



Notice of Public Meeting

The Board of Retirement of the San Mateo County Employees' Retirement Association will meet on **Tuesday, November 1, 2022 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/82626874208>
- To join the meeting via telephone, dial: (669) 900-9128, and enter Meeting ID: 826 2687 4208

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 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 Special Board Meeting Minutes from September 27, 2022
 - 3.2 Approval of Board Meeting Minutes from September 27, 2022
 - 3.3 Approval of Special Board Meeting Minutes from October 13, 2022

4. Approval of the Consent Agenda*

- | | |
|--------------------------------|--|
| 4.1 Disability Retirements (2) | 4.5 Deferred Retirements |
| • Costa, Antonino | 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, 2022
- 6.2 Report on Inflation Hedge Manager Annual Review
- 6.3 Report on Opportunistic Credit Manager Annual Review
- 6.4 Report on Absolute Return Manager Annual Reviews
- 6.5 Approval of Proposed Alternative Investment (to be heard in closed session, Confidential Under Gov. Code §54956.81 and §6254.26, see item C2)

7. Board & Management Support

- 7.1 Presentation by Brown Armstrong of 2022 Financial Audit Management Reports
- 7.2 Approval of SamCERA's 2022 Annual Comprehensive Financial Report (ACFR)
- 7.3 Approval of Voting Delegates and direction to delegates for Fall 2022 SACRS Business Meeting
- 7.4 Presentation on the Strategic Plan Update Process

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
- C2 Approval of Proposed Alternative Investment (to be heard in Closed Session, Confidential Under Gov. Code § 54956.81 and §6254.26, see item 6.5)


9. Report on Actions Taken in Closed Session

Notice of Public Meeting

Page 3 of 3

10. Adjournment in Memory of the Following Deceased Members:

| | | |
|--------------------|--------------------|----------------------------|
| Gamber, Joyce | June 2, 2022 | District Attorney's Office |
| Constantz, Mark | June 23, 2022 | Library |
| Blankenship, James | September 7, 2022 | Probation |
| Correa, Juana | September 8, 2022 | Hospital |
| Foreman, Marilyn | September 21, 2022 | Social Services |
| Potente, Macario | September 23, 2022 | Health Services |
| Goodier, Benjamin | September 29, 2022 | Assessor's |
| Scoville, Evelyn | October 6, 2022 | Sheriff's |
| Nielson, Phil | October 11, 2022 | Sheriff's |



Scott Hood, Chief Executive Officer

Posted: October 26, 2022

(* 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. *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 7:30 a.m.– 5:30 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 27, 2022 – SPECIAL BOARD MEETING MINUTES

2209SP.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Battey, Acting Chair, called the Special Meeting of the Board of Retirement to order at 9:55 a.m. via Zoom.

Roll Call:

Present: Sandie Arnott, Mark Battey, Al David, Kurt Hoefer, Kimathi Marangu, Elaine Orr, Robert Raw, and Alma Salas.

Absent: Katherine O'Malley.

Alternates: Nicole McKay.

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

Consultants and speakers: Nick Collier and Craig Glyde (Milliman, Inc.)

2209SP.2 Oral Communications from the Public: Mr. Battey asked if there was any public comment concerning items on the agenda 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.

2209SP.3 Approval of Resolution Authorizing the Use of Teleconferencing for Board and Committee Meetings Pursuant to Government Code Section 54953(e): Mr. Hood discussed staff recommendation that the Board of Retirement authorize the continued use of teleconferenced meetings pursuant to AB 361.

Action: Mr. David moved to approve the resolution authorizing the use of teleconferencing for Board and Committee meetings pursuant to Government Code Section 54953(e). The motion was seconded by Mr. Raw and carried with a vote of 8-0, with trustees Arnott, Battey, David, Hoefer, Marangu, Orr, Raw, and Salas all in favor; none opposed.

2209SP.4 Adjournment: Mr. Battey adjourned the Special Meeting at 9:58 a.m.

Mark Battey
Acting Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
SEPTEMBER 27, 2022 – REGULAR BOARD MEETING MINUTES

2209.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Mr. Battey, Acting Chair, called the Regular Meeting of the Board of Retirement to order at 10:00 a.m.

Roll Call:

Present: Sandie Arnott, Mark Battey, Al David, Kurt Hoefer, Kimathi Marangu, Elaine Orr, Robert Raw, and Alma Salas.

Absent: Katherine O'Malley.

Alternates: Nicole McKay.

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

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

2209.2.1 Oral Communications from the Board: None.

2209.2.2 Oral Communications from the Public: Mr. Battey 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.

2209.3.1 Approval of Board Meeting Minutes from August 23, 2022: Mr. Battey asked if there were any changes or corrections, or objections, to the meeting minutes from the regular Board meeting held on August 23, 2022. There were no changes, corrections, or objections presented.

Action: Mr. Raw moved to approve the minutes from the regular Board meeting on August 23, 2022. The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Arnott, Battey, David, Hoefer, Marangu, Orr, Raw, and Salas all in favor; none opposed.

2209.4.0 Approval of the Consent Agenda: Mr. Battey asked if there were any items to be removed for discussion from the Consent Agenda. No items were removed.

Action: Mr. Hoefer moved to approve the items on the Consent Agenda. The motion was seconded by Mr. David and carried with a vote of 8-0, with trustees Arnott, Battey, David, Hoefer, Marangu, Orr, Raw, and Salas all in favor; none opposed.

2209.4.1 Disability Retirements: None.

2209.4.2 Survivor Death Benefits: None.

2209.4.3 **Service Retirements:**

| Name | Effective Retirement Date | Department |
|---------------------------------|----------------------------------|------------------------------------|
| Austin, Robert | July 30, 2022 | Probation |
| Chao, Kathryn | July 9, 2022 | Probation |
| Debbs, Josephine | July 28, 2022 | San Mateo County Health |
| Dennis, Shelley | July 18, 2022 | Deferred - Probation |
| Haberlach, Nicholas | July 21, 2022 | Probation |
| Henry, Sharon | July 15, 2022 | Def'd - District Attorney's Office |
| Kelleher, Susan | July 26, 2022 | San Mateo County Health |
| Lee, Susan | July 6, 2022 | Probation |
| Lew, Sheldon | July 30, 2022 | San Mateo County Health |
| Maguire, Elizabeth | August 1, 2022 | Def'd - District Attorney's Office |
| McDonald, Colleen | July 31, 2022 | Deferred - San Mateo Co Health |
| Nicdao, Divina | July 6, 2022 | Deferred - County Mgr's Office |
| Raman, Reenu | July 10, 2022 | Sheriff's Office |
| Reyes, Estela | July 6, 2022 | Family Health Services |
| Sarabia, Christopher | July 2, 2022 | Deferred – Public Works |
| Settles, Jean | July 9, 2022 | Information Services |
| Tafreshiha, Hadi (Shawn Nezami) | July 29, 2022 | Information Services |
| Viola, John | July 9, 2022 | Information Services |

2209.4.4 **Continuances:**

| Survivor's Name: | Beneficiary of: |
|-------------------------|------------------------|
| Dames, Daniel | Dames, Elizabeth |
| Griswold, Candyce | Griswold, Barney |
| Keegan, Stephen | Keegan, Virginia |
| Mirosnkoff, Roseann | Mirosnkoff, Peter |
| Wilson, Suzanne | Wilson, Brent |

2209.4.5 **Deferred Retirements:**

| Name | Retirement Plan Type |
|------------------------|--------------------------------------|
| Cervantes, Julia | G5, Vested - Reciprocity |
| Coit, Benjamin | G4, Vested - Auto Defer – Code 31700 |
| Escalante, Hilda | G7, Vested - Auto Defer – Code 31700 |
| Evans, Elizabeth | G7, Vested |
| Faulkner, Sharon | G7, Vested - Auto Defer – Code 31700 |
| Garcia, Briana | G7, Vested - Auto Defer – Code 31700 |
| Johnson, Dana | P4, Vested - Auto Defer – Code 31700 |
| Kelkar, Aditi | G5, Vested - Auto Defer – Code 31700 |
| Kwok, Christopher | G7, Vested - Auto Defer – Code 31700 |
| Liang, Cindy | G4, Vested |
| McCoy, Joshua | G5, Vested |
| Peters, Christopher | S7, Vested - Auto Defer – Code 31700 |
| Rahman, Nabeela | G4, Vested |
| Ruiz Rivas, Concepcion | G5, Vested - Auto Defer – Code 31700 |
| Thunstedt, Bryan | G7, Vested - Auto Defer – Code 31700 |
| Vo, Denise | G7, Vested |

2209.4.6 **Member Account Refunds:**

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

| Name | Retirement Plan Type |
|------------------------------|-----------------------------|
| Ayers, Ryan | S7, Non-vested |
| Gonsalves Carpalino, Jericho | G7, Non-vested |
| Gonzalez Diaz, Alan | G7, Non-vested |
| Logia, Jenifer K | G7, Non-vested |
| Lopez, Guadalupe | G7, Non-vested |
| Shearer, Lesley | G7, Non-vested |
| Sheekha, Fnu | G7, Non-vested |
| Toroca, Caroline M | G4, Vested |
| Velasquez, Jose Manjarrez | S4, Vested |

2209.4.7 **Member Account Rollovers:**

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

| Name | Retirement Plan Type |
|---------------------------|-----------------------------|
| Alexander, Lauren Nicole | Alexander, Lauren Nicole |
| Cheung, Sam | Cheung, Sam |
| Van Donge, Christine Mary | Van Donge, Christine Mary |
| Viray, Ludivico | Viray, Ludivico |

2209.4.8 **Member Account Redeposits:** None.

2209.4.9 **Acceptance of Trustees' Reports of Educational Activities:** None.

2209.4.10 **Approval of Questions for Annual Review of Brown Armstrong:** The Board approved the evaluation questions in the "Questions for Annual Auditor Consultant Evaluation."

2209.4.11 **Approval of Resolutions that Define Compensation Earnable and Pensionable Compensation:** The Board approved amendments to (1) the Resolution defining Compensation Earnable, pursuant to Government Code §31461 for members who are not subject to Government Code §7522.34 and (2) the Resolution defining Pensionable Compensation for members who are subject to Government Code §7522.34.

2209.5.1 **Consideration of Agenda Items, if any, Removed from the Consent Agenda:** None.

2209.5.2 **Presentation of the June 30, 2022 Annual Actuarial Valuation by Milliman, Inc.:** Mr. Collier and Mr. Glyde, of Milliman, Inc., presented the results and recommendations of SamCERA's Actuarial Valuation Report as of June 30, 2022. The results included: A decrease in the Employer Statutory Contribution rate from 38.33% to 26.19%, a slight increase in the member contribution rates for the County and Courts PEPRA Plans, and an increase in the funded ratio of the system from 88.1% to 90.7% as of June 30, 2022. The report was accepted without objection by the Board.

2209.5.3 **Approval of Resolution Accepting the Fiscal Year 2023-2024 Employer and Member Contribution Rates and Recommendations:** Mr. Battey called for a motion on the recommendations made for fiscal year 2023-2024 employer and member contribution rates.

Action: Mr. Marangu moved to approve the “Resolution Accepting Contribution Rates to Recommend to the Board of Supervisors for the 2023-2024 Fiscal Year.” The motion was seconded by Mr. Hoefer and carried with a vote of 8-0, with trustees Arnott, Battey, David, Hoefer, Marangu, Orr, Raw, and Salas all in favor; none opposed.

- 2209.6.1 **Report on Preliminary Monthly Portfolio Performance Report for the Period Ended August 31, 2022:** Mr. Coultrip reported that SamCERA’s net preliminary return for August was -2.0% bringing the preliminary trailing twelve month return ending August 2022 to -5.7% net, lower than both the policy benchmark return of -5.1% and assumed earnings rate of 6.25%. He reported most assets classes were lower in August as market participants reacted to Chairman Powell’s reinforcement of the Fed’s commitment to bring inflation down. Investor optimism plummeted as yields rose across the yield curve. Mr. Coultrip also answered questions from the Board. This item was informational and for discussion only, no action was taken.
- 2209.6.2 **Report on Opportunistic Credit Manager Annual Reviews:** Ms. Ng reported that staff and consultant held annual review meetings with private credit managers, White Oak Global Advisors and Blackrock on August 11th. Ms. Ng provided the Board with a summary of each meeting and answered questions from the Board. This item was informational and for discussion only, no action was taken.
- 2209.6.3 **Approval of Resolution Amending SamCERA’s Investment Policy Statement (Policy Benchmark Change):** Mr. Coultrip discussed staff’s recommendation to amend Sections 6.0 and 10.0 of the Investment Policy statement by including the County Cash Pool in the Cash Flow-Matched Liquidity sub-category as SamCERA uses this account to pay out benefit payments. He added that changing the policy benchmark for the Cash Flow-Matched Liquidity sub-category to the BC 1-3 Government/Credit Index from the BC 1-3 Year Credit Index is appropriate.
- Action:** Mr. David moved to amend SamCERA’s Investment Policy statement that was approved July 26, 2022, as recommended by staff. The motion was seconded by Mr. Raw and carried with a vote of 8-0, with trustees Arnott, Battey, David, Hoefer, Marangu, Orr, Raw, and Salas all in favor; none opposed.
- 2209.7.1 **Approval of a Resolution Setting the Board of Retirement’s Regular Meeting Schedule for Calendar Year 2023:** Ms. Smith reviewed the proposed Board meeting schedule for 2023 with the Board.
- Action:** Mr. Hoefer moved to approve a resolution setting the Board of Retirement’s regular meeting schedule for calendar year 2023. The motion was seconded by Mr. Raw and carried with a vote of 8-0, with trustees Arnott, Battey, David, Hoefer, Marangu, Orr, Raw, and Salas all in favor; none opposed.
- 2209.8.1 **Chief Executive Officer’s Report:** Mr. Hood shared that he participated in an NCPERS webinar and spoke about the implementation of SamCERA’s mobile application with Digital Deployment. He also reported that Ms. O’Malley will be back for the Board’s next meeting and previewed a few items on the agenda which includes a presentation of the Annual Comprehensive Financial Reports, and approval of the SACRS voting delegate and business packet. Mr. Hood also answered questions from the Board regarding staff’s current telework operations and future plans to return to in-person Board meetings. He added that a survey will be sent out to obtain their feedback on in-person meetings.
- 2209.8.2 **Assistant Executive Officer’s Report:** Ms. Smith gave a friendly reminder to complete the actuary survey for Milliman, Inc. Ms. Trujillo shared upcoming educational opportunities with the Board.
- 2209.8.3 **Chief Investment Officer’s Report:** Mr. Coultrip provided the Board with an update on the Aberdeen Standard Life portfolio. He reported that staff is in the process of reviewing three dynamic currency hedge managers and will bring additional information to the Board at a future meeting. He also

informed the Board that a Special Meeting may take place in October to discuss the funding of SamCERA's cash flow match portfolio.

2209.8.4 **Chief Legal Counsel's Report:** Mr. Okada reported that the proposed legislative bill AB 2449, which was ultimately passed by the Legislature and signed by the Governor, was not the bill supported by various local government associations. He discussed the details of AB 2449, which will go into effect January 1, 2023, and which will provide an additional basis for Board members to participate remotely. Mr. Okada noted, however, that Board members participating remotely pursuant to AB 2449 may only do so for up to two meetings per calendar year and that "just cause" or "emergency circumstances" (as defined in the bill) must exist. Mr. Okada also informed the Board that he plans to send everyone an update on their ethics training hours for the two-year period ending in April 2023.

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

2209.10 **Adjournment:** Mr. Battey adjourned the meeting at 11:13 a.m. in memory of the deceased members listed below.

| | | |
|---------------------|-------------------|---------------------------|
| Letana, Karla | August 5, 2022 | Human Services Agency |
| Dellamonica, Laura | August 15, 2022 | San Mateo County Health |
| Lamotte, Guy | August 19, 2022 | Assessor's Office |
| Franklin, Robert | August 19, 2022 | Probation |
| Williams, Dannielle | August 19, 2022 | Mental Health |
| Johnson, Vernon | August 19, 2022 | Probation |
| Blum, Donald | August 22, 2022 | General Services |
| Loring, Helen | August 25, 2022 | Social Services |
| Esposito, Lorie | August 29, 2022 | Child and Family Services |
| Carle, Elva | August 31, 2022 | Mental Health |
| O'Shea, Mary | September 4, 2022 | Probation |
| Masini, Louis | September 6, 2022 | Environmental Management |

Mark Battey
Acting Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
OCTOBER 13, 2022 – SPECIAL BOARD MEETING MINUTES

2210SP.1 Call to Order, Roll Call and Miscellaneous Business

Call to Order: Ms. O'Malley, Chair, called the Special Meeting of the Board of Retirement to order at 10:00 a.m. via Zoom.

Roll Call:

Present: Sandie Arnott, Al David, Kurt Hoefer, Kimathi Marangu, Katherine O'Malley, Robert Raw, and Alma Salas.

Absent: Mark Battey and Elaine Orr.

Alternates: Nicole McKay.

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

Consultants and speakers: Joe Abdou and Margaret Jadallah (Verus).

2210SP.2 Oral Communications from the Public: Ms. O'Malley asked if there was any public comment concerning items on the agenda 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.

2210SP.3 Adopt a Resolution Finding that Conducting In-Person Meetings Would Present an Imminent Risk to the Health and Safety of Attendees: Mr. Hood discussed staff's recommendation that the Board of Retirement authorize the continued use of teleconferenced meetings pursuant to AB 361.

Action: Mr. Hoefer moved to approve the resolution authorizing the use of teleconferencing for Board and Committee meetings pursuant to Government Code Section 54953(e). The motion was seconded by Mr. David and carried with a vote of 6-1, with trustees David, Hoefer, Marangu, O'Malley, Raw, and Salas all in favor; Arnott opposed.

2210SP.4 Approval of Annual Cash Flow Match Replenishment Recommendation: Mr. Coultrip reported that based on cash flow forecasts provided by Milliman and the Finance Team, SamCERA will need to add approximately \$170 million in new monies to replenish the three years' worth of expected net cash flows for fiscal years 2023, 2024, and 2025. He discussed staff's recommendation to fund from defensive fixed income and fully redeem the investments from the Western Total Return Unconstrained (TRU) fund. Mr. Coultrip also answered questions from the Board.

Action: Mr. Marangu moved to approve the recommendation to replenish the cash flow match pool to include fiscal year 2025's net cash flows, resulting in adding \$170 million to the Insight Investment Cash Flow Match account. The motion was seconded by Mr. David and carried with a vote of 7-0, with trustees Arnott, David, Hoefer, Marangu, O'Malley, Raw, and Salas all in favor; none opposed.

2210SP.5 Adjournment: Ms. O'Malley adjourned the Special Meeting at 10:29 a.m.

Katherine O'Malley
Chair

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

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 find that **Antonino Costa** (1) is permanently incapacitated from the performance of his usual and customary duties as a Deputy Sheriff, (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, regarding **Patrina Sudano**, (1) accept the proposed decision of the Hearing Officer, Juliet Cox, (2) find that she is permanently disabled and unable to perform her job duties as a Deputy Sheriff, (3) find that her disability was the result of an injury arising out of and in the course of her employment and (4) grant her application for a service-connected disability retirement.

4.2 Survivor Death Benefits

None.

4.3 Service Retirements

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

| Name | Effective Retirement Date | Department |
|-----------------------------|----------------------------------|---------------------------------|
| Arakaki-Barbanica, Roderick | August 11, 2022 | Sheriff's Office |
| Armando, Andrew | August 31, 2022 | Sheriff's Office |
| Bursten, Juliana | August 15, 2022 | Deferred - Behavioral Health |
| Caso, Michael | August 16, 2022 | Deferred - Environmental Health |
| DeBattista, Cory | September 1, 2022 | Deferred - Probation |
| Gorkhali, Madan | August 15, 2022 | Deferred - Sheriff's Office |
| Gujer, Tina | June 21, 2022 | Family Health Services |
| Hunt, Delores | August 13, 2022 | Probation |
| Kanakis, Nikki | August 6, 2022 | Behavioral Health |
| Larkin, Noris | September 1, 2022 | San Mateo County Health |

| | | |
|--------------------|-------------------|--------------------------------|
| Leong, Ligi | September 1, 2022 | Probation |
| Lucett, Lisa | August 31, 2022 | Public Safety Communications |
| McClure, Michelle | August 16, 2022 | Deferred - Probation |
| Minor, Duane | August 18, 2022 | Public Works |
| O'Connor, Patrick | September 1, 2022 | Human Services Agency |
| Pagsanjan, Nicanor | August 13, 2022 | Probation |
| Proctor, Lester | August 20, 2022 | Public Works |
| Quon, Herman | August 6, 2022 | Deferred - Sheriff's Office |
| Silva, Jenny | August 13, 2022 | Behavioral Health |
| Smith, Patricia P | August 21, 2022 | Deferred - San Mateo Co Health |

4.4 Continuances

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

| Survivor's Name | Beneficiary of: |
|---------------------|-------------------|
| Alsterlind, Mardece | Alsterlind, Keith |
| Hunnell, Vanessa | Galleguillos, Roy |

4.5 Deferred Retirements

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

| Name | Retirement Plan Type |
|--------------------|--------------------------------------|
| Balance, Christian | G7, Vested - Auto Defer – Code 31700 |
| Britton, Erica | G7, Vested - Auto Defer – Code 31700 |
| Burgess, Stacy | G7, Vested - Reciprocity |
| Chan, Christina | G7, Vested - Reciprocity |
| Dunham, Daniela | G7, Non-vested - Reciprocity |
| Espino, Uriel | G7, Non-vested - Reciprocity |
| Felise, Zachary | S7, Vested |
| Fu, Sylvia | G4, Vested - Auto Defer – Code 31700 |
| Hernandez, Eduardo | G5, Vested - Auto Defer – Code 31700 |
| McTaggart, Mairtin | G7, Non-vested - Reciprocity |
| Medina, Rey Allen | G7, Vested |
| Mercado, Wesley | G4, Vested - Auto Defer – Code 31700 |
| Payumo, Madeleine | G4, Vested - Reciprocity |

| | |
|----------------------|--------------------------------------|
| Perdomo, Le’Russyan | G7, Vested - Auto Defer – Code 31700 |
| Pitre, Elaina | S7, Vested - Reciprocity |
| Prado Farias, Lorena | G7, Vested - Auto Defer – Code 31700 |
| Raga, Roland | G7, Vested - Auto Defer – Code 31700 |
| Rodriguez, Ivan | S7, Vested - Reciprocity |
| Sheth, Monali | G7, Vested - Auto Defer – Code 31700 |
| Torres, Zaira | G7, Vested |
| Tourel, Shirley | G4, Vested |

4.6 Member Account Refunds

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

| Name | Retirement Plan Type |
|--|----------------------|
| Barela, Frank (FBO: Pulliam, Robert) | G7, Non-vested |
| Chambers, Priscilla E | G4, Vested |
| Dellamonica, Laura (FBO:Dellamonica, Brian) | G4, Vested |
| Dellamonica, Laura (FBO:Dellemonica, Daniel) | G4, Vested |
| Gong, Shiyong | G7, Non-vested |
| Lenane, Zachary | G7, Non-vested |
| Letana, Karla (FBO: Letana, Omega) | G4, Vested |
| Letana, Karla (FBO: Letana, Reynaldo) | G4, Vested |
| Williams, Danielle (FBO: Wysinger, Dana) | G4, Vested |

4.7 Member Account Rollovers

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

| Name | Retirement Plan Type |
|-------------------|----------------------|
| Fahey, Lisa (DRO) | S5, Non-vested |
| Fellows, Sheila | G2, Vested |
| Hughey, Stanley | G4, Non-vested |

4.8 Member Account Redeposits

None.

4.9 Acceptance of Trustees’ Reports of Educational Activities

None.

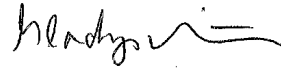
SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

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

The survey results for Milliman, Inc., continues to remain high as it has been in the past. This consistently high rating is reflective of the quality of the actuarial services provided by Milliman to SamCERA.

The survey rating structure ranged from 1 to 5 with 1 being Low (poor rating) to 5 (high rating). The Board and staff's perfect rating demonstrates their opinion on the excellent service Milliman provided to SamCERA this past year. The average self-assessment rating by Milliman was 4.3 while the Board and staff's was 5. No concerns or issues were raised by the Board or staff.

Attachment

Milliman Questionnaire



1301 Fifth Avenue
Suite 3800
Seattle, WA 98101-2605
USA

Tel +1 206 624 7940
Fax +1 206 623 3485

milliman.com

October 17, 2022

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 500 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 and the changes noted regarding our organizational chart, 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. Changes of note that occurred over the last year were the retirement of our Chief Executive Officer, the addition of a Chief Diversity Officer and a Chief Information Security Officer, and the elimination of the Chief Operating Officer position (with her responsibilities being assumed by other individuals).

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?

No, our policy remains similar to the past. 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.

We have added one analyst assigned to the SamCERA team, which now consists of Nick

Collier, Craig Glyde, John Talbot and Shane Gladinus. 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 with public sector retirement systems, including CERL systems. John (7 years with Milliman) and Shane (1 year with Milliman plus additional experience with a prior firm) perform 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 7 years with Shane being added to the team at the beginning of this year.

- 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 36 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), Texas County & District Retirement System (Cheiron), Public Employees Retirement System of Idaho (Cavanaugh Macdonald) and Tacoma Employees' Retirement System (Gabriel, Roeder & Smith). There were no material issues found in the audits.

- 8) Has your firm experienced any problems with its "mission critical" systems? Were any upgrades made and if not, 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, which is a product of Winklevoss Technologies. 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 are independently reviewed annually as part of a SOC 2 audit. We have also added the position of Chief Information Security Officer.

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. 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 the Cryptshare Web App (a secure digital transfer application) 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. To receive data sent by Milliman using Cryptshare, SamCERA staff receive an email with a link to download the data from the Cryptshare Web App with a password provided separately by Milliman. To provide data to Milliman using Cryptshare, SamCERA staff signs into the Cryptshare Web App and selects the option to send data to Milliman. The selected Milliman employee(s) will receive an email with a link to download the data from the Cryptshare Web App using a password provided separately by SamCERA staff. 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. 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.

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.

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:

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.

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, that all appropriate issues are considered, and review the communication of the results to verify they are understandable to the intended audience.

Outlook

13) What current issues are your clients concerned with regarding products, services, education and governance?

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

- Liability Disclosures – Recent updates to Actuarial Standard of Practice #4, which are effective for the June 30, 2023 funding valuation, include a requirement to disclose a market-related liability based on a currently very low discount rate. , Consequently the Low-Default-Risk Obligation Measure referenced in the updated standard will be a much higher number than the Actuarial Accrued Liability retirement systems are disclosing for funding purposes. This will only be a disclosure requirement and will not have a direct impact on system funding.

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.

Due primarily to SamCERA's commitment to improve the consistency and quality of data included in the census data extract files, from our perspective the actuarial data process is working relatively smoothly with SamCERA's pension administration system. In recent years SamCERA has also provided the financial information earlier than in previous years which helps us to include them in the valuation and to complete internal review prior to releasing the valuation report. Continual focus on these issues will help us to continue to provide quality service.

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, as well as options to address this. We are interested to see how the "dashboard" projection model we

have provided SamCERA can provide an effective preview of future valuations and allow for SamCERA to proactively address situations.

Conclusion

15) What actuarial related changes should SamCERA consider?

We do not believe there are any actuarially related changes that need to be made now. As discussed in our September Board presentation, we think the focus should be on any adjustments SamCERA or the employers would like to make to address projected future increases and decreases in the employer contribution rates as amortization layers “drop off”.

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:

- Investment Return Assumption – Always a hot topic in the public sector, systems have continued to adopt lower return assumptions in the first half of 2022; however, driven by a significant recent increase in interest rates, long-term expected returns have rebounded from January 2022 lows. This may result in a slow down in the declining return assumption trend, and there is the potential to see some increases.
- 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. Given recent economic experience and volatility, including high inflation, rising interest rates and bond yields, and potential recessionary impacts, we believe the future trend is uncertain and should be monitored and factored into future discussions.
- 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

November 1, 2022

Agenda Item 6.1

TO: Board of Retirement

FROM: Michael Coultrip, Chief Investment Officer



SUBJECT: Preliminary Monthly Portfolio Performance Report for the Period Ended September 30, 2022

Recommendation

Accept the preliminary performance report dated September 30, 2022.

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 3-10) also shown.

Discussion

The fund's net preliminary return for September was -4.8%, bringing the preliminary trailing twelve-month net return ending September 2022 to -8.9%, higher than the policy benchmark return of -9.9% but below our assumed earnings rate of 6.25%.

Most assets classes were lower in September as investor sentiment plummeted and as tighter financial conditions contributed to higher volatility across both equity and fixed income markets. Persistently high inflation reports, U.S. dollar strength, and political upheaval in the U.K. contributed to the global risk-off environment. U.S. interest rates rose across the yield curve as the Fed raised interest rates by 75 basis points for the third straight meeting.

The U.S. equity market (measured by the S&P 500 Index) was down 9.2%, while small-capitalization stocks were down 9.6%. Developed international equity (as measured by MSCI EAFE) was down 9.4% while emerging markets were down 11.7%.

Economic activity continued to be mixed in September. Manufacturing softened in September, but was still in positive territory (barely), while consumer sentiment climbed higher in part due to lower gas prices. The labor market remained strong in September, adding 263,000 new jobs in September, while the headline unemployment rate declined to 3.5%. While inflation (as measured

by the Consumer Price Index - All Urban Consumers) increased 8.2% for the twelve months ended September (which was slightly lower than last month on lower energy prices), there was more widespread persistent core inflation than markets were expecting (and hoping).

The general U.S. fixed income market was down 4.3% in September as interest rates rose across the yield curve. The 10-year U.S. Treasury yield was higher by 68 basis points during the month and ended at 3.83% by month-end. High Yield returns were down 4.0% and the Bloomberg Commodity Index was down 8.1%.

Attachments

Verus Capital Market Update

Northern Trust Monthly Performance Report



**PERSPECTIVES
THAT DRIVE
ENTERPRISE
SUCCESS**

SEPTEMBER 2022
Capital Markets Update

Market commentary

U.S. ECONOMICS

- The labor market remained strong in September. Non-farm payrolls increased by 263,000 and the unemployment rate fell to 3.5%, down from the month prior and below the expected 3.7% rate. The decline in unemployment was driven in part by a lower labor force participation rate (62.3%) which came in below expectations (62.4%).
- The ISM manufacturing index totaled 50.9 in September, down from 52.8 a month ago. Decreases in backlogs and new orders contributed to the month-over-month decline as companies adjusted to a potential drop in future demand.
- At month end, the Atlanta Fed GDP Now Forecast for Q3 quarter-over-quarter U.S. GDP growth measured +2.4%, down -20 basis points from the +2.6% reading at the beginning of the month.

U.S. EQUITIES

- The S&P 500 Index closed September -9.2% lower. The year-to-date return at month end (-23.9%) marked the largest three-quarter descent for the index since 2002.
- Expectations for the Q3 S&P 500 earnings growth rate fell -6.9% over the duration of the quarter. As of September 30th, the estimated earnings growth rate for the index measured +2.9%, down from +9.8% on June 30th, per FactSet. This marked the largest revision of quarterly earnings growth estimates since Q2 2020.
- Continued U.S. Dollar strength has weighed on the earnings outlook of S&P 500 companies with a majority exposure to international revenues. Per FactSet, index constituents with 50% or more domestic revenue are expected to see Q3 earnings growth of +4.5% compared to -1.0% for companies with 50% or more international revenue.

U.S. FIXED INCOME

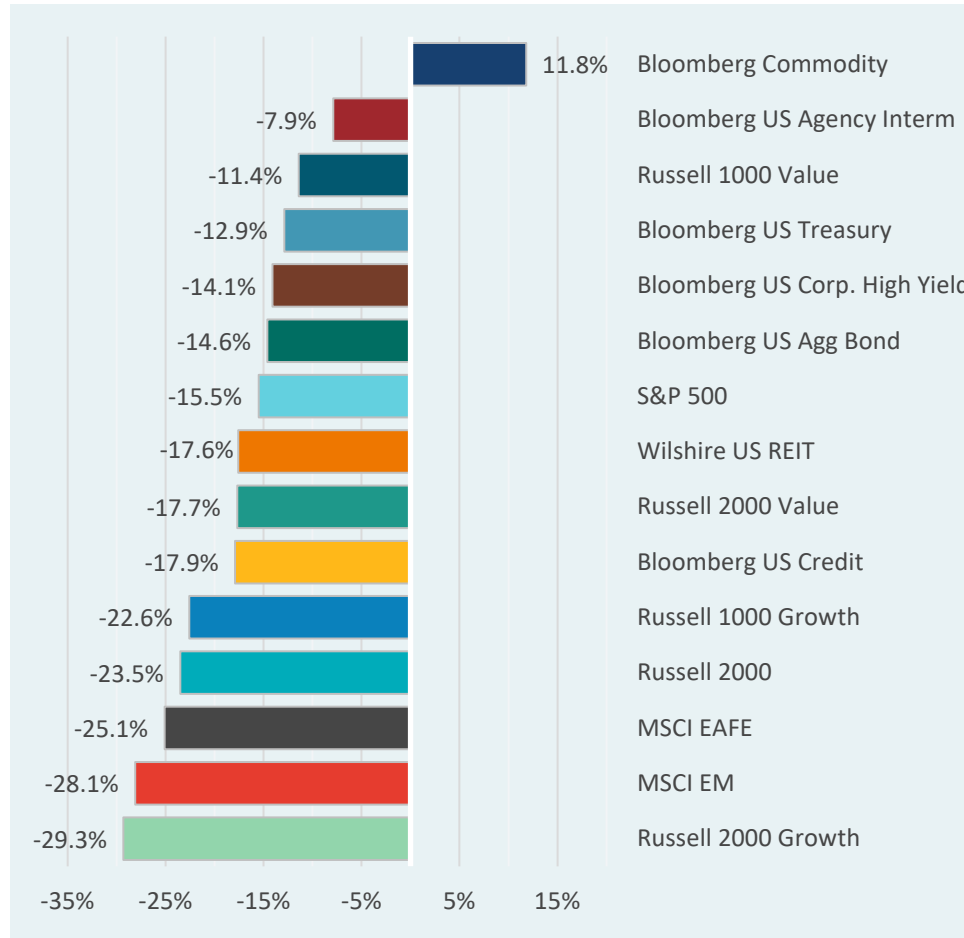
- The Fed enacted a third consecutive 75-basis point rate hike as part of the central bank's continued efforts to combat inflation. Economic projections from Fed officials at the September FOMC meeting showed upward revisions to median estimates for 2022 unemployment, core and headline PCE inflation, and the fed funds rate, but downward revisions to real GDP growth.
- The Bloomberg U.S. Aggregate Index fell -4.3% in September and has fallen -14.6% year-to-date. The nine-month period ended September 30th marked the first time since 1980 that the index has declined for three consecutive quarters.
- U.S. Treasury yields climbed across the curve in September as investors priced in the possibility of another 75-basis point rate hike ahead of the November meeting.

INTERNATIONAL MARKETS

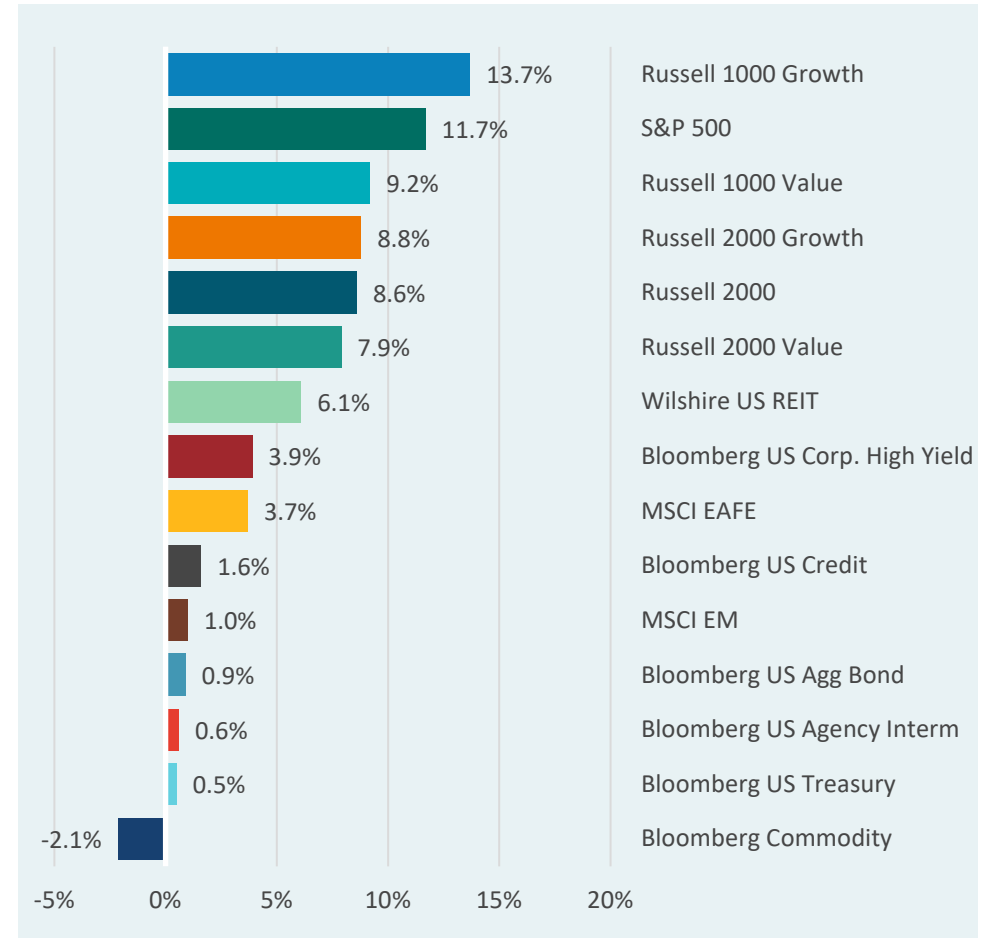
- The Bank of Japan intervened in foreign exchange markets for the first time since 1998 after the Yen (-4.2%) fell to a fresh 24-year low against the Dollar. The \$20.9B intervention marked the highest recorded single-day action by the bank.
- The British Pound (-4.1%) reached an all-time low against the Dollar near month end. Prime Minister Liz Truss announced spending plans that were seen by some as at-odds with recent Bank of England policy aimed at lowering inflation.
- The MSCI China Index declined -14.6% in September and is now down -23.4% year-to-date. A bleaker investor outlook was driven in part by worries about China's virus control measures, weakening demand for exports, and the ongoing property crisis.

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 9/30/22

Source: Morningstar, as of 9/30/22

U.S. large cap equities

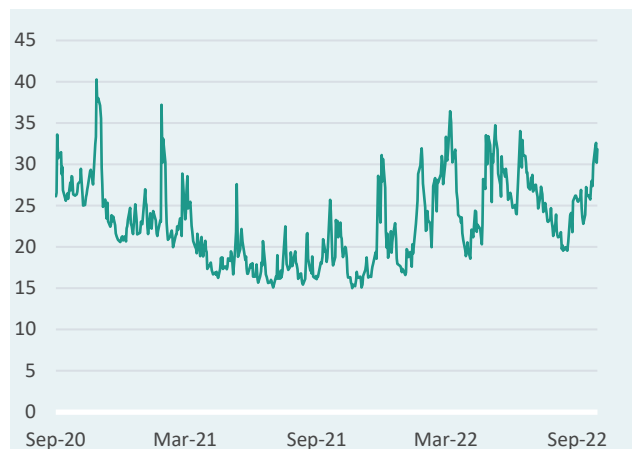
- The S&P 500 Index fell -9.2% in September despite gains early in the month. Investor sentiment reversed dramatically upon release of a hotter-than-expected August inflation print and remained negative after a third consecutive 75-basis point hike enacted by the Fed toward month end.
- Monthly declines were broad as all 11 S&P 500 GICS Sectors ended the month lower. Real Estate (-13.2%), Communication Services (-12.2%), and Information Technology (-12.0%) were the worst performers while Health Care (-2.6%), Financials (-7.8%), and Consumer Staples (-8.0%) fell the least.
- Expected volatility remained high throughout September. The Cboe VIX Volatility Index, a measure of implied volatility on the S&P 500, ended the month 5.8 points higher. The month-end close of 31.6 exceeded year-to-date and 1-year daily averages and measured 1.8x higher than the 10-year daily average of 17.7.
- At month end, the forward price-to-earnings ratio for the S&P 500 (15.2x) measured -29.0% lower than the beginning of the year (21.4x). The forward-looking multiple stands below its 5-year (18.6x) and 10-year (17.1x) averages.

S&P 500 PRICE INDEX



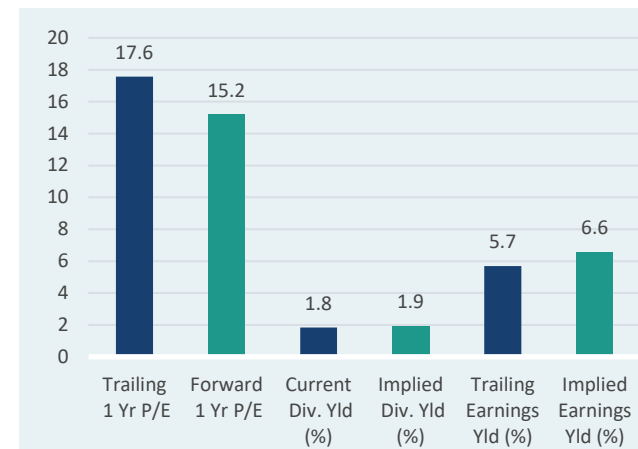
Source: Bloomberg, as of 9/30/22

IMPLIED VOLATILITY (VIX INDEX)



Source: Cboe, as of 9/30/22

S&P 500 VALUATION SNAPSHOT

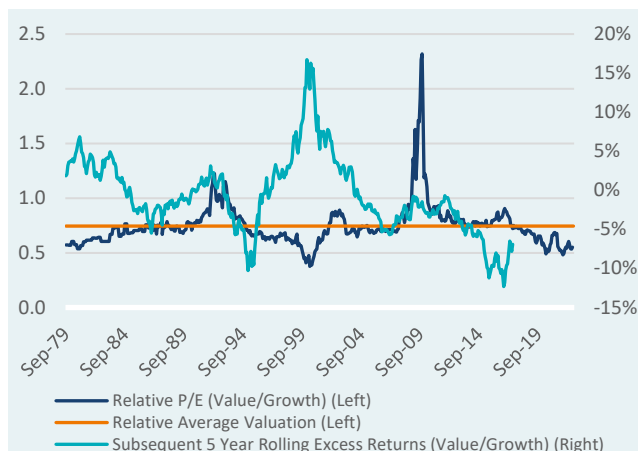


Source: Bloomberg, as of 9/30/22

Domestic equity size and style

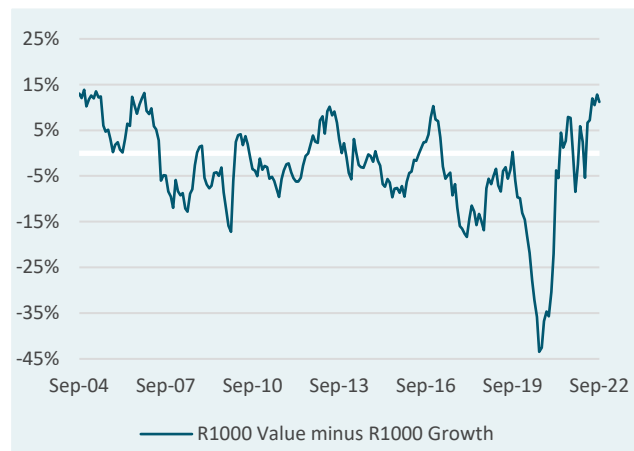
- September declines were similar across equity sizes as large-cap equities (Russell 1000 Index -9.3%) narrowly outperformed small-cap equities (Russell 2000 Index -9.6%) and performed in-line with mid-cap equities (Russell MidCap Index -9.3%).
- Style performance was mixed across size classifications. Large-cap growth (Russell 1000 Growth Index -9.7%) fell more than value (Russell 1000 Value Index -8.8%) while small-cap growth (Russell 2000 Growth Index -9.0%) outperformed small-cap value (Russell 2000 Value Index -10.2%).
- Negative moves remained broad across S&P 500 Index constituents in September – 94.6% of members ended lower. Individual declines were steep over the month as negative movers dropped by an average of -10.3%.
- In the third quarter, small-cap growth (Russell 2000 Growth Index) returned +0.2% and was the top performer among domestic style indices. Contrary to trends in large-cap equities, small-cap growth has outperformed small-cap value for four consecutive months.

VALUE VS. GROWTH RELATIVE VALUATIONS



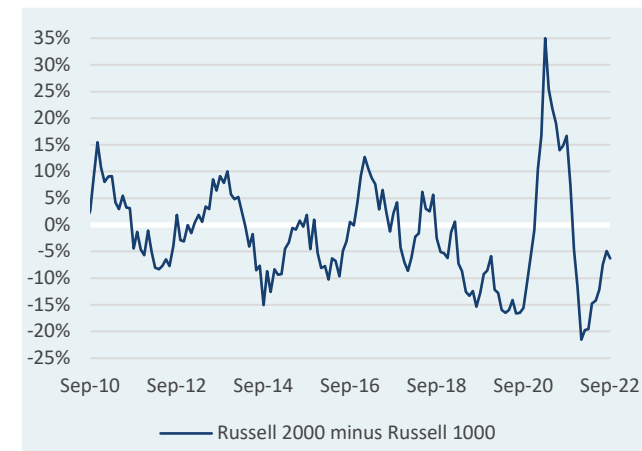
Source: FTSE, Bloomberg, as of 9/30/22

VALUE VS. GROWTH 1-YR ROLLING RELATIVE PERFORMANCE



Source: FTSE, Bloomberg, as of 9/30/22

SMALL VS. LARGE 1-YR ROLLING RELATIVE PERFORMANCE

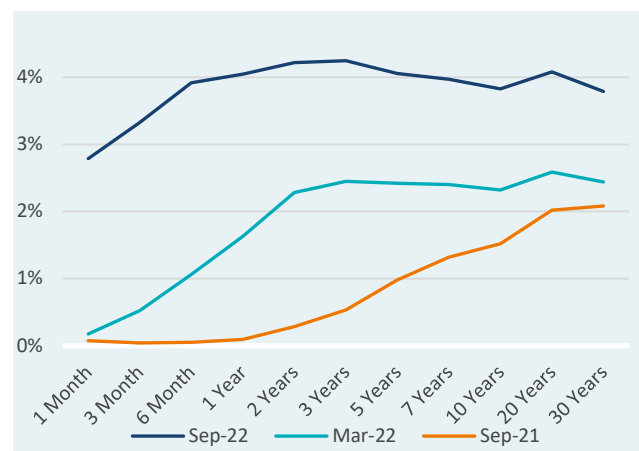


Source: FTSE, Bloomberg, as of 9/30/22

Fixed income

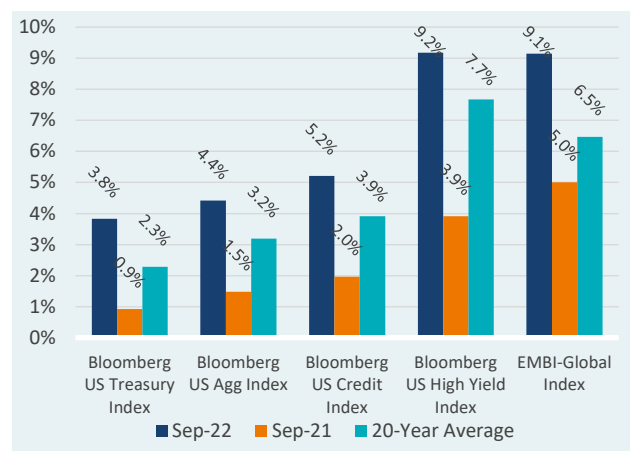
- Treasury yields in the U.S. (Bloomberg U.S. Treasury Index -3.4%) jumped across tenors in a continuation of the prior month trend. Yields on 2-Year Treasury bills rose +77 basis points in September and surpassed 4.0% for the first time since 2007. The 10-2 spread remained inverted and widened to -39 basis points.
- Abrupt fiscal policy announced by British Prime Minister Liz Truss led to tumultuous movements in U.K. gilt yields. Yields on 10-year gilts skyrocketed +135 basis points to end the month at 4.2% and reached levels not seen since 2008 near month end. Yields on 30-year gilts eclipsed 5.0% for the first time since 2007.
- The average U.S. 30-year fixed mortgage rate climbed +104 basis points to end September at 6.7%. The month-end figure was more than double the rate of one year prior and marked the highest level since July 2007. The Bloomberg US MBS Index fell -5.1%.
- International bonds (Bloomberg Global Agg ex U.S. Index -5.9%) moved lower as central banks consistently hiked rates. As of September 22nd, central banks overseeing the 10 most traded currencies had raised policy rates by a cumulative 1,965 basis points across the trailing 12 months.

U.S. TREASURY YIELD CURVE



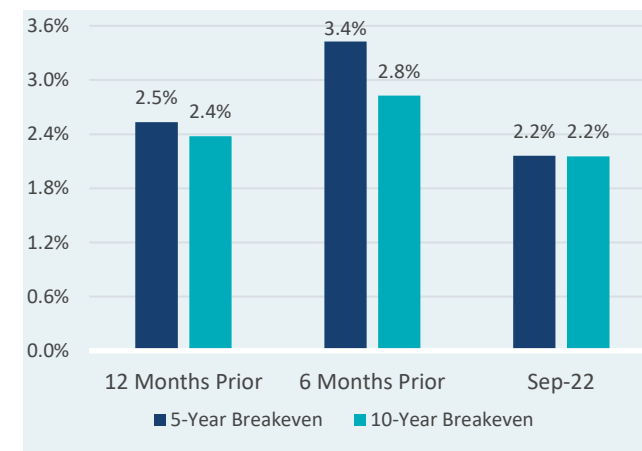
Source: Bloomberg, as of 9/30/22

NOMINAL YIELDS



Source: Morningstar, as of 9/30/22

BREAKEVEN INFLATION RATES

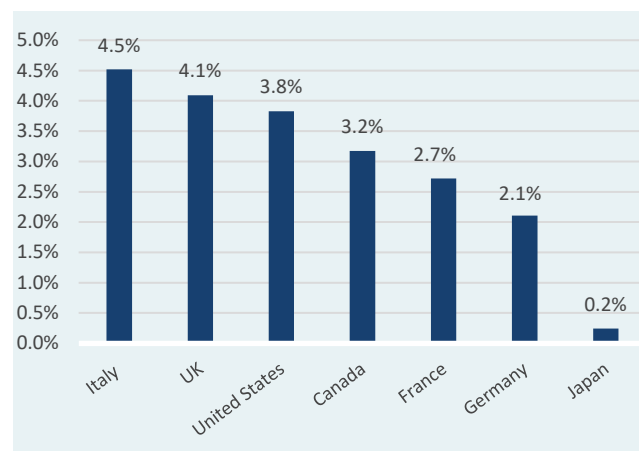


Source: Bloomberg, as of 9/30/22

Global markets

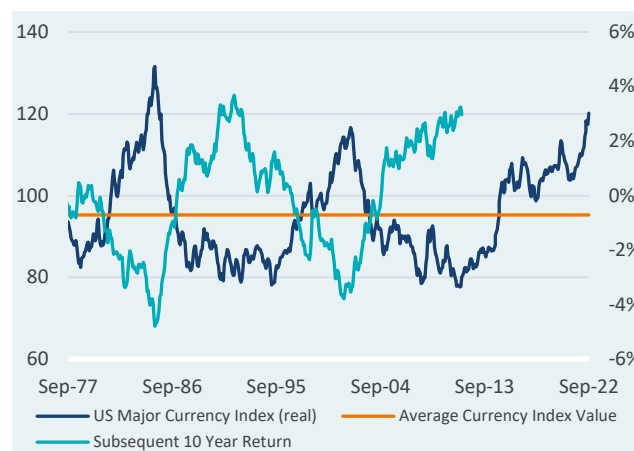
- Global equities (MSCI ACWI Index -9.6%) fell sharply over the month and declines were broad across regional indices. Developed market equities (MSCI EAFE Index -9.4%) outperformed emerging market equities (MSCI EM -11.7%) due largely to weakness in emerging Asian countries (MSCI EM Asia -13.7%).
- Japanese equities (MSCI Japan Index -10.4%) fared worse than international developed peers in September as the Yen continued its decline against the Dollar. In an effort to protect the currency against greater weakness, the Bank of Japan intervened in foreign exchange markets for the first time since 1998.
- The MSCI China Index fell -14.6% over the month as the country's zero-Covid policy has allowed lockdowns to continue. Chinese Information Technology names (-19.6%) were hit especially hard in September as the U.S. Government instituted a new license requirement for domestic companies exporting microchips to China that support technologies such as AI.
- Latin American equities (MSCI EM Latin America Index -3.3%) widely outperformed emerging market peers. The index was supported by Brazil's (MSCI Brazil Index -3.3%) continued outperformance along with sustained strength in the Mexican Peso (+0.0%).

GLOBAL SOVEREIGN 10-YEAR YIELDS



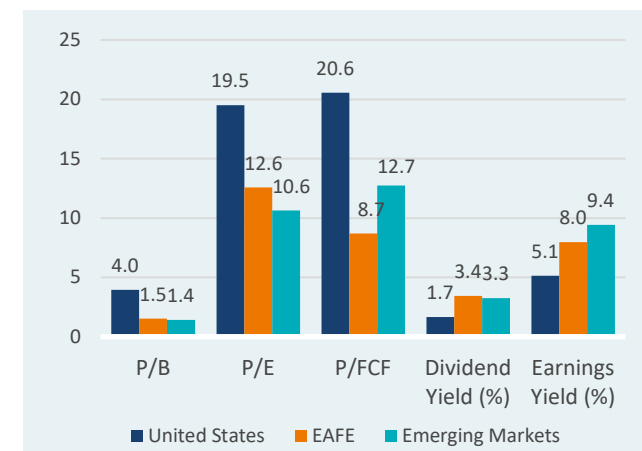
Source: Bloomberg, as of 9/30/22

U.S. DOLLAR MAJOR CURRENCY INDEX



Source: Federal Reserve, as of 9/30/22

MSCI VALUATION METRICS (3-MONTH AVG)



Source: Bloomberg, as of 9/30/22

Commodities

- The Bloomberg Commodity Index dropped -8.1%, its largest decline since June. The index fell alongside large pullbacks in energy (Bloomberg Energy Subindex -16.6%) and petroleum prices (Bloomberg Petroleum Subindex -9.6%) which weighed on overall performance.
- The Bloomberg Grains Subindex (+2.2%) advanced marginally in September despite easing tensions in global supply. Soft Red Winter wheat (+10.8%) and Hard Red Winter wheat (+8.7%) prices jumped over the month. Corn prices (+1.0%) moved slightly higher due to prolonged droughts that have led to trimmed global harvest expectations.

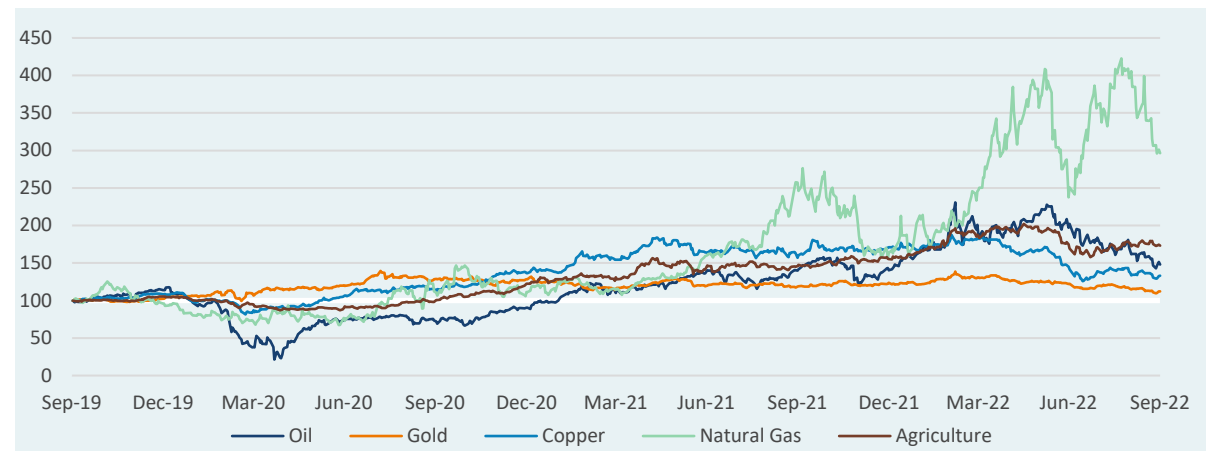
- Energy performance was broadly negative in September. Natural gas prices (-25.9%) fell on stronger than expected output. Lower projected demand contributed to the price move as E.U. natural gas storage reached 91% of capacity, above the 80% target by November 1st. Brent Crude also declined (-11.0%) from \$95.64 to \$85.14 per barrel.
- The Bloomberg Industrial Metals Subindex (-6.3%) fell for a second consecutive month as zinc (-14.5%), aluminum (-8.5%), and copper (-3.0%) all declined amid expectations of a global slowdown and weaker demand. Industrial Metals has been the worst performing BCOM subindex year-to-date, falling -16.2% over the period.

INDEX AND SECTOR PERFORMANCE

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|-----------------------------|--------|--------|--------|--------|--------|--------|---------|
| Bloomberg Commodity | (8.1) | (4.1) | 13.6 | 11.8 | 13.5 | 7.0 | (2.1) |
| Bloomberg Agriculture | (1.6) | (0.2) | 12.8 | 19.9 | 21.3 | 8.2 | (2.1) |
| Bloomberg Energy | (16.6) | (5.4) | 49.8 | 30.3 | 11.4 | 6.8 | (6.3) |
| Bloomberg Grains | 2.2 | 2.0 | 18.4 | 26.4 | 20.9 | 8.7 | (3.3) |
| Bloomberg Industrial Metals | (6.3) | (7.3) | (16.2) | (9.0) | 8.2 | 3.9 | (0.4) |
| Bloomberg Livestock | (2.4) | 2.5 | (1.0) | 0.9 | (6.2) | (4.7) | (3.5) |
| Bloomberg Petroleum | (9.4) | (17.2) | 35.4 | 38.4 | 14.3 | 10.6 | (4.2) |
| Bloomberg Precious Metals | (0.9) | (7.6) | (11.7) | (7.8) | 2.6 | 3.5 | (2.9) |
| Bloomberg Softs | (7.0) | (3.9) | (0.7) | 4.9 | 18.8 | 4.6 | (3.2) |

Source: Morningstar, as of 9/30/22

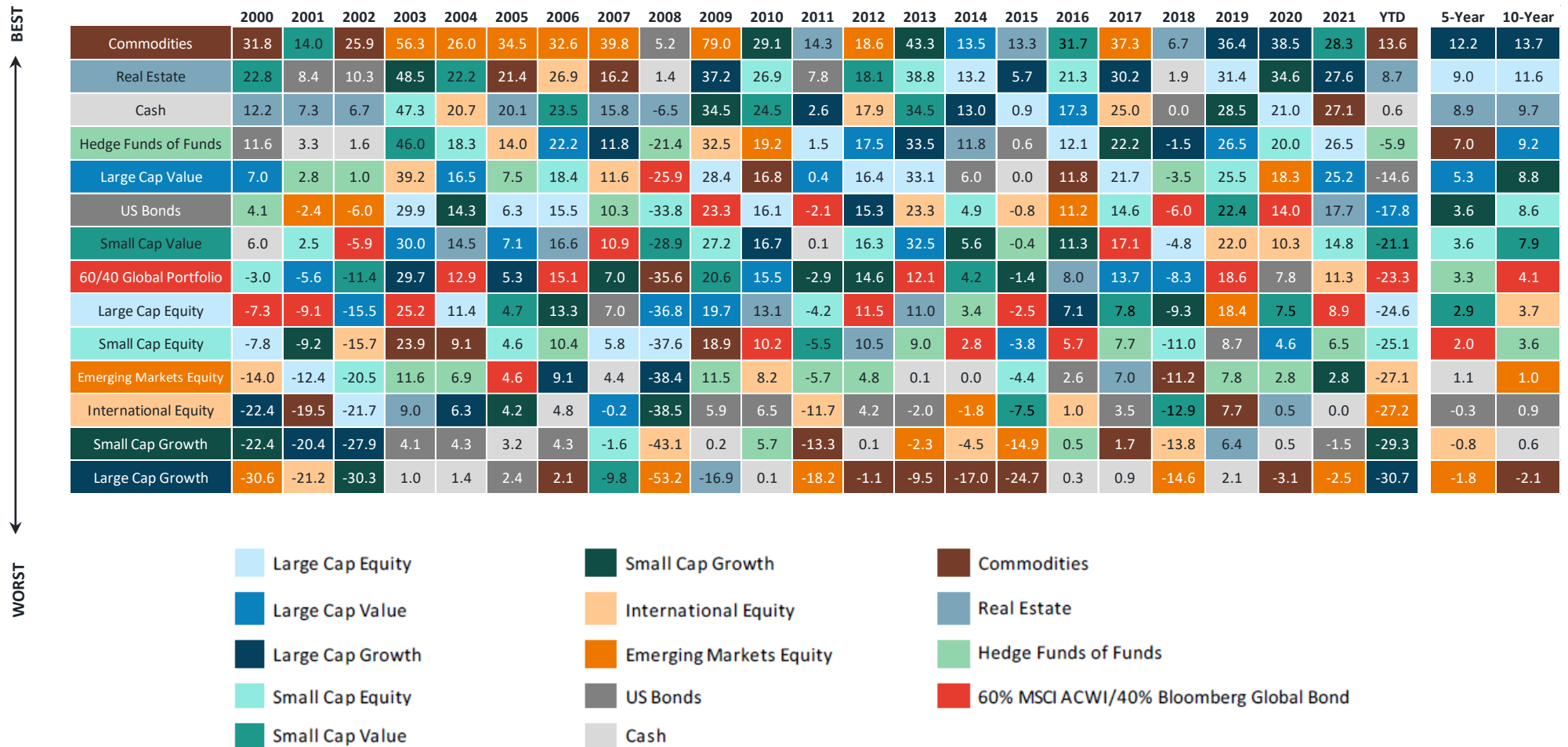
COMMODITY PERFORMANCE



Source: Bloomberg, as of 9/30/22

Appendix

Periodic table of returns



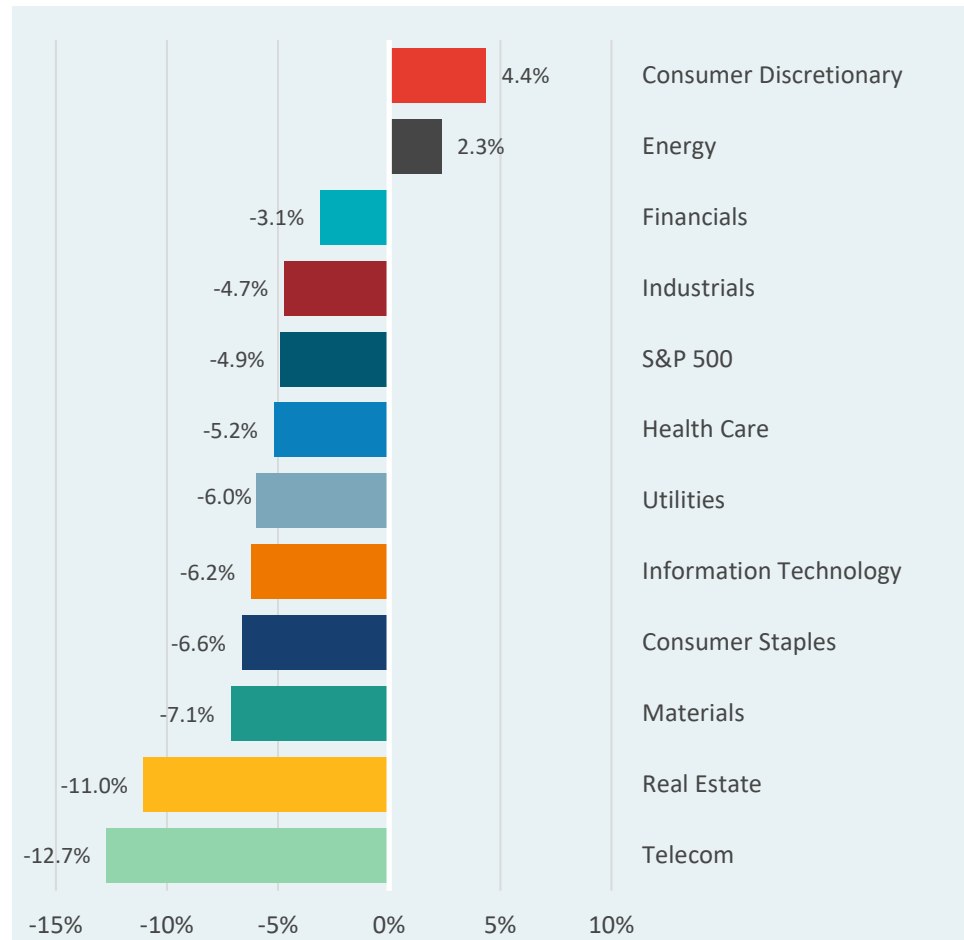
BEST
↑
↓
WORST



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 6/30/22.

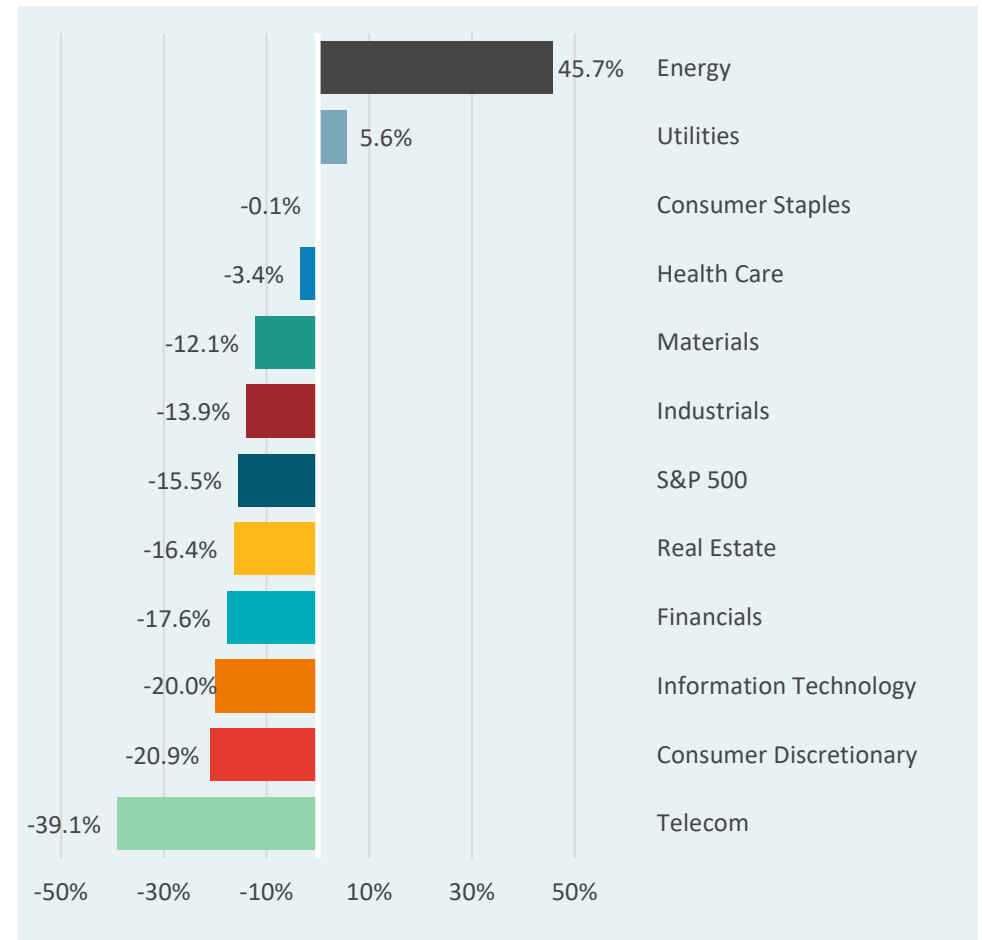
S&P 500 sector returns

QTD



Source: Morningstar, as of 9/30/22

ONE YEAR ENDING SEPTEMBER



Source: Morningstar, as of 9/30/22

Detailed index returns

DOMESTIC EQUITY

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------|--------|-------|--------|--------|--------|--------|---------|
| Core Index | | | | | | | |
| S&P 500 | (9.2) | (4.9) | (23.9) | (15.5) | 8.2 | 9.2 | 11.7 |
| S&P 500 Equal Weighted | (9.2) | (4.8) | (20.7) | (13.5) | 7.7 | 8.0 | 11.5 |
| DJ Industrial Average | (8.8) | (6.2) | (19.7) | (13.4) | 4.4 | 7.4 | 10.5 |
| Russell Top 200 | (9.2) | (5.0) | (24.7) | (16.4) | 9.0 | 10.0 | 12.1 |
| Russell 1000 | (9.3) | (4.6) | (24.6) | (17.2) | 7.9 | 9.0 | 11.6 |
| Russell 2000 | (9.6) | (2.2) | (25.1) | (23.5) | 4.3 | 3.6 | 8.6 |
| Russell 3000 | (9.3) | (4.5) | (24.6) | (17.6) | 7.7 | 8.6 | 11.4 |
| Russell Mid Cap | (9.3) | (3.4) | (24.3) | (19.4) | 5.2 | 6.5 | 10.3 |
| Style Index | | | | | | | |
| Russell 1000 Growth | (9.7) | (3.6) | (30.7) | (22.6) | 10.7 | 12.2 | 13.7 |
| Russell 1000 Value | (8.8) | (5.6) | (17.8) | (11.4) | 4.4 | 5.3 | 9.2 |
| Russell 2000 Growth | (9.0) | 0.2 | (29.3) | (29.3) | 2.9 | 3.6 | 8.8 |
| Russell 2000 Value | (10.2) | (4.6) | (21.1) | (17.7) | 4.7 | 2.9 | 7.9 |

INTERNATIONAL EQUITY

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------|--------|--------|--------|--------|--------|--------|---------|
| Broad Index | | | | | | | |
| MSCI ACWI | (9.6) | (6.8) | (25.6) | (20.7) | 3.7 | 4.4 | 7.3 |
| MSCI ACWI ex US | (10.0) | (9.9) | (26.5) | (25.2) | (1.5) | (0.8) | 3.0 |
| MSCI EAFE | (9.4) | (9.4) | (27.1) | (25.1) | (1.8) | (0.8) | 3.7 |
| MSCI EM | (11.7) | (11.6) | (27.2) | (28.1) | (2.1) | (1.8) | 1.0 |
| MSCI EAFE Small Cap | (11.5) | (9.8) | (32.1) | (32.1) | (2.2) | (1.8) | 5.3 |
| Style Index | | | | | | | |
| MSCI EAFE Growth | (9.7) | (8.5) | (33.0) | (30.3) | (1.5) | 0.7 | 4.7 |
| MSCI EAFE Value | (9.0) | (10.2) | (21.1) | (20.2) | (2.8) | (2.7) | 2.4 |
| Regional Index | | | | | | | |
| MSCI UK | (8.8) | (10.8) | (18.7) | (14.1) | (1.7) | (1.1) | 1.9 |
| MSCI Japan | (10.4) | (7.7) | (26.4) | (29.3) | (2.6) | (0.6) | 4.8 |
| MSCI Euro | (8.4) | (10.0) | (32.7) | (30.0) | (3.8) | (3.2) | 3.2 |
| MSCI EM Asia | (13.2) | (14.0) | (28.8) | (29.5) | (0.8) | (1.1) | 3.1 |
| MSCI EM Latin American | (3.3) | 3.6 | 3.0 | 0.2 | (3.4) | (2.6) | (2.3) |

FIXED INCOME

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|-------------------------------|-------|-------|--------|--------|--------|--------|---------|
| Broad Index | | | | | | | |
| Bloomberg US TIPS | (6.6) | (5.1) | (13.6) | (11.6) | 0.8 | 2.0 | 1.0 |
| Bloomberg US Treasury Bills | 0.2 | 0.4 | 0.4 | 0.4 | 0.6 | 1.1 | 0.7 |
| Bloomberg US Agg Bond | (4.3) | (4.8) | (14.6) | (14.6) | (3.3) | (0.3) | 0.9 |
| Bloomberg US Universal | (4.3) | (4.5) | (14.9) | (14.9) | (3.1) | (0.2) | 1.2 |
| Duration | | | | | | | |
| Bloomberg US Treasury 1-3 Yr | (1.2) | (1.5) | (4.5) | (5.1) | (0.5) | 0.5 | 0.6 |
| Bloomberg US Treasury Long | (7.9) | (9.6) | (28.8) | (26.6) | (8.5) | (1.6) | 0.6 |
| Bloomberg US Treasury | (3.5) | (4.3) | (13.1) | (12.9) | (3.1) | (0.2) | 0.5 |
| Issuer | | | | | | | |
| Bloomberg US MBS | (5.1) | (5.3) | (13.7) | (14.0) | (3.7) | (0.9) | 0.5 |
| Bloomberg US Corp. High Yield | (4.0) | (0.6) | (14.7) | (14.1) | (0.5) | 1.6 | 3.9 |
| Bloomberg US Agency Interm | (1.8) | (2.4) | (7.2) | (7.9) | (1.4) | 0.2 | 0.6 |
| Bloomberg US Credit | (5.1) | (4.9) | (18.1) | (17.9) | (3.6) | (0.0) | 1.6 |

OTHER

| | Month | QTD | YTD | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------|--------|--------|--------|--------|--------|--------|---------|
| Index | | | | | | | |
| Bloomberg Commodity | (8.1) | (4.1) | 13.6 | 11.8 | 13.5 | 7.0 | (2.1) |
| Wilshire US REIT | (12.3) | (10.2) | (29.7) | (17.6) | (2.2) | 2.9 | 6.1 |
| CS Leveraged Loans | (2.2) | 1.2 | (3.3) | (2.6) | 2.1 | 3.0 | 3.7 |
| S&P Global Infrastructure | (11.8) | (9.6) | (10.1) | (6.0) | (0.1) | 2.1 | 5.7 |
| Alerian MLP | (7.5) | 8.4 | 19.0 | 20.0 | 3.1 | 1.2 | 1.7 |
| Regional Index | | | | | | | |
| JPM EMBI Global Div | (6.4) | (4.6) | (23.9) | (24.3) | (7.2) | (2.6) | 1.1 |
| JPM GBI-EM Global Div | (4.9) | (4.7) | (18.6) | (20.6) | (7.1) | (3.9) | (2.4) |
| Hedge Funds | | | | | | | |
| HFRI Composite | (2.3) | (0.6) | (6.2) | (5.8) | 6.2 | 4.5 | 4.6 |
| HFRI FOF Composite | (0.6) | 0.7 | (5.9) | (5.5) | 4.5 | 3.3 | 3.6 |
| Currency (Spot) | | | | | | | |
| Euro | (2.6) | (3.9) | (13.9) | (15.5) | (3.5) | (3.7) | (2.7) |
| Pound Sterling | (4.1) | (8.3) | (17.6) | (17.2) | (3.2) | (3.6) | (3.6) |
| Yen | (4.2) | (7.7) | (20.4) | (22.9) | (9.3) | (4.9) | (6.0) |

Source: Morningstar, HFRI, as of 9/30/22.

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 | 25.6 | 25.5 | 20.2 | 14.4 |
| Global Private Equity Direct Funds * | 22.6 | 26.4 | 22.3 | 16.8 |
| U.S. Private Equity Direct Funds * | 27.2 | 29.3 | 24.1 | 18.5 |
| Europe Private Equity Direct Funds * | 24.0 | 25.3 | 23.1 | 15.0 |
| Asia Private Equity Direct Funds * | 2.3 | 15.5 | 14.9 | 13.9 |

| Public Index Time-weighted Returns | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------------------|--------|--------|--------|---------|
| MSCI World | 10.1 | 15.0 | 12.4 | 10.9 |
| S&P 500 | 15.6 | 18.9 | 16.0 | 14.6 |
| MSCI Europe | 3.5 | 8.2 | 6.9 | 6.3 |
| MSCI AC Asia Pacific | (9.5) | 6.5 | 6.6 | 6.1 |

| Private Real Estate Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------------|--------|--------|--------|---------|
| U.S. All Private Real Estate | 33.1 | 14.4 | 12.5 | 13.3 |

| Public Index Time-weighted Returns | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------------------|--------|--------|--------|---------|
| FTSE NAREIT Equity REIT | 26.4 | 11.1 | 9.6 | 9.8 |

| Private Credit Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|----------------------------|--------|--------|--------|---------|
| U.S. All Private Debt ** | 25.8 | 16.4 | 13.7 | 12.2 |

| Public Index Time-weighted Returns | 1 Year | 3 Year | 5 Year | 10 Year |
|--|--------|--------|--------|---------|
| S&P / LSTA U.S. Leveraged Loan 100 Index | 2.3 | 3.8 | 3.7 | 3.9 |

| Private Real Assets Pooled IRRs | 1 Year | 3 Year | 5 Year | 10 Year |
|---------------------------------|--------|--------|--------|---------|
| Global Nature Resources *** | 33.7 | 4.5 | 4.0 | 2.9 |
| Global Infrastructure | 17.3 | 12.5 | 12.5 | 11.3 |

| Public Index Time-weighted Returns | 1 Year | 3 Year | 5 Year | 10 Year |
|------------------------------------|--------|--------|--------|---------|
| S&P Global Natural Resources | 30.8 | 15.4 | 12.5 | 5.5 |
| S&P Global Infrastructure | 16.7 | 8.0 | 7.7 | 7.8 |

Source: Pooled IRRs are from Thompson Reuters C|A and Time-weighted Returns are from Investment Metrics, as of March 31st, 2022. 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

Past performance is no guarantee of future results. This document is provided for informational purposes only and is directed to institutional clients and eligible institutional counterparties only and is not intended for retail investors. Nothing herein constitutes investment, legal, accounting or tax advice, or a recommendation to buy, sell or hold a security or pursue a particular investment vehicle or any trading strategy. This document may include or imply estimates, outlooks, projections and other “forward-looking statements.” No assurance can be given that future results described or implied by any forward looking information will be achieved. Investing entails risks, including possible loss of principal. Additional information about Verus Advisory, Inc. is available on the SEC’s website at www.adviserinfo.sec.gov.

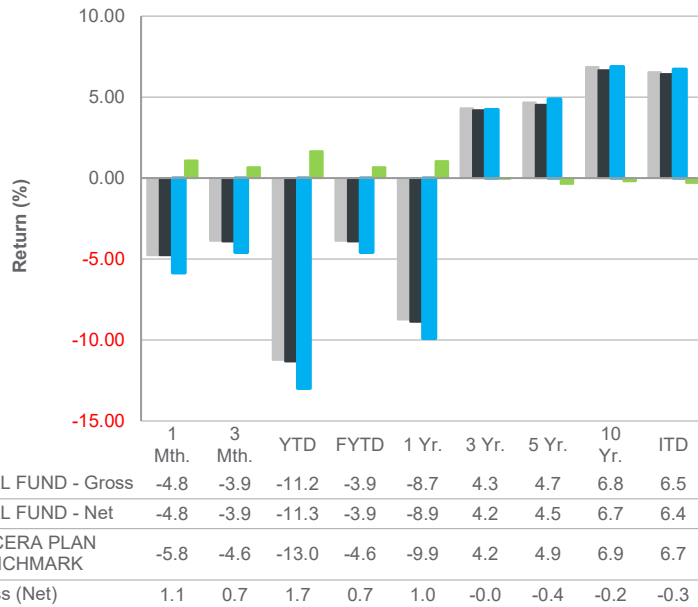
Verus – also known as Verus Advisory™.

San Mateo County Composite Return Summary

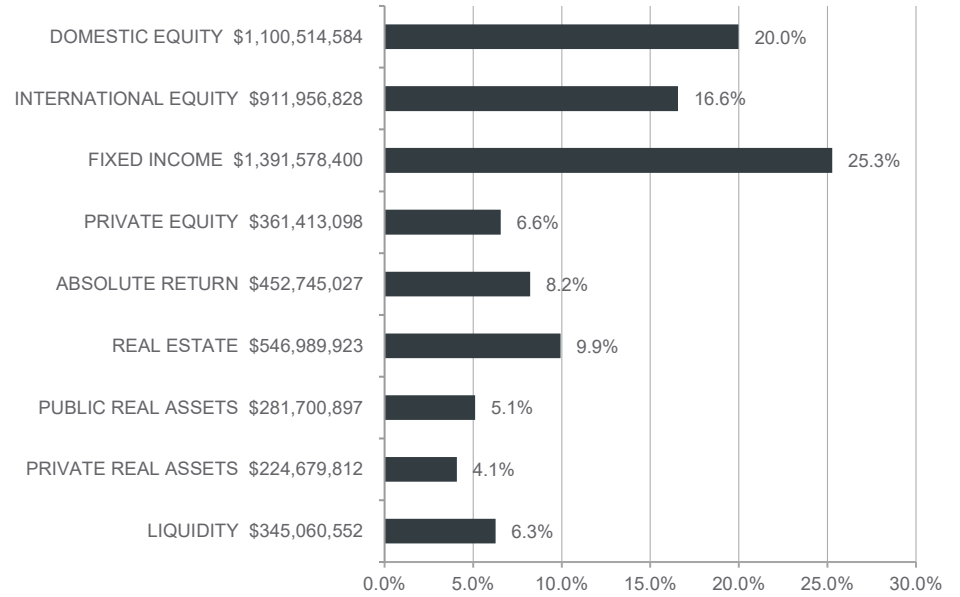
September 30, 2022



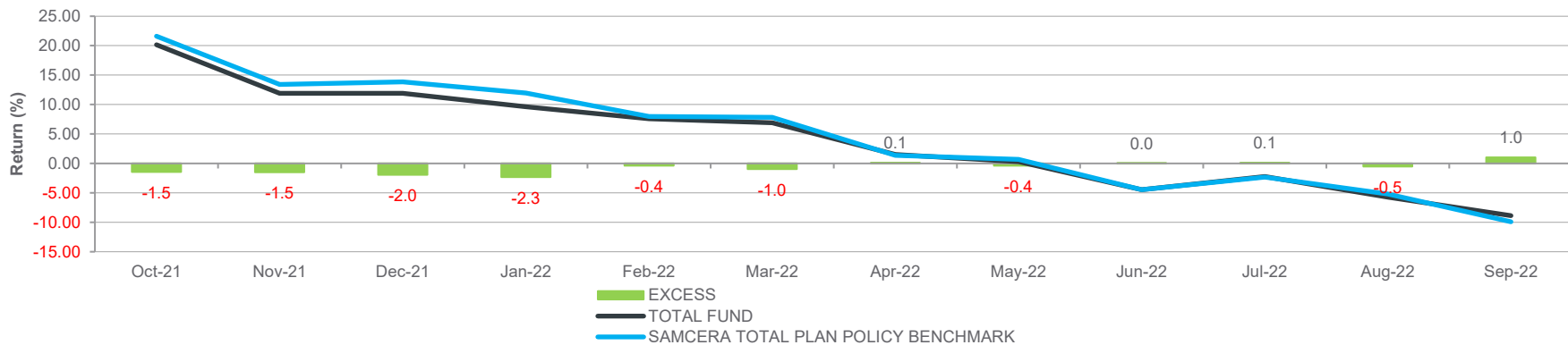
Total Fund Performance



Asset Allocation



Rolling Month End Annual Returns

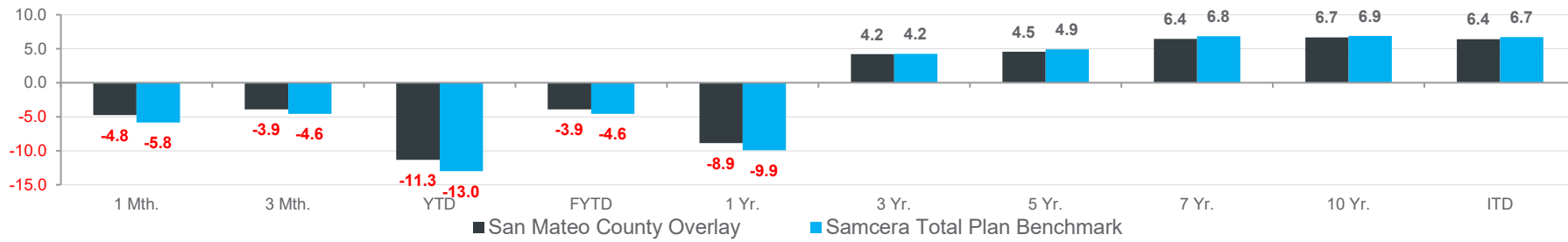


San Mateo County Composite Return Summary

September 30, 2022



Return Comparison



| 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 | 5,506,874,416 | -4.8 | -3.9 | -11.3 | -3.9 | -8.9 | 4.2 | 4.5 | 6.4 | 6.7 | 6.4 |
| Samcera Total Plan Benchmark | | -5.8 | -4.6 | -13.0 | -4.6 | -9.9 | 4.2 | 4.9 | 6.8 | 6.9 | 6.7 |
| Excess | | 1.1 | 0.7 | 1.7 | 0.7 | 1.0 | -0.0 | -0.4 | -0.4 | -0.2 | -0.3 |
| San Mateo Ex-Clifton Overlay | 5,403,410,574 | -4.7 | -3.9 | -11.1 | -3.9 | -8.7 | 4.3 | 4.5 | 6.4 | 6.6 | 6.4 |
| Samcera Total Plan Benchmark | | -5.8 | -4.6 | -13.0 | -4.6 | -9.9 | 4.2 | 4.9 | 6.8 | 6.9 | 6.7 |
| Excess | | 1.2 | 0.7 | 1.9 | 0.7 | 1.2 | 0.0 | -0.4 | -0.5 | -0.3 | -0.4 |
| Total Equity | 2,012,471,412 | -9.4 | -6.7 | -23.3 | -6.7 | -18.9 | 3.5 | 4.3 | 7.6 | 8.0 | 7.2 |
| Samcera Total Equity Benchmark | | -8.9 | -5.5 | -23.1 | -5.5 | -18.5 | 4.7 | 5.1 | 8.5 | 9.0 | 7.9 |
| Excess | | -0.5 | -1.2 | -0.2 | -1.2 | -0.3 | -1.2 | -0.8 | -1.0 | -1.0 | -0.7 |
| Fixed Income | 1,391,578,400 | -3.6 | -3.6 | -12.4 | -3.6 | -12.1 | -1.1 | 0.8 | 2.4 | 2.4 | 4.8 |
| Samcera Fixed Income Benchmark | | -4.0 | -3.2 | -14.0 | -3.2 | -13.8 | -2.3 | 0.4 | 1.6 | 1.3 | 4.2 |
| Excess | | 0.3 | -0.4 | 1.7 | -0.4 | 1.7 | 1.2 | 0.4 | 0.8 | 1.1 | 0.5 |
| Alternatives | 814,158,126 | 1.5 | -1.6 | 1.6 | -1.6 | -0.2 | 14.5 | 11.4 | 10.1 | 8.1 | 1.0 |
| Samcera Alternatives Benchmark | | -3.7 | -7.3 | -4.0 | -7.3 | -3.2 | 8.7 | 9.0 | 9.7 | 8.7 | 8.0 |
| Excess | | 5.2 | 5.8 | 5.6 | 5.8 | 3.0 | 5.8 | 2.3 | 0.3 | -0.6 | -7.0 |
| Inflation Hedge | 1,053,370,632 | -2.5 | -1.3 | 8.1 | -1.3 | 12.0 | 6.3 | 4.9 | -- | -- | 6.3 |
| SamCERA Inflation Hedge Index | | -4.2 | -3.3 | 7.8 | -3.3 | 13.6 | 10.4 | 8.1 | -- | -- | -- |
| Excess | | 1.7 | 2.0 | 0.3 | 2.0 | -1.6 | -4.1 | -3.2 | -- | -- | -- |
| Liquidity | 345,060,552 | -0.1 | -0.1 | -- | -0.1 | -- | -- | -- | -- | -- | -0.1 |
| Liquidity Composite Benchmark | | -0.6 | -0.7 | -- | -0.7 | -- | -- | -- | -- | -- | -0.7 |
| Excess | | 0.5 | 0.6 | -- | 0.6 | -- | -- | -- | -- | -- | 0.6 |



San Mateo County Composite Return Summary

September 30, 2022



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|-------------------------------------|-------------------|--------|--------|-------|------|-------|-------|-------|-------|--------|-------|
| Total Equity | 2,012,471,412 | -9.4 | -6.7 | -23.3 | -6.7 | -18.9 | 3.5 | 4.3 | 7.6 | 8.0 | 7.2 |
| Samcera Total Equity Benchmark | | -8.9 | -5.5 | -23.1 | -5.5 | -18.5 | 4.7 | 5.1 | 8.5 | 9.0 | 7.9 |
| Excess | | -0.5 | -1.2 | -0.2 | -1.2 | -0.3 | -1.2 | -0.8 | -1.0 | -1.0 | -0.7 |
| Domestic Equity | 1,100,514,584 | -8.8 | -4.5 | -20.6 | -4.5 | -12.9 | 6.9 | 8.0 | 10.4 | 10.9 | 8.5 |
| Samcera Dom. Equity Benchmark | | -9.3 | -4.5 | -24.6 | -4.5 | -17.6 | 7.7 | 8.6 | 10.9 | 11.3 | 8.9 |
| Excess | | 0.5 | 0.0 | 4.0 | 0.0 | 4.7 | -0.8 | -0.7 | -0.5 | -0.5 | -0.4 |
| Large Cap Equity | 998,980,074 | -8.6 | -4.9 | -20.9 | -4.9 | -12.8 | 6.9 | 8.4 | 10.9 | 11.4 | 9.2 |
| Russell 1000 | | -9.3 | -4.6 | -24.6 | -4.6 | -17.2 | 7.9 | 9.0 | 11.2 | 11.6 | 9.6 |
| Excess | | 0.6 | -0.2 | 3.7 | -0.2 | 4.4 | -1.0 | -0.6 | -0.3 | -0.2 | -0.4 |
| Blackrock Russell 1000 | 426,175,029 | -9.3 | -4.6 | -24.6 | -4.6 | -17.2 | 8.2 | 9.1 | -- | -- | 10.2 |
| Russell 1000 | | -9.3 | -4.6 | -24.6 | -4.6 | -17.2 | 7.9 | 9.0 | -- | -- | 10.1 |
| Excess | | -0.0 | -0.0 | 0.0 | -0.0 | 0.1 | 0.2 | 0.1 | -- | -- | 0.1 |
| DE Shaw Commingled Fund | 153,818,588 | -8.1 | -3.0 | -21.6 | -3.0 | -13.3 | 7.6 | 8.1 | 11.1 | -- | 9.6 |
| Russell 1000 | | -9.3 | -4.6 | -24.6 | -4.6 | -17.2 | 7.9 | 9.0 | 11.2 | -- | 9.3 |
| Excess | | 1.2 | 1.6 | 3.0 | 1.6 | 3.9 | -0.4 | -0.9 | -0.0 | -- | 0.3 |
| Acadian US MGD V-SL | 198,868,718 | -7.8 | -5.5 | -20.0 | -5.5 | -10.6 | 2.2 | -- | -- | -- | 7.1 |
| Russell 1000 | | -9.3 | -4.6 | -24.6 | -4.6 | -17.2 | 7.9 | -- | -- | -- | 11.9 |
| Excess | | 1.4 | -0.9 | 4.5 | -0.9 | 6.6 | -5.7 | -- | -- | -- | -4.9 |
| Panagora Defuseq -SL | 220,117,740 | -8.5 | -6.0 | -12.9 | -6.0 | -4.8 | 4.6 | -- | -- | -- | 10.5 |
| Russell 1000 | | -9.3 | -4.6 | -24.6 | -4.6 | -17.2 | 7.9 | -- | -- | -- | 11.9 |
| Excess | | 0.8 | -1.4 | 11.7 | -1.4 | 12.4 | -3.4 | -- | -- | -- | -1.4 |
| Domestic Equity Overlay | 5,960,490 | -6.0 | 4.8 | 154.2 | 4.8 | 179.1 | -- | -- | -- | -- | 141.2 |
| ICE BofAML US 3-Month Treasury Bill | | 0.2 | 0.5 | 0.6 | 0.5 | 0.6 | -- | -- | -- | -- | 0.3 |
| Excess | | -6.3 | 4.4 | 153.6 | 4.4 | 178.5 | -- | -- | -- | -- | 140.9 |
| Small Cap Equity | 95,574,020 | -10.8 | -2.3 | -20.6 | -2.3 | -16.7 | 4.1 | 2.3 | 5.6 | 6.9 | 5.7 |
| Russell 2000 | | -9.6 | -2.2 | -25.1 | -2.2 | -23.5 | 4.3 | 3.6 | 7.5 | 8.6 | 7.1 |
| Excess | | -1.2 | -0.2 | 4.5 | -0.2 | 6.8 | -0.2 | -1.2 | -1.9 | -1.6 | -1.4 |



San Mateo County Composite Return Summary

September 30, 2022



| 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 | 95,574,020 | -10.8 | -2.3 | -20.6 | -2.3 | -16.7 | 4.1 | 2.3 | -- | -- | 5.6 |
| Russell 2000 | | -9.6 | -2.2 | -25.1 | -2.2 | -23.5 | 4.3 | 3.6 | -- | -- | 6.4 |
| Excess | | -1.2 | -0.2 | 4.5 | -0.2 | 6.8 | -0.2 | -1.2 | -- | -- | -0.7 |
| International Equity | 911,956,828 | -10.0 | -9.5 | -26.4 | -9.5 | -25.3 | -0.3 | 0.2 | 4.1 | 3.8 | 4.7 |
| SamCERA Custom Hedge Intl | | -8.4 | -6.9 | -21.5 | -6.9 | -19.8 | 1.1 | 0.9 | 4.6 | 4.1 | 4.4 |
| Excess | | -1.6 | -2.7 | -5.0 | -2.7 | -5.5 | -1.4 | -0.7 | -0.6 | -0.2 | 0.2 |
| Baillie Gifford | 251,609,374 | -12.2 | -8.9 | -39.4 | -8.9 | -38.8 | -1.8 | -0.4 | 4.2 | 4.6 | 4.6 |
| MSCI ACWI ex USA Growth | | -10.6 | -9.3 | -31.6 | -9.3 | -30.0 | -1.1 | 0.5 | 4.4 | -- | -- |
| Excess | | -1.6 | 0.4 | -7.8 | 0.4 | -8.8 | -0.7 | -0.9 | -0.2 | -- | -- |
| Blackrock MSCI ACWI ex US IMI | 284,969,811 | -10.0 | -9.7 | -26.7 | -9.7 | -25.5 | -- | -- | -- | -- | -1.6 |
| MS AC WIdxUS IMI Nt | | -10.1 | -9.7 | -26.9 | -9.7 | -25.7 | -- | -- | -- | -- | -1.6 |
| Excess | | 0.1 | 0.0 | 0.2 | 0.0 | 0.2 | -- | -- | -- | -- | 0.1 |
| Mondrian Investment Partners | 288,013,059 | -10.0 | -13.9 | -24.4 | -13.9 | -24.3 | -3.6 | -2.5 | 1.6 | 2.1 | 3.4 |
| MSCI ACWI xUSA Value | | -9.3 | -10.3 | -20.5 | -10.3 | -19.5 | -1.5 | -1.5 | 2.9 | 2.5 | 3.7 |
| Excess | | -0.8 | -3.6 | -3.8 | -3.6 | -4.8 | -2.1 | -1.0 | -1.3 | -0.4 | -0.3 |
| Currency Hedge Futures | 162,406,965 | -3.7 | -7.6 | -15.7 | -7.6 | -16.7 | -- | -- | -- | -- | -6.0 |
| ICE BofAML US 3-Month Treasury Bill | | 0.2 | 0.5 | 0.6 | 0.5 | 0.6 | -- | -- | -- | -- | 0.3 |
| Excess | | -4.0 | -8.1 | -16.3 | -8.1 | -17.3 | -- | -- | -- | -- | -6.3 |
| Currency Hedge Futures Offsets | 162,406,965 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | -- | -- | -- | -- | 0.0 |
| ICE BofAML US 3-Month Treasury Bill | | 0.2 | 0.5 | 0.6 | 0.5 | 0.6 | -- | -- | -- | -- | 0.3 |
| Excess | | -0.2 | -0.5 | -0.6 | -0.5 | -0.6 | -- | -- | -- | -- | -0.3 |
| International Equity Overlay | 87,364,584 | -10.1 | -11.8 | -26.2 | -11.8 | -24.7 | -- | -- | -- | -- | 2.5 |
| ICE BofAML US 3-Month Treasury Bill | | 0.2 | 0.5 | 0.6 | 0.5 | 0.6 | -- | -- | -- | -- | 0.3 |
| Excess | | -10.4 | -12.2 | -26.8 | -12.2 | -25.3 | -- | -- | -- | -- | 2.2 |
| Fixed Income | 1,391,578,400 | -3.6 | -3.6 | -12.4 | -3.6 | -12.1 | -1.1 | 0.8 | 2.4 | 2.4 | 4.8 |
| Samcera Fixed Income Benchmark | | -4.0 | -3.2 | -14.0 | -3.2 | -13.8 | -2.3 | 0.4 | 1.6 | 1.3 | 4.2 |
| Excess | | 0.3 | -0.4 | 1.7 | -0.4 | 1.7 | 1.2 | 0.4 | 0.8 | 1.1 | 0.5 |



San Mateo County Composite Return Summary

September 30, 2022



| 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 | 848,549,204 | -4.1 | -4.4 | -14.6 | -4.4 | -14.8 | -2.8 | -0.3 | 1.1 | 1.4 | 4.2 |
| BBG US Aggregate | | -4.3 | -4.8 | -14.6 | -4.8 | -14.6 | -3.3 | -0.3 | 0.5 | 0.9 | 3.9 |
| Excess | | 0.2 | 0.3 | 0.0 | 0.3 | -0.2 | 0.4 | -0.0 | 0.5 | 0.5 | 0.3 |
| FIAM B Core Bond | 231,153,009 | -4.3 | -4.4 | -14.6 | -4.4 | -14.4 | -2.1 | 0.5 | -- | -- | 1.5 |
| BBG US Aggregate | | -4.3 | -4.8 | -14.6 | -4.8 | -14.6 | -3.3 | -0.3 | -- | -- | 0.4 |
| Excess | | 0.1 | 0.3 | 0.0 | 0.3 | 0.2 | 1.2 | 0.8 | -- | -- | 1.0 |
| Western Total Return | 174,962,458 | -4.0 | -3.8 | -14.7 | -3.8 | -15.7 | -2.6 | -0.6 | 1.6 | -- | 1.4 |
| BBG US Aggregate | | -4.3 | -4.8 | -14.6 | -4.8 | -14.6 | -3.3 | -0.3 | 0.5 | -- | 0.6 |
| Excess | | 0.3 | 1.0 | -0.1 | 1.0 | -1.1 | 0.7 | -0.3 | 1.1 | -- | 0.8 |
| DoubleLine | 221,557,175 | -4.0 | -4.5 | -14.8 | -4.5 | -15.1 | -- | -- | -- | -- | -4.4 |
| BBG US Aggregate | | -4.3 | -4.8 | -14.6 | -4.8 | -14.6 | -- | -- | -- | -- | -5.2 |
| Excess | | 0.3 | 0.2 | -0.2 | 0.2 | -0.5 | -- | -- | -- | -- | 0.8 |
| NISA Core Bond | 204,436,929 | -4.2 | -4.5 | -14.2 | -4.5 | -14.2 | -- | -- | -- | -- | -5.5 |
| BBG US Aggregate | | -4.3 | -4.8 | -14.6 | -4.8 | -14.6 | -- | -- | -- | -- | -6.0 |
| Excess | | 0.1 | 0.2 | 0.4 | 0.2 | 0.4 | -- | -- | -- | -- | 0.5 |
| Core Fixed Income Overlay | 16,439,633 | -4.5 | -6.1 | -12.1 | -6.1 | -10.9 | -- | -- | -- | -- | -5.4 |
| ICE BofAML US 3-Month Treasury Bill | | 0.2 | 0.5 | 0.6 | 0.5 | 0.6 | -- | -- | -- | -- | 0.3 |
| Excess | | -4.8 | -6.6 | -12.7 | -6.6 | -11.5 | -- | -- | -- | -- | -5.7 |
| Opportunistic Credit | 543,029,197 | -2.8 | -2.3 | -8.5 | -2.3 | -7.3 | 2.0 | 3.0 | 4.9 | 5.5 | 7.2 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | 3.8 | 3.8 | 5.5 |
| Excess | | 0.5 | -1.7 | 4.8 | -1.7 | 5.4 | 2.2 | 1.1 | 1.0 | 1.6 | 1.6 |
| Pimco Private Income | 52,789,264 | 0.0 | -0.5 | 2.1 | -0.5 | 4.3 | 9.3 | -- | -- | -- | 8.1 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | -- | -- | -- | 1.2 |
| Excess | | 3.4 | 0.1 | 15.3 | 0.1 | 17.1 | 9.5 | -- | -- | -- | 6.9 |
| AG CREDIT SOL FU LP | 15,476,963 | 0.0 | -4.5 | -0.5 | -4.5 | 2.1 | -- | -- | -- | -- | 18.1 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -- | -- | -- | -- | -1.0 |
| Excess | | 3.4 | -3.9 | 12.8 | -3.9 | 14.8 | -- | -- | -- | -- | 19.1 |



San Mateo County Composite Return Summary

September 30, 2022



| 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 | 0 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -- | -- | -- | -- | 3.2 |
| Excess | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| AG CSF II | 11,921,976 | 0.0 | -5.3 | -- | -5.3 | -- | -- | -- | -- | -- | -3.8 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -- | -0.6 | -- | -- | -- | -- | -- | -10.7 |
| Excess | | 3.4 | -4.7 | -- | -4.7 | -- | -- | -- | -- | -- | 6.9 |
| AG Opportunistic Whole Loan | 227,459 | 9.0 | 9.0 | 40.2 | 9.0 | 45.2 | 22.1 | 22.3 | 18.7 | -- | 15.2 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | 3.8 | -- | 3.2 |
| Excess | | 12.4 | 9.7 | 53.5 | 9.7 | 58.0 | 22.3 | 20.5 | 14.9 | -- | 12.0 |
| Angelo Gordon | 0 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | 3.8 | -- | 3.7 |
| Excess | | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Blackrock Direct Lending Feede | 35,251,278 | -0.3 | 1.2 | 1.8 | 1.2 | 4.0 | 3.1 | -- | -- | -- | 2.8 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | -- | -- | -- | 1.1 |
| Excess | | 3.1 | 1.9 | 15.1 | 1.9 | 16.8 | 3.3 | -- | -- | -- | 1.6 |
| Beach Point Select Fund | 94,807,265 | -3.8 | -2.9 | -8.3 | -2.9 | -4.4 | 7.0 | 6.3 | 7.4 | -- | 7.4 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | 3.8 | -- | 3.2 |
| Excess | | -0.4 | -2.2 | 5.0 | -2.2 | 8.4 | 7.2 | 4.4 | 3.6 | -- | 4.2 |
| Brigade Cap Mngmt | 95,448,801 | -3.5 | -2.7 | -10.1 | -2.7 | -8.7 | 3.5 | 3.0 | 5.2 | 4.4 | 5.5 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | 3.8 | 3.8 | 5.0 |
| Excess | | -0.2 | -2.1 | 3.2 | -2.1 | 4.1 | 3.7 | 1.1 | 1.4 | 0.6 | 0.5 |
| White Oak YSF V | 29,540,498 | -0.0 | 0.2 | 2.3 | 0.2 | 2.8 | -- | -- | -- | -- | 1.6 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -- | -- | -- | -- | -4.8 |
| Excess | | 3.4 | 0.8 | 15.6 | 0.8 | 15.5 | -- | -- | -- | -- | 6.4 |
| White Oak Yield Spec | 32,081,157 | 0.0 | 1.4 | 5.0 | 1.4 | 5.7 | 5.9 | 7.0 | -- | -- | -- |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | -- | -- | 2.4 |
| Excess | | 3.4 | 2.0 | 18.3 | 2.0 | 18.5 | 6.1 | 5.2 | -- | -- | -- |
| PIMCO Div. Income Fund | 110,968,582 | -4.4 | -2.5 | -17.4 | -2.5 | -17.6 | -3.7 | -0.2 | -- | -- | -0.0 |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | -- | -- | 1.9 |



San Mateo County Composite Return Summary

September 30, 2022



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|--------------------------------|-------------------|--------|--------|-------|-------|-------|-------|-------|-------|--------|-------|
| Excess | | -1.0 | -1.9 | -4.1 | -1.9 | -4.9 | -3.5 | -2.1 | -- | -- | -2.0 |
| TCP Direct Lending VIII | 15,981,299 | -0.4 | -1.4 | 0.8 | -1.4 | 3.4 | 5.6 | 5.6 | -- | -- | -- |
| BBG BA Intermediate HY Ind | | -3.4 | -0.6 | -13.3 | -0.6 | -12.7 | -0.2 | 1.8 | -- | -- | 3.2 |
| Excess | | 3.0 | -0.8 | 14.0 | -0.8 | 16.1 | 5.8 | 3.8 | -- | -- | -- |
| Franklin Templeton | 48,534,655 | -6.4 | -7.1 | -18.4 | -7.1 | -19.3 | -9.7 | -6.3 | -2.5 | -1.5 | -0.2 |
| Bloomberg Multiverse Index | | -5.1 | -6.8 | -19.8 | -6.8 | -20.4 | -5.6 | -2.3 | -0.5 | -0.8 | 0.2 |
| Excess | | -1.2 | -0.3 | 1.4 | -0.3 | 1.1 | -4.0 | -4.1 | -2.1 | -0.7 | -0.4 |
| Alternatives | 814,158,126 | 1.5 | -1.6 | 1.6 | -1.6 | -0.2 | 14.5 | 11.4 | 10.1 | 8.1 | 1.0 |
| Samcera Alternatives Benchmark | | -3.7 | -7.3 | -4.0 | -7.3 | -3.2 | 8.7 | 9.0 | 9.7 | 8.7 | 8.0 |
| Excess | | 5.2 | 5.8 | 5.6 | 5.8 | 3.0 | 5.8 | 2.3 | 0.3 | -0.6 | -7.0 |
| Private Equity | 361,413,098 | -0.7 | -8.4 | -10.7 | -8.4 | -13.3 | 24.0 | 22.2 | 19.5 | 17.7 | -6.2 |
| Samcera PE Benchmark | | -7.9 | -15.7 | -11.5 | -15.7 | -11.1 | 12.8 | 12.5 | 14.7 | 15.0 | 15.2 |
| Excess | | 7.2 | 7.4 | 0.8 | 7.4 | -2.2 | 11.2 | 9.7 | 4.8 | 2.7 | -21.4 |
| Absolute Return | 452,745,027 | 3.3 | 4.6 | 14.3 | 4.6 | 13.7 | 1.8 | -1.4 | -0.2 | 2.6 | 2.2 |
| Samcera SOFR + 4% | | 0.5 | 1.5 | 3.7 | 1.5 | 4.8 | 4.6 | 5.2 | 5.0 | 4.8 | 4.7 |
| Excess | | 2.8 | 3.1 | 10.5 | 3.1 | 8.9 | -2.8 | -6.6 | -5.2 | -2.2 | -2.5 |
| Aberdeen Std GARS | 47,653,145 | -0.6 | -2.9 | -9.6 | -2.9 | -8.2 | -1.2 | -0.0 | -0.1 | -- | -0.1 |
| Samcera SOFR + 4% | | 0.5 | 1.5 | 3.7 | 1.5 | 4.8 | 4.6 | 5.2 | 5.0 | -- | 5.0 |
| Excess | | -1.2 | -4.4 | -13.3 | -4.4 | -12.9 | -5.9 | -5.2 | -5.2 | -- | -5.2 |
| Graham Global Investment | 105,534,988 | -0.2 | 0.4 | 23.4 | 0.4 | 20.6 | -- | -- | -- | -- | 8.7 |
| Samcera SOFR +4% | | 0.5 | 1.5 | 3.7 | 1.5 | 4.7 | -- | -- | -- | -- | 4.5 |
| Excess | | -0.8 | -1.1 | 19.7 | -1.1 | 15.9 | -- | -- | -- | -- | 4.2 |
| PIMCO MAARS Fund L.P. | 108,101,760 | 4.8 | 9.5 | 21.2 | 9.5 | 27.9 | -- | -- | -- | -- | 13.8 |
| Samcera SOFR +4% | | 0.5 | 1.5 | 3.7 | 1.5 | 4.8 | -- | -- | -- | -- | 4.4 |
| Excess | | 4.2 | 7.9 | 17.5 | 7.9 | 23.1 | -- | -- | -- | -- | 9.4 |
| Acadian MAAR Fund LLC | 85,165,510 | 2.3 | 3.1 | 3.6 | 3.1 | 2.5 | -- | -- | -- | -- | 3.5 |
| Samcera SOFR +4% | | 0.5 | 1.5 | 3.7 | 1.5 | 4.8 | -- | -- | -- | -- | 4.4 |
| Excess | | 1.7 | 1.6 | -0.2 | 1.6 | -2.3 | -- | -- | -- | -- | -0.9 |



San Mateo County Composite Return Summary

September 30, 2022



| 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 | 106,289,624 | 8.3 | 9.3 | 26.3 | 9.3 | 19.1 | -- | -- | -- | -- | 18.1 |
| Samcera SOFR +4% | | 0.5 | 1.5 | 3.7 | 1.5 | 4.8 | -- | -- | -- | -- | 4.4 |
| Excess | | 7.8 | 7.8 | 22.5 | 7.8 | 14.3 | -- | -- | -- | -- | 13.7 |
| Inflation Hedge | 1,053,370,632 | -2.5 | -1.3 | 8.1 | -1.3 | 12.0 | 6.3 | 4.9 | -- | -- | 6.3 |
| SamCERA Inflation Hedge Index | | -4.2 | -3.3 | 7.8 | -3.3 | 13.6 | 10.4 | 8.1 | -- | -- | -- |
| Excess | | 1.7 | 2.0 | 0.3 | 2.0 | -1.6 | -4.1 | -3.2 | -- | -- | -- |
| Real Estate | 546,989,923 | 0.1 | 0.8 | 14.3 | 0.8 | 20.8 | 10.0 | 8.9 | -- | -- | 8.9 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | 12.5 | 0.0 | 21.5 | 12.2 | 10.1 | -- | -- | 9.6 |
| Excess | | 0.1 | 0.8 | 1.8 | 0.8 | -0.7 | -2.2 | -1.2 | -- | -- | -0.8 |
| Invesco Core Real Estate | 327,399,193 | 0.0 | 0.7 | 18.0 | 0.7 | 26.9 | 11.2 | 9.7 | 9.6 | 10.4 | 8.3 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | 12.5 | 0.0 | 21.5 | 12.2 | 10.1 | 9.8 | 10.9 | 8.6 |
| Excess | | 0.0 | 0.7 | 5.5 | 0.7 | 5.4 | -0.9 | -0.5 | -0.2 | -0.4 | -0.3 |
| Invesco US Val IV | 2,174,468 | 0.0 | -5.5 | 0.5 | -5.5 | 3.6 | 7.0 | 9.0 | -- | -- | 9.6 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | 12.5 | 0.0 | 21.5 | 12.2 | 10.1 | -- | -- | 10.0 |
| Excess | | 0.0 | -5.5 | -12.0 | -5.5 | -17.9 | -5.2 | -1.1 | -- | -- | -0.4 |
| Invesco Value-Add Fund | 16,563,296 | 0.0 | -- | -- | -- | -- | -- | -- | -- | -- | 0.0 |
| Samcera NCREIF ODCE (gross) | | 0.0 | -- | -- | -- | -- | -- | -- | -- | -- | 0.0 |
| Excess | | 0.0 | -- | -- | -- | -- | -- | -- | -- | -- | 0.0 |
| PGIM Real Estate US Debt Fund | 75,593,445 | 0.7 | 1.4 | 4.1 | 1.4 | 5.5 | 5.6 | 5.3 | -- | -- | 5.1 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | 12.5 | 0.0 | 21.5 | 12.2 | 10.1 | -- | -- | 10.0 |
| Excess | | 0.7 | 1.4 | -8.4 | 1.4 | -15.9 | -6.6 | -4.8 | -- | -- | -5.0 |
| Invesco US VAL V | 30,265,619 | 0.0 | 0.6 | 8.8 | 0.6 | 18.4 | 13.3 | -- | -- | -- | 11.1 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | 12.5 | 0.0 | 21.5 | 12.2 | -- | -- | -- | -- |
| Excess | | 0.0 | 0.6 | -3.7 | 0.6 | -3.1 | 1.1 | -- | -- | -- | -- |
| Harrison Street Core Property | 70,989,209 | 0.0 | -1.0 | 10.7 | -1.0 | 13.8 | -- | -- | -- | -- | 7.6 |
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | 12.5 | 0.0 | 21.5 | -- | -- | -- | -- | 12.7 |
| Excess | | 0.0 | -1.0 | -1.8 | -1.0 | -7.7 | -- | -- | -- | -- | -5.2 |
| Stockbridge Value IV | 24,004,693 | 0.1 | 9.1 | 29.2 | 9.1 | 31.3 | -- | -- | -- | -- | 11.8 |



San Mateo County Composite Return Summary

September 30, 2022



| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|-------------------------------------|-------------------|--------|--------|------|------|-------|-------|-------|-------|--------|-------|
| Samcera NCREIF ODCE (gross) | | 0.0 | 0.0 | 12.5 | 0.0 | 21.5 | -- | -- | -- | -- | 23.3 |
| Excess | | 0.1 | 9.1 | 16.7 | 9.1 | 9.9 | -- | -- | -- | -- | -11.6 |
| Public Real Assets | 281,700,897 | -8.1 | -5.2 | -2.3 | -5.2 | 0.9 | 0.3 | 0.3 | -- | -- | -- |
| SamCera Liquid Real Asset Inde | | -8.3 | -5.4 | -2.9 | -5.4 | 0.5 | 4.9 | 3.4 | -- | -- | 5.7 |
| Excess | | 0.2 | 0.2 | 0.6 | 0.2 | 0.4 | -4.6 | -3.2 | -- | -- | -- |
| SSGA CST REAL ASSET NL | 281,700,897 | -8.1 | -5.2 | -2.3 | -5.2 | 0.9 | 4.9 | 3.4 | -- | -- | -- |
| SamCera Liquid Real Asset Inde | | -8.3 | -5.4 | -2.9 | -5.4 | 0.5 | 4.9 | 3.4 | -- | -- | 4.8 |
| Excess | | 0.2 | 0.2 | 0.6 | 0.2 | 0.4 | -0.0 | -0.0 | -- | -- | -- |
| Private Real Assets | 224,679,812 | -0.1 | -0.5 | 10.1 | -0.5 | 7.4 | 12.9 | 5.0 | -- | -- | 10.2 |
| SamCERA Private Real Asset Idx | | -9.5 | -9.1 | 6.9 | -9.1 | 8.1 | 6.7 | 8.3 | -- | -- | 11.0 |
| Excess | | 9.4 | 8.6 | 3.2 | 8.6 | -0.7 | 6.2 | -3.3 | -- | -- | -0.8 |
| Liquidity | 345,060,552 | -0.1 | -0.1 | -- | -0.1 | -- | -- | -- | -- | -- | -0.1 |
| Liquidity Composite Benchmark | | -0.6 | -0.7 | -- | -0.7 | -- | -- | -- | -- | -- | -0.7 |
| Excess | | 0.5 | 0.6 | -- | 0.6 | -- | -- | -- | -- | -- | 0.6 |
| Cash Flow - Match Liquidity | 172,466,965 | -0.4 | -0.6 | -- | -0.6 | -- | -- | -- | -- | -- | -0.6 |
| BBG US Agg Govt Credit 1-3 | | -1.2 | -1.5 | -- | -1.5 | -- | -- | -- | -- | -- | -1.5 |
| Excess | | 0.8 | 0.8 | -- | 0.8 | -- | -- | -- | -- | -- | 0.8 |
| Insight Investment | 88,625,570 | -1.0 | -1.5 | -- | -1.5 | -- | -- | -- | -- | -- | -1.5 |
| BBG US Credit 1-3 Yrs | | -1.3 | -1.3 | -- | -1.3 | -- | -- | -- | -- | -- | -1.3 |
| Excess | | 0.4 | -0.2 | -- | -0.2 | -- | -- | -- | -- | -- | -0.2 |
| County Treasury Pool | 83,841,395 | 0.0 | 0.1 | 0.5 | 0.1 | 0.9 | 1.3 | 1.5 | 1.3 | 1.1 | 2.5 |
| 91 Day T-Bill | | 0.2 | 0.5 | 0.6 | 0.5 | 0.6 | 0.6 | 1.1 | 1.0 | -- | -- |
| Excess | | -0.2 | -0.4 | -0.1 | -0.4 | 0.3 | 0.7 | 0.4 | 0.3 | -- | -- |
| Cash & Cash Overlay | 172,593,587 | 0.2 | 0.5 | -- | 0.5 | -- | -- | -- | -- | -- | -- |
| ICE BofAML US 3-Month Treasury Bill | | 0.2 | 0.5 | 0.6 | 0.5 | 0.6 | -- | -- | -- | -- | 0.3 |
| Excess | | -0.0 | 0.0 | -- | 0.0 | -- | -- | -- | -- | -- | -- |



San Mateo County
Composite Return Summary
 September 30, 2022



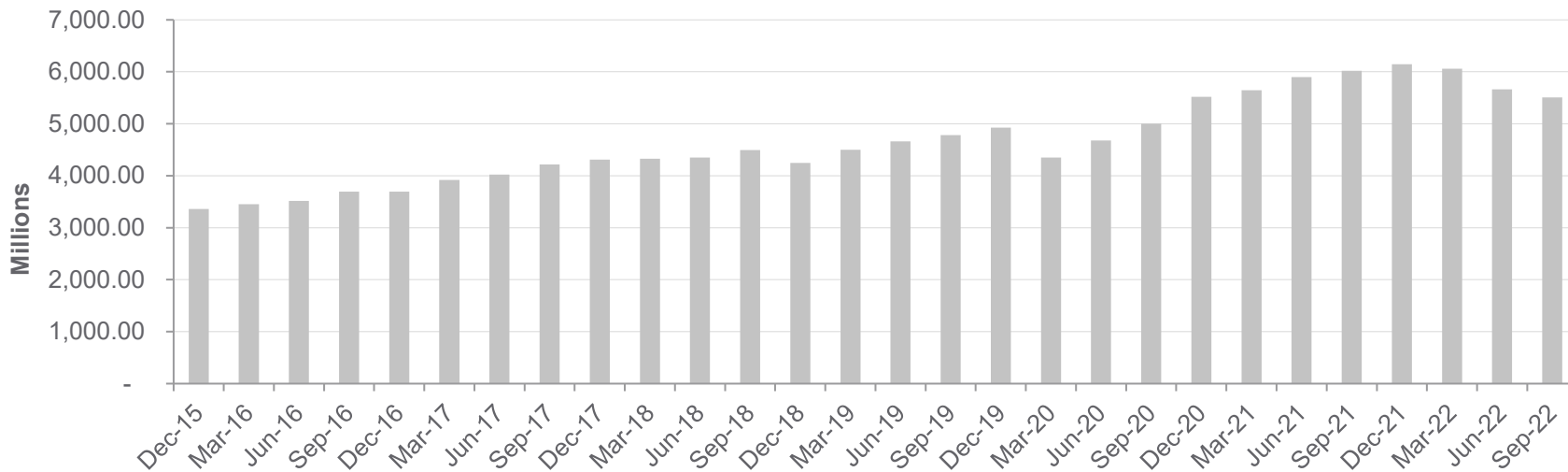
| Composite Returns (NET) | Market Value (\$) | 1 Mth. | 3 Mth. | YTD | FYTD | 1 Yr. | 3 Yr. | 5 Yr. | 7 Yr. | 10 Yr. | ITD |
|------------------------------|-------------------|--------|--------|-------|------|-------|-------|-------|-------|--------|------|
| General Account | 126,665,050 | 0.2 | 0.6 | 0.7 | 0.6 | 0.7 | 0.6 | 1.2 | 1.0 | 0.8 | 1.8 |
| Transition Account | 13,139 | -- | -- | -- | -- | -- | -- | -- | -- | -- | -- |
| Cash Overlay | 14,838,272 | 0.1 | 0.3 | 0.0 | 0.3 | -0.2 | -- | -- | -- | -- | -0.0 |
| Currency Hedge Cash Overlay | 31,077,125 | 0.2 | 0.4 | 0.5 | 0.4 | 0.4 | -- | -- | -- | -- | 0.2 |
| <hr/> | | | | | | | | | | | |
| San Mateo County Overlay | 5,506,874,416 | -4.8 | -3.9 | -11.3 | -3.9 | -8.9 | 4.2 | 4.5 | 6.4 | 6.7 | 6.4 |
| Samcera Total Plan Benchmark | | -5.8 | -4.6 | -13.0 | -4.6 | -9.9 | 4.2 | 4.9 | 6.8 | 6.9 | 6.7 |
| Excess | | 1.1 | 0.7 | 1.7 | 0.7 | 1.0 | -0.0 | -0.4 | -0.4 | -0.2 | -0.3 |



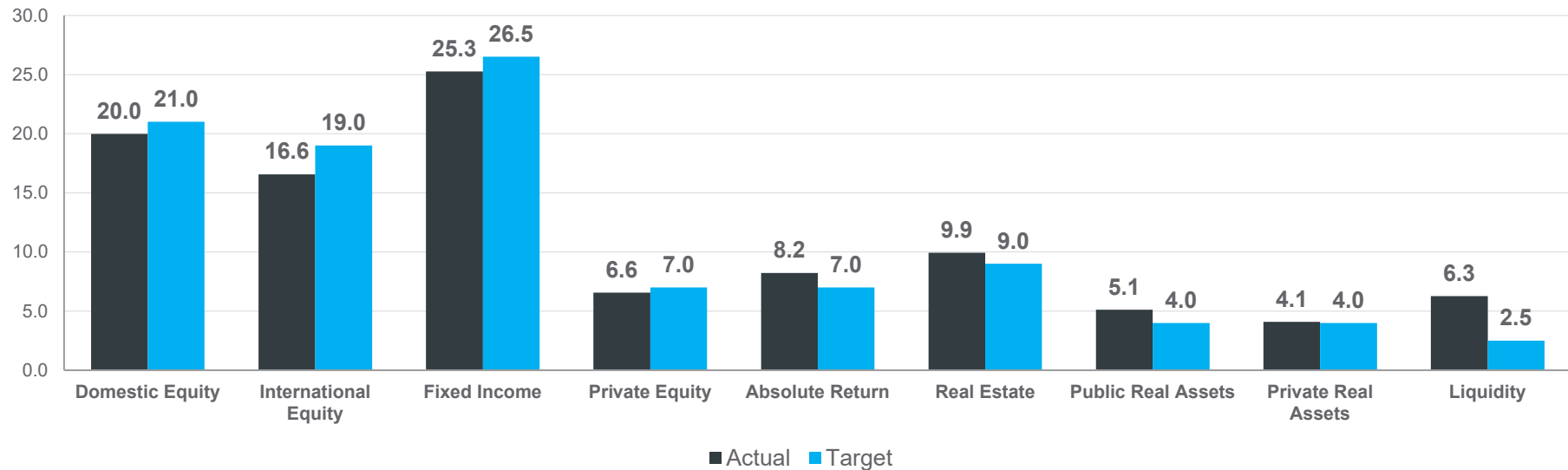
Record of Asset Growth

| | Three Months | One Year |
|------------------------|---------------|---------------|
| TOTAL FUND | | |
| Beginning Market Value | 5,663,079,386 | 6,019,155,128 |
| Contributions | 142,069,457 | 307,139,966 |
| Withdrawals | -75,644,784 | -292,370,087 |
| Income Received | 24,347,219 | 94,996,975 |
| Gain/Loss | -246,865,588 | -621,571,836 |
| Ending Market Value | 5,506,874,416 | 5,506,874,416 |

Net Asset Values Over Time (\$'000)

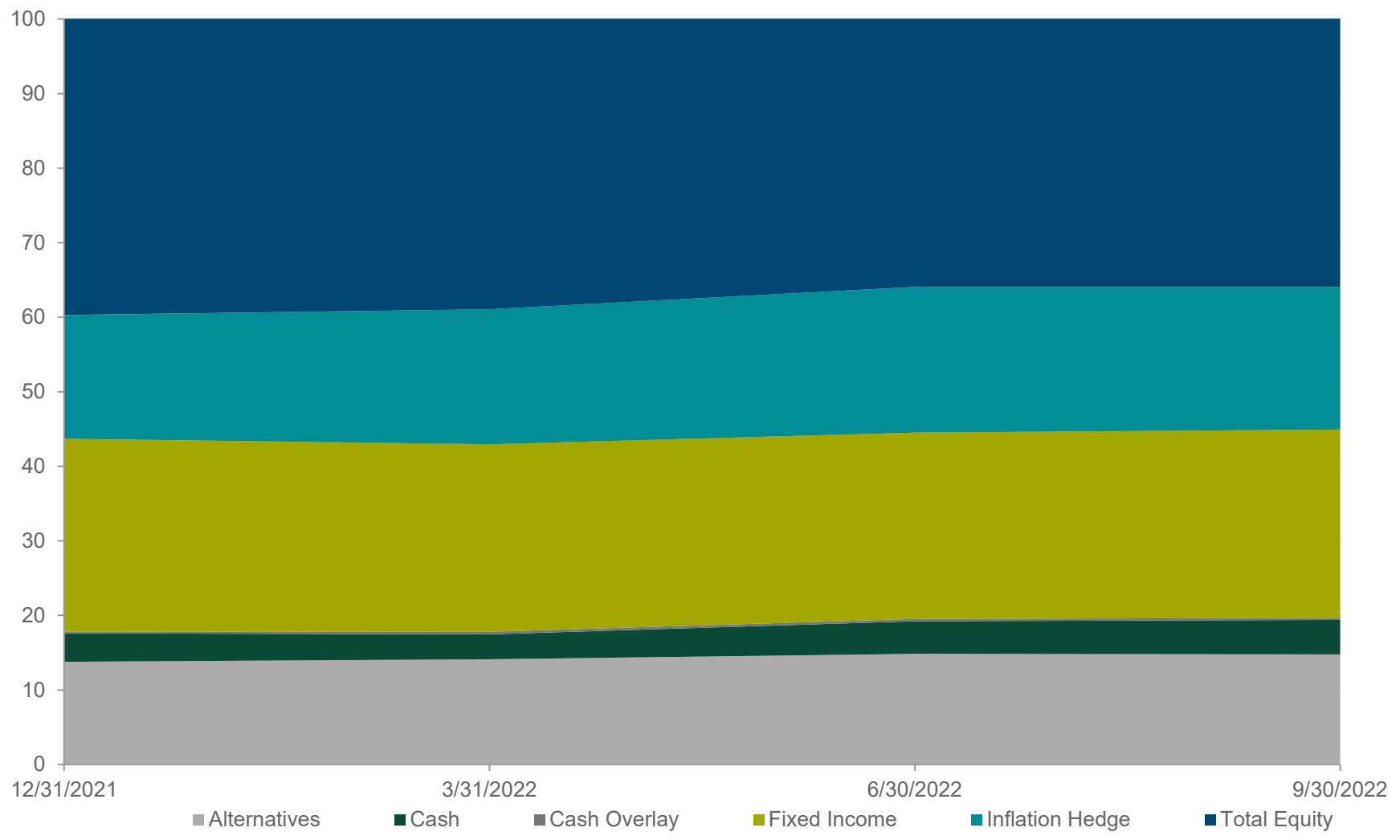


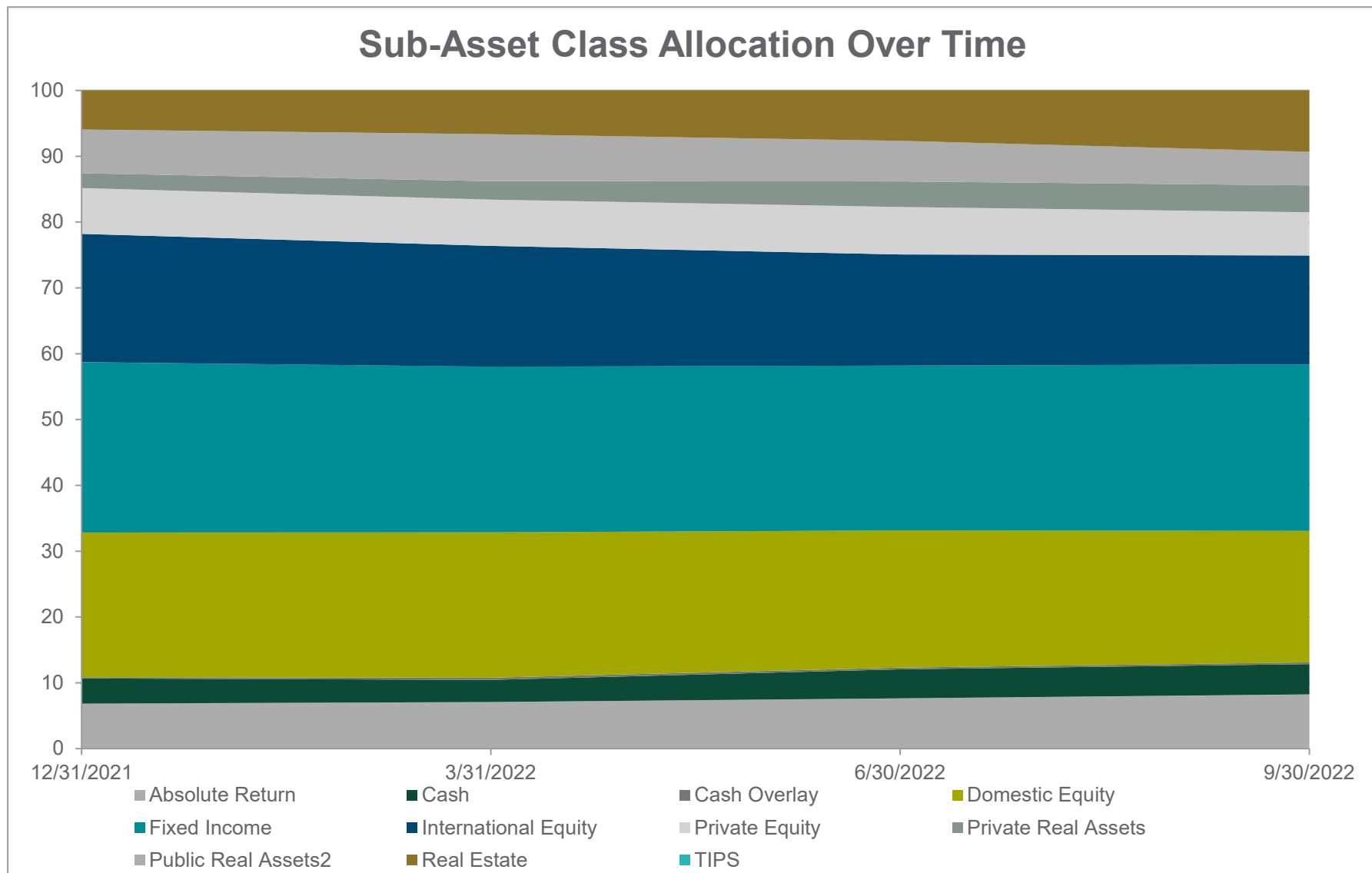
Actual vs Target Weights



| | Min | Actual | Target | Deviation | Max |
|-----------------------------|------|--------|--------|-----------|------|
| Domestic Equity | 19.0 | 20.0 | 21.0 | -1.0 | 23.0 |
| International Equity | 17.0 | 16.6 | 19.0 | -2.4 | 21.0 |
| Fixed Income | 24.5 | 25.3 | 26.5 | -1.2 | 28.5 |
| Private Equity | 5.0 | 6.6 | 7.0 | -0.4 | 9.0 |
| Absolute Return | 5.0 | 8.2 | 7.0 | 1.2 | 9.0 |
| Real Estate | 7.0 | 9.9 | 9.0 | 0.9 | 11.0 |
| Public Real Assets | 2.0 | 5.1 | 4.0 | 1.1 | 6.0 |
| Private Real Assets | 2.0 | 4.1 | 4.0 | 0.1 | 6.0 |
| Liquidity | | 6.3 | 2.5 | 3.8 | |

Asset Allocation over Time





Disclaimer(s)

The Global Industry Classification Standard ("GICS") was developed by and is the exclusive property and a service mark of Morgan Stanley Capital International Inc. ("MSCI") and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") and is licensed for use by The Northern Trust Corporation and its wholly owned subsidiaries. Neither MSCI, S&P, nor any other party involved in making or compiling the GICS or any GICS classifications makes any express or implied warranties or representations with respect to such standard or classification (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability and fitness for a particular purpose with respect to any of such standard or classification. Without limiting any of the foregoing, in no event shall MSCI, S&P, any of their affiliates or any third party involved in making or compiling the GICS or any GICS classifications have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The Dow Jones Wilshire Indexes are calculated, distributed and marketed by Dow Jones & Company, Inc. pursuant to an agreement between Dow Jones and Wilshire and have been licensed for use. All content of the Dow Jones Wilshire Indexes © 2005 Dow Jones & Company, Inc. & Wilshire Associates Incorporated.

Standard and Poor's including its subsidiary corporations ("S&P") is a division of the McGraw-Hill Companies, Inc. Reproduction of S&P Index Alerts in any form is prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P sources, S&P or others, S&P does not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P gives not express or implied warranties, including, but not limited to, any warranties or merchantability or fitness for a particular purpose or use. In no event shall S&P be liable for any indirect, special or consequential damages in connection with subscriber's or others' use of S&P Index Alerts.

All MSCI equity characteristic results except for Dividend Yield, Price to Book Value, Price to Cash Earnings and Price Earnings Ratio were calculated by The Northern Trust Company. FTSE ® is a trade mark of London Stock Exchange Plc and The Financial Times Limited and is used by FTSE under license. All rights in the FTSE Indices vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE Indices or underlying data.

The Merrill Lynch Indices are used with permission. Copyright 2007, Merrill Lynch, Pierce, Fenner & Smith Incorporated. All rights reserved. The Merrill Lynch Indices may not be copied, used, or distributed without Merrill Lynch's prior written approval.

The Citi Index data is provided to you on an "AS IS" basis and you agree that use of the index data is at your sole risk. Citi Index makes no representations or warranties, express or implied, to you or any other person or entity, including without limitation any warranty of merchantability, originality, suitability or fitness for a particular purpose of the index data or any other matter and no warranty is given that the index data will conform to any description thereof or be free of omissions, errors, interruptions or defects. 4. In no event shall Citi Index be liable to you or any other person or entity for any direct, incidental, indirect, special or consequential damages (including, without limitation,

lost profits or revenues, loss of data, loss of use or claims of third parties), arising out of or in any manner in connection with your use of (or inability to use) the index data, whether or not you have been advised of, or otherwise might have anticipated the possibility of, such damages. Without limitation on the foregoing, you acknowledge that the index data may be incomplete or condensed, is for information purposes only and is not intended as, and shall not be construed to be, an offer or solicitation with respect to the purchase or sale of any security. All opinions and estimates provided constitute judgments as of their respective dates and are subject to change without notice. Such data, information, opinions and estimates are furnished as part of a general service, without regard to your particular circumstances, and Citi Index shall not be liable for any damages in connection therewith. Citi Index is not undertaking to manage money or act as a fiduciary with respect to your accounts or any of your managed or fiduciary accounts and you acknowledge and agree that the index data does not and shall not serve as the primary basis for any investment decisions made with respect to such accounts.

iShares® and BlackRock® are registered trademarks of BlackRock, Inc. and its affiliates ("BlackRock") and are used under license. BlackRock has licensed certain trademarks and trade names of BlackRock to The Northern Trust Company. The Northern Trust Company's products and services are not sponsored, endorsed, sold, or promoted by BlackRock, and BlackRock makes no representations or warranties related to such products or services either to The Northern Trust Company or any other person or entity, including but not limited to the advisability of investing in the products of The Northern Trust Company. BlackRock has no obligation or liability in connection with the operation, marketing, trading or sale of the products or services from The Northern Trust Company.

Please note that this report has been prepared using best available data. This report may also contain information provided by third parties, derived by third parties or derived from third party data and/or data that may have been categorized or otherwise reported based upon client direction - Northern Trust assumes no responsibility for the accuracy, timeliness or completeness of any such information. If you have questions regarding third party data or direction as it relates to this report, please contact your Northern Trust relationship team.


INVESTMENT ADVICE NOTICE: The data and analysis contained in this report is for informational purposes only. In providing the information contained herein, The Northern Trust Company is not undertaking to provide "investment advice" or to give advice in a fiduciary capacity for purposes of the Employee Retirement Income Security Act of 1974, as amended. Nothing in this report is intended as, or should be understood as, a recommendation to hire, retain, or terminate an investment manager or engage in any purchase or sale transaction with such a manager or any fund that it manages. The Northern Trust Company and/or its affiliates may have business relationships with one or more investment managers or funds for included in this report, and may receive compensation for providing custody, administration, banking, brokerage, foreign exchange or other services to such investment managers or funds. The Northern Trust Company and its affiliates shall have no responsibility for the consequences of investment decisions made in reliance on information contained in this report.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

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 15, 2022. The meeting lasted approximately 1 hour and consisted of a firm/organizational update, an investment process review, and a review of performance and attribution.

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.

There were no 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

| | |
|---------------------------------|--|
| Investment Organization | State Street Global Advisors (SSGA) |
| Business Type | Publicly Traded |
| Firm Inception Date | 1935 |
| Firm \$AUM | \$3.5T |
| Investment Org Attendees | Rob Guiliano, Sonya Park |
| Verus Attendees | John Nicolini |
| SamCERA Attendees | Kimathi Marangu, Doris Ng, Mike Coultrip |
| Interview Date(s) | 9/15/22 |
| Meeting Type | In office |
| Meeting Purpose | Update |
| Strategy Name | SSgA Custom Real Assets |
| Strategy Inception Date | 2016 |
| Asset Class (Style) | Real Assets |
| If other, please name | |
| Sub-Style | Equity, Commodities & TIPS |
| Strategy \$AUM | \$8.2 billion |
| SamCERA \$AUM (7/31/22) | \$361 million |
| IC Approved (Yes or No) | 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 \$3.5 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 \$225 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 three 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.

Process/Philosophy

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

- 1/4th Bloomberg Roll Select Commodities
- 1/4th S&P Global LargeMid Commodity and Resources Index
- 1/4th S&P Global Infrastructure Index
- 1/4th 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 1/3rd US and 2/3rd 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 31st, 2022, the strategy has returned +6.56% vs a return of +6.37% 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 10.8% annualized, since inception. The largest detractor to returns is the Global Infrastructure portfolio which is up 6.3% annualized, since inception. Over the last 12 months, the portfolio returned +10.9% (net of fees), led by Commodities and Natural Resource equities that were 24.1% and 14.6%, respectively. The largest detractor over the last 12 months was the U.S. TIPS strategy which was down 3.6%. Overall, we are pleased with the performance given the inflationary environment. The TIPS performance lagging is disappointing but expected given the asset classes real interest rate exposure.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

Agenda Item 6.3

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Opportunistic Credit Manager Annual Review

Recommendation

Review the report on the annual review of SamCERA's opportunistic credit manager, Angelo Gordon.

Background

On October 4th, SamCERA staff and consultant held an annual review meeting with one of our opportunistic credit managers, Angelo Gordon. The meeting lasted approximately 1 hour, 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, Credit Solutions Fund II, and Credit Solutions Fund II Annex Dislocation Fund were all reviewed. These investment strategies seek to invest in distressed and special situation opportunities by purchasing discounted securities in the public markets and providing private credit solutions to companies' idiosyncratic challenges.

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

Attachment


Angelo Gordon Annual Review Meeting Notes (confidential)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

Agenda Item 6.4

TO: Board of Retirement

FROM: Doris Ng, Investment Analyst 

SUBJECT: Report on Absolute Return Manager Annual Reviews

Recommendation

Review the report on the annual reviews of SamCERA's absolute return managers, Graham Capital Management, CFM, PIMCO and Acadian Asset Management.

Background

On September 15th, SamCERA staff and consultant held an annual review meeting with Graham Capital Management. Annual review meetings were also held with SamCERA's other three absolute return managers on October 6th.

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.

Discussion

On September 15th, Graham Capital Management's Quantitative Macro (QQM) strategy was reviewed. QQM is a systematic, long/short, multi-strategy that targets absolute returns with low correlation to traditional markets.

On October 6th, CFM's Systematic Global Macro (SGM) strategy was reviewed first. The SGM strategy is a directional strategy that takes long/short positions in liquid derivatives markets with the goal of providing absolute returns uncorrelated with traditional asset classes.

Next, PIMCO's Multi-Asset Alternative Risk Premia Strategy (MAARS) was reviewed. PIMCO's MAAR strategy is a systematic, alternative risk premia strategy that invests across multiple, dynamic strategies and markets with low correlation to traditional market factors.

Lastly, Acadian's Multi-Asset Absolute Return (MAAR) strategy was reviewed. Acadian's MAAR strategy is a systematic, market-neutral, multi-factor strategy that exploits behavioral inefficiencies within and across global markets with low correlation to other asset classes.

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

Attachments

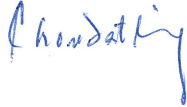
Graham Capital QQM Annual Review Meeting Notes (confidential)
CFM SGM Annual Review Meeting Notes (confidential)
PIMCO MAARS Annual Review Meeting Notes (confidential)
Acadian MAAR Annual Review Meeting Notes (confidential)

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

Agenda Item 7.1

TO: Board of Retirement

FROM: Tat-Ling Chow, Finance Officer 

SUBJECT: Acceptance of Financial Audit Reports for the Fiscal Year Ended June 30, 2022

Recommendation

Accept the Financial Audit Reports from Brown Armstrong Accountancy Corporation (Brown Armstrong) for the fiscal year ended June 30, 2022.

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, 2022. Mrs. Ashley Green from Brown Armstrong will discuss these three audit reports in details:

- 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, and in accordance with accounting principles generally accepted in the United States of America.
- 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) has not identified any material weaknesses in our internal controls and (2) has not identified any instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Attachments

- Audit Report #1 Independent Auditor's Report
- 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



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 Audit of the Basic Financial Statements and Other Information

Opinions

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, 2022; 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, 2022, listed as other information in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2022; 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, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of SamCERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Basic Financial Statements and Other Information

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

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

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SamCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Management is also responsible for maintaining a current plan instrument, including all SamCERA plan amendments; administering SamCERA; and determining that SamCERA's transactions that are presented and disclosed in the basic financial statements are in conformity with SamCERA's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Basic Financial Statements and Other Information

Our objectives are to obtain reasonable assurance about whether the basic financial statements and other information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements and other information.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SamCERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 GAAS, 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. 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SamCERA's basic financial statements. The other supplemental information 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. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 GAAS. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Additional Information

Management is responsible for the additional information included in the Annual Comprehensive Financial Report. The additional information comprises the introductory, investment, actuarial, statistical, and compliance sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the additional information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited SamCERA's June 30, 2021, basic financial statements, and our report dated October 18, 2021, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2021, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, 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.

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

Stockton, California
October 17, 2022

**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

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

FOR THE FISCAL YEAR ENDED JUNE 30, 2022

**SAN MATEO COUNTY EMPLOYEES'
RETIREMENT ASSOCIATION**

TABLE OF CONTENTS

| | <u>Page</u> |
|---|-------------|
| I. Required Communication to the Members of the Board of Retirement and Audit Committee in Accordance with Professional Standards (SAS 114) | 1 |
| II. 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 <i>Government Auditing Standards</i> | 4 |

**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, 2022, and have issued our report thereon dated October 17, 2022. 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 May 12, 2022. 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. As described in Note 15, to the financial statements, SamCERA changed accounting policies related to Leases by adopting Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, in 2022. Accordingly, the cumulative effect of the accounting change as of the beginning of the year is reported in the Statement of Fiduciary Net Position. 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 17, 2022.

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 17, 2022



**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, 2022, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 17, 2022.

Report on 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.

Report on 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*

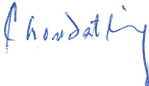
Stockton, California
October 17, 2022

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

Agenda Item 7.2

TO: Board of Retirement

FROM: Tat-Ling Chow, Finance Officer 

SUBJECT: Approval of SamCERA's 2022 Annual Comprehensive Financial Report

Recommendation

Approve SamCERA's Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2022.

Discussion

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

1. Introductory Section – displays SamCERA's organizational structure and 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 - contains Chief Investment Officer's Letter, Investment Consultant's Letter, 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 – presents auditor's report on internal controls over financial reporting and on compliance and other matters.

Our discussion below is focused on three areas of the pension plan: the net position at fiscal year-end, the operating results for the fiscal year just ended, and the funding status as of June 30, 2022.

Over the fiscal year, the financial position of SamCERA has declined by 6%. Below are the key indicators of SamCERA's overall performance for the fiscal year just ended.

- The net position (total assets minus total liabilities) of SamCERA was approximately \$5.65 billion at fiscal year-end, reflecting a decrease of \$332.4 million. This amount is exclusively restricted for the ongoing benefit obligations to retirees and their eligible beneficiaries.

- Total additions to the pension plan were -\$42.7 million, about \$1.5 billion less than that of the last fiscal year, due mainly to a significant decline in investment income. In the 4th quarter of the fiscal year, the overall investment performance was adversely impacted by investors' concerns over the Russian invasion of Ukraine, as well as fears of inflation and recession. Under these extreme market conditions, SamCERA experienced a negative return of 4.4% for the fiscal year just ended in contrast to a positive return of 25.4% for the prior fiscal year. Among its peers, SamCERA's overall performance did comparatively well and ranked in the top quartile.
- Total deductions from the pension plan were \$289.7 million, an increase of \$19.1 million or 7% from a year ago. The increase was expected, mainly from the annual cost of living adjustment, the continued growth in the number of retired members receiving benefits, and a greater number of member refunds (140 for fiscal year 2022 versus 84 for fiscal year 2021).

In May 2022, the Board re-adopted the 2021 assumptions for the 2022 valuation. Below are the key results from the latest valuation.

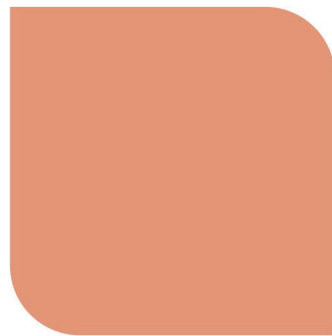
- The funded ratio of the pension plan increased modestly by 2.6% to 90.7% from 88.1% a year ago. The increase in funded ratio was due primarily to two factors:
 - Employer contributions to amortize the unfunded actuarial accrued liability
 - Recognition of prior investment returns
- As of June 30, 2022, the actuarial value of plan assets was \$5.9 billion, and the actuarial accrued liability was \$6.5 billion. As a result, the unfunded actuarial accrued liability (i.e., the difference between these two figures) amounted to \$607.1 million, which will be financed by the employer contributions in the years to come.

Attachment

2022 Annual Comprehensive Financial Report

2022 ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2022



San Mateo County Employees' Retirement Association
Redwood City, State of California
A Pension Trust Fund of the County of San Mateo and Participating Employers



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, 2022

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

This page is intentionally left blank.

TABLE OF CONTENTS

INTRODUCTORY SECTION

| | |
|--|----|
| Administrator’s Letter of Transmittal | 11 |
| GFOA Certificate of Achievement..... | 18 |
| PPCC Public Pension Standards Award | 19 |
| SamCERA’s Mission and Goals..... | 20 |
| Members of the Board of Retirement | 21 |
| Organizational Chart..... | 23 |
| List of Professional Consultants (Other Than Investment Managers)..... | 24 |

FINANCIAL SECTION

| | |
|---|----|
| Independent Auditor’s Report..... | 27 |
| Management’s Discussion and Analysis | 30 |
| Basic Financial Statements | |
| Statement of Fiduciary Net Position..... | 40 |
| Statement of Changes in Fiduciary Net Position | 41 |
| Notes to the Basic Financial Statements | |
| Note 1: Plan Description | 42 |
| Note 2: Summary of Significant Accounting Policies | 46 |
| Note 3: Funding Policy | 49 |
| Note 4: Member Contributions..... | 50 |
| Note 5: Employer Contributions | 51 |
| Note 6: Deposits and Investments..... | 54 |
| Note 7: Pension Disclosures..... | 65 |
| Note 8: Plan Reserves | 67 |
| Note 9: Administrative Expenses | 70 |
| Note 10: Information Technology Expenses..... | 73 |
| Note 11: Risk Management | 74 |
| Note 12: Related Party Transactions | 74 |
| Note 13: Commitments | 75 |
| Note 14: Contingent Liability | 75 |
| Note 15: Implementation of GASB Statement No. 87 - Leases | 75 |
| Note 16: Subsequent Events..... | 75 |

FINANCIAL SECTION (CONTINUED)

| | |
|---|----|
| Required Supplementary Information | |
| Schedule of Changes in Net Pension Liability and Related Ratios of Participating Employers | 76 |
| Schedule of Employer Contributions | 78 |
| Schedule of Investment Returns..... | 79 |
| Notes to the Required Supplementary Information | 79 |
| Supplemental Information | |
| Schedule of Administrative Expenses..... | 82 |
| Schedule of Information Technology Expenses..... | 82 |
| Schedule of Investment Expenses | 83 |
| Schedule of Payments to Consultants (Other Than Investment Advisors) | 83 |
| Notes to the Supplementary Information | 84 |
| Other Information | |
| Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan (GASB Statement No. 68)..... | 85 |
| Schedule of Cost Sharing Employer Allocations (GASB Statement No. 68) | 86 |
| Notes to the Other Information | 86 |

INVESTMENT SECTION

| | |
|---|-----|
| Chief Investment Officer's Report | 91 |
| Investment Consultant's Report on Investment Activities..... | 96 |
| Investment Beliefs, Objectives, and Policy | 101 |
| Investment Summary..... | 103 |
| Asset Allocation as a Percentage of Fair Value | 104 |
| Asset Allocation (Target Policy vs. Actual)..... | 105 |
| Percent of Deviation from Asset Allocation..... | 106 |
| Benchmarks..... | 106 |
| Schedule of Portfolio Returns | 107 |
| Schedule of Top Ten Equities and Fixed Income Securities..... | 108 |
| List of Investment Managers | 109 |
| Schedule of Professional Services and Fees | 110 |
| Top 10 Broker Commissions | 110 |

ACTUARIAL SECTION

| | |
|--|-----|
| Actuary's Certification | 113 |
| Actuarial Valuation | 116 |
| Rate of Separation from Active Service - All Plans | 121 |
| Actuarial Methods and Assumptions (For Funding Purposes) | 123 |
| Schedule of Active Members and Participating Employers | 124 |
| Schedule of Retirees and Beneficiaries Added to and Removed from Rolls | 124 |
| Schedule of Active Member Valuation Data | 125 |
| Summary of Significant Actuarial Statistics and Measures | 126 |
| Valuation Assets | 127 |
| Actuarial Valuation - SamCERA's Resources | 128 |
| Actuarial Valuation - SamCERA's Liabilities | 128 |
| Schedule of Funding Progress | 129 |
| Schedule of Funded Ratio..... | 129 |
| Actuarial Analysis of Financial Experience | 130 |
| Solvency Test | 130 |

STATISTICAL SECTION

| | |
|---|-----|
| Changes in Fiduciary Net Position | 133 |
| Schedule of Additions to Fiduciary Net Position by Source | 134 |
| Schedule of Deductions from Fiduciary Net Position by Type | 134 |
| Total Fiduciary Net Position | 135 |
| Changes in Fiduciary Net Position | 135 |
| Summary of Retired Benefits, Refunds, and Inactive Members | 136 |
| Number of Retirees and Beneficiaries Receiving Benefits | 138 |
| Average Monthly Benefit to Retirees and Beneficiaries | 138 |
| Schedule of Average Pension Benefit Payments..... | 139 |
| Distribution of Retired Members by Age and Retirement Year | |
| All Plans Combined..... | 141 |
| Schedule of Active Members and Participating Employers | 142 |
| Schedule of Average Monthly Salary of Active Members..... | 143 |
| Employer and Member Contribution Rates | 145 |
| Employer Contribution Rates for All Plans Combined as a Percentage of Covered Payroll..... | 145 |
| History of Employer Statutory Contribution Rates | 146 |

COMPLIANCE SECTION

| | |
|---|-----|
| 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 <i>Government Auditing Standards</i> | 151 |
|---|-----|

INTRODUCTORY



It is not the strongest of the species that survive, nor the most intelligent, but the ones most responsive to change.
-Charles Darwin

This page is intentionally left blank.



Address: 100 Marine Parkway | Suite 125
Redwood City, CA 94065
Phone: (650) 599-1234
Toll-Free: (800) 339-0761
Fax: (650) 591-1488
PONY: RET 141
Web: www.samcera.org
Email: 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, 2022. This report is intended to provide an overview of SamCERA's financial, investment, and actuarial status as of that date.



Scott Hood, Chief Executive Officer

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, and in conformity with Generally Accepted Accounting Principles (GAAP) in the United States of America. The auditor's report is located on pages 27-29.

Management acknowledges its responsibility for the entire contents of the ACFR, in addition to 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 law.

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 2021-22 were Robert Raw, Chair; Katherine O'Malley, Vice Chair; and Mark Battey, Secretary. Other members of the Board were: Sandie Arnott, Al David, Elaine Orr, Benedict J. Bowler, 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 70-74. 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, and a financial auditor to help the Board fulfill its duties. The Board's primary professional consultants are highlighted in the organizational chart on page 23.

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 California, 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 88% 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 market value was \$5.65 billion as of June 30, 2022, with a decrease of \$332.4 million largely due to portfolio depreciation and decreased contributions.

A return of -4.4% net of investment management fees for the fiscal year ended June 30, 2022, matched SamCERA's policy benchmark return of -4.4%. This fiscal-year performance resulted in above median performance relative to SamCERA's peers, as defined by large (greater than \$1 billion in assets) public plans.

As always, we will use our long-term investment policy to guide us amid dynamic times. We will continue to keep a balanced risk posture through diversification and maintain enough cash to optimize earnings during market volatility. Over the next fiscal year, the Board of Retirement and staff will strive to balance our long-term investment goals and short-term opportunities.

Actuarial

SamCERA continues to be a statewide leader in funding assumptions and was pleased to be ranked the 1st most actuarially conservative among California retirement systems in a May 2022 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 6.25% 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.

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's newly approved Funding Policy establishes the funding goal to achieve and maintain a funded ratio of 100%, ensuring assets are sufficient to pay promised benefits. Staff will accomplish this goal by balancing and achieving the funding objectives that call for benefit security, stable and predictable costs, intergenerational equity, and cost sustainability. 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, 2022, determined that the funded ratio increased from 88.1% to 90.7%. This increase was primarily due to employer contributions and the recognition of prior investment returns greater than expected. The Employer Normal Cost Rate slightly decreased to 11.37% for fiscal year 2023-24 from 11.55% of covered payroll for fiscal year 2022-23 for all plans combined. Additionally, the portion of the employer's contribution rate that finances the UAAL decreased from 29.21% of pay to 16.04%. A decrease in the Statutory Contribution Rate to 26.19% from 38.33% in the previous year is primarily due to the full amortization of the UAAL that accrued in 2008.

Supplementary 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 supplementary contributions. The contributions paid above the statutorily required contribution rate, along with the earnings in the County's Supplementary Contribution Account (CSCA), overall have reached a market value of over \$215.7 million as of June 30, 2022. Furthermore, the County is committed to continue making supplementary contributions through June 2023. In September of 2015, the District also entered into an MOU with SamCERA to make supplementary contributions to pay down its UAAL. The overall contributions and earnings in the District's Supplementary Contribution Account brings the market value to almost \$0.6 million as of June 30, 2022.

Cost of Living Adjustment

The Board of Retirement approved a Cost-of-Living Adjustment (COLA) for SamCERA retirees and beneficiaries between 2.0% and 3.0%, dependent on the COLA limit of each plan.

- The COLA for all members in Plan 1 and 2 was 3.0%.
- The COLA for Plans 4, 5, 6 and 7 was 2.0%.
- Plan 3 does not provide a COLA.

Information Technology

The new MySamCERA mobile application launched for both iOS and Android in February 2022. The improved application offers a user-friendly interface and enhanced features for members to easily access their retirement account information. We are now in the process of upgrading the member portal to make the user-experience seamless between both platforms. We also moved our Line of Business application from a co-hosting service to Amazon Web Services. This change has offered increased reliability, a high level of security, cost-savings, and improved performance. Additionally, Information Technology staff have begun upgrading our boardroom to enhance communications during Board of Retirement meetings.

Strategic Planning

The Board and staff have made strides in executing the Board's strategic plan that was updated in 2018. The strategic plan will continue to evolve as our organizational needs change, giving the opportunity to employ a more thoughtful, deliberate planning approach that is aimed at achieving the newly adopted 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. 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 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 and initiatives during fiscal year 2021-22

While the pandemic required us to temporarily shift business processes to ensure the safety of our members and staff, it also provided us an opportunity to reassess our business processes and improve existing practices to better fit the needs of our members and staff. At present, we not only continue to offer virtual counseling sessions, seminars, and classes for members but also a hybrid work schedule for staff to support an enhanced work-life balance. Below are a few more projects we have accomplished or worked on over the past year:

- Introduced a new user-friendly mobile application, providing over 13,000 members with secure access to their retirement information any time of day at their discretion.
- Started upgrading the audio and video technology in our boardroom where the Board of Retirement meetings are held. The upgrade effectively improves virtual communications among Board members, staff, and other participants (such as consultants and the public).
- Modernized our line of business by migrating data from a data center to a cloud-based environment. This pivot enables us to capitalize on new technologies and their benefits such as cost savings, improved performance, and increased security.
- Upgraded the phone system throughout the entire office. The new phone system allows us to access our phone line and voicemail on our computers while working remotely.

Certificate of Achievement and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SamCERA for its Annual Comprehensive Financial Report (ACFR) for the fiscal year ended June 30, 2021. This was the twenty-fifth consecutive year that SamCERA has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. The certificate is reproduced on page 18.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

SamCERA is also the recipient of the GFOA Award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) for the nineteenth year running after receiving this honor for the PAFR for the fiscal year ended June 30, 2021.

Additionally, the Public Pension Coordinating Council (the Council) presented SamCERA with its Public Pension Standards Award for 2021. 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 Board's leadership, dedication and support.

Acknowledgments

The theme of this year's ACFR is "Thriving Through Transformation." This message highlights SamCERA's ability to adapt through the waves of change, while remaining a stable beacon for our members and their beneficiaries.

Along with improvements to our business processes mentioned above, our investment staff is prepared to handle short-term market changes, by closely managing SamCERA's diversified portfolio. The Board of Retirement and Investment staff make strategic decisions with our asset allocations that allow sustainable growth with low, mitigated risk. You can learn more about this approach and how we are investing with a long-term focus in the Investment Section of this report.

While change is inevitable, the past year has proven that SamCERA remains secure and stable for our members and their beneficiaries through our ability to transform and evolve, while always prioritizing their best interests.

I would like to express my appreciation to the staff at SamCERA, whose professionalism, dedication, and efficiency have contributed to this report. I would also like to thank our consultants, Brown Armstrong and Milliman, Inc. for their professional support throughout the year. Finally, I would like to give thanks to the Board of Retirement for their leadership and professionalism in overseeing SamCERA's investments, finances, and operations.

Respectfully submitted,



Scott Hood
Chief Executive Officer

October 17, 2022

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 Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morrill

Executive Director/CEO

PPCC PUBLIC PENSION STANDARDS AWARD



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2021***

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

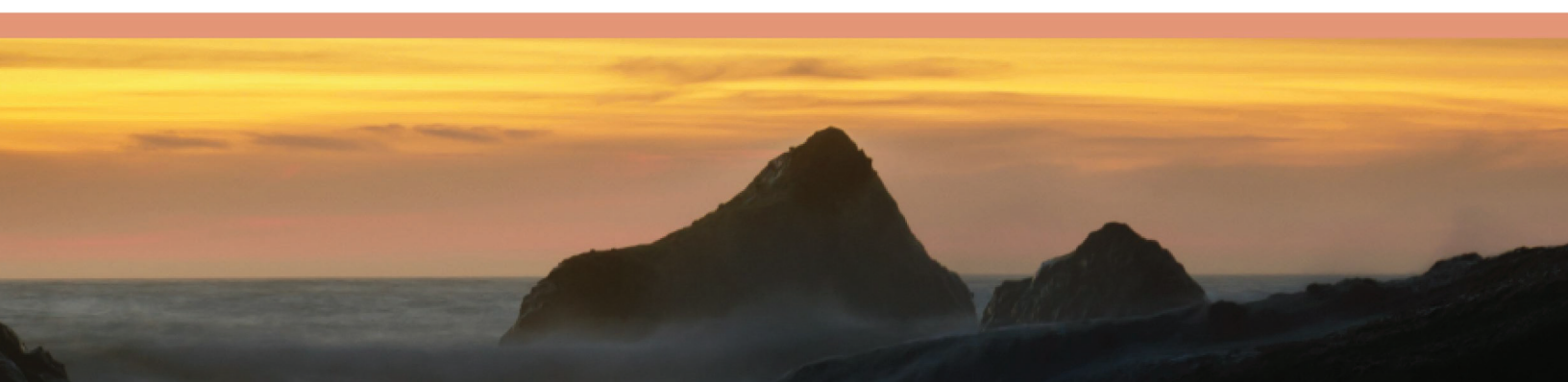
SamCERA exists to serve as a loyal fiduciary for its members and as a prudent administrator of the retirement system.

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.



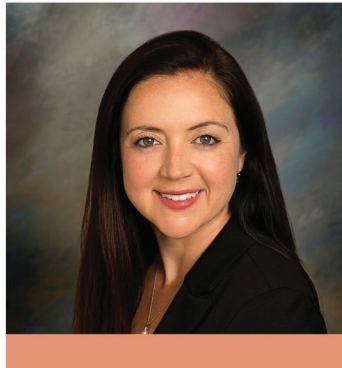
BOARD OF RETIREMENT

June 30, 2022

SamCERA's Board of Retirement has nine members and two alternates. The Board includes the San Mateo County Treasurer, appointees of the Board of Supervisors, and elected members chosen by the active and retiree SamCERA membership groups. As the governing body of SamCERA, the Board of Retirement has a variety of responsibilities including management, administration, and investments of the retirement fund.



Robert Raw
Chair
Elected by the
Safety Members
Seventh Member



Katherine O'Malley
Vice Chair
Elected by the
General Members
Second Member



Mark Battey
Secretary
Appointed by the
Board of Supervisors
Sixth Member



Sandie Arnott
Board Member
Ex. Officio per
the 1937 Act
First Member



Al David
Board Member
Elected by the
General Members
Third Member



Elaine Orr
Board Member
Appointed by the
Board of Supervisors
Fourth Member



Benedict J. Bowler
Board Member
Appointed by the
Board of Supervisors
Fifth Member



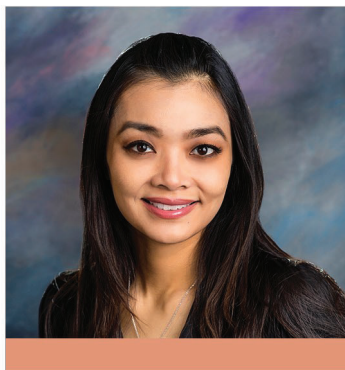
Paul Hackleman
Board Member
Elected by the
Retired Members
Eighth Member



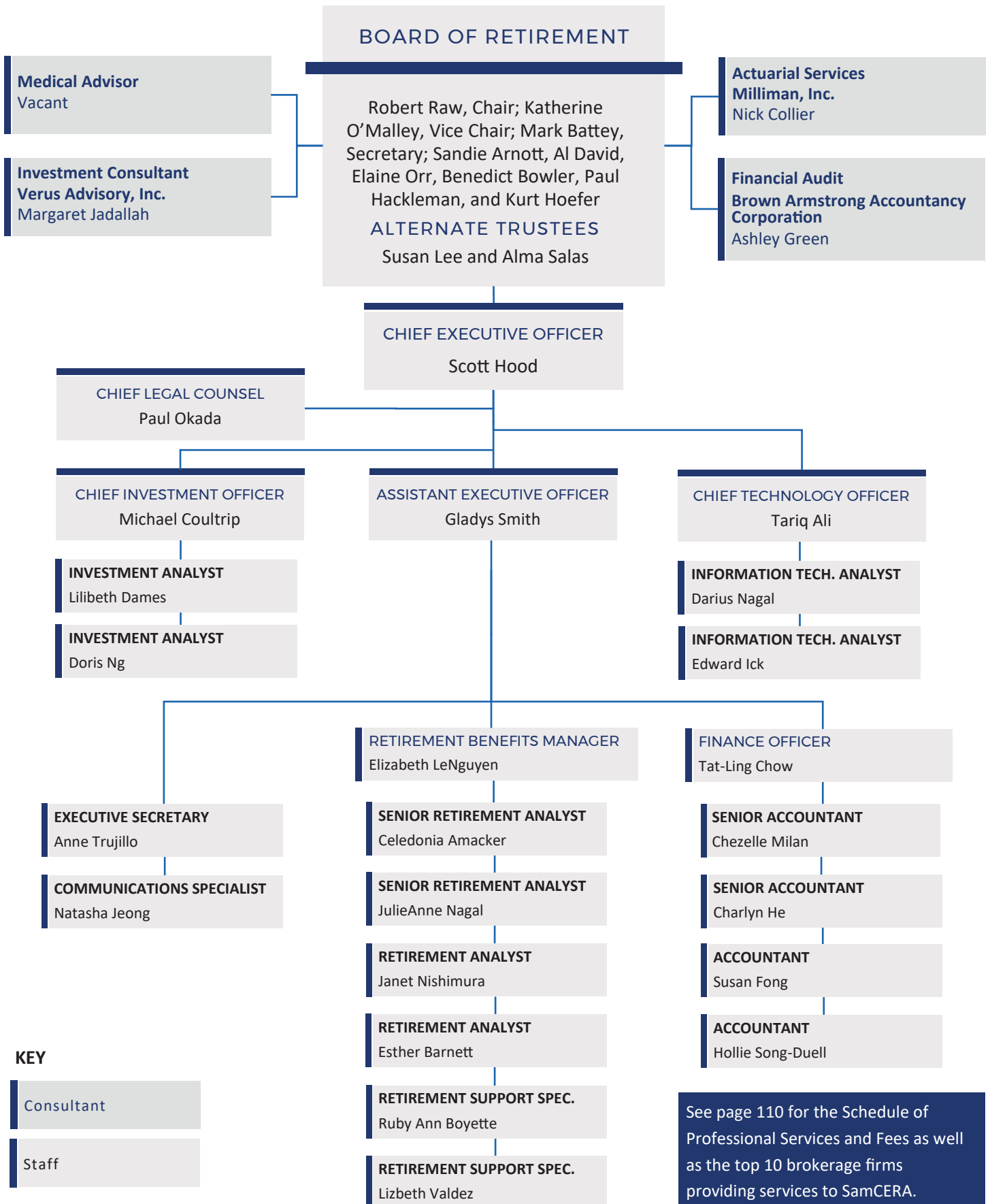
Kurt Hoefler
Board Member
Appointed by the
Board of Supervisors
Ninth Member



Alma Salas
Board Member
Elected by the
Retired Members
Retiree Alternate



Susan Lee
Board Member
Elected by the
Safety Members
Safety Alternate



KEY

- Consultant
- Staff

See page 110 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)

| Professional Service | Consultant |
|---|--|
| Auditor | Brown Armstrong Accountancy 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 |
| Portfolio Analytics | Venn by Two Sigma |
| Litigation Securities Class Action Services | ISS Governance |
| Pension Administration System Software | Vitech |
| Security Monitoring Counsel | Berman Tabacco Bernstein Litowitz Berger and Grossman Grant and Elsenhofer LLP |
| Stock Distribution Broker | Merrill Lynch, Pierce, Fenner & Smith Inc. |
| General Counsel | Reicker, Pfau, Pyle & McRoy LLP |
| Tax Counsel | Buchalter, P.C. Wellington Gregory LLP |
| Trade Cost Analysis Consultant | Zeno AN Solutions |

FINANCIAL



*We cannot solve our problems with the same
thinking we used when we created them.
-Albert Einstein*

This page is intentionally left blank.



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 Audit of the Basic Financial Statements and Other Information

Opinions

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, 2022; 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, 2022, listed as other information in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the fiduciary net position of SamCERA as of June 30, 2022; 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, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Basic Financial Statements section of our report. We are required to be independent of SamCERA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Basic Financial Statements and Other Information

Management is responsible for the preparation and fair presentation of the basic financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of basic financial statements that are free from material misstatement, whether due to fraud or error.

BAKERSFIELD
4200 Trustan 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

In preparing the basic financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SamCERA's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Management is also responsible for maintaining a current plan instrument, including all SamCERA plan amendments; administering SamCERA; and determining that SamCERA's transactions that are presented and disclosed in the basic financial statements are in conformity with SamCERA's plan provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Basic Financial Statements and Other Information

Our objectives are to obtain reasonable assurance about whether the basic financial statements and other information as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the basic financial statements and other information.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the basic financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the basic financial statements.
- Obtain an understanding of internal control relevant to the audit 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. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the basic financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SamCERA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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 GAAS, 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. 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.

Other Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise SamCERA's basic financial statements. The other supplemental information 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. Such 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements 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 GAAS. In our opinion, the other supplemental information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Additional Information

Management is responsible for the additional information included in the Annual Comprehensive Financial Report. The additional information comprises the introductory, investment, actuarial, statistical, and compliance sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the additional information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the additional information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the additional information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Report on Summarized Comparative Information

We have previously audited SamCERA's June 30, 2021, basic financial statements, and our report dated October 18, 2021, expressed an unmodified opinion on those audited basic financial statements. In our opinion, the summarized comparative information presented herein as of and for the fiscal year ended June 30, 2021, is consistent in all material respects, with the audited basic financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2022, 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.

Stockton, California
October 17, 2022

BROWN ARMSTRONG
ACCOUNTANCY CORPORATION

Brown Armstrong
Accountancy Corporation

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR FISCAL YEAR 2021-22

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, 2022. 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. Despite the volatile market environment and its trickle-down effects on investment earnings, the fiscal strength of the Retirement Fund remains strong.
- As of June 30, 2022, SamCERA's net position held in trust for pension benefits (total assets minus total liabilities) was \$5.65 billion, a decrease of \$332.4 million or 6%, 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 -\$42.7 million this fiscal year compared to \$1.5 billion last fiscal year. The decrease was driven predominantly by negative investment earnings due to the extreme market volatility and the considerable decline in supplementary contributions from the County of San Mateo (the County).
- The net return on investments from the entire portfolio was -4.4% versus +24.3% a year ago. The market environment in the 4th quarter of the fiscal year was adversely affected by investor's sentiments over the Russian invasion of Ukraine and fears of inflation and recession. Nevertheless, SamCERA performed relatively well and ranked in the top quartile among its peers.
- The County contributed \$15.2 million in supplementary contributions versus \$39.7 million a year ago. The decrease was due mainly to a one-time catch-up payment of \$29.7 million that was slated for fiscal year 2019-20 but transferred to the Retirement Fund in fiscal year 2020-21. The supplementary contributions will be used to accelerate the payoff of the County's unfunded actuarial accrued liability.
- Total deductions from the Retirement Fund were \$289.7 million, a moderate increase of \$19.1 million or 7% from the prior fiscal year. The increase was anticipated, due primarily to the annual cost-of-living adjustment (COLA) and the continued growth in the number of retired members receiving benefits.
- The Retirement Plan was 90.7% funded as of June 30, 2022, reflecting a modest increase of 2.6% from 88.1% a year ago. The improvement in funded ratio was due mostly to employer contributions to amortize the unfunded actuarial accrued liability and the recognition of prior investment returns that were greater than expected.

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 like 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, 2022. 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 42-75 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 76-81.

- 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 “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.

Supplemental Information

Supplemental 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). Supplemental Information and the accompanying notes can be found on pages 82-84 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 85-87 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, 2022, was approximately \$5.65 billion, a decrease of \$332.4 million, or 6%, over the reporting period.

STATEMENT OF FIDUCIARY NET POSITION

As of June 30 (Dollars in Thousands)

| | 2022 | 2021 | Increase (Decrease) | |
|--|---------------------|---------------------|---------------------|------------|
| | | | Amount | Percentage |
| Assets | | | | |
| Cash and cash equivalents | \$ 237,496 | \$ 153,467 | \$ 84,029 | 55% |
| Cash management overlay | 73,569 | 64,054 | 9,515 | 15% |
| Securities lending cash collateral | 4,121 | 4,574 | (453) | -10% |
| Receivables | 83,088 | 71,243 | 11,845 | 17% |
| Prepaid Expenses | 352 | - | 352 | N/A |
| Investments at fair value | 5,345,206 | 5,760,383 | (415,177) | -7% |
| Lease asset | 2,814 | - | 2,814 | N/A |
| Capital assets, net | 3,875 | 4,587 | (712) | -16% |
| Total assets | 5,750,521 | 6,058,308 | (307,787) | -5% |
| Liabilities | | | | |
| Investment management fees payable | 2,126 | 3,151 | (1,025) | -33% |
| Due to broker for investments purchased | 90,090 | 66,319 | 23,771 | 36% |
| Securities lending collateral due to borrowers | 4,121 | 4,574 | (453) | -10% |
| Lease liability | 2,890 | - | 2,890 | N/A |
| Other | 1,620 | 2,178 | (558) | -26% |
| Total liabilities | 100,847 | 76,222 | 24,625 | 32% |
| Net position restricted for pensions | \$ 5,649,674 | \$ 5,982,086 | \$ (332,412) | -6% |

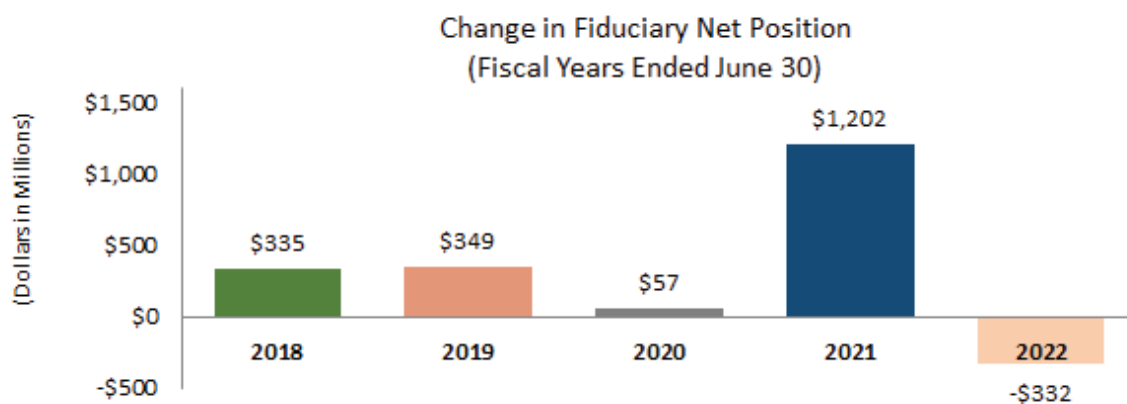
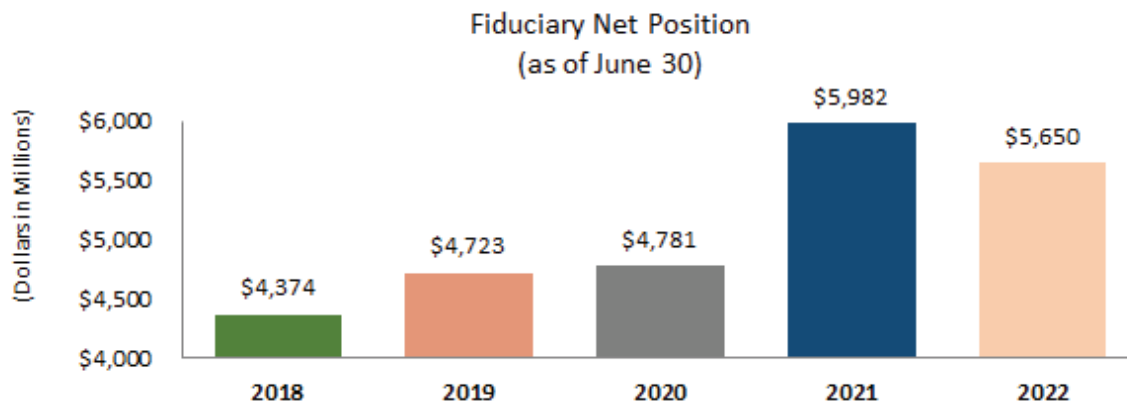
Assets. SamCERA's total assets decreased by \$307.8 million, or 5%, from a year ago. Significant changes include the following:

- *Cash and cash equivalents* increased by \$84.0 million. In the 4th quarter ended June 30, 2022, SamCERA made redemptions from public real assets and fixed income funds in an aggregate amount of \$90 million. Some of the redemption proceeds were earmarked for a \$90 million initial funding of a new cash driven investing program that took place on July 5, 2022.
- *Cash management overlay* increased by \$9.5 million. Under the cash overlay program, SamCERA is required to maintain an initial cash margin plus an additional variation margin. With high levels of cash in the general account, more cash was required to fund the operational needs.
- *Securities lending cash collateral* decreased by \$0.5 million. The market value of securities on loan as of June 30, 2022, was \$0.4 million lower than last year-end. Given that collateral must be valued at 102% of the market value of the securities on loan, the change caused a corresponding decrease in cash collateral from borrowers.

- *Receivables* overall increased by \$11.8 million, caused primarily by a pending trade settlement of \$10 million in an investment account.
- *Prepaid expenses* are future expenses that are paid in advance and hence recognized initially as an asset. In March 2022, Staff purchased 2,500 service hours from Vitech to support enhancements of the pension administration software system through December 2024. The purchase cost was \$462,500, of which \$352,332 remained intact and was reported as prepaid expenses.
- *Investment at fair value* decreased by \$415.2 million. The market was overshadowed by growing concerns over the Russian invasion of Ukraine and fears of inflation and recession. These concerns caused trickle-down effects on investment performance, although SamCERA performed relatively well compared to its peers.
 - Public Equity decreased by \$345.4 million. Unrealized losses of \$480 million were seen throughout the entire public equity portfolio. Due to rebalancing and accrued income, \$140 million was added to this asset class, partially offsetting the overall decline in market value.
 - Fixed Income decreased by \$179.9 million. Unrealized losses of \$154 million were primarily due to losses in the core fixed income portfolio and secondarily Opportunistic/Private Credit Funds. Additionally, \$25 million was rebalanced from fixed income assets to other asset classes.
 - Alternatives decreased by \$52.8 million. Net unrealized losses approximated to \$85 million, with \$120 million unrealized losses primarily in three particular private equity funds and \$35 million unrealized gains in absolute return assets. Due to capital calls, \$32 million was added into this asset class, partially offsetting the overall decline in market value.
 - Inflation Hedge increased by \$162.9 million. Overall unrealized gains from private real assets and real estate aggregated to \$78 million, with \$14 million in private real assets and \$64 million in real estate. Additionally, a total of \$97 million was added to this asset class due to capital calls.
- *Lease Asset, Net of Accumulated Amortization* was \$2.8 million as of June 30, 2022. SamCERA is required to implement the financial reporting standards prescribed under GASB Statement No. 87 – *Leases*. To comply with these standards, new accounts have been added to reflect lease asset and lease liability arising from the office space rental agreement with 1 Twin Property Owner, LLC (property owner). The lease asset balance will be gradually depleted in accordance with the lease payments over the lease term.

Liabilities. SamCERA’s total liabilities increased by \$24.6 million, or 32%, from a year ago. Significant changes are discussed below:

- *Investment management fees payable* decreased by \$1.0 million. Because of the extreme market conditions, the performance fees incurred during the 4th quarter this fiscal year were comparatively lower than the same period for last fiscal year.
- *Due to broker for investments purchased* increased by \$23.8 million, due primarily to the timing difference between trade date and settlement date. As of June 30, 2022, among other payables, there was a \$17 million larger payable for a public real assets fund.
- *Securities lending cash collateral due to borrowers* decreased by \$0.5 million. The decrease in liability was triggered by and in parallel with the decrease in securities lending cash collateral discussed earlier under the Assets section.
- *Lease Liability* was \$2.9 million as of June 30, 2022, which was originated from the office space rental agreement discussed earlier. The lease liability will be gradually depleted in accordance with the lease payments over the lease term.



The changes in fiduciary net position are determined by total additions less total deductions. The net position decreased by \$332.4 million during the reporting period, due primarily to extreme market volatility explained earlier. The table below shows condensed information about the changes in fiduciary net position, with explanations for significant variances noted.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

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

| | 2022 | 2021 | Increase (Decrease) | |
|--|---------------------|---------------------|---------------------|--------------|
| | | | Amount | Percentage |
| Additions | | | | |
| Employer contributions | \$ 234,746 | \$ 225,302 | \$ 9,444 | 4% |
| Employer supplementary contributions | 15,200 | 39,700 | (24,500) | -62% |
| Member contributions | 73,968 | 73,967 | 1 | 0% |
| Net investment income | (366,699) | 1,133,127 | (1,499,826) | -132% |
| Net securities lending income | 73 | 50 | 23 | 46% |
| Total additions | (42,712) | 1,472,146 | (1,514,858) | -103% |
| Deductions | | | | |
| Service retirement benefits | 246,251 | 229,731 | 16,520 | 7% |
| Disability retirement benefits | 28,675 | 28,342 | 333 | 1% |
| Survivor, death, and other benefits | 1,577 | 1,283 | 294 | 23% |
| Member refunds | 4,407 | 2,796 | 1,611 | 58% |
| Administrative expenses | 7,197 | 7,060 | 137 | 2% |
| Information technology expenses | 1,593 | 1,350 | 243 | 18% |
| Total deductions | 289,700 | 270,562 | 19,138 | 7% |
| Net increase (increase) in net position | (332,412) | 1,201,584 | (1,533,996) | -128% |
| Net position restricted for pensions | | | | |
| Beginning of year | 5,982,086 | 4,780,502 | 1,201,584 | 25% |
| End of year | \$ 5,649,674 | \$ 5,982,086 | \$ (332,412) | -6% |

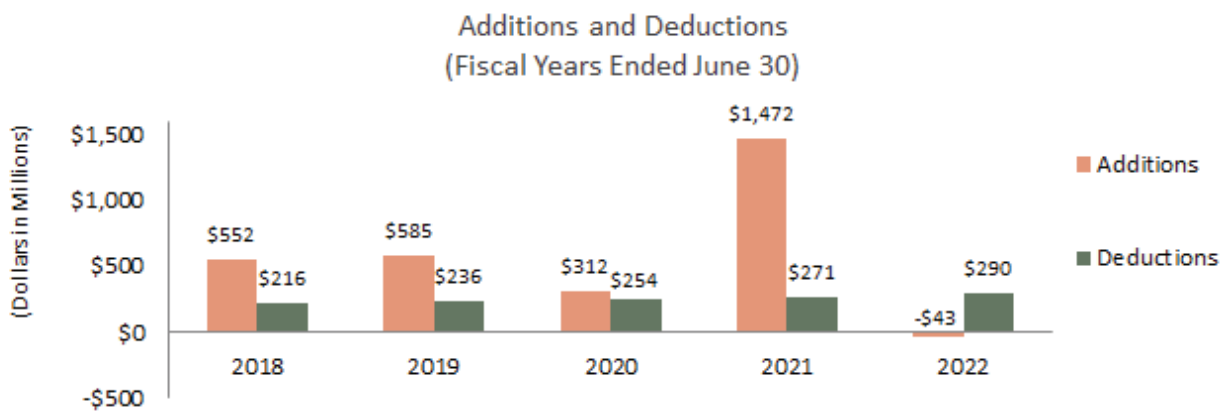
Additions. Total additions to the Retirement Fund for the fiscal year were -\$42.7 million, which was approximately \$1.5 billion, or 103%, less than the prior fiscal year. Significant changes are discussed below:

- *Employer contributions* increased by \$9.4 million, partly from the increase in required contributions (from 37.86% last fiscal year to 38.91% this fiscal year) and partly from the overall increase in pensionable income.
- *Employer Supplementary contributions* from the County decreased by \$24.5 million. In the prior fiscal year, the County transferred \$29.7 million to catch up missing supplementary contributions slated for fiscal year 2019-20. Under a Memorandum of Understanding between the County and SamCERA, the County can make supplementary contributions at its discretion to accelerate the payoff of its unfunded liability.

- *Net investment income* was nearly \$1.5 billion less than last fiscal year. The volatile market environment discussed earlier adversely impacted the return for the entire portfolio, causing a considerable decline in earnings from +24.3% last year to -4.4% this year.

Deductions. Total deductions from the Retirement Fund were \$289.7 million, \$19.1 million or 7% higher than last fiscal year. Significant changes are explained below:

- *Service retirement benefits* were \$16.5 million or 7% higher than last fiscal year. The increase was expected, due mainly to the annual cost-of-living adjustment (COLA) (3% in 2022 vs. 1.5% in 2021 for most retirees and beneficiaries) and a modest increase in the number of retirees receiving pension benefits.
- *Member refunds* were \$1.6 million or 58% higher than last fiscal year. The number of member refunds increased drastically to 140 this fiscal year from 84 last fiscal year.
- *Information technology expenses* went up by \$0.2 million, or 18%, compared to a year ago. A consulting firm was hired to assist in migrating the hosting services provided by Vitech to a cloud-based environment. In addition, new servers were purchased to support critical software (e.g., Vmware).



Actuarial Valuation

SamCERA engages an independent actuarial firm, Milliman, Inc., to conduct an annual actuarial valuation, which also monitors 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 various economic assumptions and demographic 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 values of plan

assets and liabilities. The assumptions selected are also 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 (the 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 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 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 to 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.

In May 2022, the Board re-adopted the 2021 assumptions for the June 30, 2022 valuation. The approved economic assumptions are as follows: investment return at 6.25%, inflation at 2.50%, wage at 3.00%, and payroll growth at 3.00%; the COLA assumption for Plans 1 and 2 to be set in accordance with the inflation assumption; and the employer contribution rate increase continues to be phased in for the second year of the 3-year period.

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, 2022, the plan's funded ratio (actuarial value of assets to actuarial accrued liabilities) increased to 90.7% as of June 30, 2022, from 88.1% a year ago. The increase was due primarily to employer contributions to amortize the unfunded actuarial accrued liability (UAAL) and the recognition of prior investment returns.

As of June 30, 2022, the actuarial value of plan assets was \$5.9 billion, and the actuarial accrued liability was \$6.5 billion. The difference between these two amounts represents the UAAL to meet those obligations, which amounted to \$607.1 million (or 99.2% of the collective covered payroll of participating employers, totaling \$612.0 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.

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, 2022 (with comparative amounts as of June 30, 2021)

| | <u>2022</u> | <u>2021</u> |
|---|--------------------------------|--------------------------------|
| ASSETS | | |
| Cash and short-term investments: | | |
| Cash and cash equivalents | \$ 237,495,568 | \$ 153,467,110 |
| Cash management overlay | 73,569,285 | 64,054,219 |
| Securities lending cash collateral | 4,120,692 | 4,574,275 |
| Total cash and short-term investments | <u>315,185,545</u> | <u>222,095,604</u> |
| Receivables: | | |
| Contributions | 14,690,743 | 15,060,101 |
| Due from broker for investments sold | 60,199,734 | 48,257,671 |
| Investment income | 8,049,214 | 7,838,202 |
| Securities lending income | 16,435 | 3,029 |
| Other | 131,903 | 83,607 |
| Total receivables | <u>83,088,029</u> | <u>71,242,610</u> |
| Prepaid Expenses | <u>352,332</u> | <u>-</u> |
| Investments at fair value: | | |
| Public equity | 2,065,993,116 | 2,411,436,689 |
| Fixed income | 1,365,666,389 | 1,545,541,099 |
| Alternatives | 807,907,593 | 860,701,348 |
| Inflation hedge | 1,105,638,764 | 942,703,531 |
| Total investments at fair value | <u>5,345,205,862</u> | <u>5,760,382,667</u> |
| Lease assets | 3,325,962 | - |
| Less: accumulated amortization | <u>(511,692)</u> | <u>-</u> |
| Lease assets, net of accumulated amortization | <u>2,814,270</u> | <u>-</u> |
| Capital assets | 8,462,302 | 8,324,720 |
| Less: accumulated depreciation | <u>(4,586,899)</u> | <u>(3,737,459)</u> |
| Capital assets, net of accumulated depreciation | <u>3,875,403</u> | <u>4,587,261</u> |
| Total assets | <u>5,750,521,441</u> | <u>6,058,308,142</u> |
| LIABILITIES | | |
| Investment management fees payable | 2,125,820 | 3,151,269 |
| Due to broker for investments purchased | 90,090,580 | 66,319,257 |
| Securities lending collateral due to borrowers | 4,120,692 | 4,574,275 |
| Lease liability | 2,890,295 | - |
| Other | 1,619,608 | 2,177,391 |
| Total liabilities | <u>100,846,995</u> | <u>76,222,192</u> |
| NET POSITION RESTRICTED FOR PENSIONS | <u>\$ 5,649,674,446</u> | <u>\$ 5,982,085,950</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, 2022 (with comparative amounts for the fiscal year ended June 30, 2021)

| | <u>2022</u> | <u>2021</u> |
|--|--------------------------------|--------------------------------|
| ADDITIONS | | |
| Contributions: | | |
| Employer | \$ 234,746,179 | \$ 225,302,472 |
| Employer supplementary | 15,200,000 | 39,700,000 |
| Member | 73,967,823 | 73,966,484 |
| Total contributions | <u>323,914,002</u> | <u>338,968,956</u> |
| Investment income: | | |
| Interest and dividends | 111,425,057 | 87,240,822 |
| Net increase (decrease) in the fair value of investments | (427,447,926) | 1,110,924,843 |
| Total investment income | <u>(316,022,869)</u> | <u>1,198,165,665</u> |
| Less: investment expenses | (50,676,576) | (65,039,394) |
| Net investment income | <u>(366,699,445)</u> | <u>1,133,126,271</u> |
| Securities lending activities: | | |
| Securities lending income | 32,658 | 12,916 |
| Borrower rebates | 61,277 | 51,515 |
| Management fees | (20,645) | (14,156) |
| Net income from securities lending activities | <u>73,290</u> | <u>50,275</u> |
| Total additions | <u>(42,712,153)</u> | <u>1,472,145,502</u> |
| DEDUCTIONS | | |
| Benefits: | | |
| Service retirement benefits | 246,250,375 | 229,730,556 |
| Disability retirement benefits | 28,674,627 | 28,342,469 |
| Survivor, death, and other benefits | 1,577,229 | 1,282,749 |
| Total benefits | <u>276,502,231</u> | <u>259,355,774</u> |
| Member refunds | 4,407,296 | 2,796,160 |
| Administrative expenses | 7,196,431 | 7,059,702 |
| Information technology expenses | 1,593,393 | 1,350,229 |
| Total deductions | <u>289,699,351</u> | <u>270,561,865</u> |
| Net increase (decrease) in net position | (332,411,504) | 1,201,583,637 |
| NET POSITION RESTRICTED FOR PENSIONS | | |
| Beginning of year | 5,982,085,950 | 4,780,502,313 |
| End of year | <u><u>\$ 5,649,674,446</u></u> | <u><u>\$ 5,982,085,950</u></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 Court); 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 pension 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 and 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, 2022, is displayed in the table below.

| Plan | One | Two | Three | Four | Five | Seven | Total |
|---|--------------|--------------|------------|--------------|------------|--------------|---------------|
| Retirees and beneficiaries currently receiving benefits | | | | | | | |
| General | 1,173 | 2,250 | 126 | 1,167 | 30 | 38 | 4,784 |
| Safety | 253 | 267 | - | 164 | 6 | 2 | 692 |
| Probation | 89 | 122 | - | 91 | - | 1 | 303 |
| Subtotal | 1,515 | 2,639 | 126 | 1,422 | 36 | 41 | 5,779 |
| Inactive employees entitled to but not currently receiving benefits (Deferred) | | | | | | | |
| General | 6 | 201 | 69 | 799 | 124 | 854 | 2,053 |
| Safety | - | 7 | - | 36 | 12 | 51 | 106 |
| Probation | - | 12 | - | 39 | 1 | 13 | 65 |
| Subtotal | 6 | 220 | 69 | 874 | 137 | 918 | 2,224 |
| Current employees, vested | | | | | | | |
| General | 2 | 275 | 37 | 1,497 | 188 | 912 | 2,911 |
| Safety | - | 11 | - | 162 | 52 | 105 | 330 |
| Probation | - | 2 | - | 114 | 8 | 31 | 155 |
| Current employees, non-vested | | | | | | | |
| General | - | - | 3 | 4 | 72 | 1,613 | 1,692 |
| Safety | - | - | - | - | 12 | 134 | 146 |
| Probation | - | - | - | - | - | 15 | 15 |
| Subtotal | 2 | 288 | 40 | 1,777 | 332 | 2,810 | 5,249 |
| Total Members | 1,523 | 3,147 | 235 | 4,073 | 505 | 3,769 | 13,252 |

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, 2022, 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 to their member benefits.

BENEFIT PLANS

| | | <u>General Member</u> | <u>Probation Member</u> | <u>Safety Member</u> |
|---|--|---|--|--|
| Plan 1 | Hire Date | On or before 7/5/80 | On or before 7/5/80 | On or before 7/5/80 |
| | Benefit Factor | 2%@55.5 | 3%@50 | 3%@50 |
| | Maximum COLA | 5% | 3% | 5% |
| | FAC Period | Highest 1 year | Highest 1 year | Highest 1 year |
| | Eligibility for Service Retirement | 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. |
| Plan 2 | Hire Date | 7/6/80 - 7/12/97 | 7/6/80 - 7/12/97 | 7/6/80 - 7/12/97 |
| | Benefit Factor | 2%@55.5 | 3%@50 | 3%@50 |
| | Maximum COLA | 3% | 3% | 3% |
| | FAC Period | Highest 1 year | Highest 1 year | Highest 1 year |
| | Eligibility for Service Retirement | 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. |
| Plan 3 | Hire Date | On or before 12/22/12, a non-contributory plan. | Not applicable | Not applicable |
| | | (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.) | | |
| | Maximum COLA | No COLA | Not applicable | Not applicable |
| | FAC Period | Highest 3 years (non-consecutive) | Not applicable | Not applicable |
| Eligibility for Service Retirement | 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, 2022

| | | General Member | Probation Member | Safety Member |
|---------------|---|---|--|---|
| Plan 4 | Hire Date | 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 |
| | Benefit Factor | 2%@55.5 | 3%@50 | 3%@50 |
| | Maximum COLA | 2% | 2% | 2% |
| | FAC Period | Highest 3 years (non-consecutive) | Highest 3 years (non-consecutive) | Highest 3 years (non-consecutive) |
| | Eligibility for Service Retirement | 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. |
| Plan 5 | Hire Date | 8/7/11 - 12/13/12 | 7/10/11 - 12/31/12 ⁽¹⁾ | 1/8/12 - 12/31/12 ⁽¹⁾ (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.) |
| | Benefit Factor | 2% @61.25 | 3%@55 | 3%@55 |
| | Maximum COLA | 2% | 2% | 2% |
| | FAC Period | Highest 3 years (non-consecutive) | Highest 3 years (non-consecutive) | Highest 3 years (non-consecutive) |
| | Eligibility for Service Retirement | 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. |
| Plan 6 | Hire Date | Not applicable | 7/10/11 - 12/31/12 ⁽²⁾ | 7/10/11 - 12/31/12 ⁽²⁾ |
| | Benefit Factor | Not applicable | 2%@50 | 2%@50 |
| | Maximum COLA | Not applicable | 2% | 2% |
| | FAC Period | Not applicable | Highest 3 years (non-consecutive) | Highest 3 years (non-consecutive) |
| | Eligibility for Service Retirement | 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. |
| Plan 7 | Hire Date | On or after 1/1/13 | On or after 1/1/13 | On or after 1/1/13 |
| | Benefit Factor | 2%@62 | 2.7%@57 | 2.7%@57 |
| | Maximum COLA | 2% | 2% | 2% |
| | FAC Period | Highest 36 consecutive months | Highest 36 consecutive months | Highest 36 consecutive months |
| | Eligibility for Service Retirement | Age 52 with 5 years of service. | Age 50 with 5 years of service. | Age 50 with 5 years of service. |

⁽¹⁾ Plan 5 is available for all Safety and Probation members.⁽²⁾ 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.

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.

Investment. 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. 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:

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. 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.

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 maintenance and upgrade of applicable information technology systems are deemed appropriate as expenses for the current fiscal year. SamCERA's total capital assets, net of accumulated depreciation, approximated to \$3.9 million as of June 30, 2022.

Lease Asset and Related Liability

Lease asset and related liability from an office space lease are determined based on prevailing standards and amortized over the lease term.

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.

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 increase (decrease) in the fair value of investments.

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.

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 determined as of June 30, 2022, are subject to a “one year” deferral. Thus, the new contribution rates from the June 2022 valuation are effective on July 1, 2023. As of June 30, 2022, the Retirement Fund was 90.7% funded, reflecting a modest increase of 2.6% from a year ago. The increase was due mainly to the employer contributions to amortize the unfunded actuarial accrued liability and the recognition of prior investment gains.

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. Additionally, for members who transferred from Plan 3 to another General Plan, the entry age is based on the transfer date.

- **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. Plan 5 General members, and all Plans 6 and 7 members do not participate in cost sharing.

- COLA cost sharing contributions apply to all Plans 1, 2, 4, and 5 members (except the District) as well as Plan 6 Safety and Probation members. All members in these plans are required to contribute 50% of the cost of COLA.

The member contribution rates for all plans combined decreased to 12.21% for fiscal year 2022 from 12.46% a year ago. The decrease was triggered mainly by the new assumptions adopted with the triennial Investigation of Experience Study in 2020. In general, small decreases were seen for Plan 7 member rates and small increases for other 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.

EMPLOYER STATUTORY CONTRIBUTION RATES AS A PERCENTAGE OF COVERED PAYROLL

| | Fiscal Year Beginning | | Change |
|---|-----------------------|---------------|--------------|
| | July 1, 2021 | July 1, 2020 | |
| Gross Normal Cost | 23.11% | 23.73% | -0.62% |
| Member Contributions | (12.21%) | (12.46%) | 0.25% |
| Employer Normal Cost | 10.90% | 11.27% | -0.37% |
| UAAL Amortization | 28.01% | 26.59% | 1.42% |
| Total Employer Statutory Contribution Rate ⁽¹⁾ | 38.91% | 37.86% | 1.05% |
| County Contribution Rate | 39.14% | 38.06% | 1.08% |
| Courts Contribution Rate | 35.85% | 35.22% | 0.63% |
| SMCM&VCD Contribution Rate | 12.76% | 12.58% | 0.18% |

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

Contributions from employers (the County, the Court, and the District) consisted of two components: the Normal Cost, which covers the value of benefits earned by active members during the year less member contributions; and the UAAL, which reflects the excess of actuarial accrued liability over the actuarial value of the plan assets. The employer normal cost decreased from 11.27% of covered payroll for fiscal year 2021 to 10.90% for fiscal year 2022.

The employer UAAL rate, reflecting a layered amortization over 15 years, increased from 26.59% of covered payroll for fiscal year 2021 to 28.01% for fiscal year 2022. The increase was due primarily to the change in the investment return assumption from 6.50% in the 2019 valuation to 6.25% in the 2020 valuation, which determined the employer statutory contribution rates with effective date from July 1, 2021.

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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

| Fiscal Year Ended June 30 | (a) Actual Employer Contributions | (b) Actuarially Determined Contributions | (a) - (b) Supplementary Contributions | Percentage of Actuarially Determined Contributions Received |
|--------------------------------------|--|---|--|--|
| 2013 | \$144,308 | \$131,294 | \$13,014 | 100% |
| 2014 | 202,877 | 152,877 | 50,000 ⁽¹⁾ | 100% |
| 2015 | 180,704 | 169,814 | 10,890 ⁽²⁾ | 100% |
| 2016 | 191,094 | 170,046 | 21,048 ⁽³⁾ | 100% |
| 2017 | 198,727 | 164,877 | 33,850 ⁽⁴⁾ | 100% |
| 2018 | 207,257 | 179,627 | 27,630 ⁽⁵⁾ | 100% |
| 2019 | 245,498 | 194,830 | 50,668 ⁽⁶⁾ | 100% |
| 2020 | 198,583 | 198,583 | - | 100% |
| 2021 | 265,002 | 225,302 | 39,700 ⁽⁷⁾ | 100% |
| 2022 | 249,946 | 234,746 | 15,200 ⁽⁸⁾ | 100% |

(1) The County made a supplementary contribution of \$50.0 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.

(8) The County made a supplementary contribution of \$15.2 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 2022, total supplementary contributions to the CSCA amounted to \$15.2 million. The CSCA had an aggregate reserve account balance of \$215.7 million as of June 30, 2022. 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 2022 via two semi-annual prepayments (in July 2021 and in January 2022). 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 into an agreement with SamCERA to pay down the District's 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, 2022, the DSCA had an aggregate reserve account balance of \$0.6 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 the Northern Trust Corporation as well as in the County investment pool, which is custodied at the 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) and reported at cost (which approximates fair value). Deposits in the County investment pool are considered short-term investments, which share earnings and losses among pool participants, and reported at 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, 2022, \$162.8 million of cash was held in a pooled short-term investment fund with the Northern Trust Corporation and \$14.2 million in the investment pool with the County Treasurer. Cash held by investment managers at year-end amounted to \$60.5 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 \$1.9 million 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, the Northern Trust Corporation, is used as an independent custodian.

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 1% to the Inflation Hedge bucket and reducing Diversifying by 1%, while keeping the overall allocation to Growth unchanged. The new policy will be effective on July 1, 2022.

Target Asset Allocation. As of June 30, 2022, 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 37.7% in public equity, 25.0% in fixed income, 14.8% in alternatives, 19.7% in inflation hedge, and 2.8% 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. The annual money-weighted rate of return for the reporting period was -4.51% on SamCERA's investments, net of investment manager fees.

Time-Weighted Rate of Return. SamCERA uses the time-weighted rate of return to measure its investment performance, which was -4.4% net of investment expenses for the reporting period. The time-weighted rate of return is a measure of the compound rate of growth in the portfolio and is often used to measure investment performance since it eliminates the distorting effects on growth rates created by inflows and outflows of money.

Long-Term Expected Real Rate of Return. The long-term expected real rates of return on pension plan investments were 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, 2022

| Target Allocation | Long-Term Expected Rate of Return |
|-------------------|-----------------------------------|
| 41% | 5.3% |
| 28% | 0.7% |
| 13% | 3.9% |
| 17% | 3.6% |
| 1% | -1.0% |
| 100% | |

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 SamCERA holds 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 SamCERA holds 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, 2022

| <u>Commingled Fixed Income Portfolio</u> | <u>Fair Value</u> | <u>Weighted Average Maturity (Years)</u> | <u>Effective Duration (Years)</u> |
|---|-----------------------|--|---------------------------------------|
| Opportunistic Credit Funds ⁽¹⁾ | \$ 525,527,445 | 5.23 | 2.76 |
| Western Asset Management | 181,747,537 | 5.06 | 2.67 |
| Total | \$ 707,274,982 | | |

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

INTEREST RATE RISK ANALYSIS (CONTINUED)

As of June 30, 2022

| Investment Portfolio ⁽¹⁾ | Fair Value | Weighted Average Maturity (Years) | Effective Duration (Years) |
|--|-----------------------|--|-----------------------------------|
| Asset Backed Securities | \$ 58,588,735 | 14.4 | 1.7 |
| Collateralized Bonds | 459,061 | 9.3 | -0.3 |
| Commercial Mortgage-Backed | 40,409,593 | 22.3 | 3.2 |
| Corporate Bonds | 156,079,350 | 8.6 | 5.7 |
| Government Agencies | 4,739,615 | 13.4 | 6.9 |
| Government Bonds | 213,919,967 | 12.1 | 9.3 |
| Government Mortgage-Backed Securities | 165,344,213 | 25.0 | 8.9 |
| Government Commercial Mortgage-Backed | 8,942,090 | 23.0 | 5.3 |
| Municipal/Provincial Bonds | 4,468,206 | 11.5 | 6.9 |
| Non-government Backed CMOs | 5,440,577 | 38.7 | 5.7 |
| Total | \$ 658,391,407 | | |

⁽¹⁾ 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, 2022, 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, 2022, SamCERA had no investments that were exposed to custodial credit risk.

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

As of June 30, 2022

| Credit Risk | Separately Managed Accounts | Commingled Management |
|--------------------|------------------------------------|------------------------------|
| AAA | 2.3% | 6.1% |
| AA | 2.0% | 2.5% |
| A | 6.9% | 3.8% |
| BBB | 17.9% | 10.0% |
| Less than B | 0.8% | 25.9% |
| Not Rated | 70.1% | 51.7% |
| Total | 100.0% | 100.0% |

Concentration of Credit Risk. This risk is the possibility 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 concentration of credit risk analysis. As of June 30, 2022, 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, 2022

| Foreign Currency | Common Stock | Preferred Stock | Partnerships | Foreign Currency | Variation Margin | Total |
|-----------------------------------|-----------------------|------------------------|----------------------|-------------------------|-------------------------|-----------------------|
| Australian Dollar | \$ 9,944,654 | \$ - | \$ - | \$ - | \$ - | \$ 9,944,654 |
| Brazilian Real | 2,945,656 | - | - | - | - | 2,945,656 |
| Canadian Dollar | - | - | - | - | 331,014 | 331,014 |
| Swiss Franc | 16,936,970 | - | - | - | - | 16,936,970 |
| HK Offshore Chinese Yuan Renminbi | 8,663,619 | - | - | - | - | 8,663,619 |
| Danish Krone | 1,432,778 | - | - | - | - | 1,432,778 |
| Euro | 119,392,965 | 5,481,346 | 16,395,410 | 7 | - | 141,269,728 |
| British Pound Sterling | 86,961,493 | - | - | 71,888 | - | 87,033,381 |
| Hong Kong Dollar | 42,333,285 | - | - | 26,497 | - | 42,359,782 |
| Indian Rupee | 14,493,036 | - | - | - | - | 14,493,036 |
| Japanese Yen | 124,499,526 | - | - | 247,353 | - | 124,746,879 |
| South Korean Won | 2,329,205 | - | - | - | - | 2,329,205 |
| Mexican Peso | 1,957,910 | - | - | - | - | 1,957,910 |
| Swedish Krona | 20,857,202 | - | - | (16) | - | 20,857,186 |
| Singapore Dollar | 14,695,372 | - | - | - | - | 14,695,372 |
| Total | \$ 467,443,671 | \$ 5,481,346 | \$ 16,395,410 | \$ 345,729 | \$ 331,014 | \$ 489,997,170 |

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, 2022, the derivatives held an aggregate notional amount of \$338.6 million. The fair value of derivatives totaling \$2.3 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 2022 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, 2022, is not material.

INVESTMENT DERIVATIVES

As of June 30, 2022

| <u>Type of Derivatives</u> | <u>Notional Value</u> | <u>Fair Value</u> |
|------------------------------------|-------------------------------------|-----------------------------------|
| Interest Rate Contract - Short | \$ 22,842,875 | \$ 169,744 |
| Interest Rate Contract - Long | 25,827,328 | 225,203 |
| Foreign Exchange Contracts - Short | 349,908,543 | 1,429,305 |
| Foreign Exchange Contracts - Long | 2,331,000 | 4,200 |
| Equity Contracts - Long | (62,284,960) | 436,619 |
| Total | <u><u>\$ 338,624,786</u></u> | <u><u>\$ 2,265,071</u></u> |

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 \$13 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, 2022, SamCERA's derivatives were not subject to custodial credit risk. However, such derivatives 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, 2022, 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, 2022, the fair value of securities on loan reported and the total collateral held amounted to \$8.9 million and \$9.1 million (with \$4.1 million in cash collateral and \$5.0 million in non-cash collateral), respectively. The amount of collateral exceeded the amount of securities on loan by \$236,872. 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 184 days as of June 30, 2022.

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, 2022, the Fund had an interest rate sensitivity of 19 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, 2022, 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, 2022

| Investments by Fair Value Level | June 30, 2022 | Fair Value Measurements Using | |
|--|--------------------------------|---|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) |
| DEBT SECURITIES | | | |
| Asset Backed Securities | \$ 58,588,735 | | \$ 58,588,735 |
| Collateralized Bonds | 459,061 | | 459,061 |
| Collateralized Mortgage Obligations | 5,440,577 | | 5,440,577 |
| Commercial Mortgage-Backed | 40,409,593 | | 40,409,593 |
| Corporate Bonds | 156,079,350 | | 156,079,350 |
| Government Agencies | 4,739,615 | | 4,739,615 |
| Government Bonds | 213,919,967 | | 213,919,967 |
| Government Commercial Mortgage-Backed | 8,942,090 | | 8,942,090 |
| Government Mortgage-Backed Securities | 165,344,213 | | 165,344,213 |
| Municipal Bonds | 4,468,206 | | 4,468,206 |
| Total Debt Securities | <u>658,391,407</u> | | <u>658,391,407</u> |
| EQUITY SECURITIES | | | |
| Foreign Stocks | 505,865,412 | \$ 505,865,412 | |
| US Common & Preferred Stock | 541,506,764 | 541,506,764 | |
| Total Equity Securities | <u>1,047,372,176</u> | <u>1,047,372,176</u> | |
| COMMINGLED FUNDS | | | |
| Domestic Bond Funds | 181,747,537 | | 181,747,537 |
| Domestic Equity Funds | 446,756,472 | | 446,756,472 |
| International Equity Funds | 315,409,733 | | 315,409,733 |
| Liquid Pool Funds | 348,874,791 | | 348,874,791 |
| Total Commingled Funds | <u>1,292,788,533</u> | | <u>1,292,788,533</u> |
| COLLATERAL FROM SECURITIES LENDING | | | |
| | 4,120,692 | 4,120,692 | |
| Total Investments by Fair Value Level | <u>3,002,672,808</u> | <u>\$ 1,051,492,868</u> | <u>\$ 1,951,179,940</u> |
| Investments Measured at the Net Asset Value (NAV) | | | |
| Domestic Bond Funds | 472,828,874 | | |
| Global Bond Funds | 52,698,572 | | |
| Domestic Equity Funds | 158,358,314 | | |
| International Equity Funds | 98,096,420 | | |
| Real Estate Funds | 537,471,989 | | |
| Hedge Funds/Absolute Return | 432,733,867 | | |
| Private Equity Funds | 375,173,726 | | |
| Private Real Asset Funds | 219,291,984 | | |
| Total Investments Measured at NAV | <u>2,346,653,746</u> | | |
| Total Investments | <u>\$ 5,349,326,554</u> | | |
| Derivatives | | | |
| Interest Rate Contracts - Short | \$ 169,744 | | \$ 169,744 |
| Interest Rate Contracts - Long | 225,203 | | 225,203 |
| Foreign Exchange Contracts - Short | 1,429,305 | | 1,429,305 |
| Foreign Exchange Contracts - Long | 4,200 | | 4,200 |
| Equity Contracts - Long | 436,619 | \$ 436,619 | |
| Total Derivatives | <u>\$ 2,265,071</u> | <u>\$ 436,619</u> | <u>\$ 1,828,452</u> |

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, 2022

| Investments Measured at NAV | 6/30/2022 | Unfunded Commitments | Redemption Frequency (if currently eligible) | Redemption Notice Period |
|--|-------------------------|-----------------------------|---|---------------------------------|
| Domestic Bond Funds ⁽¹⁾ | \$ 472,828,874 | \$ 40,179,291 | Not Eligible | Not applicable |
| Global Bond Funds ⁽¹⁾ | 52,698,572 | - | Monthly | 15 days |
| Domestic Equity Funds ⁽¹⁾ | 158,358,314 | - | Monthly | 10 days |
| International Equity Funds ⁽¹⁾ | 98,096,420 | - | Monthly | 10 days |
| Real Estate Funds ⁽²⁾ | 537,471,989 | 110,207,265 | Quarterly, Not Eligible | 45 days, Not applicable |
| Hedge Funds/Absolute Return ⁽³⁾ | 432,733,867 | - | Monthly | 30 days |
| Private Equity Funds ⁽⁴⁾ | 375,173,726 | 228,357,703 | Not Eligible | Not applicable |
| Private Real Asset Funds ⁽⁴⁾ | 219,291,984 | 165,829,327 | Not Eligible | Not applicable |
| Total | \$ 2,346,653,746 | \$ 544,573,586 | | |

(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 commingled in nature. Each is valued at the NAV 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-six private equity funds, investing primarily in Buyout Funds, Venture Capital, and Debt/Special Situations. This type also includes fifteen 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, 2022.

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, 2022 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.

SCHEDULE OF EMPLOYER NET PENSION LIABILITY

As of June 30, 2022

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, 2022</u> |
|---|-----------------------|
| Net Pension Liability | |
| Total pension liability | \$ 6,386,880,045 |
| Less: Plan fiduciary net position | (5,649,674,446) |
| Employers' net pension liability | <u>\$ 737,205,599</u> |
| Plan fiduciary net position as a % of total pension liability | 88.46% |
| Covered payroll | \$ 611,956,610 |
| Employers' net pension liability as a % of covered payroll | 120.47% |

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.

| | |
|---|-------|
| Discount rate | 6.42% |
| Long-term expected rate of return, net of expenses | 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.

| | |
|--|--|
| Valuation date | June 30, 2022 |
| Measurement date | June 30, 2022 |
| Key assumptions | |
| Investment rate of return ⁽¹⁾ | 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, 2022, actuarial valuation. |
| Actuarial experience study | July 1, 2017 to April 30, 2020 |
| Actuarial cost method | Individual Entry Age Normal |
| Asset Valuation Method | Fair Value |
| Smoothing period | 5 years |
| Recognition method | Non-asymptotic |
| Corridor | 80% to 120% of fair value |

| | |
|---|---|
| Amortization of Unfunded Actuarial Accrued Liability (UAAL) ⁽²⁾ | 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). |
|---|---|

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

⁽²⁾ 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

The employers' net pension liability changes with adjustments to the discount rate. The table below 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.

SENSITIVITY ANALYSIS

As of June 30, 2022

| | 1% Decrease <u>5.42%</u> | Current Discount Rate <u>6.42%</u> | 1% Increase <u>7.42%</u> |
|------------------------------|--------------------------------|--|-------------------------------|
| Total pension liability | \$ 7,308,190,462 | \$ 6,386,880,045 | \$ 5,638,488,070 |
| Less: Fiduciary net position | (5,649,674,446) | (5,649,674,446) | (5,649,674,446) |
| Net pension liability | <u>\$ 1,658,516,016</u> | <u>\$ 737,205,599</u> | <u>\$ (11,186,376)</u> |

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 contingency reserve, and the market stabilization account. The plan reserves as of June 30, 2022, are presented in the table below.

RESERVES REQUIRED BY THE CERL FOR REPORTING PURPOSES

As of June 30, 2022

Valuation Reserves

| | |
|---|----------------------|
| Member Reserve | \$ 937,791,042 |
| Employer Advance Reserve | 1,523,311,607 |
| Retiree Reserve | 1,496,585,584 |
| Cost-of-Living Adjustment Reserve | 1,737,309,767 |
| County Supplementary Contribution Account Reserve | 215,660,082 |
| District Supplementary Contribution Account Reserve | 595,202 |
| Undistributed Earnings/Losses Reserve | <u>(2,859,547)</u> |
| Total Valuation Reserves | <u>5,908,393,737</u> |

Contingency Reserve

59,827,218

Market Stabilization Account

(318,546,509)

Total Reserves (Fair Value of Assets)

\$ 5,649,674,446

Valuation Reserves

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 considers 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.

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

Contingency Reserve

The 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.

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 $-\$318.5$ million as of June 30, 2022.

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.

The CSCA and the DSCA Reserves are credited semi-annually in accordance with provisions of the “Memorandum of Understanding” between SamCERA and the 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. Information technology expenses are excluded from this limit. SamCERA has a policy in place to monitor compliance with the Government Code.

The tables below show allowable administrative expenses and budget-to-actual analysis of administrative expenses (prepared using the budgetary basis) for the fiscal year ended June 30, 2022. SamCERA's actual administrative expenses for the reporting period amounted to 0.12% of the accrued actuarial liability as of June 30, 2020, based on the latest information available when preparing the administrative budget for fiscal year 2022.

**Administrative Expenses for the Fiscal Year Ended June 30, 2022,
Compared to Actuarial Accrued Liability as of June 30, 2020**

| | | |
|--|--------------|------------------------|
| Actuarial accrued liability (AAL) as of June 30, 2020 | \$ 5,786,054 | (a) |
| Maximum allowed for administrative expenses (AAL*0.21%) | \$ 12,151 | (b) |
| Operating budget for administrative expenses | \$ 7,484 | (c) |
| Actual administrative expenses | \$ 7,120 | (d) |
| Excess of allowed over actual administrative expenses | \$ 5,031 | =(b) - (d) |
| Excess of budgeted over actual administrative expenses | \$ 364 | =(c) - (d) |
| Actual administrative expenses as a percentage of actuarial accrued liability as of June 30, 2020 | | 0.12% = (d)/(a) |

SAMCERA'S ADMINISTRATIVE EXPENSES, BUDGET VS. ACTUAL

For the Fiscal Year Ended June 30, 2022

| | Budget | Actual | Under/(Over) Budget | % of Budget Remaining |
|-----------------------|--------------------|--------------------------|--------------------------------|----------------------------------|
| Salaries and benefits | \$5,680,533 | \$5,666,212 | \$ 14,321 | 0% |
| Services and supplies | 1,803,251 | 1,454,194 ⁽¹⁾ | 349,057 | 19% |
| Total expenses | \$7,483,784 | \$7,120,406 | \$ 363,378 | 5% |

- (1) Statement No. 87 - *Leases*, prescribed by the Governmental Accounting Standards Board, requires leases to be reported as lease asset and lease liability, wherever applicable, and both of which are amortized over the lease term. SamCERA implemented the required accounting and financial reporting standards in fiscal year 2021-22, which resulted in a difference of \$76,025 between the above schedule and the Statement of Changes in Fiduciary Net Position.

SAMCERA'S ADMINISTRATIVE EXPENSES, BUDGET VS. ACTUAL (CONTINUED)

For the Fiscal Year Ended June 30, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>(Over)/Under Budget</u> | <u>% of Budget Used</u> |
|-------------------------------------|----------------------------|----------------------------|--------------------------------|-----------------------------|
| Salaries and Benefits | | | | |
| Salaries | \$ 3,805,642 | \$ 3,684,174 | \$ 121,468 | 97% |
| Benefits | 1,874,891 | 1,982,038 | (107,147) | 106% |
| Total Salaries and Benefits | <u>5,680,533</u> | <u>5,666,212</u> | <u>14,321</u> | 100% |
| Services and Supplies | | | | |
| Board Expenses | 8,000 | 5,300 | 2,700 | 66% |
| Insurance | 86,500 | 95,175 | (8,675) | 110% |
| Medical Record and Hearing Services | 75,000 | 34,733 | 40,267 | 46% |
| Member Education | 63,750 | 56,536 | 7,214 | 89% |
| Education and Conference | 121,252 | 45,896 | 75,356 | 38% |
| Transportation and Lodging | 85,700 | 26,084 | 59,616 | 30% |
| Property and Equipment | 23,000 | 42,702 | (19,702) | 186% |
| General Office Supplies | 41,000 | 32,095 | 8,905 | 78% |
| Postage and Printing | 25,000 | 17,048 | 7,952 | 68% |
| Leased Facilities | 667,040 | 655,210 | 11,830 | 98% |
| County Services | 422,009 | 361,545 | 60,464 | 86% |
| Audit Services | 60,000 | 69,021 | (9,021) | 115% |
| Other Administration | 125,000 | 12,849 | 112,151 | 10% |
| Total Services and Supplies | <u>1,803,251</u> | <u>1,454,194</u> | <u>349,057</u> | 81% |
| Total | <u>\$ 7,483,784</u> | <u>\$ 7,120,406</u> | <u>\$ 363,378</u> | 95% |

Note: Statement No. 87 - *Leases*, prescribed by the Governmental Accounting Standards Board, requires leases to be reported as lease asset and lease liability, wherever applicable, and both of which are amortized over the lease term. SamCERA implemented the required accounting and financial reporting standards in fiscal year 2021-22, which resulted in a difference of \$76,025 between the above schedule and the Statement of Changes in Fiduciary Net Position.

Salaries and benefits. Total expenses were \$5.67 million, closely in parallel with projections.

- **Salaries** were slightly below the budget by 3%. The budget for salaries usually includes all authorized positions as Staff cannot precisely predict when vacant positions (if any) can be filled. During the fiscal year, a Senior Retirement Accountant position was vacant for seven months until filled in February 2022. Additionally, a Retirement Support Specialist position was vacant for three months until filled in April 2022. The savings from these vacancies were partially offset by a 3% negotiated increase and a \$2,000 COVID bonus payment to each full-time employee as an incentive to ratify a new labor agreement.
- **Benefits** were modestly above the budget by 6%. Pension contributions and medical benefits were both slightly above projections due to rate increases.

Services and Supplies. Total expenses were \$1.45 million, considerably below budget by 19%. Areas where actual expenses were significantly lower than anticipated are as follows:

- **Medical Record and Hearing Services.** As part of disability retirement determinations, Staff used services from an online platform (MedLink) to schedule medical file reviews and disability evaluation appointments with board-certified physicians. As its network was relatively small, independent medical evaluations and additional hearings could not proceed as expected for a duration of six months. In March 2022, Managed Medical Review Organization was contracted to address the backlog simultaneously.
- **Member Education.** The surplus was 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 “no show” after enrollment.
- **Education and Conference and Transportation and Lodging.** The budgets for these items were developed with anticipation that social distancing measures were likely to end, and in-person conferences would resume. Unexpectedly, online training and conferences continued to thrive during the 1st half of the fiscal year with the outbreak of highly transmissible coronavirus variants.
- **General Office Supplies.** The need to replenish office essentials fell short of expectations, partly due to the adoption of hybrid work schedules.
- **Postage and Printing.** Staff continued to capitalize on new technologies in their communications with members through virtual environments. This resulted in a hefty savings in postage and printing.
- **County Services.** Expenses on filling the Board vacancies via election were modestly below projections. The level of automation services from the County Information Services Department was also moderately below anticipated as needs dwindled. To support its operation, SamCERA employs services from various County departments, such as Elections, Human Resources, the Health System, and Information Services.
- **Other Administration.** This budget item was mainly for legal services concerning disability and taxation. The need for such services was much less than anticipated.

Areas where actual expenses were modestly higher than anticipated are as follows:

- **Insurance.** In fiscal year 2020-21, the Retirement Fund grew considerably bigger due to phenomenal investment performance. This caused an unexpected increase in insurance premium for a one-year fiduciary liability policy.
- **Property and Equipment.** New furniture and equipment were purchased during the renovation of the reception area and certain parts of the office. These items were not included in the budget as it was uncertain when the contractor could start the project.

- **Audit Services.** The budget overrun was due to timing difference. The budget for the fiscal year 2022-23 covered both interim and final financial audits for the fiscal year ended June 30, 2022. The interim audit was completed before the new fiscal year began.

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 limit of 0.21% discussed earlier. The table below shows the budget-to-actual analysis of technology expenses (prepared using the budgetary basis).

SAMCERA'S INFORMATION TECHNOLOGY EXPENSES, BUDGET VS. ACTUAL

For the Fiscal Year Ended June 30, 2022

| | <u>Budget</u> | <u>Actual</u> | <u>Under Budget</u> | <u>% of Budget Remaining</u> |
|--|---------------------------|--|--------------------------|------------------------------|
| Computer equipment and software | \$ 25,000 | \$ 25,721 | \$ (721) | -3% |
| IT infrastructure - software license maintenance | 1,197,000 | 911,224 ⁽¹⁾ | 285,776 | 24% |
| IT infrastructure - tools and equipment | 150,000 | 88,302 ⁽²⁾ | 61,698 | 41% |
| IT infrastructure - contract IT services | 606,000 | 208,621 ⁽³⁾ | 397,379 | 66% |
| IT infrastructure - imaging | 25,000 | - | 25,000 | 100% |
| Technology research and development | 5,000 | - | 5,000 | 100% |
| Total expenses | <u>\$2,008,000</u> | <u>\$1,233,868</u> ⁽⁴⁾ | <u>\$ 774,132</u> | 39% |

- (1) Staff purchased 2,500 service hours at \$462,500, which were intended to support enhancements of the pension administration system software from March 2022 through December 2024. At year-end, service hours of \$352,332 remained intact and were reported as prepaid expenses on the Statement of Fiduciary Net Position as of June 30, 2022.
- (2) New servers were purchased to replace old ones for a total amount of \$78,913, which were capitalized and reported as capital assets on the Statement of Fiduciary Net Position as of June 30, 2022.
- (3) The audio/visual upgrade project was budgeted under "Contract IT Services." A total of \$58,670 was spent on equipment, which was capitalized and reported as capital assets on the Statement of Fiduciary Net Position as of June 30, 2022.
- (4) Depreciation of \$849,440 was a non-cash expense and therefore not included in the adopted budget. This amount was reported on the Statement of Changes in Fiduciary Net Position for the fiscal year ended June 30, 2022.

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

- **IT Infrastructure – Software License Maintenance.** Two major events accounted for spending below budget:
 - In response to Vitech's decision to terminate the hosting services of our Pension Administration System Software (also known as V3, a product of Vitech) effective July 1, 2022, \$250,000 was allocated to support the transition to Amazon Web Services. This project was delayed and did not fully go live until June. As a result, actual expenses incurred were way below budget by nearly \$200,000.

- \$500,000 was allocated to acquire 2,500 services hours from Vitech. The hours purchased was settled at \$462,500 with a discount of \$37,500 and should be sufficient to cover technical support through December 2024.
- **IT Infrastructure - Tools & Equipment.** To create a robust business environment in the face of emerging needs, funds were set aside to replace existing servers, laptops, and equipment. During the fiscal year, computers, monitors, and phones were either replaced or upgraded, which accounted for most expenses incurred. With priorities shifted to time-sensitive projects, certain projects (such as the audio/video upgrade project) have been deferred.
- **IT Infrastructure - Contract IT Services.** Certain projects, which required outside professional help, were not fully completed due to time constraints. These projects included implementing a new portal on the website and enhancing the audio and video technologies in the conference room and boardroom.
- **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 other projects took precedence.
- **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.

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 is 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 losses 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, 2022, SamCERA had a total “uncalled capital” of \$544.6 million with \$228.4 million in private equity investments, \$165.8 million in private real asset investments, \$110.2 million in real estate investments, and \$40.2 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 the Board’s decisions on disability matters.

Note 15: Implementation of GASB Statement No. 87 - Leases

In June 2017, GASB issued Statement No. 87 - *Leases*. The Statement establishes a single model for lease accounting based on fundamental principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset. On January 1, 2020, SamCERA extended its office space lease agreement for a period of eight years ending December 31, 2027. This agreement met the criteria prescribed by this Statement, and therefore was reported in accordance with the prescribed standards.

Due to the lease liability and an intangible right-to-use lease asset being insignificant, the Statement was not applied retroactively. As of June 30, 2022, the lease asset was \$2.8 million and the lease liability was \$2.9 million. The table on the right presents the lease liability by principal and interest.

| Fiscal Year | Principal | Interest | Total |
|--------------------|---------------------|-------------------|---------------------|
| 2023 | \$ 446,478 | \$ 188,178 | \$ 634,656 |
| 2024 | 478,754 | 155,902 | 634,656 |
| 2025 | 513,364 | 121,292 | 634,656 |
| 2026 | 550,476 | 84,180 | 634,656 |
| 2027 | 590,269 | 44,387 | 634,656 |
| 2028 | 310,954 | 6,380 | 317,334 |
| Total | \$ 2,890,295 | \$ 600,319 | \$ 3,490,614 |

Note 16: Subsequent Events

Subsequent events are those events or transactions that occur after 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. On August 23, 2022, the Board approved a \$15 million capital commitment to an opportunistic credit fund.

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 the Governmental Accounting Standards Board (GASB) Statement No. 67. This schedule will ultimately show information for ten years.

| For the Fiscal Years Ended June 30 | 2022 | 2021 | 2020 | 2019 |
|---|-------------------------|------------------------|------------------------|------------------------|
| Total Pension Liability | | | | |
| Service cost | \$ 127,053,592 | \$ 120,103,792 | \$ 119,882,786 | \$ 108,644,383 |
| Interest on total pension liability | 390,243,837 | 376,951,077 | 356,056,094 | 336,260,838 |
| Effect of assumption changes or inputs | - | 190,798,284 | 12,726,983 | 167,870,889 |
| Effect of economic/demographic gains (losses) | 60,711,252 | 3,782,768 | 78,235,977 | 91,316,336 |
| Benefit payments and refund of contributions | (280,909,528) | (262,151,934) | (245,821,142) | (227,185,123) |
| Net change in total pension liability | 297,099,153 | 429,483,987 | 321,080,698 | 476,907,323 |
| Total pension liability, beginning | 6,089,780,892 | 5,660,296,905 | 5,339,216,207 | 4,862,308,884 |
| Total pension liability, ending (a) | \$ 6,386,880,045 | \$6,089,780,892 | \$5,660,296,905 | \$5,339,216,207 |
| Fiduciary Net Position | | | | |
| Employer contributions | \$ 249,946,179 | \$ 265,002,472 | \$ 198,582,998 | \$ 245,498,411 |
| Member contributions | 73,967,823 | 73,966,484 | 70,630,765 | 67,695,627 |
| Investment income net of investment expenses | (366,626,155) | 1,133,176,546 | 42,392,222 | 271,691,483 |
| Benefit payments and refund of contributions | (280,909,528) | (262,151,934) | (245,821,142) | (227,185,123) |
| Administrative and technology expenses | (8,789,823) | (8,409,931) | (8,392,465) | (8,551,977) |
| Net change in fiduciary net position | (332,411,504) | 1,201,583,637 | 57,392,378 | 349,148,421 |
| Fiduciary net position, beginning | 5,982,085,950 | 4,780,502,313 | 4,723,109,935 | 4,373,961,514 |
| Fiduciary net position, ending (b) | \$ 5,649,674,446 | \$5,982,085,950 | \$4,780,502,313 | \$4,723,109,935 |
| Net pension liability, ending = (a) - (b) | \$ 737,205,599 | \$ 107,694,942 | \$ 879,794,592 | \$ 616,106,272 |
| Fiduciary net position as a % of total pension liability | 88.46% | 98.23% | 84.46% | 88.46% |
| Covered payroll | \$ 611,956,610 | \$ 600,368,542 | \$ 593,295,084 | \$ 554,734,196 |
| Net pension liability as a % of covered payroll | 120.47% | 17.94% | 148.29% | 111.06% |

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 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|------------------------|------------------------|------------------------|------------------------|------------------------|
| Total Pension Liability | | | | | |
| Service cost | \$ 107,738,142 | \$ 96,411,681 | \$ 96,308,679 | \$ 90,955,831 | \$ 87,512,515 |
| Interest on total pension liability | 319,776,913 | 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) | 27,753,956 | 4,834,605 | 17,875,272 | 50,655,233 | (31,415,241) |
| Benefit payments and refund of contributions | (209,054,603) | (193,240,280) | (182,863,698) | (171,466,218) | (162,556,107) |
| Net change in total pension liability | 246,214,408 | 361,951,999 | 307,702,632 | 243,098,623 | 196,825,915 |
| Total pension liability, beginning | 4,616,094,476 | 4,254,142,477 | 3,946,439,845 | 3,703,341,222 | 3,506,515,307 |
| Total pension liability, ending (a) | \$4,862,308,884 | \$4,616,094,476 | \$4,254,142,477 | \$3,946,439,845 | \$3,703,341,222 |
| Fiduciary Net Position | | | | | |
| Employer contributions | \$ 207,256,713 | \$ 198,727,135 | \$ 191,094,488 | \$ 180,704,280 | \$ 202,877,362 |
| Member contributions | 64,204,278 | 62,160,101 | 56,068,706 | 48,011,698 | 46,593,698 |
| Investment income net of investment expenses | 280,146,398 | 436,675,706 | 29,299,764 | 111,630,036 | 482,663,965 |
| Benefit payments and refund of contributions | (209,054,603) | (193,240,280) | (182,863,698) | (171,466,218) | (162,556,107) |
| Administrative and technology expenses | (7,293,262) | (7,009,169) | (6,687,091) | (6,097,422) | (5,710,296) |
| Net change in fiduciary net position | 335,259,524 | 497,313,493 | 86,912,169 | 162,782,374 | 563,868,622 |
| Fiduciary net position, beginning | 4,038,701,990 | 3,541,388,497 | 3,454,476,328 | 3,291,693,954 | 2,727,825,332 |
| Fiduciary net position, ending (b) | \$4,373,961,514 | \$4,038,701,990 | \$3,541,388,497 | \$3,454,476,328 | \$3,291,693,954 |
| Net pension liability, ending = (a) - (b) | \$ 488,347,370 | \$ 577,392,486 | \$ 712,753,980 | \$ 491,963,517 | \$ 411,647,268 |
| Fiduciary net position as a % of total pension liability | 89.96% | 87.49% | 83.25% | 87.53% | 88.88% |
| Covered payroll | \$ 535,937,622 | \$ 510,132,014 | \$ 472,384,955 | \$ 439,017,764 | \$ 416,273,731 |
| Net pension liability as a % of covered payroll | 91.12% | 113.18% | 150.88% | 112.06% | 98.89% |

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 ¹ | As a % of Covered Payroll | |
|---------------------------------|---|------------------------------------|--|---------------------------------|---|------------------------------------|
| | | | | | Actuarially Determined Contribution | Actual Employer Contribution |
| 2013 | \$ 131,293,846 | \$ 144,308,171 | \$(13,014,325) | \$ 404,360,891 | 32.47% | 35.69% ² |
| 2014 | 152,877,362 | 202,877,362 | (50,000,000) | 416,273,731 | 36.73% | 48.74% ³ |
| 2015 | 169,814,170 | 180,704,280 | (10,890,110) | 439,017,764 | 38.68% | 41.16% ³ |
| 2016 | 170,046,059 | 191,094,488 | (21,048,429) | 472,384,955 | 36.00% | 40.45% ^{3,4} |
| 2017 | 164,877,135 | 198,727,135 | (33,850,000) | 510,132,014 | 32.32% | 38.96% ^{3,4} |
| 2018 | 179,626,584 | 207,256,713 | (27,630,129) | 535,937,622 | 33.52% | 38.67% ³ |
| 2019 | 194,830,054 | 245,498,411 | (50,668,357) | 554,734,196 | 35.12% | 44.26% ³ |
| 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% ³ |
| 2022 | 234,746,179 | 249,946,179 | (15,200,000) | 611,956,610 | 38.36% | 40.84% ³ |

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

2 Employers contributed at a higher rate than the Actuarially Determined Contribution rate to maintain more stable contributions.

3 In 2014, the Board of Supervisors implemented a policy to accelerate the elimination of the County UAAL. Contributions in excess of the Actuarially Determined Contribution are related to that policy unless noted otherwise.

4 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 money-weighted rate of return measures investment performance, net of investment manager expenses, adjusted for the changing amounts invested. This schedule will ultimately show information for the past ten fiscal years. Additional years will be displayed as they become available prospectively.

| | 2022³ | 2021² | 2020 | 2019 | 2018 |
|--|-------------------------|-------------------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment manager expenses ¹ | -4.51% | 24.29% | -0.26% | 5.26% | 6.53% |
| | 2017 | 2016 | 2015 | 2014 | |
| Annual money-weighted rate of return, net of investment manager expenses ¹ | 12.48% | 0.49% | 3.37% | 17.22% | |

Note: The time-weighted rate of return for fiscal year 2022 is -4.4%, which calculates performance over the time period and ignores cash flows. See further discussion in the Investment Section.

- ¹ The money-weighted rates of return were independently determined by SamCERA's investment consultant, Verus Advisory, Inc.
- ² The money-weighted investment return increased to 24.29% for fiscal year 2021 from -0.26% for fiscal year 2020, driven mainly by the fiscal year performance from Private Equity, Domestic Equity, and International Equity.
- ³ The money-weighted investment return decreased to -4.51% from 24.29% a year ago, triggered mainly by the extreme volatile market conditions.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Actuarial Valuation Methods and Assumptions

The employer statutory contribution rates for the fiscal year ended June 30, 2022, are determined by the actuarial valuation as of June 30, 2020. Details of actuarial methods and assumptions selected for the 2020 valuation are summarized on page 81.

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 decrease 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 assumption 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 Triennial 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.

In May 2022, the Board re-adopted the assumptions from last year for the June 30, 2022 valuation. The approved economic assumptions are as follows: investment return at 6.25%, inflation at 2.50%, wage at 3.00%, and payroll growth at 3.00%; the COLA assumption for Plans 1 and 2 to be set in accordance with the inflation assumption; and the employer contribution rate increase continues to be phased in for the second year of the 3-year period.

Below is a summary of methodologies and assumptions employed for the 2020 valuation. The results from this valuation were used to determine contribution rates for participating employers and members effective from July 1, 2021.

ACTUARIAL VALUATION AS OF JUNE 30, 2020 (FOR FUNDING PURPOSES)

| | |
|---|---|
| Valuation Date | June 30, 2020 |
| Actuarial Cost Method | Entry Age Normal |
| Amortization Method | Level Percent of Payroll |
| Amortization Period | 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. |
| Asset Valuation Method | 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. |
| Actuarial Assumptions | |
| General wage increases | 3.00% |
| Investment earnings | 6.50%, net of pension plan investment and administrative |
| Growth in active membership | 0.00% |
| Consumer Price Index (CPI)- Urban inflation | 2.25% |
| Consumer Price Index (CPI) inflation | 2.50% |
| Demographic Assumptions | |
| Salary increases due to service | See June 30, 2020 actuarial valuation report for details. |
| Retirement | See June 30, 2020 actuarial valuation report for details. |
| Disablement | See June 30, 2020 actuarial valuation report for details. |
| Mortality | See June 30, 2020 actuarial valuation report for details. |

SUPPLEMENTAL INFORMATION

SCHEDULE OF ADMINISTRATIVE EXPENSES

For the Fiscal Year Ended June 30, 2022

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 | \$ 3,684,174 |
| Benefits | 1,982,038 |
| Total Salaries & Benefits | <u>5,666,212</u> |

Services & Supplies

| | |
|--------------------------------------|-----------------------------------|
| Board Expenses | 5,300 |
| Insurance | 95,175 |
| Medical Record & Hearing Services | 34,733 |
| Member Education | 56,536 |
| Education & Conference | 45,896 |
| Transportation & Lodging | 26,084 |
| Property & Equipment | 42,702 |
| General Office Supplies | 32,095 |
| Postage & Printing | 17,048 |
| Leased Facilities | 731,235 |
| County Services | 361,545 |
| Audit Services | 69,021 |
| Other Administration | 12,849 |
| Total Services & Supplies | <u>1,530,219</u> |
| Total Administrative Expenses | <u><u>\$ 7,196,431</u></u> |

SCHEDULE OF INFORMATION TECHNOLOGY EXPENSES

For the Fiscal Year Ended June 30, 2022

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

| | |
|--|-----------------------------------|
| Computer equipment and software | \$ 25,721 |
| IT infrastructure - software license maintenance | 558,892 |
| IT infrastructure - tools and equipment | 9,389 |
| IT infrastructure - contract IT services | 149,951 |
| Depreciation | 849,440 |
| Total Information Technology Expenses | <u><u>\$ 1,593,393</u></u> |

SCHEDULE OF INVESTMENT EXPENSES

For the Fiscal Year Ended June 30, 2022

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

Investment Management Fees (by Asset Class)

| | |
|---|--------------------------|
| Public Equity | \$ 5,002,142 |
| Fixed Income | 8,512,418 |
| Alternatives | 8,805,846 |
| Inflation Hedge | 15,302,814 |
| Cash | 293,273 |
| Total Investment Management Fees | <u>37,916,493</u> |

Other Investment Expenses

| | |
|--|-------------------------|
| Investment Consultant | 522,023 |
| Actuarial Consulting | 108,150 |
| Master Custodian | 435,875 |
| Other Professional Services | 87,724 |
| Total Other Investment Expenses | <u>1,153,772</u> |

| | |
|---|------------------|
| Other Investment Related Expense | 7,889,380 |
|---|------------------|

| | |
|---|-------------------------|
| Interest Paid on Prepaid Contributions | <u>3,716,931</u> |
|---|-------------------------|

| | |
|----------------------------------|------------------------------------|
| Total Investment Expenses | <u><u>\$ 50,676,576</u></u> |
|----------------------------------|------------------------------------|

SCHEDULE OF PAYMENTS TO CONSULTANTS (OTHER THAN INVESTMENT ADVISORS)

For the Fiscal Year Ended June 30, 2022

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 | \$ 435,875 |
|----------------------------|------------|

Actuarial Consulting Services

| | |
|----------------|---------|
| Milliman, Inc. | 108,150 |
|----------------|---------|

Audit Services⁽¹⁾

| | |
|---|--------|
| Brown Armstrong Accountancy Corporation | 69,021 |
|---|--------|

Other Professional Services

| | |
|--|--------|
| | 87,724 |
|--|--------|

| | |
|--------------------------------------|---------------------------------|
| Total Payments to Consultants | <u><u>\$ 700,770</u></u> |
|--------------------------------------|---------------------------------|

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

NOTES TO THE SUPPLEMENTAL INFORMATION

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."

OTHER INFORMATION

SCHEDULE OF EMPLOYER PENSION AMOUNTS ALLOCATED BY COST SHARING PLAN (GASB STATEMENT NO. 68)

As of June 30, 2022

| Employer | Deferred Outflows of Resources | | | Deferred Inflows of Resources | | | Pension Expense Excluding That Attributable to Employer-Paid Member Contributions | |
|---|---|--|------------------------|---|--------------------------------------|---|---|---|
| | Differences Between Expected and Actual Economic Experience | Net Differences Between Projected and Actual Investment Earnings | Changes of Assumptions | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Total Deferred Outflows of Resources | Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions | Proportionate Share of Allocated Pension Expense | Total Pension Expense Excluding That Attributable to Employer-Paid Member Contributions |
| County of San Mateo | \$ 93,249,681 | \$ 221,281,321 | \$ 128,904,057 | \$ 1,342,951 | \$ 444,778,010 | \$ 88,540 | \$ 246,070,907 | \$ 247,121,708 |
| San Mateo County Superior Court | 3,615,522 | 8,579,627 | 4,997,931 | 215,462 | 17,408,542 | 1,235,172 | 9,540,781 | 8,705,880 |
| San Mateo County Mosquito & Vector Control District | 117,280 | 278,306 | 162,123 | - | 557,709 | 234,701 | 309,484 | 93,584 |
| Total | \$ 96,982,483 | \$ 230,139,254 | \$ 134,064,111 | \$ 1,558,413 | \$ 462,744,261 | \$ 1,558,413 | \$ 255,921,172 | \$ 255,921,172 |

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

| Employer | Fiscal Year Ended June 30, 2022 | | | Net Pension Liability |
|---|--|---|--|------------------------------|
| | Actual Employer Contributions | Actuarially Determined Contributions | Employer Proportionate Share ¹ | |
| County of San Mateo | \$240,910,928 | \$225,710,928 | 96.1511% | \$ 708,830,962 |
| San Mateo County Superior Court | 8,751,374 | 8,751,374 | 3.7280% | 27,483,139 |
| San Mateo County Mosquito & Vector Control District | 283,877 | 283,877 | 0.1209% | 891,498 |
| Total | \$249,946,179 | \$234,746,179 | 100.0000% | \$ 737,205,599 |

¹ Employer Proportionate Share (or Allocation Percentage) 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) Schedule of Employer Pension Amounts Allocated by Cost Sharing Plan, (2) Schedule of Cost Sharing Employer Allocations, (3) GASB Statement No. 67 Actuarial Valuation as of June 30, 2022, and (4) GASB Statement No. 68 Actuarial Valuation based on a June 30, 2022 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, 2022, 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, 2021 (the beginning of the measurement period ended June 30, 2022).

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, 2022, 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.

This page is intentionally left blank.

INVESTMENT



*To improve is to change; to be perfect is to change often.
-Winston Churchill*

This page is intentionally left blank.



Address: 100 Marine Parkway | Suite 125
 Redwood City, CA 94065
Phone: (650) 599-1234
Toll-Free: (800) 339-0761
Fax: (650) 591-1488
PONY: RET 141
Web: www.samcera.org
Email: samcera@samcera.org

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 fiscal year ended June 30, 2022. 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.



Michael Coultrip, Chief Investment Officer

Portfolio Performance

SamCERA’s portfolio market value decreased to \$5.65 billion as of June 30, 2022, as the net combination of portfolio depreciation and contributions, less total deductions (i.e., benefits paid, administrative expense, etc.), subtracted approximately \$332.4 million from the fund.

SamCERA’s portfolio returned -4.4% net of investment management fees for the fiscal year ended June 30, 2022, matching SamCERA’s policy benchmark return of -4.4%. This fiscal-year performance resulted in above 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 ended June 30, 2022.

| | 1 Year | 3 Years | 5 Years | 10 Years |
|---------------------------------------|--------|---------|---------|----------|
| SamCERA Return | -4.4% | 5.9% | 5.9% | 7.6% |
| Benchmark Return | -4.4% | 6.3% | 6.7% | 7.9% |
| Excess Return | 0.0% | -0.4% | -0.8% | -0.3% |
| Peer Rank Return (Percentile) | 22nd | 57th | 63rd | 49th |
| SamCERA Risk (Standard Deviation) | 6.9 | 9.2 | 8.2 | 7.2 |
| Benchmark Risk (Standard Deviation) | 7.5 | 9.2 | 8.3 | 7.4 |
| Peer Median Risk (Standard Deviation) | 8.5 | 10.9 | 9.6 | 8.0 |
| SamCERA Sharpe Ratio | n/a | 0.6 | 0.6 | 1.0 |
| Benchmark Sharpe Ratio | n/a | 0.6 | 0.7 | 1.0 |
| Peer Median Sharpe Ratio | n/a | 0.6 | 0.6 | 0.9 |

Table One: SamCERA Total Fund Net Performance Characteristics Ended June 30, 2022

The portfolio had a similar return and lower risk than the policy benchmark during the past year, which resulted in a higher risk-adjusted return. However, since the one-year return was negative, the Sharpe Ratio ranking is counterintuitive, and as a result, ‘Not Applicable’ (N/A), is shown for the one-year results. For the three and ten-year periods, the portfolio exhibited both slightly lower return and risk compared to the policy benchmark, resulting in similar risk-adjusted returns. For the five-year period, the portfolio’s lower than the benchmark resulted in a lower risk-adjusted return, even though the portfolio had lower risk than the benchmark. Relative to the median plan, the portfolio exhibited lower risk levels, resulting in similar risk-adjusted returns across the three and five-year periods, and a higher risk-adjusted return over the longer-term ten-year period.

Return/Risk Measure

As described in SamCERA’s Investment Policy, 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 risk than is commensurate with the benchmark, then its risk-adjusted return may be lower than that of the benchmark.

Table Two below shows the current allocation and the primary composite relative returns for the year ended June 30, 2022.

| <i>Table Two:</i> | Composite | Allocation (%)* | Composite Return | Benchmark Return | Excess Return |
|--------------------------------------|------------------|------------------------|-------------------------|-------------------------|----------------------|
| <i>SamCERA Composite Net</i> | Public Equity | 37.7 | -14.2% | -14.5% | 0.3% |
| <i>Performance for Trailing Year</i> | Fixed Income | 25.0 | -8.8% | -10.7% | 1.9% |
| <i>Ended June 30, 2022</i> | Alternatives | 14.8 | 8.7% | 9.3% | -0.6% |
| | Inflation Hedge | 19.6 | 16.9% | 23.2% | -6.3% |

* Liquidity balance was 2.9% as of June 30, 2022.

Two of the four asset class composites had positive returns for the fiscal year. Inflation Hedge was the best performing composite and returned 16.9%, while Public Equity returned -14.2% and was the lowest returning asset class composite. Alternatives returned 8.7%, while Fixed Income returned -8.8%.

While Inflation Hedge provided the highest return during the fiscal year, it was the worst performer relative to its benchmark return. Conversely, Public Equity and Fixed Income, despite having negative returns during the fiscal year, provided positive relative outperformance of 0.3% and 1.9%, respectively.

Market Review

Volatility ruled during the fiscal year. Through December, U.S. equity markets were at record highs and credit spreads were tight. The market initially agreed with the Fed's belief that current high inflation was transitory and would not result in higher inflation expectations. However, doubts began creeping into the market via higher interest rate volatility and that the high levels of current inflation were more than just transitory. Not helping matters, the Fed was slow in reacting to the higher inflation. For example, even though inflation (as measured by the Consumer Price Index) continued higher (reaching 5.4% for the 12 months ending September), the Fed only announced their intention to begin tapering their bond purchases by year-end and finishing their taper process by mid-2022.

By December inflation had increased to 7.0% for the 12 months ending December. By then the Fed made a hawkish pivot and announced a doubling of their taper plans that they expected to begin raising rates in March 2022, with three 25 basis point increases expected in 2022. Later in February Russia invaded Ukraine, resulting in risk assets falling across the board on geopolitical and continued inflationary concerns. The Fed continued playing catch-up on inflation, first by communicating more frequent rate increase intentions than previously communicated in December. By January, the market was now pricing in between five to seven 25 basis point rate hikes in 2022 (up from three). In March, the Fed raised rates 25 basis points as expected. Inflation was running at 8.5% over the 12 months ending March. In May, the Fed raised rates by 50 basis points, and in June the Fed surprised markets by raising rates by 75 basis points. Inflation was averaging 9.1% for the 12 months ending June. This hawkish pivot led to increased global recession fears as markets feared the Fed (and other major global banks) would overshoot by raising rates too high, causing a global contraction in economic activity. Most publicly traded assets traded lower (except for inflation-sensitive assets), as bonds did not provide protection from the equity drawdown. Private assets such as private equity and real estate have not yet repriced this higher risk environment, and as a result their performance was generally positive during the fiscal year.

The broad U.S. equity market (as measured by the Russell 3000 Index, a broad basket of U.S. stocks) returned -13.9%. Large-capitalization stocks in the U.S. (as measured by the Russell 1000 Index) were lower by 13%, while smaller-capitalization stocks (as measured by the Russell 2000 Index) were lower by 25.2%.

International equity markets also declined during the fiscal year. The developed international equity market, as measured by the MSCI EAFE, was down 17.8%, while emerging market equity, as measured by the MSCI Emerging Markets Index, returned -25.3%.

Interest rates increased across the yield curve during the year as higher inflation expectations and increased Fed hawkishness resulted in higher interest rates. The 10-year U.S. Treasury yield increased 1.45% during the fiscal year, ending at 2.89%, up from 1.44% at the beginning of the year. These higher interest rates resulted in high quality fixed income having large negative fiscal-year returns.

The broad U.S. bond market (as measured by the Bloomberg Barclays U.S. Aggregate Index) returned -10.3% on the year, while long-duration Treasuries returned -18.5%. High yield bond returns also were lower on the year, returning -12.8%.

Portfolio Activities / Changes

During the year, SamCERA selected a manager to manage a dedicated cash-flow matched liquidity pool. The cash-flow matched pool will contain the next three years' worth of expected net benefit payments, with potential annual replenishment. An initial \$90 million investment was contributed to cover the expected net cash outflows for fiscal years 2022, 2023, and 2024. A process is being developed to consider whether to replenish the liquidity pool annually. It is anticipated that SamCERA will consider this annually during the 4th quarter every year.

SamCERA also approved a secondary sales transaction of up to five non-strategic private equity funds. After holding a 6-week auction, SamCERA sold three non-strategic funds. The sale of two funds closed in the current fiscal year, while the sale of the remaining fund closed in August 2022.

A new asset allocation policy portfolio was also approved during the annual asset allocation review, although the changes will not be effective until next fiscal year.

The new policy portfolio tweaks the old portfolio by adding 1% to Inflation Hedge and reducing Diversifying by 1%, while keeping the overall allocation to Growth unchanged.

The specific changes are summarized below:

| | | Asset Allocation Policy: Performance Driver View | | |
|----|---|--|--------------|--------------|
| | | Old | New | |
| | | Long-Term | Long-Term | |
| | | Policy | Policy | Change (%) |
| 1. | 1% increase to private equity and a corresponding 1% decrease to public equity. | 57.0% | 57.0% | 0.0% |
| | Growth | | | |
| | Public Equity | 41.0% | 40.0% | -1.0% |
| | Private Equity | 6.0% | 7.0% | 1.0% |
| | Opportunistic Credit | 10.0% | 10.0% | 0.0% |
| 2. | Addition of a 1.5% allocation to a short-term cash flow match liquidity portfolio, funded from core fixed income. | 26.0% | 25.0% | -1.0% |
| | Diversifying | | | |
| | Core Fixed Income | 18.0% | 15.5% | -2.5% |
| 3. | 1% increase to public real assets (infrastructure) and a corresponding 1% decrease to core fixed income. | 17.0% | 18.0% | 1.0% |
| | Inflation Hedge | | | |
| | Real Estate | 9.0% | 9.0% | 0.0% |
| | Private Real Assets | 4.0% | 4.0% | 0.0% |
| | Public Real Assets | 4.0% | 5.0% | 1.0% |

Within the Growth category, SamCERA made commitments worth \$85 million to four new private equity partnerships. SamCERA has \$641.5 million in total commitments in its private equity program across venture capital, buyouts, and special situations. In addition, SamCERA re-upped with one current credit manager within its opportunistic credit program, committing \$30 million to Angelo Gordon CSF II.

In the Inflation Hedge category, SamCERA made commitments worth \$85 million to two new infrastructure partnerships in its private real assets program, bringing the total commitments to \$374.8 million within private real assets.

Conclusion

SamCERA continues to keep a balanced risk posture without relying too much on any single asset, strategy, or return stream. Maintaining cash will provide flexibility and optionality to take advantage of buying opportunities during market volatility.

Over the next fiscal year, the Board of Retirement and staff will strive to balance our long-term investment time horizon with thoughtful assessment of more shorter-term opportunities, balance seeking return (offense) with lowering risk/capital preservation (defense), and balance portfolio income and portfolio capital appreciation. Finally, as always, we will use our long-term investment policy to guide us through these dynamic times.

Respectfully Submitted,



Michael Coultrip
Chief Investment Officer
September 19, 2022

INVESTMENT CONSULTANT'S REPORT ON INVESTMENT ACTIVITIES



September 8, 2022

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

Dear Board Members:

Market Environment

The broad story was a tale of two halves over the fiscal year, as global markets delivered mildly positive returns in the latter half of 2021, with below-average volatility, spurred by easy monetary policy, pandemic reopening demand, and a resurgence in economic growth. The reopening story painted a more optimistic picture in advanced economies, while emerging economies struggled due to less access to quality vaccines and more stringent pandemic lockdown measures, specifically within China. However, this optimism began to fade as inflation surged and central banks turned more hawkish.

The first half of 2022 proved to be an incredibly different environment from what was experienced during 2021. The persistence of inflation was a driving narrative, as the supply shocks coming from Russia's invasion of Ukraine and supply chain issues from China's continued zero-covid policy accelerated already fast price growth. Central banks, keen to lower inflation, reacted more aggressively as a result. The quick, but relatively small, tightening cycle hurt both equities and bonds alike. Nearly all asset classes have produced losses year-to-date—a somewhat rare occurrence which left most diversified portfolios materially in the red. The spur of tightening also increased fears of recession and possibly stagflation, as inflation ceased to moderate (U.S. headline CPI hit 9.1% in June—a four-decade high).

U.S. Equity

While the S&P 500 delivered a fantastic 11.7% return in the second half of 2021, the first half of 2022 saw a significant reversal of -20%, qualifying as a technical market correction. In an effort to curb four-decade high inflation within the U.S., the Federal Reserve raised their policy rate by 25 bps, 50 bps, and 75 bps at their respective March, May, and June meetings. It's important to note that although the pace of rate hikes has been rapid compared to most previous tightening cycles, the overall magnitude of tightening has been small.

Investors began recognizing the potential for recession in the second quarter of 2022, as economic data indicated a slowdown alongside Federal Reserve tightening. Persistent inflation in the face of multiple rate hikes impacted company revenues and profits. On the sales front, declines in real purchasing power slashed consumer sentiment and impacted discretionary spending. With regard to corporate profits, higher expenses, particularly for companies unable to pass through prices, have resulted in earnings compression (MSCI U.S. Profit Margins down from 12.9% in December 2021 to 12.2% in June 2022). Ultimately, U.S. equities have faced a tough environment in the first half of 2022, with the S&P 500 falling 20.0% as of June 30th.

Briefly looking at size and style, the Value factor outperformed the Growth factor during the fiscal year (Russell 1000 Value -7.4%, Russell 1000 Growth -19.0%). The Russell 1000 Value Index has declined -12.9% versus -28.1% for the Russell 1000 Growth Index year-to-date. As expected, rising rates inflicted more

SEATTLE | LOS ANGELES | SAN FRANCISCO | PITTSBURGH | CHICAGO | VERUSINVESTMENTS.COM

pain on duration-sensitive growth equities. From a size perspective, small-cap equities underperformed significantly during the fiscal year (Russell 2000 -25.2%, Russell 1000 -13.0%).

International Equity

International developed equities lagged U.S. equities over the fiscal year, as the MSCI EAFE Index returned -17.8% relative to the S&P 500 -10.6% return. Dollar strength hurt U.S. investors with unhedged foreign currency exposure, as the Bloomberg Dollar Spot Index advanced 10.3% during the period. Despite the underperformance over the full fiscal year, both developed and emerging market equities outperformed U.S. shares on a year-to-date basis through June 30th, as the MSCI EAFE and MSCI EM Indices returned -19.6% and -17.6%, respectively.

Emerging market equities underperformance during the fiscal year was primarily due to the large drop in Chinese equities (MSCI China -31.8%), as the country locked down major cities and cracked down on sectors including technology, education, and real estate. This narrative switched gears during the first half of 2022, as news of potential easing of government restrictions and the reopening of several large cities boosted share prices of the largest country constituent in the MSCI EM Index (35.4%). While being the worst performer over the full fiscal year, emerging market equities ended the first half of 2022 as the best performing market.

Developed economies faced a similar equity environment to that of the United States. Positive performance in the second half of 2021 due to reopening growth was reversed in the first half of 2022, as rising inflation was amplified by Russia's invasion of Ukraine in late February. Ensuing sanctions against Russian petroleum exports from the West squeezed energy prices upward, forcing the Bank of England and European Central Bank to shift gears in terms of monetary policy. The MSCI EAFE Index fell -19.6% over the year-to-date, wiping out the 2.3% gain seen during the second half of 2021. International developed equities continue to be challenged, as the energy crisis escalates, and consumer strength remains less resilient than that of the U.S.

Fixed Income

Core fixed income suffered losses of -10.3% over the full fiscal year (BBgBarc U.S. Aggregate), though losses occurred in the first half of 2022. All eyes have been on inflation, which has forced central bankers to tighten conditions while attempting to avoid pushing their economies into recession. Rate hikes and forward guidance from central banks have hammered equity and bond markets alike, creating a rare environment of sharp losses across both asset classes.

The magnitude of expected rate hikes has jumped materially since late 2021. During December 2021, Fed funds futures contracts suggested the Fed Funds Rate would end 2022 at 0.82% (only three 25 bps rate hikes expected). By the end of March 2022, markets were pricing in a total of *nine* 25 bps rate hikes. This placed the implied Fed Funds Rate at 2.39% by the end of 2022. The trend continued in Q2, as inflation remained persistent. The Federal Reserve pushed through an additional 50 bps hike in May and a 75 bps hike in June (the largest single meeting hike since 1994). Going forward, markets are pricing in an additional seven rate hikes (not including the six previously implemented) by the end of 2022, bringing the year-end implied rate in line with the Fed's expectation of 3.4%. Many countries currently face similar problems, as inflation remains a challenge.

The impact of policy tightening on duration-sensitive assets has been significant. Performance was negative across all fixed income asset classes over the year-to-date, as rates jumped from historically low levels. The Bloomberg Global Treasury Index returned -14.8% in dollar terms over the year-to-date. In the

U.S., the Bloomberg Universal Index suffered its worst quarterly loss in Q1 2022—down -6.1%—while the Bloomberg Aggregate Index fell -5.9% (its third worst quarterly loss, dating back to 1976). Performance during Q2 was also negative, with the Universal and Aggregate Indices down -5.1% and -4.7%, respectively. Longer duration assets underperformed. The Bloomberg U.S. Long Treasury Index fell -21.3% year-to-date, compared to the -3.0% decline of the Bloomberg U.S. Treasury 1-3 Year index.

Looking at credit, spreads significantly widened over the course of 2022. Investment grade spreads widened by 63 bps, moving from 0.92% to 1.55% at the end of June. High yield spreads also jumped, starting the year at 283 bps before moving to 569 bps over the same period. Spread movements widely reflected the risk off tone and growing concerns over a slowing economy. Despite spread expansion, default rates for par weighted U.S. high yield and bank loans ended Q2 at 0.76% and 0.74%—far below the longer-term historical averages of 3.2% and 3.1%.

Commodities

Commodities were the best performing asset class over the fiscal year, with the Bloomberg Commodity Index returning 24.3%. Commodities moved higher in Q3 2021, driven by supply chain imbalances and rising signs of inflation. These gains tailed off towards the end of 2021, as signals of tighter monetary policy crimped global economic growth expectations.

The real story emerged in the first quarter of 2022, specifically following Russia's invasion of Ukraine. Both Russia and Ukraine being large suppliers of energy and grain commodities spiked prices, propelling inflation higher. Natural gas and WTI Crude Oil prices shot up +58.4% and 38.3%, while Wheat and Corn bounced 29.6% and 26.3%, respectively. Despite the sharp tick up in prices, commodities have begun to normalize, as recession fears have cut demand forecasts, shipping costs have moved down, and supply chain pressures have started to ease.

Currency

A strong dollar remained the biggest currency story in 2022, as the dollar continued its 2021 trend. The Bloomberg Dollar Spot Index returned +7.4% over the year-to-date, driven by higher relative interest rates, a relatively strong economic outlook, and safe-haven currency status. The dollar performed well against major pairs, as currency impacts were significant within the international developed equities space.

Outlook

A key question going forward is whether global central banks will be able to bring inflation under control without dragging their respective economies into recession. This task is perhaps more difficult than past inflationary regimes, given the war in Ukraine, lockdowns in China, and acute pandemic-related supply shortages which have led to high prices that perhaps cannot be brought down via traditional central bank policy. Within the U.S., the possibility of a "soft landing" for the economy seems to be off the table, as the economy appears to be in recession, or at least very close to one. Uncertainty remains high, although the recent drawdown of most major asset classes has reversed the "low return environment" dynamic that has been common for nearly a decade. Many asset classes now appear to offer robust yields and prospective returns relative to past years—perhaps a silver lining in an environment which has proved challenging for investors with diversified portfolios.

PLAN INVESTMENT RESULTS

The San Mateo County Employees' Retirement Association Total Plan returned -4.4% net of fees for the fiscal year ended 6/30/22. The Total Plan matched its policy index for this time period. For the fiscal year,

the Total Plan ranked in the 22nd 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, which was additive to relative returns versus peers. While public markets returns were largely in negative territory over the fiscal year, SamCERA's exposure to an array of alternative asset classes provided positive, absolute returns over the period. In particular, SamCERA's allocations to real estate and private real assets posted 20+ percent returns over the fiscal year and were beneficiaries of the inflationary market environment.

The U.S. Equity portfolio outperformed its U.S. equity policy benchmark on a net of fee basis during the fiscal year (-9.3% versus -13.9% for the composite benchmark) which placed it in the top decile of the peer universe. Within U.S. Equity, all active managers outperformed their benchmarks. SamCERA's low volatility large cap managers outperformed the Russell 1000 Index by a wide margin and ranked in the top quartile within the U.S. large cap peer group.

During the fiscal year, the International Equity Composite underperformed its composite benchmark, returning -19.5% net of fees compared to -15.3% for the MSCI ACWI ex-US IMI Index (50% hedged). However, this result ranked in the upper half of the peer group. During the fiscal year, there continued to be a significant divergence between value and growth-oriented style returns (MSCI ACWI ex US Value returned -12.1% vs -25.6% for the MSCI ACWI ex US Growth Index). SamCERA's active international managers underperformed their style benchmarks over the fiscal year with the Plan's growth-oriented manager, moreover, having a fourth quartile peer ranking during the period.

For the fiscal year, the Plan's Total Fixed Income Composite net return of -8.8% outperformed the Blended Fixed Income benchmark return of -10.7% on a relative basis and ranked in the upper half of the peer group. In aggregate, SamCERA's managers in the core fixed income composite slightly trailed the Bloomberg U.S. Aggregate Index (-10.9% vs -10.3%) with one core fixed manager significantly underperforming due to a long duration bias during a period when rates rose sharply. Higher yielding Opportunistic Credit strategies fared better on a relative basis (-5.1% vs -11.4% for the BB BA Intermediate High Yield Index), and Private Credit strategies added value on an absolute basis but underperformed the benchmark during the fiscal year (4.1% vs 8.8% for the Cliffwater Direct Lending Index).

SamCERA's Alternatives portfolio, comprised of Private Equity and Absolute Return strategies, contributed positive absolute returns to the Plan during the fiscal year but underperformed its blended benchmark for the year ended June 30, 2022 (8.7% versus 9.3%, respectively). The Private Equity portfolio returned 7.9% on a time-weighted basis versus the Russell 3000 + 3% 1 quarter lagged index (14.9%) and ranked in the third quartile of the peer group for the period. The Absolute Return composite returned 8.9%, beating the 4.2% gain for the SOFR +4% benchmark and performing in the top decile of the peer group.

Over the fiscal year, SamCERA's Inflation Hedge portfolio, comprised of real estate, private real assets, and public real assets (publicly listed infrastructure, commodities, natural resources, and TIPS) returned 16.9% compared to 23.2% for the blended Inflation Hedge index. The Real Estate component, which ranked in the third quartile of the real estate peer group, provided a robust return of 20.4% for the fiscal year but lagged the NCREIF ODCE Index (29.5%). SamCERA's real estate structure is more defensive than many institutional peers. Private Real Assets posted an even more robust return of 24.6% for the fiscal year, outperforming its benchmark for the period (22.7%). The public real asset pool, a liquid proxy used as a funding vehicle for private real assets, returned 8.6% for the period, essentially matching the gain for the passive blended benchmark. As stated above, the Inflation Hedge was a notable contributor to total

fund performance during the fiscal year.

ASSET ALLOCATION AND MANAGER STRUCTURE

Over the fiscal year ended 6/30/22, the Plan completed a multi-year plan maturity review and added a cash flow matching strategy to address short-term liquidity obligations within the context of its maturing demographics. SamCERA also undertook a secondary sale of three private equity funds with the goal of better focusing its private equity program on strategic manager partnerships. Over the fiscal year, the Plan continued to build out its private markets and real assets portfolios aligned with strategic target allocations.

Modest changes were made to the Plan's asset allocation during the fiscal year, including a 1% increase to private equity with a corresponding 1% decrease to public equity, and the addition of a 1.5% allocation to a short-term cash match liquidity portfolio and a 1% increase to private real assets, both funded from a decrease to core fixed income. SamCERA will undertake an asset-liability study in the coming fiscal year, and incremental asset allocation changes may result.

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 has been preparing for its maturing demographics and, for that reason, has become increasingly cognizant about volatility reduction and optimal cash flow management. We remain confident in the direction of the portfolio given SamCERA's unique objectives, fiscal strength and purposefully designed investment strategy.

Sincerely,



Margaret S. Jadallah

INVESTMENT BELIEFS, OBJECTIVES, AND POLICY

The 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.

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

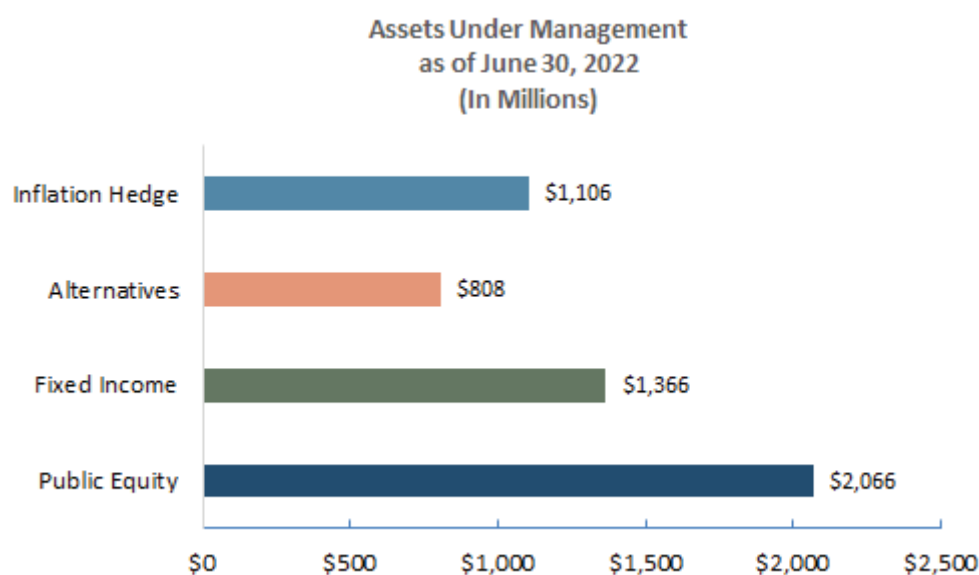
As of June 30, 2022

The investment summary reports the fair value and the percentage of the portfolio's total fair value for each major type of investment.

| ASSET CLASS | Assets Under Management |
|----------------------------------|--------------------------------|
| Public Equity | \$ 2,065,993,116 |
| Fixed Income | 1,365,666,389 |
| Alternatives | 807,907,593 |
| Inflation Hedge | 1,105,638,764 |
| Total Net Portfolio Value | \$ 5,345,205,862 |

RECONCILIATION TO STATEMENT OF FIDUCIARY NET POSITION

| | |
|---|-------------------------|
| Total Net Portfolio Value | \$ 5,345,205,862 |
| Cash Equivalents | 315,185,545 |
| Receivables | 83,088,029 |
| Prepaid Expenses | 352,332 |
| Lease Asset | 2,814,270 |
| Capital Assets, Net of Depreciation | 3,875,403 |
| Liabilities | (100,846,995) |
| Fiduciary Net Position as of June 30, 2022 | \$ 5,649,674,446 |

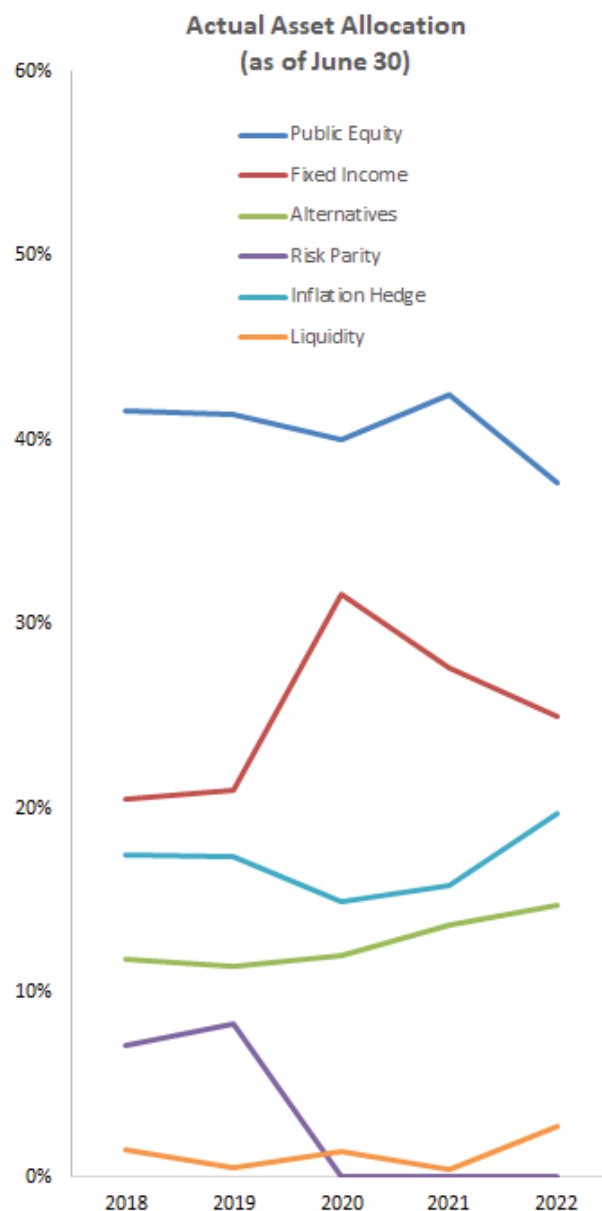


ASSET ALLOCATION AS A PERCENTAGE OF FAIR VALUE

As of June 30, 2022

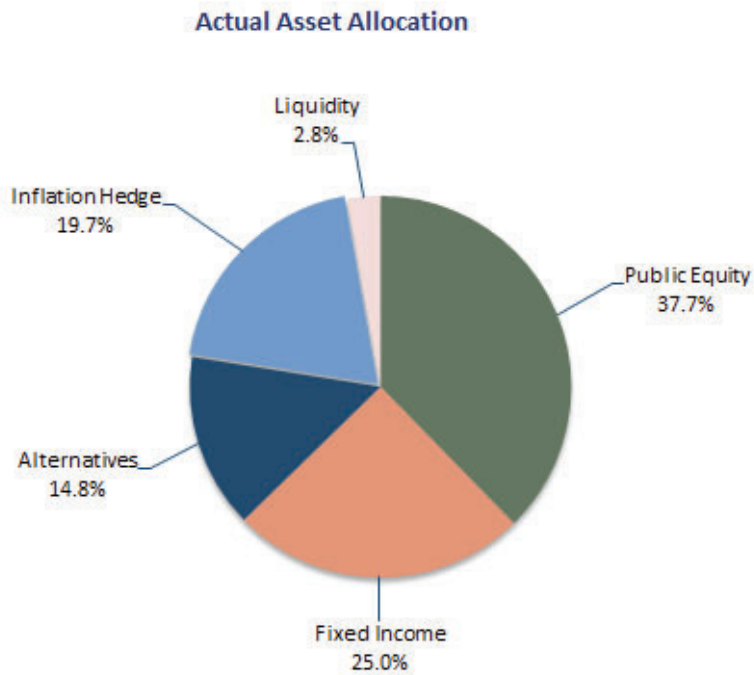
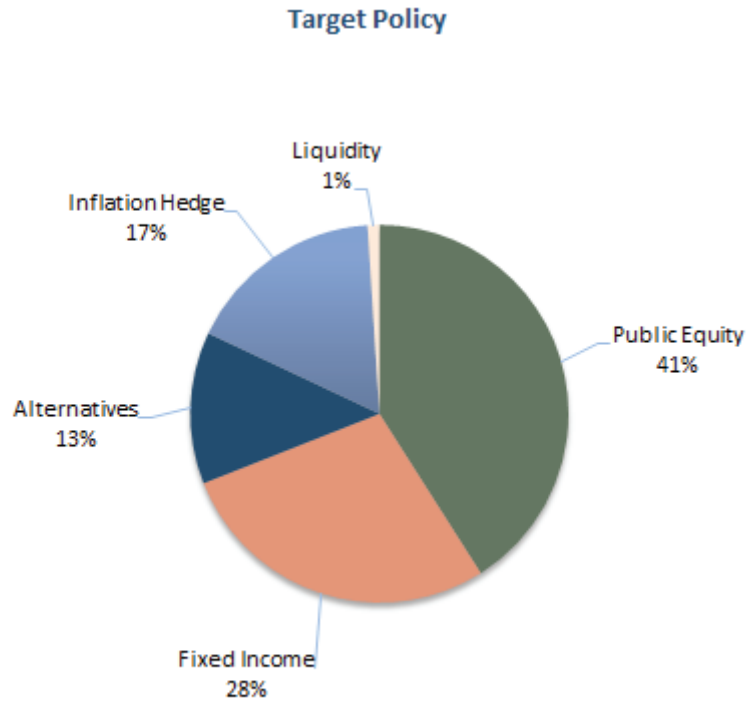
| Asset Class | Target Policy as of June 30, 2022 | Actual as of June 30, 2022 |
|-----------------|-----------------------------------|----------------------------|
| Public Equity | 41% | 37.7% |
| Fixed Income | 28% | 25.0% |
| Alternatives | 13% | 14.8% |
| Inflation Hedge | 17% | 19.7% |
| Liquidity | 1% | 2.8% |
| Total | 100% | 100% |

| Investment | Target Policy as of June 30, 2022 | Actual as of June 30, 2022 |
|------------------------|-----------------------------------|----------------------------|
| Growth | 57% | 54% |
| Public Equity | 41% | 37.7% |
| Private Equity | 6% | 7.2% |
| Opportunistic Credit | 10% | 9.4% |
| Diversifying | 26% | 26% |
| Core Fixed Income | 18% | 15.4% |
| Absolute Return | 7% | 7.6% |
| Liquidity | 1% | 2.8% |
| Inflation Hedge | 17% | 20% |
| Real Estate | 9% | 9.5% |
| Private Real Assets | 4% | 4.0% |
| Public Real Assets | 4% | 6.2% |
| Total | 100% | 100% |



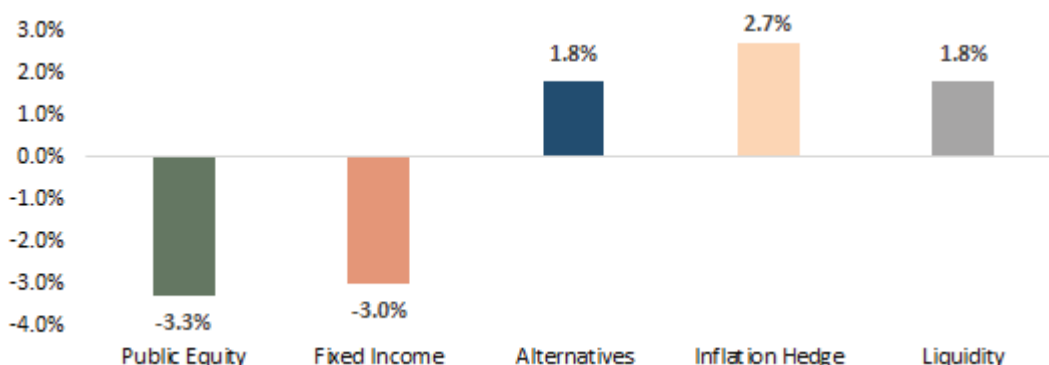
ASSET ALLOCATION (TARGET POLICY VS. ACTUAL)

As of June 30, 2022



PERCENT OF DEVIATION FROM ASSET ALLOCATION

As of June 30, 2022



BENCHMARKS

As of June 30, 2022

| Asset Class | Policy Benchmark |
|-----------------------------|---|
| Public Equity | |
| 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 |
| Fixed Income | |
| Domestic Fixed Income | 64.3% Bloomberg Barclays Aggregate (BBgBarc) |
| Opportunistic Credit | 35.7% BBgBarc Intermediate High Yield (HY) |
| Alternatives | |
| Private Equity | 46.2% Russell 3000 + 3% (1-quarter lag) |
| Hedge Funds/Absolute Return | 53.8% Secured Overnight Financing Rate (SOFR) + 4% |
| Inflation Hedge | |
| 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) |
| Cash Equivalents | 91-day Treasury-Bills |

SCHEDULE OF PORTFOLIO RETURNS

Performance as of June 30, Net of Fees

| Asset Class | Total Time-Weighted Rate of Return ⁽¹⁾ | | |
|---------------------------------------|---|--------------|--------------|
| | One Year | Three Years | Five Years |
| Public Equity | -14.2% | 5.9% | 6.7% |
| Public Equity Benchmark | -14.5% | 6.8% | 7.4% |
| Domestic Equity | -9.3% | 8.8% | 9.7% |
| Domestic Equity Benchmark | -13.9% | 9.8% | 10.6% |
| International Equity | -19.5% | 2.7% | 3.2% |
| International Equity Benchmark | -15.3% | 3.3% | 3.6% |
| Fixed Income | -8.8% | 0.4% | 1.8% |
| Fixed Income Benchmark | -10.7% | -0.5% | 1.3% |
| Core Fixed Income | -10.9% | -0.9% | 0.8% |
| Core Fixed Income Benchmark | -10.3% | -0.9% | 0.9% |
| Opportunistic Credit | -5.1% | 2.6% | 3.6% |
| Opportunistic Credit Benchmark | -11.4% | 0.6% | 2.3% |
| Private Credit | 4.1% | 6.5% | 6.8% |
| Private Credit Benchmark | 8.8% | 8.5% | 8.6% |
| Alternatives | 8.7% | 18.1% | 12.1% |
| Alternatives Benchmark | 9.3% | 12.6% | 11.5% |
| Private Equity | 7.9% | 33.0% | 24.2% |
| Private Equity Benchmark | 14.9% | 21.3% | 17.8% |
| Hedge Funds/Absolute Return | 8.9% | 0.9% | -1.4% |
| Hedge Funds/Absolute Return Benchmark | 4.2% | 4.6% | 5.1% |
| Inflation Hedge | 16.9% | 6.8% | 5.9% |
| Inflation Hedge Benchmark | 23.2% | 11.6% | 9.4% |
| Real Estate | 20.4% | 9.9% | 8.9% |
| Real Estate Benchmark | 29.5% | 12.7% | 10.5% |
| Private Real Asset | 24.6% | 13.4% | 5.3% |
| Private Real Asset Benchmark | 22.7% | 11.5% | 9.0% |
| Public Real Assets | 8.6% | 1.6% | 2.7% |
| Public Real Assets Benchmark | 8.5% | 5.9% | 5.7% |
| Cash Equivalents | 0.4% | 0.6% | 0.8% |
| Cash Equivalents Benchmark | 0.2% | 0.5% | 1.0% |
| Total | -4.4% | 5.9% | 5.9% |
| Policy Benchmark | -4.4% | 6.3% | 6.7% |

(1) Return calculations were prepared using a time-weighted rate of return, net of fees, in accordance with the Global Investment Performance Standards.

Schedule of Top Ten Equities and Fixed Income Securities

SCHEDULE OF TOP TEN EQUITIES ⁽¹⁾

As of June 30, 2022

| Shares | Company Name | Fair Value |
|------------------------------|--------------------------|------------------------------|
| 305,458 | Apple Inc | \$ 34,128,721 |
| 159,063 | Microsoft Corp | 33,835,334 |
| 9,109 | Alphabet Inc Class A | 17,456,917 |
| 716,565 | UTD O/S Bank NPV | 13,515,723 |
| 157,462 | Amazon Com Inc | 13,277,117 |
| 67,035 | Johnson & Johnson | 10,193,648 |
| 124,515 | ADR Taiwan SemiConductor | 10,179,101 |
| 1,489,500 | CK Hutchinson Hldgs | 10,069,897 |
| 209,677 | Verizon Communications | 9,862,943 |
| 72,344 | Chevron Corp | 9,434,555 |
| Total Top 10 Equities | | <u>\$ 161,953,956</u> |

⁽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 ⁽¹⁾

As of June 30, 2022

| Security | Coupon | Maturity | Fair Value |
|----------------------------------|--------|------------|-----------------------------|
| US Treasury | 2.875 | 5/15/2032 | \$ 22,444,625 |
| US Treasury | n/a | 9/1/2022 | 19,947,558 |
| US Treasury | 2.875 | 5/15/2052 | 18,701,719 |
| US Treasury | 0.250 | 7/31/2025 | 13,773,838 |
| US Treasury | 1.750 | 8/15/2041 | 12,636,151 |
| US Treasury | 1.250 | 5/31/2028 | 10,201,348 |
| US Treasury | 2.000 | 8/15/2051 | 9,600,362 |
| FNMA Pool | 1.250 | 12/31/2026 | 6,652,165 |
| US Treasury | 0.125 | 8/15/2023 | 6,118,201 |
| US Treasury | 1.375 | 11/15/2031 | 5,542,327 |
| Total Top 10 Fixed Income | | | <u>\$125,618,294</u> |

⁽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, 2022

GROWTH**Domestic Equity**

BlackRock
 DE Shaw
 PGIM Quant Solutions
 Acadian Asset Management
 PanAgora Asset Management

International Equity

Baillie Gifford
 BlackRock
 Mondrian Investment Partners

Private Equity

ABRY Partners
 Atlas 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
 New Enterprise Associates
 Oak Hill Advisors
 Sixth Street
 Strategic Value Partners
 Summit Partners
 Sycamore Partners
 TCW
 Third Rock Ventures
 Warburg Pincus

GROWTH (Continued)**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
 KKR
 LS Power
 Quantum Energy Partners
 Taurus Funds Management
 Tiger Infrastructure Partners
 Vision Ridge

CASH OVERLAY AND CURRENCY HEDGE

Parametric Portfolio Associates

SCHEDULE OF PROFESSIONAL SERVICES AND FEES

For the Fiscal Year Ended June 30, 2022

| | <u>Management Fees</u> | <u>Fair Value</u> |
|--------------------------------|----------------------------|-------------------------|
| ASSETS UNDER MANAGEMENT | | |
| Public Equity | \$ 5,002,142 | \$ 2,065,993,116 |
| Fixed Income | 8,512,418 | 1,365,666,389 |
| Alternatives | 8,805,846 | 807,907,593 |
| Inflation Hedge | 15,302,814 | 1,105,638,764 |
| Liquidity | 293,273 | 73,569,285 |
| Total | \$ 37,916,493 | \$ 5,418,775,147 |

OTHER INVESTMENT EXPENSES

| | |
|-----------------------------|---------------------|
| Investment Consultant | \$ 522,023 |
| Actuarial Consulting | 108,150 |
| Master Custodian | 435,875 |
| Other Professional Services | 87,724 |
| Total | \$ 1,153,772 |

TOP 10 BROKER COMMISSIONS

For the Fiscal Year Ended June 30, 2022

| <u>Brokerage Firm</u> | <u>Amount of Commission</u> | <u>Number of Shares Traded</u> | <u>Commission per share</u> |
|-------------------------------|---------------------------------|------------------------------------|---------------------------------|
| BOFA Securities, Inc | \$ 14,854 | 2,898,662 | \$ 0.01 |
| Barclays Capital Inc | 14,665 | 1,591,463 | 0.01 |
| JP Morgan Securities LLC/JPMC | 9,755 | 1,887,139 | 0.01 |
| Merrill Lynch International | 9,122 | 2,709,981 | 0.00 |
| Jefferies International Ltd | 8,109 | 2,000,618 | 0.00 |
| Sanford C. Bernstein Ltd | 7,128 | 2,995,721 | 0.00 |
| Exane S.A. | 6,053 | 1,713,305 | 0.00 |
| CLSA Singapore PTE Ltd | 5,643 | 725,230 | 0.01 |
| JP Morgan Securities | 5,636 | 410,483 | 0.01 |
| UBS Financial Services | 3,385 | 1,354,158 | 0.00 |
| All Other Brokerage Firms | 70,136 | 3,656,343,549 | 0.00 |
| Total | \$ 154,486 | 3,674,630,309 | 0.00 |

ACTUARIAL



*Transformation happens when you move from
ideas to action in a deliberate way.
-Timothy J. Tobin*

This page is intentionally left blank.

ACTUARY'S CERTIFICATION



1301 Fifth Avenue
 Suite 3800
 Seattle, WA 98101-2605
 USA
 Tel +1 206 624 7940
 milliman.com

October 7, 2022

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, 2020 | 86.4% |
| June 30, 2021 | 88.1% |
| June 30, 2022 | 90.7% |

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 recognition of prior investment returns greater than expected. This increase was partially offset by investment returns less than expected in the fiscal year ended June 30, 2022.

It is our opinion that SamCERA continues in sound financial condition as of June 30, 2022 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 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, 2022 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 most recently updated for the June 30, 2020 actuarial valuation, based on the triennial investigation of experience study as of April 30, 2020. The economic assumptions were most recently updated for the June 30, 2021 actuarial valuation.

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.



At its meeting on May 24, 2022 the Board reaffirmed all assumptions adopted for the June 30, 2021 actuarial valuation for use in the June 30, 2022 actuarial valuation.

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, 2022 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. Rates 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
October 7, 2022
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, 2022 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

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.

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, 2022 valuation will become effective on July 1, 2023.

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 DSCA 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 to reaffirm 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.

In May 2022, the Board re-adopted the 2021 assumptions for the June 30, 2022 valuation. The approved economic assumptions are as follows: investment return at 6.25%, inflation at 2.50%, wage at 3.00%, and payroll growth at 3.00%; the COLA assumption for Plans 1 and 2 to be set in accordance with the inflation assumption; and the employer contribution rate increase continues to be phased in for the second year of the 3-year period.

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) - Urban Inflation. The assumed rate of inflation is 2.25%.

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 121-122. 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.

RATE OF SEPARATION FROM ACTIVE SERVICE - ALL PLANS

| Years of Service | Other Terminations | | Age | Disability | | Death while Active | | Service Retirement |
|--|-----------------------|---------|-----|------------|---------|--------------------|---------|--------------------|
| | Ordinary ¹ | Vested | | Ordinary | Service | Ordinary | Service | |
| General Plan 1, 2, & 4 Male Members | | | | | | | | |
| 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 |
| General Plan 1, 2, & 4 Female Members | | | | | | | | |
| 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 |
| General Plan 3 Male Members | | | | | | | | |
| 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 |
| General Plan 3 Female Members | | | | | | | | |
| 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 |
| General Plan 5 Male Members | | | | | | | | |
| 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 |
| General Plan 5 Female Members | | | | | | | | |
| 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 |
| General Plan 7 Male Members | | | | | | | | |
| 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 |

¹ 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 ¹ | Vested | | Ordinary | Service | Ordinary | Service | |
| General Plan 7 Female Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 1, 2 & 4 Male Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 1, 2 & 4 Female Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 5 & 6 Male Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 5 & 6 Female Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 7 Male Members | | | | | | | | |
| 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 |
| Safety and Probation Plan 7 Female Members | | | | | | | | |
| 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 |

¹ Non-vested and/or refund of contributions.

ACTUARIAL METHODS AND ASSUMPTIONS (FOR FUNDING PURPOSES)

| | |
|---|--|
| VALUATION DATE | June 30, 2022 |
| ACTUARIAL COST METHOD | Entry Age Normal Cost |
| ACTUARIAL EXPERIENCE STUDY | July 1, 2017 to April 30, 2020 |
| AMORTIZATION METHOD | Level percentage of projected payroll |
| AMORTIZATION PERIOD | 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. |
| ASSET VALUATION METHOD | 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. |
| ACTUARIAL ASSUMPTIONS | |
| Economic assumptions: | |
| A. General wage increases | 3.00% |
| B. Investment earnings | 6.25% |
| C. Growth in Active membership | 0.00% |
| D. CPI-U inflation | 2.25% |
| E. CPI inflation | 2.50% |
| Demographic assumptions: | |
| A. Salary increases due to service | See 2022 actuarial valuation report for details |
| B. Retirement from active service | See 2022 actuarial valuation report for details |
| C. Disability from active service | See 2022 actuarial valuation report for details |
| D. Mortality for active members prior to termination | See 2022 actuarial valuation report for details |
| E. Other terminations of employment | See 2022 actuarial valuation report for details |
| F. Probability of refund of contributions upon vested information | See 2022 actuarial valuation report for details |
| G. Mortality for active members after termination and service retired members | See 2022 actuarial valuation report for details |
| H. Mortality for members retired for disability | See 2022 actuarial valuation report for details |
| I. Mortality for beneficiaries | See 2022 actuarial valuation report for details |

Note: Actuarial methods and assumptions were selected by the Retirement Board based on the actuary's recommendation.

SCHEDULE OF ACTIVE MEMBERS AND PARTICIPATING EMPLOYERS

As of June 30

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|----------------|----------------|----------------|----------------|----------------|
| COUNTY OF SAN MATEO | | | | | |
| General Members | 4,294 | 4,375 | 4,379 | 4,350 | 4,343 |
| Safety Members | 476 | 520 | 522 | 530 | 508 |
| Probation Members | 170 | 193 | 223 | 237 | 256 |
| Subtotal | 4,940 | 5,088 | 5,124 | 5,117 | 5,107 |
| SAN MATEO COUNTY SUPERIOR COURT | | | | | |
| General Members | 287 | 249 | 256 | 240 | 239 |
| SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT | | | | | |
| General Members | 22 | 19 | 20 | 20 | 21 |
| Total Active Membership | 5,249 | 5,356 | 5,400 | 5,377 | 5,367 |
| Percentage of Membership by Employer | | | | | |
| County of San Mateo | 94.11% | 95.00% | 94.89% | 95.16% | 95.16% |
| San Mateo County Superior Court | 5.47% | 4.65% | 4.74% | 4.46% | 4.45% |
| San Mateo County Mosquito and Vector Control District | 0.42% | 0.35% | 0.37% | 0.38% | 0.39% |
| Total Percentage of Membership | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

SCHEDULE OF RETIREES AND BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

| Fiscal Year Ended June 30, | Added to Rolls ⁽¹⁾ | | 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 |
| 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 |
| 2022 | 363 | 27,963 | 176 | 6,607 | 5,779 | 289,458 | 8.0% | 4,174 |

⁽¹⁾ Amount added to rolls includes COLAs granted in year to continuing retirees and beneficiaries.

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 |
|----------------------------------|-----------------------------|--------------|----------------------|-----------------------------|---|
| 2022 | General | 4,603 | \$522,675,192 | \$113,551 | 3.2% |
| | Safety | 476 | 69,870,562 | 146,787 | 4.8% |
| | Probation | 170 | 21,156,904 | 124,452 | 5.5% |
| | Total | 5,249 | \$613,702,658 | \$116,918 | 3.2% |
| 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% |
| | Total | 5,356 | \$606,676,592 | \$113,270 | 2.9% |
| 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% |
| | Total | 5,400 | \$594,572,862 | \$110,106 | 3.4% |
| 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% |
| | Total | 5,377 | \$572,515,696 | \$106,475 | 5.5% |
| 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% |
| | Total | 5,367 | \$541,472,684 | \$100,889 | 3.1% |
| 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% |
| | Total | 5,337 | \$522,222,625 | \$97,849 | 2.8% |
| 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% |
| | Total | 5,187 | \$493,790,365 | \$95,198 | 4.8% |
| 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% |
| | Total | 5,095 | \$462,640,136 | \$90,803 | 5.8% |
| 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% |
| | Total | 5,004 | \$429,407,376 | \$85,813 | 1.8% |
| 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% |
| | Total | 4,917 | \$414,551,308 | \$84,310 | 0.4% |

Note: See further details for participating employers and active members in the Statistical Section.

SUMMARY OF SIGNIFICANT ACTUARIAL STATISTICS AND MEASURES

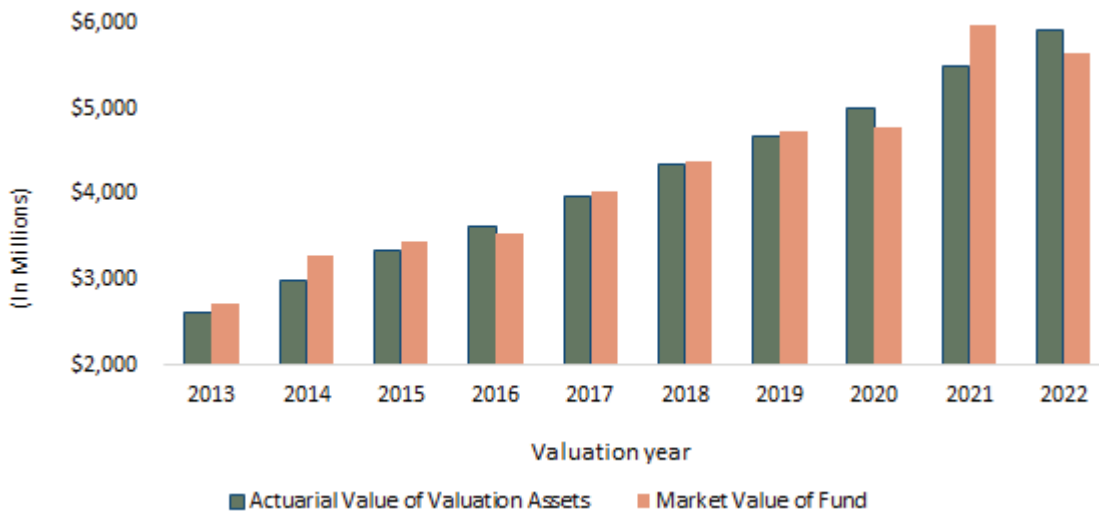
| | June 30, 2022 | June 30, 2021 | Relative Change |
|--|---------------|---------------|--------------------|
| Active Members | | | |
| Number of Members | 5,249 | 5,356 | (2.0)% |
| Average Age | 44.9 | 45.1 | (0.4)% |
| Average Credited Service | 10.3 | 10.5 | (1.9)% |
| Total Active Covered Payroll (\$ in Thousands) | \$611,957 | \$600,369 | 1.9% |
| Average Monthly Salary | \$9,743 | \$9,439 | 3.2% |
| Retired Members | | | |
| Number of Members | | | |
| Service Retirement | 4,608 | 4,421 | 4.2% |
| Disability Retirement | 493 | 499 | (1.2)% |
| Beneficiaries | 678 | 672 | 0.9% |
| Average Age | 71.4 | 71.5 | (0.1)% |
| Actual Retiree Benefits Paid (\$ in Thousands) | \$276,502 | \$259,356 | 6.6% |
| Average Monthly Pension | \$4,174 | \$3,995 | 4.5% |
| Number of Inactive Members | 2,224 | 1,986 | 12.0% |
| Assets | | | |
| Market Value of Fund (\$ in Thousands) | \$5,649,674 | \$5,982,086 | (5.6)% |
| Return on Market Value | -6.1% | 23.5% | |
| Valuation Assets (\$ in Thousands) | \$5,922,894 | \$5,488,958 | 7.9% |
| Return on Valuation Assets | 7.1% | 8.2% | |
| Liability Values (\$ in Thousands) | | | |
| Actuarial Accrued Liability | \$6,530,039 | \$6,227,066 | 4.9% |
| Unfunded Actuarial Accrued Liability | \$607,145 | \$738,108 | (17.7)% |
| Deferred Asset (Gains) / Losses | \$333,047 | (\$437,683) | |
| Funded Ratio | | | |
| Based on Valuation Assets | 90.7% | 88.1% | 2.6% |

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.

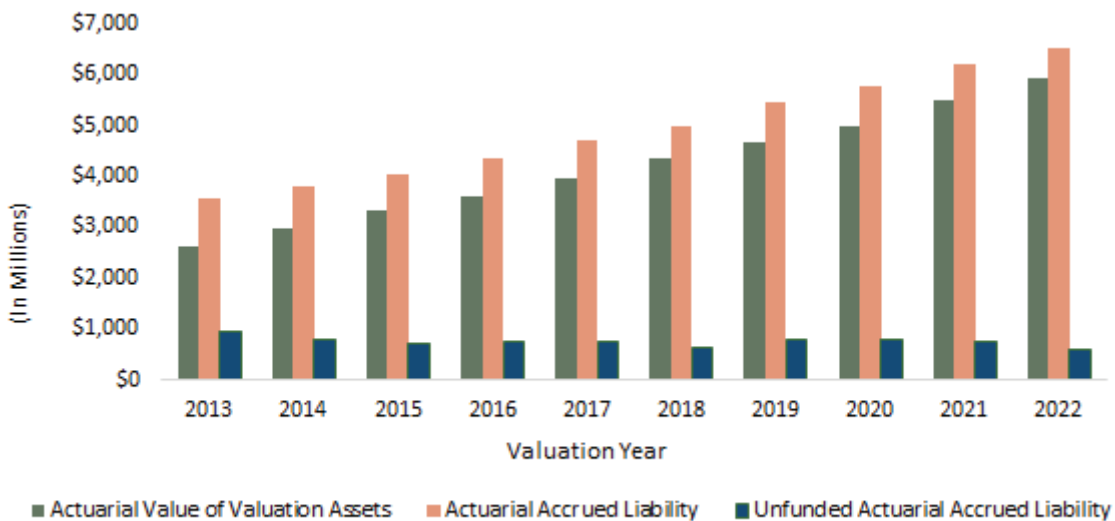
APPLICABLE VALUATION ASSETS

As of June 30



ACTUARIAL VALUATION

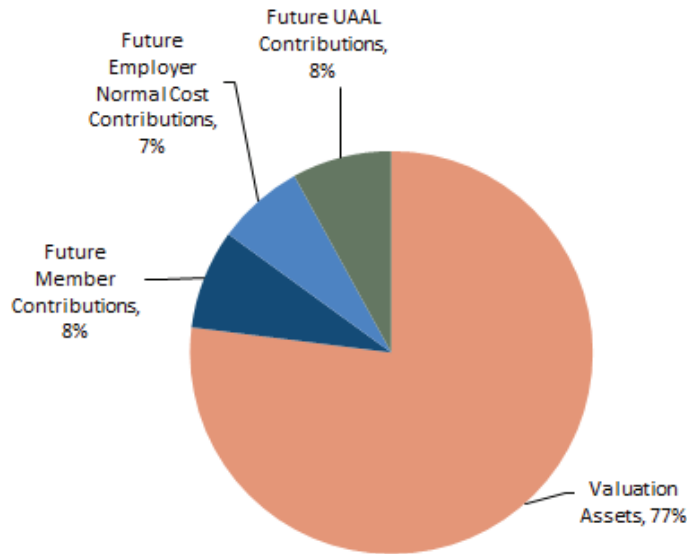
As of June 30



ACTUARIAL VALUATION—SAMCERA'S RESOURCES

As of June 30, 2022

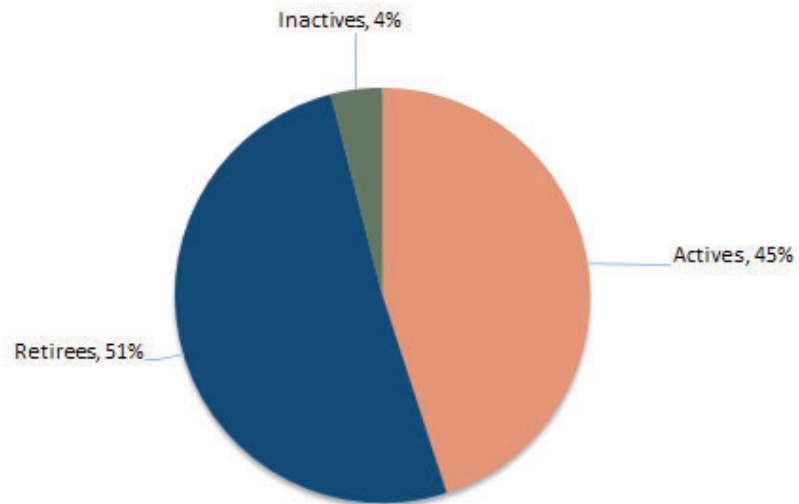
SamCERA's resources equal actuarial assets plus expected future contributions from both employers and members.



ACTUARIAL VALUATION—SAMCERA'S LIABILITIES

As of June 30, 2022

SamCERA's liabilities reflect benefits already earned in the past and those expected to be earned in the future by current members.



SCHEDULE OF FUNDING PROGRESS

(Dollars in Thousands)

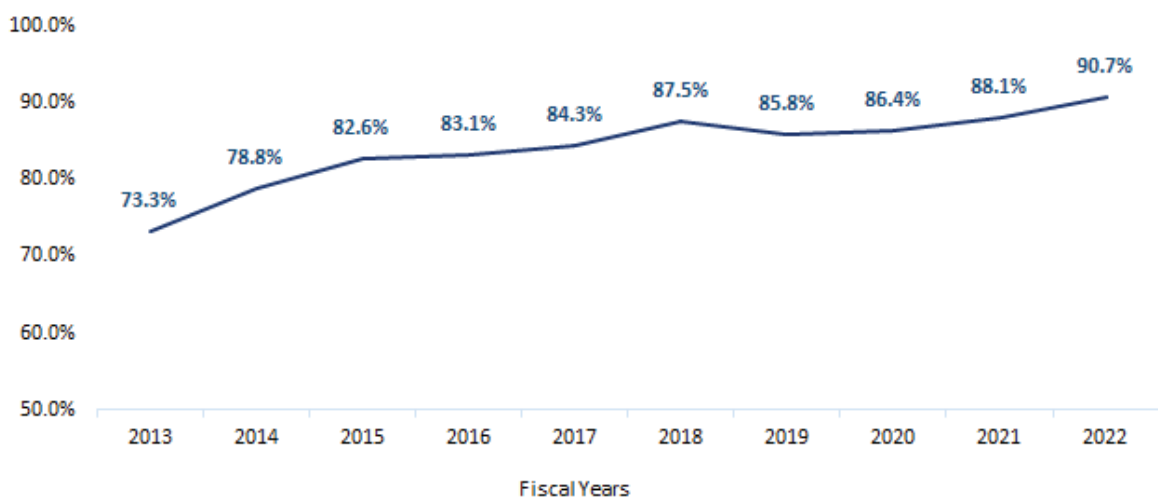
This schedule provides information about the funding progress of the pension plan.

| 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 |
|---|--|------------------------------------|--|-----------------------|------------------------|--|
| 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% |
| 2022 | 5,922,894 | 6,530,039 | 607,145 | 90.7% | 611,957 | 99.21% |

Note: The ten-year schedule of actuarially determined and actual contributions can be found in the Financial Section under Required Supplementary Information.

SCHEDULE OF FUNDED RATIO

As of June 30



ACTUARIAL ANALYSIS OF FINANCIAL EXPERIENCE

As of June 30 (Dollars in Thousands)

| Summary of (Gains) / Losses | Change in Liability | | | | |
|---|---------------------|-------------------|-------------------|-------------------|-------------------|
| | 2022 | 2021 | 2020 | 2019 | 2018 |
| Unfunded Liability as of July 1 | \$ 738,108 | \$ 787,737 | \$ 774,476 | \$ 619,033 | \$ 743,133 |
| Expected Change in Unfunded Actuarial | | | | | |
| Accrued Liability | (138,405) | (157,668) | (85,527) | (153,261) | (109,756) |
| Salary (Gain) / Loss | 34,541 | 12,064 | 25,190 | 50,472 | 10,401 |
| Retiree COLA more / (less) than Expected | 16,379 | (25,973) | 18,992 | 21,749 | 12,203 |
| Asset (Gain) / Loss | (47,017) | (87,748) | 15,884 | 46,909 | (42,796) |
| Change Due to Assumption Changes | - | 197,720 | 11,593 | 173,944 | - |
| Miscellaneous Experience | 3,539 | 11,976 | 27,129 | 15,630 | 5,848 |
| Unfunded Actuarial Accrued Liability as of June 30 | \$ 607,145 | \$ 738,108 | \$ 787,737 | \$ 774,476 | \$ 619,033 |

SOLVENCY TEST

(Dollars in Thousands)

| Actuarial | | Actuarial Accrued Liabilities | | | | | |
|-------------------------------|------------------|---------------------------------|---|--|------|--|-----|
| | | Active Member Contributions (A) | Retirees and Beneficiaries ⁽¹⁾ (B) | Active Members (Employer Financed Portion) (C) | | Portion of Actuarial Accrued Liabilities Covered by Assets | |
| Valuation Date as of June 30, | Valuation Assets | | | | | | (A) |
| 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% |
| 2022 | 5,922,894 | 937,791 | 4,240,655 | 1,351,593 | 100% | 100% | 55% |

⁽¹⁾ Includes inactive members

STATISTICAL



*Every success story is a tale of constant
adaptation, revision, and change.
-Richard Branson*

This page is intentionally left blank.

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)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|--------------------|--------------------|------------------|------------------|------------------|
| Additions | | | | | |
| Employer Contributions | \$234,746 | \$225,302 | \$198,583 | \$194,830 | \$179,627 |
| Employer Supplementary Contributions | 15,200 | 39,700 | - | 50,668 | 27,630 |
| Member Contributions | 73,968 | 73,967 | 70,631 | 67,696 | 64,204 |
| Total Contributions | 323,914 | 338,969 | 269,214 | 313,194 | 271,461 |
| Investment Income (Loss), net of Expenses | (366,699) | 1,133,127 | 42,355 | 271,625 | 280,076 |
| Securities Lending Income | 73 | 50 | 37 | 66 | 43 |
| Miscellaneous Additions | - | - | - | - | 27 |
| Total Additions | (42,712) | 1,472,146 | 311,606 | 584,885 | 551,607 |
| Deductions | | | | | |
| Retiree Benefits | 276,503 | 259,356 | 242,025 | 223,614 | 204,728 |
| Member Refunds | 4,407 | 2,796 | 3,796 | 3,571 | 4,326 |
| Administrative Expenses | 7,197 | 7,060 | 6,372 | 6,057 | 5,849 |
| Information Technology Expenses | 1,593 | 1,350 | 2,021 | 2,495 | 1,444 |
| Total Deductions | 289,700 | 270,562 | 254,214 | 235,737 | 216,347 |
| Changes in Pension Plan Net Position | (\$332,412) | \$1,201,584 | \$57,392 | \$349,148 | \$335,260 |
| | | | | | |
| | 2017 | 2016 | 2015 | 2014 | 2013 |
| Additions | | | | | |
| Employer Contributions | \$164,877 | \$170,046 | \$169,814 | \$152,877 | \$131,294 |
| Employer Supplementary Contributions | 33,850 | 21,048 | 10,890 | 50,000 | 13,014 |
| Member Contributions | 62,160 | 56,069 | 48,012 | 46,594 | 55,408 |
| Total Contributions | 260,887 | 247,163 | 228,716 | 249,471 | 199,716 |
| Investment Income (Loss), net of Expenses | 436,603 | 24,112 | 111,320 | 482,050 | 326,983 |
| Securities Lending Income | 46 | 278 | 310 | 435 | 622 |
| Miscellaneous Additions | 27 | 4,910 | - | 179 | 160 |
| Total Additions | 697,563 | 276,463 | 340,346 | 732,135 | 527,481 |
| Deductions | | | | | |
| Retiree Benefits | 190,364 | 179,498 | 168,109 | 159,342 | 149,266 |
| Member Refunds | 2,876 | 3,366 | 3,357 | 3,214 | 5,750 |
| Administrative Expenses | 5,983 | 5,962 | 5,350 | 4,914 | 4,260 |
| Information Technology Expenses | 996 | 714 | 629 | 731 | 654 |
| Other Expenses | 30 | 11 | 119 | 65 | 29 |
| Total Deductions | 200,249 | 189,551 | 177,564 | 168,266 | 159,959 |
| Changes in Pension Plan Net Position | \$497,314 | \$86,912 | \$162,782 | \$563,869 | \$367,522 |

SCHEDULE OF ADDITIONS TO FIDUCIARY NET POSITION BY SOURCE

(Dollars in Thousands)

| Fiscal Year Ended June 30 | Member Contributions | Employer Contributions | Investment Income (Loss) | Other | Total Additions |
|------------------------------|-------------------------|---------------------------|-----------------------------|-------|--------------------|
| 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 ⁽¹⁾ | 50 | 1,472,146 |
| 2022 | 73,968 | 249,946 | (366,699) ⁽²⁾ | 73 | (42,712) |

(1)

The robust growth in investment income was predominantly driven by market appreciation.

(2)

Investment performance was overshadowed by investor's concerns over the war between Russia and Ukraine, inflation, and fear of recession.

SCHEDULE OF DEDUCTIONS FROM FIDUCIARY NET POSITION BY TYPE

(Dollars in Thousands)

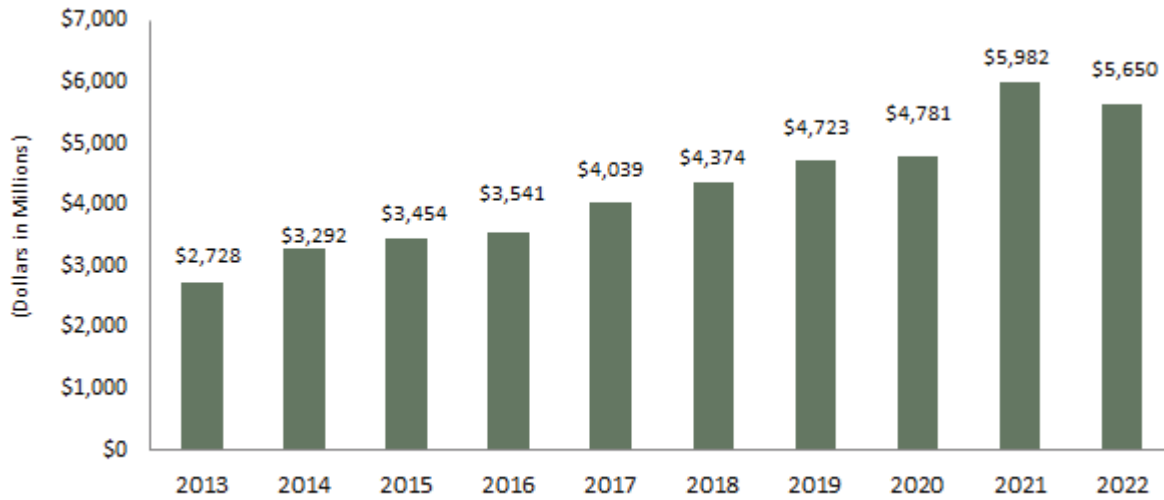
| Fiscal Year Ended June 30 | Service Retirement Benefits | Disability Retirement Benefits | Survivor Benefits | Death Benefits | Other Benefits | Member Refunds | Administrative Expenses | Information Technology Expenses | Other Expenses | Total Deductions |
|---------------------------------|-----------------------------------|--------------------------------------|----------------------|-------------------|-------------------|----------------------|----------------------------|---------------------------------------|-------------------|---------------------|
| 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 |
| 2022 | 246,251 | 28,675 | 1,109 | 257 | 211 | 4,407 ⁽¹⁾ | 7,197 | 1,593 | - | 289,700 |

(1)

The number of refunds went up to 140 from 84 a year ago.

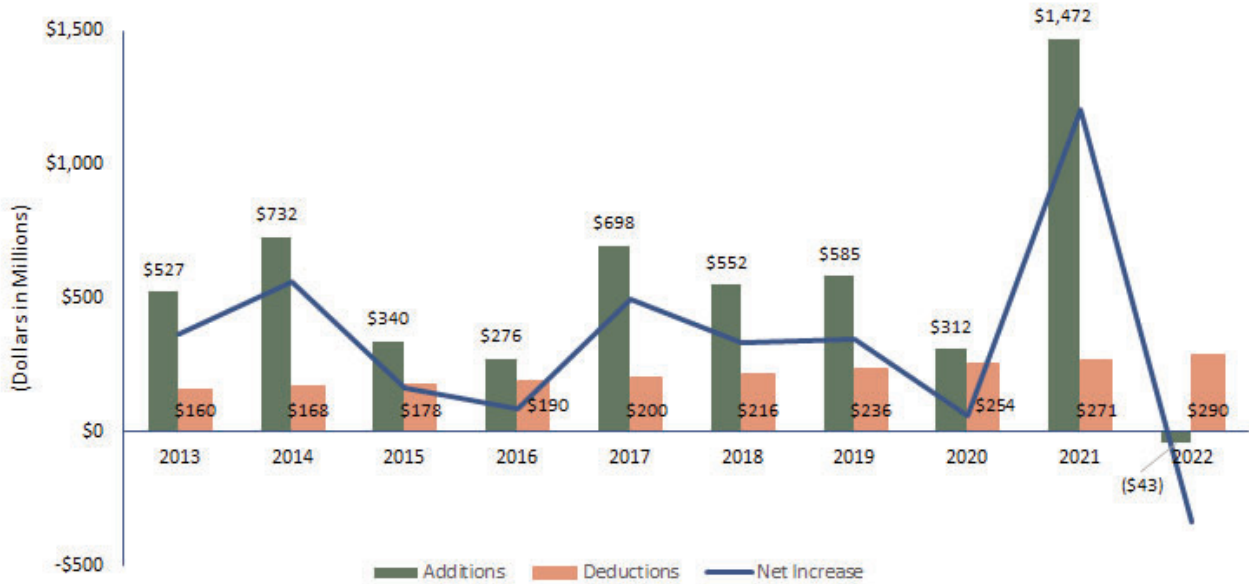
TOTAL FIDUCIARY NET POSITION

As of June 30



CHANGES IN FIDUCIARY NET POSITION

For the Fiscal Years Ended June 30



SUMMARY OF RETIRED BENEFITS, REFUNDS, AND INACTIVE MEMBERS

| | 2022 | 2021 ⁽²⁾ | 2020 | 2019 | 2018 |
|--|---------------|---------------------|---------------|---------------|---------------|
| RETIRED MEMBERS | | | | | |
| Service Retirement ⁽¹⁾ | | | | | |
| Number | 5,240 | 5,050 | 4,906 | 4,697 | 4,604 |
| Annual Benefit | \$246,250,375 | \$229,730,556 | \$212,632,929 | \$196,874,097 | \$179,880,342 |
| Average Monthly Payment | \$4,008 | \$3,791 | \$3,612 | \$3,493 | \$3,256 |
| Active Death Survivor | | | | | |
| Number | 34 | 34 | 34 | 30 | 29 |
| Annual Benefit | \$1,108,651 | \$1,071,039 | \$958,068 | \$982,715 | \$781,459 |
| Average Monthly Payment | \$2,717 | \$2,625 | \$2,348 | \$2,730 | \$2,246 |
| Active Death | | | | | |
| Number | 7 | 2 | 4 | 7 | 4 |
| Annual Benefit | \$257,318 | \$57,226 | \$295,630 | \$249,751 | \$194,927 |
| Average Monthly Payment | \$3,063 | \$2,384 | \$6,159 | \$2,973 | \$4,061 |
| Refund of Deceased Retiree Contribution | | | | | |
| Number | 5 | 7 | 4 | 4 | - |
| Annual Benefit | \$211,260 | \$154,484 | \$536,331 | \$295,600 | - |
| Average Monthly Payment | \$3,521 | \$1,839 | \$11,174 | \$6,158 | - |
| Disability Retirement | | | | | |
| Number | 493 | 499 | 506 | 487 | 472 |
| Annual Benefit | \$28,674,627 | \$28,342,469 | \$27,601,908 | \$25,211,881 | \$23,872,145 |
| Average Monthly Payment | \$3,898 | \$4,733 | \$4,546 | \$4,314 | \$4,215 |
| Total Retired Members | | | | | |
| Number | 5,779 | 5,592 | 5,454 | 5,225 | 5,109 |
| Annual Benefit | \$276,502,231 | \$259,355,774 | \$242,024,866 | \$223,614,044 | \$204,728,873 |
| Average Monthly Payment | \$3,987 | \$3,865 | \$3,698 | \$3,566 | \$3,339 |
| REFUND | | | | | |
| General | \$4,006,328 | \$2,274,481 | \$3,177,699 | \$3,478,748 | \$3,252,941 |
| Safety | \$400,968 | \$521,679 | \$618,577 | \$92,331 | \$1,072,789 |
| Total Refund | \$4,407,296 | \$2,796,160 | \$3,796,276 | \$3,571,079 | \$4,325,730 |
| INACTIVE MEMBERS | | | | | |
| | 2,224 | 1,986 | 1,882 | 1,767 | 1,666 |

⁽¹⁾ Includes beneficiaries.

⁽²⁾ The headcounts for Service Retirement and Disability Retirement are revised based on updated information.

Note - This schedule is prepared by SamCERA based on the actual benefits disbursed.

SUMMARY OF RETIRED BENEFITS, REFUNDS, AND INACTIVE MEMBERS (CONTINUED)

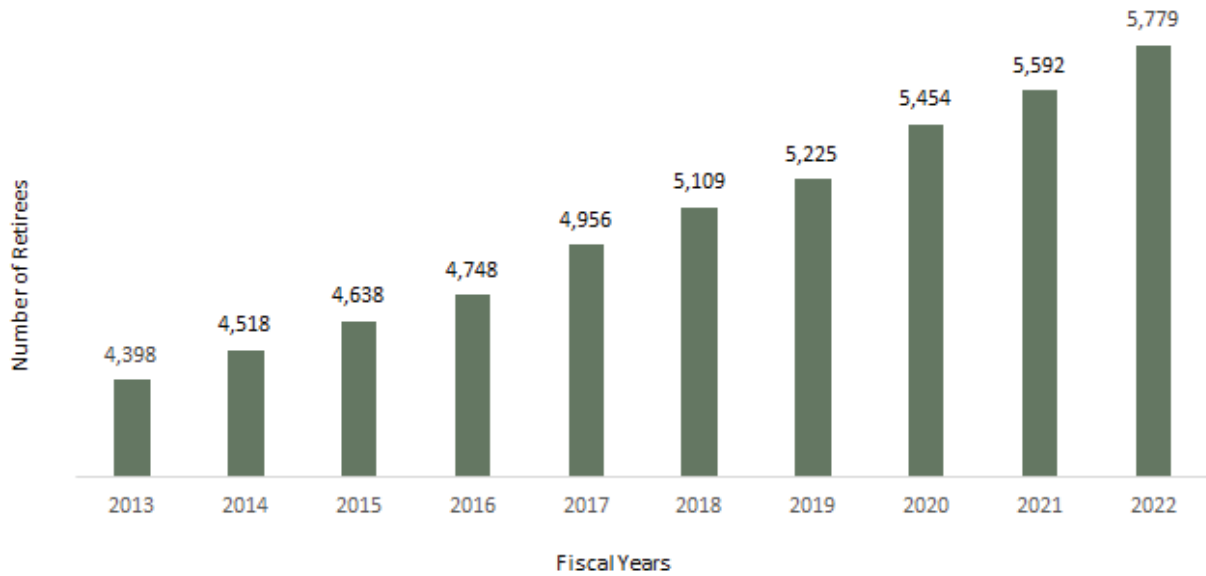
| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|---------------|---------------|---------------|---------------|---------------|
| RETIRED MEMBERS | | | | | |
| Service Retirement ⁽¹⁾ | | | | | |
| Number | 4,458 | 4,257 | 4,160 | 4,052 | 3,965 |
| Annual Benefit | \$166,975,634 | \$157,513,099 | \$147,266,945 | \$139,036,410 | \$131,638,612 |
| Average Monthly Payment | \$3,121 | \$3,083 | \$2,950 | \$2,859 | \$2,767 |
| Active Death Survivor | | | | | |
| Number | 27 | 27 | 29 | 30 | 31 |
| Annual Benefit | \$661,162 | \$652,711 | \$661,222 | \$654,972 | \$649,930 |
| Average Monthly Payment | \$2,041 | \$2,015 | \$1,900 | \$1,819 | \$1,747 |
| Active Death | | | | | |
| Number | 1 | 5 | 3 | 1 | 1 |
| Annual Benefit | \$26,646 | \$82,444 | \$90,635 | \$13,633 | \$39,265 |
| Average Monthly Payment | \$2,221 | \$1,374 | \$2,518 | \$1,136 | \$3,272 |
| Refund of Deceased Retiree Contribution | | | | | |
| Number | 1 | 5 | 4 | 7 | 8 |
| Annual Benefit | \$11,138 | \$158,478 | \$51,734 | \$370,340 | \$232,593 |
| Average Monthly Payment | \$928 | \$2,641 | \$1,078 | \$4,409 | \$2,423 |
| Disability Retirement | | | | | |
| Number | 469 | 454 | 442 | 428 | 393 |
| Annual Benefit | \$22,689,813 | \$21,090,529 | \$20,038,671 | \$19,266,623 | \$16,705,247 |
| Average Monthly Payment | \$4,032 | \$3,871 | \$3,778 | \$3,751 | \$3,542 |
| Total Retired Members | | | | | |
| Number | 4,956 | 4,748 | 4,638 | 4,518 | 4,398 |
| Annual Benefit | \$190,364,393 | \$179,497,261 | \$168,109,207 | \$159,341,978 | \$149,265,647 |
| Average Monthly Payment | \$3,201 | \$3,150 | \$3,021 | \$2,939 | \$2,828 |
| REFUND | | | | | |
| General | \$2,511,145 | \$2,991,126 | \$3,011,758 | \$3,058,864 | \$5,161,430 |
| Safety | \$364,742 | \$375,311 | \$345,253 | \$155,265 | \$588,346 |
| Total Refund | \$2,875,887 | \$3,366,437 | \$3,357,011 | \$3,214,129 | \$5,749,776 |
| INACTIVE MEMBERS | | | | | |
| | 1,487 | 1,486 | 1,384 | 1,304 | 1,306 |

⁽¹⁾ Includes beneficiaries.

Note - This schedule is prepared by SamCERA based on the actual benefits disbursed.

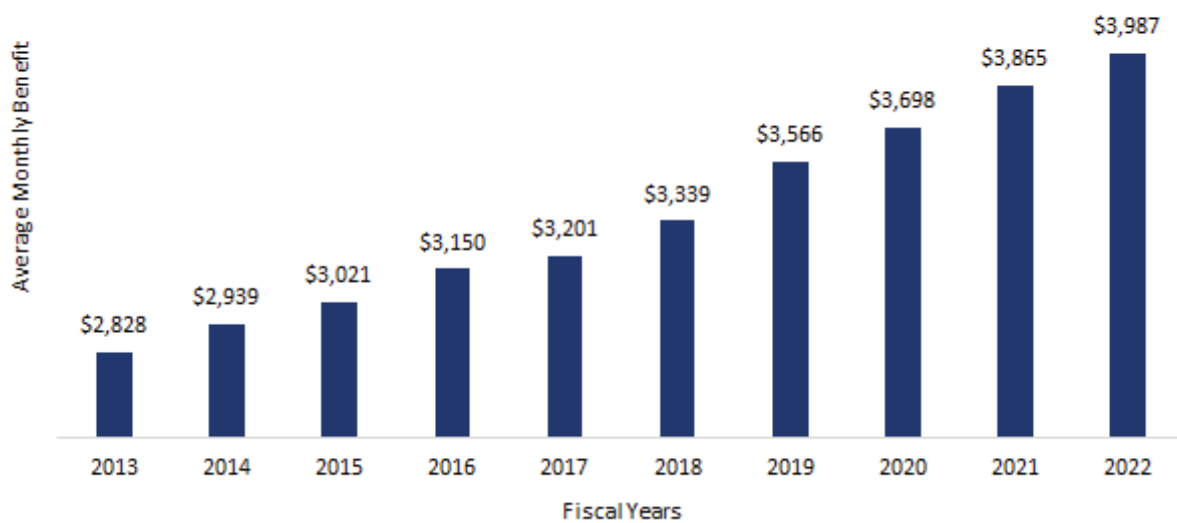
NUMBER OF RETIREES AND BENEFICIARIES RECEIVING BENEFITS

As of June 30



AVERAGE MONTHLY BENEFIT TO RETIREES AND BENEFICIARIES

For the Fiscal Years Ended June 30



SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS

| 7/1/2021 - 6/30/2022 | Years of Service Credit | | | | | | |
|--|-------------------------|----------|----------|----------|----------|----------|----------|
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ |
| Retirees - Service and Disabilities | | | | | | | |
| Average Monthly Gross Benefit | \$631 | \$1,691 | \$3,536 | \$4,002 | \$6,607 | \$9,526 | \$8,441 |
| Average Final Compensation | \$11,414 | \$10,012 | \$11,776 | \$9,750 | \$11,121 | \$13,436 | \$10,405 |
| Number of Retirees | 24 | 40 | 44 | 41 | 68 | 30 | 50 |
| Beneficiaries | | | | | | | |
| Average Monthly Gross Benefit | \$1,101 | \$1,025 | \$1,290 | \$2,334 | \$2,895 | \$4,245 | \$4,933 |
| Average Final Compensation | \$2,313 | \$5,995 | \$5,548 | \$7,271 | \$6,785 | \$5,042 | \$7,388 |
| Number of Beneficiaries | 9 | 7 | 6 | 6 | 6 | 4 | 3 |
| 7/1/2020 - 6/30/2021 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |
| 7/1/2019 - 6/30/2020 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |
| 7/1/2018 - 6/30/2019 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |
| 7/1/2017 - 6/30/2018 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |

SCHEDULE OF AVERAGE PENSION BENEFIT PAYMENTS (CONTINUED)

| 7/1/2016 - 6/30/2017 | Years of Service Credit | | | | | | |
|--|-------------------------|---------|---------|---------|---------|---------|---------|
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 | - | - |
| 7/1/2015 - 6/30/2016 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |
| 7/1/2014 - 6/30/2015 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |
| 7/1/2013 - 6/30/2014 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |
| 7/1/2012 - 6/30/2013 | | | | | | | |
| Retirees - Service and Disabilities | | | | | | | |
| 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 |
| Beneficiaries | | | | | | | |
| 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 |

* - Information not available.

DISTRIBUTION OF RETIRED MEMBERS BY AGE AND RETIREMENT YEAR - ALL PLANS COMBINED

As of June 30, 2022

| Age | Retirement Year | | | | | | | | Total Count |
|--------------------|------------------------|------------|------------|------------|------------|-------------|-------------|------------|------------------------|
| | Pre-1990 | 1990-1994 | 1995-1999 | 2000-2004 | 2005-2009 | 2010-2014 | 2015-2019 | 2020-2022 | |
| Under 35 | - | - | - | - | - | 4 | 2 | 1 | 7 |
| 35-39 | - | - | 1 | 1 | 1 | - | - | - | 3 |
| 40-44 | - | - | - | - | - | 2 | 12 | 3 | 17 |
| 45-49 | - | - | - | - | 5 | 8 | 18 | 18 | 49 |
| 50-54 | - | - | - | 4 | 9 | 14 | 65 | 117 | 209 |
| 55-59 | - | - | 6 | 7 | 13 | 31 | 218 | 151 | 426 |
| 60-64 | - | - | 8 | 12 | 40 | 169 | 302 | 235 | 766 |
| 65-69 | - | 3 | 13 | 48 | 151 | 258 | 397 | 161 | 1031 |
| 70-74 | 3 | 12 | 47 | 127 | 249 | 357 | 248 | 57 | 1100 |
| 75-79 | 4 | 22 | 109 | 190 | 316 | 201 | 90 | 23 | 955 |
| 80-84 | 12 | 69 | 125 | 161 | 124 | 65 | 37 | 17 | 610 |
| 85-89 | 31 | 58 | 88 | 61 | 21 | 21 | 18 | 9 | 307 |
| 90-94 | 49 | 46 | 47 | 10 | 8 | 15 | 12 | 3 | 190 |
| 95-99 | 40 | 14 | 13 | 3 | 7 | 3 | 5 | 3 | 88 |
| 100 & Over | 11 | 4 | 1 | 4 | - | - | 1 | - | 21 |
| Total Count | 150 | 228 | 458 | 628 | 944 | 1148 | 1425 | 798 | 5779 |

SCHEDULE OF ACTIVE MEMBERS AND PARTICIPATING EMPLOYERS

As of June 30

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|--------------|--------------|--------------|--------------|--------------|
| COUNTY OF SAN MATEO | | | | | |
| General Members | 4,294 | 4,375 | 4,379 | 4,350 | 4,343 |
| Safety Members | 476 | 520 | 522 | 530 | 508 |
| Probation Members | 170 | 193 | 223 | 237 | 256 |
| Subtotal | 4,940 | 5,088 | 5,124 | 5,117 | 5,107 |
| SAN MATEO COUNTY SUPERIOR COURT | | | | | |
| General Members | 287 | 249 | 256 | 240 | 239 |
| SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT | | | | | |
| General Members | 22 | 19 | 20 | 20 | 21 |
| Total Active Membership | 5,249 | 5,356 | 5,400 | 5,377 | 5,367 |

Percentage of Membership by Employer

| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| County of San Mateo | 94.11% | 95.00% | 94.89% | 95.16% | 95.16% |
| San Mateo County Superior Court | 5.47% | 4.65% | 4.74% | 4.46% | 4.45% |
| San Mateo County Mosquito and Vector Control District | 0.42% | 0.35% | 0.37% | 0.38% | 0.39% |
| Total Percentage of Membership | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|
| COUNTY OF SAN MATEO | | | | | |
| General Members | 4,303 | 4,170 | 4,092 | 4,014 | 3,906 |
| Safety Members | 503 | 495 | 479 | 452 | 452 |
| Probation Members | 274 | 271 | 282 | 280 | 292 |
| Subtotal | 5,080 | 4,936 | 4,853 | 4,746 | 4,650 |
| SAN MATEO COUNTY SUPERIOR COURT | | | | | |
| General Members | 237 | 231 | 222 | 239 | 249 |
| SAN MATEO COUNTY MOSQUITO & VECTOR CONTROL DISTRICT | | | | | |
| General Members | 20 | 20 | 20 | 19 | 18 |
| Total Active Membership | 5,337 | 5,187 | 5,095 | 5,004 | 4,917 |

Percentage of Membership by Employer

| | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|
| County of San Mateo | 95.18% | 95.16% | 95.25% | 94.84% | 94.57% |
| San Mateo County Superior Court | 4.44% | 4.45% | 4.36% | 4.78% | 5.06% |
| San Mateo County Mosquito and Vector Control District | 0.38% | 0.39% | 0.39% | 0.38% | 0.37% |
| Total Percentage of Membership | 100.00% | 100.00% | 100.00% | 100.00% | 100.00% |

SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS

For the Fiscal Years Ended June 30 (by Plan and Membership Type)

| | 2022 | 2021 | 2020 | 2019 | 2018 |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| General Plan 1 | \$18,575 | \$18,022 | \$11,102 | \$9,793 | \$10,121 |
| General Plan 2 | 11,516 | 10,957 | 10,665 | 10,088 | 9,526 |
| General Plan 3 | 8,850 | 8,623 | 8,221 | 7,872 | 7,462 |
| General Plan 4 | 10,680 | 10,087 | 9,671 | 9,302 | 8,534 |
| General Plan 5 | 11,659 | 11,092 | 10,635 | 10,180 | 9,672 |
| General Plan 7 | 8,291 | 8,014 | 7,726 | 7,395 | 6,974 |
| Average Monthly Salary for General Plan | \$9,463 | \$9,173 | \$8,897 | \$8,622 | \$8,128 |
| Safety Plan 1 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Safety Plan 2 | 16,177 | 15,162 | 15,125 | 14,197 | 13,607 |
| Safety Plan 4 | 14,157 | 13,494 | 13,204 | 12,391 | 11,894 |
| Safety Plan 5 | 13,127 | 12,619 | 12,367 | 11,708 | 11,349 |
| Safety Plan 6 | - | - | - | - | - |
| Safety Plan 7 | 10,507 | 9,765 | 9,581 | 9,030 | 8,747 |
| Average Monthly Salary for Safety Plan | \$12,232 | \$11,671 | \$11,610 | \$11,146 | \$10,958 |
| Probation 1 | \$ - | \$ - | \$ - | \$ - | \$ - |
| Probation 2 | 11,203 | 10,641 | 10,174 | 9,908 | 9,061 |
| Probation 4 | 10,927 | 10,359 | 9,827 | 9,103 | 8,714 |
| Probation 5 | 10,219 | 9,911 | 9,343 | 8,587 | 8,219 |
| Probation 6 | - | - | - | - | - |
| Probation 7 | 8,983 | 8,378 | 7,598 | 6,973 | 6,676 |
| Average Monthly Salary for Probation Plan | \$10,371 | \$9,835 | \$9,289 | \$8,678 | \$8,379 |
| Average Monthly Salary for All Plans | \$9,743 | \$9,439 | \$9,176 | \$8,873 | \$8,407 |

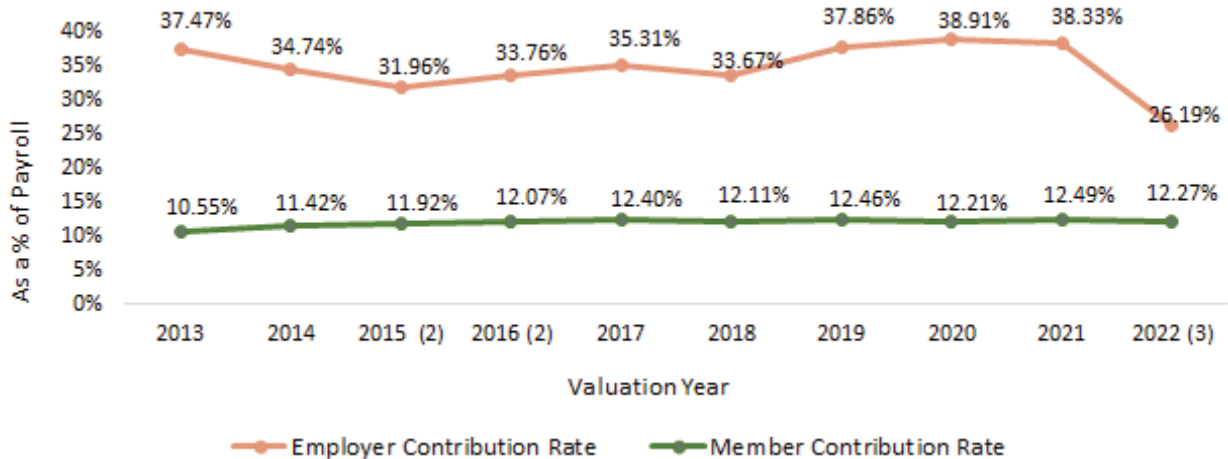
SCHEDULE OF AVERAGE MONTHLY SALARY OF ACTIVE MEMBERS (CONTINUED)

For the Fiscal Years Ended June 30 (by Plan and Membership Type)

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|-----------------|-----------------|----------------|----------------|----------------|
| General Plan 1 | \$11,305 | \$9,945 | \$9,235 | \$8,617 | \$8,104 |
| General Plan 2 | 8,994 | 8,636 | 8,186 | 7,584 | 7,355 |
| General Plan 3 | 7,484 | 7,173 | 6,747 | 6,300 | 6,254 |
| General Plan 4 | 8,134 | 7,807 | 7,386 | 6,873 | 6,662 |
| General Plan 5 | 8,980 | 8,485 | 7,735 | 6,912 | 6,418 |
| General Plan 7 | 6,737 | 6,714 | 6,315 | 5,721 | 5,433 |
| Average Monthly Salary for General Plan | \$7,869 | \$7,694 | \$7,351 | \$6,884 | \$6,762 |
| Safety Plan 1 | \$14,434 | \$15,810 | \$14,712 | \$14,091 | \$13,185 |
| Safety Plan 2 | 13,528 | 12,505 | 11,545 | 11,191 | 10,935 |
| Safety Plan 4 | 11,381 | 10,729 | 9,919 | 9,581 | 9,402 |
| Safety Plan 5 | 10,544 | 9,940 | 9,145 | 8,958 | 8,699 |
| Safety Plan 6 | - | 16,793 | 16,010 | 14,381 | 12,374 |
| Safety Plan 7 | 8,356 | 7,538 | 6,701 | 7,011 | 6,695 |
| Average Monthly Salary for Safety Plan | \$10,786 | \$10,364 | \$9,728 | \$9,767 | \$9,630 |
| Probation 1 | \$7,722 | \$7,261 | \$7,038 | \$6,874 | \$6,618 |
| Probation 2 | 9,069 | 8,349 | 8,012 | 7,699 | 7,445 |
| Probation 4 | 8,270 | 7,454 | 7,267 | 6,922 | 6,622 |
| Probation 5 | 7,612 | 6,429 | 6,106 | 5,916 | 5,242 |
| Probation 6 | 7,347 | 6,259 | 5,739 | 5,216 | 4,808 |
| Probation 7 | 6,121 | 5,962 | 5,684 | 5,807 | 7,742 |
| Average Monthly Salary for Probation Plan | \$8,061 | \$7,391 | \$7,216 | \$6,998 | \$6,770 |
| Average Monthly Salary for All Plans | \$8,154 | \$7,933 | \$7,567 | \$7,151 | \$7,026 |

EMPLOYER AND MEMBER CONTRIBUTION RATES ⁽¹⁾

Determined as of June 30



⁽¹⁾ Contribution rates determined as of the valuation date will become effective a year later. For example, contribution rates determined as of June 30, 2022, will become effective on July 1, 2023.

⁽²⁾ Statutory Contribution Rates reflect changes in member rates negotiated subsequent to the 2015 and the 2016 valuations.

⁽³⁾ The decrease in employer contribution rate is primarily due to the full amortization of the unfunded actuarial accrued liability layer established as of June 30, 2008.

EMPLOYER CONTRIBUTION RATES FOR ALL PLANS COMBINED AS A PERCENTAGE OF COVERED PAYROLL

| | Fiscal Year Beginning | | Change |
|--|-----------------------|---------------|----------|
| | July 1, 2023 | July 1, 2022 | |
| Employer Statutory Contribution Rate ⁽¹⁾ | | | |
| Gross Normal Cost | 23.64% | 24.04% | (0.40)% |
| Less: Member Contributions | (12.27)% | (12.49)% | 0.22% |
| Employer Normal Cost | 11.37% | 11.55% | (0.18)% |
| UAAL Amortization | 16.04% | 29.21% | (13.17)% |
| Calculated Employer Contribution Rate | 27.41% | 40.76% | (13.35)% |
| Deferred Recognition of 2021 Assumptions | (1.22)% | (2.43)% | 1.21% |
| Total Employer Statutory Contribution Rate ⁽²⁾ | 26.19% | 38.33% | (12.14)% |
| Statutory Contribution Rate by Employer | | | |
| County of San Mateo | 26.19% | 38.51% | (12.32)% |
| San Mateo County Superior Court | 26.02% | 35.73% | (9.71)% |
| San Mateo County Mosquito & Vector Control District | 25.06% | 12.10% | 12.96% |

⁽¹⁾ Detailed contribution rates by plan are reported on the 2022 valuation report.

⁽²⁾ The Total Employer Statutory Contribution Rate of 26.19% 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 | | | | | | | | | |
| 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% |
| 2022 | 10.08% | 12.01% | 22.09% | 10.16% | 15.86% | 26.02% | 11.92% | 13.14% | 25.06% |

Notes:

1. Contribution rates shown are those calculated in the corresponding actuarial valuation. In some cases, actual contributions were higher.
2. 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.
3. Beginning with the 2015 actuarial valuation, Plan 1, 2, and 4 members of the UAPD and the California Nurses Association (CNA), and Probation members (Managers) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing.
4. 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 the San Mateo County Mosquito and Vector Control District (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.
5. 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.
6. 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 | | | | | | | | | |
| 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) | | |
| 2022 | 18.56% | 28.79% | 47.35% | 19.27% | 34.48% | 53.75% | 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 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.
3. Beginning with the 2015 actuarial valuation, Plan 1, 2, and 4 members of the UAPD and the California Nurses Association (CNA), and Probation members (Managers) contribute 50% of the cost of COLA, in addition to current member rates and cost sharing.
4. 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 the San Mateo County Mosquito and Vector Control District (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.
5. 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.
6. 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.

This page is intentionally left blank.

COMPLIANCE



*Transformation is an ongoing process that seems to be ordinary,
when, in fact, something extraordinary is taking place.*
-Suzy Ross

This page is intentionally left blank.



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, 2022, and the related notes to the financial statements, which collectively comprise SamCERA's basic financial statements, and have issued our report thereon dated October 17, 2022.

Report on 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.

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

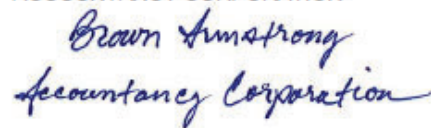
Report on Compliance and Other Matters

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

A handwritten signature in blue ink that reads "Brown Armstrong Accountancy Corporation". The signature is written in a cursive style and is positioned below the printed name of the firm.

Stockton, California
October 17, 2022

PHOTO CREDIT

Cover: narikan/shutterstock.com

Inside Cover: kpboonjit/shutterstock.com

Board of Retirement Image: yhelpman/shutterstock.com

Mission and Goals: yhelpman/shutterstock.com

Introductory: Mathisa/shutterstock.com

Financial: Skylines/shutterstock.com

Investment: SSS_Studio/shutterstock.com

Actuarial: Delpixel/shutterstock.com

Statistical: RaiDztor/shutterstock.com

Compliance: Otello-stpdc/shutterstock.com




100 MARINE PARKWAY, SUITE 125
REDWOOD CITY, CA 94065
WWW.SAMCERA.ORG

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

Agenda Item 7.3

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Approval of SACRS Voting Delegate for the SACRS Fall 2022 Business Meeting and Direction to Voting Delegate

Recommendation

Staff recommends the Board designate Scott Hood, CEO as the Voting Delegate to cast SamCERA's votes at the SACRS Fall 2022 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 form attendees who plan to attend the Friday morning business meeting. Delegates can be either trustees or staff.

The business meeting will occur on the last morning of the conference, at 10:00 a.m., Friday, November 11, 2022.

The SACRS business meeting packet is attached.

Attachment

Fall 2022 SACRS Business Meeting Packet



SACRS Business Meeting Agenda
Friday, November 11, 2022
10:15 AM – 11:30 AM
Hyatt Regency Long Beach
Regency ABC Ballroom

SACRS Parliamentarian – David Lantzer, San Bernardino CERA
Sergeant at Arms – Brian Williams, Sonoma CERA

1. SACRS System Roll Call

Adele Tagaloa, Orange CERS, SACRS Secretary

2. Secretary's Report - Receive and File

Adele Tagaloa, Orange CERS, SACRS Secretary

- A. Spring 2022 SACRS Business Meeting Minutes

3. Treasurer's Report - Receive and File

Jordan Kaufman, Kern CERA, SACRS Treasurer

- A. July – August 2022 Financials
- B. 2022-2023 Annual Budget

4. SACRS President Report - No Action

Vivian Gray, Los Angeles CERA, SACRS President

- A. SACRS President Update

5. SACRS Legislative Committee Update – No Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2022 Legislative Report – No Action

6. SACRS Nomination Committee – 2023-2024 SACRS Election Notice – No Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

- A. SACRS Election Notice 2023-2024

7. SACRS Audit Report – No Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. Audit Committee report/verbal update



8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

- A. SACRS Annual Fall Conference 2022 Evaluations/verbal update

9. SACRS Program Committee Report – No Action

David MacDonald, Contra Costa CERA, SACRS Program Committee Chair

- A. Program Committee report/verbal update

10. SACRS Affiliate Committee Report – No Action

Wally Fikri, William Blair, SACRS Affiliate Committee Chair

- A. Affiliate Committee report/verbal update

11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

- A. Bylaws Committee report/verbal update

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 12, 2023 at the Paradise Point Resort & Spa, San Diego, CA.



1. SACRS System Roll Call

Adele Tagaloa, Orange CERS, SACRS Secretary



1. SACRS System Roll Call
Adele Tagaloa, SACRS Secretary

| System | In Attendance | Absent | Delegate/Alternate Name |
|----------------|----------------------|---------------|--------------------------------|
| 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 | | | |
| Total | | | |



2. Secretary's Report - Receive and File

Adele Tagaloa, Orange CERS, SACRS Secretary

- A. Spring 2022 SACRS Business Meeting Minutes



SACRS Business Meeting Minutes
Friday, May 13, 2022
Omni Rancho Las Palmas Resort & Spa
Rancho Mirage, CA
Salon's A-E

SACRS Parliamentarian – David Lantzer, San Bernardino CERA
Sergeant at Arms – Brian Williams, Sonoma CERA

Meeting called to order at 10:05 AM

SACRS Board of Directors in Attendance:

Vivian Gray, President; Harry Hagen, Treasurer; David MacDonald, Board Member; Dan McAllister, Immediate Past President, Vere Williams, Board Member

1. SACRS System Roll Call

Vacant, SACRS Secretary

19 SACRS Member Systems Present

Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

Absent – Mendocino

2. Secretary's Report - Receive and File

Vacant, SACRS Secretary

a) November 2021 SACRS Business Meeting Minutes

Motion: A motion to approve the November 2021 SACRS Business Meeting Minutes as presented was made by San Diego CERA.

2nd: Sonoma CERA

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

No: 0

Absent: Mendocino

Motion Passes 19-0-1

3. Treasurer's Report - Receive and File

Harry Hagen, Santa Barbara CERS, SACRS Treasurer

a) July 2021 – February 2022 Financials

Motion: A motion to approve the Treasurers July 2021-February 2022 Financial report was made by San Diego CERA.



2nd: Imperial

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

No: 0

Absent: Mendocino

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 update was given by Vivian Gray. She discussed the conference, thanked the Program Committee Chair and the members of the committee. She thanked SACRS Conference staff, AV team and the hotel. She noted a special thanks to the Safety members that helped assist during the Tuesday reception emergency situation. Particularly Brian Williams, Sonoma CERA and Chris Cooper, Marin CERA for their quick action and safety measures taken to help a member.

5. SACRS Legislative Committee Update – No Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

a) 2022 Legislative Report – No Action

b) SACRS Board of Directors Legislative Proposal – No Action

Discussion: A written report was provided in the packet and reviewed by Eric Stern. No Action

6. SACRS Nomination Committee - 2022-2023 SACRS Board of Directors Elections- Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

a) SACRS Board of Directors Elections 2022-2023

Motion: A motion to approve the recommended slate submitted by the Nomination Committee was made by Contra Costa CERA. The recommended slate is;

- Vivian Gray, Los Angeles CERA, President
- David MacDonald, Contra Costa CERA, Vice President
- Adele Tagaloe, Orange CERS, Secretary
- Jordan Kaufman, Kern CERA, Treasurer
- Vere Williams, San Bernardino CERA, General Member
- David Gilmore, San Diego CERA, General Member

2nd: San Diego

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura



No: 0

Absent: Mendocino

Motion Passes 19-0-1

7. SACRS Audit Report – Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

a) SACRS 2020-2021 Annual Audit

Motion: Orange CERS made a motion to approve the 2020-2021 SACRS Financial Audit presented by Steve Delaney, Audit Chair.

2nd: Fresno

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

No:0

Absent: Mendocino

Motion Passes 19-0-1

8. SACRS Education Committee Report – No Action

JJ Popowich, Los Angeles CERA, SACRS Education Committee Chair

a) SACRS Annual Spring 2022 Conference Evaluations/Feedback

Discussion: JJ Popowich presented a verbal report on the Spring Conference based on feedback from the Education Committee meeting held on Thursday afternoon at the conference. The Education committee and other attendees reviewed all sessions from Tuesday – Thursday, rated them, gave general input on the presentations/topics/speakers/content and the hotel. The committee felt that the conference was a success and that SACRS presented great content. A written report will be provided once the evaluation deadline expires July 1. No Action.

9. SACRS Program Committee Report – No Action

Kathryn Cavness, Mendocino CERA, SACRS Program Committee Chair

a) SACRS Annual Spring 2022 Conference Report

Discussion: Vivian Gray gave a verbal report on behalf of Kathryn Cavness, she thanks the committee members for their efforts and commitment to the program. She reminded attendees that SACRS has a speaker solicitation link on the SACRS website and welcomes ideas/suggestions for future programs. No Action.

10. SACRS Affiliate Committee Report – No Action

Wally Fikri, William Blair, SACRS Affiliate Committee Chair

a) Affiliate Committee Update

Discussion: Scott Draper gave a verbal report on behalf of Wally Fikri, he thanked



the committee members for developing a great Affiliate Breakout. The breakout was well attended and all 4 rooms were packed with attendees. The content was great and the format worked so that attendees could hear from all four participating firms. Great participation by the affiliate attendees. No Action.

11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

a) Bylaws Committee Update

Discussion: Barbara Hannah gave a verbal report discussing the upcoming Bylaws review. This summer the committee is tasked with reviewing the Bylaws and Affiliate Guidelines every three (3) years. The Affiliate Committee will be sending Barbara their recommendations in June. No Action.

12. SACRS Spring Conference Breakout Reports – No Action

A representative from each breakout will give report on their meetings.

- a) Administrators – Santos Kreimann, Los Angeles CERA, gave a verbal overview of the Administrators Breakout, good discussion and presentation. The session was well attended, members discussed “getting back in the office” in post-covid work atmosphere. Brian McKelvey, San Joaquin CERA will be the Fall 2022 Moderator.
- b) Counsel – No report
- c) Disability/ Operations & Benefits Combo – Carlos Barrios, Los Angeles CERA, gave a verbal overview of the Disability and Ops Session. It was a good session, many take-aways from the roundtable discussion. Carlos Barrios, Los Angeles CERA will be the Fall 2022 Moderator.
- d) Internal Auditors – No report
- e) Investment Officers – No report
- f) Safety Trustees – Brian Williams, Sonoma CERA, gave a verbal update on the member that was injured during the Tuesday reception. Brian recommended that SACRS BOD invest in an emergency bag for conferences. Brian and other safety members will work with Sulema Peterson on a recommendation and pricing. The hotel was very helpful during the response to the injured attendee, and he thanked Chris Cooper, Marin CERA, for his quick response to the situation. Brian Williams, Sonoma CERA will be the Fall 2022 Moderator.
- g) General Trustees – Vivian Gray, Los Angeles CERA, gave a verbal overview of the Trustee breakout, thanked Kathy Foster, Alameda CERA, for her volunteerism over the years at SACRS. Kathy was a presenter and this was her last SACRS as she is retiring. Everyone wished Kathy well and thanked her. No moderator for the Fall 2022 was selected.



13. Adjournment

Next scheduled SACRS Association Business Meeting will be held Friday, November 11, 2022 at the Hyatt Regency Long Beach, Long Beach, CA unless Covid-19 restrictions are in place.

Motion: A motion to adjourn the SACRS Annual Spring Business Meeting 2022 was submitted by San Diego CERA at 10:42 am.

2nd: Sonoma

Yes: Alameda, Contra Costa, Fresno, Imperial, Kern, Los Angeles, Marin, Merced, Orange, Sacramento, San Bernardino, San Diego, San Joaquin, San Mateo, Santa Barbara, Sonoma, Stanislaus, Tulare and Ventura

No: 0

Absent: Mendocino

Motion Passes 19-0-1

Meeting Adjourned 10:42 am.



3. Treasurer's Report - Receive and File

Jordan Kaufman, Kern CERA, SACRS Treasurer

- A. July – August 2022 Financials
- B. 2022-2023 Annual Budget

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Balance Sheet

As of August 31, 2022

Aug 31, 22

ASSETS

Current Assets

Checking/Savings

1000 · First Foundation Bank-Checking 213,418.74

1001 · BofA Interest Checking 4389 46,670.04

1002 · First Foundation Bank ICS Acct 57,586.34

Total Checking/Savings 317,675.12

Other Current Assets

1100 · CalTrust - Medium Term 693,320.96

1107 · CalTrust Liquidity Fund 8,269.03

1110 · CAMP-SACRS Liquidity Fund 795,833.34

Total Other Current Assets 1,497,423.33

Total Current Assets 1,815,098.45

TOTAL ASSETS 1,815,098.45

LIABILITIES & EQUITY

Liabilities

Current Liabilities

Credit Cards

2200 · First Foundation Credit Card 2,236.25

Total Credit Cards 2,236.25

Other Current Liabilities

2150 · Refund Liability 10.00

Total Other Current Liabilities 10.00

Total Current Liabilities 2,246.25

Total Liabilities 2,246.25

Equity

32000 · Retained Earnings 1,904,635.13

Net Income -91,782.93

Total Equity 1,812,852.20

TOTAL LIABILITIES & EQUITY 1,815,098.45

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss

July through August 2022

Jul - Aug 22

Ordinary Income/Expense

Income

4100 - Membership Dues

| | |
|-----------------------------------|------------|
| 4101 - Affiliates | 191,250.00 |
| 4102 - Non Profit - Organizations | 2,000.00 |
| 4103 - Non Profit - Systems | 6,000.00 |
| 4104 - Systems - Medium | 52,000.00 |
| 4105 - Systems - Large | 36,000.00 |

Total 4100 - Membership Dues 287,250.00

4270 - UC Berkeley Program

| | |
|----------------------|----------|
| 4271 - Registrations | 5,000.00 |
| 4272 - Sponsorships | 7,500.00 |

Total 4270 - UC Berkeley Program 12,500.00

4350 - Spring Conference Registration

| | |
|----------------|--------|
| 4355 - Systems | 240.00 |
| 4357 - Fun Run | 15.00 |
| 4358 - Yoga | 15.00 |

Total 4350 - Spring Conference Registration 270.00

4900 - Interest Earned 895.05

Total Income 300,915.05

Gross Profit 300,915.05

Expense

| | |
|--------------------------------------|-----------|
| 5000 - Administrative Fee | 56,250.00 |
| 5001 - Administrative Services | 1,388.00 |
| 5002 - Awards | 31.02 |
| 5003 - Bank Charges/Credit Card Fees | 5,377.57 |
| 5010 - Berkeley & Symposium | |
| 5014 - Food & Beverage | 608.03 |
| 5015 - Materials/Printing/Design | 951.06 |
| 5016 - Travel | 166.47 |

Total 5010 - Berkeley & Symposium 1,725.56

5041 - Consulting 3,532.00

5050 - Fall Conference

5055 - Program Material 4.99

Total 5050 - Fall Conference 4.99

5071 - Legal & Professional Fees 1,200.00

5072 - Legislative Advocacy 10,468.00

6000 - Board & Committees

6001 - Board of Directors

| | |
|-------------------------------------|----------|
| 6001.1 - Food & Beverage | 8,000.00 |
| 6001.2 - Printing/Supplies | 2,250.04 |
| 6001.3 - Travel - BOD Meetings | 89.27 |
| 6001.5 - Board Of Directors - Other | 4,500.00 |
| 6001 - Board of Directors - Other | 820.36 |

Total 6001 - Board of Directors 15,659.67

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Profit & Loss

July through August 2022

| | <u>Jul - Aug 22</u> |
|---------------------------------|--------------------------|
| Total 6000 · Board & Committees | 15,659.67 |
| 6011 · Postage & Delivery | 1,217.93 |
| 6020 · Spring Conference | |
| 6023 · Entertainment | 476.49 |
| 6024 · Hotel | |
| 6024.1 · Wednesday Night Event | 103,426.52 |
| 6024.2 · Conference | 2,094.84 |
| 6024.3 · Food & Beverage | 161,992.19 |
| 6024 · Hotel - Other | <u>4,483.22</u> |
| Total 6024 · Hotel | 271,996.77 |
| 6025 · Program Material | 156.40 |
| 6026 · Speakers | 4,320.80 |
| 6028 · Travel | <u>13,585.71</u> |
| Total 6020 · Spring Conference | 290,536.17 |
| 6053 · Technology/AMS/Website | <u>5,307.07</u> |
| Total Expense | <u>392,697.98</u> |
| Net Ordinary Income | <u>-91,782.93</u> |
| Net Income | <u><u>-91,782.93</u></u> |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget vs. Actual
July through August 2022

| | Jul - Aug 22 | Budget | \$ Over Budget | % of Budget |
|--|-------------------|---------------------|----------------------|----------------|
| Ordinary Income/Expense | | | | |
| Income | | | | |
| 4100 · Membership Dues | | | | |
| 4101 · Affiliates | 191,250.00 | 268,750.00 | -77,500.00 | 71.16% |
| 4102 · Non Profit - Organizations | 2,000.00 | 2,750.00 | -750.00 | 72.73% |
| 4103 · Non Profit - Systems | 6,000.00 | 6,000.00 | 0.00 | 100.0% |
| 4104 · Systems - Medium | 52,000.00 | 52,000.00 | 0.00 | 100.0% |
| 4105 · Systems - Large | 36,000.00 | 42,000.00 | -6,000.00 | 85.71% |
| Total 4100 · Membership Dues | 287,250.00 | 371,500.00 | -84,250.00 | 77.32% |
| 4250 · Product Income | | | | |
| 4251 · CERL | 0.00 | 0.00 | 0.00 | 0.0% |
| Total 4250 · Product Income | 0.00 | 0.00 | 0.00 | 0.0% |
| 4270 · UC Berkeley Program | | | | |
| 4271 · Registrations | 5,000.00 | 60,000.00 | -55,000.00 | 8.33% |
| 4272 · Sponsorships | 7,500.00 | 40,000.00 | -32,500.00 | 18.75% |
| Total 4270 · UC Berkeley Program | 12,500.00 | 100,000.00 | -87,500.00 | 12.5% |
| 4300 · Fall Conference Registration | | | | |
| 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% |
| Total 4300 · Fall Conference Registration | 0.00 | 492,210.00 | -492,210.00 | 0.0% |
| 4350 · Spring Conference Registration | | | | |
| 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 | 240.00 | 20,000.00 | -19,760.00 | 1.2% |
| 4356 · Non-Members | 0.00 | 200,250.00 | -200,250.00 | 0.0% |
| 4357 · Fun Run | 15.00 | 500.00 | -485.00 | 3.0% |
| 4358 · Yoga | 15.00 | 100.00 | -85.00 | 15.0% |
| Total 4350 · Spring Conference Registration | 270.00 | 492,210.00 | -491,940.00 | 0.06% |
| 4900 · Interest Earned | 895.05 | -953.55 | 1,848.60 | -93.87% |
| Total Income | 300,915.05 | 1,454,966.45 | -1,154,051.40 | 20.68% |
| Gross Profit | 300,915.05 | 1,454,966.45 | -1,154,051.40 | 20.68% |
| Expense | | | | |
| 5000 · Administrative Fee | 56,250.00 | 225,000.00 | -168,750.00 | 25.0% |
| 5001 · Administrative Services | 1,388.00 | 500.00 | 888.00 | 277.6% |
| 5002 · Awards | 31.02 | 500.00 | -468.98 | 6.2% |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget vs. Actual
 July through August 2022

| | Jul - Aug 22 | Budget | \$ Over Budget | % of Budget |
|--|-----------------|-------------------|--------------------|--------------|
| 5003 · Bank Charges/Credit Card Fees | 5,377.57 | 36,000.00 | -30,622.43 | 14.94% |
| 5010 · Berkeley & Symposium | | | | |
| 5011 · Audio/Visual | 0.00 | 2,200.00 | -2,200.00 | 0.0% |
| 5012 · Delivery & Shipping | 0.00 | 0.00 | 0.00 | 0.0% |
| 5013 · Hotel | 0.00 | 12,500.00 | -12,500.00 | 0.0% |
| 5014 · Food & Beverage | 608.03 | 12,500.00 | -11,891.97 | 4.86% |
| 5015 · Materials/Printing/Design | 951.06 | 3,000.00 | -2,048.94 | 31.7% |
| 5016 · Travel | 166.47 | 2,500.00 | -2,333.53 | 6.66% |
| 5017 · UC Berkeley | 0.00 | 216,000.00 | -216,000.00 | 0.0% |
| Total 5010 · Berkeley & Symposium | 1,725.56 | 248,700.00 | -246,974.44 | 0.69% |
| 5020 · Webinar Symposium | | | | |
| 5021 · Webinar Speaker | 0.00 | 0.00 | 0.00 | 0.0% |
| 5022 · Webinar Technology | 0.00 | 25,000.00 | -25,000.00 | 0.0% |
| 5023 · Webinar Misc | 0.00 | 0.00 | 0.00 | 0.0% |
| Total 5020 · Webinar Symposium | 0.00 | 25,000.00 | -25,000.00 | 0.0% |
| 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% |
| Total 5030 · CERL | 0.00 | 17,800.00 | -17,800.00 | 0.0% |
| 5040 · Commissions & Fees | 0.00 | 20,000.00 | -20,000.00 | 0.0% |
| 5041 · Consulting | 3,532.00 | 21,192.00 | -17,660.00 | 16.67% |
| 5042 · Dues & Subscriptions | 0.00 | 3,700.00 | -3,700.00 | 0.0% |
| 5050 · Fall Conference | | | | |
| 5051 · Audio/Visual | 0.00 | 90,000.00 | -90,000.00 | 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% |
| Total 5054 · Hotel | 0.00 | 330,000.00 | -330,000.00 | 0.0% |
| 5055 · Program Material | 4.99 | 25,000.00 | -24,995.01 | 0.02% |
| 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% |
| 5050 · Fall Conference - Other | 0.00 | 0.00 | 0.00 | 0.0% |
| Total 5050 · Fall Conference | 4.99 | 519,500.00 | -519,495.01 | 0.0% |
| 5070 · Insurance | 0.00 | 5,000.00 | -5,000.00 | 0.0% |
| 5071 · Legal & Professional Fees | 1,200.00 | 35,000.00 | -33,800.00 | 3.43% |
| 5072 · Legislative Advocacy | 10,468.00 | 62,808.00 | -52,340.00 | 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 | 6,000.00 | -6,000.00 | 0.0% |

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS
Profit & Loss Budget vs. Actual
July through August 2022

| | Jul - Aug 22 | Budget | \$ Over Budget | % of Budget |
|---------------------------------------|-------------------|--------------------|-------------------|---------------|
| Total 5080 - Magazine | 0.00 | 26,600.00 | -26,600.00 | 0.0% |
| 6000 - Board & Committees | | | | |
| 6001 - Board of Directors | | | | |
| 6001.1 - Food & Beverage | 8,000.00 | 25,000.00 | -17,000.00 | 32.0% |
| 6001.2 - Printing/Supplies | 2,250.04 | 4,000.00 | -1,749.96 | 56.25% |
| 6001.3 - Travel - BOD Meetings | 89.27 | 11,000.00 | -10,910.73 | 0.81% |
| 6001.4 - Travel - Miscellaneous BOD | 0.00 | 8,000.00 | -8,000.00 | 0.0% |
| 6001.5 - Board Of Directors - Other | 4,500.00 | 3,000.00 | 1,500.00 | 150.0% |
| 6001 - Board of Directors - Other | 820.36 | | | |
| Total 6001 - Board of Directors | 15,659.67 | 51,000.00 | -35,340.33 | 30.71% |
| 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% |
| Total 6000 - Board & Committees | 15,659.67 | 53,750.00 | -38,090.33 | 29.13% |
| 6010 - Office Expenses / Supplies | 0.00 | 2,500.00 | -2,500.00 | 0.0% |
| 6011 - Postage & Delivery | 1,217.93 | 6,000.00 | -4,782.07 | 20.3% |
| 6020 - Spring Conference | | | | |
| 6021 - Audio/Visual | 0.00 | 90,000.00 | -90,000.00 | 0.0% |
| 6022 - Delivery & Shipping | 0.00 | 2,500.00 | -2,500.00 | 0.0% |
| 6023 - Entertainment | 476.49 | 6,500.00 | -6,023.51 | 7.33% |
| 6024 - Hotel | | | | |
| 6024.1 - Wednesday Night Event | 103,426.52 | 65,000.00 | 38,426.52 | 159.12% |
| 6024.2 - Conference | 2,094.84 | 0.00 | 2,094.84 | 100.0% |
| 6024.3 - Food & Beverage | 161,992.19 | | | |
| 6024.4 - Hotel - Other | 0.00 | 25,000.00 | -25,000.00 | 0.0% |
| 6024 - Hotel - Other | 4,483.22 | | | |
| Total 6024 - Hotel | 271,996.77 | 90,000.00 | 181,996.77 | 302.22% |
| 6025 - Program Material | 156.40 | 25,000.00 | -24,843.60 | 0.63% |
| 6026 - Speakers | 4,320.80 | 50,000.00 | -45,679.20 | 8.64% |
| 6027 - Supplies | 0.00 | 1,000.00 | -1,000.00 | 0.0% |
| 6028 - Travel | 13,585.71 | 15,000.00 | -1,414.29 | 90.57% |
| 6020 - Spring Conference - Other | 0.00 | 0.00 | 0.00 | 0.0% |
| Total 6020 - Spring Conference | 290,536.17 | 280,000.00 | 10,536.17 | 103.76% |
| 6050 - Strategic Facilitator | 0.00 | 15,000.00 | -15,000.00 | 0.0% |
| 6051 - Taxes & Licenses | 0.00 | 600.00 | -600.00 | 0.0% |
| 6053 - Technology/AMS/Website | 5,307.07 | 45,000.00 | -39,692.93 | 11.79% |
| 6054 - Travel | 0.00 | 7,500.00 | -7,500.00 | 0.0% |
| Total Expense | 392,697.98 | 1,657,650.00 | -1,264,952.02 | 23.69% |
| Net Ordinary Income | -91,782.93 | -202,683.55 | 110,900.62 | 45.28% |
| | -91,782.93 | -202,683.55 | 110,900.62 | 45.28% |

STATE ASSOCIATION OF COUNTY RETIREMENT
SYSTEMS

Annual Budget

July '22 - June '23

Jul '22 - Jun 23
Annual 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 | 0.00 |
| 4202 · Affiliates - Regular | 0.00 |
| 4203 · Affiliates - Late | 0.00 |
| 4204 · Non Profit | 0.00 |
| 4205 · Systems | 0.00 |
| 4206 · Non-Members | 0.00 |

Total 4200 · Webinar Symposium Registration

4250 · Product Income 0.00

| | |
|------------------------------|------|
| 4251 · CERL | |
| 4252 · Roster | 0.00 |
| 4253 · Website Advertising | 0.00 |
| 4254 · Website Job Board | 0.00 |
| 4255 · Magazine Advertising | 0.00 |
| 4256 · Conference Recordings | 0.00 |
| 4257 · Trustee Handbooks | 0.00 |
| 4269 · Product Shipping | 0.00 |

Total 4250 · Product Income 0.00

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

STATE ASSOCIATION OF COUNTY RETIREMENT SYSTEMS

Annual Budget July '22 - June '23

| | Jul '22 - Jun 23 Annual Budget |
|--|-----------------------------------|
| 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 |
| 4356 · Non-Members | 200,250.00 |
| 4357 · Fun Run | 500.00 |
| 4358 · Yoga | 100.00 |
| 4350 · Spring Conference Registration - Other | 0.00 |
| Total 4350 · Spring Conference Registration | 492,210.00 |
| 4900 · Interest Earned | -953.55 |
| Total Income | 1,454,966.45 |
| Gross Profit | 1,454,966.45 |
| Expense | |
| 5000 · Administrative Fee | 225,000.00 |
| 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 |
| 5012 Delivery & Shipping | 0.00 |
| 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 | |
| 5021 · Webinar Speaker | 0.00 |
| 5022 · Webinar Technology | 25,000.00 |
| 5023- Webinar Misc | 0.00 |
| 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 | 21,192.00 |
| 5042 · Dues & Subscriptions | 3,700.00 |
| 5050 · Fall Conference | |
| 5051 · Audio/Visual | 90,000.00 |
| 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 |

**STATE ASSOCIATION OF COUNTY RETIREMENT
 SYSTEMS**

**Annual Budget
 July '22 - June '23**

Jul '22 - Jun 23
 Annual Budget

| | |
|---------------------------------------|------------|
| 5054.3 · Food & Beverage | 250,000.00 |
| 5054 · Hotel - Other | |
| 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 |
| 5050 · Fall Conference - Other | 0.00 |
| Total 5050 · Fall Conference | 519,500.00 |
| 5070 · Insurance | 5,000.00 |
| 5071 · Legal & Professional Fees | 35,000.00 |
| 5072 · Legislative Advocacy | 62,808.00 |
| 5080 · Magazine | |
| 5081 · Delivery & Shipping | 600.00 |
| 5082 · Design/Printing/Etc. | 20,000.00 |
| 5083 · Magazine - Other | 6,000.00 |
| Total 5080 · Magazine | 26,600.00 |
| 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 | 8,000.00 |
| 6001.5 · Board Of Directors - Other | 3,000.00 |
| Total 6001 · Board of Directors | 51,000.00 |
| 6002 · Legislative Committee Meetings | 250.00 |
| 6003 · Program Committee Meetings | 2,500.00 |
| 6004 · Nominating Committee Meetings | |
| 6005 · Audit Committee Meetings | |
| 6006 · Education Committee Meetings | |
| 6007 · ByLaws Committee Meetings | |
| 6008 · Board & Committees - Other | |
| 6000 · Board & Committees - Other | 0.00 |
| Total 6000 · Board & Committees | 53,750.00 |
| 6010 · Office Expenses / Supplies | 2,500.00 |
| 6011 · Postage & Delivery | 6,000.00 |
| 6020 · Spring Conference | |
| 6021 · Audio/Visual | 90,000.00 |
| 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 |
| 6024.3 · Food & Beverage | 0.00 |
| 6024.4 · Hotel - Other | 25,000.00 |
| Total 6024 · Hotel | 90,000.00 |

STATE ASSOCIATION OF COUNTY RETIREMENT
SYSTEMS

Annual Budget
July '22 - June '23

| | Jul '22 - Jun 23 Annual Budget |
|--------------------------------------|-----------------------------------|
| 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 | 280,000.00 |
| 6050 · Strategic Facilitator | 15,000.00 |
| 6051 · Taxes & Licenses | 600.00 |
| 6053 · Technology/AMS/Website | 45,000.00 |
| 6054 · Travel | 7,500.00 |
| 66900 · Reconciliation Discrepancies | 0.00 |
| Total Expense | 1,657,650.00 |
| Net Ordinary Income | -202,683.55 |
| Net Income | -202,683.55 |



4. SACRS President Report - No Action

Vivian Gray, Los Angeles CERA, SACRS President

A. SACRS President Update



5. SACRS Legislative Committee Update – No Action

Eric Stern, Sacramento CERS and Dave Nelsen, Alameda CERA – SACRS Legislative Committee Co-Chairs

- A. 2022 Legislative Report – No Action



October 6, 2022

TO: State Association of County Retirement Systems
FROM: Edelstein Gilbert Robson & Smith, LLC
RE: **Legislative Update – October 2022**

General Update

The Legislature adjourned for final recess on August 31. Since then, the Governor has been working his way through all the bills sent to his desk in the final weeks of session.

The deadline for the Governor to sign or veto bills was September 30. This year, he signed just under 1,000 bills and vetoed 169 of them (about 14.5 percent of bills sent to his desk). This is a higher veto rate than the last two years, and it is worth noting that many of the bills he vetoed were done so based on cost concerns. Recognizing that the economy is slowing, the Governor vetoed many bills to avoid the long-term financial obligations that recurring expenditures bring to the state budget.

Aside from an organizational day of session in early December, legislators will remain in their districts for the rest of the year, focusing on the upcoming election and other district activities.

SACRS Sponsored Bills

Both SACRS sponsored bills passed out of the Legislature and were signed by the Governor. These include **AB 1824 (Committee on Public Employment and Retirement)** – Committee Cleanup Bill and **AB 1971 (Cooper)** – CERL Policy Bill.

Other Bills of Interest

AB 2493 (Chen) – Disallowed Compensation. As initially amended, this bill would have allowed OCERS to adjust retirement payments based on disallowed compensation for peace officers and firefighters under certain circumstances. The bill was later amended to apply to all CERL systems.

While SACRS did not take a position, we are aware that some systems submitted their own letters and shared concerns with the Legislature.

As noted in our last update, the bill was not brought up for a final vote and is dead for the year.

AB 2449 (Rubio) – Public Meetings. This bill would allow a local agency to use teleconferencing for a public meeting if at least a quorum of members of the legislative body participate in person from a single location that is identified on the agenda and is open to the public within the local agency’s jurisdiction, among other requirements. The last amendments to the bill added more guardrails for when a board member can participate remotely and added a sunset date, among other changes.

The Governor signed this bill on September 13.

AB 826 (Irwin) – Compensation Earnable. As reported in previous updates, AB 826 was gutted and amended in June of 2021 with the CERL provisions relating to compensation earnable.

AB 826 was amended and pulled off the Inactive File on August 3. It passed out of the Legislature but was vetoed by the Governor on September 29. In his veto message, the Governor said he is sympathetic to the issue, but the bill would incentivize PEPRAs noncompliance and “attempt to circumvent recent court decisions, undermine the intent of the PEPRAs, and expose the local governments to increased costs and litigation.”



6. SACRS Nomination Committee – 2023-2024 SACRS Election Notice – No Action

Dan McAllister, San Diego CERA, SACRS Nomination Committee Chair

- A. SACRS Election Notice 2023-2024



October 1, 2022

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 2023-2024 - Elections Notice

SACRS BOD 2023-2024 election process will begin January 1, 2023. Please provide this election notice to your Board of Trustees and Voting Delegates.

| DEADLINE | DESCRIPTION |
|----------------|---|
| March 1, 2023 | 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, 2023 | The Nominating Committee will report a final ballot to each regular member County Retirement System prior to March 25 |
| May 13, 2023 | Nomination Committee to conduct elections during the SACRS Business Meeting at the Spring Conference |
| May 15, 2023 | 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 9-12, 2023. Elections will be held during the Annual Business meeting on Friday, May 12, 2023 in San Diego at Paradise Point Hotel and Resort.

If you have any questions, please contact Dan McAllister, 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 2023-2024**

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, 2023.** Please submit to the Nominating Committee Chair at Dan.McAllister@sdcounty.ca.gov AND to SACRS at sulema@sacrs.org. If you have any questions, please feel free to contact Sulema Peterson at SACRS at (916) 701-5158.

| | |
|---|--|
| Name of Candidate | Name: |
| Candidate Contact Information (Please include – Phone Number, Email Address and Mailing Address) | Mailing Address: Email Address: Phone: |
| Name of Retirement System Candidate Currently Serves On | System Name: |
| List Your Current Position on Retirement Board (Chair, Alternate, Retiree, General Elected, Etc) | <input type="radio"/> Chair <input type="radio"/> Alternate <input type="radio"/> General Elected <input type="radio"/> Retiree <input type="radio"/> Other _____ |
| Applying for SACRS Board of Directors Position (select only one) | <input type="radio"/> President <input type="radio"/> Vice President <input type="radio"/> Treasurer <input type="radio"/> Secretary <input type="radio"/> Regular Member |
| Brief Bio in Paragraph Format | |



7. SACRS Audit Report – No Action

Steve Delaney, Orange CERS, SACRS Audit Committee Chair

- A. Audit Committee report/verbal 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 2022 Evaluations/verbal update



No printed materials for this item



9. SACRS Program Committee Report – No Action

David MacDonald, Contra Costa CERA, SACRS Program Committee Chair

- A. Program Committee report/verbal update



No printed materials for this item



10. SACRS Affiliate Committee Report – No Action

Wally Fikri, William Blair, SACRS Affiliate Committee Chair

- A. Affiliate Committee report/verbal update



No printed materials for this item



11. SACRS Bylaws Committee Report – No Action

Barbara Hannah, San Bernardino CERA, SACRS Bylaws Committee Chair

- A. Bylaws Committee report/verbal update



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



13. Adjournment


Next scheduled SACRS Association Business Meeting will be held Friday, May 12, 2023 at the Paradise Point Resort & Spa, San Diego, CA.

SAN MATEO COUNTY EMPLOYEES' RETIREMENT ASSOCIATION
Board of Retirement

November 1, 2022

Agenda Item 7.4

TO: Board of Retirement

FROM: Scott Hood, Chief Executive Officer 

SUBJECT: Presentation on the Strategic Plan Update Process

Recommendation

Receive a Presentation on the Process and Timeline to Update the Board's Strategic Plan.

Background

The Board's first Strategic Plan was completed in 2018 and provided Strategic Direction for the Board and staff for the next five years. As we approach the end of that initial timeframe, it is appropriate to review and modify strategic direction, as necessary, to guide the Board and staff through the next five-year timeframe (2023-2028). For reference, the 2018-2023 Strategic Plan is attached.

While researching vendors in this market, staff found that the vendors' recommendations ranged from starting from scratch, which includes a full-blown SWOT analysis to staff managing the update independently. Staff found a vendor that offered a balance approach where a validation and update process could be undertaken to shorten the process, as per the Board's direction. Using a third-party to lead the update process will help ensure unbiased ideas can be considered in the updating of the Strategic Plan.

SamCERA has retained BridgeGroup LLC to lead and facilitate the Board's update of the Strategic Plan. BridgeGroup comes highly recommended and has experience with Strategic Planning for government agencies, including public pension funds.

Discussion

At today's meeting, Mike Letcher, President and CEO of BridgeGroup, will provide a brief presentation on the process and anticipated timeline for the update of the Strategic Plan.

Attachment

SamCERA Strategic Plan

STRATEGIC PLAN 2018-2023



THE BOARD OF RETIREMENT

The Board manages the employees' Retirement Fund which is administered in accordance with the law solely for the benefit of the members and retired members of the system and their eligible survivors and beneficiaries. The Board's responsibilities include: (1) setting and acting upon investment objectives and strategies to fund the benefits; and (2) approving the budget, regulations, policies and strategies for administering the system to ensure the prompt delivery of the benefits.

OUR PLAN

This plan describes the Board's long-term and short-term approach to fulfilling our responsibilities, as trustees of the Fund, for the oversight of the administration of the retirement system. The Board in partnership with the Chief Executive Officer determines SamCERA's long-term guiding vision, mission and goals. The Chief Executive Officer and staff are responsible for their implementation. The focus priorities define the Board's strategic plan over a five year period. The Board may periodically review and update these priorities, as determined appropriate.





OUR MISSION

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

OUR VISION

To be a sustainable public retirement system through consistent prudent investment and efficient administration of benefits.

OUR GOALS

The Board's defined goals have been established to achieve SamCERA's mission.

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.

FOCUS PRIORITIES

Priorities for short-term strategic direction through 2023.

1.

Balance complexity of the investment program with the expected returns and risks inherent from more traditional stocks and bonds.

2.

Prepare for future periods in which contributions into the plan are lower while outflows out of the plan are higher (due to larger number of retirements and longer longevity of retiree life expectancies and lower employer contributions.)

3.

Enhance risk management of the investment program, data security and recovery capabilities and financial accounting.

4.

Ensure successful recruitment and retention of SamCERA staff and obtain optimal lease for office space in current economic environment.

5.

Continue to evolve the Board's governance model.

STRATEGY MAP

The Board has established five priorities for short-term strategic direction through 2023 which support our Mission, Vision and Goals.



MISSION

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

VISION

To be a sustainable public retirement system through consistent prudent investment and efficient administration of benefits.

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.