartley (union) pension plans. In particular, variable annuity pension plans (VAPPs) have become more common, where the defined benefit amount can increase or decrease based on investment returns to maintain full funding. Milliman's Sustainable Income Plan is a VAPP with a number of customizable features, including the ability to provide benefits that can increase, but do not decrease. Although we are not aware of any traditional VAPPs in the public sector, there are some states (notably Wisconsin and Minnesota) that allow for adjustments in benefit amounts based on investment returns. Given the requirements of PEPPRA and other applicable law, there would be significant constraints to trying to implement this type of plan in California.
- **Plan Maturity** – Plans are continuing to become more mature. For example, beginning with the 2020 valuation the number of SamCERA retirees exceeds the number of active members. This is not necessarily a problem, but it may increase volatility of contribution rates for SamCERA (and the majority of public sector retirement systems). To address this, we will continue to provide SamCERA with sensitivity analysis showing the impact of various future investment returns on contribution rates. We will also work with Verus when they do their asset allocation study to reflect this impact, as well as look at the how to address negative cash flow, which is likely to occur in a few years.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 6.1

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer *Michael R. Coultrip*

**SUBJECT:** Preliminary Monthly Portfolio Performance Report for the Period Ended September 30, 2021

**Recommendation**

Accept the preliminary performance report dated September 30, 2021.

**Background**

This preliminary report is intended to provide a high-level view of the portfolio and its trends. It is not intended to provide short-term performance upon which the Board would act. The quarterly performance metrics are not yet available for our private equity, private credit, private real asset, and real estate portfolios. The performance for these portfolios will be reflected in the quarterly performance report generated by Verus.

The attached performance report shows both net and gross of fee returns for the total plan on page one, with net composite returns on page two and net manager returns (pages 3-9) also shown.

**Discussion**

The fund's net preliminary return for September was -1.5%, bringing the preliminary trailing twelve-month net return ending September 2021 to 19.0%. The preliminary twelve-month net return is above both SamCERA's Plan Benchmark return of 17.8% and SamCERA's Actuarial Assumed Earnings Rate of 6.25%.

Global equities sold off during the month as higher inflation concerns pushed bond yields higher. During its September meeting, the FOMC communicated its intention to begin tapering bond purchases by year-end and to finish quantitative easing by mid-2022. For the month, the U.S. equity market (measured by the S&P 500 Index) was down 4.7%, while small-capitalization stocks were down 2.9%. Developed international equity (as measured by MSCI EAFE) was down 2.9% while emerging markets were down 4.0%.

Economic data was mostly positive as the economic recovery continued, but seemingly at a slower pace. Manufacturing was moderately positive during the month, while the U.S. labor market also continued its recovery (although slower than expected - again). Consumer confidence sagged in September (for the third straight month), while the Consumer Price Index rose 5.4% during the past year, according to the U.S. Bureau of Labor Statistics.

The general U.S. fixed income market was lower by 0.9% as interest rates rose across the yield curve. The 10-year U.S. Treasury yield was higher by 18 basis points during the month and ended at 1.49% by month-end. High Yield returns were flat, and the Bloomberg Commodity Index was up 5.0%.

**Attachments**

Verus Capital Market Update

Northern Trust Monthly Preliminary Performance Report



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**

SEPTEMBER 2021  
Capital Markets Update

# Market commentary

## U.S. ECONOMICS

- The U.S. Establishment Survey indicated that nonfarm payrolls increased by 194K in September and missed expectations (+510K). The print disappointed despite the conclusion of a program that provided enhanced jobless benefits, which some believed were keeping workers sidelined from entering the labor market.
- The September ISM Manufacturing PMI rose to 61.1 in September from 59.9 the month before, indicating growth at a faster rate. Supplier deliveries, the only reading in the PMI that is inverted, meaning a value over 50 indicates slower deliveries, rose to 73.4 in September.
- Slowing supplier deliveries are typically an indicator of economic growth but could also be symptomatic of continued supply issues. Hiring challenges for suppliers, raw material lead times, and input material shortages were cited in the PMI report as leading causes for slowing supplier deliveries.

## U.S. EQUITIES

- The S&P 500 (-4.7%) recorded its largest monthly loss since March 2020, when markets sold off in response to the pandemic outbreak.
- Markets fell across the US as uncertainty surrounding fiscal and monetary policy have taken hold. Congress has yet to pass an infrastructure bill. The \$3.5 billion healthcare, education, and climate bill includes a 2% tax on stock buybacks by publicly traded issues.
- Revenues are projected to continue to outpace earnings and grow margins in the next 12 months. It remains to be seen if rising costs of labor will flow through to higher prices for consumers. In the most recent U.S. employment report hourly wages grew 4.6% year-on-year.

## U.S. FIXED INCOME

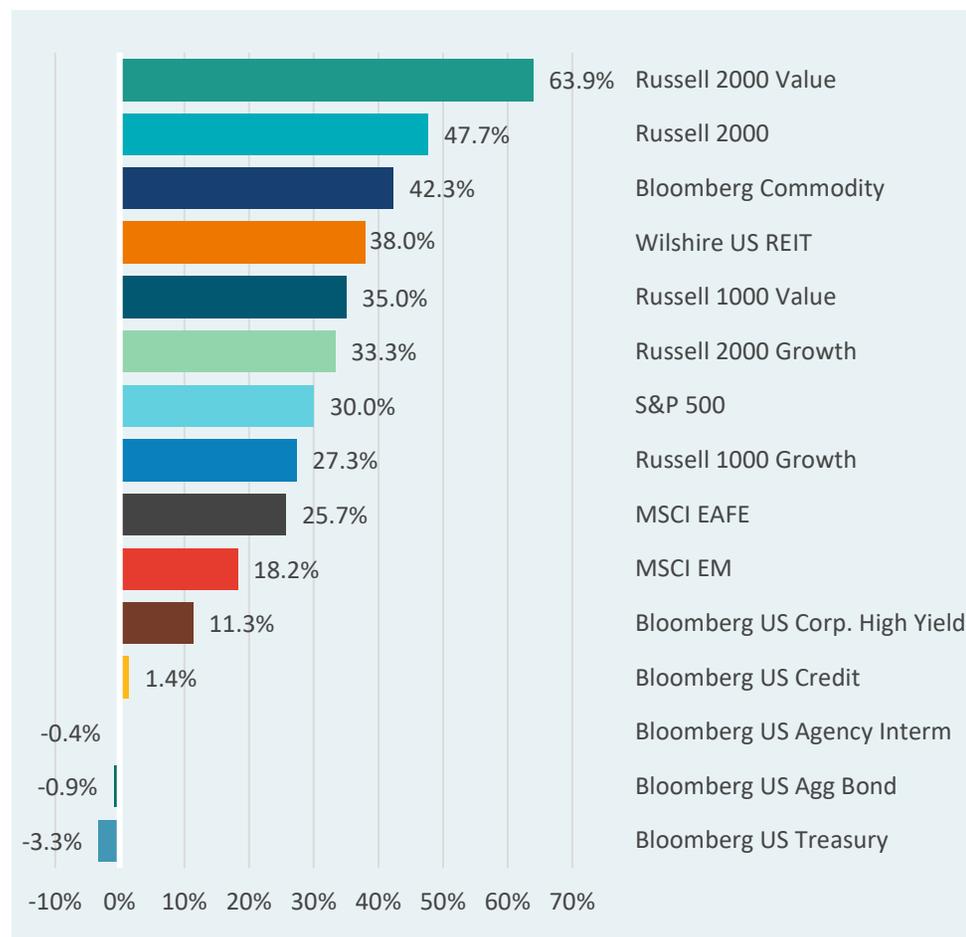
- The Fed signaled a likely November start to tapering of its asset purchase program, Chairman Powell added, “it wouldn’t take a knockout, great, super-strong employment report” for the Fed to begin to taper.
- Analysts expect the Fed to unwind the highly accommodative \$120 billion per month asset purchase program gradually, over the course of six to nine months, and would likely conclude around the middle of 2022.
- Nine of 18 U.S. central bank policymakers now project borrowing costs will need to rise in 2022, an increase from seven back in June. Markets are pricing a likely liftoff in rates from the 0.0% lower bound in December 2022, roughly five months following the end of the expected taper.

## INTERNATIONAL MARKETS

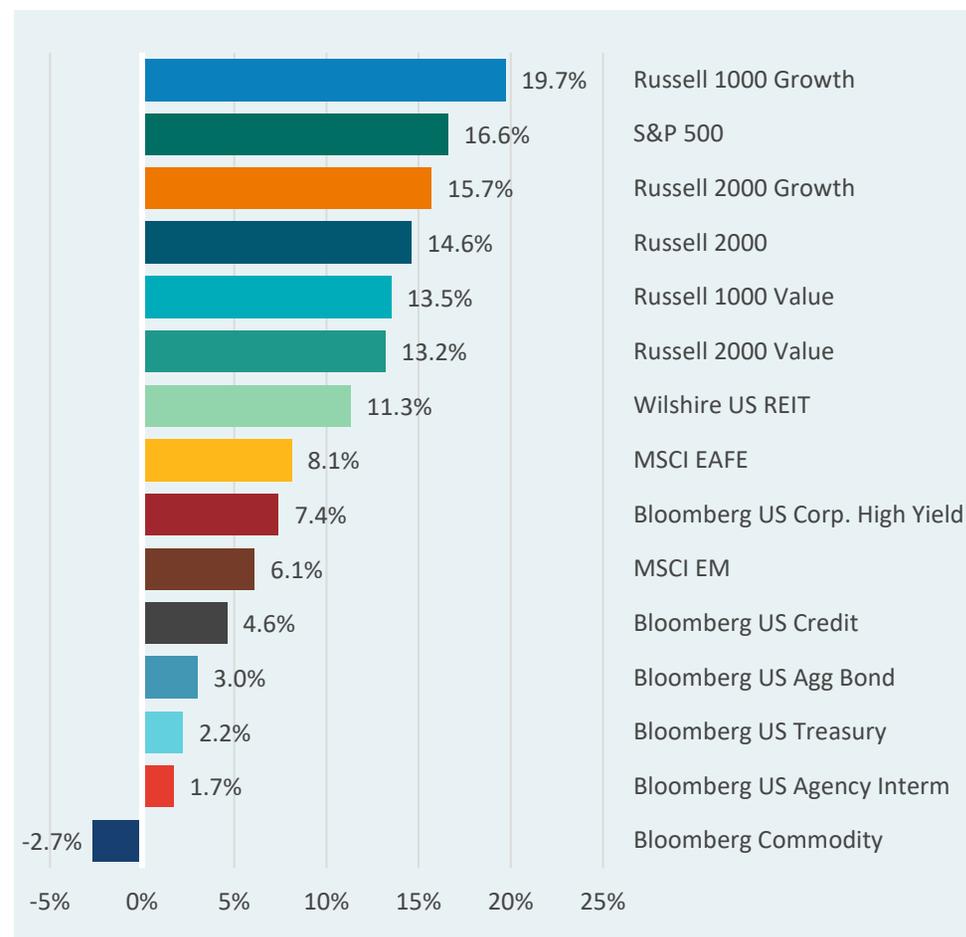
- The MSCI Asia Pacific Index (-1.8%) declined while Japan’s TOPIX Index advanced +4.3%. Broader Asian markets were weighed down by Chinese equities (MSCI China -5.0%) which saw a major rout in its risk assets in part due to uncertainties surrounding a property developer who struggled to meet its debt obligations.
- The MSCI EAFE Index (-2.9%) faced headwinds from Europe (STOXX 600 Index -5.0%) while the neighboring United Kingdom fared better (FTSE 100 -0.2%).
- The U.K. 10-year Gilt yield rose 31 basis points over the month. The 10-year yield closed above 1.0% for the first time since March, following a confluence of accelerating inflation and curtailed growth from an expected tightening in rates. Despite U.S. Treasury yields hitting similar milestones the Pound spot fell -2.0%.

# Major asset class returns

ONE YEAR ENDING SEPTEMBER



TEN YEARS ENDING SEPTEMBER



\*Only publicly traded asset performance is shown here. Performance of private assets is typically released with a 3- to 6-month delay.

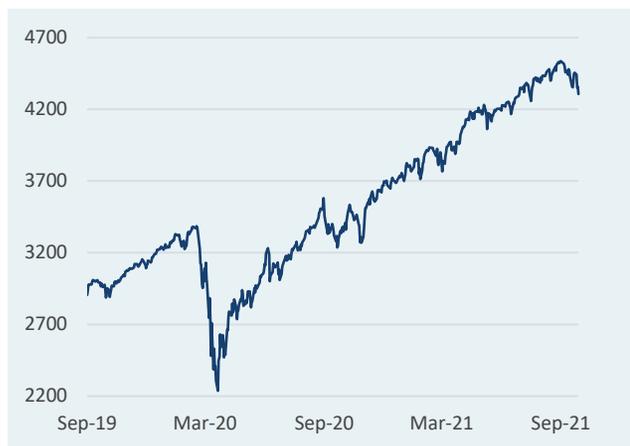
Source: Morningstar, as of 9/30/21

Source: Morningstar, as of 9/30/21

# U.S. large cap equities

- The S&P 500 Index fell -4.7% in September and ended seven months of consecutive gains. The Technology sector holds almost a 28% weight in the index and saw a -5.8% return.
- Of the 11 GICS S&P 500 Sectors, Energy (+9.4%) was the only sector to post a positive return over the month. The energy sector has recorded a 20.8% increase in estimated earnings since June 30<sup>th</sup> with most of the upward revisions coming in September. National average gas prices at the pump hit \$3.20, the highest level since 2014, and have increased 45.7% year-over-year.
- In addition to the Energy sector (9.4%), the Financials (-1.8%) and the Consumer Discretionary (-2.6%) sectors helped the S&P 500 Price Index's performance. The Materials (-7.2%), Communication Services (-6.6%), and Real Estate (-6.2%) sectors led the overall index's decline and weighed on performance.
- The Cboe VIX Index of implied volatility reached an intra-month high of 25.7, the highest level since May. The index ended a risk-off month elevated at 23.1, well above the 100-day moving average of 17.5. As the economy peaks from its recovery from the pandemic it will be interesting to see if volatility will trend higher.

**S&P 500 PRICE INDEX**



Source: Bloomberg, as of 9/30/21

**IMPLIED VOLATILITY (VIX INDEX)**



Source: Cboe, as of 9/30/21

**S&P 500 VALUATION SNAPSHOT**

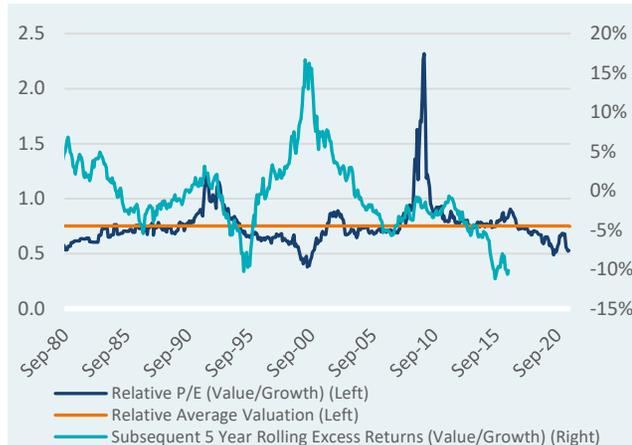


Source: Bloomberg, as of 9/30/21

# Domestic equity size and style

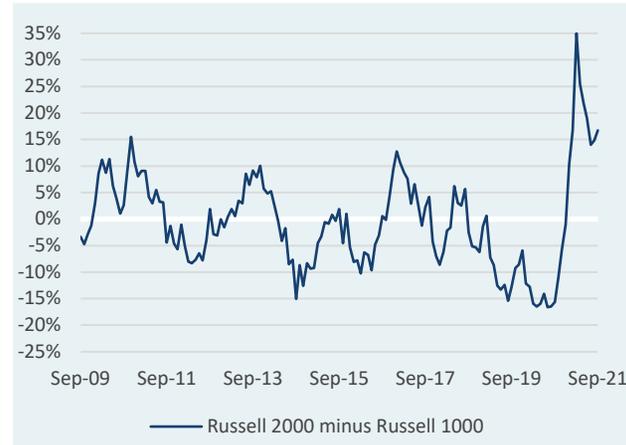
- The Russell 3000 Value (-3.4%) saw less of a drawdown than the Russell 3000 Growth (-5.6%) in September. Stocks with higher growth potential were hurt over the month from rising US Treasury yields. Growth stocks tend to have most of their earnings expectations in the future and when rates rise markets discount those earnings expectations at a higher rate.
- The performance of the Russell 3000 Value (-3.4%) was buoyed by the Energy sector (+13.6%). Continued rises in demand for energy-related commodities have been a tailwind for the sector.
- Small-cap (Russell 2000 -2.9%) reversed a five-month trend of large-cap (Russell 1000 -5.5%) outperformance and weakened less than large-caps. The tech-heavy Russell 1000 Index holds a 14% relative overweight to the Information Technology sector, where large-cap underperformed small-cap by 3.1%.
- The S&P 500 Volatility Index, an index that tracks performance of the 100 most volatile stocks in the S&P 500 weighted by volatility, rose +0.4% in September and strongly outperformed the broader index (S&P 500 -4.7%).

**VALUE VS. GROWTH RELATIVE VALUATIONS**



Source: FTSE, Bloomberg, as of 9/30/21

**VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE**



Source: FTSE, Bloomberg, as of 9/30/21

**SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE**

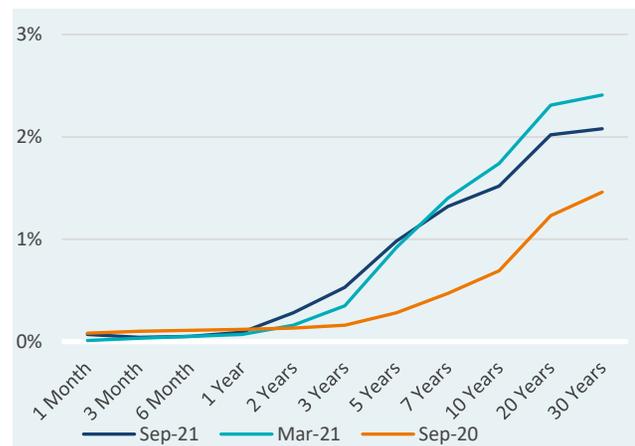


Source: FTSE, Bloomberg, as of 9/30/21

# Fixed income

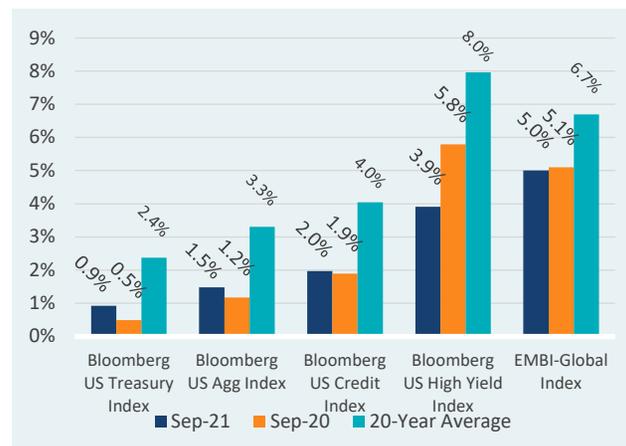
- Global sovereign bonds (Bloomberg Global Treasuries ex US -2.6%) have seen a sharp rise in yields as investors have considered the gradual tightening of central bank policy within the context of a higher and stickier potential inflation backdrop.
- Evergrande, a Chinese real estate developer was unable to meet its obligations following a liquidity crisis due in part to misses in sales and new rules from regulators that limited the amount of debt companies can hold. Fear of exceedingly extended real estate companies in the highly priced Chinese real estate market sent Chinese junk bond yields to decade highs.
- Short-duration Treasuries outperformed (Bloomberg US Treasury Bills +0.0%) long-duration fixed income (Bloomberg US Treasury Long -2.9%) in a month of term spread compression.
- US high yield spreads (ICE BofA US HY Index OAS Spread) compressed by six basis points in September. Record profits for Corporations have strengthened balance sheets and many companies have moved up in credit quality tranches. Default rates for high yield companies remained well below average.

**U.S. TREASURY YIELD CURVE**



Source: Bloomberg, as of 9/30/21

**NOMINAL YIELDS**



Source: Morningstar, as of 9/30/21

**BREAKEVEN INFLATION RATES**

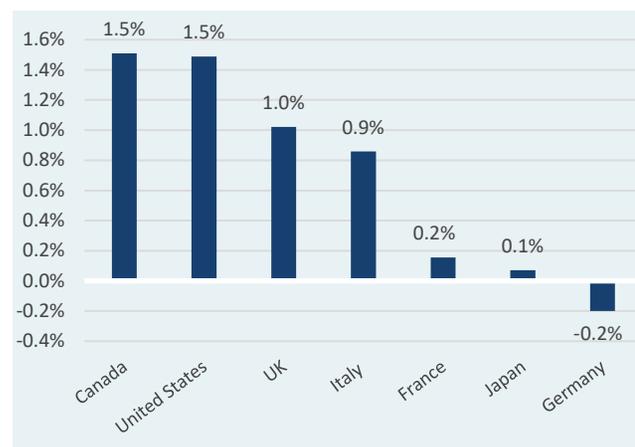


Source: Bloomberg, as of 9/30/21

# Global markets

- World equities (MSCI ACWI -4.1%) sold off broadly in September. Euro-area countries (-5.0% MSCI Euro), and US equities (S&P 500 -4.7%) both weighed on risk assets globally. The MSCI EM Index (-4.0%) was buoyed by India (MSCI India +2.3%) and outperformed other major world indexes.
- The MSCI Japan (+2.8%) was a bright spot in developed world indexes. Japanese markets responded positively to an announcement by the Prime Minister of Japan Yoshihide Suga to resign. Mr. Suga's handling of COVID-19 was a factor to his resignation as the country's inoculation rates lagged many other developed nations.
- Latin American equities (MSCI Latin America -10.3%) were led lower by Brazilian equities (MSCI Brazil -13.0%). Concerns over Brazil's high inflation and political uncertainty around upcoming presidential elections likely drove the decline. Weakness in the Brazilian Real (-5.4%) against the U.S. Dollar worsened equity returns for US investors.
- Concerns over the financial wellbeing of Evergrande, a major property developer in China, weighed on sentiment surrounding the Chinese equity market, which declined -5.0% over the month (MSCI China).

**GLOBAL SOVEREIGN 10-YEAR YIELDS**



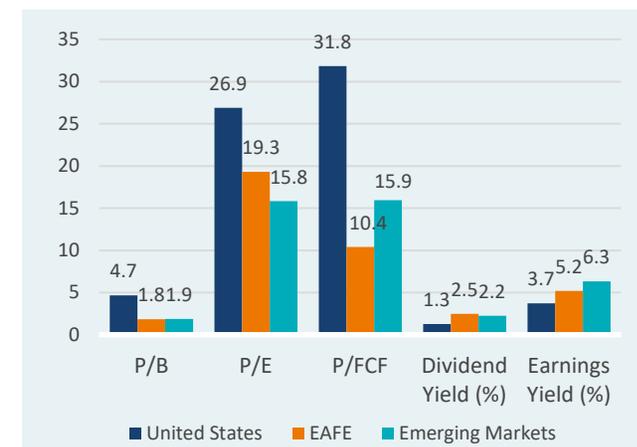
Source: Bloomberg, as of 9/30/21

**U.S. DOLLAR MAJOR CURRENCY INDEX**



Source: Federal Reserve, as of 9/30/21

**MSCI VALUATION METRICS (3-MONTH AVG)**



Source: Bloomberg, as of 9/30/21

# Commodities

- The Bloomberg Commodity Index rose 5.0% over the month. Energy (+17.0%) was the top performing sub-index within the commodity complex.
- The Bloomberg Natural Gas Sub-Index climbed 32.6% in September, as the stockpiling period for natural gas neared its end. In Europe, natural gas inventories remained at their lowest September-end levels in five years. High demand from Asian consumers has pushed prices to even higher levels. Natural gas, which produces lower emissions per unit of energy than other fossil fuels, has become more attractive as Europe has aimed to cut 55% of greenhouse gas emissions by 2030.

- The Bloomberg Petroleum Sub-Index (+10.0%) – which does not include Natural Gas – outperformed the broad commodity index. Oil prices rose sharply in September (WTI +9.9%; Brent +9.6%). Oil demand has largely recovered but, supply has remained depressed. OPEC decided to keep course with an output increase of only 400k barrels per day while some analysts expected a larger increase due to high oil demand.
- The Bloomberg Precious Metals Sub-Index was negatively impacted by a strong U.S. Dollar and fell -4.4% making it the worst performing sub-index. The price of Gold (-3.1%), Platinum (-4.8%), and Silver (-7.2%) fell in September.

## INDEX AND SECTOR PERFORMANCE

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
Bloomberg Commodity	5.0	6.6	29.1	42.3	6.9	4.5	(2.7)
Bloomberg Agriculture	(0.1)	(1.0)	19.2	44.7	12.3	1.9	(2.3)
Bloomberg Energy	17.0	21.0	74.9	78.8	(6.0)	0.7	(8.9)
Bloomberg Grains	(0.4)	(6.0)	13.3	38.4	10.4	2.6	(2.4)
Bloomberg Industrial Metals	(2.2)	2.1	20.0	37.1	10.9	10.6	1.2
Bloomberg Livestock	(1.9)	(2.0)	6.6	9.3	(8.2)	(0.6)	(4.8)
Bloomberg Petroleum	10.0	7.3	59.3	91.2	(6.1)	4.1	(5.6)
Bloomberg Precious Metals	(4.4)	(4.6)	(10.0)	(7.8)	12.2	3.8	(1.1)
Bloomberg Softs	1.7	16.5	36.2	55.7	13.8	(3.0)	(6.0)

Source: Morningstar, as of 9/30/21

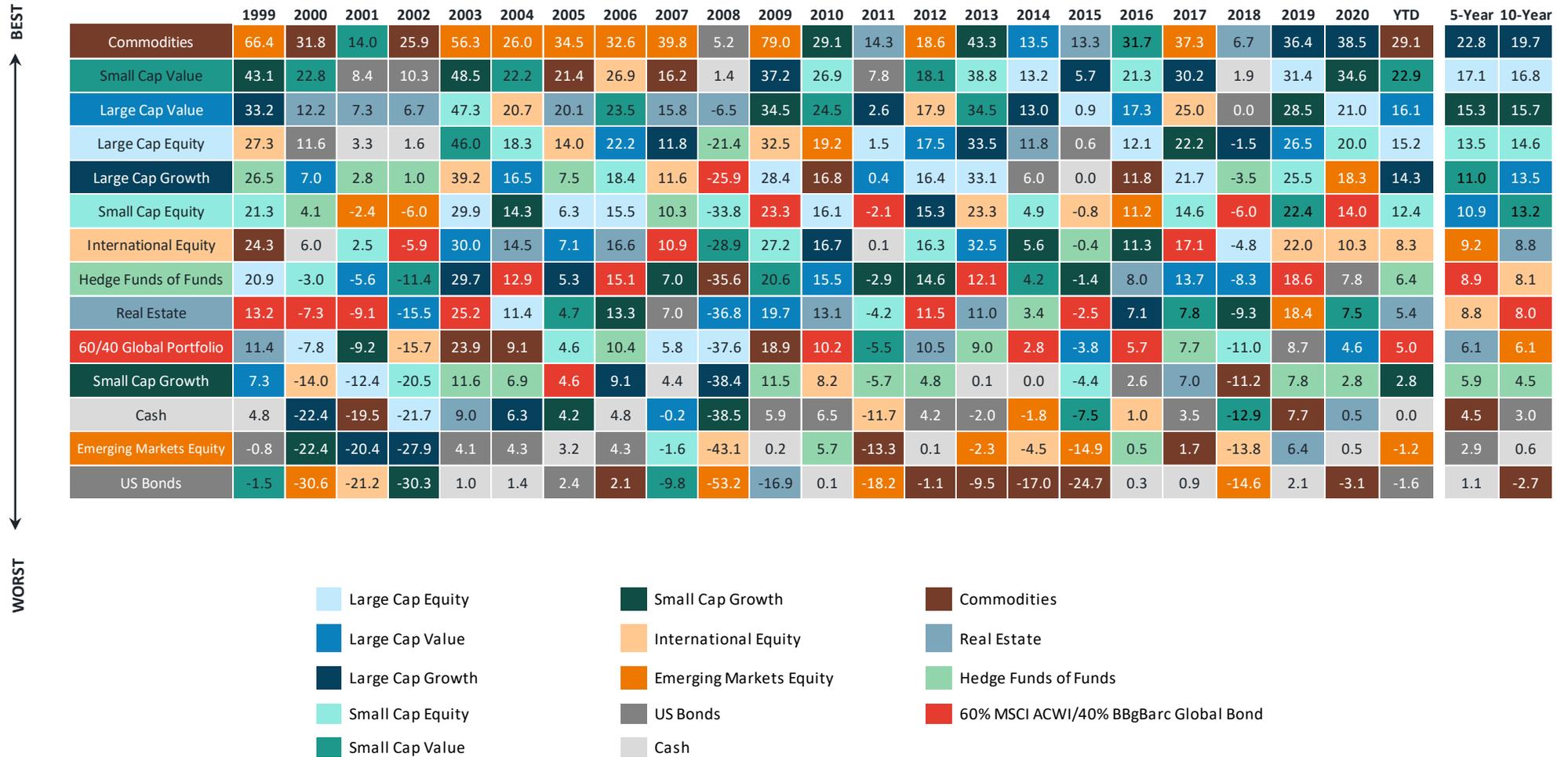
## COMMODITY PERFORMANCE



Source: Bloomberg, as of 9/30/21

# Appendix

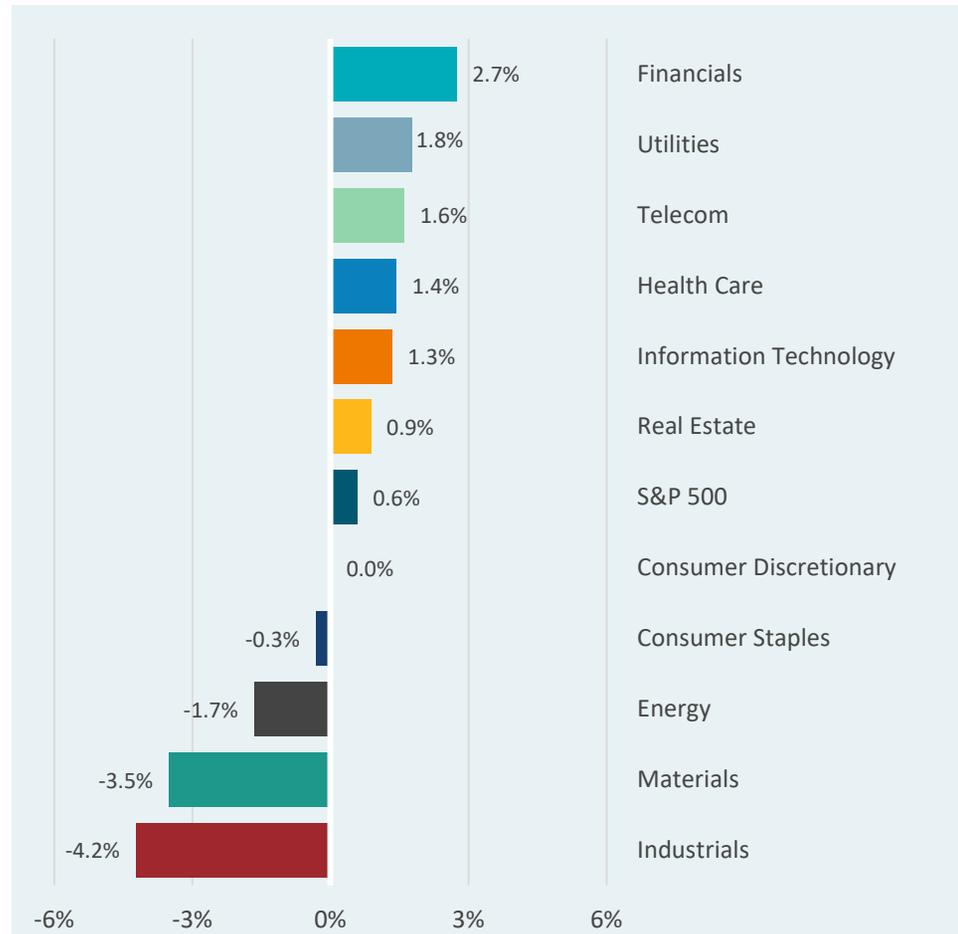
# Periodic table of returns



Source Data: Morningstar, Inc., Hedge Fund Research, Inc. (HFR), National Council of Real Estate Investment Fiduciaries (NCREIF). Indices used: Russell 1000, Russell 1000 Value, Russell 1000 Growth, Russell 2000, Russell 2000 Value, Russell 2000 Growth, MSCI EAFE, MSCI EM, Bloomberg US Aggregate, T-Bill 90 Day, Bloomberg Commodity, NCREIF Property, HFRI FOF, MSCI ACWI, Bloomberg Global Bond. NCREIF Property Index performance data as of 6/30/21.

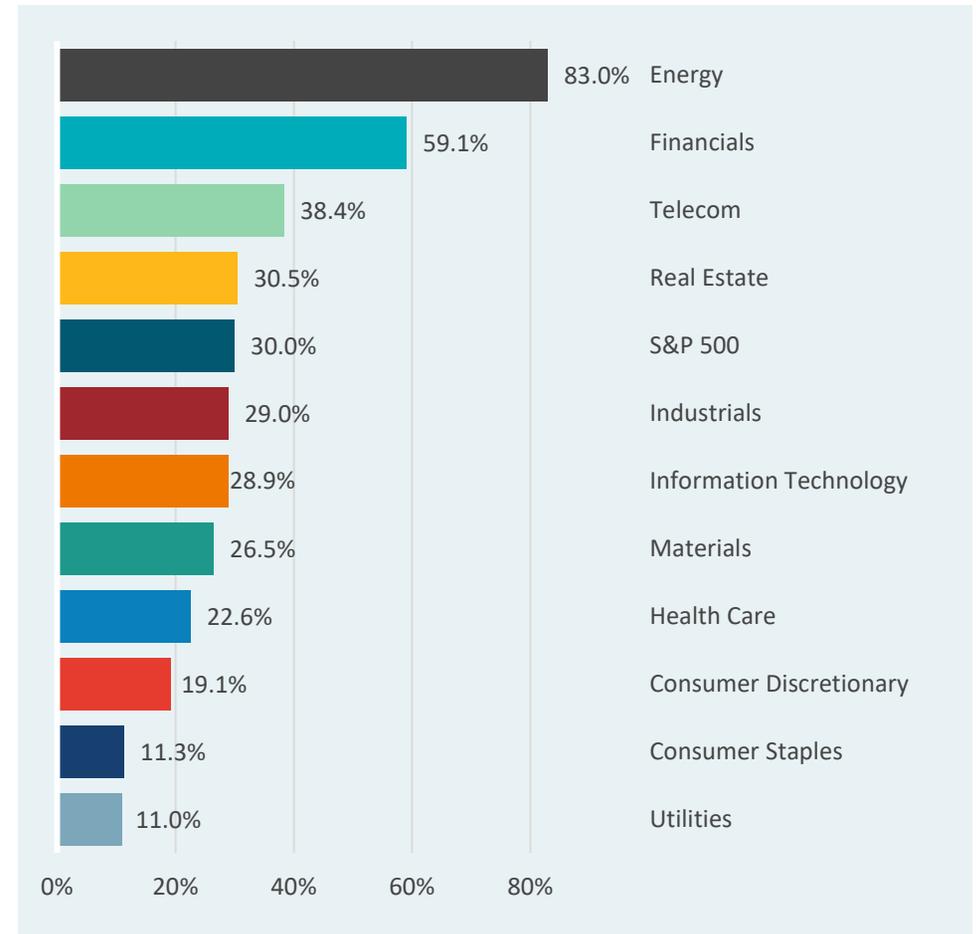
# S&P 500 sector returns

Q3 2021



Source: Morningstar, as of 9/30/21

ONE YEAR ENDING SEPTEMBER



Source: Morningstar, as of 9/30/21

# Detailed index returns

## DOMESTIC EQUITY

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Core Index</b>							
S&P 500	(4.7)	0.6	15.9	30.0	16.0	16.9	16.6
S&P 500 Equal Weighted	(3.8)	(0.2)	18.9	40.9	14.3	14.6	16.0
DJ Industrial Average	(4.2)	(1.5)	12.1	24.2	11.0	15.7	14.7
Russell Top 200	(4.8)	0.6	15.2	28.6	17.3	18.2	17.2
Russell 1000	(4.6)	0.2	15.2	31.0	16.4	17.1	16.8
Russell 2000	(2.9)	(4.4)	12.4	47.7	10.5	13.5	14.6
Russell 3000	(4.5)	(0.1)	15.0	31.9	16.0	16.9	16.6
Russell Mid Cap	(4.1)	(0.9)	15.2	38.1	14.2	14.4	15.5
<b>Style Index</b>							
Russell 1000 Growth	(5.6)	1.2	14.3	27.3	22.0	22.8	19.7
Russell 1000 Value	(3.5)	(0.8)	16.1	35.0	10.1	10.9	13.5
Russell 2000 Growth	(3.8)	(5.7)	2.8	33.3	11.7	15.3	15.7
Russell 2000 Value	(2.0)	(3.0)	22.9	63.9	8.6	11.0	13.2

## INTERNATIONAL EQUITY

<b>Broad Index</b>							
MSCI ACWI	(4.1)	(1.1)	11.1	27.4	12.6	13.2	11.9
MSCI ACWI ex US	(3.2)	(3.0)	5.9	23.9	8.0	8.9	7.5
MSCI EAFE	(2.9)	(0.4)	8.3	25.7	7.6	8.8	8.1
MSCI EM	(4.0)	(8.1)	(1.2)	18.2	8.6	9.2	6.1
MSCI EAFE Small Cap	(3.6)	0.9	10.0	29.0	9.0	10.4	10.7
<b>Style Index</b>							
MSCI EAFE Growth	(3.9)	0.1	6.9	20.9	11.9	11.4	10.1
MSCI EAFE Value	(1.8)	(1.0)	9.6	30.7	3.0	6.0	6.0
<b>Regional Index</b>							
MSCI UK	(2.0)	(0.3)	12.2	31.2	2.4	4.8	5.4
MSCI Japan	2.8	4.6	5.9	22.1	7.5	9.4	8.4
MSCI Euro	(5.0)	(2.0)	10.5	29.5	7.9	9.3	8.3
MSCI EM Asia	(4.1)	(9.6)	(4.1)	13.9	10.0	10.7	8.5
MSCI EM Latin American	(10.3)	(13.3)	(5.6)	27.3	(1.4)	1.8	(1.1)

## FIXED INCOME

	Month	QTD	YTD	1 Year	3 Year	5 Year	10 Year
<b>Broad Index</b>							
Bloomberg US TIPS	(0.7)	1.8	3.5	5.2	7.4	4.3	3.1
Bloomberg US Treasury Bills	0.0	0.0	0.0	0.1	1.2	1.2	0.7
Bloomberg US Agg Bond	(0.9)	0.1	(1.6)	(0.9)	5.4	2.9	3.0
Bloomberg US Universal	(0.9)	0.1	(1.1)	0.2	5.6	3.3	3.5
<b>Duration</b>							
Bloomberg US Treasury 1-3 Yr	(0.1)	0.1	(0.0)	0.0	2.7	1.6	1.2
Bloomberg US Treasury Long	(2.9)	0.5	(7.5)	(10.3)	9.2	3.3	4.4
Bloomberg US Treasury	(1.1)	0.1	(2.5)	(3.3)	4.9	2.2	2.2
<b>Issuer</b>							
Bloomberg US MBS	(0.4)	0.1	(0.7)	(0.4)	3.9	2.2	2.4
Bloomberg US Corp. High Yield	(0.0)	0.9	4.5	11.3	6.9	6.5	7.4
Bloomberg US Agency Interm	(0.4)	0.1	(0.5)	(0.4)	3.2	1.9	1.7
Bloomberg US Credit	(1.1)	(0.0)	(1.3)	1.4	7.1	4.4	4.6

## OTHER

<b>Index</b>							
Bloomberg Commodity	5.0	6.6	29.1	42.3	6.9	4.5	(2.7)
Wilshire US REIT	(5.1)	1.6	24.8	38.0	10.4	7.0	11.3
CS Leveraged Loans	0.5	0.9	4.0	8.5	4.1	4.7	5.0
Alerian MLP	3.0	(5.7)	39.4	84.6	(5.2)	(3.5)	1.2
<b>Regional Index</b>							
JPM EMBI Global Div	(2.1)	(0.7)	(1.4)	4.4	5.7	3.9	5.8
JPM GBI-EM Global Div	(3.4)	(3.1)	(6.4)	2.6	3.7	2.1	1.1
<b>Hedge Funds</b>							
HFRI Composite	0.1	(0.0)	10.1	22.1	8.5	7.3	5.9
HFRI FOF Composite	0.8	1.4	6.4	15.0	6.7	5.9	4.5
<b>Currency (Spot)</b>							
Euro	(1.8)	(2.3)	(5.3)	(1.2)	(0.1)	0.6	(1.5)
Pound Sterling	(2.0)	(2.4)	(1.4)	4.3	1.1	0.7	(1.4)
Yen	(1.5)	(0.5)	(7.5)	(5.4)	0.6	(1.9)	(3.6)

Source: Morningstar, HFRI, as of 9/30/21

# Detailed private market returns

## Comparison to public market index returns

Private Equity Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Private Equity FoFs & Secondary Funds	48.2	19.3	15.9	12.6
Global Private Equity Direct Funds *	58.5	22.9	20.0	15.2
U.S. Private Equity Direct Funds *	61.1	25.1	20.9	16.6
Europe Private Equity Direct Funds *	51.8	19.5	20.0	12.7
Asia Private Equity Direct Funds *	54.3	20.0	17.9	14.6

Public Index Time-weighted Returns				
MSCI World	54.0	12.8	13.4	9.9
S&P 500	56.4	16.8	16.3	13.9
MSCI Europe	44.9	5.6	8.2	5.1
MSCI AC Asia Pacific	51.8	8.2	12.2	6.7

Private Real Estate Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Real Estate	13.1	7.0	8.5	11.7

Public Index Time-weighted Returns				
FTSE NAREIT Equity REIT	37.8	9.5	5.3	8.6

Private Credit Pooled IRRs	1 Year	3 Year	5 Year	10 Year
U.S. All Private Debt **	32.0	10.4	11.5	10.4

Public Index Time-weighted Returns				
S&P / LSTA U.S. Leveraged Loan 100 Index	15.3	4.1	5.0	3.9

Private Real Assets Pooled IRRs	1 Year	3 Year	5 Year	10 Year
Global Nature Resources ***	19.6	(4.7)	1.7	0.6
Global Infrastructure	16.9	9.1	10.9	9.7

Public Index Time-weighted Returns				
S&P Global Natural Resources	67.7	5.5	11.4	1.1
S&P Global Infrastructure	37.0	5.7	6.8	6.3

Source: Pooled IRRs are from Thompson Reuters C/A and Time-weighted Returns are from Investment Metrics, as of March 31<sup>st</sup>, 2021. All returns in U.S. dollars.

\* Includes Buyout, Growth Equity and Venture Capital.

\*\* Includes Control-Oriented Distressed, Credit Opportunities, Senior Debt and Subordinated Capital.

\*\*\* Includes Private Equity Energy, Timber and Upstream Energy & Royalties.

# Notices & disclosures

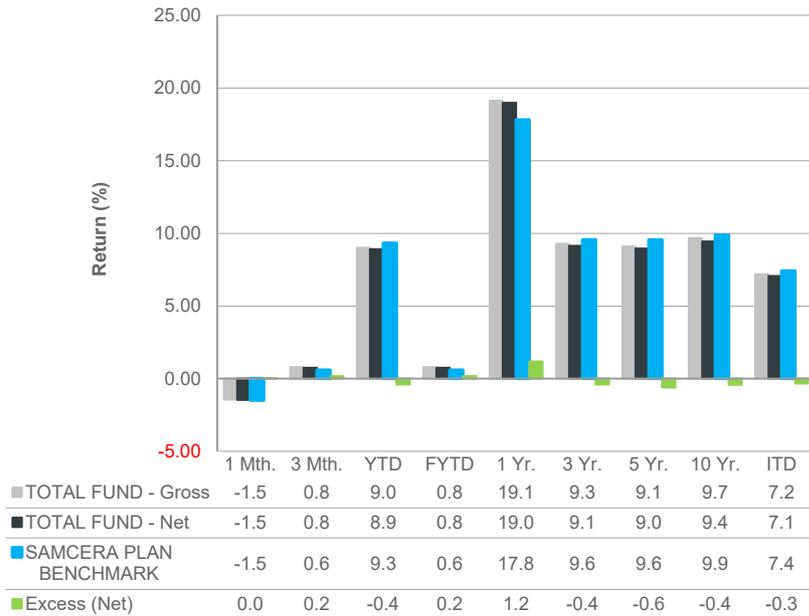
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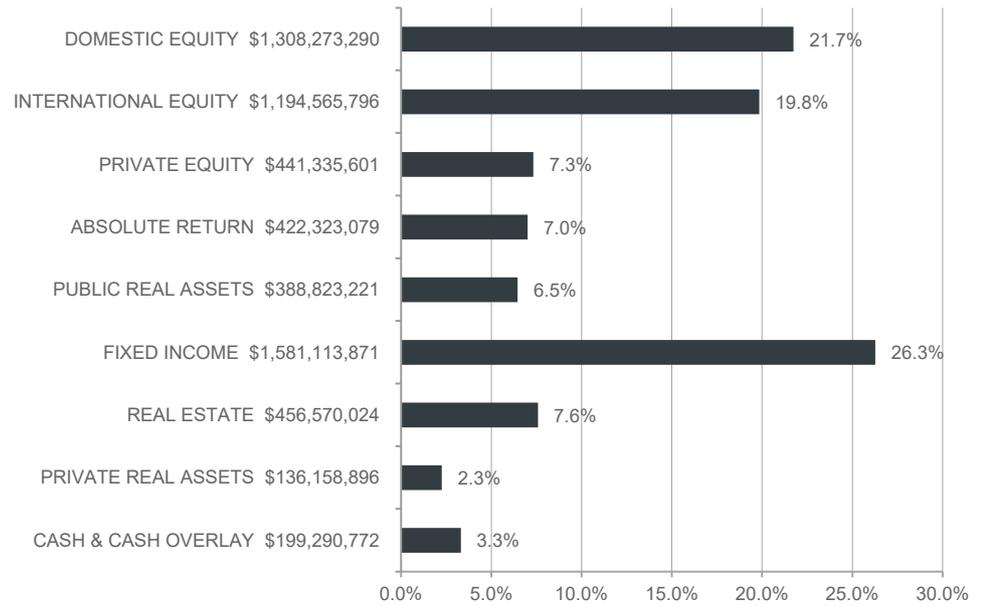
# San Mateo County Composite Return Summary September 30, 2021



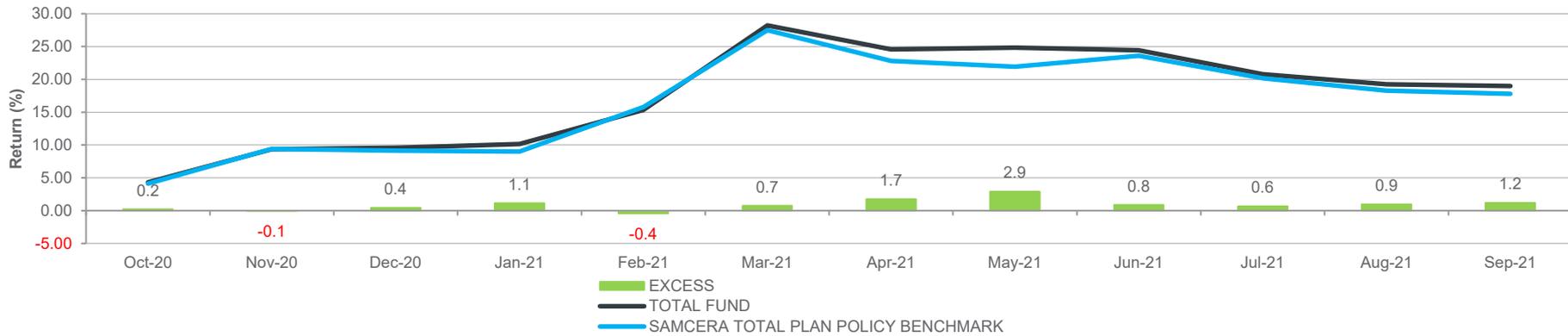
**Total Fund Performance**



**Asset Allocation**

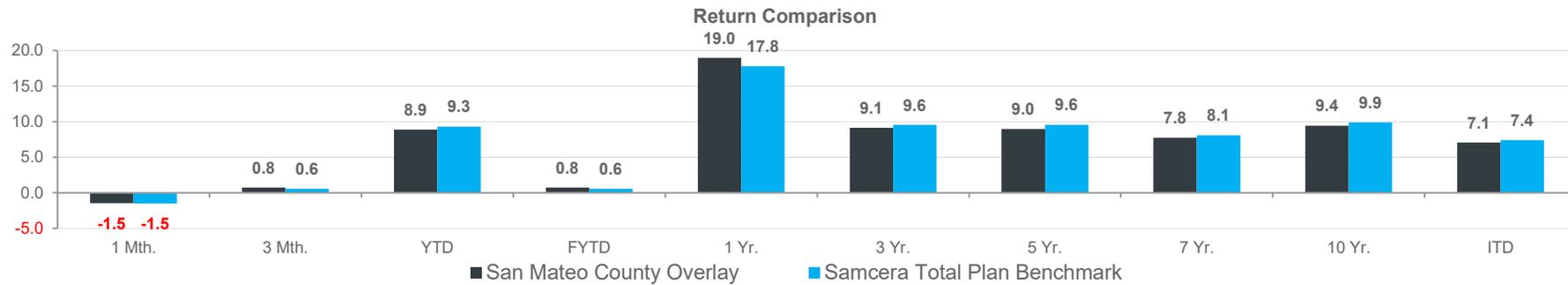


**Rolling Month End Annual Returns**



# San Mateo County Composite Return Summary

September 30, 2021



Composite Returns (Net of Manager Fees)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
San Mateo County Overlay	6,019,155,128	-1.5	0.8	8.9	0.8	19.0	9.1	9.0	7.8	9.4	7.1
Samcera Total Plan Benchmark		-1.5	0.6	9.3	0.6	17.8	9.6	9.6	8.1	9.9	7.4
Excess		0.0	0.2	-0.4	0.2	1.2	-0.4	-0.6	-0.3	-0.4	-0.3
San Mateo Ex-Clifton Overlay	6,008,013,649	-1.4	0.8	8.9	0.8	19.0	9.0	8.9	7.7	9.4	7.0
Samcera Total Plan Benchmark		-1.5	0.6	9.3	0.6	17.8	9.6	9.6	8.1	9.9	7.4
Excess		0.1	0.2	-0.4	0.2	1.2	-0.5	-0.7	-0.4	-0.5	-0.4
Total Equity	2,502,839,086	-3.7	-1.5	10.4	-1.5	27.2	11.6	12.7	10.2	12.7	8.4
Samcera Total Equity Benchmark		-3.6	-0.8	12.2	-0.8	28.8	12.6	13.8	11.3	13.7	9.0
Excess		-0.2	-0.6	-1.7	-0.6	-1.7	-1.1	-1.1	-1.1	-1.1	-0.7
Fixed Income	1,581,113,871	-0.6	0.2	1.7	0.2	4.1	5.7	4.8	4.3	4.9	5.5
Samcera Fixed Income Benchmark		-0.6	0.4	0.2	0.4	2.2	6.0	3.8	3.9	3.5	5.0
Excess		0.0	-0.1	1.5	-0.1	1.9	-0.3	1.0	0.3	1.4	0.5
Alternatives	863,658,680	1.5	6.8	17.1	6.8	37.0	18.4	13.9	11.0	9.6	1.1
Samcera Alternatives Benchmark		1.4	4.5	16.6	4.5	22.9	13.3	12.7	9.8	11.2	8.7
Excess		0.1	2.2	0.5	2.2	14.1	5.1	1.2	1.2	-1.6	-7.6
Inflation Hedge	981,552,140	0.5	2.6	12.4	2.6	16.3	2.9	4.1	--	--	5.3
SamCERA Inflation Hedge Index		-0.2	1.3	13.0	1.3	17.5	6.1	6.4	--	--	--
Excess		0.7	1.3	-0.7	1.3	-1.2	-3.2	-2.2	--	--	--
Cash	199,290,772	0.0	0.0	0.3	0.0	0.4	0.8	0.7	0.7	0.7	1.8
Samcera Cash Benchmark		0.0	0.0	0.0	0.0	0.1	1.2	1.2	0.9	0.6	1.7
Excess		0.0	0.0	0.2	0.0	0.4	-0.4	-0.4	-0.2	0.0	0.0



# San Mateo County Composite Return Summary

September 30, 2021



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Total Equity	2,502,839,086	-3.7	-1.5	10.4	-1.5	27.2	11.6	12.7	10.2	12.7	8.4
Samcera Total Equity Benchmark		-3.6	-0.8	12.2	-0.8	28.8	12.6	13.8	11.3	13.7	9.0
Excess		-0.2	-0.6	-1.7	-0.6	-1.7	-1.1	-1.1	-1.1	-1.1	-0.7
Domestic Equity	1,308,273,290	-4.5	-0.4	13.1	-0.4	29.1	12.9	15.2	12.6	15.3	9.4
Samcera Dom. Equity Benchmark		-4.5	-0.1	15.0	-0.1	31.9	16.0	16.9	14.0	16.6	10.1
Excess		0.0	-0.3	-1.9	-0.3	-2.7	-3.1	-1.7	-1.3	-1.2	-0.6
Large Cap Equity	1,182,048,433	-4.8	-0.3	12.4	-0.3	27.2	13.4	15.6	13.2	15.8	10.1
Russell 1000		-4.6	0.2	15.2	0.2	31.0	16.4	17.1	14.1	16.8	10.7
Excess		-0.2	-0.5	-2.8	-0.5	-3.8	-3.0	-1.5	-0.9	-1.0	-0.6
Blackrock Russell 1000	541,830,510	-4.6	0.2	15.1	0.2	31.5	16.6	--	--	--	17.1
Russell 1000		-4.6	0.2	15.2	0.2	31.0	16.4	--	--	--	17.0
Excess		-0.0	-0.0	-0.1	-0.0	0.5	0.2	--	--	--	0.2
DE Shaw Commingled Fund	186,819,465	-4.6	-1.0	9.7	-1.0	28.9	13.1	15.7	--	--	13.4
Russell 1000		-4.6	0.2	15.2	0.2	31.0	16.4	17.1	--	--	13.8
Excess		0.0	-1.2	-5.5	-1.2	-2.0	-3.4	-1.4	--	--	-0.4
Acadian US MGD V-SL	222,130,848	-5.7	-0.8	10.2	-0.8	20.6	--	--	--	--	14.3
Russell 1000		-4.6	0.2	15.2	0.2	31.0	--	--	--	--	24.9
Excess		-1.1	-1.1	-5.0	-1.1	-10.4	--	--	--	--	-10.5
Panagora Defuseq -SL	231,267,609	-4.4	-0.5	10.5	-0.5	21.6	--	--	--	--	16.6
Russell 1000		-4.6	0.2	15.2	0.2	31.0	--	--	--	--	24.9
Excess		0.2	-0.7	-4.7	-0.7	-9.4	--	--	--	--	-8.2
Domestic Equity Overlay	12,075,240	-4.8	-3.7	92.1	-3.7	151.3	--	--	--	--	117.6
ICE BofAML US 3-Month Treasury Bill		0.0	0.0	0.0	0.0	0.1	--	--	--	--	0.1
Excess		-4.8	-3.7	92.0	-3.7	151.3	--	--	--	--	117.5
Small Cap Equity	114,149,617	-1.2	-0.6	20.8	-0.6	54.0	6.3	10.4	8.0	11.9	6.9
Russell 2000		-2.9	-4.4	12.4	-4.4	47.7	10.5	13.5	11.9	14.6	8.7
Excess		1.8	3.8	8.4	3.8	6.3	-4.2	-3.0	-3.9	-2.7	-1.9



# San Mateo County Composite Return Summary

September 30, 2021



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
QMA US Small Cap	114,149,617	-1.2	-0.6	20.8	-0.6	54.0	6.3	10.4	--	--	10.6
Russell 2000		-2.9	-4.4	12.4	-4.4	47.7	10.5	13.5	--	--	13.4
Excess		1.8	3.8	8.4	3.8	6.3	-4.2	-3.0	--	--	-2.8
International Equity	1,194,565,796	-2.9	-2.7	7.4	-2.7	24.9	10.0	9.6	6.9	8.2	6.1
SamCERA Custom Hedge Intl		-2.5	-1.7	8.9	-1.7	25.4	8.6	9.3	6.1	7.8	5.6
Excess		-0.5	-1.0	-1.5	-1.0	-0.5	1.4	0.3	0.8	0.4	0.5
Baillie Gifford	368,901,349	-5.4	-4.0	2.6	-4.0	20.4	15.9	13.4	10.7	--	10.7
MSCI ACWI ex USA Growth		-4.3	-3.6	2.9	-3.6	17.3	12.3	11.6	8.6	--	--
Excess		-1.1	-0.4	-0.3	-0.4	3.2	3.6	1.8	2.1	--	--
Blackrock MSCI ACWI ex US IMI	382,203,521	-3.1	-2.6	6.9	-2.6	25.4	--	--	--	--	21.7
MS AC WIdxUS IMI Nt		-3.2	-2.6	6.8	-2.6	25.2	--	--	--	--	21.9
Excess		0.0	-0.0	0.1	-0.0	0.2	--	--	--	--	-0.2
Mondrian Investment Partners	353,995,026	-2.0	-3.8	6.8	-3.8	27.4	5.0	6.2	3.9	6.1	5.4
MSCI ACWI xUSA Value		-1.9	-2.1	9.7	-2.1	32.2	4.4	7.1	3.5	6.1	5.3
Excess		-0.1	-1.6	-2.9	-1.6	-4.8	0.6	-0.9	0.3	-0.0	0.1
Currency Hedge Futures	428,284,008	-1.6	-1.9	-4.9	-1.9	-1.1	--	--	--	--	2.4
ICE BofAML US 3-Month Treasury Bill		0.0	0.0	0.0	0.0	0.1	--	--	--	--	0.1
Excess		-1.6	-1.9	-5.0	-1.9	-1.2	--	--	--	--	2.3
Currency Hedge Futures Offsets	428,284,008	0.0	-0.0	0.0	-0.0	0.0	--	--	--	--	0.0
ICE BofAML US 3-Month Treasury Bill		0.0	0.0	0.0	0.0	0.1	--	--	--	--	0.1
Excess		-0.0	-0.0	-0.0	-0.0	-0.1	--	--	--	--	-0.1
International Equity Overlay	89,465,900	-3.0	-2.1	0.7	-2.1	12.9	--	--	--	--	27.4
ICE BofAML US 3-Month Treasury Bill		0.0	0.0	0.0	0.0	0.1	--	--	--	--	0.1
Excess		-3.0	-2.1	0.7	-2.1	12.8	--	--	--	--	27.3
Fixed Income	1,581,113,871	-0.6	0.2	1.7	0.2	4.1	5.7	4.8	4.3	4.9	5.5
Samcera Fixed Income Benchmark		-0.6	0.4	0.2	0.4	2.2	6.0	3.8	3.9	3.5	5.0
Excess		0.0	-0.1	1.5	-0.1	1.9	-0.3	1.0	0.3	1.4	0.5



# San Mateo County Composite Return Summary

September 30, 2021



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Core Fixed Income	1,010,074,153	-0.8	-0.0	-0.8	-0.0	0.4	5.4	3.5	3.7	3.9	5.2
BBG US Aggregate		-0.9	0.1	-1.6	0.1	-0.9	5.4	2.9	3.3	3.0	4.8
Excess		0.0	-0.1	0.8	-0.1	1.3	0.0	0.5	0.4	0.9	0.4
FIAM B Core Bond	269,559,552	-0.9	0.1	-0.9	0.1	0.5	6.5	3.9	--	--	4.5
BBG US Aggregate		-0.9	0.1	-1.6	0.1	-0.9	5.4	2.9	--	--	3.4
Excess		-0.0	0.1	0.7	0.1	1.4	1.1	0.9	--	--	1.2
Western Total Return	234,803,330	-0.2	-0.1	-0.2	-0.1	4.0	5.5	4.7	--	--	4.4
BBG US Aggregate		-0.9	0.1	-1.6	0.1	-0.9	5.4	2.9	--	--	3.3
Excess		0.6	-0.1	1.4	-0.1	4.9	0.2	1.7	--	--	1.1
DoubleLine	260,078,799	-1.2	-0.4	-0.6	-0.4	-0.5	--	--	--	--	3.1
BBG US Aggregate		-0.9	0.1	-1.6	0.1	-0.9	--	--	--	--	1.3
Excess		-0.4	-0.5	1.0	-0.5	0.4	--	--	--	--	1.8
NISA Core Bond	237,874,191	-0.9	0.1	-1.4	0.1	-0.8	--	--	--	--	1.1
BBG US Aggregate		-0.9	0.1	-1.6	0.1	-0.9	--	--	--	--	0.6
Excess		-0.0	0.0	0.1	0.0	0.1	--	--	--	--	0.5
Core Fixed Income Overlay	7,758,281	-1.4	1.7	-1.6	1.7	-2.2	--	--	--	--	-1.4
ICE BofAML US 3-Month Treasury Bill		0.0	0.0	0.0	0.0	0.1	--	--	--	--	0.1
Excess		-1.4	1.7	-1.6	1.7	-2.3	--	--	--	--	-1.4
Opportunistic Credit	571,039,717	-0.2	0.7	6.3	0.7	11.6	6.2	6.9	6.1	8.4	8.5
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	6.0	5.9	6.9	7.2
Excess		-0.1	-0.2	2.9	-0.2	3.1	-1.4	0.9	0.2	1.5	1.3
Pimco Private Income	54,209,270	0.0	3.5	13.1	3.5	18.9	--	--	--	--	9.6
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	--	--	--	--	7.3
Excess		0.2	2.6	9.7	2.6	10.4	--	--	--	--	2.2
AG CREDIT SOL FU LP	14,862,301	0.0	0.0	27.4	0.0	36.7	--	--	--	--	28.4
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	--	--	--	--	6.4
Excess		0.2	-0.9	24.0	-0.9	28.2	--	--	--	--	22.0



# San Mateo County Composite Return Summary

September 30, 2021



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
AG CSF ANX DISLOC FD	2,395,755	0.0	-0.0	22.0	-0.0	27.5	--	--	--	--	22.2
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	--	--	--	--	15.3
Excess		0.2	-0.9	18.6	-0.9	19.0	--	--	--	--	6.9
AG Opportunistic Whole Loan	1,614,892	0.0	6.2	33.0	6.2	42.7	12.8	17.8	12.7	--	11.7
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	6.0	5.9	--	5.5
Excess		0.2	5.3	29.6	5.3	34.2	5.2	11.8	6.8	--	6.1
Angelo Gordon	1	0.0	0.0	-12.8	0.0	-3.4	19.6	21.6	16.5	--	15.6
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	6.0	5.9	--	5.8
Excess		0.2	-0.9	-16.3	-0.9	-11.9	12.0	15.6	10.6	--	9.8
Blackrock Direct Lending Feede	15,353,854	-0.0	1.2	3.2	1.2	7.7	--	--	--	--	2.2
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	--	--	--	--	7.7
Excess		0.2	0.3	-0.3	0.3	-0.8	--	--	--	--	-5.5
Beach Point Select Fund	93,724,524	0.6	1.2	11.1	1.2	20.3	9.9	9.5	--	--	9.3
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	6.0	--	--	5.9
Excess		0.8	0.3	7.7	0.3	11.8	2.4	3.5	--	--	3.4
Brigade Cap Mngmt	88,774,354	1.2	1.8	12.5	1.8	21.9	6.4	6.9	5.6	6.9	6.8
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	6.0	5.9	6.9	6.7
Excess		1.4	0.9	9.1	0.9	13.4	-1.2	0.9	-0.2	-0.0	0.1
White Oak YSF V	33,692,736	-0.0	-0.5	0.1	-0.5	--	--	--	--	--	0.1
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	--	--	--	--	--	4.8
Excess		0.2	-1.4	-3.3	-1.4	--	--	--	--	--	-4.6
White Oak Yield Spec	32,343,623	-0.0	1.6	4.9	1.6	6.5	5.9	--	--	--	--
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	--	--	--	6.2
Excess		0.2	0.7	1.5	0.7	-2.0	-1.7	--	--	--	--
PIMCO Div. Income Fund	134,741,727	-1.0	0.1	0.6	0.1	4.8	5.9	--	--	--	4.7
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	--	--	--	5.8
Excess		-0.8	-0.8	-2.8	-0.8	-3.7	-1.6	--	--	--	-1.1



# San Mateo County Composite Return Summary

September 30, 2021



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
TCP Direct Lending VIII	22,995,767	-0.2	0.4	5.2	0.4	7.8	6.6	6.2	--	--	--
BBG BA Intermediate HY Ind		-0.2	0.9	3.4	0.9	8.5	7.5	6.0	--	--	6.5
Excess		0.0	-0.4	1.8	-0.4	-0.7	-1.0	0.2	--	--	--
Franklin Templeton	76,330,913	-2.0	-1.8	-3.4	-1.8	-2.7	-2.6	0.0	-0.7	2.3	1.8
Bloomberg Multiverse Index		-1.8	-0.9	-3.8	-0.9	-0.4	4.3	2.2	2.3	2.1	2.4
Excess		-0.3	-0.9	0.4	-0.9	-2.2	-6.9	-2.1	-3.0	0.2	-0.6
Alternatives	863,658,680	1.5	6.8	17.1	6.8	37.0	18.4	13.9	11.0	9.6	1.1
Samcera Alternatives Benchmark		1.4	4.5	16.6	4.5	22.9	13.3	12.7	9.8	11.2	8.7
Excess		0.1	2.2	0.5	2.2	14.1	5.1	1.2	1.2	-1.6	-7.6
Private Equity	441,335,601	2.9	13.4	32.8	13.4	68.4	39.9	29.7	24.8	19.1	-5.5
Samcera PE Benchmark		2.6	8.8	34.3	8.8	47.3	21.8	19.9	17.0	19.8	18.0
Excess		0.2	4.6	-1.5	4.6	21.1	18.1	9.8	7.8	-0.7	-23.5
Absolute Return	422,323,079	0.1	0.2	2.6	0.2	5.5	-3.9	-2.8	0.0	1.7	1.2
Samcera SOFR + 4%		0.3	1.0	3.0	1.0	4.1	5.2	5.2	5.0	4.7	4.7
Excess		-0.3	-0.8	-0.4	-0.8	1.5	-9.1	-8.0	-4.9	-3.0	-3.6
Aberdeen Std GARS	77,943,688	-2.3	-2.5	-4.2	-2.5	-0.7	3.4	2.4	--	--	1.3
Samcera SOFR + 4%		0.3	1.0	3.0	1.0	4.1	5.2	5.2	--	--	5.1
Excess		-2.6	-3.5	-7.2	-3.5	-4.8	-1.8	-2.8	--	--	-3.8
Graham Global Investment	87,511,750	-0.8	-2.8	-0.1	-2.8	4.5	--	--	--	--	2.2
Samcera SOFR +4%		0.3	1.0	3.0	1.0	4.1	--	--	--	--	4.3
Excess		-1.1	-3.8	-3.1	-3.8	0.4	--	--	--	--	-2.2
PIMCO MAARS Fund L.P.	84,507,408	-0.0	4.8	5.6	4.8	6.1	--	--	--	--	5.3
Samcera SOFR +4%		0.3	1.0	3.0	1.0	4.1	--	--	--	--	4.2
Excess		-0.3	3.8	2.6	3.8	2.0	--	--	--	--	1.1
Acadian MAAR Fund LLC	83,115,952	-0.4	1.6	2.7	1.6	4.6	--	--	--	--	4.6
Samcera SOFR +4%		0.3	1.0	3.0	1.0	4.1	--	--	--	--	4.1
Excess		-0.7	0.6	-0.3	0.6	0.6	--	--	--	--	0.6



# San Mateo County Composite Return Summary

September 30, 2021



Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
CFM SYS Global Macro Fund	89,244,280	3.7	1.1	11.4	1.1	17.2	--	--	--	--	17.2
Samcera SOFR +4%		0.3	1.0	3.0	1.0	4.1	--	--	--	--	4.1
Excess		3.3	0.1	8.4	0.1	13.1	--	--	--	--	13.1
Inflation Hedge	981,552,140	0.5	2.6	12.4	2.6	16.3	2.9	4.1	--	--	5.3
SamCERA Inflation Hedge Index		-0.2	1.3	13.0	1.3	17.5	6.1	6.4	--	--	--
Excess		0.7	1.3	-0.7	1.3	-1.2	-3.2	-2.2	--	--	--
Real Estate	456,570,024	0.1	0.9	7.4	0.9	7.6	5.6	6.5	--	--	6.8
Samcera NCREIF ODCE (gross)		0.0	0.0	6.1	0.0	7.5	4.8	6.1	--	--	6.4
Excess		0.1	0.9	1.3	0.9	0.1	0.8	0.4	--	--	0.5
Invesco Core Real Estate	274,859,289	0.0	0.7	7.8	0.7	7.5	5.0	6.2	8.2	8.8	7.3
Samcera NCREIF ODCE (gross)		0.0	0.0	6.1	0.0	7.5	4.8	6.1	7.9	9.2	7.5
Excess		0.0	0.7	1.7	0.7	-0.0	0.2	0.1	0.3	-0.4	-0.2
Invesco US Val IV	8,867,178	0.0	4.7	10.8	4.7	11.8	10.0	9.8	--	--	10.7
Samcera NCREIF ODCE (gross)		0.0	0.0	6.1	0.0	7.5	4.8	6.1	--	--	7.0
Excess		0.0	4.7	4.7	4.7	4.3	5.2	3.7	--	--	3.7
PGIM Real Estate US Debt Fund	85,262,189	0.5	0.8	4.9	0.8	6.2	6.0	--	--	--	4.9
Samcera NCREIF ODCE (gross)		0.0	0.0	6.1	0.0	7.5	4.8	--	--	--	5.9
Excess		0.5	0.8	-1.2	0.8	-1.3	1.2	--	--	--	-0.9
Invesco US VAL V	25,378,392	0.0	4.8	20.9	4.8	20.2	--	--	--	--	8.5
Samcera NCREIF ODCE (gross)		0.0	0.0	6.1	0.0	7.5	--	--	--	--	--
Excess		0.0	4.8	14.8	4.8	12.7	--	--	--	--	--
Harrison Street Core Property	53,684,007	0.0	-0.3	5.4	-0.3	6.5	--	--	--	--	4.2
Samcera NCREIF ODCE (gross)		0.0	0.0	6.1	0.0	7.5	--	--	--	--	4.2
Excess		0.0	-0.3	-0.7	-0.3	-1.0	--	--	--	--	0.0
Stockbridge Value IV	8,518,969	-0.0	-1.6	--	-1.6	--	--	--	--	--	-10.8
Samcera NCREIF ODCE (gross)		0.0	0.0	--	0.0	--	--	--	--	--	3.9
Excess		-0.0	-1.6	--	-1.6	--	--	--	--	--	-14.8



# San Mateo County Composite Return Summary

September 30, 2021



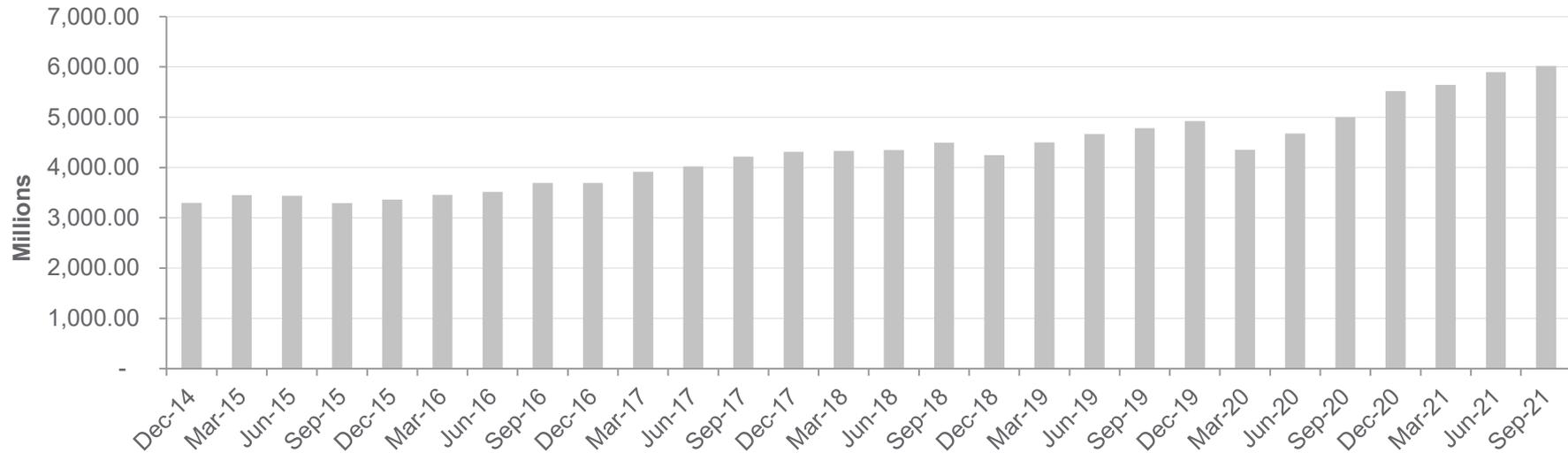
Composite Returns (NET)	Market Value (\$)	1 Mth.	3 Mth.	YTD	FYTD	1 Yr.	3 Yr.	5 Yr.	7 Yr.	10 Yr.	ITD
Public Real Assets	388,823,221	0.9	2.1	13.8	2.1	26.9	-0.8	2.2	--	--	--
SamCera Liquid Real Asset Inde		0.9	2.1	13.8	2.1	27.0	4.5	5.3	--	--	6.7
Excess		0.0	0.0	0.0	0.0	-0.1	-5.3	-3.1	--	--	--
SSGA CST REAL ASSET NL	388,823,221	0.9	2.1	13.8	2.1	26.9	4.4	5.4	--	--	--
SamCera Liquid Real Asset Inde		0.9	2.1	13.8	2.1	27.0	4.5	5.3	--	--	5.7
Excess		0.0	0.0	0.0	0.0	-0.1	-0.1	0.2	--	--	--
Private Real Assets	136,158,896	0.8	10.2	31.9	10.2	33.8	6.5	4.6	--	--	10.7
SamCERA Private Real Asset Idx		-1.9	3.3	27.5	3.3	30.7	6.6	9.1	--	--	11.5
Excess		2.7	6.9	4.4	6.9	3.1	-0.1	-4.5	--	--	-0.8
Cash Overlay	11,141,479	0.0	-0.2	-0.1	-0.2	-0.1	--	--	--	--	0.1
ICE BofAML US 3-Month Treasury Bill		0.0	0.0	0.0	0.0	0.1	--	--	--	--	0.1
Excess		-0.0	-0.2	-0.1	-0.2	-0.1	--	--	--	--	0.0
General Account	112,475,236	0.0	0.0	0.1	0.0	0.1	1.1	1.2	1.0	0.7	1.9
County Treasury Pool	16,515,519	0.0	0.2	0.8	0.2	1.3	1.8	1.5	1.3	1.1	2.6
Currency Hedge Cash Overlay	59,158,289	0.0	-0.1	-0.0	-0.1	0.0	--	--	--	--	0.1
San Mateo County Overlay	6,019,155,128	-1.5	0.8	8.9	0.8	19.0	9.1	9.0	7.8	9.4	7.1
Samcera Total Plan Benchmark		-1.5	0.6	9.3	0.6	17.8	9.6	9.6	8.1	9.9	7.4
Excess		0.0	0.2	-0.4	0.2	1.2	-0.4	-0.6	-0.3	-0.4	-0.3



**Record of Asset Growth**

	Three Months	One Year
<b>TOTAL FUND</b>		
Beginning Market Value	5,898,670,465	5,002,987,296
Contributions	141,146,276	344,738,213
Withdrawals	-68,748,492	-285,503,154
Income Received	18,853,060	85,849,093
Gain/Loss	29,504,131	872,697,380
Ending Market Value	6,019,155,128	6,019,155,128

**Net Asset Values Over Time (\$000)**

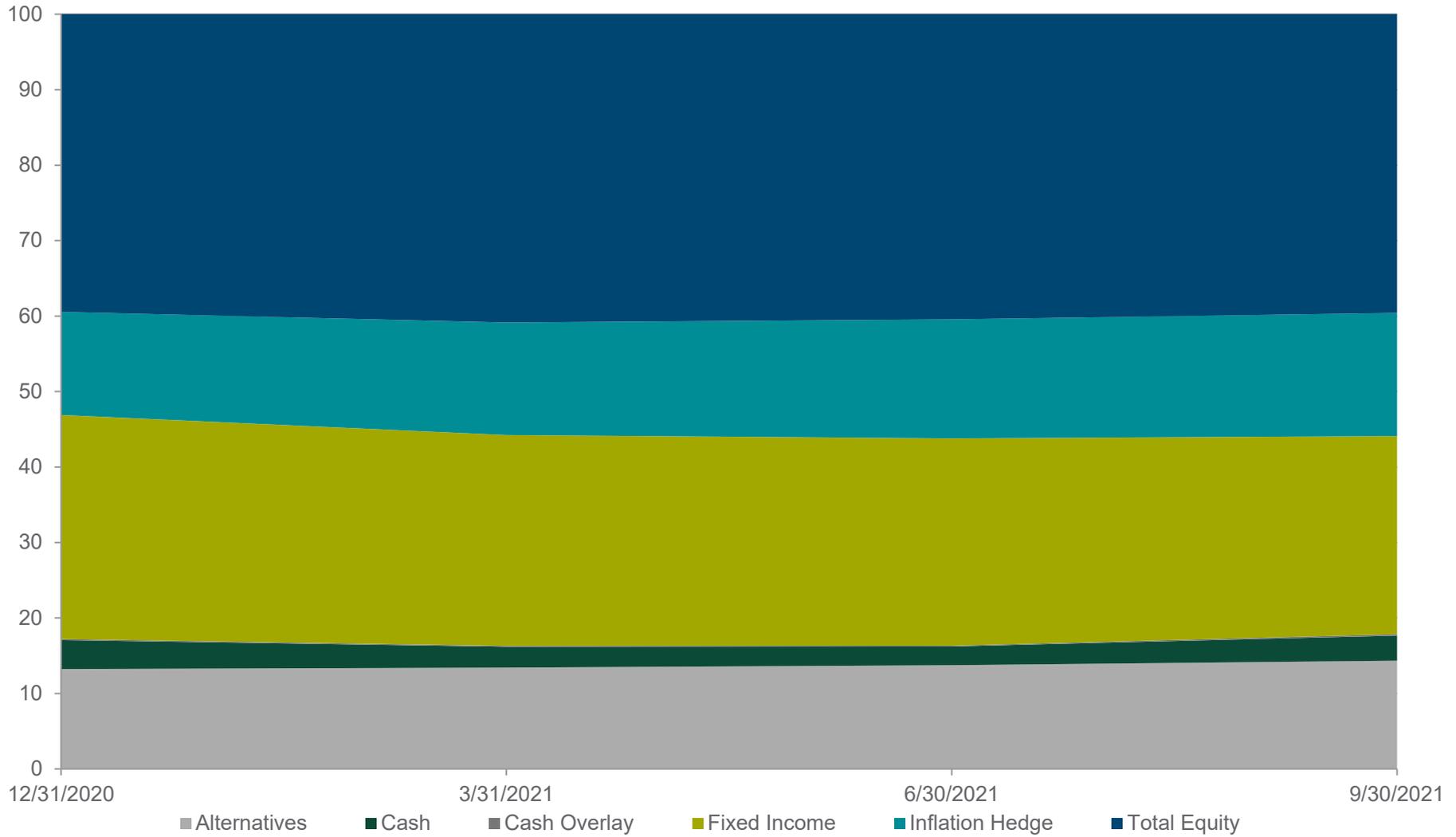


**Actual vs Target Weights**

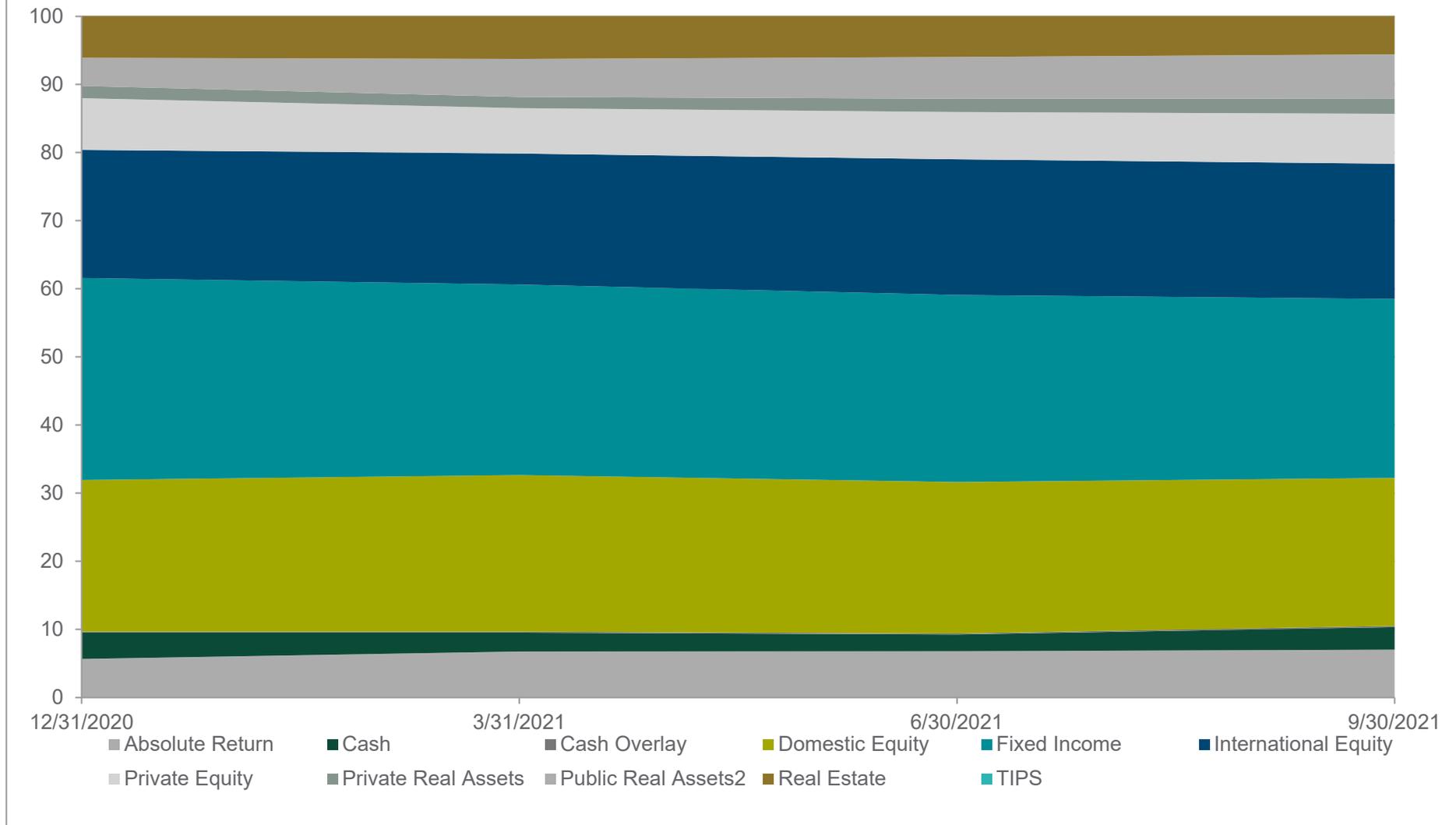


	Min	Actual	Target	Deviation	Max
<b>Domestic Equity</b>	20.0	21.7	22.0	-0.3	24.0
<b>International Equity</b>	17.0	19.8	19.0	0.8	21.0
<b>Fixed Income</b>	26.0	26.3	28.0	-1.7	30.0
<b>Private Equity</b>	4.0	7.3	6.0	1.3	8.0
<b>Absolute Return</b>	5.0	7.0	7.0	0.0	9.0
<b>Liquidity</b>	0.0	3.3	1.0	2.3	2.0
<b>Public Real Assets</b>	2.0	6.5	4.0	2.5	6.0
<b>Real Estate</b>	7.0	7.6	9.0	-1.4	11.0
<b>Private Real Assets</b>	2.0	2.3	4.0	-1.7	6.0

Asset Allocation over Time



### Sub-Asset Class Allocation Over Time



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**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 6.2

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst 

**SUBJECT:** Report on Inflation Hedge Manager Annual Review

**Recommendation**

Review the report on the annual review of SamCERA's public real assets manager, State Street Global Advisors (SSgA), which is part of the inflation hedge risk bucket.

**Background**

SSgA's annual review occurred on September 16, 2021. The meeting lasted approximately 1 hour and consisted of a firm/organizational update, an investment process review, and a review of performance and attribution. Current positioning and market outlook were also discussed.

**Discussion**

The SSgA custom real asset strategy, which is a passive account for SamCERA that seeks to replicate exposure to four underlying indices in approximately equal weights (1/4 S&P Global LargeMidCap Commodity and Resources Index, 1/4 S&P Global Infrastructure Index, 1/4 Bloomberg Roll Select Commodity Index and 1/4 U.S. Barclays TIPS), was reviewed. The firm noted the transition of the SSgA OCIO platform into the ISG team but is not expected to impact the portfolio management team managing the custom real asset strategy.

There were no other significant concerns identified during the portfolio review. Attached you will find meeting notes from Verus summarizing the findings from the annual review.

**Attachment**

SSgA Annual Review Meeting Notes

# Research Meeting Notes

<b>Investment Organization</b>	State Street Global Advisors (SSGA)
<b>Business Type</b>	Publicly Traded
<b>Firm Inception Date</b>	1935
<b>Firm \$AUM</b>	\$3.9T
<b>Investment Org Attendees</b>	Kimberly Cook, Rob Guiliano, Sonya Park
<b>Verus Attendees</b>	John Nicolini
<b>SamCERA Attendees</b>	Lilibeth Dames, Doris Ng, Mike Coultrip
<b>Interview Date(s)</b>	9/16/21
<b>Meeting Type</b>	Phone Call
<b>Meeting Purpose</b>	Update
<b>Strategy Name</b>	SSgA Custom Real Assets
<b>Strategy Inception Date</b>	2016
<b>Asset Class (Style)</b>	Real Assets
<b>If other, please name</b>	
<b>Sub-Style</b>	Equity, Commodities & TIPS
<b>Strategy \$AUM</b>	\$7.3 billion
<b>SamCERA \$AUM (7/31/21)</b>	\$385 million
<b>IC Approved (Yes or No)</b>	No

## Notes and Analysis

### Firm:

SSgA is a wholly-owned subsidiary of State Street Bank and Trust Company, which is a wholly-owned subsidiary of State Street Corporation, a publicly traded company. SSgA manages over \$3.9 trillion in assets, making it the fourth largest asset manager globally. SSgA manages capital across the risk spectrum in equity, fixed income, multi-asset and alternatives.

### Team/People:

The Investment Solutions Group (ISG), which oversees the SamCERA liquid real assets portfolio manages \$209 billion in AUM across a number of strategies. Dan Farley serves as CIO for the ISG team and heads all investment-related decisions. There are two portfolio managers overseeing the SamCERA portfolio, Rob Guiliano and Mike Narkiewicz. Rob was one of the lead researchers in developing the SSgA Real Asset strategy and has managed the portfolio since inception (2005). Mike has been managing the Real Asset strategy alongside Rob since 2010. The portfolio that SSgA runs for SamCERA is a custom allocation of four products that Rob and Mike also manage within their more diversified SSgA Real Asset product.

There have been no recent departures of note within the ISG team. The SSgA OCIO platform will be transitioning into the ISG team following the retirement of the head of the Global Fiduciary Services (GFS) group, Dave Weiderecht. GFS will be folded into the ISG team with Dan Farley remaining as the CIO and head of the ISG team.

## Process/Philosophy

The SamCERA liquid real asset portfolio is a customized account managed by SSgA that includes the following allocation.

- 1/4<sup>th</sup> Bloomberg Roll Select Commodities
- 1/4<sup>th</sup> S&P Global LargeMid Commodity and Resources Index
- 1/4<sup>th</sup> S&P Global Infrastructure Index
- 1/4<sup>th</sup> U.S. TIPS

The four strategies are passive investments meant to replicate their respective indices. SSgA's Global Beta Solutions team manages the four individual products in daily-valued institutional commingled funds. The four index products have a targeted tracking error of 30bps or less. The Bloomberg Roll Select product seeks to replicate the Bloomberg Roll Select index which will optimize the futures contract trading process by maximizing backwardation impact and minimizing contango, subject to risk constraints. The Roll Select product is meant to enhance returns above the standard Bloomberg Commodity Index. The S&P Global LargeMid Commodity & Resources Index is a global stock portfolio of companies that derive revenue from natural resource commodities. The index equally allocates to three natural resource buckets, energy, materials and agriculture. The country exposures are split roughly by 1/3<sup>rd</sup> US and 2/3<sup>rd</sup> non-US domiciled. S&P Global Infrastructure is a global stock index comprised of three primary sectors, energy, transportation and utilities. On a country-weighted basis, the US comprises around 40% of the index with the remainder in non-US companies. Lastly, the US TIPS product is meant to replicate the performance of the Barclays US TIPS Index. The TIPS product was added to the SSgA mandate in 2020.

The ISG team will handle allocating, rebalancing and trading the four index products with a goal of minimizing tracking error to the policy index. SSgA will rebalance the portfolio semi-annually back to target. SSgA manages the portfolio for an all-in fee of 19bps.

## Performance

The inception date for the SSgA custom liquid real assets portfolio was October 2016. As of July 31<sup>st</sup>, 2021, the strategy has returned +5.67% vs a return of +5.47% for the benchmark, since inception (net of fees). The largest contributor to returns has been the S&P Global LargeMid Natural Resources product which is up 9.9%, since inception. The lowest returning segment of the SSgA Real Asset strategy was the Bloomberg Roll Select which was still positive at 4.8%, since inception. Over the last 12 months, the portfolio returned 25.7% (net of fees), led by Commodities and Natural Resource equities that were both up over 35%. The lowest returning segment of the SSgA Real Asset strategy over the last 12 months was the U.S. TIPS strategy which was up 6.9%.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 6.3

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst 

**SUBJECT:** Report on Opportunistic Credit Manager Annual Reviews

**Recommendation**

Accept and review the report on the annual reviews of SamCERA's opportunistic credit manager, Angelo Gordon, and private credit manager, White Oak Global Advisors.

**Background**

On September 30<sup>th</sup>, SamCERA staff and consultant held annual review meetings with our opportunistic credit manager, Angelo Gordon and our private credit manager, White Oak Global Advisors. Each meeting lasted approximately 1.5 hours, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

**Discussion**

The Angelo Gordon Credit Solutions Fund (CSF) and Credit Solutions Annex Dislocation Fund (CS ADF) were both reviewed. Both investment strategies seek to invest in distressed and special situation opportunities by providing private credit solutions to companies' idiosyncratic challenges. The Credit Solutions Annex Dislocation Fund came to market in March 2020, subsequent to the Credit Solutions Fund.

Next, White Oak's Yield Spectrum Fund IV and V were both reviewed. Both strategies are private investment funds that invest primarily in senior-secured corporate credit and debt instruments, including term loans, asset-based loans, and equipment financing to small and middle-market companies. The firm noted one recent acquisition.

Attached you will find meeting notes from Verus summarizing the findings from the annual reviews.

**Attachments**

Angelo Gordon Annual Review Meeting Notes (confidential)  
White Oak Annual Review Meeting Notes (confidential)

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 6.4

**TO:** Board of Retirement

**FROM:** Doris Ng, Investment Analyst 

**SUBJECT:** Report on Absolute Return Manager Annual Reviews

**Recommendation**

Accept and review the report on the annual reviews of SamCERA's absolute return managers, Graham Capital Management and Aberdeen Standard Investments.

**Background**

On September 16<sup>th</sup>, SamCERA staff and consultant held annual reviews with our absolute return managers, Graham Capital Management and Aberdeen Standard Investments. Each meeting lasted approximately 1 hour, and consisted of a firm/organizational update, investment process review, performance review and attribution, and current positioning/market outlook.

Annual review meetings were also held with SamCERA's other three absolute return managers on October 7<sup>th</sup> and will be presented at the next scheduled board meeting.

**Discussion**

First, Graham Capital Management's Quantitative Macro (GQM) strategy was reviewed. GQM is a systematic, long/short, multi-strategy that targets absolute returns with low correlation to traditional markets. The firm noted one retirement in 2021.

Next, Aberdeen Standard Investment's Global Absolute Return Strategies (GARS) product was reviewed. GARS is a multi-strategy, fundamental-driven approach that targets absolute returns with significantly less volatility than global equity. The firm noted some team changes in 2021.

Attached you will find meeting notes from Verus summarizing the findings from the annual reviews.

**Attachments**

Graham Capital Annual Review Meeting Notes (confidential)  
Aberdeen Standard GARS Annual Review Meeting Notes (confidential)

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 6.5

**TO:** Board of Retirement

**FROM:** Michael Coultrip, Chief Investment Officer *Michael R. Coultrip*

**SUBJECT:** Report on Establishing Portfolio Liquidity Pool – Follow up from Retreat

**Recommendation**

Provide feedback and direction to staff and consultant regarding the next steps in potentially establishing a dedicated cash-flow matched liquidity sleeve for up to three years' worth of net benefit payments.

**Background**

During the past few annual Board retreats, SamCERA has discussed plan maturity issues to prepare for the time when SamCERA turns cash flow negative. In April 2019, Jeff MacLean covered a number of plan maturity topics, including how a plan becomes mature, funding policy considerations, risks associated with mature plans, and SamCERA portfolio observations, which included a number of potential options to offset negative cash flow risks.

In September 2020, and then again in March 2021, Jeff MacLean presented to the Board various considerations for SamCERA to consider when addressing its future cash flow needs via establishing a more robust liquidity buffer.

**Discussion**

Today Verus will recap the discussion from March, seek feedback from the Board on the parameters involved in establishing a dedicated liquidity pool (e.g. the number of years cash flow to target and whether to utilize a cash flow matched or liquidity tiered approach) and the process of establishing a dedicated cash-flow matched liquidity pool.

**Attachment**

Verus Presentation on Cash Flow Driven Investing



**PERSPECTIVES  
THAT DRIVE  
ENTERPRISE  
SUCCESS**



OCTOBER 2021

Cash Flow Driven Investing (CDI)

**SamCERA**

# Introduction

# Recap of previous plan maturation presentations

- SamCERA is a maturing plan, and how having a cash flow driven investing (CDI) program would benefit the Plan through ensuring liquidity for short-term cash needs, providing flexibility in rebalancing, and potentially allowing for a modest increase in higher expected return assets with the remainder of the portfolio.
- Due to the tradeoff between cash returns and portfolio expected returns, we suggest in the early years of CDI, SamCERA would benefit from taking the allocation from the Core Fixed Income. The diversifying fixed income portfolio is used to provide diversification and safety for the Plan. Since the liquidity portfolio has the same objective, we recommend using the Core Fixed Income as a source for funding.
- Currently the Plan has 1% in the liquidity bucket, Verus and Staff believe that increasing this to a 3-year rolling CDI investment should start in 2022, as the cash flow shortfall increases significantly afterwards. We discussed the importance of establishing a methodology for replenishing the liquidity pool.

# What is plan maturity?

- This term applies to defined benefit (not defined contribution) pension plans
- Maturity can refer to:
  - A general aging of the plan
  - The transition of participants from active working status to inactive status
  - The amount of the plan's benefit liability for active vs. inactive participants

# SamCERA faces reduced active member support for future benefits



Ratio of inactive to active participants is known as the Support Ratio. The higher the ratio, the less the plan's funding method can rely on active member contributions.

# This equates to greater reliance on investment returns



Mature plans are more sensitive to adverse events while also having less tools at their disposal to correct funding deficiencies

Timing of returns matters: early market shocks more impactful to funded status than later shocks

For illustrative purposes

# Slide from 2019 ALM Study - Objectives

- The most important objectives from the previous Enterprise Risk Tolerance survey
  - Long-term sustainability of the Plan
  - Improve funded status
- Cash flows was a less important objective in 2016, but in the 2019 ALM survey it was deemed moderately important
- Diversification, reducing volatility, and minimize drawdown risk were all ranked as relatively important
- In aggregate, minimizing employer contribution rate fluctuations, overall contribution rates, and maximizing short/mid-term outperformance were the least important

# Slide from 2019 ALM Study - Risks

- Nine out of ten people responded that loss of capital was the biggest risk to the Plan
- Volatility and tracking error were the next two most important risks
- Only a handful of people were worried about high manager fees or alternatives were a significant risk to the portfolio
- 70% of the Board thought we should target a desired risk as opposed to targeting an expected portfolio return
- Illiquidity/cash flow was the second highest risk factor the Board wanted to prioritize, after concerns about deterioration of the Plan's funded ratio. Importance of cash flows increased from the prior study.
- Complexity and leverage were of concern to multiple Trustees.

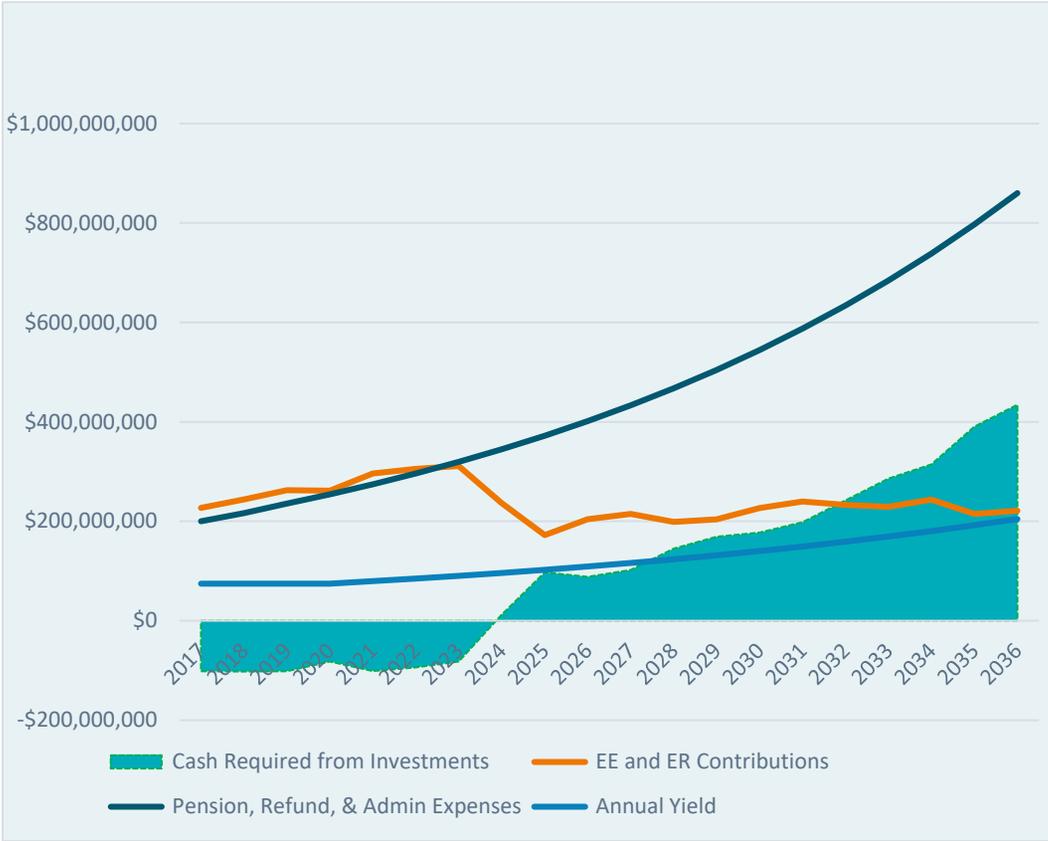
# Cash Flows

# Cash Flows & Portfolio Income

## Portfolio Income

- Portfolio income can be used to offset a portion of outgoing cash flows

## Projected Cash Flows



# Cash Matching Strategy

How many years of cash flows should SamCERA pre-fund?

Fiscal Year	Plan Size (M)	1-year Cash needs (M)	Percentage 1-year liquidity pool	3-year Cash needs (M)	Percentage 3-year liquidity pool	5-year Cash needs (M)	Percentage 5-year liquidity pool
2022	\$5,529	\$3	0.1%	-\$86	-1.6%	-\$453	-8.2%
2023	\$5,875	\$3	0.1%	-\$272	-4.6%	-\$682	-11.6%
2024	\$6,242	-\$92	-1.5%	-\$459	-7.4%	-\$927	-14.9%
2025	\$6,632	-\$183	-2.8%	-\$593	-8.9%	-\$1,093	-16.5%
2026	\$7,046	-\$184	-2.6%	-\$652	-9.3%	-\$1,183	-16.8%
2027	\$7,487	-\$226	-3.0%	-\$726	-9.7%	-\$1,288	-17.2%
2028	\$7,955	-\$242	-3.0%	-\$773	-9.7%		
2029	\$8,452	-\$258	-3.1%	-\$820	-9.7%		
2030	\$8,980	-\$273	-3.0%				
2031	\$9,541	-\$289	-3.0%				

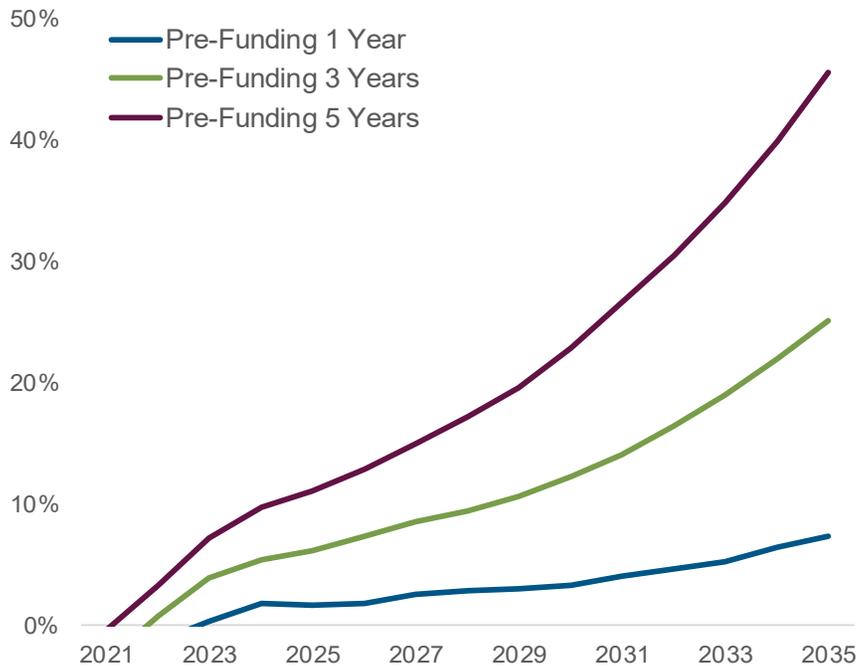
A liquidity pool of 5-year cash needs starts at 8% and quickly jumps to 17% of the portfolio by 2032

A 3-year liquidity pool takes significantly less capital, but still becomes a significant portion of the plan by 2030 at 10%

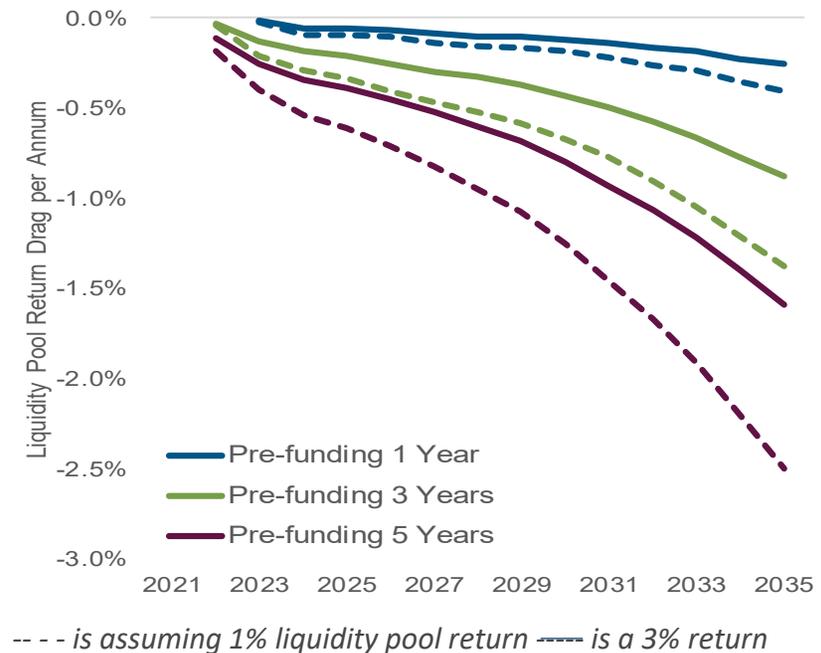
# Cash Flows

## The risk of putting more in a liquidity bucket

Pre-Funding Horizon vs. Share of Total Portfolio



“Cash Drag” vs. a 6.5% Return on the Policy Portfolio

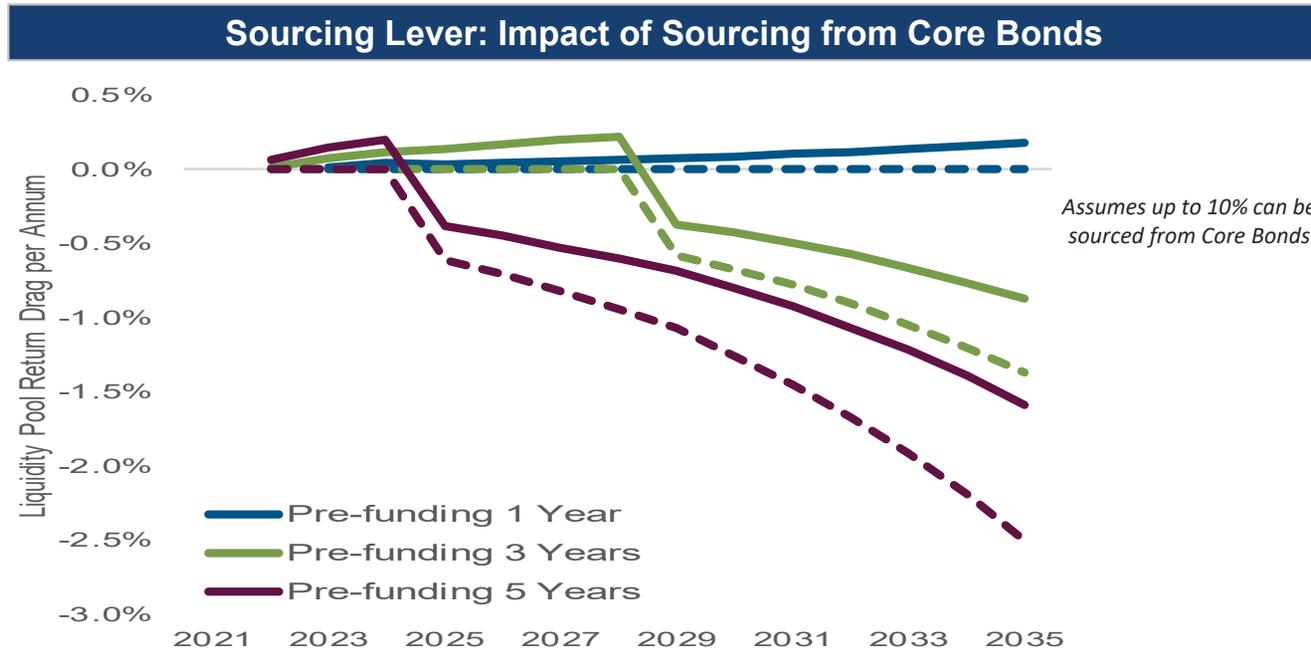


- Increasing the size of the liquidity pool can be a significant portion of the Plan’s assets (especially as cash flows become increasingly negative.)
- The larger the liquidity portfolio the bigger the cash drag assuming a 6.5% return

\*Analysis provided by PIMCO

# Cash Flows

## Managing Cash Drag



- - - - is assuming 1% liquidity pool return ----- is a 3% return

Staff and Verus believe a 3-year pool strikes the best balance between liquidity and rebalancing flexibility.

We will regularly revisit the CDI portfolio as negative cash flows grow and in conjunction with portfolio expected returns.

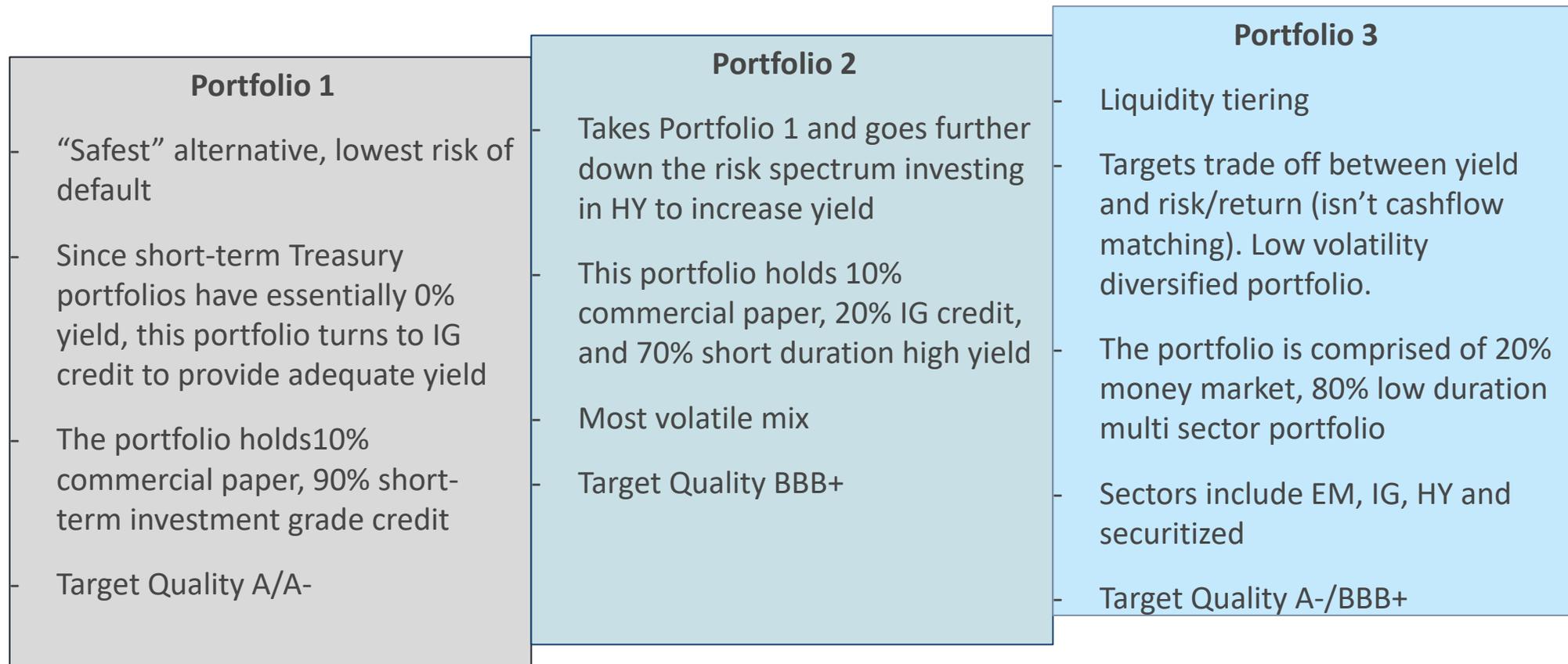
- If we assume up to 10% of the portfolio can come from core fixed income cash drag is reduced
- Having a separate liquidity bucket allocation may allow for more (higher expected return) illiquidity in the portfolio

\*Analysis provided by PIMCO

# Managing Cash Flows (Refresh)

# Portfolio Alternatives

Verus worked with PIMCO, one of SamCERA's existing managers, and coordinated with Staff in determining the following 3 possible CDI alternatives.



There are many implementation options for a CDI strategy that can be customized to client needs.

# Assessment of portfolio alternatives

- Initially we would envision a portfolio closest to portfolio 1, as cash flow matching and investment grade credit (IG) has the lowest downside risk and has the highest certainty of liquidity.
- Verus and Staff believe maintaining conservative investment guidelines is optimal while allowing for limited manager discretion in instances where:
  - There are better risk/reward trade offs in adding high yield opportunistically or deviating slightly from pure cash flow matching
  - The CDI manager has the requisite expertise to make successful investments in non-investment grade securities as well as proven experience in the opportunistic timing of these investments

# CDI Allocations

What allocations are needed to maintain the current return assumption?

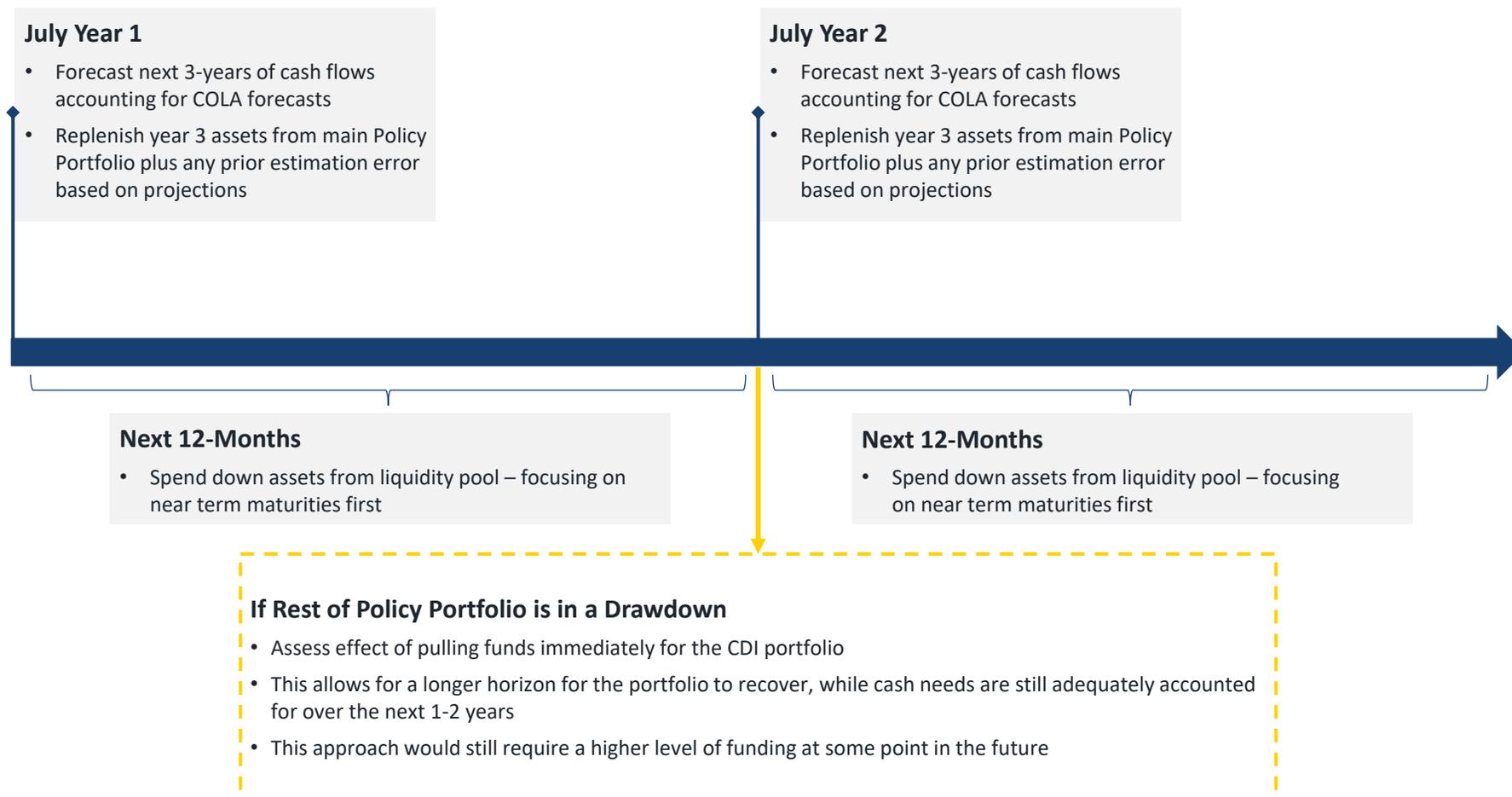
	Approved Allocation	2022 CDI Portfolio	2023 CDI Portfolio
US Large	12.0	12.0	12.0
Low Vol	8.0	8.0	8.0
US Small	2.0	2.0	2.0
International Developed	7.5	7.5	7.5
Intl Developed Hedged	7.5	7.5	7.5
Emerging Markets	4.0	4.0	4.0
High Yield Corp. Credit	7.0	7.0	7.0
Private Equity	6.0	6.0	6.0
Private Credit	3.0	3.0	3.0
<b>Total Growth</b>	<b>57.0</b>	<b>57.0</b>	<b>57.0</b>
Core Fixed Income	18.0	17.5	14.5
Absolute Return	7.0	7.0	7.0
CDI	1.0	1.5	4.5
<b>Total Diversifying</b>	<b>26.0</b>	<b>26.0</b>	<b>26.0</b>
Commodities*	3.0	3.0	3.0
Core Real Estate	9.0	9.0	9.0
Infrastructure*	4.0	4.0	4.0
TIPS	1.0	1.0	1.0
<b>Total Real Return</b>	<b>17.0</b>	<b>17.0</b>	<b>17.0</b>
<b>Total Allocation</b>	<b>100</b>	<b>100</b>	<b>100</b>

	Approved Allocation	2022 CDI Portfolio	2023 CDI Portfolio
<b>Mean Variance Analysis</b>			
<b>Forecast 10 Year Return</b>	<b>5.0</b>	<b>5.0</b>	<b>5.0</b>
Standard Deviation	9.9	9.9	9.9
<i>Return/Std. Deviation</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>
<i>1st percentile ret. 1 year</i>	<i>-15.6</i>	<i>-15.6</i>	<i>-15.6</i>
Sharpe Ratio	0.51	0.51	0.51

\*Real Assets modeled as Commodities and Infrastructure

# Replenishing the Liquidity Pool

## Illustration of Liquidity Pool Rebalancing Process\*



SOURCE: PIMCO, SamCERA. Hypothetical example for illustrative purposes only.

# Conclusions

- The CDI portfolio would reside in the diversifying part of SamCERA’s portfolio and would have a “safety first” objective at all times.
- SamCERA staff and Verus believe starting with a 3-year CDI program is suitable for the Plan and provides the best balance of liquidity and rebalancing optionality.
- Initially we would envision a portfolio with a focus on cash flow matching and investment grade credit for low downside risk. Depending on the manager chosen, giving the manager discretion to take limited additional risk could add value opportunistically over time.
- The addition of CDI would allow SamCERA to review and potentially tweak asset allocation in light of having short term cash needs covered with the goal of maintaining the expected returns of SamCERA’s current asset mix.
- Taking the initial allocation from Core Fixed Income would have a negligible effect on current forecasted returns. With the addition of a CDI portfolio, we will review possible increased illiquid allocations at the next asset allocation study.

# Next Steps

- Verus and Staff seek feedback on our recommendation and any additional education that may be needed before moving forward with a CDI program.
- If feedback is positive, Verus and Staff will initiate a manager search focusing on a select group of CDI providers.

# Appendix

# Cash Flows

The benefit of putting more in a liquidity bucket

60/40 Historical Rolling performance\*



Out of 1081 monthly outcomes the 1-year Rolling period was negative 27% of the time, the 3-year was negative 18% of the time, and the 5-year period was negative 11% of the time

- Rebalancing the cash flow portfolio should optimally occur during years with positive returns
- Increasing the amount in the liquidity bucket to 3 or 5-years lowers the chances of having to rebalance in a year with negative absolute performance

\*60% Dow Jones Index & 40% Long Term Treasuries

# Income vs. Price Appreciation

Income is more stable than price appreciation for most markets

S&P 500 INDEX, AS OF 8/31/21



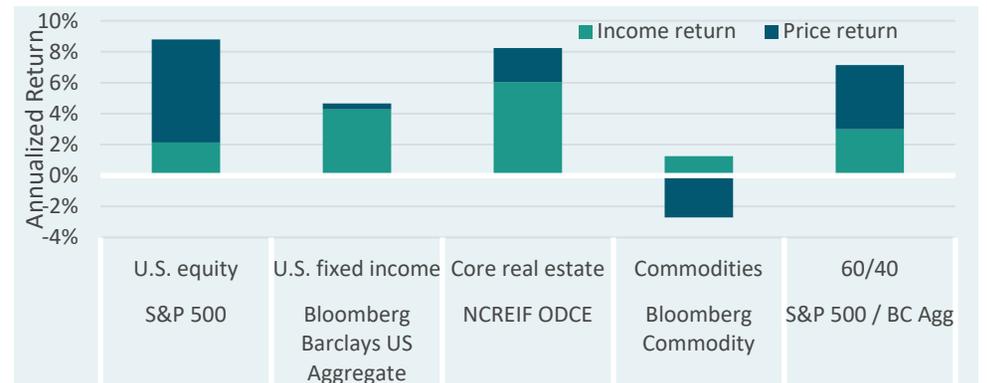
BLOOMBERG AGG, AS OF 7/31/21



NCREIF PROPERTY INDEX, AS OF 3/31/21



20-YEAR RETURN DECOMPOSITION BY ASSET CLASS



# Objective

## Mandate Objective

Meet plan liabilities over the next 3-years, with a high degree of certainty, low risk of loss and a highly liquid investment portfolio

## Important Evaluation Metrics

Objective	Evaluation Criteria / Metrics
Minimize volatility and loss potential	Average Rating, mark-to-market volatility, tail-risk, default probabilities
Minimize cash drag	Portfolio carry, median 3-year outcome
Liability matched	Multi-period analysis, pre-funding required
Flexible to meet changing liability profile	Ease of adjusting mandate, transaction costs, implementation speed

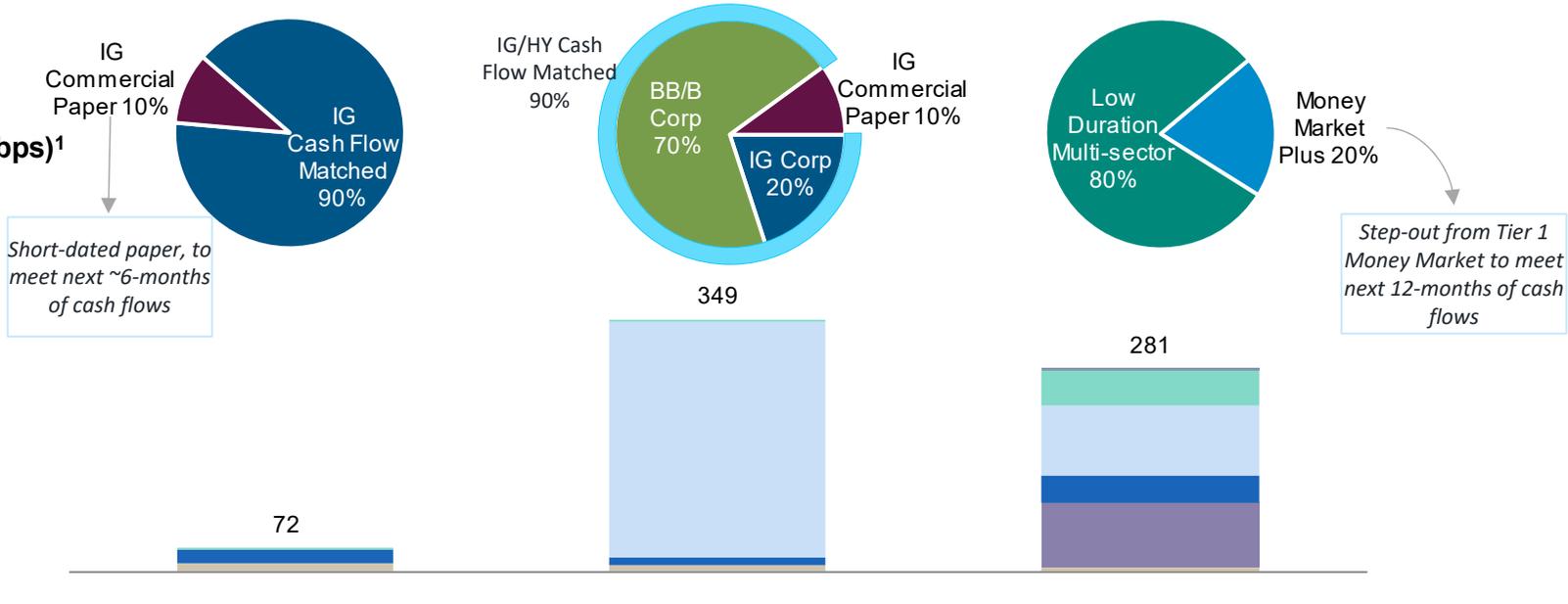
As of 31 July 2020. SOURCE: PIMCO, SamCERA.

*Past performance is not a guarantee or reliable indicator of future results.*

# Portfolio Characteristics

## Contribution to Estimated Volatility (bps)<sup>1</sup>

- Other Factors<sup>3</sup>
- EM Spread
- Corp HY Spread
- Corp IG Spread
- Securitized Spread
- Slope/Convexity
- Equity Industry/Style



**Portfolio 1 - High Quality CF Match Benchmark**

**Portfolio 2 - Risk Seeking - CF Match Benchmark**

**Portfolio 3 - Liquidity Tiering Benchmark**

	Portfolio 1 - High Quality CF Match Benchmark	Portfolio 2 - Risk Seeking - CF Match Benchmark	Portfolio 3 - Liquidity Tiering Benchmark
<b>Total Carry</b>	0.7%	2.3%	2.6%
<b>Mark-to-market Volatility<sup>1</sup></b>	1.0%	2.9%	2.6%
<b>Sharpe Ratio<sup>2</sup></b>	0.32	0.68	0.87
<b>Worst 12-mo. Loss<sup>1</sup></b>	1.4%	5.3%	4.0%
<b>Equity Beta vs. S&amp;P500</b>	0.00	0.14	0.12
<b>Duration</b>	1.67	1.93	2.12
<b>Average Quality</b>	A/A-	BBB+	A-/BBB+

As of February 28, 2021. SOURCE: PIMCO, SamCERA.

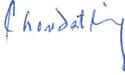
Portfolios are constructed to meet obligations over a 3-year horizon with a high degree of certainty. Past performance is not a guarantee or reliable indicator of future results.

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 7.1

**TO:** Board of Retirement

**FROM:** Tat-Ling Chow, Finance Officer 

**SUBJECT:** Approval of Financial Audit Reports for the Fiscal Year Ended June 30, 2021

**Recommendation**

Approve the Financial Audit Reports from Brown Armstrong Accountancy Corporation (Brown Armstrong) for the fiscal year ended June 30, 2021.

**Discussion**

Brown Armstrong has issued three audit reports in connection with the basic financial statements and other information presented in the Annual Comprehensive Financial Report of SamCERA for the fiscal year ended June 30, 2021. Mrs. Ashley Green from Brown Armstrong will discuss these three audit reports in detail:

- 1) *Independent Auditor's Report.* This report contains a "clean" opinion from our auditor that SamCERA's basic financial statements and other information are fairly presented, in all material aspects, in accordance with accounting principles generally accepted in the United States of America. This report is presented in the Annual Comprehensive Financial Report of SamCERA for the fiscal year ended June 30, 2021.
- 2) *Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards.* This report explains the auditor's responsibility under the generally accepted auditing standards in the United States of America and includes required communications related to the audit.
- 3) *Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.* This report discloses that our auditor (1) did not identify any material weaknesses in our internal controls and (2) did not identify any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

**Attachments**

Audit Report #2, Required Communication to the Board of Retirement and Audit Committee in Accordance with Professional Standards

Audit Report #3, Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

**SAN MATEO COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION**

**REPORT TO THE BOARD OF RETIREMENT  
AND AUDIT COMMITTEE**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

**SAN MATEO COUNTY EMPLOYEES'  
RETIREMENT ASSOCIATION**

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**REQUIRED COMMUNICATION TO THE MEMBERS OF THE  
BOARD OF RETIREMENT AND AUDIT COMMITTEE IN  
ACCORDANCE WITH PROFESSIONAL STANDARDS (SAS 114)**

To the Board of Retirement and Audit Committee of  
San Mateo County Employees' Retirement Association  
Redwood City, California

We have audited the basic financial statements and other information (financial statements) of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of and for the fiscal year ended June 30, 2021, and have issued our report thereon dated October 18, 2021. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 1, 2021. Professional standards also require that we communicate to you the following information related to our audit.

**Significant Audit Matters**

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by SamCERA are described in Note 2, Summary of Significant Accounting Policies, to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2021. We noted no transactions entered into by SamCERA during the fiscal year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events as well as assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting SamCERA's financial statements were:

- Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the financial statements. We evaluated the key factors and assumptions used to develop the estimate of the fair value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.
- The contribution amounts and net pension liability as detailed in the notes to the financial statements are based on the actuarially-presumed interest rate and assumptions. We evaluated the key factors and assumptions used to develop the estimates of the contribution amounts and net pension liability in determining that they are reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosures for deposits and investments in Notes 2 and 6 to the financial statements, Summary of Significant Accounting Policies and Deposits and Investments, respectively, were derived from SamCERA's investment policy. Management's estimate of the fair value of investments was derived by various methods as detailed in the notes to the financial statements.
- Additionally, the disclosures related to the funding policies, net pension liability, and actuarial methods and assumptions in Note 1, Plan Description; Note 3, Funding Policy; Note 4, Member Contributions; Note 5, Employer Contributions; and Note 7, Pension Disclosures, were derived from actuarial valuations, which involved estimates of the value of reported amounts and probabilities about the occurrence of future events far into the future.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 18, 2021.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to SamCERA's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as SamCERA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### *Other Matters*

We applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers, Schedule of Employer Contributions, Schedule of Investment Returns, and Notes to the Required Supplementary Information, which are Required Supplementary Information (RSI) that supplement the basic financial statements. Our

procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the Schedule of Administrative Expenses, Schedule of Information Technology Expenses, Schedule of Investment Expenses, Schedule of Payments to Consultants (Other Than Investment Advisors), and Notes to the Supplementary Information, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory, investment, actuarial, statistical, and compliance sections, which accompany the financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Restriction on Use**

This information is intended solely for the use of the Members of the Board of Retirement, Audit Committee, and management of SamCERA and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Stockton, California  
October 18, 2021

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Retirement and Audit Committee of  
San Mateo County Employees' Retirement Association  
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements and other information (financial statements) of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 18, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SamCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SamCERA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SamCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong  
Accountancy Corporation*

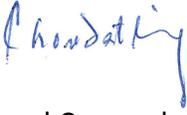
Stockton, California  
October 18, 2021

**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 7.2

**TO:** Board of Retirement

**FROM:** Tat-Ling Chow, Finance Officer 

**SUBJECT:** Approval of SamCERA's 2021 Annual Comprehensive Financial Report

**Recommendation**

Approve SamCERA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021.

**Discussion**

The ACFR consists of six sections, which include the following:

1. Introductory Section - includes a letter of transmittal from SamCERA's Chief Executive Officer.
2. Financial Section - includes independent auditor's report, management's discussion and analysis, basic financial statements, notes to the basic financial statements, and other financial information.
3. Investment Section - includes Chief Investment Officer's report, Investment Consultant's report, asset allocation, portfolio returns, and other investment-related information.
4. Actuarial Section - includes Actuary's Certification Letter, results of the most recent annual actuarial valuation, an overview of the plan funding status, and other actuarial-related information.
5. Statistical Section - covers financial and operational information for the past ten fiscal years.
6. Compliance Section - includes auditor's report on internal control over financial reporting and on compliance and other matters.

Our discussion below is focused on two areas: (1) the operating results of our pension plan for the fiscal year just ended and (2) the funding status as of June 30, 2021.

Over the fiscal year, the financial position of SamCERA has improved by 25%. Below are the key indicators of SamCERA's overall performance this fiscal year as opposed to last fiscal year. The net position (total assets minus total liabilities) of SamCERA reached a record high of \$5.98 billion at fiscal year-end, reflecting a net increase of \$1.20 billion. This amount is exclusively restricted for the ongoing benefit obligations to retirees and their eligible beneficiaries.

- Total additions to the pension plan were \$1.47 billion, an increase of 372% from a year ago.

This significant increase is driven by three key prominent factors:

- The net return on investment soared to 24.3% this fiscal year from -0.2% the previous fiscal year, leading to a \$1.09 billion increase in investment income. During the ongoing pandemic, the federal government instilled a massive monetary and fiscal stimulus to support a strong rebound in economic growth. This accelerated the strength in the equity market with opportunities to create sizeable income from capital appreciation.
  - Total annual required contributions from both employers and members increased by \$30 million compared to a year ago, partly due to increases in contribution rates and partly due to increases in covered payroll.
  - The County transferred an additional \$37.9 million to the Retirement Fund to accelerate the payoff of its unfunded liability this fiscal year as opposed to \$0.0 the previous fiscal year.
- Total deductions from the pension plan were \$270.6 million, an increase of \$16.3 million, or 6%, from a year ago. The increase was expected, mainly from the annual cost of living adjustment and the continued growth in the number of retired members receiving benefits.

In May 2021, the Board adopted the actuary's recommendation to lower the assumed investment earnings by a quarter percent to 6.25% for the 2021 valuation. Additionally, the Board reaffirmed all the other assumptions employed in the previous fiscal year. Below are the key results from the latest valuation.

- The funded ratio of the pension plan increased slightly by 1.7% to 88.1% from 86.4% a year ago. Though the gain from investment was enormous, the improvement in funded ratio was partially offset by adopting a lower assumed investment return for the 2021 valuation.
- As of June 30, 2021, the actuarial value of plan assets was \$5.5 billion, and the actuarial accrued liability was \$6.2 billion. As a result, the unfunded actuarial accrued liability (i.e., the difference between these two figures) amounted to \$738 million.
- If all the existing economic and demographic assumptions are being met, the pension plan is expected to be fully funded by fiscal year 2024.

## **Attachment**

2021 Annual Comprehensive Financial Report



# 2021 Annual Comprehensive 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



## *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.

Our confidence to thrive through adversity has strengthened our foundation and reaffirmed our mission and commitment to our membership.

With this strong foundation, we look towards the path forward with the confidence and knowledge of our accomplishments as being indicative of what we can achieve, even during the most challenging of times.

**San Mateo County Employees' Retirement Association**  
**A Pension Trust Fund of the County of San Mateo and Participating Employers**

**ANNUAL  
COMPREHENSIVE  
FINANCIAL REPORT**  
**Fiscal Year Ended June 30, 2021**

**Scott Hood**  
**Chief Executive Officer**

**Michael Coultrip**  
**Chief Investment Officer**

**Tat-Ling Chow**  
**Finance Officer**

**SamCERA**  
**100 Marine Parkway, Suite 125**  
**Redwood City, California 94065**

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# Introductory Section



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**PONY:** RET 141  
**Web:** [www.samcera.org](http://www.samcera.org)  
**Email:** [samcera@samcera.org](mailto:samcera@samcera.org)

## Board of Retirement

### San Mateo County Employees' Retirement Association

Dear Trustees:

I am pleased to present the Annual Comprehensive Financial Report (ACFR) of the San Mateo County Employees' Retirement Association (SamCERA) for the fiscal year ended June 30, 2021. This report is intended to provide an overview of SamCERA's financial, investment, and actuarial status as of that date.



Under Government Code 31593, SamCERA is required to conduct an audit every 12 months and report upon its financial condition. The financial audit performed by Brown Armstrong Accountancy Corporation states that SamCERA's financial statements are presented fairly, in all material respects, in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America. The independent auditor's report is located on pages 27-29.

Management acknowledges its responsibility for the entire contents of the ACFR and its responsibility for maintaining an adequate internal control framework to provide reasonable, rather than absolute, assurance that the financial statements are free of any material errors. Management's Discussion and Analysis (MD&A) is presented on pages 30-39, providing a narrative analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

### **Authority, Responsibilities & Duties**

The San Mateo County (the County) Board of Supervisors established retirement benefits for County employees effective July 1, 1944, as prescribed by the provisions of Government Code Section 31450 et seq., also known as California's County Employees Retirement Law of 1937 (the CERL). SamCERA is responsible for providing retirement, disability, and death benefits to its eligible members and beneficiaries in accordance with the CERL, the California Public Employees' Pension Reform Act of 2013 (PEPRA - Government Code Section 7522 et seq.), and other applicable statutes, regulations, and case laws.

The SamCERA Board of Retirement (the Board), serving as fiduciary for all SamCERA members and their beneficiaries under the California Constitution, Article XVI, Section 17 and the CERL, is responsible for administering the system. The duties of the Board, its officers, and its

employees are to prudently manage plan assets and to ensure the ability to pay all earned benefits while minimizing employer contributions and defraying reasonable expenses of administering the system.

The Board consists of nine Trustees and two alternates. Four positions are appointed by the Board of Supervisors. Four Trustees are elected from their respective membership: two from the General Members, one from the Safety Members, and one from the Retired Members. The County Treasurer is a member of the Board by virtue of the publicly elected office. All Trustees serve for a term of three years except the County Treasurer. In addition, there is one elected Safety Member Alternate and one elected Retired Member Alternate. The officers for the Board for fiscal year 2020-21 were: Al David, Chair; Robert Raw, Vice Chair; and Katherine O'Malley, Secretary. Other members of the Board were: Sandie Arnott, Eric Tashman, Benedict J. Bowler, Mark Battey, Paul Hackleman, and Kurt Hoefer. Alternate Trustees were Susan Lee and Alma Salas.

The Board has adopted the Regulations of the Board of Retirement, and among other policies, its Mission & Goals; Investment Policy Statement; Conflict of Interest Code; and Code of Conduct, which reflect the Board's guiding policies. The Board annually adopts an operating budget for the administration of SamCERA, which is discussed in the Financial Section beginning on page 27. A breakdown of the budget allotment versus actual expenses is presented on pages 70-73. In addition, the Board has authorized the execution of contracts for the professional services of an actuary, an investment consultant, investment managers, a global custodian, a financial auditor, and a medical advisor delegated by the County Health Officer to help the Board fulfill its duties. The Board's primary professional consultants are highlighted in the organizational chart on page 22.

SamCERA's Chief Executive Officer (CEO) serves at the pleasure of the Board and is responsible for managing the day-to-day operations of the retirement system. SamCERA's staff of 23 full-time employees are responsible for meeting the needs of its members and beneficiaries, participating employers, and the Board in accordance with the high standards set forth in SamCERA's Mission & Goals statements. SamCERA's staff is sworn to carry out its fiduciary duties in accordance with the governing law and SamCERA's regulations and policies.

Employers participating in the retirement system include the County, the Superior Court of the County of San Mateo (the Court), and the San Mateo County Mosquito and Vector Control District (the District). SamCERA's members include all active permanent employees of the participating employers, inactive members, retirees, and beneficiaries. About 83% of SamCERA's active members are classified as General Members while the remaining are public safety employees classified as Safety or Probation Members.

## **Financial**

The certified public accounting firm of Brown Armstrong Accountancy Corporation provides financial audit services to SamCERA. The objective of this financial audit is to ensure that

SamCERA's financial statements are presented in conformity with GAAP and are free of material misstatements. Internal controls are reviewed to ensure that SamCERA has sufficient controls in place to ensure reliable financial reporting and to safeguard its assets. SamCERA's financial statements in the Financial Section are prepared on the accrual basis of accounting. Member and employer contributions are recognized in the period which contributions are due. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investments are reported at fair value.

### **Investments**

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 (i.e., benefits paid, administrative expense, etc.), added approximately \$1.202 billion to the fund.

This fiscal year's returns of 24.3% net of investment management fees for the fiscal year ended June 30, 2021, outperformed 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.

During the year SamCERA approved a new benchmark policy portfolio as part of its annual asset allocation review. The new policy portfolio tweaks the old portfolio by adding 2% to the Growth bucket and reducing Diversifying by 2%, while keeping the overall allocation to Inflation Hedge unchanged. The new policy was in effect from January 1, 2021.

### **Actuarial**

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. The survey ranks the funding assumptions used by California's public pension systems from "most conservative" to "most optimistic." SamCERA's continued high ranking was due mainly to its relatively low assumed rate of return of 6.50% and its current funding method, where the June 30, 2008 Unfunded Actuarial Accrued Liability (UAAL) is amortized over a 15-year fixed period ending June 30, 2023. Subsequent changes in the UAAL in years following June 30, 2008, are being amortized separately over new 15-year periods. At its May 2021 Board meeting, the Board lowered its assumed investment earnings rate from 6.5% to 6.25% to reflect lower expected future investment returns.

SamCERA engages an independent actuarial consulting firm, Milliman, Inc. (Milliman), to conduct an annual actuarial valuation of its pension plan. The purpose of this valuation is to reassess the magnitude of the benefit commitments in comparison with the assets expected to be available to support those commitments so that employer and employee contribution rates can be adjusted accordingly. Triennially, SamCERA requests its actuarial consulting firm to perform an actuarial experience study so that appropriate assumptions can be determined for valuing the plan's assets and liabilities. SamCERA strives to provide the most recent financial and actuarial data in its annual report.

### **Plan Funding Status**

SamCERA maintains a funding goal that will fully fund the system's liabilities while maintaining employer contributions, as a percentage of payroll, as level as possible for the plan sponsors. Milliman acts as the plan's actuary and performs actuarial valuations, which are presented to the Board annually. The purpose of the valuation is to determine the financial health of the plan at a given point in time and to recommend the employer and member contribution rates for the upcoming fiscal year. Triennially, Milliman conducts an experience study of SamCERA members and makes recommendations to the Board on key economic and noneconomic assumptions. The most recent triennial experience study was completed for the period ended April 30, 2020.

Milliman's actuarial valuation as of June 30, 2021, determined that the funding ratio increased from 86.4% to 88.1%. This increase was due primarily to strong investment returns for the first six months of the fiscal year. The Employer Normal Cost Rate increased to 11.55% for fiscal year 2022-23 from 10.90% of covered payroll for fiscal year 2021-22 for all plans combined. Additionally, the portion of the employer's contribution rate that finances the UAAL increased from 28.01% of pay to 29.21%. Despite the increase to the Normal Cost and the UAAL portion of the Statutory Contribution Rate, the increase is offset due to phasing-in the reduction to the assumed earnings rate over a three-year period. The net result is a decrease in the Statutory Contribution Rate to 38.33% from 38.91% in the previous year.

### **Supplemental Contributions**

In 2013, a Memorandum of Understanding (MOU) was established between the County and SamCERA in which the County was committed to accelerate the pay down of its UAAL by making supplemental contributions. The contributions paid above the statutorily required contribution rate, along with the earnings in the County's Supplemental Contribution Account (CSCA), overall have grown to approximately \$237 million as of June 30, 2021. Furthermore, the County is committed to continue making supplemental contributions over the next two years. In September of 2015, the District also entered into an MOU with SamCERA to make supplemental contributions to pay down its UAAL. The overall contributions and earnings in the District's Supplemental Contribution Account are about \$1.1 million as of June 30, 2021.

### **Cost of Living Adjustment**

Due to inflation, most SamCERA retirees and beneficiaries received a Cost of Living Adjustment (COLA) between 1.5% and 3.0%, depending on the COLA limit of their plan. The COLA for all plans was 1.5% with two exceptions. Probation Plan 1 members who retired on or before April 1, 2019 and received more than 1.5% (upper limit of 3%) used the available balance in their COLA Bank, and Plan 3 members are not eligible for a COLA.

### **Information Technology**

Staff made significant progress on development of the new MySamCERA mobile application. The improved application will offer an improved user interface, more features than the

existing mobile application, and make it easier for members to access and manage their retirement account information. To safeguard member data, a thorough vulnerability test was completed before going live with the new application.

### Strategic Planning

SamCERA has been making steady progress in implementing the strategic plan which was updated in 2019. The strategic plan will continue to evolve as our organizational needs change, giving the opportunity to employ a more thoughtful, intentional planning approach that is aimed at achieving the newly adopted goals and objectives. SamCERA continues to pursue its three major goals described below, all of which are derived from and consistent with SamCERA's mission statement.

- **ASSET MANAGEMENT GOAL**

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.

As previously mentioned, a major focus of the Board in the next few fiscal years is to plan strategically for the ongoing maturation of SamCERA's pension plan, and the potential impact on such things as the plan's asset allocation, liquidity management, and risk tolerance.

- **CUSTOMER SERVICES GOAL**

Provide caring, fair, accurate, timely and knowledgeable professional services and information to our diverse membership and other stakeholders, regardless of an individual's background. As such, SamCERA's counseling, financial courses and outreach events will continue to be accessible to all. We are committed to fostering an inclusive and diverse environment/organization which will enable us to better serve our membership now and into the future.

Staff strives to provide its members the highest level of customer service through one-on-one counseling sessions, seminars, member guides, self-service portal and a robust member education program. Furthermore, staff is working to ensure the pension administration system is performing as expected through monitoring and regular testing.

- **OPERATIONS GOAL**

Constantly improve the effectiveness of SamCERA's services and the efficiency of its operations.

Operationally, SamCERA will continue to focus on strengthening its internal control procedures with a focus on cybersecurity, enhancing features and ensuring consistent connectivity to our pension administration system, undertaking a succession planning strategy, and improving our business continuity plan.

### **Notable Accomplishments during Fiscal Year 2020-2021**

- Implemented new processes to provide services to members during the COVID-19 pandemic including virtual member counseling and virtual retirement seminars.
- Implemented additional procedures to strengthen internal controls over recording/reporting of investment activities.
- Began the process to replace existing PBX phone system with a modern VoIP phone system.
- Began the process to upgrade boardroom audio visual equipment.

### **Certificate of Achievement and Acknowledgements**

For the twenty-fourth 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 for the fiscal year ended June 30, 2020. The certificate is reproduced on page 18. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

SamCERA is also the recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the eighteenth year running and has received this honor for the PAFR for the fiscal year ended June 30, 2020.

Additionally, the Public Pension Coordinating Council (the Council) presented SamCERA with its Public Pension Standards Award for 2020. This award recognizes that SamCERA has met professional standards for plan funding and administration as set forth in the Public Pension Standards of the Council. The standards judge retirement systems on their Funding Adequacy, Comprehensive Benefit Program, Actuarial Valuation, Independent Audit, Investments and Communications. The award is reproduced on page 19.

These awards recognize SamCERA's contributions to the practice of government finance, exemplifying outstanding financial management and reporting; in doing so, the awards stress practical, documented work that offers leadership to the profession. The compilation of the Annual Comprehensive Financial Report, in a timely manner, reflects the combined efforts of SamCERA's management and staff under the leadership, dedication and support of the Board.

### **Acknowledgments**

I would like to thank the Board of Retirement for their continued commitment to advance initiatives which allow us to administer a financially secure retirement plan to our membership. The teamwork and collaboration of the Board, SamCERA staff, consultants, and

our participating employers directly contributed to the success we experienced while navigating a challenging year.

As we take the path forward together into the next fiscal year, SamCERA remains dedicated to prudently manage the fund while providing the highest level of service to our members, employers, and stakeholders.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Scott Hood".

Scott Hood  
Chief Executive Officer

October 18, 2021

**GFOA CERTIFICATE OF ACHIEVEMENT**



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**San Mateo County Employees' Retirement Association  
California**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2020

*Christopher P. Morrill*

Executive Director/CEO

**PPCC PUBLIC PENSION STANDARDS AWARD**



Public Pension Coordinating Council

***Public Pension Standards Award  
For Funding and Administration  
2020***

Presented to

***San Mateo County Employees' Retirement Association***

In recognition of meeting professional standards for  
plan funding and administration as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator



## MISSION

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SamCERA exists to serve as a loyal fiduciary for its members and as a prudent administrator of the retirement system.

## 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.

## BOARD OF RETIREMENT

The Board manages the employees' Retirement Fund which is administered in accordance with the law solely for the benefit of the active and retired members of the system and their eligible beneficiaries.



**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



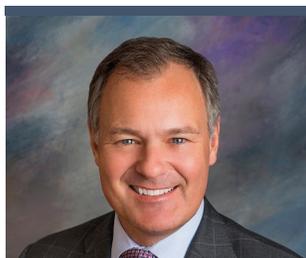
**BENEDICT J. BOWLER**  
*Board Member*  
Appointed by the Board  
of Supervisors  
Fifth Member



**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

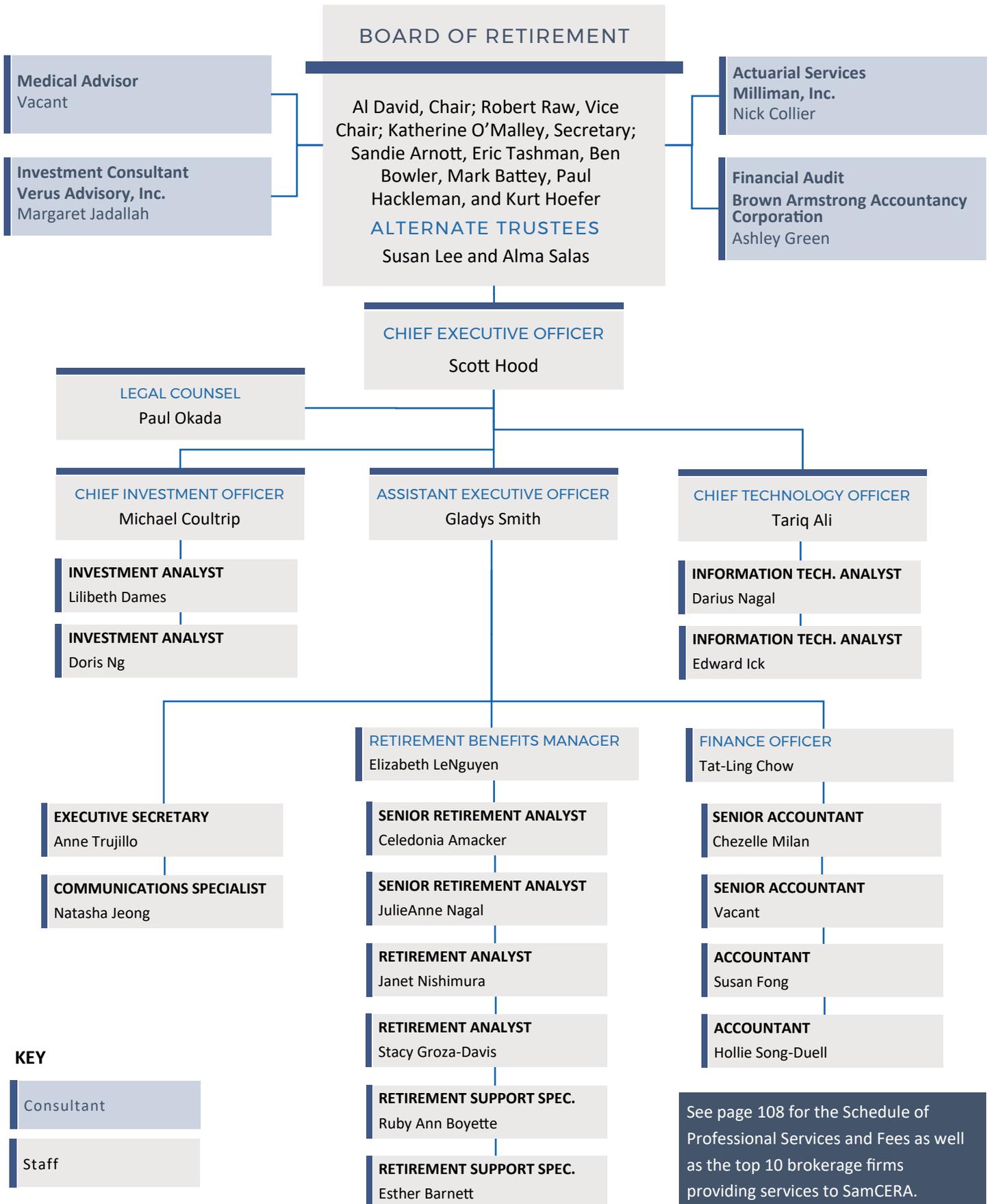


**ALMA SALAS**  
*Board Member*  
Elected by the Retired  
Members  
Retiree Alternate



**SUSAN LEE**  
*Board Member*  
Elected by the Safety  
Members  
Safety Alternate

Organizational Chart



**KEY**

- Consultant
- Staff

See page 108 for the Schedule of Professional Services and Fees as well as the top 10 brokerage firms providing services to SamCERA.

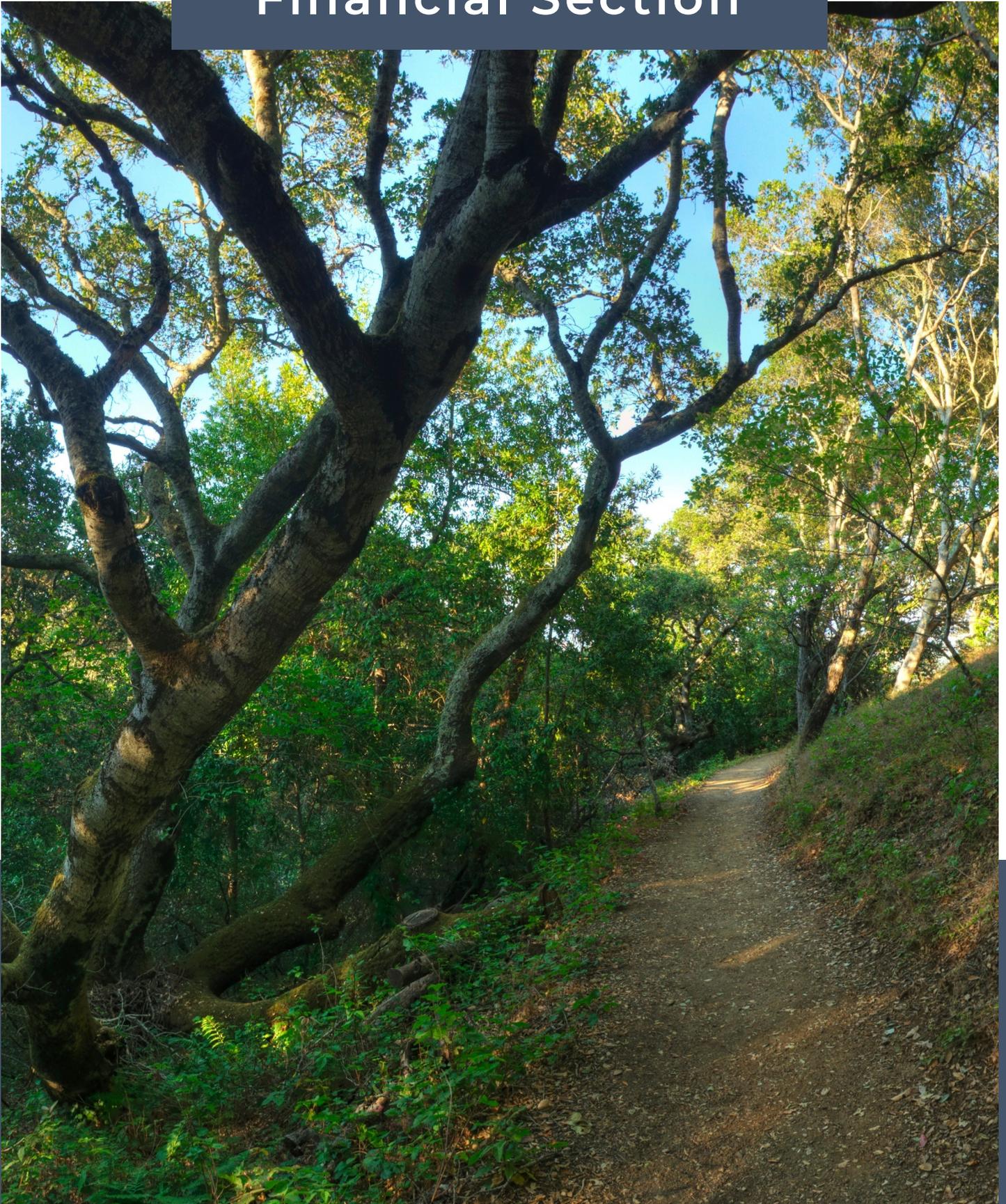
**LIST OF PROFESSIONAL CONSULTANTS**

(Other Than Investment Managers)

<b><u>Professional Service</u></b>	<b><u>Consultant</u></b>
Auditor	Brown Armstrong Accounting Corporation
Consulting Actuary	Milliman, Inc.
Commercial Banking	Union Bank
Custodian	Northern Trust Corporation
Disability Counsel	Byers/Richardson
India Tax Agent	BSR & Co. LLP
Investment Consultant	Verus Advisory, Inc.
Investment Software	eVestment Alliance, LLC
Litigation Securities Class Action Services	ISS Governance
Pension Administration Software System	Vitech
Security Monitoring Counsel	Berman Tabacco Bernstein Litowitz Berger and Grossman Grant and Elsenhofer LLP
Stock Distribution Broker	Merrill Lynch, Pierce, Fenner & Smith Inc.
Taiwan Tax Agent	Faith Global Company, Limited
Tax Counsel	Reed Smith LLP
Trade Cost Analysis Consultant	Zeno AN Solutions

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# Financial Section



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www.ba.cpa  
661-324-4971

## INDEPENDENT AUDITOR'S REPORT

To the Board of Retirement and Audit Committee of  
San Mateo County Employees' Retirement Association  
Redwood City, California

### Report on the Basic Financial Statements and Other Information

We have audited the accompanying Statement of Fiduciary Net Position of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of June 30, 2021; the Statement of Changes in Fiduciary Net Position for the fiscal year then ended; and the related notes to the basic financial statements, which collectively comprise SamCERA's basic financial statements as listed in the table of contents. We have also audited the Schedule of Cost Sharing Employer Allocations and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) as of and for the fiscal year ended June 30, 2021, listed as other information in the table of contents.

### Management's Responsibility for the Basic Financial Statements and Other Information

SamCERA's management is responsible for the preparation and fair presentation of these basic financial statements and other information in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements and other information that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements and other information based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements and other information are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the basic financial statements and other information. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the basic financial statements and other information, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to SamCERA's preparation and fair presentation of the basic financial statements and other information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control.

**BAKERSFIELD**  
4200 Trustun Avenue, Suite 300  
Bakersfield, CA 93309  
661-324-4971

**FRESNO**  
10 River Park Place East, Suite 208  
Fresno, CA 93720  
559-476-3592

**STOCKTON**  
2423 West March Lane, Suite 202  
Stockton, CA 95219  
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the basic financial statements and other information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the basic financial statements and the other information referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2021; its changes in fiduciary net position for the fiscal year then ended; the Schedule of Cost Sharing Employer Allocations; and the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan totals for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense excluding that attributable to employer-paid member contributions (specified column totals) as of and for the fiscal year ended June 30, 2021, in accordance with accounting principles generally accepted in the United States of America.

#### **Other Matters**

##### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis and required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements and other information. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

##### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SamCERA's basic financial statements and the other information. The supplementary information and the introductory, investment, actuarial, statistical, and compliance sections, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and other information and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, statistical, and compliance sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and other information and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2021, on our consideration of SamCERA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SamCERA's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control over financial reporting and compliance.

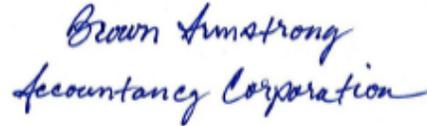
**Report on Summarized Comparative Information**

We have previously audited SamCERA's June 30, 2020, financial statements, and our report dated October 19, 2020, expressed an unmodified opinion on those audited financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2020, is consistent in all material respects, with the audited financial statements from which it has been derived.

**Restrictions on Use**

Our report is intended solely for the information and use of SamCERA management, the Audit Committee of SamCERA, the Board of Retirement of SamCERA, and SamCERA employers and their auditors and is not intended to be, and should not be, used by anyone other than these specified parties.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style.

Stockton, California  
October 18, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2020-21

This section of the San Mateo County Employees' Retirement Association's (SamCERA) Annual Comprehensive Financial Report (ACFR) provides a narrative overview and analysis of SamCERA's financial activities for the fiscal year ended June 30, 2021. We encourage readers to read the information presented here, in conjunction with the Notes to the Basic Financial Statements beginning on page 42.

### 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 and supplementary contributions from the primary plan sponsor, the County of San Mateo (the County).
- The net return on investments from the entire portfolio surged to 24.3% from -0.2% the previous fiscal year. The equity markets flourished amid the pandemic, triggered largely by a multitude of massive monetary and fiscal stimulus. The conditions provided plenty of room for market appreciation, creating lucrative returns to the portfolio.
- Statutory required contributions from employers and members showed a modest increase of \$26.7 million and \$3.3 million, respectively. The key drivers included increases in contribution rates as well as increases in covered payroll.
- The County contributed \$39.7 million in supplementary contributions versus \$0.0 a year ago. Under a Memorandum of Understanding between the County and SamCERA, the County can make supplementary contributions to accelerate the payoff of its unfunded actuarial accrued liability at its discretion.
- 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.
- The Retirement Plan was 88.1% funded as of June 30, 2021, reflecting a slight increase of 1.7% from 86.4% a year ago. Although the overall investment return was impressive, the improvement in funded ratio was partially offset by the effects from lowering the assumed investment return to 6.25% from 6.50%.

## Overview of Financial Statements

The following discussion and analysis serve as an introduction and overview of SamCERA's basic financial statements. The basic financial statements and required disclosures are prepared in accordance with the accounting principles and reporting standards prescribed by the Governmental Accounting Standards Board (GASB).

## Basic Financial Statements

The basic financial statements are prepared using the accrual basis of accounting, which is similar to most private-sector entities.

The *Statement of Fiduciary Net Position* is a snapshot of account balances at fiscal year-end. This statement discloses the assets available for future pension benefits to retirees and their eligible beneficiaries as well as outstanding liabilities as of June 30, 2021. The difference between assets and liabilities is reported as "Net Position Restricted for Pensions," which represents funds available to pay pension benefits. Over time, increases and decreases in Net Position Restricted for Pensions may serve as an indicator of whether SamCERA's financial position is improving or declining. This statement can be found on page 40 of this report.

The *Statement of Changes in Fiduciary Net Position* provides information about the financial activities during the reporting period that increased or decreased the Net Position Restricted for Pensions. Member and employer contributions are recognized in the period in which contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investment income is recognized when earned, and expenses are recognized when incurred. The net appreciation (or depreciation) in the fair value of investments is recorded as an increase (or a decrease) to investment income, which includes both realized and unrealized gains and losses on investments based upon investment valuations. This statement can be found on page 41 of this report.

## Notes to the Basic Financial Statements

*Notes to the Basic Financial Statements* are an integral part of the basic financial statements and provide additional information that is essential to obtain a thorough understanding of the data provided in the basic financial statements. The notes also provide detailed information of key policies and activities during the reporting period. Notes to the Basic Financial Statements can be found on pages 42-74 of this report.

## Required Supplementary Information

*Required Supplementary Information* presents information that GASB requires to accompany the basic financial statements. Such information is an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition to the Management's Discussion and Analysis, Required Supplementary Information consists of schedules discussed below and can be found on pages 75-80.

- Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers – displays changes in net pension liability of all participating employers.
- Schedule of Employer Contributions – helps readers determine if plan sponsors are meeting actuarially determined contributions over a period of time.
- Schedule of Investment Returns – shows the annual “time-weighted rate of return” and the annual “money-weighted rate of return” of the investment portfolio.
- Notes to the Required Supplementary Information – disclose additional details in relation to the required supplementary information presented.

### **Supplementary Information**

*Supplementary Information* includes several schedules detailing administrative, information technology and investment expenses, as well as payments to consultants (for fees paid to outside professionals other than investment advisors). Supplementary Information and the accompanying notes can be found on pages 81-83 of this report.

### **Other Information**

*Other Information* consists of two schedules pertaining to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. The two schedules include the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan and the Schedule of Cost Sharing Employer Allocations.

Under GASB Statement No. 68, plan sponsors are required to report Net Pension Liability on their balance sheets and changes in Net Pension Liability on their operating statements as pension expenses, deferred inflows of resources, and deferred outflows of resources. Other Information can be found on pages 84-86 of this report.

### **Financial Analysis**

Increases and decreases in fiduciary net position over time may serve as a useful indicator of whether the financial health of SamCERA is improving or declining. Other factors, such as market conditions, should be considered simultaneously in measuring SamCERA's overall financial position.

### **Analysis of Fiduciary Net Position**

The following table compares SamCERA's net position as of June 30 for the current and prior fiscal years. SamCERA's net position as of June 30, 2021, was approximately \$5.98 billion, an increase of \$1.2 billion, or 25%, over the reporting period.

**STATEMENT OF FIDUCIARY NET POSITION**

As of June 30 (Dollars in Thousands)

	2021	2020	Increase (Decrease)	
			Amount	Percentage
<b>Assets</b>				
Cash and cash equivalents	\$ 153,467	\$ 107,990	\$ 45,477	42%
Cash management overlay	64,054	54,095	9,959	18%
Securities lending cash collateral	4,574	2,424	2,150	89%
Receivables	71,243	95,960	(24,717)	-26%
Investments at fair value	5,760,383	4,598,816	1,161,567	25%
Capital assets, net	4,587	5,209	(622)	-12%
<b>Total assets</b>	<b>6,058,308</b>	<b>4,864,494</b>	<b>1,193,814</b>	<b>25%</b>
<b>Liabilities</b>				
Investment management fees payable	3,151	2,035	1,116	55%
Due to broker for investments purchased	66,319	78,242	(11,923)	-15%
Securities lending collateral due to borrowers	4,574	2,424	2,150	89%
Other	2,178	1,291	887	69%
<b>Total liabilities</b>	<b>76,222</b>	<b>83,992</b>	<b>(7,770)</b>	<b>-9%</b>
<b>Net position restricted for pensions</b>	<b>\$ 5,982,086</b>	<b>\$ 4,780,502</b>	<b>\$ 1,201,584</b>	<b>25%</b>

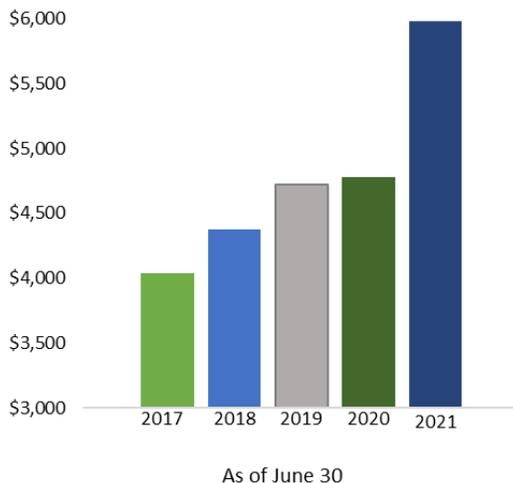
**Assets.** SamCERA's total assets increased by \$1.2 billion, or 25%, from a year ago. Significant changes include the following:

- Cash and cash equivalents increased by \$45.5 million. A larger amount of cash was held for liquidity purposes as the investment portfolio grew because of market appreciation.
- Cash management overlay increased by \$10.0 million. The foreign currency balance of the international equity accounts increased in proportion to the growth in the portfolios due to strong market conditions. As a result, additional cash was needed to maintain an appropriate level of currency hedge and provide enough cash collateral as a buffer for potential volatility in foreign exchange rates.
- Securities lending cash collateral increased by about \$2.2 million. Although the fair value of securities on loan and the required collateral in return was about the same as last fiscal year, borrowers opted to put more cash in lieu of non-cash as collateral this fiscal year. In securities lending transactions, borrowers are required to transfer cash or other securities as collateral valued at 102% for U.S. securities and 105% for non-U.S. securities plus accrued interest.
- Receivables overall decreased by \$24.7 million. In mid-June of 2020, a significant stock distribution from a private equity fund was sold. The proceeds from the sale did not arrive until July 2, 2020.

- Investments overall increased by \$1.2 billion. Significant changes include the following:
  - \* Public Equity increased by \$545.2 million, due mainly to market appreciation. As international and U.S. equity markets continued to strengthen throughout the fiscal year, investments in the international equity portfolio appreciated by nearly \$275.0 million and the U.S. equity portfolio by nearly \$250.0 million.
  - \* Fixed Income increased by \$110.7 million. Given the increasing strength of the equity markets, new capital of \$75.0 million was added to fixed income assets. Additionally, opportunistic funds performed very well during the fiscal year, a key driver for the remaining increase in fair value.
  - \* Alternatives increased by \$267.3 million. As part of the effort to rebalance the investment portfolio commenced last fiscal year, \$100 million was allocated to various hedge funds. The remaining increase was largely from market appreciation.
  - \* Inflation Hedge increased by \$238.3 million, partly from additional contributions to public real assets and partly from appreciation in real estate and real asset (public and private) funds.
- **Liabilities.** SamCERA’s total liabilities decreased by \$7.8 million, or 9%, from a year ago. Significant changes are discussed below.
  - \* Due to broker for investments purchased decreased by \$11.9 million, due primarily to the timing difference between trade and settlement dates.
  - \* Securities lending cash collateral due to borrowers increased by \$2.2 million. The increase in liability was triggered by and in parallel with the increase in securities lending cash collateral discussed earlier.

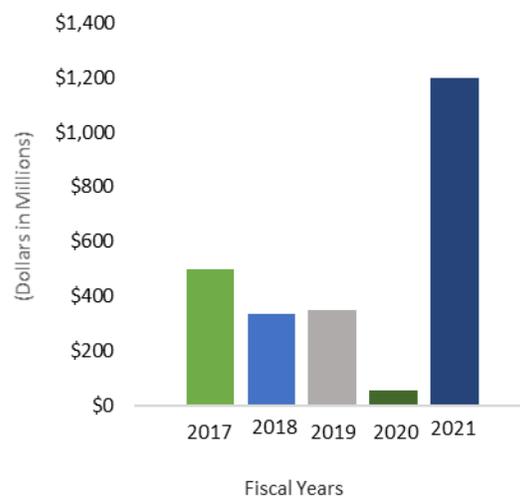
**SAMCERA’S FIDUCIARY NET POSITION**

As of June 30 (Dollars in Millions)



**CHANGES IN SAMCERA’S FIDUCIARY NET POSITION**

For the Fiscal Years Ended June 30 (Dollars in Millions)



The changes in fiduciary net position are determined by total additions less total deductions. The table below shows condensed information about total additions to, and total deductions from, the fiduciary net position. The overall change in net position during the reporting period amounted to \$1.20 billion, a significant increase compared to \$57 million a year ago.

### **STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

For the Fiscal Years Ended June 30 (Dollars In Thousands)

	2021	2020	Increase (Decrease)	
			Amount	Percentage
<b>Additions</b>				
Employer contributions	\$ 225,302	\$ 198,583	\$ 26,719	13%
Employer supplementary contributions	39,700	-	39,700	N/A
Member contributions	73,967	70,631	3,336	5%
Net investment income	1,133,127	42,355	1,090,772	2575%
Net securities lending income	50	37	13	35%
<b>Total additions</b>	<b>1,472,146</b>	<b>311,606</b>	<b>1,160,540</b>	<b>372%</b>
<b>Deductions</b>				
Service retirement benefits	229,731	212,633	17,098	8%
Disability retirement benefits	28,342	27,602	740	3%
Survivor, death and other benefits	1,283	1,790	(507)	-28%
Member refunds	2,796	3,796	(1,000)	-26%
Administrative expenses	7,060	6,372	688	11%
Information technology expenses	1,350	2,021	(671)	-33%
<b>Total deductions</b>	<b>270,562</b>	<b>254,214</b>	<b>16,348</b>	<b>6%</b>
<b>Changes in net position</b>	<b>1,201,584</b>	<b>57,392</b>	<b>1,144,192</b>	<b>1994%</b>
<b>Net position restricted for pensions</b>				
Beginning of year	4,780,502	4,723,110	57,392	1%
<b>End of year</b>	<b>\$ 5,982,086</b>	<b>\$ 4,780,502</b>	<b>\$ 1,201,584</b>	<b>25%</b>

**Additions.** Total additions to the Retirement Fund for the fiscal year were \$1.47 billion, showing approximately \$1.2 billion, or 372%, increase over the year. Significant changes are discussed below.

- Employer contributions increased by \$26.7 million, partly from the increase in contributions (from 33.67% last fiscal year to 37.86% this fiscal year) and partly from the overall increase in covered payroll.
- Supplementary contributions from the County were \$39.7 million. This amount was intended to catch up missing contributions of \$29.7 million slated for fiscal year 2019-20 and scheduled contributions of \$10 million for fiscal year 2020-21. The supplementary contributions will be used to accelerate the payoff of its unfunded actuarial accrued liability.

- Member contributions increased by \$3.3 million, partly from the increase in required contributions (from 12.11% last fiscal year to 12.46% this fiscal year) and partly from the overall increase in pensionable income of 1.2%.
- Interest and dividends increased by \$10.5 million. The increase was spread across the entire portfolio because of positive returns on investments.
- Net appreciation in fair value of investments increased by \$1.1 billion. The robust strength in equity markets created a net increase in fair value of \$125.0 million in fixed income assets, \$650.0 million in public equity, \$150.0 million in alternatives, and \$150.0 million in inflation hedge assets. The net investment return from the entire portfolio this year was 24.3%, significantly higher than the -0.2% the previous year.
- Investment expenses increased by \$25.5 million. Robust returns on investments accounted for exceptional growth in the overall value of assets under management, reflecting strong performances achieved by many of SamCERA’s investment managers and causing a proportional increase in both management and performance fees.

**Deductions.** Total deductions from the Retirement Fund were \$270.6 million, \$16.3 million or 6% higher than last fiscal year. Significant changes are explained below:

- Service retirement benefits increased by \$17.1 million, or 8%. The increase was expected, due mainly to the annual cost of living adjustment and the modest increase in the number of retirees receiving pension benefits.
- Administrative expenses went up by \$0.7 million, primarily from scheduled increases in salaries, benefits, and rent for leased facilities.
- Information technology expenses went down by \$0.7 million. To support post-implementation services, a total of \$0.6 million was used in the previous fiscal year to acquire a warranty for the latest pension system upgrade and service hours for the years to come.

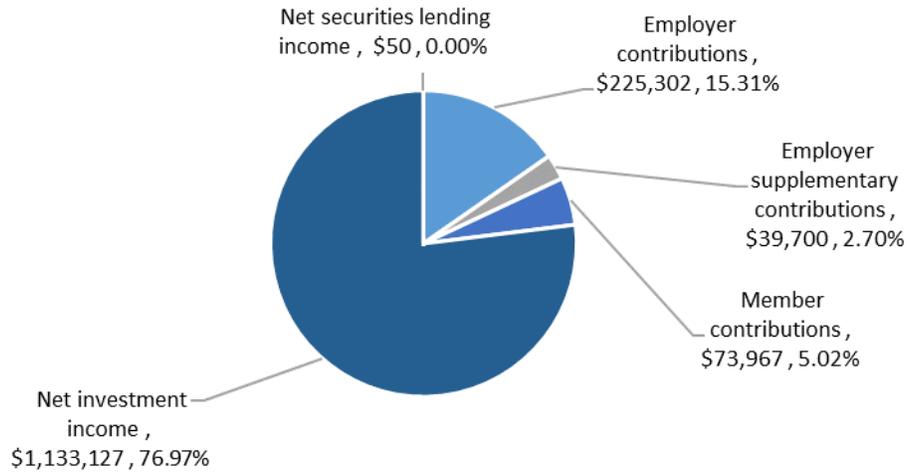
**ADDITIONS TO AND DEDUCTIONS FROM THE RETIREMENT FUND**

For the Fiscal Years Ended June 30 (Dollars in Millions)



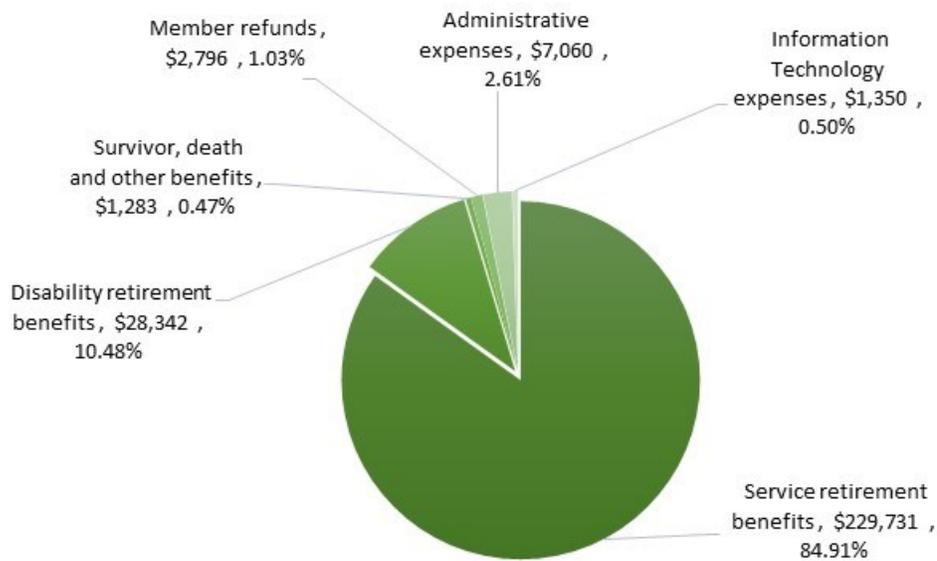
**ADDITIONS TO FIDUCIARY NET POSITION**

For the Fiscal Year Ended June 30, 2021 (Dollars in Thousands)



**DEDUCTIONS FROM FIDUCIARY NET POSITION**

For the Fiscal Year Ended June 30, 2021 (Dollars in Thousands)



### **Actuarial Valuation**

SamCERA engages an independent actuarial firm, Milliman, Inc., to perform an annual actuarial valuation to monitor its funding status and funding integrity. The valuation reassesses the magnitude of SamCERA's benefit commitments, in comparison with the assets expected to be available to support those commitments. Valuation results will be used to determine employer and member contribution rates for funding purposes.

In the actuarial valuation, the actuary uses several assumptions with regards to SamCERA's members (such as their life expectancy, projected salary increases, and the age at which members may retire) to determine the assets, liabilities, and future contribution requirements. The economic and demographic assumptions selected are used to project, as closely as possible, the actuarial cost of the plan. The projection permits an orderly method for setting aside contributions today to provide benefits in the future and to maintain equity among generations of members.

In June 2020, the Board of Retirement (Board) adopted the actuary's recommendation to retain the economic assumptions employed in the 2019 valuation, with investment return at 6.50%, inflation at 2.50%, wage at 3.00%, and payroll growth at 3.00%. The Board also set the Cost of Living Adjustment (COLA) assumption for Plans 1 and 2 in accordance with the inflation assumption. In July 2020, the Board also accepted the actuary's recommendations to modify several demographic assumptions based on the triennial Investigation of Experience Study discussed in the following section.

In May 2021, the Board accepted the actuary's recommendations to lower the assumed investment return from 6.50% to 6.25% and reaffirm all the other assumptions previously used in the 2020 valuation. Additionally, to minimize the short-term impact on the employer contribution expense, the Board agreed to phase-in the statutory employer rate increase of 3.64% of payroll due to the assumption change in three equal installments over a 3-year period beginning July 1, 2022.

### **Triennial Experience Study**

In July 2020, the Board adopted several changes to the demographic assumptions developed from the 2020 Experience Study. These changes included increasing the rates of assumed merit salary increases for Safety and Probation members; updating mortality tables to the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plans Experience Committee; and adjusting the assumed rates at which active members decrement from active employment. These changes caused a slight increase in the employer contribution rates, small decreases in member contribution rates for Plan 7, and small increases for all other plans effective July 1, 2021. The assumptions will next be thoroughly reviewed in 2023 as part of the triennial experience study.

**Plan Assets, Liabilities, and Funded Ratio**

The Funded Ratio measures the funding adequacy of a retirement system. 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 (or 122.9% of the collective covered payroll of participating employers, totaling \$600 million for the fiscal year). The assets used in the calculation of the funded ratio include the values of the County's and the San Mateo County Mosquito and Vector Control District's Supplementary Contribution Accounts.

**Requests for Information**

This financial report is designed to provide SamCERA's Board of Retirement, employers, members, investment managers, and any interested parties with a general overview of SamCERA's financial position and to show accountability for the funds received. Additional information is available on SamCERA's website at [www.samcera.org](http://www.samcera.org).

Questions concerning any information provided in this report or requests for additional financial information should be addressed to:

San Mateo County Employees' Retirement Association  
100 Marine Parkway, Suite 125  
Redwood City, CA 94065

**STATEMENT OF FIDUCIARY NET POSITION**

As of June 30, 2021 (with comparative amounts as of June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>ASSETS</b>		
Cash and short-term investments:		
Cash and cash equivalents	\$ 153,467,110	\$ 107,989,686
Cash management overlay	64,054,219	54,095,321
Securities lending cash collateral	4,574,275	2,423,778
Total cash and short-term investments	<u>222,095,604</u>	<u>164,508,785</u>
Receivables:		
Contributions	15,060,101	12,376,867
Due from broker for investments sold	48,257,671	78,103,219
Investment income	7,838,202	5,390,580
Securities lending income	3,029	2,752
Other	83,607	86,859
Total receivables	<u>71,242,610</u>	<u>95,960,277</u>
Investments at fair value:		
Public equity	2,411,436,689	1,866,264,297
Fixed income	1,545,541,099	1,434,811,710
Alternatives	860,701,348	593,379,227
Inflation hedge	942,703,531	704,360,824
Total investments at fair value	<u>5,760,382,667</u>	<u>4,598,816,058</u>
Capital assets	8,324,720	8,108,286
Less: accumulated depreciation	<u>(3,737,459)</u>	<u>(2,898,888)</u>
Capital assets, net of accumulated depreciation	<u>4,587,261</u>	<u>5,209,398</u>
<b>Total assets</b>	<u><b>6,058,308,142</b></u>	<u><b>4,864,494,518</b></u>
<b>LIABILITIES</b>		
Investment management fees payable	3,151,269	2,035,363
Due to broker for investments purchased	66,319,257	78,241,899
Securities lending collateral due to borrowers	4,574,275	2,423,778
Other	2,177,391	1,291,165
<b>Total liabilities</b>	<u><b>76,222,192</b></u>	<u><b>83,992,205</b></u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>	<u><b>\$ 5,982,085,950</b></u>	<u><b>\$ 4,780,502,313</b></u>

The accompanying notes to the financial statements are an integral part of these financial statements.

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**

For the Fiscal Year Ended June 30, 2021 (with comparative amounts for the fiscal year ended June 30, 2020)

	<u>2021</u>	<u>2020</u>
<b>ADDITIONS</b>		
Contributions:		
Employer	\$ 225,302,472	\$ 198,582,998
Employer supplementary	39,700,000	-
Member	73,966,484	70,630,765
Total contributions	<u>338,968,956</u>	<u>269,213,763</u>
Investment income:		
Interest and dividends	87,240,822	76,762,516
Net appreciation in fair value of investments	1,110,924,843	5,173,433
Total investment income	<u>1,198,165,665</u>	<u>81,935,949</u>
Less: investment expenses	(65,039,394)	(39,581,080)
Net investment income	<u>1,133,126,271</u>	<u>42,354,869</u>
Securities lending income:		
Earnings	12,916	35,620
Rebates	51,515	16,474
Fees	(14,156)	(14,741)
Net securities lending income	<u>50,275</u>	<u>37,353</u>
<b>Total additions</b>	<u><b>1,472,145,502</b></u>	<u><b>311,605,985</b></u>
<b>DEDUCTIONS</b>		
Benefits:		
Service retirement benefits	229,730,556	212,632,929
Disability retirement benefits	28,342,469	27,601,908
Survivor, death, and other benefits	1,282,749	1,790,029
Total benefits	<u>259,355,774</u>	<u>242,024,866</u>
Member refunds	2,796,160	3,796,276
Administrative expenses	7,059,702	6,371,363
Information technology expenses	1,350,229	2,021,102
<b>Total deductions</b>	<u><b>270,561,865</b></u>	<u><b>254,213,607</b></u>
Net increase	1,201,583,637	57,392,378
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Beginning of year	<u>4,780,502,313</u>	<u>4,723,109,935</u>
End of year	<u><b>\$ 5,982,085,950</b></u>	<u><b>\$ 4,780,502,313</b></u>

The accompanying notes to the financial statements are an integral part of these financial statements.

## NOTES TO THE BASIC FINANCIAL STATEMENTS

### Note 1: Plan Description

The San Mateo County Employees' Retirement Association (SamCERA) is an independent public employee retirement system with its own governing board. Therefore, it is not subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

SamCERA is governed by the California Constitution; the County Employees Retirement Law of 1937 (the CERL - a component of the California Government Code); the California Public Employees' Pension Reform Act of 2013 (PEPRA); and the regulations, procedures and policies adopted by the Board of Retirement (the Board). The Board is responsible for governing the retirement system. SamCERA's management is responsible for overseeing daily operations and other crucial functions, such as administering investments, maintaining adequate internal controls, and preparing financial reports.

#### General

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 California, County of San Mateo (the Courts); and the San Mateo County Mosquito and Vector Control District (the District). Because of its close financial relationship with the County (the primary plan sponsor), SamCERA is classified as a blended component unit of the County and reported as a pension trust fund in the County's financial statements.

Under the CERL, the governing of SamCERA is vested in the Board consisting of nine members: the first member is the County Treasurer; the second and third members are General Members of SamCERA elected by their peers; the fourth, fifth, sixth and ninth members are qualified electors of the County and appointed by the County Board of Supervisors; the seventh member is elected by and a member of SamCERA's Safety membership; and the eighth member is a Retired Member elected from the retired membership. In addition, there are one elected Safety Member Alternate and one elected Retired Member Alternate. Subject to the following fiduciary responsibilities, the Board oversees and guides the pension plans:

- (1) solely in the interest of, and for the exclusive purpose of, providing economic benefits to participants and their beneficiaries.
- (2) with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character with like objectives.
- (3) diversify the investments of the plan to minimize the risk of loss and to maximize the rate of return unless, under the circumstances, it is clearly prudent not to do so.

### Pension Plans

SamCERA has 12 defined benefit plans based on a member's date of entry into SamCERA. These plans cover members classified as general, safety, and probation including six plans for General members: 1, 2, 3, 4, 5, and 7; and six plans for Safety/Probation members: 1, 2, 4, 5, 6, and 7. The tables on the following two pages provide details for each of these plans.

### Pension Plan Membership

Plan membership as of June 30, 2021, is displayed in the table below.

Plan	One	Two	Three	Four	Five	Seven	Total
<b>Retirees and beneficiaries currently receiving benefits</b>							
General	1,242	2,188	122	1,053	16	20	4,641
Safety	262	256	-	135	4	2	659
Probation	96	120	-	75	-	1	292
Subtotal	1,600	2,564	122	1,263	20	23	5,592
<b>Inactive employees entitled to but not currently receiving benefits (Deferred)</b>							
General	7	227	68	772	108	642	1,824
Safety	-	9	-	41	12	32	94
Probation	-	16	-	41	1	10	68
Subtotal	7	252	68	854	121	684	1,986
<b>Current employees, vested</b>							
General	2	355	45	1,639	190	741	2,972
Safety	-	22	-	184	48	89	343
Probation	-	5	-	130	8	21	164
Subtotal	2	382	45	1,953	246	851	3,479
<b>Current employees, non-vested</b>							
General	-	1	4	8	92	1,566	1,671
Safety	-	-	-	1	16	160	177
Probation	-	-	-	-	-	29	29
Subtotal	-	1	4	9	108	1,755	1,877
<b>Total Members</b>	<b>1,609</b>	<b>3,199</b>	<b>239</b>	<b>4,079</b>	<b>495</b>	<b>3,313</b>	<b>12,934</b>

Note 1: Plans 1, 2, 3, and 4 are closed to new entrants. However, eligible general members of the San Mateo County Mosquito and Vector Control District with reciprocity may participate in Plan 4.

Note 2: As of June 30, 2021, there were no members in Plan 6.

### Benefit Provisions

SamCERA provides basic service retirement, disability, survivor, and death benefits based on defined benefit formulas, which use final average compensation (FAC), years of service, and age factors to calculate benefits payable. In addition, SamCERA provides an annual Cost of Living Adjustment (COLA) upon retirement for members of Plans 1, 2, 4, 5, 6, and 7. The benefits of Plan 3 are reduced by a portion of the Social Security benefits received by the member. The CERL vests the County Board of Supervisors with the authority to initiate benefits. Each participating employer can make limited adjustments for their member benefits.

**BENEFIT PLANS**

As of June 30, 2021

		<u>General Member</u>	<u>Probation Member</u>	<u>Safety Member</u>
<b>Plan 1</b>	<b>Hire Date</b>	On or before 7/5/80	On or before 7/5/80	On or before 7/5/80
	<b>Benefit Factor</b>	2%@55.5	3%@50	3%@50
	<b>Maximum COLA</b>	5%	3%	5%
	<b>FAC Period</b>	Highest 1 year	Highest 1 year	Highest 1 year
	<b>Eligibility for Service Retirement</b>	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
<b>Plan 2</b>	<b>Hire Date</b>	7/6/80 - 7/12/97	7/6/80 - 7/12/97	7/6/80 - 7/12/97
	<b>Benefit Factor</b>	2%@55.5	3%@50	3%@50
	<b>Maximum COLA</b>	3%	3%	3%
	<b>FAC Period</b>	Highest 1 year	Highest 1 year	Highest 1 year
	<b>Eligibility for Service Retirement</b>	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
<b>Plan 3</b>	<b>Hire Date</b>	On or before 12/22/12, a non-contributory plan.  (After five years of service, Plan 3 members can elect membership under the open contributory plan. Members currently working in a contributory plan with Plan 3 service may purchase an upgrade of their Plan 3 service. Plan 3 closed effective December 23, 2012.)  (If retirement occurs prior to age 65, benefit amount will be adjusted by an actuarial equivalent factor.)	Not applicable	Not applicable
	<b>Maximum COLA</b>	No COLA	Not applicable	Not applicable
	<b>FAC Period</b>	Highest 3 years (non-consecutive)	Not applicable	Not applicable
	<b>Eligibility for Service Retirement</b>	Age 65 with 10 years of service; reduced benefit at age 55 with 10 years of service.	Not applicable	Not applicable

Note 1: Plans 1, 2, 3, and 4 are closed to new entrants. However, eligible general members of the San Mateo County Mosquito and Vector Control District with reciprocity may participate in Plan 4.

Note 2: FAC Period stands for “Final Average Compensation” Period.

**BENEFIT PLANS (CONTINUED)**

As of June 30, 2021

	<b>General Member</b>	<b>Probation Member</b>	<b>Safety Member</b>
<b>Plan 4 Hire Date</b>	7/13/97 - 8/6/11 (except Plan 5 transfers discussed under Plan 5 below)  (Note: Plan 4 closed simultaneously with the implementation of Plan 5 and Plan 6.)	7/13/97 - 7/9/11	7/13/97 - 1/7/12
<b>Benefit Factor</b>	2%@55.5	3%@50	3%@50
<b>Maximum COLA</b>	2%	2%	2%
<b>FAC Period</b>	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
<b>Eligibility for Service Retirement</b>	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
<b>Plan 5 Hire Date</b>	8/7/11 - 12/13/12	7/10/11 - 12/31/12	1/8/12 - 12/31/12 <sup>(1)</sup>  (Note: General Plan 5 members after 10 years of service can elect to transfer to Plan 4 and must pay the total actuarial equivalent cost of the increase in past service benefits at the date of transfer.)
<b>Benefit Factor</b>	2% @61.25	3%@55	3%@55
<b>Maximum COLA</b>	2%	2%	2%
<b>FAC Period</b>	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
<b>Eligibility for Service Retirement</b>	Age 50 with 10 years of service; any age with 30 years of service; or age 70 regardless of years of service.	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
<b>Plan 6 Hire Date</b>	Not applicable	7/10/11 - 12/31/12	7/10/11 - 12/31/12 <sup>(2)</sup>
<b>Benefit Factor</b>	Not applicable	2%@50	2%@50
<b>Maximum COLA</b>	Not applicable	2%	2%
<b>FAC Period</b>	Not applicable	Highest 3 years (non-consecutive)	Highest 3 years (non-consecutive)
<b>Eligibility for Service Retirement</b>	Not applicable	Age 50 with 10 years of service; any age with 20 years of service.	Age 50 with 10 years of service; any age with 20 years of service.
<b>Plan 7 Hire Date</b>	On or after 1/1/13	On or after 1/1/13	On or after 1/1/13
<b>Benefit Factor</b>	2%@62	2.7%@57	2.7%@57
<b>Maximum COLA</b>	2%	2%	2%
<b>FAC Period</b>	Highest 36 consecutive months	Highest 36 consecutive months	Highest 36 consecutive months
<b>Eligibility for Service Retirement</b>	Age 52 with 5 years of service.	Age 50 with 5 years of service.	Age 50 with 5 years of service.

<sup>(1)</sup> Plan 5 is available for all Safety and Probation members.<sup>(2)</sup> Plan 6 is available for Safety Management and Probation members.

**Service Retirement Benefits.** Members are entitled to receive lifetime benefits based on their plan membership and benefit option selected.

**Disability Benefits.** Disability retirement may be non-service connected or service connected. Members who apply for non-service connected disability must have at least five years of eligible service credits. Service credit requirements do not apply to members who apply for service-connected disability benefits. If members are permanently incapacitated from performing their job because of injury or disease arising out of or in the course of employment, the members are eligible for disability retirement benefits.

**Active Member Survivor Benefits.** Lifetime survivor benefits are available for eligible beneficiaries of active members if: (1) the member's death is service connected or (2) the member has at least five years of service credits. The beneficiary may instead opt for a one-time death benefit. All other active member death benefits are limited to a lump sum benefit.

**Post-Retirement Survivor Benefits.** Lifetime survivor benefits are available for certain eligible beneficiaries of a deceased retiree. The amount of benefits received is determined by the benefit option selected by the retiree.

**Deferred Member Benefits.** A member may withdraw member contributions plus accumulated interest upon termination of employment and forfeit the right to future benefits. If the member enters a reciprocal retirement system within 180 days, the member can elect to leave the accumulated contributions with SamCERA and receive a deferred retirement benefit when eligible. Eligible contributory plan members with five years of service (either permanent or part-time employees with the equivalent of five years of full-time service) or non-contributory plan members in Plan 3 with ten years of service may elect a deferred retirement.

**Cost of Living Adjustments (COLA).** COLA increases are applied to all eligible retirement and death benefits, effective April 1. As of April 1 of each year, the Board will adjust the retirement benefits in accordance with changes in the Consumer Price Index (CPI) from the previous January 1 to the current January 1, to the nearest one-half of one percent. The COLA is based on information from the Bureau of Labor Statistics Consumer Price Index for All Urban Consumers in the San Francisco, Oakland, and San Jose Bay Area. The increase is capped at 5% for General and Safety members in Plan 1; 3% for Probation members in Plan 1 and all members in Plan 2; and 2% for members in Plans 4, 5, 6, and 7. Plan 3 has no COLA.

## **Note 2: Summary of Significant Accounting Policies**

### **Basis of Accounting**

The accompanying financial statements are prepared on the accrual basis of accounting and in accordance with Generally Accepted Accounting Principles (GAAP) in the United States of America. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

### **Recognition of Contributions, Benefits, and Refunds**

Employer and member contributions are recognized in the period in which contributions are due pursuant to legal requirements. Benefits and refunds are recognized when due and payable in accordance with plan terms. Investment income is recognized as revenue when earned, and expenses are recognized when incurred. The net appreciation (or depreciation) in the fair value of investments is recorded as an increase (or a decrease) to investment income, which includes both realized and unrealized gains and losses on investments, based upon investment valuations.

### **Investment Policy and Valuation**

The Board has exclusive control of SamCERA's investments. Government Code Section 31595 of the CERL authorizes the Board to invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statute and deemed prudent in the informed opinion of the Board. The Investment Policy of SamCERA seeks to optimize long-term returns within acceptable risk parameters. The Board periodically reviews the asset allocation in response to changing market conditions that may affect forward-looking expected returns of asset classes.

SamCERA records investment transactions on the trade date. Investments are reported at fair value, which represents the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Governmental Accounting Standards Board (GASB) establishes a fair value hierarchy based on the following three distinct types of input to develop the fair value measurements.

- Level 1 reflects measurements based on quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 reflects measurements based on inputs, other than quoted prices, that are observable for an asset or a liability either directly or indirectly.
- Level 3 reflects measurements based on unobservable inputs for an asset or a liability.

The valuation technique for each type of investment is as follows:

**Cash and cash equivalents.** Cash is pooled with other funds of the County or custodians, as appropriate, to earn a higher rate of return than could be earned by investing the funds individually. In addition to the pooled cash with the County and custodians, all highly liquid investments with maturities of three months or less when purchased are considered cash equivalents.

**Short-term investments.** Short-term investments are reported at cost, which approximates fair value. Short-term investments include cash held in the money market and securities that are readily convertible to cash.

**Public equity and fixed income securities.** Valuations for publicly traded securities, such as stocks and bonds, are provided by SamCERA's custodian, the Northern Trust Corporation, based on end-of-day prices from external pricing vendors. The fair values of public market equity and fixed income investments held in Institutional Commingled Funds or Partnerships are typically provided by a third-party fund administrator, who performs this service for the fund manager.

**Real estate.** Real estate assets are reported at fair value, utilizing an income approach to valuation. An independent appraisal is conducted every quarter to determine the fair value of the real estate assets.

**Private equity, private credit, and private real assets.** Private equity, private credit, and private real asset partnerships are reported based on the fair value provided by the General Partner on a quarterly basis. The General Partner considers the financial conditions and operating results of the portfolio companies, the nature of the investments, marketability, and other relevant factors.

**Hedge funds and public real assets pool.** These investments are reported based on the fair value provided by a third-party administrator, who performs this service for the fund manager.

### **Foreign Currency Transactions**

Gains and losses from foreign currency transactions during the year (including translation of international investments at fiscal year-end rates of exchange) are recorded as investment income. Forward currency contracts are used by SamCERA's investment managers to control currency exposure and facilitate the settlement of international security purchase and sale transactions. These contracts are agreements to exchange different currencies at specified rates and settlement dates. Differences between the contract and market exchange rates at settlement result in gains or losses, which are included in net investment income. Risks may arise from the possible inability of counterparties to meet the terms of their contracts as well as from movements in exchange and interest rates.

### **Securities Lending Activity**

Securities lending transactions are short-term collateralized loans of SamCERA's securities for the purpose of generating additional investment income. For each securities lending transaction, SamCERA receives either cash collateral or non-cash collateral. The underlying securities out on loan are reported on SamCERA's Statement of Fiduciary Net Position as if the lending transaction had not occurred. In accordance with GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, cash collateral held (or any security that can be sold or pledged without a borrower default) is separately reported on the Statement of Fiduciary Net Position among the current assets. A corresponding liability of an

equal amount (the obligation to return the cash collateral) is reported simultaneously. Non-cash collateral held that cannot be sold or pledged without a borrower default is not reported on the Statement of Fiduciary Net Position nor is there a corresponding liability reported on this statement.

### **Income from Investments**

Interest income is recognized as it is earned. Dividend income is recognized when it is declared. Realized and unrealized gains and losses on investments are combined and reported as the net appreciation (depreciation) in the fair value of investments.

### **Receivables**

Receivables consist primarily of interest, dividends, investments in transition (traded but not yet settled), and contributions owed by participating employers.

### **Capital Assets**

Capital assets, including intangible assets, are items with an initial unit cost greater than \$5,000 and an estimated useful life more than three years. Capital assets are reported at acquisition value, net of accumulated depreciation. Acquisition value is the price that would be paid to acquire an asset with equivalent service capacity in an orderly market transaction at the acquisition date. Depreciation is determined using the straight-line method over the estimated useful lives of the assets, ranging from three to ten years.

Most capital assets are information technology related. The estimated useful life for hardware is determined to be five years, and for software is ten years. The routine upgrade of information technology systems, hardware, software, and maintenance are deemed appropriate as expenses for the current fiscal year. As of June 30, 2021, SamCERA's total capital assets, net of accumulated depreciation, approximated to \$4.6 million.

### **Estimates**

The preparation of financial statements in accordance with GAAP in the United States of America may require management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results may differ from those estimates.

### **Subsequent Events**

Subsequent events are those events or transactions that occur subsequent to the year-end date of the financial statements, but prior to the issuance of the annual comprehensive financial report, that may have a material effect on the financial statements or disclosures contained therein. After fiscal year-end, the Board of Retirement approved a \$30 million capital commitment to an opportunistic credit partnership on July 27, 2021. The Board also approved a \$10 million capital commitment to a private equity partnership at its meeting on August 24, 2021.

### Note 3: Funding Policy

The funding objective of the pension plan is to establish employer and member contribution rates which, over time, will be sufficient to pay all expected future benefits not funded by the current assets. Participating employers are required by statute to contribute amounts necessary to fund the estimated benefits accruing to members not otherwise funded by expected investment earnings or member contributions.

The CERL establishes the basic contribution obligations for employers and members to the pension plan. The employer and member contribution rates adopted by the Board are based on recommendations from an independent actuary in accordance with membership type (General, Safety, and Probation) and the plan in which a member belongs.

In determining both employer and member contribution rates, assumptions are made about future events that may affect the amount and timing of benefits to be paid and assets to be accumulated. Methods and assumptions used to determine contribution rates are discussed in the Required Supplementary Information and the Actuarial Sections. The actuarial valuation of plan assets and liabilities is normally carried out as of June 30 of each year.

The contribution rates as determined as of June 30, 2021, are subject to “one year” deferral. Thus, the new contribution rates from the June 2021 valuation are effective on July 1, 2022. As of June 30, 2021, the Retirement Fund was 88.1% funded, reflecting a modest increase of 1.7% from a year ago.

### Note 4: Member Contributions

Member contributions vary by entry age (except Plan 7) as described in the CERL. In general, the member contribution rate is determined by the present value of the future benefit payable at retirement age, divided by the present value of all future salaries payable between entry age and retirement age. Active members in all plans (except Plan 3) are required to make contributions as described below. Plan 3 is non-contributory, which was open only for General members, but was closed to new members after December 22, 2012.

- **Basic contributions** are required for all members based on the entry age (except members in Plan 3 and Plan 7) and the class of each member. Section 7522.30 of the Government Code defined contributions for Plan 7 members. All members of Plan 7 are required to contribute 50% of the total normal cost rate specific to each individual class (i.e., General, Safety, and Probation). Basic contributions cease when general members hit 30 years of service in a contributory plan provided these members were with SamCERA or a reciprocal system on March 7, 1973, and continuously thereafter. For safety members (except Plan 7), basic contributions cease after 30 years of service.

- **Cost sharing contributions** apply to General members in Plans 1, 2, and 4 (except the District) and Safety and Probation members in Plans 1, 2, 4, and 5. The cost sharing contributions are fixed and not impacted by changes in assumptions. Cost share contribution rates are as follows: 3% for General Plans 1, 2, and 4 members and 3% to 5% for Safety and Probation Plans 1, 2, 4, and 5 members, varying among bargaining units.
- **COLA cost sharing contributions** apply to all members of Plans 1, 2, 4, 5, and 6 (except the District). All members in these plans are required to contribute 50% of the cost of COLA.

The member contribution rates for all plans combined increased from 12.11% for fiscal year 2020 to 12.46% for fiscal year 2021. The increase was triggered mainly by lowering the assumed investment return by a quarter percent to 6.50% effective from July 1, 2020. This assumption change increased member contribution rates for all plans.

### Note 5: Employer Contributions

Employer contribution rates for each plan are determined pursuant to Government Code Section 31453 of the CERL, using the entry age normal cost method based upon a level percentage of projected payroll. These rates include an estimated amount necessary to finance benefits earned by members during the current year (normal cost) and an amount to amortize the unfunded actuarial accrued liability (UAAL). Under the current funding method, the June 30, 2008 UAAL is amortized over a fixed period ending June 30, 2023. Changes in the UAAL in subsequent years are being amortized separately over new 15-year periods from the valuation date at which the difference is calculated.

Contributions from employers (County, Courts, and District) consist of two components: the Normal Cost, which covers the value of benefits earned by active members during the year less member contributions; and the Unfunded Actuarial Accrued Liability (UAAL), which reflects the excess of actuarial accrued liability over the actuarial value of the plan assets.

### EMPLOYER STATUTORY CONTRIBUTION RATES AS A PERCENTAGE OF COVERED PAYROLL

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Gross Normal Cost	23.73%	22.68%	1.05%
Member Contributions	(12.46%)	(12.11%)	(0.35%)
Normal Cost	11.27%	10.57%	0.70%
UAAL Amortization	26.59%	23.10%	3.49%
<b>Total Employer Statutory Contribution Rate <sup>(1)</sup></b>	<b>37.86%</b>	<b>33.67%</b>	<b>4.19%</b>
County Contribution Rate	38.06%	33.85%	4.21%
Courts Contribution Rate	35.22%	31.03%	4.19%
SMCM&VCD Contribution Rate	12.58%	12.13%	0.45%

<sup>(1)</sup> Total Employer Statutory Contribution Rate is the aggregate rate for all employers.

The employer normal cost rate increased from 10.57% of covered payroll for fiscal year 2020 to 11.27% for fiscal year 2021. The employer UAAL rate, reflecting a layered amortization over 15 years, increased from 23.10% of covered payroll for fiscal year 2020 to 26.59% for fiscal year 2021. The increases are due primarily to the change in the investment return assumption from 6.75% in the 2018 valuation to 6.50% in the 2019 valuation, which determined the employer statutory contribution rates with effective date from July 1, 2020.

The table below summarizes the employer contributions for the past ten fiscal years.

### SCHEDULE OF EMPLOYER CONTRIBUTIONS

<b>Fiscal Year Ended June 30</b>	<b>(a) Actual Employer Contributions</b>	<b>(b) Actuarially Determined Contributions</b>	<b>(a) - (b) Supplementary Contributions</b>	<b>Percentage of Actuarially Determined Contributions Received</b>
2012	\$150,950	\$139,407	\$11,543	100%
2013	144,308	131,294	13,014	100%
2014	202,877	152,877	50,000 <sup>(1)</sup>	100%
2015	180,704	169,814	10,890 <sup>(2)</sup>	100%
2016	191,094	170,046	21,048 <sup>(3)</sup>	100%
2017	198,727	164,877	33,850 <sup>(4)</sup>	100%
2018	207,257	179,627	27,630 <sup>(5)</sup>	100%
2019	245,498	194,830	50,668 <sup>(6)</sup>	100%
2020	198,583	198,583	-	100%
2021	265,002	225,302	39,700 <sup>(7)</sup>	100%

(1) The County made a supplementary contribution of \$50 million to accelerate the pay down of its UAAL.

(2) The County made a supplementary contribution of \$10.9 million to accelerate the pay down of its UAAL.

(3) The County and the District contributed additional funding of \$19.5 million and \$1.5 million, respectively, to accelerate the pay down of their UAAL.

(4) The County and the District contributed additional funding of \$33.6 million and \$0.25 million, respectively, to accelerate the pay down of their UAAL.

(5) The County made a supplementary contribution of \$27.6 million to accelerate the pay down of its UAAL.

(6) The County made a supplementary contribution of \$50.7 million to accelerate the pay down of its UAAL.

(7) The County made a supplementary contribution of \$39.7 million to accelerate the pay down of its UAAL.

**Supplementary Contributions from San Mateo County**

In November 2013, the County reached an agreement with SamCERA to accelerate the pay down of the County's UAAL. Under this agreement, the County provided a supplementary contribution of \$50.0 million in fiscal year 2014 with annual contributions of \$10.0 million for the next nine years. A new account, known as the County Supplementary Contribution Account (CSCA), was set up to separately account for the supplementary contributions.

Deposits in the CSCA will receive interest at the actual market investment return rate, net of fees and costs. In fiscal year 2021, total supplementary contributions to the CSCA amounted to \$39.7 million. The CSCA had an aggregate reserve account balance of \$237.0 million as of June 30, 2021. The resources in the CSCA are systematically recognized to provide an offset to the County's Statutory Contribution Rate. Without the recognition of the CSCA, the County's statutory contribution rate would be higher.

The County paid its annual required contributions for fiscal year 2021 via two semi-annual prepayments (one in July 2020 and another in January 2021). The prepayments were based on the adopted actuarially determined contribution rate and the projected covered payroll by plan, discounted by the assumed investment rate of return. Throughout the year, the prepayments were periodically reduced by actual contributions as determined by the adopted contribution rate and the actual covered payroll by plan. Near fiscal year-end, SamCERA performed a "true-up" calculation to ensure that the County's annual statutory contribution to SamCERA was fully settled. Any excess balance in the prepayment account will be applied towards the County's contribution for the upcoming fiscal year.

**Supplementary Contributions from San Mateo County Mosquito and Vector Control District**

In September 2015, the District entered an agreement with SamCERA to pay down its UAAL with a single payment of \$1.5 million in addition to its statutory contribution for fiscal year 2016. This amount was remitted to SamCERA on October 29, 2015. SamCERA established a new account, the District Supplementary Contribution Account (DSCA), to separately account for the District's supplementary contributions.

Deposits in the DSCA less than six months prior to the regular interest crediting dates of June 30 or December 31 will receive interest at the actual market investment return rate, net of fees and costs. Deposits for more than six months prior to the crediting date will receive interest at the actuarially calculated return on the actuarial value of the DSCA's asset. In 2017, the District made its second supplementary contribution of \$0.25 million.

As of June 30, 2021, the DSCA had an aggregate reserve account balance of \$1.1 million. Based on the latest amendment to the Memorandum of Understanding between SamCERA and the District, the resources in the DSCA will be recognized in five years starting from June 30, 2019, to provide an offset to the District's statutory contribution rate. Without the recognition of the DSCA, the District's statutory contribution rate would be higher.

## Note 6: Deposits and Investments

The Board established an Investment Policy in accordance with applicable local, state, and federal laws. The CERL vests the Board with exclusive control over SamCERA's investment portfolio. Except as otherwise expressly restricted by the California Constitution and by regulation, the Board at its discretion may invest, or delegate the authority to invest, the assets of SamCERA in any investment allowed by statute and deemed prudent in the informed opinion of the Board.

### Deposits

SamCERA has deposits with an outside financial institution, the Northern Trust Corporation, as well as with the County in an investment pool account, which is custodied at Bank of New York Mellon. Deposits with the Northern Trust Corporation are swept into a pooled short-term investment fund, which invests in securities such as repurchase agreements, commercial paper, U.S. Treasury bills and notes. Earnings and losses from the County investment pool are shared among pool participants. All deposits are reported at cost, which approximates fair value.

**Custodial Credit Risk – Deposits.** The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, SamCERA will not be able to recover deposits nor be able to recover collateral securities that are in the possession of an outside party. SamCERA has no general policy on custodial credit risk for deposits.

SamCERA maintains cash deposits to support its investment activities and operational needs. As of June 30, 2021, \$70.0 million of cash was held in a pooled short-term investment fund with the Northern Trust Corporation and \$11.6 million in the investment pool with the County Treasurer. Cash held by investment managers at year-end amounted to \$71.9 million, which is swept daily into a pooled short-term investment fund managed by the Northern Trust Corporation. Cash held with the Northern Trust Corporation in the amount of \$415,087 is uninsured and uncollateralized. Thus, this amount is subject to custodial credit risk. SamCERA does not have a general policy addressing custodial credit risk. The fair value of SamCERA's position in the pool is the same as the value of the pool shares.

The participation in the County investment pool is voluntary. The County investment pool is not registered with the Securities and Exchange Commission as an investment company. In accordance with Article 6 Section 27131 of the California Government Code, the County Board of Supervisors established an eight-member County Treasury Oversight Committee to oversee the management of public funds in the County investment pool. Pool participants can withdraw no more than 12.5% of their deposits per month, based on the month-end balance of the prior month. All requests for withdrawal must be made in writing to the County Treasurer at least three business days in advance.

## Investments

SamCERA's investments are managed by independent investment management firms in accordance with the guidelines and controls specified in the Investment Policy and contracts executed with the Chief Executive Officer on the Board's behalf. A third-party institution is used as an independent custodian, the Northern Trust Corporation.

**Investment Policy.** The Investment Policy is strategized to reduce risk through a prudent diversification of the investment portfolio across a broad selection of distinct asset classes. During the fiscal year, the Board approved a new policy portfolio as part of its annual asset allocation review. The new policy portfolio tweaks the old portfolio by adding 2% to the Growth bucket and reducing Diversifying by 2%, while keeping the overall allocation to Inflation Hedge unchanged. The new policy was in effect from January 1, 2021.

**Target Asset Allocation.** As of June 30, 2021, SamCERA's target asset allocation consists of 41% in public equity, 28% in fixed income, 13% in alternatives, 17% in the inflation hedge, and 1% in the liquidity asset class. The actual asset allocation at fiscal year-end consisted of 42.5% in public equity, 27.6% in fixed income, 13.7% in alternatives, 15.8% in inflation hedge, and 0.4% in the liquidity asset class. See the Investment Section for further details.

**Money-Weighted Rate of Return.** The money-weighted rate of return expresses investment performance, net of pension plan investment expenses, adjusted for the timing of cash flows and the changing amounts invested. For the fiscal year ended June 30, 2021, the annual money-weighted rate of return was 24.3% on SamCERA's investments, net of investment manager fees.

**Long-Term Expected Real Rate of Return.** The long-term expected real rates of return on pension plan investments was determined using a building-block method. Under this method, expected future real rate of returns (expected returns, net of inflation) are developed for each major asset class.

The table on the right shows the target allocation approved by the Board and projected geometric real rates of return for each major asset class (after deducting inflation, but before deducting investment expenses) that were used to derive the long-term expected investment rate of return assumption.

### LONG-TERM EXPECTED REAL RATE OF RETURN

As of June 30, 2021

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Expected Rate of Return</u>
Public Equity	41%	3.4%
Fixed Income	28%	0.5%
Alternatives	13%	5.0%
Inflation Hedge	17%	3.7%
Liquidity	1%	-1.3%
<b>Total</b>	<b>100%</b>	

### Investment Risk

SamCERA manages investment risks under GASB Statements No. 40 and No. 53 by contractually requiring each investment manager to follow specific investment guidelines that are specifically tailored to the investment manager. For separately managed accounts, managers' responsibilities are detailed in the investment management agreements between SamCERA and each investment manager. For commingled fund investments, managers' responsibilities are detailed and dictated by the related fund documents. The investment guidelines in most cases stipulate the investment style, performance objective, performance benchmarks, and portfolio characteristics.

Each investment manager, with whom we hold a separately managed account, is required to follow the "manager standard of care" to act prudently and solely in the best interest of SamCERA. Each investment manager, with whom we hold a commingled fund investment, is required to follow its fiduciary duties with respect to the fund. The guidelines require the investment return performance of each manager be compared with the performance of a relative passive market index over specific periods. SamCERA's investment consultant and staff constantly monitor the performance of all investment managers for compliance with respective guidelines.

**Interest Rate Risk.** Interest rate risk is the risk associated with changes in interest rates that will adversely affect the fair value of an investment. Duration is the measure of the price sensitivity of a fixed income portfolio to changes in interest rates and calculated as the weighted average time to receive a bond's coupon and principal payments. The longer the duration of the portfolio, the greater its price sensitivity to changes in interest rates. SamCERA has investments in thirteen external investment pools and three fixed income portfolios containing debt securities. SamCERA does not have a formal policy that limits investment duration as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk for the fixed income portfolios is displayed in the table below.

### INTEREST RATE RISK ANALYSIS

As of June 30, 2021

<u>Commingled Fixed Income Portfolio</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>	<u>Effective Duration (Years)</u>
Opportunistic Credit Funds <sup>(1)</sup>	\$ 598,322,807	2.82	6.07
Western Asset Management	224,383,666	1.5	7.68
<b>Total</b>	<b>\$ 822,706,473</b>		

<sup>(1)</sup> This category consists of twelve opportunistic Credit Funds managed by Angelo Gordon (three funds), Beach Point, Brigade Capital Management, Franklin Templeton, Tennenbaum Capital Partners, Blackrock, PIMCO (two funds) and White Oak (two funds).

**INTEREST RATE RISK ANALYSIS (CONTINUED)**

As of June 30, 2021

<b>Investment Portfolio <sup>(1)</sup></b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>	<b>Effective Duration (Years)</b>
Asset Backed Securities	\$ 80,933,449	18.3	3.4
Collateralized Bonds	500,026	10.3	2.8
Commercial Mortgage-Backed	45,803,177	23.9	4.2
Corporate Bonds	174,726,109	9.7	6.7
Government Agencies	6,459,085	16.9	8.4
Government Bonds	229,127,390	10.9	9.0
Government Mortgage Backed Securities	154,068,025	22.5	4.7
Government Commercial Mortgage-Backed	15,147,920	20.0	5.6
Index Linked Government Bonds	4,197,019	22.1	13.2
Municipal Bonds	3,179,280	14.2	8.6
Non-government Backed CMOs	8,693,146	34.8	5.3
<b>Total</b>	<b>\$ 722,834,626</b>		

<sup>(1)</sup> This category consists of three fixed income separate account managers: FIAM, NISA and DoubleLine.

**Credit Risk.** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. SamCERA's Investment Policy seeks to maintain a diversified portfolio of fixed income instruments to obtain the highest total return for the fund at an acceptable level of risk within the asset class. The quality of SamCERA's investments in bonds as of June 30, 2021, is summarized in the table on the right.

**Custodial Credit Risk – Investment.** The custodial credit risk is the risk that, in the event of the failure of a counterparty to a transaction, SamCERA will not be able to recover the value of

investments or collateral securities that are in the possession of an outside party. Under the investment guidelines for each investment manager, managed investments must be held in the name of SamCERA. The master custodian may rely on sub-custodians. As of June 30, 2021, SamCERA had no investments that were exposed to custodial credit risk.

**Concentration of Credit Risk.** This risk is the risk of loss attributed to the magnitude of SamCERA's investment in a single issuer of securities. Investments issued or explicitly guaranteed by the U.S. Government and commingled investments are excluded from the

**S&P QUALITY BREAKDOWN FOR SAMCERA'S INVESTMENT IN BONDS**

As of June 30, 2021

<b>Credit Risk</b>	<b>Separately Managed Accounts</b>	<b>Commingled Management</b>
AAA	18.4%	7.0%
AA	1.9%	2.5%
A	0.9%	2.6%
BBB	18.7%	9.7%
Less than B	1.1%	28.5%
Not Rated	59.0%	49.8%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

concentration of credit risk analysis. As of June 30, 2021, SamCERA does not have investments in a single issuer with five percent or more of SamCERA's fiduciary net position.

**Foreign Currency Risk.** Foreign currency risk is the risk that changes in the exchange rates will adversely affect the fair value of an investment or deposit. In its Investment Policy, SamCERA allows forward currency contracts and currency futures as defensive currency hedging to mitigate foreign currency risk on the portfolio. International equity and global bond managers are permitted to invest in authorized countries. The table below indicates the magnitude of risk for each foreign currency denominated in U.S. dollars. Foreign investments held within commingled fund vehicles are excluded from analysis below.

### **FOREIGN CURRENCY RISK ANALYSIS**

As of June 30, 2021

<b>Foreign Currency</b>	<b>Common Stock</b>	<b>Preferred Stock</b>	<b>Partnerships</b>	<b>Foreign Currency</b>	<b>Variation Margin</b>	<b>Total</b>
Australian Dollar	\$ 15,933,209	\$ -	\$ -	\$ -	\$ -	\$ 15,933,209
Brazilian Real	3,704,149	-	-	-	-	3,704,149
Canadian Dollar	5,393,097	-	-	10,093	119,910	5,523,100
Swiss Franc	12,988,550	-	-	-	-	12,988,550
HK Offshore Chinese Yuan Renminbi	3,691,787	-	-	-	-	3,691,787
Danish Krone	3,943,652	-	-	-	-	3,943,652
Euro	152,759,243	7,737,307	7,558,903	(10)	-	168,055,443
British Pound Sterling	101,135,136	-	-	19,763	-	101,154,899
Hong Kong Dollar	45,888,406	-	-	-	-	45,888,406
Indian Rupee	16,253,188	-	-	-	-	16,253,188
Japanese Yen	140,779,123	-	-	231,859	-	141,010,982
South Korean Won	4,085,839	-	-	-	-	4,085,839
Mexican Peso	1,675,777	-	-	-	-	1,675,777
Swedish Krona	28,693,569	-	-	-	-	28,693,569
Singapore Dollar	13,775,323	-	-	-	-	13,775,323
South African Rand	5,672,432	-	-	-	-	5,672,432
<b>Total</b>	<b>\$ 556,372,480</b>	<b>\$ 7,737,307</b>	<b>\$ 7,558,903</b>	<b>\$ 261,705</b>	<b>\$ 119,910</b>	<b>\$ 572,050,305</b>

### **Derivatives**

Derivatives are financial instruments that are connected to a specific financial instrument, indicator, or commodity and through which specific financial risks can be traded in financial markets in their own right. The value of a derivative derives from the price of an underlying item, such as an asset or index. Derivatives are used for a number of purposes (such as risk management, hedging, and arbitrage between markets), and are usually settled by net payments of cash. SamCERA currently employs external investment managers to manage its assets as permitted by the California Government Code and SamCERA's Investment Policy. Specific managers hold investments in swaps, options, futures, forward settlement contracts, and warrants and enter into forward foreign currency exchange security contracts within fixed income financial instruments.

- The fair value of options, futures, and warrants is determined based upon quoted market prices. The fair value of derivative investments that are not exchange traded, such as swaps and TBAs (To Be Announced), is determined by an external pricing service using various proprietary methods based upon the type of derivative instrument.
- Futures contracts are marked to market at the end of each trading day. The settlement of gains or losses occur on the following business day through variation margins.
- The fair value of international currency forwards represents the unrealized gain or loss on the related contracts, which is calculated as the difference between the specified contract exchange rate and the exchange rate at the end of the reporting period.

The derivative instruments held by SamCERA are considered investments and not hedges for accounting purposes. As of June 30, 2021, the derivatives held an aggregate notional amount of -\$390.1 million. The fair value of derivatives totaling \$2.2 million is reported in the Statement of Fiduciary Net Position as part of the cash management overlay and inflation hedge. Changes in fair value during fiscal year 2021 are reported in the Statement of Changes in Fiduciary Net Position as a component of investment income. The derivatives that SamCERA held at year-end are shown below. Compared to SamCERA's total investments at fair value, the fair value of SamCERA's derivatives as of June 30, 2021, is not material.

### INVESTMENT DERIVATIVES

As of June 30, 2021

<u>Type of Derivatives</u>	<u>Notional Value</u>	<u>Fair Value</u>
Interest Rate Contract - Short	\$ (1,926,875)	\$ 10,105
Interest Rate Contract - Long	71,580,289	193,071
Foreign Exchange Contracts - Short	(415,520,910)	1,711,705
Foreign Exchange Contracts - Long	(4,192,240)	3,625
Equity Contracts - Long	(40,004,754)	285,256
<b>Total</b>	<b><u>\$ (390,064,490)</u></b>	<b><u>\$ 2,203,762</u></b>

**Interest Rate Risk – Derivatives.** SamCERA's investments in interest rate derivatives are highly sensitive to changes in interest rates. The investment maturities for most of the investments in the table above are 3 months or less. The investment maturity for \$12.7 million of investments in derivatives is 3-6 months.

**Foreign Currency Risk – Derivatives.** Foreign currency contracts are subject to foreign currency risk as the value of deposits or investments denominated in foreign currency may be adversely affected by changes in foreign exchange rates. Foreign currency contracts include forward contracts and spot contracts. Currency forward contracts are derivatives and generally serve to hedge or offset the impact of foreign currency exchange rate fluctuations. Spot contracts are

agreements to buy or sell a certain amount of foreign currency at the current market rate for settlement in two business days. Spot contracts are generally used when SamCERA is required to make or receive payments in a foreign currency. SamCERA does not have a formal policy on foreign currency risk.

**Custodial Credit Risk – Derivatives.** As of June 30, 2021, SamCERA’s derivatives were not subject to custodial credit risk. However, they are subject to other risks.

**Credit Risk – Derivatives.** SamCERA is exposed to credit risk on investment derivatives that are traded over the counter and are reported in asset positions. Derivatives exposed to credit risk include credit default and interest rate swaps, currency forward contracts, rights, warrants, and TBA transactions.

To minimize credit risk exposure, SamCERA’s investment managers continuously monitor credit ratings of counterparties. Should there be a counterparty failure, SamCERA would be exposed to the loss of the fair value of derivatives that are in asset positions and any collateral provided to the counterparty, net of the effect of applicable netting arrangements. SamCERA does not have a general policy with respect to netting arrangements or collateral requirements. In the event of bankruptcy or default by the counterparty, netting arrangements legally provide SamCERA with a right of offset.

### **Securities Lending Activity**

SamCERA is authorized by its Investment Policy and state law to participate in a securities lending program. Securities lending transactions are short-term collateralized loans of SamCERA’s securities for the purpose of generating additional investment income. SamCERA has a securities lending agreement in place that authorizes its securities lending agent to lend SamCERA’s securities to broker-dealers and banks pursuant to a loan agreement. For each type of security loaned, SamCERA receives cash or non-cash collateral. SamCERA invests the cash and receives earnings on it in exchange for paying a loan rebate fee to the borrower. In the case of non-cash collateral, the borrower pays SamCERA a loan premium.

For the fiscal year ended June 30, 2021, on behalf of SamCERA, the securities lending agent lent SamCERA’s securities to borrowers under the securities lending agreement. In return, SamCERA received cash and obligations issued or guaranteed by the U.S. government, or its agencies or instrumentalities. Borrowers were required to deliver collateral for each loan equal to (1) loaned securities denominated in U.S. dollars or sovereign debt issued by foreign governments, with a margin of at least 102% of the fair value of the loaned securities; and (2) loaned securities not denominated in U.S. dollars, or whose primary trading market was not located in the United States, with a margin of at least 105% of the fair value of the loaned securities. In addition, borrowers were required to maintain the designated margin percentage of collateral on a daily basis.

SamCERA imposes the following restrictions on the loans that the securities lending agent makes on SamCERA's behalf:

- Borrower must have a long-term credit rating of either "A" from Standard and Poor's (S&P) or "A2" from Moody's Investors Service (Moody's). For split-rated borrowers, the higher rating shall prevail if not the same rating, with the lower rating having a minimum long-term credit rating of either "A-" from S&P or "A3" from Moody's.
- The maximum allowable amount of assets on loan to any single borrower shall not be greater than \$3 million.
- The maximum total amount of program assets on loan shall not be greater than \$10 million.

The securities lending agent indemnified SamCERA by agreeing to purchase replacement securities or to supplement the amount of cash collateral provided to SamCERA. Such indemnification will become effective in the event the borrower fails to return the loaned securities and the collateral is inadequate to replace the securities lent, or the borrower fails to pay SamCERA for any income distributions on loaned securities. SamCERA did not experience any loss from a default of the borrowers or the securities lending agent during the reporting period. SamCERA and the borrowers maintained the right to terminate all securities lending transactions on demand.

As of June 30, 2021, the fair value of securities on loan reported and the total collateral held amounted to \$8.5 million and \$8.7 million (with \$4.6 million in cash collateral and \$4.1 million in non-cash collateral), respectively. The amount of collateral exceeded the amount of securities on loan by \$210,547. The securities on loan include U.S. equities and international equities. The cash collateral received on each loan was invested in a short-term investment pool, the Northern Institutional Liquid Assets Portfolio (NILAP), managed by the securities lending agent. The average maturity of securities on loan was approximately 41 days as of June 30, 2021. SamCERA does not have the ability to pledge or sell non-cash collateral delivered absent a borrower default. Therefore, such non-cash collateral is not reported on the Statement of Fiduciary Net Position. There were no violations of legal or contractual provisions, and no borrower or lending agent default losses known to the securities lending agent.

**Securities Lending Collateral Credit Risk.** All the cash collateral received for securities lending is invested in the NILAP Cash Collateral Fund (the Fund), which is not rated by credit rating agencies. All investments qualify as "eligible securities" within the meaning of Rule 2(a)-7 of the Investment Company Act of 1940. The Fund seeks to maintain a stable net position value per share of \$1 by valuing its Fund using an amortized cost method and complying with the requirements of Rule 2(a)-7.

**Securities Lending Collateral Interest Rate Risk.** Cash collateral from loans of securities are invested in the Fund. The Fund's average effective duration is restricted to 60 days or less. As of June 30, 2021, the Fund had an interest rate sensitivity of 21 days.

### **Fair Value Measurement**

GASB Statement No. 72, *Fair Value Measurement and Application*, establishes a fair value hierarchy based on the following three types of input to develop the fair value measurements for investment.

- Level 1 - Investments reflect prices quoted in active markets.
- Level 2 - Investments reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 - Investments reflect prices based upon unobservable sources.

The categorization of investments within the fair value hierarchy (see pages 63-64) is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

As of June 30, 2021, SamCERA did not hold any investments classified in Level 3. Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using the following approaches:

- U.S. Treasuries, U.S. Agencies, and Commercial Paper: use quoted prices for identical securities in markets that are not active.
- Corporate and Municipal Bonds: use quoted prices for similar securities in active markets.
- Repurchase Agreements, Negotiable Certificates of Deposit, and Collateralized Debt Obligations: use matrix pricing based on the securities' relationship to benchmark quoted prices.
- Money Market, Bond, and Equity Mutual Funds: use published fair value per share (unit) for each fund.
- Commingled and high-yield equity investments: use matrix pricing techniques or quoted prices for similar securities in active markets.

**FAIR VALUE MEASUREMENT**

As of June 30, 2021

<b>Investments by Fair Value Level</b>	<b>June 30, 2021</b>	<b>Fair Value Measurements Using</b>	
		<b>Quoted Prices in Active Markets for Identical Assets (Level 1)</b>	<b>Significant Other Observable Inputs (Level 2)</b>
<b>DEBT SECURITIES</b>			
Asset Backed Securities	\$ 80,933,449		\$ 80,933,449
Commercial Mortgage-Backed	54,996,348		54,996,348
Corporate Bonds	174,726,109		174,726,109
Foreign Government Securities	9,226,587		9,226,587
Municipal Bonds	3,179,280		3,179,280
US Government Securities	399,772,852		399,772,852
<b>Total Debt Securities</b>	<b>722,834,625</b>		<b>722,834,625</b>
<b>EQUITY SECURITIES</b>			
Foreign Stocks	632,097,135	\$ 632,097,135	
US Common & Preferred Stock	569,897,268	569,897,268	
<b>Total Equity Securities</b>	<b>1,201,994,403</b>	<b>1,201,994,403</b>	
<b>COMMINGLED FUNDS</b>			
Domestic Bond Funds	224,383,667		224,383,667
Domestic Equity Funds	530,596,488		530,596,488
International Equity Funds	372,152,063		372,152,063
Liquid Pool Funds	360,643,195		360,643,195
<b>Total Commingled Funds</b>	<b>1,487,775,413</b>		<b>1,487,775,413</b>
<b>COLLATERAL FROM SECURITIES LENDING</b>	<b>4,574,275</b>	<b>4,574,275</b>	
<b>Total Investments by Fair Value Level</b>	<b>3,417,178,716</b>	<b>\$ 1,206,568,678</b>	<b>\$ 2,210,610,038</b>
<b>Investments Measured at the Net Asset Value (NAV)</b>			
Domestic Bond Funds	520,622,614		
Global Bond Funds	77,700,193		
Domestic Equity Funds	198,434,973		
International Equity Funds	108,258,762		
Real Estate Funds	456,490,615		
Hedge Funds/Absolute Return	401,402,966		
Private Equity Funds	459,298,382		
Private Real Asset Funds	125,569,721		
<b>Total Investments Measured at NAV</b>	<b>2,347,778,226</b>		
<b>Total Investments</b>	<b>\$ 5,764,956,942</b>		
<b>Derivatives</b>			
Interest Rate Contracts - Short	\$ 10,105	\$ -	\$ 10,105
Interest Rate Contracts - Long	193,071	-	193,071
Foreign Exchange Contracts - Short	1,711,705	-	1,711,705
Foreign Exchange Contracts - Long	3,625	-	3,625
Equity Contracts - Long	285,256	285,256	-
<b>Total Derivatives</b>	<b>\$ 2,203,762</b>	<b>\$ 285,256</b>	<b>\$ 1,918,506</b>

Note 1: The values of foreign stocks and securities reported above are denominated by both foreign and U.S. currency whereas those reported under the Foreign Currency Risk Analysis are denominated by foreign currency only.

Note 2: Derivatives are reported under cash management overlay on the Statement of Fiduciary Net Position.

**INVESTMENTS MEASURED AT NET ASSET VALUE (NAV)**

As of June 30, 2021

<b>Investments Measured at NAV</b>	<b>6/30/2021</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency (if currently eligible)</b>	<b>Redemption Notice Period</b>
Domestic Bond Funds <sup>(1)</sup>	\$ 520,622,614	\$ 53,167,534	Monthly, Not Eligible	15 days, Not applicable
Global Bond Funds <sup>(1)</sup>	77,700,193	-	Monthly	15 days
Domestic Equity Funds <sup>(1)</sup>	198,434,973	-	Monthly	10 days
International Equity Funds <sup>(1)</sup>	108,258,762	-	Monthly	10 days
Real Estate Funds <sup>(2)</sup>	456,490,615	87,801,236	Quarterly, Not Eligible	45 days, Not applicable
Hedge Funds/Absolute Return <sup>(3)</sup>	401,402,966	-	Daily, Monthly	5-30 days
Private Equity Funds <sup>(4)</sup>	459,298,382	234,927,284	Not Eligible	Not applicable
Private Real Asset Funds <sup>(4)</sup>	125,569,721	131,663,234	Not Eligible	Not applicable
<b>Total</b>	<b>\$ 2,347,778,226</b>	<b>\$ 507,559,288</b>		

(1) **Bond and Equity Funds.** This type includes eleven domestic bond funds, one global bond fund, one domestic equity fund, and one international equity fund that is considered to be commingled in nature. Each is valued at the net asset value of units held at the end of the period based upon the fair value of the underlying investments.

(2) **Real Estate Funds.** This type includes five real estate funds that invest primarily in a diversified portfolio of institutional quality multi-family, industrial, retail and office assets in the U.S. This type also includes one real estate debt fund that originates loans primarily across a diversified portfolio of institutional quality multi-family, industrial, retail, office and specialty assets. The fair values of the investments in these types have been determined using the NAV (or its equivalent) of the plan's ownership interest in partners' capital. One investment has quarterly liquidity, and one is subject to an initial three year lock-up with quarterly liquidity thereafter while the other four are ineligible for redemption.

(3) **Hedge Funds/Absolute Return.** This strategy consists of five multi-strategy hedge funds/absolute return funds. One fund delivers efficient exposure to a well-diversified portfolio of hedge fund strategies. The second fund is an alternative risk premia strategy based on supply and demand constraints, behavioral biases and asymmetric risk. The third fund is a directional, long and short strategy that utilizes fundamental and price-based indicators to establish return forecasts across global interest rates, foreign exchange, stock indices and commodities. The fourth fund uses a diverse set of trading strategies that are based on factors (momentum, value, carry, macro and sentiment) across asset classes. And, finally, the last fund is a multi-factor strategy that aims to exploit behavioral inefficiencies within and across global markets and is designed to be diversifying, dynamic and defensive.

(4) **Private Equity and Real Asset Funds.** This type includes thirty-four private equity funds, investing primarily in Buyout Funds, Venture Capital, and Debt/Special Situations. This type also includes thirteen Private Real Asset funds, investing in infrastructure, mining finance, solar, energy, and farmland. The fair values of these funds have been determined using net asset values one quarter in arrears plus current quarter cash flows. These funds are not eligible for redemption. Distributions are received as underlying investments when the funds are liquidated, which on average can occur over the span of five to ten years.

## Note 7: Pension Disclosures

### Employer Net Pension Liability

GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, requires public pension plans to disclose the employer net pension liability information. The net pension liability of all participating employers was determined based upon plan assets as of the measurement date on June 30, 2021.

For financial reporting purposes, the net pension liability is measured as the total pension liability less the amount of the pension fiduciary net position. The total pension liability represents the present value of projected benefit payments (using the discount rate of 6.42% discussed later) to be provided through the pension plan to active, inactive, and retired members (or their beneficiaries) based on those members' past periods of services.

### Actuarial Methods and Assumptions

Each year SamCERA engages an independent actuarial consulting firm to perform an annual actuarial valuation in accordance with requirements under GASB Statement No. 67. In the valuation, the actuary employs generally accepted actuarial methods and assumptions to determine the total pension liability, the plan fiduciary net position, and the employers' net pension liability. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. The actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Calculations, which reflect a long-term perspective, are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

### Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2021 was 6.42%. The projection of cash flows used to determine the discount rate assumed both employer and member contributions will be made at rates equal to the actuarially determined contribution rates. SamCERA's fiduciary net position is projected to be available to make all projected future benefit payments of current active employees, inactive members, retirees, and beneficiaries. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

### Sensitivity Analysis

The employers' net pension liability changes with adjustments to the discount rate. The table on page 67 presents the net pension liability of all participating employers at year-end, using the current discount rate of 6.42%, and what the net pension liability would be using a discount rate that is one percent lower or one percent higher than the current discount rate.

**SCHEDULE OF EMPLOYER NET PENSION LIABILITY**

As of June 30, 2021

This schedule displays the total pension liability, the plan fiduciary net position, and the net pension liability of all participating employers, which were determined in conformity with the requirements prescribed by GASB Statement No. 67.

	<u>June 30, 2021</u>
<b>Net Pension Liability</b>	
Total pension liability	\$ 6,089,780,892
Less: Plan fiduciary net position	<u>(5,982,085,950)</u>
<b>Employers' net pension liability</b>	<u><b>\$ 107,694,942</b></u>
Plan fiduciary net position as a % of total pension liability	98.23%
Covered payroll	\$ 600,368,542
Employers' net pension liability as a % of covered payroll	17.94%

The total pension liability was determined by an actuarial valuation as of the valuation date, calculated based on the discount rate and actuarial assumptions and methods shown below.

<b>Discount rate</b>	6.42%
<b>Long-term expected rate of return, net of expenses</b>	6.25%

The plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active employees, inactive members, retirees, and beneficiaries. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return, gross of administrative expenses.

<b>Valuation date</b>	June 30, 2021
<b>Measurement date</b>	June 30, 2021
<b>Key assumptions</b>	
Investment rate of return <sup>(1)</sup>	6.42%
General wage increases	3.00%
CPI-U Inflation	2.25%
CPI Inflation	2.50%
Mortality	Various rates based on mortality tables described in the June 30, 2021, actuarial valuation.
<b>Actuarial experience study</b>	July 1, 2017 to April 30, 2020
<b>Actuarial cost method</b>	Individual Entry Age Normal
<b>Asset Valuation Method</b>	Fair Value
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	80% to 120% of fair value

**Amortization of Unfunded Actuarial Accrued Liability (UAAL) <sup>(2)</sup>** UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL are amortized over separate closed 15-year layers that are determined annually ("layer" amortization).

<sup>(1)</sup> Differs from actuarial valuation for funding purposes due to addition of administrative load of 0.17%.

<sup>(2)</sup> Contribution "credits" are applied to the County of San Mateo (the County) and San Mateo County Mosquito & Vector Control District (the District) contribution rates. These rates reflect supplementary contributions by the County and the District that are tracked separately in the County and District Supplementary Contribution Accounts. Contributions in each year are amortized as a level percentage of pay over a 15-year closed period.

**SENSITIVITY ANALYSIS**

As of June 30, 2021

	<u>1% Decrease</u>	<u>Discount Rate</u>	<u>1% Increase</u>
Total pension liability	\$ 6,973,308,442	\$ 6,089,780,892	\$ 5,372,132,106
Less: Fiduciary net position	(5,982,085,950)	(5,982,085,950)	(5,982,085,950)
<b>Net pension liability</b>	<b><u>\$ 991,222,492</u></b>	<b><u>\$ 107,694,942</u></b>	<b><u>\$ (609,953,844)</u></b>

**Note 8: Plan Reserves**

Plan reserves (components of net position) are established to account for resources accumulated from employer contributions, member contributions, and investment income after satisfying all expenses. The plan reserves do not represent the present value of assets needed, as determined by the actuarial valuation, to satisfy retirement and other benefits when they become due.

SamCERA uses three different types of accounts to record the plan reserves: the valuation reserves, the non-valuation reserves, and the market stabilization account. The plan reserves as of June 30, 2021, are presented in the following table.

**RESERVES REQUIRED BY THE CERL FOR REPORTING PURPOSES**

As of June 30, 2021

**Valuation Reserves**

Member Reserve	\$ 895,744,573
Employer Advance Reserve	1,379,732,982
Retiree Reserve	1,380,172,681
Cost of Living Adjustment Reserve	1,642,623,638
County Supplementary Contribution Account Reserve	236,971,881
District Supplementary Contribution Account Reserve	1,109,806
Total Valuation Reserves	<u>5,536,355,561</u>

**Non-Valuation Reserves**

Contingency Reserve	55,444,026
Undistributed Earnings/Losses Reserve	<u>(30,609,675)</u>
Total Non-Valuation Reserves	<u>24,834,351</u>

**Market Stabilization Account**

420,896,038

<b>Total Reserves (Fair Value of Assets)</b>	<b><u>\$ 5,982,085,950</u></b>
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### **Valuation Reserves**

The valuation reserves are made up of the following:

**Member Reserve** represents funding provided by active and inactive (deferred) members. Additions include member contributions and interest credited. Deductions include refunds to members and transfers to the Retiree Reserve when a member retires.

**Employer Advance Reserve** represents funding provided by employers for future retirement payments to active and inactive members. Additions include employer contributions and interest credited. Deductions include lump-sum death benefit payments to members' survivors, supplementary disability payments, and transfers to the Retiree Reserve when a member retires. If a member elects to receive a refund of member contributions plus interest credited upon termination, the balance in this reserve account will not be affected since the employers' contribution rates are based on an actuarial assumption that takes into account the expected termination rate for members.

**Retiree Reserve** represents funding set aside for retirement benefits. Additions include transfers from the Member Reserve and the Employer Advance Reserve (both made at the time a member retires) as well as interest credited. Deductions include benefit payments to retired members and their beneficiaries.

**Cost of Living Adjustment Reserve** represents employer contributions for future cost of living adjustments under provisions of the CERL. Additions include contributions from employers and interest credited. Deductions include payments to retired members and their beneficiaries.

**County Supplementary Contribution Account (CSCA) Reserve** captures all supplementary contributions made by the County in excess of the statutory contributions plus interest credited since fiscal year 2014.

**District Supplementary Contribution Account (DSCA) Reserve** captures all supplementary contributions made by the District in excess of the statutory contributions plus interest credited since fiscal year 2016.

### **Non-Valuation Reserves**

The Board established the Contingency Reserve of which the value is not used to determine statutory contribution rates.

**Contingency Reserve** is established to meet the reserve requirement under Section 31592 of the CERL that at least one percent of the fund's actuarial value of assets be kept as reserves against future earning deficiencies, investment losses, and other contingencies.

**Undistributed Earnings/Losses Reserve** is established to account for cumulative undistributed actuarial earnings or losses.

### **Market Stabilization Account**

The Market Stabilization Account is designed to minimize the impact of short-term volatility in the fair value of the retirement fund on employer and member contribution rates by smoothing market returns over a five-year period. The Board adopted a Market Stabilization Account policy to limit the actuarial value of assets so as not to exceed  $\pm 20\%$  of the fair value.

The balance in this account, arising from a *Five-year Actuarial Smoothing Policy*, represents the difference between (1) the aggregate amount initially deferred (or smoothed) from the ten most recent semi-annual periods and (2) the aggregate amount subsequently recognized for semi-annual interest crediting from the same ten periods. Deferred investment earnings/losses are amortized over five years in accordance with a schedule established by the actuary. The balance in the Market Stabilization Account was \$421 million as of June 30, 2021.

### **Interest Crediting**

SamCERA semi-annually updates its reserve balances on December 31 and on June 30 to incorporate interest credits as specified in Article 5 of the CERL (Semi-Annual Interest Crediting). The Board adopted an *Interest Crediting Policy* stipulating how earnings should be allocated among valuation reserves. The Board also adopted a *Five-year Actuarial Smoothing Policy*, which will be used to calculate the actuarial value of assets as well as the net available earnings for interest crediting purposes. The calculation incorporates the “smoothing” strategy to spread the difference between actual and expected market return over five years (or ten successive semi-annual periods).

The CSCA and the DSCA Reserves are credited semi-annually in accordance with provisions of the “Memorandum of Understanding” between SamCERA and respective employers.

The Member Reserve is credited semi-annually in an amount equal to the lesser of one half of the assumed investment earnings rate, or the actuarial earnings rate for the prior six-month period immediately preceding the period in which interest is being credited. The “assumed investment earnings rate” is the rate used to determine employer rates for the fiscal year in which the allocation is taking place. The rate credited to the Member Reserve shall not be less than zero.

To the extent of the net available earnings, interest is credited to all components of valuation reserves (except the Member Reserve, the CSCA Reserve, the DSCA Reserve, and the Undistributed Earnings/Losses Reserve) at a rate of one-half of the assumed investment earnings rate.

When allocable earnings are insufficient to cover interest credits to the reserves specified as discussed earlier, the funding in the Contingency Reserve may be used to cover the shortage. However, in no event may the Contingency Reserve be allowed to drop below one percent of the actuarial value of assets.

Under the CERL, excess earnings over one percent of SamCERA’s total assets may be transferred from the Contingency Reserve into the Employer Advance Reserve for payment of benefits. Whenever possible, SamCERA strives to keep the Contingency Reserve at 3% of the actuarial value of assets as described in its Interest Crediting Policy.

**Note 9: Administrative Expenses**

The Board annually adopts an operating budget for the administration of SamCERA. Administrative expenses are charged against earnings of the retirement fund and cannot exceed twenty-one hundredths of one percent (0.21%) of the accrued actuarial liabilities as set forth under Government Code Section 31580.2 of the CERL. SamCERA has a policy in place to monitor compliance with the Government Code.

SamCERA’s actual administrative expenses for the reporting period amounted to 0.13% of the accrued actuarial liability as of June 30, 2019 (the latest information available when preparing the administrative budget for fiscal year 2021). Information technology expenses are excluded from this limit.

The following tables show allowable administrative expenses and budget-to-actual analysis of administrative expenses for the fiscal year ended June 30, 2021.

**Administrative Expenses for the Fiscal Year Ended June 30, 2021,  
Compared to Actuarial Accrued Liability as of June 30, 2019**

(Dollars in Thousands)

Actuarial accrued liability (AAL) as of June 30, 2019	\$ 5,459,978	(a)
Maximum allowed for administrative expenses (AAL*0.21%)	\$ 11,466	(b)
Operating budget for administrative expenses	\$ 7,233	(c)
Actual administrative expenses	\$ 7,060	(d)
Excess of allowed over actual administrative expenses	\$ 4,406	=(b) - (d)
Excess of budgeted over actual administrative expenses	\$ 173	=(c) - (d)
<b>Actual administrative expenses as a percentage of actuarial accrued liability as of June 30, 2019</b>		<b>0.13% = (d)/(a)</b>

**SAMCERA'S ADMINISTRATIVE EXPENSES, BUDGET VS. ACTUAL**

For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget</u>	<u>% of Budget Remaining</u>
Salaries and benefits	\$ 5,548,167	\$5,654,980	\$ (106,813)	-2%
Services and supplies	1,684,816	1,404,722	280,094	17%
<b>Total expenses</b>	<b><u>\$ 7,232,983</u></b>	<b><u>\$7,059,702</u></b>	<b><u>\$ 173,281</u></b>	<b>2%</b>

**Salaries and benefits.** Total expenses were \$5.7 million, slightly above the budget by 2%. The key factors for the budget overrun are explained below.

- **Salaries** – The Chief Legal Counsel position was double filled for six weeks to ensure a successful transition between the past and present incumbents. In addition, the cash-out of terminal pay and accrued holiday time was higher than anticipated.
- **Benefits** – The projected pension contributions slightly fell short of the actual.

**Services and Supplies.** Total expenses were \$1.4 million, moderately below budget by 17%. Below are the areas in which the actual expenses were significantly different from estimated.

- **Insurance.** The premium for a one-year fiduciary liability insurance policy increased by nearly 20%, way above projections.
- **Medical Record and Hearing Services.** The actual level of services was moderately below budget. Only a handful of members applying for disability were recommended for an independent medical evaluation. Additionally, only one formal hearing was held for a disability case.
- **Member Education.** The realized savings were primarily from “no show” registrants. Specific educational courses are consistently offered to help members enhance their financial knowledge in retirement planning. Departments are required to pay a pre-determined amount for failure of the member to show up after enrollment.
- **Education and Conference and Transportation and Lodging.** Training, conferences, and related traveling and lodging expenses were significantly below projections. Despite anticipated reopening of businesses in the second half of the fiscal year, on-site training and conferences were hindered by the rising cases of virus variants.
- **General Office Supplies.** The usage of general office supplies was below expectation as staff continued to work remotely almost the entire fiscal year until mid-June of 2021.
- **Postage and Printing.** The actual spending in mailing and printing was far below budget. Except for January 2021, mailing of monthly pension benefit statements was suspended since the pandemic outbreak. Additionally, communications with members were mostly conveyed through electronic means while staff were telecommuting.

- **County Services.** The budget overrun was mainly triggered by sharing “indirect costs” as determined by the County’s Cost Allocation Plan. The cost sharing requirement was introduced in late August of 2020 and not included in the adopted budget for fiscal year 2020-21. To support its operation, SamCERA employs services from various County departments such as Elections, Human Resources, Health System, Controller’s Office and Information Services.
- **Audit Services.** Because of the pandemic, both audits (final audit of fiscal year 2019-20 in August 2020 and interim audit of fiscal year 2020-21 in June 2021) were conducted remotely, causing a modest decline in billable amounts. Under the contract with Brown Armstrong Accountancy Corporation, SamCERA agrees to reimburse travel and lodging expenses incurred by auditors while conducting fieldwork on-site.
- **Other Administration.** This budget item was mainly for legal services concerning disability and taxation. The need for such services was much less than anticipated.

**Note 10: Information Technology Expenses**

Pursuant to Government Code Section 31580.2 of the CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products are not subject to the mandated limit of 0.21% discussed earlier. As a result, SamCERA prepares a separate information technology budget starting with fiscal year 2012 when this code was enacted. The table below presents the budget-to-actual analysis of technology expenses for the fiscal year ended June 30, 2021.

**SAMCERA’S INFORMATION TECHNOLOGY EXPENSES, BUDGET VS. ACTUAL**

For the Fiscal Year Ended June 30, 2021

	<u>Budget</u>	<u>Actual</u>	<u>Under Budget</u>	<u>% of Budget Remaining</u>
Computer equipment and software	\$ 30,000	\$ 13,336	\$ 16,664	56%
IT infrastructure - software license maintenance	529,500	426,728	102,772	19%
IT infrastructure - maintenance tools and equipment	300,000	116,426 (a)	183,574	61%
IT infrastructure - contract IT services	306,000	171,601 (b)	134,399	44%
IT infrastructure - imaging	50,000	-	50,000	100%
Technology research and development	10,000	-	10,000	100%
<b>Total expenses</b>	<b><u>\$1,225,500</u></b>	<b><u>\$728,091</u></b>	<b><u>\$497,409</u></b>	<b>41%</b>

(a) A server of \$57,765 and a computer of \$8,669 were capitalized and reported under capital assets on the Statement of Fiduciary Net Position for the fiscal year ended June 30, 2021.

(b) The development of a mobile application by an outside consulting firm was budgeted under "contract IT services." Its year-to-date expense of \$150,000 was capitalized and reported under capital assets on the Statement of Fiduciary Net Position for the fiscal year ended June 30, 2021. This project is expected to be completed in fiscal year 2022.

Note: Depreciation of \$838,572 is a non-cash expense and therefore not included in the adopted budget. This amount is reported on the Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2021.

The overall Information Technology (IT) expenses were significantly below the budget, due primarily to the following:

- **Computer Equipment and Software.** Actual spending was far below budget as the need for acquisition or replacement of computer equipment fell short of expectations.
- **IT Infrastructure - Software License Maintenance.** The overall maintenance of the pension administration software was over-estimated by approximately 19%.
- **IT Infrastructure - Maintenance Tools & Equipment.** Actual spending was much less than anticipated. To create a robust business environment in face of emerging needs, funds were set aside to replace existing servers, laptops, and equipment. With priorities shifted to time-sensitive projects, scheduled upgrades to the wireless microwave, WiFi network, and telephone system were suspended.
- **IT Infrastructure - Contract IT Services.** Actual spending was way below budget. Certain projects, which required outside professional help, were not fully completed due to time constraints. These projects included developing a new mobile application and enhancing the audio and video technologies in the conference and Board rooms.
- **IT Infrastructure - Imaging.** A plan was slated to convert paper documents held by Finance, Investment and Administration teams to digital by fiscal year-end using the County SharePoint software solution. This plan was temporarily put on hold as staff were not available on-site to support the conversion due to telecommuting.
- **Technology Research and Development (R&D).** The R&D budget was setup to explore new technologies that may help improve operations and member services. Staff did not expend the resources allocated for R&D as priorities were given to time-sensitive projects such as putting a new mobile application in operation.

### **Note 11: Risk Management**

SamCERA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. Such risks are managed by SamCERA through its participation with the County's self-insurance program and commercial insurance policies. SamCERA is covered by the County's self-insurance program for general liability and workers' compensation.

Additional coverage for various types of risks are provided through the County's commercial insurance carriers in accordance with the terms set forth in individual insurance policies. Pursuant to a Memorandum of Understanding between SamCERA and the County, SamCERA pays a pro-rata share of total insurance cost incurred by the County based on employee count.

The Retirement Board members and senior staff purchase separate fiduciary liability insurance for the actual or alleged breach of fiduciary duties through a policy provided by RLI Insurance Company of Peoria, Illinois. The coverage is limited to \$10 million in the aggregate for all loss combined including defense costs.

**Note 12: Related Party Transactions**

SamCERA has ongoing business transactions with various County offices: County Counsel, Treasurer, Controller, Procurement, Human Resources, Information Services, Health System, Sheriff, and Elections. Payments for the services provided are on a cost-reimbursement basis.

**Note 13: Commitments**

As of June 30, 2021, SamCERA had a total “uncalled capital” of \$507.6 million with \$234.9 million in private equity investments, \$131.7 million in private real asset investments, \$87.8 million in real estate investments, and \$53.2 million in private credit investments. Due to the nature of these investments, some of these commitments will gradually be funded over the next 1-5 years, depending on the partnership’s vintage year.

**Note 14: Contingent Liability**

SamCERA is subject to legal proceedings and claims arising from the normal course of its business. Currently, no pending or threatened litigation are adjudicated or reported. As for unasserted claims, future writs of mandates could be filed to reverse Board decisions on disability matters.

## REQUIRED SUPPLEMENTARY INFORMATION

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS OF PARTICIPATING EMPLOYERS

This schedule displays the components of the total pension liability, the fiduciary net position, and the net pension liability of all participating employers, which were determined in conformity with the requirements prescribed by Governmental Accounting Standards Board (GASB) Statement No. 67. This schedule will ultimately show information for ten years.

For the Fiscal Years Ended June 30	2021	2020	2019	2018
<b>Total Pension Liability</b>				
Service cost	\$ 120,103,792	\$ 119,882,786	\$ 108,644,383	\$ 107,738,142
Interest on total pension liability	376,951,077	356,056,094	336,260,838	319,776,913
Effect of assumption changes or inputs	190,798,284	12,726,983	167,870,889	-
Effect of economic/demographic gains (losses)	3,782,768	78,235,977	91,316,336	27,753,956
Benefit payments and refund of contributions	(262,151,934)	(245,821,142)	(227,185,123)	(209,054,603)
Net change in total pension liability	429,483,987	321,080,698	476,907,323	246,214,408
Total pension liability, beginning	5,660,296,905	5,339,216,207	4,862,308,884	4,616,094,476
<b>Total pension liability, ending (a)</b>	<b>\$6,089,780,892</b>	<b>\$5,660,296,905</b>	<b>\$5,339,216,207</b>	<b>\$4,862,308,884</b>
<b>Fiduciary Net Position</b>				
Employer contributions	\$ 265,002,472	\$ 198,582,998	\$ 245,498,411	\$ 207,256,713
Member contributions	73,966,484	70,630,765	67,695,627	64,204,278
Investment income net of investment expenses	1,133,176,546	42,392,222	271,691,483	280,146,398
Benefit payments and refund of contributions	(262,151,934)	(245,821,142)	(227,185,123)	(209,054,603)
Administrative and technology expenses	(8,409,931)	(8,392,465)	(8,551,977)	(7,293,262)
Net change in fiduciary net position	1,201,583,637	57,392,378	349,148,421	335,259,524
Fiduciary net position, beginning	4,780,502,313	4,723,109,935	4,373,961,514	4,038,701,990
<b>Fiduciary net position, ending (b)</b>	<b>\$5,982,085,950</b>	<b>\$4,780,502,313</b>	<b>\$4,723,109,935</b>	<b>\$4,373,961,514</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 107,694,942</b>	<b>\$ 879,794,592</b>	<b>\$ 616,106,272</b>	<b>\$ 488,347,370</b>
<b>Fiduciary net position as a % of total pension liability</b>	98.23%	84.46%	88.46%	89.96%
<b>Covered payroll</b>	<b>\$ 600,368,542</b>	<b>\$ 593,295,084</b>	<b>\$ 554,734,196</b>	<b>\$ 535,937,622</b>
<b>Net pension liability as a % of covered payroll</b>	17.94%	148.29%	111.06%	91.12%

Note: *Changes of assumptions.*

In 2019, assumed investment return, price inflation, and general wage increase were adjusted downward to reflect changes recommended by the actuary.

In 2020, changes in demographic assumptions were implemented to align with the results from the Triennial Experience Study.

In 2021, assumed investment return was lowered to 6.25% from 6.50% the previous year.

### SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS OF PARTICIPATING EMPLOYERS (CONTINUED)

For the Fiscal Years Ended June 30	2017	2016	2015	2014
<b>Total Pension Liability</b>				
Service cost	\$ 96,411,681	\$ 96,308,679	\$ 90,955,831	\$ 87,512,515
Interest on total pension liability	306,404,154	290,843,506	272,953,777	265,430,896
Effect of assumption changes or inputs	147,541,839	85,538,873	-	37,853,852
Effect of economic/demographic gains (losses)	4,834,605	17,875,272	50,655,233	(31,415,241)
Benefit payments and refund of contributions	(193,240,280)	(182,863,698)	(171,466,218)	(162,556,107)
Net change in total pension liability	361,951,999	307,702,632	243,098,623	196,825,915
Total pension liability, beginning	4,254,142,477	3,946,439,845	3,703,341,222	3,506,515,307
<b>Total pension liability, ending (a)</b>	<b>\$4,616,094,476</b>	<b>\$4,254,142,477</b>	<b>\$3,946,439,845</b>	<b>\$3,703,341,222</b>
<b>Fiduciary Net Position</b>				
Employer contributions	\$ 198,727,135	\$ 191,094,488	\$ 180,704,280	\$ 202,877,362
Member contributions	62,160,101	56,068,706	48,011,698	46,593,698
Investment income net of investment expenses	436,675,706	29,299,764	111,630,036	482,663,965
Benefit payments and refund of contributions	(193,240,280)	(182,863,698)	(171,466,218)	(162,556,107)
Administrative and technology expenses	(7,009,169)	(6,687,091)	(6,097,422)	(5,710,296)
Net change in fiduciary net position	497,313,493	86,912,169	162,782,374	563,868,622
Fiduciary net position, beginning	3,541,388,497	3,454,476,328	3,291,693,954	2,727,825,332
<b>Fiduciary net position, ending (b)</b>	<b>\$4,038,701,990</b>	<b>\$3,541,388,497</b>	<b>\$3,454,476,328</b>	<b>\$3,291,693,954</b>
<b>Net pension liability, ending = (a) - (b)</b>	<b>\$ 577,392,486</b>	<b>\$ 712,753,980</b>	<b>\$ 491,963,517</b>	<b>\$ 411,647,268</b>
<b>Fiduciary net position as a % of total pension liability</b>	<b>87.49%</b>	<b>83.25%</b>	<b>87.53%</b>	<b>88.88%</b>
<b>Covered payroll</b>	<b>\$ 510,132,014</b>	<b>\$ 472,384,955</b>	<b>\$ 439,017,764</b>	<b>\$ 416,273,731</b>
<b>Net pension liability as a % of covered payroll</b>	<b>113.18%</b>	<b>150.88%</b>	<b>112.06%</b>	<b>98.89%</b>

*Note: Changes of assumptions.*

In 2014, amounts reported as changes of assumptions resulted primarily from downward adjustments to the assumed investment return, price inflation, and general wage increase; and several changes in demographic assumptions.

In 2016, amounts reported as changes of assumptions resulted mainly from downward adjustments to the assumed investment return, price inflation, and general wage increase with intent to strengthen the financial position and the stability of the Retirement Fund by mitigating impacts if future returns were lower than current expectations.

In 2017, amounts reported resulted primarily from adjusting the assumed investment return, price inflation, and general wage increase downward, modifying the mortality assumption, and adding a projection scale to reflect gradual year-to-year increase in mortality that is expected to occur in the future.

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

Last Ten Fiscal Years

This schedule provides information about the statutory and actual contributions of all participating employers.

Fiscal Year Ended June 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Covered Payroll <sup>1</sup>	As a % of Covered Payroll		
					Actuarially Determined Contribution	Actual Employer Contribution	
2012	\$ 139,406,807	\$ 150,949,791	\$(11,542,984)	\$ 418,915,989	33.28%	36.03%	<sup>2</sup>
2013	131,293,846	144,308,171	(13,014,325)	404,360,891	32.47%	35.69%	<sup>2</sup>
2014	152,877,362	202,877,362	(50,000,000)	416,273,731	36.73%	48.74%	<sup>3</sup>
2015	169,814,170	180,704,280	(10,890,110)	439,017,764	38.68%	41.16%	<sup>3</sup>
2016	170,046,059	191,094,488	(21,048,429)	472,384,955	36.00%	40.45%	<sup>3,4</sup>
2017	164,877,135	198,727,135	(33,850,000)	510,132,014	32.32%	38.96%	<sup>3,4</sup>
2018	179,626,584	207,256,713	(27,630,129)	535,937,622	33.52%	38.67%	<sup>3</sup>
2019	194,830,054	245,498,411	(50,668,357)	554,734,196	35.12%	44.26%	<sup>3</sup>
2020	198,582,998	198,582,998	-	593,295,084	33.47%	33.47%	
2021	225,302,472	265,002,472	(39,700,000)	600,368,542	37.53%	44.14%	<sup>2</sup>

<sup>1</sup> In accordance with GASB Statement No. 82, covered payroll is the payroll on which contributions are based.

<sup>2</sup> Employers contributed at a higher rate than the Actuarially Determined Contribution rate in order to maintain more stable contributions.

<sup>3</sup> The County of San Mateo (the County) Board of Supervisors implemented a policy to eliminate the County's unfunded actuarial accrued liability (UAAL) by 2023. Contributions in excess of the Actuarially Determined Contribution are related to this policy unless noted otherwise.

<sup>4</sup> In fiscal years 2015-16 and 2016-17, the San Mateo County Mosquito & Vector Control District contributed \$1.5 million and \$0.25 million more than the actuarially determined contribution, respectively.

## **SCHEDULE OF INVESTMENT RETURNS**

For the Fiscal Years Ended June 30

The time-weighted rate of return measures a fund’s compounded rate of growth over a specific time period, whereas the money-weighted rate of return measures investment performance, net of investment manager expenses, adjusted for the changing amounts actually invested. This schedule will ultimately show information for the past ten fiscal years. Additional years will be displayed as they become available prospectively.

	<b>2021<sup>3</sup></b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual time-weighted rate of return, net of investment manager expenses <sup>1,2</sup>	24.28%	-0.20%	5.40%	6.70%	12.58%	0.74%	3.53%	17.29%
Annual money-weighted rate of return, net of investment manager expenses <sup>1</sup>	24.29%	-0.26%	5.26%	6.53%	12.48%	0.49%	3.37%	17.22%

<sup>1</sup> The rates of return were independently determined by SamCERA's investment consultant, Verus Advisory, Inc.

<sup>2</sup> The annual time-weighted rate of return is calculated by SamCERA’s investment consultant. This calculation is based on fiscal year-end investment performance except for Private Equity and Private Real Assets. The quarterly statements for Private Equity and Private Real Assets are usually released 2-4 months after quarter-end and, for this reason, the investment consultant reports SamCERA’s Private Equity and Private Real Assets’ returns on a one-quarter lagged basis. The June 30 return for these two sub-asset classes are based on the “rolling” performance from the 4th quarter of last fiscal year to the 3rd quarter of this fiscal year. The resulting investment performance return from this calculation method generally does not deviate significantly from the return computed by SamCERA’s actuary, which is directly derived from the audited financial statements of the reporting period.

<sup>3</sup> The overall money-weighted investment return increased from -0.26% for 2020 to 24.29% for 2021, which was mainly driven by the fiscal year performance from Private Equity, Domestic Equity, and International Equity.

## **NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**

### **Actuarial Valuation Methods and Assumptions**

The employer statutory contribution rates for the fiscal year ended June 30, 2021, are determined by the actuarial valuation as of June 30, 2019. Details of actuarial methods and assumptions selected for the 2019 valuation are summarized on page 80.

### **Changes in Assumptions**

In June 2014, the Board of Retirement (the Board) approved its actuary’s recommendations changing certain key economic assumptions for the 2014 valuation. These changes include lowering the assumed investment return from 7.50% to 7.25%, the price inflation from 3.25% to 3.00%, and the general wage increase from 3.75% to 3.50%. A month later in July 2014, the

Board also approved several changes in demographic assumptions based on the 2014 Triennial Experience Study. The key changes include a slight reduction in retirement rate, a slight update to the probability of eligible survivors, and an adjustment of the expected age difference between member and survivor for female numbers. These changes increased the expected contribution rates and decreased the funded ratio of the Retirement Fund.

In June 2016, the Board reduced the assumed investment return from 7.25% to 7.00%, the price inflation from 3.00% to 2.75%, and the general wage increase from 3.50% to 3.25% for the 2016 valuation. These changes were specifically tailored to strengthen the financial position and the stability of the Retirement Fund by mitigating any impacts if future returns were lower than current expectations.

In July 2017, the Board adopted several recommendations from the 2017 Triennial Experience Study, which included lowering the assumed investment return, modifying the mortality assumption, and adding a projection scale to reflect the gradual year-to-year increase in mortality that is expected to occur in the future. The assumed investment return was changed from 7.00% to 6.75%, the price inflation from 2.75% to 2.50%, and the general wage increase from 3.25% to 3.00% for the 2017 valuation. The new mortality assumptions resulted in an increase in assumed life expectancy compared to the prior assumption.

In July 2019, the Board adjusted the assumed investment return from 6.75% to 6.50% while reaffirming the price inflation at 2.50% and the general wage increase at 3.00% for the 2019 valuation. These changes increased the contribution rates effective July 1, 2020, and decreased the funded ratio of the Retirement Fund by 1.70% to 85.80% as of June 30, 2019.

In June 2020, the Board adopted the actuary's recommendation to keep the economic assumptions for 2019's valuation: investment return at 6.50%, inflation at 2.50%, and general wage increase at 3.00%. The Board also set the Cost of Living Adjustment (COLA) assumption for Plans 1 and 2 in accordance with the inflation assumption.

In July 2020, the Board adopted several changes to the demographic assumptions developed from the 2020 Investigation of Experience Study. These changes included: increasing the rates of assumed merit salary increases for Safety and Probation members; updating mortality tables to the public plan specific tables published in 2019 by the Society of Actuaries Retirement Plans Experience Committee; and adjusting the assumed rates at which active members decrement from active employment. These changes caused a slight increase in the employer contribution rate, small decreases in member contribution rates for Plan 7 and small increases for all other plans. The assumptions will next be thoroughly reviewed in 2023 as part of the triennial experience study.

In May 2021, the Board accepted the actuary's recommendation to lower the assumed investment return from 6.50% to 6.25% and retain all the other assumptions used during the June 30, 2020 valuation in the June 30, 2021 valuation. Additionally, to minimize the short-term impact on the employer contribution expense, the Board agreed to phase-in the statutory employer rate increases due to the assumption change over a 3-year period.

Below is a summary of methodologies and assumptions employed for the 2019 valuation. The results from this valuation were used to determine contribution rates for participating employers and members effective from July 1, 2020.

### **ACTUARIAL VALUATION AS OF JUNE 30, 2019 (FOR FUNDING PURPOSES)**

<b>Valuation Date</b>	June 30, 2019
<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Percent of Payroll
<b>Amortization Period</b>	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL are amortized over separate closed 15-year layers which are determined annually.
<b>Asset Valuation Method</b>	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
<b>Actuarial Assumptions</b>	
General wage increases	3.00%
Investment earnings	6.50%, net of pension plan investment and administrative expenses
Growth in active membership	0.00%
Consumer Price Index (CPI) inflation	2.50%
<b>Demographic Assumptions</b>	
Salary increases due to service	See June 30, 2019 actuarial valuation report for details.
Retirement	See June 30, 2019 actuarial valuation report for details.
Disablement	See June 30, 2019 actuarial valuation report for details.
Mortality	See June 30, 2019 actuarial valuation report for details.

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Fiscal Year Ended June 30, 2021

The schedule below depicts the administrative expenses incurred by San Mateo County Employees' Retirement Association (SamCERA) in the normal course of business.

#### Salaries & Benefits

Salaries	\$ 3,774,552
Benefits	1,880,428
<b>Total Salaries &amp; Benefits</b>	<b><u>5,654,980</u></b>

#### Services & Supplies

Board Expenses	6,100
Insurance	86,075
Medical Evaluation	46,719
Member Education	56,198
Education & Conference	20,399
Transportation & Lodging	33,836
Property & Equipment	18,899
General Office Supplies	24,551
Postage, Printing & Copying	14,358
Leased Facilities	646,337
County Services	389,581
Audit Services	48,617
Other Administration	13,052
<b>Total Services &amp; Supplies</b>	<b><u>1,404,722</u></b>
<b>Total Administrative Expenses</b>	<b><u>\$ 7,059,702</u></b>

### SCHEDULE OF INFORMATION TECHNOLOGY EXPENSES

For the Fiscal Year Ended June 30, 2021

The schedule below depicts the information technology expenses incurred by SamCERA in the normal course of business.

Computer equipment and software	\$ 13,336
IT infrastructure - software license maintenance	426,728
IT infrastructure - maintenance tools and equipment	49,992
IT infrastructure - contract IT services	21,601
Depreciation Expense	838,572
<b>Total Information Technology Expenses</b>	<b><u>\$ 1,350,229</u></b>

## **SCHEDULE OF INVESTMENT EXPENSES**

For the Fiscal Year Ended June 30, 2021

The schedule below summarizes investment expenses incurred by SamCERA during the reporting period.

### **Investment Management Fees (by Asset Class)**

Public Equity	\$ 4,759,408
Fixed Income	14,195,523
Alternatives	13,857,906
Inflation Hedge	11,561,679
Cash	<u>229,727</u>
Total Investment Management Fees	<u>44,604,243</u>

### **Other Investment Expenses**

Investment Consultant	499,211
Actuarial Consulting	161,533
Master Custodian	348,700
Other Professional Services	<u>90,643</u>
Total Other Investment Expenses	<u>1,100,087</u>

**Other Investment Related Expense** 15,611,600

**Interest Paid on Prepaid Contributions** 3,723,464

**Total Investment Expenses** \$ 65,039,394

## **SCHEDULE OF PAYMENTS TO CONSULTANTS (OTHER THAN INVESTMENT ADVISORS)**

For the Fiscal Year Ended June 30, 2021

The schedule of payments to consultants provides information on fees paid to outside professionals other than investment advisors. Fees paid to investment professionals can be found in the Investment Section of this report.

### **Custodian Services**

Northern Trust Corporation \$ 348,700

### **Actuarial Consulting Services**

Milliman, Inc. 106,850

Cheiron, Inc. 54,683

### **Audit Services<sup>(1)</sup>**

Brown Armstrong Accountancy Corporation 48,617

**Other Professional Services** 90,643

**Total Payments to Consultants** \$ 649,493

<sup>(1)</sup> Audit fees were included in administrative expenses whereas remaining items were reported under investment expenses.

## NOTES TO THE SUPPLEMENTARY INFORMATION

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### Administrative Services Budget

The passage of Assembly Bill 609 in October 2010 changed the County Employees' Retirement Law of 1937's (the CERL) system administration expense limit from 23 basis points of total assets to 21 basis points of Accrued Actuarial Liabilities.

### Information Technology Budget

Pursuant to the CERL, expenses for computer software, computer hardware, and computer technology consulting services in support of these computer products shall not be considered a cost of administration of the retirement system. Thus, SamCERA's information technology expenses have been separately accounted for since fiscal year 2011-12.

### Professional Services Budget

SamCERA's professional services budget is funded by investment earnings or SamCERA's assets as prescribed by Government Code §31596.1 below.

Government Code §31596.1 states the following:

"The expenses of investing its moneys shall be borne solely by the system. The following types of expenses shall not be considered a cost of administration of the retirement system, but shall be considered a reduction in earnings from those investments or a charge against the assets of the retirement system as determined by the board:

- (a) The costs, as approved by the board, of actuarial valuations and services rendered pursuant to §31453.
- (b) The compensation of any bank or trust company performing custodial services.
- (c) When an investment is made in deeds of trust and mortgages, the fees stipulated in any agreement entered into with a bank or mortgage service company to service such deeds of trust and mortgages.
- (d) Any fees stipulated in an agreement entered into with investment counsel for consulting or management services in connection with the administration of the board's investment program, including the system's participation in any form of investment pools managed by a third party or parties.
- (e) The compensation to an attorney for services rendered pursuant to §31607 or legal representation rendered pursuant to §31529.1."



**SCHEDULE OF COST SHARING EMPLOYER ALLOCATIONS (GASB STATEMENT NO. 68)**

	Fiscal Year Ended June 30, 2021		Employer Allocation Percentage	Net Pension Liability
	Actual Employer Contributions	Actuarially Determined Contributions		
County of San Mateo	\$256,802,269	\$217,102,269	96.3603%	\$ 103,775,232
San Mateo County Superior Court	7,928,572	7,928,572	3.5191%	3,789,870
San Mateo County Mosquito & Vector Control District	271,631	271,631	0.1206%	129,840
<b>Total</b>	<b>\$265,002,472</b>	<b>\$225,302,472</b>	<b>100.0000%</b>	<b>\$ 107,694,942</b>

Note: Employer allocation percentage (or proportionate share) is based on Actuarially Determined Contributions.

**NOTES TO THE OTHER INFORMATION****Basis of Presentation and Basis of Accounting**

Employers participating in SamCERA are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions — an Amendment of GASB Statement No. 27*.

SamCERA's actuary prepared the following documents: (1) the Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, (2) the Schedule of Cost Sharing Employer Allocations, (3) the GASB Statement No. 67 Actuarial Valuation as of June 30, 2021, and (4) the GASB Statement No. 68 Actuarial Valuation based on a June 30, 2021 Measurement Date for Employer Reporting as of June 30, 2022; in accordance with generally accepted accounting principles (GAAP) in the United States of America as applicable to governmental organizations based on information provided by SamCERA. These documents provide the required information for financial reporting related to SamCERA that employers may use in their financial statements.

**Use of Estimates in the Preparation of the Documents**

The preparation of the above documents, in conformity with GAAP, requires management to make estimates and assumptions that affect certain amounts and disclosures. However, actual results could differ from those estimates.

**Amortization of Deferred Outflows and Deferred Inflows of Resources**

The difference between projected and actual investment earnings on pension plan investments is amortized over five years on a straight-line basis. One-fifth was recognized in

pension expense during the measurement period. The remaining difference between projected and actual investment earnings on pension plan investments as of June 30, 2021, is to be amortized over the remaining periods.

Changes of assumptions or other inputs and differences between expected and actual experience are recognized over the average of the expected remaining service lives of all employees, both active and deferred, that are provided with pensions through SamCERA as of June 30, 2020 (the beginning of the measurement period ended June 30, 2021).

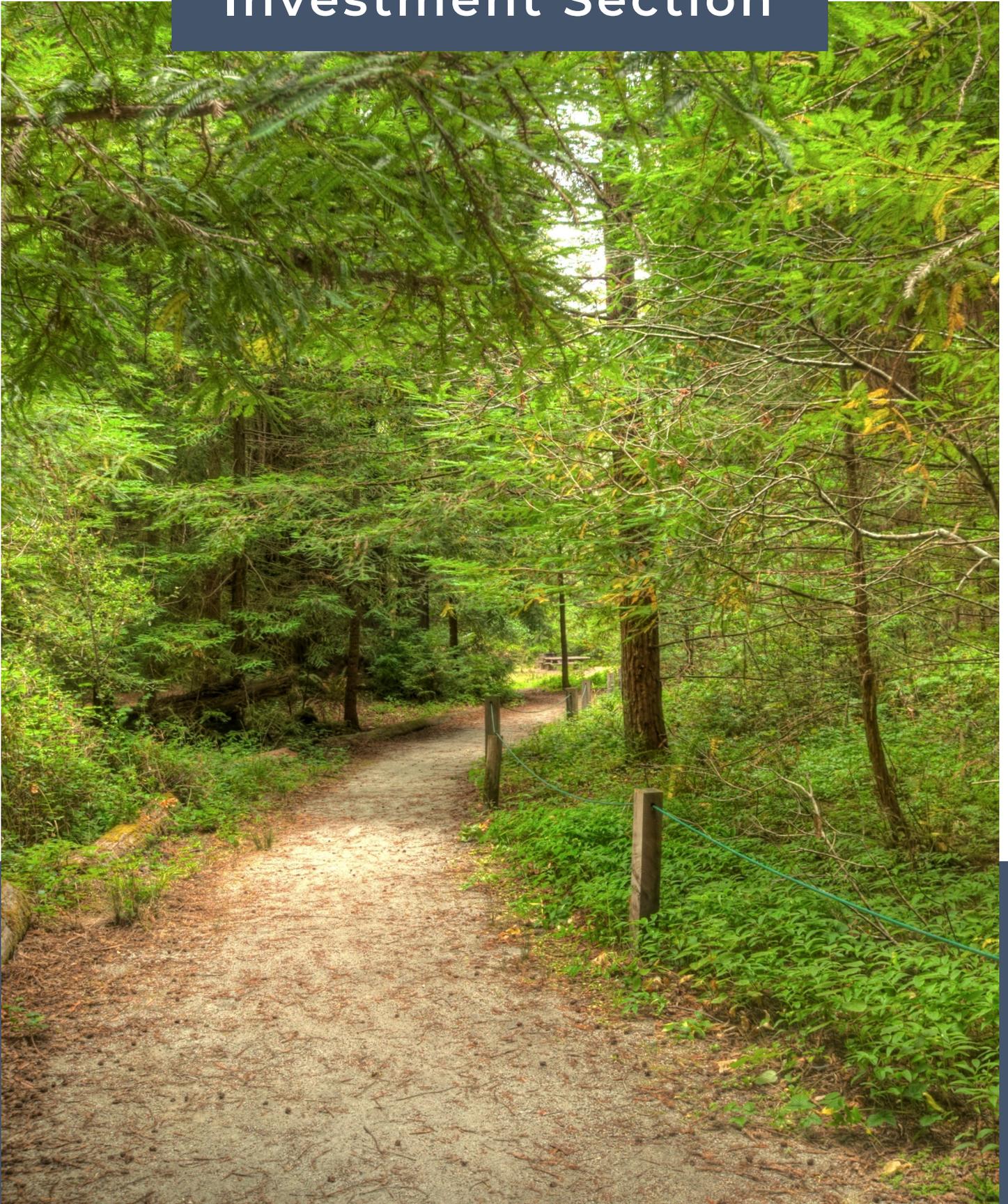
Prior period changes of assumptions and differences between expected and actual experience continue to be recognized based on the expected remaining service lives of all employees calculated as of those prior measurement dates.

The net effect of the change in the employer's proportionate share of the collective net pension liability and collective deferred outflows of resources and deferred inflows of resources is recognized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan determined as of the beginning of the measurement period.

The difference between the actual employer contributions and the proportionate share of the employer contributions during the measurement period ended on June 30, 2021, is recognized over the average expected remaining service lives of all employees that are provided with pensions through the pension plan determined as of the beginning of the measurement period.

The Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan does not reflect contributions made to SamCERA subsequent to the measurement date as defined in GASB Statement No. 68 Paragraphs 54, 55, and 57. Appropriate treatment of such amounts is the responsibility of the employers.

# Investment Section



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Board of Retirement  
San Mateo County Employees' Retirement Association

Dear Trustees:

On behalf of SamCERA's investment team, I am pleased to report on the pension fund's investments and portfolio performance for the period ended June 30, 2021. This data was compiled by SamCERA's investment staff, its investment consultant, Verus Advisory, and its custodian bank, Northern Trust. All return figures are presented net of investment manager fees, are time-weighted, and are calculated by SamCERA's investment consultant, Verus Advisory.



### 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 (i.e., benefits paid, administrative expense, etc.), 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. Table One below shows net performance characteristics for the total fund over 1, 3, 5, and 10-year trailing periods ending June 30, 2021.

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.

## Return/Risk Measure

As described in the Investment Objectives section of SamCERA's Investment Policy Statement, SamCERA focuses on "risk-adjusted" returns to compare how much return was generated given the risk (measured by standard deviation of returns) taken to achieve that return. This is typically measured as the Sharpe Ratio. The higher the ratio, the better, as it measures the return provided per unit of risk taken. For example, if a fund has a lower return than the benchmark but also a much lower risk level (as measured by standard deviation of returns), it may result in a higher risk-adjusted outcome. Conversely, if a fund has a higher return but also takes higher than commensurate risk than the benchmark, then its risk-adjusted return may be lower than that of the benchmark.

Table One: SamCERA 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

Table Two below shows the current allocation and the primary composite relative returns for the year ended June 30, 2021.

Table Two: SamCERA 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.

All four of SamCERA's asset class composites had positive returns for the fiscal year. The best performing composite was Alternatives and returned 47.8%, while Fixed Income returned 5.7% and was the lowest returning asset class composite. Public Equity returned 37.8%, while Inflation Hedge returned 16.5%.

Inflation Hedge was the worst performer relative to its benchmark return. Conversely, Alternatives provided the highest positive absolute return as well as the highest level of relative outperformance during the fiscal year.

### Market Review

Optimism provided by the massive monetary and fiscal stimulus, combined with the emergency use authorization of COVID-19 vaccines, resulted in an impressive risk-on environment during the fiscal year. Global risk markets provided impressively large positive returns. For example, the broad U.S. equity market (as measured by the Russell 3000 Index, a broad basket of U.S. stocks) returned 44.2%. Large-capitalization stocks in the U.S. (as measured by the Russell 1000 Index) were higher by 43.1%, while smaller-capitalization stocks (as measured by the Russell 2000 Index) were higher by an impressive 62%. In terms of S&P 500 Index sector performance, there was a large gap between winners and losers. More economic-sensitive sectors performed best, with financials (up 61.8%) providing the highest return, followed by industrials, energy, and materials. Utilities (up 15.8%) performed the worst (but were still positive), followed by consumer staples and healthcare. All twelve S&P 500 sectors were positive during the year.

The broad international equity market also had strong positive returns during the year. The developed international equity market, as measured by the MSCI EAFE, was up 32.4%, while emerging market equity, as measured by the MSCI Emerging Markets Index, returned 40.9%. Longer-term interest rates increased during the year as inflation expectations increased, and with shorter-term rates anchored near 0% by the Fed, the U.S. yield curve steepened. The 10-year U.S. Treasury yield increased 0.78% during the fiscal year, ending at 1.44%, up from 0.66% at the beginning of the year. These higher interest rates resulted in high quality fixed income having slightly negative fiscal-year returns.

The broad U.S. bond market (as measured by the Bloomberg Barclays U.S. Aggregate Index) returned -0.3% on the year, while long-duration Treasuries returned -10.6%. High yield bonds had strong returns on the year (+15.4%), as the negative impact of higher interest rates were more than offset by tighter high yield spreads.

### Portfolio Activities / Changes

During the year SamCERA approved a new benchmark policy portfolio as part of its annual asset allocation review.

The new policy portfolio tweaks the old portfolio by adding 2% to the Growth bucket and reducing Diversifying by 2%, while keeping the overall allocation to Inflation Hedge unchanged. The new policy was in effect from January 1, 2021.

Within the Growth category, SamCERA made commitments worth \$125 million to seven new private equity partnerships. SamCERA has \$581.5 million in total commitments in its private equity program across venture capital, buyouts, and special situations. In addition, SamCERA re-upped with two current private credit managers within its opportunistic credit program. We committed \$35 million to White Oak Yield Spectrum V and an additional \$10 million to Blackrock Direct Lending Fund IX.

Within the Diversifying category, we further diversified the manager risk within our absolute return portfolio by adding two new strategies, CFM Systematic Global Macro and Acadian Multi-Asset Absolute Return. Both absolute return strategies will help SamCERA “diversify its diversifiers” by providing a more compelling expected positive carry compared to bond duration, given the current suppressed interest rate environment. In the Liquidity portion of the portfolio, SamCERA continued contemplating the potential impacts that plan maturity may have on the plan, with emphasis on ways SamCERA can manage its cash flow needs by potentially establishing a liquidity buffer.

Within the Inflation Hedge category, we made commitments worth \$45 million to two new partnerships in its private real assets program, bringing the total commitments to \$279.8 million. In real estate, we added two value-add strategies. We committed \$30 million to a new strategy, Stockbridge Value Add Fund IV, and a \$50 million ‘re-up’ to a current manager (Invesco Value Add Fund VI).

**Conclusion**

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.

**Asset Allocation Policy: Performance Driver View**

	<u>Old Policy</u>	<u>New Policy</u>
<b>Growth</b>	<b>55%</b>	<b>57%</b>
Public Equity	39%	41%
Private Equity	6%	6%
Opportunistic Credit	10%	10%
<b>Diversifying</b>	<b>28%</b>	<b>26%</b>
Core Fixed Income	21%	18%
Absolute Return	6%	7%
Liquidity	1%	1%
<b>Inflation Hedge</b>	<b>17%</b>	<b>17%</b>
Real Estate	10%	9%
Private Real Assets	3%	4%
Public Real Assets	4%	4%

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.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Michael R. Coultrip".

Michael Coultrip  
Chief Investment Officer  
September 9, 2021

## INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES



September 17, 2021

Board of Retirement  
San Mateo County Employees' Retirement Association  
100 Marine Parkway, Suite 125  
Redwood City, CA 94065

**Dear Board Members:**

### **Market Environment**

Two steps forward, one step back, two steps forward, one step back. Slow and bumpy improvement probably best describes the trajectory of the global economy over the last year. The faster-than-expected distribution of highly effective vaccines within the developed world paved the way for gradual reopening of developed economies, but emerging economies with less access to quality vaccines were less prepared to deal with the litany of more-virulent mutations and had to respond with more draconian social distancing controls to mitigate increases in case growth. Risk-on sentiment propelled financial markets forward, backstopped by continued support from global central banks, the light at the end of the tunnel provided by vaccines, and the inclination of markets to shrug off big surprises on earnings and economic data. Expectations for a strong rebound in economic growth and inflation over the intermediate-term sparked a rotation from the growth sectors that had performed well through the crisis toward more value-orientated sectors prospectively positioned to outperform in a period of rising interest rates. This reflation trade thrived from around mid-August until mid-May but began to unravel late in the fiscal year as a result of concerns about the Delta Covid-19 variant impeding a full and swift global economic recovery, as well as a hawkish pivot from the Federal Reserve which reduced the likelihood of higher inflation and interest rates over the longer term. Looking ahead, the major questions investors are grappling with center around the staying power of high levels of inflation, the timeframe over which the Federal Reserve may begin to taper asset purchases, the outlook for fiscal stimulus, and the capability of companies to sustain high enough levels of earnings growth to justify elevated valuations.

### **U.S. Equity**

Up and to the right has been the story for U.S. equity prices over the past year as investors largely looked through the shorter-term impact of pandemic-related shutdowns and bet that fiscal and monetary support would be able to build a bridge to a post-pandemic world. As of June 30<sup>th</sup>, 2020, the S&P 500 Index remained -8.4% beneath its previous high-water mark of 3386. By August 18<sup>th</sup>, the overall index had reached a fresh all-time high, and would proceed to close at record high levels in 53 of the 218 remaining trading days in the fiscal year, delivering a 40.8% total return along the way. Realized and implied volatility receded to levels more in line with longer-term historical averages. Since making its full recovery in August of 2020, the largest drawdown from prior peak levels suffered by the S&P 500 Index was -9.6%, and between November 4<sup>th</sup> 2020 and June 30<sup>th</sup> 2021, the index never closed further than 5% beneath its previous record high.

Corporate revenues began to recover over the year, and higher operating leverage ratios which resulted from a litany of cost-saving initiatives implemented during the pandemic worked to supercharge earnings growth. Per FactSet, the estimated year-over-year earnings growth for the S&P 500 Index as of Q2 2021 is 64.0%. If that rate were to materialize, it would mark the highest year-over-year rate reported by the

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index since Q4 2009 (109.1%). Despite the massive increase in corporate earnings, increasing prices prevented a material rerating of U.S. equity valuations, which remain at stretched levels relative to recent history. The forward 12-month price-to-earnings ratio of the S&P 500 Index remains at 21.4x – well above both the five-year (18.1x) and ten-year (16.2x) averages. It is worth noting, however, that forward earnings estimates 12 months ago proved far too pessimistic, as analysts underestimated the strength of profit growth which resulted in an overestimation of valuations.

In terms of size and style, small-cap equities (Russell 2000 Index +62.0%) made back some lost ground relative to large-cap equities (Russell 1000 Index +43.1%) and the value factor (Russell 1000 Value Index +43.7%) narrowly outperformed the growth factor (Russell 1000 Growth Index +42.5). Much of the outperformance of the value factor was driven by the reflation trade which dominated the market narrative from around August when news broke about the successful mRNA vaccines to around mid-May and June when concerns around the Delta variant and a hawkish Fed pivot pushed down the long end of the U.S. yield curve. That reflation trade favored sectors more heavily weighted in the value benchmarks, including financials, industrials, and materials, which returned 57.6%, 47.5%, and 46.0% over the fiscal year, respectively.

### International Equity

Global equities largely tracked U.S. equities over the trailing twelve months, and the MSCI ACWI Index returned 39.3% in U.S. dollar terms, with weakness in the U.S. dollar providing a slight boost to returns experienced by unhedged U.S. investors. Emerging market equities delivered a total return of 40.9% in U.S. dollar terms, edging out U.S. equities (S&P 500 Index +40.8%) and outpacing international developed equities (MSCI EAFE +32.4%).

The superior performance of emerging market equities was driven by a rebound in its Latin American contingent broadly, and Brazil and Mexico specifically. The MSCI Brazil Index returned +46.6%, boosted by a 10% appreciation of the Brazilian real relative to the U.S. dollar. In Mexico, stocks advanced 55.9%, as the Mexican peso appreciated 15.4% relative to the dollar. In Asia, Taiwanese (+70.5%) and Korean (+66.2%) equities delivered impressive returns, but Chinese equities returned just 27.4%, materially lagging the global opportunity set. Chinese equities began to sell off in late February, with the initial catalyst being a decision from the People's Bank of China to shift its focus away from ensuring accommodative financial conditions to enable a swift economic recovery and toward limiting the risks of excessive leverage which has been building up in certain segments of the economy, most notably the domestic housing market. This shift in focus from ensuring economic recovery to managing the risks of financial excesses resulted in a marginal tightening of liquidity across the region, which sparked a sell-off in some of the high-flying tech companies that had driven emerging market outperformance in the early days of the pandemic. Losses in China accelerated in the second quarter of 2021 when regulators in China cracked down on some national champions in the IT industry over concerns around the risks of the data gathered by those companies falling into the wrong hands, which could undermine the position of the Communist Party of China. While it appears that both general liquidity conditions have begun to improve and the tech crackdown has showed signs of easing, these issues remain front and center for the broader emerging market equity universe.

In Europe, stocks returned just 26.6% in local terms, but the strong run of the euro relative to the dollar boosted performance for unhedged U.S. investors in European equities to 35.1%. Inflation in Europe has picked up more slowly than in the U.S. or the emerging markets. This, combined with the Eurozone's relative inflexibility with regard to fiscal policy, likely supports the case that the European Central Bank

will have the longest runway for continuing to provide monetary accommodation. In the first half of 2021, concerns around the spread of the Delta variant pushed ECB policymakers to accelerate the pace of purchases within the Pandemic Emergency Purchase Program to provide additional support over the short-term, with the goal of preserving conditions for a robust recovery. The most recent commentary from ECB President Lagarde reflected a "guardedly optimistic" outlook for the economy but did not mention any expected changes to policy in the near term. Within the international developed complex in Asia, Japanese equities underperformed in both local (+28.4%) and U.S. dollar (+24.8%) terms. The Japanese yen was one of the few currencies which depreciated relative to the dollar over the last year, due in part to the significant increase in U.S. Treasury yields above Japanese government bond yields, which officials at the Bank of Japan have committed to keeping within a relatively narrow range (within 25 basis points of 0.0%).

### Fixed Income

The reflation narrative and debate over the persistence of higher inflation rates largely directed the global fixed income markets over the last year. In the U.S., the 10-year Treasury yield rose from 0.66% to a post-pandemic peak of 1.74% by the end of the first quarter of 2021, before moderating to 1.47% by the end of the fiscal year. Breakeven inflation rates tracked Treasury yields in terms of direction – the ten-year breakeven inflation rate rose from 1.34% to an eight-year high of 2.56% in May before moderating slightly during the last few weeks of the fiscal year. Overall, the Fed has remained steadfast in its view that recent increases in inflation rates have been a byproduct of the broad economic reopening, pandemic-related supply chain disruptions, and low base effects (inflation is a year-over-year calculation which means the depressed prices of early 2020 create the appearance of rising inflation). In other words, their view is that increases in inflation are more likely to be transitory than persistent. An analysis of the drivers of inflation growth on balance appear to support this view - most of the acceleration in price growth of the last year can be attributed increases in gas prices as the energy sector has recovered, and a surge in used car and truck sales. Increases in gas and energy have been highly impacted by the fact that energy prices reached extremely low levels in early 2020, as oil prices actually went *negative* in the futures market. However, owner's equivalent rent (OER) may be pushing up prices in a more structural way. OER is much slower moving due to the impact of 12-month lease arrangements and the longer time it takes for price increases to flow through to consumers more broadly. Proponents of the persistent inflation argument may point to this category, as well as recent increases in wages as evidence that price growth may prove sustainable.

In any case, the Fed appears to be focusing more on the risks to the labor market and economic recovery of pulling back on accommodative policy too early, rather than the risk of runaway inflation. This likely stoked a sizeable steepening in the yield curve and a surge in longer-term interest and breakeven inflation rates. However, at their June meeting, Fed officials signaled that a full labor market recovery was more of a "when" question rather than an "if" question and appeared to be shifting more focus onto inflation over the shorter term, which markets took as hawkish on the margin. Following the release, the market-implied number of fed funds range hikes by the end of 2023 picked up to between two and three, slightly higher than the two hikes implied by the June edition of the Federal Open Market Committee's dot plot. Rising expectations for rate hikes in the shorter-term helped to drive down interest rates on the long-end of the curve, due to the path-dependent nature of longer-term growth and inflation expectations: more restrictive policy in the near-term is likely to reduce the potential for growth longer-term and reduces the likelihood of longer-term inflation. Currently, conversations at the Fed are focused on the optimal time to begin tapering asset purchases. The Fed is still buying \$80 billion in Treasuries and \$40 billion in mortgage-backed securities per month, and division appears to be forming within the Fed regarding the ideal complexion of the taper. Some members of the committee have pointed to the health of the

housing market and argued that mortgage-backed security purchases could perhaps be cut back before Treasuries, while other members are in favor of a proportional unwind over time. We will continue to follow developments.

In terms of performance, global treasuries returned 1.2% in U.S. dollar terms, with U.S. Treasuries underperforming (-3.5%), and longer-duration Treasuries in the U.S. faring the worst (-10.6%). Large increases in breakeven inflation rates helped to buffer Treasury inflation-protected securities from the impact of increasing interest rates, and the Bloomberg Barclays TIPS Index returned 6.5%. Credit spreads compressed to the lowest level since the Global Financial Crisis and default rates fell to below average levels, supporting outperformance of riskier credit. In the U.S., corporates within the Bloomberg Barclays Aggregate Index delivered a return of 3.3%, high-yield credit returned 15.4% as spreads dipped from 6.26% to 2.68%, and bank loans advanced 11.7%. Outside of the U.S., hard-currency denominated emerging markets debt climbed 6.8%, while local-currency emerging market debt returned 6.6%. While emerging market debt spreads have remained at compressed levels, increases in benchmark interest rates pushed forward by central bankers within the complex sent total yields slightly higher, which weighed on performance. The anticipation of further hikes could put pressure on prices.

#### PLAN INVESTMENT RESULTS

The San Mateo County Employees' Retirement Association (the Association) total Plan returned 24.3% net of fees for the fiscal year ended 6/30/21. The total Plan outperformed its policy index which returned 23.5% for this time period. For the fiscal year, the total Plan ranked in the 86th percentile for Public Fund Defined Benefit Plans greater than \$1 billion. SamCERA has positioned itself as a more conservative Plan than most of the peer group, most notably by having lower equity exposure in the portfolio. The biggest positive drivers of fiscal year performance for the Plan on an absolute basis came from Private Equity, Domestic Equity, and International Equity. Diversifying strategies in the portfolio posted positive gains, but were relative detractors compared to riskier assets for the fiscal year.

The U.S. Equity portfolio underperformed its U.S. equity policy benchmark on a net of fee basis during the fiscal year (38.6% versus 44.2% for the composite benchmark, respectively), which placed it in the bottom quartile of the peer universe. Within U.S. Equity, SamCERA's low volatility large cap managers underperformed their respective benchmarks and detracted the most within the asset class. Low Volatility managers typically hold positions with lower beta than the market, and don't keep up when there are strong bull markets.

During the fiscal year, the International Equity Composite outperformed its composite benchmark, returning 36.9% net of fees compared to 34.5% for the MSCI ACWI ex-US IMI Index (50% hedged). This result ranked in the 62<sup>nd</sup> percentile of the peer group. During the fiscal year, value made a comeback after several years of growth-oriented dominance (MSCI ACWI ex US Value returned 38.3% vs 34.1% for the MSCI ACWI ex US Growth Index). The Plan terminated its dedicated emerging markets manager and instead added emerging markets as a component of its passive international mandate (MSCI ACWI ex-US IMI Index) and across its active managers over the past fiscal year.

For the fiscal year, the Plan's Total Fixed Income Composite net return of 5.7% beat the Blended Fixed Income benchmark return of 3.5% during the period. On a relative basis, SamCERA's managers in the core fixed income composite outperformed their respective benchmarks which contributed to the composite's outperformance. Higher yielding Opportunistic Credit strategies were most additive to total fixed income performance (14.0% vs 11.5% for the BB BA Intermediate High Yield Index). The Plan continues to add Private Credit managers in order to bring the asset class closer to its target allocation.

SamCERA's Alternatives portfolio, comprised of Private Equity and Absolute Return strategies, outperformed for the year ended June 30, 2021 (47.8% versus 30.9% for the blended composite benchmark). The Private Equity portfolio outperformed on a time-weighted basis (86.4%) versus the Russell 3000 + 3% 1 quarter lagged index (65.5%). The Absolute Return composite returned 7.9% beating the 4.1% gain for the SOFR +4% benchmark. SamCERA changed its benchmark for the Absolute Return asset class from London Interbank Offered Rate (LIBOR) + 4% to SOFR +4%. The change was due to the eventual discontinuation of LIBOR. SOFR is the overnight cash borrowing rate collateralized by Treasuries. Over the fiscal year, SamCERA added two managers during the fiscal year to diversify the absolute return portfolio.

Over the fiscal year, SamCERA's Inflation Hedge portfolio, comprised of real estate, private real assets, and a liquid real asset pool (publicly listed infrastructure, commodities, natural resources, and now TIPS) returned 16.5% compared to 20.8% for the blended Inflation Hedge index. The Real Estate component provided a positive return of 7.6% for the fiscal year which lagged the National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity (NCREIF ODCE) Index (8.0%). The Plan continues to diversify its real estate exposure. The liquid real asset pool, a liquid proxy used as a funding vehicle for private real assets recovered from last year's fall and gained 29.3% for the fiscal year, essentially matching the 29.2% gain for the passive blended benchmark. The Inflation Hedge was a notable contributor to total fund portfolio after facing several years of headwinds.

#### ASSET ALLOCATION AND MANAGER STRUCTURE

Over the fiscal year ended 6/30/21, the Plan lowered its actuarial rate by 25 bps to 6.25%. SamCERA completed an asset allocation study and made minor changes to the asset allocation. Over the fiscal year, the Plan increased domestic and international equity by 1%, lowered core fixed income by 3%, and increased absolute return by 1%. Infrastructure within private real assets was modestly increased at the expense of natural resources.

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.

Sincerely,



Margaret S. Jadallah

## **INVESTMENT BELIEFS, OBJECTIVES, AND POLICY**

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San Mateo County Employees' Retirement Association's (SamCERA) Investment Policy sets forth the Board of Retirement's (the Board) investment beliefs, from which the following extracts have been drawn. The full policy may be viewed on SamCERA's website at [www.samcera.org](http://www.samcera.org).

### **Investment Beliefs**

The following summarizes the Board's investment beliefs that were thoroughly weighed in the development of the Investment Policy and will guide the Board in the oversight of the plan assets.

- Strategic asset allocation is the primary driver of portfolio risk and return.
- SamCERA should have a long-term horizon and not be tempted to deviate from its long-term plan in response to short-term volatility.
- Everything else being equal, simplicity is preferred over complexity.
- For those asset classes evidencing market efficiencies, the manager structure may favor the employment of passive strategies.
- Diversification is fundamental.
- There is no single definition of risk. There are various measures of 'risk' that can be used for various purposes.
- The portfolio should be diversified across many risk dimensions or timeframes.
- SamCERA should not pursue investments that will not adequately compensate it for the risks that those investments bring.
- Costs matter.

### **Investment Objectives**

The Board shall develop an investment program, consistent with the Investment Beliefs and General Investment Policies to meet the following objectives:

- A. Generate risk-adjusted returns that exceed the Asset Allocation Policy Benchmark (as defined in Section 6.0 of the Investment Policy) on a net-of-fee basis over five-year rolling periods.
- B. Achieve a fund return that meets or exceeds the long-term forecast of capital market returns for the asset allocation portfolio benchmark over multiple economic cycles (e.g., 15-20 years).

- C. Provide a more consistent return stream than a traditional 60% Equity/40% Fixed Income portfolio as measured by lower portfolio drawdowns over a full market cycle.

### **Investment Policy**

The Investment Policy of the Board pursues an investment strategy which reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. Consistent with the Investment Beliefs, the Board's investment policy is to:

- A. Achieve long-term risk-adjusted returns consistent with its fiduciary duty.
- B. Pursue an investment strategy that reduces the volatility of returns through prudent diversification of the investment portfolio across a broad selection of distinct asset classes, as provided for in Section 6.0 of the Investment Policy.
- C. Further diversify other risks, including extreme events, liquidity, and leverage by looking beyond traditional asset class definitions by utilizing multiple lenses on portfolio risks.
- D. Adopt an asset allocation target to guide the structure of the investment portfolio, as provided for in Section 6.0 of the Investment Policy, and reevaluate on an annual basis.
- E. Reevaluate the asset-liability study every three to five years.
- F. Delegate full discretion, including whether to include environmental, social, and governance factors, if such factors have a direct relationship to the economic and financial value of an investment, when analyzing the financial merits of competing investment choices on behalf of SamCERA, to each investment manager to the extent authorized in their Investment Management Agreement.
- G. Adopt objectives that encourage investment managers to maximize their performance, within acceptable risk parameters, relative to their individual investment style benchmark.
- H. Refrain from drastically shifting asset class allocations over short time spans, unless it is in the fund's best interest to do so.
- I. Rebalance the portfolio in accordance with the Rebalancing Policy set forth in Section 7.0 of the Investment Policy.

**INVESTMENT SUMMARY**

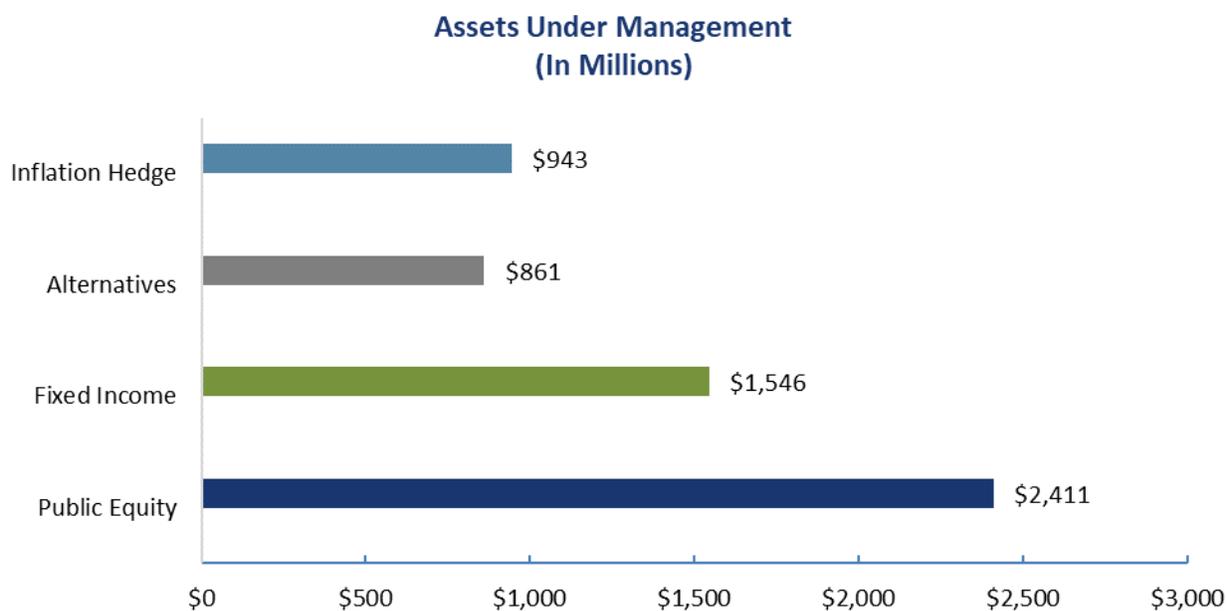
As of June 30, 2021

The investment summary reports the fair value and the percentage of the portfolio's total fair value for each major type of investment.

<b>ASSET CLASS</b>	<b>Assets Under Management</b>
Public Equity	\$ 2,411,436,689
Fixed Income	1,545,541,099
Alternatives	860,701,348
Inflation Hedge	942,703,531
<b>Total Net Portfolio Value</b>	<b>\$ 5,760,382,667</b>

**RECONCILIATION TO STATEMENT OF FIDUCIARY NET POSITION**

Total Net Portfolio Value	\$ 5,760,382,667
Cash Equivalents	222,095,604
Receivables	71,242,610
Capital Assets, Net of Depreciation	4,587,261
Payables	(76,222,192)
<b>Fiduciary Net Position as of June 30, 2021</b>	<b>\$ 5,982,085,950</b>



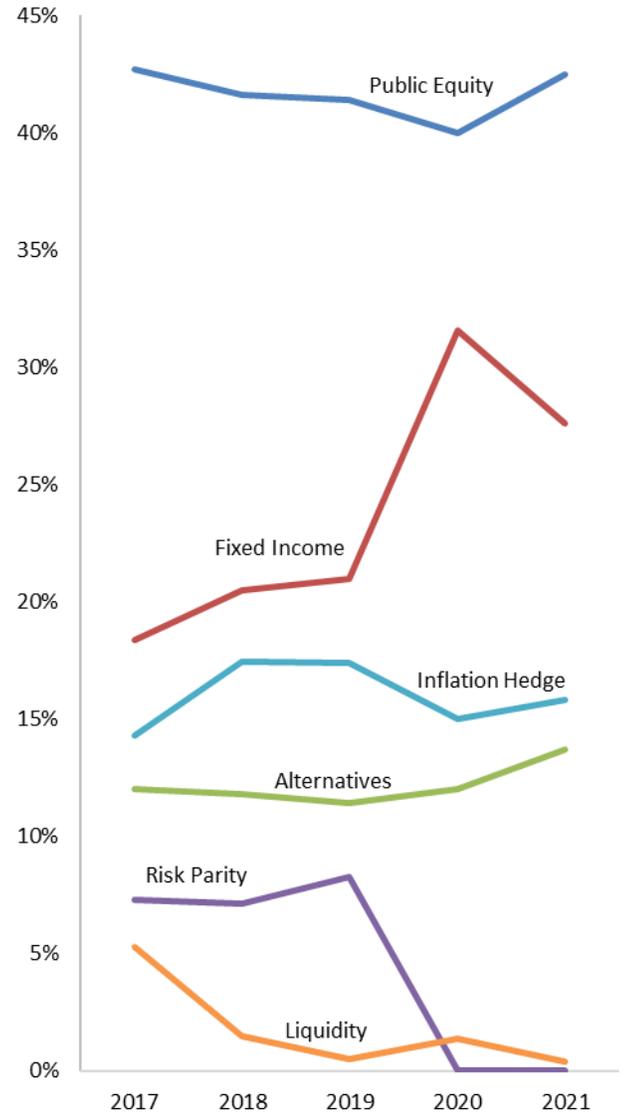
**ASSET ALLOCATION AS A PERCENTAGE OF FAIR VALUE**

As of June 30, 2021

Asset Class	Target Policy as of June 30, 2021	Actual as of June 30, 2021
Public Equity	41%	42.5%
Fixed Income	28%	27.6%
Alternatives	13%	13.7%
Inflation Hedge	17%	15.8%
Liquidity	1%	0.4%
<b>Total</b>	<b>100%</b>	<b>100%</b>

Investment	Target Policy as of June 30, 2021	Actual as of June 30, 2021
<b>Growth</b>	57%	62.4%
Public Equity	41%	42.5%
Private Equity	6%	6.9%
Opportunistic Credit	10%	13.0%
<b>Diversifying</b>	26%	21.8%
Core Fixed Income	18%	14.6%
Absolute Return	7%	6.8%
Liquidity	1%	0.4%
<b>Inflation Hedge</b>	17%	15.8%
Real Estate	9%	7.7%
Private Real Assets	4%	2.0%
Public Real Assets	4%	6.1%
<b>Total</b>	<b>100%</b>	<b>100%</b>

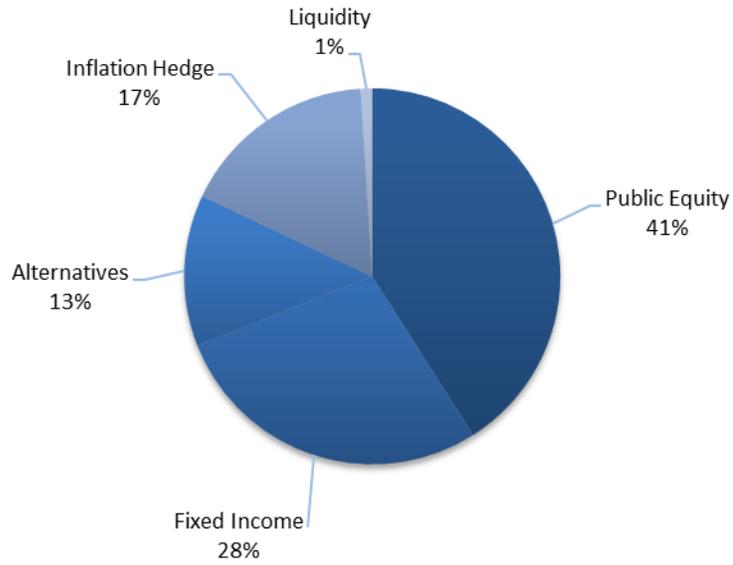
**Actual Asset Allocation**



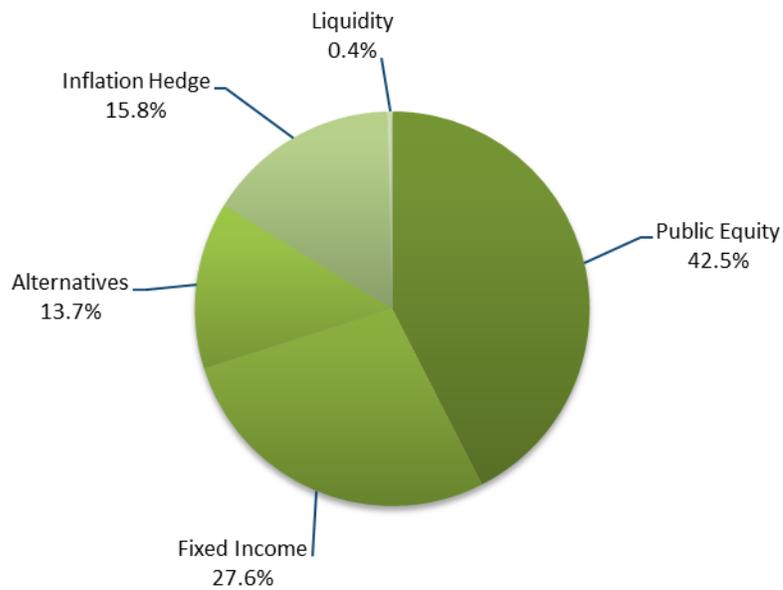
**ASSET ALLOCATION (TARGET POLICY VS. ACTUAL)**

As of June 30, 2021

**Target Policy**

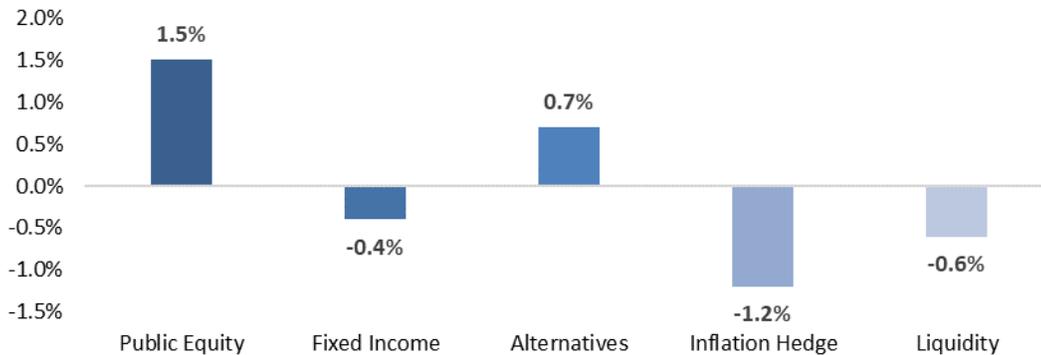


**Actual Asset Allocation**



**PERCENT OF DEVIATION FROM ASSET ALLOCATION**

As of June 30, 2021



**BENCHMARKS**

As of June 30, 2021

Asset Class	Policy Benchmark
<b>Public Equity</b>	
Domestic Equity	53.7% Russell 3000
International Equity	23.2% Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI)
	23.2% Morgan Stanley Capital International ex-United States Investable Market Indexes (MSCI ex-US IMI) 100% Hedged
<b>Fixed Income</b>	
Domestic Fixed Income	64.3% Bloomberg Barclays Aggregate (BBgBarc)
Opportunistic Credit	35.7% BBgBarc Intermediate High Yield (HY)
<b>Alternatives</b>	
Private Equity	46.2% Russell 3000 + 3% (1-quarter lag)
Hedge Funds/Absolute Return	53.8% Secured Overnight Financing Rate (SOFR) + 4%
<b>Inflation Hedge</b>	
Real Estate	52.94% National Council of Real Estate Investment Fiduciaries Open-End Diversified Core Equity (NCREIF ODCE)
Private Real Asset	23.53% Blend: 25% Standard & Poor (S&P) Global Large-MidCap Commodity and Resource + 75% S&P Global Infrastructure + 2% (1-quarter lag)
Public Real Asset	5.88% Bloomberg Roll Select Commodity 5.88% Standard & Poor (S&P) Global Large-MidCap Commodity and Resource 5.88% S&P Global Infrastructure 5.88% Barclays Treasury Inflation Protected Securities (TIPS)
<b>Cash Equivalents</b>	91-day Treasury-Bills

## SCHEDULE OF PORTFOLIO RETURNS

Performance as of June 30, Net of Fees

Asset Class	Total Time-Weighted Rate of Return <sup>(2)</sup>		
	One Year	Three Years	Five Years
<b>Public Equity</b>	<b>37.8%</b>	<b>13.2%</b>	<b>13.8%</b>
Public Equity Benchmark	39.7%	14.4%	14.9%
Domestic Equity	38.6%	15.1%	15.7%
Domestic Equity Benchmark	44.2%	18.7%	17.9%
International Equity	36.9%	11.0%	11.5%
International Equity Benchmark	34.5%	9.4%	11.3%
<b>Fixed Income</b>	<b>5.7%</b>	<b>5.7%</b>	<b>5.1%</b>
Fixed Income Benchmark	3.5%	6.1%	4.1%
Core Fixed Income	1.6%	5.4%	3.7%
Core Fixed Income Benchmark	-0.3%	5.3%	3.0%
Opportunistic Credit	14.0%	6.4%	7.6%
Opportunistic Credit Benchmark	11.5%	8.0%	6.7%
<b>Alternatives</b>	<b>47.8%</b>	<b>16.6%</b>	<b>13.8%</b>
Alternatives Benchmark	30.9%	12.7%	12.4%
Private Equity	86.4%	35.8%	28.7%
Private Equity Benchmark	65.5%	20.2%	19.1%
Hedge Funds/Absolute Return	7.9%	-3.9%	-2.2%
Hedge Funds/Absolute Return Benchmark	4.1%	5.3%	5.3%
<b>Inflation Hedge</b>	<b>16.5%</b>	<b>2.2%</b>	<b>3.8%</b>
Inflation Hedge Benchmark	20.8%	5.8%	5.8%
Real Estate	7.6%	5.7%	6.6%
Real Estate Benchmark	8.0%	5.5%	6.6%
Private Real Asset	27.6%	3.3%	1.3%
Private Real Asset Benchmark	48.4%	7.0%	5.7%
Public Real Assets <sup>(1)</sup>	29.3%	-1.5%	*
Public Real Assets Benchmark	29.2%	3.4%	*
<b>Cash Equivalents</b>	<b>0.5%</b>	<b>0.9%</b>	<b>0.9%</b>
Cash Equivalents Benchmark	0.1%	1.2%	1.1%
<b>Total</b>	<b>24.3%</b>	<b>9.4%</b>	<b>9.5%</b>
Policy Benchmark	23.5%	10.3%	10.2%

(1) The allocation to dedicated Public Real Assets was initially funded in October 2016.

(2) Return calculations were prepared using a time-weighted rate of return, net of fees, in accordance with the Global Investment Performance Standards.

\* Return information is not available.

**SCHEDULE OF TOP TEN EQUITIES** <sup>(1)</sup>

As of June 30, 2021

<b>Shares</b>	<b>Company Name</b>	<b>Fair Value</b>
202,935	Microsoft Corp	\$ 48,742,057
384,554	Apple Inc	46,103,622
9,977	Amazon	29,764,683
10,523	Alphabet Inc Class A	23,453,785
68,680	Facebook Inc	21,340,109
5,997	Alphabet Inc Class C	12,860,663
51,065	Berkshire Hathaway Inc	12,600,663
206,713	Verizon Communications	10,873,308
71,359	Johnson & Johnson	10,430,567
16,405	Tesla Inc	9,540,553
	<b>Total Top 10 Equities</b>	<b><u>\$ 225,710,010</u></b>

(1) Securities owned in active commingled vehicles are not included in this schedule. A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

**SCHEDULE OF TOP TEN FIXED INCOME SECURITIES** <sup>(1)</sup>

As of June 30, 2021

<b>Security</b>	<b>Coupon</b>	<b>Maturity</b>	<b>Fair Value</b>
US Treasury	1.625	5/15/2031	\$ 25,310,725
US Treasury	1.125	2/15/2031	17,450,764
US Treasury	0.250	7/31/2025	14,717,878
US Treasury	2.250	5/15/2051	13,565,640
US Treasury	1.250	5/31/2028	11,293,163
US Treasury	0.125	1/31/2021	8,686,509
US Treasury	1.625	11/15/2050	7,481,381
FNMA Pool	3.500	6/1/2050	7,441,303
US Treasury	0.125	8/15/2023	6,298,104
US Treasury	3.000	2/15/2047	6,035,356
	<b>Total Top 10 Fixed Income</b>		<b><u>\$ 118,280,823</u></b>

(1) Securities owned in active commingled vehicles are not included in this schedule. A complete list of portfolio holdings in SamCERA separately held accounts is available upon request.

**LIST OF INVESTMENT MANAGERS**

As of June 30, 2021

**GROWTH****Domestic Equity**

BlackRock  
 DE Shaw  
 Quantitative Management Associates  
 Acadian Asset Management  
 PanAgora Asset Management

**International Equity**

Baillie Gifford  
 BlackRock  
 Mondrian Investment Partners

**Private Equity**

ABRY Partners  
 Altas Partners  
 Angeles Equity Partners  
 Bernhard Capital Partners  
 Canvas Ventures  
 CapVest Equity Partners  
 Catalyst Fund  
 Cevian Capital  
 Clayton, Dubilier & Rice  
 Eclipse Ventures  
 Emergence Capital Partners  
 Endeavour Capital Fund  
 General Catalyst Partners  
 Genstar Capital  
 Great Hill Partners  
 JLL Partners  
 New Enterprise Associates  
 Oak Hill Advisors  
 Strategic Value Partners  
 Sycamore Partners  
 TCW  
 Third Rock Ventures  
 Warburg Pincus

**Opportunistic Credit**

Angelo Gordon  
 Beach Point Capital Management  
 BlackRock  
 Brigade Capital Management  
 Franklin Templeton  
 PIMCO  
 Tennenbaum Capital Partners  
 White Oak

**DIVERSIFYING****Fixed Income**

DoubleLine Capital  
 Fidelity Institutional Asset Management  
 NISA Investment Advisors  
 Western Asset Management

**Absolute Return**

Aberdeen Standard Investments  
 Acadian Asset Management  
 Capital Fund Management  
 Graham Capital Management  
 PIMCO

**INFLATION HEDGE****Public Real Assets**

State Street Global Advisors

**Real Estate**

Harrison Street  
 Invesco  
 PGIM  
 Stockbridge

**Private Real Assets**

Blue Road Capital  
 Brookfield  
 CIM Group  
 EnCap Investments  
 EQT Fund Management  
 EverStream Energy Capital Management  
 LS Power  
 Quantum Energy Partners  
 Taurus Funds Management  
 Vision Ridge

**CASH OVERLAY AND CURRENCY HEDGE**

Parametric Portfolio Associates

**SCHEDULE OF PROFESSIONAL SERVICES AND FEES**

For the Fiscal Year Ended June 30, 2021

	<b>Management Fees</b>	<b>Fair Value</b>
<b>ASSETS UNDER MANAGEMENT</b>		
Public Equity	\$ 4,759,408	\$ 2,411,436,689
Fixed Income	14,195,523	1,545,541,099
Alternatives	13,857,906	860,701,348
Inflation Hedge	11,561,679	942,703,531
Liquidity	229,727	64,054,219
<b>Total</b>	<b>\$ 44,604,243</b>	<b>\$ 5,824,436,886</b>
<b>OTHER INVESTMENT EXPENSES</b>		
Investment Consultant	\$ 499,211	
Actuarial Consulting	161,533	
Master Custodian	349,700	
Other Professional Services	90,643	
<b>Total</b>	<b>\$ 1,101,087</b>	

**TOP 10 BROKER COMMISSIONS**

For the Fiscal Year Ended June 30, 2021

<b>Brokerage Firm</b>	<b>Amount of Commission</b>	<b>Number of Shares Traded</b>	<b>Commission per share</b>
BOFA Securities, Inc	\$ 24,101	3,381,533	\$ 0.01
Barclays Capital Inc	15,929	347,700	0.05
JP Morgan Securities LLC/JPMC	11,321	4,735,124	0.00
Merrill Lynch International	10,006	1,788,030	0.01
Jefferies International Ltd	6,761	1,694,025	0.00
Sanford C. Bernstein Ltd	6,254	1,252,204	0.00
Exane S.A.	5,327	602,905	0.01
CLSA Singapore PTE Ltd	3,978	975,700	0.00
JP Morgan Securities	3,500	953,376	0.00
UBS Financial Services	2,762	448,403	0.01
All Other Brokerage Firms	57,543	4,053,483,321	0.00
<b>Total</b>	<b>\$ 147,482</b>	<b>4,069,662,321</b>	<b>0.00</b>

# Actuarial Section



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## ACTUARY'S CERTIFICATION



1301 Fifth Avenue  
Suite 3800  
Seattle, WA 98101-2605  
USA  
Tel +1 206 624 7940  
milliman.com

September 30, 2021

Board of Retirement  
San Mateo County Employees' Retirement Association  
100 Marine Parkway, Suite 125  
Redwood Shores, CA 94065-5208

Dear Members of the Board:

SamCERA's basic financial goal is to establish contributions which fully fund the System's liabilities and which, as a percentage of payroll, remain relatively level for each generation of active members. Annual actuarial valuations measure the progress toward this goal, as well as test the adequacy of the contribution rates.

SamCERA measures its funded status as the ratio of the actuarial value of valuation assets over the actuarial accrued liabilities. The funded status based on the past three actuarial funding valuations is shown below:

Valuation Date	Funded Ratio
June 30, 2019	85.8%
June 30, 2020	86.4%
June 30, 2021	88.1%

The funded ratio increased in the last year due primarily due to employer contributions made to amortize the Unfunded Actuarial Accrued Liability (UAAL), County contributions in excess of the Statutory Contribution Rate, and investment returns greater than expected. This increase was partially offset by the impact of the investment return assumption change.

It is our opinion that SamCERA continues in sound financial condition as of June 30, 2021 and will continue to remain in sound financial condition provided that employer contributions are made based on the current funding policy and the valuation is based on reasonable assumptions. Under SamCERA's funding policy, the statutory employer's contributions are set equal to the employer normal cost rate plus the amortization payment of any UAAL. The amortization of the initial UAAL as of June 30, 2008 is funded over a closed 15-year period ending June 30, 2023. The amortization of subsequent changes in the UAAL is funded over separate closed 15-year layers that are determined annually. This funding policy is projected to result in the funded ratio continuing to increase towards 100% over the next several years.

The June 30, 2021 valuation results are based on the membership data and the asset information provided by SamCERA. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes, although we have not audited the data at the source. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is found to be materially inaccurate or incomplete, our calculations will need to be revised.

The valuation is also based on our understanding of SamCERA's current benefit provisions and the actuarial assumptions that were reviewed and adopted by the Board. The demographic assumptions were last reviewed in detail in the triennial investigation of experience study as of April 30, 2020. The economic assumptions were reviewed in 2021. At its meeting on May 25, 2021 the Board adopted an investment return assumption of 6.25%

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



for the June 30, 2021 valuation (compared to 6.50% for the June 30, 2020 valuation) and reaffirmed all other assumptions.

The assumptions and methods used for financial reporting under GASB 67 are the same as the funding assumptions and methods with the following exceptions:

1. The discount rate and investment return assumption of 6.42% differs from the funding valuation due to the addition of an administrative expense load of 0.17%.
2. The asset valuation method is fair market value.

The actuarial computations presented in the valuation report are for purposes of determining the recommended funding amounts for SamCERA consistent with our understanding of its funding requirements and goals. The liabilities are determined using the entry age normal funding method. The actuarial value of assets used in the funding valuation is equal to the market value of assets with a five-year (10 six-month periods) recognition of the difference between expected and actual investment returns. Effective June 30, 2018 all deferred gains and losses were combined into a single amount and recognized over a five-year (10 six-month) period. Beginning with the six-month period immediately following June 30, 2018, offsetting of current period gains or losses against prior period gains or losses occur. The actuarial value of assets is restricted to vary no more than 20% from the market value. We believe the actuarial assumptions and methods are internally consistent and reasonable for their intended purpose. We further believe they meet the parameters of Governmental Accounting Standards Board Statement No. 67 and No. 68 for fulfilling financial accounting requirements. Nevertheless, the emerging costs, and future actuarial measurements, will vary from those presented in our valuation and GASB report due to many factors, including experience differing from that anticipated by the actuarial assumptions. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements.

Our funding valuation report, GASB report, and this letter have been prepared exclusively for SamCERA for a specific and limited purpose. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. It is a complex, technical analysis that assumes a high level of knowledge concerning SamCERA's operations, and uses SamCERA's data, which Milliman has not audited. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs. Please refer to the June 30, 2021 funding and GASB valuation reports for our full certification.

Milliman provided the following schedules and exhibits for use in the notes to the financial statements, required supplementary information, other information, actuarial, and statistical sections.

1. Rate of separation from service
2. Employer contribution rates as a percentage of covered payroll
3. Summary of significant actuarial statistics and measures
4. Solvency test
5. Schedule of funding progress
6. History of employer Statutory Contribution Rates
7. Demographic activity of retirees and beneficiaries
8. Actuarial analysis of financial experience
9. Summary of active member valuation data
10. Schedule of average monthly salary of active members
11. Participating employers and active members

This work product was prepared solely for SamCERA for the purposes described herein and may not be appropriate to use for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work. Milliman recommends that third parties be aided by their own actuary or other qualified professional when reviewing the Milliman work product.



Board of Retirement  
September 30, 2021  
Page 3

12. Schedule of employer net pension liability
13. Schedule of changes in net pension liability and related ratios of participating employers
14. Schedule of employer pension amounts allocated by cost sharing plan
15. Schedule of cost sharing employer allocations

The consultants who worked on this assignment are retirement actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel. The signing actuaries are independent of the plan sponsor. We are not aware of any relationship that would impair the objectivity of our work.

We certify that the assumptions and methods used for funding and financial reporting purposes in the June 30, 2021 funding and GASB valuations meet the parameters set by Actuarial Standards of Practice promulgated by the Actuarial Standards Board (ASB). We are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems.

Sincerely,

A handwritten signature in black ink that reads 'Nick Collier'.

Nick J. Collier, ASA, EA, MAAA  
Consulting Actuary

A handwritten signature in black ink that reads 'Craig Glyde'.

Craig J. Glyde, ASA, EA, MAAA  
Consulting Actuary

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## **ACTUARIAL VALUATION**

### **Introduction**

San Mateo County Employees' Retirement Association (SamCERA) is a cost sharing multiple employer, defined benefit plan providing basic service retirement, disability, and survivor benefits to participating members. Details of the pension plan provisions are provided in the Financial Section under the Notes to the Basic Financial Statements (Note 1). Pension benefits are basically determined by a defined formula using final average compensation, years of service, and an age factor for the member at retirement.

### **Funding Policy**

The County Employees' Retirement Law of 1937 establishes the basic obligations for employers and members to the pension plan. The Board of Retirement (the Board) is responsible for establishing and maintaining the funding policy by adopting contribution rates recommended by its actuary through the annual valuation of SamCERA's assets and liabilities. The contribution rates adopted by the Board are subsequently transmitted, in the form of a recommendation, to the San Mateo County's Board of Supervisors for adoption.

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 (commonly known as the employer normal cost).

The employers are also responsible for funding shortfalls related to accrued liability for past service arising from changes in the economic and demographic assumptions. The employers' contribution towards the funding shortfalls is commonly known as the Unfunded Actuarial Accrued Liability (UAAL) contribution.

Beginning with the June 30, 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District (the District) adopted the same "enhanced" benefit formula that applies to Plans 1, 2, and 4 of the County of San Mateo (the County) General members and the same member rates currently being paid by County members from those plans. Because the District does not participate in cost sharing on the member rates, the District has a separate normal cost rate and expected member contribution rates from the County General Group.

### **Valuation Objective**

The purpose of the annual valuation is to determine employer and member contribution rates (as a level percentage of payroll) that are needed to pay all expected future benefits not funded by the current assets. Details for the ten-year schedule of actuarially determined and actual contributions can be found in the Financial Section under the Required Supplementary Information.

### **Valuation Policy**

SamCERA engages an independent actuarial consulting firm to perform an annual valuation of the retirement fund as of June 30. The actuarial valuation calculates the value of future benefits, assesses the funded status, and establishes contribution rates for participating employers and members. The actuary applies specific actuarial methods and assumptions to project as closely as possible present contributions to meet future benefit obligations in accordance with prevailing Actuarial Standard of Practice. The recommended contribution rates, after adoption, will be subject to a “one year” deferral. Thus, the new contribution rates determined in the June 30, 2021 valuation will become effective on July 1, 2022.

In addition to the annual valuation, SamCERA’s actuary reviews the reasonableness of the demographic and economic actuarial assumptions every three years (commonly referred to as Triennial Experience Study). This study compares the actual experience during the preceding three years to the assumed experience according to the actuarial assumptions. Based on this study, the actuary recommends changes in the assumptions or methods that will better project benefits and liabilities.

### **Actuarial Cost Method**

The entry age normal cost method is used by the actuary for the annual actuarial valuation. Under this method, the actuarial present value of the projected benefits of each individual in the valuation is allocated as a level percentage of the individual projected compensation between entry age and assumed retirement age. The portion of this actuarial present value allocated to the valuation year is commonly called the normal cost (the actuarial value of benefits accruing for the present year). The portion not provided for at the valuation date represents the UAAL.

The entry age normal cost method is used for both funding and financial reporting purposes. For funding purposes, this method was selected because it provides a relatively level normal cost rate as a percentage of pay (assuming no changes in assumptions or benefits) from year to year. For financial reporting purposes, Governmental Accounting Standards Board (GASB) Statement No. 67 requires that this method be used.

Between the funding and financial reporting valuations, the only difference in assumptions is the investment return assumption. The assumed investment return for funding is 6.25%, net of both investment and administrative expenses, whereas the assumed investment return for financial reporting is 6.42%, net of investment expenses only. For financial reporting purposes, GASB Statements No. 67 and No. 68 require that the investment return assumption be gross of administrative expenses.

### **Amortization Method**

Contributions are initially applied toward the normal cost. Excess contributions are applied toward the UAAL if the fund is not fully funded. The UAAL represents the difference between

the actuarial accrued liability (AAL) and the actuarial value of assets (AVA). The UAAL is amortized using the “Level Percent of Payroll” amortization method.

The UAAL as of June 30, 2008, is amortized over a closed 15-year period as a level percentage of the projected salaries of present and future members of SamCERA over the remaining period from the valuation date. This is commonly referred to as a closed amortization method. Actuarial gains and losses after the June 30, 2008 valuation are amortized over new closed 15-year periods from their respective valuation dates.

### **Actuarial Asset Valuation Method**

The actuarial asset valuation method used is a 5-year smoothed recognition method with a 20% corridor. This method takes into account appreciation (or depreciation) in investments to smooth asset values by averaging the excess of the actual over the expected income, on a fair value basis, over a five-year period. The smoothed asset value is subject to a 20% corridor, or within 20% of the actual asset value.

All deferred gains and losses are combined into a single amount to be recognized over a 5-year (10 six-month) period. Gains or losses of the current period will be used to offset any unrecognized gains or losses from prior periods, to the extent possible, in the order of oldest to most recent. Any remaining gain or loss for the period is recognized over a 5-year (10 six-month) period.

Assets used to calculate the preliminary UAAL contribution rates exclude the values of the County Supplementary Contribution Account (CSCA) and the District Supplementary Contribution Account (DSCA). Balances in these two accounts are separately tracked and systematically recognized to reduce the statutory contribution rates. The balance in the CSCA is amortized using a similar closed amortization method described above to determine the offset amounts towards the County’s UAAL rate. The balance in the DSDA is amortized over five years effective June 30, 2018, with the offset amounts towards the District’s UAAL rate. Any future layers are amortized over new five-year periods, and the total DSCA offset amount in each year is limited to the District’s UAAL rate.

### **Actuarial Assumptions**

The annual valuation uses two sets of assumptions: economic and demographic. The assumptions selected are used to estimate the actuarial cost of the pension plan and to determine the present contributions necessary to meet the pension benefits in the future.

- Economic assumptions are generally evaluated and revised annually based on the latest information available.
- Demographic assumptions utilize the information from the latest “Investigation of Experience” study conducted by an independent auditing actuary every three years (Triennial Experience Study). This study reviews both economic and demographic data with in-depth examination of the experience of the membership for the past three years.

The actuary also uses these assumptions to estimate the future experience of SamCERA's members and SamCERA's earnings in areas that may affect the projected benefit flow and anticipated investment earnings. Any variations in future experience from these assumptions will result in corresponding changes in the estimated costs of SamCERA's benefits.

In July 2019, the Board accepted the actuary's recommendation reducing the investment return assumption to 6.50% for the June 30, 2019 valuation, compared to the 6.75% used in the June 30, 2018 valuation.

In June 2020, the Board adopted the actuary's recommendation using the same economic assumptions previously adopted in July 2019 for the June 30, 2020 valuation. The assumptions include general wage increase, investment return, and price inflation.

In May 2021, the Board accepted the actuary's recommendation to lower the assumed investment return from 6.50% to 6.25% and reaffirmed all the other assumptions used during the June 30, 2020 valuation for the use in the June 30, 2021 valuation. In addition, the Board agreed to phase-in the statutory employer rate increases due to the assumption change over a 3-year period, a strategy to minimize the short-term impact on the employer contribution expense.

### **Key Economic Assumptions**

**General Wage Growth.** The assumed rate of annual wage increase is 3.00%.

**Investment Return.** The future investment earnings of SamCERA's assets are accrued at an annual rate of 6.25% compounded annually (3.125% per six-month period), net of both investment and administrative expenses.

**Consumer Price Index (CPI) Inflation.** The assumed rate of inflation is 2.50%.

**General Wage Increase.** The projected payroll increase is 3.00%.

### **Key Demographic Assumptions**

**Salary Increases due to Service.** The projected annual increase in the salary assumption is due to promotion and longevity, which varies depending on a member's years of service, adjusted for the assumed 3.00% annual increase in the general wage.

**Retirement.** The retirement rates vary by age. All General members at age 75 and all Safety members at 65 are assumed to retire immediately. Additionally, when a member's benefit is equal to or greater than 100% of the compensation limit, the member is also assumed to retire immediately.

#### Mortality for Active and Service Retired Members

- Mortality rates for all active members are projected using the MP-2014 Ultimate Projection Scale and mortality improvement scale developed for this specific group.
- Mortality rates for all retired members, except for those retired on disability are projected using the MP-2014 Ultimate Projection Scale and mortality improvement scale developed for this specific group.

#### Mortality for Retired Disabled Members

- Mortality rates for all retired, disabled members are projected using the MP-2014 Ultimate Projection Scale and mortality improvement scale developed for this specific group.

#### Mortality for Deferred Member

- Mortality rates for all deferred members are projected using the same method as the retired members other than disabled members.

**Separation from Active Status.** The probabilities of termination of employment due to the causes stated below are presented on pages 120-121. Each rate shown on these pages represents the probability that a member will separate from service at each age due to a particular reason. For example, a rate of 0.0300 for a member's service retirement at age 50 assumes that 30 out of 1,000 members who are age 50 will retire at that age.

Separation from active status can be due to one of the following reasons:

- Service Retirement: Member retires after meeting age and service requirements for reasons other than disability.
- Withdrawal: Member terminates employment and elects a refund of member contributions, or a deferred vested retirement benefit.
- Service Disability: Member receives disability retirement; disability is service related.
- Ordinary Disability: Member receives disability retirement; disability is not service related.
- Service Death: Member dies before retirement; death is service related.
- Ordinary Death: Member dies before retirement; death is not service related.

**ACTUARIAL METHODS AND ASSUMPTIONS (FOR FUNDING PURPOSES)**

<b>VALUATION DATE</b>	June 30, 2021
<b>ACTUARIAL COST METHOD</b>	Entry Age Normal Cost
<b>ACTUARIAL EXPERIENCE STUDY</b>	July 1, 2017 to April 30, 2020
<b>AMORTIZATION METHOD</b>	Level percentage of projected payroll
<b>AMORTIZATION PERIOD</b>	UAAL as of June 30, 2008, is amortized over a closed 15-year period ending June 30, 2023. Subsequent changes in the UAAL are amortized over separate closed 15-year layers that are determined annually.
<b>ASSET VALUATION METHOD</b>	5-year smoothed recognition of asset gains and losses (determined as the difference of the actual fair value to the expected fair value), which cannot vary more than 20% from the fair value.
<b>ACTUARIAL ASSUMPTIONS</b>	
<b>Economic assumptions:</b>	
General wage increases	3.00%
Investment earnings	6.25%
Growth in Active membership	0.00%
CPI-U inflation	2.25%
CPI inflation	2.50%
<b>Demographic assumptions:</b>	
Salary increases due to service	See 2021 actuarial valuation report for details
Retirement from active service	See 2021 actuarial valuation report for details
Disability from active service	See 2021 actuarial valuation report for details
Mortality for active members prior to termination	See 2021 actuarial valuation report for details
Other terminations of employment	See 2021 actuarial valuation report for details
Probability of refund of contributions upon vested information	See 2021 actuarial valuation report for details
Mortality for active members after termination and service retired members	See 2021 actuarial valuation report for details
Mortality for members retired for disability	See 2021 actuarial valuation report for details
Mortality for beneficiaries	See 2021 actuarial valuation report for details

Note: Actuarial methods and assumptions were selected by the Retirement Board based on the actuary's recommendation.

**RATE OF SEPARATION FROM ACTIVE SERVICE - ALL PLANS**

Years of Service	Other Terminations		Age	Disability		Death while Active		Service Retirement
	Ordinary <sup>1</sup>	Vested		Ordinary	Service	Ordinary	Service	
<b>General Plan 1, 2, &amp; 4 Male Members</b>								
0	0.15000	0.00000	20	0.00020	0.00036	0.00037	0.00000	0.00000
5	0.01742	0.04958	30	0.00024	0.00044	0.00036	0.00000	0.00000
10	0.01025	0.03075	40	0.00054	0.00099	0.00066	0.00000	0.00000
15	0.00667	0.02233	50	0.00108	0.00202	0.00149	0.00000	0.03000
20	0.00285	0.01615	60	0.00169	0.00313	0.00319	0.00000	0.15000
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
<b>General Plan 1, 2, &amp; 4 Female Members</b>								
0	0.15000	0.00000	20	0.00020	0.00036	0.00013	0.00000	0.00000
5	0.01742	0.04958	30	0.00024	0.00044	0.00015	0.00000	0.00000
10	0.01025	0.03075	40	0.00054	0.00099	0.00036	0.00000	0.00000
15	0.00667	0.02233	50	0.00108	0.00202	0.00083	0.00000	0.03000
20	0.00285	0.01615	60	0.00169	0.00313	0.00186	0.00000	0.15000
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
<b>General Plan 3 Male Members</b>								
0	0.15000	0.00000	20	0.00000	0.00000	0.00037	0.00000	0.00000
5	0.06700	0.00000	30	0.00000	0.00000	0.00036	0.00000	0.00000
10	0.00000	0.04100	40	0.00000	0.00000	0.00066	0.00000	0.00000
15	0.00000	0.02900	50	0.00000	0.00000	0.00149	0.00000	0.00000
20	0.00000	0.01900	60	0.00000	0.00000	0.00319	0.00000	0.03000
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000
<b>General Plan 3 Female Members</b>								
0	0.15000	0.00000	20	0.00000	0.00000	0.00013	0.00000	0.00000
5	0.06700	0.00000	30	0.00000	0.00000	0.00015	0.00000	0.00000
10	0.00000	0.04100	40	0.00000	0.00000	0.00036	0.00000	0.00000
15	0.00000	0.02900	50	0.00000	0.00000	0.00083	0.00000	0.00000
20	0.00000	0.01900	60	0.00000	0.00000	0.00186	0.00000	0.04000
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000
<b>General Plan 5 Male Members</b>								
0	0.15000	0.00000	20	0.00020	0.00036	0.00037	0.00000	0.00000
5	0.01742	0.04958	30	0.00024	0.00044	0.00036	0.00000	0.00000
10	0.01025	0.03075	40	0.00054	0.00099	0.00066	0.00000	0.00000
15	0.00667	0.02233	50	0.00108	0.00202	0.00149	0.00000	0.02400
20	0.00285	0.01615	60	0.00169	0.00313	0.00319	0.00000	0.12000
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
<b>General Plan 5 Female Members</b>								
0	0.15000	0.00000	20	0.00020	0.00036	0.00013	0.00000	0.00000
5	0.01742	0.04958	30	0.00024	0.00044	0.00015	0.00000	0.00000
10	0.01025	0.03075	40	0.00054	0.00099	0.00036	0.00000	0.00000
15	0.00667	0.02233	50	0.00108	0.00202	0.00083	0.00000	0.02400
20	0.00285	0.01615	60	0.00169	0.00313	0.00186	0.00000	0.12000
30 & Above	0.00000	0.00000	75	N/A	N/A	N/A	N/A	1.00000
<b>General Plan 7 Male Members</b>								
0	0.15000	0.00000	20	0.00020	0.00036	0.00037	0.00000	0.00000
5	0.01742	0.04958	30	0.00024	0.00044	0.00036	0.00000	0.00000
10	0.01025	0.03075	40	0.00054	0.00099	0.00066	0.00000	0.00000
15	0.00667	0.02233	50	0.00108	0.00202	0.00149	0.00000	0.02400
20	0.00285	0.01615	60	0.00169	0.00313	0.00319	0.00000	0.12000
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000

<sup>1</sup> Non-vested and/or refund of contributions.

**RATE OF SEPARATION FROM ACTIVE SERVICE - ALL PLANS (CONTINUED)**

Years of Service	Other Terminations		Age	Disability		Death while Active		Service Retirement
	Ordinary <sup>1</sup>	Vested		Ordinary	Service	Ordinary	Service	
<b>General Plan 7 Female Members</b>								
0	0.15000	0.00000	20	0.00020	0.00036	0.00013	0.00000	0.00000
5	0.01742	0.04958	30	0.00024	0.00044	0.00015	0.00000	0.00000
10	0.01025	0.03075	40	0.00054	0.00099	0.00036	0.00000	0.00000
15	0.00667	0.02233	50	0.00108	0.00202	0.00083	0.00000	0.02400
20	0.00285	0.01615	60	0.00169	0.00313	0.00186	0.00000	0.12000
30 & Above	0.00000	0.01000	75	N/A	N/A	N/A	N/A	1.00000
<b>Safety and Probation Plan 1, 2 &amp; 4 Male Members</b>								
0	0.10000	0.00000	20	0.00000	0.00150	0.00041	0.00010	0.00000
5	0.00780	0.02220	30	0.00000	0.00170	0.00041	0.00010	0.00000
10	0.00408	0.01292	40	0.00000	0.00370	0.00059	0.00010	0.00000
15	0.00160	0.00840	50	0.00000	0.00750	0.00120	0.00010	0.22500
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
<b>Safety and Probation Plan 1, 2 &amp; 4 Female Members</b>								
0	0.10000	0.00000	20	0.00000	0.00150	0.00016	0.00010	0.00000
5	0.00780	0.02220	30	0.00000	0.00170	0.00027	0.00010	0.00000
10	0.00408	0.01292	40	0.00000	0.00370	0.00049	0.00010	0.00000
15	0.00160	0.00840	50	0.00000	0.00750	0.00091	0.00010	0.22500
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
<b>Safety and Probation Plan 5 &amp; 6 Male Members</b>								
0	0.10000	0.00000	20	0.00000	0.00150	0.00041	0.00010	0.00000
5	0.00780	0.02220	30	0.00000	0.00170	0.00041	0.00010	0.00000
10	0.00408	0.01292	40	0.00000	0.00370	0.00059	0.00010	0.00000
15	0.00160	0.00840	50	0.00000	0.00750	0.00120	0.00010	0.18000
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
<b>Safety and Probation Plan 5 &amp; 6 Female Members</b>								
0	0.10000	0.00000	20	0.00000	0.00150	0.00016	0.00010	0.00000
5	0.00780	0.02220	30	0.00000	0.00170	0.00027	0.00010	0.00000
10	0.00408	0.01292	40	0.00000	0.00370	0.00049	0.00010	0.00000
15	0.00160	0.00840	50	0.00000	0.00750	0.00091	0.00010	0.18000
20 & Above	0.00000	0.00000	65	N/A	N/A	N/A	N/A	1.00000
<b>Safety and Probation Plan 7 Male Members</b>								
0	0.10000	0.00000	20	0.00000	0.00150	0.00041	0.00010	0.00000
5	0.00780	0.02220	30	0.00000	0.00170	0.00041	0.00010	0.00000
10	0.00408	0.01292	40	0.00000	0.00370	0.00059	0.00010	0.00000
15	0.00160	0.00840	50	0.00000	0.00750	0.00120	0.00010	0.18000
20 & Above	0.00000	0.00500	65	N/A	N/A	N/A	N/A	1.00000
<b>Safety and Probation Plan 7 Female Members</b>								
0	0.10000	0.00000	20	0.00000	0.00150	0.00016	0.00010	0.00000
5	0.00780	0.02220	30	0.00000	0.00170	0.00027	0.00010	0.00000
10	0.00408	0.01292	40	0.00000	0.00370	0.00049	0.00010	0.00000
15	0.00160	0.00840	50	0.00000	0.00750	0.00091	0.00010	0.18000
20 & Above	0.00000	0.00500	65	N/A	N/A	N/A	N/A	1.00000

<sup>1</sup> Non-vested and/or refund of contributions.

**SUMMARY OF SIGNIFICANT ACTUARIAL STATISTICS AND MEASURES**

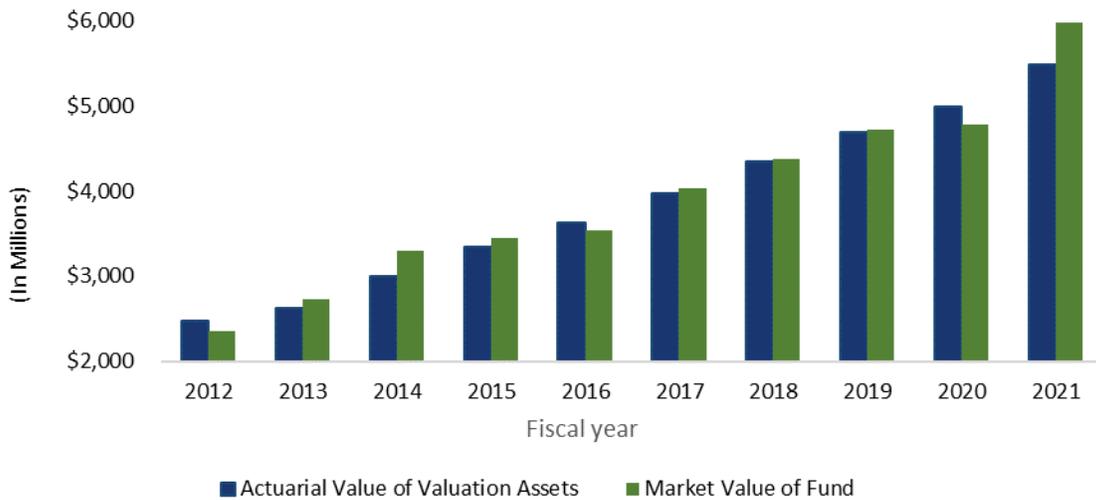
	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Relative Change</b>
<b>Active Members</b>			
Number of Members	5,356	5,400	(0.8)%
Average Age	45.1	45.0	0.2%
Average Credited Service	10.5	10.3	1.9%
Total Active Covered Payroll (\$ in Thousands)	\$600,369	\$593,295	1.2%
Average Monthly Salary	\$9,439	\$9,176	2.9%
<b>Retired Members</b>			
Number of Members			
Service Retirement	4,421	4,292	3.0%
Disability Retirement	499	506	(1.4)%
Beneficiaries	672	656	2.4%
Average Age	71.5	71.3	0.3%
Actual Retiree Benefits Paid (\$ in Thousands)	\$259,356	\$242,025	7.2%
Average Monthly Pension	\$3,995	\$3,865	3.4%
<b>Number of Inactive Members</b>	1,986	1,882	5.5%
<b>Assets</b>			
Market Value of Fund (\$ in Thousands)	\$5,982,086	\$4,780,502	25.1%
Return on Market Value	23.5%	0.9%	
Valuation Assets (\$ in Thousands)	\$5,488,958	\$4,998,316	9.8%
Return on Valuation Assets	8.2%	6.2%	
<b>Liability Values (\$ in Thousands)</b>			
Actuarial Accrued Liability	\$6,227,066	\$5,786,054	7.6%
Unfunded Actuarial Accrued Liability	\$738,108	\$787,738	(6.3)%
Deferred Asset (Gains) / Losses	(\$437,683)	\$268,302	
<b>Funded Ratio</b>			
Based on Valuation Assets	88.1%	86.4%	2.0%

### Valuation Assets

Valuation Assets are the actuarial value of the fund, less the value of any reserves which have been set aside for current liabilities and special benefits (if any) to be funded outside of the actuarially determined contribution rates.

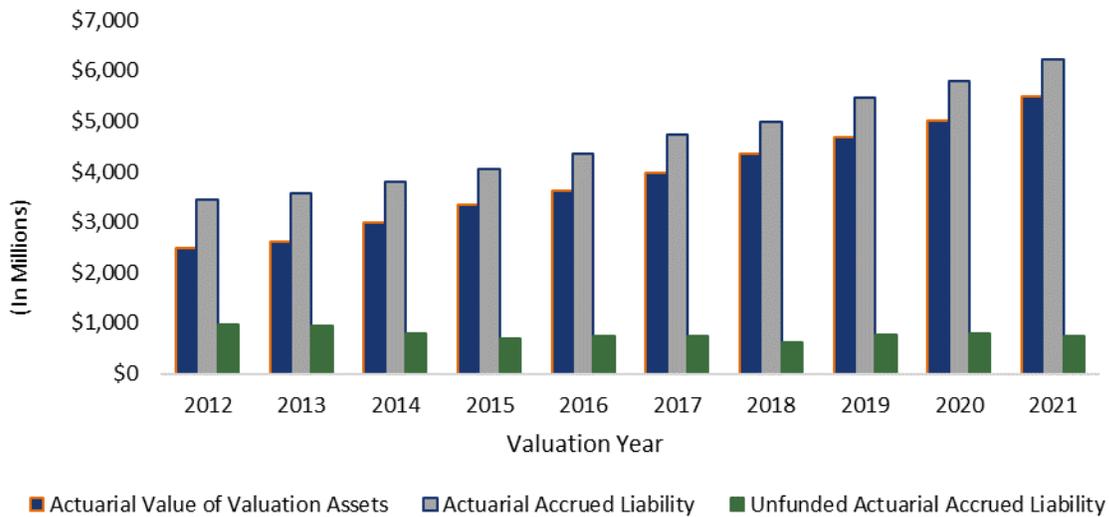
#### APPLICABLE VALUATION ASSETS

As of June 30



#### ACTUARIAL VALUATION

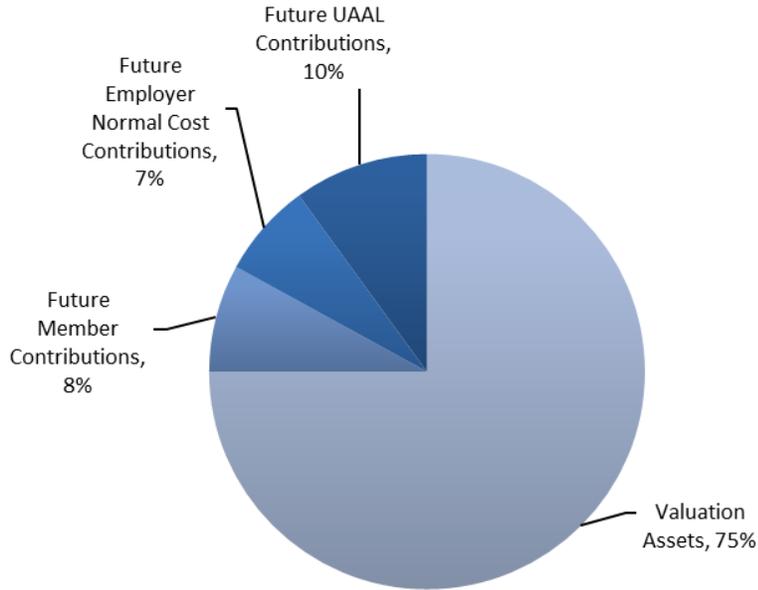
As of June 30



**ACTUARIAL VALUATION—SAMCERA'S RESOURCES**

As of June 30, 2021

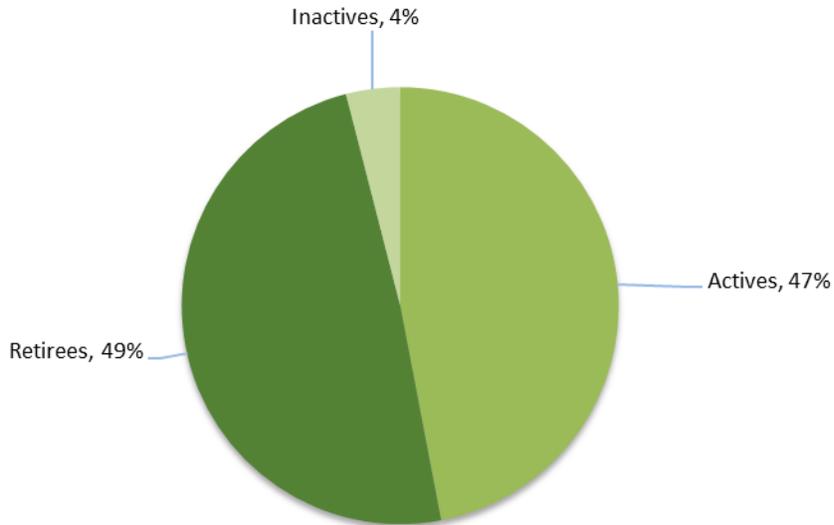
SamCERA's resources equal actuarial assets plus expected future contributions from both employers and members.



**ACTUARIAL VALUATION—SAMCERA'S LIABILITIES**

As of June 30, 2021

SamCERA's liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members.



**SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

Valuation Date As of June 30,	Number of Active Members		Annual Salary	Annual Average Salary	Percentage Change in Annual Average Salary
2021	General	4,643	\$511,069,950	\$110,073	3.1%
	Safety	520	72,829,550	140,057	0.5%
	Probation	193	22,777,092	118,016	5.9%
	<b>Total</b>	<b>5,356</b>	<b>\$606,676,592</b>	<b>\$113,270</b>	<b>2.9%</b>
2020	General	4,655	\$496,992,584	\$106,765	3.2%
	Safety	522	72,724,015	139,318	4.2%
	Probation	223	24,856,263	111,463	7.0%
	<b>Total</b>	<b>5,400</b>	<b>\$594,572,862</b>	<b>\$110,106</b>	<b>3.4%</b>
2019	General	4,610	\$476,944,186	\$103,459	6.1%
	Safety	530	70,890,519	133,756	1.7%
	Probation	237	24,680,991	104,139	3.6%
	<b>Total</b>	<b>5,377</b>	<b>\$572,515,696</b>	<b>\$106,475</b>	<b>5.5%</b>
2018	General	4,603	\$448,931,595	\$97,530	3.3%
	Safety	508	66,799,289	131,495	1.6%
	Probation	256	25,741,800	100,554	4.0%
	<b>Total</b>	<b>5,367</b>	<b>\$541,472,684</b>	<b>\$100,889</b>	<b>3.1%</b>
2017	General	4,560	\$430,613,886	\$94,433	2.3%
	Safety	503	65,105,116	129,434	4.1%
	Probation	274	26,503,623	96,729	9.1%
	<b>Total</b>	<b>5,337</b>	<b>\$522,222,625</b>	<b>\$97,849</b>	<b>2.8%</b>
2016	General	4,421	\$408,191,518	\$92,330	4.7%
	Safety	495	61,564,028	124,372	6.5%
	Probation	271	24,034,819	88,689	2.4%
	<b>Total</b>	<b>5,187</b>	<b>\$493,790,365</b>	<b>\$95,198</b>	<b>4.8%</b>
2015	General	4,334	\$382,303,295	\$88,210	6.8%
	Safety	479	55,917,864	116,739	-0.4%
	Probation	282	24,418,977	86,592	3.1%
	<b>Total</b>	<b>5,095</b>	<b>\$462,640,136</b>	<b>\$90,803</b>	<b>5.8%</b>
2014	General	4,272	\$352,918,558	\$82,612	1.8%
	Safety	452	52,974,475	117,200	1.4%
	Probation	280	23,514,343	83,980	3.4%
	<b>Total</b>	<b>5,004</b>	<b>\$429,407,376</b>	<b>\$85,813</b>	<b>1.8%</b>
2013	General	4,173	\$338,595,633	\$81,140	0.5%
	Safety	452	52,233,510	115,561	-1.7%
	Probation	292	23,722,165	81,240	-1.1%
	<b>Total</b>	<b>4,917</b>	<b>\$414,551,308</b>	<b>\$84,310</b>	<b>0.4%</b>
2012	General	4,361	\$351,965,689	\$80,708	1.9%
	Safety	435	51,129,267	117,539	0.7%
	Probation	299	24,554,583	82,122	1.9%
	<b>Total</b>	<b>5,095</b>	<b>\$427,649,539</b>	<b>\$83,935</b>	<b>1.8%</b>

Note: See further details for participating employers and active members in the Statistical Section.

**SOLVENCY TEST**

(Dollars in Thousands)

Actuarial Valuation Date as of June 30,	Valuation Assets	Actuarial Accrued Liabilities			Portion of Actuarial Accrued Liabilities Covered by Assets		
		Active Member Contributions (A)	Retirees and Beneficiaries <sup>(1)</sup> (B)	Active Members (Employer Financed Portion) (C)	(A)	(B)	(C)
2012	\$2,480,271	\$498,569	\$2,022,791	\$921,193	100%	98%	0%
2013	2,618,639	534,276	2,157,590	880,884	100%	97%	0%
2014	2,993,187	584,080	2,285,328	927,634	100%	100%	13%
2015	3,343,550	628,287	2,451,544	965,955	100%	100%	27%
2016	3,624,726	679,246	2,635,409	1,047,641	100%	100%	30%
2017	3,976,717	735,102	2,811,651	1,173,097	100%	100%	37%
2018	4,351,502	783,887	3,032,813	1,153,835	100%	100%	46%
2019	4,685,502	769,137	3,369,094	1,321,747	100%	100%	41%
2020	4,998,316	858,906	3,609,214	1,317,934	100%	100%	40%
2021	5,488,958	895,745	3,908,520	1,422,801	100%	100%	48%

<sup>(1)</sup> Includes inactive members**SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS**

Fiscal Year Ended June 30,	Added to Rolls <sup>(1)</sup>		Removed from Rolls		Rolls at Year-End			
	Number	Annual Benefits (in Thousands)	Number	Annual Benefits (in Thousands)	Number	Total Retiree Payroll (in Thousands)	% Increase in Payroll	Average Monthly Benefits
2012	218	\$14,379	90	\$4,209	4,275	\$144,845	7.6%	\$2,823
2013	186	13,024	63	3,095	4,398	154,774	6.9%	2,933
2014	203	12,474	83	3,479	4,518	163,769	5.8%	3,021
2015	213	16,290	93	4,179	4,638	175,880	7.4%	3,160
2016	233	15,347	123	5,030	4,748	186,197	5.9%	3,268
2017	310	16,738	102	3,867	4,956	199,068	6.9%	3,347
2018	315	21,360	162	5,242	5,109	215,186	8.1%	3,510
2019	306	24,547	190	5,769	5,225	233,964	8.7%	3,731
2020	362	23,862	133	4,862	5,454	252,963	8.1%	3,865
2021	270	19,466	132	4,327	5,592	268,102	6.0%	3,995

<sup>(1)</sup> Amount added to rolls includes COLAs granted in year to continuing retirees and beneficiaries.

**ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE**

As of June 30 (Dollars in Thousands)

Summary of (Gains) / Losses	Change in Liability				
	2021	2020	2019	2018	2017
Unfunded Liability as of July 1	\$ 787,737	\$ 774,476	\$ 619,033	\$ 743,133	\$ 737,570
Expected Change in Unfunded Actuarial					
Accrued Liability	(157,668)	(85,527)	(153,261)	(109,756)	(110,404)
Salary (Gain) / Loss	12,064	25,190	50,472	10,401	27,685
Retiree COLA more / (less) than Expected	(25,973)	18,992	21,749	12,203	7,050
Asset (Gain) / Loss	(87,748)	15,884	46,909	(42,796)	(28,286)
Change Due to Assumption Changes	197,720	11,593	173,944	-	133,221
Miscellaneous Experience	11,976	27,129	15,630	5,848	(23,703)
Unfunded Liability as of June 30	\$ 738,108	\$ 787,737	\$ 774,476	\$ 619,033	\$ 743,133

**SCHEDULE OF FUNDING PROGRESS**

(Dollars in Thousands)

This schedule provides information about the funding progress of the pension plan.

Actuarial Valuation Date as of June 30,	(a) Actuarial Value of Valuation Assets	(b) Actuarial Accrued Liability	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
2012	\$2,480,271	\$3,442,553	\$962,282	72.0%	\$418,916	229.71%
2013	2,618,639	3,572,750	954,111	73.3%	404,361	235.96%
2014	2,993,187	3,797,042	803,855	78.8%	416,274	193.11%
2015	3,343,550	4,045,786	702,236	82.6%	439,018	159.96%
2016	3,624,726	4,362,296	737,570	83.1%	472,385	156.14%
2017	3,976,717	4,719,850	743,133	84.3%	510,132	145.67%
2018	4,351,502	4,970,535	619,033	87.5%	535,938	115.50%
2019	4,685,502	5,459,978	774,476	85.8%	554,734	139.61%
2020	4,998,316	5,786,054	787,738	86.4%	593,295	132.77%
2021	5,488,958	6,227,066	738,108	88.1%	600,369	122.94%

Note: The ten-year schedule of actuarially determined and actual contributions can be found in the Financial Section under Required Supplementary Information.

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# Statistical Section



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This section presents historical information for the past ten fiscal years about SamCERA's finances and operations. Some of the information in this section is compiled by SamCERA's actuary based on the information provided by SamCERA.

### CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30 (Dollars in Thousands)

	2021	2020	2019	2018	2017
<b>Additions</b>					
Employer Contributions	\$225,302	\$198,583	\$194,830	\$179,627	\$164,877
Employer Supplemental Contributions	39,700	-	50,668	27,630	33,850
Member Contributions	73,967	70,631	67,696	64,204	62,160
Total Contributions	338,969	269,214	313,194	271,461	260,887
Investment Income (Loss), net of Expenses	1,133,127	42,355	271,625	280,076	436,603
Securities Lending Income	50	37	66	43	46
Miscellaneous Additions	-	-	-	27	27
<b>Total Additions</b>	<b>1,472,146</b>	<b>311,606</b>	<b>584,885</b>	<b>551,607</b>	<b>697,563</b>
<b>Deductions</b>					
Retiree Benefits	259,356	242,025	223,614	204,728	190,364
Member Refunds	2,796	3,796	3,571	4,326	2,876
Administrative Expenses	7,060	6,372	6,057	5,849	5,983
Information Technology Expenses	1,350	2,021	2,495	1,444	996
Other Expenses	-	-	-	-	30
<b>Total Deductions</b>	<b>270,562</b>	<b>254,214</b>	<b>235,737</b>	<b>216,347</b>	<b>200,249</b>
<b>Changes in Pension Plan Net Position</b>	<b>\$1,201,584</b>	<b>\$57,392</b>	<b>\$349,148</b>	<b>\$335,260</b>	<b>\$497,314</b>
	2016	2015	2014	2013	2012
<b>Additions</b>					
Employer Contributions	\$170,046	\$169,814	\$152,877	\$131,294	\$139,407
Employer Supplemental Contributions	21,048	10,890	50,000	13,014	11,543
Member Contributions	56,069	48,012	46,594	55,408	49,687
Total Contributions	247,163	228,716	249,471	199,716	200,637
Investment Income (Loss), net of Expenses	24,112	111,320	482,050	326,983	(11,024)
Securities Lending Income	278	310	435	622	721
Miscellaneous Additions	4,910	-	179	160	29
<b>Total Additions</b>	<b>276,463</b>	<b>340,346</b>	<b>732,135</b>	<b>527,481</b>	<b>190,363</b>
<b>Deductions</b>					
Retiree Benefits	179,498	168,109	159,342	149,266	139,208
Member Refunds	3,366	3,357	3,214	5,750	3,627
Administrative Expenses	5,962	5,350	4,914	4,260	4,675
Information Technology Expenses	714	629	731	654	325
Other Expenses	11	119	65	29	-
<b>Total Deductions</b>	<b>189,551</b>	<b>177,564</b>	<b>168,266</b>	<b>159,959</b>	<b>147,835</b>
<b>Changes in Pension Plan Net Position</b>	<b>\$86,912</b>	<b>\$162,782</b>	<b>\$563,869</b>	<b>\$367,522</b>	<b>\$42,528</b>

**SCHEDULE OF ADDITIONS TO FIDUCIARY NET POSITION BY SOURCE**

(Dollars in Thousands)

<b>Fiscal Year Ended June 30</b>	<b>Member Contributions</b>	<b>Employer Contributions</b>	<b>Investment Income (Loss)</b>	<b>Other</b>	<b>Total Additions</b>
2012	\$49,687	\$150,950	\$(11,204)	\$750	\$201,387
2013	55,408	144,308	326,983	782	527,481
2014	46,594	202,877	482,050	614	732,135
2015	48,012	180,704	111,320	310	340,346
2016	56,069	191,094	24,112	5,188	276,463
2017	62,160	198,727	436,603	73	697,563
2018	64,204	207,257	280,076	70	551,607
2019	67,696	245,498	271,625	66	584,885
2020	70,631	198,583	42,355	37	311,606
2021	73,967	265,002	1,133,127 <sup>(1)</sup>	50	1,472,146

<sup>(1)</sup> The robust growth in investment income was predominantly driven by market appreciation.**SCHEDULE OF DEDUCTIONS FROM FIDUCIARY NET POSITION BY TYPE**

(Dollars in Thousands)

<b>Fiscal Year Ended June 30</b>	<b>Service Retirement Benefits</b>	<b>Disability Retirement Benefits</b>	<b>Survivor Benefits</b>	<b>Death Benefits</b>	<b>Other Benefits</b>	<b>Member Refunds</b>	<b>Administrative Expenses</b>	<b>Information Technology Expenses</b>	<b>Other Expenses</b>	<b>Total Deductions</b>
2012	\$122,542	\$15,532	\$667	\$28	\$439	\$3,627	\$4,675	\$325	\$ -	\$147,835
2013	131,639	16,705	650	39	233	5,750	4,260	654	29	159,959
2014	139,036	19,267	655	14	370	3,214	4,914	731	65	168,266
2015	147,267	20,038	661	91	52	3,357	5,350	629	119	177,564
2016	157,513	21,091	653	82	159	3,366	5,962	714	11	189,551
2017	166,975	22,690	661	27	11	2,876	5,983	996	30	200,249
2018	179,880	23,872	781	195	-	4,326	5,849	1,444	-	216,347
2019	196,874	25,212	983	250	295	3,571	6,057	2,495	-	235,737
2020	212,633	27,602	958	296	536	3,796	6,372	2,021	-	254,214
2021	229,731	28,342	1,071	57	155	2,796	7,060	1,350	-	270,562

### TOTAL FIDUCIARY NET POSITION

As of June 30



### CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30



**SUMMARY OF RETIRED BENEFITS, REFUNDS, AND INACTIVE MEMBERS**

	2021	2020	2019	2018	2017
<b>RETIRED MEMBERS</b>					
<b>Service Retirement <sup>(1)</sup></b>					
Number	4,932	4,906	4,697	4,604	4,458
Annual Benefit	\$229,730,556	\$212,632,929	\$196,874,097	\$179,880,342	\$166,975,634
Average Monthly Payment	\$3,882	\$3,612	\$3,493	\$3,256	\$3,121
<b>Survivor</b>					
Number	34	34	30	29	27
Annual Benefit	\$1,071,039	\$958,068	\$982,715	\$781,459	\$661,162
Average Monthly Payment	\$2,625	\$2,348	\$2,730	\$2,246	\$2,041
<b>Death</b>					
Number	2	4	7	4	1
Annual Benefit	\$57,226	\$295,630	\$249,751	\$194,927	\$26,646
Average Monthly Payment	\$2,384	\$6,159	\$2,973	\$4,061	\$2,221
<b>Other Benefits</b>					
Number	7	4	4	-	1
Annual Benefit	\$154,484	\$536,331	\$295,600	-	\$11,138
Average Monthly Payment	\$1,839	\$11,174	\$6,158	-	\$928
<b>Disability Retirement</b>					
Number	617	506	487	472	469
Annual Benefit	\$28,342,469	\$27,601,908	\$25,211,881	\$23,872,145	\$22,689,813
Average Monthly Payment	\$3,828	\$4,546	\$4,314	\$4,215	\$4,032
<b>Total Retired Members</b>					
Number	5,592	5,454	5,225	5,109	4,956
Annual Benefit	\$259,355,774	\$242,024,866	\$223,614,044	\$204,728,873	\$190,364,393
Average Monthly Payment	\$3,865	\$3,698	\$3,566	\$3,339	\$3,201
<b>REFUND</b>					
General	\$2,274,481	\$3,177,699	\$3,478,748	\$3,252,941	\$2,511,145
Safety	\$521,679	\$618,577	\$92,331	\$1,072,789	\$364,742
Total Refund	\$2,796,160	\$3,796,276	\$3,571,079	\$4,325,730	\$2,875,887
<b>INACTIVE MEMBERS</b>					
	1,986	1,882	1,767	1,666	1,487

<sup>(1)</sup> Includes beneficiaries.

Note - This schedule is prepared by SamCERA based on the actual benefits disbursed.

**SUMMARY OF RETIRED BENEFITS, REFUNDS, AND INACTIVE MEMBERS (CONTINUED)**

	2016	2015	2014	2013
<b>RETIRED MEMBERS</b>				
<b>Service Retirement <sup>(1)</sup></b>				
Number	4,257	4,160	4,052	3,965
Annual Benefit	\$157,513,099	\$147,266,945	\$139,036,410	\$131,638,612
Average Monthly Payment	\$3,083	\$2,950	\$2,859	\$2,767
<b>Survivor</b>				
Number	27	29	30	31
Annual Benefit	\$652,711	\$661,222	\$654,972	\$649,930
Average Monthly Payment	\$2,015	\$1,900	\$1,819	\$1,747
<b>Death</b>				
Number	5	3	1	1
Annual Benefit	\$82,444	\$90,635	\$13,633	\$39,265
Average Monthly Payment	\$1,374	\$2,518	\$1,136	\$3,272
<b>Other Benefits</b>				
Number	5	4	7	8
Annual Benefit	\$158,478	\$51,734	\$370,340	\$232,593
Average Monthly Payment	\$2,641	\$1,078	\$4,409	\$2,423
<b>Disability Retirement</b>				
Number	454	442	428	393
Annual Benefit	\$21,090,529	\$20,038,671	\$19,266,623	\$16,705,247
Average Monthly Payment	\$3,871	\$3,778	\$3,751	\$3,542
<b>Total Retired Members</b>				
Number	4,748	4,638	4,518	4,398
Annual Benefit	\$179,497,261	\$168,109,207	\$159,341,978	\$149,265,647
Average Monthly Payment	\$3,150	\$3,021	\$2,939	\$2,828
<b>REFUND</b>				
General	\$2,991,126	\$3,011,758	\$3,058,864	\$5,161,430
Safety	\$375,311	\$345,253	\$155,265	\$588,346
Total Refund	<u>\$3,366,437</u>	<u>\$3,357,011</u>	<u>\$3,214,129</u>	<u>\$5,749,776</u>
<b>INACTIVE MEMBERS</b>				
	<b>1,486</b>	<b>1,384</b>	<b>1,304</b>	<b>1,306</b>

<sup>(1)</sup> Includes beneficiaries.

Note 1 - This schedule is prepared by SamCERA based on the actual benefits disbursed.

Note 2 - Data prior to fiscal year 2013 is not available.

**SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS**

7/1/2020 - 6/30/2021	Years of Service Credit						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$513	\$2,075	\$3,128	\$4,652	\$5,889	\$8,463	\$10,049
Average Final Compensation	\$10,484	\$11,773	\$10,171	\$10,552	\$10,496	\$12,023	\$12,498
Number of Retirees	21	24	33	39	42	27	36
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$639	\$1,126	\$943	\$1,720	\$1,772	\$5,752	\$4,864
Average Final Compensation	\$2,447	\$7,875	\$3,971	\$3,664	\$4,764	\$6,840	\$6,610
Number of Beneficiaries	11	6	3	6	2	5	5
<b>7/1/2019 - 6/30/2020</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$394	\$1,450	\$2,633	\$3,875	\$5,190	\$7,485	\$8,072
Average Final Compensation	\$9,677	\$9,801	\$8,672	\$9,005	\$9,905	\$11,042	\$10,001
Number of Retirees	12	33	45	40	37	35	56
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,244	\$1,954	\$1,796	\$3,080	\$3,058	\$5,083	\$7,308
Average Final Compensation	\$2,624	\$5,459	\$6,047	\$9,860	\$5,807	\$7,574	\$9,557
Number of Beneficiaries	6	3	6	9	5	5	5
<b>7/1/2018 - 6/30/2019</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$425	\$1,564	\$2,484	\$4,013	\$5,002	\$7,792	\$8,675
Average Final Compensation	\$10,219	\$9,667	\$8,886	\$8,901	\$8,823	\$11,094	\$10,494
Number of Retirees	11	37	49	44	45	42	32
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,218	\$1,828	\$1,174	\$134	\$2,052	\$3,757	\$6,841
Average Final Compensation	\$2,906	\$9,453	\$5,924	\$6,644	\$3,854	\$4,246	\$8,249
Number of Beneficiaries	11	4	5	1	2	5	5
<b>7/1/2017 - 6/30/2018</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$613	\$1,327	\$2,192	\$3,541	\$5,616	\$6,728	\$8,213
Average Final Compensation	\$9,353	\$8,032	\$7,419	\$8,210	\$9,470	\$9,686	\$9,792
Number of Retirees	12	33	57	41	35	38	41
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,962	\$1,460	\$1,455	\$1,861	\$2,640	\$6,712	\$4,033
Average Final Compensation	\$4,880	\$8,022	\$5,806	\$6,311	\$6,057	\$6,777	\$5,995
Number of Beneficiaries	13	10	9	5	6	8	7
<b>7/1/2016 - 6/30/2017</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$388	\$1,429	\$2,264	\$3,155	\$5,501	\$6,533	\$6,902
Average Final Compensation	\$6,313	\$6,428	\$7,311	\$7,237	\$9,197	\$9,440	\$8,334
Number of Retirees	13	35	47	37	37	32	33
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,197	\$574	\$1,665	\$2,916	\$1,299	\$ -	\$ -
Average Final Compensation	\$2,152	\$3,564	\$2,251	\$3,852	\$3,474	\$ -	\$ -
Number of Beneficiaries	8	6	5	1	1	-	-

**SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS (CONTINUED)**

7/1/2015 - 6/30/2016	Years of Service Credit						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$350	\$1,536	\$2,112	\$3,210	\$4,563	\$5,841	\$7,990
Average Final Compensation	\$4,081	\$6,646	\$6,410	\$9,032	\$7,964	\$8,548	\$9,322
Number of Retirees	16	47	56	54	26	28	21
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,732	\$1,038	\$1,368	\$1,361	\$3,304	\$3,036	\$3,554
Average Final Compensation	*	\$3,434	\$4,173	\$3,756	\$5,429	\$4,972	\$5,372
Number of Beneficiaries	14	9	5	2	4	7	7
<b>7/1/2014 - 6/30/2015</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$564	\$1,479	\$2,538	\$3,755	\$4,264	\$7,245	\$6,140
Average Final Compensation	\$4,191	\$6,262	\$7,158	\$8,074	\$7,548	\$9,423	\$7,752
Number of Retirees	21	35	52	35	20	38	31
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,753	\$1,193	\$1,120	\$2,380	\$2,147	\$4,633	\$6,036
Average Final Compensation	*	\$3,587	\$3,867	\$6,994	\$4,521	\$8,971	\$8,071
Number of Beneficiaries	11	3	3	6	5	5	6
<b>7/1/2013 - 6/30/2014</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$1,608	\$1,758	\$2,384	\$3,351	\$4,613	\$6,349	\$6,713
Average Final Compensation	\$6,920	\$6,729	\$6,570	\$7,614	\$7,740	\$9,292	\$7,528
Number of Retirees	16	61	49	40	32	13	18
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$891	\$660	\$1,898	\$946	\$4,457	\$3,550	\$6,239
Average Final Compensation	*	\$6,305	\$5,433	\$2,906	\$7,872	\$5,504	\$6,611
Number of Beneficiaries	10	3	6	5	3	2	2
<b>7/1/2012 - 6/30/2013</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$643	\$1,330	\$2,513	\$3,516	\$5,226	\$6,672	\$7,309
Average Final Compensation	\$5,234	\$5,831	\$7,321	\$7,344	\$8,135	\$8,458	\$7,818
Number of Retirees	16	39	59	21	30	24	20
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,434	\$1,747	\$1,494	\$1,500	\$1,321	\$5,182	\$4,166
Average Final Compensation	\$589	\$5,140	\$5,255	\$4,536	\$3,446	\$7,516	\$6,039
Number of Beneficiaries	16	2	6	4	3	1	4
<b>7/1/2011 - 6/30/2012</b>							
<b>Retirees - Service and Disabilities</b>							
Average Monthly Gross Benefit	\$897	\$1,427	\$2,328	\$3,597	\$5,175	\$5,611	\$7,527
Average Final Compensation	\$4,235	\$5,896	\$6,667	\$7,228	\$7,812	\$7,344	\$7,763
Number of Retirees	19	37	47	25	47	32	29
<b>Beneficiaries</b>							
Average Monthly Gross Benefit	\$1,789	\$736	\$2,382	\$2,390	\$1,658	\$4,347	\$4,878
Average Final Compensation	*	\$3,913	\$5,200	\$5,818	\$4,338	\$6,102	\$6,464
Number of Beneficiaries	16	1	5	4	5	3	4

\* Information is not available.

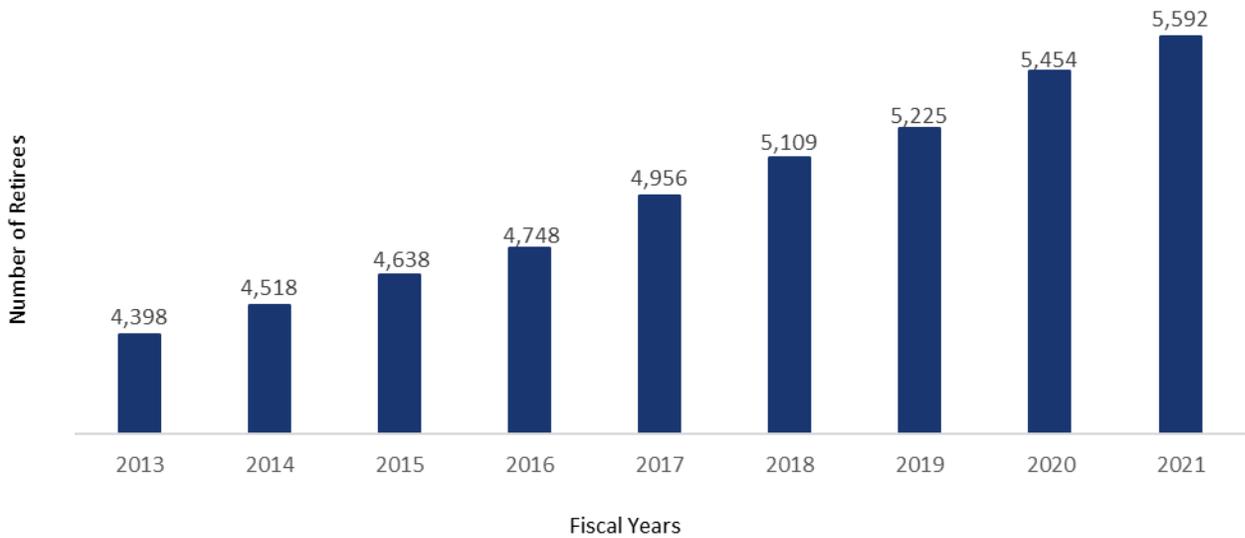
**DISTRIBUTION OF RETIRED MEMBERS BY AGE AND RETIREMENT YEAR - ALL PLANS COMBINED**

As of June 30, 2021

Age	Retirement Year								Total Count
	Pre-1990	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014	2015-2019	2020-2021	
Under 35	-	-	-	-	-	4	2	-	6
35-39	-	-	1	1	1	-	1	-	4
40-44	-	-	-	-	-	5	14	2	21
45-49	-	-	-	-	8	8	17	8	41
50-54	-	-	1	6	7	11	100	71	196
55-59	-	-	7	7	20	63	239	89	425
60-64	-	-	9	16	49	187	309	133	703
65-69	-	3	14	62	172	295	399	72	1,017
70-74	3	14	68	149	280	345	220	28	1,107
75-79	7	31	121	186	297	166	73	14	895
80-84	20	84	117	153	90	49	33	12	558
85-89	39	55	100	51	27	24	17	6	319
90-94	56	52	45	8	6	11	12	4	194
95-99	41	13	15	5	4	2	5	1	86
100 & Over	10	3	3	2	-	1	1	-	20
<b>Total Count</b>	<b>176</b>	<b>255</b>	<b>501</b>	<b>646</b>	<b>961</b>	<b>1,171</b>	<b>1,442</b>	<b>440</b>	<b>5,592</b>

**NUMBER OF RETIREES AND BENEFICIARIES RECEIVING BENEFITS**

As of June 30



Note: Information prior to fiscal year 2013 is not available.

**AVERAGE MONTHLY BENEFIT TO RETIREES AND BENEFICIARIES**

For the Fiscal Years Ended June 30



Note: Information prior to fiscal year 2013 is not available.

**SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS**

For the Fiscal Years Ended June 30 (by Plan and Membership Type)

	2021	2020	2019	2018	2017
General Plan 1	\$18,022	\$11,102	\$9,793	\$10,121	\$11,305
General Plan 2	10,957	10,665	10,088	9,526	8,994
General Plan 3	8,623	8,221	7,872	7,462	7,484
General Plan 4	10,087	9,671	9,302	8,534	8,134
General Plan 5	11,092	10,635	10,180	9,672	8,980
General Plan 7	8,014	7,726	7,395	6,974	6,737
<b>Average Monthly Salary for General Plan</b>	<b>\$9,173</b>	<b>\$8,897</b>	<b>\$8,622</b>	<b>\$8,128</b>	<b>\$7,869</b>
Safety Plan 1	\$ -	\$ -	\$ -	\$ -	\$14,434
Safety Plan 2	15,162	15,125	14,197	13,607	13,528
Safety Plan 4	13,494	13,204	12,391	11,894	11,381
Safety Plan 5	12,619	12,367	11,708	11,349	10,544
Safety Plan 6	-	-	-	-	-
Safety Plan 7	9,765	9,581	9,030	8,747	8,356
<b>Average Monthly Salary for Safety Plan</b>	<b>\$11,671</b>	<b>\$11,610</b>	<b>\$11,146</b>	<b>\$10,958</b>	<b>\$10,786</b>
Probation 1	\$ -	\$ -	\$ -	\$ -	\$7,722
Probation 2	10,641	10,174	9,908	9,061	9,069
Probation 4	10,359	9,827	9,103	8,714	8,270
Probation 5	9,911	9,343	8,587	8,219	7,612
Probation 6	-	-	-	-	7,347
Probation 7	8,378	7,598	6,973	6,676	6,121
<b>Average Monthly Salary for Probation Plan</b>	<b>\$9,835</b>	<b>\$9,289</b>	<b>\$8,678</b>	<b>\$8,379</b>	<b>\$8,061</b>
<b>Average Monthly Salary for All Plans</b>	<b>\$9,439</b>	<b>\$9,176</b>	<b>\$8,873</b>	<b>\$8,407</b>	<b>\$8,154</b>

**SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS (CONTINUED)**

For the Fiscal Years Ended June 30 (by Plan and Membership Type)

	2016	2015	2014	2013	2012
General Plan 1	\$9,945	\$9,235	\$8,617	\$8,104	\$7,843
General Plan 2	8,636	8,186	7,584	7,355	7,340
General Plan 3	7,173	6,747	6,300	6,254	6,138
General Plan 4	7,807	7,386	6,873	6,662	6,580
General Plan 5	8,485	7,735	6,912	6,418	5,799
General Plan 7	6,714	6,315	5,721	5,433	N/A
<b>Average Monthly Salary for General Plan</b>	<b>\$7,694</b>	<b>\$7,351</b>	<b>\$6,884</b>	<b>\$6,762</b>	<b>\$6,726</b>
Safety Plan 1	\$15,810	\$14,712	\$14,091	\$13,185	\$12,624
Safety Plan 2	12,505	11,545	11,191	10,935	10,892
Safety Plan 4	10,729	9,919	9,581	9,402	9,351
Safety Plan 5	9,940	9,145	8,958	8,699	9,667
Safety Plan 6	16,793	16,010	14,381	12,374	N/A
Safety Plan 7	7,538	6,701	7,011	6,695	N/A
<b>Average Monthly Salary for Safety Plan</b>	<b>\$10,364</b>	<b>\$9,728</b>	<b>\$9,767</b>	<b>\$9,630</b>	<b>\$9,795</b>
Probation 1	\$7,261	\$7,038	\$6,874	\$6,618	\$6,618
Probation 2	8,349	8,012	7,699	7,445	7,454
Probation 4	7,454	7,267	6,922	6,622	6,686
Probation 5	6,429	6,106	5,916	5,242	4,949
Probation 6	6,259	5,739	5,216	4,808	5,239
Probation 7	5,962	5,684	5,807	7,742	5,239
<b>Average Monthly Salary for Probation Plan</b>	<b>\$7,391</b>	<b>\$7,216</b>	<b>\$6,998</b>	<b>\$6,770</b>	<b>\$6,844</b>
<b>Average Monthly Salary for All Plans</b>	<b>\$7,933</b>	<b>\$7,567</b>	<b>\$7,151</b>	<b>\$7,026</b>	<b>\$6,995</b>

**SCHEDULE OF ACTIVE MEMBERS AND PARTICIPATING EMPLOYERS**

As of June 30

	2021	2020	2019	2018	2017
<b>COUNTY OF SAN MATEO</b>					
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
<b>SAN MATEO COUNTY SUPERIOR COURT</b>					
General Members	249	256	240	239	237
<b>SAN MATEO COUNTY MOSQUITO &amp; VECTOR CONTROL DISTRICT</b>					
General Members	19	20	20	21	20
<b>Total Active Membership</b>	<b>5,356</b>	<b>5,400</b>	<b>5,377</b>	<b>5,367</b>	<b>5,337</b>

**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%
<b>Total Percentage of Membership</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

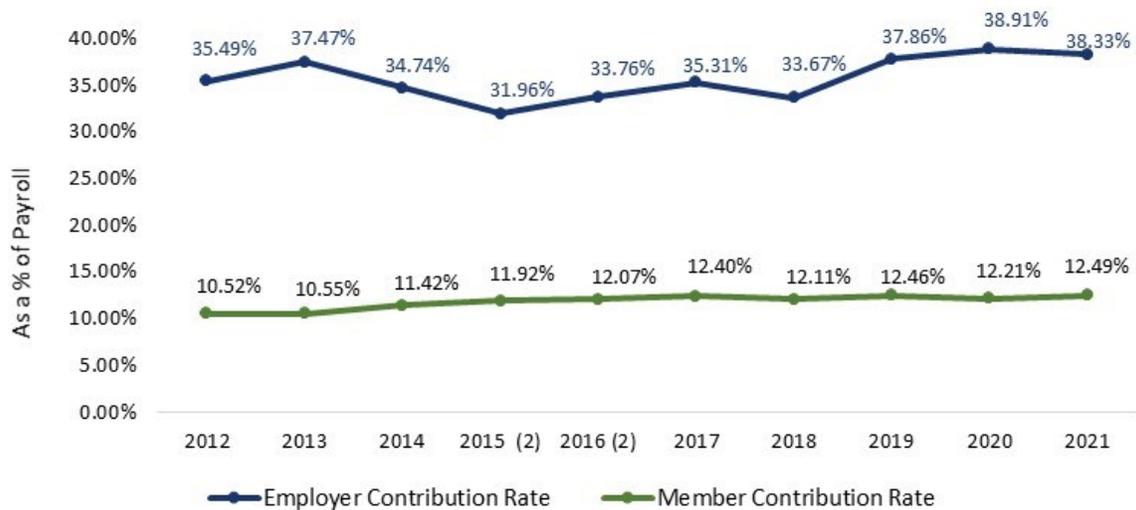
	2016	2015	2014	2013	2012
<b>COUNTY OF SAN MATEO</b>					
General Members	4,170	4,092	4,014	3,906	4,078
Safety Members	495	479	452	452	435
Probation Members	271	282	280	292	299
Subtotal	4,936	4,853	4,746	4,650	4,812
<b>SAN MATEO COUNTY SUPERIOR COURT</b>					
General Members	231	222	239	249	268
<b>SAN MATEO COUNTY MOSQUITO &amp; VECTOR CONTROL DISTRICT</b>					
General Members	20	20	19	18	15
<b>Total Active Membership</b>	<b>5,187</b>	<b>5,095</b>	<b>5,004</b>	<b>4,917</b>	<b>5,095</b>

**Percentage of Membership by Employer**

County of San Mateo	95.16%	95.25%	94.84%	94.57%	94.45%
San Mateo County Superior Court	4.45%	4.36%	4.78%	5.06%	5.26%
San Mateo County Mosquito and Vector Control District	0.39%	0.39%	0.38%	0.37%	0.29%
<b>Total Percentage of Membership</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

## EMPLOYER AND MEMBER CONTRIBUTION RATES <sup>(1)</sup>

Determined as of June 30



<sup>(1)</sup> Contribution rates determined as of the valuation date will become effective a year later. For example, contribution rates determined as of June 30, 2021, will become effective on July 1, 2022.

<sup>(2)</sup> Statutory Contribution Rates reflect changes in member rates negotiated subsequent to the 2015 and the 2016 valuations.

## EMPLOYER CONTRIBUTION RATES FOR ALL PLANS COMBINED AS A PERCENTAGE OF COVERED PAYROLL

Employer Statutory Contribution Rate <sup>(1)</sup>	Fiscal Year Beginning		Change
	July 1, 2022	July 1, 2021	
Gross Normal Cost	24.04%	23.11%	0.93%
Less: Member Contributions	(12.49)%	(12.21)%	(0.28)%
Employer Normal Cost	11.55%	10.90%	0.65%
UAAL Amortization	29.21%	28.01%	1.20%
Calculated Employer Contribution Rate	40.76%	38.91%	1.85%
Deferred Recognition of 2021 Assumptions <sup>(2)</sup>	(2.43)%	-	(2.43)%
<b>Total Employer Statutory Contribution Rate <sup>(3)</sup></b>	<b>38.33%</b>	<b>38.91%</b>	(0.58)%
<b>Statutory Contribution Rate by Employer</b>			
County of San Mateo	38.51%	39.14%	(0.63)%
San Mateo County Superior Court	35.73%	35.85%	(0.12)%
San Mateo County Mosquito & Vector Control District	12.10%	12.76%	(0.66)%

<sup>(1)</sup> Detailed contribution rates by plan are reported on the 2021 valuation report.

<sup>(2)</sup> The increase in employer contribution rate of 3.64% due to new assumptions was phased in through three equal installments, with 1.21% effective July 1, 2022 and 2.43% deferred to subsequent two years.

<sup>(3)</sup> The Total Employer Statutory Contribution Rate of 38.33% is the aggregate rate for all employers.

## HISTORY OF EMPLOYER STATUTORY CONTRIBUTION RATES

Valuation Date	General Members (County & Court)			General Members (Nurses & UAPD)			General Members (SMCM&VCD)		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
June 30									
2012	9.98%	20.17%	30.15%	8.96%	20.17%	29.13%	11.68%	20.17%	31.85%
2013	9.74%	22.35%	32.09%	8.92%	22.35%	31.27%	11.70%	22.35%	34.05%
2014	10.12%	20.27%	30.39%	9.14%	20.21%	29.35%	11.72%	21.16%	32.88%

Valuation Date	General Members (County)			General Members (Court)			General Members (SMCM&VCD)		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
June 30									
2015	8.67%	18.37%	27.04%	9.04%	19.54%	28.58%	11.75%	19.54%	31.29%
2016	8.91%	19.81%	28.72%	9.09%	21.30%	30.39%	12.02%	12.50%	24.52%
2017	9.58%	20.55%	30.13%	9.65%	22.58%	32.23%	12.32%	12.37%	24.69%
2018	9.22%	19.32%	28.54%	9.27%	21.76%	31.03%	12.13%	0.00%	12.13%
2019	9.93%	22.18%	32.11%	10.01%	25.21%	35.22%	12.58%	0.00%	12.58%
2020	9.57%	23.22%	32.79%	9.63%	26.22%	35.85%	12.37%	0.39%	12.76%
2021	10.18%	21.84%	32.02%	10.28%	25.45%	35.73%	12.10%	0.00%	12.10%

## Notes:

1. Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.
2. Beginning with the 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District (SMCM&VCD) adopted the same benefit formula and member contribution rates as Plan 1, 2 and 4 General County members (excluding cost sharing and COLA sharing on member rates).
3. Beginning with the 2011 actuarial valuation, Plan 1, 2, and 4 members of the California Nurses Association (CNA) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.
4. Beginning with the 2012 actuarial valuation, Plan 1, 2, and 4 Probation members (excluding Managers) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing.
5. Beginning with the 2013 actuarial valuation, Plan 1, 2, and 4 members of the Union of American Physicians & Dentists (UAPD) contribute 25% of the cost of COLA, in addition to current member rates and cost sharing. In 2011 and 2012, these members contributed the same as County General members.
6. Beginning with the 2015 actuarial valuation, Plan 1, 2, and 4 members of the UAPD and the CNA, and Probation members (Managers) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing.
7. Effective with the first pay period after June 30, 2016, all members (except those with benefits negotiated under Court Interpreters and Board of Supervisors bargaining units, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions are discontinued for members with benefits negotiated under the Probation and Detention Association (PDA) bargaining unit.
8. Effective October 2016, all members (except those with benefits negotiated under Board of Supervisors bargaining unit, and SMCM&VCD members) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. This is reflected in 2016 values.
9. Effective July 1, 2018, the Board of Supervisors contribute 50% of the cost of COLA, in addition to current member rates and cost sharing. Additionally, pick-up contributions were eliminated.

**HISTORY OF EMPLOYER STATUTORY CONTRIBUTION RATES (CONTINUED)**

Valuation Date	Safety Member			Probation Members (excluding Managers)			Probation Members (Managers)		
	Normal	UAAL	Total	Normal	UAAL	Total	Normal	UAAL	Total
June 30									
2012	19.05%	48.51%	67.56%	19.99%	26.71%	46.70%	Same as Probation (exclude Managers)		
2013	18.51%	50.33%	68.84%	18.33%	29.32%	47.65%	17.85%	29.32%	47.17%
2014	18.99%	46.48%	65.47%	18.92%	28.09%	47.01%	18.79%	28.09%	46.88%
2015	15.14%	43.58%	58.72%	15.31%	26.77%	42.08%	17.23%	26.77%	44.00%
2016	16.31%	44.25%	60.56%	15.94%	31.72%	47.66%	Same as Probation (exclude Managers)		
2017	17.28%	45.57%	62.85%	17.42%	32.87%	50.29%	Same as Probation (exclude Managers)		
2018	16.98%	44.68%	61.66%	16.95%	32.88%	49.83%	Same as Probation (exclude Managers)		
2019	18.02%	50.87%	68.89%	17.97%	42.55%	60.52%	Same as Probation (exclude Managers)		
2020	17.57%	54.42%	71.99%	18.30%	47.68%	65.98%	Same as Probation (exclude Managers)		
2021	18.84%	55.10%	73.94%	19.40%	50.12%	69.52%	Same as Probation (exclude Managers)		

**Notes:**

1. Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.
2. Beginning with the 2010 actuarial valuation, the San Mateo County Mosquito and Vector Control District (SMCM&VCD) adopted the same benefit formula and member contribution rates as Plan 1, 2 and 4 General County members (excluding cost sharing and COLA sharing on member rates).
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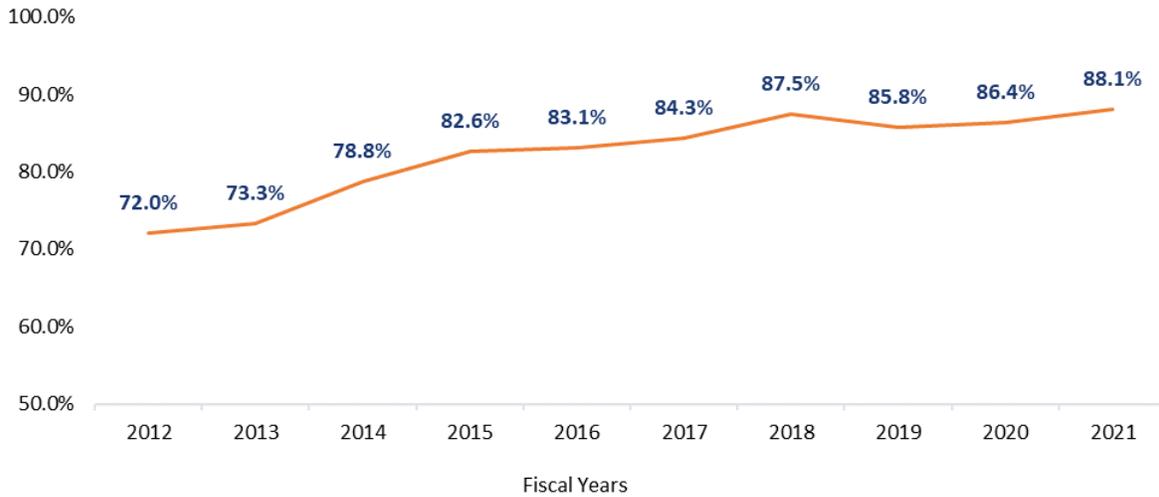
# Compliance Section



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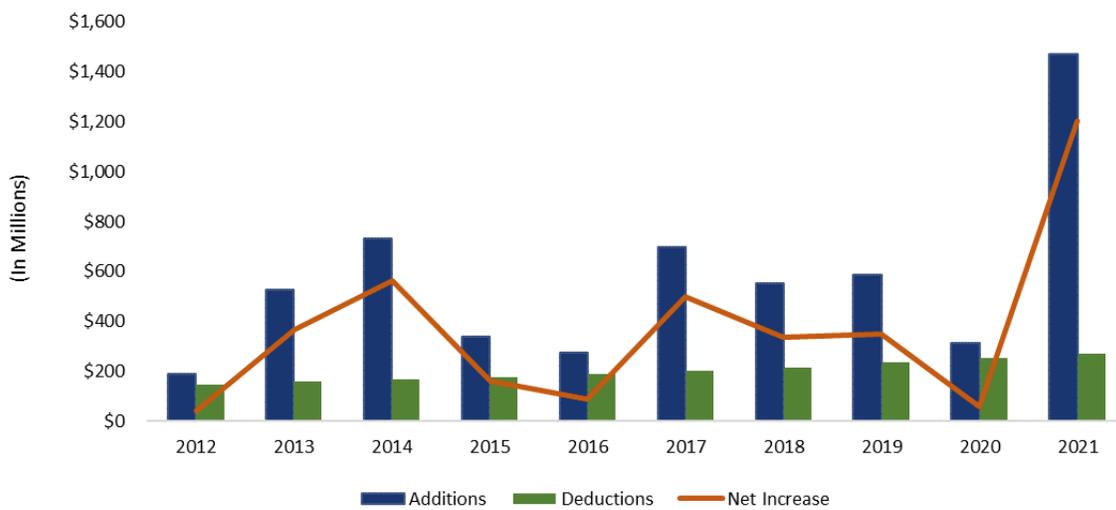
**SAMCERA'S FUNDED RATIO**

As of June 30



**ADDITIONS TO AND DEDUCTIONS FROM SAMCERA'S NET POSITION**

For the Fiscal Years Ended June 30





www.ba.cpa  
661-324-4971

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Retirement and Audit Committee of  
San Mateo County Employees' Retirement Association  
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements and other information (financial statements) of the San Mateo County Employees' Retirement Association (SamCERA), a pension trust fund of the County of San Mateo, as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 18, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SamCERA's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SamCERA's internal control. Accordingly, we do not express an opinion on the effectiveness of SamCERA's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of SamCERA's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

4

**BAKERSFIELD**  
4200 Truxtun Avenue, Suite 300  
Bakersfield, CA 93309  
661-324-4971

**FRESNO**  
10 River Park Place East, Suite 208  
Fresno, CA 93720  
559-476-3592

**STOCKTON**  
2423 West March Lane, Suite 202  
Stockton, CA 95219  
209-451-4833

REGISTERED with the Public Company Accounting Oversight Board and MEMBER of the American Institute of Certified Public Accountants

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SamCERA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SamCERA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SamCERA's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

BROWN ARMSTRONG  
ACCOUNTANCY CORPORATION

*Brown Armstrong*  
*Accountancy Corporation*

Stockton, California  
October 18, 2021

## **PHOTO CREDIT**

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Page 109: Courtesy of San Mateo County, Edgewood Park – Serpentine Trail

Page 129: Courtesy of San Mateo County, Devils Slide

Page 147: Courtesy of San Mateo County, Coyote Point Trail

THE FUTURE DEPENDS  
ON WHAT YOU DO TODAY.

-Mahatma Gandhi



100 MARINE PARKWAY, SUITE 125

REDWOOD CITY, CA 94065

[WWW.SAMCERA.ORG](http://WWW.SAMCERA.ORG)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION  
**Board of Retirement**

October 26, 2021

Agenda Item 7.3

**TO:** Board of Retirement

**FROM:** Scott Hood, Chief Executive Officer 

**SUBJECT:** Approval of SACRS Voting Delegate and Alternate for the SACRS Fall 2021 Business Meeting and direction to Voting Delegate

**Recommendation**

Staff recommends the Board designate Sandie Arnott as the Voting Delegate and Scott Hood, CEO as the First Delegate Alternate to cast SamCERA's votes at the SACRS Fall 2021 Conference.

Staff further recommends that the Board provide direction to the Voting Delegate that is in the best interest of SamCERA.

**Background**

Prior to each SACRS conference the retirement boards are asked to select the individuals from each county system who are authorized to serve as voting delegate and alternate voting delegates at the conference business meeting.

**Discussion**

SamCERA normally selects the highest-ranking board officer who will attend the conference as the voting delegate. Delegates can be either trustees or staff. We typically recommend the CEO be the final alternate.

The business meeting will occur on the last morning of the conference, at 10:00 a.m., Friday, November 12, 2021.

The SACRS business meeting packet is attached.

**Attachment**

Fall 2021 SACRS Business Meeting Packet



# SACRS Annual Business Meeting

## Annual Fall Conference 2021

Friday, November 12

10 AM - 11:30 AM

Loews Hollywood Hotel

Hollywood, CA

Ray Dolby Ballroom



## **Vision, Mission, Core Values**

The members and staff of the State Association of County Retirement Systems (SACRS) share a common purpose, mission and core values.

## **Statement of Purpose**

The specific and primary purposes of SACRS are to provide forums for disseminating knowledge of and developing expertise in the operation of 20 county retirement systems existing under the County Employees Retirement Law of 1937 (CERL) sets forth in California Government Code section 31450 et. seq., and to foster and take an active role in the legislative process as it affects county retirement systems.

## **Mission Statement**

The mission of this organization shall be to serve the 1937 Act Retirement Systems by exchanging information, providing education and analyzing legislation.

## **Core Values**

Teamwork

Integrity

Education

Service and Support



SACRS Business Meeting Agenda  
Friday, November 12, 2021  
10:00 AM – 11:30 AM  
Loews Hollywood Hotel, Hollywood, CA  
Ray Dolby Ballroom

SACRS Parliamentarian – TBD  
Sergeant at Arms – Bob Goodchild, San Diego CERA

---

**1. SACRS System Roll Call**

Thomas Garcia, Imperial CERS, SACRS Secretary

**2. Secretary's Report - Receive and File**

Thomas Garcia, Imperial CERS, SACRS Secretary

- A. Spring 2021 SACRS Business Meeting Minutes

**3. Treasurer's Report - Receive and File**

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

- A. July 2021 Financials
- B. 2021-2022 Annual Budget

**4. SACRS President Report - No Action**

Vivian Gray, Los Angeles CERA, SACRS President

- A. SACRS President Update

**5. SACRS Legislative Committee Update – Action**

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2021 Legislative Report – No Action
- B. SACRS Board of Directors Legislative Proposal – Action

**6. SACRS Nomination Committee – 2022-2023 SACRS Election Notice – No Action**

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

- A. SACRS Election Notice 2022-2023

**7. SACRS Audit Report – No Action**

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. SACRS Annual Audit Update



**8. SACRS Education Committee Report – No Action**

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. SACRS Annual Fall Conference 2021 Evaluations/Feedback

**9. SACRS Program Committee Report – No Action**

Kathryn Cavness, Mendocino CERA, SACRS Program Committee Chair

- A. SACRS Annual Fall Conference 2021 report

**10. SACRS Affiliate Committee Report – No Action**

Scott Draper, Algert Global, SACRS Affiliate Committee Chair

- A. Affiliate Committee report

**11. SACRS Bylaws Committee Report – No Action**

Chair Position Open, SACRS Bylaws Committee Chair

- A. No report

**12. SACRS Fall Conference Breakout Reports – No Action**

A representative from each breakout will give report on their meetings.

- A. Administrators
- B. Counsel
- C. Disability/ Operations & Benefits Combo
- D. Internal Auditors
- E. Investment Officers
- F. Safety Trustees
- G. General Trustees

**13. Adjournment**

Next scheduled SACRS Association Business Meeting will be held Friday, May 13, 2022 at the Rancho Las Palmas Hotel in Rancho Mirage, CA.



**1. SACRS System Roll Call**

Thomas Garcia, Imperial CERS, SACRS Secretary



1. SACRS System Roll Call  
 Thomas Garcia, SACRS Secretary

<b>System</b>	<b>In Attendance</b>	<b>Absent</b>	<b>Delegate/Alternate Name</b>
Alameda			
Contra Costa			
Fresno			
Imperial			
Kern			
Los Angeles			
Marin			
Mendocino			
Merced			
Orange			
Sacramento			
San Bernardino			
San Diego			
San Joaquin			
San Mateo			
Santa Barbara			
Sonoma			
Stanislaus			
Tulare			
Ventura			
<b>Total</b>			



## **2. Secretary's Report - Receive and File**

Thomas Garcia, Imperial CERS, SACRS Secretary

- A. Spring 2021 SACRS Business Meeting Minutes



SACRS Business Meeting Minutes  
Friday, May 14, 2021  
10:00 AM - Upon Adjournment  
Online Via SACRS Conference Platform

SACRS Parliamentarian – David Lantzer, San Bernardino CERA  
Sergeant at Arms – Bob Goodchild, San Diego CERA

---

**Meeting called to order at 10:05 am**

**SACRS Board of Directors in Attendance:**

Vivian Gray, President; Roger Hilton, Vice President; Kathryn Cavness, Secretary; Harry Hagen, Treasurer; David MacDonald, Board member; Dan McAllister, Immediate Past President, Ben Lazarus, Past Affiliate Chair

**1. SACRS System Roll Call**

Kathryn Cavness, Mendocino CERA, SACRS Secretary

**20 SACRS Member Systems Present**

Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

\*Fresno arrived at 10:15 am

**2. Secretary's Report - Receive and File**

Kathryn Cavness, Mendocino CERA, SACRS Secretary

A. November 2020 SACRS Business Meeting Minutes

**Motion:** Sonoma CERA made motion to approve the minutes as presented.

**2nd:** Marin CERA

**Yes:** Alameda, Contra Costa, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

**No:** 0

**Absent:** Fresno

**Motion Passes 19-0-1**

**3. Treasurer's Report - Receive and File**

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

A. July 2020 – January 2021 Financials

**Motion:** Stanislaus CERA made a motion to approve the Treasurers report on the July 2020 – January 2021 financials.

**2nd:** San Bernardino CERA

**Yes:** Alameda, Contra Costa, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

**No:** 0

**Absent:** Fresno

**Motion Passes 19-0-1**



#### 4. SACRS President Report - No Action

Vivian Gray, Los Angeles CERA, SACRS President

A. SACRS President Update

**Discussion:** A verbal report was provided by Vivian Gray, SACRS President. No action was taken.

#### 5. SACRS Legislative Committee Update – Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

A. 2021 Legislative Report – No Action

B. SACRS Board of Directors Legislative Proposal – Action

**Discussion:** An overview of the 2021 Legislative report was provided by the Legislative committee co-chairs and SACRS lobbying team – Trent Smith, Mike Robson and Bridget McGowan. No action was taken for item 5A.

**Motion:** Sonoma CERA made a motion to approve the proposed legislation presented in item 5B.

**2<sup>nd</sup>:** Merced CERA

**Yes:** Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

**No:** 0

**Motion Passes 20-0**

#### 6. SACRS Nomination Committee - 2021-2022 SACRS Election Notice – Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

A. SACRS Elections 2021-2022

**Motion:** Los Angeles CERA made a motion to approve the recommended slate for the 2021-2022 SACRS Board of Directors.

- Vivian Gray, Los Angeles CERA
- Kathryn Cavness, Mendocino CERA, Vice President
- Harry Hagen, Santa Barbara CERS, Treasurer
- Thomas Garcia, Imperial CERA, Secretary
- David MacDonald, Contra Costa CERA, General member
- Vere Williams, San Bernardino CERA, General member
- Dan McAllister, San Diego CERA, Immediate Past President (per Bylaws)

**2<sup>nd</sup>:** San Diego CERA

**Yes:** Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

**No:** 0

**Motion Passes 20-0**



## 7. SACRS Audit Report – Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

### A. SACRS 2019-2020 Annual Audit

**Discussion:** Steve Delaney, Audit Committee Chair, provided a verbal overview of the annual audit performed by James Marta & Co. Steve thanked the committee and SACRS staff for their time and dedication to the project. The external auditor's opinion in the report listed that the Combining Statement of Cash Receipts and Disbursements, Graphical Presentation of Cash Receipts, and Graphical Presentation of Cash Disbursements, is fairly stated in all material respects in relation to the financial statement as a whole.

**Motion:** Fresno CERA submitted a motion to accept the 2019-2020 Audit as presented by the Audit committee.

2<sup>nd</sup>: Alameda CERA

**Yes:** Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

**No:** 0

**Motion Passes 20-0**

## 8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

### A. SACRS Annual Virtual Spring 2021 Conference Evaluations/Feedback

**Discussion:** A verbal report was provided by JJ Popowich, Committee Chair, great conference! The keynote sessions were really well balanced, the covid update on Friday was insightful. Many positive comments regarding the technology and virtual platform used for the conference. Encouragement to submit evaluations when people return home, feedback at conferences was positive. No action taken, verbal report on committee meeting. Evaluations are electronic, therefore will be presented at the Board meeting in January 2021.

## 9. SACRS Program Committee Report – No Action

Roger Hilton, Orange CERS, SACRS Program Committee Chair

### A. SACRS Annual Virtual Spring 2021 Conference Report

**Discussion:** Verbal report provided by Roger Hilton, feedback on conference was very positive. No action taken, Roger thanked the Program Committee and Education Committee for their time and dedication to the conference. Suggestions for future conferences can be submitted online at the SACRS website.

## 10. SACRS Affiliate Committee Report – No Action

Scott Draper, Algert Global LLC, SACRS Affiliate Committee Chair

### A. Affiliate Committee Update

**Discussion:** Ben Lazarus, Past Committee Chair, gave a verbal update on Affiliate matters. Affiliate leadership really appreciate the commitment and dedication of the Board and fellow committee members. No action taken, Ben gave a verbal update on the Affiliate Breakout, attendance was great and members



really enjoyed the Spotlight Series on the Systems. The committee intends to continue system interviews for viewing during the SACRS Summer Webinar Series.

### 11. SACRS Bylaws Committee Report – No Action

Johanna Fontenot, Los Angeles CERA, SACRS Bylaws Committee Chair

#### A. Bylaws Committee Update

**Discussion:** No report

### 12. SACRS Spring Conference Breakout Reports – No Action

A representative from each breakout will give report on their meetings.

A. Administrators – Leanne Malison, Tulare CERA, reported that the meeting was very productive. Donald Kendig, Fresno CERA, will moderate the Fall 2021 Conference.

B. Counsel – Ashley Dunning, SACRS Program Committee, provided a brief report on their closed session, and that the group did not get a volunteer for the Fall 2021 conference.

C. Disability/ Operations & Benefits Combo – Carlos Barrios, Los Angeles CERA, reported that the session was well attended and great information. Louis Gittens, Los Angeles CERA, has volunteered to moderate the Fall 2021 Conference.

D. Internal Auditors – No report.

E. Investment Officers – Tim Price, Contra Costa CERA, reported that the meeting was well attended and that Daryn Miller, Kern CERA volunteered to moderate the Fall 2021 Conference.

F. Safety Trustees – Susan Lee, San Mateo CERA, reported that the meeting was well attended and Brian Williams, Sonoma CERA will continue to serve as moderator for Fall 2021 Conference.

G. General Trustees – Kathryn Cavness, Mendocino CERA, reported that the session was fantastic. Kathryn Cavness will serve as the moderator for Fall 2021 Conference.

### 13. Adjournment

**Motion:** San Diego CERA submitted a motion to adjourn at 10:54 am

**2<sup>nd</sup>:** Ventura CERA

**Yes:** Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Mendocino, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

**No:** 0

**Motion Passes** 20-0

Next scheduled SACRS Association Business Meeting will be held Friday, May 13, 2022 at the Rancho Las Palmas Hotel, in Rancho Mirage, CA unless Covid-19 restrictions are in place.

#### **Respectfully Submitted by:**

Thomas Garcia, Imperial CERA, SACRS Secretary

Sulema Peterson, SACRS Executive Director



### **3. Treasurer's Report - Receive and File**

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

- A. July 2021 Financials
- B. 2021-2022 Annual Budget

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Balance Sheet

As of July 31, 2021

Jul 31, 21

ASSETS

Current Assets

Checking/Savings

1000 · First Foundation Bank-Checking 201,567.30

1001 · BofA Interest Checking 4389 16,847.68

1002 · First Foundation Bank ICS Acct 57,555.25

Total Checking/Savings 275,970.23

Other Current Assets

1100 · CalTrust - Medium Term 979,872.82

1107 · CalTrust Liquidity Fund 8,225.47

1110 · CAMP-SACRS Liquidity Fund 791,150.15

Total Other Current Assets 1,779,248.44

Total Current Assets 2,055,218.67

TOTAL ASSETS 2,055,218.67

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Credit Cards

2200 · First Foundation Credit Card 1,415.07

Total Credit Cards 1,415.07

Total Current Liabilities 1,415.07

Total Liabilities 1,415.07

Equity

32000 · Retained Earnings 2,034,191.90

Net Income 19,611.70

Total Equity 2,053,803.60

TOTAL LIABILITIES & EQUITY 2,055,218.67



STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss

July 2021

Jul 21

Ordinary Income/Expense

Income

4100 - Membership Dues

4101 - Affiliates 63,750.00

4102 - Non Profit - Organizations 500.00

4103 - Non Profit - Systems 1,500.00

4104 - Systems - Medium 8,000.00

Total 4100 - Membership Dues 73,750.00

4270 - UC Berkeley Program

4271 - Registrations 1,650.00

4272 - Sponsorships 2,500.00

Total 4270 - UC Berkeley Program 4,150.00

4900 - Interest Earned 315.95

Total Income 78,215.95

Gross Profit 78,215.95

Expense

5000 - Administrative Fee 30,000.00

5003 - Bank Charges/Credit Card Fees 2,004.32

5041 - Consulting 6,582.00

5072 - Legislative Advocacy 10,002.00

6011 - Postage & Delivery 274.96

6020 - Spring Conference 1,107.95

6053 - Technology/AMS/Website 7,711.12

6054 - Travel 921.90

Total Expense 58,604.25

Net Ordinary Income 19,611.70

Net Income 19,611.70



**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**  
**Profit & Loss Budget vs. Actual**  
July 2021

	Jul 21	Budget	\$ Over Budget	% of Budget
<b>Ordinary Income/Expense</b>				
<b>Income</b>				
<b>4100 - Membership Dues</b>				
4101 - Affiliates	63,750.00	268,750.00	-205,000.00	23.72%
4102 - Non Profit - Organizations	500.00	2,750.00	-2,250.00	18.18%
4103 - Non Profit - Systems	1,500.00	6,000.00	-4,500.00	25.0%
4104 - Systems - Medium	8,000.00	52,000.00	-44,000.00	15.39%
4105 - Systems - Large	0.00	42,000.00	-42,000.00	0.0%
4100 - Membership Dues - Other	0.00	0.00	0.00	0.0%
<b>Total 4100 - Membership Dues</b>	<b>73,750.00</b>	<b>371,500.00</b>	<b>-297,750.00</b>	<b>19.85%</b>
<b>4200 - Webinar Symposium Registration</b>				
4201 - Affiliates - Early	0.00	200.00	-200.00	0.0%
4202 - Affiliates - Regular	0.00	200.00	-200.00	0.0%
4203 - Affiliates - Late/Onsite	0.00	200.00	-200.00	0.0%
4204 - Non Profit	0.00	200.00	-200.00	0.0%
4205 - Systems	0.00	200.00	-200.00	0.0%
4206 - Non-Members	0.00	200.00	-200.00	0.0%
4200 - Webinar Symposium Registration - Other	0.00	0.00	0.00	0.0%
<b>Total 4200 - Webinar Symposium Registration</b>	<b>0.00</b>	<b>1,200.00</b>	<b>-1,200.00</b>	<b>0.0%</b>
<b>4250 - Product Income</b>				
4255 - Magazine Advertising	0.00	2,000.00	-2,000.00	0.0%
<b>Total 4250 - Product Income</b>	<b>0.00</b>	<b>2,000.00</b>	<b>-2,000.00</b>	<b>0.0%</b>
<b>4270 - UC Berkeley Program</b>				
4271 - Registrations	1,650.00	60,000.00	-58,350.00	2.75%
4272 - Sponsorships	2,500.00	40,000.00	-37,500.00	6.25%
4270 - UC Berkeley Program - Other	0.00	0.00	0.00	0.0%
<b>Total 4270 - UC Berkeley Program</b>	<b>4,150.00</b>	<b>100,000.00</b>	<b>-95,850.00</b>	<b>4.15%</b>
<b>4300 - Fall Conference Registration</b>				
4301 - Affiliates - Early	0.00	140,000.00	-140,000.00	0.0%
4302 - Affiliates - Regular	0.00	60,000.00	-60,000.00	0.0%
4303 - Affiliates - Late/Onsite	0.00	70,400.00	-70,400.00	0.0%
4304 - Non Profit	0.00	960.00	-960.00	0.0%
4305 - Systems	0.00	20,000.00	-20,000.00	0.0%
4306 - Non-Members	0.00	200,250.00	-200,250.00	0.0%
4307 - Fun Run	0.00	500.00	-500.00	0.0%
4308 - Yoga	0.00	100.00	-100.00	0.0%
4300 - Fall Conference Registration - Other	0.00	0.00	0.00	0.0%
<b>Total 4300 - Fall Conference Registration</b>	<b>0.00</b>	<b>492,210.00</b>	<b>-492,210.00</b>	<b>0.0%</b>
<b>4350 - Spring Conference Registration</b>				
4351 - Affiliates - Early	0.00	140,000.00	-140,000.00	0.0%
4352 - Affiliates - Regular	0.00	60,000.00	-60,000.00	0.0%
4353 - Affiliates - Late/Onsite	0.00	70,400.00	-70,400.00	0.0%
4354 - Non Profit	0.00	960.00	-960.00	0.0%
4355 - Systems	0.00	20,000.00	-20,000.00	0.0%

**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**  
**Profit & Loss Budget vs. Actual**  
July 2021

	Jul 21	Budget	\$ Over Budget	% of Budget
4356 · Non-Members	0.00	200,250.00	-200,250.00	0.0%
4357 · Fun Run	0.00	500.00	-500.00	0.0%
4358 · Yoga	0.00	100.00	-100.00	0.0%
<b>Total 4350 · Spring Conference Registration</b>	<b>0.00</b>	<b>492,210.00</b>	<b>-492,210.00</b>	<b>0.0%</b>
4900 · Interest Earned	315.95	-953.55	1,269.50	-33.13%
<b>Total Income</b>	<b>78,215.95</b>	<b>1,458,166.45</b>	<b>-1,379,950.50</b>	<b>5.36%</b>
<b>Gross Profit</b>	<b>78,215.95</b>	<b>1,458,166.45</b>	<b>-1,379,950.50</b>	<b>5.36%</b>
<b>Expense</b>				
5000 · Administrative Fee	30,000.00	180,000.00	-150,000.00	16.67%
5001 · Administrative Services	0.00	500.00	-500.00	0.0%
5002 · Awards	0.00	500.00	-500.00	0.0%
5003 · Bank Charges/Credit Card Fees	2,004.32	36,000.00	-33,995.68	5.57%
5010 · Berkeley & Symposium				
5011 · Audio/Visual	0.00	2,200.00	-2,200.00	0.0%
5013 · Hotel	0.00	12,500.00	-12,500.00	0.0%
5014 · Food & Beverage	0.00	12,500.00	-12,500.00	0.0%
5015 · Materials/Printing/Design	0.00	3,000.00	-3,000.00	0.0%
5016 · Travel	0.00	2,500.00	-2,500.00	0.0%
5017 · UC Berkeley	0.00	216,000.00	-216,000.00	0.0%
<b>Total 5010 · Berkeley &amp; Symposium</b>	<b>0.00</b>	<b>248,700.00</b>	<b>-248,700.00</b>	<b>0.0%</b>
5020 · Webinar Symposium				
5022 · Webinar Technology	0.00	25,000.00	-25,000.00	0.0%
<b>Total 5020 · Webinar Symposium</b>	<b>0.00</b>	<b>25,000.00</b>	<b>-25,000.00</b>	<b>0.0%</b>
5030 · CERL				
5031 · Materials/Printing/Design	0.00	16,500.00	-16,500.00	0.0%
5032 · Shipping	0.00	1,300.00	-1,300.00	0.0%
<b>Total 5030 · CERL</b>	<b>0.00</b>	<b>17,800.00</b>	<b>-17,800.00</b>	<b>0.0%</b>
5040 · Commissions & Fees	0.00	20,000.00	-20,000.00	0.0%
5041 · Consulting	6,582.00	19,992.00	-13,410.00	32.92%
5042 · Dues & Subscriptions	0.00	3,700.00	-3,700.00	0.0%
5050 · Fall Conference				
5051 · Audio/Visual	0.00	60,000.00	-60,000.00	0.0%
5052 · Delivery & Shipping	0.00	2,500.00	-2,500.00	0.0%
5053 · Entertainment	0.00	6,500.00	-6,500.00	0.0%
5054 · Hotel				
5054.1 · Wednesday Night Event	0.00	65,000.00	-65,000.00	0.0%
5054.2 · Conference	0.00	15,000.00	-15,000.00	0.0%
5054.3 · Food & Beverage	0.00	250,000.00	-250,000.00	0.0%
5054 · Hotel - Other	0.00	0.00	0.00	0.0%
<b>Total 5054 · Hotel</b>	<b>0.00</b>	<b>330,000.00</b>	<b>-330,000.00</b>	<b>0.0%</b>
5055 · Program Material	0.00	25,000.00	-25,000.00	0.0%
5056 · Speakers	0.00	50,000.00	-50,000.00	0.0%
5057 · Supplies	0.00	500.00	-500.00	0.0%
5058 · Travel	0.00	15,000.00	-15,000.00	0.0%

**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**  
**Profit & Loss Budget vs. Actual**  
July 2021

	Jul 21	Budget	\$ Over Budget	% of Budget
5050 · Fall Conference - Other	0.00	0.00	0.00	0.0%
<b>Total 5050 · Fall Conference</b>	<b>0.00</b>	<b>489,500.00</b>	<b>-489,500.00</b>	<b>0.0%</b>
5070 · Insurance	0.00	5,000.00	-5,000.00	0.0%
5071 · Legal & Professional Fees	0.00	35,000.00	-35,000.00	0.0%
5072 · Legislative Advocacy	10,002.00	60,012.00	-50,010.00	16.67%
5080 · Magazine				
5081 · Delivery & Shipping	0.00	600.00	-600.00	0.0%
5082 · Design/Printing/Etc.	0.00	20,000.00	-20,000.00	0.0%
5083 · Magazine - Other	0.00	5,200.00	-5,200.00	0.0%
5080 · Magazine - Other	0.00	0.00	0.00	0.0%
<b>Total 5080 · Magazine</b>	<b>0.00</b>	<b>25,800.00</b>	<b>-25,800.00</b>	<b>0.0%</b>
6000 · Board & Committees				
6001 · Board of Directors				
6001.1 · Food & Beverage	0.00	25,000.00	-25,000.00	0.0%
6001.2 · Printing/Supplies	0.00	4,000.00	-4,000.00	0.0%
6001.3 · Travel - BOD Meetings	0.00	11,000.00	-11,000.00	0.0%
6001.4 · Travel - Miscellaneous BOD	0.00	3,500.00	-3,500.00	0.0%
6001.5 · Board Of Directors - Other	0.00	3,000.00	-3,000.00	0.0%
<b>Total 6001 · Board of Directors</b>	<b>0.00</b>	<b>46,500.00</b>	<b>-46,500.00</b>	<b>0.0%</b>
6002 · Legislative Committee Meetings	0.00	250.00	-250.00	0.0%
6003 · Program Committee Meetings	0.00	2,500.00	-2,500.00	0.0%
<b>Total 6000 · Board &amp; Committees</b>	<b>0.00</b>	<b>49,250.00</b>	<b>-49,250.00</b>	<b>0.0%</b>
6010 · Office Expenses / Supplies	0.00	2,500.00	-2,500.00	0.0%
6011 · Postage & Delivery	274.96	3,000.00	-2,725.04	9.17%
6020 · Spring Conference				
6021 · Audio/Visual	0.00	60,000.00	-60,000.00	0.0%
6022 · Delivery & Shipping	0.00	2,500.00	-2,500.00	0.0%
6023 · Entertainment	0.00	6,500.00	-6,500.00	0.0%
6024 · Hotel				
6024.1 · Wednesday Night Event	0.00	65,000.00	-65,000.00	0.0%
6024.2 · Conference	0.00	0.00	0.00	0.0%
6024.4 · Hotel - Other	0.00	25,000.00	-25,000.00	0.0%
6024 · Hotel - Other	0.00	0.00	0.00	0.0%
<b>Total 6024 · Hotel</b>	<b>0.00</b>	<b>90,000.00</b>	<b>-90,000.00</b>	<b>0.0%</b>
6025 · Program Material	0.00	25,000.00	-25,000.00	0.0%
6026 · Speakers	0.00	50,000.00	-50,000.00	0.0%
6027 · Supplies	0.00	1,000.00	-1,000.00	0.0%
6028 · Travel	0.00	15,000.00	-15,000.00	0.0%
6020 · Spring Conference - Other	1,107.95			
<b>Total 6020 · Spring Conference</b>	<b>1,107.95</b>	<b>250,000.00</b>	<b>-248,892.05</b>	<b>0.44%</b>
6050 · Strategic Facilitator	0.00	15,000.00	-15,000.00	0.0%
6051 · Taxes & Licenses	0.00	50.00	-50.00	0.0%
6053 · Technology/AMS/Website	7,711.12	45,000.00	-37,288.88	17.14%
6054 · Travel	921.90	7,500.00	-6,578.10	12.29%

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS  
**Profit & Loss Budget vs. Actual**  
July 2021

Total Expense  
Net Ordinary Income

Jul 21	Budget	\$ Over Budget	% of Budget
58,604.25	1,539,804.00	-1,481,199.75	3.81%
19,611.70	-81,637.55	101,249.25	-24.02%
<b>19,611.70</b>	<b>-81,637.55</b>	<b>101,249.25</b>	<b>-24.02%</b>



**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**  
**ANNUAL BUDGET**  
**JULY 2021**

	Budget
Ordinary Income/Expense	
Income	
4100 · Membership Dues	
4101 · Affiliates	268,750.00
4102 · Non Profit - Organizations	2,750.00
4103 · Non Profit - Systems	6,000.00
4104 · Systems - Medium	52,000.00
4105 · Systems - Large	42,000.00
4100 · Membership Dues - Other	0.00
Total 4100 · Membership Dues	371,500.00
4200 · Webinar Symposium Registration	
4201 · Affiliates - Early	200.00
4202 · Affiliates - Regular	200.00
4203 · Affiliates - Late/Onsite	200.00
4204 · Non Profit	200.00
4205 · Systems	200.00
4206 · Non-Members	200.00
4200 · Webinar Symposium Registration - Other	0.00
Total 4200 · Webinar Symposium Registration	1,200.00
4250 · Product Income	
4255 · Magazine Advertising	2,000.00
Total 4250 · Product Income	2,000.00
4270 · UC Berkeley Program	
4271 · Registrations	60,000.00
4272 · Sponsorships	40,000.00
4270 · UC Berkeley Program - Other	0.00
Total 4270 · UC Berkeley Program	100,000.00
4300 · Fall Conference Registration	
4301 · Affiliates - Early	140,000.00
4302 · Affiliates - Regular	60,000.00
4303 · Affiliates - Late/Onsite	70,400.00
4304 · Non Profit	960.00
4305 · Systems	20,000.00
4306 · Non-Members	200,250.00
4307 · Fun Run	500.00
4308 · Yoga	100.00
4300 · Fall Conference Registration - Other	0.00
Total 4300 · Fall Conference Registration	492,210.00
4350 · Spring Conference Registration	
4351 · Affiliates - Early	140,000.00
4352 · Affiliates - Regular	60,000.00
4353 · Affiliates - Late/Onsite	70,400.00
4354 · Non Profit	960.00
4355 · Systems	20,000.00

**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**  
**ANNUAL BUDGET**  
**JULY 2021**

	<b>Budget</b>
4356 · Non-Members	200,250.00
4357 · Fun Run	500.00
4358 · Yoga	100.00
Total 4350 · Spring Conference Registration	492,210.00
4900 · Interest Earned	-953.55
Total Income	1,458,166.45
Gross Profit	1,458,166.45
<b>Expense</b>	
5000 · Administrative Fee	180,000.00
5001 · Administrative Services	500.00
5002 · Awards	500.00
5003 · Bank Charges/Credit Card Fees	36,000.00
5010 · Berkeley & Symposium	
5011 · Audio/Visual	2,200.00
5013 · Hotel	12,500.00
5014 · Food & Beverage	12,500.00
5015 · Materials/Printing/Design	3,000.00
5016 · Travel	2,500.00
5017 · UC Berkeley	216,000.00
Total 5010 · Berkeley & Symposium	248,700.00
5020 · Webinar Symposium	
5022 · Webinar Technology	25,000.00
Total 5020 · Webinar Symposium	25,000.00
5030 · CERL	
5031 · Materials/Printing/Design	16,500.00
5032 · Shipping	1,300.00
Total 5030 · CERL	17,800.00
5040 · Commissions & Fees	20,000.00
5041 · Consulting	19,992.00
5042 · Dues & Subscriptions	3,700.00
5050 · Fall Conference	
5051 · Audio/Visual	60,000.00
5052 · Delivery & Shipping	2,500.00
5053 · Entertainment	6,500.00
5054 · Hotel	
5054.1 · Wednesday Night Event	65,000.00
5054.2 · Conference	15,000.00
5054.3 · Food & Beverage	250,000.00
5054 · Hotel - Other	0.00
Total 5054 · Hotel	330,000.00
5055 · Program Material	25,000.00
5056 · Speakers	50,000.00
5057 · Supplies	500.00
5058 · Travel	15,000.00

**STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS**  
**ANNUAL BUDGET**  
**JULY 2021**

	Budget
5050 · Fall Conference - Other	0.00
Total 5050 · Fall Conference	489,500.00
5070 · Insurance	5,000.00
5071 · Legal & Professional Fees	35,000.00
5072 · Legislative Advocacy	60,012.00
5080 · Magazine	
5081 · Delivery & Shipping	600.00
5082 · Design/Printing/Etc.	20,000.00
5083 · Magazine - Other	5,200.00
5080 · Magazine - Other	0.00
Total 5080 · Magazine	25,800.00
6000 · Board & Committees	
6001 · Board of Directors	
6001.1 · Food & Beverage	25,000.00
6001.2 · Printing/Supplies	4,000.00
6001.3 · Travel - BOD Meetings	11,000.00
6001.4 · Travel - Miscellaneous BOD	3,500.00
6001.5 · Board Of Directors - Other	3,000.00
Total 6001 · Board of Directors	46,500.00
6002 · Legislative Committee Meetings	250.00
6003 · Program Committee Meetings	2,500.00
Total 6000 · Board & Committees	49,250.00
6010 · Office Expenses / Supplies	2,500.00
6011 · Postage & Delivery	3,000.00
6020 · Spring Conference	
6021 · Audio/Visual	60,000.00
6022 · Delivery & Shipping	2,500.00
6023 · Entertainment	6,500.00
6024 · Hotel	
6024.1 · Wednesday Night Event	65,000.00
6024.2 · Conference	0.00
6024.4 · Hotel - Other	25,000.00
6024 · Hotel - Other	0.00
Total 6024 · Hotel	90,000.00
6025 · Program Material	25,000.00
6026 · Speakers	50,000.00
6027 · Supplies	1,000.00
6028 · Travel	15,000.00
6020 · Spring Conference - Other	0.00
Total 6020 · Spring Conference	250,000.00
6050 · Strategic Facilitator	15,000.00
6051 · Taxes & Licenses	50.00
6053 · Technology/AMS/Website	45,000.00
6054 · Travel	7,500.00

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS  
ANNUAL BUDGET  
JULY 2021

	<u>Budget</u>
Total Expense	<u>1,539,804.00</u>
Net Ordinary Income	<u>-81,637.55</u>
Net Income	<u><u>-81,637.55</u></u>



#### **4. SACRS President Report - No Action**

Vivian Gray, Los Angeles CERA, SACRS President

##### A. SACRS President Update



**No printed materials for this item**



## **5. SACRS Legislative Committee Update – Action**

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2021 Legislative Report – No Action
- B. SACRS Board of Directors Legislative Proposal – Action



October 7, 2021

TO: State Association of County Retirement Systems  
FROM: Edelman Gilbert Robson & Smith, LLC  
RE: **Legislative Update – October 2021**

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### **General Update**

The Legislature adjourned for interim recess on September 10 after passing roughly 700 bills out of the Legislature and onto the Governor's desk. The Governor has until October 10 to consider these bills. Below is an update on the outcomes of the bills SACRS has been following closely.

### **Legislation of Interest**

**SB 634 (Committee on Labor, Public Employment, and Retirement) - SACRS Sponsored Bill.** This bill makes a few clarifying changes to the CERL, including clarifying that a 37 Act Retirement board may contract with a private physician to provide medical advice to the board to process disability claims and changing an obsolete code reference related to when a 37 Act system member may opt to continue as a member of the 37 Act system instead of enrolling in CalSTRS.

The Governor signed this bill into law on September 16.

**AB 361 (Rivas) - Virtual Meetings for Declared Emergencies.** This bill is sponsored by the CA Special Districts Association and would codify the Governor's Executive Order allowing for teleconference for declared emergencies. The bill would require local agencies to re-declare an emergency every 30 days that would then allow them to continue meeting remotely.

Recent amendments add an urgency clause so the bill will go into effect immediately after it is signed.

The Governor signed this bill into law on September 16. Because the existing Brown Act Executive Order expired on September 30, the Governor also issued an Executive Order to make the provisions of AB 361 effective October 1, so the two standards do not conflict.

**AB 339 (Lee) – Large City Council and Board of Supervisor Public Meetings – This** bill would require until December 31, 2023 that city councils and boards of supervisors

in jurisdictions over 250,000 residents provide both in person and teleconference options for the public to attend their meetings.

The bill is currently on the Governor's desk.

**AB 826 (Irwin) - Compensation Earnable.** Late into session, this bill was amended into a bill that prescribes that the definition of compensation earnable in CERL includes any form of remuneration, whether paid in cash or as in-kind benefits, if certain requirements are met.

The bill is co-sponsored by SEIU and the Ventura County Board of Supervisors. They argue that some pay items, like their Flexible Benefit Allowance was not clearly addressed in the *Alameda* decision and should not be excluded, because members receive the full cash value, it is a regular, set amount paid every pay period, and it isn't subject to pension spiking or any other manipulation.

In the final days of session, the bill was amended to clarify that the provisions of the bill only apply to Ventura County.

SACRS does not have a position on the bill.

The bill was moved to the inactive file before the Legislature adjourned, making it a two-year bill.

**AB 498 (Quirk-Silva) – Compensation Earnable.** At the end of session, Assemblymember Quirk-Silva amended her AB 498 to attempt to address a difference of opinion regarding compensation earnable, similar to AB 826 (Irwin) discussed above. Because the bill was just amended, it did not move at the end of session and will be considered next year when the Legislature returns in January.

**AB 845 (Rodriguez) - COVID-19 Presumption.** This bill creates a rebuttable presumption for members that a COVID-19 related illness contracted on the job must be eligible for an in-service disability retirement. The provisions sunset January 1, 2023. The bill is sponsored by SEIU. The co-chairs of the Legislative Committee have been closely engaged with the sponsor and committee staff working on the legislation to ensure smooth implementation in CERL Systems.

This bill was signed into law by the Governor on July 23.





September 20, 2021

RE: SACRS-Sponsored Legislation in 2022

Dear SACRS Board of Directors,

The SACRS Legislative Committee recommends that SACRS sponsor legislation in 2022 to amend various sections of the County Employees' Retirement Law of 1937 (CERL).

At its September 17, 2021 meeting, the Legislative Committee approved bill language for a CERL Omnibus Bill and recommended approval by the SACRS Board of Directors. If approved by the SACRS membership at the Fall Conference, the bill language can be introduced in January 2022 for consideration during the 2022 legislative session.

The enclosed language reflects the work of Legislative Committee members, in collaboration with system administrators, over the past year to develop non-controversial, technical, and clarifying amendments to the CERL.

A summary matrix and draft bill language are attached.

If you have questions or would like to provide additional feedback, please contact us at [dnelsen@acera.org](mailto:dnelsen@acera.org) or [sterne@saccounty.net](mailto:sterne@saccounty.net).

Respectfully,

/s/

David Nelsen and Eric Stern  
Co-Chairs, Legislative Committee

#### ATTACHMENTS

- Summary Matrix
- Draft Bill Language



## 2022 CERL Clean-Up Bill

Issue	Gov Code	Topic	Issue/Justification
1	31452.7	Beneficiaries - Designating Estate	This amendment would allow a member to designate a corporation, trust, or estate to receive his or her last check upon death. This does not allow an estate or trust to receive ongoing payments. Note: Members who choose Option 1 already can designate an estate to receive the balance of contributions.
2	31525	Board of Supervisor approval of Board of Retirement regulations	This amendment would delete the requirement that Board of Retirement regulations must be approved by the Board of Supervisors. This language is a holdover from when CERL systems were managed by a county department, and was adopted prior to the passage on Prop.162 in 1992. Adoption of regulations is part of the BOR's duty to administer the system.
3	31641.4	Prior Service -- Military Reserve Service	This amendment would note a potential federal pre-emption issue regarding purchasing prior military reserve service. Current statute establishes that prior service purchases from another public agency must not yield a pension from that agency. However, 10 U.S.C. § 12736 provides that a period of military service may not be excluded from credit towards a civilian employment pension just because that period also counts towards reservist retirement. Thus, the question arises which statute prevails in a conflict between 10 U.S.C. § 12736 and Section 31641.4. The Ninth Circuit Court of Appeal considered that question in Cantwell v. San Mateo County, 631 F.2d 631 (9th Cir. 1980), and determined that federal law overrides Section 31641.4.
4	31646	Service Purchase for FMLA Leave	This amendment would include all leaves that are covered under the FMLA that are not due to the illness of the member.
5	31646.XX	Furloughs	This amendment would provide boards with authority to prevent temporary mandatory furloughs from impacting member benefits under specified circumstances. Similar to CalPERS statutes (see GC 20968, 20969, 20969.1, 20969.2), but granting more discretion to boards, this proposed new code section may help avoid inequities that can arise because of the timing of temporary mandatory furloughs in relation to members' planned retirements.

6	31680.2	Post-Retirement Employment	This amendment would add clarifying language that nonsalaried positions and per diems do not count as double dipping for members appointed to boards and commissions under purview of a participating employer of a county system; similar to language of 7522.57 for state boards and commission.
7	31725.7 31760	Disability Retirement: Optional Allowances	This amendment would allow members to change optional allowance if subsequently granted disability retirement, regardless of when the member filed a Disability Retirement application. Currently, Section 31725.7 only allows a benefit option change for members who retired for service after filing a disability retirement application but does not provide the same ability for those who retired for service before filing an application, even though both members may subsequently be granted a disability retirement.
8	31726 31726.5	Nonservice-connected disability	This amendment restructures the sections to provide more clarity; no substantive changes. The sections on the nonservice-connected disability retirement benefit formula distinguish between those retiring on or after age 65 for general and on or after age 55 for safety versus those retiring under these ages in the same section: 31726 and 31726.5.
9	31730	Disability -- Reinstatement	This amendment addresses the scenario in which an employer does not offer to take the employee back who has been found to no longer be incapacitated. The proposed amendment would convert convert the disability retirement into service retirement without adjusting benefit (i.e. actuarial reduction). This conforms to existing practice of several systems. Note: Similar to GC 21193 in which CalPERS only reinstates if the local employer offers to take the employee back.
10	31761 31762 31763 31764	Beneficiary Designation	This amendment would insert the word "natural" in front of the phrase "person having an insurable interest in his or her life" to clarify that the optional retirement settlement death benefit cannot be paid to a fictitious person such as a trust or corporation.
11	31781	Lump Sum Death Benefit	This amendment would add language consistent with other CERL sections that provide direction on the calculation of compensation earnable and pensionable compensation when the member is on a leave of absence during the 12 months immediately preceding the member's death.

12	31838.5	Concurrent Retirement: Disability	<p>Section 31838.5 prevents windfalls for members who retire for disability from one or more systems. This amendment would clarify that a CERL system must reduce a member's allowance from that system as much as necessary so that the member does not receive a combined allowance that is "greater than the amount the member would have received had all the member's service been with only one entity." The statute currently refers to a pro rata reduction by each system, but some systems (like CalPERS) are not subject to section 31838.5 and do not make any reduction. This may leave the member with the windfall that section 31838.5 is designed to prevent, depending upon how a system calculates its "pro rata" reduction. This statute would make clear that the windfalls section 31838.5 is designed to prevent should always be prevented.</p>
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CERL Clean-Up Bill 2022: Draft Language

*Issue 1: 31452.7 – Beneficiaries Designating Estate*

*This amendment would allow a member to designate a corporation, trust, or estate to receive his or her last check upon death. This does not allow an estate or trust to receive ongoing payments. Note: Members who choose Option 1 already can designate an estate to receive the balance of contributions.*

Section 31452.7 of the Government Code is amended to read:

(a) Upon the death of any member after retirement, any retirement allowance earned but not yet paid to the member shall, notwithstanding any other provision of law, be paid to the member’s designated beneficiary.

(b) Upon the death of any person receiving a survivor’s allowance under this chapter, any allowance earned but not yet paid to the survivor shall, notwithstanding any other provision of law, be paid to the survivor’s designated beneficiary.

**(c) For purposes of this section, “beneficiary” includes, but is not limited to, a corporation, a trust, or an estate.**

*Issue 2: 31525 – BOR Regulations*

*This amendment would delete the requirement that Board of Retirement regulations must be approved by the Board of Supervisors. This language is a holdover from when CERL systems were managed by a county department, and was adopted prior to the passage on Prop. 162 in 1992. Adoption of regulations is part of the BOR’s duty to administer the system.*

Section 31525 of the Government Code is amended to read:

The board may make regulations not inconsistent with this chapter, **the Public Employees’ Pension Reform Act of 2013, The California Pension Protection Act of 1992, and any other provisions of law applicable to county retirement systems.**

~~The regulations become effective when approved by the board of supervisors.~~

*Issue 3: 31641.4 -- Prior Military Reserve Service*

*This amendment would note a potential federal pre-emption issue regarding purchasing prior military reserve service. Current statute establishes that prior service purchases from another public agency must not yield a pension from that agency. However, 10 U.S.C. § 12736 provides that a period of military service may not be excluded from credit towards a civilian employment pension just because that period also counts towards reservist retirement. Thus, the question arises which statute prevails in a*

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*conflict between 10 U.S.C. § 12736 and Section 31641.4. The Ninth Circuit Court of Appeal considered that question in *Cantwell v. San Mateo County*, 631 F.2d 631 (9th Cir. 1980), and determined that federal law overrides Section 31641.4.*

Section 31641.4 of the Government Code is amended to read:

A member shall receive credit for employment in public service only for such service as he is not entitled to receive a pension or retirement allowance from such public agency. The service for which he elects to contribute and the fact that no pension or retirement allowance will accrue to such member by virtue of his employment in such public agency must be certified to by an officer of the public agency where he rendered such public service or must be established to the satisfaction of the board. **Nothing in this paragraph prohibits a member from receiving credit for a period of federal public service where federal law expressly permits such credit even though the member is already entitled to receive a pension or retirement allowance from that service (*Cantwell v. San Mateo County*, 631 F.2d 631 (9th Cir. 1980)).**

*Issue 4: 31646 – Credit for Uncompensated Leave of Absence for Illness; Parental Leave; Conditions*

*This amendment would include all leaves that are covered under the FMLA that are not due to the illness of the member.*

Section 31646 of the Government Code is amended to read:

(a) A member who returns to active service following an uncompensated leave of absence on account of illness may receive service credit for the period of the absence upon the payment of the contributions that the member would have paid during that period, together with the interest that the contributions would have earned had they been on deposit, if the member was not absent. The contributions may be paid in a lump sum or may be paid on a monthly basis for a period of not more than the length of the period for which service credit is claimed. Credit shall not be received for any period of such an absence in excess of 12 consecutive months.

(b) (1) A member who returns to active service following an uncompensated leave of absence on account of parental leave may receive service credit for the period of the absence upon the payment of the contributions that the member and the employer would have paid during that period, together with the interest that the contributions would have earned had they been on deposit, if the member was not absent. For purposes of this subdivision, parental leave is defined as any time, up to one year, during which a member is granted an approved maternity or paternity leave and returns to employment at the end of the approved leave for a period of time at least equal to that leave. The contributions may be paid in a lump sum or may be paid on a monthly basis for a period of not more than the length of the period for which service credit is

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claimed. Credit shall not be received for any period of such an absence in excess of 12 consecutive months.

(2) This subdivision shall not be operative until the board of supervisors, by resolution adopted by majority vote, makes the provisions applicable to that county and applies it to parental leave that commences after the adoption by the board of supervisors.

**(c) (1) A member who returns to active service following an uncompensated leave of absence on account of the serious illness of a family member when the absence is eligible for coverage under the Family Medical Leave Act, 29 U.S.C. section 2601 et. seq., or the California Family Rights Act, Government Code section 12945 et. seq., may receive service credit for the period of the absence upon the payment of the contributions that the member and the employer would have paid during that period, together with the interest that the contributions would have earned had they been on deposit, if the member was not absent. For purposes of this subdivision, leave on account of illness of a family member is defined as any time, up to one year, during which a member is granted an approved leave to care for a seriously ill family member and returns to employment at the end of the approved leave for a period of time at least equal to that leave. The contributions may be paid in a lump sum or may be paid on a monthly basis for a period of not more than the length of the period for which service credit is claimed. Credit shall not be received for any period of such an absence in excess of 12 consecutive months.**

**(2) This subdivision shall not be operative until the board of supervisors, by resolution adopted by majority vote, makes the provisions applicable to that county and applies it to leave that commences after the adoption by the board of supervisors.**

*Issue 5: 31646.XX – Furloughs*

*This amendment would provide boards with authority to prevent temporary mandatory furloughs from impacting member benefits under specified circumstances. Similar to CalPERS statutes (see GC 20968, 20969, 20969.1, 20969.2), but granting more discretion to boards, this proposed new code section may help avoid inequities that can arise because of the timing of temporary mandatory furloughs in relation to members' planned retirements.*

Section 31646.XX of the Government Code is added to read:

**The board may grant members who are subject to a temporary mandatory furlough the same service credit and “compensation earnable” or “pensionable compensation” to which the members would have been entitled in the absence of the temporary mandatory furlough. The board may condition such grant on the receipt of additional member and/or employer contributions that the board**

determines are necessary to fund any benefits granted under this section on an actuarially sound basis.

For the purposes of this section, a “temporary mandatory furlough” refers to time during which a member is directed to be absent from work without pay for up to one quarter of the member’s normal working hours, with such reduced working hours in place for no longer than two years.

*Issue 6: 31680.20 – Postretirement Employment*

*This amendment would add clarifying language that nonsalaried positions and per diems do not count as double dipping for members appointed to boards and commissions under purview of a participating employer of a county system; similar to language of 7522.57 for state boards and commission.*

Section 31680.20 of the Government Code is added to read:

**A person who is retired under this chapter may serve without reinstatement from retirement or loss or interruption of benefits under this chapter or the Public Employees’ Pension Reform Act of 2013 provided the service is on a part-time state, county, city, district, or other political subdivision board or commission. A retired person whose employment without reinstatement is authorized by this subdivision shall acquire no benefits, service credit, or retirement rights with respect to the employment. Part-time service is limited to less than 20 hours per week, and salary or stipend of the part-time service may not exceed \$60,000 annually.**

*Issue 7: 31725.7, 31760 – Disability Retirement: Optional Allowances*

*This amendment would allow members to change optional allowance if subsequently granted disability retirement, regardless of when the member filed a Disability Retirement application. Currently, Section 31725.7 only allows a benefit option change for members who retired for service after filing a disability retirement application but does not provide the same ability for those who retired for service before filing an application, even though both members may subsequently be granted a disability retirement.*

Section 31725.7 of the Government Code is amended to read:

(a) At any time after filing an application for disability retirement with the board, the member may, if eligible, apply for, and the board in its discretion may grant, a service retirement allowance pending the determination of his or her entitlement to disability retirement. If he or she is found to be eligible for disability retirement, appropriate

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adjustments shall be made in his or her retirement allowance retroactive to the effective date of his or her disability retirement as provided in Section 31724.

**(b) Notwithstanding subdivision (a), this section shall also apply to a member retired for service who subsequently files an application for disability retirement with the board. If he or she is found to be eligible for disability retirement, appropriate adjustments shall be made in his or her retirement allowance retroactive to the effective date of his or her disability retirement as provided in Section 31724.**

~~(b)~~**(c)** This section shall not be construed to authorize a member to receive more than one type of retirement allowance for the same period of time nor to entitle any beneficiary to receive benefits which the beneficiary would not otherwise have been entitled to receive under the type of retirement which the member is finally determined to have been entitled. In the event a member retired for service is found not to be entitled to disability retirement he or she shall not be entitled to return to his or her job as provided in Section 31725.

~~(c)~~**(d)** If the retired member should die before a final determination is made concerning entitlement to disability retirement, the rights of the beneficiary shall be as selected by the member at the time of retirement for service. The optional or unmodified type of allowance selected by the member at the time of retirement for service shall also be binding as to the type of allowance the member receives if the member is awarded a disability retirement.

~~(d)~~**(e)** Notwithstanding subdivision ~~(e)~~**(d)**, if the retired member should die before a final determination is made concerning entitlement to disability retirement, the rights of the beneficiary may be as selected by the member at the time of retirement for service, or as if the member had selected an unmodified allowance. The optional or unmodified type of allowance selected by the member at the time of retirement for service shall not be binding as to the type of allowance the member receives if the member is awarded a disability retirement. A change to the optional or unmodified type of allowance shall be made only at the time a member is awarded a disability retirement and the change shall be retroactive to the service retirement date and benefits previously paid shall be adjusted. If a change to the optional or unmodified type of allowance is not made, the benefit shall be adjusted to reflect the differences in retirement benefits previously received. This paragraph shall only apply to members who retire on or after January 1, 1999.

Section 31760 of the Government Code is amended to read:

(a) Except as provided in subdivisions **(b) and (c)**, until the first payment of any retirement allowance is made, a member or retired member, in lieu of the retirement allowance for the member's life alone, may elect to have the actuarial equivalent of his or her retirement allowance as of the date of retirement applied to a lesser retirement

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allowance payable throughout life in accordance with one of the optional settlements specified in this article.

(b) Notwithstanding subdivision (a), a member who applies for disability and is subsequently granted a service retirement pending a determination of entitlement to disability may change the type of optional or unmodified allowance that he or she elected at the time the service retirement was granted, subject to the provisions of Section 31725.7.

**(c) Notwithstanding subdivision (a), a member retired for service who applies for and is subsequently granted a disability retirement may change the type of optional or unmodified allowance that he or she elected at the time the service retirement was granted, subject to the provisions of Section 31725.7.**

*Issue 8: Sections 31726 and 31726.5: Nonservice-connected disability*

*This amendment restructures the sections to provide more clarity; no substantive changes. The sections on the nonservice-connected disability retirement benefit formula distinguish between those retiring on or after age 65 for general and on or after age 55 for safety versus those retiring under these ages in the same section: 31726 and 31726.5.*

Section 31726 of the Government Code is amended to read:

**(a)** Upon retirement for ~~non-service~~**nonservice**-connected disability a member who has attained age 65 shall receive his or her service retirement allowance.

**(b)** Every member under age 65 who is retired for ~~non-service~~**nonservice**-connected disability and who is not simultaneously retired as a member on deferred retirement of the ~~State~~**Public** Employees' Retirement System or a retirement system established under this chapter in another county shall receive a disability retirement allowance which shall be the greater of the following:

~~(a)~~**(1)** The sum to which he or she would be entitled as service retirement; **or**

~~(b)~~**(2)** A sum which shall consist of ~~any of the following~~:

~~(1)~~**(A)** An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement.

~~(2)~~**(B)** If, in the opinion of the board, his or her disability is not due to intemperate use of alcoholic liquor or drugs, willful misconduct, or violation of law on his or her part, a disability retirement pension purchased by contributions of the county or district.

~~(3)~~**(C)** If, in the opinion of the board, his or her disability is not due to conviction of a felony or criminal activity which caused or resulted in the member's disability, a disability retirement pension purchased by contributions of the county or district. This paragraph

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shall only apply to a person who becomes a member of the system on or after January 1, 1988.

Section 31726.5 of the Government Code is amended to read:

**(a)** Upon retirement for nonservice-connected disability a safety member who has attained age 55 shall receive his or her service retirement allowance.

**(b)** Every safety member under age 55 who is retired for nonservice-connected disability and who is not simultaneously retired as a member on deferred retirement of the Public Employees' Retirement System or a retirement system established under this chapter in another county shall receive a disability retirement allowance which shall be the greater of:

~~(a)~~**(1)** The sum to which he or she would be entitled to as service retirement; or

~~(b)~~**(2)** A sum which shall consist of:

~~(1)~~**(A)** An annuity which is the actuarial equivalent of his or her accumulated contributions at the time of his or her retirement.

~~(2)~~**(B)** If, in the opinion of the board, his or her disability is not due to intemperate use of alcoholic liquor or drugs, willful misconduct, or violation of law on his or her part, a disability retirement pension purchased by contributions of the county or district.

~~(3)~~**(C)** If, in the opinion of the board, his or her disability is not due to conviction of a felony or criminal activity which caused or resulted in the member's disability, a disability retirement pension purchased by contributions of the county or district.

~~Paragraph 3~~**Subparagraph (C)** shall only apply to a person who becomes a member of the association on or after January 1, 1988.

*Issue 9: 31730 – Disability Reinstatement*

*This amendment addresses the scenario in which an employer does not offer to take the employee back who has been found to no longer be incapacitated. The proposed amendment would convert convert the disability retirement into service retirement without adjusting benefit (i.e. actuarial reduction). This conforms to existing practice of several systems. Note: Similar to GC 21193 in which CalPERS only reinstates if the local employer offers to take the employee back.*

Section 31730 of the Government Code is amended to read as follows:

**(a)** If the board determines that the beneficiary is not incapacitated, and his or her employer offers to reinstate that beneficiary, his or her retirement allowance shall be

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canceled forthwith, and he or she shall be reinstated in the county service pursuant to the regulations of the county or district for reemployment of personnel.

**(b) If the board determines that the beneficiary is not incapacitated, and his or her employer does not offer to reinstate that beneficiary, notwithstanding any requirement of this chapter regarding eligibility therefor, his or her retirement allowance shall be reclassified to a service retirement in the same amount and subject to any applicable future cost of living adjustments. The optional or unmodified type of allowance selected by the beneficiary at the time of retirement for disability shall be binding as to the service retirement.**

*Issue 10: 31761, 31762, 31763, and 31764 – Optional Retirement Allowances:*

*This amendment would insert the word “natural” in front of the phrase “person having an insurable interest in his or her life” to clarify that the optional retirement settlement death benefit cannot be paid to a fictitious person such as a trust or corporation.*

Sections 31761, 31762, 31763, and 31764 of the Government Code are amended to read:

31761 – Optional settlement 1 consists of the right to elect in writing to have a retirement allowance paid him or her until his or her death and, if he or she dies before he or she receives in annuity payments the amount of his or her accumulated contributions at retirement, to have the balance at death paid to his or her estate or to the natural person, having an insurable interest in his or her life, as he or she nominates by written designation duly executed and filed with the board.

31762 – Optional settlement 2 consists of the right to elect in writing to have a retirement allowance paid to him or her until his or her death, and thereafter to the natural person, having an insurable interest in his or her life, as he or she nominates by written designation duly executed and filed with the board at the time of his or her retirement.

31763 – Optional settlement 3 consists of the right to elect in writing to have a retirement allowance paid him or her until his or her death, and thereafter to have one-half of his or her retirement allowance paid to the natural person, having an insurable interest in his or her life, as he or she nominates by written designation duly executed and filed with the board at the time of his or her retirement.

31764 – Optional settlement 4 consists of the right to elect in writing to have a retirement allowance paid him or her until his or her death and thereafter to have other benefits as are approved by the board, upon the advice of the actuary, continued throughout the life of and paid to the natural persons, having an insurable interest in his or her life, as he or she nominates by written designation duly executed and filed with the board at the time of his or her retirement. The designation shall not, in the opinion of the board and the actuary, place any additional burden upon the retirement system.

SACRS Proposed Legislation  
CERL Clean-Up Bill 2022: Draft Language

*Issue 11: 31781 – Death Benefit; Elements*

*This amendment would add language consistent with other CERL sections that provide direction on the calculation of compensation earnable and pensionable compensation when the member is on a leave of absence during the 12 months immediately preceding the member's death.*

Section 31781 of the Government Code is amended to read:

The death benefit shall consist of:

- (a) The member's accumulated contributions.
- (b) An amount, provided from contributions by the county or district, equal to one-twelfth of the annual compensation earnable or pensionable compensation as defined in [Section 7522.34](#), whichever is applicable, by the deceased during the 12 months immediately preceding his death, multiplied by the number of completed years of service under the system, but not to exceed 50 percent of such annual compensation. **The computation for any absence shall be based on the compensation of the position held by the member at the beginning of the absence.**

*Issue 12: 31838.5 – Concurrent Retirement; Disability*

*Section 31838.5 prevents windfalls for members who retire for disability from one or more systems. This amendment would clarify that a CERL system must reduce a member's allowance from that system as much as necessary so that the member does not receive a combined allowance that is "greater than the amount the member would have received had all the member's service been with only one entity." The statute currently refers to a pro rata reduction by each system, but some systems (like CalPERS) are not subject to section 31838.5 and do not make any reduction. This may leave the member with the windfall that section 31838.5 is designed to prevent, depending upon how a system calculates its "pro rata" reduction. This statute would make clear that the windfalls section 31838.5 is designed to prevent should always be prevented.*

Section 31838.5 of the Government Code is amended to read:

No provision of this chapter shall be construed to authorize any member, credited with service in more than one entity and who is eligible for a disability allowance, whether service connected or nonservice connected to receive an amount from one county that, when combined with any amount from other counties or the Public Employees' Retirement System, results in a disability allowance greater than the amount the member would have received had all the member's service been with only one entity.

*SACRS Proposed Legislation  
CERL Clean-Up Bill 2022: Draft Language*

In cases of service-connected disability allowances only, the limitation on disability allowances provided for in this section shall apply to service-connected disability allowances payable to those who, after being employed with another county or an entity within the Public Employees' Retirement System, become employed by a second public entity on or after January 1, 1984.

Each entity shall calculate its respective obligations based upon the member's service with that entity and each shall adjust its payment on a pro rata basis. **If, however, another entity does not reduce the amount it pays the member, an entity subject to this section shall reduce the allowance it pays the member by as much as necessary to ensure that the member does not receive a disability allowance greater than the amount the member would have received had all the member's service been with only one entity.**



**6. SACRS Nomination Committee – 2022-2023 SACRS Election Notice – No Action**

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

- A. SACRS Election Notice 2022-2023



August 24, 2021

To: SACRS Trustees & SACRS Administrators/CEO's  
 From: Dan McAllister, SACRS Immediate Past President, Nominating Committee Chair  
 SACRS Nominating Committee  
 Re: SACRS Board of Director Elections 2022-2023 - Elections Notice

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SACRS BOD 2022-2023 election process will begin January 2022. Please provide this election notice to your Board of Trustees and Voting Delegates.

DEADLINE	DESCRIPTION
March 1, 2022	Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.
March 25, 2022	The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25
May 13, 2022	Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference
May 13, 2022	Board of Directors take office for 1 year

**Per SACRS Bylaws, Article VIII, Section 1. Board of Director and Section 2. Elections of Directors:**

**Section 1. Board of Directors. The Board shall consist of the officers of SACRS as described in Article VI, Section 1, the immediate Past President, and two (2) regular members**

**A. Immediate Past President.** *The immediate Past President, while he or she is a regular member of SACRS, shall also be a member of the Board. In the event the immediate Past President is unable to serve on the Board, the most recent Past President who qualifies shall serve as a member of the Board.*

**B. Two (2) Regular Members.** *Two (2) regular members shall also be members of the Board with full voting rights.*

**Section 2. Elections of Directors.** *Any regular member may submit nominations for the election of a Director to the Nominating Committee, provided the Nominating Committee receives those nominations no later than noon on March 1 of each calendar year regardless of whether March 1 is a Business Day. Each candidate may run for only one office. Write-in candidates for the final ballot, and nominations from the floor on the day of the election, shall not be accepted.*

*The Nominating Committee will report its suggested slate, along with a list of the names of all members who had been nominated, to each regular member County Retirement System prior to March 25.*



*The Administrator of each regular member County Retirement System shall be responsible for communicating the Nominating Committee's suggested slate to each trustee and placing the election of SACRS Directors on his or her board agenda. The Administrator shall acknowledge the completion of these responsibilities with the Nominating Committee.*

*Director elections shall take place during the first regular meeting of each calendar year. The election shall be conducted by an open roll call vote, and shall conform to Article V, Sections 6 and 7 of these Bylaws.*

*Newly elected Directors shall assume their duties at the conclusion of the meeting at which they are elected, with the exception of the office of Treasurer. The incumbent Treasurer shall co-serve with the newly elected Treasurer through the completion of the current fiscal year.*

The elections will be held at the SACRS Spring Conference May 10 – 13, 2022 at the Rancho Las Palmas, Rancho Mirage, CA. Elections will be held during the Annual Business meeting on Friday, May 13, 2022.

If you have any questions, please contact Dan McAllister, [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov)

Thank you for your prompt attention to this timely matter.

Sincerely,

*Dan McAllister*

Dan McAllister, San Diego CERA Trustee & San Diego County Treasurer Tax Collector  
SACRS Nominating Committee Chair

CC: SACRS Board of Directors  
SACRS Nominating Committee Members  
Sulema H. Peterson, SACRS Executive Director



**SACRS Nomination Submission Form  
SACRS Board of Directors Elections 2022-2023**

All interested candidates must complete this form and submit along with a letter of intent. **Both the form and the letter of intent must be submitted no later than March 1, 2022.** Please submit to the Nominating Committee Chair at [Dan.McAllister@sdcounty.ca.gov](mailto:Dan.McAllister@sdcounty.ca.gov) AND to SACRS at [sulema@sacrs.org](mailto:sulema@sacrs.org). If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

<b>Name of Candidate</b>	Name:
<b>Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address)</b>	Mailing Address:  Email Address:  Phone:
<b>Name of Retirement System Candidate Currently Serves On</b>	System Name:
<b>List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc)</b>	<input type="radio"/> Chair <input type="radio"/> Alternate <input type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____
<b>Applying for SACRS Board of Directors Position (select only one)</b>	<input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member
<b>Brief Bio</b>	



**7. SACRS Audit Report – No Action**

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

A. SACRS Annual Audit Update



**No printed materials for this item**



**8. SACRS Education Committee Report – No Action**

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. SACRS Annual Fall Conference 2021 Evaluations/Feedback



**No printed materials for this item**



**9. SACRS Program Committee Report – No Action**

Kathryn Cavness, Mendocino CERA, SACRS Program Committee Chair

- A. SACRS Annual Fall Conference 2021 report



**No printed materials for this item**



**10. SACRS Affiliate Committee Report – No Action**

Scott Draper, Algert Global, SACRS Affiliate Committee Chair

A. Affiliate Committee report



**No printed materials for this item**



**11. SACRS Bylaws Committee Report – No Action**  
Chair Position Open, SACRS Bylaws Committee Chair

- A. No report



**No printed materials for this item**



## **12. SACRS Fall Conference Breakout Reports – No Action**

A representative from each breakout will give report on their meetings.

- A. Administrators
- B. Counsel
- C. Disability/ Operations & Benefits Combo
- D. Internal Auditors
- E. Investment Officers
- F. Safety Trustees
- G. General Trustees



**No printed materials for this item**



### **13. Adjournment**

Next scheduled SACRS Association Business Meeting will be held Friday, May 13, 2022 at the Rancho Las Palmas Hotel in Rancho Mirage, CA.

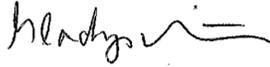
**SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION**  
**Board of Retirement**

October 26, 2021

Agenda Item 7.4

**TO:** Board of Retirement

**FROM:** Gladys Smith, Assistant Executive Officer



**SUBJECT:** Board of Retirement Meeting Schedule for 2022

**Recommendation**

Approve a Resolution Setting the Board of Retirement's Regular Meeting Schedule for Calendar Year 2022

**Background**

Board regulation 3.4 provides that the regular meetings of the Board shall be held on the Fourth Tuesday of each month and shall begin at 10:00 am. It further provides that by resolution, the Board may add, cancel and/or change the date, time and/or location of meetings, if the proposed change is included on the agenda of a regular meeting.

Historically, the Board combines its November and December meetings due to conflicts with the holidays at the end of those months. It is prudent to anticipate these changes by adopting a meeting schedule and placing it on the SamCERA website to provide public notice.

Consistent with recent years, the 2022 proposed schedule includes:

- Ten total meetings;
- Holding all, but the December meeting, on the fourth Tuesday of the month;
- Convening the meetings at 10:00 a.m., except for the Board/Staff Retreat meeting;
- Holding the annual Board/Staff Retreat on March 22 (fourth Tuesday) with regular business taken up at 8:30 a.m;
- Holding **no** meeting in June 2022;
- Holding **no** meeting in November due to the Thanksgiving Day holiday; and
- Holding the December meeting on December 6, 2022, the first Tuesday of that month; because of the holidays and to space the time between the October and December meetings.

**Attachment**

Resolution Setting the Board of Retirement's Regular Meeting Schedule for Calendar Year 2022

**RESOLUTION SETTING THE BOARD OF RETIREMENT'S REGULAR  
MEETING SCHEDULE FOR CALENDAR YEAR 2021**

RESOLUTION 2021-\_\_\_\_\_

RESOLVED, by the Board of Retirement, that

WHEREAS, Board of Retirement Regulation Article III, Section 3.4 "Regular Meetings" provides that regular meetings of the Board shall be held on the Fourth Tuesday of each month, and that meetings shall begin at 10:00 a.m. and shall be held in SamCERA's offices; and

WHEREAS, Regulation Section 3.4 further provides that by resolution, the Board may add, cancel, and or change the date, time and/or location of meetings within the County, if the proposed change is included on the agenda of a regular meeting; and

WHEREAS, this Board desires to set its meeting schedule for calendar year 2022 which generally has its meetings on the Fourth Tuesday of the month, but also reflects some cancellations, date changes and a one-time change;

NOW, THEREFORE, IT IS HEREBY DETERMINED AND ORDERED that the schedule of regular meetings for the Board of Retirement for calendar year 2022 shall be as reflected on the attached schedule, unless changed by subsequent resolution of the Board:

Regularly passed and adopted, by the San Mateo County Employees' Retirement Association, Board of Retirement, on October 26, 2021.

Ayes, Trustees:

Noes, Trustees:

Absent, Trustees:

Abstain, Trustees:

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Mark Battey, Board Secretary  
SamCERA

## 2022 SamCERA Board Meeting Schedule

All meetings to be held at  
100 Marine Parkway, Suite 160  
Redwood City, CA 94065

MONTH	DAY	WEEK & DAY	TIME
JANUARY	25	FOURTH TUESDAY	10:00 A.M.
FEBRUARY	22	FOURTH TUESDAY	10:00 A.M.
MARCH (BOARD/STAFF RETREAT)	22	FOURTH TUESDAY	8:30 A.M. BUSINESS ITEMS, FOLLOWED BY RETREAT
APRIL	26	FOURTH TUESDAY	10:00 A.M.
MAY	24	FOURTH TUESDAY	10:00 A.M.
JUNE	NO MEETING	NONE	
JULY	26	FOURTH TUESDAY	10:00 A.M.
AUGUST	23	FOURTH TUESDAY	10:00 A.M.
SEPTEMBER	27	FOURTH TUESDAY	10:00 A.M.
OCTOBER	25	FOURTH TUESDAY	10:00 A.M.
NOVEMBER	NO MEETING	NONE	
DECEMBER	6	FIRST TUESDAY	10:00 A.M.