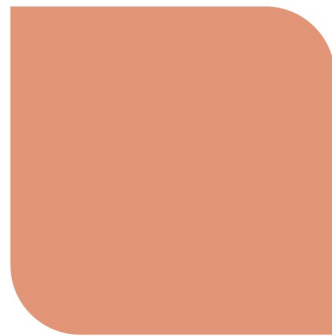


# 2022 POPULAR ANNUAL FINANCIAL REPORT

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



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This Popular Annual Financial Report is a condensed version of the San Mateo County Employees' Retirement Association's (SamCERA) Annual Comprehensive Financial Report (ACFR), which is prepared in accordance with generally accepted accounting principles in the United States of America. The ACFR provides in-depth information about the financial, investment, actuarial, statistical, and compliance aspects of SamCERA and is available online at [www.samcera.org](http://www.samcera.org). For the 19th consecutive year, the Government Finance Officers Association (GFOA) of the United States and Canada presented an award for Outstanding Achievement in Popular Annual Financial Reporting (PAFR) to SamCERA in recognition of its PAFR for the fiscal year ended June 30, 2021.



## ABOUT SAMCERA

SamCERA is a cost-sharing, multiple-employer, defined benefit pension plan established to provide pension benefits for all permanent employees of the County of San Mateo (the County), the Superior Court of the County of San Mateo, and the San Mateo County Mosquito and Vector Control District. As of June 30, 2022, SamCERA had a total of 13,252 active, inactive, and retired members.

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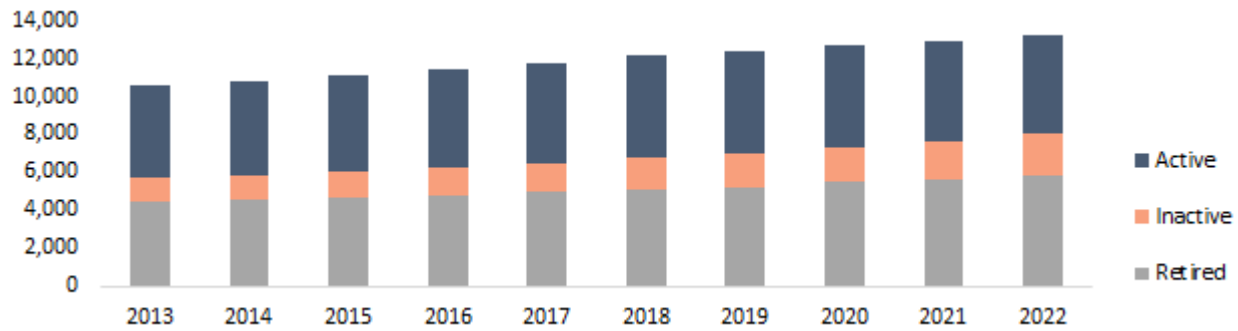
## MISSION & GOALS

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

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



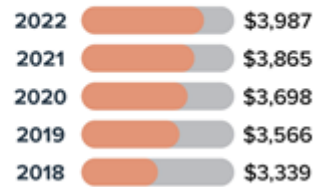
## MEMBERSHIP AS OF JUNE 30, 2022



### NUMBER OF RETIREES



### RETIREE AVERAGE MONTHLY BENEFIT



## PARTICIPATING EMPLOYERS & ACTIVE MEMBERS

	2022	2021	2020	2019	2018
<b>County of San Mateo</b>					
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
<b>San Mateo County Superior Court</b>					
General Members	287	249	256	240	239
<b>San Mateo County Mosquito &amp; Vector Control District</b>					
General Members	22	19	20	20	21
<b>Total Active Membership</b>	<b>5,249</b>	<b>5,356</b>	<b>5,400</b>	<b>5,377</b>	<b>5,367</b>
<b>Percentage of Membership by Employer</b>					
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%
<b>Total Percentage of Membership</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>



Scott Hood, Chief Executive Officer

While change is inevitable, the past year has proven that SamCERA’s fund and services remain secure and stable for our members and their beneficiaries through our ability to transform and evolve, while always prioritizing the best interests of our membership.

We are committed to providing the best experience for our members, and although the pandemic required us to temporarily shift business processes to ensure everyone’s safety, it also provided an opportunity to reassess our business processes and improve existing practices.

Below are a few projects we have 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 the day at their discretion.
- Started upgrading the audio and video technology in our boardroom where the Board of Retirement meetings are held. The upgrade will improve virtual communications among Board members, staff, and other participants (such as consultants and the public). The next phase will allow us to integrate our phone system with our computers.
- 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.
- Continued offering virtual appointments, financial planning classes, and retirement seminars to give more members an opportunity to participate.



In addition, SamCERA’s fund remains in a strong position, and we continue to be a statewide leader in funding assumptions, ranking the 1st most actuarially conservative among California retirement systems in a May 2022 survey from Roeder Financial. Milliman’s actuarial valuation as of June 30, 2022, determined that SamCERA’s 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.

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 liquidity to meet payroll and expenses while optimizing 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.

As the world around us evolves, SamCERA will continue to adapt through each wave of change, ensuring that we remain a stable beacon for our membership.

Scott Hood, Chief Executive Officer

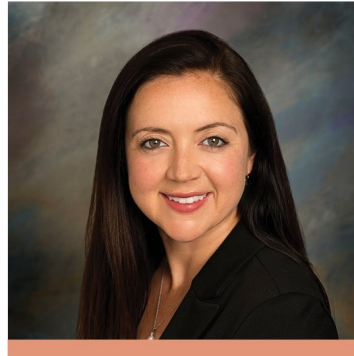
# BOARD OF RETIREMENT

as of June 30, 2022



**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

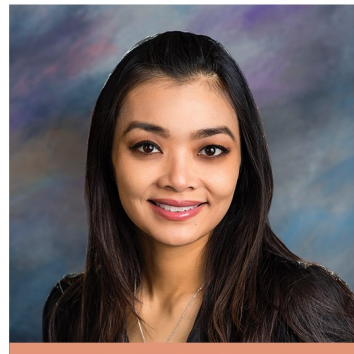
Elected by the  
Retired Members  
**Eighth Member**



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



**Alma Salas**  
Board Member  
Elected by the  
Retired Members  
**Retiree Alternate**

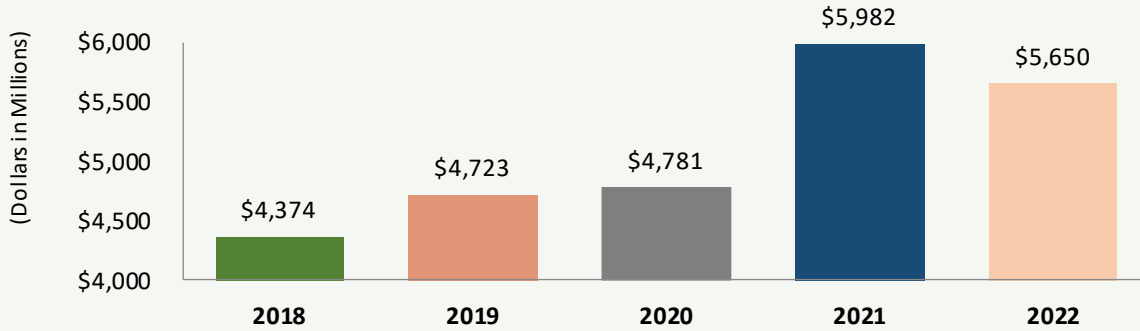


**Susan Lee**  
Board Member  
Elected by the  
Safety Members  
**Safety Alternate**

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.

SamCERA’s net position held in trust for pension benefits (total assets minus total liabilities) as of June 30, 2022, 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.

Fiduciary Net Position  
(as of June 30)

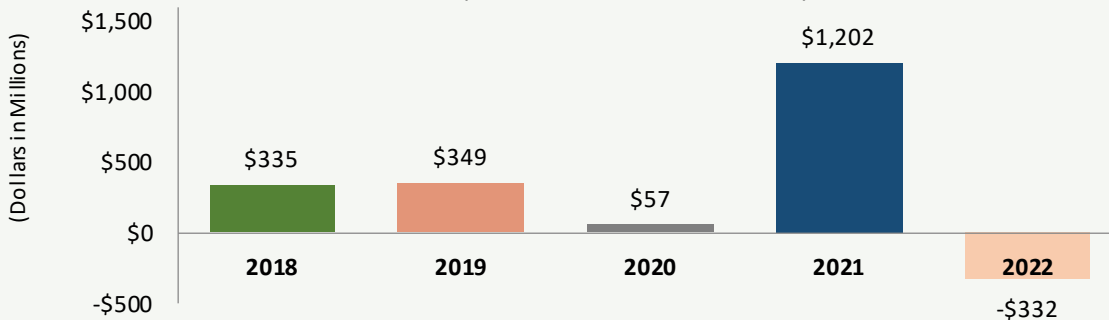


Additions to the retirement fund consist mainly of member contributions, employer contributions, and investment income.

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



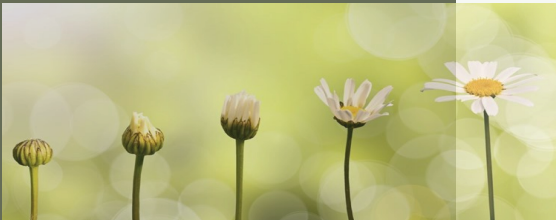
Change in Fiduciary Net Position  
(Fiscal Years Ended June 30)



# Operating Results For the Fiscal Year Ended June 30, 2022

Total additions to the 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.

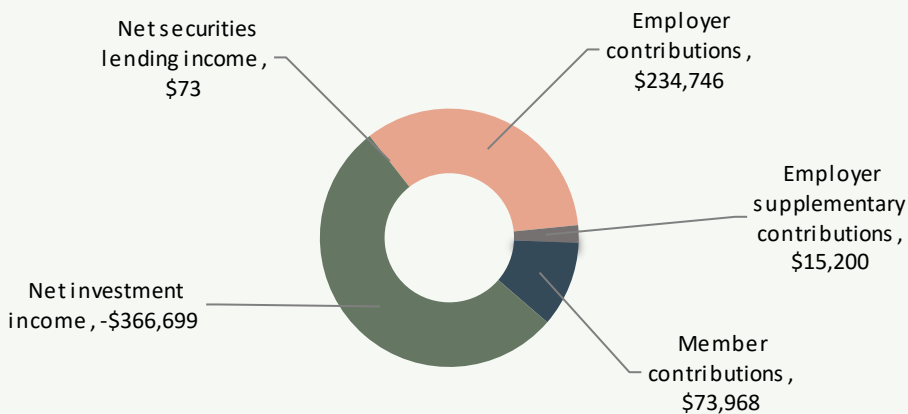


Total deductions from the Fund were \$289.7 million, a moderate increase of \$19.1 million or 7% from the prior fiscal year.

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.

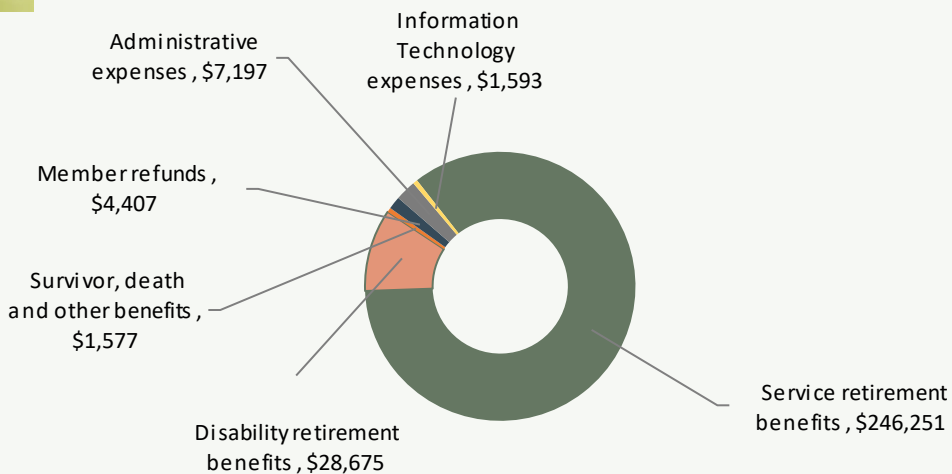
## Additions

(Dollars in Thousands)

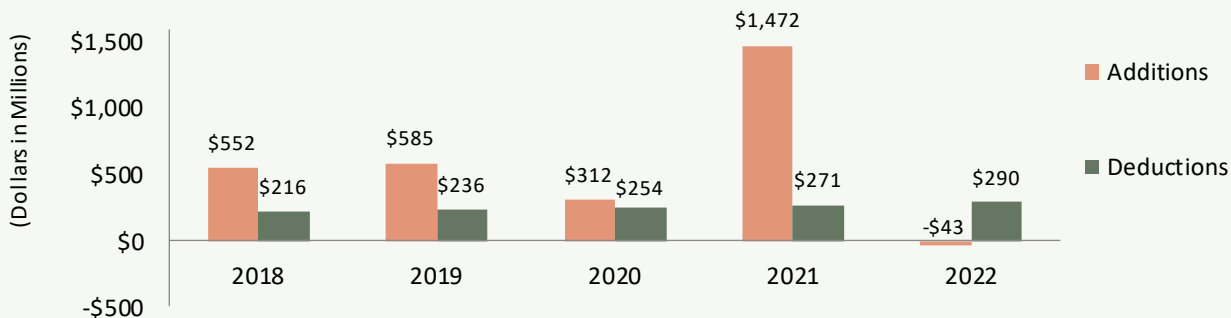


## Deductions

(Dollars in Thousands)



**“Change is inevitable. Change is constant.” - Benjamin Disraeli**





## 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.

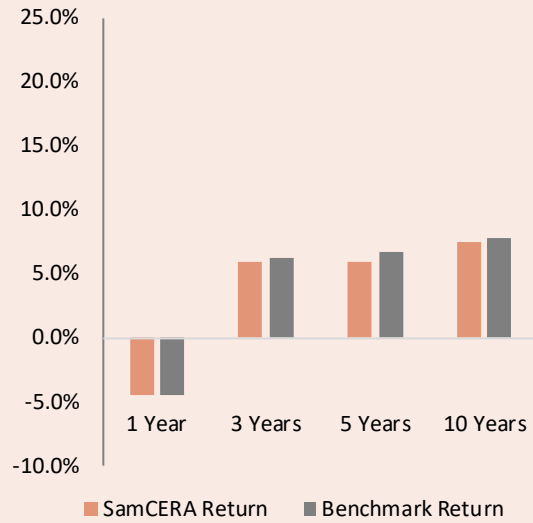


## ASSET ALLOCATION

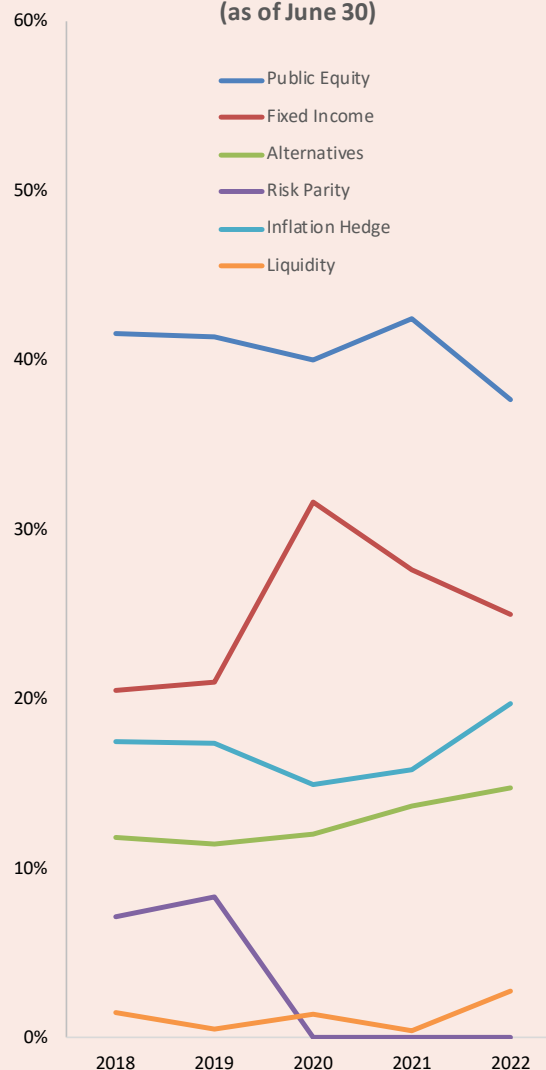
As of June 30, 2022, SamCERA's target asset allocation consists of 41% in public equity, 28% in fixed income, 13% in alternatives, 17% in the inflation hedge, and 1% in the liquidity asset class. The actual asset allocation at fiscal year-end consisted of 37.7% in public equity, 25.0% in fixed income, 14.8% in alternatives, 19.7% in inflation hedge, and 2.8% in the liquidity asset class.

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
<b>Total Net Portfolio Value</b>	<b>\$ 5,345,205,862</b>

## Investment Performance



## Actual Asset Allocation (as of June 30)



## 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.

## PORTFOLIO CHANGES

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 in the Asset Allocation Policy are summarized in the Performance Driver View below.

- 1% increase to private equity and a corresponding 1% decrease to public equity.
- Addition of a 1.5% allocation to a short-term cash flow match liquidity portfolio, funded from core fixed income.
- 1% increase to public real assets (infrastructure) and a corresponding 1% decrease to core fixed income.



### Asset Allocation Policy: Performance Driver View

	Old Long-Term Policy	New Long-Term Policy	Change (%)
<b>Growth</b>	<b>57.0%</b>	<b>57.0%</b>	<b>0.0%</b>
Public Equity	41.0%	40.0%	-1.0%
Private Equity	6.0%	7.0%	1.0%
Opportunistic Credit	10.0%	10.0%	0.0%
<b>Diversifying</b>	<b>26.0%</b>	<b>25.0%</b>	<b>-1.0%</b>
Core Fixed Income	18.0%	15.5%	-2.5%
Absolute Return	7.0%	7.0%	0.0%
Liquidity	1.0%	2.5%	1.5%
<b>Inflation Hedge</b>	<b>17.0%</b>	<b>18.0%</b>	<b>1.0%</b>
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%

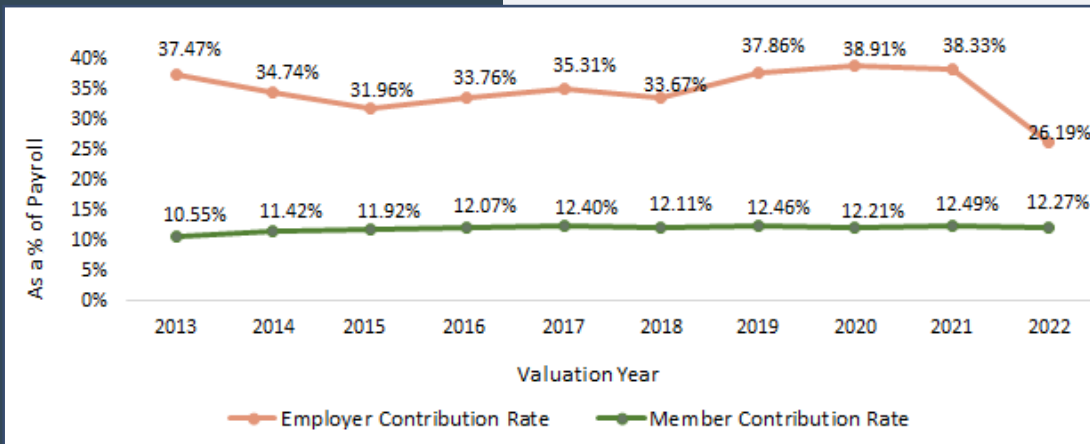
## LOOKING FORWARD

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.

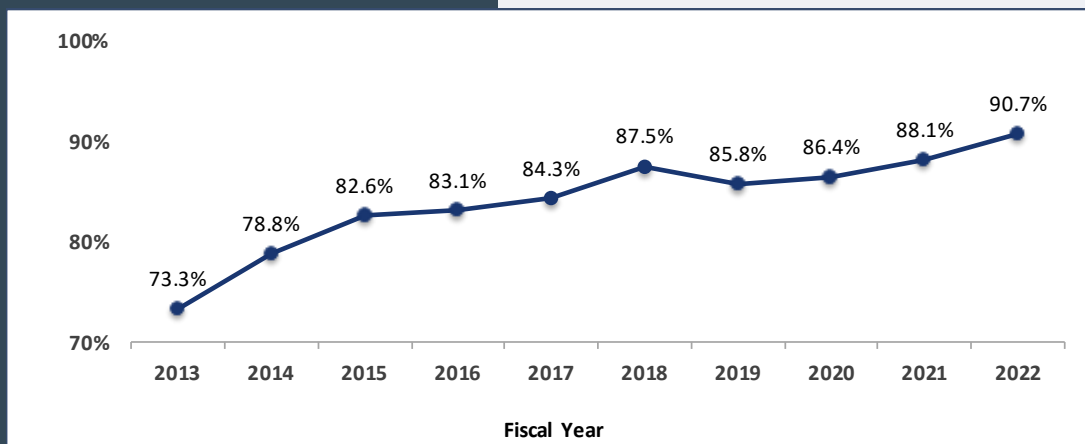
## FUNDING STATUS

SamCERA engages an independent actuarial firm to conduct an annual actuarial valuation. 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, which are subject to one-year deferral.

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 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.





Government Finance Officers Association

Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting

Presented to

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

For its Annual Financial Report  
For the Fiscal Year Ended

June 30, 2021

*Christopher P. Morill*

Executive Director/CEO

